

*Wednesday, 22 October 2025]*

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**PARLIAMENT**

**OF THE**

**REPUBLIC OF SOUTH AFRICA**

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**ANNOUNCEMENTS,  
TABLINGS AND  
COMMITTEE REPORTS**

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WEDNESDAY, 22 OCTOBER 2025

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# COMMITTEE REPORTS

## National Assembly

### **1. Budgetary Review and Recommendation Report of the Portfolio Committee on Correctional Services, dated 21 October 2025.**

The Portfolio Committee on Correctional Services, having considered the financial and non-financial performance of the Department of Correctional Services and the Judicial Inspectorate for Correctional Services for 2024/25, reports as follows:

#### PART I

##### **1. Introduction**

- 1.1 Section 5(2) of the Money Bills Amendment Procedure and Related Matters Act 9 of 2009 requires the National Assembly, through its committees, to submit budgetary review and recommendation reports (BRRR) on the performance of national departments accountable to Parliament. The BRRR is generally informed by a committee's interrogation of, amongst others, national departments' estimates of national expenditure, strategic priorities, measurable objectives and forward-funding needs; National Treasury-published expenditure reports; the relevant annual reports and financial statements; and the Auditor General of South Africa's (AGSA) audit findings; as well as observations made during all other oversight activities.
- 1.2. The Portfolio Committee on Correctional Services (the Committee) oversees the Department of Correctional Services (DCS) and the Judicial Inspectorate for Correctional Services (JICS). To this end, the Committee monitors the implementation of, and adherence to, policies such as the white papers on Corrections and Remand Detention; compliance with applicable legislation; adherence to principles of good governance and sound financial management; and service delivery in line with their mandates.

## **2. Process followed.**

- 2.1 The Committee received a briefing from the Auditor-General of South Africa on the audit outcomes of the Department of Correctional Services for 2024/25 on the 17<sup>th</sup> of October 2025.
- 2.2 On the same day, 17<sup>th</sup> October 2025, the Committee received a Political Overview of the Annual Performance of 2024/25 from the Minister of Correctional Services as well as the briefing from the Department of Correctional Services on its Annual Report for 2024/25 Financial Year.
- 2.3 The Committee also received a briefing from the Judicial Inspectorate for Correctional Services on its Annual Report for 2024/25 Financial Year on the same day, 17<sup>th</sup> of October 2025.
- 2.4 Copies of all the presentations are available from the committee secretariat.

## **3. Department of Correctional Services' strategic goals for 2024/25**

- 3.1. The first goal identified in the Department's 2024/25 Annual Performance Plan was to ensure that remand detention processes are effectively managed by ensuring that remand detainees attended courts as determined by relevant legislation; are held in secure, safe and humane conditions; provided with personal well-being programmes; and relevant services are provided to awaiting trial persons, thus contributing to a fair and just Criminal Justice System.
- 3.2. A further goal was to ensure that all sentenced offenders are incarcerated in safe, secure and humane facilities and are provided with healthcare and effective rehabilitation

programmes in line with their correctional sentence plans to enable their successful placement into society after their lawful release.

- 3.3. The last goal was to ensure that all offenders, parolees and probationers were successfully reintegrated back into society as law-abiding citizens through provision of social reintegration programmes.

#### 4. Audit outcome

- 4.1. The Department has received an unqualified audit outcome for 2024/25.

**Table 1: Audit outcomes between 2020/21-2024/25**

<b>Financial Year</b>	<b>Total number of findings</b>	<b>Audit Outcome</b>	<b>Issues raised/Matters of emphasis</b>
2021/22	130	Unqualified with findings	Material Irregularity Matters of emphasis (including under-spending of the vote, non-compliance with laws and regulations especially in relation to procurement and contract management, as well as irregular expenditure amounting to R1.4 billion).
2022/23	108	Unqualified with findings	With matters of emphasis relating to the uncertainty of the outcome of exceptional litigation. The AG mentioned that DCS is a defendant in various lawsuits and the outcome of those cannot be presently determined and no provision for any liability that may result has been made in the

<b>Financial Year</b>	<b>Total number of findings</b>	<b>Audit Outcome</b>	<b>Issues raised/Matters of emphasis</b>
			financial statement. The AG also noted that the Department materially underspent the budget by R596, 738 million.
2023/24	74	Unqualified with findings	Unauthorised expenditure due to overspending by R614 257 million on Compensation of Employees.
2024/25	73	Unqualified with findings	The AG noted that the department is the defendant in various lawsuits, and the outcome of these matters cannot be determined and no provision for any liability that may result has been made in the financial statement.

- 4.2. There has been a decrease in the number of findings from 74 in 2023/24 to 73 in 2024/25.
- 4.3. Expenditure management. The AG reported that effective and appropriate steps were not taken to prevent unauthorized spending amounting to R677 192 000 million as required by section 38(1)( c) (ii) of the PFMA and treasury regulation 9.1.1. The AG further indicated that the unauthorized expenditure was mainly due to overspending because of municipal services' inflation adjustment and maintenance of infrastructure.
- 4.4. Procurement and contract management. The report of the AG notes that a contract was awarded to bidders on evaluation/adjustment criteria that differed from those stipulated in the original invitation for bidding as required by treasury regulation 16A6.3(a) and (b). This non-compliance was identified in the procurement process for the panel appointed to provide perishables to the department.

- 4.5. Internal control deficiencies. Management did not adequately review and monitor compliance with applicable laws and regulations, which resulted in non-compliance with legislation. The AG further noted that management did not ensure that some of the indicators were formulated in a manner that is measurable, well defined, and deviations from targeted achievement were not supported by accurate, complete reliable evidence.

## 5. Expenditure for the 2024/25 Financial Year.

- 5.1 For the 2024/25 financial year, the Department of Correctional Services had adjusted budget of R27, 758, 903 billion. Of this amount, the Department spent R28, 436,095 billion (or 102.4%) resulting in R677, 192 million overspending.

- 5.2 The adjusted budget and spending per economic classification for 2024/25 was as follows:

**Table 2: Expenditure per economic classification 2024/25**

<b>Economic classification</b>	<b>Adjusted budget (R'000)</b>	<b>Actual expenditure (R'000)</b>	<b>Percentage actual expenditure</b>	<b>Variance (R'000)</b>
Compensation of employees	19 433 072	19 426 151	<b>100%</b>	6 921
Goods and services	7 260 803	7 084 697	<b>101.7%</b>	(117 823)
Interest on rent and land	-	4 388	-	(4 388)
Transfers and subsidies	749 394	773 073	<b>103.2%</b>	(23 679)
Payment of capital assets	315 634	448 136	<b>142%</b>	(132 502)
Payment of financial assets	-	-	-	-

<b>Economic classification</b>	<b>Adjusted budget (R'000)</b>	<b>Actual expenditure (R'000)</b>	<b>Percentage actual expenditure</b>	<b>Variance (R'000)</b>
<b>Total</b>	<b>27 758 903</b>	<b>28 436 095</b>	<b>102.4%</b>	<b>(677 192)</b>

## **6. Economic classification**

6.1 In terms of economic classification:

- The Department recorded overall overspending of R677.2 million for 2024/25 period.
- With regard to Transfers and Subsidies, there was overspending of R23.7 million.
- With regard to Payments for Capital Assets, there was overspending of R132.5 million.
- With regard to Goods and Services, there was overspending of R523.5 million.

## **7. Performance in 2024/25**

7.1 Overall, the Department achieved 34 of the 46 planned targets and 7 targets were not achieved.

7.2 Some of the targets not achieved during the financial year included:

- Percentage compliance to the EE plan for SMS (females).
- Number of sites where Mesh Network and Integrated Security System are installed.
- Percentage of sites installed with Local Area Network infrastructure.
- Number of infrastructure projects completed.
- Percentage of Information Systems (IIMS) implemented as per MISSTP.
- Percentage of confirmed unnatural deaths in correctional facilities.

## **8. Programme performance in 2024/25**

### **8.1. Programme 1: Administration**

- 8.1.1. The purpose of this programme is to provide strategic leadership, management and support services to the Department.
- 8.1.2. The Administration programme achieved 6 (or 60%) out of 10 planned targets for 2024/25.

**Table 3: Administration -Selected performance 2024/25**

<b>Performance Indicator</b>	<b>Planned Target 2024/25</b>	<b>Actual Achievement 2024/25</b>
Percentage of Information Systems (IIMS) implemented as per MISSTP	26%	NOT ACHIEVED 0%
Percentage of youth employed within the Department	20%	ACHIEVED 43%
Percentage of sites installed with Local Area Network (LAN) infrastructure.	76.3%	NOT ACHIEVED 42.3%
Percentage of officials charged and found guilty of corrupt activities.	95%	ACHIEVED 100%

- 8.1.3 The Department did not achieve its target for IIMS in the year under review and this was ascribed to ongoing litigation between the Department and the service provider.
- 8.1.4 The target for percentage of sites installed with Local Area Network infrastructure was not achieved. This was because funds allocated for this infrastructure were insufficient.
- 8.1.5 The Department managed to achieve its target for youth employment when performance was recorded at 43% against target of 20%.

## 8.2. Programme 2: Incarceration

- 8.2.1. The purpose of the programme is to provide safe and secure conditions of detention consistent with maintaining the human dignity of inmates. It is also responsible for the administration, profiling and consideration of offenders for releases or placement into community corrections.
- 8.2.2. There are three sub-programmes for Incarceration: Security operations; Remand detention; and Offender management.
- 8.2.3. Overall, the Incarceration programme achieved 4 out of 7 (or 57%) planned targets for 2024/25.

**Table 4: Incarceration - Selected performance 2024/25**

<b>Performance Indicator</b>	<b>Planned Target 2024/25</b>	<b>Actual Performance 2024/25</b>
Reduction in unnatural deaths in correctional centres and remand detention facilities per year	0.032% or less	NOT ACHIEVED 0.033%
Reduction in escapes	0.029% or less	ACHIEVED 0.002%
Number of infrastructure projects completed	17	NOT ACHIEVED 5
Reduction of overcrowding	50% or less	NOT ACHIEVED 55%
Percentage of profiles approved for placement by the Correctional Supervision and Parole Boards	57%	ACHIEVED 69%

8.2.4. The Department could not achieve its target for overcrowding since there was an increase in the number of inmates in correctional centres, especially remand detainees. Overcrowding has increased from 48% (in 2023/24) to 55% (in 2024/25).

8.2.5. The Department achieved its target for assaults and escapes due to the implementation of the National Escape Prevention Strategy as well as the implementation of the Gang Combatting Strategy and Assault Prevention Strategy.

8.2.6. The Department managed to complete only 5 infrastructure projects in the period under review against the target of 17 projects.

### 8.3. Programme 3: Rehabilitation

8.3.1. Programme 3 is responsible for providing needs-based programmes and interventions to facilitate the rehabilitation of inmates and to enable their social reintegration into communities. The programme has the following sub-programmes: Correctional programmes; Offender development; and Psychological, social and spiritual services.

8.3.2. Overall, the programme achieved all 12 planned targets for the year under review.

**Table 5: Rehabilitation - Selected performance in 2024/25**

<b>Performance Indicator</b>	<b>Planned Target 2024/25</b>	<b>Actual Performance 2024/25</b>
Percentage of offenders participating in long Occupational Skills programmes	90%	ACHIEVED 100%
Percentage of offenders participating in Further Education and Training	85%	ACHIEVED 99%
Percentage of sentenced offenders with Correctional Sentence Plans who have	84%	ACHIEVED 98%

<b>Performance Indicator</b>	<b>Planned Target 2024/25</b>	<b>Actual Performance 2024/25</b>
completed correctional programmes.		
Percentage of inmates who are involved in psychological care services per year.	24%	ACHIEVED 31%

8.3.3. Selected achievements include:

- Offenders participating in long skills programmes were 17 587 (100%), while those participating in short skills were 16 431 (100%). A further 742 (99%) offenders participated in Further Education and Training.
- A total of 52 164 offenders participated in psychological care services.

#### 8.4. Programme 4: Care

8.4.1. The purpose of this programme is to provide needs-based healthcare programmes and services aimed at maintaining the wellbeing of inmates. There are two sub-programmes under the Care programme, namely Health and Hygiene Services and Nutritional Services.

8.4.2. Overall, the programme achieved all five targets planned for 2024/25.

**Table 6: Care - Selected performance 2024/25**

<b>Performance Indicator</b>	<b>Planned Target 2024/25</b>	<b>Actual Performance 2024/25</b>
Percentage of therapeutic diets prescribed for inmates	Less than 12%	ACHIEVED 5%
Offender viral load suppression rate	95%	ACHIEVED 99%
Percentage of inmates screened for hypertension	90%	ACHIEVED 207%

<b>Performance Indicator</b>	<b>Planned Target 2024/25</b>	<b>Actual Performance 2024/25</b>
Percentage of inmates screened for diabetes	90%	ACHIEVED 191%
TB Cure rate	95%	ACHIEVED 98%

8.4.3 The Department ascribed the achievement of TB cure rate of offenders to compliance with the National Guidelines on the Treatment of Tuberculosis infection.

8.4.4 The Department also achieved its target in terms of percentage of offenders screened for hypertension. This was largely due to intensified screening of inmates due to their vulnerability as well as awareness campaigns.

#### 8.5. Programme 5: Social Reintegration

8.5.1. The Social Reintegration programme provides services focused on offenders' preparation for release, effective supervision of offenders placed under community corrections and the facilitation of their social reintegration into their communities. The programme has the following sub-programmes: Supervision; Community reintegration and Office Accommodation: Community corrections.

8.5.2. The programme achieved all six planned targets for 2024/25.

**Table 7: Social Reintegration - Selected performance 2024/25**

<b>Performance Indicator</b>	<b>Planned Target 2024/25</b>	<b>Actual Performance 2024/25</b>
Percentage of parolees without violations per year	97%	ACHIEVED 99%
Percentage of probationers without violations per year	97%	ACHIEVED 99%

<b>Performance Indicator</b>	<b>Planned Target 2024/25</b>	<b>Actual Performance 2024/25</b>
Number of victims participating in Restorative Justice programmes	5 300	ACHIEVED 14 349
Number of offenders/parolees and probationers participating in Restorative Justice programmes	4 000	ACHIEVED 4 114
Number of economic opportunities facilitated for offenders, parolees and probationers	54	ACHIEVED 652

8.5.3 The Department managed to ensure that 14 349 victims and 4 144 offenders/parolees and probationers participated in Restorative Justice programmes in the period under review.

8.5.6 The Department also managed to facilitate 652 economic opportunities for offenders, parolees and probationers in 2024/25 period.

## **9. Expenditure and performance for First Quarter of 2025/26**

9.1. The Department of Correctional Services was allocated R29 billion for 2025/26. At the end of June 2025, total expenditure was R7.8 billion or 27% of the total appropriation. This equates to over-spending by R541 million when compared to the projected spending plan for the Quarter. In terms of performance, of the 36 planned targets for the first quarter, 30 were achieved and only 6 were not achieved.

9.2. At the end of the first quarter of 2024/25, programme spending and performance was as follows:

- The Administration programme spent an amount of R1.4 billion (29.70%) against planned expenditure of R1.4 billion, resulting in 100% spending. In terms of performance, Administration achieved only 5 targets for the quarter out of 6 planned targets.
- The Incarceration programme spent R4.8 billion of the projected budget for the quarter of R4.8 billion, which represents 100% spending for the quarter. In terms of performance, Incarceration achieved only 3 out of 7 targets for the first quarter.
- The Rehabilitation programme spent R573 million of the projected spending plan of R581 million. This translated to overspending by 1%. In terms of performance, Rehabilitation achieved all 11 targets for the first quarter of 2025/26 financial year.
- The Care programme spent R749 million against a projected expenditure of R682 million. This translates to overspending by 10% in the first quarter. In terms of performance, this programme achieved all 5 targets for the first quarter.
- The Social Reintegration programme spent R305 million from the planned expenditure of R324 million. This translates to underspending by 4%. In terms of performance, this programme achieved only 6 out of 7 targets for the first quarter.

## **PART II**

### **10. JUDICIAL INSPECTORATE FOR CORRECTIONAL SERVICES (JICS)**

#### **10.1. JICS' Statutory mandate and mission**

10.1.1. JICS is established under section 85 of the Correctional Services Act 111 of 1998 as an independent office under the control of the Inspecting Judge. Its object is to facilitate the inspection of correctional centers and to report on the treatment of inmates and conditions of incarceration.

10.1.2. Its mission includes the prevention of human rights violations through the monitoring of mandatory reporting systems on deaths, mechanical restraints and segregations

(solitary confinement) in correctional centers. It also maintains the independent complaints system for inmates.

## 10.2. **Financial Performance at the end of 2024/25**

10.2.1. For 2024/25, the Judicial Inspectorate for Correctional Services was allocated a budget of R114.607 million. At the end of March 2025, the total expenditure for JICS was R102.226 million.

## 10.3. **Inspections, Investigations, Complaints and Mandatory Reporting for 2024/25 financial year**

10.3.1. The Inspectorate scheduled a total of 150 inspections in correctional centres across the country for 2024/25 financial year and conducted all 150 planned inspections. In addition to 150 inspections, another 21 unannounced inspections were conducted, bringing total inspections to 171. JICS has rated 19 centres unsatisfactory, 110 satisfactory and 21 good.

10.3.2. Some of the centres rated unsatisfactory included Pollsmoor Female; Mount Fletcher; Brandvlei Medium; Pollsmoor RDF; Kgosi Mampuru II Local and Rooigrond Medium A.

10.3.3. The most common reasons highlighted by JICS why facilities were rated unsatisfactory included, extreme overcrowding; dilapidated infrastructure; lack of proper hygiene; inadequate management; and shortage of food to maintain the prescribed diet of inmates.

10.3.4. JICS' report also highlighted that in 2024/25 a total of 2 344 inmates were in remand detention with bail of less than R1000.

10.3.5. JICS reported that the number of complaints from internal and external sources increased from 720 (in 2023/24) to 913 (in 2024/25). The highest number (315) of complaints related to assaults (inmate on inmate), followed by assaults of inmates by officials (140), transfers (98) and Other (79).

- 10.3.6. Mandatory reporting is regulated by the Correctional Services Act 111 of 1998. Mandatory reporting includes, Death of an inmate (Section 15); Segregation (Section 30); Mechanical restraints (Section 31); and Use of force (Section 32). For the year under review, there were 123 unnatural deaths reported by DCS to JICS. A total of 21 suicide cases were recorded with majority being from Gauteng and FS/NC and Kwazulu-Natal. In addition to unnatural deaths, JICS received 505 reports of natural deaths in correctional facilities.
- 10.3.7. Section 30(7) of the Correctional Services Act, 1998 provides that inmates who have been segregated may refer the matter to the Inspecting Judge, who must decide thereon within 72 hours. The number of segregations that were reported to JICS by DCS for the year under review was 6 413 which is an increase by 1 574 from the numbers reported in 2023/24 period.
- 10.3.8. JICS also recorded only 44 cases of Mechanical restraints in the 2024/25 financial. This is an increase from 40 reports received in 2023/24.
- 10.3.9. JICS recorded a total of 541 cases of use of force in the year under review. This is a decrease from 468 reported in 2023/24.

#### 10.4. **First Quarter 2025/26 Expenditure and Performance of JICS**

- 10.4.1. For 2025/26, the Judicial Inspectorate for Correctional Services was allocated a total of R121.2 million. At the end of June 2025, the total expenditure was R15.492 million including commitments which is 12.78%.
- 10.4.2. There was underspending by 14.64% under Goods and Services for the first quarter of 2025/26. The reason provided for underspending is that there was no access to operating systems resulting in several invoices still being processed.
- 10.4.3. There was also underspending under Capital Assets by 2.10% and the reason provided was due to previous financial year's expenditure which was processed in the current financial year.

10.4.4. In the first quarter, JICS had 76 permanent staff, 13 contract staff and 186 ICCVs. This represented 57% of the 477 approved positions resulting in 197 unfilled positions translating to a vacancy rate of 41.3%.

**10.5. Inspections, Investigations, Complaints and Mandatory Reporting in the First Quarter of 2025/26**

10.5.1. In the first quarter of 2025/26 financial year JICS scheduled 43 inspections and only 40 were conducted. In addition, there were 18 unannounced inspections conducted in the first quarter.

10.5.2. The Inspectorate reported that, for the first quarter of 2025/26, there were only 4 investigations conducted and 3 of those were because of officials on inmates.

10.5.3. JICS received a total of 177 complaints in the first quarter and most of these complaints were received from ICCVs, inmates and their families. These complaints included assaults, parole and transfers.

10.5.4. In terms of mandatory reporting, a total of 24 unnatural deaths were recorded for the first quarter. The majority (23) of these were recorded as ‘unknown other’. In addition to unnatural deaths, JICS also recorded a total of 120 natural deaths in correctional centres across the country. The largest category (52) of natural deaths were recorded as “Natural causes”. Gauteng recorded the highest number of deaths (47) while FS/NC recorded the lowest (11).

10.5.5. Segregation recorded a total of 968 reports in the first quarter of 2025/26. The Free State/Northern Cape recorded the highest number of segregations (328), while the Kwazulu-Natal recorded zero. JICS reported that due to the dysfunctional electronic system of reporting, the accuracy and numbers of reports by DCS could not be verified.

**PART III**

## 11. Department of Correctional Services: Committee observations and Recommendations

- 11.1 The Committee received a political overview from the Minister of Correctional Services who highlighted that the decision by the President to make DCS a stand-alone department was a correct decision because the Department of Correctional Services was neglected.
- 11.2 The Minister indicated that the average turn-around time, in his office, for processing of lifers' applications was 4 days.
- 11.3 The Minister further also acknowledged the work done by the Auditor-general of South Africa and indicated that the AG provides eyes to the Department of Correctional Services on where to improve. The Minister also thanked the Portfolio Committee on Correctional Services for the guidance it gives to the Department to improve its performance.
- 11.4 **Unauthorized expenditure:** The AG has reported that effective and appropriate steps were not taken to prevent unauthorized spending amounting to R677 192 000 million as required by section 38(1)(c )(ii) of the PFMA and treasury regulation 9.1.1. The AG further indicated that most of the unauthorized expenditure was mainly due to overspending because of municipal services' inflation adjustment and maintenance of infrastructure. The Committee has noted the reasons for the unauthorized expenditure and request the Department to analyse their planning, budgeting and expenditure to look at areas in which savings can be realised. The Department is also advised to put more emphasis on their Self-Sufficiency and Sustainability model to realise savings and to avoid overspending.
- 11.5 **Contracts:** The AG has highlighted a number of causes of irregular expenditure which relates mostly to failures in the supply chain environment and contract management. The Committee will continue to monitor and put a spotlight on contract management of the Department, including having briefings related to contractors and consultants in the Department of Correctional Services.

- 11.6 **Fruitless and Wasteful Expenditure:** Although the Committee commends the Department for reducing the amount of fruitless and wasteful expenditure from R21 million to R14 million, the Committee is still concerned that there is R14 million in fruitless and wasteful expenditure while the Department has overspent on its budget. The Department is urged to put in place systems and procedures that will detect and prevent such fruitless and wasteful expenditure.
- 11.7 **Findings on performance reports:** The Committee is concerned that the programme rehabilitation has achieved all its targets even though the AG has highlighted serious concerns about the reliability of performance information submitted. The Department is requested to ensure that information they use to measure their performance is reliable and credible.
- 11.8 **Audit Committee:** The Committee noted that the new Audit Committee members were appointed during the period under review. The Committee will make time, in the next term, to meet with the new Audit Committee on their work.
- 11.9 **Overcrowding:** The Committee noted that the number of remand detainees has significantly increased from 48 000 (in 2021) to 62 000 (in 2025). The Committee is concerned that, it seems like, some of the measures in place to reduce overcrowding are not producing desired results especially if the numbers of remand detainees continue to rise at this rate. The Committee urges all stakeholders within the Criminal Justice System to look at other more practical alternative solutions to supplement the current measures.
- 11.10 **Escapes:** The Committee commends the Department of Correctional Services for the reduction in escapes from correctional centres and believes this will contribute to making society safer. The Department is encouraged to strengthen its current strategies to ensure that zero escape is realised in the coming years.
- 11.11 **Performance target and expenditure:** The Committee continues to be concerned about the misalignment between performance and expenditure of the Department of Correctional Services. For the year under review, the Department only achieved 86% of their targets while overspending on the budget by R677 million. The Department is encouraged to conduct an analysis of its spending and prioritise on issues that are core

to its mandate. The Committee believes that the Self-Sufficiency and Sustainability Framework will both assist in reducing costs and provide offenders with skills that can benefit them upon release.

- 11.12 **Vacancies:** The lack of targets for filling of vacancies continues to be a concern for the Committee as raised in the previous year. This makes it difficult for the Committee to conduct its oversight and hold the Department accountable, especially on filling of vacancies. The Committee is also concerned about unfilled vacancies, especially at senior management level that takes longer than 12 months. The Department is urged to ensure that funded vacancies are filled before the money is committed somewhere else.
- 11.13 **Unnatural deaths figures:** The Committee has, again, noted the inconsistency in the number of unnatural deaths between JICS and DCS in the reporting period. DCS has reported only 55 while JICS reported 134 for the year under review. The Committee encourages both DCS and JICS to find a way in which the inconsistencies can be resolved.

## 12. **Judicial Inspectorate for Correctional Services (JICS) – Committee’s Observations and Recommendations.**

- 12.1 **Underspending:** The Committee has noted with concern that JICS has underspent on its budget for 2024/25 by R12.38 million in the period under review. The Committee will be monitoring JICS’ spending pattern every quarter to see if the spending is in line with both its plans and budget priorities.
- 12.2 **Improvements in inspections:** JICS is commended for improving the number of announced inspections from 136 (in 2023/24) to 150 (in 2024/25) as well as the number of unannounced inspections from 12 (in 2023/24) to 21 (in 2024/25).
- 12.3 **Vacancies:** The Committee noted that JICS had 43 funded vacancies in the year under review. The Committee has consistently encouraged JICS to ensure that funded vacancies are filled. The Committee will monitor JICS through quarterly reports to ensure that there is significant progress in filling of funded vacancies.

12.4 **Transversal system**: The Committee noted that JICS did not have access to the transversal system to be able to process invoices from service providers in the period under review. The Committee request relevant authorities to provide JICS with access to this system so that it can process its own invoices as an independent institution.

12.5 **ICT infrastructure**: JICS is commended for the following:

- Migrating ICT infrastructure from DCS to SITA
- Development of own website separate from DCS-developed platform
- Procuring wireless network for 3 regions. JICS is encouraged to ensure that all regions ultimately have wireless networks.

### **13. Appreciation**

13.1 The Committee wishes to thank the Minister and Deputy Minister of Correctional Services, staff in the Ministry, National Commissioner and the staff of the Department of Correctional Services for their assistance in this process.

13.2 The Committee also wishes to thank the Inspecting Judge and the staff of the Judicial Inspectorate for Correctional Services for their co-operation in this process.

13.3 The Committee wishes to thank the Auditor General South Africa for the support provided to the Committee.

**Report to be considered.**

**2. Portfolio Committee on International Relations and Cooperation**

**Budgetary Review and Recommendation Report**

**2024/2025**

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### **8. Findings of the Committee**

#### **Responses by the Department**

### **9. Conclusions**

### **10. Recommendations**

## **The Budgetary Review and Recommendation Report of the Portfolio Committee on International Relations and Cooperation, dated 14 October 2025**

The Portfolio Committee on International Relations and Cooperation (the Committee), having considered the performance and submission to National Treasury for the medium-term period of the Department of International Relations and Cooperation (the Department), and its entity, the African Renaissance and International Cooperation Fund (the ARF), reports as follows:

### **1. Introduction**

The Portfolio Committee received the presentations on the Annual Reports 2024/25 of the Department and that of the African Renaissance Fund, on 8 October 2025. In its consideration of the reports, the Committee also enlisted input from the Office of the Auditor-General and the Audit committee on the annual performance of the Department and the entity on the same day, 8 October 2025.

#### **1.1 The scope of the report**

The focus of the assessment was on the performance of the five (5) key programmes of the Department namely, Administration, International Relations, International Cooperation, Public Diplomacy and Protocol Services as well as International Transfers. The Department's performance and that of the entity was measured against their set targets as identified in the respective Annual Performance Plans 2024/25, based on the Strategic Plans of 2020-2025.

Annual performance was also measured against Government's key priorities identified in the President's State-of-the-Nation Address (SoNA) of February 2024, the Government's Medium Term Strategic Framework 2019-2024 and in accordance with information contained in the National Treasury 2024 Estimates of National Expenditure. Other key measures comprise of the moral values and principles that underpin the country's foreign policy. The report also covers the views and findings

of the Committee, and the resultant recommendations borne out of the Members' scrutiny and analysis of the performance of the Department and its entity for the reporting period.

## **1.2 Mandate of the Committee**

The Portfolio Committee on International Relations and Cooperation is a committee of Parliament mandated by the sections 55 and 92 of the Constitution of South Africa,<sup>1</sup> to oversee and ensure accountability in the formulation and conduct of South African foreign policy. Consequently, the Committee conducts oversight on activities of the Department of International Relations and Cooperation and its Missions abroad, on its policies, legislation, financial spending patterns, administrative issues, and it holds the Department accountable for its operations and functions. The Committee is thus mandated by the Constitution to legislate, conduct oversight over the Department and facilitate public participation. The Committee may also investigate any matter of public interest that falls within the foreign policy area of responsibility. The Committee ensures public participation in the otherwise elitist foreign policy. This is achieved through its People-Centred Oversight on International Relations and Cooperation approach, under which ordinary South Africans get to input on the way international relations policy should assist to address the injustices of the past. The Committee is thus an important mechanism for ensuring oversight over the conduct of South Africa's international relations and cooperation policy.

## **1.3 Purpose of the Budgetary Review and Recommendation Report**

In accordance with section 5 of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009), the National Assembly, through its committees, must assess service delivery performance of each national department and submit Budgetary Review and Recommendation Report (BRRR) for each department, for tabling in the National Assembly. The process allows the National Assembly to evaluate the effective and efficient use of allocation of resources; and may make recommendations on forward use of resources. These reports will be

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<sup>1</sup> Constitution of the Republic of South Africa 1996

considered by the Standing/Select Committees on Appropriations and Finance, respectively, when they make recommendations to the Houses of Parliament on the Medium-Term Budget Policy Statement (MTBPS).

The Committee examined the expenditure report as published by the National Treasury, commonly known as section 32 Reports of the Public Finance Management Act (PFMA) 1999 (Act 1 of 1999). Reference was also made to the Auditor General's report on the 2024/25, Budget Vote 6 and the Department's Annual Report 2024/25.

#### **1.4 The core function and mandate of the Department**

The overall mandate of the Department is to work for the realisation of South Africa's international relations policy objectives. In terms of the provisions of the Constitution, the President of the Republic of South Africa bears the overall responsibility for the country's foreign policy and international relations. However, the Department is entrusted with the formulation, application and implementation of South Africa's foreign policy which is derived from South Africa's domestic priorities.<sup>2</sup>

The Minister of International Relations and Cooperation (the Minister) assumes overall responsibility for all aspects of South Africa's international relations, albeit in consultation with the President. The Minister also liaises and consults with members of the Cabinet on overlapping issues and on the priorities and programmes of other departments that bear an international relations element.<sup>3</sup> In the same breath, other Cabinet ministers are required to consult the Minister on their international role.

#### **1.5 Measurable Objectives of the Department**

The Department's overall mandate is to work for the realisation of South Africa's foreign policy objectives. It achieves this through implementing identified strategic objectives aimed at responding to the domestic priorities as announced by government for the reporting year. This is done by:

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<sup>2</sup> Department of International Relations and Cooperation Annual Report 2024-2025

<sup>3</sup> Ibid

- Coordinating and aligning South Africa’s international relations abroad;
- Monitoring developments in the international environment;
- Communicating government’s policy positions;
- Developing and advising government on policy options, and creating mechanisms and avenues for achieving objectives;
- Protecting South Africa’s sovereignty and territorial integrity;
- Contributing to the creation of an enabling international environment for South African business;
- Sourcing developmental assistance; and
- Assisting South African citizens abroad.<sup>4</sup>

### **1.6 Opening remarks by the Chairperson of the Portfolio Committee, Mr SOR Mahumapelo MP**

In his opening remarks, Hon Mahumapelo MP elaborated that the BRRR process is a mechanism through which the Portfolio Committee assesses the annual service delivery performance of the Department and its entity. The Chairperson highlighted that the report would be a culmination of an oversight process undertaken by the Committee through monitoring quarterly performance reports of the Department. It would highlight Committee findings and identify areas that need follow-up into the future.

During the reporting period, the thrust of the work of the Department remained anchored on these overarching priorities as confirmed by the January 2024 Cabinet Lekgotla and the 2024 State of the Nation Address (SoNA). In its work on these priorities, the Department is supported by the following activities:

- Organisational support;
- Rendering of professional services and
- Organisational strengthening.

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<sup>4</sup> Department of International Relations and Cooperation Annual Report 2024-2025

## **2. Focus on compelling mandates**

### **2.1 Department's strategic and operational plans**

The Annual Report reflects the highlights of several diplomatic activities carried out by the Department including its Missions abroad. At the time of reporting, South Africa's representative footprint has grown from 34 in 1994 to 115 diplomatic missions in 2024/25 in 102 countries abroad, and through the accreditation of more than 160 countries and organisations resident in South Africa. The extended footprint also put the resources of the Department under pressure, especially within the continuing constrained fiscal environment in South Africa.

The Department has a dynamic role to play in the improvement of the lives of South Africans. This is achieved through identifying strategic opportunities for skills and knowledge development, targeted investments, and growing markets for South Africa's products and services abroad. This way, the Department ensures that international relations work is linked and responds to domestic imperatives.

During the reporting period, the Department remained focused towards implementing strategies and mechanisms to bolster regional and continental political and economic integration. These are the apex priorities of South Africa's foreign policy.<sup>5</sup> The inherent foreign policy outlook guided the Department's engagements in Africa, and with partners in the global South, developed nations of the North as well as in multilateral relations.

The achievements outlined in this Annual Report 2024/25 contribute to the broader objectives of the Southern African Development Community (SADC) Regional Indicative Strategic Development Plan (RISDP), the African Union (AU) Agenda 2063, and the United Nations' Sustainable Development Goals (SDGs).

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<sup>5</sup> Annual Report of the Department of International Relations and Cooperation 2024/25

## **2.2 Alignment to National Development Plan (NDP) and the 2024 MTBP Statement and the 2024-2029 Medium Term Development Plan (MTDP)**

The department is guided in these pursuits by the National Development Plan (NDP) and the priorities set out in the Medium-Term Development Plan (MTDP) 2024–2029 (priority 1 – drive inclusive growth and job creation, and priority 3 – building a capable, ethical and developmental state), which outlines a blueprint for how the Department is to achieve the development priorities and counter the triple challenges facing South Africa of poverty, inequality, and unemployment. To achieve the MTDP’s priorities, the Department in the reporting period prioritised, through its missions, activities of attracting foreign direct investment (FDI) and tourism, which stimulates economic activity and leads to job creation.

In Chapter 7 of the NDP entitled “Positioning South Africa in the world”, the National Planning Commission argued that government’s global and regional policy-making stance should be South Africa-centric. It should also improve South Africa’s integration in the region, on the continent, among developing countries, and in the world with measurable outcomes. The National Planning Commission also argues that policymaking should be guided by the following principles and objectives<sup>6</sup>:

- Focus on what is achievable without over-committing to possibilities of regional and continental integration.
- Foreign Policy should be evaluated on a regular basis to “ensure that national interests are maximised”.
- Remain an influential member of the international community;
- Deepen cooperation with Brazil, Russia, India and China as part of the BRICS group while promoting regional and continental integration;
- Stabilise the regional political economy through increased integration and cooperation; and

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<sup>6</sup> National Planning Commission, 2011

Achieve measurable outcomes related to food, energy, education, health, transport and communication infrastructure, national defence, adjustment to climate change and economic growth to benefit all South Africans.<sup>7</sup>

In its examination of the Annual report of the Department, the Committee observed that the Department had aligned itself with the prescripts of Chapter 7 of the National Development Plan entitled “Positioning South Africa in the world”. One of the objectives of the National Development Plan is to enhance South Africa’s position in the region and the world, and to increase trade and investment.

The plan states that the country’s foreign policy should be shaped by the interplay between diplomatic, political, security, environmental, economic and regional dynamics that define international relations. The country should position itself as one of Africa’s powerhouses, leading development and growth on the continent. Integration with the Brazil-Russia-India-China-South Africa group of countries should be deepened.<sup>8</sup>

In this regard the Department is doing its part in contributing to the realisation of the plan’s development goals. These are achieved through continuing to support regional and continental processes, responding to and resolving crises, strengthening regional integration, contributing to an enabling trade environment, increasing intra-African trade, and championing sustainable development and opportunities in Africa.

The Department recognises that the NDP proposed expansion of South Africa’s trade and global market share. To achieve this, a greater productive and export capacity and global competitiveness across the region needs to be built. The Department’s strategic focus is thus to advance a developmental integration agenda in Southern Africa. This would be achieved by combining trade integration, infrastructure development and sector policy coordination.

The Committee, in its analysis of the Annual Report 2024/25, observed that the Department continued with its concerted efforts to execute South Africa’s

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<sup>7</sup> The National Development Plan, Chapter 7: Positioning South Africa in the World)

<sup>8</sup> The National Development Plan, Chapter 7: Positioning South Africa in the World)

international relations strategy to address the country's domestic challenges. In this regard, the National Development Plan enjoins the Department to contribute towards addressing the identified triple challenges of poverty, inequality and underdevelopment. The NDP requires the Department to create a better life for all South Africans. This it should do while meeting the country's international obligations in a dynamic and complex global terrain. In this vein, South Africa's foreign policy objectives remained predicted on the country's national interest and identity.

There has been a clear and deliberate move to ensure there is a link between the activities of the Department and the implementation of Chapter 7 of the NDP Vision 2030. The NDP underscores the importance of building a nation that contributes to the prosperity of the southern Africa region, the African continent and the betterment of the lives of the marginalised throughout the world.

The NDP further requires that South Africa build a resilient economy which would contribute towards creating a working nation, in order to narrow and eventually eliminate the gap between the rich and poor. The Department recognises that the national priorities as contained in the NDP are inextricably linked to the aspirations of the African continent. Hence, economic diplomacy would be used to promote the country as a trade and investment destination, thereby attracting foreign investment and boosting its tourism sector.<sup>9</sup>

The aspirations of the NDP have also found expression in the Southern Africa Development Community (SADC)'s development mechanism, the Revised Regional Indicative Strategic Development Plan (RISDP). These aspirations are also found in the continental programme as encapsulated in the African Union's (AU) Agenda 2063 Vision, and in the UN 2030 Agenda on Sustainable Development Goals (SDGs). The economic development integration of SADC remains a key focus area.<sup>10</sup>

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<sup>9</sup> National Development Plan 2030, Chapter 7 thereof

<sup>10</sup> Annual Performance Plan 2024/25 of the Department of International Relations and Cooperation

### **3. Presentation on the annual service delivery performance of the Department in 2024/25 financial year**

The Director General of the Department of International Relations and Cooperation, Mr Zane Dangor highlighted that during the reporting period, the Department achieved all its planned annual targets, amounting to an overall performance of 100% for the 2024/25 financial year. However, it unfortunately received a qualified audit opinion for the 2024/25 financial year.

The Department remained committed to the South Africa's foreign policy is anchored in the pursuit of a just, equitable, and sustainable world, rooted in our Pan-African identity, which emphasises inclusive economic development, peace and security, and regional stability. Its success is predicated on regional stability and continental integration, underscoring the centrality of the African Agenda in South Africa's international engagements. To realise these objectives, the practice of diplomacy remains a vital instrument for executing our mandate. Through sustained diplomatic dialogue and active participation in peacebuilding initiatives at both continental and global levels, South Africa advances its foreign policy priorities and contributes to the pursuit of a people-centred and sustainable future.

It was reported that during the reporting period, South Africa demonstrated its unwavering commitment to a rules-based multilateral international system by actively advancing a principled foreign policy grounded in the values of OR Tambo and the Constitution, which emphasise solidarity, peacebuilding, dialogue, and engagement. DIRCO successfully pursued high-level bilateral and multilateral engagements with partners in both the Global South and the Global North. Through participation in strategic meetings, forums, and summits, South Africa not only advanced its national interests but also championed the priorities and addressed the challenges of developing countries, thereby reinforcing its role as a leading advocate for a just and equitable global order.

South Africa's diplomatic missions around the world actively participated in a wide range of meetings, forums, and summits, covering issues such as economic development, climate change, the promotion of human rights, and the upholding of international law.

These missions have remained a strategic asset in advancing South Africa's foreign policy objectives by leveraging their political engagements, participation in trade and investment promotion fairs, and support for tourism promotion initiatives. Through these activities, the missions contributed to addressing South Africa's triple challenges of poverty, inequality, and unemployment.

It was highlighted that South Africa continues to engage actively in multilateral diplomacy while maintaining its long-standing call for the reform of international multilateral organisations to ensure that the voices and realities of the African continent and the Global South are adequately represented. Central to this agenda is the reform of the United Nations Security Council (UNSC) and other multilateral bodies to reflect the evolving dynamics of the global environment and to create a more just and inclusive international system.

During the reporting period, it was reported that South Africa participated in several high-level multilateral engagements. At the Commonwealth Heads of Government Meeting (CHOGM), South Africa played a leading role in shaping the narrative on the need for the Commonwealth to take on an enhanced role in the peaceful resolution of global conflicts. On the issue of climate change, South Africa highlighted the disproportionate impact of the climate crisis on developing countries and reaffirmed the principle of *Common but Differentiated Responsibilities and Respective Capacities*, underscoring the shared yet differentiated responsibilities of states in addressing this global challenge.

South Africa also participated in the 79th Session of the United Nations General Assembly (UNGA79), where the Summit of the Future (SOTF) produced the outcome document, the *Pact of the Future (PFTF)*. This outcome aims to forge a new global consensus on addressing cross-cutting future threats and challenges, including sustainable development and financing for development; international peace and security; science, technology, innovation and digital cooperation; youth and future

generations; and transforming global governance. Furthermore, South Africa engaged in the UNGA79 Fourth Committee on Special Political and Decolonisation Matters, where it underscored the importance of ensuring that peacekeeping mission mandates are adequately aligned with the realities on the ground so that missions are properly resourced and empowered to achieve their objectives.

It was noted that through these engagements, South Africa reinforced its principled stance as a leading voice for the Global South and demonstrated its unwavering commitment to building a more representative, just, and sustainable multilateral system. Furthermore, South Africa participated in notable South-South engagements such as the XVI BRICS Summit in Kazan, Russia, and saw the adoption of the Kazan Declaration on economic, financial, and political matters amongst other outcomes. South Africa also participated in the multiple Indian Ocean Rim Association (IORA) meetings, working groups and workshops; participation in the India Brazil South Africa (IBSA) Summit in Rio de Janeiro, Brazil; and participation in the 48th Foreign Ministers' Meeting of the Non-Aligned Movement (NAM), which was held in New York, United States of America.

South Africa also engaged in the Extraordinary SADC Summit of Heads of State and Government as well as the preceding Extraordinary Summit of the SADC Organ Troika Plus SADC Mission in the Democratic Republic of the Congo (SAMIDRC) Troop Contributing Countries (TCC) and the Democratic Republic of Congo (DRC). It also participated in the Ministerial Committee of the Organ (MCO) Troika to discuss the worsening political and security situation in the DRC and the endorsed decision for a phased withdrawal of the SAMIDRC.

In line with the changing realities of the international environment and firmly rooted in South Africa's vision for a peaceful South Africa, Africa, and world, the country continued to advance the Women, Peace and Security Agenda. During the reporting period, it was highlighted that South Africa hosted a three-day workshop to operationalise the Network of Women Mediators in Southern Africa. The workshop created a platform to promote the meaningful participation of women in peace and security processes within member states and highlighted the critical value of women's perspectives in conflict prevention and mediation.

In addition, South Africa co-sponsored a statement at the 56th Regular Session of the United Nations Human Rights Council (HRC56) to commemorate the International Day for Women in Diplomacy. This initiative reinforced South Africa's commitment to gender equality in Global Governance and to strengthening women's leadership in diplomacy and peacebuilding efforts.

In November 2024, South Africa became the first African country to assume the Group of 20 (G20) presidency. Under the theme *Solidarity, Equity, Sustainability*, the country is advancing the African Agenda and Global South interests, promoting inclusive global economic growth. During the reporting period, South Africa successfully hosted the first G20 Sherpa and Joint Sherpa-Finance and Central Bank Deputies meeting and the G20 Foreign Ministers' meeting.

It has been pointed out that South Africa continues to advocate for further economic continental development through enhancing intra-regional and continental trade through the Southern African Customs Union (SACU), the Southern African Development Community (SADC) Free Trade Area negotiations, and the African Continental Free Trade Area (AfCFTA). Intra-regional and continental economic activities have the potential to generate large revenues which can support the developmental aspirations of the region and continent.

The Foreign Service Act, 2019 (Act 26 of 2019), assented to by President Cyril Ramaphosa on 26 May 2020, provides the legislative framework to professionalise South Africa's Foreign Service. The Act mandates the management, administration, accountability, and functioning of a professional Foreign Service, while ensuring operational requirements are aligned with the demands of a global diplomatic environment. To operationalise the Act and its regulations, the Department has undertaken a systematic review of existing policies and is in the process of developing the necessary codes, policies, and standard operating procedures to ensure full and effective implementation.

#### **4. Overview and assessment of the financial performance of the Department for the 2024/25 financial year**

##### **4.1 Financial expenditure trends of the Department**

The Department's expenditure in the reporting year amounted to R7.111 billion compared to the adjusted budget of R7.081 billion, representing 99% of the budget.

Programme 1: Administration – Low expenditure was primarily attributable to the delay in the appointment of contractors for infrastructure projects.

Programme 2: International Relations – Expenditure was in line with the budget.

Programme 3: International Cooperation – Expenditure was in line with the budget.

Programme 4: Public Diplomacy and Protocol Services – Expenditure was in line with the budget.

Programme 5: International Transfers – Low expenditure was primarily attributable to exchange rate fluctuations when transfer payments were processed.

##### **4.1.2 Headquarters building contract**

In the reporting financial year of 2024/2025, it has been reported that the Department did not enter into a new PPP Agreement (PPPA). The contract obligations as contained in the existing PPPA with Imbumba Aganang Private Party (RF) (Pty) Ltd as concluded in 2009 has been adhered to and serviced accordingly. The relationship with the private party is managed at both strategic and operational level with penalties being levied for performance below the agreed levels. No changes or variations have been made to the contract concluded in 2009. Most scheduled projects were executed as planned. A realignment of projects that could not be executed was done to ensure that the overall contract performance is still maintained.

The Department is in year 15 of implementing the PPPA for the Department of International Relations and Cooperation (DIRCO) Head Office building. Monitoring of the contractual obligations is consistently done to maintain and keep the building in pristine condition. The maintenance and replacement of assets are undertaken as per predetermined replacement cycles. The term of the PPPA is 25 years, ending in 2034. The total costs incurred in relation to the agreement for the financial year ending 2024/25 were R329.358 annually.

#### 4.1.3 Procurement and contract management

The Department is still experiencing the following challenges in SCM:

- Contracts being utilised after expiring in missions.
- Inability to secure three quotations.

The following measures were introduced to address contract management, including: The Delegation of Authority was revised to evaluate high-risk open bids through committees and conclude quotations through compliance assessment.

- New committee members were appointed and trained. Circulars for the termination of irregular contract were drafted and distributed.

#### 4.1.4 Irregular expenditure

The Department introduced the following controls and processes to prevent irregular expenditure and asset misstatements:

- Workshop to be conducted within SCM to ensure common understanding of the procedures for prevention of irregular expenditure.
- Circular on processing of deviations to be re-issued to all end-users clarifying the revised process
- All deviation submissions for Head Office will be verified by the Chief Director as a delegated official
- Memorandum to be issued to the SCM officials to highlight compliance issues and improvement in the current internal controls.

#### 4.1.5 Human Resource

During the reporting period, the Department was reported having a vacancy rate of 24.6%, which is above the national average vacancy rate of 10%. The Department is still experiencing a high vacancy rate, despite the concerted efforts to fill critical vacancies. The vacancy rate increased from the previous financial year (21.8%). Due to the cost-containment measures on the Compensation of Employees' (CoE) budget, no vacancies were advertised by the Department during the reporting period. All appointments and promotions during the financial year were from vacancies advertised in the previous financial year, as well as the Ministerial staff.

The Department reported that, in partnership with Imbumba Aganang Private Party (IAPP), it successfully recruited and enrolled 63 youth on the Internship and Learnership programmes. Another cohort of 40 internship positions was advertised in October 2024 in collaboration with the Public Service Sector Training Authority (PSETA). It is envisaged that the successful candidates will assume duty in the 2025/2026 financial year. Twenty-seven training programmes were implemented in line with the 2024/2025 Workplace Skills Plan (WSP) of the Department.

#### 4.1.6 Property acquisition

The Department has reported to have prioritised three acquisitions in the current Framework, which includes two construction projects for New Delhi (India) and Luanda (Angola) for the development of chanceries and official residences, as well as the purchase of new chancery in Nairobi, Kenya. There has been good progress in the implementation of these projects.

The planning phase for construction in New Delhi has been completed, and as of the end of the financial year, the project was commencing with stage 4 (procurement). The acquisition of a chancery building in Nairobi was cancelled for readvertisement and the appointment of a professional team for Luanda will be finalised in the new financial year.

## **5. The Department and the audit outcome**

The Department acknowledged the audit outcome of a qualified audit opinion issued by the Auditor-General of South Africa (AGSA) on the Department's 2024/25 annual financial statements, citing material deficiencies in the management of movable tangible capital assets. It was observed that the Department's asset register was incomplete, inaccurate, and unreliable, resulting in an understatement of R112.9 million and the inability of the auditor from verifying assets valued at R983.6 million. Some assets were missing from the register while others could not be physically verified, leading to insufficient audit evidence.

Although the financial statements were prepared in line with the Modified Cash Standard (MCS) and the Public Finance Management Act (PFMA), these deficiencies

in internal controls and asset management compromised the credibility of the asset register. The Auditor-General also drew attention to restatements of prior year figures due to errors, and the disclosure of R28.3 million worth of assets under investigation, many in politically unstable regions.

On compliance matters, AGSA reported internal control deficiencies across key components. The department failed to fully comply with PFMA and Treasury Regulations, with material misstatements in the financial statements, lack of irregular expenditure prevention, and lack of consequence management for irregular, unauthorised, and fruitless expenditure. Persistent non-compliance in supply chain management was noted, including procurement without required quotations, contracts awarded without required declarations, and awards based on altered evaluation criteria. No material findings were raised on the performance information for Programmes 2 and 3 (International Relations and International Cooperation).

It must be noted that the Auditor-General initially issued a qualified audit report on 30 July 2025, with material findings in three key areas: Asset Management, Lease Commitments, and Accruals and Payables Not Recognised for the 2024/2025 financial year. The department requested an extension to address these matters, and the extension was noted by National Treasury.

During the extension period, AGSA re-performed its accept/reject procedures and re-audited the adjusted populations to ensure that corrections were complete and properly supported. The two matters relating to Lease Commitments and Accruals and Payables Not Recognised were resolved. Attempts were made to correct the misstatements on Asset Management; however, these could not be fully resolved, as the verification required covered both head office and 115 missions. The revised report was finalised and presented to the Audit Committee and management on 25 September 2025. The basis of the qualification remains limited to Asset Management.

## **6. Public Entity: Overview of the Annual Report 2024/25 of the African Renaissance and International Cooperation Fund**

The Department, in consultation with the National Treasury, is responsible for the administration of the African Renaissance and International Fund (ARF), which was established in terms of Act 51 of 2000. This fund is under the control of the Director-General of the Department who must account for all payments into and out of the fund. An Advisory Committee was appointed to make recommendations to the Ministers of International Relations and Cooperation and of Finance on the disbursement of funds, as provided for in the African Renaissance and International Cooperation Fund Act, 2000.<sup>11</sup>

The objectives of the ARF are to promote economic cooperation between the Republic of South Africa and other countries, in particular African countries, through:

- promotion of democracy and good governance,
- prevention and resolution of conflict,
- socio-economic development and integration,
- humanitarian assistance,
- human resource development, and
- cooperation between South Africa and other countries<sup>12</sup>

The Fund is managed by the Department and payments are made on behalf of the Fund by the Department once concurrence is received from the Minister of Finance. This has resulted in the opening of control accounts (Payables and Receivables) in the accounting records of the Department, and these accounts are reconciled to the records of the Fund. The financial statements of the Fund are prepared separately from the Department as the Fund is registered as a Schedule 3A Public Entity in terms of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999). All transactions and information arising from the work of the Fund are audited by the Auditor-General of South Africa on an annual basis.<sup>13</sup>

The ARF is set up as a public entity. However, it does not yet have all the features necessary, like other public entities, due to its placement within the Department's

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<sup>11</sup> Annual Report 2024/25 of the African Renaissance and International Cooperation Fund

<sup>12</sup> Annual Report 2024/25 of the African Renaissance and International Cooperation Fund

<sup>13</sup> Annual Report 2024/25 of the African Renaissance and International Cooperation Fund

structure. The ARF is still faced with challenges of a governance nature, due to it being located within the Department and utilising the Department's procurement processes. The entity does not have its own systems of financial and project management, and all its processes are manual. The ARF secretariat comprises employees of the Department. The ARF has remained an important 'soft power' tool for the enhancement of South Africa's development cooperation on the continent and with other identified partners. The ARF achieved a consecutive 7-year clean audit opinion in 2024/25.

#### 6.1 Service-delivery environment

The report highlighted that the ARF plays a critical role in pursuing South Africa's foreign policy in the Department. South Africa's foreign policy promotes the need to cooperate with all peace-loving people across the globe in pursuit of shared prosperity and a just, equitable and rules-based international order. These were said to resonate with the objectives of the ARF which are to enhance cooperation between the Republic and other countries, in particular African countries, through the promotion of democracy, good governance, the prevention and resolution of conflict, socioeconomic development and integration, humanitarian assistance, and human resource development.

The ARF Advisory Committee is said to convene once a quarter, among other things, to assess and recommend requests for funding for approval by the Ministers of International Relations and Cooperation and of National Treasury.

During the reporting year, the entity achieved 62.5% of its targets. The non-achievement of other targets is attributed to the fund's reactive nature to funding requests that are submitted. It was reported that projects approved for funding and ready for disbursement amounted to R97 661 million in supporting socio-economic development and integration, humanitarian aid, the promotion of democracy and good governance, conflict prevention and resolution, and human resource development in Africa. The Department reported that it is in discussions with the National Treasury to obtain approval to retain surplus for 2024/25, which, if approved, will allow the fund to commit to additional projects and increase its impact.

It was highlighted that despite financial constraints caused by a low appropriated budget, the ARF continued to be an invaluable instrument in the pursuit of the National Development Plan and Vision 2030, the Medium-Term Strategic Framework, and priority seven, to which all government departments must subscribe and act upon. Of particular importance to the ARF was priority seven, focused on international relations, entitled “A Better Africa and World”.

It was reported that the fund continued to comply with the laws and regulatory prescriptions governing the management of public funds in South Africa. The ARF has maintained adherence to the established framework for disbursing funds and ensuring compliance with accounting and monitoring mechanisms. It was reported that it is on this basis that the ARF received an unqualified audit opinion with no findings for seven years in succession from the Office of the Auditor-General of South Africa (AGSA). It is worth noting that during this financial year under review, the Fund made significant progress, as no findings were raised by the AGSA on either the financial statements or performance information.

South Africa observed the elections in the Republic of Madagascar, which took place on 16 November 2023. South Africa’s participation was funded through the ARF with the objective to promote democracy and good governance. The Troika of the SADC Organ provides leadership of SEOMs. The Troika Member States consist of Zambia as the current Chair, Namibia as the outgoing Chair, and Tanzania as the incoming Chair.

## **7. Report of the Auditor-General of South Africa 2024/25 on the Department of International Relations and Cooperation and its entity**

The findings of the Auditor-General indicated that the financial statements presented fairly, in all material respects, the financial position of the Department as at 31 March 2025. The entity’s financial performance and cash flows for the year, then ended in accordance with Modified Cash Standards (MCS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

### **7.1 The Department**

During the financial year under review, the Department has received a *qualified audit opinion with emphasis of matter* from the Auditor General.

The basis for the opinion was highlighted as relating to the Asset Register. Not all movable tangible capital assets were recorded, in contravention with chapter 11 of the MCS, *Capital assets*, resulting in movable tangible capital assets disclosed understated by R112 911 954. In addition, the AG was unable to obtain sufficient appropriate audit evidence to determine the full extent of the movable tangible capital assets understatement, as the department did not maintain an accurate, complete and credible asset register, due to deficiencies in the system of internal controls over asset management relating to the recording and verification of capital assets and maintenance of the asset register. The AG's office could not confirm this by alternative means.

## **7.2 Asset management**

Proper control systems were not in place at the Department to ensure the safeguarding and maintenance of assets, as required by section 38(1)(d) of the PFMA. Preventative mechanisms were not in place to eliminate loss and wastage of assets, as required by treasury regulation 10.1.1(a). Processes and procedures were not in place at the Department for the effective and efficient use of the institution's assets, as required by treasury regulation 10.1.2.

## **7.3 Expenditure Management**

The AGSA remained concerned that effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. Much of the irregular expenditure was caused by non-compliance with supply chain management (SCM) prescripts at both the missions and head office.

#### **7.4 Consequence management**

The Auditor-General was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred unauthorised expenditure, as required by section 38(1)(h)(iii) of the PFMA. This was because investigations into unauthorised expenditure were not performed.

The AG was also unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred and/or permitted irregular expenditure in prior years, as required by section 38(1)(h)(iii) of the PFMA. In addition, not all investigations into irregular expenditure were performed.

The AG was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred and/or permitted fruitless and wasteful expenditure in prior years, as required by section 38(1)(h)(iii) of the PFMA. In addition, not all investigations into fruitless and wasteful expenditure were performed.

#### **7.5 Procurement and contract management**

The AG's report established that some goods and services were procured without obtaining at least three written price quotations, in accordance with treasury regulation 16A6.1 and paragraph 3.2.1 of SCM instruction note 2 of 2021/22. Similar non-compliance was also reported in the prior year. Some of the contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with treasury regulation 16A8.3. Some of the contracts were awarded to bidders based on evaluation/adjudication criteria that differed from those stipulated in the original invitation for bidding, as required by treasury regulation 16A6.3(a) and (b).

#### **7.6 Internal control deficiencies**

The AGSA identified significant internal control deficiencies that resulted in the basis for the qualified opinion and the material findings on compliance with legislation included in this report. The accounting officer did not implement adequate oversight and enforce quality assurance controls over the financial statements' compilation process, impacting the credibility of the financial statements.

### **7.7 Investigations**

It is reported in the Annual report that the investigation carried out by an external service provider relating to procurement irregularities, was finalised and issued to the department in August 2024 with no substantive findings confirmed. The investigation by the Public Protector South Africa, relating to procurement irregularities reported on 22 February 2023 remains in progress.

The Audit Committee has noted that non-compliance with the SCM prescripts remained a challenge for the Department, especially at the missions leading to irregular expenditure transactions. However, the effort of management is also commended on tackling historical transactions that contributed to previous years' irregular expenditures. The Department is persuaded to continue tackling historical transactions as prescribed by Treasury regulations to ensure adequate closure of the cases.

It has been further observed that the effectiveness of the Audit Action Plan remained elusive as certain exceptions continued to be repeatedly raised by both internal and external auditors, thus requiring management to change tactics in identifying the deep root causes of the gaps raised during audits.

It has also been noted that fixed assets continue to be a significant area of concern, with repetitive findings raised by the AGSA during the external audit, with many remaining vacant and dilapidated.

## **8. The findings of the Auditor-General on the African Renaissance and International Cooperation Fund 2024/25**

In the Auditor-General's opinion, the financial statements presented fairly, in all material respects, the financial position of the African Renaissance and International Cooperation as of 31 March 2024. They also presented fairly its financial performance and cash flows for the year then ended, in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA). Consequently, the ARF received a clean audit opinion in 2023/24 financial year.

Overall, the performance of the entity has improved significantly since it has a permanent secretariat. The AG reported satisfied that the internal audit function is operating effectively, and that it has addressed the risks pertinent to the entity in its audits.

The AG highlighted that the South African Police Service commenced an investigation into the allegations of procurement irregularities relating to the ARF projects, which covered the period 2011 to 2014. The investigation was ongoing at the time of signing this audit report.

## **9. Findings by the Committee**

After due deliberations on the contents of the Annual Report of the Department and its entity, the Committee made the following findings:

1. The Department has received a qualified audit opinion with emphasis of matters after three consecutive financial years of unqualified audit opinions. The ARF has received clean audit outcomes for seven consecutive years from the AGSA, and it is hoped that this practice would continue into the foreseeable future. The overall performance of the Department in implementing its political programs and other line functions was found commendable, and that the effective performance reporting systems should be sustained.
2. The Committee has noted that the high inherent risk of the Department is caused by the geographical spread of its operations, transacting in multiple currencies, fragmented financial management systems, ICT, state-owned properties, and

Compensation of employees (COE). The history of root causes for the qualified audit opinion remained a challenge.

3. The draft text of the regulations of the Foreign Service Act was published for public comment in the Government Gazette on 24 June 2022, after which it was finalised. The implementation process is underway with the implementation committee finalising the drafting of the policies, codes, directives and other standard operating procedures of the Act.
4. The Department had an overall vacancy rate of 24.6%, which increased from 21.8% in the previous financial year. The senior management vacancy is 27%. The department is still experiencing a high vacancy rate, despite the concerted efforts to fill critical vacancies. No vacancies were advertised by the Department during the reporting period due to the cost-containment measures on the Compensation of Employees' (CoE) budget. Clarity was sought on how the department will reduce the vacancy rate below 10%.
5. DIRCO's IT modernisation project, including GWAN, aims to synchronize replication across Pretoria, London, and Washington. However, significant delays have impacted progress and as a result, the contract value has ballooned from R814 836 173 to R1 190 998 522 (R1 billion). Key milestones were missed by 31 March 2024. Equipment for London and Washington hubs was not delivered or deployed, despite prior confirmations from the Department.
6. Hardware purchased in 2021/22 and 2022/23 remains unused, resulting in lost warranty coverage and increased future maintenance costs. GWAN licenses remain inactive due to implementation delays. No formal SLA was signed with the vendor; and the Integrated ICT Project Committee was not established. Approval was only granted in April 2025, delaying critical security components worth R292 million. It was cautioned that these issues pose serious risks to project success and require urgent attention from leadership.
7. The AG identified failure to implement adequate controls designed to detect and correct errors and omissions across all relevant sections and enforce prescribed processes including those related to asset management. Inadequate oversight and enforcement of quality assurance controls over the financial statements'

compilation process, impacting the credibility of the financial statements was observed. Inadequate compliance monitoring due to ineffective oversight by senior management, and poor project management oversight regarding IT modernisation projects were also detected.

8. Significant delays were observed in the IT modernisation project, which aims to enhance the Department's IT infrastructure across all missions. Issues such as missed milestones, idle equipment, and poor governance were identified, raising concerns about data protection and system reliability. The need for urgent establishment of governance structures and oversight was emphasised to mitigate risks and ensure project success.
9. The Committee noted that unauthorised expenditure has decreased to zero, while irregular expenditure has only slightly reduced to R2.2 billion. The causes of irregular expenditure include procurement issues and expired contracts. Additionally, fruitless and wasteful expenditure has decreased but still requires attention, with many cases pending investigation.
10. Despite improvements in unauthorised expenditure, the Department still struggles with effective implementation of audit action plans and consequence management. The need for stronger oversight and capacity in risk management was emphasised to mitigate ongoing challenges.
11. The poor maintenance of state-owned properties, which negatively impacts the country's reputation, demand a holistic management strategy.
12. Members expressed concerns about the Department's asset management failures and procurement irregularities, calling for immediate implementation of the Auditor General's recommendations.
13. A need was identified for a cultural shift within the Department to improve compliance and accountability, alongside the importance of regular updates on strategic project oversight and the implementation of an audit action plan to enhance operational effectiveness.
14. It was noted that the Department's indicators and related targets are still primarily activity-based (quantity) indicators. Indicators based solely on activities (quantities) are not necessarily the best indicators to measure the impact of the Department in executing its mandate and delivering on the MTDPF targets.

15. Clarity was sought on the steps to be taken to address the ongoing delays in the IT modernization project to restore ICT functionality across missions. Clarity was also sought on the measures to be taken to improve the asset management processes within the department.
16. Serious concerns were raised about the Department's financial management, citing a regression from unqualified to qualified audit opinions due to an incomplete asset register. It was pointed out the department's failure to address currency fluctuations and highlighted alarming issues related to procurement violations and ICT governance failures. There was emphasis on the importance of accountability to taxpayers and the need for immediate action to rectify these issues.
17. There was a call for a more proactive foreign policy that addresses humanitarian crises, including the plight of Christians in Nigeria and the situation in Palestine.
18. The pressing economic and structural challenges facing the department were noted with concern, particularly considering currency fluctuations.
19. It was noted that the mismanagement of state-owned properties abroad is leading to financial losses for taxpayers and a negative image for South Africa abroad. Clarity was sought on how the department will ensure that the budget for property maintenance is adequate moving forward. It was also asked whether there are skills development related to asset management.
20. Clarity was sought whether the Cuban loan has continued to be serviced after June, specifically inquiring about payments for July, August, and September, or if there has been any default.
21. Concerns were raised about the department's high vacancy rate and overspending on employee compensation, questioning how the department plans to fill these funded posts. There was emphasis of a need for a clear audit action plan to prevent repeated findings.
22. Clarity was sought on how is the department addressing the issue of consequence management for procurement irregularities and the specific consequences for officials engaged in procurement irregularities.
23. A concern was raised pointing out ongoing issues with internal controls and accountability within the department, advocating for a culture of responsibility that extends beyond senior management and stressed the need

- for filling key vacancies and closer monitoring of strategic projects to ensure effective governance.
24. It was stated that future reports should specify the number of cases requiring consequence management and track progress on each, to improve oversight and transparency. It was noted that the consequence of weak consequence management in the department is the perpetuation of irregularities, lack of accountability, and ongoing compliance failures. Strengthening consequence management is seen as essential for improving governance, financial discipline, and public trust in the department's operations.
  25. It was noted that the consequence of weak consequence management in the department is the perpetuation of irregularities, lack of accountability, and ongoing compliance failures. Strengthening consequence management is seen as essential for improving governance, financial discipline, and public trust in the department's operations.
  26. Clarity was sought whether the Department partners with institutions of higher learning for the diplomatic academy to improve quality of service and save costs.
  27. Numerous instances of non-compliance with legislation have been identified in procurement, contract management, and expenditure management. Irregular expenditure balance remains at R 2.2 billion, although the implementation of consequence management has improved through the introduction of the Financial Misconduct and Losses Committee (FMLC), there is a need for stricter consequence management.
  28. The A specific call was made to condemn Israel's interception of aid to Gaza and called for increased support for Palestine.
  29. The Department was asked to quantify the impact of trade agreements and international engagements in terms of poverty, inequality, and unemployment reduction.
  30. The ARF received an unqualified opinion with no findings. It maintained clean audit outcomes because it has consistently demonstrated the basic financial discipline, consistent reviews and monitoring of compliance with applicable laws and regulations.

31. The Department has been unable to transition to modern IT systems due to persistent delays in the IT modernization project. As a result, outdated and legacy infrastructure remains in use, which has led to ongoing operational and security challenges.

Deficiencies were found in some Missions abroad relating to ICT Project data recovery systems and processes to mitigate against data loss.

## **10. Responses by the Department and Auditor General (the AGSA)**

The Department and the AG responded to the Committee's findings and observations as follows:

Ms Naicker responded on the issues surrounding consequence management in the Department, indicating that investigations often did not lead to disciplinary actions.

Ms Mafuleka acknowledged the members' comments regarding the Audit Action Plan and the need for the department to respond to the challenges raised. The importance of changing the culture within the department to enhance compliance, particularly in procurement, was emphasized by a conference room participant.

The Department responded that assistance is being sought from National Treasury to secure funding for these vacancies, which has led to staff being overburdened.

The Audit Committee will ensure that the audit action plan is effectively implemented and that missions report monthly to the audit steering committee.

The Department undertook to work on an audit action plan that addresses identified issues effectively and speedily and further discuss budgetary constraints as a root cause issue impacting the department's performance with the Audit Committee and the Auditor General.

The Department to work with National Treasury to consolidate financial systems and reporting for missions abroad to improve efficiency.

The Department further committed to implement a real-time asset management system to improve accuracy in asset registers and ensure audit readiness.

The Department further committed to ensure that the synchronization between the three data hubs is completed as part of the digital strategy implementation and further provide updates to the Portfolio Committee on the progress of the Dimension Data project to improve ICT infrastructure and security.

The Department made a commitment to provide a detailed presentation to the Portfolio Committee on the state of its properties and the maintenance backlog.

It acknowledged the need to strengthen consequence management, noting that while some progress has been made, there are still many legacy cases and capacity constraints that hinder full implementation.

The ARF noted that after the reporting period, it has managed to make the Cuban loan payment for June in line with the signed agreement.

The ARF also noted that they are awaiting the final outcome from National Treasury, which will give and grant them approval to be able to commit to the retention of surplus and ongoing management of the loan.

## **11. Conclusions**

The non-financial performance by the Department in the reporting year has been acceptable. The Committee is encouraged by the undertakings and steps so far taken to contribute towards a better life for all in South Africa; striving for a stable and secure continent; and creating a better world for all.

The Committee expressed satisfaction that the Department has utilised its budget in accordance with its plans for 2024/25. The Department was regarded as having demonstrated accountability to Parliament and the people of South Africa on resources spent, and how it contributed to the achievement of South Africa's national

priorities. The Department was applauded for displaying a positive posture to the findings by both the Auditor General, the Audit committee and the Portfolio Committee. The Committee was encouraged that the Department undertook to address the concerns and mostly, address the culture of non-compliance in the Department. The Department was applauded for continuing to position South Africa as a respected member of the international community, with a dynamic and independent foreign policy that speaks to the country's domestic priorities.

The Committee noted recurring weaknesses highlighted by the Auditor General. It The Accounting Officer and Senior management and in particular the Finance branch, were regarded as critical in addressing the recurring challenges that renders the Department amenable to material findings. Their attitude to and knowledge of their work, cooperation, and attendance of meetings where these issues are addressed, were regarded as important links for enhancing the performance of the Department. The Committee reiterated the importance of consequence management efforts trickling down to the lower levels in the Department.

The Department also expressed determination and undivided attention to pursue best practices in the areas of consequence management, expenditure management, contract management, financial management, supply chain, and information and communications technology, as raised by the office of the Auditor-General. The Committee noted that there is room for improvement with necessary adjustments in service delivery.

Regarding the ARF, the Committee found that the overall performance of the ARF is good and cautioned against the slow pace of migrating to a full-fledged agency, the South African Development Partnership Agency (SADPA) as directed by Cabinet in 2009. The Committee reminded the Department of the need to revive the SADPA Bill which lapsed at the end of the 6<sup>th</sup> Administration. ARF was noted as working in line with the aspirations of the NDP in pursuing a peaceful and prosperous Africa. The Committee urged the Department to popularise the good work done through this foreign policy soft power instrument.

## **12. Recommendations**

The Committee is of the opinion that overall, the Department has performed according to the goals it had set itself for the 2024/25 reporting period. The Committee was also dissatisfied with the regression in the audit outcome for the 2024/25 financial year. The 2024/25 budgetary allocations of the Department were generally aligned to the national strategic priorities outlined in the 2024 State-of-the-Nation Address, as well as its strategic direction in terms of its Medium-Term Development Plan 2024-2029. An undertaking by the Department to improve on weaknesses identified by the Auditor-General, and working towards a clean audit, demonstrated a positive indication of commitment of purpose by the Department to diligently execute its mandate.

To further assist the Department to enhance its performance, the Committee recommends that the Minister ensures that the Department implements the following and report to the Committee within three months of the adoption of this report by the National Assembly:

1. Aim to achieve unqualified audit opinions for the Department leading to achieve a clean audit; and maintain a clean audit outcome for the ARF.
2. Ensure that accountability filters down to mission level with officials equally accountable for ensuring sound internal controls and improved audit outcomes.
3. Utilise strategic support units as an additional layer of review of the information flowing from missions to DIRCO HQ. The units can be used to augment capacity of the finance division and offer additional quality assurance.
4. Ensure the compliance monitoring interventions are enhanced to ensure identified gaps are addressed and compliance enforced throughout the Department including consequence management.
5. Establish a 90-day Asset Verification War Room and ensure the Asset Register of the Department and in Missions abroad, responsible for the negative audit outcome is updated, complete and correct.
6. Submit an update on the implementation of the resolution by Parliament to sever all ties with the State of Israel.

7. Address institutional capacity by filling of key vacant positions of senior management, those with knowledge in the built environment and risk management officers.
8. Ensure the properties maintenance plan is focussed, supported by enough budget and that it is implemented, prioritising the dilapidated state-owned properties.
9. Establish a formal combined assurance framework to coordinate efforts and share information with the Portfolio Committee to provide a broader view of the Department's risks, ensuring that all areas are adequately covered.
10. Compile a comprehensive report on all state-owned properties abroad under the custodianship of the Department and leases, and how much is being spent for their upkeep.
11. Expeditiously secure appropriate processes and systems to enable recovery of large volumes of data handled by the missions including having adequate data backup and recovery processes in place.
12. Consider reporting on impact of the activities performed rather than the activity itself in terms of performance indicators, and how the participation of South Africa in international engagements has influenced the outcomes of such international conferences.
13. Continue with the investigation of the remaining irregular expenditure cases, extend the investigation to fruitless and wasteful expenditure and action the recommendations of the investigation reports for the investigated cases.
14. Enhance oversight role by accounting officer and senior management on significant deficiencies and non-compliance with legislation, by applying consequence management and taking corrective action for non-compliance especially on repeat matters.
15. Reinforce controls related to SCM processes (procurement and contract management) to prevent regression in this area in the future.

16. Expedite the completion of the drafting of the policies and standard operating procedures of the Foreign Service Act 2019, to ensure efficiency in its implementation.
17. In order to strengthen the overall ICT environment and improve its security resilience, consider the following actions:
  - Adopt a proactive security approach and promptly remediate known vulnerabilities.
  - Strengthen the Department's ICT environment and ensure alignment with strategic objectives, the Department should prioritise the acceleration of the IT modernisation programme, with a focus on replacing outdated infrastructure, addressing system limitations, and enhancing DIRCO's security posture.
  - Business continuity capabilities must be improved through updated disaster recovery plans, regular testing, and robust backup processes.
  - Access management and physical security controls for the data centre should be strengthened through regular monitoring and enforcement of security protocols.
18. Closely monitor progress with the IT modernization project to ensure its completion and ability to modernise ICT infrastructure at headquarters and Missions abroad, and report quarterly on progress thereto.
19. Ensure effective implementation of the recommendations made by the audit committees, internal audit and risk management units to improve audit outcomes.
20. Capacitate the Department with competent officials equipped with the relevant skills to perform the public functions in the vacant senior management positions.
21. Engage National Treasury and the South African Reserve Bank to explore a foreign exchange prediction formula approach that cushions the Department from the negative foreign exchange fluctuations on its budget.
22. Develop a holistic property management strategy through integrated thinking, providing insight into how it supports the overall strategy of the Department.

23. Address poor project management and coordination in respect of IT modernisation project including the prolonged handover processes – resulting in delays in project completion and escalating costs.
24. Conduct timely investigations of non-compliances and implementation of consequence management to ensure accountability and a culture of responsibility and dedication to one's work.
25. Investigate all irregular and fruitless and wasteful expenditure up to 31 March 2025 and implement consequence management where necessary and provide quarterly updates.
26. Prepare and submit a detailed progress report on the status and timeframes in processes for the establishment of South African Development Partnership Agency (SADPA).
27. Terminate all expired and irregular contracts with service providers and report to the Committee on a quarterly basis of the progress thereof.
28. Consider reviewing the ARF planned targets as some of the targets are based on factors outside of the entity's control and put in place such controls ensuring that the ARF can exert a certain level of influence from other parties responsible for ensuring that the target is achieved (e.g. National Treasury).
29. Address the slow pace of filling of critical vacant positions at headquarters and Missions abroad to ensure operation at full capacity and effectively serve the interests of South Africa.
30. Develop a report showing how the closing of missions and the implementation of a new organisational structure would assist the Department to remain within the ceiling for the compensation of employees.
31. Submit a quarterly report on how South Africa continues to implement its international obligations under international agreements it has entered into with

different countries, to quantitatively and qualitatively transform the lives of the people of South Africa and address the injustices of the past.

32. Engage the Department of Public Works and expedite the implementation of South Africa's undertaking to provide a permanent headquarters for the Pan African Parliament (PAP).
33. Ensure the Minister attends the Portfolio Committee meetings quarterly as a minimum for accountability on the Department's performance, and monthly virtually or physically for discussions on international developments.
34. Ensure that all the outstanding reports due to the Committee are finalised and presented within 60 days.

To the National Assembly:

35. The National Assembly should consider the importance and uniqueness of the oversight mandate for the Committee, which warrants that it conducts oversight beyond the borders of South Africa, where South Africa's Foreign Policy is implemented. The prevailing Parliamentary Oversight Model, is inward-looking, envisaging oversight by committees only inside the country, thus excluding the requirement for oversight beyond the borders of the country. The Committee notes that the Office of the Speaker has requested an advisory report from the office of the House Chair-Committees regarding the mandate of the Committee. The wish of the Committee is for the matter to be attended to with speed. There were however some gains which through the engagement with the POs in Parliament, there is growing sympathy to facilitate the work of the Committee through its unique oversight mandate.

The oversight mandate of the Committee includes the following areas:

- South Africa's Missions abroad are responsible for the implementation of South Africa's Foreign Policy in their areas of accreditation. There is a need for the Committee to conduct oversight, at least twice a year, on these Missions to ensure service delivery.
- The Committee conducts Parliamentary Diplomacy jointly with counterpart committees in other countries, to assess the implementation of structured

bilateral mechanisms that South Africa has with strategic partners across the world.

- It also conducts verification oversight visits to project areas of the African Renaissance Fund (ARF) in Africa and elsewhere.
- The Committee should also attend and monitor the participation of South Africa in multilateral forums related to Foreign Policy. This is to assess the impact of the Department's participation on the outcomes of those organisations.

36. Facilitate synergies between the PGIR and the Portfolio Committee on International Relations and Cooperation for effective international participation.

37. Consider liaising with the Portfolio Committee when proposing establishment of bilateral and multilateral Friendship Groups agreements. The friendship groups best illustrate the bilateral exchanges between parliaments, in particular regarding the development of parliamentary diplomacy. The activities of these groupings rely on an oversight framework of committees, and should the occasion arise, the opinion of the Portfolio Committee on International Relations and Cooperation should be considered.

38. The Committee should be allowed to attend the annual Heads of Missions Conference to sharpen oversight on foreign policy trends and priorities discussed during these conferences. The South African Missions abroad are the implementing mechanisms of the South Africa's Foreign Policy.

39. The Committee should be allowed to conduct state of readiness oversight visits where the Department is responsible for facilitating the hosting of international conference with a foreign policy undertone.

40. The Committee should be allowed to attend international conferences held in South Africa in pursuance of South Africa's Foreign Policy.

Report be considered.

## Sources

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- Ramaphosa, C. 2024, State of the Nation Address at the Joint Sitting of Parliament. Cape Town.
- The African Renaissance and International Cooperation Fund Act 2000
- Standing Committee on Appropriations: 4<sup>th</sup> Quarter Expenditure Report 2024/25 financial year.

### **3. Report of the Portfolio Committee on Home Affairs on the Filling of Vacancies in the Electoral Commission of South Africa (IEC), dated 21 October 2025.**

The Portfolio Committee on Home Affairs (the Committee), having considered a request to the National Assembly by the Chief Justice of the Republic of South Africa, Chief Justice Mandisa Maya, to nominate three suitable candidates to fill vacancies in the Independent Electoral Commission (IEC), reports as follows:

Interviews of publicly nominated candidates were conducted by a panel established in terms of section 6(3) of the Electoral Commission Act, 1996 (No. 51 of 1996). The panel comprised the Chief Justice of South Africa (Chairperson), the Chairperson of the South African Human Rights Commission, the Chairperson of the Commission for Gender Equality, and the Public Protector. Following the interviews, the Chief Justice submitted a shortlist of eight candidates, together with their curricula vitae, to the National Assembly for consideration to fill the vacancies on the Independent Electoral Commission of South Africa.

The matter of the Electoral Commission vacancies was referred to the Portfolio Committee on Home Affairs on 22 August 2025 for consideration and reporting (see *Announcements, Tablings and Committee Reports, No. 140 – 2025, page 2*). The Chairperson of the Portfolio Committee on Home Affairs tabled the Chief Justice's letter before the Committee on 3 September 2025, to allow Committee members sufficient time to consult with their respective political parties. On 14 October 2025, a member of the Committee proposed that deliberation on the matter be deferred to 21 October 2025, as consultations within her party had not yet been concluded.

The Committee accepted all eight (8) recommended names and expressed appreciation for the process undertaken by the Panel led by the Chief Justice in recommending candidates to the National Assembly. It is important to note that all the candidates met the required standards; however, the Committee must recommend three candidates to the National Assembly for the appointment as Commissioners. The Committee deliberations were guided by the interviews of all candidates facilitated by the Panel, chaired by the Chief Justice and the report that was tabled before Parliament. The Committee acknowledged that the responsibilities of the Commission require experienced and capable individuals and further considered the following on its decision:

- Experience.
- Leadership.
- Technical competency.
- Stability and cohesion of the Commission.
- Gender representativity; and
- Racial representativity.

The Committee further raised concerns regarding the representation of other categories, particularly young people and persons with disabilities.

Following its deliberations on the recommendations contained in the Chief Justice's letter and considerations relating to the representivity of young people and persons with disabilities, the Committee reached consensus on the first candidate and agreed to proceed with a vote on the second and third candidates. The Committee further recommends that, in future, the National Youth Development Agency (NYDA) be included in the Panel convened by the Chief Justice to recommend candidates to the National Assembly, to enhance youth representation within the Commission. The Committee further recommends that section 6(3) of the Electoral Act 51 of 1996 be amended to provide for the participation of the National Youth Development Agency (NYDA) in the interviewing process for candidates to be appointed as Commissioners.

Therefore, the Committee recommends that the National Assembly approve the nomination of the following candidates for appointment as Commissioners of the Independent Electoral Commission:

1. Mrs J Pitso.
2. Judge D Pillay.
3. Mr MS Moepya.

Report to be considered.



## **BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON AGRICULTURE: VOTE 29, DATED 21 OCTOBER 2025**

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The Portfolio Committee on Agriculture (hereinafter referred to as the Committee), having considered the 2024/25 financial year performance and expenditure of the former Department of Agriculture, Land Reform and Rural Development and the relevant Agriculture National Public Entities as listed on Table 1, reports as follows:

## **1. INTRODUCTION**

The 2024/25 financial year, which started on 01 April 2024 and ended on 31 March 2025, has been a transitional period for the former Department of Agriculture, Land Reform and Rural Development (DALRRD) as it underwent an institutional reconfiguration. Following a Presidential Proclamation, the former DALRRD ceased to exist on 31 March 2025 and effective 01 April 2025, split into two separate departments, the Department of Agriculture and the Department of Land Reform and Rural Development, each with its own Ministry. Likewise, Parliament also underwent a reconfiguration of Committees and the former Portfolio Committee on Agriculture, Land Reform and Rural Development ceased to exist in the 7<sup>th</sup> Parliament as it split into two separate committees, the Portfolio Committee on Agriculture and the Portfolio Committee on Land Reform and Rural Development.

The 2024/25 Annual Report reports on the activities of the former Department of Agriculture, Land Reform and Rural Development (DALRRD) for the period, 01 April 2024 to 31 March 2025. While the former DALRRD existed until 31 March 2025, the two Departments that previously formed the DALRRD, started operating independently since the beginning of the 7<sup>th</sup> Administration and so did the Portfolio Committees that oversee the respective departments. It is for this reason and the fact that the former DALRRD no longer exists that the two Committees will report separately. In addition, the Budgetary Review and Recommendation Report, while it assesses past and current performance, is a forward-looking report that takes into account forward allocation of resources. Therefore, the two Portfolio Committees are reporting separately and each focusing on the sector it oversees since the beginning of the 7<sup>th</sup> Parliament.

This report accounts for the process embarked upon by the Portfolio Committee on Agriculture to consider the 2024/25 Annual Reports for Vote 29, which constitutes the former Department of Agriculture, Land Reform and Rural Development (hereinafter referred to as former DALRRD) and the relevant National Public Entities. The Committee focus will be more on

the Agriculture Programmes and the Agriculture entities. The reports were tabled in Parliament by the Minister of Agriculture in October 2025; and were presented at briefing sessions with the Committee as shown in Table 1 below.

This report is compiled in terms of the Money Bills Amendment Procedures and Related Matters Act, 2009 (Act No.9 of 2009). The Act requires the National Assembly to conduct annual assessment of the performance of each national department, giving particular focus to the medium-term estimates of expenditure. Section 5 of Act No. 9 of 2009 sets out a procedure for assessing the performance of each department by the National Assembly. It further requires committees of the National Assembly to prepare budgetary review and recommendation reports (BRRRs).

The report is a culmination of the assessment of the Agriculture component of former DALRRD and the relevant Agriculture entities' service delivery performance within the allocated resources, the effectiveness and efficiency of the Department's use and forward allocation of available resources. It therefore accounts for work carried out by the Committee during assessment of the 2024/25 performance of the former DALRRD, the Department of Agriculture and relevant entities; and makes recommendations for service delivery improvements to the Minister of Agriculture.

**Table 1:** Briefing Sessions by the Auditor-General, Department and Agriculture Entities

<b>Department and Public Entities</b>	<b>Date of briefing</b>
Auditor-General of South Africa	07 October 2025 <sup>1</sup>
Former Department of Agriculture, Land Reform and Rural Development	07 October 2025 <sup>2</sup>
Onderstepoort Biological Products (OBP)	07 October 2025
Agricultural Research Council (ARC)	14 October 2025
National Agricultural Marketing Council (NAMC)	14 October 2025
Perishable Products Export Control Board (PPECB)	14 October 2025

## **1.1 Mandate of the Portfolio Committee on Agriculture**

The mandate of the Committee is derived from Sections 55 and 56 of the Constitution of the Republic of South Africa and provisions that are contained in the Rules of the National

<sup>1</sup> Briefing held jointly with Portfolio Committee on Land Reform and Rural Development

<sup>2</sup> Ibid.

Assembly. The Committee is mandated to consider, amend and/or initiate legislation that is specific to, or impacts on agriculture; monitors and oversees the activities and performance of the Ministry of Agriculture, the Department of Agriculture and its Public Entities. The Committee's mandate is to also consider and review the budget of the Department of Agriculture and its entities; consider sector-related international treaties and agreements; and provide a platform for the public to participate and present views on specific topics and/or legislation in relation to the agricultural sector.

## **1.2 Purpose of the Budgetary Review and Recommendation Report**

The process for the budgetary review and recommendation is set out in Section 5 of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009). The Act sets out the process that allows Parliament's National Assembly, through its Committees, to make recommendations to the Minister of Finance to amend the budget of a national department. The Budgetary Review and Recommendation Report (BRRR) for each department that falls under each National Assembly Committee's responsibilities, in this case, the Department of Agriculture:

- must provide an assessment of the Department's service delivery performance given available resources;
- must provide an assessment of the effectiveness and efficiency of the Department's use and forward allocation of resources; and
- may include recommendations on the forward use of resources.

The BRR Report may also act as a source document for the Standing/Select Committees on Appropriations/Finance when they make recommendations to the Houses of Parliament on the Medium-Term Budget Policy Statement (MTBPS).

## **1.3 Preparation for the BRR Report**

In preparation for the BRR Report and in compliance with its mandate as set out in Section 5(1) of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009), the Committee undertook the following activities in 2024/25:

- 1.3.1 Briefings by the Department of Agriculture (DOA) and entities on their quarterly performance and expenditure reports for the 2024/25 financial year.
- 1.3.2 Undertook oversight visits as follows:
- Visit to the ARC and OBP, Tshwane (Gauteng) in October 2024.
  - Visit to Blended Finance Scheme projects, North West Province in February 2025.
  - Visit to the PPECB and ARC Fruit and Wine Campus, Cape Town and Stellenbosch, Western Cape in March 2025.
- 1.3.3 Held briefings and considered the Annual Performance Plans (APP) and Budget of the Department of Agriculture for the 2025/26 financial year, including those of the Agriculture entities.
- 1.3.4 Jointly with the Portfolio Committee on Land Reform and Rural Development, received inputs and a briefing on the 2024/25 Annual Reports of the former DALRRD and its entities from the Auditor-General of South Africa on 07 October 2025.
- 1.3.5 Subsequently, on the 07<sup>th</sup> of October 2025, the Committees jointly held a briefing and considered the Annual Report of the former DALRRD for the 2024/25 financial year. The Committees also separately held briefings on the 2024/25 Annual Reports of the respective entities.
- 1.3.6 The BRR Report also draws from other briefings, inputs and reports that the Committee received throughout the financial year to date.

#### **1.4 Outline of the Contents of the Report**

The Report reflects on Government key policy areas including those of the Department of Agriculture as they relate to the national Government Priority Outcomes; the Department and the entities' financial and service delivery performance for the 2024/25 financial year to date; and observations and recommendations from annual reports and other engagements of the Committee with the Department of Agriculture and entities including matters from oversight visits.

## **2. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS**

The Department's plans were informed and aligned with government-wide planning and policy mandates particularly the National Development Plan (NDP), the Medium-Term Strategic Framework (MTSF), the State of the Nation Address and other sectoral policies.

### **2.1 The National Development Plan: Vision 2030**

The NDP's overarching aim is to eliminate poverty and reduce inequality by 2030. The Plan recognises that South Africa needs an inclusive economy that is more dynamic and in which the fruits of growth are shared equitably amongst its citizens. Chapter 6 of the NDP titled, "*inclusive rural economy*", outlines the NDP's vision for the development of rural areas. The NDP is implemented in 5-year phases, which are outlined in Government's MTSFs. Agriculture is identified in the NDP as one of the key sectors through which increased employment and poverty alleviation can be achieved. In this regard, approximately 1 million new jobs and a trade surplus are expected to be created from agriculture, agroprocessing and related sectors by 2030. The NDP further expects that a third (33%) of the food trade surplus should be produced by smallholder producers by 2030.

### **2.2 Medium Term Strategic Framework (MTSF) 2019-2024**

The MTSF was the Government's strategic plan for the 2019-2024 period. It is a five-year implementation phase of the NDP that is outcomes-based. The MTSF 2019-2024 was the second implementation plan of the NDP, following the MTSF 2014-2019. The MTSF's aim was to ensure policy coherence, alignment and coordination across Government Plans to address poverty, inequality and unemployment. Several outcomes and associated interventions were outlined in an Implementation Plan and a Monitoring Framework by which each relevant Department's performance was assessed by the Presidency in the five-year period.

Table 2 below outlines progress that has been made by the former DALRRD in achieving the specific MTSF targets for Agriculture. Out of 10 high level MTSF outcomes, the Department achieved 3.

**Table 2.** Key MTSF 2019-2024 targets for Agriculture

Outcomes	Indicators	Targets	Performance against MTSF Targets	Status
<b>Agrarian transformation</b>	Increased volume of productive land	200 000 additional ha	388 586 ha	Achieved
	Number of Farmer Production Support Units (FPSUs) functional	71	29 FPSUs functional and 53 partially functional	Not achieved
	Number of smallholder farmers supported	300 000	421 798	Achieved
	Number of livestock handling and auction facilities	27	87	Achieved
	Number of Agri-hubs	5	4	Not achieved
	Number of agroprocessing facilities	25	8 supported	Not achieved
<b>Effective regulatory framework of agricultural produce &amp; export</b>	Number of reviews for the agricultural produce export management practices (Marketing of Agricultural Products and Agricultural Produce Agents Amendment Bills)	2 Bills	0	Not achieved
	Percentage of land using conservation agriculture	50% of 200 000 ha	10 581 ha	Not achieved
<b>Job creation</b>	Number of jobs created	500 000	143 444	Not achieved
<b>Industrialisation through Master Plans</b>	Number of Master Plans developed and implemented	2	0 (AAMP developed)	Not achieved

Source: Department of Planning, Monitoring and Evaluation (DPME), 2025. Presentation to the Portfolio Committee on Agriculture Strategic Planning Workshop, 02 September 2025.

### 2.3 The Medium-Term Development Plan 2024-2029

The Medium-Term Development Plan (MTDP) for the five-year period from 2024 to 2029 replaces the Medium-Term Strategic Frameworks (MTSFs), which were the five-year implementation plans of the NDP for the past 10 years. Government has set five goals for the next five years, which are:

- 1) A dynamic, growing economy;
- 2) A more equal society, where no person lives in poverty;
- 3) A capable state delivering basic services to all citizens;
- 4) A safe and secure environment; and
- 5) A cohesive and united nation.

To achieve these goals, the MTDP 2024-2029 identifies three Strategic Priorities which will be implemented across the state:

- **Strategic Priority 1:** Drive inclusive growth and job creation.
- **Strategic Priority 2:** Reduce poverty and tackle the high cost of living.
- **Strategic Priority 3:** Build a capable, ethical and developmental state.

The MTDP 2024-2029 presents the priority interventions that are required to address the most critical challenges confronting South Africa over the next five years. The overriding priority is to achieve more rapid, inclusive and sustained economic growth while implementing interventions to address poverty and inequality. Government recognises that the interventions outlined in the MTDP must be implemented in full to achieve the five stated goals over the next five years.

The high-level MTSF targets for Agriculture, which have largely not been achieved, are discontinued in the new MTDP. There is minimal focus on support and capacity building of subsistence farmers and infrastructure development. The MTDP 2024-2029 focuses on a limited set of strategic priorities and outcomes instead of trying to address a broad range of departmental activities. The MTDP has new high-level targets for Agriculture and the only target that is continued from the MTSF is smallholder producer support, specifically through the Blended Finance Scheme. While the Department of Agriculture is expected to contribute to other inter-departmental high-level MTDP targets, Table 3 below illustrates the high-level MTDP 2024-2029 targets that are specifically led by the Department of Agriculture.

**Table 3. Key MTDP 2024-2029 Targets for Agriculture**

Outcomes	Strategic Intervention	Intervention Indicators	Intervention Baseline	Mid-term Targets	End-term Targets
<b>Increased employment and work opportunities</b>	Drive growth in labour-intensive sectors	Producers supported through Blended Finance Scheme (BFS)	186 producers supported through BFS	250 producers supported Through BFS	500 producers supported through BFS
		Number of bilateral agreements concluded to expand access to export markets for agricultural products	Chinese market opened to fruit, dairy, wine and red meat	Draft bilateral agreements with Middle East (including Saudi Arabia) for fruit, vegetables and red meat	Five bilateral agreements concluded with target countries
<b>Accelerated growth of strategic industrial and labour-intensive sectors</b>	Drive growth in labour-intensive sectors	Growth in value of agricultural exports to target countries (measured within identified key subsectors)	Current value of agricultural Exports (estimated \$14.5 billion)	5% growth in agricultural Exports.  Surpass \$14.5 billion in agricultural exports	7% growth in agricultural exports

		Establishment of a Biosecurity Council made up of government, academics, practitioners, scientists, international agencies to advise on measures to improve biosecurity	New indicator	Implement agreed protocols and programmes	Biosecurity Council/Hub established
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Source: DPME (2025), Medium-Term Development Plan 2024-2029

### 3. OVERVIEW OF THE STRATEGIC FOCUS OF THE DEPARTMENT OF AGRICULTURE

#### 3.1 The Department of Agriculture and its Core Functions

The core mandate of the Department of Agriculture is derived from Section 27(1)(b) and 24(b)(iii) of the Constitution of the Republic of South Africa. The Department is responsible for no less than 29 pieces of legislation that inform its operations. Its purpose is to lead, support and promote the management of agricultural resources through policies, strategies and programmes to enhance sustainable use and achievement of economic growth, job creation, food security, rural development and transformation.

The strategic focus of the Department of Agriculture in the current five-year strategic framework period is food security, increased production, expanded market access and agricultural transformation. Its five-year Strategic Plan aligns with the MTDP 2024-2029 Strategic Priorities as outlined on Section 2.3. Based on the strategic focus and to achieve the desired impact, i.e. *improved food security and market access through a sustained and responsive agricultural sector*, the Department developed the specific Outcomes for the current five-year period of the 7<sup>th</sup> Administration. The Outcomes are aligned to the MTDP priorities as shown in Table 4 below.

**Table 4: Alignment of Department Outcomes and the 2024-2029 MTDP Strategic Priorities**

Department Outcome	MTDP Strategic Priority (SP)
1. Improved governance and modernised service delivery.	SP3: Capable, ethical and developmental state.
2. Increased production in the agricultural sector.	SP1: Inclusive growth and job creation.
3. Improved Food and Nutrition Security.	SP2: Reduce poverty and tackle the high cost of living.
4. Increased production share of Black producers in overall production to stimulate meaningful transformation.	SP1: Inclusive growth and job creation.
5. Increased market access.	SP1: Inclusive growth and job creation.
6. Strengthened biosecurity and effective disaster risk reduction.	SP1: Inclusive growth and job creation.

Source: Department of Agriculture (2025), Strategic Plan 2025 - 2030

The former DALRRD has six programmes through which it measures its Strategic Outcomes. However, for the purpose of this report, the focus will be on the specific Agriculture Programmes including Administration, which remained a shared Programme for the financial year under review. The Programmes are:

- **Programme 1 - Administration:** Responsible for provision of strategic leadership, management and support services to the department.
- **Programme 2 - Agricultural Production, Biosecurity and Natural Resource Management:** Oversees livestock production, game farming, animal and plant health, natural resources and disaster management.
- **Programme 3 - Food Security and Agrarian Reform component,** which promotes food security, agrarian reform through farmer, agroprocessors and cooperatives development and support; and **National Extension Services and Sector Development component,** which provides national extension support services.
- **Programme 5<sup>3</sup> - Economic Development, Trade and Marketing:** Promotes economic development, trade and market access for agricultural products; and foster international relations for the sector.

<sup>3</sup> The order of Agriculture Programmes remains the same except Economic Development, Trade & Marketing that was Programme 5 in the former DALRRD, which is now Programme 4 in the Department of Agriculture.

## **3.2 The Department of Agriculture’s Key Policy Developments**

### **3.2.1 The National Policy on Food and Nutrition Security**

The National Policy on Food and Nutrition Security was developed through a collaboration between the former Department of Agriculture, Forestry and Fisheries and the Department of Social Development, and was approved by Cabinet in 2014. The Policy was developed to:

- Establish a common understanding of food security in line with the NDP’s Vision 2030.
- Provide an overarching guiding framework to maximise synergy between different food and nutrition security strategies and programmes of government and civil society.
- Create a platform to understand the parameters and boundaries of the country’s international obligations. For example, as a member of the Southern African Development Community (SADC), South Africa contributes to Regional Food and Nutrition Security.

The Policy provides a broad framework for the fulfilment of “the right to access to sufficient food” that is enshrined in the Constitution and serve as a guide to national, provincial and local government in pursuing food and nutrition security at every level. The Policy recognises that Food and Nutrition Security is multifaceted and multidimensional and therefore, cannot be attained through a single approach. It requires well-managed inter-sectoral coordination, and the genuine integration of existing policies and programmes in health, education and environmental protection, as well as in agrarian reform and agricultural development.

Subsequent to the adoption of the Policy in 2014, the National Food and Nutrition Security Policy Implementation Plan was developed as a medium to long term Results-Based Framework to provide synergy for implementation of food and nutrition programmes aimed at reducing poverty and addressing the causal factors for the food and nutrition situation at the time. The National Food and Nutrition Security Plan 2018-2023 was approved in 2017.

Coordination of food security activities including the implementation of the Plan was administered by the Department of Department of Planning, Monitoring and Evaluation (DPME) through the Office of the Deputy President. Various government departments, which included amongst others, the former Department of Agriculture, Forestry and Fisheries, Departments of Social Development, Basic Education, Health, Water and Sanitation, Trade and

Industry as well as National Treasury and different spheres of government had roles to play in the implementation of the Plan.

An evaluation of the implementation of the National Food and Nutrition Security Plan 2018-2023 that was commissioned by DPME in 2023, a 2024 Sub-National Food and Nutrition Security Survey that was commissioned by the Department of Agriculture to the Human Sciences Research Council (HSRC) and the 2024 General Household Survey (GHS) by Statistics South Africa showed that the status of food and nutrition security remained largely unchanged and malnutrition (under-nutrition and over-nutrition) is prevalent. The 2024 GHS found that an estimated 4.3 million households and 15.9 million individuals did not have adequate access to food and faced hunger in 2024.<sup>4</sup>

Identified obstacles that inhibited effective implementation of the Plan from the DPME Evaluation report include slow progress of the Plan's interventions, lack of budget allocation, non-convening of the National Council, limited awareness among state and non-state actors, fragmented strategic goals, a narrow food system perspective, capacity issues at the ground level, and challenges in securing leadership support at the highest government levels.

The development of a new National Food and Nutrition Security Plan for 2024 -2029 was initiated in 2024 and is led by the Department of Agriculture. The commissioned Sub-National Food and Nutrition Security Survey by HSRC provides vulnerability data at district level that will be used to prioritise interventions. Both the DPME's commissioned Evaluation Report, and the results of the Department's commissioned Survey were presented to the Committee in February 2025.

### **3.2.2 The Agriculture and Agroprocessing Master Plan (AAMP)**

The Agriculture and Agroprocessing Master Plan (AAMP) is a social compact between government, business, labour and civil organisations. It provides a blueprint of developing the agriculture and food sectors through public-private partnerships to leverage on resources, skills and experiences to advance economic growth and inclusion as well as the creation of sustainable jobs in the agricultural sector. Its development was coordinated by the National Agricultural Marketing Council (NAMC) and it was finalised and endorsed in May 2022 by

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<sup>4</sup> Statistics South Africa (2025). *General Household Survey 2024*. Statistical Release P0318.

social partners and stakeholders. Through the Master Plan, the Department of Agriculture seeks to transform and restructure the agricultural sector while ensuring the participation and inclusion of black and rural producers in the mainstream economy of the country and globally.

The Master Plan is implemented through the Value Chain Round Tables (VCRTs) and production schemes as delivery models, both of which are chaired by government and industries in the agricultural sector. Its implementation framework, operational plan and risk register have been reportedly produced; however, specific implementation targets and interventions by the different social partners have not yet been presented to Parliament. The NAMC is also responsible for the monitoring and evaluation of the implementation of the AAMP by the different social partners.

To achieve its strategic objectives, the AAMP is built on six pillars:

- 1) Resolving policy ambiguities and creating investment friendly climate.
- 2) Creating enabling infrastructure.
- 3) Providing comprehensive farmer support, development finance, research and development (R&D) and extension services.
- 4) Ensuring food security, expanded production and employment creation
- 5) Enabling markets expansion, improving market access and trade facilitation.
- 6) Developing localised food, import replacement and expanded agroprocessing.

## **4. OVERVIEW AND ASSESSMENT OF EXPENDITURE**

### **4.1 Overview of Budget Vote Allocation and Former DALRRD Expenditure**

The total appropriation to the former Department of Agriculture, Land Reform and Rural Development (hereinafter referred to as former DALRRD) for the 2024/25 financial year was R16.99 billion and it spent R16 billion (94.4 per cent), which is a regression from the previous year's almost 100 per cent expenditure (see Table 5). The underspending for the period under review comprised of unspent funds largely from Programmes 1, 3, 4 and 5 (Table 5) and it is attributed to vacant positions; delays in supporting subsistence farmers through the Presidential Employment Stimulus Initiative (PESI); delays in finalising land claims settlements; delays in the implementation of rural infrastructure projects; and delays in the transfer of AgriBEE Funds to the Land Bank.

**Table 5.** Former DALRRD's Budget and Expenditure for the 2024/25 versus 2023/24 Financial Year.

Programme	2024/25				2023/24			
	Final Appropriation	Actual Expenditure	Variance	% spent	Final Approp.	Actual Expenditure	Variance	% spent
	R'000	R'000	R'000	%	R'000	R'000	R'000	%
Administration	3 048 847	2 995 180	53 667	98%	2 956 594	2 948 289	8 305	100%
Agric. Production, Biosecurity & Natural Resources Management	2 569 544	2 542 627	26 917	99%	2 392 129	2 375 551	16 578	99%
Food Security, Land Reform & Restitution	9 184 868	8 521 159	663 709	93%	9 057 136	9 054 480	2 656	100%
Rural Development	722 721	590 154	132 567	82%	840 724	840 698	26	100%
Economic Development, Trade & Marketing	744 907	681 968	62 939	92%	804 768	794 996	9 772	99%
Land Administration	726 877	714 075	12 802	98%	706 346	700 356	5 990	99%
<b>TOTAL</b>	<b>16 997 824</b>	<b>16 045 163</b>	<b>952 661</b>	<b>94%</b>	<b>16 757 697</b>	<b>16 714 370</b>	<b>43 327</b>	<b>99.7%</b>

Source: Department of Agriculture, Land Reform and Rural Development (2025), Annual Report 2024/25.

For the period under review, 2024/25, the former DALRRD has requested for a rollover of R720 million of the unspent funds from National Treasury to the 2025/26 financial year for restitution claims, Presidential Employment Stimulus Initiative (PESI), laboratory equipment and laptops.

#### 4.1.1 Irregular Expenditure

The former DALRRD incurred irregular expenditure worth R844 thousand during the 2024/25 financial year. The amount is less than the R1.3 million irregular expenditure that it incurred in 2023/24 because of removal of old cases that were not condoned by National Treasury. Total irregular expenditure worth R299.9 million that is made up of cases arising from forensic investigations is under assessment; and the cases relates to:

- R81.9 million in respect of non-compliance to supply chain in relation to services secured for travel management.
- R107.7 million for use of legal services service providers.
- R25.7 million worth of mismanaged recapitalisation and development (Recap) funds.
- R84.6 million worth of mismanaged drought relief funds.

The former DALRRD reported that irregular expenditure worth R30.8 million was removed in the 2023/24 financial year and R12.5 million was removed during 2024/25 financial year. There

were no reported details of the total R43.3 million irregular expenditure that was removed in the two financial years; or details of disciplinary or criminal steps taken as a result of irregular expenditure incurred in the previous and the 2024/25 financial years.

#### **4.1.2 Fruitless and Wasteful Expenditure**

Confirmed fruitless and wasteful expenditure incurred by the former DALRRD for the 2024/25 financial year was R5.9 million, which is significantly higher than the previous year's R29 thousand. The fruitless and wasteful expenditure for the period under review was attributed to an interest on an overdue account. The former DALRRD further reported fruitless and wasteful expenditure totalling R633.8 million that is under assessment, determination and investigation as follows:

- R5.7 million under determination.
- R30 million under investigation.
- R598 million fruitless and wasteful (F&W) expenditure under assessment, which is more than double the R229 million F&W expenditure from the previous year that was attributed to Presidential Employment Stimulus Initiative (PESI) vouchers. For the year under review, the fruitless and wasteful expenditure that is under assessment is made up of:
  - R115.2 million for PESI cases under Vodacom that was cleared through monitoring and evaluation and call centre amounts.
  - R119.2 million for PESI (unreachable beneficiaries and vouchers under assessment).
  - R53.3 million for rejected proof of delivery by Provincial Departments of Agriculture implementing agents submitted by the Eastern Cape, KwaZulu-Natal and Limpopo Provinces.
  - R382.4 million worth of terminated contracts of suppliers without completing the work under Rural Infrastructure Development.
  - R8.4 million for travel agencies' payments that did not comply with internal procedures.

There were no reported details of disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure incurred in the previous and 2024/25 financial years.

## 4.2 Assessment of Budget Allocation and Expenditure for Agriculture

Table 6 below provides an account of the budget allocation for the Agriculture Programmes including Administration (Programme 1), which is a shared Programme between the two departments that constituted the former DALRRD. Therefore, its data could not be disaggregated.

**Table 6.** Agricultural Programmes' Budget and Expenditure for the 2024/25 versus 2023/24

Programme/Sub-programme	2024/25				2023/24			
	Final Appropriation	Actual Expenditure	Variance	% spent	Final Approp.	Actual Expenditure	Variance	% spent
	R'000	R'000	R'000	%	R'000	R'000	R'000	%
Administration	3 048 847	2 995 180	53 667	98%	2 956 594	2 948 289	8 305	100%
Agric. Production, Biosecurity & Natural Resources Management	2 569 544	2 542 627	26 917	99%	2 392 129	2 375 551	16 578	99%
Food Security, Agrarian Reform, Extension & Sector Development	3 481 816	3 392 423	89 393	97%	2 848 327	2 846 696	1 631	100%
Economic Development, Trade & Marketing	744 907	681 968	62 939	92%	804 768	794 996	9 772	99%
<b>TOTAL</b>	<b>9 845 114</b>	<b>9 612 198</b>	<b>232 916</b>	<b>97.6%</b>	<b>9 001 818</b>	<b>8 965 532</b>	<b>36 286</b>	<b>99.6%</b>

Source: Department of Agriculture, Land Reform and Rural Development (2025), Annual Report 2024/25.

In the 2024/25 financial year, for the Agriculture component of the former DALRRD, approximately R3.7 billion (40 per cent) of the total budget of approximately R9.3 billion (Table 6 above) went to transfers to provinces for conditional grants (R2.6 billion) and to Agriculture entities, namely, the Agricultural Research Council (ARC) and the National Marketing Council (NAMC). Food Security, Agrarian Reform, National Extension and Sector Development programme accounted for 35 per cent of the R9.8 billion budget for Agricultural Programmes in 2024/25, followed by Programme 2: Agricultural Production, Biosecurity and Natural Resources Management, with 26 per cent of the total budget for Agriculture.

With the exception of Programme 2, there has been a regression in budgetary expenditure compared to the previous financial year as illustrated in Table 6. Programme 3's Food Security and Agrarian Reform Programme is responsible for farmer production support and development, provision of Extension Services and sector capacity development. Given the Programme's essential role in food security, farmer support and development, regression in expenditure is a concern. Underexpenditure was attributed to delays in supporting subsistence

farmers through the Presidential Employment Stimulus Initiative (PESI) as a result of a change in implementation model to Provincial Departments of Agriculture (PDAs) as well as PDAs experiencing late delivery of ordered items.

For the Economic Development, Trade and Marketing Programme, underexpenditure was attributed to delays in transferring AgriBEE funds to the Land Bank as a result of outstanding progress reports. Poor reporting by the Land Bank on transferred funds from the Department of Agriculture is a challenge that the Department has not effectively addressed due to weak monitoring and evaluation systems. For the 2024/25 financial year, underexpenditure was also experienced in the utilisation of conditional grants that are transferred to provinces for service delivery (Table 7).

**Table 7. Budget and Expenditure for Conditional Grants for 2024/25 versus 2023/24**

Conditional Grant	2024/25				2023/24			
	Final Appropriation	Actual Expenditure	Variance	% spent	Final Approp.	Actual Expenditure	Variance	% spent
	R'000	R'000	R'000	%	R'000	R'000	R'000	%
Comprehensive Agricultural Support Programme	2 020 759	1 553 004	467 755	77%	1 501 590	1 501 590	-	100%
Ilima/Letsema	448 343	447 960	383	99.9%	584 978	584 978	-	100%
LandCare	87 462	86 679	783	99.1%	79 458	79 458	-	100%
<b>TOTAL</b>	<b>2 556 564</b>	<b>2 087 643</b>	<b>469 388</b>	<b>81.7%</b>	<b>2 166 026</b>	<b>2 166 026</b>	<b>-</b>	<b>100%</b>

Source: Department of Agriculture, Land Reform and Rural Development (2025), Annual Report 2024/25

In the 2024/25 financial year, approximately 82 per cent of conditional grants was spent, which is a regression from the previous year's 100 per cent expenditure on grants. Of the R469.4 million that was not spent in 2024/25, R467.7 million (99.6 per cent) was in respect of the Comprehensive Agricultural Support Programme (CASP), see Table 7. CASP is the largest grant in Agriculture responsible for production support, capacity building and infrastructure provision; and it received R2 billion of the total R2.6 billion that has been allocated to conditional grants in 2024/25.

### 4.3 Report of the Audit Committee

The independent Audit Committee reported that the system of internal controls within the Department was not entirely adequate and effective for 2024/25 as deficiencies were detected and reported through the internal audits performed on the system of internal control, which is a matter that it also raised in the previous three financial years. While Management continued

to address control weaknesses that have been reported by the Internal Audit Function, the Audit Committee noted significant control deficiencies in the areas of:

- Corporate Governance.
- Risk and Compliance Management.
- Information and Communication Technology (ICT).
- Records Management.
- Project Management.
- Contract Management.
- Financial Management in the former DALRRD and its trading entities.
- Human Resources Management.
- Management of fraud, corruption, misconduct, irregularities and mismanagement. The Audit Committee expressed serious concern on inadequate internal control structures to prevent and detect fraud and the incidences of fraud identified in the former Department.

The Audit Committee reported that it is satisfied that the Internal Audit Function is operating effectively and has properly discharged its functions and responsibilities in the year under review and there is a Risk Management Committee that is chaired by an independent chairperson and advises the Accounting Officer. However, based on the follow-up on previously reported Internal Audit findings, the Department's Risk and Fraud Management System still requires improvement. The Audit Committee acknowledged the timely and appropriate submission of quarterly reports; however, it remains concerned with progress made in the achievement of planned annual targets. It should be noted that most of the abovementioned control deficiencies were raised by the Audit Committee (AC) in the previous three financial years.

In presenting the highlight of the implementation of the Audit Improvement Plan, the AC reported that there were 28 forensic investigations that were completed and presented to the AC from the various branches of the former DALRRD. In January 2025, status on the implementation of disciplinary action on forensic investigation recommendations showed that out of 211 cases, 78 (37 per cent) were finalised. By 20 February 2025, 359 out of 455 (79 per cent) forensic investigation recommendations were implemented. With the exclusion of Administration, all forensic investigations for the Agriculture Programmes were implemented.

Regarding management action plans on internal audit findings, of the total of 792 internal audit findings, 610 (77 per cent) action plans were implemented by 15 February 2025. Of the 12 legals cases, summons were issued for 10 and letters of demand were issued for the other 2.

#### 4.4 The Report of the Auditor-General of South Africa

The audit outcomes of former DALRRD significantly regressed from the previous financial year's unqualified audit opinion with findings. For the 2024/25 financial year, it received a **qualified audit opinion** from the Auditor-General of South Africa (AGSA). The regression was to be expected as the former Department has not been effectively implementing its Audit Improvement Action Plan to address repeat audit findings from AGSA. The report of the Audit Committee also shows a former Department that either put little effort to addressing audit findings or had no capacity. The former Department got a false sense of security from previous unqualified audit findings despite the serious repeat findings that AGSA consistently highlighted. It failed to implement previous recommendations from AGSA in order to improve its audit outcomes. The findings from AGSA, which are mostly recurring, were in respect of:

##### *Non-compliance with Legislation:*

The audit findings raised concerns about compliance with applicable legislation i.e. The Public Finance Management Act (PFMA) (Act No.1 of 1999) and National Treasury Regulations. The Department did not comply with all PFMA and Treasury Regulations' aspects that are measured for auditing. Some of the repeat audit findings include:

- *Financial Statements:* These were not fully prepared in accordance with the prescribed financial reporting framework as required by the Public Finance Management Act (PFMA). Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided, resulting in the financial statements receiving a qualified audit opinion.
- *Expenditure Management:* Payments were not consistently made within 30 days of receipt of invoices, violating Treasury Regulations and the PFMA. Effective internal controls were not in place for approval and processing of payments as required by Treasury Regulation 8.1.1.
- *Revenue management:* The former DALRRD failed to collect all money due as required by the PFMA, highlighting ineffective revenue management practices.

- *Asset management:* Proper control systems were not in place in the former Department to ensure the safeguarding and maintenance of assets as required by the PFMA.
- *Irregular, fruitless and wasteful expenditure:* There was a lack of effective measures to prevent irregular and fruitless expenditure, with significant amounts recorded due to late payments and poor financial controls.
- *Consequence management:* There was a lack of evidence that disciplinary steps were taken against officials responsible for irregular, fruitless and wasteful expenditure as required by the PFMA.
- *Procurement and contract management:* Some of the goods with a value of more than R1 million were procured without inviting competitive bids as required by National Treasury Regulations.

#### ***Deficiencies in Internal Controls:***

Significant deficiencies were reported in the internal control environment. These were limited to the internal control deficiencies that resulted in the material findings on the annual performance report and the material findings on compliance with legislation included in the auditor's report as follows:

- Leadership was not always effective, as evidenced by the misstatements identified in the annual financial statements, annual performance reporting and non-compliance with laws and regulations.
- Management did not ensure that there were adequate internal control processes in place to detect or prevent duplicate payments.
- Leadership did not have adequate oversight controls to ensure that action plans to address prior year findings are monitored and addressed.
- Management did not implement controls over daily and monthly processing and reconciling transactions, resulting in payments being made without proof of service rendered.
- The management did not implement effective monitoring of compliance with applicable legislation.

#### ***Material misstatements on performance information:***

The AGSA identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Programme 4 (Rural Development), 5 (Economic Development, Trade and Marketing) and

Programme 6 (Land Administration). Management did not correct the misstatements and AGSA reported material findings in this regard.

#### **4.5 Discussion on Financial Performance for Agriculture Programmes**

There has been a regression in expenditure in the former DALRRD's Agriculture Programmes for 2024/25, resulting in an increase in funds that have been returned to the National Treasury. For Agriculture Programmes including Administration, returned funds increased from R36 million in 2023/24 to R232.9 million in 2024/25 (Table 6). The Department's inability to efficiently utilise appropriated funds as planned, which reflects poor planning, may negatively impact future budget allocations from the National Treasury. This is concerning as underfunding has a major impact on service delivery targets and addressing challenges that negatively impact sector development and growth. There is a need for enhanced focus on human and financial resources to address capacity challenges and the gap between planning and execution.

While the Department spent 97.6 per cent of the appropriation for Agriculture Programmes in 2024/25, however, there remains serious issues with irregular, fruitless and wasteful expenditure including unaccounted funds, particularly in relation to conditional grants and other farmer support programmes such as the Blended Finance Scheme that is implemented by the Land Bank and the Presidential Employment Stimulus Initiative (PESI) that is implemented by provinces. The reliance on reports from third parties without stringent oversight mechanisms and proper monitoring and evaluation can lead to mismanagement.

The qualified audit opinion for the 2024/25 financial year underscores systemic governance issues in financial management, including inadequate accounting for advances and prepayments, poor record keeping and documentation, and weaknesses in internal controls. The financial discrepancies not only affect the credibility of financial reporting but also undermine public confidence and hinder effective resource allocation and service delivery. The Department of Agriculture partially implemented all the actions in its Audit Improvement Action Plan for 2024/25 to resolve audit findings. Governance and compliance weaknesses, especially in consequence management and procurement processes, highlight a need for stronger accountability frameworks. The failure to maintain adequate records and to enforce disciplinary measures for financial mismanagement points to weaknesses in enforcement of

accountability frameworks. The lack of disciplinary action against officials involved in irregular, fruitless and wasteful expenditure weakens deterrence and may perpetuate non-compliance.

To address the identified deficiencies in internal controls and inadequate oversight which hinder performance, the Department of Agriculture needs to strengthen monitoring of the implementation of the Audit Improvement Plan, develop a robust governance framework that includes regular risk assessments, training for personnel on compliance and governance practices and timely consequence management actions for financial mismanagement. It should implement an integrated digital platform for managing data and to streamline payment processes while strengthening monitoring and evaluation (M&E) of project implementation. This is particularly important for targets and projects that are implemented by provinces (i.e. conditional grants and PESI), other partners (Blended Finance, Mafisa) and service providers (infrastructure projects).

## 5. OVERVIEW AND ASSESSMENT OF SERVICE DELIVERY PERFORMANCE

### 5.1 Overview of Performance in terms of Service Delivery Targets

Out of the 30 planned annual targets in 2024/25, the former DALRRD achieved 25 annual targets (83 per cent), an increase from the previous year's 81 per cent in terms of percentage (Table 8).

**Table 8.** Summary of DALRRD Annual Performance Targets for 2024/25 and 2023/24

Programme	2024/25			2023/24		
	No. of Targets	Achieved	Percentage achieved	No. of Targets	Achieved	Percentage achieved
1. Administration	2	1	50%	2	1	50%
2. Agricultural Production, Biosecurity & Natural Resource Management	5	5	100%	5	4	80%
3. Food Security, Land Reform & Restitution	7	6	86%	6	5	83%
4. Rural Development	3	2	67%	4	3	75%
5. Economic Development, Trade & Marketing	5	3	60%	12	11	92%
6. Land Administration	8	8	100%	8	6	75%
<b>TOTAL</b>	<b>30</b>	<b>25</b>	<b>83%</b>	<b>37</b>	<b>30</b>	<b>81%</b>

Source: Department of Agriculture, Land Reform and Rural Development (2025), Annual Report 2024/25.

However, in terms of the number of targets, the percentage achievement may not necessarily be an improvement as the targets were reduced from 37 in the previous financial year to 30 in 2024/25 (Table 8). The reduction has been largely in Programme 5: Economic Development, Trade and Marketing, from 12 targets in 2023/24 to 5 targets in 2024/25.

Table 9 below illustrates the achievement of planned annual performance targets by the Agriculture Programmes including the shared Administration.

**Table 9.** Summary of Agriculture Annual Performance Targets for 2024/25 versus 2023/24

Programme	2024/25			2023/24		
	No. of Targets	Achieved	Percentage achieved	No. of Targets	Achieved	Percentage achieved
1. Administration	2	1	50%	2	1	50%
2. Agricultural Production, Biosecurity & Natural Resource Management	5	5	100%	5	4	80%
3. Food Security, Agrarian Reform, Extension and Sector Development	2	2	100%	1	1	100%
4. Economic Development, Trade & Marketing	5	3	60%	12	11	92%
<b>TOTAL</b>	<b>14</b>	<b>11</b>	<b>79%</b>	<b>20</b>	<b>17</b>	<b>85%</b>

Source: Department of Agriculture, Land Reform and Rural Development (2024, 2025), Annual Reports 2023/24 & 2024/25.

When specifically assessing the service delivery performance of Agriculture, the Department's performance regressed from 85 per cent in the previous year, to 79 per cent in 2024/25, which is also less than the 83 per cent achieved by the former DALRRD in 2024/25. The regression in performance is despite the reduction in the number of targets during the financial year under review, from 20 to 14 targets. Overall, there is misalignment between service delivery performance and budget utilisation, where approximately 97 per cent of the total appropriation (Table 6) was utilised in Agriculture Programmes in 2024/25 while 79 per cent of planned targets were achieved.

## 5.2 Agriculture Programme Expenditure and Performance during the 2024/25 Financial Year

The departmental expenditure and service delivery performance for each Agriculture Programme is illustrated on Table 10 below.

**Table 10.** Agriculture Programmes' financial and non-financial performance for 2024/25

Programme	Annual budget (R million)	Expenditure (R million)	% Budget spent	Annual targets	Targets achieved	% Targets achieved
<b>1. Administration</b>	3 049.0	2 995.2	98%	2	1	50%
<b>2. Agricultural Production, Biosecurity and Natural Resources Management</b>	2 569.5	2 542.6	99%	5	5	100%
<b>3. Food Security, Agrarian Reform, Extension &amp; Sector Development</b>	3 481.8	3 392.4	97%	2	2	100%
<b>4. Economic Development, Trade and Marketing</b>	744.9	681.9	92%	5	3	60%
<b>Total</b>	<b>9 845.2</b>	<b>9 612.1</b>	<b>97.6%</b>	<b>14</b>	<b>11</b>	<b>79%</b>

Source: Department of Agriculture, Land Reform and Rural Development (2025), Annual Report 2024/25.

### 5.2.1 Programme 1: Administration

The Administration Programme spent 98 per cent of the appropriated budget of R3 billion for 204/25, which is a regression from 2023/24, when the Programme achieved almost 100 per cent expenditure (Table 6). The underexpenditure in the period under review amounting to R53.7 million, which is significantly more than R8.3 million from the previous year, was not explained. Significant underexpenditure was in the following sub-programmes: Provincial Operations (R16.8 million), Corporate Support Services (R14.9 million) and Financial Management Services (R10 million). The former DALRRD highlighted that expenditure under Administration is driven by personnel and contractual obligations.

Out of two annual targets, the former DALRRD achieved an unqualified audit for 2023/24 and did not achieve the target to pay 100 per cent of valid invoices within 30 days, which is a National Treasury Regulation. This has been the case for the past 5 years, and similarly to the past two financial years, the Department paid only 95 per cent of valid invoices within 30 days. The reasons are also similar to previous years and include delays in submission and verification of invoices by user Directorates including delays in resolving queries pertaining to invoices. It also cited rejection of banking details that do not match the bank's records, which could be a potential red flag on the legal status of some of their suppliers.

Inability to pay all invoices within 30 days is an ongoing challenge as the former Department has never fully met the target for the past five years, which can be attributed to governance systems including limited use of digital systems for record keeping and data management. Late payment of invoices is costing the former Department millions of rands due to interest and

penalties on late payments, for example, the R5.9 million fruitless and wasteful expenditure for 2024/25 that is attributed to interest on an overdue account.

### **5.2.2 Programme 2: Agricultural Production, Biosecurity and Natural Resources Management**

Programme 2 received the third largest budget allocation, and it is the only Programme that has been constant in terms of expenditure, spending 99 per cent of the appropriated budget in 2024/25, which was the case in the previous two financial years (Table 6). The 1 per cent underexpenditure was attributed mainly to vacant positions, which is the same reason that was provided in the previous financial year. Expenditure in the Programme was largely driven by the transfer of R1 billion to the Agricultural Research Council (ARC) followed by R766 million for the Inspection and Quarantine Services sub-programme. Despite the foot-and-mouth disease (FMD) challenge, the Animal Production and Health sub-programme and the Biosecurity sub-programme received R291.7 million and R6 million, respectively.

The Animal Production and Health sub-programme contributed more than half (R14.4 million) of the R26.9 million underexpenditure in Programme 2. The underexpenditure in the sub-programme is more than two-fold than underexpenditure in the previous year, which was R6.6 million. Similarly with the Biosecurity sub-programme, which is allocated the smallest budget of R6 million, underexpenditure increased from R10 thousand in the previous year to R730 thousand in 2024/25. As underexpenditure in the Programme is attributed to vacancies, this implies that the two sub-programmes that play a crucial role in controlling and managing livestock diseases and other threats, are under capacitated and under resourced.

The Department achieved all 5 planned annual target under Programme 2 (Table 10), a significant improvement from the previous year when it achieved 4 out of 5 (80 per cent) planned annual targets (Table 9). The achieved targets are, establishment of 9 hemp demonstration sites (1 in each province); 13 subsistence producers supported with integrated bioenergy (biogas) technology; completed delineation of grazing Protected Agricultural Areas (PAAs) in Eastern Cape, Limpopo and Western Cape provinces; as well as animal disease risk (FMD, *Peste des Petites Ruminants* and Contagious Bovine Pleuropneumonia) and plant pest risk (exotic fruit fly, citrus greening survey and banana bunchy top virus) surveillances.

### **5.2.3 Programme 3: Food Security, Agrarian Reform, Extension and Sector Development<sup>5</sup>**

The Agriculture component of Programme 3 in terms of resource allocation includes two sub-programmes, Food Security and Agrarian Reform, as well as National Extension Services and Sector Development. It received the largest appropriation of R3.4 billion (35 per cent) of the total budget of R9.8 billion for Agriculture Programmes (Table 6 and Table 10) in 2024/25. The largest share of Programme 3's Agriculture budget went to Food Security and Agrarian Reform, which accounted for 85 per cent (R2.9 billion) of the Programme's R3.4 billion budget for 2024/25. Approximately R2.5 billion of the R2.9 billion budget for Food Security and Agrarian Reform budget was transferred to provinces as CASP and Ilima/Letsema conditional grants while the rest was transferred to the Land Bank for the Blended Finance Scheme (BFS).

The Agriculture expenditure for Programme 3 regressed from 100 per cent in 2023/24 to 97 per cent in the period under review (Table 6). While there was no explanation provided for underspending within the Programme, there was a significant underexpenditure on the CASP grant, from 100 per cent expenditure in the previous year to 77 per cent expenditure in 2024/25 (Table 7). Further, there were reported delays in supporting subsistence farmers through the Presidential Employment Stimulus Initiative (PESI) due to Provincial Departments of Agriculture (PDAs) experiencing late delivery of orders.

In terms of service delivery performance, both annual targets linked to Agriculture were overachieved, namely, supporting farmers through Blended Finance Scheme (BFS) where 121 out of a planned 100 farmers were supported and 800 students enrolled in agricultural training institutions was also exceeded by 11 students. Considering that the bulk of the budget in this Programme is transferred to Provinces and to the Land Bank for BFS, effective monitoring and evaluation (M&E) of implementation is lacking and remains key.

The Annual Report does not provide specific details on the utilisation of the conditional grants by each province but only provides total annual expenditure by each province. The same applies to BFS and PESI. The Department of Agriculture's Annual Performance Plans (APPs)

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<sup>5</sup> The Programme under the Department of Agriculture is called Food Security and Support.

including the previous and current APP, do not have specific targets for PESI implementation, which is reportedly implemented by provinces. This raises serious questions on accountability and monitoring of the funds that the Department transfers to provinces for PESI, which has also been a source of audit findings from the AGSA. In this regard, there should be a measurable indicator on monitoring the utilisation of all transferred funds for implementation of programmes by third parties.

#### **5.2.4 Programme 4: Economic Development, Trade and Marketing**

The budget for former DALRRD Programme 5, which is now Programme 4 of the Department of Agriculture, has decreased from R804 million in 2023/24, to R744.9 million in 2024/25. Budget utilisation also regressed from 99 per cent expenditure in the previous financial year to 92 per cent in the year under review. In rand value, approximately R62.9 million was not spent compared to R9.8 million in the previous year (Table 6). The Agroprocessing, Marketing and Rural Industrial Development sub-programme continues to be a cost driver and accounted for 68 per cent of the Programme's total budget. Programme 5 is also responsible for the transfer of the Parliamentary Grant to the National Agricultural Marketing Council and AgriBEE funds to the Land Bank.

In the previous year, underexpenditure was mainly in the International Relations and Trade sub-programme, however, in 2024/25, underexpenditure was registered in all three sub-programmes of Programme 4. The Cooperatives Development sub-programme accounted for 74 per cent (R46.8 million) of total underexpenditure, followed by the International Relations and Trade sub-programme with 16 per cent (R10.2 million) and then the Agroprocessing and Rural Industrial Development sub-programme with 9 per cent (R5.6 million). While there has been underspending across sub-programmes, the only reason that was provided for underspending was delays in transferring AgriBEE funds to the Land Bank due to outstanding progress reports.

Despite the significant reduction in the number of total annual performance targets, from 12 in the previous year to 5 in 2024/25, there was no improvement in the service delivery performance of the Programme. Instead, it significantly regressed by achieving 3 out of 5 planned targets (60 per cent) compared to 11 out of 12 planned annual targets (92 per cent) in the previous year. Some of the targets that were achieved under this Programme include

training of 117 cooperatives and training of 313 smallholder farmers on agricultural marketing. The latter surpassing the target of training 300 smallholder farmers.

The Department fell short of supporting all 138 enterprises that it planned to support in 2024/25, managing to support 109 enterprises. The shortfall was attributed to inability to finalise supply chain processes during the period under review following the expiry of a service level agreement (SLA) in October 2024. Similarly to previous years, the Department did not meet the target to comprehensively support Farmer Production Support Units (FPSUs) to full functionality as planned. Out of the planned 37 FPSUs to be supported to functionality in 2024/25, it supported 36 FPSUs to functionality. It cited heavy rainfall in the Northern Cape that delayed completion of planned infrastructure.

All the FPSUs that have been previously visited by the Committee were not functional, and from the Department's report that was submitted to the Committee earlier this year, the majority of the FPSUs are partially functional. Supporting FPSUs to functionality is also one of the targets that the Department has never fully met during the MTSF period. This continues to be a concern in the Committee as the FPSUs are expected to play a central role in assisting smallholder and emerging producers with comprehensive support that will ensure their access to markets. This means that the reportedly achieved training of producers on agricultural marketing becomes fruitless if they do not have comprehensive support and market access including market infrastructure.

### **5.3 Discussion on Service Delivery Performance**

There is misalignment between service delivery performance and budget utilisation among some of the Programmes, where in Administration 98 per cent of the appropriated budget was utilised when half of the targets were achieved while in Economic Development, Trade and Marketing Programme, 92 per cent of the appropriation was utilised while 60 per cent of planned targets were achieved. Overall performance decreased from 84 per cent targets achieved in 2023/24 to 79 per cent targets achieved in 2024/25 due to non-achievement of targets in the Programmes indicated. The reasons provided for underperformance such as delays in supply chain processes and submission of reports point to poor planning and lack of monitoring and evaluation (M&E).

Data credibility and reliable record keeping including on performance information are challenges that have been consistently identified and highlighted by the AGSA and have a negative impact on audit outcomes. AGSA identified material misstatements in the annual performance report submitted for auditing for the Economic Development, Trade and Marketing Programme, which management did not correct, and AGSA reported material findings in this regard. For Programme 3, approximately 85 per cent of the budget for Agriculture was transferred to provinces for conditional grants and Land Bank for BFS. However, while there is a quantitative target for BFS, which was achieved, there were no reported measurable indicators on the utilisation of the conditional grants that received approximately R2.5 billion in 2024/25.

Considering the continuing challenge of food insecurity in the country and the fact that conditional grants and other support programmes to address food security are implemented by provinces, the lack of a framework or a clearly defined indicators to measure food security and farmer support interventions remains a concern. The Department relies on quantitative targets that are implemented by provinces in the form of producer support programmes without measuring the actual impact of such programmes on food insecurity especially at the household level. The Department of Agriculture needs to fast-track the development of the National Food and Nutrition Security Plan that it leads and ensures that the Plan and its implementation will effectively address existing food security challenges.

Capacity challenges leading to delays in addressing and finalising employee matters such as disciplinary cases, disputes and grievances, which is an ongoing challenge, are not effectively addressed. The high rate of misconduct, especially financial disclosure issues, highlights ongoing challenges in human resource and organisational culture. Out of 388 senior managers, 7 did not disclose their financial interest by the due date as required by legislation. The 7 senior managers eventually disclosed after a concession was granted and the period of disclosure extended. Out of 1 219 other employees that are designated for disclosure, 221 employees did not disclose. The Department of Agriculture needs to fast track the filling of vacancies to strengthen capacity particularly at senior management considering the various vacancies in the following branches, Corporate Support Services and Financial Management Services and in Chief Directorates for Risk Management as well as Cluster Coordination, Intergovernmental and Stakeholder Relations.

## **6. AN OVERVIEW OF THE PERFORMANCE OF THE DEPARTMENT'S AGRICULTURE ENTITIES**

### **6.1 Agricultural Research Council (ARC)**

The Agricultural Research Council (ARC) was established in terms of Section 2 of the Agricultural Research Act, 1990 (Act No. 86 of 1990) and is listed under Schedule 3A (national public entity) of the Public Finance Management Act (PFMA), Act No.1 of 1999. The ARC is the principal agricultural research institution in the country that is mandated by the Act to conduct agricultural research and development, technology transfer to promote and support the agricultural community, and to facilitate and ensure conservation of natural resources. In addition, the ARC is responsible for the maintenance of national assets and is the custodian of the country's national collection of insects. The ARC has six Strategic Outcomes/Programmes through which it measures its performance. The 2024/25 financial year marked the final year of the ARC's Strategic Plan (2020–2025), aligned with its long-term Vision 2050.

#### ***Financial Performance and Expenditure***

The ARC's total revenue for 2024/25 was approximately R2 billion comprising of R1.12 billion worth of Parliamentary Grants, R948 million, primarily from services rendered, royalties and sales operated, and the rest was from interest, dividends and rental income. The entity operated with an approved budget of approximately R1.8 billion. It spent approximately R1.79 billion (99 per cent) and underspent about R14 million mainly from Programme/Outcome 5 (Enhanced resilience of agriculture).

The ARC's total expenditure was higher than the approved budget in most Programmes/Outcomes, but the entity demonstrated effective budgetary control and managed expenditure within acceptable limits to support expanded activities. The overspending was in respect of operating and administrative expenses resulting from the demand for additional resources to deliver on the Service Level Agreement (SLA) projects with the former Department of Agriculture, Land Reform and Rural Development (DALRRD), which also contributed to increased revenue. Overspending was also attributed to increased capital expenditure related to the foot-and-mouth disease (FMD) Vaccine Facility.

The ARC realised a surplus of R184 million despite the overspending in some programmes, reflecting better-than-expected revenue and cost management although the surplus is less than the previous year's R299 million. Employee costs were the biggest cost driver at approximately R945 million. Implementation of the ARC's Financial Sustainability and Turnaround Plan, whose aim is to diversify revenue streams and improve cost efficiencies, enhanced external revenue through government SLAs and licensing. Improvements in facilities management generated external income through property optimisation.

The ARC incurred irregular expenditure amounting to R3.4 million during 2024/25, which is less than the R22 million irregular expenditure incurred in the previous year. Both cases of irregular expenditure are reportedly under investigation. An additional irregular expenditure worth R61 million is under assessment. Warning letters have been issued to those implicated in irregular expenditure for various transactions. The entity reported an increase in fruitless and wasteful (F&W) expenditure from R132 thousand in 2023/24 to R197 thousand in 2024/25. F&W expenditure worth R117 thousand has been written off and during the year under review, the investigations were finalised on some of the fruitless and wasteful expenditure incurred during current and prior years, resulting in a recovery of R40 290.

### ***Auditor-General of South Africa (AGSA)'s Report***

The ARC achieved an **unqualified audit opinion** in 2024/25, breaking a cycle of more than eight years of successive qualified audits. This significant and commendable milestone was supported by improved internal controls, especially in asset management and the effective implementation of the Audit Improvement Plan. AGSA commended the entity and its management for the hard work it has put over the last five years to address audit findings particularly in respect of property, plant and equipment. Notwithstanding the unqualified audit opinion and a significant reduction in audit findings, the Auditor-General of South Africa (AGSA) raised the following matters of emphasis:

#### **Non-compliance with legislation:**

- **Financial statements:** The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by Section 55(1)(b) of the PFMA. Material misstatements of rendering of services, government grants and subsidies, expenditure, prior year adjustments and segment reporting identified by the auditors in the submitted financial statements were corrected and the supporting

records were provided, resulting in the financial statements receiving an unqualified audit opinion.

- **Expenditure Management:** Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 42 to the annual financial statements, as required by Section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by procurement processes being initiated only after services had already been rendered by service providers.

### **Internal control deficiencies**

- The Accounting Authority did not implement adequate oversight over financial reporting, compliance with legislation and related internal controls, as misstatements were identified on the financial statements.
- The public entity did not monitor compliance with legislation.

Another commendable achievement for the ARC was absence of findings on performance information. Of the 10 performance indicators that were selected by the AGSA for audit, the auditor did not find any material findings on the reported performance information.

### ***Non-financial Performance***

Out of the 75 planned annual targets for the 2024/25 financial year, the ARC achieved 65 targets (87 per cent). This is a significant improvement from the 70 per cent achieved in the previous financial year and is the highest percentage achievement of planned targets by the ARC over the last five years. For Outcomes 1 and 2, it reached 100 per cent of targets and for Outcomes 3, 4 and 5 exceeded 80 per cent achievement. The ARC acknowledged that the signing of the Service Level Agreement (SLA) with the former DALRRD significantly improved performance. A strong scientific output manifested in 91 per cent achievement of research and development (R&D) targets. The emphasis on Intellectual Property (IP) management and commercialisation reflects a shift towards value creation and economic impact from research outputs.

Key performance highlights during the 2024/25 financial year included genetic improvement schemes contributing to increased productivity and climate resilience; post-harvest handling innovations increased marketing efforts, especially in apple cultivars; increased percentage of

external income as percentage of total revenue, which surpassed the 26 per cent target by 20 per cent due to SLA projects from the former DALRRD; surpassing the Rand value of royalty income, from the planned R32 million to R42.8 million, which was primarily attributed to effective and ongoing oversight of licensing agreements; and the Professional Development Programme (PDP) enrollment grew to 184 participants, with women constituting nearly 49 per cent of the workforce and 72 per cent of postgraduate trainees.

The ARC reported that it is still pursuing efforts to get additional funding for the FMD Vaccine Facility, however, the Minister has instructed the entity to explore alternative funding options including public-private partnerships (PPP) and licensing agreements with national and international partners. The ARC had reservations regarding the security and loss of its publicly funded Intellectual Property (IP) that took years to develop. In the interim, work on the Midscale FMD Vaccine Facility has progressed and the ARC is busy with equipment installation, personnel has been successfully trained, and the entity is performing ongoing tests across multiple components to ensure full operational readiness. The Facility is expected to be fully operational by March/April 2026 and is expected to produce approximately 200 000 FMD vaccine doses per cycle. The entity is still waiting for the Minister's approval for the establishment of the Commercialisation Entity that will be used, not as a trading company, but as a holding company for its IP.

The Committee applauded the ARC for achieving an unqualified audit opinion and the significant progress it made in addressing some of the previous repeat audit findings.

## **6.2 Onderstepoort Biological Products (OBP)**

The Onderstepoort Biological Products (OBP) was established in terms of the Onderstepoort Biological Products Incorporation Act, 1999 (Act No.19 of 1999). It is listed under Schedule 3B of the PFMA, i.e. national Government business enterprise. It is a state-owned bio-technical company that manufactures livestock vaccines and related products for the global animal health care industry. It is also a National Key Point. As a Schedule 3B entity (i.e. national government business enterprise), the OBP does not receive a Parliamentary Grant but funds all its operations from self-generated revenue (mostly from sale of animal vaccines and related products).

### ***Financial Performance and Expenditure***

The OBP reported revenue of R186.35 million for 2024/25, a decline from R232 million in the previous year and falling short of the planned R305 million by approximately R119 million. The entity recorded a loss before tax of R20.9 million, a significant reversal from a profit before tax of R64.9 million in the previous year. The net comprehensive loss was R15.8 million. Cost of sales increased to R75.7 million from R66.7 million, negatively impacting gross profit margins. Operating and administrative expenses increased by 16 per cent, driven by inflationary pressures, higher computer expenses and investments in critical skills retention. The procurement of two new industrial freeze driers, scheduled for installation in Quarter 1 and Quarter 2 of 2025/26 is expected to enhance production capacity and efficiency. Cash reserves declined by R119.3 million to R339 million, reflecting significant capital expenditure. The OBP also reported increased maintenance costs for the smaller research freeze drier that is currently in use.

The OBP reported irregular expenditure amounting to R3.5 million in the year review, which is slightly higher than R3.1 incurred in the previous year that was attributed to non-compliance with supply chain regulations. It also reported fruitless and wasteful expenditure worth R8 thousand, which is from the previous year and was in relation to a South African Revenue Services (SARS) penalty on Value Added Tax (VAT) returns that was incurred in 2022/23 awarded the procurement. The R8 thousand fruitless and wasteful expenditure in respect of a SARS penalty was reportedly under appeal in 2023/24 and AGSA reported a finding on it as it was not fully disclosed in the notes to the financial statements.

### ***Report of the Auditor-General of South Africa (AGSA)***

The OBP's audit outcomes remained stagnant. For the third consecutive year, the Auditor-General of South Africa (AGSA) issued a **qualified audit opinion** on the financial statements of the OBP. The Auditor-General was unable to obtain sufficient appropriate audit evidence to substantiate certain amounts in the financial statements, leading to a qualified opinion that stems from the following:

- **Cost of Sales and Inventories:** The AGSA was unable to confirm the amounts recognised for cost of sales and inventories related to work in progress and finished goods. This was due to OBP not implementing effective internal controls and maintaining reliable accounting records to support these amounts. Inventories were stated at R45,769,828 (2024: R44,882,197) and cost of sales at R75,661,678 (2024:

R66,718,963). The AGSA could not determine whether adjustments were necessary, impacting the reported loss and accumulated surplus.

- **Other Operating Income:** Government grants were not accounted for according to International Accounting Standards (IAS) 20 (Government Grants) due to inadequate internal control systems for grant income calculation.
- **Depreciation and Impairment:** Prior year depreciation was overstated by R4,319,431 due to incorrect accounting. The entity did not have adequate systems to assess impairment indicators for property, plant, and equipment, stated at R445,205,299 (2024: R411,856,780), resulting in insufficient audit evidence on impairment.
- **Fruitless and Wasteful Expenditure:** Expenditure classified as fruitless and wasteful was not fully disclosed in the notes to the financial statements as required by the Public Finance Management Act (PFMA). The AGSA could not confirm the full extent of such expenditure disclosed at R8,000.

There were further reported audit findings on:

- **Non-compliance with legislation:** Financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA.
- **Internal Control Deficiencies:** The OBP developed an audit action plan to address internal control deficiencies, however, the plan was not adequately monitored to ensure that corrective measures were effectively implemented. As a result, there were recurring findings with similar root causes as those previously reported.
- **Revenue Management:** Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.
- **Consequence Management:** The auditor was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed.

The Auditor-General further reported material findings on the reported performance information for selected the performance indicators. The material misstatements were in the reported performance information for development, manufacturing and distribution of animal

vaccines to the market through advanced and innovative technological solutions. Management did not correct all of the misstatements, and AGSA reported material findings in this regard.

The Auditor-General's findings reveal a pattern of inadequate internal controls, non-compliance with legislation and regulations, and significant misstatements in financial and performance reporting, which collectively undermine the integrity of the financial statements and achieved performance. The repeat audit findings from AGSA highlight the urgency for strengthening governance frameworks, enhancing staff capacity in finance, and improving ICT systems for inventory and cost management. The entity requires a fully functional Finance Division to effectively address audit findings. The OBP reported that it resolved 77 per cent (30 out of 39) of the audit findings from both 2023/24 and 2024/25 financial years, and through its Audit Improvement Plan, is working on resolving the remaining 23 per cent (9 out of 39).

### ***Non-financial Performance***

For the 2024/25 financial year, the OBP had a total of 21 planned annual performance targets and has achieved 13 of these (62 per cent). In terms of percentage, this is a commendable improvement from the previous financial year's 53 per cent achievement. However, in the previous financial year, the OBP had 30 annual targets, which have since been reviewed across all Programmes but mostly in Programme 2 (Continuous Improvement of Business Processes) and Programme 4 (Governance and Leadership).

Programme 1 (Financial Sustainability), which previously performed better than other Programmes with 67 per cent achievement in 2023/24, in the year under review (2024/25), The Programme was the worst performer, achieving only 1 target (number of dossiers submitted to international markets) out of 5 annual targets (20 per cent). Targets that were not achieved included the inability to increase sales revenue and the percentage of the top 20 vaccine doses sold. Reasons for non-achievement of targets were attributed to unavailability of animal facilities which affected dossier submissions and lead times for product packing that delayed distribution quantities. Programme 3 (Customer Service) and Programme 4 (Governance and Leadership) both achieved 100 per cent of planned targets.

Programme 3 did exceedingly well as most annual targets were overachieved, namely, resolving customer complaints, retention of top 20 customers and farmer training. Under Programme 3, the OBP also achieved the target to establish 10 new distribution channels. For

Programme 2, notable achievement was the 8.8 per cent increase in production efficiency, which unfortunately could not lead to an increase in sales due to delays in packaging that affected distribution. The OBP has often struggled with achieving all targets under Programme 2 due to challenges and lack of progress in the Good Manufacturing Practice (GMP) Project and equipment breakdown.

While planned action items against the GMP Roadmap have been achieved, the GMP Project Plan has not been finalised due to delayed appointments of the GMP Specialist Advisor and the Principal Agent. The OBP indicated that specifications for the GMP Specialist Advisor were developed, and the tender was to be advertised during Quarter 1 of 2025/26 (that is April to June 2025). In this regard, the OBP reported that the tender for the GMP Specialist Advisor has been closed and the appointment of the GMP Specialist Advisor is expected by the end of October 2025.

Despite strong governance structures with active Board Committees and risk oversight, risks related to infrastructure, talent retention and fraud awareness indicate ongoing vulnerabilities in the OBP that could impact its strategic objectives if not addressed promptly. Instability at senior management level (vacant positions of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) and other critical positions) remains a risk. The OBP reported that it has initiated the process of recruiting for the CEO and CFO positions and also informed the Committee of a recent vacancy of the Corporate Services Executive, who resigned following an independent investigation that was carried out by the Board. The Board of the OBP undertook to continue reporting to Parliament, on a quarterly basis, on progress that has been made in the implementation of intervention measures for the GMP Facility including equipment procurement, addressing audit outcomes and litigation cases.

### **6.3 National Agricultural Marketing Council (NAMC)**

The NAMC was established in terms of Section 3 and 4 of the Marketing of Agricultural Products (MAP) Act, 1996 (Act No. 47 of 1996) as amended by Act No. 52 of 2001. It is listed under Schedule 3A of the PFMA. The core mandate of the NAMC is to investigate and advise the Minister of Agriculture, Land Reform and Rural Development on agricultural marketing policies and their application, and to coordinate agricultural marketing policy in relation to national economic, social and development policies and international trends and developments.

The NAMC is also responsible for investigating and overseeing the application of statutory and other regulatory measures; and to report and make recommendations to the Minister on the statutory measures.

### ***Financial Performance and Expenditure***

The NAMC relies heavily on the Parliamentary Grant, which accounts for approximately 86 per cent of its total revenue. Other revenue streams include income from interest, rendering of services and sponsorships. The NAMC received an annual Government allocation of R45.8 million through Programme 5 of the former DALRRD (now Programme 4 of the Department of Agriculture), supplemented by additional revenue of R2.5 million from sponsorships, R3.9 million worth of interest income and other project-generated income. Deferred income, mostly related to project funding (e.g. Agriculture and Agroprocessing Master Plan (AAMP), AgriSETA projects), decreased by about R15.7 million, reflecting project completion or fund utilisation.

The approved budget for 2024/25 was R57.8 million and the NAMC spent R56.7 million (98.2 per cent), which is an improvement from the previous year's 95 per cent expenditure. The reason for underspending was attributed mostly to the office relocation projects that were ongoing by year-end. The NAMC had a deficit of R1.98 million in 2024/25 compared to a surplus of R4.3 million in 2023/24. This reflects the financial challenges that the entity faced during the financial year under review. Despite the deficit, the NAMC's total assets exceeded total liabilities by R14.5 million, supporting the going concern assumption. The NAMC maintained its procurement targets by spending at least 30 per cent on women-owned businesses, 20 per cent on youth-owned and 5 per cent on persons with disabilities, alongside 70 per cent local procurement.

The NAMC showed prudent financial management during 2024/25 and did not incur any irregular expenditure but reported R25 000 irregular expenditure that was incurred in 2023/24 and forms part of the R2.14 million irregular expenditure from prior years that is under determination. The irregular expenditure from prior years was in respect of an AAMP contract that was signed without following delegation of authority (R1.48 million), non-compliance with the Recruitment Policy and a service provider that was engaged without a contract in place. The NAMC reported fruitless and wasteful (F&W) expenditure worth R34 000, with

R1 000 of the F&W expenditure being incurred in 2024/25 while R33 000 is from the previous financial year. The total F&W expenditure of R34 000 is under determination.

### ***Report of the Auditor-General of South Africa (AGSA)***

The Auditor-General of South Africa (AGSA) expressed an **unqualified audit opinion** on the NAMC's financial statements for the year ending 31 March 2025, indicating that the financial statements present fairly, in all material respects, the financial position and performance of the NAMC in accordance with Generally Recognised Accounting Practice (GRAP) and the Public Finance Management Act (PFMA). This is a commendable achievement and a positive recovery from the qualified opinion received in the previous year. Compliance with PFMA and Treasury Regulations was generally satisfactory, but AGSA noted some weaknesses in internal controls and financial reporting processes that the NAMC management is addressing. AGSA emphasised the following:

- **Restatement of corresponding figures:** The previous year's corresponding figures (2023/24) were restated as a result of an error in the financial statements of the NAMC for 2024/25.
- **Non-compliance with legislation:** The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by Section 55(1)(b) of the PFMA. Material misstatements of general expenditure and prior year adjustment disclosure notes identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.
- **Deficiencies in internal controls:** Preventative controls were not implemented to ensure reliable financial reporting as well as compliance with applicable laws and regulations.

There were no material findings were that were identified on annual performance information, which is another commendable improvement from the previous year when AGSA identified material misstatements that were subsequently corrected by the NAMC.

To address AGSA's concerns, the NAMC reported that an Audit Recovery Plan has been developed and is being implemented with oversight from the Audit and Risk Committee, addressing issues such as staff attrition particularly in the Finance Division, records

management and strengthening internal controls and improving the internal control environment. It mentioned the implementation of a new digital records management system and strengthened monitoring of the ICT function, which is outsourced due to staff shortages. The entity has an ICT Steering Committee that meets weekly to manage the service providers, and the matter is also monitored by the NAMC Board on a quarterly basis.

### ***Non-financial Performance***

The NAMC achieved 19 out of a total of 20 (95 per cent) planned annual targets for the 2024/25 financial year, a significant improvement from 2023/24, when the entity achieved 88 per cent of planned annual targets. The notable achievement came against the backdrop of numerous challenges that the NAMC faced numerous challenges during 2024/25, which include among others:

- ***Financial constraints*** as a result of the downward trend in parliamentary grants over the last five years, which impacts its ability to offer competitive salaries, retain staff and scale-up programmes.
- ***Staff attrition and a high vacancy rate*** of approximately 27 per cent particularly in critical finance and administration roles, causing operational strain and loss of institutional memory. Despite the entity filling vacancies early in the year, resignations of key finance personnel occurred towards year-end. The management could not implement the Staff Retention Strategy as it requires financial resources.
- ***ICT understaffing*** remains a concern as shortage of staff poses risk to ICT service delivery and due to the shortage, the majority of ICT functions are outsourced.

The NAMC's Programme 2 (A Viable and Efficient Agricultural Sector Generating Optimal Earnings), which has a legislated output in respect of statutory measures and other reports, maintained consistent performance, while Programme 3 (Enhanced Market Access for the Agricultural Sector), again exceeded the target for linking smallholder farmers to markets, which has been the case for the past two financial years despite financial limitations. The only target that was not met during 2024/25 was in Programme 1 (NAMC Delivers on its Mandate and Core Functions) in respect of 100 per cent budget spending. The NAMC underspent its budget by 1.8 per cent mainly due to office relocation projects that were still underway by the end of the financial year.

The NAMC was commended for the strides it has made in improving governance, financial management and audit outcomes despite challenges with staff attrition and budgetary constraints. Its ongoing resource mobilisation strategies and partnerships are expected to alleviate constraints and enhance future performance.

#### **6.4 Perishable Products Export Control Board (PPECB)**

The Perishable Products Export Control Board (PPECB) is a national public entity that is listed under Schedule 3A of the PFMA. It was established in terms of Section 2 of the Perishable Products Export Control Act, 1983 (Act No. 9 of 1983). The entity does not receive a Parliamentary Grant but generates its own revenue through fees and levies charged for inspections done on perishable products that are due for export, issuance of export certificates and laboratory services. As a result, 99 per cent of its revenue is derived from sale of goods and services and 1 per cent from interest and transfers received.

##### ***Financial Performance and Expenditure***

The PPECB started the 2024/25 financial year with a total revenue of R633.7 million, a slight increase of 1 per cent from the R627.9 million revenue for 2023/24. Expenditure increased by 4 per cent from R629.5 million in the previous financial year to R653 million in 2024/25. As a result, the PPECB ended the year with a significantly high deficit of R19.3 million compared to the previous year's R1.1 million deficit. The deficit was primarily attributed to increased expenditure outpacing income growth due to reduced export volumes and investment in digital projects. Employee costs remain the main cost driver at 70 per cent (R459 million) of the total expenditure. Underexpenditure on employee costs was in respect of administrative vacancies and underexpenditure on operations was attributed to postponement of Human Capital training and ICT initiatives.

The PPECB demonstrated prudent cost management through strict expenditure controls, focusing on essential spending and operational efficiencies to mitigate revenue pressures. However, the deficit and declining reserves, which declined by 12 per cent to 49 per cent of the required level, highlight the need for enhanced financial sustainability initiatives, particularly in diversifying income streams beyond statutory levies.

The PPECB incurred irregular expenditure worth R22 553 during 2024/25. The irregularities were primarily due to non-adherence to the three-quote procurement process and failure to obtain prior approval from the Chief Financial Officer (CFO) for certain expenditures, as well as continued use of rental services of a service provider whose contract expired. While the amount is far less than the R679 380 irregular expenditure incurred in 2023/24, it is concerning that the reasons for irregular expenditure remain similar to the previous year, highlighting lack of compliance to regulations due to weaknesses in internal controls.

The PPECB incurred significant fruitless and wasteful expenditure worth R2.2 million, which is far more than the R139 475 worth of fruitless and wasteful expenditure that was incurred in the previous year. The fruitless and wasteful expenditure worth R2.16 million was attributed to a penalty and interest charged for late payment of value-added tax (VAT) to the South African Revenue Services (SARS). The PPECB has been disputing the matter since 2023/24, however, to prevent further interest being charged, it paid the amount to SARS.

The other instances of fruitless and wasteful expenditure relate to a damaged laptop through employee negligence, whose employment contract expired before the conclusion of the investigation as well as four laptops that were stolen and the investigations conducted could not determine how or by whom the laptops were stolen. In the latter cases, amounts of R6 150 and R78 719, respectively, were irrecoverable. Despite disputing the SARS penalty, the full R2.2 million of fruitless and wasteful expenditure for 2024/25 including the prior year's R139 475 has been written off as irrecoverable.

The continued irregular expenditure, along with the findings related to fruitless and wasteful expenditure, suggests that while the governance structure is in place, there are lapses in adherence to the established regulations. The PPECB needs to strengthen its internal controls and compliance mechanisms to address significant weaknesses in its financial management and compliance processes and to mitigate the risks.

### ***Report of the External Auditor***

Since 2022/23, the PPECB has been audited by an independent auditor, PKF Cape Town. The PPECB received an unqualified audit opinion with no significant material audit findings (**clean audit**) from the external auditors, which is an improvement from the previous year's unqualified opinion with findings. The auditors reported that the financial statements presented

fairly, in all material respects, the financial position of the PPECB as at 31 March 2025 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the PFMA. The external auditors further drew attention to the following:

**Material misstatement on performance information:** A material misstatement was identified in the annual performance report submitted for auditing. The material misstatement was in the reported performance information for Programme 2 (Operational Services). Management subsequently corrected the misstatement, and the auditors did not include any material finding in this report.

### *Non-financial Performance*

The PPECB achieved 14 out of 17 (82 per cent) planned annual targets for 2024/25, which is a regression from the previous three financial years, when it achieved 100 per cent of planned annual targets. Some of the challenges that impacted performance in 2024/25 include drought that negatively impacted export volumes and operational challenges regarding the adoption of TITAN 2.0® for container inspections where 63 per cent of containers were inspected using TITAN 2.0® instead of the 80 per cent target under Programme 2 (Operational Services). Key highlights on Programme 1(Corporate Services) included the 87 per cent achievement of procurement from B-BBEE suppliers, which exceeded the 80 per cent target as well as customer satisfaction rating of 90 per cent, which also surpassed the 80 per cent target. The entity's Corporate Social Investment (CSI) initiatives benefited over 8 000 individuals nationally. There were notable achievements on Programme 4 (Transformation and Development), which included training and certifying over 800 smallholder farmers, graduating students through the Agri Export Technologist Programme (AETP), running women leadership and disability empowerment programmes. These efforts align with national growth and transformation frameworks.

Under Food Safety, the PPECB successfully maintained compliance with European Commission directives and Codex principles. In terms of Digital Transformation and Innovation, the ongoing rollout of digital platforms such as TITAN 2.0® and Enterprise Resource Planning (ERP) systems is central to improving inspection efficiency, data accuracy and customer experience. The PPECB's move to a paperless certification process and integration with other digital systems reflects a strong commitment to innovation. A key highlight on Research and Innovation is the release of the first Research and Innovation Journal

documenting trials from 2022-2023 to support industry knowledge sharing. The development of an Environmental, Social and Governance (ESG) Strategy is ongoing with workshops completed and the Strategy expected to be finalised by the end of 2025.

Challenges and risks to the PPECB's operations include persistent ageing port infrastructure and transport inefficiencies, which continue to threaten export volumes, planning and shipping schedules; climate change impacts; partial uptake of digital tools like TITAN 2.0®; operating at a deficit with declining reserves poses medium-term financial risk; as well as technical skills and capacity constraints particularly in finance. The PPECB also reported an engagement between the entity and the Department of Agriculture with the Border Management Authority (BMA) to address operational challenges that are imposed on the PPECB by the BMA.

The PPECB was applauded for the clean audit and was implored to strengthen financial management and give attention to the continuing financial deficit, irregular, fruitless and wasteful expenditure while ensuring proactive management of risks.

## **7. COMMITTEE FINDINGS AND OBSERVATIONS**

### **7.1 Department of Agriculture**

- 7.1.1 Ineffective implementation and lack of monitoring of the implementation of the Audit Improvement Action Plan that resulted in the qualified audit outcome with repeat audit outcomes from AGSA on non-compliance with the PFMA and National Treasury Regulations as well as deficiencies in internal controls. For 2024/25 for example, the Department of Agriculture has partially implemented action plans in its Audit Improvement Action Plan.
- 7.1.2 Internal audit findings and recommendations of the Audit Committee were not effectively addressed and implemented as inadequate and ineffective internal controls have been highlighted by the Audit Committee for the past three years with the same control deficiencies being highlighted without any improvement. These include required improvement of the Risk and Fraud Management System.

- 7.1.3 Weaknesses in governance and compliance as management did not enforce consequence management for non-compliance while ensuring that swift disciplinary action is taken against officials involved in irregular, fruitless and wasteful expenditure to prevent and deter repeat non-compliance.
- 7.1.4 Data credibility and reliable record keeping including on performance information remain challenges that have been consistently identified and highlighted by the AGSA and have a negative impact on audit outcomes. This is particularly crucial for conditional grants and other programmes that are implemented by third parties.
- 7.1.5 Poor monitoring of intervention programmes that are implemented by provinces such as conditional grants, which contributed R53.3 million to fruitless and wasteful expenditure in 2024/25, and PESI. PESI has been a source of audit findings, contributed R119.2 million to fruitless and wasteful expenditure as well as in underexpenditure for Programme 3.
- 7.1.6 Poor monitoring of funding programmes that are implemented by the Land Bank such as the Blended Finance Scheme (BFS) and the AgriBEE Fund, for which timeous reporting by the Land Bank has been a challenge. Delayed reporting by the Land Bank for the AgriBEE Fund contributed to underexpenditure in the Department's Economic Development, Trade and Marketing Programme in 2024/25.
- 7.1.7 Despite the R2.5 billion appropriation of the Department of Agriculture's Programme 3 being transferred to provinces for conditional grants, there is no performance report (except total expenditure per grant) for the conditional grants, and the Department of Agriculture's 2025/26 Annual Performance Plan did not have measurable indicators and annual targets for the conditional grants.
- 7.1.8 Vacancies in key and critical positions may contribute to management instability and impact the Department's performance. The Department has vacant positions of the CFO, DDG for Programme 3 (Food Security and Support), which also receives the largest budget from the Department's appropriation, other senior management vacancies in Corporate Support Services, Financial Management Services, Risk Management as well as Cluster Coordination, Intergovernmental and Stakeholder Relations.

7.1.9 Failure to support FPSUs to functionality is a constant challenge despite the central role FPSUs are expected to play in ensuring comprehensive farmer support and access to markets.

7.1.10 Poor performance in the implementation of the Medium-Term Strategic Framework 2019-2024, where 3 out of 10 Agriculture targets were achieved.

## **7.2 Observations on Department of Agriculture Entities**

### **7.2.1 Agricultural Research Council (ARC)**

- (a) The significant achievement of an unqualified audit outcome by the ARC after almost a decade of successive qualifications was welcomed and applauded. The Committee recognised the strides that the entity made in the past five years to address AGSA findings particularly in respect of property, plant and equipment, which has largely been the main source of qualifications over the years.
- (b) Progress in the installation of the Midscale foot-and-mouth disease (FMD) Vaccine Facility was welcomed, however, the additional funding for the industrial FMD Vaccine Facility remains a concern as self-sufficiency through local production of the FMD vaccine is crucial.
- (c) Delays in the engagements with National Treasury in respect of additional funding for the FMD Vaccine Facility.
- (d) Delays in the approval of the ARC's Commercialisation Entity by the Minister. In light of fiscal constraints, the Commercialisation Entity will enable the ARC to generate more revenue and raise the additional funding required for the construction of the FMD Vaccine Facility.

### **7.2.2 Onderstepoort Biological Products (OBP)**

- (a) The successive qualified audit outcomes and material misstatements, which are based on repeat findings, needs urgent attention and underline serious internal control deficiencies and weaknesses in governance systems.

- (b) Instability at management level has a negative impact on the operations of the OBP including its ability to effectively address repeat audit findings despite its significant efforts. The OBP did not have a permanent CEO for the greater part of 2024/25 and had other numerous vacancies including in the Finance Division. The process that is underway to appoint a CEO is welcomed.
- (c) Recurring internal control deficiencies, audit findings on revenue management and increasing irregular expenditure without evidence of consequence management action taken remain serious concerns considering the financial resource challenges at the OBP.
- (d) Reliable reporting continues to be a challenge at OBP as AGSA again identified material irregularities on performance information, which the entity did not correct.
- (e) Slow progress in the appointment of the GMP Specialist Advisor, which further delays progress in the construction of the GMP Facility. The GMP Facility is quite central to the sustainability of product development, in ensuring the OBP's business excellence, improved competitiveness and subsequently, its financial sustainability. The undertaking to appoint the GMP Specialist Advisor by the end of October 2025 was welcomed.
- (f) Progress that has been made in the procurement and installation of the new industrial freeze driers was welcomed.

### **7.2.3 National Agricultural Marketing Council**

- (a) The achievement of an unqualified audit opinion by the NAMC following a qualification in the previous year was applauded particularly as it was achieved amid a number of resignations in the Finance Division towards the end of the 2024/25 financial year.
- (b) The improvement in addressing previous audit findings was acknowledged, however, repeat audit findings in respect of non-compliance with PFMA and Treasury Regulations (SCM procedures) and internal control deficiencies.
- (c) The significant improvement in performance information, with no findings from AGSA, and the 95 per cent achievement of planned annual performance targets despite personnel capacity constraints was commended.
- (d) Staff attrition and the high vacancy rate of 27 per cent that are linked to budgetary constraints as the NAMC is unable to offer competitive remuneration to retain critical personnel impacts the functions of the NAMC and remain areas of concern that needs attention.

- (e) The NAMC was commended for prudent financial management during 2024/25 as it did not incur any irregular expenditure but R1 000 worth of fruitless and wasteful expenditure that is under determination.

#### **7.2.4 Perishable Products Export Control Board (PPECB)**

- (a) The PPECB was applauded for achieving a clean audit, which is an improvement from the previous year's unqualified opinion with findings.
- (b) The regression in the achievement of service delivery performance of targets (82 per cent) as the PPECB has been consistently achieving 100 per cent of its planned targets in prior years despite external environment challenges in its operations.
- (c) While the entity attained a clean audit, recurring irregular expenditure with similar reasons as in prior years, as well as significant fruitless and wasteful expenditure worth R2.2 million incurred in 2024/25, suggests that while the governance structure is in place, there are lapses in internal control deficiencies resulting in non-adherence to the established regulations particularly SCM Regulations.

### **8. COMMITTEE RECOMMENDATIONS**

The Committee makes the following recommendations to the National Assembly (NA) for the attention of the Minister of Agriculture:

The Minister should –

- 8.1 Submit responses to the recommendations from the Report of the Portfolio Committee on Agriculture on the 2025/26 Annual Performance Plans and Budget of the Department of Agriculture and Entities, dated 04 July 2025.
- 8.2 Ensures that the Department engages and work closely with AGSA to undertake an interim audit of its financial and performance information prior to the final audit as this process has resulted in significant improvement in the audit outcomes of both the ARC and the NAMC. The Minister should submit a report of such an engagement to Parliament.

- 8.3 Submit to Parliament quarterly reports on the implementation of specific AGSA recommendations to the Minister and the Accounting Officer to address root causes of poor audit outcomes and repeat audit outcomes, along with detailed progress reports on the implementation of the Audit Improvement Action Plan.
- 8.4 Ensure that the Department submits a time-bound action plan to address the recommendations of the Internal Audit and repeat findings by the Audit Committee in respect of deficiencies in internal controls and concerns with risk and fraud management.
- 8.5 Ensure that the next Annual Performance Plan (APP) of the Department includes specific measurable indicators and targets for the implementation of the AAMP, conditional grants and PESI. The 2025/26 APP does not have such targets.
- 8.6 Ensure that the Department develops measurable indicators with targets for inclusion in its next APP, for monitoring of conditional grants and PESI that are implemented by provinces, as well as the Blended Finance Scheme (BFS) and AgriBEE Fund implemented by the Land Bank.
- 8.7 Submit to Parliament the Department's Fit-for-Purpose Structure that is expected to be finalised by the end of October 2025; and fast-track the filling of vacancies at the Department's senior management service (SMS) level particularly the position of the CFO, DDGs for Corporate Support Services and Programme 3, and positions at Financial and Risk Management Chief Directorates. Submit progress and vacancy rate update in Parliament on a quarterly basis.
- 8.8 Ensure that the Department and the OBP invest in digital infrastructure that supports data collection, analysis and sharing for standardised record-keeping and to strengthen accounting systems to help streamline payment processes to avoid irregularities and penalties.
- 8.9 Continue engagements with the Minister of Finance to fast-track the processing of the ARC's funding application for the FMD Vaccine Facility through the Infrastructure Budget Facility.

- 8.10 Submit a progress report in the processing of an approval for the development of a Commercialisation Entity proposed by the ARC and the NAMC's Resource Mobilisation Strategy; and engage with the Companies and Intellectual Property Commission on the best strategies for the ARC to leverage public-private partnerships with its intellectual expertise to address funding constraints.
- 8.11 Ensure that the Entities submit to Parliament quarterly reports on the implementation of specific AGSA recommendations to the Boards and the Accounting Officers to address root causes of poor audit outcomes and repeat audit findings, along with detailed progress reports on the implementation of the Audit Improvement Action Plans.
- 8.12 Ensure that the OBP fast-tracks the appointment of the CEO, CFO and GMP Specialist Advisor and filling of SMS level vacancies to prevent management instability and further delays in the construction of the GMP Facility while ensuring that the OBP has a fully functional Finance Division.
- 8.13 Ensure that the NAMC fast-tracks the filling of vacancies in the Finance Division while considering alternative reward options to retain personnel in light of its budgetary constraints.
- 8.14 Ensure that the Department and the NAMC submit quarterly reports to Parliament on the implementation of the AAMP.
- 8.15 Ensure that the Department submit quarterly updates to Parliament on the development of the National Food and Nutrition Security Plan for 2024-2029 including resource allocation as well as intergovernmental and stakeholder arrangements for its implementation.
- 8.16 Ensure that the Department develops a strategy for the establishment of seed banks as part of food security interventions to strengthen and conserve farmers' seed systems including traditional varieties; and engage relevant government departments for the development of food banks to reduce food waste and strengthen food security.
- 8.17 Engage with the Minister of Public Service and Administration to explore a review of the conditions of service and remuneration for veterinarians in the public service to retain skills in the country.

*Unless otherwise indicated, responses to the above recommendations should be submitted to the National Assembly not later than two months after the adoption of this Report by the National Assembly.*

Report to be considered.

## **5. BUDGETARY REVIEW AND RECOMMENDATIONS REPORT (BRRR) OF THE PORTFOLIO COMMITTEE ON PUBLIC SERVICE AND ADMINISTRATION: VOTE 12 OF THE PUBLIC SERVICE COMMISSION (PSC), DATED 22 OCTOBER 2025**

### **1. BACKGROUND**

The Portfolio Committee on Public Service and Administration (hereinafter referred to as the Portfolio Committee) having considered the directive of the National Assembly, which is in line with Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009 to consider and report on the Annual Report of the Public Service Commission (an independent body), reports as follows:

### **2. INTRODUCTION**

Parliament represents the people of South Africa, and it has a responsibility to keep the government accountable to the people. Parliament derives its mandate from the Constitution of the Republic of South Africa. According to Section 55 (2) of the Constitution “the National Assembly must provide for mechanisms (a) to ensure that all executive organs of state in the national sphere of government are accountable to it; and (b) to maintain oversight of the exercise of national executive authority, including the implementation of legislation and any organ of state.

Parliament reaffirmed its commitment to law making, oversight and public participation but also to its vision of being an activist and responsive people’s Parliament that improves the quality of life of South Africans and ensures enduring equality in our society. The strategic objectives of the Portfolio Committee are informed by five strategic goals of Parliament. The functions of the Portfolio Committee on Public Service and Administration are as follows:

- Participating and providing strategic direction in the development of the legislation and thereafter passing the laws.
- Conducting oversight over the Executive to ensure accountability to the Parliament towards achieving an effective, efficient, developmental and professional public service.

- Conducting public participation and engaging citizens regularly relating to public service issues.
- Monitoring the financial and non-financial aspects of departments and its entities and ensuring regular reporting to the Committee, within the scope of accountability and transparency.
- Supporting and ensuring implementation of the Public Service Commission (PSC) recommendations in the entire public service.
- Participating in international treaties which impact on the work of the Committee.

### **3. PURPOSE OF THE BUDGETARY REVIEW AND RECOMMENDATIONS REPORT**

In terms of Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009, the National Assembly, through its Committees, must annually compile Budgetary Review and Recommendations reports (BRRR) that assesses service delivery and financial performance of departments and may make recommendations on forward use of resources. The BRRR is also a source document for the Committee on Appropriations when considering and making recommendations on the Medium-Term Budget Policy Statement.

The Money Bills Amendment Procedures and Related Matters Act, section 5 (3) highlights focus areas on the budgetary review and recommendation report as:

- Providing an assessment of the department's delivery service performance given available resources.
- Providing an assessment of the effectiveness and efficiency of the department's use and forward allocation of available resources; and
- Including recommendations on the forward use of resources.

#### **3.1 Method**

The Portfolio Committee on Public Service and Administration compiled the 2024/25 BRRR using the following documents:

- The National Development Plan: Vision for 2030.
- Medium Term Strategic Framework 2019 - 2024.

- State of the Nation Address 2024/25.
- Strategic Plan of the PSC.
- National Treasury (2025) 4<sup>th</sup> Quarter Expenditure 2024/25 Financial Year.
- Annual Performance Plan (2024/25) of the PSC.
- Annual Report (2024/25) of the PSC.
- Auditor-General South Africa's outcomes of audit findings 2024/25.
- The Portfolio Committee also met with the leadership and management of the PSC.

#### **4. OVERVIEW OF THE PUBLIC SERVICE COMMISSION**

The PSC is an independent institution established in terms of Chapter 10 of the Constitution. It derives its mandate from Section 195 and 196 of the Constitution, 1996, which set out the values and principles governing public administration, which should be promoted by the PSC, as well as the powers and functions of the PSC. The PSC is required by the Constitution to exercise its powers and to perform its functions without fear, favour or prejudice. The Constitution links the PSC's independence firmly with its impartiality and no organ of state may interfere with the functioning of the PSC.

The PSC is vested with custodial oversight responsibilities for the Public Service and monitors, evaluates and investigates public administration practices. It also has the power to issue directions regarding compliance with personnel procedures relating to recruitment, transfers, promotions and dismissals. The PSC is accountable to the National Assembly and to Provincial Legislatures and must annually report on its activities and performance to these two institutions.

#### **5. LEGISLATIVE MANDATE**

The PSC is a constitutional oversight body, established in 1996, primarily to promote "a high standard of professional ethics in the public service". The PSC operates in terms of the PSC Act 1997. The Act provides for the regulation of the PSC with regard to:

- a) The constitution of the PSC.
- b) Appointment of Commissioners.
- c) Designation of the Chairperson and Deputy Chairperson.
- d) Conditions of appointment of Commissioners.

- e) Removal from office of Commissioners.
- f) Functions of the PSC (inspections, inquiries, etc.)
- g) Rules according to which the PSC should operate.
- h) The Office of the PSC (OPSC); and
- i) Transitional arrangements with regard to service commissions (created under the Interim Constitution).

## **6. STRATEGIC PRIORITIES FOR 2024/25**

**6.1** The policy priorities, as outlined in the Annual Performance Plan for 2024/25, were as follows:

### **6.1.1 Monitoring the implementation of the Framework for the Professionalisation of the Public Sector**

The strategic and oversight role of the PSC over the next MTEF in contributing towards a developmental and meritocratic state, will be to monitor the execution of the National Framework Towards the Professionalisation of the Public Sector (Professionalisation Framework), which is one of the game changers in the Public Sector. The PSC will report the envisaged results of the framework to the nation through Parliament and other relevant oversight structures. Government performance has been facing serious challenges due to a number of issues, such as a lack of required skills to carry out government work, budgets cuts, unforeseen disasters and the scourge of corruption. Poor service delivery has often resulted in destructive protests. A highly professionalised public sector will result in skilful, ethical and corrupt free South Africans who execute the government mandate to address the needs of society.

### **6.1.2 Strengthening the oversight role of constitutional institutions**

Oversight institutions will have to ensure that institution building and culture of performance with high calibre of skilful employees remain a priority. The calibre of employees at PSC should be able to produce credible oversight recommendations that even when challenged in a court of law, the PSC will stand the scrutiny by the court. The current economic situation will require South African government to do things differently. Therefore, collaboration amongst the oversight bodies will go a long way in addressing the existing budgetary and disjointed service delivery challenges facing country.

### **6.1.3 Responsible use of budget in lieu of budget cuts and desired economic growth**

The PSC Bill that has been submitted to Parliament is intended to position the OPSC as a professional, independent secretariat of the PSC that will extend its operations to reach both local government and public entities. The passing of the PSC Bill into law will require additional funding for PSC to implement its new act. Under the current economic difficulties, where the National Treasury was left with no option but to cut government spending to save the economy from collapsing, the PSC will have to ensure that there is value derived from utilising the scarce financial resources. The current public sector reforms such as the Framework for the Professionalisation of the Public Sector is a positive contribution towards dealing with some of the systemic challenges.

#### **6.1.4 Adapting to culture change**

There is a need to ensure that the PSC is compatible with the current PSC legislative changes and public sector reforms. The PSC seeks to clear what is no longer compatible such as a toxic culture and bring into its culture the new ethos of public service. The positive response to the volatility; uncertainty; complexity and ambiguity (VUCA) moment, should be such that the volatility moment is guided by a clear vision, uncertainty is guided by clear understanding, complexity is guided by clarity and ambiguity is guided by agility.

#### **6.1.5 Strengthening the capability of the State through public sector reforms**

For the PSC to prepare itself for a meaningful contribution for the implementation of the National Development Plan (NDP), the PSC took a decision to reposition itself during the 2021 Strategic Planning Session. The need to have a capable, ethical and developmental state has been the correct observation by government as expressed in the NDP. Therefore, the PSC observed that even if there were to be enough resources, without having capabilities, government would not deliver on the objectives.

The current Public Sector Reforms must be seen as a way that seek to ensure that priority number one: a Capable, Ethical and Developmental State is achieved. In addition, the stakeholder collaboration with the National School of Government and the Auditor General of South Africa including other key stakeholders is a key factor in demonstrating that the reforms aimed at creating a Capable, Ethical and Developmental State will not be achieved without a collaborative effort.

#### **6.1.6 Ensuring improved visibility and meeting the demands for service**

The observation from many external stakeholders, as well as the results of customer surveys point to a PSC that is understood better by clients, and this will result in high demand for services offered by the PSC. In addition, the PSC has robustly engaged executive authorities on areas that warrants attention of the State such as Government Immovable Property and the Information Communication Technology. The contribution of the PSC in these areas is acknowledged by our stakeholders. The PSC is ready for more requests for assistance as it is continuing to improve its profile. The challenges of budget cuts should not be seen as impediments, but rather a challenge that pushes the PSC to innovate on how to continue delivering on its mandate.

### **6.1.7 Improving the PSC Governance Structures**

The PSC has now established four Plenary Committees in support of the four strategic outcomes of the Commission. Each Plenary Committee is chaired by a Commissioner and provides oversight over the work of each of the programmes of the PSC. All the Plenary Committees make recommendations to the Plenary, which is the highest decision-making body of the Commission and comprises of the full Commission. A noteworthy development is the establishment of the Institutional Development and Governance Committee, which is mandated to oversee institutional and governance matters. This is an important step towards ensuring that there existing internal controls are strengthened in order to ensure that the PSC continues to be a custodian of good governance.

### **6.1.8 Modernisation of the PSC**

The advancement in technology and current economic challenges facing the country necessitate a different way of doing things, just like COVID-19 pandemic resulted in a new normal. The PSC will have to strengthen its own Information Technology systems. Digitising the way of operating and creating a paperless environment is the future. The PSC must also find ways of addressing the persistence challenge of successfully holding virtual meetings without interruption. This will not only improve operational efficiencies but will also make accessibility easier for public servants and the general public. So far, the ICT team has been able to develop PSC' s own Case Management System, which is currently being rolled out so as to migrate the manual way of handling complaints and grievances into an automated system.

## **7 PUBLIC SERVICE COMMISSION PROGRAMME PERFORMANCE**

## **7.1 Budget Allocated and Expenditure 2023/24**

The final appropriation budget for the PSC for the 2024/25 financial year was R288.7 million and actual spending amounted to R288.4 million which represents 100 per cent. The Commission personnel expenditure was R219.4 million of the R288.7 million of the budget allocation. Meaning the Commission has spent 76 per cent of the budget allocation on salaries. The spending variance was mainly on the Compensation of Employees wherein 37 posts excluding Commissioners were vacant as at 31 March 2025.

The Commission commitment to professionalisation of the Public Sector followed by adoption of Professionalisation Framework by Cabinet in October 2022 encountered budgetary constraints. This has resulted into the PSC entered into Partnership Agreement with the United Nations Development Programme with the project title, Building State Capability. The duration of partnership is from 01 January 2021 to 31 December 2025.

The UNDP strengthened its commitment and support towards professionalisation of the public sector by making available project management and technical advisory support. Furthermore, sponsored through donor fund a total of R3.2 million and the amount assisted the PSC in lowering the operational costs.

Concerning appointment of Commissioners in 2024/25, one of fourteen (14) posts of Commissioner was vacant. The position of the North-West Commissioner is vacant. Once the NW Provincial Legislator and the Office of the Premier appointed the North-West Commissioner, the PSC will have full complement of Commissioners.

The number of posts on the establishment of the OPSC decreased from 315 in the 2023/2024 reporting year (of which 48 were employees employed additional to the establishment to 296 in the 2024/25. The PSC has a total number of funded posts on the establishment, including Commissioners was 259 as at March 2025. The total number of posts include provincial Public Service Commission offices.

There were 37 vacancies in Public Service Commission which translate to 12.6 per cent. During the period under review, the Commission was unable to fill critical vacant positions due to budget cuts. The inability to retain people with critical skills led to the exit of several MMS

and SMS members in the Commission, which has negative effect on the organisational performance.

The Commission has experienced an increased in staff turnover resulting in 36 employees leaving the institution in year under review. The Commission has in the past experienced an increased staff turnover resulting in an exodus of five (5) Deputy Director in the last financial year who left the Office due to promotions to other Public Service departments, retirement and resignations. The Office is aiming to fill the vacant posts within the required time of 8 months by ensuring effective management of vacancies and retention of critical skills.

The Commission prioritised employment of women and people with disabilities (PWDs) at the Senior Management Service (SMS) levels, however, the Commission is unable to reach required targets. As at 31 March 2025, the OPSC had 37.78% representation of women at SMS level and 2.73% representation of people with disabilities. The target for women at SMS was not achieved by 12.2 per cent.

#### Appropriation per programme (R'000)

2024/25				2023/24		
Programme	Final Appropriation R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Final Appropriation R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Administration	137 164	137 176	12	136 907	136 878	-
Leadership and Management Practice	28 255	28 254	1	52 257	52 212	-
Monitoring and Evaluation	23 341	23 341	-	46 988	46 988	-
Integrity and Anti-Corruption	34 028	34 026	2	64 601	63 201	1 400

<b>Provincial Coordination</b>	<b>65 699</b>	<b>65 698</b>	<b>1</b>	<b>-</b>	<b>-</b>	
<b>TOTAL</b>	<b>288 760</b>	<b>288 483</b>	<b>16</b>	<b>301 128</b>	<b>299 267</b>	<b>1 400</b>

PSC: Annual Report 2024/25

## 7.2 PROGRAMME PERFORMANCE

The PSC had 27 targets and 26 were achieved. This represents 96 per cent achievement of targets.

The PSC has five programmes which performed as follows:

### 7.1.1 Programme 1: Administration

The Programme covers all the functions of the PSC that support its core business, such as support to the PSC, governance and policy, financial management, supply chain and facilities management, communications, information technology and security services.

This programme reported expenditure of R137.2 million (99.8 per cent) of its available budget of R137.2 million as at the end of the fourth quarter of 2024/25. The main cost drivers were: Chief Financial Officer (R38.8 million), due to ensuring compliance with various pieces of legislation, as well as the procurement of the Data Warehouse from the State Information Technology Agency (SITA); followed by Property Management (R30.1 million), which deals with office accommodation, fixed and movable assets Peoples Management Practices (R28.9 million) that assists line management to implement operational excellence, which focused on re-engineering, culture change and capacity building; PSC which deals with salaries of all commissioners and management with (R24.5 million) and management with (R18.3 million),.

The PSC has received clean audits over consecutive years in a row. This programme has exceeded its target of over 80 per cent of the set annual targets. Only one target was not achieved with regard to the North-West Province Commissioner vacancy.

### 7.1.2 Programme 2: Leadership and Management Practices

The Leadership and Management Practices (Programme 2) is responsible for promoting sound Public Service leadership, human resource management, labour relations and labour practices. The programme has two sub-programmes, namely: Labour Relations Improvement, and Leadership and Human Resource Reviews.

This programme reported actual expenditure of R28.2 million or 99.9 per cent of its 2024/25 budget allocation of R28.2 million as at the end of March 2025. The main cost driver is the sub-Programme Manager: Leadership and Human Resource Reviews (R10.5 million) contributes towards effective leadership and human resources management through research, advocacy, capacity building and provision of advice. The other cost driver is Labour Relations Improvement (R15.3 million), due to the caseload of grievances and resolution to be dealt with.

The other cost driver is about Management Practices (R2.4 million), which regulates management practices regarding labour peace. The programme had a total of six planned targets for the financial year; all six targets were achieved. This translates into 100 per cent achievement for set targets.

The PSC continued to play a critical role in investigating referred grievances that could not be resolved between departments and their employees and making recommendations. The PSC had 439 grievance cases registered on its database, which is a 14.8% reduction when compared with the 2023/24 statistics and a 25.7% reduction from the 2022/2023 figures. The decrease in the number of grievances lodged with departments are encouraging and it may be argued they demonstrate positive developments in departments and aggrieved heeding to the call and need to resolve grievances as close to the point of origin as possible.

The PSC managed to resolve 338 (77%) of the cases through investigations, formal and informal mediation and engagements with aggrieved employees and employer representatives. The PSC conclude few numbers of grievances as compared to the 2023/24 financial year; this represents 8 per cent decline cases when compared with the 85 per cent grievances that were concluded during the 2024/25 financial year.

Of 7968 grievances cases were reported by national and provincial departments, which is a 9.2 per cent decrease from the total of 8775 grievances reported for the 2022/23 financial year. The reduction in the number of grievances referred to the PSC may be indicative of agreements between employees and departments to resolve matters closest to the point of origin or an increase in the utilisation of alternative dispute resolution mechanisms by employees.

The PSC has under the programme concluded research studies among which is the factsheet into a comprehensive report. The report titled “The utilisation of categories of leave in the Public Service: facts, observations and recommendations. During the under review, the PSC conducted study to ascertain the progress made by national and provincial departments in digitising HRM processes in the Public Service and to establish the availability of HRM-ICT

capacity and capabilities to utilise digital/digitised systems. This was followed by an inspection-in-loco to selected departments.

The State of Public Service Report was produced during the year under review. The Commission further conducted Section 196 (4)(e) Report which incorporates 2023/24 financial year. The Report demonstrates that the PSC had undertaken significant work largely centred arounds engagements with the Executives, service delivery inspections and interactions with various stakeholders on public administration issues affecting the public service, including the professionalisation of the public sector.

### **7.1.3 Programme 3: Monitoring and Evaluation**

The main purpose of the programme is to improve the functionality of the Public Service through institutional and service delivery evaluation. This programme reported actual expenditure of R23.3 million or 100 per cent of its 2024/25 budget allocation as at the end of March 2025. The main cost driver was the Programme Manager: Governance Monitoring (R11.9 million), which monitors service delivery culture within the Public Service. The programme had a total of five planned targets for the financial year, all of which were achieved. This translates into a 100 per cent achievement.

The programme establish sound and good governance in the public service remains one of the focus areas of the commission. In its aim to contribute towards improving the discourse and advocacy around the Constitutional Values and Principles enshrined in section 195 of the Constitution.

The Commission conducted work on governance monitoring. Good governance converges around principles such as accountability, participation, responsiveness to the needs of the people, transparency, respect for human dignity and the rule of law. Section 195(1) of the South African Constitution has clearly packaged the principles governing public administration and how good governance ought to be maintained. The Commission has devolved into the evaluation of the constitutional values and principles. During the year under review, further work was done in conducting monitoring on professionalisation of the public sector to determine the implementation of the Professionalisation Framework.

The State of Public Service Report was produced in the year under review. The findings demonstrates that the country's economic challenges are not merely a product of external factors but are largely self-inflicted, stemming from a lack of decisive action to align

institutions with the imperatives of growth and inclusivity. The data further demonstrated that national department performance lag way behind in terms of the peremptory adherence to the principles declared under section 195(1) of the Constitution. It was further found that departments performance is unsatisfactory and furthermore there seems to be a tacit compliance to the values and principles as opposed to bona fide adherence.

On the area of accountability, it was shown that there are significant gaps in the accountability architecture in which public institutions are more compliance driven. The State of Public Service Report pointed out that creating a capable, ethical and developmental state require a paradigm change within public service and administration and one which not only ensures constitutional principles are adhered in order to meet citizens expectations but also focuses on professionalisation of the public sector more rigorously.

The Section 194(4)(e) Report covered 2023/24 financial year period and consolidated the work conducted by the PSC. The Report showed that the PSC had undertaken significant work largely centred around engagements with the Executives, service delivery inspections and interactions with various stakeholders on public administration issues affecting the public service, including the professionalisation of the public sector. The Report also showed that the management of grievances continued to indicate challenges human resource principles especially considering disciplinary matters that persist. Another aspect that the Report highlights was a decrease in the number of cases reported in irregularities around the filling of posts, statistics reveal that this remains a pervasive problem.

#### **7.1.4 Programme 4: Integrity and Anti-Corruption**

The Integrity and Anti-Corruption programme is responsible for undertaking public administration investigations, promoting a high standard of professional ethical conduct amongst public servants and contributing to the prevention and combating of corruption.

This programme reported actual expenditure of R34.0 million or 100 per cent of its 2024/25 budget allocation as at the end of March 2025. The main cost drivers are the Programme Manager: Professional Ethics Programme Manager (R18.8 million), which monitors corrupt practices within the Public Service and promote professional ethics in the Public Service by managing integrity systems and conducting research on the effectiveness of ethics promotion in the Public Service. However, the budget to achieve this mandate has drastically reduced as

compared to allocation (R50.6 million) in 2023/24 financial year. The programme had a total of eight planned targets for the financial year, of which were all achieved.

The Commission under the programme undertakes investigations into personnel and public administration practices. Complaints regarding alleged unethical conduct and irregularities are investigated by the PSC. Reports containing findings with regard to compliance to norms and standards and recommend corrective action are issues to Executive Authorities. The Commission received high volume of complaints relating to the alleged contravention of public administration prescripts and processes, the PSC conducted 10 own accord investigations into public administration at national and provincial departments.

A total number of 588 complaints were handled in the 2024/25 financial year as compared to the 2023/24 financial year with 509. The 588 complaints are 16.2% higher as compared to the 506 complaints handled in the 2023/24 financial year. Out of the 588 complaints handled in the 2024/25 financial year, the PSC finalised 450 (79%) cases and the remaining 129 (23%) cases were pending as at 31 March 2025.

The Commission is mandated to promote professional ethics in the public service. During the period under review, a total of 294 SMS members (130 from national departments, 10 from national government components and 154 from provincial departments) did not disclose their directorship or interest in companies. This is in contravention of Regulation 19 of the PSR. Among these were four (4) HODs in the provincial departments, two (2) Director-General (DGs) from National Departments and one (1) DG from National government departments.

In 2024/25 financial year, a total of 2787 complaints were lodged with the National Anti-Corruption Hotline. Of the 2787 complaints lodged, 2321 complaints were lodged through the Call Centre, and a total of 466 complaints were lodged through NACH email, Intake and Assessment and complaints reported through walk-ins. 2. The bulk of complaints relate to social grant fraud involving Social Relief of Distress Grant, and Child Support Grant fraud committed by members of the public.

Of the whistle-blowers who have reported complaints through the NACH during the 2024/25 financial year. Out of a total of 2787 whistle-blowers who have reported complaints through the NACH during the 2024/25 financial year, 2498 (87%) provided their contact details while 289 (10%) preferred to remain anonymous. There has been a notable change in the reporting trends as more whistleblowers are now opting to provide their details compared to the previous financial years where majority of whistleblowers chose to remain anonymous.

### **7.1.5 Programme 5: Provincial Coordination**

The 2024/25 financial year marked a pivotal shift for the PSC with the introduction of Programme 5: Provincial Coordination. The programme was established to elevate the role of provincial offices, positioning them not merely as implementers of PSC mandates but as active drivers of accountability, citizen engagement and service delivery oversight. The programme ensures effective coordination of operations for the execution of the PSC mandate at provincial level.

This programme reported actual expenditure of R65.7 million or 100 per cent of its 2024/25 budget allocation as at the end of March 2025. Despite operating under significant budgetary constraints, the programme achieved its target of two Citizens' Forum follow-up engagements. These follow-ups played a critical role in closing accountability loops by tracking whether government departments fulfilled the commitments made during earlier engagements with citizens.

## **8 AUDITOR GENERAL'S REPORT**

### **8.1 Auditor-General Opinion**

The Auditor-General (AG) have audited financial statements of the PSC set out on pages 166 to 235, which comprise the appropriation statement, statement of financial position as at 31 March 2025, the statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

The AG'S opinion, the financial statements present fairly, in all material respects, the financial position of the PSC as at 31 March 2025, and its financial performance and cash flows for the year then ended in accordance with the Modified Cash Standard (MCS) as prescribed by National Treasury and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

### **8.1 Compliance with legislation**

In accordance with the Public Audit Act 25 of 2004 and the general notice issued in terms thereof, AG must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected programmes presented in the annual

performance report. The accounting officer is responsible for the preparation of the annual performance report.

## **8.2 Internal control**

The Auditor-General considered internal control relevant to the audit of the financial statements, annual performance report and compliance with applicable legislation; however, AG's objective was not to express any form of assurance on it. The Auditor-General did not identify any significant deficiencies in internal control.

## **9 FINDINGS AND OBSERVATIONS**

The Committee made the following observations:

- 9.1** The Committee notes that the Public Service Commission (PSC) continues to receive clean audit outcomes for six consecutive years, including the 2024/25 financial year. The PSC continues to set a remarkable record in upholding the principles of good governance, demonstrating unwavering commitment to transparency, integrity, efficiency, and public accountability.
- 9.2** The Committee notes and commends the PSC for achieving almost all targets of the Annual Performance Plan for the 2024/25 financial year. Of the 27 targets, 26 were achieved, representing a 96 per cent achievement rate. The Committee further notes and commends the PSC for spending 99.7 per cent of its overall budget, which aligns with the achievement of targets set in 2024/25.
- 9.3** The Committee notes developments regarding the Commission's engagement with provincial legislatures and Offices of the Premier concerning the work of the institution, as well as the prioritisation of filling vacancies of commissioners timeously. The Commission further provided an update concerning the North West commissioner's vacancy, which has remained vacant for more than four years. The Committee commits to intervene with the Office of the Premier and the Speaker of the provincial legislature.
- 9.4** Shrinking budgetary allocations continue to negatively impact the mandate of the Public Service Commission. The Commission spends nearly 70 per cent of its budget on employee compensation, which significantly limits its ability to carry out its mandate

through physical inspections and activities such as Citizen-Based Forums. As a result, it is often forced to rely on desktop studies, which may compromise accountability and oversight effectiveness.

- 9.5** Continued budget cuts may also affect the PSC's anticipated extended mandate to oversee local government and public entities once the enabling Bill is enacted into law.
- 9.6** The Committee will approach the Standing Committee on Finance and the National Treasury regarding budget cuts that negatively impact the PSC's mandate.
- 9.7** The Committee notes that the professionalisation of the public sector is being undermined by dilapidated office accommodation, which continues to demoralise government employees. Poor working conditions not only affect staff morale but also hinder productivity and the ability to deliver quality public services. The PSC continues to engage the Minister of Public Works and Infrastructure to be exempted from leasing buildings through the Department and instead lease directly.
- 9.8** Role clarification in terms of the Professionalisation Framework of the Public Sector has been achieved; however, the challenge persists as to who is responsible for monitoring the Framework.
- 9.9** The Committee notes that the PSC has approached the Southern African Development Community (SADC) Public Service Commissions Forum to share and learn about the approved Professionalisation Framework for the Public Sector, with the aim of replicating it across SADC.
- 9.10** As part of public administration reforms introduced through the Professionalisation Framework, the PSC has received 700 curricula vitae of candidates who will form part of the database of expert panel members. The Commission is currently assessing their capabilities to assist government in merit-based appointments within the public sector.
- 9.11** In light of irregular appointments in public sector institutions such as SETAs and the Department of Social Development, the PSC needs to play a pivotal role in ensuring fair, transparent, and merit-based appointments across the public sector by adopting a proactive monitoring approach.

- 9.12** The Commission should continue engaging the Minister of Agriculture and the National Treasury regarding the utilisation of deeds provided for free, as this assists government in rooting out corruption in the public service.
- 9.13** PSC officials working under Programme 4: Integrity and Anti-Corruption should be empowered through advanced and specialised training courses to strengthen their capacity to combat corruption in the public service.
- 9.14** Public servants who continue to serve as directors of private companies should be disciplined and exposed to the public, and where applicable, prosecuted in terms of the Public Administration Management Act, 2014.
- 9.15** The Committee notes the lack of standardisation of the Section 196(4)(e) Report in terms of what is measured and presented by provincial offices during oversight visits. The Commission should ensure that all provinces are uniform and provide a consolidated snapshot of provincial performance relating to the implementation of Constitutional Values and Principles.
- 9.16** The PSC should budget for an independent evaluation survey to assess the impact of the Commission's work. The Human Sciences Research Council or any other capable government entity should be approached to provide such services.
- 9.17** The Committee learned that the Minister of Justice and Constitutional Development has been approached to allocate a certain percentage of monies recovered through the Anti-Corruption Unit to be channeled back to the Commission for the National Anti-Corruption Hotline.

## **10 RECOMMENDATIONS**

The following recommendations are proposed:

- 10.1** The Commission should continue engaging the Office of the Premier and the North West Provincial Legislature on the importance of prioritising the filling of the Commissioner post.

- 10.2 The National Treasury should ensure that the Commission is adequately supported as it prepares to expand its mandate to cover local government and public entities. Budget cuts continue to impact the work of the Commission; therefore, the National Treasury should consider providing the institution with additional funding rather than reducing its budget.
- 10.3 The PSC should play a pivotal role in ensuring fair, transparent, and merit-based appointments across the public sector by adopting a proactive monitoring approach. The PSC should regularly audit recruitment processes and outcomes within the public service to identify any irregularities such as nepotism.
- 10.4 The PSC should consider implementing a centralised digital platform where all recruitment processes (advertisements, shortlisting, interviews, and selections) are recorded and monitored in real time to enhance accountability and ensure merit-based appointments.
- 10.5 The Commission, together with the Department of Public Service and Administration (DPSA), should enforce legislation passed by Parliament to ensure that there are consequences for Senior Management Service members who fail to disclose directorships or potential conflicts of interest. The legislation must be applied consistently to curb this disregard for the law. In future, the PSC and DPSA should account for statistics relating to consequence management rather than merely reporting the number of officials who failed to disclose.
- 10.6 The PSC must ensure the standardisation of Section 196(4)(e) Report in terms of what is measured and how it is presented by provincial offices, ensuring uniformity and a clear snapshot of provincial performance in implementing Constitutional Values and Principles.
- 10.7 The PSC should address findings from the Auditor-General of South Africa relating to internal control weaknesses to improve compliance with procurement and contract management regulations, and to prevent irregular expenditure

**FOR THE COMMITTEE**

10.8 The Committee should approach the Standing Committee on Finance and the National Treasury regarding budget cuts that negatively impact the PSC's mandate.

10.9 The Committee should write a letter to the Speaker of the National Assembly requesting intervention to fast-track the appointment of the North West Provincial Commissioner.

**11. CONCLUSION**

The PSC was able to spend almost its entire allocated budget while achieving nearly all of its targets, which is commendable. Its performance during the year under review was proportionate to the budget spent. Accountability within the PSC has continuously improved through responsible leadership and management. The PSC should ensure that internal controls are strengthened to prevent irregular expenditure in the future.

Report to be considered

## **6. BUDGETARY REVIEW AND RECOMMENDATIONS REPORT (BRRR) OF THE PORTFOLIO COMMITTEE ON PUBLIC SERVICE AND ADMINISTRATION: VOTE 11 OF THE DEPARTMENT OF PUBLIC SERVICE AND ADMINISTRATION (DPSA), GOVERNMENT EMPLOYEES MEDICAL SCHEME (GEMS) AND THE CENTRE FOR PUBLIC SERVICE INNOVATION (CPSI), DATED 22 OCTOBER 2025**

### **1. BACKGROUND**

The Portfolio Committee on Public Service and Administration (hereinafter referred to as the Portfolio Committee) having considered the directive of the National Assembly, which is in line with Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009 to consider and report on the Annual Reports of the Department of Public Service and Administration, Government Employees Medical Scheme and Centre for Public Service Innovation, reports as follows:

### **2. INTRODUCTION**

Parliament derives its mandate from the Constitution of the Republic of South Africa. The strategic objectives of the Portfolio Committee are informed by five strategic goals of Parliament. The functions of the Portfolio Committee on Public Service and Administration are as follows:

- Participating and providing strategic direction in the development of the legislation and thereafter passing the laws.
- Conducting oversight over the Executive to ensure accountability to the Parliament towards achieving an effective, efficient, developmental, ethical and professional public service.
- Conducting public participation and engaging citizens regularly, with the aim to strengthen service delivery; oversee and review all matters of public interest relating to the public sector.
- Monitoring the financial and non-financial aspects of departments and its entities and ensuring regular reporting to the Committee, within the scope of accountability and transparency.

- Supporting and ensuring implementation of the Public Service Commission (PSC) recommendations in the entire public service; and
- Participating in international treaties which impact on the work of the Committee.

### **3. PURPOSE OF THE BUDGETARY REVIEW AND RECOMMENDATIONS REPORT**

In terms of Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009 the National Assembly, through its Committees, must annually compile Budgetary Review and Recommendations reports (BRRR) that assesses service delivery and financial performance of departments and may make recommendations on forward use of resources. The BRRR is also a source document for the Committees on Appropriations when considering and making recommendations on the Medium-Term Budget Policy Statement.

The Money Bills Amendment Procedures and Related Matters Act, section 5 (3) highlights focus areas on the budgetary review and recommendation report as:

- Providing an assessment of the department's service delivery performance given available resources.
- Providing an assessment of the effectiveness and efficiency of the departments use and forward allocation of available resources; and
- Including recommendations on the forward use of resources.

#### **3.1 Method**

The Portfolio Committee on Public Service and Administration compiled the 2024/25 BRRR using the following documents:

- The National Development Plan: Vision for 2030.
- Medium Term Strategic Framework 2019 - 2024.
- State of the Nation Address 2024.
- Strategic Plans of the Department and CPSI.
- National Treasury (2025) 4<sup>th</sup> Quarter Expenditure 2024/25 Financial Year.
- Annual Performance Plans of the Department and CPSI 2024/25.
- Annual Reports 2024/25 of the Department and CPSI.
- Auditor-General South Africa's outcomes of audit findings 2024/25.

- The Portfolio Committee also met with the leadership and management of the Department, GEMS and CPSI.

#### **4. NATIONAL DEVELOPMENT PLAN VISION 2030**

The Department of Public Service and Administration is required to implement and coordinate interventions aimed at achieving an efficient, effective and development oriented public service, which is an essential element of a capable and developmental state as envisioned in the National Development Plan (NDP) 2030. In relation to the National Development Plan 2030, the Department has the following strategic priorities:

- Measures to advance women's equality.
- Graduate recruitment scheme for the public service to attract highly skilled people.
- Realising a developmental, capable and ethical state to ensure a dignified treatment of citizens.
- Addressing unevenness in state capacity to deal with uneven performance in local, provincial and national government.
- Professionalisation of the public service in order to:
  - ✓ Put in place the Administrative Head of the Public Service.
  - ✓ Introduce a hybrid system for the appointment of Heads of Department (HoDs).
  - ✓ Establish delegations of authority and principles on human resource matters.
  - ✓ Address the shortage of scarce skills.
  - ✓ Solve skills shortage at technical and managerial levels.
  - ✓ Improve intergovernmental relations.
  - ✓ Fight and eliminate corruption in the public service.
  - ✓ Foster leadership and inculcate responsibility throughout society.
  - ✓ Put responsibility for human resource matters on the shoulders of the HoDs.

## **5. MANDATE OF THE DEPARTMENT OF PUBLIC SERVICE AND ADMINISTRATION**

The mandate of the Department of Public Service and Administration is derived from Section 195(1) of the Constitution to implement basic values and principles that the public service should adhere to, and the Public Service Act (PSA) of 1994, as amended. In terms of the PSA, the Minister for the Public Service and Administration is responsible for establishing norms and standards relating to:

- ❖ The functions of the public service.
- ❖ Organisational structures and establishment of departments and other organisational and governance arrangements in the public service.
- ❖ Labour relations, conditions of service and other employment practices for employees.
- ❖ The Health and wellness of employees.
- ❖ Information management.
- ❖ Electronic government in the public service.
- ❖ Integrity, ethics, conduct and anti-corruption; and
- ❖ Transformation, reform, innovation and any other matter to improve the effectiveness and efficiency of the public service and its service delivery to the public.

### **5.1 Strategic Goals**

The priorities for the Department of Public Service and Administration over the medium-term period are informed by the National Development Plan objectives, which are therefore translated into the Medium Term Strategic Framework (MTSF) 2019-2024. The Department highlighted the following priorities to the Portfolio Committee:

#### **5.1.1 Improving compliance with legislative prescripts and enforcing compliance**

The core objective of the Department is to put in place the mechanisms and structures that can support departments in developing their capacity and professional ethos, while leaving departments with the ultimate authority for how their departments are run. The Department is mandated to foster good governance and sound administration in the public service. A critical priority over the current medium term expenditure period is to review and improve on the Department's organisational culture. The aim is to ensure that the

organisation is correctly positioned to meet the growing demands to provide strategic leadership, advice and implementation support to government departments and provinces in the pursuit of a public service that is well capacitated to discharge the mammoth task of delivering public services in a timely, speedy and efficient way to the citizens of South Africa.

The Department is in the process of tabling amendments to the Public Service Act of 1994 and the Public Administration Management Act, No.11 of 2014. Non-compliance with the Department's prescripts by national and provincial departments continues to be one of the challenges experienced. Through the work done by the Office of Standards, assessments of the capacity of departments to implement and comply with Public Administration Prescripts will be conducted to inform and advise the Minister on the appropriateness of the norms and standards issued by the Minister, as well as the required capacity building and enforcement measures to improve compliance.

### **5.1.2 Amending the Public Administration Management Act (PAMA, 2014) and reviewing the Public Service Act of 1994**

The Public Administration Management (PAM) Act seeks to provide a legal framework across the three spheres of government for bringing some degree of uniformity in the public administration pillars, transversal institutions, Human Resource, Information Communication Technology and systems. Regulations were drafted, which brought the Act into effect.

To give effect to the PAM Act, the Department institutionalised selected aspects (Phase One of implementing Regulations) for the Office of Standards and Compliance (OSC) to be established in terms of the Act. This happened after consultations were conducted with national departments. The Department had further compiled a business case on the structure and governance of the Office of Standards and Compliance. Finalising these aspects will see the implementation of the second phase of the Public Service Regulations, which is ongoing.

The Public Administration Ethics, Integrity and Disciplinary Technical Assistance Unit was established to provide technical assistance and support institutions in all spheres of government with the management of ethics, integrity and disciplinary matters relating to misconduct in the public administration.

The amendments reflected in the Public Service Amendment (PSA) Bill are informed by policy reforms that give effect to the vision of the National Development Plan. This includes, amongst others, creating an administrative head of the public administration and properly vesting administrative powers in heads of departments to better align administrative functions with financial accountability. Once Certification has been received for the PSA Bill, the Department will process both Bills through Cabinet for approval of tabling in Parliament.

### **5.1.3 Representivity regarding women, youth and people with disabilities**

The Department will use the findings of a review of the Job Access Strategic Framework on the Recruitment, Employment and Retention of Employees with Disabilities in the Public Service and the Gender Equality Strategic Framework for the Public Service to improve on the representivity of women, youth and people with disabilities. It was found that most departmental plans do not include disability management. Results revealed that there was no common understanding of mainstreaming of these groups. The challenge is also that people with disabilities do not declare such disabilities. With regard to gender, a vast number of departments have established gender units, mostly headed at Chief Director Levels. However, there is no uniformity in staffing and technical expertise of these units. As a result, this does not translate into better mainstreaming of gender in departments. As of 30 September 2023, the representation of women in the Department was 52,94%, while in the same period the representation of people with disabilities was 2,22%. Youth representation in the Department was at 14,48%. The required youth representation in all departments is set at 30%. However, since the Employment Equity Act (No 55 of 1998) does not designate youth as an affirmative action group, it is not possible to employ the youth through affirmative action measures.

### **5.1.4 Improving on the public service annual performance plans (APPs)**

The service that is most in demand is that of technical support and advice, as some departments struggle with the interpretation and proper implementation of DPSA prescripts, which often results in requests for deviations from existing policy provisions. To effectively and timeously address this demand; the Department is exploring different ways of providing this assistance in ways other than physical contact. In this regard, the Department will utilise virtual contact sessions, as well as information to be posted on its website.

### **5.1.5 Intensifying the fight against corruption**

Corruption impedes service delivery, compromises development and undermines public confidence in the State. To strengthen the fight against corruption it is necessary to focus on limiting the scope for conflicts of interest. This is an area where the Department has registered limited progress, as some public service employees continue to do business with the State. Even funds allocated for social relief continue to be embezzled. Conducting lifestyle audits on selected categories of employees and monitoring implementation of the Financial Disclosure Framework by designated employees is improving discipline management. The Financial Disclosure Framework has been extended to other categories of employees in the Public Service, which includes officials working in the finance and supply chain environments. Over the MTSF period, the Minister will designate further categories of employees to disclose their financial interests, with the ultimate aim of applying this policy to all employees in the Public Service.

The strategic priorities of the Department align with the national strategic imperatives. It is envisaged that the implementation of these strategic priorities will improve service delivery. This calls for effective oversight by Parliament in all the identified areas, in line with the thematic oversight areas identified in the Institution's Oversight and Accountability Implementation Plan.

### **5.1.6 Improving the implementation of Batho Pele Principles**

Adherence to the Batho Pele principles entails putting people first in the delivery of public services, which implies holistic implementation of the eight Batho Pele principles. As such, over the medium term, the Department will focus on monitoring the quality of public services and increasing its responsiveness to concerns and views raised by citizens. Such monitoring will include a detailed analysis of the extent to which departments promote and implement the Batho Pele Standards, which entails a thorough evaluation of evidence of whether departments first consulted and agreed with the citizens in developing standards per each of the Batho Pele principles.

Training programmes, such as Project Khaedu, are designed to specifically equip public servants with the theoretical knowledge and practical skill to diagnose and address deep-

rooted service delivery challenges. The role of public servants therefore needs to be broadened to include a nuanced understanding of the needs of citizens and the extent to which these needs are met by their respective departments.

### **5.1.7 Maintaining a sustainable wage bill**

Public-service compensation has grown by about 40% in real terms over the past 14 years, and the wage bill remains the largest component of public spending. A wage re-negotiation would reduce the share of compensation in total spending by just 1.5%, and give slightly more space for servicing debt. One big negative consequence of the bloated public payroll is that the Government is having to increase its borrowing to sustain its salary payments. The Department conducted a review of personnel expenditure that will inform the development of a remuneration policy framework for the public service. The terms of reference were developed and relevant stakeholders were engaged in 2022/23. A suitably qualified service provider was appointed in 2022/23 to review and analyse the framework and provide recommendations for improvements or alternative arrangements. The Department is also in the process of establishing a project management office that will introduce reforms with a long-term view of building a capable, ethical, and developmental state while managing the wage bill. Five work streams have been identified on: the management of the wage bill and consolidation of bargaining councils; human resource planning and development; the professionalisation of the public service; the consolidation of medical aid schemes and public sector pension funds; and productivity measurement.

Over the Medium Term, the Department will continue to monitor and track the implementation of collective bargaining resolutions in order to enable it to resolve implementation issues before they develop into disputes. Further, to enable constructive conversations based on Government's current challenges, Government and labour will need to institutionalise social dialogue, as it is the quality of collective interactions that will culminate in a sustainable Social Compact that reflects common understanding on how to distribute the available resources in order to achieve social justice. Common understanding of challenges can address the issue of the wage bill in the public service effectively.

### 5.1.8 Using a strategy informed by research

The research study on the State of Public Service Delivery was undertaken in the 2022/23 financial year. Support for the implementation of the recommendations was rendered to departments in 2023/24. Overall, it is anticipated that the research study will contribute to:

- Strengthening the capability of the Public Service to deliver quality products and services to citizens.
- Aligning and rationalising the regulated service delivery improvement mechanisms.
- Measurable improvements in the efficiency and effectiveness of public service delivery that will enhance citizen satisfaction and strengthen public trust in Government's service delivery performance.

## 6. STATE OF THE NATION ADDRESS (SONA) 2024

The key priorities identified in the SONA 2024 for the sector were:

### a) Corruption and recovery of stolen funds

SONA 2024 stated, *“We will not stop until corruption is history. More than 200 accused persons are being prosecuted. More are under investigation. Stolen funds are being recovered. Freezing orders of R14 billion have been granted to the NPA’s Asset Forfeiture Unit for state capture-related cases, and around R8.6 billion in corrupt proceeds have been returned to the state.”*

This follows from SONA 2022, wherein Government committed to establishing the National Anti-Corruption Council, which is now fully in place, to advise the Presidency on suitable mechanisms to stem corruption, including an overhaul of the institutional architecture for combatting corruption. It is commendable news that corruption is being dealt with and that stolen monies are being recovered. With the economic devastation that was caused by the COVID-19 pandemic, the recovery of stolen funds will go a long way towards reviving the economy.

**b) Devising a strategy to implement consequence management to strengthen accountability**

In the public service and administration sector, the legislation has been reformed to cater for the new realities regarding corruption, compliance and accountability. The full implementation of the Public Administration Management Act, No. 11 of 2014, was strengthened with the formulation of Public Service Regulations 2016, in direct compliance with the MTSF 2019-2024. More so, this legislation is in the process of being amended further to regulate service providers and the conduct of employees when dealing with service providers to avoid conflict of interest and corruption. Most of the Department's expenditure had been allocated to finance directives contained in the MTSF and SONA. The Public Service Amendment Bill, which was passed by the National Assembly in the fourth quarter of the 2023/24 financial year, prevents employees from performing remunerative work outside their department, except with the written permission of the Head of Department. The Bill, which was before the National Council of Provinces at the end of the 6th term of Parliament, have been revived by the 7th Parliament.

**c) Professionalisation of the Public Service**

SONA 2024 stated, “[Government] will continue to strengthen local government and professionalise the public service.”

In 2011, the Diagnostic Overview of the National Development Plan identified the looming crisis in the reproduction of professional expertise, as the ageing cohorts with expertise and knowledge continued to leave the system. It also identified the shortage of technical and managerial skills and the outsourcing of professional and technical services. This means that the public service pays twice for the work it employs people to do by seeking the expertise of consultants outside of the public service. Professionalisation of the public service will go a long way towards eliminating wastage and deriving value for money.

In 2024, the National Assembly passed the Public Administration Management Amendment Bill, which will enable professionalisation of the Public Service. The process enabled the National School of Government to champion the policy framework with relevant stakeholders. The Framework on Professionalisation of the Public Sector is now in place. To this end, the Department is currently supporting departments with the implementation of the Public Service Graduate Recruitment System. This is an ongoing project. This policy serves to recruit young

and unemployed graduates with qualifications relevant to the current needs of the public service and to timely address attrition and skills retention within the public service.

## **7. STRATEGIC PRIORITIES OF THE DEPARTMENT**

As the lead Department pursuant to Priority 1 of the 2019-2024 MTSF, i.e. the creation of a capable, ethical and developmental State, the Department of Public Service and Administration, in its Strategic Plan and 2024/25 Annual Performance Plan, identified the following five strategic outcomes:

### **7.1 The full implementation of the Public Management Administration Act (PAMA)**

The Public Administration Management Act, No. 11 of 2014, seeks to provide a uniform legal framework across the three spheres of government as part of bringing some degree of commonality of purpose in key public administration areas. The Public Service Regulations of 2016, which were passed pursuant to the Act, were implemented in a phased manner. During the financial year under review, the Department embarked on amending the Public Service Act, 1994 in order to subsequently amend the Public Management Administration Act (PAMA). Consultations were held with the Department of Cooperative Governance on the draft Public Administration Management Amendment Bill, and the Bill was developed and gazetted. The draft Bill seeks to amend the Public Administration Management Act, No. 11 of 2014. Regulations on selected areas of the Public Administration Management Act were developed to support the implementation of the Act. The PAMA has not been fully implemented because the Public Service Regulations 2016 were implemented in a phased manner since the promulgation of the Act.

### **7.2 Stabilising the Public Service**

This policy directive is meant to regulate the issue of public service delegations between the Executive Authority (EA) and the Accounting Officer (who is either a Director-General (DG) or a Head of Department (HoD)), as well as Members of the Senior Management Service (SMS). However, stabilising the Public Service will prove challenging if the political-administrative interface is not stable. The findings from research undertaken across the public service indicate that within a legislative system that provides for discretionary delegations by

Executive Authorities, the rate of compliance to public service policies remains unacceptably low. Sound public administration should not be subjected to decisions for political expedience. Therefore, there is a need for the Public Service Act to be amended to provide Heads of Department (HoDs) with original powers in respect of the organisational and human resource matters. This will also align the powers of HoDs in terms of Public Service Act and the Public Finance Management Act (PFMA).

### **7.3 Intensifying the fight against corruption**

The following measures were undertaken as efforts to promote anti-corruption efforts in the public service:

- A database on Public Service employees appointed as board members to entities was developed and compiled. The database is one of the measures to track the activities of board members in their governance roles of public entities.
- In terms of Regulation 8 of the Public Service Regulations 2016 (PSR), the DPSA is mandated to monitor adherence to policy prohibiting public service employees conducting business with the State and to monitor the performance of other remunerative work by public service employees.
- Financial Disclosure Framework: In line with regulation 18(1) and (2) of the 2016 PSR, the e-Disclosure system was opened from 01 to 30 April 2020 to enable the Senior Management Service (SMS) members to disclose their financial interests.

### **7.4 Implementation of administrative policies**

This policy directive was achieved through implementing, among others, the following administrative policies:

- Career Incidents of Heads of Department: The broad aim of this policy is to ensure that there is clear guidance in terms of administrative processes and management of career incidents in a meritocratic manner.
- Performance Management and Development System: The biggest challenge of the current PMDS is that it is still a paper-based manual system that requires automation. Consultation processes will be embarked on to review the PMDS towards automating it. During the financial year under review a draft project charter was developed to establish a roadmap for the review process.

## 7.5 Revitalised implementation of Batho Pele Principles

Citizen access to affordable, high-quality and uninterrupted public services is not only a legal requirement that the State is obligated to fulfil; it is also a legitimate expectation of citizens driven by a constitutional framework that is supreme. The Revitalised Implementation of Batho Pele is a government-wide initiative that seeks to improve the quality of public service delivery in South Africa. The strategy is underpinned by five pillars:

- *Taking the Lead*: This pillar focuses on building capacity and learning from past and current Batho Pele implementation practices.
- *Development*: This pillar focuses on developing context-specific Batho Pele standards and communication approaches in consultation with diverse stakeholders.
- *Fostering Compliance*: This pillar focuses on ensuring compliance with agreed-to and publicised Batho Pele standards through appropriate monitoring of compliance tools.
- *Continuous Improvement*: This pillar focuses on continuous improvement of Batho Pele implementation through a cycle of planning, implementation, monitoring and evaluation.
- *Accountability*: This pillar focuses on ensuring accountability for Batho Pele implementation through a system of performance management and rewards.

The Department conducted workshops with departments, promoting and supporting the revised Batho Pele Revitalisation Strategy and its implementation plan.

## 8. DEPARTMENT AND ENTITIES' PROGRAMME PERFORMANCE

### 8.1 Department of Public Service and Administration

#### 8.1.1 Budget Allocated and Expenditure 2024/25

The Department of Public Service and Administration spent R509.8 million (94.5 per cent) of its final 2024/25 budget allocation of R587.5 million as at the end of March 2025, whilst achieving 27 (100 per cent) set targets for the year. The main cost drivers of the total budget Vote were Programme 1: Administration (R280.7m); Programme 5: Government Service Access and Improvement (R108.1m; and Programme 2: Negotiations, Labour Relations and Remuneration Management (R80.1m).

The total expenditure on compensation of employees amounted to R281.1 million or 97.2 per cent of the final budget of R292.4 million. The underspending of R8.2 million is mainly due to

unfilled vacant posts throughout the department. The Department underwent a process to identify priority posts for filling and others to be unfunded due to the budget cut effective from April 2025. Under economic classification, the expenditure is R160.5 million or 89.4 per cent against budget of R179.5 million. There is underspending of R19.0 million on Goods and Services.

The Department did not incur any unauthorised or irregular expenditure during the 2024/25 financial year. an amount of R10 392.38 related to flights and accommodation for two employees was identified as fruitless and wasteful expenditure.

The Department has a total staff establishment of 377 posts of which 328 are filled as of 31 March 2025. The vacancy rate as of 31 March 2025 was at 12.30 per cent. The Department implements its mandate through the five (5) programmes headed by Deputy Directors-General. Two posts of Deputy Directors-General (DDG) are vacant. Senior Management Services within the department has a vacancy rate of 16.6 per cent as thirteen (13) out of seventy-eight (78) posts are vacant. The general vacancy rate was at 12.30 per cent which is higher according to the National benchmark of 10 per cent.

The vacancy rate can be attributed to the Directive on the implementation of control measures aimed at assisting executive authorities in managing fiscal sustainability during the process of creating and filling vacant posts in departments. The vacancy rate in the department fluctuated over a period of three consecutive financial years. As at March 2025, 46 vacancies were at different stages of the recruitment process, ranging from advertising to shortlisting and interviews. It was anticipated that these posts will be filled before end of the 2025 financial year, subject to budget confirmation and candidate suitability.

The representativity of females at Senior Management Service level (Levels 13 - 16) continue to be above 50 per cent. The Department has surpassed the national target of employing people with disabilities with 2.3 per cent.

**Table 1: Budget and expenditure summary**

<b>PROGRAMME</b>	<b>Budget</b>	<b>Actual Spending</b>	<b>Unspent Budget</b>	<b>Percentage spent on Budget</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>
<b>Administration</b>	280 722	271 709	9 013	96.8%
<b>Human Resource Management and Development</b>	45 914	41 385	4 529	90.1%
<b>Negotiations, Labour Relations and Remuneration Management</b>	80 197	79 869	328	99.6%
<b>E-Government Services and Information Management</b>	24 580	18 807	5 773	76.5%
<b>Government Service Access and Improvement</b>	109 385	98 072	10 036	90.7%
<b>Total</b>	<b>539 521</b>	<b>509 842</b>	<b>29 679</b>	<b>94.5%</b>
<b>Centre for Public Service Innovation</b>	47 939	41 750	6 189	87.1%
<b>Total</b>	<b>587 460</b>	<b>551 592</b>	<b>35 868</b>	<b>98.7%</b>

Source: DPSA (2025)

### 8.1.2 Programme Performance

As part of the 2024/25 Annual Performance Plan, the Department had set planned targets, all of which (100%) have been achieved. The Department has five programmes, which are as follows:

#### (a) Programme 1: Administration

The purpose of the programme is to manage overall strategic and operational functions of the Department which include policy direction; strategic leadership; coordination and facilitation of multilateral and bilateral programmes; integrated planning and programme support; provisioning of financial and human resource management services; security and facilities management; communication and ICT management; coordination of the provisioning of internal legal advice services, as well as , and audit and risk management oversight.

This programme reported expenditure of R271.7 million or 96.8 per cent of its 2024/25 available budget of R280.7 million as at the end of the fourth quarter of 2024/25. The main cost drivers were Corporate Services (R114.4 million), due to the transversal nature

of the Department; Office Accommodation (R67.1 million) Ministry (R31.2 million) and Finance Administration (R31.1 million), to manage and facilitate the provision of financial and supply chain management services.

The programme had unspent funds of R9.6 million or 3.2 per cent, mainly relate to R5.3 million under Office Accommodation. This is mainly due to implementation of an energy management system to save electricity and R1.4 million under D:WEM that mainly relates to the delays in the finalization of the second-floor boardroom project.

The programme set six targets which were all achieved. Programme 1 further produced four monitoring reports on fruitless, wasteful and irregular expenditure and compiled two bi-annual monitoring reports on Compliance with the Broad-Based Black Economic Empowerment (BBBEE) prescripts. The Department managed to meet 50 per cent representation of women in SMS positions. As at 31 March 2025, the representation of women at SMS was 51 per cent, which is above the set national target.

#### **(b) Programme 2: Human Resource Management and Development**

The main purpose of the programme is to manages, oversees and facilitates human resource planning, (norms and standards). Facilitate compliance with the minimum norms and standards set by the Minister for Public Service and Administration in line with section 16 of the Public Administration Management Act, 1994 through the Office of Standards and Compliance.

This programme reported actual expenditure of R41.4 million (90.1 per cent) of its 2024/25 budget allocation of R45.9 million as of the end of March 2025, whilst achieving five (100 per cent) of the five targets set for the year. The programme's expenditure is R4.5 million lower than the available budget at the end of March 2025. Lower than expected expenditure is mainly evident under compensation of employees that relates to the funded vacant posts and R3.2 million under the Chief Director: Office of Standards and Compliance due to a decision to develop the Early Warning System internally.

The Department through programme achieved the Monitoring Report on the implementation of the Skill Audit Methodology Framework for the Public Service, the Job Competency Framework for the Public Service and the Annual Compliance

Monitoring Report on selected Public Administration Norms and Standards. Furthermore, the Department achieved report on the pilot of the Public Service Human Capital Strategy.

**(c) Programme 3: Negotiations, Labour Relations and Remuneration Management**

Programme 3: Negotiations, Labour Relations and Remuneration Management was formerly known as Public Service Employment and Conditions of Service. The function of the programme is to manage, oversee and facilitate organisational development, job grading, macro-organisation, remuneration, human resource information systems, conditions of service, labour relations and dispute management in the public service. It also administers the implementation of the Government Employees Housing Scheme and the macro-organisation of the State, and ensures coordinated collective bargaining.

The programme has spent R79.8 million (99 per cent) of its 2024/25 budget allocation of R80.2 million as at the end of March 2025. The unspent budget of R328 thousand (0.4 per cent).

The Programme has set four targets which were all achieved. The Department finalised progress report on the review of the Public Service Disciplinary Code was submitted to the Director-General for approval, the Monitoring report on compliance with conducting Lifestyle audits investigations by all departments with referrals for lifestyle investigations, the Final Report on the Review of the Public Service Integrity Management Framework and the Regulations to standardise the use of the Central Register across all spheres of government.

**(d) Programme 4: e-Government Service and Information Management**

The function of Programme 4: e-Government Services and Information Management (formerly known as Government Chief Information Officer) is to manage, oversee and facilitate ICT governance, e-enablement, ICT infrastructure, information and knowledge management, and innovation in the public service and coordinate and facilitate ICT stakeholder management. Information and Communication Technology (ICT) is playing an ever-increasing role as a strategic enabler of public service delivery.

The programme has spent R18.8 million (76.5 per cent) of its 2024/25 total available budget of R24.5 million as at the end of March 2025. The unspent budget of R5.8 million or 23.5 per cent is due to R1.4 million under Compensation of Employees that relates to the funded vacant posts and R2.5 million under E-Enablement and ICT Service Infrastructure Management that is due to a decision taken not to procure budgeted advisory services.

The Programme set two targets which were all achieved. The Department approved the National Digital Transformation Roadmap for the Public Service and the report on Compliance, by national and provincial departments, with the Corporate Governance of ICT, Information Security and Cloud Computing directives were achieved.

#### **(e) Programme 5: Government Services Access and Improvement**

Programme 5: Government Service Access and Improvement (formerly known as the Service Delivery Support Programme) manages and facilitates the improvement of service delivery in Government. The programme reported a total budget of R61.1 million as at the end of March 2025. The Department spent R50.1 million (83.3 per cent) of the budget. The unspent budget of R10.0 million or 16.7% is due to R5.8 million under Compensation of Employees that relates to the funded vacant posts. The unspent budget of R832 thousand under the CD: Service Delivery Improvement, Citizens Relations and Public Participation is mainly due to the Natho Pele Awards that were hosted in partnership with CPSI, which resulted in savings. The unspent budget of R877 thousand under the CD: Operations Management is due to cost containment measures applied on the Public Service Month and Africa Public Service Day.

The Programme achieved all five set annual targets. Targets achieved include the Monitoring Report on the implementation of the Organisational Functionality Assessment Framework by cycle 1 departments, the Monitoring Report on the Implementation of the Business Process Modernisation Programme by departments in Limpopo Province (Office of the Premier, Treasury, Education) Free State Province (DESTEA), the Monitoring report on the implementation of the Batho Pele Revitalisation Strategy in 71% (114 of 161) of the total national and provincial departments, the Report on the Review of the 2013 Complaints and Complements Management Framework for the public service and Bi-annual (2) Status reports on the implementation of the African Peer Review Mechanism (APRM) National Plan of Action by the 3 institutions (National Treasury,

Department of Co-operative Governance and the Department of Justice & Constitutional Development) supported in 2023.

## 9. CENTRE FOR PUBLIC SERVICE INNOVATION

The Centre for Public Service Innovation (CPSI) is an entity of the Ministry for the Public Service and Administration established to entrench and drive service delivery innovation across all sectors. Chapter 3 of the National Development Plan (NDP) states that “Innovation across state, business and social sectors should start to become pervasive”. The NDP stipulates that innovation should also focus on improved public service delivery and on goods and services aimed at low-income sectors.

The CPSI is bridging the gap between the world of science and technology driven by the National System of Innovation led by the Department of Science and Technology. The National System of Innovation includes entities such as National Advisory Council on Innovation (NACI), the Innovation Hub and the Technology Innovation Agency (TIA). The CPSI’s Strategic Plan is aligned to the Government priority outcomes.

**Table 2: CPSI 2024/25 expenditure per programme**

2024/25				2023/24		
Programme	Final Appropriation R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Final Appropriation R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Administration	24 439	20 337	4 102	21 829	20 532	1 297
Public Sector Innovation	23 500	21 413	2 087	24 065	23 732	333
<b>TOTAL</b>	<b>47 939</b>	<b>41 750</b>	<b>6 189</b>	<b>45 894</b>	<b>44 264</b>	<b>1 630</b>

Source: CPSI (2025)

The CPSI allocated a final appropriation of R47.9 million for the 2024/25 financial year. Actual expenditure amounted to r41.7million (87.1%), excluding pre-payments, resulting in an under-expenditure of R5.4 million (12.9%). In comparison, for the 2023/24 financial year, CPSI’s final appropriation was R45.8 million, with actual spending of R44.3 million, reflecting an under-expenditure.

The under-expenditure is mainly attributable to Compensation of Employees (R3.4 million), due to two vacant positions at year-end. Delays in procurement and finalisation

of awards prizes, lower operational expenses and savings from the merged Awards Ceremony also contributed.

The Centre managed to achieve all its set targets, which translates into 100 per cent achievement. The Centre organises its expenditure under two programmes, namely Programme 1: Administration, and Programme 2: Public Sector Innovation.

During 2024/25 financial year, the CPSI operated within a stable and effective human resource environment. Two system developers were employed during the review period to bolster the CPSI's internal digital development capacity. The CPSI has 34 filled positions and only two posts are vacant.

**a. Programme 1: Administration**

This programme provides strategic leadership, overall management and support to the organisation. This programme was allocated a final appropriation of R24.4 million for the 2024/25 financial year, of which R20.3 million was spent by 31 March 2025, resulting in under-expenditure. The programme achieved its targets set for the financial year as follows; unqualified audit opinion on financial and non-financial information for the 2024/25 financial year. Vacancy rate was at 9.1 per cent, including the Executive Director; and an HRM Officer. Employment equity statistics at the end of the financial year are represented by 60 per cent female employees; 60 per cent women at SMS level; 5.9% persons with disabilities and 11.8 per cent youth.

**b. Programme 2: Public Sector Innovation**

This programme drives service delivery innovation in the public sector in line with Government priorities. Programme 2: Public Sector Innovation was allocated a final appropriation of R23,500 million for the 2024/25 financial year. Of this amount, R21,413 million was spent by 31 March 2025, resulting in an under-expenditure of R2,087 million (8.88%). In the previous financial year (2023/24), the programme had a final appropriation of R24,065 million, of which R23,732 million was spent, reflecting a smaller under-expenditure of R333,000 (1.38%).

The under-expenditure in 2024/25 mainly resulted from delayed implementation and procurement processes related to replicating innovation projects, along with lower-than-expected expenditure on stakeholder engagement activities. These included savings on venues, travel, and promotional materials due to the shift towards virtual platforms and

shared events. Additional savings were achieved in the Institutional Support and Replication sub-programme due to procurement delays affecting the timing of certain project components.

Despite this, all targets for Programme 2 were met or exceeded. The programme successfully delivered five innovation research and development initiatives (exceeding a target of four), maintained nine knowledge platforms, and duplicated two innovative solutions. These results supported the achievement of CPSI's strategic outcome of fostering a culture and practice of innovation in the public sector and contributed significantly to Priority 1 of the Medium-Term Strategic Framework: A Capable, Ethical, and Developmental State. The budget was therefore effectively utilised to achieve the planned outputs, with cost-efficiency and delivery alignment ensuring full performance against the Annual Performance Plan.

## **10. AUDITOR-GENERAL OUTCOMES**

### **10.1 Audit Opinion**

The Auditor-General has audited the financial statements of the Department of Public Service and Administration set out on pages 118 to 166 which comprise the appropriation statement, statement of financial position as at 31 March 2025.

The AG opinion, view the financial statements presented fairly, in all materials respects, the financial position of the Department as at 31 March 2025 and its financial performance and cash flows for the year ended in accordance with the Modified Cash Standard (MCS) as prescribed by National Treasury and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

### **10.2 Compliance with legislation**

The AGSA has to audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected programmes presented in the annual performance report. The AG performed procedures to test whether the indicators used for planning and reporting on performance can be linked directly to the department's mandate and the achievement of its planned objectives. All targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to

understand what should be delivered and by when, the required level of performance, as well as how performance will be evaluated.

The AG did not identify any material findings on the reported information for the selected programmes.

### **10.3 Internal control**

The Auditor-General South Africa considered internal control relevant to audit of the financial statements, reported performance information and compliance with applicable legislation, however, the AG objective was not to express any form of assurance on it. The AG further expressed that no significant deficiencies in the internal control.

## **11. OBSERVATIONS AND KEY FINDINGS**

The Committee made the following observations:

**11.1** The Committee notes that the Department of Public Service and Administration (DPSA) received a clean audit opinion for the 2024/25 financial year. The Department improved its audit outcomes by maintaining a clean audit, due to the implementation of improvement plans on the AGSA audit findings. The Department had 27 annual targets, all of which were achieved by the end of March 2025, resulting in 100 per cent achievement.

**11.2** The Committee notes and encourages the Department to continue achieving 100 per cent of its set targets.

**11.3** The Committee notes that the Department has dropped or eliminated some critical targets due to ongoing budget cuts by the National Treasury, which impact the Vision 2030 goal of building a capable, ethical, and developmental state. Budget cuts in government spending can have far-reaching and serious consequences on public programmes and services.

**11.4** While the Committee understands the importance of reducing the public service wage bill, the moratorium on posts in the public service may increase unemployment, reduce service capacity, place pressure on remaining staff, and result in overworked employees, numerous acting senior managers, and

compromised service delivery. The National Treasury should be approached to halt these continuous budget cuts that hinder effective public service delivery.

- 11.5** The Committee notes the progress and efforts made by the Department in implementing the Professionalisation Framework. A directive on Human Resource Management Development was issued; however, according to the AGSA, more still needs to be done to fully implement the Framework. The Department's role is to monitor the implementation of the Framework in the public service, while the Department of Planning, Monitoring and Evaluation (DPME) monitors and evaluates its implementation across the entire public sector.
- 11.6** The Committee emphasised that both the DPSA and the DPME must have monitoring tools aligned in terms of indicators and measurable targets. Misaligned tools can lead to confusion, inefficiency, and poor decision-making. The tools should provide government with a clear and unified picture of progress and challenges in implementing the Professionalisation Framework.
- 11.7** The Committee notes that a Central Registrar for Verification of Disciplinary Processes has been approved by the Minister to register and track offenders in the public service. This system aims to prevent officials who resign after committing offences from being reappointed elsewhere. This tool must be used to verify candidates shortlisted for middle and senior management positions.
- 11.8** The Committee notes that the Department, in partnership with the Public Service Sector Education and Training Authority (PSETA), developed the Public Service Skills Audit Methodology Framework (PS-SAMF) and the Generic Guidelines for Compiling Organisation-Specific Competency Frameworks. The PS-SAMF seeks to establish a uniform and standardised approach for determining skills demands and assessing skills gaps. The Department must ensure that all government departments and entities conduct skills audits using these guidelines within a set timeframe, with DPSA support provided where needed.
- 11.9** The Department should design and implement a digital system to record officials found guilty of misconduct and those conducting business with the State, so they

can be disciplined and referred to law enforcement agencies. It is a punishable offence for government officials to conduct business with any organ of State.

- 11.10** The Committee notes that the Department has appointed a resource to assist with monitoring lifestyle audits across departments. A quarterly monitoring report should be produced on the implementation of lifestyle audits in the public service. The Committee requests regular progress updates to strengthen oversight.
- 11.11** The Department should benchmark against the Gauteng Province Lifestyle Audit Model to enhance its guidelines. The Committee acknowledged that working with the Special Investigating Unit (SIU) can be costly; however, a Memorandum of Understanding (MoU) should be developed with the SIU to strengthen loopholes in the system and curb unethical conduct among public servants.
- 11.12** The Department should urgently consider centralising the management of prolonged disciplinary cases by engaging experts to expedite the process. Disciplinary cases lasting more than two years cost taxpayers billions of rand without yielding value.
- 11.13** The Committee notes progress made on digital transformation in the public sector through the Task Team established in the Office of the Presidency.

#### **Centre for Public Service Innovation**

- 11.14** The Committee notes the contribution of the Centre for Public Service Innovation (CPSI) for maintaining a clean audit for the 2024/25 financial year. The Centre achieved all set targets, reflecting a 100 per cent achievement.
- 11.15** The Committee notes that the CPSI continues to unearth digitisation solutions that unlock government service delivery through technology, improving efficiency and effectiveness. Innovations emerging from the Annual Public Sector Innovation Awards Programme help address challenges in human resource and business operations.
- 11.16** The Committee notes that the Executive Director position at the CPSI remains vacant and urges the Ministry of the Department to fill the vacancy urgently.

## **Government Employees Medical Scheme**

- 11.17** The Government Employees Medical Scheme (GEMS) and the Minister of Health should account to the Committee on the implementation of Section 59 Investigation recommendations relating to fraud and waste.
- 11.18** The Committee notes GEMS's 18th consecutive unqualified audit opinion. However, the planned engagement with organised labour will determine whether the scheme delivers quality healthcare services to its members.
- 11.19** Although GEMS is regarded as the second-best medical scheme in the country, many public servants remain concerned about high contribution increases, making it unaffordable. The Committee stressed that GEMS's stability should be evident through savings in its reserves, not through the use of reserves to cover medical claim shortfalls.
- 11.20** The Board of Trustees' meetings should be scrutinised in line with other institutions. GEMS spent R14.8 million on meeting fees and R3.8 million on travel, accommodation, and training. Meeting fees should be reduced if the institution is stable, unless there is a crisis. A benchmarking exercise should be undertaken to verify the reasonableness of meeting costs and payments to Board members.
- 11.21** Gender representativity on the GEMS Board of Trustees remains a concern. GEMS should improve representation of women, youth, and persons with disabilities within the organisation.
- 11.22** The Committee notes allegations that some members collude with specialists for cash kickbacks through hospital referrals. The Committee recommends that payment of claims be detailed enough to reflect actual services rendered by medical practitioners.
- 11.23** The Committee welcomes the GEMS satisfaction survey, which indicates that most members are satisfied with services received. However, the Committee raised

concerns about subjectivity in the survey results and insists that GEMS appoint an independent firm to conduct future satisfaction surveys.

- 11.24** GEMS should develop an early warning system to detect fraud and waste, and report officials abusing the medical aid scheme. Working with the DPSA, GEMS should develop a Code of Conduct to regulate the abuse of medical aid benefits, which may also reduce sick leave abuse in the public service. GEMS should also introduce incentives for members who do not abuse medical aid benefits.

## **12. RECOMMENDATIONS**

The following recommendations are proposed:

- 12.1** The Department should approach the National Treasury to halt and review ongoing budget cuts that negatively impact departmental programmes and services. Planned targets for 2024/25 were dropped due to budget cuts, which undermine the vision of building a capable, ethical, and developmental state and may have long-term consequences if continued.
- 12.2** The Department should monitor adherence and implementation of the Professionalisation Framework in the public service, while the DPME monitors it across the wider public sector. Monitoring should be proactive in promoting merit-based appointments, especially in middle and senior management positions.
- 12.3** The Department should develop a robust compliance monitoring framework for all new norms and standards, with clear indicators, data collection processes, and baseline setting for inclusion in future Annual Performance Plans.
- 12.4** The DPSA and DPME should strengthen collaboration across all spheres of government to ensure coherent implementation of the Professionalisation Framework.
- 12.5** The Department should ensure that monitoring tools for the Professionalisation Framework are aligned with DPME indicators and targets.

- 12.6** The Department should use its monitoring tool to publish reports on compliance with appointment standards and name departments or entities that repeatedly fail to adhere to the Framework, ensuring accountability.
- 12.7** The DPSA and the National School of Government (NSG) should provide training to Human Resource Management practitioners on the expectations and implementation of the Professionalisation Framework.
- 12.8** The Department should issue a directive encouraging all departments and entities to conduct skills audits using the PS-SAMF and Generic Competency Framework Guidelines. A clear timeline should be established to ensure uniformity across the public service.
- 12.9** Through its Technical Unit, the Department should enforce compliance with the prohibition on public servants doing business with the State. A public database of such officials should be developed and published for transparency.
- 12.10** The Department should issue a directive with timelines encouraging continuous lifestyle audits for all public servants. The Department should set a regular audit cycle to compare living standards and personal wealth with legitimate income.
- 12.11** The Department should review Lifestyle Audit Guidelines to close existing loopholes and strengthen the legal framework compelling departments and entities to conduct audits periodically. Annual audits should be mandatory for high-risk categories such as Supply Chain Management, Finance, and Revenue Collection officials.
- 12.12** Departments should be encouraged to establish Integrity and Ethics Task Teams comprising external members to promote ethical conduct, similar to the model implemented by the Gauteng Provincial Government.

## **CPSI**

- 12.13** The Department and the Ministry should expedite the permanent appointment of the CPSI Executive Director and report progress by March 2026.

**12.14** The CPSI should ensure that all successful innovation projects addressing service delivery challenges are replicated across national departments and provinces. Offices of the Premier should be informed of new innovations to assist with service delivery improvements in their respective provinces

### **Government Employees Medical Scheme**

**12.15** GEMS and the Minister of Health should account to the Committee on the implementation of Section 59 Investigation recommendations regarding fraud and waste.

**12.16** The GEMS Board of Trustees should justify the number of meetings held annually, which have led to high meeting costs. A benchmarking study should be conducted to compare these expenses with other medical schemes, and the findings should be submitted to the Committee by March 2026.

**12.17** GEMS should improve gender representation on its Board of Trustees by ensuring the inclusion of women, youth, and persons with disabilities.

**12.18** GEMS should conduct objective and independent satisfaction surveys across all nine provinces. Engaging an independent research firm will ensure credibility and provide valuable insights for improving services. The survey should be completed by October 2026.

**12.19** GEMS, in collaboration with the DPSA, should develop a Code of Conduct to prevent abuse of medical aid benefits and reduce sick leave misuse in the public service. This will promote responsible and ethical use of medical aid resources.

**12.20** GEMS should introduce incentives for members who responsibly use their medical aid benefits.

## **13. CONCLUSION**

The Department of Public Service and Administration continued during the 2024/25 financial year to implement and coordinate interventions aimed at achieving an efficient, effective, and

development-oriented public service, which is essential to building a capable and developmental state.

The Centre for Public Service Innovation (CPSI) sustained its achievements by replicating innovative solutions and identifying new ones. Addressing human resource needs at the CPSI, including filling the Executive Director post, remains a priority.

To build an efficient, capable, and ethical State that is free of corruption and committed to improving citizens' lives, the Professionalisation Framework provides key principles which, if properly implemented, will lead to a reformed and professional public sector across all three spheres of government.

Report to be considered

## **7. BUDGETARY REVIEW AND RECOMMENDATIONS REPORT (BRRR) OF THE PORTFOLIO COMMITTEE ON PUBLIC SERVICE AND ADMINISTRATION: VOTE 07 OF THE NATIONAL SCHOOL OF GOVERNMENT ANNUAL REPORT FOR THE 2024/25 FINANCIAL YEAR, DATED 22 OCTOBER 2025**

### **1. BACKGROUND**

The Portfolio Committee on Public Service and Administration (hereinafter referred to as the Portfolio Committee) having considered the directive of the National Assembly, which is in line with Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009 to consider and report on the Annual Report of the National School of Government (NSG), reports as follows:

### **2. INTRODUCTION**

Parliament represents the people of South Africa, and it has a responsibility to keep the government accountable to the people. Parliament derives its mandate from the Constitution of the Republic of South Africa. According to Section 55 (2) of the Constitution “the National Assembly must provide for mechanisms (a) to ensure that all executive organs of state in the national sphere of government are accountable to it; and (b) to maintain oversight of the exercise of national executive authority, including the implementation of legislation and any organ of state.

Parliament has developed and approved its Strategic Plan for the 06<sup>th</sup> democratic Parliament. The 6<sup>th</sup> Parliament reaffirmed its commitment to law making, oversight and public participation but also to its vision of being an activist and responsive people’s Parliament that improves the quality of life of South Africans and ensures enduring equality in our society.

The strategic objectives of the Portfolio Committee are informed by five strategic goals of Parliament. The functions of the Portfolio Committee on Public Service and Administration are as follows:

- Participating and providing strategic direction in the development of the legislation and thereafter passing the laws.
- Conducting oversight over the Executive to ensure accountability to the Parliament towards achieving an effective, efficient, developmental and professional public service.
- Conducting public participation and engaging citizens regularly, with the aim to strengthen service delivery; oversee and review all matters of public interest relating to the public sector.
- Monitoring the financial and non-financial aspects of departments and its entities and ensuring regular reporting to the Committee, within the scope of accountability and transparency.
- Supporting and ensuring implementation of the Public Service Commission (PSC) recommendations in the entire public service.
- Participating in international treaties which impact on the work of the Committee.

### **3. PURPOSE OF THE BUDGETARY REVIEW AND RECOMMENDATIONS REPORT**

In terms of Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009 the National Assembly, through its Committees, must annually compile Budgetary Review and Recommendations reports (BRRR) that assesses service delivery and financial performance of departments and may make recommendations on forward use of resources. The BRRR is also a source document for the Committees on Appropriations when considering and making recommendations on the Medium-Term Budget Policy Statement.

The Money Bills Amendment Procedures and Related Matters Act, section 5 (3) highlights focus areas on the budgetary review and recommendation report as:

- Providing an assessment of the department's service delivery performance given available resources.
- Providing an assessment of the effectiveness and efficiency of the departments use and forward allocation of available resources; and

- Including recommendations on the forward use of resources.

### **3.1 Method**

The Portfolio Committee on Public Service and Administration compiled the 2024/25 BRRR using the following documents:

- The National Development Plan: Vision for 2030.
- Medium Term Strategic Framework 2019 - 2024.
- State of the Nation Address 2024/25.
- Strategic Plan of the NSG 2019-2024.
- National Treasury (2025) 4<sup>th</sup> Quarter Expenditure 2024/25 Financial Year.
- Annual Performance Plan (2024/25) of the NSG.
- Annual Report (2024/25) of the NSG.
- Auditor-General South Africa's outcomes of audit findings 2024/25.
- The Portfolio Committee also met with the leadership and management of the NSG.

## **4. OVERVIEW OF THE NATIONAL SCHOOL OF GOVERNMENT**

The National School of Government (NSG) [hereinafter referred interchangeably as the NSG or the school] draws its mandate from the Constitution, and with particular reference to 195(1) (h), which stipulates that: “good human resource management and career-development practices, to maximise human potential, must be cultivated”. The applicability of this, and the other values and principles to the three spheres of government, organs of state and public enterprises indicate the requisite depth and the reach of the NSG in order to fulfil this constitutional mandate.

The NSG has to ensure that all of the basic values and principles are inculcated into the value system and performance of all public servants and representatives through education, training and development (ETD) initiatives. It does so through its curriculum design, development and

delivery approach with the practical application of participatory, people-centred methodologies and the application of indigenous facilitation and learning techniques during the ETD initiatives, in building a caring ethos and citizen-centred service delivery focus amongst public servants. This approach consciously focuses on the application of the principles and values of the Constitution and the realisation of the public administrative justice to all whom we serve.

## 5. LEGISLATIVE MANDATE

Section 197 of the Constitution provides for a public service within public administration, which must function, and be structured, in terms of *national legislation*, and which must loyally execute the lawful policies of the government of the day. The NSG, as a national public service department, thus draws its mandate from national legislation – the Public Service Act, 1994 (Proclamation 103 of 1994), as amended. This is the core mandate which establishes the NSG for it to fulfil a function of providing training or causing the provision of training to occur within the public service. Accordingly, section 4 of the Act provides the following mandate:

- (1) There shall be a training institution listed as a national department (in Schedule 1 of the Act).
- (2) The management and administration of such institution shall be under the control of the Minister (Public Service and Administration).
- (3) Such institution shall provide such training or cause such training to be provided or conduct such examinations or tests or cause such examinations or tests to be conducted as the Head of the institute may with the approval of the Minister decide or as may be prescribed as a qualification for the appointment or transfer of persons in or to the public service. The School may issue diplomas or certificates or cause diplomas or certificates to be issued to persons who have passed such examinations.

Whilst this piece of legislation empowers the NSG to fulfil its mandate, the limitation of the Public Service Act is that it is applicable to the national and provincial spheres of government. Another piece of enabling legislation - Public Administration Management Act, 2014 (Act No. 11 of 2014) - gives effect, *inter alia*, to the progressive realisation of the values and principles governing public administration across the three spheres of government.

## 6. Medium Term Strategic Framework (MTSF) 2019-2024

The Medium-Term Strategic Framework targets that relate to the work of the School for 2020-2024 are:

- Facilitating the vision of building a capable State into action, which will involve a transition to a more functional and integrated government, which is capacitated with professional, responsive and meritocratic public servants to strengthen relations and efficiency.
- The NSG will also support the implementation of the District Development Model, through Education, Training and Development (ETD) interventions, such as:
  - Partnerships with the Department of Cooperative Governance and Traditional Affairs (COGTA) and the South African Local Government Association (SALGA) in order to determine and strengthen capacity for delivery, and with professional bodies in order to professionalise certain categories of employees across the spheres of government.
  - NSG programmes and courses (Applying Monitoring and Evaluation Principles in the Public Sector; Data Analysis and Presentation methods for Monitoring and Evaluation; Information Management for Monitoring and Evaluation; Contract Management (PFMA & MFMA); Basic and Advanced Project Management for the Public Service; and Budget Analysis and Budget Information for the Public Service).

For the 2024/25 financial year the NSG responds to outcome 3 (professional, meritocratic and ethical public administration). Its contribution will be measured by the following outputs:

- Building a suite of high-quality courses and programmes that have relevant values and workplace currency.
- Building a mixed-mode learning platform that can be adapted to the needs of state organs.
- Strategically managing partnerships across the local and global ETD network.
- Building an ETD value chain with pathways that support professionalisation in the public sector.

- Growing the currency, reputation, credibility and trust in the NSG and its offerings.
- Improving the user experience and being learner centric.

## **7. STRATEGIC GOALS OF THE NSG**

The NSG strategy is aligned to the MTSF as well as the performance agreement of the Ministry for Public Service and Administration (MPSA) and is able to contribute to all of the aforementioned outcomes through Education and Training Development (ETD) interventions. These outcomes and interventions are the reduction of wasteful, fruitless and irregular expenditure in public sector institutions; the reduction in incidents of corruption in the public sector; socio-economic rights; and gender mainstreaming in public sector institutions. The NSG has, with a focus on social compact and engagement with citizens, developed and implemented ETD interventions in supporting the progressive realisation of socio-economic rights of communities.

The key strategic priorities of the Vote set for 2024/25 were:

### **7.1 Creating digital learning opportunities**

Given that the primary mode of education, training and development (ETD) delivery was based on face-to-face contact learning, there was an urgent need to review the delivery modality and shift as many courses and programmes onto the Open Distance eLearning (ODEL) and virtual learning platforms. Over the past financial years, there was a total of 134 968 eLearning enrolments. The NSG undertook to continue scaling up the digital learning opportunities in the 2024/25 financial year.

The NSG digital learning approach is also informed by research undertaken by the Public Service Sector Education and Training Authority (PSETA) on emerging technologies in the public service, which makes the following recommendations in relation to eLearning enablers:

- A more ubiquitous access to laptops and data needs to extend across all public service levels if required for remote or virtual working. This is also a pre-requisite for eLearning.
- The detracting feature of low bandwidth is that it does not offer rich content, webinars or online lecture capturing and streaming functionalities and is limiting the ubiquity of eLearning platforms.

- The use of more suitable video streaming or changes to site restriction rules in order to make content more widely available and accessible.

## **7.2 Maintaining digital transformation**

The NSG embarked on a journey of digital transformation, with the development of a draft strategy and implementation plan. This was precipitated by the COVID-19 pandemic and the urgency for the NSG to digitize its business operations. Digital transformation was broader than digitizing the NSG business processes but rather how the NSG becomes a systems integrator within the broader public sector ecosystem. Additionally, the principles of Batho Pele underpinning efficient service delivery remained a critical factor, when considering bridging the digital service delivery gap and serving a smart citizenry. With the exponential increase in technologies such as smart phones, and social media platforms, there was an emergence of a global phenomenon of a smart citizenry. Key interventions for the National School of Government included:

- Moving to a fully automated office ecosystem with basics such as bookings, routing of submissions, leave and performance management processed electronically.
- Automating the knowledge management system, introducing business analytics in research, monitoring and evaluation functions. The Digital Transformation strategy was approved and will contribute towards the digital positioning of the NSG as key within the ecosystem of education, training and development for government as part of the overall change process of the organisation.

## **7.3 Fostering Executive Education**

The NSG launched the Executive Education on 24 June 2022, which seeks to provide executive education opportunities in the public sector, by establishing a suite of premium programmes. The executive education will target senior managers, executives and public representatives in all organs of state. It will seek to improve the quality of public sector leadership & management by combining the science of experiential learning and enabling leaders to develop new knowledge, skills and attitude. It will also influence public policies and how state institutions respond to these policies. The programmes will take on a blended approach, including classroom interaction, online learning, and onsite experimentations. Identified programmes will include current bespoke executive programmes, and new programmes such as Scenario and Long-term Planning.

#### **7.4 Implementing a strategy towards the professionalisation of the public service**

The current Medium Term Strategic Framework commits explicitly to the professionalisation of the public sector as imperative for building of a capable, ethical and developmental state. The work of professionalising the public service is part of the bigger project of strengthening state capacity. The NSG, working jointly with the Department of Public Service and Administration (DPSA) and the Office of the Public Service Commission (OPSC) is finalising a National Implementation Framework for the Professionalisation of the Public Sector, as envisaged in the National Development Plan (NDP).

#### **7.5 Mainstreaming gender, youth and disability**

Mainstreaming of gender, youth and disability in all programmes and activities of the department is key in ensuring that the empowerment of these designated groups is prioritised. To attain this, departments need to develop and implement plans, programmes, budgets and systems that are responsive to the needs of women, youth and persons with disabilities. The Gender, Youth and Disability-Responsive Planning, Budgeting, Monitoring, Evaluation and Auditing (GEYODI-RPBMEA) is one such Plan that the NSG implements and monitors. In addition to the Framework's implementation, the NSG continues to implement 18 National School of Government the National Strategic Plan on Gender-Based Violence and Femicide (NSP on GBVF). The NSG responds to Pillar 2 (Prevention and rebuilding social cohesion) of the GBVF NSPs six pillars. The NSG remains committed to supporting the implementation of the National Strategic Plan and will ensure the following:

- Promotion of the Plan within the NSG, as well as educating employees on gender-based violence and femicide.
- Incorporation of the Plan into the curriculum of NSG courses and programmes, in particular the course targeting SMS on dealing with issues of discrimination.
- Continued rollout of programmes such as gender mainstreaming, gender-based budgeting and reporting, and diversity management.

Elevating gender-based issues for discussion within the departmental Employment Equity Forum. Gender, youth and disability targets within the department's policies, programmes and plans such as the Workplace Skills Plan, the HR Plan, Procurement, and others, are aligned to the NSG's Employment Equity Plan targets of 50% women, 30% youth and 3% persons with disabilities. These targets are monitored and reported on throughout the year to ensure that the

empowerment of these population groups is always in the line of sight. Integrating gender, age and disability into departmental and social plans, budgets and programmes is key in ensuring that the NSG plays its part in advancing the Constitutional vision of an equitable and non-sexist society that promotes the economic growth of all citizens; particularly those who have been previously disadvantaged.

#### **7.6 Facilitating and delivering the gender responsive planning and budgeting course**

The Gender Responsive Planning, Budgeting, Monitoring, Evaluation and Auditing (GRPBMEA) Framework was approved by cabinet on 27 March 2019. The framework requires government plans and budgets that must contribute towards the empowerment of women and the achievement of gender equality in South Africa. In responding to the framework while implementing the mandate of providing ETD, the NSG, in partnership with the Department of Women, Youth and Persons with Disabilities (DWYPD) developed a course on Gender Responsive Planning and Budgeting (GRPB). The primary objective of the course is to ‘Improve capacity to mainstream gender on various levels within the public sector through gender responsive planning, budgeting, monitoring, evaluation and auditing’. Training sessions have been rolled out and the NSG will continue to focus on undertaking advocacy work with regards to the course. The NSG is also in the process of recruiting a panel of experts who will be able to deliver the roll-out of training for this course as well as other courses the NSG offers. The course is aligned with the indicator on learners trained on compulsory and demand- led ETD interventions and also committed within the Annual Operational Plan (AOP).

#### **7.7 Strengthening the information and communication technology (ICT) space**

In the 2023/24 financial year, the focus will be on implement the revised policy. The purpose of the policy would be to enable the National School of Government (NSG) to protect the confidentiality, integrity, and availability of organisational data (data used for business/data belonging to employees/data belonging to stakeholders) and the systems and infrastructure that store, process or transmit such data. The following projects will also be implemented in ensuring improvement and efficiency in the management of ICT within the NSG:

- Data Centre Infrastructure Project.
- Local Area Network Infrastructure Project.

- Wide Area Network Infrastructure Project.
- Learner Management System Project.
- Training Management System Project.
- Software Acquisition, Enhancement and Development Project.

## **7.8 Conducting impact evaluations and analysis**

The NSG has been conducting more in-depth evaluation studies, i.e. the Application of Learning Studies (ALS)/Outcome evaluations and impact evaluations (started in 2020/2021) of the identified training programmes (this is usually done at least 6 months to a year after the training has taken place). The aim of these evaluations is to determine whether the training programmes offered by the NSG are aligned to the needs of the public service, whether there are any changes in behaviours of individuals because of the training as well as the subsequent changes in the 2024/2025 Annual Performance Plan workplace. In effect, these evaluations are measuring the impact of the training at an individual and unit level by following the cohort of officials who attended the training programmes in order to measure their performance against the programmes they had attended

The NSG set five strategic outcomes for achievement over the five-year period. The performance of these outcomes in this financial year includes the following:

## **8. NATIONAL SCHOOL OF GOVERNMENT PROGRAMME PERFORMANCE**

### **8.1 Budget Allocated and Expenditure 2024/25**

The National School of Government has spent R216.0 million of the total allocated budget of R218.7 million as at March 2025. The budget appropriation for the year 2024/25 was decreased from R221.1 million which was a 1.1 per cent from the budget allocation received in 2023/24. Total departmental recipients' revenue decreased by R0.006 million, from R0.290 million (2023/24) to R0.284 million (2024/25), the decrease is due to financial transactions in assets and liabilities. The main cost driver under this Vote was the following: Public Sector Organisation and Staff Development with R107 944 million and Administration with R110 780 million.

The School operates a Trading Account for its training operations. The Department submits separate financial statements for the NSG Training Trading Account (TTA), a trading entity established in terms of the Public Finance Management Act (PFMA) of 1999. Course fees are determined on a cost-recovery basis in accordance with Treasury Regulation 19.5.2. The tariffs are assessed annually and revised as deemed necessary as part of the ongoing NSG financial status reviews and in accordance with Treasury Regulation 19.5.3. There was no course fees increase applied to the financial year 2024/25.

The total revenue (including the transfer of funds from the vote appropriation for the financial year (2024/25) decreased by R39.1 million from R269.8 million (2023/24) to R230.7 million (2024/25). Income from course fees decreased by 28.2 per cent from R141 million (2023/24) to R101.3 million (2024/25). The transfer of funds from the Vote to Trade increased by 0.13 per cent from R107.8 million (2023/24) to R107.9 million (2024/25).

Total expenditure in the TTA increased by R28.2 million from R241.4 million in 2023/24 to R269.6 million in 2024/25. The increase was related to operating expenses for the delivery of training as the client department are taking up training. The TTA closed the year with a surplus of R28.4 million in 2023/24 and the closing status in 2024/25 is a deficit of R38.8 million.

The approved NSG staff establishment is 238 funded posts aligned with the approved structure, with 212 of these positions filled and 26 vacant as at March 2025. This translates to 89 per cent of posts filled as at the end of financial year. The vacancy rate increased from 10.9 per cent in 2024/25. The vacancy rate fluctuates as a result of resignations and retirements. With these fluctuations, the School has done well in sustaining the vacancy rate in accordance with the set national rate. In terms of employment equity targets, 50 per cent of SMS members are women and youth at 26 per cent. A total of nine (9) employees were appointed additional to the structure, with two (2) appointed at salary level 13 (SMS) and seven (7) appointed as administrators.

### Appropriation per programme (R'000)

2024/25				2023/24		
Programme	Final	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Final	Actual Expenditure R'000	(Over)/Under Expenditure R'000

	Appropriation R'000			Appropriation R'000		
Administration	110 780	108 079	2 701	113 338	110 396	2 942
Public Sector Organisation and Staff Development	107 944	107 944	0	107 802	107 802	0
<b>TOTAL</b>	<b>218 724</b>	<b>216 023</b>	<b>2 701</b>	<b>221 140</b>	<b>218 140</b>	<b>2 942</b>

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## 8.2 PROGRAMME PERFORMANCE

In this financial year, the School had a total of twenty-three (23) performance targets were set in the annual performance plan, of which twenty-two (22) were achieved. This translates to performance achievement of 90 per cent of the total planned targets.

The NSG comprises of two programmes, which are as follows:

### 8.2.1 Programme 1: Administration

The purpose of this Programme is to provide strategic leadership, management and support services to the School. The programme spent R108.1 million of the allocated budget of R110.8 million. The main cost driver under this programme were as follows; Corporate Services (R81.1 million), Management (R10.4 million) and Property Management (R19.3 million). The under-expenditure has primarily been the result of compensation of employees mainly vacancies in the Vote.

The programme had a total of 5 planned targets for the financial year, four targets were achieved, and one target was not achieved. This translates to 80% achievement. The achievement of the planned targets has contributed to the outcome of ensuring the NSG is a functional and integrated institution.

The achievement of the planned targets was attributed towards ensuring a functional integrated institution particular in the areas of ICT systems and solutions, facilities management as well as communications and marketing. Moreover, what is critical in this year under review was utilisation of allocated budget to maximise and introduce digital tools in response to Digital Transformation. These efforts have contributed to the NSG fulfilling its mandate to deliver on education, training and development.

The implementation of the Total Quality Management plan was not concluded due to revision on the approach and the realisation that a generic guideline would not be sufficient to drive consistency and institutional application of process management. In terms of the Digital Transformation, the NSG has embarked on a journey of identifying various technical solutions that would assist the organisation to move swiftly and align with the Fourth Industrial Revolution era.

The School has been determined to improve the Employment Equity (EE) statistics which frequently change as a result of resignations and retirements. There has been a noticeable improvement towards achieving the planned targets with regard to promoting inclusivity within the organisation.

### **8.2.2 Programme 2: Public Sector Organisational and Staff Development**

The Public Sector Organisational and Staff Development (Programme 2) is responsible for facilitating transfer payments to the Training Trading Account, which provides education, development and training to public sector employees. The programme spent R107.9 million of the amount generated through Training Trading Account. During this financial year, the transfer from the Vote to the TTA (R107.9m) was further supplemented by the interventions of the NSG to raise revenue in excess of R143 million.

The programme had achieved all planned 18 performance targets which has been translated to 100 per cent achievement. The facilitation of Strategic Planning Workshop as a new initiative has seen the department improve in revenue generation contributing to a more financially sustainable organisation. The School further played pivotal role during transition of the 7th Administration by conducting Induction for Boards of Entities and Executives of Provincial Legislatures as well as Parliamentary Liaison Officers. The advocacy session on the Framework on the Professionalisation of the Public Sector also contributed positively to performance. Diverse mode of delivery by the NSG (actual achievement against pre-determined objectives) is an indication that the NSG has contributed to the performance of the institution.

The School has also conducted advocacy sessions on the National Framework Towards the Professionalisation of the Public Sector which is a key project as the state identified the priority of building an ethical and Capable Public Sector, key in delivering efficient services. The role of ETD practitioners is important to provide and support the delivery of quality training and the Performance Management System for ETD practitioners was fully implemented in this

financial year. Training has also been exemplary with the increased delivery of programmes through online and virtual platforms.

The NSG will continue with increase momentum of communicating and marketing ETD interventions at recognised social media platforms and convene webinars where thought leaders from respective institutions are invited to participate and engage on topical issues and thematic areas affecting public service. The skills audit project undertaken in collaboration with the Human Science Research Council (HSRC) for two infrastructure departments is a positive step in identifying skills gaps within respective departments to be addressed. The gaps were also beneficial to the School in identifying ETD interventions to be developed and implemented to address service delivery challenges.

## **9. AUDITOR-GENERAL**

### **9.1. Audit Opinion**

The Auditor-General has audited the financial statements of the National School of Government (NSG Vote) set out on pages 111 to 161 which comprise the appropriation statement, statement of financial position as at 31 March 2025.

The AG opinion, view the financial statements presented fairly, in all materials respects, the financial position of the National School of Government as at 31 March 2025 and its financial performance and cash flows for the year ended in accordance with the Modified Cash Standard (MCS) as prescribed by National Treasury and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

#### **9.1.1 The Auditor-General raised the following concerns**

The AG performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. The AG performed further procedure to determine whether the indicators used for planning and reporting can be linked to the department's mandate and the achievement of its planned objectives. and related targets were measurable and relevant and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

The AG material findings on the reported performance information for the selected programme are as follows:

An achievement of R101 319 000 in revenue and other funding sources generated in TTA was reported against a target of R101 million in revenue and other funding sources generated in TTA. However, the audit evidence did not support this achievement. The AG could not determine the actual achievement but estimated it to be materially less than reported. Consequently, it is likely that the achievement against the target was lower than reported.

### **9.2.2 Internal Control**

The Auditor-General South Africa considered internal control relevant to audit of the financial statements, reported performance information and compliance with applicable legislation, however, the AG objective was not to express any form of assurance on it. The AG further expressed opinion that senior management did not adequately review the reliability portfolio of evidence as the annual performance report contained material misstatements not detected by the departments' own system of internal control.

## **10. OBSERVATIONS AND KEY FINDINGS**

The Committee made the following observations:

- 10.1** The Committee notes the regression of the National School of Government (NSG), which received an unqualified audit with findings on the Vote and a qualified audit outcome for the Training Trading Account (TTA) for the 2024/25 financial year, compared to the clean audit achieved in 2023/24. Although the School was unable to maintain a clean audit, it achieved 22 of the 23 performance targets in its Annual Performance Plan, translating to a 96 per cent achievement rate of planned targets.
- 10.2** The Committee notes the reason that led to the School obtaining a qualified audit opinion, which was due to the procurement of the "MyNSG Platform Learning System." This impacted training uptake for two to three months. However, the School assured the Committee that the system is now fully operational, resulting in the NSG recording the highest training uptake in 2025 compared to the previous four financial years.
- 10.3** The Committee notes that the TTA generated revenue of R122 million, exceeding the target by R17 million, due to favourable interest received on the bank account and

revenue recognised from debtors with credit balances. Operating expenses exceeded the target by R59.3 million, mainly due to increased training-related expenses influenced by course uptake.

- 10.4** The Committee notes that the TTA had a deficit of R38.9 million due to the high demand for mandatory courses, which increased operating expenses. The Committee urged the School to minimise operational costs by offering some of the mandatory courses through online platforms.
- 10.5** The Committee expressed concern about the deficit incurred in the TTA, which might impact the funding of Programme 2 in the 2025/26 financial year.
- 10.6** A high uptake of Ethics and Nyukela Courses demonstrates that most public servants regard the NSG as a school of choice. This indicates that training programmes offered by the NSG add value to individual performance, which in turn improves service delivery. The NSG should, in future, provide the Committee with statistics on the number of senior and middle managers trained, as well as the impact of such training.
- 10.7** The Committee is of the view that the Ethics Course should be made compulsory for all public servants to instil a culture of ethical standards.
- 10.8** The School has doubled its target for training courses; however, the Committee expressed concern that this should also result in improved revenue collection under the Trading Account.
- 10.9** The Minister for the Department of Public Service and Administration should fast-track the appointment of the Principal of the School in the 2025/26 financial year.
- 10.10** The NSG outlined the basis of the qualification as follows: “during the audit of the 2024/25 financial year, the migration of information and integration of the old and new systems were not completely successful. As a result of the migration to the new platform, there were a number of workarounds implemented to meet the needs of the NSG. In particular, the new system’s reporting elements did not include all attendance records of learners. Consequently, the revenue reconciliation was incomplete and inaccurate, as it did not reflect manually signed attendance registers or e-learning completion reports, resulting in incorrect figures being used as the basis to recognise revenue earned.”

**10.11** As part of the audit improvement plan, the NSG indicated that it will:

- Review the Revenue Management Policy (including a section on forfeitures);
- Review the Accounting Policy; and Review controls on revenue reconciliation.
- Furthermore, the NSG will convene a quarterly data integrity review and verification, as well as an audit indaba in preparation for future audit processes.

**10.12** The Committee notes that the NSG will approach the National Treasury to request approval for an increase in training courses, as these are currently regulated by the Department.

**10.13** The NSG continues to be a champion of knowledge and learning in the public sector by carrying out its mandate of providing and facilitating education, training, and development across the three spheres of government, state-owned entities, and organs of state. The School continues to design education, training, and development programmes aimed at bringing new skills into public administration.

## **11. RECOMMENDATIONS**

The following recommendations are proposed:

**11.1** The NSG, together with the Department of Public Service and Administration (DPSA) and the National Treasury, should devise a strategy to ensure that Ethics Courses are made compulsory for Senior Management Service (SMS) members and officials working in Supply Chain Management. Mandatory training should be conducted periodically rather than as a once-off intervention to ensure that officials continuously uphold ethical standards.

**11.2** The NSG, using the new MyNSG Platform Learning System, should increase the number of public servants undertaking various training courses with the primary intention of imparting knowledge and skills, rather than merely increasing profit.

**11.3** The NSG should develop interventions to prevent future deficits in the Training Trading Account, such as those encountered in the 2024/25 financial year.

- 11.4** The Minister of the Department of Public Service and Administration should fast-track the appointment of the Principal of the National School of Government during the 2025/26 financial year.
- 11.5** The NSG should consider establishing a dedicated Programme 3: Public Sector Professionalisation, to ensure focused and sustained attention on this government-wide project.
- 11.6** The NSG, together with the DPSA, should ensure that all senior managers responsible for Human Resource Management functions in government departments and state entities continuously receive training workshops on the Professionalisation Framework.
- 11.7** The NSG should continue strengthening its internal control systems to improve audit outcomes and regain a clean audit in future financial years.
- 11.8** The NSG should ensure that learners complete their learning programmes. Learners who abandon training after funding has been paid to the NSG should be held liable to reimburse the State.

## **12. CONCLUSION**

The National School of Government continues to roll out courses and training programmes relevant to government officials from entry level to senior management and the executive. The education, training, and development programmes offered by the School assist public servants to enhance their performance and contribute towards a capable, ethical, and professional public administration. The MyNSG Platform Learning System is expected to improve training reach and targets by providing access to a greater number of public servants, enhancing their capabilities and skills. The deficits in the Training Trading Account encountered in the 2024/25 financial year should be avoided to ensure adequate funding for Programme 2 activities.

Report to be considered

## **8. BUDGETARY REVIEW AND RECOMMENDATION REPORT (BRRR) OF THE PORTFOLIO COMMITTEE ON TRANSPORT, DATED 14 OCTOBER 2025**

The Portfolio Committee on Transport (“the Committee”), having considered the performance and submission to National Treasury (NT) for the medium-term period of the Department of Transport (“the Department”) and its entities, reports as follows:

### **1. INTRODUCTION**

The period under review marked the final year of implementation of the Medium-Term Strategic Framework (MTSF) 2019-2024 and coincided with the beginning of the Seventh Democratic Administration and the establishment of the Government of National Unity.

This report will be based on those Annual Reports that were tabled before 14 October 2025. Also important to note is that this will be the second financial year that Transnet, South African Airways (SAA) and South African Express are part of the Department’s portfolio. These entities did not fall under the Department when the Budget Vote was considered for 2023 or 2024 (the year linked to the Annual Reports that are currently under review in the 2025 BRRR), but will be part of the portfolio for the Budget Vote from 2025 (meaning that the 2026 BRRR will be the first reviewed financial year when SAA and Transnet are well and truly under the transport portfolio).<sup>1</sup> On the 28<sup>th</sup> of March 2025, the Minister of Finance issued a government gazette to list the Transport Economic Regulator (TER) as a new schedule 3 Public Entity under the auspices of the Department with effect of from the 1<sup>st</sup> of April 2025. The financial implications of this cannot be quantified at this stage.

On 30 September 2025, the Minister of Transport<sup>2</sup> (“the Minister”) submitted a letter, with reasons for the delays, requesting the extension for the late tabling of the Annual Report of SAA for the 2024/25 year under review (the 2023/24 Annual Report of SAA was tabled, however, the late tabling letter indicated that the SAA 2024/25 Annual Report would be finalised towards the end of November), as well as the late tabling of the Road Accident Fund

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<sup>1</sup> Proclamation Notice 176 of 2024.

<sup>2</sup> The letter from the Ministry was signed by the Acting Minister.

(RAF) Annual Report for the year under review (indicating that the report would likely be tabled by 10 October 2025). The Annual Reports of RAF and SAA were still not tabled at the time of finalising this report. Should they submit their Annual Report after adoption of this report, the Committee will consider a supplementary report.

For the 2024/25 financial year, South Africa's transport portfolio faced challenges which included aviation challenges linked to flight procedures, lack of provincial and municipal roads linked to budget constraints and lack of capacity which requires an investigation into new models for the financing of road infrastructure projects. Including freight logistics challenges, unsustainable debt levels, and operational inefficiencies at Transnet such as a lack of locomotive availability and ongoing rail network issues like security incidents and failures. Additionally, the Department struggled with underspending in rail, staffing challenges including unfilled vacancies, and the need for better oversight of state-owned entities. There were also significant driving licence backlogs, and the ongoing task of the digital transformation of the transport portfolio.

## **1.1 Mandate of the Committee**

The prime mandate of the Committee is governed by the Constitution of the Republic of South Africa, 1996 (“the Constitution”), in respect of its legislative and oversight responsibilities as public representatives. It is required to consider legislation referred to it and consider all matters referred to it in terms of the Constitution, the Rules of the National Assembly (NA) or resolutions of the House. It is also required to respond to matters referred to it by government within its mandate. In addition, the Committee is entrusted with considering the budgets, Strategic Plans, Annual Performance Plans (APPs) and the Annual Reports of the Department and entities that fall within the transport portfolio.

## 1.2 Purpose of the Budgetary Review and Recommendation Report

Section 77(3) of the Constitution stipulates that an Act of Parliament must provide for a procedure to amend Money Bills before Parliament. This constitutional provision gave effect to the Money Bills Amendment Procedure and Related Matters Act (No. 9 of 2009). The Act gives Parliament powers to amend Money Bills and other legislative proposals submitted by the Executive whenever the Executive deems it necessary to do so. The Act therefore makes it obligatory for Parliament to assess the Department's budgetary needs and shortfalls against the Department's operational efficiency and performance.

This review seeks to establish whether the Department and its entities have achieved their aims and objectives, as set out in their Strategic Plans, as well as whether they continue to fulfil their constitutional mandates during the year under review. This is the second BRRR to be considered/produced by the 7<sup>th</sup> Parliament and the financial year under review was the first year within the Medium-Term Development Plan (MTDP). Since the dawn of the 7<sup>th</sup> Administration, the MTSF has been replaced with/by the MTDP. The current Administration has placed inclusive and sustainable economic growth at the forefront of South Africa's development agenda. Over the 2024 – 2029 MTDP period, government has identified three national policy outcomes to drive this vision:

- Driving inclusive economic growth and job creation.
- Reducing poverty and tackling the high cost of living.
- Building a capable, ethical, and developmental state.

The Department and its entities play a crucial role in advancing these priorities by facilitating the efficient movement of goods and people, strengthening the country's logistics sector, and enhancing transport infrastructure. To revitalise the transport and logistics sector and support economic recovery, the Department has set ambitious targets for 2030, including:

- Increasing annual freight volumes on the Transnet rail network to 250 million tonnes.
- Doubling crane moves per hour at ports from 16 to 30.
- Increasing the number of annual passenger rail trips to 600 million.
- Handling 1.5 million tonnes of airfreight and over 42 million passengers through South African airports.

- Reducing the annual number of road fatalities by half.

The year under review was the last year during which the Department had seven (7) programmes, to show the link with projects and programmes in place at the time, reference will be made to the key achievements made, as well as challenges encountered during the 2024/25 financial years, as reported in the Department's and entities' 2024/25 Annual Reports and Annual Performance Plan.

### **1.3 Methodology**

The Committee engaged with the Auditor-General of South Africa (AGSA) on the latter's audit findings of the Department and its entities, as well as engaged with the Department and entities which submitted their Annual Reports, on 7 and 8 October 2025, during which the Committee considered their performance and audit outcomes for the period under review.

The Committee selected to meet with the following entities which had submitted their Annual Reports prior to finalisation of the BRRR:

- Air Traffic and Navigation Services (ATNS);
- South African National Roads Agency Limited (SANRAL);
- Driving Licence Card Account (DLCA);
- Transnet SOC Ltd; and
- The Passenger Rail Agency of South Africa (PRASA).

The Committee could not meet with the following entities which had submitted their Annual Reports prior to finalisation of the BRRR due to time constraints:

- Airports Company South Africa (ACSA);
- South African Civil Aviation Authority (SACAA);
- Road Traffic Management Corporation (RTMC);
- Road Traffic Infringement Agency (RTIA);
- Cross-Border Road Transport Agency (C-BRTA);
- Ports Regulator of South Africa (PRSA);
- South African Maritime Safety Authority (SAMSA); and
- Railway Safety Regulator (RSR).

The presentation on the Annual Report of the DLCA was done by the Acting Director-General (DG) and not by the Head of the DLCA, along with the Department's briefing on their Annual Report. The South African Search and Rescue Organisation (SASAR), including the National Sea Rescue Institute (NSRI) were not programmed or called to meet with the Committee specifically and its Annual Report was not tabled on time.

At the time of considering this report, the SAA (including SA Express) and RAF had not tabled their 2024/25 Annual Reports. The Committee noted the reasons provided for the failure to table these outstanding Annual Reports, as tabled in the letter from the Minister to the Speaker of the NA.

The BRRR details the analysis of the 2023/24 and 2024/25 Annual Reports and financial statements, strategic objectives, budget allocation and financial performance of the entire transport portfolio, as well as the observations captured during the engagements, along with the resultant recommendations made by the Committee.

The BRRR is based on information accessed through:

- The 2024 State of the Nation Address (SONA);
- The Department's Strategic Plan and APPs for 2024/25;
- The Department's Annual Report and Financial Statements for 2023/24 and 2024/25;
- The Strategic Plans and the APPs/Corporate Plans of the entities that fall under the Department, as well as their Annual Reports and financial statements for financial years 2023/24 and 2024/25;
- Quarterly reports of the Department;
- The report of the AGSA on the audit outcomes of the Department and its entities;
- National Treasury Section 32 Reports;
- The NDP; and
- Oversight visits by the Committee during the period under review.

## **2. MANDATE OF THE DEPARTMENT OF TRANSPORT**

The Constitutional mandate of the Department per the APP for 2024/25 (p.16) is the following:

*“The Constitution of the Republic of South Africa of 1996 identifies the legislative responsibilities of different levels of government regarding airports, roads, traffic management and public transport. Transport is a function that is legislated and executed at all levels of government. The implementation of transport functions at the national level takes place through public entities that are overseen by the Department, each with a specific delivery mandate, as specified in legislation establishing these entities.*

*The Department is therefore responsible for conducting sector research; formulating legislation and policies to set the strategic direction of sub-sectors; assigning responsibilities to public entities and other levels of government; regulating through setting norms and standards; and monitoring implementation.”*

As the central custodian of the nation’s transport resources, services and products, the Department acknowledges the obligation it has to the citizens of the Republic of South Africa.<sup>3</sup> Its core values to advance its commitment to achieve policy and legislative mandates as set out for the sector are:<sup>4</sup>

- Maintaining fairness and equity in all its operations;
- Striving for quality and affordable transport for all;
- Stimulating innovation in the transport sector;
- Ensuring transparency, accountability and monitoring of all operations; and
- Ensuring sustainability, financial affordability, and accessibility, as well as the upholding of the *Batho Pele* principles.

In an endeavour to discharge its mandate effectively and efficiently, the Department is structured as follows:<sup>5</sup>

- Programme 1: Administration (This programme comprises the Office of the Director-General (ODG), Corporate Services (CS), and Chief Financial Officer (CFO));
- Programme 2: Integrated Transport Planning;
- Programme 3: Rail Transport;

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<sup>3</sup> Department of Transport (2024/25 Annual Report), p. 35.

<sup>4</sup> Ibid.

<sup>5</sup> Department of Transport (2024/25 Annual Report), p. 52.

- Programme 4: Road Transport;
- Programme 5: Civil Aviation Transport;
- Programme 6: Maritime Transport; and
- Programme 7: Public Transport.

The Department's organisational structure was approved in September 2011, and it was implemented in November 2011.<sup>6</sup> The structure comprises four transport modes (rail, road, civil aviation and maritime transport), as well as integrated transport planning and public transport. Support functions, particularly in the Office of the Director-General, Office of the Chief Operations Officer (COO) and the Office of the Chief Financial Officer (CFO) fall under the Administration programme.

## **2.1 Strategic overview 2024/25**

### **2.1.1 Strategic priorities of Government**

To execute its mandate, the Department is guided by the government's commitments as set out in, inter alia, the NDP 2030, the MTSF 2019-2024, the MTDP 2024-2029 as well as SONA policy directives.

The Department contributes to the realisation of the vision of improved social and economic development articulated in the NDP. The Strategic Plan and accompanying APP of the Department are aligned with the approved MTSF of the government.<sup>7</sup> In addition, these documents articulate the long-term vision of the NDP 2030. To that effect, the table below shows in tabular format the alignment between MTSF pillars, apex priorities of the 6<sup>th</sup> Administration and the strategic focus areas of the Department.

#### **Table 1: Alignment between MTSF Pillars, Apex Priorities and Strategic Focus of the Department**

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<sup>6</sup> Department of Transport (2023a), p. 87.

<sup>7</sup> Department of Transport (2024/25 APP), p. 33.

MTSF Pillars	Apex Priorities	Department's Strategic Focus Areas
1. Achieving a more capable State	<ul style="list-style-type: none"> <li>• <u>Priority 1</u>: A capable, ethical and developmental State</li> </ul>	<ul style="list-style-type: none"> <li>• Governance - Greater Efficiency, Effectiveness and Accountability</li> </ul>
	<ul style="list-style-type: none"> <li>• <u>Priority 6</u>: Social cohesion and community safety</li> </ul>	<ul style="list-style-type: none"> <li>• Safety (and security) as an enabler of service delivery</li> </ul>
	<ul style="list-style-type: none"> <li>• <u>Priority 7</u>: A better Africa and world</li> </ul>	<ul style="list-style-type: none"> <li>• Building a maritime nation, elevating the oceans economy</li> <li>• Environmental protection – Recovering and maintaining healthy natural environment</li> </ul>
2. Driving a strong and inclusive economy	<ul style="list-style-type: none"> <li>• <u>Priority 2</u>: Economic transformation and job creation</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure build that stimulates economic growth and job creation</li> </ul>
		<ul style="list-style-type: none"> <li>• Building a maritime nation, elevating the oceans economy</li> </ul>
		<ul style="list-style-type: none"> <li>• Accelerating transformation towards greater economic participation</li> </ul>
<ul style="list-style-type: none"> <li>• <u>Priority 5</u>: Spatial integration, human settlements and local government</li> </ul>	<ul style="list-style-type: none"> <li>• Public transport that enables social emancipation and an economy that works</li> </ul>	
3. Building and strengthening	<ul style="list-style-type: none"> <li>• <u>Priority 1</u>: A capable, ethical and developmental state</li> </ul>	<ul style="list-style-type: none"> <li>• Governance – Greater efficiency, effectiveness and accountability</li> </ul>

MTSF Pillars	Apex Priorities	Department's Strategic Focus Areas
capabilities of South Africans	<ul style="list-style-type: none"> <li>• <u>Priority 3</u>: Education, skills and health</li> </ul>	<ul style="list-style-type: none"> <li>• Improved efficiency and effectiveness of support services</li> </ul>

(Source: Department of Transport (2024/25 APP), p. 33)

As far as the 2024 SONA, it underscored the following strategic focus area that had a bearing on the transport sector:<sup>8</sup>

- Reviving the performance of the rail network.

Over the medium-term, the Department plans to give effect to these guiding policies by focusing on:<sup>9</sup>

- Maintaining South Africa's road networks;
- Facilitating integrated road-based public transport services; and
- Investing in critical infrastructure to revitalise passenger rail services.

### 2.1.2 Strategic Outcomes-Oriented Goals

During the period under review, the Department discharged its responsibilities with a view to attaining the following strategic objectives:<sup>10</sup>

- Safety (and security) as an enabler of service delivery;
- Public transport that enables social emancipation and an economy that works;
- Infrastructure build that stimulates economic growth and job creation;
- Building a maritime nation, elevating the oceans economy;
- Accelerating transformation towards greater economic participation;
- Innovation that advances efficiencies and supports a continuous improvement model;
- Environmental Protection – Recovering and maintaining a healthy natural environment; and
- Governance – Greater efficiency, effectiveness and accountability.

<sup>8</sup> Ramaphosa (2024).

<sup>9</sup> National Treasury (2024), pp. 942-943.

<sup>10</sup> Department of Transport (2024a), pp. 46-97.

### **2.1.3 Overview of challenges experienced in 2024/25 as reported by the Department**

Some challenges encountered during the period under review that were highlighted by the Department in the Annual Report were:

#### **2.1.3.1 Human Resource Challenges<sup>11</sup>**

The challenge faced during the reporting period was the introduction of the Directive on the Implementation of Control Measures aimed at Assisting Executive Authorities in managing Fiscal Sustainability during the process of creating and filling of Posts in the Department, this led to a slow process of filling posts and only few posts were advertised. The vacant post of Deputy Director: Labour Relations is one of the challenges that the Chief Directorate is currently experiencing and this will have an impact on the success regarding finalising some of the misconduct cases. All vacant and funded posts are filled timeously, effectively and by the relevant people with the relevant skills.

The Directorate: Human Resource Development and Performance Management and Development System faced several challenges with regard to the implementation of training and development initiatives, ranging from officials attending skills programmes not related to area of occupation which made it difficult to conduct the impact of training analysis to Management and Supervisors recalling officials from approved training which has a negative impact on the quality of training. Despite conducting training awareness sessions, there is a disjuncture with regards to employees training needs and actual job competencies required.

The challenges faced include the vacancies of the Deputy Director: Employee Health and Wellness (EHW), as well as the Employee Wellness Assistant. Remedial action for this challenge would be to prioritise the filling of the two vacant post left by DD: EHW and EHW Assistant.

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<sup>11</sup> Department of Transport (2024/25 Annual Report), pp. 234 – 235.

### **2.1.3.2 Other challenges faced by the Department**

Selected challenges that affected the performance of the Department are indicated in paragraph 4.1.2 below.

The Committee noted the delays in finalising the establishment of the Transport Economic Regulator (TER) but also welcomed the progress made on the appointment of the Board, as well as the referral of the nominees for the Committee to shortlist towards appointments for the Transport Economic Council (TEC). The establishment of the TER was dependent of the Bill being assented into law by the President. The Bill was introduced to the National Council of Provinces (NCOP) for consideration, and the process was lengthy, however, it was eventually agreed to in February 2024. The Bill was subsequently sent to the President for assent. The delay in the enactment of the TER was detrimental to the programme's performance, as there were several targets that hinged on that enactment. Further hereto, it must be noted that during the year under review, the Committee was alerted to a date reference error in Schedule 1 of the Economic Regulation of Transport (ERT) Act (No. 6 of 2024, which would require an amendment proposed, per a Committee Bill process. This will further delay targets linked to the establishment of the TER and the Department has amended its APP for 2025/26 to make provision for the delays linked to the processing of the amendment bill proposed to address the date error.

The Aviation Safety Investigation (ASIB) Board was not established as targeted. In the current financial year, the Committee received the shortlisted nominees for consideration and further shortlisting for the ASIB board. The Committee intends to finalise this process and submit the list of preference of nominees to the Minister before the end of the 2025/26 financial year.

### **2.1.4 Key policy developments and legislative changes**

The following key policy developments and legislative challenges were identified by the Department:<sup>12</sup>

- Economic Regulation of Transport (ERT) Act (No. 6 of 2024)

To address regulatory and capacity gaps that relate to South Africa's need for an efficient and cost-effective transport system to raise economic growth and meet its social goals. That includes establishing a TER responsible for regulating prices in the transport sector, investigate complaints, monitor and enforce compliance in the transport sector. The Act further seeks to establish a single regulatory body to focus on the economic regulation of the transport industry. The TER Act was promulgated into law by the President during the 2024/25 financial year.

- National Land Transport Amendment Act (No.23 of 2023) (NLTA)

To address new developments and improve public transport services. The Act empowers provinces and municipalities to contract for public transport and expands the Minister's regulatory and safety powers. The Act also aims to promote economic growth and welfare through a more effective and productive transport sector. The NLTA was promulgated into South by the President during the 2024/25 financial year.

- Railway Safety Bill

Railway Safety Bill which provides for the regulation of railway safety in the country and recognises that safe railway operations are fundamental to the safety of all persons and the environment. The Railway Safety Bill was passed by both Houses of Parliament and was submitted to the President for assent. The President assented and signed the Railway Safety Bill into law on 2 December 2024.

- Transport Appeal Tribunal Act (No. 41 of 2024)

The Transport Appeal Tribunal Amendment Bill was signed into law and gazetted as the Transport Appeal Tribunal Amendment Act (No. 41 of 2024).It aims to update the Transport Appeal Tribunal Act of 1998.

- The National Rail Bill

The aim of the Bill to establish a modernized and efficient regulatory framework for railway operations, ensuring safer and more reliable transportation. It focuses on strengthening safety

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<sup>12</sup> Department of Transport (2024/2025 Annual Report) pp. 53.

standards, promoting the use of rail as an efficient transportation mode, and harmonizing South Africa's railway safety with regional standards. The bill also aims to facilitate private sector participation in the railway sector and ultimately revitalize the rail network. During the period under review, the National Rail Bill was approved for submission to Cabinet.

### 2.1.5 Institutional Policies and Strategies over the five-year planning period

The following institutional policies and strategies over the five-year planning period was presented by the Department, per the revised APP 2024/25 presented for the 2024/25 year under review:<sup>13</sup>

**Table 2: Institution policies and strategies over the five-year planning period**

POLICY / STRATEGY / PLAN	PURPOSE
<b>National White Paper on Transport Policy, 1996</b>	To provide safe, reliable, effective, efficient, and fully integrated transport operations and infrastructure which will best meet the needs of freight and passenger customers at improving levels of service and cost in a fashion which supports government strategies for economic and social development, whilst being economically and environmentally sustainable.
<b>Green Transport Strategy (GTS) (2018 - 2050)</b>	To minimise the adverse impact of transport on the environment, while addressing current and future transport demands. This is underpinned by sustainable development principles. The strategy will promote green mobility to ensure that the transport sector supports the achievement of green economic growth targets and the protection of the environment. The objectives of the GTS include: <ul style="list-style-type: none"> <li>• Enabling the transport sector to contribute to the national effort to combat climate change;</li> <li>• Promoting behavioural changes towards sustainable mobility alternatives;</li> </ul>

<sup>13</sup> Department of Transport (2024/25), pp. 28–31.

POLICY / STRATEGY / PLAN	PURPOSE
	<ul style="list-style-type: none"> <li>• Engaging the low carbon transition of the sector, to assist with aligning and developing of policies which promote energy efficiency and emission control measures in all transport modes;</li> <li>• Minimising the adverse effects of transport activities on the environment; and</li> <li>• Facilitating the sector’s just transition to climate resilient transport system and infrastructure.</li> </ul>
<b>Road Freight Strategy</b>	<ul style="list-style-type: none"> <li>• To improve the effectiveness of regulation and enforcement of quality standards and to ensure equity between road freight transport operators within a system of quality-regulated competition;</li> <li>• To optimise the efficiency of road freight services to industry and reduce externalities of the mode in terms of accidents, pollution, congestion, infrastructure damage and anti-social activities;</li> <li>• To propose an effective and efficient rail/road split; and</li> <li>• To promote regional trade integration and improve cross-border transport efficiency to enhance national competitiveness.</li> </ul>
<b>Regional Corridor Strategy of South Africa</b>	<ul style="list-style-type: none"> <li>• To regulate and integrate national and regional freight corridors, and address pertinent issues in the road freight sector; and</li> <li>• To facilitate and grow trade within the region.</li> </ul>
<b>White Paper on the National Rail Policy, 2022</b>	<p>The Policy intends to place rail on a sound footing to collaborate with and compete against other transport modes, and to position rail to serve as a national land transport backbone by 2050. The remedial interventions will be two-pronged, infrastructure investment interventions to enhance rail’s inherent competitiveness, and enabling interventions to adjust institutional</p>

POLICY / STRATEGY / PLAN	PURPOSE
	arrangements to ensure that rail functions effectively in delivering its share of the national transport task.
<b>National Freight Logistics Strategy</b>	<ul style="list-style-type: none"> <li>• To develop a more productive freight system that can access currently excluded service providers and owners; and</li> <li>• To reduce freight transport costs and reduce traveling and handling time.</li> </ul>
<b>National Road Safety Strategy (2016 - 2030)</b>	The strategy has a long-term strategic approach to tackling road carnage and is aligned with the NDP's objective of improving the health status of South Africans. The strategy is also aligned with the safe systems approach which acknowledges that humans do errors by nature and that the road infrastructure should therefore be forgiving.
<b>Roads Policy for South Africa</b>	The Policy sets out the strategic position of national government on all matters relating to road regulation, roads infrastructure, road safety, road funding and non-motorised transport.
<b>White Paper on National Policy on Airports and Airspace Management, 1997</b>	This is a national policy response on airports and airspace management because of far-reaching changes which have occurred in South Africa, in general, and in civil aviation, in particular.
<b>National Civil Aviation Policy (NCAP)</b>	<ul style="list-style-type: none"> <li>• Cabinet passed the NCAP in 2017 as a primary framework for civil aviation in the country;</li> <li>• Its purpose is to ensure that civil aviation operations are operated in compliance with the objectives of the Chicago Convention;</li> <li>• To promote tourism, investment and trade, as well as job creation; and</li> <li>• To take into consideration continental integration initiatives such as those embodied in the African Union and the New Partnership for Africa's Development.</li> </ul>

POLICY / STRATEGY / PLAN	PURPOSE
<b>Comprehensive Maritime Transport Policy</b>	To facilitate growth, development and transformation of South Africa's maritime transport sector in support of socio-economic development whilst contributing to international trade.
<b>National Commercial Ports Policy, 2002</b>	<p>To ensure an internationally competitive port system informed by the knowledge that efficient ports are known to be catalysts for increased trade, and thus provide a comparative advantage for international trade. The policy aims to ensure affordable, internationally competitive, efficient and safe port services based on the application of commercial rules in a transparent and competitive environment applied consistently across the transport system.</p> <p>The importance of this policy is further highlighted by the fact that globalisation pressures make it essential that nations integrate their transport systems into the global logistics network. Ports are naturally being incorporated into this changing system and have to adjust to the new challenges and environment.</p>
<b>Inland Waters Strategy</b>	<ul style="list-style-type: none"> <li>• To provide a level of protection to citizens who use inland waters for swimming and other recreational activities; and</li> <li>• To ensure that buoys and lights are standardised for safe navigation, and to reduce boating accidents.</li> </ul>
<b>Taxi Recapitalisation Policy, 2009</b>	An intervention by government to bring about safe, effective, reliable, affordable and accessible taxi operations by introducing New Taxi Vehicles designed to undertake public transport functions in the taxi industry.
<b>Learner Transport Policy</b>	<ul style="list-style-type: none"> <li>• To guide the implementation of a shared vision to improve access to quality education through a coordinated and aligned learner transport system;</li> </ul>

POLICY / STRATEGY / PLAN	PURPOSE
	<ul style="list-style-type: none"> <li>• To improve the planning and implementation of an integrated learner transport service;</li> <li>• To ensure effective management of learner transport system;</li> <li>• To provide reliable, safe and secure transport for learners through cooperation and collaboration with law enforcement authorities; and</li> <li>• To provide for an effective institutional framework to coordinate the implementation of the Policy.</li> </ul>
<b>Rural Transport Strategy</b>	<ul style="list-style-type: none"> <li>• To develop a balanced and sustainable rural transport systems by supporting local infrastructure and services; and</li> <li>• To improve access roads, develop passable roads, and address neglected infrastructure and corridors that are linked to markets and other social services.</li> </ul>
<b>National Land Transport Strategic Framework</b>	<p>The National Land Transport Strategic Framework was first developed in 2006, as a legal requirement in terms of section 21 of the National Land Transport Transition Act, 2000, (Act, No. 22 of 2000). The framework represents an overarching, national five-year (2006 to 2011) land transport strategy, which gives guidance on transport planning and land transport delivery by national government, to nine provinces and all municipalities for this five-year period.</p>
<b>Southern African Development Community (SADC) Protocol on Transport, Meteorology and Communications</b>	<p>Promotes an integrated, multimodal transport system throughout Southern Africa that remains efficient, reliable, economically viable and environmentally response. It's realised through a harmonised regional policy on transport, with coherent frameworks for institutions and strategies for implementation.</p>

### 2.1.6 Legislative challenges

The Department had six (6) Bills that were processed during the year under review or still currently before Parliament prior to the year under review, with two (2) Bills that were tabled in the 2023/24 financial year and one (1) Bill that is likely inherited following the proclamation that moved SAA to the Department after the Bill was revived in the current 2024/25 financial year.

These bills are listed as follows:

- 1) Economic Regulation of Transport (ERT) Bill, 2020 [B1-2020]/[B1D-2020] (introduced 31 January 2020, returned from NCOP process for concurrence on 7 December 2023, Bill passed by both Houses and sent to President for assent on 29 February 2024, signed by the President on 6 June 2024. The Act requires an amendment of Schedule 1 to fix a date reference error and will be remedied through the introduction of a Committee Amendment Bill during the 2024/25 financial year – Economic Regulation of Transport Amendment Bill [B10 – 2025] based by the NA and transmitted to the NCOP on 22 May 2025);
- 2) Transport Appeal Tribunal Amendment Bill, 2020 [B8-2020]/[B8D-2020] (introduced 29 May 2020, amended by NCOP and returned for concurrence on 16 May 2024, revived on 25 July 2024, passed by both houses and sent to President for ascent on 3 December 2024, Bill signed by the President on 15 April 2025);
- 3) National Road Traffic Amendment Bill, 2020 [B7-2020]/ [B7D-2020] (introduced 29 May 2020, amended by NCOP and returned for concurrence on 7 December 2023, Bill passed by both Houses and sent to President for assent on 29 February 2024, Bill signed by the President on 5 December 2024);
- 4) Railway Safety Bill, 2021 [B7-2021] (introduced 19 March 2021, NA passed Bill on 24 October 2023 and transmitted to the NCOP for concurrence, passed by both Houses and sent to President for ascent on 14 May 2024, Bill signed by the President on 10 December 2024);
- 5) National Land Transport Amendment Bill, 2016 [B7-2016]/[B7F-2016] (introduced 13 April 2016, referred back to Parliament by the Presidency on 8 September 2021 to address the reservations about the Bill's constitutionality, Bill passed by the NA and transmitted to NCOP for concurrence on 24 October 2022, Bill passed by the NCOP and sent to the President for ascent on 7 December 2023, Bill Signed by the President on 6 June 2024);
- 6) Marine Pollution (Prevention of Pollution from Ships) Amendment Bill [B5-2022] (introduced 31 January 2022, Bill passed by the NCOP and sent to the President for assent on 16 May 2024, Bill signed by the President on 20 December 2024);

- 7) Marine Oil Pollution (Preparedness, Response and Cooperation) Bill [B10-2022] (introduced 10 March 2022, revived on 29 July 2024, currently before the Committee for concurrence with the NCOP proposed amendments);
- 8) Merchant Shipping Bill [B12-2023] (introduced 11 May 2023, revived on 25 July 2024 and still before the Committee);
- 9) Repeal of South African Airways Bill [B2 – 2024] (introduced on 14 February 2024, revived on 25 July 2024) – this Bill will likely be withdrawn by the Minister’s Office once Cabinet approval is obtained to do so.

### **2.1.7 Achievements highlighted, significant events and/or projects for the year 2024/25 as reported by the Department**

The following is a summary of selected achievements as reported in the Annual Report by the Department:<sup>14</sup>

- Significant progress has been made in improving governance and strengthening the control environment across the department. This has involved improved monitoring mechanisms and oversight by operational committees to monitor implementation of action plans to address deficiencies identified by auditors and ensuring accountability on irregular as well as fruitless and wasteful expenditures. Internal controls have been reinforced through compliance reviews and the efforts collectively contributed to the department achieving an unqualified audit outcome during the 2023-2024 audit cycle;
- The PSP implementation plan has progressed well in line with the approved the rail Private Sector Participation Framework to guide private sector participation in the railway industry. The Framework mandates DoT to establish a PSP Unit to build state capacity and assist Transnet and PRASA with the procurement of potential PSP Projects. The Department has concluded a Memorandum of Agreement with Development Bank of Southern Africa. Both the Department and NT have agreed for DBSA as the agent for hosting the Unit. The PSP priority project pipeline has been developed;
- The progress that was achieved with the implementation of the National Road Safety Strategy (NRSS) 2016-2030 was in line with the Global Action Plan for Road Safety

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<sup>14</sup> Department of Transport (2024/25 Annual Report), p. 62 - 172.

2021 – 2030 and supported by the 82 outlined interventions. A total of 68 per cent of the interventions are being implemented, 25 per cent are in the embedment phase and thus being partially implemented, and 7 per cent are still to be developed. A total of 78 per cent of the Short-Term interventions are being implemented, 70 per cent of the Medium-Term Interventions are being implemented, and 25 per cent of the Long-Term interventions are being implemented. Despite efforts to implement the NRSS, the adoption of a safe systems approach remains a significant challenge. Funding for road safety also remains a challenge. This, therefore, was a centre stage of the review of priorities, improved planning, and targeted interventions.

- SANRAL has made significant progress on the construction of the Mtentu and Msikaba bridge projects, that are part of the N2 Wild Coast Road Project. These bridges are among the largest infrastructure developments in South Africa, designed to improve connectivity and boost economic growth by not only connecting but also shortening the distance between Eastern Cape and KwaZulu-Natal province. The Portfolio Committee on Transport recently conducted an oversight visit to the Msikaba and Mtentu Bridge projects as part of Parliament's oversight function in the Eastern Cape. Key achievements linked to these projects were:
  - Msikaba Bridge: This R1.72-billion project is expected to be completed by the end of the 2026/27 financial year, and the road is expected to stimulate the tourism industry. It has already created thousands of jobs, with 80 per cent of the workforce coming from local communities. The bridge will drastically improve access to healthcare and reduce travel time for residents.
  - Mtentu Bridge: Once completed, it will be the highest bridge in Africa, standing at 223 meters. The project has faced challenges, including contractor changes, but construction resumed in August 2023, and implementation has since gained momentum, and the project is expected to be completed by 2027.
  - Economic Impact: The bridges are part of a R20-billion investment in the region, expected to create between 21,000 and 28,000 indirect jobs during construction and 8,000 full-time jobs upon completion.
  - Environmental Considerations: The designs prioritize limited environmental disturbance, aesthetics, and climate resilience. These projects are set to transform the Wild Coast, making travel safer and more efficient while uplifting local communities.

- The Moloto Road Project is making steady progress, with significant upgrades underway across Gauteng, Mpumalanga, and Limpopo;
- The Department has made notable progress in rolling out the *S'hamba Sonke* Programme as funded through the Provincial Road Maintenance Programme (PRMG). For the year under review (2024/25) financial year, the Department and SANRAL succeeded in rolling out the *Vala Zonke* programmes through collaboration with all roads authorities, focusing on road maintenance and pothole repairs across South Africa;
- The Minister of Transport signed the Action Plan for Universally Accessible Transport in November 2024. This covers all forms of public transport (land-based public transport including walking and cycling, and rail), air transport, maritime transport and transport on open waterways. The implementation of the Action Plan has commenced with Quick wins between 2025-2026 across all modes;

### 3. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

#### 3.1 2023/24

**Table 3: Appropriation Statement for 2023/24**

Programme	2023/24			2022/23		
	Final Approp.	Actual Expenditure	Over/Under Expenditure	Final Approp.	Actual Expenditure	Over/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1: Administration	550 129	538 189	11 940	517 759	473 088	44 671
Programme 2: Integrated Transport Planning	98 343	98 343	-	93 003	78 521	14 482
Programme 3: Rail Transport	20 591 355	20 582 677	8 678	20 012 447	19 971 590	40 857
Programme 4: Road Transport	42 047 327	41 964 119	83 208	59 954 457	59 735 778	218 679
Programme 5: Civil Aviation Transport	317 491	305 436	12 055	424 753	413 982	10 771

Programme	2023/24			2022/23		
	Final Approp.	Actual Expenditure	Over/Under Expenditure	Final Approp.	Actual Expenditure	Over/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 6: Maritime Transport	263 638	184 623	79 015	158 185	147 323	10 862
Programme 7: Public Transport	14 414 164	14 286 082	128 082	13 973 633	13 722 929	250 704
Direct charge against the National Revenue Fund	12 564	7 576	4 988	12 034	1 542	10 492
<b>Total</b>	<b>78 295 011</b>	<b>77 967 045</b>	<b>327 966</b>	<b>95 146 271</b>	<b>94 544 753</b>	<b>601 518</b>

(Source: Department of Transport (2024), p. 24.)

For 2023/24, the Department had received a budget of R78.3 billion and of this amount, it spent R77.97 billion by the end of the financial year. This translates into an expenditure of 99.6 per cent of its available budget. The spending pattern of the Department slightly increased from the previous financial year, when it had spent R94.5 billion (i.e. 99.4%) of the R95.1 billion allocated to it.

The Department underspent approximately R328 million in 2023/24, translating into an under-expenditure of 0.4 per cent. In terms of Rand value, the highest under-expenditure was in the Public Transport programme. Of the R14.4 billion allocated to this programme, the Department underspent R128.1 million (or 0.9%) of its allocation. Given the size of this programme's overall budget, the smallest proportion would suggest significant amounts in monetary value. However, the Maritime Transport Planning programme was the worst performing in terms of proportional expenditure, as it underspent 30 per cent of its budget. The programme's spending drastically regressed from the previous financial year when it had managed to spend 93.1 per cent of its budget.

In September 2023, the Department of Public Service and Administration (DPSA) issued a circular on cost-containment measures. This attributed to the Department's inability to fill

vacant posts.<sup>15</sup> By the end of the 2023/24 financial year, the vacancy rate of the Department on funded posts stood at 15 per cent<sup>16</sup>.

### 3.2 2024/25

**Table 4: Appropriation Statement for 2024/25**

Programme	2024/25			2023/24		
	Final Approp.	Actual Expenditure	Over/ Under Expenditure	Final Approp.	Actual Expenditure	Over/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1: Administration	570 185	563 172	7 013	550 129	538 189	11 940
Programme 2: Integrated Transport Planning	95 136	91 956	3 180	98 343	98 343	-
Programme 3: Rail Transport	19 489 974	19 480 079	9 895	20 591 355	20 582 677	8 678
Programme 4: Road Transport	49 396 388	49 262 519	133 869	42 047 327	41 964 119	83 208
Programme 5: Civil Aviation Transport	552 016	529 255	22 761	317 491	305 436	12 055
Programme 6: Maritime Transport	191 351	178 339	13 012	263 638	184 623	79 015
Programme 7: Public Transport	15 997 278	14 808 366	1 188 912	14 414 164	14 286 082	128 082
Direct charge against the National Revenue Fund	13 128	7 755	5 373	12 564	7 576	4 988
<b>Total</b>	<b>86 305 456</b>	<b>84 921 441</b>	<b>1 384 015</b>	<b>78 295 011</b>	<b>77 967 045</b>	<b>327 966</b>

(Source: Department of Transport (2025), p. 22.)

For 2024/25, the Department had received a budget of R86.3 billion and of this amount, it spent R84.9 billion by the end of the financial year. This translates into a spending of 98.4 per cent of its available budget. The spending pattern of the Department slightly decreased from the previous financial year, when it spent approximately R78 billion (i.e. 99.6%) of the R78.3 billion allocated to it.

<sup>15</sup> Department of Transport (2024), p. 22.

<sup>16</sup> Ibid.

The Department underspent R1.4 billion in 2024/25, representing an under-expenditure of 1.6 per cent. In terms of Rand value, the highest under-expenditure was in the Public Transport programme. Of the approximately R16 billion allocated to this programme, the Department underspent R1.2 billion (or 92.6%) of its allocation. This resulted in the Public Transport programme being the worst performing in terms of proportional expenditure, as it underspent 7.4 per cent of its budget during the period under review. The programme's spending drastically regressed from the previous financial year when it managed to spend 99.1 per cent of its budget.

### **3.2.1 Programme 1: Administration**

By the end of 2024/25, the Administration programme spent R563.2 million (or 98.8%) of the R570.2 million allocated to it. This translates into an underspending of R7 million (or 1.2%). This under-expenditure was recorded on Compensation of Employees (CoE), Transfers and Subsidies, as well as on payment for capital assets.

The underspending on CoE was due to the moratorium by the DPSA on the filling of vacant posts, resignations and retirements, including additional funds allocated during the adjustment budget to cater for cost-of-living adjustments.<sup>17</sup> Pertaining to Transfers and Subsidies, the underspending was under Households for bursaries to non-employees. This was attributed to some universities that were reportedly still utilising savings from the previous allocations, while others had signed the memorandum of agreement later in the financial year and funds could not be transferred.<sup>18</sup>

Finally, the under-expenditure on payment for capital assets was owing to late submission of invoices for the delivery of furniture. A total amount of R6.3 million had been shifted to Goods and Services in the Administration programme to cater for excess expenditure incurred.<sup>19</sup> Funds were also shifted from the programme to fund excess expenditure on CoE and payment for capital assets across programmes.<sup>20</sup>

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<sup>17</sup> Department of Transport (2024a), p. 22.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

<sup>20</sup> Ibid.

### 3.2.2 Programme 2: Integrated transport planning

The budget allocation for the Integrated Transport Planning programme stood at R95.1 million and by the end of the reporting period, it had spent approximately R92 million. This indicates 96.7 per cent spending, down from 100 per cent in 2023/24.

The programme underspent a total of R3 million on CoE because of the moratorium by the DPSA on the filling of vacant posts, resignations and retirements, including additional funds allocated during the adjustment budget to cater for cost-of-living.<sup>21</sup> The underspending was also attributed to adjustments for Goods and Services as the revised draft regulations for the Transport Economic Regulator were developed as targeted. However, the payment could not be processed as the service provider had been requested to finalise the regulations in accordance with the Office of the State Law Advisors' opinion.<sup>22</sup> Finally, there was under-expenditure on the payment of capital assets for machinery and equipment.

Funds amounting to R407 000, 00 had been reprioritised within the programme from Goods and Services to cover shortfall realised on Transfers and Subsidies under Households for leave gratuities, and to payments for financial assets for "debts written off".<sup>23</sup>

### 3.2.3 Programme 3: Rail transport

For the 2024/25 financial year, the budget for the Rail Transport programme sat at R19.5 billion. Of this amount, the programme underspent by R9.9 million (or 0.1%) by the end of the period under review. The underspending was on CoE and Goods and Services, as well as payment for capital assets.

The below budget expenditure on CoE was due to the moratorium by the DPSA on the filling of vacant posts, including resignations and retirements and additional budget to cater for the

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<sup>21</sup> Department of Transport (2025), p. 23.

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

cost-of-living adjustments.<sup>24</sup> Underspending on Goods and Services was attributed to the deferral of the development of the Railway Safety Regulations, as well as the National Devolution Strategy to 2025/26. Concerning the latter, the Department contended that it was not satisfied with the draft thereof. Consequently, it referred the draft back to the service provider to do further work and, therefore, it could not be submitted to the Minister for approval to submit to Cabinet.<sup>25</sup> The under-expenditure on payment of capital assets was owing to delays in the procurement of furniture, computers and office equipment due to systems failures, as well as obtaining approval to deviate from the NT instruction, which resulted in delayed delivery of goods by year-end.<sup>26</sup>

Funds amounting to R2000, 00 were reprioritised within the programme from Goods and Services to payments for financial assets for debts written off.<sup>27</sup> A rollover to the tune of R5.6 million had been requested from NT in the Rail Transport programme of which:<sup>28</sup>

- R2.3 million will be for the review and amendment of regulations in line with the Railway Safety Act (No. 30 of 2024);
- R3.2 million to finalise the National Devolution Strategy for submission to the Minister to submit to Cabinet for approval to conduct public consultations; and
- R173 000 on payment for capital assets for machinery and equipment.

### **3.2.4 Programme 4: Road transport**

Of the R49.4 billion allocated to the Road Transport programme for 2024/25, it spent R49.3 billion (or 99.7%). The programme underspent by a total of R133 million on Transfers and Subsidies due to the non-transfer of funds to the DLCA for procuring the new driving licence card machine. This stemmed from the finding by the AGSA on some irregularities with the tender, hence the transfer of funds was not done.<sup>29</sup>

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<sup>24</sup> Department of Transport (2025), p. 23.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

<sup>27</sup> Department of Transport (2025), p. 24.

<sup>28</sup> Ibid.

<sup>29</sup> Department of Transport (2025), p. 24.

A total amount of R447 000 had been shifted to this programme to cater for excess expenditure realised on CoE, Goods and Services, as well as for payment for financial assets for debts written off.<sup>30</sup>

### 3.2.5 Programme 5: Civil aviation transport

By the end of 2024/25, the Civil Aviation Transport programme had spent R529.3 million (or 95.9%) against R552 million appropriated to it. This indicates an under-expenditure of R12.1 million (or 3.8%). In total, the programme underspent by R22.8 million on Goods and Services and Transfers and Subsidies.

Goods and Services underspent due to the following reasons:<sup>31</sup>

- Regional Search and Rescue event which was postponed to the 2025/26 financial year because of cost-containment measures;
- The National Aviation Transformation Strategy due to delayed finalisation of the procurement and the project had been deferred to 2024/25; and
- The Integrated Information Management System. However, the draft service level agreement had been developed for this project and had been circulated to Bid Specification Committee (BSC) members for inputs/comments.

The underspending on Transfers and Subsidies was attributed to “savings” on international membership fees.<sup>32</sup> However, it should be noted that membership funds were paid as agreed with Member States.<sup>33</sup>

Funds to the tune of R4.2 million had been shifted to this programme to cater for excess expenditure within CoE, as well as for payment for capital assets across programmes owing to unavoidable purchase of furniture for an official deployed to the Canada office.<sup>34</sup>

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<sup>30</sup> Department of Transport (2025), p. 24.

<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

<sup>33</sup> Ibid.

<sup>34</sup> Ibid.

### 3.2.6 Programme 6: Maritime transport

For 2024/25, the Maritime Transport programme had received R191.4 million and of this amount, it spent R178.3 million (or 93.2%). This indicates an under-expenditure of R13 million (or 6.8%). The underspending was on Goods and Services, as well as Transfers and Subsidies. The programme's spending improved significantly from the previous financial year, up from 70 per cent when it had spent R184.6 million against R263.6 million that had been appropriated in 2023/24.<sup>35</sup>

Goods and Services underspent owing to the following:

- Regulation 224: Hi cube containers as the programme was still in the process of drafting the terms of reference;<sup>36</sup> and
- SAMSA: Small vessel surveyor training programme as by the end of the financial year, the branch was still consulting on how funds should flow for this training.

Transfers and Subsidies underspent because of savings on international membership fees.<sup>37</sup>

A total amount of R5.4 million had been shifted from this programme under Goods and Services to cater for excess expenditure in other programmes.

### 3.2.7 Programme 7: Public transport

By the end of the period under review, the Public Transport programme had spent R14.8 billion (or 92.6%) of the approximately R16 billion allocated to it. This translates into an underspending of R1.2 billion (or 7.4%). The spending of the programme regressed from the

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<sup>35</sup> Department of Transport (2024), p. 26.

<sup>36</sup> A high cube container is a type of specialised shipping container that offers extra height (about 1 foot or 30 cm) compared to standard containers, making them ideal for transporting bulky, lightweight, or voluminous cargo and for use in on-site storage or modifications, like converting them into buildings. They have the same length and width as standard containers but provide greater interior height, increasing capacity and usability for items like insulation or wire.

<sup>37</sup> Department of Transport (2024), p. 26.

previous financial year when it spent R14.3 billion (or 99.1%) against R14.4 billion of its final appropriation.

The underspending on CoE stood at R1.5 million. It was due to the moratorium by the DPSA on the filling of vacant posts, resignations and retirements, including additional funds allocated during the adjustment budget to cater for cost-of-living adjustments.<sup>38</sup> Funds amounting to R42 million were underspent on Goods and Services. They emanated from various projects and key amongst these was the capacity for public transport grant monitoring.

According to the Department, the integrated public transport network (IPTN) municipalities have been divided into three clusters. The Department further contended that Clusters B and C have appointed service providers, while the service provider for Cluster A had resigned.<sup>39</sup> The process of re-advertising for Cluster A was underway at the time of reporting. The Department plans to have a service provider appointed in the 2025/26 financial year. A panel of experts had been formed, and service providers in ten workstreams had been appointed. However, there were internal delays in processing Requests for Quotations (RFQs) for appointing service providers in various workstreams.<sup>40</sup> The Supply Chain Management (SCM) team was reportedly addressing these challenges to ensure that RFQs were processed more quickly and smoothly for the panel of experts in the new financial year.<sup>41</sup>

The under-expenditure to the tune of R51.5 million was on transfers to the Taxi Recapitalisation Programme (TRP) which is demand driven. The Public Transport programme did not transfer an amount of R1.1 billion because of funds withheld and stopped on conditional grants for the Public Transport Network Grant (PTNG) owing to non-compliance with the Division of Revenue Act (No. 24 of 2024) (DORA) conditions in the following municipalities:<sup>42</sup>

- eThekweni;
- Polokwane;

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<sup>38</sup> Department of Transport (2025), p. 25.

<sup>39</sup> Department of Transport (2025), p. 26.

<sup>40</sup> Ibid.

<sup>41</sup> Ibid.

<sup>42</sup> Ibid.

- Mangaung; and
- Johannesburg.

In addition, the underspending on the PTNG comprised deferred spending by the City of Cape Town.

### 3.3 Virements and Roll Overs 2024/25

**Table 5: Virements**

<b>Economic Classification</b>	<b>Administration</b>	<b>Integrated Transport</b>	<b>Rail Transport</b>	<b>Road Transport</b>	<b>Civil Aviation Transport</b>	<b>Maritime Transport</b>	<b>Public Transport</b>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Compensation of Employees	-3 236	0	0	16	2 917	203	0	0
Goods and Services	8 579	-407	-2	806	-16	-6 088	-5 524	-2 652
Transfers and Subsidies	1 922	402	0	90	16	0	18	2 448
Payment for Capital Assets	-1 288	0	0	-473	1 288	473	0	0
Payments for Financial Assets	183	5	2	8	0	0	6	204
<b>Total</b>	<b>6 260</b>	<b>0</b>	<b>0</b>	<b>447</b>	<b>4 205</b>	<b>-5 412</b>	<b>-5 500</b>	<b>0</b>

(Source: Department of Transport (2024/25), p. 26-27.)

The Department underspent on Goods and Services on various projects across programmes due to non-spending on some projects while some projects were put on hold and were deferred to the coming financial year. Virements were applied as follows:<sup>43</sup>

<sup>43</sup> Department of Transport (2024/25 Annual Report), p. 27.

- R3.1 million has been shifted within CoE from Programme 1: Administration to fund CoE in the Road Transport, Civil Aviation as well as the Maritime Transport programmes;
- A total of R2.7 million has been shifted from goods and services as follows:
  - R2.4 million to defray excess expenditure incurred on transfers and subsidies under household for leave gratuities and R2 000 for municipal vehicle licenses;
  - R204 000 was also shifted to fund the shortfall realised on payment for financial assets due to debt written off.

Rollovers were requested as detailed in the table below:

**Table 6: Rollovers**

<b>Programme</b>	<b>Economic Classification</b>	<b>Roll over requested</b>	<b>R'000</b>
<b>Programme 3: Rail Transport</b>	Goods and Services	National Devolution Strategy: To finalise the draft national devolution strategy for submission to the Minister for approval for the strategy to be submitted to Cabinet for approval to conduct public consultations.	3 162
	Goods and Services	Rail Safety Regulations: Appointment of service provider to assist with conducting research and the drafting of the new regulations	2 314

		in line with the Railway Safety Act.	
	Payment for Capital Assets	Machinery and equipment: To fund the commitment on the procurement of machinery and equipment as a result of delayed delivery.	173
<b>Total Rail Transport</b>			5 649
<b>Programme 7: Public Transport</b>	Transfers and Subsidies	Public Transport Network Grant (PTNG): Roll over requested for eThekwini municipality as the department and eThekwini municipality are engaging via the Presidential eThekwini Working Group to comply with the Minister's instruction to operate within 12 months, eThekwini municipality has agreed to comply with operational services in line with the National Land	303 000

		Transport Act (NLTA) in the 2025/26 financial year.	
<b>Total Public Transport</b>			308 649

(Source: Department of Transport (2024/25 Annual Report), p. 27-28.)

### 3.4 Unauthorised, fruitless and wasteful and irregular expenditure 2024/25

#### 3.4.1 Unauthorised expenditure

The Department reported that it had not incurred any unauthorised expenditure during the period under review.<sup>44</sup> However, it did incur unauthorised expenditures in 2013/14, 2014/15 and 2016/17 due to the electronic National Traffic Information System (eNaTIS) maintenance and operations amounting to R1.3 billion.<sup>45</sup> It also incurred unauthorised expenditure to the tune of R980 375 in 2018/19 as expenditure that had been incurred but not in accordance with the vote of the programme: Road Transport. One case of unauthorised expenditure for an amount of R108 623.25 was declared during the period under review for the Nelson Mandela event that was held on 18 July 2022 and recognised in the 2022/2023 financial year.<sup>46</sup>

According to the Department, unauthorised expenditure had been condoned by Parliament and was coordinated by the NT.<sup>47</sup> The Department also asserted that unauthorised expenditure amounting to R1.3 billion was presented to the Standing Committee on Public Accounts (SCOPA) on 20 September 2023.<sup>48</sup> Moreover, the Department stated that SCOPA had resolved to engage further with it (the Department) before providing recommendations. The Department

<sup>44</sup> Department of Transport (2024/25 Annual Report), p. 28.

<sup>45</sup> Ibid.

<sup>46</sup> Ibid.

<sup>47</sup> Ibid.

<sup>48</sup> Ibid.

also maintained that it had engaged the NT on the R980 375 unauthorised expenditure for further assessment of the expenditure.<sup>49</sup> Cumulative unauthorised expenditure to the date of the tabling of the Annual Report by the Department amounted to R1.3 billion.<sup>50</sup>

### **3.4.2 Fruitless and wasteful expenditure**

For the financial year under review, the Department reported that nine (09) cases of fruitless and wasteful expenditures were incurred amounting to R13 694.25.<sup>51</sup> Seven (07) cases, to the value of R10 197.25 were referred to debt for recovery, with one (01) case amounting to R1 748.50 written off and one (01) case was referred back to the Travel Services by the Loss Control Committee for more information to be used in determining whether to write off or recover the loss..<sup>52</sup>

Cases of losses mainly due to no shows are reported to the Loss Control Committee to consider and determine the liability. If found in contravention of the applicable prescripts, the cost is recovered from the official and if not, the cost is written off.<sup>53</sup>

### **3.4.3 Irregular expenditure**

The Department asserted that for the year under review there were no new cases of irregular expenditure. By the end of the 2024/25 financial year, the total irregular expenditure stood at R61.7 million and involved sixteen (16) cases.<sup>54</sup>

Reporting on progress in dealing with cases of irregular expenditure, the Department maintained that:<sup>55</sup>

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<sup>49</sup> Department of Transport (2024/25 Annual Report), p. 28.

<sup>50</sup> Ibid.

<sup>51</sup> Department of Transport (2024/25 Annual Report), p. 29.

<sup>52</sup> Ibid.

<sup>53</sup> Ibid.

<sup>54</sup> Department of Transport (2024/25 Annual Report), p. 28.

<sup>55</sup> Ibid.

- At the time of reporting, nine (9) cases were at Labour Relations for disciplinary processing, and of these, four (4) had been transferred to Department of Higher Education to initiate disciplinary process; and
- Seven (7) cases were in the process of condonement with the NT.

#### **3.4.4 Measures put in place to prevent and/or detect irregular expenditure**

The Department indicated that it has put measures in place to prevent and/or detect irregular expenditure, through the departmental policies and NT prescripts. The irregular expenditure committee also meets quarterly to discuss the cases.<sup>56</sup>

The table below indicates the measures that were indicated in the Annual Report as having been put in place to prevent and/or detect irregular expenditure.<sup>57</sup> The Committee notes that the measures are identical to the measures put in place in the previous performance cycle with one additional measure linked to ensure probity audits for bids above R3 million. The Committee must impress upon the Department to carefully and closely measure whether the implementation of these listed and repeated measures will result in resolving the unauthorised and irregular expenditure carried over from previous years and whether these measures will assist in reducing and/or preventing fruitless and wasteful expenditure which is still being incurred.

Although the AGSA confirmed that the Department itself did not incur new irregular or unauthorised expenditure for the year under review, there remains a concern for the entire transport portfolio, since the transport portfolio still incurred fruitless, wasteful, unauthorised and irregular expenditure in the current period under review, which indicates that the previous measures were either insufficient or ineffective or that the Department and their entities had not implemented these set measures appropriately throughout the transport portfolio. This concern was shared by the AGSA for the transport portfolio in their presentation to the Committee and the proposal that the Committee should continue to conduct oversight over the

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<sup>56</sup> Department of Transport (2024/25 Annual Report), p. 29.

<sup>57</sup> Department of Transport (2024/25 Annual Report), p. 30 - 31.

implementation of these measures, as well as other measures in place to address other audit findings.

**Table 7: Measures put in place to prevent and/or detect irregular expenditure in 2023/24 and 2024/25**

2023/24 Annual Report	2024/25 Annual Report
<p>Measures listed in the 2023/24 report that were put in place to prevent and/or detect irregular expenditure are as follows:</p> <ul style="list-style-type: none"> <li>•Where appropriate, cases of irregular expenditure are referred to the Department’s legal services to determine whether any official can be held liable for the irregular expenditure;</li> <li>o Cases of irregular expenditure are referred to the Department’s Directorate: Investigations and Forensics for investigation when an investigation is required;</li> <li>• Relevant managers are requested to take disciplinary steps against officials who make or permits irregular expenditure;</li> <li>•NT is approached for condoning of irregular expenditure and is only approached once a legal opinion has been obtained where applicable, and disciplinary steps were considered;</li> <li>•The Logis system monitors all payments against orders that are placed, and will detect payments that exceed the contract value;</li> <li>•The Logis system will detect any payments that are approved for processing for which no order was placed;</li> </ul>	<p>Measures listed in the 2024/25 report that were put in place to prevent and/or detect irregular expenditure are as follows:</p> <ul style="list-style-type: none"> <li>• Probity audits conducted for bids above R3 million;</li> <li>•Where appropriate, cases of irregular expenditure are referred to the Department’s legal services to determine whether any official can be held liable for the irregular expenditure;</li> <li>•Cases of irregular expenditure are referred to the Department’s Directorate: Investigations and Forensics for investigation when an investigation is required;</li> <li>•Relevant managers are requested to take disciplinary steps against officials who make or permits irregular expenditure;</li> <li>•NT is approached for condoning of irregular expenditure and is only approached once a legal opinion has been obtained where applicable, and disciplinary steps were considered;</li> <li>•The Logis system monitors all payments against orders that are placed, and will detect payments that exceed the contract value;</li> </ul>

<ul style="list-style-type: none"> <li>•Payments for all procurements must be processed via SCM so that any irregular procurement can be detected before payment;</li> <li>•To prevent the occurrence of not completing the internal order and requisition forms, the SCM component does not make any approval documents or letters of acceptance available until the internal order and requisition forms are completed.</li> </ul>	<ul style="list-style-type: none"> <li>•The Logis system will detect any payments that are approved for processing for which no order was placed;</li> <li>•Payments for all procurements must be processed via SCM so that any irregular procurement can be detected before payment;</li> <li>•To prevent the occurrence of not completing the internal order and requisition forms, the SCM component does not make any approval documents or letters of acceptance available until the internal order and requisition forms are completed.</li> </ul>
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## 4. OVERVIEW AND ASSESSMENT OF PROGRAMME PERFORMANCE

### 4.1 Summary of performance

**Table 8: Overall Annual Performance Targets**

Total targets set	65
Targets achieved	53/65
Targets not achieved	12/65
Success rate	81.5%
Total budget spent	R84.9 billion (or 98.4%)

**(Source: Department of Transport (2025), pp. 75-171)**

During the period under review, the Department had set itself sixty-five (65) annual performance targets and of these, it achieved fifty-three (53). This translates into an achievement rate of 81.5 per cent<sup>58</sup>. It spent R84.9 billion (or 98.4%) against the R86.3 billion appropriated to it in 2024/25. It is worth noting that the Department's success rate regressed

<sup>58</sup> Department of Transport (2024/25 Annual Report), pp. 75-171.

compared to previously. During that period (2023/24), it achieved seventy-nine (79) annual performance targets (or 86.8%) against the set target of ninety-one (91) annual performance targets.<sup>59</sup>

#### 4.1.1 Selected Achievements during the Period under Review

- The Department remained focused on the implementation of the National Skills Development Plan, 2030 in response to the NDP’s call to reduce inequality and poverty alleviation. The Department’s skills development plans focused primarily on the development and empowerment of South Africans to ensure a skilled and capable workforce within the transport sector. For the 2024/25 financial year, the Department implemented 525 training interventions to 360 employees which is 51 per cent of the workforce, in line with the Workplace Skills Plan. A total of 167 bursaries were managed. Furthermore, a total of 256 bursaries were awarded to unemployed students within the thirteen (13) universities that the Department has a partnership with;<sup>60</sup>
- The Draft Transport Sector Just Transition Plan and the Draft reviewed Green Transport Strategy were developed as targeted;<sup>61</sup>
- The Regional Transport Strategy underwent a thorough approval process. After being presented to various clusters for endorsement, it received approval from the Minister of Transport (“the Minister”). Subsequently, during a Cabinet Committee meeting (Economic Sectors, Employment and Infrastructure Development the Strategy was reviewed and officially approved for implementation;<sup>62</sup>
- The process of developing the National Rail Bill was undertaken. This included consultations with Transnet, NT and Operation *Vulindlela* in the Presidency;<sup>63</sup>
- The review of the Draft National Road Safety Strategy was conducted;<sup>64</sup>
- The Department undertook a process of reviewing the principal Acts of all road entities (C-BRTA, RTMC, RTIA and SANRAL. The decision stemmed from the fact that their

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<sup>59</sup> Department of Transport (2024b), pp. 211-298.

<sup>60</sup> Department of Transport (2025), p. 63.

<sup>61</sup> Department of Transport (2025), p. 85.

<sup>62</sup> Department of Transport (2025), p. 86.

<sup>63</sup> Department of Transport (2025), p. 99.

<sup>64</sup> Department of Transport (2025), p. 110.

mandates are overlapping and there are duplications of functions. It is further based on the government's strategy on rationalising the number of entities within all the government departmental structures;<sup>65</sup>

- The Administrative Adjudication of Road Traffic Offences (AARTO) national roll-out was achieved. It was awaiting the proclamation by the President of both the current Administration Adjudication of Road Traffic Offences Act (No. 46 of 1998) and Administration Adjudication of Road Traffic Offences Amendment Act (No. 4 of 2019);<sup>66</sup>
- N2 Wild Coast Road Project (SIP 3): SANRAL made significant progress on the construction of the Mtentu and Msikaba bridge projects, that are part of the N2 Wild Coast Road Project.<sup>67</sup> These bridges are among the largest infrastructure developments in South Africa, designed to improve connectivity and boost economic growth by not only connecting, but also shortening the distance between Eastern Cape and KwaZulu-Natal provinces;
- The Moloto Road Corridor Development Project (SIP 1): The Moloto Road Project is making steady progress, with significant upgrades underway across Gauteng, Mpumalanga, and Limpopo;<sup>68</sup>
- Provincial road networks: The Department has made notable progress in rolling out the *S'hamba Sonke* Programme as funded through the Provincial Road Maintenance Programme (PRMG). During the period under review, the Department and SANRAL succeeded in rolling out the *Vala Zonke* programme, in collaboration with all road authorities, focusing on road maintenance and pothole repairs across South Africa;<sup>69</sup>
- Draft Maritime Energy Efficiency Strategy: This is the maritime energy policy on infrastructure, operations, storage, and transportation of energy through the maritime sector. It addresses the maritime energy solutions for the sector-study on the alternative energy efficient solutions to support. During the period under review, the Draft Report on Maritime Energy Solutions was developed;<sup>70</sup>

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<sup>65</sup> Department of Transport (2025), p. 112.

<sup>66</sup> Ibid.

<sup>67</sup> Department of Transport (2025), p. 113.

<sup>68</sup> Ibid.

<sup>69</sup> Department of Transport (2025), pp. 113-114.

<sup>70</sup> Department of Transport (2025), p. 142.

- During the period under review, regulations for e-hailing services were approved by the Minister after intensive consultations. The next step will be to request the Presidency to promulgate the National Land Transport Amendment Act;<sup>71</sup>
- Several economic empowerment projects were piloted in the various provinces as part of the process of increasing the sustainability of the taxi industry;<sup>72</sup> and
- The Draft Public Transport Subsidy Policy was approved by Cabinet for wider publication stakeholder consultation and was gazetted and consulted with the public from February 2024 to April 2024.<sup>73</sup>

#### **4.1.2 Selected Challenges Encountered during the Period under Review**

- The vacancy rate in the Department remained a challenge. The total number of posts in the establishment was 862, and out of these, one hundred and sixty-five (165) posts were vacant. By the end of 2024/25, the vacancy rate stood at 16.3 per cent which is high in terms of the DPSA's baseline in which the vacancy rate must be maintained at below 10 per cent<sup>74</sup>;
- The Transport Economic Regulator (TER) was not established.<sup>75</sup> This was attributed to a delay in the processing of security vetting for the recommended board members by the evaluation panel;<sup>76</sup>
- The National Devolution Strategy was not developed and the reason provided for this was "capacity constraints";<sup>77</sup>
- The C-BRTA and the RAF Amendment Bills were not finalised;<sup>78</sup>
- The Revised Road Accident Benefit Scheme (RABS) Bill was not developed;<sup>79</sup>
- The Comprehensive Civil Aviation Policy was not submitted to Cabinet;<sup>80</sup>

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<sup>71</sup> Department of Transport (2025), p. 156.

<sup>72</sup> Ibid.

<sup>73</sup> Department of Transport (2025), p. 157.

<sup>74</sup> Department of Transport (2025), p. 62.

<sup>75</sup> Department of Transport (2025), p. 96.

<sup>76</sup> Ibid.

<sup>77</sup> Department of Transport (2025), p. 107.

<sup>78</sup> Department of Transport (2025), p. 122.

<sup>79</sup> Department of Transport (2025), p. 123.

<sup>80</sup> Department of Transport (2025), p. 136.

- The National Ports Amendment Bill was not submitted to Cabinet. At the time of reporting, the Department averred that stakeholder engagements on the Bill were “still underway”;<sup>81</sup>
- 70 per cent Completion of 18 Operation *Phakisa* Initiatives on marine transport and manufacturing: The achievement rate was 5 per cent lower than the planned target and this was attributed to delays in procurement processes with the key Transport National Ports Authority capital expenditure project;<sup>82</sup> and
- The Public Transport Subsidy Policy was not submitted to Cabinet Clusters. The reason provided for this was prolonged stakeholder consultations at the National Economic Development and Labour Council (NEDLAC).<sup>83</sup>

## 4.2 Programme performance

### 4.2.1 Programme 1: Administration

**Table 9: Programme 1: Administration: Annual Performance Targets**

Total targets set	12
Targets achieved	10/12
Targets not achieved	2/12
Success rate	83.3%
Total budget spent	R563.2 million (or 98.8%)

(Source: Department of Transport (2025), pp. 75-84)

The Department had set itself twelve (12) annual performance targets under the Administration programme, and of these, it achieved ten (10). This indicates a success rate of 83.3%.<sup>84</sup> It spent R563.2 million (or 98.8%) allocated to it in the Administration programme during the period under review.

### Overview of the Targets not Achieved

<sup>81</sup> Department of Transport (2025), p. 148.

<sup>82</sup> Department of Transport (2025), pp. 148-149.

<sup>83</sup> Department of Transport (2025), p. 167.

<sup>84</sup> Department of Transport (2025), pp. 75-82.

The two (2) annual performance targets that the Department could not attain in the programme were the following:<sup>85</sup>

**1) 100% implementation of the stakeholder plan**

At the time of reporting, the Department asserted that “consultations with management on the stakeholder framework [were] still underway”.<sup>86</sup> As its action plan, the Department maintained that the communication team will conduct a final review of the stakeholder management framework before it is submitted to the Acting Deputy Director-General. Subsequently, the framework will be presented to Executive Committee for final approval during the First Quarter of 2025/26.<sup>87</sup>

**2) 100% compliance with valid invoices paid within 30 days**

During the period under review, the Department recorded 85 per cent compliance with valid invoices paid within 30 days.<sup>88</sup> The Department’s compliance with the payment of valid invoices within 30 days regressed from the previous financial year when it stood at 87.<sup>89</sup> The Department maintained that 99 per cent of late payments were travel related. To rectify this, it asserted that it would create a centralised entry point for submitting travel requisitions in office services to ensure that all supporting documents are attached to the VA26.<sup>90</sup> This will, in the Department’s view, reduce the number of queries and invoices sent back to the travel agent.<sup>91</sup>

In addition, the Department has undertaken to create a requisition database to reconcile invoices with VA26s. This will eliminate duplicate payments and keep track of invoices.

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<sup>85</sup> Department of Transport (2025), pp. 75-82.

<sup>86</sup> Department of Transport (2025), p. 80.

<sup>87</sup> Department of Transport (2025), p. 84.

<sup>88</sup> Department of Transport (2025), p. 81.

<sup>89</sup> Department of Transport (2024b), p. 14

<sup>90</sup> Department of Transport (2025), p. 84. A VA26 form is an internal travel arrangement form that serves as an authority and outlines the purpose and dates of a trip for an employee.

<sup>91</sup> Ibid.

Finally, the Department has committed itself to procuring a travel management company (TMC) to provide an electronic booking system that can replace the manual VA26.<sup>92</sup>

#### 4.2.2 Programme 2: Integrated transport planning

**Table 10: Programme 2: Integrated Transport Planning: Annual Performance Targets**

Total targets set	6
Targets achieved	3/6
Targets not achieved	3/6
Success rate	50%
Total budget spent	Approximately R92 million (or 96.7%)

**(Source: Department of Transport (2025), pp. 95-98)**

During the period under review, the Department had set itself six (6) annual performance targets under the Integrated Transport programme, and of these, it attained three (3).<sup>93</sup> This indicates an achievement rate of 50 per cent. The programme's performance decreased by 7 per cent from the previous reporting period, although the Department had set itself seven (7) annual targets. The Department spent approximately R92 million (or 96.7%) in the programme.<sup>94</sup>

#### Overview of the Targets not Achieved

The three (3) annual performance targets that the Department could not achieve in the Integrated Transport Planning programme were the following:<sup>95</sup>

##### 1) Transport Economic Regulator (TER) established

<sup>92</sup> Department of Transport (2025), p. 84. A TMC is an online booking tool that allows employees to track and manage their own business travel.

<sup>93</sup> Department of Transport (2025), pp. 95-97.

<sup>94</sup> Department of Transport (2024b), pp. 154-159.

<sup>95</sup> Department of Transport (2024), p. 155-156.

Giving the reason for its inability to achieve this target, the Department contended that the request for approval to appoint the TER board was “en route”.<sup>96</sup> It further stated that there was a delay in the processing of security vetting for the recommended board members by the evaluation panel.<sup>97</sup>

## 2) Transport Economic Council (TEC) established

The Department asserted that it could not attain this target because of delays in the amendment of the ERT Act.<sup>98</sup>

## 3) Regulations of the Transport Economic Regulator (TER) Act developed

While the Department reported that it had developed the Draft Regulations of the TER Act, it argued that it was “still awaiting feedback from Office of the Chief State Law Advisor”.<sup>99</sup>

At the time of reporting, the Department averred that it received the opinion of the Office of the Chief State Law Advisor in April 2025, with further comments to be rectified.<sup>100</sup> Moreover, it maintained that the Government Technical Advisory Centre had been appointed for this process, however, the establishment of the TEC relies on the parliamentary processes.<sup>101</sup>

### 4.2.3 Programme 3: Rail transport

**Table 11: Programme 3: Rail Transport: Annual Performance Targets**

Total targets set	5
Targets achieved	4/5
Targets not achieved	1/5
Success rate	80%

<sup>96</sup> Department of Transport (2025), p. 96.

<sup>97</sup> Ibid.

<sup>98</sup> Department of Transport (2025), p. 97.

<sup>99</sup> Ibid.

<sup>100</sup> Department of Transport (2025), p. 98.

<sup>101</sup> Ibid.

Total budget spent	R19.5 billion (or 99.9%)
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(Source: Department of Transport (2025), pp. 105-107)

Of the five (5) annual performance targets that the Department had set itself under the Rail Transport programme, it achieved four (4) and spent 99.9 per cent of its budget allocation.<sup>102</sup> This translates into a success rate of 80 per cent. The Department's performance in this programme remains the same as in 2023/24 when it could not achieve one (1) annual performance target.<sup>103</sup> The only difference is that the Department had set itself twelve (12) annual performance targets during that financial year.

### Overview of the Target not Achieved

The annual performance target that the Department could not achieve in the Rail Transport programme was the following:<sup>104</sup>

#### 1) National Devolution Strategy developed

The Department contended that the Draft Devolution Strategy was developed.<sup>105</sup> However, stakeholder consultation could not take place as the draft strategy must be submitted to Cabinet to get approval for public consultation. That impacted the national strategy not to be developed as targeted.<sup>106</sup> The Department further stated that the strategy will be reviewed and updated in the First Quarter of 2025/26, and it will be submitted to the Minister for approval to Cabinet to secure approval for public consultation.<sup>107</sup>

## 4.2.4 Programme 4: Road transport

**Table 12: Programme 4: Road Transport: Annual Performance Targets**

<sup>102</sup> Department of Transport (2025), pp. 105-107.

<sup>103</sup> Department of Transport (2024b), pp. 176-186.

<sup>104</sup> Department of Transport (2025), p. 107.

<sup>105</sup> Department of Transport (2025), p. 108.

<sup>106</sup> Ibid.

<sup>107</sup> Ibid.

Total targets set	14
Targets achieved	12/14
Targets not achieved	2/14
Success rate	85.7%
Total budget spent	R49.3 billion (or 99.7%)

**(Source: Department of Transport (2025), pp. 121-127)**

During the reporting period, the Department had set itself fourteen (14) annual performance targets under the Road Transport programme, and of these, it achieved twelve (12). This translates into an achievement rate of 85.7 per cent.<sup>108</sup> The programme spent R49.3 billion (or 99.7%) of its appropriation. The performance of the Road Transport programme, in terms of success rate, regressed from previously. In 2023/24, the Department had set itself seventeen (17) annual performance targets, and it achieved sixteen (16) by the end of that reporting period.<sup>109</sup>

### **Overview of the Targets not Achieved**

The performance targets that the Road Transport programme could not attain during the reporting period were the following:<sup>110</sup>

#### **1) Amendment Bills finalised (C-BRTA and RAF)**

At the time of reporting, the Department asserted that it had not finalised the C-BRTA and RAF Amendment Bills. Pertaining to the C-BRTA Amendment Bill, the Department averred that the Bill had served before the Executive Committee and Committee of Transport Officials wherein it was updated, with comments incorporated.<sup>111</sup> Conversely, the RAF Amendment Bill served before the Ministerial Executive Committee, where it was withdrawn and it was resolved that it be replaced by the Road Accident Benefit Scheme Bill (RABS) Bill. By the end

<sup>108</sup> Department of Transport (2025), pp. 121-127.

<sup>109</sup> Department of Transport (2024b), pp. 205-220.

<sup>110</sup> Department of Transport (2025), p. 121-127.

<sup>111</sup> Department of Transport (2025), pp. 122-123.

of the period under review, the Department stated that developing the RABS Bill was underway.<sup>112</sup>

As its action plan, the Department contended that it would submit the Bills for consultations with the Ministers and Members of the Executive Council and NEDLAC, as well as the Office of the Chief State Law Advisor in 2025/26.<sup>113</sup> Finally, the Department reported that the “C-BRTA and RAF Bills are targeted for submission to the Cabinet”.<sup>114</sup>

## 2) Revised RABS Bill developed

The Bill could not be developed as engagements with NT were delayed because of the non-availability of NT officials due to the budget preparation process.<sup>115</sup> The Department reported that it was in the process of establishing an interdepartmental task team comprising the Department of Health, Department of Social Development, Department of Employment and Labour, NT, Department of Home Affairs, Department of Tourism, Department of Electricity and Energy, Department of Mineral Petroleum and Resources, as well as RAF to serve on the interdepartmental task team.<sup>116</sup>

The role of the interdepartmental task team is to undertake a comprehensive study and make recommendations to the Department on the operationalisation of RABS, in line with the four broad principles for a new motor vehicle accident compensation system to provide for a reasonable, affordable, sustainable, and equitable compensation system considering the current legislative framework on social security.<sup>117</sup>

### 4.2.5 Programme 5: Civil aviation transport

#### Table 13: Programme 5: Civil Aviation Transport: Annual Performance Targets

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<sup>112</sup> Department of Transport (2025), p. 122.

<sup>113</sup> Department of Transport (2025), p. 129.

<sup>114</sup> Ibid.

<sup>115</sup> Department of Transport (2025), p. 123.

<sup>116</sup> Department of Transport (2025), p. 129.

<sup>117</sup> Ibid.

Total targets set	7
Targets achieved	6/7
Targets not achieved	1/7
Success rate	85.7%
Total budget spent	R529.3 million (or 95.9%)

**(Source: Department of Transport (2025), pp. 136-139)**

Under the Civil Aviation Transport programme, the Department had set itself seven (7) annual performance targets, and it achieved six (6).<sup>118</sup> This represents an achievement rate of 85.7 per cent. The programme's performance improved from that of the previous financial year when its success rate sat at 40 percent.<sup>119</sup> The Civil Aviation Transport programme spent R529.3 million (or 95.9%) of its appropriation.

### **Overview of the Target not Achieved**

The annual performance target that the Department could not attain in the Civil Aviation Transport programme was the following:<sup>120</sup>

#### **1) Comprehensive Civil Aviation Policy submitted to Cabinet**

The Comprehensive Civil Aviation Policy was not submitted to Cabinet. However, the Department maintained that the Draft Comprehensive Civil Aviation Policy was being revised, as recommended by the Minister, at the time of reporting.<sup>121</sup>

The Department stated that it had obtained Cabinet approval to solicit public comments in the 2025/2026 financial year. The draft policy will be gazetted for wider public consultation for 30 days. The comments will be considered for incorporation into the draft policy, thereafter Socio-Economic Impact Assessment System, NEDLAC, and Cabinet processes will be initiated.<sup>122</sup>

<sup>118</sup> Department of Transport (2025), pp. 136-139.

<sup>119</sup> Department of Transport (2025), pp. 232-235.

<sup>120</sup> Department of Transport (2024b), p. 136.

<sup>121</sup> Ibid.

<sup>122</sup> Department of Transport (2025), p. 140.

## 4.2.6 Programme 6: Maritime transport

**Table 14: Programme 6: Maritime Transport: Annual Performance Targets**

Total targets set	11
Targets achieved	9/11
Targets not achieved	2/11
Success rate	81.8%
Total budget spent	R178.3 million (or 93.2%)

(Source: Department of Transport (2025), pp. 148-152)

During the period under review, the Department had set itself eleven (11) annual performance targets under the Maritime Transport programme, and it achieved nine (9).<sup>123</sup> This translates into a success rate of 81.8 per cent. The Department spent R178.3 million (or 93.2%) against the R191.4 million allocated to it in the programme during the period under review. The programme recorded an increase in its spending, up from 70 per cent.<sup>124</sup>

### Overview of the Targets not Achieved

The annual performance targets that the Department could not achieve in the Maritime Transport programme were as follows:<sup>125</sup>

#### 1) National Ports Amendment Bill submitted to Cabinet

The Department argued that it could not submit the National Ports Amendment Bill to Cabinet owing to stakeholder engagements on the Bill that were “still underway”.<sup>126</sup>

#### 2) 70% Completion of Operation Phakisa Initiatives on marine transport and manufacturing

<sup>123</sup> Department of Transport (2025), pp. 148-152.

<sup>124</sup> Department of Transport (2024b), p. 262.

<sup>125</sup> Department of Transport (2025), pp. 148-152.

<sup>126</sup> Department of Transport (2025), p. 148.

By the end of the financial year, the achievement was 5 per cent lower than the planned target. The under-achievement was attributed to delays in procurement processes with the key Transnet National Ports Authority (TNPA) capital expenditure (CAPEX).<sup>127</sup>

#### 4.2.7 Programme 7: Public transport

**Table 15: Programme 7: Public Transport: Annual Performance Targets**

Total targets set	10
Targets achieved	9/10
Targets not achieved	1/10
Success rate	90%
Total budget spent	R14.8 billion (or 92.6%)

(Source: Department of Transport (2025), pp. 165-171)

The Department had set itself ten (10) annual performance targets under the Public Transport programme in 2024/25, and it attained nine (9) by the end of the period under review. This indicates a success rate of 90 per cent.<sup>128</sup> The Department spent R14.8 billion (or 92.6%) of the approximately R16 billion appropriated to the Public Transport programme. The programme's achievement rate regressed from that of 2023/24 when it had achieved 100 per cent of twenty-two (22) annual performance targets set for that reporting period.<sup>129</sup> Similarly, the spending on the programme decreased during the reporting period, down from 99.1 per cent in the previous financial year.<sup>130</sup>

#### Overview of the Target not Achieved

The annual target that the Department could not attain in the Transport Planning programme was the following:<sup>131</sup>

<sup>127</sup> Department of Transport (2025), pp. 148-149.

<sup>128</sup> Department of Transport (2025), pp. 165-171.

<sup>129</sup> Department of Transport (2024b), pp. 283-298.

<sup>130</sup> Ibid.

<sup>131</sup> Department of Transport (2025), p. 167.

## 1) Public Transport Subsidy Policy submitted to Cabinet Clusters

The target could not be achieved due to “prolonged stakeholder consultations at NEDLAC”.<sup>132</sup> The Department further asserted that the NEDLAC Act requires that a report/certificate be issued for parliamentary consideration.<sup>133</sup>

## 5. HUMAN RESOURCE MANAGEMENT

During the period under review, the Department had 827 posts on its approved establishment, and of these, 692 had been filled. The vacancy rate stood at 16.3 per cent, down from 20.4 per cent previously.<sup>134</sup>

The highest vacancy rate was in the Administration programme which stood at 8.1 per cent. The Integrated Transport Planning programme came second, with a vacancy rate of 2.3 per cent. In the third place came Public Transport programme whose vacancy rate stood at 1.7 per cent.<sup>135</sup> The turnover rate of permanent employees increased from 6.1 per cent previously to 8.3 per cent in the financial year during the reporting period.<sup>136</sup> The turnover was due to resignation of 29 employees (48%), six (6) employees due to death, retirement of 7 employees (12%), transfer of 5 (or 8%) employees to other government departments and contract expiry of 13 (or 22%) employees.<sup>137</sup>

By the end of the period under review, the Employment Equity status of the Department was as follows:<sup>138</sup>

- African males (42.2%);
- African females (51.8%);
- White males (1%);

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<sup>132</sup> Ibid.

<sup>133</sup> Ibid.

<sup>134</sup> Department of Transport (2025), p. 239.

<sup>135</sup> Ibid.

<sup>136</sup> Department of Transport (2025), p. 232.

<sup>137</sup> Ibid.

<sup>138</sup> Ibid.

- White females (1.9%);
- Indian males (0.6%);
- Indian females (0.9%);
- Coloured males (0.7%); and
- Coloured females (1%);

Employees with disabilities stood at 2.6 per cent.<sup>139</sup>

From page 262 to 266 of the Department's Annual Report, it highlights and lists information on the utilisation of consultants in the Department. For the year under review, the Committee noted that the Department made use of a total of 44 individual consultants (down from the 47 consultants indicated in the previous year) to work on 14 projects (down from the 26 projects indicated in the previous year) with a total cumulative contract value of R617 million (3.7 times more than the R164.2 million indicated in the previous year). Some of the projects ran for over a calendar year, some ran for almost 4 calendar years.

The projects that used consultants are:

- Technical service for Cluster A: National Infrastructure Programme, Project and Delivery Management;
- Marine Pollution Prevention & Response Vessel capability (Standby Tug);
- To develop Freight Corridor Performance Indicators that would assist Department of Transport to measure freight movement across South Africa;
- Integrated Public Transport Network in Waterberg Municipality;
- Integrated Public Transport Network in Francis Baard Municipality;
- Provide project management support to the Interim Rail Economic Regulatory Capacity;
- Panel for conducting Probity Audit;
- Panel of experts to assist in the Public Transport Industry Development and specialist in IPTN related fields;
- Develop a Road Asset Management Central Data Repository;

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<sup>139</sup> Department of Transport (2025), p. 232.

- Provision of Technical Support Services: Shamba Sonke Cluster D: Gauteng, Limpopo and Mpumalanga;
- Provision of Technical Support Services: Shamba Sonke Cluster B: Eastern Cape, KwaZulu-Natal and Western Cape;
- Update the National Freight Databank; and
- Conduct an assessment on the process made on the implementation of the National Tax Lekgotla Resolutions, guide and oversee the implementation thereof and organise a report back conference.

## **6. RESPONSES TO SUMMARY OF 2024 REPORTING REQUESTS**

During the 2024 BRRR, the Committee requested additional matters for the Department to report on. From page 199 to 209 of the Annual Report, the Department indicates how it responded to reporting requests from the Portfolio Committee for two meetings (22 July 2024 and 27 August 2024) during the year under review. This list does not specify the response to the reporting requests from the Committee, as contained in the 2024 BRRR of the Committee. Last year, the Department ensured that the Annual Report, for the first time since 2020, included a table of this kind indicating the responses to the BRRR requests. The Committee noted that during engagements throughout the year, the Department did specifically address some of these issues.

The Committee remains of the view that the Department and its entities must comply with the primary, as well as the additional reporting requests contained in its BRRR, and that the failure to do so will not be accepted. A number of these requests are repeated in this year's additional reporting requests due to repeat findings by the AGSA, as well as the failure of the Department and its entities to ensure that all of these were reported on and resolved within the set timeframes.

## 7. OBSERVATIONS

### 7.1 Tabling and Reasons for delays or non-tabling of Annual Reports

Since the SAA and RAF did not submit their Annual Reports in time for consideration by the Committee, the AGSA presented their audit reports for the entities and the Department, except for the SAA and RAF. It was noted that the AGSA presented on the audit outcomes of RAF to the SCOPA RAF enquiry on 8 October 2025 and some reference to the overall outcome is made in this report, however, the full details of this presentation will not be reflected in this BRRR since the Portfolio Committee did not receive the presentation or engage on this with the AGSA.

The Minister tabled the following reasons for the delay in tabling the following Annual Reports:

- SAA (30 September 2025)
  - *South African Airways SOC Limited will not be able to finalise and submit the company's audited financial statements by the statutory deadline of 30 September 2025 due primarily to the following factors:*
    - *Outstanding Audit Finalisation: The external audit process has been impacted by complexities arising from the late compilation of the Annual Financial Statements (AFS) for FY23/24. The FY24/25 required additional time to ensure full compliance and accuracy.*
    - *Board Oversight and Governance Review: The new Board appointed in August 2025 would require additional time to review and validate key disclosures to ensure alignment with governance standards and transparency expectations.*
    - *The Board and Executive Management are working closely with the auditors to expedite the process. It is anticipated that the Annual Financial Statements will be finalised and ready for tabling by the end of November 2025.*
- RAF (30 September 2025)

- *The reason for the non-tabling of the Annual Report and Financial Statements is the delay in the finalisation of the audit process. The Fund anticipates that the Annual Report will be ready for tabling on or before Friday, 10 October 2025. I can assure Parliament that necessary steps are being taken to ensure that the report is completed and tabled as soon as possible, without compromising its accuracy, quality and integrity.*

The Committee noted the reasons provided for the failure to table the Annual Reports of SAA and RAF. The SAA and RAF 2024/25 Annual Reports remained outstanding at the time of the adoption of this report by the Committee.

## **7.2 Opinions expressed by the AGSA: Audit Outcomes for the Transport Portfolio**

### **7.2.1 Summary of AGSA findings for the Department specifically**

The audit opinion for the Department improved from the previous year and it received an unqualified audit opinion with no material findings (“clean” audit). The AGSA made the following findings specific to the Department:<sup>140</sup>

#### **7.2.1.1 Material Misstatements**

There has been an overall improvement in the number of material misstatements identified and financial reporting outcomes for the portfolio. This was due to the implementation of the audit action plan to address matters from the prior year. The AGSA urged the accounting officer/ authorities and senior management to continue to strengthen the processes, develop action plans to address identified deficiencies, sustain good practices and to identify and mitigate key risks. No material findings were reported in the Annual Report, which is an improvement from the prior year. During the audit process, the AGSA did identify material misstatements in the annual performance report submitted for auditing. These material misstatements were in the

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<sup>140</sup> Department of Transport (2024), pp. 430-439.

reported performance information for Programme 3: Rail Transport, Programme 4: Road Transport and Programme 7: Public Transport. Management subsequently corrected all the misstatements.

### **7.2.1.2 Internal Control Deficiencies**

The AGSA found that the Department strengthened its monitoring and validation processes of actual performance achievements against reported achievement, which resulted in the reported performance information being reliable. On the AFS, the Department received an unqualified audit opinion maintaining their status in the current year.

### **7.2.2 AGSA findings for the entire Transport portfolio**

The Committee noted the following views expressed by the AGSA regarding the audit outcomes of the transport portfolio:

#### **7.2.2.1 Overview, Material Irregularities and Quality of Financial Statements**

The overall outcomes in the transport portfolio have shown an improvement when compared to the previous year given the decrease in the number of audits with qualified outcomes. There was a regression in the submission of financial statements by the legislated auditees, with two Annual Reports not tabled on time from RAF and SAA. During the period under review, the Department, C-BRTA, RTMC, PRSA and RSR received unqualified audit opinions with no findings (“clean” audits), while the SACAA, DLCA, SAMSA, ACSA, ATNS, PRASA, Transnet SOC Ltd and SANRAL received unqualified audit opinions with findings. Qualified audits were received by RTIA.

On Material Irregularities (MIs), the AGSA indicated the following:

- The MI process is implemented at selected auditees audited by the AGSA that represent a significant portion of the expenditure budget and the irregular expenditure of national,

provincial and local government, including state-owned entities. The selection is also focused on auditees that are key contributors to government priorities;

- In its presentation, the AGSA indicated that there were two (2) MIs linked to PRASA and two (2) MIs linked to RAF.
  - For PRASA, the AGSA reports the following:
    - The Special Investigation Unit (SIU), under Proclamation 153 of 2024, is investigating suspected fraud relating to “ghost” employees at PRASA. This investigation is also aimed at identifying officials who caused any financial losses and recovering these losses, if applicable. This MI is no longer being pursued as part of the MI process and the progress of the investigation will be monitored as part of the normal audit process;
    - The underutilisation of the new blue trains at PRASA is being addressed through the infrastructure rebuilding and recovery plan, which aims to eliminate underutilisation in the medium-term. The AGSA has assessed the steps taken by management to address the matter and concluded that appropriate actions are taken;
  - Linked to the above, the AGSA recommended the following to the Committee:
    - Continuous follow-up on progress of SIU investigation into suspected fraud at PRASA;
    - Track PRASA’s progress on infrastructure recovery to enable effective use of blue trains;
- For Transnet, the AGSA reports the following regarding the status of active MIs:
  - The MIs presented on in the previous year were closed and there were no further updates on these issues. The AGSA indicated that Transnet had taken the appropriate action to resolve the issues raised;
  - The Audit opinion indicated the following:
    - On 31 March 2023, Transnet was liable to make a payment of R555 million (after offsetting the allowable diesel balance of R22 million) relating to the return submitted for the Value Added Tax (VAT) period ending on 28 February 2023 in accordance with the requirements of section 28(1)(b)(iii) of the VAT Act. However, a decision was made by management to delay the settlement of the VAT payable to improve the

cash flows of the public entity. This resulted in a contravention of the VAT Act;

- The delay in settlement resulted in the South African Revenue Services (SARS) raising a penalty of R57,7 million and charging interest to the amount of R6,5 million which was subsequently paid by the entity;
- The accounting authority was notified of the material irregularity on 13 June 2024 and invited to make a written submission on the actions taken and that will be taken to address the matter;
- The following actions have been taken to address the material irregularity:
  - Internal controls were enhanced which has resulted in similar non-compliances not re-occurring. In addition, to address the operational and cash flow challenges, the public entity implemented a recovery plan.
  - Furthermore, the accounting authority has taken active steps to recover the financial loss as a result of the non-compliance. This is evidenced by the following:
    - the public entity lodged a notice of objection which was disallowed by SARS on 14 May 2024;
    - the public entity then lodged a notice of appeal on 26th June 2024;
    - on August 2024, Transnet and SARS reached a settlement agreement, in which SARS has agreed to waive 90% of the penalties; and
- Based on the assessment of the accounting authority's submission and substantiating documentation, the AGSA concluded to not pursue this matter further as a material irregularity.

On the quality of financial statements, the key observations from the AGSA for the transport portfolio were:

- On the AFS, the institutions that received an unqualified audit opinion maintained their status in the current year (RTMC, C-BRTA, SACAA, DoT, ACSA, SAMSA, SANRAL). These institutions have consistently implemented regular controls over

processing of transactions, and prepared accurate and complete financial reports that are supported by reliable information;

- Two entities (PRASA, DLCA), improved their audit outcome for AFS in the current year, from a qualified opinion to an unqualified opinion. PRASA fully reconstructed its contract register, which led to accurate disclosures of the both the commitments and delayed infrastructure projects. DLCA performed full asset verification which led to accurate recording of all assets belonging to the entity;
- RTIA has not been able to resolve its prior year findings on AARTO liabilities. This was due to the failure to implement daily and monthly reconciling of AARTO receipts to the relevant accounts. The qualified opinion at RTIA was caused by a combination of issues, which include AARTO receipts which were not allocated to the relevant accounts, some transactions not supported by underlying records and differences between different accounts which are expected to be the same;
- For PRASA, the AGSA noted that material misstatements that were corrected were under property, plant and equipment, cash flow statement and commitments; and
- For Transnet, it was noted that the audit outcome for the current period has remained unchanged resulting in an unqualified audit opinion with material findings on the financial statements, performance information, and compliance. Transnet continues to face challenges in producing credible financial statements aligned with International Financial Reporting Standards and PFMA requirements due to some material adjustment continued to be made during the audit, highlighting the urgent need for a comprehensive review of financial management and reporting processes. The internal control environment remains weak, with management unable to prevent or detect significant misstatements. Recurring audit findings indicate that the implemented audit action plan has not effectively addressed root causes, and reliance on audit corrections rather than proactive internal controls is unsustainable. Reviews of the AFS and supporting records were inadequate, and management estimates, particularly for property, plant, and equipment were found to be unreasonable. Key operational divisions contributing to these misstatements include TNPA, TFR, Transnet Properties, and Transnet Group.

### 7.2.2.2 Key Messages on Service Delivery and Sector Performance

The RTMC was the only entity that achieved 100 per cent of its annual targets. The worst performers according to the AGSA's assessment are Transnet with 27.78 per cent of targets achieved, as well as the DLCA with 73 per cent annual targets achieved (although this is still a remarkable improvement from the previous year where it only managed to achieve 35 per cent), followed by SAMSA with 80 per cent annual targets achieved (an improvement from the previous year's 72 per cent) and RTIA with 80 per cent annual targets achieved (which is a regression from the 83 per cent of the previous year). Most of the auditees in the portfolio have been able to achieve more than 80 per cent of their targets.

The AGSA identified the following key targets that were not achieved in select entities, and these non-achievements may lead to delays in progress in the transport space:

- SANRAL
  - Network resurfaced km – [Target 950 km and reported achievement 928,8 km];
  - Percentage of Smooth Travel Exposure – [Target >90% and reported achievement 89,1%];
- RTIA
  - % of representations adjudicated within 21 days of date of capture by the Agency – [Target 100% and Reported achievement 98%];
  - % of applications for revocation of enforcement orders adjudicated within 21 days – [Target 100% and reported achievement 88,3%];
- Transnet
  - Financial statement ratio-linked targets showed improvement at 50 per cent (2024: 27.3%; 2023: 66.7%), while partnerships and reform-related targets were fully achieved at 100% (2024: 30%; 2023: 0%). However, key operational targets with direct impact on mandate regressed significantly, with only 8.3 per cent achieved (2024: 27.8%; 2023: 37.5%), indicating a downward trend in core operational performance;
  - Key challenges contributing to this poor performance include shortages of locomotives and wagons, equipment breakdowns due to maintenance backlogs, derailments, product spillages, reduced demand, rising energy costs, and the impact of crime and vandalism on critical infrastructure. These issues continue

to undermine Transnet's ability to deliver on its mandate and strategic objectives.

These targets were highlighted by the AGSA because the ripple effects of these failed targets will have on service delivery. For the Department, delays in the work done on rural district roads mean that rural households remain excluded from markets, schools and clinics. For SANRAL, the limited kilometres of roads that are resurfaced or have smooth travel exposure, negatively impact service delivery to maintain the road network and structures. Regarding the RTIA, there were delays in processing representations and applications for revocation of enforcement orders, which are derived from the entity's mandate, as outlined in the AARTO Act, and by not achieving these targets, there are shortcomings in the entity's ability to deliver on its primary service. For Transnet, the non-achievement of planned targets further contributes to increased reliance on road transportation, leading to higher costs, road congestion, damage to road infrastructure and negative environmental impacts.

The AGSA reflected on the sector's performance for indicators that are linked to MTDP 5-year targets by measuring and comparing the average targets per indicator, the sector's own target and the actual achievement of the targets. The target set for passenger rail journeys completed and the number of jobs to be created (SANRAL roads) in the current financial year is lower than the calculated average, creating a risk that the 5-year MTDP target may not be achieved. For the remaining indicators, the Department is on course to achieve the 5-year MTDP targets, demonstrating steady progress in areas such as road infrastructure investment, integrated public transport networks, and private sector participation.

The AGSA also considered infrastructure outcomes and infrastructure delivery for the sector during the year under review. The following findings were noted, that for twenty (20) out of twenty-six (26) projects audited, there were:

- Ongoing project delays with little improvement (slow progress by contractors, payment delays, budget cuts, scope revisions resulting increase in project costs);
- Delays in appointing replacement contractors resulting in deterioration of works;
- Consequence management against poor or non-performing PSPs and contractors were not effective; and

- Cashflow management issues were leading to delayed payments to contractors and consultants, negatively impacting completion of projects and termination of contracts.

For Transnet, the AGSA indicated the following regarding infrastructure projects:

- Transnet Freight Rail continues to face operational challenges despite the turnaround strategy;
- Cable theft and infrastructure damage persist, which is exacerbated by poor asset management controls;
- Impairment conditions on network assets causing speed restrictions and train cancellations which has an impact on the revenue losses;
- Site visits revealed dilapidated network assets, assets submerged under soil;
- Lack of maintenance due to budget prioritization and financial constraints. Transnet Freight Rail has not kept up with maintenance requirements. Maintenance underspend of R3.4 billion vs required R10.0 billion. Thus, indicating a need for further capital to keep-up with backlog. Cumulative underspend of R32.3 billion over years. Actual spending increased by 47% from prior year. Indicates significant backlog and need for increased funding; and
- Assets in severely deteriorated condition requiring replacement.

The AGSA indicated that the following were the causes for the above findings:

- Accounting Officers/ Accounting Authorities' failure to hold contractors and professional service providers accountable for continued poor performance and project delays;
- Project managers not adequately monitoring and supervising implementing agents, contractors and professional service providers to address delays proactively and implementing measures to fast-track completion of projects; and
- Projects managers' failing to verify claims by contractors against actual works on site resulting in payments for work not done/poor quality of works/payment certificates not supported with adequate evidence.

The AGSA indicated that the impact of the above is:

- Cost overruns due to overpayments, escalations, delays;

- Projects completion delays resulting in significant cost overruns and compromising funding for future projects;
- Delay in delivery results in citizens not having access to quality road network;
- Inadequate monitoring and supervision of projects due to vacancies within the PMUs;
- Non-performing contractors are not penalised as required by Construction Industry Development Board practice note 30; and
- As it relates to Transnet - Unresolved project delays or cancellations can lead to cost overruns, missed opportunities, and reputational damage threatening Transnet's long-term sustainability and credibility.

The AGSA also indicated that at PRASA, there had been steady and significant progress in getting passenger trains back on track. There had been R21.1 billion spent, which equates to 182 per cent of R11.6 billion capital allocated for 2024/25 (remainder financed out of cash reserves). 88 per cent (35 out of the 40) PRASA Metrorail service lines were recovered. This was enabled by appropriate safety and security measures to mitigate inherent risk. The improved performance translated in enhanced service delivery with an accompanying economic impact. Going forward, the entity should continue to fast track infrastructure recovery (installation of necessary signalling) for increased frequency and optimal use of trains and work towards having Metrorail passenger trips increase to 116 million in the 2025/26 financial year.

This year, the AGSA also reflected on the standardised indicators for road safety. The fine collection rate was low: only 11 per cent (R177.9 million of R1.6 billion issued). Measures need to be introduced to improve the collection of fines, e.g. prevention of license renewals should apply to all types of fines and not only limited to AARTO fines. Considering Arrests versus Convictions: 32519 (75 922 prior year) arrests, and 2574<sup>141</sup> convictions, therefore 7.9 per cent conviction rate, which is very low. The Implication of this is that a very low conviction rate suggests that there is no sufficient consequence management for transgressors of law enforcement. The AGSA further indicated that an increase in spending on road safety programmes was noted, which will assist the portfolio in its drive to positively influence road users. The transport portfolio is encouraged to continuously review the adequacy of the funding

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<sup>141</sup> As per DoJ Integrated Case Management System. Data for individuals who paid fines after arrest is not available.

and ensure that available funds are used effectively. Considering the performance of two key entities, the DLCA and RTMC, the AGSA indicated that:

- DLCA was only able to produce 2 396 758 cards from the targeted 2 500 000 due to the breakdown of the card production machine. It took 19 days to produce a card instead of the 14 days target. Delays have been experienced in the procurement of the new card machine;
- RTMC's law enforcement interventions increased by more than 200 per cent from 3 280 achievements to 12 050 compared to the prior year due to the introduction of e-force system which shown some efficiencies. RTMC and Western Cape province have traffic law enforcement units that operate 24/7. The RTMC's Law Enforcement unit gets deployed to assist provinces with increasing visibility on the roads. A notable success that resulted from these deployments was the zero-fatality rate that was reported during the 2025 Easter period on the N1 Limpopo route.

For Transnet, the AGSA indicated that overall, the entity audit outcome has remained unchanged, when compared to the previous year as it is unqualified with material findings on compliance with legislation and performance information. The outcome is mainly attributable to material misstatements in the financial statements submitted for audit, material findings on compliance with applicable legislation, as well as a material misstatement on the annual performance report submitted for the audit of predetermined objectives. Material findings on compliance with applicable legislation remain persistent, indicating stagnation in the entity's efforts to improve its compliance environment. These findings were prevalent in procurement and contract management, expenditure management, consequence management, revenue management, and material misstatements in the financial statements submitted for audit.

The recurrence of these issues underscores the urgent need for a more robust and effective compliance framework to ensure adherence to legislative requirements and strengthen accountability across the organisation. The audit raised material findings on consequence management, particularly due to the delays in investigating non-compliance matters that related to irregular and fruitless and wasteful expenditure. Delays in these processes hinder the timely implementation of consequence management and may perpetuate a culture of repeat non-compliance. The entity obtained a qualified audit outcome on the audit of pre-determined objectives for the year under review - in Key performance area 2: Markets due to a material

misstatement on Container Moves per ship working hour – Cape Town Container Terminal performance indicator that was not corrected by management. Additionally, a finding on the completeness of relevant indicators was communicated because of the omission of some of the key performance objectives outlined in the Government Guarantee Framework Agreement and the associated turnaround plan which also contributed to the outcome of the key performance area. For Key performance area 3: Partnerships and rail reform, the entity obtained an unqualified audit opinion. The main root causes for the qualification included poor record-keeping, inadequate and incomplete supporting evidence provided for audit. There was an overall decline in the entity's performance, with only 27.8 per cent of planned targets achieved in 2024/25, compared to 28.2 per cent in the previous year. The primary reasons for this underperformance include operational challenges related to rolling stock availability, security incidents, power outages, customer cancellations, adverse weather conditions, equipment failures, and delays in finalizing requests for proposals with private partners.

### **7.2.2.3 Root Causes, Recommendations and Commitments**

Root causes of significant findings:

- The following are overall root causes for the entire portfolio linked to outcomes in the portfolio within the internal control environment:
  - Instability and lack of effective oversight by the accounting authority over the filling of key vacancies (DLCA, SAMSA);
  - Inadequate controls in place to ensure that action plans are well monitored to prevent findings and ensure compliance with the applicable prescripts (ACSA, DLCA, PRASA, RTIA, SAMSA, SANRAL);
  - Lack of accountability and consequences in addressing SCM transgressions and other non-compliance areas and reporting irregular expenditure (ACSA, DLCA, PRASA, RTIA);
  - Service providers and professionals involved in projects are not being held accountable for poor performance on projects (transport sector); and
  - Transnet internal control deficiencies or root causes were pointed out as:
    - Inadequate oversight responsibility regarding financial reporting, compliance and related internal controls to ensure that compliance

requirements are met to prevent irregular, fruitless and wasteful expenditure;

- Record management systems were not implemented effectively to ensure that complete, relevant and accurate information is accessible and available to support reporting;
- The action plan developed by leadership to address actual root causes for material findings was not fully effective as repeat findings were raised during the audit process. This indicates that the audit committee did not adequately exercise oversight responsibility regarding financial reporting, compliance and related internal controls;
- The accounting authority and management developed action plans as part of strengthening accountability and consequence management. As the implementation of these action plans is still in progress, we identified instances of non-compliance with applicable legislation and related internal controls that resulted in the lack of effective consequence management practices;
- Internal controls designed and implemented to ensure accurate financial information at Operating Division (OD) level were not effective. The preparation of OD financial information in support of the financial statements preparation process was not adequately executed;
- Lack of adequate review of the underlying records from planning to the reporting phase by management led to the information in the annual performance report not being useful and reliable as the reported performance information could not be verified;
- The information technology control environment required improvement as, in some cases, controls were not sufficient to ensure safeguarding of information, that only those that require access to these systems are granted access, sufficient application system functionality is available to record changes made to how the systems processes transactions and defined process are in place for recovering of systems and data in the event of a disastrous occurrence;
- Controls over regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information were

not adequate as material findings were identified in the financial statements and annual performance report submitted for audit; and

- Internal audit executed its planned audits; however, a significant portion of recommendations remains unaddressed, and the team has experienced limitations and delays in some audit work, weakening the effectiveness of the audit process. It is essential that the internal audit function receives adequate support to complete its work within agreed timelines and that consequence management is applied to those failing to implement the recommendations.

Key recommendations to accounting officers (AO) and accounting authorities (AA) and executive authority from the AGSA:

- Adequate monitoring of action plans and strengthening of internal controls to prevent repeat findings (ACSA, DLCA, PRASA, RTIA, SAMSA, SANRAL, SACAA);
- Take effective steps to address institutional capacity and capability (filling of vacancies and setting up governance structures) (SAMSA, DLCA);
- Take appropriate steps to address institutional integrity (addressing transgressions of SCM prescripts and assessing, determining and confirming irregular expenditure and implement consequence management) (DLCA, ACSA, PRASA, RTIA);
- Enhance reconciliations of the reported information against the supporting documents (SANRAL); and
- In collaboration with CIDB, ensure consequences for non-performing contractors and ensure that lost funds are recovered from the service providers (transport sector).
- In relation to Transnet, the ASGA indicated that some of the recommendations to the AA/AO from previous years were still in progress, however, the majority were behind schedule:
  - The Board, in collaboration with the Executive Authority, should prioritise the review and enhancement of the Shareholder's Compact to ensure it fully incorporates the entity's key priorities, particularly those aligned with the obligations and expectations outlined in the funding instruments and the recovery plan. This collaboration will help align expectations, improve accountability, and enhance the strategic value of the compact as a governance tool. Furthermore, leadership should identify the root causes for the non-achievement of set targets and develop remedial actions aimed at strengthening

the key performance drivers within Transnet, supported by targeted strategies to improve and enhance these inputs. (Originally recommended in the 2023/24 financial year – Behind Schedule);

- Progress must be monitored against key strategic documents, particularly the Turnaround Plan and the conditions outlined in the government guarantee framework. This will ensure that implementation remains aligned with recovery objectives, funding obligations are met, and corrective actions are taken promptly to address any deviations or delays. (Originally recommended in the 2022/23 financial year – Behind Schedule);
- Leadership should continue to pursue strategies that improve infrastructure availability and reliability, increase volumes, address operational inefficiencies, and ensure Transnet’s long-term sustainability while reducing debt levels. Particular focus should be placed on locomotive availability, reducing security incidents, ensuring the supply of spares and rolling stock, modernising port and rail infrastructure, and clearing backlog maintenance. These efforts are critical to restoring service levels and enabling Transnet to meet its commercial and developmental mandates. (Originally recommended in the 2022/23 financial year – Behind Schedule);
- It is recommended that the institutionalisation of TRIM, TFROC, and TNPA be guided by a structured, transparent process that safeguards the strategic interests of the state. This process should be designed to ensure that the transformation of these entities not only aligns with national infrastructure and economic objectives but also actively supports the profitability and long-term sustainability of the Transnet Group. (Recommended in the current year under review);
- To oversee and monitor the implementation of the balance sheet optimisation framework in order to determine the most effective funding model and manage escalating debt levels. (Originally recommended in the 2023/24 financial year); and
- The Board should establish a monitoring mechanism to regularly track key infrastructure projects, preventing delays, inefficiencies, and cancellations. Oversight should be conducted at Board level or via a subcommittee to ensure accountability, timely delivery, and alignment with Transnet’s recovery objectives. (Originally recommended in the 2023/24 financial year).

#### 7.2.2.4 Recommendations, commitments by executive authority

The recommendations and commitments made by the Minister for the entire portfolio were:

- Formally send letters to all entities requesting that they make submissions as to how they plan to address matters communicated by auditors;
- Oversight on measures put in place by the accounting authorities to address the institutional capacity and capability (filling of key vacancies);
- Monitor the measures to be taken by the accounting authorities to address institutional integrity (SCM transgressions and implementation of consequence management);
- Monitor the DLCA's performance on the production of the driving license cards; and
- Monitor the progress to achieve performance targets in the portfolio.

The recommendations made to the Minister for Transnet specifically were:<sup>142</sup>

- Monitoring progress in implementing the audit action plan to improve audit outcomes;
- Monitor consequence management especially around supply chain management including:
  - Timely conclusion of investigation in accordance with irregular expenditure framework;
  - Tracking the timely implementation of investigation recommendations;
- Monitor the availability and reliability of critical infrastructure necessary to improve volumes and operational efficiency, particularly the:
  - Availability of locomotives;
  - Availability of spares and rolling stock;
  - Renewal of port infrastructure;
  - Reduction of backlog maintenance;
- Monitoring of the effectiveness of security incident reduction strategies to address security challenges over infrastructure assets and support collaboration with other key role-players in government to reduce security incidents;

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<sup>142</sup> At the time of adoption of this report, the recommendations were made and discussed with the Minister, however, the AGSA was awaiting a signed copy of the commitment letter from the Minister.

- Quarterly monitoring of the guarantee conditions and the turnaround/recovery plan for effective implementation and communicate an assessment report with remedial action to be undertaken by the board;
- To oversee and monitor the finalization, implementation, and monitoring of the balance sheet optimization framework so as to determine the most effective funding model and manage escalating debt levels;
- Quarterly monitoring of the guarantee conditions and the turnaround/recovery plan for effective implementation and communicate an assessment report with remedial action to be undertaken by the board; and
- Ensure the timely finalisation and approval of the strategic planning document (shareholder's compact and corporate plan) as per the legislated timelines.

### **7.2.2.5 Reflections on Implementation of Previous Recommendations**

The AGSA noted the following regarding recommendations from last year:

- Management should enhance procedures for monitoring and validation of the actual performance achievement and management should consider increasing internal capacity for monitoring and reviewing performance achievement to enable the identification of errors in a timely manner. (Department). This was indicated as having been implemented;
- Strengthen the internal controls developed to secure the supporting documents and enhance reconciliations of the reported information against the evidence available. (SANRAL) This was indicated as being in progress;
- Put preventative controls in place to ensure compliance with the applicable legislation especially supply chain management. (ACSA, SAMSA) This was indicated as being in progress;
- Implement consequence management investigating irregular, fruitless and wasteful expenditure. (PRASA, RTIA) This was indicated as being in progress;
- Management to ensure that there are effective controls in place for preparation of regular, accurate and complete financial and performance reports. (SAMSA) This was indicated as being in progress;
- Proper record keeping of performance planning documents should be prioritized and be made available. (DLCA) This was indicated as being in progress;

- Prioritise filling of vacancies in critical positions with appropriate skills. (PRASA, DLCA, SAMSA) This was indicated as not having been implemented; and
- The following recommendations were made for Transnet:
  - Monitor implementation of a recovery plan by the executive authority and board to address operational challenges, including the maintenance of the network and the availability of locomotives. This was indicated as being in progress;
  - Monitor consequence management, especially around supply chain management and achievements of planned set targets. This was indicated as being in progress;
  - Monitor strategies to reduce security incidents and collaborate with other government agencies to tackle security issues. This was indicated as being in progress;
  - Monitor initiatives implemented in relation to the management of debt levels and adherence to debt conditions, alongside support for a sustainable government funding model. This was indicated as not having been implemented; and
  - Monitoring progress in implementing the audit action plan to improve audit outcomes. This was indicated as being in progress.

The AGSA noted the following as overall reflections on the implementation of the previous recommendations:

- The Department strengthened its monitoring and validation processes of actual performance achievements against reported achievement, which resulted in the reported performance information being reliable;
- SANRAL showed limited progress on implementation of the internal controls developed to secure the supporting documents and enhance reconciliations of the reported information against the evidence available due to the volume of transactions that are captured on the system;
- At ACSA, the board approved a new SCM policy addressing AGSA prior year recommendation to separate the Bid Evaluation Committee (BEC) from the BSC Committee and ensure proper segregation of functions, and restructured the SCM function to include Chief Procurement Officer;

- For SAMSA, the trend of irregular expenditure has been decreasing, even though a material non-compliance was reported. Also, efforts have been made to strengthen internal controls across key operational areas. These improvements aim to enhance compliance and reduce the risk of future irregularities;
- Although the DLCA managed to submit the planning documents, there were still significant weaknesses noted around record-keeping;
- At PRASA and RTIA, there was limited progress on the implementation of consequence management;
- At three entities, key positions were not filled at year-end (CEO at SAMSA (candidate was confirmed by Cabinet in September 2025), CFO at PRASA, Head of entity and CFO at DLCA); and
- The following applied to Transnet:
  - Transnet's recovery plan, originally scheduled for completion by 31 March 2025, fell short of expectations. By the end of the implementation period, only 15 out of 39 initiatives equating to 38% had been successfully executed. The shortfall was largely due to persistent operational inefficiencies, inadequate infrastructure, and delays in forming strategic partnerships, all of which hindered progress;
  - To enhance accountability and enforce consequence management, audit action plans were introduced. However, their rollout remains incomplete, and several instances of non-compliance and weak enforcement were observed. The measures aimed at addressing root causes proved ineffective, and performance against planned targets showed no improvement compared to the previous year;
  - In an effort to curb security incidents, Transnet entered into outcome-based security services (OBS) contracts with multiple providers across provinces. These contracts were designed to tackle issues such as cable theft and infrastructure asset losses major contributors to operational instability and financial strain. Despite these efforts, the removal of the security incidents performance indicator from the shareholder's compact has made it impossible to verify whether any meaningful reduction in incidents has occurred;
  - Transnet's financial position has deteriorated further, with its debt escalating from R137.6 billion in the previous year to R144.8 billion currently. The company breached its debt covenants, achieving a Cash Interest Cover (CIC)

ratio of only 1.8 times, well below acceptable thresholds. Due to the poor financial performance, credit rating agencies have downgraded Transnet, reflecting growing concerns over its financial sustainability;

- The management of debt levels is an area that requires intervention as debt level continue to escalate; and
- Management did not in all instances develop an effective audit action plan and monitor the implementation of plans to address internal control deficiencies as repeat finding have been identified.

### **7.2.2.6 Recommendations to the Portfolio Committee**

The AGSA recommendations that were presented to the Committee on 7 October 2025 were agreed to by the Committee and are captured in paragraph 8.2 below.

### **7.2.2.7 Irregular, Unauthorised, Fruitless and Wasteful Expenditure**

The lack of internal controls to monitor compliance has increased irregular expenditure reported in the current year. Auditees are still not proactive in addressing compliance issues through preventative controls. Slow progress on implementing recommendations has also been a contributing factor in the increase of irregular expenditure. The portfolio has still not been successful in preventing non-compliance in procurement and has not improved on contract management. This is concerning as more findings identified in this area lead to increases in irregular expenditure.

Non-compliance due to the submission of financial statements remains a concern as no improvements were noted in this area in comparison to the prior year. The expenditure management has improved as confirmed by the decrease in the number of auditees with material findings in this area. The number of auditees with non-compliance due to lack of consequence management has remained the same. This is an area that needs to be prioritised to avoid repeat transgression. The auditees must hold the individuals accountable for any transgression that could have been avoided.

- Irregular expenditure

- Total annual irregular expenditure reduced from the previous year and is reported by the AGSA as R5.6 million, with the top contributors identified as PRASA (R5 million), ACSA (R333 million), SANRAL (R186.6 million);
  - The causes of irregular expenditure were identified as:
    - Contracts and quotations were awarded to bidders that did not score the highest points. (ACSA);
    - Construction contracts awarded to contractors that did not qualify for the contract in accordance with the CIDB Act. (ACSA);
    - Incorrect composition of BEC committee. (SANRAL);
    - Competitive bidding not followed. (PRASA);
    - Award not approved by the delegated authority. (PRASA);
  - There were no issues identified of Irregular expenditure which is not complete;
  - For PRASA, (R5.4 million), ACSA (R333.1 million), SANRAL (R186.6 million), RSR (R18.1 million), SAMSA (R2.9 million), SACAA (R0.1 million and RTIA (R9.8 million), there was a breach of the five pillars of procurement – equitable, fair, cost-effective, transparent and competitive;
  - The irregular expenditure under assessment was noted for PRASA (R11 000 million), SANRAL (R1 million), DLCA (R108 million), Department (R99 million), ACSA (R40 million), SAMSA (R9.2 million) and RTIA (R7.3 million); and
  - For Transnet, the AGSA indicated that for annual irregular expenditure, the R3.2 billion balance excludes R1.7 billion (2024: R2.5 billion) of irregular expenditure under assessment, some of which has remained under assessment for more than three months which is in contravention of the framework on irregular expenditure. Of the R3.2 billion, R279.4 million (2024: R258.7 million) relates to new irregular contracts identified and confirmed in the 2024/25 financial year. The irregular expenditure incurred was due to inadequate monitoring and review of adherence to SCM prescripts, policies and procedures.
- Fruitless and wasteful expenditure
    - Total annual fruitless and wasteful expenditure identified by the AGSA for the portfolio reduced and was indicated as R20 million. The top three contributors were PRASA (R18.7 million), ACSA (R1.1 million) and SAMSA (R0.5

million). The decrease at PRASA was due to the entity having stopped paying employees who were suspended after the termination of their services;

- The causes of fruitless and wasteful expenditure were non-compliance with the terms of the contract/legislation, which resulted in the incurrence of penalties and interest, as well as the suspensions exceeding 6 months. For PRASA, ACSA, SAMA and the Department, this expenditure was mainly due to penalties and interests;
- Fruitless and wasteful expenditure under assessment was indicated for DLCA (R31 million);
- The total closing balance of fruitless and wasteful expenditure for the portfolio was R1 million. The top three contributors to fruitless and wasteful expenditure not dealt with constitute 99.5% of R1 008 million (PRASA (R979.5 million), ACSA (R12.6 million) and SAMSAs (R11.6 million)). At ACSA investigations were concluded and recovery steps are in progress. At RTMC individuals resigned and the entity is negotiating write-off with service provider. At PRASA and RTIA, there has been slow progress in investigating this expenditure, this has led to material findings reported in the audit report;
- For Transnet, the annual fruitless and wasteful expenditure reported was R42 million. The fruitless and wasteful expenditure incurred was largely caused by ineffective controls over the timely payment of suppliers resulting in penalties and interest, poor project and contract management, and inadequate market analysis resulting in the procurement of goods at inflated prices.; and
- The AGSA indicated that all incidents relating to the unauthorised expenditure were investigated and awaiting condonement/recovery.

### **7.3 Committee Observations following the engagement with the AGSA**

The AGSA indicated that the transport portfolio had shown an improvement in performance.

The Department and its entities received the following findings:

- *Unqualified audit with no material findings (also referred to as a Clean Audit)* – the Department, C-BRTA, PRASA, RSR and RTMC;
- *Unqualified with findings* – PRASA, SANRAL, SAMSAs, ACSA, ATNS, SACAA, DLCA and Transnet;

- *Qualified* – RTIA;
- *Adverse with findings* – RAF; and
- *Failure to submit and findings still outstanding* – SAA and RAF.

The Committee was pleased to note the improved audit outcomes of the Department, PRASA, PRSA, RSR and DLCA. The improvement in the audit outcome of the Department is especially noteworthy since it was the first time in 31 years that the Department received an unqualified audit opinion with no findings. The entities that received the same audit as the previous reporting cycle were noted as the SANRAL, SAMSA, ACSA, C-BRTA, RTIA, RTMC, ATNS, RAF and Transnet. The Committee was pleased to note that the C-BRTA and RTMC continued to retain their unqualified audits with no material findings (clean audit), despite the challenges they faced.

The Committee expressed concern over the failure by the SAA and RAF to submit their Annual Reports in time for the current BRRR process as well as concern over the regression in audit outcomes of SACAA.

Although the achievement of prerequisite performance targets is to be applauded, the Committee was of the view that there remained insufficient linkages between the meeting of targets and an actual or tangible improvement in service delivery standards to all transport stakeholders. For this reason, the Committee continues to urge that the Department, and its entities, move towards the development of key performance targets that would have tangible and measurable results that show actual and/or improved service delivery to all transport stakeholders. Along with setting these targets, the Department and entities must ensure that they are able to track the performance of these targets with quality verified evidence. These were also aspects raised by the AGSA in its presentation to the Committee.

The Committee, having noted that a number of repeat findings are made by the AGSA for the transport portfolio, was eager to hear from the AGSA on what powers the AGSA had to assist in preventing non-compliance by auditees who fail to submit financial statements on time for the audit process, who fail to implement sufficient consequence management to address past material audit findings, and how the AGSA works with the Department and its entities to

improve on the relationship with the AGSA to reduce the apparent increase in disputes with the AGSA and transport entities.

Regarding the achievement of annual planned performance targets, the Committee noted some discrepancies in the percentages achieved reported by the entities, as well as the AGSA. The % by the auditee was calculated as the total indicators achieved over total indicators for all programmes. The AGSA's % is an average considering the percentage achievement of targets per programme. The % provided by the auditee is the correct one as it is not an average but actual % of total indicators achieved over total indicators. For this reason, the Committee would like to highlight the performance results as follows:

**Table 16: 2025 Summary of Performance percentages achieved of annual targets**

Entity	2023/24 Performance % per AGSA presentation	2024/25 Performance % per entity annual report (↑ - improved) (↓ - regressed)	2024/25 Performance % per AGSA presentation
<b>Department</b>	80%	87% ↑	82%
<b>PRASA</b>	87%	93% (up from 87%) ↑	93%
<b>RTIA</b>	83%	85% (up from 76%) ↑	80%
<b>SAMSA</b>	71%	80% (up from 72%) ↑	80%
<b>RAF</b>	91%	Information not available	Information not available
<b>SANRAL</b>	84%	84% (down from 85%) ↓	84%
<b>ACSA</b>	91%	90.9% (same) →	91%
<b>C-BRTA</b>	81%	95.45% (up from 80.95%) ↑	95%
<b>PRSA</b>	Not indicated by AGSA	90% (up from 87%) ↑	Not indicated by AGSA
<b>RSR</b>	100%	88% (down from 94%) ↓	100%
<b>RTMC</b>	91%	100% (up from 91%) ↑	100%

<b>ATNS</b>	Not indicated by AGSA	79% (down from 80% or 81.3% based on research report) ↓	Not indicated by AGSA
<b>SACAA</b>	100%	97.5% (down from 100%) ↓	98%
<b>DLCA</b>	35%	63.6% (up from 35%) ↑	73%
<b>TRANSNET</b>	28%	27.78% ↓	27.8%
<b>SAA</b>	Information not available	Information not available	Information not available

Although the Committee did not receive the SASAR/NSRI Annual Report, these are not generally audited as separate entities or regarded as entities of the Department, as their expenditure and funding is regarded as a line item shared under the Department's budget as well as SAMSA Sea Rescue Services and are audited as part of those Annual Financial Statements.

Once more, the top areas of material non-compliance remain the failure to prevent unauthorised, irregular and fruitless and wasteful expenditure, lack of consequence management, non-compliance with legislation and regulations when it comes to procurement and contract management, as well as material misstatements to financial statements submitted for audit. The AGSA still indicated concerns regarding leadership instability and how this contributed to the top areas of material non-compliance. The Committee will continue to require regular reports from the Department on the progress in filling vacancies in the portfolio. The key root causes identified by the AGSA were that management had not implemented adequate review and monitoring controls over the preparation of financial statements, management had not implemented adequate controls to prevent non-compliance with procurement legislation and management had not been effective in developing and monitoring the implementation of action plans to address audit findings.

From the presentations and engagements, the Committee noted those areas where improvements were evident, however, concluded that the Department and its entities had not been able to clear repeat findings through implementing all recommendations and corrective

measures proposed by the AGSA and those that the Committee has made since the start of the current term.

The Department must focus more attention on ensuring that action plans are implemented to address prior year audit findings and that sustainable solutions are implemented to prevent a recurrence of findings in the areas of compliance with key applicable legislation and financial reporting. There is also a need to implement consequence management, especially around SCM and greater implementation of disciplined financial reporting structures based on solid accounting and financial management knowledge.

The Committee noted that during the year under review, the Department reported a decrease in the reliance use of consultants compared to the previous year's report, however, it noted there was an increase (by more than three times) in the contract value for these projects. In the previous year under review, the Department indicated a total of 47 consultants to work on 26 projects with a total cumulative contract value of R164.2 million. In the current year, the Department indicated a total of 44 consultants to work on 14 projects with a cumulative contract value of R617 million. What the Department failed to report on was whether these agreements included the requirement to ensure that skills transfer to Department or entity staff were delivered during the contract with the consultant. The Committee remains of the view that the Department should work towards refraining from the use of consultants.

The level of oversight by the Department over the entities reporting to it should be improved on and work towards achieving a greater level of oversight over its entities by ensuring that sufficient measures are in place to verify information received from entities that are linked to targets of the Department.

The Committee noted the progress reported by the AGSA on the resolution and active progress towards the resolution of all past and current MIs identified at PRASA and Transnet, since the 2018/19 reporting period to date. The Committee welcomes the report from the AGSA indicating that after their assessments, PRASA and Transnet were implementing steps or corrective measures to deal with these matters before the AGSA issued notices linked thereto (as indicated above). The Committee was of the view that the RAF should ensure that it

responds to the AGSA urgently and address the two MIs identified during the year under review. The AGSA recommended that adequate in-year monitoring on the MIs is needed and there must be consideration of whether the accounting authority has taken the appropriate action. Although the Committee welcomes the efforts by the AGSA to direct the Department to resolve these MIs within the entities' reported annual financial statements, it has not seen the impact of the efforts from the last five year's interventions on PRASA or Transnet to reduce instances of SCM non-compliance, as is evident from the previous year's audit results.

It cannot be stressed enough that the strategic targets and key performance areas set by the Department, its entities and implementers or recipients of all grants allocated under the Transport Vote must be linked to actual tangible service delivery to the citizens of the country. The Committee, in its oversight over the Department, has continued to request the Minister to ensure that proper monitoring and oversight is performed over all grant allocation projects to see to it that the actual performance targets achieved through transfers translate into actual service delivery on the ground and value for money. This is especially evident based on the feedback from citizens and stakeholders through their lived experience regarding infrastructure and services funded by the PTNG, PTOG, Rural Road Asset Management System Grant (RRAMS) and PRMG funds. The Committee expects that the Department will enhance the internal monitoring mechanisms to ensure strict adherence to the grant conditions, and that any control deficiencies around compliance monitoring are addressed expediently. Given that the Department targets predominantly rely on the performance of third parties, it must also improve on the processes implemented to verify third party information which serves as evidence of its performance of these targets. The Department must also ensure that consequence management is in place to ensure that officials responsible for the verification of third-party information do not fail in their duties.

The irregular expenditure does not necessarily represent wastage or means that fraud was committed – this needs to be confirmed through investigations to be conducted by the accounting officer (also referred to as the CEO) or accounting authority (Board) – but losses could already have arisen or may still arise if follow-up investigations are not concluded timeously or initiated. It is difficult to remedy SCM inefficiencies when a thorough investigation has not been completed to assist in identifying the weaknesses and inefficiencies in the system. The track record of auditees in dealing with irregular expenditure and ensuring

that there is accountability or that investigations are finalised timeously remains poor. Irregular expenditure still occurs, and it can be attributed overall to continued weaknesses in the SCM directorates in the application of SCM policy and compliance with NT Regulations in this regard. The most common findings for the past ten years related to deviations from the prescribed procurement processes. The Committee did note that the deviations by some of the entities were linked to emergency procurement or staff payments (either due to staff being suspended for longer than 6 months or being paid in error after staff left the entities). Having noted this, the entities and the Department must ensure that they have the required internal procurement policies, human resource policies and payroll controls in place to deal with these situations.

More frustrating is that the Committee and its predecessors recommended the need for the Department and its entities to ensure further and continued training of SCM staff to reduce adverse findings linked to non-compliance with procurement policy and/or procedures. The Committee welcomes and notes the reports that training occurred during the year under review within some of the entities. There remains a need for the entire transport portfolio to strengthen its SCM staff through training and equipping them sufficiently, as well as implementing SCM Policy reviews and introduction of fail-safe automated SCM systems/controls to strengthen the internal SCM compliance further. The entities must comply with all their SCM policy requirements and tender requirements, since the failure to do this resulted in findings against entities, with several entities this year having been found to have used uncompetitive and unfair procurement processes. There is also a need to ensure that uncertainty in interpretation of terms linked to SCM, B-BBEE compliance and audit standards used are resolved between the AGSA and the entities to prevent future audit outcome delays or adverse findings due to differences in interpretation.

The Committee continues to impress upon the Department and its entities that all investigations must be finalised within a reasonable timeframe, and that all contraventions of legislation and regulations must be acted upon through disciplinary action. In instances where employees may have resigned, the Committee persists in its view that the Department and its entities must not stop there but should continue with steps to retrieve losses from those employees and, where appropriate, follow the procedures laid out in the PFMA for possible criminal prosecution. The Committee noted the progress in SIU declarations to investigate allegations at PRASA, as well

as the work done between Transnet and the SIU and will continue to monitor the progress in and outcomes of these investigations once the results are made available.

The Preferential Procurement Regulations make provision for the promotion of local production and content. These regulations are aimed at supporting socio-economic transformation. The Committee, during engagements, continues to impress the need upon the Department and its entities to achieve transformation targets within the establishments themselves, as well as in their respective industries. The continued drive towards ensuring that local communities residing near project sites of entities benefit from these projects or services delivered by the entities will be monitored. The Committee also continues to highlight the need for the Department, as well as its entities, to adhere to the Preferential Procurement Regulations throughout their engagements, as well as working towards the achievement of increased local content and radical economic transformation in their respective fields of operation. There is also a dire need for the Department and its entities to ensure that the processing and payment of invoices are done within the set timeframe of 30 days as the delays in processing these payments often will result in the economic failure of small, medium and micro enterprises (SMMEs).

With regard to the various public transport initiatives and programmes implemented by the Department (IPTN or other subsidised bus services) and the relevant entities tasked with the provision of public transport services (such as PRASA), there was a need expressed by the Committee to receive information on a quarterly basis from the Department that would show the linkages between the actual passenger numbers moved in comparison with the numbers from household travel surveys that would indicate the travel demand for the particular serviced routes, modes or areas. This would assist the Committee in determining whether the services offered by these projects, often benefitting from transport grant funding, do in fact service the number of passengers to meet the demand.

For several entities in the transport portfolio, there were concerns raised by the AGSA, as well as the Committee on the financial sustainability of the entities. In general, some of the methods that can be used to improve financial sustainability would be to focus on boosting revenues through new opportunities and partnerships, cutting costs via operational efficiency and waste reduction, and managing cash flow and risk with strong financial practices. This involves a

long-term approach, setting clear goals, engaging stakeholders, and diversifying funding sources to build resilience against economic and environmental factors. On possible funding sources, some views were expressed that State funding should be considered to be extended to the entities with the most-dire need to service their debts, while continuing to provide critical transport services that seek to bolster the economy of the country. To improve financial sustainability through State funding, there will be a need to diversify funding sources beyond government grants, have a focus on revenue enhancement and cost management, and build strong stakeholder relationships. Developing a long-term strategy that includes both State and non-state funding, is crucial for reducing dependency and increasing stability. Entities with self-funding legislation can receive State funds through specific government programmes or grants that are not considered part of their core, self-funding mandate. These often include initial start-up grants, funds for specific projects, or assistance from departments tasked with promoting growth, such as the Department of Small Business Development.

#### **7.4 Committee Observations with specific reference to entities**

The following extracts show concerns noted from the Annual Reports and observations that were made:

##### **7.4.1 ACSA**

The overall audit outcome of ACSA has remained stagnant compared to the prior years (same audit outcome since 2018/19 to date). The entity received an unqualified audit opinion with material findings. The entity achieved 90.9 per cent of its annual targets for the year under review. The accolades and awards received by ACSA for several of the airports it manages are applauded.

ACSA remains one of the largest contributors to irregular expenditure. The Committee noted that the entity had shown some progress on expenditure management as it had implemented detective controls to both identify and disclose unauthorised, irregular and fruitless and wasteful expenditure in its financial statements.

Some of the achievements that ACSA made during the reporting period were the following:

- It delivered robust financial growth, with revenue increasing from R7.0 billion to R7.9 billion, reflecting strong performance across both aeronautical and non-aeronautical streams;
- Earnings before interest, tax, depreciation and amortisation (EBITDA) reached R2.9 billion, with a healthy EBITDA margin of 37 per cent, demonstrating operational efficiency and successful revenue diversification. Net profit increased to R1.1 billion, bolstered by effective cost management and strengthened internal controls;
- Capital expenditure rose to R861 million. Non-aeronautical revenue now constitutes 49 per cent of total revenue, highlighting the success of diversifying income sources to enhance financial resilience;
- The Company declared a total dividend of R310 million, comprising R113 million for ordinary shares and R197 million for preference shares, reflecting ACSA's strong cash generation and commitment to returning value to shareholders;
- The asset base expanded from R31 billion to R32 billion, signalling ongoing investment in high-quality, income-generating infrastructure. This growth in assets enhances the Company's capacity to generate future cash flows and strengthens the collateral base supporting its debt profile. ACSA maintains a robust balance sheet, with a net debt to capitalisation ratio of just 8 per cent and a net debt-to-EBITDA ratio of 0.63x, well within all covenant requirements. The liquidity buffer of R3.4 billion at the end of March 2025 provides substantial coverage for upcoming capital expenditure and debt maturities, reinforcing our strong going-concern status;
- The planned repayment of the final tranche of the AFD2 loan in January 2026 will eliminate associated loan covenants, affording greater operational flexibility and financial agility. Key financial ratios such as a return on equity of 5.6 per cent and return on capital employed of 6.4 per cent are evidence of ongoing value delivery to shareholders, while the cost to-income ratio of 80 per cent underscores disciplined operational management;
- The entity reported aeronautical revenue of R4.1 billion (2023/24: R3.6 billion). Revenue recorded 13 per cent increase on prior year due to these significant contributions:
  - Aircraft movements 1 per cent higher than the prior year;
  - Departing passengers 4 per cent higher than the prior year; and
  - Implementation of 10.1 per cent on tariffs.

- Non-aeronautical revenue increased by 12 per cent to R3.8 billion (2023/24: R3.4 billion), reflecting a significant improvement in trade conditions during the year under review.

During the period under review, the Group encountered the following key challenges:

- The worldwide recovery has not been without turbulence. Supply chain disruptions, inflationary pressures and geopolitical tensions continued to influence the pace and structure of aviation growth. Geopolitical shocks including diplomatic tensions, conflicts and policy uncertainty amplified risks across aviation value chains, especially in emerging markets where investor sentiment remains fragile;
- Simultaneously, operational pressures intensified, with South Africa's airport infrastructure coming under increasing strain. Challenges such as unserviceable navigation systems and ageing assets reduced operational efficiency and contributed to delays. In response, airlines rationalised their operations by scaling back frequencies on lower-yield routes and consolidating capacity. High fuel costs driven by Brent crude price averaged around \$80 per barrel for most of 2024, prompting further adjustments to route networks and pricing strategies and ultimately constraining growth despite underlying passenger demand;
- Adding to these pressures were regulatory challenges such as the persistent absence of a functioning air service licensing council in South Africa, which caused significant backlogs in foreign airline permits approval, particularly for international carriers seeking entry or expansion. Such delays not only restricted potential passenger growth but undermined the country's competitiveness as a preferred air travel gateway. As other African hubs pursue liberalisation under the Single African Air Transport Market, South Africa risks ceding strategic advantage unless policy certainty and institutional efficiency are restored;
- Compounding regulatory and economic concerns internationally disrupted air travel patterns. In April 2024, severe flooding in the United Arab Emirates, a crucial international connection point for South Africa, caused temporary operational paralysis. Concurrent information technology system failures at major hubs across the globe further hampered transfer efficiency and baggage handling, leading to cascading disruptions across intercontinental routes. Political transitions, including general elections in South Africa and the United States of America, also introduced short-term uncertainty as business travel and investment decisions were paused pending policy clarity; and
- The aviation landscape in 2024/25 was also shaped by shifting traffic dynamics across domestic, regional and international segments. Domestically, airline operators continued to

consolidate operations, moving capacity away from high-competition trunk routes to underserved regional destinations. This route optimisation, while rational commercially, slightly decreased domestic aircraft movements.

During the period under review, ACSA had set itself eleven (11) annual performance targets, and of these, ten (10) were achieved. This translates into a success rate of 90.9 per cent. The KPI not achieved was cumulative aeronautical revenue, which fell short of the target by 1.47 percent, but was 13 per cent higher than in the previous year. This underperformance was influenced by domestic, regional and global industry dynamics such as weak market demand locally, irregular operations linked to air navigation service constraints and jet fuel supply disruptions.

The entity still received a finding linked to compliance with legislation as it was still unable to prevent irregular expenditure. There was an increase in irregular expenditure from R98 million reported in the previous year to R333 million for the current year, the increase is due to expenditure for irregular contracts and quotations identified in the prior year being incurred in the current year and an increased number of non-compliances identified and quotations/non-compliance identified on high value contracts in the current year contracts.

The Committee noted that the entity had still been unable to take effective and appropriate steps to prevent irregular and fruitless and wasteful expenditure. The accounting officer should capacitate the entity with skilled staff who are well-versed in SCM processes and legislative prescripts, as well as implement enhanced preventative controls to ensure these types of expenditure are not incurred going forward.

The Committee noted the management action plans to address the audit concerns in the SCM of the entity, however, expresses a word of caution that the entity must ensure that its rebuilding of capacity and skills lost during the year under review due to resignations and staff reduction initiatives must not lose sight of the fact that the entity has struggled with SCM compliance for consecutive years and this must be remedied in order to improve future audit outcomes and eliminate irregular, fruitless and wasteful expenditure by the entity.

The entity will need to report back to the Committee on the rollout of large infrastructure projects aimed at improving the airport infrastructure such as a new parking management system, ongoing projects to upgrade the operating systems and airport upgrades and/or expansion projects, review of its security policies and processes, progress made on the action plans to address the audit outcomes, transformation strategies for the industry with specific reference to the ground handling and baggage handling services historically operated by international companies that were awarded these contracts years ago, resolution of jet fuel supply issues at all airports, resolution of alternative power source installations and water saving systems or alternative water supply solutions for all airports to prevent the impact of load-shedding or water shortages on airport operations and improved working relationships with officials from departments responsible for the processing of international passengers on arrival.

The Committee indicated that the work ACSA is performing with provincial or municipal owned and operated airports is welcomed and would go a long way towards ensuring the standardisation of services at all airports throughout the country. The entity was, however, urged to improve on the baggage handling services at the ACSA-owned and operated airports, as well as improve on services to passengers entering the country via international arrivals. The entity must work towards clearing issues linked to the valuation of its investment portfolio. The entity is also commended for the expansion of its footprint into Africa. The entity was also urged to ensure their HR plans ensure there is retention of skilled technical staff at the entity.

ACSA was commended for the improvement in profit margins, and the Committee was also pleased to see the improvement in passenger numbers, however, the concerns raised by minority shareholders should be addressed.

#### **7.4.2 SACAA**

The entity regressed in the year under review in meeting 97.5 per cent of its annual targets (39 out of 40). The Committee also noted the regression in audit outcome having moved from an unqualified audit with no material findings to an unqualified audit with findings.

Over and above the regression in performance and audit outcome, the entity identified irregular expenditure during the year under review of R53.3 million. The investigation is in progress after which the appropriate consequence management will be considered. There is no indication that there was any fraudulent, corrupt or criminal conduct. The organisation awarded a tender for audiovisual equipment installation and maintenance during the reporting period. When the year-end audit was being conducted, management reported a case of misrepresentation by an employee relating to this tender. This matter was immediately reported to AGSA by management. The employee was immediately suspended and has subsequently resigned. A forensic investigation is ongoing related to this tender and upon finalisation, appropriate action will be taken. The Committee did note that the SACAA once more recorded zero fruitless and wasteful expenditure during the reporting period. All undisputed invoices received by the Finance Department of the entity were paid within thirty (30) days, as required.

The SACAA is a self-funded public entity that relies on a combination of revenue streams to fulfil its mandate and run its business operations. The entity concluded the financial year with a total revenue of R975.5 million, reflecting a 5.3 per cent increase from the previous year's R926.7 million. While this was marginally below the projected R984 million, primarily due to lower-than-anticipated passenger numbers, it remains a solid result in a dynamic operating environment. Passenger Safety Charges (PSCs) increased by R40.2 million (7.1%) when compared to the previous financial year, supported by increased passenger volumes and fee adjustments implemented in October 2024. Similarly, User Fees grew by R10.9 million or 7.2%. The fuel levy declined by R8.9 million (23.1%), largely due to a decrease in charter and cargo activity and a significant claim related to a historical over-declaration. The impact of this was partially mitigated by fee increases in August 2024. Financial support from the Department increased from R85.8 million to R87.4 million in the year under review. Interest revenue generated by reserve funds increased by R2.8 million from the last financial year but was R3.1 million below budget, owing to declining interest rates. The Department has committed a financial baseline allocation of R369.5 million over the Medium-Term Expenditure Framework (MTEF) period, which, based on current projections, will sustain the SACAA's operations at present levels.

It is commendable that the country still reflects a salutary zero fatal accident rate in the scheduled airline sector, as it has for almost 40 years. The reduction of accidents in the General Aviation (GA) sector remains one of the key strategic focus areas for the Regulator. Achieving

this requires a robust, proactive oversight system and collaboration with the industry. During the reporting period, 131 GA-related accidents were recorded, up from 115 in 2023/24 and 113 in 2022/23. In response, the SACAA intensified its efforts in delivering on the activities under the General Aviation Safety Strategy (GASS), which was introduced in 2020/21 to mainly reduce accidents in this sector through its specified interventions.

The SACAA closed 90% of the SACAA-specific findings raised during the 2023 , International Civil Aviation Organisation (ICAO) released the final results of the Universal Safety Oversight Audit Programme-Continuous Monitoring Approach (USOAP-CMA) audit. This sets the Regulator on track for an ICAO Coordinated Validation Mission that may validate all the findings that are closed by the State as satisfactory. The State is currently at 91,38 per cent effective implementation of the safety critical elements following ICAO's validation of two findings relating to air navigation.

As part of its ongoing transformation initiatives, the SACAA is committed to equipping young, previously disadvantaged individuals with the knowledge and skills necessary to succeed in the aviation industry. This commitment has ensured the continued success of the Trainee Programme, which, this year, welcomed a total of 18 trainees (55% female and 44% male).

The Committee remained concerned about a spike in reported general aviation incidents in the current financial year and requested that SACAA ensure that all incident investigations be finalised and that the required remedial measures be put in place for the industry to reduce these numbers. There is still a concern that the aviation industry is lacking in transforming the industry to reflect the demographics of the country. There are also concerns linked to these targets and the ability to translate training of previously disadvantaged persons into actual employment within the aviation industry. The entity should also work on improving its stakeholder relations to improve on the oversight it does over the aviation industry.

Although the Committee noted the steps taken by the Minister to improve on engagements with the industry, concerns are still raised regarding the downgrades of flight approved procedures at some airports, especially at smaller airports and the Ministry along with the entities and industry were urged to resolve this matter to ensure aircraft can land safely in adverse weather conditions. Since the entity collects revenue from fuel levy charges for aircraft and this revenue

is directly impacted by fuel availability, there were also concerns raised regarding reported incidents of jet fuel supply shortages following reports warning that the supply of aviation kerosene is facing severe threats due to regulatory delays in the licencing of important storage facilities. To ensure the jet fuel matter is resolved, there is a need for the Minister to monitor and/or participate in the discussions regarding this matter with the SARS, Transnet, ACSA and other role-players in the supply chain.

The Committee was also of the view that there is a need for a collective approach to popularise the aviation industry as a space within which students may find a career – not only will this assist in improving on transformation targets, but it will also assist in creating job opportunities in an internationally accepted industry.

The capital commitment authorised and not contracted for in property, plant and equipment is for new office furniture of R1 281 627 and acquisition of an aircraft of R148 728 800 for the Flight Inspection Unit (FIU). This decreased from R151 533 600 due to the improvement in the Rand/dollar exchange rate from 18.94 to 18.59. It is reported that the Board approved the acquisition of the aircraft pre-Covid and the acquisition was subsequently put on hold as the cost of the aircraft increased substantially post-Covid. This matter will have to be reconsidered based on the substantial changes to the cost implications. The Committee remains of the view that SACAA should ensure that it procures the use of a South African owned calibration aircraft urgently to ensure the continued operations at airports across the country.

### **7.4.3 PRSA**

The PRSA improved its audit outcome to an unqualified audit opinion without findings. The entity improved in the achievement of its annual target performance by reaching 90 per cent in the current year under review compared to the 87 per cent of the previous year.

The year was characterised by ongoing delays in the corporatisation of the National Ports Authority (NPA), persistent port congestion (notably in Durban and Cape Town), and the broader transition to the Transport Economic Regulator (TER). Through tariff decisions, performance oversight, and stakeholder engagement, the PRSA worked to balance affordability

for port users with sustainability for the NPA, while also advancing transformation and transparency in the sector.

The PRSA is funded mainly through transfers from the Department, interest income, and fees for appeals/complaints. For the current year under review, the total revenue was R46.1 million (slightly higher than 2023/24 at R44.6 million). Interest income decreased due to lower cash balances, but approval was obtained to use surplus funds in line with PFMA section 53(3). Staff costs (R26.5 million) continue to dominate the entity expenditure with vacancies contributing to the organisation's unspent funds and its general expenses rose to R14 million compared to the R12.5 million budgeted. Capital spending remains minimal as only R10 000 was spent on property, plant, and equipment in the year under review, mainly for replacing aged assets, compared to R2.14 million in the previous year . There were no major infrastructure projects or intangible asset investments. The entity disclosed irregular expenditure of R4.8 million (down from R12.8 million in the previous year) due to procurement noncompliance.

Having provided support to the Department's Interim Economic Regulator for Rail, and with growing sophistication in regulatory processes and expertise, the PRSA poised to serve as the touted nucleus of the Single Transport Economic Regulator (TER), and all human resources and financial resources should be availed for the success of TER. The passing of the Economic Regulator of Transport Act (No.6 of 2024) (ERT Act) addresses the funding challenges of the PRSA through the inclusion of a hybrid funding model that allows the Regulator to levy a charge on the regulated entity to internalise the burden of regulation to the regulated sector. This addresses the PRSA's proposals to amend the National Ports Act to allow for a levy as a source of revenue. The effective date for the TER is important as it determines if this challenge remains. Parliament is, however, currently undergoing the process to consider a Committee Bill to remedy incorrect date references contained in the Schedule 1 of the Act – this process may delay the effective date for the implementation of the Act.

The entity faced capacity constraints and challenges during the year under review, such as:

- Staff complement remains 27, far below the required 60 approved by the Minister of Transport to ensure a fit-for-purpose entity;

- Delays in finalising the organogram and approving a revised funding model constrain capacity;
- Persistent congestion, equipment breakdowns, and weak oversight by the NPA continue to undermine efficiency; and
- Reliance on fiscal transfers makes financial sustainability uncertain, especially in view of the TER transition.

As an entity which has had consistent quality audit outcomes and high annual target achievement for several years, the Committee was of the view that other entities in the transport portfolio could learn from the best auditing practices applied by the entity. The Committee remains of the view that there is a need for the country to have tariff pricing that would put the country on a more equal competitive footing with worldwide port tariffs. The Committee also noted the continued dependence of the Regulator on the finalisation and now delayed implementation of the ERT Act which has been delayed for several years. Until such time as the ERT Amendment Bill is finalised and promulgated, the Committee urged the Department to work with the PRSA to finalise the organogram sent to the Department by the entity, as this will ensure the entity is sufficiently resourced with the required staff to perform its functions and prepare the entity for the moment when the ERT Amendment Bill is promulgated to prevent delays in establishing the Transport Regulating Entity. The Committee also raised a concern regarding the real possibility that NT may not continue approving condonation applications from the entity to use its surplus funds.

#### **7.4.4 C-BRTA**

The C-BRTA continues with its exemplar audit outcome of an unqualified audit with no material findings. For the year under review, the C-BRTA improved in achievement of annual targets, from 88.89 per cent in the previous year to 95.5 per cent during the year under review.

During the period under review, the regulation of passenger cross-border operations between South Africa and Mozambique was a challenge. Since early 2024, the C-BRTA has been an official member of the National Logistics Crisis Committee and one of its planned primary activities was the coordination of law enforcement agencies to ensure smooth traffic flow to,

and from the border, from November 2024 to January 2025. This coordination involved various stakeholders e.g. Provinces, Border Management Authority, SARS, RTMC, South African Police Services, and South African National Defence Force. These deployments started off smoothly, however, sporadic unrest in Mozambique, arising from local grievances, left hundreds of truck drivers stranded at the border, unable to deliver essential goods. This disruption to key logistical routes effectively stopped cross-border trade temporarily. Stranded drivers became targets for criminals.

The C-BRTA responded urgently by increasing deployment and providing necessary relief, including procuring meals (breakfast and dinner), drinking water, mobile ablution facilities, and cleaning up the truck parking area. This issue escalated to the diplomatic level for both South Africa and Mozambique, necessitating collaboration among various Ministries, including Transport, Police, Foreign Affairs, and Defence. Several joint meetings took place during this period to mitigate security threats and negative impacts on trade. Consequently, a diplomatic meeting was arranged between the two countries, where Ministers agreed to enhance diplomatic channels for frequent and continuous engagement to address trade and supply chain disruptions, jointly identify alternative routes, deploy additional resources to expedite and facilitate trade, and collaborate with all stakeholders, particularly businesses, to minimise the impact of disruptions on their operations.

Additionally, temporary suspension of operations at different commercial ports of entry e.g. Grobler's Bridge and Oshoek Border Posts created pressure on the ports of entry and impacted the flow of goods and passengers in and out of the country. Different routes and ports of entry were activated to ensure that there was business continuity. The temporary closure of Grobler's Bridge was due to flooding caused by heavy rainfalls, whilst Oshoek was due to an accident caused by an unroadworthy truck.

During the reporting period, the Kingdom of Lesotho cross-border road transport operations remained a challenge. The C-BRTA, working with the Department of Transport, has been at the forefront of the resolution of this conflict, also working with stakeholders in the Taxi Industry. At the end of 2023, a new agreement was reached amongst all the stakeholders to normalise operations between the two countries. A Memorandum of Understanding (MoU) was drafted and approved by officials, and after vetting by the State Law Advisors. During the

reporting period, this MoU went through further legal vetting by both countries in preparation for signing by the Ministers.

The C-BRTA is a self-funding entity with permit tariff fees levied to South African cross-border operators being its primary source of income. Permit revenue as of March 2025 was R318.5 million (R288.8 million prior year and R26.4 million above the budgeted amount). The increase was due to slight increase of freight that is transported by road. The revenue generated from fines at year end was R94.4 million (R78.8 million in prior year). The Agency's expenditure as at end-March 2025 was R370.1 million. The main revenue stream of the C-BRTA remains the cross-border permit fees levied to commercial cross-border operators. The surplus for the financial year ended 31 March 2025 was R66.5 million, which was mainly due cost containment measures that remained in place as well as some projects that are implemented internally and are no longer being outsourced.

In pursuit of advancing its preferential procurement policy, the Agency awarded 96 per cent of contracts to Broad-Based Black Economic Empowerment (B-BBEE) contributor level 1 to level 4 suppliers, 66 per and 45 per cent to suppliers owned by women and youth, respectively. Only 4% of the procurement spend was awarded to suppliers owned by people living with disability.

Prior to the reporting period, the Agency put a moratorium in place as one of its cost containment measures. On a yearly basis an annual workforce plan is put in place to ensure that all critical positions are prioritised and budgeted for. During the reporting period, the annual workforce plan was successfully executed and was complemented by the recruitment of over twenty trainees on fixed-term contracts. This enabled the Agency to meet its planned targets and provide experiential training to new graduates, equipping them with work experience and preparing them for formal employment.

As part of contributing to the achievement of the African Continental Free Trade Area (ACFTA) of ensuring industrialisation in the continent, the Agency will work on defining its strategic role for the cross-border road transport clientele and ensure that they take advantage of opportunities to collaborate with others, both within, and outside the continent. The Agency will continue to engage with member states in order to implement the harmonised permit issuing system and to position Cross-Easy as a tool for harmonising regional cross-border

management systems. This will improve cross-border road transport regulation in the region, which is critical for improving seamless cross-border road transport movements toward a prosperous Africa based on inclusive growth and sustainable development.

The Committee noted and welcomed the Cross-Easy system implemented by the C-BRTA to ease congestion due to permit applications or verification of permits. Further to this, the work done by the entity along with the Border Management Authority was noted by the Committee as this will go a long way towards alleviating congestion at border crossings and improving scanning equipment at border crossings to reduce or eliminate illegal crossings or movement of undeclared freight.

The Committee noted the continued achievement for the year under review as the entity did not incur any cases of irregular expenditure. The Committee noted that the Agency continues to seek a lasting solution to the RSA/Kingdom of Lesotho impasse. The Committee further noted that the Agency's financial sustainability remains a key challenge, as the Agency funds its operations through one primary stream being revenue generated from issuance of permits to South African operators and other proposed revenue streams have not yet been approved. The Committee notes the proposals made by the C-BRTA regarding challenges with ensuring parity in cross-border charges for vehicles implemented in SADC countries, as well as proposals to require 3<sup>rd</sup> party insurance for all vehicles entering South Africa to reduce reliance on RAF claims.

#### **7.4.5 RAF**

It was noted that RAF and the AGSA were still in a dispute related to the new accounting policy used and accounting standards applied by the entity since 2020/21 to date. The AGSA is awaiting a decision on whether the court will hear the matter and, if so, when it will be set down for hearing.

Per the indication off the AGSA to SCOPA, the overall audit outcome of the RAF remains as an adverse opinion with findings. Since the entity did not table its Annual Report in time and the Committee did not engage with the AGSA on its presentation that was made to SCOPA,

the Committee would not expand on that information until such time as the RAF 2024/25 Annual Report is tabled for consideration by the Committee.

As the final year of the 2020-2025 Strategic Plan approaches, the enactment of the RAF Amendment Bill is crucial to the sustainability of the RAF. The strategy was intended to introduce efficiencies to sustain the Fund within the current legislative framework, while the Amendment Act was being finalised for a more sustainable solution. These objectives were achieved by making difficult choices to radically reduce administrative costs to enable the Fund to be financially resilient despite not receiving any fuel levy increases for three consecutive years.

Considering the argument made by the entity regarding why it relies on an accounting standard applicable to a social benefit scheme, the Minister should consider whether this debate could be resolved in the proposed Amendment Bill. Another aspect the Bill will seek to address is the argument against the payment claims to undocumented foreigners, as well as arguments that documented foreigners should be required to have their own third-party insurance and medical insurance cover prior to entering the country to reduce this burden of claims against the RAF. The Committee impressed upon the Minister that the Department should ensure that the Bill is processed as fast as possible and tabled before the Committee early enough to allow for extensive engagements on the Bill before the end of the 7<sup>th</sup> Parliamentary Term.

During its oversight throughout the year, the Committee observed that RAF continues to experience financial challenges, which, in turn, increase the backlog in finalising claims received. The financial health status of the entity remains a risk to the fiscus, and an intervention is required. The claims process continues to be regarded as cumbersome and that it still takes far too long to finalise claims and pay awards out to victims or claimants. The RAF and the Department must consider alternative funding models, consider all options that could assist the Fund to decrease its claims liability and ensure that claims are paid within a shorter time.

The dispute with the AGSA could not be resolved before the start of the 7<sup>th</sup> Parliamentary Term. The Committee once more impressed upon the entity, the Department and the AGSA that the matter must be resolved urgently.

#### 7.4.6 RSR

The entity achieved an improved audit outcome by moving from an unqualified audit opinion with findings to an unqualified audit opinion without findings. It was also noted that the entity continues to regress in the achievement of annual performance targets from the previous year's 94 per cent performance to 88 per cent in the year under review.

The Committee was pleased to see that the entity finally ensured that the long-standing recommendation by the Committee for the finalisation of the appointment of a CEO was done after the year under review but before the consideration of this Annual Report, in that the Board appointed a CEO effective from 1 August 2025.

In addition to fulfilling its core mandate, the RSR advanced bold, future-oriented initiatives during the reporting period. Foremost among these were the finalisation of the new Permit Fee Model and the development of the Safety-Critical Grades Framework, both pivotal to the implementation of the National Rail Policy. These milestones represent a decisive transition toward a modern, risk-based approach to safety regulation.

The procurement environment remained fully compliant with all legislative requirements, with no irregularities related to unsolicited bids. In line with national transformation priorities, 35.2 per cent of procurement expenditure was directed to women-owned enterprises and 15.6 per cent to youth-owned enterprises. These outcomes reflect the RSR's ongoing contribution to inclusive economic growth and the empowerment of historically marginalised groups.

For the period under review, the RSR conducted 443 Inspections (the same number as reported in the previous year) and 236 Audits in line with ensuring safety compliance in the rail industry.

In 2021, government initiated the process to develop the Railway Safety Act. The Act repeals the National Railway Safety Regulator Act (No. 16 of 2002) (as amended). The new Railway Safety Act (No. 30 of 2024) was assented to by the President of the Republic of South Africa in December 2024 and is currently awaiting proclamation. In preparation for the efficient

implementation of the new Railway Safety Act, the RSR has undertaken proactive measures to align its operations with the updated legislative requirements. Key among these initiatives is the development of a comprehensive framework for Safety Critical Grades, aimed at enhancing the regulation of roles and competencies directly impacting railway safety. This framework will provide clear guidelines on the classification, training, certification, and ongoing assessment of individuals performing safety-critical functions. Additionally, the RSR is strengthening its internal capacity by mobilising and optimising resources, including specialised personnel, systems, and technological tools, to ensure the full and effective implementation of the Act. The Regulator is also engaging with industry stakeholders through collaborative platforms to promote awareness, facilitate compliance, and align operational practices with the new regulatory environment. These efforts reflect the RSR's commitment to fostering a safer, more resilient, and sustainable railway sector in South Africa.

The entity's financial performance information reported a deficit for the year under review of R25.3 million, comprising of a total revenue collected for the year under review as R290.2 million, as well as a total expenditure of R315.5 million. Considering the statement of financial position, the entity reported an accumulated surplus of R44.4 million.

#### **7.4.7 SANRAL**

The entity maintained its unqualified audit outcome with findings. The Committee noted a decline achievement of annual performance targets, moving from 85 per cent in the previous year to 84 per cent in the year under review, but still noted its concern over the inability of the entity to meet all its annual targets. Since the work of the entity directly translates into the lived experience of driving on national roads, the missed annual targets mean that roads were not resurfaced, strengthened, improved or new roads built as planned. This was also pointed out by the AGSA in the assessment on how missed targets by SANRAL affect access specifically from rural areas.

In April 2024, government announced the discontinuation of the Gauteng Freeway Improvement Project (GFIP), which had allowed for e-tolling in the province. This was accompanied by government's undertaking to settle SANRAL's debt relating to the GFIP, paving the way for the long-term maintenance and development of freeways in the country's

economic capital. Prior to this, the dispute over e-tolls prevented SANRAL from accessing private funding as we did not have the required borrowing limits. Since the discontinuation of GFIP, NT has approved new borrowing limits, allowing SANRAL to invest in our freeways and to unlock further investment. Outstanding matters, outside of SANRAL's debt obligations, pertaining to GFIP, continue to receive the attention of both SANRAL and relevant authorities, including our Minister, NT and the Gauteng Provincial Government. Relevant announcements will be made as and when required, and by the appropriate authorities.

SANRAL still remains one of the largest contributors to irregular expenditure for the transport portfolio, as highlighted in the discussion above regarding the findings by the AGSA. This is also one of the targets that the entity failed to meet since they targeted a 75 per cent reduction of cases of irregular expenditure and only achieved 65 per cent. In the year under review, SANRAL incurred irregular expenditure of R181.4 million, compared to the R73.2 million incurred in the previous year. For the current year under review, the total closing balance of irregular expenditure on the books for SANRAL is R2.9 billion, an increase from the R2.6 billion of the previous year under review. The R55.7 million (which is R54 million + R1.7 million) relates to the contracts confirmed in prior year that were under assessment but confirmed in the current year under review. There was no confirmed irregular expenditure with allegations of criminal conduct. The employees who caused the R96 000 condoned irregular expenditure were given written warning as recommended by the loss control committee and approved the Board.

Human resources instituted disciplinary action against perpetrators of irregular cases concluded by the loss control committee and independent reviews. SANRAL did not incur new fruitless and wasteful expenditure in the current year under review, however, in this year they indicated that investigations were underway for R12.9 million's worth of fruitless and wasteful expenditure and wrote off R33.7 million's worth of fruitless and wasteful expenditure from the previous year under review. The Board approved writing off the R33.7 million in the 2023/24 financial year, after LLC determination processes. There were no disciplinary steps taken linked to fruitless and wasteful expenditure.

During the reporting period, SANRAL spent R20.7 million on operational expenses (OPEX) in the non-toll portfolio, of which non-toll repairs and maintenance was R14.9 million. This is more than the total net profit on the portfolio between 2020 and 2024. CAPEX was, in turn,

R17.9 billion, bringing combined expenditure to R38.6 million for the non-toll portfolio. For the toll portfolio, spending was R2.9 million, with OPEX being R2.6 million and CAPEX being R351 million. Looking ahead, SANRAL's budget for the 2025/26 financial year is R63.6 million for all expenditure in the toll and non-toll portfolios. Approximately 41 per cent of the budget was allocated to road maintenance and rehabilitation to ensure the longevity of the existing network. A further 50 per cent was allocated to CAPEX projects, with the remaining 9 per cent allocated for operational expenditure.

The SANRAL network continues to expand and currently stands at 27 478 km. As of October 2024, a total of 3 099 km had been transferred from the provinces to SANRAL. The condition of these roads is not yet known, as they still need to be assessed. However, one can assume that their condition will range from poor to fair. Therefore, SANRAL continues to pilot accelerated maintenance programmes, especially in rural areas, using labour-intensive methods to boost local employment.

SANRAL continued to fail to comply with SCM requirements during the year under review. The low achievement rate of annual targets is a concern for the Committee and there is also a need for SANRAL to improve the quality of evidence used to verify the achievements of targets.

The Committee noted the progress by the entity on the Moloto Road project, as well as other major projects along the N7, N2 and N3 routes. The increase in kilometres of roads handed over to SANRAL by provinces in the year under review, as well as the current financial year is noted and welcomed; the Committee believes that this will go a long way towards improving the quality of roads throughout the country, however, the concept of funds follow function should be applied where functions are transferred in terms of the PFMA and the budget requirements to serve these additional kilometres will have to be monitored closely given the liquidity concerns already present at the entity.

Until such time as more freight is moved from road to rail, the Committee urges SANRAL to work closely with law enforcement agencies nationwide to improve weigh-bridge operations and law enforcement to prevent the movement of over-loaded trucks.

The Committee welcomed the introduction of the new Contractor Development Programme (CDP) as part of the entity's contribution to a transformative and inclusive economy. The aim of the programme is to increase the performance, capacity, equity ownership, sustainability and quality of work of Grades 5CE to 9CE contractors registered with the Construction Industry Development Board (CIDB).

#### **7.4.8 PRASA**

The Committee noted that the entity improved their audit outcome from a qualified audit opinion in the previous year, to an unqualified audit with findings. The entity continued to improve on the achievement of its annual performance targets, improving from 87 per cent in the previous financial year to achieving 93 per cent in the year under review. Although this was an improvement, the Committee was of the view that there is still room for improvement as there are still several train stations that have not been restored and brought back online to service the communities near these stations. Therefore, the entity must work harder to achieve all the targets which it sets itself each year and ensure that all targets linked to its core mandate and that directly translate to services to commuters are met.

The Committee noted that the entity continued its work to restore and reopen critical rail lines, with 35 of 40 service lines having been restored. This effort in reopening rail lines increased its capacity to serve passengers, as is evident in its number of passenger trips during the year under review of 77 million, which was a significant increase from 39.4 million in the previous year under review.

In the entity's pursuit of modernisation, 60 new Electric Multiple Units (EMUs) were delivered, surpassing the annual target of 41. The cumulative total of new trains received since the start of the modernisation programme is 268. The procurement of these world-class trains, manufactured locally at the Gibela factory, underscores PRASA's commitment to developing local industries and creating jobs.

The Committee noted that PRASA's commercial income exceeded its target of R675 million, by generating R707.8 million in revenue for the year under review. Capital investment

remained at the centre of PRASA's recovery strategy. PRASA deployed R21.1 billion in capital expenditure against an allocation of R11.6 billion, reflecting the urgent priority it places on fleet renewal, infrastructure recovery, and system modernisation. Despite strong passenger volume growth, Metrorail revenue of R396.6 million fell short of targets due to ticketing system gaps, delay-related refunds, increased season ticket adoption, and deferred fare adjustments.

The entity continues to face challenges, including funding shortfalls and the need for further investment in its infrastructure and workforce. Addressing historical creditors and optimising its labour force remains one of its priorities. Looking ahead, the focus is on completing the rebuild and recovery efforts, accelerating modernisation, and optimising operations to achieve financial sustainability. PRASA aims to grow passenger volumes to 1 billion, supported by excellent service delivery and infrastructure investments. Given the challenges indicated during the engagement with the entity regarding the ability to run as many trains sets as possible on the functioning rail corridors, the Committee was of the view that the entity should reconsider this target to a more reasonable target resembling the numbers achieved pre-2020.

On an organisational level, the consolidation of Mainline Passenger Services (Shosholoza Meyl) and Autopax into the Long-Distance Passenger Transport (LDPT) division came into effect on 1 August 2024. PRASA indicates that the new entity will optimise economies of scale and efficiencies and streamline operations from both road- and rail-based long-distance operations, which were previously housed in separate legal entities with limited coordination and integration. This should result in improved accessibility, connectivity and service efficiencies for long-distance travellers, thus driving operational and financial performance improvements. Autopax continued to operate under business rescue during the year under review, which significantly impacted its performance. A critical step in rebuilding the company and enabling PRASA to continue bus operations as mandated by the Legal Succession Act, was the approval of the Business Rescue Plan by Autopax creditors. In April 2024, PRASA submitted an offer to the Business Rescue Practitioners to purchase Autopax assets and transfer employees. The details of this offer were incorporated into the revised Business Rescue Plan, published on 10 May 2024, and the third meeting of creditors was held on 22 May 2024, during which the revised plan was adopted. The sale transaction became effective on 1 August 2024, with all assets and required employees transferred from Autopax to PRASA. Autopax operations ceased on 31 July 2024, and 49 excess employees were retrenched in accordance

with Section 189 of the Labour Relations Act. On 31 October 2024, the business rescue practitioners paid a dividend of 15 cents in the rand to independent creditors who had submitted bank confirmation letters. Both Autopax and Mainline Passenger Services (MLPS) faced loss-making operations, placing pressure on PRASA's cash resources. This prompted PRASA to reassess its approach to long-distance operations, leading to the formation of LDPT. An in-depth analysis of operational and financial hindrances was conducted, and corrective steps are being taken to ensure the sustainability of long-distance passenger services.

The secondary mandate under the management of Corporate Real Estate (CRES), inclusive of the Intersite SPV has been focusing the 2024/25 financial year on all the leasing and rental management pertaining to the commercial leases, land management, GIS and property management system, development planning and station commercialisation whilst the Intersite SPV focused on all investment opportunities. Operating lease income from CRES and Intersite achieved R750 million against a target of R714 million for the year ending 2024/25. Rental revenue continues to be under pressure in all regions to improve to pre-pandemic levels. Every effort is being made to retain and/renew tenants. The introduction of a limited train service resulted in a slight revenue improvement compared to the previous financial year. However, once the rail service reaches its optimal capacity, it is anticipated that foot traffic at the stations will increase, positively impacting the viability and sustainability of the shops in the rail precincts. This might take another year or two to reach satisfactory levels, which will ultimately improve the footprint and revenue.

Although recovery of some of these services are noted, the Committee was of the view that PRASA should ramp up the work towards restoring all metro passenger rail services, including the long-distance mainline passenger service to full operations, as well as ensure that the required security measures are in place to prevent further vandalism and theft of PRASA infrastructure or property, as well as to ensure the safety of rail commuters. Without the urgent recovery and successful operation of full-service lines, the entity will find it hard to improve its financial position which remains precarious.

PRASA remains focused on establishing an efficient maintenance regime through the reconstruction and completion of the Depot Modernisation Programme. This initiative aims to deliver state-of-the-art depots capable of supporting the maintenance of new EMUs as they are

rolled out from the factory and deployed into service. By the end of March 2025, PRASA had received a total of 268 trains, with 60 trains delivered in the 2024/25 financial year and over 70 per cent deployed in the Regions. The depot strategy is being revised to ensure that the depot upgrade is aligned with the delivery of the new trains. Furthermore, a review is underway to determine what work could be done in the existing depots to accommodate the new trains. The Wolmerton Depot Upgrade has been selected for Private Sector Participation (PSP) as an alternative procurement and funding strategy due to budget constraints. PRASA, in collaboration with the Department, is preparing to issue an Expression of Interest (EOI) to the market to initiate the PSP process. This initiative aims to modernise the Wolmerton Rolling Stock Depot to accommodate 65 new train sets, with infrastructure enhancements including new running and lifting sheds, expanded staging yards, and a 1.6 km electrified test track. The PRASA team is currently gathering relevant information in anticipation of the first PSP meeting with the DoT, scheduled for Quarter 1 of the 2025/26 financial year. Benrose: Contract negotiations are anticipated to commence in the first quarter (Q1) of 2025/26, based on a potential phased delivery approach due to budget constraints.

Paarden Eiland Depot Upgrades: Contract negotiations are anticipated to commence in Q1 of 2025/26, based on a potential phased delivery approach due to budget constraints. Braamfontein: The work is ongoing. The professional team is contracted, and the project kicked off in September 2024. Detailed site surveys have been conducted, and the project team is reviewing the condition assessment reports. The project will also be submitted as a PSP trial. The team is now gathering information for the PSP process in anticipation of the PSP meeting with DoT in Q1 of 2025/26. Salt River Depot Upgrade, Durban Yard and Springfield Depot: A review application was brought to the High Court. PRASA is awaiting the court order on whether the contracts are set aside or a just and equitable remedy is granted. On hold until litigation is resolved. Durban Yard Maintenance Lifting Shed: An Interim project to cater for some of PRASA's needs, and was allocated to an Engineering, Procurement and Construction (EPCM) services provider for design development. Designs have been completed, and bid specification documents are being reviewed, given that the needs may have changed in respect of PRASA's future fleet and operational strategies. However, procurement may be hindered by litigation matters and this is being addressed by the legal team.

PRASA must improve on how it captures, updates and tracks its asset register. The quality and reliability of this register have been the cause of findings against the entity for the past several years. From a safety perspective, as well as considering past recommendations, the Committee insisted that the entity must also ramp up its work on improving the signalling system in order for the entity to move away from manual authorisation and ensure that the new trains can operate at the speeds they were designed (provided the signalling improvements and rail maintenance are also done by Transnet on the lines rented by PRASA for metro rail services).

The Committee noted the report from the AGSA on the progress with the entity and the identified MIs as discussed in detail above under 7.2.2.1. The AGSA continues engaging with the accounting authority, executive authority and work done by the SIU to ensure that appropriate action is being taken to resolve the last remaining active MI.

#### **7.4.9 ATNS**

For the period under review, the entity once again achieved an unqualified audit opinion with findings. For the year under review, the entity regressed on the achievement of its annual performance targets from 81.3% in the previous year to 79% in the current year under review.

The year under review will undoubtedly be remembered as significantly challenging for ATNS, marked by operational shortcomings. Particularly, the flight procedure designs, which led to the suspension of 326 flight procedures, causing widespread flight delays and cancellations and drawing strong concerns from their key stakeholders, including airlines, the media and the public. To provide context, ATNS had been involved in an essential instrument flight procedure maintenance programme in line with its commitment to routine global safety protocols. The procedures – crucial for safe air navigation – are continuously reviewed to align with both local and international design standards and to integrate global advancements in aviation technology and safety requirements. The key priority for ATNS is keeping the skies and passengers safe, which informed the decision in terms of our safety management system that procedures not meeting requirements should be suspended unless non-compliances are mitigated. The airline customers consistently prioritise safety, punctuality (on-time performance) and sustainability. These priorities, with the imperative of resilience, fundamentally guide the internal planning

and operational delivery at ATNS. However, it is evident that oversight was compromised as key factors were underestimated and not adequately reported.

An investigation commissioned by the Minister of Transport revealed significant challenges at ATNS, including dire staff shortages – particularly among flight procedure specialists and air traffic controllers – unreliable communication, navigation and surveillance systems and weaknesses in safety management systems. In response, a Ministerial Intervention Team was appointed to stabilise and rebuild the organisation, by identifying the root causes of the operational challenges and directing the ATNS board to take corrective action. The Minister and the ATNS board have approved immediate and comprehensive reforms, including expedited recruitment of essential staff, urgent system upgrades (such as the air traffic management system) and enhanced governance to ensure single-point accountability. This period has also seen a change in leadership, with the Chief Executive Officer (CEO) placed on precautionary suspension pending an independent investigation and the Chief Financial Officer (CFO) Matome Moholola appointed acting CEO to lead the organisation at the time of these crucial interventions.

ATNS is implementing a comprehensive infrastructure refurbishment strategy to address critical deficiencies and uphold aviation safety. Identified as a key focus by the Ministerial Intervention Team, this strategy prioritises procurement and phased implementation of safety-critical equipment, ensuring all upgrades adhere to stringent regulatory protocols and international standards. Concurrently, ATNS is considering integrating advanced technologies, including virtual towers and mobile simulation capabilities, to enhance operational efficiency. This significant investment in modern infrastructure is supported by strategic financial planning and stakeholder collaboration. This work aims to mitigate potential risks such as airspace restrictions, compromised efficiency and reduced competitiveness, reinforcing ATNS's commitment to world-class service and technological advancement. The Committee welcomes the work being done by the entity in terms of the refurbishment strategy, however, there was a concern raised that the entity may not be able to meet the capital investment required to ensure that its equipment and infrastructure can be updated and maintained to the level required for continued effective operations.

During the 2022/23 financial year, ATNS submitted its application for the 2023/2024 to 2027/2028 permission cycle. This submission followed extensive consultation with key

aviation industry representatives, including the Airlines Association of Southern Africa, the Board of Airline Representatives of South Africa and IATA. As this strategic plan is being developed, ATNS is operating under a temporary permission granted by the Regulating Committee, with the finalisation of full permission in progress. Its 2024/25 tariff was approved only in December 2024. Since ATNS charged airlines an inflation-linked tariff of 4.5 per cent from April to November 2024, instead of 11.9 per cent, it lost more than half of its revenue for three quarters of the year. ATNS's Executive Committee approved the 2026/27 to 2030/31 permission application project plan in November 2024.

During the year under review, ATNS's performance declined from a profit of R23.3 million in the prior year to a profit of R22.3 million. The movements declined in the current year by 1.8 per cent. During the year under review, the company achieved billable movements of 287 760 compared to 293 043 (2023/2024). The decrease did not affect the regulated revenue negatively as revenue increased by 4.4 per cent to R1. 530 million against regulated revenue during the previous year of R1 460 million. The increase is attributable to the use of bigger aircraft that attracted higher charges.

Operational costs increased by 8.9 per cent to R1 6 million (2023/2024: R1.5 million) due mainly to the increase in staff costs, computer software, professional fees and travel expenses. The company's liquidity ratio increased to 3.26:1 (2023/24: 2.4:1) mainly due to the issued shares to the shareholder and the drawdown on the loan facility. Capital expenditure decreased to R133.8 million (2023/24: R222.9 million), as most projects were in their final implementation stage. Its gearing was at 26.1 per cent (2023/24: 23.3%) mainly due to increased loans to finance capital expenditure projects. The loan carries both financial and non-financial covenants. The company reviewed this at yearend and found no breach of any covenant. Furthermore, management projects that none of the covenants will be breached in the future. ATNS has the ability to service current debt levels. As a regulated company, ATNS measures its return of capital employed in line with the approach document issued by the regulator. The return is 7.9 per cent (regulated return on capital employed formula: 0.0%). The figure is a measure of the extent to which a company uses its resources efficiently to generate profits, while the regulated percentage is based on the Regulating Committee formula. Cash generated from operations (before interest and taxation) declined by 48.3 per cent to R170.9 million (2023/24: R330.4 million), given the increase in staff costs and other operating

expenses. Cash reserves improved to R1 222 million (2023/24: R887.3 million) because of the loan facility drawdown and issued shares to the shareholder.

Management continued to improve the control environment in the year under review which resulted in no irregular expenditure having been incurred and R8.3 million irregular expenditure not condoned and removed. However, fruitless and wasteful expenditure of R592 000 was incurred which the company is in the process of recovering from the employees. Considering the opening balance from the previous year, the entity had a closing balance for fruitless and wasteful expenditure of R3 million.

The Committee remained concerned about the CEO vacancy and the entity along with the Department was urged to ensure that the filling of critical vacancies within the senior management levels of the entity is expedited. A concern was raised by the Committee regarding the impact which the anticipated lower than applied for approved increase in levy fees would have on the future finances of the entity and its ability to comply with loan covenants. The ability of the entity to improve on its debt collection was also raised and the strategy in place to address this should be closely monitored.

Maintenance concerns were raised linked to equipment and buildings used by ATNS; the Committee urged the entity to ensure all its systems and equipment were maintained and, where needed, that it engages with the owners of the buildings it leases to ensure these buildings are maintained.

ATNS was also urged to improve on its communication strategy following negative sentiments in the media linked to flight cancellations at smaller airports when inclement weather affects the ability of flights to land on particular runways or due to navigation systems at these airports not being secure enough to ensure safe landings in inclement weather.

#### **7.4.10 RTIA**

The Committee noted that the entity had maintained their audit outcome to that of a qualified audit opinion. It further noted that the entity improved on its performance and achieved 85 per cent of its annual targets for the year under review compared to the previous year's performance

of 76 per cent. The material findings raised by the AGSA, were on the AARTO assets and liabilities, which was impacted by the opening balance on the unallocated receipts (this is a repeat finding due to the status of record keeping). One of the performance targets that was not met was in the failure of the finalisation of revocation applications within the stipulated 21 days' timeline. In this case the Agency was let down by the unreliability of information on the National Contravention National Contravention Register as well as resource challenges in the reporting unit during the first two quarters of the reporting period.

The entity, over several years, had audit findings linked to its operations under the AARTO Act. The implementation of the partnership with South Africa Insurance Association (SAIA) was hampered by the lack of clarity on the Proclamation date of the AARTO Amendment Act. SAIA has an interest in partnering with the Agency on the AARTO legislative Education as well as the Rehabilitation programme. The Agency also took an opportunity to engage with various institutions on its Rehabilitation programme and learnt a lot of invaluable lessons in the process. RTIA will continue to engage on this Rehabilitation programme offered by various institutions available in the market to benchmark and develop its own rehabilitation programme. SAIA has also expressed an interest in partnering with RTIA on the much-awaited international conference on the Rehabilitation programme, where the Agency plans to invite esteemed international practitioners, who have a pedigree in implementing the Rehabilitation programmes in their areas. The Agency plans to have this conference at the beginning of 2026 in preparation for the Phase IV onboarding of the demerit points and Rehabilitation programmes.

The challenges, which faced the Board during the period under review, were in the areas of the outstanding proclamation of the AARTO Amendment Act, the promulgation of the AARTO supporting regulations as well as the appointment of the members of the Infringement Appeals Tribunal. The non-finalisation of the abovementioned activities brought a lot of uncertainty in the marketplace, particularly the insurance industry, which requires time to review its risk assessment processes as well as pricing on the short-term insurance business, as a result of the impending points demerit system, which is definitely going to have an impact on the policy holders. The Board also faced challenges with the audit outcomes where it received a recurring audit qualification on the AARTO liabilities balances. Amongst other underlying cause to this qualification is on the taken balances to the AARTO accounts in respect to the unreferenced deposits which were made on the accounts prior to the take-over of such accounts from the

RTMC in 2013. This matter has been a challenge not only on this Board but also the erstwhile Board. The Board requested guidance from the NT to apply the impracticability assessment on the amounts, in terms of the Generally Recognised Accounting Practice (GRAP), seeing that the RTMC also wrote a confirmation letter to the effect that it doesn't have the supporting information on such unallocated receipts. The NT support the accounting treatment principle on condition that the application is supported by the policy and is done post retention of surplus approval is granted by the NT and that the receivables must be declassified or recognise the revenue. Other contributing findings towards qualification were incorrect treatment of interest income and bank charges related from the unallocated receipts balance that were not correctly classified and understatement of AARTO liabilities which led to the AGSA qualified the entire AARTO liabilities. The Agency also experienced a high number of successful representations on camera violations. The primary reason for these successful representations was the non-compliance by the Issuing Authorities with the 40 – day timeline which requires to be adhered to by law enforcement. In simple terms, law enforcement needs to ensure that a notice reaches the infringer within 40 days from the date of the commission of infringement, failing which, such a notice will be considered a nullity and unenforceable. These are some of the challenges which have negatively impacted on the success of the AARTO programme in the pilot areas.

The Committee noted that the Agency still had a challenge with the South African Post Office (SAPO). The Agency was constantly concerned about the business continuity prospects of SAPO, when it didn't look like it would get out of the business rescue process. This situation was compounded by the closure of additional 601 branches, which effectively left the organisation with only 657 functional branches throughout the country. It is not clear whether these latter decisions by SAPO were ever consulted with its key stakeholder groups, including the Agency. What is abundantly clear at this stage is that any form of existential failure by SAPO will have a catastrophic effect on the Agency and the Board is glad though that Management has conducted a risk assessment on this area as well as the risk mitigation plans to that effect.

The Committee reiterates its recommendation from last year that there needs to be a concerted post-audit review meeting between the AGSA and Management, to have a clear understanding and meeting of minds in respect to the audit requirements, particularly as it relates to identification and processing of AARTO Assets and Liabilities, as well as to ensure the effectiveness of the audit steering committee. The Committee also agrees that the Registrar

supported by the rest of the Management team must effectively monitor the audit action plan to prevent repeat audit findings and quality assurance processes need to be further enhanced to ensure accurate management representation regarding the financial statements and compliance matters as is the case regarding the performance information.

#### **7.4.11 RTMC**

The Committee noted that the entity once more maintained their audit outcome to that of unqualified audit opinion with no material findings. It further noted an improvement in the meeting of performance targets, in that for the first time, the entity achieved 100 per cent of its annual performance targets, improving from the 91 per cent achieved in the previous year.

Despite the stellar performance indicated above, there still remains concerns on the road fatality statistics. Despite intensified efforts to enforce law and promote road safety, road crashes and fatalities remain an Achilles heel for the country. In the period under review, the country recorded a 2.43 per cent increase in road fatalities from 11 883 in 2023 to 12 172 in 2024. Pedestrians continue to account for the highest number of road users who die on the roads. They accounted for 45 percent of road user fatalities in the year under review which is the same as in the previous year. It was noted that the RTMC implemented road safety education and awareness campaigns to mitigate the high number of crashes and to mobilise communities to get involved in road safety initiatives. The prevalent view of the Committee is that there is a need to address the impact of driver and pedestrian behaviour on South Africa's roads which is the main culprit when it comes to causes of road fatalities.

The slow implementation of the 24/7 shift system by the provincial authorities continues to be a challenge that does not bode well for efforts to reduce road crashes and fatalities in the country. A closer analysis of road fatality statistics clearly shows that most fatal road crashes take place in the late hours of the night and early hours of the morning when traffic officers are not on the roads. Engagements need to occur with the Shareholders to accelerate the implementation of this intervention.

Actual revenue collected in the period under review amounts to R1.7 billion which is above the R1.58 billion collected the previous year. The over collection can be attributed to collection

from online vehicle licence renewal and other revenue items not budgeted for in the ordinary course of business. The number of online vehicle licence renewal transactions has grown by more than 60 per cent from the previous year to the year under review. Actual expenditure also showed an increase on the approved allocated budget as compared to the previous financial year. The RTMC spent R1.7 billion during the period under review as compared to R1.44 billion in the previous financial year. Spending on compensation of employees increased by R16 million from R724 million to R740 million. The staff complement of the RTMC decreased from 1 855 in 2022/23 to 1 741 in 2023/24. The increase in compensation of employees can be attributed to the additional provision made for performance bonuses and leave pay in the current year. Over expenditure is attributed to mainly employee related costs. The overspend of R148 million in operating expenditure is mainly attributed to expenditure incurred towards non-cash items, such as provisions for bad debts, depreciation, and losses on the disposal of assets. Other items contributing to overspending include computer expenses related to the procurement of software licences for the various computer packages used by the RTMC.

During the year under review, the entity confirmed and condoned irregular expenditure of R 121 440. An administrative error occurred during the preparation of a submission that sought approval for the extension of a lease agreement for an office building. The leased area was erroneously captured as 903m<sup>2</sup> instead of the correct 1 123m<sup>2</sup>. As a result, payments for the period from 1 December 2024 to 31 March 2025, to the value of R121 440, were processed based on the inaccurately stated square meterage in the approved submission. No further payments have been processed since the administrative error was identified. The Chief Executive Officer has, since, through the Loss and Disposal Committee's recommendation, approved the condonation of the irregular expenditure in line with the Framework. No new cases of fruitless and wasteful expenditure were incurred in the year under review, however, the entity did report a closing balance of R3.3 million in fruitless and wasteful expenditure coming from previous years of R3.4 million minus R89 000 recovered in the year under review.

The Committee, during engagements with the entity during the year under review, noted the work done by the RTMC to propose alternative revenue streams (linked to the various types of training done and services to SADC countries by the RTMC) to the NT for approval and the indication that there was only a response received regarding one of those proposals. The Committee requested a report on this by the RTMC and the Department to formulate further recommendations regarding this issue to the Minister of Finance.

## 7.4.12 DLCA

The DLCA showed an improvement in its audit outcomes, having moved from a qualified audit opinion for the previous year back to an unqualified opinion with findings for the year under review. The Committee remains concerned about the performance of the entity, although the Committee noted that the entity improved in its performance of its annual performance targets going from 35 per cent in the previous year to 64 per cent during the year under review.

During the year under review, the entity continued to face challenges, from the AGSA investigation of the irregular tender process linked to the new card printing machine resulting in a court application to review the award (which is still ongoing at the time of tabling the Annual Report), to another breakdown of the current printing machine in February 2025 resulting in a backlog of 540 000 cards as at 31 March 2025. The Committee noted the work done towards mitigation of further risks and to ensure the uninterrupted availability of driving licence cards to the public, in that the Department engaged the Government Printing Works (GPW) and the Department of Home Affairs (DHA) for an interim solution to assist with the printing of cards. The Committee cautioned the Department and the DLCA to ensure that once the court review process of the tender award is finalised, there must be no time wasted in working towards the valid procurement of a new machine.

Although there was no new irregular expenditure incurred during the year under review, the total closing balance for irregular expenditure at the entity was R348.7 million. This was linked to eye test equipment procurement and it was noted that the new card production machine procurement from previous years may also impact this total. During the 2022/23 financial year, a purchase order for R74 316 565 was issued to a supplier for 1000 eye test units. Upon investigation, it was noted that the contract entered with the supplier was evaluated on 80/20 in terms of PPPFA regulation, which states that the spend on the contract should not exceed R50 million, and /or if it exceeds, it should be limited to 15% of the total contract value. The contract was fully paid off in the prior year and hence no current irregular expenditure incurred. During August 2024, DLCA concluded a contract with Idemia for the provision, installation and maintenance of equipment (with related infrastructure and raw materials) for the personalization of smart driving license cards. The Minister requested an audit on the smart

driver's license card contract which was concluded in March 2025 with adverse findings of non-compliance. The entity has not spent on the contract, however, there might be irregular expenditure in future, should the entity decide to continue with the contract. For the year under review the entity noted R107.9 million in irregular expenditure under assessment and R348.7 million under investigation. Irregular expenditure under assessment pertains to amounts spent on an order with AGFA for raw materials, as well as a contract variation with Matupunuka for LEU maintenance which were flagged by the Auditor General of South Africa as having been approved incorrectly according to the delegation of authority of the entity. The entity did not incur new fruitless and wasteful expenditure for the year under review but had R101 000 brought forward from previous years. During the financial year ended 31 March 2024, a penalty was imposed due to the failure to submit payroll taxes on the SARS eFiling portal. DLCA could not submit on time due to the organisations profile linked to the previous manager who resigned during the 2022/23 financial period.

This year, the entity produced 2.39 million driving licence cards, which is a regression from the 2.8 million produced in the previous year. The revenue generated for the year under review was R204 million, which again is a 15 per cent regression from the R222 million generated in the previous year. There was no significant increase in the cost of raw materials, which amounted to 48.73 per cent of revenue compared to 46.57 per cent in the previous year. This minor increase in costs is mainly attributable to the exchange rate differences due to the Rand's performance against the Euro. The overall operating costs declined by 6.91 per cent compared to the previous period.

The Committee noted the continued progress made in the Smart Enrolment Unit project aimed at replacing the current Live Enrolment Units (LEUs). This project has been initiated in the 2023/24 financial year, the project has made significant progress, with 431 units deployed across 206 Driving Licence Testing Centres (DLTCs) in all nine provinces by the end of March 2025. The project is expected to reach completion by March 2026.

The DLCA once again declared a surplus for the financial year and was in a process to request NT to retain the 2024/25-year end surplus, as the entity has still not managed to finalise the procurement of the new production machine, as indicated above.

The Committee noted with concern that the DLCA governance environment continued to be disrupted by the lack of both the Risk Committee and Audit Committee since the term of the previous Committee's expired in June of 2023, the vacancies were never filled. The appointment of a new committee was delayed due to a rationalisation process, which was subsequently paused in June 2024. To address the resulting governance gap and ensure continuity, the Audit Committee (AC) of the Department was requested to extend its oversight responsibilities to include the DLCA, effective 1 April 2025. The AC will take responsibility for the Risk component in the new financial year. The effectiveness of the Governance Division's operations was further weakened by a shortage of personnel, following the resignation of the previous team during the 2023/24 financial year. Since then, only a handful of staff members have been assigned to the division through secondment. Plans are in place to address this critical resource gap in the 2025/26 financial year, while the Department is finalising the organisational structure of the entity. These issues must be remedied urgently by the entity and the office of the Minister.

Further hereto, during the visit to the DLCA offices on 9 October 2024, the members were made aware of concerns and grievances raised by the employees, linked to the conditions of employment, employment contracts as well as employee benefits. The Committee noted that these issues were directed in writing to the Minister as well and highlighted this issue in the meeting with the Department on 15 October 2024. From this engagement, the Committee was informed that this matter, along with the long outstanding transfer of the entity's operations to the RTMC were interlinked. The rationalisation of entities, and the anticipated delays in transfer of the entity's operations to the RTMC was noted by the Committee seeing as the process was not finalised in the year under review and the finalisation date is not yet confirmed. The Minister was requested to ensure that the staff issues were addressed while the Department waited for the rationalisation of entities to be completed.

#### **7.4.13 SAMSA**

The Committee noted that the entity received the same audit opinion as the previous year, an unqualified audit with findings in the current year under review. It further noted that the entity improved on the achievement of its annual performance targets for the year under review and managed to achieve 80 per cent compared to the previous year's 72 per cent. The Committee

noted that at the time of reporting to the Committee, the vacancy of the CEO posts since 2016 was filled in September 2025.

The sale of the SA Agulhas during the previous year under review marked a significant transition in the utilisation of national maritime assets. The sale agreement included enforceable conditions to preserve the vessel's training mission and national value. Under this agreement, the buyers committed to retaining the SA flag for five years, absorbing a significant portion of the lay-up crew, and providing a minimum of 20 cadetship berths annually scaling up to 120.

The Accounting Authority has exercised ongoing oversight to avert any business disruptions especially during the cyber-attacks suffered by the entity in the first month of the financial year, the required improvements were undertaken to limit business disruptions and prevent future attacks. To ensure a proactive response, the Cybersecurity Incident Management Process (CIMP) was invoked to guide the process of containing, eradication and restoration of services while business continuity plans were being invoked to ensure continuity of services. The continuity process included usage of manual process while the impacted systems were being recovered. and for other operational processes.

The recruitment process to fill the position of Network and Security Engineer commenced, however, the position had to be re-advertised as there were no suitable candidates. While the Information and Communications Technology (ICT) Officer is current assisting with responsibility of the role, it is expected that re-advertisement will commence in the in first month of the 2025/2026 financial year. The Committee was of the view that it is imperative that SAMSA address their ICT security systems to better prevent future cyber-attacks, not only was this the cited reason for the delay in submitting the Annual Report during previous years, but it has not been the first time the entity suffered a disruption in operations due to cyber-attacks.

SAMSA conducted 13 424 statutory surveys (compared to the 14 499 statutory surveys in the previous year) to ensure ensuring compliance with national regulations and international conventions such as SOLAS (Safety of Life at Sea) and SAR (Search and Rescue). These inspections spanned cargo vessels, fishing fleets, offshore installations, and small craft—each representing lives, livelihoods, and environmental risk. SAMSA conducted a total of 292 ad

hoc surveys on vessels against a set target of 200. During the financial period SAMSA conducted 49 263 statutory surveys to ensure maritime safety within the South African waters.

Search and Rescue (SAR) coordination teams under Maritime Rescue Coordination Centre (MRCC) led 52 maritime rescue operations and 38 emergency medical evacuations, showcasing SAMSA's capacity for rapid response in life-threatening situations. Importantly, both SAMSA's reportable incident rate and maritime fatality rate remained well below established thresholds, reflecting improved safety practices and growing awareness across the industry. Three hundred and two (302) lives were saved through the MRCC section which monitors the coast from a safety, security and environmental issues perspective as well as monitoring standards for Aids to Navigation. Twenty (20) lives were lost due to vessels capsizing/listing and an occupational accident. SAMSA assisted in one hundred and eighty-six (186) Search and Rescue (SAR) incidents response and one hundred and sixty-one (161) Medical Evacuation (MEDEVAC) operations (i.e. to medically evacuate crew/passengers from vessels offshore to local hospitals).

The Authority also provided eighty (80) Maritime Accident Services (MAS) which involves the monitoring of towing operations, vessels not under command, pollution reports and vessels aground around the coast within the South African Search and Rescue Regions (SRR) and Exclusive Economic Zone (EEZ). The ultimate test of the state of maritime safety will be the reduction in the reportable maritime incidents under the jurisdiction of South Africa. Considering recent maritime incidents involving fishing vessels such as the MFV Lepanto—which tragically resulted in the loss of 11 crew members—and the FV Armana—which experienced a fire at sea with the successful rescue of all 20 crew members—there is growing concern regarding the safety compliance of the South African fishing fleet. These incidents have highlighted the need for a comprehensive safety compliance audit to ensure that all vessels operating in South African waters adhere to SAMSA regulations and other applicable policies. The Minister of Transport has instructed SAMSA to conduct an audit on Commercial Vessels Safety Compliance Inspection to establish the compliance status of the fishing fleet with existing maritime safety standards and regulations. The objective of this audit is to enhance maritime safety, prevent future incidents, and protect both crew members and the marine environment. The overall objective of the project is to assess the safety compliance status of the South African fishing fleet, identify gaps in compliance with national and international maritime regulations, and provide recommendations to enhance safety standards. The SAMSA

Commercial Vessels Safety Compliance Audit was officially launched in Port Elizabeth by the SAMSA Board and the Accounting Officer in March 2025.

On marine pollution prevention, the entity recorded a total of 9 pollution incidents for the year under review. The entity achieved 0.90 rate against a target of below 4 Reportable Maritime pollution incidents rate per thousand vessels. Other Key activities done to reduce the Reportable Maritime pollution rate from all types of vessels: SAMSA conducted 74 International Oil Pollution Prevention surveys reduce pollution incidents. The introduction of the Marine Oil Pollution (Preparedness, response and cooperation) Bill represents a pivotal shift in our mandate 2. The bill, which seeks to amend the SAMSA Act, expands its responsibilities to include prevention, preparedness, response, and combating pollution from ships, seaports, oil handling facilities, and offshore installations. The function is currently located at Department of Forestry, Fisheries and the Environment. SAMSA is proactively preparing for these expanded duties. At the time of adoption of this report, the Bill was before the Committee to consider the proposed amendments from the National Council of Provinces.

SAMSA's developmental mandate - to democratise opportunity within the maritime sector - remains a long-term national imperative. In 2024/25, the entity issued 3,600+ certificates of competency and proficiency to South African seafarers, empowering them to participate in the global shipping labour market. The South African Ship Register maintained 671 active vessels, and the entity welcomed a new merchant vessel registration - small, but symbolic of renewed confidence in our flag administration. Through the Ship Register Promotion Plan and the Maritime Transformation Strategy, SAMSA embarked on initiatives to raise awareness, build maritime skills, and expand access to career pathways - particularly for rural communities, women, and unemployed youth. These programmes are not peripheral—they are central to building a maritime workforce that reflects South Africa's demographics and economic aspirations.

The financial performance of SAMSA in the 2024/25 financial year was marked by continued efforts to enhance fiscal discipline and sustainability. For the year under review, the entity had R752.4 million in revenue. Operational expenditure was R680.6 million. Operational surplus stood at R73.2 million (compared to the R75.5 million in the previous year), with a Net surplus of R93.1 million (compared to the R91.9 million in the previous year). The total Net assets stood at R333.3 million. The main reasons for the surplus are the savings in the compensation

of employees' budget due to vacancies in the process of being filled as well as the improved revenue performance. SAMSA levies revenue improved by 11%, due to the positive impact of the tariff increment implemented on 1 September 2024. Vessel management revenue decreased 5% due to lower demand on ad-hoc Voyage during the period under review.

Despite the progress made during 2024/25, SAMSA continues to face structural and operational challenges that require focused attention:

- The limited availability of qualified technical personnel, including Port State Control Officers and marine surveyors, continues to affect operational coverage and efficiency;
- Persistent delays in seafarer certification, particularly for operators of small vessels, continue to hinder compliance and economic activity in the small-scale maritime sector;
- The absence of a centralised Quality Management System (QMS) undermines process standardisation and internal accountability; and
- Fragmented stakeholder engagement has limited the coherence of national efforts to drive sector-wide progress.

These gaps, documented in the 2024 Mandate Analysis, are now priority focus areas in the 2025-2030 Strategic Plan and the Annual Performance Plan for 2025-2026.

#### **7.4.14 TRANSNET**

Since the Presidential Proclamation Notice 176 of 2024, published on 27 August 2024, the entities Transnet SOC Ltd (also includes the move of the Transnet Pension Fund), as well as SAA (also includes the move of SA Express) have been moved to the transport portfolio.

Transnet provides and operates freight transportation services and infrastructure. The company's key strategic objectives include improving logistics competitiveness, promoting a modal shift from road to rail, increasing logistics connectivity, attracting private investment, developing skills and promoting reindustrialisation.

During the year under review, the entity once again received an unqualified audit opinion with findings and achieved a meagre 27.7 per cent of its annual performance targets which was a regression from the previous year's 28 per cent, making the entity the worst performer in the

transport portfolio. The Committee remained of the view that the Board and the Management of the entity must improve on its performance since the failure of the entity will be devastating to the economy.

The entity manages an asset base of R366.9 billion. The network and fleet base exists of 3 114 km in pipeline infrastructure, 30 400 km railway network track including two heavy-haul lines and 1 911 operational locomotives. The commercial footprint exists of eight (8) commercial ports, sixteen (16) cargo terminals across seven (7) South African ports, 132 maintenance depots and eleven (11) engineering yards, and six (6) rail and port manufacturing and maintenance facilities. Transnet's investment property exists out of R32.3 billion in commercial and residential property portfolio.

The corporatisation of the TNPA remains on track. This transition will enhance operational independence and support more focused investment in port infrastructure. The establishment of the Transnet Rail Infrastructure Manager (TRIM) marks a pivotal milestone in the liberalisation of South Africa's rail sector. This structural reform, enabled by the National Rail Policy and the Economic Regulation of Transport Act (2024), is designed to modernise the freight rail system by separating infrastructure management from train operations. Under this new model, TRIM manages, maintains and develops the national freight rail infrastructure. Its mandate includes ensuring network availability and reliability, allocating access slots, collecting access fees, and engaging with the Transport Economic Regulator (TER) to ensure compliance and transparency; and Freight Rail, now a standalone train operating company (TOC), focuses on delivering freight services, managing rolling stock and competing for access to the national network alongside future private operators. This separation addresses long-standing inefficiencies in the vertically integrated model, which limited competition, constrained investment and created barriers to innovation. By establishing TRIM as a neutral infrastructure manager, South Africa is creating a level playing field for all licensed operators, enabling fair access and fostering a more dynamic and customer-focused rail environment.

The value proposition of the reform is indicated as it promoting competition, which drives service quality and innovation; It enables targeted investment in infrastructure, supported by access fees and public funding; It enhances transparency and regulatory oversight; and it positions South Africa's rail system to better support industrial growth, reduce logistics costs, and shift freight from road to rail. This is a bold step toward a more open, efficient, and future

ready rail system better aligned with the customer needs and the broader economy. The TRIM has begun implementing third-party access agreements, enabling licensed operators to use the national rail network. Transnet also indicated that the CEO for TRIM was appointed from 1 March 2025.

For the period under review, Freight Rail moved 160.1 metric tons (mt) of goods through our rail network, up from the 151.7 mt in 2024. The entity saw a number of performance records being broken in the ports, a standout example of what can be achieved through focused execution is the record-breaking performance at the Durban Multi-Purpose Terminal, which exceeded 200 000 TEUs. This improvement is a direct result of a multi-faceted strategic approach to restore operational efficiency, financial sustainability and long-term competitiveness.

Our financial results reflect a meaningful turnaround, underscoring the impact of the Tactical Recovery Plan's focused operational and financial recovery efforts. Transnet reduced net operating expenses to R52.1 billion (2024: R54.7 billion), demonstrating disciplined cost management without compromising growth. EBITDA rose to R30.6 billion, up from R22.0 billion, showing stronger financial health and improved operational efficiency. Capital expenditure increased from R16.7 billion to R24.0 billion, reaffirming the entity's commitment to long-term investment in infrastructure, asset renewal and operational modernisation. Revenue generated for the year under review was R82.7 billion, which is 7.8 per cent higher than the previous year. The entity reported a net loss for the year of R1.9 billion, reflecting a 74 per cent improvement compared to the previous year. Government's financial support, in the form of Government guarantee facilities, has enabled the entity to achieve its objectives. Post year-end, the Minister announced R51 billion to support Transnet's capital investment programme and meet our debt obligations. This critical intervention alleviates its substantial debt burden, which has limited its ability to invest, maintain and operate effectively.

The entity presented that in their assessment the performance during the year under review shows that there has been stabilisation which lays the base for improved performance and revenue generation going forward. The work of the entity is performed by the various ODs. Some aspects of their performance are as follows:

- Freight Rail (TFR) moved 160,1mt up from 151,7mt in the prior year. This growth, though modest, is a signal of its ability to overcome persistent challenges such as

locomotive availability, infrastructure constraints, and security incidents. It reflects the dedication of its teams and the success of targeted interventions to improve network reliability, asset utilisation, and customer responsiveness.

- Port Terminals (TPT) invested significantly in critical equipment to reduce backlogs and improve terminal efficiency. Container volumes declined by 1.5 per cent to 4 092 thousand TEUs, largely due to global trade headwinds and temporary operational disruptions. Importantly, the groundwork laid, which includes onboarding new equipment, improved maintenance regimes and enhanced workforce training, positions it for a strong rebound in 2025/26FY. Transnet is committed to restoring its ports to world-class standards and ensuring its customers experience faster, more predictable, and more reliable service.
- Pipelines (TPL) recorded a 12 per cent decline in petroleum volumes to 13 372 million litres (2024: 15 190 million litres). However, this was offset by a remarkable 73 per cent reduction in fuel theft incidents. This reflects the success of its integrated security strategy, including technology upgrades, community partnerships and law enforcement collaboration. Transnet also signed a landmark terminal operator agreement at the Port of Richards Bay and began repurposing the Lilly Pipeline for future gas transmission. These developments lay the foundation for a more diversified and resilient energy logistics portfolio, with the potential to introduce gas volumes in 2027/28FY.
- National Ports Authority (TNPA) has made significant strides in improving port efficiency. For the first time in years, vessels are now berthing on arrival across all major ports, which is a testament to improved marine service planning, infrastructure availability and operational coordination. Transnet are also proud of the increased visibility of women in the maritime sector, reflecting our commitment to transformation and inclusion in traditionally male-dominated industries.
- Transnet Engineering (TE) delivered a standout performance, doubling its locomotive production from 22 to 43 units. This demonstrates the growing strength of its manufacturing and maintenance capabilities. Transnet have issued a formal request for qualifications to identify a strategic partner to establish a rolling stock leasing company (LeaseCo). This initiative will unlock new opportunities for growth, innovation and customer-focused solutions in the rolling stock market.
- Transnet Property (TP) made encouraging progress in strengthening operations and advancing ESG-related initiatives. Security incidents dropped by 45 per cent and

financial losses from theft and vandalism reduced by almost 50 per cent. Key infrastructure upgrades were completed, which included the refurbishment of our new Head Office as well as restoring the flood-damaged canals in KwaZulu-Natal. The SAP Real Estate System has been re-introduced to improve reporting and portfolio oversight. Transnet's environmental sustainability efforts gained momentum through biodiversity assessments, asbestos risk management and solar energy feasibility studies. TP is engaging private sector partners to co-develop commercial opportunities, optimise asset use and support inclusive growth.

Security incidents directly impact operational efficiency and financial performance, underscoring the need for continuous monitoring and targeted interventions. In the year under review, Transnet recorded a 23 per cent decline in security incidents, down to 6 345 from 8 234 the previous year. Freight Rail accounted for over 90 per cent of these, with hotspots in Gauteng, Mpumalanga, and KwaZulu-Natal. The financial impact of these security incidents is that there were revenue losses totalling R1.59 billion, a 21 per cent decrease (R419.31 million) compared to the previous year. Copper cable theft remains the most prevalent and damaging crime, often involving infrastructure destruction and environmental hazards. Notably, fuel theft at Pipelines dropped by 73 per cent reflecting the success of targeted security interventions. Ongoing monitoring is essential as these incidents continue to impact business performance.

For the year under review, Transnet disclosed PFMA reportable items amounting to R3.2 billion. This comprised R3.2 billion in irregular expenditure and R42 million in fruitless and wasteful expenditure. Notably, most irregular expenditure relates to legacy issues tied to ongoing multi-year contracts that have not yet been formally condoned. These are not the result of new procurement violations but reflect historical non-compliance that continues to be accounted for in line with regulatory requirements. The total amount of irregular expenditure at year end stood at R4.8 billion, and the total for fruitless and wasteful expenditure at year end stood at R466 million. In 2022, NT exempted Transnet from the specified PFMA provisions and the NT Instruction No 2 of 2019/20. The exemption allowed Transnet to focus on improving internal control for accurate and complete reporting of irregular, fruitless, and wasteful expenditures. This exemption expired on 31 March 2024. The financial year under review is the first year post-exemption in which Transnet is disclosing the PFMA note in the annual financial statements and be audited by the AGSA for purposes of forming an audit

opinion. During the exemption period, Transnet improved its internal control environment. This included a PFMA remedial plan to address the root causes of irregular expenditure, supply chain management (SCM) transformation, and digitalisation. A PFMA Framework and Directive were developed to ensure adherence to the PFMA and NT regulations. Implementing the remedial plan significantly improved the internal control processes and the supply chain control environment. There is a 16.7% reduction in irregular expenditure from the prior year to the current year.

The Committee noted that the Shareholder Compact was signed and contributed to the goals and targets set for the performance by the entity in line with the expectations from the Shareholder. The Shareholder's Compact represents the agreement between the Executive Authority and the Accounting Authority. It reflects the expectations of each party, expressed in terms of outcomes and outputs that need to be achieved. The Shareholder's Compact needs to be reviewed and adjusted on an annual basis, in line with the performance of the entity over the previous financial year.

The Committee is further concerned that the entity still shows poor performance in meeting the annual planned performance targets. The Committee also noted that Transnet has not achieved on the planned service delivery and efficiencies relating to its mandate of assisting in lowering the cost of doing business in South Africa, enabling economic growth and security of supply through providing appropriate ports, rail and pipeline infrastructure, as well as operations in a cost-effective and efficient manner within acceptable benchmark standard. The non-achievement of planned targets further contributed to increased reliance on road transportation, leading to higher costs, road congestion, damage to road infrastructure and negative environmental impacts. It was also noted that the main root causes for non-achievement are attributed to operational challenges due to non-availability of rolling stock, security incidents, strike action, power outages, customer cancellations and adverse weather conditions and equipment challenges as well as delays in concluding request for proposals with the private partnerships.

The Committee was of the view that the entity was not sufficiently funded and there may be a need for it to be recapitalised through State funding in order to ensure that they can service their debt, while continuing operations and recovering all freight, port and pipeline services to reach peak performance levels.

### 7.4.15 SAA

Since the Presidential Proclamation Notice 176 of 2024, published on 27 August 2024, the entities Transnet SOC Ltd, as well as SAA have been moved to the transport portfolio.

The entity did not table its Annual Report prior to the adoption of this report.

South African Airways operates a full-service network in the international, regional and domestic markets. The airline is responsible for promoting air links with South Africa's key business, trading and tourism markets across the world, and contributing to key domestic air linkages.

The AGSA did provide the Committee with a briefing on the audit outcome of SAA for the 2023/24 financial year and highlighted the following:

- SAA company and group (Disclaimed audit opinion)
  - Disclaimer: The audit has progressed from prior limitations of scope to disagreement-based qualifications in some areas, indicating partial improvement in financial reporting. However, records management and source documentation quality still pose a significant challenge and continue to compromise audit reliability;
- SAA Technical (Disclaimed audit opinion)
  - Audit environment remains weak, with no meaningful improvement from prior years. Persistent issues include; Poor internal controls, Inadequate financial documentation and lack of staff discipline towards adherence to internal controls which result in recurring limitations of scope;
  - SAAT continues to be a problematic entity with a high-risk control environment;
  - SAAT is going concern depends on SAA, as SAA is the major customer (i.e. more than 80% of revenue is derived from SAA). Furthermore, SAAT obtained financial assistance from SAA to fund capital projects;
- Air Chefs (2023-24FY: Disclaimed audit opinion)

- Some progress noted in terms of corrective actions taken to improve audit outcomes. Disclaimer audit opinion primarily due to corresponding issues linked to SAA;
- Air Chefs is still Going concern with material uncertainties as they are dependent on SAA (i.e. major customer) for survival; and
- Mango (2022-23 & 2023-24FY: audit outstanding)
  - Mango's bid to revive operations has collapsed with the investor's withdrawal. Now, the focus shifts toward a wind-down strategy aimed at delivering some compensation to creditors—potentially a better outcome than outright liquidation. The BRP plan adopted was further disregarded by court.

The AGSA indicated the following key weaknesses at SAA:

- Internal audit unit did not complete work as per annual internal audit plan (2024FY). Majority of the audits were still in progress while some not yet started at the finalisation of the audit;
- Loss control function not established. The entity does not have effective systems, controls, or mechanisms in place to evaluate incidents of irregular, fruitless and wasteful expenditure. Additionally, there are no structured processes to take corrective action to prevent the recurrence of such transactions. As a result, similar incidents have been incurred repeatedly over multiple financial years; and
- The action plan to address the internal control deficiencies was developed and implemented by senior management very late in the audit process.

## **8. RECOMMENDATIONS**

### **8.1 Recommendations from the Combined Strategic Plan, Annual Performance Plan and Budget Vote Report 2025**

#### **8.1.1 The Committee recommended that the Minister, through the Department, should ensure the following:**

8.1.1.1 The Department must provide quarterly reports on the following:

8.1.1.1.1 Quarterly performance of each entity under the Department, as well as urgency oversight reports per entity to address pertinent matters that may arise per quarter;

8.1.1.1.2 Quarterly progress reports on how the DLCA is addressing the card printing backlogs;

8.1.1.1.3 Quarterly reports to the Committee on current figures for passenger trips on the various IPTNs identified in the APP, to indicate how close operators are coming to reaching the targets set in their respective APPs;

8.1.1.1.4 Given the persistent carnage on the country's roads, the Department should brief Parliament quarterly on the National Road Safety Strategy and how the different entities are implementing programmes to implement this strategy along with the expenditure on these programmes (this will be over and above the briefings on festive road safety programmes and the subsequent briefings on road crash fatalities);

8.1.1.1.5 Quarterly reports on the use of consultants and indicate which programmes/projects make use of consultants, what budget is allocated for the use of consultants and whether the consultants transfer relevant skills to the employees of the Department to prevent future need to use consultants for the same programme/project;

8.1.1.1.6 Quarterly reports on progress made on the Road Maintenance Funding strategy, Operation *Vala Zonke*, the *Welisizwe* Rural Bridges Programme, *Shova Kalula* bicycle project, *S'hamba Sonke* roads maintenance project and Operation Phakisa oceans economy projects. Concerning *Welisizwe* Rural Bridges Programme, the Department should brief Parliament on a quarterly basis on where it will be spending the allocation to the *Welisizwe* Rural Bridges Programme, as well as the criteria used in identifying these areas;

8.1.1.1.7 Quarterly reports on the various municipal, provincial and national projects, with the specific focus on pothole repairs. This report should also include the available platforms or methods for reporting potholes to the responsible sphere, the quarterly expenditure on pothole specific repairs, any public-private partnership (PPP) or community partnerships in place for ensuring pothole repairs, as well as the legal or departmental expenditure by each sphere on claims against the sphere for vehicle damage or personal injury claims due to potholes;

8.1.1.1.8 Quarterly reports on the filling of Board vacancies so that Board memberships are filled well in time to have functioning Boards to prevent a recurrence of the Annual Report delays, as well as to ensure effective and efficient control over and fiduciary duty fulfilment in all entities of the Department;

8.1.1.1.9 Quarterly reports on the filling of vacancies in senior positions within the Department and its entities;

8.1.1.2 The Department should provide quarterly reports on the implementation of the following grants: PRMG, RRAMS, MIG, Expanded Public Works Programme Integrated Grant for Municipalities, PTOG and PTNG (the PTNG report should also show plans for the expansion of public transport access to rural communities).

8.1.1.2.1 These reports must indicate the past 5-year budget allocation for these grants to each province and municipality benefitting from these, what projects have benefitted from these grants in the past 5 years, what projects are projected to benefit from these grants in the next 5 years, status of projects (planning phase/in progress/completion dates), details for each project on ensuring universal access design, as well as functional universal access infrastructure, if grant allocations were suspended give reasons for the suspensions and possible grounds or conditions for re-admission, progress on ring-fencing of provincial allocations of provincial departments which are poor performers, if funds are ring-fenced or suspended there must be an indication of which projects would be affected by such and what these original budget allocations were.

8.1.1.2.2 The Department should brief Parliament on the breakdown of the PRMG budget allocation for 2025/26 per province, as well as the annual targets of the number of jobs to be created per province.

8.1.1.2.3 The Department must provide a quarterly road maintenance report on the national, provincial and municipal road maintenance work and expenditure, this must also include: the road number and location, the responsible sphere, the assessed condition of the road (good/fair/poor), information on when the last maintenance was of the road and what work was done and the cost/expenditure on this work, future planned maintenance projects with budget allocations.

- 8.1.1.2.4 The Department should brief Parliament on a quarterly basis on the implementation on the PTOG. The briefing should include, inter alia, the beneficiaries of this grant and the criteria used in selecting them.
- 8.1.1.3 The Department and the DLCA must provide quarterly reports on progress towards narrowing the backlog of driving licence card production, as well as progress on the process towards acquisition of a new card production machine.
- 8.1.1.4 The Department and PRASA must provide quarterly reports on progress on bringing the full passenger rail service back online, as well as the progress on new train roll-out and depot/staging yard finalisation for maintenance and to store these trains safely.
- 8.1.1.4.1 The report must also contain information on the appointment and roll-out of the security plans to prevent vandalism of-, theft of- and encroachment onto PRASA infrastructure and rail reserves. Owing to PRASA's historic underspending on its capital programmes, the entity should give Parliament quarterly updates on its rolling stock fleet renewal programme, the refurbishment of coaches, as well as the upgrading of signalling systems;
- 8.1.1.4.2 The report should encompass the budget spent per programme, the timeframes thereof, as well as the progress made. In addition, PRASA should provide Parliament with a comprehensive plan to combat theft and vandalism of the rail infrastructure, within one month of consideration of this report in the National Assembly.
- 8.1.1.5 The Department and SANRAL should brief Parliament quarterly on the progress made on the implementation of the N2 Wild Coast Project, as well as on the R573 (Moloto Road) Development Corridor. The briefing should include, but not limited to, the amount spent to date, number of jobs created and the breakdown of these per small, medium and micro-enterprises (SMMEs), women, youth and people with disabilities, progress on the road infrastructure projects, public transport provision along the Moloto corridor and expenditure on these for each quarter.
- 8.1.1.6 PRASA should provide a report to the Committee within a month of adoption of this report on the progress made into restoring all rail corridors and bringing all stations back to full service.

- 8.1.1.7 Transnet along with its subsidiaries or divisions should provide a briefing to the Committee within a month of the adoption of this report from the various boards of the subsidiaries (if appointed at that time) on progress to date on the implementation of the turn-around strategy of Transnet for each subsidiary or division as well as progress made on issues raised by the Committee during its February and March 2025 Oversight reports.
- 8.1.1.8 The Department should reach a final decision on whether the DLCA should be integrated into or migrated to the RTMC, determine what would be needed to be done to do this and by when this will be possible and report back to the Committee on the final outcomes of this consideration.
- 8.1.1.9 The Department should provide a report to the Committee within a month of adoption of this report on the devolution strategy and the current status of the strategy.
- 8.1.1.10 The Department and RTMC should provide a progress report to the Committee within a month of adoption of this report on the national roll-out of the 24/7 traffic law enforcement shift work.

## **8.2 Recommendations made by the AGSA for the Budgetary Review and Recommendation Report for the 2024/25 financial year**

The role of the AGSA is to reflect on the audit work performed to assist the Committee in its oversight role of assessing the performance of the entities taking into consideration the objective of the Committee to produce a BRRR.

The AGSA recommends that the Committee monitor and do regular follow-ups with the executive authority and accounting officer/authority by ensuring that the following is done for the entire portfolio:

8.2.1 Measures should be taken to address institutional integrity (addressing transgressions of SCM prescripts and assessing, determining and confirming irregular expenditure, implement consequence management and addressing PRASA material irregularities). This is with specific focus on ACSA, DLCA, PRASA, RTIA and SAMSA;

8.2.2 Effective oversight over the quality of annual financial statements (specific to PRASA, RTIA) and the quality of annual performance reports and the inclusion of all indicators rising from the core mandates in the annual performance plans of the auditees (specific to SANRAL, SACAA and DLCA);

8.2.3 Measures should be put in place by the accounting authority to address the institutional capacity and capability (filling of key vacancies, timeous appointment of boards whose terms are ending, resolving the capacity constraints in legal representation and long outstanding suspensions). This is specific to SAMSA and DLCA;

8.2.4 For all entities and the Department, to ensure there is progress to achieve performance targets and ensure that there are adequate plans to fast track performance where targets are not yet achieved; and

8.2.5 Measures should be put in place to continuously monitor the DLCA's performance on the production of driving license cards and the entity's plans of ensuring sustained card production for the citizens.

The AGSA recommends that the Committee monitor and do regular follow-ups with the executive authority and accounting officer/authority by ensuring that the following is done for Transnet:

8.2.6 Monitor timely review and enhancement of the Shareholder's Compact to ensure it fully reflects Transnet's strategic priorities and operational realities. This includes aligning the Compact with national funding instruments and performance expectations and ensuring it is finalised in a timely manner to support effective implementation and oversight;

8.2.7 Monitor implementation of strategies over the availability and reliability of infrastructure that underpins Transnet's operational efficiency and volume recovery. Particular attention should be given to locomotive availability, the supply of spares and rolling stock, the renewal and modernisation of port and rail infrastructure, and the reduction of backlog maintenance across key assets and effectiveness of security interventions to reduce incidents of theft and vandalism on the Transnet Infrastructure network;

8.2.8 Monitor whether strategic oversight and intergovernmental coordination are strengthened to accelerate the implementation of Transnet's recovery and infrastructure investment plans. This should include a clear strategy for managing debt levels and ensuring compliance with government guarantee conditions, which will support the institution's financial sustainability;

8.2.9 Monitor remedial actions taken by the entity regarding audit outcomes to prevent repeat findings and improve audit outcomes; and

8.2.10 Monitor whether consequence management is timely executed across Transnet, particularly in cases of non-compliance, unjustified delays in project execution, and failure to implement audit recommendations. This should include timely investigations, and enforcement of disciplinary actions.

### **8.3 The Committee recommendations for the 2024/25 financial year Budgetary Review and Recommendation Report**

The Committee recommends that the Minister, through the Department, ensure the following:

#### **8.3.1 Recommendations specific to the Department and of General Application to entities**

8.3.1.1 Due to the observation that the Department indicated the same measures implemented in previous financial years to address AGSA findings, the Committee implores the Minister to ensure that stronger measures are put in place to address the audit findings effectively and that they are implemented in a manner that will ensure that the Department improves its audit outcome for the 2025/26 financial year. In relation to this recommendation, it is imperative that the Department strengthen its oversight over the entities and report to the Committee, on a quarterly basis, on progress made to remedy all matters raised by the AGSA;

8.3.1.2 The advertising and filling of Board, CEO, as well as senior management vacancies, as indicated in the paragraphs above, have shown some improvement, however, the Committee noted the indication by the Department that the DPSA Circular on cost-containment measures is impacting the filling of vacancies. Despite this, the Department should still work towards continuously prioritising the filling of vacancies in the Department and the affected entities. To ensure the entities have the required capacity and skills to perform their core mandates, the positions filled should be with people who have the relevant expertise, experience and integrity to serve in these vital positions. This will allow the Department, as well as the entities to operate and report effectively, and do so within the parameters of applicable legislation. The Department, with its entities, must report to the Committee, by the end of January 2025, and

thereafter on a quarterly basis, on current efforts underway to finalise the filling of posts and ensure that they present implementable strategies to address future vacancies. The Department should also provide the Committee with an updated report, by the end of January 2026, on the status of current Board vacancies;

8.3.1.3 The Department, as well as all entities must implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself. The Department should ensure that the targets set in their (and the entities) Strategic Plans and APPs going forward adhere to Specific, Measurable, Achievable, Realistic and Timely (SMART) principles and ensure that sufficient records are available to prove that those targets have been met. Management in the Department should ensure that it is possible to validate the processes and systems that produce the indicator to enable them to produce the required evidence (through improved record-keeping) supporting their reported performance. Conversely, it should adhere to the requirements of the Framework for Managing Programme Performance Information (FMPPi) to ensure that all indicators are well defined and verifiable, and that all targets are specific and measurable i.e. the nature and required level of performance is clearly specified and measurable. The Committee also requested that the Department and its entities move towards the development of key performance targets that would have tangible and measurable results that show actual and/or improved service delivery to all transport stakeholders. The Department should ensure that it sets realistic timeframes for targets linked to the processing of legislation, especially if the Parliament process may be affected by longer recess periods linked to local government elections or the need to make use of extensive public consultations regarding voluminous pieces of legislation. Further hereto the Department must ensure that its APP for 2026/27 and the APP for 2027/28, as well as the planning documents of the PRSA, make provision for the delays linked to the processing of the ERT amendment bill proposed to address the date error contained in Schedule 1 of the Act;

8.3.1.4 Effective steps should be implemented in the transport portfolio to prevent irregular, fruitless and wasteful and unauthorised expenditure. Some of these highlighted by the Committee are:

8.3.1.4.1 Officials who caused the Department or its entities to incur irregular, fruitless and wasteful expenditure should be subjected to disciplinary procedures and, where applicable, implement the appropriate measures provided for in terms of sections 81 to 86 of the PFMA (Act No.1 of 1999).

Section 81(1) stipulates that: *“an accounting officer for a department or a constitutional institution commits an act of financial misconduct if that accounting officer wilfully or negligently-*

*(a) fails to comply with a requirement of section 38, 39, 40, 41 or 42 or*

*(b) makes or permits an unauthorised expenditure, an irregular expenditure or a fruitless and wasteful expenditure”.*

In addition, section 81(2) states that: *“an official of a department, a trading entity or a constitutional institution to whom a power or duty is assigned in terms of section 44 commits an act of financial misconduct if that official wilfully or negligently fails to exercise that power or perform that duty”.*

For its part, section 86(1) of the PFMA states that: *“an accounting officer is guilty of an offence and liable on conviction to a fine, or to imprisonment for a period not exceeding five years, if that accounting officer wilfully or in a grossly negligent way fails to comply with a provision of section 38, 39 or 40”.*

In addition, section 86(2) of the PFMA maintains that: *“an accounting authority is guilty of an offence and liable on conviction to a fine, or to imprisonment for a period not exceeding five years, if that accounting authority wilfully or in a grossly negligent way fails to comply with a provision of section 50, 51 or 55”.*

Finally, section 86(3) of the PFMA stipulates that: *“any person, other than a person mentioned in section 66(2) or (3), who purports to borrow money or to issue a guarantee, indemnity or security for or on behalf of a department, public entity or constitutional institution, or who enters into any other contract which purports to bind a department, public entity or constitutional institution to any future financial commitment, is guilty of an offence and liable on conviction to a fine or imprisonment for a period not exceeding five years”.*

The Act also includes provisions for criminal prosecution in cases of gross financial misconduct;

8.3.1.4.2 The Department and its entities must always ensure that proper record-keeping is implemented for information supporting compliance and procurement processes and implement consequence management for staff members who fail to comply with applicable legislation in this regard;

8.3.1.4.3 Having noted that the Department had a Loss Control Committee/Division to deal with and ensure the rooting out of irregular expenditure, the Department must present quarterly reports on the progress

made by this Committee/Division to ensure that the Department and its entities do not incur irregular, fruitless and wasteful and unauthorised expenditure going forward;

8.3.1.4.4 The Department relies on 3<sup>rd</sup> party information to report on several of its own annual targets. In doing so, the AGSA indicated that the Department must implement sufficient measures to quality check this information and not merely rely on the excel spread sheets they receive from 3<sup>rd</sup> parties. The Committee agreed with this assessment and view of the AGSA, and the Department must therefore present quarterly reports on the progress made in ensuring 3<sup>rd</sup> party information is verified, quality checked and put through an internal auditing process as it relates to each individually affected target and doing so prior to accepting this as evidence for the performance of annual targets;

8.3.1.5 The Committee requests the following regarding compliance with the provisions of the PFMA:

8.3.1.5.1 The Department should capacitate its (and the entities) Finance and SCM directorates/departments/branches with appropriately skilled and competent personnel to prepare credible financial statements;

8.3.1.5.2 The executive authorities, accounting authorities, accounting officers and senior management should ensure that information used to prepare financial statements is accurate and reliable; and

8.3.1.5.3 The Department must ensure that all officials within the transport portfolio responsible for reporting in terms of the PFMA are reskilled by ensuring they receive training on compliance with the PFMA, ensure that these staff members undergo refresher courses on the applicable NT Regulations that are implemented from time to time, and receive training on compliance with the King Report on Corporate Governance IV;

8.3.1.6 Control processes should be adhered to in the SCM processes. Some of these highlighted by the Committee are:

8.3.1.6.1 The Department should identify and address the inefficiencies in the SCM process in the Department, and assist its entities to do the same, where needed. There should be a review of SCM policies as well as current contract management processes and the implementation of consequences for poor performance and failure to comply with applicable legislation;

8.3.1.6.2 Members of the relevant bid evaluation committee and the CFO should satisfy themselves that all service providers that are recommended for award have all the required documentation in terms of legislation, are financially stable and have the required skills to perform the work tendered for. The list of recommended bidders should be accompanied by a signed checklist confirming the completeness of required documents. The contract specifications should not differ from the advertised call for bids;

8.3.1.6.3 Management should properly plan the acquisition of goods and services and exercise sufficient oversight and monitoring of controls to ensure that compliance with SCM policies is achieved;

8.3.1.6.4 Recurring non-compliance should be investigated, and appropriate action taken against transgressors;

8.3.1.6.5 Furthermore, management should ensure that their own policies and procedures are reviewed and aligned to the FMPPI and the PFMA, to ensure that performance reporting requirements are properly processed by the Department;

8.3.1.7 The Department should report back to the Committee on a quarterly basis regarding the projects to which grant funds are allocated and transferred to. This said report must cover its monitoring, tracking and engagement with its provincial and municipal counterparts on the implementation of the PRMG, PTNG, PTOG, RRAMS, DORA and other applicable grants to ensure that money is used for its intended purpose, to ensure that there is value for money spent and to prevent a future need for roll-overs;

8.3.1.8 The Department should ensure that the budget allocation for projects is strengthened and realistic to reduce the high amounts of funds being transferred under *Virements* (such as targets and budget set for the Revised Taxi Recapitalisation programme);

8.3.1.9 The Department should develop an alternative investment attraction plan to make better use of PPPs and the promotion of PSP in the funding options for various infrastructure projects, such as Rail Projects, the Moloto Corridor Project and other major infrastructure projects planned by the Department;

8.3.1.10 The Committee takes a dim view of the non-compliance and the lack of tabling of Annual Reports in terms of the sections 8 and 65 of the PFMA. The outstanding Annual Reports of SAA and RAF are a serious concern, having noted that the audit of the SAA statements is effectively a year behind schedule. If the entity and the Department are serious about turning SAA and SA Express around, the commitment made by the Minister, to ensure that there is

compliance with tabling deadlines for the next audit cycle, must be achieved. The Department must ensure, and assist well in time where it can, that all Annual Reports are submitted within the legislated timeframes for the audit by the AGSA, as well as tabling in time before Parliament. The outstanding reports of SAA and RAF should be presented to the Committee as soon as it is tabled and referred to the Committee. The Committee would work towards submitting a supplementary report on the late received Annual Report, should it be tabled in time to do so;

8.3.1.11 The Department must ensure that the SAA Board is given the required assistance to ensure that the entity's performances and audit finalisation are drastically improved and deliver quarterly reports on progress related to the above to the Committee;

8.3.1.12 The Department must address the issues once again raised regarding the financial health of their entities in as far as their finances continue to recover after having been affected either by the lasting impacts of COVID-19 lockdown restrictions to their respective industries, operations affected by natural disaster damage requiring urgent procurement and interventions, breakdowns of manufacturing equipment, contract delays or cancellations or insufficient revenue streams to support liquidity; and ensure that a comprehensive plan is submitted to the Committee by the end of January 2026 covering these issues and those highlighted by the AGSA and the Committee at all of these entities. This must be followed up by quarterly reports on the financial health of all the transport portfolio entities. This recommendations links to the recommendation in 8.3.3.6 below;

8.3.1.13 In light of the cost-containment instructions by NT to Departments and entities to limit the use of consultants, the Department should indicate to the Committee what measures it has put in place to ensure compliance with this instruction and provide the Committee with a detailed report, by the end of January 2026, on all projects in which consultants were used (Departmental projects, projects linked to Grants such as the IPTN projects), as well as whether there were skills transfers that accompanied the use of consultants as is required by the NT instructions. The Department must also provide a report, by the end of January 2026, on any consequence management that has been or is planned to be implemented against officials that may have approved the use of consultants without compliance with the NT instructions;

8.3.1.14 The Department should provide the Committee with quarterly reports on the Revised Taxi Recapitalisation Programme, and the reports should specify the timeframes within which the programme will be rolled out, deadlines proposed and/or published by when operators must apply for scrapping, whether and how the programme is used to remove illegally modified panel vans used as taxis from the roads, as well as reporting on progress made and timeframes

for the rollout of the 2020 Taxi Lekgotla resolutions. The Committee was adamant that the Taxi Recapitalisation Programme (TRP) can no longer continue to be implemented on a demand-driven basis and the Department should indicate the programme plans to ensure that this aspect of the programme is amended;

8.3.1.15 The 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs) provides a framework for the international community working towards the achievement of disability-inclusive development. The Department should therefore ensure that all its programmes respond to, inter alia, universal accessible transport;

8.3.1.16 The Department and its entities should submit their five-year Strategic Plans and APPs to the AGSA for proactive reviews to ensure compliance with the Revised Framework for Strategic Plans and APPs as well as ensuring that targets are measurable, and that the information required to measure these is verifiable. Given that only one entity achieved 100% of its performance targets, and the dismal performance by Transnet of 27.7%, the Minister must ensure that the Strategic Plans and APPs for Transnet and SAA are tabled and submitted to the Committee as is done annually for all of the other entities. The lack of tabling these plans impacts the ability of the Committee to consider and monitor the progress and/or achievement of annual targets through the annual oversight cycle;

8.3.1.17 The Department and its entities must ensure that Internal Audit Committees are in place and the required internal audit controls are functioning. Along with this, they are urged to conduct post-audit review sessions with the AGSA as well as their respective internal audit teams to ensure that the plans they submit to address the audit findings will be suitable and effective in achieving improved audit outcomes in the current financial year;

8.3.1.18 The Minister must ensure that all entities have updated and signed Shareholder Compacts and ensure that the Committee receives copies of these agreements before the end of January 2026; and

8.3.1.19 The Department must ensure that their quarterly reports on public passenger statistics indicate whether the public transport demand is being met for the applicable routes.

### **8.3.2 Entity Specific Recommendations**

The general recommendations above apply to the Department and its entities. Where there are additional recommendations required that are specific to the entity, these are captured below.

The Committee recommends that the Minister, through the Department, ensure the following is done with specific reference to the following entities:

### **8.3.2.1 ATNS**

8.3.2.1.1 The entity must ensure that the work done on flight procedure designs and approval thereof are obtained for all commercial airlines/aircraft and airports to reduce the impact on passengers because of flight cancellations due to inclement weather;

8.3.2.1.2 The entity must ensure that its maintenance of and investment in critical equipment are done as is required for effective operations.

### **8.3.2.2 C-BRTA**

8.3.2.2.1 The C-BRTA must, on a quarterly basis, report to the Committee regarding the steps taken in resolving the impasse regarding the cross-border movements on the RSA/Kingdom of Lesotho route;

8.3.2.2.2 The C-BRTA should report to the Committee, by the end of January 2026 and on a quarterly basis thereafter, regarding the continued engagements on the implementation of the 1996 SADC Protocol on Transport, Communications and Meteorology;

8.3.2.2.3 The entity must work with the Department to address the issues regarding the financial health of the entity in as far as its impacted by delays in the finalisation of agreements linked to cross-border transportation and/or services, and ensure that a comprehensive plan is submitted to the Committee by the end of January 2026 covering these issues;

### **8.3.2.3 DLCA**

8.3.2.3.1 The entity must submit quarterly reports to the Committee on progress made regarding the measures in place to deal with the backlog while the tender for the acquisition/procurement of a new card manufacturing machine is under review. Should there be a failure to obtain a new machine or printing solution, the entity must immediately inform the Committee of steps taken to limit service disruptions to card applicants if the current machine is no longer serviced and if it becomes inoperable;

### **8.3.2.4 PRSA**

8.3.2.4.1 The entity should cooperate with the Department to develop funding plans to ensure the financial sustainability of the entity. Should the funding model and legislative impediments regarding regulation by the PRSA not be corrected, the entity will also face liquidity concerns;

8.3.2.4.2 The entity must report to the Committee on a quarterly basis regarding its progress to address the staffing shortages at the entity, as well as progress in preparation for the entity to serve as a nucleus of the TER once the Amendment Bill is signed into law;

### **8.3.2.5 RAF**

8.3.2.5.1 The entity, through the Minister, must, in the next reporting period, ensure that it adopts its Annual Report for the Minister to table it timeously. The entity, through the Minister, must ensure that the Annual Report for 2024/25 is tabled urgently;

8.3.2.5.2 The entity should cooperate with the Department to develop funding plans to ensure the financial sustainability of the entity and should provide the Committee with quarterly updates on strategies to improve the financial health status and reduction of instances where the liabilities exceed total assets of the RAF, as there was uncertainty as to whether the entity would be able to fund their future obligations. Updates should also be provided on the notable concerns regarding liquidity remaining for RAF;

8.3.2.5.3 The RAF should be supported by the Department and stakeholders in discharging its mandate of efficiently and effectively providing compulsory social insurance cover for to all users of South African roads; rehabilitate and compensate people injured owing to the negligent driving of motor vehicles; and

8.3.2.5.4 The RAF must urgently resolve the legal dispute with the AGSA linked to the accounting standards which are most applicable to the entity. This matter must be resolved before the start of the new financial year and a report on the resolution must be presented to the Committee within a week of reaching the resolution;

### **8.3.2.6 RTIA**

8.3.2.6.1 The entity, through the Minister, must ensure that the proposed legislative changes required for the entity to perform its work linked to the AARTO programme are considered

and processed as a matter of urgency (especially the provisions linked to challenges posed by SAPO);

### **8.3.2.7 RTMC**

8.3.2.7.1 The entity must report to the Committee on a quarterly basis on the progress made to obtain approval of all the alternative revenue stream options which it has submitted to NT;

8.3.2.7.2 The entity must report to the Committee on a quarterly basis on the progress made to move traffic law enforcement nationwide to a 24-hour service;

### **8.3.2.8 SACAA**

8.3.2.8.1 The entity should, on a quarterly basis, report back to the Committee on the progress to procure a South African owned calibration aircraft to ensure the continued operations at airports across the country;

### **8.3.2.9 SANRAL**

8.3.2.9.1 The entity should co-operate with the Department to develop funding plans to ensure the financial sustainability of the entity, operations affected by natural disaster damage requiring urgent procurement and interventions, as well as tenders being stalled and should provide the Committee with quarterly updates on strategies to improve the financial health status and reduction of instances where the liabilities exceed total assets of SANRAL as there was uncertainty as to whether the entity would be able to fund their future obligations, and ensure that a comprehensive plan is submitted to the Committee by the end of January 2026 covering these issues;

8.3.2.9.2 The entity must submit quarterly reports to the Committee on all roads transferred to the entity from provincial administrations, progress on all major national road projects, as well as progress on work done on flood damaged road repairs;

8.3.2.9.3 The entity should report to the Committee on progress and participation of the new Contractor Development Programme on a quarterly basis;

### **8.3.2.10 TRANSNET**

8.3.2.10.1 The Minister must ensure that there is a target set for the monitoring of the Boards of SOCs, in line with the Board Performance Evaluation Framework;

8.3.1.10.2 The entity must ensure that there is a viable plan in place to service their growing debt obligations and ensure that they comply with all conditions linked to the state guarantees they have received. In order to monitor progress in this regard, the entity must submit quarterly reports to the Committee on the progress made to service existing debt, as well as compliance with guarantee conditions;

8.3.1.10.3 The corporatisation of the National Ports Authority has been delayed by concerns over the financial impact on its parent company, Transnet, and the intricate process itself. A Ministerial Task Team was appointed in 2025 to ensure the corporatisation, initially planned for April 2025, does not negatively affect Transnet's financial sustainability or the future sustainability of the corporatised authority. This reform has been a topic of discussion for over 15 years, stemming from the National Ports Act of 2004, with previous deadlines, such as April 2025, being missed due to unresolved complexities. The Minister must ensure that the Committee receive quarterly reports on progress made in this regard;

### **8.3.2.11 SAA**

8.3.2.11.1 The entity, through the Minister, must, in the next reporting period, ensure that it adopts its Annual Report for the Minister to table it timeously. The entity, through the Minister, must ensure that the Annual Report for 2024/25 is tabled urgently;

8.3.2.11.2 The Minister must ensure that there is a target set for the monitoring of the Boards of SOCs, in line with the Board Performance Evaluation Framework;

8.3.2.11.3 The Minister must ensure that Parliament is consulted when policy changes such as the sale or disposal of state-owned assets or shares are taken. Furthermore, the Department must ensure that it develops a policy on the disposal of state-owned assets; and

8.3.2.11.4 The Minister must ensure that efforts are made to ensure the state will continue to hold majority shares in SAA.

### **8.3.3 Committee recommendations applicable to all entities**

As the following recommendations have general application to all entities of the Department and for the sake of limiting repetition, the Committee recommends that the Minister, through the Department, should ensure the following:

8.3.3.1 When vacancies in entities arise in critical posts (CEO, CFO, COO, Chief Procurement Officer), those appointments should be expedited so that consequence management can be implemented against officials who incur or permit irregular expenditure, as well as fruitless and wasteful expenditure to be incurred;

8.3.3.2 The Committee requests the following regarding compliance with the provisions of the PFMA:

8.3.3.2.1 The entities should capacitate their Finance and SCM directorates/departments/branches with appropriately skilled and competent personnel to prepare credible financial statements;

8.3.3.2.2 The executive authorities, accounting authorities, accounting officers and senior management should ensure that information used to prepare financial statements are accurate and reliable; and

8.3.3.2.3 The entities must ensure that all officials responsible for reporting in terms of the PFMA are reskilled by ensuring they receive training on compliance with the PFMA, ensure that these staff members undergo refresher courses on the applicable NT Regulations that are implemented from time to time, and receive training on compliance with the King Report on Corporate Governance IV;

8.3.3.3 Control processes should be adhered to in the SCM processes. Some of these highlighted by the Committee are:

8.3.3.3.1 The entities should identify and address the inefficiencies in the SCM process in the entity, as well as weaknesses in contract management. There should be consequences for poor performance and failure to comply with applicable legislation;

8.3.3.3.2 Members of the relevant Board/bid evaluation committee and the chairperson should satisfy themselves that all service providers that are recommended for award have all the required documentation in terms of legislation. The list of recommended bidders should be accompanied by a signed checklist confirming the completeness of required documents;

8.3.3.3.3 Management should properly plan the acquisition of goods and services and exercise sufficient oversight and monitoring of controls to ensure that compliance with SCM policy is achieved;

8.3.3.3.4 Recurring non-compliance should be investigated, and appropriate action taken against transgressors;

8.3.3.3.5 Furthermore, management should ensure its own policies and procedures are reviewed and aligned to the FMPPI and the PFMA, to ensure that performance reporting requirements are properly processed by the entity;

8.3.3.3.6 Entities must ensure that quality internal audits are done throughout the year and that a closer working relationship is fostered with the AGSA to iron out interpretation and accounting practices early in the reporting year instead of at the end during the final audit process;

8.3.3.4 The entities must each submit a comprehensive action plan to address any and all of the AGSA's findings and recommendations to the Committee by the end of January 2026, followed by quarterly progress reports thereon;

8.3.3.5 The entities must meet with the AGSA as well as the ASB urgently to resolve any and all accounting standard disputes to have agreement on the most applicable accounting standards to be applied by the entities before the start of the next financial year. The Committee must receive a briefing on progress made in this regard by the end of January 2026, followed by quarterly progress reports thereon in the instances where agreement cannot be reached before the end of the financial year; and

8.3.3.6 Given the financial situation of some of the entities in the portfolio for the year under review, as well as acknowledgement in Parliament engagements by NT that over the last decade, there had been a significant decline in the performance of major State-owned companies (SOCs). Operational costs have increased, net profits have fallen, and debt levels have become increasingly unsustainable. A number of these companies do not have sustainable business models and cannot continue to operate or honour their obligations without State support. This has led to increased fiscal risk and multiple bailouts. NT also indicated that these companies need to develop and implement sustainable turnaround, incorporate long-term structural considerations in their sectors, and identify appropriate funding models. There was also an urgent need to review and enhance legal and institutional arrangements that will improve the financial oversight of SOCs, ensure accountability for their performance, and manage the current fiscal risks. The entities that are in dire need of an equity injection in order to service debt obligations and continue operations while refurbishing assets or maintaining critical infrastructure, must be assisted by the Minister and NT in compiling and submission of alternative revenue source proposals, ensuring their business models are reviewed and/or submission of formal state funding requests are done.

### 8.3.4 Committee recommendations to the Minister of Finance

The Committee recommends that the Minister of Finance, through NT, should ensure the following:

8.3.4.1 Assist the Department and its entities to receive final decisions on all alternative revenue source proposals or funding requests submitted to NT from the transport portfolio and submit a progress report to the Committee by the end of January 2026 on these submissions, followed by quarterly progress reports thereon, on all alternative revenue proposal applications or funding requests from the transport portfolio before NT.

## 9. SUMMARY OF REPORTING REQUESTS

The Committee, in addition to the reports requested in the recommendations contained in part 8 of this report, requested the following additional matters for the Department to report on:

**Table 17: 2025 Summary of Reporting Requests**

Reporting matter	Action required	Timeframe
The Department should submit an improved action plan to address the findings of the AGSA for it and its entities, as well as the implementation of the recommendations made by the Committee in this report.	Written plan from the Department.	15 January 2026
The Department should submit a comprehensive briefing on steps it will be taking to assist in stabilising its entities (including filling of vacancies, conclusion and evaluation of shareholder agreements, improving the	Monthly progress written briefings from the Department.	Monthly starting with first report due on 15 January 2026

<p>efficiency of the shareholder representatives on the boards, closely monitoring the implementation of projects and budget expenditure, etc.).</p>		
<p>The Department should submit a comprehensive briefing on progress made in the filling of Board vacancies in entities, as well as the filling of all critical posts within the Department and its entities.</p>	<p>Monthly progress written briefings from the Department.</p>	<p>Monthly starting with first report due on 15 January 2026</p>
<p>The Department should submit quarterly reports on investigations underway in the Department and all the entities, with additional emphasis on the finalisation of investigations to resolve the AGSA SCM compliance concerns, lack of consequence management and resolution of past incurred irregular expenditure findings.</p>	<p>Written plan from the Department.</p>	<p>Quarterly reports within 30 days of the adoption of this report by the NA</p>
<p>The Department should submit quarterly reports on pending litigation, as well as settlements reached and judgments for and against the Department and all the entities.</p>	<p>Written plan from the Department.</p>	<p>Quarterly reports within 30 days of the adoption of this report by the NA</p>
<p>The Department should submit quarterly reports on human resource management (retentions, secondments, transfers, retirements, training and skills transfers, resignations and dismissals), as well as report on progress in disciplinary matters</p>	<p>Written plan from the Department.</p>	<p>Quarterly reports within 30 days of the adoption of this report by the NA</p>

(including suspensions) in the Department and all the entities.		
The Department should submit quarterly reports on the achievement of job creation targets in the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the achievement of transformation targets in the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the progress towards prevention of irregular, fruitless and wasteful as well as unauthorised expenditure for the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the <i>Shova Kalula</i> , <i>S'hamba Sonke</i> , <i>Vala Zonke Pothole Repair</i> and the <i>Welisizwe Rural Bridges</i> programmes.	Written plans from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the progress of projects linked with the following grants: PTOG PRMG PTNG RRAMS Coal Haulage Grant Disaster Management Grant	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA

<p>The Department should submit quarterly reports on progress regarding the Moloto Corridor Project with emphasis on the Road works' progress and any future discussions on revisiting the feasibility of the Rail Programmes.</p>	<p>Written plan from the Department.</p>	<p>Quarterly reports within 30 days of the adoption of this report by the NA</p>
<p>The Department should submit a progress report on the finalisation of the Public Transport Safety Plan.</p>	<p>Written report from the Department.</p>	<p>15 January 2026</p>
<p>The Department, together with the C-BRTA should submit quarterly progress reports on progress regarding:</p> <ul style="list-style-type: none"> <li>-The implementation of the 1996 SADC Protocol on Transport, Communications and Meteorology;</li> <li>-The resolution of the impasse regarding the cross-border movements on the RSA/Kingdom of Lesotho route.</li> </ul>	<p>Written plan from the Department.</p>	<p>Quarterly reports within 30 days of the adoption of this report by the NA</p>
<p>The Department, together with the DLCA, must submit quarterly reports on how the concerns regarding the card production machine is being addressed as well as a report on the progress made to finalise and rollout the proposed new card standards and commence with production of the new cards. Further hereto, the report should include progress made to address the concerns raised by the DLCA staff and the Committee linked to the staff grievances.</p>	<p>Written plan from the Department.</p>	<p>Quarterly reports within 30 days of the adoption of this report by the NA</p>

The Department, together with SANRAL, must submit a report on the agreements concluded and deliverables in relation to the transfer of road maintenance and further planned construction in relation to the Moloto Road Corridor with each of the relevant affected provinces and SANRAL.	Written report from the Department.	15 January 2026
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## 10. CONCLUSION

The Committee would, through its oversight and engagements with the Department and its entities, ensure that the AGSA's recommendations are implemented by the Department and its entities. The Committee would further insist on receiving regular feedback from the Department on key issues impacting entities as identified through the oversight process performed by the Committee, as well as the Department's own internal oversight directorate over the entities.

## 11. APPRECIATION

The Committee would like to acknowledge the Minister, the Deputy Minister, the Department officials, as well as Board Members and officials of the entities for presentations made and engagements on their Annual Reports and Annual Financial Statements.

The Committee applauds the achievements by the Department, C-BRTA, RSR and RTMC in receiving unqualified audit opinions with no material findings (clean audits).

The Committee would also like to extend a note of appreciation to its support staff during the year under review and in the compilation and capturing of the Committee reports.

**Report to be considered.**

*Attached:*

*Annexure A: List of abbreviations/acronyms*

## **ANNEXURE A: LIST OF ABBREVIATIONS/ACRONYMS**

<b>Abbreviation/Acronym</b>	<b>Meaning</b>
AA	Accounting Authority
AARTO	Administrative Adjudication of Road Traffic Offences
ACSA	Airports Company South Africa
AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
AMSAR	Aeronautical and Maritime Search and Rescue
AO	Accounting Officer
APP	Annual Performance Plan
APR	Annual Performance Reports
ASB	Accounting Standards Board
ASIB	Aviation Safety Investigation Board
ATNS	Air Traffic Navigation Services
BAC	Bid Adjudication Committee
B-BBEE	Broad-Based Black Economic Empowerment
BEC	Bid Evaluation Committee
BRRR	Budget Review and Recommendations Report
BSC	Bid Specification Committee
CAPEX	Capital Expenditure
C-BRTA	Cross-Border Road Transport Agency
C-BRTRF	Cross-Border Road Transport Regulators Forum
CEO	Chief Executive Officer
CIDB	Construction Industry Development Board
CFO	Chief Financial Officer

CoE	Compensation of Employees
COO	Chief Operations Officer
COVID-19	The Coronavirus Disease 2019
DLCA	Driving Licence Card Account
DLTC	Driving Licence Testing Centres
DORA	Division of Revenue Act
DPME	Department of Planning, Monitoring and Evaluation
DPSA	Department of Public Service and Administration
EHW	Employee Health and Wellness
ERT	Economic Regulation of Transport
ESEID	Economic Sectors, Employment and Infrastructure Development
FMPPI	Framework for Managing Programme Performance Information
FY	Financial Year
GFIP	Gauteng Freeway Improvement Project
GTS	Green Transport Strategy
HR	Human Resource
HSR	High-Speed Rail
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ICT	Information and Communications Technology
IFWE	Irregular, Fruitless and Wasteful Expenditure
IPMS	Integrated Port Management System
IPTNs	Integrated Public Transport Networks
IT	Information Technology
KPI	Key Performance Indicator
MI	Material Irregularity
MLPS	Long Distance (Main Line) Passenger Service

MoU	Memorandum of Understanding
MRCC	Marine Rescue Coordination Centre
MSP	Maritime Special Projects
mt	Metric tons
MTDP	Medium-Term Development Plan
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework (2014-19)
NEDLAC	National Economic Development and Labour Council
NMTT	National Ministerial Task Team
NA	National Assembly
NADP	National Airports Development Plan
NCAP	National Civil Aviation Policy
NCOP	National Council of Provinces
NDP	National Development Plan
NPA	National Ports Authority
NRSS	National Road Safety Strategy
NSRI	National Sea Rescue Institute
NT	National Treasury
OD	Operating Division
PFMA	Public Finance Management Act
PMU	Project Management Unit
PPE	Personal Protective Equipment
PPP	Public-Private Partnership
PRASA	Passenger Rail Agency of South Africa
PRSA	Ports Regulator of South Africa
PRMG	Provincial Roads Maintenance Grant
PSP	Private Sector Participation
PTNG	Public Transport Network Grant

PTOG	Public Transport Operations Grant
RAF	Road Accident Fund
RFQ	Requests for Quotations
RIM	Rail Infrastructure Manager
RRAMS	Rural Road Asset Management System Grant
RSA	Republic of South Africa
RSR	Railway Safety Regulator
RTIA	Road Traffic Infringements Agency
RTMC	Road Traffic Management Corporation
RTRP	Revised Taxi Recapitalisation Programme
SAA	South African Airways
SAATM	Single African Air Transport Market
SACAA	South Africa Civil Aviation Authority
SADC	Southern African Development Community
SAMSA	South African Maritime Safety Authority
SANRAL	South African National Roads Agency Limited
SANWIT	South African National Women in Transport
SAP	System Analysis Program
SAPO	South African Post Office
SAPS	South African Police Services
SARS	South African Revenue Service
SASAR	South African Search and Rescue Organisation
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SEIAs	Socio Economic Impact Assessment System
SIU	Special Investigations Unit
SMART	Specific, Measurable, Achievable, Realistic and Timely
SMME	Small, medium and micro enterprises

SMS	Senior Management Service
SmS	Safety Management System
SOCs	State-Owned Companies
SOEs	State-owned Entities/Enterprises
SONA	State of the Nation Address
SOP	Standard Operating Procedures
STER	Single Transport Economic Regulator
TEC	Transport Economic Council
TER	Transport Economic Regulator
TFR	Transnet Freight Rail
TMC	Travel Management Company
TNPA	Transnet National Ports Authority
TRIM	Transnet Rail Infrastructure Management

## **National Council of Provinces**

### **1. REPORT OF THE SELECT COMMITTEE ON PUBLIC PETITIONS AND EXECUTIVE UNDERTAKINGS ON THE EXECUTIVE UNDERTAKINGS MADE BY THE MINISTER OF PUBLIC WORKS AND INFRASTRUCTURE DURING THE HOUSE SITTING, AS ADOPTED ON 14 OCTOBER 2025.**

#### **1. BACKGROUND**

On 23 July 2024, the Minister of Public Works and Infrastructure made the following executive undertakings during the question-and-answer session in the National Council of Provinces (House):

- 1.1 Executive Undertaking 1: **“We will work tirelessly to rebuild new public private partnership to roll out energy, communication, infrastructure, water and transport infrastructure”.**
- 1.2 Executive Undertaking 2: **“We are also going to work hard to reposition the portfolio, to assume its role as a strategic catalyst for job creation and poverty alleviation, and we will do so by building a professional, capable and ethical department that creates the conditions for enterprises to flourish”.**
- 1.3 Executive Undertaking 3: **“We are also going to build a new culture that is based on excellence, transparency and succession planning throughout the department”.**
- 1.4 Executive Undertakings 4: **“We are going to eliminate red tape and support the growth of small businesses. We want to desperately invest in new research, technology and innovation to improve business systems and project management”.**
- 1.5 Executive Undertakings 5: **“We will work to develop an appropriate skills pipeline that will meet the demands of the ever-building South African built environment”.**
- 1.6 Executive Undertakings 6: **“We will be relentless in rooting out corruption, criminality and sabotage in the construction centre”.**

- 1.7 Executive Undertakings 7 “We must address the challenges that impede the implementation of the goals, which include disruption and hijacking of construction sites, projects not being completed on time and within its budget, corruption and poor project management, construction industry safety standards not being adhered to and strengthening the professionalism of our department”.
- 1.8 Executive Undertakings 8 “We have committed ourselves to ensuring, in the medium term, we will develop a comprehensive asset register for the government and the owners of these assets, the people of our country, and we will make it public in the interests of transparency”.
- 1.9 Executive Undertakings 9 “There is an urgent need to establish a systematic approach to asset management through a credible and integrated register. Such a register will aid us in making informed decisions regarding asset lifecycle management, from acquisition to maintenance to either repurposing or disposing of assets via lease or sale”.
- 1.10 Executive Undertakings 10 “We will also look at the commercialisation of our spaces, which include advertising, parking and conferencing facilities”.
- 1.11 Executive Undertakings 11 “The department will work closely with law enforcement to bring an end to work stoppages or disruptions at construction sites. I want to be very clear on this point. Anyone who seeks to hold back infrastructure projects must be treated as an enemy of the state”.
- 1.12 Executive Undertakings 12 “it is unthinkable that in 2024 we still have pit toilets in our schools. This remains a risk to the lives of our children, and I cannot, in good consciousness, allow this danger to continue without urgent intervention. In this regard, I have engaged the Minister of Basic Education, the Hon Siviwe Gwarube and we have agreed in principle that we need to collectively declare a war on pit toilets”.
- 1.13 Executive Undertakings 13 “The budget will be spent towards creating work opportunities by leading and co-ordinating the Extended Public Work Programme, EPWP programme by providing policy and sector oversight, building state capacity to facilitate skills development and strengthen the skills pipeline and providing direct support to sponsors of priority public infrastructure projects”.

1.14 Executive Undertakings 14 **“The department has been engaging National Treasury and affected departments to improve debt collection and as the executive authority, I will be engaging affected Ministers of offending departments to ensure that they pay us what is rightfully ours, or else we may have to consider other options which may not be to everyone’s liking”.**

## **2. REFERRAL PROCEDURE TO THE COMMITTEE**

The concerned executive undertakings were referred to the Select Committee on Public Petitions and Executive Undertakings (Committee) by the Chairperson of the National Council of Provinces (NCOP), for it to scrutinize and subsequently report to the House on their implementation.

After their referral, the Committee proceeded to extend an invitation to the Minister to appear before it and report on the progress made by the Department of Public Works and Infrastructure (department) in implementing the concerned executive undertakings.

## **3. COMMITTEE MEETING PROCEDURES**

On 08 July 2025, the Minister and relevant officials of the department appeared before the Committee to report on the progress made in implementing the executive undertakings under consideration.

The following Committee Members were present at the meeting:

- 3.1 Hon O J Mokaie, DA, Northern Cape (Chairperson)
- 3.2 Hon J S Mananiso, ANC, Gauteng
- 3.3 Hon P A Phala, ANC Limpopo
- 3.4 Hon M Billy, DA, KZN
- 3.5 Hon N Gotsell, DA, Western Cape and
- 3.6 Hon S A Zulu, MKP, Mpumalanga.

The following Committee Members tendered their apologies for being unable to attend the meeting:

- 3.7 Hon V Gericke, EFF, Western Cape
- 3.8 Hon Nonkanyana; ANC; Eastern Cape
- 3.9 Hon P Noe, ANC- Free State
- 3.10 Hon O D Medupe, ANC, North West
- 3.11 Hon A Matshobeni, EFF; Eastern Cape

The following Committee officials were in attendance:

- 3.12 Mr. N Mkhize, Committee Secretary
- 3.13 Mr E Bazier, Committee Assistant
- 3.14 Mrs N Fakier, Executive Secretary

The following representatives of the Department of Public Works and Infrastructure appeared before the Committee during the meeting:

- 3.15 Hon D Macpherson – Minister
- 3.16 Mr. S Mdakane- Director-General
- 3.17 Mr. P Pretorius- Real Estate Investment Division
- 3.18 Mr L Albert-Parliamentary Liaison Officer

#### **4. PROGRESS REPORT BY THE DEPARTMENT OF PUBLIC WORKS AND INFRASTRUCTURE**

The department reported as follows:

##### **4.1 Executive Undertaking 1:**

In response, the department reported on the following progress made:

The department submitted that the Infrastructure South Africa (ISA), is providing end-to-end project development support from ideation, through feasibility and structuring, to investment and procurement readiness. This includes technical due diligence, risk analysis, cost-benefit and effectiveness assessments, environmental considerations, and regulatory compliance, amongst others.

The department also submitted that ISA's project preparation fund, 34 projects are being supported with business case development and packaging towards investment readiness and bankability. These projects are being structured to respond to the ability to crowd in private sector participation and financing as Public Private Partnerships (PPP) and Blended Finance projects through collaboration between ISA and the Infrastructure Fund (IF).

#### 4.2 Executive Undertaking 2:

In response, the department reported that it is repositioning the portfolio to ensure that it creates conditions for enterprises to flourish, an inter-branch collaboration has been forged within the department to improve professionalism in the delivery of quality projects while ensuring that the department meets its Expanded Public Works Programme (EPWP) targets. In this regard, skills development and enterprise development are being integrated into the Contractor Development Programmes on programmes implemented by the department.

#### 4.3 Executive Undertaking 3:

The department submitted that it is implementing a comprehensive skills audit, which the department is undertaking in collaboration with the National School of Government (NSG).

The NSG is leading the national process, with the Human Sciences Research Council (HSRC) contracted to implement it. The project is structured in phases:

- Phase 1, which has been completed, focused on benchmarking departmental mandate.
- Phase 2, currently underway involves the application of the skills audit to middle and senior management. The department submitting that it has achieved an excellent response rate in this phase.

#### 4.4 Executive Undertakings 4:

The department reported that it has branch together with ICT and are working on E-Procurement system to deal away with manual system which will assist with the red tape experienced by small businesses to ensure support and their development. Further reporting that it has engaged National Treasury to participate in their E -Procurement system.

#### 4.5 Executive Undertakings 5:

The department submitted that it has adopted the Council for the Built Environment (CBE's) Skills Pipeline Intervention to address shortages of critical skills within the Property Management Trading Entity (PMTE).

The Intervention is three pronged as follows:

- Attraction (ensuring awareness of built environment careers through the school's programme; job shadow; bursary Scheme).
- Implementation of Developmental Programmes such as internships and Youngi Professionals Programme and Artisan Development (Apprenticeship Programmes).
- Retention of registered professionals into vacant positions and implementing the Occupational Specific Dispensation (OSD) which are salary scales intended to retain professionals within the public service, establishing professional in-house technical teams, providing support on Continuous Professional Development (CPD) as well as mentorship.

#### 4.6 Executive Undertakings 6:

The department submitted that it has taken active steps to tackle corruption, criminality, and sabotage within the construction sector. This includes working closely with the South African Police Service (SAPS), the Special Investigating Unit (SIU), and other law enforcement agencies to investigate site disruptions and project delays.

In addition, SAPS has partnered with the private security industry to address extortion on construction sites. A joint task force has been established to ensure a coordinated and proactive response to criminal activities affecting infrastructure projects.

#### 4.7 Executive Undertakings 7:

In response, the department submitted the disruption and hijacking of projects is being addressed through close shared responsibility with the SAPS. Where site stoppages occur, they are reported, and arrests are made. It has gazetted the Integrated Social Facilitation Framework for public comment, which aims to foster inclusion of all sectors of communities in the

development of infrastructure, promoting project ownership which ultimately leads to communities protecting the projects.

#### 4.8 Executive Undertakings 8:

The department submitted that an inter-governmental Task Team was established to investigate the best practices / modules of the various asset registers for the development of a single repository for the State, which will include improvement modules. The report with proposals of the Task Team is expected in September 2025. The department will then further explore the options to lead in the development of a single repository with other custodians.

The department has taken the following approach:

- Short term: develop requirements for a single repository (31 March 2026)
- Medium term: collate relevant data and information (31 March 2028)
- Long term: create and maintain a single repository (31 March 2030)

The Committee was made aware that the State Security Agency (SSA) advised the department that the Immovable Asset Register cannot be made publicly accessible. Limited information in the State's immovable asset register can only be shared upon request to approved officials and institutions.

#### 4.9 Executive Undertakings 9:

In response, the department reported that the Archibus system is currently under assessment by the State Information Technology Agency (SITA) to determine its suitability, and the report is pending. While the system is effective in recording land and property information, it lacks the necessary integrated modules to support value-added functionalities required for the IAR for business.

#### 4.10 Executive Undertakings 10:

The department submitted that a panel comprising 15 outdoor advertising service providers has been appointed, with implementation scheduled for August 2025. In addition, parking and

conference facilities will be included as part of the ROT (Repair-Operate-Transfer) and BOT (Build-Operate-Transfer) programmes.

#### 4.11 Executive Undertakings 11:

In response, the department reported that the disruption of projects and extortion at construction sites is being addressed through close cooperation with the SAPS, through monitoring and reporting of criminal activities and the arrest of those responsible. And these actions also include cooperation with the private sector in the protection of projects.

#### 4.12 Executive Undertakings 12:

The department submitted it had planned to implement 3372 projects and as in the middle of the fourth quarter 3302 projects were completed. There were 57 projects in planning while 111 projects were under implementation. It will continue to work with the DBE and ISA to ensure that the projects to eradicate pit toilets continue and reach completion.

#### 4.13 Executive Undertakings 13:

The department reported that with a budget of R689.582 million allocated in the 2024–2025 financial year, the Non-State Sector (NSS) NPO Programme, implemented by the department, has created 59 091 work opportunities against a target of 47 806, representing a performance of 117%. Indicating that, with 30.6 Full-Time Equivalents delivered for every R1 million spent, the NSS NPO programme is now the most efficient EPWP programme.

#### 4.14 Executive Undertakings 14:

The department submitted letters that have been written to the Ministers of Finance, and Defence, to address debt collection. The Minister met with the Minister of Correctional Services where accounting officers were tasked to established task team to address the matters between the departments. There are meetings that have been held with other Ministers of SAPS and Justice.

The department further submitting that the Portfolio Committee on Public Works and Infrastructure invited National Treasury to discuss funding matters and instrument to enforce compliance with payment of claims within 30 days.

## **5. OBSERVATIONS AND KEY FINDINGS**

In noting the progress report provided by the Department of Public Works and Infrastructure in relation to the implementation of the executive undertakings under review, the Committee made the following observations and key findings:

- 5.1 The Committee raised concerns about the issue of criminality around the tender system, the construction mafia running the construction sector causing disruption of projects and extortion at construction sites
- 5.2 The Committee was made aware that the State Security Agency advised the department that the Immovable Asset Register cannot be made publicly accessible. Limited information in the State's immovable asset register can only be shared upon request to approved officials and institutions
- 5.3 The Committee was assured that department's asset register is almost complete, there are a few small elements left to merge the tenure aspect with the land aspect together.
- 5.4 The Committee raised concerns with the outstanding debts by government departments and measures in place to enforce compliance with payment.

## **6. RECOMMENDATIONS**

In noting the progress report given by the Department of Public Works and Infrastructure concerning the implementation of the executive undertakings under review, the Committee made the following recommendations.

- 6.1 The Committee therefore urges and recommends that the department step up its efforts to remedy the challenges, highlighted in the progress report, around the necessity for digital

platforms to be implemented at an accelerated pace in the 2025/26 financial year. This includes, amongst others to expediate:

6.1.1 An e-procurement system that will help process tenders by eliminating manual submissions. And to ensure there is greater transparency and communication around the procurement processes.

6.1.2 To have every contractor to be registered in a digital system before they could render services to the government.

6.1.3 Ensuring administration of land, unused land and neglected land is properly digital recorded.

6.2 The Committee recommends that the State Information Technology Agency (SITA) to facilitate and ensure that the necessity for digital platforms is implemented in the 2025/26 financial year. And SITE is also recommended to submit a monthly report until the 2025/26 financial year to the NCOP outlining steps and measures in place ensuring the full operational digital platforms is implemented in the department.

6.3 The Committee to be provided with the following reports:

6.3.1 Consolidated report on the number of arrests relating to extortion incidents across provinces. And on how the department is dealing with the extortion issues in the construction industry.

6.3.2 A detailed report listing all government departments indebted to the Department of Public Works and Infrastructure, outlining recovery plans and timeframes.

6.3.3 Report outlining how assets on the asset register are recorded.

6.4 National Treasury is to expediate its fiscal support to the projects mentioned in the progress report that are behind schedule in this current fiscal year. The Committee further recommends that National Treasury provide the Committee with a detailed progress report on its fiscal intervention, after six months tabling of this report in the House

6.5 The Committee concluded that a time frame of three months must be set for the Department of Public Works and Infrastructure to report back to the NCOP on the implementation of

the above recommendations (excluding National Treasury fiscal intervention) by providing the NCOP with a progress report in this regard.

- 6.6 In the process leading to the three-month period stipulated in recommendation 6.1 the department is requested to provide the NCOP with a monthly progress report indicating the steps they have taken to facilitate digital platform. This should include the following:
- Progress on engagement with SITE
  - Progress on engagement with National Treasury

*Report to be considered.*

## **2. REPORT OF THE SELECT COMMITTEE ON CO-OPERATIVE GOVERNANCE AND PUBLIC ADMINISTRATION (TRADITIONAL AFFAIRS, WATER, SANITATION AND HUMAN SETTLEMENTS) ON OVERSIGHT VISIT IN TERMS OF SECTION 139 (1)(b) OF THE CONSTITUTION (1996) IN NALA LOCAL MUNICIPALITY: DATED 22 OCTOBER 2025**

### **1. Introduction and Background**

- 1.1 The Select Committee on Co-operative Governance and Public Administration (Traditional Affairs Water, Sanitation & Human Settlement), having conducted oversight visit in terms of section 139(1)(b) of the Constitution in Nala Local Municipality, reports to the National Council of Provinces as follows:
- 1.2 On the 12 of April 2025, the Free State MEC of the Department of Cooperative Governance and Traditional Affairs tabled a notice of intervention in terms of section 139 (1) (b) of the Constitution in Nala Local Municipality to the Office of the Chairperson of the National Council of Provinces.
- 1.3 After tabling, the Chairperson of the National Council of Provinces referred in terms of NCOP Rule 101 the notice of intervention in Nala Local Municipality to the Select Committee on Cooperative Governance and Public Administration for consideration and reporting.
- 1.4 On 15 October 2025, a multi-party delegation of the Select Committee on Cooperative Governance and Public Administration conducted oversight visit to Nala Local Municipality.

### **2. Objective of the Oversight**

- 2.1 The primary objective of the oversight visit was to interact with the internal and external stakeholders and solicit their opinions on the constitutional, procedural and substantive

matters related to the invocation of section 139 (1) (b) of the Constitution in Nala Local Municipality.

### **3. Delegation of the Select Committee**

- 3.1. The delegation of the Select Committee was composed of the following members and parliamentary officials: Hon TM Kaunda (Leader of the Delegation), Hon MM Peter, Hon T Breedt, Hon M Makesini, Hon, I Scheurkogel, Hon KR Molokomme (Whip), Hon R Badenhorst, Hon K Ceza, Mr T M Manele, Committee Secretary, Ms Z France, Committee Assistant, Mr P Malatswa, Communication Officer and Adv M Mbebe, Procedural Officer, NCOP

### **4. General Overview of the Oversight Visit**

- 4.1 In line with the constitutional requirement of public participation and Parliament Public Participation Strategy, the delegation of the Select Committee interacted and solicited the opinions of the internal and external stakeholders on constitutional, procedural and substantive matters related to the invocation of section 139 (1) (b) of the Constitution in Nala Local Municipality.
- 4.2. The internal and external stakeholders that the delegation interacted and solicited opinions with included the Free State Department of Cooperative Governance and Traditional Affairs, Free State SALGA, Chief Whips of Political Parties; representatives of IMATU and SAMMU, SANTACO, Business Forums and Youth.

### **5. Presentation by Free State Department of Cooperative Governance and Traditional Affairs**

- 5.1. The HOD of the Department of Cooperative Governance and Traditional Affairs made presentation on invocation of section 139 (1) (b) of the Constitution in Nala Local Municipality. The presentation focused on background, political stability, institutional capacity, governance, service delivery, financial sustainability, progress of section 139 intervention, unresolved Issues, challenges and recommendations.

- 5.2. The HOD reported that Nala Local Municipality has been experiencing significant governance and administrative challenges, which have resulted in a failure to provide accountable government and to perform its legislative mandate. Despite numerous attempts to address these challenges, the municipality has failed to demonstrate any meaningful improvement. The failure of the municipality to provide services might also be attributed to the fact that the position of the Director Community Services has been vacant since July 2013. This position is critical to service delivery in the municipality.
- 5.3. The HOD indicated that despite that this position having been advertised several times, the municipality failed to fill this vacancy. The positions of Directors Corporate Services have also been vacant since 2023, and despite it being advertised, the position was not filled. The municipality failed to submit the plan to fill this position.
- 5.4. According to the HOD, the Local Municipality has consistently failed to provide accountable government. This is evident in the 2024/2025 unfunded Budget, lack of reporting on the implementation of the Budget Funding Plan, owing of Eskom R971,3 million & Vaal Central Water Board R 458,2 million, collection rate for January 2025 as at 45% which is below the norm of 85% for Municipalities in the Eskom Debt Relief Program, rising UIF&W expenditure, unauthorised expenditure of R 508 280 260, irregular expenditure of R 271 602 253, fruitless and wasteful expenditure of R 145 349 790.
- 5.5. The HOD informed the delegation of the Select Committee that the municipality is among those under the Eskom Debt relief program due to its failure to pay for its electricity account toward ESKOM. The municipality is however failing to meet the requirements of this program. It is therefore necessary that the municipality be put under section 139 of the Constitution. The HOD reported that the Minister of the Department of Water and Sanitation has written letter of intention to restrict the supply of water to the municipality due to failure to pay its water account to the Vaal Central Water Board.
- 5.6. The HOD also informed the delegation of the Select Committee that the Minister of the Department of Cooperative Governance and Traditional Affairs has written to the MEC of the department of COGTA requesting the latter to investigate in terms of section 106 (4)(a) of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000) and to provide feedback to the Minister on the progress made in respect of the investigations within ninety (90) days.

- 5.7. The HOD reported that the Free State Executive Council invoked section 139(1)(b) of the Constitution of the Republic of South Africa, 1996 on 30 April 2025 to intervene at Nala Local Municipality pursuant to the persistent material breach of meeting its legislative mandate, financial obligations and non-compliance. The HOD indicated that the municipality has also been experiencing significant service delivery failures which have led to several community protests. The HOD reported that the residents and Municipal workers of Nala in Bothaville embarked on several protest marches in 2024. On Monday, the 24 February 2025, residents of Nala embarked on a shutdown. This resulted in several businesses closing down or forced to closed.
- 5.8. The HOD indicated that the municipality has over the next three months (February, March and April) experienced service delivery protest (shutdown) which has affected business operations within the municipality, schooling, taxi operations and generally affected every aspect of the municipality. The HOD informed the delegation of the Select Committee that the suspension of the Mayor, Municipal Manager and the CFO and the subsequent suspension of the Speaker led to dualism. There were reports of two mayors, speakers and appointment of Acting Municipal Manager and the CFO which its legality is under investigation.
- 5.9. The HOD indicated that the accusations of alleged patronage and nepotism are being investigated by EXCO Lead Rep. The HOD reported that the MEC of the Department of COGTA addressed stakeholders affected by the incompleteness of the infrastructure project – water and sanitation – in Botania 9/ Golfview and among others announced that work on finalizing infrastructure will commence soon and planned to be completed by March 2026. Nala was also urged to engage DWS with the view to bringing forward the pumpstation project which was approved for the Golfview development
- 5.10 The HOD informed the delegation of the Select committee that on 8<sup>th</sup> April 2025 the Council of Nala at a meeting resolved to suspend the Mayor, Cllr. NM Mashiya, Municipal Manager, and Chief Financial Officer. Council immediately also elected and Acting Mayor and appointed an Acting MM and CFO respectively. The meeting elected an Acting Mayor and appointed an Acting MM and CFO. This resulted in the existence of dualism and ungovernability in the municipality.

## **6. Presentation by the Mayor of Nala Local Municipality**

- 6.1. The Municipal Mayor reported that after 2021 local election Nala Local Municipality became hung municipality currently comprising of 24 seats and the municipality has been performing relatively well in the new administration. The Municipal Mayor indicated that the instability began with a shutdown/strike of workers around issues of Migration in July 2024 and later concern group which raised several issues including allegations of fraud and corruption.
- 6.2. According to the Municipal Mayor, these tensions within political structures created an environment of mistrust and poor governance, which further weakened institutional cohesion and deepening the crisis of accountability and eroding public confidence in the municipality's leadership.
- 6.3. The Municipal Mayor reported that this political and administrative instability, worsened around April 2025 when the municipality experienced a situation of dualism. This occurred after the unlawful suspension of the Mayor, the Chief Financial Officer (CFO), and the Municipal Manager (MM). This dual governance severely affected service delivery and administrative operations.
- 6.4. The Municipal Mayor informed the delegation of the Select Committee that in response to the political and administrative instability, the MEC for COGTA introduced a section 106 investigation team into the Nala Municipality to probe allegations of corruption and maladministration.
- 6.5. The Municipal Mayor also informed the delegation of the Select Committee that around May 2025, the MEC also invoked section 139 (1)(b) intervention in the municipality to ensure compliance with legislative and governance requirements and to restore service delivery and stabilization of the institution.
- 6.6. The Municipal Mayor reported that the intervention was Gazetted outlining twenty core responsibilities, which Nala Municipality acknowledges and has incorporated into its day-to-day operation. Key among these include financial stabilization, governance

oversight, expenditure control, audit compliance, fraud prevention, debt management, and reporting obligations.

- 6.7. The Municipal Mayor informed the delegation of the Select Committee that the Municipality experienced the unlawful suspensions of Municipal Manager and CFO around April 2025, subsequently, the Exco - Lead tabled a report that both MM and CFO are reinstated. The municipality currently enjoys a degree of relative stability, however, there remains pressing challenges, for the regarding the clarity of roles and responsibilities among Municipal Manager, Mayor/Council and Exco Lead.
- 6.8. The Municipal Mayor complained that the administrative staff and workers have shown reluctance to take instruction from the Municipal Manager and Chief Financial Officer, insisting that they only account to the EXCO leader.
- 6.9. The Municipal Mayor indicated that this ongoing conflict over authority and accountability continues to undermine effective governance, despite visible progress in restoring order within the municipality. (as provided in section 139(1)(b) of the Constitution of the Republic of South Africa, 1996).
- 6.10. According to the Municipal Mayor, the Municipality has been performing well in terms of the submission of Annual Financial Statements since 2021 with assistance of the service provider due lack capacity of our staff. The Municipal Mayor however, complained that the Municipality did not submit the Annual Financial Statement due to the late appointment of service provider by Exco Lead since he was the one available.
- 6.11. The Municipal Mayor indicated that the Municipality has recognized its weaknesses in financial controls and the Council has adopted strict measures to ensure alignment with the MFMA and Treasury Regulations. These include development of a Financial Recovery Plan, monthly cash- flow monitoring, review of irregular expenditure in line with sections 32 of the MFMA
- 6.12. The Municipal Mayor requested the delegation of the Select Committee to note that the council has taken a decision to advertise the establishment of the Audit Committee and

the Financial Discipline Board, but the Exco Lead has failed to advertise above-mentioned.

- 6.13. The Municipal Mayor complained that currently the municipality is experiencing late payment to third parties because of absence of MM and CFO in bank account and this has made municipality to experience penalties for late payment.
- 6.14. On matters related to service delivery, the Municipal Mayor reported that before instability the municipality was making progress in water, sanitation, road infrastructure, and electricity provision, the municipality had entered payment plans with its key big creditors which are Eskom and Vaal Central Water Board, but the municipality has regressed because of the non-adherence to commitments agreed upon with Eskom and Vaal Central.
- 6.15. Despite these advances, the Municipal Mayor indicated that the municipality continues to face aging infrastructure, power interruptions, and sporadic waste-management challenges. In compliance with Section 73 of the Municipal Systems Act, Nala Local Municipality has prioritized water and sanitation through the Municipal Infrastructure Grant (MIG) and Water Services Infrastructure Grant (WSIG) but the challenge is spending on grants due to delays in payments or late payments of service providers which leads to unnecessary work stoppages.
- 6.16. Regarding the implementation of section 108, the Municipal Mayor reported that the MEC's section 106 team commenced its work in October 2025 to investigate allegations of maladministration and corruption. The municipality has provided full cooperation, granting access to records, procurement files, and payment vouchers, in compliance with MSA Section 106(2).
- 6.17. The Municipal Mayor informed the delegation of the Select Committee that the outcomes of the investigation will be integrated into the financial recovery plan and performance management reforms. (as stipulated under Section 55 of the Municipal Systems Act, 2000).

- 6.18. The Municipal Mayor indicated that Nala Local Municipality acknowledges the constitutional and legislative validity of the intervention under Section 139(1)(b) and remains committed to full compliance.
- 6.19. The Municipal Mayor reported that currently municipality has experienced relative stability ever since August 2025; however, sustained improvement depends on cooperative governance among leadership, administration, and oversight structures. The municipality reaffirms its dedication to restoring ethical governance, financial prudence and effective service delivery to the residents of Bothaville and Wesselsbron.

## **7. Presentation by South African Local Government Association (SALGA)**

- 7.1. SALGA reported it had engagements with Nala LM and developed proposal to support the local municipality around key performance areas related to (1) municipal transformation and Organizational Development; (ii) basic service delivery; (iii) Local economic development; (iv) municipal financial viability and Management and (v) good governance and public participation.
- 7.2. SALGA indicated that during the engagement it has developed proposals for support that are time based and multisectoral to maximize resources and impact. Some of the challenges faced by Nala Local Municipality as mentioned by SALGA include dysfunctionality of the Council Committees; ward Committees, Local Labour Forum, review organogram, indigents register, litigations, 10 cases that are registered with High Court and 10 registered Bargaining Council matters, poor road and storm water, upgrading of sewer pipeline, cleaning of landfill sites, illegal dumping sites due to shortage of refuse collection truck and yellow fleet, informal settlements and development of local economic development strategy.
- 7.3. SALGA informed the delegation of the select committee that it has on many occasions through our Governance structures raised the issue of non-consultation of SALGA on Sec 139 processes and the same has been the case with intervention in Nala Local Municipality. However, SALGA indicated that there was a virtual engagement between SALGA PEC and the MEC of Free State Department of Cooperative Governance and

Traditional Affairs on the 13th of May 2025 wherein this issue was also raised, and a commitment was made to strengthen cooperative IGR engagements on matters affecting member municipalities

- 7.4. SALGA reported that it had virtual meeting engagement with the National Department of Cooperative Governance and Traditional Affairs CoG where in the Department of CoGTA sought the view of SALGA on the state of Nala and the Sec 139 intervention.
- 7.5. SALGA informed the delegation of the Select Committee that the communication to the Minister cited challenges that led to the invocation of Sec 139 in Nala which include situation of dualism (two Mayors and Speakers) currently exists at the municipality, suspension of bank account of the municipality, collapse of service delivery, collapse of governance and the decision of EXCO to intervene in Nala Local Municipality in terms of section 139 (1) (b) for the period of 3 months and the appointment of the Administrator with terms of references
- 7.6. SALGA indicated that it has consulted the governance structures on the position regarding the Sec 139 intervention in Nala LM. The SALGA leadership has engaged the MEC of the Department of CoGTA and has been satisfied that Sec 154 support was provided to Nala LM but has not yielded the desired outcomes as the municipality challenges are persisting.
- 7.7. SALGA argued that experience has shown that assigning 1 Administrator may not be sufficient given the issues in the municipality and has therefore recommended to rather have a multi-sectoral team comprised of specialists and competent individuals to intervene in the municipality per Sec 139 (1)(b) and also that the intervention should be time-based to avoid prolonged period as has been with other Sec 139 interventions. The delegation of the select committee was then informed that the PEC of SALGA supports has taken a decision on 18 June 2025 to support invocation of section 139 (1) (b) of the Constitution in Nala Local Municipality

## **8. Opinions of Chief Whips of Political Parties**

### **9. African National Congress (ANC)**

- 9.1. The representative of the ANC indicated that section 139 (1) (b) of the Constitution empowers the provincial executive to intervene in a Municipality when the Municipality fails to fulfil its Constitutional or legislative obligation. This intervention can take the form of appointing an administrator to ensure compliance.
- 9.2. The representative of the ANC raised concerns regarding the invocation of section 139 (1) (b) of the Constitution in Nala Local Municipality. The representative indicated that the administrator was appointed for the period of three months, from 29 May 2025 to 31 August 2025, to address specific challenges, including dualism (two councils, speakers, mayors, municipal managers, and chief financial officers) and the failure to pass the budget.
- 9.3. Despite progress made, the ANC representative indicated that concerns persist regarding the administrator's role and effectiveness, lack of communication about the lapsing of the term of the Administrator and reporting requirement. The ANC representative complained that the Administrator was directed to report on progress monthly but has only done so once. The ANC representative alleged that the appointed Administrator is taking sides and showing preference, which is not assisting the work that should be done.
- 9.4. The ANC representative argued that the role of the appointed Administrator is to ratify decisions that are taken and not to perform roles and responsibilities of the Municipal Manager and that of the Chief Financial Officer while they are present. The representative indicated that this raises concerns about the role of the administrator and that of the Municipal Manager and Chief Financial Officer under section 139(1)(b) of the Constitution.
- 9.5. The ANC representative reported that the appointed Administrator is starting to be part of the challenges that the institution faces because of the duplicity of functions. We are not opposed to Section 139(1)(b), because it has provided the necessary assistance to the institution.

- 9.6. The ANC representative suggested that if there is still work to be done with regards to the intervention that the Provincial Executive Council has brought to the Nala Local Municipality, the Provincial Department of Cooperative Governance and Traditional Affairs should consider a change of personnel because the current appointed Administrator is not objective and that will affect the work that is being done.

## **10. Democratic Alliance (DA)**

- 10.1. The Democratic Alliance (DA) in Nala Local Municipality submits this report in support of the invocation of Section 139(1)(b) of the Constitution. The municipality has descended into a state of administrative and financial collapse, with no prospect of internal recovery under current political and management conditions. This submission outlines the urgent need for intervention by the Free State Provincial Government, reinforced by parliamentary oversight.
- 10.2. Nala Local Municipality is in deep financial distress. It owes Vaal Central Water Board over R484 million and has defaulted on a payment agreement, managing to pay only R1.5 million monthly against an average R6.5 million account. This shortfall has triggered a 30% water restriction. Revenue collection is below 20%, and electricity and water losses stand at 34% and 49% respectively. These figures far exceed national norms and are indicative of billing inefficiencies, illegal connections, and infrastructure failure.
- 10.3. The Section 139 (1)(b) intervention by the Free State Provincial Government has been deliberately obstructed by the ANC-led coalition. The Mayor, Speaker, MM and CFO convened an illegitimate meeting on 6 May 2025 without a quorum to reinstate themselves while under investigation. This act nullifies accountability and prevents the Administrator from executing financial recovery duties. The municipal council remains dysfunctional. Statutory reports are delayed or ignored, no functional internal audit committee exists, and Auditor-General findings are routinely dismissed. No disaster management plan has been developed, and key bylaws such as property rates enforcement remain unenacted.

- 10.4. Nala's infrastructure is collapsing. Roads in Bothaville and Wesselsbron are riddled with potholes. Maintenance is non-existent, despite a budget allocation for 2024/25. Water infrastructure failures, such as frequent pipe bursts, are unaddressed. The Town Hall in Bothaville has been neglected for over two decades and is in a state of disrepair. The landfill site in Bothaville operates without a license, violating national legislation. Refuse collection is sporadic due to broken service vehicles. Two tipper trucks remain unlicensed due to unpaid licensing fees totalling R255,000. The sewer system in Bothaville and Kgotsong lacks capacity and frequently overflows, especially during load shedding when pumps cannot function.
- 10.5. Despite employing over 600 staff, the municipality outsources basic services at an annual cost of approximately R25 million. This reflects a misuse of internal capacity. The DA's has flagged that staff lack skills to maintain the municipal fleet or repair infrastructure. The internal workshop is outdated, with no qualified mechanics. The front loader has been out of service for years, and vehicle breakdowns routinely interrupt service delivery.
- 10.6. The 2024/25 IDP and budget were approved despite being unfunded, merely to secure grant allocations. Public participation remains limited and ineffective, with civil society submissions ignored. The community's trust in municipal leadership has eroded.
- 10.7. The DA in Nala firmly supports the urgent invocation of Section 139(1)(b). The municipality is unable to fulfil its constitutional obligations. Political interference, financial mismanagement, institutional collapse, and service delivery failures demand immediate provincial intervention. Parliament must support a structured, enforceable turnaround plan to restore dignity and services to the people of Bothaville, Wesselsbron, and surrounding areas.

## **11. Economic Freedom Fighters (EFF)**

- 11.1. The EFF representative of tabled an opinion that supported the continuation of the invocation of section 139 (1) (b) of the Constitution regarding Nala Local Municipality. The representative indicated that the EFF is aware of the practice in the Municipality to

appoint staff on non-funded posts including non-existing post in the organizational structure, notably the post of Service Delivery Officer.

- 11.2. The representative raised concern that the EFF is disturbed by the continuous retention of financial interns with no end on side and the fact that sometimes are allowed to act in various positions in finance department. The representative indicated that the EFF is aware of people who get double salaries including those who continuously act in various positions that are supposed to have been long advertised and filled.
- 11.3. The representative reported that the EFF has recently found with disgust that the pay roll staff has given themselves salary increases twice in the same financial year without the approval of the LLF.
- 11.4. The representative informed the delegation of the select committee that there is also an appalling lack municipal vehicles, the EFF is aware that the municipality relies on a single unroadworthy bakkie used for service delivery, this results in select few municipal workers who uses own vehicles to provide municipal service and claim exorbitant fees on top of their salaries to the municipality.
- 11.5. The representative indicated that the EFF submit that the appointment of the MM and CFO is in contravention of Regulation 17 of the appointment of senior managers and both have no MEC concurrence. There is also a deliberate and perpetual non-compliance with the submission of the required financial and performance reports as per the MFMA, MFMA Circulars and Municipal Budget and Reporting Regulations (MBRR).
- 11.6. The representative called upon the select committee to act on behalf of our community regarding the fact that the indigent families has not received Free Basic Electricity since June 2024 despite the municipality still receiving its proportional share from the National Treasury, also to note that this municipality does not provide 50kl free basic water to its residents.
- 11.7. The EFF representative raised concerns about the continued suspension of employees at exorbitant costs to the municipality and unnecessary litigations by the municipality

notably by the MM, CFO and MAYOR against workers, stakeholder and the community using municipal money should be investigated.

- 11.8. The representative informed the delegation of the Select Committee that the EFF is concerned about the misrepresentation of the municipality by the Mayor, MM and CFO by entering a transversal contract with the third party that resulted in the municipality acquiring two new tipper trucks only to lose them within a week under suspicious circumstances.
- 11.9. The EFF representative indicated that the behaviour of ANC led coalition councillors has resulted in irregular Council sitting where illegal and irregular council decisions are taken, also this behaviour results in Council not quo-rating, Council subcommittee not sitting. The representative further indicated that the EFF needs clarity about the role of the Administrator since the EFF is aware that his efforts are being undermined by the Mayor, MM and CFO, example being the unilateral closing of the municipal bank account resulting in the delay of payment of workers and service providers as a result affecting the same service delivery they supposed to champion.

## **12. Freedom Front Plus (VF Plus)**

- 12.1. The representative of the Freedom Front Plus (VF Plus) in Nala Local Municipality submitted a report to the Select Committee on Cooperative Governance and Public Administration regarding the persistent and worsening governance, administrative, and service delivery crises in the municipality.
- 12.2. The representative indicated that despite the invocation of Section 139(1)(b) of the Constitution Nala Local Municipality remains dysfunctional. The political leadership and senior management continue to undermine the Administrator, resulting in a collapse of accountability and service delivery.
- 12.3. The representative reported that the appointed Administrator continues to face deliberate obstruction from both the Speaker and several ANC councillors. The representative alluded that during the most recent special council meeting, 23 September 2025,

originally convened to deal with disciplinary action against a senior official, the Speaker unilaterally changed the agenda to the swearing-in of a new councillor.

- 12.4. The representative indicated that when the Administrator advised that the meeting could not legally proceed, the Speaker responded dismissively: “Thanks for your input, we’ll keep it under consideration.” Such conduct demonstrates open defiance and disregard for lawful governance. The representative complained that ANC councillors routinely undermine the Administrator in council meetings, refusing to adhere to proper procedures and instructions.
- 12.5. Regarding management failures and lack of accountability, the representative complained that certain senior officials and ANC councillors have shown no respect for governance, transparency, or the authority of the Administrator.
- 12.6. The representative complained also that certain officials are showing complete disregard for the invocation of section 139 (1) (b) by stating that the gazetted time is over and for that reason they don’t have to comply with the Administrator displaying a defiant attitude and resistance to oversight.
- 12.7. The representative indicated that the Annual Financial Statements (AFS) remain outstanding and are expected to be submitted only by 10 October 2025, far past the legal deadline. The representative complained that this continued failure demonstrates administrative negligence and a lack of accountability.
- 12.8. The representative reported that since the current senior management took office, the municipality’s debt to Eskom and Vaal Central Water has more than doubled, indicating poor financial management and the misuse of public funds.
- 12.9. The representative indicated that the municipal council has still not convened a meeting to approve the Vaal Central Debt Relief Program, which missed the deadline for 30 September 2025. The representative argued that the issued raised underscore the urgent

need for a lifestyle audit of all senior management officials and stronger financial oversight mechanisms. The representative reported that the Municipal Public Accounts Committee (MPAC) has been dysfunctional since 2021 and has failed to investigate fruitless and wasteful expenditure. Although the committee was recently reshuffled on 19 August 2025 with a new chairperson, it has held only one meeting.

- 12.10. The representative indicated that the Administrator advised that the MPAC chairperson should come from an opposition party to ensure independent oversight. However, the ANC and their coalition partner, the Nala Community Forum (NCF), ignored this advice and appointed one of their own councillors. The representative complained that the decision not to appoint the chairperson of MPAC from the opposition party has further compromises MPAC's independence and undermines proper financial accountability.
- 12.11. Regarding financial irregularities, interference and billing system, the representative indicated that the residents continue to suffer from serious billing errors. Payments made are often not reflected on their accounts, resulting in false arrears, disconnections, and rental charges caused by the municipality's own administrative faults. The representative complained that these ongoing irregularities mirror those raised in the Section 106(1)(b) request for investigation, which highlighted, back pay, fraud and corruption, unethical behaviour, litigation and contract management of which none have been properly addressed.
- 12.12. The representative reported that between 28 April and 27 May 2025, the mayor, Ms. Lilo Mashiya, allegedly instructed that the municipal bank account be frozen without a council resolution, further obstructing administrative and operational functions. This unlawful action caused severe disruption to municipal operations, including the payment of creditors, salaries, and service providers, and demonstrates the extent of political interference in financial management.
- 12.13. The representative complained that this act constitutes a serious breach of the Municipal Structures Act and further undermines the rule of law and the legitimacy of council decisions within Nala Local Municipality. Furthermore, the Speaker, Mr. William Mothibi, wrote a letter claiming that Council had resolved on 6 May 2025 to reinstate the suspended Municipal Manager (MM) and Chief Financial Officer (CFO). This

assertion was false and misleading, as no quorum was present during the purported meeting.

- 12.14. The representative reported that Bothaville and Kgotsong share a single refuse truck, leading to long delays in waste removal. Many residents pay for services that are inconsistently delivered, with certain areas skipped entirely until the following week. The refuse trucks remain broken for 2-3 months before it gets fixed. The Bothaville dumping site is non-compliant and unsafe, with unmanaged waste causing pollution and health hazards. This represents gross negligence and a lack of operational control by the Community Services Department.
- 12.15. In the Bothaville industrial area, the representative indicated that the businesses and residents continue to experience frequent power outages due to cable theft and delayed fault repairs. Faults that typically occur on weekends, especially Saturdays, can take three to six days to be resolved. This not only disrupts local business operations but also discourages potential investors from operating in the municipality.
- 12.16. The continued instability of power supply has made the industrial area unattractive for economic growth and job creation. The roads throughout Nala Municipality are in an unacceptable and deteriorated condition. Potholes, lack of maintenance, and poor infrastructure planning have made many areas nearly inaccessible. Businesses, farmers, and residents all suffer as a result, and the municipality's ability to attract and retain investment has been severely compromised. The VF Plus believes that the current state of infrastructure demonstrates not just neglect but a complete lack of political will and management capacity
- 12.17. The representative reported that the MEC for COGTA, Mr. Saki Mokoena, previously announced that the HOD would host a by-law enforcement workshop for Nala officials, yet this has still not taken place. The representative complained that the continued failure to implement this initiative has left the municipality without proper regulatory enforcement mechanisms.
- 12.18. The VF Plus representative raised concerns about irregular appointments and hidden posts within the administration, approximately 90% of municipal employees arrive late

for work daily, with no disciplinary action being taken, service delivery continues to decline due to poor work ethic and lack of supervision. Some of the workers that are responsible for key services are regularly on sick leave and seldom at the office.

- 12.18. The representative indicated that whilst the Municipal Manager (MM), Mr. Lehloenya, was suspended, he continued to interfere in the municipality's affairs. On 6 May 2025, he wrote to a law firm appointed by Mr. Jasone (Acting MM), unlawfully terminating their instruction to act on behalf of Council in a matter involving himself and Council. Subsequently, Mr. Lehloenya and Mr. Lekitlane approached the High Court again under Case No. 1951/2025 on 22 May 2025, seeking reinstatement.
- 12.19. The representative reported that following the filing of their motion, Mr. Lehloenya allegedly instructed Maritz Attorneys on 22 May 2025 to file a notice to abide on behalf of Nala Local Municipality despite his suspension. This constitutes clear and unlawful interference in municipal operations and further evidence of the ongoing collapse of governance and accountability within Nala Municipality.
- 12.20. The representative complained that the Municipal Manager, Mr. Sekonyela Joseph Lehloenya and the Chief Financial Officer, Mr. Mochela Lekitlane, have repeatedly taken the municipality to court following their suspensions. The representative raised concerns that each time Council makes a resolution concerning their conduct, they immediately resort to legal action to block the process. On 20 June 2025, Council resolved to again place the MM, Mr. Lehloenya and CFO, Mr. Lekitlane on precautionary suspension. The Administrator subsequently afforded them the opportunity to provide written reasons why they should not be suspended.
- 12.21. The representative reported that a Council meeting was scheduled for 8 July 2025 to finalise this matter; however, councillors from the ANC, NCF, and one DA councillor were absent, resulting in a lack of quorum. The meeting was rescheduled for 22 July 2025, but once again, the same councillors failed to attend. Before proceedings could begin, the ANC and NCF councillors walked out of the meeting, declaring that they would await the court's decision instead of participating in the lawful governance process.

- 12.22. The representative indicated that on 23 July 2025, the MM, Mr. Lehloenya and the CFO, Mr. Lektilane again approached the High Court to challenge that they can return to work and to contest the validity of the 20 June 2025 meeting. They succeeded in the first part of their application, and the arguments regarding the meeting's validity were only heard on 9 October 2025. However, by that time, the precautionary suspensions had already lapsed, rendering the court case moot.
- 12.23. The representative complained that the political interference from higher ANC structures has also directly undermined the municipality's governance. On 12 March 2025, the Lejweleputswa Regional Secretary of the ANC, Mrs. Manana Dithebe, issued an instruction prohibiting ANC councillors from attending the scheduled Council meeting of 13 March 2025 and directed that the meeting be postponed until further notice.
- 12.24. The representative complained that this is a blatant example of political interference by the ANC in municipal administration. It demonstrates that Nala Local Municipality is not governed by its duly appointed officials or council, but rather by external ANC political structures and senior party constituents who dictate municipal decisions from outside formal governance processes.
- 12.25. The representative complained that the cycle of litigation, walkouts, and external political interference has paralysed Nala Local Municipality. The ANC and its coalition partner, the NCF, consistently act to protect individuals accused of alleged corruption and maladministration. If there is nothing to hide, there should be no reason to obstruct lawful investigations. Their coordinated actions are a direct affront to democratic governance and accountability.
- 12.26. The representative indicated that the Freedom Front Plus is deeply concerned by the ongoing collapse of governance, financial accountability, and service delivery in Nala Local Municipality. The continued disrespect towards the Administrator, political interference, and administrative incompetence make it clear that the current leadership cannot restore functionality.

12.27. The representative called upon the urgent intervention by the Select Committee on Cooperative Governance and Public Administration to ensure the restoration of lawful, transparent, and effective governance in Nala Local Municipality.

### **13. Nala Community Forum**

13.1. The representative of Nala Community Forum reported that the Free State Executive Council, at its meeting held on the 30 April 2025, took note of the collapse of governance, non-compliance with relevant legislation and service delivery failures afflicting Nala Local Municipality. The Executive Council subsequently resolved to invoke section 139 (1) (b) of the Constitution of the Republic of South Africa on the Nala Local Municipality.

13.2. The representative indicated that the intervention was sought in response to the persistent and material failures by the Nala Local Municipality to fulfil its legislative mandate, meet its financial obligations, and comply with statutory requirements. After extensive and protracted deliberations, the Executive Council resolved to invoke Section 139 (1) (b) of the Constitution of South Africa.

13.3. The representative informed the delegation of the Select Committee that the Free State Executive Council subsequently appointed Mr H.A. Goliath, as the Exco -Lead Representative in Nala Local Municipality, for a period of 3 (three) months, which ended on the 31<sup>st</sup> of August 2025.

13.4. The representative indicated that the invocation of Section 139(1) (b) is highly appreciated and accepted, as it will hopefully address and solve matters with persistent governance and material failure by the Municipality, to fulfil its legislative mandate, meet its financial obligations, and comply with statutory requirements.

13.5. The representative emphasised that the invocation must be about addressing issues, as they were identified and reported, and not about political fights, which can even get this Municipality deeper into trouble. It is also worth mentioning that, from a distance, one can see that the current political infighting within the ANG, is starting to play its part in the intervention. If this situation is not addressed as speedily as possible, this may end

up with the Municipality placed under Section 139(1) (c) of the Constitution of South Africa.

- 13.6. The representative urged that the intervention must be about salvaging what is left of Nala Local Municipality, and not about deepening the crisis further, as it is currently the case. Section 139(1) (b) can yield positive outcomes, if implemented correctly and can be destructive, if implemented incorrectly.
- 13.7. The representative reported that since the invocation of Section 139 (1) (b) on Nala Local Municipality, progress has been made in respect ending the issue of two Councils and 'dualism' of 2 Mayors and 2 Speakers, approving the budget and electing the chairperson of the Municipal Public Accounts Committee.
- 13.8. The representative highlighted that the local municipality is however still grappling with challenges related to non-implementation of cost cutting measures, non-compliance with timelines for the submission of Annual Financial Statements, revenue collection, delay in payment of 3<sup>rd</sup> Parties, non-implementation of Council Resolutions more especially the appointment of the Financial Disciplinary Board and Audit Committee.

#### **14. Opinions of Internal and External Stakeholders**

##### **15. South African Municipal Workers Union**

- 15.1. The representative of SAMWU indicated that the invocation of section 139(1)(b) of the constitution at Nala Local Municipality was unavoidable considering the dualisms ( Mayor, Municipal Manager & Chief Financial Officer) of which the environment was not conducive for workers, however prior to the invocation of section 139( 1 J(b) there were series of events the unrest by concern community members who raised their concern on the declined of service deliveries.
- 15.2. The representative of the Union said they believed that section 154 of the Constitution could have been considered to address the services delivery issues that were raised by concern community members, as their memorandums were addressed to the Office of the Premier & MEC of Cogta.

- 15.3. The representative indicated that the Union has accepted and welcomed the invocation of section 139(1)(b) of the constitution at Nala Local Municipality and after the introduction of the Administrator to the organised labour on the 14 May 2025.
- 15.4. In terms of expectation, the Union representative called upon the appointed Administrator to prioritise revenue collection and enhancement, alignment of municipal organisational structure with Municipal staff regulation of 2021 and procurement of vehicle to accelerate provision of basic services to community, appointment of Senior Managers and other critical post and consultation of organised labour (Local Labour Forums}
- 15.5. The representative of the Union raised concerns about late payment of salaries and thirds parties, prolonged mechanical breakdowns, delays in procurements of parts, demoralisation of workers, the emergence of grouping calling themselves Concerned Workers which undermines the recognition of organised labour within the institution.

## **16. IMATU**

- 16.1. Nala Local Municipality met all the criteria for determining serious financial problem in a municipality as set out in section 138 of the MFMA. By meeting the requirements of 138 it means that you are a candidate of section 139 of the constitution.
- 16.2. The following Legislative frameworks govern the Municipalities: constitution, Municipal Structure Act Municipal Finance Management Act Municipal System Act, Labour Relations Act, Basic Conditions of Employment Act Main Collective Agreement Divisional Collective Agreement, Municipal Staff Regulations
- 16.3. The municipality has in the past and currently submitted budgets that are not credible for which expenses are not realistically expected to be covered by the expected revenue (unfunded budgets). NLM has been operating at a deficit due to poor revenue management and debt collection. Creditors have increased over the years, because of NLM's failure to pay creditors within 30 days and defaulting on payment arrangements. Example Eskom and Water board. The municipality failed to submit the annual financial statements on the 31 August 2025 as required by the law.

- 16.4. NLM is cash strapped and unable to maintain their infrastructure. The indigent management in the municipality is not effective as evidenced by the incomplete indigent register. NLM has also failed to display the expected level of discipline to implement controls or internal and external audit recommendations to reduce expenditure.
- 16.5. NLM has not implemented the Performance Management Framework to all employees, including senior managers within the NLM. This impedes the review of the individual performance. It is difficult to hold officials accountable if there are no performance reviews and this in turn adversely affects service delivery.
- 16.6. NLM does not seem to prioritize consequence management. The disciplinary case management register is non-existence as some cases are not duly reported. UIF&W is on the rise with no investigations taking place to hold responsible parties accountable as the MPAC has never been functional.
- 16.4. Employees have failed to declare their financial interests including key SCM officials and no action has been taken against these employees. Some of the councillors also did not declare their financial interest and have outstanding municipal debt which illustrates a culture of non-compliance to statutes and lack of accountability streaming from the top
- 16.5. NLM is currently facing several service delivery challenges amongst them ageing infrastructure, constant water and electricity losses and an insufficiently paved water network. As a result of this, there is service back logs and customer complaints. This exposes NLM to service delivery protests by the communities and damage to existing property
- 16.6. There are vacancies in critical decision-making positions such as the senior management positions where several positions are filled with individuals in acting capacity. Acting appointments creates instability and impedes decision making and implementation of strategies.

- 16.7. Distribution Losses for electricity are higher than the norm while water losses (which cannot be determined due to lack of systems to determine the losses). These negate the impact of other interventions

## **17. South African Youth Council**

- 17.1. The representative indicated that the South African Youth Council welcomed the invocation of Section 139(1)(b) of the Constitution and Nala Local Municipality. The representative raised concerns that young people in Nala Local Municipality face numerous challenges related to unemployment, limited job opportunities, Lack of skills development, insufficient training and development programs, poor service delivery and inadequate provision of basic services, such as water, sanitation, and electricity.
- 17.2. The representative indicated that the South African Youth Council believes that the invocation of Section 139(1)(b) can assist in addressing these challenges by: stabilizing the municipality, ensuring effective governance and administration. improving service delivery, enhancing the provision of basic services, such as water, sanitation, and electricity, creating opportunities, facilitating job creation and skills development programs for young people.
- 17.3. To ensure that the invocation of Section 139(1)(b) benefits young people, the representative of South African Youth Council recommended that the administrator should prioritizes youth development, implement programs that address the needs and challenges of young people, create job opportunities, facilitate job creation initiatives, such as public works programs and small business development and offer training and development programs that equip young people with skills needed for the job market.
- 17.4. The representative of the Youth indicated that the invocation of Section 139(1)(b) presents an opportunity to address the challenges faced by young people in Nala Local Municipality and urged the Select Committee to ensure that the appointed Administrator prioritizes youth development and creates opportunities for young people to participate in the economy.

## 18. AFRIFORUM

- 18.1. The representative of AfriForum made submission focusing on the state of governance, finance, and service delivery in Nala Local Municipality and provided factual observations, supported by data, and recommendations for urgent provincial intervention. The representative indicated that Nala Local Municipality shows continuous financial deterioration with escalating deficits, creditors, and debtors and indicating a collapse in fiscal discipline.
- 18.2. The representative reported that between 2013 and 2024, creditors increased from R157 million to over R1.1 billion, while annual deficits and interest expenses grew by more than 500%. This reflects structural financial collapse and a dependence on debt to fund operations.
- 18.3. In terms of service delivery and infrastructure, the representative indicated that the water comparison between units purchased and sold shows a 49% loss, indicating severe leakage, illegal connections, and poor metering.
- 18.4. The representative complained that 69 municipal employees are assigned to water distribution, yet no measurable reduction in losses is achieved and 30 employees serve in electricity distribution with limited oversight and no technical audit of losses.
- 18.5. The representative raised concern that the Bothaville landfill operates illegally without a license, contravening the National Environmental Management Waste Act (59 of 2008). Irregular collection and lack of equipment persist. With over 170 employees across these divisions, service levels remain critical and environmental non-compliance poses a legal risk.
- 18.6. The representative indicated that the municipality employs 616 staff members, including 54 in financial administration and 29 in corporate services, yet outsources about R25 million per year to contractors. The representative urged that this shows poor use of internal capacity. According to Section 71 of the MFMA, financial data must be reported monthly to National Treasury. Despite numerous Treasury corrections since 2013, Nala has ignored all recommendations.

- 18.7. In terms of public consultation, the representative raised concerns about lack of regular communication with residents, lack of public access to budgets or tariff documents, lack of consultation before tariff changes, poor management of complaint and exclusion of AfriForum and other civil structures from decision-making.
- 18.8. In terms of governance, the representative raised concerns about ineffective functioning of the Council, late submission of statutory reports, non-implementation of the recommendation of the Audit Committee and Internal Audit, non-accountability of Senior management to the Council, and lack of follow-on Auditor-General findings.
- 18.9. Some of the key challenges faced by the local municipality mentioned by the representative include imbalance between salary costs and maintenance expenditure, low revenue collection and high losses on utilities (49% water, 34% electricity), poor implementation of previous recovery plans, lack of project management and infrastructure planning and erosion of trust between the community and municipal leadership
- 18.10. Some of the recommendations made by the representative for implementation included independent forensic audit of all budgets and actual financial results from 2013–2025, with specific reference to unauthorized, fruitless, wasteful and irregular expenditure, review of all senior administrative and financial positions and management practices, review of vacant positions within the financial department, establishment of an Internal Control Unit, creation of an Independent Audit Committee reporting to Council and Provincial Treasury, skills audit for all senior administrative and financial officials.

## **19. GNBA Subcontractors Forum**

- 19.1. The representative of the GNBA Subcontractors' Forum, welcome the opportunity to make a submission on the invocation of Section 139(1)(b) of the Constitution. The representative urged that for the business to thrive, the municipalities must be stable and able to provide basic services to their constituency.

- 19.2. The representative raised a concern that the municipality's instability has negatively impacted SMMEs and the community and they welcomed the provincial executive's intervention under Section 139(1)(b) and have seen improvements in the institution.
- 19.3. The representative urged that municipality, as an institution, is expected to serve its people equally and without prejudice and the appointed Administrator must uphold this principle, ensuring that all stakeholders, including SMMEs, are treated fairly.
- 19.4. The representative cautioned the administrator against side-lining SMMEs that do business with the municipality, as previously observed. This behaviour undermines the objectives of the Municipal Systems Act (Act 32 of 2000) and the Constitution.
- 19.5. The representative indicated that the GNBA Subcontractors' Forum supports initiatives aimed at capacitating our institutions. We believe that a stable and effective municipality will enable SMMEs to thrive. Section 152 of the Constitution outlines the objectives of local government, including ensuring the provision of services to communities in a sustainable manner.
- 19.6. The representative urged the Select Committee to ensure that the administrator upholds the principles of fairness and equity in dealing with SMMEs. We support initiatives aimed at capacitating our institutions and believe that this will assist SMMEs to thrive.

## **20. Emzine Unemployment Forum**

- 20.1. The representative of the Emzine Unemployment Forum expressed deep concerns about the persistent dysfunction and failure to the Nala Local Municipality to fulfil its constitutional obligations.
- 20.2. The representative indicated that the Emzine Unemployment Forum, strongly believes that the provincial government should invoke Section 139(1) (b) of the Constitution to intervene in the municipality's affairs, because section 139(1) bb) failed the community in several issues that were raised.

- 20.3. The representative indicated that the municipality inability to deliver basic services, manage its finances, and ensure good governance has had severe consequences for the community. The representative raised concerns about lack of community access to clean water, sewage spillages, refuge removal and mismanagement of construction projects that are currently underway in the community.
- 20.4. The representative reported that as a registered unemployment forum, they are experiencing a problem with an individual by the name of Pule Joel Nkone who is responsible for construction projects from the office of the mayor, who exercises duties that he is not appointed for.
- 20.5. The representative needed clarity on his capacity, his position as well as his job description, the number of positions of officials in the Office of the Mayor, contributing to high rate of unemployment caused by individuals in the municipality who are filling their own pockets with projects in the presence of the appointed Administrator.
- 20.6. The representative indicated that the invocation of section 139(1) (b) would enable the provincial government to take control of the municipality's affairs and address the systemic failures that have led to this crisis. The representative believed that the intervention is necessary to restore good governance and accountability, ensure the delivery of all services most importantly basic services, address financial mismanagement and instability and promote economic development and stability in the municipality

## **21. Nala Progressive Movement**

- 21.1. Nala Progressive Movement {NPM} considers itself a locally based civic movement and although not represented in the current Nala municipal council, it has been registered in existence for almost the last two years but has officially registered with the Independent Electoral Commission {IEC} on the 29 September 2025 (Annexure 11AA11).
- 21.2. Therefore, NPM as an external stakeholder appreciate and. welcome the afforded opportunity to make submission to Parliament Select: Committee as per its invite with the purpose to solicit opinion on the implications of section 139(1)(b) of the Constitution

executed on Nala Local Municipality. It is our desire as NPM that our submission will positively assist the work of the Select Committee in promotion of good governance to the best interest of the community of Nala Local Municipality that has endured many years of corruption and poor governance.

21.3. The basis of our submission is grounded in a number of letters we have written to the appointed Administrator Mr H.A Goliath, MEC T.Z Mokoena, Minister V. Hlabisa, National Treasury and Auditor-General raising or addressing some constitutional imperatives, legislations governing municipalities and procedural issues regarding the implementation of section 139(1)(b) coupled with other

## **22. Mieliehoofstad Business Chamber**

22.1. The Mieliehoofstad Business Chamber represents businesses in the Nala Municipality. The financial position of Nala deteriorated over years with an annual loss of R327mil, compared to service income of R246mil in 2024. The loss was financed by bulk suppliers and creditors which increased to R1.3bil in 2024. Finance cost increased over the years to R108mil in 2024 (22% of income, 13% of expenses) Remuneration cost increased over years to R225mil in 2024 (45% of income, 27% of expenses)

22.2. The amount spent on the maintenance of the infrastructure is inadequate and was only R29mil in 2024 (6% of income, 3% of expenses) This contributes to serious losses in income. Electricity losses was 29.3% and water losses 47.1% in 2024. The undermaintained and ageing infrastructure contributes to extremely bad, inaccessible and dangerous roads to industrial area and businesses (especially in the summer rainy season). The sewerage infrastructure in the residential areas contributes to unsafe and unhealthy living environment for our workers, especially in Kgotsong. Raw sewerage flow into the Valsriver, which flows in Vaal Water treatment plant at Sedibeng.

22.3. Businesses in especially the industrial area suffer from electricity interruptions which on three recent occasions lasts for 2-3 days. There is a lack of refuse removal in the industrial area where businesses remove their own refuse. The inconsistent refuse removal from residential areas leads to an unhealthy and untidy environment for our workers. There is a lack of consultation and public participation with businesses and the

business chamber relating to planning, infrastructure allocation, tariffs and service delivery issues.

- 22.4. Treasury and Department Cooperative Governance and Public Administration (Traditional Affairs, Human Settlements, Water & Sanitation) must appoint an experienced technical team to head financial and infrastructure recovery Experienced qualified personnel must be appointed in key positions, municipal manager, CFO, head of audit A functional and effective audit and financial review committee must be appointed to monitor the functions. Verification and restructuring of personnel to ensure accountability and effectivity
- 22.5. Sufficient budget allocation to repair and maintain electricity, water and sewerage infrastructure, prioritise processes to eliminate electricity and water losses. This includes illegal connections and leakages Sufficient budget allocation to repair access roads to industrial and business area to ensure businesses can survive and expand

### **23. Observations of the Select Committee**

- 23.1. The Select Committee has noted that the Free State Provincial Executive council resolved on the 30 April 2025 to invoke section 139 (1) (b) of the Constitution of the Republic of South Africa on the Nala Local Municipality for 3 months period
- 23.2. The Select Committee has also noted that the Provincial Executive Council resolved also to intervene to achieve improvement in the governance and financial situation of the municipality and provision of basic services to the communities
- 23.3. The Select Committee has further noted that the provincial executive council mandate the MEC of the Department of Cooperative Governance to appoint an Administrator to assume full administrative responsibilities in Nala Local Municipality, covering human resources, finance, legal, governance, technical and community service functions
- 23.4. The Select Committee has noted that Nala Local Municipality has been in repeated section 139 (1) (b) interventions due to failures in financial management, administrative instability and political interference

- 23.5. At administration level, the Select Committee has noted with serious concerns the bloated organisational structure, lack of discipline of municipal officials, absenteeism, loitering, late coming, claiming of overtime, continuous acting of interns, appointment of officials without qualifications, dualism, lack of cooperation of the Municipal Manager and Chief Financial Officer with the Administrator, insubordination of Chief Financial Officer and Municipal Manager, non-filling of senior management positions and lack of consequence management for non-performance, non-reporting, non-accountability and insubordinations.
- 23.6. In opinion of the Select Committee, the current municipal administrative status violates the strategic objective of local government that relates to organisational development and transformation.
- 23.7. In relation to service deliver, the Select Committee has noted with great concerns about the decay and collapse of service delivery, poor refuse removal and waste management, non-compliant of dumping site, frequent power outage due to cable theft, instability in power supply, poor infrastructure planning, water supply interruptions, infrastructure decay, non-payment of services, poor maintenance, lack of municipal vehicles, low revenue collection, water loss, illegal connection, poor metering, illegal operation of landfill in Bothaville without a licence and non-provision of toilets at the taxi ranks
- 23.8. The Select Committee is of the opinion that the state of service delivery and infrastructure in Nala Local Municipality violates the human rights of the community, contravenes the National Environmental Waste Management Act of (59 of 2008) and the strategic objective of local government in relation to the provision of service delivery more especially water and decent sanitation
- 23.9. In relation to good governance in the local municipality, the Select Committee has noted with serious concerns about political and administrative instability, political interference, lack of oversight and non-functionality of the Municipal Public Accounts Committee, non-functionality of ward committees, non-functionality of audit committees, delays and non- tabling section 106 forensic investigation reports, councillors walking out of council meeting, decisions making without a quorum, non-

tabling of MPAC reports, lack of accountability and transparency, lack of professionalism, lack of political and administrative will to perform, signing of recommendations by the Speaker emanating from the meeting that did not quorate, absence of ethics committee and lack of consequence management.

23.10. In relation to financial management, the Select Committee has noted with great concerns about the unfunded and approved budget, illegal withdrawal and transfer of money the municipal account, poor revenue collection, incorrect billing system, lack of updated indigent registry, poor municipal collection rate standing at 10% with over 91% of consumer debtors in arrears, owing of Eskom and Vaal Central Water resulting in service disruptions and bulk supply risks, unauthorised expenditure of R116.6 million, irregular expenditure of R6.5 million and wasteful & fruitless expenditure of R24.5 million

#### **24. Recommendations of the Select Committee**

- 24.1. That the National Council of Provinces approves the invocation of section 139 (1) (b) of the Constitution in Nala Local Municipality
- 24.2. That the HOD of the Department of Cooperative Governance and Traditional Affairs should arrange a meeting with the Administrator, Municipal Manager and Chief Financial Officer to discuss the schedule of meetings
- 24.3. That the HOD of the Department of Cooperative Governance and Traditional Affairs should meet the representative of Nala Progressive movement to discuss the allegations related to corruption, financial mismanagement and fraud and report to the MEC about the nature of allegations
- 24.4. That the appointed Administrator should provide the Select Committee on Cooperative Governance and Public Administration 14 days after the adoption of this report by the National Council of Provinces with a report on employees' absenteeism, late coming, overtime claims, non-compliance with tabling of reports and consequence management actions

- 24.5. That the appointed Administrator should institute disciplinary hearing of the insubordination of the Municipal Manager and Chief Financial Officer and provide monthly report on the status of disciplinary process to the Municipal Council, the MEC of the Department of Cooperative Governance and Traditional Affairs and Free State SALGA
- 24.6. That the appointed Administrator in collaboration with the Speaker, the Mayor and Free State SALGA Should fast track the process of establishing the Ethics Committee, the functionality of MPAC, Audit Committee and the Ward Committees
- 24.7. That the current Speaker who was the MPAC Chair should table the MPAC report to the Council of Nala Local Municipality for consideration and implementation of recommendations by the appointed Administrator
- 24.8. That the MEC of the Department of Cooperative Governance and Traditional Affairs should provide the Select Committee on Cooperative Governance and Public Administration with the resolution of the Free State Provincial Executive Council on the invocation of section 139 (1) (b) of the Constitution and the terms of references of the appointed Administrator 14 days after the adoption of this report by the National Council of Provinces
- 24.9. The appointed Administrator should develop post audit action plan to deal with the recommendations of the Auditor-General emanating from the 2023/2024 Audit Outcomes in the Local Government and table the action plan to the Municipal Council for consideration and adoption
- 24.10. That the MEC of the Department of Cooperative Governance and Traditional Affairs should institute investigation on all the allegations of corruption, fraud and financial mismanagement within the Nala Local Municipality and table the report the report to the National Council of Provinces after 90 days
- 24.11. That the MEC of the Department of Cooperative Governance and Traditional Affairs should table the report on 15 December 2025 to the Municipal Council and the National

Council of Provinces on forensic investigation conducted in terms of section 106 of the Local Government: Municipal System Act of 2000.

- 24.12. That the MEC of the Department of Cooperative Governance and Traditional Affairs should table to the National Council of Provinces all section 106 reports, termination reports in terms of section 139 (1) (b), section 139 (5) and section 47 report on the state of municipalities in Free State Province in terms of the requirement of Local Government: Municipal System Act of 2000 90 days after the adoption of this report by the National Council of Provinces .
- 24.13. That the MEC of the Department of Cooperative Governance and Traditional Affairs in collaboration with the Free State SALGA should conduct lifestyle audit of all managers and skills audit of all employees within Nala Local Municipality.
- 24.14. That the Free State SALGA should provide systematic and structured support in terms of section 154 of the constitution to enable Nala Local Municipality to deal with HR matters related to bloated administration, job evaluation, grading, approved and funded organisational administrative structure.
- 24.15. That the Speaker should as part of accountability and transparency share the oversight visit report of the Select Committee with all the stakeholders participated during the oversight visit by the Select Committee on Cooperative Governance and Traditional Affairs.
- 24.16. That the MEC of the Department of Cooperative Governance and Traditional Affairs should table to the National Council of Provinces quarterly progress report, termination report and any request of the notice of extension of section 139 (1) (b) of the Constitution in Nala Local Municipality.

Report to be considered.