

## 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 facilitates and services provided in ports; and
- Monitor the activities of the National Ports Authority to ensure that it performs its function 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 focused 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. Accounting Authority Foreword



**Mr. Thaba Mufamadi**  
Chairperson of Ports Regulator  
01/04/2018 to 30/11/2018

The Ports Regulator has answered to President Ramaphosa's call to reduce port and other administered prices in the economy, in approving a decrease in Port Authority tariffs of -6,27% for 2019-20, as announced at our press conference on 30 November 2018.

Mindful of our slowing economic growth over the tariff period, coupled with the need for investment in the country's port infrastructure, the Regulator opted to add R539 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, bringing the balance in this savings facility to over R3,15 bn.

Also in support of economic development, the Port Tariff Incentives (the PTIP) which was developed in the previous year continues. Whilst no award was made in this respect, The PTIP continues to form serve 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.

The performance incentive system, published as part of the current tariff methodology, 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. The 2019/20 tariff process will herald the first time in which a WEGO award/disincentive will be determined under this important programme and Port Consultative Committees across the country will play a key role in the consultations in this regard.

South Africa's first formal Methodology for the Valuation of the Regulatory Asset Base of the National Ports Authority was completed and published by the end of the last financial year, and the 2019/20 tariff announced on 30 November 2018 was the first in which a tariff was based on the new regulatory asset base valuation framework. This has allowed the Regulator to significantly lower tariffs resulting in savings 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 studies over the years included the ongoing Global Ports Pricing Comparator Study (now the seventh iteration of the study), the 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 B-BBEE and equity of access in our ports, and analysing Ports Act compliance. In this regard, the Regulator has published its Baseline Equity of Access Report which analyses B-BBEE implementation by companies in our port system and analyses the extent of transformation in the various categories that make up the structure of the ports industry in South Africa. This 'baseline' report based on 2015/16 B-BBEE certificate information will serve as a yardstick for measuring progress on transformation in the ports sector in future years.

In the year ahead the Regulator intends to develop and consult with its stakeholders on its Third Multi-Year Tariff Methodology (MYM3), and continue its work in the transformation and B-BBEE 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 welcome and congratulate our new Minister, Mr Fikile Mbalula, and Deputy Minister Ms Dikeledi Magadzi, and wish them every success in the sixth administration of state.

A handwritten signature in black ink, appearing to read "M. Fakir", written over a horizontal line.

**Mr. Mahesh Fakir**

**Delegated Accounting Authority  
Ports Regulator of South Africa**



## 2. Chief Executive Officer's Report



Mahesh Fakir  
CEO  
Ports Regulator of South Africa

For a number of years now, direct stakeholder feedback continues to indicate high regard for the Regulator with scores averaging in the region of 75-80% on a number of key criteria including its roadshow information presentations, neutrality, independence, efficiency, effectiveness and acceptance of Regulator's decisions.

There was also much support expressed by stakeholders and media coverage over the year, for Regulator initiatives such as the PTIP (Port Tariff Incentive Programme), the WEGO incentive (Weighted Efficiency Gain on Operations), as well as the much awaited revaluation of the Regulatory Asset Base. However, the most notable support was expressed by stakeholders on the Regulator's announcement of a decrease in Port Authority tariffs of -6,27% for 2019-20, at our press conference on 30 November 2018, in which we also announced 10% reductions in container and automotive cargo dues, zero increase in shipping line charges, the reduction through capping of a number of break-bulk tariffs, as well as the continuation of the SA -flag vessel incentive.

Having achieved much progress over the medium term 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 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* for beneficiation and other economic imperatives that are in the public interest, the past year was dedicated mainly to consultations on the implementation on of the valuation methodology and the other initiatives mentioned.

Published documents include the sixth iteration of the global ports pricing study, and the Baseline Equity of Access Report on the implementation of B -BBEE in the ports sector. Country wide consultations were held in conjunction with the Ports Consultative Committees (PCC's) and other stakeholders on WEGO and other port industry development imperatives, including discussions dealing with the incorporation of the National Ports Authority into a wholly owned subsidiary of Transnet, in terms of section 3(2) of the National Ports Act.

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, with the Regulator potentially adopting new focus area KPI's annually and upward revision of weightings for lower performing KPI's. This year heralds the first WEGO award.

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 Record of Decision on the Methodology for the Valuation of the Regulatory Asset Base of the National Ports Authority was published in March 2018 and became part of the consultations in the process of the determination of the 2019/20 tariff, resulting in significantly lower tariffs with direct savings to port users and the economy, whilst still maintaining the continued financial sustainability of the National Ports Authority.

We achieved over 85% of APP targets in 2014/15 and 2015/16, and 100% in 2016/17 and 2017/18 (audited). We once again achieved 100% of our performance targets for the 2018/19 financial year.

I would like to thank the Chairperson Mr Thaba Mufamadi and Regulator Members whose three year term extended by the Minister by three months in terms of the National Ports Act, came to an end on 30 November 2018. I thank 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 and their consistent achievement of the deliverables set out in the APP and more. In the year ahead the Regulator will focus on developing and consulting stakeholders on the next multi-year tariff methodology. We will also continue the work on monitoring the implementation of B-BBEE targets as envisaged in Ports Act Regulations and in the interests of transformation. In line with the National Development Plan, we will strive to enhance the capacity of the Regulator, focus on reducing administered prices in the ports system, and strive to achieve all the deliverables expected of us in the sixth administration of our democratic state.

A handwritten signature in black ink, appearing to read "Mahesh Fakir", written over a horizontal line.

**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 (1 April 2018 to 30 November 2018) were

- Mr. Thaba Mufamadi (Chairperson);
- Ms. Anjue Hirachund
- Ms. Thato Tsautse;
- Ms. Gerdileen Taylor;
- Adv. Gugulethu Thimane;
- Mr. Lindelwe Mabandla;
- Mr. Aubrey Ngcobo;
- Mr. Andile Mahlolutye; and
- Mr. Mahesh Fakir (Member Ex-Officio - CEO; delegated Accounting Authority from 1 December 2018)



**Mr. Thaba Mufamadi**  
Chairperson  
01/09/2015 to 30/11/2018



**Mr. Aubrey Ngcobo**  
Audit Committee  
01/09/2015 to 30/11/2018



**Mr. Andile Mahlalutye**  
Audit Committee  
01/09/2015 to 30/11/2018



**Mr. Lindelwe Mabandla**  
Human Resource Committee  
01/09/2015 to 30/11/2018



**Ms. Anjue Hirachund**  
HR Committee Chairperson  
01/09/2015 to 30/11/2018



**Ms. Thato Tsautse**  
Regulatory Committee  
(Chairperson)  
01/09/2015 to 30/11/2018



**Ms. Gerdileen Taylor**  
Regulatory Committee  
01/09/2015 to 30/11/2018



**Adv. Gugulethu Thimane**  
Human Resource Committee  
01/09/2015 to 30/11/2018



**Mahesh Fakir**  
CEO & Accounting Officer

## 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 Regulator members expired on 31 August 2018 and was extended for a 3 months period up to 30 November 2018. There were no more extensions after November 2018, as a result the entity had no Regulator members from December 2018 up to 31 March 2019. This affected the operations of the entity especially with regard to Key Performance Indicators that require Regulator approval. The Tribunal function was also affected in that it is on hold until new Regulator members are appointed. It must be remembered that Regulator members constitute a tribunal and their absence means that this function is not possible to perform.

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.

#### 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 take much longer to be implemented until additional funding is received. In an attempt to mitigate this issue, a 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.

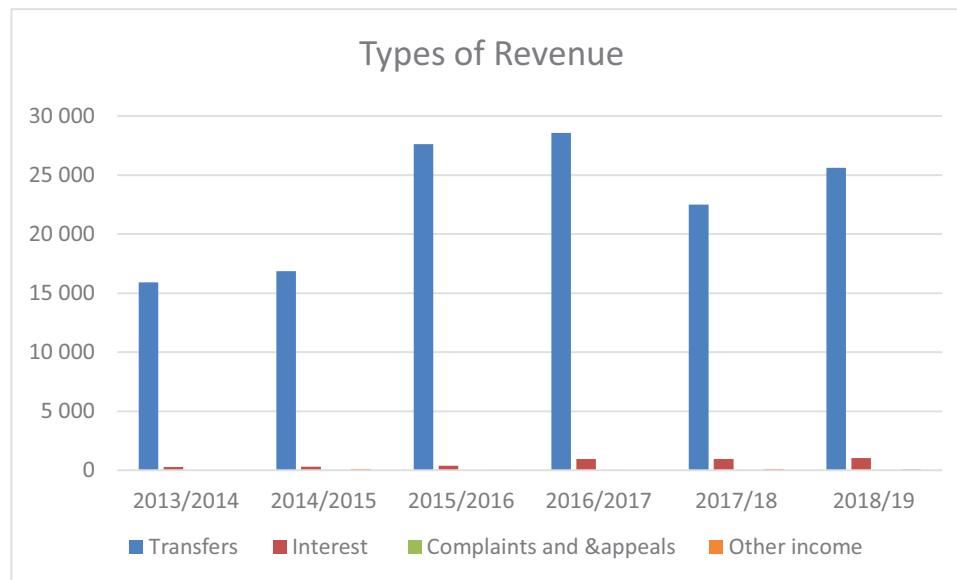
A number of alternate options were presented to the Shareholding Minister at the previous Annual General Meeting (AGM) and were further presented to the Portfolio Committee on Transport. However, implementation of the funding model will require amendments to the Act and it is understood that such a process may take a considerable amount of time. Therefore, the Department of Transport 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. The funding model has been recommended by the Regulator to the Department of Transport and was published as a bill for public comments. It is anticipated that the bill should be passed by both houses of Parliament in the 2019/20 financial year before being implemented.

Measures were put in place during the MTEF budget process to request further baseline funding to the Regulator in order to ensure continued sustainability, the application for increase in baseline was approved for the medium term.

During the 2019 Medium-Term Expenditure Framework (‘MTEF’) budget process, there was baseline funding that was further advanced to the Regulator. This resulted in cost pressures being mitigated and reduced. It must be noted that approval was obtained from National Treasury in July 2018 to retain unspent surplus reserves and utilise them.

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

**Graph 1: Revenue Generated by the Regulator**



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

**Table 1: Income Classification for the Regulator**

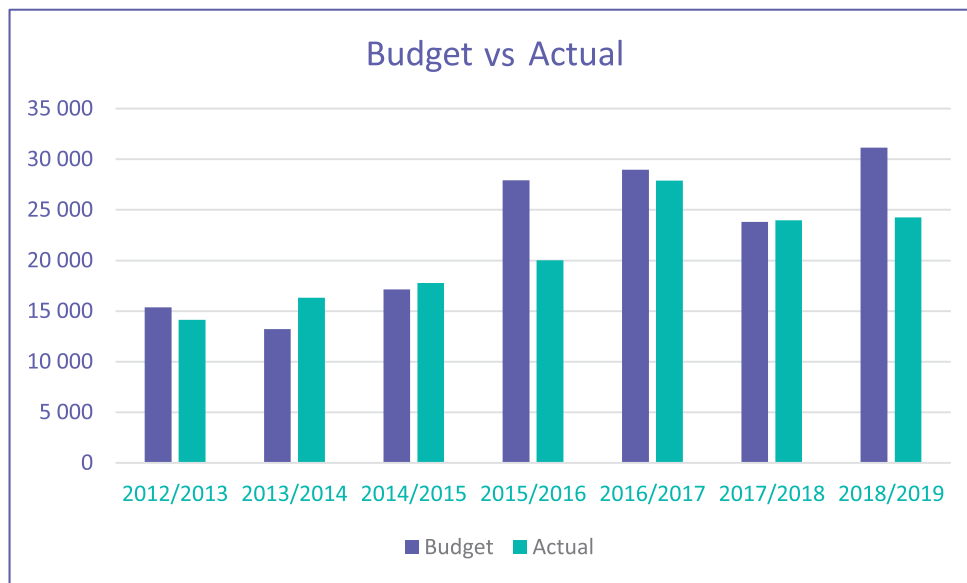
Item	2018/2019	R (000)	2017/2018	R (000)
Department of Transport (transfers)		25 619		22 489
Interest income		1 021		960
Complaints and Appeals		6		6
Sundry Income		92		95
Profit on disposal of asset		0		14
<b>Total</b>		<b>26 738</b>		<b>23 564</b>

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. Graph two below, illustrates the expenditure pattern of the Regulator for the past six financial years. The observations and concerns made by the Regulator Members were communicated to the the Minister of

Transport; the Members noted that the situation may adversely impact on the delivery of the APP and the Performance Agreement.

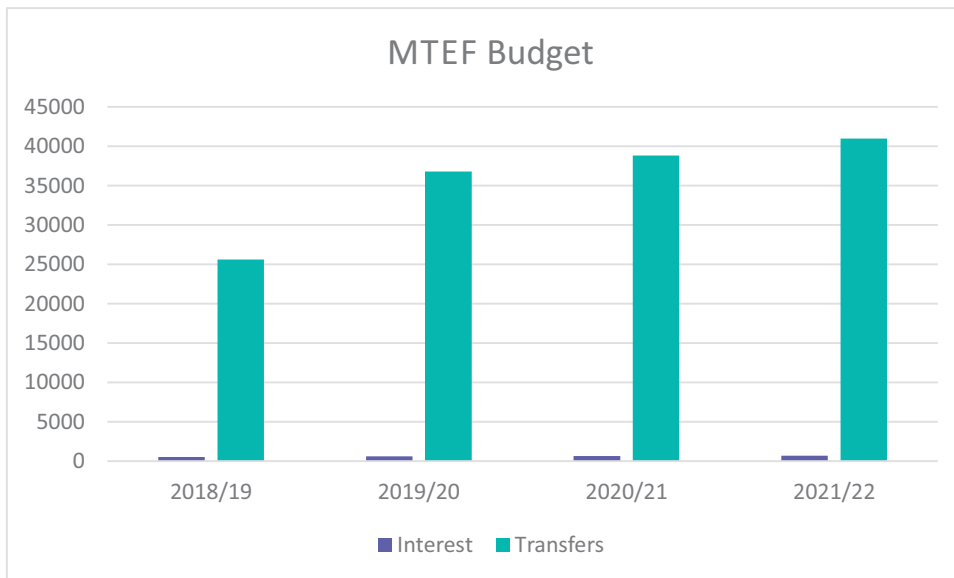
As can be seen from Graph 2, once off funding amounts of R10m were allocated in 2015/16 and 2016/17, which whilst useful to the organisation, did not facilitate the sustainable appointment of additional staff much needed to capacitate the Regulator and fill unfunded vacancies on the organogram. The once-off funding also results in a significant drop in funding levels for the 2017/18 year as compared to 2016/17. It is very appreciated that the Department of Transport has increased the baseline for the next medium-term period and has published the bill for the necessary amendments to the National Ports Act to enable self funding of the Regulator as per its new funding model.

**Graph 2: Expenditure vs. Budget**



The Graph below indicates the budget for the MTEF period.

**Graph 3: Medium-Term Expenditure Framework Budget**



#### 4.1.2. Human Resource Management

The Ports Regulator has done everything possible to deliver 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 resignation of Executive Manager: Legal, 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). The revised organogram has been submitted to the Minister of Transport for approval which will be followed by concurrence of the Minister of Finance before being implemented. This will go a long way to increase compliance monitoring in the ports by the National Ports Authority and monitor efficiency of the operations in the ports.

Furthermore, the Regulator believes in investing into the training and development of staff and the Regulator Members. Skills development and training was aimed at enhancing employee’s abilities in order to achieve self growth and job efficiency. This was further indicated by submission of the WSP in April to Transport Education Training Authority (TETA) and some financial assistance was sourced for further training and development of the secretariat.



The Regulator has managed to balance its employment equity status, as at 31 March 2019, 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 except for one which was delayed due to the expiry of the term of office for the Regulator members. However, it must be noted that as at 31 March 2019, there are six posts not funded on the organogram and have not thus been filled, and will be filled in the 2019/20 financial year since the baseline funding was increased during the 2018 budget process.

**Table 2: Employment Equity Breakdown**

2018/2019 Employment Equity Breakdown of Staff:					
Category	Black Female	Black Male	White Female	White Male	Category Total
Technical & Managerial	53.85%	30.77%	7.69%	7.69%	78.95%
Support & Interns	75.00%	25.00%	0%	0%	21.05%
<b>Total</b>					<b>100%</b>

**Table 3: Employment Equity Statistics**

Employment Equity Statistics	2018/2019	2017/2018
<b>Category:</b>		
Black Male	28.57%	31.58%
Black Female	61.90%	63.16%
White Male	4.76%	5.26%
White Female	4.76%	0.00%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**Table 4: Executive management earnings for the financial year 2018/19**

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	2 760	419	0	0	3 179
Adv S Goordeen Acting Executive Manager: Legal	1 014	168	178	0	1 360
Mr. Thokozani Mhlongo Chief Financial Officer	1 313	0	0	0	1 313
<b>Total</b>	<b>5 087</b>	<b>587</b>	<b>178</b>	<b>0</b>	<b>5 852</b>

### 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 three tenders that were issued during the financial year.

*Table 5: Percentage of B-BBEE of Procurement*

B-BBEE as a percentage of Procurement category:	2018/2019	2017/2018
Discretionary Expenditure	83.66%	88.45%
Total Expenditure	51.00%	48.00%

## 4.2. Governance Compliance

### 4.2.1 The Role of the Ports Regulator/Accounting Authority

The Members of the Ports Regulator are appointed by the Minister of Transport, the Executive Authority, in accordance with the National Ports Act, 2005. The Executive Authority also appoints for the Chief Executive Officer, who is responsible for the management of the day-to-day affairs of the organisation.

The Ports Regulator is the Accounting Authority and as the governing body is responsible and accountable for both the governance and performance of the organisation. The Regulator is the focal point, and custodian of corporate governance. Regulator Members must uphold the organisational values of the PRSA and display the ethical characteristics of integrity, competence, responsibility, accountability, fairness and transparency in the performance of their duties and functions.

The Members of the Regulator are guided in the performance of their governance functions by the Constitution of the Republic of South Africa, 1996; the National Ports Act, 2005; the Public Finance Management Act, 1999; the King IV Code on Corporate Governance in South Africa (“King IV”) and other applicable prescripts. Members must uphold and ensure compliance with applicable legislation and prescripts, and account for performance to the Executive Authority through the submission of quarterly reports.

The Regulator subscribes to the principles and practices of King IV in order to achieve the four desired governance outcomes of ethical culture, good performance, effective control and legitimacy. The Regulator leads the organisation in an ethical and effective manner by ensuring the implementation of good corporate governance through its various governance structures, strategies, processes, procedures and various prescripts such as delegations of authority, charters, codes of conduct and policies.

The Regulator ensured its commitment to good corporate governance and sustainability was at the forefront of the organisation in 2018/2019 by implementing a Governance Compliance Checklist aligned to the principles and practices of King IV. Governance Compliance Reports were submitted to the Regulator, in which disclosures were made in terms of the Regulators governance practices and explaining how the Regulator was implementing the principles of King IV.

The disclosures made in the Governance Compliance Reports are an important instrument to monitor, evaluate and make an informed assessment of the Regulators overall governance performance. The organisation generally performed well in terms of governance practices. Notwithstanding that the Regulator Members terms of office expired on the 30<sup>th</sup> November 2018,

the Chief Executive Officer was delegated authority by the Minister to act as the interim Accounting Authority effective 1<sup>st</sup> December 2018 in order to ensure that governance of the organisation was not impeded.

Regulator Members are supported by a Company/Regulator Secretary who assists the Regulator Members in the carrying out of their functions and duties and strengthens the governance structures and practices of the organisation. The Company/Regulator Secretary assists the Regulator including but not limited to: providing guidance, support, and training to Members, preparing and circulating applicable information/ documents, drafting an Annual Work Plan, performing evaluations and preparing and circulating minutes for meetings.

For the period 1<sup>st</sup> April 2018 to 7<sup>th</sup> October 2018, Adv. Sohana Goordeen performed the Company / Regulator Secretary role.

On the 8<sup>th</sup> October 2018, Ms. Kathleen Hall was appointed on a permanent basis as the Company / Regulator Secretary.

### Alignment to King IV:

The Table below explains how the Regulator, and in the absence of the Regulator the delegated Accounting Authority (as of the 1st December 2018 to 31st March 2019), applied good governance practices during the financial year under review in accordance with the approved Governance and Compliance Checklist.

Table 6: Alignment with King IV

King IV Reference	King IV Principle	Applied/Not Applied	Commentary
<b>Outcome 1: Ethical conflict and Corporate Citizenship</b>			
Principle 1.1	The Regulator Members (Directors) of the public entity provides 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 set 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 for the organisation, and through specific operational and corporate affairs structures more fully set out in the organisation's legislative and policy framework.
Principle 1.3	The Regulator ensures that the entity's ethics are managed effectively, and provides effective leadership based on an ethical foundation.	Applied	While the Regulator has a Code of Conduct, this requires to be cascaded down to the organisation as a whole, through a Code of Conduct and Business Ethics Policy. The organisation does govern aspects of ethical

			conduct through its SCM Policy and Acceptance and Declaration of Gifts policy as well as how the organisation is managed on a day to day basis.
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King IV Reference	King IV Principle	Applied/Not Applied	Commentary
<b>Outcome 2: Good Performance and Sustainable Value Creation</b>			
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 KingIV 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, risk, performance and sustainability are inseparable.	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, sets objectives, reviews key risks, evaluates performance against the background of economic, global and social issues relevant to the entity.
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 Charter provided for the establishment of an Audit and Risk Committee. The ARC met 4 times during the financial year. The Regulator appointed an independent Chairperson for the Committee.
Principle 2.7	The Regulator is responsible	Applied	In terms of the Regulator Charter, the Regulator is

	for the governance of risk.		responsible for the governance of risk.
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 ARC Charter, the ARC assists the Regulator with oversight of implementation of IT 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 where gaps are identified. The entity has a Legal Department which deals with Regulatory and Compliance matters and who update and ensure the implementation of the framework.
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 is provided by an externally appointed audit firm. The Internal Audit Charter together with a three year audit coverage plan requires the performance of risk based internal audits. The Internal Audit Charter was reviewed and adopted by the ARC during Quarter 3.
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. A Stakeholder Engagement Framework has been developed and stakeholder engagements are a standing meeting item in the quarterly Management Report to the Regulator.
Principle 2.12	The Regulator should ensure the integrity of the entity's annual/integrated report.	Applied	With the assistance of internal audit and AGSA, the entities annual report was reviewed and integrity thereof assessed in terms of the financial statements and disclosures and performance information.
Principle 2.13	The Regulator reports on the effectiveness of the entity's internal controls.	Applied	The internal auditors submits quarterly formal reports
Principle 2.14	<p>The Regulator and its Members should act in the best interests of the public entity.</p> <p>The practices recommended in King III and King IV set the standard for directors'/members conduct and will be a measure for determining whether 'members' conduct has met the standards described in the PFMA , KingIII and now King IV.</p> <p>Members should therefore understand that although King III required the standard of governance conduct that applied the principles and if they were not applied, a reasonable explanation was to be provided. Whereas, in terms of KingIV the application regime is that of 'apply and explain' – which</p>	Applied	<p>Members are mindful of their fiduciary duties and their duty to act in accordance with applicable legislation.</p> <p>Members are required to submit an annual declaration of Financial Interests.</p> <p>The Regulator as a whole acts as a steward of the entity and each Member acts with independence of mind and 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.</p> <p>Members are further required to declare any conflict of interest at each</p>

	principles are to be applied on a proportional basis to the size and type of organisation being governed.		meeting of any sub-committee meeting or Regulator Meeting.
Principle 2.16	The Minister (in terms of the National Ports Act 12 of 2005, has elected a chairman of the Regulator who is an independent non-executive director. The CEO of the entity does not also fulfil the role of chairman of the Regulator.	Applied	A Chairman was elected, and the roles and responsibilities of the Chairman are separate as provided for in the Regulator Charter.
Principle 2.17	The Regulator must establish a framework for the delegation of authority which is updated annually.	Applied	While retaining overall accountability and subject to matters reserved to itself, the Regulator has established a delegation of authority framework to the CEO, CFO & other Executive Managers to run the day-to-day affairs of the entity subject to an approved framework. Delegations of Authority were reviewed and approved by the Regulator at its meeting held on the 23 <sup>rd</sup> May 2018.
Principle 2.18	The Regulator comprises of a majority of non-executive members who are independent.	Applied	The Minister appoints the Members of the Regulator by means of a nomination process. Ten Members were appointed to the Ports Regulator effective 1 September 2015 for a three year period, and of which certain appointments were extended by the Minister for a further three month period until 30 <sup>th</sup> November 2018.
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 National Ports Act



			<p>based on a call for nominations.</p> <p>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.</p>
Principle 2.20	The induction of and ongoing training, as well as the development of directors are conducted through a formal process	Applied	<p>A formal induction programme is available for new Members, including background material and meetings with Senior Management.</p> <p>All Members are invited to on-site visits and to the AGM (strategy meeting) with Senior Management.</p> <p>Ongoing training includes workshops presented by external advisors and additional training is facilitated as required.</p>
Principle 2.21	The Regulator is assisted by a competent, suitably qualified and experienced Company Secretary. The Company Secretary appointment is approved by the Regulator in accordance with the entity's recruitment policies.	Applied	The Regulator approved the appointment of a permanent Company / Regulator Secretary during the financial year.
Principle 2.22	The evaluation of the Regulator and its committees is performed every second year.	Applied	The performance of the Regulator as a whole and the performance of each Sub-committee 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 – the ARC, the Regulatory Committee and the HR & Remuneration Committee. These Committees operate in

			accordance with write and Terms of Reference approved by the Regulator. The Regulator Charter allows for the delegation of functions to committees.
Principle 2.26	The Company has disclosed the remuneration of each individual director and prescribed officer.	Applied	The remuneration of Members and prescribed officers is included in the Member's report of the Annual Report.
Principle 2.27	The entity's shareholding ministry should approve the entity's remuneration policy.	Applied	The Minister of Transport as the PRSA's shareholding Minister approves the PRSA's remuneration structure. Any changes thereto will require the Ministry's approval.

King IV Reference	King IV Principle	Applied/Not Applied	Commentary
<b>Outcome 3: Adequate and Effective Control</b>			
Principle 8/8.1	The Regulator should ensure that the entity has an effective and independent audit committee.	Applied	The Regulator Charter provides that an effective and independent ARC must be in place together with the ARC Terms of Reference. The effectiveness of the Committee is evaluated annually by the Members, and assessed by the Company Secretary and external auditors (AGSA).
Principle 8.2	Audit Committee members are suitably skilled and experienced.	Applied	All Members of the ARC are independent non-executive Members, who where applicable sit as members of other Audit Committees and are suitably skilled to fulfil the mandate of the Audit Committee as determined by the Regulator.
Principle 8.3	The Audit Committee is chaired by an independent non-executive member.	Applied	The Regulator has appointed a suitably qualified Independent non-executive Chairman to chair the ARC.
Principle 8.4	The Audit Committee oversees annual reporting.	Not Applied	In the absence of ARC, the delegated Accounting Authority was responsible for the oversight.

Principle 8.5	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 the internal auditors and the AGSA as the external auditors whose input is monitored by the ARC.
Principle 8.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the entity's finance function.	Applied	The ARC oversees that the CFO and the finance department deliver adequately to the organisation.
Principle 8.7	The Audit Committee is responsible for overseeing the internal audit process and is responsible for overseeing the internal audit function.	Applied	The ARC is responsible for overseeing the internal audit function and ensuring that a risk based audit coverage plan is approved together with the budget.
Principle 8.8	The governing body should allocate the oversight of risk governance to a dedicated Audit Committee to assist the board in carrying out its risk responsibilities.	Applied	The ARC is responsible for overseeing risk management, which responsibility is made part of its Terms of Reference approved by the Regulator and the ARC.
Principle 8.9	The Audit Committee is responsible for overseeing the external audit process.	Not Applied	In the absence of ARC, the delegated Accounting Authority oversaw this process.
Principle 8.10	The Audit Committee reports to the Regulator and the Shareholders as to how it has discharged its duties.	Applied	The ARC reports to the Regulator at each Regulator meeting.

Principle 8.11	For some companies the establishment of a social and ethics committee is a statutory requirement. The governing body of any organisation not so obliged should consider allocating oversight of, and reporting on, organisational ethics, responsible corporate citizenship, and sustainable development and stakeholder relationships to a dedicated committee, or adding it to the responsibilities of another committee as is appropriate for the organisation.	Applied	The core functions of the Regulator incorporate compliance and Economic regulation, and in recognition thereof the PRSA has adopted a Code of Conduct and Business Ethics Policy.
Principle 14	The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	Applied	The Regulator has approved a Remuneration policy that gives effect to its direction on fair, responsible and transparent remuneration practices together with a Short Term Incentive and Reward and Recognition policy.

King IV Reference	King IV Principle	Applied/Not Applied	Commentary
Principle 11.1	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.
Principle 11.2	The Regulator should determine the levels of risk tolerance.	Applied	The risk register is assessed and amended annually by Management and overseen by the ARC committee in

			terms of which risks are assessed for levels of tolerance. The final risk register is adopted by the Regulator.
Principle 11.3	The Regulator has delegated to management the responsibility to design, implement and monitor the risk management plan.	Applied	Quarterly reports to the ARC in terms of the Risk Management Plan approved annually by the Audit and Risk Committee. In terms of the ARC Charter, Management designs, implements and monitors the plan and is accountable for embedding the risk management process in the entity.
Principle 11.4	The Regulator must ensure that risk assessments are performed on a continual; basis and continual monitoring of risk by Management.	Applied	Risk Assessments are performed annually by Management. Risk is addressed in terms of risk plan and implementation of controls monitored by Management and reported to the Regulator.
Principle 11.5	The Regulator should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Applied	Risk management framework developed with Internal Audit. Legal/compliance function implemented to anticipate risks to the organisation through operations or new legislation.
Principle 11.6	The Regulator should ensure that management considers and implements appropriate risk responses.	Applied	Risk Assessments are performed annually by Management. Risk is addressed in terms of risk plan and implementation of controls monitored by Management and reported to the Regulator.
Principle 11.7	The Regulator receives assurance regarding the effectiveness of the risk management process.	Applied	The internal audit function provides assurance to the ARC and the Regulator regarding the efficiency of the risk management process.
Principle 11.8	The Regulator to ensure that there are processes in place enabling complete, timely and accurate risk disclosure	Applied	Risk framework assists with this and the AGSA's report is contained in the annual report which is available to

	and the effectiveness of risk management		all stakeholders. Also report risk areas to the executive authority annually and risk management report to the Regulator quarterly.
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King IV Reference	King IV Principle	Applied/Not Applied	Commentary
<b>Outcome 3: IT Governance</b>			
Principle 12	The governing body is responsible for the governance of technology and information by setting the direction for how technology and information should be approached and addressed in the organisation.	Applied	The IT Governance Framework, including processes, procedures and structures, was adopted by the Regulator which delegates implementation thereof to Management.
Principle 12.1	IT has been aligned with the performance and sustainability objectives of the entity.	Applied	The IT Governance Framework, including the IT strategy and policies and procedures, ensure alignment with the performance and sustainability of the entity.
Principle 12.2	The Regulator should delegate to management the responsibility for implementation of an IT governance framework.	Applied	Management has been delegated by the Regulator to implement the IT structures, processes and policies to execute the IT governance framework.
Principle 12.3	The Regulator monitors and evaluates significant IT investments and expenditure.	Applied	The framework includes the management of information assets and expenditure on IT systems. There is a capital approval process in place and a specific approval process is followed for disposals.
Principle 12.4	IT risks should form an integral part of the entity's risk management.	Applied	The IT risks form part of the risk register, together with management strategies of the identified risks
Principle 12.5	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. Management of IT assets is outsourced to an IT service provider.
Principle 12.6	A risk committee should assist the Regulator in carrying out its IT responsibilities.	Applied	The IT Governance Framework, including processes, procedures and structures, was adopted by the Regulator which delegates implementation thereof to Management. In terms of the Regulator and ARC Charter, the ARC is delegated to assist the Regulator with IT governance.

King IV Reference	King IV Principle	Applied/Not Applied	Commentary
<b>Outcome 3: Compliance with applicable laws, codes, rules and standards</b>			
Principle 13	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 Department which oversees regulatory and compliance matters. This Department has developed the legal and regulatory framework universally applicable to the Regulator.
Principle 13.1	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	Applied	On-going member training is provided. Updates on applicable laws, rules and codes are provided by the legal compliance function and updates are included, where applicable, on the agendas of Regulator and sub-Committee meetings.
Principle 13.2	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 by the Legal division. The risk of non-compliance is included on the entity's risk register.

Principle 13.3	The Regulator should delegate to management the responsibility for implementation and execution of effective compliance management.	Applied	Quarterly compliance framework updated and reported on to the Regulator.
Principle 13.4	The governing body should receive periodic independent assurance on the effectiveness of compliance management	Applied	Internal Audit provides this assurance.
<b>King IV Reference</b>	<b>King IV Principle</b>	<b>Applied/Not Applied</b>	<b>Commentary</b>
<b>Outcome 3: Internal Audit</b>			
Principle 15	The governing body should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the organisation's external reports.	Applied	The Internal Audit Charter requires the performance of risk based internal audits.
Principle 15.1	Regulator should ensure that there is an effective risk based internal audit.	Applied	The risk based internal audit plan is approved on an annual basis
Principle 15.2	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 quarterly formal reports
Principle 15.3	Internal Audit should be strategically positioned to achieve its objectives.	Applied	The Chief Internal Audit director reports directly to the Chairman of the ARC and is invited to attend all ARC meetings.
<b>King IV Reference</b>	<b>King IV Principle</b>	<b>Applied/Not Applied</b>	<b>Commentary</b>
<b>Outcome 4: Legitimacy Governing Stakeholder Relationships</b>			
Principle 16	In the execution of its governance role and responsibilities, the governing should adopt a stakeholder-inclusive	Applied	The entity has a formal stakeholder engagement framework approved by the Regulator which determines how Management engages



	approach that balances the needs, interests and expectation of material stakeholders in the best interests of the organisation.		its stakeholders and manages the various relationships. Stakeholder engagement is a standing Regulator Agenda item.
Principle 16.1	The Regulator should delegate to management to proactively deal with stakeholder relationships.	Applied	Management facilitates stakeholder commenting processes on important mandate areas of the PRSA e.g. Tariff Application Tariff Methodology and Tariff Strategy processes.
Principle 16.2	Transparent and effective communication with stakeholders is essential to building and maintaining their trust and confidence	Applied	Effective stakeholder communication demonstrated through surveys and the collation of results after each stakeholder engagement process. Executive authority confidence in the PRSA demonstrated through AGM feedback.
Principle 16.3	The governing body should approve policy that articulates and gives effect to its direction on stakeholder relationships	Applied	Stakeholder engagement oversight is delegated by the the Regulatory Committee.

King IV Reference	King IV Principle	Applied/Not Applied	Commentary
<b>Outcome 2: Good performance and Value creation</b>			
Principle 5	The Regulator should ensure the integrity of the organisation's annual report.	Applied	With the assistance of AGSA and the CFO the annual report was reviewed and evaluated prior to approval by the delegated Accounting Authority
Principle 5.1	Sustainability reporting and risk and financial disclosures should be integrated with the entity's Financial reporting.	Applied	The organisation in its Annual Report does assess the entity from a risk and financial perspective as a going concern.
Principle 5.2	Sustainability reporting and disclosure should be	Applied	Financial disclosures made in the Annual Report are

	independently assured.		independently assured by the internal auditors and the AGSA. As a Regulator, there are no sustainability implications.
Principle 6	The governing body should serve as the focal point and custodian of corporate governance in the organisation.	Applied	The Regulator exercises its leadership role by setting and reviewing the strategic direction and ensuring accountability for organisational performance by means of reporting and disclosure.
Principle 6.1	The governing body should ensure that its role, responsibilities, membership and procedural conduct are documented in a charter which is regularly reviewed to guide its effective functioning.	Applied	The Regulator operates according to an approved charter.

## Legal

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

The Compliance function of the organisation fulfils the key function of ensuring that the National Ports Authority complies with the National Ports Act, 2005 and its broader legislative framework, including directives and regulations.

The Regulator in fulfilling this role also strives to ensure compliance with the broader legislative framework applicable in the ports environment including key pieces of legislation inter alia the National Ports Act, 2005, the Public Finance Management Act, 1999, 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.

The Regulator analyzes and reviews the quarterly information submitted by the NPA in respect of all eight commercial ports. The NPA is engaged on an ongoing basis on the review findings to facilitate improved and 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.

Due to the absence of appointed Regulator members, the quarterly reports were last submitted in November 2018, which was the last month of the Regulator members term of office. Then the CEO was delegated as Accounting Authority in terms of S 49 (1) (b) who then approved the remainder of the quarterly reports for the financial year.

### 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. Until 30 November 2018, when the term of the Regulator members ended, after which the tribunal function was suspended due to the non-appointment of Regulator Members by the Executive Authority. No new matters proceeded to hearing stage.

However there was only one review application which was heard and resolved in October 2018. One review application dating back to 2016 is ongoing.

A number of new matters have been forthcoming in the year under review and are currently being processed, with Tribunal resources to be assigned and deliberations to commence thereafter

#### 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, the Authority and other port stakeholders regarding the rationale for the amendments proposed. The Department, as the custodian of the Act, will be incorporating agreed 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 Single Transport Economic Regulator 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 department of the Ports Regulator has numerous achievements to highlight in the year under review and has made significant contributions to the level of sophistication with which economic regulation is implemented in the South African ports system.

The Regulator has published a number of reports, methodologies, and decisions during the 2019/20 year. A key contribution to the sophisticated and rationalisation of tariff settings in the South African ports system has been the implementation of the Valuation of Assets (VoA) Methodology.

The 2017/18 Tariff Methodology, which included the VoA Methodology, was implemented in the tariff application process for the 2019/20 tariff period. The resultant tariff determination, as published by the Regulator in its Record of Decision (RoD) on 30 of November 2018, contained a below inflation, average fixed tariff decrease of 6.27% for 2019/20 and indicative tariffs for two subsequent years. The tariff determination has resulted in a tariff decrease of 10% for both containers and vehicles and a significantly below-inflation increase of 0% for shipping lines. The sharp tariff decreases can be attributed to the implementation of the VoA Methodology which reflected an approximate 14% decrease in the value of the regulatory asset base (RAB). The RoD further aligns the tariff book with the tariff trajectory as set out in the Tariff Strategy, as published in 2015, which aims to correct the inherent cross subsidies in the tariff book.

In an effort to increase transparency, the Regulator, through the RoD, publishes updates in terms of Tariff Strategy implementation and base rates (due to changes in port structure, volumes, etc.). The base rates, which indicate cost-reflective rates, provide an indication of the tariff trajectory during the estimated ten year implementation period, in current terms. In the 2019/20 RoD forty tariff lines

were removed from the tariff book as part of the streamlining process. The publication of cost reflective tariffs in the last four RoD's takes the levels of transparency and methodological tariff development to new heights.

The Port Tariff Incentive Programme (PTIP) was developed in collaboration with the National Ports Authority (the NPA / the Authority), the Department of Trade and Industry (the dti), and the Department of Transport (DOT) and was officially launched in December 2017 at the offices of the Department of Transport. The PTIP is intended to serve as a mechanism through which a cross - subsidy, which is fair and in the public interest, may be implemented across the port tariff system. One application was received for consideration for the 2019/20 tariff period and the Regulator published the resultant RoD in December 2018.

Overall, significant progress is being made in moving closer to a cost-reflective, efficient pricing system in South Africa. The publication of the seventh iteration of the Global Port Pricing Comparator Report in 2018/19 as well as the implementation of the 2017 Record of Decision on the Weighted Efficiency Gains from Operation (WEGO) is testimony to this progress. The tariff book cleanup will continue in future years and the further implementation of the VoA Methodology will ensure that not only are the underlying costs of providing public infrastructure appropriate but will also incentivise more efficient operations and effective expansion and development of the port system as a whole.

In 2019/20, in addition to the usual tariff determination and research output, the Economic Regulation Department will undertake new projects worth mentioning; Firstly, the multi-year Tariff Methodology will be reviewed and a new methodology will be published; applicable to the 2021/20 years going forward. Secondly, an "in-period" update of the 10 year Tariff Strategy will be completed and published. Finally, the Regulator, in collaboration with the NPA, will conduct an in-depth analysis of the property portfolio and the lease revenue of the Authority in conjunction with the full implementation of the VoA Methodology.

#### 4.4. Industry Development

The Regulator's industry development program was charged with the responsibility of establishing a system to report on the Weighted Efficiency Gains from Operations, receive and assess the Authority's performance on WEGO between 2018/19 and quarter three of 2018/19 as well as consultations with both the National Ports Authority and port users through Port Consultative Committees to determine KPIs to be measured in 2019/20. Another key program was to update the Broad Based Black Economic Empowerment (B-BBEE) baseline report based on 2015/16 B-BBEE certificates and to finalise a strategy to ensure the Authority pursues and drives transformation goals beyond the B-BBEE level 4 target and to advise the Department of Transport to promulgate the B-BBEE scorecard which will create an enabling legal framework to achieve ownership and management targets for black and women participants in the port system.

We have continued to analyse quarterly capex expenditure of the Authority based on the CAPEX register which has proved an important tool in tracking progress and raising issues of concerns especially with the Authority's inability to spend approved CAPEX allocation. This function has been enhanced by our interface with the Port Consultative Committee meetings which the sections

attends on a quarterly basis, analysis reported progress at port level relative to the corporate plan and what the Authority has applied for.

Lastly, we have continued to assess stakeholder feedback and perceptions about the work of the Regulator through self-completed questionnaires at our roadshows in Durban, Johannesburg, Port Elizabeth and Cape Town. The 2018 sessions were well attended with an increase in attendance and feedback submitted. The high levels of attendance by port users attest to port users' interest in the tariff application, in particular the NPA's non-compliance with the published methodology for the valuation of assets amidst concerns of sustainability. Overall feedback was positive with the Regulator continuing to score upwards of 4 out of 5 on its independence and efficiency in carrying out its functions.

## 5. Governance Structures:

### 5.1 The Ports Regulator

Members of the Ports Regulator for the financial year 2018/2019 included:

Thaba Mufamadi (Chairperson); Andile Mahloutye; Aubrey Ngcobo; Thato Tsautse; Adv. Gugulethu Thimane; Anjue Hirachund; Gerdileen Taylor and Lindelwe Mabandla.

The terms of office for these Members expired on the 31<sup>st</sup> August 2018 and their terms were extended by 3 months to the 30<sup>th</sup> of November 2018. No other members were appointed for the remaining months of the financial year.

Andile Mahloutye, Thato Tsautse and Aubrey Ngcobo completed their second term of office on the 30<sup>th</sup> November 2018. The remaining Members had completed their first term of office.

The Chief Executive officer serves as an *ex officio* Member of the Regulator as contemplated in section 34(3) of the National Ports Act, and was delegated by the Minister to be the Accounting Authority for administrative purposes in the absence of Regulator members.

The roles and responsibilities of the Regulator are contained in the Regulator Charter which is reviewed on an annual basis. The Regulator sets the culture, ethics and values of the organisation through its Code of Business and Ethics Policy which applies to both Members and the PRSA Secretariat.

The roles of the Chairperson and the Chief Executive Officer are separate and their responsibilities are clearly defined in terms of the National Ports Act, 2005 and Regulator Charter.

In order to assist in achieving the objectives of the organisation, an Annual Work Plan is devised to assist the Regulator and its committees in structuring meetings and focus areas for the financial year in accordance with the objectives of the Annual Performance Plan.

The Regulator must meet as often as may be required for the proper performance of its functions in order to consider the business and strategic objectives of the organisation, including reviewing Reports received from the PRSA Management. The quorum for Regulator meetings is a majority of the Regulator Members present at the meeting, and quorums were attained for all Meetings. Regulator Members are provided with the necessary information and documents in order to perform their duties effectively.

Regulator Members were active in stakeholder engagements in attending Tariff Application Roadshows, meetings with the Minister of Transport and announcing the Tariff Record of Decision on the 30<sup>th</sup> November 2018.

On the 25<sup>th</sup> September 2018, the Annual General Meeting between the Regulator and the Shareholding Minister, represented by Deputy Minister Chikunga, took place, which meeting provides the platform for formal communication between the Regulator and the Minister.

Regulator Members represented a diversity of knowledge, skills, experience, age, culture, race and gender in its membership.

During the course of the year under review, the Regulator Members reviewed their performance via questionnaires for the 2017/2018 period to assess their overall effectiveness and performance.

### Schedule of Members attendance at Regulator Meetings

The commitment to the business of the Regulator was demonstrated by the high meeting attendance by Regulator Members, at both Regulator and Sub-Committee meetings.

The Regulator met 4 (four) times during the year under review.

The table below discloses the number of Regulator meetings held during the year (including attendance at the AGM) and the attendance of the respective Members:

REGULATOR MEETINGS 2018/2019						
Name of Regulator Member*	Dates of Meetings					
	23 <sup>rd</sup> May 2018	23 <sup>rd</sup> August 2018	14 <sup>th</sup> September 2018 (Special Meeting)	23 <sup>rd</sup> November 2018	% Attendance	Other Business: AGM 25 <sup>th</sup> September 2018
Thaba Mufamadi (Chairperson)	A	A	A	A	N/A	A
Andile Mahlalutye	P	P	P	P	100%	P
Aubrey Ngcobo	P	P	P	P	100%	P
Thato Tsautse	P	P	P	P	100%	P
Adv. Gugulethu Thimane	P	P	P	P	100%	P
Gerdileen Taylor	P	P	A	A	50%	P
Lindelwe Mabandla	P	P	A	P	75%	A
Anjue Hirachund	P	P	P	P	100%	P
Mahesh Fakir (ex officio Member)	P	P	N/A	P	100%	P

Legend: P- Present. A-Absent

\* The terms of office of all Regulator Members expired on the 30<sup>th</sup> November 2018

## 5.2. Committees of the Regulator

The Regulator delegates certain responsibilities to Regulator sub-Committees, while still remaining ultimately accountable. The Regulator appoints the Chairperson and Members to these Committee who are constituted in order to assist the Regulator in achieving the organisations objectives.

The Audit and Risk Committee, Human Resource & Remuneration Committee and the Regulatory Committee are the three sub-committees of the Regulator. Each Committee has at least 3 (three) Regulator Members.

Each Regulator sub-Committee is governed by formal Terms of Reference/Charter which are reviewed on an annual basis. The Terms of Reference deal with matters of composition roles and responsibilities, and meeting procedures.

Members of PRSA Management are standing invitees to all Committee Meetings.

Each Committee is required to submit Reports to and where applicable make recommendations to the Regulator.

Each Committee has the necessary skills, expertise, knowledge, capacity and experience to perform their functions and duties efficiently and effectively.

## 5.3. The Human Resources and Remuneration Committee

The role of the Human Resource and Remuneration Committee is to assist the Regulator with:

- Governance and control of human resource and remuneration strategies, processes, procedures and HR activities within the organisation
- Ensuring fair and transparent conditions of services and employee benefits
- Ensuring effective human resource related policies and procedures in place
- Overseeing the execution of the Human Resource Strategy
- Conducting Annual Review of policies, procedures and remuneration structures

Highlights of the activities of the Committee for the year under review included:

- Conducting of a HR Workshop during June 2018 to consider, a proposed new and expanded PRSA Organisational Structure
- ICAS Employee Wellness Survey/Employee Satisfaction Survey workshopped with employees
- Implementation of electronic leave system
- Disciplinary and Grievance Workshop with employees
- Salary Benchmarking Exercise

The Human Resource and Remuneration Committee consisted of the following Regulator Members: Anjue Hirachund (Chairperson); Adv. Gugulethu Thimane and Lindelwe Mabandla.

The Committee met 4 (four) times during the year under review.

The table below discloses the number of Human Resource and Remuneration Committee meetings held during the year and the attendance of the respective Members:

HUMAN RESOURCE AND REMUNERATION COMMITTEE 2018/2019						
Name of Members						
	18 <sup>th</sup> May 2018	13 <sup>th</sup> June 2018 (Special Meeting)	25 <sup>th</sup> July 2018	14 <sup>th</sup> November 2018		% Attendance
Anjue Hirachund (Chairperson)	P	P	P	P		100%
Adv. Gugulethu Thimane	P	P	P	P		100%
Lindelwe Mabandla	P	P	P	A		75%

Legend: P-Present. A -Apologies



#### 5.4. The Regulatory Committee

The role of the Regulatory Committee is to assist the Regulator with:

- Monitoring the National Ports Authorities compliance with the National Ports Act
- Maintaining oversight of the Regulatory and Tribunal functions of the Regulator
- Providing oversight of economic regulation as it relates to the Tariff Application process
- Oversight of access to and ensuring transformation in the ports sector
- Regulating the provision of adequate, affordable and efficient ports services and facilities

Highlights of the activities of the Regulatory Committee for the year under review included-

- Announcement of Tariff Decision on the 30<sup>th</sup> November 2018 which resulted in an overall increase in average tariffs at -6.27% informed by the importance of the ongoing sustainability of Transnet.
- Considered and made recommendations to the Regulation on first Port Tariff Incentive Programme (PTIP) Application received
- Considered and made recommendation to the Regulator in terms of the SA Flag Vessel Incentive
- Amendments to the National Ports Act had been published in the *Government Gazette* on the 22<sup>nd</sup> June 2018 for purposes of public comment

The Committee was proactive in engaging the National Ports Authority on the submitted Tariff Application, which led to the first meeting between Regulator Members and the Transnet Board of Directors on the 13<sup>th</sup> November 2018 to discuss the submitted Tariff Application.

In addition, the Committee noted the significance of this engagement and in the interests of transparency and fairness, ensured that the public was advised of this meeting by publishing a notice on the PRSA website.

The Regulatory Committee consisted of the following Regulator Members: Thato Tsautse, Adv. Gugulethu Thimane and Gerdileen Taylor.

The Committee met 5 (five) times during the year under review.

The table below discloses the number of Regulatory Committee meeting held during the year and the attendance of the respective Members:

REGULATORY COMMITTEE 2018/2019						
Name of Members	Dates of Meetings					
	16 <sup>th</sup> May 2018	13 <sup>TH</sup> August 2018	12 <sup>th</sup> November 2018	13 <sup>th</sup> November 2018 (Special Meeting)	22 <sup>nd</sup> November 2018 (Special Meeting)	% Attendance
<b>Thato Tsautse (Chairperson)</b>	P	P	P	P	P	100%
<b>Adv. Gugulethu Thimane</b>	P	P	P	P	P	100%
<b>Gerdileen Taylor</b>	P	P	P	P	A	80%

Legend: P-Present. A-Apologies.

## 5.5. The Audit Committee

### Report of the Audit and Risk Committee

The Audit and Risk Committee report for the financial year ending 31 March 2019 is hereby presented.

### Members of the Audit and Risk Committee

The Members of the Committee included Mr. Trevor Boltman (Independent Non-Executive Chairperson), Mr. Andile Mahlalutye, Mr Aubrey Ngcobo and Ms. Gerdileen Taylor.

The terms of office of all Regulator Members came to an end on the 30<sup>th</sup> November 2018, with the exception of the Independent Non-Executive Chairperson Mr. Trevor Boltman. Mr. Boltman was appointed by the Regulator Members for a 3 (three) year period which ends in July 2020.

Mr. Mahesh Fakir, the Chief Executive Officer, was delegated full Regulator/Board responsibility by the former Minister of Transport, Dr. B.E. Nzimande, applying retrospectively from the 1<sup>st</sup> December 2018 up until the appointment of a new Regulator. As of the 31<sup>st</sup> August 2019, Regulator Members have still not been appointed.

Notwithstanding that the terms of office of all Board Members came to an end, the Audit and Risk Committee held 4 (four) meetings during the year under review. Representatives of Management, Internal Audit and the Auditor-General South Africa (“AGSA”) attended meetings of the Committee.

The Table below reflects the relevant information of the Committee Members attendance for the 2018/19 year.

### Audit Committee Attendance

AUDIT AND RISK COMMITTEE MEETINGS 2018/2019					
Name of Members	Dates of Meetings				% Attendance
	15 <sup>th</sup> May 2018	7 <sup>th</sup> June 2018	12 <sup>th</sup> July 2018	31 <sup>st</sup> October 2018	
Trevor Boltman (Chairperson)	P	P	P	P	100%
Andile Mahlalutye	P	P	P	A	75%
Aubrey Ngcobo	P	P	P	P	100%
Gerdileen Taylor	P	A	P	P	75%

Legend: P -Present. A -Apologies

### Audit and Risk Committee Responsibility

The Audit and Risk Committee has complied with its responsibilities to the extent possible as required in terms of Section 51(1)((a)(ii) of the Public Finance Management Act, 1999 and Treasury Regulation 27.1.

During the year under review, the Audit and Risk Committee reviewed and adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, and to the extent possible discharged all its responsibilities as contained therein and regulated its affairs in compliance with the

adopted Charter. The Audit and Risk Committee Charter and the Internal Audit Charter are reviewed and adopted on an annual basis.

### **The effectiveness of Internal Control**

Based on the information and explanations given by Management and its discussions with the Auditor-General of South Africa (“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 Annual Financial Statements (“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 report, AGSA’s report, and the AFS.

The Internal Auditors have conducted audits on certain key operations and processes of the Regulator/Accounting Authority as per the approved Internal Audit Plan during the year under review.

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 to and is taking the necessary remedial action to address the control deficiencies.

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

During the year under review, the Audit and Risk Committee, with the approval of the Regulator/Accounting Authority, adopted a Risk Management Policy to address the management of risk within the organisation.

### **In-year Management and Monthly/Quarterly Report**

Management ensured that quality reports were submitted to the Audit and Risk Committee and the Regulator/Accounting Authority for review thereof. All reports required in terms of the PFMA to be submitted to the Executive Authority and to the National Treasury were submitted timeously.

### **Evaluation of the Financial Statements**

The delegated Accounting Authority reviewed:

- the audited AFS to be included in the Annual Report with the AGSA and the Chief Financial Officer
- the AGSA’s Management Report and Managements response thereto
- the entities compliance with legal and regulatory provisions
- reviewed accounting policies and practices as reported in the AFS
- reviewed significant adjustments resulting from the audit

### Report of the AGSA

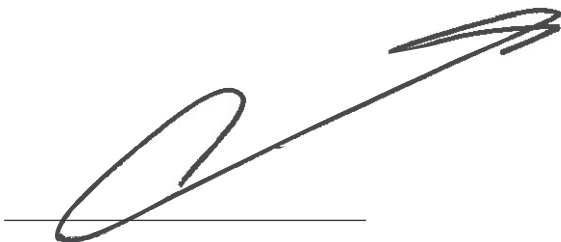
The delegated Accounting Authority concurs and accepts the conclusions of the AGSA on the AFS and is of the opinion that the audited AFS be accepted and read together with the report of the AGSA.

### Conclusion

The delegated Accounting Authority confirms that 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 Regulators agreed strategic objectives. 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.



**Mahesh Fakir**  
Delegated Accounting Authority  
Ports Regulator of South Africa  
Date: 03 / 09 / 2019



**Aubrey Ngcobo**  
Member of the Audit and Risk Committee from the 1<sup>st</sup> March 2018 to 30 November 2018  
Ports Regulator of South Africa  
Date: 03 / 09 / 2019



**Minister Fikile Mbalula’s visit to the Ports Regulator offices on 15th August 2019**

*Table 8 : Regulator Member fees for period 01 April 2018 to 31 March 2019*

Name	Member Fees (R'000) (2018/19)	Performance Bonus	Leave Pay	Total (R'000)
Mr. T. Mufamadi	11	-	-	11
Ms. T. Tsautse	102	-	-	102
Mr. A. Ngcobo	131	-	-	131
Mr. A. Mahlalutye	105	-	-	105
Mr. L. Mabandla	93	-	-	93
Adv. G. Thimane	131	-	-	131
Ms. G. Taylor	101	-	-	101
Mrs. A. Hirachund	123	-	-	123

## 6. Achievements for the year 2018/ 2019

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	Actual Performance	Challenges	Action 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.	Zero baseline for financial year.	Annual review of organisational policies, and submit a report on these to the Regulator for approval.	Achieved.  Policies reviewed and approved by the Regulator, policy gap analysis report signed off by Accounting Authority.	none	none	Minutes of meetings for approval of policies
	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.	Achieved.  Quarterly reports against planned performance were submitted to DoT and the Regulator.	none	none	Quarterly reports and acknowledgement of receipt emails.

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	Actual Performance	Challenges	Action to be taken	Evidence
		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.	Achieved. Half year and final employee performance assessment performed	none	none	Half year and final year reviewed performance contracts and performance review report.
	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.	Achieved. Employee performance monitored and reported on.	none	none	Management report
	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.	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 organisational HR plan.	Achieved. Secretariat and Regulator members received training during the year.	none	none	Training plan and Management report
<b>2. Ongoing implementation of</b>	Implement the Tariff	Perform port tariff assessment in	Zero baseline for financial	Tariff decision and	Achieved.	none	none	Portfolio of



Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	Actual Performance	Challenges	Action to be taken	Evidence
<b>Economic regulation of ports (Price, access, institutional structure)</b>	Methodology.	accordance with the Multi-year methodology and issue a Record of Decision.	year.	ROD publication.	ROD approved Tariff Book and published			evidence and Website
	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.	Achieved. Final Evaluation and impact assessment report submitted to the Regulator.	none	none	Portfolio of Evidence
	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.	Achieved. Multiple Short Course Training sessions provided externally on economic regulation and reported to Regulator	None	none	Portfolio of evidence
	Develop a range of economic regulatory outcomes for medium and long term and strategy for achieving the regulatory outcomes.	Develop outcomes and strategy for achieving outcomes	Zero baseline for financial year	Identify issues and develop outcomes and strategy for achieving outcomes.	Achieved. Regulatory outcomes and strategy developed and approved.	none	none	Portfolio of Evidence

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	Actual Performance	Challenges	Action to be taken	Evidence
	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 of RegCom on the impact of the Economic Regulatory Interventions on compliance published in the RoD.	Achieved. Report with recommendations submitted on RegCom on the impact of the Economic Regulatory Interventions on compliance published in the RoD.	none	none	Portfolio of Evidence
	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.	Achieved. Medium term port demand model including Report on retro-testing and forward predictability of demand model approved by Regulator and included in tariff assessment.	none	none	Portfolio of Evidence
	Capital Prudency Assessment implemented	Phase 1 Capital Prudency Model used for CAPEX forecast assessment for 2018/19 to 2023/24.	Zero baseline for financial year.	Capital prudency assessment criteria applied in tariff determination.	Achieved. Capital prudency assessment criteria applied and included in tariff assessment and determination.	none	none	Portfolio of Evidence

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	Actual Performance		Challenges	Action to be taken	Evidence
	Annual Global Tariff Comparator Study.	Global Port Pricing Comparator study.	Six previous studies	Compare SA Port Prices with global ports and produce Comparator study.	Achieved. Compare SA Port Prices with global ports and produce Comparator study.	none	none	Portfolio of evidence and website	
	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.	Achieved. Report on the Implementation of the Valuation Methodology for the valuation of the Starting Regulatory Asset Base (SRAB) of the NPA included in the 2019/20 Tariff Assessment.	none	none	Portfolio of evidence	
<b>3. Engage stakeholders and monitor provision of infrastructure and facilities; and promotion of efficiencies in the port system.</b>	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.	Achieved. 4 Quarterly Stakeholder - Engagement reports 1 stakeholder feedback report	none	none	Quarterly reports presented Regulator and/or CEO	
	Develop Planned infrastructure adequacy	Finalised Assessment Report on adequacy of planned	Zero baseline for financial year	Report on capital roll-out programme at existing efficiency	Achieved. Report finalised	none	none	Excel model and Signed report	

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	Actual Performance	Challenges	Action to be taken	Evidence
	assessment	infrastructure		levels				
	Research Report on Port Performance: Monitor and report on port performance in line with Weighted Efficiency Gains from Operations (WEGO).	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 financial year with available data.	Achieved. WEGO performance up to end of 2018/19 Quarter 3 conducted and report submitted  Notice on WEGO based on submissions from PCCs and NPA and performance up to Q3 published	none	none	WEGO performance report WEGO Notice and website
	Monitor and report on equity of access in port infrastructure and services as per baseline report and strategy.	Report: monitoring equity of access in port facilities and services and development of strategy.	Zero baseline for financial year.	Develop equity of access strategy.	Achieved. Strategy developed	none	none	Trend analysis report with strategy
	Develop infrastructure efficiency targets for existing infrastructure.	Efficiency targets developed.	Zero baseline for financial year.	Develop infrastructure operations and marine, service efficiency targets, as a report.	Achieved. TOPS analysis report with recommendations on target setting signed by CEO	none	none	Report approved and signed by CEO

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	Actual Performance	Challenges	Action to be taken	Evidence
	Assessment of Authority's CAPEX programme.	CAPEX Assessment report.	Zero baseline for financial year.	CAPEX assessment report per quarter.	Achieved. 4 Quarterly CAPEX register assessment reports	none	none	Quarterly reports presented Regulator and/or CEO
<b>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.</b>	Ongoing monitoring of compliance of ports sector participants.	Compliance monitoring for NPA conducted and reported.	Zero baseline for financial year.	Four 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 Legal has over the past year engaged regularly with the NPA at various meetings and has issued quarterly compliance finding reports for approval by the Regulator	none	none	Quarterly Compliance 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.	Zero baseline for financial year	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 NPA compliance with B-BBEE Codes assessed and report issued to the Regulator and the NPA	none	none	B-BBEE reports in Legal Evidence Folder
	Finalise, implement and monitor compliance with	Framework for rights to equity of access finalized, implemented and	Zero baseline for financial year.	Finalise framework for measuring equity of access across the port system and	Achieved Reporting on framework to rights of equity of access	none	none	Report in Legal Evidence folder

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	Actual Performance	Challenges	Action to be taken	Evidence
	a framework of rights to equity of access to port services and facilities and instruments of enforcement for such rights.	compliance thereto monitored.		and implement compliance assessment	finalised and submitted			
	Legal instruments required to enforce efficiency standards 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 framework.	Achieved Under ROD standards and enforcement of existing legal instruments provided in ROD	none	none	ROD published on Regulator website
<b>5. Operating a effective and efficient tribunal to hear complaints and appeals under the National Ports Act.</b>	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.	Zero baseline for financial year.	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 Quarterly reports submitted to the Regulator, in terms of number of matters heard/RODs issued, new matters received or matters settled.	none	none	Quarterly Tribunal reports placed in Legal Evidence folder

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	Actual Performance	Challenges	Action to be taken	Evidence
<b>6. Ensuring good governance and sustainability of the organisation.</b>	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.	Achieved. Good governance practices established and implemented throughout the organisation	none	none	Good governance practices reflected in meeting minutes with Reports and contained in evidence folder
	MOUs to be concluded by PRSA with regulators and agencies on transversal issues.	MOUs with identified regulators and agencies in place.	Two MOUs in place.	Identify regulators and agencies that have overlapping jurisdiction. Sign MOUs with willing agencies.	Achieved. Regulators identified included the B-BBEE Commission  MOU concluded with B-BBEE Commission	none	none	Signed MoU by PRSA in evidence folder

PRSA Summary of 2018/19 Performance on Annual Performance Plan

PERFORMANCE CATEGORY	COLOUR KEY	NUMBER OF ITEMS	PERCENTAGE
Not Achieved		0	0%
Partially Achieved		0	0%
Achieved		27	100%
<b>Totals</b>		<b>27</b>	<b>100%</b>



## 7. Statement of estimated income and expenditure

Statement of Estimated Income and Expenditure		2019/20
<b>Revenue</b>		
<b>Tax revenue</b>		–
<b>Non-tax revenue</b>		–
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>		610
<b>Transfers received</b>		<b>36,774</b>
<b>Total revenue</b>		<b>37,384</b>
<b>Expenses</b>		
<b>Current expense</b>		<b>37,384</b>
Compensation of employees		20,931
Goods and services		16,351
Depreciation		102
Interest, dividends and rent on land		–
Interest		–
Dividends		–
Rent on land		–
<b>Transfers and subsidies</b>		–
<b>Total expenses</b>		<b>37,384</b>
<b>Surplus / (Deficit)</b>		–

8. Programme for 2019/2020

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	2019/2020 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 2019.	Report on Q1 performance to the Regulator and the DOT by 30 July 2019.	Report on Q2 performance to the Regulator and the DOT by 30 October 2019.	Report on Q3 performance to the Regulator and the DOT by 30 January 2020.

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	2019/2020 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 organizational performance in relation to individual performance to determine progress on targets and incentives.	Final employee performance reviews to be undertaken and scoring forwarded to and assessed by 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 the organisation.	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 organisational HR plan.	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	2019/2020 Quarterly Targets			
					Q1	Q2	Q3	Q4
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.
	Review of the approved Tariff Strategy.	One reviewed tariff Strategy.	Zero baseline for financial year.	Final Reviewed Tariff Strategy approved by the Regulator.	Draft review outline submitted to the CEO.	First draft working paper submitted to the CEO.	Draft working paper submitted to RegCom for consultation.	Final report submitted to the Regulator for approval.
	Review of the Tariff methodology	One Tariff Methodology approved and Published.	Zero baseline for financial year	Tariff Methodology, consulted, approved and published	Report on framework for review of tariff methodology.	Draft Tariff methodology submitted to the CEO.	Draft Methodology approved by Regulator for public consultation.	Final methodology approved and published.
	Monitoring of implementation of economic regulatory outcomes strategy (ROS) for medium and long term and strategy for achieving the regulatory outcomes.	One monitoring report	Zero baseline for financial year	Report submitted to RegCom on the implementation and impact of the ROS .	ROS impact assessment framework developed.	Draft impact assessment and monitoring report submitted to CEO	Draft report submitted to RegCom .	Final Report submitted to the Regulator.

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	2019/2020 Quarterly Targets			
					Q1	Q2	Q3	Q4
	Impact monitoring of the economic regulatory interventions on the identified compliance issues as published in the RoD.	Monitor the impact of the WEGO 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 WEGO Interventions on compliance.	Monitoring report submitted to CEO.	Monitoring report submitted to CEO.	Monitoring report submitted to CEO.	Final Monitoring report with recommendations submitted to RegCom.
	Lease profile of the NPA created and analysed.	Analyse the terminal leases of the NPA and assess the rental profile with regards to price, duration and cost.	Zero baseline for financial year	Report with analysis and recommendations submitted to RegCom	Submit Framework for report to CEO	Submit draft report to CEO	Submit draft report to RegCom	Submit final report to RegCom
	Capital Prudency Assessment implemented	Capital Prudency Model used for CAPEX forecast assessment for 2020/21	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.	
	Annual Global Tariff Comparator Study.	Global Port Pricing Comparator study.	Seven previous studies annually	Compare SA Port Prices with global ports and produce Comparator study.	Complete data collection or 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	Implement the approved Valuation Methodology.	Zero baseline for financial year	Report on the implementation of the approved Valuation	Update the asset register from NPA and apply Valuation	Apply tariff application CAPEX to the RAB and report to RegCom.	Include RAB in 2020/21 tariff assessment and publish ROD.	Report on the Implementation of the approved Valuation

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	2019/2020 Quarterly Targets			
					Q1	Q2	Q3	Q4
	for the valuation of the Regulatory Asset Base of the National Ports Authority and include in Tariff Assessment.			Methodology for the valuation of the Starting Regulatory Asset Base (SRAB) of the NPA included in the 2020/21 Tariff Assessment.	Methodology criteria to establish NPA RAB. Report submitted of CEO.			Methodology for the valuation of the SRAB of the NPA included in the 2020/21 Tariff Assessment approved by the Regulator.
<b>3. Engage stakeholders and monitor provision of infrastructure and facilities; and promotion of efficiencies in the port system.</b>	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.	Implement and report on stakeholder engagements.	Implement and report on stakeholder engagements.
	Develop Planned infrastructure adequacy assessment	Finalised Assessment Report on adequacy of planned infrastructure	Zero baseline for financial year	Reviewed report on capital roll-out programme at existing efficiency levels	-	-	Update projects in capital roll-out program and operational efficiency numbers	Finalisation of report and request Regulator approval.
	Research Report on Port Performance: Monitor and	A Report covering the ongoing monitoring of port performance	Port benchmarking report	Report on SA port performance – operations	Port performance data collated	Previous and current port performance data collated	Report consulted with relevant stakeholders and finalised.	Results confirmed and/or published

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	2019/2020 Quarterly Targets			
					Q1	Q2	Q3	Q4
	report on port performance							
	Monitor and report on equity of access in port infrastructure and services as per baseline report and strategy.	Report: monitoring equity of access in port facilities and services and development of strategy.	Zero baseline for financial year.	Monitor and report on implementation of equity of access strategy.	Review and/or update statistics .	Monitor and report on implementation of equity of access strategy	Review and/or update statistics and submit status report.	Report on implementation of equity of access strategy
	Develop infrastructure efficiency targets for existing infrastructure.	Efficiency targets developed.	Zero baseline for financial year.	Develop infrastructure operations and marine, service efficiency targets, as a report.	Collect TOPS and MOPS data.	Analyse Data.	Draft report on the Terminal Operator Performance Standards and Marine Operator Performance Standards.	Finalise assessment report and discuss or propose new infrastructure operations and marine, service efficiency targets for the following year.
	Assessment of Authority's CAPEX programme.	CAPEX Assessment report.	Zero baseline for financial year.	CAPEX assessment report per quarter.	Report: Analyse, tracking and monitoring of CAPEX programme	Report: Analyse, tracking and monitoring of CAPEX programme	Report: Analyse, tracking and monitoring of CAPEX programme	Report: Analyse, tracking and monitoring of CAPEX programme
	Liaise with DoT on the development of coastal shipping	Number of engagements with DoT on the development of coastal shipping and	Zero baseline for financial year.	4 quarterly reports on progress on liaison with DoT on the development of	Report progress on the engagements and development of	Report progress on the engagements and development of coastal shipping to	Report progress on the engagements and development of coastal shipping to	Report progress on the engagements and development of

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	2019/2020 Quarterly Targets			
					Q1	Q2	Q3	Q4
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.	reporting to the CEO/Regulator quarterly.	Zero baseline for financial year.	coastal shipping	coastal shipping to CEO/Regulator	CEO/Regulator	coastal shipping to CEO/Regulator	coastal shipping to CEO/Regulator
		Compliance monitoring for NPA conducted and reported.		Four quarterly reports to the Regulator on the compliance issues and progress, if any, per quarter, and one annual compliance report to the Executive Authority.	Engage the NPA and report to the Regulator regarding the status of compliance by the NPA.	Develop existing compliance template with input from port participants and report to the Regulator regarding status of compliance by the NPA.	Report to Regulator on the status of compliance by the NPA.	Report to the Regulator regarding status of compliance and annually report to the Executive Authority.
	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.	Zero baseline for financial year	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.	Engage NPA on key findings of the 2018 Report and plan way forward.	Engage the NPA on the Development of B-BBEE compliance template and report to the Regulator.	Obtain and commence analysis of the NPA BB-BEE Report and provide draft findings regarding current status of B-BBEE and transformation to the Regulator.	Report to the Regulator on key B-BBEE findings and transformation across the sector and report annually to the Executive Authority regarding the status of transformation in the port sector.
	Liaise with DoT on the	Framework for rights to equity of access	Zero baseline for financial	4 quarterly reports on progress on	Report progress on rights to equity	Report progress on rights to equity of	Report progress on rights to equity of	Report progress on rights to equity



Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	2019/2020 Quarterly Targets			
					Q1	Q2	Q3	Q4
	framework for rights to equity of access – the promulgation of new BBBEE codes in the Maritime sector.	engaged on with a view to implementation and compliance monitoring in the ports system and reporting to the CEO/Regulator quarterly.	year.	liaison of the framework for equity of access in the Maritime sector with DoT.	of access to CEO/Regulator	access to CEO/Regulator	access to CEO/Regulator	of access to CEO/Regulator
	Liaise with Government Departments on the implementation of Section 3(2) of the National Ports Act (corporatisation)	Number of engagements with government departments on s3(2) and reporting to the CEO/Regulator quarterly.	Zero baseline for financial year.	4 quarterly reports on progress on liaison with government on the implementation of s3(2) of the National Ports Act	Report progress on the implementation of s3(2) of the National Ports Act to CEO/Regulator	Report progress on the implementation of s3(2) of the National Ports Act to CEO/Regulator	Report progress on the implementation of s3(2) of the National Ports Act to CEO/Regulator	Report progress on the implementation of s3(2) of the National Ports Act to CEO/Regulator
<b>5. Operating a efficient tribunal to hear complaints and appeals under the National Ports Act.</b>	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.	Four active matters for finalisation.	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.	Provide case management and litigation support and compile report on all matters dealt with in the quarter to be submitted to the Regulator	Provide case management and litigation support and compile report on all matters dealt with in the quarter to be submitted to the Regulator,	Provide case management and litigation support and compile report on all matters dealt with in the quarter to be submitted to the Regulator,	Provide case management and litigation support and compile report on all matters dealt with in the quarter to be submitted to the Regulator,

Strategic Objective	Outcomes	Key Performance Indicator	Baseline	Annual Target	2019/2020 Quarterly Targets			
					Q1	Q2	Q3	Q4
<b>6. Ensuring good governance and sustainability of the organisation.</b>	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.	Complete and submit governance and compliance checklist for the quarter and submit to the Regulator.	Update and submit governance compliance checklist for the quarter and submit to the Regulator	Update and submit governance compliance checklist for the quarter and submit to the Regulator

## 9. Annual Financial Statements

The Ports Regulator of South Africa

Annual Financial Statements

For

the year ended 31 March 2019

## The Ports Regulator of South Africa

### ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2019

#### General Information

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

# The Ports Regulator of South Africa

## *ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2019*

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## The Ports Regulator of South Africa

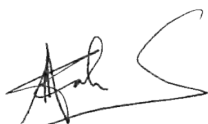
### ACCOUNTING AUTHORITY'S RESPONSIBILITIES for the year ended 31 March 2019

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.

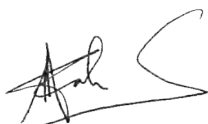
#### Approval

The financial statements for the year ended 31 March 2019 set out on pages 74 to 94 were approved by the Accounting Authority on 23 May 2019.



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**Mahesh Fakir**  
Chief Executive Officer



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**Mahesh Fakir**  
Delegated Accounting Authority

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

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Ports Regulator of South Africa set out on pages 74 to 94 which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts 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 2019, and its financial performance and cash flows for the year then ended in accordance with 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 of 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 this auditor's report.
4. I am independent of the entity in accordance with section 290 and 291 of the International Ethics Standards Board for Accountants '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 board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA standard 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 the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.



## Auditor-general’s responsibilities for the 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 the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this 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 programmes 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/measures 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 findings 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 or the year ended 31 March 2019:

Objectives	Pages in the annual performance report
Objective 2 - Ongoing implementation of economic regulation of ports (Price, access, institutional structure).	45 - 48
Objective 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	50 - 51
Objective 5 - Operating an effective and efficient tribunal to hear complaints and appeals under the National Ports Act	51

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 raise any material findings on the usefulness and reliability of the reported performance information for these programmes.

## Report on the audit of compliance with legislation

### Introduction and Scope

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. The material findings on compliance with specific matters in key legislations are as follows.

### Procurement and contract management

17. Some of the goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by treasury regulation 16A6.1.
18. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids and deviations were approved by the accounting officer but it was practical to invite competitive bids, as required by treasury regulations 16A6.1 and 16A6.4.
19. Quotations were accepted from prospective suppliers who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with treasury regulation 16A8.3.

### Other Information

20. 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 programmes presented in the annual performance report that have been specifically reported in this auditor's report.
21. 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.
22. 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 programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

23. If based on the work performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

24. I have nothing to report in this regard.

### Internal control deficiencies

25. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

26. Leadership did not exercise adequate oversight on non-compliance with laws and regulations relating to procurement and contract management.

27. Non-compliance with key legislation would have been prevented, had management implemented and monitored adherence to SCM compliance checklists.

*Auditor General*  
Pietermaritzburg

31 July 2019



AUDITOR - GENERAL  
SOUTH AFRICA

*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 board of directors, which constitutes the accounting authority.
  - conclude on the appropriateness of the board of directors, which constitutes 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 conclusion are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease continuing 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 at 31 March 2019

	<i>Notes</i>	2019 R'000	2018 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	1 797	1 429
Intangible asset	9	22	39
Loans and receivables	10	344	341
<b>Current assets</b>			
Trade and other receivables	11	79	109
Cash and cash equivalents	12	17 561	15 287
<b>TOTAL ASSETS</b>		<b>19 803</b>	<b>17 205</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	817	677
Provisions	15	587	485
<b>TOTAL LIABILITIES</b>		<b>1 404</b>	<b>1 162</b>
<b>NET ASSETS</b>			
<b>CAPITAL AND RESERVES</b>			
Accumulated surplus		18 399	16 043
<b>TOTAL NET ASSETS</b>		<b>18 399</b>	<b>16 043</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>19 803</b>	<b>17 205</b>

## The Ports Regulator of South Africa

### STATEMENT OF FINANCIAL PERFORMANCE at 31 March 2019

	Notes	2019 R'000	2018 R'000
<b>REVENUE</b>			
<i>Revenue from non-exchange transactions</i>	2	25 619	22 489
Government grants and subsidies		25 619	22 489
<i>Revenue from exchange transactions</i>	3	98	101
Sale of goods and rendering of services		6	6
Other income		92	95
<b>TOTAL REVENUE</b>		<b>25 717</b>	<b>22 590</b>
<b>EXPENDITURE</b>			
Administration expenses	5	1 670	953
Amortisation and depreciation	8 & 9	520	437
Staff costs	6	13 820	13 716
Audit fees	26	348	319
Legal fees	27	800	499
Operating Lease	14	1 672	1 664
Other operating expenses	7	4 637	5 106
Regulator members' remuneration	17	797	1 371
<b>TOTAL EXPENDITURE</b>		<b>24 264</b>	<b>24 065</b>
Finance income	4	1 021	960
<b>OTHER GAINS/ (LOSSES )</b>			
Gain / (loss) on disposal of assets		(118)	14
<b>SURPLUS/ (DEFICIT) FOR THE PERIOD</b>		<b>2 356</b>	<b>(501)</b>

## The Ports Regulator of South Africa

### STATEMENT OF CHANGES IN NET ASSETS For the year ended 31 March 2019

		<b>Accumulated Surplus R'000</b>
<b>Opening balance at 1 April 2017</b>		16 314
Surplus/(Deficit) for the year		(501)
Prior year adjustment	28	230
<b>Opening balance at 1 April 2018</b>		16 043
Surplus/(Deficit) for the year		2 356
<b>Closing balance as at 31 March 2019</b>		<u><u>18 399</u></u>

## The Ports Regulator of South Africa

### CASH FLOW STATEMENT For the year ended 31 March 2019

	<i>Note</i>	2019 R'000	2018 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
		<b>25 717</b>	<b>22 590</b>
Transfers received	2	25 619	22 489
Sale of goods and services	3	6	6
Other income		92	95
<b>Payments</b>			
		<b>(23 475)</b>	<b>(23 495)</b>
Employee cost	6	(13 820)	(13 716)
Suppliers and other payments		(9 655)	(9 779)
<b>Net cash flows from operations</b>		<b>2 242</b>	<b>(905)</b>
Interest paid		-	-
Finance income		1 021	960
<b>Net cash flow available from operating activities</b>	<b>16</b>	<b>3 263</b>	<b>55</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Property, plant and equipment	8	(1 125)	(135)
Intangible assets	9	-	-
Proceeds from De-recognition of Property, plant and equipment		136	54
<b>Net cash flows from investing activities</b>		<b>(989)</b>	<b>(81)</b>
Net increase/(decrease) in cash and cash equivalents		2 274	(26)
Cash and cash equivalents at beginning of the year		15 287	15 313
<b>Cash and cash equivalents at end of year</b>		<b>17 561</b>	<b>15 287</b>



## The Ports Regulator of South Africa

### STATEMENT OF COMPARISON TO BUDGET For the year ended 31 March 2019

Economic Classification	Approved Budget	Adjustments	Final Approved Budget	Actual	Variance
	R'000	R'000	R'000	R'000	R'000
<b>Revenue</b>					
Transfers	25 619	0	25 619	25 619	0
Interest Received	351	169	520	1 021	501
Sale of good and services	0	0	0	6	6
Other income	0	0	0	92	92
Reserves	0	5 000	5 000	0	(5 000)
Gain on disposal	0	0	0	0	0
	<b>25 970</b>	<b>5 169</b>	<b>31 139</b>	<b>26 738</b>	<b>(4 401)</b>
<b>Expenses</b>					
Depreciation & Amortisation	155	0	155	520	(365)
Compensation of employees	16 658	0	16 658	13 820	2 838
Goods & Services	9 157	5 169	14 326	9 924	4 402
Loss on disposal of assets	0	0	0	118	(118)
	<b>25 970</b>	<b>5 169</b>	<b>31 139</b>	<b>24 382</b>	<b>6 757</b>
<b>Surplus/(Deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2 356</b>	<b>2 356</b>
<b>Capital Budget</b>	<b>0</b>	<b>2 000</b>	<b>2 000</b>	<b>1 125</b>	<b>875</b>
	0	2 000	2 000	1 125	875

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2019

### 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 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 : GRAP 34 Separate Financial Statements, GRAP 35 Consolidated Financial Statements, GRAP 36 Investments in Associates and Joint Ventures, GRAP 37 Joint Arrangements, GRAP 38 Disclosure of Interests in Other Entities and GRAP 110 Living and Non-Living Resources. The entity has not early-adopted any 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)

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2019

### 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 asset's residual value, where applicable for the entity

Office furniture and fittings	- 12 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 derecognition is included in surplus or deficit for the period.

### 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 measurements that occur every year for each book until the book has reached its useful life. Subsequent measurements are done using the cost model. Review are carried out at the end of each financial year. Upon derecognition, the gain/loss is included in the surplus or deficit for the period.

Books	-8 years
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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2019

### 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
-------------------	-----------

### 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

### 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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2019

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 2019. 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 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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2019

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 transaction 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 transaction 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.

### 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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2019

	2019 R'000	2018 R'000
<b>2 Transfers and subsidies</b>		
Department of Transport	<u>25 619</u>	<u>22 489</u>
	<b>2019 R'000</b>	<b>2018 R'000</b>
<b>3 Sale of goods and services</b>		
Sale of goods & services	6	6
Other income	<u>92</u>	<u>95</u>
	<b>2019 R'000</b>	<b>2018 R'000</b>
<b>4 Finance income</b>		
Interest income - Standard Bank	<u>1 021</u>	<u>960</u>
	<b>2019 R'000</b>	<b>2018 R'000</b>
<b>5 Administrative expenses</b>		
Accounting fee	-	-
Bank charges	21	18
Entertainment	-	-
Internal audit	228	338
Stationery and printng	628	174
Subscriptions	54	53
Training and staff development	595	238
Venues and facilities	144	132
	<u><b>1 670</b></u>	<u><b>953</b></u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2019

6 Staff costs	2019 R'000	2018 R'000
Salaries and wages	11 765	11 519
Performance bonus/awards	1 241	1 430
Employer contributions	814	767
	<b>13 820</b>	<b>13 716</b>

7 Other operating expenses		
Advertising	50	164
Catering	67	50
Communication costs	266	203
Computer expenses	732	593
Consultants	411	465
Consumables	24	29
Couriers and delivery charges	2	8
Data and information storage	20	18
Movement in leave pay provision	102	(41)
Insurance	92	67
Maintenance and repairs	15	18
Motor vehicle expenses	11	7
Municipal services	191	206
Parking	180	161
Security	5	31
Training & development - Members	-	72
Travel, subsistence and disbursements Staff	1 882	1 831
Travel, subsistence and disbursements Regulator members	587	1 224
	<b>4 637</b>	<b>5 106</b>

8 Property, plant and equipment			
2019	Cost	Accumulated depreciated	Carrying value
	R'000	R'000	R'000
Computer equipment	1 929	(1 302)	627
Office furniture and fittings	967	(758)	209
Books	74	(53)	21
Motor vehicle	987	(47)	940
	<b>3 957</b>	<b>(2 160)</b>	<b>1 797</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2019

2018	Cost R'000	Accumulated depreciated R'000	Carrying value R'000
Computer equipment	2 454	(1 451)	1 003
Office furniture and fittings	981	(680)	301
Books	74	(47)	27
Motor vehicle	189	(91)	98
	<u>3 698</u>	<u>(2 269)</u>	<u>1 429</u>

### Reconciliation of Property, Plant and Equipment for 31 March 2019

	Opening carrying value R'000	Derecogniton R'000	Additions R'000	Depreciation R'000	Closing carrying value R'000
Computer equipment	1 003	(170)	72	(278)	627
Office furniture & fittings	301	(4)	66	(154)	209
Motor Vehicle	98	(80)	987	(65)	940
Books	27	-	-	(6)	21
	<u>1 429</u>	<u>(254)</u>	<u>1 125</u>	<u>(503)</u>	<u>1 797</u>

### Reconciliation of Property, Plant and Equipment 31 March 2018

	Derecogniton R'000	Additions R'000	Depreciation R'000	Closing carrying value R'000
Computer equipment	(40)	133	(286)	1 003
Office furniture & fittings	-	2	(98)	301
Motor Vehicle	-	-	(27)	98
Books	-	-	(7)	27
	<u>(40)</u>	<u>135</u>	<u>(418)</u>	<u>1 429</u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2019

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 changed the estimates for furniture and fittings. The reason for the change of the estimate was as a result that the assets are kept beyond their initial estimated useful lives. The Regulator did not revise the residual values since majority of assets are kept up until the end of their useful lives and there's no intention to sell the assets at the end of their useful lives. 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

2019	Cost R'000	Restated- Accumulated amortisation R'000	Carrying value R'000
Computer software	393	(371)	22

### Intangible assets

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

#### Reconciliation of Intangible assets

##### Computer software at 31 March 2019

	Opening carrying value R'000	Disposal R'000	Additions R'000	Amortisation & Restatement R'000	Closing carrying value R'000
Computer software	39	-	-	(17)	22
	<u>39</u>	<u>-</u>	<u>-</u>	<u>(17)</u>	<u>22</u>

#### Reconciliation of Intangible assets

##### Computer software at 31 March 2018

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2019

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 previous 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 nor 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 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.

<b>10 Loans and receivables</b>	<b>2019</b>	<b>2018</b>
	<b>R'000</b>	<b>R'000</b>
<b>Non-current</b>		
Deposit for car parking and lease	<u>344</u>	<u>341</u>
<b>11 Trade and other receivables</b>	<b>2019</b>	<b>2018</b>
	<b>R'000</b>	<b>R'000</b>
Prepaid expenditure	<u>79</u>	<u>109</u>
<b>12 Cash and cash equivalents</b>	<b>2019</b>	<b>2018</b>
	<b>R'000</b>	<b>R'000</b>
Bank balances		
Standard bank cheque account	154	301
Standard bank Investment account	17 407	14 986
	<u><b>17 561</b></u>	<u><b>15 287</b></u>
<b>13 Trade and other payables</b>	<b>2019</b>	<b>2018</b>
	<b>R'000</b>	<b>R'000</b>
Accruals	793	653
Receiver of Revenue	-	-
Discovery medical aid	24	24
Total Movements	-	-
- Amounts receivable at beginning of the year	-	-
- Transactions for the year	-	-
	<u><b>817</b></u>	<u><b>677</b></u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2019

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.

### 14 Operating lease commitments

The Ports Regulator entered into a three year operating lease agreement with Delta Property Fund that commenced on 1 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.

Minimum lease payments due	2019 R'000	2018 R'000
- not later than one year	905	1 742
- later than one year and not later than five years	-	905
- later than five years	-	-
	<b>905</b>	<b>2 624</b>

### 15 Provisions

	2019 R'000	2018 R'000
Carrying amount at the beginning of the period	485	526
Additional provisions made in the current period	102	-
Amount utilised in the current period	-	(41)
Carrying amount at the end of period	<b>587</b>	<b>485</b>

Provisions comprises the value of leave days owing to employees and legal costs as at 31 March 2019.

### 16 Cash generated from operations

	2019 R'000	2018 R'000
Surplus/(Deficit) for the period	2 356	(501)
<b>Non-cash items</b>	<b>907</b>	<b>556</b>
Depreciation	503	418
Amortisation	17	19
(Gain) / Loss on sale of assets	118	(14)
<b>Working capital changes</b>		
Increase / (Decrease) in payables	140	153
(Decrease) / Increase in provisions	102	(41)
(Increase) / Decrease in receivables	30	(56)
(Increase) / Decrease in inventory	-	-
Other working capital movements	(3)	77
<b>Net cash flow from operating activities</b>	<b>3 263</b>	<b>55</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2019

	2019 R'000	2018 R'000
<b>17 Regulator Members' Remuneration</b>		
Members	797	1 371
All Regulator Members' term came into an end on 30th November 2018.		

No of  
individuals

08\*

### Regulator Members' Remuneration

Member	2019 R'000	2018 R'000
T Tsautse	102	198
A Ngcobo	131	143
A Mahlalutye	105	145
P Mazibuko	-	2
D Thwala	-	19
T Mufamadi	11	121
A Hirachund	123	198
G Taylor	101	152
G Thimane	131	268
R Khan	-	29
L Mabandla	93	96
<b>Total</b>	<b>797</b>	<b>1 371</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2019

18 Executive Member's Remuneration No of individuals	2019 R'000	2018 R'000
3	5 852	5 893

Marissa Damons *(Executive Legal Manager)	2019 R'000	2018 R'000
Basic Salary	-	873
Performance Bonus	-	210
Acting Allowance	-	-
Taxable allowance	-	338
Medical Aid Allowance	-	37
<b>Total</b>	<b>-</b>	<b>1 458</b>

\*Ms. Marissa Damons resigned effective 01 March 2018.

Adv. Sohana Goordeen **(Acting Executive Legal Manager)	2019 R'000	2018 R'000
Basic Salary	1 014	475
Performance Bonus	168	-
Actng Allowance	178	-
Taxable allowance	-	-
Medical Aid Allowance	-	-
<b>Total</b>	<b>1 360</b>	<b>475</b>

\*\*Adv. Sohana Goordeen was appointed as the Acting Executive Legal Manager effective 01 April 2018.

Thokozani Mhlongo (Chief Financial Officer)	2019 R'000	2018 R'000
Basic Salary	786	744
Performance Bonus	-	229
Taxable allowance	475	450
Medical Aid Allowance	52	46
<b>Total</b>	<b>1 313</b>	<b>1 469</b>

Mahesh Fakir ( Chief Executive Officer)	2019 R'000	2018 R'000
Basic Salary	1 932	1 828
Taxable Allowance	780	728
Performance Bonus	419	362
Travel Allowance	48	48
<b>Total</b>	<b>3 179</b>	<b>2 966</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2019

### 19 Contingent liabilities

In terms of section 53(3) of the PFMA, a public entity may not accumulate surplus funds without approval from the National Treasury. Approval has been requested from the National Treasury to retain surplus amounting to R 16 236 000; however, the entity is still awaiting approval. In the last 5 years the National Treasury has allowed the retention of surplus funds. This disclosure was made as per request of the Auditor General.

### 20 Recognized subsequent events

There were no post balance sheet date events as at 31 March 2019 that required amendment to the neither the 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
<b>Revenue</b>	
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 two complaints/appeals that were submitted to the entity during the financial year.
<b>Expenses</b>	
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 the Exec Legal Manager post and the performance assessment of the CFO was conducted after the financial year end.
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.
<b>Capital Budget</b>	
Property Plant and equipment	A new company car was purchased during the year and office furniture such as chairs and cupboards were acquired since most of the office furniture that was purchased in 2008 was ancient to use and was disposed during the year.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2019

	2019 R'000	2018 R'000
<b>22 Unauthorised, irregular and fruitless and wasteful expenditure</b>		
Opening balance	116	-
Irregular expenditure current year	1 361	116
Less: Amounts condoned	-	-
Less: Amounts recoverable	-	-
Less: Amounts not recoverable	-	-
Adjustment to prior period	-	-
Irregular expenditure	<b>1 477</b>	<b>116</b>

The disclosure of the irregular expenditure was made on request from Auditor General.

### 23 Taxation

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

### 24 Risk management

#### 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 finance 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

	2019 R'000	2018 R'000
<b>Not later than one month</b>		
Payables	817	677



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2019

<b>Maximum credit risk exposure</b>	<b>2019</b>	<b>2018</b>
	<b>R'000</b>	<b>R'000</b>

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 the classes of financial assets at amortised cost:

Cash and cash equivalents	17 561	15 287
Trade and other receivables from exchange transactions	79	109

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	2019 R'000	2018 R'000
Transfers from the Department of Transport	25 619	22 489

### 26 Audit Fees

	<b>2019</b>	<b>2018</b>
	<b>R'000</b>	<b>R'000</b>
Audit fees relates to the payments made to Auditor General for the Regularity audit.	348	319

### 27 Legal Fees

	<b>2019</b>	<b>2018</b>
	<b>R'000</b>	<b>R'000</b>
Legal fees constitutes of tribunal proceedings.	800	499

### 28 Changes in Accounting Estimates

The Regulator during the financial year changed the accounting estimates for furniture & fittings, the change in accounting estimates was made after careful consideration of the GRAP standard requirements to review the useful life of the assets every year. The Regulator has kept its different class of assets far beyond their initial estimated useful life which is indication that the useful life must be reviewed as required by the standards of GRAP. The Regulator did not change the residual value of zero % for all class of assets. These assets have no active market at the end of their useful lives thus no value can be realised at the end of their useful life. The effect of the change in accounting estimate is as follows:

	<b>R'000</b>
<b>Statement of changes in net assets</b>	
Prior year adjustment	230