



**Proposed Opening Address**  
**Ms Sindi Mabaso-Koyana, Board Audit & Risk Committee Chair**  
**Standing Committee on Public Accounts**  
**06 March 2018**

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Chairperson SCOPA, Mr Themba Godi

Members of SCOPA

Eskom Interim Group Chief Executive, Mr Phakamani Hadebe

Eskom Executives

Ladies and gentlemen

Good morning

On behalf of the Eskom board, I would like to express our sincere appreciation for granting us an opportunity to present before this committee today. More than giving us a platform to have an honest and open engagement on Eskom's affairs, being top of SCOPA's agenda is encouraging in understanding the importance of Eskom's strategic contribution to the economy of South Africa.

It has been six weeks since my colleagues and I took office. Our focus and discussions in this time have centred around three key and interrelated issues:

- Finding neat solutions to the liquidity issues we face;
- Addressing governance-related matters as a matter of urgency;
- Releasing Eskom's interim results on a going concern basis before the end of January.

Working around the clock, we ensured that the interim results were issued before the end of January, within the first ten days in office as the new board, inculcating a



renewed culture of good governance and business discipline. This was a step in the right direction in the journey of Eskom's renewal. It also set the tone for the restoration of Eskom's credibility and integrity.

Allow me to support our Chairman, Mr Jabu Mabuza, when indicating that our mandate is non-negotiable: "We need to root out financial mismanagement, malfeasance and maladministration as a critical foundation to restore transparent and effective governance."

As the new board, we have a strong believe that what underpins the stabilisation of Eskom is first and foremost to fulfil our duty to improve trust and restore investor confidence. This is in order to access financial markets and to re-establish the credibility of this strategic organisation.

We are mindful that we were appointed, in urgency, to take difficult decisions and to turn the situation at Eskom around in the best interests of the company and the nation.

While it is still early days, I am pleased that we have made small yet significant shifts in the short space of six weeks. By investing the time in speaking to bankers, lenders and investors, I am pleased to announce that through a collaborative and diligent approach by the multidisciplinary teams – under the leadership of the Interim Chief Executive, Mr Phakamani Hadebe – we have secured a R30 billion credit facility. In addition we have made good progress in clearing the audit qualification issued in the past financial year ending 31 March 2017, as we moved from a qualified audit to an emphasis of matter.

In addressing governance-related matters, we have seen the departure of several executives who were implicated in wrongdoing. While several executives have since already resigned, we have not excluded the need of instituting civil claims in respect



of any damages that we may have suffered arising from these executives' actions at Eskom.

These bold steps have resulted in investors and lenders renewing their commitment to engage and work with Eskom, and the recently granted R20 billion credit facility bear testimony to this. The funding provides Eskom with sufficient liquidity to allow Eskom time to continue resolving its governance-related issues. It also enables Eskom to recommence with its normal funding programme required to execute the FY2018/19 funding plan.

We are mindful that corruption within the State-Owned Enterprises, including Eskom, remains an area of concern. Consequently, we are taking precautionary measures by tightening our internal controls, minimising the room for possible corrupt activities. We have reviewed and strengthened our delegation of authority, ensuring that decision-making powers fall within appropriate levels of management. Having also recently created additional governance structures at the EXCO level for tender approvals, and by suspending the Board's involvement in the tender process, we are thereby creating the opportunity to increase the focus and time for robust scrutiny.

Central to realising business sustainability is the issue of arresting bad debt, and municipal debt in particular. This is a pressing challenge. To date, overdue debt by the country's municipalities amounts to R13.03 billion, including interest. This amount has been escalating drastically over the years – with a notable increase of 57% from R6 billion in March 2016 to R9.4 billion in March 2017.

This requires an urgent shift. Currently as per our licence and business obligations, Eskom has imposed penalties on non-paying customers. We recently imposed stricter penalties by increasing the duration of power interruptions from four and a half hours to six and half hours each day.



These actions are in line with legislation, keeping in mind the North Gauteng High Court's ruling that section 21(5) of the Electricity Regulation Act (ERA) permits Eskom to disconnect electricity supply due to non-payment. The Electricity Regulation Act, No 4 of 2006, and supply agreements with the municipalities allow Eskom to disconnect electricity completely. Being mindful of the severe socio-economic impact, Eskom has opted for a softer approach – interrupting electricity only in the mornings and afternoons.

While it remains urgent and necessary to recover the money owed by municipalities, Eskom strives to implement the recovery measures within the ambit of the law and endeavours to demonstrate good corporate citizenship. As such, it follows the Promotion of Administrative Justice Act (PAJA) process before interrupting electricity supply to any of the non-paying or defaulting municipalities.

Since the start of the implementation of the process last year, Eskom has issued a total of 58 default letters (notices of intent). Only six municipalities have since fully paid their outstanding debts.

Ladies and gentlemen, we need to face the harsh reality; financial sustainability for Eskom is difficult if we are unable to secure our debt. We have continued to compromise our credit strategy, and continuing to do so could have serious consequences.

We need bold decisions and an understanding that all stakeholders are required to do the right thing. We ask our creditors to fulfill their obligations to enable Eskom to fulfil ours.

We look forward to engaging with you this afternoon with the intent of exploring sustainable solutions for the industry and the nation.

I thank you.

Language edited



Mafu Ramotshela

Language Services

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