dpe Annual Report 2011|2012

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 2011 to 31 March 2012.

Mr Tshediso Matona
Accounting Officer
Date: 31 August 2012

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GENERAL INFORMATION

Vision, Mission and Values

Vision

The Department of Public Enterprises revised its vision statement during the 2011/12 financial year to reflect the Department's strengthened focus on the State-Owned Companies' (SOC) investments and operations and their impact on economic growth and development. The new vision statement is: "*To drive investment, productivity and transformation in the Department's portfolio of SOC, their customers and suppliers so as to unlock growth, drive industrialisation, create jobs and develop skills.*"

Mission

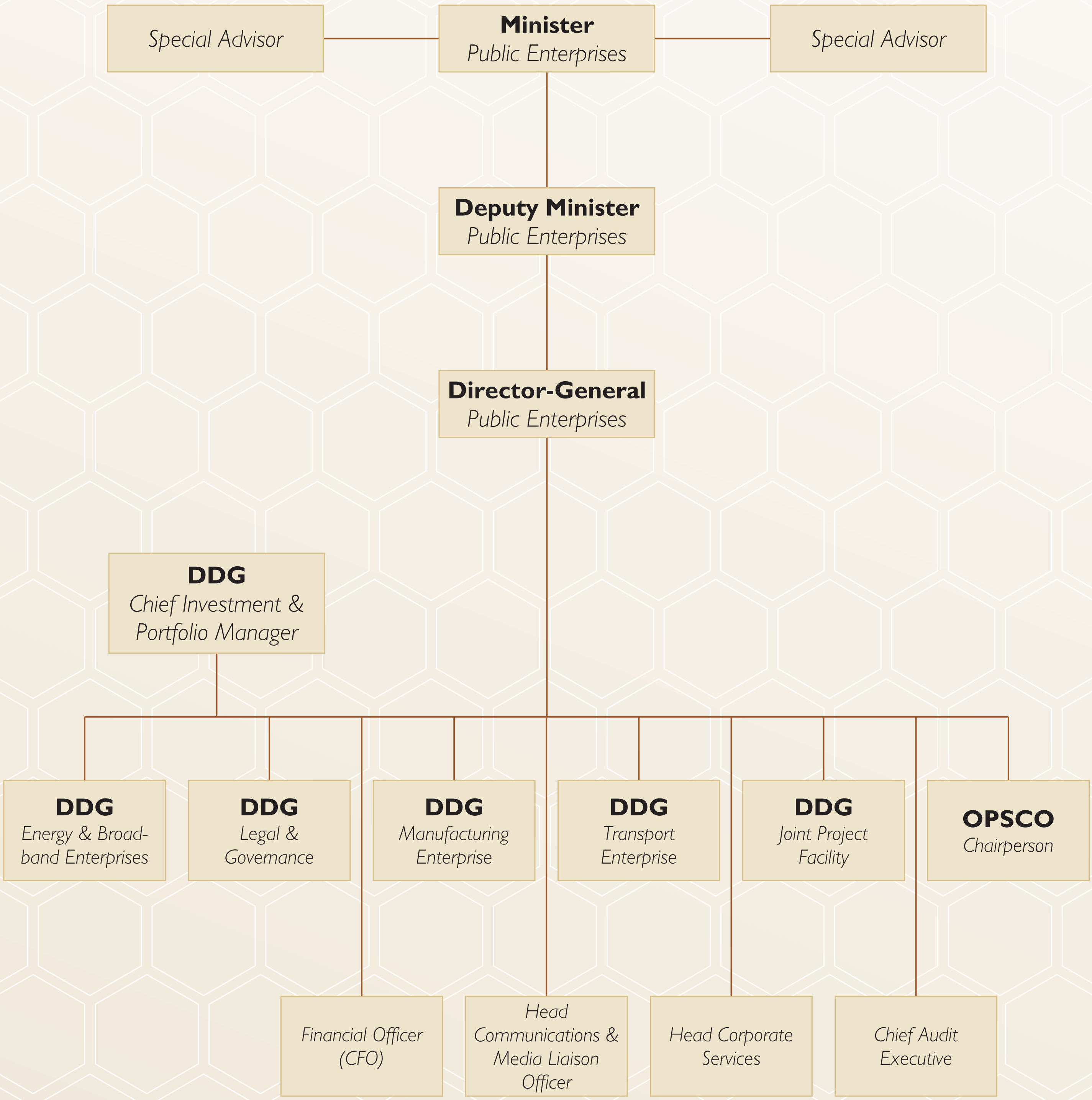
The SOC are strategic instruments of industrial policy and core players in the New Growth Path (NGP). The Department aims to provide decisive strategic direction to the SOC so that their businesses are aligned with the national growth strategies arising out of the NGP. It will do this by ensuring that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

Values

Bold – we must dare to be brave
Professional – we must deliver work that reflects a professional level of care and skill
Caring – this must be expressed in how we watch over and support the Department's people
Integrity – we must do the right thing irrespective of implications
Fun – create an environment where people look forward to coming to work
Passion – we are out to make the South African economy competitive – this requires high passion

Batho Pele principles guide our engagements with our clients and other stakeholders.

DPE ORGANISATIONAL STRUCTURE



Legislative Mandate

The DPE exercises shareholder management over nine SOC. All the SOC are incorporated as companies in accordance with the provisions of the Companies Act 71 of 2008, as amended. With the exception of Denel, all SOC are established in terms of their own enabling legislation which sets out the purpose, mandate and objectives for which they were founded.

The DPE is the custodian of all legislation relating to the SOC within its portfolio as set out below:

Name of Entity	Establishing Legislation	Nature of Business
Alexkor	Alexkor Limited Act 116 of 1992	Alexkor is a diamond mining company primarily operating in Alexander Bay and the greater Namaqualand.
Broadband Infraco	Broadband Infraco Act 33 of 2007	Broadband Infraco provides affordable access to long-distance telecommunication network infrastructure and broadband telecommunications connectivity services in South Africa
Denel	None	Denel is a defence company and although it is established as a private company in terms of the Companies Act, government exercises control over it.
Eskom	Eskom Conversion Act 13 of 2001	Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors.
Pebble Bed Modular Reactor	None	The Pebble Bed Modular Reactor project was initially established as a nuclear architect engineering company, focused on the design and licensing of a standardised nuclear heat supply system and pebble fuel. It was established in 1999 to develop and market small scale, high temperature reactors locally and internationally.
South African Forestry Company Limited	Management of State Forests Act 128 of 1992	South African Forestry Company Limited is the Government's forestry company, conducting timber harvesting, timber processing and related activities both domestically and internationally.
South African Airways	South African Airways Act 5 of 2007	South African Airways is the South African national airline with a mandate to conduct passenger and cargo air business.
South African Express Airways	South African Express Act 34 of 2007	South African Express is a domestic and regional air carrier with a mandate to be an African airline.
Transnet	Legal Succession to the South African Transport Services Act 9 of 1989	Transnet is a freight and logistics company responsible for ports and rail transport infrastructure operations in South Africa.

Other Overarching Legislation

In addition to their founding legislation, other overarching legislation that has a bearing on the DPE and its SOC 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
c) The Companies Act 71 of 2008
d) The Competition Act of 1998
e) The Promotion of Access to Information Act 2 of 2000
f) The Promotion of Administrative Justice Act 3 of 2000
g) The Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000
h) Public Service Act 30 of 2007
i) The Labour Relations Act 66 of 1995
j) Employment Equity Act 55 of 1998
k) Skills Development Act 97 of 1998
l) The Competition Act 89 of 1998
m) The State Liability Act 20 of 1957
n) The Insolvency Act of 1936
o) The Broad-Based Black Economic Empowerment Act 53 of 2003
p) The Preferential Procurement Policy Framework Act 5 of 2000
q) The Consumer Protection Act 68 of 2008
r) The National Key Points Act 102 of 1980

PORTFOLIO OVERVIEW

ENTITIES REPORTING TO THE MINISTER

ALEXKOR

ALEXKOR LIMITED

Since November 1992, Alexkor has been run as a public company with the State as sole shareholder. In 2003, the Constitutional Court ruled that the Richtersveld community had a legitimate claim to its ancestral land, from which it was forcibly removed after diamonds were discovered there in the early 1920s. The court found that the community had been evicted under discriminatory apartheid laws and was entitled to have both the land and mineral rights returned.

The successful land claim by the Richtersveld Community (RVC) fundamentally changed the landscape of Alexkor and the Namaqualand region. A deed of settlement (DOS) was signed in April 2007 between the Richtersveld community and the Government of South Africa, in terms of which the land mining rights have been transferred to the community whilst Alexkor retains its marine mining rights. Alexkor and the Richtersveld Mining Company (RMC) have formed a pooling and sharing joint venture (PSJV), which is an unincorporated entity that will oversee all future mining activities in Alexander Bay, in terms of the DOS. The PSJV became operational on 7 April 2011 after the land mineral right were transferred to the RMC by the Department of Mineral Resources on 6 April 2011.

The long term viability of Alexkor as a standalone company involves exploring opportunities for downstream beneficiation to contribute to the creation of new jobs, the development of the requisite skills, investment in research and development, the pursuit of opportunities outside Namaqualand and support for the broader policies of Government.

BROADBAND INFRACO

Broadband Infraco is established as an intervention to introduce competition into the telecommunications market and to contribute to increasing access to broadband services, including underserviced areas. South Africa lags behind international counterparts in ICT penetration and the rate at which new technology is adopted, as well as in the affordability of broadband services.

The company has invested in a national long distance fibre optic network based on the fibre optic assets deployed by Eskom on power transmission lines and Transnet on railway lines, which form the backbone of the second telecommunications national operator. Broadband Infraco launched its services to the market in November 2010 after obtaining an electronic communications network services licence in October 2009. By July 2011, Broadband Infraco had commissioned 13 125 kilometres of the network. In addition to national connectivity, the other major cost component for capital expenditure for the company has been international connectivity, which includes the rollout of the West Africa cable system. Delays in obtaining environmental approvals have extended the ready-for-service date from the last quarter of 2011/12 to the second quarter of 2012/13. Once completed and fully commissioned, the system will reduce broadband costs, increase bandwidth capacity and ensure regional connectivity for South Africa and other African states.

DENEL

Denel is incorporated as a private company with the State as its sole shareholder. The current mandate of Denel is to provide the Department of Defence with key strategic defence equipment and services in an efficient and sustainable manner, contribute towards the building of a dynamic defence-related industrial cluster, act as a catalyst for advanced manufacturing in the broader economy, and earn export revenue. The company delivers products ranging from ammunition to missiles, and also carries out systems design and integration for land and air capabilities for the Department of Defence.

ESKOM

Eskom generates 95 per cent of the electricity used in South Africa and 45 per cent of the electricity used in Africa. Eskom's reserve margin has been steadily declining since 1999 as a result of increasing demand and under-investment in new generation capacity. This was particularly acute in January 2008, when the reserve margin dropped to alarmingly low levels (3.6 percent commercially available), resulting in extensive load shedding that impacted the economy negatively and diminished investor confidence in Eskom's ability to provide reliable electricity supply.

Eskom has introduced a recovery plan, which includes securing enough primary energy by stockpiling coal to 42 days' supply levels. Eskom has undertaken a capacity expansion programme to ensure the secure and reliable supply of electricity. Completed projects between 2005/06 and 2011/12 include the return to service and construction of two open gas cycle power stations. As a result, Eskom installed and commissioned 5 381 megawatts of additional generating capacity into the system and installed and strengthened 3 531 kilometres of transmission networks.

PEBBLE BED MODULAR REACTOR

The Pebble Bed Modular Reactor project was initially established as a nuclear architect engineering company, focused on the design and licensing of a standardised nuclear heat supply system and pebble fuel. It was established in 1999 to develop and market small scale, high temperature reactors locally and internationally. The company was not able to attract investors or customers, and government opted to put the company under care and maintenance. R20 million was allocated in 2010/11 and R40 million in 2011/12 to provide for the statutory decommissioning of the fuel development laboratory. In 2011/12 the Department commissioned a review of the Pebble Bed Modular Reactor project. The focus for the period ahead is to implement the decommissioning obligation and the implementation of the care and maintenance decision.

SOUTH AFRICAN FORESTRY COMPANY LIMITED

The South African Forestry Company Limited manages and develops commercial forests. The company's activities include forestry management and timber harvesting and processing. Its main subsidiary, Komatiland Forests, operates in Mpumalanga, Limpopo, KwaZulu-Natal and Mozambique. Komatiland Forests has an 80 per cent shareholding in the Mozambican forestry company, Indùstrias Florestais de Manica, while the remaining 20 per cent is held by the Mozambican Government through its Instituto de Gestão das Participações do Estado. The company plays an important role in rural development and employment. Various enterprise development projects have been initiated to contribute to poverty alleviation in the rural areas in which it operates.

The company is considering the acquisition of a sawmill in Mpumalanga and the construction of a new sawmill with an annual processing capacity of 800 000 cubic metres. The group developed a new turnaround strategy to lead the business to sustainable profit levels from 2013 onwards. The plan seeks to achieve, among others, further vertical integration and expand the business locally and internationally. Additionally, it aims to position future products on the market to create and maintain demand levels for log volumes.

SOUTH AFRICAN AIRWAYS

South African Airways is South Africa's national air carrier. It is a full service network operating international, regional and domestic scheduled services, from its head office at OR Tambo International Airport. Its main business units include passenger and mail air services, cargo, South African Airways Technical and a Voyager loyalty programme. The focus over the medium term will be to strengthen the airline's operations in the African market, establish South African Airways Technical as an African maintenance repair overhaul centre of excellence, and ensure the implementation of the initiatives relating to the R1.6 billion guarantee that encourages consistent generation of profits to strengthen the balance sheet.

SOUTH AFRICAN EXPRESS

South African Express was established in 1994 and unbundled from Transnet in 2008/09. The company operates regional and domestic flights from OR Tambo International Airport in Johannesburg, serving secondary routes in South Africa and the continent. The airline operates regional routes to Botswana, Namibia, the Democratic Republic of the Congo and Mozambique. It also provides a feeder air service that connects with the South African Airways network.

The airline's joint venture with a local partner in the Democratic Republic of Congo, Congo Express, which began in February 2010 as part of the implementation of the African hub strategy, was dissolved in September 2010. This was after efforts to address the financial and operational performance failed to improve the joint venture initiative. Lessons learnt from the failed operations in that country will be applied in all future implementations of the African hub strategy. The airline is also restating its financial statements for the 2010/11 financial year following irregularities reported after the financial statements were published.

TRANSNET

Transnet has been transformed into a focused freight transport company, the mission of which is to lower the cost of doing business by providing port, rail and pipeline infrastructure and cost effective, efficient operations within acceptable benchmark standards. Over the past five years, Transnet has focused on improving service levels and customer responsiveness.

Significant investments have been made in infrastructure and equipment to improve the condition of assets in order to support the drive for greater operating efficiencies and service levels. Management focus is now on on-time departures and arrivals for the general freight business and the export coal line. A 24-hour, seven-days-a-week national command centre has been introduced to plan, resource and manage the movement of trains across the country. This initiative is already yielding positive results. In respect of the ports, the Pier 1 container terminal in the Port of Durban recorded increased productivity, with gross crane moves per hour improving to an internationally acceptable average of 28, compared to 23 achieved in the previous financial year.

MINISTER'S FOREWORD

The Government of South Africa took a decision to play an active role in the economy so as to ensure that resources are invested in growth-enhancing sectors with the intention to impact directly on the social development needs of the country, which is the eradication of social inequality. The strategic objective of capital allocation to productive activities is to build a vibrant economy which focuses on the development of the intermediate sector (SMMEs), investment in technical skills and technological innovation, and the creation of active labour markets through decent jobs.

The purpose of state control of strategic sectors in the economy is to drive economic development and ensure qualitative change in the structure of the economy through public investment, stimulation of demand and crowding in investment. The Government firmly believes that real and sustainable development is not possible without the redistribution of income through tangible economic opportunities. This requires an economy that delivers social equity for all South African citizens.

The State-Owned Companies (SOC) play a key role in achieving the policy mix that the Government has outlined by both driving and enabling growth in the broader economy through developing domestic capabilities and private sector development or enterprise development. The very process of building infrastructure and providing related services is a key source of investment demand as well as investment in technical skills and other multiplier effects with economic spinoffs.

We recognise that key sectors of the economy are completely dependent on the availability of infrastructure capacity for their existence and growth. To give effect to this broad economic role of SOC in last year's strategic plan, we announced the new vision of the Department. To date, the infrastructure-orientated SOC have developed concrete response plans to give life to this vision and fundamentally support the strategic decision taken by government to play a role in the economy by investing in economic and social infrastructure, skills development as well as ensuring that the cost of doing business in South Africa remains competitive.

The past year has seen significant progress in embedding localisation, competitive supplier development, a green economy and skills development programme under the leadership of the Department. Procurement policies, processes and related systems have been revised to ensure that supplier development objectives are integrated into all significant procurements.

Our SOC are committed to technical skills development. As the Shareholder Representative, we had agreed with our SOC that their skills development output should meet both their needs and the requirements of a growing economy. The latter has massive multiplier effects, in particular amongst the youth. So far, more than 15 000 learners were trained in various scarce and critical skills learning programmes within the SOC in our portfolio in 2011/12. This year, an additional 5 500 learners will be enrolled. Together, our SOC joint training budget for the present financial year now exceeds R2 billion.

The DPE has made great strides in strengthening the governance of the SOC in its portfolio and 2011 was an interesting year with the coming into effect of the Companies Act 2008. Since SOC are not ordinary commercial enterprises in that they also have a mandate to achieve longer-term strategic economic development objectives, a key responsibility of the Department's annual activity is oriented towards the identification and design of improvements in the oversight and governance of SOC, so that SOC are able to meet their multiple objectives. Thus far, we have developed innovative approaches and comprehensive guidelines to codify and harmonise shareholder management practices across the SOC within our portfolio.

In view of the expanding oversight role of the Department and the increased need strategically to guide the SOC' investment programmes, we have conducted a review of the organisational structure and capacity of the Department. It is imperative that the gap between the Department's expanded oversight and management responsibilities and the resources available to it is progressively closed.

In conclusion, I would like to thank the Deputy Minister, Dikobe Ben Martins, for his support, as well as the Director General, Tshediso Matona, and the staff of the Department for their excellent work over the past year.

I thank you.

Malusi Gigaba
Minister: Department of Public Enterprises

DEPUTY MINISTER'S STATEMENT

The 2011/12 Annual Report provides a summary of the many activities of the Department of Public Enterprises over the past year, including progress against our targets as well as key achievements for the financial period which has just ended. The report takes stock of the past year, and looks at the challenges that have characterised the delivery environment. It demonstrates our continued commitment to enhancing transparency and accountability and provides the public with an opportunity to assess our performance.

As a shareholder department responsible for a portfolio of key State-Owned Companies, we continue to improve our oversight management of these entities. It is the Department's ongoing goal to ensure the implementation of proper governance systems within each entity by strict adherence to the Public Finance Management Act and the founding legislation of the respective entities. A critical part of our shareholder oversight is to create alignment by each entity with government's strategic objectives to ensure that their expenditure on economic infrastructure contributes towards economic growth and the creation of decent jobs for South Africans.

Herewith, some highlights of progress made over the past year in respect of the portfolio of entities delegated to me.

With regard to the disposal of our non-core assets such as Aventura resorts, we have made significant progress in transferring and registering most of the company's assets in the names of their rightful purchasers. I am pleased to report that the company will be liquidated at its annual general meeting scheduled in the first quarter of the 2012/13 financial year. A liquidator will be appointed to wind up the affairs of the company and to file all necessary statutory notifications with the Master of the High Court.

Alexkor continues to make progress with regard the implementation of the deed of settlement signed with the Richtersveld community in 2007. To date, all Alexkor and government-owned land, including land mining rights but excluding the township erven, have been transferred. The Pooling and Sharing Joint Venture (PSJV) between Alexkor and the community has been established. R350 million has been allocated in our budget in respect of Alexkor in terms of the deed of settlement.

The company's long-term viability and the socio-economic upliftment and development of the Richtersveld region are sought.

The South African Forestry Company Limited (SAFCOL) continues to contribute to rural welfare and development. The Department is presently assessing different business models and institutional structures through which the developmental impact of SAFCOL's human and financial resources can be optimised. All these matters will be finalised between SAFCOL and the Department in the new financial year. The conclusion of this exercise will provide certainty for the business and a clear direction for the company's operations.

The Pebble Bed Modular Reactor (PBMR) project has been placed under care and maintenance to protect and preserve its valuable intellectual property and assets. Good progress has been made thus far, which includes packaging more than eighty six percent (86%) of the intellectual property for preservation. Eskom has hosted the PBMR company since 1 April 2012, and will do so until the end of its care and maintenance phase in 2013, when a final decision on the company's future will be taken.

Furthermore, in conjunction with the Department of Science and Technology, the Department has commenced on an intellectual property audit of the PBMR, in order to ensure a sound strategy to protect its future value. A skills audit has also been conducted to ascertain how current expertise could best be utilised in the future nuclear endeavours.

In conclusion, I wish to thank Minister Malusi Gigaba for his leadership, the Director-General, senior management and all staff of the Department for their diligence and support. We look ahead to the 2012/2013 financial year with confidence.

Dikobe Ben Martins
Deputy Minister: Department of Public Enterprises

ACCOUNTING OFFICER'S OVERVIEW

The role of the Department of Public Enterprises (DPE) has assumed renewed importance in the context of ongoing discourse inside and outside government about the key role that State-Owned Companies (SOC) must play in enhanced economic growth and employment creation, and in expanding infrastructure provision and investment in particular.

Shareholder oversight on behalf of the State is the only mandate the DPE has, in relation to eight SOC, among which are the biggest companies in the economy. Other departments combine this with other functions, such as policy and regulation. The DPE has thus gained a specialist role in the function of shareholder oversight in Government; a role that has matured significantly over the years, even as it has scope to improve and become real best practice.

This annual report for 2011/12 provides an account of the planned activities of the DPE for the period, as well as our achievements and challenges.

In the period under review, the DPE continued striving to strengthen its oversight of the SOC reporting to the Department, with particular focus on ensuring that the SOC align more effectively and sustainably with key government objectives, and more specifically with the drive to speed-up infrastructure investment and roll-out.

During this period, the Presidential Infrastructure Coordination Commission (PICC) was established, chaired by President Jacob Zuma, with the objective to ensure that infrastructure investment is executed more effectively and efficiently, and has the desired impact on economic growth and job-creation, and on local production and industrial development.

With planned capital expenditure of more than R800 billion over the next seven years or so, led mainly by Eskom and Transnet, it is clear that the DPE and its SOC will play a central role in the PICC. In anticipation of the enhanced role the DPE is assuming in this regard, the organisational and capacity review of the DPE was completed, and resulted in new functions being introduced to strengthen our oversight role, as well as in the revision of our vision statement to emphasise the enhanced focus on infrastructure investment by our SOC.

The DPE's new vision statement is: "to drive investment, efficiencies and transformation in the SOC, their customers and their suppliers, to unlock growth, drive industrialisation, create jobs and develop skills."

The DPE will henceforth seek to direct the capital expenditure programmes of our SOC in line with this vision statement. The capital expenditure by our SOC has gained momentum, and the DPE has worked together with the companies to secure the required funding. Eskom has already secured more than 75% of its funding requirements up to 2017. Transnet will fund over two-thirds of its R300 billion seven-year capital expenditure from its own coffers.

To ensure that the DPE effectively monitors these infrastructure projects and mitigates the possible risks typical of such mega-projects, an Integrated Project Office is being planned to provide enhanced oversight of the SOC capital expenditure, and to support the work of the PICC.

On the whole, the operational performance of the SOC under the DPE was positive in the period under review, though some experienced significant challenges, partly attributable to negative shifts in the operating environment. Despite having managed a very constrained electricity system in 2011/12, Eskom was able to "keep the lights on", as was pledged by the company. Transnet was able to break through the unprecedented 200 million ton threshold in transported volumes, from 182.1 million tons the previous year, as efficiencies improved alongside capital expenditure and operational improvements. Transnet's overall efficiency improved by 17% compared to 2010/11, while total rail volumes increased by 7,4%.

We continued to implement various measures to stabilise SAA, SAX and Denel, and have embarked on efforts to reposition SAFCOL and Alexkor.

As regards the ongoing efforts to promote sound corporate governance in our SOC, the DPE took its oversight function an important step forward through the establishment of a Governance and Risk Forum of DPE and SOC officials, to formalise and systematise discussions and knowledge sharing on legal, governance and risk management issues that affect the SOC.

While the DPE undertook a large, wide-ranging work programme in 2011/12, capacity constraints impeded the achievement of a few of our objectives and targets in the period under review. We remain engaged with National Treasury to secure additional resources to better capacitate the DPE going forward, especially in view of its enhanced role in the period ahead.

In conclusion, I wish to thank the Minister, Malusi Gigaba, and the Deputy Minister, Dikobe Ben Martins, for their dynamic leadership of the DPE and the work we undertook in 2011/12. I also extend sincere thanks to the Senior Management and entire staff of the Department for their commitment and hard work, and for not despairing as our workload steadily grew in 2011/12, along with our challenges!

Tshediso Matona
Accounting Officer: Department of Public Enterprises

1. INFORMATION ON PREDETERMINED OBJECTIVES

1.1 Overall Performance

The Department has performed its statutory shareholder functions including the evaluation of the SOC corporate plans, development of shareholder compacts and strategic intent statements, quarterly and annual reporting, as well as approval of significant and material transactions.

The focus of the Department in the period under review was to support the capital expansion programme of the SOC, particularly Eskom and Transnet, while consolidating its shareholder oversight systems and processes. In this regard, the Department has significantly increased the borrowing capacity of Eskom. Eskom's funding plan to 2017 has been finalised, and approximately 75% of the funding has been secured. As the Shareholder Representative, the Department has further increased Eskom's domestic borrowing programme from R65 billion to R100 billion to fund the approved build programme.

Transnet significantly improved operational efficiencies, with a new record of 1.22 million tons and 1.6 million tons per week achieved on the iron ore and coal lines respectively. Overall efficiency improved by 17% compared to the 2010/11 financial year, while total volumes increased by 7.4% due to capital expenditure and operational improvements. At the ports, the Pier 1 container terminal at the Port of Durban recorded increased productivity with gross crane moves per hour improving to an average of 28 compared to 23 in the previous financial year.

The Department has undertaken measures to respond to the challenges facing SAFCOL and Alexkor. SAFCOL implemented a turnaround strategy, which focused mainly on cost-saving initiatives and improvement of productivity levels within its value chain. The cost-saving initiatives include reconfiguration of the company for optimal effectiveness.

The Pooling and Sharing Joint Venture (PSJV) between Alexkor and the Richtersveld Mining Company (RMC) became operational in April 2011. Government has allocated R350 million to assist Alexkor to carry out its commitment in terms of the deed of settlement. Furthermore, the Department has initiated a process to strengthen governance in Alexkor by performing a board review.

1.1.1 Voted Funds

Main Appropriation R'000	Adjusted Appropriation R'000	Actual Amount Spent R'000	Under-expenditure R'000
230,231	353,342	346,130	7,212
Responsible Minister	Minister of Public Enterprises		
Administering Dept	Department of Public Enterprises		
Accounting Officer	Director-General of Public Enterprises		

1.1.2 Aim of vote

The aim of the Department of Public Enterprises is to drive investment, productivity and transformation in the Department's portfolio of SOC, their customers and suppliers so as to unlock growth, drive industrialisation, create jobs and develop skills.

1.1.3 Strategic Outcome-oriented Goals

In relation to Government's 12 Outcomes, the Department of Public Enterprises has been contributing to the creation of 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 following is the Department's contribution towards achieving this outcome:

Ensuring reliable generation, distribution and transmission of electricity (Output 2)

Eskom has continued with its function of building the infrastructure required to ensure an adequate supply of electricity. The funding plan to 2017 has been completed and about 75% of the funding required has been secured. Over the Medium-Term Expenditure Framework (MTEF) period Eskom will spend R201.6 billion. To support the financing of the build programme, the Department has increased Eskom's domestic borrowing limit from R65 billion to R100 billion. During the 2011/12 financial year, Eskom was able to secure a total of US$615 million funding for its Renewables Energy programmes from the African Development Bank and the Clean Technology Fund (CTF).

Eskom has undertaken a number of interventions to ensure security of supply, which include enhancing reliability from electricity imports, especially from Cahora-Bassa; procuring more than 370MW from the medium-term power purchase programme; procuring about 400MW of additional generation capacity from municipalities; and accelerated Energy Efficiency (EE) and the Demand Side Management programmes.

The Department continues to monitor progress with respect to coal haulage logistics. Regarding migration from road to rail, the railway lines, rolling stock and service design plans have been completed. A cooperation agreement between Eskom and Transnet has been signed. Eskom has implemented an innovative containerised rail solution for Camden Power Station. In terms of the rehabilitation of coal haulage by 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.

In response to the President's call for a lower electricity price increase this financial year, the Department and Eskom successfully developed proposals to reduce the increase from 25% to 16%.

Ensuring the maintenance and strategic expansion of our road and rail network, and the operational efficiency, capacity and competitiveness of our sea ports (Output 3)

The Transnet Market Demand Strategy (MDS) has been completed and features the expansion of its capital expenditure framework from R110 billion over five years to R300 billion over seven years. Critical in this strategy is that 55% of the capital expenditure will be investment in new logistics capacity, which goes beyond the predominant focus on maintenance of the previous capital expenditure plans. R200 billion of the funding will come from retained earnings while the rest will be raised from capital markets.

The capacity growth should unlock pent up demand for logistics capacity and serve as a much needed stimulus to growth and job creation. Over the next MTEF period, Transnet will spend R107 billion. Transnet's total contribution to employment in the South African economy is expected to increase by 54.8% from 368 450 in 2011/12 to 570 263 jobs in 2018/19.

The current performance by Transnet Port terminals in the Durban Container Terminal suggests that port operations are likely to achieve 35 crane moves/hour by 2014.

1.1.4 Overview of the Service Delivery Environment for 2011/12

Departmental objectives and indicators are reported under each programme.

1.1.5 Overview of the Organisational Environment for 2011/12

In view of the expanding oversight role of the Department and the increased need to strategically guide the SOC investment programmes, the Department conducted a review of its organisational structure and the capacity of the Department, thereby identifying gaps and challenges.

In order to close the gap between the Department's expanded oversight responsibilities and the resources available to execute its mandate, the Department reconfigured its structure and created new business units, which are currently being capacitated within existing budget constraints.

The drive to secure specialised skills has been, to a large extent, constrained by the current government remuneration framework. The Department will continue to explore alternative mechanisms to secure and develop these skills.

1.1.6 Key Policy Developments and Legislative Changes

The Department did not table any legislation in Parliament during this period. However, the following legislation and regulations, which may have an impact on the operations of the SOC, were proposed by other government departments:

a) The Integrated Coastal Management Bill, 2011 by the Department of Environmental Affairs;
b) The Broad Based Black Economic Empowerment Amendment Bill, 2011 by the Department of Trade and Industry;
c) The Spatial Planning and Land Use Management Bill, 2011 by the Department of Land and Rural Development;
d) The Industrial Development Zones Bill, 2012 by the Department of Trade and Industry;
e) The Preferential Procurement Regulations, issued by the Minister of Finance, which came into effect on 7 December 201; and the
f) Independent System and Market Operator Establishment Draft Bill.

The Department provided comment on this legislation in the interest of its mandate and the SOC. In addition, the Presidential Review Committee (PRC), the Defence Review, the Presidential Infrastructure Coordination Committee (PICC) as well as the Department of Transport's Rail Policy are key developments likely to influence the policy and legislative environment in which DPE and the SOC operate.

1.1.7 Departmental Revenue and Expenditure

As revenue collection is not in the mandate of the Department, there is no specific plan in place for this function. However, any revenue collected by the Department and reported under Note 2 of the Financial Statements relates to incidentals such as parking fees, interest received on debts, sale of redundant capital assets and interest on bank accounts. Capital assets such as computers are initially offered to schools and in the event that they do not require such equipment, are auctioned off.

Table 1: Breakdown of sources of revenues

	2008/09 Actual R'000	2009/10 Actual R'000	2010/11 Actual R'000	2011/12 Target R'000	2011/12 Actual R'000	% Deviation from target R'000
Tax revenue	-	-	-	-	-	-
(Specify)	-	-	-	-	-	-
Non-tax revenue	**633**	**43**	**122**	**44**	**58**	**31.8**
Sales of goods and services other than capital assets(scrap paper, commissions and parking)	38	36	45	38	53	39.5
Interest, dividends and rent on land	595	7	77	6	5	(16.7)
Sales of capital assets	**1**	**19**	**5**	**1**	**8**	**700**
Redundant machinery and equipment	1	19	5	1	8	700
Financial transactions (Recovery of loans and advances)	**185**	**1 106**	**139**	**54**	**-**	**(100)**
TOTAL DEPARTMENTAL RECEIPTS	**819**	**1 168**	**266**	**99**	**66**	**(33.3)**

1.1.8 Departmental Expenditure

The Department spent 98% of its budget and thus came within its 2% under-spending target. There was no substantive impact on delivery within programmes as a result of this under-spending.

Under-spending amounting to R7.22 million was recorded in the 2011/12 financial year. This amount is comprised of current expenditure in the operational budget which was 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 Goods and Services which arose due to some projects having been delayed until very late in the year. Accordingly, the Department has requested rollovers from National Treasury for two projects in the sum of R3.13 million in order for them to be completed in the new financial year.

Transfer Payments

An amount of R116.255 million was disbursed in December 2011 to Denel in terms of the Denel indemnity agreement.

An amount of R40 million was disbursed to the Pebble Bed Modular Reactor Company in May 2011 to reimburse the South African Nuclear Energy Corporation for the dismantling and decommissioning of the fuel development laboratories.

Public Entities

In the period under review, the funds transferred to both Denel and PBMR were to meet existing commitments rather than implementing new strategies. The progress on the implementation of programmes led by the different SOC is part of the reporting on programmes, as well as more comprehensively in the annual report of each SOC.

Conditional Grants and Earmarked Funds

The Department does not receive conditional grants. The following funds were earmarked: R40 million Pebble Bed Modular Reactor project: Dismantling and decommissioning costs of fuel development laboratories;

- R1.836 million was rolled over to provide financial modelling support to South African Airways and South African Express;
- R1.542 million was rolled over for payment to the Auditor-General for the completion of the Performance Audit;
- R3.478 million for higher personnel remuneration increases than the main budget provided for;
- R116.255 million to Denel for the claim in terms of the indemnity agreement.

Capital Investment, Maintenance and Asset Management Plan

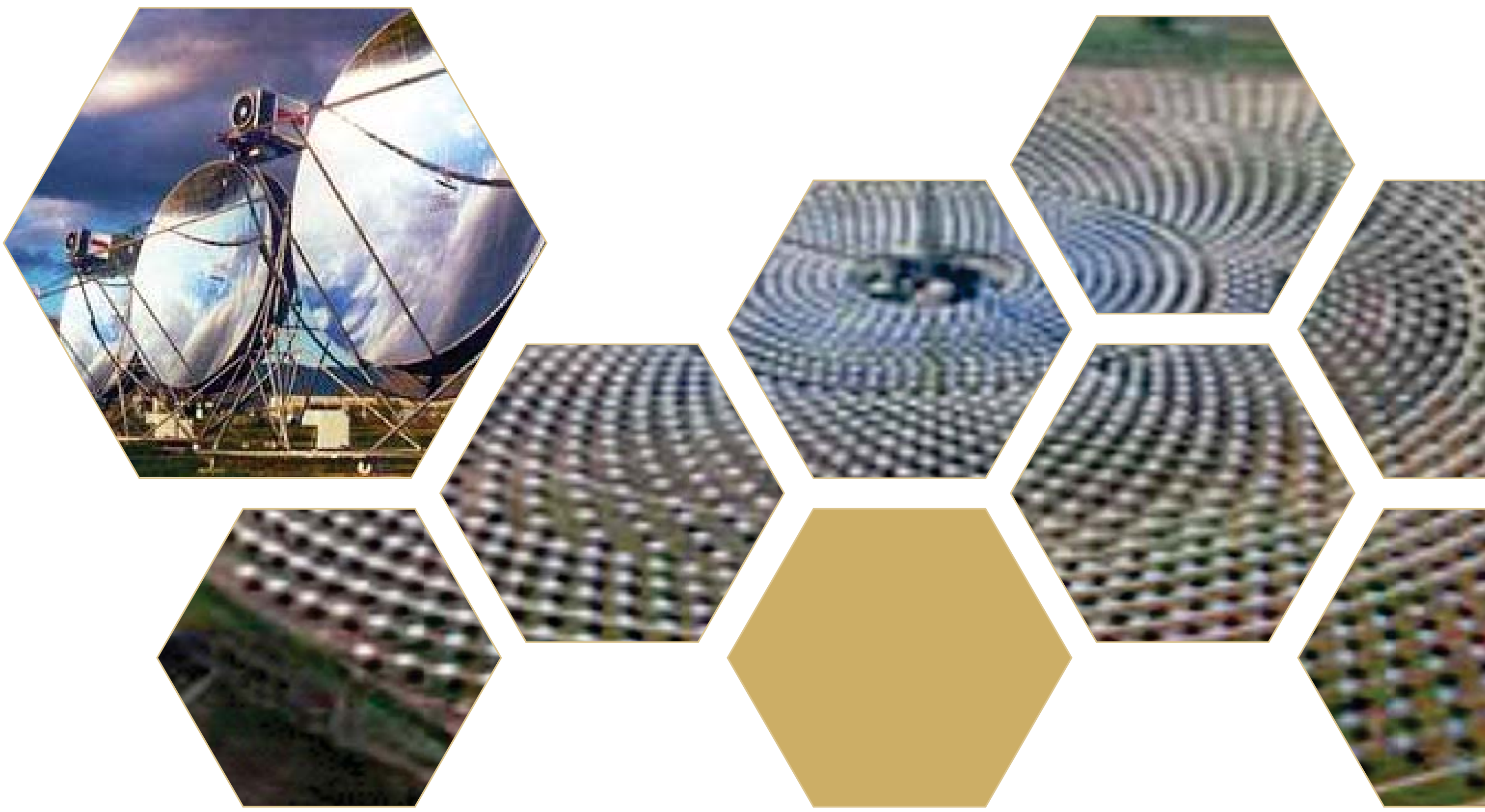
The capital investment, maintenance and asset management plan has been reported in Section 11 of the Accounting Officer's report.

1.2 Programme Performance

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

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

The purpose of each of these programmes is reported per programme below.



Programme 1: Administration

Purpose

To achieve the Department's strategic objectives by providing management, supporting functions and processes.

The programme comprises the following sub-programmes:
- Ministry – Minister and Deputy Minister
- Management – Office of the Director-General and Chief Investment Portfolio Manager
- Internal Audit
- Corporate Services – Head: Corporate Services, Human Resources, Secretariat, Administration and Facilities, Knowledge Centre and Internal Risk Management and Performance Monitoring
- Office of the Chief Financial Officer – Financial Administration, Supply Chain Management and Information Management
- Communications
- Office Accommodation

Strategic Objectives

- To provide strategic direction and leadership.
- To provide support services to enable the Department to deliver on its organisational objectives in an environment where the human capital within DPE is both motivated and empowered.
- To improve the quality of corporate governance and performance monitoring systems by ensuring that appropriate policies, processes and procedures are reviewed, updated and implemented within the DPE.

The Office of the Chief Investment and Portfolio Manager endeavours to apply a portfolio approach to the management and investments of all State-Owned Companies reporting to the Department, including conducting comprehensive crosscutting portfolio reviews on a quarterly basis.

The Office strives to enhance portfolio management through portfolio analysis to determine overall portfolio structure, highlight shifts in portfolio composition, determine potential impact to portfolio performance and identify measures to strengthen the portfolio. It provides analysis of trends and strategic portfolio recommendations to the Minister of Public Enterprises to pro-actively manage exposure to potential risks.

Sub-programme: Administration – CIPM				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Strategic intent statements issued for all SOC	All SOC strategic intent statements were submitted	Strategic intent statements issued by end of Sept	All SOC strategic intent statements communicated to boards by the Minister at the AGMs	No variance
Shareholder compacts	All SOC Shareholder compacts signed	Shareholder compacts signed annually	7 SOC shareholder compacts were signed	Broadband Infraco shareholder compact delayed to April 2012 due to the appointment of new Board

Sub-programme: Administration – CIPM				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
SOC corporate plans	All SOC corporate plans assessed	SOC to submit corporate plans annually by end of February	SOC corporate plans assessed	No variance
SOC performance monitoring & shareholder risk management	Standardisation of financial and risk reporting templates and dashboard with enhanced analytical functionality developed Strategic Executive Committee meetings held as scheduled. reports covering financial, operational, capital investment, capitalisation, socio-economic and risk at SOC and portfolio level presented. SOC and portfolio performance reporting using dashboard Quarterly shareholder reports submitted on SOC performance assessments, detection, monitoring and mitigation of crosscutting shareholder risk.	Quarterly shareholder reports on SOC performance assessment, detection, mitigation and monitoring of crosscutting shareholder risk	Corporate plans, quarterly reports and PFMA Section 54 applications were analysed for existing and emerging shareholder risks. SOC risk profiles were monitored on a quarterly basis	No variance.
Report on government guarantee and shares	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 All SOC submitted quarterly reports on government guarantees and shares.	SOC Quarterly report on government guarantee and shares	All SOC quarterly reports on guarantees submitted and assessed by the Department	No variance
Register government guarantee, shares and shareholders' agreement	No register in place	Register and safe custody of government guarantee, shares and shareholders' agreement	All SOC government shares and shareholders' agreements registered in the Department.	No variance
Guideline for Industry, sector & national economy benchmarking	Benchmarking framework developed, still subject to consultation. Research reports on the key performance indicators of the ports and electricity sector completed	Benchmarking guideline for SOC performance indicator & target setting	Handbook on Benchmarking of Performance of SOC developed	No variance
Methodological framework for measuring shareholder value per SOC & aggregation to portfolio	No framework in place	Annual portfolio value assessments	Methodological framework for measuring portfolio valuation not developed	Consultations on the principles guiding the framework yet to be concluded.
Report on economic regulatory cohesion for network infrastructure study	Not completed. Call for proposals to service providers issued. Service provider still to be Appointed	Study on regulatory frameworks employed for infrastructure investment	Study not undertaken	Project not implemented due to capacity and funding constraints

Sub-programme: Administration – CIPM				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Annual portfolio value assessments	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 SOC	• Investment policy for SOC commercial sustainability • Financing instruments framework • SOC capital restructuring assessments	Capital structure decision-making framework has been developed.	No variance

Sub-programme: Administration – Alexkor				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target 2011/12)	Actual (2011/12)	
Alexander Bay township infrastructure upgrade	Upgrade of the township is expected to be completed by July 2011	Completion of Alexander Bay township infrastructure upgrade	Not completed	Due to geological challenges, the new recovery plan shows that the upgrade of the township will be finalised within the 2012/13 period
Formal establishment of Pooling and Sharing Joint Venture between Alexkor and Richtersveld Mining Company	PSJV proceeded with the notarial deed of cession of the Alexkor land mining right (from Alexkor to the Richtersveld Mining Company) following failure by the Richtersveld community to exercise its call option to bring in a partner other than Alexkor in its land mining operation. As a result of this, the deed was registered by the Mineral and Petroleum Titles Registration Office on 6 April 2011. This was the last outstanding suspensive condition for the formation of the PSJV, which has formally been trading since 7 April 2011	Approval of Minister of Mineral Resources for transfer of Alexkor and mining rights to Richtersveld Mining Company Monitoring formal establishment of Pooling and Sharing Joint Venture (prospecting plan, work programme, mining plan)	Completed. All conditions of the deed of settlement were met. The PSJV was established and has been trading since 7 April 2011	No variance
New business/ growth plan for Alexkor	Upgrade of the township is expected to be completed by July 201	• Stakeholder consultation to clarify positioning of Alexkor in relation to State Mining Company. • Explore synergies between Alexkor and State Mining Company. • Alexkor exploring new mining ventures and downstream beneficiations beyond Alexander Bay	Not achieved	No funding allocation to explore new business opportunities in the 2011/12 financial period
Annual reports	Analysis and assessment of the annual report achieved	Analysis and assessment of the annual report	Assessment of annual report completed as planned	No variance
Corporate plans	Analysis and assessment of corporate plan achieved	Analysis and assessment of corporate plans	Assessment of corporate plan completed as planned	No variance

Sub-programme: Administration – Alexkor				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target 2011/12)	Actual (2011/12)	
Strategic intent statement	Negotiation and approval of shareholder compact completed	Negotiation and approval of shareholder compact	Strategic intent statement communicated to Board by the Minister at the AGM	No variance
Shareholder compact with Alexkor	Strategic intent statement delivered at AGM	Strategic intent statement delivered at the AGM	Shareholder compact approved	No variance
Alexkor Board review	Board was reviewed in preparation for AGM	Assessment of SOC Board.	Not achieved	To be finalised in the 2012/13 financial period
Quarterly Reports	Assessment of quarterly reports achieved	Assessment of quarterly reports	Assessment of quarterly reports performed as planned	No variance
Achievement of MTEF targets by Alexkor	Assessment of PFMA Applications	Assessment of PFMA applications	The following PFMA Section 54(2) application was assessed: Establishment of the Pooling and Sharing Joint Venture was approved.	No variance
Assessment of Alexkor funding requirements to support new business plan	Achieved as per business plan	Explore and facilitate access to debt and alternative funding Structures	Completed	No variance

Performance Highlights

Chief Investment and Portfolio Management (CIPM)

For the period under review, the Department effectively championed the implementation of the Logical, Planning, Monitoring and Evaluation (LPME) framework. This involves ensuring effective delivery of the Department's core shareholder management model that links national strategic priorities to SOC planning processes through the shareholder compacts. The framework then ensures effective shareholder oversight via the electronically enabled monitoring and reporting of SOC results against a variety of Key Performance Indicators as defined in the compacts. SOC corporate plans were analysed, shareholder compacts signed and strategic intent statements communicated to SOC Boards. In addition, the SOC risk profiles were updated and assessed quarterly by the Department and, when appropriate, remedial actions were recommended.

Significant enhancements were made to the Department's business intelligence tool, Isibuko Dashboard during the year. This has enabled rapid access to key SOC information and timely performance reporting and monitoring. A framework for DPE SOC capital structure was developed and needs to be progressed to functionality.

Alexkor

In respect of Alexkor, all conditions of the deed of settlement were met. The Richtersveld Mining Company (RMC) was registered by the Mineral and Petroleum Titles Registration Office on 6 April 2011. This paved the way for the establishment of the Pooling and Sharing Joint Venture (PSJV) which has been trading since 7 April 2011.

Alexkor's diamond production increased and in 2010/11 the company managed to record its first operating profit in five years.

The upgrade of the Alexander Bay township is underway and should be completed within the 2012/13 financial year. The upgrade includes the water, sewerage, storm water, electrical reticulation, and the waste water treatment phases.

Alexkor was allocated R350 million in terms of the deed of settlement in the 2012/13 MTEF. These funds will be used to settle existing liabilities. With the PSJV, Alexkor requires a paradigm shift to be sustainable as a standalone company. This may require exploring opportunities for downstream beneficiation and investment in new brown- and greenfield prospects away from the Alexander Bay area.

Human Resources

Arising from the review of the Department's structure, critical posts were aligned and the Department will be in a position to accommodate a number of new posts in the revised structure. The vacancy rate has been reduced from 14.52% to 11.1 %, which included the recruitment of key personnel on the levels of Chief Director and Deputy Director-General.

Furthermore, the Department embarked on a process of developing talent management as well as attraction and retention policies to strengthen its human resources.

The Department complied with DPSA performance management requirements wherein all employees signed performance agreements for the 2011/12 performance cycle. Furthermore, the Department achieved 100% submission of financial disclosure forms. Importantly, the Department achieved a clean audit in 2010/11.

Programme 2: Energy and Broadband Enterprises

Purpose

To align the corporate strategies and performance of Eskom, Pebble Bed Modular Reactor and Broadband Infraco with government's strategic intent and performance targets.

The programme comprises the following sub-programmes:

- **Management** comprises the office of the Deputy Director-General.
- **ICT Broadband Sector** provides shareholder oversight of Broadband Infraco. This includes overseeing agreements between parties, assessing the business plan, monitoring the national and international long distance networks, and providing overarching shareholder management.
- **Energy Sector** provides shareholder oversight of Eskom. This entails generating, transmitting and distributing electricity with a particular emphasis on security of supply and optimizing current operations; and carrying out oversight of the Pebble Bed Modular Reactor, which includes monitoring the progress of the implementation of the care and maintenance programme to preserve intellectual property and assets as approved by Cabinet.
- **Legal and Risk** (Energy and Broadband Enterprises) deals with all legal, governance and risk aspects specifically related to the above-mentioned State-Owned Companies.

Strategic Objectives

- Continuously ensure the alignment of shareholder strategic intent in relation to SOC role in achieving government's objectives in the energy and communication sectors.
- Evaluate corporate plans annually and advise Boards of material deviations.
- Monitor and benchmark the implementation of corporate plans and shareholder compacts.
- Assess shareholder and enterprise risks at least quarterly, and advise Boards on areas of concern.
- Support the security of electricity supply by:
  - Examining Eskom's maintenance and operational practices, distribution efficiency and the reserve margin annually.
  - Receiving regular updates from and ongoing interaction with Eskom, and engaging with stakeholders in the energy sector.
- Reduce dependence on the fiscus by monitoring cost escalations for the build programme and developing innovative funding mechanisms.
- Monitor the implementation and evaluate quarterly reports of the Competitive Supplier Development Programme to leverage off Eskom's capital expenditure in the development of local supplier industries.
- Maintain state-owned assets by monitoring progress against the implementation of the care and maintenance programme of the Pebble Bed Modular Reactor.
- Create an enabling policy and regulatory environment for the SOC by engaging with the Department of Energy and the National Energy Regulator of South Africa on new policies and regulations affecting Eskom as and when they arise over the MTEF period.
- Ensure that the West Coast submarine cable system is ready for service in 2011 by monitoring Broadband Infraco's participation in the West Coast submarine cable system consortium on a quarterly basis.
- Support increased access to broadband by:
  - monitoring Broadband Infraco's price reports annually; and
  - increasing the number of access points to broadband in major cities and under-serviced areas through rolling out the national long distance infrastructure.

Sub-programme: Energy				
Performance Indicator	**Baseline (Actual Output) 2010/11**	**Actual Performance against Target**		**Reason for Variance**
		Target (2011/12)	**Actual (2011/12)**	
Annual reports, corporate plan, strategic intent statement and shareholder compact with Eskom	Annual assessment completed as planned	Assessment of the annual report and corporate plan	Annual assessment of annual report and corporate plan completed as planned	No variance
	Shareholder compact concluded in June 2010	Negotiation and approval of shareholder compact	Strategic intent statement communicated to Board by the Minister at the AGM. Shareholder compact approved	No variance
		Shareholder strategic intent communique in preparation for the Eskom AGM		
	Applications were assessed as planned	Assessment of SOC Board	The Department rotated the Eskom Board at the AGM held in July 2011	No variance
Quarterly reports	Monthly, quarterly and annual monitoring completed as planned	Assessment of quarterly reports	Assessment of quarterly reports performed as planned	No variance
	Investor brief prepared with the assessment of each quarterly report	Preparation of quarterly investor briefs	Investor briefs were prepared after the assessment of each quarterly report	No variance
Achievement of MTEF targets by Eskom	Monthly, quarterly and annual monitoring completed as planned. Applications were assessed as planned	Assessment of PFMA Applications	PFMA applications assessed as submitted by the SOC	No variance
	Various funding options evaluated which resulted in the request to Cabinet to increase the guarantee from R176 billion to R350 billion	Explore and facilitate access to debt and alternative funding structures	Various funding mechanisms were considered including increasing the domestic medium term note level from R65 billion to R100 billion and concluding several loans for the build programme	No variance
Timeous delivery of new generation capacity and transmission networks	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	Capacity delivery as per plan (Shareholder compact and IRP)	Procurement and delivery of new build programme monitored and tracked on a quarterly basis through assessment of the quarterly report and meetings with Eskom senior management. Further, the team participates in Eskom steering committee meetings focused on ensuring timely delivery of the capital expansion programme	No variance

Sub-programme: Energy				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Quarterly reports	Annual assessment completed as planned	Monitoring and analysis of network performance reports	Network performance monitored as part of the quarterly report assessment focusing on the technical and operational performance and has been completed as planned	No variance
Quarterly reports of road to rail migration progress (tons) and road improvements (kms)	Rehabilitation of the coal haulage roads monitored quarterly as planned	Rehabilitation of coal haulage roads	Rehabilitation of the coal haulage roads monitored quarterly as planned through the assessment of the quarterly reports	No variance
	Migration of coal from road to rail monitored quarterly as planned with the quarterly reports	Migrate Eskom coal from road to rail	Migration of coal from road to rail monitored quarterly as planned through the assessment of quarterly reports including a comprehensive briefing specific to the road to rail migration risks and measures to mitigate them. By end of 2011/12 financial year more than 8mtpa (million tons/annum) were be moved by rail	No variance
Progress reports on Eskom's role in MTRMP (DSMEE, ECS implementation, REFIT, etc)	Eskom MTRMP measures monitored as planned	Report on the implementation of Eskom's responsibilities with respect to the MTRMP	Eskom MTRMP measures monitored as planned including approval of a maintenance plan	No variance
	System adequacy reports monitored as planned	Report on the system Adequacy	System adequacy reports monitored as planned including the approval of an emergency plan and generation maintenance plan. Further, the Department together with DoE and Eskom monitor the implementation of the emergency plan on "Keeping the Lights On" on a weekly basis	No variance
Ring-fenced purchasing function with approved governance arrangements	Engagement with other departments on how to optimally structure the system operator	Ring-fencing directive through Eskom shareholder compact	Ring-fencing of purchasing functions included in Eskom shareholder compact and was concluded by Eskom in February 2012	No variance

Sub-programme: Energy				
Performance Indicator	**Baseline (Actual Output) 2010/11**	**Actual Performance against Target**		**Reason for Variance**
		Target (2011/12)	**Actual (2011/12)**	
Approval/support for the Eskom application such that Eskom is sustainable and the economy is not compromised	Assisted Eskom with the alignment of its corporate plan that will be used as a base for the MYPD 3	Assessment and decision on the Eskom application for MYPD3	Assessment of Eskom application not completed. However, the last year of MYPD was revised to reduce impact on the economy	Delays are due to the proposed changes of the regulatory framework which Eskom bases its application on. The Department has been in discussions with the DoE towards the finalisation of the MYPD framework. Further, there was a revision of the MYPD2's last year tariff from a 25% increase to 16%
Support/approve minimizing of impact of ASA agreements to Eskom/ economy	DPE as part of the Government team started a process of developing a framework that will assist Eskom in negotiating a reasonable settlement	Elimination of risks associated with special pricing agreements	Special pricing agreements risks not eliminated. The Department gave instruction to Eskom to apply to NERSA for a determination of ASA. An inter-governmental team is also exploring further options	The delay is due to the NERSA processes that are outside of the control of the Department

Sub-programme: ICT Broadband Sector				
Performance Indicator	**Baseline (Actual Output) 2010/11**	**Actual Performance against Target**		**Reason for Variance**
		Target (2011/12)	**Actual (2011/12)**	
Strategic intent statement and shareholder compact with Infraco	Annual assessment completed as planned	Analysis and assessment of the annual report and corporate plan.	Annual report and corporate plan assessed as planned	No variance
	Shareholder compact concluded in June 2010	Negotiation and approval of shareholder compact	Conclusion of shareholder compact not completed as planned	Due to the governance challenges at the SOC which resulted in the rotation of the Board, it was not possible to conclude the compact as planned
	Strategic intent communicated at the AGM	Shareholder strategic intent communiqué in preparation for the AGM	Strategic intent statement communicated to Board by the Minister at the AGM	No variance
	Assessment of SOC Board completed as planned	Assessment of SOC Board	Assessment of SOC Board completed as planned with the entire board rotated	No variance
Quarterly and annual reports, corporate plan	Monthly, quarterly and annual monitoring completed as planned	Assessment of quarterly reports	Quarterly reports assessed as planned	No variance
	Quarterly preparation of investor briefs completed as planned	Preparation of quarterly investor briefs	Investor briefs prepared as planned	No variance

Sub-programme: ICT Broadband Sector				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Achievement of MTEF targets by Infraco	Applications were assessed as planned	Assessment of PFMA Applications	PFMA applications assessed as submitted by the SOC	No variance
	This was not part of the planned activities in 2010/11 as the company did not require funding	Explore and facilitate access to debt and alternative funding structures	Not completed as planned	Delay due to the completion of the market positioning study that will help in determining the extent of funding required and revision of the corporate plan
Wholesale price reduction	Competed as planned, wholesale price reduced by 10%	Benchmarking and monitoring of Infraco's pricing in relation to the local and international market prices	Benchmarking exercise and price monitoring completed as planned	No variance
Percentage increase in broadband penetration per annum	Ongoing, 5 new points of presence during the year added 1 875 kilometres of new fibre to the network	Monitoring the rollout of the national and international network according to the national broadband targets	Ongoing. Infraco added seven new points of presence during the year and added 292 kilometres of new fibre to the network	No variance
Diversification of revenue stream	Ongoing, new clients were added during the year	Monitoring the contracts on a quarterly basis	Infraco added five new clients during the year	No variance
Sentech JV to enable retail service provision access	The Department supported Infraco in participating in the broadband rollout plan for KZN collaboration together with Sentech	Formulate a collaboration/ synergy between Infraco and Sentech in order to assist government to achieve its ICT objectives	A collaboration plan was formulated as planned but not implemented	Delays related to the appointment of the new Minister at the Department of Communication, and the need for DOC to brief her first
Quarterly reports indicating progress with reliability and performance improvement	Quarterly reports indicating network reliability and performance assessed as planned	Monitor implementation plans that are in place to improve reliability and performance	Quarterly reports indicating network reliability and performance assessed as planned	No variance
Commissioning of the West African Cable System (WACS) project	Supported Infraco in landing the WACS cable in South Africa by October	Support Infraco during the rollout phase (ends in 2011)	Supported Infraco in delivering the rollout of WACS due in April 2012	No variance
Ensuring effective shareholder oversight Infraco	Assisted with the assessment of PFMA applications submitted in terms of SMF to the Department	Assisting in assessing applications for approval of significant and materiality framework	Assisted with the assessment of PFMA and provided input into applications submitted in terms of SMF to the Department	No variance
	Ensured timely submission of quarterly reports and corporate plan to the Department	Monitoring the Department's legislative compliance	Ensured timely submission of quarterly reports and corporate plan to the Department	No variance

Sub-programme: ICT Broadband Sector				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Providing assistance on developing and negotiating shareholder compacts, corporate plans, significance and materiality framework, Board appointments and shareholder preparations for AGMs	Level of performance, based on previous year's performance	Developing a methodology on Board appointments and reappointment	The methodology on Board appointments and shareholder expectation with regard to PFMA compliance was communicated to the Board at its induction held in February 2012	No variance
	Level of performance, based on previous year's performance	Continuously updating database on Board appointments	New Board members were appointed on 18 October 2011	No variance
	Level of performance, based on previous year's performance	Monitor and oversee SOC remuneration	The Department communicated with the Board on 22 November 2011 that the moratorium on salary increases for Executives and Non-Executives was still in place and the salaries will be reviewed once the moratorium has been lifted	No variance
	Not applicable, the audit only commenced in the new year financial year	High level audit of PBMR winding up	The audit was completed as planned but reports delivered in the new financial year	Internal approval process still underway

Sub-programme: PBMR				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Care and maintenance strategy implemented	Monthly meetings being held and progress on the restructuring is being monitored	Monitor and facilitate the implementation of the care and maintenance strategy	Monthly monitoring meetings are held as planned and progress on the care and maintenance is being monitored	No variance
	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"	Quarterly progress report	PBMR does not prepare quarterly reports; instead monthly meetings are held with management to measure care and maintenance progress. Updates are provided to Deputy Minister as requested	No variance

Performance highlights

Eskom

The Department enhanced its oversight of Eskom to ensure timeous delivery of the capacity expansion programme. Monthly meetings are held with Eskom to track the capital expenditure programme, which includes the Medupi, Kusile and Ingula projects, and to address delays. By year end, Eskom added 535 MW of generation capacity, 631 km of transmission lines and 2525 MVA of transformation capacity to the system.

The Department was also instrumental in ensuring the approval of the R350 billion government guarantees to assist Eskom to fund its build programme. Further, the Department has increased Eskom's domestic borrowing programme from R65 billion to R100 billion to fund the approved build programme. By year end, 76% of the funding required for the build programme has been secured.

During the 2011/12 financial year, Eskom was able to secure and conclude a total of US$615 million funding for its renewable programme (concentrated solar power and wind energy), comprising of the African Development Bank (AfDB) loan of US$265 million, AfDB Clean Technology Fund (CTF) loan of US$100 million and the World Bank CTF loan of US$250 million. The 100 MW Sere Wind Farm construction is expected to commence late in 2012 and the 100 MW Concentrated Solar Power (CSP) project feasibility to be concluded by the end of 2012/13 financial year.

As part of ensuring that the "*lights remain on*", the Minister approved an Eskom emergency plan and generation maintenance strategy that aimed at securing additional generation capacity and demand side initiatives with the aim of reducing the backlog on the maintenance of electricity generation units.

Following the call by the President to reduce the cost of doing business, the Department and Eskom proposed a reduction in the electricity price increase from the approved 25% to 16% to the Energy Regulator, which was approved.

The Department has engaged with other departments on the optimal structure of the proposed Independent System Market Operator (ISMO) and the best way to ensure the appropriate introduction of independent power producers (IPPs). The Department has advised Eskom to establish a subsidiary to undertake the function of ISMO in the interim.

PBMR

Following a process to rationalise the PBMR Company and prepare it for care and maintenance in line with the Cabinet decision taken in September 2010, significant work has been done to identify and package the intellectual property to be preserved.

Broadband Infraco

Broadband Infraco's long-distance fibre optic telecommunications network currently comprises 13,612 km of fibre optic cable. Furthermore, the Department supported Broadband Infraco in developing five points of presence (POP) that ensure connectivity to other service providers in the major cities, and it has established one POP site to previously under-serviced areas to enable the provision of services to local government and for e-Health and e-Learning.

The Department commissioned a service provider to perform an assessment of the positioning of Broadband Infraco within the telecommunications market (both national and international). This exercise was aimed at ensuring that Broadband Infraco's business case is aligned with its statutory mandate, by providing access to affordable broadband services across the country.

In order to align the shareholder objectives with the policy and regulatory objectives, the Department has engaged with other departments by participating in the broadband implementation committee established by the Department of Communications (DOC). One of the main objectives of the committee is to align the telecommunications network infrastructure with the national broadband policy and make the broadband services available to all South Africans and connect South Africa to Africa and the rest of the world.

The Department and Broadband Infraco are working on a detailed funding plan to support the business case of Broadband Infraco in the prevalent economic climate with feasible means to advance the rollout of the developmental mandate.

Programme 3: Legal and Governance

Purpose

Provide systems that align State-Owned Companies with legal and corporate governance best practice and with government's strategic intent.

The programme comprises the following sub-programmes:

- Management – Office of the Deputy Director-General
- The provision of effective and sound legal advice to the Department to ensure that potential legal risks are highlighted and accounted for
- The development of frameworks to promote transparency and good corporate governance within the SOC

Strategic Objectives

- Ensure effective shareholder oversight of all the SOC by:
  - addressing constraints on SOC contract negotiation and management to improve commercial competence and contribute to economic growth and development;
  - providing assistance in developing and negotiating shareholder compacts, significance and materiality frameworks annually and, as and when necessary, borrowing power delegations;
  - assisting in assessing applications for the approval of significant and material transactions;
  - assisting in board appointments and shareholder preparations for annual general meetings;
  - continuously updating the database on board appointments on the Department's dashboard;
  - annually reviewing the ownership policy, governance toolkit and guidelines, as well as appointments to, and remuneration and performance of the boards of the State-Owned Companies.
- Ensure that SOC and the Department comply with legal requirements by:
  - monitoring quarterly SOC corporate governance indicators through the dashboard;
  - monitoring and assessing legislative impacts on State-Owned Companies and alerting the enterprises to changes and possible risks.

Sub-programme: Legal				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
The Department's legislative compliance	This is a new KPI, introduced in the year under review	Monitoring the Department's legislative compliance	Monitoring of compliance with all the legal, regulatory & supervisory requirements done and will be ongoing	No variance
Respond 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	Respond to queries from the Presidential Public Liaison Unit	Approximately 606 calls were received and attended to. A success rate of 100% has been achieved.	No variation
Drafting of SLAs and legal opinions	This is a new KPI, introduced in the year under review	Drafting SLAs and legal opinions timeously	Agreements and legal opinions drafted and provided on time and all meet the legal test	No variance

Sub-programme: Legal				
Performance Indicator	**Baseline (Actual Output) 2010/11**	**Actual Performance against Target**		**Reason for Variance**
		Target (2011/12)	**Actual (2011/12)**	
Implementing and monitoring of the Aventura winding-up process	Received audited annual financial statements from Aventura from 2004 – 2008. The nature of the company structure and the governance risks identified have 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	Approval and transfer of the remaining resorts	Transfer of Plettenberg Bay still underway. Department had to use copy of the Ministerial consent	The transfer was interrupted by loss of the original Ministerial consent. Transfer now underway
		Lodge relevant documentation with the Registrar of Companies	The approach to the winding-up process reviewed and approved. The Department had the AFS for 2010/11 audited and secured the Master's directive on the provision of security requirements	Company documents could not be lodged and the resolutions expired. The approach has been reviewed and the matter will be dealt with in 2012/13
		Closure of the matter	The matter is ready for the AGM or new resolutions	Initial approach had to be reviewed following a meeting with the Board
Trace and payout to beneficiaries of Diabo Trust	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	Monitor the winding up process and distribution to beneficiaries	Traced 7 545 beneficiaries, 868 of which have been paid. The Department is finalising the appointment of a service provider to pay out all remaining beneficiaries in the coming nine months	Beneficiaries were delaying the provision of supporting documents. The contract with the initial service provider expired and a new service provider will need to be appointed through a tender process
		Closure of the matter		
Pre-trial proceedings	None	Successful resolution of government's case and Court order in favour of the Department	No pre-trial proceedings conducted	No variance
Conclude litigation	None	Review alternative measures to conclude the litigation	No litigation conducted	No variance
Equity Alliance vs. the Department Equity Alliance claims an amount of R 572m from government .It is based on alleged breach of contract arising from an alleged oral assurance given to Equity Alliance that its ramp handling licence will be renewed with ACSA on termination in 2006. The licence was not renewed and Equity Alliance is claiming damages.	Equity Alliance issued summons for its claim	Successful defence of the claim	Equity Alliance recently made application to court to amend its particulars of claim The Department objected to the amendment On 27 March 2012 the court granted judgment in favour of Equity Alliance on its application to amend The Department is now required to file a plea to the amended particulars of claim by Equity Alliance	Matter still pending

Sub-programme: Legal				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Alexkor vs Government of RSA. This is a claim by Alexkor for compensation arising from utilisation of Alexkor's assets to settle the land claims with the Richtersveld Communities on behalf of government.	The mediation process was the route adopted to attempt to resolve this matter	Amicable settlement of the dispute between Alexkor and the Department of Rural Development and Land Reform	Resolved that Alexkor will not pursue the action it instituted and that its claim for compensation is being resolved through the Government MTEF process	No variance
Nabera vs Alexkor and Government of RSA. This is a claim by Nabera for management fee and value addition while Nabera was a management contractor at Alexkor between 2000 and 2002.	Matter held in abeyance as Nabera is not pursuing it	Successful defence of the claim by Nabera	The matter is held in abeyance as Nabera is not pursuing a claim	No variance
Londoloza/ Paharpur consortium vs SAFCOL and the Department. This is a claim for R319,907 million by Londoloza/ Paharpur for damages allegedly arising from the decision not to appoint the consortium as the preferred bidder in the attempted sale of Safcol's subsidiary of Komatiland.	Matter held in abeyance as the Londoloza/ Phaharpur consortium is not pursuing it	Successful defence of the claim	The matter is held in abeyance as Londoloza/ Paharpur is not pursuing a claim	No variance
Sable Hills vs Aventura and the Minister of Public Enterprises. This is a claim by Sable Hills for rectification of the sale agreement and transfer of properties allegedly sold by government and Aventura to Sable Hills in 2002 but transferred to another company (Mikanto). Action instituted in 2011. The relief that Sable Hills seeks is that Mikanto, Minister and Aventura should be ordered to transfer the properties claimed to Sable Hills.	Institution of the claim by Sable Hills for rectification of the sale agreement and transfer of properties allegedly sold by government and Aventura to Sable Hills in 2002 but transferred to another company (Mikanto). Action instituted in 2011	Successful defence of the claim	After issue of the summons, Sable Hills sought to amend its particulars of claim. Notice was given but no further action to execute was taken by Sable Hills	No variance

Sub-programme: Governance				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011 /12)	Actual(2011/12)	
DPE legislative mandate	Government Shareholder Management Model has been developed	Approval from the shareholder. Cabinet approval. Development of the Green/ White paper	Not undertaken	Further development of the Shareholder Management Model and related legislation has been held in abeyance due to work undertaken by the Presidential Review Committee (PRC) on SOC
Effective shareholder management through legislative compliance and corporate governance tools	Legislative review submitted. Implications of the new Companies Act submitted. The draft MOI will need to address the Companies Amendment Act of 2011 as well as the Companies Regulations. First draft of MOI received. The standard template MOI will be submitted for approval in quarter one of the new financial year. Board appointment framework and database submitted. Directive on CEO appointment submitted	Implementing Companies Act corporate governance tools (e.g. standard memorandum of incorporation) for all SOC	The standard template for the memorandum of incorporation developed and presented to the Governance and Risk Forum	Internal approval processes are underway and once completed, the template will be provided to the boards of the SOC
		Provide support to the Inter Ministerial Oversight Committee	The Inter-Ministerial Oversight Committee was not re-established. All relevant matters were submitted through to Cabinet's Economic Sector, Employment and Infrastructure Development Committee	No variance
		Advise on specific company law and corporate governance questions	In compliance with the Companies Act, 2008, all SOC boards have established a Social and Ethics Committee Majority of SOC implemented the requirement	No variance
		Develop SOC legislative and regulatory frameworks to provide for the legislative environment within which the SOC operate	Not undertaken	Process held in abeyance pending the PRC process
Monitor SOC adherence to corporate governance principles	Finalise manual and obtain Ministerial and Cabinet approval	Develop an owner's expectation manual Finalise manual with SOC and obtain Minister's and Cabinet approval	Draft manual has been developed	The manual has been included as an activity in the development of the Government Shareholder Management Model

Sub-programme: Governance				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011 /12)	Actual(2011/12)	
Monitor compliance with SOC remuneration guidelines	Review of current DPE remuneration guidelines	Roll out to the SOC	Cabinet noted the Remuneration Panel's report and recommendations. The Department was requested to undertake closed consultations with selected policy departments and the PRC. The consultation process has been completed. While the review is in place a moratorium on increments for both Executive and Non-Executive Directors is in effect. SOC have been requested to align Executive performance to the KPIs and targets as per the shareholder's compact	Cabinet directed that further consultations be conducted within government. Consultations were completed and a service provider has been engaged to assist in finalizing the work
	Currently SOC are implementing either the current remuneration guidelines or their own remuneration policy	Implementation by SOC	Changes in executives' remuneration packages have been limited to new CEO appointments only	
		Monitor compliance with SOC remuneration guidelines	The status quo has been maintained. Board fees for non-executive directors have not been increased for the past two financial years	
Monitor acquisition and disposal of subsidiaries by SOC through the dashboard	Update of the governance dashboard	Monitor acquisition and disposal of subsidiaries by SOC through the dashboard	The governance dashboard was updated to include all three phases of Section 54. PFMA applications received by the Department. The subsidiary list has also been updated	No variance
Database for potential SOC Board members	Database for potential candidates for Board should be effective in providing the Department with new candidates	Recruit and select potential candidates for the SOC Boards	The database has moved from an Excel spread sheet to being integrated into the governance dashboard Candidates for new Board appointments have been sourced from, amongst others, the database	No variance
		Develop a Board database		

Sub-programme: Governance				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011 /12)	Actual(2011/12)	
Uniform application by SOC sector teams to enhance efficiency in Board appointment process.	Board appointments were previously done by individual sector teams	Approval by DPE leadership Rollout to SOC sector teams	Board appointments are currently being undertaken by the Governance Sub-Programme in consultation with the sector teams	The review of the Board appointment framework placed on hold to ensure alignment to the PRC process
Promote effective stakeholder relations	Re-establish the Governance and Risk Forum	Formalise and implement Forum	Approved terms of reference for the Forum The Forum has served to create an effective, formal platform to discuss legal, governance and risk management issues that affect the SOC The Forum has collectively discussed the MOI template and preparations towards the 2012 AGM cycle	No variance

Performance highlights

A key focus of the Legal and Governance function in the period under review has been the centralization of legal support to ensure a more streamlined approach to providing legal, governance and risk advisory services.

The Department identified and designed improvements in the SOC oversight and governance with the objective of both securing the SOC financial integrity and improving their economic contribution. To date, the Department has developed innovative approaches and comprehensive guidelines to codify and harmonise shareholder management practices across the SOC.

Risk management practices at both operational and shareholder level have been consolidated and a Governance and Risk Forum was constituted to harmonise governance and risk management activities across all SOC.

In the area of litigation, the Department advised on the most legally viable mechanism of winding up the affairs of Aventura and provided comment and input in a number of draft Bills including the Integrated Coastal Management Bill.

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 Companies' role in developing an advanced manufacturing cluster.

The programme comprises the following sub-programmes:

- Management – Office of the Deputy Director-General;
- Defence Sector oversees Denel's financial and strategy implementation;
- Forestry Sector monitors the activities of the South African Forestry Company;
- Legal and Risk (Manufacturing) deals with all legal, governance and risk aspects specifically related to above-mentioned State-Owned Companies.

Strategic Objectives

- Ensure alignment in shareholder strategic intent in relation to SOC role in achieving objectives in the defence, manufacturing and forestry sectors by reviewing enterprise strategies and mandates in the context of political and sectoral policy shifts.
- Ensure that the corporate strategies and plans of SOC are aligned with government's strategic intent by reviewing and evaluating these strategies and plans annually, and alerting the boards and enterprises to material deviations.
- Facilitate the financial and operational sustainability of Denel by reviewing the Denel Board to bring it to a full complement of members with the requisite skills, experience and expertise, as well as developing a turnaround plan that clearly indicates how the company will achieve commercial sustainability and reduce its dependence on the fiscus.
- Monitor Denel's turnaround by:
  - measuring ongoing performance against the turnaround plan;
  - setting working capital management targets and conducting monthly performance reviews;
  - providing support to ensure the effective restructuring of Denel Aerostructures and Denel Dynamics to return to commercial viability;
  - ensuring optimal alignment between Denel's restructuring plan and the strategic requirements of the Department of Defence, particularly the alignment with the Department of Defence and Military Veterans' military strategy, once the Department of Defence has finalised its revision of the defence strategy.
- Facilitate the process of defining Denel's future role in the economy by regular interaction and discussions with various stakeholders.
- Facilitate financial sustainability to ensure commercial viability by assessing and monitoring the implementation of the South African Forestry Company turnaround plan, measured by improved financial performance on an ongoing basis.
- Provide clarity on the future role of the South African Forestry Company by:
  - developing an internal position paper for broader consultation between the South African Forestry Company Limited and the Departments of Agriculture, Forestry and Fisheries and Rural Development and Land Reform;
  - ensuring that the mandate of the South African Forestry Company is aligned with government's strategic objectives, both domestically and internationally, by assessing the company's quarterly reports.
- Facilitate the disposal of minority shares by engaging with the Department of Rural Development and Land

Reform on its position on the optimal institutional vehicle to ensure the transfer of shares and developmental benefits to community beneficiaries.

- Monitor progress on resolving land claims over the 61 per cent of land owned by the South African Forestry Company.

Sub-programme: Denel				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Strategic intent statement, shareholder compact, corporate plan and annual report	Assessment of corporate plan finalised	Annual assessment of corporate plan, and • Financial targets • Sustainable forestry management • Maintenance of shareholder value strategy	Assessment of corporate plan finalised	No variance
	Assessment of annual report	Analysis of SAFCOL's: • Financial performance (Annual Financial Statements) • Operational performance Strategy implementation	Assessment of annual report finalised	No variance
	Shareholder compact signed at AGM in September	Negotiate shareholder compact and its approval	Shareholder compact negotiated and agreed by both DPE and Denel Board	No variance
	Annual General Meeting (AGM)	• Strategic intent statement addressing key issues facing SAFCOL • Shareholder communiqué • Shareholder compact	• Strategic intent statement and communiqué drafted and formally submitted to the Board	No variance
Appointment of nine (9) new Board members (incl. Chairman) to bring the Board to its full complement	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	Nine new Board members appointed	Cabinet memorandum signed May 2011 for appointment of nine (9) new Board members, which includes a new Chairperson. Board is now fully constituted	No variance
Alignment between Denel strategy and SANDF requirements (Retention of strategic and sovereign capabilities in areas agreed to with DoD)	Process underway to align Denel's capabilities with the DoD's strategic requirements. This is contingent upon the DoD finalising its military strategy	Optimal alignment between Denel's business model and the strategic requirements of the Department of Defence defence strategy	The Defence Review which provides the policy guideline on future capability requirements has not been finalised	The process to align Denel's capabilities with the DoD's strategic requirements is delayed pending the finalisation of the Defence Review by the DoD

Sub-programme: Denel				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
New business/growth strategy for Denel	Pillars for a new turnaround plan for Denel presented to Minister	Development of turnaround plan that pursues financial recovery and stability through improvements in its operational and financial performance to secure its long term viability and reduce dependence on the fiscus	Tenets for future Denel business model identified, preserving core competencies; diversification into civil sector; dual use technologies; consolidation and collaborative programmes. Study undertaken by McKinsey on scope for application of tenets to future Denel strategy	The Department will be submitting a Cabinet memorandum in 2012/13 giving details on the turnaround plan and growth strategy for Denel. This will also be accompanied by a supportive funding plan. The Defence Review could give further guidance in this regard
Managed exit from DSA Airbus A400M contract	• Resolution of DSA • Managed exit from DSA Airbus A400M contract	Renegotiation and exit of DSA Airbus A400M contract	The Term Sheet on the contract renegotiations with Airbus to improve the prices of the different ship sets was signed in December 2011	The amended A400M contract with Airbus is now anticipated to be finalised in 2012/13
New group structure with optimal governance structure that creates value, achieves greater business efficiency, stronger functionality while minimizing cost and duplication	Denel's future role in the economy defined by regular interaction and discussions with various stakeholders	Denel's future role in the economy defined by regular interaction and discussions with various stakeholders	Not achieved	This was not achieved because a new Board was appointed at the AGM in July 2011 and a new CEO was appointed in December 2011. The new Board and CEO have to fully apprise themselves of this issue. The Department will pursue this area further in 2012/13
Developmental contribution	Training and skills development and succession planning Improved performance in terms of BBEE targets	• Agreement with Denel on increased usage of Denel's training facilities • Skills development strategy and succession planning are continuously monitored in quarterly reports • Agreement with Denel on BBBEE targets included in the 2011/12 shareholder compact for attainment of Level 4 BEE contribution by March 2012	• Usage of the training facilities and skills development are continuously monitored in the quarterly reports • Quarterly report on skills development was done as part of quarterly report assessment • Compliance with BBBEE targets is continuously monitored in quarterly reports	No variance

Sub-programme: SAFCOL				
Performance Indicator	**Baseline (Actual Output) 2010/11**	**Actual Performance against Target**		**Reason for Variance**
Strategic intent statement, shareholder compact, corporate plan and annual report	Assessment of corporate plan finalised	Annual assessment of corporate plan: • Financial targets • Sustainable forestry management • Maintenance of shareholder value • Strategy	Assessment of corporate plan finalised	No variance
	Assessment of annual report	Analysis of SAFCOL's: • Financial performance (annual financial statements) • Operational performance • Strategy implementation	Assessment of annual report finalised	No variance
	Shareholder compact signed at AGM in September	Negotiate shareholder compact and its approval	Shareholder compact negotiated and agreed by both DPE and SAFCOL Boards	No variance
	Annual General Meeting (AGM)	• Strategic intent statement addressing key issues facing SAFCOL • Shareholder communiqué • Shareholder compact	• Strategic intent statement and communiqué drafted and formally submitted to the Board	No variance
	Comprehensive review undertaken • Cabinet memorandum on proposed SAFCOL Board nominations • Board replacements were subsequently effected	Board assessment	Board performance and assessment completed in preparation for AGM	No variance
	Assessment of turnaround plan and implications for corporate plan	Assess turnaround Plan	The assessment of the turnaround plan was finalised	No variance.
	Assess Section 54 PFMA applications	Assess Section 54(2) PFMA applications as required	No PFMA applications received for the period under review	No variance
Quarterly reports	Quarterly assessments of SAFCOL completed (Q4, Q1 and Q2), decision memoranda and investor briefs compiled and quarterly presentations to principals	Assessment of SAFCOL's quarterly reports. Assessment of SOC data capture on dashboard	Quarterly assessments of SAFCOL completed (Q4, Q1), decision memoranda and investor briefs compiled and quarterly presentations (Q4, Q1 & Q3) to principals done	No variance.

Sub-programme: SAFCOL				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
Position paper on SAFCOL's future role	• 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 • Initial work on the future role of SAFCOL commenced	Inter-governmental consultation and consensus on SAFCOL's future role Cabinet memorandum	Initial work on the future role of SAFCOL commenced which includes inter alia, inter-governmental and key stakeholders' consultations, assessment of the SAFCOL business turnaround plan and appointment of service providers to undertake economic impact assessment on strategy, vertical integration and the pricing of saw logs	The research on the economic impact assessment on vertical integration and the due diligence on IFLOMA is still underway
Oversight of share transfer to minority shareholders • Facilitate share transfer to minority shareholders pending inter-departmental resolution on optimal model	On receipt of Department Rural Development and Land Reform 's (DRDLR) decision on minority shareholding, effect transfer, and ensure SAFCOL's participation in land claims process	Implementation	A meeting between the Deputy Minister and Deputy Minister of Rural Development and Land Reform (DRDLR) on the warehousing of the minority shares was held	DRDLR still has to finalise the most optimal vehicle to warehouse the shares to ensure community benefit
Facilitate land claims process	N/A as task team was disbanded given lack of progress by RDLR (in light of departmental restructuring)	Ensure SAFCOL's participation in land claims process	The land claims task team was reconvened by the Department to design a land claims settlement model which will be beneficial to both SAFCOL and land claimants	No variance

Performance highlights

Denel

Denel has been showing positive signs since the implementation of the 2006 turnaround strategy. The company recorded its first positive cash return from operations and net profit in a decade during the 2010/11 financial year, and this trend is expected to continue. The future growth of the company is driven by a sustainable improvement in internal efficiencies, programme delivery and healthy progress in export market penetration. This strategic direction has already led to export orders in excess of R5 billion during the 2011/12 financial year. The SOC is pursuing prospects of over R40 billion in the short to medium term. However, these growth opportunities require the company to be on a healthy financial footing. The Department together with National Treasury are exploring optimal funding options for the Denel.

The challenges at Denel Aerostructures are being contained. The restructuring process undertaken during the past two years is beginning to show positive results in terms of financial and delivery performance. Through the support and intervention of the Department, Denel Aerostructures has successfully renegotiated some key aspects of the A400M contract with Airbus. As a result, the A400M work packages now support a viable business case for the company. The R700 million allocation in the 2012/13 MTEF process will prepare the company for the serial production phase for the A400M programme. The Department is working together with the Departments of Trade and Industry and Science and Technology to finalise and implement the recommendations of the Aerospace Sector

Development Plan (SDP) to support not only Denel Aerostructures but the entire local aerospace industry in line with the Industrial Policy Action Plan (IPAP II).

Despite improvements in BBBEE ratings, the Department is still concerned about the slow progress in employment equity. The Department has ulandated Denel with the responsibility to increase its focus on employment equity and skills development across all its business units.

SAFCOL

SAFCOL's 2011/12 preliminary results show the SOC posting a profit over the past two financial years. This is mainly due to improved prices and sales volumes compared to previous years. This was bolstered by SAFCOL's cost containment initiatives. SAFCOL embarked on a turnaround plan during the 2011/12 financial year. The two major components of the plan are the restructuring of the top and middle management structure, and the implementation of an Enterprise Resource Planning (ERP) system to ensure that an adequate supporting information management system is in place, replacing the obsolete and disjointed previous systems. In the 2011/12 financial year, SAFCOL also launched an extensive programme to support timber framed building structures as an alternative method of construction in South Africa.

The Department is undertaking consultations with key role players (DAFF, the dti, EDD and SAFCOL) on the future role of SAFCOL and plans to complete this process in 2012/13. In this regard, provision needs to be made for the outcomes of the Presidential Review Commission on State-Owned Companies, which could have implications for SAFCOL.

Programme 5: Transport Enterprises

Purpose

Align the corporate strategies and performance of Transnet, South African Airways and South African Express Airways with government's strategic intent and performance targets.

The programme comprises the following sub-programmes:

- Management – the Office of the Deputy Director-General;
- Transport Sector provides shareholder oversight of Transnet;
- Aviation Sector provides shareholder oversight of South African Airways and South African Express Airways;
- Legal and Risk (Transport) deals with all legal, governance and risk work specifically related to Transnet, South African Airways and South African Express.

Strategic Objectives

- Promote the alignment of corporate strategies of State-Owned Companies with government's objectives in relation to the transport and aviation sectors by undertaking a comprehensive review of corporate strategies, business plans, and annual and quarterly performance;
- Provide the Boards of Transnet, South African Airways and South African Express Airways with strategic intent statements at their annual general meetings to highlight shareholder priority areas and guide the policy direction of the enterprises;
- Implement a long-term strategy for improving the efficiency and performance of investments by State-Owned Companies by annually monitoring the key performance indicators and concluding shareholder compacts with the Boards of Transnet, South African Airways and South African Airways Express;
- Create an enabling environment for transport enterprises and ensure an appropriate balance between the enterprise interest and the consumer interest by:
  - engaging with the policy departments and relevant regulators on a regular basis as and when required;
  - ensuring the compliance of transport enterprises with the Public Finance Management Act (1999) and other legislative prescripts;
  - ensuring the contribution of Transnet to achievement of an efficient, competitive and responsive infrastructure (Output 3 of Outcome 6) by:
    - increasing the market share of total freight to rail to an annualised 250 mt from the current 177 mt by 2014 by undertaking a detailed diagnosis of challenges facing Transnet Freight Rail and developing an integrated government response to growing rail market share;
    - facilitating the introduction of private sector investment in rail through public-private partnerships to assist with the provision of requisite infrastructure where such investments are unaffordable on the Transnet balance sheet;
    - overseeing the introduction of multiple private operators on the branch line network to revitalise the network as a feeder to the core network and to realise socio-economic benefits;
    - facilitating the introduction of competition for the management of container terminals through the establishment of the Ngqura container terminal as a trans-shipment terminal;
    - pursuing incremental improvements in port productivity and rail operational efficiencies by creating performance incentives via the Transnet shareholder compact.
- Ensure the global competitiveness of the South African freight logistics industry by implementing national corridor performance measurement tools and indicators over the MTEF period to quantify the operational efficiency of freight corridors;
- Improve investment in rail infrastructure by monitoring the rollout of Transnet's capital expenditure programme

by annually assessing its impact for any significant deviations from corporate plans, including tracking cost overruns and time delays on major capital projects and taking the necessary action;

- 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 quarterly Transnet reports;
- Provide support to South African Airways to achieve sustainable levels of profitability by:
  - overseeing the implementation of the initiatives relating to the R1.6 billion guarantee to South African Airways;
  - encouraging consistent generation of bottom line profits in order to strengthen South African Airways' balance sheet.
- Monitor the alignment, strategy and mandate of South African Airways and South African Express Airways with the African aviation strategy by evaluating corporate plans and performance against targets quarterly.

Sub-programme: Transnet				
Performance Indicator	**Baseline (Actual Output) 2010/11**	**Actual Performance against Target**		**Reason for Variance**
		Target (2011 /12)	**Actual(2011/12)**	
Annual reports, corporate plan, shareholder compact	Assessment completed during June 2010	Assessment of the annual report and corporate plan	Annual report was assessed during June 2011. Assessment of corporate plan was completed in August 2011	No variance
	Shareholder compact signed in April 2010	Negotiation and approval of shareholder compact	2011/12 shareholder compact was signed on 24 June 2011	No variance
	New requirement	Preparation of the Quarterly Investor Brief	Quarterly Investor Briefs prepared with the exception of Q3 Investor Brief	Delays due to the late submission by SOC
Achievement of MTEF targets	Completed all quarterly assessments of performance	Quarterly and annual Monitoring	All quarterly assessments completed	No variance
	Section 54 application for iron ore capital expenditure approved	Assessment of PFMA applications	Applications approved during the financial year: • Acquisition of the old Durban International Airport • Acquisition of rolling stock for the iron ore line	No variance
Annual general meetings • advice to Minister on exercise of shareholder right	AGM held on 24 July 2010 and agenda forwarded in time on 2 July 2010	AGM agenda and shareholder response	AGM held on 24 June 2011. AGM agenda notice received on 3 June 2011 and shareholder approved the 2010/11 annual financial statements	No variance
	Appropriately skilled and pepresentative Board	Appropriately skilled and representative Board	No changes deemed necessary to the Board	No variance
SOC five-year performance review	Bi-annual report not required in 2009/2010	Analysis of five- year performance Input to DPE SOC five-year review publication	Not achieved; however a reporting template has been developed. Draft inputs have been prepared for submission	The project has been re-prioritised and will be completed in the new financial year

Sub-programme: Transnet				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011 /12)	Actual(2011/12)	
Increased rail market share to total freight	Minister's performance agreement	Diagnostic workshop with Transnet and report on key initiatives to address modal shift compact	Workshop held with Transnet Freight Rail on 14 December 2011 on rail reform Key initiatives to address modal shift: • Efficiencies gains • Rail policy	No variance
		Facilitate increase and improvements to Transnet rolling stock Fleet	PFMA approval granted to Transnet for acquisition of 95 locomotives on 21 December 2011	No variance
		Lead the development of an integrated government response to growing market share (by identifying relevant legislation to be amended and approved by Cabinet to support modal shift to rail)	Partially achieved. A number of workshops were held with DoT during the year to draft rail policy as a mechanism to facilitate modal shift to rail	As a policy department the DOT is leading discussions on rail policy and government response
	Minister's performance agreement	Monitor and ensure incremental targets for rail market share in shareholder	Incremental targets included in the shareholder compact. Target of 206 mt in 2011/12. 201 mt moved on rail, an increase of 19 mt from 2010/11	No variance
Multiple private operators on the branch lines network	Draft of branch line 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.	Concession and rollout of first wave of concessions	An enhancement model is in the process of being developed which will be carried over to 2012/13	Concessioning did not commence. The funding framework still needs to be finalised
		Facilitate at least 3 branch line concessions	Three branch line opportunities identified for concessioning: • Empangeni – Nkwalini (KZN) • Belmont – Douglas (NC) • Kroonstad – Bethlehem (FS) Concessions have not been achieved	
Public-Private Partnerships (PPPs) in rail infrastructure	Minister's performance agreement	Facilitate approval of the Transnet private sector participation framework by Cabinet	Draft Private Sector Participation (PSP) framework finalised for approval	Consultations are yet to be completed
		Oversee market testing of private sector appetite to invest	Not achieved	

Sub-programme: Transnet				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011 /12)	Actual(2011/12)	
Licensed operator for Ngqura container terminal	Agreed interim licence conditions for Transnet port terminal operations at Ngqura	Framework for private sector involvement in Ngqura container terminal developed and approved	Timelines for Ngqura transaction submitted to Cabinet. Transaction framework still being finalised	Delays in the appointment of a transaction advisor impacted on timelines for development of a transaction framework
		Oversee appointment of transaction advisor by Transnet	Appointment of transaction advisors initiated	No variance
Develop NCPM tools and indicators: • IT system in place • Agreed indicators • Population and monitoring of system data • Business intelligence outputs	First release of IT portal completed. Completed NCPM implementation on RBCT and Sishen- Saldanha. Northen Cape, PE and Natcor in progress	• Gauteng – Durban (Natcor) • Gauteng – Cape Town (Capecor) • Gauteng – Port Elizabeth • Gauteng – Maputo • IT system operational	• Gauteng – Durban corridor is approximately 70% complete • Gauteng – Port Elizabeth is complete • IT system is operational • Gauteng – Maputo is only scheduled for 2012/13	Data for Gauteng – Durban corridor outstanding. Gauteng – Cape Town is still in progress will be completed in 2012/13
• Monitor compliance to budget • Assess impact of changes in plan	An assessment of the progress on the capital expenditure undertaken on a quarterly basis	• Quarterly and annual assessment • Monitor delivery of the Transnet NMPP main trunk line	The NMPP trunk line was commissioned during January 2012	No variance
• National Freight Network design • Inputs to Transnet NIP	Desktop research completed to inform terms of reference	• Initiate study on National Freight Network design (rail and ports) • Input to DOT's NATMAP process	Not achieved	Project challenged by lack of funding and has been put on hold until funds are secured to complete the project
Leverage of Transnet capex in the development of local supplier industries	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	• Oversee development of Transnet supplier development plan • Monitor delivery of new jobs in supplier industries	Submission to Presidency on delivery of new jobs completed in conjunction with EIPA unit	Transnet submission of Supplier Development Plan (SDP) delayed. SDP submission expected in first quarter of 2012/13
Defined role for a developmental economy	High level financial model completed	Develop corporate structure options for Transnet	The corporate structure scenarios have been completed	No variance

Sub-programme: Aviation				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual(2011/12)	
Annual reports, corporate plan, shareholder compact	Review completed	Assessment of the annual report and corporate plan	Annual report and corporate plan assessments completed	No variance
	Signed between the SOC Boards and the Minister	Negotiation and approval of shareholder compact	Shareholder compact was signed	No variance
	New requirement	Preparation of the Quarterly Investor Brief	All investor briefs completed except for 3rd quarter brief for SAA & SAX	Delay was due to prioritization and focus on recapitalization and irregularities at SAX. SAX did not submit third quarter report due to the restatement of the financial statements for 2010/11 financial year
	Strategic intent statement was prepared.	Shareholder strategic intent communique in preparation for the SAA and SAX AGMs	Strategic intent statement has been developed and was delivered as part of the Minister's speech for the AGM	No variance
	Appointed new skilled and representative Board	Assessment of SOC Board	No changes deemed necessary to the Board	No variance
Achievement of MTEF targets	Quarterly reviews completed	Quarterly and annual Monitoring	All quarterly reviews completed except for 3rd quarter brief for SAA & SAX	Delay was due to work being re-prioritised and focus was on SAA financial difficulties and reported irregularities at SAX
	Assessments completed	Assessment of PFMA applications	Assessments completed as required	No variance
Annual General Meetings – advice to Minister on exercise of shareholder rights	Advice provided to Minister on AGM as required	AGM agenda and shareholder response	AGM held on 18/08/2011 (SAX) and 08/09/2011 (SAA). Agenda notice received on 01/08/2011 and 16/08/2011, respectively. Shareholder approved the 2010/11 annual financial statements	No variance
SOC five-year performance review	Bi-annual report last reviewed in 2009/2010	Analysis of five-year performance	Assessment not done	The project has been re-prioritised and will be completed in the new financial year
		Input to DPE SOC five-year review publication		
Assessment of strategic options	Service provider appointed. Currently developing the model, which should be completed by end of the second quarter of 2011/12 financial year	Financial model developed and scenarios assessed	Financial model developed	No variance
		Scenario planning and Forecasting	Training is underway on use of the model. Scenario assessment to commence in 2012/13 financial year	Due to the complicated nature of the model, more training was required to familiarise with the model

Sub-programme: Aviation				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual(2011/12)	
Development of an independent business focus and new strategic alignment	Business plans for South African Airways Technical (SAAT) and Voyager completed and submitted	Review and implement business plans	SAAT business plan review completed. Implementation is underway	Review of Voyager business plan delayed due to limited capacity and need to focus on the business plan in order to focus on recapitalisation requirements
Feasibility study	Feasibility study for expansion of SASAT completed in March 2011	Proposal to Cabinet and draft enabling Act	Assessment completed.	The proposal will form part of the African Aviation Strategy to be submitted in 2012/13 financial year

Performance highlights

Transnet

The Department demonstrated support for improved investment in infrastructure by facilitating shareholder approval for the procurement of 95 locomotives for the general freight business to enable reliable and predicable service to Transnet's customers, new rolling stock for the iron ore line and the acquisition of the Durban International Airport site for the construction of the new Dig out Port in Durban.

Through the shareholder compact, efforts to drive efficiency and volume growth in all areas of Transnet's business were also intensified. A new record of 1.22 million tons and 1.6 million tons per week were achieved on the iron ore and coal lines respectively. Overall efficiency has improved by 17% compared to the 2010/11 financial year while total volumes increased by 7.4% due to capital spending and operational improvements. At the ports, Pier 1 container terminal at the Port of Durban recorded increased productivity with gross crane moves per hour improving to an average of 28 compared to 23 in the previous financial year.

SAA and SAX

With regard to aviation, the key strategic objective for the Department in the financial year was strengthening the financial and liquidity position of South African Airways (SAA) and South African Express (SAX). Accordingly SAA reduced reliance on government support for the Air Traffic Liability (ATL) required by the International Licensing Council and funded the required ATL amount from the financial institutions. Furthermore, no additional guarantees were issued during 2011/12. Both the Department and National Treasury continue to undertake monthly monitoring of the conditions relating to the R1,6bn guarantee issued in 2009/10.

The airline industry market condition was weaker for the period under review. The industry reported poor results due to external economic factors resulting from the depressed global economic environment, high oil prices and high increases in administered fees. Consequently, cash and profit generation in SAA and SAX were negatively impacted. However on a more positive note, SAA launched five additional routes – Ndola, Kigali, Bujumbura, Pointe Noire and Cotonou – during the financial year and launched a direct link to Beijing in February 2012. Similarly, SAX launched operations into the African region from King Shaka International Airport (KSIA) and plans are underway to increase capacity on routes into Zambia, Zimbabwe and the DRC.

In the last two quarters of 2011/12 focus was on correcting the mis-statements in the financial statements of SAX, following the reported financial irregularities through the Fraud Hotline in September 2011. Consequently, the annual financial statements for 2010/11 were withdrawn in Parliament and the company is in the process of reconstructing the financials to ensure integrity and public confidence in the financial status of the company. The re-audit of the 2010/11 annual financial statements and necessary adjustments will be finalised in the first quarter of 2012/13. Arising from this experience, the Department prioritised the review of internal controls at all SOC and developed innovative measures to proactively identify risk areas.

Programme 6: Joint Project Facility (JPF)

Purpose

Align the Department and its portfolio of State-Owned Companies to national economic strategies, such as the New Growth Path and associated objectives, through focused policy research and the development of catalytic projects.

The programme comprises the following sub-programmes:

- Management – the Office of the Deputy Director-General;
- Joint Project Facility (JPF) provides programme management support for a number of catalytic projects that align the Department and its portfolio of State-Owned Companies to national economic strategies.

Strategic Objectives

The JPF's new mandate aims to align the DPE and its portfolio of SOC to national economic strategies and associated objectives through focused policy research and the development of catalytic projects.

- The procurement leverage/competitive supplier development programme leverages off State-Owned Companies' capital and operational procurements associated with Eskom's and Transnet's build programmes to promote investments in plant, technologies and skills in SOC suppliers. This supports the Industrial Policy Action Plan 2 and the New Growth Path. It includes both transactional and programmatic fleet procurement. The South African Renewables Initiative aims to reduce the cost of capital for renewables and provide additional funding for the renewable energy feed-in tariff. In future, the procurement leverage programme aims to establish a centre of excellence. The Infrastructure Supplier Benchmarking Programme, which builds the competitiveness of the local supplier base and is focused on supplier profiling, benchmarking, capacity building and matchmaking, will be relocated to the Department of Trade and Industry.
- Policy programmes aim at establishing the role of SOC and the shareholder executive in the Developmental State. They will also focus on the role of SOC in government's New Growth Path and develop a departmental position on macro-economic policy.
- The innovative infrastructure investment dialogue programme aims at interrogating existing investment plans' assumptions around unlocking growth and developing policies and funding strategies to increase the rate of investment in Eskom and Transnet. Better dialogue with key stakeholders is being contemplated to improve the performance of state-owned enterprises.
- The framework for Africa programme aims at defining focus areas with acceptable risk parameters and clear developmental impacts for the involvement of South Africa's State-Owned Companies in Africa and will also develop implementation policy for state-owned enterprises.
- The human resource, capacity building and transformation programme has several sub-programmes:
    - The skills development programme leverages the skills development capacity of SOC and their core suppliers to ensure the optimum provision of scarce and critical skills (artisans, technicians and engineers) in support of the build programme. This includes: overseeing skills planning and implementation in SOC and their suppliers; facilitating partnerships between SOC, further education and training institutions and industry, in support of artisan development; ensuring that SOC support the national skills agenda; and monitoring scarce and critical skills in SOC and ensuring that skills performance indicators are included in shareholder compacts.
    - The management learning programme develops a cadre of management leadership capability in SOC, agencies and regulators in South Africa and Africa. The University of Cape Town's Graduate School of Business launched this programme in May 2010.

- The parliamentary learning programme (Autumn School) is an annual event to provide the Parliamentary Portfolio Committee on Public Enterprises and National Council of Provinces select committees on labour and public enterprises with an opportunity to engage in dialogue with industry experts around key issues facing government and the SOC.

- The environmental issues project balances environmental conservation with the need to develop infrastructure rapidly. The environmental impact assessment process for strategically important developments has been streamlined for the SOC build programmes and a fund has been established to assist the process. The environmental impact assessments for strategically important developments are monitored, and where necessary ministerial intervention can be sought. The project also participates in broader engagements around air quality, water provision and climate change.
- The property project leverages off the non-core property portfolios of SOC to contribute to state priorities, such as land release for human settlement, property sector transformation, urban renewal and socio-economic development.

Project

Project: HR, Capacity Building and Transformation Programme: SOC and Supplier Skills Development				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011 /12)	Actual(2011/12)	
Establish partnerships between SOC, FET and industry in support of artisan development	Regular engagement with key partners to increase pool of artisans	Implementation and monitoring	• Collaboration between DPE and Department of Higher Education and Training (DHET) enhanced for SOC to support the national agenda • SOC Artisan and Technician Development Sub-Committee established and work plan implemented towards optimising SOC training facilities • Contributed to Technical Working Group (TWG) for the Further Education and Training (FET) Task Team to strengthen FET sector • Inputs made to the Energy and Water Sector Education and Training Authority (EWSETA) sector skills plans (SSP) and supported its strategic initiatives	No variance

Project: HR, Capacity Building and Transformation Programme: SOC and Supplier Skills Development				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011 /12)	Actual(2011/12)	
			• FET National Certificate Vocational (NCV) programmes aligned to South African Qualification Authority (SAQA) electrical and welding trades.	
	SOC committed to support optimisation of training facilities	Implementation and monitoring: National Skills Fund (NSF) funding applications submitted to DHET to optimise training facilities	• Transnet application to acquire funding to train additional 2000 artisan learners for the national pool from NSF submitted to DHET for approval • Facilitated due diligence by DHET/ NSF at Transnet Koedoespoort School of Engineering to guide NSF project evaluation process	Application for funding by Transnet to NSF is still being considered
	Reports on SOC skills implementation and capacity of training facilities	Conduct a study on skills and SOC training facility capacity	• Conducted a study/ audit on capacity of SOC training facilities to optimise training over and above SOC operational needs for the national pool	Study on skills deferred to 2012/13 due to amendments and focus on study to SOC learner management systems and development of an integrated framework
Skills development KPIs to be included in compacts.	• SOC pledged to support national agenda and development of scarce and critical skills	Implementation and monitoring: Facilitate inclusion of SOC KPIs in shareholder compacts and alignment to national agenda	• SOC scarce and critical skills defined in shareholder compacts and aligned to National Skills Accord commitments	No variance
Monitor skills dashboard: Oversight of SOC skills development. Monitor supplier skills for build programmes.	• Dashboard operational to monitor SOC and supplier skills implementation • SOC reports submitted, monitored and evaluated quarterly	Implementation and monitoring: Monitor SOC and supplier skills on dashboard	• Skills reporting dashboard upgraded. • SOC reports monitored and evaluated quarterly and achievements made as follows: - SOC: 6,573 learners in scarce and critical skills (artisans, technicians and engineers) - 5,209 learners in trade skills and graduates work exposure supported in Eskom suppliers towards youth development	No variance

Project: SOC Transformation Oversight				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011 /12)	Actual(2011/12)	
Monitor B-BBEE, employment equity and management transformation (Including succession planning).	Process introduced for implementation in 2011/12 contingent on additional resources.	Dashboard to include transformation indicators	• SOC employment equity and youth baseline reports concluded towards NGP contribution. • DPE Youth Economic Participation Programme launched in support of NGP. • DPE/SOC employment reports consolidated and incorporated in Department of Performance Monitoring and Evaluation (DPME) employment report in support of NGP.	No variance

Project: Specialised Skills Development Programmes				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011 /12)	Actual(2011/12)	
Management Learning Programme (MLP) review	MLP launched in May 2010. Modules 1, 2 and 3 completed. Reader completed	Annual review of programme	The DPE programme established by UCT and first group of students who passed graduated in December 2011	No variance
Hosting of annual PLP for Portfolio Committee on Public Enterprises and National Council of Provinces Select Committee for Labour and Public Enterprises	Successful learning programme hosted in May 2010	Annual Parliamentary Learning Programme (PLP)	Programme facilitation conducted in August 2011 for Portfolio Committee on Public Enterprises	No variance

Project: Procurement Leverage Programme				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011 /12)	Actual(2011/12)	
Ensure SOC demand planning and procurement implementation process to enable supplier development	Development of comprehensive enterprise and shareholder supplier development framework	Implementation and monitoring	Ongoing oversight of SOC implementation of key principles of supplier development framework	No variance
Institutionalise governance and accountability	Weak accountability within the SOC for conformance to supplier development objectives	Establish governance and accounting mechanism	SOC procurement guideline and governance entrenches supplier development requirements in procurement processes.	No variance
Ensure SOC design and implement next generation supplier development plans	Development of comprehensive enterprise and shareholder supplier development framework to guide the development of the next generation supplier development plans	Oversight of implementation and monitoring	Continuous dialogue and evaluation of SOC supplier development planning process and output	No variance

Project: Procurement Leverage Programme				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011 /12)	Actual(2011/12)	
Integration of supplier development with SOC procurement policy	Comprehensive programmatic and transactional procurement framework developed	DPE procurement framework for supplier development	SOC have comprehensively revised their procurement policies to align with the DPE procurement framework	No variance
Design and facilitate the implementation of long-term procurements	SOC have no long-term procurements, i.e. all procurements are transactional and with limited industrial impact	Monitor industrial capabilities	Transnet initiated planning for locomotive fleet procurement and Eskom initiated planning for filter bag fleet procurement based on massive industrial impacts	No variance
Locomotive fleet procurement for Transnet	Pre-feasibility study completed for locomotive procurement including demand analysis, funding and industrialisation strategy	Establish formal oversight committee and task team	Established internal oversight committee reporting to the Minister	No variance
Facilitate renewable procurements for the South African Renewables Initiative (SARi)	Renewables technology, market sensitivity analysis and quantitative analysis completed as part of the modelling of concessional funding structure	Leverage international climate financing commitments and align with DOE	Funding memorandum of agreement signed with four countries and the European Investment Bank. Project has been moved to Treasury and DOE	No variance
Nuclear fleet procurement based on IRP2 allocations. Align roles and responsibilities with DOE	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	Align roles and responsibilities with DOE	The process to align roles and responsibilities on nuclear fleet procurement is underway	The Department's role in the nuclear procurement is dependent on the Department of Energy's decision on Eskom's role in respect of the nuclear procurement which is still forthcoming. Focus on Eskom level of preparedness to take on different responsibilities.
Institutional design of Centre of Excellence for Complex Capital Projects	Development of strategy and business plan for Centre of Excellence with detailed support intervention defined for locomotive fleet procurement	Implementation	Not undertaken	Project placed on hold due to capacity constraints and lack of funding
Develop buyer requirement database	Initial demand side information received	Implementation	Database developed by United Nations Industrial Development Organisation (UNIDO) and population of key categories of information an ongoing process. Work is led by UNIDO. DPE is a stakeholder in the process, together with Transnet and Eskom	No variance

Project: Procurement Leverage Programme				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011 /12)	Actual(2011/12)	
SOC procurement capability certification project	Not completed. Organisational certification not completed as focused instead on enhanced CCP output as organisational certification was considered of secondary importance	Implementation	This indicator is linked to the Centre of Excellence for Complex Capital Projects and therefore was not implemented	Project placed on hold due to capacity constraints and lack of funding
Complex procurement skills development	Development of strategy and business plan for CCP Centre of Excellence with detailed support intervention defined for locomotive fleet procurement	Implementation		

Project: Policy Programme				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011 /12)	Actual(2011/12)	
Further development of shareholder management model	Draft shareholder management model	Implementation	Comprehensive position document written on State policy relating to direct ownership of SOC	No variance
Analysis of New Growth Path and SOC contribution	SOC commitment to support NGP process	Implementation and monitoring	A number of reports of SOC performance in relation to the elements of new growth path produced (linked to transformation, employment equity, youth development, skills and employment creation)	No variance
Analysis of macroeconomic policy and its impact on SOC viability	Process introduced for implementation in 2011/12 contingent on additional resources	Research alternative policies	Not undertaken	The project could not be undertaken due to capacity and resource constraints

Project: Strategic Programmes				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011 /12)	Actual(2011/12)	
Develop funding strategies.	Process introduced for implementation in 2011/12 contingent on additional resources	Develop relevant policies	Not undertaken	The project could not be undertaken due to capacity and resource constraints
Develop policy and focus areas in Africa for SOC involvement	Process introduced for implementation in 2011/12 contingent on additional resources	Develop implementation policy	Not undertaken	The project could not be undertaken due to capacity and resource constraints

Project: Property Project				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual(2011/12)	
Property disposals and facilitation of key integrated developments	• Draft guidelines for SOC-State transactions	Align SOC non-core property disposal policy and B-BBEE guidelines with Property Sector Charter Code	• Alignment of B-BBEE policy to property charter not undertaken as project was put on hold as Property Charter is not yet gazetted	No variance
	• Developed PFMA approval for Transnet's second list granted		• Engagement with Transnet and Dept of Human Settlement-led Joint Coordinating Committee on state land release for human settlement purposes	
	• Housing delivery agreement signed and multi-stakeholder process initiated to release SOC land	• Facilitate the State's first refusal for strategic State property acquisitions	• Participated in the Department of Human Settlement- led Joint Coordinating Committee to facilitate land release identified for human settlement	
	• Property dashboard developed and refined and monitoring of disposals on a quarterly basis	• Facilitation and monitoring	• Property dashboard upgraded and monitored disposals quarterly	

Project: Environmental Issues				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011 /12)	Actual(2011/12)	
Monitor environmental impact assessments for strategically important developments	Dashboard developed for improved monitoring of EIA for SID – relevant interventions undertaken to expedite resolution	Analysis and monitoring	Environmental impact assessments (EIA) monitored and analyzed on dashboard. Intervention by Minister sought regarding issues with respect to Transnet's and Eskom's projects	No variance
Implement DPE-DEA Eskom MOU.	Fund monitored on a quarterly basis and SOC contributions facilitated. DPE – Eskom engagement initiated on MOU	Implementation	Fund monitored and the DPE-Department of Environmental Affairs (DEA)-Eskom MOU in process of being reviewed	No variance
Define a climate change framework for SOC and approach for COP 17	Participated in inter-governmental climate change committee. Made inputs into the White Paper on Climate Change	Climate change framework for SOC	DPE/SOC climate change policy framework approved and implementation phase has commenced	No variance

Performance highlights

Procurement Leverage

Eskom and Transnet have put considerable effort into building their capabilities to manage and leverage the procurement of large capital projects and complex capital equipment to get both value for the enterprise and drive an industrialisation process in their supply chains. Both SOC have made significant progress in embedding the Competitive Supplier Development Programme (CSDP). Procurement policies, processes and related systems have been revised to ensure that supplier development concerns are integrated into all significant procurements. Transnet has made progress in building a locomotive cluster, through leveraging local content requirements, technology transfers, skills development processes and export offsets. Eskom has leveraged commitments of over R1,2 billion in manufacturing capacity by suppliers, of which R644 million has been invested. Transnet has entered into contracts of over R14 billion containing supplier development commitments of R5,4 billion, of which R2,9 billion has been delivered.

Skills Development

The SOC and the supplier network are playing an important role towards the development of scarce and critical skills for the build programme and related maintenance. SOC have committed skills indicators in shareholder compacts in support of the National Skills Accord. SOC enhanced their training facilities in support of the New Growth Path. Transnet has, through its 20 campuses, provided training for about 3500 engineering-related learners including artisans, technicians and engineers. Transnet enrolled 854 new artisan learners, which exceeds the National Skills Accord target.

Eskom has trained about 5400 learners, of whom 4200 are in engineering-related fields, enrolled 1066 new artisan learners and has achieved the National Skills Accord target. Eskom has also supported 5209 matriculants in trade skills and graduates for work experiential learning. Eskom has also mobilised its supply chain and has leveraged the training of 6130 people by suppliers as part of their contractual obligations.

SAA has enrolled 254 learners including cadet pilots, interns and artisan trainees. Denel has enrolled 118 learners, including engineering trainees, technician trainees and artisan trainees. Denel has enrolled an additional 229 at the Denel Technical Academy trained in partnership established with foreign countries, local private companies and the training of private learners; Broadband Infraco, SAX and SAFCOL have together enrolled 191 learners in line with the National Skills Accord commitments.

Youth Development

The DPE launched the Youth Economic Participation (YEP) programme in June 2011 to systematically mainstream the participation of youth in the economy within SOC business. The YEP programme includes a mechanism to help young entrepreneurs to access capital through collaboration with the development finance institutions such as Khula, the National Empowerment Fund and the Industrial Development Corporation.

Climate Change

In line with the White Paper on Climate Change and in the run-up to COP17, the DPE developed a Climate Change Policy Framework for SOC which is currently being implemented. The overarching objective of the framework is to optimise the impact of the SOC on the reduction of carbon emissions and development of the green economy without compromising SOC financial viability. In addition, a process in collaboration with the dti and the Industrial Development Corporation has been initiated to kick-start the bio-fuels industry in the region, as SAA will be requiring significant quantities of bio-fuels to minimise carbon taxes.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REPORT OF THE AUDIT COMMITTEE

for the year ended 31 March 2012

INTRODUCTION

We are pleased to present our report for the financial year ended 31 March 2012 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 held five (5) meetings as per the approved terms of reference.

NAMEOF MEMBER	NUMBER OF MEETINGS ATTENDED
Zienzile Musamirapamwe *(Chairperson)*	5/5
Mattie Joubert	4/5
Jerry Sithole	5/5

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 charter, 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 control 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 operation plan.

From the various reports of the Internal Auditors, the Audit Report in the Annual Financial Statements and the management letter of the Auditor-General, it was noted that no significant or material non-compliance with prescribed policies and procedures was identified. Accordingly, we can report that the system of internal control for the period under review was adequate and effective. For the year under review, there has been a notable improving trend in the control environment.

Control deficiencies are continuously being addressed by management through detailed action plans, which are monitored by Internal Audit and the Audit Committee for effective and timely implementation.

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 shareholder's risk profile on a quarterly basis. Progress has been made in implementing the Department's internal risk strategy. The Committee continued to monitor progress on achievement of internal risk management milestones.

Risk management and reporting on combined assurance 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 the whistle blowing logs. The whistle blowing reports are reviewed on a quarterly basis by the Committee, ensuring that appropriate risk mitigating action is taken.

The 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 the top.

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 conclusion 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 as evidenced by the attainment of the approved risk based audit plan. Internal Audit is independent as the Chief Audit Executive reports administratively to the Director-General and functionally to the Audit Committee.

Auditor-General South Africa

The Auditor-General attended the Audit Committee quarterly meetings and provided input. Any unresolved issues were discussed and resolved at these meetings.

Chairperson of the Audit Committee	27/07/2012 **Date**

REPORT OF THE ACCOUNTING OFFICER

for the year ended 31 March 2012

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

1. General review of the state of financial affairs

The Department of Public Enterprises provides shareholder oversight to nine State-Owned Companies (SOC): Alexkor, Broadband Infraco, Denel, Eskom, the Pebble Bed Modular Reactor, the South African Forestry Company Limited, South African Airways, South African Express 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.

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

	Programme name(s)	Target 2011/12	Achieved 2011/12
Number of shareholder compacts signed	Energy & Broadband Enterprises; Legal & Governance Manufacturing Enterprises; Transport Enterprises	8	7*
Number of new corporate plans reviewed	Energy & Broadband Enterprises; Legal & Governance Manufacturing Enterprises; Transport Enterprises	8	8
Number of quarterly financial reviews	Energy & Broadband Enterprises; Legal & Governance Manufacturing Enterprises; Transport Enterprises	32	31**
Number of projects	Joint Project Facility	6	5***

Variances: Targets were not achieved in the following areas:

* Shareholder compacts: Broadband Infraco – signature of the Shareholder Compact was delayed to April 2012 due to the appointment of the new Board.

** Quarterly financial reviews: The third quarterly review for South African Express was not completed due to the company's financials being re-stated.

*** Joint Project Facility : 1 project not achieved due to capacity constraints

Important policy decisions and strategic issues

The Presidential Review Committee (PRC) on State-owned companies was established by the President in May 2010 to review the role of the companies. The committee will announce its findings in 2012 and the Department will take these into account in its oversight function.

The July 2011 Cabinet Lekgotla approved the establishment of the Presidential Infrastructure Coordination Committee (PICC). The mandate of PICC is to ensure systematic selection, planning and execution of large projects. With Eskom and Transnet at the forefront of the Government's capital expenditure programme, the Department will seek to establish strong links with the PICC and act as an interface between the PICC and the SOC.

Revised vision statement and strategic plan for 2011 to 2014/15

The Department revised its vision statement to reflect the impact of the SOC investment and operational activities on economic growth and development. The new vision statement is: "to drive investment, productivity and transformation in the DPE's portfolio of SOC, and in their customers and suppliers to unlock growth, drive industrialisation, create jobs and develop skills".

In order to implement this vision, five key changes were identified as requirements to the shareholder oversight process:

1. The SOC need to change their investment planning framework from one that was based on what their balance sheet can afford, to one that is based on ascertaining what investments are required to unlock growth in their customers, and to create a stable demand platform for their suppliers;
2. New sources of funding for the expanded investment plans need to be mobilised, which potentially include the country's development finance institutions, pension funds and the large customers of the SOC;
3. The SOC need to procure from their suppliers in a way that promotes investment in national industrial capabilities, by providing medium term demand information and entering into longer term relationships with key suppliers;
4. The Department of Public Enterprises needs to provide the Minister with relevant support for bi-monthly meetings with the top management of the SOC to monitor progress in the implementation of key efficiency enhancing initiatives; and
5. Coordination between the Department, the SOC and all levels of government needs to be improved, to ensure that their capabilities are fully leveraged, that implementation is accelerated and that the impact of the programmes is optimised.

These changes require that the Department builds new capabilities, and that the responsibilities of existing units be expanded, and for the DPE establishment to be reviewed accordingly. With this in mind, an organisational and capacity review was undertaken with the assistance of the Department of Public Service and Administration to identify areas for efficiency improvements and gaps in the way the Department is organised relative to its mandate, and to ensure adequate delivery capacity in key performance areas, as well as strategic and operational changes required to strengthen the shareholder oversight function of the Department. Among the changes envisaged by the reorganised establishment are:

- That SOC-facing teams within the Department develop a comprehensive understanding of how the SOC investment and operational plans impact on the growth of customers and suppliers, to ensure that their planning cycles incorporate government's growth objectives;
- The new Strategic Partnerships sub-programme will identify strategic initiatives where external funds can be mobilised, and associated projects and governance arrangements. The unit will identify and oversee fleet procurements to enable the development of industrial capabilities in the SOC suppliers. The Department will need to keep track of the overarching national policy objectives, and ensure that the SOC develop the appropriate capabilities to deliver on these objectives so they become effective instruments of the developmental state.
- The Joint Project Facility unit will become the Economic Impact and Policy Alignment Unit sub-programme, whose function will be to monitor the SOC contribution to the national economy to determine areas in which SOC programmes need to be aligned with government's policy priorities.

Given the limited resources available to build these additional capabilities, the Department will have to implement this expanded scope in a phased manner, and where possible raise funds for ring-fenced projects from specialised facilities such as the Employment Creation Fund and other donor funds.

Projects undertaken or completed during the year

Shareholder Management

Standardised financial and risk reporting templates and dashboard with enhanced analytical functionality was developed. Quarterly shareholder reports were submitted on SOC performance and the detection and mitigation of cross-cutting shareholder risk. Guarantee and share office guidelines were developed, outlining a framework for issuing government guarantees, adequate monitoring and reporting on government guarantees, shareholder agreements, shareholder loans and share subscriptions, and provision of administrative practices for effective management of these instruments.

Legal

The Department continued with the management and coordination of the tracing and disbursement of benefits to beneficiaries of the Diabo Share Trust. The Department appointed two service providers in June 2010, a tracing agent and a paying agent in order to distribute the benefits in the Diabo Share Trust to beneficiaries. The Trust had approximately 9 000 beneficiaries who were entitled to benefits, 7545 of whom have been traced and 868 of whom have been paid. The trustees have surrendered all remaining funds to the Department and are in the process of finalising the financial statements for audit purposes. Once completed, an application will be made to the Master of the Supreme Court to wind up the Trust. It is anticipated that this will take place in 2012/13.

In 2001, the Government decided to dispose of its non-core assets such as Aventura Resorts. After years of protracted litigation by parties, the Department has made significant progress in transferring and registering most Aventura resorts in the names of their rightful purchasers.

An annual general meeting is scheduled for 28 May 2012, where a resolution to have the company liquidated by the sole shareholder will be passed.

The panel appointed to review the 2007 remuneration guidelines for non-executive and executive directors of the State-owned companies submitted its report and recommendations in December 2010. The report was subsequently submitted to Cabinet for consideration. Cabinet mandated the Minister of Public Enterprises to conduct further internal consultations towards the finalisation of a new remuneration model. The Department has therefore consulted with the National Treasury and the Departments of Economic Development, Public Service and Administration as well as the PRC on the SOC. Their views have been taken into consideration and the Department is in the process of developing a set of principles that will guide the remuneration of Executive and Non-Executive Directors of its SOC.

Energy

The Department, together with Eskom and National Treasury, has successfully negotiated and finalised loan agreements linked to the Clean Technology Fund for Eskom's renewable energy projects. These projects will be used as a catalyst for government to achieve its renewable energy targets as set out in the integrated resource plan. Since the inception of the Eskom build programme, additional capacity of 5 757 MW has been added to the grid, 3 899 kilometres of transmission lines laid and 20 195 MVA of transformation capacity was installed. Further capacity will be obtained under the new independent power production (IPPs) procurement programme and the completion of Eskom's build programme.

ICT Broadband

In 2011, the Department commissioned a service provider to perform an assessment of the positioning of Broadband Infraco within the telecommunication market (both national and international). This exercise will assist Broadband Infraco in developing a business case that is aligned with its statutory mandate to provide access to affordable broadband services across the country while also achieving commercial sustainability.

In order to align the shareholder objectives with policy and regulatory objectives, the Department has started to engage with other Departments by participating in the Broadband implementation committee which has been established by the Department of Communications.

Mining

Alexkor is focusing on implementing the Richtersveld land restitution order of the Land Claims Court. All the suspensive conditions for the pooling and sharing joint venture between Alexkor and the Richtersveld Mining Company have been fulfilled and the joint venture came into effect in April 2011.

Alexkor has the following outstanding obligations and liabilities: an environmental rehabilitation liability at Alexander Bay mine of R256.7 million; payment of R45 million to the Richtersveld Property Holding Company to secure Alexkor's right of occupation of the transferred residential properties for a period of ten (10) years; and post-retirement medical aid liability of R58.4 million. Alexkor will receive R350 million in 2012/13 to address liabilities in terms of the deed of settlement and other obligations.

With the formation of the joint venture with the community, Alexkor requires a paradigm shift. The future strategy for Alexkor should ensure the company's long term viability, while contributing to the socio-economic upliftment and development of the Richtersveld and Namaqualand region. This entails exploring opportunities for downstream beneficiation, the development of requisite skills,,and investment in research and development.

Defence

An agreement was reached with Airbus in the renegotiation of prices and risk sharing on the A400M work package contract, which makes the contract more commercially sustainable. Denel was allocated R700 million in 2012/13 to support the aerostructures business. The allocation will improve the group's net equity and cash position. In addition, the group will begin to reduce its debt from 2015/16 onwards. Denel, however, continues in the short to medium term to have low solvency position (even after recapitalisation by R700m). Confirmation of certain significant orders from the Department of Defence (DoD) would assist Denel revenues. Denel has an order pipeline of over R44 billion. The conversion of these opportunities will require coordinated government support.

The publication of the 2012 draft Defence Review document marks a significant step for the local defence industry which recognises the importance of support to the industry. The publication of key defence priorities is welcomed. The Department will make submission to the Defence Review Committee on some of the aspects of the draft document.

Forestry

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 and assessed by the Department.

The Department has engaged with the Department of Rural Development and Land Reform (DRDLR) on this and on the transfer of minority shares for the benefit of surrounding communities from previously privatised packages. The DRDLR is currently finalising its position on the most optimal institutional vehicle to warehouse and effect the transfers. Initial consultations with key role players (Department of Agriculture, Forestry and Fisheries (DAFF), the Department of Trade and Industry (the dti), the Department of Economic Development (EDD) and SAFCOL on SAFCOL's future role and business turnaround have been undertaken. The research on the economic impact assessment on vertical integration and the due diligence on the IFLOMA project is still underway.

Transport

The Department made significant progress in integrating industrialisation objectives in major SOC procurements. As part of the Competitive Supplier Development Programme (CSDP), Transnet received

26 of the 100 diesel electric locomotives which were purchased for its general freight business. A further 43 were purchased during December 2011 with a local content of 65%, resulting in significant skills transfer and job creation to South African manufacturing companies.

The Department implemented the National Corridor Performance Measurement (NCPM) on the bulk corridors. An information technology system is now in place which enhances the Department's role in monitoring port and rail efficiencies.

During the financial year, three branch lines were identified for possible private sector investment. These are Empangeni-Nkwalini, Belmont-Douglas and Kroonstad-Bethlehem. The viability study for each of these branch lines is scheduled to take place in 2012/13 as per Outcome 6.

To reduce the reliance of South African Airways on the fiscus, the Department has required that the airline secure its air traffic liability (ATL) guarantee from the financial institutions. The DPE intensively monitored and supported SAA to ensure the sustainability of the airline, which achieved a profit of R649 million in the 2010/11 financial year. The draft African Aviation Strategy, which seeks to integrate the State's aviation assets and ensure alignment with government's strategic objectives on the continent, was completed during the year.

Cross-cutting initiatives

A policy for programmatic and transactional procurements, and a strategy and business plan for a proposed centre of excellence for complex capital procurements were developed with support interventions defined for locomotive fleet procurement.

The Department conducted a parliamentary learning programme for the Portfolio Committee on Public Enterprises in August 2011.

Litigation

Nabera v Government of RSA & Alexkor

Nabera sued Alexkor and the national Government for alleged amounts resultant from a contract in terms of which Nabera managed Alexkor's mining assets and operations for a period of two years 1999–2001. Two claims were instituted by Nabera, namely a claim for management fees alleged to be due in terms of the contract, for the sum of R4.5million and a claim for alleged value added to the mining assets over the management period. Both Alexkor and the national Government have resisted these claims and are of the view that Nabera added no value to the mining assets and that the calculation made in this regard is incorrect and based on wrong assumptions. The matter is ready for trial, but has not proceeded to trial because Nabera has failed to apply for a trial date.

Aventura and the State v Mikanto Properties

Mikanto Properties launched application proceedings in the High Court of South Africa seeking to interdict Aventura from effecting transfer of eight (8) properties to Forever Resorts. The matter has not proceeded to court as Mikanto has not filed its replying affidavit. Aventura has instructed its legal representative to apply to the High Court of South Africa to have Mikanto's application removed from the roll.

Paharpur/Londoloza Consortium v SAFCOL and the Department.

This is a claim that arose in March 2009 for damages against the Government and SAFCOL by the Consortium for out-of-pocket expenses in the preparation of the tender which was subsequently withdrawn by government. 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

This is a claim that was instituted in April 2009 by Equity Alliance against the Government for the purchase of shares from Transnet in June 2002. The claim is based on an alleged oral assurance and guarantee given by the former officials of the Department stating that the ramp handling agreement between Equity Alliance and the Airports Company of South Africa (ACSA) would on termination 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. On 27 March 2012 the Court granted judgement in favour of Equity Alliance. The Department is in the process of filing a plea to the amended particulars of the claim by Equity Alliance.

Sable Hills vs Aventura and the Minister of Public Enterprises

Sable Hills (Pty) Ltd instituted action against Aventura, Mikanto (Mzingiza) Trading and the Minister. Summons was received on 28 June 2011.The claim is for rectification of the sale agreement and transfer of properties allegedly sold by government and Aventura to Sable Hills in 2002 but later transferred to Mikanto (Mzingiza.)

The relief that Sable Hills seeks is that Mikanto (Msingiza), the Minister and Aventura should be ordered to transfer the properties claimed to Sable Hills.

The State Attorney has entered a notice of intention to defend on behalf the Minister. Aventura also entered a notice of intention to defend. Subsequently, Sable Hills sought to amend its particulars. Notice was given but no further action to execute was taken by Sable Hills.

Ever since Sable Hills issued a notice to amend in 2011, no actual amendment has taken place. Therefore, there has been no progress in the matter.

Labour disputes

1. A former employee of the Department whose services were terminated in 2006 has claimed unfair dismissal. The Labour Court found in the Department's favour on two occasions in this matter. The Plaintiff is currently attempting to take the matter before the GPSSBC.
2. A former consultant engaged by the Department on a contractual basis instituted proceedings against the Department claiming that when his contract expired he was unfairly dismissed, and accordingly declared a dispute. The Department contends that the Consultant was not an employee and could therefore not claim dismissal. The matter went before the GPSSBC which found in his favour. Accordingly the Department has served and filed papers to review the GPSSBC's findings with the Labour Court.

Spending trends

Departmental Revenue and Expenditure

Collection of Departmental revenue

Revenue collection is not a core function of the Department and 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, the sale of redundant capital assets and interest on bank accounts. Capital assets such as computers are initially offered to schools, and in the event that they are not required are auctioned off to staff.

Expenditure per Department and Programme

The Department of Public Enterprises' voted budget for 2011/12 amounted to R 353.3 million, which was allocated to the following Programmes

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

The following table provides a summary of actual expenditure incurred vs budget appropriated per programme for the 2011/12 and 2010/11 financial years:

Programme	2011/12			2010/2011	
	Final Appropriation R'000	Actual Expenditure R'000	Expenditure as % of final appropriation	Final Appropriation R'000	Actual Expenditure R'000
1: Administration	119 020	118 632	99.7	104 834	101 541
2: Energy and Broadband Enterprises	59 199	58 154	98.2	174 476	170 857
3: Legal and Governance	12 480	10 779	86.4	50 023	48 797
4: Manufacturing Enterprises	125 301	124 536	99.4	192 782	189 595
5: Transport Enterprises	25 258	22 270	88.2	22 958	19 077
6: Joint Project Facility	12 084	11 744	97.2	10 476	10 134
TOTAL	**353 342**	**346 115**	**98.0**	**555 549**	**540 001**

The decrease of R202.2 million in the annual appropriation from R555.549 million to R353.342 million is mainly as a result of a decrease in transfer payments to State-owned companies.

Underspending amounting to R7.22 million was recorded in the 2011/12 financial year. This amount is made up of current expenditure in the operational budget which was 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 Goods and Services which arose due to some projects having been delayed due to capacity constraints. Accordingly, the Department has requested rollovers from National Treasury for two projects in the sum of R3.13 million in order for them to be completed in the new financial year. The Department spent 98% of its budget which was within its 2% underspending target.

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 in this programme amounted to R118.632 million in 2011/12 compared to R101.541 million in 2010/11. This increase is mainly due to the annual salary increases, as well as among others, audit fees for the Performance Audit carried out by the Auditor-General, office accommodation, replenishment of computers and upgrading of servers, replacement of vehicles where necessary as well as normal increases in costs of day to day goods and services.

Programme 2

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

Expenditure in this programme amounted to R 58.154 million in 2011/12 compared to R170.857 million in 2010/11. The decrease is mainly due to a reduction in payments for financial assets in respect of Broadband Infraco amounting to R138.6 million which was disbursed in 2010/11.

Programme 3

Legal and Governance: Provides systems that align State-owned enterprises with corporate governance best practice and government's strategic intent.

Expenditure for the programme amounted to R10.779 million 2011/12 compared to R48.797 million in 2010/11. This is due to no transfer payments being allocated for the year under review, and the final payment to Alexkor amounting to R36 million having been disbursed in 2010/11.

Programme 4

Manufacturing Enterprises: Aligns the corporate strategies and performance of Denel and the South African Forestry Company Limited with government's strategic intent and performance targets. It develops proposals for the State-owned companies' role in advanced manufacturing.

Expenditure for the programme amounted to R124.536 million in 2011/12 compared to R189.595 million in 2010/11. The decrease is mainly due to the reduction of the transfer payment to Denel from R181.296 million in 2010/11 to R116.255 million in 2011/12, 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 amounted to R22.27 million in 2011/12 compared to R19.077 million in 2010/11. The increase in expenditure in this programme is due to additional projects being undertaken in this financial year.

Joint Project Facility: Co-ordinates and develops cross-cutting projects that leverage the assets and capabilities of the State-owned companies to the benefit of the economy.

Expenditure for the programme amounted to R11.744 million in 2011/12 compared to R10.134 million in 2010/11. There was no substantive change to the expenditure in this programme, with the slight increase being attributed to the normal annual increases in salaries and goods and services.

Virements per programme

Programme	Adjusted Appropriation R'000	Virements R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000
1: Administration	110 970	8 050	119 020	118 632	388
2: Energy and Broadband Enterprises	61 199	(2 000)	59 199	58 154	1 045
3: Legal, Governance and Transactions	13 480	(1 000)	12 480	10 779	1 686
4: Manufacturing Enterprises	128 301	(3 000)	125 301	124 536	765
5: Transport Enterprises	26 258	(1 000)	25 258	22 270	2 988
6: Joint Project Facility	13 134	(1 050)	12 084	11 744	340
TOTAL	**353 342**	**-**	**353 342**	**346 115**	**7 212**

Programme 1: Administration

Compensation of Employees

- R42 000 was viremented to Human Resources;
- R87 000 was viremented to Secretariat;
- R80 000 was viremented to Director General;
- R7 000 was viremented to Knowledge Centre.

The total amount of R216 000 was viremented from Joint Project Facility.

Goods and Services

- R1 063 100 was viremented to Deputy Ministry;
- R4 400 000 was viremented to Ministry;
- R500 000 was viremented to Communications.

This was viremented from:

- R2 000 000 from Energy;
- R1 000 000 from Governance;
- R140 000 from Manufacturing Management;
- R1 100 000 from Defence;
- R1 600 000 from Forestry;
- R123 100 from Legal and Risk (Manufacturing).

Capital Expenditure

- R1 186 300 was viremented to Deputy Ministry;
- R224 700 was viremented to Ministry;
- R157 700 was viremented to Director General;
- R302 200 was viremented to Information Management.

The virements were done from:

- R36 000 – Legal and Risk (Manufacturing);
- R300 000 – Management Transport;
- R700 000 – Legal and Risk (Transport);
- R834 000 – Joint Project Facility.

Programme 2: Energy and Broadband

An amount of R2 000 000 was viremented from Energy – Goods and Services to Administration – Good and Services.

Programme 3: Legal and Governance

An amount of R1 000 000 was viremented from Governance – Goods and Services to Administration – Goods and Services

Programme 4: Manufacturing

A total amount of R3 000 000 from of Goods and Services was viremented to Administration as follows:

- R140 000 from Management;
- R1 100 000 from Defence;
- R1 600 000 from Forestry;
- R160 000 from Manufacturing: Legal and Risk.

Programme 5: Transport

R1 000 000 was viremented from Management (R300 000) and Legal and Risk (Transport)(R700 000) to Administration – Capital Expenditure.

Programme 6: Joint Project Facility

R216 000 was viremented from Management to Administration under Compensation of Employees; and R834 000 was viremented from Joint Project Facility under Goods and Services to Administration – Capital Expenditure.

Financial implications

- R8 050 000 has been added to Programme 1;
- R2 000 000 has been deducted from Programme 2;
- R1 000 000 has been deducted from Programme 3;
- R3 000 000 has deducted from Programme 4;
- R1 000 000 has been deducted from Programme 5;
- R1 050 000 has been deducted from Programme 6.

The virements between the programmes (main divisions of the Vote) were necessary to accommodate additional expenditure mainly in Programme 1 to accommodate the requirements of the newly appointed Minister and Deputy-Minister which occurred after the submission of the 2011/12 budgets, as well as, among others, the cost of the Performance Audit carried out by the Auditor-General, office accommodation, replenishment of computers and upgrading of servers and, replacement of vehicles. However, the virements are not in excess of the 8% specified in section 43 (2) of the PFMA.

The virements were approved by the Accounting Officer.

2. Services rendered by the Department

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

2.1 Tariff policy

The Department does not render services for which a tariff can be charged.

2.2 Free Services

The Department does not render any free services.

2.3 Inventories

This is disclosed under Annexure 6 of the Annual Financial Statements.

3. Capacity constraints

During the year under review the Department revised its vision statement and strategic plan for 2011 to 2014/15. As a result of this revised vision and strategy it became apparent that, in order for the Department to deliver on its objectives the organisational structure would have to be reviewed. Accordingly, the Minister of Public Enterprises requested the Department of Public Service and Administration (DPSA) to provide the Department with technical assistance and advice on the assessment of capacity, and on proposals to respond to gaps and challenges in this regard.

The outcome of the review was a functional structure which would be able to provide support to the Minister (representing the State as shareholder in the SOC) in alignment with the Department's new vision and strategic objectives as set out in its approved strategic plan. Arising from the review, the Department re-aligned some of the critical posts and going forward into 2012/13 will be in a position to accommodate a number of these posts. However, the Department still faces the challenge of inadequate funding to implement the revised structure, and faces the risk of not being able to deliver on its mandate if this is not addressed and funded over the next MTEF period.

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

4. Utilisation of donor funds

The Department did not make use of any donor funding.

5. Trading entities and public entities

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

6. Organisations to which transfer payments have been made

ENTITY	TOTAL BUDGET R'000	EXPENDITURE R'000	REMAINING BUDGET R'000	% OF TOTAL BUDGET USED
Denel	116 255	116 255	-	100.00
Pebble Bed Modular Reactor	40 000	40 000	-	100.00

- The transfer to Denel amounting to R116 255 million in terms of Denel's indemnity claim was disbursed in December 2011;
- The transfer to Pebble Bed Modular Reactor in May 2011 amounting to R40 million was to reimburse the South African Nuclear Energy Corporation for dismantling and decommissioning the fuel development laboratories.

Refer Annexure 1A of the Annual Financial Statements.

The Department does not exercise control over accounting arrangements in respect of the SOC within its portfolio save and except for the approval of the appointment of external auditors.

7. Public Private Partnerships (PPP)

The Department did not enter into any Public Private Partnership agreements during the 2011/12 financial year.

8. 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. During the year, the Department consolidated its operational and strategic/shareholder risk management approaches into a single, enterprise-wide risk management (ERM) approach, resulting in the implementation of an ERM Policy, ERM Strategy and ERM Framework. A high-level risk profile was subsequently 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. 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 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 received the attention of the Executive Committee. The Audit Committee approved the Department's combined assurance framework. The combined assurance framework has enhanced management's reporting on strategic risks and implementation of control objectives. The Audit Committee continues to monitor the implementation of the combined assurance framework in its meetings.

Fraud Prevention Initiatives

The Internal Audit unit is the custodian of the whistle-blowing policy and also administers the confidentiality reporting box. The Department continues to raise awareness on the Protected Disclosures Act on a monthly basis. Training on fraud and anti-corruption has been undertaken by various levels of officials within the Department. During the year under review the Department has not received any reports from the national fraud and anti-corruption hotline. The Department continues to implement the recommendations emanating from the audit of the Minimum Anti-Corruption Capacity requirements.

Internal Audit oversees all forensic investigations in the Department and as a result effectively monitors Management's actions to remedy identified internal control weaknesses. There has not been a forensic investigation in the current financial year.

Information Management

The Department has commenced with the development of an IT Governance Framework which will be completed in the 2012/13 financial year.

Other Governance Structures

The Department has the following internal governance structures which meet fortnightly, monthly or quarterly depending on the Committees terms of reference:

- Strategic Management Committee, chaired by the Minister
- Executive Committee (institutional and strategic) chaired by the Director-General
- Operations Committee, chaired by the Chief Financial Officer
- Operations Sub-Committee, chaired by the Director: Administration and Facilities
- Human Resources Development Committee, chaired by the Head: Human Resources
- Bid Adjudication Committee, chaired by Director: Legal Counsel
- 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 SOC:

- Chairpersons' Forum
- CEOs' Forum
- Governance and Risk Forum
- Isibuko Dashboard user Forum

These committees and forums meet on a regular basis throughout the year for strategic and operational oversight of SOC governance and performance, as well as the Department's internal governance and strategic and operational matters, e.g. policies, budget, supply chain management and compliance issues.

The Department operates within an approved delegation of authority framework. All SMS members are required on an annual basis to declare and complete their financial disclosure forms for reporting to the DPSA. The Department has extended the requirement for declaration of interests to all employees below SMS level as a governance mechanism to allow for management of all potential conflicts of interests among public servants.

The Bid Adjudication Committee Members and Audit Committee Members are required to declare any conflict of interest before their meetings proceed.

All employees are required to sign the departmental code of ethics and confidentiality agreements and are vetted for security clearance by the State Security 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 2011/12) and a fully functional OHS Committee.

The Department embarked on the following initiatives in 2011/12 to enhance the overall health, safety and environmental issues facing the organisation:

- Sweeping of the Department's offices by the National Intelligence Agency
- Service provider appointed to do monthly maintenance and repairs on all security systems
- Updated Evacuation Procedures available on the Department's Intranet

- The OHS Committee conducted training on OHS Accountabilities and on SHE Representatives responsibilities
- New employees are familiarized with the Departmental Evacuation Procedures during induction

9. Activities to be discontinued

The Office of the Chief Investment Portfolio Manager will be discontinued in 2012/13 in line with the revised/ re-aligned structure of the Department.

The Joint Project Facility will be discontinued in 2012/13 and will become the Economic Impact and Policy Alignment sub-programme in Programme 3.

Funding will be aligned and allocated to the appropriate units within the new structure in 2012/13.

10. New activities

The Strategic Partnerships sub-programme in Programme 3 was established in line with the revised structure, vision statement and strategic plan for 2011 to 2014/15. The activities of this unit are detailed in the General Review of the state of Financial Affairs of the Department.

The Economic Impact and Policy Alignment sub-programme in Programme 3 was established in line with the revised structure, vision statement and strategic plan for 2011 to 2014/15, replaces the former Joint Project Facility. The activities of this unit are detailed in the General Review of the state of financial affairs of the Department.

The funding for these activities will be re-aligned within the budget of the revised establishment.

11. 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 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.

Capital Assets

- During the year under review the Department disposed of unserviceable and redundant assets as well as writing off theft (R193 373.35) and losses at original cost value as per the asset register amounting to R1.973 million. Refer notes 27.2 and 27.5 respectively to the Annual Financial Statements for disposals of Capital Assets.

Minor Assets

- During the year under review the Department disposed of unserviceable and redundant assets as well as writing off theft (R1 599) and losses at original cost value as per the asset register amounting to R219 426. Refer note 27.4 to the Annual Financial Statements for disposals of Minor Assets.

12. Inventories

The Department has one store that consists mainly of stationery. The inventories on hand as at 31 March 2012 are valued at the weighted cost price which amounts to R33 920.34. The Department continues to implement its strategy of procuring consumables and stationery on a needs basis. The amount reflected at year end has increased relative to the previous year's closing balance of R10 261.91 because the distribution to units on receipt of stationery and consumables was not done prior to year end. Refer Annexure 6 of the Annual Financial Statements.

13. Events after the reporting date

The shareholder compact for Broadband Infraco was signed in April 2012, when the appointment of the new Board had been concluded.

Aventura held its annual general meeting on 28 May 2012 where a resolution was passed to liquidate the company.

On 12 June 2012 Mr Bulelani Gratitude Magwanishe was appointed as Deputy Minister to replace former Deputy Minister Benedict Martins, who is now Minister of Transport.

14. Information on predetermined objectives

The Department has a Performance Management Policy in place to regulate the performance management process. The purpose of this policy is to provide guidelines and standards on which the performance of DPE can be measured and managed towards the achievement of its strategic objectives. 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.

This policy is in line with the Framework for Managing Performance Information provided by the National Treasury, and is currently being reviewed in order to align it to the new Framework for Strategic Plans and Annual Performance Plans issued by National Treasury in August 2010. This framework for strategic plans and annual performance plans outlines key concepts that should guide institutions when developing strategic plans and annual performance plans and provides timeframes for submission, tabling and reporting on these documents; clarifies the relationship between institutions, policy developments and budgets; details and defines key concepts and information to be reported on in specific sections of the plans.

In this regard, the Department has aligned its processes to the framework governing management of performance information. Both the Strategic Plan for years 2012/13–2016/17 and Annual Performance Plan 2012/13 were approved and tabled in Parliament in March 2012. Both plans outline the key deliverables and indicators that the Department seeks to achieve as per its mandate.

Process and timelines for Managing Programme Performance

- Annual Strategic Planning Workshop and development of framework for annual Business Plan – December/January
- Strategic Plan and Annual Performance Plan printed and tabled in Parliament – March
- Quarterly reporting per programme and consolidated quarterly report for the Department within 30 days of the end of each quarter – approved by the Accounting Officer and submitted to the Minister, Audit Committee, National Treasury and Department of Performance Monitoring and Evaluation
- Mid-term Review Workshop to assess performance against targets and where necessary re-prioritise – October/November

- 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 – State Owned Companies

The Department has an obligation to review the performance of SOC. 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 SOC 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 SOC.

An electronic business intelligence dashboard system, the Isibuko Dashboard, has been implemented to allow for timely reporting by SOC, to monitor trends in financial and operational performance, capital investment programme, environmental impact assessments, socio-economic issues, governance, skills development, competitive supplier development programme 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 SOC environment that may impact its performance. It also allows a focus on priorities.

The Department monitors the SOC performance on a quarterly and annual basis. Quarterly and annual reports are analysed to determine whether SOC 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 SOC objectives and targets.

The Minister issues investor briefs to the SOC boards on a quarterly basis on emerging SOC performance trends and, in particular, highlights the required corrective action in the event of any deviation from the agreed key performance areas and indicators. A response to the investor brief is required from the Board within a month indicating measures to address highlighted concerns or mitigate emerging risks. If no response is received, this will be indicated at the AGM.

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

15. SCOPA resolutions

The Department did not have any resolutions issued by SCOPA

16. Prior modifications to audit reports

There were no findings in the Auditor-General's Report of 2010/11.

17. Exemptions and deviations received from the National Treasury

None

18. Interim Financial Statements

The Department submitted its Interim Financial Statements to the Office of the Accountant-General on a quarterly basis as required by National Treasury. The Department did not receive any queries from National Treasury on these for the period under review.

19. Other

19.1 During 2010/11 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. All misappropriated funds were recovered in this period.

19.2 In 2010/11 an amount of R117 423 358.41 was received from the Diabo Share Trust which was carried over into the 2011/12 financial year. A further amount of R7 328 827.00 was received from the Trustees in December 2011. A portion of these funds was transferred to the Corporation for Public Deposits and the balance retained in the DPE account for disbursements to identified beneficiaries as well as to service providers in respect of administrative costs relating to the tracing of beneficiaries as well as the administration of the claims. Interest amounting to R6 141 739.10 was received during 2011/12 on the account at the Corporation for Public Deposits.

20. Approval

The Annual Financial Statements set out on pages 84 to 138 have been approved by the Accounting Officer(s).

Tshediso Matona
Director-General
31 July 2012

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON VOTE NO. 11: DEPARTMENT OF PUBLIC ENTERPRISES

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Department of Public Enterprises set out on pages 84 to 131 which comprise the appropriation statement, the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets, and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the Departmental Financial Reporting Framework prescribed by the National Treasury with the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Public Enterprises as at 31 March 2012 and its financial performance and cash flows for the year then ended in accordance with the Departmental Financial Reporting Framework prescribed by the National Treasury and the requirements of the PFMA.

Additional matters

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

Financial reporting framework

8. The financial reporting framework prescribed by the National Treasury and applied by the Department 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.

Unaudited supplementary schedules

9. The supplementary information set out on pages 132 to 138 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

10. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

11. I performed procedures to obtain evidence about the usefulness and reliability of the information in the predetermined objectives as set out on pages 16 to 59 of the annual report.

12. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

13. There were no material findings on the information on predetermined objectives concerning the usefulness and reliability of the information.

Compliance with laws and regulations

14. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA.

Internal control

15. I considered internal control relevant to my audit of the financial statements and compliance with laws and regulations. I did not identify any deficiencies in internal control which we considered sufficiently significant for inclusion in this report.

OTHER REPORTS

Performance audits

16. During the year under review a performance audit of the oversight and governance systems of the Department of Public Enterprises over its state-owned companies was completed. The objective of the performance audit was to evaluate the economy, efficiency and effectiveness of the oversight and governance systems implemented by the department over the nine state-owned companies in its portfolio. The outcomes of this performance audit were included in a management report that was submitted to the department during February 2012.

Auditor General

Pretoria
31 July 2012

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

APPROPRIATION STATEMENT

for the year ended 31 March 2012

Appropriation per programme									
	2011/12							2010/11	
APPROPRIATION STATEMENT	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1. Administration									
Current payment	108 017	(33)	6 179	114 163	113 832	331	99.7%	100 604	97 584
Transfers and subsidies	753	-	-	753	723	30	96.0%	710	694
Payment for capital assets	2 200	-	1 871	4 071	4 071	-	100.0%	3 411	3 169
Payment for financial assets	-	33	-	33	6	27	18.2%	109	94
	110 970	-	8 050	119 020	118 632	388		104 834	101 541
2. Energy and Broadband Enterprises									
Current payment	21 199	-	(2 000)	19 199	18 154	1 045	94.6%	15 876	12 257
Transfers and subsidies	40 000	-	-	40 000	40 000	-	100.0%	20 000	20 000
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	138 600	138 600
	61 199	-	(2 000)	59 199	58 154	1 045		174 476	170 857
3. Legal and Governance									
Current payment	13 480	-	(1 000)	12 480	10 779	1 701	86.4%	14 023	12 797
Transfers and subsidies	-	-	-	-	-	-	-	36 000	36 000
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
	13 480	-	(1 000)	12 480	10 779	1 701		50 023	48 797

APPROPRIATION STATEMENT

for the year ended 31 March 2012 *(Continued)*

Appropriation per programme									
	2011/12							2010/11	
APPROPRIATION STATEMENT (continue)	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
4. Manufacturing Enterprises									
Current payment	12 046	-	(3 000)	9 046	8 281	765	91.5%	11 486	8 299
Transfers and subsidies	116 255	-	-	116 255	116 255	-	100.0%	181 296	181 296
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
	128 301	-	(3 000)	125 301	124 536	765		192 782	189 595
5. Transport Enterprises									
Current payment	26 258	-	(1 000)	25 258	22 270	2 988	88.2%	22 958	19 077
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
	26 258	-	(1 000)	25 258	22 270	2 988		22 958	19 077
6. Joint Project Facility									
Current payment	13 134	-	(1 050)	12 084	11 744	340	97.2%	10 476	10 134
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
	13 134	-	(1 050)	12 084	11 744	340		10 476	10 134
TOTAL	**353 342**	**-**	**-**	**353 342**	**346 115**	**7 227**	**98.0%**	**555 549**	**540 001**

APPROPRIATION STATEMENT

for the year ended 31 March 2012 *(Continued)*

	2011/12				2010/11	
	Final Appropriation	Actual Expenditure	Variance		Final Appropriation	Actual Expenditure
	R'000	R'000	R'000		R'000	R'000
TOTAL (brought forward)	353 342	346 115	7 227		555 549	540 001
Reconciliation with statement of financial performance						
ADD						
Departmental receipts	66				266	
Aid assistance	13 471				128 935	
Actual amounts per statement of financial performance (total revenue)	366 879				684 750	
ADD						
Aid assistance		7 185				9 460
Actual amounts per statement of financial performance (total expenditure)		353 300				549 461

APPROPRIATION STATEMENT

for the year ended 31 March 2012 *(Continued)*

Appropriation per economic classification									
	2011/12							2010/11	
APPROPRIATION STATEMENT	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	100 017	-	-	100 017	96 158	3 859	96.1%	90 314	83 058
Goods and services	94 117	(33)	(1 871)	92 213	88 902	3 311	96.4%	85 109	77 090
Transfers and subsidies									
Public corporations and private enterprises	156 255	-	-	156 255	156 255	-	100.0%	237 296	237 296
Gifts and donations	753	-	-	753	723	30	96.0%	710	694
Payments for capital assets									
Machinery and equipment	2 010	40	1 871	3 921	3 922	(1)	100.0%	3 411	3 169
Software and other intangible assets	190	(40)	-	150	149	1	99.3%	-	-
Payments for financial assets	-	33	-	33	6	27	18.2%	138 709	138 694
Total	**353 342**	**-**	**-**	**353 342**	**346 115**	**7 227**	**98.0%**	**555 549**	**540 001**

APPROPRIATION STATEMENT

for the year ended 31 March 2012 *(Continued)*

	2011/12							2010/11	
Detail per programme 1: Administration	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1.1 Ministry									
Current payment	25 961	(50)	5 463	31 374	30 450	924	97.1%	23 427	24 026
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	1 411	1 411	1 411	-	100.0%	1 821	1 820
Payment for financial assets	-	-	-	-	-	-	-	-	-
1.2 Management									
Current payment	14 498	(2 282)	80	12 296	13 322	(1 026)	108.3%	15 003	14 750
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	158	158	158	-	100.0%	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
1.3 Internal Audit									
Current payment	3 662	674	-	4 336	4 285	51	98.8%	3 073	3 009
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
		-							
1.4 Corporate Services									
Current payment	28 969	(808)	136	28 297	27 680	617	97.8%	27 587	26 426
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	225	(49)	-	176	176	-	100.0%	605	220
Payment for financial assets	-	-	-	-	-	-	-	-	-
1.5 Chief Financial Officer									
Current payment	17 845	1 047	-	18 892	19 158	(266)	101.4%	17 815	16 798
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	1 975	49	302	2 326	2 326	-	100.0%	985	1 129
Payment for financial assets	-	33	-	33	6	27	18.2%	109	94

APPROPRIATION STATEMENT

for the year ended 31 March 2012 *(Continued)*

Detail per programme 1: Administration Continued	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1.6 Communication									
Current payment	10 324	1 386	500	12 210	12 328	(118)	101.0%	7 318	7 162
Transfers and subsidies	753	-	-	753	723	30	96.0%	710	694
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
1.7 Office Accomodation									
Current payment	6 758	-	-	6 758	6 609	149	97.8%	6 381	5 413
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
Total	**110 970**	**-**	**8 050**	**119 020**	**118 632**	**388**	**99.7%**	**104 834**	**101 541**

Economic classification	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	54 773	-	216	54 989	54 977	12	100.0%	48 924	46 582
Goods and services	53 244	(33)	5 963	59 174	58 855	319	99.5%	51 680	51 002
Transfers and subsidies to:									
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Gifts and donations	753	-	-	753	723	30	96.0%	710	694
Payment for capital assets									
Machinery and equipment	2 010	40	1 871	3 921	3 922	(1)	100.0%	3 411	3 169
Software and other intangible assets	190	(40)	-	150	149	1	99.3%	-	-
Payments for financial assets	-	33	-	33	6	27	18.2%	109	94
Total	**110 970**	**-**	**8 050**	**119 020**	**118 632**	**388**	**99.7%**	**104 834**	**101 541**

APPROPRIATION STATEMENT

for the year ended 31 March 2012 *(Continued)*

	2011/12							2010/11	
Detail per programme 2: Energy and Broadband Enterprises	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
2.1 Management									
Current payment	2 639	170	-	2 809	2 889	(80)	102.8%	3 198	3 010
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
2.2 Information Communication Technology Sector Broadband									
Current payment	6 469	993	-	7 462	7 197	265	96.4%	4 540	2 148
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	138 600	138 600
2.3 Energy Sector									
Current payment	9 400	(993)	(2 000)	6 407	6 402	5	99.9%	8 138	7 099
Transfers and subsidies	40 000	-	-	40 000	40 000	-	100.0%	20 000	20 000
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
2.4 Legal and Risk (EBE)									
Current payment	2 691	(170)	-	2 521	1 666	855	66.1%	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
Total	**61 199**	**-**	**(2 000)**	**59 199**	**58 154**	**1 045**	**98.2%**	**174 476**	**170 857**

APPROPRIATION STATEMENT

for the year ended 31 March 2012 *(Continued)*

	2011/12							2010/11	
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	14 410	-	-	14 410	13 470	940	93.5%	11 737	10 821
Goods and services	6 789	-	(2 000)	4 789	4 684	105	97.8%	4 139	1 436
Transfers and subsidies to:									
Public corporations and private enterprises	40 000	-	-	40 000	40 000	-	100.0%	20 000	20 000
Gifts and donations	-	-	-	-	-	-	-	-	-
Payment for capital assets									
Machinery and equipment	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
Payments for financial assets	-	-	-	-	-	-	-	138 600	138 600
Total	**61 199**	**-**	**(2 000)**	**59 199**	**58 154**	**1 045**	**98.2%**	**174 476**	**170 857**

APPROPRIATION STATEMENT
for the year ended 31 March 2012 *(Continued)*

	2011/12							2010/11	
Detail per programme 3: Legal and Governance	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
3.1 Management									
Current payment	1 763	109	-	1 872	1 807	65	96.5%	1 890	1 581
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
3.2 Legal									
Current payment	6 222	341	-	6 563	6 478	85	98.7%	11 156	10 340
Transfers and subsidies	-	-	-	-	-	-	-	36 000	36 000
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
3.3 Governance									
Current payment	5 495	(450)	(1 000)	4 045	2 494	1 551	61.7%	977	876
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
Total	**13 480**	**-**	**(1 000)**	**12 480**	**10 779**	**1 701**	**86.4%**	**50 023**	**48 797**

APPROPRIATION STATEMENT

for the year ended 31 March 2012 *(Continued)*

	2011/12							2010/11	
Economic classification	Adjusted Appropria-tion	Shifting of Funds	Virement	Final Appropria-tion	Actual Expendi-ture	Variance	Expendi-ture as % of final appro-priation	Final Appropria-tion	Actual Expendi-ture
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	6 947	-	-	6 947	5 591	1 356	80.5%	5 424	4 785
Goods and services	6 533	-	(1 000)	5 533	5 188	345	93.8%	8 599	8 012
Transfers and subsidies to:									
Public corporations and private enterprises	-	-	-	-	-	-	-	36 000	36 000
Gifts and donations	-	-	-	-	-	-	-	-	-
Payment for capital assets									
Machinery and equipment	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
Payments for financial assets	-	-	-	-	-	-	-	-	-
Total	**13 480**	**-**	**(1 000)**	**12 480**	**10 779**	**1 701**	**86.4%**	**50 023**	**48 797**

APPROPRIATION STATEMENT

for the year ended 31 March 2012 *(Continued)*

Detail per programme 4: Manufacturing Enterprises	2011/12							2010/11	
	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
4.1 Management									
Current payment	2 068	775	(140)	2 703	2 466	237	91.2%	3 405	2 996
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
4.2 Defence Sector									
Current payment	4 361	(650)	(1 100)	2 611	2 716	(105)	104.0%	6 079	3 994
Transfers and subsidies	116 255	-	-	116 255	116 255	-	100.0%	181 296	181 296
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
4.3 Forestry Sector									
Current payment	3 707	(125)	(1 600)	1 982	1 986	(4)	100.2%	2 002	1 309
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
4.4 Legal and Risk (Manufacturing)									
Current payment	1 910	-	(160)	1 750	1 113	637	63.6%	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
Total	**128 301**	**-**	**(3 000)**	**125 301**	**124 536**	**765**	**99.4%**	**192 782**	**189 595**

APPROPRIATION STATEMENT

for the year ended 31 March 2012 *(Continued)*

Economic classification	2011/12 Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	2010/11 Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	7 882	-	-	7 882	7 423	459	94.2%	7 166	5 290
Goods and services	4 164	-	(3 000)	1 164	858	306	73.7%	4 320	3 009
Transfers and subsidies to:									
Public corporations and private enterprises	116 255	-	-	116 255	116 255	-	100.0%	181 296	181 296
Gifts and donations	-	-	-	-	-	-	-	-	-
Payment for capital assets									
Machinery and equipment	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
Payments for financial assets	-	-	-	-	-	-	-	-	-
Total	**128 301**	**-**	**(3 000)**	**125 301**	**124 536**	**765**	**99.4%**	**192 782**	**189 595**

APPROPRIATION STATEMENT

for the year ended 31 March 2012 *(Continued)*

Detail per programme 5: Transport Enterprises	2011/12							2010/11	
	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
5.1 Managment									
Current payment	2 826	(600)	(300)	1 926	1 768	158	91.8%	3 221	3 043
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
5.2 Transport Sector									
Current payment	11 836	2 336	-	14 172	11 831	2 341	83.5.%	14 073	12 720
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
5.3 Aviation Sector									
Current payment	8 114	(2 606)	-	5 508	5 153	355	93.6%	5 664	3 314
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
5.4 Legal and Risk (Transport)									
Current payment	3 482	870	(700)	3 652	3 518	134	96.3%	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
Total	**26 258**	**-**	**(1 000)**	**25 258**	**22 270**	**2 988**	**88.2%**	**22 958**	**19 077**

APPROPRIATION STATEMENT

for the year ended 31 March 2012 *(Continued)*

Economic classification	2011/12 Adjusted Appropriation	2011/12 Shifting of Funds	2011/12 Virement	2011/12 Final Appropriation	2011/12 Actual Expenditure	2011/12 Variance	2011/12 Expenditure as % of final appropriation	2010/11 Final Appropriation	2010/11 Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	12 141	-	-	12 141	11 217	924	92.4%	13 296	12 034
Goods and services	14 117	-	(1 000)	13 117	11 053	2 064	84.3%	9 662	7 043
Transfers and subsidies to:									
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Gifts and donations	-	-	-	-	-	-	-	-	-
Payment for capital assets									
Machinery and equipment	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
Payments for financial assets	-	-	-	-	-	-	-	-	-
Total	**26 258**	**-**	**(1 000)**	**25 258**	**22 270**	**2 988**	**88.2%**	**22 958**	**19 077**

APPROPRIATION STATEMENT

for the year ended 31 March 2012 *(Continued)*

Detail per programme 6: Joint Project Facility	2011/12							2010/11	
	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
6.1 Management									
Current payment	1 324	(100)	(216)	1 008	886	122	87.9%	622	421
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
6.2 Joint Project Facility									
Current payment	11 810	100	(834)	11 076	10 858	218	98.0%	9 854	9 713
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
Total	**13 134**	**-**	**(1 050)**	**12 084**	**11 744**	**340**	**97.2%**	**10 476**	**10 134**

Economic classification	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	3 864	-	(216)	3 648	3 480	168	95.4%	3 767	3 546
Goods and services	9 270	-	(834)	8 436	8 264	172	98.0%	6 709	6 588
Transfers and subsidies to:									
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Gifts and donations	-	-	-	-	-	-	-	-	-
Payment for capital assets									
Machinery and equipment	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
Payments for financial assets	-	-	-	-	-	-	-	-	-
Total	**13 134**	**-**	**(1 050)**	**12 084**	**11 744**	**340**	**97.2%**	**10 476**	**10 134**

NOTES TO THE APPROPRIATION STATEMENT

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

Detail 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)

4.1

Per Programme	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	R'000
Administration	119 020	118 632	388	0.3%
Energy and Broadband Enterprises	59 199	58 154	1 045	1.8%
Legal and Governance	12 480	10 779	1 701	13.6%
Manufacturing Enterprises	125 301	124 536	765	0.6%
Transport Enterprises	25 258	22 270	2 988	11.8%
Joint Project Facility	12 084	11 744	340	2.8%
	353 342	**346 115**	**7 227**	**2.0%**

Underspending amounting to R7.22 million was recorded in the 2011/12 financial year. This amount is made up of current expenditure in the operational budget which was 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 Goods and Services which arose due to some projects having been delayed due to capacity constraints. Accordingly, the Department has requested rollovers from National Treasury for two projects in the sum of R3.13 million in order for them to be completed in the new financial year. The Department spent 98% of its budget which was within its 2% underspending target.

Programme 3: Legal and Governance

The underspending is in Compensation of Employees due to vacant posts in this programme.

Programme 5: Transport Enterprises

The underspending is mainly in Goods and Services, due to some projects having been delayed until very late in the year.

Programme 6: Joint Project Facility

The underspending is mainly in Goods and Services, due to some projects having been delayed.

4.2

Per Programme	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	R'000
Current payments				
Compensation of employees	100 017	96 158	3 859	3.9%
Goods and services	92 213	88 902	3 311	3.6%
Transfers and subsidies				
Public corporations and private enterprises	156 255	156 255	-	0.0%
Gifts and donations	753	723	30	4.0%
Payments for capital assets				
Machinery and equipment	3 921	3 922	(1)	0.0%
Software and other intangible assets	150	149	1	0.7%
Payments for financial assets	33	6	27	81.8%
	353 342	**346 115**	**7 227**	**2.0%**

Compensation of employees' underspending 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 due to capacity constraints.

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2012

PERFORMANCE	Note	2011/12 R'000	2010/11 R'000
REVENUE			
Annual appropriation	1	353 342	555 549
Departmental revenue	2	66	266
Aid assistance	3	13 471	128 935
TOTAL REVENUE		**366 879**	**684 750**
EXPENDITURE			
Current expenditure			
Compensation of employees	4	96 158	83 058
Goods and services	5	88 902	77 090
Aid assistance	3	7 185	9 460
Total current expenditure		**192 245**	**169 608**
Transfers and subsidies			
Transfers and subsidies	7	156 978	237 990
Total transfers and subsidies		**156 978**	**237 990**
Expenditure for capital assets			
Tangible capital assets	8	3 922	3 169
Software and other intangible assets	8	149	-
Total expenditure for capital assets		**4 071**	**3 169**
Payments for financial assets	6	**6**	**138 694**
TOTAL EXPENDITURE		**353 300**	**549 461**
SURPLUS/(DEFICIT) FOR THE YEAR		**13 579**	**135 289**
Reconciliation of Net Surplus/(Deficit) for the year			
Voted funds		**7 227**	**15 548**
Annual appropriation		7 227	15 548
Departmental revenue and NRF Receipts	14	66	266
Aid assistance	3	6 286	119 475
SURPLUS/(DEFICIT) FOR THE YEAR		**13 579**	**135 289**

STATEMENT OF FINANCIAL POSITION
for the year ended 31 March 2012

POSITION	Note	2011/12 R'000	2010/11 R'000
ASSETS			
Current assets		**129 963**	**136 605**
Cash and cash equivalents	9	128 876	134 668
Prepayments and advances	10	752	412
Receivables	11	335	1 525
Non-current assets		**24 099 585**	**24 099 585**
Investments	12	24 099 585	24 099 585
TOTAL ASSETS		**24 229 548**	**24 236 190**
LIABILITIES			
Current liabilities		**129 963**	**136 605**
Voted funds to be surrendered to the Revenue Fund	13	7 227	15 548
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	14	(52)	16
Payables	15	1 801	1 566
Aid assistance repayable	3	-	4 774
Aid assistance unutilised	3	120 987	114 701
TOTAL LIABILITIES		**129 963**	**136 605**
NET ASSETS		**24 099 585**	**24 099 585**
Represented by:			
Capitalisation reserve		24 099 585	24 099 585
TOTAL		**24 099 585**	**24 099 585**

The prior year's amount of R119 475 reflected under Aid Assistance unutilised was incorrectly printed and should have reflected R114 701, however there was no effect on the total amount which was published correctly.

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2012

NET ASSETS	Note	2011/12 R'000	2010/11 R'000
Capitalisation Reserves			
Opening balance		24 099 585	23 960 985
Transfers:			
Movement in Equity		-	138 600
Closing balance	12	**24 099 585**	**24 099 585**
TOTAL		**24 099 585**	**24 099 585**

CASH FLOW STATEMENT

for the year ended 31 March 2012

CASH FLOW	Note	2011/12 R'000	2010/11 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		**366 871**	**684 745**
Annual appropriated funds received	*1.1*	353 342	555 549
Departmental revenue received	*2*	58	261
Aid assistance received	*3*	13 471	128 935
Net (increase)/decrease in working capital		1 085	139
Surrendered to Revenue Fund		(15 682)	(9 103)
Surrendered to RDP Fund/Donor		(4 774)	-
Current payments		(192 245)	(169 608)
Payments for financial assets		(6)	(138 694)
Transfers and subsidies paid		(156 978)	(237 990)
Net cash flow available from operating activities	*16*	**(1 729)**	**129 489**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital assets	*8*	(4 071)	(3 169)
Proceeds from sale of capital assets	*2.3*	8	5
Net cash flows from investing activities		**(4 063)**	**(3 164)**
Net increase/(decrease) in cash and cash equivalents		(5 792)	126 325
Cash and cash equivalents at beginning of period		134 668	8 343
Cash and cash equivalents at end of period	*17*	**128 876**	**134 668**

ACCOUNTING POLICIES

for the year ended 31 March 2012

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 comprises of departmental allocations as well as direct charges against 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 at the end if the financial year 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 notes to the annual financial statements.

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 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 then 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).

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 underspending 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.

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 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.

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

4.8.3 Intangible assets

Initial recognition

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

All intangible assets acquired prior to 1 April 2002 can be included in the asset register at R1.*

Subsequent expenditure

Subsequent expenditure of a capital nature is recorded in the statement of financial performance as "expenditure for capital asset" and is capitalised in the asset register of the department.

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

5. Liabilities

5.1 Payables

Recognised payables mainly comprise of amounts owing to other governmental 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.

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 discloser notes to the financial statement.

5.8 Impairment

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.

5.9 Provisions

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 underlying 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 2012

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:

Per Programme	2011/12			2010/11
	Final Appropriation	Actual Funds Received	Funds not requested/ not received	Appropriation received
	R'000	R'000	R'000	R'000
Administration	119 020	119 020	-	104 834
Energy and Broadband Enterprises	59 199	59 199	-	174 476
Legal and Governance	12 480	12 480	-	50 023
Manufacturing Enterprises	125 301	125 301	-	192 782
Transport Enterprises	25 258	25 258	-	22 958
Joint Project Facility	12 084	12 084	-	10 476
Total	**353 342**	**353 342**	**-**	**555 549**

2. Departmental revenue

	Note	2011/12 R'000	2010/11 R'000
Sales of goods and services other than capital assets	2.1	53	45
Interest, dividends and rent on land	2.2	5	77
Sales of capital assets	2.3	8	5
Transactions in financial assets and liabilities	2.4	-	139
Departmental revenue collected		**66**	**266**

2.1 Sales of goods and services other than capital assets

Sales of goods and services produced by the department		51	44
Sales by market establishment		35	31
Other sales		16	13
Sales of scrap, waste and other used current goods		2	1
Total	2	**53**	**45**

2.2 Interest, dividends and rent on land

Interest	5	77
Total	**5**	**77**

	Note	2011/12 R'000	2010/11 R'000

2.3 *Sale of capital assets*

	Note	2011/12 R'000	2010/11 R'000
Tangible assets		**8**	**5**
Machinery and equipment	28	8	5
Total		**8**	**5**

2.4 *Transactions in financial assets and liabilities*

	Note	2011/12 R'000	2010/11 R'000
Receivables		-	1
Other Receipts including Recoverable Revenue		-	138
Total			**139**

3. Aid assistance

3.1 *Aid assistance received in cash from RDP*

	Note	2011/12 R'000	2010/11 R'000
Foreign			
Opening Balance		4 774	-
Revenue		-	7 736
Expenditure		-	(2 962)
Current		-	(2 962)
Surrendered to the RDP		(4 774)	-
Closing Balance		**-**	**4 774**

3.2 *Funds received in cash from Diabo Trust*

	Note	2011/12 R'000	2010/11 R'000
Local			
Opening Balance		114 701	-
Revenue		13 471	121 199
Expenditure		(7 185)	(6 498)
Current		(7 185)	(6 498)
Closing Balance		**120 987**	**114 701**

In 2010/11 an amount of R117 423 358.41 was received from the Diabo Share Trust which was carried over into the 2011/12 financial year. A further amount of R 7 328 827.00 was received from the Trustees in December 2011. A portion of these funds was transferred to the Corporation for Public Deposits and the balance retained in the DPE account for disbursements to identified beneficiaries as well as to service providers in respect of administrative costs relating to the tracing of beneficiaries as well as the administration of the claims. Interest amounting to R 6 141 739.10 was received during 2011/12 on the account at the Corporation for Public Deposits.

	Note	2011/12 R'000	2010/11 R'000

3.3 *Total assistance*

	Note	2011/12 R'000	2010/11 R'000
Opening Balance		119 475	-
Revenue		13 471	128 935
Expenditure		(7 185)	(9 460)
Current		(7 185)	(9 460)
Surrendered / Transferred to retained funds		(4 774)	-
Closing Balance		**120 987**	**119 475**

3.4 *Analysis of balance*

	Note	2011/12 R'000	2010/11 R'000
Aid assistance unutilised		**120 987**	**114 701**
Other sources		120 987	114 701
Aid assistance repayable		**-**	**4 774**
RDP		-	4 774
Closing balance		**120 987**	**119 475**

4. Compensation of employees

4.1 *Salaries and Wages*

	Note	2011/12 R'000	2010/11 R'000
Basic salary		58 345	51 028
Performance award		6 952	5 651
Service Based		123	221
Compensative/circumstantial		2 076	2 567
Periodic payments		575	289
Other non-pensionable allowances		21 537	18 409
Total		**89 608**	**78 165**

4.2 *Social contributions*

	Note	2011/12 R'000	2010/11 R'000
Employer contributions			
Pension		4 703	3 505
Medical		1 772	1 380
Bargaining council		75	8
Total		**6 550**	**4 893**
Total compensation of employees		**96 158**	**83 058**
Average number of employees		**168**	**163**

	Note	2011/12 R'000	2010/11 R'000

5. Goods and services

	Note	2011/12 R'000	2010/11 R'000
Administrative fees		130	79
Advertising		1 779	3 482
Assets less than R5,000	5.1	363	308
Bursaries (employees)		629	917
Catering		1 135	1 144
Communication		3 286	2 431
Computer services	5.2	2 726	3 035
Consultants, contractors and agency/outsourced services	5.3	32 764	36 865
Entertainment		62	26
Audit cost – external	5.4	4 117	2 580
Fleet services		765	349
Inventory	5.5	2 238	1 634
Operating leases		1 720	2 814
Property payments	5.6	6 884	5 435
Travel and subsistence	5.7	24 328	12 185
Venues and facilities		1 937	1 000
Training and staff development		2 396	1 645
Other operating expenditure	5.8	1 643	1 161
Total		**88 902**	**77 090**

5.1 Assets less than R5,000

	Note	2011/12 R'000	2010/11 R'000
Tangible assets		**349**	**298**
Machinery and equipment		349	298
Intangible assets		**14**	**10**
Total	5	**363**	**308**

5.2 Computer services

	Note	2011/12 R'000	2010/11 R'000
SITA computer services		1 077	1 110
External computer service providers		1 649	1 925
Total	5	**2 726**	**3 035**

	Note	2011/12 R'000	2010/11 R'000

5.3 Consultants, contractors and agency/outsourced services

Business and advisory services		26 814	27 390
Legal costs		2 397	5 418
Contractors		1 011	1 660
Agency and support/outsourced services		2 542	2 397
Total	5	**32 764**	**36 865**

5.4 Audit cost – External

Regularity audits		2 126	1 739
Performance audits		1 991	841
Total	5	**4 117**	**2 580**

5.5 Inventory

Food and food supplies		122	-
Other consumable materials		25	49
Materials and supplies		61	31
Stationery and printing		2 028	1 554
Medical supplies		2	-
Total	5	**2 238**	**1 634**

5.6 Property payments

Municipal services		1 417	818
Property management fees		5 192	4 617
Other		275	-
Total	5	**6 884**	**5 435**

5.7 Travel and subsistence

Employee costs		24 328	12 185
Travel costs		24 328	12 185
Total	5	**24 328**	**12 185**

	Note	2011/12 R'000	2010/11 R'000

5.8 *Other operating expenditure*

	Note	2011/12 R'000	2010/11 R'000
Learnerships		967	273
Professional bodies, membership and subscription fees		349	395
Resettlement costs		17	175
Other		310	318
Total	5	**1 643**	**1 161**

6. Payments for financial assets

	Note	2011/12 R'000	2010/11 R'000
Purchase of equity		-	138 600
Debts written off	6.1	6	94
Total		**6**	**138 694**

6.1 *Debts written off*

	Note	2011/12 R'000	2010/11 R'000
Nature of debts written off			
Other debt written off		-	-
Staff Debts		6	94
Total		**6**	**94**
Total debt written off		**6**	**94**

7. Transfers and subsidies

	Note	2011/12 R'000	2010/11 R'000
Public corporations and private enterprises	Annex 1A	156 255	237 296
Gifts, donations and sponsorships made	Annex 1C	723	694
Total		**156 978**	**237 990**

8. Expenditure for capital assets

	Note	2011/12 R'000	2010/11 R'000
Tangible assets		**3 922**	**3 169**
Machinery and equipment	27	3 922	3 169
Software and other intangible assets		**149**	**-**
Computer software	28	149	-
Total		**4 071**	**3 169**

	Voted funds R'000	Total R'000
8.1 *Analysis of funds utilised to acquire capital assets – 2011/12*		
Tangible assets	**3 922**	**3 922**
Machinery and equipment	3 922	3 922
Software and other intangible assets	**149**	**149**
Computer software	149	149
Total	**4 071**	**4 071**
8.2 *Analysis of funds utilised to acquire capital assets – 2010/11*		
Tangible assets	**3 169**	**3 169**
Machinery and equipment	3 169	3 169
Total	**3 169**	**3 169**

	Note	2011/12 R'000	2010/11 R'000
9. Cash and cash equivalents			
Consolidated Paymaster General Account		15 896	20 831
Disbursements		3	2
Cash on hand		59	59
Investments (Local)		112 918	113 776
Total		**128 876**	**134 668**
10. Prepayments and advances			
Staff advances		72	2
Travel and subsistence		-	53
Advances paid to other entities		680	357
Total		**752**	**412**

11. Receivables

	Note	2011/12 Less than one year R'000	2011/12 One to three years R'000	2011/12 Older than three years R'000	2011/12 Total R'000	2010/11 Total R'000
Claims recoverable	11.1 Annex 4	36	-	-	36	77
Recoverable expenditure	11.2	35	-	24	59	280
Staff debt	11.3	138	8	79	225	134
Other debtors	11.4	9	-	6	15	1 034
Total		**218**	**8**	**109**	**335**	**1 525**

	Note	2011/12 R'000	2010/11 R'000

11.1 Claims recoverable

	Note	2011/12 R'000	2010/11 R'000
National departments	Annex5	36	77
Total		**36**	**77**

11.2 Recoverable expenditure (disallowance accounts)

		2011/12 R'000	2010/11 R'000
Diners Club		42	8
Cellphones expenditure		15	15
Other		2	257
Total		**59**	**280**

11.3 Staff debt

		2011/12 R'000	2010/11 R'000
Bursaries		110	21
Other		115	113
Total		**225**	**134**

11.4 Other debtors

		2011/12 R'000	2010/11 R'000
Pension reversal		6	6
Office accommodation refund		-	1 028
Medical aid reversal		9	-
Total		**15**	**1 034**

	Note	2011/12 R'000	2010/11 R'000

12. Investments

	Note	2011/12 R'000	2010/11 R'000
Non-Current			
Shares and other equity			
Alexkor Limited		50 000	50 000
Aventura Limited		60 000	60 000
Broadband Infraco (Pty) Limited		1 351 130	1 351 130
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
Transnet Limited		12 660 986	12 660 986
South African Express (Pty) Ltd		585 000	585 000
Total non-current		**24 099 585**	**24 099 585**

	Note	2011/12 R'000	2010/11 R'000
Analysis of non current investments			
Opening balance		24 099 585	23 960 985
Additions in cash		-	138 600
Closing balance		**24 099 585**	**24 099 585**

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

13. Voted funds to be surrendered to the Revenue Fund

	Note	2011/12 R'000	2010/11 R'000
Opening balance		15 548	7 868
Transfer from statement of financial performance		7 227	15 548
Paid during the year		(15 548)	(7 868)
Closing balance		**7 227**	**15 548**

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

	Note	2011/12 R'000	2010/11 R'000
Opening balance		16	985
Transfer from Statement of Financial Performance		66	266
Paid during the year		(134)	(1 235)
Closing balance		**(52)**	**16**

	Note	2011/12 R'000	2010/11 R'000

15. Payables – current

	Note	2011/12 R'000	2010/11 R'000
Advances received	15.1	1 446	1 511
Clearing accounts	15.2	31	55
Other payables	15.3	324	-
Total		**1 801**	**1 566**

15.1 Advances received

Description		2011/12 R'000	2010/11 R'000
16 Days activism against women and child abuse		1 446	1 511
Total		**1 446**	**1 511**

15.2 Clearing accounts

Description		2011/12 R'000	2010/11 R'000
SARS		31	55
Total		**31**	**55**

15.3 Other payables

Description		2011/12 R'000	2010/11 R'000
Intervista – foreign payment returned by SARB		324	-
Total		**324**	**-**

16. Net cash flow available from operating activities

		2011/12 R'000	2010/11 R'000
Net surplus/(deficit) as per Statement of Financial Performance		13 579	135 289
Add back non cash/cash movements not deemed operating activities		(15 308)	(5 800)
(Increase)/decrease in receivables – current		1 190	(199)
(Increase)/decrease in prepayments and advances		(340)	(312)
Increase/(decrease) in payables – current		235	650
Proceeds from sale of capital assets		(8)	(5)
Expenditure on capital assets		4 071	3 169
Surrenders to Revenue Fund		(15 682)	(9 103)
Surrenders to RDP Fund/Donor		(4 774)	-
Net cash flow generated by operating activities		**(1 729)**	**129 489**

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

	Note	2011/12 R'000	2010/11 R'000
Consolidated Paymaster General account		15 896	20 831
Disbursements		3	2
Cash on hand		59	59
Cash with commercial banks (Local)		112 918	113 776
Total		**128 876**	**134 668**

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

These amounts are not recognised in the Annual Financial Statements and are disclosed to enhance the usefulness of the Annual Financial Statements.

		Note	2011/12 R'000	2010/11 R'000

18. Contingent liabilities and contingent assets

18.1 Contingent liabilities

Liable to	Nature	Note	2011/12 R'000	2010/11 R'000
Housing loan guarantees	Employees	Annex 3A	52	52
Other guarantees		Annex 3A	84 359 171	80 709 473
Claims against the department		Annex 3B	5 276 638	-
Other departments (interdepartmental unconfirmed balances)		Annex 5	7 972	6 586
Total			**89 643 833**	**80 716 111**

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.

19. Commitments

	2011/12 R'000	2010/11 R'000
Current expenditure		
Approved and contracted	12 589	14 228
Total Commitments	**12 589**	**14 228**

An amount of R 1 600 614 is included in the above for commitments longer than one year.

20. Accruals

Listed by economic classification

	30 Days	30+ Days	2011/12 R'000 Total	2010/11 R'000 Total
Goods and services	435	686	1 121	892
Total	**435**	**686**	**1 121**	**892**

Listed by programme level

	2011/12 R'000	2010/11 R'000
Administration	1 106	736
Energy and Broadband Enterprises	3	1
Legal and Governance	6	5
Manufacturing Enterprises	2	2
Transport Enterprises	2	2
Joint Project Facility	2	146
Total	**1 121**	**892**

		2011/12 R'000	2010/11 R'000
Confirmed balances with other departments	*Annex 5*	408	171
Total		**408**	**171**

	Note	2011/12 R'000	2010/11 R'000

21. Employee benefits

		2011/12 R'000	2010/11 R'000
Leave entitlement		2 096	1 868
Service bonus (Thirteenth cheque)		1 389	1 188
Performance awards		1 770	4 913
Capped leave commitments		2 111	1 990
Total		**7 366**	**9 959**

22. Lease commitments

22.1 Operating leases expenditure

2011/12	Machinery and equipment	Total
Not later than 1 year	861	861
Later than 1 year and not later than 5 years	40	40
Total lease commitments	**901**	**901**

2010/11	Machinery and equipment	Total
Not later than 1 year	1 278	1 278
Later than 1 year and not later than 5 years	702	702
Later than five years		
Total lease commitments	**1 980**	**1 980**

23. Fruitless and wasteful expenditure

23.1 Reconciliation of fruitless and wasteful expenditure

	Note	2011/12 R'000	2010/11 R'000
Opening balance		4	-
Fruitless and wasteful expenditure – relating to current year		-	4
Less: Amounts transferred to receivables for recovery		(4)	-
Fruitless and wasteful expenditure awaiting condonement		**-**	**4**

23.2 Analysis of awaiting condonation per economic classification

Current		-	4
Total		**-**	**4**

24. Related party transactions

Payments made			
Transfers		156 255	375 896
Total		**156 255**	**375 896**
Other			
Guarantees issued/received		11 342 432	23 858 855
Total		11 342 432	23 858 855

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

25. Key management personnel

Political office bearers (provide detail below)	2	3 337	3 093
Officials:			
Level 15 to 16	10	11 460	8 784
Level 14 (incl. CFO if at a lower level)	21	13 554	13 383
Family members of key management personnel		-	-
Total		**28 351**	**25 260**

26. Impairment

	Note	2011/12 R'000	2010/11 R'000
Impairment			
Investments		-	-
Total		**-**	**-**

The net effect was a negative impairment of R 578 million and thus no provision was made for impairment in the 2011/12 financial year.

27. Movable Tangible Capital Assets

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Opening balance R'000	Current Year Adjust-ments to prior year balances R'000	Additions R'000	Disposals R'000	Closing Balance R'000
MACHINERY AND EQUIPMENT	**14 916**	**(182)**	**3 922**	**1 973**	**16 683**
Transport assets	3 253	-	1 569	392	4 430
Computer equipment	6 309	45	1 672	1 365	6 661
Furniture and office equipment	2 279	207	181	77	2 590
Other machinery and equipment	3 075	(434)	500	139	3 002
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	**14 916**	**(182)**	**3 922**	**1 973**	**16 683**

27.1 Additions

ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Cash	Non-cash	(Capital Work in Progress current costs and finance lease payments)	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	**3 922**	**-**	**-**	**-**	**3 922**
Transport assets	1 569	-	-	-	1 569
Computer equipment	1 672	-	-	-	1 672
Furniture and office equipment	181	-	-	-	181
Other machinery and equipment	500	-	-	-	500
TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS	**3 922**	**-**	**-**	**-**	**3 922**

27.2 Disposals

DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	**1 270**	**703**	**1 973**	**7**
Transport assets	-	392	392	-
Computer equipment	1 182	183	1 365	5
Furniture and office equipment	27	50	77	1
Other machinery and equipment	61	78	139	1
TOTAL DISPOSAL OF MOVABLE TANGIBLE CAPITAL ASSETS	**1 270**	**703**	**1 973**	**7**

27.3 Movement for 2010/11

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011

	Opening balance R'000	Additions R'000	Disposals R'000	Closing balance R'000
MACHINERY AND EQUIPMENT	**12 809**	**3 214**	**1 107**	**14 916**
Transport assets	1 433	1 820	-	3 253
Computer equipment	6 171	964	826	6 309
Furniture and office equipment	2 259	157	137	2 279
Other machinery and equipment	2 946	273	144	3 075
TOTAL MOVABLE TANGIBLE ASSETS	**12 809**	**3 214**	**1 107**	**14 916**

27.4 Minor assets

MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2012

	Intangible assets R'000	Machinery and equipment R'000	Total R'000
Opening balance	60	3 267	3 327
Current Year Adjustments to Prior Year balances	(38)	34	(4)
Additions	14	351	365
Disposals	-	219	219
TOTAL MINOR ASSETS	**36**	**3 433**	**3 469**
Number of R1 minor assets	-	176	176
Number of minor assets at cost	11	2 250	2 261
TOTAL NUMBER OF MINOR ASSETS	**11**	**2 426**	**2 437**

MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2011

	Intangible assets R'000	Machinery and equipment R'000	Total R'000
Opening balance	52	3 244	3 296
Current Year Adjustments to Prior Year balances	-	-	-
Additions	10	298	308
Disposals	2	275	277
TOTAL MINOR ASSETS	**60**	**3 267**	**3 327**

	Intangible assets	Machinery and equipment	Total
	R'000	R'000	R'000
Number of R1 minor assets	-	92	92
Number of minor assets at cost	3	2 169	2 172
TOTAL NUMBER OF MINOR ASSETS	**3**	**2 261**	**2 264**

27.5 *Movable assets written off*

MOVABLE ASSETS WRITTEN OFF FOR THE YEAR ENDED AS AT 31 MARCH 2012

	Intangible assets	Machinery and equipment	Total
	R'000	R'000	R'000
Assets written off	-	193	193
TOTAL MOVABLE ASSETS WRITTEN OFF	**-**	**193**	**193**

MOVABLE ASSETS WRITTEN OFF FOR THE YEAR ENDED AS AT 31 MARCH 2011

Assets written off	-	49	49
TOTAL MOVABLE ASSETS WRITTEN OFF	**-**	**49**	**49**

28. Intangible Capital Assets

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Opening balance	Current Year Adjust-ments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
COMPUTER SOFTWARE	1 862	(396)	149	-	1 615
TOTAL INTANGIBLE CAPITAL ASSETS	**1 862**	**(396)**	**149**	**-**	**1 615**

28.1 *Additions*

ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	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	149	-	-	-	149
TOTAL ADDITIONS TO INTANGIBLE CAPITAL ASSETS	**149**	**-**	**-**	**-**	**149**

28.2 *Disposals*

DISPOSALS OF INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
COMPUTER SOFTWARE	-	-	-	-
TOTAL DISPOSALS OF INTANGIBLE CAPITAL ASSETS	**-**	**-**	**-**	**-**

28.3 *Movement for 2010/11*

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
COMPUTER SOFTWARE	2 157	-	295	1 862
TOTAL INTANGIBLE CAPITAL ASSETS	**2 157**	**-**	**295**	**1 862**

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

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

NAME OF PUBLIC CORPORATION/PRIVATE ENTERPRISE	TRANSFER ALLOCATION				EXPENDITURE				2010/11
	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
Public Corporations									
Transfers									
Alexkor	-	-	-	-	-	-	-	-	36 000
Denel	116 255	-	-	116 255	116 255	100.0%	-	116 255	181 296
Pebble Bed Modular Reactor (PBMR)	40 000	-	-	40 000	40 000	100.0%	-	40 000	20 000
TOTAL	**156 255**	**-**	**-**	**156 255**	**156 255**		**-**	**156 255**	**237 296**

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
Received in cash					
Department for International Development (DFID)	Procurement Development Programme	4 774	-	4 774	-
TOTAL		**4 774**	**-**	**4 774**	**-**

ANNEXURE 1C
STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE AND REMMISSIONS, 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	2011/12	2010/11
	R'000	R'000
Paid in cash		
16 Days of activism against women and child abuse	630	610
Food and Trees for Africa	-	15
Pretoria Care for the Aged	31	15
Other	31	35
South African Deaf Association	-	15
Kingdom Life children Centre	-	4
South African National Council for the Blind	31	-
TOTAL	**723**	**694**

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 11/12	% Held 10/11	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
				2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	Yes/No
National/Provincial Public Entity												
Alexkor Limited	II	100%	100%	50 000 000	50 000 000	50 000	50 000	24 200	16 800	(7 900)	84 200	No
Aventura Limited	IIIB	100%	100%	60 000 000	60 000 000	60 000	60 000	Not Available	Not Available	Not Available	Not Available	No
Broadband Infraco (Pty) Limited	II	74%	74%	74	74	1 351 130	1 351 130	1 130 562	1 197 111	(89 930)	(206 932)	No
Denel (Pty) Ltd	II	100%	100%	1 225 049 663	1 225 049 663	5 476 376	5 476 376	694 038	654 324	39 714	110 636	No
Eskom Limited	II	100%	100%	1	1	-	-	103 103 000	87 259 000	13 248 000	8 356 000	No
Safcol Limited	II	100%	100%	318 013 254	318 013 254	318 013	318 013	2 873 119	2 818 479	38 078	(79 136)	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	2 941 000	Not Available	750 000	No
South African Express Airways (Pty)Ltd	II	100%	100%	452	452	585 000	585 000	Not Available	Not Available	Not Available	Not Available	No
Transnet Limited	II	100%	100%	12 660 986 310	12 660 986 310	12 660 986	12 660 986	79 421 000	73 666 000	4 121 000	4 113 000	No
TOTAL				**27 322 807 908**	**27 322 807 908**	**24 099 585**	**24 099 585**	**187 245 919**	**168 552 714**	**17 348 962**	**13 127 768**	

The net asset value of investment and profit/loss for the year ended 31 March 2012 is based on provisional amounts and is still subject to the SOC External Audit Processes, and may change during the process.

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

Name of Public Entity	Nature of business	Cost of investment		Net Asset value of Investment		Amounts owing to Entities		Amounts owing by Entities	
		R'000		R'000		R'000		R'000	
		2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Controlled entities									
Alexkor Limited	Mining	50 000	50 000	24 200	16 800	-	-	-	-
Aventura Limited	Leisure	60 000	60 000	Not Available	Not Available	-	-	-	-
Broadband Infraco (Pty) Limited	ICT Sector	1 351 130	1 351 130	1 130 562	1 197 111	-	-	-	-
Denel (Pty) Ltd	Manufacturing of arms	5 476 376	5 476 376	694 038	654 324	-	-	-	-
Eskom Limited	Energy	-	-	103 103 000	87 259 000	-	-	-	-
Safcol Limited	Forestry	318 013	318 013	2 873 119	2 818 479	-	-	-	-
South African Airways (Pty) Ltd	Transport	3 598 080	3 598 080	Not Available	2 941 000	-	-	-	-
South African Express Airways (Pty)Ltd	Transport	585 000	585 000	Not Available	Not Available	-	-	-	-
Transnet Limited	Transport	12 660 986	12 660 986	79 421 000	73 666 000	-	-	-	-
TOTAL		**24 099 585**	**24 099 585**	**187 245 919**	**168 552 714**	**-**	**-**	**-**	**-**

ANNEXURE 3A
STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2012 – LOCAL

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2011	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2012	Guaranteed interest for year ended 31 March 2012	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	Housing								
First National Bank	Employees	62	15	-	-	-	15	-	-
NEDCOR	Employees	90	37	-	-	-	37	-	-
	Subtotal	**152**	**52**	**-**	**-**	**-**	**52**	**-**	**-**
	Other								
Transnet	T018	6 000 000	6 000 000	-	6 000 000	-	-	217 874	
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		
	DNG 02 Bond	880 000	880 000	-	-	-	880 000		
	DNG R550m Bond	550 000	550 000	-	-	-	550 000		
Eskom	Eskom bonds – ES33	Note 1	14 842 439	472 291	1 111 856	-	14 202 874		
	Eskom bonds – ES26	Note 1	14 450 218	1 563 816	-	-	16 014 034		
	Eskom bonds – ES23	Note 1	10 101 688	2 012 062	250 352	-	11 863 398		
	Eskom bonds – ES18	Note 1	7 720 203	2 114 129	-	-	9 834 332		
	Eskom bonds – ES15	Note 1	4 747 000	165 063	259 866	-	4 652 197		
	Eskom bonds – EL15	Note 1	5 000 000	-	-	-	5 000 000		
	Issue Floating Rate Notes	Note 1	3 800 000	-	-	-	3 800 000		
	Eskom DMTN Programme	100 000 000	-	-	-	-	-	-	-
	Subtotal	**110 750 000**	**70 427 115**	**6 327 361**	**8 237 641**	**-**	**68 516 835**	**217 874**	
	TOTAL	**110 750 152**	**70 427 167**	**6 327 361**	**8 237 641**	**-**	**68 516 887**	**217 874**	

Note 1 DMTN is R 100 billion – the total of all the Eskom bonds.

^ 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.

ANNEXURE 3A (continued)
STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2012 – FOREIGN

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2011	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2012	Guaranteed interest for year ended 31 March 2012	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	Other								
Transnet	Euro-Rand medium term note (Tranche 1) #	2 000 000	2 000 000	-	-	-	2 000 000	256 685	
	Euro-Rand medium term note (Tranche 2) #	1 500 000	1 500 000	-	-	-	1 500 000	411	
Eskom	AFDB Loan (Euro)	10 262 457	399 037	149 044	-	31 139	579 220	-	
	AFDB Loan (ZAR)	10 630 000	3 476 255	1 839 143	-	-	5 315 398	-	
	Worldbank loan	27 770 625	2 519 943	3 026 884	-	425 921	5 972 748	-	
	AFDB USD Renewables	2 145 202	-	-	-	-	-	-	
	AFDB USD Renewables	809 510	-	-	-	-	-	-	
	USD Renewables	1 992 925	-	-	-	-	-	-	
	TOTAL	**57 110 719**	**9 895 235**	**5 015 071**	**-**	**457 060**	**15 367 366**	**257 096**	

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

ANNEXURE 3B
STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2012

Nature of Liability	Opening Balance 1 April 2011	Liabilities incurred during the year	Liabilities paid/ cancelled/ reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing Balance 31 March 2012
	R'000	R'000	R'000	R'000	R'000
Claims against the department					
Paharpur/Londoloza Consortium v SAFCOL and the Department	-	4 686 638	-	-	4 686 638
Equity Alliance (Pty) Ltd vs Government of RSA	-	572 000	-	-	572 000
Sable Hills vs Aventura and the Minister of Public Enterprises	-	18 000	-	-	18 000
TOTAL	**-**	**5 276 638**	**-**	**-**	**5 276 638**

Nature of Liabilities recoverable	Opening Balance 1 April 2011	Details of Liability and Recoverability	Movement during year	Closing Balance 31 March 2012
	R'000	R'000	R'000	R'000
Paharpur/Londoloza Consortuim v SAFCOL and the Department	-	4 686 638	-	4 686 638
Equity Alliance (Pty) Ltd vs Government of RSA	-	572 000	-	572 000
Sable Hills vs Aventura and the Minister of Public Enterprises	-	18 000	-	18 000
TOTAL	**-**	**5 276 638**	**-**	**5 276 638**

ANNEXURE 4
CLAIMS RECOVERABLE

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	R'000	R'000	R'000	R'000	R'000	R'000
Department						
South African Social Security Agency (SASSA)	-	12	-	-	-	12
Department of Economic Development	-	65	-	-	-	65
South African Police Service	36	-	-	-	36	-
TOTAL	**36**	**77**	**-**	**-**	**36**	**77**

ANNEXURE 5
INTER-GOVERNMENT PAYABLES

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	R'000	R'000	R'000	R'000	R'000	R'000
DEPARTMENTS						
Current						
Department of Water Affairs and Forestry	-	6	-	-	-	6
Department of Rural development and Land Reform	-	-	5 906	5 906	5 906	5 906
Department of Justice and Constitutional Development	250	74	-	15	250	89
Department of Public Works	129	91	2 066	665	2 195	756
Department of Economic Development	29	-	-	-	29	-
Total	**408**	**171**	**7 972**	**6 586**	**8 380**	**6 757**

ANNEXURE 6
INVENTORY

Inventory	Note	Quantity	2011/12	Quantity	2010/11
		R'000	R'000	R'000	R'000
Opening balance		67	10	161	25
Add/(Less): Adjustments to prior year balance		-	16	-	-
Add: Additions/Purchases - Cash		30 529	768	20 022	705
(Less): Issues		(30 416)	(761)	(20 116)	(727)
Add/(Less): Adjustments		-	1	-	7
Closing balance		**180**	**34**	**67**	**10**

HR OVERSIGHT - APRIL 2011 to MARCH 2012 - Public Enterprises

Table 1.1: Main Service for Service Delivery Improvement and Standards

Main Services	Actual Customers	Potential Customers	Standard of Service	Actual Achievement against Standards
-	-	-	-	-
-	-	-	-	-

Table 1.2: Consultation Arrangements for Customers

Type of Arrangement	Actual Customer	Potential Customer	Actual Achievements
-	-	-	-
-	-	-	-

Table 1.3: Service Delivery Access Strategy

Access Strategy	Actual Achievements
-	-
-	-

Table 1.4: Service Information Tool

Type of Information Tool	Actual Achievements
-	-
-	-

Table 1.5: Complaint Mechanism

Complaint Mechanism	Actual Achievements
-	-
-	-

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 (R'000)	Average Compensation of Employees Cost per Employee (R'000)	Employment
Dep:administration	118 632	54 977	0	0	46.3	320	172
Dep:energy&broadband enterprs	58 154	13 470	0	0	23.2	78	172
Dep:joint project facility	11 744	3 480	0	0	29.6	20	172
Dep:legal and governance	10 795	5 591	0	0	51.8	33	172
Dep:legal,govern,risk & transact	0	0	0	0	0	0	172
Dep:manufacturing enterprises	124 535	7 422	0	0	6	43	172
Dep:transport enterprises	22 270	11 217	0	0	50.4	65	172
Z=Total as on Financial Systems (BAS)	**346 130**	**96 158**	**0**	**0**	**27.8**	**559**	**172**

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 (R'000)	Number of Employees
Skilled (Levels 3-5)	1 413	1.5	157 000	92 685	9
Highly skilled production (Levels 6-8)	11 962	12.9	234 549	92 685	51
Highly skilled supervision (Levels 9-12)	22 159	23.9	471 468	92 685	47
Senior management (Levels 13-16)	18 714	20.2	935 700	92 685	20
Contract (Levels 6-8)	620	0.7	124 000	92 685	5
Contract (Levels 9-12)	2 668	2.9	889 333	92 685	3
Contract (Levels 13-16)	32 220	34.8	870 811	92 685	37
Periodical Remuneration	1 393	1.5	48 034	92 685	29
TOTAL	**91 149**	**98.3**	**453 478**	**92 685**	**201**

Table 2.3: Salaries, Overtime, Home Owners Allowance and Medical Aid by Programme

Programme	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 Programme (R'000)	
Pr:1 administration	33 584	76.1	204	0.5	498	1.1	947	2.1	44 125	0.6%
Pr:2 energy & mining enterprises	13 786	77.9	13	0.1	349	2	236	1.3	17 689	0.1%
Pr:3 legal gov risk & secretariat	8 837	74.9	21	0.2	87	0.7	196	1.7	11 806	0.2%
Pr:4 manufacturing enterprises	5 500	78.9	0	0	98	1.4	133	1.9	6 970	0.0%
Pr:5 transport enterprises	7 407	80.7	0	0	107	1.2	182	2	9 173	0.0%
Pr:6 joint project facility	1 851	63.4	1	0	184	6.3	68	2.3	2 921	0.1%
TOTAL	**70 965**	**76.6**	**239**	**0.3**	**1 323**	**1.4**	**1 762**	**1.9**	**92 684**	**0.3%**

Table 2.4: Salaries, Overtime, Home Owners 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)	876	62	15	1.1	86	6.1	120	8.5	1 414
Highly skilled production (Levels 6-8)	8 093	66.9	114	0.9	436	3.6	656	5.4	12 099
Highly skilled supervision (Levels 9-12)	16 035	71.6	78	0.3	249	1.1	530	2.4	22 396
Senior management (Levels 13-16)	15 609	81.4	0	0	88	0.5	236	1.2	19 171
Contract (Levels 6-8)	584	94.2	32	5.2	0	0	0	0	620
Contract (Levels 9-12)	2 378	87.9	0	0	26	1	6	0.2	2 705
Contract (Levels 13-16)	27 391	83.3	0	0	437	1.3	215	0.7	32 880
Periodical Remuneration	-	0	0	0	0	0	0	0	1 400
TOTAL	**70 966**	**76.6**	**239**	**0.3**	**1322**	**1.4**	**1763**	**1.9**	**92 685**

Table 3.1: SMS POSTS AND EVALUATION

SMS Posts information as on 31 March 2012

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	9	5	55.55%	4	44.44%
Salary Level 14	21	19	90.47%	2	9.52%
Salary Level 13	42	31	73.80%	11	26.10%
Total	**73**	**56**	**76.71%**	**17**	**23.28%**

Table 3.2: Advertising and Filling of SMS posts as on 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	6	2
Salary Level 14	7	6
Salary Level 13	14	5
Total	**27**	**13**

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

Disciplinary Steps Taken for not Complying with the Prescribed Timeframes for Filling SMS Posts within 12 Months

None

Table 4.1: 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	117	107	8.5	3
Pr:2 energy & mining enterprises, Permanent	23	22	4.3	0
Pr:3 legal & governance, Permanent	10	8	20	0
Pr:4 manufacturing enterprises, Permanent	13	9	30.8	0
Pr:5 transport enterprises, Permanent	20	17	15	0
Pr:6 joint project facility, Permanent	6	5	16.7	0
TOTAL	**189**	**168**	**11.1**	**3**

Table 4.2: 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 3-6), Permanent	15	15	0	0
Highly skilled production (Levels 7-8), Permanent	48	47	2.1	0
Highly skilled supervision (Levels 9-12), Permanent	51	48	5.9	0
Senior management (Levels 13-16), Permanent	10	10	0	0
Contract (Levels 7-8), Permanent	0	0	0	3
Contract (Levels 9-12), Permanent	2	2	0	0
Contract (Levels 13-16), Permanent	63	46	27	0
TOTAL	**189**	**168**	**11.1**	**3**

Table 4.3: 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	25	23	-8.0%	0
Client inform clerks(switchb recept inform clerks), Permanent	3	3	0	0
Communication and information related, Permanent	3	3	0	0
Financial and related professionals, Permanent	7	6	14.3	0
Financial clerks and credit controllers, Permanent	6	5	16.7	0
Food services aids and waiters, Permanent	3	3	0	0
Human resources & organisat developm & relate prof, Permanent	7	7	0	0
Information technology related, Permanent	2	2	0	0
Library mail and related clerks, Permanent	9	9	0	1
Material-recording and transport clerks, Permanent	6	6	0	0
Messengers porters and deliverers, Permanent	4	4	0	0
Secretaries & other keyboard operating clerks, Permanent	37	37	0	2
Security officers, Permanent	4	4	0	0
Senior managers, Permanent	73	56	23.3	0
TOTAL	**189**	**168**	**11.1**	**3**

Table 5.1: 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 Down-graded	% of Down-graded Posts Evaluated
Skillled (Levels 3 -5)	15	15	100				
Highly skilled production (Levels 6 -8)	48	48	100	0	0	0	0
Highly skilled supervision (Levels 9 - 12)	53	53	100	0	0	0	0
Senior Management Service A	42	42	100	0	0	0	0
Senior Management Service B	21	21	100	0	0	0	0
Senior Management Band C	9	9	100	0	0	0	0
Senior Management Band D	1	1	100	0	0	0	0
TOTAL	**189**	**189**	**100**	**0**	**0**	**0**	**0**

Table 5.2: 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 5.3: 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
xxx	0	0	0	0	0
xxx	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**
Percentage of Total Employment	0	0	0	0	0

Table 5.4: 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 6.1: Annual Turnover Rates by Salary Band

Salary Band	Employment at Beginning of Period (April 2011)	Appointments	Terminations	Turnover Rate
Skilled (Levels 3-5), Permanent	9	0	0	0
Highly skilled production (Levels 6-8), Permanent	46	4	1	2.2
Highly skilled supervision (Levels 9-12), Permanent	42	3	2	4.8
Senior Management Service Band A, Permanent	7	0	0	0
Senior Management Service Band B, Permanent	4	1	0	0
Senior Management Service Band C, Permanent	0	0	0	0
Senior Management Service Band D, Permanent	1	0	0	0
Contract (Levels 6-8), Permanent	2	2	0	0
Contract (Levels 9-12), Permanent	2	0	0	0
Contract (Band A), Permanent	24	5	1	4.2
Contract (Band B), Permanent	13	6	3	23.1
Contract (Band C), Permanent	5	3	0	0
Contract (Band D), Permanent	1	0	3	300
TOTAL	**156**	**24**	**10**	**6.4**

Table 6.2: Annual Turnover Rates by Critical Occupation

Occupation	Employment at Beginning of Period (April 2011)	Appointments	Terminations	Turnover Rate
Administrative related, Permanent	25	2	2	8
Authors journalists and other writers, Permanent	1	2	0	0
Client inform clerks(switchb recept inform clerks), Permanent	3	0	0	0
Communication and information related, Permanent	4	0	0	0
Finance and economics related, Permanent	7	1	0	0
Financial and related professionals, Permanent	6	0	0	0
Financial clerks and credit controllers, Permanent	3	0	0	0
Food services aids and waiters, Permanent	4	0	0	0
Human resources & organisat developm & relate prof, Permanent	7	0	0	0
Human resources related, Permanent	3	0	0	0
Information technology related, Permanent	1	0	0	0
Library mail and related clerks, Permanent	9	0	0	0
Material-recording and transport clerks, Permanent	5	0	1	20
Messengers porters and deliverers, Permanent	4	0	0	0
Other administrat & related clerks and organisers, Permanent	3	0	0	0
Other administrative policy and related officers, Permanent	3	0	0	0
Other information technology personnel., Permanent	1	0	0	0
Secretaries & other keyboard operating clerks, Permanent	35	7	0	0
Security officers, Permanent	4	0	0	0
Senior managers, Permanent	31	4	7	22.6
TOTAL	**159**	**16**	**10**	**6.3**

Table 6.3: Reasons why staff are leaving the department

Termination Type	Number	Percentage of Total Resignations	Percentage of Total Employment	Total	Total Employment
Resignation	7	70	4.4	10	159
Transfer	1	10	0.6	10	159
Expiry of contract	1	10	0.6	10	159
Dismissal-misconduct	1	10	0.6	10	159
TOTAL	**10**	**100**	**6.3**	**10**	**159**

Resignations as % of Employment
6.9

Table 6.4: 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)	0	0	0	0
Skilled (Salary Level 3-5)	0	0	0	0
Highly Skilled Production (Salary Level 6-8)	0	0	0	0
Highly Skilled Production (Salary Level 9-12)	0	0	0	0
Senior Management (Salary Level 13 and higher)	0	0	0	0
Total	**0**	**0**	**0**	**0**

Table 6.5: Promotions by Critical Occupation

Occupation	Employment at Beginning of Period (April 2011)	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	0	0	18	90
Client inform clerks(switchb recept inform clerks)	3	0	0	3	100
Communication and information related	3	1	33.3	4	133.3
Finance and economics related	6	0	0	2	33.3
Financial and related professionals	6	2	33.3	3	50
Food services aids and waiters	3	0	0	3	100
Human resources related	10	1	10	2	20
Information technology related	2	0	0	1	50
Library mail and related clerks	9	0	0	7	77.8
Material-recording and transport clerks	6	0	0	2	33.3
Messengers porters and deliverers	4	0	0	0	0
Other administrat & related clerks and organisers	3	0	0	2	66.7
Secretaries & other keyboard operating clerks	27	2	7.4	21	77.8
Security officers	3	0	0	2	66.7
Senior managers	54	5	9.3	22	40.7
TOTAL	**159**	**11**	**6.9**	**92**	**57.9**

Table 6.6: Promotions by Salary Band

Salary Band	Employment at Beginning of Period (April 2011)	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	9	0	0	8	88.9
Highly skilled production (Levels 6-8), Permanent	46	4	8.7	28	60.9
Highly skilled supervision (Levels 9-12), Permanent	43	3	7	34	79.1
Senior management (Levels 13-16), Permanent	18	1	5.6	9	50
Contract (Levels 6-8), Permanent	2	0	0	0	0
Contract (Levels 9-12), Permanent	7	0	0	1	14.3
Contract (Levels 13-16), Permanent	34	5	14.7	24	70.6
TOTAL	**159**	**13**	**8.2**	**104**	**65.4**

Table 7.1: 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	24	3	2	**29**	**2**	17	2	3	**22**	**3**	**56**
Professionals, Permanent	11	0	1	**12**	**0**	10	1	1	**12**	**4**	**28**
Technicians and associate professionals, Permanent	10	1	0	**11**	**0**	9	1	0	**10**	**1**	**22**
Technicians and associate professionals, Temporary	0	0	0	**0**	**0**	0	0	0	**0**	**0**	**0**
Clerks, Permanent	14	0	0	**14**	**0**	30	2	0	**32**	**1**	**47**
Service and sales workers, Permanent	0	0	0	**0**	**0**	0	0	0	**0**	**0**	**0**
Elementary occupations, Permanent	8	0	0	**8**	**0**	7	0	0	**7**	**0**	**15**
TOTAL	**67**	**4**	**3**	**74**	**2**	**73**	**6**	**4**	**83**	**9**	**168**

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
Employees with disabilities	2	0	0	**2**	**1**	0	0	0	**0**	**2**	**5**

Table 7.2: 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	0	0	0	**0**	**0**	0	0	0	**0**	**0**	**0**
Senior Management, Permanent	6	1	0	**7**	**1**	0	0	1	**1**	**2**	**11**
Professionally qualified and experienced specialists and mid-management, Permanent	11	0	1	**12**	**0**	9	1	1	**11**	**4**	**27**
Professionally qualified and experienced specialists and mid-management, Temporary	0	0	0	**0**	**0**	0	0	0	**0**	**0**	**0**
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	10	1	0	**11**	**0**	9	1	0	**10**	**1**	**22**
Semi-skilled and discretionary decision making, Permanent	22	0	0	**22**	**0**	37	2	0	**39**	**1**	**62**
Contract (Top Management), Permanent	2	1	0	**3**	**0**	3	0	0	**3**	**0**	**6**
Contract (Senior Management), Permanent	18	1	2	**21**	**1**	14	2	2	**16**	**1**	**39**
Contract (Professionally qualified), Permanent	0	0	0	**0**	**0**	1	0	0	**1**	**0**	**1**
Contract (Skilled technical), Permanent	0	0	0	**0**	**0**	0	0	0	**0**	**0**	**0**
TOTAL	**69**	**4**	**3**	**76**	**2**	**73**	**6**	**4**	**81**	**9**	**168**

Table 7.3: 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	0	0	0	**0**	**0**	1	0	0	**1**	**0**	**1**
Professionally qualified and experienced specialists and mid-management, Permanent	2	0	0	**2**	**0**	0	0	0	**0**	**0**	**2**
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	0	0	0	**0**	**0**	1	0	0	**1**	**0**	**1**
Contract (Top Management), Permanent	1	0	0	**1**	**0**	0	0	0	**0**	**0**	**1**
Contract (Senior Management), Permanent	1	0	0	**1**	**0**	4	0	0	**4**	**0**	**5**
Contract (Professionally qualified), Permanent	1	0	0	**1**	**0**	0	0	0	**0**	**0**	**1**
Contract (Skilled technical), Permanent	3	0	0	**3**	**0**	2	0	0	**2**	**0**	**5**
TOTAL	**8**	**0**	**0**	**8**	**0**	**8**	**0**	**0**	**8**	**0**	**16**

Table 7.4: 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	3	1	0	**4**	**1**	1	0	1	**2**	**2**	**9**
Professionally qualified and experienced specialists and mid-management, Permanent	15	1	0	**16**	**0**	15	2	0	**17**	**4**	**37**
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	9	0	0	**9**	**0**	21	2	0	**23**	**0**	**32**
Semi-skilled and discretionary decision making, Permanent	2	0	0	**2**	**0**	6	0	0	**6**	**0**	**8**
Contract (Top Management), Permanent	0	0	0	**0**	**0**	2	0	0	**2**	**0**	**2**
Contract (Senior Management), Permanent	11	2	3	**16**	**1**	5	2	2	**9**	**1**	**27**
Contract (Professionally qualified), Permanent	0	0	0	**0**	**0**	1	0	0	**1**	**0**	**1**
TOTAL	**41**	**4**	**3**	**48**	**2**	**51**	**6**	**3**	**60**	**7**	**117**

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
Employees with disabilities	1	0	0	**1**	**1**	0	0	0	**0**	**2**	**4**

Table 7.5: 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	1	0	0	**1**	**0**	0	0	0	**0**	**0**	**1**
Professionally qualified and experienced specialists and mid-management, Permanent	0	0	0	**0**	**0**	1	0	0	**1**	**0**	**1**
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	0	0	0	**0**	**0**	0	0	0	**0**	**1**	**1**
Contract (Senior Management), Permanent	2	0	0	**2**	**0**	2	1	0	**3**	**1**	**6**
Contract (Professionally qualified), Permanent	1	0	0	**1**	**0**	1	0	0	**1**	**0**	**2**
TOTAL	**4**	**0**	**0**	**4**	**0**	**4**	**1**	**0**	**5**	**2**	**11**

Table 7.6: 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
TOTAL	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Table 7.7: 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	0	0	0	**0**	**0**	0	0	0	**0**	**0**	**0**
Professionals	0	0	0	**0**	**0**	0	0	0	**0**	**0**	**0**
Technicians and Associate Professionals	0	0	0	**0**	**0**	0	0	0	**0**	**0**	**0**
Clerks	0	0	0	**0**	**0**	0	0	0	**0**	**0**	**0**
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	0	0	0	**0**	**0**	0	0	0	**0**	**0**	**0**
Elementary Occupations	0	0	0	**0**	**0**	0	0	0	**0**	**0**	**0**
TOTAL	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Table 8.1: 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	49	74	66.2	1 310	26 726
African, Male	37	69	53.6	1 264	34 158
Asian, Female	3	4	75	266	88 730
Asian, Male	2	3	66.7	188	93 786
Coloured, Female	6	6	100	194	32 389
Coloured, Male	3	3	100	131	43 574
Total Blacks, Female	58	84	69	1 770	30 519
Total Blacks, Male	42	75	56	1 582	37 670
White, Female	7	7	100	279	39 809
White, Male	1	1	100	37	36 908
Employees with a disability	5	5	100	252	50 445
TOTAL	**113**	**172**	**65.7**	**3 920**	**34 691**

Table 8.2: 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)	9	9	100	86	9 556
Highly skilled production (Levels 6-8)	38	51	74.5	476	12 526
Highly skilled supervision (Levels 9-12)	31	47	66	963	31 065
Contract (Levels 6-8)	0	5	0	-	0
Contract (Levels 9-12)	1	3	33.3	48	48 000
Periodical Remuneration	0	29	0	-	0
TOTAL	**79**	**144**	**54.9**	**1 573**	**19 911**

Table 8.3: 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	19	25	76	721	37 947
Authors journalists and other writers	0	2	0	0	0
Client inform clerks(switchb recept inform clerks)	3	3	100	35	11 667
Communication and information related	3	4	75	122	40 667
Finance and economics related	2	8	25	83	41 500
Financial and related professionals	5	6	83.3	253	50 600
Financial clerks and credit controllers	3	4	75	40	13 333
Food services aids and waiters	4	4	100	40	10 000
Human resources & organisat developm & relate prof	6	6	100	204	34 000
Human resources clerks	0	1	0	0	0
Human resources related	1	3	33.3	47	47 000
Information technology related	1	1	100	16	16 000
Library mail and related clerks	7	9	77.8	110	15 714
Logistical support personnel	1	1	100	33	33 000
Material-recording and transport clerks	4	5	80	68	17 000
Messengers porters and deliverers	2	4	50	32	16 000
Other administrat & related clerks and organisers	2	3	66.7	57	28 500
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	99	49 500
Safety health and quality inspectors	0	1	0	0	0
Secretaries & other keyboard operating clerks	22	34	64.7	304	13 818
Security officers	3	3	100	34	11 333
Senior managers	23	34	67.6	1 621	70 478
TOTAL	**113**	**172**	**65.7**	**3919**	**34681**

Table 8.4: 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	17	31	54.8	983	57 824	3.9	24 977
Band B	15	18	83.3	1 169	77 933	7.1	16 535
Band C	2	4	50	196	98 000	6.2	3 163
Band D	0	4	0	0	0	0	0
TOTAL	**34**	**57**	**59.6**	**2348**	**69058.8**	**5.3**	**44675**

Table 9.1: Foreign Workers by Salary Band

Salary Band	Employment at Beginning 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 13-16)	3	100	2	100	-1	100	3	2	-1
TOTAL	**3**	**100**	**2**	**100**	**-1**	**100**	**3**	**2**	**-1**

Table 9.2: Foreign Workers by Major Occupation

Major Occupation	Employment at Beginning 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	2	100	-1	100	3	2	-1
TOTAL	**3**	**100**	**2**	**100**	**-1**	**100**	**3**	**2**	**-1**

Table 10.1: Sick Leave for Jan 2011 to Dec 2011

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)	76	98.7	7	5.8	11	24	120	75
Highly skilled production (Levels 6-8)	273	81.7	38	31.7	7	167	120	223
Highly skilled supervision (Levels 9-12)	228	72.8	37	30.8	6	291	120	166
Senior management (Levels 13-16)	41	95.1	7	5.8	6	116	120	39
Contract (Levels 6-8)	5	100	2	1.7	3	2	120	5
Contract (Levels 9-12)	7	71.4	2	1.7	4	7	120	5
Contract (Levels 13-16)	199	84.9	27	22.5	7	572	120	169
TOTAL	**829**	**82.3**	**120**	**100**	**7**	**1179**	**120**	**682**

Table 10.2: Disability Leave (Temporary and Permanent) for Jan 2011 to Dec 2011

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)	5	100	2	50	3	2	5	4
Highly skilled production (Levels 6-8)	16	100	2	50	8	12	16	4
TOTAL	**21**	**100**	**4**	**100**	**5**	**14**	**21**	**4**

Table 10.3: Annual Leave for Jan 2011 to Dec 2011

Salary Band	Total Days Taken	Average days per Employee	Number of Employees who took leave
Skilled (Levels 3-5)	167	19	9
Highly skilled production (Levels 6-8)	996	19	52
Highly skilled supervision (Levels 9-12)	930	19	48
Senior management (Levels 13-16)	256	13	19
Contract (Levels 6-8)	28	9	3
Contract (Levels 9-12)	42	11	4
Contract (Levels 13-16)	658.92	16	42
TOTAL	**3077.92**	**17**	**177**

Table 10.4: Capped Leave for Jan 2011 to Dec 2011

Salary Band	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2011	Number of Employees who took Capped leave	Total number of capped leave available at 31 December 2011	Number of Employees as at 31 December 2011
Senior management (Levels 13-16)	2	2	98	1	589	6
TOTAL	**2**	**2**	**98**	**1**	**589**	**6**

Table 10.5: Leave Payouts

Reason	Total Amount (R'000)	Number of Employees	Average Payment per Employee (R)
Leave payout for 2011/12 due to non-utilisation of leave for the previous cycle	72	1	72000
Capped leave payouts on termination of service for 2011/12	123	4	30750
Current leave payout on termination of service for 2011/12	38	3	12667
TOTAL	**233**	**8**	**29125**

Table 11.1: Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
During the HIV Counseling and Testing (HCT) conducted one person tested positive in four years. The person has not disclosed to date and no specific interventions have been implemented.	None except sensitisation sessions and e-mails

Table 11.2: Details of Health Promotion and HIV/AIDS Programmes [tick Yes/No and provide required information]

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.		x	
2. Does the department have a dedicated unit or have you designated specific staff members to promote 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 R138,000.00
3. Has the department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of the programme.	x		Services available include face-to-face counselling, financial advice,legal advice and managerial advice. Onsite face-to face counselling and financial advisory services are available
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	
5. Has the department reviewed the employment policies and practices of your department 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		Yes , the Employee-well-being, HIV/AIDs, STI and TB, disability and Employement equity policies have been reviewed.
6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	x		The departmental culture is one of no discrimination supported by the policies listed in 5 as well as the sexual harrasment policy.
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have achieved.	x		During health screening days VCT is conducted and approximately 33% of employees were tested.
8. Has the department developed measures/indicators to monitor & evaluate the impact of your health promotion programme? If so, list these measures/indicators.	x		Utilisation rate of services e.g. provided during wellbeing days, on-site visits and reports provided with trends from the services providers.

Table 12.1: Collective Agreements

Subject Matter	Date
xxx	xxx
xxx	xxx

Table 12.2: Misconduct and Discipline Hearings Finalised

Outcomes of disciplinary hearings	Number	Percentage of Total	Total
TOTAL	**1**	**0**	**0**

Table 12.3: Types of Misconduct Addressed and Disciplinary Hearings

Type of misconduct	Number	Percentage of Total	Total
TOTAL	**0**	**0**	**0**

Table 12.4: Grievances Lodged

Number of grievances addressed	Number	Percentage of Total	Total
TOTAL	**1**	**1**	**1**

Table 12.5: Disputes Lodged

Number of disputes addressed	Number	% of total
Upheld	0	0
Dismissed	1	100
Total	**1**	

Table 12.6: Strike Actions

Strike Actions	
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 12.7: Precautionary Suspensions

Precautionary Suspensions	
Number of people suspended	0
Number of people whose suspension exceeded 30 days	0
Average number of days suspended	0
Cost (R'000) of suspensions	0

Table 13.1: Training Needs identified

Occupational Categories	Gender	Employment	Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	0	0	22	17	39
	Male	0	0	20	13	33
Professionals	Female	0	0	17	15	32
	Male	0	0	25	16	41
Technicians and associate professionals	Female	0	0	10	7	17
	Male	0	1	4	18	23
Clerks	Female	0	0	29	39	68
	Male	0	0	36	20	56
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	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations	Female	0	0	2	3	5
	Male	0	0	1	5	6
Gender sub totals	Female	0	0	80	81	161
	Male	0	1	86	72	159
Total		**0**	**1**	**166**	**153**	**320**

Table 13.2: Training Provided

Occupational Categories	Gender	Employment	Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	0	0	19	25	44
	Male	0	0	19	10	29
Professionals	Female	0	0	2	5	7
	Male	0	0	4	6	10
Technicians and associate professionals	Female	0	0	9	7	16
	Male	0	0	10	5	15
Clerks	Female	0	0	19	20	39
	Male	0	0	2	1	3
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	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations	Female	0	0	2	4	6
	Male	0	0	0	2	2
Gender sub totals	Female	0	0	51	61	112
	Male	0	0	35	24	59
Total		**0**	**0**	**86**	**85**	**171**

Table 14.1: 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
Total	**1**	**100**

15 UTILISATION OF CONSULTANTS

Table 15. 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
Manual on Promotion for Access to Information Act	1	132	32 196
To provide opinion in the Aventura matters	2	60	313 276
To finalise the standard template for MOI and give advice on any governance-related matters	4	83	417 459
To give legal advice on arbitration between DPE and Mr J Vermooten	2	136	73 326
To give advice on risk matters	1	170	2 833 769
Facilitating process to address gaps identified in the FET College NCV: Electrical infrastructure construction programme against the SAQA revised electrical engineering artisan trade qualifications	1	160	266 000
Facilitating process to address gaps identified in the FET College NCV: Engineering-related design programme against SAQA revised welding artisan trade qualifications	2	104	88 036
Isibuko Dashboard	5	254	3 723 975
Assessment of Infraco's positioning within the broadband market.	4	183	1 977 905
Conduct a high level retrospective review of the Pebble Bed Modular Reactor Project	5	213	330 180
Ports and Rail Freight Operational Benchmark Indicators 2011/12	3	183	806 400
Freight Rail Reforms Phase II	3	183	420 488
National Corridor Performance Measurement	Multiple resources countrywide	183	3 907 814
Auditing of Denel Saab Aerostructures Indemnity Claim for the period ending 2011	3	14	313 500
Annual Review of Department	1	10	90 949
Consideration of Transnet corporate structure options	3	91	228 969
Guarantee Framework Agreement	2	91	109 921
Panel of Experts to probe NMPP Cost Overruns	2	91	591 083
Study on the Regional Expansion on the African Continent	2	30	323 760
Advisory consulting service	2	30	300 000
Study to review SAA's business plan	4	60	3 367 994
Develop a financial model for SAA	3	91	918 056
Total	**55**	**2552**	**21 435 056**

Table 15.2 - 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
Manual on Promotion for Access to Information Act	.05	.05	2
To provide opinion in the Aventura matters	13.33	3.35	1
To finalise the standard template for MOI and give advice on any governance-related matters	36.39	50	4
To give legal advice on arbitration between DPE and Mr J Vermooten	100	100	2
To give advice on risk matters	21.4	20	0
MH Chalklen: Facilitating process to address gaps identified in the FET College NCV: Electrical infrastructure construction programme against the SAQA revised electrical engineering artisan trade qualifications	100	100	1
Skills Factor: Facilitate the process to address the gaps identified in the FET College NCV engineering- related design programme against the SAQA revised welding artisan trade qualification.	100	100	2
Isibuko Dashboard	55	57	1
Assessment of Infraco's positioning within the broadband market.	International company	International company	1
Conduct a high level retrospective review of the Pebble Bed Modular Reactor Project	6.5	6.5	3
Ports and Rail Freight Operational Benchmark Indicators 2011/12	.05	.05	0
Freight Rail Reforms Phase II	.05	.05	0
National Corridor Performance Measurement	UNIVERSITY	UNIVERSITY	UNIVERSITY
Auditing of Denel Saab Aerostructures' Indemnity Claim for the period ending 2011	.05	.05	1
Annual Review of Department	0	0	0
Consideration of Transnet corporate structure options	100	100	3
Guarantee Framework Agreement	20.25	12.98	1
Panel of Experts to probe NMPP Cost Overruns	International Company	International Company	0
Study on the Regional Expansion on the African Continent	International company	International company	1
Advisory consulting service	0	0	1
Study to review SAA's business plan	International company	International company	1
Develop a financial model for SAA	51.40	51.40	2

Acronyms

ACSA	Airports Company South Africa
AfDB	African Development Bank
AFS	Annual Financial Statements
AGM	Annual General Meeting
B-BBEE	Broad Based Black Economic Empowerment
BRICS	Brazil, Russia, India and China
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIPM	Chief Investment Portfolio Manager
CSDP	Competitive Supplier Development Programme
CTF	Clean Technology Fund
DHET	Department of Higher Education and Training
DM	Deputy Minister
DOD	Department of Defence
DOE	Department of Energy
DOT	Department of Transport
DPE	Department of Public Enterprises
DST	Department of Science and Technology
EE	Employment Equity
EIA	Environmental Impact Assessment
ERP	Enterprise Resource Planning
EWSETA	Energy and Water SETA
ExCo	Executive Committee
FET	Further Education and Training
HR	Human Resources
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communication Technology
IPP	Independent Power Producers
ISMO	Independent System and Market Operator
JPF	Joint Project Facility
KPI	Key Performance Indicator
KSIA	King Shaka International Airport
LGRT	Legal, Governance, Risk and Transactions
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NCPM	National Corridor Performance Measurement
NGP	New Growth Path
NSF	National Skills Fund
PICC	Presidential Infrastructure Coordination Commission
PBMR	Pebble Bed Modular Reactor
PFMA	Public Finance Management Act
PoP	Points of Presence
PPP	Public Private Partnerships
PRC	Presidential Review Committee
PSJV	Pooling and Sharing Joint Venture

RDLR	Rural Development and Land Reform
RVC	Richtersveld Community
SAA	South African Airways
SAAT	South African Airways Technical
SAFCOL	South African Forestry Corporation Ltd
SAX	South African Express
SOC	State Owned Companies
TRE	Transnet Rail Engineering
TSDBF	Transnet's Second Defined Benefit Fund
UNIDO	United Nations Industrial Development Organisation
WACS	West Africa Cable System

RP213/2012
ISBN: 978-0-621-41067-9

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