



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.

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 it is 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 a separate guide 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. Each heading that needs to be disclosed in the annual report has 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 also included, 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.

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
- 2019-24 Medium Term Strategic Framework
- Provincial Growth and Development Strategy (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

There are several parts that 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: Annual Financial Information	CFO

An official must be assigned the responsibility of co-ordinating and consolidating the inputs into the annual report. Review processes should be in place to ensure that the information presented in the individual parts are 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 printed annual report must be presented by the chief executive officer to the executive authority by 31 August.

Parliament/Provincial Legislature

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

Treasury

The final printed 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 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
AFS	Annual Financial Statements
CEO	Chief Executive Officer
AGSA	Auditor-General of South Africa
CFO	Chief Financial Officer
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

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 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 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)

Report must be signed off by the CEO and 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 of the official
- 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 the necessary audit procedures on performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of 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 E (Annual Financial Statement's) 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 2019-24 Medium Term Strategic Framework and the Provincial Growth and Development Strategy (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.

Reporting on the Institutional Response to the COVID-19 Pandemic

Guideline

Public Entities must provide a report on the external and internal interventions that were implemented in response to the COVID-19 pandemic. This section should reflect performance of COVID-19 interventions and highlight achievements of interventions funded through the various relief packages (where applicable).

Format of disclosure

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

Table: Progress on Institutional Response to the COVID-19 Pandemic

Programme / Sub-Programme	Intervention	Geographic location (Province/District/local municipality) (Where Possible)	No. of beneficiaries (Where Possible)	Disaggregation of Beneficiaries (Where Possible)	Total budget allocation per intervention (R'000)	Budget spent per intervention	Contribution to the Outputs in the APP (where applicable)	Immediate outcomes

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.

Sources of revenue	20YY/20ZZ			20XX/20YY		
	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.

Infrastructure projects	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						

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 and the Boards 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 public entity and, as such, reviews the non-financial information contained in the annual reports of 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 precepts 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 non-executive directors representing the necessary skills to strategically guide the public entity. The majority of the members should be non-executive to ensure independent 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 that 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 the public entity has a risk management policy and strategy.
- Whether the public entity conducts regular risk assessments to determine 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 sees progress in the management of risks, whether this has transmitted into improvements in the entity’s performance, and if not, what it plans on doing to address this problem.

2.5.6 Internal Control Unit

Discuss the work performed by internal control unit during the year.

2.5.7 Internal Audit and Audit Committees

Provide a brief description of the following:

- Key activities and objectives of the internal audit
- Specify summary of audit work done
- Key activities and objectives of the audit committee
- Attendance of audit committee meetings by audit committee members (Tabular form)

The table below discloses relevant information on the audit committee members

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended

2.5.8 Compliance with laws and regulations

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

2.5.9 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

2.5.10 Minimising Conflict of Interest

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

2.5.11 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.

2.5.12 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.

2.5.13 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 that the returns are complete and accurate.

2.5.14 Social Responsibility

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

2.5.15 Audit Committee Report

This report should state the following:

- Has the audit committee adopted a format terms of reference
- Has the audit committee satisfied its responsibilities
- Effectiveness of internal control systems
- The quality of the in-year management and monthly/quarterly reports submitted in terms of legislation
- Evaluation of annual financial statements:
 - review and discussion of the audited / unaudited annual financial statements to be included in the annual report, with the Auditor-General and the Chief Executive Officer
 - review of the Auditor-General's management report and management's response thereto
 - review of any changes in accounting policies and practices
 - review of the 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 such as interim financial statements.
- Summary of main activities undertaken by audit committee during the financial year under review. Achievements of internal audit plan, staffing constraints and unresolved audit findings
- Internal Audit
 - Effectiveness of internal audit function, has internal audit addressed risks
 - State any specific investigations undertaken in the entity and whether adequately resolved
- External Audit
 - state unresolved issues raised and not adequately addressed by entity
- Risk management
 - How the committee obtains assurance on the overall system of risk management
 - Effectiveness of the overall system of risk management
 - Any major incidents/losses attributable to the failure of risk management, and any major successes/gains achieved or losses/incidents avoided through applying a rigorous risk management process
- Any issues /matters that pertain specifically to the entity
- Conclusion
- Date Audit Committee recommended AFS be approved

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



2.5.16 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: Financial Information

2.7.1 Report of the External Auditor

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

2.7.2 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 E) 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 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.

Audit Committee Responsibility

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.

The Effectiveness of Internal Control

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

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

- xxxxxx
- xxxxxx

The following were areas of concern:

- xxxxxx
- xxxxxx

In-Year Management and Monthly/Quarterly Report

The public entity has reporting monthly and quarterly to the Treasury as is required by the PFMA.

Evaluation of Financial Statements

We have reviewed the annual financial statements prepared by the public entity.

Auditor'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.

(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.