



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Annual Report Guide for Schedule 3A and 3C Public Entities

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1. INTRODUCTION

This section is for information purposes only and it must not be included in the actual annual report of the public entity. Please refer to the specimen for information to be presented in the annual report.

1.1. Purpose of annual reports

Annual reports are an integral part of public entities' reporting. The achievements, performance information, outlook, financial position and human resources information of public entities for each reporting period are reported in the annual report. The information reported on in the annual report includes the actual achievements for the reporting period in relation to the planned targets and budgets as published in the strategic plan, annual performance plan and budget documents.

Annual reports are tabled in Parliament/Legislatures and are available to the general public. The publishing of financial and non-financial information of public entities is essential for accountability and, transparency and to improve trust and confidence in government service delivery. The reported information must be accurate and balanced, reporting both the successes and explaining the shortcomings.

Ultimately the characteristics of a quality annual report are that it:

- complies with statutory and policy requirements.
- presents information (both positive and negative) in an understandable and concise manner.

1.2. Purpose of the guide

The guide provides guidance on the non-financial information requirements of the annual report. In other words, the guidance is on all sections of the Annual Report except the Annual Financial Statements (AFS) section. The AFS section is dealt with in separate guidance that is applicable to the legal form of the public entity.

The annual report guide is supplemented by a specimen for annual reports, which a public entity must use to assist in the preparation of the annual report.

Adherence to the format of this guide will enhance public entities' coverage of all aspects of their activities and financial performance and will promote ease of reference and comparison for users of the annual report.

1.3. How to use the guide

Section 1, Introduction, of this guide provides guidance and clarity with regard to legislation that governs annual reports and general information about annual reports and the framework of this guide.

Section 2, Annual report, of this guide provides public entities with the format of the annual report, structure; details and information that public entities must comply with in their annual reports. Some headings that need to be disclosed in the annual report have 2 sub-headings in the guide. The 1st sub-heading is the "guideline" which provides the guidance on the information to be reported on. The 2nd



sub-heading is the “Format of disclosure” which indicates how the information must be presented in the annual report.

Section 3, Annexures, contains the format of letters and reports that need to be completed by the respective officials and some of these reports are published in the public entity’s annual report.

A specimen of the annual report of a public entity is available as Annexure C.

1.4. Applicability of the guide



This guide applies to all schedule 3A and 3C public entities, as listed in the PFMA. All other public entities will utilise their own formats, however if these public entities do not have a format, they could utilise this format as a guide.

Public entities are classified into different schedules based on their nature and level of autonomy. A brief review is provided below.

Schedule 2

Schedule 2 entities are referred to as the major public entities and are intended to generate profits and declare dividends. These entities have the most autonomy of all the public entities, as they operate in a competitive marketplace and are run in accordance with general business principles. In terms of section 66(3)(a) of the PFMA, schedule 2 public entities may also borrow money through the accounting authority of that entity, which implies that they also have extensive borrowing powers.

Schedules 3B and 3D

Schedule 3B and 3D entities are referred to as government business enterprises. These entities generate income but may be either substantially self-funded or substantially government funded. As a result, they have less autonomy than the schedule 2 public entities even though they are still run in accordance with general business principles. These entities also have limited borrowing powers.

Schedules 3A and 3C

The remaining public entities are classified as schedule 3A and 3C entities. These entities are normally extensions of a public entity with the mandate to fulfil a specific economic or social responsibility of government. They rely on government funding and public money, either by means of a transfer from the Revenue Fund or through statutory money. As such, these entities have the least autonomy.

1.5. Other matters to consider when applying the guide

The following factors should be considered when applying the guide:

- The information contained in section 1: Introduction must not be included in the annual report.
- It is imperative that the financial information contained in the annual report corresponds with the financial information in the audited annual financial statements.
- Additional relevant sections can be incorporated into the annual report at the public entity’s discretion.
- Pictures, graphs and diagrams can be utilised to highlight and improve understanding of information, though excessive use should be avoided.
- The sequence of information in this guide must not be changed

- Reporting requirements that are included in this guide that do not apply to a public entity may be omitted from the annual report.
- Caution must be exercised by public entities concerning the costs of producing the annual reports.
- Naming convention: When including names of individuals in the annual report, such as directors, audit committee members, etc., the full name and surname of the person must be included, for example, John Edward Smith. This naming convention must be consistently applied throughout the report.



1.6. Documents to be used in preparing the annual report

To compile the public entity’s annual report, the following documents should be utilised:

- National Development Plan
- Relevant Medium Term Development Plan
- Provincial Growth and Development Strategy/Provincial Medium Term Development Plan (where applicable)
- Strategic Plan
- Annual Performance Plan
- Quarterly Performance Reports
- Risk management plan
- Human Resource Plan
- Organisational structure
- Audited annual financial statements

1.7. Responsibilities for compiling the annual report

Several parts make up the annual report of a public entity. To ensure that the public entity’s annual report is accurate and complete, it is envisaged that the following directorates/sections within the public entity will be responsible for the information in the respective sections of the public entity’s annual report:

Section of Annual Report	Responsibility
Part A: General Information	Communications / Strategic Management / Office of the CEO
Part B: Performance Information	Strategic Management / Finance (provide cost information)
Part C: Governance	Internal Control / Board
Part D: Human Resource Management	Human Resource Manager
Part E: PFMA Compliance Report	Various, including Supply Chain Management

An official must be assigned the responsibility of coordinating and consolidating the inputs into the annual report. Review processes should be in place to ensure that the information presented in the individual parts is consistent and that there is no conflicting information.

The CFO must review all financial information presented in the individual parts to ensure that it is in line with the information disclosed in the audited annual financial statements.

1.8. Submission dates for the annual report

Auditor General

The draft annual report must be submitted to the Auditor-General of South Africa (AGSA) by 31 May. The Auditor-General will review the contents of the annual report to ensure that the content of the annual report is consistent with the information provided in the annual financial statements.

Prior to the annual report being printed, the printer's proof of the complete annual report with the financial statements, the report of the Auditor-General and the report of the audit committee must be submitted to the AGSA for their final review.

Executive authority

The final annual report must be presented by the chief executive officer to the executive authority by 31 August.

Parliament/Provincial Legislature

The final annual report must be tabled in Parliament/ Provincial Legislature by 30 September and be published on the entity's website.

Treasury

The final annual report must be submitted to the relevant Treasury by 31 August.

1.9. Legislation

Section 55 of the PFMA and chapter 28 of the Treasury Regulations (28.2) set out the legal requirements for a Public Entity's annual reports.

PFMA

55. Annual report and financial statements —

- (1) The accounting authority for a public entity—
 - (a) must keep full and proper records of the financial affairs of the public entity;
 - (b) prepare financial statements for each financial year in accordance with generally accepted accounting practice, unless the Accounting Standards Board approves the application of generally recognised accounting practice for that public entity;
 - (c) Must submit those financial statements within two months after the end of the financial year—

- (i) to the auditors of the public entity for auditing; and
 - (ii) if it is a business enterprise or other public entity under the ownership control of the national or a provincial government, to the relevant treasury; and
- (d) must submit within five months of the end of a financial year to the relevant treasury, to the executive authority responsible for that public entity and, if the Auditor-General did not perform the audit of the financial statements, to the Auditor-General—
 - (i) an annual report on the activities of that public entity during that financial year;
 - (ii) the financial statements for that financial year after the statements have been audited; and
 - (iii) the report of the auditors on those statements.
- (2) The annual report and financial statements referred to in subsection (1) (d) must—
 - (a) fairly present the state of affairs of the public entity, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned;
 - (b) include particulars of—
 - (i) any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year;
 - (ii) any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure;
 - (iii) any losses recovered or written off;
 - (iv) any financial assistance received from the state and commitments made by the state on its behalf; and
 - (v) any other matters that may be prescribed; and
 - (c) include the financial statements of any subsidiaries.
- (3) An accounting authority must submit the report and statements referred to in subsection (1) (d), for tabling in Parliament or the provincial legislature, to the relevant executive authority through the accounting officer of a department designated by the executive authority.
- (4) The relevant treasury may direct that, instead of a separate report, the audited financial statements of a Schedule 3 public entity which is not a government business enterprise must be incorporated in those of a department designated by that treasury.

Treasury Regulations

28.2 Annual reports [Section 55(1)(d)(i) of the PFMA]

28.2.1 The annual report of public entities shall detail the materiality/significant framework applied during the financial year.

28.2.1 Any material losses through criminal conduct and any irregular and fruitless and wasteful expenditure must be disclosed as a note to the annual financial statements of the public entity.

28.2.2 Particulars of the public entity's strategic objectives and outcomes as identified and agreed on by the executive authority, the key performance measures and indicators for assessing the entity's performance in delivering the desired outcomes and objectives and the entity's actual performance against the strategic objectives and outcomes, must be in the annual report of the public entity.

1.10. Acronyms and icons used in this document

Acronyms

AA	Accounting Authority
AC	Audit Committee
AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
CEO	Chief Executive Officer
AGSA	Auditor-General of South Africa
CFO	Chief Financial Officer
IAF	Internal Audit Function
PFMA	Public Finance Management Act, Act 1 of 1999
Programme	This refers to how the entity manages its operations for budgeting and reporting purposes. Some public entities use the term main function, cost centres, objectives, or activity. The public entity must use the terminology that is applicable to its operations
TR	Treasury Regulations

Icons

Detailed below is the icon that is used in the guide.



TAKE NOTE: Special attention is drawn to a point in this guide

2. ANNUAL REPORT

The preparation and compilation of the public entity's annual report commences from this section onwards.

2.1 Cover

The following is the maximum information that should appear on the cover page:

- Annual Report
- Financial Year which is covered by the annual report
- Full name of the public entity and logo
- Design / graphic pictures / colour theme on cover page is at discretion of the public entity
- Short Slogan (Optional)

The following is the maximum information that should appear on the cover of the spine:

- Full name of the public entity and logo
- Annual Report
- Financial Year

Back cover page – information printed thereon is at the discretion of the public entity.

2.2 Table of Contents

The table of contents will have the listing of the various headings/sections and page numbers

2.3 Part A: General Information

2.3.1. Public entity's general information

The following information must be provided in this section for the public entity in a list/ tabular form:

- Registered name of the public entity
- Registration Numbers and/or other relevant numbers (e.g.: FSP)
- Registered Office address
- Postal Address
- Contact telephone numbers
- Email address
- Website address
- External Auditors Information – External Auditor's Name and Address
- Bankers Information- Name of Bank and Address of Bank
- Company Secretary – Full name and professional /designation

2.3.2. List of Abbreviations /Acronyms (if applicable)

The list of abbreviations / acronyms is included to ensure that users of the annual report understand the terms and meanings of the abbreviation / acronym utilised in the annual report.

Provide a list and description of each abbreviation / acronym. Ensure that the list contains all the abbreviation / acronym that is utilised throughout the annual report, irrespective of which section of the annual report it pertains to.

2.3.3. Foreword by the Chairperson

Guideline

The chairperson of the Board should prepare a statement covering the following:

- Introduction
- High-level overview of the public entity's strategy and the performance of the public entity in its respective sector
- Strategic Relationships
- Challenges faced by Board
- The strategic focus over the medium to long-term period
- Acknowledgements /Appreciation
- Conclusion

Chairperson's statement must be signed off by the Chairperson of the Board and a photograph of the Chairperson of the Board may be included in the Statement.

If the public entity does not have a board or a chairperson, this statement will be a statement by the relevant person/body that is the accounting authority for the public entity.

Format of disclosure

This information must be disclosed in a narrative format.

2.3.4. Chief Executive Officer's Overview

Guideline

The CEO's report should focus more on the financial aspects of the public entity. The following matters should be discussed in the Report of the CEO:

- General financial review of the public entity
- Spending trends of the public entity
- Capacity constraints and challenges facing the public entity
- Discontinued key activities / activities to be discontinued
- New or proposed key activities
- Requests for roll over of funds
- Supply chain management
- All concluded unsolicited bid proposals for the year under review
- Whether SCM processes and systems are in place
- Challenges experienced and how they will be resolved
- Audit report matters in the previous year and how they would be addressed
- Outlook/ Plans for the future to address financial challenges
- Events after the reporting date;
- Economic Viability
- Acknowledgement/s or Appreciation
- Other (information that needs to be communicated to users of AFS)

The report must be signed off by the CEO and a photograph of the CEO may be included.

If the public entity does not have a CEO, then the above report must be renamed accordingly

Format of disclosure

This information must be disclosed in a narrative format.

2.3.5. Statement of responsibility and confirmation of the accuracy of the annual report

Guideline

This is a statement signed by the accounting authority confirming the public entity's responsibility for the entire annual report and its accuracy and fair presentation. This statement will be published as part of the annual report.

The statement confirms that the annual report and financial statements conform to the respective guidelines issued by National Treasury.



Format of disclosure

Refer to annexure A for the format of the statement of responsibility and confirmation

2.3.6. Strategic Overview

Provide a synopsis of the strategic overview of the public entity which must be as per the approved strategic plan. The following information must be provided:

- Vision
- Mission
- Values

This information must be consistent with the information provided in the planning and budgeting documents of the public entity.

2.3.7. Legislative and Other Mandates

State what schedule public entity falls under in terms of the PFMA.

Set out the specific constitutional and other legislative, functional and policy mandates of the public entity, as per the relevant act(s) that govern(s) its establishment and operations. This should not be the entire list of legislation that the public entity is subject to in the course of its operations. Also include government policy frameworks that govern the public entity.

This information must be consistent with the information provided in the strategic plan and annual performance plan.

2.3.8. Organisational Structure

Guideline

Provide a high-level organisational structure of the public entity starting with the executive authority to the level of the officials reporting directly to the chief executive officer and the programmes that these officials are responsible for.

Format of disclosure

Each position on the organisational structure must include the:

- The post designation
- The name and surname of the official (Refer to 1.5 above)
- Posts that are vacant (state “post vacant”)
- Photographs of the respective individuals may be included on the organogram

2.4 Part B: Performance Information

Guideline

This section of the annual report provides key performance information that demonstrates the public entity's service delivery achievements.

Performance information is critical to effective management, planning, budgeting, implementation, monitoring, evaluation and reporting of the entity's impacts and outcomes. Performance information must be available to managers at each stage of the planning, budgeting and reporting cycle to enable them to adopt a results-based approach to managing service delivery. This approach emphasises planning and managing with a focus on desired results, and managing inputs, activities and outputs to achieve these results.

Measuring performance:

- ensures that policy, planning, budgeting and reporting are aligned in order to achieve improved service delivery.
- indicates how well a public entity is meeting its outcomes and impacts, and which policies and processes are working. Making the best use of available data and knowledge to track and report on performance is crucial for improving the execution of government's mandate.
- facilitates effective accountability, enabling relevant legislatures, members of the public and other interested parties to track progress of government activities, identify the scope for improvement and hold government to account.

Public entities must ensure that there is alignment between the impacts and outcomes in the Strategic Plan, and the associated programme /sub-programme outputs, output indicators and targets in the Annual Performance Plans, and budget related documents.

The performance information must clearly show public entity's achievements against performance indicators and targets as identified in the Strategic Plans, Annual Performance Plans and budget documents.

2.4.1 Auditor-General's Report: Predetermined Objectives

Guideline

The AGSA/auditor currently performs certain audit procedures on the performance information. The level of assurance provided may be reasonable (an opinion), or limited (a conclusion), or none (findings) as predetermined by the AGSA. Assurance in the form of an audit opinion or conclusion on the usefulness and reliability of the reported performance information is currently included in the management report. Material findings are reported in the auditor's report.

For a user of the annual report, reading the findings of the work performed by the AGSA/ auditors on the performance information will be more useful and relevant if it is read with the reporting of the performance information in the annual report.

Format of disclosure



Reference must be made to the paragraph in the Auditor General's report (Reporting on other legal and Regulatory requirements) published as Part F (Annual Financial Statements) of the public entity's annual report.

2.4.2 Overview of Public Entity's Performance

This section must cover the performance of the public entity in its entirety for each of the headings detailed below. Information should not be discussed at a programme level, as this is covered in a separate section "programme performance".

Service delivery environment

Guideline

In order to assist users of the annual report to gain an understanding of the challenges, successes and other factors that might impact on a public entity's performance, it is necessary to provide the users with an overview of the context within which the public entity operated and sought to implement its strategic plan and annual performance plan.

The public entity should seek to give a balanced overview of the environment in which it operated during the reporting period under review and not merely focus on factors that might be offered as 'mitigating circumstances' to support the public entity's delivery record.

The overview should include:

- commentary on the public entity's overall performance, outlining its key outputs, particularly relating to services rendered directly to the public,
- commentary on the challenges encountered by the public entity when providing the relevant services, and the corrective steps to be taken in dealing with such challenges, and
- a description of any significant developments, external to the public entity, that may have impacted either on the demand for the public entity's services or on the public entity's ability to deliver those services

Format of disclosure

This information must be provided in a narrative form

Organisational environment

Guideline

The annual report should provide readers with an understanding of the organisational challenges and successes experienced by the public entity for the reporting period. The aim of this 'overview of the organisational environment' is to provide a description of any significant developments internal to the public entity that may have impacted on the public entity's ability to deliver on its Strategic Plan and Annual Performance Plan e.g. the resignation and/or appointment of key personnel such as the CEO or the CFO, a strike by significant portions of the personnel employed by the public entity, or restructuring efforts, significant system failures or cases of corruption.

Given that these are factors internal to the public entity and therefore ostensibly within the public entity's control, it would be expected that the public entity gives some indication of any measures that were adopted to mitigate the impact of these events on service delivery.

Format of disclosure

This information must be provided in a narrative form

Key policy developments and legislative changes

Guideline

The public entity should describe any major changes to relevant policies or legislation that may have affected its operations during the period. If there have been no changes this must be stated.

Format of disclosure

This information must be provided in a narrative form.

2.4.3 Progress towards Achievement of Institutional Impacts and Outcomes

Guideline

Each public entity should state the impacts and outcomes as per the Strategic Plan and the progress made towards the achievement of the five-year targets in relation to the outcome indicators. The public entity must highlight significant achievements with regard to the contribution toward the 2024-29 Medium Term Development Plan and the Provincial Growth and Development Strategy/Provincial Medium Term Development Plan (where applicable). Public Entities should comment on any amendments to the Strategic Plan, where applicable.

Format of disclosure

This information must be provided in a narrative form

2.4.4 Institutional Programme Performance Information

Information for each programme must be provided for each of the headings below. The purpose of reporting on programme performance is to assess the efficiency and effectiveness in implementing the Annual Performance Plan. This will enable the public entity to inform programme planning and improvement for the next financial year, and to encourage programmes to develop strategies to ensure that the entity's results are realised.

Each programme will have a separate sub-heading.

Description of each Programme

Guideline

Information must be provided in accordance with the Annual Performance Plan

- Provide the purpose of the programme
- List the sub-programmes
- List the purpose of the sub programmes
- List the institutional outcomes that each programme contributes towards

Format of disclosure

This information must be provided in a narrative form.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Guideline

The public entity must report on all tabled Annual Performance Plans for the financial year under review. The minimum requirements below must be adhered to when reporting on each tabled Annual Performance Plan for the financial year under review.

This section must provide a narrative of the significant achievement of targets for the outputs and output indicators for each programme for the financial year under review. The narrative must also provide a summary on how the achievement of targets has contributed towards achieving the entity's outcomes, which will invariably impact on the strategic priorities of government.

Furthermore, the public entity must detail per programme on its response to prioritising women, youth and persons with disabilities in its service delivery environment, challenges encountered by the public entity when prioritising delivery for these designated groups, and the corrective steps that were undertaken in dealing with such challenges (where applicable).

A table must be provided where public entities must report on outputs, output indicators and targets for each programme or every sub-programme. There must be a separate table provided to report on each tabled Annual Performance Plan for the financial year under review. The public entity must indicate the date of applicability of the revised Annual Performance Plan.

The table must include the following:

- List the **outcomes** that the programme contributes towards
- List the programme / sub-programme **outputs** that contribute towards the outcomes
- List programme / sub-programme **output indicators**
- Provide the **audited actual achievement** in the previous financial year, which must be consistent with the previous annual reports
- Provide the **planned annual targets** for the period under review as per the Annual Performance Plan
- Provide the **actual achievement** for the period under review
- Provide the **variance** between the targets and actual achievements for the period under review
- Provide **reasons for all deviations**
- Provide **reasons** for the instances where outputs, output indicators and targets were removed or amended in the revised and re-tabled Annual Performance Plan.

Format of disclosure

The following table must be presented with the relevant information and narrative information can be provided after the table.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements Table

Table 2.4.4.1:

To be used for a report against the originally tabled Annual Performance Plan until date of re-tabling (In the instance where a public entity has re-tabled an Annual Performance Plan in the financial year under review)

Programme / Sub-programme:									
Outcome	Output	Output Indicator	Audited Actual Performance 20WW/20XX	Audited Actual Performance 20XX/20YY	Planned Annual Target 20YY/20ZZ	*Actual Achievement 20YY/20ZZ until date of re-tabling	Deviation from planned target to Actual Achievement 20YY/20ZZ	Reasons for deviations	Reasons for revisions to the Outputs / Output indicators / Annual Targets

*Actual achievement must be reported in relation to the performance information reflected in the originally tabled Annual Performance Plan until date of re-tabling (In the instance where a public entity has re-tabled an Annual Performance Plan in the financial year under review).

Table 2.4.4.1 should be used by institutions that have re-tabled their APP. **Only** revisions to the original APPs must be reflected in this table. The revisions to the APP should be in relation to:

- Discontinued outcomes, outputs, output indicators or targets.
- Changes effected to the indicator title or output name or outcome.
- Changes effected to the targets.

In a case where an institution re-tabled more than once, the institution must repeat table 2.4.4.1 to report on outcomes, outputs, output indicators and targets that were revised in the re-tabled APPs, revised during the financial year.

The actual achievement in this table must only be for the period that the tabled APP was applicable (i.e., before re-tabling of another APP). For example, the achievement can be for one quarter or two quarters; against the tabled annual target.

Table 2.4.4.2:

To be used for a report against the originally tabled Annual Performance Plan (In the instance where a public entity did not re-table the Annual Performance Plan in the financial year under review) OR Report against the re-tabled Annual Performance Plan

Programme / Sub-programme:								
Outcome	Output	Output Indicator	Audited Actual Performance 20WW/20XX	Audited Actual Performance 20XX/20YY	Planned Annual Target 20YY/20ZZ	**Actual Achievement 20YY/20ZZ	Deviation from planned target to Actual Achievement 20YY/20ZZ	Reasons for deviations

**Actual achievement must be reported in relation to the performance information reflected in the originally tabled Annual Performance Plan (In the instance where a public entity did not re-table the Annual Performance Plan in the financial year under review) OR in relation to the performance information reflected in the re-tabled Annual Performance Plan.

Table 2.4.4.2 must be used to report on **all** performance information (outcomes, outputs, output indicators and targets) in the final re-tabled APP.

Institutions that revised and re-tabled their APPs to add new indicators to the APP without making any changes to the originally tabled APP must complete table 2.4.4.2.

Linking performance with budgets

In assessing the achievement of the outputs in comparison to the planned targets, the public entity must consider the linkages and the relation to the resources available to the public entity, in particular the financial resources. Therefore, the following financial information should be presented. The financial information must agree to the information in the annual financial statements. Include the narrative after the table discussing how expenditure contributed to the achievement of outputs during the period under review.

Programme/acti vity/objective	20YY/20ZZ			20XX/20YY		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Total						

Strategy to overcome areas of under performance

Public entities should provide the strategies to address under performance.

2.4.5 Revenue collection

Guideline

The public entity must describe in some detail how they have delivered on the plans for revenue collection. Where there is under collection of revenue indicate the reasons for the under collection. Indicate what measures were taken during the course of the year to keep on target. Indicate what impact the under collection of revenue has had on service delivery.

Where it exceeded its target, the public entity should provide reasons for the better than anticipated performance. The public entity can also use this section to report on new measures instituted during the course of the year to raise additional revenue or to ensure more efficient/effective collection.

Format of disclosure

The following table must be presented with the relevant financial information. Include the narratives after the table.

	20YY/20ZZ	20XX/20YY
--	-----------	-----------

Sources of revenue	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Total						

2.4.6 Capital investment

Capital investment, maintenance and asset management plan

Guideline

Public entities are required to develop a capital investment and asset management plan.

Provide commentary on the following:

- Progress made on implementing the capital, investment and asset management plan
- Infrastructure projects which have been completed in the current year and the progress in comparison to what was planned at the beginning of the year. Provide reasons for material variances
- Infrastructure projects that are currently in progress (list projects) and when are they expected to be completed
- Plans to close down or down-grade any current facilities
- Progress made on the maintenance of infrastructure
- Developments relating to the above that are expected to impact on the public entity's current expenditure
- Details as to how asset holdings have changed over the period under review, including information on disposals, scrapping and loss due to theft
- Measures taken to ensure that the public entity's asset register remained up-to-date during the period under review
- The current state of the public entity's capital assets, for example what percentage is in good, fair or bad condition
- Major maintenance projects that have been undertaken during the period under review
- Progress made in addressing the maintenance backlog during the period under review, for example, has the backlog grown or become smaller? Is the rate of progress according to plan? If not why not, and what measures were taken to keep on track

Format of disclosure

The following table must be presented with the relevant financial information. The financial information must agree to the annual financial statements. Include the narratives after the table.

The Annual Report Guide
Schedule 3A and 3C Public Entities

	20YY/20ZZ			20XX/20YY		
Infrastructure projects	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Total						

2.5 Part C: Governance

2.5.1 Introduction

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King's Report on Corporate Governance.

Parliament, the Executive Authority and the Accounting Authority of the public entity are responsible for corporate governance.

2.5.2 Portfolio Committees

Parliament exercises its role through evaluating the performance of the public entity by interrogating their annual financial statements and other relevant documents, which have to be tabled as well as any other documents tabled from time to time.

The Standing Committee on Public Accounts (SCOPA) reviews the annual financial statements and the audit reports of the external auditor.

The Portfolio Committee exercises oversight over the service delivery performance of the public entity and, as such, reviews the non-financial information contained in the annual reports of the public entity and is concerned with service delivery and enhancing economic growth.

Provide commentary on the number of meetings held with the portfolio committees and the key issues raised by the portfolio committees.

2.5.3 Executive Authority

Oversight by the Executive Authority rests by and large on the prescripts of the PFMA. The PFMA governs/gives authority to the Executive Authority for oversight powers.

The Executive Authority also has the power to appoint and dismiss the Board of a public entity. The Executive Authority must also ensure that the appropriate mix of executive and non-executive directors is appointed and that directors have the necessary skills to guide the public entity.

Provide commentary on the reports submitted to the Executive Authority and the dates submitted. Discuss any issues raised by the executive authority.

2.5.4 The Accounting Authority/The Board

Introduction

The Board of Directors is the accounting authority of a public entity. The Board of a public entity constitutes a fundamental base for the application of corporate governance principles in the public entity. All public entities should be headed by and controlled by an effective and efficient Board, comprising of the appropriate mix of executive and nonexecutive directors representing the necessary skills to strategically guide the public entity. The majority of the members should be non-executive to ensure independence and objectivity in decision-making. The Board has an absolute responsibility for the performance of the public entity and is fully accountable to the public entity for such performance. The Board should also give strategic direction to the public entity.

The role of the Board is as follows:

- It holds absolute responsibility for the performance of the public entity
- It retains full and effective control over the public entity
- It has to ensure that the public entity complies with applicable laws, regulations and government policy
- It has unrestricted access to information of the public entity
- It formulates, monitors, reviews corporate strategy, major plans of action, risk policy, annual budgets and business plans
- It ensures that the shareholders' performance objectives are
- achieved
- It manages potential conflicts of interest
- It develops a clear definition of levels of materiality
- The Board must attend annual meetings
- It ensures financial statements are prepared
- The Board must appraise the performance of the Chairperson
- It must ensure effective Board induction
- Must maintain integrity, responsibility and accountability

In the annual report provide the roles and responsibilities of the board.

Board Charter

As recommended by the King Code, the Board has a charter setting out its responsibilities, which should be disclosed in its annual report. At a minimum, the charter should confirm:

- The board's responsibility for the adoption of strategic plans,
- Monitoring of operational performance and management,
- Determination of policy processes to ensure the integrity of the public entity risk management and internal controls,
- Communication policy, and director selection, orientation and evaluation

Provide commentary on the board's charter and comment on the progress made on complying with the charter.

Composition of the Board

Provide a brief description of:

- The number of executive and non-executive directors
- State the composition of the Board of Directors /members and state alternate members (if applicable)
- Who appointed the board members
- Attendance of the Board Meetings

- Also state outgoing Board members and their designation
- New appointments
- Resignations

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended

Committees

Since a Board cannot attend to all the matters effectively it is recommended that the establishment of the following committees:

- Audit Committee;
- Remuneration Committee;
- Nomination Committee; and
- Risk Management Committee

In the annual report provide the list the members for each of these committees, the roles and responsibilities of these committees, the no. of meetings held during the year.

Committee	No. of meetings held	No. of members	Name of members

Remuneration of board members

Provide the following information, in a tabular format, on the remuneration to board members:

- How remuneration of Board members is determined;
- Those members who are not remunerated;
- Other expenses e.g. Travel , reimbursed by the public entity;
- State the amount of remuneration paid to each board member.

Name	Remuneration	Other allowance	Other re-imbursements	Total

2.5.5 Risk Management

Provide a brief description of the following:

- Whether there is a proactive and accountable risk management culture across the public entity.
- Whether the public entity is sufficiently capacitated to manage risks and that all the employees know and understand their roles and responsibilities.
- Whether the public entity has updated, approved and communicated its risk management documentation (i.e., risk management policy, strategy, implementation plan, risk appetite and tolerance statement).
- Whether the public entity conducts regular risk assessments to evaluate the effectiveness of its risk management strategy and to identify new and emerging risks.
- Whether the board has established a Risk Management Committee that reports to it on the overall system of risk management, especially the mitigation of unacceptable levels of risk.
- Whether the Audit Committee advises the public entity on risk management and independently monitors the effectiveness of the system of risk management.
- Whether the public entity has noted progress in the management of risks, whether this has transmitted into improvements in the entity's performance, and if not, what its plans are to address this.

Prepare a one- to two-page summary (may include a table), outlining the entity's main risks while being careful not to disclose sensitive information. Comment on the adoption of and adherence to a risk appetite statement. At a high-level, describe how risks are identified, assessed and monitored (e.g. involving key internal and external stakeholders, continuous monitoring of the operating environment, risk escalation mechanisms). The report of the Risk Management Committee may be included to strengthen disclosure.

An example of the summary is shown below:

"(Name of public entity) maintained an effective system of risk management during the year under review. Strategic, operational and compliance risks were identified, assessed and monitored in accordance with the entity's approved Risk Management Policy and Risk Appetite Framework.

A Risk Management Committee, tasked with providing risk oversight, was in place for the entire reporting period. The Committee met quarterly to evaluate the entity's risk profile, review mitigation progress and consider emerging risks, and submitted oversight reports to the Accounting Authority. Key risks—including revenue sustainability, programme delivery risks, dependency on critical suppliers, and ICT and cybersecurity vulnerabilities—were actively managed through approved treatment plans with clear accountability.

The Internal Audit Function provided independent assurance on the adequacy and effectiveness of risk-management processes. No material breakdowns in the entity's risk-management system were identified during the period."

2.5.6 Internal Control Unit

Discuss the key responsibilities and work performed by the internal control unit during the year.

2.5.7 Internal Audit

(To be compiled by the Chief Audit Executive)

Strategic Role and Purpose of Internal Audit

The internal audit function (IAF) is a fundamental component of the public entity's governance and accountability system. The IAF is established in terms of section 51(1)(a)(ii) of the Public Finance Management Act (PFMA), read together with Treasury Regulations 27.2.2. In light of Treasury Regulation 27.2.6, which stipulates that internal audit must be conducted in accordance with the Standards™ set by the Institute of Internal Auditors, the IAF is required to comply with the International Professional Practices Framework® (IPPF®) comprising the Global Internal Audit Standards™, Topical Requirements, and Global Guidance published by the Institute of Internal Auditors (IIA). The IPPF establishes the foundation upon which the IAF acts independently and objectively in providing assurance and advisory services in respect of the public entity's overall governance, risk management, and internal control processes. The IAF is led by the Chief Audit Executive (CAE) and operates in terms of the Internal Audit Charter, which is approved by the AC and endorsed by the Accounting Authority.

Strategic Positioning and Independence

The IAF must function independently from management and be empowered with a functional reporting line directly to the Audit Committee (AC), and an administrative reporting line to the Accounting Authority. The IAF's functional reporting to the AC is prescribed in section 51(1)(a)(ii) of the PFMA and is intended to protect the independence and objectivity of individual internal auditors. The CAE must have unrestricted access to the Chairperson of the AC. The independence of the IAF must be actively protected at all times, with safeguards formally documented, monitored and reviewed by the AC to ensure that the IAF remains free from undue influence in the execution of its mandate.

Provide a brief description of the following:

- Key activities and objectives of the internal audit function

Must at least include commentary on the following core aspects to provide a clear, concise and transparent overview of the IAF, its activities and effectiveness:

- **Purpose and mandate:** Explain the purpose and mandate of the IAF, including its dual reporting lines to the Chief Executive Officer (administratively) and Accounting Authority (functionally). Confirm whether the function operates in accordance with a current and appropriate charter approved by the AC and endorsed by the Accounting Authority.
- **Strategy:** Outline the IAF's vision and strategy, and comment on its alignment with the public entity's strategy.
- **Charter, methodology and internal audit plans:** Indicate whether the internal audit charter, methodology, rolling 3-year strategic internal audit plan and an annual plan for the first year of the rolling 3-year internal audit plan (strategic and annual plans) were reviewed and approved. If not, explain why.
- **Independence and objectivity:** State whether the IAF operated freely in exercising its independence from the public entity, and whether the auditors maintained objectivity when conducting audit services or became aware of any impairments that have affected their objectivity and disclosed these to the CAE or AC. If not, provide details and how the issues

were addressed.

- **Internal audit modality:** If the IAF is not fully in-house, state the modality (co-sourced or outsourced), provide details of the external service provider and the duration of the relevant agreement. If the outsourced model applies, indicate who the designated Chief Audit Executive is.
 - **Staffing:** Provide information on IAF’s total budget and expenditure for the year, number of approved, funded, unfunded, vacant and filled positions together with recruitment in progress of the IAF. State whether collective skills and experience of IAF staff are appropriate. Comment on the training and development of internal audit staff (budget, attendance, etc.)
 - **Quality Assurance and Improvement Program:** Confirm whether a Quality Assurance and Improvement Program is in place, the date of the last internal assessment, as well as the last external assessment and its outcome, and whether the identified issues have been addressed. Indicate if the AC assessed the IAF’s performance, the outcomes and improvement areas (if any) and action plans to address these. Indicate if the assessment also considered feedback from other key stakeholders regarding the IAF’s performance and value-add.
 - **Stakeholder Relationships:** Describe key relationships with various stakeholders including other assurance providers.
 - **Combined Assurance:** Confirm the role played by the IAF in the combined assurance process.
 - **Value-Add:** Outline the contributions made by the IAF (including key accomplishments and the effect on enhancing operational performance). Explain any steps taken or underway to further strengthen the value delivered.
 - **Limitations:** Describe any constraints not already mentioned elsewhere that impede optimal IAF performance (scope limitation, use of technology, etc)
- **Specify summary of work done by the IAF in the reporting period**

Must at least cover the following:

- **Planned and completed audits:** Differentiate between assurance and advisory services indicating the number of planned versus completed audits (also translate to percentages).
- **Ad-hoc projects:** Indicate the number of ad-hoc projects initiated versus completed.
- **Audits rolled over:** Reasons for not being audited and whether these will be included in the new internal audit plan.
- **Status of Audit Findings Addressed:** Provide information on the total number of audit findings addressed, in progress, or not yet addressed by management. Also comment on the status of total recurring audit findings emanating from the previous three (03) years.

	Number of Findings	Total Addressed	Not Yet Due	Total Not Addressed	No. of Recurring Findings Last 3 Financial Years
IAF Findings					
AGSA Findings					

○

2.5.8 Audit Committees

(To be compiled by the official responsible for the AC functions, i.e., AC Secretariat in consultation with the AC Chairperson)

The AC is established by the Accounting Authority as prescribed by the PFMA and its core functions and responsibilities are set out in the Treasury Regulations and the Audit Committee Terms of Reference (Charter) approved by the Accounting Authority. The AC plays a pivotal role in assessing operations, and based on such assessment, advising the Accounting Authority regarding the effectiveness of the public entity's overall governance, risk management and internal control system, the effectiveness of the internal audit function; the adequacy, reliability and accuracy of financial and performance information produced by the public entity; accounting and auditing concerns identified through internal and statutory audits; and the public entity's compliance with legal and regulatory provisions. The AC thus assists the public entity in enhancing its integrity and operational effectiveness through good governance and adherence to the legislative, accounting and auditing frameworks.

Provide a brief description of the following:

- Key activities and objectives of the audit committee

Must at least include commentary on:

- **Purpose and mandate:** Explain the purpose, authority and mandate of the audit committee (AC), including its public interest role and reporting lines to the Accounting Authority and Executive Authority. Confirm whether the AC operates in accordance with a current and approved Audit Committee charter by the Accounting Authority.
- **Independence:** State whether the AC operated freely in exercising its independence. If not, provide details of how the issues were addressed. Indicate how the AC actively assessed conflict of interest amongst its members, and how conflicts (if any) were addressed.
- **Protecting the independence of the IAF:** Confirm whether the AC has reviewed the organisational positioning, and all aspects related to the independence of the IAF, including what safeguards were in place to protect the independence of internal auditors, as well as from threats and victimisation. Has the AC had reason to intervene to protect internal auditors during the period under review.
- **Reports to the Accounting Authority and Executive Authority:** Confirm if the AC provided reports to the Accounting Authority to provide an account of its work, its meetings, key findings emerging therefrom and recommendations. Confirm if the AC met with the Executive Authority during the reporting period to communicate any concerns it deems necessary.
- **Stakeholder relationships:** Confirm if the support and co-operation of key stakeholders is sufficient to enable the AC to fulfil its purpose.
- **Concerns raised with the Accounting Authority, Executive Authority, relevant Treasury or Auditor-General:** Indicate whether the AC raised concerns with one or more of the mentioned parties and the nature of the concerns.
- **Performance against statutory duties:** Confirm whether the AC fulfilled its functions and responsibilities as set out in the PFMA, Treasury Regulations, Global Internal Audit Standards™ and the AC charter.
- **Composition of the AC:** Confirm whether the AC is properly constituted, with a balanced representation of independent members with a diverse and appropriate mix of qualifications, expertise, and experience to fulfil its mandate, considering the size, geographic dispersion, supply chain and general complexity of the public entity.

- **Meeting attendance:** Confirm number of meetings held by the AC during the reporting period.
- **Combined assurance:** Confirm the role played by the AC on the combined assurance process and the maturity of combined assurance in the organisation.
- **Resolution of AC recommendations:** Indicate whether the AC is satisfied or not regarding how its recommendations are received and implemented.
- **AC performance evaluation:** Confirm if the AC conducts an annual evaluation of its own performance and effectiveness, and if this was done for the reporting period. Indicate whether a 360-degree assessment involving its key stakeholders was done. Indicate the key outcomes of both these processes and if the AC has resolved or is in the process of resolving the main issues identified.

2.5.8.1 Audit Committee Composition and Meeting Attendance

(Tabular Form. To be completed by Audit Committee Secretariat)

The table below discloses relevant information on the audit committee members:

Name (Full Name and Surname, including professional title)	Qualifications	Professional Affiliation (e.g. SAICA, IIA, IOD(SA))	Appointment: Term of Office		No. of meetings attended 20YY/ZZ		Has the AC member declared private and business interests in every meeting? (Yes/No)	Is the AC member an employee of an organ of state? (Yes / No)	No. of other ACs that the member served on during the reporting period (whether in the public sector or not)	No. of other governance structures the member served on during the reporting period, e.g. Boards, Risk Committee, IT Committee, etc, whether in this or any other institution(s)
			Start date	End date	Ordinary Meetings	Special Meetings				

2.5.8.2 Remuneration of Audit Committee Members

(To be compiled by Chief Audit Executive/ AC Secretariat)

Provide the following details:

- Rates at which members are remunerated (e.g. NT rate, AG rate, DPSA rate, Professional Institution Rate, Other Specify); Split between preparation and sitting hour or fixed rate.
- An indication of whether AC members who worked or are working for an organ of state were/are being remunerated; and
- Total AC expenditure for the reporting period.

2.5.9 Compliance with laws and regulations

State what the public entity has done in order to ensure compliance with regulations.

2.5.10 Fraud and Corruption

Provide a brief description of the following:

- Fraud Prevention Plans and the progress made in implementing the fraud prevention plan
- Mechanisms in place to report fraud and corruption and how these operate.eg: Whistle blowing - the need for officials to make confidential disclosure about suspect fraud and corruption
- How these cases are reported and what action is taken

2.5.11 Minimising Conflict of Interest

Brief description on the processes implemented to minimise conflict of interest in supply chain management. Discuss the process followed where a conflict of interest has been identified.

2.5.12 Code of Conduct

Brief description and nature of Code of conduct /ethics and the effect it has on the public entity. Discuss the process followed for the breach of code of conduct.

2.5.13 Health, Safety and Environmental Issues

Provide a brief description of the Health Safety and Environmental Issues and the effect it has on the public entity.

2.5.14 Company Secretary (if applicable)

Discuss the role and responsibilities of the company secretary and the reports and returns as required by the Companies Act are lodged, and the returns are complete and accurate.

2.5.15 Social Responsibility

Provide a summary of what the public entity has accomplished during the year in meeting its social responsibility.

2.5.16 Audit Committee Report

(To be completed by the AC Chairperson)

This guideline serves as a minimum requirement of issues and topics that must be addressed by the AC to discharge its responsibilities in terms of the PFMA and Treasury Regulations. The AC must use its own words to provide relevant information on these issues and topics for the year under review. The AC may include additional information it deems appropriate. Ultimately, the report must present the AC's authoritative, comprehensive, bold yet balanced assessment of the public entity's risk management, governance, internal control, performance against pre-determined objectives and financial governance, elaborating on the reasons for good or poor assessments. The AC should also provide insights of its activities throughout the year, including significant issues that it provided counsel on, as well as information on its own performance. The committee may also provide its perspective of future challenges and opportunities to help stakeholders obtain a better understanding of the public entity.

The AC must review the AFS and include its draft AC report before recommending the submission of the AFS to the Auditor-General for auditing. Post the audit of the AFS, the AC must review the audit report of the Auditor-General, the audited financial statements, the management report and management's comments on the audited financial statements. This must be concluded before the Auditor-General's reporting date, 31 July.

The AC must conclude its final report to be included in the Annual Report based on the outcome of the above. The final report may differ from the draft report submitted based on the outcome of the AC's evaluation of the annual financial statements and management report issued by the Auditor-General. The report is divided into three parts namely:

Part 1: Audit Committee Reflections – 20YYZZ

The Chairperson's brief reflections on key objectives and activities of the AC, which must at least include:

- The Audit Committee's independence, strategic focus, confirmation of counsel provided, monitoring conflict of interest within its own ranks, stakeholder relationships, positioning and protection of the independence of the internal audit function and the objectivity of the internal audit staff and the Chief Audit Executive's role beyond internal auditing. Confirmation that the AC consistently provided reports and briefed the Accounting Authority of its meetings and the main issues deliberated, challenges identified and proposed solutions. Confirmation whether the AC met with the Executive Authority to provide briefings. Whether the AC has assessed its own performance and the results thereof.
- Audit Committee Responsibilities:
 - The Audit Committee reports that it has complied with its responsibilities arising from Section 51 (1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 27.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.
 - Recognises its duty to serve the public interest and confirms that it has diligently upheld this critical responsibility. Has functioned without hindrance, limitations or threats to its independence throughout the reporting period.
 - Has internalised the relevant requirements of the Global Internal Audit

Standards™ in its work and has aligned both the IAF & AC Charters. Confirms that the AC applied professional scepticism in the execution of its duties, critically evaluating information placed before it, requested additional information when necessary and continuously assessed whether internal audit, management and other providers of assurance maintained high ethical and professional standards.

Part 2 – Audit Committee Composition and Attendance

- Confirm whether the AC is properly constituted to fulfil its mandate.
- Confirm the number and types of meetings held by the AC during the reporting period.

Part 3 – Audit Committee Focus Areas *(Provide details and conclusion on each focus area)*

- **Effectiveness of internal control systems:** Confirm management’s approach to maintaining an effective internal control system. Whether relevant policies and procedures are in place and are periodically reviewed and approved. Whether appropriate processes are in place to periodically evaluate compliance with legislation and key policies. Confirm, if applicable, what key internal audit and external audit findings reveal about the adequacy and effectiveness of the internal control system and how these are being addressed.
- **Effectiveness of the internal audit function:** Has the IAF operated consistently throughout the year in terms of its mandate, strategy and annual plan. Confirm whether the AC approved the internal audit coverage plan and reviewed reports presented by the IAF on a quarterly basis. Confirm the extent of internal audit findings addressed by management. Confirm oversight on reports of significant investigations and the responses of management to specific recommendations. Is the committee satisfied with the independence and objectivity of the IAF? Has the IAF adopted the Global Internal Audit Standards™? How has the committee assessed the performance of the IAF and what is AC’s opinion of IAF’s effectiveness? Has the IAF been properly capacitated throughout the year (in terms of the number of personnel and mix of skills) and experience). How are the Accounting Authority and committee supporting the IAF to modernise (i.e. adoption of technology, better use of data and analytics, skills development and recruitment strategy to meet the increased expectations, etc)? Is the committee satisfied with the level of support for and co-operation with the IAF by management? Confirm if the IAF has coordinated its activities with other assurance providers. Indicate whether the AC met with the Chief Audit Executive, AGSA, and Accounting Authority to ensure that there are no unresolved issues of concern.
- **Effectiveness of risk management:** Confirm how the committee obtained assurance on the overall system of risk management. What is the AC’s assessment of the effectiveness of the overall system of risk management? Is the AC satisfied that both the internal audit and external audit plans took account of the state of risk management, material risks and related factors. Confirm whether the AC oversaw the management of financial and other risks that affect the integrity of external reports issued by the public entity.
- **Adequacy, reliability and accuracy of the financial and performance information:** Confirm how the AC has satisfied itself of the adequacy, reliability and accuracy of the financial and performance information produced. Any major concerns that the AC brought to management’s attention.
- **Adequacy and effectiveness of Information and Communication Technology (ICT) Governance:** Confirm that the AC has satisfied itself regarding the adequacy and effectiveness of the entity’s ICT governance frameworks, policies, and prescripts in supporting the protection, integrity, and

availability of electronic information, systems, and infrastructure. In doing so, the AC confirms that it has considered the adequacy and effectiveness of controls relating to ICT resources, access management, incident and problem management, change management, and patch management. Confirms that ICT-related business risks, including information security and cybersecurity risks are appropriately identified, managed and mitigated, and are subjected to regular assurance through Internal Audit and other relevant assurance providers. The AC also confirms that a Disaster Recovery Plan (DRP) and Business Continuity Plan (BCP) are in place and aligned with the entity's broader business continuity management framework and periodically tested.

- **Accounting and auditing concerns identified as a result of internal and external audits:** What are the major issues reported by internal and external audits? Are these issues receiving proper attention from management? Is the AC monitoring the resolution of these issues and providing guidance? Comment specifically on unauthorised, irregular, fruitless and wasteful expenditure, what is the AC's view, how is this being managed, including consequence management, and actions to recover funds where necessary. Comment on material irregularities, the results of completed investigations and high-level details of investigations in progress. Comment on preventative actions and the AC's role in assisting the public entity to avoid unauthorised, irregular, fruitless and wasteful expenditure, material irregularities and financial mismanagement in general.
- **Compliance with legal and regulatory provisions:** Indicate how the AC has satisfied itself of the public entity's compliance with legal and regulatory requirements.
- **The quality of the in-year management and monthly/quarterly reports submitted in terms of legislation:** Comment whether the public entity has been reporting monthly and quarterly to the Treasury as is required by the PFMA. Comment on whether the AC reviewed these reports. What is the AC's opinion on the quality of these reports?
- **Combined assurance:** Comment on the role played by the AC on the combined assurance process and the maturity of combined assurance in the public entity.
- **Evaluation of annual financial statements:** Comment on:
 - review and discussion with the Auditor-General and the Accounting Authority of the audited annual financial statements to be included in the annual report.
 - review of the Auditor-General's management report and management's response thereto, highlighting any concerns with any of the findings.
 - review of any changes in accounting policies and practices.
 - review of the public entity's compliance with legal and regulatory provisions.
 - review of the information on predetermined objectives to be included in the annual report.
 - review of any significant adjustments resulting from the audit.
 - the quality and timeliness of the financial information availed to the audit committee for oversight purposes during the year, e.g., the interim financial statements.
 - whether the significant financial reporting issues for the reporting period were resolved between management and internal/external auditors.
 - date the AC recommended the AFS be approved.
 - the audit opinion and its impact on operations of the public entity as well as management's commitment to address audit outcomes.

- **External Audit:** State the audit committee's view on the independence and objectivity of external auditors. State any issues raised and not adequately addressed by the public entity. Indicate whether the audit committee met with the Auditor-General to ensure that there are no unresolved issues of concern.
- **Auditor-General's Report:** The audit committee must indicate whether it has reviewed the public entity's implementation plan for audit issues raised in the previous year and is satisfied that the matters have been adequately resolved; except for the following which the committee intends to maintain oversight on in xxxx (year). The audit committee must indicate whether it concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.
- **Any issues /matters not covered above:** (e.g., any special duties assigned by the Accounting Authority/Executive Authority, etc.)
- **Conclusion**

Refer to annexure B for the format of the Audit Committee report.



2.5.17 B-BBEE Compliance Performance Information

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

Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	Response Yes / No	Discussion <i>(include a discussion on your response and indicate what measures have been taken to comply)</i>
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?		
Developing and implementing a preferential procurement policy?		
Determining qualification criteria for the sale of state-owned enterprises?		
Developing criteria for entering into partnerships with the private sector?		
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?		

2.6 Part D: Human Resource Management

2.6.1 Introduction

- Overview of Human Resources (HR) matters at the public entity
- Set HR priorities for the year under review and the impact of these priorities
- Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce
- Employee performance management framework
- Employee wellness programmes
- Policy development
- Highlight achievements
- Challenges faced by the public entity
- Future HR plans /goals

2.6.2 Human Resources Oversight Statistics

The public entity must provide the following key information on human resources. All the financial amounts must agree to the amounts disclosed in the annual financial statements. Where considered appropriate provide reasons for variances.

Personnel Cost by programme/activity/objective

Programme/activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management				
Senior Management				

Professional qualified				
Skilled				
Semi-skilled				
Unskilled				
TOTAL				

Performance Rewards

Programme//activity/objective	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management			
Senior Management			
Professional qualified			
Skilled			
Semi-skilled			
Unskilled			
TOTAL			

Training Costs

Programme//activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee

Employment and vacancies

Programme/activity/objective	20XX/20YY No. of Employees	20YY/20ZZ Approved Posts	20YY/20ZZ No. of Employees	20YY/20ZZ Vacancies	% of vacancies

	20XX/20YY No. of Employees	20YY/20ZZ Approved Posts	20YY/20ZZ No. of Employees	20YY/20ZZ Vacancies	% of vacancies
Top Management					
Senior Management					
Professional qualified					
Skilled					
Semi-skilled					
Unskilled					
TOTAL					

Explanations: Detail the attempts made to fill the posts of senior management and highly skilled supervision and explain why there are no appropriate internal staff to fill the vacancies. Explain how long, at a minimum, vacancies have remained unfilled and the reasons for this. Explain measures taken to successfully attract and retain staff.

Employment changes

Provide information on changes in employment over the financial year. Turnover rates provide an indication of trends in employment profile of the public entity.

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management				
Senior Management				
Professional qualified				
Skilled				
Semi-skilled				
Unskilled				
Total				

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death		
Resignation		

Dismissal		
Retirement		
Ill health		
Expiry of contract		
Other		
Total		

Explanations: Provide explanations for staff leaving and what attempts are made to replace these staff.

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	
Written Warning	
Final Written warning	
Dismissal	

Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management								
Senior Management								
Professional qualified								
Skilled								
Semi-skilled								
Unskilled								
TOTAL								

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target

Top Management								
Senior Management								
Professional qualified								
Skilled								
Semi-skilled								
Unskilled								
TOTAL								

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management				
Senior Management				
Professional qualified				
Skilled				
Semi-skilled				
Unskilled				
TOTAL				

Explanations: Provide explanations for major variances between target and current and attempts made by the public entity to address the variances.

2.7 Part E: PFMA Compliance Report

This section provides guidance on the information to be included in the annual report guide relating to PFMA compliance requirements.

2.7.1 Information on Irregular, Fruitless and Wasteful Expenditure and Material Losses

The following is guidance on the information that should be disclosed by PFMA institutions in the annual report per the PFMA and the relevant frameworks.

Guideline

Irregular expenditure is recorded in the annual report when it is either -

- a) confirmed;
- b) under assessment, determination and/or investigation;
- c) condoned by the relevant authority; or
- d) transferred to receivables for recovery; or
- e) written off if it is not recoverable; or
- f) not condoned and removed.
- g) Include details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure.

Fruitless and wasteful expenditure is recorded in the annual report when it is either -

- a) confirmed;
- b) under assessment, determination and/or investigation;
- c) transferred to receivables for recovery; or
- d) written off if it is not recoverable.
- e) Include details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure.

Format of disclosure

Irregular expenditure

a) Reconciliation of irregular expenditure

Description	20YY/20ZZ	20XX/20YY
	R'000	R'000
Opening balance		
Adjustment to opening balance		
Opening balance as restated		
Add: Irregular expenditure confirmed		
Less: Irregular expenditure condoned		
Less: Irregular expenditure not condoned and removed		
Less: Irregular expenditure recoverable ¹		
Less: Irregular expenditure not recoverable and written off		
Closing balance		

Include discussion here where deemed relevant.

Reconciling notes

Description	20YY/20ZZ	20XX/20YY ²
	R'000	R'000
Irregular expenditure that was under assessment		
Irregular expenditure that relates to the prior year and identified in the current year		
Irregular expenditure for the current year		
Total		

b) Details of irregular expenditure (under assessment, determination, and investigation)

Description ³	20YY/20ZZ	20XX/20YY
	R'000	R'000
Irregular expenditure under assessment		
Irregular expenditure under determination		
Irregular expenditure under investigation		

¹ Transfer to receivables

² Record amounts in the year in which it was incurred

³ Group similar items

Total		
--------------	--	--

Include discussion here where deemed relevant.

c) Details of irregular expenditure condoned

Description	20YY/20ZZ	20XX/20YY
	R'000	R'000
Irregular expenditure condoned		
Total		

Include discussion here where deemed relevant.

d) Details of irregular expenditure removed - (not condoned)

Description	20YY/20ZZ	20XX/20YY
	R'000	R'000
Irregular expenditure NOT condoned and removed		
Total		

Include discussion here where deemed relevant.

e) Details of irregular expenditure recoverable

Description	20YY/20ZZ	20XX/20YY
	R'000	R'000
Irregular expenditure recoverable		
Total		

Include discussion here where deemed relevant.

f) Details of irregular expenditure written off (irrecoverable)

Description	20YY/20ZZ	20XX/20YY
	R'000	R'000
Irregular expenditure written off		
Total		

Include discussion here where deemed relevant.

Additional disclosure relating to Inter-Institutional Arrangements

g) Details of irregular expenditure where an institution is involved in an inter-institutional arrangement (where such institution is responsible for the non-compliance)⁴

Description	20YY/20ZZ ⁵	20XX/20YY
	R'000	R'000
Total		

Include discussion here where deemed relevant.

h) Details of disciplinary or criminal steps taken as a result of irregular expenditure

Disciplinary steps taken

Include discussion here where deemed relevant.

Fruitless and wasteful expenditure

a) Reconciliation of fruitless and wasteful expenditure

⁴ Refer to paragraphs 3.12, 3.13 and 3.14 of Annexure A (PFMA Compliance and Reporting Framework) to National Treasury Instruction No. 4 of 2022/2023

⁵ Amounts of irregular expenditure related to the current year must be disclosed in the annual financial statements.

Description	20YY/20ZZ	20XX/20YY
	R'000	R'000
Opening balance		
Adjustment to opening balance		
Opening balance as restated		
▲Add: Fruitless and wasteful expenditure confirmed		
Less: Fruitless and wasteful expenditure recoverable ⁶		
Less: Fruitless and wasteful expenditure not recoverable and written off		
Closing balance		

Include discussion here where deemed relevant.

Reconciling notes

Description	20YY/20ZZ	20XX/20YY ⁷
	R'000	R'000
Fruitless and wasteful expenditure that was under assessment		
Fruitless and wasteful expenditure that relates to the prior year and identified in the current year		
Fruitless and wasteful expenditure for the current year		
Total		

b) Details of fruitless and wasteful expenditure (under assessment, determination, and investigation)

Description ⁸	20YY/20ZZ	20XX/20YY
	R'000	R'000
Fruitless and wasteful expenditure under assessment		
Fruitless and wasteful expenditure under determination		
Fruitless and wasteful expenditure under investigation		
Total		

Include discussion here where deemed relevant.

⁶ Transfer to receivables

⁷ Record amounts in the year in which it was incurred

⁸ Group similar items

c) Details of fruitless and wasteful expenditure recoverable

Description	20YY/20ZZ	20XX/20YY
	R'000	R'000
Fruitless and wasteful expenditure recoverable		
Total		

Include discussion here where deemed relevant.

d) Details of fruitless and wasteful expenditure not recoverable and written off

Description	20YY/20ZZ	20XX/20YY
	R'000	R'000
Fruitless and wasteful expenditure written off		
Total		

Include discussion here where deemed relevant.

e) Details of disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

Disciplinary steps taken

Include discussion here where deemed relevant.

Additional disclosure relating to material losses in terms of PFMA Section 55(2)(b)(i) &(iii))⁹

a) Details of material losses through criminal conduct

Material losses through criminal conduct	20YY/20ZZ	20XX/20YY
	R'000	R'000
Theft		
Other material losses		

⁹ Information related to material losses must also be disclosed in the annual financial statements.

Less: Recoverable		
Less: Not recoverable and written off		
Total		

Include discussion here where deemed relevant.

b) Details of other material losses

Nature of other material losses	20YY/20ZZ	20XX/20YY
	R'000	R'000
<i>(Group major categories, but list material items)</i>		
Total		

Include discussion here where deemed relevant and criminal or disciplinary steps taken by the institution.

c) Other material losses recoverable

Nature of losses	20YY/20ZZ	20XX/20YY
	R'000	R'000
<i>(Group major categories, but list material items)</i>		
Total		

Include discussion here where deemed relevant.

d) Other material losses not recoverable and written off

Nature of losses	20YY/20ZZ	20XX/20YY
	R'000	R'000

<i>(Group major categories, but list material items)</i>		
Total		

Include discussion here where deemed relevant.

2.7.2 Information on late and / or non-payment of suppliers

Information on the late and or non-payment of suppliers should be included here.

Guideline

Accounting authorities must maintain systems, processes and procedures that will enable for the tracking of each invoice received by their institution from receipt up to a point of payment.

Accounting authorities must at the end of each financial year record consolidated information¹⁰ on late payment of suppliers for the year in annual reports of their respective institutions in a format indicated below –

- number and rand value of all valid invoices received;
- number and rand value of all invoices **paid within 30 days** or within the agreed period with the supplier;
- number and rand value of all invoices **paid after 30 days** or later than the period agreed with the supplier for the year;
- number and rand value of all invoices that are **older than 30 days** or in excess of the period agreed with suppliers, which remain unpaid and where such invoices are **without dispute** with suppliers;
- number and rand value of all invoices that are **older than 30 days** or in excess of the period agreed with suppliers, which remained unpaid and where such invoices are **in dispute** with suppliers for the year; and
- a narrative indicating **reasons** for the late and/or non-payment of invoices, including reasons for invoices that are in dispute, where applicable.

¹⁰ A register of information relating to late or non-payments of suppliers may be kept for regular reporting to the accounting authority for purposes of consolidation at the end of each financial year.

Format of disclosure

Description	Number of invoices	Consolidated Value
		R'000
Valid invoices received		
Invoices paid within 30 days or agreed period		
Invoices paid after 30 days or agreed period		
Invoices older than 30 days or agreed period (<i>unpaid and without dispute</i>)		
Invoices older than 30 days or agreed period (<i>unpaid and in dispute</i>)		

Include reasons for the late and or non-payment of invoices, including reasons that the invoices are in dispute, where applicable.

2.7.3 Information on Supply Chain Management

Information on the Supply Chain Management matters should be included here.

Procurement by other means

Guideline

Accounting authorities must ensure that all procurement by “other means” is reported in the annual report of an institution in the format prescribed in terms of the instruction on Enhancing Compliance, Transparency and Accountability in Supply Chain Management.

Format of disclosure

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Total				

Contract variations and expansions

Guideline

Accounting authorities must ensure that all variations or expansions above the thresholds prescribed in terms of the instruction on Enhancing Compliance, Transparency and Accountability in Supply Chain Management are reported in the annual report of an institution in the format prescribed.

Format of disclosure

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value	Value of previous contract expansion/s or variation/s (if applicable)	Value of current contract expansion or variation
				R'000	R'000	R'000
Total						

2.8 Part F: Financial Information

2.8.1 Report of the External Auditor

This is the audit report as issued by the External Auditor.

2.8.2 Annual Financial Statements

As per the applicable Standards of GRAP issued by the Accounting Standards Board.

3. ANNEXURES

3.1 Annexure A: Statement of responsibility and confirmation of accuracy

Statement of responsibility and confirmation of accuracy for the annual report

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

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General.

The annual report is complete, accurate and is free from any omissions.

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

The Annual Financial Statements (Part F) have been prepared in accordance with the _____ standards applicable to the public entity.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing and implementing a system of internal control, which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 20ZZ.

Yours faithfully

Chief Executive Officer

Name

Date

Chairperson of the Board

Name

Date

3.2 Annexure B: Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 20ZZ.

Part 1: Audit Committee Reflections – 20YY/ZZ

Chairperson's brief reflections on key objectives and activities of the AC, which must at least include:

- The Audit Committee's independence, strategic focus, confirmation of counsel provided, monitoring conflict of interest within its own ranks, stakeholder relationships, positioning and protecting protection of the independence of the internal audit function and the objectivity of the internal audit staff and the Chief Audit Executive's role beyond internal auditing. Confirmation that the AC consistently provided reports and briefed the Accounting Authority of its meetings and the main issues deliberated, challenges identified and proposed solutions. Confirmation whether the AC met with the Executive Authority to provide briefings. Whether the AC has assessed its own performance and the results thereof.
- Audit Committee Responsibilities:
 - The Audit Committee reports that it has complied with its responsibilities arising from Section 51 (1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 27.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter, and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.
 - Recognises its duty to serve the public interest and confirms that it has diligently upheld this critical responsibility. Has functioned without hindrance, limitations or threats to its independence throughout the reporting period.
 - Has internalised the relevant requirements of the Global Internal Audit Standards™ in its work and has aligned both the IAF & AC Charters. Confirms that the AC applied professional scepticism in the execution of its duties, critically evaluating information placed before it, requested additional information when necessary and continuously assessed whether internal audit, management and other providers of assurance maintained high ethical and professional standards.

Part 2: Audit Committee Composition and Meeting Attendance

The audit committee consists of XX members in total, with YY being external members and ZZ from within the public service. The committee is properly constituted, with a balanced representation of independent members with a diverse and appropriate mix of qualifications, expertise, and experience. The committee convened xxx times during the year with xxx being ordinary meetings and the remainder special meetings.

Part 3: Audit Committee Focus Areas

The following was reviewed during the year under review: *(Provide details and conclude on each focus area.)*

- The Effectiveness of Internal Control
- Effectiveness of the Internal Audit Function
- Effectiveness of risk management

- Adequacy, reliability, and accuracy of financial and performance information
- Adequacy and effectiveness of Information and Communication Technology (ICT) Governance
- Accounting and auditing concerns identified as a result of internal and external audits
- Compliance with legal and regulatory provisions
- The quality of the in-year management and monthly/quarterly reports submitted in terms of legislation
 - The public entity has been reporting monthly and quarterly to the Treasury as is required by the PFMA.
- Combined Assurance
- Evaluation of the annual financial statements
 - We have reviewed the annual financial statements prepared by the public entity.
- External Audit
- Auditor-General's Report
 - We have reviewed the entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved except for the following:
 - xxxxxx
 - xxxxxx
 - The Audit Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.
- Any issues /matters not covered above: (e.g., any special duties assigned by the Accounting Authority/Executive Authority, etc.)
- Conclusion

(Full Name of Chairperson)

Chairperson of the Audit Committee

(Name of public entity)

(Date)

3.3 Annexure C: Specimen of the Annual Report

Refer to the specimen copy of the annual report for public entities.

3.4 Annexure D: Template of Reporting Compliance to the BBBEE Commission

This is the template to be completed by the public entity for submission to the BBBEE Commission and not for inclusion in the Annual Report.