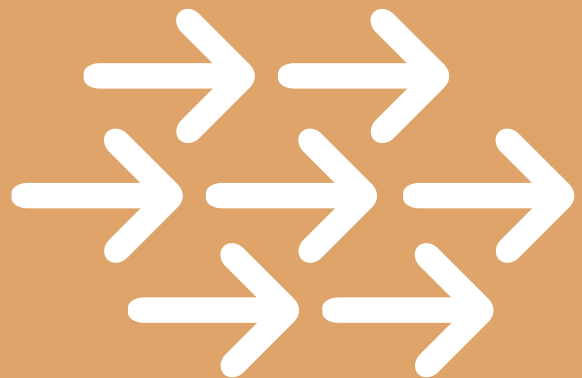


# dpe

Annual report 2010/11





## public enterprises

Department:  
Public Enterprises  
REPUBLIC OF SOUTH AFRICA

### Mr Malusi Gigaba

Minister of Public Enterprises

I have the honour of submitting the Annual Report of the Department of Public Enterprises for the period 1 April 2010 to 31 March 2011.

### Mr Tshediso Matona

Accounting Officer

Date: 31 July 11



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 PORTNET

NOELL



# uplift

"The SOEs will be critical in our efforts to improve our competitiveness, accelerate our infrastructure investment programmes and reduce the cost of doing business, thus laying the platform for long-term **growth.**"

**Malusi Gigaba, Minister of Public Enterprises**



# VISION, MISSION AND VALUES

## VISION

The aim of the Department of Public Enterprises (DPE) is to provide effective shareholder management of State Owned Enterprises (SOEs) that report to the Department and support and promote economic efficiency and competitiveness for a better life for all South Africans.

## MISSION

The SOEs 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 SOEs 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 and performance, investments and activities are in line with government's Medium Term Strategic Framework (MTSF) and the Minister's service delivery agreement.

In relation to Government's 12 Outcomes, the Department of Public Enterprises is contributing directly to creating an efficient, competitive and responsive economic infrastructure network (Outcome 6), which forms the basis of the delivery agreement, signed in October 2010, to which the Minister of Public Enterprises is a key party.

Over the medium term, the Department will focus on achieving the outputs and sub-outputs that are linked to the Outcome and contained in the Agreement. These are:

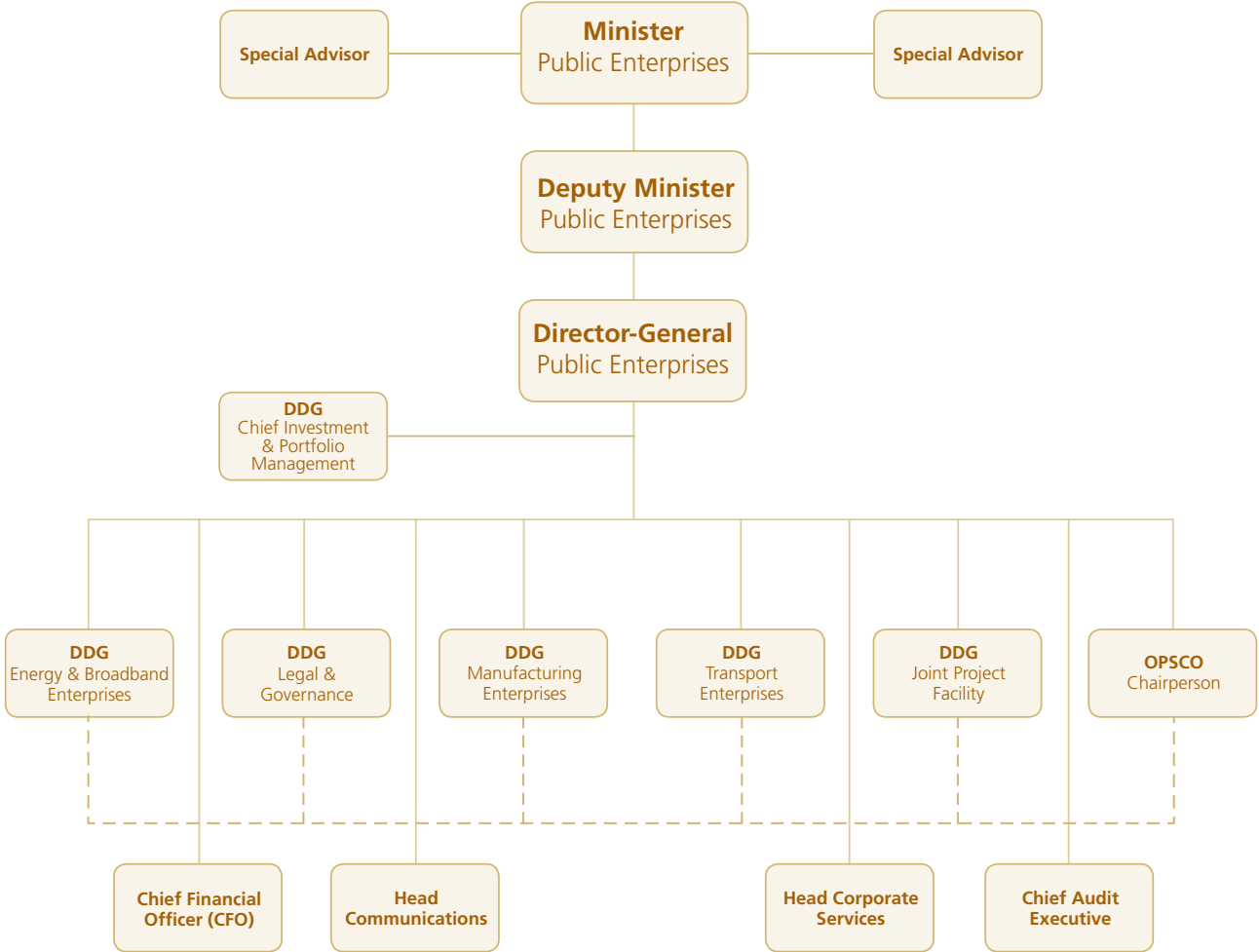
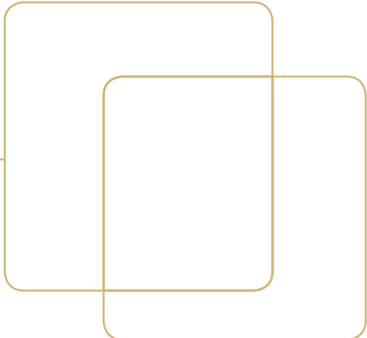
- Improving the delivery and maintenance of infrastructure and monitoring the rollout of the Transnet and Eskom build programmes
- Achieving policy and regulatory clarity in sectors in which the SOEs operate
- Improving the operational efficiencies of the SOEs, particularly in relation to the reliable delivery of rail and ports services and the reliable generation, distribution and transmission of electricity
- And developing operational indicators for each of the required sub-outputs identified as part of the delivery agreement. And where necessary including these in shareholder compacts concluded with the SOEs.

## 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 DPE 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 with our clients and other stakeholders.

# DPE HIGH LEVEL ORGANISATIONAL STRUCTURE



# LEGISLATIVE MANDATE

The Department of Public Enterprises is the custodian of the following legislation relating to its SOEs:

- a) Eskom Conversion Act 13 of 2001
- b) Legal Succession to the South African Transport Services Act 9 of 1989 (as amended)
- c) Management of State Forests Act 128 of 1992
- d) Alexkor Limited Act 116 of 1992 (as amended)
- e) The Overvaal Resorts Act 127 of 1993
- f) The South African Airways Act 5 of 2007
- g) The South African Express Act 34 of 2007
- h) Broadband Infracore Act 33 of 2007.

Overarching Legislation that has a direct bearing on the DPE includes *inter alia*:

- a) The Constitution of the Republic of South Africa, Act 108 of 1996
- b) The Public Finance Management Act 1 of 1999 (as amended)
- c) The Companies Act 71 of 2008
- d) The Promotion of Access to Information Act 2 of 2000 (as amended)
- e) The Promotion of Administrative Justice Act 3 of 2000 (as amended)
- f) The Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000
- g) The Labour Relations Act 66 of 1995 (as amended)
- h) Employment Equity Act 55 of 1998 (as amended)
- i) Skills Development Act 97 of 1998
- j) The Competition Act 89 of 1998 (as amended)
- k) The State Liability Act 20 of 1957 (as amended).

The Department of Public Enterprises did not table any legislation in Parliament during the 2010/11 financial year.





# ENTITIES REPORTING TO THE MINISTER

## Portfolio overview

Name of entity	Legislation that established the entity
Alexkor	Alexkor Limited Act 116 of 1992
Broadband Infraco	Broadband Infraco Act 33 of 2007
Denel	None
Eskom	Eskom Conversion Act 13 Of 2001
Pebble Bed Modular Reactor (PBMR)	None
South African Forestry Company Limited	Management of State Forests Act 128 of 1992
South African Airways	South African Airways Act 5 of 2007
South African Express Airways	South African Express Act 34 of 2007
Transnet	Legal Succession to the South African Transport Services Act 9 of 1989
Aventura	Overvaal Resorts Act 127 of 1993



### SOE | ALEXKOR

Alexkor mines diamonds in the Alexander Bay area and conducts marine mining and land mining. Alexkor confronts a number of business constraints, including the land claim which the Richtersveld Community previously filed against Alexkor and the State under the terms of the Restitution of Land Rights Act, 1994 for a portion of land situated in Alexander Bay. These developments have resulted in decreasing diamond recoveries over the years. Alexkor has showed significant improvements in financial performance in the past year, driven by improvements in carat production and carat price, coupled with reductions in expenses.

While continuing with mining activities in the current constrained economic context, Alexkor is focused on implementing the Richtersveld Land Restitution Order imposed on it by the Land Claims Court. The court order obliges Alexkor to transfer land and mineral rights to the Richtersveld Community, establish Alexander Bay as a formal township, undertake environmental rehabilitation, and establish a pooling and sharing joint venture with the Richtersveld Mining Company for future mining activities.

Significant progress has been made in the implementation of the Deed of Settlement signed in 2007. Alexkor's agricultural and maricultural assets have been transferred to the community. All Alexkor, State and Northern Cape Provincial land has been transferred, except for the township erven. Subdivision and zoning of the township has been conducted and the general plan has been approved. Transfer of the township will be affected soon. The upgrade of the township civil and electrical engineering services to municipal standards has commenced and is expected to be completed by July 2011. Alexkor's land mining rights were transferred to the Richtersveld Community in early April 2011. The transfer of the land mining rights to the community paves the way for the development of a more viable mining venture, the pooling and sharing joint venture between Alexkor and the Richtersveld Mining Company.

To ensure that Alexkor operates on a commercially viable basis and contributes towards the socio-economic upliftment of the regions in which it operates, there has been a redirection of Alexkor's strategy. Alexkor has been mandated to explore opportunities to procure new mining ventures to secure new revenue streams and ensure its future growth. Alexkor will also explore opportunities for downstream beneficiation to contribute to the creation of new jobs, development of requisite skills, investment in research and development, economic growth, sustainable development and cost-effective support for the broader policies of government. This new strategy will ensure the company's long term viability, enabling it to effectively address its environmental rehabilitation and other liabilities whilst contributing to the socio-economic development of the region. Efforts will be prioritised to sustain employment creation in the mining value chain in support of the NGP.

## GENERAL INFORMATION



### SOE | BROADBAND INFRACO

Broadband Infraco has developed plans to undertake its National Long Distance (NLD) network expansion in all nine provinces involving a total capital expenditure programme of approximately R2 billion over the next five years. Broadband Infraco completed the development of its product and launched its service offerings to customers on 18 November 2010. Apart from having access to Neotel's Points of Presence (POP), Broadband Infraco managed to build its own open-access POP sites that allow other entities to connect and provide services on a broad basis. The new POP sites are located in the following data centres: Gauteng (Isando and Midrand), Cape Town (Rondebosch) and Durban (Umhlanga Rocks).

In order to ensure regional interconnect to its NLD network, Broadband Infraco implemented network extensions to provide fibre optic connectivity to the neighbouring countries of Botswana, Lesotho, Mozambique, Namibia, Swaziland, and Zimbabwe. The landing of the West African Cable System (WACS) in Yzerfontein (Western Cape) in the first quarter of 2011 is a major milestone for Broadband Infraco to ensure international connectivity. The installation of the terminal equipment and the testing of the cable will mark the completion of the project, which is scheduled to be ready for service in the third quarter of 2011.



### SOE | DENEL

Denel, the state-owned arms and original equipment manufacturer has suffered from sub-optimal performance for many years due to a decrease in local defence spending. Although Denel has made some progress since the company embarked on a turnaround strategy in 2005, the solvency position of Denel continues to pose serious challenges.

Denel Saab Aerostructures (DSA) continues to be the major contributor to the entity's losses. This is largely as a result of the A400M contract concluded with Airbus Military which is not commercially viable. A framework for the resolution of DSA has been developed and is underway. Whilst the trading losses in Denel's other trading entities have been brought down, with most showing positive results, there still remain challenges in some of Denel's business entities. A more robust turnaround plan that pursues financial recovery and stability through improvements in its operational and financial performance is being developed to secure the company's long term viability.

In the main, the current mandate of Denel is still relevant as it points to the company being a strategic state asset that provides the Department of Defence with key strategic defence equipment and services. However, globally and locally, cutbacks in defence budgets may be seen in the lower turnover figures for companies specialising in defence. The reduction in orders for the defence industry has been reflected by a contraction of activity and has led to an unbearable rise in production costs due to reductions in economies of scale. Given the downward trends in local defence spending, Denel must increasingly rationalise defence production, while concentrating on its competitive strengths. Denel must pare back its product lines, collaborate with other firms that have complementary technological assets and focus on poles of excellence where it enjoys the technical or market advantage.

One of the key elements of the 2005 turnaround plan was that Denel must enter into partnerships with global defence companies. This was to embed Denel's capabilities into global supply chains, increase market access and to ensure skills and technology transfer to South Africa. In this way, Denel can gain access to foreign defence markets while preserving its competitive strengths. To date, Denel has concluded four equity partnerships. Denel needs to explore other collaboration models such as marketing alliances and technology joint ventures to achieve similar objectives.

The completion and handing over to the South African Air Force of the fully certified Rooivalk combat helicopter by Denel Aviation in April 2011 was a momentous development and proof of technological growth in South Africa. The Rooivalk helicopter was under development for over 25 years. The aircraft will strengthen the country's strategic capability, particularly in peace-keeping missions on the continent. Denel Aviation as the original-equipment manufacturer of the Rooivalk will continue to provide the critical product system support for the aircraft.

The advanced industry results in networks of skills and technologies being created in order to deliver the high technology products and/or services. During this process, there is a significant multiplying effect as the newly created skills and knowledge are provided to other firms in related industries. In addition to the skills and technology development, a commercial product is being produced which creates revenue and a sustainable learning environment. Coupled with pursuing financial recovery and stability, Denel's turnaround will be geared towards accelerating skills development and transformation. The company must generate skills across the full spectrum, ranging from artisan level to engineers and high-tech technologists. These improvements in education and skill levels will help achieve the goals of the NGP.



**SOE** | ESKOM

To overcome the governance challenges that have continued to impact on Eskom's reputation, the Chairperson of the Board and the Chief Executive were appointed. These critical appointments brought stability to Eskom and helped build the confidence of investors in the ability of Eskom leadership to implement the build programme, with the new leadership team focusing on operational efficiencies. Eskom is now a more stable organisation that drives government objectives on job creation, localisation and other strategic interventions that need SOEs as catalysts.

Eskom's build programme, together with the introduction of Independent Power Producers (IPPs), will be critical in ensuring that South Africa's electricity needs are met, thereby supporting the growth and development objectives of the country. The investment by Eskom includes, among other things, the building of new electricity generation capacity, the return to service of previously moth-balled coal-fired power stations and the expansion of the national transmission network.

The build programme not only provides a firm base for the growth of the South African economy, but will also feed through significant benefits to the nation. The impact of the build programme will also continue to support regional economic development.

The capital expenditure for Eskom's three largest new build projects (Medupi, Kusile and Ingula) ranks among the world's largest construction projects and will represent the most ambitious infrastructure investment South Africa has ever undertaken. In November 2010 Cabinet noted the proposed hybrid-funding solution comprising the R20 billion equity injection to Eskom and R174 billion additional guarantees, bringing the total guarantee framework to R350 billion. The funding solution will enable Eskom to complete the current build projects, which is critical as it will contribute substantially towards the security of South Africa's electricity supply, macro economic growth targets as well economic development objectives. These projects are expected to come online between 2012 and 2017.

As a result of the Government Support Package, Eskom was able to issue a US Dollar bond and raise R12 billion, without the utilisation of a government guarantee. The conclusion of the Clean Technology Fund financing package, supported and co-financed with other development finance institutions is under way.

Eskom has fast tracked procurement of power through its medium term power procurement project (MTPPP). To date 373 mega watts (MW) has been signed by Eskom with Independent Power Producers. Eskom's Demand Side Management and Energy Efficiency Programme is critical to managing the country's growing demand and will be critical to ensure that the energy intensity of the economy is stabilised to ensure security of supply.

Eskom has made strides to improve the operational performance of the current fleet of power stations, helping to steer the economy towards recovery. Even though the company experienced some financial constraints and coal quality issues, it was able to ensure no load shedding, as evidenced by an improved reserve margin which is at an international acceptance level of 15%. The hosting of the 2010 FIFA World Cup™ was supported by an uninterrupted supply, which was based on Eskom and was jointly managed with host cities.



**SOE** | PEBBLE BED MODULAR REACTOR (PBMR)

As PBMR had hitherto failed to secure an investor or partner (coupled with fiscal constraints), government reviewed all available options to optimise the value of the investment made in PBMR to date and decided to place PBMR into "care and maintenance" to protect and preserve PBMR's intellectual property (IP) and assets.

## GENERAL INFORMATION

The key area of focus of the year under review was the implementation of the “care and maintenance” programme following Cabinet approval in August 2010. The “care and maintenance” programme will be implemented in three phases. The first phase has been completed which involved the rationalisation process to reduce the employee complement to nine individuals. Phase Two entails the handover of the “care and maintenance” company to the designated host company.

Work is well underway on the selection of the host company, on placing information (contracts, agreements, reports and records) into safe keeping as well as the actual handing over of the company to the host company. Phase Three is the final phase of the implementation of the “care and maintenance” programme, the actual preservation of the IP which will be the focus area in the coming years.

No further funds have been committed by government, except for R60 million which has been allocated pursuant to the statutory requirement for decommissioning and dismantling of the Fuel Development Laboratory by the company. R20 million has been disbursed in the 2010/11 financial year and R40 million will be disbursed in the 2011/12 financial year.



### SOE | SOUTH AFRICAN AIRWAYS (SAA)

The aviation industry increased profitability following signs of recovery in the 2010/11 financial year. This recovery was as a result of consumption-led world growth. However, the increase in oil prices in the last few months of the 2010 calendar year and the impact of the recent political developments in the Middle East on oil prices have impacted somewhat negatively on the financial performance of SAA. This together with the high increases in Airports Company of South Africa (ACSA) navigation and landing fees will impact on SAA profitability for the 2010/11 financial year. Notwithstanding this, indications are that the airline will report a profit albeit not as high as the previous year.

SAA has a clear mandate to be an African airline with global reach and has a strategic role to provide air services to major business, trade and tourism markets. The airline confronts the strategic imperative to operate optimally and sustainably, and to deliver on shareholder expectations. SAA continues to seek new profitable opportunities on the continent and has plans to expand SAA Technical Maintenance operations in the region.

South African Airways, as a State Owned Enterprise, will support the Government’s New Growth Path policy objectives without compromising its financial sustainability objectives. Particular areas of focus are job creation in specialist and technical areas. The airline has prioritised the training and up-skilling of artisan trainees and cadet training, and seeks to enhance its training capacity through establishing strategic partnerships and the use of Sector Education and Training Authority (SETA) such as the Transport SETA.



### SOE | SOUTH AFRICAN EXPRESS AIRWAYS (SAX)

SA Express operates in the domestic and regional markets as a profitable entity, but is increasingly impacted on by increases in fuel prices and operational charges. The airline has grown its fleet in the current financial year by an additional three aircraft, thus becoming the largest Bombardier operator on the continent with a fleet of 27 (comprising a mixture of turbo-props and Jet aircraft).

Over the next few years SAX will embark on a fleet replacement programme to ensure it remains competitive and continues to offer a very attractive offering to its target market. Most notably, in 2010 the Board, with the support of the Shareholder Minister, appointed Mr Inati Ntshanga as the new Chief Executive Officer thereby providing the business with leadership and management certainty.

In support of the NGP objectives SA Express has embarked on a robust cadet training programme with the establishment of the MACH I and MACH II training programmes at the 43rd Flight School in the Eastern Cape, and plans to increase the number of internship and apprenticeships in airline operations and technical maintenance division.

**SOE** SOUTH AFRICAN FORESTRY COMPANY LIMITED (SAFCOL)



A review of the future role of SAFCOL has been initiated with particular focus on the role SAFCOL can play in rural development, as part of a process to review Cabinet's decisions in 1997 and 2007 to privatise Komatiland Forests and wind up SAFCOL. The effects of fire damage in 2007 and 2008 in addition to the economic downturn and lagging residential construction sector have had a negative impact on SAFCOL's operations. While not dependant on the fiscus, SAFCOL has been reliant on cash reserves and limited usage of debt finance.

SAFCOL recently submitted a Business Turnaround Strategy to the Department which is currently being assessed in order to ensure ongoing financial and commercial viability and a continued developmental role. The financial year 2010/11 indicates a pre-audit loss, however, based on the corporate plan the 2011/12 financial year is expected to show a profit.

The Department of Rural Development and Land Reform is currently finalising its position on an alternative model for the minority share transfer and community benefit. Effective and expeditious resolution of the land claims process remains important to SAFCOL's business operations and DPE is working to enhance coordination with the Departments of Rural Development and Land Reform; Agriculture, Forestry and Fisheries; Public Works and other key stakeholders.

SAFCOL has set out an ambitious plan in support of the NGP, however this will to a large extent be contingent on decisions around SAFCOL's strategy in the forestry sector and commercial viability considerations.

**SOE** TRANSNET



Transnet is the custodian of strategic transport infrastructure and operations in South Africa. The Department is committed to supporting Transnet's strategic mandate to assist in lowering the cost of doing business in South Africa, enable economic growth, ensure security of supply and provide appropriate ports, rail and pipeline infrastructure in a cost effective and efficient manner.

In November 2010 a new Transnet Board of Directors and Chairman was appointed to address the skills gaps and strengthen the effectiveness of the board in responding strategically to changing economic circumstances. Following an extended vacancy period, the appointment of a new Group Chief Executive in February 2011 ensured that the company was put on a solid footing.

In the past five years Transnet has invested over R70 billion in infrastructure development and plans to invest a further R110 billion in the next five years. The continuous challenge is to ensure that the nature and magnitude of the capital expenditure (capex) investment is aligned to national objectives. The impact of Transnet's investments on the cost of business, market share and efficiency gains in the operations of the business are beginning to show results. By December 2010 productivity gains included locomotive availability of greater than 89% and wagon reliability of greater than 94%.

Given the level and nature of investment required to sustain the economy into the future it has become necessary for Transnet to explore new and innovative methods to fund infrastructure. In this regard Transnet is developing a Private Sector Participation Framework that will guide the participation of private capital and operators in the Transnet environment. This framework is currently being assessed by the Department for approval.

In line with the requirements of the NGP, Transnet has planned several interventions to accelerate skills development.

Key interventions by Transnet to the NGP include: increased utilisation of well-equipped training facilities to increase the capacity of artisans, technicians and engineers.

Transnet aims to stimulate and drive direct and indirect employment through its capital and operational spend programme whilst simultaneously promoting localisation and industrialisation.





“SOEs are extremely strategic instruments in the context of the unfolding South African developmental state – to drive growth in the economy, lead to the **development** of local technological, industrial and manufacturing capabilities, and lead to skills development.” **Malusi Gigaba, Minister of Public Enterprises**

strength



## MINISTER'S STATEMENT

**DPE's contribution to the NGP's target to create 5 million jobs over the next decade will require that the Department strengthens its oversight role as a shareholder representative, as well as to provide bold, decisive and innovative leadership to SOEs. MALUSI GIGABA**

The tabling of the Department of Public Enterprises' (DPE) annual report for 2010/11 affords us an opportunity to reflect on our performance over the past year and to gear ourselves up for DPE's key role in the pursuit of the government's goals as outlined in the (NGP) and the Industrial Policy Action Plan (IPAP).

In essence, the NGP and IPAP have placed the DPE at the centre of the new infrastructure investment drive, which is critical to industrial growth and the transformation of the economy and to job creation and skills development.

DPE's contribution to the NGP's target to create 5 million jobs over the next decade will require that the Department strengthens its oversight role as a shareholder representative, as well as to provide bold, decisive and innovative leadership to SOEs.

A strong DPE will contribute to better performing SOEs by providing them with strategic leadership and more effective oversight. In this regard we have given the utmost priority to stabilising leadership and management, both in the DPE and in the SOEs. Following soon after the speedy appointment of the Board of Transnet, we appointed Tshediso Matona as our new Director-General in January 2011, and tasked this experienced public official to look at the capacity of the DPE and to ensure alignment with the vision, strategic objectives and programmes of this administration.

We also tasked the Transnet Board with initiating the process to fill the vacant post of Group Chief Executive, which resulted in Brian Molefe being appointed in this position. All CEO positions in the SOEs under DPE have now been filled with the exception of Broadband Infraco whose CEO resigned in March 2011, to which we responded by seconding a DPE Deputy Director General (DDG), Dr Andrew Shaw, to be Acting CEO temporarily.

We have also started to fill the vacancies identified as critical and budgeted for, and in other instances, have re-evaluated posts and re-aligned them with the DPE strategy, a process we should complete during the 2011/12



financial year. We have solicited the support of the Department of Public Service and Administration to ensure that this complex capacity and organisational review and re-alignment exercise is completed with the necessary expertise and urgency.

Transnet and Eskom form the central axis of government's massive infrastructure investment programme. Transnet has a capital investment programme of R110 billion over the next years, while Eskom through the building of the Kusile and Medupi power stations are expected to invest over R549 billion.

These two programmes are closely monitored by the shareholder to ensure that they adhere to the Competitive Supplier Development Programme (CSDP) which is the government's effort to leverage SOEs to develop the local supplier industry and reduce the import content of capital and associated operational expenditures.

We have achieved tremendous progress with regard to South African Airways (SAA), and were able to commence with its fleet renewal programme as we took delivery of the A330-200 Airbus aircraft. South African Express Airways (SAX) continues to be a profitable airline, in addition a decision was taken to withdraw from the Congo Express Joint Venture.

Denel has been faced with enormous balance-sheet challenges, mainly associated with its subsidiary, Denel Saab-Aerostructures (DSA) and efforts are underway to turn this organisation around. We proceeded with the winding up of the Pebble Bed Modular Reactor (PBMR) and Aventura, whilst continuing to address the challenges faced by SAFCOL and Alexkor.

Against the backdrop of these efforts, we remain conscious of the thousands of school and university school leavers who for various reasons are not able to join the workforce, attain skills or pursue university education. The DPE is looking at ways to address this challenge with the creation of a Youth Development Unit to work closely with the SOEs to try address some of these challenges.

In terms of Sections 65 (1) (a) and (2) of the Public and Finance Management Act, 1999 (Act No 1 of 1999), as amended, it is a privilege to table the Annual Report and Financial Statements of the DPE in Parliament.

I would like to thank the Deputy Minister, Dikobe Ben Martins, for his support and commitment to the task we were assigned by the President.

I would also like to extend my thanks to the Director-General (DG), Tshediso Matona, who has been able to provide continuity to the work of the DPE, and to thank, his predecessor, the Acting DG, Dr Andrew Shaw, and the entire DPE staff. Dr. Shaw steadied the DPE ship during a difficult time, while the new DG has been able to hit the ground running.

Furthermore, we extend our sincerest gratitude to the Chairpersons, Boards and CEOs and staff of the SOEs for their diligence in discharging their responsibilities.



**Malusi Gigaba**  
**Minister: Department of Public Enterprises**





### DEPUTY MINISTER'S STATEMENT

The performance of State Owned Enterprises (SOEs) has to date been driven by each of the SOEs unique set of circumstances. While a great deal has been achieved in the period under review, more challenging tasks lie ahead for the Department and SOEs reporting to our Department. **DIKOBE BEN MARTINS**

I welcome the opportunity to reflect on the work of the Department of Public Enterprises for the financial year period that has just ended.

The Annual Report of the Department of Public Enterprises' sets out the activities of the Department over the past year including progress against targets as well as key achievements for the 2010/11 financial period.

The report will confirm that during the period under review, the Department has had a number of priorities, and made significant progress in most areas. The performance of State Owned Enterprises (SOEs) has to date been driven by each the SOEs unique set of circumstances. While a great deal has been achieved in the period under review, more challenging tasks lie ahead for the Department and SOEs reporting to our Department.

#### **Portfolio overview 2010/11**

With regard to the disposal of our non-core assets such as Aventura resorts, we have initiated all the necessary preparations to wind up the company by way of an expeditious process.

In the mining sector, Alexkor has the challenge of sustaining its performance as a financially viable company whilst a process of transferring ownership rights for mineral resources and land to the Richtersveld Community is concluded.

In addition, it is critical that the company continues to play a decisive developmental role in its areas of operation. We need to develop methodologies to ensure that economic activity is retained and expanded and we feel confident that we will achieve this goal in the case of Alexkor. We are developing a pooling and sharing joint venture with the Richtersveld Mining Company for future mining activities.

Over the coming year, Alexkor will explore opportunities for new mining ventures to secure new revenue streams and ensure its future growth. Alexkor will also be exploring opportunities for downstream beneficiation to contribute to the creation of new jobs in the area, contribute to skills development and continue with its employment creation outreach activities

With regard to the forestry sector and within the context of a weak residential construction sector and lagging economic growth, the past financial year has been a challenging one for the South African Forestry Company Limited (SAFCOL). However, it is envisaged that the 2011/12 financial year will show a modest profit in line with projected macro-economic improvements. A Turnaround Plan has been submitted to the Department to ensure improved commercial sustainability and ongoing support for rural development projects in areas in which the company operates. The past year has also seen significant changes in SAFCOL's Board representation.

The Department is in the process of finalising a position on the future role of SAFCOL which will assist in providing certainty for the business and direction for the company's operations.

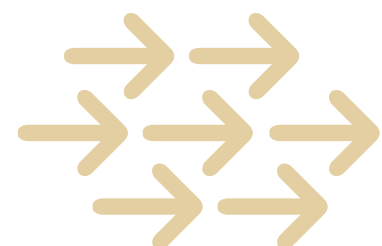
A process is underway to ensure the disposal of the remaining shareholding in four associate forestry companies from previously privatised packages to surrounding communities. Efforts are also underway to expedite the resolution of land claims affecting Komatiland Forest's operations.

In the energy sector, the Pebble Bed Modular Reactor (PBMR) project has been placed under "care and maintenance" to protect and preserve its valuable intellectual property and assets. In that regard, we have commenced with an intellectual property (IP) capability audit to review PBMR's IP to date. This will entail a retrospective high-level review of the PBMR project in order to ascertain and capture the lessons learnt from the investment made into the project and how the full investment was allocated and subsequently spent. The Department of Science and Technology (DST) has progressed significantly in its processes to conduct a capability audit of the Intellectual Property and performing a skills audit in light of a nuclear programme as announced in the Integrated Resource Plan.

Finally, I thank Minister Gigaba for his leadership, senior management and officials of the department for their work as reported here, and for the support they extended to me and the Minister upon our arrival in the DPE. In the coming year, as a shareholder Department, we will continue to ensure that SOEs are progressively aligned with government's strategies and priorities and adhere to the DPE's current governance framework, namely, the strategic intent statements, the shareholders compacts and corporate plans.



**Dikobe Ben Martins**  
Deputy Minister: Department of Public Enterprises





### ACCOUNTING OFFICER'S OVERVIEW

The DPE plays a vital role in the economy, through its portfolio of SOEs. Given its critical role of providing shareholder management oversight to some of the biggest SOEs, it is paramount that, among other things, the necessary capacity is developed in the Department and that a committed and stable leadership is in place. **TSHEDISO MATONA**

In tabling of the 2010/11 Department of Public Enterprises (DPE) Annual Report the Department reflected on its performance in the period under review, with a view also to strengthen our plans for the future.

The DPE plays a vital role in the economy, through its portfolio of SOEs. Given its critical role of providing shareholder management oversight to some of the biggest SOEs, it is paramount that, among other things, the necessary capacity is developed in the Department and that a committed and stable leadership is in place.

Having experienced a significant period of leadership transitions the appointment of a new Minister and Deputy Minister in November 2010, followed by the appointment of a Director-General in January 2011, are positive for the Department, and place it on a firmer footing to carry out its mandate. The filling of critical vacancies within the Department is also receiving the priority attention of the new leadership at DPE, and in addition we are reorganising the structure of the DPE to better align it with the objectives and priorities of government, as outlined in the NGP, the Industrial Policy Action Plan, and other policy statements.

The SOEs have not been without their own leadership challenges. Two of our biggest, Eskom and Transnet, now have stable leadership at the helm, which allows them to fully focus on delivering on their mandates and immediate plans.

Our aim is to continue improving the governance of the SOEs in the year ahead and beyond, building on the frameworks and tools DPE has developed thus far. We will also ensure that the SOEs are equipped to tackle bigger, more strategic challenges over the longer term, and to thereby play their role as instruments of industrial policy more efficiently.

The Minister has provided a clear vision to us and to the SOEs in the DPE fold. The Minister's undertaking to provide active, hands-on leadership to the SOEs will challenge the Department to support this approach. This requires that the DPE as the monitoring "tool" is properly positioned and capacitated to carry out this role which includes: improving the monitoring of corporate plans and shareholder compacts, board and management performance, and in general to hold the SOEs to account.

We look forward to the outcomes of the process being undertaken by the Presidential Review Committee (PRC), which we hope will provide greater clarity on the role of the State as a shareholder, and propose ways in which it can be consolidated and strengthened in line with the policies, strategies and priorities of government.


The SOEs are integral to the objectives set out in Government's NGP and the Industrial Policy Action Plan, as well as to the Delivery Agreement with the President to which the Minister of Public Enterprises signed in 2010.

These strategy documents set out quite clearly what role the SOEs, particularly those involved in the provision of network infrastructure, must play in advancing industrialisation, economic growth and job creation, and the Minister's deliverables in this regard. The new leadership at DPE understand very well the strategic, organisational, governance and leadership implications and challenges related to this expected role of SOEs, and are fully seized with required changes and actions in this regard.

As we embark on these challenging and exciting endeavours it is pleasing to note that once again the Department received an unqualified audit in the 2009/10 financial year, which is testament to the DPE's commitment to high standards of governance and performance. We will continue to build on past achievements, while seeking new, innovative ways to enhance our shareholder management oversight.

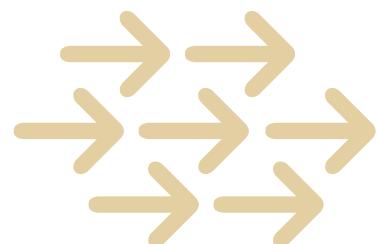
I would like to thank the Minister and Deputy Minister for their clarity of vision, their confidence in me and in the staff of the DPE. I am also grateful to the senior management and staff of DPE, who have made my transition to the Department seamless, and displayed impressive professionalism, hard work and commitment.

It gives me great pleasure to table the 2010/11 Annual Report.



**Tshediso Matona**

**Director-General: Department of Public Enterprises**





# soar

"... there is a need to move beyond mere talk and embark on specific youth-targeted interventions that can and will make a real dent on the situation of youth (unemployment) and reverse their lack of skills, joblessness and lack of broader economic **opportunities**. SOEs can and must play a major role in this regard, particularly in relation to skills development."

**Malusi Gigaba, Minister of Public Enterprises**



# STRATEGIC OVERVIEW



## OVERALL PERFORMANCE

The Department of Public Enterprises (DPE) is the shareholder ministry, on behalf of government, responsible for ensuring that the SOEs reporting to it, operate efficiently and effectively, and deliver on their respective mandates. The Department's primary objective is to ensure that the State's shareholding in these enterprises is financially sustainable and delivers on government's strategic objectives.

During the year under review the Department experienced some instability due to leadership changes at the political and management level. The Department is settling down after the appointment of the Minister and the Deputy Minister in November 2010 and of the Director-General in January 2011. The new leadership have given focus and priority to capacity and related challenges in the DPE, in the context of DPE's mandate and strategic role.

### *Revised vision statement*

The Strategic Overview contained in the 2010 Estimates of National Expenditure outlined the Department's approach of "actively engaging with stakeholders, within and outside government, so that the role of each SOE is aligned with broad economic policies and strategies, and to ensure that sectoral policies and regulations support this alignment."

Over the financial year, the key policy and strategic initiatives were concretised, mainly being the IPAP, the NGP and the outcomes-based Cluster Delivery Plans all of which are focused on employment creation, industrialisation and infrastructure development, amongst other priority challenges.

Guided by these policies and strategies and given the centrality of the infrastructure of State Owned Enterprises to enabling investment and job creation in both their customer and supplier sectors, the Department reviewed its vision as follows: **"To drive investment, efficiencies and transformation in its portfolio of State Owned Enterprises, their customers and their suppliers to unlock growth, create jobs and develop skills."**

The Department will base its contribution to the objectives and priorities of the abovementioned strategies on this vision, and as part of, in particular, the Infrastructure Cluster of Government Departments, in which the DPE is co-chair.

### *Revised approach to shareholder management*

As per the strategic intent expressed in the 2010 Expenditure Estimates, the Department has made great strides in the implementation of its shareholder management model. The model provides a mechanism for integrating the State's strategic objectives with the SOEs planning and reporting processes, without compromising the commercial integrity of the enterprise.

The Department has entrenched the process of designing, agreeing and monitoring shareholder compacts and has developed an electronic dashboard to assist in this process. This approach was based on the acceptance that enterprise planning was fundamentally circumscribed by what investments would be affordable on the balance sheet. However, given the massive infrastructure deficit caused in particular by limited investment between 1994 and 2004, such an approach would not be able to respond effectively to the national economic challenges and priorities. In order to address this challenge, the Department is adjusting its approach to shareholder management in the areas of planning, funding, supplier development and productivity improvement.



## KEY ACHIEVEMENTS AND PROGRESS ON OBJECTIVES

All statutory shareholder functions including the evaluation of the SOEs corporate plans, development of shareholder compacts (including shareholder strategic intent statements), quarterly and annual reporting, as well as approval of significant and material transactions were achieved.

### Energy

The Department continuously monitored the delivery of new energy generation capacity focused on Eskom's capacity expansion programme as well as explored the financing options thereof. Eskom's generation capacity was monitored by examining its maintenance and operational practices, distribution efficiency and the reserve margin on a quarterly and annual basis.

Subsequent to Cabinet's decision to close down the Pebble Bed Modular Reactor (PBMR) the Department facilitated the implementation of the "care and maintenance" position which the decision requires PBMR to be placed in.

### Broadband

A service provider was appointed to perform an assessment of the positioning of Broadband Infraco within the telecommunication market (both nationally and internationally). This exercise will ensure that Broadband Infraco's business case is aligned with its statutory mandate of providing accessibility to affordable broadband services across the country.

The Department undertook interventions to ensure that Infraco establishes and implements business processes, organisational controls, compliance and governance practices, as per the PFMA and audit requirements.

### Legal

The Department continued to manage the final tracing and disbursement of benefits to identified beneficiaries of the Diabo Share Trust.

The winding up of Aventura has been delayed as a result of, amongst others, incorrect property descriptions resulting in the need to enter into a new agreement with the purchaser of the resorts, as well as land claims and litigation by parties with vested interests in the disposal. To ensure that the winding up is not delayed any further, the Department has decided to wind up Aventura by way of a liquidation process.

The report and recommendations of the review of the Remuneration Guidelines for Non-Executive and Executive Directors of State Owned Enterprises was submitted to the Department in December 2010 and was presented to Cabinet for consideration. Subsequently, Cabinet mandated the Minister of Public Enterprises to conduct further consultations before a final Remuneration Model is approved.

### Defence

Engagement with Denel and the National Treasury has taken place regarding effective implementation of Denel's turnaround strategy with a particular focus on cost cutting and revenue growth as well as the enterprise's interim financial sustainability. Particular focus was dedicated to the development of a framework for the resolution of the financial and sustainability challenges of Denel Saab Aerostructures. A roll-over of guarantees amounting to R1.85 billion has been secured as interim support to Denel.

### Forestry

The negative impact of the economic downturn, compounded by losses from fires in previous years posed critical challenges to SAFCOL prompting the need for a business turnaround plan and a review of the SAFCOL Board. The Department initiated work on SAFCOL's future role for consultation with other key role-players. The purpose is to ensure enhanced financial and commercial viability and developmental contribution in light of the role SAFCOL can play in the rural areas in which it operates.

### Transport

Major achievements in the rail and port sector included significant progress in the implementation of the National Corridor Performance Measurement (NCPM) on the coal, iron ore, manganese bulk export lines and the completion of the first release of the IT portal of the NCPM system.

## INFORMATION ON PREDETERMINED OBJECTIVES

In addition, the Department finalised Phase 1 of the rail reform study to inform the emerging rail policy options by the Department of Transport. Most notably, under the auspices of the Competitive Supplier Development Programme (CSDP), Transnet received the first two diesel electric locomotives of the 100 arising from the GE transaction.

In Aviation, South African Airways approved the Airbus transaction and took delivery of the first A330-200 in February 2011 and the South African Airways Technical (SAAT) business plan and the feasibility study of expanding SAAT as a regional maintenance and repair facility were completed.

### Cross cutting initiatives

A Policy for Programmatic and Transactional Procurements was developed, as was a strategy and business plan for a Centre of Excellence for complex capital procurements with support interventions defined for locomotive fleet procurement. The Locomotive Procurement Pre-feasibility Study was completed during the year.

The Department has established processes to align the Further Education and Training (FET) National Certificate Vocational (NCV) curricula for industry requirements, in collaboration with the Department of Higher Education and Training (DHET), for welding and electrical artisan trades. The DPE/DHET process will enhance support to SOEs to increase the national pool of artisan learners.

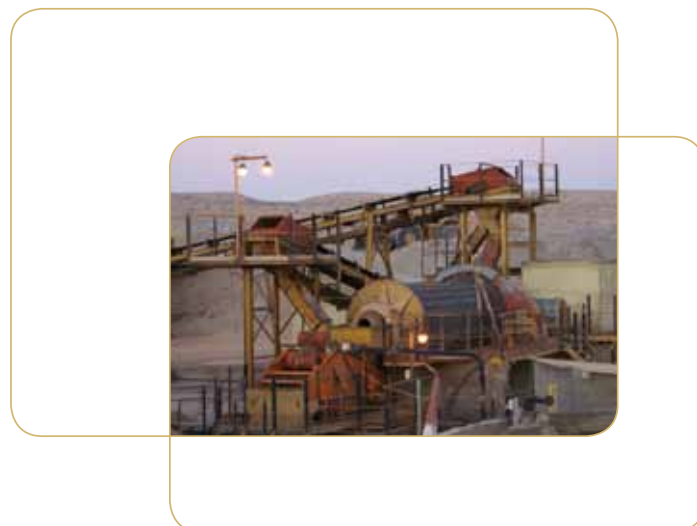
Further details of the above achievements are contained in the performance reports of each programme

### VOTED FUNDS

Main appropriation	Adjusted appropriation	Actual amount spent	Under expenditure
R'000	R'000	R'000	R'000
350 590	555 549	540 001	15 548
Responsible Minister	Minister of Public Enterprises		
Administering Department	Department of Public Enterprises		
Accounting Officer	Director-General of Public Enterprises		

### AIM OF VOTE

The aim of the Department of Public Enterprises is to provide effective shareholder management of State Owned Enterprises that report to the Department, and support and promote economic efficiency and competitiveness for a better life for all South Africans.



## SUMMARY OF PROGRAMMES

The activities of the Department of Public Enterprises are organised in the following Programmes:

- Programme 1: Administration
- Programme 2: Energy and Broadband Enterprises
- Programme 3: Legal, Governance, Risk and Transactions
- Programme 4: Manufacturing Enterprises
- Programme 5: Transport Enterprises
- Programme 6: Joint Project Facility.

The purpose of these programmes is reported per programme below.

### Programme 1: Administration

Purpose: Achieve the Department's strategic objectives by providing management, supporting functions and processes.

### Programme 2: Energy and Broadband Enterprises

Purpose: Aligns the corporate strategies and performance of Eskom, Pebble Bed Modular Reactor (PBMR) and Broadband Infracore with government's strategic intent and performance targets.

### Programme 3: Legal, Governance and Transactions

Purpose: Systems that align State Owned Enterprises (SOEs) with best practice and government's strategic intent.

### Programme 4: Manufacturing Enterprises

Purpose: Aligns the corporate strategies and performance of Denel and the South African Forestry Company Limited (SAFCOL) with government's strategic intent and performance targets. Develop proposals in terms of the State Owned Enterprises' role in developing an advanced manufacturing cluster.

### Programme 5: Transport Enterprises

Purpose: Aligns the corporate strategies and performance of South African Airways (SAA), South African Express (SAX) and Transnet with government's strategic intent and performance targets.

### Programme 6: Joint Project Facility

Purpose: Co-ordinate and develop cross-cutting projects that leverage the assets, and capabilities of the State Owned Enterprises to the benefit of the economy.

## KEY STRATEGIC OBJECTIVES/ACHIEVEMENTS

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

	Programme name(s)	Target	Achieved
		2010/11	2010/11
Number of shareholder compacts signed	Energy and Broadband Enterprises; Legal, Governance and Transactions; and Transactions; Manufacturing Enterprises; Transport Enterprises	9	8
Number of new corporate plans reviewed	Energy and Broadband Enterprises; Legal, Governance and Transactions; Manufacturing Enterprises; Transport Enterprises	9	8
Number of quarterly financial reviews	Energy and Broadband Enterprises; Legal, Governance and Transactions; Manufacturing Enterprises; Transport Enterprises	36	32
Number of projects each year	Joint Project Facility	5	5

Variances:

Due to a cabinet decision to close down PBMR the achievements reflected for the Selected Performance Indicators did not meet the projections.

## INFORMATION ON PREDETERMINED OBJECTIVES

### OVERVIEW OF THE SERVICE DELIVERY ENVIRONMENT FOR 2010/11

Service delivery objectives and indicators are reported under each Programme.

#### **Achievements with regard to outcomes announced by the Department of Performance Monitoring and Evaluation:**

Outcome 6 is: "An efficient, competitive and responsive economic infrastructure network" and DPE's contribution is specifically with respect to Output 2 (Ensure reliable generation, distribution and transmission of electricity) and Output 3 (To ensure the maintenance and strategic expansion of our road and rail network, and the operational efficiency, capacity and competitiveness of our sea ports) dealing with energy and transport, respectively. Notwithstanding the late signature of the Delivery Agreement in October 2010, there is notable progress in the achievement of Output 3.

By 2010 Transnet had invested over R18, 4 billion in infrastructure replacement and capacity expansion, bringing this to a total of over R71, 8 billion in the past five years. Major achievements in the rail environment include the completion of 536 of the 800 jumbo wagons built for the coal line operation, and delivery of the first two diesel electric locomotives of the 100 specifically planned for the General Freight Business (GFB) to improve the reliability and availability of the mainline fleet.

In ports, Transnet Port Terminals (TPT) achieved improvements in crane productivity since September 2010, the Durban container terminal achieved an average of 30 crane moves per hour, which is expected to continue throughout 2011/12.

Unfortunately the national strike in May 2010 had a significant impact on the container sector especially the Durban Container Terminal (DCT), but well planned recovery efforts were put in place to ensure the business was back on track to achieve the volume targets.

Much work remains to be done to achieve the ambitious targets of volume growth and higher levels of rail and port operational efficiencies. The department continues to work with Transnet to address existing and potential challenges to achieving the outcome delivery targets and ensure the Cluster process is optimally utilised to unblock any bottlenecks.

DPE also contributes to outcomes in the energy and ICT sectors, with regard to the creation of regulatory and institutional structures for the introduction of viable Independent Power Producers (IPP) and to start the process for the participation of IPPs in 2010.

DPE instructed Eskom to ring-fence its purchasing function (buyer) as a business unit within Eskom to ensure transparency in the procurement of IPPs. Cabinet has subsequently approved the ring-fencing of the System Operator and Planning as a division within Eskom as the first phase of introducing the Independent System and Market Operator (ISMO). The Department continues to liaise with the Department of Energy (as the lead department) on the optimal path to the creation of ISMO.

DPE took the lead in developing a funding model for Eskom's build programme to ensure security of supply. Cabinet noted the proposed hybrid funding solution comprising the R20 billion equity injection to Eskom and R174 billion additional guarantees, bringing the total guarantee framework to R350 billion, in November 2010.

The funding solution will enable Eskom to complete the current build projects which is critical to the achievement of security of supply of South Africa's electricity; to macro economic growth targets as well economic development objectives. As a result of the Government Support Package, Eskom was able to issue a US Dollar bond and raise R12 billion, without the utilisation of a government guarantee.

The conclusion of the Clean Technology Fund financing package, supported and co-financed with other Development Finance Institutions is under way. DPE continues to monitor the implementation of the Eskom Infrastructure Build Programme to track progress and cost management.

DPE continues to monitor progress with respect to coal haulage logistics in two aspects. The first being the migration from road to rail, with the railway lines, rolling stock and service design plans have been completed in this regard. Further a memorandum of understanding between Eskom and Transnet is about to be concluded. Eskom has implemented an innovative containerised rail solution for Camden Power Station. In terms of the rehabilitation of coal haulage road, funding for road repairs was secured and maintenance of the identified roads is in progress and is being monitored by the DPE on a quarterly basis.

Regarding Information and Communication Technology (ICT), DPE contributes to the increase in the broadband penetration target through its oversight of Infraco. Thus far Infraco has managed to build five open access Points of Presence (POPs). However the challenge is that the rest (13) of the POP sites that Infraco has access to, are not open access.

The slow implementation of Provincial ICT plans hinders Infraco from achieving the target of 3 POPs in underserved areas. The Department is in discussion with the Department of Communications on a possible policy directive on Declaration of Private and Public POP sites as open access. Further finalisation of universal service obligations by ICASA in underserved areas is necessary for implementation of Infraco's deliverables.

Virements and rollovers are reported in the Accounting Officers report, section 2.

Foreign Aid assistance is reported under section 5: Utilisation of donor funds in the Accounting Officers report

### **OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT FOR 2010/11**

During the period under review an acting Director-General was appointed before the post was filled in January 2011. This followed the appointment of a new Minister and Deputy Minister in November 2010.

### **KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES**

There were no major policy developments or legislative changes relating to the Department of Public Enterprises during the 2010/11 financial year.

The State Owned Enterprises Presidential Review Committee (PRC) was appointed by President Jacob Zuma in May 2010. The PRC would review and make recommendations on:

- i. A common understanding and definition for SOEs
- ii. The place of SOEs in a developmental state
- iii. The strategic importance and value creation of SOEs
- iv. The viability and funding of SOEs
- v. The existing portfolio of investments by the state in strategic businesses
- vi. The efficiency and effectiveness of SOEs with respect to service delivery
- vii. Current policy and regulatory framework and its impact on SOEs management
- viii. The balance of social, political, and economic imperatives in delivering objectives for SOEs
- ix. Harmonisation of performance measurements among SOEs
- x. Standardisation of accounting and reporting processes of SOEs
- xi. Shareholder oversight and governance of SOEs
- xii. Recruitment, selection and appointment of boards and executive management of SOEs
- xiii. Remuneration policies of SOEs, taking into account wage differential aspects
- xiv. Current restructuring initiatives (privatisation, retrenchments, public-private partnerships, etc) of SOEs and their implications
- xv. SOEs as a platform for sustainable human capital development and a catalyst for scarce skills
- xvi. Establishment of a comprehensive database of SOEs across all spheres of government
- xvii. Policy for establishing and de-establishing SOEs
- xviii. Criteria and framework for identifying and establishing priority SOEs, relevant global benchmarking and best practices
- xix. Alignment, collaboration, and cooperation among SOEs to optimise state resources
- xx. Relationship and collaboration between ministries to achieve SOEs objectives
- xxi. Compliance of SOEs to the government's development and transformation agenda.

The Department's engagement with the PRC is aimed at sharing with the PRC the Department perspective and views on the proposed SOEs reform. Seminal reforms of South African SOEs were introduced through the Public Finance Management Act, 1999 and were aimed at bringing change in the management and governance of public entities in general. Through the evolution of its mandate, the Department introduced various tools and frameworks to enhance its shareholder function and monitoring of SOEs within its oversight function. The engagement with the PRC is thus critical to ensure that the work and reviews conducted by the Department are not lost but instead, are shared in a manner that will ensure that the ongoing reforms in the area of SOEs governance, including unifying legal frameworks, enhanced financial performance and good corporate conduct, are beneficial to the country as a whole.

## INFORMATION ON PREDETERMINED OBJECTIVES

### DEPARTMENTAL REVENUE AND EXPENDITURE

Departmental revenue and expenditure are detailed in the Accounting Officer's Report under Spending Trends.

### TRANSFER PAYMENTS

#### Alexkor

An amount of R36 million was allocated and transferred to Alexkor for the development of the Alexander Bay township. The entity provides quarterly financial and performance reports to the Department in terms of Section 38(1)(j) of the PFMA and Treasury Regulation 8.4.1.

#### Denel

An amount of R181.296 million was allocated to Denel for the payment of an indemnity granted to Denel Saab Aerostructures relating to the Airbus A400M contract. Denel reports to the Department on a monthly and quarterly basis on financial and strategy implementation progress in terms of Section 38(1)(j) of the PFMA and Treasury Regulation 8.4.1.

#### Broadband Infraco

An amount of R138.6 million was allocated and transferred to Broadband Infraco for the expansion of South Africa's ICT infrastructure. This is classified under Payments for Financial Assets in the annual financial statements per the direction of the National Treasury. The entity reports quarterly to the Department in terms of Section 38(1)(j) of the PFMA and Treasury Regulation 8.4.1.

#### Pebble Bed Modular Reactor (PBMR)

An amount of R20 million has been allocated to ensure the necessary provision for the statutory requirement for decommissioning and dismantling of the Fuel Development Laboratory is met by the company. The entity reports monthly and quarterly to the Department and National Treasury in terms of Section 38(1)(j) of the PFMA and Treasury Regulation 8.4.1. on financial and operational matters.

### CONDITIONAL GRANTS AND EARMARKED FUNDS

The Department did not receive any conditional grants.

Earmarked funds consisted of:

- Devolution of funds for office accommodation R5.766 million
- Gifts and donations R710 000
- Broadband Infraco R138.6 million
- Alexkor R36 million.

### CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

#### Capital investment

The Department does not have a capital investment programme.

#### Asset management plan

The Department does not have any fixed capital assets to maintain therefore no capital investment and asset management plan has been developed.

#### Maintenance

The Department does not control any fixed and/or significant movable assets.

# PROGRAMME PERFORMANCE

## Programme 1: Administration



**Purpose:** Provides overarching management and key supporting functions and processes in order for the Department to achieve its strategic objectives. The programme consists of the Ministry, the Office of the Director-General (which includes the Office of the Chief Investment and Portfolio Manager [CIPM]) as well as Corporate Services with its sub-programmes: human resources, information technology, financial management, facility management, secretariat, knowledge centre, internal audit and communications, as well as property management.

During the year, the programme aimed to achieve the following measurable objectives:

### Office of the Chief Investment and Portfolio Manager

- A portfolio approach to be applied to the management and shareholder investment process to ensure SOEs commercial sustainability and attainment of desired strategic outcomes and objectives by the SOEs
- Building on the frameworks developed, the focus will be on effective investment processes for shareholder value optimisation
- CIPM intends to build its capacity in order to better understand and respond flexibly to emerging opportunities, trade-offs and costs involved with different investment approaches through:
  - In-depth analysis of strategic financial information and advising internal clients on key issues relating to capital investment, debt and equity financing, strategy and financial risk decisions
  - Systematically identifying risks arising from the business of SOEs – performance, investment, operational and treasury risks.

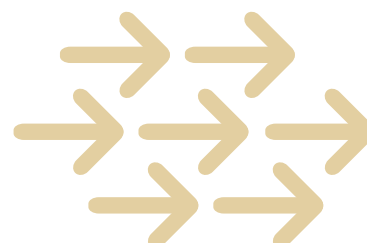
### Strategic objectives

- Synchronised logical planning, monitoring and evaluation process
- SOEs performance monitoring and shareholder risk management
- DPE capital structure framework
- Portfolio equity interest and contingent liability exposure management
- Investment policy and sources of capital funding
- Economic and regulatory cohesion for network infrastructure
- Specialist transaction input and advice
- Richtersveld Deed of Settlement implementation
- Re-direction of Alexkor's commercial focus and sustainability.



## INFORMATION ON PREDETERMINED OBJECTIVES

DPE OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
CIPM	Coordination of synchronised logical planning, monitoring and evaluation process	<p>Synchronised Logical Planning, Monitoring and Evaluation framework guideline and Logical Planning, Monitoring and Evaluation calendar</p> <p>Guidelines for SOEs corporate plan contents and format</p>	<ul style="list-style-type: none"> <li>• Develop a logical Planning, Monitoring and Evaluation Framework guideline and logical Planning, Monitoring and Evaluation calendar</li> <li>• Develop guidelines for SOEs corporate plan contents and format</li> <li>• SOEs strategic intent statements</li> <li>• SOEs shareholder compacts</li> <li>• SOEs corporate plan assessments</li> </ul>	<p>Logical Planning, Monitoring and Evaluation Framework Guidelines and Logical Planning, Monitoring and Evaluation Calendar developed.</p> <ul style="list-style-type: none"> <li>• Corporate Plans submitted by all SOEs. Guidelines for SOEs corporate plan content and format developed</li> <li>• All SOEs Strategic Intend Statements were submitted</li> <li>• All SOEs Shareholder Compacts signed</li> <li>• All SOEs Corporate Plans assessed</li> </ul>
	SOEs performance monitoring and shareholder risk management	Isibuko Dashboard and reporting and risk management framework for detection, monitoring and mitigation of cross-cutting shareholder risks	<ul style="list-style-type: none"> <li>• Fully populated Isibuko Dashboard and reporting</li> <li>• Benchmarking – industry, sector and national economy</li> <li>• Strategic Exco Meetings and Portfolio Level Assessment</li> <li>• Investor briefs to board on performance assessments</li> <li>• Risk management framework for detection, monitoring and mitigation of cross-cutting shareholder risks</li> </ul>	<ul style="list-style-type: none"> <li>• Standardisation of financial and risk reporting templates and dashboard with enhanced analytical functionality developed</li> <li>• Strategic Exco meetings held as scheduled. Reports covering financial, operational, capital investment, capitalisation, socio-economic and risk at SOEs and portfolio level presented. SOEs and portfolio performance reporting using Dashboard</li> <li>• Quarterly shareholder reports submitted on SOEs performance assessments, detection, monitoring and mitigation of cross-cutting shareholder risk</li> </ul>





DPE OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
CIPM	SOEs capital structure assessment	SOEs capital structure assessment	<ul style="list-style-type: none"> <li>Investment policy for SOEs commercial sustainability</li> <li>Financing Instruments Framework</li> <li>SOEs capital restructuring assessments</li> </ul>	Capital structure assessment completed for SAFCOL, Denel, Eskom, Infraco, SAX, SAA and Transnet. Study undertaken of the different possibilities for facilitating infrastructure funding required by the SOEs
	Portfolio equity interest and contingent liability exposure management	<ul style="list-style-type: none"> <li>Guidelines on share subscriptions, shareholder loans and guarantees</li> <li>Shareholder minutes with up-to-date share subscription, shareholder loan and guarantee information</li> </ul>	<ul style="list-style-type: none"> <li>Develop guidelines on share subscriptions, shareholder loans and guarantees</li> <li>Establish share, shareholder loans and guarantee office</li> <li>Quarterly report on government guarantees and shares</li> </ul>	<ul style="list-style-type: none"> <li>Developed guarantee and share office guidelines outlining a framework for issuing government guarantees, adequate monitoring and reporting of government guarantees, shareholder agreements, shareholder loans and share subscriptions and provide administrative practices for effective management of these instruments</li> <li>All SOEs submitted quarterly report on government guarantees and shares</li> </ul>
	Report on SOEs industry and sector benchmarks	Industry, sector and national economy benchmarks	SOEs performance indicator and target setting	Benchmarking framework developed, still subject to consultation. Research reports on the key performance indicators on the ports and electricity sector completed
	Economic and regulatory cohesion for network infrastructure	Report on economic and regulatory cohesion for network infrastructure	Study of the regulatory frameworks employed for infrastructure investment in order to determine the most appropriate approach and key interventions required for an efficient level of infrastructure investment by SOEs to be attained	Not completed. Call for proposals to service providers issued. Service provider still to be appointed
	Bi-annual five year review of SOEs performance, sector and economic impact	Bi-annual five year review of SOEs performance, sector and economic impact	Five year review of SOEs performance, sector and economic impact	Not completed due to lack of capacity  In the meantime, a decision has been taken to restructure and reposition review

## INFORMATION ON PREDETERMINED OBJECTIVES

DPE OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
<b>CIPM</b>	Specialist transaction input and advice	Transaction advice and input	Ongoing transaction advice and input on financial, legal and governance issues relating to SOEs	Guidance and assessment provided to SOEs teams as and when is required
	Methodological framework for measuring shareholder value per SOEs and aggregation to portfolio	Methodological framework for measuring portfolio valuation	Methodological framework for measuring shareholder value per SOEs and aggregation to portfolio	Framework developed, still subject to consultation
<b>ALEKKOR</b>	Pooling and Sharing Joint Venture (PSJV) exit transaction	PSJV	PSJV exit transaction	<p>The Richtersveld Community intended to exercise their call-option that Alexkor withdraws from the PSJV and that Richtersveld Mining Company (RMC) be allowed to bring in a partner to assist RMC in its land mining operations. The Richtersveld Community Property Association (RCPA) further requested that the marine mining rights of Alexkor be transferred to RMC based on commercial terms. The call option could only be exercised if certain conditions were fulfilled. RMC did not fulfil the conditions and the PSJV will proceed</p> <p>Notarial Deed of Cession of the Alexkor land mining right (from Alexkor to the Richtersveld Mining Company) was registered by the Mineral and Petroleum Titles Registration Office on 6 April 2011. This was the outstanding suspensive condition for the formation of the PSJV. PSJV formally commenced on 7 April 2011</p>

DPE OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
<b>ALEXKOR</b>	Richtersveld Deed of Settlement implementation	Township infrastructure upgrade  Environmental rehabilitation	Monitoring and evaluation reports on township establishment	Upgrade of the township is expected to be completed by July 2011
	Alexkor strategy	Review of Alexkor future post-PSJV	Definition of role and form of Alexkor post-PSJV and implementation plan thereof	Discussions with Department of Mineral Resources still continuing, the matter is expected to be finalised early in 2011/12 financial year
Reason for variances: Economic and regulatory cohesion for network infrastructure project: delays due to the appointment of the suitable service provider.  Bi-annual 5 year review of SOEs performance, sector and economic impact project, delayed due to the lack of capacity within CIPM Unit. In the meantime, a decision has been taken to restructure and reposition the review.				

The sub-directorates, Corporate Services (which includes the knowledge centre, secretariat, human resources, planning, monitoring, and risk and compliance units), Finance, Information Management and Communications are responsible for the provision of administrative support and services which enable the Department to deliver on its organisational objectives in an environment where employees within the DPE are both motivated and empowered.

#### Achievements

- Workplace Skills Plan and Annual Training Report submitted to Public Sector Education and Training Authority (PSETA)
- 18 interns appointed in the 2010 intern intake
- Co-ordinated portfolio of evidence for audit of Minimum Anti-Corruption Capacity (MACC) requirements and reported to DPSA
- Successful completion of Graduate Development Programme
- Unqualified audit report for the year ended 31 March 2010
- Published articles to improve the understanding of the Department's mandate among "key stakeholders"
- User-friendly, reliable and secure IT environment as well as ensuring that the Department conforms to minimum industry standards
- Ongoing management initiatives intended to attract and retain critical skills in the Department
- Ongoing retention of institutional memory in the Department
- Ongoing evaluation of critical enterprise risk management processes.



## Programme 2: Energy and Broadband Enterprises



**Purpose:** The Energy and Broadband Enterprises Programme aims to align the corporate strategies of Eskom, Broadband Infraco and the Pebble Bed Modular Reactor (PBMR) with government’s strategic intent, as well as to monitor the SOEs financial and operational performance.

### Strategic objectives

During the year, the programme aimed to achieve the following measurable objectives:

- Continuously ensure the alignment of shareholder strategic intent in relation to State Owned Enterprises’ role in achieving sector and government objectives by reviewing the enterprises’ strategies and mandate with changes in sectoral policy and by evaluating business plans annually
- Promote the alignment of State Owned Enterprises’ corporate strategies with government’s strategic intent by evaluating corporate plans annually and advising Boards on material deviations
- Monitor and benchmark the implementation of corporate plans and shareholder compacts with reference to financial and operational trends and targets by assessing shareholder and enterprise risks at least quarterly and advising the Boards on areas of concern
- Monitor Eskom’s generation adequacy by annually examining its maintenance and operational practices, distribution efficiency and the reserve margin
- Ensure the delivery of new energy generation capacity by monitoring Eskom’s capacity expansion programme through regular updates and interaction with Eskom and by engaging with stakeholders in the energy sector
- Create an enabling policy and regulatory environment for the SOEs by engaging with the Department of Energy and the National Electricity Regulator of South Africa in relation to new policies and regulations affecting Eskom
- Monitor the implementation of the Competitive Supplier Development Programme (CSDP) to leverage off Eskom’s capital expenditure in the development of local supplier industries by evaluating reports received from Eskom quarterly
- Ensure that the West Coast submarine cable system is ready for service in 2011 by monitoring the expansion of South Africa’s ICT infrastructure and Broadband Infraco’s participation in the West Coast submarine cable system consortium
- Contribute towards the reduction of broadband prices by:
  - Monitoring Broadband Infraco’s price reports, annually interacting with the industry and monitoring Broadband Infraco’s corporate plans.

DPE OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
ICT Broadband Sector	Oversight of Broadband Infraco	Annual Reports, Corporate Plan	Annual assessment	Annual assessment completed as planned
		Shareholder Compact with Broadband Infraco	Conclusion by the end of April each year	Shareholder Compact concluded in June 2010
		Achievement of MTEF targets by Broadband Infraco	– Monthly, quarterly and annual monitoring – Assessment of PFMA Section 54 Applications	Monthly, quarterly and annual monitoring completed as planned. Applications were assessed as planned

Multi-stakeholder initiatives					
Sub-Programme	Output	DPE role	Measure/indicator of DPE role	Actual performance against target	
				Target	Actual
<b>ICT Broadband Sector</b>	Expand South Africa's ICT infrastructure to enhance the ICT capacity and lower costs	Monitor the capital programmes, operations, financials and risk management for expansion	Completion of planned capital programmes and rollout of the National Long-Distance Network	Quarterly assessment	Quarterly assessment completed as planned
	Complete construction of the SA-Europe submarine cable	Monitoring of the construction of West African Cable System (WACS) project	The project will be monitored according to project definition, schedule performance index and cost performance index	To be completed by mid-2011	Ongoing

DPE OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
<b>Energy</b>	Oversight of Eskom	Annual Reports, Corporate Plan	Annual assessment	Annual assessment completed as planned
		Shareholder Compact with Eskom	Conclusion by the end of April each year	Signed in June 2010
		Achievement of MTEF targets by Eskom	<ul style="list-style-type: none"> <li>Monthly, quarterly and annual monitoring</li> <li>Assessment of PFMA Section 54 Applications</li> </ul>	Monthly, quarterly and annual monitoring completed as planned. Applications were assessed as planned
	Monitoring Eskom's capacity expansion programme	Timeous delivery of new capacity	Capacity delivery as per plan	Procurement and delivery of new build tracked on a quarterly basis. Interventions made to prevent delays and mitigate the risk of delays on ensuring security of supply in the short to medium term
<p>Achieved:</p> <ul style="list-style-type: none"> <li>The Medium-Term Risk Mitigation Plan (MTRMP) has been developed and implementation of supply and demand side intervention from the MTRMP is ongoing to mitigate against any capacity shortages in the short-term that threatened security of electricity supply.</li> </ul>				



## INFORMATION ON PREDETERMINED OBJECTIVES

Multi-stakeholder initiatives					
Sub-Programme	Output	DPE role	Measure/indicator of DPE role	Actual performance against target	
				Target	Actual
<b>Energy</b>	Contribute to improving the electricity distribution infrastructure in South Africa	Facilitate Eskom's assistance to smaller municipalities and regional electricity distributors	Report of assistance provided to smaller municipalities and regional electricity distributors	Assist smaller municipalities with infrastructure, maintenance and refurbishment	Report of assistance provided to municipalities
Reasons for variance: Ongoing and is addressed through the Inter-Ministerial Committee (IMC) on energy process. <ul style="list-style-type: none"> <li>The level of support required proved challenging following Cabinet's decision to shelve the Electricity Distribution Industry (EDI) restructuring process, resulting in an integrated plan to mitigate against low investment in the distribution industry.</li> </ul>					

DPE OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
<b>Nuclear</b>	Oversight of PBMR	Corporate Plan	Annual assessment	PBMR has been granted a PFMA exemption and is no longer required to submit corporate plans, shareholder compacts and quarterly reports due to the company's transition to "care and maintenance"
		Shareholder Compact with PBMR	Conclusion by the end of April each year	
	Achievement of MTEF targets by PBMR	<ul style="list-style-type: none"> <li>Monthly, quarterly and annual monitoring</li> <li>Assessment of PFMA Section 54 Applications</li> </ul>		
No variances				

Multi-stakeholder initiatives					
Sub-Programme	Output	DPE role	Measure/indicator of DPE role	Actual performance against target	
				Target	Actual
<b>Nuclear</b>	PBMR's Rationalisation	Monitor and facilitate the implementation of rationalisation plan	Monitor the rationalisation of PBMR with the intention of preserving critical skills and intellectual property	Facilitate intergovernmental oversight committee meetings on PBMR to ensure preservation of skills and IP	Monthly meetings being held and progress on the restructuring is being monitored
No variances					

### Service delivery overview and achievements

In addition to the fulfilment of all statutory shareholder functions including the evaluation of the Eskom corporate plan, development of a shareholder compact (including a shareholder strategic intent statement), quarterly and annual reporting as well as approval of significant and material transactions, the following key enabling environment support was provided to enhance SOEs performance.

The Department has continuously monitored and ensured the delivery of new energy generation by focusing on Eskom's capacity expansion programme through regular updates and interaction with Eskom and by engaging with stakeholders in the energy sector.

The Department was also instrumental in developing and securing cabinet support for the financing support package that will enable Eskom to deliver on the capacity expansion programme on time and within budget. The proposed hybrid funding solution comprises of a R20 billion equity injection to Eskom and R174 billion additional guarantees, bringing the total guarantee framework to R350 billion. As a result of the Government Support Package, Eskom was able to issue a US Dollar bond and raise R12 billion, without the utilisation of a government guarantee.

The Department has also played a supporting role by contributing to the Department of Energy's Integrated Resource Plan (IRP). To this end the Department together with Eskom and the National Treasury is currently negotiating and finalising loan agreements linked to the Clean Technology Fund for Eskom's Renewable Support Projects. These projects will be used as a catalyst for government to reach its Renewable Energy targets as set out in the IRP.

Further the Department monitors Eskom's generation adequacy by quarterly and annually examining its maintenance and operational practices, distribution efficiency and the reserve margin. The Department also creates an enabling policy and regulatory environment for the State Owned Enterprises by engaging with the Department of Energy and the National Electricity Regulator of South Africa in relation to new policies and regulations affecting Eskom.

The Department has been engaged with other departments on the optimal structure of the proposed Independent System Operator and the best way to ensure appropriate introduction of Independent Power Producers. In order to ensure cost reduction and improve on safety, the Department has been actively involved in the co-coordinating and monitoring of the coal haulage road-to-rail migration plan and the coal haulage road maintenance and refurbishment through the Inter-Ministerial Committee on Energy.

In the absence of PBMR acquiring additional investment into the project or securing a customer, government had to re-examine PBMR's future in order to find a sustainable and viable way forward for the company. Government decided to place PBMR into "care and maintenance" to protect and preserve PBMR's intellectual property and assets.

The "care and maintenance" programme is being implemented in three phases. The first phase has been completed which involved the finalisation of the rationalisation process to reduce the employee complement to nine individuals. Phase Two entails the hand-over phase of the "care and maintenance" company to the designated host company. Phase Three is the final phase of the implementation of the "care and maintenance" programme with regards to the actual preservation of the IP. DPE is focused on ensuring that the "care and maintenance" mode is effected timeously and that no further funds will be required.

In 2010, the Department commissioned a study to evaluate the implications and impact of Broadband Infraco not obtaining an Electronic Communications Services License. After receiving the results of the study that was conducted by McKinsey & Company on 26 February 2010, the Department considered and assessed the mitigation options suggested by McKinsey. After analysing the options, the Department worked on establishing collaborations between Broadband Infraco and Sentech at an infrastructure level by establishing a Joint Venture (JV) model. The Department worked with other government Departments (Department of Communications and the National Treasury) to start a project in KwaZulu-Natal that will demonstrate the collaboration by both entities (Broadband Infraco and Sentech). Currently the entities have agreed on the collaboration aspects and are working together to implement this project.

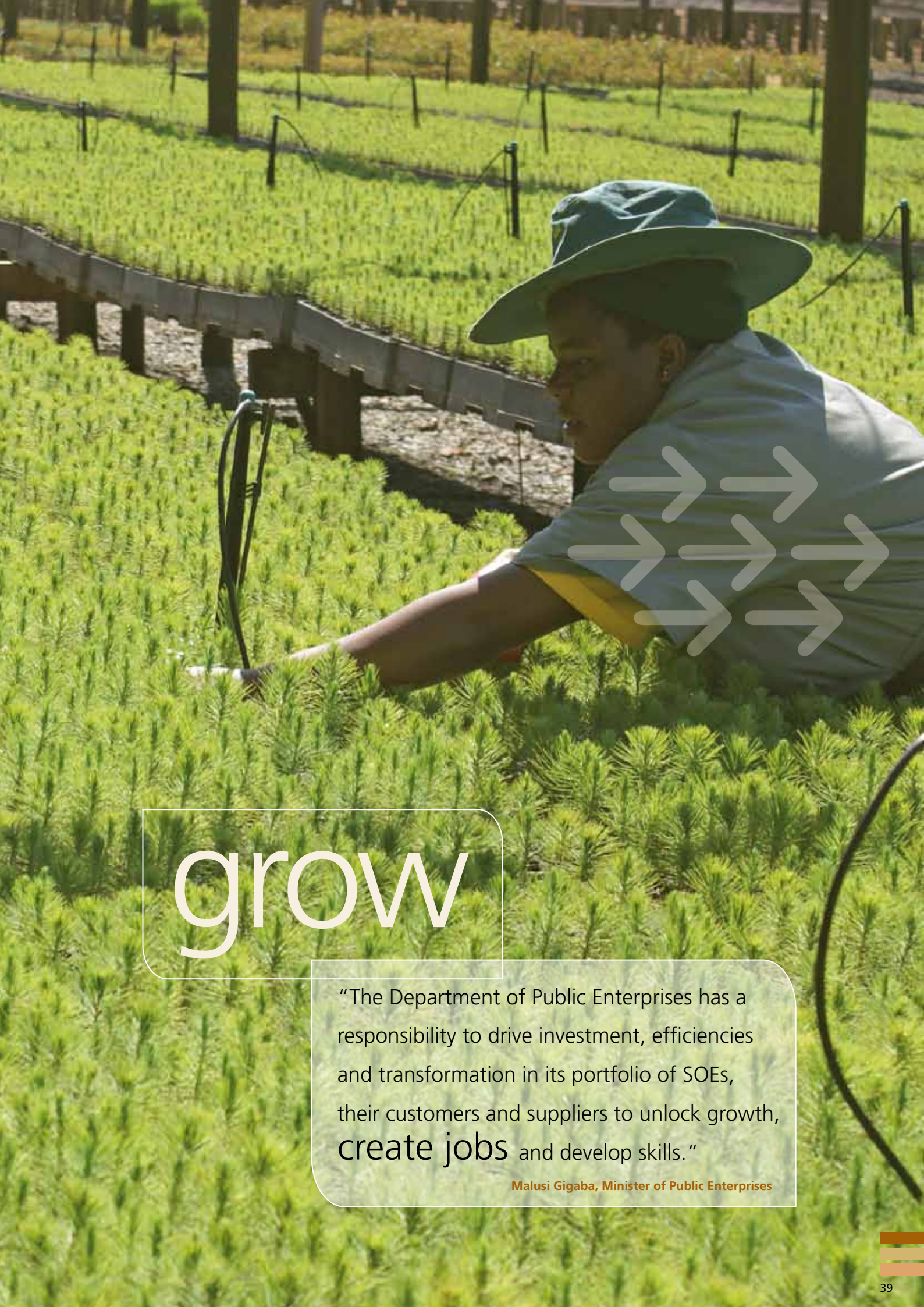
Considering the fast changing telecommunications industry, the Department went further to appoint a service provider to perform an assessment of the positioning of Broadband Infraco within the telecommunications market (both national and international). This exercise will ensure that Broadband Infraco's business case is aligned with its statutory mandate by providing accessibility to affordable broadband services across the country.

The Department has also been working on ensuring that Broadband Infraco establishes and implements business processes, organisational controls, compliance and governance practices, as per PFMA and audit requirements.

In order to align the shareholder objectives with the policy and regulatory objectives the Department has been in engagement with other Departments by participating in the Broadband Implementation Committee which has been established by the policy Department, the Department of Communications.







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“The Department of Public Enterprises has a responsibility to drive investment, efficiencies and transformation in its portfolio of SOEs, their customers and suppliers to unlock growth, **create jobs** and develop skills.”

**Malusi Gigaba, Minister of Public Enterprises**

## Programme 3: Legal, Governance and Transactions



**Purpose:** Systems that align State Owned Enterprises with legal and corporate governance best practice and with government's strategic intent.

### Strategic objectives

- Support to programmes 2, 4 and 5 (SOE teams) in the development and negotiation of shareholder compacts, significance and materiality frameworks, borrowing power delegations, the assessment of applications for the approval of significant and material transactions, board appointments and shareholder preparations for annual general meetings of SOEs
- Support to programme 1, in shareholder oversight by CIPM over Alexkor and the implementation of the Richtersveld settlement
- Development and continuous updating of a database to support SOEs board appointments and governance guidelines and indicators in areas such as board remuneration and evaluation
- Monitoring of corporate governance indicators for SOEs
- Management of legislative programme including assessment of the legislative framework of SOEs as well as legislation impacting on SOEs
- Litigation management
- Transaction and contract management support to the Department
- General *ad hoc* legal advice.



DPE OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
<b>Legal Advisory Services</b>	Transfer of Telkom shares (previously held in Diabo Share Trust) to intended beneficiaries	Successful transfer of Telkom shares (previously held in Diabo Trust) to intended beneficiaries	Beneficiation, vesting of benefits to Diabo share beneficiaries.  Tracing and payment of 9000 beneficiaries	Traced 6000 beneficiaries 700 of which have been paid  Although the majority of beneficiaries have been located, approximately 2500 are deceased. As the next phase of the project, it is essential for the Department to correctly locate their next of kin
	Winding up of Aventura	Successful winding up of Aventura and the repeal of the Overvaal Resorts Act 127 of 1993	Prepare company and ensure winding up of Aventura          Transfer of remaining resorts to Forever Siyonwaba	Received audited annual financial statements from Aventura from 2004 – 2008  The nature of the company structure and the governance risks identified has prompted the Department to review its approach to the management of the winding up process  Process of transfer is underway, with the receipt of the signed certificate of consent from the Minister of Finance for transfer of the resort at Plettenberg Bay
	Equity Alliance vs. the Department	Successful defence of the claim against the Department against Equity Alliance	Successful defence of the claim	The parties have been deferring on the process of the matter. Equity Alliance has conceded to the Department to amend its particulars in respect of the claim. The Department will need to determine if the amendment has been effected correctly

## INFORMATION ON PREDETERMINED OBJECTIVES

DPE OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
<b>Legal Advisory Services</b>	Monitor the claim instituted by Alexkor against the Minister of Land Reform and Rural Development, Land Claims Commissioner of the Northern Cape and Free State and Government of RSA	Ensuring amicable resolution of the claim and conclusion of a settlement agreement	Amicable resolution of the claim by Alexkor for adequate compensation for the assets utilised for restitution	The Department proposed mediation to resolve the matter  Parties agreed in principle to the appointment of a mediator
	Nabera vs. Alexkor and the Government of RSA	Successful defence of the claim instituted by Nabera against the Department/ Alexkor	Successful defence of the claim	Nabera is no longer pursuing legal action. The matter is held in abeyance
	Presidential Public Liaison	Effective communication of the queries to all affected parties	Timeous response to queries from the Presidential Public Liaison Unit	An average of 280 calls received and attended to per quarter. Success rate of 96.49%  Although an average of 13 calls remain open per month, the DPE is highly responsive to the Presidential hotline
	Londoloza/Paharpur vs. SAFCOL and the Department	Successful defence of the claim instituted by Londoloza/Paharpur against the Department/ SAFCOL	Successful defence of the claim	Londoloza/Parharpur has failed to amend the particulars of the claim since it issued summons against the Department in 2009. Subsequent to this the Department advised that the claim was flawed. The matter is held in abeyance
<b>Sub-programme: Governance</b>	Conduct director's and board induction to ensure non-executive directors are able to exercise duties in accordance with government's policy direction, shareholder expectations and applicable legislation	Ensure non-executive directors are able to exercise duties in accordance with government's policy direction, shareholder expectations and applicable legislation	Conduct board induction of all new board directors	Inductions for SAFCOL, Denel and the Transnet board were held

DPE OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
<b>Sub-programme: Governance</b>	Conduct a review of board and executive remuneration in accordance with competencies and SOEs profile	Review of board and executive remuneration in accordance with competencies and SOEs profile	<p>Panel established to review the 2007 DPE guidelines as well as the draft 2009 guidelines</p> <p>Report and recommendation of the panel to be submitted to Cabinet by August 2010. New revised guidelines and process of remuneration in place by December 2010</p>	<p>The panel's report and recommendation was submitted to the Minister in December 2010</p> <p>Briefing to Cabinet was done in February 2011</p> <p>Cabinet mandated that the Department engage on closed consultation on a new remuneration model prior to returning to Cabinet with a final decision</p> <p>The stakeholder consultation includes the alignment with National Treasury guidelines and the work of the Presidential Review Committee</p>
	Develop the Government Shareholder Management Model to provide a framework for the legislative imperatives of the SOEs	Improved and enhanced Shareholder Management Model	<p>Legislative review of various governance and reporting requirements of the SOEs</p> <p>Highlight the implications of the new Companies Act on SOEs</p> <p>First draft of corporate governance tools such as the standard Memorandum of Incorporation (MOI) for all SOEs</p> <p>Submit board appointment framework and database</p> <p>Directive on process of appointment for Chief Executive Officers</p>	<p>Legislative review submitted</p> <p>Implications of the new Companies Act submitted</p> <p>The draft MOI will need to address the Companies Amendment Act of 2011 as well as the Companies Regulations</p> <p>First draft of MOI received. The standard template MOI will be submitted for approval in quarter one of the new financial year</p> <p>Board appointment framework and database submitted</p> <p>Directive on CEO appointment submitted</p>
	Conducted SOEs AGMs and board appointments	Successful AGM cycle held and register of all AGMs conducted	Ensure the consistent and uniform alignment of governance compliance and shareholder expectation by SOC	Assisted SOEs facing teams to advise and support the Minister in holding AGMs and addressing board appointments

## INFORMATION ON PREDETERMINED OBJECTIVES

DPE OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
<b>Sub-programme: Governance</b>	Developed the Board Performance Evaluation	Ministerial approval of the Board Performance Evaluation	Submit guidelines on board performance to the Minister  Ensure roll out and implementation by SOEs	Process of submission to Minister complete  Department to align process with Presidential Review Committee (PRC), SOEs to implement guidelines thereafter
	Owner's Expectation Manual	Develop Owner's Expectation Manual and secure Ministerial approval	Finalise manual and obtain Minister's and Cabinet endorsement  Implement Manual	Draft manual prepared. Due to capacity constraints and the need to align the manual with the new Companies Act of 2008 the project was held in abeyance
	SOEs subsidiary lists	Adequately reflect SOEs subsidiary lists	Monitor acquisition and disposal of subsidiaries by SOEs	Lists provided and submitted to SOEs facing teams for collective monitoring

### Service delivery overview and achievements

The Department appointed two services providers in June 2010 comprising a tracing and a paying agent in order to distribute the benefits in the Diabo Share Trust to intended beneficiaries. The trust had approximately 9000 beneficiaries who were entitled to benefits from the trust. Of the 9000 beneficiaries, the tracing agent has managed to trace 7767, 2067 of whom are deceased. Therefore, measures have to be put in place to ensure that the deceased benefits are paid into their estates. From the remaining balance, 616 beneficiaries could not be contacted or traced, 50 have incompatible Identity numbers, 10 have immigrated, five were duplicated and 80 have details and further particulars still outstanding. Of the 5700 traced, 700 have been validated and paid.

The winding up of Aventura has been delayed. The delay is amongst others attributed to incorrect property descriptions, resulting in the entering of a new agreement with the purchaser of the resorts (i.e. Forever Resorts) to make corrections, land claims and litigation by parties with vested interests in the disposal.

Even though the Department has managed to resolve some of these issues, there are still a few complexities remaining. The Department is mindful of the fact that it has taken an unreasonably long time to wind up Aventura. To ensure that there are no further delays, the department has decided to wind up Aventura by way of a liquidation process. However, Aventura has corporate governance challenges that the Department must address before the liquidation process could ensue. A process to address such challenges is underway.



The Panel appointed to review the 2007 Remuneration Guidelines for Non-Executive and Executive Directors of State Owned Enterprises submitted their report and recommendations in December 2010. The report was subsequently submitted to Cabinet for consideration. Cabinet has mandated the Minister of Public Enterprises to conduct further consultations before a final Remuneration Model is approved.

The Department, through programmes 1 and 3, facilitated the formation of the Richtersveld land claim settlement implementation committee in 2008, comprising representatives of all parties involved in the implementation of the order of court in favour of the Richtersveld Community.

The committee meets regularly to assign responsibility, set targets and monitor progress on the fulfilment of the various obligations to ensure effective implementation of the court order. Significant progress has been made in the implementation of the Deed of Settlement signed with the Richtersveld Community in 2007. All Alexkor, state and Northern Cape Provincial land has been transferred, except for the township erven. Subdivision and zoning of the township has been conducted and the general plan was approved. The upgrade of the township's civil and electrical engineering services to municipal standards has commenced and is expected to be completed by July 2011. The township will be transferred to the community shortly thereafter. Alexkor's agricultural and maricultural assets have been transferred to the community. Alexkor's land mining rights have been transferred to the Richtersveld Mining Company on 6 April 2011. The transfer of the land mining rights to the community paves the way for the establishment of the pooling and sharing joint venture between Alexkor and the Richtersveld Mining Company.

## Programme 4: Manufacturing Enterprises



**Purpose:** Align the corporate strategies and performance of Denel and the South African Forestry Company Limited with government's strategic intent and performance targets. Develop proposals in terms of the State Owned Enterprises' role in developing an advanced manufacturing cluster.

### Strategic objectives

- Co-ordinate within government and with SOEs to ensure alignment in shareholder strategic intent in respect of SOEs role in achieving sector objectives
- Promote alignment of corporate strategies of State Owned Enterprises with government's strategic intent by evaluating corporate plans annually and advising the Boards of material deviations
- Monitor Denel's turnaround strategy with a focus on reducing costs and growing the business. The plan is to return Denel to profitability by 2012/13 and ongoing performance will be measured against the turnaround plan. Working capital management targets will be set and performance against these targets will be measured monthly
- Ensure that Denel plays a catalytic role in the consolidation of the local landward industry. The Department will ensure that there is alignment between the consolidation and the needs of the Department of Defence and Military Veterans (DoDMV)
- Facilitate Denel's future role in the economy, in conjunction with the DoDMV with a particular emphasis on Advanced Manufacturing Technologies (AMT)
- Assist Denel with the turnaround towards financial sustainability of Denel Saab Aerostructures (DSA) and Denel Dynamics.
- Provide SAFCOL with a clear mandate that is aligned with government's strategic objectives
- Continue participating in and facilitating the land claims settlement process to ensure restitution and transformation in the forestry sector
  - Finalise SAFCOL's future following the conclusion of the land claims
  - Industrias Florestais de Manica, SARL (IFLOMA) divestitures: establish a process in respect of SAFCOL's investment in IFLOMA.

## INFORMATION ON PREDETERMINED OBJECTIVES

DPE OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
Defence	Enable Denel's strategic role in the provision of defence capabilities	Submission of follow-up Denel end-state Cabinet Memorandum to win political support for Denel's future	<ul style="list-style-type: none"> <li>Progress on implementation of Denel future state, especially in areas requiring buy-in from DOD</li> </ul>	<ul style="list-style-type: none"> <li>Process is underway to align Denel's capabilities with the DOD's strategic requirements. This is contingent upon the DOD finalising its military strategy</li> </ul>
		Securing long-term orders and funding thereof (including for non-recurring costs) to retain critical mass and capabilities within strategic and sovereign Business Units (BU)	<ul style="list-style-type: none"> <li>Retention of strategic and sovereign capabilities in areas agreed to with DOD</li> <li>Programme delivery to South African National Defence Force (SANDF) on agreed programmes and contracts</li> </ul>	Denel continued to perform within the international benchmark of 85% success rate securing for long-term orders
	Enabling Denel's strategic economic role in promoting advanced manufacturing	Report on Denel's strategic economic role in promoting advanced manufacturing	Align Denel's strategy with Industrial policy  Identify key Design To Build (DTB) and/or new Line of Business (LoB) opportunities	Ongoing process between DPE, National Treasury, DOD and DTI. Awaiting finalisation of the ongoing process with regard to the review of Denel's new mandate. To be finalised by September 2012
	Enabling Denel's business sustainability	Resolution of Denel's going concern status and long-term solvency issues	Adequately funded business by March 2011	Funding assessment done. Three Denel guarantees rolled over as interim support mechanism while a turnaround plan is developed  Awaiting finalisation of the ongoing process with regard to the review of Denel's new mandate
			Development of new business/growth strategy for Denel	Review of Denel mandate
		Implementation of DSA turnaround	Agreement on the future of DSA and the turnaround plan	Position paper on the options for DSA prepared
		Oversee conclusion and execution of equity transaction in Denel Dynamics Missiles	Cabinet Memorandum on the equity transaction	Equity transaction suspended due to DOD concerns about retention of sovereign and strategic capabilities
		Oversee consolidation within the landward sector	Position paper and implementation plan for achieving landward consolidation  Implementation of proposed consolidation strategy	Pending, subject to finalisation of the DOD defence strategy



DPE OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
<b>Defence</b>	Enabling Denel's business efficiency	Quarterly report on investment in self-funded Research and Development (R&D) by each business unit	Quarterly report on investment in self-funded R&D by each business unit	Completed. Part of quarterly report assessment
	Enabling Denel's developmental contribution	Assessment of Denel's BU components of the Black Economic Empowerment (BEE) scorecard	Year-on-year monitoring of BEE rating of Denel BUs	Completed
	Assessment of board strength	Cabinet memorandum on proposed Denel board nominations	Fully constituted Denel Board	Cabinet memorandum signed 5 May 2010 for appointment of six new board members. Board not fully constituted and vacancies still to be filled going forward  Board skills matrix prepared and potential candidates identified for the nine outstanding vacancies
	Annual General Meeting	Annual review: <ul style="list-style-type: none"> <li>• Input into AGM agenda</li> <li>• Review board composition</li> <li>• Review of: <ul style="list-style-type: none"> <li>◦ Financial performance</li> <li>◦ Strategy implementation</li> <li>◦ Operations</li> </ul> </li> </ul>	Memorandum signed by Minister	Completed
	Strategic intent statement	Strategic intent statement issued to Denel	Strategic intent statement	Completed
	Shareholder compact	Shareholder compact signed by Minister and Denel Board	Shareholder compact signed by Minister and Denel Board at AGM	Completed
	Annual Report Assessment	Memorandum on analysis of group: <ul style="list-style-type: none"> <li>• Financial performance</li> <li>• Strategy implementation</li> <li>• Operations</li> </ul>	Memorandum signed by Minister	Completed
	SOEs five year review	Analysis of Denel five year performance i.e.: <ul style="list-style-type: none"> <li>• Financial performance</li> <li>• Strategy implementation</li> <li>• Operations</li> </ul>	Memorandum: five year review of Denel's performance	Not completed. A decision has been taken to restructure and reposition the review

## INFORMATION ON PREDETERMINED OBJECTIVES

DPE OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
Defence	Monthly Report	Memorandum on analysis of group: <ul style="list-style-type: none"> <li>• Financial performance</li> <li>• Strategy implementation</li> <li>• Operations</li> </ul>	Memorandum signed by Minister	Completed
	Quarterly report (Q1,2,3,4)	Memorandum on analysis of group and divisions: <ul style="list-style-type: none"> <li>• Financial performance</li> <li>• Strategy implementation</li> <li>• Operations</li> <li>• One page investor brief to Board</li> </ul>	Memorandum signed by Minister	Completed
	DPE board presentation	Presentation to DPE Board on Denel quarterly performance, results and analysis	Presentation to the DPE Investment Committee	Completed
	Dashboard	Populate and update data and analysis	Updated dashboard	Completed
	Corporate Plan	Analysis of: <ul style="list-style-type: none"> <li>• Financial forecasts</li> <li>• Strategy plan</li> </ul>	Memorandum on Corporate Plan	Completed
	Input into assessment of PFMA section 54 applications	Memorandum on assessment of PFMA Section 54 Applications	Section 54 (2) Memorandum signed by Minister	<ul style="list-style-type: none"> <li>• The following PFMA Section 54(2) Applications were assessed: <ul style="list-style-type: none"> <li>◦ MBDA equity transaction with Denel Dynamics Missiles</li> </ul> </li> </ul>
	DSA indemnity agreement	<ul style="list-style-type: none"> <li>• Audit of submitted claim</li> <li>• Payment of audited claim</li> </ul>	Treasury Cabinet memorandum for payment of audited DSA indemnity claims	Completed
	Referrals from Minister and DG	Drafting of briefing and letter	Decision or briefing memo as required	Completed
	Parliamentary questions	Draft/review response	Answer to parliamentary questions	Completed
	Review of Cabinet Memos	<ul style="list-style-type: none"> <li>• Research topic</li> <li>• Write-up memo</li> </ul>	Decision or briefing memo, as required	Completed
<ul style="list-style-type: none"> <li>• Reasons for variance: Definition of Denel's strategic role and business sustainability is contingent upon the DOD finalising its military strategy</li> </ul>				

DPE OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
Forestry	Corporate plan	Assessment of corporate plan	Annual assessment of corporate plan: <ul style="list-style-type: none"> <li>• Financial targets</li> <li>• Sustainable forestry management</li> <li>• Maintenance of shareholder value</li> <li>• Strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Assessment of corporate plan finalised</li> </ul>
	Assessment of board strength	Cabinet Memorandum on proposed SAFCOL Board nominations	Assessment of SAFCOL Board strength: <ul style="list-style-type: none"> <li>• Undertake an assessment of current Board</li> <li>• Complete a skills review for SAFCOL's Board</li> <li>• Develop a framework for board replacements</li> <li>• Research potential candidates</li> <li>• Collect and collate necessary data and information</li> <li>• Make recommendations regarding board composition (retirees, additions and replacements)</li> <li>• Compile Cabinet memorandum</li> </ul>	<ul style="list-style-type: none"> <li>• Comprehensive review undertaken</li> <li>• Cabinet memorandum on proposed SAFCOL Board nominations</li> <li>• Board replacements were subsequently effected</li> </ul>
	Assessment of Annual Report	Assessment of Annual Report	Analysis of SAFCOL's: <ul style="list-style-type: none"> <li>• Financial performance (Annual Financial Statements)</li> <li>• Operational performance</li> <li>• Strategy implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Decision memorandum approved</li> <li>• Aide Memoire for AGM</li> </ul>
	Annual General Meeting (AGM)	AGM	<ul style="list-style-type: none"> <li>• Strategic Intent Statement (SI) addressing key issues facing SAFCOL</li> <li>• Shareholder communiqué</li> <li>• Shareholder compact</li> </ul>	<ul style="list-style-type: none"> <li>• SI and communiqué drafted and formally submitted to the Board</li> <li>• Shareholder compact signed at AGM in September</li> </ul>
	Quarterly reporting against Key Performance Indicators (KPIs)	Quarterly reporting	<ul style="list-style-type: none"> <li>• Assessment of SAFCOL's quarterly reports</li> <li>• Assessment of SOEs data capture on dashboard</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly assessments of SAFCOL completed (Q4, Q1 and Q2), decision memoranda and investor briefs compiled and quarterly presentations to principals</li> </ul>



# scale

State-owned enterprises occupy an important niche in this pursuit of a developmental state, expected to lead in the provision of the modern **infrastructure** that will result in the provision of key support to the South African economy and simultaneously provide the jobs requisite for our country to eradicate poverty and inequality.”

**Malusi Gigaba, Minister of Public Enterprises**



TURBINE HALL  
LIFT ZONE  
AREA

## INFORMATION ON PREDETERMINED OBJECTIVES

DPE OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
Forestry	Disposal of minority shareholding	Disposal of stakes in associate companies	Shares transferred to communities/alternative institution	<ul style="list-style-type: none"> <li>Rural Development and Land Reform (RDLR) commissioned a legal opinion in July 2010 into an alternative model for the warehousing and transfer of shares</li> <li>Several attempts were made to solicit RDLR's position on the matter without success. Matter elevated to Deputy Minister</li> <li>RDLR is in the process of finalising an alternative model for share transfer to ensure community benefit</li> </ul>
		Review of SAFCOL's future post land claims	<ul style="list-style-type: none"> <li>Preparation of position paper on SAFCOL's future role</li> <li>Commissioning of relevant research</li> <li>Inter-governmental engagement</li> <li>Cabinet Memorandum</li> </ul>	<ul style="list-style-type: none"> <li>To inform SAFCOL's future role, a request for a Turnaround Plan was made and this was received from SAFCOL at the end of February 2011</li> <li>Initial work on the future role of SAFCOL commenced</li> </ul>
		Input into of land claims process	Participate in Inter-Departmental Land Claims Task Team and report back to DPE	N/A as task team was disbanded given lack of progress by RDLR (in light of departmental restructuring)
<p>Reasons for variance: Q3 assessment not completed due to capacity constraints in the unit.</p> <p>Defining the future role of SAFCOL has been delayed due to an initial focus on board replacements and capacity constraints. The delayed submission of SAFCOL's Turnaround Plan had a knock on effect on strategy formulation.</p>				

### Service delivery overview and achievements

In addition to the fulfilment of all statutory shareholder functions including the evaluation of the Denel corporate plan, development of a shareholder compact (including a shareholder strategic intent statement), quarterly and annual reporting as well as approval of significant and material transactions, the following key enabling environment support was provided to enhance SOEs performance.

The main focus has been engagement with Denel and the National Treasury regarding effective implementation of Denel's turnaround strategy with a particular focus on cost cutting and revenue growth as well as the enterprise's interim financial sustainability with particular focus on the development of a framework for the resolution of DAS. A roll-over of guarantees amounting to R1.85 billion has been secured as interim support to Denel. Engagements with the DoDMV to improve alignment in Denel's service delivery focus and multi-year orders from the DoDMV will continue. An implementation plan will be developed between all stakeholders, including National Treasury, DOD, DTI and Denel, for achieving a sustainable Denel that will gradually reduce its reliance on government support. A monitoring committee chaired by DPE comprising NT, DOD and DTI will be established to monitor progress on the turnaround of Denel and the implementation plan.

The negative impact of the economic downturn compounded by losses from fires in previous years are posing critical challenges to SAFCOL, prompting the need for a business turnaround plan and SAFCOL Board review. A turnaround plan was submitted to the Department in February 2011. The purpose is to ensure enhanced financial and commercial viability and developmental contribution in light of the role SAFCOL can play in the rural areas in which it operates.

The resolution of land claims remains an important area for the business. The Department has engaged with the Department of Rural Development and Land Reform (RDLR) on this and on the transfer of minority shares for the benefit of surrounding communities from previously privatised packages. RDLR is currently finalising its position on the most optimal institutional vehicle to warehouse and effect the transfers.

The Department initiated work on SAFCOL's future role through consultation with other key role-players. SAFCOL's role is currently under review, taking into account Cabinet's decision in 2007 to privatise Komatiland Forests (KLF) and wind up SAFCOL, and in the context of the developmental state, particularly in view of the potential role SAFCOL can play in the advancement of rural development.

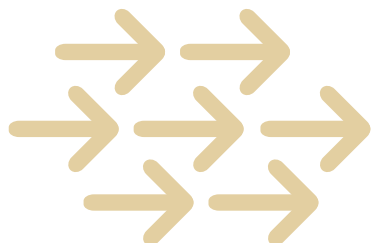
## Programme 5: Transport Enterprises



**Purpose:** Align the corporate strategies and performance of Transnet, South African Airways (SAA) and South African Express Airways (SAX) with government's strategic intent and performance targets.

### Strategic objectives

- Strengthen SOEs role in achieving sector objectives by reviewing the enterprise's mandates and business plans annually
- Promote alignment of corporate strategies of SOEs with government's strategic intent by evaluating corporate plans and advising on material deviations
- Create an enabling environment for SOEs and ensure an appropriate balance between long-term enterprise interest and the appropriate alignment to government policy
- Ensure the global competitiveness of the freight logistics industry by developing National Corridor Performance Measurement (NCPM) tools and indicators over the MTEF period to quantify the operational efficiency of freight corridors
- Develop a long-term strategy for improving the efficiency and performance of investments by SOEs in transport enterprises by annually monitoring the key performance indicators of Transnet, SAA and SAX
- Analyse and assess Transnet's role and influence in the economy by employing economy wide models to measure the impact of Transnet's restructuring and its significant investment programme
- Strengthen private sector participation in ports and rail over the medium term by:
  - Reviewing, in terms of the National Ports Act (2005), the process for involving private sector terminal operators
  - Overseeing the implementation of the revised Transnet branch line strategy which will see the introduction of private operators onto the branch line network over the MTEF period
- Monitor the rollout of Transnet's capital expenditure programme by annually assessing its impact for any significant deviations from corporate plans in order to report to the Department on Transnet's performance
- Monitor the implementation of the competitive supplier development programme to leverage Transnet's capital expenditure for the development of local supplier industries by evaluating the reports received from Transnet on a quarterly basis
- Monitor the alignment, strategy and mandate of SAA and SAX with the African aviation strategy by evaluating corporate plans on a quarterly basis.



## INFORMATION ON PREDETERMINED OBJECTIVES

DPE OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
Transport	Oversight of Transnet	Corporate Plan	Annual assessment	Assessment completed during June 2010
		Shareholder compacts with Transnet	Conclusion before AGM	Shareholder compact signed in April 2010
		Achievement of MTEF target by Transnet	Quarterly and annual monitoring  Assessments of PFMA Section 54 Application	<ul style="list-style-type: none"> <li>Completed all quarterly assessments of performance</li> <li>Section 54 Application for iron ore capital expenditure approved</li> </ul>
	Oversee private sector participation in Ngqura container terminal	Agreed process for private sector participation and execution of transaction	<ul style="list-style-type: none"> <li>Finalise transaction structure with DOT</li> <li>Request for proposals</li> </ul>	Agreed interim licence conditions for Transnet port terminals operations at Ngqura
	Private sector participation in rail through ensuring access to branch lines by private operators	<ul style="list-style-type: none"> <li>Establishment of institutional structure</li> <li>Framework for concessions</li> <li>New operators on the branch line network</li> </ul>	Awarding and rollout of first wave of concessions	Draft of branch lines strategy completed in July 2010. Further work on strategy requested by Ministers of Transport and Public Enterprises to broaden the scope of the current strategy
	Develop NCPM tools and indicators	<ul style="list-style-type: none"> <li>IT system in place</li> <li>Agreed indicators</li> <li>Population and monitoring of system data</li> <li>Business intelligence outputs</li> </ul>	<ul style="list-style-type: none"> <li>Sishen Saldanha</li> <li>Northern Cape – PE</li> </ul>	First release of IT portal completed. Completed NCPM implementation on RBCT and Sishen Saldanha. Northern Cape – PE and NatCor in progress
	Monitor rollout of Transnet's capex programme	<ul style="list-style-type: none"> <li>Monitor compliance to budget</li> <li>Assess the impact of changes on the plan</li> </ul>	Annual assessment	An assessment of the progress on the capital expenditure projects was undertaken on a quarterly basis
	Implementation of Competitive Supplier Development Programme (CSDP)	Leverage of Transnet capital expenditure in the development of local supplier industries	Monitor implementation	Major CSDP contract between Transnet and General Electric (GE) was signed in June 2010. 90 of the 100 locomotives to be built in South Africa. Received first two locomotives from GE at the end of February 2011
Implementation of the National Ports Act, 2005	Establishment of the National Ports Authority to provide for matters referred to in the Act as part of the bilateral process with DOT	<ul style="list-style-type: none"> <li>Review option for restructuring of ports</li> <li>Investigate integrated freight infrastructure policy impacts</li> <li>Active engagement with DOT work streams</li> </ul>	Completed draft paper on Transnet restructuring to guide structural options in ports and requisite amendments to the Ports Act	



DPE OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
<b>Transport</b>	Implementation of Transnet levy for pipelines and corporatisation of Transnet pipelines	<ul style="list-style-type: none"> <li>Levy payments to Transnet</li> <li>Scenario schedules</li> </ul>	<ul style="list-style-type: none"> <li>Undertake financial modelling exercise to ascertain viability</li> <li>Monitor levy disbursement</li> </ul>	<ul style="list-style-type: none"> <li>Completed financial modelling of Transnet Pipelines tariff application and scenarios of tariff increases</li> <li>First instalment of levy disbursement to Transnet</li> </ul>
	Rail reform process and implications for Transnet Freight Rail (TFR)	Operation and financial efficiencies	<ul style="list-style-type: none"> <li>Active engagement with DOT work streams</li> <li>Develop turnaround strategy for TFR</li> </ul>	Completed phase one of rail reform study
	Consideration of Transnet corporate structure options	Develop scenarios and options aligned to government policy	Review Transnet financial statements and corporate plan	Financial statements and corporate plan reviewed
<b>Aviation</b>	Oversight of SAA and SAX	Corporate Plan	Annual assessment	Review completed
		Shareholder compacts with SAA and SAX	Conclusion before AGM	Signed between the SOEs Boards and the Minister
		Achievement of MTEF target by SAA and SAX	Monthly (SAA only), quarterly and annual monitoring  Assessment of PFMA Section 54 Application	<ul style="list-style-type: none"> <li>Quarterly reviews completed</li> <li>Assessments completed</li> </ul>
	Continue development and implementation of Africa Aviation Strategy	Test alignment of SAA Africa Development Plan and SAX African Hub strategy	Implementation of the Africa Aviation Strategy by SAA and SAX	Review of SA Express JV operations in the Congo. SAA submitted various PFMA to launch new routes on the continent. Meetings held monthly to review continental and regional route operations
	Review SAA and SAX route network, proposed future scenarios and associated fleet	Agree business plans	Assessment of the business plans	Route network was reviewed as part of the Corporate Plan review  Processed SAA and SAX fleet renewal/expansion plans. SAA took delivery of the first Airbus A330-200 in February 2011
	Develop a strategic scenario planning model for SAA	Scenario planning model	Financial model developed and used for scenario planning and forecasting	Service provider appointed. Currently developing the model which should be completed by end of the second quarter of 2011/12 financial year

## INFORMATION ON PREDETERMINED OBJECTIVES

DPE OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
Aviation	Ring-fencing of selected SAA business units and pursue strategic equity investments (Voyager, Air Chef, Galileo and Cargo)	Development of an independent business focus and new strategic alignment	Work with SAA to develop a business plan for selected business units and assess capital requirements	Business plans for South African Airways Technical (SAAT) and Voyager completed and submitted
	Assess options for establishing SAAT as a multi-airline focused African maintenance hub	Feasibility study	Assessment of feasibility of SAAT as a separate SOE	Feasibility study for expansion of SAAT completed in March 2011

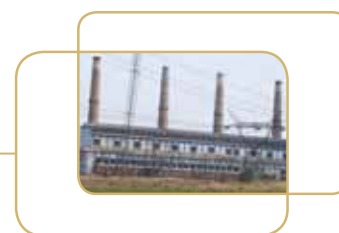
### Service delivery overview and achievements

The Department fulfilled all statutory shareholder functions including the evaluation of the Transnet corporate plan, development of a shareholder compact (including a shareholder strategic intent statement), quarterly and annual reporting as well as approval of significant and material transactions.

Major achievements in the rail and port sector included significant progress in the implementation of the National Corridor Performance Measurement (NCPM) on the coal, iron ore, manganese bulk export lines and the completion of the first release of the IT portal for the NCPM system in the Department. In addition the Department finalised phase one of the rail reform study to inform the emerging rail policy options by the Department of Transport in 2011. Most notably, under the auspices of the Competitive Supplier Development Programme (CSDP), Transnet received the first two diesel electric locomotives of the 100 arising from the GE transaction.

In Aviation, the major achievements included the final approval of the Airbus transaction and the delivery of the first A330-200 in February 2011 by SAA, completion of the South African Airways Technical (SAAT) business plan and feasibility of expanding SAAT as a regional maintenance and repair facility.

## Programme 6: Joint Project Facility



**Purpose:** Coordinate and develop cross-cutting projects that leverage the assets and capabilities of the State Owned Enterprises to the benefit of the economy.

### Strategic objectives

- Linked to the South African Power Project (SAPPRO), obtain a decision on nuclear procurement and develop the South African Renewables Initiative (SARi) in order to subsidise the Renewable Energy Feed in Tariff (REFIT)
- Implement the CSDP to ensure a qualitative increase in localised investment and employment in SOEs supply chains
- Skills Development Programme:
  - Ensure that trainee artisans, technicians and engineers are placed within Eskom and Transnet and their suppliers through the Skills Development Programme
  - Optimise SOEs training facilities to increase the national pool of artisans
  - Facilitate Solar Water Heater (SWH) skills development in support of demand side management targets
  - Launch the Management Learning Programme and monitor accordingly
  - Host annual Parliamentary Learning Programme
- Property Project: Release land in support of national objectives, out of the total SOEs property disposals
- Environmental Oversight: Expedite Environmental Impact Assessments for strategically important developments.

## Joint Project Facility (JPF) Projects

**The South African Power Project (SAPPRO)** is focused on nuclear and renewable energy as key elements of the country's energy mix in ensuring security of supply. **The South African Renewables Initiative (SARi)** forms part of SAPPRO and is aimed at identifying the sector's potential for industrial development and exploring strategic bilateral relationships as a means to subsidise the technology. (Note: nuclear procurement is dealt with under CSDP. Once SARi is fully developed, renewable energy technology procurement will relocate to the CSDP.)

**The Competitive Supplier Development Programme (CSDP)** is responsible for finding innovative ways to leverage SOEs procurement to build local world-class manufacturing capabilities in South Africa and to supply capital goods for Transnet and Eskom's build programmes. Currently, the CSDP is focused on nuclear and locomotive fleet procurement. A further component of CSDP is aimed at ensuring world-class SOEs procurement capability by establishing appropriate training and certification.

DPE works in partnership with the DTI, DST and United Nations Industrial Development Organisation (UNIDO) in support of supplier development under the Subcontracting and Partnership Exchange Programme (previously called the Infrastructure Supplier Benchmarking Programme [ISBP]) with the DTI having assumed responsibility as the lead department on the supply side with ongoing support from DPE on the demand side.

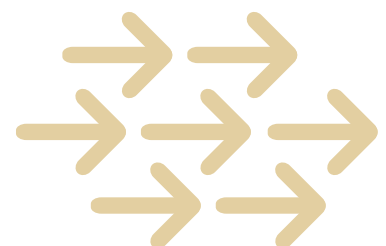
**Africa Programme:** A regional component of the ISBP, namely the Regional Supplier Benchmarking Programme (RSBP) forms part of the CSDP and focuses on supplier development in Africa.

### Human Resources and Capacity Building Programme (skills development):

- The **Skills Development Programme** not only focuses on ensuring the availability of the requisite skills for the build programmes but is also aimed at contributing to the national skills agenda. This includes the optimisation of SOEs training facilities to develop the necessary skilled artisans, technicians and engineers. DPE is working with key stakeholders such as the Department of Higher Education and Training (DHET) and the Sectoral Education and Training Authorities (SETA) to facilitate the placement of artisans, technicians and engineering trainees within the SOEs and their suppliers to ensure the attainment of the necessary certification. DPE has also assisted in addressing gaps in the curricula of specific artisan trades in order to ensure that the supply of artisans meets industry's needs
- The **Solar Water Heater (SWH) Skills Development Programme** is aimed at augmenting the supply of plumbers with the requisite skills to accelerate SWH geyser installation and maintenance in support of Eskom's Rebate Programme
- The **Management Learning Programme** aims to assist government officials as well as SOEs managers in dealing with complex issues affecting the management and performance of SOEs
- The **Parliamentary Learning Programme** is an annual event for Parliamentarians on the Public Enterprises Portfolio Committee and National Council of Provinces Select Committee to enable dialogue with industry experts around topics of importance to government and the SOEs.

**The Property Project** is focused on optimising the value and developmental impacts of non-core SOEs property portfolios.

**Environmental Issues** develops proposals to ensure that the government policy balances the needs of environmental conservation with the need to develop infrastructure rapidly and monitors Environmental Impact Assessments (EIA) for Strategically Important Developments.



## INFORMATION ON PREDETERMINED OBJECTIVES

JPF OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
<b>The South African Power Project – South African Renewables Initiative (SARi)</b>	Development of SARi	Project oversight and appointment of consultants for institutional framework design, technology analysis, quantitative analysis, market analysis and funding and deal structure	Design and development of institutional, technology and funding strategy	Renewables technology, market sensitivity analysis and quantitative analysis completed as part of the modelling of concessional funding structure
No variances				
<b>Competitive Supplier Development Programme (CSDP)</b>	Complex Capital Procurement (CCP) course development	Development of content and platform for CCP	Development of CCP course	Development of strategy and business plan for CCP Centre of Excellence with detailed support intervention defined for locomotive fleet procurement
	Organisational Certification for procurement	Framework for Organisational Certification for SOEs	SOEs Organisational Certification verifying procurement capability for complex procurements	Not completed (Refer to major variances)
	Buyer requirement database development	Buyer requirement database development	Demand side database to be developed	Initial demand side information received
	Nuclear procurement	Develop funding strategy and governance framework for nuclear procurement	Oversight of funding strategy and governance framework for nuclear procurement	An inter-departmental memorandum on nuclear oversight has been completed  Review of Eskom's position on nuclear procurement issues including funding, governance framework and risk profile mandate completed
	Locomotive fleet procurement	Design and implement locomotive fleet procurement	Long-term fleet demand, funding strategy and industry champions	Pre-feasibility study completed for locomotive procurement including demand analysis, funding and industrialisation strategy
	DPE position on enabling policies for supplier development	Development and implementation of comprehensive enterprise and shareholder supplier development policy	Development of supplier development policy	Comprehensive programmatic and transactional procurement policy developed Initial policy proposals regarding BBBEE and DTI incentives submitted to the DTI

JPF OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
<b>Competitive Supplier Development Programme (CSDP)</b>	CSDP dashboard	Develop dashboard, ensure SOEs data captured and monitor dashboard	Dashboard development, SOEs data capture and monitoring	CSDP Dashboard refinement SOEs data not populated prohibiting monitoring due to delays with SOE SAP data extraction (refer to major variances)
<p>Reasons for major variances: Organisational certification not completed as focused instead on enhanced CCP output as organisational certification was considered of secondary importance.</p> <p>Buyer requirement database: initial development of database but database structure has been found to require further refinement in consultation with supplier development partners.</p> <p>CSDP dashboard has not yet been populated due to delays with SOEs SAP data extraction. Given complexities of data extraction, a need for qualitative reporting has been identified.</p>				
<b>Africa: Regional Supplier Development Programme</b>	RSBP review to ascertain its future	Conduct independent assessment of the RSBP to determine the merits and viability of continuing the programme based on learning's from ISBP in South Africa	Assessment of RSBP	Decision taken to terminate RSBP communicated to UNIDO
No variances				
<b>Human Resources and Capacity Building Programme (Skills Development)</b>	<p>Reporting, monitoring and evaluation of skills development:</p> <ul style="list-style-type: none"> <li>o Within SOEs</li> <li>o Within supplier network for the build and maintenance programmes</li> </ul> <p>Ensure targeted skills development facilitation</p>	<p>Trainee artisans, technicians and engineers are placed within SOEs and their suppliers</p> <p>SOE-college and industry partnerships as appropriate to increase the national pool of artisans</p>	<p>Oversight of internal SOEs skills development: Ensure sufficient scarce and critical skills in place within SOEs and the supplier network</p> <p>Facilitate partnerships with DHET, SETA and relevant stakeholders to support artisan training to increase the national pool of artisans</p>	<p>Skills dashboard revised, SOEs capacity and dashboard operational. SOC reports submitted, monitored and evaluated quarterly</p> <p>Trainee artisans, technicians and engineers supported by SOEs in various programmes (bursaries, internships, learnerships and apprenticeships)</p> <p>Regular engagement with key partners to increase pool of artisans</p>

## INFORMATION ON PREDETERMINED OBJECTIVES

JPF OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
<b>Human Resources and Capacity Building Programme (Skills Development)</b>	Ensure targeted skills development facilitation	Alignment of FET NCV curricula as required for select scarce and critical skills to meet industry needs	Alignment of FET NCV curricula for electrical and welding trade to industry requirements	Process to align FET NCV curricula (electrical and welding) established in collaboration with DHET and supported by industry experts
		Integrated workplace guidelines approved by relevant regulatory body	Electrical and welding workplace guidelines	Electrical and welding workplace guidelines developed in collaboration with industry
		FET college graduates placed by SOEs and suppliers for work experiential learning	Placements for experiential learning	Participated in DHET-led process to strengthen FET colleges and expand access and placement of graduates
		SETA commit workplace experience grants	Grant funding provided as part of above process	Facilitation of grant funding through existing processes
	Optimisation of SOEs training facilities	SOEs train artisans over and above their needs to increase national pool of artisans	SOEs train artisans over and above their needs to increase the national pool of artisans	Established DPE/DHET coordinated process to investigate SOEs training facility capacity and enhance support to increase artisan learners for the national pool
No variances				
<b>Solar Water Heater (SWH) Skills Development Programme</b>	SWH skills development for accelerated SWH geyser installation and maintenance	Ensure inter-governmental alignment Facilitate the implementation of new SWH qualifications within training institutions	DOE-DPE alignment Ensure training institution preparedness for new SWH qualifications. Improved monitoring platform and learning tools Establish a conducive environment for the uptake of Eskom's Rebate Programme for accelerated SWH geyser installation and maintenance Facilitate Training Fundraising	Detailed Energy IMC outputs prepared New qualification registered in CETA domain 21 private training sites prepared and accredited for roll-out Slow rebate uptake. Eskom Rebate Programme has been aligned with professional bodies and created registered independent SWH installer mechanism Eskom contract for 100 trainees signed. CETA MoU and training contract renewed. World Bank funding proposal revised and re-submitted for possible funding
No variances: Consultant's contact ended on 31 August 2010. Project closed in JPF and transferred to the Energy Unit.				

JPF OVERSIGHT				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
<b>Management Learning Programme (MLP)</b>	MLP offered at a Higher Education Institution	Institutionalisation of MLP at UCT Graduate School of Business	MLP launch by UCT Graduate School of Business  Publish SOEs Reader	MLP launched in May 2010. Modules 1, 2 and 3 completed. Reader completed
No variances				
<b>Learning Programme for Parliamentary Portfolio and Select Committee (Autumn School)</b>	Learning experience for Parliamentary Portfolio and Select Committee	Annual Learning Programme for Parliamentarians	DPE to host tailored Learning Programme for Portfolio and NCOP Select Committee	Successful Learning Programme hosted in May 2010
No variances				
<b>Property Project</b>	Disposal and development of strategically located SOEs non-core property	Facilitate disposal of non-core property	Land released in support of national objectives          Non-core property disposals on open market to support core operations	Draft guidelines for SOEs-state transactions developed  PFMA approval for Transnet's second list granted  Housing Delivery Agreement signed and multi-stakeholder process initiated to release SOEs land  Facilitation of key state transactions and facilitation undertaken with relevant stakeholders  Property dashboard developed and refined and monitoring of disposals on a quarterly basis  Not yet initiated (refer to major variance)
		Facilitate development of strategically located non-core property	Review approach to property for development	Need for further consultation identified
<p>Reasons for major variances: Disposals on open market will only take place once state has exercised its right of first refusal and pending further consultation with key stakeholders.</p> <p>Further consultation required in respect of approach to property for development.</p>				

## INFORMATION ON PREDETERMINED OBJECTIVES

JPF Oversight				
Sub-programme	Output/key projects	Measure/indicator	Actual performance against target	
			Target	Actual
<b>Environmental Issues</b>	Cohesive and integrated environmental and infrastructure plans	Streamlined Environmental Impact Assessment (EIA) applications for Strategically Important Developments (SID)	Monitoring of EIA for SID	Dashboard developed for improved monitoring of EIA for SID – relevant interventions undertaken to expedite resolution
		Monitor SOEs Fund	Appropriate intervention to resolve delays	Fund monitored on a quarterly basis and SOEs contributions facilitated
		Joint task teams to give effect to MoU (DPE – DEA; DEA – DPE – Eskom)	Facilitation of SOEs Fund	Fund monitored on a quarterly basis and SOEs contributions facilitated
		Joint task teams to give effect to MoU (DPE – DEA; DEA – DPE – Eskom)	Joint task teams established	DPE – Eskom engagement initiated
		Inter-governmental participation and alignment with respect to climate change, environmental planning, air quality and water provision in support of build programmes	Joint task teams established	Participated in inter-governmental forum on climate change, air quality and water for growth and development
Reason for major variances: Task teams not yet initiated due to lack of capacity.				





A close-up photograph of an airplane engine and wing against a blue background with flags. The engine is in the foreground, showing its fan blades. The wing extends across the top. In the background, there are flags, including the flag of the United Kingdom and the flag of South Africa. The word "financials" is overlaid in a white box.

# financials



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# REPORT BY THE AUDIT COMMITTEE

## INTRODUCTION

We are pleased to present our report for the financial year ended 31 March 2011 in terms of the Public Finance Management Act, 1 of 1999 section 38 (1) a, 76 (4)d and 77, and Treasury regulations 3.1.11.

## MEMBERSHIP AND ATTENDANCE

The Audit Committee consists of the members listed below. All the Audit Committee members are independent, which is in line with the industry corporate governance practice. During the year under review, the Audit Committee met as follows:

Name of member		Number of meetings attended
Zienzile Musamirapamwe	(Chairperson)	4/4
Mattie Joubert		4/4
Ndumi Medupe	Resigned (28/10/2010)	2/4
Jerry Sithole		4/4

## AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee confirms that it has complied with its responsibilities arising from section 38(1) (a) of the Public Financial Management Act (PFMA) and Treasury Regulation 3.1.13.

The Audit Committee has regulated its affairs in compliance with its approved terms of reference, which is reviewed on an annual basis and has discharged all its responsibilities as contained therein.

## THE EFFECTIVENESS OF INTERNAL CONTROL

The review of the effectiveness of the system of internal control by the Audit Committee is informed by the reports submitted by Internal Audit and management, who are responsible for the development and maintenance of the internal control system.

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved through review and challenge of audit reports submitted by Internal Audit ensuring that key controls deficiencies are adequately and timeously addressed. The Audit Committee approves the risk based Internal Audit three year rolling strategic plan and one year operational plan. Agreed action plans with owners and target action dates are tracked on a quarterly basis to ensure that focus is placed on clearing any overdue actions.

From the various reports from the Internal Auditors, the Audit Report on the Annual Financial Statements and the management report of the Auditor-General, it was noted that there were no significant or material non compliance with prescribed policies and procedures identified. Accordingly, we can report that the system of internal control for the period under review was adequate and effective. However focus should be placed on filling of vacant key managerial posts and ensuring policies are approved on time. Management has been making concerted efforts to address the aforementioned control issues.

## Risk Management

The Audit Committee has an oversight responsibility over the Department's risk management processes at two levels, namely; shareholder risks and internal DPE's risks. In the year under review the Committee effectively monitored the implementation of Enterprise Risk Management (ERM) and reviewed progress quarterly for shareholder risks. However, the Audit Committee was unable to adequately review and monitor the effectiveness of the internal DPE risks due to the unavailability of a risk profile report. The Audit Committee continued to monitor progress on achievement of internal risk management milestones.

Risk management continues to be a permanent agenda item for the Audit Committee to ensure effective risk management oversight.

The Audit Committee has an oversight role on the management of whistle blowing logs. The whistle blowing reports are reviewed on a quarterly basis by the Committee, which ensures that appropriate risk mitigating action is taken.

## REPORT BY THE AUDIT COMMITTEE (continued)

The Audit Committee has also reviewed progress on internal investigations during the year and resolution of issues has provided assurance that an ethical tone has been established from top management.

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

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

### **EVALUATION OF FINANCIAL STATEMENTS**

The Audit Committee has:

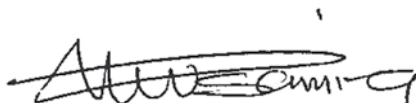
- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
  - reviewed the Auditor-General's management report and management's response thereto; and
  - reviewed significant adjustments resulting from the audit.
- The Audit Committee concurs and accepts the Auditor-General's conclusions 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.

### **Internal Audit**

The Audit Committee is satisfied that the Internal Audit function is operating effectively and that it has addressed the risks pertinent to the Department in its audit. Following the appointment of the new Director-General the Internal Audit reporting line has been changed, as such the Chief Audit Executive is now reporting administratively to the Director-General, thus further strengthening the independence of Internal Audit.

### **Auditor-General South Africa**

The Audit Committee during its quarterly meetings met with the Auditor-General South Africa to ensure that there are not unresolved issues.



### **Chairperson of the Audit Committee**

31 July 2011

## REPORT BY THE ACCOUNTING OFFICER

For the year ended 31 March 2011

Report by the Accounting Officer to the Executive Authority and Parliament/Provincial Legislature of the Republic of South Africa.

### GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

The Department of Public Enterprises provides shareholder management of nine State Owned Enterprises (SOEs): Alexkor, Broadband Infraco, Denel, Eskom, Pebble Bed Modular Reactor (PBMR), the South African Forestry Company (SAFCOL), South African Airways (SAA), South African Express Airways (SAX) and Transnet. The Department's primary objective is to ensure that the state's shareholdings in these companies are financially sustainable and deliver on government's strategic objectives in owning the companies.

The table below reflects the Key Performance Indicators (KPIs) for the Department for the year under review.

	Programme name(s)	Target	Achieved
		2010/11	2010/11
Number of shareholder compacts signed	Energy and Broadband Enterprises; Legal, Governance and Transactions; Manufacturing Enterprises; Transport Enterprises	9	8
Number of new corporate plans reviewed	Energy and Broadband Enterprises; Legal, Governance and Transactions; Manufacturing Enterprises; Transport Enterprises	9	8
Number of quarterly financial reviews	Energy and Broadband Enterprises; Legal, Governance and Transactions; Manufacturing Enterprises; Transport Enterprises	36	32
Number of projects	Joint Project Facility	5	5
<b>Variations:</b> <b>Due to a cabinet decision to close down the PBMR the achievements reflected for the selected KPIs did not meet the projections.</b>			

### OVERVIEW

The Department of Public Enterprises (DPE) is the shareholder Ministry, on behalf of the South African government, responsible for ensuring that the SOEs reporting to it, operate efficiently and effectively and deliver on their respective mandates. The Department's primary objective is to ensure that the state's shareholding in these enterprises is financially sustainable and delivers on government's strategic objectives.

During the year under review the Department underwent some instability due to leadership changes at the political and management level. The Department is settling down after the appointment of the Minister and Deputy Minister in November 2010 and of the Director-General in January 2011. The new leadership have given sharp and early focus and priority to capacity and related challenges in the DPE, in the context of DPE's mandate and strategic role.

### Revised Vision Statement

The Strategic Overview contained in the 2010 Estimates of National Expenditure outlined the Department's approach of "Actively engaging with stakeholders, within and outside government, so that the role of each SOE is aligned with broad economic policies and strategies, and to ensure that sectoral policies and regulations support this alignment."

Over the financial year, the key policy and strategic initiatives were concretised, mainly being the Industrial Policy Action Plan, the New Growth Path (NGP) and the outcomes-based Cluster Delivery Plans all of which are focused on employment creation, industrialisation and infrastructure development, amongst other priority challenges. Guided by these policies and strategies and given the centrality of developing the infrastructure under the State Owned Enterprises to enable investment and job creation in both their customer and supplier sectors, the Department reviewed its vision. The new vision is: **"To drive investment, efficiencies and transformation in its portfolio of State Owned Enterprises, their customers and their suppliers to unlock growth, create jobs and develop skills"** the Department will base its contribution to the objectives and priorities of the abovementioned strategies on this vision, and as part of, in particular, the infrastructure cluster of government departments, in which the DPE is co-chair.

## REPORT BY THE ACCOUNTING OFFICER (continued)

For the year ended 31 March 2011

### **Revised Approach to Shareholder Management**

As per the strategic intent expressed in the 2010 Expenditure Estimates, the Department has made great strides in the implementation of its shareholder management model. The model provides a mechanism for integrating the state's strategic objectives with the SOEs planning and reporting processes, without compromising the commercial integrity of the enterprise. The Department has entrenched the process of designing, agreeing and monitoring shareholder compacts and has developed an electronic dashboard to assist in this process. This approach was based on the acceptance that enterprise planning was fundamentally circumscribed by what investments would be affordable on the balance sheet. However, given the massive infrastructure deficit caused in particular by limited investment between 1994 and 2004, such an approach would not be able to respond effectively to the national economic challenges and priorities. In order to address this challenge, the Department is adjusting its approach to shareholder management in the areas of planning, funding, supplier development and productivity improvement.

### **Key Achievements and Progress on Objectives**

All statutory shareholder functions including the evaluation of the SOEs corporate plans, development of shareholder compacts (including shareholder strategic intent statements), quarterly and annual reporting, as well as approval of significant and material transactions were achieved.

### **ENERGY**

The Department continuously monitored the delivery of new energy generation capacity focused on Eskom's capacity expansion programme as well as exploring the financing options thereof. Eskom's generation capacity was monitored by examining its maintenance and operational practices, distribution efficiency and the reserve margin on a quarterly and annual basis.

Subsequent to Cabinet's decision to close down the Pebble Bed Modular Reactor (PBMR) the Department facilitated the implementation of the "care and maintenance" position which the decision requires PBMR to be placed in.

### **BROADBAND INFRACO**

A service provider was appointed to perform an assessment of the positioning of Broadband Infraco within the telecommunication market (both nationally and internationally). This exercise will ensure that Broadband Infraco's business case is aligned with its statutory mandate of providing accessibility to affordable broadband services across the country.

The Department undertook interventions to ensure that Broadband Infraco establishes and implements business processes, organisational controls, compliance and governance practices, as per the PFMA and Audit requirements.

### **LEGAL**

The Department continued to manage the final tracing and disbursement of benefits to identified beneficiaries of the Diabo Share Trust.

The winding up of Aventura has been delayed as a result of, amongst others, incorrect property descriptions resulting in the need to enter into a new agreement with the purchaser of the resorts, as well as land claims and litigation by parties with vested interests in the disposal. To ensure that the winding up is not delayed any further, the Department has decided to wind up Aventura by way of a liquidation process.

The report and recommendations of the review of the Remuneration Guidelines for Non-Executive and Executive Directors of State Owned Enterprises was submitted to the Department in December 2010 and was presented to Cabinet for consideration.

Subsequently, Cabinet mandated the Minister of Public Enterprises to conduct further consultations before a final Remuneration Model is approved.

### **DEFENCE**

Engagement with Denel and the National Treasury has taken place regarding effective implementation of Denel's turnaround strategy with a particular focus on cost-cutting and revenue growth as well as the enterprise's interim financial sustainability. Particular focus was dedicated to the development of a framework for the resolution of the financial and sustainability challenges of Denel Saab Aerostructures (DAS). A roll-over of guarantees amounting to R1.85 billion has been secured as interim support to Denel.

## REPORT BY THE ACCOUNTING OFFICER (continued)

For the year ended 31 March 2011

### FORESTRY

The negative impact of the economic downturn, compounded by losses from fires in previous years, are posing critical challenges to South African Forestry Company Limited (SAFCOL) prompting the need for a business turnaround plan and reviewing the SAFCOL Board. The Department initiated work on SAFCOL's future role for consultation with other key role-players. The purpose is to ensure enhanced financial and commercial viability and developmental contribution in light of the role SAFCOL can play in the rural areas in which it operates.

### TRANSPORT

Major achievements in the rail and port sector included significant progress in the implementation of the National Corridor Performance Measurement (NCPM) on the coal, iron ore, manganese bulk export lines and the completion of the first release of the IT portal for the NCPM system in the Department. In addition the Department finalised Phase 1 of the rail reform study to inform the emerging rail policy options by the Department of Transport in 2011. Most notably, under the auspices of the Competitive Supplier Development Programme (CSDP), Transnet received the first two diesel electric locomotives of the 100 arising from the General Electric (GE) transaction.

In Aviation, the major achievements included the final approval of the Airbus transaction and the delivery of the first A330-200 in February 2011 by SAA, completion of the South African Airways Technical (SAAT) business plan and feasibility of expanding SAAT as a regional maintenance and repair facility.

### CROSS CUTTING INITIATIVES

A Policy for Programmatic and Transactional Procurements was developed, as was a strategy and business plan for a Centre of Excellence for complex capital procurements with support interventions defined for locomotive fleet procurement.

The Locomotive Procurement pre-feasibility study was completed during the year. The Department has established processes to align the Further Education and Training (FET) National Certificate Vocational (NCV) curricula for industry requirements, in collaboration with the Department of Higher Education and Training (DHET) for welding and electrical artisan trades. The DPE/DHET process will enhance support to SOEs to increase artisan learners for the national pool.

Further details of the above achievements are contained in the performance reports of each programme

### Key Policy Developments

There were no major policy developments or legislative changes relating to the Department of Public Enterprises during the 2010/11 financial year.

The Presidential state owned enterprises Review Committee (PRC) was appointed by President Jacob Zuma in May 2010.

## 1. LITIGATION

### ***Nabera vs. Government of RSA and Alexkor***

Nabera instituted a claim against the Government and Alexkor in 2004 for value addition during its tenure as management contractor at Alexkor and another claim for management fees.

The matter has not proceeded to court yet as Nabera has not set the matter down for hearing.

### ***Aventura and the State vs. Mikanto Properties***

Mikanto Properties launched application proceedings in the High Court of South Africa seeking to interdict Aventura from effecting transfer of eight properties to Forever Resorts.

Mikanto Properties contends that certain properties subject to the sale agreement between Aventura and Forever Resorts should have been transferred to Mikanto Properties as opposed to Forever Resorts. The state was joined as respondent as the Minister of Public Enterprises approved the sale agreement. The matter has not proceeded to court as Mikanto has not filed its replying affidavit.

On 22 January 2010, Mikanto's attorneys filed and served their notice of withdrawal as attorneys of record due to lack of instructions from Mikanto Properties. Aventura has instructed its legal representative to apply to the High Court of South Africa to have Mikanto's application removed from the roll.

# REPORT BY THE ACCOUNTING OFFICER (continued)

For the year ended 31 March 2011

## 1. LITIGATION (continued)

### ***Paharpur/Londoloza Consortium vs. SAFCOL and the Department***

On 16 March 2009, the Paharpur/Londoloza Consortium issued summons against the Minister and SAFCOL wherein the Consortium claimed damages. The claims are based on the fact that the Consortium alleges that they have incurred damages for out-of-pocket expenses in the preparation of the tender, loss for keeping the Consortium offer open until withdrawal of the transaction, loss suffered as a result of failure to successfully negotiate the sale of the KLF stake of which the Consortium would have made a profit. The Department is defending the matter and the State Attorney filed a Notice of Intention to Defend. The applicants have filed a notice of intention to amend their particulars of claim, but have not yet submitted the amended particulars.

### ***Equity Alliance (Pty) Ltd vs. Government of RSA***

Equity Alliance (Pty) Ltd (Equity Alliance) instituted legal action against the Government of the Republic of South Africa in April 2009, claiming an amount of R550 million in damages alternatively R187,5 million representing monies paid by Equity Alliance to purchase shares from Transnet in June 2002.

The claim is based on an alleged oral assurance and guarantee given by the former Director-General of the Department of Public Enterprises and the former Director within the Department stating that, the ramp handling agreement between Equity Alliance and the Airports Company South Africa (ACSA) will on termination in April 2006 be extended.

ACSA did not extend the agreement and consequently, Equity Alliance and the Serco Group instituted a legal action claiming to have suffered damages as a result of the termination of the ramp handling agreement. The Department filed a notice of intention to defend. Subsequent to that, Equity Alliance and Serco Group sought to amend their particulars of claim. The amended particulars of the claim were filed and served on 30 March 2010. In terms of the amended particulars of claim, the claim has now increased from R550 million to R572 million. The Department has objected to the particulars of the claim as not disclosing the cause of action. The Department requested Equity Alliance to either withdraw the matter or amend its particulars. Equity Alliance has refused to either withdraw or amend its particulars. The Department is currently excepting to such particulars of claim. The exception is set down for hearing in court on 14 June 2011.

### ***Jacob Maroga vs. Eskom, Mpho Makwana and The Minister of Public Enterprises***

On 11 January 2010, the applicant (Jacob Maroga) served the Department of Public Enterprises with a copy of an Application (Notice of Motion). In the application the applicant seeks for relief in the following: the court to declare that Eskom's Board's decision to terminate his contract of employment and/or acceptance of his alleged resignation to be unlawful, re-instatement to his position as Chief Executive Officer of Eskom and in the event of such non-reinstatement that Eskom pays him money for damages suffered in the sum of R85 716 830 million. However, after learning that the Minister and Eskom were in the process of appointing a new CEO, he brought an Urgent Application in which he requested the court to interdict Eskom and the Minister from proceeding with such appointment.

The matter was heard on 29 April 2010 and the application was dismissed with costs including costs of two counsel. The total legal fees to date are R409 336. This amount is made up of R202 209 for the Interdict Application which the applicant has agreed to pay and includes one senior counsel at an hourly rate of R2 100 and two juniors at an hourly rate of R1 400. The other R207 127 is for fees incurred to date on the main application. The main application was finalised on 10 December 2010 during which the South Gauteng High Court delivered a judgment wherein the judge dismissed the application by Maroga for reinstatement as the CEO of Eskom or for compensation in the sum of R85 716 830 million. On 15 December 2010 Maroga filed an application for leave to appeal against the judgment which was granted on 18 March 2011.

## 2. DEPARTMENTAL REVENUE AND EXPENDITURE

### **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. However 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.



## REPORT BY THE ACCOUNTING OFFICER (continued)

For the year ended 31 March 2011

### 2. DEPARTMENTAL REVENUE AND EXPENDITURE (continued)

#### Expenditure per department and programme

The Department of Public Enterprises voted budget for 2010/11 amounted to R555.5 million, which was allocated to the following Programmes

- Programme 1: Administration
- Programme 2: Energy and Broadband Enterprises
- Programme 3: Legal, Governance and Transactions
- Programme 4: Manufacturing Enterprises
- Programme 5: Transport Enterprises
- Programme 6: Joint Project Facility

The following table provides a summary of actual expenditure incurred for the 2010/11 and 2009/10 financial year's vs. budget appropriated for each programme:

Programme	2010/11		2009/10	
	Final appropriation R'000	Actual expenditure R'000	Final appropriation R'000	Actual expenditure R'000
1: Administration	104 834	101 541	92 403	88 697
2: Energy and Broadband Enterprises	174 476	170 857	1 959 965	1 958 790
3: Legal, Governance and Transactions	50 023	48 797	145 478	144 095
4: Manufacturing Enterprises	192 782	189 595	199 003	198 068
5: Transport Enterprises	22 958	19 077	1 568 659	1 568 656
6. Joint Project Facility	10 476	10 134	25 652	24 986
<b>Total</b>	<b>555 549</b>	<b>540 001</b>	<b>3 991 160</b>	<b>3 983 292</b>

The decrease of R3.435 billion in the annual appropriation from R3.991 billion in 2009/10 to R555.549 million in 2010/11 is mainly as a result of a decrease in transfer payments to State Owned Enterprises .

Under-spending in the Department amounting to R15.548 million was recorded in the current financial year. This amount is made up of current expenditure in the operational budget mainly under compensation of employees as a result of some posts not having been filled due to scarcity of specialist skills in the market as well as under-spending under goods and services which arose due to some projects having been delayed until very late in the year. The Department has requested rollovers from National Treasury for two projects to the sum of R3.378 million in order for them to be completed in the new financial year. The Department did not achieve its 2% under-spending target with was exceeded by 0.8% in the year under review.

There was no substantive impact on delivery within programmes as a result of this under-spending.

**Programme 1: Administration:** Provides overarching management and key supporting functions and processes in order for the Department to achieve its strategic objectives. The programme consists of the Ministry, the office of the Director-General as well as corporate services with its sub-programmes: human resources, information technology, financial management, administration and facility management, secretariat, knowledge centre, internal audit and communications, as well as property management.

Expenditure for the year amounted to R101.5 million in this programme compared to R88.7 million in 2009/10. This increase is mainly due to the shifting of the risk function from Programme 3 to this programme within the office of the chief investment portfolio manager as well as the expenditure for support services being centralised in this programme which includes maintenance, in-house printing and reproduction services, training, bursaries, stationery, information technology services and computer equipment, vehicle leases, telephones, maintenance and upgrading of security systems.

## REPORT BY THE ACCOUNTING OFFICER (continued)

For the year ended 31 March 2011

### 2. DEPARTMENTAL REVENUE AND EXPENDITURE (continued)

**Programme 2: Energy and Broadband Enterprises:** Aligns the corporate strategies and performance of Eskom, Pebble Bed Modular Reactor (PBMR) and Broadband Infracore against government's strategic intent and performance targets.

Expenditure for the programme for the year amounted to R170.8 million compared to R2 billion in 2009/10. The decrease is mainly due to a reduction in transfer payments to Broadband Infracore and PBMR.

**Programme 3: Legal, Governance and Transactions:** Systems that align SOEs with best practice and government's strategic intent.

Expenditure for the programme for the year amounted to R48.8 million compared to R144 million in 2009/10. This is mainly due to the decrease in transfer payments to Alexkor from R129 million in 2009/10 to R36 million in 2010/11.

**Programme 4: Manufacturing Enterprises:** Aligns the corporate strategies and performance of Denel and the South African Forestry Company Limited (SAFCOL) with government's strategic intent and performance targets. Develop proposals in terms of the SOEs role in developing an advanced manufacturing cluster.

Expenditure for the programme for the year, amounted to R189.6 million, compared to R198 million in 2009/10. The decrease is mainly due to the reduction of the transfer payment to Denel from R191.8 million in 2009/10 to R181.3 million in 2010/11, the funds being in respect of payment of an indemnity granted to Denel/Saab Aerostructures.

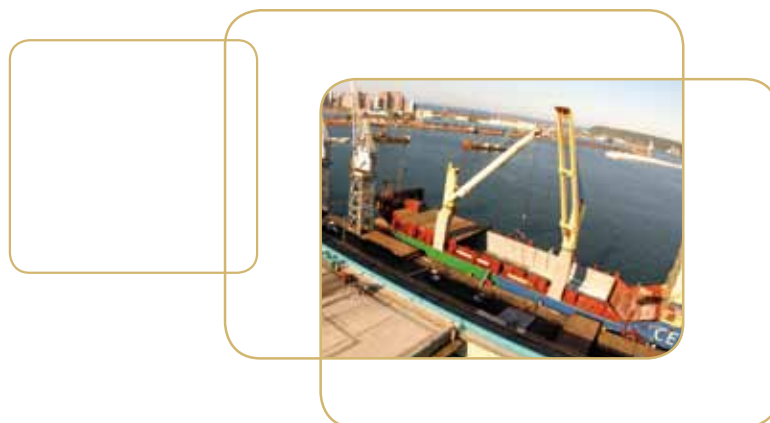
**Programme 5: Transport Enterprises:** Aligns the corporate strategies and performance of South African Airways (SAA), South African Express (SAX) and Transnet with government's strategic intent and performance targets.

Expenditure for the programme for the year amounted to R19 million compared to R1.6 billion in 2009/10. The substantial decrease of expenditure in this programme is due to the transfer payment of R1.6 billion to South African Airways in 2009/10 for the conversion of a guaranteed loan into equity.

**Programme 6: Joint Project Facility:** Co-ordinate and develop cross-cutting projects that leverage the assets, and capabilities of the SOEs to the benefit of the economy.

Expenditure for the programme for the year amounted to R10.1 million compared to R25 million in 2009/10. The substantial decrease in the expenditure in this programme is mainly due to the completion of some of the projects and programmes.

It is anticipated that in the coming financial year, as result of the new Accounting Officer having been appointed in January 2011, that the Department will fill the majority of vacant posts and that projects will be implemented as planned which should stabilise the expenditure trends in the Department.



## REPORT BY THE ACCOUNTING OFFICER (continued)

For the year ended 31 March 2011

### 2. DEPARTMENTAL REVENUE AND EXPENDITURE (continued)

#### Virements: per programme

Programme	Adjusted appropriation R'000	Virements R'000	Final appropriation R'000	Actual expenditure R'000	Variance R'000
1. Administration	106 835	(2 001)	104 834	101 541	3 187
2. Energy and Broadband Enterprises	174 476	–	174 476	170 857	3 619
3. Legal, Governance and Transactions	50 023	–	50 023	48 797	1 226
4. Manufacturing Enterprises	192 782	–	192 782	189 595	3 187
5. Transport Enterprises	21 257	1 701	22 958	19 077	3 881
6. Joint Project Facility	10 176	300	10 476	10 134	342
<b>Total</b>	<b>555 549</b>	<b>–</b>	<b>555 549</b>	<b>540 001</b>	<b>15 548</b>

#### Virements: Economic classification

Programme compensation of employees	Goods and services R'000	Capital R'000	Capital R'000	Total R'000
1. Administration	–	(2 001)	–	(2 001)
2. Energy and Broadband Enterprises	–	–	–	–
3. Legal Governance and Transactions	–	–	–	–
4. Manufacturing Enterprises	–	–	–	–
5. Transport Enterprises	–	1 701	–	1 701 000
6. Joint Project Facility	–	300	–	300
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

#### Programme 1: Administration

##### Goods and services

- A total of R2 001 000 has been viremented from Administration: Chief Investment Portfolio Manager.

The amount was allocated to:

- R1 701 000 Programme 5 – Transport: Transport Section – goods and services;
- R300 000 Programme 6 – Joint Project Facility – goods and services.

#### Programme 5: Transport Enterprises

##### Goods and services

- R1 701 000 has been viremented from Programme 1: Administration (CIPM) to Transport unit.

#### Programme 6: Joint Project Facility

##### Goods and services

- R300 000 has been viremented from Programme 1: Administration (CIPM).

## REPORT BY THE ACCOUNTING OFFICER (continued)

For the year ended 31 March 2011

### 2. DEPARTMENTAL REVENUE AND EXPENDITURE (continued)

#### Financial implications

- R2 001 000 has been deducted from Programme 1
- R1 701 000 has been added to Programme 5
- R300 000 has been added from Programme 6.

The effect on the economic classification is as follows:

- Goods and services decreased with R2 817 100
- Assets in financial transactions and liabilities increased with R109 000
- Capital expenditure increased with R2 708 100.

The virements between programmes (main divisions of the vote) do not exceed the 8% specified in section 43(2) of the PFMA.

The Department incurred fruitless and wasteful expenditure during the year under review amounting to R4 125.00. This was in respect of traffic fines for leased vehicles which were paid by the leasing company and only invoiced retrospectively to the Department.

### 3. SERVICES RENDERED BY THE DEPARTMENT

The nature of the Department is such that no specific services are rendered.

#### 3.1 Tariff policy

The Department does not render services for which a tariff can be charged. It is therefore not necessary to develop a tariff policy. The Department does not charge tariffs for goods sold and/or services rendered.

#### 3.2 Free services

The Department does not render any free services.

### 4. CAPACITY CONSTRAINTS

The Department is settling down after experiencing changes in its leadership over the past few years. The appointment of the Minister, Deputy Minister and more recently, the Director-General have brought a high level of focus and priority to capacity in the DPE. Capacity constraints have been given attention in the context of DPE's mandate, strategic role and related organisational capacity, resources and organisational needs. This has been done to ensure DPE's alignment with the vision, strategic objectives and programmes of this administration.

In this regard some critical vacancies at senior management level have already been filled. In other areas, posts have had to be realigned with the DPE's strategy and new posts have been identified in order to enhance the Department's capacity. These processes are at a stage where the necessary technical, financial and compliance requirements to successfully manage the review of the organisation and capacity requirements, are being addressed. The Department has requested technical assistance from the Department of Public Service and Administration (DPSA) in this regard in order to ensure the correctness of the process as well as to expedite the finalisation of the process. Thereafter, the filling of these posts will be prioritised.

The Department continues to train employees through the use of university studies, courses, programmes, workshops and seminars. The DPE Graduate and Internship Programmes are used to ensure an added pipeline of talent in the organisation.

### 5. UTILISATION OF DONOR FUNDS

The Department received donor funding from the Department for International Development (DFID) amounting to R7.7 million made up of R5.6 million for the Procurement Development Programme and R2.1 million for the Renewable and Industrial Policy Studies, both projects are being managed in Programme 6: Joint Project Facility.

## REPORT BY THE ACCOUNTING OFFICER (continued)

For the year ended 31 March 2011

### 6. TRADING ENTITIES AND PUBLIC ENTITIES

This has been reported in the Annual Report under the overview of the Portfolio of Entities Reporting to the Minister in the main body of the Annual Report. Financial information, which includes profits and losses, is reported under Annexure 2 of the Annual Financial Statements. Guarantees are reported under Annexure 3 of the Annual Financial Statements.

### 7. ORGANISATIONS TO WHICH TRANSFER PAYMENTS HAVE BEEN MADE

This has been reported in detail under section 2.1.9 of the Annual Report.

The following table summarises the disbursements effected in 2010/11:

Entity	Total budget R'000	Expenditure R'000	Remaining budget R'000	% of total budget used
Alexkor	36 000	36 000	–	100.00
Denel	181 296	181 296	–	100.00
Broadband Infracore*	138 600	138 600	–	100.00
Pebble Bed Modular Reactor	20 000	20 000	–	100.00

\*This is classified under payments for financial assets in the annual financial statements as instructed by National Treasury. Refer to Annexure 1(a) as well as Note 6 of the annual financial statements.

### 8. PUBLIC PRIVATE PARTNERSHIPS (PPP)

The Department did not enter into any PPP agreements during the 2010/11 financial year.

### 9. CORPORATE GOVERNANCE ARRANGEMENTS

#### Risk management approach

The Department endeavours to minimise risks by ensuring that appropriate systems, personnel and controls are in place and risk management is integrated into day-to-day activities. A high-level risk profile was developed as a platform and foundation, to be used by the Department in identifying, managing and controlling the business risks facing the Department as a shareholder. The Department has an approved risk management framework and policy for governing its enterprise risk management processes. Shareholder risks are reviewed and reported quarterly to ensure that emerging risks are identified and managed timeously. Progress on the Department's overall enterprise risk management processes is reported quarterly to the Audit Committee. Members of Senior Management are also measured and evaluated on risk management practices.

#### Internal audit, internal controls and Audit Committee

The Department has an internal audit unit, which reports functionally to the Audit Committee and administratively to the Director-General. The internal audit unit consists of a chief audit executive, audit manager and a co-sourcing arrangement with a registered firm of accountants and auditors. The unit provides the Audit Committee and management with assurance that internal controls, risk management and governance processes are adequate and effective. The Internal audit unit also provides consulting services to the Department in areas within their expertise. This is achieved by means of an independent, objective appraisal and evaluation of the internal controls, risk management and governance processes and suggested enhancements of controls and processes. For the year under review the internal audit unit executed its risk based operational plan within the set timeframes. Audit recommendations have received managements' urgent attention in areas where risks were rated high and have been continuously tracked by the Audit Committee and have also received the attention of the Executive Committee.

#### Fraud prevention initiatives

A whistle-blowing policy was reviewed and approved during the course of the financial year. It has been actively communicated to all employees. The Internal Audit unit is the custodian of the whistle-blowing policy and also the recipient of whistle-blowers complaints.

## REPORT BY THE ACCOUNTING OFFICER (continued)

For the year ended 31 March 2011

### 9. CORPORATE GOVERNANCE ARRANGEMENTS (continued)

In the year under review the Department has not received whistle-blow reports from the government fraud and corruption hotline. Cases received internally have been successfully attended to. An audit of the Minimum Anti-Corruption Capacity (MACC) requirements was performed by the Department of Public Service and Administration in the current financial year. The Department is in the process of addressing recommendations emanating from the review.

Internal audit oversees all forensic investigations in the Department and as a result effectively monitors managements' actions to remedy identified internal controls weaknesses. There have not been any forensic investigations in the current financial year.

#### Other governance structures

The Department has the following internal governance structures which are in line with each structure's Terms of Reference:

- Strategic Management Committee, chaired by the Deputy-Minister
- Executive Committee (institutional and strategic), chaired by the Director-General
- Operations Committee, chaired by the Chief Financial Officer
- Sub – Operations Committee, chaired by the Director: Administration and Facilities
- Bid Adjudication Committee, chaired by the Chief Financial Officer
- Budget Committee, chaired by the Director: Financial Management
- Audit Committee, chaired by the Chairperson of the Audit Committee

In addition the Department has established the following forums with the SOEs:

- Chairpersons' Forum
- SOE Leadership Forum, attended by both the CEO and Chairperson of each SOEs
- Isibuko Dashboard user forum

These forums meet on a regular basis throughout the year which allows for vigorous debate and interaction with the Department on matters of importance.

The Department operates within an approved delegation of authority framework. All Senior Managers (SMS) are required to declare and complete their financial disclosure forms on an annual basis for reporting to the DPISA. All employees below SMS level are also required to declare and complete financial disclosure forms in terms of the Department's policy. This allows the Department to effectively manage all potential conflicts of interests among public servants.

Bid Adjudication Committee members and Audit Committee members are required to declare any conflict of interest before commencement of every meeting.

All employees are required to sign the Departmental Code of Ethics and Confidentiality Agreements and are vetted for security clearance by the National Intelligence Agency.

#### Occupational Health and Safety

The Department is committed to the health and safety of its employees and the public. There is an approved Occupational Health and Safety (OHS) policy, (reviewed and updated in 2010/11) and a fully functional OHS Committee.

The Department embarked on the following initiatives in 2010/11 to enhance the overall health, safety and environmental issues facing the organisation:

- Sweeping of the Department's offices by the National Intelligence Agency
- Re-positioning of CCTV cameras in certain identified areas
- The evacuation procedures were reviewed and updated on the Department's intranet
- During induction, new employees are familiarised with the Departmental evacuation procedures.

## REPORT BY THE ACCOUNTING OFFICER (continued)

For the year ended 31 March 2011

### 10. DISCONTINUED ACTIVITIES/ACTIVITIES TO BE DISCONTINUED

None.

### 11. NEW/PROPOSED ACTIVITIES

None.

### 12. ASSET MANAGEMENT

- The Department conducted two full asset counts of all assets, one of which was conducted by independent officials, during the period under review
- All assets are captured on the provision, procurement and stock-control system, LOGIS, on a personnel inventory basis to ensure control of assets
- All assets in the Department are purchased and accounted for on LOGIS
- The Department has complied with the Asset Management Reform milestones
- During the year under review the Department disposed of unserviceable and redundant assets at original cost value as per the asset register amounting to R764 896.93. Refer to note 29.2 to the notes of the annual financial statements for disposal of capital assets
- Thefts and losses were written off amounting to R49 238.45 calculated at original cost value as per the asset register, refer note 6.3 to the notes of the annual financial statements

### 13. INVENTORIES

The Department has one store that consists mainly of stationery. The inventories on hand as of 31 March 2011 are valued at the weighted cost price which amounts to R10 261.91. During the year under review the Department continued to implement its strategy of procuring consumables and stationery on a needs basis. The amount reflected at year-end has decreased relative to the previous year's closing balance of R24 964.26 due to the distribution to units on receipt of stationery and consumables prior to year end. Refer to annexure 6 of the annual financial statements.

### 14. EVENTS AFTER THE REPORTING DATE

The Department received an amount of R1 027 632.00 in May from the Department of Public Works in respect of a refund on office accommodation. This is reported under Note 12.4 and Note 28 of the annual financial statements.

During the year under review the Department dealt with a case of financial misconduct. The final outcome of this matter, including an appeal which was lodged by the employee was finalised in May 2011. Refer to note 28 of the annual financial statements.

On 28 June 2011 the Department received summons from the office of the State Attorney issued by Sable Hills. Sable Hills was the successful purchaser of the Aventura Resort at Roodeplaas. Sable Hills has instituted action against Aventura, Mikanto Leisure Properties and the Minister of Public Enterprises claiming that certain properties which formed the subject matter of the sale were transferred by Aventura and the Department to a third party (i.e. Mikanto Leisure) and not to Sable Hills. Sable Hills demands transfer of those properties. The State Attorney has entered the notice of intention to defend the matter on behalf of the Minister.

### 15. INFORMATION ON PREDETERMINED OBJECTIVES

The Department has a Performance Management Policy (programme performance) in place. The policy is explicit with regard to the performance cycle, accountability documents and performance information as well as the processes to be followed within the Department.

Going forward, commencing in 2011/12, these timelines will be adjusted to meet the requirements of the Framework for Strategic Planning and Annual Performance Plans issued by National Treasury.

## REPORT BY THE ACCOUNTING OFFICER (continued)

For the year ended 31 March 2011

### 15. INFORMATION ON PREDETERMINED OBJECTIVES (continued)

#### Process and timelines for managing programme performance

- Annual strategic planning workshop and development of annual business plan – January/February
- Strategic plan printed and tabled in Parliament – May/June
- Quarterly reporting per programme within 30 days of the end of each quarter – submitted to Minister, Accounting Officer, Chief Investment Portfolio Manager (CIPM) and Audit Committee
- Mid-term review workshop to assess performance against targets and where necessary re-prioritise – November/December
- Department's performance reported in Annual Report – August
- An assessment is carried out on the overall performance of the Department by an independent assessor annually – May/June

#### Programme performance linked to employee performance

- The performance of programmes is linked to employee performance by means of signed performance agreements with balanced scorecards which tie in with the Department's Strategic Plan – April/May annually
- Mid-year reviews are conducted with each employee where their delivery against KPI's are evaluated – September/October
- Year-end appraisals are conducted with all employees – April/May

Financial reporting is provided on a monthly basis to the Executive Authority and the Accounting Officer. This includes the overall financial status of the Department as well as the individual programmes, which enables the Department to closely monitor the expenditure trends in the units and to implement corrective action where necessary.

#### Performance oversight – SOEs

The Department has an obligation to review the performance of SOEs. In terms of Treasury Regulation 29.3, procedures for quarterly reporting to the executive authority in order to facilitate effective performance monitoring, evaluation and corrective action must be established.

This includes setting up reporting systems allowing regular monitoring and assessment of SOEs performance. To review performance effectively, the Department must first ensure that it has access to accurate and relevant information on a timely basis to enable continuous performance evaluation and, when necessary, communicate its concerns to the SOEs.

An electronic business intelligence dashboard system has been implemented to allow for timely reporting by SOEs, to monitor trends in financial and operational performance, capital investment programmes, environmental impact assessments, socio-economic, governance, skills development, Competitive Supplier Development Programme (CSDP) and property disposals and to enhance detection, mitigation and monitoring of enterprise and cross-cutting shareholder risks on an ongoing basis. Ongoing monitoring ensures early identification of problems and opportunities. It allows the Department to react promptly on underperformance or on significant changes in the SOEs environment that may impact its performance. It also allows focusing on priorities.

The Department monitors the SOEs performance on a quarterly and annual basis. Quarterly and annual reports are analysed to determine whether SOE performance is on track with the corporate plans, whether strategic objectives have been met and to highlight any emerging risks. This includes an assessment of financial and non-financial results against key performance indicators that have been established in the process of defining SOEs objectives and targets.

Records of all reports are filed in the records centre of the Department using the filing system approved by National Archives.

### 16. STANDING COMMITTEE ON PUBLIC ACCOUNTS (SCOPA) RESOLUTIONS

The Department did not have any resolutions issued by SCOPA.



## REPORT BY THE ACCOUNTING OFFICER (continued)

For the year ended 31 March 2011

### 17. PRIOR MODIFICATIONS TO AUDIT REPORTS

There were no findings in the Auditor-General's report.

Other important matters raised in the Auditor-General's management report were:

#### Receivables

No debtor was raised for the overpayment of the PMTE account at year end.

#### Expenses

A number of transactions have been incorrectly allocated.

#### Lease commitments

Photocopiers leased not recognised in the accounting records.

#### Investments

- Difference in loss on Denel (Pty) Ltd between the financial statements and the auditors confirmations received
- SAA shares incorrectly disclosed in the annual financial statements

The matters raised were addressed and further processes put in place to prevent a recurrence thereof.

### 18. EXEMPTIONS AND DEVIATIONS RECEIVED FROM THE NATIONAL TREASURY

None

### 19. OTHER

#### Diabo Share Trust

In 2003, government created the Diabo Share Trust for the benefit of the (then) employees and former employees of Telkom. The Diabo Share Trust commenced on 1 March 2003 and was terminated on 31 May 2006. The Diabo Share Trust Deed provided for the forfeiture of any unclaimed benefits, on the date when the trust terminated, to government.

Cabinet approved the establishment of a Steering Committee, comprising the Departments of Public Enterprises and Communications and the National Treasury. The Committee was tasked with overseeing the winding down of the Diabo Share Trust and transferring the benefits to beneficiaries. The Department has appointed a service provider to assist with the tracing of possible beneficiaries.

In May 2010 the Department received an amount of R117 423 358.41 from the Diabo Share Trust and R3 776 288.92 interest during the year. During the year a portion of these funds were disbursed to identified beneficiaries and to service providers for administrative costs relating to the tracing of beneficiaries as well as the administration of the claims, an amount of R114 701 723.00 remains in this fund for further beneficiary claims to be met. Refer to note 3.2 of the annual financial statements.

### 20. APPROVAL

The annual financial statements set out on pages 82 to 131 have been approved by the Accounting Officer.



**Tshediso Matona**

Director General  
29 July 2011

# REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2011

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON VOTE 10: THE DEPARTMENT OF PUBLIC ENTERPRISES

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I have audited the accompanying financial statements of the Department of Public Enterprises, which comprise the appropriation statement, the statement of financial position as of 31 March 2011 and the statement of financial performance, statement of changes in net asset cash flow statement for the year then ended and summary of significant accounting policies and other explanatory information, as set out on pages 82 to 131.

#### Accounting Officer's responsibility for the financial statements

2. The Accounting Officer is responsible for the preparation of these financial statements in accordance with the Departmental Financial Reporting Framework as prescribed by 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 management determines necessary to enable the preparation of financial statements that are free from material mis-statement, whether due to fraud or error.

#### Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 40(2) of the PFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. 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 mis-statement.
5. 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 judgement, including the assessment of the risks of material mis-statement 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 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.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Public Enterprises as of 31 March 2011 and its financial performance and cash flows for the year then ended in accordance with the Departmental Financial Reporting Framework as prescribed by National Treasury and the requirements of the PFMA.

#### Additional matter

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

#### Financial reporting framework

9. The financial reporting framework prescribed by the National Treasury and applied by The Department of Public Enterprises is a compliance framework. Thus my opinion would have reflected that the financial statements had been properly prepared instead of fairly presented as required by section 20(2)(a) of the PAA, which requires me to express an opinion on the fair presentation of the financial statements of the Department of Public Enterprises.

# REPORT OF THE AUDITOR-GENERAL (continued)

For the year ended 31 March 2011

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

10. In accordance with the PAA and in terms of General Notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I include below my findings on the annual performance report as set out on page 29 and material non-compliance with laws and regulations applicable to the Department.

### Predetermined objectives

11. There were no material findings on the annual performance report concerning the presentation, usefulness and reliability of the information.

### Compliance with laws and regulations

12. There were no findings concerning material non-compliance with applicable laws and regulations regarding financial matters, financial management and other related matters.

## INTERNAL CONTROL

13. In accordance with the PAA and in terms of General Notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. There are no significant deficiencies in internal control that resulted in a qualification of the auditor's opinion on the financial statements and/or findings on predetermined objectives and/or material non-compliance with laws and regulations.

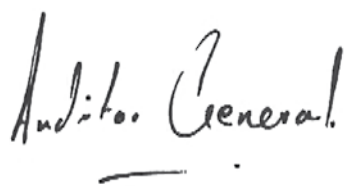
## OTHER REPORTS

### Investigations

14. An investigation was conducted by the Department on the misappropriation of funds by an employee as disclosed in the annual report. The investigation resulted in the dismissal of the employee and processes have been instituted to recover the misappropriated funds.

### Performance audits

15. A performance audit was conducted during the year under review on the economy, efficiency and effectiveness of the oversight and governance systems by the Department of Public Enterprises over its SOE. This audit is currently in the execution phase and the findings will be reported as appropriate.



Pretoria  
29 July 2011

# APPROPRIATION STATEMENT

For the year ended 31 March 2011

Appropriation per programme									
Appropriation statement	2010/11						2009/10		
	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
<b>1. Administration</b>									
Current payment	105 422	(2 817)	(2 001)	100 604	97 584	3 020	97.0%	90 448	86 745
Transfers and subsidies	710	–	–	710	694	16	97.7%	680	678
Payment for capital assets	703	2 708	–	3 411	3 169	242	92.9%	1 275	1 274
Payment for financial assets	–	109	–	109	94	15	86.2%	–	–
	106 835	–	(2 001)	104 834	101 541	3 293		92 403	88 697
<b>2. Energy and Broadband Enterprises</b>									
Current payment	15 876	–	–	15 876	12 257	3 619	77.2%	13 685	12 510
Transfers and subsidies	20 000	–	–	20 000	20 000	–	100.0%	1 737 750	1 737 750
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	138 600	–	–	138 600	138 600	–	100.0%	208 530	208 530
	174 476	–	–	174 476	170 857	3 619		1 959 965	1 958 790
<b>3. Legal, Governance and Transactions</b>									
Current payment	14 023	–	–	14 023	12 797	1 226	91.3%	16 388	15 005
Transfers and subsidies	36 000	–	–	36 000	36 000	–	100.0%	129 090	129 090
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
	50 023	–	–	50 023	48 797	1 226		145 478	144 095
<b>4. Manufacturing Enterprises</b>									
Current payment	11 486	–	–	11 486	8 299	3 187	72.3%	7 137	6 202
Transfers and subsidies	181 296	–	–	181 296	181 296	–	100.0%	191 866	191 866
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
	192 782	–	–	192 782	189 595	3 187		199 003	198 068
<b>5. Transport Enterprises</b>									
Current payment	21 257	–	1 701	22 958	19 077	3 881	83.1%	19 579	19 576
Transfers and subsidies	–	–	–	–	–	–	–	–	–
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	1 549 080	1 549 080
	21 257	–	1 701	22 958	19 077	3 881		1 568 659	1 568 656
<b>6. Joint Project Facility</b>									
Current payment	10 176	–	300	10 476	10 134	342	96.7	25 652	24 986
Transfers and subsidies	–	–	–	–	–	–	–	–	–
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
	10 176	–	300	10 476	10 134	342		25 652	24 986
<b>Total</b>	<b>555 549</b>	<b>–</b>	<b>–</b>	<b>555 549</b>	<b>540 001</b>	<b>15 548</b>	<b>97.2%</b>	<b>3 991 160</b>	<b>3 983 292</b>

# APPROPRIATION STATEMENT (continued)

For the year ended 31 March 2011

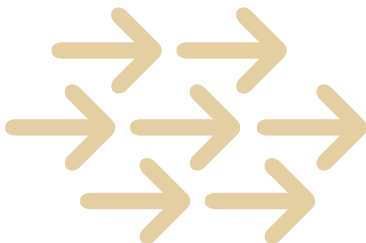
	2010/11			2009/10	
	Final appropriation	Actual expenditure		Final appropriation	Actual expenditure
<b>TOTAL (brought forward)</b>	<b>555 549</b>	5 40 001	15 548	3 991 160	3 983 292
<b>Reconciliation with statement of financial performance</b>					
<b>ADD</b>					
Departmental receipts	266			1 168	
Aid assistance	128 935				
<b>Actual amounts per statement of financial performance (total revenue)</b>	<b>684 750</b>			<b>3 992 328</b>	
<b>ADD</b>					
Aid assistance		9 460			-
<b>Actual amounts per statement of financial performance (total expenditure)</b>		<b>549 461</b>			<b>3 983 292</b>



# APPROPRIATION STATEMENT (continued)

For the year ended 31 March 2011

Appropriation per economic classification									
	2010/11							2009/10	
	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
<b>Current payments</b>									
Compensation of employees	90 314	–	–	90 314	83 058	7 256	92.0%	81 424	75 220
Goods and services	87 926	(2 817)	–	85 109	77 090	8 019	90.6%	91 436	89 775
<b>Transfers and subsidies</b>									
Public corporations and private enterprises	237 296	–	–	237 296	237 296	–	100.0%	2 058 706	2 058 706
Gifts and donations	710	–	–	710	694	16	97.7%	680	678
<b>Payments for capital assets</b>									
Machinery and equipment	703	2 708	–	3 411	3 169	242	92.9%	1 259	1 258
Software and other intangible assets	–	–	–	–	–	–	–	16	16
<b>Payments for financial assets</b>									
	138 600	109	–	138 709	138 694	15	100.0%	1 757 639	1 757 639
<b>Total</b>	<b>555 549</b>	<b>–</b>	<b>–</b>	<b>555 549</b>	<b>540 001</b>	<b>15 548</b>	<b>97.2%</b>	<b>3 991 160</b>	<b>3 983 292</b>



# APPROPRIATION STATEMENT (continued)

For the year ended 31 March 2011

Detail per Programme 1: Administration	2010/11							2009/10	
	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
<b>1.1 Minister</b>									
Current payment	1 716	(320)	–	1 396	1 154	242	82.7%	1 935	1 898
Transfers and subsidies	–	–	–	–	–	–	–	–	–
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
<b>1.2 Deputy Minister</b>									
Current payment	1 426	–	–	1 426	1 136	290	79.7%	905	508
Transfers and subsidies	–	–	–	–	–	–	–	–	–
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
<b>1.3 Management</b>									
Current payment	41 063	(3 454)	(2 001)	35 608	36 403	(795)	102.2%	29 026	28 628
Transfers and subsidies	–	–	–	–	–	–	–	–	–
Payment for capital assets	–	1 821	–	1 821	1 820	1	99.9%	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
<b>1.4 Corporate services</b>									
Current payment	55 451	342	–	55 793	53 478	2 315	95.9%	52 663	49 792
Transfers and subsidies	710	–	–	710	694	16	97.7%	680	678
Payment for capital assets	703	887	–	1 590	1 349	241	84.8%	1 275	1 274
Payment for financial assets	–	109	–	109	94	15	86.2%	–	–
<b>1.5 Office accomodation</b>									
Current payment	5 766	615	–	6 381	5 413	968	84.8%	5 919	5 919
Transfers and subsidies	–	–	–	–	–	–	–	–	–
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>106 835</b>	<b>–</b>	<b>(2 001)</b>	<b>104 834</b>	<b>101 541</b>	<b>3 293</b>	<b>96.9%</b>	<b>92 403</b>	<b>88 697</b>

# APPROPRIATION STATEMENT (continued)

For the year ended 31 March 2011

Economic classification Programme 1: Administration	2010/11							2009/10	
	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
<b>Current payments</b>									
Compensation of employees	48 924	–	–	48 924	46 582	2 342	95.2%	45 833	42 819
Goods and services	56 498	(2 817)	(2 001)	51 680	51 002	678	98.7%	44 586	43 897
<b>Transfers and subsidies to:</b>									
Public corporations and private enterprises	–	–	–	–	–	–	–	–	–
Gifts and donations	710	–	–	710	694	16	97.7%	680	678
<b>Payment for capital assets</b>									
Machinery and equipment	703	2 708	–	3 411	3 169	242	92.9%	1 259	1 258
Software and other intangible assets	–	–	–	–	–	–	–	16	16
<b>Payments for financial assets</b>	–	109	–	109	94	15	86.2%	29	29
<b>Total</b>	<b>106 835</b>	<b>–</b>	<b>(2 001)</b>	<b>104 834</b>	<b>101 541</b>	<b>3 293</b>	<b>96.9%</b>	<b>92 403</b>	<b>88 697</b>





## APPROPRIATION STATEMENT (continued)

For the year ended 31 March 2011

Detail per Programme 2: Energy and Broadband Enterprises	2010/11							2009/10	
	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
<b>2.1 Management</b>									
Current payment	2 878	320	–	3 198	3 010	188	94.1%	4 021	4 020
Transfers and subsidies	–	–	–	–	–	–	–	–	–
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
<b>2.2 Information</b>									
<b>Communication</b>									
<b>Technology</b>									
<b>Broadband Sector</b>									
Current payment	3 745	795	–	4 540	2 148	2 392	47.3%	1 976	2 100
Transfers and subsidies	–	–	–	–	–	–	–	–	–
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	138 600	–	–	138 600	138 600	–	100.0%	208 530	208 530
<b>2.3 Energy sector</b>									
Current payment	6 495	150	–	6 645	6 103	542	91.8%	5 915	5 914
Transfers and subsidies	–	–	–	–	–	–	–	–	–
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
<b>2.4 Nuclear sector</b>									
Current payment	2 758	(1 265)	–	1 493	996	497	66.7%	1 773	476
Transfers and subsidies	20 000	–	–	20 000	20 000	–	100.0%	1 737 750	1 737 750
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>174 476</b>	<b>–</b>	<b>–</b>	<b>174 476</b>	<b>170 857</b>	<b>3 619</b>	<b>97.9%</b>	<b>1 959 965</b>	<b>1 958 790</b>

## APPROPRIATION STATEMENT (continued)

For the year ended 31 March 2011

Economic classification Programme 2: Energy and Broadband Enterprises	2010/11							2009/10	
	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
<b>Current payments</b>									
Compensation of employees	11 737	–	–	11 737	10 821	916	92.2%	7 901	6 732
Goods and services	4 139	–	–	4 139	1 436	2 703	34.7%	5 784	5 778
<b>Transfers and subsidies to:</b>									
Public corporations and private enterprises	20 000	–	–	20 000	20 000	–	100.0%	1 737 750	1 737 750
Gifts and donations	–	–	–	–	–	–	–	–	–
<b>Payment for capital assets</b>									
Machinery and equipment	–	–	–	–	–	–	–	–	–
Software and other intangible assets	–	–	–	–	–	–	–	–	–
<b>Payments for financial assets</b>	138 600	–	–	138 600	138 600	–	100.0%	208 530	208 530
<b>Total</b>	<b>174 476</b>	<b>–</b>	<b>–</b>	<b>174 476</b>	<b>170 857</b>	<b>3 619</b>	<b>97.9%</b>	<b>1 959 965</b>	<b>1 958 790</b>

## APPROPRIATION STATEMENT (continued)

For the year ended 31 March 2011

Detail per programme 3: Legal, Governance and Transactions	2010/11							2009/10	
	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
<b>3.1 Management</b>									
Current payment	2 012	(122)	–	1 890	1 581	309	83.7%	2 225	1 725
Transfers and subsidies	–	–	–	–	–	–	–	–	–
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
<b>3.2 Legal and litigation</b>									
Current payment	7 373	1 880	–	9 253	8 441	812	91.2%	11 328	11 002
Transfers and subsidies	–	–	–	–	–	–	–	–	–
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
<b>3.3 Governance</b>									
Current payment	2 750	(1 773)	–	977	876	101	89.7%	1 433	1 079
Transfers and subsidies	–	–	–	–	–	–	–	–	–
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
<b>3.4 Transactions</b>									
Current payment	1 888	15	–	1 903	1 899	4	99.8%	1 402	1 199
Transfers and subsidies	36 000	–	–	36 000	36 000	–	100.0%	129 090	129 090
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>50 023</b>	<b>–</b>	<b>–</b>	<b>50 023</b>	<b>48 797</b>	<b>1 226</b>	<b>97.5%</b>	<b>145 478</b>	<b>144 095</b>

# APPROPRIATION STATEMENT (continued)

For the year ended 31 March 2011

Economic classification – Programme 3: Legal, Governance and Transactions	2010/11							2009/10	
	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
<b>Current payments</b>									
Compensation of employees	5 424	–	–	5 424	4 785	639	88.2%	8 635	7 543
Goods and services	8 599	–	–	8 599	8 012	587	93.2%	7 753	7 462
<b>Transfers and subsidies to:</b>									
Public corporations and private enterprises	36 000	–	–	36 000	36 000	–	100.0%	129 090	129 090
Gifts and donations	–	–	–	–	–	–	–	–	–
<b>Payment for capital assets</b>									
Machinery and equipment	–	–	–	–	–	–	–	–	–
Software and other intangible assets	–	–	–	–	–	–	–	–	–
<b>Payments for financial assets</b>									
	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>50 023</b>	<b>–</b>	<b>–</b>	<b>50 023</b>	<b>48 797</b>	<b>1 226</b>	<b>97.5%</b>	<b>145 478</b>	<b>144 095</b>



## APPROPRIATION STATEMENT (continued)

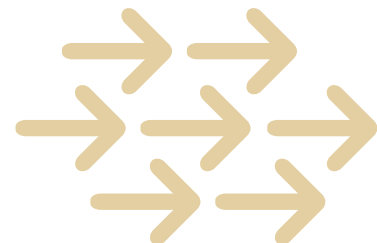
For the year ended 31 March 2011

Detail per Programme 4: Manufacturing Enterprises	2010/11							2009/10	
	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
<b>4.1 Management</b>									
Current payment	3 174	231	–	3 405	2 996	409	88.0%	1 760	1 551
Transfers and subsidies	–	–	–	–	–	–	–	–	–
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
<b>4.2 Forestry sector</b>									
Current payment	2 233	(231)	–	2 002	1 309	693	65.4%	1 369	909
Transfers and subsidies	–	–	–	–	–	–	–	–	–
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
<b>4.3 Defence sector</b>									
Current payment	6 079	–	–	6 079	3 994	2 085	65.7%	4 008	3 742
Transfers and subsidies	181 296	–	–	181 296	181 296	–	100.0%	191 866	191 866
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>192 782</b>	<b>–</b>	<b>–</b>	<b>192 782</b>	<b>189 595</b>	<b>3 187</b>	<b>98.3%</b>	<b>199 003</b>	<b>198 068</b>

# APPROPRIATION STATEMENT (continued)

For the year ended 31 March 2011

Economic classification – Programme 4: Manufacturing Enterprises	2010/11							2009/10	
	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
<b>Current payments</b>									
Compensation of employees	7 166	–	–	7 166	5 290	1 876	73.8%	5 195	4 270
Goods and services	4 320	–	–	4 320	3 009	1 311	69.7%	1 942	1 932
<b>Transfers and subsidies to:</b>									
Public corporations and private enterprises	181 296	–	–	181 296	181 296	–	100.0%	191 866	191 866
Gifts and donations	–	–	–	–	–	–	–	–	–
<b>Payment for capital assets</b>									
Machinery and equipment	–	–	–	–	–	–	–	–	–
Software and other intangible assets	–	–	–	–	–	–	–	–	–
<b>Payments for financial assets</b>									
	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>192 782</b>	<b>–</b>	<b>–</b>	<b>192 782</b>	<b>189 595</b>	<b>3 187</b>	<b>98.3%</b>	<b>199 003</b>	<b>198 068</b>



## APPROPRIATION STATEMENT (continued)

For the year ended 31 March 2011

Detail per Programme 5: Transport Enterprises	2010/11							2009/10	
	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
<b>5.1 Management</b>									
Current payment	2 801	420	–	3 221	3 043	178	94.5%	3 030	3 030
Transfers and subsidies	–	–	–	–	–	–	–	–	–
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
<b>5.2 Transport sector</b>									
Current payment	12 372	–	1 701	14 073	12 720	1 353	90.4%	13 145	13 143
Transfers and subsidies	–	–	–	–	–	–	–	–	–
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
<b>5.3 Aviation sector</b>									
Current payment	6 084	(420)	–	5 664	3 314	2 350	58.55	3 404	3 403
Transfers and subsidies	–	–	–	–	–	–	–	–	–
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	1 549 080	1 549 080
<b>Total</b>	<b>21 257</b>	<b>–</b>	<b>1 701</b>	<b>22 958</b>	<b>19 077</b>	<b>3 881</b>	<b>83.1%</b>	<b>1 568 659</b>	<b>1 568 656</b>

# APPROPRIATION STATEMENT (continued)

For the year ended 31 March 2011

Economic classification – Programme 5: Transport Enterprises	2010/11							2009/10	
	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
<b>Current payments</b>									
Compensation of employees	13 296	–	–	13 296	12 034	1 262	90.5%	9 592	9 590
Goods and services	7 961	–	1 701	9 662	7 043	2 619	72.9%	9 987	9 986
<b>Transfers and subsidies to:</b>									
Public corporations and private enterprises	–	–	–	–	–	–	–	–	–
Gifts and donations	–	–	–	–	–	–	–	–	–
<b>Payment for capital assets</b>									
Machinery and equipment	–	–	–	–	–	–	–	–	–
Software and other intangible assets	–	–	–	–	–	–	–	–	–
<b>Payments for financial assets</b>	–	–	–	–	–	–	–	1 549 080	1 549 080
<b>Total</b>	<b>21 257</b>	<b>–</b>	<b>1 701</b>	<b>22 958</b>	<b>19 077</b>	<b>3 881</b>	<b>83.1%</b>	<b>1 568 659</b>	<b>1 568 656</b>



## APPROPRIATION STATEMENT (continued)

For the year ended 31 March 2011

Detail per Programme 6: Joint Project Facility	2010/11							2009/10	
	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
<b>6.1 Management</b>									
Current payment	752	(130)	–	622	421	201	67.7%	363	362
Transfers and subsidies	–	–	–	–	–	–	–	–	–
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
<b>6.2 Joint Project Facility</b>									
Current payment	9 424	130	300	9 854	9 713	141	98.6%	25 289	24 624
Transfers and subsidies	–	–	–	–	–	–	–	–	–
Payment for capital assets	–	–	–	–	–	–	–	–	–
Payment for financial assets	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>10 176</b>	<b>–</b>	<b>300</b>	<b>10 476</b>	<b>10 134</b>	<b>342</b>	<b>96.7%</b>	<b>25 652</b>	<b>24 986</b>



## APPROPRIATION STATEMENT (continued)

For the year ended 31 March 2011

Economic classification – Programme 6: Joint Project Facility	2010/11							2009/10	
	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
<b>Current payments</b>									
Compensation of employees	3 767	–	–	3 767	3 546	221	94.1%	4 268	4 266
Goods and services	6 409	–	300	6 709	6 588	121	98.2%	21 384	20 720
<b>Transfers and subsidies to:</b>									
Public corporations and private enterprises	–	–	–	–	–	–	–	–	–
Gifts and donations	–	–	–	–	–	–	–	–	–
<b>Payment for capital assets</b>									
Machinery and equipment	–	–	–	–	–	–	–	–	–
Software and other intangible assets	–	–	–	–	–	–	–	–	–
<b>Payments for financial assets</b>									
	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>10 176</b>	<b>–</b>	<b>300</b>	<b>10 476</b>	<b>10 134</b>	<b>342</b>	<b>96.7%</b>	<b>25 652</b>	<b>24 986</b>

# NOTES TO THE APPROPRIATION STATEMENT

For the year ended 31 March 2011

**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) 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**

Details of these transactions per programme can be viewed in note 6 on payments for financial assets to the annual financial statements.

**4. Explanations of material variances from amounts voted (after virement):**

<b>4.1 Per programme</b>	<b>Final appropriation</b>	<b>Actual expenditure</b>	<b>Variance R'000</b>	<b>Variance as a % of final appropriation</b>
Administration	104 834	101 541	3 293	3.1%
Energy and Broadband Enterprises	174 476	170 857	3 619	2.1%
Legal, Governance and Transactions	50 023	48 797	1 226	2.5%
Manufacturing Enterprises	192 782	189 595	3 187	1.7%
Transport Enterprises	22 958	19 077	3 881	16.9%
Joint Project Facility	10 476	10 134	342	3.3%

Under-spending in the Department amounting to R15.6 million was recorded in the current financial year. This amount is made up of current expenditure in the operational budget which was mainly under compensation of employees as a result of some posts not having been filled due to scarcity of specialist skills in the market as well as under-spending under goods and services which arose due to some projects having been delayed until very late in the year. The Department has requested rollovers from National Treasury for these projects in order for them to be completed in the new financial year.

**Programme 1 – Administration:** The under-spending is in compensation of employees due to vacant posts in this programme.

**Programme 2 – Energy and Broadband Enterprises:** The under-spending is in goods and services which arose due to some projects having been delayed until very late in the year.

**Programme 3 – Legal, Governance and Transactions:** The under-spending is in compensation of employees due to vacant posts in this programme and associated goods and services costs.

**Programme 5 – Transport Enterprises:** The under-spending is in compensation of employees due to vacant posts in this programme and some projects having been delayed until very late in the year. Rollovers have been requested from National Treasury for these projects in order for them to be completed in the new financial year.

**Programme 6 – Joint Project Facility:** The under-spending is in Compensation of Employees and goods and services.

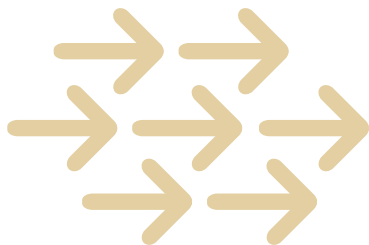
# NOTES TO THE APPROPRIATION STATEMENT

For the year ended 31 March 2011

## 4. Explanations of material variances from amounts voted (after virement):

4.2 Per economic classification	Final appropriation	Actual expenditure	Variance	Variance as a % of final appropriation
	R'000	R'000	R'000	R'000
<b>Current payments</b>				
Compensation of employees	90 314	83 058	7 256	8.0%
Goods and services	85 109	77 090	8 019	9.4%
<b>Transfers and subsidies</b>				
Public corporations and private enterprises	237 296	237 296	–	0.0%
Gifts and donations	710	694	16	2.3%
<b>Payments for capital assets</b>				
Machinery and equipment	3 411	3 169	242	7.1%
<b>Payments for financial assets</b>				
	138 709	138 694	15	0.0%

Compensation of employees' under-spending is as a result of some posts not having been filled due to scarcity of specialist skills in the market, as well as under-spending under goods and services which arose due to some projects having been delayed until very late in the year.



# STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2011

<b>PERFORMANCE</b>	<b>Note</b>	<b>2010/11 R'000</b>	<b>2009/10 R'000</b>
<b>REVENUE</b>			
Annual appropriation	1	555 549	3 991 160
Departmental revenue	2	266	1 168
Aid assistance	3	128 935	–
<b>TOTAL REVENUE</b>		<b>684 750</b>	<b>3 992 328</b>
<b>EXPENDITURE</b>			
<b>Current expenditure</b>			
Compensation of employees	4	83 058	75 220
Goods and services	5	77 090	89 775
Aid assistance	3	9 460	–
<b>Total current expenditure</b>		<b>169 608</b>	<b>164 995</b>
<b>Transfers and subsidies</b>			
Transfers and subsidies	7	237 990	2 059 384
<b>Total transfers and subsidies</b>		<b>237 990</b>	<b>2 059 384</b>
<b>Expenditure for capital assets</b>			
Tangible capital assets	8	3 169	1 258
Software and other intangible assets	8	–	16
<b>Total expenditure for capital assets</b>		<b>3 169</b>	<b>1 274</b>
<b>Payments for financial assets</b>	<b>6</b>	<b>138 694</b>	<b>1 757 639</b>
<b>TOTAL EXPENDITURE</b>		<b>549 461</b>	<b>3 983 292</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>135 289</b>	<b>9 036</b>
<b>Reconciliation of net surplus/(deficit) for the year</b>			
Voted funds		15 548	7 868
Annual appropriation		15 548	7 868
Departmental revenue and NRF receipts	15	266	1 168
Aid assistance	3	119 475	–
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>135 289</b>	<b>9 036</b>

# STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2011

<b>POSITION</b>	<b>Note</b>	<b>2010/11 R'000</b>	<b>2009/10 R'000</b>
<b>ASSETS</b>			
<b>Current assets</b>		<b>136 605</b>	<b>9 769</b>
Cash and cash equivalents	10	134 668	8 343
Prepayments and advances	11	412	100
Receivables	12	1 525	1 326
<b>Non-current assets</b>		<b>24 099 585</b>	<b>23 960 985</b>
Investments	13	24 099 585	23 960 985
<b>TOTAL ASSETS</b>		<b>24 236 190</b>	<b>23 970 754</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>136 605</b>	<b>9 769</b>
Voted funds to be surrendered to the Revenue Fund	14	15 548	7 868
Departmental revenue and NRF receipts to be surrendered to the Revenue Fund	15	16	985
Payables	16	1 566	916
Aid assistance repayable	3	4 774	–
Aid assistance unutilised	3	119 475	–
<b>TOTAL LIABILITIES</b>		<b>136 605</b>	<b>9 769</b>
<b>NET ASSETS</b>		<b>24 099 585</b>	<b>23 960 985</b>
<b>Represented by:</b>			
Capitalisation reserve		24 099 585	23 960 985
<b>TOTAL</b>		<b>24 099 585</b>	<b>23 960 985</b>

# STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March 2011

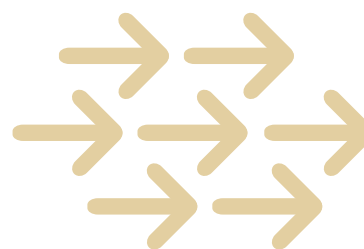
<b>NET ASSETS</b>	<b>Note</b>	<b>2010/11 R'000</b>	<b>2009/10 R'000</b>
<b>Capitalisation reserves</b>			
Opening balance		23 960 985	21 618 375
Transfers:			
Movement in equity	13	138 600	2 342 610
Closing balance		<u>24 099 585</u>	<u>23 960 985</u>
<b>TOTAL</b>		<u><b>24 099 585</b></u>	<u><b>23 960 985</b></u>



# CASH FLOW STATEMENT

For the year ended 31 March 2011

<b>CASH FLOW</b>	<b>Note</b>	<b>2010/11 R'000</b>	<b>2009/10 R'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		<b>684 745</b>	<b>3 992 309</b>
Annual appropriated funds received	1.1	555 549	3 991 160
Departmental revenue received	2	261	1 149
Aid assistance received	3	128 935	–
Net increase/decrease in working capital		139	(1 621)
Surrendered to Revenue Fund		(9 103)	(2 811)
Current payments		(169 608)	(165 024)
Payments for financial assets		(138 694)	(1 757 639)
Transfers and subsidies paid		(237 990)	(2 059 355)
<b>Net cash flow available from operating activities</b>	<b>17</b>	<b>129 489</b>	<b>5 859</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital assets	8	(3 169)	(1 274)
Proceeds from sale of capital assets	2.3	5	19
<b>Net cash flows from investing activities</b>		<b>(3 164)</b>	<b>(1 255)</b>
Net increase/decrease in cash and cash equivalents		126 325	4 604
Cash and cash equivalents at beginning of period		8 343	3 739
<b>Cash and cash equivalents at end of period</b>	<b>18</b>	<b>134 668</b>	<b>8 343</b>





# ACCOUNTING POLICIES

For the year ended 31 March 2011

The financial statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, 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, Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the Act and the Division of Revenue Act, Act 1 of 2010.

## 1. PRESENTATION OF THE FINANCIAL STATEMENTS

### 1.1 Basis of preparation

The financial statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid.

### 1.2 Presentation currency

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

### 1.3 Rounding

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

### 1.4 Comparative figures

Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.

### 1.5 Comparative figures – appropriation statement

A comparison between actual amounts and final appropriation per major classification of expenditure is included in the appropriation statement.

## 2. REVENUE

### 2.1 Appropriated funds

Appropriated funds comprise departmental allocations as well as direct charges against the revenue fund (i.e. statutory appropriation).

Appropriated funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective.

Unexpended appropriated funds are surrendered to the National/Provincial Revenue Fund. Any amounts owing to the National/Provincial Revenue Fund at the end of the financial year are recognised as payable in the statement of financial position.

Any amount due from the National/Provincial Revenue Fund at the end of the financial year is recognised as a receivable in the statement of financial position.

### 2.2 Departmental revenue

All Departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the National/Provincial Revenue Fund, unless stated otherwise.

Any amount owing to the National/Provincial Revenue Fund is recognised as a payable in the statement of financial position.

No accrual is made for amounts receivable from the last receipt date to the end of the reporting period. These amounts are however disclosed in the disclosure note to the annual financial statements.

## ACCOUNTING POLICIES (continued)

For the year ended 31 March 2011

### 2. REVENUE (continued)

#### 2.3 Direct exchequer receipts

All direct exchequer receipts are recognised in the statement of financial performance when the cash is received and is subsequently paid into the National/Provincial Revenue Fund, unless stated otherwise.

Any amount owing to the National/Provincial Revenue Funds at the end of the financial year is recognised as a payable in the statement of financial position.

#### 2.4 Direct exchequer payments

All direct exchequer payments are recognised in the statement of financial performance when final authorisation for payment is effected on the system (by no later than 31 March of each year).

#### 2.5 Aid assistance

Aids assistance is recognised as revenue when received.

All in-kind aid assistance is disclosed at fair value on the date of receipt in the annexures to the annual financial statements.

The cash payments made during the year relating to aid assistance projects are recognised as expenditure in the statement of financial performance when final authorisation for payments is effected on the system (by no later than 31 March of each year).

The value of the assistance expensed prior to the receipt of funds is recognised as a receivable in the statement of financial position.

Inappropriately expensed amounts using aid assistance and any unutilised amounts are recognised as payables in the statement of financial position.

All Criminal Assets Recovery Account (CARA) funds received must be recorded as revenue when funds are received. The cash payments made during the year relating to CARA earmarked projects are recognised as expenditure in the statement of financial performance when final authorisation for payments effected on the system (by no later than 31 March of each year).

Inappropriately expensed amounts using CARA funds are recognised as payables in the statement of financial position. Any unutilised amounts are transferred to retained funds as they are not surrendered to the revenue fund.

### 3. EXPENDITURE

#### 3.1 Compensation of employees

##### 3.1.1 Salaries and wages

Salaries and wages are expensed in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

Other employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements at its face value and are not recognised in the statement of financial performance or position.

Employee costs are capitalised to the cost of a capital project when an employee spends more than 50% of his/her time on the project. These payments form part of expenditure for capital assets in the statement of financial performance.

##### 3.1.2 Social contributions

Employer contributions to post-employment benefit plans in respect of current employees are expensed in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

## ACCOUNTING POLICIES (continued)

For the year ended 31 March 2011

### 3. EXPENDITURE (continued)

No provision is made for retirement benefits in the financial statements of the Department. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the financial statements of the employer Department.

Employer contributions made by the Department for certain of its ex-employees (such as medical benefits) are classified as transfers to households in the statement of financial performance.

#### 3.2 Goods and services

Payments made during the year for goods and/or services are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

The expense is classified as capital if the goods and/or services were acquired for a capital project or if the total purchase price exceeds the capitalisation threshold (currently R5 000). All other expenditures are classified as current.

Rental paid for the use of buildings or other fixed structures is classified as *goods and services* and not as *rent on land*.

#### 3.3 Interest and rent on land

Interest and rental payments are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). This item excludes rental for the use of buildings or other fixed structures. If it is not possible to distinguish between payment for the use of land and the fixed structures on it, the whole amount should be recorded under goods and services.

#### 3.4 Payments for financial assets

Debts are written-off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or under-spending of appropriated funds. The write-off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but an estimate is included in the disclosure notes to the financial statements amounts.

All other losses are recognised when authorisation has been granted for the recognition thereof.

#### 3.5 Transfers and subsidies

Transfers and subsidies are recognised as an expense when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

#### 3.6 Unauthorised expenditure

When confirmed, unauthorised expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either approved by the relevant authority, recovered from the responsible person or written-off as irrecoverable in the statement of financial performance.

Unauthorised expenditure approved with funding is derecognised from the statement of financial position when the unauthorised expenditure is approved and the related funds are received.

Where the amount is approved without funding it is recognised as expenditure in the statement of financial performance on the date of approval.

#### 3.7 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as expenditure in the statement of financial performance according to the nature of the payment and not as a separate line item on the face of the statement. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written-off as irrecoverable in the statement of financial performance.

#### 3.8 Irregular expenditure

Irregular expenditure is recognised as expenditure in the statement of financial performance. If the expenditure is not condoned by the relevant authority it is treated as an asset until it is recovered or written off as irrecoverable.

## ACCOUNTING POLICIES (continued)

For the year ended 31 March 2011

### 4. ASSETS

#### 4.1 Cash and cash equivalents

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

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.

#### 4.2 Other financial assets

Other financial assets are carried in the statement of financial position at cost.

#### 4.3 Prepayments and advances

Amounts prepaid or advanced are recognised in the statement of financial position when the payments are made and are derecognised as and when the goods/services are received or the funds are utilised.

Prepayments and advances outstanding at the end of the year are carried in the statement of financial position at cost.

#### 4.4 Receivables

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party (including departmental employees) and are derecognised upon recovery or write-off.

Receivables outstanding at year-end are carried in the statement of financial position at cost plus any accrued interest. Amounts that are potentially irrecoverable are included in the disclosure notes.

#### 4.5 Investments

Capitalised investments are shown at cost in the statement of financial position.

Investments are tested for an impairment loss whenever events or changes in circumstances indicate that the investment may be impaired. Any impairment loss is included in the disclosure notes.

#### 4.6 Loans

Loans are recognised in the statement of financial position when the cash is paid to the beneficiary. Loans that are outstanding at year-end are carried in the statement of financial position at cost plus accrued interest.

Amounts that are potentially irrecoverable are included in the disclosure notes.

#### 4.7 Inventory

Inventories that qualify for recognition must be initially reflected at cost. Where inventories are acquired at no cost, or for nominal consideration, their cost shall be their fair value at the date of acquisition.

All inventory items at year-end are reflected using the weighted average cost or First In First Out (FIFO) cost formula.

#### 4.8 Capital assets

##### 4.8.1 Movable assets

###### *Initial recognition*

A capital asset is recorded in the asset register on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the movable capital asset is stated at fair value. Where fair value cannot be determined, the capital asset is included in the asset register at R1.

## ACCOUNTING POLICIES (continued)

For the year ended 31 March 2011

### 4. ASSETS (continued)

All assets acquired prior to 1 April 2002 are included in the register at R1.

#### *Subsequent recognition*

Subsequent expenditure of a capital nature is recorded in the statement of financial performance as "expenditure for capital assets" and is capitalised in the asset register of the Department on completion of the project.

Repairs and maintenance is expensed as current "goods and services" in the statement of financial performance.

#### 4.8.2 Immovable assets

##### *Initial recognition*

A capital asset is recorded on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the immovable capital asset is stated at R1 unless the fair value for the asset has been reliably estimated.

##### *Subsequent recognition*

Work-in-progress of a capital nature is recorded in the statement of financial performance as "expenditure for capital assets". On completion, the total cost of the project is included in the asset register of the Department that is accountable for the asset.

Repairs and maintenance is expensed as current "goods and services" in the statement of financial performance.

### 5. LIABILITIES

#### 5.1 Payables

Recognised payables are mainly comprised of amounts owing to other government entities. These payables are carried at cost in the statement of financial position.

#### 5.2 Contingent liabilities

Contingent liabilities are included in the disclosure notes to the financial statements when it is possible that economic benefits will flow from the Department, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably.

#### 5.3 Contingent assets

Contingent assets are included in the disclosure notes to the financial statements when it is probable that an inflow of economic benefits will flow to the entity.

#### 5.4 Commitments

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

#### 5.5 Accruals

Accruals are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

#### 5.6 Employee benefits

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements. These amounts are not recognised in the statement of financial performance or the statement of financial position.

## ACCOUNTING POLICIES (continued)

For the year ended 31 March 2011

### 5. LIABILITIES (continued)

#### 5.7 Lease commitments

##### *Finance lease*

Finance leases are not recognised as assets and liabilities in the statement of financial position. Finance lease payments are recognised as an expense in the statement of financial performance and are apportioned between the capital and interest portions. The finance lease liability is disclosed in the disclosure notes to the financial statements.

##### *Operating lease*

Operating lease payments are recognised as an expense in the statement of financial performance. The operating lease commitments are disclosed in the disclosure notes to the financial statement.

#### 5.8 Impairment and other provisions

The Department tests for impairment where there is an indication that a receivable, loan or investment may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. An estimate is made for doubtful loans and receivables based on a review of all outstanding amounts at year-end. Impairments on investments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows/service potential flowing from the instrument.

Provisions are disclosed 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 will be required to settle the obligation and a reliable estimate of the obligation can be made.

### 6. RECEIVABLES FOR DEPARTMENTAL REVENUE

Receivables for departmental revenue are disclosed in the disclosure notes to the annual financial statements.

### 7. NET ASSETS

#### 7.1 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 underlining asset is disposed and the related funds are received.

#### 7.2 Recoverable revenue

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

### 8. RELATED PARTY TRANSACTIONS

Specific information with regards to related party transactions is included in the disclosure notes.

### 9. KEY MANAGEMENT PERSONNEL

Compensation paid to key management personnel including their family members where relevant, is included in the disclosure notes.

### 10. PUBLIC PRIVATE PARTNERSHIPS

A description of the PPP arrangement, the contract fees and current and capital expenditure relating to the PPP arrangement is included in the disclosure notes.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 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:

	Final appropriation R'000	2010/11 Actual funds R'000	Funds not requested/ not received R'000	2009/10 Appropriation received R'000
Administration	104 834	104 834	–	90 502
Energy and Broadband Enterprises	174 476	174 476	–	1 959 965
Legal, Governance and Transactions	50 023	50 023	–	147 379
Manufacturing Enterprises	192 782	192 782	–	199 003
Transport Enterprises	22 958	22 958	–	1 568 659
Joint Project Facility	10 476	10 47	–	25 652
<b>Total</b>	<b>555 549</b>	<b>555 549</b>	<b>–</b>	<b>3 991 160</b>

## 2. DEPARTMENTAL REVENUE

	Note	2010/11 R'000	2009/10 R'000
Sales of goods and services other than capital assets	2.1	45	36
Interest, dividends and rent on land	2.2	77	7
Sales of capital assets	2.3	5	19
Transactions in financial assets and liabilities	2.4	139	1 106
<b>Departmental revenue collected</b>		<b>266</b>	<b>1 168</b>

### 2.1 Sales of goods and services other than capital assets

Sales of goods and services produced by the Department	44	36
Sales by market establishment	31	27
Other sales	13	9
Sales of scrap, waste and other used current goods	1	–
<b>Total</b>	<b>45</b>	<b>36</b>

### 2.2 Interest, dividends and rent on land

Interest	77	7
<b>Total</b>	<b>77</b>	<b>7</b>

### 2.3 Sale of capital assets

Tangible assets		
Machinery and equipment	30	5      19
<b>Total</b>		<b>5      19</b>

### 2.4 Transactions in financial assets and liabilities

Receivables	1	–
Other receipts including recoverable revenue	138	1 106
<b>Total</b>	<b>139</b>	<b>1 106</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

## 3. AID ASSISTANCE

### 3.1 Aid assistance received in cash from RDP

	Note	2010/11 R'000	2009/10 R'000
Foreign			
Opening Balance		–	–
Revenue		7 736	–
Expenditure		(2 962)	–
Current		(2 962)	–
<b>Closing balance (Annexure 1B)</b>		<b>4 774</b>	<b>–</b>

### 3.2 Funds received in cash from Diabo Trust

Local			
Opening balance		–	–
Revenue		121 199	–
Expenditure		(6 498)	–
Current		(6 498)	–
<b>Closing balance</b>		<b>114 701</b>	<b>–</b>

In May 2010 the Department received an amount of R117 423 358.41 from the Diabo Share Trust. During the year a portion of these funds was disbursed to identified beneficiaries and to service providers for administrative costs relating to the tracing of beneficiaries as well as the administration of the claims. Interest amounting to R3 776 253 was received during the year on the account at the Corporation for Public Deposits. Refer to Accounting Officer's report (item 19) for details regarding the Diabo Trust.

### 3.3 Total assistance

Opening balance		–	
Revenue		128 935	–
Expenditure		(9 460)	–
Current		(9 460)	–
<b>Closing balance</b>		<b>119 475</b>	<b>–</b>

### 3.4 Analysis of balance

Aid assistance unutilised		114 701	–
Other sources (Diabo Trust)		114 701	–
Aid assistance repayable		<b>4 774</b>	–
RDP		4 774	–
<b>Closing balance</b>		<b>119 475</b>	<b>–</b>

## 4. COMPENSATION OF EMPLOYEES

### 4.1 Salaries and wages

Basic salary		51 028	48 528
Performance award		5 651	4 015
Service based		221	292
Compensative/circumstantial		2 567	1 978
Periodic payments		289	887
Other non-pensionable allowances		18 409	15 535
<b>Total</b>		<b>78 165</b>	<b>71 235</b>



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

## 4.2 Social contributions

	Note	2010/11 R'000	2009/10 R'000
<b>Employer contributions</b>			
Pension		3 505	2 913
Medical		1 380	1 068
Bargaining council		8	4
		<b>4 893</b>	<b>3 985</b>
<b>Total compensation of employees</b>			
		<b>83 058</b>	<b>75 220</b>
Average number of employees		163	140

## 5. GOODS AND SERVICES

### 5.1 Goods and services

Administrative fees		79	628
Advertising		3 482	455
Assets less than R5,000	5.1	308	325
Bursaries (employees)		917	674
Catering		1 144	1 195
Communication		2 431	2 770
Computer services	5.2	3 035	2 957
Consultants, contractors and agency/outsourced services	5.3	36 865	51 115
Entertainment		26	185
Audit cost – external	5.4	2 580	1 979
Fleet services		349	–
Inventory	5.5	1 634	1 599
Operating leases		2 814	2 458
Owned and leasehold property expenditure	5.6	5 435	5 919
Travel and subsistence	5.7	12 185	14 227
Venues and facilities		1 000	731
Training and staff development		1 645	1 524
Other operating expenditure	5.8	1 161	1 034
<b>Total</b>		<b>77 090</b>	<b>89 775</b>

### 5.2 Assets less than R5 000

<b>Tangible assets</b>	5	298	322
Machinery and equipment		298	322
<b>Intangible assets</b>		10	3
<b>Total</b>		<b>308</b>	<b>325</b>

### 5.3 Computer services

SITA computer services	5	1 110	862
External computer service providers		1 925	2 095
<b>Total</b>		<b>3 035</b>	<b>2 957</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

5.4 Consultants, contractors and agency/outsourced services	Note	2010/11 R'000	2009/10 R'000
Business and advisory services		27 390	40 806
Legal costs		5 418	5 116
Contractors		1 660	1 510
Agency and support/outsourced services		2 397	3 683
<b>Total</b>		<b>36 865</b>	<b>51 115</b>
<b>5.5 Audit cost – external</b>			
Regularity audits		1 739	1 979
Performance audits		841	–
<b>Total</b>		<b>2 580</b>	<b>1 979</b>
<b>5.6 Inventory</b>			
Other consumable materials		49	58
Maintenance material		31	21
Stationery and printing		1 554	1 520
<b>Total</b>		<b>1 634</b>	<b>1 599</b>
<b>5.7 Property payments</b>			
Municipal services		818	354
Property management fees		4 617	5 565
<b>Total</b>		<b>5 435</b>	<b>5 919</b>
<b>5.8 Travel and subsistence</b>			
Local		12 185	14 227
<b>Total</b>		<b>12 185</b>	<b>14 227</b>
<b>5.9 Other operating expenditure</b>			
Learnerships	5	273	–
Professional bodies, membership and subscription fees		395	190
Resettlement costs		175	139
Other		318	705
<b>Total</b>		<b>1 161</b>	<b>1 034</b>
<b>6. PAYMENTS FOR FINANCIAL ASSETS</b>			
Material losses through criminal conduct		–	29
Other material losses	6.1	–	29
Purchase of equity		138 600	1 757 610
Debts written off	6.2	94	–
<b>Total</b>		<b>138 694</b>	<b>1 757 639</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

## 6.1 Other material losses

	Note	2010/11 R'000	2009/10 R'000
Nature of other material losses (Group major categories, but list material items)	6		
<b>Incident</b>	<b>Disciplinary steps taken/ criminal proceedings</b>		
Usage of stolen cellphone	Incident was reported to the SAPS and no person could be held responsible. Asset and Loss Committee recommended writing-off of this loss post investigation.	–	8
Usage of stolen 3G card	Incident was reported to the SAPS and no person could be held responsible. Asset and Loss Committee recommended writing-off of this loss post investigation.	–	21
<b>Total</b>		<b>–</b>	<b>29</b>

## 6.2 Debts written off

### Nature of debts written-off

Staff debts	94	–
<b>Total</b>	<b>94</b>	<b>–</b>

## 6.3 Assets written-off

### Nature of write-off

Laptops	49	58
Digital Recorder	–	5
3 Global Positioning System (GPS) units	–	11
	–	7
<b>Total</b>	<b>49</b>	<b>81</b>

## 7. TRANSFERS AND SUBSIDIES

Public corporations and private enterprises	Annex 1A	237 296	2 058 706
Gifts, donations and sponsorships made	Annex 1C	694	678
<b>Total</b>		<b>237 990</b>	<b>2 059 384</b>

Prior year classification under public corporations and private enterprises has been restated to payment for financial assets.

## 8. EXPENDITURE FOR CAPITAL ASSETS

### Tangible assets

Machinery and equipment	30	3 169	1 258
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### Software and other intangible assets

Computer software	31	–	16
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<b>Total</b>		<b>3 169</b>	<b>1 274</b>
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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

## 8.1 Analysis of funds utilised to acquire capital assets – 2010/11

	<b>Voted funds</b>	<b>Aid assistance</b>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Tangible assets</b>	<b>3 169</b>	<b>–</b>	<b>3 169</b>
Machinery and equipment	3 169	–	3 169
<b>Total</b>	<b>3 169</b>	<b>–</b>	<b>3 169</b>

## 8.2 Analysis of funds utilised to acquire capital assets – 2009/10

<b>Tangible assets</b>	<b>1 258</b>	<b>–</b>	<b>1 258</b>
Machinery and equipment	1 258	–	1 258
<b>Software and other intangible assets</b>	<b>16</b>	<b>–</b>	<b>16</b>
Computer software	16	–	16
<b>Total</b>	<b>1 274</b>	<b>–</b>	<b>1 274</b>

## 9. UNAUTHORISED EXPENDITURE

### 9.1 Reconciliation of unauthorised expenditure

	<b>Note</b>	<b>2010/11</b>	<b>2009/10</b>
		<b>R'000</b>	<b>R'000</b>
Opening balance		–	618
Less: Amounts approved by Parliament/Legislature with funding		–	(618)
<b>Unauthorised expenditure awaiting authorisation/written off</b>		<b>–</b>	<b>–</b>

On 31 March 2007 Act 2 of 2007 was proclaimed condoning the unauthorised expenditure. The Department received R25.5 million during 2007/08.

On 1 April 2009 a balance of R618 050 of the original amount remained unpaid. During the year under review the Department received R612 321.

The remaining balance amounting to R5 728.90 was written back against departmental revenue pursuant to discussions with National Treasury in this regard.

## 10. CASH AND CASH EQUIVALENTS

	<b>Note</b>	<b>2010/11</b>	<b>2009/10</b>
		<b>R'000</b>	<b>R'000</b>
Consolidated paymaster general account		20 831	8 286
Disbursements		2	
Cash on hand		59	57
Cash with commercial banks (local)		113 776	
<b>Total</b>		<b>134 668</b>	<b>8 343</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

## 11. PREPAYMENTS AND ADVANCES

	Note	2010/11 R'000	2009/10 R'000
Staff advances		2	2
Travel and subsistence		53	41
Advances paid to other entities		357	57
<b>Total</b>		<b>412</b>	<b>100</b>

## 12. RECEIVABLES

	Note	2010/11 R'000 Less than one year	2010/11 R'000 One to three years	2010/11 R'000 Older than three years	2010/11 R'000 Total	2009/10 R'000 Total
Claims recoverable	12.1 <i>Annex 4</i>	65	–	12	77	56
Recoverable expenditure	12.2	254	17	9	280	80
Staff debt	12.3	69	39	26	134	201
Other debtors	12.4	1 028	–	6	1 034	989
<b>Total</b>		<b>1 416</b>	<b>56</b>	<b>53</b>	<b>1 525</b>	<b>1 326</b>

### 12.1 Claims recoverable

	Note	2010/11 R'000	2009/10 R'000
National departments	12	77	56
<b>Total</b>		<b>77</b>	<b>56</b>

### 12.2 Recoverable expenditure (disallowance accounts)

	Note	2010/11 R'000	2009/10 R'000
Diners Club	12	8	58
Expenditure		15	15
Other		257	7
<b>Total</b>		<b>280</b>	<b>80</b>

### 12.3 Staff debt

	Note	2010/11 R'000	2009/10 R'000
Bursaries	12	21	22
Other		113	179
<b>Total</b>		<b>134</b>	<b>201</b>

### 12.4 Other debtors

	Note	2010/11 R'000	2009/10 R'000
Pension reversal	18	6	6
Office accommodation refund		1 028	983
<b>Total</b>		<b>1 034</b>	<b>989</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

## 13. INVESTMENTS

	Note	2010/11 R'000	2009/10 R'000
<b>Non-current shares and other equity</b>			
Alexkor Limited		50 000	50 000
Aventura Limited •		60 000	60 000
Broadband Infracore (Pty) Limited		1 351 130	1 212 530
Denel (Pty) Ltd		5 476 376	5 476 376
Eskom Limited *		–	–
SAFCOL Limited		318 013	318 013
South African Airways (Pty) Ltd		3 598 080	3 598 080
South African Express Airways (Pty) Ltd		585 000	585 000
Transnet Limited		12 660 986	12 660 986
<b>Total</b>		<b>24 099 585</b>	<b>23 960 985</b>
<b>Analysis of non-current investments</b>			
Opening balance		23 960 985	21 618 375
Additions in cash		138 600	1 757 610
Non-cash movements		–	585 000
<b>Closing balance</b>		<b>24 099 585</b>	<b>23 960 985</b>
* Eskom shareholding is comprised of one share @ R1.00			
• Refer to Accounting Officer's report (item 5) for details regarding the status of the investment in Aventura.			
<b>14. VOTED FUNDS TO BE SURRENDERED TO THE REVENUE FUND</b>			
Opening balance		7 868	2 353
Transfer from statement of financial performance		15 548	7 868
Paid during the year		(7 868)	(2 353)
<b>Closing balance</b>		<b>15 548</b>	<b>7 868</b>
<b>15. DEPARTMENTAL REVENUE AND NRF RECEIPTS TO BE SURRENDERED TO THE REVENUE FUND</b>			
Opening balance		985	275
Transfer from statement of financial performance		266	1 168
Paid during the year		(1 235)	(458)
<b>Closing balance</b>		<b>16</b>	<b>985</b>
<b>16. PAYABLES – CURRENT</b>			
Advances received	16.1	1 511	901
Clearing accounts	16.2	55	15
<b>Total</b>		<b>1 566</b>	<b>916</b>
<b>16.1 Advances received</b>			
Description	16		
16 Days activism against women and child abuse		1 511	901
<b>Total</b>		<b>1 511</b>	<b>901</b>
<b>16.2 Clearing accounts</b>			
Description	16		
SARS		55	10
Salary reversal		–	5
<b>Total</b>		<b>55</b>	<b>15</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

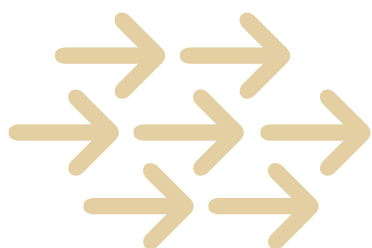
For the year ended 31 March 2011

### 17. NET CASH FLOW AVAILABLE FROM OPERATING ACTIVITIES

	Note	2010/11 R'000	2009/10 R'000
Net surplus/deficit as per statement of financial performance		135 289	9 036
Add back non cash/cash movements not deemed operating activities		(5 800)	(3 177)
Increase/decrease in receivables – current		(199)	(1 041)
Increase/decrease in prepayments and advances		(312)	245
Increase/decrease in other current assets		–	618
Increase/decrease in payables – current		650	(1 443)
Proceeds from sale of capital assets		(5)	(19)
Expenditure on capital assets		3 169	1 274
Surrenders to Revenue Fund		(9 103)	(2 811)
<b>Net cash flow generated by operating activities</b>		<b>129 489</b>	<b>5 859</b>

### 18. RECONCILIATION OF CASH AND CASH EQUIVALENTS FOR CASH FLOW PURPOSES

Consolidated paymaster general account	20 831	8 286
Disbursements	2	–
Cash on hand	59	57
Cash with commercial banks (Local)	113 776	–
<b>Total</b>	<b>134 668</b>	<b>8 343</b>



# DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2011

These amounts are not recognised in the annual financial statements and are disclosed to enhance the usefulness of the annual financial statements.

## 19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

				2010/11	2009/10
				R'000	R'000
<b>19.1 Contingent liabilities</b>					
<b>Liable to</b>	<b>Nature</b>				
Motor vehicle guarantees	Employees	Annex 3A	–	200	
Housing loan guarantees	Employees	Annex 3A	52	109	
Other guarantees	Annex 3A		80 709 473	61 498 996	
Other departments (interdepartmental unconfirmed balances)		Annex 5	6 586	6	
<b>Total</b>			<b>80 716 111</b>	<b>61 499 311</b>	

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.

## 20. COMMITMENTS

Current expenditure		
Approved and contracted	14 228	34 758
<b>Total commitments</b>	<b>14 228</b>	<b>34 758</b>

An amount of R175 582 is included in the above for commitments longer than one year.

## 21. ACCRUALS

		Note	2010/11	2009/10
			R'000	R'000
<b>Listed by economic classification</b>				
	<b>30 Days</b>	<b>30+ Days</b>	<b>Total</b>	<b>Total</b>
Goods and services	853	39	892	555
<b>Total</b>	<b>853</b>	<b>39</b>	<b>892</b>	<b>555</b>
<b>Listed by programme level</b>				
Administration			736	538
Energy and Broadband Enterprises			1	2
Legal, Governance, Risk and Transactions			5	7
Manufacturing Enterprises			2	2
Transport Enterprises			2	1
Joint Project Facility			146	5
<b>Total</b>			<b>892</b>	<b>555</b>
Confirmed balances with other departments		Annex 5	171	133
<b>Total</b>			<b>171</b>	<b>133</b>

## 22. EMPLOYEE BENEFITS

Leave entitlement	1 868	832
Service bonus (thirteenth cheque)	1 188	898
Performance awards	4 913	6 091
Capped leave commitments	1 990	1 760
<b>Total</b>	<b>9 959</b>	<b>9 581</b>



# DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

## 23. LEASE COMMITMENTS

### 23.1 Operating leases expenditure

	Machinery and equipment	Total
<b>2010/11</b>		
Not later than 1 year	1 278	1 278
Later than 1 year and not later than 5 years	702	702
<b>Total lease commitments</b>	<b>1 980</b>	<b>1 980</b>
<b>2009/10</b>		
Not later than 1 year	1 495	1 495
Later than 1 year and not later than 5 years	2 596	2 596
Later than five years	–	–
<b>Total lease commitments</b>	<b>4 091</b>	<b>4 091</b>

## 24. FRUITLESS AND WASTEFUL EXPENDITURE

### 24.1 Reconciliation of fruitless and wasteful expenditure

	Note	2010/11 R'000	2009/10 R'000
Opening balance		–	–
Fruitless and wasteful expenditure – relating to current year		4	–
<b>Fruitless and wasteful expenditure awaiting condonement</b>		<b>4</b>	<b>–</b>

### 24.2 Analysis of awaiting condonation per economic classification

Current	4	–
<b>Total</b>	<b>4</b>	<b>–</b>

### 24.3 Analysis of current year's fruitless and wasteful expenditure

Incident	Disciplinary steps taken/ criminal proceedings	2010/11 R'000
Traffic fines for leased by the leasing company and only invoiced retrospectively to the Department	None	4
<b>Total</b>		<b>4</b>

## 25. RELATED PARTY TRANSACTIONS

	Note	2010/11 R'000	2009/10 R'000
<b>Payments made</b>			
Transfers		375 896	3 816 316
<b>Total</b>		<b>375 896</b>	<b>3 816 316</b>
<b>Other</b>			
Guarantees issued/received		23 858 855	48 551 126
<b>Total</b>		<b>23 858 855</b>	<b>48 551 126</b>

Related parties are considered to be all the State Owned Enterprises under the Department's control. Transfers consist of transfers and subsidies and payment for financial assets.

# DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

## 26. KEY MANAGEMENT PERSONNEL

	No. of Individuals	2010/11 R'000	2009/10 R'000
Political office bearers #	2	3 093	2 799
Officials:			
Level 15 to 16	9	8 784	9 872
Level 14 (incl. CFO if at a lower level)	24	13 383	11 379
<b>Total</b>		<b>25 260</b>	<b>24 050</b>

# Minister and Deputy Minister

## 27. IMPAIRMENT AND OTHER PROVISIONS

	Note	2010/11 R'000	2009/10 R'000
Impairment			
Investments		—	—
<b>Total</b>			
<b>Total</b>			

The impairments are estimates as these figures are based on provisional amounts and are still subject to the SOEs External Audit Process and may change during this process.

At the beginning of 2008/09, the Aventura investment was fully impaired to R60 million.

The Alexkor investment was fully impaired to R50 million in 2008/09 as the entity does not have a positive net asset value.

In the current financial year the Denel impairment was decreased from R4.852 billion to R4.826 billion, being the difference between the cost of investment of R5.576 billion (2009/10: R5.576 billion) and the net asset value of the investment of R650 million (2009/10: R624 million).

No impairment, for the current year, for South African Airways (SAA) has been provided as the current year net asset value is not available. The investment of R2.049 billion was acquired in previous years at market value and was impaired with R2.5 billion in the 2009/10 financial year.

The net effect was a negative impairment of R2.4 billion and thus no provision was made for impairment in the 2010/11 financial year.

## 28. NON-ADJUSTING EVENTS AFTER REPORTING DATE

	2010/11 R'000
Include an estimate of the financial effect of the subsequent non-adjusting events or a statement that such an estimate cannot be made.	
Department of Public Works – refund of office accommodation	1 028
Financial misconduct finalised	64
<b>Total</b>	<b>1 092</b>

# DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

## 29. MOVABLE TANGIBLE CAPITAL ASSETS

Movement in movable tangible capital assets per asset register for the year ended 31 March 2011

	Opening balance R'000	Current year adjustment to prior year balances R'000	Additions R'000	Disposals R'000	Closing balance R'000
<b>Machinery and equipment</b>	<b>14 991</b>	<b>(2 182)</b>	<b>3 214</b>	<b>1 107</b>	<b>14 916</b>
Transport assets	1 433	–	1 820	–	3 253
Computer equipment	6 171	–	964	826	6 309
Furniture and office equipment	4 441	(2 182)	157	137	2 279
Other machinery and equipment	2 946	–	273	144	3 075
<b>Total movable tangible capital assets</b>	<b>14 991</b>	<b>(2 182)</b>	<b>3 214</b>	<b>1 107</b>	<b>14 916</b>

### 29.1 Additions

Additions to movable tangible capital assets per asset register for the year ended 31 March 2011

	Cash	Non- cash	(Capital work in progress current costs and finance lease payments)	Received current, not paid (paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
<b>Machinery and equipment</b>	<b>3 169</b>	<b>45</b>	<b>–</b>	<b>–</b>	<b>3 214</b>
Transport assets	1 820	–	–	–	1 820
Computer equipment	964	–	–	–	964
Furniture and office equipment	112	45	–	–	157
Other machinery and equipment	273	–	–	–	273
<b>Total additions to movable tangible capital assets</b>	<b>3 169</b>	<b>45</b>	<b>–</b>	<b>–</b>	<b>3 214</b>

## DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

### 29.2 Disposals

#### Disposals of movable tangible capital assets per asset register for the year ended 31 March 2011

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash received actual
	R'000	R'000	R'000	R'000
<b>Machinery and equipment</b>	<b>765</b>	<b>342</b>	<b>1 107</b>	<b>2</b>
Transport assets				
Computer equipment	548	278	826	1
Furniture and office equipment	73	64	137	–
Other machinery and equipment	144	–	144	1
<b>Total disposal of movable tangible capital assets</b>	<b>765</b>	<b>342</b>	<b>1 107</b>	<b>2</b>

### 29.3 Movement for 2009/10

#### Movement in movable tangible capital assets per asset register for the year ended 31 March 2010

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
<b>Machinery and equipment</b>	<b>16 459</b>	<b>1 327</b>	<b>2 795</b>	<b>14 991</b>
Transport assets	1 433	–	–	1 433
Computer equipment	7 781	734	2 344	6 171
Furniture and office equipment	4 629	243	431	4 441
Other machinery and equipment	2 616	350	20	2 946
<b>Total movable tangible assets</b>	<b>16 459</b>	<b>1 327</b>	<b>2 795</b>	<b>14 991</b>

# DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

## 29.4 Minor assets

### Movement in minor assets of the Department as of 31 March 2011

	Intangible assets R'000	Machinery and equipment R'000	Total R'000
Opening balance	52	3 244	3 296
Addition	10	298	308
Disposals	2	275	277
<b>Total minor assets</b>	<b>60</b>	<b>3 267</b>	<b>3 327</b>
Number of R1 minor assets	–	92	92
Number of minor assets at cost	3	2 169	2 172
<b>Total number of minor assets</b>	<b>3</b>	<b>2 261</b>	<b>2 264</b>

### Minor assets of the Department as of 31 March 2010

Minor assets	52	3 244	3 296
<b>Total</b>	<b>52</b>	<b>3 244</b>	<b>3 296</b>
Number of R1 minor assets	–	112	112
Number of minor assets at cost	3	2 199	2 202
<b>Total number of minor assets</b>	<b>3</b>	<b>2 311</b>	<b>2 314</b>

## 30. INTANGIBLE CAPITAL ASSETS

### Movement in intangible capital assets per asset register for the year ended 31 March 2011

	Opening balance R'000	Current year adjustment to prior year balances R'000	Additions R'000	Disposals R'000	Closing balance R'000
Computer software	2 157	–	–	295	1 862
<b>Total intangible capital assets</b>	<b>2 157</b>	<b>–</b>	<b>–</b>	<b>295</b>	<b>1 862</b>

# DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

## 30.1 Additions

### Additions to intangible capital assets per asset register for the year ended 31 March 2011

	Cash	Non-cash	Development work in progress – current costs	Received current year, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
Computer software	–	–	–	–	–
<b>Total additions to intangible capital assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

## 30.2 Disposals

### Disposals of intangible capital assets per asset register for the year ended 31 March 2011

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash received actual
	R'000	R'000	R'000	R'000
Computer software	–	295	295	–
<b>Total disposals of intangible capital assets</b>	<b>–</b>	<b>295</b>	<b>295</b>	<b>–</b>

## 30.3 Movement for 2009/10

### Movement in intangible capital assets per asset register for the year ended 31 March 2010

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
Computer software	2 156	16	15	2 157
<b>Total intangible capital assets</b>	<b>2 156</b>	<b>16</b>	<b>15</b>	<b>2 157</b>

## 31. WORLD CUP EXPENDITURE

### Purchase of world cup apparel

Specify the nature of the purchase (e.g. t-shirts, caps, etc.)

Flags, vuvuzelas, soccer balls, and other related decorative items

### Total

### Total world cup expenditure

	Quantity	2010/11 R'000	2009/10 R'000
	150	–	5
<b>Total</b>	<b>150</b>	<b>–</b>	<b>5</b>
<b>Total world cup expenditure</b>		<b>–</b>	<b>5</b>

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2011

## ANNEXURE 1A

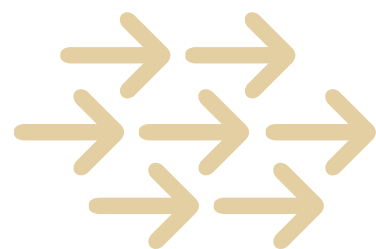
### Statement of transfers/subsidies to public corporations and private enterprises

Name of public corporation/private enterprise	Transfer allocation				Expenditure				2009/10
	Adjusted appropriation Act	Roll overs	Adjustments	Total available	Actual transfer	% of available funds transferred	Capital	Current	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
<b>Public Corporations</b>									
Alexkor	36 000	–	–	36 000	36 000	100.0%	–	36 000	129 090
Denel	181 296	–	–	181 296	181 296	100.0%	–	181 296	191 866
Pebble Bed Modular Reactor (PBMR)	20 000	–	–	20 000	20 000	100.0%	–	20 000	1 737 750
<b>Total</b>	<b>237 296</b>	<b>–</b>	<b>–</b>	<b>237 296</b>	<b>237 296</b>		<b>–</b>	<b>237 296</b>	<b>2 058 706</b>

## ANNEXURE 1B

### Statement of aid assistance received

Name of donor	Purpose	Opening balance	Revenue	Expenditure	Closing balance
		R'000	R'000	R'000	R'000
<b>Received in cash</b>					
Department for International Development (dfid)	Renewable and industrial policy studies	–	2 136	2 136	–
Department for International Development (dfid)	Procurement development programme	–	5 600	826	4 774
<b>Total</b>		<b>–</b>	<b>7 736</b>	<b>2 962</b>	<b>4 774</b>



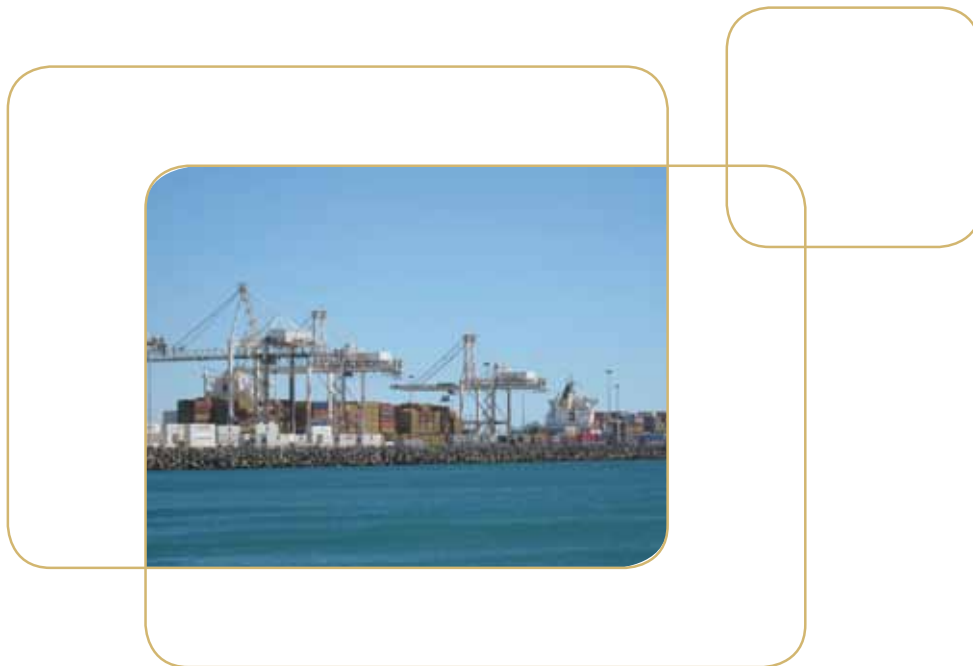
# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

## ANNEXURE 1C

### 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)	2010/11	2009/10
	R'000	R'000
<b>Paid in cash</b>		
16 Days of activism against women and child abuse	610	581
Thutong Training Development	–	10
Food and Trees for Africa	15	10
Blind SA	–	10
Alexandra Co-operative Workshop for the Disabled	–	7
Spiritual Waters	–	7
Action Labourers for the Harvest	–	7
Emthonjeni – Fountain of Life HIV/AIDS Project	–	7
Sparrow Schools Educational Trust	–	7
Leamogetswe Safety Home for Children	–	7
Pretoria Care of the Aged	15	7
The Living Link	–	7
Siyakhula Hospice and Orphan Centre	–	7
Other	35	4
South African Deaf Association	15	–
Kingdom Life Children's Centre	4	–
<b>Total</b>	<b>694</b>	<b>678</b>





# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

## 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 10/11	% Held 09/10	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
				2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	
<b>National/Provincial Public Entity</b>												
Alexkor Limited	II	100%	100%	50 000 000	50 000 000	50 000	50 000	(15 000)	(67 340)	70 000	48 843	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 Infracore (Pty) Limited	II	74%	74%	74	74	1 351 130	1 212 530	1 194 356	1 211 641	(210 655)	(28 312)	No
Denel (Pty) Ltd	II	100%	100%	1 225 049 663	1 225 049 663	5 476 376	5 476 376	650 281	624 078	122 000	(271 000)	No
Eskom Limited	II	100%	100%	1	1	-	-	87 259 000	70 222 000	8 356 000	3 620 000	No
SAFCOL Limited	II	100%	100%	318 013 254	318 013 254	318 013	318 013	2 846 024	2 895 067	(50 017)	(468 865)	No
South African Airways (Pty) Ltd	II	100%	100%	13 008 758 154	13 008 758 154	3 598 080	3 598 080	Not available	1 043 799	Not available	581 547	No
South African Express Airways (Pty)Ltd	II	100%	100%	452	452	585 000	585 000	1 270 832	1 194 150	55 211	250 759	No
Transnet Limited	II	100%	100%	12 660 986 310	12 660 986 310	12 660 986	12 660 986	72 253 000	63 947 000	2 700 000	3 022 000	No
<b>Total</b>				<b>27 322 807 908</b>	<b>27 322 807 908</b>	<b>24 099 585</b>	<b>23 960 985</b>	<b>165 458 493</b>	<b>141 070 395</b>	<b>11 042 539</b>	<b>6 754 972</b>	

The net asset value of investment and profit/loss for the year ended 31 March 2011 is based on provisional amounts and is still subject to the SOEs External Audit Processes, and may change during the process.

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

## 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	
		2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
<b>Controlled entities</b>									
Alexkor Limited	Mining	50 000	50 000	(15 000)	(67 340)	–	–	–	–
Aventura Limited	Leisure	60 000	60 000	Not available	Not available	–	–	–	–
Broadband Infracore (Pty) Limited	ICT Sector	1 351 130	1 212 530	1 194 356	1 211 641	–	–	–	–
Denel (Pty) Ltd	Manufacturing of arms	5 476 376	5 476 376	650 281	624 078	–	–	–	–
Eskom Limited	Energy	–	–	87 259 000	70 222 000	–	–	–	–
SAFCOL Limited	Forestry	318 013	318 013	2 846 024	2 895 067	–	–	–	–
South African Airways (Pty) Ltd	Transport	3 598 080	3 598 080	Not Available	1 043 799	–	–	–	–
South African Express Airways (Pty) Ltd	Transport	585 000	585 000	1 270 832	1 194 150	–	–	–	–
Transnet Limited	Transport	12 660 986	12 660 986	72 253 000	63 947 000	–	–	–	–
<b>Total</b>		<b>24 099 584</b>	<b>23 960 985</b>	<b>165 458 493</b>	<b>141 070 395</b>				

## ANNEXURE 3A

### Statement of financial guarantees issued as at 31 March 2011 – local

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2010	Guarantees drawn during the year	Guarantees repayments/cancelled/reduced/released during the year	Revaluations	Closing balance 31 March 2011	Guaranteed interest for year ended 31 March 2011	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
STANNIC	<b>Motor vehicles</b>								
	Employees	272	200	–	200	–	–	–	–
	<b>Subtotal</b>	<b>272</b>	<b>200</b>	<b>–</b>	<b>200</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
ABSA First National Bank NEDCOR	<b>Housing</b>								
	Employees	54	41	–	41	–	–	–	–
	Employees	62	31	–	16	–	15	–	–
	Employees	90	37	–	–	–	37	–	–
	<b>Subtotal</b>	<b>206</b>	<b>109</b>	<b>–</b>	<b>57</b>	<b>–</b>	<b>52</b>	<b>–</b>	<b>–</b>

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

## ANNEXURE 3A

### Statement of financial guarantees issued as at 31 March 2011 – local (continued)

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2010	Guarantees draw downs during the year	Guarantees re-payments/cancelled/reduced/released during the year	Revaluations	Closing balance 31 March 2011	Guaranteed interest for year ended 31 March 2011	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
	<b>Other</b>								
Transnet	T011	Unlimited	1 130 315	–	1 130 315	–	–	–	–
	T018	6 000 000	6 000 000	–	–	–	6 000 000	130 767	–
SAA	SAA recapitalisation	1 300 000	1 300 000	–	–	–	1 300 000	–	–
	Financial Sustainability ^	1 600 000	–	615 567	–	–	615 567	–	–
Denel	DNG 04 Bond	420 000	420 000	420 000	420 000	–	420 000	–	–
	DNG 02 Bond	880 000	880 000	880 000	880 000	–	880 000	–	–
	DNG R550m Bond	550 000	550 000	550 000	550 000	–	550 000	–	–
Eskom	Eskom Bonds – ES33	13 539 353	13 539 353	1 303 086	–	–	14 842 439	–	–
	Eskom Bonds – ES26	13 352 501	13 352 501	1 097 717	–	–	14 450 218	–	–
	Eskom Bonds – ES23	4 508 960	4 508 960	5 592 728	–	–	10 101 688	–	–
	Eskom Bonds – ES18	6 491 786	6 491 786	1 228 417	–	–	7 720 203	–	–
	Eskom Bonds – ES15	4 747 000	–	4 747 000	–	–	4 747 000	–	–
	Eskom Bonds – EL15	4 000 000	4 000 000	1 000 000	–	–	5 000 000	–	–
	Issued Floating Rate Notes	3 800 000	3 800 000	–	–	–	3 800 000	–	–
	Eskom DMTN Programme	65 000 000	–	–	–	–	–	–	–
	<b>Subtotal</b>	<b>126 189 600</b>	<b>55 972 915</b>	<b>17 434 515</b>	<b>2 980 315</b>	<b>–</b>	<b>70 427 115</b>	<b>130 767</b>	
							–	–	–
	<b>TOTAL</b>	<b>126 190 078</b>	<b>55 973 224</b>	<b>17 434 515</b>	<b>2 980 572</b>	<b>–</b>	<b>70 427 167</b>	<b>130 767</b>	<b>–</b>

^ This guarantee assures the going concern and financial sustainability of SAA due to the volatility of input costs and the markets in which it operates.

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

## ANNEXURE 3A (continued)

### Statement of financial guarantees issued as at 31 March 2011 – foreign

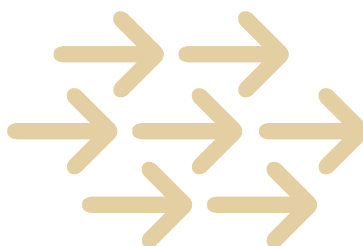
Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2010	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2011	Guaranteed interest for year ended 31 March 2011	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
Transnet	<b>Other</b>								
	Euro-Rand medium term note (Tranche 1) #	2 000 000	2 000 000	-	-	-	2 000 000	255 945	-
	Euro-Rand medium term note (Tranche 2) #	1 500 000	1 500 000	-	-	-	1 500 000	411	-
	Aircraft Boeing B 747-400 (Loan 60A) ^	444 703	444 703	-	444 703	-	-	-	-
	Aircraft Boeing B 747-400 (Loan 60C) ^	322 641	39 733	-	38 732	(1 001)	-	-	-
Eskom	AFDB loan (Euro)	8 977 104	-	378 891	-	20 146	399 037	-	-
	AFDB loan (ZAR)	10 630 000	-	3 476 255	-	-	3 476 255	-	-
	Workbank Loan	25 471 875	-	2 569 194	-	(49 251)	2 519 943	-	-
	Other (unutilised)	90 148 120	-	-	-	-	-	-	-
	Aircraft Boeing B 747-400 ZC SBK	702 248	51 085	-	51 085	-	-	-	-
<b>Total</b>		<b>140 196 691</b>	<b>4 035 521</b>	<b>6 424 340</b>	<b>534 520</b>	<b>(30 106)</b>	<b>9 895 235</b>	<b>256 356</b>	<b>-</b>

\* The guarantee repayments during the year are reflected at hedged rates. The currency revaluation therefore includes profits/losses and hedging instruments realised.

# The Euro-Rand medium term notes (Transnet) are Rand denominated foreign loans and therefore not subjected to currency revaluations.

^ Part of the transfer arrangement of SAA from Transnet to government. Guarantees/indemnities provided to Transnet in relation to an aircraft owned and operated by SAA.

The amount in Note 19 of the disclosure notes consists of the closing balance on 31 March 2011 and the Guarantee interest.



# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

## ANNEXURE 4

### Claims recoverable

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2011	31/03/2010	31/03/2011	31/03/2010	31/03/2011	31/03/2010
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Department</b>						
South African Social Security Agency (SASSA)	12	12	–	–	12	12
Correctional Services	–	44	–	–	–	44
Department of Economic Development	65	–	–	–	65	–
<b>Total</b>	<b>77</b>	<b>56</b>	<b>–</b>	<b>–</b>	<b>77</b>	<b>56</b>

## ANNEXURE 5

### Inter-government payables

Government entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2011	31/03/2010	31/03/2011	31/03/2010	31/03/2011	31/03/2010
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Departments</b>						
<b>Current</b>						
International relations and cooperation	–	120	–	–	–	120
Public administration and leadership and management academy (Palama)	–	13	–	–	–	13
Department of Water Affairs and Forestry	6	–	–	6	6	6
Department of Rural Development and Land Reform	–	–	5 906	–	5 906	–
Department of Justice and Constitutional Development	74	–	15	–	89	–
Department of Public Works	91	–	665	–	756	–
<b>Total</b>	<b>171</b>	<b>133</b>	<b>6 586</b>	<b>6</b>	<b>6 757</b>	<b>139</b>

## ANNEXURE 6

### Inventory

Inventory	Note	Quantity	2010/11	Quantity	2009/10
			R'000		R'000
Opening balance		161	25	169	39
Add/less: adjustments to prior year balance		–	–	–	(8)
Add: additions/purchases – cash		20 022	705	20 053	714
Less: issues		(20 116)	(727)	(20 061)	(720)
Add/less: adjustments		–	7	–	–
<b>Closing balance</b>		<b>67</b>	<b>10</b>	<b>161</b>	<b>25</b>



# power

“Ultimately we can only hope that even when you are in the private sector your view is still aligned to the **building** of South Africa and Africa. South Africa is looking at young professionals as a prism into the future; a better future rid of poverty and inequality, the legacy of racial exploitation and underdevelopment. In your skills, talent, intellectual ability and **energy** lies the hope of our people and a promise that South Africa and its ideals will not perish.”

**Malusi Gigaba , Minister of Public Enterprises**



**1. HUMAN RESOURCE MANAGEMENT**

The statistics and information published in the Human Resources Management section of the annual report are required in terms of Chapter 1, Part III J.3 of the Public Service Regulations, 2002 and have been prescribed by the Minister for the Public Service and Administration for all departments within the public service.

The tables were obtained from the Department of Public Service and Administration (DPSA). Any input or clarification required should be directed to Henk Serfontein at Henk\_S@dpsa.gov.za. For a detailed description and explanation of the terminology used in this section of the report, please consult the publication from the DPSA entitled 'A guide to understanding the oversight report of departmental annual reports'. A copy of the guide is available from all departments or can be accessed from the DPSA website ([www.dpsa.gov.za](http://www.dpsa.gov.za)).

**Service delivery**

All departments are required to develop a Service Delivery Improvement (SDI) Plan. The following tables reflect the components of the SDI plan as well as progress made in the implementation of the plans.

**Table 1.1 – Main services provided and standards**

Main services	Actual customers	Potential customers	Standard of service	Actual achievement against standards
a. User-friendly ,stable, reliable and secure IT environment	DPE internal staff	Government departments and SOEs	Throughput must not be less than 80% of LAN bandwidth capacity	Throughput at 70% of LAN bandwidth capacity
b. Internal audit to facilitate fraud and corruption awareness campaigns	DPE internal staff	Government departments and SOEs	Promoting the usage of the fraud and corruption reporting facilities both internally and externally	Regular whistle-blowing awareness
				Whistle-blowing confidential reporting box is installed
				Whistle-blowing cases have been investigated
				Fraud corruption and ethics training conducted to selected SMS, middle management and junior personnel
c. Training calendars with target training programmes	DPE internal staff	Governments department and SOEs	Bi-annual consolidated training calendar	Calendar was completed
d. Acquire goods and services as required by beneficiaries in compliance with prescripts	DPE internal staff	Service providers	All requests are processed within three days with 90% compliance with prescripts in the acquisition of goods and services	Request paid as per set standards
e. Secretariat co-ordinate timely internal policy review on annual basis by compiling a comprehensive register of all operational policies	DPE internal staff	Government departments and stakeholders	100% accurate policy register indicating all policies updated in the departments	Policy register available indicating the status of policies in the department



**Table 1.2 – Consultation arrangements with customers**

Type of arrangement	Actual customers	Potential customers	Actual achievements
a. Group sessions, presentations at various committees	DPE internal staff	Government departments and SOEs	Shared information during induction
b. Monthly reminders via e-mail	DPE internal staff	Governments department and SOEs	Monthly reminders sent via e-mail
c. Confirm needs emanate from business strategy and needs	DPE internal staff	Government department and SOEs	Engagement with managers on the training needs of various units
d. Information sessions during orientations, client satisfaction survey	DPE internal staff	New employees	Participate during the orientation of new employees
e. Units provide inputs and verifications of the draft register. Draft policies register to OPSCO for adoption. Adopted policies communicated to custodians	DPE internal staff	New employees	Consulted units to verify register, draft policies sent to OPSCO for adoption. Adopted policies communicated to custodians. Register reflecting status quo

**Table 1.3 – Service delivery access strategy**

Access strategy	Actual achievements
a. 98% uptime on e-mail, telephone and web	99% uptime on e-mail, telephone and web
b. Internal audit ensures access to office and confidential reporting box	Internal Audit office accessible for employees as well as a confidential reporting box available
c. Training programme available, electronic bookings are made	Pre-scheduled training and manual bookings are confirmed
d. Access to the office, electronically and telephonically	Accessible to obtain information all the time
e. Custodians have access to the adopted policies as reflected in the register	Status of updated register that is accessible

**Table 1.4 – Service information tool**

Types of information tool	Actual achievements
a. Awareness of changes or new implementations	Training on migration from Microsoft 2003 to 2007
b. Bi-annual information sessions	Awareness by e-mail and during induction
c. Information displayed on the intranet	Information disseminated to all employees by e-mail and internet
d. Assistance and advice provided on policy	Assistance and advice was provided
e. Status on policies reflected in register on Intranet. Custodians are notified	Approved policies on intranet. Updated register reflecting the status of policies accessible

**Table 1.5 – Complaints mechanism**

Complaints mechanism	Actual achievements
a. Help desk system	Fully functional
b. Bi –annual report on the number of cases reported and the final resolutions	Reports submitted bi-annually to DPSA
c. Personal feedback by affected employees	Course rescheduled and complaints attended to
d. Immediate feedback in addressing problems	Problems addressed timeously
e. DBC ,OPSCO ,OPSCO sub-committee	Functional structures in place

Table 2.1 – Personnel costs by programme

Programme	Total voted expenditure (R'000)	Compensation of employees expenditure (R'000)	Training expenditure (R'000)	Professional and special services (R'000)	Compensation of employees as percent of total expenditure	Average compensation of employees cost per employee (R'000)	Employment
Pr 1: Administration	101 538	46 582	0	0	45.9	288	163
Pr 2: Energy and Broadband Enterprises	170 857	10 821	0	0	6.3	67	163
Pr 3: Joint Project Facility	10 134	3 546	0	0	35	22	163
Pr 4: Legal, Governance, Risk and Transactions	48 797	4 785	0	0	9.8	30	163
Pr 5: Manufacturing Enterprises	189 595	5 290	0	0	2.8	33	163
Pr 6: Transport Enterprises	19 077	12 034	0	0	63.1	74	163
<b>Z = Total as on Financial Systems (BAS)</b>	<b>539 998</b>	<b>83 058</b>	<b>0</b>	<b>0</b>	<b>15.4</b>	<b>513</b>	<b>163</b>

Table 2.2 – Personnel costs by salary band

Salary bands	Compensation of employees cost (r'000)	Percentage of total personnel cost for department	Average compensation cost per employee (R)	Total personnel cost for department including goods and transfers (R000)	Number of employees
Skilled (levels 3-5)	1 444	1.9	160 444	75 409	9
Highly skilled production (levels 6-8)	11 030	14.6	225 102	75 409	49
Highly skilled supervision (levels 9-12)	15 107	20	377 675	75 409	40
Senior management (levels 13-16)	11 431	15.2	1 270 111	75 409	9
Contract (levels 6-8)	453	0.6	453 000	75 409	1
Contract (levels 9-12)	3 056	4.1	436 571	75 409	7
Contract (levels 13-16)	30 944	41	644 667	75 409	48
Periodical remuneration	1 098	1.5	37 862	75 409	29
<b>Total</b>	<b>74 563</b>	<b>98.9</b>	<b>38 8349</b>	<b>75 409</b>	<b>192</b>

Table 2.3 – Salaries, overtime, home owner's allowance and medical aid by programme

Programme	Salaries (R'000)	Salaries as % of personnel cost	Overtime (R'000)	Overtime as % of personnel cost	Home owners allowance (R'000)	HOA as % of personnel cost	Medical ass. (R'000)	Medical ass. as % of personnel cost	Total personnel cost per programme (R'000)
Pr 1: Administration	34 189	76.5	121	0.3	606	1.4	909	2	44676
Pr 2: Energy and Mining Enterprises	7 125	82.8	9	0.1	135	1.6	95	1.1	8607
Pr 3: Legal, Governance, Risk and Secretariat	4 005	81.4	0	0	101	2.1	45	0.9	4919
Pr 4: Manufacturing Enterprises	5 295	86.5	0	0	69	1.1	89	1.5	6 124
Pr 5: Transport Enterprises	7 272	84.8	0	0	89	1	155	1.8	8 573
Pr 6: Joint Project Facility	1 707	68	0	0	182	7.3	62	2.5	2 510
<b>Total</b>	<b>59 593</b>	<b>79</b>	<b>130</b>	<b>0.2</b>	<b>1 182</b>	<b>1.6</b>	<b>1 355</b>	<b>1.8</b>	<b>75 409</b>

Table 2.4 – Salaries, overtime, home owner's allowance and medical aid by salary band

Salary bands	Salaries (R'000)	Salaries as % of personnel cost	Overtime (R'000)	Overtime as % of personnel cost	HOA (R'000)	HOA as % of personnel cost	Medical ass. (R'000)	Medical ass. as % of personnel cost	Total personnel cost per salary band (R'000)
Skilled (levels 3-5)	922	63.3	25	1.7	100	6.9	99	6.8	1 456
Highly skilled production (levels 6-8)	7 335	65.5	92	0.8	366	3.3	591	5.3	11 206
Highly skilled supervision (levels 9-12)	11 146	73.1	13	0.1	174	1.1	336	2.2	15 245
Senior management (levels 13-16)	9 350	80.9	0	0	82	0.7	136	1.2	11 552
Contract (levels 6-8)	432	95.4	0	0	0	0	0	0	453
Contract (levels 9-12)	2 717	88	0	0	14	0.5	3	0.1	3 086
Contract (levels 13-16)	27 043	86.4	0	0	446	1.4	190	0.6	31 305
Periodical remuneration	648	58.5	0	0	0	0	0	0	1 107
<b>Total</b>	<b>59 593</b>	<b>79</b>	<b>130</b>	<b>0.2</b>	<b>1 182</b>	<b>1.6</b>	<b>1 355</b>	<b>1.8</b>	<b>75 410</b>

**Table 3.1 – SMS posts and evaluation programme**

SMS posts information as of 31 March 2011

SMS level	Total number of funded posts per level	Number of filled per level	% of SMS post filled per level	Total number of SMS post vacant per level	% of SMS post per level
Director-General/Head of Department	1	1	100%	0	0%
Salary Level 16, but not HOD	0	0	0	0	0%
Salary Level 15	8	5	62.50%	3	37.50%
Salary Level 14	24	19	79.16%	5	20.83%
Salary Level 13	36	32	88.88	4	11.11%
<b>Total</b>	<b>69</b>	<b>57</b>	<b>82.6</b>	<b>12</b>	<b>17.39%</b>

**Table 3.2 – Advertising and filling of SMS posts as of 31 March 2011**

SMS LEVEL	Total number of funded posts per level	Filling of posts
	Number of vacancies per level advertised in 6 months of becoming vacant	Number of filled per level
Director-General/Head of Department	0	0
Salary Level 16, but not HOD	0	0
Salary Level 15	3	0
Salary Level 14	6	2
Salary Level 13	12	6
<b>Total</b>	<b>21</b>	<b>8</b>

**Table 3.3 – Reasons for not having complied with the filling of funded vacant SMS-advertised within 6 months and filled within 12 months after becoming vacant**

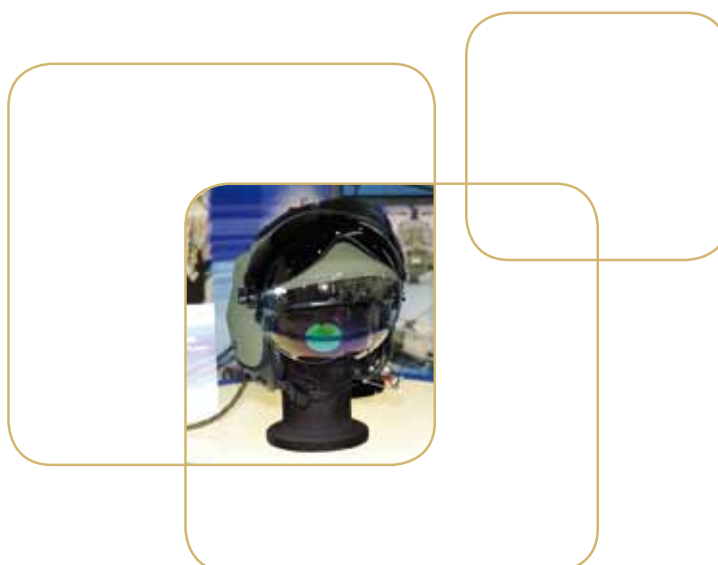
Reasons for vacancies not advertised within 6 months
1. Due to scarce skills within the labour market
2. Uncompetitive remuneration packages
Reasons for vacancies not filled within 12 months
1. Due to scarce skills within the labour market
2. Uncompetitive remuneration packages
Reasons for vacancies not filled within 12 months
1. None due to reasons provided above

**Table 3.1 – Employment and vacancies by programme at end of period**

Programme	Number of posts	Number of posts filled	Vacancy rate	Number of posts filled additional to the establishment
Pr 1: Administration, permanent	112	102	8.9	0
Pr 2: Energy and Mining Enterprises, permanent	23	21	8.7	0
Pr 3: Legal, Governance, Risk and Secretariat, Permanent	12	6	50	0
Pr 4: Manufacturing Enterprises, permanent	13	10	23.1	0
Pr 5: Transport Enterprises, permanent	19	18	5.3	0
Pr 6: Joint Project Facility, permanent	6	6	0	0
<b>Total</b>	<b>185</b>	<b>163</b>	<b>11.9</b>	<b>0</b>

**Table 3.2 – Employment and vacancies by salary band at end of period**

Salary band	Number of posts	Number of posts filled	Vacancy rate	Number of posts filled additional to the establishment
Skilled (levels 3-5), permanent	10	9	10	0
Highly skilled production (levels 6-8), permanent	52	49	5.8	0
Highly skilled supervision (levels 9-12), permanent	46	40	13	0
Senior management (levels 13-16), permanent	9	9	0	0
Contract (levels 6-8), permanent	2	1	50	0
Contract (levels 9-12), permanent	7	7	0	0
Contract (levels 13-16), permanent	59	48	18.6	0
<b>Total</b>	<b>185</b>	<b>163</b>	<b>11.9</b>	<b>0</b>



**Table 3.3 – Employment and vacancies by critical occupation at end of period**

Critical occupations	Number of posts	Number of posts filled	Vacancy rate	Number of posts filled additional to the establishment
Administrative related, permanent	38	34	10.5	0
Client inform clerks (switchboard, receipt, information clerks), permanent	3	3	0	0
Communication and information related, permanent	2	2	0	0
Finance and economics related, permanent	6	6	0	0
Financial and related professionals, permanent	8	6	25	0
Food services aids and waiters, permanent	5	4	20	0
Head of department/chief executive officer, permanent	1	1	0	0
Human resources, organisational development and related professions, permanent	8	8	0	0
Information technology related, permanent	3	3	0	0
Library mail and related clerks, permanent	5	5	0	0
Material-recording and transport clerks, permanent	5	5	0	0
Messengers porters and deliverers, permanent	6	6	0	0
Secretaries and other keyboard operating clerks, permanent	22	19	13.6	0
Security officers, permanent	4	4	0	0
Senior managers, permanent	69	57	17.4	0
<b>Total</b>	<b>185</b>	<b>163</b>	<b>11.9</b>	<b>0</b>

**Table 4.1 – Job evaluation**

Salary band	Number of posts	Number of jobs evaluated	% of posts evaluated	Number of posts upgraded	% of upgraded posts evaluated	Number of posts downgraded	% of downgraded posts evaluated
Skilled (levels 3-5)	10	10					
Highly skilled production (levels 6-8)	51	51	100	0	0	0	0
Highly skilled supervision (levels 9-12)	55	55	100	0	0	0	0
Senior Management Services (Band A)	36	36	100	0	0	0	0
Senior Management Services (Band B)	24	24	100	0	0	0	0
Senior Management Services (Band C)	8	8	100	0	0	0	0
Senior Management Service (Band D)	1	1	100	0	0	0	0
<b>Total</b>	<b>185</b>	<b>185</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table 4.2 – Profile of employees whose positions were upgraded due to their posts being upgraded**

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
Total	0	0	0	0	0
Employees with a disability	0	0	0	0	0

**Table 4.3 – Employees whose salary level exceed the grade determined by job evaluation (i.t.o PSR 1.V.C.3)**

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation	No of employees in dept
None	0	0	0	0	0
None	0	0	0	0	0
Total	0	0	0	0	0
Percentage of total employment	0	0	0	0	0

**Table 4.4 – Profile of employees whose salary level exceeded the grade determined by job evaluation (i.t.o. PSR 1.V.C.3)**

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
Total	0	0	0	0	0
Employees with a disability	0	0	0	0	0

**Table 5.1 – Annual turnover rates by salary band**

Salary band	Employment at beginning of period (April 2010)	Appointments	Terminations	Turnover rate
Skilled (levels 3-5), permanent	10	3	1	10
Highly skilled production (levels 6-8), permanent	40	6	3	7.5
Highly skilled supervision (levels 9-12), permanent	40	6	1	2.5
Senior Management Service (Band A), permanent	4	3	0	0
Senior Management Service (Band B), permanent	2	1	0	0
Senior Management Service (Band D), permanent	0	0	0	0
Contract (levels 6-8), permanent	3	3	2	66.7
Contract (levels 9-12), permanent	6	4	2	33.3
Contract (Band A), permanent	17	7	3	17.6
Contract (Band B), permanent	15	2	3	20
Contract (Band C), permanent	8	1	5	62.5
Contract (Band D), permanent	0	0	0	0
<b>Total</b>	<b>145</b>	<b>36</b>	<b>20</b>	<b>13.8</b>

**Table 5.2 – Annual turnover rates by critical occupation**

Occupation	Employment at beginning of period (April 2010)	Appointments	Terminations	Turnover rate
Administrative related, permanent	19	7	4	21.1
Authors, journalists and other writers, permanent	4	1	0	0
Client inform clerks (switchboard receipt information clerks), permanent	3	0	0	0
Communication and information related, permanent	3	0	1	33.3
Finance and economics related, permanent	6	4	0	0
Financial and related professionals, permanent	5	0	1	20
Financial clerks and credit controllers, permanent	4	0	0	0
Food services aids and waiters, permanent	4	1	1	25
Human resources and organisational development and related professions, permanent	7	1	0	0
Information technology related, permanent	2	0	0	0
Library mail and related clerks, permanent	5	1	0	0
Material-recording and transport clerks, permanent	4	1	0	0
Messengers, porters and deliverers, permanent	4	2	1	25
Secretaries and other keyboard operating clerks, permanent	25	2	1	4
Security officers, permanent	4	2	0	0
Senior managers, permanent	46	14	11	23.9
<b>Total</b>	<b>145</b>	<b>36</b>	<b>20</b>	<b>13.8</b>

**Table 5.3 – Reasons why staff are leaving the Department**

Termination type	Number	Percentage of total resignations	Percentage of total employment	Total	Total employment
Transfer	7	35	4.29	7	163
Resignations	9	45	5.52	9	163
Expiry of contract, permanent	3	15	1.84	3	163
Discharged due to ill health, permanent	1	5	0.61	1	163
<b>Total</b>	<b>20</b>	<b>100</b>	<b>12.26</b>	<b>20</b>	<b>163</b>



**Table 5.4 – Granting of employee initiated severance packages**

Category	No of applications received	No of applications referred to the MPSA	No of applications supported by MPSA	No of packages approved by department
Lower skilled (salary level 1-2)				
Skilled (salary level 3-5)				
Highly skilled production (salary level 6-8)				
Highly skilled production (salary level 9-12)				
Senior management (salary level 13 and higher)				
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table 5.5 – Promotions by critical occupation**

Occupation	Employment at beginning of period (April 2010)	Promotions to another salary level	Salary level promotions as a % of employment	Progressions to another notch within salary level	Notch progressions as a % of employment
Administrative related	20	13	65	8	
Authors, journalists and other writers	4	1	25	0	40
Client inform clerks (switchboard, receipt, information clerks)	3	0	0	3	0
Communication and information related	3	2	66.7	1	100
Finance and economics related	6	7	116.7	0	33.3
Financial and related professionals	5	4	80	0	0
Financial clerks and credit controllers	4	1	25	2	0
Food services, aids and waiters	4	0	0	3	50
Human resources, organisational development and related profession	5	2	40	5	75
Human resources related	2	2	100	0	100
Information technology related	2	0	0	1	0
Library, mail and related clerks	5	1	20	5	50
Material-recording and transport clerks	4	0	0	3	100
Messengers, porters and deliverers	4	2	50	0	75
Other administration and related clerks and organisers	2	2	100	0	0
Other administrative policy and related officers	0	3	0	0	0
Secretaries and other keyboard operating clerks	22	6	27.3	19	0
Security officers	4	1	25	1	86.4
Senior managers	46	22	47.8	0	25
<b>Total</b>	<b>145</b>	<b>69</b>	<b>47.6</b>	<b>51</b>	<b>35.2</b>

**Table 5.6 – Promotions by salary band**

Salary band	Employment at beginning of period (April 2010)	Promotions to another salary level	Salary level promotions as a % of employment	Progressions to another notch within salary level	Notch progressions as a % of employment
Skilled (levels 3-5), permanent	10	0	0	7	70
Highly skilled production (levels 6-8), permanent	40	6	15	37	92.5
Highly skilled supervision (levels 9-12), permanent	40	20	50	7	17.5
Senior management (levels 13-16), permanent	6	12	200	0	0
Contract (levels 6-8), permanent	3	1	33.3	0	0
Contract (levels 9-12), permanent	6	6	100	0	0
Contract (levels 13-16), permanent	40	27	67.5	0	0
<b>Total</b>	<b>145</b>	<b>72</b>	<b>49.7</b>	<b>51</b>	<b>35.2</b>

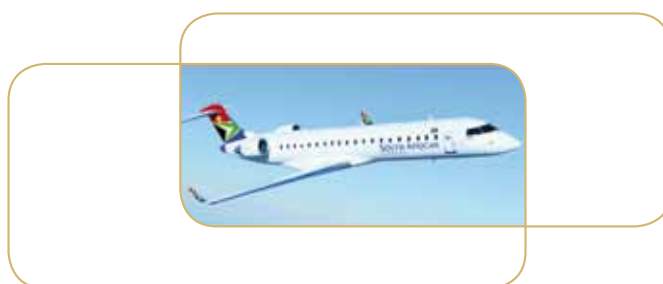
**Table 6.1 – Total number of employees (incl. employees with disabilities) per occupational category (SASCO)**

Occupational categories	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Legislators, senior officials and managers, permanent	19	0	1	20	2	8	1	2	11	3	36
Professionals, permanent	10	2	1	13	0	14	2	0	16	3	32
Technicians and associate professionals, permanent	11	0	0	11	0	13	2	2	17	1	29
Clerks, permanent	16	1	0	17	0	29	2	0	31	3	51
Service and sales workers, permanent	3	0	0	3	0	0	0	0	0	0	3
Elementary occupations, permanent	5	0	0	5	0	5	0	0	5	1	11
<b>Total</b>	<b>64</b>	<b>3</b>	<b>2</b>	<b>69</b>	<b>2</b>	<b>70</b>	<b>7</b>	<b>4</b>	<b>80</b>	<b>11</b>	<b>163</b>

	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Employees with disabilities	2	0	0	2	1	0	0	0	0	2	5

Table 6.2 – Total number of employees (incl. employees with disabilities) per occupational bands

Occupational bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Top management, permanent	5	0	0	5	0	0	0	0	0	0	5
Senior management, permanent	6	1	0	7	1	2	0	1	3	2	13
Professionally qualified and experienced specialists and mid-management, permanent	16	1	0	17	0	17	2	1	20	5	42
Skilled technical and academically qualified workers, junior management, supervisors, foremen, permanent	17	0	0	17	0	27	2	0	28	2	48
Semi-skilled and discretionary decision making, permanent	2	0	0	2	0	7	0	0	7	0	9
Contract (senior management), permanent	14	1	2	17	1	13	2	2	17	2	37
Contract (professionally qualified), permanent	3	0	0	3	0	3	1	0	4	0	7
Contract (skilled technical), permanent	1	0	0	1	0	1	0	0	1	0	2
<b>Total</b>	<b>64</b>	<b>3</b>	<b>2</b>	<b>69</b>	<b>2</b>	<b>70</b>	<b>7</b>	<b>4</b>	<b>80</b>	<b>11</b>	<b>163</b>



**Table 6.3 – Recruitment**

Occupational bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Top management, permanent	3	0	0	3	0	0	0	0	0	0	3
Professionally qualified and experienced specialists and mid-management, permanent	0	0	0	0	0	2	0	0	2	0	2
Skilled technical and academically qualified workers, junior management, supervisors, foremen, permanent	3	0	0	3	0	3	0	0	2	0	6
Semi-skilled and discretionary decision making, permanent	2	0	0	2	0	1	0	0	1	0	3
Contract (senior management), permanent	3	0	0	3	0	2	0	0	2	1	6
Contract (professionally qualified), permanent	3	0	0	3	0	2	1	0	3	0	6
Contract (skilled technical), permanent	2	0	0	2	0	1	1	0	2	0	4
<b>Total</b>	<b>16</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>0</b>	<b>11</b>	<b>2</b>	<b>0</b>	<b>12</b>	<b>1</b>	<b>30</b>

	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Employees with disabilities	1	0	0	1	0	0	0	0	0	0	1

Table 6.4 – Promotions

Occupational bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Top Management, permanent	1	0	0	1	0	0	0	0	0	0	1
Senior Management, permanent	6	0	0	6	1	2	0	0	2	2	11
Professionally qualified and experienced specialists and mid-management, permanent	10	0	0	10	0	11	0	1	12	5	27
Skilled technical and academically qualified workers, junior management, supervisors, foremen, permanent	14	1	0	15	0	24	3	0	27	1	43
Semi-skilled and discretionary decision making, permanent	1	0	0	1	0	6	0	0	6	0	7
Contract (top management), permanent	0	0	0	0	0	1	0	0	1	0	1
Contract (senior management), permanent	11	1	1	13	1	7	1	2	10	2	26
Contract (professionally qualified), permanent	2	0	0	2	0	2	1	1	4	0	6
Contract (skilled technical), permanent	0	0	0	0	0	1	0	0	1	0	1
<b>Total</b>	<b>45</b>	<b>2</b>	<b>1</b>	<b>48</b>	<b>2</b>	<b>54</b>	<b>5</b>	<b>4</b>	<b>63</b>	<b>10</b>	<b>123</b>

	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Employees with disabilities	1	0	0	1	1	0	0	1	1	3	6

**Table 6.5 – Terminations**

Occupational bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Top management, permanent	0	0	0	0	0	0	0	0	0	1	1
Semi-skilled and discretionary decision making, permanent	1	0	0	0	0	1	1	0	1	0	3
Contract (top management), permanent	1	0	0	1	0	1	0	1	2	0	3
Contract (senior management), permanent	2	0	0	2	0	1	0	0	1	0	3
Contract (professionally qualified), permanent	3	0	0	3	0	2	1	1	4	0	7
Contract (skilled technical), permanent	1	0	0	1	0	1	1	0	2	0	3
<b>Total</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>6</b>	<b>3</b>	<b>2</b>	<b>10</b>	<b>1</b>	<b>20</b>

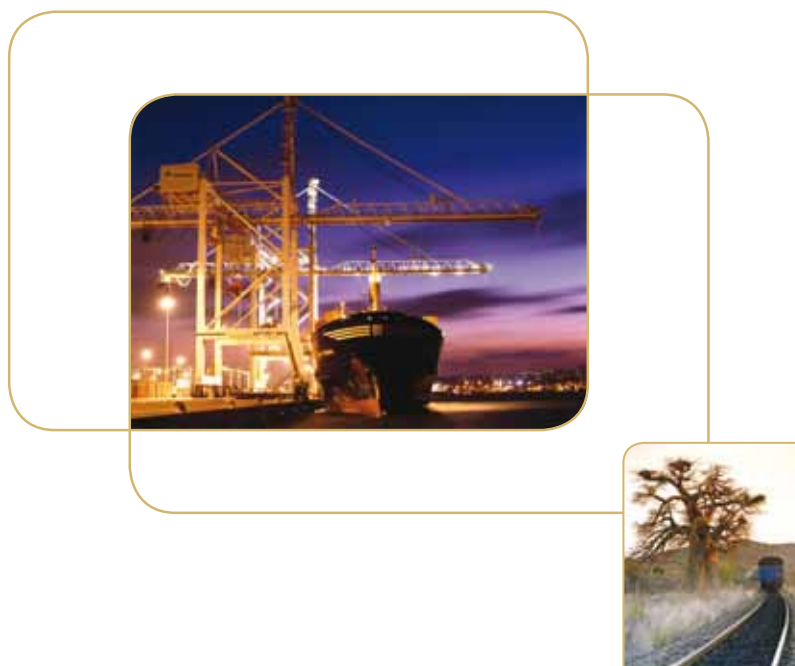
	Male, African	Male, Coloured	Male, Indian	Male, total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, total Blacks	Female, White	Total
Employees with disabilities	0	0	0	0	0	0	0	1	1	0	1

**Table 6.6 – Disciplinary action**

Disciplinary action	Male, African	Male, Coloured	Male, Indian	Male, total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total	Not available
<b>Total</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>0</b>

Table 6.7 – Skills development

Occupational categories	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Legislators, senior officials and managers	12	2	2	12	3	13	1	3	13	4	40
Professionals	6	0	1	6	0	7	0	0	7	4	18
Technicians and associate professionals	8	1	0	8	0	8	2	0	8	1	20
Clerks	10	0	0	10	0	26	1	0	26	2	39
Service and sales workers	0	0	0	0	0	0	0	0	0	0	0
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	1	0	0	1	0	0	0	0	0	0	1
Elementary occupations	2	0	0	2	0	2	0	0	2	0	4
<b>Total</b>	<b>39</b>	<b>3</b>	<b>3</b>	<b>39</b>	<b>3</b>	<b>56</b>	<b>4</b>	<b>3</b>	<b>56</b>	<b>11</b>	<b>122</b>
Employees with disabilities	2	0	0	2	1	0	0	0	0	2	5



**Table 7.1 – Performance rewards by race, gender and disability**

Demographics	Number of beneficiaries	Total employment	Percentage of total employment	Cost (R'000)	Average cost per beneficiary (R)
African, female	47	69	68.1	1 402	29 837
African, male	34	62	54.8	1 381	40 617
Asian, female	1	4	25	85	84 834
Asian, male	1	2	50	112	112 433
Coloured, female	5	7	71.4	178	35 651
Coloured, male	2	3	66.7	75	37 640
Total blacks, female	53	80	66.3	1 665	31 423
Total blacks, male	37	67	55.2	1 569	42 397
White, female	8	9	88.9	377	47 169
White, male	1	1	100	55	55 409
Employees with a disability	5	5	100	316	63 251
<b>Total</b>	<b>104</b>	<b>162</b>	<b>64.2</b>	<b>3 983</b>	<b>38 300</b>

**Table 7.2 – Performance rewards by salary band for personnel below senior management service**

Salary band	Number of beneficiaries	Total employment	Percentage of total employment	Cost (r'000)	Average cost per beneficiary (R)
Skilled (levels 3-5)	7	9	77.8	96	13 714
Highly skilled production (levels 6-8)	36	47	76.6	596	16 556
Highly skilled supervision (levels 9-12)	32	42	76.2	1 257	39 281
Contract (levels 6-8)	0	2	0	0	0
Contract (levels 9-12)	6	7	85.7	165	27 500
Periodical remuneration	0	29	0	0	0
<b>Total</b>	<b>81</b>	<b>136</b>	<b>59.6</b>	<b>2 114</b>	<b>26 099</b>



Table 7.3 – Performance rewards by critical occupation

Critical occupations	Number of beneficiaries	Total employment	Percentage of total employment	Cost (R'000)	Average cost per beneficiary (R)
Administrative related	18	25	72	811	45 056
Authors, journalists and other writers	1	2	50	87	87 000
Client inform clerks (switchboard, receipt, information clerks)	3	3	100	48	16 000
Communication and information related	2	4	50	85	42 500
Finance and economics related	5	8	62.5	166	33 200
Financial and related professionals	4	5	80	307	76 750
Financial clerks and credit controllers	4	3	133.3	87	21 750
Food services, aids and waiters	4	4	100	48	12 000
Human resources, organisational development and related professions	7	8	87.5	295	42 143
Human resources related	2	3	66.7	99	49 500
Information technology related	1	1	100	17	17 000
Library, mail and related clerks	6	9	66.7	134	22 333
Material-recording and transport clerks	4	5	80	72	18 000
Messengers, porters and deliverers	2	4	50	34	17 000
Other administrative and related clerks and organisers	2	3	66.7	78	39 000
Other administrative policy and related officers	0	3	0	0	0
Other information technology personnel	0	1	0	0	0
Other occupations	2	7	28.6	123	61 500
Safety, health and quality inspectors	0	1	0	0	0
Secretaries and other keyboard operating clerks	22	28	78.6	369	16 773
Security officers	1	3	33.3	34	34 000
Senior managers	14	32	43.8	1,090	77 857
<b>Total</b>	<b>104</b>	<b>162</b>	<b>64.2</b>	<b>3 984</b>	<b>38 308</b>

Table 7.4 – Performance related rewards (cash bonus) by salary band for senior management service

SMS band	Number of beneficiaries	Total employment	Percentage of total employment	Cost (R'000)	Average cost per beneficiary (R)	% of SMS wage bill	Personnel cost SMS (R'000)
Band A	14	32	43.8	1 055	7 536	5.4	19 602
Band B	9	18	50	814	9 044	4.9	16 750
Band D	0	5	0	0	0	0	0
<b>TOTAL</b>	<b>23</b>	<b>55</b>	<b>41.8</b>	<b>1 869</b>	<b>8 126.1</b>	<b>5.1</b>	<b>36 352</b>

**Table 8.1 – Foreign workers by salary band**

Salary band	Employment at beginning of period	Percentage of total	Employment at end of period	Percentage of total	Change in employment	Percentage of total	Total employment at beginning of period	Total employment at end of period	Total change in employment
Contract (levels 9-12)	1	33.3	0	0	-1	0	3	3	0
Contract (levels 13-16)	2	66.7	3	100	1	0	3	3	0
<b>Total</b>	<b>3</b>	<b>100</b>	<b>3</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>0</b>

**Table 8.2 – Foreign workers by major occupation**

Major occupation	Employment at beginning of period	Percentage of total	Employment at end of period	Percentage of total	Change in employment	Percentage of total	Total employment at beginning of period	Total employment at end of period	Total change in employment
Professionals and managers	3	100	3	100	0	0	3	3	0
<b>Total</b>	<b>3</b>	<b>100</b>	<b>3</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>0</b>

**Table 9.1 – Sick leave for January 2010 to December 2010**

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)	Total number of employees using sick leave	Total number of days with medical certification
Skilled (levels 3-5)	33	100	7	6	5	11	117	33
Highly skilled production (levels 6-8)	308	86	41	35	8	179	117	265
Highly skilled supervision (levels 9-12)	229	88.6	26	22.2	9	315	117	203
Senior management (levels 13-16)	33	87.9	7	6	5	92	117	29
Contract (levels 6-8)	5	100	2	1.7	3	3	117	5
Contract (levels 9-12)	31	93.5	5	4.3	6	39	117	29
Contract (levels 13-16)	170.5	85	29	24.8	6	468	117	145
<b>Total</b>	<b>809.5</b>	<b>87.6</b>	<b>117</b>	<b>100</b>	<b>7</b>	<b>1 107</b>	<b>117</b>	<b>709</b>

**Table 9.2 – Disability leave (temporary and permanent) for January 2010 to December 2010**

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)	Total number of days with medical certification	Total number of employees using disability leave
Highly skilled supervision (levels 9-12)	5	100	1	100	5	7	5	1
<b>Total</b>	<b>5</b>	<b>100</b>	<b>1</b>	<b>100</b>	<b>5</b>	<b>7</b>	<b>5</b>	<b>1</b>

**Table 9.3 – Annual leave for January 2010 to December 2010**

Salary band	Total days taken	Average days per employee	Number of employees who took leave
Skilled (levels 3-5)	163	16	10
Highly skilled production (levels 6-8)	899	21	43
Highly skilled supervision (levels 9-12)	755	21	36
Senior management (levels 13-16)	179	16	11
Contract (levels 6-8)	16	8	2
Contract (levels 9-12)	134	13	10
Contract (levels 13-16)	731	18	40
<b>Total</b>	<b>2 877</b>	<b>19</b>	<b>152</b>

**Table 9.4 – Capped leave for January 2010 to December 2010**

	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2010	Number of employees who took capped leave	Total number of capped leave available at 31 December 2010	Number of employees as at 31 December 2010
Highly skilled production (levels 6-8)	2	2	25	1	271	11
Highly skilled supervision (levels 9-12)	2	1	40	2	516	13
<b>Total</b>	<b>4</b>	<b>1</b>	<b>33</b>	<b>3</b>	<b>787</b>	<b>24</b>

**Table 9.5 – Leave payouts**

Reason	Total amount (R'000)	Number of employees	Average payment per employee (R)
Capped leave payouts on termination of service for 2010/11	135	6	22 500
Current leave payout on termination of service for 2010/11	107	4	26 750
<b>Total</b>	<b>242</b>	<b>10</b>	<b>24 200</b>

**Table 10.1 – Steps taken to reduce the risk of occupational exposure**

Units/categories of employees identified to be at high risk of contracting HIV and related diseases (if any)	Key steps taken to reduce the risk
During the the HIV Counselling and Testing (HCT) conducted in January 2011 nobody tested HIV-positive and this was the trend for the past three years.	None

**Table 10.2 – Details of health promotion and HIV/AIDS programmes**

Question	Yes	No	Details, if yes
1. Has the Department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.		x	
2. Does the Department have a dedicated unit or has it designated specific staff members to promote the health and well being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	x		Two people R226,00.00
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		Appointed service provider Health Screening E-care for medical assistance Distribution of deskdrops in line with national health calendar Exposure to healthy eating and exercises
4. Has the Department established (a) committee(s) 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 stakeholder(s) that they represent.	x		Transformation committee attending to HIV/AIDS and TB matters. OHS committee
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 so reviewed.	x		Stated in the HIV/AIDS and TB, EE and AA and EWP policies
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		Stated in the HIV/AIDS and TB, EE and AA, sexual harassment and EWP policies People working with disclosure signed confidentiality agreements.
7. Does the Department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have you achieved.	x		During health screening days VCT is conducted and 27% of employees were tested
8. Has the Department developed measures/indicators to monitor and evaluate the impact of its health promotion programme? If so, list these measures/indicators.	x		Monthly, quarterly and annual utilisation reports and feedback from client satisfaction surveys

**Table 11.1 – Collective agreements**

Subject matter	Date
None	0
None	0

**Table 11.2 – Misconduct and discipline hearings finalised**

Outcomes of disciplinary hearings	Number	Percentage of total	Total
Correctional counselling	0	0	0
Verbal warning	1	33.3	1
Written warning	1	33.3	1
Final written warning	0	0	0
Suspended without pay	0	0	0
Fine	0	0	0
Demotion	0	0	0
Dismissal	1	33.3	1
Not guilty	0	0	0
Case withdrawn	0	0	0
	0	0	0
<b>Total</b>	<b>3</b>	<b>100</b>	<b>3</b>

**Table 11.3 – Types of misconduct addressed and disciplinary hearings**

Type of misconduct	Number	Percentage of total	Total
Pornography	2	25	2
Malicious software	1	12.5	1
Misrepresentation	1	12.5	1
Theft/fraud	1	12.5	1
Unauthorised use of Minister's signature	2	25	2
Not following procedure	1	12.5	1
<b>Total</b>	<b>8</b>	<b>100</b>	<b>8</b>

**Table 11.4 – Grievances lodged**

Number of grievances addressed	Number	Percentage of total	Total
Number of grievances resolved	11	100	11
Number of grievances not resolved	0	0	0
Total number of grievances lodged	11	100	11

**Table 11.5 – Disputes lodged**

Number of disputes addressed	Number	% of total
Upheld	1	50
Dismissed	1	50
<b>Total</b>	<b>2</b>	<b>100</b>

**Table 11.6 – Strike actions**

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

**Table 11.7 – Precautionary suspensions**

Precautionary suspensions	Total
Number of people suspended	2
Number of people whose suspension exceeded 30 days	2
Average number of days suspended	240
Cost (R'000) of suspensions	R605 748.56

**Table 12.1 – Training needs identified**

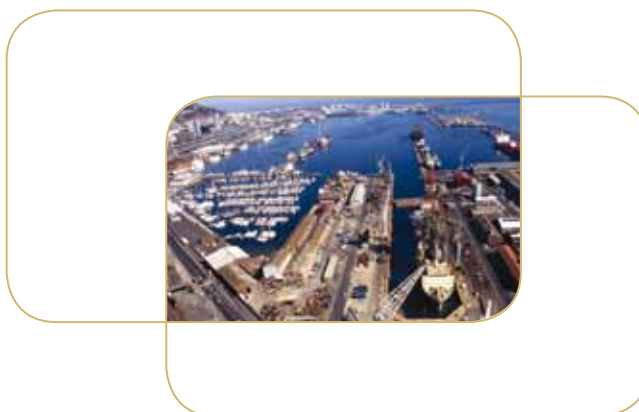
Occupational categories	Gender	Employment	Learnerships	Skills programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	26		11	45	56
	Male	31		7	38	45
Professionals	Female	16		8	21	29
	Male	9		6	12	18
Technicians and associate professionals	Female	12		10	14	24
	Male	11		7	16	23
Clerks	Female	31		43	36	79
	Male	11		8	12	20
Service and sales workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	1	8	9
	Male			3	6	9
Plant and machine operators and assemblers	Female					0
	Male	6				0
Elementary occupations	Female	7				
	Male	2				
Gender sub-totals	Female					
	Male					
<b>Total</b>		<b>162</b>	<b>0</b>	<b>104</b>	<b>208</b>	<b>312</b>

Table 12.2 – Training provided

Occupational categories	Gender	Employment	Learnerships	Skills programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	26		25	20	45
	Male	31		16	31	47
Professionals	Female	16		15	10	25
	Male	9		23	18	41
Technicians and associate professionals	Female	12		19	26	45
	Male	11		15	15	30
Clerks	Female	31		29	5	34
	Male	11		11	10	22
Service and sales workers	Female	0		0	0	0
	Male	0		0	0	0
Skilled agriculture and fishery workers	Female	0		0	0	0
	Male	0		0	0	0
Craft and related trades workers	Female	0		0	0	0
	Male	0		0	0	0
Plant and machine operators and assemblers	Female	6		19	25	44
	Male	7		13	24	37
Elementary occupations	Female	2		2	1	3
	Male					
Gender sub-totals	Female					
	Male					
<b>Total</b>		<b>162</b>		<b>187</b>	<b>185</b>	<b>372</b>

Table 13.1 – Injury on duty

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
<b>Total</b>	<b>1</b>	<b>0</b>



14 UTILISATION OF CONSULTANTS

Table 14. 1 – Report on consultant appointments using appropriated funds

Project title	Total number of consultants that worked on the project	Duration: work days	Contract value in Rand
Competitive Supplier Development Programme (CSDP)	1	106	R874 469
South African Renewables Initiative (SARi)	1	79	R655 852
South African Renewables Initiative (SARi)	10	66	R1 710 000
Design of policies to support Supplier Development Process (CSDP)	3	66	R630 260
DPE pre-feasibility of locomotive programmatic procurement (CSDP)	3	66	R1 500 000
Solar Water Heater Skills Development Programme	1	110	R270 833
Conduct study and develop integrated workplace experiential learning guides for electrical artisan trade qualifications	2	176	R380 000
Conduct study and develop integrated workplace experiential learning guides for the welding artisan trade qualifications	2	176	R366 000
Study to address gaps in FET College National Certificate Vocational (NCV) revised electrical artisan trade qualification	1	88	R325 834
Study to address gaps in FET College NCV revised welding artisan trade qualification	2	132	R218 425
Opinion on planning of a future possible Nuclear Programme	2	7	R48 837
Audit on cost overruns and time delay on the NMPP	3	14.5	R283 355
Audit on cost overruns and time delay on the NMPP	1	90	R104 185
Market Analysis – International Air Transport Association (IATA)	3	90	R570 127
National Corridor Performance Measurement (NCPM) Project	Multiple resources countrywide	365	R4 061 376
Dashboard development and maintenance (Isibuko)	2	180	2 886 436
Specialist advisory services to CIPM and SOE teams – business plans, strategy restructuring, and other transactions	1	70	R1 650,149
Capital Structure Framework	2	40	R1 716 789
Annual Review of Department	1	10	R70 000
Manual on Promotion for Access to Information Act	2	132	R232 560
Advice on winding up Aventura	2	88	R80 000
Opinion on possible infringement of intellectual property rights	3	120	R137 000
Remuneration panel research and secretarial support	3	140	R2 044 133
Opinion on appointment and induction of Directors of SOEs, Companies Act and Legislative comparison	2	210	R2 000 000
Audit DSA's Indemnity Claim	6	14	R310 878
Development of DPE position paper on Freight Rail Reform	3	40	R326 220
<b>Total</b>	<b>62</b>	<b>2 676</b>	<b>R23 408 718</b>



**Table 14.2 – Analysis of consultant appointments using appropriated funds, in terms of Historically Disadvantaged Individuals (HDIs)**

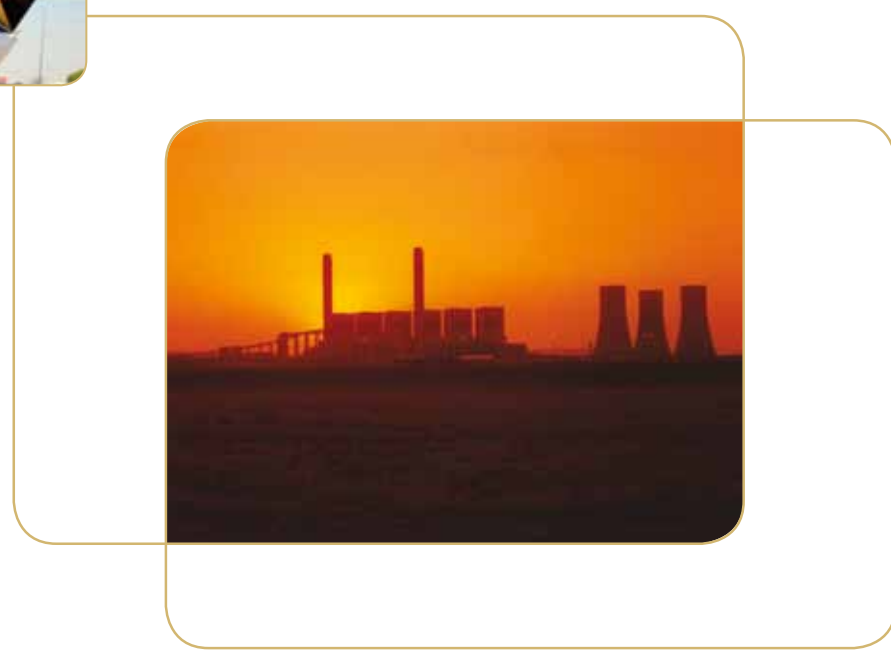
Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
Competitive Supplier Development Programme (CSDP)	0	0	0
South African Renewables Initiative (SARi)	0	0	0
South African Renewables Initiative (SARi)	International company	International company	International company
Design of policies to support Supplier Development Process (CSDP)	36	36	1
DPE pre-feasibility of locomotive programmatic procurement (CSDP)	36	36	1
Solar Water Heater Skills Development Programme	100	100	1
Conduct study and develop integrated workplace experiential learning guides for electrical artisan trade qualifications	100	100	2
Conduct study and develop integrated workplace experiential learning guides for the welding artisan trade qualifications	100	100	2
Study to address gaps in FET College National Certificate Vocational (NCV) revised electrical artisan trade qualification	100	100	1
Study to address gaps in FET College NCV revised welding artisan trade qualification	100	100	2
Opinion on planning of a future possible Nuclear Programme	25.7	5.29	0
Audit on cost overruns and time delay on the NMPP	International company	International company	International company
Audit on cost overruns and time delay on the NMPP	0	0	0
Market Analysis – International Air Transport Association (IATA)	0	0	1
National Corridor Performance Measurement (NCPM) Project	University	University	University
Dashboard development and maintenance (Isibuko)	41	50	2
Specialist advisory services to CIPM and SOE teams – business plans, strategy restructuring, and other transactions	25.7	0	0
Capital Structure Framework	International company	International company	International company
Annual Review of Department	0	0	0
Manual on Promotion for Access to Information Act	.05	.05	1
Advice on winding up Aventura	13.33	3.35	1
Opinion on possible infringement of intellectual property rights	13.73	2.93	1
Remuneration panel research and secretarial support	26.97	44.54	2
Opinion on appointment and induction of Directors of SOEs, Companies Act and Legislative comparison	20.16	5.33	1
Audit DSA's Indemnity Claim	7	7	2
Development of DPE position paper on Freight Rail Reform	0	0	0

**Table 14.3 – Reports on consultants appointments using Donor funds**

Project title	Total number of consultants that worked on	Duration work days	Donor and contract value in rand
DPE Pre-feasibility of locomotive programmatic procurement	3	66	Employment Creation Fund (DFID) R685 380.00
SARi: Development of industrial policy initiatives to support a low carbon growth trajectory	5	132	Employment Creation Fund (DFID) R2 276 437.50

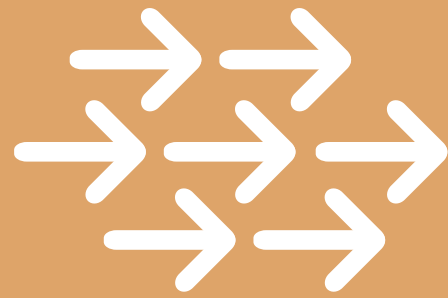
**Table 14.4 – Analysis of consultants appointments using Donor funds, in terms of Historically Disadvantaged Individuals (HDIs)**

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
DPE pre-feasibility of locomotive programmatic procurement	1	36	1
SARi: Development of industrial policy initiatives to support a low carbon growth trajectory	International company	International company	International company



## ACRONYMS

<b>ACSA</b>	Airports Company South Africa
<b>AFDB</b>	African Development Bank
<b>AGM</b>	Annual General Meeting
<b>AWCC</b>	African West Coast Cable
<b>CEO</b>	Chief Executive Officer
<b>CER</b>	Communications and External Relations (DPE)
<b>CFO</b>	Chief Financial Officer
<b>CIPM</b>	Chief Investment Portfolio Manager
<b>COE</b>	Compensation of Employees
<b>CSDP</b>	Competitive Supplier Development Programme
<b>DDG</b>	Deputy Director General
<b>DHET</b>	Department of Higher Education and Training
<b>DM</b>	Deputy Minister
<b>DOE</b>	Department of Energy
<b>DOD</b>	Department of Defence
<b>DOT</b>	Department of Transport
<b>DMR</b>	Department of Mineral Resources
<b>DPE</b>	Department of Public Enterprises
<b>DPSA</b>	Department of Public Service and Administration
<b>DST</b>	Department of Science and Technology
<b>DWA</b>	Department of Water Affairs
<b>EDI</b>	Electricity Distribution Industry
<b>EIA</b>	Environmental Impact Assessment
<b>ExCo</b>	Executive Committee
<b>FET</b>	Further Education and Training
<b>FIFA</b>	Fédération Internationale de Football Association (International Federation of Association Football)
<b>HR</b>	Human Resources
<b>ICASA</b>	Independent Communications Authority of South Africa
<b>ICT</b>	Information and Communication Technology
<b>IMC</b>	Inter Ministerial Committee
<b>IPP</b>	Independent Power Producers
<b>JPF</b>	Joint Project Facility
<b>KPI</b>	Key Performance Indicator
<b>LGRT</b>	Legal, Governance, Risk and Transactions
<b>MOU</b>	Memorandum of Understanding
<b>MTEF</b>	Medium Term Expenditure Framework
<b>NCPM</b>	National Corridor Performance Measurement
<b>OHS</b>	Occupational Health and Safety
<b>OPSCO</b>	Operations Committee
<b>PBMR</b>	Pebble Bed Modular Reactor
<b>PFMA</b>	Public Finance Management Act
<b>PoPs</b>	Points of Presence
<b>PPP</b>	Public Private Partnerships
<b>PSJV</b>	Pooling and Sharing Joint Venture
<b>RDLR</b>	Rural Development and Land Reform
<b>RED</b>	Regional Electricity Distributors
<b>SAA</b>	South African Airways
<b>SAAT</b>	South African Airways Technical
<b>SAFCOL</b>	South African Forestry Corporation Ltd
<b>SAX</b>	South African Express
<b>SCOPA</b>	Standing Committee on Public Accounts
<b>SNO</b>	Second Network Operator
<b>SOE</b>	State Owned Enterprise(s)
<b>TFR</b>	Transnet Freight Facility
<b>WACS</b>	West Africa Cable System



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Suite 301, Infotech Building, 1090 Arcadia Street, 0083

Private Bag X15, Hatfield 0028

Pretoria Tel: (012) 431 1000, Fax: 086 501 2624

Cape Town Tel: (021) 461 6376, Fax: (021) 465 1895/461 1741

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