



S30(6) & S44 Report 2015/16

Ports Regulator of South Africa

(Incorporating the Annual Report in terms of the PFMA)

VISION

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

MISSION

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

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

VALUES

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

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

STRATEGIC OBJECTIVES

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

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

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CHAIRPERSON'S FOREWORD

It gives me great pleasure to present the Annual Report of the Ports Regulator of South Africa ('Regulator') for the 2015/16 financial year, in terms of the Public Finance Management Act, 1 of 1999 ('PFMA') as well as the report in terms of Sections 30(6) and 44 of the Act. This is indeed the first of such reports for the new Regulator appointed as of 01 September 2015, for a three year term of office.

I wish to thank the outgoing Chairperson, Mrs Gloria Serobe, for her two terms of pioneering efforts that organised and established the Regulator's processes, offices, staff and governance structure, since the very first Regulator was appointed in January 2007.

As a public entity, the Regulator has made great strides since its establishment, from the publishing of its first tariff approval and Directives in 2009/10, its first research studies: the Port Pricing Benchmark Study and Port Capacity and Utilisation Assessment completed in 2010/11, the Tribunal's first Record of Decision in 2011/12, the first Tariff Methodology established in 2012/13, to the country's first Port Tariff Strategy published this year, 2015/16.

Whilst the Regulator has 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, a number of challenges need to be addressed, including the funding and capacitation of the organisation, in order to deliver on its full potential. A number of initiatives have been taken to secure greater funding levels and a new funding model presentation was made to Parliament during 2015. It is hoped that the necessary enabling legislation will be supported and will be taken forward in the coming year. The Regulator having managed to stabilise its operations and deliver, in spite of the challenges, bears testimony to the commitment of the staff and Members both past and present, to go the extra mile for South Africa, and ensure the success of the Regulator.

In 2015/16, the organisation produced the first ever Tariff Strategy for the South African ports system which is aimed at addressing cross-subsidies and establishing logical and cost reflective port infrastructure and marine service tariffs. The Tariff Strategy seeks to establish greater fairness in the attribution of the tariff burden to the various user categories. Other important work over the year included the fourth iteration of the Global Ports Pricing Comparator Study, the Capacity and Utilisation Report for South African ports, and the Ports Efficiency Benchmarking Study, all valuable guidance mechanisms to reducing the cost of doing business with South Africa, and vital to the success of the National

Development Plan and our economic success as a country.

From a legal perspective, the Tribunal backlog has largely been cleared, the Regulator's compliance monitoring project included an audit of B-BBEE compliance in South African ports, the National Ports Authority's ('NPA') compliance with the Act in the remaining ports has been completed, and amendments to the Act have been suggested to the Department of Transport. Work has been completed on suggested amendments to the Act in order to improve regulation, and a five yearly Port Sector Review that analyses our port system, as well as each of our commercial ports, has been completed and published.

Furthermore, the Regulatory Principles state that the Regulator shall seek public submissions every five years on the quality and relevance of its regulatory policies and methods, and that these shall be aligned with the re-basing cycles, and other regulatory development cycles. In line with this principle, a Regulatory Review was undertaken for the first time in 2015/16 concurrently with the Tariff Strategy process, and included the consultation and participation of a wide range of stakeholders. The Regulator continued its open and public approach to the Tariff Strategy, conducting public hearings for both the Tariff Strategy as well as the Tariff Determination process at various key centres around the country, namely Durban, Cape Town, Port Elizabeth and Johannesburg.

Most of the Regulators' delivery targets have been met in 2015/16 and the Regulator achieved a 'Clean audit opinion' for the first time for the previous year, improving on its consistent unqualified audit status in previous years. On the whole, much was achieved by a relatively small staff compliment on a small budget. We call on government to assist however possible within their fiscal constraints to step up the baseline allowed to this important function of the State which, though small as an organisation, has a vital role to play in ensuring the economic well-being of the country.

In the year ahead, the Regulator hopes to continue to expand its analytical work, compliance initiatives, implement the Tariff Strategy and begin work on its final phase, and innovate new initiatives to meet the growing needs of the ports sector. We hope to be able to enhance the capacity of the Regulator as required by the National Development Plan ('NDP'), fill key unfunded posts and strive to retain the skills we have assembled as greater financial resources become available.

This year we welcomed new Regulator Members: Adv. Gugulethu Thimane, Ms. Anjue Hirachund, Ms. Gerdileen Taylor, Mr. Lindelwe Mabandla, and Mr. Riad Khan. Mr. Andile



Mahlalutye, Mr. Aubrey Ngcobo, Ms. Patricia Mazibuko, Ms. Thato Tsautse and Professor Thwala who have previously served as Members and have been retained as Members.

I would like to thank Honourable Minister Peters (MP) for my appointment as well as the appointment of a competent team to assist me. Further, I would like to recognise the efforts of the Regulator Members, staff and management for the few months that I have shared with them in ensuring the success of the Regulator. I ask, on behalf of the Regulator, for the continued guidance, support and assistance of Minister Peters, Deputy Minister Chikunga and the Department of Transport ('DoT') in the journey ahead.



THABA MUFAMADI
Chairperson
Ports Regulator of South Africa



CHIEF EXECUTIVE OFFICER'S REPORT

The past year was dedicated mainly to laying the foundation for port pricing reform in South Africa's commercial ports system, consulting the ports public, and undertaking analyses and reviews that would allow the Regulator to better serve its stakeholders in the future.

As part of port pricing reforms, the Port Tariff Strategy was widely consulted through roadshows, focus groups and meetings - with universities, other regulators, and key government departments, such as the National Treasury, DoT, Economic Development Department ('EDD'), and Department of Trade and Industry ('DTI'). The Tariff Strategy was finalised and published during the course of the 2015/16 year and signals a ten year period in which most cross-subsidies and pricing anomalies will be addressed, and cost-reflective tariffs for port infrastructure and port services will broadly be achieved.

A Regulatory Review, which evaluates the work of the Regulator after five years of operation, was undertaken, and includes a large public assessment component. Feedback forms from our various public engagements within the Tariff Strategy process, Tariff Determination process, as well as an internet survey and direct interviews with port stakeholders were analysed and provide important suggestions for the way forward.

In terms of the assessment of the Regulator's work, stakeholder feedback provided a positive boost of public confidence in the small team that endeavours to perform its regulatory work against all odds. It was most pleasing that the overall score received by the Regulator continued to be 80%, indicating that the Regulator's work was highly regarded by its stakeholders.

In a bid to stabilise the organisation, and set it on a path towards the achievement of key deliverables, a number of initiatives have been taken to secure greater funding levels for, amongst others, the NPA Asset Valuation Project, which will get underway this year. Further, a new funding model presentation was made to Parliament during 2015 and it is hoped that the necessary enabling legislation will find support.

The Regulator was awarded a 'Clean audit opinion' Certificate of Excellence from the Auditor General ('AG') last year (for 2014/15), the first such certificate achieved since the organisation was established. As part of our focus on the delivery of the organisation's targets, I am happy to report that over eighty percent of delivery targets have been met in

2015/16. Another huge success over this year has been the drive to address the backlog of tribunal matters, which was virtually wiped out over the year with nine matters addressed.

Additional work undertaken by the Regulator over the year included the Global Ports Pricing Comparator Study, Capacity and Utilisation study for SA ports, the Ports Efficiency Benchmarking Study, in which we provided objective information to the South African ports sector on South African port pricing and port efficiencies against an international sample of ports. These and other reports and analyses fulfil the broad monitoring mandate of the Regulator, and are valuable at country level in order to ensure a future direction that makes South Africa more competitive as a country. Our compliance monitoring work included an audit of B-BBEE compliance in our ports, and analysing NPA compliance with the Act in all other remaining ports besides Durban and Richards Bay, which had been completed in the previous year. A comprehensive Port Sector Review is envisaged to be published every five years, the first of which has been published in 2015/16.

I thank my determined and energetic staff and senior management for their dedicated service beyond the call of duty, in their achievement of the deliverables set out in the Annual Performance Plan ('APP') and much more!

As of 01 September 2015, new Regulator Members were appointed. I would like to thank the Chairperson, Mr. Thaba Mufamadi, and Regulator Members for their effort and commitment in accomplishing their difficult tasks in the short time that they have been with us, and hope that the enthusiasm and collective wisdom they have shown will continue to benefit the ports sector in the years to come. I further wish the outgoing Chairperson, Mrs. Gloria Serobe, everything of the best and thank her for her sterling work with the Regulator over two terms of office.

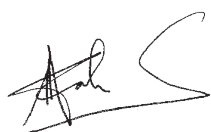
I express my gratitude for the guidance and support of Honourable Minister Peters (MP), Deputy Minister Chikunga and the Senior Managers and staff at the DoT, and look forward to working together to enhance and capacitate the Regulator and the maritime sector as a whole.

In the year ahead the Regulator will focus on unfinished business and implement initiatives that were started in 2015/16, as well as continue to sharpen our regulatory tools, and expand our information services and consultations with our stakeholders. Many important initiatives need to be undertaken, such as the design of beneficiation and other



incentives, the asset valuation project as well as the re-examination of the Regulatory Design for the future. I commit myself and the Secretariat to continue to enhance the internal capacity of the Regulator, and strive to achieve the deliverables set out in the Strategic Plan and Annual Performance Plan.

It thus gives me great pleasure to present the Annual Report of the Ports Regulator of South Africa for 2015/16, as per the PFMA and S30(6) and S44 of the Act.



MAHESH FAKIR
CEO
Ports Regulator of South Africa



CORPORATE REPORT

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



Members

of the Ports Regulator are:



Mr. Thaba Mufamadi
Chairperson



Ms. Thato Tsautse
Regulatory Committee
(Chairperson)



Ms. Patricia Mazibuko
Human Resource
Committee
(Chairperson)



Mr. Riad Khan
Regulatory Committee



Prof. W. Didibhuku Thwala
Regulatory Committee



Ms. Gerdileen Taylor
Regulatory Committee



Mr. Andile Mahlalutye
Audit Committee



Mr. Aubrey Ngcobo
Audit Committee



Mr. Lindelwe Mabandla
Human Resource
Committee



Adv. Gugu Thimane
Human Resource
Committee



Ms. Anjue Hirachund
Audit Committee



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



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

4.1. Administration

The Regulator's administration was empowered significantly when the new Members of the Regulator (as defined in S31(1)(a) of the National Ports Act) were appointed by the Minister of Transport in September 2015. The Regulator, during the course of the financial year, was operating with a total of six Regulator Members resulting in extreme administrative pressure in terms of quorum for meetings and tribunal panels. Section 31 (1)(a) of the Act states that: 'The Regulator consists of a Chairperson and a minimum of six and a maximum of twelve other members appointed by the Minister for a period of up to five years'. With the appointment of the new Members in September, the Regulator is currently operating with a total of eleven Members, including the Chairperson. This was viewed as extensively resourcing the entity in terms of governance and resources. The new Regulator Members have since worked tirelessly to grasp the business processes of the Regulator, as well as to ensure delivery of the Performance Agreement and the Annual Performance Plan. Administratively, the Secretariat has developed new policies and procedures and at the same time reviewed those already in existence. Further, strategies and frameworks have been updated in order to guide business processes with regards to the finance, human resource, information technology and risk management functions of the entity. The constant maintenance in terms of compliance and reviews has resulted in a system of strong internal controls and adequate governance practices ensuring minimal instances of non-compliance by the Regulator which resulted in a clean audit opinion.

4.1.1. Financial Management

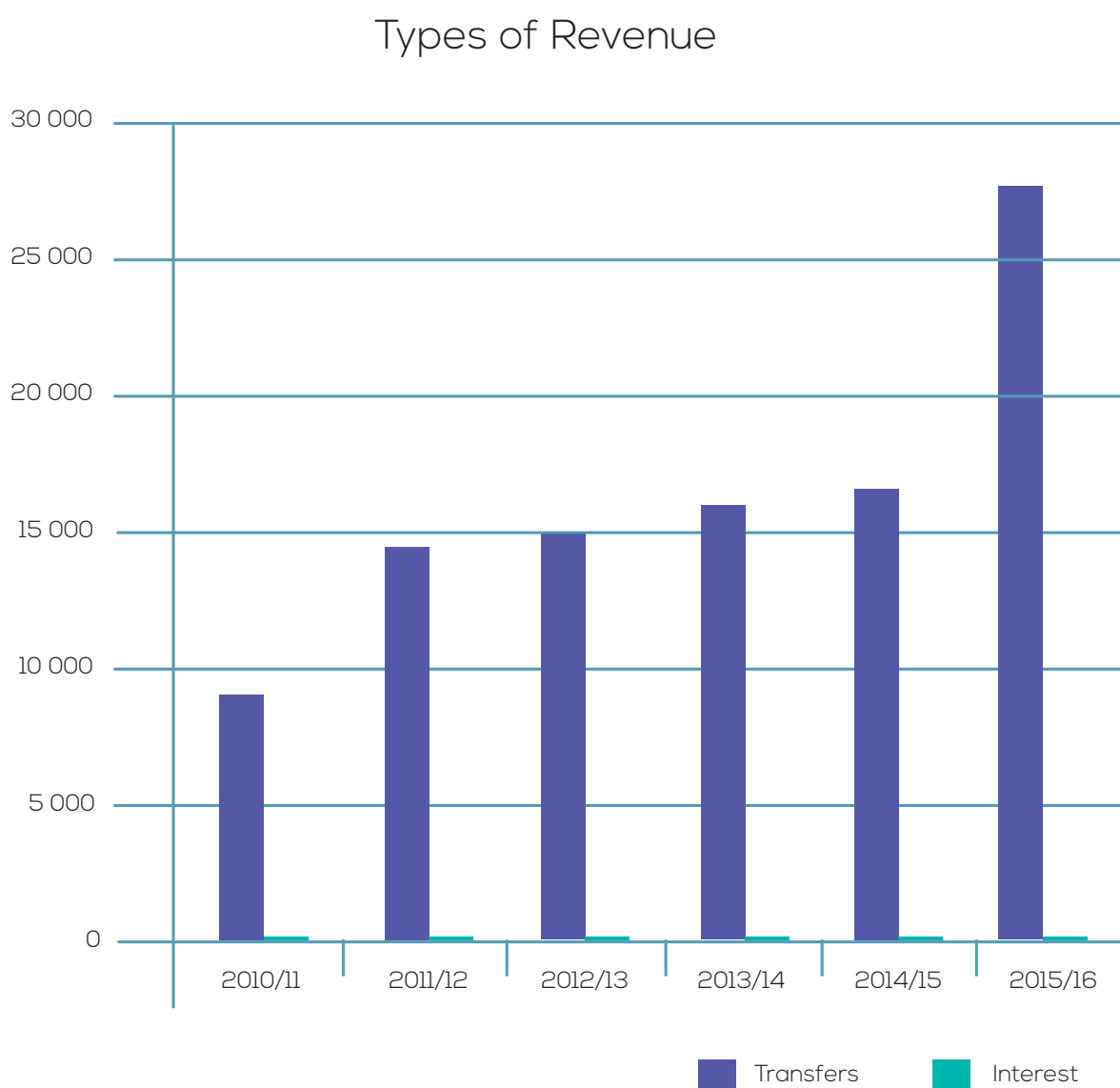
Section 42 (1) of the Act makes provision for the Regulator's funding. According to the Act, the funds of the Regulator consist of: (a) Money appropriated by Parliament; (b) interest on investments; and (c) fees charged for the filing of complaints or appeals with the Regulator. However, as evidenced in the financials of previous years, these monies are not always adequate for the operations of the Regulator. As a result, several projects were previously put on hold until additional funding was received. In an attempt to mitigate this issue, the Secretariat prepared a new draft funding model aimed at reducing its burden on the fiscus by proposing that a fee be charged to port users. A number of alternate options were presented to the Shareholding Minister at the previous Annual General Meeting ('AGM') and were further presented to the Portfolio Committee on Transport. However, implementation of the funding model will require amendments to the Act and it is understood that such a process may take a considerable amount of time. Therefore, the Secretariat has requested the Department of Transport to reprioritise their budget and increase the baseline allocation by R 10 million rand. This is an interim measure to be taken until a new funding model is approved and implemented.

The additional output in terms of the APP resulted in over-expenditure of the Regulator's budget for the past two financial years. As a direct result, the Regulator's reserves have been significantly reduced and the Regulator cannot sustain the current trajectory of overspending (result of additional Members). During the 2015 Medium-Term Expenditure Framework ('MTEF') budget process, an amount of R 10 million rand was allocated by the Department of Transport to the Regulator for the 2015/16 financial year. The allocation, over and above the baseline allocation of R 17 937 000, was intended for the completion of the Valuation of Assets project, as well as to fund other normal/ day-to-day operations of the Regulator, a project that has been present on the APP for numerous years but unfunded. Furthermore, an additional R 10 million rand was allocated for the 2016/17 financial year. However, it must be noted that the Regulator will be allocated its original baseline figure of R 17 937 000 in the 2017/18 financial year, an action that will put enormous pressure on the Regulator's financials, possibly resulting in some over expenditure.



National Treasury's Instruction Note 03 of 2015/16, regarding over expenditure by public entities, has made it difficult for entities to spend reserves and thus the Regulator may find itself in difficulty. Measures must be put in place during the 2016 MTEF budget process to allocate further baseline funding to the Regulator in order to ensure continued sustainability. The Figure below indicates the revenue generated for the past six financial years.

Figure 1: Revenue generated by the regulator



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

Table 1: Income classification for the Ports Regulator

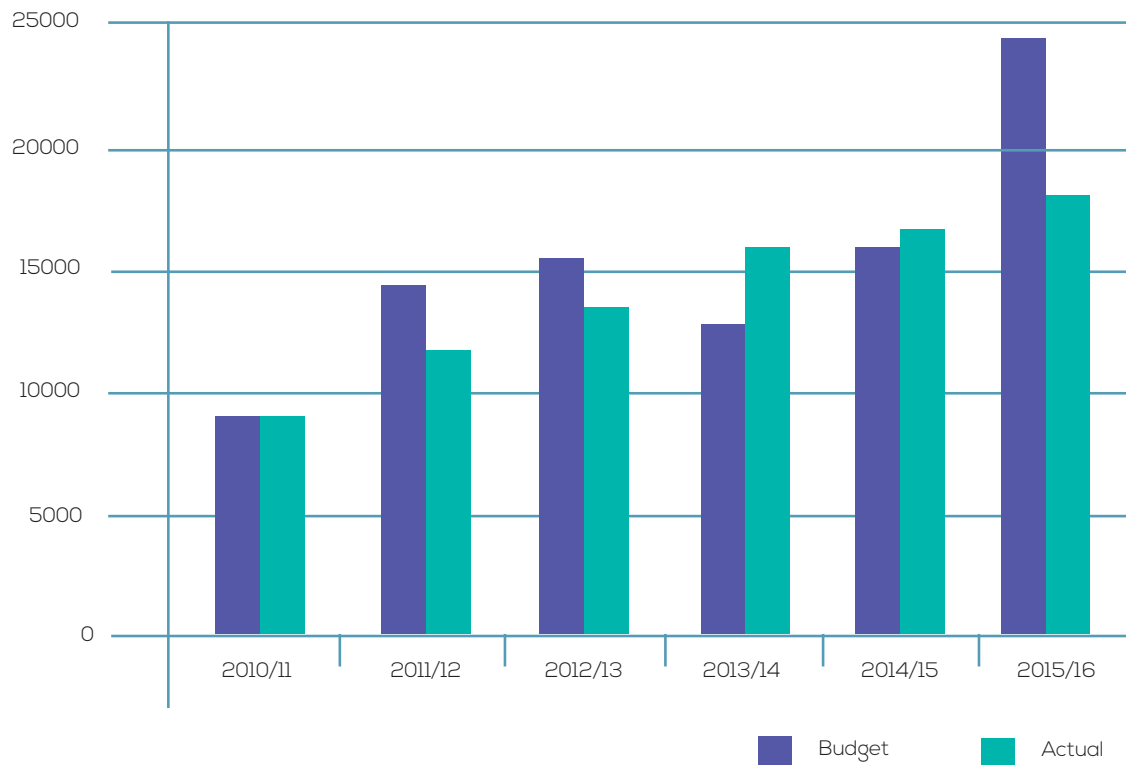
Item	2015/2016	R (000)	2014/2015	R (000)
Department of Transport		27 627		16 852
Interest income		466		309
Complaints and appeals		-		3
Sundry income		-		75
Profit on disposal of asset		19		24
Total		28 112		17 263

The Regulator has applied all possible measures to ensure that the expenditure is within the approved budget in order to avoid over expenditure on the total budget. The Table below illustrates the expenditure pattern of the Regulator for the past six financial years. The observations and concerns made by the new Regulator Members were communicated to the the Minister of Transport in November 2015; the Members noted that the situation may adversely impact on the delivery of the APP and the Performance Agreement. The Members concerns were coupled with the request to revise the baseline allocation by an amount of R 10 million in order to prevent reliance on reserves for the funding of additional activities required during the course and scope of efficient port regulation services. It must, however, be noted that the additional allocation for, amongst other things, the Valuation of Assets project in the 2015/16 financial year was not all spent at the end of the financial year, the supply chain processes did not yield a suitable service provider. A second supply chain process had commenced prior to the end of the financial year with hopes of success.

Finally, the Regulator does appreciate and acknowledge the once-off additional funding allocated for the 2016/17 financial year and further requests the Department of Transport to step up the baseline for the full medium-term period. This possible increase may result in a revision of the baseline allocation for the medium-term as opposed to the current budgeted figures. The Table below depicts the expenditure against the budget.

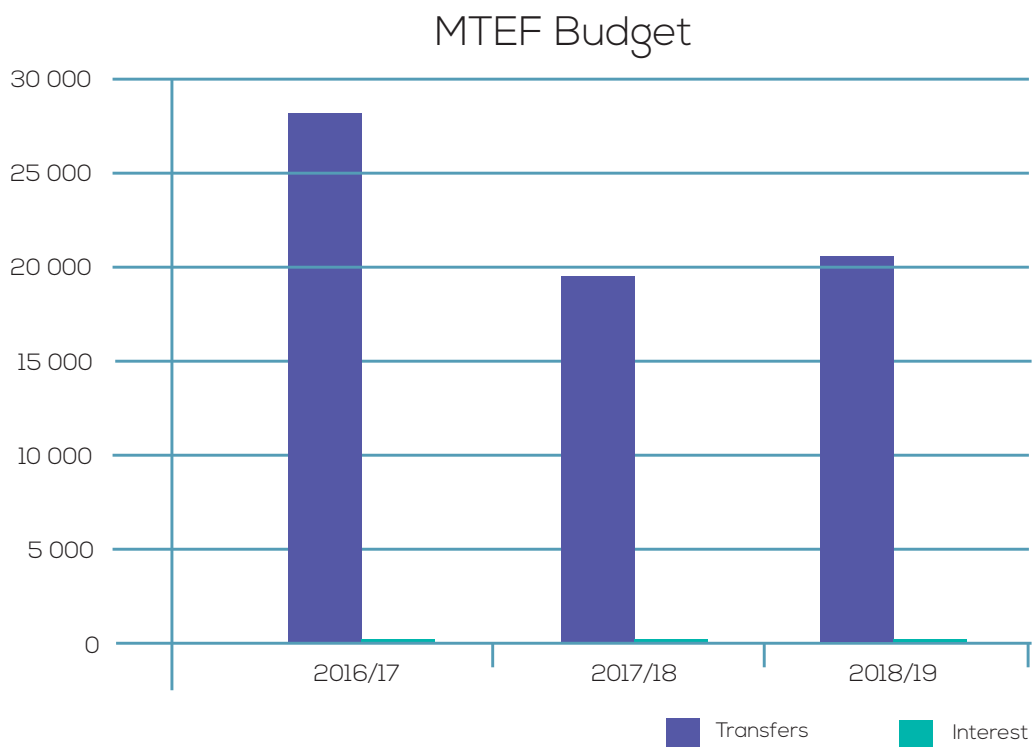


Table 2: Expenditure vs. Budget



The Table below indicates the budget for the MTEF. The decrease from 2016/17 to 2017/18 is evident. This is caused by the once off allocation for the 2016/17 financial year of R 10 million.

Table 3: Medium-Term Expenditure Framework Budget



4.1.2. Human Resource Management

The 2015/16 financial year has been extremely successful for the Regulator in terms of human resource management from a governance perspective. The appointment of the Members in September 2015 was a significant milestone for the Regulator. The full compliment of Members smoothes the way for increased compliance and a more effective manner in which to discharge the mandate of the Regulator.

The Human Resource Strategy sets out the basic principles in which the vision and mission of human resources is identified. The Strategy aims to guide the management of employees, the development of in-house skills, the management of employee-related risks, as well as the ongoing practice of increasing employee satisfaction and well-being within the workplace.

Further, the Regulator believes in investing into the training and development of staff and the Regulator Members. This training was aimed at enhancing employee abilities in order to achieve efficiency and self growth. The training will also be increased substantially in the 2016/17 financial year to try and close the academic and practical understanding gap for employees and Regulator Members.

The Regulator has managed to balance its employment equity status, as at 31/03/2016, in accordance with its Employment Equity Plan. This was achieved through the diversification of the work-force to include all work-groups. This is done as required by the Employment Equity legislation and the Employment Equity report lodged with the Department of Labour.

The Regulator has, furthermore, ensured that all funded vacant posts were filled. However, it must be noted that as at 31 March 2016, there are ten posts not funded on the organogram and have not thus been filled.

Both Regulator Members and employees underwent training in various fields including, Supply Chain Management, Monitoring and Compliance, and Trial Advocacy.

Table 4: Employment Equity Breakdown

2015/2016 Employment Equity Breakdown of Staff:					
Category	Black Female	Black Male	White Female	White Male	Category Total
Technical & Managerial	45.00%	33.00%	11.00%	11.00%	60.00%
Support & Interns	100%	0%	0%	0.0%	40.00%
Total					100%

Employment Equity Statistics	2015/2016	2014/2015
Category:		
Black Male	20.00%	23.53%
Black Female	79.86%	58.83%
White Male	0.07%	5.88%
White Female	0.07%	11.76%
Total	100%	100%



Table 5: Executive management earnings for the financial year 2015/2016

Marissa Damons (Executive Legal Manager)	2016 R'000	2015 R'000
Basic Salary	774	691
Performance Bonus	210	253
Acting Allowance	-	33
Taxable Allowance	285	250
Medical Aid Allowance	47	38
Total	1 316	1 265
Thokozani Mhlango* (Chief Financial Officer)	2016 R'000	2015 R'000
Basic Salary	593	459
Performance Bonus	179	153
Acting Allowance	54	71
Taxable Allowance	321	275
Medical Aid Allowance	32	29
Total	1 178	987
Mahesh Fakir (Chief Executive Officer)	2016 R'000	2015 R'000
Basic Salary	1 591	1 568
Taxable Allowance	668	565
Performance Bonus	334	-
Total	2 593	2 133

4.1.3. Supply Chain Management

The Regulator accelerated on its mandate in terms of delivery of services to the ports stakeholders. The Supply Chain Management ('SCM') unit awarded one tender during the financial year for the provision of internal audit services. There was, however, one APP project (the Valuation of Assets project for the Regulated Asset Base of the NPA) which was advertised and not awarded due to no compliant bid having been identified. The project has been rolled over to the following financial year in anticipation that compliant bids will be received in the second round of the SCM process to try and proceed with the project. There were no identified instances of fruitless, wasteful, irregular and unauthorised expenditure that occurred during the financial year.

Table 6: B-BBEE as a percentage of Procurement

BBBEE as a percentage of Procurement category:	2015/2016	2014/2015
Discretionary Expenditure	81.33%	89.4%
Total Expenditure	39.00%	42.8%



4.2. 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, as articulated in Section 30 of the Act and the vision of the organisation. An important objective of the Regulator over the last three years was to strengthen the governance and compliance of the Regulator. In light of audit outcomes, one can confidently state that the Regulator has achieved a desirable position as required by legislation to achieve a fully compliant governance regime. This was mainly influenced by the 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 legislative framework.

In the 2015/16 financial year, the Members of the Regulator, through the Audit Committee as well as its Human Resource Committee, have resolved all the issues that were previously raised by the Auditor-General as well as the Internal Auditors as non-compliance items in their respective audit reports. This was a positive move towards obtaining a 'Clean audit opinion' certificate.

In light of the fact that the Regulator is a Schedule 3A public entity in terms of the PFMA, together with the King III Code on Governance, the duty placed on the Regulator Members is onerous, with the risk of personal liability where the entity suffers loss or damage as a result of the Member's conduct in not meeting the prescribed standards. 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 members to act honestly and to bear responsibility for their actions - Members should be accountable to shareholders and other stakeholders for their decisions and their actions on behalf of the inanimate entity.

The newly appointed Members of the Regulator were appointed by the Minister of Transport and took office effective 01 September 2015 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, have two main functions: Firstly, they are responsible for determining the organisation's strategic direction (and consequently its ultimate performance), and secondly, they are responsible for the control of the organisation through its various sub-committees, and both internal and external auditors. The Regulator requires management to execute strategic decisions made by it effectively and according to the law and the legitimate interests and expectations of its stakeholders.



From a governance perspective, the Regulator has successfully achieved a fully compliant position with the appointment of a Company Secretary and fully effective sub-committees with specific Terms of Reference and that report quarterly to the Regulator 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; and
- 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.

The Regulator, together with its sub – committees, held quarterly meetings ensuring that the organisation was on target towards delivering on the Annual Performance Plan, as agreed to between the Regulator and its Shareholding Minister.

Every Member of the Regulator has a duty towards that 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 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 Member.



Alignment to King III:

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

CHAPTER 1 – ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP			
Principle 1.1	The Regulator Members (Directors) of the public entity provide effective leadership based on ethical foundation.	Applied	The Regulator confirms its commitment to the highest standards of corporate governance. The Regulator Charter and Code of Conduct adopted by the Regulator sets the ethical foundation for how the entity operates.
Principle 1.2	The Regulator ensures that the entity is and is seen to be a responsible corporate citizen.	Applied	This is achieved through the Regulator Charter and the Code of Conduct, which sets the policy framework and through specific operational and corporate office structures, more fully described in the Audit and Risk report.
Principle 1.3 & Principle 2.3	The Regulator ensures that the entity's ethics are managed effectively, and provides effective leadership based on an ethical foundation.	Applied	Through the Code of Conduct, the Regulator is responsible for ensuring that the entity protects, enhances and contributes to the wellbeing of the economy, society and the environment.
CHAPTER 2 – BOARDS AND DIRECTORS			
Principle 2.1	The Regulator acts as the board for the organisation and is the custodian of corporate governance for the entity.	Applied	The Regulator ensures that the organisation applies the governance principles contained in King III and continues to further entrench and strengthen recommended practices through the organisation's governance structures, systems, processes and procedures.
Principle 2.2	The Regulator provides effective strategic leadership, and appreciates that strategy, 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. However the organisation does not have a separate code of business ethics.
Principle 2.6	The Regulator has ensured that the entity has an effective and independent audit committee.	Applied	The Regulator Charter and Audit and Risk Committee Terms of Reference provide for the establishment of an Audit and Risk Committee. The effectiveness of the Committee is evaluated annually by the Members. The Auditor General oversees that this is complied with.
Principle 2.7	The Regulator is responsible for the governance of risk.	Applied	In terms of the Regulator Charter, the Regulator is responsible for the governance of risk and the Audit and Risk Committee assists the Regulator with this responsibility.
Principle 2.8	The Regulator is responsible for Information Technology (IT) governance	Applied	The IT Governance Framework, including processes, procedures and structures, was adopted by the Regulator which delegates implementation to management. In terms of the Regulator Charter and the Audit and Risk Committee Terms of Reference, the Audit and Risk Committee assists the Regulator with information technology governance.
Principle 2.9	The Regulator ensures that the entity complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	The Legislative Framework approved by the Regulator sets out the requirement of legal compliance and provides for the entity to develop and implement policy. The entity has a Legal and Regulatory Compliance department, which updates and ensure the implementation of the framework. Implementation will begin to be monitored by the Management Risk Committee and reported on to the Audit Committee.
Principle 2.10	The Regulator should ensure that there is an effective risk-based internal audit	Applied	The organisation has an internal audit function which was provided by Deloitte in the 2015/16 financial year. The Internal Audit Charter requires the performance of risk based internal audits.



King III Ref.	King III Principle	Partially Applied/Not Applied	Commentary
Principle 2.11	The Regulator should appreciate that stakeholder' perceptions affect the entity's reputation	Applied	The entity engages its stakeholders on multiple levels and this allows the entity to manage issues effectively and timeously and reduces the likelihood of reputational risks. Stakeholder engagements are a stand- ing 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 Chairperson of the Regulator who is an independent non-executive director. The CEO of the entity does not also fulfil the role of Chairperson of the Regulator.	Applied	The entity has an Executive Chairperson as recommended by King III. In terms of the Regulator Charter, the roles of the Executive Chairperson 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 six non-executive Members up until 31 August 2015. A new Regulator was appointed effective 01 September 2015 consisting of 11 members.
Principle 2.19	Members are appointed through a formal process	Applied.	To ensure a rigorous and transparent process, any new appointment of a Regulator Member is considered by the Minister of Transport in accordance with the 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 Members, including background material and meetings with senior executives. All Members 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. 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 Member and prescribed officer.	Applied	The remuneration of Members is included in the Members' Remuneration report contained in the Annual Report.
CHAPTER 3 - AUDIT COMMITTEES			
Principle 3.1	The Regulator has ensured that the entity has an effective and independent audit committee.	Applied	The Regulator Charter and Audit and Risk Committee Terms of Reference provide for the establishment of an Audit and Risk Committee. The effectiveness of the Committee is evaluated annually by the Members, assessed by internal auditors who assist the Committee in complying with its Terms of Reference.
Principle 3.2	Audit Committee Members are suitably skilled and experienced.	Applied	All Members of the Audit and Risk Committee are independent non-executive Members, who sit as Members of other Audit Committees and suitably skilled to fulfil the mandate of the committee.
Principle 3.3	The Audit Committee is chaired by an independent non-executive member	Applied	The Regulator has appointed a suitably qualified Independent Non-executive Director to chair the Audit and Risk Committee.
Principle 3.4	The audit committee oversees annual reporting.	Applied	The Audit and Risk Committee has oversight over the preparation of the Annual Report including the annual financial statements and sustainability information, and recommends the approval of the Annual Report to the Regulator.
Principle 3.5	The Audit Committee has ensured that a combined assurance model has been applied which provides a co-ordinated approach to all assurance activities.	Applied	The entity has implemented a combined assurance model with the assistance of Deloitte as the 2015/16 internal auditors and the Auditor General as the external auditors whose input and input is monitored by the Audit and Risk Committee.



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 in the 2015/16 financial year, including the approval of the annual plan and budget. The internal auditor reports to the Audit and Risk Committee quarterly in terms of the Internal Audit Charter. The head of internal audit reports directly to the Committee Chairperson.
Principle 3.8	The Audit Committee is an integral component of the risk management process.	Applied	The Audit and Risk Committee is responsible for overseeing risk management. Management reports to the Audit and Risk Committee quarterly on risk matters and processes.
Principle 3.10	The Audit Committee reports to the Regulator and the Shareholders as to how it has discharged its duties.	Applied	The Audit and Risk Committee reports to the Regulator at each Regulator meeting. A report to shareholders on how the Committee discharged its duties is included in the Audit and Risk Committee Report in the Annual Report.
CHAPTER 4 – THE GOVERNANCE OF RISK			
Principle 4.1	The Regulator is responsible for the governance of risk.	Applied	In terms of the Regulator Charter, the Regulator is responsible for the governance of risk and the Audit and Risk Committee assists the Regulator with this responsibility.
Principle 4.4	The Regulator has delegated to management the responsibility to design, implement and monitor the risk management plan.	Applied	The Management Risk Committee reports quarterly to the Audit and Risk Committee in terms of the Risk Management Plan approved annually by the Audit and Risk Committee. In terms of the Audit and Risk Committee Terms of 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 a continual basis.	Applied	Risk Assessments performed annually. Risk is addressed in terms of the risk plan and implementation of controls monitored by management.
Principle 4.9	The Regulator receives assurance regarding the effectiveness of the risk management process.	Applied	The internal audit function provides assurance to the Audit and Risk Committee and the Regulator regarding the efficacy of the risk management process.
CHAPTER 5 – IT GOVERNANCE			
Principle 5.1	The Regulator is responsible for IT governance.	Applied	The IT Governance Framework, including processes, procedures and structures, was adopted by the Regulator which delegates implementation to management. In terms of the Regulator Charter and the Audit and Risk Committee Terms of Reference, the Audit and Risk Committee assists the Regulator with information technology governance.
Principle 5.2	IT has been aligned with the performance and sustainability objectives of the entity.	Applied	The IT Governance Framework, including the information technology strategy and procedures, ensure alignment with the performance and sustainability of the entity.
Principle 5.4	The Regulator monitors and evaluates significant IT investments and expenditure.	Applied	The framework includes the management of information assets and expenditure. There is a capital approval process in place and a specific approval process is followed for disposals.
Principle 5.6	The Regulator ensures that information assets are managed effectively.	Applied	The IT governance Strategy delegates the implementation thereof to management, who reports thereon to the Regulator where appropriate.
CHAPTER 6 – COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS			
Principle 6.1	The Regulator ensures that the entity complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	The entity has a Legal and Regulatory Compliance division which has developed the legal and regulatory universe applicable to the Regulator. Implementation of 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 Regulatory training is provided. Updates in applicable laws, rules and codes are to be included on the agendas of Regulator and Sub-committee meetings.
Principle 6.3	Compliance risk should form an integral part of the entity's risk management process.	Applied.	The risk of non-compliance forms part of the operational risk assessments and compliance assessments are performed. Annually by the legal division. The risk of non-compliance is included on the Principal Risk Register.
CHAPTER 7 – INTERNAL AUDIT			
Principle 7.1	The Regulator should ensure that there is an effective risk based internal audit.	Applied.	The Internal Audit Charter requires the performance of risk based internal audits.
Principle 7.2	Internal Audit should follow a risk based approach to its plan.	Applied.	The risk based internal audit plan is approved annually by the Audit and Risk Committee.
Principle 7.3	Internal Audit should provide a written assessment of the effectiveness of the entity's system of internal controls and risk management.	Applied.	The internal auditor submits formal reports to the Audit and Risk Committee quarterly. On an annual basis (in the Annual Report), the Audit and Risk Committee confirms having received the internal auditor's written assessment of the effectiveness of the entity's systems of internal controls and risk management.
Principle 7.5	Internal Audit should be strategically positioned to achieve its objectives.	Applied.	The Chief Audit Executive reports directly to the Chairperson of the Audit Committee and is invited to attend all Audit Committee meetings.
CHAPTERS 8 & 9 – STAKEHOLDER RELATIONSHIPS AND INTEGRATED REPORTING AND DISCLOSURE			
Principle 8.1 & 8.2	The Regulator must take into consideration stakeholder perceptions that affect the organisation's reputation and delegate to management the authority to deal with these relationships.	Applied.	The entity engages its stakeholders on multiple levels and this allows the entity to manage issues effectively and timeously and reduces the likelihood of reputational risks. Stakeholder engagement is a standing Regulator agenda item.



King III Ref.	King III Principle	Partially Applied/Not Applied	Commentary
Principle 9.1	The Regulator should ensure the integrity of the entity's annual report.	Applied	With the assistance of the Auditor General and the Audit and Risk Committee and other sub-committees who review and evaluate the Annual Report prior to recommendation for adoption by the Regulator.
Principle 9.2	Sustainability reporting and disclosure should be integrated with the entity's financial reporting.	Not applied.	The organisation is still fairly new and is progressing towards sustainability reporting.

4.2.1. Compliance Monitoring of the National Ports Authority

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

The Regulator further managed to make significant progress in its compliance function, managing to review more elements of compliance by the NPA with the Act. Whilst the previous year had focused merely on two of the eight commercial ports, all ports have since been covered and the NPA is continuously being engaged on findings thereon to enable increased compliance. This is due to the compliance monitoring approach that the Regulator has adopted which means co-ordinating compliance across the ports system by working with the regulated entity to increase compliance. This being a milestone achievement for the organisation.

A further aspect of compliance monitoring is to ensure the NPA complies with Regulations 2, 3 and 4 in terms of the Act, the intention of which is to encourage transformation within the port sector. This aspect 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 Regulator 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.



4.2.2. 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 further led to the development and approval of a legislative framework, a compliance scorecard, and several policies and procedures that will govern the operating activities of the organisation to achieve its output in line with its Strategic and Annual Performance Plan.

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 Regulator's operations and business activities.

4.2.3. The Ports Regulator Tribunal

The Regulator's tribunal function was significantly enhanced in the year under review, with more matters being heard and decided. The scope of the merits widened as Complainants and Appellants brought before the Regulator more contentious issues regarding the manner in which the NPA conducts itself, thus adversely affecting them. The matters also raised serious challenges on the extent of the powers of the Regulator, which persons are by law entitled to bring appeals (definition of a 'Port Users') to the Regulator and also delved into the NPA's internal processes in the award of contracts. This, amongst other things, displays the success of advances made by the Regulator in raising awareness about the services it offers and processes thereof.

Whilst previous years had focused on eliminating a backlog in dealing with existing matters, the finalisation of more matters now meant that the Parties thereto were sitting with decisions which were either favourable to them or not so favourable. In light of this, and also considering that the extent of the issues raised in these matters and the Regulator's decisions thereon, some of the matters were taken to court on review. As at the end of the financial year, litigation was still pending and the outcomes thereof are still unknown. These challenges, whilst costly to the Regulator, have forced the organisation to assess its processes and powers in terms of the Act.

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

Both the tribunal and compliance monitoring processes of the Regulator have been very instrumental in assisting with the identification of necessary legislative gaps, which has in turn enabled progress with the suggested amendments to the Act. As the previously identified amendments had not yet been gazetted, the newly identified amendments that are necessary for improved functioning of the Regulator have now been incorporated as suggested Draft Amendments.



4.3. Economic Regulation

The Economic Regulation Programme has 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.

In 2014/15 the Regulator had for the first time published a multi-year Tariff Methodology following the prior 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 its annual tariff application to the Regulator.

The continued implementation of the Methodology resulted in a tariff application by the NPA and the subsequent determination by the Regulator. The determination, published on 27 February 2016, contained an average fixed tariff increase of 0% for 2016/17 and indicative tariffs for the subsequent two years. It has resulted in reduced tariffs for export containers (-10%) and a significantly below inflation increase of 3% for shipping lines. Support for the effort to minimise the impact of the drought on basic food prices saw a 50% reduction on the cargo dues for the first five million tons of maize shipped through the South African port system.

On 31 July 2015, the Regulator published for the first time, a Tariff Strategy for the South African port system that is due to be implemented in the 2017/18 tariff year with methodological testing and simulations due to be conducted in the 2016/17 tariff year. The Tariff Strategy sets out guiding principles for setting the base tariff for different port users. These guiding principles aim to introduce a more flexible approach to facilitating pricing in the ports sector than what has been proposed earlier, in order to establish an appropriate level of tariffs that better reflects the underlying costs based on use and benefit. These principles are aimed at enforcing transparency and certainty. The implementation of the Strategy and its principles are meant to bring real benefits to customers by charging cost reflective tariffs. On that basis, those customer categories currently over-charged would see tariffs reduced, whereas those categories that are currently subsidized (under charged) would see their tariffs rebased to a fair level. These principles must be taken into consideration during the gradual adjustment of the Tariff Book over the period up to and beyond 2026/27.

In order to provide a continuous update of the implementation of the Tariff Strategy and the changes to base tariffs due to changes in port structure, volume forecasts and so on, the Regulator will publish updated base rates for the coming financial year in every Record of Decision (ROD). These tariffs provide an indication of the tariff trajectory during the estimated ten year implementation period in current terms. This was published in the ROD on 27 February 2016 and takes the levels of transparency and methodological tariff development to new heights.

Other research for the year included the publication of the fourth edition of the Regulator's Global Price Benchmarking Comparator Study, as well as a five year Port Sector Review which analyses the overall 'health' of SA port system from a financial and performance perspective as well as at a detailed 'port-by- port' level. It provides a comprehensive review of SA port statistics and their relative changes over the last five years.



4.4. Industry Development

Through its 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') as an observer, as well as engagements with port users and port user representatives over various matters concerning port operations, infrastructure and industry development. The PCC process has increased the momentum in ensuring that port performance standards for terminal operators, 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 the second iteration of the previous two research reports which assesses port terminal capacity and the utilisation thereof, as well as benchmarking South African port terminal performance in relation to a sample of global ports.

Some trends in capacity and performance challenges in the port system have since been identified. As an example, the port of Durban's container terminal is operating close to 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. Although port performance on indicators such as cargo dwell times are well ahead of most ports in Africa, on measure ship turnaround time, South African terminals must improve their efficiencies and land/port interfaces, especially if they are to improve competitiveness in the context of larger vessels calling at ports. The port capacity and utilisation studies are strengthening the Regulator's understanding of port capacity and the extent to which the NPA plans to meet current and future demands and flags areas for further work in assessing the NPA's investment plans, to the Regulator but also port users and the PCCs.

The Industry Development section undertook a public review of the Regulator's performance over the past five years, as required in terms of the Regulator's Regulatory Principles. The review was conducted through indepth interviews with industry stakeholders and role players, some government officials and members from Academia, coupled with an electronic survey completed by 143 respondents. The review has generated useful feedback on the public's perceptions and experience of the Regulator whilst highlighting areas for improvement. The survey responses on port users perceptions about the impact of the Regulator in its key programmes (captured in the Table below) shows high levels of satisfaction.



<i>(Respondents were asked to indicate if they felt the Regulator had impact in these areas.)</i>	<i>No Impact</i>	<i>Very Little Impact</i>	<i>Satisfactory Impact</i>	<i>Substantial Impact</i>
<i>Improved Efficiency of port services and facilities</i>	9%	42%	27%	22%
<i>Fair and rational tariffs implemented leading to correct price signals in place</i>	2%	19%	43%	37%
<i>Port Stakeholders are better informed</i>	5%	14%	48%	32%
<i>Body of jurisprudence, certainty and ability to undertake legal recourse among port stakeholders</i>	4%	27%	51%	18%
<i>Licences and concessions issued are in compliance with the Act</i>	4%	18%	60%	18%
<i>Fair access to port services by Previously Disadvantaged Individuals (PDIs)</i>	8%	36%	49%	8%
<i>Fair access to port services by Small, Medium and Micro Enterprises (SMMEs)</i>	5%	44%	44%	7%
<i>Increased competition</i>	29%	37%	29%	6%

A significant proportion of survey respondents felt that the Regulator's impact was satisfactory or substantial with regards to tariff setting as well as stakeholder engagement and information sharing, with lower proportions of respondents attesting to the same in relation to the Regulator's role in improving access to port services by PDIs, by SMMEs, and compliance of the Authority. The findings highlight the strength of the Regulator's consultations with the tariff methodology, strategy as well as tariff application processes, and further highlight expectations on the Regulator to do more in the areas of improving access to port services for small players and historically disadvantaged individuals, which the Regulator is doing in terms of its compliance monitoring activities as highlighted herein above, and which work is ongoing.



The Five year Regulatory Review also incorporated assessments done on PRSA Road-shows. Attendees were asked to rate the Regulator according to a scale of 1 (bad) to 5 (excellent). These scores were captured and both the median and average scores calculated per port to give the scores reflected in the table below.

	Durban		JHB		PE		CPT		Total	
	Ave	Med	Ave	Med	Ave	Med	Ave	Med	Ave	Med
<i>Rate the Ports Regulator Presentation</i>	4.3	4	4.8	5.0	4.3	4.0	4.1	4.0	4.4	4.0
<i>Rate the quality of information provided in the focus group and published document.</i>	4.1	4	4.3	4.3	4.2	4.0	4.1	4.0	4.2	4.0
<i>Rate the overall usefulness of information provided in the focus group and published document.</i>	4.0	4	4.5	5.0	3.9	4.0	4.0	4.0	4.1	4.0
<i>Rate the ability of the focused group to cover all pertinent issues with the South African port tariff strategy</i>	3.9	4	4.3	4.5	3.8	4.0	3.8	4.0	3.9	4.0
<i>The efficiency of the PRSA</i>	4.0	4	4.3	4.0	4.2	4.0	3.6	3.8	4.0	4.0
<i>The effectiveness of PRSA</i>	4.0	4	4.3	4.0	4.1	4.0	3.6	3.6	4.0	4.0
<i>Responsiveness of PRSA</i>	3.8	4	3.9	3.0	3.9	4.0	3.5	3.3	3.8	3.6
<i>The neutrality of the PRSA</i>	4.0	4	4.6	5.0	4.3	4.0	3.7	4.0	4.1	4.0
<i>Independence of PRSA</i>	4.0	4	4.5	5.0	4.1	4.0	3.7	4.0	4.1	4.0
<i>Decisions issued by PRSA</i>	3.8	4	4.4	5.0	4.1	4.0	3.5	3.8	3.9	4.0



5. Governance Structures:

5.1. The Human Resources Committee

The Members of this Committee are: Ms. Patricia Mazibuko (Chairperson), Mr. Lindelwe Mabandla, and Advocate Gugulethu Thimane. The outgoing Members include: Mr. Aubrey Ngcobo and Mr. Andile Mahlalutye (whose terms came to end as part of the HR Committee on 31 August 2015.)

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 resource 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 APP. An annual review of all policies, procedures, and remuneration structures is conducted by the Committee to ensure that they are both relevant and up-to-date in terms of amendments to labour legislation. Final policies, procedures and structures were then recommended to the Regulator for approval.

The 2015/16 financial year has seen growth in the execution of the Regulator's mandate, together with commensurate policies being passed, such as the Employee Wellness and Sexual Harassment policies. The strategy adopted by the Committee is risk based, thereby overseeing and managing the identified human resource risks effectively within the stated risk appetite of the organisation; in so doing, assisting the Regulator execute on its overall responsibility for risk management within the Regulator.

A further milestone achievement for this Committee was the 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.

The HR Committee has positioned the Regulator as a compliant and responsive employer at both conditions of service and training and development levels, within the limited financial resources available. This is evidenced by the number of staff trained and developed, 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 working in conjunction with the various other sub-committees of the Regulator to ensure the overall mandate is achieved. This foundation will be improved on; therefore, we remain confident in our ability to respond to any new developments and provide any necessary guidance to the Regulator.



Ms. Patricia Mazibuko
Chairperson
Human Resources Committee



Table 7: Human Resource Committee attendance:

Human Resources Committee						
	Members	14 May 2015	15 July 2015	13 October 2015	12 February 2016	Total
1.	Patricia Mazibuko (Chairperson)	✓	✓	✓	✓	4
2.	Aubrey Ngcobo	✓	✓	✗	✗	2
3.	Andile Mahlalutye	✓	A	✗	✗	1
4.	Lindelwe Mabandla	✗	✗	✓	✓	2
5.	Gugu Thimane	✗	✗	✓	✓	2

✓	Present
✗	Not a Committee Member
A	Apology



5.2. The Regulatory Committee

The Members of this committee are: Ms. Thato Tsautse (Chairperson as of 1 October 2014), Professor Didibhuku Thwala (effective May 2014), Ms. Gerdileen Taylor (effective September 2015), and Mr Riad Khan (effective September 2015).

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

A significant output for the year was the publication of the Regulator's Tariff Strategy. The Strategy sets out a methodological approach for the tariff structure and its tariff trajectory on a cargo type and user specific level. It is effective for a ten year period and will be reviewed on an annual basis by this Committee. Further, the Strategy contains components of the base analysis for the tariff assessment and provides guidance towards the Regulator's tariff determination process.

Other areas of output from the Regulatory Committee included an analysis of the impact and implementation of the tariff strategy, input into the various tribunal processes, compliance monitoring processes, as well as other research conducted by the Secretariat (for both internal as well as external use). 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 its elements prior to its completion.

The oversight of the Tariff Strategy development, the performance and efficiency benchmarking and monitoring process, the NPA's compliance with the Act in terms of concessions, licences and leases etc., and tribunal processes are ongoing activities for the Regulatory Committee. The Committee's quality control function extend to include the review of the Industry Development's projects, which include the capacity utilisation research as well as port traffic statistics within the eight commercial ports. The outputs from these projects will subsequently be used to monitor the efficiency levels of the NPA and the terminal operators, resulting in a larger efficiency component in future tariff settings.

Finally, the Regulatory Committee works closely with the Legal Department of the Regulator and has played a major role in suggesting much needed amendments to the Act.



Ms. Thato Tsautse
Chairperson
Regulatory Committee



Table 8: Regulatory Committee attendance:

Regulatory Committee								
	Members	21 April 2015	15 July 2015	27 Oct 2015	04 Nov 2015	09 Feb 2016	18 Feb 2016	Total
1.	Thato Tsautse	✓	✓	✓	A	✓	✓	5
2.	Patricia Mazibuko	✓	✓	✗	✗	✗	✗	2
3.	Andile Mahlalutye	✓	A	✗	✗	✗	✗	1
4.	Didibhuku Thwala	✓	✓	✓	✓	✓	✓	6
5.	Riad Khan	✗	✗	✓	✓	✓	✓	4
6.	Gerdileen Taylor	✗	✗	✓	✓	✓	✓	4

✓	Present
✗	Not a Committee Member
A	Apology



5.3. The Audit Committee

We are pleased to present the Audit Committee report for the financial year ended 31 March 2016.

AUDIT COMMITTEE RESPONSIBILITY

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

The Audit Committee has adopted appropriate, formal, Terms of Reference, approved by the Regulator, as its Audit Committee Charter.

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

Furthermore, the Audit Committee has approved the Terms of Reference (Internal Audit Charter) of the Internal Auditors which is 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 were present at the Committee meetings.



AUDIT COMMITTEE MEMBERS AND ATTENDANCE:

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

Table 9: Audit Committee Attendance:

<i>Members</i>	<i>Qualifications</i>	<i>Internal or external</i>	<i>If internal, position in public entity</i>	<i>Date appointed</i>	<i>Date resigned</i>	<i>Number of meetings attended</i>
<i>Trevor Boltman (Chairperson)</i>	<i>Certified Internal Auditor (CIA) Certified Government Auditor Certification in Control Self-Assessment (CCSA) Certificate in Forensic Examination</i>	<i>External-Independent</i>	<i>Not applicable</i>	<i>17 September 2013</i>	<i>Not applicable</i>	<i>4</i>
<i>Aubrey Ngcobo</i>		<i>Independent</i>		<i>1 Sept 2015</i>		<i>3</i>
<i>Andile Mahlalutye</i>	<i>Masters Financial Management</i>	<i>Independent</i>		<i>1 Sept 2015</i>		<i>3</i>
<i>Anjue Hirachund</i>	<i>B Tech Civil Engineering MBA</i>	<i>Independent</i>		<i>1 Sept 2015</i>		<i>3</i>

THE EFFECTIVENESS OF INTERNAL CONTROL

The Audit Committee is of the opinion that, based on the information and explanations given by management and discussions with AGSA regarding the results of its audits, the internal accounting controls are operating effectively.

The Internal Auditors have conducted audits on certain key operations and processes of the Regulator as per the approved Internal Audit Plan during the year ended 31 March 2016. Based on the scope and results of their work, and subject to the limitations of sampling, and their evaluation of the key controls implemented by management to address the associated risks, it appears that there were some instances of control breakdowns. Certain improvements were needed regarding key control activities in providing reasonable assurance that the risk areas, subject to the review, were being properly managed and controlled. Some instances of non-compliance to legislation and policies and procedures were also reported.

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

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



IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORTS

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

EVALUATION OF ANNUAL FINANCIAL STATEMENTS (AFS)

The Audit Committee has reviewed and discussed:

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

AUDITOR'S REPORT

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

CONCLUSION

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



Mr. Trevor Boltman
Chairperson
Audit Committee



5.4. Company Secretary

The Company Secretary is the key support of the Regulator, and is responsible for compliance and governance in all Regulator meetings and provides an advisory service to the Members of the Regulator with respect to such functions.

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. There has been an improvement in governance processes as well as assurance provided at both sub-committee and Regulator level. 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 within the confines of the organisation's budget. 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.



Company Secretary
Ms. Marissa Damons



Table 10: Regular Meeting Attendance:

Regular Meetings						
	Members	14 May 2015	22 July 2015	05 Nov 2015	22-23 Feb 2016	Total
1.	Ms. G. Serobe Chairperson Term Ended 31 Aug. 2015	✓	A	✗	✗	1
2.	Mr. T. Mufamadi Chairperson 1 Sept. 2015	✗	✗	✓	✓	2
3.	Ms. P. Mazibuko	✓	✓	✓	✓	4
4.	Mr. A. Ngcobo	✓	✓	✓	✓	4
5.	Mr. A. Mahlatutye	✓	A	✓	✓	3
6.	Prof. D. Thwala	✓	✓	✓	✓	4
7.	Ms. T. Tsautse	✓	✓	✓	✓	4
8.	Ms. A. Hirachund	✗	✗	✓	✓	2
9.	Ms. G. Taylor	✗	✗	✓	✓	2
10.	Adv. G. Thimane	✗	✗	✓	✓	2
11.	Mr. L. Mabandla	✗	✗	✓	✓	2
12.	Mr. R. Khan	✗	✗	✓	✓	2

✓	Present
✗	Not a Committee Member
A	Apology



Table 11: Annual Meeting Attendance:

<i>Annual General Meeting (AGM)</i>		
	<i>Members</i>	<i>29 Sep. 2015</i>
1.	<i>Mr. T Mufamadi</i>	✓
2.	<i>Mr. A. Ngcobo</i>	✓
3.	<i>Mr. A. Mahlalutye</i>	✓
4.	<i>Ms. A. Hirachund</i>	✓
5.	<i>Prof. D. Thwala</i>	✓
6.	<i>Ms. G. Taylor</i>	✓
7.	<i>Adv. G. Thimane</i>	✓
8.	<i>Mr. L. Mabandla</i>	✓
9.	<i>Ms. P. Mazibuko</i>	✓
10.	<i>Mr. R. Khan</i>	✓
11.	<i>Ms. T. Tsautse</i>	✓
12.	<i>Mr. T. Boltman</i>	✓



6. Achievements for the year 2015/2016

<i>Strategic Objective</i>	<i>Outcomes</i>	<i>Key Performance Indicator</i>	<i>Baseline</i>	
<i>The running of an efficient and effective administration system</i>	<i>Human Resource capacitation enhanced</i>	<i>Expand staff complement and submit HR reports to the Regulator</i>	<i>Expand staff complement by filling all organogram posts in line with availability of funding to enhance efficiency</i>	
	<i>Organisational and Employee performance improved</i>	<i>Organisational Performance monitored and reported on to the Regulator quarterly</i>	<i>Achievement of all targets set in the Annual Performance Plan</i>	
	<i>Organisational and employee performance improved</i>	<i>Employee Performance Management System monitored and enhanced by conducting half year and final employee performance reviews. Report to be provided to the Accounting Officer</i>	<i>Assessment of employee performance to improve organisational efficiency and performance</i>	
	<i>All Corporate Services Policies completed and reviewed on an annual basis</i>	<i>IT, HR and Finance policies reviewed by the Accounting Officer and approved by the Regulator</i>	<i>Annual review of organisational policies, and submit a report on these to the Regulator for approval</i>	
	<i>Implementation of a sustainable funding model for the organization once approved by the Executive Authority</i>	<i>Quarterly Reports to the Regulator and/or the Executive Authority on implementation of the funding model once approved by the Executive Authority</i>	<i>New funding model implemented to ensure organisational sustainability</i>	
<i>2. Ongoing Improvement of Economic regulation of ports (Price, access, institutional structure)</i>	<i>Implement the Multi-year Tariff Methodology</i>	<i>Perform port tariff assessment in accordance with the Multi-year methodology and issue a Record of Decision</i>	<i>Tariff decision and ROD publication</i>	
	<i>Tariff Strategy approved, published, implemented and monitored</i>	<i>Medium to long term Tariff Strategy to be consulted with industry, approved by the Regulator, published and monitoring reports submitted to the Regulator upon implementation</i>	<i>South African Port Tariff Strategy implemented across port system</i>	



	<i>Annual Target</i>	<i>Actual Performance</i>	<i>Challenges</i>	<i>Action to be taken</i>	<i>Evidence</i>
	<i>Fill posts as per the organogram as and when funding becomes available and submit quarterly HR status reports to the Regulator</i>	<i>Achieved: CFO post filled No additional posts were filled as no additional funding was achieved</i>	<i>No additional funding was available for posts</i>	<i>Source additional funding</i>	<i>CFO appointment documents funding requests letters to DoT and Minister and presentation to Parliament</i>
	<i>Report on quarterly performance to the Regulator and the DOT within thirty days of the end of the quarter</i>	<i>Achieved: Quarterly reports were submitted to DoT and the Regulator within thirty days of the end of the quarter</i>	<i>None</i>	<i>None</i>	<i>Quarterly reports and submission emails</i>
	<i>Half yearly and final employee performance reviews to be undertaken and scoring forwarded to and assessed by HR. Report to HR Committee and the Regulator</i>	<i>Achieved: Half yearly and final employee's performance reviews conducted</i>	<i>None</i>	<i>None</i>	<i>Half year and final reviewed performance contracts and performance review reports as submitted to the regulator</i>
	<i>IT, HR and Finance policies reviewed and policy gap analysis report prepared</i>	<i>Achieved: Policies reviewed and Policy Gap Analysis report to be submitted to the Regulator in Q1 of 2016/2017</i>	<i>None</i>	<i>None</i>	<i>Minutes of committee meetings for approval policies</i>
	<i>Quarterly progress reports to the Regulator on the approval and/or implementation of the approved funding model once approved</i>	<i>Achieved: No written approval has been obtained from the Executive Authority on the funding model Reported on at quarterly regulator meetings</i>	<i>None: New funding model first requires Parliament to pass an amendment to the National Ports Act</i>	<i>None</i>	<i>Management report for quarterly meetings Presentation to Parliament on new funding model</i>
	<i>Final Tariff Assessment report to be approved by the Regulator and submitted to the NPA for implementation by 20 March 2015</i>	<i>Achieved: Record of decision approved on 29 February 2016 and submitted to NPA</i>	<i>None</i>	<i>None</i>	<i>ROD published on website</i>
	<i>Strategy to be fully implemented, and report to the Regulator on implementation thereof</i>	<i>Achieved: Tariff Strategy published 31 July 2015. Implementation reported to Reg. Comm. and the Regulator</i>	<i>None</i>	<i>None</i>	<i>Tariff strategy published on website Implementation: Reg. Comm. and Regulator meeting minutes</i>



<i>Strategic Objective</i>	<i>Outcomes</i>	<i>Key Performance Indicator</i>	<i>Baseline</i>	
<i>2.1. Enhance SA port system through the performance of research and policy development</i>	<i>Research projects performed</i>	<i>Research reports published annually</i>	<i>Publish Research Reports to inform industry and to aid policy development</i>	
	<i>Annual Global Tariff Comparator Study for at least five commodity types. I.e. coal, iron-ore, automotives, liquid bulk, and containers</i>	<i>Global Port Pricing Comparator Study completed for five cargo / commodity types</i>		
	<i>Review of the Port Sector</i>	<i>Complete Ports Sector Review Study</i>		
<i>3. Industry development and Infrastructure planning integration and efficiency</i>	<i>Support the Maritime Industry Development initiatives of government and the DoT, within the mandate of the PRSA</i>	<i>Provide the regulatory support required by DoT in the industry at the quarterly PCC meetings as well as the NPCC meetings to fulfil obligations in terms of the Act</i>	<i>Quarterly reports to the DoT regarding matters affecting the ports sector as well as those impacting the mandate of the Regulator</i>	
	<i>Port Performance and Efficiency Benchmarking Review</i>	<i>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</i>	<i>Publish Port Performance and Efficiency Benchmarking Report</i>	
	<i>Port Infrastructure Utilisation and Capital Expenditure (CAPEX) Programme assessment</i>	<i>Report by 31 March 2016 to the Regulator on assessment of port infrastructure utilization and NPA's CAPEX Programme</i>	<i>Produce Infrastructure Utilisation and Capital Expenditure Assessment Report</i>	
	<i>Conduct valuation of the Regulatory Asset Base of the National Ports Authority</i>	<i>Undertake a phased valuation of the NPA's Asset Base – subject to funding becoming available</i>	<i>To evaluate at least two of the NPA's major assets to start assessing the accuracy of the Regulatory Asset Base.</i> <i>Subject to additional funding being available</i>	



	<i>Annual Target</i>	<i>Actual Performance</i>	<i>Challenges</i>	<i>Action to be taken</i>	<i>Evidence</i>
	<i>Submit final report to the Regulator for approval and publish</i>	<i>Partially Achieved: Report Published with 5 cargo types</i>	<i>5 cargo types achieved, but liquid bulk sample data could not be obtained. 5 Cargo types analysed were coal, iron-ore, automotives, transhipment, and containers</i>	<i>Continue report on 5 cargo types exluding liquid bulk</i>	<i>Port Tariff Benchmarking Report published on Website</i>
	<i>Final review submitted for approval by the Regulator and published</i>	<i>Achieved: Report Published</i>	<i>None</i>	<i>None</i>	<i>Port Sector Review published on website</i>
	<i>Attend quarterly PCCs as well as the NPCC meetings and provide quarterly reports as well as advice to the DoT on any matters arising at the NPCC, where required</i>	<i>Achieved: But noted that No Q4 meeting held by PCC yet Reports to DoT achieved</i>	<i>PCC Secretariat has rescheduled 4th Quarter PCC Meetings</i>	<i>None</i>	<i>Reports to DoT</i>
	<i>Submit report to the Regulator for final approval and publish the report</i>	<i>Achieved: Report Published</i>	<i>None</i>	<i>None</i>	<i>Port Benchmarking Report published on website</i>
	<i>Submit report to the Regulator for final approval</i>	<i>Achieved: Report published</i>	<i>None</i>	<i>None</i>	<i>Capacity and Utilisation Report published on website</i>
	<i>Valuation of at least two of the major assets to be completed by service provider/s and report/s rendered to the Regulator and engage with the NPA on results of the project and impact on the tariff, if deemed necessary by the Regulator</i>	<i>Partially Achieved: On the basis of secured funding in Q3 bid process finalised in Q4 No complaint bid was recieved and new bidding process commenced</i>	<i>No complaint bid - bid could not be awarded in Q4 Highly Specialised field, limited number of bidders</i>	<i>SCM processes did not find a complaint bid</i>	<i>Bid documents and bid committee reports</i>



Strategic Objective	Outcomes	Key Performance Indicator	Baseline	
	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	
	Perform Regulatory Review/ evaluation	Complete Regulatory Review of the Regulator	Publish Regulatory Review Report	
4. Monitoring the port industry and its compliance with the National Ports Act, Port Policy and other Regulatory Instruments	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	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	
		Perform ongoing research and review of the legislation regarding any further amendments that may be necessary for the port system		
	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, NPA and the Executive Authority	
		Further consultation, validation and monitoring of compliance progress of the NPA regarding Durban and Richards Bay compliance findings from 2014/15		
	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 Act; Report to be submitted 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	
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; Quarterly reports to be provided to the Regulator	
		Regulator Members and staff to receive ongoing training on tribunal processes, and update tribunal manual		



	Annual Target	Actual Performance	Challenges	Action to be taken	Evidence
	Quarterly update report to the Regulator	Achieved	None	None	Evidence folder; Regulator Minutes/documents served
	Final review submitted for approval by the Regulator and published	Achieved: Report Published	None	None	Five year public Regulatory Review Report published on website
	Prepare a report to the Regulator regarding DoT's progress on the passing of the legislative amendments/ implementation of the amendments (if passed)	Achieved: Progress report drafted and submitted to the regulator at the Q3 meeting	None	None	Report in Legal Evidence Folder
	Submit final report to the DoT regarding further amendments	Partially Achieved: Further amendments being drafted by Regulator	Agreement to be reached regarding amendments	Regulator Members have additional amendments to be included in the final report	Report in Legal Evidence Folder
	Final review report submitted to the Regulator and progress of NPA monitored in addressing the findings	Achieved: Final review report was submitted to the Regulator at its February 2016 meeting. Comments were received from the NPA which was forwarded to the members	None	None	Final review report together with feedback on review findings in Legal Evidence Folder
	Provide a quarterly report on progress in addressing compliance findings to the Regulator and the NPA	Achieved: A Q4 report was provided to the Regulator together with further comments by the NPA on findings in Durban and Richards Bay	None	None	Report in the Legal Evidence Folder.
	Submit Assessment Report to the Regulator and the NPA and address shortfalls with the NPA	Achieved Assessment Report submitted to Regulator and sent to the NPA	None	None	Report filed in Legal Evidence Folder and part of Regulator meeting pack. Email verifying assessment sent to the NPA
	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	Achieved: Q4 report submitted to the Regulator at February meeting	None	None	Report in the Legal Evidence Folder and part of Regulator meeting pack.
	Report on tribunal/legal training for the year to the Regulator	Achieved: Training reported on to the Regulator at the February Regulator meeting. Exposure for new members at Tribunal hearing, presentation on tribunal process, amendments workshop, and induction training. UCT Course attended and judicial training service provider will be procured in 2016 when more funding is available	Funding constraint determined mainly in-house training	None	Reported on as part of the Management Report to the Regulator contained in the Regulator meeting pack and filed in Legal Evidence Folder



PRSA Summary Of 2015/16 Performance on Annual Performance Plan

<i>Performance Category</i>	<i>Colour Key</i>	<i>Number of Items</i>	<i>Percentage</i>
<i>Not Achieved</i>		0	0%
<i>Partially Achieved</i>		3	14%
<i>Achieved</i>		19	86%
<i>Totals</i>		22	100%



7. Statement of estimated income and expenditure

Statement of Estimated Income and Expenditure		2016/17
Revenue		
Tax Revenue		-
Non-tax Revenue		-
<i>Sale of goods and services other than capital assets</i>		-
<i>of which:</i>		
<i>Admin fees</i>		-
<i>Sales by market establishments</i>		-
<i>Other sales</i>		-
<i>Other non-tax revenue</i>		299
Transfers received		28,561
Total revenue		28,860
Expenses		
Current expense		17,937
<i>Compensation of employees</i>		12,673
<i>Goods and services</i>		15,497
<i>Depreciation</i>		690
<i>Interest, dividends and rent on land</i>		-
<i>Interest</i>		-
<i>Dividends</i>		-
<i>Rent on land</i>		-
Transfers and subsidies		-
Total expenses		28,860
Surplus / (Deficit)		-



8. Programme for 2016/2017

Annexure to Ports Regulator of South Africa's Annual Performance Plan 2016/2017

Strategic Objective	Outcomes	Key Performance Indicator	Annual Target 2016/2017	
1. The running of an efficient and effective administration system	All Corporate Services Policies reviewed on an annual basis	IT, HR and Finance policies reviewed by the Accounting Officer and approved by the Regulator	Annual review of organisational policies, and submit a report on these to the Regulator for approval	
	Capacitate the Ports Regulator	Filling of two or more vacant funded posts	Fill two funded vacant posts and at least 2 internship posts on a 1 year contract	
	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	
		Employee PMS monitored and enhanced by conducting half year and final employee performance reviews to be provided to the Accounting Officer	Assessment of employee performance to improve organisational efficiency and performance.	
	Implementation of a sustainable funding model for the organization once enabling legislation approved.	Quarterly Reports to the Regulator and/or the Executive Authority on implementation of the funding model once approved.	New funding model implemented to ensure organisational sustainability	
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	
	Review Tariff Methodology	Review Tariff Methodology as part of the regulatory review of the Tariff Strategy	Publish Tariff Methodology for implementation in 2018/19	
	Approved Tariff Strategy implemented.	Tariff Strategy approved, published, implemented and monitored.	Medium to long term Tariff Strategy implemented according to implementation plan	
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	
	Annual Global Tariff Comparator Study	Global Port Pricing Comparator study	Compare SA Port Prices with global ports and produce Comparator study	
	Conduct valuation of the Regulatory Asset Base of the National Ports Authority	Undertake a valuation of a sample of the NPA's Asset Base	To evaluate a sample of port assets to start assessing the accuracy of the Regulatory Asset Base	



	2016/2017 Quarterly Targets			
	Q1	Q2	Q3	Q4
	<i>Review IT systems and processes and update relevant policies. A report to be submitted to the Regulator in this regard</i>	<i>Financial policies to be reviewed in line with relevant legislative amendments (if any) and policies to be amended accordingly. Amended policies to be reported on to the AC and the Regulator</i>	<i>HR policies to be reviewed in line with relevant legislative amendments (if any) and policies to be amended accordingly. Amended policies to be reported on to the HR & Rem Co and the Regulator</i>	<i>Policy gap analysis to be performed and dashboard report to be submitted to the Regulator for next FY</i>
	<i>Advertise posts</i>	<i>Finalise appointments</i>	-	-
	<i>Report on Q4 performance to the Regulator and DOT and the Regulator by 30 May 2016</i>	<i>Report on Q1 performance to the Regulator and the DOT by 30 July 2016</i>	<i>Report on Q2 performance to the Regulator and the DOT by 30 October 2016</i>	<i>Report on Q3 performance to the Regulator and the DOT by 30 January 2016</i>
	<i>Employee performance contracts to be signed off by 30 April and report to the HR Committee</i>	<i>Half yearly performance review to be undertaken in accordance with the policy and reported on the HR committee</i>	<i>Management to review organizational performance in relation to individual performance to determine progress on targets and incentives.</i>	<i>Final employee performance reviews to be undertaken and scoring forwarded to and assessed by HR. Report to HR Committee and the Regulator</i>
	<i>Provide quarterly reports to the Regulator and/or the Executive Authority regarding implementation of the funding model</i>	<i>Provide quarterly reports to the Regulator and/or the Executive Authority regarding implementation of the funding model</i>	<i>Provide quarterly reports to the Regulator and/or the Executive Authority regarding implementation of the funding model</i>	<i>Provide quarterly reports to the Regulator and/or the Executive Authority regarding implementation of the funding model</i>
	<i>Report on initial engagements with the National Ports Authority on the pending Tariff Application due in Q2 to the Regulatory committee</i>	<i>Receive NPA's Tariff Application and begin economic assessment in accordance with the Methodology</i>	<i>First draft assessment report to be submitted to the Regulatory Committee for discussion.</i>	<i>Final Tariff Assessment report to be approved by the Regulator and submitted to the NPA for implementation by 20 March 2016.</i>
	<i>Request written public input in tariff methodology review</i>	<i>Draft tariff methodology approved for public consultation</i>	<i>Public consultation completed and report submitted to regulatory Committee</i>	<i>Tariff Methodology approved by Regulator and published</i>
	<i>South African Port Tariff Strategy implemented across port system</i>	<i>Beneficiation program drafted</i>	<i>Beneficiation program consulted with stakeholders</i>	<i>Revised beneficiation program drafted</i>
	<i>Complete data collection for all cargo types chosen.</i>	<i>Complete preliminary price compilation for all cargo types</i>	<i>Complete research and write up draft report for submission.</i>	<i>Submit final report to the CEO for approval</i>
	<i>Implement the asset valuation project.</i>	<i>Draft project report submitted to CEO</i>	<i>Report on progress/results of the asset valuation project to the Regulatory Committee</i>	<i>Final report submitted to Regulator with recommendations on implementation in the regulatory system</i>



Strategic Objective	Outcomes	Key Performance Indicator	Annual Target 2016/2017	
3. Engage stakeholders and monitor provision of infrastructure and facilities; and promotion of efficiencies in the port system	Enhance the Regulator's relations with the industry through information sharing and stakeholder engagements	Report on public consultation engagements and involvement at PCC/NPCC	2 or more public consultation engagements. Attend and report on quarterly PCC & NPCC meetings	
	Monitor the activities of the NPA to ensure that it performs its functions in accordance with the Act in relation to provision of infrastructure and facilities, and promotion of efficient port operations	Research and report on provision of infrastructure and facilities, and promotion of efficiencies	Produce at least 1 research report	
4. Monitoring the port industry and its compliance with the National Ports Act and other Regulatory Instruments to ensure access to and competition within the port system	Monitor amendments to the National Ports Act through the Executive Authority process with ongoing correspondence with the Executive Authority regarding the amendments required	Monitoring reports to the Regulator regarding progress of the legislative process effecting amendments to the Act proposed by the Regulator	Engagement with the DoT to track the progress of the passing of proposed legislative amendments by the Regulator	
	Ongoing monitoring of compliance of the NPA with the National Ports Act and other Regulatory aspects	Consultation and validation of compliance monitoring findings	Compile compliance findings, if any, and report to the Regulator, the National Ports Authority (NPA) and the Executive Authority	
	B-BBEE status review of all S56 and S57 port facilities and service providers for all the ports	B-BBEE status review of ports to be completed in accordance with the Regulations to the Act and submit report to the Regulator	Assess NPA's compliance with B-BBEE Codes and report thereon to the Regulator and the NPA	
5. Operating an effective and efficient tribunal to hear complaints and appeals under the National Ports Act	Tribunal to be effectively and efficiently operated to deal with complaints and/or appeals	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 quarterly reports to be provided to the Regulator	
6. Ensuring good governance and sustainability of the organisation.	i) Governance and compliance framework in place for the organisation	Governance and compliance checklist reported on quarterly to the Regulator	Ensuring good governance and compliance of the organisation	



	2016/2017 Quarterly Targets			
	Q1	Q2	Q3	Q4
	<i>Develop public consultation engagement programme</i>	<i>Undertake and report on public consultation engagements</i>	<i>Undertake and report on public consultation engagements</i>	<i>Undertake and report on public consultation engagements</i>
	<i>Attend and report on quarterly PCC & NPCC meetings</i>	<i>Attend and report on quarterly PCC & NPCC meetings</i>	<i>Attend and report on quarterly PCC & NPCC meetings</i>	<i>Attend and report on quarterly PCC & NPCC meetings</i>
	<i>Identify research areas for research on provision of infrastructure and facilities, and promotion of efficiency</i>	<i>Data collection</i>	<i>Complete data collection and draft research report</i>	<i>Submit final report for publication</i>
	<i>Prepare a report to the Regulator regarding progress on the passing of the legislative amendments</i>	<i>Prepare a report to the Regulator regarding progress on the passing of the legislative amendments</i>	<i>Prepare a report to the Regulator regarding progress on the passing of the legislative amendments</i>	<i>Prepare a report to the Regulator regarding progress on the passing of the legislative amendments</i>
	<i>Draft workplan/ matrix for Cape Town, Mossel Bay, Ngqura, PE, East London and Saldanha Bay; Engage the NPA</i>	<i>Report to the Regulator regarding status of compliance by the NPA</i>	<i>Engage the NPA and Report to Regulator on the status of compliance by the NPA</i>	<i>Report to the Regulator regarding status of compliance by the NPA</i>
	<i>Engage NPA on key findings of the 2015 Report</i>	<i>Prepare and issue an updated reporting template for the 2016 Report</i>	<i>Commence review of the 2016 Report</i>	<i>Report to the Regulator on key B-BBEE findings</i>
	<i>Compile report on all matters dealt with in the quarter to be submitted to the Regulator, in terms of number of matters heard/RODs issued, new matters received or matters settled</i>	<i>Compile report on all matters dealt with in the quarter to be submitted to the Regulator, in terms of number of matters heard/RODs issued, new matters received or matters settled</i>	<i>Compile report on all matters dealt with in the quarter to be submitted to the Regulator, in terms of number of matters heard/RODs issued, new matters received or matters settled</i>	<i>Compile report on all matters dealt with in the quarter to be submitted to the Regulator, in terms of number of matters heard/RODs issued, new matters received or matters settled</i>
	<i>Draft governance and compliance checklist and submit to the Regulator for approval</i>	<i>Compile governance and compliance report to the Regulator</i>	<i>Compile governance and compliance report to the Regulator</i>	<i>Compile governance and compliance report to the Regulator</i>



9. Annual Financial Statements

Annual Financial Statements for The Ports Regulator of South Africa for the year ended 31 March 2016

The Ports Regulator of South Africa

FINANCIAL STATEMENTS

for the year ended 31 March 2016

General Information

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



The Ports Regulator of South Africa

FINANCIAL STATEMENTS

for the year ended 31 March 2016

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The Ports Regulator of South Africa

ACCOUNTING AUTHORITY'S RESPONSIBILITIES

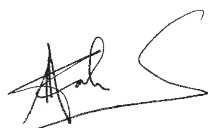
for the year ended 31 March 2016

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 2016 set out on pages 58 to 81 were approved by the Regulator on 26 May 2016.



MAHESH FAKIR
CEO
Ports Regulator of South Africa



Thaba Mufamadi
Chairperson
Chairperson of the Regulator



The Ports Regulator of South Africa

REPORT OF THE AUDITOR-GENERAL

Report of the Auditor-General to Parliament on the Ports Regulator of South Africa.

Report on the Financial Statements

Introduction

1. I have audited the financial statements of the Ports Regulator of South Africa set out on pages 61 to 81 which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and 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 the 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 2016 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) (PAA) 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, 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 objective 2 - economic regulations on pages 42, objective 4 - monitoring on page 46 and objective 5 - tribunal on page 46 presented in the annual performance report of the public entity for the year ended 31 March 2016.
9. 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 (FMPPi).
10. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
11. I did not identify any material findings on the usefulness and reliability of the reported performance information for the three selected objectives.

Additional Matters

12. 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

13. Refer to the annual performance report on pages 42 to 47 for information on the achievement of the planned targets for the year.

Adjustment of material misstatements

14. I identified a material misstatement in the annual performance report submitted for auditing. The material misstatement was on the reported performance information for the economic regulation objective. As management subsequently corrected the misstatement, I did not identify any material findings on the usefulness and reliability of the reported performance information.

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.



The Ports Regulator of South Africa

REPORT OF THE AUDITOR-GENERAL

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 2016



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



The Ports Regulator of South Africa

STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2016

	Notes	2016 R'000	2015 R'000
ASSETS			
Non-current assets		633	1 068
Property, plant and equipment	8	620	915
Intangible asset	9	11	151
Loans and receivables	10	2	2
Current Assets		13 890	5 484
Trade and other receivables	11	52	27
Cash and cash equivalents	12	13 838	5 457
TOTAL ASSETS		14 523	6 552
LIABILITIES			
Current liabilities		483	465
Trade and other payables	13	161	120
Provisions	16	322	345
TOTAL LIABILITIES		483	465
NET ASSETS			
CAPITAL AND RESERVES			
Accumulated surplus		14 040	6 087
TOTAL NET ASSETS		14 040	6 087
TOTAL NET ASSETS AND LIABILITIES		14 523	6 552



The Ports Regulator of South Africa

STATEMENT OF FINANCIAL PERFORMANCE

at 31 March 2016

	Notes	2016 R'000	2015 R'000
REVENUE			
Revenue from non-exchange revenue		27 627	16 852
Government grants and subsidies	2	27 627	16 852
Revenue from exchange transactions		-	78
Sale of goods and rendering of services	3	-	3
Other income	4	-	75
TOTAL REVENUE		27 627	16 930
EXPENDITURE			
Administration expenses	5	2 109	1 799
Amortisation and depreciation		433	424
Staff costs	6	11 579	9 794
Audit fees		288	236
Legal Fees	27	1 015	67
Gifts		-	2
Other operating expenses	7	4 757	5 450
TOTAL EXPENDITURE		20 181	17 772
Finance Income		466	309
OTHER GAINS / (LOSSES)			
Gain on disposal of asset		19	24
SURPLUS/ (DEFICIT) FOR THE PERIOD		7 931	(509)



The Ports Regulator of South Africa

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March 2016

	Notes	R'000 Accumulated Surplus
Opening balance at 1 April 2014		6 596
Deficit for the year		(509)
Balance on 01 April 2015		6 087
Prior year adjustment	26	22
Restated Opening balance		6 109
Surplus/(Deficit) for the period		7 931
Closing balance as at 31 March 2016		14 040



The Ports Regulator of South Africa

CASH FLOW STATEMENT

for the year ended 31 March 2016

	Notes	2016 R'000	2015 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		27 627	16 929
Transfers received	2	27 627	16 852
Sale of goods and services	3	-	3
Other income		-	74
Payments		(19 735)	(18 588)
Employee cost	6	(11 579)	(9 794)
Suppliers and other payments		(8 156)	(8 794)
			-
Net cash flows from operations		7 892	(1 659)
Interest paid		-	-
Finance income		466	309
Net cash flow available from operating activities	16	8 358	(1 350)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Property, plant and equipment	8	(2)	(207)
Intangible assets	9	-	(267)
Proceeds from De-recognition of Property, plant and equipment		24	87
Net cash flows from investing activities		22	(387)
Net increase/decrease in cash and cash equivalents		8 381	(1 737)
Cash and cash equivalents at beginning of the year		5 457	7 194
Cash and cash equivalents at end of year		13 838	5 457



The Ports Regulator of South Africa

STATEMENT OF COMPARISON TO BUDGET

for the year ended 31 March 2016

Economic Classification	Approved Budget	Adjustments	Final Approved Budget	Actual	Variance
	R'000	R'000	R'000	R'000	R'000
Revenue					
Transfers	17 627	10 000	27 627	27 627	0
Interest Received	310	(5)	305	466	161
Profit/Gain on sale of asset	0	0	0	19	19
Sale of good and services	0	5	5	0	(5)
	17 937	10 000	27 937	28 112	175
Expenses					
Depreciation & Amortisation	299	0	299	433	(134)
Compensation of employees	11 119	741	11 860	11 579	281
Goods & Services	6 519	9 259	15 778	8 169	7 609
	17 937	10 000	27 937	20 181	7 756
Surplus/(Deficit)	0	0	0	7 931	7 931
Capital Budget	0	0	0	2	(2)
	0	0	0	2	(2)

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF THE PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2016

1. Accounting Policies

1.1. Basis of preparation

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

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

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

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

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

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

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

1.2. Presentation currency

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

1.3. Rounding

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

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

The following Standards of GRAP and / or amendments thereto have been issued by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The entity has not early-adopted any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5: GRAP 18 (Segment reporting)



1.5. Property, plant and equipment

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

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

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

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

Office furniture and fittings	- 8 years
Computer equipment	- 3 years
Motor vehicles	- 5 years

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

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

1.6. Books

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

Books	-8 years
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1.7. Intangible assets

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

Intangible assets are initially recognised at cost.

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF THE PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2016

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

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

Computer Software	- 2 years
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1.8. Provisions

Provisions are recognised when:

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

1.9. Leases

The Ports Regulator is a lessee for the office accommodation.

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

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

1.10. Financial Instruments

Financial instruments are initially recognised at cost.

1.10.1 Trade and other receivables

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

1.10.1 Trade and other payables

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

1.11. Budget information

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

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



1.12. Going concern

The financial statements of the entity are presented on a going concern basis. This is as a result that the assets of the entity exceeds its liabilities as at 31 March 2016. Based on this, there is no uncertainty regarding the continued existence of the entity for the foreseeable future. It must be noted that the entity relies on transfers from the appropriation to fund its operations, therefore there is no doubt regarding the funding of the future operations of the entity and the ability to realise its assets and settle its liabilities.

1.13. Cash and cash equivalents

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

1.14. Fruitless and wasteful expenditure

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

1.15. Revenue recognition

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

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

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

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

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

1.16. Related Parties

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF THE PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2016

1.17. Unauthorised and irregular Expenditure

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

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF THE PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2016

2	Transfers and subsidies		2016 R'000	2015 R'000
	Department of Transport		27 627	16 852
			<hr/>	<hr/>
3	Sale of goods and services		2016 R'000	2015 R'000
	Complaint lodging fee		-	3
			<hr/>	<hr/>
4	Finance Income		2016 R'000	2015 R'000
	Interest Income		466	309
			<hr/>	<hr/>
5	Administrative expenses		2016 R'000	2015 R'000
	Accounting fee		-	-
	Regulator Members' remuneration	17	1 318	926
	Bank charges		18	17
	Entertainment		-	1
	Internal audit		206	342
	Stationery and printing		148	141
	Subscriptions		50	76
	Training and staff development		144	192
	Venues and facilities		225	104
			<hr/>	<hr/>
			2 109	1 799
			<hr/>	<hr/>
6	Staff costs		2016 R'000	2015 R'000
	Salaries and wages		9 679	8 446
	Performance bonus/awards		1 309	843
	Employer contributions		591	505
			<hr/>	<hr/>
			11 579	9 794
			<hr/>	<hr/>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF THE PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2016

7	Other operating expenses	2016 R'000	2015 R'000
	Advertising	50	126
	Bursary	-	-
	Catering	34	23
	Communication costs	218	215
	Computer expenses	399	255
	Conferences	-	-
	Consultants	413	1 107
	Consumables	41	28
	Couriers and delivery charges	11	16
	Contracted and temporary employees	-	-
	Data and information storage	16	14
	Movement in leave pay provision	(23)	124
	Insurance	61	58
	Maintenance and repairs	7	12
	Motor vehicle expenses	6	5
	Municipal services	189	53
	Functions and events	-	-
	Rental	1 480	1 457
	Resettlement costs	-	171
	Travel, subsistence and disbursements staff	946	1 239
	Travel, subsistence and disbursements Regulator Members	909	547
		4 757	5 450

8 Property, plant and equipment

2016	Cost R'000	Accumulated depreciated R'000	Carrying value R'000
Computer equipment	2 356	(2 167)	189
Office furniture and fittings	994	(744)	250
Books	74	(45)	29
Motor vehicle	189	(37)	152
	3 613	(2 993)	620



NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF THE PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2016

2015	Cost R'000	Accumulated depreciated R'000	Carrying value 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>

Reconciliation of Property, Plant and Equipment for 31 March 2016

	Opening Carrying value R'000	De-recognition R'000	Additions R'000	Depreciation R'000	Closing carrying value R'000
Computer equipment	336	(4)	2	(145)	189
Office furniture and fittings	365	-		(115)	250
Motor vehicle	177	-		(25)	152
Books	37	-	-	(8)	29
	<u>915</u>	<u>(4)</u>	<u>2</u>	<u>(293)</u>	<u>620</u>

Reconciliation of Property, Plant and Equipment for 31 March 2015

	Opening Carrying value R'000	De-recognition R'000	Additions R'000	Depreciation R'000	Closing carrying value 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>1 060</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 2016

2015	Cost R'000	Accumulated depreciated R'000	Carrying value R'000
Computer software	663	(652)	11
Intangible assets 2015			

	Cost R'000	Accumulated depreciated R'000	Carrying value R'000
Computer software	663	(512)	151

Reconciliation of intangible assets Computer software at 31 March 2016

	Opening Carrying value R'000	Disposal R'000	Additions R'000	Depreciation R'000	Closing carrying value R'000
Computer software	151	-	-	(140)	11
	151	-	-	(140)	11

** GRAP 31 requires the useful life and the amortisation method to be reviewed at the end of each period. It was noted that the below listed intangible assets has a nil carrying value however these assets incorporate the future economic benefit which would be experienced through the use of each asset as per the accounting policy of the entity. A reliable estimate of the revised carrying amount could not be determined as an active market for the intangible assets could not be identified since these intangible assets are old and are easily available for new buyers on the market. As a result the useful life and amortisation method of intangible assets were not changed. The reason for no change is because the operations of the entity may possibly change in the next 2 years of which these assets may no longer be used or its use modified when the change occurs.

Asset Code	Description	Purchase date	Purchase Price (R)	Current Year carrying amount (R)
INT00001	13 X Microsoft Office pro	2008/05/07	34 960.38	0.00
INT00002	MacFee Total Desktop Protection	2008/05/07	14 535.00	0.00
INT00003	Softline Pastel Partner 2009	2009/08/18	6 450.00	0.00
INT00004	Softline Pastel Payroll	2009/10/12	1 359.20	0.00
INT00005	Kaspersky Anti - Virus Software	2010/02/17	7 113.37	0.00

Reconciliation of intangible assets Computer software at 31 March 2016

	Opening Carrying value R'000	Disposal R'000	Additions R'000	Depreciation R'000	Closing carrying value R'000
Computer software	18	-	267	(134)	151



NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF THE PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2016

10	Loans and receivables	2016 R'000	2015 R'000
	Non-current		
	Deposit for car parking	2	2
		<hr/>	<hr/>
11	Trade and other receivables	2016 R'000	2015 R'000
	Prepaid expenditure	52	27
		<hr/>	<hr/>
12	Cash and cash equivalents	2016 R'000	2015 R'000
	Bank balances		
	Standard bank Cheque Account	369	334
	Standard bank Investment Account	13 469	5 123
		<hr/>	<hr/>
		13 838	5 457
		<hr/>	<hr/>
13	Trade and other payables	2016 R'000	2015 R'000
	Accruals	137	91
	Receiver of Revenue	-	5
	Discovery medical aid	24	24
	- Amounts receivable at beginning of the year	-	-
	- Transactions for the year	-	-
		<hr/>	<hr/>
		161	120
		<hr/>	<hr/>
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. The lease will expire on 30 September 2016.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF THE PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2016

Minimum lease payments due	2016 R'000	2015 R'000
- not later than one year	726	1 392
- later than one year and not later than five years	-	726
- later than five years	-	-
	<u>726</u>	<u>2 118</u>

15 Leave pay provision	2016 R'000	2015 R'000
Carrying amount at the beginning of the period	345	221
Additional provisions made in the current period	-	124
Amount utilised in the current period	(23)	-
Carrying amount at the end of period	<u>322</u>	<u>345</u>

Leave pay provision comprises the value of value of leave days owing to employees as at 31 March 2016

16 Cash generated from operations	2016 R'000	2015 R'000
Surplus/(Deficit) for the period	7 931	(509)
Non-cash items	427	(841)
Depreciation	293	290
Amortisation	140	134
Working capital changes		
Increase/ (Decrease) in payables	42	(1 362)
(Decrease)/ Increase in provisions	(23)	124
(Increase)/ Decrease in receivables	(25)	(2)
(Increase)/ Decrease in inventory	-	-
Other working capital movements	-	(22)
Net cash flow from operating activities	<u>8 358</u>	<u>(1 350)</u>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF THE PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2016

17	Regulator Members' Remuneration	No. of Individuals	2016 R'000	2015 R'000
		11*	1 318	926

*There is a current total of 11 Regulator Members,
Ms. G Serobe's term ended effective 31 August 2015

** The following non-executive members were appointed effective 01 September 2015

- Mr. T Mufamadi
- Ms. A Hirachund
- Ms. G Taylor
- Ms. Thimane
- Mr. R Khan
- Mr. L Mabandla
- Ms. T Tsautse
- Mr. A. Mahlalutye
- Mr. A. Ngcobo
- Ms. P Mazibuko

Regulator Members' Remuneration

Member	2016 R'000	2015 R'000
Ms. G Serobe	18	51
Mr. R. Howard	-	12
Ms. P. Langeni	-	2
Ms. T. Tsautse	178	143
Mr. A. Ngcobo	160	235
Mr. G. Steyn	-	51
Mr. A. Mahlalutye	108	137
Ms. P. Mazibuko	149	127
Prof. D. Thwala	205	167
Mr. T. Mufamadi	85	-
Ms. A. Hirachund	66	-
Ms. G. Taylor	102	-
Adv. G. Thimane	74	-
Mr. R. Khan	94	-
Mr. L. Mabandla	79	-
Total	1 318	926



NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF THE PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2016

18 Executive Members' Remuneration	No. of Individuals	2016 R'000	2015 R'000
	3	5 087	4 385

Marissa Damons (Executive Legal Manager)	2016 R'000	2015 R'000
Basic Salary	774	691
Performance Bonus	210	253
Acting Allowance	-	33
Taxable Allowance	285	250
Medical Aid Allowance	47	38
Total	1 316	1 265

Thokozani Mhlongo* (Chief Financial Officer)	2016 R'000	2015 R'000
Basic Salary	593	459
Performance Bonus	179	153
Acting Allowance	54	71
Taxable Allowance	321	275
Medical Aid Allowance	32	29
Total	1 178	987

* Mr. Thokozani Mhlongo was appointed as the Chief Financial Officer effective 01 September 2015.

Mahesh Fakir (Chief Executive Officer)	2016 R'000	2015 R'000
Basic Salary	1 591	1 568
Taxable Allowance	668	565
Performance Bonus	334	-
Total	2 593	2 133

19 Contingent liabilities

There were no contingent liabilities as at 31 March 2016.

20 Events after Balance sheet date

There were no post balance sheet date events as at 31 March 2016 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.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF THE PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2016

Economic Classification	Reason for Variance
Revenue	
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
Expenses	
Depreciation & amortisation	Difference was caused by delays in software acquisition in the prior period which resulted in amortisation affecting later periods
Staff costs	The saving arose as a result of 2 resignations
General expenses	The entity was allowed to retain unspent surplus funds as well as the adjustment to the overall budget for the year. Majority of unspent expenditure was on training and development, asset valuation project, subsistence and travelling etc.
Capital Budget	
Property Plant and equipment	Hard drives were acquired for the offsite data storage activities

22	Unauthorised, irregular and fruitless and wasteful expenditure	2016 R'000	2015 R'000
	Unauthorised, irregular and fruitless and wasteful expenditure	-	-

24 **Taxation**

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

25 **Risk management**

Interest rate risk

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF THE PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2016

Liquidity risk

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

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

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

Not later than one month	2016 R'000	2015 R'000
Payables	162	65

Maximum credit risk exposure

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:

	2016 R'000	2015 R'000
Cash and cash equivalents	13 838	5 457
Trade and other receivables from exchange transactions	52	27

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	2016 R'000	2015 R'000
Transfers from the Department of Transport	27 627	16 852

26 Correction of error

During the 2015/16 financial year, entity received a refund for the expenses that were incurred and expensed in the 2014/15 financial year. This refund of R 22 012 arose due to refunds made by our suppliers in the current financial year for advertising and transcription which led to a movement in the company's net assets. The effect of the change is as follows:

Statement of change in net assets

Prior year adjustment	22
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF THE PORTS REGULATOR FOR THE YEAR ENDED 31 MARCH 2016

27 Legal Fees

The Regulator, as a part of its operations, operates a tribunal to hear complaints and appeals. Two of the tribunal decisions were taken on review by the parties involved and as a result thereof, the Regulator incurred legal costs arising from legal counsel for court proceedings. The two matters are still in the court and it is anticipated that these matters will not result in further legal costs being incurred by the Regulator, should the Regulator lose the cases. The Regulator did not anticipate a review of these matters and therefore did not budget accordingly. These matters are being taken on review for the first time and have led to a significant difference between the prior year and current year.

NOTES

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