



# Ports Regulator of South Africa

## S30(6) & S44 Report 2014/15

(Incorporating the Annual Report in terms of the PFMA)

## VISION

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

## MISSION

The Mission of the Ports Regulator is to:

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

## VALUES

The Ports Regulator 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 Regulator are:

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

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# CHAIRMAN'S FOREWORD

It gives me great pleasure to present the Annual Report of the Ports Regulator of South Africa for 2014/15. The Ports Regulator was given effect to with the promulgation of the National Ports Act in 2005, and it took a number of years of pioneering effort to organise and establish processes, offices, staff and a governance structure, with the first Members appointed from January 2007, and the first tariff approval for 2009/10.

As a public entity we have made great strides since our establishment, with many ups and downs, but believe we have built the much needed capacity that constitutes the first economic regulator in the freight transport sector in South Africa, and contributed to the enhanced oversight of the executive in our ports sector.

With a new CEO, and a number of challenges and changes in the organisation, the past year was spent on unification and consolidation, and a focus on the achievement of key deliverables. The Regulator has managed to stabilise its operations and deliver over 80% of its Annual Performance Plan targets, in spite of the challenges, and is a testimony to the commitment of the staff and Members to the success of the Regulator. In the past year, the organisation has produced its first multi-year Tariff Methodology and Manual which aimed at creating greater regulatory certainty and predictability of tariffs. The 2015/16 Tariff determination (ROD) was approved and published on schedule. The 2014/15 iteration of the Global Port Pricing Comparator Study and Port Traffic Audit studies were finalised and published. The Medium Term Port Benchmarking Report, and Port Utilisation studies have also been published.

In addition to publishing these four major studies in the ports sector, the Regulator completed its B-BBEE compliance function, undertook Ports Act compliance work on two major ports involving hundreds of contracts, resolved or concluded an increased number of tribunal matters, as well as developed and published a new Tariff Strategy, which is intended towards establishing greater fairness in the attribution of the tariff burden to the various user categories.

Most delivery targets have been met or exceeded in the past year. Only one core target, the Valuation of NPA Assets Project, was and still remains unachievable due to valid awardable tenders being much higher than the affordability constraints of the organisation. On the whole, much was achieved by a total staff complement of only seventeen people, and on a budget of around R 16 million. We call on government to assist however possible, within their fiscal constraints, to bolster the resources allowed to this important function of the state; to allow a full complement of twenty seven staff as well as to undertake the projects that will result in improved tariffs.

In the year ahead the Regulator will continue to consult on, finalise and implement initiatives that were started in 2014/15, as well as expand its analytical work, compliance initiatives, and tribunal

function to meet the growing needs of the ports sector. We will continue to enhance the internal capacity of the Regulator, request additional funding to fill key unfunded posts and strive to retain the skills we have assembled as greater financial resources become available. Our key interventions over the next period shall include consolidating and expanding the Regulator's readiness for the Single Transport Economic Regulator and the expansion of the new processes to ensure system wide coverage. These shall also include raising the level of certainty in the regulatory processes beyond even the levels we have managed to achieve up to now and raising the quality and level of regulatory services that we deliver. Our key points of focus shall remain the optimisation of the tariff processes and increasing the role of efficiency in all the Regulatory system decision and implementation processes.

This year we welcomed one new Regulator Member, Professor Thwala, and said goodbye to a number of Members that had to leave us over the course of the year for various reasons unrelated to the Regulator. In this regard, we wish Mr. Randall Howard, Ms. Phumzile Langeni, and Dr. Grove Steyn all of the best in their endeavours and thank them for their service and contribution to the work of the Ports Regulator.

Let me take this opportunity to especially recognise the service of a stalwart of the Regulator, Dr Brian Gowans, a founding Member of the Regulator, who passed away in November 2014. We express our gratitude for his pioneering efforts and service to South Africa, and convey our heartfelt condolences to his wife and family.

I would like to thank the Regulator Members for their effort and commitment during the past three years and for the manner in which they accomplished the tasks placed in front of all of us, while remaining united and coherent. The staff and management are to be commended for their dedication and hard work. None of our achievements in the year under review would have been possible without the guidance and support of the Minister and staff of the Department of Transport.



GLORIA TOMATOE SEROBE  
Chairperson  
Ports Regulator of South Africa



# CHIEF EXECUTIVE OFFICER'S REPORT

As the new CEO of the Ports Regulator Secretariat, the past year was dedicated to getting to grips with the organisation, its people, culture and processes, as well as engaging with key industry stakeholders in the ports environment, the National Ports Authority, Government and Parliament.

Starting from the premise that a Regulator regulates on behalf of its stakeholders, our road-show survey last year was a positive boost of public confidence in a small organisation. It was most pleasing that the overall score received by the Regulator was 80%, indicating that the Regulator's work was highly regarded by its stakeholders - no doubt a fitting testimony to the pioneering work of my predecessors! In the year ahead we hope to continue to develop a more detailed and comprehensive review of the organisation's work with stakeholder feedback, and I look forward to engagement in this regard.

Internally we have formalised a number of appointments in a bid to enhance the organisation, and set it on a path towards the continued achievement of key deliverables. As part of our enhanced focus on the delivery of the organisation's targets, I am happy to report that about 87% of Annual Performance Plan targets were achieved in the past financial year. Only one item, the Valuation of NPA Assets Project, was unachievable due to funding constraints, but as resources are made available to the organisation, this project will be progressively realised.

We have also in the past year brought greater certainty and predictability in the tariff determination process by publishing a multi-year Tariff Methodology and Manual on which the 2015/16 tariff is based. The 2015/16 tariff was finalised and published before the end of February allowing industry and stakeholders' sufficient time to factor in the adjustments.

The new Tariff Strategy which is intended towards establishing greater fairness in the attribution of tariffs to the various users of port infrastructure and services, was approved and published by the end of the financial year for public comment, with consultations with industry stakeholders to be held in 2015.

Some of our other work over the year included the Global Ports Pricing Comparator Study in which we benchmarked South African port pricing against an international sample of ports. The 2014/15 iteration of the Global Port Pricing Comparator Study as well as the Port Traffic Audit studies were finalised and published. The Medium Term Port Benchmarking Report and Port Utilisation studies have also been published. Our compliance work included an audit of B-BBEE compliance in South Africa's ports (in line with the Regulations), and analysed

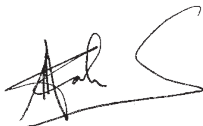
the NPA's compliance with the National Ports Act, 12 of 2005, with regards to the ports of Durban and Richards Bay, more specifically in terms of Sections 56 and 57. Further, the resolution of tribunal matters improved, bringing relief to stakeholders.

None of this would have been possible without my sixteen young and energetic staff members of the Ports Regulator Secretariat and two internship graduates funded by the eThekweni Maritime Cluster who joined us recently. I salute you all for your dedicated service beyond the call of duty, and your positive "can-do" attitude.

I would like to thank the Chairperson and Regulator Members for their effort and commitment in accomplishing their difficult and often thankless tasks, and hope and pray for their re-appointment, so that their institutional knowledge, experience, counsel and guidance can continue to be made available for the benefit of the ports sector.

I express my gratitude for the guidance and support of Honourable Minister Peters, Deputy Minister Chikunga 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 help develop the envisaged Single Transport Economic Regulator.

In the year ahead the Regulator will focus on unfinished business and implement initiatives that were started in 2014/15, as well as sharpen our regulatory tools, expand our toolbox, and accelerate delivery on our core day to day business, to better serve our stakeholders. We hope to continue to enhance the internal capacity of the Regulator, and strive to continue to achieve our planned deliverables.



MAHESH FAKIR  
CEO  
Ports Regulator of South Africa



# CORPORATE REPORT

The Ports Regulator is the South African national economic regulator for the ports industry. This organisation came into being on 04 August 2005 on the promulgation of the National Ports 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 Ports Regulator coming into effect on 6 August 2009.





**Mrs. Gloria Tomatoe Serobe**  
(Chairperson)



**Mr. Aubrey Ngcobo**  
Audit Committee  
Human Resource Committee



**Prof. W. Didibhuku Thwala**  
Regulatory Committee



**Ms. Patricia Mazibuko**  
Regulatory Committee  
Human Resource  
Committee (Chairperson)



**Mr. Andile Mahlalutye**  
Audit Committee  
Regulatory Committee  
Human Resource Committee



**Ms. Thato Tsautse**  
Audit Committee  
Regulatory Committee  
(Chairperson)



**Mr. Randall Howard**  
(Resigned 30 April 2014)



**Dr. Grove Steyn**  
(Resigned 09 October 2014)



**Ms. Phumzile Langeni**  
(Resigned 11 April 2014)

## Members

of the Ports Regulator are:



**Mr. Mahesh Fakir**  
(Chief Executive Officer effective 01 May 2014)



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

### 4.1.1. Administration

The Ports Regulator successfully implemented 100% of the Conditions of Service when the group life benefits were rolled out to top management. In terms of leadership, the Department of Transport appointed a new chief executive officer (CEO), Mr. Mahesh Fakir in May 2014. It must be remembered that the National Ports Act requires the appointment of the CEO to be made by the Minister of Transport. The Minister of Transport had appointed Ms. Marissa Damons as the acting CEO effective 10 August 2013 until the new CEO, Mr. Mahesh Fakir, was appointed effective 01 May 2014, after the rigorous recruitment process between the Regulator and the Department of Transport. The Regulator welcomed the appointment of Mr. Mahesh Fakir as he was previously a Regulator Member and holds numerous qualifications and a wealth of experience to accelerate the mandate discharge of the Regulator. Administratively, the Secretariat developed policies and procedures, strategies and frameworks to guide the business processes in the finance, human resource, information technology and risk management functions of the entity. This exercise landed the Regulator in a position where there was adequate governance practices and strong internal controls to ensure that there were no instances of non-compliance by the Regulator.

### Financial Management

The Regulator prepared and presented a new funding model. The funding model was presented to the Minister of Transport during the Annual General Meeting. The funding model was prepared with the aim to solve the funding issues of the Regulator. At the moment, the National Ports Act allows the Regulator to only have three streams of revenue:

- Money appropriated by Parliament;
- Interest on investments; and
- Fees charged for the filing of complaints or appeals with the Regulator.

The funding model proposes numerous funding options; this will allow the Regulator to be self funded and have small reliance on transfers from DoT. This proposed funding model will require amendments to the National Ports Act which may take time to be finalised. Based on this, the Regulator has requested DoT to revise the current baseline allocation by an extra R 5 million per year for the medium term. This will allow the Regulator to fill the balance of the ten vacant posts and to perform other projects which were put on hold due to insufficient funding.

The funding of the Regulator is administered in strict accordance with the precepts of the Public Finance Management Act, 1 of 1999 (as amended).



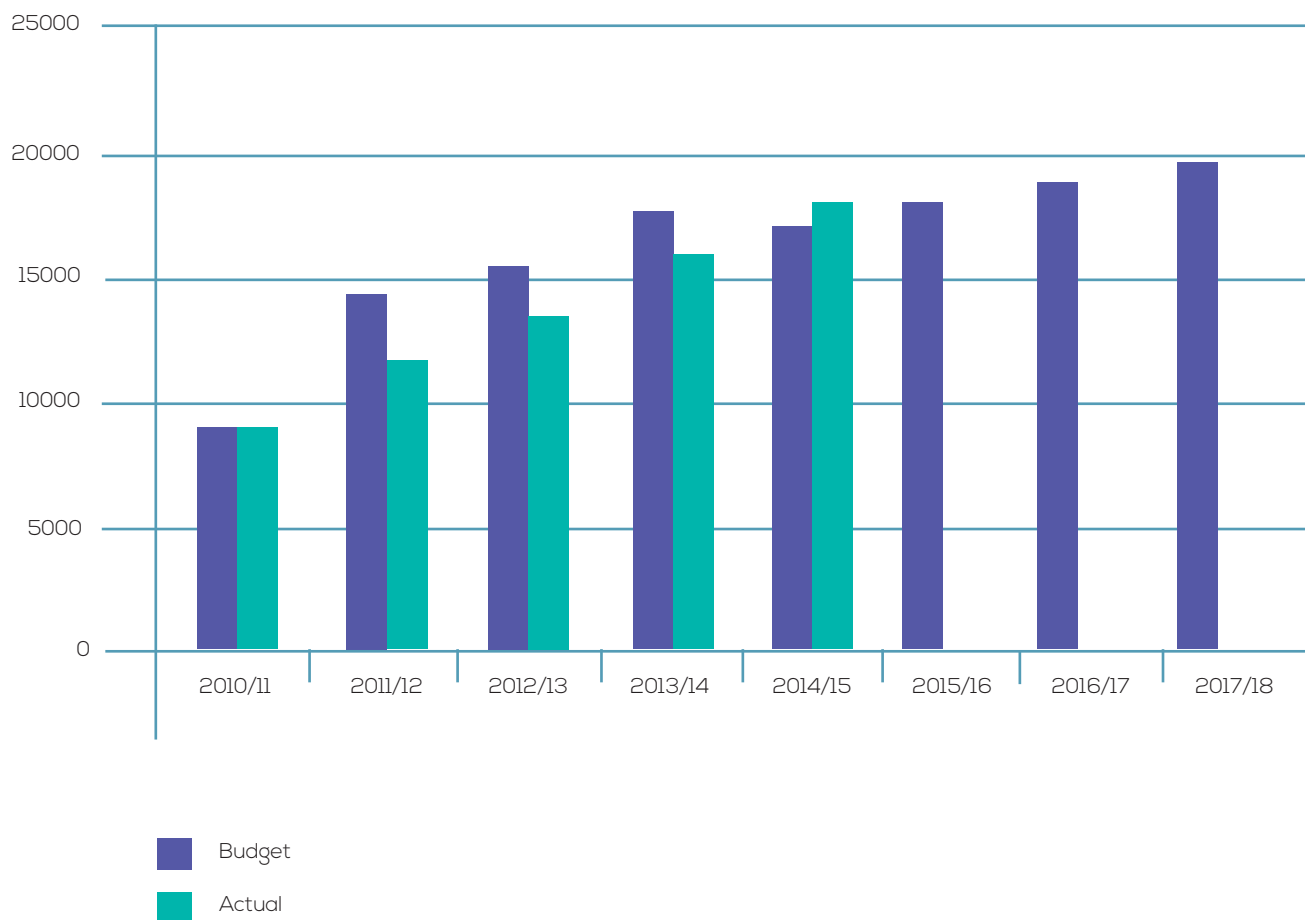


The Regulator's income is illustrated in the Table below:

### Income classification for the Ports Regulator

| Item                         | 2013/2014 | R (000)       | 2014/2015 | R (000)       |
|------------------------------|-----------|---------------|-----------|---------------|
| Department of Transport      |           | 15 900        |           | 16 852        |
| Interest income              |           | 275           |           | 309           |
| Complaints and appeals       |           | -             |           | 3             |
| Profit/Gain on sale of Asset |           | -             |           | 24            |
| Sundry income                |           | -             |           | 75            |
| <b>Total</b>                 |           | <b>16 175</b> |           | <b>17 263</b> |

The Regulator has applied all possible means to ensure that the expenditure is within the approved budget with a view to avoid over expenditure on the total budget. The Table below illustrates the expenditure pattern of the Regulator for the past five financial years. The Regulator, as at end of the financial year, was in the process of engaging with the Department of Transport to revise the baseline allocation in order to expand the human capital and accelerate the mandate discharge. This may result in the baseline allocation for the medium-term to be revised up from the current budgeted figures.



# Human Resource Management

The 2014/2015 financial year represented success for the Regulator in terms of human resource management. Mr. Mahesh Fakir, who was a former Regulator Member, was appointed by the Minister as the new CEO of the Ports Regulator effective 01 May 2014.

In addition, the salary benchmarking exercise was finalised; this exercise was aimed at aligning current salaries with industry thus creating an attractive salary structure.

Further, the Regulator has continued to invest in the training and development of employees. This training was aimed at enhancing employee abilities in order to achieve efficiency and self growth.

The Regulator has managed to balance its employment equity status as at 31/03/2015 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. It must be noted however that as at 31 March 2015, there are ten posts not funded on the organogram and have not thus been filled.

| 2014/2015 Employment Equity Breakdown of Staff: |              |            |              |            |                |
|---|--------------|------------|--------------|------------|----------------|
| Category  | Black Female | Black Male | White Female | White Male | Category Total |
| Technical & Managerial                          | 36.36%       | 36.36%     | 18.18%       | 9.09%      | 64.71%         |
| Support & Interns                               | 100%         | 0%         | 0%           | 0.0%       | 35.29%         |
| Total   |              |            |              |            | 100%           |

| Employment Equity Statistics | 2013/2014 | 2014/2015 |
|------------------------------|-----------|-----------|
| Category:                    |           |           |
| Black Male                   | 18.8%     | 23.53%    |
| Black Female                 | 68.8%     | 58.83%    |
| White Male                   | 6.2%      | 5.88%     |
| White Female                 | 6.2%      | 11.76%    |
| Total                        | 100%      | 100%      |



## Executive management earnings for the financial year 2014/2015

| Name  | Remuneration<br>(2014/2015)<br>R (000) | Performance<br>Bonus<br>R (000) | Acting<br>allowance<br>R (000) | Leave Pay<br>R (000) | Total<br>R (000) |
|---|--|---------------------------------|--------------------------------|----------------------|------------------|
| Mr. Mahesh Fakir<br>Chief Executive<br>Officer                | 2 133                                  | 0                               | 0                              | 0                    | 2 133            |
| Ms. M Damons<br>Executive<br>Manager: Legal                   | 979                                    | 253                             | 33                             | 0                    | 1 265            |
| Mr. Thokozani<br>Mhlongo<br>Acting Chief<br>Financial Officer | 763                                    | 153                             | 71                             | 0                    | 987              |
| <b>Total</b>  | <b>3 875</b>                           | <b>406</b>                      | <b>104</b>                     | <b>0</b>             | <b>4 385</b>     |

## Supply Chain Management

The Regulator has accelerated on its mandate in terms of delivery of services to the ports stakeholders. There was one project that was on the annual performance plan which was not advertised and not awarded due to insufficient funding. The project has been rolled over to the following financial year in anticipation that sufficient funding will be made available to the Regulator. There were no identified instances of fruitless, wasteful, irregular and unauthorised expenditure that occurred during the financial year.

| B-BBEE as a percentage of<br>Procurement category: | 2013/2014 | 2014/2015 |
|--|-----------|-----------|
| Discretionary Expenditure                          | 90.2%     | 89.4%     |
| Total Expenditure                                  | 44.8%     | 42.8%     |



## 4.1.2. Governance and Compliance

The Members of the Regulator are tasked with implementing the mission and strategies of the organisation determined in line with Government's strategic objectives, in order to fulfil its true mandate articulated in Section 30 of the National Ports Act. An important objective of the Regulator over the last three years was to strengthen its internal governance and compliance. In the past two financial years, the Ports Regulator has achieved a fully compliant governance regime as required by legislation. This was mainly influenced by an increase in human capital, the optimisation of limited resources and the commitment of both Members and Management to ensure overall good governance and compliance with its Legal Universe.

In the 2014/2015 financial year, the Members of the Regulator, through the Audit Committee as well as its Human Resource Committee, have resolved all the issues raised by the Auditor-General and the Internal Auditors. These were raised as non-compliance items in their respective audit reports. This was a positive move towards obtaining a clean audit report.

The Ports Regulator is a Schedule 3A public entity in terms of the Public Finance Management Act, 1 of 1999 (PFMA). In terms of this Act, as well as the King III Code on Good Governance, the duty is placed very high for directors / members, with personal liability where the company suffers loss or damage as a result of the director's / member's conduct not meeting the prescribed standard. The intention of the legislature in the PFMA (as amended) and the Company's Act, 58 of 2008 seems to be to confirm the common law duties and to encourage directors / members to act honestly and to bear responsibility for their actions - directors / members should be accountable to shareholders and other stakeholders for their decisions and their actions on behalf of the inanimate company.

There was clear evidence of good governance from the Regulator and its Sub - Committees, as can be assessed from the Governance checklist contained herein. This was due to the fact that the Regulator held quarterly meetings together with its Sub-Committees after each quarter to report and plan for the remainder of the financial year, and to monitor if the Regulator is still on the path towards delivering on the Annual Performance Plan, as agreed to between the Regulator and its only Shareholder, the Minister of Transport.



## 4.1.3. Regulator Governance

The Members of the Ports Regulator were appointed and took office in June 2012 for a three year term. In terms of the PFMA, as well as the King III Code on governance, which applies to all public entities, the Members of the Regulator, as a Schedule 3 A public entity, have two main functions: First, they are responsible for determining the organisation's strategic direction (and consequently its ultimate performance); and second, they are responsible for the control of the organisation. The Regulator requires management to execute strategic decisions effectively according to the law and the legitimate interests and expectations of stakeholders.

From a governance perspective, the Regulator has successfully achieved a fully compliant position with the appointment of a permanent Company Secretary and fully effective sub-committees of the Regulator, who reported quarterly to the Members on targets achieved as well risks faced by the organisation in their various spheres.

The Members have discharged their duties in terms of ensuring that all their deliberations, decisions and actions were based on the four foundational principles of good governance, namely:

- i) Responsibility: For the assets and actions of the organisation to ensure it remains on its strategic path;
- ii) Accountability: For the decisions made by it to the Executive Authority and other key stakeholders;
- iii) Fairness: By ensuring that fair consideration was given to the legitimate interests and expectations of all stakeholders;
- iv) Transparency: By ensuring that information on which decisions were made was disclosed to enable stakeholders to make an informed analysis of the organisation's performance and sustainability.

Every director / member of the the Regulator of an entity has a duty towards that company or public entity to exercise his or her powers and perform his or her functions in good faith and for a proper purpose, in the best interest of the company or public entity, and with the degree of care, skill and diligence that may reasonably be expected of a person carrying out the same functions and having the knowledge, skill and experience required of that director / the Regulator member.



# Alignment to King III:

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

| King III Ref.   | King III Principle  | Partially Applied/Not Applied | Commentary   |
|---|---|-------------------------------|--|
| <b>CHAPTER 1 – ETHICAL LEADERSHIP 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, and through specific operational and corporate office structures more fully described in the Audit and Risk report.   |
| Principle 1.3 & Principle 2.3                                   | The Regulator ensures that the entity's ethics are managed effectively, and provides effective leadership based on an ethical foundation.   | Applied                       | Through the Code of Conduct, the Regulator is responsible for ensuring that the entity protects, enhances and contributes to the wellbeing of the economy, society and the environment.  |
| <b>CHAPTER 2 – BOARDS AND DIRECTORS</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 King III and continues to further entrench and strengthen recommended practices through the organisation's governance structures, systems, processes and procedures.  |
| Principle 2.2   | The Regulator provides effective strategic leadership, and appreciates that strategy, 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. |



| King III Ref.  | King III Principle   | Partially Applied/Not Applied | Commentary  |
|----------------|--|-------------------------------|---|
| Principle 2.5  | The Regulator ensures that the entity's ethics are managed effectively.  | Partially Applied             | Through the Regulator's Code of Conduct, but this not cascaded down to the employees through a separate Code of Conduct by which the entire organisation is bound.  |
| Principle 2.6  | The Regulator has ensured that the entity has an effective and independent Audit Committee.  | Applied                       | The Regulator Charter and Audit and Risk Committee Terms of Reference provide for the establishment of an Audit and Risk Committee. The effectiveness of the Committee is evaluated annually by the Members. The Auditor General oversees that this is complied with.   |
| Principle 2.7  | The Regulator is responsible for the governance of risk.   | Applied                       | In terms of the Regulator Charter, the Regulator is responsible for the governance of risk and the Audit and Risk Committee assists the Regulator with this responsibility.   |
| Principle 2.8  | The Regulator is responsible for Information Technology (IT) governance.   | Applied                       | The IT Governance Framework, including processes, procedures and structures, was adopted by the Regulator which delegates implementation to management. In terms of the Regulator Charter and the Audit and Risk Committee Terms of Reference, the Audit and Risk Committee assists the Regulator with information technology governance.   |
| Principle 2.9  | The Regulator ensures that the entity complies with applicable laws and considers adherence to non-binding rules, codes and standards. | Applied                       | The Legislative Framework approved by the Regulator sets out the requirement of legal compliance and provides for the entity to develop and implement policy. The entity has a Legal and Regulatory Compliance department, which updates and ensure the implementation of the framework. Implementation will start to be monitored by the Management Risk Committee and reported on to the Audit Committee. |
| 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 Deloitte. The Internal Audit Charter requires the performance of risk based internal audits.   |



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





| King III Ref.  | King III Principle   | Partially Applied/Not Applied | Commentary   |
|----------------|--|-------------------------------|--|
| Principle 2.17 | The Regulator has a framework for the delegation of authority which is updated annually.   | Partially Applied             | While retaining overall accountability and subject to matters reserved to itself, the Regulator has delegated authority to the CEO, other Executive Managers to run the day-to-day affairs of the entity subject to an approval framework. However this not updated annually and is somewhat out of date.  |
| Principle 2.18 | The Regulator comprises of a majority of non-executive directors who are independent.  | Applied.                      | The Regulator had nine non-executive Members four of whom have resigned.   |
| 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 Ports Act based on a call for nominations. The selection process involves considering the existing balance of skills and experience on the Regulator and a continual process of assessing the needs of the organisation. |
| Principle 2.20 | The induction of and ongoing training, as well as the development of directors are conducted through a formal process.   | Applied.                      | A formal induction programme is available for new Directors/Members, including background material and meetings with senior executives. All Directors are invited on site visits and to the annual Bosberaad (strategy meeting) with senior management. Ongoing training includes workshops presented by external advisors and additional training is facilitated as required.     |
| Principle 2.21 | The Regulator is assisted by a competent, suitably qualified and experienced company secretary. Applied The Company Secretary is duly appointed by the Regulator in accordance with the entity's recruitment policies. | Applied.                      | The Company Secretary is duly appointed by the Regulator in accordance with the Companies Act and the JSE Listings Requirements and is evaluated annually. The Regulator is satisfied that the Company Secretary is properly qualified and experienced to competently carry out the duties and responsibilities of a Company Secretary.  |



| King III Ref.                       | King III Principle  | Partially Applied/Not Applied | Commentary  |
|-------------------------------------|---|-------------------------------|---|
| Principle 2.22                      | The evaluation of the Regulator, its Committees is performed every year   | Applied                       | The performance of the Regulator as a whole and the Regulator Committees individually is evaluated annually.  |
| Principle 2.23                      | The Regulator delegates certain functions to well-structured Committees without abdicating its own responsibilities.                                | Applied                       | The Regulator has three Committees that assist it in discharging its duties and responsibilities. These Committees operate in accordance with written terms of reference approved by the Regulator and reviewed annually.   |
| Principle 2.26                      | The Company has disclosed the remuneration of each individual director and prescribed officer.  | Applied                       | The remuneration of Members and Prescribed Officers is included in the Directors' report of the Integrated Annual Report.   |
| <b>CHAPTER 3 - AUDIT COMMITTEES</b> |   |                               |   |
| Principle 3.1                       | The Regulator has ensured that the entity has an effective and independent Audit Committee.   | Applied                       | The Regulator Charter and Audit and Risk Committee Terms of Reference provide for the establishment of an Audit and Risk Committee. The effectiveness of the Committee is evaluated annually by the Members, assessed by internal auditors who assist the Committee in complying with its Terms of Reference. |
| Principle 3.2                       | Audit Committee members are suitably skilled and experienced.   | Applied                       | All members of the Audit and Risk Committee are independent non-executive directors, who sit as members of other Audit Committees and suitably skilled to fulfil the mandate of the Committee.  |
| Principle 3.3                       | The Audit Committee is chaired by an independent non-executive member.  | Applied                       | The Regulator has appointed a suitably qualified Independent Non-executive Director to chair the Audit and Risk Committee.  |
| Principle 3.4                       | The Audit Committee oversees annual reporting.  | Applied                       | The Audit and Risk Committee has oversight over the preparation of the Annual Report including the annual financial statements and sustainability information, and recommends the approval of the Annual Report to the Regulator.   |
| Principle 3.5                       | The Audit Committee has ensured that a combined assurance model has been applied which provides a coordinated approach to all assurance activities. | Applied                       | The entity has implemented a combined assurance model with the assistance of Deloitte as the internal auditors and the Auditor General as the external auditors whose input and input is monitored by the Audit and Risk Committee.   |



| King III Ref.                             | King III Principle  | Partially Applied/Not Applied | Commentary  |
|---|---|-------------------------------|---|
| Principle 3.7                             | The Audit Committee is responsible for overseeing the internal audit process.   | Applied                       | The Audit and Risk Committee is responsible for overseeing the internal audit function performed by Deloitte, including the approval of the annual plan and budget. The internal auditor reports to the Audit and Risk Committee quarterly in terms of the Internal Audit Charter. The head of internal audit reports directly to the Committee Chairman.               |
| Principle 3.8                             | The Audit Committee is an integral component of the risk management process.  | Applied                       | The Audit and Risk Committee is responsible for overseeing risk management. Management reports to the Audit and Risk Committee quarterly on risk matters and processes.   |
| Principle 3.10                            | The Audit Committee reports to the Regulator and the Shareholders as to how it has discharged its duties.               | Applied                       | The Audit and Risk Committee reports to the Regulator at each Regulator meeting. A report to shareholders on how the Committee discharged its duties is included in the Audit and Risk Committee Report in the Annual Report.   |
| <b>CHAPTER 4 – THE GOVERNANCE OF RISK</b> |   |                               |   |
| Principle 4.1                             | The Regulator is responsible for the governance of risk.  | Applied                       | In terms of the Regulator Charter, the Regulator is responsible for the governance of risk and the Audit and Risk Committee assists the Regulator with this responsibility.   |
| Principle 4.4                             | The Regulator has delegated to management the responsibility to design, implement and monitor the risk management plan. | Applied                       | The Management Risk Committee reports quarterly to the Audit and Risk Committee in terms of the Risk Management Plan approved annually by the Audit and Risk Committee. In terms of the Audit and Risk Committee Terms of Reference, management designs, implements and monitors the Plan and is accountable for embedding the risk management process in the business. |



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



| King III Ref.   | King III Principle  | Partially Applied/Not Applied | Commentary   |
|---|---|-------------------------------|--|
| Principle 6.2   | The Regulator and each individual member has a working understanding of the effect of applicable laws, rules, codes and standards on the organisation and its business.                 | Partially applied.            | On-going Regulator training is provided. Updates in applicable laws, rules and codes are to be included on the agendas of Regulator and Sub-committee meetings.  |
| Principle 6.3   | Compliance risk should form an integral part of the entity's risk management process.   | Applied.                      | The risk of non-compliance forms part of the operational risk assessments and compliance assessments are performed. Annually by the legal division. The risk of non-compliance is included on the Principal Risk Register.   |
| <b>CHAPTER 7 – INTERNAL AUDIT</b>   |   |                               |  |
| Principle 7.1   | The Regulator should ensure that there is an effective risk based internal audit.   | Applied.                      | The Internal Audit Charter requires the performance of risk based internal audits.   |
| Principle 7.2   | Internal Audit should follow a risk based approach to its plan.   | Applied.                      | The risk based internal audit plan is approved annually by the Audit and Risk Committee.   |
| Principle 7.3   | Internal Audit should provide a written assessment of the effectiveness of the entity's system of internal controls and risk management.  | Applied.                      | The internal auditor submits formal reports to the Audit and Risk Committee quarterly. Annually in the Annual Report, the Audit and Risk Committee confirms having received the internal auditor's written assessment of the effectiveness of the entity's systems of internal controls and risk management. |
| Principle 7.5   | Internal Audit should be strategically positioned to achieve its objectives.  | Applied.                      | The Chief Audit Executive reports directly to the Chairman of the Audit Committee and is invited to attend all Audit Committee meetings.   |
| <b>CHAPTERS 8 &amp; 9 – STAKEHOLDER RELATIONSHIPS AND INTEGRATED REPORTING AND DISCLOSURE</b> |   |                               |  |
| Principle 8.1 & 8.2   | The Regulator must take into consideration stakeholder perceptions that affect the organisation's reputation and delegate to management the authority to deal with these relationships. | Applied.                      | The entity engages its stakeholders on multiple levels and this allows the entity to manage issues effectively and timeously and reduces the likelihood of reputational risks. Stakeholder engagement is a standing Board agenda item.   |
| Principle 9.1   | The Regulator should ensure the integrity of the entity's annual report.  | Applied                       | With the assistance of Auditor General and the Audit and Risk Committee and other Sub-Committees who review and evaluate the Annual Report prior to recommendation for adoption by the Regulator   |
| Principle 9.2   | Sustainability reporting and disclosure should be integrated with the entity's financial reporting.   | Not applied.                  | The organisation is still fairly new and is progressing towards sustainability reporting.  |



## 4.1.4. Compliance:

The Compliance function of the organisation fulfils two key roles; firstly ensuring that the National Ports Authority complies with the National Ports Act and its broader legislative framework where it impacts on its mandate in terms of Section 11. The second is to ensure and advise on matters of compliance by the Regulator with its own legislative framework with its key pieces of legislation being the National Ports Act, the PFMA, the Labour Relations Act and the Basic Condition of Employment Act, The Promotion of Access to Information Act, 2 of 2000 as well as the Promotion of Administrative Justice Act, 3 of 2000 amongst others.

PRSA Compliance:

The compliance with all applicable legislation, regulations, standards and codes is imperative to the Members of the Regulator, and as a result thereof the organisation has managed to strengthen its compliance and governance structures with the intention of fully complying with the Acts, policies, standards, rules, procedures and regulations applicable to its operation. This process of strengthening governance and compliance has also led to the development and approval of a legislative framework, a compliance scorecard, 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.

The legislative and regulatory environment is scanned on a regular basis for purposes of preparing compliance reports to the Audit and Risk Committee. Management assesses the extent of compliance with applicable legislation, as well as how the proposed or passed legislation could impact on the PRSA's operations and business activities.

In addition, with the further capacitation of the organisation allowing a greater degree of accountability of functions resulting in a higher level of substantive compliance with the governance and legislative requirements applicable to it.

National Ports Authority Compliance Monitoring:

Key outputs in terms of the compliance monitoring function was to develop a compliance methodology which was successfully achieved. The second was to initiate, strategise and conduct a compliance review in accordance with the framework and methodology of the ports of Richard's Bay and Durban and, once done, thereafter upscale the review to the remaining six commercial ports. For the first time the compliance team completed the compliance review for the ports of Richard's Bay and Durban, and published its preliminary findings in regard thereto. The team managed to engage the National Ports Authority (NPA) legal team on the review and afforded the NPA an opportunity to respond thereto in terms of providing written submissions for the PRSA to consider. This being a milestone achievement for the organisation.

A further significant aspect of compliance monitoring is to ensure the National Ports Authority complies with Regulation 2, 3 and 4 in terms of the National Ports Act, which requires the NPA to report on the Broad-Based Black Economic Empowerment (B-BBEE) status of those whom they contract with to carry out the port services and provide facilities within the port boundaries of all eight commercial ports, to ensure compliance with the requirements set out in the aforementioned regulations. In terms of achieving this target, the compliance team amended the reporting template provided to the NPA to ensure that more detailed information was provided to the PRSA and that the information provided was more accurate and delineated per port. The NPA successfully reported in accordance with the amended reporting template within the set timeframes and were given an opportunity to respond to the review findings ahead of same being published. This again being a milestone achievement for the organisation in terms of assessing the accuracy and usefulness of the NPA's report regarding its B-BBEE compliance, despite the NPA reporting year on year on its level of compliance overall in the port sector.



## 4.1.5. Tribunal and Monitoring

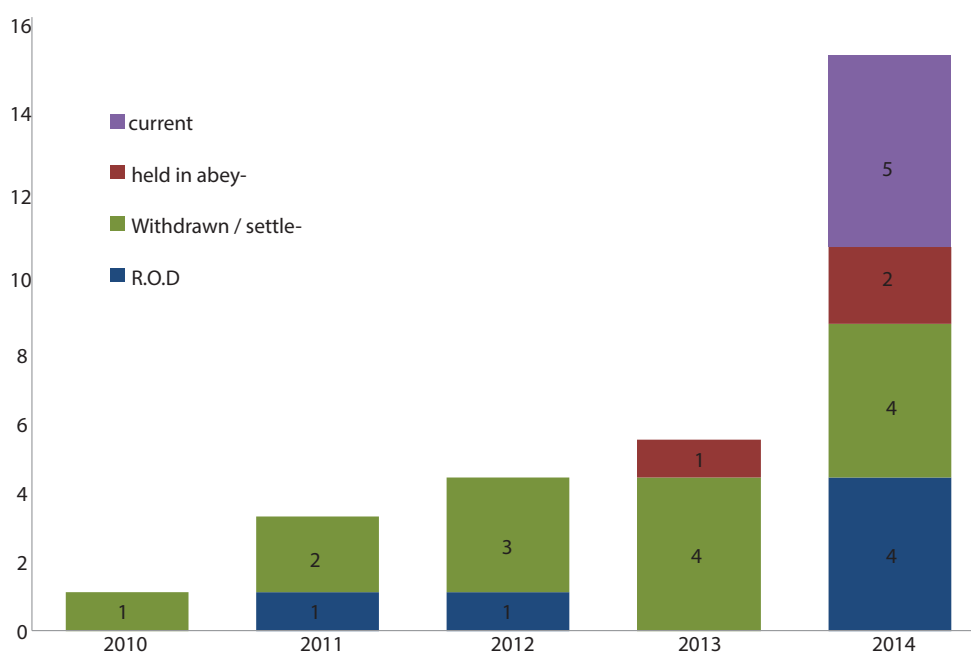
This unit of the Legal Department is tasked with operating an efficient and effective quasi-judicial mechanism of dispute resolution, in the form of a Tribunal to hear complaints and appeals under the National Ports Act. This is one of the core functions of the Ports Regulator and one that it is proud of in terms of decisions made and published. The Tribunal decisions made by the Ports Regulator effectively regulate the industry as the NPA and industry are obliged to comply therewith.

Certain legislative gaps have been identified in the National Ports Act, especially with regard to the procedures carried out for purposes of running the Tribunal, which gaps need to be addressed in terms of both the National Ports Act, the Directives, the Tribunal Manual which is dated, as well as the Regulations, all of which require amendment. Aside from the Tribunal manual, the department drafted recommendations for the amendments to the National Ports Act, Directives and Regulations which were approved by the Members and sent to the Executive Authority for consideration. The Secretariat has managed to engage with the Executive on the B-BBEE recommendations and have made some progress with regards thereto.

With the financial year having started with a backlog of Tribunal matters, there was a push to try and clear that backlog, tasks needed to be prioritised within the Legal department in terms of risk to the organisation. With the commitment of the Members and the Secretariat, especially with the appointment of a 'Compliance and Tribunal' Manager and a 'Compliance and Tribunal' Specialist in the first half of the financial year, proved successful in that it capacitated the department to clear the backlog and attend to more recent complaints and/or appeals lodged.

The key outputs within this function was that at least six matters be heard or finalised as at the end of the year with eighteen Tribunal days to have been set aside for such matters to be dealt with. This target was achieved and exceeded in that six matters were heard and/or finalised as at 31 March 2015, with four Record of Decisions having been issued, four matters having been settled between the parties and two matters at an advanced stage of hearings on the merits. A new appeal lodged was still in process as at year end. In total, the Members sat for a period of more than thirty days for the year to hear and decide on tribunal matters, which is a further achievement for the organisation and for which the Members are to be commended.

Table 2: Incidence of finalised complaints and appeals PRSA



## 4.1.6. Economic Regulation

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

The Regulator for the first time, published a multi-year tariff methodology following the interim methodology published in the previous financial year. The three year methodology, applicable to the 2015/16-2017/18 tariff years, clearly sets out the method and approach that the NPA must use in submitting their annual tariff application to the Regulator. Whilst the methodology does not constrain the NPA in its mandate of managing and expanding the port system, it does provide a set of guidelines within which the NPA as well as industry is able to plan.

The publication of the Methodology resulted in an application by the NPA that covers all three years and the subsequent determination by the Regulator, published on the 27th of February 2015, containing an average fixed tariff increase of 4.8% for 2015/16 and indicative tariffs for the two subsequent years.

The tariff methodology defined the Regulator's parameters in areas that were previously contentious, thus it further assisted stakeholders to formulate directed and comprehensive responses on the application, thereby assisting in the Regulator's assessments and tariff determination.

The publication of the guidelines increased Regulatory certainty, resulting in, for example, smaller differences between the Weighted Average Cost of Capital (WACC) applied for and the WACC granted. As a matter of fact, the Regulator took a lower inflation forecast into account and granted a higher WACC than the applied for rate to the NPA.





## 4.1.7. Industry Development

Through the Industry Development section, the Regulator has participated in the legislated process for industry and infrastructure development through the port level structures of Port Consultative Committees (PCCs) of the Department of Transport, as well as engagements with port users and port user representatives over various matters concerning port operations, infrastructure and industry development over the year under review.

The PCC process increased momentum in ensuring that port performance standards for terminal operator, marine services, rail and road hauliers are set, monitored and ultimately enforced as a critical component in the development of the South African port industry. The Regulator has published two research reports, of which one focused on providing an overview of port terminal capacity and the utilisation thereof, and the other report benchmarks the automotive and container terminal's performance in relation to a sample of global ports.

Overall the reports highlight capacity and performance challenges in the port system. As an example, the Port of Durban's container terminal is operating at full capacity and the Port of Ngqura is operating significantly below capacity. When compared with a sample of ports in other parts of the world, Durban's container terminal performance on throughput per running meter of container berth, is in line with the average. The Regulator's engagements with stakeholders in the PCCs, road shows and other means, as well as the robustness of future reviews will build and further enrich these studies and their value in assessing the overall performance of South African terminals.

Industry Development, in support of the Economic Regulation department, kept port users informed and abreast of developments in the Port Regulators processes, i.e. multiyear tariff methodology and tariff strategy, a process which, with other stakeholder initiatives within the organisation, is starting to bear fruits where the inputs to the tariff application, though not increasing significantly in numbers are constantly improving. Overall the efforts of the Regulator are appreciated by port users, as evidenced in the feedback on the Regulator collated from approximately seventy participants at the Regulator's road shows in Durban, Cape Town, Johannesburg and Port Elizabeth, highlighted in the Table below:

|   | Durban | Cape Town | JHB | PE |
|---|--------|-----------|-----|----|
| Rate the NPA presentation   | 4      | 4         | 4   | 4  |
| Rate the Ports Regulator Presentation   | 4      | 4         | 4   | 4  |
| Does the amount of information provided allow you to effectively comment on the tariff application?           | 4      | 4         | 4   | 4  |
| Does the kind and quality of information provided allow you to effectively comment on the tariff application? | 4      | 4         | 4   | 4  |
| Rate the overall usefulness of the tariff application road shows  | 4      | 4         | 4   | 4  |
| The efficiency of the PRSA  | 4      | 4         | 4   | 4  |
| The effectiveness of the PRSA   | 4      | 4         | 4   | 4  |
| The responsiveness of the PRSA  | 3      | 4         | 4   | 4  |
| The neutrality of the PRSA  | 4      | 4         | 4   | 5  |
| The independence of the PRSA  | 4      | 4         | 4   | 4  |
| Decisions issued by the PRSA  | 4      | 4         | 4   | 4  |

The appointment of a Specialist in the industry development department in September 2014 increases the sections capacity to carry out industry development, Capex and port performance assessment to contribute to an effective and efficient port system.



# Social Responsibility

## Nelson Mandela Day

The Regulator, in honour of our fallen hero Mr. Rolihlahla Mandela, visited the Sherwood children's home on 18 July 2014 in Sherwood, KwaZulu-Natal. The main aim of the event was to give to the needy, show love and unity for all the people of our beloved country, as being the dream of our first democratic President. It must be noted that the Regulator funds were not used at all to fund this event. The food parcels and clothes, including blankets, were all purchased by the contributions from the Regulator employees, further all the travelling and transport expenses were funded from the pockets of the staff.



# 5. Governance Structures:

## 5.1. The Human Resources Committee

Members of this Committee are Ms. Patricia Mazibuko (Chairperson), Mr. Aubrey Ngcobo, and Mr. Andile Mahlalutye (Mr. Randall Howard served as Chairperson until 04 May 2014).

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

The Committee oversees the execution of the Human Resource Strategy that supports the achievement of the organisation's overall strategy and annual performance plan. An annual review of all policies, procedures, and remuneration structures is conducted by the Committee to ensure both their relevance as well as their nature. Final policies, procedures and structures are then recommended to the Regulator for approval.

The 2014/2015 financial year has seen growth in the execution of the Regulator's mandate, the expansion of the Secretariat, as well as the approval of the new salary structures to ensure that PRSA salary levels remain competitive to be able to attract the right capacity to execute its mandate.

The strategy adopted by the Committee is risk based, thereby overseeing and managing the identified human resources risks effectively within the stated risk appetite of the organisation. In so doing, assisting the Regulator execute on its overall responsibility for risk management within the PRSA.

A further milestone achievement of this Committee was the oversight of the implementation of a range of new human resource policies, as well as monitoring the effective implementation of the employee performance management system with an integrated incentive scheme. Furthermore, the Regulator embarked on a process to review current salary levels and equate them with both government and market-related levels.

The HR Committee has positioned the Regulator as a compliant and responsive employer at both conditions of service and training & development levels, within the limited financial resources available. This is borne out by the number of staff trained and developed, all of whom are contributing to the work of the Regulator.

The HR Committee has laid a solid foundation with the full support of Members of the Secretariat. This foundation will be built on; therefore, we remain confident in our ability to respond to any new developments and provide any necessary guidance to the Regulator.

Ms. Patricia Mazibuko  
Chairperson  
Human Resources Committee



Table 3: Human Resource Committee attendance record:

| Human Resources Committee |                   |               |             |             |             |             |             |       |
|---------------------------|-------------------|---------------|-------------|-------------|-------------|-------------|-------------|-------|
| No                        | Name              | 25 April 2014 | 08 Aug 2014 | 28 Oct 2014 | 16 May 2014 | 30 Jan 2015 | 13 Feb 2015 | TOTAL |
| 1.                        | Patricia Mazibuko | ✓             | ✗           | ✓           | ✓           | ✓           | ✓           | 5     |
| 2.                        | Aubrey Ngcobo     | ✓             | ✓           | ✓           | ✓           | ✗           | ✓           | 5     |
| 3.                        | Andile Mahlalutye | Not a Member  | ✓           | ✓           | ✓           | ✗           | ✗           | 3     |
| 4.                        | Randall Howard    | ✓             | R           | R           | R           | R           | R           | 1     |

|   |          |
|---|----------|
| ✓ | Present  |
| ✗ | Apology  |
| R | Resigned |



## 5.2. The Regulatory Committee

Members of this Committee are Dr. Grove Steyn (until 30 September 2014), Ms. Phumzile Langeni (until 30 August 2014), Ms. Thato Tsautse (Chairman as of 01 October 2014), Professor Didibhuku Thwala (effective 01 September 2014), Ms. Patricia Mazibuko (effective 01 October 2014), and Mr Andile Mahlalutye (effective 01 October 2014).

This Committee is responsible for the oversight of delivery of the Regulator's obligations arising from the National Ports Act and Regulations issued thereunder. The key activities of this committee, during the period under review, were in the areas of economic regulation, economic research and the hearing of complaints and appeals. This committee performs oversight of all the regulatory elements and determination which are submitted to the Regulator for approval. They also perform a quality control function with respect to economic regulation and the hearing of complaints and appeals.

### Economic Regulation



















Significant outputs of this committee included the publishing of a Multi - year Tariff Methodology, effective for a three year period which will be reviewed by the Committee annually, as well as responsibility for components of the base analysis for the tariff assessment, and oversight and quality control of the inputs of the Secretariat into the Regulator's determination of the tariff. Other areas of output from the Regulatory Committee included an analysis of the tariff strategy, input in tribunal processes, and other research conducted internally as well as externally by the Secretariat. With respect to the Economic Review, the Regulatory committee was largely responsible for oversight and quality control of the research outputs and the finalisation of elements referred back to the Secretariat for additional work or research, including responses to requests from sitting tribunals.

The Regulatory Committee also performs oversight and quality control over the outputs of the organisation in the areas of tariff review, development of the tariff strategy for the port system, as well as performance and efficiency benchmarking and monitoring. The Regulatory committee is further responsible for review and recommendation of industry development research, such as capacity utilisation and port traffic statistics within the eight commercial ports, which will be upscaled to monitor the efficiency of the NPA and terminal operators. This committee is responsible for providing oversight over the tribunal processes and procedures that are performed by the Secretariat.

Ms. Thato Tsautse  
Chairperson  
Regulatory Committee



### Regulatory Committee Meeting

| No | Name                           | 11 June 2014  | 24 July 2014  | 18 Dec 2014  | 06 Feb 2015   | TOTAL |
|----|--------------------------------|---|---|--|---|-------|
| 1. | Patricia Mazibuko              |    | Was not yet on this comm.   |    |    | 1     |
| 2. | Andile Mahlalutye              |  | Was not yet on this comm.   |  |  | 2     |
| 3. | Didibhuku Thwala               |  |  |  |  | 4     |
| 4. | Thato Tsautse<br>(Chairperson) |  |  |  |  | 4     |
| 5. | Grove' Steyn                   |  |  | R  | R   | 2     |
| 6. | Phumzile Langeni               |  |  | R  | R   | 1     |



## 5.3. The Audit Committee

We are pleased to present our report for the financial year ended 31 March 2015.

### AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee has complied with its responsibilities as stipulated in Section 77 of the Public Finance Management Act, 1 of 1999 and Treasury Regulation 3.1.

The Audit Committee reports that it has adopted, with approval from the Regulator, appropriate formal terms of reference as its Audit Committee Charter.

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

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

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

### AUDIT COMMITTEE MEMBERS AND ATTENDANCE:

The Table above reflects the relevant information on the Audit Committee members.

| Regulatory Committee Meeting |                           |             |              |             |             |             |       |
|------------------------------|---------------------------|-------------|--------------|-------------|-------------|-------------|-------|
| No                           | Name                      | 20 May 2014 | 22 July 2014 | 22 Oct 2014 | 18 Dec 2014 | 03 Feb 2015 | TOTAL |
| 1.                           | Trevor Boltman (Chairman) | ✓           | ✓            | ✓           | ✓           | ✓           | 5     |
| 2.                           | Andile Mahlolutye         | ✗           | ✓            | ✗           | ✓           | ✗           | 2     |
| 3.                           | Thato Tsautse             | ✓           | ✓            | ✓           | ✓           | ✓           | 5     |
| 4.                           | Aubrey Ngcobo             | ✓           | ✓            | ✓           | ✓           | ✓           | 5     |

### THE EFFECTIVENESS OF INTERNAL CONTROL:

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

However, it must be reported that there were incidents where the control system was found to be lacking. More information relating to this can be found in the, AGSA's Audit report as well as the financial statements.



The Internal Auditors conducted audits on certain key operations and processes of the Ports Regulator, as per the approved internal audit plan during the year ended 31 March 2015. Based on the scope and results of their work, and subject to the limitations of sampling their evaluation of the key controls implemented by management to address the associated risks, it appears that while the internal control environment has improved, there are still certain significant improvements needed in key control activities in order to provide reasonable assurance that the risk areas, subject to review, are being properly managed and controlled. There were a few instances of instances of non-compliance to legislation and policies and procedures.

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

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

## IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORTS

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

## EVALUATION OF ANNUAL FINANCIAL STATEMENTS (AFS)

The Audit Committee has reviewed and discussed:

- The audited AFS to be included in the annual report with the AGSA and the Accounting Authority.
- The Management letter and management's response thereto.
- The AGSA's audit report that reflects that there were no significant findings made during its audit.

## AUDITOR'S REPORT

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

## CONCLUSION

In our opinion, based on feedback to Audit Committee meetings, the Ports Regulator of South Africa has achieved most of its performance indicators within the environmental and cash flow constraints it faces. In addition, the Regulator is managing its funds rather well and must be congratulated on its achievements during the 2014/2015 financial year.

Mr. Trevor Boltman  
Chairperson  
Audit Committee





## 5.4. Company Secretary

The Company Secretary is the key support of the Regulator, and is responsible for compliance and governance in all Regulator meetings and provides an advisory service to the Members of the Regulator with respect to such functions. The initial Company Secretary was instrumental in the establishment of the Regulator, as well as the development of policies and procedures that guide business processes of the Regulator together with acting board secretary. A permanent appointment was made in June 2013 commencing her duties with the first quarter Regulator meeting held on the 13th June 2013.

The main role of the board secretary or company secretary as it is better known, is that of gatekeeper of corporate governance of an organisation. Individual members and the Regulator collectively should look to the company secretary for guidance on their responsibilities and duties and how, in certain conflicting situations, such duties should be properly discharged in the best interests of the organisation. It is the role of the company secretary to provide comprehensive and practical support to the Members, the Chairperson of the Regulator and the Chairs of its Sub-Committees, in terms of providing guidance to Members with regard to fully observing their duties, responsibilities and powers, as well as sourcing and/or providing training to new and existing Members on new laws, processes and regulations relevant to the business of the organisation.

In terms of performance, the Regulator and its Sub-Committees have met quarterly, and had additional meetings where circumstances required same, in order to reach strategic decisions in the interests of the organisation and its sustainability. The continuous development of Members was encouraged in order to ensure that Members were kept up to date with local developments, risk management and corporate governance best practice. The performance of the Regulator and its Sub-Committees is evaluated annually, and is facilitated by the company secretary; the process took the form of questionnaires which were completed by the Members. The evaluation covered areas such as the the Regulator / Committee composition, dynamics, effectiveness, experience and knowledge of the Members and their relationship to Management. The overall report was positive and recommendations to improve will be implemented in the ensuing year. Key areas for improvement include:

- Enhancement of expertise in identified areas, such as the Tribunal;
- Implementing succession planning; and
- Ethics monitoring and assessment.



Ms. Marissa Damons  
Company Secretary



Regulator Member meeting attendance  
for the period 1 April 2014 to 31 March 2015:

| Regulator Meeting Attendance |                             |             |             |             |                |       |
|------------------------------|-----------------------------|-------------|-------------|-------------|----------------|-------|
| No                           | Members                     | 29 May 2014 | 13 Aug 2014 | 05 Nov 2014 | 20-22 Feb 2015 | TOTAL |
| 1.                           | Gloria Serobe (Chairperson) | ✓           | ✓           | ✗           | ✓              | 3     |
| 2.                           | Patricia Mazibuko           | ✓           | ✗           | ✓           | ✓              | 3     |
| 3.                           | Aubrey Ngcobo               | ✗           | ✓           | ✓           | ✓              | 3     |
| 4.                           | Andile Mahlalutye           | ✓           | ✗           | ✓           | ✓              | 3     |
| 5.                           | Didibhuku Thwala            | ✓           | ✓           | ✓           | ✓              | 4     |
| 6.                           | Thato Tsautse               | ✓           | ✓           | ✓           | ✗              | 3     |
| 7.                           | Grove' Steyn                | ✓           | ✓           | R           | R              | 2     |
| 8.                           | Phumzile Langeni            | ✗           | ✗           | R           | R              | 0     |

|    | Annual General Meeting (AGM) | 26 September 2014 |
|----|------------------------------|-------------------|
| No | Name                         |                   |
| 1. | Aubrey Ngcobo                | ✓                 |
| 2. | Andile Mahlalutye            | ✓                 |
| 3. | Gloria Serobe                | ✓                 |
| 4. | Didibhuku Thwala             | ✓                 |
| 5. | Trevor Boltman               | ✓                 |



Regulator Member Fees  
for the period 1 April 2014 to 31 March 2015:

| Name              | Member Fees<br>(2014/2015) | Performance<br>Bonus | Leave Pay | Total   |
|-------------------|----------------------------|----------------------|-----------|---------|
| Mrs. G. Serobe    | 50 600                     | -                    | -         | 50 600  |
| Ms. P. Langeni**  | 1 692                      | -                    | -         | 1 692   |
| Ms. P. Mazibuko   | 127 170                    | -                    | -         | 127 170 |
| Ms. T. Tsautse    | 143 487                    | -                    | -         | 143 487 |
| Mr. A. Ngcobo     | 235 122                    | -                    | -         | 235 122 |
| Mr. A. Mahlolutye | 137 676                    | -                    | -         | 137 676 |
| Dr. G. Steyn***   | 50 958                     | -                    | -         | 50 958  |
| Mr. R. Howard*    | 11 632                     | -                    | -         | 11 632  |
| Prof. W. Thwala   | 167 178                    | -                    | -         | 167 178 |

\*Mr. R. Howard resigned effective 30 April 2014.

\*\*Ms. P. Langeni resigned effective 11 November 2014.

\*\*\*Dr. G. Steyn resigned effective 09 October 2014.



## 6. Achievements for the year 2014 / 2015

| Achievements for the year 2014 / 2015                              |   |   |   |  |   |                     |                    |   |
|--|---|---|---|--|---|---------------------|--------------------|---|
| APP Strategic Objective  | APP Objective Statement   | Baseline  | APP KPI Indicator   | Annual Target  | Actual Performance  | Reason for Variance | Action to be taken | Portfolio of evidence   |
| 1. The running of an efficient and effective administration system | To expand and capacitate the organisation with the technical and competent staff to enable the organisation to fulfil its legislative mandate and reduce external resource utilisation. and implementation of all staff benefits. | Critical technical staff are to be recruited in order to upscale the fulfilment of the mandate to meet strategic goals.               | Fill funded posts.  | Q1: Fill position of the CEO.<br>Q2: Advertise CFO, fill position of intern and executive manager for policy, strategy and research.<br>Q3: Fill specialist industry development position.<br>Q4: General corporate services assistant position to be filled.                | All 3 vacant funded posts (Specialist: industry development, Specialist: Regulatory and Compliance, Research Analyst) for the year were filled. | None.               | None.              | Appointment letters, budget and Organogram.   |
|  |   | Ensure strict compliance with the Labour Relations Act, Basic Conditions of employment Act, skills development employment equity Act. | Skills development and training plan (SD&T) and HR Strategy developed and implemented for the period. | Q1: SD&T and HR strategy to be approved by Regulator.<br>Q2: SD&T and HR strategy to be implemented.<br>Q3: SD&T and HR strategy to be reported on to DoT and Regulator.<br>Q4: SD&T and HR strategy to be reviewed in order to meet the requirements of the following year. | Skills development and training plan and HR strategy were approved and implemented.   | None.               | None.              | Minutes of meetings for approval of HR strategy and SD&T, enrolment forms and proof of payment for all training for the year. |
|  | Maintain and improve where applicable staff benefits which have been implemented.   | Ensure strict compliance with the Labour Relations Act, Basic Conditions of employment Act, skills development employment equity Act. | To review staff benefits and improve on these where necessary and suitable for the organisation.      | Q1: Group life benefit to be reviewed.<br>Q2: Source service providers who can offer improved benefits if at all to meet organisational requirements.<br>Q3: Submission to the Members to alter staff benefits if appropriate.<br>Q4: Consult and Implement new benefit/s.   | Staff benefits were reviewed and all staff benefits comply fully with the conditions of service.  | None.               | None.              | Review report.  |



## Achievements for the year 2014 / 2015

| APP Strategic Objective | APP Objective Statement   | Baseline  | APP KPI Indicator  | Annual Target  | Actual Performance  | Reason for Variance | Action to be taken | Portfolio of evidence   |
|-------------------------|---|---|--|--|---|---------------------|--------------------|---|
|                         | Organisational and Employee Performance Management System (PMS) Implemented.  | Ensure strict compliance with the Public Finance Management Act and Treasury Regulations. | Organisational Performance scorecard reported on quarterly.                      | Q1: Report on Q1 performance to the DoT and the Regulator.<br>Q2: Report on Q2 performance to the DoT and the Regulator.<br>Q3: Report on Q3 performance to the DoT and the Regulator.<br>Q4: Report on Q4 performance to the DoT and the Regulator.   | Quarterly reports were submitted to the accounting authority and the Executive Authority 30 days after the end of each quarter.   | None.               | None.              | Acknowledgement of receipt of the quarterly report.                 |
|                         |   | Ensure strict compliance with the Public Finance Management Act and Treasury Regulations. | Staff PMS Implemented with performance contracts in place for each staff member. | Q1: Performance contracts to be signed off by 30 April.<br>Q2: Half yearly performance review to be undertaken in accordance with the policy.<br>Q3: Management to review organizational performance in relation to individual performance to determine incentives.<br>Q4: Final reviews to be undertaken and scoring forwarded to and assessed by HR. | Half year staff performance reviews were done in September 2014.<br><br>End of year staff performance was evaluated at the end of the financial year against performance contracts that were signed at the beginning of the financial year. | None.               | None.              | General performance evaluation report.                              |
|                         | Purchase scalable IT modules (low cost) in research, process and data management that are cost effective and appropriate for the Regulator. | To manage the data and documents of the Regulator effectively.                            | Research data analysis software procured and fully implemented.                  | Q1: Systems requirements developed.<br>Q2: Receive Quotes from proper procurement process.<br>Q3: System to be procured.<br>Q4: System implemented and functional.   | The software was procured, system requirements were finalised with the service provider and implemented.  | None.               | None.              | Proof of payment and implementation based on the system being used. |



## Achievements for the year 2014 / 2015

| APP Strategic Objective | APP Objective Statement | Baseline  | APP KPI Indicator   | Annual Target   | Actual Performance   | Reason for Variance | Action to be taken | Portfolio of evidence  |
|-------------------------|-------------------------|---|---|---|--|---------------------|--------------------|--|
|                         |                         | To manage the data and documents of the Regulator effectively.                            | Document management system procured and implemented.                      | Q1: Systems requirements developed.<br>Q2: Receive Quotes from proper procurement process.<br>Q3: System to be procured.<br>Q4: System implemented and functional.  | The software was procured and implemented.   | None.               | None.              | Proof of payment. Papertrail training completed on 02 April 2014 System Implemented on 05 June 2014, and is currently being used for all compliance project documents. |
|                         |                         | To manage the data and documents of the Regulator effectively.                            | 1st phase Data management software and hardware procured and implemented. | Q1: Systems requirements developed.<br>Q2: Receive Quotes from proper procurement process.<br>Q3: System to be procured.<br>Q4: System implemented and functional.  | The software was procured and implemented.   | None.               | None.              | Proof of payment.  |
|                         |                         | To manage the data and documents of the Regulator effectively.                            | Tribunal case management system procured and implemented.                 | Q1: Systems requirements developed and Quotes received.<br>Q2: System to be procured according to proper procurement process.<br>Q3: System implemented and functional.<br>Q4: Inputs into the System made and maintained.  | The software was procured, system requirements were finalised with the service provider and implemented. | None.               | None.              | Proof of payment. Papertrail training completed on 02 April 2014 System Implemented on 05 June 2014, and is currently being used for all tribunal matter documents.    |
|                         |                         | Ensure strict compliance with the Public Finance Management Act and Treasury Regulations. | IT Governance Framework drafted and implemented.                          | Q1: IT Governance Framework to be drafted and submitted to the Audit Committee for review.<br>Q2: Changes implemented and consulted with staff. Q3: Submitted to Regulator Members for approval.<br>Q4: Framework implemented and annually updated where appropriate. | IT governance framework was drafted, approved and implemented.   | None.               | None.              | Minutes of meetings for approval.  |



## Achievements for the year 2014 / 2015

| APP Strategic Objective | APP Objective Statement  | Baseline  | APP KPI Indicator  | Annual Target  | Actual Performance  | Reason for Variance | Action to be taken | Portfolio of evidence                    |
|-------------------------|--|---|--|--|---|---------------------|--------------------|--|
|                         |  |   | Business Continuity and Disaster Recovery Plan drafted and implemented.  | Q1: BCP & DRP to be drafted and submitted to the Audit Committee for review.<br>Q2: Changes implemented and consulted with staff.<br>Q3: Submitted to Regulator Members for approval.<br>Q4: Framework implemented and annually updated where appropriate.   | Business Continuity and Disaster Recovery Plan was drafted, approved and implemented.                           | None.               | None.              | Minutes of meetings for approval.        |
|                         | Preferential procurement in accordance with the Regulatory Framework and SCM policy.   | Ensure strict compliance with the Public Finance Management Act and Treasury Regulations. | 75% of discretionary procurement must be from B-BBEE in accordance with the scoring in the regulatory framework. | Q1: At least 20% of the procurement for this quarter must be from companies with a B-BBEE rating of 2.<br>Q2: At least 20% of the procurement for this quarter must be from companies with a B-BBEE rating of 2.<br>Q3: At least 20% of the procurement for this quarter must be from companies with a B-BBEE rating of 2.<br>Q4: At least 20% of the procurement for this quarter must be from companies with a B-BBEE rating of 2. | 75.40% of discretionary expenditure was from B-BBEE in accordance with the scoring in the regulatory framework. | None.               | None.              | Report on the procurement expenditure.   |
|                         | Obtain and maintain Clean Audit - Ensure financial policies in place, approved and implemented to ensure compliance with the PFMA. | Ensure strict compliance with the Public Finance Management Act and Treasury Regulations. | Financial policies not having formed part of the finance review to be drafted, approved and implemented.         | Q1: Identified financial policies to be reviewed and/drafted and submitted to Audit Committee.<br>Q2: Financial policies to be consulted/ workshoped with staff and submitted to the Regulator for approval.<br>Q3: Financial policies to be implemented and compliance monitored.<br>Q4: Policies to be reviewed & updated if required.   | Financial policies were reviewed, approved and implemented.   | None.               | None.              | Review report of the financial policies. |



## Achievements for the year 2014 / 2015

| APP Strategic Objective | APP Objective Statement  | Baseline  | APP KPI Indicator  | Annual Target  | Actual Performance  | Reason for Variance | Action to be taken | Portfolio of evidence  |
|-------------------------|--|---|--|--|---|---------------------|--------------------|--|
|                         | Accurate and timeous quarterly and financial reporting, as well as budgeting to Executive Authority. | Ensure strict compliance with the Public Finance Management Act and Treasury Regulations. | Quarterly reports to be sent to the Executive Authority on time and on budget.                     | Q1: 100% compliance with timelines set by legislation.<br>Q2: 100% compliance with timelines set by legislation.<br>Q3: 100% compliance with timelines set by legislation.<br>Q4: 100% compliance with timelines set by legislation.   | Quarterly reports were submitted to the accounting authority and the executive authority 30 days after the end of each quarter. | None.               | None.              | Acknowledgement of receipt of the quarterly report.  |
|                         |  | Ensure strict compliance with the Public Finance Management Act and Treasury Regulations. | Compliance with the PFMA in terms of time periods for submission of budgets and financial reports. | Q1: 100% compliance with timelines set by Treasury.<br>Q2: 100% compliance with timelines set by Treasury.<br>Q3: 100% compliance with timelines set by Treasury.<br>Q4: 100% compliance with timelines set by Treasury.   | The ENE and database were all submitted and approved before the start of the 2015/2016 financial year.                          | None.               | None.              | Presentation to the Minister and signature of the APP and strategy which include the budget. |
|                         |  | Ensure strict compliance with the Public Finance Management Act and Treasury Regulations. | Effective risk management.   | Q1: Risk mitigation strategy to be developed and risk management progress reported on for the quarter. Q2: Risk strategy implemented and reported on quarterly to the Audit Committee. Q3: Risk strategy implemented and reported on quarterly to the Audit Committee. Q4: Risk strategy implemented and reported on quarterly to the Audit Committee. | Risk strategy was prepared, approved and implemented. Risk management was reported on every quarter.                            | None.               | None.              | Minutes of meetings for approval of risk strategy and presentations for Regulator meetings.  |





## Achievements for the year 2014 / 2015

| APP Strategic Objective  | APP Objective Statement   | Baseline  | APP KPI Indicator   | Annual Target  | Actual Performance  | Reason for Variance                           | Action to be taken                        | Portfolio of evidence                               |
|--|---|---|---|--|---|---|---|---|
|  | Engagement with the Executive Authority regarding a sustainable funding model for the organisation especially in the medium term. | Scenarios explored to supplement funding to ensure sustainability.  | Engage Department of Transport and the Treasury to evaluate ways to supplement the Regulator's funding to ensure sustainability.                      | Q1: Develop funding model using various scenarios and submit to the DoT with the approval of the Regulator.<br>Q2: Engage with DoT and Treasury on the model and what legislative requirements are needed.<br>Q3: Consult industry and stakeholders.<br>Q4: Funding Model to be finalized and implemented. | The funding strategy was prepared and submitted to the Minister at the AGM and the Portfolio Committee. | None.   | None.                                     | Minutes of meetings for the Annual General Meeting. |
| 2. Improvement of Economic regulation of ports (Price, access, institutional structure). | Medium-term Tariff Methodology developed consulted and approved.  | Tariff methodology researched and final medium term methodology consulted with industry and implemented for the period 2014/15 – 2016/17. | Methodology decision and publication.   | Q1: Medium Term Tariff Methodology developed, consulted and approved.<br>Q2: Methodology implemented.<br>Q3: Tariff Application in line with the methodology- 100%.<br>Q4: Tariff application assessed in line with the methodology.   | Methodology approved and published.   | None.   | None.                                     | Published Tariff Methodology 2015/16-2017/18        |
|  | Tariff Strategy consulted and finalised.  | Tariff Strategy researched, Consulted with industry, approved and finally implemented for the port system.                                | Medium to long term Tariff Strategy to be developed and approved by the Accounting Authority and consulted with the Executive Authority and industry. | Q1: Tariff Strategy drafted.<br>Q2: Strategy consulted on with the stakeholders and industry.<br>Q3: Strategy amended where required and submitted for approval to the Regulator members.<br>Q4: Strategy to be implemented and tariff book amended in accordance therewith.                               | Tariff Strategy consulted, finalised, approved and published.   | Further consultation requirements identified. | Further consultation planned for 2015/16. | Published Tariff Strategy.                          |



## Achievements for the year 2014 / 2015

| APP Strategic Objective | APP Objective Statement   | Baseline  | APP KPI Indicator  | Annual Target   | Actual Performance   | Reason for Variance   | Action to be taken              | Portfolio of evidence   |
|-------------------------|---|---|--|---|--|---|---------------------------------|---|
|                         | Perform NPA 2015/2016 Tariff Assessment.  | Part of the Ports Regulator statutory mandate in terms of the National Ports Act, Regulations and Directives thereto. | Tariff assessment completed and Record of Decision published.                        | Q1: Engage with National Ports Authority on pending Tariff application.<br>Q2: Receive Tariff application and start assessing same in accordance with the methodology.<br>Q3: First draft submitted to the Regulatory Committee for discussion and engagement on the issues.<br>Q4: Final determination submitted to the Regulator for approval and Record of Decision published. 100%. | Tariff Decision published.   | None.   | None.                           | Record of Decision 2015/16.   |
|                         | Engagement with Executive Authority on integrated tariff methodology principles for the Single Transport Economic Regulator beyond medium term. | Engagement and consultation with the Executive Authority regarding the Single Transport Economic Regulator.           | Long term integrated tariff approach agreed with DoT.                                | Q1: Provide comments on the draft Bill as well as comments received from stakeholders.<br>Q2: Develop integrated tariff methodology for the STER and submit to the DoT.<br>Q3: Publish and consult key stakeholders on draft methodology.<br>Q4: Publish final agreed methodology.  | Inputs into STER processes as required through Steering Committee. | This is a DoT process. The PRSA is not in control of the process. | Await instruction from the DoT. | Minutes of Steering Committee meetings and inputs into the draft Economic Regulation of Transport Bill. |
|                         | Annual Global Tariff Comparator Study for at least 5 commodity types. I.e,  | Impact on the Regulator's Tariff Assessment and allocation in regard to the Tariff Strategy                           | 31 March 2015 Global Port Pricing Comparator completed for 5 cargo/ commodity types. | Q1: Complete research for benchmarking review for coal and iron-ore 25%.<br>Q2: Complete research for   | Report approved and published.                                     | None.   | None.                           | Published Report.   |



## Achievements for the year 2014 / 2015

| APP Strategic Objective   | APP Objective Statement   | Baseline   | APP KPI Indicator   | Annual Target  | Actual Performance   | Reason for Variance | Action to be taken | Portfolio of evidence   |
|---|---|--|---|--|--|---------------------|--------------------|---|
|   | coal, iron-ore, automotives, liquid bulk, containers.                       |  |   | automotives and liquid bulk<br>50%.<br>Q3: Complete benchmarking research for containers<br>And compile results<br>75%.<br>Q4: Write up results and data and publish<br>100%.  |  |                     |                    |   |
| 3. Industry development and Infrastructure planning integration and efficiency. | Joint port traffic statistics review performed with DoT.                    | This project is important from a national perspective to analyse data from ports nationally.   | Complete traffic statistics review for liquid bulk and thereafter upscale.                        | Q1: Obtain data from NPA and DoT and compare<br>25%.<br>Q2: Compile data<br>50%.<br>Q3: Write up review and engage with DoT<br>75%.<br>Q4; Publish review<br>100%.   | Report approved and published.                               | None.               | None.              | Published Report.   |
|   | Support the Maritime Industry Development Programme initiatives of the DoT. | Provide inputs to and support on issues affecting the Port Industry at forums such as the regional Port Consultative Committees and National Ports Consultative Committees engagement processes. | Provide support required by DoT in the industry at the PCC meetings as well as the NPCC meetings. | PCC's and report on relevant matters affecting the port industry to DoT and which may inform the Regulators' mandate.<br>Q2: Attend quarterly PCC's and report on relevant matters affecting the port industry to DoT and which may inform the Regulators' mandate.<br>Q3: Attend quarterly PCC's and report on relevant matters affecting the port industry to DoT and which may inform the Regulators' mandate.<br>Q4: Attend Quarterly PCCs and the meetings NPCC and provide advice to the DoT where required and input into the meetings. | Attendance of all 4th Quarter PCC meetings and NPCC meeting. | None.               | None.              | PCC meeting minutes reflecting attendance<br>Ports Regulator inputs and report at each meeting. |



## Achievements for the year 2014 / 2015

| APP Strategic Objective | APP Objective Statement                       | Baseline  | APP KPI Indicator   | Annual Target   | Actual Performance  | Reason for Variance   | Action to be taken                      | Portfolio of evidence  |
|-------------------------|---|---|---|---|---|---|---|--|
|                         | Medium term port benchmarking review 2014/15. | To provide the Ports Regulator with data regarding performance of South African ports in relation to other comparable global ports.   | Perform by 31 March 2015 full port benchmarking review on marine, terminal infrastructure services with a shared efficiency research component. | Q1: Start review and monitor Terminal Operators Performance Standards and Marine Operators Performance standards processes and develop reporting and filing instruments.<br>Q2: National Ports Authority to report on performance of Terminal and Marine operators and benchmark against other ports.<br>Q3: Compile report on the review and submit to the Regulator for discussion and engagement.<br>Q4: Publish review. | Benchmarking South African Ports: container and automotive terminals 2014/15 report published by 31 March 2015. | Efficiency component deferred to subsequent iterations of the report. | None.                                   | Benchmarking Report "Benchmarking South African Ports: container and terminals 2014/15". |
|                         |   | To provide the Ports Regulator with data regarding the utilisation of infrastructure capacity in order to make informed decisions regarding the National Ports Authority CAPEX investment in terms of its application to the Regulator. | Start review and engage NPA for capacity and utilisation data.  | Q1: Start review and engage NPA for capacity and utilisation data.<br>Q2: Continue to receive data from the NPA and start drafting review report.<br>Q3: Receive data from the NPA for the 3rd quarter performance and project for 4th Q. Write up results and consult NPA and submit to the Regulator for approval to publish.<br>Q4: Submit review report to the DoT and publish.<br>100%.                                | SA port terminals: capacity and utilisation review 2014/15 report published by 31 March 2015.                   | None.   | None.                                   | Report "SA Port terminals: capacity and utilisation review 2014/15".                     |
|                         |   |   | Asset Valuation Project to be completed and results published.  | Q1: Service providers are to have been appointed and project started in the new FY.   | Not implemented.  | Insufficient funding for project scope.                               | Additional funding to be sourced and/or | Funding proposals to National Treasury for   |



## Achievements for the year 2014 / 2015

| APP Strategic Objective   | APP Objective Statement   | Baseline   | APP KPI Indicator   | Annual Target   | Actual Performance  | Reason for Variance | Action to be taken   | Portfolio of evidence   |
|---|---|--|---|---|---|---------------------|--|---|
|   |   |  |   | <p>Q2: Valuation to be completed by service providers and reports rendered to the Regulator.</p> <p>Q3: Results to be shared with NPA and engage with the NPA on results of the project and impact on the tariff.</p> <p>Q4: Publish report 100%.</p> |   |                     | project to be implemented with reduced scope over strategic plan period (valuation of fewer assets annually or specified valuation method per year). | international donor funding<br>Project inclusion in 2015/16 APP.  |
| 4. Monitoring the port industry and its compliance with the National Ports Act, Port Policy and other Regulatory Instruments. | Draft recommended amendments report to the Ports Act are required to enhance the power of the Regulator to police decisions made by it as well as enhance its governance structures in compliance with overarching legislation. | Various provisions of the National Ports Act, 12 of 2005 are outdated and additional provisions are to be inserted into the Act in line with shortcomings identified by the Regulator. | Various provisions of the Ports Act, 12 of 2005 are outdated and additional provisions are to be added in line with shortcomings identified by the Regulator. | <p>Q1: Amendments report to be drafted and sent to the DoT.</p> <p>Q2: Engage with DoT and consult relevant stakeholders.</p> <p>Q3: Finalise Amendments.</p> <p>Q4: Submit to DoT to be tabled in Parliament.</p>                                    | Target achieved<br>Amendments submitted to DoT. Engagements had with the Executive Authority on the B-BBEE section of the recommendations made. | None.               | None.  | Report contained in Portfolio of Evidence for the Legal<br>Report sent via email to the DoT Department.<br>Acknowledgement of receipt of report from the Executive Authority. |



## Achievements for the year 2014 / 2015

| APP Strategic Objective | APP Objective Statement  | Baseline                                   | APP KPI Indicator  | Annual Target   | Actual Performance   | Reason for Variance | Action to be taken | Portfolio of evidence   |
|-------------------------|--|--|--|---|--|---------------------|--------------------|---|
|                         | Complete 100% of the compliance review of Durban and Richard's Bay and commence other ports.     | Part of the Regulator's statutory mandate. | Richard's Bay and Durban port level compliance review to be completed.   | Q1: Workplan with milestones provided to NPA and request S56 Agreements and S57 licences and leases to review 25%.<br>Q2: Review documents requested and prepare gap analysis. File documents received.<br>Q3: Start preparing report on level of compliance, submit to the Regulator and engage NPA on gaps.<br>Q4: Prepare and publish final report 100%. | Target achieved. Compliance Report finalised, consulted with the National Ports Authority and published. | None.               | None.              | Report contained in Portfolio of Evidence for the Legal Department and published on the website.  |
|                         |  | Part of the Regulator's statutory mandate. | Commence review of East London/ PE/Nquga/ Saldanha & Mossel Bay: Compliance workplan to be drafted and approved. | Q1: Map out process for these ports.<br>Q2: Engage NPA legal department and prepare workplan for these ports and submit to Regulator.<br>Q3: Request documentation and assess whether further capacity required to perform ongoing review. Embark on process to recruit additional capacity.<br>Q4: Start review of these ports.                            | Target Achieved. Report for Ngqura drafted and review of Mossel Bay, Saldanha, East London commenced.    | None.               | None.              | Report contained in Portfolio of Evidence for the Legal Department and letter from Transnet receiving remaining port information requested. |
|                         | B-BBEE status review of all S56 and S57 port facilities and service providers for all the ports. | Part of the Regulator's statutory mandate. | Richard's Bay and Durban B-BBEE status review to be completed.   | Q1: Develop format for reporting in line with Regulator's compliance framework.<br>Q2: Engage NPA on new format. Amend and provide NPA with final reporting format.   | Target achieved. Report published on the website by 31 March 2015.                                       | None.               | None.              | Report contained in Portfolio of Evidence for the Legal Department. Email confirming published on the PRSA website.                         |



## Achievements for the year 2014 / 2015

| APP Strategic Objective | APP Objective Statement   | Baseline  | APP KPI Indicator  | Annual Target  | Actual Performance   | Reason for Variance   | Action to be taken               | Portfolio of evidence  |
|-------------------------|---|---|--|--|--|---|----------------------------------|--|
|                         |   |   |  | Q3: Review report from the NPA and request further information if necessary. Submit to the Regulator.<br>Q4: Publish compliance findings in this regard on website.  |  |   |                                  |  |
|                         |   | Part of the Regulator's statutory mandate.                                  | Commence East London/ PE/Nquga, Saldanha & Mossel Bay B-BBEE review. | Q1: Develop format for reporting same as Durban and RB.<br>Q2: Submit to NPA and allow time for reporting – deadline November 2014.<br>Q3: Review report and engage NPA on gaps identified.<br>Q4: Submit to Regulator members and Publish report.       | Target achieved. One report for all the Ports same as above. | None.   | None.                            | Report contained in Portfolio of Evidence for the Legal Department.  |
|                         | Revise Directives on compliance filings by all port industry participants, tribunal procedures and enforcement of decisions by the Regulator. | Directives provide the process by which the Regulator executes its mandate. | Revised Directives published for comment.                            | Q1: Develop draft directives.<br>Q2: Draft consulted on with the NPA and published for industry comment.<br>Q3: Amendments effected where required and submitted for approval to the Regulator Members.<br>Q4: Directives gazetted and implemented 100%. | Target substantially achieved.                               | Amendments to the directives have been approved by the Regulator. On request of Members have been sent for review by a separate firm. Thereafter will be sent to the Gazette and implemented. | Receive comments from Attorneys. | Amendments to the Directives Report in Legal Department Portfolio of Evidence. Report approved by the Regulator on 20 February 2015 – see minutes of meeting on said date. |



## Achievements for the year 2014 / 2015

| APP Strategic Objective   | APP Objective Statement   | Baseline   | APP KPI Indicator   | Annual Target  | Actual Performance  | Reason for Variance   | Action to be taken  | Portfolio of evidence   |
|---|---|--|---|--|---|---|---|---|
|   | Organisation to ensure compliance with all legislation applicable to it in terms of its core mandate and its operations.  | Part of the Regulator's statutory mandate.   | Legislative Framework to be developed implemented and updated annually. Ensure good governance in compliance with King Code and PFMA and Governance Policy developed. | Q1: Legislative Framework developed and submitted to Audit Committee for approval.<br>Q2: Policy gap analysis performed in line with legislative framework.<br>Q3: Submit final document to the Regulator for approval.<br>Q4: Ensure implementation and reviewed for updates if required. | Target achieved. Legislative Framework approved and implemented. It is reviewed on ongoing basis for changes to legislation and accordingly updated.  | None.   | None.   | Framework approval by the Audit Committee and contained in Portfolio of Evidence Folder of the Legal Department Legislative Framework and Dashboard in Legal Department Portfolio of Evidence - See minutes of third quarter Audit Committee meeting. |
|   |   | Part of the Regulator's statutory mandate.   |   | Q1: Compliance tick box updated.<br>Q2: Compliance monitored and reported on to Audit Committee and Regulator.<br>Q3: Compliance monitored and reported on to Audit Committee and Regulator.<br>Q4: Compliance monitored and reported on to Audit Committee and Regulator.                 | Target achieved. Revised compliance dashboard is submitted quarterly to the Audit Committee and Compliance reports submitted at each Audit Committee and Regulator meeting.   | None.   | None.   | Legislative Framework and Dashboard in Legal Department Portfolio of Evidence. See Management reports for each Regulator meeting and Audit Committee meeting.   |
| 5. Operating an effective and efficient tribunal to hear complaints and appeals under the National Ports Act. | Tribunal to be consistently operated to hear complaints and appeals and Tribunal members to undergo ongoing training to ensure efficient and effective decision making. | Operating a complaints and appeals Tribunal is a vital structure within the sector to deal with sectoral complaints. | Regulator Members to receive ongoing training on judicial processes.  | Q1: Relevant training sourced and members engaged on availability.<br>Q2: Members and/or staff to attend relevant training.<br>Q3: Ongoing training needs monitored and sourced where gaps are identified.<br>Q4: Report on training for the year 100%.                                    | Target substantially achieved. The Regulator Training Plan submitted to the The Regulator and Members Training reported on for the year. Members attended Corporate Governance training. However training on judicial processes not achieved. | Service Provider for Judicial process training not approved by the Regulator members and alternate service provider had to be sought. | Follow up with alternate service provider as to whether training can go ahead in the first quarter of the new financial year. | Member Training Plan contained in Portfolio of Evidence file in Legal Department e-mails confirming attendance of corporate governance training for specific Members. Memo regarding changes to judicial process training.                            |





## Achievements for the year 2014 / 2015

| APP Strategic Objective | APP Objective Statement                                     | Baseline  | APP KPI Indicator  | Annual Target  | Actual Performance  | Reason for Variance | Action to be taken | Portfolio of evidence  |
|-------------------------|---|---|--|--|---|---------------------|--------------------|--|
|                         |   | Part of the Regulator's statutory mandate.      | Draft and finalise submission for additional commissioners to assist Members on tribunal matters.                                    | Q1: Develop draft directives for appointment of commissioners to assist the Members and engage CCMA and the Competition Commission.<br>Q2: Action points emerging from engagements and submit to the Regulator for sign-off.<br>Q3: Amend Directives in line with outcomes and submit to DoT for approval.<br>Q4: Directives to be gazetted. | Target achieved. Report submitted to the Executive Authority.                 | None.               | None.              | See Amendment to the National Ports Act Report contained in Portfolio of Evidence for the Legal Department Report approved by the Regulator on 20 February 2015. |
|                         | Tribunal to have at least 18 days availability in the year. | Tribunal to hear at least six matters per year. | Timeous selection and availability of Members for approximately three days per matter estimated at six matters per year to be heard. | Q1: Two matters to be heard.<br>Q2: Two matters to be heard.<br>Q3: Two matters to be heard.<br>Q4: Decisions to be rendered on all matters 100%.  | Target fully achieved. Six matters have been heard / dealt with for the year. | None.               | None.              | Report on all matters for the year in Legal evidence file as well as Management reports to the Regulator at each meeting.  |



## 7. Statement of estimated income and expenditure

| Statement of Estimated Income and Expenditure                  |  | 2015/16       |
|--|--|---------------|
| <b>Revenue</b>   |  |               |
| <b>Tax revenue</b>   |  | -             |
| <b>Non-tax revenue</b>   |  | -             |
| Sale of goods and services other than capital assets of which: |  |               |
| Admin fees   |  | -             |
| Sales by market establishments                                 |  | -             |
| Other sales  |  | -             |
| Other non-tax revenue  |  | 310           |
| <b>Transfers received</b>                                      |  | <b>17,627</b> |
| <b>Total revenue</b>   |  | <b>17,937</b> |
| <b>Expenses</b>  |  |               |
| <b>Current expense</b>   |  | <b>17,937</b> |
| Compensation of employees                                      |  | 11,119        |
| Goods and services   |  | 6,519         |
| Depreciation   |  | 299           |
| Interest, dividends and rent on land                           |  | -             |
| Interest   |  | -             |
| Dividends  |  | -             |
| Rent on land   |  | -             |
| <b>Transfers and subsidies</b>                                 |  | -             |
| <b>Total expenses</b>  |  | <b>17,937</b> |
| <b>Surplus / (Deficit)</b>                                     |  | -             |



# 8. Programme for 2015 / 2016

## Annexure to Ports Regulator Annual Performance Plan 2015 / 2016

| Strategic Objective   | Outcomes   | Key Performance Indicator  | Annual Target 2015/2016  | 2015/2016 Quarterly Targets  |  |  |  |
|---|--|--|--|--|--|--|--|
|   |  |  |  | Q1   | Q2   | Q3   | Q4   |
| 1. The running of an efficient and effective administration system. | Organisational and Employee performance improved.  | Organisational Performance monitored and reported on to the Regulator quarterly.   | Achievement of all targets set in the Annual Performance Plan.         | Report on Q4 performance to the Regulator and DoT and the Regulator by 30 May 2016.  | Report on Q1 performance to the Regulator and the DoT by 30 July 2015.   | Report on Q2 performance to the Regulator and the DoT by 30 October 2015.  | Report on Q3 performance to the Regulator and the DoT by 30 January 2015.  |
|   | Implementation of a sustainable funding model for the organization once approved by the Executive Authority. | Quarterly Reports to the Regulator and/or the Executive Authority on implementation of the funding model once approved by the Executive Authority. | New funding model implemented to ensure organisational sustainability. | Quarterly progress reports to the Regulator on the approval and/or implementation of the approved funding model once approved. | Quarterly progress reports to the Regulator on the approval and/or implementation of the approved funding model once approved. | Quarterly progress reports to the Regulator on the approval and/or implementation of the approved funding model once approved. | Quarterly progress reports to the Regulator on the approval and/or implementation of the approved funding model once approved. |

| Strategic Objective  | Outcomes  | Key Performance Indicator  | Annual Target 2015/2016  | 2015/2016 Quarterly Targets  |   |   |  |
|--|---|--|--|--|---|---|--|
|  |   |  |  | Q1   | Q2  | Q3  | Q4   |
| 2. Ongoing Improvement of Economic regulation of ports (Price, access, institutional structure). | Implement the Multi-year Tariff Methodology.                    | Perform port tariff assessment in accordance with the Multi-year methodology and issue a record of decision.   | Tariff decision and ROD publication.                               | Report on initial engagements with the National Ports Authority on the pending Tariff Application due in Q2 to the Regulatory Committee. | Receive NPA's Tariff Application and begin economic assessment in accordance with the Methodology.                | First draft assessment report to be submitted to the Regulatory Committee for discussion. | Final Tariff Assessment report to be approved by the Regulator and submitted to the NPA for implementation by 20 March 2015. |
|  | Tariff Strategy approved, published, implemented and monitored. | Medium to long term Tariff Strategy to be consulted with industry, approved by the Regulator, published and monitoring reports to the Regulator on implementation. | South African Port Tariff Strategy implemented across port system. | Final draft Tariff Strategy approved by the Regulator and implementation plan drafted.   | Strategy and implementation plan consulted with industry and key stakeholders. Consultation report to be drafted. | Strategy and implementation plan consultation report drafted.                             | Strategy to be fully implemented, and report to the Regulator on implementation thereof.                                     |



| Strategic Objective   | Outcomes  | Key Performance Indicator   | Annual Target 2015/2016   | 2015/2016 Quarterly Targets                          |   |   |   |
|---|---|---|---|--|---|---|---|
|   |   |   |   | Q1   | Q2  | Q3  | Q4  |
| 2.1. Enhance SA port system through the performance of research and policy development. | Research Projects Performed.  | Research Reports published annually.  | Publish Research Reports to inform industry and policy development. |  |   |   |   |
|   | 2.1.1. Annual Global Tariff Comparator Study for at least 5 commodity types. I.e, coal, iron-ore, automotives, liquid bulk, containers. | Global Port Pricing Comparator study completed for 5 cargo/commodity types. |   | Complete data collection for all cargo types chosen. | Complete preliminary price compilation for all cargo types. | Complete research and write up draft report for submission to the Regulatory Committee. | Submit final report to the Regulator for approval and publish.      |
|   | 2.1.2. Review of the Port Sector.   | Complete Ports Review Study.  |   | Scope and draft the framework for the review.        | Commence research and compile data.                         | Write up the review and engage with stakeholders on preliminary results.                | Final review submitted for approval by the Regulator and published. |

| Strategic Objective   | Outcomes   | Key Performance Indicator  | Annual Target 2015/2016  | 2015/2016 Quarterly Targets  |   |   |   |
|---|--|--|--|--|---|---|---|
|   |  |  |  | Q1   | Q2  | Q3  | Q4  |
| 3. Industry development and Infrastructure planning integration and efficiency. | 3.1 Support the Maritime Industry Development initiatives of government and the DoT, within the mandate of the PRSA. | Provide the regulatory support required by DoT in the industry at the quarterly PCC meetings as well as the NPCC meetings to fulfill obligations in terms of the National Ports Act. | Quarterly reports to the DoT regarding matters affecting the ports sector as well as those impacting the mandate of the Regulator. | Attend 1st quarter PCC's and report on the 4th quarters PCCs to DoT. | Attend 2nd quarter PCC's and report on the 1st quarter PCCs to the DoT. | Attend 3rd quarter PCC's and report on the 2nd quarter PCCs to the DoT.                           | Attend 4th quarter PCCs as well as the the NPCC meetings and provide a report on the 3rd quarter PCCs as well as advice to the DoT on any matters arising at the NPCC where required. |
|   | 3.2 Port performance and efficiency benchmarking review.   | Complete and publish port performance and efficiency benchmarking review on marine, terminal operation across all commercial ports against global peers annually by 31 March 2016.   | Publish Port Performance and Efficiency Benchmarking Report.   | Complete data collection.  | Compile and analyse data and begin drafting report.                     | Submit draft report to the Regulatory Committee for comments and recommendation to the Regulator. | Submit report to the Regulator for final approval and publish the report.   |



| Strategic Objective | Outcomes  | Key Performance Indicator  | Annual Target 2015/2016  | 2015/2016 Quarterly Targets   |   |   |  |
|---------------------|---|--|--|---|---|---|--|
|                     |   |  |  | Q1  | Q2  | Q3  | Q4   |
|                     | 3.3 Port infrastructure utilisation and Capital Expenditure (CAPEX) Programme assessment. | Report, by 31 March 2016, to the Regulator on assessment of port infrastructure utilization and NPA's CAPEX Programme. | Produce Infrastructure utilisation and capital expenditure assessment report.  | Engage NPA for infrastructure utilisation data and collect data from previous reviews.                | Compile and analyse data and begin drafting report.   | Write up results and consult NPA and submit to Regulatory Committee for recommendation to the Regulator.      | Submit report to the Regulator for final approval. |
|                     | 3.4 Conduct valuation of the Regulatory Asset Base of the National Ports Authority.       | Undertake a phased valuation of the NPA's Asset Base – subject to funding becoming available.                          | To evaluate at least 2 of the NPA's major assets to start assessing the accuracy of the Regulatory Asset Base subject to additional funding being available. | Advertise tender and appoint Service provider/s. Project plan to be agreed with the service provider. | Valuation of at least 2 of the major assets to be completed by service provider/s and report/s rendered to the Regulator. | Engage with the NPA on results of the project and impact on the tariff, if deemed necessary by the Regulator. | -  |
|                     | 3.5. Project Register of NPA capex projects established.                                  | Establish Project Register of NPA capex projects and track and report progress quarterly.                              | Establishment of the Project Register.   | Quarterly update report to the Regulator.   | Quarterly update report to the Regulator.   | Quarterly update report to the Regulator.   | Quarterly update report to the Regulator.          |

| Strategic Objective   | Outcomes  | Key Performance Indicator   | Annual Target 2015/2016  | 2015/2016 Quarterly Targets  |   |   |   |
|---|---|---|--|--|---|---|---|
|   |   |   |  | Q1   | Q2  | Q3  | Q4  |
|   | 3.6. Perform Regulatory Review/ evaluation.   | Complete Regulatory Review of the PRSA.   | Publish Regulatory Review Report.  | Scope and draft the framework for the review and submit for approval by the Regulator.   | Commence research and compile data.   | Write up the review and engage with stakeholders on preliminary results.                                    | Final review submitted for approval by the Regulator and published.   |
| 4. Monitoring the port industry and its compliance with the National Ports Act, Port Policy and other Regulatory Instruments. | 4.1 Monitor amendments to the National Ports Act through the Executive Authority process and correspond with the Executive Authority regarding any further amendments that may be required. | i) Monitoring reports to the Regulator regarding progress of the legislative on amendments proposed by the Regulator. | Ongoing engagement with the DoT to track the progress of the passing of proposed legislative amendments proposed by the Regulator, and suggest further amendments where appropriate. | i). Engage DoT on progress regarding the Regulator's proposed amendments to the NPA & minute the meetings had and report thereon to the Regulator. | i) Prepare a report to the Regulator regarding DoT's progress on the passing of the legislative amendments. | i) Prepare a report to the Regulator regarding DoT's progress on the passing of the legislative amendments. | i) Prepare a report to the Regulator regarding DoT's progress on the passing of the legislative amendments/ implementation of the amendments (if passed). |



| Strategic Objective | Outcomes  | Key Performance Indicator   | Annual Target 2015/2016  | 2015/2016 Quarterly Targets   |  |   |  |
|---------------------|---|---|--|---|--|---|--|
|                     |   |   |  | Q1  | Q2   | Q3  | Q4   |
|                     |   | ii) Perform ongoing research and review of the legislation regarding any further amendments that may be necessary for the port system.  |  | ii) Prepare/draft gap analysis for further amendments where required.   | ii) Compile report on gap and research for further amendments. | ii) Submit final research report on further amendments to the Regulator and incorporate any comments they may have. | ii) Submit final report to the DoT regarding further amendments.   |
|                     | 4.2. Ongoing monitoring of compliance of the NPA with the National Ports Act with respect to Contracts, Processes and other Regulatory aspects. | Complete compliance monitoring reports as per compliance project plan for the remaining ports (Cape Town, Mossel Bay, Ngqura, PE, East London) and report to the Regulator and DoT. | Compile compliance findings and report to the Regulator, the National Ports Authority (NPA) and the Executive Authority. | Scope and draft the framework for the compliance monitoring for the remaining ports and request documents from the NPA. | Commence review and compile data.                              | Write up the review and engage with the NPA on preliminary results.   | Final review report submitted to the Regulator and progress of NPA monitored in addressing the findings. |

| Strategic Objective | Outcomes   | Key Performance Indicator   | Annual Target 2015/2016   | 2015/2016 Quarterly Targets  |  |  |  |
|---------------------|--|---|---|--|--|--|--|
|                     |  |   |   | Q1   | Q2   | Q3   | Q4   |
|                     |  | Further consultation, validation and monitoring of compliance progress of the NPA regarding Durban and Richard's Bay compliance findings from 2014/15.            |   | Engage with the NPA regarding compliance findings and draft a workplan to address the compliance findings. | Provide a quarterly report on progress in addressing compliance findings to the Regulator. | Provide a quarterly report on progress in addressing compliance findings to the Regulator and the NPA. | Provide a quarterly report on progress in addressing compliance findings to the Regulator and the NPA. |
|                     | 4.3.B-BBEE status review of all S56 and S57 port facilities and service providers for all the ports. | B-BBEE status review of ports to be completed in accordance with the Regulations to the National Ports Act and submit report to the Regulator as well as the NPA. | Assess NPA's compliance with B-BBEE Codes within the Maritime sector and report thereon to the Regulator and the NPA. | Review format for reporting by NPA in line with new scorecards.  | Engage NPA on new format. Amend and provide NPA with final reporting format.               | Review report from the NPA and request further information where necessary.                            | Submit assessment report to the the Regulator and the NPA and address shortfalls with the NPA.         |



| Strategic Objective   | Outcomes   | Key Performance Indicator   | Annual Target 2015/2016   | 2015/2016 Quarterly Targets  |  |  |  |
|---|--|---|---|--|--|--|--|
|   |  |   |   | Q1   | Q2   | Q3   | Q4   |
| 5. Operating an effective and efficient tribunal to hear complaints and appeals under the National Ports Act. | Tribunal to be consistently operated to receive new complaints and/or appeals and deal with existing complaints and / appeals efficiently. | Report quarterly on progress with regards to new and existing tribunal complaints and/or appeals to the Regulator, and issue Records of Decision where appropriate. | Tribunal to be effectively run, decisions published and members to receive ongoing training where gaps identified. And quarterly reports to be provided to the Regulator. | Compile report on all matters dealt with in the quarter to be submitted to the Regulator, in terms of how many matters heard, new matters received or matters settled. | Compile report on all matters dealt with in the quarter to be submitted to the Regulator, in terms of how many matters heard, new matters received or matters settled. | Compile report on all matters dealt with in the quarter to be submitted to the Regulator, in terms of how many matters heard, new matters received or matters settled. | Compile report on all matters dealt with in the quarter to be submitted to the Regulator, in terms of how many matters heard, new matters received or matters settled. |
|   |  | Regulator members and staff to receive ongoing training on tribunal processes, and update tribunal manual.  |   | Appropriate training sourced for tribunal members and staff to attend and arrangements made for attendance.  | Members and/or staff to attend relevant tribunal training and training report for the quarter to the Regulator.  | Ongoing training needs monitored and sourced where gaps are identified.  | Report on tribunal/legal training for the year to the Regulator.   |



## 9. Annual Financial Statements

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### Annual Financial Statements

for

**The Ports Regulator of South Africa**

for the year ended 31 March 2015





# The Ports Regulator of South Africa

## FINANCIAL STATEMENTS

for the year ended 31 March 2015

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# The Ports Regulator of South Africa


## REPORT OF THE ACCOUNTING AUTHORITY FOR THE YEAR ENDED 31 MARCH 2015

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 2015 set out on pages 5 to 23 were approved by the Regulator on 14 May 2015.



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**Mahesh Fakir**  
Chief Executive Officer



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**Gloria Tomatoe Serobe**  
Chairperson of the Regulator



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# The Ports Regulator of South Africa

## REPORT OF THE AUDITOR-GENERAL

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

### Introduction

1. I have audited the financial statements of the Ports Regulator of South Africa set out on pages 83 to 99, which comprise the statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), 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.

### Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ports Regulator of South Africa as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA.



# The Ports Regulator of South Africa

## Report Of The Auditor-General

### Report on other legal and regulatory requirements

7. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the economic regulation, monitoring as well as tribunal on pages 37 to 63 presented in the annual performance report of the public entity for the year ended 31 March 2015.
9. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
10. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPPI).
11. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
12. I did not identify any material findings on the usefulness and reliability of the reported performance information for economic regulation, monitoring as well as tribunal.

### Additional matter

13. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matters:

### Achievement of planned targets

14. Refer to the annual performance report on pages 37 to 63 for information on the achievement of the planned targets for the year.



# The Ports Regulator of South Africa

## Report Of The Auditor-General

### Compliance with legislation

15. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

### Internal control

16. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

*Auditor-General*

**Pietermaritzburg**  
29 July 2015



**A U D I T O R - G E N E R A L**  
**S O U T H A F R I C A**

*Auditing to build public confidence*



# The Ports Regulator of South Africa

## Statement of Financial Performance

For The Year Ended 31 March 2015

|  | Notes | 2015<br>R'000 | 2014<br>R'000 |
|--|-------|---------------|---------------|
| <b>REVENUE</b>                           |       |               |               |
| Non-exchange revenue                     |       | 16 852        | 15 900        |
| Transfers and subsidies                  | 2     | 16 852        | 15 900        |
| Exchange revenue                         |       | 387           | 275           |
| Sale of goods and rendering of services  | 3     | 3             | -             |
| Interest, dividends and rent on land     | 4     | 309           | 275           |
| Other income                             |       | 75            | -             |
| <b>TOTAL REVENUE</b>                     |       | <b>17 239</b> | <b>16 175</b> |
| <b>EXPENDITURE</b>                       |       |               |               |
| Administration expenses                  | 5     | 1 866         | 1 508         |
| Staff costs                              | 6     | 9 794         | 7 185         |
| Audit fees                               |       | 236           | 247           |
| Gifts                                    |       | 2             | -             |
| Other operating expenses                 | 7     | 5 874         | 7 385         |
| <b>TOTAL EXPENDITURE</b>                 |       | <b>17 772</b> | <b>16 325</b> |
| Other Gains/Losses                       |       | 24            | -             |
| Gain on disposal of the asset            |       | 24            | -             |
| <b>SURPLUS/ (DEFICIT) FOR THE PERIOD</b> |       | <b>(509)</b>  | <b>(150)</b>  |



# The Ports Regulator of South Africa

## Statement of Financial Position

For The Year Ended 31 March 2015

|   | Notes | 2015<br>R'000 | 2014<br>R'000 |
|---|-------|---------------|---------------|
| <b>ASSETS</b>                           |       | 1 068         | 1 080         |
| Non-current assets                      |       |               |               |
| Property, plant and equipment           | 8     | 915           | 1 060         |
| Intangible asset                        | 9     | 151           | 18            |
| Loans and receivables                   | 10    | 2             | 2             |
| Current assets                          |       | 5 484         | 7 219         |
| Trade and other receivables             | 11    | 27            | 25            |
| Cash and cash equivalents               | 12    | 5 457         | 7 194         |
| <b>TOTAL ASSETS</b>                     |       | <u>6 552</u>  | <u>8 299</u>  |
| <b>LIABILITIES</b>                      |       |               |               |
| Current liabilities                     |       | 465           | 1 703         |
| Trade and other payables                | 13    | 120           | 1 482         |
| Provisions                              | 15    | 345           | 221           |
| <b>TOTAL LIABILITIES</b>                |       | <u>465</u>    | <u>1 703</u>  |
| <b>NET ASSETS</b>                       |       |               |               |
| CAPITAL AND RESERVES                    |       |               |               |
| Accumulated surplus                     |       | 6 087         | 6 596         |
| <b>TOTAL NET ASSETS</b>                 |       | <u>6 087</u>  | <u>6 596</u>  |
| <b>TOTAL NET ASSETS AND LIABILITIES</b> |       | <u>6 552</u>  | <u>8 299</u>  |



# The Ports Regulator of South Africa Statement of Changes in NET Assets

For The Year Ended 31 March 2015

|  | R'000<br>Accumulated<br>Surplus |
|--|---------------------------------|
| <b>Opening balance at 1 April 2013</b>     | 6 746                           |
| Deficit for the year                       | <u>(150)</u>                    |
| <b>Balance on 01 April 2014</b>            | <u>6 596</u>                    |
| Surplus/(Deficit) for the period           | (509)                           |
| <b>Closing balance as at 31 March 2015</b> | <u><u>6 087</u></u>             |





# The Ports Regulator of South Africa

## Cash Flow Statement

For The Year Ended 31 March 2015

|  | Note | 2015<br>R'000  | 2014<br>R'000 |
|--|------|----------------|---------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                   |      |                |               |
| Receipts   |      | 16 929         | 15 900        |
| Transfers received   | 2    | 16 852         | 15 900        |
| Sale of goods and services                                   | 3    | 3              | -             |
| Other income   |      | 74             | -             |
| Payments   |      | (18 588)       | (15 216)      |
| Employee cost  | 6    | (9 794)        | (7 188)       |
| Suppliers and other payments                                 |      | (8 794)        | (8 028)       |
|  |      |                | -             |
| Net cash flows from operations                               |      | (1 659)        | 684           |
| Interest paid  |      | -              | -             |
| Finance income   |      | 309            | 275           |
| <b>Net cash flow available from operating activities</b>     | 16   | <b>(1 350)</b> | <b>959</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                  |      |                |               |
| Acquisition of :   |      |                |               |
| Property, plant and equipment                                | 8    | (207)          | (375)         |
| Intangible assets  | 9    | (267)          | (23)          |
| Proceeds from Derecognition of Property, plant and equipment |      | 87             |               |
| <b>Net cash flows from investing activities</b>              |      | <b>(387)</b>   | <b>(398)</b>  |
| Net increase/decrease in cash and cash equivalents           |      | (1 737)        | 561           |
| Cash and cash equivalents at beginning of the year           |      | 7 194          | 6 633         |
| <b>Cash and cash equivalents at end of year</b>              |      | <b>5 457</b>   | <b>7 194</b>  |



# The Ports Regulator of South Africa Statement Of Comparison To Budget

For The Year Ended 31 March 2015

\*Please refer to Note 20 of the annual financial statements for detailed variance analysis between budget and actual amounts.

| Actual 2014           | Economic Classification       | Actual Amount | Approved Budget | Variance     |
|-----------------------|-------------------------------|---------------|-----------------|--------------|
| <b>Revenue</b>        |                               |               |                 |              |
| 15 900                | Transfers                     | 16 852        | 16 852          | 0            |
| 275                   | Interest Received             | 309           | 302             | 7            |
| 0                     | Sundry Income                 | 75            | 0               | 161          |
| 0                     | Profit/Gain on sale of asset  | 24            | 0               | 24           |
| 0                     | Sale of goods and Services    | 3             | 0               | 3            |
| <b>16 175</b>         |                               | <b>17 263</b> | <b>17 154</b>   | <b>109</b>   |
| <b>Expenses</b>       |                               |               |                 |              |
| 337                   | Depreciation and Amortisation | 424           | 400             | (24)         |
| 7 188                 | Compensation of Employees     | 9 794         | 10 623          | 829          |
| 8 800                 | Goods & Services              | 7 554         | 6 131           | (1 423)      |
| <b>16 325</b>         |                               | <b>17 772</b> | <b>17 154</b>   | <b>(618)</b> |
| <b>(150)</b>          | <b>Surplus/(Deficit)</b>      | <b>(509)</b>  | <b>0</b>        | <b>(509)</b> |
| <b>Capital Budget</b> |                               |               |                 |              |
| <b>398</b>            |                               | <b>474</b>    | <b>0</b>        | <b>474</b>   |
| <b>398</b>            |                               | <b>474</b>    | <b>0</b>        | <b>474</b>   |

\*Please refer to Note 20 of the annual financial statements for detailed variance analysis between budget and actual amounts.



# The Ports Regulator of South Africa Statement Of Comparison To Budget

For The Year Ended 31 March 2015

## 1. Accounting Policies

### 1.1 Basis of preparation

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

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

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

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

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

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

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

### 1.2 Presentation currency

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

### 1.3 Rounding

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

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

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

## For The Year Ended 31 March 2015

### 1.5 Property, plant and equipment

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

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

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

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

|                                      |                  |
|--------------------------------------|------------------|
| <b>Office furniture and fittings</b> | <b>- 8 years</b> |
| <b>Computer equipment</b>            | <b>- 3 years</b> |
| <b>Motor vehicles</b>                | <b>- 5 years</b> |

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).

### 1.6 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. 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.**

Intangible assets - 2 years



# Notes To The Annual Financial Statements Of The Ports Regulator

For The Year Ended 31 March 2015

## 17 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

## 18 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..

## 19 Financial instruments

Financial instruments are initially recognised at cost.

### 19.1 Trade and other receivables

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

### 19.2 Trade and other payablest

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.

## 110 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.

## 111 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.

## 112 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.



# Notes To The Annual Financial Statements Of The Ports Regulator

For The Year Ended 31 March 2015

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

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

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

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

## 1.13 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.

## 1.14 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.



# Notes To The Annual Financial Statements Of The Ports Regulator

For The Year Ended 31 March 2015

|   | 2015<br>R'000 | 2014<br>R'000 |
|---|---------------|---------------|
| <b>2 Transfers and subsidies</b>              |               |               |
| Department of Transport                       | 16 852        | 15 900        |
| <b>3 Sale of goods and services</b>           | 2015          | 2014          |
| Complaint lodging fee                         | 3             | -             |
| <b>4 Interest, dividends and rent on land</b> |               |               |
| Interest income                               | 309           | 275           |
|   | 2015<br>R'000 | 2014<br>R'000 |
| <b>5 Administrative expenses</b>              |               |               |
| Accounting fee                                | -             | -             |
| Regulator members' remuneration               | 926           | 587           |
| Bank charges                                  | 17            | 18            |
| Entertainment                                 | 1             | 70            |
| Internal audit                                | 342           | 305           |
| Legal fees                                    | 67            | 9             |
| Stationery and printing                       | 141           | 99            |
| Subscriptions                                 | 76            | 196           |
| Training and staff development                | 192           | 101           |
| Venues and facilities                         | 104           | 123           |
|   | <b>1 866</b>  | <b>1 508</b>  |
| <b>6 Staff costs</b>                          | 2015          | 2014          |
| Salaries and wages                            | 8 446         | 6 195         |
| Performance bonus/awards                      | 843           | 523           |
| Employer contributions                        | 505           | 470           |
|   | <b>9 794</b>  | <b>7 188</b>  |



# Notes To The Annual Financial Statements Of The Ports Regulator

For The Year Ended 31 March 2015

## 7 Other operating expenses

|                                       |       |       |
|---------------------------------------|-------|-------|
| Advertising                           | 126   | 385   |
| Amortisation                          | 134   | 114   |
| Bursary                               | -     | -     |
| Catering                              | 23    | 23    |
| Communication costs                   | 215   | 201   |
| Computer expenses                     | 255   | 237   |
| Conferences                           | -     | 3     |
| Consultants                           | 1 107 | 2 441 |
| Consumables                           | 28    | 22    |
| Couriers and delivery charges         | 16    | 27    |
| Contracted and temporary employees    | -     | -     |
| Data and information storage          | 14    | -     |
| Depreciation                          | 290   | 223   |
| Movement in leave pay provision       | 124   | -     |
| Insurance                             | 58    | 63    |
| Maintenance and repairs               | 12    | 27    |
| Motor vehicle expenses                | 5     | 9     |
| Municipal services                    | 53    | 69    |
| Functions and events                  | -     | -     |
| Rental                                | 1 457 | 1 332 |
| Resettlement costs                    | 171   | -     |
| Travel, subsistence and disbursements | 1 239 | 1 716 |
| Staff                                 |       |       |
| Travel, subsistence and disbursements | 547   | 493   |
| Regulator members                     |       |       |
|                                       | 5 874 | 7 385 |





# Notes To The Annual Financial Statements Of The Ports Regulator

For The Year Ended 31 March 2015

## 8 Property, plant and equipment

| 2015                          | Cost         | Accumulated depreciated | Carrying value |
|-------------------------------|--------------|-------------------------|----------------|
|                               | R'000        | R'000                   | R'000          |
| Computer equipment            | 2 362        | (2 026)                 | 336            |
| Office furniture and fittings | 994          | (629)                   | 365            |
| Books                         | 74           | (37)                    | 37             |
| Motor vehicle                 | 189          | (12)                    | 177            |
|                               | <u>3 619</u> | <u>(2 704)</u>          | <u>915</u>     |

| 2014                          | Cost         | Accumulated depreciated | Carrying value |
|-------------------------------|--------------|-------------------------|----------------|
|                               | R'000        | R'000                   | R'000          |
| Computer equipment            | 2 346        | (1872)                  | 474            |
| Office furniture and fittings | 992          | (514)                   | 478            |
| Books                         | 74           | 29)                     | 45             |
| Motor vehicle                 | 179          | (116)                   | 63             |
|                               | <u>3 591</u> | <u>(2 531)</u>          | <u>1060</u>    |

### Reconciliation of Property, Plant and Equipment for 31 March 2015

|                               | Opening carrying value | Derecognition | Additions  | Depreciation | Closing carrying value |
|-------------------------------|------------------------|---------------|------------|--------------|------------------------|
|                               | R'000                  | R'000         | R'000      | R'000        | R'000                  |
| Computer equipment            | 474                    | -             | 16         | (154)        | 336                    |
| Office furniture and fittings | 478                    | -             | 2          | (115)        | 365                    |
| Motor vehicle                 | 63                     | (63)          | 189        | (12)         | 177                    |
| Books                         | 45                     | -             | -          | (8)          | 37                     |
|                               | <u>1060</u>            | <u>(63)</u>   | <u>207</u> | <u>(289)</u> | <u>915</u>             |



# Notes To The Annual Financial Statements Of The Ports Regulator

For The Year Ended 31 March 2015

## Reconciliation of Property, Plant and Equipment 2014

|                             | Opening carrying value | Disposal | Additions  | Depreciation | Closing carrying value |
|-----------------------------|------------------------|----------|------------|--------------|------------------------|
|                             | R'000                  | R'000    | R'000      | R'000        | R'000                  |
| Computer equipment          | 180                    | -        | 374        | (80)         | 474                    |
| Office furniture & fittings | 601                    | -        | -          | (123)        | 478                    |
| Motor Vehicle               | 82                     | -        | -          | (19)         | 63                     |
| Books                       | 53                     | -        | -          | (8)          | 45                     |
|                             | <b>916</b>             |          | <b>374</b> | <b>(230)</b> | <b>1060</b>            |

| 9 Intangible asset 2014 | Cost  | Accumulated depreciated | Carrying value |
|-------------------------|-------|-------------------------|----------------|
|                         | R'000 | R'000                   | R'000          |
| Computer software       | 395   | (377)                   | 18             |

| Intangible asset (continued) 2015 | Cost  | Accumulated depreciated | Carrying value |
|-----------------------------------|-------|-------------------------|----------------|
|                                   | R'000 | R'000                   | R'000          |
| Computer software                 | 663   | (512)                   | 151            |

## Reconciliation of Intangible assets Computer software at 31 March 2015

|                   | Opening carrying value | Disposal | Additions  | Amortisation | Closing carrying value |
|-------------------|------------------------|----------|------------|--------------|------------------------|
|                   | R'000                  | R'000    | R'000      | R'000        | R'000                  |
| Computer software | 18                     | -        | 267        | (134)        | 151                    |
|                   | <u>18</u>              | <u>-</u> | <u>267</u> | <u>(134)</u> | <u>151</u>             |



# Notes To The Annual Financial Statements Of The Ports Regulator

For The Year Ended 31 March 2015

Reconciliation of Intangible assets  
Computer software at 31 March 2014

|   | Opening carrying value | Disposal | Additions | Amortisation | Closing carrying value |
|---|------------------------|----------|-----------|--------------|------------------------|
|   | R'000                  | R'000    | R'000     | R'000        | R'000                  |
| Computer software                             | 109                    | -        | 23        | (114)        | 18                     |
|   | <b>109</b>             | <b>-</b> | <b>23</b> | <b>(114)</b> | <b>18</b>              |
| <b>10 Loans and receivables</b>               |                        |          |           | 2015         | 2014                   |
| Non current                                   |                        |          |           | R'000        | R'000                  |
| Deposit for car parking                       |                        |          |           | 2            | 2                      |
| <b>11 Trade and other receivables</b>         |                        |          |           | 2015         | 2014                   |
| Prepaid expenditure                           |                        |          |           | 27           | 25                     |
| <b>12 Cash and cash equivalents</b>           |                        |          |           | 2015         | 2014                   |
| Bank balances                                 |                        |          |           |              |                        |
| Standard bank cheque account                  |                        |          |           | 334          | 80                     |
| Standard bank Investment account              |                        |          |           | 5 123        | 7 114                  |
|   |                        |          |           | 5 457        | 7 194                  |
| <b>13 Trade and other payables</b>            |                        |          |           | 2015         | 2014                   |
|   |                        |          |           | R'000        | R'000                  |
| Accruals                                      |                        |          |           | 91           | 1 179                  |
| Receiver of Revenue                           |                        |          |           | 5            | 303                    |
| Discovery medical aid                         |                        |          |           | 24           | -                      |
| - Amounts receivable at beginning of the year |                        |          |           |              |                        |
| - Transactions for the year                   |                        |          |           |              |                        |
|   |                        |          |           | 120          | 1 482                  |



# Notes To The Annual Financial Statements Of The Ports Regulator

For The Year Ended 31 March 2015

## 14 Operating lease commitments

The Ports Regulator entered into a three year operating lease agreement with Old Mutual Properties that commenced on 1 October 2013 for R 102 184.85 per month including vat with an escalation clause of 9% annually.

| Minimum lease payments due                          | 2015         | 2014         |
|---|--------------|--------------|
| - not later than one year                           | 1 392        | 1 287        |
| - later than one year and not later than five years | 726          | 2 118        |
| - later than five years                             | -            | -            |
|   | <u>2 118</u> | <u>3 405</u> |

## 15 Leave pay provision

|  | 2015       | 2014       |
|--|------------|------------|
| Carrying amount at the beginning of the period   | 221        | 408        |
| Additional provisions made in the current period | 124        | -          |
| Amount utilised in the current period            | -          | (187)      |
| Carrying amount at the end of period             | <u>345</u> | <u>221</u> |

Leave pay provision comprises the value of leave days owing to employees as at 31 March 2015.

## 16 Cash generated from operations

|  | 2015                  | 2014              |
|--|-----------------------|-------------------|
| Surplus/(Deficit) for the period               | (509)                 | (150)             |
| <b>Non cash items</b>                          | <b>(841)</b>          | <b>1109</b>       |
| Depreciation                                   | 353                   | 223               |
| Amortisation                                   | 134                   | 114               |
| <b>Working capital changes</b>                 |                       |                   |
| Increase / (Decrease) in payables              | (1 202)               | 724               |
| (Decrease) / Increase in provisions            | (124)                 | (187)             |
| (Increase) / Decrease in receivables           | (2)                   | 241               |
| (Increase) / Decrease in inventory             | -                     | -                 |
| <b>Net cash flow from operating activities</b> | <b><u>(1 350)</u></b> | <b><u>959</u></b> |



# Notes To The Annual Financial Statements Of The Ports Regulator

For The Year Ended 31 March 2015

| 17 | Regulator Member's Remuneration | No. of<br>Individuals | 2015 | 2014 |
|----|---------------------------------|-----------------------|------|------|
|    | Members                         | 9                     | 926  | 587  |

**There is a current total of 6 Regulator Members, 3 members resigned during the financial year:**

Mr. R Howard resigned effective 30 April 2014  
 Ms P Langeni resigned effective 11 November 2014  
 Dr. G Steyn resigned effective 09 October 2014

| Members      | 2015<br>R'000 | 2014<br>R'000 |
|--------------|---------------|---------------|
| G Serobe     | 51            | 53            |
| R Howard     | 12            | 103           |
| P Langeni    | 2             | 43            |
| T Tsautse    | 143           | 94            |
| A Ngcobo     | 235           | 95            |
| G Steyn      | 51            | 61            |
| A Mahlolutye | 137           | 56            |
| P Mazibuko   | 127           | 82            |
| D Thwala     | 167           | -             |
| <b>Total</b> | <b>926</b>    | <b>587</b>    |

| 18 | Executive Member's Remuneration | No. of<br>Individuals | 2015  | 2014  |
|----|---------------------------------|-----------------------|-------|-------|
|    |                                 | 3                     | 4 385 | 2 700 |

| Marissa Damons** (Executive Legal Manager) | 2015         | 2014         |
|--|--------------|--------------|
| Basic Salary                               | 691          | 524          |
| Performance Bonus                          | 253          | -            |
| Acting Allowance                           | 33           | 255          |
| Taxable allowance                          | 250          | 204          |
| Medical Aid Allowance                      | 38           | 28           |
| <b>Total</b>                               | <b>1 265</b> | <b>1 011</b> |

| Thokozani Mhlongo*** (Acting Chief Financial Officer) | 2015       | 2014       |
|---|------------|------------|
| Basic Salary  | 459        | 422        |
| Performance Bonus                                     | 153        | 122        |
| Acting Allowance                                      | 71         | 0          |
| Taxable allowance                                     | 275        | 172        |
| Medical Aid Allowance                                 | 29         | 17         |
| <b>Total</b>  | <b>987</b> | <b>733</b> |



# Notes To The Annual Financial Statements Of The Ports Regulator

For The Year Ended 31 March 2015

| <b>Riad Khan****</b> (Previous Chief Executive Officer) | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|
| Basic Salary  | -           | 594         |
| Leave pay   | -           | 362         |
| <b>Total</b>  | -           | <b>956</b>  |

| <b>Mahesh Fakir*</b> (New Chief Executive Officer) | <b>2015</b>  | <b>2014</b> |
|--|--------------|-------------|
| Basic Salary                                       | 1 568        | -           |
| Taxable Allowance                                  | 565          | -           |
| <b>Total</b>                                       | <b>2 133</b> | -           |

\*Mr. Mahesh Fakir was appointed CEO effective 01 May 2014.

\*\* Ms Marissa was acting CEO for April 2014.

\*\*\* Mr. Thokozani Mhlongo was appointed Acting Chief Financial Officer effective 01 October 2014.

\*\*\*\* Mr. Riad Khan was the CEO and his contract expired on 15 July 2013.

## 19 **Contingent liabilities**

There were no contingent liabilities as at 31 March 2015.

## 20 **Events After Balance sheet date**

There were no post balance sheet date events as at 31 March 2015 that required amendment to the neither annual financial statements nor disclosure on the notes to the financial statements.

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

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

| <b>Economic Classification</b> | <b>Reason for Variance</b>  |
|--------------------------------|---|
| <b>Revenue</b>                 |   |
| Transfers                      | n/a   |
| Interest Received              | Interest is based on the investment balance kept by the entity  |
| Sundry income                  | n/a   |
| Sale of goods & services       | There was one complaint/appeal that was 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.  |
| Personal costs                 | The CEO post was vacant for 1 month in the year, plus 2 other posts that were filled by midyear, also the performance evaluation of the CEO was done 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 and savings from employee costs and any other savings on the budget. |



# Notes To The Annual Financial Statements Of The Ports Regulator

For The Year Ended 31 March 2015

|                              |  |
|------------------------------|--|
| <b>Capital Budget</b>        |  |
| Intangible assets            | The expenditure was on database management software that was 1 year delayed in terms of purchase and installation. |
| Property Plant and equipment | A company car was stolen and had to be replaced, also a new trolley for the office was purchased.                  |

|  | 2015  | 2014  |
|--|-------|-------|
|  | R'000 | R'000 |
| 22 <b>Unauthorised, irregular and fruitless and wasteful expenditure</b> |       |       |
| Unauthorised, irregular and Fruitless and wasteful expenditure           | -     | -     |
|  | _____ | _____ |

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.

| 24 <b>Risk management</b> | 2015 | 2014 |
|---------------------------|------|------|
|---------------------------|------|------|

#### Interest rate risk

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

#### Liquidity risk

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

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

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



# Notes To The Annual Financial Statements Of The Ports Regulator

For The Year Ended 31 March 2015

|                                 |             |             |
|---------------------------------|-------------|-------------|
| <b>Not later than one month</b> | <b>2015</b> | <b>2014</b> |
| Payables                        | 65          | 1 482       |

|                                     |             |             |
|-------------------------------------|-------------|-------------|
| <b>Maximum credit risk exposure</b> | <b>2015</b> | <b>2014</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 classes of financial assets at amortised cost:

|   |       |       |
|---|-------|-------|
| <b>Cash and cash equivalents</b>                              | 5 457 | 7 194 |
| <b>Trade and other receivables from exchange transactions</b> | 27    | 25    |

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                 | 2015   | 2014   |
|--|--------|--------|
| Transfers from the Department of Transport | 16 852 | 15 900 |









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