

VISION

The Ports Regulator of South Africa will be regarded nationally and internationally as a world-class institution which sets the standards for economic regulation in commercial maritime ports.

MISSION

The Mission of the Ports Regulator of South Africa is to:

- Exercise economic regulation of the South African ports system consistent with Government's strategic objectives;
- Support the development of the ports industry and system;
- Promote equity of access to ports and to facilities and services provided in ports; and
- Monitor the activities of the National Ports Authority to ensure that it performs its functions in accordance with the National Ports Act, 12 of 2005 ("the Act").

VALUES

The Ports Regulator of South Africa adheres to the values of:

- The Constitution of the Republic of South Africa, with special reference to the creation of a democratic, non-racial, non-sexist, fair society in South Africa;
- Stakeholder focus;
- Fairness;
- Integrity;
- Transparency, accountability and responsibility;
- Honesty and trust; and
- Respect for the trust placed in it for the proper use of taxpayer and stakeholder resources.

STRATEGIC OBJECTIVES

The strategic objectives of the Ports Regulator of South Africa are:

- Establishing all elements of the regulatory framework within its mandate;
- Developing the capacity to deal with all the output requirements of the organisation;
- Establishing its reputation as an organisation with integrity focussed on delivery;
- Ensuring that all port sector participants comply with the Act; and
- Supporting the development of the port system and the port regulatory system architecture.

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1. Chairperson's Foreword

The Ports Regulator has once again lived up to its aim of reducing the cost of living to South Africans as well as the cost of doing business by approving a below inflation average increase on Port Authority tariffs of 2.5% for 2018/19 announced at our press conference on 1 December 2017.

The Ports Regulator also took cognisance of the expected subdued economic activity over the tariff period coupled with a strong capital expenditure program included in the application, and opted to add R345 million to the Excessive Tariff Increase Margin Credit (ETIMC) to ensure that overall average tariffs in the outer two years of the period under review and beyond, remain close to the inflation target band.

In support of South Africa's economic growth and job creation imperatives, the Tariff Strategy of July 2015 continues to be implemented to effect tariff reform and achieve cost reflective tariffs over a 10 year period, and still maintains much lower prices for highly benefited South African manufactured cargo in export containers as well as SA manufactured export vehicles, in support of local manufacture and industrialization.

Also in support of economic development, the Regulator has developed, consulted and launched an overarching framework for port tariff incentives (the PTIP) which has received its first application. The PTIP forms part of the final phase of the Regulator's tariff strategy and serves as a mechanism by which cross-subsidies within the port tariff structure may be implemented, quantified, as well as be fair and in the public interest. A reduction in tariff, if justified and approved, will be granted through the amendment of a specific tariff line. Interested parties may apply via the PRSA website where the application process is explained in detail and forms are available.

Given the many anecdotal accounts of the need for the operational performance of SA ports to improve, the Regulator also undertook the development, consultation and publishing of a performance incentive system to ensure future improved efficiency in port operations. The performance incentive system, called Weighted Efficiency Gains on Operations (WEGO), allows the Ports Authority as a regulator of operators, to gain or lose up to 5% profit for up to 10% increase or decline (respectively) on year on year performance for a basket of measurable indicators that were consulted with the NPA and Port Consultative Committees across the country.

South Africa's first formal Methodology for the Valuation of the Regulatory Asset Base of the National Ports Authority has been completed and published. The Regulator concluded that the Trended Original Cost TOC approach which ensures Financial Capital Maintenance will be the preferred valuation methodology. However, some concerns related to the older assets capitalised before 1990 remain, so assets with capitalisation dates before 1990 will therefore be treated on the basis of the historical cost method, while treating any assets created post 1990 on the basis of the TOC approach.

The Ports Regulator has over the years significantly lowered tariffs resulting in a saving of more than R6bn to port users whilst maintaining the continued sustainability of the National Ports Authority. Over recent years, the organisation produced the first Port Sector Review, and Regulatory Review done by stakeholder consultation and surveys. Other important work over the years included the ongoing Global Ports Pricing Comparator Study, Capacity Utilisation study for SA ports, and the Ports Efficiency Benchmarking Study, all valuable to reduce the cost of doing business with South Africa, and vital to the success of the National Development Plan and

our economic success as a country. The Regulator's compliance monitoring work included research on BBBEE and equity of access in our ports, and analysing Ports Act compliance. Regulator Members have proposed additional Ports Act amendments to the Dot. Proposals for legislative amendments to the National Ports Act were completed, a workshop held in January 2017 between Regulator Members and Departmental Legal Officials, and a memorandum submitted to the department to take forward through Parliamentary processes, which I hope will be supported in order to enhance regulation and prepare for the wider transport economic regulator as envisaged in the Transport Economic Regulation Bill.

Most delivery targets have been met in the past year and the Ports Regulator achieved a

“Clean Audit” for the fourth time. In the years ahead the Regulator intends to continue its work in the transformation and BBBEE participation of the sector whilst continuing its analytical and compliance work. We hope to be able to enhance the capacity of the Regulator as required by the NDP, and fill key unfunded posts as greater financial resources become available

I would like to recognise the efforts of the Regulator Members, staff and management for their work in ensuring the success of the Regulator. I would like to thank the Minister and Deputy Minister as well as the Department of Transport and on behalf of the Ports Regulator, and ask for their continued guidance, support and assistance in the years ahead.



THABA MUFAMADI
Chairperson
Ports Regulator of South Africa



2. Chief Executive Officer's Report

Having achieved much progress in the recent past in which the Regulator published amongst others, a 10 year Port Tariff Strategy, the second multi-year Tariff Methodology (MYM2), a Ports Sector Review, a Regulatory Review, as well as studies benchmarking South African ports to their global peers both with respect to pricing as well as performance, the past year was dedicated mainly to developing, consulting and completing the elements of the final phase of the Tariff Strategy process, namely the design of the ports *performance incentive system* within the tariff methodology, the development of a *Valuation Methodology* for the NPA Regulatory Asset Base, and the development and launch of a *framework for port tariff incentives* that would cater for beneficiation and other economic imperatives that are in the public interest.

The performance incentive system, called Weighted Efficiency Gains on Operations (WEGO), is based on five key indicators that were consulted with the NPA and Port Consultative Committees in the major commercial ports. The system which rewards year on year improvements in performance and penalises deteriorating performance, allows the Ports Authority, to gain or lose up to 5% profit for up to 10% increase or decline on a proportional basis.

For many years, ports sector stakeholders have contested the extent of the regulatory asset base of the NPA on which a return is calculated and depreciation allowed within the Required Revenue Methodology adopted by the Regulator. In this regard, after consultation, a Methodology for the Valuation of the Regulatory Asset Base of the National Ports Authority has been completed and published, and the Regulator has decided to use a Financial Capital Maintenance approach to directly compensate the authority for its capital investments rather than replacement costs methods which are

based on estimates. The Regulator concluded that the Trended Original Cost (TOC) approach will be the preferred valuation methodology for post 1991 assets while assets with capitalisation dates before 1990 will be treated on the basis of the historical cost method.

In support of beneficiation, localization and industrialization, the Regulator has developed, consulted and launched the Port Tariff Incentive Programme (the PTIP) which serves as the mechanism by which port stakeholders can apply for cross-subsidies within the port tariff structure and these can be quantified, as well as assessed if beneficial to the economy, fair, and in the public interest. A reduction in tariff, if justified and approved, will be granted through the amendment of a specific tariff line, and both the DOT and the dti will be involved in the assessment process.

In addition to attention on the regulatory architecture and associated regulatory reform initiatives, the Regulator conducted research on B-BBEE in the ports sector, a study on continental port developments, its annual global tariff comparator study and other work relating to capex as well as the tariff assessment for the 2018/19 financial year. In addition, the Regulator spent much effort on its legal compliance and tribunal function as well as on finalising amendments to the National Ports Act which will assist in better regulation, and which are expected to be taken forward by the Department of Transport through the necessary Parliamentary processes in the coming financial year.

In terms of the assessment of the Regulator's work, stakeholder feedback at its Tariff Application roadshows continued to indicate high regard for the Regulator with scores averaging in the region of 80%. The Ports Regulator again received a "Clean Audit" from

the AG, the fourth since the organisation was established.

I would like to thank the Chairperson Mr Thaba Mufamadi and Regulator Members as well as the Minister, Deputy Minister and the Senior Managers and staff of the Department of Transport, and look forward to working together to enhance and capacitate the Ports Regulator and the maritime sector as a whole.

I would like to thank my staff and senior management for their dedicated service beyond the call of duty, in their ongoing achievement of the deliverables set out in the APP and more. In the year ahead the Regulator will continue its implementation of

the tariff strategy in bringing about cost reflective tariffs and assisting South African economy by progressively reducing the cost of living for our people, and the cost of doing business and competing with world markets. We will also continue the work on monitoring the implementation of BBBEE targets as envisaged in Ports Act Regulations and in the interests of the radical economic transformation objectives of government. In line with the National Development Plan and the development of the Transport Economic Regulator, we will strive to enhance the capacity of the Regulator, and strive to achieve the deliverables set out in the Strategic Plan and Annual Performance Plan.



Mahesh Fakir
CEO & Accounting Officer
Ports Regulator of South Africa



3. Corporate Report

The Regulator is the independent South African economic regulator for the ports industry. This organisation came into being on 04 August 2005 on the promulgation of the Act. The establishment of the Regulator was a key component of the ‘White paper on National Commercial Ports Policy, 2002’. The Act and the policy establishes the institutional framework for the ports industry, as well as articulating a range of mechanisms critical to the stable governance thereof from an economic perspective. This governance framework was further developed in the publication and coming into effect of Regulations by the Minister of Transport in November 2007, and the Directives issued by the Regulator coming into effect on 06 August 2009.

The Members of the Ports Regulator (as at 31 March 2018) are:

- Mr. Thaba Mufamadi (Chairperson);
- Ms. Anjue Hirachund
- Ms. Thato Tsautse;
- Ms. Gerdileen Taylor;
- Adv. Gugu Thimane;
- Mr. Lindelwe Mabandla;
- Mr. Aubrey Ngcobo;
- Mr. Andile Mahlalutye;
- Mr. Mahesh Fakir (Member Ex-Officio - Chief Executive Officer).



“Minister of Transport, Dr. Blade Nzimande with Ports Regulator Member Mr. Andile Mahlalutye and CEO of Ports Regulator, Mr. Mahesh Fakir”



Mr. Thaba Mufamadi
Chairperson
01/09/2015 to 31/08/2018



Mr. Aubrey Ngcobo
Audit Committee
01/09/2015 to 31/08/2018



Mr. Riad Khan
Regulatory Committee
Resigned 31/08/2017



Mr. Andile Mahlolutye
Audit Committee
01/09/2015 to 31/08/2018



Ms. Anjue Hirachund
HR Committee Chairperson
01/09/2015 to 31/08/2018



Ms. Thato Tsautse
Regulatory Committee
(Chairperson)
01/09/2015 to 31/08/2018



Mr. Lindelwe Mabandla
Human Resource Committee
01/09/2015 to 31/08/2018



Prof. Didibhuku Thawala
Regulatory Committee
01/05/2014 to 30/04/2017



Mahesh Fakir
CEO & Accounting Officer
01/05/2014 to 30/04/2019



Ms. Gerdileen Taylor
Regulatory Committee
01/09/2015 to 31/08/2018



Adv. Gugu Thimane
Human Resource Committee
01/09/2015 to 31/08/2018

4. Key Activities and Outputs in the Mandate Areas of the Ports Regulator:

4.1. Administration

Section 31 (1)(a) of the Act states that: ‘The Regulator consists of a chairperson and a minimum of six and a maximum of twelve other members appointed by the Minister for a period of up to five years’. The term of office for the current Regulator members will expire on 31 August 2018.

The Regulator Members worked tirelessly to grasp the business processes of the Regulator even further especially on technical issues relating to Tribunal and Economic Regulation, as well as to ensure delivery of the Performance Agreement and the Annual Performance Plan (APP). Administratively, the Secretariat has developed annually reviewed policies and procedures covering all areas of administration and support. Further, strategies and frameworks have been updated in order to guide business processes with regards to the finance, human resource, information technology, and risk management functions of the entity. The constant maintenance in terms of compliance and reviews has resulted in a system of strong internal controls and adequate governance practices ensuring minimal (if any) instances of non-compliance by the Regulator.

The Regulator’s administration was impacted by the resignation and end of contract for two Regulator members during the financial year. This presented some difficulty on availability of Members as regards meeting quorum as well as on continuity of Tribunal Members for those tribunals where the Members leaving were part of the tribunal.

4.1.1. Financial Management

Section 42 (1) of the Act makes provision for the Regulator’s funding. According to the Act, the funds of the Regulator consist of: (a) Money appropriated by Parliament; (b) interest on investments; and (c) fees charged for the filing of complaints or appeals with the Regulator. However, as evidenced in the financials of previous years, these monies are not always adequate for the operations of the Regulator.

As a result, several projects were previously put on hold until additional funding was received. In an attempt to mitigate this issue, a new draft funding model was prepared, aimed at reducing the burden on the fiscus by proposing that a small regulatory fee be charged to the regulated entity.

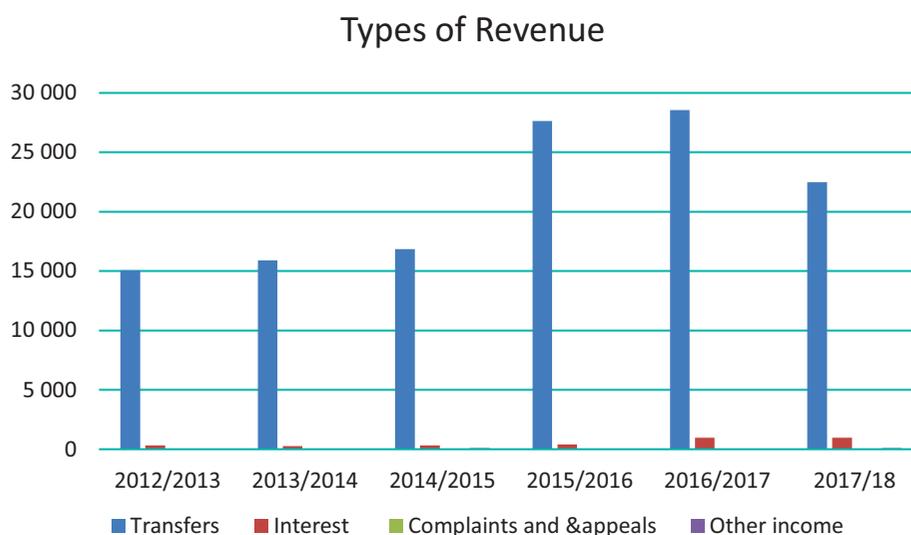
A number of alternate options were presented to the Shareholding Minister at the previous Annual General Meeting (‘AGM’) and were further presented to the Portfolio Committee on Transport. However, implementation of the funding model will require amendments to the Act and it is understood that such a process may take a considerable amount of time. Therefore, the Department of Transport has prioritised the amendments in the 2018/19 business plan in order to monitor and track progress on the amendments process. This has also been discussed at Portfolio Committee level.

Measures were put in place during the MTEF budget process to request further baseline funding to the Regulator in order to ensure continued sustainability.

During the 2018 Medium-Term Expenditure Framework (‘MTEF’) budget process, there was no baseline funding that was further advanced to the Regulator. This resulted in great cost pressures as the budget received from the fiscus dropped by over 6 million rands from the previous year. This was managed but still resulted in some over expenditure by the entity for the 2017/18 financial year. It must be noted that approval was obtained from National Treasury to keep retain surplus reserves and utilise them.

The Figure below indicates the revenue position for the past six financial years.

Figure 1: Revenue Generated by the Regulator



The Table below indicates the revenue types generated during the year and the previous year.

Table 1: Income Classification for the Regulator

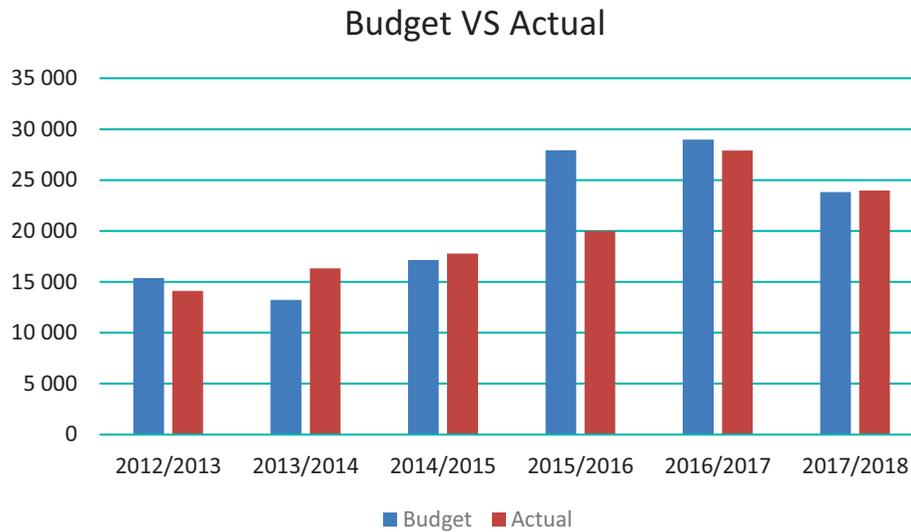
Item	2017/2018	R (000)	2016/2017	R (000)
Department of Transport (transfers)		22 489		28 561
Interest income		960		957
Complaints and Appeals		6		7
Sundry Income		95		-
Profit/(Loss) on disposal of asset		14		(27)
Total		23 564		29 498

The Regulator has applied all possible measures to ensure that the expenditure is within the approved budget in order to avoid over expenditure on the total budget. Table two below, illustrates the expenditure pattern of the Regulator for the past six financial years. The observations and concerns made by the new Regulator Members were communicated to the the Minister of Transport; the Members noted that the situaton may adversely impact on the delivery of the APP and the Performance Agreement. The Members concerns were coupled with the request to revise the baseline allocation.

As can be seen from Table two, once off funding amounts of R10m were allocated in 2015/16 and 2016/17, which whilst useful to the organisation, did not facilitate the sustainable appointment of additional staff much needed to capacitate the Regulator and fill unfunded vacancies on the organogram. The once-off funding further results in a significant drop in funding levels for the 2017/18 year as compared to 2016/17 despite the baseline increases of R3m, R5m, and R10m as can be seen from Table 3. Thus it is imperative that the Department of Transport increase the baseline for

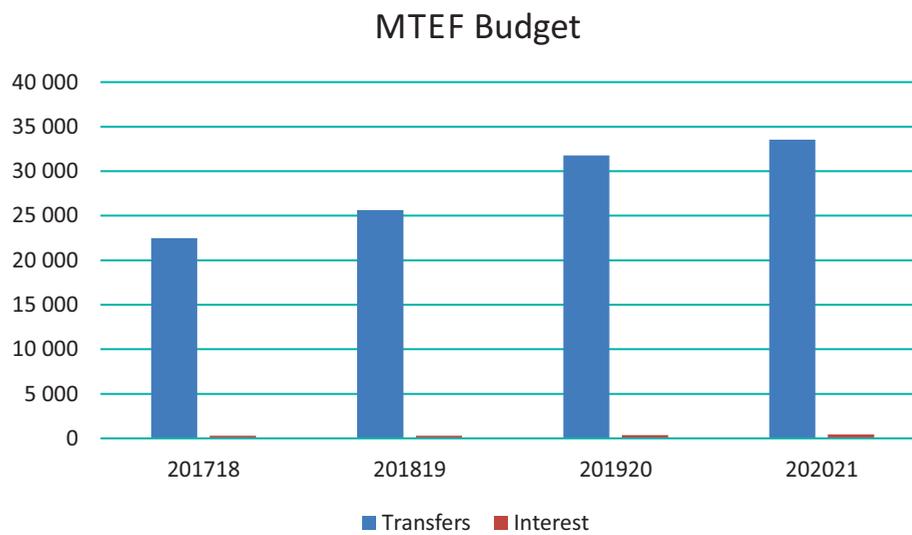
the next medium-term period and enact the necessary amendments to the National Ports Act to enable self funding of the Regulator as per its new funding model.

Table 2: Expenditure vs. Budget



The Table below indicates the budget for the MTEF period.

Table 3: Medium-Term Expenditure Framework Budget



4.1.2. Human Resource Management

The Ports Regulator has yet again delivered on its mandate with very limited resources especially in terms of human capital and finances. The achievement of 100% of all KPI's on the Annual Performance Plan (APP) indicated the commitment and dedication of both the Secretariat and the Regulator members. The year had its challenges which included among other things resignations of three employees from the Legal department, but the APP targets were still met regardless. This demonstrated the culture of synergy amongst the Secretariat with the sole aim to deliver a world class economic regulation to the domestic and international markets.

The Human Resource Strategy developed by the organisation, sets out the basic principles in which the vision and mission of human resources is identified. The Strategy aims to guide the management of employees, the development of in-house skills, the management of employee-related risks, as well as the ongoing practice of increasing employee satisfaction and well-being within the workplace. The Secretariat developed a proposed new organogram for the organisation, the new organogram aims to expand all departments in order to deliver a more effective and efficient economic regulation to the Maritime Industry. The new organogram will pave way for the foundation of the Single Transport Economic Regulator (STER).

Furthermore, the Regulator believes in investing into the training and development of staff and the Regulator Members. Skills development and training is aimed at enhancing employee's abilities in order to achieve self growth and job efficiency. This was further indicated by, for the first time, registration with Transport Education Training Authority (TETA), following which the WSP will be submitted every year in April and some financial assistance can then be sourced for further training and development of the secretariat and Regulator members.

The Regulator has managed to balance its employment equity status, as at 31 March 2018, in accordance with its Employment Equity Plan. This was achieved through the diversification of the work-force to include all work-groups. This is done as required by the Employment Equity legislation and the Employment Equity report lodged with the Department of Labour.

The Regulator has, furthermore, ensured that all funded vacant posts were filled. However, it must be noted that as at 31 March 2018, there are eight posts not funded on the organogram and have not been filled, and can only progressively be realised with greater levels of baseline funding.

Table 4: Employment Equity Breakdown

2017/2018 Employment Equity Breakdown of Staff:					
Category	Black Female	Black Male	White Female	White Male	Category Total
Technical & Managerial	53.33%	40.00%	0.00%	6.67%	78.95%
Support & Interns	100%	0%	0%	0.0%	21.05%
Total					100%

Table 5: Employment Equity Statistics

Employment Equity Statistics	2017/2018	2016/2017
Category:		
Black Male	31.58%	31.48%
Black Female	63.16%	58.00%
White Male	5.26%	5.26%
White Female	0.00%	5.26%
Total	100%	100%

Table 6: Executive management earnings for the financial year 2017/18

Name	Remuneration R (000)	Performance Bonus R (000)	Acting allowance R (000)	Leave Pay R (000)	Total R (000)
Mr. Mahesh Fakir Chief Executive Officer	2 604	362	0	0	2 966
Ms. M Damons Executive Manager: Legal	1 248	210	0	0	1 458
Mr. Thokozani Mhlongo Chief Financial Officer	1 240	229	0	0	1 469
Total	5 092	801	0	0	5 893

4.1.3. Supply Chain Management

The Regulator accelerated on its mandate in terms of delivery of services to the port’s stakeholders. There were no tenders were issued during the financial year. There have been no instances of fruitless, wasteful, unauthorised expenditure identified during the financial year. This was evidence of of continued compliance with legislation governing the SCM practices and good internal controls

Table 7: Percentage of B-BBEE of Procurement

B-BBEE as a percentage of Procurement category:	2017/2018	2016/2017
Discretionary Expenditure	88.45%	98.00%
Total Expenditure	48.00%	45.00%

4.2. Governance and Compliance

The Members of the Regulator are tasked with implementing the mission, vision, and strategies of the organisation determined in line with government’s strategic objectives, in order to fulfil its core mandate, as articulated in Section 30. An important objective of the Regulator was to strengthen the governance and compliance of the Regulator. In light of audit outcomes, one can confidently state that the Regulator has achieved a desirable position as required by legislation to achieve a fully compliant governance regime. This was mainly influenced by the optimisation of limited resources, and the commitment of both Members and management to ensure overall good governance and compliance with its legislative framework.

In the 2016/17 financial year, the Members of the Regulator, through the Audit and Committee have instituted quarterly governance reporting as well as a ‘hands on’ approach to risk management. The issues that were raised by the Auditor-General as well as the Internal Auditors as non-compliance items were systematically addressed resulting in the organisation obtaining a ‘clean audit opinion’.

In light of the fact that the Regulator is a Schedule 3A public entity in terms of the Public Finance Management Act (PFMA), together with the King III Code and now the King IV Code on Governance, the duty placed on the Regulator Members and the CEO is to be accountable, responsible, transparent and to act with integrity in the best interests of the organisation.

The Members of the Regulator were appointed by the Minister of Transport for a three year term commencing on 01 September 2015. In terms of the PFMA, as well as the King III and the latest King IV Code on Governance which applies to all public entities, the Members of the Regulator are mandated with two main functions: Firstly, they are responsible for determining the organisation’s strategic direction (and consequently its ultimate performance), and secondly, they are responsible for the control of the organisation through its various sub-committees, and the other assurance providers in the form of both internal and external auditors. Management’s role is to execute strategic decisions made by the Regulator and implement the controls across the organisation effectively and in accordance with the law and the legitimate interests and expectations of its stakeholders.

From a governance compliance perspective, the Regulator has achieved a fully compliant position with three effective sub-committees, each with specific Terms of Reference and a Code of Conduct. The

Regulator and its sub-committees meet quarterly to ensure their obligations are met and the targets of the organisation achieved, as well as to ensure that the risks faced by the organisation in their various spheres are addressed.

It can be confidently stated that the Members have discharged their duties in terms of ensuring that all their deliberations, decisions, and actions were based on the four foundational principles of good governance.

Alignment to King III:

The Table below reflects the areas where the Regulator governance practices comply with the provisions contained in the King III Code on Governance as well as the PFMA.

Table 8: Alignment with King III

King III Ref.	King III Principle	Partially Applied/Not Applied	Commentary
CHAPTER 1 – ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP			
Principle 1.1	The Regulator Members (Directors) of the public entity provide effective leadership based on ethical foundation.	Applied	The Regulator confirms its commitment to the highest standards of corporate governance. The Regulator Charter and Code of Conduct adopted by the Regulator sets the ethical foundation for how the entity operates.
Principle 1.2	The Regulator ensures that the entity is and is seen to be a responsible corporate citizen.	Applied	This is achieved through the Regulator Charter and the Code of Conduct, which sets the policy framework and through specific operational and corporate office structures, more fully described in the Audit and Risk report.
Principle 1.3 & Principle 2.3	The Regulator ensures that the entity's ethics are managed effectively, and provides effective leadership based on an ethical foundation.	Applied	Through the Code of Conduct, the Regulator is responsible for ensuring that the entity protects, enhances and contributes to the wellbeing of the economy, society and the environment.
CHAPTER 2 – BOARDS AND DIRECTORS			
Principle 2.1	The Regulator acts as the board for the organisation and is the custodian of corporate governance for the entity.	Applied	The Regulator ensures that the organisation applies the governance principles contained in King III and continues to further entrench and strengthen recommended practices through the organisation's governance structures, systems, processes and procedures.
Principle 2.2	The Regulator provides effective strategic leadership, and appreciates that strategy,	Applied	The Regulator, as a whole and through its Committees, approves and monitors the implementation of the Strategy and Annual Performance Plan of the entity,

King III Ref.	King III Principle	Partially Applied/Not Applied	Commentary
	risk, performance and sustainability are inseparable.		sets objectives, reviews key risks, evaluates performance against the background of economic, global and social issues relevant to the entity.
Principle 2.5	The Regulator ensures that the entity's ethics are managed effectively.	Partially Applied	Through the Regulator's Code of Conduct. However the organisation does not have a separate code of business ethics.
Principle 2.6	The Regulator has ensured that the entity has an effective and independent audit committee.	Applied	The Regulator Charter and Audit and Risk Committee Terms of Reference provide for the establishment of an Audit and Risk Committee. The effectiveness of the Committee is evaluated annually by the Members. The Auditor General oversees that this is complied with.
Principle 2.7	The Regulator is responsible for the governance of risk.	Applied	In terms of the Regulator Charter, the Regulator is responsible for the governance of risk and the Audit and Risk Committee assists the Regulator with this responsibility.
Principle 2.8	The Regulator is responsible for Information Technology (IT) governance.	Applied	The IT Governance Framework, including processes, procedures and structures, was adopted by the Regulator which delegates implementation to management. In terms of the Regulator Charter and the Audit and Risk Committee Terms of Reference, the Audit and Risk Committee assists the Regulator with information technology governance.
Principle 2.9	The Regulator ensures that the entity complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	The Legislative Framework approved by the Regulator sets out the requirement of legal compliance and provides for the entity to develop and implement policy. The entity has a Legal and Regulatory Compliance department, which updates and ensure the implementation of the framework. Implementation will begin to be monitored by the Management Risk Committee and reported on to the Audit Committee.

King III Ref.	King III Principle	Partially Applied/Not Applied	Commentary
Principle 2.10	The Regulator should ensure that there is an effective risk-based internal audit.	Applied	The organisation has an internal audit function which was provided by Deloitte in the 2015/16 financial year. The Internal Audit Charter requires the performance of risk based internal audits.
Principle 2.11	The Regulator should appreciate that stakeholder' perceptions affect the entity's reputation.	Applied	The entity engages its stakeholders on multiple levels and this allows the entity to manage issues effectively and timeously and reduces the likelihood of reputational risks. Stakeholder engagements are a standing item in the Management Report to the Regulator at each meeting.
Principle 2.12	The Regulator should ensure the integrity of the entity's annual/integrated report.	Applied	With the assistance of independent assurers such as EY and the internal auditors, the Audit and Risk Committee and other Regulator Committees review and evaluate the Annual Reports prior to recommendation for adoption by the Regulator.
Principle 2.13	The Regulator reports on the effectiveness of the entity's internal controls.	Applied	The internal auditor submits formal reports to the Audit and Risk Committee quarterly. The Members' report in the Integrated Annual Report, includes the Audit and Risk Committee's confirmation of having received the internal auditor's written assessment of the effectiveness of the Company's systems of internal controls.
Principle 2.14	The Regulator and its Members should act in the best interests of the public entity.	Applied	Members are mindful of their fiduciary duties and their duty to act in accordance with applicable legislation. Records of Members' financial interests are kept and updated on an annual basis. The Regulator as a whole acts as a steward of the entity and each Member acts with independence of mind in the best interests of the entity and its stakeholders. In its deliberations, decisions and actions, the Regulator is sensitive to the legitimate interests and expectations of its stakeholders.
Principle 2.16	The Minister (in terms of the Act, has elected a Chairperson	Applied	The entity has an Executive Chairperson as recommended by

King III Ref.	King III Principle	Partially Applied/Not Applied	Commentary
	of the Regulator who is an independent non-executive director. The CEO of the entity does not also fulfil the role of chairperson of the Regulator.		King III. In terms of the Regulator Charter, the roles of the Executive Chairperson and Chief Executive Officer are separate and clearly defined.
Principle 2.17	The Regulator has a framework for the delegation of authority which is updated annually.	Partially Applied	While retaining overall accountability and subject to matters reserved to itself, the Regulator has delegated authority to the CEO, other Executive Managers to run the day-to-day affairs of the entity subject to an approval framework. However, this has been updated on a needs basis rather than annually and is to be updated in 2018/19.
Principle 2.18	The Regulator comprises of a majority of non-executive members who are independent.	Applied	The Regulator had six non-executive Members up until 31 August 2015. A new Regulator was appointed effective 01 September 2015 consisting of 11 members.
Principle 2.19	Members are appointed through a formal process.	Applied	To ensure a rigorous and transparent process, any new appointment of a Regulator Member is considered by the Minister of Transport in accordance with the Act based on a call for nominations. The selection process involves considering the existing balance of skills and experience on the Regulator and a continual process of assessing the needs of the organisation.
Principle 2.20	The induction of and ongoing training, as well as the development of directors are conducted through a formal process.	Applied	A formal induction programme is available for new Members, including background material and meetings with senior executives. All Members are invited on site visits and to the annual Regulator (strategy meeting) with senior management. Ongoing training includes workshops presented by external advisors and additional training is facilitated as required.
Principle 2.21	The Regulator is assisted by a competent, suitably qualified and experienced Company Secretary. The Company Secretary is duly appointed by the Regulator in accordance	Applied	The Company Secretary is duly appointed by the Regulator in accordance with the Companies Act and the JSE Listings Requirements and is evaluated annually. The Regulator is satisfied that the Company Secretary is

King III Ref.	King III Principle	Partially Applied/Not Applied	Commentary
	with the entity's recruitment policies.		properly qualified and experienced to competently carry out the duties and responsibilities of a Company Secretary.
Principle 2.22	The evaluation of the Regulator, its committees, is performed every year.	Applied	The performance of the Regulator as a whole and the Regulator Committees individually is evaluated annually.
Principle 2.23	The Regulator delegates certain functions to well-structured committees without abdicating its own responsibilities.	Applied	The Regulator has three Committees that assist it in discharging its duties and responsibilities. These Committees operate in accordance with written terms of reference approved by the Regulator and reviewed annually.
Principle 2.26	The Regulator has disclosed the remuneration of each individual Member and prescribed officer.	Applied	The remuneration of Members is included in the Members' Remuneration report contained in the Annual Report.
CHAPTER 3 - AUDIT COMMITTEES			
Principle 3.1	The Regulator has ensured that the entity has an effective and independent audit committee.	Applied	The Regulator Charter and Audit and Risk Committee Terms of Reference provide for the establishment of an Audit and Risk Committee. The effectiveness of the Committee is evaluated annually by the Members, assessed by internal auditors who assist the Committee in complying with its Terms of Reference.
Principle 3.2	Audit Committee Members are suitably skilled and experienced.	Applied.	All Members of the Audit and Risk Committee are independent non-executive Members, who sit as Members of other Audit Committees and suitably skilled to fulfil the mandate of the committee.
Principle 3.3	The Audit Committee is chaired by an independent non-executive Member.	Applied	The Regulator has appointed a suitably qualified Independent Non-executive Director to chair the Audit and Risk Committee.
Principle 3.4	The Audit Committee oversees annual reporting.	Applied	The Audit and Risk Committee has oversight over the preparation of the Annual Report including the annual financial statements and sustainability information, and

King III Ref.	King III Principle	Partially Applied/Not Applied	Commentary
			recommends the approval of the Annual Report to the Regulator.
Principle 3.5	The Audit Committee has ensured that a combined assurance model has been applied which provides a co-ordinated approach to all assurance activities.	Applied	The entity has implemented a combined assurance model with the assistance of Deloitte as the 2015/16 internal auditors and the Auditor General as the external auditors whose input and input is monitored by the Audit and Risk Committee.
Principle 3.7.	The Audit Committee is responsible for overseeing the internal audit process.	Applied	The Audit and Risk Committee is responsible for overseeing the internal audit function performed by Deloitte in the 2015/16 financial year, including the approval of the annual plan and budget. The internal auditor reports to the Audit and Risk Committee quarterly in terms of the Internal Audit Charter. The head of internal audit reports directly to the Committee Chairperson.
Principle 3.8	The Audit Committee is an integral component of the risk management process.	Applied	The Audit and Risk Committee is responsible for overseeing risk management. Management reports to the Audit and Risk Committee quarterly on risk matters and processes.
Principle 3.10	The Audit Committee reports to the Regulator and the Shareholders as to how it has discharged its duties.	Applied	The Audit and Risk Committee reports to the Regulator at each Regulator meeting. A report to shareholders on how the Committee discharged its duties is included in the Audit and Risk Committee Report in the Annual Report.
CHAPTER 4 – THE GOVERNANCE OF RISK			
Principle 4.1	The Regulator is responsible for the governance of risk.	Applied	In terms of the Regulator Charter, the Regulator is responsible for the governance of risk and the Audit and Risk Committee assists the Regulator with this responsibility.
Principle 4.4	The Regulator has delegated to management the responsibility to design, implement and monitor the risk management plan.	Applied	The Management Risk Committee reports quarterly to the Audit and Risk Committee in terms of the Risk Management Plan approved annually by the Audit and Risk Committee. In terms of the Audit and Risk Committee Terms of

King III Ref.	King III Principle	Partially Applied/Not Applied	Commentary
			Reference, management designs, implements and monitors the plan and is accountable for embedding the risk management process in the business.
Principle 4.5 and 4.7	The Regulator must ensure that risk assessments are performed on a continual basis.	Applied	Risk Assessments performed annually. Risk is addressed in terms of the risk plan and implementation of controls monitored by management.
Principle 4.9	The Regulator receives assurance regarding the effectiveness of the risk management process.	Applied	The internal audit function provides assurance to the Audit and Risk Committee and the Regulator regarding the efficacy of the risk management process.
CHAPTER 5 – IT GOVERNANCE			
Principle 5.1	The Regulator is responsible for IT governance.	Applied	The IT Governance Framework, including processes, procedures and structures, was adopted by the Regulator which delegates implementation to management. In terms of the Regulator Charter and the Audit and Risk Committee Terms of Reference, the Audit and Risk Committee assists the Regulator with information technology governance.
Principle 5.2.	IT has been aligned with the performance and sustainability objectives of the entity.	Applied	The IT Governance Framework, including the information technology strategy and procedures, ensure alignment with the performance and sustainability of the entity.
Principle 5.4	The Regulator monitors and evaluates significant IT investments and expenditure.	Applied	The framework includes the management of information assets and expenditure. There is a capital approval process in place and a specific approval process is followed for disposals.
Principle 5.6	The Regulator ensures that information assets are managed effectively.	Applied	The IT governance Strategy delegates the implementation thereof to management, who reports thereon to the Regulator where appropriate.
CHAPTER 6 – COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS			
Principle 6.1	The Regulator ensures that the entity complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	The entity has a Legal and Regulatory Compliance division which has developed the legal and regulatory universe applicable to the Regulator. Implementation of

King III Ref.	King III Principle	Applied/Not Applied	Commentary
			the framework is monitored by the Audit and Risk Committee.
Principle 6.2.	The Regulator and each individual Member has a working understanding of the effect of applicable laws, rules, codes and standards on the organisation and its business.	Partially applied	On-going Regulatory training is provided. Updates in applicable laws, rules and codes are to be included on the agendas of Regulator and Sub-committee meetings.
Principle 6.3.	Compliance risk should form an integral part of the entity's risk management process.	Applied	The risk of non-compliance forms part of the operational risk assessments and compliance assessments are performed. Annually by the legal division. The risk of non-compliance is included on the Principal Risk Register.
CHAPTER 7 – INTERNAL AUDIT			
Principle 7.1.	The Regulator should ensure that there is an effective risk based internal audit.	Applied	The Internal Audit Charter requires the performance of risk based internal audits.
Principle 7.2.	Internal Audit should follow a risk based approach to its plan.	Applied	The risk based internal audit plan is approved annually by the Audit and Risk Committee.
Principle 7.3.	Internal Audit should provide a written assessment of the effectiveness of the entity's system of internal controls and risk management.	Applied	The internal auditor submits formal reports to the Audit and Risk Committee quarterly. On an annual basis (in the Annual Report), the Audit and Risk Committee confirms having received the internal auditor's written assessment of the effectiveness of the entity's systems of internal controls and risk management.
Principle 7.5.	Internal Audit should be strategically positioned to achieve its objectives.	Applied	The Chief Audit Executive reports directly to the Chairperson of the Audit Committee and is invited to attend all Audit Committee meetings.
CHAPTERS 8 & 9 – STAKEHOLDER RELATIONSHIPS AND INTEGRATED REPORTING AND DISCLOSURE			
Principle 8.1. & 8.2	The Regulator must take into consideration stakeholder perceptions that affect the organisation's reputation and delegate to management the authority to deal with these relationships.	Applied	The entity engages its stakeholders on multiple levels and this allows the entity to manage issues effectively and timeously and reduces the likelihood of reputational risks. Stakeholder engagement is a standing Regulator agenda item.
Principle 9.1	The Regulator should ensure the integrity of the entity's annual report.	Applied	With the assistance of the Auditor General and the Audit and Risk Committee and other sub-

King III Ref.	King III Principle	Partially Applied/Not Applied	Commentary
			committees who review and evaluate the Annual Report prior to recommendation for adoption by the Regulator.
Principle 9.2.	Sustainability reporting and disclosure should be integrated with the entity's financial reporting.	Not applied	The organisation is still fairly new and is progressing towards sustainability reporting.

4.2.1. Compliance Monitoring of the National Ports Authority (NPA):

The Compliance function of the organisation fulfils two key roles: Firstly, to ensure that the NPA complies with the Act and its broader legislative framework where it impacts on its mandate in terms of Section 11; and secondly to ensure and advise on matters of internal compliance by the Regulator with its own legislative framework with its key pieces of legislation being the National Ports Act, the Public Finance Management Act, the Labour Relations Act, 66 of 1995, and the Basic Condition of Employment Act, 75 of 1997, the Promotion of Access to Information Act, 2 of 2000 as well as the Promotion of Administrative Justice Act, 3 of 2000 amongst others.

The Regulator further managed to make significant progress in its compliance function, managing to review compliance by the NPA with the Act on a quarterly basis monitoring compliance in all commercial ports. The NPA is engaged on an ongoing basis on findings thereon to enable increased compliance. This is due to the compliance monitoring approach that the Regulator has adopted which means co-ordinating compliance across the ports system by working with the regulated entity to increase compliance. This being a milestone achievement for the organisation.

In the financial year under review, reports were submitted on compliance and B-BBEE implementation in the ports sector, yet another milestone achievement for the organisation in terms of relevance and usefulness to the sector as well as the strategic objectives of Government.

4.2.2. PRSA Compliance:

The compliance with all applicable legislation, regulations, standards and codes is imperative to the Regulator, and as a result thereof the organisation has managed to strengthen its compliance structures with the aim of fully complying with the Acts, policies, standards, rules, procedures and regulations applicable to its operation. This process of strengthening compliance has further led to the development and approval of a legislative framework, a compliance scorecard, and several policies and procedures that will govern the operating activities of the organisation to achieve its output in line with its Strategic and Annual Performance Plan, and which are reviewed annually.

4.2.3. The Ports Regulator Tribunal:

The Regulator's tribunal function was effectively and efficiently run in the year under review. No new matters proceeded to hearing stage, however review litigation was a focus area.

Whilst previous years had focused on eliminating a backlog in dealing with existing matters, and has largely been successful in dealing with these, some of the Regulator's decisions were taken to court on review. The courts ruled in favour of the Regulator on two important matters; Kuene and Nagel as well as recently on the Avedia-Sunrise matter. A number of new matters have been forthcoming in the year under review and are currently being processed, with Tribunal resources assigned and deliberations commenced.

4.2.4. Amendments to the National Ports Act, 12 of:2005

Both the issues of funding, as well as the tribunal and compliance monitoring processes of the Regulator have been very instrumental in assisting with the identification of necessary legislative gaps, which has in turn enabled progress with the suggested amendments to the Act by the Regulator. The Secretariat has engaged extensively with the DoT regarding the rationale for the amendments proposed, which process is in parallel to the consultation regarding the Maritime Transport Policy. The Department, as the custodian of the Act, will be incorporating agreed to amendments into a Draft Amendment Bill for further consultation and take this forward through the necessary Cabinet and Parliamentary processes. Significant progress has been made in this regard during the year under review, and the publication of the Transport Regulation Bill for public comment in February 2018 emphasises the need for the Ports Regulator to be capacitated urgently, as it is intended to form the core of the proposed Single Transport Economic Regulator envisaged in the Bill.

4.3. Economic Regulation

The Economic Regulation Programme had numerous achievements to highlight in the year under review and continued to expand the level of sophistication with which economic regulation is implemented in the South African ports system.

The Regulator published a number of reports, methodologies and decisions during the year with the Asset Valuation methodology, a key contribution to the further sophistication and rationalisation of tariff setting in the South African ports system.

The continued implementation of the 2017/18 Tariff Methodology resulted in an application by the NPA and the subsequent determination by the Regulator with a Record of Decision (RoD) published on 01 December 2017, contained a below inflation, average fixed tariff increase of 2.5% for 2018/19 and indicative tariffs for the two subsequent years. It resulted in no changes to the tariffs for Containers and vehicles (0%). Shipping lines received a 8.5% tariff increase aligned with the tariff trajectory as set out in the Tariff Strategy published in 2015 that aims to correct the inherent cross subsidies in the tariff book and all other tariffs increased by a below inflation 5.4%.

In order to provide a continuous update of the implementation of the Tariff Strategy and the changes to base tariffs due to changes in port structure, volume forecasts etc, the Regulator published updated base rates for the coming financial year in the ROD. These tariffs provide an indication of the tariff trajectory during the estimated ten year implementation period in current terms. The base rates published also, for the first time applied to any commodity or handling type not listed in the tariff book and a cap was placed on some of the highest tariffs in the system. A significant step towards a truly cost reflective tariff book. The publication of cost reflective tariffs in the last three ROD's takes the levels of transparency and methodological tariff development to new heights.

In addition, a need was identified to develop a tool, through the use of port tariffs for the support of incentivizing economic activity which are in line with government objectives. The Regulator subsequently developed the Port Tariff Incentive Programme which is intended to provide a mechanism through the use of port tariffs and in turn implement a form of cross-subsidy (which is in the public interest) across the port system. The Port Tariff Incentive Programme was launched on 04 December 2017 at the offices of the Department of Transport in Pretoria and public engagements held. The first round of applications, for consideration in the 2019/20 tariff period closed on 28 January 2018 and the first application will be considered in the 2018/19 tariff year.

With the sixth iteration of the Global Port Pricing Report in 2017/18 and a Record of decision on the detailed implementation of the WEGO published, significant progress are being made in moving closer to a cost reflective efficient pricing system. The cleanup of the tariff book will continue and the implementation of the valuation methodology will ensure not only that the underlying costs of providing public infrastructure is appropriate but also incentivises more efficient operations as well as effective expansion and development of the port system.

4.4. Industry Development

The Industry Development section has continued to facilitate the Regulator's consultation process through a stakeholder engagement programme that focused on our key economic regulation program i.e. the NPA's tariff application 2017/18 - 2019/20, the Port Tariff Incentive Programme (PTIP) and the review of the Tariff Methodology for the period 2018/19 and beyond.

Stakeholder feedback forms administered at the tariff application road shows were analysed and trends in port users' perceptions of the Regulator were identified. The feedback obtained showed that once again, the Regulator scored highly and was therefore considered to be serving its stakeholders effectively.

The section participated in the port level structures of the Port Consultative Committees ('PCCs') as an observer, submitting observation reports; monitoring reported port performance in relation to set standards for terminal operators, marine services, rail and road hauliers, as well as consulting and developing WEGO KPI's and arranging port oversight visits for the Regulator in the Western Cape and KZN regions.

Research conducted during the year included an analysis of the Authority's capex projects, analysis of the Authority's TOPS system, and a study of B-BBEE implementation in the ports sector. Other research included an analysis of port development on the African continent in order that South Africa can consider its own progress in port development at a strategic level.

5. Governance Structures:

5.1. The Human Resources Committee

Ms Anjue Hirachund was appointed effective 01 February 2017 as Chairperson of the Committee. Mr. Lindelwe Mabandla, and Advocate Gugulethu Thimane are also Members of the Committee.

The function of the Human Resource and Remuneration Committee is to ensure control and governance of all human resource and remuneration strategies, procedures, processes and HR activities inside of the organisation. The Committee's key role is to ensure that the Regulator has in place fair and transparent conditions of service, benefits for employees, as well as policies and procedures so that the human resource related matters of the organisation are effectively governed and executed.

The Committee further oversees the execution of the Human Resource Strategy that supports the achievement of the organisation's overall strategy and APP. An annual review of all policies, procedures, and remuneration structures is conducted by the Committee to ensure that they are both relevant and up-to-date in terms of amendments to labour and employment equity legislation. Final policies, procedures and structures were recommended to the Regulator for approval.

The 2017/18 financial year has once again seen growth in the execution of the Regulator’s mandate, without a significant improvement in human resource capacity, and against a backdrop of a significant reduction in year-on-year budget. The strategy adopted by the Committee is risk based, thereby overseeing and managing the identified human resource risks effectively within the stated risk appetite of the organisation; in so doing, assisting the Regulator execute on its overall responsibility for risk management within the Regulator.

A further milestone achievement for this Committee was the review of HR policies, the development of the HR Strategy and proposals towards the enhancement of the regulator’s organogram, the development of an employee survey being implemented by the employee wellness service provider, as well as monitoring the effective implementation of the employee performance management system with an integrated incentive scheme.

The HR Committee has positioned the Regulator as a compliant and responsive employer at both conditions of service and training and development levels, within the limited financial resources available. This is evidenced by the number of staff trained and developed, and the resultant advanced knowledge and decision products that have become a hallmark of the work of the Regulator.

The HR Committee has laid a solid foundation with the full support of Members of the Secretariat working in conjunction with the various other sub-committees of the Regulator to ensure the overall mandate is achieved. This foundation will be improved on; therefore, we remain confident in our ability to respond to any new developments and provide any necessary guidance to the Regulator.

Ms Anjue Hirachund
 Chairperson
Human Resources Committee

Table 9: HR Committee Attendance

HUMAN RESOURCE COMMITTEE MEETINGS					
	11/05/2017	21 /07/2017	10/11/2017	14/12/2017	14/02/2018
Lindelwe Mabandla	✓	✓	✓	✓	X
Gugulethu Thimane	✓	✓	✓	✓	✓
Anjue Hirachund (chairperson)	✓	✓	✓	✓	✓

✓	Present
✘	Apology
R	Resigned

5.2. The Regulatory Committee

The Members of this committee are: Ms. Thato Tsautse (Chairperson as of 01 October 2014), Professor Didibhuku Thwala (effective May 2014), Ms. Gerdileen Taylor (effective September 2015), and Mr Riad Khan (effective September 2015). Ms. Taylor has since joined the Audit Committee where her expertise as a Chartered Accountant strengthens the oversight role that committee plays. Prof. Thwala's term came to an end in May 2017, and Mr Khan resigned in August 2017, with Adv. Gugulethu Thimane taking his place. The current members of the committee as at 31 March 2018 are therefore Ms Tsautse, Ms Taylor and Adv Thimane.

This Committee is responsible for the oversight of delivery of the Regulator's obligations arising from both the Act and its Regulations. Its key activities were in the areas of economic regulation, economic research, as well as the hearing of complaints and appeals. Furthermore, this committee is required to perform both an oversight function as well as a quality control function with respect to economic regulation, its regulatory elements, and the tribunal function.

A significant output for the year was the tariff decision that was announced on 01 December 2016 at a below inflation average increase of 2.5%, with tariffs differentiated by user category in line with the Tariff Strategy which aims to rebalance South Africa's port infrastructure tariffs towards more cost reflective tariffs. The published Tariff Strategy sets out a methodological approach for the tariff structure and its tariff trajectory on a cargo type and user specific level and is effective for a ten year period.

In line with the Tariff Strategy, the Ports Regulator of South Africa, in consultation with the National Ports Authority, the Department of Trade and Industry, the Department of Transport, and the National Treasury, have developed the Port Tariff Incentive Programme (PTIP) in support of beneficiation, industrialisation, and localisation, through port tariff regulation.

Phase one of the PTIP was the 'process development' phase and was executed in consultation with various stakeholders and departments. Phase two of the PTIP included the development and finalisation of the information and data requirements, accreditation criteria, application forms, the verification guidelines, as well as other application specifics. The PTIP was launched in December 2017 and the first application was received in January by the closing date for processing in the 2019/20 Tariff Application.

Further, a Record of Decision was published to incorporate a performance incentive system, called Weighted Efficiency Gains on Operations (WEGO), which allows the Ports Authority as a regulator of operators, to gain or lose up to 5% profit for up to 10% increase or decline (respectively) on year on year performance for a basket of measurable indicators that were consulted with the authority and across the country.

A significant achievement has been the development, public consultation and publishing of the Valuation Methodology for the Regulatory Asset Base of the NPA. The Regulator concluded that the Trended Original Cost (TOC) approach which ensures Financial Capital Maintenance will be the preferred valuation methodology. However, some concerns related to the older assets capitalised before 1990 remain, so assets with capitalisation dates before 1990 will therefore be treated on the basis of the historical cost method, while treating any assets created post 1990 on the basis of the TOC approach.

Other areas of output from the Regulatory Committee included an analysis of the Authority's capex projects, analysis of the Authority's TOPS system, and a study of B-BBEE implementation in the ports

sector. Other research included an analysis of port development on the African continent as well as the sixth iteration of the Ports Regulators’ Global Price Benchmarking Comparator Study.

The oversight of the performance and efficiency benchmarking and monitoring process, the NPA’s compliance with the Act in terms of concessions, licences and leases etc., and tribunal processes are ongoing activities for the Regulatory Committee. The Committee’s quality control function extends to include the review of the Industry Development’s projects, as well as that of the Economic Regulation and the Legal Departments. The Industry Development Department has led the stakeholder engagement activities of the Regulator, including representation at PCC’s, consultations on WEGO KPI’s, and the KZN and Western Cape Port visits by the Regulator, amongst others.

The Regulatory Committee has worked closely with the Legal Department of the Regulator and has played a major role in formulating and finalising much needed amendments to the Act aimed at improving regulation and capacitating the Regulator.

Ms. Thato Tsautse
Chairperson
Regulatory Committee



Table 10: Regulatory Committee Attendance

REGULATORY COMMITTEE MEETINGS					
	16/05/2017	27/07/2017	27/10/2017	15/11/2017 special	15/02/2018
Gugulethu Thimane	x	✓	✓	✓	✓
Thato Tsautse	✓	✓	✓	✓	✓
Gerdileen Taylor	x	x	Newly appointed but not present	✓	✓
Riad Khan	✓	✓	R	R	R

✓	Present
x	Apology
R	Resigned

5.3. The Audit Committee

We are pleased to present the Audit Committee report for the financial year ended 31 March 2018

At financial year end, the Members of this Committee included Mr. Trevor Boltman (Independent Non-Executive Chairperson), Mr. Andile Mahlalutye, Mr Aubrey Ncobo and Ms. Gerdileen Taylor.

The Audit Committee has complied with its responsibilities as stipulated in Section 77 of the PFMA and Treasury Regulation 3.1.

The Audit Committee has adopted, with approval from the Regulator, appropriate, formal, Terms of Reference as its Audit Committee Charter.

This Committee Charter is reviewed on an annual basis to ensure its continuing relevance and effectiveness. The Audit Committee has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Furthermore, both the Audit Committee and Internal Audit Terms of Reference are reviewed and, where required, revised on an annual basis.

The Committee has met with the Auditor General of South Africa ('AGSA'), Internal Audit and Management separately; all of whom are present at the Committee meetings, with AGSA being present at least twice each year.

The Table below reflects the relevant information on the Audit Committee Members attendance for the 2017/18 year.

Table 11: Audit Committee Attendance

AUDIT AND RISK COMMITTEE MEETINGS						
	09/05/2017	14/06/2017 Special	21/07/2017	24/10/2017	20/11/2017 Special	17/02/2018
Aubrey Ngcobo	✓	✓	✓	✓	✓	✓
Gerdileen Taylor	x	✓	✓	✓	✓	✓
Andile Mahlalutye	✓	x	✓	✓	✓	✓
Trevor Boltman	✓	✓	✓	✓	✓	✓

✓	Present
x	Apology

THE EFFECTIVENESS OF INTERNAL CONTROL

The Audit Committee is of the opinion that, based on the information and explanations given by management and discussions with AGSA on the results of its audits, the internal accounting controls are operating effectively. Thus, ensuring that the financial records may be relied upon for preparing the AFS, and that accountability for assets and liabilities is maintained.

However, it must be reported that there were incidents where the control system was found to be lacking. More information relating to this can be found in the Chief Executive Officer's report, AGSA's report, and the Annual Financial Statements.

The Internal Auditors have conducted audits on certain key operations and processes of the Regulator as per the approved Internal Audit Plan during the year ended 31 March 2018. Based on the scope and results of their work, and subject to the limitations of sampling, and their evaluation of the key controls implemented by management to address the associated risks, it appears that there were some instances of control breakdowns. Certain improvements were needed regarding key control activities in providing reasonable assurance that the risk areas, subject to the review, were being properly managed and controlled. Some instances of non-compliance to legislation and policies and procedures were also reported.

These have, however, been addressed/are in the process of being addressed through the existing levels of management. AGSA, and Internal Audit have expressed confidence that management is committed and is taking the necessary remedial action to address the control deficiencies.

Accordingly, we can report that the system of internal control for the period under review was efficient and effective, except for those areas that were raised by the AGSA.

IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORTS

The Secretariat has submitted monthly and quarterly reports to the Audit Committee and the Regulator. These reports were discussed and accepted by the Audit Committee and the Regulator.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS (AFS)

The Audit Committee has reviewed and discussed:

- The audited AFS to be included in the annual report with the AGSA and the Regulator;
- The AGSA’s management letter and audit report, and management’s response thereto; and
- Reviewed significant adjustments resulting from the audit.

AUDITOR’S REPORT

The Audit Committee concurs and accepts the conclusions of the external auditor on the AFS and is of the opinion that the audited AFS be accepted and read together with the report of the Auditor General.

CONCLUSION

In our opinion, based on feedback to Audit Committee meetings, both general and specific controls have been identified (with weak areas) for management’s attention. These areas are being addressed and this corrective process must be ongoing and conclusive to mitigate the risk of not achieving the Regulator’s agreed strategic objectives. In our opinion, based on feedback at the Audit Committee meetings, the Regulator’s key performance indicators are being monitored within the environmental and cash flow constraints the Regulator faces. The Regulator is achieving in most key performance areas.



Mr. Trevor Boltman
Chairperson
Audit Committee

5.4. Company Secretary

The Company Secretary is the key support of the Regulator and is responsible for compliance and governance in all Regulator meetings. Furthermore, the Company Secretary is the contact person for the Regulator with respect to such functions.

The main role of a Company Secretary is that of gatekeeper of corporate governance for an organisation. The Regulator is governed by a Charter and Code of Conduct which provides the Members with guidance as to their responsibilities and duties and how, in certain conflicting situations, such duties should be properly discharged in the best interests of the organisation. It is the role of the Company Secretary to provide comprehensive and practical support to the Members, the Chairperson of the Regulator, and the Chairs of its sub-committees in terms of providing guidance to Members with regard to fully observing their duties, responsibilities and powers, as well as sourcing and/or providing training to new and existing Members on new laws, processes and regulations relevant to the business of the organisation.

In terms of performance, the Regulator and its Sub-Committees have met quarterly, and had additional meetings where circumstances required same, in order to reach strategic decisions in the interests of the organisation and its sustainability. The ongoing development of Members was a specific focus area in order to ensure that Members were kept abreast of local developments in terms of their duties, risk management and corporate governance best practice in terms of the new King IV Code becoming effective. The performance of the Regulator and the Audit Committee is evaluated annually, and has been facilitated by the Company Secretary; the process took the form of questionnaires which were completed by the Members. The evaluation covered areas such as the the Regulator / committee composition, dynamics, effectiveness, experience and knowledge of the Members and their relationship to Management. The overall report was positive and recommendations to improve will be implemented in the ensuing year. Evaluation of the other committees will be phased in.

Company Secretary
Ms. Marissa Damons



Table 12: Regulator Meeting attendance

REGULATOR MEETINGS				
Name	Dates			
	25/05/2017	23/08/2017	23/11/2017	22/02/2018
Thaba Mufamadi	✓	✓	✓	✓
Aubrey Ngcobo	✓	✓	✓	✓
Gerdileen Taylor	x	✓	✓	x
Andile Mahlalutye	✓	✓	x	✓
Lindelwe Mabandla	✓	✓	✓	✓
Gugulethu Thimane	✓	✓	✓	✓
Anjue Hirachund	✓	✓	✓	✓
Thato Tsautse	✓	✓	✓	✓
Riad Khan	x	x	x	x
Didibhuku Thwala	Contract ended	x	x	x

Table 13: Annual General Meeting attendance

ANNUAL GENERAL MEETING (AGM)		
		08 September 2017
1.	Mr. T. Mufamadi	✓
2.	Mr. A. Ngcobo	✓
3.	Mr. A. Mahlalutye	✓
4.	Ms. A. Hirachund	✓
5.	Prof. D. Thwala	x
6.	Ms. G. Taylor	x
7.	Adv. G. Thimane	✓
8.	Mr. L. Mabandla	✓
9.	Ms. P. Mazibuko	x
10.	Mr. R. Khan	x
11.	Ms. T. Tsautse	✓
12.	Mr. T. Boltman	x

Table 14: Regulator Member fees for period 01 April 2016 to 31 March 2017

Name	Member Fees (R'000) (2017/18)	Performance Bonus	Leave Pay	Total (R'000)
Mr. T. Mufamadi	121	-	-	121
*Ms. P. Mazibuko	2	-	-	2
Ms. T. Tsautse	198	-	-	198
Mr. A. Ngcobo	143	-	-	143
Mr. A. Mahlalutye	145	-	-	145
Mr. L. Mabandla	96	-	-	96
***Mr. R. Khan	29	-	-	29
**Mr. W. Thwala	19	-	-	19
Adv. G. Thimane	268			268
Ms. G. Taylor	152			152
Mrs. A. Hirachund	198			198

*Ms. P. Mazibuko resigned January 2017

**Mr. D Thwala's contract came into an end on 30 May 2017

***Mr. R Khan resigned effective from 31 July 2017



“Minister of Transport, Dr. Blade Nzimande visit to the Ports Regulator offices in 2018”

6. Achievements for the year 2017 / 2018

Strategic Objective	Outcomes	Key Performance Indicator	Annual Target	Actual Performance	Challenges	Actions to be taken	Evidence
1. The running of an efficient and effective administration system	All Corporate Services Policies reviewed on an annual basis.	IT, HR and Finance policies reviewed by the Accounting Officer and approved by the Regulator	Annual review of organisational policies, and submit a report on these to the Regulator for approval.	Achieved. Policies reviewed and approved by the Regulator and policy Gap analysis submitted to the Regulator in Q4 meetings	None	None	Minutes of meetings for approval of policies.
	Organisational and Employee performance improved	Organisational Performance monitored and reported on to the Regulator quarterly.	Achievement of all targets set in the Annual Performance Plan	Achieved. Quarterly reports against planned performance were submitted to DoT and the Regulator within thirty days of the end of the quarter.	None	None	Quarterly reports and acknowledgement of receipt emails.
	Employee PMS monitored and enhanced by conducting half year and final employee performance reviews to be provided to the Accounting Officer	Employee PMS monitored and enhanced by conducting half year and final employee performance reviews to be provided to the Accounting Officer	Assessment of employee performance to improve organisational efficiency and performance.	Achieved. Half yearly and final employee's performance review conducted.	None	None	Half year and final reviewed performance contracts and performance review report as submitted to the Regulator.
	Align Organizational	Organizational Performance monitored	Monitoring employee	Achieved.	None	None	Management report

Strategic Objective	Outcomes	Key Performance Indicator	Annual Target	Actual Performance	Challenges	Actions to be taken	Evidence
	and Employee performance management system with strategy and APP	and reported on to the Regulator quarterly.	performance in order to achieve alignment with strategic objectives.	Employee performance monitored and reported to the Regulator			
	HR Management and ongoing skills development of Members and staff to enhance the effectiveness and efficiency of the organisation.	Regulator Members and staff matters dealt with and training attendance on Regulatory matters reported annually.	Full implementation of the PRSA HR and training plan for Members and staff. Appropriate training sourced (internal/ external) for members and staff to attend and annually report to the Regulator on all regulatory training that has taken place in line with the organisational HR plan	Achieved. Secretariat and Regulator members received training as per the plan	None	None	Training plan and HR report
2.Ongoing implementation of Economic regulation of	Implement the Tariff Methodology	Perform port tariff assessment in accordance with the Multi-year methodology	Tariff decision and ROD publication	Achieved. ROD published 1/12/17	None	none	Website

Strategic Objective	Outcomes	Key Performance Indicator	Annual Target	Actual Performance	Challenges	Actions to be taken	Evidence
ports (Price, access, institutional structure)		and issue a record of decision.		Tariff Book published 23/3/2018			
	Approved Tariff Strategy implementation monitored	Tariff Strategy implemented and monitored.	Medium to long term Tariff Strategy implemented including Port Tariff Incentive Programme	Achieved. Implemented PTIP program. Received first application. Reports tabled	None	Assessment of PTIP Application as per program	Adverts/application s/website/PTIP documentation
	A comprehensive training course and manual on economic regulation with a special focus on the ports sector	A training course and manual developed	Training provided by utilising approved course material and manual to staff and members	Achieved. Training provided to Staff and Members on Valuation section of training manual as identified gap in training provided	None	None	Presentation/material/photographs
	Develop a range of economic regulatory outcomes for medium and long term and strategy for achieving the	Develop outcomes and strategy for achieving outcomes	Identify issues and develop outcomes and strategy for achieving outcomes	Achieved. Report approved by regulator	none	None	Minutes of Regulator Meeting

Strategic Objective	Outcomes	Key Performance Indicator	Annual Target	Actual Performance	Challenges	Actions to be taken	Evidence
	regulatory outcomes						
	Extract key issues from the compliance processes that identify key opportunities for development and intervention across the PRSA that would enhance efficiency, effectiveness and the development of ports	Key opportunities identified and implemented Impact of intervention monitored	Identify issues from prior year compliance report and identify opportunities for intervention. Put strategy in place for extracting opportunity and implement strategy	Achieved. Report approved by regulator	None	None	Minutes of Regulator meeting
	Model port demand over the medium term	Port demand report	Preliminary trend analysis model on port demand	Achieved. Report as part of tariff Assessment	None	None	Tariff Assessment and minutes
	Perform capital prudency assessment from demand modelling, capital programme and 'gap' analysis	Phase 1 capital prudency model developed for CAPEX forecast assessment for 2018/19 to 2023/24	Develop capital prudency assessment criteria	Achieved. Part of Tariff assessment	None	None	Tariff assessment and minutes

Strategic Objective	Outcomes	Key Performance Indicator	Annual Target	Actual Performance	Challenges	Actions to be taken	Evidence
	Annual Global Tariff Comparator Study	Global Port Pricing Comparator study	Compare SA Port Prices with global ports and produce Comparator study	Achieved. Report approved for publication by Regulator	None	None	Minutes, website
	Develop a Valuation Methodology for the valuation of the Regulatory Asset Base of the National Ports Authority	Develop Valuation Methodology and Publish	Publish an approved and consulted Valuation Methodology	Achieved. Report approved by regulator	None	None	Signed final Methodology Website
3. Engage stakeholders and monitor provision of infrastructure and facilities; and promotion of efficiencies in the port system	Research Projects performed	Modelled capital rollout programme of infrastructure over the medium term at existing efficiency levels	Report on capital roll-out programme at existing efficiency levels	Achieved Report compiled	None	None	Report
	Completed report on port performance	Report covering the ongoing monitoring of port performance	One review report covering the ongoing	Achieved	None	None	Report

Strategic Objective	Outcomes	Key Performance Indicator	Annual Target	Actual Performance	Challenges	Actions to be taken	Evidence
			monitoring of port performance	Report on Port Developments in African countries			
	Implement stakeholder engagement plan.	Draft and Implement Stakeholder engagement framework	Implement annual stakeholder engagement plan Commission process	Achieved	None	None	Quarterly reports
	Develop baseline equity of access levels and develop strategy and implementation plan to respond to compliance findings	Equity access baseline report Develop and implement equity access strategy	Complete baseline study	Achieved Baseline study on equity of access completed	None	None	Report, minutes
	Develop infrastructure efficiency targets for existing infrastructure	Efficiency targets developed	Develop infrastructure operations and marine, service efficiency targets	Achieved Report as input to WEGO	None	None	Report
	Assessment of Authority's Capex programme	Capex Assessment report	Capex assessment report per quarter	Achieved Quarterly Capex register Reports	None	None	Quarterly Reports

Strategic Objective	Outcomes	Key Performance Indicator	Annual Target	Actual Performance	Challenges	Actions to be taken	Evidence
4. Monitoring the port industry and its compliance with the National Ports Act and other Regulatory Instruments to ensure access to and competition within the port system.	Ongoing monitoring of compliance of Ports sector participants.	Compliance monitoring for all port participants conducted and reported.	4 Quarterly reports to the Regulator on the compliance issues and progress, if any, per quarter, and one annual compliance report to the Executive Authority.	Achieved. Quarterly reports submitted to Regulator. Annual report to be submitted to Executive Authority	None.	None	Quarterly reports and annual S30(5) report in Legal Evidence folder
	B-BBEE status review of all s56 and s57 port facilities and service providers for all the ports.	B-BBEE status review of ports in terms of transformation to be completed in accordance with the Regulations to the National Ports Act and submit report to the Regulator.	Assess NPA's compliance with B-BBEE Codes and report thereon to the Regulator and the NPA with specific regard to transformation in the port system.	Achieved. Assessment completed and report to Regulator and NPA	None	None	BB-BEE reports in Legal Evidence folder Meetings and correspondence with NPA
	Develop a framework of rights to equity of access to port	Framework for rights to equity of access developed	Develop a compliance assessment framework for	Achieved. Compliance assessment framework developed for measuring equity of access	None	None	Framework in Legal Evidence folder

Strategic Objective	Outcomes	Key Performance Indicator	Annual Target	Actual Performance	Challenges	Actions to be taken	Evidence
	services and facilities and instruments of enforcement for such rights		measuring equity of access across the port system				
	Develop legal instruments required to enforce efficiency standards and lock standards into tariff methodology	Legal framework developed	Develop framework for legal instruments	Achieved Framework for Legal instruments developed	None	None	Framework for legal instruments in legal folder
5. Operating an effective and efficient tribunal to hear complaints and appeals under the National Ports Act.	Tribunal to be effectively and efficiently operated to deal with complaints and/or appeals.	Performance assessment of case management, adjudication of matters and decision making.	Chairman supported by the secretariat to perform quarterly performance assessment regarding case management, oversight of pending and emerging litigation, adjudication and decision making of the Tribunal.	Achieved Tribunal effectively and efficiently operated and managed	None	None	Records of Decision issued for tribunal matters heard; and also placed in Legal Evidence folder

Strategic Objective	Outcomes	Key Performance Indicator	Annual Target	Actual Performance	Challenges	Actions to be taken	Evidence
6. Ensuring good governance and sustainability of the organisation.	i) Governance and compliance framework in place for the organisation.	Governance and compliance checklist reported on quarterly to the Regulator.	Ensuring good governance and compliance of the organisation.	Good governance practises established and implemented throughout the organisation	None	None	Good governance practises reflected in minutes and resolutions of the Regulator Board and placed in Evidence folder
	MOUs to be concluded by PRSA with regulators and agencies on transversal issues	MOUs with identified regulators and agencies in place	Identify regulators and agencies that have overlapping jurisdiction Sign MOUs with willing agencies	Regulators identified include the NTF, and Nersa MOU signed with NTF, Draft MOU sent to Nersa, awaiting feedback and response	None	None	Signed MOU in Evidence folder Emails to Nersa provided in Evidence folder

PRSA Summary of 2017/18 Performance on Annual Performance Plan

PERFORMANCE CATEGORY	COLOUR KEY	NUMBER OF ITEMS	PERCENTAGE
Not Achieved		0	0%
Partially Achieved		0	0%
Achieved		25	100%
Totals		25	100%

7. Statement of estimated income and expenditure

Statement of Estimated Income and Expenditure	2018/19
Revenue	
Tax revenue	-
Non-tax revenue	-
Sale of goods and services other than capital assets	-
<i>of which:</i>	
<i>Admin fees</i>	-
<i>Sales by market establishments</i>	-
<i>Other sales</i>	-
<i>Other non-tax revenue</i>	351
Transfers received	25,619
Total revenue	25,970
Expenses	
Current expense	25,970
Compensation of employees	16,658
Goods and services	9,157
Depreciation	155
Interest, dividends and rent on land	-
Interest	-
Dividends	-
Rent on land	-
Transfers and subsidies	-
Total expenses	25,970
Surplus / (Deficit)	-

8. Programme for 2018/2019

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	2018/2019 Quarterly Targets			
					Q1	Q2	Q3	Q4
1. The running of an efficient and effective administration system	All Corporate Services Policies reviewed on an annual basis.	IT, HR and Finance policies reviewed by the Accounting Officer and approved by the Regulator.	Zero baseline for financial year.	Annual review of organisational policies, and submit a report on these to the Regulator for approval.	Review IT systems and processes and update relevant policies. A report to be submitted to the Regulator in this regard.	Financial policies to be reviewed in line with relevant legislative amendments (if any) and policies to be amended accordingly. Amended policies to be reported on to the AC and the Regulator	HR policies to be reviewed in line with relevant legislative amendments (if any) and policies to be amended accordingly. Amended policies to be reported on to the HR & Rem Co and the Regulator.	Policy gap analysis to be performed and dashboard report to be submitted to the Regulator for next FY.
	Organisational and employee performance improved.	Organisational performance monitored and reported on to the Regulator quarterly.	Zero baseline for financial year.	Achievement of all targets set in the Annual Performance Plan.	Report on Q4 performance to the Regulator and DOT and the Regulator by 30 May 2017.	Report on Q1 performance to the Regulator and the DOT by 30 July 2017.	Report on Q2 performance to the Regulator and the DOT by 30 October 2017.	Report on Q3 performance to the Regulator and the DOT by 30 January 2018.

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	2018/2019 Quarterly Targets			
					Q1	Q2	Q3	Q4
		Employee PMS monitored and enhanced by conducting half year and final employee performance reviews to be provided to the Accounting Officer.	Zero baseline for financial year.	Assessment of employee performance to improve organisational efficiency and performance.	KPI's for staff to be aligned to the APP targets. Employee performance contracts to be signed off by 30 April and report to the HR Committee.	Half yearly performance review to be undertaken in accordance with the policy and reported on the HR Committee.	Management to review organisational performance in relation to individual performance to determine progress on targets and incentives.	Final employee performance reviews to be undertaken and scoring forwarded to HR. Report to HR Committee and the Regulator.
	Align Organizational and Employee performance management system with strategy and APP.	Organizational Performance monitored and reported on to the Regulator quarterly.	Zero baseline for financial year.	Monitoring employee performance in order to achieve alignment with strategic objectives.	Provide quarterly reports to the Regulator regarding organisational performance.	Provide quarterly reports to the Regulator regarding organisational performance.	Provide quarterly reports to the Regulator regarding organisational performance.	Provide quarterly reports to the Regulator regarding organisational performance.
	HR Management and ongoing skills development of Members and staff to enhance the effectiveness and efficiency of	Regulator Members and staff matters dealt with and training attendance on Regulatory matters reported annually.	Zero baseline for financial year.	Full implementation of the PRSA HR and training plan for Members and staff and annually report to the Regulator on all regulatory training that has taken place in line with the	Review the HR Plan and Develop a training plan for Members and staff that is aligned to the Strategic Plan.	Implementation of the HR plan and the training plan with a quarterly progress report to the Regulator.	Implementation of the HR plan and the training plan with a quarterly progress report to the Regulator.	Implementation of the HR plan and the training plan with a quarterly progress report to the Regulator.

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	2018/2019 Quarterly Targets			
					Q1	Q2	Q3	Q4
	the organisation.			organisational HR plan.				
2. Ongoing implementation of Economic regulation of ports (Price, access, institutional structure)	Implement the Tariff Methodology.	Perform port tariff assessment in accordance with the Multi-year methodology and issue a Record of Decision.	Zero baseline for financial year.	Tariff decision and ROD publication.	Report on initial engagements with the National Ports Authority on the pending Tariff Application due in Q2 to the RegCom.	Receive NPA's Tariff Application and begin economic assessment in accordance with the Methodology. First Draft Assessment complete.	Final Tariff Assessment report to be approved by the Regulator and ROD submitted to the NPA by 01 December.	Approve and publish Tariff Book in accordance with the ROD.
	Evaluation and impact assessment report of the approved Tariff Strategy.	One Evaluation and impact assessment report.	Zero baseline for financial year.	Final Evaluation and impact assessment report submitted to the Regulator.	Draft review outline submitted to the CEO.	First draft working paper submitted to the CEO.	Draft working paper submitted to RegCom.	Final report submitted to the Regulator.
	Development of interested students and/or other participants in Economic Regulation.	Report on training provided on Economic Regulation.	Zero baseline for financial year	One or more Short Course Training sessions provided externally on economic regulation.	Report on training provided submitted to the CEO.	Report on training provided submitted to the CEO.	Report on training provided submitted to the CEO.	Report on training provided submitted to the Regulator.
	Develop a range of economic regulatory outcomes for	Develop outcomes and strategy for	Zero baseline for financial year	Identify issues and develop outcomes and strategy for	Identify issues and draft outcomes framework.	Draft report and consult with RegCom.	Draft strategy for achieving outcomes .	Finalise and obtain approval.

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	2018/2019 Quarterly Targets				
					Q1	Q2	Q3	Q4	
	medium and long term and strategy for achieving the regulatory outcomes.	achieving outcomes		achieving outcomes.					
	Impact monitoring of the economic regulatory interventions on the identified compliance issues as published in the RoD.	Monitor the impact of the Economic Regulatory Interventions on compliance published in the RoD and report to RegCom.	Zero baseline for financial year.	Report with recommendations submitted to RegCom on the impact of the Economic Regulatory Interventions on compliance published in the RoD.	Monitoring report submitted to RegCom.	Monitoring report submitted to RegCom.	Monitoring report submitted to RegCom.	Monitoring report with recommendations submitted to RegCom.	
	Model port demand over the medium term.	Port demand model tested and finalised.	Zero baseline for financial year	Report on retro-testing and forward predictability of demand model statistical margin of error.	Data collection for testing of Port Demand Model.	Testing and analysis of Port Demand Model and draft report.	Finalise report and obtain CEO approval for use in tariff determination.		
	Capital Prudency Assessment implemented	Phase 1 Capital Prudency Model used for CAPEX forecast assessment for	Zero baseline for financial year.	Capital prudency assessment criteria applied in tariff determination.		Implement capital prudency model as part of the tariff determination process.	Implement capital prudency model as part of the tariff determination process.		

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	2018/2019 Quarterly Targets			
					Q1	Q2	Q3	Q4
		2018/19 to 2023/24.						
	Annual Global Tariff Comparator Study.	Global Port Pricing Comparator study.	Six previous studies	Compare SA Port Prices with global ports and produce Comparator study.	Complete data collection for all cargo types chosen.	Complete preliminary price compilation for all cargo types.	Complete research and write up draft report for submission.	Submit final report to the CEO for approval.
	Implement the approved Valuation Methodology for the valuation of the Regulatory Asset Base of the National Ports Authority and include in Tariff Assessment.	Implement the approved Valuation Methodology.	Zero baseline for financial year	Approved report on the implementation of the approved Valuation Methodology for the valuation of the Starting Regulatory Asset Base (SRAB) of the NPA included in the 2019/20 Tariff Assessment.	Request updated asset register from NPA and apply Valuation Methodology criteria to establish preliminary NPA starting RAB Report submitted to CEO.	Apply tariff application CAPEX to the SRAB and report to RegCom.	Include SRAB in 2019/20 tariff assessment and publish ROD.	Report on the Implementation of the approved Valuation Methodology for the valuation of the SRAB of the NPA included in the 2019/20 Tariff Assessment approved by the Regulator.

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	2018/2019 Quarterly Targets			
					Q1	Q2	Q3	Q4
3. Engage stakeholders and monitor provision of infrastructure and facilities; and promotion of efficiencies in the port system.	Implementation of stakeholder engagement plan.	Quarterly reports on stakeholder engagement.	Zero baseline for financial year.	One or more engagements with port stakeholders to disseminate information and measure perceptions about the work of the Regulator.	Implement and report on stakeholder engagements.	Implement and report on stakeholder engagements. Undertake stakeholder perception survey/s.	Implement and report on stakeholder engagements.	Implement and report on stakeholder engagements. Report on stakeholder perception survey/s.
	Develop Planned infrastructure adequacy assessment	Finalised Assessment Report on adequacy of planned infrastructure	Zero baseline for financial year	Report on capital roll-out programme at existing efficiency levels	Consultations on draft report to confirm infrastructure roll out programme for 2018/19 – 2024/25 (medium term) and determined existing efficiency levels.	Further assessment and modelling of adequacy of planned infrastructure as per roll out programme based on existing infrastructure efficiency levels.	Focus groups and RegCom consultations	Finalisation of report and request Regulator approval.
	Research Report on Port Performance: Monitor and report on port performance in line with Weighted	A Report covering the ongoing monitoring of port performance across WEGO KPIs.	Zero baseline for financial year	WEGO Performance Monitoring system developed and WEGO performance report completed one quarter after end of	Engage with NPA to define PRSA based system and process requirements.	Develop PRSA system for capturing, validation and verification of data.	Receive and analyse quarterly performance data on WEGO KPIs.	Receive and analyse quarterly performance data on WEGO KPIs and draft report.

Strategic Objective	Outcomes	Key Performance Indicator	Annual Target	2017/2018 Quarterly Targets			
				Q1	Q2	Q3	Q4
	Develop legal instruments required to enforce efficiency standards and lock standards into Tariff Methodology.	Legal framework developed.	Develop framework for legal instruments.	Identify instruments and conduct relevant research and report thereon.	Analyse and begin draft report on legal instruments.	Report and consult with Regulatory Committee.	Finalise Framework.
5. Operating an effective and efficient tribunal to hear complaints and appeals under the National Ports Act.	Tribunal to be effectively and efficiently operated to deal with complaints and/or appeals.	Performance assessment of case management, adjudication of matters and decision making.	Chairperson supported by the secretariat to perform quarterly performance assessment regarding case management, oversight of pending and emerging litigation, adjudication and decision making of the Tribunal.	Provide case management and litigation support and compile report on all matters dealt with in the quarter to be submitted to the Regulator, in terms of number of matters heard/RODs issued, new matters received or matters settled.	Provide case management and litigation support and compile report on all matters dealt with in the quarter to be submitted to the Regulator, in terms of number of matters heard/RODs issued, new matters received or matters settled.	Provide case management and litigation support and compile report on all matters dealt with in the quarter to be submitted to the Regulator, in terms of number of matters heard/RODs issued, new matters received or matters settled.	Provide case management and litigation support and compile report on all matters dealt with in the quarter to be submitted to the Regulator, in terms of number of matters heard/RODs issued, new matters received or matters settled. Annually report to the Executive Authority on tribunal matters in terms of section 30(5) of the National Ports Act

Strategic Objective	Outcomes	Key Performance Indicator	Annual Target	2017/2018 Quarterly Targets			
				Q1	Q2	Q3	Q4
6. Ensuring good governance and sustainability of the organisation.	i) Governance and compliance framework in place for the organisation.	Governance and compliance checklist reported on quarterly to the Regulator.	Ensuring good governance and compliance of the organisation.	Draft governance and compliance checklist and submit to the Regulator for approval.	Compile governance and compliance report and submit to the Regulator.	Compile governance and compliance report and submit to the Regulator.	Compile governance and compliance report and submit to the Regulator.
	MOUs to be concluded by PRSA with regulators and agencies on transversal issues.	MOUs with identified regulators and agencies in place.	Identify regulators and agencies that have overlapping jurisdiction Sign MOUs with willing agencies.	Identify regulators and agencies that have overlapping jurisdiction.	Develop appropriate MOUs.	Consult Regulator, and meet agencies and deliberate MOUs.	Sign and begin to implement MOUs.

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	2018/2019 Quarterly Targets				
					Q1	Q2	Q3	Q4	
									transformation in the port sector.
	Finalise, implement and monitor compliance with a framework of rights to equity of access to port services and facilities.	Framework for rights to equity of access finalized, implemented and compliance thereto monitored.	Zero baseline for financial year.	Finalise framework for measuring equity of access across the port system and implement compliance assessment .	Finalise framework and include instruments of enforcement and develop implementation plan.	Obtain necessary approvals for implementation plan.	Commence compliance monitoring and reporting on equity of access.	Compliance monitoring in accordance with implementation plan and provide a report thereon.	
	Legal instruments required to enforce efficiency standards and equity of access and lock standards into tariff methodology, finalised and implemented.	Legal instruments to enforce efficiency finalised and implemented in 2019/20 tariff methodology	Zero baseline for financial year.	Finalise and implement legal instruments framework.	Finalise framework and develop instruments of enforcement implementation plan such as directives/ ROD prescripts.	Obtain necessary approvals for directives/legal instruments and conduct stakeholder consultations.	Gazette directives or implement efficiency enforcement within the tariff methodology or ROD or compliance assessment.	Report to the Regulator.	
5. Operating an effective and efficient tribunal to hear complaints and	Tribunal to be effectively and efficiently operated to deal with	Performance assessment of case management, adjudication of	Zero baseline for financial year.	Chairman supported by the secretariat to perform quarterly performance	Provide case management and litigation support and compile report	Provide case management and litigation support and compile report on all	Provide case management and litigation support and compile report on all	Provide case management and litigation support and compile report	

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	2018/2019 Quarterly Targets			
					Q1	Q2	Q3	Q4
appeals under the National Ports Act.	complaints and/or appeals.	matters and decision making.		assessment regarding case management, oversight of pending and emerging litigation, adjudication and decision making of the Tribunal.	on all matters dealt with in the quarter to be submitted to the Regulator, in terms of number of matters heard/RODs issued, new matters received or matters settled.	matters dealt with in the quarter to be submitted to the Regulator, in terms of number of matters heard/RODs issued, new matters received or matters settled.	matters dealt with in the quarter to be submitted to the Regulator, in terms of number of matters heard/RODs issued, new matters received or matters settled.	on all matters dealt with in the quarter to be submitted to the Regulator, in terms of number of matters heard/RODs issued, new matters received or matters settled.
6. Ensuring good governance and sustainability of the organisation.	i) Governance and compliance framework in place for the organisation.	Governance and compliance checklist reported on quarterly to the Regulator.	Zero baseline for financial year.	Ensuring good governance and compliance of the organisation.	Draft governance and compliance checklist and submit to the Regulator for approval.	Compile governance and compliance report to the Regulator.	Compile governance and compliance report to the Regulator.	Compile governance and compliance report to the Regulator.
	MOUs to be concluded by PRSA with	MOUs with identified	Two MOUs in place.	Identify regulators and agencies that	Identify regulators and agencies that	Develop appropriate MOUs.	Consult with the Regulator, meet	Sign and commence

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	2018/2019 Quarterly Targets			
					Q1	Q2	Q3	Q4
	regulators and agencies on transversal issues.	regulators and agencies in place.		have overlapping jurisdiction. Sign MOUs with willing agencies.	have overlapping jurisdiction.		agencies and deliberate MOUs.	implementation of MOUs

9. Annual Financial Statements

Annual Financial Statements

for

The Ports Regulator of South Africa

for the year ended 31 March 2018

The Ports Regulator of South Africa

ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2018

General Information

Country of incorporation	South Africa
Nature of the business	Economic Regulation
Business address	11 th Floor, The Marine Building 22 Dorothy Nyembe Street Durban 4001
Postal address	Private Bag X54322 Durban 4000
Website	www.portsregulator.org
Bankers	Standard Bank Limited
Auditors	Auditor-General South Africa
Controlling entity	Department of Transport

The Ports Regulator of South Africa

ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2018

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The Ports Regulator of South Africa

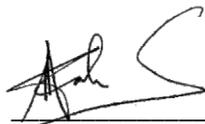
ACCOUNTING AUTHORITY'S RESPONSIBILITIES for the year ended 31 March 2018

The Regulator Members are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible for reporting on the fair presentation of the financial statements. The financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 91 of the Public Finance Management Act, 1999 (Act No.1 of 1999)(PFMA).

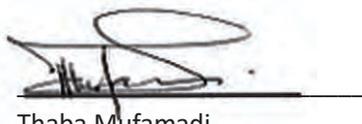
The Regulator Members are also responsible for the system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and prevent and detect misstatements and loss. Nothing has come to the attention of the members to indicate any material breakdown in the functioning of these controls, procedures and systems during the year under review.

Approval

The financial statements for the year ended 31 March 2018 set out on pages 60 to 87 were approved by the Regulator on 23 May 2018.



Mahesh Fakir
Chief Executive Officer



Thaba Mufamadi
Chairperson of the Regulator

The Ports Regulator of South Africa

REPORT OF THE AUDITOR-GENERAL

Report of the auditor-general to Parliament on the Ports Regulator of South Africa

Opinion

1. I have audited the financial statements of the Ports Regulator of South Africa set out on pages 60 to 87 which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow the statement of comparison budget with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respect, the financial position of the Ports Regulator of South Africa as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accounts ' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the Ports Regulator of South Africa's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention either to liquidate the entity or cease operations, or there is no realistic alternative but to do so.

The Ports Regulator of South Africa

REPORT OF THE AUDITOR-GENERAL

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these statements.
9. A further description of my responsibilities for the audit of the financial statement is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my finding do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2018:

Objectives	Pages in the annual performance report
2. Ongoing implementation of Economic regulation of ports (Price, access, institutional structure).	36 to 39
4. Monitoring the port industry and its compliance with National Ports Act and other Regulatory instruments to ensure access to and competition within the port system	41 to 42
5. Operating an effective and efficient tribunal to hear complaints and appeals under the National Ports Act	42

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for the three selected objectives.

Report on the audit of compliance with legislation

15. In accordance with the PAA and general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
16. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other Information

17. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
18. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
19. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. I have nothing to report in this regard.

The Ports Regulator of South Africa

REPORT OF THE AUDITOR-GENERAL

Internal control deficiencies

20. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objectives was not to express any form of assurance on it.

21. I did not identify any significant deficiencies in internal control.

Auditor-General

Pietermaritzburg

31 July 2018



Auditing to build public confidence

Annexure - Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the entity's compliance with respect to the selected subject matters.

Financial Statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

identify and assess the risks of material misstatement of the financial statement whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.

conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ports Regulator of South Africa's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this author's report. However, future events or conditions may cause a entity to cease as a going concern.

evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

The Ports Regulator of South Africa

STATEMENT OF FINANCIAL POSITION for the year ended 31 March 2018

	<i>Notes</i>	2018 R'000	2017 R'000
ASSETS			
Non-current assets		1 580	1 922
Property, plant and equipment	<i>8</i>	1 200	1 523
Intangible asset	<i>9</i>	39	58
Loans and receivables	<i>10</i>	341	341
Current assets		15 396	15 366
Trade and other receivables	<i>11</i>	109	53
Cash and cash equivalents	<i>12</i>	15 287	15 313
TOTAL ASSETS		16 976	17 288
LIABILITIES			
Current liabilities		1 162	1 050
Trade and other payables	<i>13</i>	677	524
Provisions	<i>15</i>	485	526
TOTAL LIABILITIES		1 162	1 050
NET ASSETS			
CAPITAL AND RESERVES			
Accumulated surplus		15 814	16 238
TOTAL NET ASSETS		15 814	16 238
TOTAL NET ASSETS AND LIABILITIES		16 976	17 288

The Ports Regulator of South Africa
STATEMENT OF FINANCIAL PERFORMANCE
at 31 March 2018

	<i>Notes</i>	2018 R'000	2017 R'000
REVENUE			
<i>Revenue from non-exchange transactions</i>	2	22 489	28 561
Government grants and subsidies		22 489	28 561
<i>Revenue from exchange transactions</i>	3	101	7
Sale of goods and rendering of services		6	7
Other income		95	-
TOTAL REVENUE		22 590	28 568
EXPENDITURE			
Administration expenses	5	953	1 836
Amortisation and depreciation	8 & 9	437	176
Staff costs	6	13 716	12 191
Audit fees	27	319	320
Legal fees	28	499	398
Operating Lease	14	1 664	1 611
Other operating expenses	7	5 106	9 476
Regulator members' remuneration	17	1 371	1 860
TOTAL EXPENDITURE		24 065	27 868
Finance income	4	960	957
OTHER GAINS/ (LOSSES)			
Gain / (loss) on disposal of assets		14	(27)
SURPLUS/ (DEFICIT) FOR THE PERIOD		(501)	1 630

The Ports Regulator of South Africa

STATEMENT OF CHANGES IN NET ASSETS For the year ended 31 March 2018

		R'000 Accumulated Surplus
Opening balance at 1 April 2016		14 040
Surplus for the year		1 630
Correction of prior period error	26	568
Balance on 01 April 2017		<hr/> 16 238
Prior year adjustment	26	77
Restated Opening balance		<hr/> 16 315
Surplus/(Deficit) for the year		(501)
Closing balance as at 31 March 2018		<hr/> 15 814 <hr/>

The Ports Regulator of South Africa

CASH FLOW STATEMENT For the year ended 31 March 2018

	<i>Note</i>	2018 R'000	2017 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		22 590	28 568
Transfers received	2	22 489	28 561
Sale of goods and services	3	6	7
Other income		95	-
Payments		(23 495)	(27 465)
Employee cost	6	(13 716)	(12 191)
Suppliers and other payments		(9 779)	(15 274)
Net cash flows from operations		(905)	1 103
Interest paid		-	-
Finance income		960	957
Net cash flow available from operating activities	16	55	2 060
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of :			
Property, plant and equipment	8	(135)	(584)
Intangible assets	9	-	-
Proceeds from De-recognition of Property, plant and equipment		54	-
Net cash flows from investing activities		(81)	(584)
Net increase/(decrease) in cash and cash equivalents		(26)	1 476
Cash and cash equivalents at beginning of the year		15 313	13 838
Cash and cash equivalents at end of year		15 287	15 313

The Ports Regulator of South Africa

STATEMENT OF COMPARISON TO BUDGET For the year ended 31 March 2018

Economic Classification	Approved Budget	Adjustments	Final Approved Budget	Actual	Variance
	R'000	R'000	R'000	R'000	R'000
Revenue					
Transfers	22 489	0	22 489	22 489	0
Interest Received	320	0	320	960	640
Sale of good and services	0	0	0	6	6
Other income	0		0	95	95
Reserves	0	1 000	1 000	0	(1 000)
Gain on disposal	0	0	0	14	14
	22 809	1 000	23 809	23 564	(245)
Expenses					
Depreciation & Amortisation	219	0	219	437	218
Compensation of employees	14 764	(736)	14 028	13 716	312
Goods & Services	7 826	1 736	9 562	9 912	350
Loss on disposal of assets	0	0	0	0	0
	22 809	1 000	23 809	24 065	(256)
Surplus/(Deficit)	0	0	0	(501)	(501)
Capital Budget	0	0	0	135	(135)
	0	0	0	135	(135)

*Please refer to Note 21 of the Annual Financial Statements for detailed variance analysis between budget and actual amounts.

The Ports Regulator of South Africa

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2018

1 Accounting Policies

1.1 Basis of preparation

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91 of the Public Finance Management Act, 1999 (Act No.1 of 1999) (PFMA).

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise. Details of any changes in the accounting policies are provided in notes.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

The cash flow statement has been prepared in accordance with the direct method.

1.2 Presentation currency

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

1.3 Rounding

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

1.4 Standards, Amendments to standards and interpretations issued but not yet Effective

The following Standards of GRAP and / or amendments thereto have been issued by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The entity has not early-adopted any

The Ports Regulator of South Africa

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2018

of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5: GRAP 18 (Segment reporting)

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes and are expected to be used during more than one year.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost where acquired through exchange transactions. However, when items of property, plant and equipment are acquired through non-exchange transactions, those items are initially measured at their fair values as at the date of acquisition.

The cost of an item of property, plant and equipment is the purchase price and other costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the entity. Trade discounts and rebates are deducted in arriving at the cost at which the asset is recognised. The cost also includes the estimated costs of dismantling and removing the asset and restoring the site on which it is operated.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an assets' residual value, where applicable for the entity

Office furniture and fittings	- 10 years
Computer equipment	- 5 years
Motor vehicles	- 7 years

The useful lives of property, plant and equipment and their residual values are reassessed at the end of each financial year. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (i.e. impairment losses are recognised). The subsequent measurement of PPE is carried out either using the cost model.

Property, plant and equipment is derecognised on disposal or when the future economic benefits or no service potential are expected from its use or disposal. When PPE is derecognised, the gain or loss upon de-recognition is included in surplus or deficit for the period.

The Ports Regulator of South Africa

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2018

1.6 Books

Books consist of library material that is used by the entity for the research, legal and economic regulation activities. Books are recognised at cost upon acquisition. There are subsequent measurement that occur every year for each book until the book has reached its useful life. Subsequent measurement is done using the cost model. Reviews are carried out at the end of each financial year. Upon de-recognition, the gain/loss is included in the surplus or deficit for the period.

Books	-8 years
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1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method.

Computer Software	- 5 years
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1.8 Provisions

Provisions are recognised when:

- An entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reasonable estimate can be made of the obligation

The Ports Regulator of South Africa

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2018

1.9 Leases

The Ports Regulator is a lessee for the office accommodation.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

Operating lease payments are recognised in the statement of financial performance on a straight – line basis over the term of the lease.

1.10 Financial instruments

Financial instruments are initially recognised at cost.

1.10.1 Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. Amounts that are receivable within 12 months from the reporting date are classified as current.

1.10.2 Trade and other payables

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

1.11 Budget information

The budget of the entity is prepared on a cash basis while the annual financial statements are prepared on an accrual basis. The budget covers the period from 01 April at the beginning of each period until 31 March being the end of the period.

The budget is prepared based on the appropriations from Parliament and a reconciliation is included in the statement of comparison to budget.

1.12 Going concern

The financial statements of the entity are presented on a going concern basis. This is as a result that the assets of the entity exceeds its liabilities as at 31 March 2018. Based on this, there is no uncertainty regarding the continued existence of the entity for the foreseeable future. It must be noted that the entity relies on transfers from the appropriation to fund its operations, therefore there is no doubt regarding the funding of the future operations of the entity and the ability to realise its assets and settle its liabilities.

The Ports Regulator of South Africa

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2018

The Executive Authority is in the process to establish Single Transport Economic Regulator, it must be noted that, in terms of the gazetted STER Bill (February 2018), the Ports Regulator will be the core of the STER when it is formed. This eliminates any uncertainty regarding the continued existence of the Ports Regulator.

1.13 Cash and cash equivalents

Cash includes cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions and are subject to an insignificant risk of changes in value.

1.14 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 Revenue recognition

Revenue from non-exchange transaction arises when the entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Ports Regulator of South Africa

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2018

1.16 Related Parties

The entity has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

1.17 Unauthorised and Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (PFMA) and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the entity's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government or organ of state and expenditure in the form of a grant that is not permitted. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as income in the Statement of Financial Performance.

1.18 Employee Costs

The employee costs represent the actual expenditure for basic salaries, employer contributions, allowances and performance bonuses. The pension benefits are administered by the Government Pensions Administrations Agency; the Ports Regulator contributes to the agency with the balance coming from employees as per the rules governing pension. Medical aid benefits are administered by Discovery Medical Aid and the Ports Regulator contributes towards the medical aid service provider. The group life benefits are administered by Liberty Life, all benefits as per the conditions of service are available to employees.

The Ports Regulator of South Africa

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2018

	2018	2017
	R'000	R'000
2 Transfers and subsidies		
Department of Transport	<u>22 489</u>	<u>28 561</u>
3 Sale of goods and services		
Complaint lodging fee and other income	101	7
4 Finance income		
Investment income – Standard Bank	<u>960</u>	<u>957</u>
5 Administrative expenses		
Accounting fee	-	-
Bank charges	18	23
Entertainment	-	-
Internal audit	338	392
Stationery and printing	174	222
Subscriptions	53	49
Training and staff development	238	927
Venues and facilities	132	223
	<u>953</u>	<u>1 836</u>
6 Staff costs		
Salaries and wages	11 519	10 212
Performance bonus/awards	1 430	1 371
Employer contributions	767	608
	<u>13 716</u>	<u>12 191</u>

The Ports Regulator of South Africa

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2018

7 Other operating expenses

Advertising	164	152
Catering	50	42
Communication costs	203	188
Computer expenses	593	462
Conferences	-	-
Consultants	465	2 296
Consumables	29	22
Couriers and delivery charges	8	18
Contracted and temporary employees	-	-
Data and information storage	18	17
Movement in leave pay provision	(41)	149
Movement in legal costs	-	55
Insurance	67	64
Maintenance and repairs	18	9
Motor vehicle expenses	7	7
Municipal services	206	206
Parking	161	143
Security	31	-
Training & development - Members	72	785
Travel, subsistence and disbursements		
Staff	1 831	2 441
Travel, subsistence and disbursements	1 224	2 420
Regulator members		
	5 106	9 476

8 Property, plant and equipment

2018	Cost	Accumulated depreciated	Carrying value
	R'000	R'000	R'000
Computer equipment	2 454	(1 451)	1 003
Office furniture and fittings	981	(897)	84
Books	74	(59)	15
Motor vehicle	189	(91)	98
	3 698	(2 498)	1 200

The Ports Regulator of South Africa

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2018

2017	Cost R'000	Accumulated depreciated R'000	Carrying value R'000
Computer equipment	2 381	(1 185)	1 196
Office furniture and fittings	979	(799)	180
Books	74	(52)	22
Motor vehicle	189	(64)	125
	<u>3 624</u>	<u>(2 101)</u>	<u>1 523</u>

Reconciliation of Property, Plant and Equipment for 31 March 2018

	Opening carrying value R'000	De-recognition R'000	Additions R'000	Depreciation R'000	Closing carrying value R'000
Computer equipment	1 196	(40)	133	(286)	1 003
Office furniture & fittings	180	-	2	(98)	84
Motor Vehicle	125	-	-	(27)	98
Books	22	-	-	(7)	15
	<u>1 523</u>	<u>(40)</u>	<u>135</u>	<u>(418)</u>	<u>1 200</u>

The Ports Regulator of South Africa

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2018

Reconciliation of Property, Plant and Equipment 31 March 2017

	Opening carrying value R'000	De-recognition R'000	Additions R'000	Depreciation R'000	Closing carrying value R'000
Computer equipment	757	(20)	580	(121)	1 196
Office furniture & fittings	250	(7)	4	(67)	180
Motor Vehicle	152	-	-	(27)	125
Books	29	-	-	(7)	22
	1 188	(27)	584	(222)	1 523

GRAP 17 requires the entity to review the useful life for all classes of Property, Plant and Equipment (PPE). The Regulator reviewed the useful lives and did not change the estimates for all classes of PPE. The reason for no change of the estimate was as a result that the assets are kept beyond their initial estimated useful life. The Regulator did not revise the residual value since majority of assets are kept up until the end of their useful life and there's no intention to sell the assets at the end of their useful life. The Regulator also could not reliably estimate the value of the sale to be realised at the end of the asset's useful life.

9 Intangible asset

2018	Cost R'000	Accumulated depreciated R'000	Carrying value R'000
Computer software	416	(377)	39

The Ports Regulator of South Africa

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2018

Intangible assets 2017

	Cost	Accumulated depreciated	Carrying value
	R'000	R'000	R'000
Computer software	416	(358)	58

Reconciliation of Intangible assets

Computer software at 31 March 2018

	Opening carrying value	Disposal	Additions	Amortisation & Restatement	Closing carrying value
	R'000	R'000	R'000	R'000	R'000
Computer software	58	-	-	(19)	39
	<u>58</u>	<u>-</u>	<u>-</u>	<u>(19)</u>	<u>39</u>

Reconciliation of Intangible assets

Computer software at 31 March 2017

	Opening carrying value	Disposal	Additions	Amortisation & Restatement	Closing carrying value
	R'000	R'000	R'000	R'000	R'000
Computer software	11	-	-	47	58
	<u>11</u>	<u>-</u>	<u>-</u>	<u>47</u>	<u>58</u>

GRAP 31 requires the useful life and the amortisation method to be reviewed at the end of each period. The Regulator did not change the estimate of the useful life of the intangible assets after realising that the assets will be kept for a period longer than had initially estimated. It was noted that all intangible assets have a nil carrying value at the end of the financial year however these assets incorporate the future economic benefit which would be experienced through the use of each asset as per the accounting policy of the entity. A reliable estimate of the revised carrying amount could not be determined as an active market for the intangible assets could not be identified since these intangible assets are old and are not easily available for new buyers on the market based on their old model. The Regulator has not spent any funds to enhance the nature of the intangible assets not spend any funds to prolong the useful life of the intangible assets. As a result, the amortisation method of intangible assets was not changed. The reason for no change

The Ports Regulator of South Africa

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2018

is because the operations of the entity may possibly change in the next 3 to 4 years of which these assets may no longer be used or its use modified when the change occurs.

10	Loans and receivables	2018	2017
		R'000	R'000
	Non-current		
	Deposit for car parking and lease	<u>341</u>	<u>341</u>
11	Trade and other receivables	2018	2017
		R'000	R'000
	Prepaid expenditure and accrued income	<u>109</u>	<u>53</u>
12	Cash and cash equivalents	2018	2017
		R'000	R'000
	Bank balances		
	Standard bank cheque account	301	187
	Standard bank Investment account	14 986	15 126
		<u>15 287</u>	<u>15 313</u>
13	Trade and other payables	2018	2017
		R'000	R'000
	Accruals	653	500
	Receiver of Revenue	-	-
	Discovery medical aid	24	24
	Total Movements	-	-
	- Amounts receivable at beginning of the year	-	-
	- Transactions for the year	-	-
		<u>677</u>	<u>524</u>

The entity has considered payables discounting as required by the standards of GRAP, the entity has a policy and is required by legislation to pay all outstanding invoices within the 30 days period. This has resulted on the payables discounting not being necessary to be applied.

The Ports Regulator of South Africa

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2018

14 Operating lease commitments

The Ports Regulator entered into a three year operating lease agreement with Delta Property Fund that commenced on 01 October 2016 for R 128 146.90 per month including vat with an escalation clause of 8% annually. The lease will expire on 30 September 2019.

	2018	2017
	R'000	R'000
Minimum lease payments due		
- not later than one year	1 727	1 599
- later than one year and not later than five years	897	2 624
- later than five years	-	-
	<u>2 624</u>	<u>4 223</u>

15 Leave pay provision

	2018	2017
	R'000	R'000
Carrying amount at the beginning of the period	526	322
Additional provisions made in the current period	-	55
Amount utilised in the current period	(41)	149
Carrying amount at the end of period	<u>485</u>	<u>526</u>

Leave pay provision comprises the value of leave days owing to employees and legal costs as at 31 March 2018

16 Cash generated from operations

	2018	2017
	R'000	R'000
Surplus/(Deficit) for the period	(501)	1 630
Non-cash items	556	430
Depreciation	418	222
Amortisation	19	(47)
(Gain) / Loss on sale of assets	(14)	27
Working capital changes		
Increase / (Decrease) in payables	153	363
(Decrease) / Increase in provisions	(41)	204
(Increase) / Decrease in receivables	(56)	(1)
(Increase) / Decrease in inventory	-	-
Other working capital movements	77	(338)
Net cash flow from operating activities	<u>55</u>	<u>2 060</u>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2018

		2018 R'000	2017 R'000
17	Regulator Members' Remuneration		
	No of individuals		
	Members	08*	1 371
		<u>1 371</u>	<u>1 860</u>

There is a current total of 10 Regulator Members,

* Mr. D Thwala's contract came into an end on 30 May 2017.

**Mr. R Khan resigned effective from 31 July 2017.

Regulator Members' Remuneration

Member	2018 R'000	2017 R'000	2016 R'000
G Serobe	-	-	18
T Tsautse	198	232	178
A Ngcobo	143	170	160
A Mahlalutye	145	118	108
P Mazibuko	2	66	149
*D Thwala	19	182	205
T Mufamadi	121	209	85
A Hirachund	198	204	66
G Taylor	152	173	102
G Thimane	268	168	74
**R Khan	29	179	94
L Mabandla	96	157	79
Total	1 371	1 860	1 318

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2018

18	Executive Member's Remuneration	No of individuals	2018 R'000	2017 R'000
		3	5 893	5 401

Marissa Damons (Executive Legal Manager)	2018 R'000	2017 R'000
Basic Salary	873	822
Performance Bonus	210	192
Acting Allowance	-	-
Taxable allowance	338	321
Medical Aid Allowance	37	31
Total	1 458	1 366

Thokozani Mhlongo (Chief Financial Officer)	2018 R'000	2017 R'000
Basic Salary	744	637
Performance Bonus	229	173
Acting Allowance	-	-
Taxable allowance	450	390
Medical Aid Allowance	46	35
Total	1 469	1 235

Mahesh Fakir (Chief Executive Officer)	2018 R'000	2017 R'000
Basic Salary	1 828	1 721
Taxable Allowance	728	690
Performance Bonus	362	341
Travel Allowance	48	48
Total	2 966	2 800

19 Contingent liabilities

The entity under the Tribunal function, was taken on review to court for one of the matters, the court decision taken on 25/05/2018 will result in the entity having to pay the costs of the counsel which is estimated at R250 000. The court order has not yet determined the exact costs and these are merely estimates from the entity attorneys.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2018

20 Events After Balance sheet date

There were no post balance sheet date events as at 31 March 2018 that required amendment to the neither annual financial statements nor disclosure on the notes to the financial statements.

21 Reconciliation of budget surplus/deficit with Statement of Financial Performance

Ports Regulator presents its approved budget on a cash basis and the financial statements on the accrual basis.

Economic Classification	Reason for Variance
Revenue	
Transfers	n/a
Interest Received	Interest is based on the investment balance kept by the entity
Sundry income	The entity received a bill of cost for the matter that was taken on review.
Sale of goods & services	There were three complaints/appeals that were submitted to the entity during the financial year.
Expenses	
Depreciation & amortisation	Difference was caused by some planned purchases that did not take place.
Staff costs	Unspent expenditure arose due to delays in appointment of interns and funded posts vacancies.
General expenses	The entity was allowed to retain unspent surplus funds; therefore majority of expenditure was on projects that were partly funded by the unspent funds.
Capital Budget	
Property Plant and equipment	Some of the computer equipment were stolen from our office premises and a need to acquire new computer equipment was identified, also a new microphone speaker was purchased for press conferences.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2018

	2018 R'000	2017 R'000
22 Unauthorised, irregular and fruitless and wasteful expenditure		
Irregular expenditure	<u>116</u>	<u>-</u>

The Ports Regulator incurred irregular expenditure of R 115 694 as a result of total expenditure that exceeded the budget.

23 Taxation

No provision is made for taxation as the entity is exempt from taxation per Section 10(1) of the Income Tax Act, Act No 58 of 1962.

24 Risk Management	2018	2017
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Interest rate risk

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The entity relies solely on transfers from the parent Department of Transport. These transfers are transferred by the department to the entity at the beginning of each quarter to fund the cash flows for that specific quarter. Any delays in transfers may cause cash flow risks to the entity. The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows

Not later than one month	2018 R'000	2017 R'000
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2018

Payables	677	524
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Maximum credit risk exposure	2018	2017
	R'000	R'000

Credit risk consists mainly of cash deposits, cash equivalents. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The financial assets carried at amortised cost expose the entity to credit risk. The value of the maximum exposure to credit risk are as follows for each of classes of financial assets at amortised cost:

Cash and cash equivalents	15 287	15 313
Trade and other receivables from exchange transactions	109	53

The entity has sufficient insurance cover and sufficient funds to service its financial liabilities.

25 Related party transactions

There were related party transactions relating to the transfers of funds from the Department of Transport to Ports Regulator as per the voted funds in the appropriation statement:

Description of transaction	2018 R'000	2017 R'000
Transfers from the Department of Transport	22 489	28 561

26 Correction of error

During the 2018/17 financial year, the entity received a refund for the expenses that were incurred and expensed in the 2017/16 financial year. This refund of R 76 719.99 arose due to refunds made by our suppliers in the current financial year for training and development of Regulator staff & members and the reversal of R 568 258 over charge for depreciation of computer equipment in prior years which led to a movement in the company's net assets. The effect of the change is as follows:

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2018

Statement of Changes in Net assets		R'000	
	Correction of prior year error		568
	Prior year adjustment		77
27	Audit Fees	2018	2017
		R'000	R'000
	Audit fees relates to the payments made to Auditor General for the Regularity audit.	319	320
28	Legal Fees	2018	2017
		R'000	R'000
	Legal fees constitutes of tribunal proceedings.	419	398

