Thursday, 15 October 2026]

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PARLIAMENT

OF THE

REPUBLIC OF SOUTH AFRICA

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

THURSDAY, 15 OCTOBER 2026

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ANNOUNCEMENTS

National Assembly

The Speaker

1. Introduction of Bills

(1) **The Minister of Justice and Constitutional Development**

(a) **Conspiracy, Instigation and Incitement to Commit Offence Bill** [B28–2026] (National Assembly – proposed sec 75) [Explanatory summary of Bill and prior notice of its introduction published in ***Government Gazette*** No. 55223 of 21 August 2026.]

Introduction and referral to the **Portfolio on Justice and Constitutional Development** of the National Assembly, as well as referral to the Joint Tagging Mechanism (JTM) for classification in terms of Joint Rule 202.

In terms of Joint Rule 196 written views on the classification of the Bill may be submitted to the JTM. The Bill may only be classified after the expiry of at least seven parliamentary working days since introduction.

[The following entry replaces the entry, which was published on page 5 of the Announcements, Tablings and Committee Reports dated 28 September 2026]

2. Membership of Committees

(1) The following committee membership changes have been made by the African National Congress:

(a) **Portfolio Committee Justice and Constitutional Development**

Discharged: Motaung, Ms NE

Appointed: Gigaba, Dr KMN
Appointed: Kumbaca, Ms AN [Alternate]

(b) **Joint Standing Committee on Defence**

Discharged: Gigaba, Dr KMN
Appointed: Motaung, Ms NE

TABLINGS

National Assembly and National Council of Provinces

1. The Speaker and the Chairperson

(a) Monthly Financial Statements of Parliament – September 2026, tabled in terms of section 54(1) of the Financial Management of Parliament and Provincial Legislatures Act, 2009 (Act No. 10 of 2009).

2. The Minister of Justice and Constitutional Development

(a) Report of the South African Law Reform Commission for 2025-26.

National Assembly

1. The Speaker

(a) Letter from the Minister of Justice and Constitutional Development, dated 14 October 2026, to the Speaker of the National Assembly, explaining the reasons for the delay in the submission of the Annual Report of the South African Law Reform Commission for 2025/26.

Dear Madame Speaker

DELAY IN SUBMISSION OF THE LAW REFORM COMMISION 2025-26 ANNUAL REPORT

I am writing to formally inform you that we are unable to meet the 30 September 2026 deadline for the 2025/26 Annual Report. The Public Finance Management Act, 1999 (Act No. 1 of 1999), Section 65(2)(a) says that if an executive authority

fails to table, in accordance with Section 65(1)(a), the executive authority must table a written explanation in the legislature setting out the reasons why they were not tabled. Unfortunately, we have encountered significant challenges which led to the delay in the tabling of the report. In particular, the delay is due to a dispute on the accuracy of the information contained in the Annual Report of the Law Reform Commission. Some of the matters have been long-standing and required extensive engagements between the Commission and the Department to ensure that information contained in the Annual Report is accurate and factual.

We have since engaged on the conflicting information and have come to an agreement on the attached report. I recognise the importance of timely and transparent reporting to Parliament and apologise for any inconvenience this delay may cause and appreciate your understanding of the complexities involved.

Yours sincerely

MT KUBAYI, MP
MINISTER: JUSTICE AND CONSTITUTIONAL DEVELOPMENT
DATE:

National Council of Provinces

1. The Chairperson

(a) Letter from the Minister of Justice and Constitutional Development, dated 14 October 2026, to the Chairperson of the National Council of Provinces, explaining the reasons for the delay in the submission of the Annual Report of the South African Law Reform Commission for 2025/26.

Dear Chairperson

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Yours sincerely

MT KUBAYI, MP
MINISTER: JUSTICE AND CONSTITUTIONAL DEVELOPMENT
DATE:

COMMITTEE REPORTS

NATIONAL ASSEMBLY

1. BUDGETARY REVIEW AND RECOMMENDATIONS REPORT OF THE PORTFOLIO COMMITTEE ON HUMAN SETTLEMENTS, FOR THE 2025/26 FINANCIAL YEAR, DATED 14 OCTOBER 2026.

The Portfolio Committee on Human Settlements (the Committee), having considered the briefings by the Auditor General (AGSA), the Department of Human Settlements, the National Home Builders Registration Council (NHBRC), the National Housing Finance Corporation (NHFC), the Property Practitioners Regulatory Authority (PPRA), the Social Housing Regulatory Authority (SHRA), and the Community Schemes Ombud Service (CSOS) on the Department's 2025/26 annual reports and audited financial statements, on 7 and 9 October 2026, reports as follows:

1. INTRODUCTION

Mandate of the Portfolio Committee on Human Settlements

The Portfolio Committee on Human Settlements derives its mandate from Section 44 of the Constitution of the Republic of South Africa, which grants Parliament its national legislative authority. The Committee exercises this authority over human settlements matters through the following functions:

- Making and amending laws related to human settlements.
- Exercising oversight over the Department of Human Settlements and its related entities to ensure effective and accountable governance.
- Engaging in regional, continental, and international cooperation and partnerships relevant to human settlements issues.
- Promoting and overseeing cooperative governance between different spheres of government within the human settlements sector.
- Facilitating public participation in legislative and oversight processes concerning human settlements

Additionally, the Committee’s mandate is guided and supported by legislative and policy frameworks, including but not limited to the following:

- Financial Management of Parliament and Provincial Legislatures Act, 2009 (Act No. 10 of 2009)
- Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009)
- Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005)

Through these roles and frameworks, the Portfolio Committee on Human Settlements provides legislative oversight, policy guidance, and public engagement to support the sustainable delivery and governance of human settlements in South Africa.

1.2 Purpose of the Budgetary Review and Recommendation Report

The Money Bills Amendment Procedure and Related Matters Act, 2009, as amended in 2018 (Act No. 9 of 2009) (the Money Bills Act) sets out the process by which Parliament, through its committees, may recommend to the Minister of Finance that the budget of a national Department be amended. Each October, portfolio committees must adopt Budgetary Review and Recommendation Reports (BRRRs) that assess service delivery performance given available resources, evaluate the effective and efficient use and forward allocation of resources, and make recommendations on the forward use of resources.

1.3 Documents Considered by the Committee

In compiling the 2025/26 Budgetary Review and Recommendation Report, the Committee considered the following key policy, planning, performance and oversight documents:

- The National Development Plan: Vision 2030.
- The Medium-Term Development Plan.
- State of the Nation Addresses.
- The Strategic Plans of the Department of Human Settlements and its entities.
- The Annual Performance Plans and Annual Reports of the Department and its entities.
- The audit reports and assessments of the Auditor-General of South Africa (AGSA), including findings relating to financial management, compliance, performance information, governance and internal controls.

These documents provided the basis for assessing the Department's performance against its planned objectives, evaluating the management and utilization of allocated resources, identifying challenges affecting the implementation of human settlements programs, and

formulating recommendations to improve service delivery, financial accountability and institutional performance.

2. OVERVIEW OF THE MANDATE, PLANS AND POLICIES GUIDING THE WORK OF THE DEPARTMENT AND THEIR ALIGNMENT TO THE NATIONAL DEVELOPMENT PLAN (NDP) AND MEDIUM-TERM DEVELOPMENT PLAN (MTDP)

The Department's mission is to facilitate the creation of sustainable human settlements and to improve the quality of household life. The Department's vision is a nation housed in sustainable human settlements. Its mandate and core business are derived from Section 26 of the Constitution of 1996 (which guarantees the right to adequate housing). This includes policies applicable to government, such as Breaking New Ground (BNG), and legislation such as the Housing Act (Act No. 107 of 1997).

The Department has two approaches to address housing needs, namely, through the scaled delivery of subsidised housing for low-income households, and through striving to create an environment conducive for operations of the subsidised housing market within the larger economy. The Medium-Term Development Plan (MTDP) 2024 -2029 identified several priorities in relation to human settlements to realise the vision of sustainable human settlements and an improved quality of household life. They include:

- Upgrading Informal Settlements: Prioritizing in-situ upgrades, near-site relocations, and the provision of essential services such as clean water, electricity, sanitation, and waste removal.
- Eradication of Mud Houses and Unsafe Structures: Replacing hazardous, substandard housing (such as mud houses) with structures that meet national structural integrity and safety standards.
- Expanding Affordable Housing: Increasing the delivery of affordable housing options through financial interventions such as the First Home Finance program.
- Increasing Rental Housing Stock: Expanding rental options across urban centers, particularly through targeted social housing developments.

- Spatial Transformation and Land Acquisition: Strategically acquiring well-located land to undo apartheid-era spatial segregation, coupled with implementing catalytic human settlement projects in both deprived and spatially transforming areas.
- Fast-tracking the Title Deeds Program: Speeding up the distribution of title deeds to ensure formal security of tenure for historic and new property beneficiaries.
- Enhanced Monitoring and Compliance: Partnering with municipal bodies and organizations such as the National Home Builders Registration Council (NHBRC) to regulate home-building standards, enforce building by-laws, and mitigate land invasions.

3. BRIEFINGS BY AGSA ON THE AUDIT OUTCOMES AND PERFORMANCE OF THE DEPARTMENT

The Department of Human Settlements (DHS) received a clean audit outcome for the 2025/26 financial year, as reported by the Auditor-General of South Africa (AGSA). This outcome reflects improvements in financial management, governance, legislative compliance, and the quality of performance reporting. The Department's annual financial statements were free of material misstatements, and its reported performance information was supported by appropriate evidence.

The Auditor-General attributed this outcome to the effective implementation of corrective measures from prior audits, strengthened internal controls, and improved management oversight. Progress was noted in record-keeping, financial statement preparation, and the review and monitoring of financial and performance information. The Department also demonstrated improved compliance with applicable legislative and regulatory requirements, with no material findings reported against predetermined objectives or compliance matters.

Notwithstanding this achievement, the Auditor-General emphasized the need to sustain the clean audit outcome and translate sound financial administration into tangible improvements in service delivery. Continued oversight of conditional grants, provincial spending, and the alignment of budget spending with housing delivery remain essential. Furthermore, the Department must strengthen its oversight of public entities in the Human Settlements portfolio to support improved governance, accountability, and audit outcomes across the sector.

3.1 Recommendations by the AGSA

The Auditor-General recommended that the Department:

- Sustain and continuously strengthen the internal control environment that contributed to the clean audit outcome.
- Ensure that audit action plans remain proactive and address emerging risks before they result in audit findings.
- Enhance oversight and monitoring of public entities and provincial departments to improve accountability and performance across the portfolio.
- Strengthen monitoring of grant spending to ensure that expenditure translates into tangible housing delivery outcomes and improved service delivery.
- Monitor the implementation of strategic initiatives, including the modernisation and automation of housing delivery systems, to improve efficiency and data integrity.
- Continue focusing on consequence management and preventative controls to avoid future compliance and financial management weaknesses.

4. OVERVIEW OF THE PERFORMANCE OF THE DEPARTMENT OF HUMAN SETTLEMENTS

During the 2025/26 financial year, the Department of Human Settlements had a total adjusted allocation of approximately R34.915 billion and reported expenditure of R33.765 billion, representing an overall spending rate of approximately 97%. The Department recorded underspending of approximately R1.151 billion against its allocation. Although the overall expenditure rate was high, the underspending raised concerns about the Department's capacity to implement planned activities and convert allocated resources into timely, measurable housing delivery.

Programme 2: Integrated Human Settlements Planning and Development recorded the highest expenditure, spending approximately R23.804 billion, equivalent to 99.8% of its R23.847 billion allocation. Programme 3: Informal Settlements spent approximately R8.032 billion, representing 90.1% of its R8.913 billion allocation, and recorded the largest programme-level underspending of approximately R881.1 million. Programme 1: Administration spent R487.1 million, representing 75% of its R651.8 million allocation. Programme 4: Rental and Social

Housing spent R917.1 million, equivalent to 96% of its allocation, while Programme 5: Affordable Housing spent R524.4 million, representing 95.7% of its allocation.

Transfers and subsidies accounted for approximately R32.527 billion in expenditure against an allocation of R32.535 billion, representing nearly 100% of the allocation. This was primarily attributable to transfers to provinces, metropolitan municipalities, and departmental entities to implement human settlements programmes. Compensation of employees amounted to approximately R387.4 million against an allocation of R456.3 million, representing 85% of the allocation. The Department attributed the underspending on personnel to delays in finalizing its organizational structure, which affected the timely filling of vacant positions.

Expenditure on goods and services with a total of approximately R473.4 million against an allocation of R741.0 million, representing 64% of the allocation. Capital asset expenditure with a total of approximately R377.1 million against an allocation of R1.182 billion, representing about 32% of the allocation. The low capital asset expenditure was attributed to delays in delivering laptops, desktop computers, servers, and audiovisual equipment, partly due to global supply-chain constraints.

The Department also reported underspending on computer services, consultants and professional services, travel and subsistence, and other operational items. These shortfalls were associated with delays in procurement processes, service-provider submissions, quotation validation, and the implementation of information and communications technology projects.

5. THE DEPARTMENT'S ALLOCATIONS - MTEF ALLOCATIONS

Table 5.1. Overall expenditure 2025/26

R' million	Final Appropriation *In Rand*	Spent *In Rand*	Unspent *In Rand*	Rate *%*
Main programmes				
Programme 1: Administration	651,8	487,1	164,7	74.7%
Programme 2: Planning And Development	23 846,8	23 803,8	43,0	99.8%
Programme 3: Informal Settlements	8 913,4	8 032,4	881,1	90.1%

Programme 4: Rental And Social Housing	955,4	917,1	38,4	96.0%
Programme 5: Affordable housing	547,9	524,4	23,5	95.7%
Total Vote	**34 915.3**	**33 764.7**	**1 150.6**	**96.7%**
Economic Classification				
Compensation of Employees	456,3	387,4	68,9	84.9%
Goods and Services	741,0	473,4	267,5	63.9%
Transfers	32 535,4	32 526,7	8,7	100.0%
Capital Assets	1 182,5	377,1	805,4	31.9%

5.1. Overview of the Expenditure of the Department

Table 1.5 shows that the Department spent 96.7% of its R34.9 billion final appropriation, leaving R1.15 billion unspent. Underspending was highly concentrated in Programme 3: Informal Settlements (R881.1 million) and Programme 1: Administration (R164.7 million), which together accounted for 90.9% of total underspending. Programme 2 recorded the highest expenditure rate at 99.8%, while Programme 1 recorded the lowest at 74.7%.

The economic classification provides an important qualification to the high overall spending rate. Transfers were virtually fully spent (100.0%), whereas spending on capital assets was only 31.9% and goods and services 63.9%. Capital assets accounted for R805.4 million of the total R1.15 billion underspend, indicating that the principal expenditure pressure was concentrated in implementation-related spending rather than transfers.

Cost pressures: Expenditure included R41.6 million on venues, R20.4 million on catering, R70.4 million on computer services and R32.1 million on consultants, while training expenditure was R2.7 million.

Irregular and fruitless expenditure: Irregular expenditure stood at R6.776 million, while fruitless and wasteful expenditure remained at R1.133 million. No unauthorised expenditure was reported in 2025/26.

Procurement: The Department reported 38 alternative procurement transactions worth R80.75 million, mainly relating to emergency Temporary Residential Units (TRUs).

Balance sheet: Cash amounted to R1.036 billion, while contingent liabilities declined to R802.5 million.

5.2. Overview of Programme Performance

Programme 1: Administration

Programme 1 achieved 5 of its 7 annual targets (71.4%) while spending 74.7% of its allocated budget of R651.8 million. Key achievements included obtaining an unqualified audit opinion, approval of the 2026/27 Human Settlements grant frameworks, and completion of all planned assessments relating to the Integrated Settlements Upgrading Partnership Grant (ISUPG) and designated groups. However, the programme failed to achieve its targets for compliance with statutory prescripts (86% against a 100% target) and implementation of the approved ICT plan (93% against a 100% target). Underspending amounted to R164.7 million, largely in the Corporate Services sub-programme. The programme's performance raises concerns regarding declining statutory compliance, ICT implementation delays, and persistent organisational and vacancy-related challenges that have contributed to underspending for two consecutive years.

Programme 2: Integrated Human Settlements Planning and Development

Programme 2 performed strongly, achieving 5 of its 6 targets (83.3%) and spending 99.8% of its R23.8 billion budget. The programme successfully monitored sector performance, Human Settlements Development Grant (HSDG) and Urban Settlements Development Grant (USDG) implementation, oversaw six entities, and completed the development of rental interventions in the Human Settlements Code. The only target not achieved was the implementation evaluation of the Individual Subsidies Programme, which remained incomplete due to administrative delays. While expenditure performance was almost perfect, the strong spending performance was driven mainly by grant transfers and transfers to entities. Of concern is the Monitoring and Evaluation sub-programme, which spent only 61.3% of its budget and was responsible for the programme's sole underperformance, indicating ongoing weaknesses in the Department's evaluation capacity.

Programme 3: Informal Settlements

Programme 3 recorded the weakest performance among all programmes, achieving only 1 of its 4 targets (25%) despite spending 90.1% of its R8.9 billion budget. The programme failed to meet targets relating to support for provinces and metros to complete Phase 1 and Phase 2 informal settlement upgrading, while Phase 3 upgrading support reached only 76% of the target. The only target achieved was conducting four disaster awareness sessions. The programme underspent by R881.1 million, the largest underspend among all programmes, particularly within grant management and capacity-building activities. Capital expenditure was especially poor, with only 31.6% of available funds utilised. The mismatch between expenditure and performance raises concerns regarding the effectiveness of grant transfers and whether spending translated into tangible progress in informal settlement upgrading.

Programme 4: Rental and Social Housing

Programme 4 achieved 100% of its annual performance targets and spent 96.0% of its R955.4 million allocation. The programme successfully provided support to the Rental Housing Programme and to provinces implementing Community Residential Units (CRUs). It also exceeded its sector delivery target, facilitating the completion of 3,031 social housing units against a target of 3,000. Although overall expenditure was high, it was largely driven by transfers to the Social Housing Regulatory Authority (SHRA), which accounted for 94.4% of the programme budget. Conversely, the Capacity Building and Sector Support sub-programme spent only 23.2% of its allocation, indicating weaknesses in operational spending despite strong performance against planned targets.

Programme 5: Affordable Housing

Programme 5 delivered the strongest overall balance between spending and performance, achieving all four of its targets (100%) while spending 95.7% of its R547.9 million budget. The programme met all targets relating to support for title deed restoration, housing delivery, serviced sites, and First Home Finance. Budget utilisation was strongest in Public Entity Oversight (99.3%), while Management spent only 59.7% of its allocation. Delivery outcomes were mixed: although the sector delivered 35,867 housing units against a target of 38,888, it significantly exceeded the serviced sites target by delivering 24,050 sites against a target of 13,995. Overall, the programme demonstrated strong performance, although underspending in management functions suggests some operational inefficiencies.

In conclusion, the Department achieved its strongest performance in Programmes 4 and 5, both of which attained 100% target achievement and high expenditure rates. Programme 2 also performed well, although weaknesses in monitoring and evaluation remain evident. Programme 1 showed moderate performance, hampered by compliance and ICT implementation challenges as well as persistent underspending. Programme 3 presents the greatest oversight concern, as it achieved only 25% of its targets despite spending over 90% of its budget, raising questions about the effectiveness of spending in advancing informal settlement upgrading outcomes.

6. OVERVIEW OF THE PERFORMANCE OF ENTITIES SUPPORTING THE WORK OF THE DEPARTMENT FOR THE 2025/26 FINANCIAL YEAR

6.1 National Home Builders Registration Council (NHBRC)

The National Home Builders Registration Council (NHBRC) is a statutory body established under the Housing Consumers Protection Measures Act 95 of 1998, as amended, to regulate the home-building industry and protect housing consumers from the risks associated with the construction of substandard and defective homes. Its mandate is to promote quality homebuilding practices, strengthen compliance with prescribed building standards, and safeguard housing consumers' interests.

The NHBRC is responsible for registering homebuilders, enrolling qualifying new homes under its statutory protection arrangements, and monitoring compliance with applicable technical standards and building requirements. Through inspections, technical assessments, quality assurance, and regulatory enforcement, the Council seeks to ensure that homes are constructed in accordance with prescribed standards and that construction defects are identified and addressed in accordance with the applicable legislative framework.

6.1.1. Non-Financial Performance

The National Home Builders Registration Council (NHBRC) reported an improved overall performance during the 2025/26 financial year, achieving 92% of its annual performance targets compared to 85% in the previous year. The Council continued to execute its mandate of regulating the home-building industry, protecting housing consumers, promoting

compliance with building standards, resolving disputes, and strengthening technical skills within the construction sector. Performance gains were supported by strong achievements in governance, regulation, consumer protection, and skills development.

Under its Administration Programme, the NHBRC maintained strong internal governance by fully implementing its Internal Audit, Risk Management, and Anti-Fraud and Corruption Plans. The Council also exceeded its transformation procurement targets, directing 45.2% of procurement spending to women-owned businesses against a target of 40%, while expenditure benefiting youth and persons with disabilities reached 20.46% against a target of 18%. These results demonstrate progress in promoting inclusive procurement and strengthening institutional controls.

Despite these achievements, the NHBRC experienced significant challenges in the implementation of its Information and Communication Technology (ICT) programme. The Council achieved only 27% of its Annual ICT Plan against a target of 100%, raising concerns about its ability to modernise systems and improve operational efficiency. In addition, while 98% of valid invoices were paid within 30 days, the target of 100% was not achieved due to delays in updating supplier banking details during the first quarter of the financial year.

Performance under the Regulation Programme was particularly strong. The NHBRC exceeded its targets for homebuilder registrations, renewals, inspections of non-subsidised homes, dispute resolution, and regulatory enforcement. It also surpassed a range of skills development targets by training more homebuilders, women, youth, artisans, and technical professionals than planned. These interventions contributed to expanding industry capacity and supporting transformation within the construction sector.

Notwithstanding the overall positive performance, concerns remain regarding the credibility of reported performance information. Although the NHBRC reported that it exceeded its target for inspections of subsidised homes, the Auditor-General was unable to verify the reported achievement due to insufficient supporting evidence. This finding was repeated from the previous financial year, highlighting ongoing weaknesses in record-keeping, source documentation, and internal verification controls. The recurring audit finding, together with significant underperformance in ICT implementation, represents a key institutional risk that

requires corrective action and continued oversight to ensure that future performance achievements are supported by reliable and verifiable evidence.

6.1.2. Financial Performance

The NHBRC reported a strong overall financial position in 2025/26, generating total revenue of approximately R2.75 billion and recording an annual surplus of R1.24 billion, slightly higher than the previous year's surplus of R1.23 billion. However, the financial results reveal that the surplus was driven primarily by investment income of approximately R1.55 billion rather than the Council's core operations. Operating revenue declined from R705.6 million to R626.4 million, while operating expenditure increased to R937.7 million, resulting in a widening operating deficit of R311.3 million. This trend highlights growing pressure on the sustainability of the NHBRC's operational business model and its reliance on investment income to offset operational shortfalls.

A significant contributor to the declining operating performance was the sharp reduction in revenue from subsidised housing project enrolment fees, which fell from R125.6 million to R34.3 million during the reporting period. At the same time, operating expenditure continued to increase, despite remaining below budget. While the Council maintained a strong asset base, with total assets increasing to R12.8 billion and net assets growing to R11.3 billion, cash and cash equivalents declined substantially from R2.26 billion to R277.5 million. Management attributed the decline largely to additional investment purchases, although operating cash outflows also increased significantly, underscoring the need for stronger cash-flow management and expenditure controls.

Despite these pressures, the NHBRC remains financially sound, supported by substantial investment holdings and reserves. The Council maintained provisions for warranty claims and unexpired risks amounting to approximately R1.36 billion, reflecting its ongoing consumer-protection obligations. To strengthen long-term financial sustainability, the NHBRC indicated that it would improve revenue forecasting, enhance monitoring of provincial debtors, strengthen cash-flow forecasting, align expenditure more closely with delivery milestones, and improve financial reporting and reconciliation processes. These measures are intended to ensure sustainable financial management while supporting the Council's regulatory and consumer-protection mandate.

6.1.3. Audit Outcomes

The NHBRC retained an unqualified audit opinion on its 2025/26 financial statements, consistent with the previous financial year. The AGSA also reported improvements in compliance with selected legislation, with no material instances of non-compliance identified in the areas selected for audit.

Despite this positive financial audit outcome, the overall audit result remained an unqualified audit opinion with findings, owing to the persistence of a material finding relating to the reliability of reported performance information on subsidised-home inspections.

The AGSA further identified weaknesses in performance-reporting and review controls. These findings reinforce the need for reported achievements to be supported by reliable source documentation, subjected to rigorous internal verification processes and independently reviewed before being certified. They also highlight the importance of ensuring that management action plans are properly implemented and validated before being regarded as fully effective.

6.2. National Housing Finance Corporation (NHFC)

The National Housing Finance Corporation (NHFC) is a development finance institution in the human settlements sector, mandated to facilitate access to affordable housing finance for low- to middle-income households and to support the development of sustainable, inclusive, and transformed housing markets. Through its financing and facilitation interventions, the NHFC seeks to mobilize public and private sector resources, expand access to affordable housing opportunities, support rental and social housing development, and improve the participation of historically disadvantaged individuals and enterprises in the housing value chain.

The NHFC implements its mandate through programs covering administration, rental and social housing, and affordable housing finance. Its interventions include social and private rental housing finance, affordable housing bridging finance, incremental housing loans, contractor finance, and the administration of the First Home Finance subsidy program. These interventions are intended to address financing gaps in the housing market, support housing

developers and intermediaries, and enable qualifying households to access appropriate housing opportunities.

6.2.1. Non-financial performance for 2025/26

The National Housing Finance Corporation (NHFC) reported a notable improvement in overall organisational performance during the 2025/26 financial year, increasing its achievement rate from 54% to 75% under the implementation of its 10x10 Turnaround Blueprint Strategy. The Corporation achieved 15 of its 20 annual performance targets, reflecting progress in strengthening governance, oversight, affordable housing finance delivery, and transformation initiatives. Despite this improvement, five targets were not achieved, highlighting ongoing weaknesses in programme implementation, administrative efficiency, and institutional controls.

The NHFC recorded particularly strong performance in its core lending and developmental programmes. The Rental and Social Housing Programme exceeded all its targets, with private rental finance approvals reaching R527 million against a target of R159 million and social housing finance approvals reaching R112 million against a target of R74 million. Affordable housing disbursements also exceeded expectations, reaching R746 million against a target of R482 million, while the First Home Finance programme significantly outperformed its targets by approving 8,183 subsidy applications and disbursing 5,065 subsidies. The Corporation further advanced transformation objectives by directing substantial funding to designated groups, black-owned enterprises and B-BBEE-compliant businesses, while generating 8,577 housing opportunities and supporting skills development through internships and training programmes.

Notwithstanding these achievements, the NHFC continued to face a number of institutional challenges. Administrative performance remained a concern, with the Corporation failing to achieve its targeted audit outcome, paying only 95% of valid invoices within 30 days against a 100% target, and missing its procurement inclusion target for youth and persons with disabilities. Delays in implementing the developer incubator programme also affected performance, while broader concerns remained regarding a shrinking loan book, revenue pressures, weaknesses in supporting documentation and performance reporting, and an unfavourable group audit outcome. As the NHFC enters the stabilisation phase of its turnaround strategy, it intends to focus on strengthening its lending activities, increasing

disbursements, improving revenue generation, enhancing risk management, implementing an integrated enterprise resource planning system, and resolving outstanding audit findings to ensure sustainable financial performance and developmental impact.

6.2.2. Financial Performance for 2025/26

The National Housing Finance Corporation (NHFC) experienced a mixed financial performance during the 2025/26 financial year. While the Corporation remained active in supporting affordable housing through loan approvals of R1.48 billion and disbursements of R749 million, it faced challenges relating to declining revenue and a shrinking loan portfolio. Although affordable housing disbursements significantly exceeded targets, loan approvals fell short of planned levels, suggesting potential constraints on future lending growth. The loan book contracted by 7.7% to approximately R2.4 billion, largely due to early loan settlements. At the same time, the NHFC reduced credit losses from 2.5% to 0.7% of the total portfolio, demonstrating improved risk management. However, non-performing loans remained high at approximately R1.25 billion, indicating continued pressure on portfolio quality.

The Corporation's First Home Finance Programme remained a major contributor to housing delivery and social impact. During the year, the programme approved 8,183 subsidy applications valued at approximately R930 million and disbursed 5,065 subsidies worth R465 million. It also leveraged R771.8 million in private-sector funding, reinforcing its role in expanding access to homeownership for qualifying beneficiaries. Despite these achievements, demand for housing subsidies continued to exceed available funding, while the Auditor-General identified control weaknesses relating to unallocated programme funds and reconciliation processes, highlighting the need for stronger financial controls and record management.

From a compliance and governance perspective, the NHFC reported R9.7 million in irregular expenditure, of which only R1 million related to the current financial year and the remainder arose from historical matters finalised during the reporting period. Encouragingly, the Corporation cleared R74 million in historical irregular expenditure through condonation processes and reported no material fruitless and wasteful expenditure. To strengthen governance and reduce future compliance risks, management introduced National Treasury training initiatives and established a monthly Loss Control Committee to monitor outstanding

financial misconduct matters and ensure that disciplinary processes are concluded by March 2027. Overall, while the NHFC demonstrated progress in capital deployment, developmental impact and risk management, ongoing challenges relating to revenue generation, loan book growth, audit findings and portfolio quality require continued management attention.

6.2.3. Audit Outcomes and financial governance

The National Housing Finance Corporation (NHFC) faced a challenging audit year in 2025/26, with a divergence between its corporate and group audit outcomes. While the standalone entity received an unqualified audit opinion with findings, the NHFC Group received a qualified audit opinion, reflecting significant weaknesses in certain subsidiaries and associated entities. The Auditor-General attributed the qualification to concerns about the financial sustainability of the Housing Investment Partners Trust 1 and the Vulumnyango Housing Trust, as well as insufficient audit evidence to verify finance lease receivables at the Cape Town Housing Company. In addition, weaknesses in the management and tracking of unallocated First Home Finance funds undermined the reliability of financial information at the group level.

The audit also highlighted weaknesses in internal controls and performance reporting. The Auditor-General identified errors in the Annual Performance Report, including an overstatement of First Home Finance subsidy disbursements, as well as material misstatements in financial and performance information that had to be corrected during the audit. Concerns were also raised about inaccurate collateral disclosures, poor expenditure monitoring, delays in consequence management processes, and continued reliance on manual systems due to the absence of an integrated Enterprise Resource Planning (ERP) system. These findings indicate the need for stronger record-keeping, improved audit trails, enhanced governance controls, and accelerated implementation of integrated information systems to support accurate reporting and accountability.

6.3. Social Housing Regulatory Authority (SHRA)

The Social Housing Regulatory Authority (SHRA) is a public entity operating under the South African Department of Human Settlements and established in accordance with the Social Housing Act 16 of 2008.

The Authority's primary mandate is to regulate and invest in the social housing sector to facilitate the delivery of affordable, high-quality rental accommodation for qualifying low- to moderate-income households. Through the strategic development of rental housing in designated restructuring zones, the SHRA plays a vital role in addressing spatial inequality, promoting social integration, and improving access to urban economic opportunities.

Core Operational Pillars

The SHRA fulfills its legislative mandate by driving performance across three interconnected, strategic focus areas:

Investment: The Authority directly administers capital grant funding, including Institutional Investment Grants (IIG), to support qualifying social housing developments. These targeted investments are designed to aggressively expand the supply of affordable rental accommodation in well-located urban areas.

Regulation: The SHRA serves as the sector umpire, accrediting, monitoring, and auditing Social Housing Institutions (SHIs) to protect both public capital investments and consumer rental rights.

Urban Restructuring: The Authority purposefully directs funding to projects that disrupt historical patterns of segregation, bringing families closer to transport nodes, schools, and job centres.

6.3.1. Non- Financial Performance

The Social Housing Regulatory Authority (SHRA) delivered exceptional operational performance during the 2025/26 financial year, achieving 100% of its annual performance targets (20 out of 20) and 100% of its transformation targets (6 out of 6). This perfect execution marks a dramatic structural turnaround from previous years.

Accelerating Construction and Economic Impact

On the construction front, the SHRA successfully completed 3,031 new social housing units and moved 2,797 tenant households into finished accommodations during the year. This brings

the cumulative total under the current Medium-Term Development Plan (MTDP) to 4,395 units.

While the programme still has an outstanding gap of 8,605 units to meet its target five-year goal of 13,000 units, management reports that a robust pipeline of contracted projects is well-positioned to bridge this deficit. Crucially, this infrastructure drive served as a major economic catalyst, creating 12,022 job opportunities in 2025/26 alone (bringing the MTDP cumulative total to 20,363 jobs) while maintaining a healthy 90% tenant rent collection rate to ensure ongoing sector liquidity.

6.3.2. Financial Performance

The Social Housing Regulatory Authority (SHRA) demonstrated strong expenditure performance during the 2025/26 financial year, fully spending both its Consolidated Capital Grant (R1.023 billion) and Institutional Investment Grant (R25 million) allocations in support of social housing delivery. However, despite improved grant expenditure and growth in revenue from non-exchange transactions and interest income, the Authority recorded a significant deficit of R196.6 million, compared to a surplus of R2.6 million in the previous year. This was primarily driven by a substantial increase in programme expenditure to approximately R1.04 billion as social housing projects accelerated and project milestones were achieved.

Notwithstanding the deficit, SHRA maintained a relatively stable financial position. Cash and cash equivalents declined from R785.6 million to R610.5 million due to grant disbursements and project commitments, while liabilities amounted to R74.5 million and provisions stood at R37.8 million. Budget management remained largely effective, with programme expenditure closely aligned to budget despite higher-than-planned spending on professional services. In addition, receivables from non-exchange transactions decreased from R32.8 million to nil, reflecting successful recovery and settlement of outstanding amounts owed to the Authority.

6.3.3. Audit Outcome and Governance

The SHRA maintained its strong governance record by achieving a clean audit outcome for the 2025/26 financial year, consistent with the previous year. This indicates that the annual

financial statements were free from material misstatements, complied with applicable financial reporting standards, and that no material findings were raised regarding performance reporting or compliance matters.

The audit remedial action plan identified three audit findings requiring management attention. Two finance-related findings were fully resolved, while one human resources-related matter remains in progress.

The finance findings primarily concerned shortcomings in applying GRAP 104 to expected credit loss assessments on receivables. Management addressed these findings by implementing and documenting appropriate impairment assessment procedures, supported by sufficient and reliable evidence. These matters were successfully resolved.

The outstanding human resources matter relates to weaknesses in controls over reconciling and reviewing the year-end leave accrual. The auditors found that management did not perform adequate supporting documentation and reconciliation procedures before finalizing the financial statements. Management has committed to strengthening controls and ensuring compliance with GRAP 25 and the SHRA Leave Policy, but this action remains in progress.

6.4. Property Practitioners Regulatory Authority (PPRA)

The Property Practitioners Regulatory Authority (PPRA)'s primary mandate includes, among others, regulating the affairs of all property practitioners; enabling transformation in the property sector; and ensuring consumer protection against undesirable practices and conduct by property practitioners.

The Property Practitioners Act (PPA), under which the PPRA derives its core mandate and responsibilities, is a consumer-centric organization whose primary aim is to protect consumers in the property industry, to instill transformation in the property practitioner industry, and to maintain professional standards in the property practitioners sector.

6.4.1. Non-Financial Performance

The PPRA met 18 of its 22 annual performance targets, yielding an overall achievement rate of 81.81%, up from 80% in 2024/25 and 66.67% in 2023/24. This demonstrates continuous improvement in organizational performance and service delivery.

Several programmes recorded strong performance. Licensing and Compliance and Inspection and Enforcement achieved 100% of their targets, while Finance and Administration achieved 87.5%. The Fidelity Fund and the Transformation Fund also achieved all their planned targets.

Key operational achievements included:

- Processing 99.83% of new compliant registrations within 30 working days and 100% of compliant renewals within the prescribed period.
- Conducting 423 inspections, exceeding the annual target of 400.
- Resolving 95% of consumer queries within 90 days, surpassing the 90% target.
- Paying 100% of valid invoices within 30 days. Awarding professional designations to 3 974 property practitioners, nearly double the annual target of 2 000. Supporting 1 153 full-status Black women practitioners through the Principalisation Programme, more than double the planned target.
- Placing 619 candidate practitioners through the “One Learner-One Property Practitioner” Programme.
- Placing 30 SMMEs owned by historically disadvantaged groups through the incubation programme, achieving the annual target.

Despite these achievements, several targets were not met. The most significant underperformance occurred in the Continuing Professional Development (CPD) program, where only 52.9% of practitioners completed their Professional Development Program requirements, compared with a target of 100%. This was attributed to system-related challenges that hindered practitioners’ ability to complete required modules. The Research Center also underachieved, completing only one approved transformation research report against a target of two, due to delays in review and quality assurance processes. Furthermore, the number of Black principals established through the Principalization Program fell short of target, with 844 achieved against a target of 1 210, reflecting limited interest among practitioners in progressing to principal status.

6.4.2. Financial Performance

The Property Practitioners Regulatory Authority (PPRA) reported mixed financial performance for the 2025/26 financial year. Group revenue increased from R213.1 million to R218.3 million, while expenditure rose from R186.5 million to R206.9 million, resulting in a reduced surplus of R10.9 million compared with R26.2 million in the previous year. Despite the decline in the surplus, the Group's financial position strengthened, with total assets increasing from R869.7 million to R951.1 million and net assets rising from R717.4 million to R728.4 million. Cash and cash equivalents also increased from R686.5 million to R756.2 million, supported by receipts from Fidelity Fund Certificate renewals and growth in the Property Practitioners Fidelity Fund reserves.

The PPRA's liquidity position improved, with net cash generated from operating activities increasing from R28.7 million to R72 million. However, current liabilities increased from R130.6 million to R169.8 million, while non-current liabilities rose from R21.7 million to R53 million, mainly due to higher payables and deferred revenue linked to the three-year Fidelity Fund Certificate renewal cycle. Revenue fell R40.2 million short of the budget, primarily due to lower-than-anticipated income from exchange and non-exchange transactions. Nevertheless, lower-than-budgeted expenditure contributed to an actual surplus that exceeded the budgeted surplus by R6.3 million. Overall, the PPRA maintained a sound cash position, although the decline in its surplus and the increase in liabilities warrant continued financial oversight.

6.4.3. Audit Outcomes and Key Audit Findings

The PPRA's audit outcome improved in 2025/26, although the organization received a qualified audit opinion for the fourth consecutive year. Importantly, the number of qualification matters decreased from four in 2024/25 to one in 2025/26, indicating meaningful progress in strengthening financial controls and financial reporting. The Audit of Performance Information contained no findings for the second consecutive year, reflecting the credibility and reliability of reported performance information.

The sole qualification concerns the accounting treatment of statutory receivables arising from penalties. The Auditor-General found that certain penalties were incorrectly included in opening balances and should have been recognized in the current financial year, resulting in a cutoff error and noncompliance with GRAP 108: Statutory Receivables. While the Auditor-

General was satisfied that the current-year debtor balances were valid and accurately recorded, the historical opening balance issue prevented removal of the qualification. Management indicated that extensive work had been undertaken to clean up and verify the debtors' book, and that the remaining qualification largely related to historical transactions rather than current-year financial records. The Auditor-General confirmed that the 2025/26 closing balances were accurate and that the qualification did not affect the validity of the closing debtor balance. To address the remaining qualification, management committed to:

- Strengthening billing and year-end cutoff procedures.
- Ensuring proper recognition of receivables in the appropriate financial period.
- Implementing stricter invoice cutoff controls.
- Improving monthly reconciliations and review processes.
- Completing historical opening-balance analyses to prevent recurrence.
- The Property Practitioners Fidelity Fund (PPFF) received an unqualified audit opinion with material findings, and the Property Practitioners Transformation Fund (PSTF) also received an unqualified opinion with material findings, although concerns remain regarding legislative compliance matters identified by the Auditor-General.

6.5. Community Schemes Ombud Services (CSOS)

The Community Schemes Ombud Service (CSOS) is a statutory public entity established under the Community Schemes Ombud Service Act 9 of 2011 and operates under the Department of Human Settlements. Its primary mandate is to regulate and promote good governance within community schemes, protect the interests of residents in shared residential environments, and provide accessible dispute resolution services.

The CSOS serves a wide range of community schemes, including sectional title developments, homeowners’ associations, retirement complexes, and other shared-property arrangements. Its mandate is intended to promote harmonious community living, strengthen governance, and ensure that disputes are resolved fairly and efficiently in accordance with the applicable legislative framework.

6.5.1. Non-Financial Performance

The Community Schemes Ombud Service (CSOS) maintained a strong operational trajectory during the 2025/26 financial year, achieving 84% of its annual performance targets (16 out of 19). While this represents a slight decline from the 86% success rate recorded the previous year, the entity demonstrated substantial momentum in scheme registrations, regulatory compliance, and public education.

Expanding the Regulatory Footprint

The CSOS aggressively expanded its oversight by registering 1,882 new community schemes, bringing its national database to 37,585 registered schemes. Alongside this volume growth, regulatory compliance matured significantly, with 76% of newly registered schemes achieving full compliance—surpassing both the 75% organizational target and the 72% baseline from the prior period.

- High-Volume Dispute Management
- Dispute resolution remained the frontline driver of the CSOS mandate as the entity managed an influx of 16,576 new dispute applications. The service met its core operational standards to varying degrees:
- Conciliation: Resolved 5,257 disputes within 45 working days, meeting its strict 90% efficiency service standard.
- Adjudication: Processed 9,044 disputes within 90 working days, falling just short of its 90% benchmark at 89%. Management attributed this minor bottleneck to the high case volume and the standard onboarding curve for newly appointed adjudicators.

Governance Triumphs and Mixed Transformation

Internal governance remained flawless, with 100% execution across all approved anti-fraud, risk management, internal audit, and advocacy initiatives. The entity also shattered its educational targets, conducting 120 stakeholder training sessions (against a target of 95) and 30 specialised training sessions for adjudicators and conciliators (against a target of 24).

6.5.2. Financial Performance: Revenue Growth vs. Cash Strains

Total revenue rose from R404.7 million to R423.5 million, driven by an aggressive increase in levy collections, which skyrocketed from R310.8 million to R414.3 million due to improved billing systems and new scheme registrations.

However, escalating operational costs completely outpaced these revenue gains. Total expenditure climbed to R429.4 million, widening the entity's annual deficit from R1.7 million to R5.9 million.

The primary drivers of this spending increase included:

- Personnel Overhead: Employee-related costs accounted for the largest share of capital at R205.6 million.
- Operating & Legal Costs: General operations cost R123.6 million, while contracted adjudication services required R50.9 million to handle high case volumes.
- Bad Debt Exposure: Debt impairments and bad debt provisions rose to R19 million, revealing severe structural vulnerabilities in collecting outstanding levies from property schemes.

This structural deficit triggered a major liquidity crisis on the balance sheet. Cash and cash equivalents were cut in half, falling from R122.9 million to R61.6 million. Concurrently, unpaid levy accounts caused non-exchange receivables to balloon from R79.9 million to R141 million. The entity’s accumulated deficit worsened to R66.8 million, while current liabilities rose to R350.1 million—weighed down by R222.7 million in unallocated levies that CSOS has yet to reconcile to specific schemes.

6.5.3. Audit Outcome: Retaining the Status Quo

The Auditor-General of South Africa (AGSA) issued CSOS a financially unqualified audit opinion with material findings, mirroring the previous year's outcome. On a positive note, the entity achieved a clean audit of its predetermined performance objectives, demonstrating that its operational performance data is reliable and accurate.

The AGSA highlighted critical deficiencies in cash flow statement classifications, the accounting treatment of unallocated levies, financial instrument disclosures, and notably slow

consequence management for internal non-compliance. This reflects a loosening of internal controls, as total audit findings increased by 18%—from 39 to 46—with the heaviest concentration of failures in the supply chain management, accounting, receivables, and payables divisions. Internal governance committees are monitoring a remedial action plan to clear the 31 outstanding files.

7. OBSERVATIONS AND RECOMMENDATIONS

The Committee welcomed the overall improvement in the human settlements portfolio's performance, particularly the progress reported by the National Housing Finance Corporation (NHFC). However, it emphasised that improved institutional performance and audit outcomes must be accompanied by demonstrable improvements in governance, financial management, service delivery and accountability. The Committee underscored the need for stronger collaboration between the Department's Chief Financial Officer and the Chief Financial Officers of its entities to improve financial oversight and control. It further called for the expedited appointment of permanent accounting officers, Chief Executive Officers and Chief Financial Officers in institutions with critical vacancies, as well as the timely resolution of outstanding disciplinary and labour-related matters. The Committee stressed that consequence management must be strengthened, while ensuring compliance with applicable labour legislation and the principles of procedural fairness and due process.

The Committee further expressed concern that high levels of expenditure and improved audit outcomes were not consistently translating into measurable improvements in housing delivery, access to basic services and the living conditions of communities. It emphasised that institutional performance should be assessed not only against financial expenditure and audit results, but also against verified outputs and the tangible impact of programmes on intended beneficiaries. Accordingly, the Committee called for greater emphasis on measurable service delivery outcomes, clear accountability for underperformance and the implementation of time-bound corrective measures. These measures should ensure that public resources are utilised efficiently and effectively to address the country's housing needs and accelerate the delivery of sustainable human settlements.

The Committee expressed concern regarding the challenges identified at the Property Practitioners Regulatory Authority (PPRA), particularly the failure to meet transformation targets, persistent ICT system failures and discrepancies between the entity's reported performance and AGSA's findings.

The Committee maintained that transformation challenges should be addressed through practical interventions that remove structural barriers to the participation of historically disadvantaged individuals in the property sector. It therefore emphasised the need for the PPRA to implement a cost-cutting, time-bound recovery plan with measurable milestones towards improved audit outcomes, employee integrity and transformation targets through 2029. The Committee also expressed concern about the Community Schemes Ombud Service (CSOS), particularly its financial sustainability, stakeholder satisfaction, procurement performance and reported governance instability. It stressed that the CSOS Board must provide decisive leadership and implement a time-bound going-concern recovery plan and a credible roadmap for eliminating the dispute backlog, supported by measurable and verifiable progress.

The Committee emphasised that the recommendations of the Auditor-General of South Africa must inform its ongoing oversight programme, including regular monitoring of entity performance and, where appropriate, quarterly engagements to assess progress against corrective measures. It further supported engagements involving the Western Cape and Free State to identify and share effective interventions that could assist other provinces in addressing recurring audit and implementation challenges.

Recognising that human settlements is a concurrent function of government, the Committee reiterated that accountability for the effective utilisation of resources and the delivery of services rests with the national Department, provincial departments, and municipalities alike. The Committee therefore called for stronger intergovernmental coordination, improved institutional stability, and the implementation of evidence-based corrective measures to address identified weaknesses. It emphasised that these interventions are essential to ensuring that

public resources are used efficiently and translate into tangible and sustainable benefits for communities.

RECOMMENDATIONS FOR THE DEPARTMENT OF HUMAN SETTLEMENTS AND ITS ENTITIES

7.1.Strengthening Audit Outcomes and Corrective Action Plans

The Committee recommends that the Department and all affected entities develop, strengthen, and implement comprehensive, time-bound audit action plans to address the root causes of audit findings and prevent their recurrence. Each plan should identify the specific audit finding, corrective measures, responsible official, implementation deadline, measurable deliverable, and consequences for failing to implement agreed actions. The Department should coordinate implementation across the human settlements portfolio and submit quarterly, evidence-based progress reports to the Committee, supported by verifiable documentation and confirmation from the relevant assurance structures.

7.2.Consequence Management and Accountability

The Committee recommends that the Department and its entities, within 30 calendar days of the adoption of this Report, submit a consolidated schedule to the Committee detailing all outstanding cases involving irregular, fruitless, and wasteful expenditure, financial misconduct, and related control failures. The schedule should specify the amounts involved, the status and age of each case, officials implicated where established, outstanding investigations, disciplinary or legal action taken, recoveries effected, referrals for criminal investigation, and the status of condonation or write-off applications.

The Committee further recommends that the relevant accounting authorities, within 60 calendar days of the adoption of this Report, finalize and approve time-bound action plans to resolve outstanding cases, prioritizing longstanding matters and those delayed by missing documentation. The plans should identify responsible officials, specific corrective actions and target completion dates, and provide for appropriate measures to reconstruct or obtain missing records without compromising due process.

The Department and its entities should submit quarterly progress reports to the Committee until all outstanding cases have been resolved. These reports should indicate progress against agreed deadlines, completed investigations, disciplinary and legal outcomes, amounts recovered, referrals made, and reasons for any delays. Any missed deadline should be accompanied by a written explanation, a revised completion date, and details of corrective or consequence-management measures taken, where appropriate.iate.

7.3.NHFC: Financial Recovery and Audit Remediation

The Committee recommends that the National Housing Finance Corporation (NHFC) submit a time-bound recovery plan addressing the factors underlying its audit regression and financial sustainability risks. The plan should specifically address going-concern uncertainties, loan-covenant breaches, lease receivables, the adequacy of supporting documentation for First Home Finance, irregular expenditures, and outstanding consequence-management matters. The NHFC should identify responsible officials, quantify the financial exposure, establish quarterly milestones, and demonstrate how the corrective measures will improve financial resilience, the quality of financial reporting, and the reliability of performance information. Quarterly updates should be submitted to the Committee until all outstanding cases are resolved.

7.4.Finalisation of the HDA Audit

The Committee recommends that the Department, in consultation with the relevant assurance structures, facilitate the finalization of the outstanding Housing Development Agency (HDA) audit without unnecessary delay. After the audit concludes, the Minister and Director-General should submit the audit outcome and a comprehensive corrective-action plan to the Committee, detailing material findings, root causes, remedial measures, responsible officials, and implementation deadlines.

7.5.SHRA Audit Arrangements and Governance

The Committee recommends that the Department submit a written report on the proposed audit arrangements for the Social Housing Regulatory Authority (SHRA), covering the applicable legislative framework, governance requirements, institutional responsibilities, and implementation timeframes. The Department should clarify how these arrangements will

strengthen independent assurance, financial accountability, and oversight across the human settlements' portfolio. The Department should submit quarterly updates to the Committee.

7.6.PPRA: Thirty-Day Written Recovery Plan

The Committee recommends that the Property Practitioners Regulatory Authority (PPRA) submit a comprehensive, costed recovery plan within 30 days of the Committee's formal request or resolution. The plan should reconcile the Authority's reported performance and financial information with the findings of the Auditor-General of South Africa (AGSA), identify the root causes of outstanding audit qualifications and establish a credible trajectory towards a clean audit in the 2026/27 financial year.

The recovery plan should include the following priority areas:

- Audit remediation: A detailed closure plan for the receivables and revenue cut-off qualification, with the Chief Financial Officer accountable for implementation.
- Digital systems: A corrective plan for Continuing Professional Development (CPD) system failures, including data remediation, reliable system controls and appropriate remedial measures for practitioners adversely affected by system failures.
- Principalisation and transformation: A costed transformation plan with annual milestones through to 2029, supported by an evidence-based assessment of barriers to entry and measurable targets for historically disadvantaged practitioners.
- Financial sustainability: Quantified medium-term targets for revenue collection, receivables, liquidity, reserves, expenditure control and the funding of transformation programmes.
- Employee integrity: A report on integrity-assurance measures, including the lawful and appropriate use of lifestyle audits where warranted, conflict-of-interest controls, investigations and measures to prevent recurring irregular expenditure.
- Accountability: Quarterly reports supported by verifiable evidence of actual outputs and outcomes.

The PPRA Board should exercise effective oversight of the recovery plan, with clear accountability for implementation and escalation procedures where milestones are missed.

7.7.CSOS: Financial Sustainability and Operational Performance

The Committee recommends that the Community Schemes Ombud Service (CSOS) submit a comprehensive financial sustainability and operational recovery plan addressing its going-concern position, liquidity constraints, affordability pressures, revenue collection and expenditure management. The plan should establish measurable targets and a defined period for stabilising the entity's financial position.

CSOS should also submit a time-bound dispute-resolution improvement plan setting out the year-end backlog, disaggregated between conciliation and adjudication, the age and status of unresolved cases, backlog-reduction targets, turnaround-time milestones and the officials responsible for delivery. The entity should reconcile referrals, finalised cases and performance against the 90-working-day target and provide a recruitment and onboarding plan for adjudicators.

Furthermore, CSOS should report on alternative dispute-resolution mechanisms, early-intervention initiatives, provincial coordination and community engagement measures intended to prevent disputes from escalating and improve access to services. A complete schedule of the 46 audit findings should be submitted, identifying resolved, outstanding, overdue and uncommenced matters, with supporting evidence and Board-approved deadlines. The report should also address outstanding Loss Control Committee cases, financial reporting inconsistencies and measures to strengthen consequence management.

7.8.SHRA: Project Recovery, Financial Oversight and Institutional Capacity

The Committee recommends that SHRA submit a consolidated report addressing financial sustainability, project implementation, regulatory oversight and institutional capacity. The report should include a detailed breakdown of rental collection rates, arrears and vacancies across the housing portfolio; the value and status of commitments; and the reasons for material variances in rental collection and project expenditure.

SHRA should provide a comprehensive briefing on the Moshakeng Housing Hub and Moshakeng Extension 16 matters, reconciling the reported loan amounts and debt escalation, contractual obligations, legal proceedings, financial exposure and implications for housing delivery. The report should set out the proposed remedial measures, funding arrangements,

responsible parties and implementation deadlines. SHRA should similarly report on the Toraya Africa project, including the reasons for curtailment, amounts involved, repayment arrangements and measures to protect public investment.

The Authority should also strengthen its monitoring of the financial viability of special-purpose vehicles (SPVs), including their debt-servicing capacity and exposure to financial distress. It should provide evidence of the effectiveness of its early-warning mechanisms, quarterly risk assessments and revised compliance framework. The report should further include IIG expenditure by business ownership category; progress on blocked projects and title deeds; beneficiary-management interventions; and measurable targets for participation by women-owned, youth-owned and other historically disadvantaged enterprises.

SHRA should submit an updated staffing schedule quarterly, clarify the reported staff turnover and the increases in employee costs despite vacancies, and provide timeframes for filling critical posts. It should also assess whether external service-provider expenditure can be reduced by developing internal capacity and young professionals. Progress on partnerships with developers, Transnet, and PRASA to utilize suitable vacant buildings and advance transport-oriented housing developments should be reported to the Committee.

The Committee recommends that the Social Housing Regulatory Authority (SHRA) be subjected to a public audit, in line with the Minister's indication that SHRA should be audited in the same manner as the other entities within the Department of Human Settlements portfolio.

7.9.Reconciliation of Financial Expenditure and Physical Performance

The Committee recommends that the Department submit, within 30 days, a single, reconciled schedule of financial expenditure and non-financial performance for Programme 3 and relevant sector outputs, duly signed by the Accounting Officer. The schedule should link expenditure to corresponding outputs achieved and explain material variances between financial spending and physical delivery.

Reporting should clearly distinguish between funds transferred, funds spent, physical progress, completed outputs and beneficiaries reached. All material variances should be supported by

explanations, corrective measures, responsible officials and implementation deadlines. The Department should ensure that performance claims are supported by reliable evidence and that expenditure is demonstrably linked to the intended housing and infrastructure outcomes.

7.10. Recovery of Medium-Term Development Plan Outputs

The Committee recommends that the Department provide a detailed recovery trajectory for each relevant Medium-Term Development Plan (MTDP) output, with quarterly updates aligned with annual milestones, implementation timelines, and measurable targets. Particular attention should be given to upgrading informal settlements, housing units, serviced and safe sites, and First Home Finance.

The recovery trajectory should identify responsible institutions and officials, funding requirements, implementation risks, corrective measures and monitoring arrangements. The Department should demonstrate how underperformance will be addressed and how the proposed interventions will improve delivery to intended beneficiaries.

7.11. Housing Subsidy System and Digital Controls

The Committee recommends that the Department submit a detailed implementation roadmap for the Housing Subsidy System (HSS), setting out module completion dates, system integration milestones, data migration and verification arrangements, provincial rollout schedules, responsible officials and risk-mitigation measures. The roadmap should include controls to ensure that subsidy approvals, financial expenditure, project progress and completed housing outputs can be accurately reconciled. Report progress quarterly until the system is fully implemented and its effectiveness demonstrated.

7.12. Physical Verification of Housing and Infrastructure Projects

The Committee recommends that the Department strengthen independent physical verification of housing and infrastructure projects, particularly those experiencing prolonged delays, quality defects, payments for work not performed or remedial construction requirements. Projects reported as completed should be supported by verifiable evidence of physical completion, compliance with approved specifications, expenditure incurred, beneficiary occupation where applicable, title deed status and adherence to approved project plans.

The Department should submit a schedule of projects requiring corrective intervention, indicating the nature of the deficiencies, financial exposure, remedial measures, responsible officials and expected completion dates. Particular attention should be given to projects on unsuitable land, developments affected by environmental or geotechnical constraints, and projects where public funds have been committed without commensurate delivery.

7.13. Strengthening Provincial and Municipal Oversight

The Committee recommends that the Department strengthen its oversight of provincial human settlements departments and relevant municipalities to ensure that expenditure translates into measurable physical outputs and improved living conditions. Quarterly provincial reports should reconcile transfers, expenditure, construction progress, completed outputs and beneficiaries reached, while explaining variances and identifying corrective interventions.

The Department should also strengthen coordination with provinces and municipalities to address implementation bottlenecks, improve project readiness, expedite infrastructure provision and ensure that housing developments are supported by suitable land, bulk services and credible delivery plans.

7.14. Title Deed Backlog and Beneficiary Management

The Committee recommends that the Department, provinces and municipalities develop and implement a targeted programme to reduce the title deed backlog. The programme should identify outstanding deeds by province, municipality, project and age; establish annual reduction targets; and specify measures to resolve administrative, legal, planning and beneficiary-verification obstacles.

The Department should distinguish between title deeds processed, registered, issued and physically received by beneficiaries. Quarterly reporting should provide verifiable evidence of delivery and identify responsible institutions and deadlines for outstanding cases.

7.15. Critical Vacancies and Organisational Capacity

The Committee recommends that the Department and its entities submit, within 30 calendar days of the adoption of this Report, updated staffing schedules that identify all critical vacancies, the dates posts became vacant, interim arrangements, recruitment progress,

anticipated appointment dates, and the risks vacancies pose to institutional performance. The schedules should prioritize critical leadership, financial management, regulatory oversight, project monitoring, and technical positions. The Department should also provide a clear, time-bound plan for the approval and implementation of its organizational structure, indicating outstanding processes, responsible officials, target completion dates, and the impact of vacancies on financial management, regulatory oversight, project implementation, and service delivery.

The Committee further recommends that, within 60 calendar days of the adoption of this Report, the Department and its entities develop and submit plans to strengthen internal technical and professional capacity and reduce unnecessary reliance on external consultants. These plans should identify functions currently outsourced, associated costs, opportunities to build internal capacity, measures to transfer skills, and target dates for implementation. Progress should be reported to the Committee quarterly, including the filling of critical vacancies, the implementation of the organizational structure, reductions in avoidable consultancy expenditure, and measurable improvements in institutional performance and housing delivery. Any delays should be accompanied by reasons, revised deadlines, and appropriate corrective measures.

K10 Phase II, Ward 22, Matjhabeng

In accordance with the Speaker’s ATC Directive of 9 June 2026, the Committee recommends that the Department urgently address the plight of K10 Phase II residents. Specifically, the Free State Human Settlements Branch Business Plan must be amended to incorporate this project under the National Upgrading Support Programme (NUSP), complying with fourth quarter (Q4) Division of Revenue Act (DoRA) requirements. This will allow the National Department of Human Settlements to seek National Treasury approval to regularise the deviation and fast-track the informal settlement's upgrade.

8.17 Disposal of State Land for Informal Settlement Upgrading

The Committee recommends that the Department expedite the development and implementation of mechanisms to respond to requests from civil society organizations to explore the disposal of suitable state-owned land to address the housing needs of more than 4,000 communities living in informal settlements across the country. The Department should

maintain regular communication with the affected civil society organizations regarding the initiatives undertaken, progress achieved, and measures implemented to facilitate access to land for informal settlement upgrading.

8.18 Expansion of bulk infrastructure services

The Committee recommends that the Department proactively use existing grant funding instruments—such as the Regional Bulk Infrastructure Grant (RBIG), Water Services Infrastructure Grant (WSIG), Municipal Infrastructure Grant (MIG), and Budget Facility for Infrastructure (BFI)—to extend bulk services to unserved and underserved communities. Moving forward, the Department should prioritize water and sanitation infrastructure to foster sustainable human settlements and improve living conditions.

8.19 Programme 1 Governance and Capacity

The Committee recommended that the Department strengthen compliance, governance, and technology performance within Programme 1 by implementing detailed corrective action plans that clearly identify responsible officials, set specific implementation deadlines, and include verifiable evidence of completion. To address ongoing capacity constraints, the Department should expedite approval of its organizational structure, establish clear timelines for filling critical vacancies, institute interim measures to ensure that essential functions are adequately resourced pending permanent appointments, and submit quarterly reports to the Committee.

8.20 Monitoring, Evaluation, and Accountability

Given the persistently low spending on evaluation activities, the Committee recommends that the Department assign dedicated personnel to monitoring and evaluation, publish a structured evaluation schedule, and ring-fence funding for priority assessments to improve evidence-based decision-making.

Additionally, the Department must submit regular progress reports on investigations into irregular, fruitless, and wasteful expenditure, detailing the status of disciplinary actions and financial recovery. Finally, alternative procurement mechanisms must undergo separate, strict

reviews to guarantee legislative compliance, and accountability measures must be applied consistently whenever misconduct or non-compliance is uncovered.

8.21 Integrated Portfolio Accountability and Follow-up

The Committee recommends that a formal Human Settlements Audit Outcomes and Recommendations Tracking Register be maintained to monitor the implementation of Committee recommendations, AGSA findings and departmental undertakings. The register should identify the responsible institution and official, required action, baseline position, measurable target, deadline, evidence of completion and consequences for failure to implement agreed commitments.

The Minister, Director-General and accounting authorities of affected entities should report quarterly on progress, with outstanding or overdue matters escalated for corrective intervention. The Committee should use the register during its oversight engagements to verify implementation and assess whether reported improvements are producing sustainable changes in governance, financial management, project delivery and beneficiary outcomes.

Overall Committee Position

The Committee welcomes improvements in performance and audit outcomes where these have been demonstrated. However, it remains concerned about persistent audit qualifications, weak consequence management, financial sustainability risks, unreliable performance information, system deficiencies, prolonged project delays, critical vacancies and gaps between expenditure and actual delivery.

The Committee therefore recommends a coordinated, evidence-based and time-bound approach to corrective action across the human settlements' portfolio. The Department and entities should demonstrate not merely the adoption of recovery plans, but measurable implementation and verifiable improvements in financial accountability, institutional capacity, transformation, housing delivery and the living conditions of beneficiaries.

Report to be considered.

2. The Budgetary Review and Recommendations Report (BRRR) of the Portfolio Committee on Health, on the Performance of the National Department of Health and its entities (2025/26), dated 14 October 2026

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The Budgetary Review and Recommendations Report (BRRR) of the Portfolio Committee on Health, on the Performance of the National Department of Health and its entities (2025/26), dated 14 October 2026

The Portfolio Committee on Health (the Committee), having assessed the performance of the National Department of Health (the Department or NDoH) and its entities, against their respective mandates and allocated resources for the financial year under review (2025/26), reports as follows:

1. INTRODUCTION

The Money Bills Procedures and Related Matters Amendment Act (No. 9 of 2009) set out the process that allows Parliament to make recommendations to the Minister of Finance to amend the budget of a national Department. The Portfolio Committees of Parliament compiles Budgetary Review and Recommendation Reports (BRRR) annually that:

i) Assess service delivery performance of departments given available resources;
ii) Evaluate the effective and efficient use and forward allocation of resources (value for money in services delivered); and
iii) May include recommendations to inform effective, efficient and economic use of allocated resources.

The Portfolio Committee on Health assessed the performance of the National Department of Health and its entities (for the 2025/26 financial year) with reference to the following:

- The Medium-term Estimates of Expenditure of the Department, its strategic priorities and measurable objectives;
- Prevailing Strategic Plans and Annual Performance Plans of the Department;
- Prevailing Strategic Plans and Annual Performance Plans of Entities;

- Expenditure reports relating to the Department published by National Treasury in terms of Section 32 of the Public Finance Management Act (PFMA) (No.1 of 1999);
- Financial statements and annual reports of the Department;
- Financial statements and Annual Reports of the Entities;
- Reports of the Committee on Public Accounts relating to the Department of Health; and
- Any other information requested by or presented to Parliament.

1.1. Purpose of the report

This report summarises presentations received from the Department and its entities focusing on the 2025/26 Annual Reports and financial statements. It also considers the report of the Auditor-General of South Africa (AGSA) on the health sector's audit outcomes. The report sets out the Committee's deliberations, observations and recommendations on the financial and non-financial (service delivery) performance of the Department and its entities for the 2025/26 financial year.

1.2. Process

In assessing the performance of the Department of Health and its entities for the financial year 2025/26, the Committee reviewed and analysed the following reports and/or documents:

- 2025 Estimates of National Expenditure
- Annual Report of the Department of Health (2025/26)
- Annual Report of the Mines and Works Compensation Fund (2025/26)
- Annual Report of the South African Health Products Regulatory Authority (2025/26)
- Annual Report of the South African Medical Research Council (2025/26)
- Annual Report of the Council for Medical Schemes (2025/26)
- Annual Report of the Office of the Health Ombud (2025/26)
- Annual Report of the Office of Health Standards Compliance (2025/26)
- Report of the Auditor-General of South Africa (AGSA)

From 1 to 9 October 2026, the Committee held engagements with the Department and its entities to consider their 2025/26 Annual Reports and financial statements, with particular focus on

financial performance, expenditure, achievement of planned targets (non-financial performance), governance and challenges affecting the delivery of health services. The AGSA presented the audit outcomes for the sector, highlighting key issues relating to financial management, compliance, performance information, governance and internal controls, and areas requiring strengthened accountability and corrective action.

2. STRATEGIC OVERVIEW

2.1. Policy Priorities and Alignment with other Frameworks

The National Department of Health's 2025–2030 Strategic Plan aims to achieve the priorities highlighted in the highlighted in the Medium-Term Development Plan (MTDP) 2024-2029 namely:

(i) Pursue achievement of universal health coverage through the implementation of National Health Insurance (NHI) to address inequity and financial hardship in accessing quality health care;

(ii) Improve the quality of health care at all levels of the health establishments, inclusive of private and public facilities;

(iii) Improve resource management by optimising human resources and healthcare infrastructure and implementing a single electronic health record, and

(iv) Strengthen the primary health care (PHC) system by ensuring that home and community-based services, as well as clinics and community health centres, are well-resourced and appropriately staffed to provide promotive, preventive, curative, rehabilitative and palliative (care).

2.1.1. The Department of Health's Five-Year Strategic Goals

The South African National Department of Health's Strategic Plan 2025–2030 identifies 21 strategic outcomes, under an overarching impact statement: "Life expectancy improved to 70 years by 2030." These outcomes are aligned with the Medium-Term Development Plan (MTDP) 2024–2029 and the health sector's priorities.

Strategic Outcomes (Goals) for 2025-2030

1. **Improve access to quality health services through Universal Health Coverage (UHC) reforms**
    - Strengthening Primary Health Care (PHC)
    - Advancing implementation of the National Health Insurance (NHI)
    - Improving health infrastructure and service delivery.

2. **Reduce morbidity and mortality from communicable and non-communicable diseases**
    - HIV and TB prevention and treatment
    - Maternal, child and neonatal health
    - Prevention and control of non-communicable diseases.

3. **Strengthen health systems and governance**
    - Improved planning, oversight and accountability
    - Better regulation and quality assurance
    - Strengthened health information systems.

4. **Improve human resources for health**
    - Optimising the health workforce
    - Addressing critical staffing gaps
    - Enhancing workforce planning and development.

5. **Modernise and digitalise the health system**
    - Implementation of an integrated electronic health record
    - Improved digital health systems and data-driven decision-making
    - Better continuity of patient care across facilities.

2.1.2. The National Development Plan Vision 2030

The NDP sets out nine long-term health goals for South Africa. Five of these goals relate to improving the health and well-being of the population, and the other four deal with aspects of Health systems' strengthening. These goals are as follows:

1) Average male and female life expectancy at birth increased to 70 years.
2) Tuberculosis (TB) prevention and cure progressively improved.
3) Maternal, infant and child mortality reduced.
4) Prevalence of Non-Communicable Diseases (NCDs) reduced by 28%.
5) Injury, accidents and violence reduced by 50% from 2010 levels.
6) Health systems reforms completed.
7) Primary Health Care (PHC) teams deployed to provide care to families and communities.
8) Universal Health Coverage (UHC) achieved.
9) Posts filled with skilled, committed and competent individuals.

The NDP 2030 states explicitly that there are no quick fixes for achieving the nine goals outlined above. The NDP also identifies a set of nine priorities that highlight the key interventions required to achieve a more effective Health system, which will contribute to the achievement of the desired outcomes. These priorities include:

- Addressing the social determinants that affect health and diseases;
- Strengthening the Health system;
- Improving health information systems;
- Preventing and reducing the disease burden and promoting health;
- Achieving universal healthcare coverage though the implementation of the NHI,
- Improving human resources in the Health Sector;
- Reviewing management positions and appointments and strengthening accountability mechanisms; and
- Improving quality by using evidence and creating meaningful Public-Private Partnerships (PPP).

2.1.3. State of the Nation Address (SONA) – 2025

In the February 2025 State of the Nation Address (SONA), the President addressed the following health-related issues:

- **National Health Insurance (NHI).** Preparatory work towards the establishment of the NHI will continue and will include the following three processes: (i) the development of the first phase of a single electronic health record; (ii) preparations to establish Ministerial Advisory Committees on health technologies and health care benefits; and (iii) the accreditation framework for health service providers. The priority is to strengthen the health system and improve quality of care. To improve patient experience, Government will focus on reducing waiting times, cleanliness of health facilities, as well as attitudes of health workers.

- **Modernisation and maintenance of existing health infrastructure.** New facilities are to be constructed, while others are under maintenance namely, Limpopo Central Hospital and Siloam District Hospital in Limpopo, Dihlabeng Regional Hospital in the Free State, Bambisana District Hospital and Zithulele District Hospital in the Eastern Cape, as well as the Bophelong Psychiatric Hospital in the North-West. Other projects that are at various stages of design and development comprise the replacement of three existing old central hospitals, three new central hospitals, five new district hospitals, five community health centres and a new psychiatric hospital.

- **HIV and AIDS Treatment.** By the end of March 2024, 96% of people living with HIV knew their status, 79% of these were on antiretroviral treatment and 94% of those on treatment were virally suppressed. To meet the WHO target of 95-95-95, a campaign will be launched to target an additional 1.1 million people who are not on treatment. However, the suspension of the United States (US) PEPFAR (United States President's Emergency Plan for AIDS Relief) funding has negative implications on these targets since it funds 17% of the country’s HIV and AIDS programme. In 2024 the US provided US$453 million (R8.5 billion) in direct funding to South Africa under PEPFAR, with a projected US$439

million (R8.2 billion) in 2025. It has been estimated that withdrawing the PEPFAR support in South Africa without effectively transitioning to supported services will lead to an estimated 601 000 HIV-related deaths and 501 000 new infections in the next 10 years.

2.1.4. Department's Planned Policy Initiatives (2025/26)

For the 2025/26 financial year, the Department of Health identified several policy initiatives aimed at advancing its strategic priorities and strengthening the health system. These initiatives focused on progressing universal health coverage through the implementation of the National Health Insurance, strengthening primary healthcare and community-based services, improving the quality of healthcare, and optimising human resources, health infrastructure and digital health systems.

1) National Health Insurance (NHI) Implementation

Following the NHI Act's assent into law in May 2024, preparatory work has begun to establish the NHI Fund. Key initiatives include:

- Development of an Accreditation Framework to ensure quality service provision.
- Establishment of NHI Ministerial Advisory Committees to define cost-effective health benefits.
- Strengthening Primary Health Care (PHC) through Contracting Units for Primary Health Care (CUPs).
- Enhancing health information systems to support NHI Fund operations.

The NHI aims to improve access to maternal and child health services, reduce HIV/AIDS, TB, and non-communicable disease (NCD) mortality, and prioritize vulnerable populations.

2) HIV/AIDS Response: Achieving the 95-95-95 Targets

South Africa remains committed to the UN's 95-95-95 targets for HIV/AIDS. While the first target (95% of people knowing their status) has been met, gaps remain:

- Only 79% of diagnosed individuals are on Antiretroviral Treatment (ART).
- A national campaign (launched February 2025) aims to initiate and retain 1.1 million people on ART by December 2025, focusing on men, youth, and children.

- Improved treatment access through decentralised medication collection points.

3) Strengthening Mental Health and Targeted Health Programmes

- Mental health services will be expanded by ensuring PHC facilities are staffed with qualified professionals.
- School Health, Sexual & Reproductive Health, and Adolescent Health programmes will be enhanced through stakeholder collaboration.
- Community Health Workers (CHWs) will play a critical role in outreach and patient retention.

4) Infrastructure Development and Service Delivery Improvement

- Health facility maintenance and revitalization are prioritised to ensure quality care.
- Equitable distribution of skilled professionals, particularly in district hospitals, will be addressed.
- Clinical governance frameworks will be strengthened to improve care standards.

5) Health Promotion and Disease Prevention

- Screening programmes for NCDs will be expanded.
- Public health campaigns will promote awareness on prevention and early detection.
- Patient adherence support will be reinforced through medication collection systems and community tracing.

3. REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA (AGSA)

3.1. Health Portfolio (Department and entities)

The audit outcomes and performance findings reported by the Auditor-General of South Africa indicate that weaknesses in financial management, governance and accountability continue to undermine the effectiveness of the health sector, despite pockets of good performance within the portfolio. Four public entities, namely the Office of Health Standards Compliance (OHSC),

Council for Medical Schemes (CMS), South African Health Products Regulatory Authority (SAHPRA) and South African Medical Research Council (SAMRC), achieved or maintained clean audit outcomes, demonstrating that sound governance and effective internal controls are achievable within the sector. However, the National Department of Health (NDoH) remained unqualified with findings for more than a decade, reflecting persistent control deficiencies and inadequate implementation of corrective measures.

The AGSA identified several recurring weaknesses at the NDoH, including material adjustments to financial statements during the audit process, non-compliance with procurement requirements, inadequate contract management, weak revenue recovery processes and deficiencies in performance reporting. Of particular concern is the continued failure to address irregular expenditure effectively. The Department incurred current-year irregular expenditure of R19.42 million, while an unresolved balance of approximately R187 million remains under investigation. The AGSA further reported three material irregularities communicated to the Department during the year, two of which relate to financial losses estimated at approximately R177 million. These findings raise concerns regarding accountability, consequence management and the Department's ability to safeguard public resources.

At a broader portfolio level, the AGSA reported 32 active material irregularities with estimated financial losses amounting to R480 million and an outstanding balance of R317 million. The prevalence of procurement failures, payment irregularities and weak resource management practices suggests that systemic weaknesses continue to expose the health sector to financial losses and value-for-money risks.

3.2. Health Sector (Provincial Departments)

The audit outcomes of provincial health departments indicate a concerning regression. Five provincial departments, namely Gauteng, KwaZulu-Natal, Northern Cape, North West and Free State, received qualified audit opinions, while no province improved its audit outcome. The regression of Gauteng from an unqualified audit opinion with findings to a qualified opinion is

particularly concerning given the size and significance of the province's health budget and service delivery responsibilities. Conversely, the Western Cape maintained a clean audit outcome, demonstrating the positive impact of stable leadership, accountability and effective internal controls.

The AGSA attributed poor audit outcomes across provinces to recurring root causes, including weak financial controls, instability in key management positions, inadequate monitoring of corrective action plans, poor record management, ineffective procurement and contract management, and weak consequence management. The repetition of these findings over several audit cycles suggests that departments have not adequately addressed the underlying causes of non-compliance and that audit interventions remain largely reactive rather than preventative.

3.3. Service Delivery

Service delivery performance also remains a concern. Although some provinces showed improvements in performance reporting, the AGSA continued to identify material misstatements, poor record keeping and weaknesses in data verification processes. Several key health indicators remained below target, including patient satisfaction, ideal clinic status, tuberculosis outcomes, maternal and child health indicators, mental health services and malaria case management. The AGSA cautioned that the continued underachievement of these targets could delay access to healthcare, worsen health outcomes and impede progress towards Universal Health Coverage and the objectives of the National Development Plan.

AGSA identified persistent weaknesses in **health infrastructure delivery and maintenance**, with findings in 27 of the 28 infrastructure projects reviewed. These included poor project planning, weak contract management, delayed payments, inadequate oversight and insufficient preventative maintenance. The resulting delays, cost escalations and deteriorating infrastructure pose risks to healthcare delivery and patient safety.

Service delivery audits at **40 district hospitals** also revealed incomplete packages of care, non-functional operating theatres and critical staff shortages. AGSA indicated that up to 97% of referred cases could potentially have been managed at district hospitals if functional operating

theatres had been available. These findings highlight the need for provincial departments to operationalise existing facilities, address staffing and equipment shortages, and implement project-specific recovery plans.

Follow-up audits at **regional hospitals** identified further deficiencies in medicines and medical supplies management, hand hygiene facilities, patient safety systems, medical records management, infrastructure maintenance and governance. The findings demonstrate that infrastructure alone is insufficient to ensure effective healthcare delivery without appropriate staffing, equipment, supplies and operational systems. There is a need to monitor corrective actions and the consistent reporting of the Ideal Hospital Status indicator in provincial Annual Performance Plans.

Medico-legal claims remain a significant source of fiscal pressure, with approximately R57.0 billion in claims recorded for 2025/26, compared with R58.4 billion in 2024/25. The diversion of resources to settle claims constrains funding for medical supplies, infrastructure maintenance and other essential services. Provinces should strengthen claims management, improve the safeguarding and accessibility of patient records, address shortages of medical personnel, and ensure that medico-legal liabilities are appropriately assessed and incorporated into budget planning.

4. PERFORMANCE OF THE DEPARTMENT OF HEALTH (2025/26)

This section provides an overview of the financial and non-financial (service delivery) performance of the Department of Health for the 2025/26 financial year, focusing on performance against the targets set out in the 2025/26 Annual Performance Plan.

4.1. Overview of Financial Performance

In 2025/26, the Department spent R65.3 billion of the R65.9 billion available budget. This constitutes an expenditure of 99.1%, slightly down from 99.5% expenditure rate in the previous financial year. The Department underspent its allocated budget by approximately R605.1 million

(or 0.9%) of the final appropriation. This represents an increase in underspending compared to the 2024/25 financial year, when the Department underspent by R343.6 million.

Table 1: Programme Expenditure 2025/26

Programme R'000		2025/26			2024/25		
		Final Appropriation	**Actual Expenditure**	**Over/under expenditure**	**Final Appropriation**	**Actual Expenditure**	**Over/under expenditure**
1	Administration	774 539	717 100	57 439	702 924	640 219	62 705
2	National Health Insurance	1 432 280	1 306 589	125 691	1 355 496	1 168 723	186 773
3	Communicable & Non-Communicable Diseases	26 217 403	26 179 094	38 309	25 420 648	25 405 624	15 024
4	Primary Health Care	3 483 346	3 482 758	588	3 312 314	3 295 525	16 789
5	Hospital Systems	26 124 329	25 758 736	365 593	23 905 509	23 860 621	44 888
6	Health System Governance and Human Resources	7 893 189	7 875 662	17 527	7 528 508	7 511 109	17 399
	TOTAL	**65 925 086**	**65 319 939**	**605 147**	**62 225 399**	**61 881 821**	**343 578**

Source: Department of Health (2025/26), p. 18

Compensation of Employees (COE): In terms of economic classification, expenditure on COE amounts to R698.3 million (95.9%) of the COE's budget allocation of R728.0 million. The reason provided for the underspending is that vacant posts are in the process of being filled. However, this must be considered in the context of the Department underspending more than half a billion Rand (R605.1 million).

Furthermore, in 2025, the Department reported that "funded priority posts were created on PERSAL, while unfunded posts were abolished." By abolishing posts which were not funded, the need for those posts did not disappear, and most likely existing staff members have to perform those tasks, or the tasks are not done at all.

Goods and Services expenditure amounted to R1.6 billion of the R1.8 billion (89.3%) allocation. The primary causes of underspending in the Goods and Services budget are as follows:

- Order for the three SmartGov modules (e-Submission, e-Recruitment, and e-Leave) was issued in December 2025, and the project is still in the deployment phase.
- Contracting of doctors has not yet commenced and is pending the establishment of the National Health Insurance Fund.
- Underspending in Health Facilities Infrastructure Management due to the Project Management Information System implementation being administered through Sector Education and Training Authority.

Transfer Payments: Expenditure of R60.909 billion (or 100%) was incurred from the budget of R60.926 billion.

Purchase of Capital Assets: An amount of R2.1 billion (only 85.2%) was spent on capital payments from the budget of R2.5 billion. This is a R372 million underspending. Reasons given for underspending on Capital Assets include:

- The Independent Development Trust (IDT) was terminated as an Implementation Agent for Infrastructure projects.
- Procurement of Information Technology equipment for NDoH and Provinces is not yet finalised.

Virement: Approval was obtained from National Treasury to vire R19.4 million. It is not clear why this was done. R40.5 million was rolled over from 2024/25 to 2025/26 financial year.

No **unauthorised expenditure** was incurred during the period under review.

R9000 **Fruitless and Wasteful Expenditure** was incurred/reported during the year under review. R177 000 was written off.

The closing balance for **Irregular Expenditure** totals R187.1 million, with R19.4 million incurred in financial year under discussion.

4.2. Overview of Programme Performance

The Department's performance improved compared with the previous financial year. During the year under review, it achieved 33 of its 47 targets, representing an achievement rate of 70.2%.

This performance should be assessed against the Department's expenditure of 99.4% of its allocated budget. Over the preceding five financial years, the Department spent 99.6% in 2024/25, 99.6% in 2023/24, 97.4% in 2022/23, 98.8% in 2021/22 and 99.1% in 2020/21. The combination of near-full expenditure and a 70.2% target-achievement rate warrants consideration of whether the resources used translated into commensurate service delivery outcomes.

Table 2: Programme Performance Overview

Programme	**2025/26**					**2024/25**	
	Number of targets	**Achieved**	**Not fully achieved**	**% Targets Achieved**	**Budget Spent % 2025/26**	**% Targets Achieved 2024/25**	**% Budget Spent % 2024/25**
1. Administration	7	3	4	42.9%	92.6%	50.0%	91.1%
2. National Health Insurance	6	5	1	83.3%	91.2%	60.0%	86.2%
3. Communicable & Non-Communicable Diseases	19	14	5	83.3%	99.9%	69.2%	99.9%
4. Primary Health Care	4	4	0	100%	99.9%	83.3%	99.5%
5. Hospital Systems	5	3	2	60.0%	98.6%	40.0%	99.8%
6. Health System Governance and Human Resources	6	4	2	66.7%	99.8%	66.7%	99.8%
Total	**47**	**33**	**14**	**70.2%**	**99.4%**	**62.8%**	**99.4%**

Source: Department of Health (2025/26)

4.2.1. Performance per programme

This section provides an analysis of the Department's performance across its six main programmes, with particular focus on the achievement of overarching targets, budget expenditure and key challenges affecting implementation under each programme.

4.2.1.1. Programme 1: Administration

The programme achieved only three (42.9%) of its seven planned targets. It should be noted that the number of targets set for the programme has fluctuated over the years, from six in 2020/21, to four in 2021/22, ten in 2023/24, and seven in 2025/26. This lack of consistency makes it difficult to assess performance trends over time and to determine whether the programme is making sustained progress against its objectives. Frequent changes in indicators may also shift the programme's focus from year to year, making it difficult to establish continuity, monitor improvements and hold the Department accountable for sustained performance.

Table 3: Programme 1

	2025/26	**2024/25**
Total targets set	7	8
Targets achieved	3	4
Targets not fully achieved	4	4
Success rate	42.9%	50.0%
Total budget	R774.5 million	R702.9 million
Total budget spent	R717.1 million (92.6%)	R640.2 million (91.1%)

Source: Department of Health (2025/26)

The notable targets under the programme during the period under review include the following:

- Unqualified audit opinion for 2024/2025; and
- The Department exceeded its target for health promotion messages, delivering 955 messages against a target of 800, compared with 671 messages against a target of 200 in the previous financial year.

The Department again did not achieve its targets relating to employment equity for women, youth and persons with disabilities, indicating continued challenges in meeting its transformation objectives.

The programme was allocated R702.9 million and spent R640.2 million (91.1%), representing a slight decline from the 92.8% expenditure rate recorded in the previous financial year. The programme recorded under-expenditure of R52.7 million.

4.2.1.2. Programme 2: National Health Insurance (NHI)

The number of targets under the programme has fluctuated significantly, from 27 in 2017/18 to only two in 2023/24 and six in the year under review. This inconsistency makes it difficult for the Department and Parliament to track performance and assess sustained progress towards achieving improved health outcomes. The introduction of three new targets in the year under review further limits comparability with previous years and makes it difficult to determine whether the programme is demonstrating consistent improvement over time.

Table 4: Programme 2

	2025/26	2024/25
Total targets set	6	5
Targets achieved	5	3
Targets not fully achieved	1	2
Success rate	83.3%	60.0%
Total budget	R1.4 billion	R1.4 billion
Total budget spent	R1.3 billion (91.2%)	R1.2 billion (86.2%)

Source: Department of Health (2025/26)

The target not fully achieved is the Essential Equipment List for Primary Health Care was not approved. It is being further refined, in line with actual PHC needs and treatment guidelines.

The NHI Accreditation Framework was finalised. The Committee should request a briefing on this.

The Terms of Reference for the Ministerial Advisory Committee (MAC) on Health Care Benefits were finalised and approved for publication.

The Department reports that it met the target related to developing an integrated electronic health record.

Spending in the programme is at R1.3 billion (91.2%) of the R1.4 billion allocated with an under-expenditure of R125.7 million.

4.2.1.3. Programme 3: Communicable & Non-Communicable Diseases

Programme 3 consists of sub-programmes that relate directly to SDG 3 and critical indicators for health in the country. The Department fully achieved 14 out of 19 targets (73.7%) up from 9 out of 13 targets (69.2%), in the previous financial year. Again, the number of targets in this programme has fluctuated significantly over the past few financial years, from 57 in 2015/16 to 19 in 2025/26. The Department spent 99.9% of its budget but achieved only 73.7% of its targets fully.

Table 5: Programme 3

	2025/26	2024/25
Total targets set	19	13
Targets achieved	14	9
Targets not fully achieved	5	4
Success rate	83.3%	69.2%
Total budget	R26.2 billion	R25.4 billion
Total budget spent	R26.2 billion (99.9%)	R25.4 billion (99.9%)

Source: Department of Health (2025/26)

The Department decanted 2 882 060 stable HIV clients to the Differentiated Model of Care (DMOC), falling short of the target of 3 200 000 by 317 940 clients.

The Department's performance on tuberculosis (TB)-related indicators declined, with only one of the two targets achieved (50%), compared with two of the three targets (66.7%) achieved in the previous financial year.

The drug-susceptible (DS-TB) treatment success rate declined to 75.1%, falling short of the 79% target and down from 83% achieved in 2024/25, when the target was also 83%. The Department

attributed the shortfall in part to continued high loss to follow-up among patients undergoing TB treatment.

Conversely, the Department exceeded its target for initiating TB treatment, with 199 657 people starting treatment against a target of 180 000, exceeding the target by 19 657. According to the Department, the End TB Campaign, supported by a public-facing dashboard, contributed to enhanced TB case-finding.

Neonatal and maternal mortality indicators were positive:

- Maternal mortality in facility ratio (iMMR): The Department achieved 89.9 maternal deaths per 100,000 live births, meeting the target of fewer than 100 deaths per 100 000 live births. This was a new indicator introduced in the year under review.
- Neonatal deaths in facility rate: The Department recorded 12.5 neonatal deaths per 1 000 live births, meeting the target of fewer than 12.7 deaths per 1 000 live births. This was also a new indicator introduced in the year under review.

This programme was allocated R26.2 billion and spent R26.2 billion (99.9%), up from R25.4 billion in the previous financial year. Under-expenditure amounted to R38.3 million.

The Department reported progress in disease surveillance, health screening and the integration of mental health services into primary healthcare (PHC), with several targets exceeded during the year under review.

- **Vaccine-preventable disease surveillance:** The Department achieved a Non-polio Acute Flaccid Paralysis (NPAFP) rate of 2.4 per 100 000 children under 15 years, meeting the target of at least 2. However, the Department reported the recent detection of imported poliovirus strains in wastewater in Cape Town, highlighting the need for continued surveillance and appropriate response measures.
- **Screening of Grade R learners:** The Department exceeded its target, screening 281 341 learners against a target of 160 000.

- **Youth-friendly health services:** The Department exceeded its target for PHC facilities with youth zones, achieving 2 349 facilities against a target of 2 300.
- **Screening for diabetes and hypertension:** The Department exceeded its targets for both indicators. It attributed this performance to increased uptake of screening services at community and facility levels, supported by the training of Community Health Workers and the procurement of point-of-care testing machines through the NDoH tender mechanism, which enables provinces to procure these machines.

Mental health integration into primary healthcare – The Department reported achieving both indicators relating to the integration of mental health services into PHC:

- A roadmap to strengthen the resourcing and functionality of Mental Health Review Boards was developed.
- 74.68% of community health centres (CHCs) had at least one mental healthcare provider appointed.

4.2.1.4. Programme 4: Primary Health Care

This Programme consists of District Health Services, Environmental and Port Health services and Emergency Services and Trauma support sub-programmes. The programme recorded good spending levels of 99.9% of its R3.5 billion budget. The Programme also did well in terms of performance, with 4 out of 4 targets or 100% fully achieved, an increase compared to the previous financial year when 83.3% (5 out of 6 targets) were achieved.

Table 6: Programme 4

	2025/26	2024/25
Total targets set	4	6
Targets achieved	4	5
Targets not fully achieved	0	1
Success rate	99.9%	83.3%
Total budget	R3.5 billion	R3.3 billion
Total budget spent	R3.483 billion (99.9%)	R3.3 billion (99.5%)

Source: Department of Health (2025/26)

- Community outreach services: The Department reported 20,348,851 community outreach services linked to household visits, exceeding the target of 15 million. It attributed this achievement to improvements in supervision and data collection systems.
- Ideal clinics: A total of 3,068 PHC facilities qualified as ideal clinics, exceeding the target of 2,600 by 468 facilities.
- Environmental health compliance: The Department achieved its target of assessing 17 municipalities for compliance with the National Environmental Health Norms and Standards.
- Emergency Medical Services (EMS): The Department reported developing a national database of EMS resources, intended to support improved information on resource availability and planning.

4.2.1.5. Programme 5: Hospital Systems

This programme develops national policy on hospital services and responsibilities by level of care; referral guidelines; developing hospital plans; and facilitating improvement plans for hospitals. The programme is also responsible for the management of health infrastructure grants and ensures that the planning of health infrastructure meets the needs of the country.

The two conditional grants the programme is responsible for include the Health Facility Revitalisation Grant (HFRG) which is Schedule 5 and transferred directly to Provinces; and the National Health Insurance Indirect Grant: Health Facility Revitalisation Component (In-kind Grant) which is Schedule 6 and implemented at national level.

The two budget sub-programmes in this programme are:

- Health Facilities Infrastructure Management; and
- Hospital Management.

Table 7: Programme 5

	2025/26	2024/25
Total targets set	5	5
Targets achieved	3	2
Targets not fully achieved	2	3
Success rate	60.0%	40.0%
Total budget	R26.1 billion	R23.9 billion
Total budget spent	R25.8 billion (98.6%)	R23.9 billion (99.8%)

Source: Department of Health (2025/26)

This Programme spent nearly its entire budget (R25.8 billion (98.6%)) of its R26.1 billion allocated funds. This is in keeping with the previous financial years' spending pattern.

All three Health Facilities Infrastructure Management targets (100%) were achieved.

- Construction and revitalisation of PHC facilities: The Department constructed or revitalised 80 PHC facilities against a target of 58, comprising three newly constructed facilities and 77 revitalised facilities.
- Maintenance, repairs and refurbishment of public health facilities: A total of 406 public health facilities, including clinics, hospitals, nursing colleges and EMS base stations, were maintained, repaired or refurbished against a target of 400. This comprised 326 facilities maintained, 51 repaired and 29 refurbished.

The Department did not achieve the following targets relating to access to safe and quality healthcare:

- Clinical governance: A draft National Clinical Governance Manual was developed but had not yet been approved.
- Patient satisfaction: The patient satisfaction rate was 86%, falling short of the 90% target. The Department attributed this to the unavailability of clean bedlinen and pyjamas, as well as clean drinking water for inpatients and outpatients. Other reported challenges included non-functional toilets and handwashing facilities, and long patient waiting times.

Despite spending 98.6% of the programme's allocated budget, the Department achieved only 60% of its targets fully. This raises concerns about the relationship between expenditure and performance, particularly regarding the extent to which resources translated into improved access to safe and quality healthcare.

4.2.1.6. Programme 6: Health System Governance and Human Resources

The aim of this programme is to develop policies for planning, managing and training of the health sector human resources and the planning, monitoring, evaluation and research sector. It exercises oversight over all health public entities and statutory Health Professional Councils in South Africa

Table 8: Programme 6

	2025/26	2024/25
Total targets set	6	6
Targets achieved	4	4
Targets not fully achieved	2	3
Success rate	66.7%	66.7%
Total Budget	R7.9 billion	R7.5 billion
Total budget spent	R7.9 billion (99.8%)	R7.5 billion (99.8%)

Source: Department of Health (2025/26)

This Programme spent 99.8 % of its appropriated funds, amounting to R7.9 billion. Four of the six targets (66.7%) were fully achieved.

Selected targets achieved under the programme include:

- Appointment of entity boards: Boards were appointed for new three-year terms at three entities: the South African Medical Research Council (SAMRC), the Office of Health Standards Compliance (OHSC) and the Health Professions Council of South Africa (HPCSA).
- Nursing leadership: Implementation plans for the Nursing Leadership Competency Framework were developed in all nine provinces.

- Audit action plans: The Department monitored all audit action plans for the Mine and Works Compensation Fund (MWCF), Council for Medical Schemes (CMS) and National Health Laboratory Service (NHLS).

Targets not achieved include:

- The Draft Framework for distribution of Multi-disciplinary Teams for District Hospital was not developed.
- Revised Food labelling regulations not gazetted. This was attributed to postponed legal review and engagement with NEDLAC.

4.2.2. Human Resources

The Department reported that 803 permanent posts were filled, in addition to 30 employees appointed outside the establishment, against 982 approved posts, resulting in a vacancy rate of 15.2%. This represents a relatively high vacancy rate, which may place additional pressure on the Department's capacity to fulfil its mandate and achieve its performance targets.

Within the Senior Management Service (SMS), 104 of the 128 funded posts were filled as of 30 September 2026, resulting in 24 vacancies and an overall vacancy rate of 18.8% (approximately 19%).

The highest SMS vacancy rates were recorded at salary level 14 (26%, with eight vacancies), level 15 (20%, with two vacancies) and level 13 (17%, with 14 vacancies). The extent of vacancies within the senior management structure raises concerns about the Department's leadership and management capacity, particularly its ability to provide strategic direction, maintain effective oversight and drive performance.

5. PERFOMANCE OF ENTITIES (2025/26)

This section provides an overview of the financial and non-financial performance of the Entities for the 2025/26 financial year.

5.1. Mines and Works Compensation Fund (MWCF)

The Occupational Diseases in Mines and Works Act, (No. 78 of 1973) (ODMWA, *henceforth*, the Act) establishes the Mines and Works Compensation Fund (the Fund) and orders the Minister of Health to appoint, an officer to be called the *Compensation Commissioner* for Occupational Diseases (CCOD). The Act further provides for the establishment of the Medical Bureau for Occupational Diseases (MBOD) to oversee the provision of Benefit Medical Examinations (BME's) and certification. of claims. As of 28 March 2023, the Fund was listed as a Schedule 3A National Public Entity (3A Entity) through inclusion in Schedule 3, Part A to the Public Finance Management Act (PFMA).

5.1.1. MWCF's Milestones for 2025/26

The Mines and Works Compensation Fund (MWCF) recorded several notable achievements during 2025/26:

- Achieved 100% of its targets, with all five performance indicators exceeded.
- Obtained an unqualified audit opinion from the AGSA.
- Finalised 21 275 certifications, significantly above the target of 9 000 and up from 17 765 in 2024/25.
- Finalised 5 949 compensation claims worth R475.2 million.
- Maintained a 97% levy collection rate, exceeding the target of 85%.
- Conducted 141 inspections of controlled mines and works compared to a target of 85.
- Implemented the MIEDSA online submission portal with 100% compliance by controlled operations.
- Collaborated with the Tshiamiso Trust and industry stakeholders to improve outreach, certifications and payment processing.
- Rolled out computer-aided TB detection technologies and portable X-ray initiatives across mining operations.

- Advanced the proposed Compensation for Occupational Diseases in Controlled Mines and Controlled Works (CODMW) Bill, which has completed State Law Adviser and SEIAS processes and awaits Cabinet approval.

5.1.2. Service Delivery Environment

The Fund compensates mine and works employees or ex-employees for occupational cardio-respiratory diseases and TB-related income loss, and beneficiaries if the worker is deceased. It also manages pension transfers under the Pneumoconiosis Compensation Act (1962), but no new pensions are granted under ODMWA.

Key Strengths

- Strong support from the Minerals Council South Africa through technical assistance, IT systems, financial expertise and personnel secondments.
- Effective collaboration with the Tshiamiso Trust, resulting in improved outreach and increased certifications.
- Comprehensive claimant database linked to banking institutions and government systems for tracing beneficiaries.

Constraints and Challenges

- The CCOD remains dependent on the National Department of Health (NDOH) for HR, legal, SCM, IT and internal audit support.
- Funding constraints continue, with management estimating an additional R80 million annually is required for adequate staffing and infrastructure.
- There are 71,067 unpaid claims valued at R1.8 billion, most dating back before 2010.
- The current building is considered unsuitable by the Department of Employment and Labour due to health and safety concerns and has not received a compliance certificate.
- Vacancy rates remain relatively high, with CCOD at 17% and MBOD at 13%.

5.1.3. Overview of Performance Information

This subsection discusses the Fund's performance information in the annual report for the reporting period ending March 2026 against the APP of 2025/26.

Table 9: Performance on set targets for the 2025/26 financial year

PLANNED TARGET	PERFORMANCE	TARGET ACHIEVED/ NOT ACHIEVED
Report on the number of certifications finalised on the Mineworkers Compensation System per year **Target: 9 000**	21 275	Achieved
Report on the number of claims finalised by the Fund (other than pensioners) **Target: 5 500**	5 949	Achieved
Report on the number of benefit payments made by the Fund (other than pension payments) **Target: 5 000**	5 134	Achieved
Report on the number of controlled mines and works inspected **Target: 85**	141	Achieved
Controlled mines and works paying levies to the Fund **Target: 85%**	97% of controlled mines and works paying levies	Achieved

Source: MWCF (2025/26), p.23-26

Drivers of Strong Performance

The organisation's strong performance can be attributed to a combination of strategic partnerships, targeted community interventions, improved data management, strengthened payment controls and more effective enforcement and debt recovery measures.

- Collaboration with the Tshiamiso Trust: Strengthened beneficiary identification, information sharing and outreach to former mineworkers and affected communities.
- Community outreach in labour-sending areas: Targeted interventions improved awareness and access to compensation services, particularly in rural and underserved communities.
- Data exchange with the IEC: Improved verification and updating of beneficiary information, supporting more accurate and efficient processing.

- Improved payment and bank verification systems: Strengthened controls, reduced payment errors and enabled more efficient payments to legitimate beneficiaries.
- Increased inspections and debtor management: Enhanced compliance monitoring, enforcement and recovery of outstanding amounts, supporting improved revenue collection.

Areas of Concern

Despite achieving all targets, several concerns remain:

- Low conversion to compensable claims: Only 3 678 of 21 275 certifications were compensable, indicating that many examinations do not ultimately result in compensation.
- Historical unpaid claims: A significant backlog of unpaid historical claims remains unresolved.
- Reliance on external partners: Sustained performance appears dependent on external partnerships, raising questions about the organisation's internal capacity and long-term sustainability

5.1.4. Overview of Financial Performance

In understanding the entity's financials during the period under review, table 10 below discusses the entity's revenue, expenditure, debt impairment and surplus or deficit.

Table 10: Statement of Financial Performance

	2025/26	**2024/25**
	R'000	R'000
REVENUE		
Total revenue from exchange transactions	**615 698**	**627 392**
TRANSFER REVENUE		
Total revenue from non-exchange transactions	64 767	63 492
Total revenue	**680 465**	**690 884**
EXPENDITURE		
Goods and services in-kind from the NDOH	64 679	61 588
Pension payments – non-exchange	88	1 904
Finance costs	268 025	301 731
Debt impairment – Statutory receivables	9 330	4 035
Debt impairment – Financial instruments	303	–
Bad debt written off	323	17 101

Movement in provisions	316 830	–
General expenses	1 943	2 461
Total expenditure	**344 299**	**699 710**
Surplus / (deficit) for the year	**336 166**	**(8 826)**

Source: MWCF (2025/26), p.53

The Fund recorded total revenue of R680.5 million in 2025/26, with revenue from exchange transactions contributing 90.5%, while transfer revenue accounted for 9.5%. Total expenditure declined significantly to R344.3 million, compared with R699.7 million in 2024/25. Expenditure was mainly driven by finance costs of R268.0 million, which accounted for approximately 78% of total expenditure, and a R316.8 million movement in provisions.

Despite the decline in revenue, the substantial reduction in reported expenditure resulted in a surplus of R336.2 million, equivalent to approximately 49% of total revenue, compared with a deficit of R8.8 million in the previous year. While this represents a significant improvement in the financial position, the high level of finance costs and the substantial movement in provisions warrant further scrutiny to determine the extent to which the surplus reflects sustainable financial performance rather than accounting or once-off adjustments.

Table 11 below illustrates the entity's financial position with a specific focus on the Fund's assets, current liabilities and non-current liabilities by end of the March 2026.

Table 11: Statement of Financial Position

	2024/25	**2024/25**
	R'000	R'000
Current Assets	6 066	6 016
Non-Current Assets	–	–
Total Assets	6 066	6 016
Current Liabilities	1 265	1 000
Non-Current Liabilities	1 660	2 206
Total Liabilities	**2 925**	**3 206**
Net Assets	**3 141**	**2 810**
Accumulated surplus	**3 141**	2 810

Source: MWCF (2025/26), p. 52

The entity's total assets increased marginally from R6.0 billion to R6.1 billion, with all assets classified as current assets and no non-current assets reported. Total liabilities, however, declined

from R3.2 billion to R2.9 billion, mainly due to a reduction in non-current liabilities from R2.2 billion to R1.7 billion.

As a result, net assets improved from R2.8 billion to R3.1 billion, representing an increase of approximately 12%. The improvement was reflected entirely in the accumulated surplus, which increased from R2.8 billion to R3.1 billion.

Overall, the entity maintains a positive net asset position, with liabilities representing approximately 48% of total assets. However, the absence of non-current assets and the fact that the entire asset base is current warrant monitoring, particularly in assessing the entity's long-term financial resilience and liquidity position.

5.1.5. Overview of Audit Outcomes

This subsection shines a spotlight on some matters raised by the Auditor General South Africa as follows:

- The Fund **obtained an unqualified audit** opinion with findings.
- There were no material findings on predetermined objectives, with performance information found to be valid, accurate and complete.
- One material compliance finding was reported. The Fund failed to take effective and appropriate steps to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

Root cause identified included:

  - Inadequate follow-up on overdue debts.
  - Weak monitoring of long-outstanding debtors.

5.2. South African Health Products Regulatory Authority (SAHPRA)

The South African Health Products Regulatory Authority (SAHPRA) was established in 2018 by the Medicines and Related Substances Act (No. 101 of 1965), (as amended by Act 72 of 2008, together with Act 14 of 2015). SAHPRA is one of six entities of the National Department

of Health and is legislated to operate as a Schedule 3A public entity. The entity performs the following functions:

- Issuance of licences for new Good Manufacturing Practice and Good Warehouse Practice within the target times lines;
- Finalisation of new product and generic applications in the target timelines;
- Publications and implementation of regulations for Medical Devices and invitro diagnostics (IVDs), as well as Complementary Medicines;
- Implementation of pharmacovigilance strategy at a national level, in partnership with the National Department of Health and Provincial Health Departments; and
- Regular post-market surveillance of health products.

5.2.1. Key Achievements

During the period under review, the entity achieved the following selected milestones:

- The Current ratio of 1≥1 was maintained by attaining 1:1.4 (previous year 1:1.27). SAHPRA's total revenue amounted to R515.7 million against a budget of R495.5 million. The variance of R20.2 million was mainly due to exceeding budget for revenue and additional external funding support received during the year under review. Revised fee regulation implemented in February 2025 meant greater income generation of R20.6 million.
- 94 (target 60) of new chemical entities were finalised within 360 working days. (Note previous year reported in percentage and achieved 100%).
- Clean audit opinion is obtained for the 2024/25 financial year.
- 94 New Chemical Entities were finalised within for the financial year.
- SAHPRA successfully managed to maintain the International Organisation for Standardisation (ISO) 9001 Certification by South African Bureau of Standards (SABS).
- 70% of new Good Warehouse Practice (GWP) related licences were finalised within 125 Days.

- 92% permits were finalised within 20 working days.
- 82% of recalls and related alerts were published within 7 working days.
- 133% medical device establishment license applications were finalised within 90 working days.
- 126% applications for listed-electronic products were finalised within 50 Working days

The primary challenge during the year related to temporary decline in generic medicine throughput. 376 (target 420), or 89.5% of generic master applications were finalised.

5.2.2. Overview of Performance Information

In ensuring accountability and oversight, this Annual Report is scrutinised against the 2025/26 APP. Of its 28 annual targets, the entity reports having achieved 20 targets i.e. 71.4% of its annual targets, while spending 100% of its allocation. This performance shows a decline in performance compared with the previous financial year when it reported achieving 21 of 24 targets (87.5%). The following subsections highlight some of the performance targets for the period under review.

Programme 1: Leadership and Support

The purpose of this programme is to provide the leadership and administrative support necessary for SAHPRA to deliver on its mandate and comply with all legislative requirements. This programme has five sub-programmes namely, Financial and Supply Chain Management, Governance and Compliance, ICT (Information Technology and Communication), Human Resource Management and Communication and Public Relations.

Table 12: Programme 1 Highlights

PROGRAMME 1	PLANNED TARGET	ACTUAL PERFORMANCE 2025/26
1. Leadership and Support	Unqualified audit opinion obtained for the 2024/25 financial year	Clean audit opinion obtained (Unqualified audit opinion obtained (For the four prior years) **Target achieved**

PROGRAMME 1	PLANNED TARGET	ACTUAL PERFORMANCE 2025/26
	2025/26 stakeholder perception survey conducted Implementation plan of the recommendations from the 2025/26 Stakeholder Perception Survey approved by the Executive Committee.	2025/26 stakeholder perception survey Implementation plan and report approved by EXCO. **Target achieved**
	75% of employees trained	95% of employees trained on an approved Learnings and Development Initiatives Plan. **Target achieved**
	75% of critical business positions in the staff establishment filled	Overall, 82% (73 out of 89) of the budgeted positions were filled. **Target achieved**
	90% Enterprise Architecture Phase 4 implemented	Successfully completed all planned activities, however the Licensing and Learner Module was finalised later than 31 March 2026. **Target not achieved**
By the end of the reporting period, this programme had a total expenditure of R228.6 million or 120.5% of the budget of R181.8million. The programme overspent by R46.8 million. This should be seen in the context of the previous financial years when the programme overspent by R26.7 million, and R50.9 million in the year before that.		

Source: SAHPRA (2025/26)

Programme 2: Health Products Authorisation

The purpose of this programme is to provide administration support necessary for SAHPRA to deliver on its mandate and comply with the relevant legislative requirements. The specific purpose of this programme is to coordinate the registration and/or licensing or amendment of applications in respect of medicines within a legislative framework. This framework defines the requirements for application to the Authority and for receiving, recording, and distributing all documents submitted to SAHPRA.

This programme has 4 sub-programmes i.e. Document reception and helpdesk, Project office – regulatory decision for medicines, Project office – clinical trials, Section 21 portfolio management, Licensing, permits and certificates portfolio management as well as Quality Management System.

Table 13: Programme 2 Highlights

PROGRAMME 2	PLANNED TARGET	ACTUAL PERFORMANCE 2025/26
2. Health Products Authorisation	60 New Chemicals Entities finalised within 400 working days	94 new chemical entity (NCE) applications finalised. **Target achieved**
	420 Generic Master Applications finalised annually.	376 Generic Master Applications finalised annually. (89.5% of target) **Target not achieved**
	International Organization for Standardization 9001: 2015 maintained.	International Organisation for Standardisation ISO 9001:2015 was maintained. **Target achieved**
	World Health Organisation Maturity Level 3 obtained for medicines	Benchmarking process still in progress **Target not achieved**
This programme had a total allocation of R50.5 million, the expenditure amounted to R45.2 million or 89.6% of its allocation.		

Source: SAHPRA (2025/26)

Programme 3: Inspectorate And Regulatory Compliance

The purpose of this programme is to ensure public access to safe health products (including disclaimers) through inspections and regulatory compliance. This programme has 2 sub-programmes i.e. Inspections and Regulatory Compliance.

Table 14: Programme 3 Highlights

PROGRAMME 3	PLANNED TARGET	ACTUAL PERFORMANCE 2025/26
3. Inspectorate and Regulatory Compliance	70% of new GWP (Good Warehouse Practice) related licenses finalised within 125 working days	70% new GWP related licenses finalised within 125 working days. **Target achieved**

	50% new Good Manufacturing Practice (GMP) related licenses (local manufacturer) finalised within 125 working days	38% new GMP related licenses finalised within 125 working days. **Target not achieved**
	85% of permits finalised within 20 working days	92% of permits were finalised within 20 working days. **Target achieved**
The programme was allocated R67.1 million and by the end of March 2026, its expenditure amounted to R57.9 million or 86.3% of its budget.		

Source: SAHPRA (2025/26)

Programme 4: Clinical and Pharmaceutical Evaluation

The purpose of this programme is to evaluate the safety, quality and therapeutic efficacy of medicines and register them for use, as per the delegated authority and in terms of the relevant legislation. This programme has 7 sub-programmes i.e. Clinical Evaluation, Clinical Trials, Pharmaceutical Evaluations, Authorisation of the Sale of Unregistered Medicines, Vigilance and Post-Marketing Surveillance, Complementary and Alternative Medicines, and Veterinary Medicines.

Table 15: Programme 4 Highlights

PROGRAMME: 4	PLANNED TARGET	ACTUAL PERFORMANCE 2025/26
4. Clinical And Pharmaceutical Evaluation	95% of applications for the sale of unregistered Category A (human) medicines finalised within 3 working days	93% of applications for the sale of unregistered Category A (human) medicines are finalised within 3 working days. **Target not achieved**

	50% of clinical trials safety signals detected and mitigated within 80 working days	Performance reported: 23% Reasons given include backlog of reports; manual submissions; and lack of human resources. **Target not achieved**
	70% reports on health product significant safety signals assessed within 60 working days	Performance reported: 51.5%. **Target not achieved**
This Programme spent R139.1 million (98.3%) of it R141.4 million budget allocation.		

Source: SAHPRA (2025/26)

Programme 5: Medical Devices and Radiation Control

The purpose of this programme is to develop and maintain regulations and guidelines on the regulatory oversight of medical devices, radionuclides, and listed electronic products. The programme has 2 sub-programmes i.e. Medical Devices, and Radiation Control.

Table 16: **Programme 5 Highlights**

PROGRAMME: 5	PLANNED TARGET 2024/25	ACTUAL PERFORMANCE 2023/2024
5. Medical Devices and Radiation Control	80% of medical device establishment license applications finalised within 90 working days	133% of medical device establishment licence applications are finalised within 90 working days. **Target achieved**
	70% of applications for radionuclide authorities (licenses) finalised within 60 working days	90% of applications for authorities were finalised within 60 working days. **Target achieved**
	90% of licence applications for listed electronic products finalised within 50 working days	126% of applications for listed electronic products finalised within 50 working days. **Target achieved**

This programme had a final allocation of R44.6 million and by the end of the reporting period, i.e. end of March 2025, the expenditure amounted to R43.2 million or 96.7% of its budget.

Source: SAHPRA (2025/26)

5.2.3. Overview of Financial Performance

In compliance with Section 65(1) of the Public Financial Management Act (PFMA) (No. 1 of 1999), SAHPRA presents its financial performance for the period ending March 2025 comprising the following critical components assets, non-current assets, current liabilities and non-current liabilities.

Table 17: Statement of Financial Position

	2025/26 R'	**2024/25 Restated * R'**
Current Assets	**575 287 661**	**476 214 059**
Non-current Assets	66 971 673	53 131 576
Total Assets	**642 259 334**	**529 345 635**
Total Liabilities	426 449 664	347 234 625
Net assets	215 809 670	182 111 010
Accumulated surplus	**215 809 670**	**182 111 010**

Source: SAHPRA (2025/26), p. 128

Table 17 shows a positive financial position for SAHPRA as the total assets increased from R529.5 million in March 2025 to R642.3 million as at March 2026. Also noticeable in the same table above is the total liabilities, which stood at R426.4 million in the current financial year, up from R347.2 million in the preceding financial year. The accumulated surplus of R215.8 million increased approximately by 15.6% from R182.1 million in 2024/25.

Table 18: Statement of Financial Performance

	2025/26	2024/25 Restated*
	R'	R'
Revenue	341 808 989	293 373 738
Revenue from non-exchange transactions	205 809 843	209 724 575
Total revenue	**547 618 832**	**503 098 313**
Total expenditure	(513 920 172)	(449 108 512)
(Deficit) Surplus for the year	**33 698 660**	**53 989 801**

Source: SAHPRA (2025/26), p.129

Table 18 shows a healthy financial status for SAHPRA. As of March 2026, the entity had a total revenue amounting to R547.6 million, up from R503.1 million in March 2025. However, total expenditure (R513.9 million), whilst still less than total revenue is significantly up by R64.8 million from the previous year (R449.1 million), which is less than the total revenue.

Regarding surplus, the entity obtained R33.7 million, down approximately by R20.3 million from approximately R54 million in the fiscal year ending March 2025. The entity reports that during the period under review, it did not identify any new irregular, fruitless and wasteful expenditure. It also pointed out that all historical transgressions have been addressed, in line with the National Treasury guidelines.

5.2.4. Overview of Audit Outcomes

- SAHPRA maintained an **unqualified audit opinion, with no material findings on non-compliance**, thereby achieving **a clean audit** for the financial year ended 31 March 2026.
- The AGSA noted that SAHPRA achieved and sustained cleans audits, demonstrating strong governance, accountability and financial management.
- The AGSA commends SAHPRA's management and leadership for their dedication to maintaining and reinforcing internal controls that have underpinned these sustained audit outcomes.
- A repeat finding is that, as it did last year, the AGSA reported that SAHPRA's figures

were restated due to errors in the entity's financial statements for the year ended in March 2025. This needs to be addressed.

5.3. South African Medical Research Council (SAMRC)

In exercising its constitutional remit, Parliament enforces executive accountability over public allocation and prior-year deliverables, thereby fostering institutional integrity and sound financial prudence. The legislative framework, specifically the Public Finance Management Act (PFMA) (No. 1 of 1999) as amended, enjoins the Executive to be cautious with public resources and to compile and submit annual reports with audited annual financial statements to the legislature for oversight purposes. To this end, this brief discusses the entity's performance as reflected in its annual and financial statements for 2025/26.

The South African Medical Research Council Act (No. 58 of 1991), as amended, establishes the South African Medical Research Council (SAMRC) as a Schedule 3A Public entity accountable to the national legislature. The stated legislation enjoins SAMRC to, among others, improve the health and quality of life of South Africans through research, development, and technology transfer.

5.3.1. Key Achievements

During the period ending 31 March 2026, the SAMRC accomplished the following milestones in the health sector:

- Sustained the BRILLIANT HIV Vaccine Research Programme.
- Provided equipment maintenance support to essential research.
- Sustained the country's response to national health priorities through the SAMRC-RFA GIPD for infectious diseases, including HIV and tuberculosis, non-communicable diseases (NCDs), and maternal and child health.
- Attained funding of R3 million from the ELMA Relief Foundation.

- Sought and received R400 million over three years from government, with R132 million released through a Section 16 Emergency Allocation.
- Retained staff despite the withdrawal of United States funding.

Strategic Partnerships for advancing South Africa's health outcomes

To address South Africa's quadruple burden of disease, the SAMRC actively leverages strategic partnerships with domestic and international institutions. These collaborative networks serve as vital mechanisms for co-funding innovative health research, expanding local scientific capacity, and accelerating the translation of medical discoveries into public health solutions. The entity is both a national research body and a catalyst for global health innovation. Key partnerships include:

- Global Forum on Bioethics in Research (GFBR),
- Collaboration with the George Institute, Australia,
- BRICS Multilateral Joint Science and Technology Research Collaboration,
- SAMRC and Japan Agency for Medical Research and Development Collaboration,
- Membership of the International Human Frontier Science Programme Organisation.

5.3.2. Overview of Performance Information

The SAMRC demonstrated strong overall performance in 2025/26, achieving or exceeding many of its strategic targets. The organisation attained a clean audit opinion, reflecting sound governance and financial management practices. While the target to limit administration expenditure to 20% of the government allocation was not achieved, administration costs remained relatively contained at 17.25%, suggesting that the target may have been incorrectly marked as missed or requires further clarification.

Research productivity significantly exceeded expectations, with 1,491 publications produced against a target of 1 000 and 509 outputs by grant-holders against a target of 220. The SAMRC also surpassed its targets for research funding and capacity development, funding 333 research

grants against a target of 210 and awarding 226 scholarships, fellowships and grants against a target of 110.

Notably, the entity substantially exceeded its transformation objectives, awarding 133 grants to Black African scientists, well above the target of 9. In addition, postgraduate training outcomes were strong, with 117 Master's and PhD graduates completing their studies against a target of 50. These results indicate that the SAMRC not only met its core research mandate but also strengthened the development and transformation of South Africa's health research workforce.

Table 19: The entity's reported performance information for 2025/26

IMPACT STATEMENT	OUTCOME INDICATOR	FINAL PERFORMANCE TARGET BY END OF MARCH 2026	TARGET EXCEEDED/MISSED
Strengthening of corporate governance processes towards an unqualified audit opinion from the Auditor-General	A clean audit opinion on the SAMRC from the Auditor-General.	Clean Audit	Target Achieved
	Expenditure on administration from the government budget allocated to the SAMRC does not exceed a set percentage – 20%	17.25%	Target missed
Promote the improvement of health and quality of life (prevention of ill health, improvements in public health and treatment) in South Africa through research	Number of accepted and/or published conference proceedings, abstracts, journal articles, book chapters and books by SAMRC affiliated and funded authors - 1000	1491	Target exceeded
	Number of accepted and/or published conference proceedings, abstracts, journal articles, book chapters and books by SAMRC grant-holders with acknowledgement of the SAMRC support - 220	509	Target exceeded

IMPACT STATEMENT	OUTCOME INDICATOR	FINAL PERFORMANCE TARGET BY END OF MARCH 2026	TARGET EXCEEDED/MISSED
To provide funding for the conduct of health research	Number of research grants funded by the SAMRC – 210	333	Target exceeded
To provide research support in the form of funding and supervision to the next generation of scientists in the broad field of health.	Number of awards (scholarships, fellowships and grants) by the SAMRC for MSc, PhD, Postdocs, Early and Mid-Career Scientists - 110	226	Target exceeded
	Number of Masters' and PhD students graduated or completed - 50	117	Target exceeded

Source: SAMRC (2025/26), p. 26-35

5.3.3. Overview of Financial Performance

The SAMRC's financial performance improved during 2025/26, with total revenue increasing from R1.408 billion in 2024/25 to R1.592 billion in 2025/26, representing growth of approximately 13%. The increase was largely driven by higher contract and grant income, reflecting the entity's continued ability to attract external funding.

5.3.3.1. Expenditure Performance

Personnel expenditure amounted to R620.3 million, accounting for approximately 39% of total expenditure. This is consistent with the nature of a research-intensive institution where scientific, technical and professional expertise constitute a significant operational resource.

Collaborative research expenditure increased significantly from R473.7 million to R602.9 million, reflecting the expansion of research programmes, increased grant allocations and additional support provided to the National Health Research Enterprise following the withdrawal of certain United States funding streams. The increase in expenditure was therefore largely programme-related and directly aligned with the entity's research mandate.

5.3.3.2. Surplus and Budget Adjustments

The SAMRC reported a surplus of R104.1 million, compared to R60.7 million in the previous year, representing an increase of 71.7 per cent. While this reflects an improved financial position, the entity indicated that the surplus was partly attributable to a budget adjustment approved during the financial year to accommodate the accounting treatment of donated capital assets. Consequently, a portion of the surplus resulted from non-cash transactions rather than operational efficiencies alone.

5.3.3.3. Financial Position

The SAMRC's balance sheet strengthened during the reporting period. Current assets increased from R817.6 million to approximately R1.1 billion, while net assets grew from R473.6 million to R581 million. Cash reserves remained strong at approximately R953 million, contributing to the entity's liquidity and financial resilience.

Total liabilities increased from R709 million to R955.8 million, driven largely by growth in non-current liabilities. Although the increase warrants continued monitoring, the growth in assets and reserves outpaced the increase in liabilities, indicating an overall strengthening of the entity's financial position.

5.3.3.4. Matters Requiring Ongoing Oversight

Despite the positive financial performance, several issues warrant continued monitoring:

- Continued dependence on donor funding remains significant.
- Growth in deferred income creates future delivery and reporting obligations.

- Procurement compliance weaknesses resulted in instances of irregular expenditure.
- The entity reported R3.9 million in irregular expenditure identified through an independent review process.
- Fruitless and wasteful expenditure was reported, including payroll administration errors and travel-related costs.
- A further matter relates to expenditure of approximately R7.7 million on the South African Diabetes Prevention Programme, which is under assessment following allegations that a service provider failed to deliver blood samples as required, potentially compromising the reliability of research results.
- Processes to determine value for money in consultancy contracts previously classified as irregular expenditure remain ongoing.

5.3.4. Overview of Audit Outcomes

- The Auditor-General issued the SAMRC with a **clean audit opinion** for the 2025/26 financial year. The audit found that performance indicators were aligned to the entity's mandate, reported performance information was presented in the prescribed manner, and sufficient supporting evidence existed for reported achievements. No material findings were raised regarding performance information or compliance with the selected legislative requirements.
- Overall, the SAMRC remains in a strong financial position, characterised by revenue growth, healthy cash reserves, a clean audit outcome and substantial investment in research activities. However, the Committee should continue to monitor procurement compliance, donor funding dependence, and the resolution of matters relating to irregular and fruitless expenditure.

5.4. Council for Medical Schemes (CMS)

The Council for Medical Schemes (CMS) is a public entity of the National Department of Health (NDoH), established by the Medical Schemes Act (MSA) (No. 131 of 1998) to regulate the

medical schemes industry in South Africa. CMS is the government's response to Section 27 of the Constitution of the Republic of South Africa, 1996 which obligates the state to enact reasonable legislative measures to progressively realise socioeconomic rights, including the right of access to healthcare services. In addition, Chapter 2 of the Bill of Rights in the Constitution accentuates that everyone has the right to access healthcare services, including reproductive healthcare, which CMS is mandated to fulfil, among others:

- **Protecting the interests of members** and ensuring they are treated fairly by medical schemes;
- **Promoting equitable access** to private health financing through the enforcement of Prescribed Minimum Benefits (PMBs), which ensure coverage for essential medical conditions, including emergency and reproductive healthcare;
- **Monitoring and enforcing compliance** with the Medical Schemes Act and relevant regulations;
- **Ensuring the financial soundness** and solvency of medical schemes to safeguard consumers' contributions;
- **Investigating and resolving disputes** and complaints raised by beneficiaries, healthcare providers, and schemes independently and fairly; and
- **Advising the Minister of Health** on matters related to medical schemes and private health financing in South Africa.

5.4.1. Highlights for 2025/26

For the period ending March 2026, the CMS reports that the total number of medical schemes in South Africa was 70, down from 71 in the 2024/25 reporting period. The total population covered was 9,17 million, up from 9 million previously. With respect to processed benefits and contributions, the medical schemes sector demonstrated substantial financial activity, paying out R259.3 billion in member benefits, while collecting R267.3 billion in gross contributions, of which R244.0 billion comprised risk contributions. In addition, the sector incurred R16.82 billion in direct expenditure, reflecting the significant operational and healthcare funding responsibilities borne by medical schemes during the reporting period. The reserves amounted to R109.24 billion, while the out-of-pocket expenditure amounted to R46.3 billion.

5.4.2. CMS Key Milestones or 2025/26

- Adopted the 2025–2030 Strategic Plan.
- Launched the CMS Research Symposium and CMS Journal.
- Appointed a new Chief Executive and Registrar.
- Achieved a Clean Audit for 2025/26.
- Increased organisational performance from 89.19% to 94.83%.
- Advanced the Fraud, Waste, Abuse and Error (FWAE) Framework.
- Strengthened engagement within the healthcare sector.
- Positioned the Council for Medical Schemes (CMS) for the implementation of National Health Insurance (NHI), Prescribed Minimum Benefits (PMB) reform, and broader health system transformation.

5.4.2.1. Overview of CMS Strategic Priorities, Challenges and Risks

The Council for Medical Schemes (CMS) intends to continue implementing its 2025-2030 Strategic Plan, with a particular focus on supporting the implementation of National Health Insurance (NHI) and advancing Universal Health Coverage (UHC). The CMS will continue to provide technical, regulatory and policy support to the healthcare funding sector during the transition to a reformed health system. Key priorities include reviewing Prescribed Minimum Benefits (PMBs), developing a fit-for-purpose primary healthcare package, and implementing the Section 59 recommendations through stakeholder engagement and policy reform.

The CMS's Strategic Plan is underpinned by six key outcomes:

- Sustainable financing.
- Improved stakeholder collaboration.
- Good governance and ethical leadership.
- Strengthened regulatory compliance.
- Improved access to affordable and quality healthcare.
- Research- and evidence-based policy decision-making.

Despite these priorities, the CMS faces several challenges, most notably the affordability of healthcare and medical scheme covers amid rising healthcare costs, economic pressures and constrained household incomes. To address its own financial sustainability, the CMS has initiated a review of its funding model and submitted proposed terms of reference to the Department of Health and National Treasury. The review seeks to assess the current levy system, explore alternative funding mechanisms and ensure that the organisation has sufficient resources to meet its expanding regulatory responsibilities.

The CMS also identified several strategic risks that could affect the achievement of its objectives, including the implementation of NHI, litigation, reputational risks, an outdated funding model, uninformed decision-making, business continuity and sustainability, as well as technology and digital transformation challenges. Overall, while the CMS is positioning itself to support major health sector reforms, its success will depend on addressing affordability concerns, securing a sustainable funding model, and effectively managing key strategic risks.

5.4.3. Overview of Performance Information

The entity reports that its overall performance for the reporting period increased from 89.19% in 2024/25 to 94.83% in 2025/26. As such, Table 20 below discusses some performance targets against those presented in the annual performance plan for the same period.

Table 202: Synopsis of the entity's performance targets

OUTPUT INDICATOR	PLANNED TARGET FOR 2025/26	ACTUAL PERFORMANCE FOR 2025/26
Percentage of memoranda of understanding (MoU) signed and/or maintained.	80%	100% **Target exceeded**
Ensure the review and Development of a Strategic Plan and Annual Performance Plan is done for the Council's consideration by the 31st of January each year.	1	1 **Target achieved**
Ensure that the overall performance of the entity is 80% of the predetermined objectives.	≥80%	94.83% **Target achieved**

Review, develop, and implement a funding model that considers the long-term strategic outcomes of the CMS by the end of each year.	1	0 **Target missed**
Number of Contributions and Benefits Changes Guidance Notes published as a Circular annually.	1	1 **Target achieved**
Number of stakeholder education and training sessions.	60	76 **Target achieved**
Percentage of Category 2 complaints adjudicated within 120 calendar days and in accordance with the complaints' standard operating procedures (SOP).	75	73.53% **Target missed**
Modernise the ICT applications portfolio by delivering on the prioritised projects per the ICT Digital Strategy.	60% completion of prioritised projects.	60% completion of prioritised projects **Target achieved**
Number of stakeholder awareness activities conducted.	50	50 **Target achieved**
Number of Model Rules reviewed and published.	1	0 **Target missed**
Number of training sessions held for Council and/or Committee/s.	2	2 **Target achieved**

Source: CMS (2025/26), p. 53-75

Despite improved overall performance, the entity did not achieve several performance targets. It attributed these shortfalls, in part, to the NDoH's internal process for reviewing the terms of reference (TOR) before they were advertised. The entity further indicated that the Model Rules required quality assurance and a legal risk assessment to ensure that they were legally sound and ready for implementation.

5.4.4. Overview of Financial Performance

For the period under review, the entity reports the financial performance information as follows:

Table 31: Summary of Statement of Financial Position.

	2025/26	2024/25

	R'000	R'000
Current Assets	31 783	46 713
Non-current Assets	16 494	11 511
Total Assets	48 277	58 224
Current Liabilities	35 867	35 120
Non-Current Liabilities	12 094	9 574
Total Liabilities	47 961	44 694
Net assets (liabilities)	316	13 530

Source: CMS (2025/26), p.117

The CMS remains operationally stable and well-governed, evidenced by its clean audit outcome. However, its financial position weakened materially during 2025/26, with:

- Net assets almost depleted (down 97.7%)
- Cash reserves reduced by R12.8 million
- Current liabilities exceeding current assets
- Continued operating deficits

While CMS is still solvent, its financial sustainability depends heavily on the successful implementation of its turnaround strategy, expenditure controls, and review of its funding model during 2026/27.

Table 22: Statement of Financial Performance

	2025/26	2024/25
	R'000	R'000
Revenue	232 353	218 736
(Loss)/Gain on disposal of assets	(2)	(11)
Administrative expenses	(38 151)	(39 560)
Finance Costs	(59)	(119)
Auditors' remuneration	(2 379)	(1 543)
Operating Expenses	(29 984)	(33 035)
Staff costs	(179 627)	(163 378)
Depreciation and amortisation	(3 367)	(2 366)
Labour settlement	-	(10 592)
Operating deficit	(21 213)	(31 868)
Interest income	5 369	8 187
(Deficit) surplus for the year	(15 844)	(23 681)

Source: CMS (2025/26), p.114

- Table 22 shows that the entity's *revenue* jumped to R232.3 million from R218.7 million in the prior reporting period,
- *Operating expenses* also decreased to R29.9 million from R33 million in 2024/25;
- The *Operating deficit* decreased to R21.2 million from R31.8 million, while, on the other hand, the *administrative expenses* decreased to R38.1 million from R39.5 million; and
- The statement further shows zero expenditure on *labour settlement* for the reporting period, compared to the prior year, where it disclosed R10.5 million. Also noted is that the entity ended with a deficit of R15.8 million, down from R23.6 million in 2024/25.

The Statement of Financial Performance shows that CMS is moving in the right direction financially, with a substantially reduced deficit, growing revenue, and tighter operational cost control. However, the organisation still spent more than it earned during 2025/26 and continues to rely heavily on levy income. High staff costs, historical labour settlements, and shrinking cash reserves remain significant challenges. Despite these pressures, the improvement in the deficit and the clean audit outcome indicate that management's financial turnaround measures are beginning to yield results.

5.4.5. Overview of Audit Outcomes

- Once again, the entity obtained an ***unqualified audit opinion***, with areas that need improvement, specifically in supply chain management. Management must strengthen the controls of financial management, and that applicable policies are reviewed and applied consistently.
- The entity incurred *fruitless and wasteful expenditure* for the reporting period, which relates to travel management. The other component of fruitless and wasteful expenditure relates to late-payment penalties to the South African Revenue Service (SARS) amounting to R14 million.
- The AGSA found that the *financial statements were presented fairly*, in all material respects, i.e., the financial position, the financial performance and cash flows.

- No *material non-compliance* with the selected legislative requirements were identified for the period under review.
- No significant *internal control deficiencies* were identified during the reporting period.

5.5. Office of the Health Ombud (OHO)

The Office of the Health Ombud (OHO) is an independent body established under the National Health Amendment Act of 2013. It operates within the Office of Health Standards Compliance (OHSC), sharing financial and human resources, and reports to and is accountable to the Minister of Health. Its mandate is to protect and promote health-service users by considering, investigating and disposing of complaints in the national health system relating to non-compliance with prescribed norms and standards, while contributing to a public service culture founded on fairness, openness, accountability and the right to good public administration.

5.5.1. Overview of Performance Information

The 2025/26 Annual Report points to sustained growth in demand for OHO services, with complaint volumes rising across all operational units. While the organisation maintained a strong commitment to protecting healthcare users and investigating breaches of health standards, performance targets were affected by growing caseloads, resource constraints, and operational disruptions.

The OHO received 4,297 complaints, 9% more than the 3,938 received in 2024/25. While the increase may reflect greater public awareness and utilisation of the Ombud mechanism, it also places additional pressure on complaint-management and investigative capacity.

The risk profile is also significant. Although 94% of complaints were classified as low risk, 144 were classified as high or extreme risk. The OHO must therefore maintain sufficient specialist capacity to deal with complex matters while continuing to meet turnaround standards for lower-risk complaints.

1.5.1.2. Complaints Management

1) Complaints Call Centre

The Complaints Call Centre received 4,297 complaints and closed 3,726 during 2025/26. It achieved 79.05% against the target of resolving 90% of low-risk complaints within 25 working days, leaving a backlog of 418 cases. Reported constraints included rising volumes, human-resource shortages, increasing complaint complexity and reduced operational capacity associated with the office relocation.

Gauteng accounted for 2,096 complaints (48.8%), followed by the Western Cape with 590 (13.7%) and KwaZulu-Natal with 432 (10.1%). These patterns warrant closer engagement with provincial health authorities on recurring complaints and whether complaint data is being systematically used to identify and address underlying service-delivery problems.

Customer satisfaction remained strong for telephone interactions, exceeding 98%, while email satisfaction averaged 68.7%. The difference between the two channels warrants attention to response times, communication quality and the accessibility of digital complaint channels.

2) Complaints Assessment Unit

The Complaints Assessment Unit managed 158 complaints during 2025/26, comprising 126 new referrals and 32 cases carried over from 2024/25. This represented a 43.6% increase in workload. Of the 48 cases for which the requested information was received, 21 were resolved within the prescribed SLA and one outside the timeline. Overall performance was 43.75% against a target of 50%.

Performance was affected by increased referrals from the Call Centre, staffing shortages, complex cases requiring information from multiple facilities, delays in obtaining supporting documentation and office relocation disruptions.

3) Complaints Investigation Unit

The Complaints Investigation Unit experienced a substantial increase in referrals, from 19 cases in 2023/24 to 55 in 2024/25 and 87 in 2025/26 — an increase of 358% over three years. Public healthcare facilities accounted for 74 cases, compared with 13 from the private sector, indicating that public-sector service delivery remains the principal source of investigations.

The unit finalised 38 investigations: 10 within six months, 18 within 24 months and 10 after more than 24 months. Although the unit exceeded its target for cases resolved within 24 months, it did not meet the targets for resolution within six months or for legacy cases. The continued backlog, alongside rapidly increasing referrals, raises questions about investigative capacity, prioritisation and the ability to prevent cases from ageing.

More than 85% of investigated complaints were related to surgical services, medical services, and maternal and child health services. Complaints predominantly originated from regional hospitals, district hospitals and private hospitals.

4) National Preventive Mechanism (NPM)

The OHO participated in 17 inspections during 2025/26 as part of the National Preventive Mechanism framework covering facilities where persons are deprived of liberty. Recurring findings included overcrowding, staffing shortages, shortages of essential supplies, poor infrastructure and occupational health and safety non-compliance.

Particular concerns were identified at Tower Psychiatric Hospital and the Boitumelo Regional Hospital Psychiatric Unit. There is a need to establish whether identified deficiencies are being addressed within clear timeframes and whether repeat findings are escalated appropriately.

5.5.2. Strategic and Institutional Challenges

The main operational risks identified are rising complaint volumes, increasing case complexity, staff shortages, funding constraints and backlog accumulation. Accommodation arrangements also affect operations: open-plan offices raise confidentiality concerns, office space is insufficient for investigators and assessors, and relocation disrupted productive working time.

The annual report further identifies legislative constraints affecting the OHO's independence, recruitment, procurement and resource allocation. The proposed Health Ombud Bill is intended to address these institutional limitations. Its status, key proposed changes and implementation implications are therefore important matters for oversight.

5.5.3. Human Resources and Budget

The Complaints Management Unit had 34 staff members: 32 permanent employees, one contract employee and one intern. Vacancies remained in critical positions, including investigators and complaints officers. In the context of rising complaint volumes and a 358% increase in investigation referrals over three years, staffing capacity should be assessed against actual workload rather than establishment alone.

The programme had a budget of R32.3 million and actual expenditure of R33.6 million, resulting in an overspend of R1.27 million. Employee compensation accounted for approximately 90% of expenditure. The OHO is also seeking additional funding to address legacy backlog cases. The financial challenge is therefore closely linked to the organisation's ability to expand capacity without compromising core operations.

5.6. Office of Health Standards Compliance (OHSC)

The National Health Amendment Act (No. 12 of 2013) establishes Office of Health Standards Compliance as a Schedule 3A Public Entity under the Public Finance Management Act (PFMA). In terms of Section 78 of the NHA Act, the OHSC is tasked with promoting and protecting the

health and safety of the users of health services in South Africa. Its mandate includes, among other responsibilities:

- Advise the Minister on matters relating to norms and standards for the national health system and the review of such norms and standards, or any other matter referred to it by the Minister;
- Inspect and certify compliance by Health Establishments (HEs) with prescribed norms and standards, or where appropriate and necessary, withdraw such certification;
- Investigate complaints about the national health system;
- Monitor risk indicators as an early-warning system about serious breaches of norms and standards and report any breaches to the Minister without delay;
- Identify areas and make recommendations for intervention by a national or provincial department of health or municipal health department, where necessary, to ensure compliance with prescribed norms and standards;
- Recommend quality assurance and management systems for the national health system to the Minister for approval; and
- Keep records of all OHSC activities.

5.6.1. Service Delivery Environment and Challenges

During the 2025/26 financial year, the Office of Health Standards Compliance (OHSC) strengthened its regulatory oversight through the implementation and review of healthcare norms and standards. Eight inspection tools were finalised, including the successful implementation of the General Practice inspection tool, extending regulatory oversight to an important segment of primary healthcare. A national review of the 2018 Norms and Standards Regulations was also initiated through a multi-stakeholder Technical Working Group.

To support compliance with prescribed norms and standards, the OHSC conducted 30 guidance and support workshops and developed a comprehensive national quality recommendation report based on Annual Returns, Early Warning Systems (EWS), and inspection findings. A total of 4,955

health establishments were registered and profiled, comprising 3,935 public facilities and 1,020 General Practices. The EWS system was further enhanced to support improved monitoring and proactive risk management.

The Self-Assessment System for Private Acute Hospitals continued to perform strongly, with 212 of 223 hospitals completing self-assessments, achieving a completion rate of 97.5%. Refresher training and support initiatives were also provided to improve compliance and quality improvement planning.

During the year, the OHSC conducted 762 routine inspections in public health establishments and 213 inspections in private health establishments, exceeding both annual targets. In addition, 63 re-inspections were undertaken to verify corrective actions, and three risk-based inspections were conducted at Embekweni District Hospital, Dora Nginza Hospital, and Tembisa Provincial Tertiary Hospital.

A total of 906 health establishments were certified during the reporting period, with all certificates issued within the prescribed 15-day period. Enforcement action was taken against 14 persistently non-compliant establishments, while all 11 enforcement matters were resolved within 90 working days. Furthermore, two bi-annual compliance status reports were produced for publication on the OHSC website.

The Office continued to operate under significant financial and human resource constraints during the 2025/26 financial year. Capacity limitations affected several programmes, particularly Complaints Management and the Office of the Health Ombud, where increasing complaint volumes and case complexity contributed to delays in resolving cases within planned timeframes. Additional challenges included difficulties in filling senior management positions, strained labour relations associated with organisational relocation, delayed submission of annual returns by some health establishments, and technical limitations within systems such as the Early Warning System (EWS).

Despite these challenges, the OHSC maintained operational stability and continued implementing interventions to improve regulatory oversight, digital systems, governance, and compliance monitoring.

5.6.2. Overview of Performance Information

During the 2025/26 financial year, the OHSC reported on twenty-five (25) output indicators. Of these, eighteen (18), representing 72% were achieved. Core programmes accounted for 61.1% of achieved indicators, while support programmes accounted for 38.9%.

Table 23: Overall performance

Programme	Targets Achieved	Success Rate
Programme 1: Administration	7 of 9	78%
Programme 2: Compliance Inspectorate	3 of 4	75%
Programme 3: Complaints Management and Office of the Health Ombud	1 of 5	20%
Programme 4: Health Standards Design, Analysis and Support	3 of 3	100%
Programme 5: Certification and Enforcement	4 of 4	100%
Total	**18 of 25**	**72%**

Source: OHSC (2025/26), p. 11

Programme 1: Administration

The purpose of this programme is to provide the leadership and administrative support necessary for the OHSC to deliver on its mandate and comply with all relevant legislative requirements. This programme has four sub-programmes, namely, Human Resource Management, Finance and Supply Chain Management, Information and Communication Technology (ICT) as well as Communication and Stakeholder Relations.

Table 24: Performance on Planned Targets – Programme 1

	2025/26	2024/25
Targets reported in Annual Report 2025/26	9	8
Targets fully achieved	7	6
Targets not achieved	2	2

Performance success rate	78%	75%

Source: OHSC (2025/26), p. 34-42

Programme 1 performed strongly, achieving seven of nine targets. Highlights included maintaining a vacancy rate of 4.9% against a target of 6%, achieving 99.88% critical system uptime, completing three ICT system enhancements, conducting 24 stakeholder engagements and significantly exceeding both media and digital campaign targets.

Underperformance related to the delayed Integrated Human Resource Strategy and failure to achieve the 50% target for women in senior management positions.

Programme 2: Compliance Inspectorate

The purpose of this programme is to manage the inspection of health establishments in order to assess compliance with the national norms and standards. This programme is also responsible for conducting routine inspections. Table 25 below illustrates the performance on annual planned targets against those set on the annual performance plan.

Table 25: Performance on Planned Targets – Programme 2

	2025/26	**2024/25**
Targets reported in Annual Report 2025/26	4	5
Targets fully achieved	3	3
Targets not achieved	1	2
Performance success rate	75%	60%

Source: OHSC (2025/26), p. 42-44

Programme 2 exceeded inspection targets by conducting 762 public health establishment inspections and 213 inspections of private general practices. Re-inspections also exceeded target levels. Performance was negatively affected by delays in finalising the regulated annual inspection report due to extensive quality assurance and data analysis processes. The annual inspection report was eventually completed and approved shortly after year-end.

Programme 3: Complaints Management and Office of the Health Ombud

The purpose of this programme is to consider, investigate and dispose of complaints relating to the non-compliance with prescribed norms and standards in a procedurally fair, economical and

expeditious manner. This programme has three sub-programmes: Complaints Call Centre; Complaints Assessment Unit; and Complaints Investigation Unit. Table 26 below discusses the performance of planned targets for the reporting period.

Table 26: Performance on Planned Targets – Programme 3

	2025/26	2024/25
Targets reported in Annual Report 2025/26	5	5
Targets fully achieved	1	4
Targets not achieved	4	1
Performance success rate	20%	80%

Source: OHSC (2025/26), p.45-48

Programme 3 recorded the lowest performance level, achieving only one of five planned targets. Complaint volumes increased by 9%, with 4 297 complaints received during the reporting period. Resource constraints, case complexity, delays in obtaining information from stakeholders, and a growing backlog adversely affected turnaround time. Nevertheless, noteworthy achievements included resolving 3 288 low-risk complaints and finalising several high-profile investigations. The Ombud also hosted its inaugural Biennial Health Ombud Conference.

Programme 4: Health Standards Design, Analysis and Support

The purpose of the Health Standards Design, Analysis and Support programme is to provide high-level technical support to the office through research, health systems analysis, development of data collection tools, training in the use of these tools, and analysis and interpretation of the data collected. The programme also drives the establishment of stakeholder networks for capacity building and the co-creation of information management systems. Table 27 illustrates performance for the period under review.

Table 27: Performance of Planned Targets – Programme 4

	2025/26	2024/25
Targets reported in Annual Report 2025/26	3	2
Targets fully achieved	3	2
Targets not achieved	0	0
Performance success rate	100%	100%

Source: OHSC (2025/26), p. 48-52

Programme 4 achieved all its planned targets. Significant milestones included the registration and profiling of 4 955 health establishments, the completion of 30 guidance workshops, the development of a national recommendation report, implementation of the General Practice registration platform, enhancement of the self-assessment system, and continued development of inspection tools and regulatory standards.

Programme 5: Certification and Enforcement

The purpose of this programme is to certify compliant health establishments and take enforcement action against non-compliant health establishments. The programme is required to publish information relating to the certificates of compliance issued and enforcement action taken. Table 28 shows the performance of this programme.

Table 28: Performance of Planned Targets – Programme 5

	2025/26	2024/25
Targets reported in Annual Report 2025/26	4	3
Targets fully achieved	4	1
Targets not achieved	0	2
Performance success rate	100%	33%

Source: OHSC (2025/26), p. 53-55

Programme 5 achieved all targets and demonstrated significant operational efficiency improvements through the implementation of the online Certification and Enforcement Module. The programme issued 906 compliance certificates within prescribed turnaround times, completed all enforcement actions within target periods, and produced two biannual compliance reports.

5.6.3. Overview of Performance Information

The OHSC's revenue increased by 5.4% from R184.5 million to R194.5 million, driven mainly by increased government transfers. Total expenditure increased to R200.6 million, resulting in a deficit of R6.1 million, an improvement from the previous year's deficit of R8.3 million.

Employee-related costs remain the single largest expenditure category, accounting for approximately 69.8% of total expenditure. The OHSC continued exploring long-term financial

sustainability through the development of a revenue-generation model and accompanying fee regulations.

Table 29: Statement of Financial Performance

	2025/26	**2024/25**
	R'000	R'000
Total Revenue	184.5	184.54
Operating expenses	(51.80)	(51.80)
Total expenditure	(200.59)	(192.82)
(Deficit) /Surplus for the Year	**(6.055)**	**(8.28)**

Source: OHSC Annual Report (2025/26), p. 99

The OHSC remains financially viable, with total assets exceeding liabilities by R10.3 million. Although net assets declined due to the annual deficit, the organisation maintains adequate liquidity, with cash and cash equivalents of R19.0 million. The Auditor-General issued an unqualified audit opinion, reaffirming strong governance and financial management practices.

Table 8: Statement of Financial Position

	2025/26	**2024/25**
	R'000	R'000
Current Assets	20.76	21.67
Non-current Assets	5.58	7.93
Total Assets	**29.34**	**29.59**
Current Liabilities	16.08	13.66
Non-Current Liabilities	-	-
Total Liabilities	**16.08**	**13.66**
Total Net assets	**10.26**	**15.94**

Source: OHSC Annual Report (2025/26), p.98

5.6.4. Overview of Audit Outcomes

- The OHSC maintained it **clean audit outcome** for the 2025/26 financial year.
- There were no material findings on compliance with legislation or the selected performance indicators audited.

6. COMMITTEE OBSERVATIONS AND FINDINGS

The Committee made the following observations and findings during its engagement with the Department and Entities on the 2025/26 Annual Reports:

6.1. Observations on the Department of Health

Governance, Leadership and Accountability:

- The Committee remains concerned about persistent governance weaknesses within the Department and parts of the health sector, particularly the recurrence of audit findings and delays in implementing corrective measures.
- Members expressed concern that the Department continues to receive an unqualified audit opinion with findings rather than progressing to a clean audit, despite assurances and engagements on recurring audit findings.
- Concerns were raised about inadequate consequence management for irregular expenditure and financial misconduct, particularly the lack of accountability for responsible officials.
- The Committee welcomed the newly appointed Director-General's commitments to strengthen governance, financial controls and accountability, while emphasising the need for measurable improvements.

Financial Management and Audit Outcomes:

- The Committee expressed concern about recurring material audit findings, irregular expenditure under investigation, material irregularities and financial misstatements requiring correction after submission of financial statements, indicating persistent weaknesses in internal controls and financial management.

- The Department's near-full budget expenditure, despite achieving 70.2% of its annual performance targets, raised concerns about value for money and the extent to which expenditure is translated into tangible service delivery results.
- The Committee noted substantial underspending in key programmes despite severe service-delivery pressures across the health sector, highlighting concerns about budget execution and the alignment of financial resources with programme performance.

Human Resources and Organisational Capacity:

- The Committee remains concerned about the Department's high vacancy rate, particularly at senior management level and within critical functions.
- The Committee noted the appointment of a permanent Chief Financial Officer and emphasised the importance of strengthening financial oversight, accountability and institutional stability.
- The Department's failure to meet employment equity targets, particularly in relation to youth, persons with disabilities and women in leadership positions, remains a concern.
- The Committee observed that persistent staffing shortages undermine service delivery, institutional capacity and implementation of key reforms.

Health System Performance and Service Delivery:

- The Committee is concerned that the Department achieved only 33 of its 47 annual performance targets, indicating continued implementation challenges in critical programmes.
- Underperformance in key health indicators, including TB treatment outcomes, differentiated HIV care and immunisation coverage, remains a concern.
- Prolonged waiting times for specialised services, including cataract surgery, cancer treatment and other essential procedures, continue to adversely affect patient outcomes.
- Overcrowding, treatment delays and inadequate access to services remain significant challenges across the public health system.
- Members expressed concern that palliative care remains inadequately prioritised, particularly for children and other patients with life-limiting illnesses, noting that staffing,

resource and capacity constraints hinders implementation. The Committee further noted that the national palliative care policy expired in 2022 and is only expected to be finalised by July 2027, raising concerns about the prolonged policy gap and its implications for access to palliative care services.

- Members expressed concern that traditional medicine lacks a dedicated budget within the National Department of Health, potentially limiting its prioritisation, development and integration into the Department's programmes.

Medicine Availability and Supply Chain Management:

- The Committee expressed major concern about medicine stockouts and supply-chain disruptions affecting health facilities across the country, raising questions about the reliability of medicine procurement, distribution and stock management within the public health system.
- Medicine shortages impose additional financial and logistical burdens on patients who must seek medicines elsewhere or make repeated visits to healthcare facilities, potentially compromising access to treatment and continuity of care.
- The Department's engagement with the pharmaceutical industry regarding medicine supply challenges was welcomed, while noting the importance of ensuring that such engagements translate into tangible improvements in the availability and timely distribution of essential medicines.
- The Committee expressed concern that medicine stockouts could undermine progress in HIV, TB and chronic disease management programmes, particularly where interruptions in treatment may compromise patient outcomes and continuity of care.
- Members expressed concern that long-term medicine dispensing may inadvertently affect medicine availability by placing additional pressure on existing stock levels and supply systems.

HIV, TB and Public Health Programmes:

- The Committee expressed concern about the slow implementation of six-month dispensing of antiretroviral therapy for clinically stable patients, despite its potential to improve

treatment adherence, reduce congestion at health care facilities and lessen the burden of frequent facility visits.

- The Committee remained concerned about patient loss to follow-up, declining TB treatment success rates and barriers to retention in care, particularly among vulnerable populations.
- The Committee emphasised the importance of integrated chronic disease management, given the burden on patients requiring multiple facility visits for different conditions and treatments.
- The Committee raised concerns about the sustainability of HIV prevention services for key populations amid reductions in donor funding, particularly the potential implications for continuity of services and access to prevention interventions.
- The Committee expressed concern about potential barriers to the uptake of Lenacapavir among key and vulnerable populations and stressed the need for a clear implementation strategy to ensure broad and equitable access to the intervention.
- The Committee welcomed progress towards securing local manufacturing of Lenacapavir, while noting the importance of translating these efforts into affordable pricing, reliable supply and wider access to HIV prevention services.

Maternal, Child and Preventive Healthcare:

- Persistent concerns remain regarding maternal mortality and ongoing challenges affecting maternal and neonatal health outcomes.
- Declining childhood immunisation uptake was noted, with misinformation, vaccine hesitancy, transport barriers, parental awareness gaps and facility-level challenges identified as contributing factors.
- Further efforts are required to improve HPV vaccination coverage and address geographical disparities in uptake.
- The Committee raised its concern about the extent to which screening initiatives, particularly for non-communicable diseases, translate into timely diagnosis, treatment and sustained follow-up care.

Digital Health and Information Systems:

- Concern was expressed about the slow pace of digitisation and the continued reliance on paper-based patient records across much of the health system.
- The absence of integrated electronic health records was identified as a constraint on continuity of care, patient tracking, programme monitoring and evidence-based decision-making.
- Ongoing efforts to implement electronic medical records and improve interoperability between health information systems were welcomed, although progress remains uneven.

Infrastructure, Maintenance and Facility Conditions:

- The Committee remains concerned about inadequate maintenance of health facilities and delays infrastructure projects across the health sector.
- Deteriorating facility conditions, inadequate maintenance arrangements and delayed repairs continue to compromise the quality of patient care and staff working conditions.
- Continued delays in major infrastructure projects, including hospital revitalisation programmes, remain a concern.
- The Committee noted that weak coordination between health departments and public works structures continues to hamper infrastructure planning, implementation and delivery.

Provincial Governance and Intergovernmental Coordination:

- The Committee noted continued tension between national health policy objectives and provincial implementation responsibilities.
- Inconsistent implementation of national priorities across provinces remains a concern, despite additional funding and support.
- The Committee observed that weaknesses in provincial financial management, human-resource management and infrastructure maintenance continue to negatively affect service delivery outcomes.
- Emphasis was placed on strengthening parliamentary oversight of provincial health departments, particularly those flagged by the Auditor-General for significant governance and financial management weaknesses.

NHI Readiness and Health Reform:

- Progress in strengthening digital systems, health information systems and preparations for accreditation was welcomed as part of the Department's efforts to enhance readiness for NHI implementation
- Concerns remain that staffing shortages, facility readiness, gaps in digital infrastructure and unresolved litigation may impede the pace and effectiveness of NHI implementation.
- The importance of strengthening fraud-prevention, risk-management and governance mechanisms to support effective implementation of the NHI was underscored.

National Health Laboratory Services (NHLS)

- The Committee expressed concern that the NHLS continues to experience significant governance and management challenges, many of which have been repeatedly identified by the Auditor-General. These challenges contributed to the late submission of financial statements for auditing and, consequently, the failure to submit the Annual Report by the prescribed deadline.
- Unresolved governance weaknesses remain a concern, given the NHLS's critical role in supporting diagnostic services, disease surveillance, HIV and TB programmes, and broader health-system performance.
- The Minister's intervention following a dedicated engagement with the NHLS Board and executive management was noted, particularly the identification of governance shortcomings and the need for urgent corrective action.
- The Committee welcomed the Department's recognition that urgent intervention is required to stabilise governance at the NHLS and restore accountability.

6.2. Observations on Entities

6.2.1. Mines and Works Compensation Fund (MWCF)

Governance, Financial Management and Audit Matters:

- The Committee remains concerned that longstanding debtor balances have not been adequately resolved, despite improvements in overall organisational performance.

Members raised questions about debt recovery failures, consequence management, and the absence of a funded debt recovery plan with clear timeframes.

- Historical debtor balances continue to undermine the organisation's efforts to achieve a clean audit outcome.
- Concerns were raised that repeated unqualified audit opinions may lead to complacency, highlighting the need to strengthen internal controls and pursue continuous improvement towards a clean audit.
- Members expressed concern about the continued absence of a permanently appointed Chief Financial Officer and the potential implications for financial governance, accountability and oversight.

Human Resources and Organisational Capacity:

- The Committee was concerned about the relatively high vacancy rates within the CCOD and MBOD, particularly in critical posts that directly support service delivery to former mineworkers.
- Lengthy recruitment processes and delays in filling funded vacancies remain a significant constraint on organisational performance.
- It was noted that staffing shortages may be contributing to operational challenges, including radiology backlogs and delays in claims processing.

Service Delivery and Claims Administration:

- The Committee welcomed the improvements in performance and outreach activities but remained concerned about the large number of historical unpaid claims, some dating back more than a decade.
- There is a need for an urgent and comprehensive strategy to verify, trace and pay beneficiaries who remain uncompensated.
- The Committee observed that the substantial number of pending radiology reports and outstanding historical claims continue to delay certification and compensation processes.
- The low proportion of compensable claims relative to the number of certifications raised concerns and warrants closer monitoring and clearer public communication to affected mineworkers.

Outreach and Access to Services:

- The Committee commended outreach initiatives that bring services closer to ex-mineworkers, particularly those residing in rural areas and labour-sending countries who face barriers in accessing services.
- Community-based outreach and tracing initiatives were recognised as important in locating beneficiaries and resolving outstanding claims.
- The Committee expressed interest in observing outreach programmes as part of its parliamentary oversight of service delivery.

Sustainability and Future Planning:

- Concerns were raised about the long-term sustainability of services for ex-mineworkers, particularly following the anticipated conclusion of support provided through the Tshiamiso Trust.
- The Committee was of the view that the entity's internal capacity and resources may be insufficient to sustain current levels of service delivery without external support.
- The need for a sustainable long-term funding and service-delivery model was noted, including consideration of decentralised provincial structures to ensure continued support for ex-mineworkers.

Infrastructure and Working Conditions:

- The Committee remains concerned about the unresolved occupational health and safety issues at the MBOD building and the risks posed to staff and service delivery

6.2.2. South African Health Products Regulatory Authority (SAHPRA)

Governance, Strategic Direction and Regulatory Oversight:

- The Committee commended SAHPRA for maintaining a clean audit outcome and improving organisational performance and regulatory functions. However, the restatement of annual financial statements raised concerns about the accuracy and quality of financial reporting.

- The failure to achieve WHO Maturity Level 3 for medicines regulation remains a concern, particularly regarding the timely resolution of identified gaps and the need for clear implementation timeframes.
- Missed performance targets despite significant expenditure raised concerns about the alignment of resource allocation, operational delivery and accountability.

Human Resources and Organisational Capacity:

- Persistent capacity constraints, staff shortages and high turnover in specialised technical positions continue to affect SAHPRA's regulatory functions, particularly inspections, medicines evaluations and pharmacovigilance.
- Recruitment delays, pre-employment vetting and lengthy appointment procedures contribute to delays in filling funded vacancies, affecting operational capacity.
- Reliance on grant-funded positions raises concerns about the long-term sustainability of staffing arrangements and the financial implications of absorbing externally funded employees into the permanent establishment.
- Progress in the representation of women and youth was welcomed, while the importance of continued employment equity efforts, particularly opportunities for persons with disabilities, was emphasised.

Medicines Registration Backlogs and Regulatory Performance:

- Progress in reducing the medicines-registration backlog was welcomed, although outstanding applications and delays in processing registrations remain a concern. Delays in approving generic medicines may disproportionately affect lower-income patients who depend on affordable treatment.
- The reallocation of resources from generic medicines evaluations and Good Manufacturing Practice (GMP) licensing to other operational priorities may have contributed to missed targets in these areas, highlighting competing demands on regulatory capacity.
- The need for clear, time-bound interventions to eliminate the remaining registration backlog was underscored.

Medicine Safety Surveillance and Public Protection:

- Underperformance in pharmacovigilance and safety monitoring remains a concern, particularly the low rate of clinical-trial safety-signal mitigation and delays in assessing safety reports.
- Weaknesses in adverse-event reporting systems and limited public awareness may delay the identification of medicine-related risks and appropriate regulatory action, with potentially greater consequences for vulnerable patients who rely on the public health system.

Financial Management and Accountability:

- Recurring overspending in Programme 1 raises concerns about the accuracy of budgeting, expenditure management and financial reporting.
- Concerns were raised about the transparency and reliability of financial information presented to Parliament, particularly whether it adequately reflects operational performance and funding arrangements.
- The monitoring and reporting of externally funded activities remain important oversight concerns, particularly regarding the transparent and accountable utilisation of funds.

Labour Relations and Human Resource Management:

- The referral of the job-evaluation process to the Commission for Conciliation, Mediation and Arbitration (CCMA) raised concerns about labour relations, organisational change management and employee engagement.
- Unresolved labour disputes may have financial implications and undermine staff morale, highlighting the importance of effective dispute resolution and communication with employees.

Traditional, Complementary and Indigenous Medicines:

- The need for greater clarity regarding the regulation of complementary medicines was noted, including whether regulatory requirements appropriately balance public safety with recognition, compliance and innovation in the sector.
- The recognition of African traditional medicines and practitioners within the regulatory framework remains an important consideration, particularly in ensuring that traditional knowledge and practices are appropriately accommodated.
- Closer collaboration between SAHPRA, the Department of Health, research institutions, science councils and traditional medicine stakeholders was highlighted as important to developing an inclusive and effective regulatory framework.

Access to Medicines and Health System Impact:

- Medicine shortages and stockouts affecting access to essential treatments remain a concern, including the extent to which regulatory processes contribute to these challenges.
- Regulatory delays, inspection requirements and manufacturing constraints may indirectly affect medicine availability, underscoring the importance of coordination across the health sector to address supply-chain challenges and support the consistent availability of essential medicines.

Public Awareness, Enforcement and Regulatory Compliance:

- SAHPRA's efforts to combat substandard and falsified medical products were welcomed, while the importance of effective enforcement, market surveillance and stakeholder collaboration was emphasised.
- The need to strengthen public awareness of counterfeit medicines, adverse-event reporting mechanisms and regulatory compliance was highlighted, alongside effective whistleblowing channels and the timely investigation of reported concerns.
- The importance of ensuring that public communication and outreach initiatives are accessible and available in all official languages was emphasised.

6.2.3. South African Medical Research Council (SAMRC)

Governance, Funding Sustainability and Strategic Planning:

- The Committee expressed concern about the continued reliance on foreign donor funding and emergency government interventions to support critical HIV and TB research programmes, highlighting the need for increased government investment in science, research and innovation.
- The importance of maintaining national ownership of research priorities was emphasised, with international partnerships expected to complement, rather than replace, sustainable domestic research funding.
- Concerns were raised about the ambition and realism of annual performance targets, including the need to strengthen performance planning to ensure that targets reflect the SAMRC's operational capacity and anticipated outputs, thereby providing a meaningful basis for oversight and performance assessment.

Research Funding and Support for Historically Disadvantaged Institutions:

- The Committee welcomed the increase in grants and capacity-development awards but expressed concern that research funding and scholarship opportunities remain concentrated at historically advantaged institutions.
- Targeted interventions are required to strengthen research capacity, grant competitiveness and participation at historically disadvantaged institutions.
- The Committee noted the SAMRC's efforts to support historically disadvantaged institutions through outreach, application support and institutional engagements, while noting that further progress is required to achieve equitable distribution of opportunities.

Human Capital Development and Transformation:

- The Committee commended progress in transformation and career-development initiatives, including increased African representation in leadership positions, while noting that African representation at senior management level remains below desired levels and that further progress towards demographic representivity is required.

- Concerns were raised about the apparent underrepresentation of persons with disabilities within the entity, highlighting the importance of deliberate recruitment and retention strategies.
- The importance of creating opportunities for unemployed graduates, interns and young researchers was emphasised to strengthen the future research pipeline.

Artificial Intelligence, Data Governance and Research Innovation:

- The SAMRC's focus on artificial intelligence (AI) and emerging technologies was welcomed, although further clarity is required regarding investment levels, infrastructure development and skills-building initiatives.
- The importance of ensuring that AI-driven research benefits vulnerable and underserved communities was also emphasised.
- The SAMRC's efforts to strengthen governance measures relating to POPIA compliance, cybersecurity and data protection were acknowledged. Given the growing use of large datasets and international research collaborations, the adequacy of data-governance frameworks and privacy safeguards remains an important oversight consideration.

Financial Management and Compliance:

- The Committee is concerned about the irregular expenditure identified through independent review processes and expects consequence-management processes to be concluded expeditiously.
- Members noted with concern that compliance matters have remained under investigation for a prolonged period and emphasised the need for tangible outcomes and accountability.
- While acknowledging the proactive review of procurement transactions, the Committee stressed the importance of strengthening supply-chain management controls to prevent future irregularities.

Research Impact and Collaboration with Government:

- The Committee welcomed SAMRC's close collaboration with the Department of Health and other public institutions in supporting evidence-based policymaking, while

emphasising the importance of translating research findings and health data into effective, cost-efficient interventions that improve health outcomes and inform policy decisions.

Indigenous Knowledge Systems and Traditional Medicines:

- The Committee welcomed progress in preparing African traditional medicines for clinical trials and recognised their potential contribution to healthcare innovation and economic development.
- The importance of protecting indigenous knowledge and ensuring appropriate intellectual-property and benefit-sharing arrangements, so that communities derive fair benefits from research and commercialisation, was emphasised.

6.2.4. Council for Medical Schemes (CMS)

Governance, Oversight and Regulatory Effectiveness:

- The Committee commended the CMS for achieving a clean audit and an overall organisational performance rate of 94.83%, while emphasising the importance of sustaining these achievements through effective governance, financial controls and regulatory oversight.
- Delays in finalising investigations involving GEMS, trustee governance and medical scheme administrators remain a concern, particularly regarding accountability and the timely resolution of regulatory matters.
- The pace of implementing the Health Market Inquiry (HMI) and Section 59 recommendations remains a concern, particularly regarding market regulation, competition, consumer protection and the fair treatment of beneficiaries and healthcare providers.

Financial Sustainability, Funding and Organisational Capacity:

- The Committee expressed concern about the CMS's operational deficit, declining net assets and reliance on accumulated surpluses to finance operations, raising questions about its long-term financial sustainability and capacity to fulfil its expanding regulatory mandate.

- The absence of a finalised funding model remains a strategic risk amid rising operational costs and increasing regulatory responsibilities, highlighting the need for sustainable revenue sources.
- While improvements in financial controls were welcomed, concerns remain regarding unresolved irregular expenditure, fruitless and wasteful expenditure, late-payment penalties and recurring legal costs. The importance of preventative controls and effective consequence management was emphasised.
- Concerns about remuneration policies, employee benefits and labour disputes were noted, alongside the ongoing review of remuneration and incentive arrangements to align them with the CMS's financial position.

Complaints Management, ICT and Service Delivery:

- The persistent backlog in Category 2 complaints remains a concern, given its implications for beneficiary protection, dispute resolution and public confidence in the regulatory system.
- Outdated ICT systems and delays in implementing a new complaints management system continue to constrain operational efficiency and complaint turnaround times. The importance of sustainable ICT modernisation to support current and future regulatory requirements was highlighted.

Medical Scheme Affordability, Consumer Protection and Benefit Reform:

- The Committee expressed concern about the affordability of medical scheme membership amid rising contributions, healthcare inflation and increasing out-of-pocket expenditure, which may restrict access to private healthcare coverage.
- Unexpected medical expenses incurred despite pre-authorisation remain a concern, highlighting the importance of transparency regarding benefit limits, co-payments and coverage shortfalls.
- Progress towards developing a primary healthcare benefit package and expanding preventative healthcare interventions was welcomed. However, concerns remain that medical scheme benefits continue to favour hospital-based care over prevention and primary healthcare, with implications for affordability and out-of-pocket expenditure.

- The importance of balancing consumer affordability with the financial sustainability of medical schemes, while strengthening beneficiary protection, member empowerment and awareness, was emphasised.

Fraud, Waste, Abuse and Section 59 Implementation:

- The CMS's efforts to strengthen the Fraud, Waste, Abuse and Error regulatory framework were welcomed. However, the effective and consistent implementation of Section 59 recommendations remains critical to addressing discrimination, unfair treatment and inappropriate investigations involving healthcare providers.
- Concerns were raised about potential delays arising from stakeholder disputes and litigation. The importance of clear regulatory guidance, accountability and safeguarding the interests of beneficiaries and healthcare providers was emphasised.

Governance of Medical Schemes and GEMS Oversight:

- Ongoing investigations into GEMS governance, trustee remuneration and accountability remain an important oversight concern. Questions were raised about whether trustee remuneration and expenditure on related activities, including travel and accommodation, are appropriate and aligned with members' interests.

Health Market Inquiry and Intergovernmental Coordination:

- The slow implementation of the HMI recommendations and the absence of a coordinated implementation framework remain concerns.
- The importance of collaboration among the Departments of Health and Trade, Industry and Competition, relevant regulatory bodies and Parliament to advance market reforms, address competition concerns and improve affordability and access was highlighted.

Universal Health Coverage and Health System Reform:

- The importance of aligning the CMS's regulatory framework and market reforms with broader universal health coverage and National Health Insurance objectives was emphasised, particularly in addressing healthcare inequities, excessive costs and barriers to access.

- The role of medical scheme regulation in advancing equity, affordability and beneficiary protection within the broader health system was highlighted.

6.2.5. Office of the Health Ombud (OHO)

Financial Sustainability, Independence and Capacity Constraints:

- The Committee expressed serious concern that the OHO continues to operate without full institutional, administrative and financial independence. Dependence on the OHSC and delays in finalising the Health Ombuds Bill continue to constrain its autonomy, enforcement powers and sustainable funding arrangements.
- Chronic underfunding remains a concern, limiting the OHO's ability to recruit staff, expand investigations, strengthen outreach and address growing complaint volumes.
- The sustainability of the current funding model was questioned, highlighting the need for engagement with National Treasury and the Department of Health.
- Limited staffing, specialist capacity and operational resources, including transport constraints and shortened working hours, continue to affect investigative capacity, productivity and the resolution of complaints.

Complaint Backlogs, Investigation Delays and Risk Management:

- The growing complaint backlog, unresolved legacy cases and low proportion of clinical investigations completed within six months remain concerns, as prolonged investigation timeframes may undermine timely resolution and access to justice.
- The increase in extreme-risk complaints raises serious patient-safety concerns. The importance of effective risk-triage mechanisms to prioritise life-threatening cases and serious violations of patients' rights was underscored.

Access to Health Records and Cooperation by Health Facilities:

- Delayed or incomplete access to patient records, inadequate record-keeping and slow responses from health facilities continue to impede investigations.
- Fragmented health information systems further constrain access to reliable information, highlighting the importance of digitisation and integration to strengthen accountability.

Enforcement Powers and Accountability:

- The absence of binding enforcement powers remains a concern, as it limits the implementation of the OHO's findings and recommendations.
- The importance of legislative reform to strengthen compliance and accountability for systemic failures was highlighted.

Healthcare System Failures and Medico-Legal Risk:

- Members noted with concern that the increasing volume of complaints points to persistent systemic weaknesses within the public healthcare system, including deficiencies in the quality of care, patient-safety failures and inadequate accountability. The importance of leveraging Ombud findings to identify recurring systemic shortcomings, strengthen corrective interventions and address underlying factors contributing to escalating medico-legal liabilities was emphasised.
- Maternal and neonatal deaths, prolonged waiting times and other patient-safety failures identified through Ombud investigations remain serious concerns. Provincial trends and underlying causes require closer scrutiny to inform targeted interventions and sustained oversight.

Outreach and Accessibility:

- Concerns were raised that rural and underserved communities may face barriers to accessing or understanding the OHO's complaints mechanisms.
- Lower complaint volumes in some provinces may reflect gaps in awareness or access, rather than fewer instances of poor-quality care, highlighting the importance of accessible outreach initiatives.

National Preventive Mechanism Responsibilities:

- The OHO's participation in the National Preventive Mechanism without dedicated funding raises concerns about the additional strain on its limited resources.
- The sustainability of oversight of psychiatric and mental-health facilities remains a concern in the absence of dedicated funding and capacity.

6.2.6. Office of Health Standards Compliance (OHSC)

Governance, Regulatory Oversight and NHI Readiness:

- The Committee expressed concern about whether the OHSC has sufficient inspection capacity to support NHI readiness, given the relatively low number of health establishments inspected compared with the total number requiring certification. Delays in inspections and certification may constrain provider accreditation and broader health-sector reforms.
- The importance of stronger coordination between the OHSC, the National Department of Health, provincial departments, NHI structures and professional regulatory bodies to minimise duplication and regulatory fragmentation and support implementation readiness were highlighted.

Inspectorate Capacity, Organisational Resourcing and Decentralisation:

- The Committee expressed concern that inspectorate staffing levels and resource-mobilisation efforts remain insufficient to meet the OHSC's mandate, affecting inspection coverage, compliance monitoring and certification.
- The need for sustainable and innovative approaches to expanding inspection capacity was highlighted, including decentralised inspection models, regional and provincial inspection hubs, and the utilisation of qualified health professionals to improve coverage in remote and underserved areas.
- Delays in finalising the OHSC's human-resource management strategy remain a concern, particularly regarding future staffing requirements and the decentralised service-delivery model.
- Employment equity gaps were also noted, including the underrepresentation of women in senior management and the absence of persons with disabilities in the workforce.

Inspection Coverage, Certification and Quality Assurance:

- The current pace of inspections raises concerns about the time required to achieve comprehensive national coverage and certify health establishments in preparation for NHI implementation.
- Although the expansion of inspections to general practitioners and specialised services was welcomed, delays in developing specialised inspection tools may further constrain coverage.
- The importance of applying consistent underlying norms and standards across public and private health establishments was emphasised, notwithstanding the adaptation of inspection tools to different service-delivery environments.

Financial Sustainability:

- The OHSC's deficit position and reliance on retained surpluses raised concerns about its long-term financial sustainability, particularly given the substantial proportion of expenditure allocated to employee compensation and the need to expand inspection capacity.
- Efforts to establish a fee-for-service revenue model were noted, alongside the importance of safeguarding regulatory independence and avoiding unintended consequences for public health facilities.

Compliance Reporting, Complaints Management and Enforcement

- Delays in publishing the annual report on health-establishment compliance remain a concern, as they limit Parliament's ability to monitor compliance trends, assess health-system readiness and identify areas requiring intervention.
- Persistent complaint backlogs and delays in resolving cases within prescribed timeframes raised concerns, particularly regarding high-risk and extreme-risk complaints that may compromise patient safety. The importance of timely investigations, effective monitoring and resolution was emphasised.
- While efforts to strengthen enforcement mechanisms were welcomed, persistent non-compliance by health establishments remains a concern. Questions were raised about the consistent application of sanctions against establishments that repeatedly fail to meet

prescribed norms and standards, despite the development of regulations providing for financial penalties.

7. COMMITTEE RECOMMENDATIONS

Having made its observations and deliberations, the Committee recommends that the Minister of Health should ensure that the Department should:

7.1. Department of Health

- *Governance, Leadership and Accountability:*
    - Develop and submit a governance recovery plan, outlining corrective actions, responsible officials, implementation timelines and measurable milestones to address recurring audit findings across the Department and its entities.
    - Report quarterly to the Committee on the implementation of consequence management, including disciplinary actions, financial recoveries, criminal referrals and actions taken against officials responsible for irregular expenditure, financial misconduct and non-compliance.
    - Establish a centralised audit findings tracking system to monitor implementation of Auditor-General recommendations across all programmes and entities and report progress to the Committee on a quarterly basis.
    - Performance agreements of senior managers should include specific governance, compliance and audit-improvement targets, linked to accountability measures and performance assessments.

- *Financial Management and Audit Outcomes:*
    - Develop a time-bound action plan to achieve a clean audit opinion within the medium term, including specific interventions to address repeat findings, material misstatements and irregular expenditure.

- Provide the Committee with a programme-by-programme analysis of budget allocation, expenditure and performance outcomes, to enable assessment of value for money and spending efficiency.
- Strengthen expenditure planning and in-year monitoring mechanisms to reduce both underspending and inefficient expenditure in critical service-delivery programmes.
- All material irregularities and outstanding investigations identified by the Auditor-General should be finalised within prescribed timeframes, with progress reports submitted to the Committee.

- *Human Resources and Organisational Capacity:*
  - Urgently fill all critical funded vacancies, particularly senior management and financial-management posts.
  - A comprehensive workforce plan should be developed and implemented, identifying critical shortages, recruitment priorities, succession planning requirements and retention strategies.
  - Implement targeted interventions to improve employment equity outcomes, particularly regarding youth employment, persons with disabilities and women in senior management positions.
  - Quarterly vacancy reports should be submitted to the Committee, detailing vacancy rates, recruitment progress and the impact of vacancies on service delivery.

- *Health System Performance and Service Delivery:*
  - Develop targeted recovery plans for all underperforming indicators, with clear annual milestones and accountability mechanisms.
  - Provincial health departments should be required to submit remedial plans for priority service-delivery areas where targets have been missed, including TB, HIV, immunisation and hospital services.
  - Develop and implement a national waiting-list reduction strategy, focusing on cataract surgery, oncology services and other specialised procedures with significant backlogs.
  - Introduce stronger performance-monitoring systems linking expenditure to service-delivery outcomes and patient impact.

- *Medicine Availability and Supply Chain Management:*
    - Develop a national medicine stockout reduction plan, including early warning systems, stock visibility tools and clear escalation protocols.
    - Provincial departments should be required to report monthly on medicine availability and stockout incidents, with corrective measures implemented for persistent failures.
    - Strengthen central procurement, forecasting and contract management systems to reduce medicine shortages and supply-chain disruptions.
    - Give special attention to securing uninterrupted supplies of HIV, TB, oncology and chronic medication, given their importance for treatment outcomes.
    - Assess the impact of extended medicine-dispensing periods on stock levels and supply-chain capacity and implement measures to prevent stock shortages and ensure the uninterrupted availability of essential medicines.

- *Public Health Programmes and Service Delivery:*
    - Accelerate the implementation of six-month dispensing of antiretroviral treatment for eligible stable patients across all provinces.
    - Implement a national retention-in-care strategy to reduce treatment interruption and loss-to-follow-up among HIV and TB patients.
    - Strengthen integrated chronic disease management models to reduce multiple visits and improve continuity of care.
    - Given declining donor support, develop a sustainability plan for HIV prevention and support services targeting vulnerable and key populations.
    - Report quarterly on TB treatment outcomes, treatment interruptions and measures to improve treatment success rates.
    - Finalise the revised National Palliative Care Policy by July 2027 and submit a costed implementation plan with clear targets, timelines and assigned responsibilities to strengthen service delivery, particularly for children and other patients with life-limiting illnesses. The Department should submit six-monthly progress reports to the Committee to facilitate oversight of implementation.

- Assess the funding requirements for traditional medicine and establish a dedicated budget allocation to support its development, regulation, research and appropriate integration into the national health system.

- *Maternal, Child and Preventive Healthcare:*
  - Develop an urgent maternal and neonatal mortality reduction plan, with province-specific interventions targeting high-burden districts.
  - Implement a national immunisation recovery campaign to address declining childhood immunisation coverage and vaccine hesitancy.
  - Strengthen outreach and school-based programmes to improve HPV vaccination coverage, particularly in poorly performing provinces.
  - Link screening programmes to clear referral, treatment and follow-up pathways, and monitor patient outcomes rather than screening volumes alone.
  - Strengthen midwifery capacity through improved training, recruitment and retention of specialised maternal-health personnel.

- *Digital Health and Information Systems:*
  - Accelerate the implementation of integrated electronic health records and establish clear national rollout timelines.
  - Submit a comprehensive digital-health implementation plan to Parliament, detailing funding requirements, milestones and interoperability standards.
  - Priority should be given to replacing paper-based patient-record systems in high-volume facilities and referral hospitals.
  - Ensure that digital-health systems support patient tracking, continuity of care, medicine management and programme monitoring.

- *Infrastructure, Maintenance and Facility Conditions:*
  - Develop a national health-facility maintenance strategy, including ring-fenced preventative maintenance budgets and routine maintenance schedules.
  - All delayed hospital and health-facility infrastructure projects should be subjected to a project recovery plan with implementation deadlines and accountability measures.

- Strengthen coordination with Public Works and Infrastructure authorities to accelerate maintenance and infrastructure delivery.
- Health care facilities identified as high risk during inspections be prioritised for urgent repairs and revitalisation.

- *Provincial Governance and Intergovernmental Coordination:*
  - Strengthen oversight of provincial health departments through formal performance-monitoring and accountability mechanisms.
  - Provinces repeatedly identified by the Auditor-General as high risk should submit corrective action plans and quarterly progress reports to the Committee.
  - Establish clear consequence-management frameworks for provinces that fail to implement national priorities despite receiving allocated funding.

- *NHI Readiness and Health Reform:*
  - Submit a comprehensive NHI readiness assessment to the Committee, detailing facility readiness, staffing requirements, digital infrastructure, accreditation preparedness and implementation risks.
  - Develop a detailed implementation roadmap with measurable milestones for NHI-related reforms and system strengthening.
  - Strengthen and operationalise fraud-prevention, governance and risk-management frameworks before large-scale NHI implementation.
  - Provide regular updates on legal, operational and financial risks that may affect implementation timelines.
  - Prioritise strengthening the quality and functionality of public health care facilities before large-scale provider contracting under NHI.

- *Governance and Sustainability of the Entities:*
  - Submit an urgent NHLS governance intervention plan to the Committee, outlining governance failures, corrective actions, responsible officials and implementation timeframes.

- Ensure that the NHLS Board provide quarterly progress reports on the implementation of governance reforms and the resolution of Auditor-General findings.
- Submit a detailed progress report on the outcomes of the Minister's intervention and the support provided by the senior officials deployed to assist the NHLS Board.
- The Department, together with National Treasury, submit to the Committee a consolidated response on the long-term funding, staffing and institutional-capacity requirements of its public entities, including MWCF, SAHPRA, SAMRC, CMS, OHO and OHSC, with an implementation plan and timelines.
- Expedite the finalisation of the Health Ombuds Bill to strengthen the OHO's institutional independence and enforcement powers.

7.2. Entities

7.2.1. Mines and Works Compensation Fund (MWCF)

- *Debt recovery and financial management*: Implement a funded debt-recovery plan with clear targets and timeframes to resolve longstanding debtor balances, strengthen internal controls and improve progress towards a clean audit. The Committee should also be kept informed of progress in appointing a permanent Chief Financial Officer.
- *Human resource capacity*: Prioritise filling critical vacancies within the CCOD and MBOD and review recruitment processes to reduce delays, particularly in positions affecting claims processing, radiology services and beneficiary support.
- *Outstanding claims and service delivery*: Develop a time-bound plan to verify, trace and resolve historical unpaid claims, including identifying beneficiaries who remain uncompensated and reporting on claims settled, outstanding and requiring further investigation.
- *Radiology and claims processing backlogs*: Implement measures to reduce outstanding radiology reports and expedite certification and compensation processes. It should also

monitor and explain the gap between certifications issued and compensable claims, ensuring that affected mineworkers receive clear information on claim outcomes.

- *Outreach and access to services*: Strengthen outreach and beneficiary-tracing initiatives, particularly in rural communities and labour-sending countries, and report on their contribution to resolving outstanding claims and improving access to compensation.
- *Long-term sustainability*: Develop a sustainable funding and service-delivery plan to maintain services to former mineworkers beyond the anticipated conclusion of Tshiamiso Trust support. The plan should assess internal capacity, funding requirements and the feasibility of decentralised provincial service structures.
- *Infrastructure and occupational health and safety*: Urgently address outstanding occupational health and safety concerns at the MBOD building and report on corrective measures, implementation timeframes and the protection of staff and continuity of services.

7.2.2. South Africa Health Products Regulatory Authority (SAHPRA)

- *Regulatory performance and WHO Maturity Level 3:* Develop a time-bound corrective action plan to address the outstanding requirements for achieving WHO Maturity Level 3, with clear milestones, responsible officials and regular progress reports to the Committee.
- *Medicines registration backlog:* Implement a targeted backlog-reduction plan, prioritising outstanding applications and generic medicines, and report quarterly on progress, turnaround times and reasons for delays.
- *Human resource capacity*: Develop a costed human resource plan to address critical vacancies, recruitment delays and the retention of specialised skills, including measures to ensure the sustainability of essential grant-funded positions.
- *Medicine safety and pharmacovigilance:* Strengthen adverse-event reporting and safety-monitoring systems, with measurable targets for assessing safety reports, addressing identified risks and improving public and healthcare-professional awareness.
- *Financial management and accountability:* Address recurring overspending in Programme 1, improve the accuracy of financial reporting and strengthen oversight of externally funded activities. Corrective measures should be reflected in its financial and performance reports.

- *Traditional, complementary and indigenous medicines:* SAHPRA, in collaboration with the National Department of Health and relevant stakeholders, clarify regulatory requirements and identify practical measures to facilitate compliance, research and recognition of traditional medicines while safeguarding public health.
- *Access to medicines and enforcement:* (1) Strengthen collaboration with the National Department of Health and relevant supply-chain stakeholders to identify and address regulatory factors contributing to medicine shortages. (2) Strengthen market surveillance and enforcement against substandard and falsified medical products.
- *Labour relations and employment equity:* Address outstanding job-evaluation disputes through appropriate labour-relations processes and strengthen employment equity measures, including opportunities for persons with disabilities.
- *Parliamentary reporting and oversight:* Submit a consolidated progress report to the Committee outlining actions taken, outstanding challenges and progress against agreed timeframes.

7.2.3. South African Medical Research Council (SAMRC)

- *Funding sustainability and strategic planning*: Develop a sustainable research funding strategy that strengthens domestic government investment in priority health research while ensuring that international partnerships complement national funding. Annual performance targets should be realistic, measurable and aligned with available resources and operational capacity.
- *Equitable research funding:* Strengthen targeted support for historically disadvantaged institutions through grant-writing assistance, research capacity development, mentorship and equitable access to scholarships and research funding. Progress should be monitored and reported against measurable targets.
- *Human capital development and transformation*: Strengthen recruitment, retention and career-development initiatives to improve demographic representation in senior management, increase opportunities for persons with disabilities and expand support for unemployed graduates, interns and young researchers.

- *Artificial intelligence and data governance*: Clarify its priorities and investment in artificial intelligence, research infrastructure and skills development, with particular attention to applications that benefit underserved communities. It should also strengthen oversight of data protection, cybersecurity and compliance with the Protection of Personal Information Act (POPIA).
- *Financial management and consequence management*: Expedite investigations into irregular expenditure and outstanding compliance matters, ensure that appropriate consequence-management processes are concluded, and strengthen supply-chain management controls to prevent recurrence. Progress and outcomes should be reported to the Committee.
- *Research impact and policy implementation*: Strengthen collaboration with the National Department of Health and other public institutions to translate research findings into practical, cost-effective health interventions and evidence-based policy decisions. The impact of research on health outcomes and service delivery should be monitored.
- *Indigenous knowledge and traditional medicines*: Strengthen research and clinical-trial preparation for African traditional medicines while ensuring that indigenous knowledge is protected through appropriate intellectual-property and benefit-sharing arrangements that provide fair benefits to communities.

7.2.4. Council for Medical Schemes (CMS)

- *Governance and regulatory oversight*: Expedite outstanding investigations involving GEMS, trustees and medical scheme administrators, strengthen accountability and report on progress in implementing the Health Market Inquiry and Section 59 recommendations.
- *Financial sustainability and management*: (1) Finalise a sustainable funding model aligned with its regulatory mandate and long-term operational costs. (2) Address irregular, fruitless and wasteful expenditure, late-payment penalties and recurring legal costs through strengthened financial controls and consequence management.
- *Complaints management and ICT modernisation*: (1) The CMS should implement a time-bound plan to reduce the Category 2 complaints backlog, supported by clear resolution

targets and regular monitoring. (2) Prioritise implementation of the new complaints management system and modernisation of its ICT infrastructure.

- *Affordability and consumer protection*: (1) Strengthen monitoring of medical scheme affordability, unexpected out-of-pocket costs and transparency regarding benefits, co-payments and exclusions. (2) Advance the development of primary healthcare benefits and preventative interventions to support more affordable and accessible healthcare.
- *Fraud, Waste, Abuse and Section 59*: Strengthen implementation of its Fraud, Waste, Abuse and Error framework and Section 59 recommendations, ensuring consistent regulatory guidance, fair investigations and appropriate safeguards for beneficiaries and healthcare providers.
- *GEMS governance and accountability*: Finalise outstanding investigations into GEMS governance, trustee remuneration and related expenditure, including travel and accommodation, and report on findings and corrective action taken to safeguard members' interests.
- *Health Market Inquiry implementation*: Work with the National Department of Health, the Department of Trade, Industry and Competition and relevant regulators to establish a coordinated implementation plan for outstanding HMI recommendations, with clear responsibilities, milestones and progress reporting.
- *Universal health coverage and health system reform*: Align its regulatory priorities with broader universal health coverage and National Health Insurance objectives, with particular attention to reducing barriers to access, improving affordability and protecting beneficiaries.

7.2.5. Office of the Health Ombud (OHO)

- *Institutional independence and sustainable funding*: The OHO, in collaboration with the Department and National Treasury, should develop a sustainable funding plan addressing staffing, investigations, outreach and operational requirements.
- *Complaint backlogs and investigation capacity*: Implement a prioritised plan to reduce outstanding complaints and expedite clinical investigations, with clear turnaround-time targets. Extreme-risk complaints involving potential threats to life or serious violations of patients' rights should receive priority attention.

- *Access to health records and facility cooperation*: Strengthen mechanisms to secure timely and complete access to patient records and responses from health facilities. The Department of Health and provincial departments should address persistent non-cooperation and improve record management and information-sharing systems to support investigations.
- *Enforcement and accountability*: Prioritise legislative measures to strengthen the OHO's ability to secure compliance with its findings and recommendations. In the interim, the OHO should strengthen the monitoring and reporting of corrective actions required from health facilities and provincial departments.
- *Systemic healthcare failures and patient safety*: Systematically analyse investigation findings to identify recurring service-delivery failures, including maternal and neonatal deaths, prolonged waiting times and patient-safety incidents. Relevant provincial departments should be required to implement corrective measures and report on progress, with particular attention to systemic weaknesses that contribute to medico-legal claims.
- *Outreach and accessibility*: Strengthen public awareness and outreach, particularly in rural and underserved communities, and assess whether low complaint volumes in certain provinces reflect barriers to accessing its services. Complaints mechanisms should be accessible to patients across all provinces.
- *National Preventive Mechanism*: Engage the relevant departments and funding authorities to secure dedicated resources for its National Preventive Mechanism responsibilities, particularly oversight of psychiatric and mental-health facilities, without compromising its core complaints and investigation functions.

7.2.6. Office of Health Standards Compliance (OHSC)

- Inspection capacity and NHI readiness: Develop a prioritised, time-bound inspection and certification plan aligned with NHI readiness requirements, in collaboration with the National Department of Health, provincial departments, NHI structures and relevant professional regulators.
- Human resource capacity and employment equity: (1) Finalise and implement its human resource strategy, prioritising critical vacancies, succession planning and the staffing

requirements of its decentralised inspection model. (2) Measurable targets should be established to improve the representation of women in senior management and persons with disabilities.

- *Inspection tools and quality assurance*: Accelerate the development and implementation of specialised inspection tools for mental health services, emergency medical services and other healthcare sectors, while ensuring consistent application of prescribed norms and standards across public and private health establishments.
- *Compliance reporting and transparency*: Publish annual health-establishment compliance-status reports within prescribed timeframes to strengthen transparency, enable effective parliamentary oversight and identify areas requiring corrective intervention.
- *Complaints management and patient safety*: Expand complaint-handling capacity and implement a targeted plan to reduce backlogs, prioritising high-risk and extreme-risk complaints that may compromise patient safety. Progress should be monitored against clear resolution targets and prescribed timeframes.
- *Enforcement and accountability*: (1) Strengthen enforcement against persistent non-compliance, including finalising and implementing regulations providing for financial penalties where appropriate. (2) Monitor corrective action and report on enforcement outcomes and recurring violations.
- *Financial sustainability*: Develop and implement a sustainable funding model to support its expanding regulatory mandate and inspection capacity. Any fee-for-service mechanism should be carefully assessed to ensure financial viability without compromising regulatory independence or placing undue financial pressure on public health facilities.

8. CONCLUSION

The Committee notes the progress made by the Department of Health and its entities during the period under review, while recognising that significant challenges remain in several areas of governance, financial management and service delivery. The findings and recommendations contained in this Report are intended to strengthen accountability, improve performance and support the effective delivery of quality healthcare services to all South Africans.

The Committee emphasises the importance of the timely implementation of these recommendations and expects the Department and its entities to take the necessary corrective actions to address identified shortcomings. Unless otherwise indicated, the Department should provide a written response to the Committee's recommendations within **three months** of the adoption of this Report by the House.

To enable ongoing parliamentary oversight, the Department and its entities should submit **quarterly progress reports** on the implementation of the recommendations contained in this Report. The Committee will continue to monitor progress and engage with the Department and its entities to ensure that meaningful improvements are achieved in support of the health sector's mandate and strategic objectives.

Report to be considered.

3. BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS ON THE 2025/26 ANNUAL REPORT OF THE DEPARTMENT OF MILITARY VETERANS (DMV), DATED 15 OCTOBER 2026

The Portfolio Committee on Defence and Military Veterans (PCDMV), having considered the financial and service delivery performance of the Department of Military Veterans (DMV) for the 2025/26 financial year on 14 October 2026, reports as follows:

1. INTRODUCTION

1.1 Description of core functions of the Department

The DMV derives its mandate from the Military Veterans Act (No 18 of 2011), which requires it to provide national policy and standards for socio-economic support to military veterans and to their dependents, including benefits and entitlements to help realise a dignified, unified, empowered and self-sufficient military veterans' community.

1.2 Mandate of Committee

The Portfolio Committee on Defence and Military Veterans (PCDMV) is mandated to oversee the DMV to ensure that the Department fulfils its mandate through the monitoring of the implementation of legislation and adherence to policies, such as the Military Veterans Act (No 18 of 2011), the Military Veterans Benefits Regulations and other related legislation and regulations. The Committee scrutinises the legislation which supports the mission statement of Government as well as the budget and functioning of DMV.

1.3 Purpose of the BRR Report

Section 5 (2) of the Money Bills Procedures and Related Matters Amendment Act (Act 9 of 2009) allows for each National Assembly Committee to compile a Budgetary Review and Recommendation Report (BRRR) which must be tabled in the National Assembly. Section 5(3) provides for a BRRR to contain the following:

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

In October of each year, parliamentary portfolio committees compile a BRRR that assess performance given available resources; evaluates the effective and efficient use and forward allocation of resources; and makes recommendations on the forward use of resources. The BRRRs are also source documents 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). The comprehensive review and analysis of the previous financial year's performance, as well as performance to date, form part of this process.

1.4 Structure of the Report

This Report comprises the following sections:

- Section 1: An introduction which sets out the mandate of the Committee, the purpose of this report.
- Section 2: An overview of the key relevant policy focus areas.
- Section 3: An overview and summary of previous key financial and performance recommendations of Committee.
- Section 4: A broad overview and assessment of financial performance of the Department and an overview of service delivery and performance.
- Section 5: Key financial management findings and the report of the Auditor-General of South Africa.
- Section 6: Human Resources matters.
- Section 7: Key Committee observations.
- Section 8: Key recommendations.

2. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

2.1 State of the Nation Address (SONA) 2024

President Cyril Ramaphosa delivered his SONA on 6 February 2025. Matters related to the DMV was not directly included in the SONA 2025, but the President did refer to government's housing plans which correlates with some of the work of the DMV in its mandate to provide housing to qualifying military veterans. The President noted plans to build more housing in city centres and near business districts to improve accessibility to jobs and opportunities. Housing subsidies will be redesigned to help people buy or rent homes in better-located areas. The Housing Benefit is a key benefit offered to qualifying military veterans and the change in approach may also affect the way in which the DMV administers this benefit.

2.2. DMV contributions towards the National Development Plan (NDP) and Medium-Term Strategic Framework (MTSF)

The 2025/26 Annual Report states that three (3) Executive Authority priorities have formed the basis for the Departmental deliverables and that these support the National Development Plan (NDP 'Vision 2030') and Medium-Term Development Plan (MTDP2024-2029.

- **Priority 1: Strengthened governance, legislation and efficiencies at DMV**
  This priority embraces the NDP Chapters 13 and 14 and MTSF Priority 1. The Military Veterans Act and delegated legislation have created governance bodies: the Advisory Council on Military Veterans (ACMV), and the Military Veterans Appeal Board (MVAB). The ten (10) members of the ACMV were appointed in 2022. The 2025/26 Report explains, in 2025 the ACMV could not perform their duties as they could not form a quorum without the *Ex Officio* member, the Acting Director General, in attendance. Three of the four (4) members of the Military Veterans Appeal Board (MVAB) appointed in 2023 resigned and led the Minister to disband the MVAB in 2023. Eventually in February 2026 eight (8) members were appointed and attended the induction session in March 2026.

- **Priority 2: Improved socio-economic status of Military Veterans**
  This priority is linked to the NDP Chapter 9: Improving education, training and innovation, Chapter 10: Promoting health, Chapter 11: Social Protection, Chapter 15: Transforming society and uniting the country. Furthermore, the priority is linked to the MTDP Strategic Priority 2: Reduce Poverty and tackle the high cost of living:

- *Education, training and development:* During 2025/26, the annual target of providing 4 200 bursaries was missed. The Department did not open a new application intake for the 2025 academic year. Providing bursary support was largely limited to continuing beneficiaries. A total of 2 457 bursaries (1 821 for Basic Education and 787 for Higher Education) were provided to military veterans and their dependents, down 33.4% since 2023/24.
- *Access to health support:* During 2025/26 a total number of 257 Military Veterans were authorised to access healthcare services through the SA Military Health Service. This exceeded the target of 250. The target was also exceeded for dedicated counselling services and treatment, assisting 711 military veterans and their dependants against an annual target of 500.
- *Housing:* During 2025/26, 188 newly built houses were provided to Military Veterans, compared with 133 in the 2024/25 financial year. This represents a 41% shortfall against the annual target of 250 houses.
- *Compensation:* During 2025/26 only 89 Military Veterans were approved for the compensation benefit. This represents a decrease from 153 approvals in 2024/25 (41.8%) and a decline of 79.0% compared with the 424 approvals recorded in 2023/24.
- *Pension:* During 2025/26, 4 485 Military Veterans were approved for their pension benefit. As the Annual Report notes, the sustained growth in uptake resulted in over-expenditure on the sub-programme of R6.371 million in 2024/25 and R7.484 million in 2025/26. This over-expenditure does not reconcile with Programme target to assist 6 500 Military Veterans and their dependents to receive pension benefits. The Department will implement the approved Pension Regulations by applying means testing from 2026/27.

- **Priority 3: Economic opportunities for Military Veterans (Outward looking)**

  The priority embraces NDP Chapters 3, 14 and 15 and MTSF Priorities 2 and 4. During 2024/25 a total of 110 Military Veterans businesses were provided with access to business facilitation by the Department. However, as the AGSA reports some supporting evidence was not provided for auditing; or, where it was, AGSA identified material differences between the actual and reported achievements. As at 31 March 2026 there was no access to employment placement opportunities facilitated for Military Veterans which translates to 0% achievement of target against plan.

3. SUMMARY OF PREVIOUS RECOMMENDATIONS OF THE COMMITTEE

Based on its analysis and overview of the 2024/25 DMV Annual Report, the Committee made the following recommendations:

a) The Committee reiterates the need for the Executive Authority to finalise the appointment of a permanent Director-General. The Committee again emphasises that this matter has repeatedly been brought to the attention of the Executive Authority without being resolved. The Minister should submit a detailed timeline of previous advertisements for the post, interviews held, and the expected date of appointment. The Minister should also indicate to the Committee by when the current contract of the Acting DG will come to an end. This should be provided in writing to the Committee by 15 November 2025.
b) The Executive Authority should submit to the Committee, in writing by 15 November, a roadmap for finalising the interim structure of the DMV, including clear timelines. This is essential to enable the Department to fill its other senior vacancies.
c) The Department must submit further information on the composition and terms of reference of the DMV Transversal Team to the Committee by 15 November 2025, including the Department's understanding of under which legal authority it is created.
d) The DMV must submit, in writing, a roadmap for the SANMVA conference, including all associations' planned conferences, with clear target dates and a plan to mitigate the potential impact of ongoing legal action in this regard. The roadmap should be submitted to the Committee no later than 15 November 2025.
e) The DMV must submit a provincial breakdown of benefits delivered in 2024/25 by 15 November 2025.
f) The DMV should submit a detailed action plan addressing Irregular, Fruitless and Wasteful Expenditure. This plan must include recovery measures for funds lost and consequence management being implemented and should be submitted to the Committee in writing by 30 January 2026.
g) Going forward, the DMV must provide updates on Irregular, Fruitless and Wasteful Expenditure in all quarterly expenditure and performance reports to the Committee.
h) The DMV should provide the Committee with a written plan, including timelines, for the development of an incorruptible, integrated, digital database system for military veterans. The

plan should also include the role of the Database Verification Panel and should be submitted in writing by 30 January 2026.

i) The Executive Authority should provide the Committee, in writing, with the timelines for the finalisation of updated regulations currently being developed. The Executive Authority should also indicate whether legislative amendments are required to prevent the exploitation of benefits and, if so, when such legislation is expected to be introduced. This should be submitted in writing by 30 January 2026.

j) The Committee will request the Auditor-General of South Africa to conduct a specific forensic audit on (a) recipients of benefits from the DMV, (b) the application of the means test, and (c) allegations that non-qualifying individuals, including state employees, have received or are receiving such benefits.

4. OVERVIEW AND ASSESSMENT OF THE 2025/26 DMV PERFORMANCE

4.1 Budget Allocation and Expenditure

During the 2025/26 financial year, Vote 26 (DMV) had a final budget of R878.541 million. Compared with the 2024/25 financial year, the Department's final budget increased by R66.135 million, representing an increase of approximately 8.1%. Actual expenditure increased by R71.308 million. The Department spent R829.113 million, representing 94.4% of its final budget, with an under-expenditure of R49.428 million (5.6%). The Department's overall expenditure performance was therefore slightly better than in the preceding financial year. However, expenditure patterns across the three programmes indicate uneven budget execution, with particularly notable under-expenditure in Administration and Empowerment and Stakeholder Management.

Furthermore, the appropriation statement reflects substantial reallocations between programmes. Administration's budget was reduced by R26.981 million, Socio-Economic Support received an additional R34.021 million, and Empowerment and Stakeholder Management was reduced by R7.040 million.

Overview of Budget Allocation and Expenditure for 2024/25

Programme	2024/2025 R'000		2025/2026 R'000		
	Final Appropriation	**Actual Expenditure**	**Final Appropriation**	**Actual Expenditure**	**Variance**
Administration	163 150	148 767	153 422	149 164	4 258
153 422	149 164	175 121	134 910	13 230	623
413 824	413 201	472 744	506 404	361	49 720
245 160	195 440	230 676	187 799	35 837	**54 601**
812 406	**757 805**	**878 541**	**829 113**	**49 428**	

In terms of economic classification, the DMV spent R117.984 million on Compensation of Employees against a budget of R 133.5 million. Compared with 2024/25, expenditure on Compensation of Employees decreased by R2.371 million, from R120.355 million to R117.984 million.

Other noteworthy expenditure items include the following:

- *Operating Leases:* The Department spent R29.499 million against a final budget of R29.903 million, leaving R404 000 unspent. Although expenditure was almost in line with the revised allocation, the final budget increased by R10.637 million compared with R19.266 million in 2024/25. Actual expenditure, however, decreased slightly from R29.943 million to R29.499 million.
- *Advertising:* The final budget decreased from R7.297 million in 2024/25 to R2.408 million in 2025/26, a reduction of approximately 67.0%. Actual expenditure fell from R1.545 million to R484 000. The Department spent only 20.1% of its 2025/26 allocation.
- *Communication:* The Department recorded expenditure of R2.143 million against a negative final budget of R80 000, resulting in a reported variance of negative R2.223 million. The negative final budget arose from substantial budget adjustments, including a R5.590 million reduction through shifting of funds.

- *Consultants:* Business and Advisory Services: Expenditure amounted to R8.215 million. Actual expenditure increased substantially from R2.612 million in 2024/25, an increase of R5.603 million, or approximately 214.5%.
- *Travel and Subsistence:* Expenditure increased from R11.006 million in 2024/25 to R21.517 million in 2025/26, against a final budget allocation of R36.993 million.
- *Training and Development:* Expenditure reduced from R36.643 million in 2024/25 to R22.871 million in 2025/26. This is against a final budget of R25.584 million, resulting in under-expenditure of R2.713 million.
- *Bursaries for Employees:* The Department spent R438 000 against a final budget of R973 000, representing 45.0% expenditure. This was slightly higher than the R426 000 spent in 2024/25 but remained well below the available allocation.
- *Transfers and Subsidies:* Expenditure reached R406.199 million against a final budget of R399.525 million, resulting in an over-expenditure of R6.674 million, or 101.7% of the allocation. Within this category, Social Benefits expenditure amounted to R278.619 million against a budget of R257.703 million, an over-expenditure of R20.916 million. Conversely, other transfers to Households recorded under-expenditure of R14.242 million, with expenditure of R127.580 million against a final budget of R141.822 million

4.2 DMV Annual Performance per programme

4.2.1 Programme 1: Administration

During the 2025/26 financial year, Programme 1: Administration had an adjusted budget of R175.121 million. Following virements of R26.981 million out of the programme, the final budget was reduced to R148.140 million. The Department spent R134.910 million, representing 91.1% of the final allocation, resulting in under-expenditure of R13.230 million (8.9%).

Compared with the 2024/25 financial year, the programme's final budget decreased by R5.282 million, from R153.422 million to R148.140 million (3.4%). Actual expenditure declined by R14.254 million, from R149.164 million to R134.910 million (9.6%). The decline in expenditure was therefore greater than the reduction in the final budget, warranting further investigation into the factors affecting implementation and operational capacity.

All six sub-programmes recorded expenditure below their final budgets, with the exception of Office Accommodation, which spent virtually its entire allocation. The largest rand-value under-expenditure occurred in Corporate Services, followed by Financial Administration and Office Accommodation's other operational counterparts.

In terms of *economic classifications*, Compensation of Employees recorded under-expenditure of R9.117 million, with 87.7% of the final budget spent. Salaries and Wages were R6.859 million under budget, with expenditure reaching 89.4% of the final allocation, while Social Contributions recorded under-expenditure of R2.258 million, with 75.0% of the budget spent.

Programme 1 expenditure for 2025/26

ADMINISTRATION SUB PROGRAMMES	**2025/26**			**2024/25**
	Final Appropriation	***Actual expenditure***	**Variance**	***Actual expenditure***
Management	9 563	8 595	968	9 169
Corporate Service	65 571	59 665	5 906	71 511
Financial Administration	27 082	22 996	4 086	22 835
Internal Audit	10 460	9 185	1 275	13 136
Strategic Planning, Policy development and M&E	12 959	11 966	993	12 089
Office Accommodation	22 505	22 503	2	20 424
Total: Sub-programmes	**148 140**	**134 910**	**13 230**	**149 164**

Travel and Subsistence recorded under-expenditure of R0.443 million, with actual expenditure of R2.348 million against a final budget of R2.791 million, representing 84.1% of the allocation spent. Capital expenditure was also significantly underutilised, with only R2.294 million spent against a final allocation of R4.856 million, representing 47.2% of the budget.

In total, under-expenditure in the Administration Programme amounted to R13.230 million in 2025/26, compared with R4.258 million in 2024/25. Recurring under-expenditure was evident in Management, where 89.9% of the final budget was spent in 2025/26, compared with 89.9% in 2024/25. Financial Administration also recorded under-expenditure, with 84.9% of its final budget spent in 2025/26. Corporate Services recorded a decline in actual expenditure from R71.511 million in 2024/25 to R59.665 million in 2025/26, a decrease of approximately 16.6%.

In terms of performance in Programme 1, the DMV reported six (6) key performance targets for the 2025/26 financial year, of which three (50%) were achieved. However, the Annual Report provides evidence for only two clearly achieved targets: the unqualified audit opinion and achieving fair representation at SMS level. The DMV achieved its target of obtaining an unqualified audit opinion for the 2025/26 financial year and also achieved its target of maintaining 50% representation of women at SMS level, although this was lower than the 59.1% recorded in 2023/24 and the 52.6% achieved in 2024/25. However, the invoice payment target was narrowly missed, while the ICT implementation, disability representation and Research Agenda 2030 indicators have not been fully achieved.

The non-achieved targets in relation to Programme 1 included the following:

- Payment of legitimate invoices within 30 days: The DMV aimed to pay 100% of legitimate invoices within 30 days but achieved 99.2%.
- Representation of persons with disabilities: The DMV aimed to achieve 3% representation of persons with disabilities but achieved only 1.8%, a shortfall of 1.2 percentage points.
- Approval of the Research Agenda 2030: The DMV planned to obtain approval of the Research Agenda 2030 by 31 March 2026 but did not achieve this target. The agenda was presented to management, but additional consultation was required before finalisation. The Department indicated that approval was envisaged for the first quarter of 2026/27.
- Implementation of the ICT Strategy: The DMV set a target of 100% implementation of its ICT Strategy but reported 0% achievement. Although nine of the ten system modules underwent User Acceptance Testing (UAT), the Healthcare module was rejected as incomplete and remained under development. The Department indicated that SITA was conducting final testing and had committed to implementing a pilot system from 1 June 2026. This represents a continuation of the ICT implementation challenges reported in the previous

financial year, raising concerns about the Department's reliance on SITA and the repeated delays in delivering the required systems.

4.2.2 Programme 2: Socio-economic support

Programme 2 is aimed to develop and monitor the implementation of legislation, policy frameworks and service delivery cooperation agreements on compensation for injury in military service, counselling, education, healthcare, public transport, pension and housing benefits to military veterans eligible for such support. The programme consists of three sub-programmes, namely Database and Benefits Management (DBM), Healthcare and Well-being Support, and Socio-Economic Support Management.

During the 2025/26 financial year, Programme 2 had an adjusted budget of R472.744 million. Following virements of R34.021 million into the programme, the final budget increased to R506.765 million. The Department spent R506.404 million. The Database and Benefit Management subprogramme did not utilise its full allocation. R3.833 million (17.2%) of a final budget of R22.287 million was not spent. The Socio-Economic Support Management sub-programme spent R298.643 million against a final budget of R291.159 million, resulting in over-expenditure of R7.484 million (102.6%). A net virement adjustment of R24.021 million was made to the budget during 2025/26. This comprised an increase of R24.544 million in transfers and subsidies, offset by a reduction of R523,000 in goods and services. The adjustment increased the final budget from R267.138 million to R291.159 million. Despite the additional allocation, expenditure on transfers and subsidies exceeded the revised budget by R10.917 million, contributing to total expenditure exceeding the final budget by R7.484 million (102.6%).

Programme 2 expenditure for 2025/26

Socio- Economic Support **SUB PROGRAMMES**	***2025/26***			*2024/25*
	Final Appropriation	***Actual expenditure***	***Variance***	*Actual expenditure*
Database and Benefits Management	22 287	18 454	3 883	8 364

***Socio- Economic Support* SUB PROGRAMMES**	***2025/26***			*2024/25*
	Final Appropriation	***Actual expenditure***	***Variance***	*Actual expenditure*
Health care and wellness support	193 319	189 307	4 012	184 880
Socio economic support management	291 159	298 643	(7 484)	219 957
Total For Subprogrammes	**506 765**	**506 404**	**361**	**413 201**

In terms of *economic classifications*, Transfers and Subsidies recorded expenditure of R298.981 million against a final budget of R288.065 million, resulting in an over-expenditure of R10.916 million (103.8%). Within this category, Social Benefits expenditure reached R278.527 million against a final budget of R257.610 million, an over-expenditure of R20.917 million (108.1%). Conversely, Other Transfers to Households recorded under-expenditure of R10.001 million, with only R20.454 million spent against a final budget of R30.455 million. Other noteworthy shifts in expenditure in terms of economic classifications include:

- *Consultants, Business and Advisory Services:* Expenditure reached R7.041 million against a final budget of R7.042 million. This is a substantial increase from R518 000 spent in 2024/25.
- *Catering - Departmental activities:* Expenditure increased from R82,000 in 2024/25 to R346,000 in 2025/26, an increase of R264,000 (322.0%). Expenditure substantially exceeded both the adjusted allocation of R93,000 and the final allocation of R108,000, with actual spending reaching 320.4% of the final budget.
- *Travel and Subsistence:* Expenditure increased from R719,000 in 2024/25 to R4.016 million in 2025/26, an increase of R3.297 million (458.7%). Actual expenditure reached 77.7% of the final allocation of R5.169 million, following a reduction from the adjusted budget of R5.879 million through shifting of funds and virements.

In terms of *performance in Programme 2*, the DMV set itself seven (7) planned annual targets, of which 5 were achieved (71% performance rate). As in 2024/25, the 8th target, the subsidised public transport benefit no longer appears. Non-achieved targets included the following:

- *188 Veterans were approved for access to newly built houses against a target of 250.* The DMV claims a variety of problems leading to slow delivery, including performance challenges of implementing agents and contractors.
- *4 485 Military Veterans and their dependents received the pension benefit against a target of 6 500 per year*. The DMV claims the missed target is due to insufficient benefit funds.

4.2.3 Programme 3: Empowerment and stakeholder management

Programme 3 aims to manage and facilitate the implementation of military veterans' empowerment and stakeholder management programmes. The programme had a final budget of R223.636 million and spent R187.799 million, representing 84.0% of its allocation. This resulted in underspending of R35.837 million, equivalent to 16.0% of the final budget. Compared with 2024/25, the final budget decreased by R21.524 million (8.8%), while actual expenditure decreased by R7.641 million (3.9%), from R195.440 million to R187.799 million.

All three subprogrammes underspent their allocations:

- The *Provincial Offices and Stakeholder Relations* subprogramme spent R37.797 million of its final budget of R46.840 million, resulting in underspending of R9.043 million (19.3%).
- *Empowerment and Skills Development* spent R126.213 million of its R139.765 million allocation, leaving R13.552 million (9.7%) unspent.
- *Heritage, Memorials, Burials and Honours* recorded the lowest expenditure rate, spending R23.789 million of its R37.031 million budget (64.2%) and underspending by R13.242 million (35.8%).

Programme 3 expenditure for 2025/26

***Empowerment and Stakeholder Management* SUB PROGRAMMES**	***2025/26***			*2024/25*
	Final Appropriation	***Actual expenditure***	***Variance***	*Actual expenditure*
Provincial Office and Stakeholders Relation	46 840	37 797	9 043	27 620

Empowerment and Skills Development	139 765	126 213	13 552	138 206
Heritage, Memorial, Burial and Honours	37 031	23 789	13 242	29 614
Total For Subprogrammes	**223 636**	**187 799**	**35 837**	**195 440**

In *terms of economic classifications*, the most significant underspending occurred under current payments, where R80.558 million was spent against a final budget of R111.261 million, leaving R30.703 million unspent. This was largely driven by goods and services, which recorded expenditure of R47.623 million against R77.222 million, resulting in underspending of R29.599 million (38.3%). Within goods and services, advertising expenditure was only R14,000 against a budget of R2.903 million, representing expenditure of approximately 0.5%. Catering for departmental activities recorded expenditure of R523,000 against R2.860 million (18.3%), while travel and subsistence expenditure amounted to R15.153 million against R29.033 million (52.2%). Contractors recorded expenditure of only R21,000 against R1.246 million (1.7%), and no expenditure was recorded for communication or fleet services.

Training and development performed comparatively better, with R22.127 million spent against a final budget of R23.999 million, achieving 92.2% expenditure. This represents a marked improvement from 2024/25, when expenditure of R35.273 million exceeded the final budget of R30 million by R5.273 million. Furthermore, transfers and subsidies accounted for R107.037 million in expenditure against a final budget of R111.278 million, representing 96.2% expenditure and underspending of R4.241 million. Payments for capital assets were significantly underutilised, with only R204,000 spent against R1.097 million (18.6%).

In terms of *performance in Programme 3*, the DMV set itself seven (7) annual targets, of which 3 were achieved (42.9% performance rate). The remaining four targets (57.1%) were not achieved, indicating continued challenges in implementing planned empowerment and stakeholder management initiatives. This was the weakest performance among the three programmes. The

programme's performance was particularly weak in employment placement, bursary provision and the conclusion of partnership agreements, despite achieving its targets for memorial lectures, economic empowerment programmes and liberation struggle history outputs.

Non-achieved targets included the following:

- The most significant concern is the complete failure to provide employment placement opportunities. Despite a target of 30 military veterans, no placements were achieved. The Department attributed this to stakeholder engagements that did not produce the anticipated opportunities.
- The programme fell short of its education and economic empowerment targets. A total of 663 military veterans and their dependants were approved for skills development programmes against a target of 1,000 (66.3%), while 2,457 bursaries were provided against a target of 4,500 (54.6%). The Department attributed the skills development shortfall to applications that could not be finalised because of missing documentation, including certified identity documents, tax documents and accreditation reports. The bursary shortfall was attributed to the Department not opening a new application intake for the 2025 academic year, meaning support was largely limited to continuing beneficiaries.
- Only one partnership agreement was concluded against a target of four (25%), with competing priorities, difficulties securing stakeholder meetings and delays in consultation and approval processes cited as contributing factors.

5. FINANCIAL MANAGEMENT AND THE AUDITOR-GENERAL'S REPORT

5.1 Unauthorised, fruitless and wasteful, and irregular expenditure

The Department recorded *irregular expenditure* of R37.855 million in 2025/26, compared with R10.442 million in 2024/25. This represents an increase of R27.413 million, or approximately 262.5%. The closing balance of irregular expenditure increased from R256.739 million in 2024/25 to R300.869 million in 2025/26, an increase of R44.130 million when the current-year expenditure and adjustment to the opening balance are taken into account. The majority (approximately R34 million of the R37.855 million) of the irregular expenditure was due to the Department exceeding the 8% threshold on virements as prescribed by section 43 of the Public Finance Management Act. The Department further attributed approximately R3.3 million related to burial payments where the policy

was misaligned to the burial regulations published. This misalignment was corrected by gazetting the amended regulations

The opening balance was also adjusted upwards by R6.275 million, comprising R4.2 million transferred from items previously under assessment following the conclusion of the assessment process, and R1.7 million relating to digital training conducted through SITA. The Department reported that the entire closing balance of R300.869 million remained under determination, with no irregular expenditure recorded as being under investigation.

The Department recorded *fruitless and wasteful expenditure* of R1.264 million in 2025/26, compared with R124,000 in 2024/25. This represents an increase of R1.140 million, or approximately 919.4%. The closing balance increased from R6.869 million to R8.133 million, reflecting the addition of the current-year expenditure, with no recoveries or write-offs reported.

According to the reconciliation, approximately R1.2 million resulted from overpayments by the Government Pensions Administration Agency (GPAA) to military veterans receiving South African Social Security Agency (SASSA) old-age grants. The Accounting Officer states that this was "due to system error" but that the "amount is recoverable from the beneficiaries concerned." The Department's Annual Report further indicates that R112,000 arose from duplicate Burial Support payments, for which the relevant families were contacted to arrange refunds. The Department reported that the R1.264 million in fruitless and wasteful expenditure was under investigation at the end of the reporting period.

5.2 Auditor-General of South Africa (AGSA) Report

The DMV received an *unqualified audit opinion* from the Auditor-General for 2025/26 as it did for 2024/25. However, the unqualified opinion should be considered alongside significant findings on performance reporting, compliance with legislation, expenditure management and internal controls. The basis for the unqualified audit opinion and other findings by the AGSA include the following:

- *Irregular expenditure and compliance.* The Department failed to take effective and appropriate steps to prevent irregular expenditure, with the majority arising from virements exceeding the 8% threshold prescribed by section 43 of the PFMA. The Department did not fully record irregular expenditure in the notes to the financial statements, as required by

section 40(3)(b)(i) of the PFMA, and investigations into irregular expenditure were not performed, as required by section 38(1)(h)(iii) of the PFMA.

- *Fruitless and wasteful expenditure.* The AGSA could not obtain sufficient appropriate audit evidence that disciplinary steps had been taken against officials responsible for fruitless and wasteful expenditure, as some investigations had not been conducted. The Department did not perform investigations into fruitless and wasteful expenditure, as required by section 38(1)(h)(iii) of the PFMA.
- *Performance reporting***.** The AGSA identified preventable material misstatements in the reported performance information.These material misstatements were in the reported performance information for programme 2: socio-economic support and programme 3: empowerment and stakeholder management. Management did not correct all the misstatements, resulting in material audit findings.
- *Consequence management*. The AGSA could not obtain sufficient evidence that disciplinary steps had been taken against officials responsible for irregular and fruitless and wasteful expenditure, partly because some investigations remained outstanding.

Further material findings by the AGSA regarding the DMV performance include:

- *Digital literacy tablets*: Tablets procured during 2021/22 and 2022/23 for a digital literacy programme remained unused after the programme was discontinued. The Material Irregularity (MI) was referred to the Special Investigating Unit (SIU) in March 2025, with the investigation and disciplinary processes reported as ongoing. According to the AGSA, a preliminary investigation by the Department was completed.
- *Skills development machinery*: The Department procured 90 rollers for a skills development programme that was not implemented as planned. The AGSA's recommendations to investigate the non-compliance, prevent further underutilisation or dispose of the machinery appropriately, and initiate disciplinary action had not been implemented by the Department when it responded in July 2025. The matter was subsequently referred to the SIU in October 2025, with the outcome of the SIU's assessment still awaited.

- *Emergency housing*: Emergency accommodation was provided to 21 military veterans without prior verification of the condition of their existing houses. The matter was referred to the SIU in September 2024, and a decision on a proclamation to enable further investigation remained outstanding. The likely financial loss is R5 735 037.

- *Procurement investigations*: The Hawks were investigating allegations of procurement and contract management non-compliance, as well as payments relating to skills development programmes. These investigations were still in progress.

6. HUMAN RESOURCES

The Department continued to face significant capacity constraints during 2025/26. Against an establishment of 169 posts, only 111 were filled. The number of 111 posts filled as at 31 March 2026 is lower than in past financial years (2025 was 117, 2024 was 123). The total number of contract employees was 39, which are posts additional to the fixed establishment.

The Department also continued to operate under an interim organisational structure approved in 2010, with recruitment to most posts suspended pending approval of a revised structure and completion of the job evaluation process. Although the Department cites compliance with DPSA requirements as the reason for the recruitment delays, the prolonged reliance on an outdated organisational structure raises serious concerns about institutional capacity, accountability and the Department's ability to fulfil its mandate. The presence of 39 employees reported as additional to the approved structure also requires clarification, particularly given the Department's inability to fill vacancies within its establishment.

DMV Human Resources per programme

Programme	**No of posts approved**	**No of posts filled**	**Vacancy rate**	**No of additional employees to establishment**
Administration	103	66	36%	25
Socio-economic Support	20	13	35%	12
Empowerment and Stakeholder management	46	32	30%	2
Total	**169**	**111**	**34%**	**39**

Additional matters of interest in terms of Human Resources in 2025/26:

- *Vacant senior management posts and recruitment delays.* The Department continued to operate under an interim organisational structure approved on 30 June 2010. The Department

reports that the DPSA imposed a moratorium on filling posts pending the finalisation of a revised, job-evaluated organisational structure, with the Director-General post exempted. The Director-General post was re-advertised, with a closing date of 23 June 2025, but the recruitment process remained ongoing according to the Department's explanation. Both the 2025 BRRR and the 2026 budget report called on the Executive Authority to finalise the appointment of a permanent Director-General.

- *Signing of performance agreements*. All members of the SMS must conclude and sign Performance Agreements (PAs). During the period under review, it is reported that six (6) out of eighteen (18) SMS members did not conclude their PAs during 2025/26
- *Employee performance management*. The Department reported that performance moderation for non-SMS employees was finalised outside the prescribed period, although outcomes for SMS members were finalised within the prescribed period.
- *Training and staff development*. A total of 41 employees benefited from planned training interventions at an average cost of R28,819.63 per employee.

7. COMMITTEE OBSERVATIONS: DEPARTMENT OF MILITARY VETERANS

During deliberations on the 2025/26 DMV Annual Report, the Committee made the following observations:

a) Members of the Committee emphasised the need for the Department DMV to report actual beneficiary figures alongside percentages in its Annual Report to demonstrate the extent of service delivery.
b) Members of the Committee expressed concern that the Military Veterans Advisory Council had been unable to convene, given its critical role, and highlighted the need to establish whether military veterans' organisations had been consulted on the appointment of the Appeal Board and whether the DMV was complying with sections 6 and 7 of the relevant legislation regarding consultation with military veterans' organisations.
c) Members of the Committee requested a breakdown of funding allocated to the South African National Military Veterans Association (SANMVA) and other veterans' associations, as well as details of the DMV's engagements with SANMVA.
d) Members of the Committee requested an update on progress towards finalising the Department's organisational structure, which was delaying the filling of vacant posts.

e) Members of the Committee expressed concern regarding the material irregularities identified by the AGSA, as well as irregular, fruitless and wasteful expenditure and repeat audit findings relating to the failure to address previous findings and implement consequence management.

f) Members of the Committee highlighted the need for the Department to indicate the internal controls and measures introduced to prevent the recurrence of audit findings.

g) Members of the Committee reiterated their concern regarding the lawfulness of the extension of the Acting Director-General's tenure and recalled previous Committee recommendations that a permanent Director-General be appointed as a matter of priority.

h) Members of the Committee raised concern regarding manual burial support payments of R40 000, given that the regulations reportedly provide for payments of up to R25 000.

i) Members of the Committee emphasised the need for an update on the status of consequence management cases, including a list of all previous cases that remained under investigation.

j) Members of the Committee expressed concern regarding the backlog in processing military veterans' applications, particularly for pension benefits, and requested information on the current waiting lists, the value of the accumulated backlog and the total outstanding liability.

k) Members of the Committee expressed concern regarding the high expenditure on operating leases.

l) Members of the Committee requested an update on the DMV's engagements with the Department of Human Settlements regarding housing for military veterans.

m) Members of the Committee noted that the ICT strategy target had not been achieved and requested a revised implementation timeline, including progress on establishing an enterprise ICT architecture to address identified deficiencies.

n) Members of the Committee sought clarity on the status of the Department's Internal Audit section and whether the function remained outsourced.

o) Members of the Committee welcomed the Department's achievement of an unqualified audit opinion.

p) Members of the Committee requested an update on progress made by the Transversal Ministerial Task Team.

8. COMMITTEE RECOMMENDATIONS

Based on its analysis and overview of the 2025/26 DMV Annual Report, the Committee makes the following recommendations:

Recommendation to the Minister of Finance:

- The Committee recommends thorough engagement between the DMV and the Minister of Finance prior to the 2027/28 financial year to ensure sufficient funds for the military veterans pension benefit alongside the strict implementation of related regulations to ensure that only qualifying military veterans receive the benefit. The Committee requires this engagement to ensure that no virements are required towards the end of 2026/27 and that no irregular expenditure will be incurred.

Recommendations to the Minister of Defence:

a) Similar to the recommendation to the Minister of Finance, the Committee urges thorough engagement between the DMV and the Minister of Finance prior to the 2027/28 financial year to ensure sufficient funds for the military veterans pension benefit alongside the strict implementation of related regulations to ensure that only qualifying military veterans receive the benefit.
b) The Committee recommends that the Department submit, in writing, a breakdown of funding allocated to SANMVA, together with details of its engagements with SANMVA and other military veterans' associations. This report must be submitted by 15 November 2026.
c) The Committee recommends that the Minister provide a written submission clarifying the legal basis for the extensions of the Acting Director-General's tenure. The submission should detail each extension, the motivation for each decision, and the legality of the current indefinite extension in terms of the Senior Management Service Handbook as well as a firm deadline for the finalisation of the appointment. This report must be submitted by 15 November 2026.
d) The Committee recommends that the Department submit updated pension statements reflecting benefits currently being paid, approved benefits awaiting payment, applications awaiting approval by the Government Pensions Administration Agency (GPAA), and the backlog in pension applications. This report must be submitted by 15 November 2026.

e) The Committee recommends that the Department submit a comprehensive list of service-level agreements (SLAs) concluded with national and provincial departments, municipalities and other relevant entities. This list must be provided by 15 November 2026.
f) The Committee recommends that the DMV maintain an updated register for the status of consequence management cases and previous cases still under investigation.
g) The Committee undertakes to convene a dedicated meeting with the Minister of Human Settlements, the DMV and the Portfolio Committee on Human Settlements to discuss housing provision for military veterans.
h) The Committee recommends that the Department submit a report on the status of the Military Veterans Advisory Council, consultations undertaken with military veterans' organisations regarding the appointment of the Appeal Board, and compliance with sections 6 and 7 of the applicable legislation. This report must be submitted by 15 November 2026.
i) The Committee requests a report on Progress made by the Transversal Ministerial Task Team to be submitted by 15 November 2026.
j) The Committee requires the submission of a comprehensive audit action plan with clear timeframes and implementation plans by 15 November 2026.
k) The Committee requires a consolidated report on compliance with the PCDMV 2025 BRRR and, where relevant, reasons for non-implementation to be submitted by 15 November 2026.
l) Relate to the non-usage of tablets procured for a digital literacy skills programme, the Committee requests a report on consequence management and steps taken to prevent a recurrence of such material irregularities to be submitted by 15 November 2026.
m) The Committee requests a report on the progress made by the Database Verification Panel and finalisation of the database, to be submitted by 15 November 2026.

Political Parties reserving their rights on the report:

- Economic Freedom Fighters (EFF)

Report to be considered.

4. BUDGETARY REVIEW AND RECOMMENDATIONS REPORT OF THE PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS ON THE 2025/26 ANNUAL REPORT OF THE DEPARTMENT OF DEFENCE (DOD), DATED 15 OCTOBER 2026

The Portfolio Committee on Defence and Military Veterans (PCDMV), having considered the financial and service delivery performance of the Department of Defence (DOD) for the 2025/26 financial year, on 7 October 2026, reports as follows:

1. INTRODUCTION

1.1. Description of core functions of the Department

Section 200 of the 1996 Constitution sets out the mandate of the South African National Defence Force (SANDF), while Section 204 establishes a civilian secretariat for the Department. The mandate of the SANDF is to "*defend and protect the Republic, its territorial integrity and its people in accordance with the Constitution and the principles of international law regulating the use of force*". In pursuance of this mandate, the Department of Defence (DOD) provides, manages, prepares and employs defence capabilities commensurate with the needs of South Africa, guided by the Constitution, relevant legislation and Executive direction.

1.2 Mandate of the Committee

The PCDMV is mandated to oversee the Department of Defence to ensure that the Department fulfils its mandate through the monitoring of the implementation of legislation and adherence to policies, such as the Defence Act (No. 42 of 2002), the White Paper on Defence (1996) and the 1998 Defence Review and the 2015 Defence Review. These policy guidelines assist the Committee in its oversight activities. The Committee scrutinises legislation that supports the mission statement of Government, the budget and functioning of the Department, and the employment of the SANDF.

1.3 Purpose of the BRR Report

Section 5 (2) of the Money Bills Procedure and Related Matters Amendment Act (Act 9 of 2009) provides for each Committee to compile a Budgetary Review and Recommendation Report (BRRR)

which must be tabled in the National Assembly annually. Section 5(3) provides that a BRRR must provide the following:

a) an assessment of the department's service delivery performance given available resources;
b) an assessment of the effectiveness and efficiency of departments use and forward allocation of available resource; and
c) may include recommendations on the forward use of resources.

In October each year, parliamentary portfolio committees compile a BRRR that assess departmental performance in relation to available resources; evaluate the effective and efficient use and forward allocation of resources; and make recommendations on the forward use of resources. This process includes a comprehensive review and analysis of the previous financial year's performance and performance to date. The BRRRs also serve as source documents 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).

1.4 Methodology in compiling the report

The Report is compiled from the various activities of the Committee throughout the year. It is inclusive of the Committee's meetings, oversight visits, reports on budget votes, strategic plans, annual performance plans (APP), quarterly reports and the relevant annual report, as well as previously published Committee reports.

1.5 Information used to compile the Report

Other information used in the assessment of the service delivery and financial performance include:

- Committee reports on the 2024/25 strategic plans and annual performance plans;
- The National Development Plan 2030 (NDP);
- The 2025 Estimates of National Expenditure (ENE);
- The 2025 State of the Nation Address (SONA); and
- The Auditor-General of South Africa (AGSA) Report on the DOD.

1.6 Structure of the Report

This report comprises seven sections:

- An introduction which sets out the mandate of the Committee, the purpose of this report (the BRRR).
- An overview of the key relevant policy focus areas.
- An overview and summary of previous key financial and performance recommendations of the Committee
- A broad overview and assessment of financial performance of the DOD for 2025/26.
- An overview of service delivery and performance of the DOD for 2025/26.
- Key Committee observations.
- Key Committee recommendations.

2. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

2.1 State of the Nation Address

It is relevant to consider the 2025 State of the Nation Address (SONA) to reflect on whether these aspects were addressed during the year. President Ramaphosa delivered his SONA on 6 February 2025, with the following matters related to the Department of Defence noted, as well as related updates in the 2025/26 Annual Report of the DOD:

- **International peace and security**
  SONA Reference: The SONA focused specifically on the situation in the DRC with the President calling on all parties in the DRC conflict to honour diplomatic processes like the Luanda Process. Reference was made to SADC's successful deployment to Mozambique to bring stability to the northern areas of that country. However, unlike in Mozambique, where relative calm was restored, the SADC force was not able to achieve this in the DRC and the SANDF's role requires elevated scrutiny from Parliament.
  Annual Report: The SANDF contributed to the SADC Mission in the DRC (SAMIDRC) in its effort to neutralise the negative forces and illegal armed groups by restoring peace and security in the Eastern parts of the DRC by deploying a Joint Task Force. This mission was terminated

at the Extraordinary Summit of SADC Heads of State and Government on 13 March 2025, with phased withdrawal commencing during June 2025.

- **Domestic insecurity**

  SONA Reference: The President highlighted the need to tackle crime and insecurity in South Africa, similar to the focus of the 2024 SONA. In recent years, the SANDF has been increasingly called upon for various domestic operations, particularly in support of the Police. Notable recent deployments include securing Eskom infrastructure and assisting law enforcement in combating illegal mining. These internal missions will continue to place pressure on the SANDF's constrained budget and operational capacity.

  Annual Report: The SANDF contributed to MTDP Strategic Priority 3 (Build a Capable, Ethical and Developmental State), and specifically, the MTDP Outcome on *"Effective Border Security"* with ongoing border safeguarding operations in terms of Section 18(1)(d) of the Defence Act, by deploying 15 sub-units to execute operations along the borders in Limpopo, Mpumalanga, KwaZulu-Natal, Free State, Eastern Cape, Northern Cape, and North West Provinces. Safety and security support was further also rendered in co-operation with the SAPS in the prevention of crime and the maintenance and preservation of law and order by deploying soldiers to deter possible threats to critical infrastructure (ESKOM) and deployment in co-operation with the SAPS, as part of a wider government approach to curb illegal mining and associated crimes.

2.2 The National Development Plan 2030

The National Development Plan (NDP) presents a number of recommendations, actions and indicators that relate to the DOD. The following represent some of the key aspects with relevance to the DOD:

- Chapter 7: Positioning South Africa in the World. The NDP proposes the convening of a high-level, high-impact task team to investigate South Africa's foreign relations. The study should outline an implementation programme to reach these objectives, focusing on, *inter alia*, national defence. The DOD contributes to this focus point of the NDP through peacekeeping operations and the presence of defence *attaches* around the world. Chapter 7 of the NDP also recommends that South Africa should extend the current agreement that allows the South African Navy to undertake anti-piracy operations in Mozambican and Tanzanian waters, to include Kenya. South Africa's anti-piracy operation, which involves the South African Air

Force, Special Forces and South African Military Health Services (SAMHS), as well as the South African Navy, must be strengthened in order for operations to be sustained.

- Chapter 7 of the NDP also recommends the strengthening of border-enforcement to curb cross-border smuggling of counterfeit goods.

- Chapter 9: Promoting health. The NDP notes the aim of Universal Health Care coverage and that everyone must have access to an equal standard of care, regardless of their income. The DOD provides health services to all members of the SANDF through the SAMHS, as well as assisting military veterans with medical care.

- Chapter 14: Fighting corruption. The NDP aims for a corruption-free society, a high adherence to ethics throughout society and a government that is accountable to its people. The DOD furthers this goal through a number of initiatives, including the national anti-corruption hotline, Corruption and Fraud awareness campaigns as well as implementing and monitoring the DOD Procurement Policy.

The envisaged contributions are further expanded on in the 2024-2029 Medium-Term Development Plan, which replaced the previous Medium-Term Strategic Framework (MTSF).

2.3 The 2024-2029 Medium-Term Development Plan

Under the 2024-2029 Medium Term Development Plan (MTDP) the DOD supported the MTDP Results Framework and contributed towards several outcome indicators noted below. The DOD continued to perform poorly in its overall contribution to the MTDP key priorities, with similar shortfalls previously observed under the 2019-2024 Medium Term Strategic Framework.

DOD contributions to strategic outputs

Performance indicator	Achievement 2024/25	Target 2025/26	Achievement 2025/26
Percentage implementation of the Border Safeguarding Optimisation Plan	New target	25%	9.35%

Performance indicator	Achievement 2024/25	Target 2025/26	Achievement 2025/26
Percentage compliance with the Southern African Development Community Standby Force Pledge	85%	100%	87.5%
Percentage compliance with number of external Operations conducted per year	75%	100%	67%
Number of Maritime Coastal Patrols conducted per year	4	4	4
Number of landward subunits deployed on border safeguarding	15	15	15
Percentage of air border patrols conducted per year	New target	100%	100%

3. SUMMARY OF PREVIOUS (2024/25) KEY FINANCIAL AND PERFORMANCE RECOMMENDATIONS OF THE COMMITTEE

Based on its analysis and overview of the 2024/25 Annual Report of the DOD, the Committee made the following recommendations:

Recommendations to the Minister of Finance:

a) The Committee has noted that the current procurement processes often have a negative impact on SANDF operational momentum during military operations. For example, the procurement of tyres and basic provisions for border safeguarding operations often take weeks or even months, impacting on the SANDF's ability to conduct operations. As part of the development of regulations on procurement, the Committee urges National Treasury to accommodate procurement suited to military operations sanctioned under the Constitution or Defence Act.

b) The Committee remains highly concerned about the state of the SA Air Force's fighter capability. Of further concern is the potential loss of capability of the fighter fleet in the near future should intervention not be forthcoming. The Committees therefore recommends thorough engagement between the SANDF (SA Air Force) and National Treasury to ensure the provision of ring-fenced funding for the maintenance of, at the very least, a minimum viable fighter capability, as advised by the SA Air Force Command Council, over the medium-term.
c) Flowing from its oversight visit, the Committee recommends that the Minister of Finance and National Treasury, in consultation with the Minister of Defence and Military Veterans, prioritise the allocation of funding to increase SANDF border safeguarding deployments from the current 15 sub-units to the targeted 22 sub-units. The DOD should develop a priority list of safeguarding units so that those most in need can be supported first. This recommendation is made in the context of the reduction in foreign deployment commitments, which provides an opportunity to reallocate human resources towards strengthening national border security. The DOD should therefore fund this from within its existing CoE allocation. Effective border safeguarding directly supports the implementation of the Medium-Term Defence Programme (MTDP) Strategic Priority 3: Effective Border Security, identified as one of the 12 strategic outcomes for the defence sector. The Committee therefore urges that funding provisions be made to progressively implement the expansion from 2026/27, to ensure that the SANDF can fulfil its constitutional mandate to safeguard the territorial integrity of the Republic, curb cross-border crime, and enhance national security.
d) In addition to the above, National Treasury should consider the continued ring-fenced funding of border safeguarding technology (in addition to the funding supplied for vehicle acquisition) as a force multiplier for border safeguarding deployments.

Recommendations to the Minister of Defence:

a) The Committee recommends engagement between the DOD, the AGSA and the State Security Agency (SSA) to ensure that the AGSA is enabled to fulfill its audit functions over the Special Defence Account (SDA). The Committee will also write to the Joint Standing Committee on Intelligence to provide oversight of the matter and provide feedback to the PCDMV.
b) The Committee will engage the Joint Standing Committee on Defence to arrange a closed session for a discussion on the Policy documents currently with the National Security Secretariat since June 2025.

c) The Executive Authority must ensure that a credible Asset Register is submitted timeously to the AGSA. Written confirmation that this has been done must be sent to the Committee by 30 November 2025.

d) The Committee expressed its frustration and displeasure at the unacceptable lack of basic equipment for soldiers, especially those being deployed. Quality boots, uniforms, bullet proof vests, weapons and serviceable vehicles should be the minimum requirement for any military force. The Committee therefore insist on a 'back to basics' approach, with a funding reprioritisation by the DOD to focus on the absolute essential tasks and equipment provision.

e) The Committee noted the AGSA findings on Project Thusano and that similar findings were made on Project Kgala, therefore declaring Project Kgala as irregular expenditure. It is unclear whether the DOD submitted a formal dispute on the audit findings on Project Kgala with Treasury within the stipulated timeframe. If it remains that Project Kgala contains irregular expenditure it should be terminated with immediate effect and appropriate disciplinary actions should be taken against officials who allowed these irregularities. The Department should submit the status of Project Kgala and a decision on the way forward to the Committee in writing by 30 January 2026.

f) The Minister of Defence and/or Chief of the SANDF should provide the PCDMV with consequence management action plans related to the more than R1.5 billion spent on Project Thusano that was considered to be irregular expenditure according to the AGSA.

g) The Chief of the SANDF should submit a written action plan to the Committee indicating how consequence management among SANDF members will be improved. Specifically, the plan should indicate how Boards of Inquiry will be improved given the current delays experienced by such Boards. This should be submitted to the Committee by 30 January 2026.

h) The Department should provide the Committee in writing of the details, scope timelines and projected costs of Project Zingiza. This should be submitted to the Committee by 30 November 2025.

i) The Department should provide the Committee with a plan with timelines for implementation and funding requirements for an integrated electronic procurement system and integrated logistics management system. This should be submitted to the Committee by 30 January 2026.

j) In light of the rising Travel and Subsistence (S&T) costs, the Department should submit the total S&T cost per military mission for the 2024/25 financial year. In addition, S&T payments for all SANDF overseas travel should be provided. This should be submitted to the Committee by 30 January 2026.

k) The Department should provide the Committee with an update on all outstanding payments to soldiers deployed as part of Operation Thiba. This should be submitted to the Committee by 30 November 2025.

4. OVERVIEW AND ASSESSMENT OF PERFORMANCE FOR 2025/26

The DOD has eight programmes through which it executes its various tasks. The financial performance and performance against set targets of the various programmes and subprogrammes for 2025/26 are contained in the sections to follow.

4.1 Programme 1: Defence Administration

Programme	Adjusted Appropriation	Virement R'000	Final Appropriation	Actual Expenditure	Variance	
					R'000	%
Administration	5 839 871	206 628	6 046 499	6 046 499	0	0%

The Administration programme's total expenditure for 2025/26 came to R6.046 billion, following virements of R206.6 million to the programme. While most subprogrammes saw its adjusted appropriation diminished through virements, the increased allocation came about through significant virements to the following subprogrammes:

- Human Resources Support Services (an increase of R46.9 million)
- Office accommodation (an increase of R387.3 million)

The subprogrammes most negatively affected by virements include the following:

- Ministry (a reduction of R62.6 million, with final expenditure of R88.4 million which is higher than the expenditure of 61.3 million in 2024/25)
- Financial services (a reduction of R72.3 million)
- Legal Services (a reduction of R38.4 million).

In terms of expenditure per economic classifications, the following may also be noted:

- *Advertising:* Expenditure increased from R15 million in 2024/25 to R53.3 million in 2025/26.
- *Operating leases:* Expenditure decreased from R1.598 billion in 2024/25 to R1.294 billion in 2025/26.

- *Property payments:* Expenditure increased from R1.558 billion in 2024/25 to R1.874 billion in 2025/26.
- *Travel and subsistence:* Spending on Travel and subsistence was previously identified by the PCDMV as a high-cost point in the DOD. Expenditure under Programme 1 from Increased from R137.8 million in 2024/25 to R144.1 million in 2025/26.

The Administration programme set nine (9) targets for 2025/26. This is two more targets than in the previous financial year. New targets related the percentage of women employed in the DOD, women in senior management positions and youth employment.

Administration programme: Selected performance against set targets

Subprogramme	Target description	2025/26 Target	2025/26 Achievement	Comments
Defence effectively administered	% adherence to DOD index for policies	**60**%	61.3.%	Nine DOD Policies promulgated **Achieved**
	% Payments in 30 days	75%	85.7%	**Achieved**
	% adherence to DOD index for plans	100% (39)	97.% (38)	38 of 39 Planning Instruments finalised **Not achieved**
	% of Women employed in the DOD	33%	35.6%	**Achieved**
	% of Women active in SMS posts	26%	21.4%	**Not achieved**
	% of Youth employed in the DOD	34%	32.3%	**Not achieved**
	Number of Reserve Force man days	1 997 872	4 316 113	Increased utilisation of Reserve Forces to augment HR capacity (costing R2.1 billion in 2025/26)

Subprogramme	Target description	2025/26 Target	2025/26 Achievement	Comments
				Not Achieved
	Audits completed in terms of the approved Internal Audit Plan	100%	82.7%	43 of 52 internal audits completed (compared to 41 in the previous year) **Not Achieved**
	% compliance to the DOD Interim Policy on Preferential Procurement	100%	100%	The awarding of tenders complied with the policy outputs of the DOD Interim Policy on Preferential Procurement. **Achieved**

4.2 Programme 2: Force Employment

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	%
Force Employment	6 560 970	(524 859)	6 036 111	5 910 527	125 584	(2.0%)

The purpose of this programme is to provide and employ defence capabilities. The programme received an original allocation of R5.904 billion for 2025/26. However, it received an additional allocation during the adjustments period for regional peacekeeping efforts, leading to a final adjusted allocation of R6.561 billion.

Following the adjusted appropriation, a virement of R524.9 million was made away from the programme. By the end of the financial year, the programme underspent by R125.6 million (2.0%). The underspending was mostly in the Regional Security subprogramme (R85 million) and the Operational Direction subprogramme (R40 million).

Subprogramme 4 (Regional Security) was most affected as it saw its allocation decreased from an adjusted allocation of R3.3 billion to R3.06 billion. Subprogramme 5 (Support to the People) also saw its allocation decrease through a virement of R179.6 million.

In terms of economic classifications for Programme 2, the following can be noted:

- Similar to the previous year, spending on *contractors* originally received an allocation of R283 million, but only R32 million was spent on this line item.
- Spending on *Food and Food Supplies* had an allocation of R392.2 million in the adjusted allocation, but final spending stood at R341 million for 2025/26.
- An adjusted budget of R274.2 million was allocated to *Fuel, oil and gas*, but only R118.6 million was spent at the end of 2025/26, which seems low given the high deployment rate.
- Spending on *Travel and Subsistence* received an adjusted allocation of R299 million while final expenditure stood at R586.6 million for 2025/26.
- *Operating payments* had an adjusted allocation of R173.7 million, while final expenditure came to R692.2 million.

A total of 13 targets were set for the programme of which five were classified. Of the eight (8) remaining targets, four (4) were achieved.

Force employment programme: Selected performance against set targets

Target description	2025/26 Target	2025/26 Achievement	Comments
Number of planned joint, interdepartmental and multinational military exercises	3 (reduced from 4 in 2022/23)	2	Ex SHARED ACCORD, scheduled to take place in Q2, was cancelled due to the withdrawal of the US Armed Forces. **Not achieved**
Percentage implementation of the DOD Border Safeguarding Optimisation Plan	25%	9.35%	Reasons include Protracted procurement of spares and maintenance through Armscor and Expiry of the SAMHS Transversal Contract. **Not achieved**

Target description	2025/26 Target	2025/26 Achievement	Comments
Number of landward sub-units deployed for border safeguarding	15	15	**Achieved**
Percentage compliance with number of external operations	100%	67%	Similar to 2024/25, no Op COPPER Long-Range Patrols were conducted due to SA Navy prime mission equipment not being operationally available. The Concept of Operations for Op COPPER is being reviewed. **Not achieved**
Compliance with SADC Standby Force	100%	87.5%	The SADC Standby Force Pledge could not be satisfied as the SA Navy could not provide the required capabilities as pledged. **Not achieved**
Percentage air border patrols conducted per year	100%	100%	**Achieved** *Note from the AGSA:* The reported achievement does not provide meaningful information on the indicator's achievement in the annual performance report.
Compliance with internal operations	100%	100%	Support to SAPS (Ops Prosper), Humanitarian assistance (Ops Chariot), Search and Rescue (Ops Arabella) and Border safeguarding (Ops Corona) **Achieved**
Number of Maritime Coastal Patrols conducted per year	4	4	The SAS AMATOLA and elements of the Maritime Reaction Squadron conducted four Op CORONA maritime coastal patrols. **Achieved**

4.3 Programme 3: Landward defence

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	% (Per Programme)
Landward Defence	19 175 953	(424 670)	18 751 283	22 131 941	(3 380 658)	11.8%

The purpose of this programme is to provide prepared and supported landward defence capabilities for the defence and protection of South Africa. Similar to previous years, all subprogrammes spent more than 100% of their final appropriation. *All additional expenditure in Programme 3 in 2025/26 is related to additional spending on Compensation of Employees (R3.589 billion).*

Following the adjusted appropriation, further virements of R424.7 million was made away from the programme. The two programmes whose allocations were most substantially increased through virements included Engineering (R65.4 million) and the General Training Capability (R75 million). Two subprogrammes' allocation were substantially reduced through virements as follows:

- Infantry Capability (allocation *decreased* by R530 million)
- Support Capability (allocation *decreased* by R170 million)

In terms of economic classifications, the following can be noted:

- The SA Army is the largest component of the SANDF and therefore the most significant in terms of CoE expenditure. In 2022/23, the programme over-spent on CoE by R1.862 billion (14.2%). In 2023/24, the overspending increased and the programme overspent by R2.167 billion against its final allocation for CoE. In 2024/25, CoE overspending was slightly lower at R1.893 billion; however, in 2025/26, it increased substantially to R3.589 billion.
- The adjusted allocation for Contractors was R137.8 million, but this was reduced by a virement. Ultimately, only R7 million was spent on Contractors in 2025/26, which is lower than the R16.2 million spent in the previous financial year.

- Spending on Clothing material and accessories stood at R77 million for the year under review. The PCDMV previously specifically asked for the state of uniforms in the SANDF to be addressed and has successfully requested National Treasury to provide funding for this.
- The PCDMV has continuously pointed to Travel and Subsistence expenditure as a concern in the DOD. Travel and subsistence in the SA Army has increased significantly in recent years, almost doubling since 2021/22.
    - 2021/22: R498.7 million
    - 2022/23: R602.0 million
    - 2023/24: R796.7 million
    - 2024/25: R840.7 million
    - 2025/26: R976.1 million

Four (4) targets were set for this programme of which two are considered classified. The DOD did not manage to achieve the two non-classified targets.

Landward Defence programme: Selected performance against set targets

Target description	2025/26 Target	2025/26 Achievement	Comments
Number of unique landward defence training exercises.	4	3	Ex MADULO was scheduled to verify the combat readiness of the force earmarked for Op THIBA (SAMIDRC) rotation. The exercise was put on hold due to the termination of Op THIBA. **Not achieved**
Landward Defence Training targets	100% (5 105)	75.1% (3 835)	Reduction in the number of learners accepted on courses. **Not achieved**

4.4 Programme 4: Air defence

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	% (Per Programme)
Air Defence	7 247 941	255 122	7 503 063	7 448 855	54 208	1.0%

The purpose of the Air Defence programme is to provide prepared and supported air defence capabilities for the defence and protection of South Africa. In terms of spending, R54.2 million was underspent in the Project which all occurred in the Base Support Capability subprogramme. Following the adjustments to the budget, virements totalling R255.1 million was made *to* the programme. The subprogrammes most affected were the following:

- Helicopter capability (allocation *reduced* by R80.7 million).
- Air Combat capability (allocation *increased* by R61.1 million).
- Operational support and Intelligence capability (allocation *increased* by R63.7 million).
- Base support capability (allocation *increased* by R155.6 million).

In terms of economic classifications, the following can be noted:

- Expenditure on Fuel, oil and gas decreased from R193.1 million in 2024/25 to R153.2 million in 2025/26.
- Travel and subsistence had an adjusted allocation of only R64.8 million, but increased significantly through a virement of R141.4 million with final expenditure of R207.2 million.

Five (5) targets were set of which two are deemed classified (compliance with Joint Force Employment requirements and combat-ready capabilities available). The most significant target relates to the flying hours target, which the SA Air Force has not managed to achieve in recent years, with the exception of 2022/23.

Air Defence programme: Selected performance against targets

Target description	2025/26 Target	2025/26 Achievement	Comments
Air Defence Training targets	100% (823)	82.1% (675)	Some learners scheduled for enrolment did not meet the required entry criteria for Learning Programmes, **Not Achieved**
Number of Air Defence unique force training exercises conducted	1	1	**Achieved** (Ex Eagle Eye)
Number of flying hours per year	12 000	6 340	5 085 hours for force preparation; 610 hours for force employment; 644 VVIP hours *Low aircraft availability* **Not Achieved**

4.5 Programme 5: Maritime defence

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	% (Per Programme)
Maritime Defence	5 011 891	5 808	5 017 699	4 984 071	33 628	1.0%

The purpose of the programme is to provide prepared and supported maritime defence capabilities for the defence and protection of South Africa. Expenditure by year-end remained largely aligned with the mid-year adjusted allocation, with only a R5.8 million variance brought about in the total budget through virements. The programme underspent by R33.6 million, all related to the Maritime Human Resources and Training Capability subprogramme.

In terms of the subprogrammes, the following virements should be noted:

- Maritime Direction (allocation *increased* by R80.1 million).
- Maritime Logistic Support Capability (allocation *decreased* by R123.5 million).
- Base Support Capability (allocation *increased* by R20.7 million).

In terms of economic classifications, noteworthy economic classifications included the following:

- Contractors had an adjusted allocation of R418.1 million, but overall expenditure by the year end was R245 million, which is aligned with the previous financial year.
- Fuel, oil and gas expenditure increased from R40.5 million in 2024/25 to R61.9 million in 2025/26.
- Expenditure on 'Other Supplies' totaled R48.7 million in 2025/26.
- Travel and subsistence had an adjusted allocation of R75.2 million but increased further through a virement resulting in final expenditure of R188.5 million.

For the period under review, the Maritime Defence Programme had five (5) targets of which two were deemed classified (compliance with Joint Force Employment requirements and combat-ready capabilities). The table below highlights performance against non-classified targets.

Maritime Defence programme: Selected performance against targets

Target description	2025/26 Target	2025/26 Achievement	Comments
Maritime Defence Training targets	80% (398)	216% (1 075)	Additional learners were enrolled in Learning Programmes to address Backlogs. **Achieved**
Number of Maritime unique force training exercises conducted	1	1	Ex Red Lion **Achieved**
Number of sea hours per year	8 000	5 106	2 736 for force preparation 2 370 hours for force employment **Not achieved** Unavailability of the SA Navy vessels at the Directed Level of Capability due to procurement challenges and a lack of repair capacity at the ARMSCOR Dockyard.

4.6 Programme 6: Military Health Support

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	%
Military Health Support	6 342 848	245 765)	6 588 613	6 730 474	(141 861)	2.0%

The purpose of the Military Health Support Programme is to provide prepared and supported health capabilities and services for the defence and protection of South Africa. The programme overspent its budget by R195.3 million in 2025/26, exclusively as a result of overspending on CoE.

In terms of subprogramme expenditure, virements can be noted in all subprogrammes, most notably in the following:

- Mobile Military Health Support (an increase of R52 million)
- Specialist/Tertiary Health Services (an increase of R42 million). Note that over-expenditure of R180.8 million was incurred in this programme)
- Military Health Training Capability (an increase of R115 million).

In terms of economic classifications, the following significant shifts can be noted:

- Overspending on CoE to the value of R195.3 million was incurred in the Military Health Support programme in 2025/26.
- Expenditure on Laboratory services increased from R64.7 million in 2024/25 to R90.6 million in 2025/26.
- Outsourced services expenditure decreased marginally from R674.2 million in 2024/25 to R640.6 million in 2025/26.
- Medical supplies (allocation reduced through a virement by R104.4 million with final expenditure of R62.5 million).
- Expenditure on medicine increased from R187.2 million in 2024/25 to R260.4 million in 2025/26.
- Travel and subsistence expenditure increased from R134.6 million in 2024/25 to R196.1 million in 2025/26.

The programme had four targets of which three were classified. The programme achieved the one declassified target around Military Health Training.

Military Health Support programme: Selected performance against set targets

Target description	2025/26 Target	2025/26 Achievement	Comments
Military Health Service Training targets	80% (648)	80.66% (653)	**Achieved**

4.7 Programme 7: Defence Intelligence

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	% (Per Programme)
Defence Intelligence	**1 192 624**	**122 178)**	**1 314 802**	**1 306 341**	**8 461**	1.0%

The purpose of the Defence Intelligence programme is to provide a defence intelligence and counter-intelligence capability. For 2025/26, the programme underspent marginally on its adjusted allocation by R8.5 million. The only subprogramme affected by a virement was the Defence Intelligence Support Services with a R122.2 million increase to its adjusted budget and final expenditure at R986.3 million.

In terms of economic classifications, the following can be noted:

- Only R108,000 was spent on Computer Services in 2025/26.
- Property payments increased from R7.3 million in 2024/25 to R8.4 million in 2025/26, indicating a 15% year-on-year increase.
- Spending on fuel, oil and gas decreased from R7.2 million in 2024/25 to R4.1 million in 2025/26.

The programme had four targets reported on in the Annual Report as reflected in the table below:

Defence Intelligence programme: Selected performance against set targets

Target description	2025/26 Target	2025/26 Achievement	Comments
Number of vetting decisions taken	6 000	3 150	Performance was affected by resource limitations and dependencies on fingerprint processing and payment mechanisms. **Not achieved**
Cyber Defence Strategy Status	Approved	Approved	**Achieved**
Cyber Defence Implementation Action Plan Status	Approved	Approved	**Achieved**
Total number of Defence Attaché Offices	44	44	**Achieved**

4.8 Programme 8: General Support

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	% (Per Programme)
General Support	7 700 092	114 028)	7 814 120	7 772 422	41 698	1.0%

The purpose of the General Support programme is to provide support capabilities and services to the Department. The programme underspent on its final budget by R41.7 million. This can largely be attributed to underspending on Households (Social Benefits) by R40.2 million and external audit services by R1.5 million.

After the mid-year adjustments, R114 million was added to the programme's allocation through virements. The virements largely affected the Joint Logistics Service subprogramme where an allocation of R119.6 million was made to the subprogramme.

In terms of economic classifications, the following can be noted:

- Spending on Administrative fees increased from R28.3 million in 2024/25 to R35.7 million in 2025/26.
- Spending on minor assets increased from R5.2 million in 2024/25 to R46.6 million in 2025/26.
- Spending on Computer Services increased from R542.6 million in 2024/25 to R802.1 million in 2025/26.
- Spending on Outsourced services increased from R35.7 million in 2024/25 to R80.1 million in 2025/26.
- Property payments increased substantially from R15.5 million in 2023/24 to R103.8 million in 2024/25 and R374 million in 2025/26.

In terms of performance, a total of six (6) targets were set for 2025/26 of which two (2) were achieved, thus showing regression when compared to the previous financial year.

General Support programme: Selected performance against set targets

Target description	2025/26 Target	2025/26 Achievement	Comments
Percentage procurement requests fully completed within 90 days from day of registration	95%	47.46%	Procedural delays in the procurement process. **Not achieved**
Payment of leases, Accommodation charges and municipal services – Payment according to facilities plan	100%	99.6%	**Not achieved**
Compliance with ICT Capabilities Plan	90%	86.6%	SITA resource vacancies and environmental controls affecting system availability. **Not achieved**

Target description	2025/26 Target	2025/26 Achievement	Comments
Number of Crime Prevention operations conducted	124	143	Deliberate strategic shift towards proactive policing. **Achieved**
Criminal cases investigated (backlog)	50%	34.5%	1 152 Cases from the backlog of 3 339 criminal cases were investigated. **Not achieved**
Criminal cases investigated (in-year)	30%	32.2%	284 out of 882 Criminal cases received during FY2025/26 were investigated. **Achieved**

5. ORGANISATIONAL STRUCTURE AND HUMAN RESOURCE SUPPORT

The Human Resources (HR) Management chapter of the 2025/26 Annual Report deals with various issues related to personnel. The following key aspects should be considered by the PCDMV:

- *Personnel spending (Compensation of Employees):* By the end of 2021/22, the DOD had incurred a cumulative total of R10.130 billion in irregular expenditure related to CoE since 2017/18. This amount has not been condoned by National Treasury and therefore remains captured on the DOD total of irregular expenditure. Subsequently, all over-expenditure on CoE has been considered unauthorised expenditure and by the end of 2025/26, this amount had reached R12.5 billion.

  The DOD received a main appropriation for Compensation of Employees at the start of 2025/26 to the value of R36.7 billion. At the end of the financial year, the DOD spent R40.4 billion on CoE which is 68.4% of the Department's final budget. *The DOD overspent on Compensation of Employees by R3.7 billion in 2025/26. Of concern is that this CoE overspending remains despite several interventions such as the Mobility Exit Mechanism (MEM).* The DOD noted that "Engagements between NT and Cabinet are still ongoing to secure sustainable CoE funding allocation for the medium to long term."

- *Progress on cost-saving measures related to CoE.* The DOD highlighted the following progress in relation to CoE interventions:
    - 12 357 vacant posts were deactivated. *(No savings impact).*
    - The average HR capacity as at 31 March 2026 was 70 214 (compared to 68 408 at the end of the previous year).
    - Capped allowances. *(Saving of R428 million in 2025/26)*
    - 181 Public-Service Act Personnel (non-uniformed) exited the system through Early Retirement in 2025/26.
    - Reduction in Reserve Force utilisation. *(Not achieved in 2025/26 due to the need for Reserves to augment military operations, resulting in R2.1 billion higher than planned spending, compared to R1.407 billion in the previous year).* Reserve Force utilisation was a major contributor to the CoE shortfall.

- *Critical occupation vacancy rates:* In terms of critical occupations, areas with high vacancy rates should be noted below. As reported in previous years, critical vacancies in the aircrew and engineering fields have seen multi-year regression with the DOD failing to address the rising vacancy rate.
    - Aircrew has a vacancy rate of 32.03% (compared to 30.39% in 2024/25, 28.73% in 2023/24, and 25% in 2022/23).
    - Nursing has a vacancy rate of 25.3% (compared to 27.51% in 2024/25, 23.8% in 2023/24, 21.7% in 2022/23 and 16.6% in 2021/22).
    - Technical has a vacancy rate of 27.4% (compared to 27.72% in 2024/25 and 28.3% in 2023/24).
    - Engineers has a vacancy rate of 47.9% (compared to 46.05% in 2024/25, 41.21% in 2023/24 and 40.61% in 2022/23).

- *Over-staffing in Anti-Aircraft and Artillery Formations.* As in the previous year, the Annual Report notes 1 172 anti-aircraft employees against an approved establishment of 968. In 2024/25, the anti-aircraft division had 1 076 personnel, meaning that it was already overstaffed, but still added 96 personnel additional to the structure. Similarly, the Report notes 1 545 artillery employees against an approved establishment of only 1 289 (an increase from the 1 483 personnel in 2024/25).

- *Reasons for staff leaving the Department.* While various reasons are offered, the below highlights some aspects previously raised as concerns by the PCDMV:
    - Only 306 employees left the system due to their contracts expiring. This points to the observations by the Committee that the "soldier for life" concept needs to be addressed.
    - A total of 88 employees were discharged due to misconduct. Given the need for improved consequence management in the department, this figure needs to be monitored closely.
    - Only 16 members left the system due to transfers to other government departments. The PCDMV previously implored the Department to explore engagements with other government departments as a means of responsibly exiting older soldiers from the system.

- *Non-signing of performance agreements by Senior Management:* A total of 38 of 269 senior managers did not sign their performance agreements. The main reason for the late submission of Performance Agreements is the non-adherence to target dates. As in the previous two years, no disciplinary steps were formalised at the time of reporting.

6. BROAD FINANCIAL CONCERNS AND THE AUDITOR-GENERAL'S REPORT

6.1 Unauthorised, fruitless and wasteful, and irregular expenditure

Irregular expenditure, according to the DOD, amounted to R338.4 million for 2025/26 (higher than the R123.8 million irregular expenditure in the previous financial year). A key component of such expenditure relates to Project Thusano/Kgala since the AGSA previously indicated that *all* spending under Project Thusano is considered irregular. Similarly, the AGSA noted in its briefing to the PCDMV on 30 September 2026 that expenditure under Project Kgala is considered to be irregular. The closing balance for Irregular Expenditure at the end of 2024/25 was R16.746 billion.

According to the DOD, major contributors to irregular expenditure include (excluding those less than R2 million):

- R278.7 million was incurred when the Department procured goods and services without following the South African Procurement legislation and did not perform a market analysis.

- R37.7 million was incurred in five incidents of non-compliance with various contracts for FY2025/26.
- R4.1 million was incurred when the Department procured goods and services without following the South African Procurement legislation.
- R3.9 million was incurred in three incidents where the Department deviated from the quotation rule and did not obtain at least three quotations.
- R2.1 million was incurred in five instances where the Department procured goods and services by means of an unfair bidding process.

Fruitless and wasteful expenditure decreased from R29 000 in 2024/25 to R23 000 in 2025/26. This relates to storage charges by the supplier, while the procurement processes of obtaining three quotations for the repair of *Marcopolo* bus were not followed. The management of irregular, fruitless and wasteful expenditure was communicated at the monthly Accountability Management Committee, chaired by the Accounting Officer and aspects incorporated into procurement training.

6.2 Findings by the Auditor-General of South Africa

As in recent years, the DOD continued to receive a **qualified audit opinion** from the Auditor-General for 2025/26. The basis for the qualified audit opinion rests on the following:

- *Movable tangible assets.* Not all recorded movable tangible capital assets could be identified during the physical asset verification process as the department could not indicate where these assets are located nor provide other information relating to their location. Furthermore, the department could not provide sufficient appropriate audit evidence that management had properly accounted for some specialised military assets amounting to R4.34 billion (R4.34 billion in the previous financial year) that are not accounted for in the normal asset management system, due to non-submission of registers in support of these assets. Furthermore, the department did not recognise all items of movable tangible capital assets in accordance with MCS chapter 11.

- *Lease commitments.* The AGSA was unable to obtain sufficient appropriate audit evidence for finance lease commitments, as the department did not maintain accurate and complete records of the contractual information used to determine the commitments, and was therefore unable to determine whether any adjustment was necessary to lease commitments stated at R1.22 billion.

- *Goods and services and investments.* Similar to previous financial years, the department accounts for non-sensitive and sensitive projects expenditure in connection with the special defence activities as per section 2(2)(a) of the Defence Special Account Act 6 of 1974, as amended. The AGSA was again unable to obtain sufficient appropriate audit evidence on the sensitive projects' expenditure and related investments due to the sensitivity of the environment and the circumstances under which the related transactions were incurred. In addition, the AGSA was unable to obtain sufficient appropriate audit evidence for expenditure on food and food supplies.

- *Irregular expenditure.* The Department did not fully record irregular expenditure in the notes to the financial statements as required by the PFMA. The AGSA was therefore unable to determine the full extent of the understatement of irregular expenditure, stated at R338.4 million.

The AGSA also raised the following emphasis of matters:

- *Claims against the Department***.** The Department is the defendant in various lawsuits. The ultimate outcome of these matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Further aspects of value to the PCDMV that were raised by the AGSA include:

- *Material misstatements.* There were material misstatements in the reported performance information for programme 2: Force employment and programme 4: Air defence. Management did not correct all the misstatements which were preventable.

- *Consequence management.* Repeat of a previous AGSA finding: Previous note by the AGSA (2024) on Consequence Management: According to chapter 2, section 8(a) of the Defence Act, the secretary for defence (SecDef) is the accounting officer of the Department of Defence as contemplated in section 36 of the PFMA. While both Acts recognise the SecDef as the accounting officer of the Department, there are certain stipulations in the Defence Act that determine how disciplinary processes should specifically be taken in relation to members of the South African National Defence Force. These processes have resulted in delays in the implementation of consequence management particularly in relation to material irregularities.

Allegations of theft and fraud which exceeded R100 000 were not reported to the SAPS, as required by section 34(1) of the PRECCA.

- *Asset management.* The AGSA was unable to obtain sufficient appropriate audit evidence that the disposal of movable assets was done in a manner most advantageous to the state, as required by treasury regulation 16A.7.1.

- *Procurement.* Some of the quotations were not awarded in an economical manner and the prices of the goods or services were not reasonable as required by section 45(b) of the PFMA.

  Some of the goods and services with a transaction value above R1 000 000 were procured without inviting competitive bids, as required by treasury regulation 16A6.1. Further, some of the goods and services were procured without obtaining at least three written price quotations in accordance with treasury regulation 16A6.1.

  Some of the contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA).

- *Internal control deficiencies.* Leadership did not exercise sufficient oversight over financial reporting, compliance with laws and regulations and related internal controls. The action plans developed to address prior year audit matters were not adequate, and they were also not effectively implemented and monitored, resulting in recurring audit findings.

7. COMMITTEE OBSERVATIONS: DEPARTMENT OF DEFENCE

The Committee made the following general observations on the 2025/26 Annual Report:

a) Members of the Committee questioned the Department's underperformance against its annual targets, especially in terms of force readiness, operational capability, flying hours, sea hours, and the implementation of the Border Safeguarding Optimisation Plan.
b) Members of the Committee sought an explanation for the Department's continued unauthorised expenditure, overspending on compensation of employees, and requested details of any plans

to right-size the organisation and ensure compliance with the Public Finance Management Act, notably Section 38.

c) Members of the Committee requested information on engagements with National Treasury regarding funding shortfalls and plans to address the matter of Compensation of Employees over-expenditure. Members specifically noted that National Treasury is unlikely to increase the allocation to cover the Compensation of Employees shortfall and therefore a final way forward is needed.
d) Members of the Committee questioned the implementation of the 'Soldier for Life' concept and force rejuvenation measures, noting a limited number of members exiting through contract expiry or transfers during 2025/26. Members sought clarity on the date by which a funded permanent exit mechanism would be tabled.
e) Members of the Committee sought further clarity on irregular expenditure and the measures being implemented to address recurring audit findings, strengthen consequence management, and improve accountability.
f) Members of the Committee sought further clarity on the status of Project Kgala, the continued expenditure associated with the project, and the Department's plans to address concerns raised by the Auditor-General, the State Law Advisor and previous recommendations by the PCDMV. Members questioned why the contract had not been terminated.
g) Members of the Committee questioned the reasons provided for the cancellation of Exercise Shared Accord, the invitation extended to Iran to participate in military exercises, and the Department's engagements with international and diplomatic partners regarding these matters.
h) Members of the Committee enquired about the increase in reserve force utilisation, specifically in the context of the decreased external SANDF deployments and why the Regular Force could not absorb the operational requirements.
i) Members of the Committee sought clarity on the restrictions placed on audit access within Defence Intelligence and Special Forces environments, and the measures being implemented to ensure adequate oversight and accountability.
j) Members of the Committee questioned expenditure on advertising, subsistence and travel, and the increased cost of the Ministry amid ongoing budget constraints and sought assurance that resources are being prioritised towards core defence capabilities.
k) Members of the Committee expressed concern regarding the absence of senior leadership during the meeting, notably the Chief of the SANDF and the Secretary for Defence and sought greater accountability from the Department's leadership structures during parliamentary

oversight processes. The latter was specifically raised in the context of the Auditor-General findings on consequence management and accountability.

l) Members of the Committee raised concern regarding persistent vacancies in critical skills, including engineering, aircrew, technical and nursing posts.

m) Members of the Committee requested specific information on the causes of the shortfall in flying and sea hours and the implications for operational capability, including the non-conduct of Operation COPPER long-range patrols and the failure to meet the relevant SADC capability commitment.

n) Members sought clarity on the status and expected completion dates of Armscor Dockyard repairs to vessels required for pledged capabilities, when Treasury allocations for transport aircraft and air-combat capability would translate into operational flying hours, and the reasons for the R80.7 million reduction in helicopter capability expenditure.

o) Members of the Committee sought specific clarification on the underperformance of the Border Safeguarding Optimisation Plan, which achieved 9.35 per cent against a target of 25 per cent.

p) Members questioned what had happened to the border-technology funding previously secured from National Treasury.

q) Members of the Committee questioned the Department's consequence-management processes in relation to allegations of theft and fraud exceeding R100 000 that were not reported to the SAPS, the failure of 38 senior managers to sign their performance agreements, and the continued criminal investigation backlog.

r) Members sought clarity on how the Department intends to resolve the division of disciplinary authority identified by the Auditor-General as delaying the management of material irregularities, and what action would be taken against responsible officials during 2026/27.

s) Members of the Committee requested a comprehensive account of the cost and implementation of Operation THIBA and Operation MISTRAL following the termination of SAMIDRC in 2025, including information on equipment lost or abandoned during the operations and the medical and welfare status of personnel who participated in the deployment.

8. COMMITTEE RECOMMENDATIONS

Based on its analysis and overview of the 2025/26 Annual Report as well as the Committee’s continued oversight of the DOD, the Committee makes the following recommendations:

Recommendations to the Minister of Finance:

a) The Committee emphasises that the Department of Defence's unauthorised expenditure on Compensation of Employees cannot be allowed to continue unabated. The Committee acknowledges that historical baseline reductions in the DOD's allocation for Compensation of Employees have resulted in an allocation below the level that the Department claims is required to sustain its current force levels. However, previous recommendations by the Committee PCDMV, which resulted in an additional allocation for an exit process, have not stabilised the over-expenditure. Furthermore, several previous PCDMV recommendations calling for the development of a human resources rejuvenation plan, including a move away from the 'soldier for life' concept, have not been implemented. Yet, the DOD maintains that the "CoE allocation being below the actual HR strength." The Committee therefore recommends that the Minister of Finance and the Minister of Defence urgently engage to agree on a clear way forward to curtail the over-expenditure on Compensation of Employees from the 2027/28 financial year. This jointly agreed plan must include detailed costings, specific measures and clear implementation timelines and must be submitted to the Committee prior to the release of the 2027 Budget Review.
b) The Committee was recently briefed by the Department on its proposed long-term defence policy documents but notes that firm funding commitments for their implementation have not been confirmed. The Committee recommends that the Minister of Finance provide clarity on the funding commitments for these plans as part of the upcoming budget framework. This is essential to enable the Committee to exercise effective oversight and assess whether the Department's proposed policy direction is feasible and fiscally sustainable.

Recommendations to the Minister of Defence:

a) Similar to the recommendation to the Minister of Finance, the Committee recommends urgent engagement between the Minister of Finance and the Minister of Defence to agree on a clear way forward, with costings and implementation timelines, to curtail over-expenditure on Compensation of Employees from the 2027/28 financial year. This jointly agreed plan should be submitted to the Committee by 15 January 2027.
b) In addition to the above, the Department should develop a comprehensive remedial audit action plan outlining measures to address unauthorised expenditure, irregular expenditure, recurring audit findings and the implementation of Auditor-General recommendations. The audit action plan should be submitted to the Committee by 15 January 2027.

c) The Accounting Officer should indicate in writing to the Committee how past and current irregular and unauthorised expenditure on Compensation of Employees can be reconciled with the PFMA. This submission should be provided to the Committee by 15 November 2026.

d) The Committee requires feedback on formal agreements between the Border Management Authority and the DOD to ensure optimal cooperation in border safeguarding. This submission should be provided to the Committee by 15 November 2026.

e) The Committee expresses concern that irregular expenditure related to Project Kgala is continuing, despite previous findings by the AGSA and a legal opinion by the State Law Adviser. The previous 2025 BRRR recommendation by the PCDMV to terminate the project was also not implemented. The Committee recommends that the Minister provides the closure plan for the Project in writing by no later than 31 December 2026.

f) The Committee recommends that consequence management be implemented in respect of irregular expenditure related to both Project Kgala and Project Thusano. An update on the consequence management process in this regard must be submitted to the Committee by 15 January 2027.

g) The high number of senior managers who did not sign performance management contracts is a concern. The Committee requests a comprehensive report on the reasons for these managers not signing their contracts and the related consequence management measures taken or to be taken. This report should be submitted to the Committee by 15 November 2026.

h) The Committee expresses concern regarding the DOD's poor performance against the Border Safeguarding Optimisation Plan implementation target, as this directly affects the achievement of the MTDP and NDP targets. The Committee undertakes to hold a follow-up session with the DOD in early 2027 to receive a comprehensive update on related expenditure and the reasons for the slow progress.

i) The Committee requests a comprehensive account of the costs and implementation of Operation THIBA and Operation MISTRAL, including information on equipment lost or abandoned during the operations and the medical and welfare status of personnel who participated in the deployments. This submission should be provided to the Committee by 15 November 2026.

j) The Committee expresses its concern related to the auditing of sensitive projects and the Special Defence Account. The Committee recommends access for AGSA to sensitive projects and the vetting of AGSA personnel required for auditing of the Special Defence Account. Written feedback on how this will be achieved should be provided to the Committee by 15 January 2027.

k) The Committee requests written clarity on allegations of unreported cases of theft and fraud (as noted by the AGSA) and the reasons for non-reporting such cases to be submitted by 15 November 2026.

l) The Committee requests a status of implementation report of the PCDMV 2025 BRRR recommendations and reasons for implementation for non-implementation be submitted by 15 November 2026.

Political Parties reserving their rights on the Report:

- Economic Freedom Fighters (EFF)

Report to be considered.

5. BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS ON THE 2025/26 ANNUAL REPORT OF THE CASTLE CONTROL BOARD (CCB), ARMSCOR and DENEL, DATED 15 OCTOBER 2026

The Portfolio Committee on Defence and Military Veterans (PCDMV), having considered the 2025/26 Annual Report of the Castle Control Board (CCB) on 7 October 2026, and the 2025/26 Annual Reports of Armscor and Denel on 9 October 2026, reports as follows:

1. INTRODUCTION

1.1 Mandate of the Committee

The PCDMV is mandated to oversee the Department of Defence and Military Veterans (DODMV) and its entities – namely the Armaments Corporation of South Africa (ARMSCOR), the Castle Control Board (CCB), and DENEL to ensure that the entities fulfil their mandates through the monitoring of the implementation of legislation and adherence to policies. These policy guidelines assist the Committee in its oversight activities.

1.2 Purpose of the BRR Report

Section 5 (2) of the Money Bills Procedures and Related Matters Amendment Act (Act 9 of 2009) allows for each Committee to compile a Budgetary Review and Recommendation Report (BRRR) which must be tabled in the National Assembly. Section 5(3) provides for a BRRR to contain the following:

a) an assessment of the department's service delivery performance given available resources;
b) an assessment on the effectiveness and efficiency of departments uses and forward allocation of available resource; and
c) recommendations on the forward use of resources.

In October of each year, parliamentary portfolio committees compile a BRRR that assess performance given available resources; evaluates the effective and efficient use and forward allocation of resources; and makes recommendations on the forward use of resources. The BRRRs are also source

documents 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). The comprehensive review and analysis of the previous financial year's performance, as well as performance to date, form part of this process.

PART A: CASTLE CONTROL BOARD (CCB)

1. DESCRIPTION OF CORE FUNCTIONS OF THE CASTLE CONTROL BOARD

The Castle Control Board (CCB) is a designated Schedule 3A Public Entity, as defined in the Public Finance Management Act, 1999 (Act No. 1 of 1999). The mandate of the Castle Control Board is derived from the Castle Management Act, 1993 (No. 207 of 1993) which requires it to preserve and protect the military and cultural heritage of the Castle of Good Hope (CGH), South Africa's oldest architectural structure - on behalf of the Minister of Defence and Military Veterans. In 2016, the South African Heritage Resources Agency (SAHRA) declared the Castle of Good Hope a National Heritage Site.1 As a national heritage site the Castle should be managed within the legislative framework of both the National Heritage Resources Act (No. 25 of 1999) and the Defence Endowment Property and Account Act, 1922 (No. 33 of 1922) which cover certain aspects of the CCB mandate. This Report will focus on the following:

- An overview and Assessment of Financial Performance with specific reference to the appropriation statement for the financial year; financial statements; and findings of the Auditor General of South Africa (AGSA).
- An overview and Assessment of Programme Performance focusing on the four Programmes.
- CCB Governance and Human Resources.
- Committee observations and recommendations.

2. CCB CONTRIBUTIONS TO NATIONAL IMPERATIVES

With the adoption of the Medium-Term Development Plan (MTDP) 2024-2029, the CCB supported various government priorities during the period under review, many of which aligns with the National Development Plan (NDP), Vision 2030. The CCB management aims to ensure that CCB strategies align with the National, Provincial and Local Government Planning Cycle. The 5-year Implementation Plan for the NDP was aimed primarily to focus on job creation, poverty reduction,

and reducing inequality. In support of the NDP's Vision 2030 and its 5-year Implementation Plan, as well as the MTDP, the CCB contributes directly and indirectly to the following pillars:

- MTDP Pillar 1: A Strong and Inclusive Economic Growth.
- MTDP Priority 1: Economic Transformation and Job Creation.
- MTDP Pillar 3: A Capable State.
- MTDP Priority 6: A Capable, Ethical and Developmental State.
- MTDP Priority 7: A Better Africa and World.

3. SUMMARY OF PREVIOUS RECOMMENDATIONS OF THE COMMITTEE

The Portfolio Committee, after considering the 2024/25 Annual Report of the CCB, made the following recommendations in its BRRR:

a) The CCB should submit its marketing report to the Committee by 15 November 2025.
b) The Committee encourages the CCB to ensure that it receives a clean audit report for 2025/26 and beyond.
c) As in the previous year, the Committee recommends further engagement between the Castle, the City of Cape Town, the South African Police Service and other role-players to enhance the safety of tourists at the Castle.

4. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

4.1 Financial performance for 2025/26

The Castle Control Board operates a relatively straightforward heritage enterprise with limited revenue streams.3 Improving revenue generation and long-term financial sustainability have been recurring themes for the CCB. The financial statements report total operating revenue of R11.002 million, including a R5 million government operating grant. The CCB therefore remains dependent on government support, although this represents a reduction compared to the R6 million DOD allocation received in previous years.

In 2025/26, the CCB generated R10.518 million in gross revenue from tourism and events, against a target of R11.366 million, representing a shortfall of R848 000 or 7.5%. The CCB managed to self-generate R 5 518 463, an increase from R 5 159 725 in 2024/25 and from R4 785 755 in 2023/24.

The financial statements further indicate total operating revenue of R11.002 million, which includes a R5 million government grant. The CCB therefore remains dependent on government support, although this represents a reduction in government support compared to the R6 million DOD allocation received in previous years, with a further R4 million operational subsidy secured as seed funding for sustainability interventions during the next MTEF cycle. To support this transition, a dedicated Board Sub-Committee has been established to drive revenue-generating initiatives, and Phase 2 of the Revenue Generation Strategy has commenced.

Tourism and events remain central to the CCB's revenue-generation activities. During 2025/26, the Castle attracted 148,691 visitors, an increase of 11,395 visitors (8.3%) from 137,296 in 2024/25. The Castle generated R3.458 million in ticket sales and hosted 35 revenue-generating commercial events. However, tourism and events revenue declined from R11.165 million in 2024/25 to R10.518 million in 2025/26, a decrease of approximately R646,000 (5.8%). This decline, despite increased visitor numbers, warrants further consideration.

Expenditure performance in 2025/26 also raises questions. The CCB recorded significant underspending, with actual expenditure of R12.355 million against a final budget of R19.025 million, resulting in underspending of R6.670 million. The largest variance relates to contracted services, where the budget was increased by R7.65 million to R8.181 million, but only R528,858 was spent. Given the significant underspending also reported in 2024/25, the CCB should explain the basis for this substantial budget adjustment and why the additional allocation was not utilised. Furthermore, tourism development expenditure decreased by approximately 20%, from R362,692 to R290,190, despite visitor numbers remaining below target and tourism and events revenue declining. The increase in visitor numbers has not translated into a corresponding increase in revenue. Expenditure per programme is contained in the table below.

CCB Expenditure per programme for 2025/26

Programme and Objective	2024/25			2025/26		
	Budget R'000	Actual R'000	Over/Under R'000	Budget R'000	Actual R'000	Over/Under R'000
1. Administration through	8 857	9 492	(635)	10 082	10 478	(396)

corporate governance						
2. Preservation and protection of military and cultural heritage	9 024	1 075	7 949	916	1 354	(438)
3. Maximising the Castle's tourism potential	156	64	92	113	48	65
4. Increased public profile and a positive perception of the Castle	750	431	319	255	475	(220)
TOTAL	**18 787**	**11 062**	**7 725**	**11 366**	**12 355**	**(989)**

At the same time, employee-related expenditure and general expenses exceeded their approved budgets by R449,117 and R635,992 respectively. Employee-related expenditure increased from R7.260 million in 2024/25 to R8.297 million in 2025/26, an increase of approximately R1.037 million (14.3%).

4.2 Findings of the Auditor-General of South Africa

The CCB received an unqualified audit opinion with findings from the Auditor-General of South Africa (AGSA). The CCB had material non-compliances on prevention of irregular expenditure, Procurement and contract Management and effecting appropriate revenue collection procedures. The AGSA has drawn the attention of Parliament to the following matters:

- Internal controls, primarily financial and performance management: "Deficiencies occurred in effective implementation of compliance monitoring to ensure compliance with key applicable legislation. This resulted in non-compliance with key requirements of the PFMA, supply chain management policy and irregular expenditure being incurred." In describing the root cause, the AGSA notes "Inadequate compliance monitoring and insufficient understanding and interpretation of applicable legislative requirements. Action plans implemented were ineffective in identifying material noncompliance."
- Goods and services were procured without obtaining at least three written offers, and in some instances, contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process. The Supply Chain Management (SCM) unit weakness resulted in a 2.8% increase in irregular expenditure from R77 086 in 2024/25 to R79 237 in the 2025/26 reporting year.

- Effective and appropriate steps were not taken to prevent irregular expenditure as required by section 51(1)(b)(ii) of the PFMA.

5. OVERVIEW AND ASSESSMENT OF PROGRAMME PERFORMANCE

The CCB set a number of targets in its APP for 2025/26 for its various programmes. The sections below provide an overview of performance focus areas, specifically where targets were not met.

Programme 1: Administration

The CCB performed strongly on most of its governance and administrative indicators. It achieved its targets for corporate governance policies, submission of accountability documents, quarterly performance and financial reports, Parliamentary activities, payment of legitimate invoices within 30 days, and the elimination of fruitless and wasteful expenditure. However, two areas stand out:

- *Significant prior-year audit findings:* The CCB targeted 95% resolution but achieved only 75%, a 20 percentage-point shortfall. The CCB attributed this to the persistence of historic and new supply-chain-management technicalities. This is particularly significant because the 2026/27 target has now been raised to 100%.
- *Irregular expenditure:* The CCB targeted a 95% reduction but achieved only 60%, a 35 percentage-point shortfall. The CCB states that AGSA provided an SCM checklist appropriate to an entity of its size, which it expects will strengthen procurement processes. This is arguably the most significant Programme 1 concern, given that SCM weaknesses also contributed to the CCB's unqualified audit with findings.

Programme 2: Maintenance and conservation of the Castle

The CCB substantially exceeded all three Programme 2 targets as noted in the Table below:

CCB Programme 2 achievement against performance targets

Target description	2025/26 Target	2025/26 Achievement	Comments
Preventative and regulatory maintenance	**9**	62	The CCB attributes this to the availability of six Regional Works Units artisans in the Western Cape. **Achieved (+588%)**
Non-commercial cultural events	**17**	97	The CCB attributes this to the broad international, national and local reach of the events and describes the performance as evidence of the Castle's acceptance as a transformed/decolonised space. **Achieved (+470%)**
Exhibitions	**6**	8	The CCB attributed this to continued engagement with key partners and the media attention generated by the exhibitions. **Achieved (+33%)**

Programme 3: Maximising the Castle's tourism potential

The CCB performed strongly against most of its tourism-related targets, although visitor numbers and revenue generation remain areas of concern.

- The Castle attracted 148 691 visitors, an increase of 11 395 (8.3%) from 2024/25, but fell 12.5% short of the target of 170 000. The CCB acknowledged that the target had been increased substantially from 130 000 in the previous year and proved difficult to achieve. This raises a question about the realism of target-setting, particularly given that the 2026/27 target has now increased further to 180 000 visitors.
- Revenue performance was similarly below target. Gross revenue from tourism and events amounted to R10.518 million against a target of R11.366 million, a shortfall of 7.5%. The CCB attributes this primarily to insufficient revenue from events. This is particularly important given the CCB's stated reliance on tourism and events to strengthen its financial sustainability.

There were, however, several positive outcomes. The CCB achieved its targets for commercial events (35 against 35) and exceeded targets for film and fashion shoots (22 against 16), and joint marketing initiatives (3 against 2). In the newly introduced targets, the Castle sustained 50 full-time jobs against a target of 37, while temporary employment opportunities reached 1 348 against a target of 1 200.

These results demonstrate the Castle's wider contribution to tourism, employment and economic activity.

Programme 4: Increased public access to the Castle

The CCB significantly exceeded all four targets under this programme in 2025/26.

- Media exposure reached 445.3 million potential visitors against a target of 130 million, exceeding the target by approximately 242.5%. The CCB attributed this to increased cultural and commercial events and heightened public interest in the issue of homelessness at the Castle entrance.
- The CCB hosted 14 student interns, meeting its target.
- The CCB hosted 54 heritage-educational programmes delivered for women, unemployed youth, persons with disabilities and traditional communities, against a target of 22 (+145%),
- The CCB hosted 24 programmes for military veterans against a target of 6 (+300%).

6. HUMAN RESOURCES

The Human Resource Oversight Statistics state that the CCB Management team "included 26 full-time CCB remunerated staff members at the end of FY 2025/2026" against 28 approved posts. In addition, interns, casual workers and short-term contract workers brought the broader personnel complement to 63 during the year. A total of R8.29 million was spent on personnel, or 75.4% expressed as a percentage of total expenditure. By the end of the financial year there were two vacancies at the senior management level.

The Annual Report notes improvements in the HR situation through: "… annual reviews of all staff contracts, the development of performance agreements for all staff, revisions to the remuneration scales, addressing staff contentment, handling isolated disciplinary matters, and implementing staff benefits and obligations…" A consolidated Policy Handbook is to be rolled out during the new year.

Four employees received training in 2025/26. No performance bonuses were paid as, the CCB has frozen all performance bonuses since 2018. In terms of labour relations, one verbal warning and two written warnings were issued. Finally, in terms of equity targets, there are 9 females and 17 males on staff at the Castle.

7. COMMITTEE OBSERVATIONS: CASTLE CONTROL BOARD

The Portfolio Committee made the following Observations on the 2025/26 Annual Report of the CCB:

a) Members of the Committee expressed concern regarding the financial sustainability of the Castle; but called for the responsible preservation of heritage institutions
b) Members of the Committee welcomed the initiative that the CCB will meet quarterly with the AGSA.
c) Members of the Committee sought clarity on the measures being implemented to increase visitor numbers, enhance tourism offerings, improve revenue generation, and reduce the entity's reliance on DOD funding.
d) Members of the Committee highlighted the need for steps to be taken to address recurring supply chain management findings, strengthen internal controls, improve debt collection, and achieve a clean audit outcome.
e) Members of the Committee requested information on progress made in maintaining and preserving the Castle's infrastructure, including the completion of conservation and maintenance projects.
f) Members of the Committee enquired about initiatives to support job creation, skills development, internships, and opportunities for women, youth, military veterans, and persons with disabilities through the CCB's programmes and activities.

8. COMMITTEE RECOMMENDATIONS: CASTLE CONTROL BOARD

The Portfolio Committee, after considering the 2025/26 Annual Report of the CCB, makes the following recommendations:

a) The Committee remains concerned about the Castle’s shortfalls in terms of tourist numbers and its ability to increase related revenue. The CCB should submit an updated marketing report to the Committee by 15 November 2026.
b) The Committee encourages the CCB to develop a plan to reduce its dependency on a transfer from the Department and for the entity to become more financially self-sustainable.

c) The Committee requests an interim report from the CCB on its engagements with the AGSA on the 2026/27 audit process and steps taken to move the entity towards a clean audit. The report should detail progress in addressing previous audit findings, measures implemented to strengthen internal controls and supply chain management, and specific corrective actions and timelines aimed at achieving a clean audit outcome. This report should be submitted to the Committee by 15 November 2026.
d) The committee requests a costed 3-year sustainability plan with quarterly revenue targets and maintenance plans to be submitted by the CCB by 30 November 2026.

PART B: ARMSCOR

1. INTRODUCTION

1.1 Description of core functions of Armscor

The Armaments Corporation of South Africa SOC Ltd (Armscor) was established in terms of the Armaments Production and Development Act (No. 57 of 1968) to satisfy the requirements of the South African National Defence Force (SANDF) in respect of Defence Matériel. Parliamentary oversight of Armscor aims to strike the balance between corporate efficiency/sustainability and effective service delivery to the SANDF.

2. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

2.1 The National Development Plan and Key Outputs

Armscor aligns its planning and initiatives with South Africa's National Development Plan (NDP), Vision 2030, through the Medium-Term Development Plan (MTDP) 2024–2029, which serves as the implementation framework for the NDP. Armscor contributes to national development through research, technological innovation and the development of South Africa's defence industrial and technological capabilities, while supporting economic participation through strategic procurement and opportunities for SMMEs and designated groups. Through its human capital development initiatives, including bursaries and skills development, Armscor contributes to expanding educational and employment opportunities. In support of the Sustainable Development Goals (SDGs), these activities contribute particularly to SDG 4 (Quality Education), SDG 5 (Gender Equality), SDG 8

(Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure) and SDG 16 (Peace, Justice and Strong Institutions).

2.3 Armscor's contributions to the MTDP

Armscor contributes to the MTDP 2024–2029 primarily through Strategic Priority 3: Building a capable, ethical and developmental state. Armscor supports the professionalisation and improved performance of the public sector through the review of its operating model, filling of critical vacancies, strengthened performance management and optimisation of organisational productivity. It also contributes to effective border security by providing the technology and equipment required by the DOD to secure South Africa's land, airspace and maritime borders, while supporting the establishment of cyber security capabilities and contributing to the implementation of the National Cybersecurity Strategy. In addition, Armscor supports efforts to reduce corruption through sound governance and the execution of its mandate and contributes to a peaceful and secure Southern African region by providing the defence equipment required for successful regional operations.

3. 2024/25 BRRR RECOMMENDATIONS

During the previous BRRR process, the PCDMV made the following recommendations to the Minister of Defence as well as to the Armscor Board:

a) The Committee requested a copy of the Service Level Agreement (SLA) between Armscor and the DOD. This should be submitted to the Committee by 30 November 2025.
b) The Committee requests a written update on the status of Project Hotel, including Armscor's view on the capacity of the service provider to finalise the project. This should be submitted to the Committee by 30 January 2026.
c) The Committee requests a written report on the refit of the Submarine *SAS Charlotte Maxeke* with estimated timelines and costs for the project. This should be submitted to the Committee by 30 November 2025.
d) The Committee recommends that Armscor implements steps to achieve the short-term acquisition target of 90 days.
e) The Committee encourages Armscor and the SA Air Force to engage National Treasury to ensure the provision of ring-fenced funding for the maintenance of, at the very least, a

minimum viable fighter capability, as advised by the SA Air Force Command Council, over the medium-term.

f) The Committee requests Armscor to submit a written overview of the awarding of the tender for the procurement of SANDF border patrol vehicles aimed at addressing concerns raised during the engagement. This should be submitted to the Committee by 30 November 2025.

g) The Committee will engage Armscor to receive a thorough briefing on how Armscor manages the tender processes for defence acquisition.

4. OVERVIEW OF THE 2025/26 ARMSCOR PERFORMANCE

4.1 Acquisitions

Acquisitions for the SANDF and other government departments reflect Armscor's core function but remain, as in recent years, under pressure due to limited funding available to the DOD to engage in capital acquisition. This trend continued in 2025/26.

The acquisition responsibility of Armscor can be broadly classified into two main categories being, capital acquisition (funded by the DOD's Strategic Defence Account or SDA and system support and procurement (funded by the General Defence Account or GDA). Capital acquisition entails projects that cater for technology development, directed systems development, and the subsequent production of new defence matériel, while system support and procurement involves operating procurement, maintenance and support of existing equipment and systems.

In the 2025/26 financial year, Armscor managed and executed contracts worth R19.262 billion (a decrease from the R19.449 billion in 2024/25), including the following:

- Maintenance and support contracts worth R6.959 billion (compared to R6.719 billion in 2024/25).
- Capital acquisition contracts managed worth R12.303 billion (compared to R12.730 billion in 2024/25).

In terms of the ongoing hydrographic vessel procurement (Project Hotel), construction was set to start in 2018 and a steel-cutting ceremony hosted on 30 November 2018. Durban-based Southern African Shipyards (SAS) is the main contractor for Project Hotel to supply the SA Navy with a new hydrographic vessel and ancillary equipment. The Project has had some delays due to Force Majeure claims related to Covid-19, flooding and civil unrest. At the end of 2023/24, it was noted that the

project is experiencing challenges and this has an impact on the contracted schedule, but Armscor is engaging with the contractor and sub-contractors to resolve the challenges. 2026 Annual Report update: "Armscor has engaged with the main contractor, and a revised strategy was formulated to map a recovery plan in the form of a Project Execution Plan". The PCDMV conducted an oversight visit to Sandock Austral Shipyard in 2026. Following the visit, the Committee recommend that urgent decisions be taken regarding the future of Project Hotel. To this end, the Committee recommend that the Minister of Defence and Military Veterans instruct Armscor to conduct a review of Sandock Austral's capacity to complete the project and to provide detailed recommendations on the way forward, including associated cost implications and risks.

Progress on other key acquisition projects for the SANDF included the following:

- *Inshore Patrol Vessels (IPVs) (Project Biro):* With all three vessels supported, Amrscor noted by the end of 2024/25 that the logistic support elements are still being delivered progressively for each vessel. The MMIPV project is entering its final interim support phase and is progressing under the contracted functional performance and cost. A similar observation was made in 2025/26 that "the delivery of the logistic support elements is near finalisation and the MMIPV project is concluding its interim support phase."

- *Airborne systems - Short-range air-to-air missiles:* This project entails the development of the A-Darter short-range air-to-air missile, co-funded by the Brazilian Air Force and the SA Air Force. The development phase of the missile system was completed by Denel. Completion of the development phase of the missile furthermore signified the end of the co-operation with the Brazilian Air Force on the development programme. A contract was then placed with Denel in March 2015 for the industrialisation and subsequent production of A-Darter missiles, but this has not been achieved due to constraints at Denel. In 2022/23, Armscor launched an initiative to investigate the possible reviving of the project. The Corporation found that it is feasible to complete the industrialisation and production of the missiles to meet the requirement of the SA Air Force. This could be pursued by following a completely different and unique contracting model and with greater participation from the local defence industry. In 2023/24 it was then decided to rather remain with Denel given its improvements in finance and manpower. The 2025 Annual Report notes that the project almost came to a complete stop during the financial year. The 2026 Annual Report again notes that the project remains a very high risk but that Denel and Armscor are working to mitigate the risk including the establishment of an Escrow account to pay suppliers directly.

- *Ground Based Air Defence System (GBADS):* The GBADS for the SA Army was delivered to the Air Defence Artillery Formation in 2020/21 and it provided for the refurbishing of the radar-guided system 35mm guns of the Air Defence Artillery Formation. The second phase of the GBADS consist of two steps. Phase 1 includes the upgrade of the Gun Fire Control System of the 35mm Anti-Aircraft guns and was completed in 2021/22. Phase 2 relates to the inclusion of the Missile Short Range Air Defence system capability. The third phase of the GBADS programme addresses the Design and Development of the Battle Management, Command and Control, Communications, Computers and Information integration within the Mobile Air Defence System Regiment. In March 2024, Armscor approved the contracting of the Production and transition phase of the project, which has three sub-phases. The first phase provides for the GBADS Simulator Facility and preparation of Client Furnished Equipment vehicles, local warning radars and radios for the project which is currently funded. The second sub-phase partly provides for the establishment of a final Production Baseline and the initial Operational Baseline as part of the Partial Acquisition Plan 1. This includes the Commissioning and Interim Support for 2 years. The 2026 Annual Report does not provide a specific status update on the project.

- New Infantry Combat Vehicles (Project Hoefyster): This project provides for a New Generation Infantry Combat Vehicle Products System to replace the Ratel Infantry Combat Vehicle that has been in service since circa 1976. The project entails acquisition of five combat variants including logistic support and ammunition. The Project is significantly behind schedule (by more than 10 years) due to capacity constraints at Denel. In 2023/24, it was indicated that the Project Control Board recommended that Phase 1 (development) of Project Hoefyster be completed with delivery of 1 Battalion comprising of 88 Vehicles to the SA Army with the funding available. In terms of the 2026 Annual Report, no specific performance against updated baseline dates from previous Annual Reports were provided. The Annual Report only stated that the agreed contracting model was to embed technology and obsolescence management measures to ensure the project's sustainable advancement, long-term capability retention, and life-cycle effectiveness.

4.2 Defence Industrial Participation

Defence Industrial Participation (DIP) relates to the obligation of a foreign supplier to reciprocate defence related business in South Africa as a result of a Defence acquisition. Armscor managed 14 such agreements of which 13 relate to defence acquisition projects. Only one of the current DIP

agreements are not related to the military (related to a SAPS pistol acquisition project). The value of DIP credits being managed remained the same as the previous two financial years and comes to a total of R23.305 million. Outstanding DIP obligations are as follows (and remained the same since 2023/24):

- DIP agreements related to ongoing defence projects (13): R368 million
- DIP agreements related to the SAPS (1): R13 million

Notes on DIP agreements in the 2026 Annual Report:

- On Aviation Rescue & Fire Fighting Vehicles, the joint venture has collapsed, and they are no longer in a position to fulfil the outstanding portion of their DIP obligation. Kärcher Futuretech opted to pay the penalty to close the agreement.
- On acquisition of Night Vision Equipment, the obligor experienced various challenges and has since shown no interest to continue with the DIP programme. Furthermore, the DIP beneficiary is no longer in a position to continue, as the resources who received technology transfer are no longer in the employment of the company.

4.3 Research and Development

The bulk of research and development services took place at Armscor's various Research and Development Facilities such as the Gerotek and Alkantpan test facilities as well as Hazmat protective systems. The sections below provide an overview of key updates of the activities of these facilities since the previous reporting period.

Alkantpan is a munitions test range in the Northern Cape Province and attracts a number of local and international clients. Several international and domestic clients perform tests at the facility. For 2025/26, Armscor claims a noticeable increase in testing at the facility. Mentioned users include Denel artillery demonstrations, Unmanned Aerial Vehicle (UAV) testing, live fire demonstrations by a Singapore-based company, SANDF ammunitions and weapons sample testing, and G5 and G6 integration of the Rheinmetall-Denel Munitions (RDM) Assegai Ammunition.

Hazmat produces respiratory equipment for military and commercial purposes. The demand for military respiratory products diminished and Hazmat successfully transformed the business from only supplying the DOD with Chemical and Biological Warfare filters to a range of commercial Personal Protective Equipment products, which are sold to the safety industry. In 205/26, Armscor only stated

that the entity reinforced its sovereign assets, by maintaining the advanced carbon impregnation plant and making improvements on its filter assembly lines, and that it introduced new product offerings. There was no specific reporting on the increase/decrease of sales during the year, although Hazmat's products are competing in an increasingly competitive market.

Gerotek Test Facilities was established to meet South Africa's needs to test defence-related products and to maintain key facilities, equipment, capabilities and technologies for that purpose. In 2025/26, Gerotek maintained all key international certifications. The addition of four new training vehicles boosted driver training capacity, enabling over 600 public servants and numerous industry professionals to receive accredited instruction. Gerotek invested in new measurement equipment and upgrades on existing facilities. Major clients increased usage of Gerotek's testing and facility rental. Gerotek Advanced Driver Training also continued offering services to the DOD, other government entities, the mining sector and the commercial sector.

Protechnik Laboratories focuses on chemical and biological defence. Protechnik is advancing its research and development in response to the evolving threat of chemical warfare agents by focusing on the analysis of chemical toxins and bio-toxins. In 2025/26, Protechnik made progress in terms of detection and sensing systems, the development of decontamination technology and developing new methods for detecting chemical warfare agent biomarkers. Finally, the facility demonstrated innovation in materials and environmental solutions and reported advancements in biological research.

Ergonomics technologies (Ergotech) focuses on integrating ergonomics into the SANDF. During 2025/26, Ergotech continued implementation of the Life Monitor System for health monitoring of soldiers in remote areas, development of in-house capability to quantify dynamic response of body armour to blast loading and Research into the development of Virtual Reality (VR) training environment for various operations within the SANDF. Crucially, the facility reports that it completed the body armour prototype for the South African Army. The prototype is scheduled to be presented to the South African Army in 2026/27.

Flamengro: In 2025/26, the facility fully operationalised a Pressure Bar test bench for testing armour materials under extreme dynamic loading. It also completed the REPOSE project, which focused on the development of a sovereign counter-rocket, artillery and mortar (C-RAM) capability.

Armour Development conducts defensive and reactive armour development and is funded by the Research and Development Board. In 2025/26, the facility concluded a project on developing means to improve armour systems to counter specific high-level threats, specifically the RPG-7 anti-tank rocket. It was also noted that Armour Development has experienced an increase in commercial activity, with a rise in specialised ballistic testing orders. Finally, a proposal was also put forward for a new internationally recognised Ballistic Research Facility.

Institute for Maritime Technology (IMT) provides techno-military expertise to support naval decision-making. The IMT indicated a significant concern during 2022/23 in that it had a high number of resignations in key positions that led to 17 vacancies. It is unclear if this has resulted in long-term constraints at the facility. Regardless, IMT recorded some advancements in 2025/26. IMT completed the planned projects that are funded by the Defence Research Development Board, including the submarine rescue seat certification. The facility also reported on the design and development of a system to launch submarine flares.

Intellectual Property Management Division (IPMAD): Intellectual Property (IP) created or acquired during acquisition of defence matériel or technology development projects, on behalf of the DOD, is managed by the Intellectual Property Management division (IPMAD). In 2022/23, one Armscor IP/technology was exploited, but there have been no indications since then, including in 2025/26, that IP/technology was exploited.

4.4 The Armscor Dockyard

The Armscor Dockyard serves as the primary maintenance supplier to the SA Navy. The Armscor Dockyard's performance is based on a service level agreement between the SA Navy and Armscor.

On 10 June 2026, the PCDMV conducted an oversight visit to the Armscor Dockyard. During this meeting, Armscor and the SA Navy jointly presented a future action plan to the Committee for the turnaround of the Dockyard to ensure value for money service delivery to the SA Navy. Key target dates included:

- Design and implement a Performance Management System aligned with the agreed SA Navy objective across the Dockyard and the SA Navy by 31 Dec 26.
- Implement the spares sourcing and management Optimisation by 31 Mar 27.
- Solicit proposals for a strategic partnership with a value proposition to the SA Navy by 31 Dec 26.
- Training Centre rejuvenation with Phase 1 Complete by 31 Mar 27.

- Execute phase 1 of roof repairs by 31 Dec 26.
- Finalise building & Tunnels condition assessment by 30Sep 26.
- Finalise MOA by 31 Dec 26

The 2025/26 noted the following refit project progression during the year under review:

- *Submarine refit.* Armscor have established an order with Babcock International Group (Ntuthuko Engineering) for the refit of the submarines. The refit execution strategy will follow a phased approach with phase one focusing on Project Initiation and planned for completion in November 2026. Phase 2 will cater for the execution of activities required for the refits of S102 and S103. A progress of 31% was recorded in Phase 1 in 2025/26.
- *SAS Isandlwana refit.* The project's overall progress is 42%. The project, conducted by Sandock Austral Shipyard in Durban and the OEM in Turkey, is currently behind schedule. The main reasons include OEM repairs with long lead-times, impacting the overall schedule. Completion is expected in 2028.

5. HUMAN CAPITAL MANAGEMENT

At the end of 2025/26, Armscor, including the Armscor Dockyard, had a staff complement of 1 439, which is higher than the previous financial year (1 386).

In terms of Employment Equity, 90.97% of the Armscor Human Resources contingent is African, Coloured and Indian, which is an increase from 89.83% in 2024/25. In terms of female representation, this figure stood at 42.02% of the total workforce, an increase from 41.49% in 2024/25. Armscor's Employment Equity Plan's target for 'black representation', as reported in previous years, as well as female representation has accordingly been achieved.

The core of Armscor's business is centred within the following occupations: Science, Engineering, Technical and Technical Support (SETTS), making up 47.97% of the permanent employees (lower than the 48,05% reported in 2024/25). The remainder (52%) are employed in the fields of Finance, IT, Professional Support, and Support structures of Armscor.

In terms of Learning and Development, the 2025/26 Annual Report notes that essential skills training has benefitted a substantial number of Armscor employees at all levels compared to the previous financial year, with a spend of 72% of the overall budget the financial year.

In terms of Bursaries, Armscor sponsored 25 students with bursaries to study at different institutions, of which the majority were in engineering and science (this figure is the same as in 2024/25), but is lower than in previous years such as the 38 bursaries offered in 2023/24.

6. PERFORMANCE OVERVIEW

The Armscor Annual Report highlights performance against Goals and its Service Level Agreement. The Table below highlights key performance areas for the year under review. The table below highlights achievements against selected targets.

Armscor Selected Key Performance Indicators

Objective	**KPI**	**Goal 2025/26**	**Achievement 2025/26**	**Comments**	Achievement prior year 2024/25)
Performance against the Service Level Agreement Outputs					
Defence matériel product life cycle provided	Percentage of DOD Capital requirements converted into orders placed.	95%	100%	**Target achieved**	100%%
	Acquisition Performance for In-year Deliverables	95%	78%	**Target not achieved** 7 of 9 Baselines achieved	
	Percentage of DOD system support and procurement requirements converted into orders placed	95%	96%	**Target achieved** DOD requirements to the value of R1,674,076,842 were received of which Armscor committed R1,570,268,977	100%

Objective	KPI	Goal 2025/26	Achievement 2025/26	Comments	Achievement prior year 2024/25)
Performance against the Service Level Agreement Outputs					
Schedule placement	Average time taken to convert DOD requirements into orders	90 days for shortened process COTS items	77 days	**Target achieved**	72 days
		120 days for non-COTS and Product Support GDA procurement	108 days	**Target achieved**	146 days
		140 days for SDA acquisition programmes	74 days	**Target achieved**	120 days
Defence Technology, Research, test and evaluation requirements for the DOD	Percentage of execution of technology requirements	95%	81.0%	**Target not achieved** Project Initiation Delays; Client Access and Approval Constraints; Procurement and Delivery Delays; Execution delays	63.0%
Dockyard	Percentage of compliance to project finance	90%	99%	**Target achieved**	84%
	Percentage of project tasking and job cards executed	90%	71%	**Target not achieved** A 57,5% achievement for projects and a 73% achievement for ad hoc activities executed	72%

Objective	KPI	Goal 2025/26	Achievement 2025/26	Comments	Achievement prior year 2024/25)
Performance against the Service Level Agreement Outputs					
	Percentage of Ancillary Services executed.	95%	100%	**Target achieved**	100%
Performance against Group Strategic Outputs					
Group revenue	Revenue from existing facilities of Armscor R&D.	R457.2 million	R440.1 million	**Target not achieved**	R425.9 million
	Revenue generated from the Business Enablement Business Unit.	R65 million	R67.5 million	**Target achieved**	R90 million
	Improve net financial position.	R0.5 million surplus	R271.6 million surplus	**Target achieved**	R85.7 million surplus
Infrastructure renewal	Complete implementation of SCM ERP module.	30 Sep 2025	-	**Target not achieved** Operational finance configuration is complete. The next step is to conduct a review session for the Acquisition process, scheduled to begin in April 2026	
	Preferential Procurement from Military Veterans' entities.	2%	1%	**Target not achieved**	
Infrastructure renewal	Improve cybersecurity	80%	83%	**Target achieved**	34.5%

Objective	KPI	Goal 2025/26	Achievement 2025/26	Comments	Achievement prior year 2024/25)
Performance against the Service Level Agreement Outputs					
	capability maturity level				

7. FINANCIAL STATEMENTS AND KEY NOTES FROM THE AUDITOR-GENERAL

Armscor has maintained a surplus in recent years as depicted below:

- 2021/22: A surplus of R4.6 million
- 2022/23: A surplus of R148.63 million
- 2023/24: A surplus of R150.87 million
- 2024/25: A surplus of R85.75 million
- **2025/26: A surplus of R271.6 million**

Revenue generated continues to be largely dependent on a state grant but comprises the following categories in the table below.

Armscor revenue generation trends

Revenue category	2022/23	2023/24	2024/25	2025/26
Sale of goods and services	R291.7 million	R404.6 million	R452.0 million	R502.0 million
Government grants	R1.261 billion	R1.217 billion	R1.173 billion	R1.225 billion
Interest	R126.3 million	R167.6 million	R214.2 million	R159.8 million
Rental	R59.1 million	R59.6 million	R61.3 million	R66.9 million
Other income	R21.6 million	R24.1 million	R14.1 million	R30 million
Total	**R1.760bn**	**R1.873bn**	**R1.914bn**	**R1.992bn**

The following additional financial matters should also be noted:

- Employee-related costs decreased marginally from R1.243 billion in 2024/25 to R1.241 billion in 2025/26.
- The payment of bonuses decreased from R73.9 million in 2024/25 to R62.4 million in 2025/26.

- The payment of 13th Cheques decreased from R93.7 million in 2024/25 to R30.6 million in 2026/27.
- While the sale of goods and services increased from R452 million in 2024/25 to R502 million in 2025/26, the cost of sales increased from R155.0 million in 2024/25 to R170.4 million in 2025/26.
- IT expenses increased from R40.6 million in 2024/25 to R56.7 million in 2025/26.
- Expenditure on Repairs and Maintenance increased from R27.6 million in 2024/25 to R40.3 million in 2025/26.
- Subsistence and Travel increased substantially from R35 million in 2024/25 to R64.2 million in 2025/26, an increase of R29.2 million or 83.4%.

Payment to the executive directors:

- Payment to the executive director positions (CEO and CFO) increased from R9.932 million in 2024/25 to R10.5 million in 2025/26.

Payment to non-executive directors:

- Fees and Committee remuneration to non-executive directors increased substantially from R8.115 million in 2024/25 to R15.2 million 2025/26. This includes a total payment of R10.7 million in "ad hoc" fees for the Armscor Board (compared to R3.828 million in the previous financial year). 70.5% of all non-executive remuneration was classified as ad-hoc payments.

Payment to executive committee members:

- Payment to executive committee members increased from R21.2 million in 2024/25 to R27.9 million in 2025/26.

Fruitless, wasteful and irregular expenditure

A total of R1.614 million was reported in terms of Fruitless and Wasteful expenditure in 2025/26, bringing the cumulative total to R7.4 million.

A further R19.15 million was reported in terms of Irregular Expenditure in 2025/26, bringing the cumulative total to R51.4 million.

In terms of *Consequence Management,* Armscor notes that disciplinary action was taken against relevant officials with regards to non-compliance to procurement processes that led to irregular expenditure being incurred.

Criminal process is underway in relation to losses incurred from fruitless and wasteful expenditure resulting from fraudulent activities by an official. Disciplinary action was taken against the official, resulting in the employee being dismissed. The entity is also pursuing other legal avenues to recover the losses from the specific official. Legal processes continue against a supplier on a matter than resulted in fruitless expenditure being incurred.

8. FINDINGS OF THE AUDITOR-GENERAL OF SOUTH AFRICA (AGSA)

As in the previous year, Armscor obtained an *unqualified audit* from the Auditor-General of South Africa (AGSA) for 2025/26.

The AGSA identified the following areas of concern in its Armscor audit that may require improvement on the side of the entity in future:

- *Financial statement accuracy:* AGSA identified material misstatements in the financial statements submitted for audit, including relating to receivables, cash and cash equivalents, investments, the cash-flow statement, commitments and financial instruments. These were corrected by management before the final statements received an unqualified opinion. The Committee may wish to ask why these material errors occurred and what controls have been introduced to prevent their recurrence.
- *Annual Financial Statements:* The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. Material misstatements were identified and corrected before the final financial statements received an unqualified audit opinion.
- *Expenditure management.* Effective and appropriate steps were not taken to prevent irregular expenditure as well as fruitless and wasteful expenditure.
- *Revenue management.* Effective and appropriate steps were not taken to collect all revenue due.

- *Internal control deficiencies.* Management did not implement effective oversight and adequate reviews over financial statements preparation as the submitted financial statements were not accurate and complete, resulting in material adjustments and non-compliance. Management also did not adequately monitor controls over compliance with laws and regulations, as the controls were ineffective in preventing recurring instances of irregular, fruitless and wasteful expenditure.

9. COMMITTEE OBSERVATIONS: ARMSCOR

The Committee made the following general observations on the 2025/26 Armscor Annual Report:

a) Members of the committee welcomed Armscor's unqualified audit opinion and commended the organisation for maintaining generally strong governance, transparency and financial management.
b) Members of the committee noted that Armscor continues to perform an important role in defence acquisition, research and development, industrial participation and sustaining SANDF capabilities despite funding constraints.
c) Members of the committee commented that funding shortages remain a major threat to strategic projects, platform maintenance and long-term capability development within the defence environment.
d) Members of the committee welcomed Armscor's contribution to research, technology development, innovation, skills development, bursaries and corporate social investment programmes.
e) Members of the committee raised concern that irregular and fruitless expenditure continues to increase and stressed the need for stronger consequence management and accountability.
f) Members of the committee requested an update on Project Hotel, including revised completion dates, project costs, contractor performance, guarantees, payment schedules, and the shipyard's capacity to complete the project.
g) Members of the committee asked for detailed information on Project Hoefyster, including updated milestones, timelines and accountability measures.
h) Members of the committee requested a comprehensive recovery plan for delayed acquisition programmes, including Project Hotel, Project Hoefyster and other strategic defence projects.
i) Members of the committee questioned Armscor regarding the Milkor Border Patrol Vehicle tender, including the cancellation of field evaluations, the basis for the award decision, the ongoing litigation, and any potential financial exposure to the State.

j) Members of the committee requested clarification on the Request for Information (RFI) relating to a possible replacement of the R4 and R5 rifles, including whether any procurement decision has already been taken and the rationale for initiating the process.
k) Members of the committee requested details on Armscor's AB Logistics' involvement in SANDF travel, freight and logistics procurement, including expenditure on chartered flights and freight contracts.
l) Members of the committee raised concerns about increasing irregular and fruitless expenditure and requested reports on investigations, disciplinary action, consequence management, recovery processes, and criminal or civil proceedings.
m) Members of the committee requested information on the progress of ICT modernisation, ERP implementation, cybersecurity improvements, and measures to address information security weaknesses identified by the Auditor-General.
n) Members of the committee sought clarity on funding shortfalls affecting key SANDF air platforms, including the Gripen, Rooivalk, Oryx and other helicopter platforms, and C-130 transport aircraft, and their impact on operational readiness.
o) Members of the committee asked what measures Armscor is implementing to improve contract management, project execution, procurement oversight, and alignment with the resolutions of the Defence Industry Lekgotla.
p) Members of the committee requested further information on the continued use of aircraft and equipment cannibalisation and the impact of spare parts shortages and underfunding on SANDF capabilities.
q) Members of the Committee requested additional information on the Request for Information published by Armscor for the replacement of the SANDF assault rifle and whether any decisions on the matter have been made.
r) Members of the Committee urged further improvements to ensure that audit findings do not recur.
s) Members of the Committee raised concerns regarding reported delays in the refurbishment of the SAS Isandlwana, noting the need for Parliament to be informed of all payment schedules.
t) Members of the Committee requested more information on how Armscor's AB Logistics supports the SANDF and what roles Armscor and AB Logistics played in sourcing and paying for chartered flights and freight.

10. COMMITTEE RECOMMENDATIONS

The Committee made the following recommendations based on its engagement on the 2025/26 Armscor Annual Report:

a) The Committee recommends the development of a joint accountability framework between Armscor and Denel for projects contracted to Denel.
b) The Committee notes the current development of a technical report on Project Hotel. Based on the technical report, the Minister and Armscor should provide the Committee in writing with a way forward on Project Hotel, detailing all financial implications and timelines (where applicable). This should be submitted to the Committee by 30 January 2027.
c) Armscor should provide the Committee with a detailed updated delivery schedule for Phase 1 of Project Hoefyster, included projected expenses and timelines and the continued viability of the Project. This should be provided to the Committee by 15 November 2026.
d) Armscor should provide the Committee with a detailed projection on the refurbishment project for the SAS Isandlwana, indicative of delays projected, cost implications, payment schedule and reworked timelines against original projections. This should be provided to the Committee by 15 November 2026.
e) Armscor should provide the Committee with a report clarifying the respective responsibilities of Armscor and AB Logistics as it relates to the procurement of chartered flights and freight for the SANDF. This should be provided to the Committee by 15 November 2026.
f) The Committee encourages Armscor to continue maximising revenue generation from its various research facilities as a means of limiting reliance on transfers from the Departmenton the Department.
g) Border safeguarding vehicles: The Committee recommends that Armscor keep the Committee informed of material developments relating to the legal challenges concerning the contract for the border safeguarding vehicles and provide the relevant information when legally permissible.
h) The Committee request the submission of a reconciled register on investigations and criminal and civil procedures on irregular, fruitless and wasteful expenditure to be submitted by 15 November 2026.

i) The Committee request a detailed explanation on significant increase in travel and subsistence expenditure by Armscor in 2025/26 compared to the previous financial year, to be submitted by 15 November 2026.

PART C: DENEL

1. OVERVIEW OF DENEL

Denel is a state-owned company (SOC) whose sole shareholder is the South African Government. Following President Ramaphosa's proclamation transferring the powers and functions previously exercised by the Department of Public Enterprises (DPE), Denel was transferred to the Department of Defence (DOD) effective from 1 April 2025. A Multi-Disciplinary Integrated Project Team was appointed to facilitate the transition of Denel from the DPE to the DOD. In August 2025, Denel tabled its Corporate Plan and in September 2026 its Annual Report for the financial year 2025/26 in Parliament.

Denel has experienced a prolonged period of financial distress, operational difficulty and governance failure. The immediate crisis became particularly acute from approximately 2019 onwards, although the underlying governance and management problems predate this period and are documented elsewhere, including in the work of the Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector including Organs of State. Despite repeated government interventions, Denel's liquidity constraints, operating losses, and strategic uncertainties have persisted, raising concerns about its sustainability and long-term viability.

2. DENEL'S FISCAL POSITION

2.1 Overview of the fiscal position

Denel has received shareholder and government direct support since at least 2019. This included recapitalisation, government-guaranteed borrowing and the subsequent settlement of guaranteed debt:

- In August 2019, Denel received R1.8 billion in recapitalisation, principally to settle overdue creditors and debt and restore operations. Despite this intervention, operating cash flow remained negative and working-capital problems persisted.

- During 2021/22, 2022/23 and 2023/24, Denel also received approximately R416 million, R3.03 billion and R205 million respectively for repayment of bonds against government guarantees.
- In October 2022, government announced a further R3.4 billion recapitalisation, linked to Denel's turnaround plan and conditions including the disposal of non-core assets. The wider turnaround plan required approximately R5.2 billion, with the remaining R1.8 billion expected from non-core asset disposals.

Denel continues to receive support from National Treasury (NT) and as was announced in the 2026 Budget, has committed to a turnaround plan. It was noted in the Estimates of National Expenditure that "Over the medium term, Denel will continue implementing its turnaround plan, which includes the rollout of a new operating model, organisational restructuring and the optimisation of its cost structure. The plan requires funding of R5.2 billion, of which the company committed to raise R1.8 billion through the disposal of non-core assets. The remaining R3.4 billion was allocated to Denel in March 2023 through the Special Appropriation Act (2022). This capital injection was intended to support the implementation of the turnaround plan, settle legacy obligations and address liquidity constraints to sustain operations and execute the existing order pipeline."

The subsequent utilisation of the funding is particularly important. Denel told Parliament's Standing Committee on Appropriations (SCOA) on 5 August 2026 that by 30 April 2026 approximately R3.297 billion had been utilised under the turnaround framework. Of this, approximately R2.757 billion (more than 80%) was directed towards current and legacy obligations. Only approximately R178 million had been utilised against the R900 million growth-phase allocation. No funding has been utilised for further optimisation and restructuring or critical capital expenditure.

The above suggests that the recapitalisation has functioned primarily as a stabilisation and survival mechanism, rather than as sufficient funding for the transition to sustainable growth. The evidence presented in the Annual Report suggests that this has not yet occurred. Government support has enabled Denel to settle legacy obligations and continue operating, but substantially less funding appears to have been available for productive investment, modernisation and growth. This creates an important distinction between funding the past and funding the future.

2.2 Denel profits and losses for 2025/26

Denel's 2026 results show an improvement in revenue and gross profitability, but do not yet demonstrate a return to sustainable operating profitability. Group revenue increased to R1.473 billion and gross profit rose to R361 million, yet Denel recorded an operating loss of R364 million. The results therefore suggest that the improvement in the headline bottom line should not be equated with a turnaround of Denel's core operating business.

The core operating performance materially missed the Corporate Plan's own expectations. Assessing the 2026 actual results against the forecasts contained in Denel's Corporate Plan raises concerns about the underlying operating turnaround (see Table below). The Corporate Plan budgeted for 2026 revenue of R1.956 billion and an operating loss of R168 million. Actual revenue was only R1.473 billion, while the operating loss was R364 million which is R196 million less than budget. Thus, Denel remains significantly loss-making.

Denel statement of profit and loss and other comprehensive income 2026–2028

Line item	Actual (Unaudited) 2025	Budget 2026	Plan 2027	Plan 2028
Revenue	1 272	1 956	2 494	2 999
Cost of sales	(1 137)	(1 513)	(1 868)	(2 204)
Gross (loss) profit	**135**	**443**	**626**	**796**
GP%	11%	23%	25%	27%
Other income	184	164	171	179
Operating expenditure	(649)	(775)	(877)	(947)
Opex %	-51%	-40%	-35%	-32%
Operating (loss) profit	**(330)**	**(168)**	**(79)**	**29**
Finance costs	(56)	(391)	(376)	(355)
Other	(40)	(42)	(44)	(46)
Significant financing component	(16)	(349)	(332)	(308)
Net Investment income	208	27	25	25
Share of profit/(loss) in associated companies	401	377	385	393
Net Profit/(Loss) before tax	**167**	**(546)**	**(421)**	**(263)**
Taxation expense				
Net Profit/(Loss) for the year	**167**	**(546)**	**(421)**	**(263)**

NPAT%	13%	-28%	-17%	-9%
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Share of comprehensive income of equity accounted investments	139	-	-	-
Other comprehensive income for the year net of taxation				
Total comprehensive loss for the year	**306**	**(546)**	**(421)**	**(263)**

In relation to the Denel Turnaround Plan, the Board Chairperson noted in the 2025/26 Annual Report that "Denel has also continued initiatives aimed at strengthening delivery capacity, improving the utilisation of its capabilities and positioning its product and technology portfolio in response to domestic and international defence requirements. These initiatives are intended to rebuild stakeholder confidence and strengthen Denel's ability to compete sustainably for new business. Progress must nevertheless be considered against continuing liquidity and working-capital pressures, legacy obligations, weaknesses in financial reporting and internal controls, ageing ICT and operational infrastructure, skills and capacity constraints, and inconsistent execution of projects and customer commitments."

Denel materially missed its revenue and operating-performance targets but nevertheless reported a profit because income from associated companies was substantially higher than budgeted. The reported R156 million profit for the year was largely driven by R716 million in profits from associated companies. No dividend was paid out from these companies, so the recognition of this accounting income does not itself represent a corresponding cash inflow to Denel.

Denel revenue against projections

	2025/26 Corporate Plan expectation	**FY 2025/26 results**	**Comment**
Revenue	R1.956bn	R1.473bn	R483m below
Operating loss	R168m	R364m	More than twice the budgeted loss
Net profit or loss	R546m net loss	R156m profit	Principally because the share of profit from associated companies was R716m rather than the R377m expected

Going forward, the Corporate Plan envisages revenue increasing to R2.494 billion in 2027 and R2.999 billion in 2028, with the operating result improving from a R168 million loss in 2026 to a R29 million profit by 2028. However, the operating loss was R364 million which is R196 million less than budget. In order to meet revenue assumptions, against actual 2026 revenue of R1.473 billion, Denel would need to increase revenue by roughly:

- 69% to reach the 2027 plan; and
- 104% to reach the 2028 plan.

3. DENEL PERFORMANCE AGAINST SHAREHOLDERS COMPACT

Denel had mixed results in its performance against the shareholders compact as reported in its 2025/26 Annual Report. The table below reflect the reported performance outcome.

Denel performance against shareholders compact

Indicator Category	KPA	KPI	Baseline End 2024 FY	Annual Target	Actual 2025/2026	Comments
Financial Indicators	Liquidity	Cash generated from operations	-R122m	≥R1m	R261m	Dividends received from RDM and prepayment received from customers on projects. Long outstanding debt from SAAF was settled during February 2026.
Financial Indicators	Liquidity	Revenue growth	14%	>25%	15%	Revenue of R1 468m achieved year to date is 15% ahead of the revenue of R1 272m achieved in the same period in the prior year. Revenue was budgeted at R1 956m and the actual is lower by R488m.

Indicator Category	KPA	KPI	Baseline End 2024 FY	Annual Target	Actual 2025/2026	Comments
Financial Indicators	Profitability	Revenue per employee	R218 653	≥R1m	R962 623	The revenue per employee has significantly improved when compared to the baseline of R219k, however the company fell short of achieving R1m target.
Financial Indicators	Profitability	Gross profit margin	20%	>0%	22%	Gross profit margins (22%) is above target and baseline.
Financial Indicators	Profitability	Net profit margin	-40%	≥0%	16%	Net profit margin of 16% is higher than target and baseline.
Financial Indicators	Profitability	EBIT Margin	-24%	≥0%	29%	Positive earnings before interest and tax of R426m (including share of profit from Associates) is better than the earnings of R71m that was reported in March 2025. This is influenced by a positive performance of RDM, the profit from associate included in the results is R722m.
Financial Indicators	Profitability	Other operating expenses (% of revenue)	43%	≤30%	55%	Operating expenses margin has worsened when compared to the budget and

Indicator Category	KPA	KPI	Baseline End 2024 FY	Annual Target	Actual 2025/2026	Comments
						prior year, mainly due to KAMAS onerous provision, FOREX, performance bond and guarantees costs.
Commercial Indicators	Strategic Initiatives	Strategic projects to modernise OTR and ICT infrastructure	0	40% milestones achieved	43%	ICT Infrastructure has been updated with the following as a percentage of the approved plan: 1. New servers deployed at DLS in October 2025, 2. Updated servers for Gear Factory deployed in November 2025, hosted at Aero in Kempton Park, 3. New servers deployed at OTR in Feb 2026, and 4. New core switches deployed at OTR in Feb 2026.
Commercial Indicators	Strategic Initiatives	Recover PMP Business to profitability (Continued growth of PMP Revenue over the	R165m	≥R235m	157m	The business has two parallel processes, which are: PMP business operations and the recovery implementation plan. The

Indicator Category	KPA	KPI	Baseline End 2024 FY	Annual Target	Actual 2025/2026	Comments
		PMP Recovery Project Timeline)				operations had working capital constraints regarding delivery of medium calibre legacy contracts and delayed fixing of machinery due to suppliers/service providers' slow start.
Commercial Indicators	Operational Excellence	G6 upgrade export contract	0	100%	228%	The project surpassed the projected budget and more milestones were achieved within the financial year i.e. critical design review and the start of the engineering building.
Commercial Indicators	Operational Excellence	Hoefyster phase 1 (Section and command variant completed, PBL declared)	0	100%	90%	The outcome of Armscor SV PBL is to conduct mine blast. This will be done in the new financial year end 2026/2027.
commercial indicators	operational excellence	Strengthening of the Air Force capability	R564m	≥85%	120%	Denel Aerospace has caught up on nearly two years of delayed targets, stabilising operations and delivering aircraft. This has restored consistent

Indicator Category	KPA	KPI	Baseline End 2024 FY	Annual Target	Actual 2025/2026	Comments
						contract delivery and reliability.
commercial indicators	operational excellence	Employee turnover (*core greys)	11,50%	<10%	11,40%	Target not achieved due to high level of terminations as at 31 March 2026 of 186 staff exits.
internal processes	vetting and integrity	Vetting and integrity assessments (Ensure that appointment processes are credible)	0	100%	73%	All applications for new employees subjected to Armscor vetting were submitted. Following up with individuals to ensure that they have submitted by the end of the following month.
internal processes	compliance	Compliance with industry related regulations (NCACC & Explosives)	100%	>0%	78%	PMP license renewal is being followed, it remains a standing feature for the next two months.
internal processes	business sustainability	Closure of External Audit findings from AG	0	≥60%	40%	The completion of the remedial plan is expected to be over 24 months with the IS prioritised in FY2026 and the BS in FY2027. Due to delays in requirements at some divisions have delayed closing findings. The focus in FY2027 will be to finalise the

Indicator Category	KPA	KPI	Baseline End 2024 FY	Annual Target	Actual 2025/2026	Comments
						outstanding Balance Sheet findings.

4. FINDINGS OF THE AUDITOR-GENERAL OF SOUTH AFRICA (AGSA)

4.1 Recent history of Denel audit outcomes

Denel's financial difficulties cannot be separated from the persistent weaknesses in financial governance. The most important finding in the 2025/26 Annual Report is the Auditor-General's disclaimer of opinion. The Auditor-General states that sufficient appropriate audit evidence could not be obtained to form an audit opinion.

According to the AGSA's presentation to the Standing Committee on Public Accounts (SCOPA) of 19 November 2024, Denel's audit outcomes "… have remained stagnant with no notable improvement in outcomes in the past 6 financial years since 2017-18 when the audit was undertaken by the AGSA." AGSA confirmed in its presentation to the PCDMV of 30 September 2026 that Denel received its ninth consecutive disclaimer of opinion. AGSA stated that Denel remains unable to prepare credible annual financial statements supported by adequate and reliable accounting records and documentation. The persistence of the disclaimer is particularly significant because Denel has received substantial additional government support during this period. Public money, billions of Rand, has been provided to an institution whose ability to produce reliable financial information has remained seriously impaired.

4.2 AGSA Audit outcomes on Denel

The Auditor-General's 2026 audit outcomes point to persistent weaknesses in Denel's governance, financial management and operational control environment. Denel received a ninth consecutive disclaimer of opinion, with the Auditor-General unable to obtain sufficient appropriate audit evidence across 34 areas of the financial statements. The deficiencies were described as significant and

pervasive, rather than isolated information-submission problems, and were linked to weak governance, inadequate internal controls and limited corrective action.

AGSA also found that the previous recommendation to revise Denel's strategy and establish a clear direction aligned with the shareholder had not been implemented. Although a new board has been appointed, the AGSA considers urgent intervention necessary to coordinate the rebuilding of Denel and hold the board accountable for implementation of the turnaround plan. The shareholder and board also need to reassess Denel's strategic direction, mandate and value proposition, particularly in light of its difficulties in delivering prime-mission equipment.

Beyond financial reporting, Denel was found to have:

- repeatedly underperformed against planned targets, including key indicators relating to financial sustainability and net losses;
- incurred material non-compliance in revenue and expenditure management, consequence management, strategic planning and liability management;
- experienced persistent weaknesses in procurement and contract management, with the AGSA noting that the deficiencies displayed characteristics indicative of a heightened fraud risk;
- failed to provide sufficient evidence that disciplinary steps had been taken against officials responsible for irregular, fruitless or wasteful expenditure;
- continued to experience weaknesses in IT governance, cybersecurity and ageing ICT infrastructure, compromising business resilience and increasing the risk of data loss and operational disruption; and
- failed to demonstrate sufficient progress in addressing longstanding control deficiencies.

The AGSA identified material non-compliance across several areas, including:

- financial reporting;
- revenue management;
- expenditure management;
- consequence management;
- strategic planning and performance management; and
- liability management.

The AGSA's assessment of Denel following the 2023–25 turnaround period is particularly significant because it evaluates Denel after the implementation period of the 2023–25 turnaround plan. AGSA found that the strategy had failed to achieve its intended objectives. Although Denel was supposed to

have entered a growth phase by 2024/25, AGSA found that the company had barely progressed beyond stabilisation. Denel remained subject to material liquidity constraints, financial instability, operational difficulties and significant going-concern uncertainty, while the R3.4 billion recapitalisation was close to depletion. The AGSA concluded that the turnaround strategy had failed to achieve its intended objectives and that neither the previous nor current board had revised the strategy to provide a clear direction aligned with Denel's prevailing challenges.

In terms of material irregularities, the AGSA identified a series of material irregularities, demonstrating that the control weaknesses have resulted in matters going beyond ordinary audit findings. These include the misuse of a material public resource; financial statements that were not credible or supported by appropriate records; ICT failures resulting in data loss; the use of customer advances for purposes other than those intended; tax penalties and interest arising from late payment of SARS liabilities; and payments for data-migration services that were not received. Two of the more recent material irregularities involve quantified financial losses of approximately R17.2 million: R14.7 million in tax penalties and interest and R2.5 million relating to payments for services not received. The other irregularities have been associated with substantial harm to Denel or misuse of public resources, although their financial impact is not quantified in the information available.

The AGSA has also noted slow implementation and limited progress on certain remedial actions. Investigations and disciplinary processes have been initiated in some cases, including an SIU investigation into matters relating to the misuse of a public resource, but the existence of a remedial action plan should not be regarded as evidence that the underlying control weakness has been resolved.

4.3 Irregular, fruitless and wasteful expenditure

Denel reported R29 million in irregular expenditure and R47 million in fruitless and wasteful expenditure for 2025/26, bringing the combined amount for the year to R76 million, compared with R57 million in 2024/25 and R24 million in 2023/24. The increase is therefore substantial, particularly in fruitless and wasteful expenditure, which rose from R4 million to R47 million in a single year. The figures are particularly concerning because the Auditor-General reported that, for both irregular expenditure and fruitless and wasteful expenditure, the accuracy, completeness and causes of the amounts reported could not be established because Denel did not provide sufficient supporting records. The AGSA also reported that it could not obtain sufficient appropriate audit evidence that disciplinary steps had been taken against officials responsible for such expenditure.

Of particular concern, Denel could not provide sufficient evidence that effective steps had been taken to prevent the recurrence of irregular and fruitless expenditure.

5. COMMITTEE OBSERVATIONS: DENEL

The Committee made the following general observations on the 2025/26 Denel Annual Report:

a) Members of the Committee acknowledged the improvements in revenue, production recovery and operational performance, but cautioned that Denel's financial position, governance weaknesses and audit outcomes remain serious concerns.
b) Members of the Committee commented that Denel's recovery claims should be assessed realistically, noting that the entity remains financially constrained despite reporting signs of progress.
c) Members of the Committee emphasised that Denel plays a critical role in preserving South Africa's sovereign defence capabilities, strategic technologies, engineering expertise and industrial capacity, and that its recovery is of national importance.
d) Members of the Committee raised concerns that more than 80% of previous recapitalisation funding was used to address legacy obligations rather than future growth and sustainability initiatives.
e) Members of the Committee expressed concern that Denel continues to struggle with liquidity, weak cash flow, governance deficiencies and skills shortages, which could undermine its turnaround strategy.
f) Members of the Committee asked what concrete corrective actions Denel has implemented to address the audit disclaimer and why the Auditor-General continues to identify pervasive deficiencies after nine consecutive disclaimer opinions. Members also called on the Board to implement urgent corrective actions to address the audit findings, strengthen accountability and ensure financial sustainability.
g) Members of the Committee requested an update on Project Hoefyster, including progress against previous deadlines, the current project status, future delivery timelines, associated costs, and whether a final decision has been taken on the project's future.
h) Members of the Committee asked how much of Denel's reported profit was derived from associated companies and whether the reported profit reflects genuine operational improvement.

i) Members of the Committee requested clarity on Denel's liquidity challenges, cash flow position, long-term sustainability, and whether additional recapitalisation may be required.
j) Members of the Committee asked for information on outstanding legacy contracts, including their value, progress in completing them, and whether legal action has resulted from delays in delivery.
k) Members of the Committee requested a detailed report on all domestic and international litigation involving Denel, including claims arising from non-performance or delayed contract execution.
l) Members of the Committee raised concerns regarding irregular, fruitless and wasteful expenditure and requested details on investigations, disciplinary processes, consequence management and recovery measures.
m) Members of the Committee sought details on plans to protect South Africa's sovereign defence capabilities, retain critical technical skills and ensure Denel's long-term strategic sustainability. Members expressed concern about the loss of skills within Denel and its impact on the performance of certain divisions.
n) Members of the Committee requested greater clarity regarding the financial and operational performance of Denel Aerospace and its contribution to the overall recovery of the group.
o) Members of the Committee asked what additional support, financial or otherwise, Denel requires from government to achieve sustainable operational and financial recovery.
p) Members of the Committee welcomed the progress made by Denel Pretoria Metal Pressings (PMP) in implementing its turnaround plan and executing its legacy projects, but called for further improvements and the stabilisation of operations at the facility.

5. COMMITTEE RECOMMENDATIONS

The Committee made the following recommendations based on its engagement on the 2025/26 Denel Annual Report:

a) Similar to the recommendation to Armscor, The Committee recommends that Denel and Armscor strengthen coordination, project oversight and accountability arrangements for projects contracted to Denel. This should include, regular reporting on project milestones, early identification of delivery risks, and corrective measures to address delays and cost overruns.
b) The Committee remains highly concerned about the AGSA's disclaimer of Denel, especially in the context of similar audit outcomes in recent years. The Committee recommends that the

Denel Board urgently develop a concrete plan for Denel to exit the disclaimer opinion, with quarterly progress updates submitted to the Committee, starting on 15 January 2027 for the third quarter of 2026/27.

c) The Committee requests a written update on the blast testing for Project Hoefyster, including whether the testing was conducted successfully and how Denel envisages finalising Phase 1 of the Project. This must be submitted to the Committee by 15 January 2027.
d) The Committee requests the submission of a register of all current and outstanding litigation, including their current status, the amounts claimed and the relevant jurisdictions. This must be provided to the Committee by 15 November 2026.
e) The Committee requests reconciled registers of Irregular, Fruitless and Wasteful Expenditure, including details of past consequence management implemented. These must be provided to the Committee by 15 November 2026.
f) The Committee requests Denel submit a report on its outstanding legacy obligations, the utilisation of previous recapitalisation funding and whether further government support is required. Any future request for additional funding should be supported by a detailed motivation, intended use of funds and measurable recovery targets. This must be provided to the Committee by 15 November 2026.
g) The Committee requests a written progress report on the implementation of the PMP turnaround plan and its liquidity by 15 January 2027.
h) The Committee noted the observation by the AGSA that the turnaround strategy failed to achieve its objectives. The Minister should provide feedback on the reasons for this failure and corrective measures to be implemented by 15 November 2026.

Political Parties reserving their rights on the report:

- Economic Freedom Fighters (EFF)

Report to be considered.

6. BUDGET REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON TOURISM, DATED 13 OCTOBER 2026

The Portfolio Committee on Tourism (hereafter referred to as the Committee), having considered the financial and non-financial performance of the Department of Tourism (hereafter referred to as the Department) and South African Tourism (hereafter referred to as SA Tourism) for the 2025/26 financial year, reports as follows:

1. INTRODUCTION

Tourism remains a strategic sector in South Africa because of its contribution to economic growth, employment, enterprise development, investment and social inclusion. Its linkages with transport, hospitality, arts and culture, conservation, retail, agriculture and small businesses enable it to stimulate activity in urban and rural areas, broaden participation in the economy and strengthen South Africa's international competitiveness, destination appeal and national brand.

During the period under review, the sector largely moved from post-pandemic recovery towards growth and consolidation, supported by improving international arrivals and domestic travel. However, sustainable and inclusive growth remains constrained by the unequal geographical distribution of benefits, infrastructure limitations, safety concerns, weak transformation, governance deficiencies, domestic affordability pressures, skills shortages and intensified global competition. These structural barriers require coordinated policy implementation and expenditure that produces measurable developmental outcomes.

The Committee notes a marked divergence in institutional performance whereby the Department maintained a clean audit, while SA Tourism received a qualified audit for the third consecutive year. Financial performance must therefore be assessed not only by expenditure levels, but also by the quality, timeliness and impact of funded outputs. Recurring weaknesses in financial controls, procurement, contract management, consequence management, regulatory compliance and the reliability of reported performance information undermine value for money and public confidence. They also raise concern where expenditure has not produced demonstrable gains in tourism growth, transformation, enterprise support and job creation.

As the policy custodian and transferring authority, the Department must exercise effective shareholder oversight over SA Tourism by assessing the credibility of expenditure, delivery against funded targets and the adequacy of corrective measures. SA Tourism's Board and executive management must account for material misstatements, irregular or wasteful expenditure, weak contract administration and failures of consequence management. Persistent findings are not merely technical instances of non-compliance; they point to weaknesses in leadership, oversight and institutional discipline that threaten service delivery and the tourism mandate. The Committee therefore expects time-bound audit action plans, named responsible officials, independently verified progress reports, transparent disclosure of unresolved matters, recovery of losses where appropriate and decisive action when controls fail.

In exercising oversight over Vote 38: Tourism on the Department and SA Tourism, the Committee considered annual reports, strategic and annual performance plans, quarterly reports, budgets, governance and transformation matters, and findings from oversight visits during 2025/26 and the first term of 2026/27. It also examined the implementation of previous recommendations and the effectiveness of tourism support programmes. The Committee requires regular reporting on remedial action and expects accounting authorities to prevent recurrence. Improved audit outcomes must reflect substantive governance reform and demonstrate that public resources are used efficiently, effectively and economically to deliver employment, tourism growth, enterprise development and meaningful community participation.

1.1 Mandate of the Committee

The Portfolio Committee on Tourism is an extension of the National Assembly and derives its functions from Rule 227 of the National Assembly. The Committee is established by Section 57 (2) (a) of the Constitution of the Republic of South Africa (Act No. 108 of 1996) as read with Rule 225 of the National Assembly.

1.2 Core functions of the Department

The Tourism Act (Act No. 3 of 2014) outlines the mandate of tourism as to promote the growth and development of the tourism sector; promote quality tourism products and services; provide for the effective domestic and international marketing of South Africa as a tourist destination;

enhance cooperation and coordination between all spheres of government in developing and managing tourism; and promote responsible tourism for the benefit of South Africa and for the enjoyment of all its residents and foreign visitors. The Department and SA Tourism execute their mandate through a myriad of legislative, policy, and strategic frameworks aimed at developing and marketing South Africa as a competitive and preferred tourism destination. The policy, legislative and constitutional imperatives that drive tourism are as follows:

1.2.1 Constitutional Mandate

The Constitution of the Republic of South Africa (Act No. 108 of 1996) outlines the concurrent function of tourism in the country. Part A of Schedule 4 of the Constitution lists tourism as a functional area of concurrent national, provincial and local Government legislative competence. The concurrent nature of the tourism function has its challenges that can only be addressed through cooperation and collaboration amongst the three spheres of government in the country.

1.2.2 Legislative mandate

Tourism Act, 2014 (No.3 of 2014) enjoins the Minister of Tourism to perform specific tasks to drive tourism policy and strategic direction. The Act aims to promote the practise of responsible tourism for the benefit of the Republic and for the enjoyment of all its residents and foreign visitors; provides for the effective domestic and international marketing of South Africa as a tourist destination; promotes quality tourism products and services; promotes growth in and development of the tourism sector, and enhances cooperation and coordination between all spheres of government in developing and managing tourism. The Tourism Act is due for review.

1.2.3 Policy mandate

The policy mandate of the Department is premised on the Tourism White Paper on the Development and Promotion of Tourism in South and other strategy direction documents that put the Tourism Act and the White into practice. The following are the strategic documents that drive the policy mandate of the Department:

(i) The 1996 White Paper on the Development and Promotion of Tourism in South Africa was reviewed, and the new White Paper was gazetted on 4 October 2024.

(ii) The National Development Plan (NDP) is the country's 2030 vision. It envisions rising employment, productivity, and incomes as a long-term solution to reducing inequality, improving living standards, and ensuring a dignified existence for all South Africans. The NDP recognises tourism as one of the main drivers of employment and economic growth.

(iii) The National Tourism Sector Strategy (NTSS) guides the strategic development and growth of the tourism sector in pursuit of NDP targets. The NTSS is due for review.

(iv) The Tourism Sector Masterplan (TSMP), which is derived from the Sector Recovery Plan (TSRP). It primarily aims to galvanise government, industry, and labour to collectively share a common vision that will position the tourism industry on an inclusive and sustainable competitive path for the benefit of all South Africans.

(v) In the State of the Nation Address delivered on 12 February 2026, the President situated tourism within the broader programme for economic growth, employment creation and investment, and called for the stronger promotion of South Africa’s unique cultural, historical and natural attractions. The policy direction requires the Department and SA Tourism to convert the sector’s recovery in international arrivals into inclusive local economic benefits by improving destination development and marketing, supporting tourism enterprises and communities, and strengthening the quality and competitiveness of the visitor offering. The Address’s wider emphasis on infrastructure, safer communities, efficient public services and economic reform is also directly relevant to tourism because unreliable transport and municipal services, crime and weak destination management constrain visitor confidence and sector growth. Of particular importance is the continued reform of visa and immigration systems, including the expansion of the Electronic Travel Authorisation and streamlined arrangements for legitimate travellers and tour groups. These measures are intended to reduce barriers to entry, improve the speed and predictability of travel, support air connectivity and enhance South Africa’s competitiveness for tourism, business and investment, while maintaining secure border management. The Committee should therefore monitor

implementation across Tourism, Home Affairs, the Border Management Authority and other responsible institutions, with attention to processing times, priority source markets, system accessibility, traveller security and the measurable effect of visa reforms on arrivals, geographic spread, expenditure and employment.

1.3 Strategic Outcome Oriented Goals of the Department and Delivery Agreement targets for 2025/26

In correlation with its vision and commitment to advancing national priorities, the Department has identified strategic objectives aimed at accelerating and enhancing the delivery of tourism services. The strategic outcomes outlined below are drawn from the Department's 2025/26–2029/30 Strategic Plan and are aligned with the government's identified outcomes, namely:

Table 1: Medium-Term Development Plan priorities (MTDP: 2024 – 2029)

Outcome	MTDP Priority	MTDP Outcomes	Outcome Indicator	Baseline	Five-year target
Increase the tourism sector's contribution to inclusive economic growth	Priority 1: Inclusive Growth and Job Creation.	Promote trade, tourism, and investment.	1.Increase in international tourist arrivals from 8.81 million to 15,00 million	8.81 million tourist arrivals.	Increase in international tourist arrivals to 15,00 million
			2. Increase in the number of domestic trips from 37,9 million to 45,1 million	37,9 million domestic trips.	Number of domestic trips from 37,9 million to 45,1 million
			3. Increase in the value of international tourist spend.	R 95,1 billion.	R 115,2 billion
			4. Increase in the value of domestic tourism spend.	R123 billion.	R 139,4 billion.
Strengthen organisational capability for service delivery.	Priority 3: A Capable, Ethical and Developmental State.	Professionalisation of the public sector to improve delivery /efficiency.	1. Audit outcomes on financial and non-financial performance.	023/2024 unqualified audit outcome with no findings.	Unqualified Audit Outcomes
			2. Digital maturity rating1	Baseline to be determined based on the model to be selected	Target to be determined based on the selected digital maturity model.
			3. Ethics and fraud risk rating.	2024 Ethics and Fraud Risk Register.	Identified ethics and fraud risks managed within acceptable threshold.

1.4 Purpose of the Budgetary Review and Recommendation Report

The Budgetary Review and Recommendation Report (BRRR) compilation process is governed by the Money Bills Amendment Procedure and Related Matters Act (Act 9 of 2009). The Act sets out the process that allows Parliament to make recommendations to the Minister of Finance to amend the budget of a national department. In October of each year, the Committee must compile the BRRR that assesses service delivery performance given available resources; evaluate the effective and efficient use and forward allocation of resources; and may make recommendations on forward use of resources. The BRRR also acts as a source document for the Standing/Select Committees on Appropriations/Finance when making recommendations to the Houses of Parliament on the Medium-Term Budget Policy Statement (MTBPS). The comprehensive review and analysis of the previous financial year's performance, as well as performance to date, form part of this process.

1.5 Method

The Minister of Tourism tabled in Parliament the Annual Reports for the Department of Tourism and South African Tourism to the National Assembly in the letters addressed to the Speaker, dated 28 September 2026. This was done in accordance with Section 65(1) of the Public Finance Management Act, 1999 (Act No.1 of 1999). In this regard, the Minister of Tourism complied with legislation in tabling the Annual Report, Financial Statements and Audit Report for the Department of Tourism. The Act requires that the Executive Authority responsible for a department or public entity tables in the National Assembly, or the Provincial Legislature, the annual report, financial statements and the audit report on those statements, within one month after the accounting officer for the department or the accounting authority for the department or the accounting authority for the public entity received the audit report. On 06 October 2026, the Committee convened a meeting with the Office of the Auditor-General (AGSA), the Department and SA Tourism on annual performance and audit outcomes. These meetings were convened in preparation of drafting and tabling the 2026 Committee's Budget Review and Recommendation Report.

1.6 Outline of the contents of the Report

The report is divided into five parts as follows:

(i) Constitutional, legislative and policy mandate of the Committee and the process that was followed in developing this Budget Review and Recommendation Report.
(ii) Previous financial performance of the Department on both financial and non-financial aspects.
(iii) Financial, non-financial and service delivery issues for the period under review.
(iv) Key findings/observations from the oversight work of the Committee, public hearings and research by external stakeholders that inform the recommendations.
(v) Recommendations to the Ministers of Finance and Tourism in terms of the budgetary requirements, performance, and service delivery improvement of the Department.

2. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

During the Seventh Parliament, the Committee has prioritised the alignment of tourism legislation, policy and strategy with the sector's recovery requirements and the National Development Plan's Vision 2030. This alignment moves beyond policy coherence to establish a clear implementation framework that accelerates inclusive growth, strengthens destination competitiveness and expands the geographic and economic distribution of tourism benefits. The Department's completion of the policy review process, together with the development of the Tourism Growth Partnership Plan and the Tourism Route Marketing Strategy by SA Tourism, provide an opportunity to coordinate government, industry and community action around investment, market access, product development, transformation and job creation. The Committee will therefore assess these instruments against measurable outcomes, defined institutional responsibilities, credible timeframes and resource alignment, while ensuring that they address long-standing gaps identified through parliamentary oversight and sector engagement and position South Africa more effectively against comparable international destinations.

2.1 Key Government policies

South Africa's key strategic frameworks position tourism as an important lever for inclusive economic growth, employment creation, enterprise development, investment and export earnings. The National Development Plan 2030 identifies tourism as a labour-intensive sector with the potential to support the national objective of creating 11 million jobs by expanding

international and domestic demand, increasing visitor expenditure and strengthening tourism infrastructure. Realising this potential requires a coordinated enabling environment that improves air access, travel facilitation and visa efficiency, while addressing structural barriers that constrain investment, product development and the geographic spread of tourism benefits. Consistent with this direction, the 2024 White Paper on the Development and Promotion of Tourism in South Africa envisages a sustainable, competitive, inclusive and visitor-centred sector that uses innovation to accelerate growth and transformation. Its emphasis on technological advancement should be translated into a sector-wide digital integration framework, including an accessible Tourism Data Hub that consolidates stakeholder research and enables credible analytics, evidence-based planning, responsive marketing and stronger product positioning. The strategic imperative is therefore to align policy, infrastructure, market access, digital capability and implementation across government and industry so that tourism's contribution to employment, small-business development and national competitiveness can be measured and sustained.

2.2 Overview of the revised Strategic Plan and Annual Performance Plans

The Department receives a total budget of R7.6 billion over the medium term. Transfers to South African Tourism account for an estimated 53.4 per cent (R4.1 billion) of this amount over this period. Budget allocations are expected to increase at an average annual rate of 3.8 per cent, from R2.4 billion in 2024/25 to R2.7 billion in 2027/28. The Department's 2025/26 budget allocation amounted to R2.43 billion. Of this amount, R432.9 million was allocated to fund the Compensation of Employees. An amount of R402.4 million was budgeted for Goods and Services, R1.48 billion for Transfers and Subsidies and R110.4 million for the payment of Capital Assets. Table 2 below reflects the allocation of funds per programme

The main cost driver under this Vote is Programme 2 *(Tourism Research, Policy and International Relations)*, which accounts for more than half (approximately 57.8%) of the total Vote allocation. This is mainly due to the significant transfer to the Department's Entity, South African Tourism. As the national destination marketing organisation, SAT plays a critical role in increasing visitor arrivals into the country, growing the domestic tourism market and increasing tourist spend. The functions of SAT are aligned with Priority 1 of the MTDP, namely *Drive Inclusive Growth and Job Creation*.

Table 2: Overall Budget Allocation 2024/25 – 2027/28

Tourism	Budget				Nominal Rand Change	Real Rand Change	Nominal % change	Real % change
R million	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2024/25 – 2025/26**		**2024/25 – 2025/26**	
Administration	359.4	364.2	387.5	405.2	4.8	-11.5	1.34%	-3.21%
Tourism Research, Policy and International Relations	1 335.6	1 408.0	1 462.9	1 529.0	72.4	9.2	5.42%	0.69%
Destination Development	367.8	331.1	347.3	362.9	-36.7	-51.6	9.98%	-14.02%
Tourism Sector Support Services	318.1	331.6	350.1	365.8	13.5	-1.4	4.24%	-0.44%
TOTAL	**2 380.9**	**2 434.9**	**2 547.8**	**2 663.0**	**54.0**	**-55.3**	**2.27%**	**-2.32%**

Source: National Treasury ENE (2025/26)

A significant nominal decrease in budget allocation of 9.98 per cent can be observed in Programme 3 (*Destination Development)*. This programme includes the *Working for Tourism* sub-programme, which focuses on both infrastructure development and enhancement and job creation. This cost driver, *Working for Tourism*, also experiences a decrease in allocation from R297 million in 2024/25 to R256.6 million in the current financial year. Reductions in allocation for this sub-programme started in the 2022/23 financial year. *Programme 3* also includes activities such as route development projects and destination enhancement initiatives. These activities are significant for job creation and destination product development. This has implications for the achievement of both the Department's strategic outcomes and Priority 1 of the MTDP, as it concerns tourism.

2.2.1 Departmental programmes

The Department was pursuing the strategic objectives and the strategic outcome-oriented goals through these four Programmes as outlined in Table 3. The 2025/26 Annual Performance Plan (APP) operationalised the Department's Strategic Plan by translating its medium-term priorities into funded programmes, measurable performance indicators, annual and MTEF targets, and defined implementation commitments. It provided the basis for aligning departmental resources and activities with the intended outcomes of inclusive economic

growth, sector transformation, employment creation and South Africa's regional and international tourism objectives.

Table 3: Departmental Programmes

Programme	Name of the Programme	Purpose of the Programme
Programme 1	Administration	To provide strategic leadership, management and support services to management. The sub-programmes for Programme 1 are Ministry; Management; Corporate Management; Financial Management; and Office Accommodation.
Programme 2	Tourism Research, Policy and Internal Relations	To enhance a strategic policy environment, monitor the tourism sector's performance and enable stakeholder relations. The related strategic outcome-oriented goal is to achieve good corporate and cooperative governance.
Programme 3	Destination Development	To facilitate and co-ordinate destination development. The strategic outcome-oriented goal is to increase the tourism sector's contribution to inclusive economic growth.
Programme 4	Tourism Sector Support Services	To enhance transformation of the sector, increase skills levels and support its development and to ensure that South Africa is a competitive tourism destination. The strategic outcome-oriented goal is to increase the tourism sector's contribution to inclusive economic growth.

Source: Adapted from the Department of Tourism 2025/26 Annual Performance Plan

The APP therefore served not merely as a compliance instrument, but as the principal framework against which the Department's delivery, institutional accountability and use of public resources is being assessed against the Annual Report and this Budget Review and Recommendation Report. Effective implementation required credible targets, clear responsibility across programmes and sub-programmes, appropriate resource allocation, timely performance reporting and demonstrable evidence that departmental interventions produce sustainable benefits for the tourism economy and contribute to a better Africa and world.

2.3 Overview of key developments in the organisational and service delivery environments of the Department for 2024/25 and 2025/26 MTEF cycle.

The significant developments in the period under review include, but are not limited to:

(i) National Department of Tourism (NDT) Clean Audits: The NDT achieved an unqualified audit opinion with no findings (a clean audit) for three consecutive years (including 2024/25 and 2025/26), driven by stable executive leadership and consistent implementation of audit action plans.

(ii) Executive Stabilisation: Both the Department and SA Tourism prioritised appointing staff members, although SA Tourism is still operating without a Chief Executive Officer.

(iii) National Tourism Sector Strategy (2025–2030) and White Paper 2024: The Department developed the major sector strategies and aligned its 5-year strategic plan around ambitious national targets of growing domestic trips from 37.9 million to 45.1 million; expanding international arrivals from 8.81 million to 15.0 million; targeting international spend of R115.2 billion and domestic spend of R139.4 billion.

(iv) Visa Regime Reform: the government pushed for streamlined immigration policies, aiming to reduce visa turnaround times to 5 - 10 days globally (and 2–5 days for key growth markets like China and India) with the Trusted Tour Operator Programme and the Electronic Travel Authorisation visas.

(v) Board dissolutions and appointments: South African Tourism has experienced governance instability with a constant dissolution and appointment of different Boards that have not served their full terms, thus setting the Entity on a path of disarray. The following timeline has been noted with concern:

- On 21 April 2023, newly appointed Tourism Minister Patricia de Lille officially effected a first Board dissolution through the Government Gazette and appointed a 3-member interim structure to maintain continuity.
- On 28 February 2024, Cabinet approved a formal 10-member board. Alongside the new board, Ms. Nombulelo Guliwe was officially appointed as the permanent CEO of South African Tourism on a 5-year contract.
- On August 2025, the minister suspended and effected a second Board Dissolution. This was triggered by internal governance clashes which escalated when the Board suspended CEO Nombulelo Guliwe on 13 August 2025 following forensic recommendations regarding past financial expenditure. Following the resignation of the Chair, the Board appointed an internal member to exercise chairperson powers and held a special meeting that the Minister deemed a violation of the entity's charter.

- On 19 August 2025, Minister De Lille again dissolved the full SA Tourism Board with immediate effect, invoking Section 16 of the Tourism Act citing a "good cause shown".
- On 22 August 2025, the Minister appointed a 5-member Interim Board that was gazetted to stabilize executive leadership, manage the oversight gap, and handle upcoming major national projects such the G20 Summit.
- On 11 August 2026, the term of the Interim Board ended as Cabinet officially approved and gazetted a new, permanent 11-member South African Tourism Board for a fixed three-year term.

3. SUMMARY OF PREVIOUS YEAR KEY FINANCIAL AND NON-FINANCIAL PERFORMANCE RECOMMENDATIONS OF THE COMMITTEE

3.1 2022/23 BRRR recommendations

The Committee adopted its Budget Review and Recommendation Report on the 28 October 2025. The Report was published in ATC No. 203 of 2025 on 20 November 2025. The Report was considered in the National Assembly on 4 December 2025 and agreed to as per the minutes No. 61 of 2025. A letter was sent from the Speaker to the Minister on 25 February 2026. The following is a summary of the actions that the Department has undertaken to do based on the 2025 Budget Review and Recommendation Report:

(i) The Department plans to table a Tourism Amendment Bill, building on the 2024 White Paper and earlier parliamentary recommendations by the 2027/28 financial year.

(ii) Infrastructure responses emphasise stronger Development Bank of Southern Africa oversight, improved audit outcomes, quarterly reporting and completing existing projects rather than initiating new ones under current budget constraints.

(iii) The vacancy rate declined from 13.4 per cent to 11.1 per cent by December 2025, with 22 posts advertised and further appointments expected.

(iv) The Tourism Transformation and Equity Funds are being reviewed to streamline access, accelerate disbursements and maintain applications during transitions between implementing partners.

(v) Measures to prevent underspending include earlier project approvals, more efficient procurement and hybrid recruitment, selection and induction processes.

(vi) Township-tourism work includes an assessment of the Soweto Hotel precinct and engagement with the City of Johannesburg on management, infrastructure and operational challenges of this facility.

(vii) Domestic tourism will be promoted through the five-pillar Tourism Growth Partnership Plan, Sho't Left and seasonal campaigns offering affordable local travel.

(viii) Rural and township enterprises are being connected to incentives, skills and enterprise-development programmes through outreach sessions, national platforms and local associations.

(ix) Tourism access initiatives include further Trusted Tour Operators (TTOs) implementation, Electronic Travel Authorisation and route development, alongside planned reviews of several older tourism strategies.

(x) A whole-of-government approach that has been adopted covers visa and transport reform, environmental planning, green incentives, youth sustainability training, enterprise support and tourism safety.

(xi) Further commitments address oversight participation, event communication, niche tourism, especially agritourism and sports tourism, digital transformation, intergovernmental budget alignment and alignment with priority SDGs.

3.2 Oversight reports

The summary of the oversight visits conducted by the Committee in the period under review is as follows:

3.2.1 Gauteng oversight visit (6–10 October 2025)

The Committee undertook an oversight visit to the Gauteng Province to assess tourism infrastructure development projects, township tourism, stakeholder coordination and the implementation of tourism priorities in the province. The visit included engagements with Sedibeng District Municipality, the Department of Tourism, South African Tourism and tourism role players. The visit reinforced the importance of a whole-of-government approach

because tourism delivery depends on infrastructure, transport, safety, local government, marketing, licensing and enterprise support working together.

The Gauteng oversight visit provided the Committee with several important insights regarding the opportunities and constraints affecting tourism development at provincial and local government level. The Committee observed that Gauteng remains a critical gateway destination for both domestic and international tourism due to the presence of major airports, transport networks, business hubs and heritage attractions. However, the province's full tourism potential is constrained by uneven coordination among stakeholders, infrastructure maintenance challenges and limited integration of tourism into broader local economic development planning.

The Committee observed that tourism infrastructure projects funded by national government often experience operational and sustainability challenges once implementation is completed. In several instances, municipalities lacked sufficient financial and technical capacity to maintain tourism assets, resulting in concerns regarding long-term sustainability, visitor experience and value for money. The Committee therefore concluded that infrastructure investment approvals should be accompanied by credible maintenance, operational and revenue-generation plans.

The visit further highlighted the significant potential of township tourism as an instrument for economic inclusion, job creation and entrepreneurship. The Committee noted growing interest among domestic and international visitors in authentic cultural, heritage, culinary and creative tourism experiences located in townships and previously marginalised communities. However, tourism enterprises operating in these areas continue to face challenges related to marketing, access to finance, product packaging, business support services, safety concerns and integration into established tourism value chains.

The Committee also identified the importance of strengthening partnerships between government, local tourism associations, community organisations and private-sector operators. Successful tourism destinations visited during the oversight programme demonstrated that collaborative planning and joint investment significantly improve destination management, visitor experiences and enterprise development outcomes. The Committee viewed these partnerships as essential to achieving sustainable tourism growth.

Another key insight related to tourism information management and destination marketing. Stakeholders indicated that many emerging tourism products and attractions have limited visibility in mainstream tourism marketing campaigns despite their potential to contribute to local economic development. The Committee found that improved digital marketing, destination branding and inclusion of emerging enterprises in tourism packaging initiatives would support broader geographical spread of tourism benefits.

The Committee further noted that safety and visitor confidence remain central determinants of tourism growth. While some interventions had been implemented to enhance tourism safety, stakeholders reported inconsistent coverage of tourism monitors and varying levels of cooperation between tourism authorities, municipalities and law-enforcement agencies. The Committee concluded that tourism safety interventions should be expanded and targeted more strategically towards high-traffic tourism routes, events and emerging destinations.

The oversight visit also reinforced the importance of skills development and enterprise support. Tourism entrepreneurs and community representatives emphasised the need for training in digital marketing, financial management, customer service, business compliance and product development. The Committee found that stronger collaboration between the Department of Tourism, CATHSSETA, municipalities and the private sector could improve the sustainability and competitiveness of tourism enterprises, particularly those owned by youth, women and historically disadvantaged groups.

In addition, the Committee noted that tourism infrastructure investments require stronger post-construction maintenance and operational planning. Township tourism presents significant opportunities for transformation, local economic development and job creation but requires targeted support interventions. Destination safety remains a major determinant of visitor confidence and tourism competitiveness. Emerging tourism enterprises require greater access to finance, markets, digital platforms and mentorship programmes. Municipal capacity constraints continue to affect tourism infrastructure sustainability and destination management. Stronger collaboration between national, provincial and local government is necessary to unlock tourism growth opportunities. Tourism planning should be better integrated into broader economic development, transport and infrastructure strategies. Greater investment is needed in destination marketing and promotion of emerging tourism products and routes.

The Committee concluded that tourism growth in Gauteng will increasingly depend on adopting a whole-of-government approach. Issues affecting tourism performance, including transport connectivity, road maintenance, public safety, signage, environmental management, licensing and local economic development, extend beyond the mandate of the Department of Tourism. The Committee therefore emphasised the need for integrated planning and coordinated implementation across all spheres of government to maximise tourism's contribution to economic growth, employment creation and inclusive development.

3.2.2 Western Cape oversight visit (27–30 January 2026)

The Committee conducted an oversight visit to the Western Cape Province to assess tourism infrastructure development and township tourism. Sites included the Cape Agulhas Lighthouse Precinct Development, Arniston Hotel, New National Hotel, Khayelitsha Lookout Hill and Langa township. The visit highlighted the sector’s recovery, the importance of inclusive township tourism, and the need for improved coordination between the Department, provinces, municipalities and other sector departments to ensure that infrastructure investments translate into community benefit, job creation and market access. The Committee's oversight visit to the Western Cape provided valuable insights into the factors that contribute to tourism competitiveness, destination resilience and inclusive tourism growth. The province demonstrated relatively strong tourism performance driven by a diversified tourism offering, established destination brands, public-private sector collaboration and sustained investment in tourism infrastructure and visitor experiences. However, the visit also revealed several challenges that require ongoing intervention to ensure that tourism growth translates into broader economic inclusion and community benefit.

The Committee observed that successful tourism destinations in the province benefit from strong partnerships between government, local authorities, tourism associations, community organisations and private-sector investors. These partnerships have facilitated destination marketing, infrastructure maintenance, product development and visitor management. The Committee concluded that collaborative governance models provide important lessons that could be replicated in other provinces to improve tourism planning and implementation.

At the Cape Agulhas Lighthouse Precinct Development and other tourism infrastructure sites, the Committee noted the importance of maintaining and upgrading tourism assets to preserve destination competitiveness and enhance visitor experiences. The oversight visit demonstrated that infrastructure projects yield greater economic value when they are integrated into broader tourism routes, local business development initiatives and community participation programmes. The Committee therefore emphasised that infrastructure investments should be linked to measurable outcomes such as increased visitor numbers, local procurement, job creation and enterprise development.

The Committee observed that heritage, cultural and coastal tourism remain important drivers of tourism demand in the province. Sites such as Cape Agulhas, Langa and Khayelitsha illustrate the diverse tourism products available within the province and demonstrate opportunities to broaden the tourism offering beyond traditional attractions. The Committee found that greater integration of heritage tourism, township tourism and community-based tourism products could contribute significantly to transformation and economic inclusion.

The visit to Langa and Khayelitsha highlighted both the progress and challenges associated with township tourism development. The Committee was encouraged by the entrepreneurial initiatives and community-led tourism experiences available in these areas. However, stakeholders raised concerns relating to access to finance, marketing support, tourism packaging, infrastructure maintenance, safety perceptions and limited participation in mainstream tourism value chains. The Committee concluded that targeted support is required to ensure that township tourism enterprises benefit more equitably from the growth of the tourism sector.

The Committee further observed that many tourism enterprises continue to depend heavily on digital marketing, online booking platforms and destination management technologies to attract visitors and improve competitiveness. Businesses indicated that digital visibility plays a growing role in influencing travel decisions, particularly among international travellers. The Committee therefore recognised the importance of supporting digital transformation and improving the online presence of emerging tourism enterprises, particularly those located in township and rural areas.

Another important observation was the role of skills development and service excellence in enhancing destination competitiveness. Tourism stakeholders emphasised that visitor satisfaction is closely linked to service quality, professional standards and workforce skills. The Committee therefore recognised the importance of strengthening partnerships between the Department of Tourism, CATHSSETA, educational institutions and industry stakeholders to improve training, mentorship and employment opportunities within the sector.

The Committee also noted the increasing importance of environmental sustainability and climate resilience in tourism planning. Coastal destinations face growing risks associated with climate change, coastal erosion, water security and extreme weather events. The Committee concluded that future tourism infrastructure investments should incorporate climate-resilience measures and environmental sustainability considerations to protect tourism assets and ensure long-term destination competitiveness.

The visit further demonstrated the potential economic benefits of geographical spread within the tourism sector. While Cape Town remains the province's primary tourism hub, destinations such as Cape Agulhas, Arniston and surrounding communities illustrate opportunities to disperse visitors across a wider range of destinations. Greater geographical spread can reduce tourism concentration, increase local economic benefits and create opportunities for smaller enterprises and communities to participate in the tourism economy.

The Committee concluded that the Western Cape experience demonstrates the importance of integrated destination management, effective infrastructure maintenance, community participation, enterprise development and strong intergovernmental coordination. These factors collectively contribute to destination competitiveness and provide valuable lessons for strengthening tourism development across South Africa.

Other key findings and observations of the Committee included strong public-private partnerships that contribute positively to destination management, tourism investment and visitor experiences. Tourism infrastructure delivers greater value when linked to local economic development, enterprise support and community participation. Township tourism in areas such as Langa and Khayelitsha presents significant opportunities for transformation, employment creation and inclusive growth. Emerging tourism enterprises require greater access to markets, finance, digital platforms and tourism packaging opportunities. Heritage,

cultural and community-based tourism products can contribute significantly to diversifying South Africa's tourism offering. Digital marketing and online visibility are increasingly important determinants of tourism business success. Skills development, service excellence and workforce development remain critical to maintaining destination competitiveness. Climate resilience and environmental sustainability should be integrated into tourism infrastructure and destination development planning. Greater geographical spread of tourism activity can increase economic participation by smaller communities and reduce overconcentration in established tourism hubs. The Western Cape provides examples of destination management practices that may inform tourism development strategies in other provinces.

4. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

The Committee reviewed the budget allocations, expenditure trends and performance outcomes of Vote 38 for the 2020/21 to 2024/25 financial years to determine whether the resources appropriated to the Department translated into measurable tourism outcomes. The analysis identified a persistent disconnect between the Department’s historically high expenditure levels and its achievement of planned performance targets. This reinforces the principle that effective parliamentary oversight must extend beyond budget absorption to assess the quality, timeliness, efficiency and developmental impact of expenditure. Although the clean audit outcome achieved during the year under review reflects sound financial administration and an effective control environment, it should be accompanied by stronger programme implementation, improved target achievement and demonstrable progress in tourism growth, transformation, enterprise development and employment creation. Expenditure amounted to 99.7 per cent of the R2.5 billion allocation in 2021/22 and R2.47 billion, or 99 per cent of the R2.5 billion allocation, in 2022/23. In 2023/24, expenditure declined to R2.372 billion, representing 96.4 per cent of the R2.461 billion allocation. For 2024/25, actual expenditure was R2.252 billion against a final appropriation of R2.381 billion, resulting in underspending of R128.8 million. The sustained decline in expenditure warrants closer scrutiny of procurement planning, project readiness, implementation capacity and the management of funded vacancies. The Committee is concerned that recurring underspending may delay or diminish the intended benefits of tourism infrastructure, enterprise support, transformation initiatives and employment programmes. Conversely, near-full expenditure must not be treated as evidence of effective delivery unless it is supported by the achievement of credible outputs and measurable

outcomes. The Committee will therefore require programme managers to account for material variances, implement corrective measures before the close of the financial year and demonstrate, through quarterly reporting, a clear relationship between expenditure, project milestones, beneficiaries and tourism-sector outcomes. Recurring underspending will remain a priority area of parliamentary oversight.

5. FINANCIAL PERFORMANCE FOR 2025/26

For the 2025/26 financial year, the Department received an allocation of R2.43 billion, a slight increase from the previous year's allocation of R2.38 billion. The Departmental budget was not adjusted for the financial year. At the end of the financial year, the Department spent R2.23 billion (91.7%) of its R2.43 billion allocation, resulting in underspending of R201 million (8.3%). A similar pattern of underspending is also evident in previous financial years. Underspending is evident across all four programmes, with the highest at R120.5 million under Programme 3 (*Destination Development*). This is where the Working for Tourism sub-programme resides. Delays in appointing service providers for the skills projects and slow progress in implementing infrastructure projects were cited as the main causes of the underspending. No rollover request was submitted to the National Treasury. Table 4 depicts the expenditure in the year under review.

Table 4: Spend per main programme (2025/26)

Main Programme	Available budget 2025/26 R'000	Actual Spend 2025/26 R'000	Variance Rand	Percentage Expenditure		
				2023/24	2024/25	2025/26
1. Administration	363 984	330 722	33 262	96.9%	93.3%	90.7%
2. Tourism Research, Policy and International Relations	1 408 115	1 396 968	11 147	99.2%	98.7%	99.2%
3. Destination Development	331 156	210 616	120 540	85.2%	82.2%	63.6%
4. Tourism Sector Support Services	331 637	295 609	36 028	98.6%	92.6%	89.1%
TOTAL	**2 434 892**	**2 233 915**	**200 977**	**96.4%**	**94.6%**	**91.7%**

Source: Adapted from Department Annual report (2025/26)

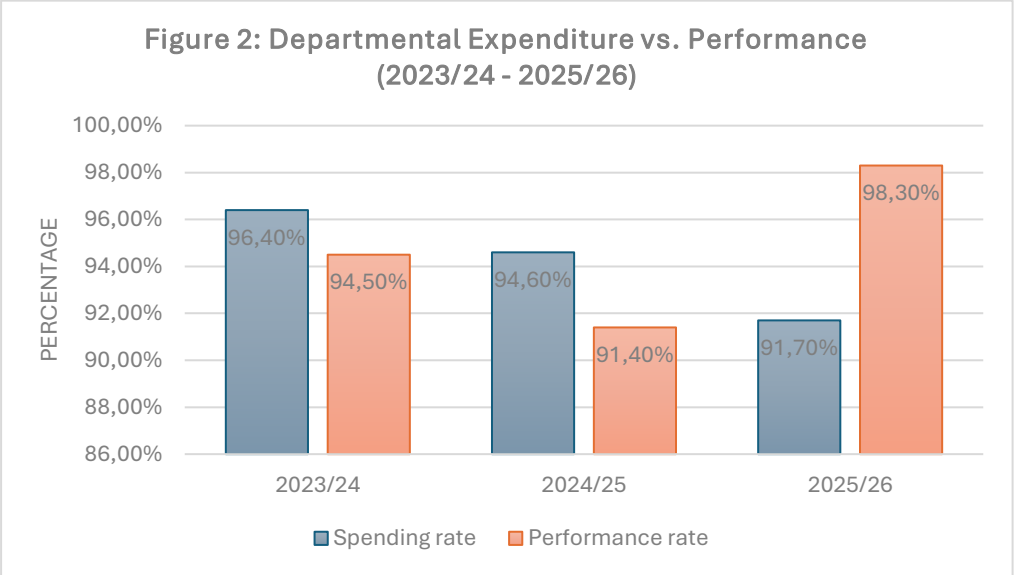
A virement approval was obtained from the National Treasury to shift funds from the National Tourism Careers Expo transfer line item to the Tourism Transformation Council of South Africa

(TTCSA) transfer line item. The Department has underspent across all programmes over the past four years. For the past three financial years, the highest underspending has been under Programme 3 (*Destination Development*). This Programme houses the Working for Tourism sub-programme, through which it implements infrastructure projects. Procurement delays have consistently been cited as a key challenge under this sub-programme.

Unfilled positions have also been repeatedly cited as a key reason for underspending across all four of the Department's programmes.

5.1 Performance Overview

5.1.1 Departmental Expenditure and Performance



Source: Adapted from Department Annual report (2025/26)

- Over the past three financial years, the Department's spending has decreased from 96.4 per cent in 2023 to 91.7 per cent in 2025.
- Performance and spending do not appear to be aligned in both 2024 and 2025. In the 2024/25 financial year, the Department's performance fell to 91.4% from the previous financial year. However, performance improved in the 2025/26 financial year.
- In the 2025/26 financial year, the Department's spending decreased significantly, while performance improved to 98 per cent.

- Underspending for the 2025/26 financial year is evident across all the Department's programmes. Savings on several line items, including vacant posts, have been cited as the main reasons for the underspending.

Table 5: Expenditure vs Performance per main programme (2025/26)

Main Programme	Available Budget (R'000)	Actual Expenditure (R'000)	Variance (R'000)	Spending rate %	Performance rate %
1. Administration	363 984	330 722	33 262	90.8%	88.2
2. Tourism Research, Policy and International Relations	1 408 115	1 396 968	11 147	99.2%	100
3. Destination Development	331 156	210 616	120 540	63.6%	90.9
4. Tourism Sector Support Services	331 637	295 609	36 028	89.1%	100
TOTAL	**2 434 892**	**2 233 915**	**200 977**	**91.7%**	**98.3%**

Source: Adapted from Department Annual Report (2025/26)

5.2 Programme Performance

5.2.1 Programme 1: Administration

Table 6: Expenditure (2025/26)

Sub-Programme	Available Budget (R'000)	Actual Expenditure (R'000)	Variance (R'000)	Spending rate %
1. Ministry	39 402	35 636	3 766	90
2. Management	11 216	11 216	-	100
3. Corporate Management	213 427	193 551	19 876	90.6
4. Financial Management	55 408	48 347	7 061	87.3
5. Office Accommodation	44 531	41 972	2 559	94.2
TOTAL	**363 984**	**330 722**	**33 262**	**90.8%**

Source: Department Annual Report (2025/26)

At the end of the financial year, spending amounted to R330.7 million (90.8%) of the programme's available budget of R363.9 million. The Department underspent by R33.2 million in this programme. Spending in the previous financial year was slightly higher at 93.3 per cent. The underspending is attributed to savings in office accommodation, cell phone costs, audit fees, and legal fees due to delayed/outstanding invoices from the office of the State Attorney. The underspending in Compensation of Employees (CoE) results from vacant funded posts.

Underspending across most of the sub-programmes under Programme 1 has increased over the past three financial years.

In terms of performance, only two of the 17 annual targets were not achieved. The Department did not meet the target of spending 76 per cent of its budget on economic growth and job creation. Because of delays in EPWP spending and slow progress in completing infrastructure projects, the Department spent only 69.2 per cent of the budget. The Department did not fully meet the target of 100 per cent payment of compliant invoices, as one invoice was paid late. Performance on this target has improved significantly over the past two financial years. Slow spending on infrastructure projects and skills programmes remains an area of underperformance for the Department. The Department has cited procurement delays, delays in appointing service providers, delays in EPWP payment approvals, and delays in securing participants as some of the issues over the past financial years.

5.2.2 Programme 2: Tourism Research, Policy, and International Relations

Table 7: Expenditure (2025/26)

Sub-Programme	Available Budget (R'000)	Actual Expenditure (R'000)	Variance (R'000)	Spending rate %
1. Tourism Research, Policy, and International Relations Management	11 227	10 032	1 195	89.3
2. Research and Knowledge Management	38 709	35 314	3 395	91.2
3. Policy Planning and Strategy	15 731	10 997	4 734	69.9
4. South African Tourism	1 300 207	1 300 207	-	100
5. International Relations and Cooperation	42 241	40 418	1 823	95.6
TOTAL	**1 408 115**	**1 396 968**	**11 147**	**99.2%**

Source: Department Annual Report (2025/26)

At the end of the financial year, spending amounted to R1.39 billion (99.2%) of the programme's available budget of R1.40 billion. The Department underspent by R11.1 million in this programme. Spending in the previous financial year was similar, at 98.7 per cent. The underspending is attributed to savings on venues and facilities, travel and subsistence, vacancies, and currency-rate fluctuations. In terms of performance, the Department achieved all 14 annual targets under this programme. Spending and performance are aligned.

Spending at the end of the financial year amounted to R210.6 million (63.6%) of the programme's available budget of R331.1 million. The Department underspent by R120.5 million in this programme. Spending in the previous financial year was significantly higher at 82.2 per cent. The underspending is attributed to delays in appointing service providers for the skills projects in the Expanded Public Works Programme (EPWP). The Department also cites slow progress in completing infrastructure projects. This is an ongoing problem for the Department and extends beyond the 2025/26 financial year. Even with the Development Bank of Southern Africa (DBSA) appointed as a project implementing agent, this problem persists. The underspending in Compensation of Employees is due to unfilled funded posts. Underspending across all sub-programmes has gradually increased over the past three financial years. The highest underspending, at R97.5 million, occurs in sub-programme 4, *Working for Tourism*, where the infrastructure projects are located.

5.2.3 Programme 3: Destination Development

Table 8: Expenditure (2025/26)

Sub-Programme	Available Budget (R'000)	Actual Expenditure (R'000)	Variance (R'000)	Spending rate %
1. Destination Development Management	14 218	6 685	7 533	47
2. Tourism Enhancement	26 713	20 628	6 085	77.2
3. Destination Planning and Investment Coordination	32 811	23 397	9 414	71.3
4. Working for Tourism	257 414	159 906	97 508	62.1
TOTAL	**331 156**	**210 616**	**120 540**	**63.6%**

Source: Department Annual Report (2025/26)

In terms of performance, only one of the 12 annual targets was unachieved. The Department did not meet the target of completing 33 maintenance project sites and handing them over to the owning entities. Only 22 sites were completed, and 13 of those were handed over to their owning entities. Deviations for this target resulted from disputes over the scope of work between the professional service provider and the implementing agent, delays in conducting due diligence, and delays in projects reaching the completion stage. The Portfolio Committee has repeatedly raised similar concerns about infrastructure projects during its oversight visit to the Gauteng province and during engagements with the DBSA.

5.2.4 Programme 4: Tourism Sector Support Services

Spending at the end of the financial year amounted to R295.6 million (89.1%) of the programme's available budget of R331.6 million. The Department underspent by R36 million in this programme. Spending in the previous financial year was slightly higher at 92.6 per cent. The underspending is attributed to savings on travel and subsistence, consultants' items, and vacant funded posts. The highest underspending, at R19.5 million, occurs under sub-programme 3, *Enterprise Development*, where initiatives aimed at supporting small businesses are located. In terms of performance, the Department did not achieve two of the 19 annual targets.

Table 9: Expenditure (2025/26)

Sub-Programme	Available Budget (R'000)	Actual Expenditure (R'000)	Variance (R'000)	Spending rate %
1. Tourism Sector Support Services	12 894	6 388	6 506	49.5
2. Tourism Human Resource Development	31 430	29 848	1 582	94.9
3. Enterprise Development	57 358	37 772	19 586	65.8
4. Tourism Visitor Services	32 795	30 791	2 004	93.8
5. Tourism Incentive Programme	197 160	190 810	6 350	96.7
TOTAL	**331 637**	**295 609**	**36 028**	**89.1%**

Source: Department Annual Report (2025/26)

The Department sought to migrate the Tourism Equity Fund (TEF) from the Small Enterprise Development and Finance Agency (SEDFA) due to delays in distributing funds to potential beneficiaries. However, the Fund was not transferred to a new implementing agent as planned.

The annual target of training and placing 1,500 Tourism Monitors was not achieved. Although all the Monitors were trained, only 711 were placed. The deviation resulted from delays in appointing service providers for the training, which in turn affected training timelines.

The Department will be looking into a new model for implementing the Monitors' Programme, which the Committee should monitor. The Tourism Monitors Programme serves a dual

purpose, aligned with the Department's strategic objectives: creating jobs and providing a safe environment for travellers.

5.2.5 Quarterly spending trends

(i) Quarter 1

At the end of *quarter one*, the Department of Tourism achieved 61 (93.8%) of the 65 targets identified for the quarter. The Department reports that four (6.2%) targets were not achieved for the period. In terms of financial performance, the Department spent R723.7 million (29.7%) of its R2.43 billion annual budget by the end of the first quarter, compared to the projected expenditure of R1.18 billion. This results in an underspending of R465.3 million (39.1%) for the quarter. A significant portion of the budget is transferred to the Department's entity, South African Tourism. Underspending is evident across all the Department's programmes, with the highest in Programme 2 (*Tourism Research, Policy, and International Relations*). The variance of R405.5 million in Programme 2's spending is due to savings in travel, subsistence, and logistics for hosting and attending international meetings, which were conducted virtually. Additionally, underspending was caused by vacant positions.

(ii) Quarter 2

At the end of the *second quarter*, the Department achieved 63 (94%) of the 67 targets identified for the quarter. The Department reports that four (5.97%) targets were not achieved for the quarter. In terms of financial performance, the Department spent R1.3 billion (54%) of its R2.4 billion annual budget by the end of the *second quarter*. This sees underspending of R226.6 million (14.7%) against the projected expenditure of R1.5 billion by the Department for the quarter. Underspending for the quarter can be observed in all the Department's programmes, with the highest underspending in Programme 2 (*Tourism Research, Policy and International Relations*), similar to the previous quarter. Programme 2's variance of R135.1 million in spending is attributed to delays in the transfer to SA Tourism, the Department's entity. Underspending is also attributed to vacant posts.

(iii) Quarter 3 performance

During the *third quarter*, the Department achieved 59 (89.3%) of the 66 targets identified for the quarter. The Department reports that seven (10.6%) targets were not achieved for the period. At the end of the *third quarter*, the Department spent R1.7 billion (71%) of its R2.4 billion annual budget. This sees underspending of R201.7 million against the projected spending of R1.9 billion for the quarter. Underspending for the quarter can be observed in all the Department's programmes, with the highest underspending in Programme 4 (*Tourism Sector Support Services*). Programme 4's variance of R114.4 million is attributed to both delays in the finalisation of plans and approvals for the Tourism Incentive Programme (TIP) and vacant posts.

(iv) Quarter 4 performance

At the end of the financial year (Quarter 4), the Department achieved 59 (98.3%) of its 60 targets. The one unachieved target is under Programme 3 (*Destination Development*) and concerns project sites that were meant to be handed over to their owning entities. The Department reports that none of the sites were handed over due to delays in completing due diligence for each project.

In terms of financial performance, the Department spent R2.23 billion (91.7%) of its R2.43 billion annual budget by the end of the financial year, resulting in an underspending of R201 million (8.3%). This is a significant amount that will be returned to the National Treasury unless the Department motivates otherwise. Underspending can be observed across all four of the Department's programmes, with the highest, at R120.4 million, in Programme 3 (*Destination Development*), where the Working for Tourism sub-programme resides. The Department cites delays in appointing service providers for the Expanded Public Works Programme (EPWP) and slow progress in implementing infrastructure projects as reasons for this underspending.

Employee compensation spending amounted to R393.1 million, representing an underspend of R39.8 million, largely due to vacant posts. Against a target of 507 posts, the Department filled only 455, leaving 52 vacant posts. Most of the vacant posts were recorded under Programme 1 (37) and Programme 4 (10). An underspending of R133.8 million was also observed under Goods and Services. This resulted from savings on mobile phone costs, travel, and subsistence.

5.3 Auditor-General Report

The report of the Auditor-General is presented for both the Department and SA Tourism.

5.3.1 Department of Tourism

Report on the audit of the financial statements Opinion

1. I have audited the financial statements of the Department of Tourism (the Department) set out on pages 115 to 168, which comprise the appropriation statement, statement of financial position as at 31 March 2026, statement of financial performance and statement of changes in net assets and the cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department as at 31 March 2026 and 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).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the Auditor-General for the audit of the financial statements section of my report.

4. I am independent of the department in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary information

7. The supplementary information set out on pages 169 to 183 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

8. My opinion is not modified in respect of this matter.

Responsibilities of the accounting officer for the financial statements

9. The Accounting Officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Modified Cash Standard (MCS) as issued by National Treasury of South Africa and the requirements of the Section 40(1)(b) of the Public Finance Management Act (PFMA); and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

10. In preparing the financial statements, the Accounting Officer is responsible for assessing the department's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the department or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

11. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the annual performance report

13. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof; I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

14. I selected the following material performance indicators related to Programme 3: Destination Development programme presented in the annual performance report for the year ended 31 March 2026. I selected those indicators that measure the department's performance on its primary mandated functions and that are of significant national, community or public interest.

15. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the Department's planning and delivery on its mandate and objectives.

16. I 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 the indicators relevant for measuring the department's performance against its primary mandated and prioritised functions and planned objectives are included
    - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements • the 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 indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner • there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

17. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

18. I did not identify any material findings on the reported performance information for the selected indicators.

Other matters

19. I draw attention to the matter below.

Achievement of planned targets

20. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under- achievements

21. Information is provided on the achievement of planned targets and the key service delivery indicators that were not achieved as reported in the annual performance report.

22. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The Accounting Officer is responsible for the department's compliance with legislation.

23. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

24. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the department, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

25. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

26. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in programme presented in the annual performance report that have been specifically reported on in this auditor's report.

27. My opinion on the financial statements and my reports on the audit of the annual performance report and compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

28. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in programme presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

29. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

30. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

31. I did not identify any significant deficiencies in internal control.

5.3.2 Auditor-General's Report with regard to the SA Tourism

Qualified opinion

1. I have audited the financial statements of the South African Tourism (SAT) set out on pages 147 to 194 which comprise the statements of financial position as at 31 March 2026, 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.

2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this auditors report, the financial statements present fairly, in all material respects, the financial position of the SAT as at 31 March 2026, and financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standard of GRAP) as issued by the Accounting Standards Board of South Africa and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for qualified opinion

Accumulated surplus

3. Management made direct adjustments to accumulated surplus in the statement of changes in net assets to correct prior period errors. However, sufficient appropriate audit evidence was not provided to support and reconcile these adjustments to the underlying supporting documents. I was unable to confirm these adjustments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to accumulated surplus in the statement of changes in net assets.

Prior period errors

4. Not all prior period errors were disclosed in note 29 to the financial statements, as required by *GRAP 3 – Accounting Policies, Changes in Accounting Estimates and Errors.* The amounts of the corrections for some financial statement items affected, and the amounts of the correction at the beginning of the earliest previous period were not disclosed. I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the prior period errors disclosed in note 29 to the financial statements.

Context for opinion

5. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the Auditor-General for the audit of the financial statements section of my report.

6. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matter - Irregular expenditure

8. As disclosed in note 32 to the financial statements, irregular expenditure of R 14 269 137 was incurred, as supply chain management prescripts were not complied with.

9. My opinion is not modified in respect of this matter.

Responsibilities of the accounting authority for the financial statements

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standard of GRAP as issued by the Accounting Standards Board of South Africa and the requirements of the PFMA; and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

11. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

12. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 145, forms part of my auditor's report.

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof; I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

15. I selected the following material performance indicators related to programme 3: Leisure Tourism Marketing presented in the annual performance report for the year ended 31 March 2026 I selected those indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.
    - Global Tourism Brand Campaign implemented
    - Integrated Digital Marketing Strategy implemented

- Number of communication activities to profile destination South Africa through strategic events implemented
- Number of global public relations and communications activities to strengthen the destination brand implemented
- Number of domestic leisure tourism campaigns executed
- Number of distribution channel initiatives in the domestic market implemented
- Number of localised marketing campaigns in the Africa region executed
- Number of distribution channel initiatives in the Africa region implemented
- Number of localised marketing campaigns in the Europe region executed
- Number of distribution channel initiatives in the Europe region implemented
- Number of distribution channel initiatives in the Americas region implemented
- Number of domestic leisure tourism campaigns executed
- Number of distribution channel initiatives in the domestic market implemented
- Number of localised marketing campaigns in the Africa region executed
- Number of distribution channel initiatives in the Africa region implemented
- Number of localised marketing campaigns in the Europe region executed
- Number of distribution channel initiatives in the Europe region implemented
- Number of distribution channel initiatives in the Americas region implemented
- Number of localised marketing campaigns in the Asia Australasia region executed
- Number of distribution channel initiatives in the Asia Australasia region implemented
- Number of localised marketing campaigns in the Embassy Support markets executed
- Number of distribution channel initiatives in the Embassy Support markets implemented

16. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

17. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the 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 indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any overachievement of targets.

18. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

19. I did not identify any material findings on the reported performance information for the selected indicators.

Report on compliance with legislation

20. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
21. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

22. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

23. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual Financial statements

24. The 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.

25. Material misstatements of liabilities, revenue and disclosure items identified by the auditors in the submitted financial statements were corrected, but the supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

Consequence management

26. Investigations were not conducted into all allegations of financial misconduct committed by some of the officials, as required by treasury regulation 33.1.1.

Other information in the annual report

27. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in programme/presented in the annual performance report that have been specifically reported on in this auditor's report.
28. My opinion on the financial statements and my reports on the audit of the annual performance report and compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

29. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in programme presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
30. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

31. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

32. The matters reported below are limited to the 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.

33. Due to inadequate oversight and inadequate review of annual financial statements, management did not ensure that the annual financial statements submitted for audit are accurate and disclosures are appropriately presented and described.

34. Management did not ensure that some instances of financial misconduct were investigated due to inadequate oversight.

Material irregularities

35. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Status of previously reported material irregularities

Expenditure incurred on dome activities without delivery of services.

36. SAT did not comply with Treasury Regulation 31(1)(2)(c) when the entity made an upfront payment to a supplier. The agreement between SAT and the supplier has no clause stipulating that an upfront payment will be required for services provided. Furthermore, there were no services rendered by the supplier subsequent to the pre-payment.

37. The accounting authority was notified of the material irregularity on 03 July 2024. The following actions have been taken to resolve the materiality:
    - The guidelines relating to the guidelines on prepayments/upfront payments were communicated to SAT's executive committee and to the public entity's employees.
    - The matter was investigated by a firm of forensic investigators, and an investigation report was shared with the board.
    - The General Financial Management Policy that deals with pre-payments has been updated to include accounts payables and pre-payments.
    - The Board instituted consequence management efficiently on the outcomes of the findings of the investigation by the independent forensic firm.
    - Amounts from monies owed to the supplier was withheld for settlement against the prepayment.

38. Based on my evaluation of the information and evidence provided by the accounting authority, this matter will not be pursued further as an MI and is therefore closed.

Other reports

39. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigation

40. The Special Investigating Unit was authorised, through Proclamation 297 of 2025, to investigate allegations of serious maladministration and improper conduct in the affairs of the South African Tourism Board relating to the procurement of media buying services and payments made for services not rendered. The investigation covers allegations that took place between 1 March 2020 and 21 November 2025, including any related unauthorised,

irregular, fruitless and wasteful expenditure incurred by the public entity or the State. The investigation was still in progress at the date of this auditor's report.

5.4 Summary of key issues contained in reports of Finance/Appropriation Committees

In the period under review, the Department and SA Tourism did not have any matters reported by the finance and appropriation committees.

5.5 Summary of key financial issues contained in any other relevant report(s)

The Standing Committee on Public Accounts (SCOPA) did not report any matters with regard to the Department of Tourism and SA Tourism.

5.6 2025/26 MTEF financial allocations

5.6.1 Summary of funding submissions to the National Treasury for the 2025/26 MTEF.

The funding submissions made to the National Treasury for the 2024/25 financial year were that the Minister of Finance:

(i) Appropriates a ring-fenced budget to the Department of Tourism to recapitalise the Tourism Transformation Fund and the Tourism Equity Fund.

(ii) Notwithstanding the fiscal constraints in the country, the Minister of Finance considers increasing the budget appropriated to the Vote 38: Tourism in order to implement more tourism development and marketing initiatives that contribute to more labour-intensive job opportunities and increase the sectors' contribution to the Gross Domestic Product of the country.

6. OVERVIEW AND ASSESSMENT OF SERVICE DELIVERY PERFORMANCE

6.1 Service delivery by both the Department and SA Tourism

The service delivery performance assessment is presented for both the Department and SA Tourism for the 2025/26 financial year. The 2025/26 performance of the Department and SA

Tourism must be assessed against their achievement of predetermined targets and the value obtained from public expenditure. The Department spent approximately R2.234 billion of its R2.435 billion final budget, representing 92 per cent expenditure and underspending of approximately R201 million. Although expenditure was relatively high, the underspending raises concerns about implementation capacity, vacant posts and delays in delivering planned activities. The Department exceeded its 40 per cent target for procurement from SMMEs, achieving 75.07 per cent, which supports small-business participation and economic transformation. Similarly, procurement from compliant women-owned businesses reached 61.55 per cent, exceeding the 40 per cent target and demonstrating progress towards inclusive economic participation. However, the achievement of administrative outputs and programme targets does not automatically demonstrate increased tourist spending, sustainable employment or improved livelihoods. The Department must therefore strengthen monitoring to establish whether expenditure on tourism infrastructure, skills development and community projects produces measurable economic and social benefits.

SA Tourism's performance should be critically evaluated against its international marketing expenditure, tourist arrivals, visitor spending and the measurable return on its promotional campaigns. Its marketing activities should also demonstrate stronger support for domestic tourism, emerging destinations and tourism businesses owned by historically disadvantaged communities. Both institutions must improve coordination to ensure that tourism development initiatives, destination marketing and support programmes complement one another and avoid duplication. Greater transparency is required in reporting the relationship between allocated budgets, actual expenditure, achieved targets and the resulting contribution to economic growth and job creation. Overall, both institutions should prioritise value for money, impact of implemented programmes, stronger accountability and measurable tourism-sector outcomes, ensuring that public expenditure delivers inclusive, sustainable and geographically distributed benefits.

6.2 Key reported achievements

The Department and SA Tourism recorded several achievements in the 2025/26 financial year. The following is a list of selected key achievements observed by the Committee in its oversight work during the reporting period and include, but are not limited to:

- During the 2025/26 financial year, the tourism sector finally emerged from the shadow of the COVID-19 pandemic and entered a new phase of sustained growth. South Africa welcomed a record 10.48 million international visitors, up 19.4 per cent from the previous year and the highest to date. International tourist spend increased to R102.4 billion. Domestic tourism remained the critically important foundation of the sector, with 46.4 million domestic overnight trips recorded during the year.

- Cabinet approved the Tourism Growth Partnership Plan (TGPP) in December 2025. The TGPP provides a delivery focused partnership between government and the private sector to accelerate tourism growth. It focuses the country's collective efforts on five priorities: ease of access; coordinated destination marketing; tourism safety; tourism products and infrastructure; and skills development and job creation.

- Working through the Inter-Ministerial Committee on Visa Reform, which includes the Department of Tourism, the Department of Home Affairs and the State Security Agency, government piloted the Electronic Travel Authorisation (ETA) system during South Africa's G20 Leaders' Summit. The pilot focused on delegates from China, India, Indonesia and Mexico. Once fully implemented, the ETA is expected to significantly improve the visitor experience while supporting the creation of an estimated 80 000 to 100 000 direct jobs.

- The Department conducted a Capacity Alignment exercise and an Employee Skills Profiling initiative in 2025. It was one of the outputs in the approved departmental 2025/26 Annual Performance Plan.

- During the period under review, the department commenced the implementation of the National Tourism Statistics Plan, which was developed and finalised in the 2024/25 financial year.

- As part of the lasting legacy of South Africa's G20 Presidency, the Department hosted the inaugural SA Tourism Investment Summit in Cape Town, creating a dedicated platform to promote tourism investment opportunities, partnerships, and infrastructure development. The inaugural Tourism Investment Summit brought

government, investors, development finance institutions and tourism businesses together around a portfolio of investment opportunities.

- The Department convened a national tourism innovation hackathon aimed at empowering young people and students to develop technology-driven solutions for tourism challenges, including digital platforms, smart tourism tools, travel facilitation solutions, and innovations to improve destination experiences and tourism safety.

7. OBSERVATIONS

The Committee observations are presented for both the Department of Tourism and South African Tourism as follows:

7.1 Observations in relation to the Department

7.1.1 Financial sustainability and budget expenditure

The Department achieved a high level of fiscal discipline by utilising 91.7 per cent of its allocated budget, with R2.23 billion spent out of R2.43 billion. However, an under-expenditure of R201 million (8.3%), most pronounced in Destination Development signals persistent project implementation delays. While cost containment and digital migration drove certain savings, the significant shortfall in the Expanded Public Works Programme and infrastructure rollout underscores an ongoing challenge in converting budget allocations into deliverables and economic impact.

7.1.2 Audit opinion and governance

The Auditor-General awarded the Department a clean (unqualified) audit with no findings on both financial and non-financial performance information, demonstrating a mature governance framework and strong internal controls. This achievement reflects effective financial management, compliance with legal requirements, and diligent audit oversight. However, the Committee notes that some underlying legacy audit findings, particularly travel arrangements,

supply chain management and information technology require ongoing oversight for sustainable improvement.

7.1.3 Under-expenditure in critical programmes

Under-expenditure was observed across all major programmes, with Destination Development under-spent by R120 million (more than one-third of budget), primarily due to delays in the EPWP and infrastructure projects. Administration and Tourism Sector Support Services also underspent, largely stemming from vacant positions and lower-than-expected costs. This trend suggests structural obstacles in planning, project delivery, and human resource deployment, warranting stronger early warning systems and institutional performance monitoring.

7.1.4 Fruitless and Wasteful Expenditure Patterns

Although fruitless and wasteful expenditure decreased compared to prior years, it was noted that the Department confirmed R184,000 in current-year fruitless expenditure, mainly arising from travel amendments, no-shows, and booking amendments. Systemic patterns point to recurring inefficiencies in travel management and event participation. The Committee will continue to push for enhanced consequence management and continuous automation of approvals and reconciliations to curb such preventable losses.

7.1.5 Irregular Expenditure and consequence management

Irregular expenditure was somehow contained in the period under review, with cases under assessment totalling R4.68 million. However, the cases still under review with regard to the splitting of cleaning and security tenders are of serious concern to the Committee as this points to the unacceptable manner in which the Department handles tenders. One prior-year case was resolved and condoned by National Treasury after appropriate corrective action. Although the volume is low, the existence of cases under investigation and the lag in resolution highlight the need for ongoing risk-based controls, supply chain compliance training, and timeous implementation of audit recommendations. The Committee awaits the verdict from the National Treasury and application of consequence management for officials involved.

7.1.6 Achievement of service delivery and distribution of economic benefits

The Committee noted a 92 per cent achievement rate for Destination Development objectives, the successful hosting of the G20 tourism working group, and exceeded procurement equity targets by 75.1 per cent spend on SMMEs and 61.6 per cent with women-owned businesses. International tourist arrivals surpassed 10.5 million, recovering above pre-pandemic levels, and work opportunities created through Working for Tourism reached 2,103, outpacing targets. The Committee views these results as a reflection of strong alignment with inclusive growth and transformation priorities. However, the concern remains with geographical spread of these service delivery and economic targets as recovery is concentrated in major destination hubs, namely, Kruger National Park, Cape town and Johannesburg.

7.1.7 Weaknesses in project and infrastructure completion

The Committee observed that despite progress in several community-based and maintenance projects being implemented, only 13 out of 33 planned maintenance sites were fully completed and handed over, with others delayed due to scope disputes and due diligence bottlenecks. This recurring pattern of partial delivery constrains the realisation of social and economic benefits for target communities, highlighting the urgent need for improved project management, stakeholder engagement, and post-construction support. The Committee also noted that despite a clean audit outcome obtained by the Department, the implementation of infrastructure projects remained a huge challenge for the Department. The Committee will continue monitoring the activities of the Department and its implementing agent, the Development Bank of Southern Africa.

7.1.8 Human capital and employment equity

It was noted that the Department maintained impressive employment equity records, with 51.6 per cent women at Senior Management Service level and 4.8 per cent employees with disabilities, above the 3 per cent national target. Nonetheless, high turnover (10.8%) and continued delays in recruitment and job evaluations point to systemic human resource challenges. Renewed focus on timely skills audits, recruitment planning, and implementation of the PMDS is essential for organisational efficiency. The Committee noted the challenges experienced by the Department around organisational re-alignment process and the delays this

caused in filling vacant posts. The Committee, however, views unfilled positions as a serious travesty given that the country is sitting at a 33.6 per cent unemployment rate with 43.8 per cent when taking into account the Expanded Unemployment rate which includes discouraged work-seekers.

7.1.9 Digital transformation and system modernisation

It was noted and commended that a significant development was achieved in the active advancement of digital transformation, including upgrades to ICT infrastructure, cloud migration, and establishment of digital platforms for data monitoring. While these interventions are commendable and align with public sector modernisation goals, cyber risks and the need for further integration across systems remain. Sustained investment and capacity-building in digital skills are critical for safeguarding these gains and maximising digital dividends. The Committee will monitor how the Department maintains high security around its digital platforms footprint.

7.1.10 Risk management, fraud prevention, and supply chain compliance

It was noted that the Department demonstrated a proactive stance by embedding enterprise risk management, maintaining full occupancy in the risk and integrity directorate, and implementing a zero-tolerance approach to fraud and corruption. The quarterly risk reviews and awareness sessions to strengthen the control environment are commended, but continued vigilance in fraud case resolution, SCM deviations must persist, particularly in high-spending and grant-rich programme areas such the Tourism Incentive Programme.

7.1.11 Strategic use of transfers and partnerships

The Committee noted that the transfers to SA Tourism remained above 50 per cent of the allocated budget, and that some of these funds are used for SMMEs, and that the Tourism Growth Partnership Plan is meant to leverage funding from sector partners. These are aligned with transformation and enterprise development objectives in programmes such as the Market Access Programme, the Tourism Transformation Fund, Green Tourism Incentive Programme and others. The Committee is satisfied that all transfers were appropriately approved and monitored for compliance. However, the quantum of advances to implementing agents and

unspent balances point to risks of dependency and delivery variability. The sluggish pace of implementing these transformational programmes remains a huge concern for the Committee. It is also noted that the Department is still in the process of further refining partnership agreements with implementing agents. The Committee urges both the Accounting Officer and the Executive Officer to expedite these processes.

7.1.12 Legislative reforms ad sector leadership

The Committee is concerned that the Department has not tabled the Tourism Amendment Bill as yet. However, it was noted that looking ahead, the Department is positioned to drive legislative reform with the Tourism Bill expected to be tabled at the beginning of the 2027/28 financial year. The Committee is looking forward to the Bill which is long overdue. The Committee welcomes the launch of the Tourism Growth Partnership Plan dashboard which tracks sector performance, and is a revised methodology tracking what every stakeholder is doing in the sector. However, the Committee noted that the TGPP dashboard lacks critical key performance targets against which sector performance is tracked. The Committee also noted that the dashboard does not track implementation of infrastructure and maintenance programmes. Of great concern, was that some working groups, such as the safety and security working group had not started their work, and that this puts the sector at risk. The Committee commends the Department for a focused sector leadership, against the backdrop of South Africa's G20 legacy and global tourism leadership, which sets a solid platform for delivering on the objectives of the 7th Administration. The rallying of other Departments around tourism outputs is also highly commended.

7.2 Observations in relation to South African Tourism

7.2.1 The Committee noted and welcomes the new SA Tourism Board, and in particular the new Board Chairperson Mr Graham Wood, recognising his sector and managerial experience which is believed will assist to turn the situation around at SA Tourism. The Committee noted that the new board is inheriting an Entity that has fallen from its former glory and is riddled with qualified audits for the past three years, which has incapacitated it to deliver on its mandate to market South Africa internationally and domestically. The new Board was urged to hit the road running in order to ensure that

all issues raised by the Committee and the Auditor-General are addressed as quickly as possible.

7.2.2 The matter of the CEO at SA Tourism who remains suspended was noted with serious concern and needs to be concluded as soon as possible. The Committee noted that the new Board had scheduled a meeting for 12 October 2026 to discuss, and resolve the matter of the suspended CEO, emerging from that meeting with a decision that would be sent to the Minister for concurrence. The Committee is eagerly awaiting the conclusion of this matter to complete the stabilisation of the Entity with a fully fledged executive management at SA Tourism.

7.2.3 The Committee noted that South Africa saw international arrivals rise to 10.48 million, up 19.4 per cent year-on-year which meant the country has recovered and surpassed 2019 figures. However, although regional arrivals dominate (77.4% share from Africa), the per-visitor spend is still disproportionately low compared to regions like Europe. Growing spend from key overseas markets, particularly through tailored campaigns and improved airlift, remains essential for sustainable sector recovery.

7.2.4 The number of domestic overnight trips increased by 15.9 per cent to 46.4 million, while total domestic expenditure declined by 17.2 per cent to R110.3 billion. This indicates that, although more South Africans are travelling, they are taking shorter and less costly trips. The Committee is concerned that these overnight trips are not generating the level of expenditure required to create jobs and contribute to the country's Gross Domestic Product. The Committee will continue to rigorously scrutinise the effectiveness of demand-stimulation measures and urges SA Tourism to explore strategies that increase the value of each trip, thereby unlocking the full economic potential of domestic tourism.

7.2.5 It is of concern that both international and domestic tourism remain concentrated in a few popular regions, namely, Gauteng, Western Cape and Kruger National Park, with the geographic spread of arrivals actually decreasing year-on-year (e.g., domestic down to 2.3%, international to 8.7%). This narrows tourism's benefits and threatens inclusivity. Stronger measures are needed to stimulate demand for emerging and rural

destinations (VTSDs), most notably through the expanded use of destination marketing and incentives.

7.2.8 The Committee noted with serious concern that SA Tourism received a qualified audit opinion for a third consecutive year owing to poor submitted financial statements and unresolved historic accumulated surplus adjustments and incomplete prior-period error disclosures. While prior qualifications on payables were cleared, documentation for surplus adjustments remains lacking. The Entity had assured Parliament that the staff in the finance section had been trained but this did not yield positive results. Also, consequence management was not prioritised for offending officials, and there was no implementation of robust processes to address the root causes of recurring audit findings.

7.2.9 It was noted that the Audit and Risk Committee reported improvement of controls and executive capacity, but persistent weaknesses remained in procurement administration, contract management, and recordkeeping. There is a need for enhanced risk maturity and ongoing monitoring to ensure audit findings are fully addressed, limiting the recurrence of irregular, fruitless, and wasteful expenditure.

7.2.10 It was noted that the period under review saw major positive steps in organisational stability with all executive vacancies, including key posts such as Chief Financial Officer, Chief Operations Officer, and Chief Audit Executive being filled. However, the late appointment of the Chief Financial Officer did not assist in dealing with previous audit findings as she was appointed late in the financial year. The filling of vacant positions improved operational and organisational performance against set targets for the year, with 39 of 41 stated Annual Performance Plan targets met.

7.2.11 The Committee remains concerned with the Meetings, Incentives, Conventions and Exhibitions (MICE) event pipeline conversion, which requires a greater focus on the quality and breadth of impact beyond target counts. The Hosted Buyer platforms remain a major focus for the Committee in ensuring that Meetings Africa and Africa's Travel Indaba remain flagship events for South Africa on the African continent as a whole. The Committee will be closely monitoring the implementation of the improvement plans of these two events.

7.2.12 The drop in the stakeholder engagement satisfaction survey highlight challenges in industry communication and collaboration. Strengthening the Tourism Growth Partnership Plan and public-private cooperation is crucial to deepening sector resilience and amplifying outcomes, especially as the sector grows more competitive globally. SA Tourism must remain at the forefront of brand communication and destination image management.

7.2.13 The drop in the staff engagement survey which fell to 42.6 is a matter of serious concern to the Committee. This indicates low staff morale and poor organisational culture due to previous ill-treatment of officials, including illegitimate suspensions, high vacancy rates (15.4%), and transformation gaps.

7.2.14 Despite improvements in internal audit and control functions, the Committee noted that R14.3 million in irregular and R2.3 million in fruitless expenditure were incurred, highlighting persistent Supply Chain Management and contract management risks. While remedial measures have begun, the Committee should closely monitor consequence management processes and demand the prompt closure of open audit and legal matters.

7.2.15 The progress was noted in procurement policy alignment and expanded SMME support, but deeper transformation is still needed with tangible outcomes in both procurement and internal transformation metrics to meet national equity and empowerment mandates. SA Tourism received more than 50 per cent of the allocated budget and must champion the transformation agenda in the sector through its activities. This includes ensuring equitable geographic spread of SA Tourism programme beneficiaries, spread of leisure and business tourists and participation of SMMEs in hosting big events such as Meetings Africa and Africa's Travel Indaba.

7.2.16 SA Tourism made significant advances in digital transformation, including Azure cloud migration, cybersecurity upgrades, and the integration of AI-powered customer engagement tools which are highly commended by the Committee. The reliability and reach of these ICT improvements underpin modernised marketing and operations, but require ongoing investment and capacity-building to remain competitive and secure.

The Committee is still concerned about the participation of SMMEs and expects these developments to have positive spin-offs for the VTSDs.

7.2.17 Emanating from the meetings on the Auditor-General's findings and the matters noted in the Annual reports, the Committee resolved that after crafting and adopting this comprehensive Budget Review and Recommendation Report (BRRR) that makes numerous observations and critical strategic recommendations that must be actioned by both the Department and SA Tourism, the adopted BRRR report will be sent to the Minister and the SA Tourism Board, for responding within 30 days, notwithstanding the process whereby the Office of the Speaker will still send the BRRR report to the Minister as per the norm. The Committee process is meant to address the urgent issues as speedily as possible.

8. RECOMMENDATIONS

Having received audit outcomes for the 2025/26 financial year from the Auditor-General, and having assessed the annual reports, with financial and non-financial performance, the Committee makes recommendations to both the Minister of Finance and Minister of Tourism as follows, with the Minister of Tourism requested to table the responses of the urgent matters within 30 days of receiving an adopted report by the Committee:

8.1 Recommendations to the Minister of Finance

It is recommended that the Minister of Finance:

8.1.1 Appropriates more ring-fenced budget to capitalise the Tourism Transformation Fund and Tourism Equity Fund as requested in the previous financial years, subject to an evaluation of the success and impact of both funds to date and aligning these with Sustainable Development Goals and priorities of the Government of National Unity.

8.1.2 Appropriates a ring-fenced budget to facilitate tourism development and growth in Villages, Townships and Small Towns/ Dorpies (VTSDs), including Agri-tourism development to facilitate tourism development in farming communities.

8.2 Recommendations to the Minister of Tourism

It is recommended that the Minister:

Recommendations in relation to the Department of Tourism

8.2.1 Accelerates the review of the Tourism Amendment Bill and ensure alignment with the approved White Paper on Tourism Development, Tourism Growth Partnership Plan and the Tourism Marketing Route Development Plan, and provide clear timeline for tabling the Tourism Amendment Bill in the next financial year .

8.2.2 Strengthens multi-year capital projects planning and prioritises the adoption of an integrated, multi-year capital project management framework for all infrastructure projects to include early risk identification that will avoid increasing project scope mid-implementation, standardising project readiness assessments, and direct involvement of affected communities throughout planning and implementation, curb implementation delays, handover completed projects to beneficiaries and prevent persistent under-expenditure linked to slow project implementation and procurement challenges.

8.2.3 Ensures that the Development Bank of Southern Africa completes condition assessments and accurate Bill of Quantities before construction, strengthens oversight of project delivery, costs and workmanship.

8.2.4 Ensures that all business related infrastructure projects are handed over to the owning agents at an operational stage and that post implementation operational support is provided, especially for community-based tourism projects.

8.2.5 Eradicates inadequate upfront planning and project scoping and weak monitoring of implementing agents and contractors, whilst implementing and monitoring measures to strengthen oversight of the arrangements with the Development Bank of Southern Africa as an implementing agent that delivers departmental infrastructure projects.

8.2.6 Implements proper procurement processes and eradicate Irregular Expenditure, thus minimising the risk by affording all suppliers equal opportunities, conducting transparent procurement processes, and ensuring value for money for all awarded by the Department.

8.2.7 Ensures that the Department strengthens its Bid Committees to prevent procurement challenges in the future which may lead to Irregular Expenditure.

8.2.8 Builds on current digital transformation gains by expanding investments in secure, cloud-based platforms for project monitoring, financial management, and public engagement, ensure mandatory digital skills development for all staff and set a clear timeline for the migration of core administrative processes to digital platforms, with regular reporting to the Ministry.

8.2.9 Intensifies oversight and training in supply chain, financial and human resource management, especially at operational levels and Bid Committee level, through regular workshops and updated consequence management guidelines.

8.2.10 Mandates that all new infrastructure and community-based tourism projects include a plan and budget for post-construction operational support and maintenance transfer, monitored against clear sustainability indicators as a prerequisite before project closure or handover to prevent asset under-utilisation or rapid degradation.

8.2.11 Directs departmental leadership to exceed employment equity targets by intensifying recruitment, capacity building, and career-path planning for women, youth, and persons with disabilities.

8.2.12 Institutes rigorous, quarterly tracking of expenditures directly linked to job creation and economic growth, in line with government priorities, and require that every programme demonstrate measurable links between budget outlay, job creation, and sector transformation outcomes, flagging areas where administrative or support costs risk crowding out developmental expenditure.

8.2.13 Expands formalised partnerships with public and private sector stakeholders, including provinces, municipalities, and business chambers, to co-design and monitor sector

growth initiatives to increase support for SMMEs and women-owned businesses through targeted procurement, simplified access to grants, and periodic impact assessments to ensure transformation goals are met.

8.2.14 Directs that all transfers and grants to implementing agents must include performance-based contracts, quarterly progress reporting, and results-based clawback provisions in cases of material non-delivery, standardize advance payment mechanisms and conducts regular audit balances to minimise the risk of misuse of funds and associated inefficiencies.

8.2.15 Scales up and replicate successful initiatives like the Pathways Management Network and Tourism Action Lab through transversal interdepartmental collaboration, especially focusing on Villages, Townships and Small Towns/Dorpies (VTSDs).

8.2.16 Develops and presents a plan to get all Tourism Monitors placed at strategic tourist sites.

8.2.17 Develops and implements an Agri-tourism programme, in partnership with relevant government departments and the private sector to support farmers and rural SMMEs in diversifying income, creating jobs and expanding tourism in Villages, Townships and Small Towns/Dorpies (VTSDs); establish measurable targets and report to the Committee within six months.

Recommendations in relation to South African Tourism

8.2.18 Ensures that the Route Cause-Focussed Audit Action Plan is developed and that there is an implementation protocol with time-frames and preventative controls to address adverse audit outcomes at SA Tourism.

8.2.19 Implements effective consequence management against officials responsible for financial misconduct, in accordance with the applicable prescripts, including Material Irregularity.

8.2.20 Initiates the contractual arbitration process on Material Irregularity and resolve the dispute between the SA Tourism and the supplier.

8.2.21 Avoids delays in corrective action, consequence management and the recovery of losses to discourage the culture of impunity amongst staff members.

8.2.22 Strengthens accountability and avoid exposing the Department and SA Tourism to financial loss and disputes.

8.2.23 Implements programmes to improve the staff morale and ensure that the Entity remains a high performing organisation.

8.2.24 Ensures that the new SA Tourism Board resolves the matter of the suspended Chief Executive Officer speedily and reports to Parliament within 30 days of the resolution of the matter, doing this through a letter written to the Office of the Chairperson and not waiting for a formally scheduled Committee meeting.

8.2.25 Works collaboratively with the SA Tourism Board to ensure stability at the Entity, respecting the fiduciary duties of the Board as per the Tourism Act (Act No. 3 of 2014), and avoiding political and Executive overreach, allowing this new Board to serve its full tenure of three years.

8.2.26 Ensures that the new Board accounts to Parliament through attending Committee meetings, even if it is the Chairpersons of various Board Committees attending on the days where matters pertaining to their Board portfolios are discussed.

8.2.27 Submits to the Committee within 30 days, once finalised, the Special Investigation Unit investigation report into allegations of serious maladministration and improper conduct in the affairs of the South African Tourism Board.

8.2.28 Insists and ascertains that the Department and the Board of SA Tourism conduct impact assessments for all the work they do to demonstrate Value for Money and Return on Investment, including on programmes such as international marketing campaigns, training programmes, infrastructure projects and all others.

8.2.29 Makes certain that both the Department and SA Tourism strengthen their Internal Controls and Internal Audit Committees and determine potential negative audit matters as they arise internally before they become negative findings by the Auditor-General.

8.2.30 Schedules quarterly reporting progress meetings with Accounting Officers on all cases of irregular, fruitless and wasteful expenditure and close all legacy cases within set timelines, with public disclosure of completed consequence management actions.

8.2.31 Ensures that SA Tourism develops action plans for cultural renewal, staff development, and rapid filling of key posts. This must be rigorously implemented and monitored to build a high-performance, and inclusive culture.

8.2.32 Presents a clear plan to expand the geographic spread of tourism of international tourist arrivals to meet the intended five-year target of 13.9 per cent.

9. CONCLUSION

Having made numerous observations and specific recommendations, the Committee will intensify quarterly oversight of expenditure trends, infrastructure delivery, vacancy management, implementation of Route Cause-focussed Audit Action Plans and SA Tourism's governance stabilisation. To deal with under expenditure, both the Department and SA Tourism's Annual Performance Plans and budget allocations should be supported by credible implementation plans, procurement readiness, clearly defined responsibilities, impact assessments of all programmes, and evidence that previous recommendations have been acted upon. The Department must exercise firmer shareholder oversight over SA Tourism and intervene early where financial, governance or performance risks emerge. The Committee's overall conclusion is that the tourism portfolio retains significant potential to advance national growth and employment objectives, but this potential will be realised only through disciplined execution, stable leadership, transparent accountability and a demonstrable conversion of public resources into sustainable tourism outcomes.

The Committee further emphasises that tourism-sector recovery must translate into inclusive, measurable and geographically dispersed economic outcomes. Growth in arrivals and visitor

spending will be insufficient if township and rural enterprises remain excluded from established value chains, tourism infrastructure is not maintained, visitor safety is uneven and visa, transport and municipal-service constraints continue to weaken destination competitiveness. The Department and SA Tourism must therefore align marketing, destination development, transformation, digital capability, air access and visa facilitation with the Medium-Term Development Plan priorities of inclusive growth, job creation and a capable, ethical state. Expenditure and performance reporting should demonstrate not only activities completed, but also jobs sustained, enterprises supported, projects operationalised, communities benefitting and additional visitor value generated.

The position of South African Tourism requires more urgent corrective action. The entity's qualified audit opinion for a third consecutive year, unsupported adjustments to accumulated surplus, incomplete disclosure of prior-period errors and irregular expenditure of R14.269 million point to persistent weaknesses in financial reporting, supply-chain compliance and governance. These matters cannot be treated as isolated technical deficiencies, particularly against the background of previous Board instability and the absence of sustained executive leadership, and therefore the activities of the new Board must be closely monitored. The newly constituted Board, executive management and the Department, as transferring authority, must implement a time-bound audit remediation plan, assign responsibility for each finding, verify supporting records and apply consequence management where controls or prescripts were disregarded.

The concentration of underspending in Working for Tourism and related infrastructure and skills interventions is especially serious because these programmes are intended to create employment, improve tourism assets and broaden the geographic spread of benefits. The completion of only 22 of the planned 33 maintenance sites, with 13 handed over to owning entities, illustrates the continuing gap between reported target achievement and the timely delivery of assets to communities. Similar concerns arise from delays affecting the Tourism Equity Fund, enterprise-development support and the placement of Tourism Monitors. Although all 1,500 monitors were trained, only 711 were placed, limiting both employment creation and tourism-safety outcomes. The Committee, therefore, concludes that clean administration must be matched by stronger project preparation, contract management, implementing-agent oversight and consequence management for repeated delivery failures.

The Committee’s assessment of the 2025/26 Annual Reports of the Department of Tourism and South African Tourism presents a sharply differentiated picture of institutional performance. The Department retained an unqualified audit opinion with no material findings, achieved 98.3 per cent of its annual targets and maintained a generally sound control environment. These outcomes demonstrate administrative stability and credible performance reporting. However, they do not, on their own, establish that the full developmental value of the Vote was realised. The Department spent R2.23 billion, or 91.7 per cent, of its R2.43 billion allocation, leaving R201 million unspent across all four programmes. The Committee is concerned that recurrent underspending has become structural, particularly in Destination Development, where delays in procurement, the appointment of service providers, due diligence and infrastructure implementation continue to impede delivery.

Report to be considered

7. BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON EMPLOYMENT AND LABOUR, DATED 14 OCTOBER 2026

The Portfolio Committee on Employment and Labour (the Committee), having considered the performance of the Department of Employment and Labour and its entities in meetings held on 30 September 2026 and 07 October 2026 virtually, reports as follows:

1. Introduction

The Budgetary Review and Recommendation Report of the Committee has been compiled in compliance with the Money Bills Amendment Procedure and Related Matters Act, No. 9 of 2009. This report provides an assessment of the Department of Employment and Labour (DEL) and its entities' service delivery performance given available resources; effectiveness and efficiency of the use and forward allocation of available resources; and recommendations on the forward use of resources.

2. Mandate of the Committee

All parliamentary committees have a mandate to legislate, conduct oversight over the executive and facilitate public participation. As such, the mandate of the Committee is governed by Parliament's strategy and the Constitution of the Republic of South Africa. The Committee is responsible for holding the executive and related entities accountable by overseeing the objectives of its programmes; scrutinising its budget and expenditure; and recommending to Parliament the actions the Department should take to attain its strategic goals and contribute to service delivery. The National Assembly, through its committees, is required by section 5 of the Money Bills Amendment Procedure and Related Matters Act, No. 9 of 2009, to annually assess the performance of each national department and submit Budgetary Review and Recommendation Reports (BRRR) for tabling in the National Assembly. These reports should be submitted to the Minister of Finance and the relevant Ministers.

3. The mandate of the Department of Employment and Labour

The Department of Employment and Labour derives its mandate from the Constitution of the Republic of South Africa, which it fulfils through a range of legislative instruments that regulate labour matters in the country. Key among these are the Occupational Health and Safety Act (1993), Labour Relations Act (1995), Basic Conditions of Employment Act (1997), Employment Equity Act (1998), Employment Services Act (2014), and the National Minimum Wage Act (2018). Guided by this legislative framework, the Department's policy mandate is to regulate and strengthen the labour market through policies and programmes developed in consultation with social partners. These efforts aim to promote decent

employment creation, uphold labour standards and fundamental rights at work, provide social protection for vulnerable workers, and foster sound labour relations. Furthermore, the Department seeks to eliminate workplace inequality and discrimination, enhance occupational health and safety awareness and compliance, and promote social dialogue as a cornerstone for developing responsive and inclusive labour market policies that support sustainable economic growth.

4. Purpose of the BRRR

The Money Bills Amendment Procedure and Related Matters Act outline the process through which Parliament may make recommendations to the Minister of Finance to amend the budget of a national department. In terms of this Act, portfolio committees are required, during October and November each year, to compile Budgetary Review and Recommendations Reports (BRRRs). These reports assess a department's service delivery performance relative to the resources allocated; evaluate the efficiency, effectiveness, and economy of resource utilisation; and make recommendations on future resource allocations. The BRRRs serve as key reference documents for the Standing and Select Committees on Appropriations and Finance when making recommendations to the Houses of Parliament on the Medium-Term Budget Policy Statement (MTBPS). The process includes a comprehensive review and analysis of a department's performance during the previous financial year, as well as performance trends in the current financial year.

5. Method

In reviewing the work of the Labour Portfolio comprising the Department of Employment and Labour and its entities, for the 2025/26 financial year, the Committee emphasised assessing both financial and non-financial performance to determine the extent to which planned objectives were achieved within the allocated budget. Specific attention was given to the overall performance as reflected in the annual reports; presentations made by the Department and its entities on their achievements and challenges; and the findings and audit outcomes presented by the Auditor-General. In addition, the Committee considered the Department's responses to the recommendations contained in the 2025 Budgetary Review and Recommendations Report (BRRR) to track progress on previously identified areas of concern. The review process was informed by key source documents, including the annual reports of the Department and its entities, the Auditor-General's report, as well as presentations made to the Committee throughout the financial year.

6. Outline of the contents of the Report

The content of the Report is as follows:

- Overview of the key relevant policy focus areas.

- Overview and assessment of the financial performance of the Department of Labour.
- Report of the Auditor-General.
- Overview and assessment of service delivery performance for the 2025/26 financial year.
- Overview of Performance of Entities of the Department of Labour.
- Committee Observations and Recommendations.
- Conclusion.
- Appreciation.

7. DEPARTMENTAL AND ENTITY RESPONSES TO COMMITTEE RECOMMENDATIONS

This section records the recommendations and responses received from the Department of Employment and Labour and its entities.

7.1 Department of Employment and Labour

No.	Committee recommendation	Department response
1	The Department must strengthen performance management and accountability mechanisms, ensuring branch heads are held responsible for underperformance and that corrective measures are implemented within six months.	The Department holds various management meetings wherein performance of branches is tabled and interrogated. In areas where interventions are needed, they get deployed. This is the work that the Department will continue to do. Consequence Management is applied. But again, in its application, administrative processes that govern such get to be observed. The Department remains willing to present to the Portfolio Committee the progress that it is making in this regard.
2	The Department must fill all critical vacancies, including senior management posts, by the end of quarter 4 of 2025/26, particularly in the Director General position and Commissioners. The Department must fully implement its Audit Action Plan and provide the Committee with quarterly updates on progress made in addressing all audit findings.	Indeed, the issue of vacancies is critical. There are areas in the Department where capacity is dearly needed. The Department is aiming at improving capacity in the Human Resource Unit. So that this Unit could be able to deal with the massive response when posts are advertised smoothly. But it must also be indicated that the issue of vacancies is a moving target. As you fill in the present ones today, tomorrow you have a new set of vacancies. On the matter of the

		Director General. The Department worked around the clock to ensure that it has a permanent Director General. But this is a post that is not entirely dependent on the Department to fill. So, the Department of Public Service and Administration, which has a role in filling vacancies of posts like those of Director General, is still scrutinising the matters that fall under it. Otherwise, from the side of the Department of Employment and Labour, we think that we did all. But, the Department of Employment and Labour remains willing to further engage with the Department of Public Service and Administration on the filling of the post of Director General in the Department of Employment and Labour.
3	The Department must fully implement its Audit Action Plan and provide the Committee with quarterly updates on progress made in addressing all audit findings.	Audit Action Plans provide an opportunity to correct what may be negative in terms of the Audit Outcomes. The Department of Employment and Labour, in its Management meetings, be it EXCO or any other Management Meeting, provides a space wherein Audit Action Plans are interrogated and their implementation encouraged. The Department of Employment and Labour remains open to engage on this matter further when invited to.
4	The Department must finalise investigations into irregular and fruitless expenditure and enforce consequence management against officials responsible.	Indeed, this matter shall be looked into. And of course, consequence management against the responsible official will apply.
5	The Department must accelerate the implementation of modern technology and report quarterly to the Committee on ICT upgrades and expenditure.	We will attempt to be detailed on this one. The ICT environment continues to experience increasing demand for digital services, while operating with constrained human capacity and ageing infrastructure. Significant progress has

		been achieved in cybersecurity enhancement, Microsoft 365 migration, and infrastructure readiness initiatives. However, delays in modernisation programmes, particularly Diphetogo, and dependency on legacy systems remain key risks impacting service delivery, audit outcomes, and cybersecurity posture. Infrastructure refresh programme initiated and pending governance approvals. Dataline upgrades for a minimum 10Mbps is currently at 95% and scaling to 100Mbps to be concluded by 31 March 2027 (40 Labour centres upgraded to 100Mbps to date, Agreement with Telkom for migration of UIF and CF from the unfit-for-purpose SITA network has been finalised, the project will kick-off 1st of November 2026) Alternative connectivity solutions deployed (APN, direct internet connectivity). Migration of users from Storefront significantly progressed. Microsoft 365 migration largely completed (approximately 99%)
6	Given the lifting of the DPSA restriction, the Department should fast-track the filling of critical posts and front-line services delivery, and prioritise the filling of the Director-General position to bring stability in the Department.	The Department of Employment and Labour is doing exactly that. It is fast-tracking the filling of the vacant post. The challenge of capacity in Human Resources is also being attended to. It should also be noted that vacancies are a moving target. As you fill posts this month. You get other posts in the next month that may even cancel the work that may have been done in the previous month. But this is one of the areas that the Department is looking at with a view to improving.
7	PES must develop and implement a tracking system for post-placement outcomes to assess	PES shall consider the matter.

	long-term employment sustainability.	
8	The Department must increase inspector recruitment and training and ensure sufficient resources for compliance and enforcement activities.	The Department is seized with the Project 20k.
9	The Department must strengthen monitoring and enforcement of Employment Equity compliance and finalise the implementation of sectoral EE targets by 2025/26.	This is one of the Labour Laws that even the Department is passionate about. So, when inspectors are doing their work, they are not leaving this one behind. They do attend to inspections of Employment Equity.
10	The Department must enhance the independence and capacity of internal audit and risk functions, ensuring regular oversight by the Audit Committee. Additionally, the report of the Audit Committee on the implementation of Audit Action plans should be submitted to the Committee as part of the Department's quarterly report. The Committee also recommends that the Department should commit to 6 months in year interim Audits by AGSA as a way of strengthening early interventions to improve final audit outcomes.	The Department does not have any problems with reporting financials when it is accounting for quarterly reports.
11	The Department must develop an Infrastructure Improvement Plan with timelines and costings for Labour Centre upgrades and submit it to the Committee for oversight.	This is the work that is also dependent on the Department of Public Works and Infrastructure. The Department commits to do what is within its purview, but sometimes the delays are occasioned by other role players.
12	The Department must intensify the implementation of the preferential procurement targeted toward persons with disabilities and table a progress report to the Committee each quarter.	Again, work is more in the competency of National Treasury. The Department continues to impress upon National Treasury on this area.
13	The Department must strengthen consequence management mechanisms and report to the Committee on the outcomes of all disciplinary cases related to financial misconduct.	The Department remains willing to respond positively to any invitation from the Committee to present on Consequence Management. This has been done with previous Parliaments. It can

	Additionally, the department should operationalise a formal consequence management framework for all backlog cases, including clear protocols for dealing with current non-compliance, irregular expenditure, and misconduct, supported by regular reporting.	be done with the 7th Parliament as well.
14	The Committee recommends that the Department integrate audit action tracking into quarterly performance reports, verified by the Audit Committee.	Department shall look into this matter. But expresses no difficulty in incorporating progress in the implementation of the Audit Action Plan onto the Quarterly Performance Reports.
15	The Department must conduct efficiency reviews of all programmes to ensure that expenditure translates into measurable outcomes and improved service delivery.	The Department will endeavour to do this.
16	The Department must strengthen coordination mechanisms with entities and ensure alignment between departmental and entity performance plans.	The Department will endeavour to do this
17	Enhance the capacity of internal audit units within the department to ensure they are fully capacitated and able to provide timely assurance on critical areas, including the implementation of audit recommendations.	We will find a way of attending to this matter.
18	Conduct a comprehensive IT infrastructure assessment and implement a remedial plan based on the AGSA recommendations to strengthen systems for proactive risk detection and control enforcement.	AGSA raised a material irregularity concern about possible under-utilisation of the PES and LAP SAP S/4HANA modules and related development, support and hosting costs. The Department partially disputes the PES finding, stating that delays resulted from combined procurement of SAP support, COVID-19, implementation-partner, technical and changing business-requirement factors—not poor project management alone. PES corrective action is advanced: a dedicated war room was established, milestone payments

		were withheld, SAP support was restored, remaining critical issues were largely resolved, and user acceptance testing is underway. The Department rejects the LAP underutilization claim: the system was successfully implemented and remains operational but cannot be used until a new Labour Activation Programme cycle and RFP are approved. Governance controls have been strengthened, including long-term SAP support, tighter milestone-payment controls, enhanced project oversight, software asset management and benefit-realisation monitoring. Unbundling and reconfiguration of the SITA network to improve system accessibility, performance, and governance independence for UIF and Compensation Fund.
19	Implement urgent corrective actions to address root causes of audit findings, improve the quality of financial reporting, and ensure timely and accurate financial statements.	The key operative words are root causes. Indeed, the Department aims to dig deep and find the root causes of audit findings with a view to improving the quality of financial reporting and ensuring timely and accurate financial statements.

7.2 Compensation Fund (CF)

No.	Committee recommendations	CF response
1	The Committee recommends that the Department ensure stronger financial oversight and quarterly progress reports on governance reforms and audit compliance.	The Compensation Fund supports the recommendation. Financial oversight is being strengthened through monthly management review of financial performance, control deficiencies, audit actions and overdue commitments. Progress on governance reforms and audit compliance will be consolidated for

		quarterly reporting to the relevant governance and oversight structures. Implementation will also be tracked monthly through the Ministerial In-Year Monitoring process, with evidence and exceptions escalated.
2	The Committee urges the Fund to implement the Audit Action Plan without delay and report quarterly on corrective measures and progress towards a clean audit. Additionally, the Committee recommends that the Minister should report to the Committee on progress made on investigations into the Compensation Fund by the Fusion Centre activities and, based on that progress report, determine whether any further investigation is required.	An Audit Action Plan is in place and is being strengthened through finding-by-finding ownership, dated milestones, defined evidence requirements, monthly Internal Control validation and Internal Audit verification of high-risk closures. Progress is monitored monthly by EXCO, through Ministerial In-Year Monitoring, and reported quarterly to the Audit Committee and the Portfolio Committee as required. The Fund will provide the Minister with available progress information on Fusion Centre-related investigations to support reporting to the Committee and any determination on further investigation.
3	The Committee recommends strengthening internal control systems and enforcing consequence management against officials responsible for non-compliance.	The Fund is prioritising preventative controls, supported by monthly reconciliations, independent review, central evidence files, automated validation and improved records management. Non-compliance and irregular, fruitless and wasteful expenditure matters are being tracked case by case through investigation, determination, recovery, disciplinary or criminal-referral decisions, as applicable. Progress and delays will be reported monthly through In-Year Monitoring and escalated to the Accounting Authority.
4	The Committee recommends filling all critical vacancies within set timeframes and implementing a skills attraction and retention strategy for scarce occupations.	The Fund accepts the recommendation. Critical vacancies, particularly in Finance, ICT, Internal Audit and specialist operational areas, are being prioritised through the approved recruitment and

		workforce-planning processes. Scarce-skills requirements will be addressed through targeted recruitment, retention measures, succession planning, skills transfer and controlled interim sourcing where unavoidable. Vacancy progress and recruitment constraints will be tracked monthly through In-Year Monitoring.
5	The Committee recommends that management develop a Performance Recovery Plan to improve achievement levels to at least 80% by 2026, with regular progress reporting.	The Fund recorded 77% performance in 2025/2026, with 10 of 13 indicators achieved. A focused Performance Recovery Plan will consolidate corrective actions for the unmet indicators, including responsible executives, monthly milestones, evidence requirements and escalation triggers, to improve performance to at least 80%. Progress will be reviewed monthly through In-Year Monitoring and reported through quarterly performance reporting.
6	The Committee recommends strengthening monitoring systems to ensure consistent service delivery improvements and faster turnaround times for beneficiaries.	The Fund is strengthening service-delivery monitoring through complete operational registers, monthly exception reporting, performance dashboards and management review of claims, medical invoices and benefit-payment turnaround times. Particular attention is being given to blocked or rejected payments, beneficiary master-data corrections and legacy backlogs. Corrective actions and service-delivery trends will be tracked monthly through In-Year Monitoring.
7	The Committee recommends prioritising ICT modernisation and providing Parliament with a detailed implementation timeline and progress report.	ICT modernisation remains a priority. The programme includes network and infrastructure improvement, strengthened ICT governance, system-enforced validation, master-data governance, cloud migration and improved recovery capability. The Fund will maintain an integrated implementation schedule showing

		milestones, dependencies, procurement progress, risks and mitigation measures, and will report progress through monthly In-Year Monitoring and to Parliament through the required reporting channels.
8	The Committee recommends that the Department finalise the unbundling process and submit a status report outlining milestones, risks and timelines.	The Fund is progressing ICT unbundling to improve institutional control, resilience, recovery capability and accountability for service performance. Procurement processes are underway, cloud migration is planned to commence in January 2027, and unbundling is targeted for 2028. A status report will track milestones, dependencies, transition risks, procurement progress and any slippage, with monthly monitoring through the Minister's Office.
9	The Committee recommends that the Fund expedite investigations of all outstanding cases and strengthen internal ethics and compliance monitoring.	The Fund is implementing a risk- and value-based approach to the outstanding investigation and determination portfolio, with named case owners, evidence-recovery protocols, formal deadlines and escalation to FINMAC, Legal, ACIM/SIU, Employee Relations and SCM, as applicable. Ethics and compliance monitoring will be strengthened through automated registers, regular management review and tracking of recovery, disciplinary and criminal-referral decisions to closure. Progress will form part of monthly In-Year Monitoring.
10	The Committee recommends reviewing the mandate and performance of these oversight bodies to ensure accountability and improved governance outcomes.	The Fund supports a structured review of the mandates, composition, reporting lines, meeting effectiveness, decision tracking and performance of relevant oversight bodies. The review will focus on eliminating duplication, clarifying accountability, improving escalation and ensuring that resolutions are implemented and

		evidenced. Agreed actions will be included in the governance improvement plan and monitored through In-Year Monitoring.
11	Strengthen assessment procedures by ensuring compliance with COIDA requirements and improving employer evaluation processes to enhance revenue accuracy.	The Fund is strengthening employer-assessment controls through cleansing of employer master data, validation against authoritative external sources and payroll-to-Return of Earnings checks. Quality assurance is applied to the application of tariffs, section 85 requirements, interest and penalties. Indicator definitions and source registers will also be refined to ensure that provisional and prior-period assessments are appropriately measured and supported. Progress will be monitored monthly.
12	Implement a systematic process for the timely issuance of assessment notices to all qualifying employers to improve collection and compliance.	99% of the employer Returns are received online with automated invoicing to employers. Monthly revenue reconciliations are performed to confirm assessments raised against the financials. The Fund will strengthen the end-to-end assessment-notice processes through a complete employer population, exception management and follow-up of non-compliant employers. Monthly reconciliations of collections and outstanding debt, with progress reported through In-Year Monitoring, will be performed.
13	Enhance internal control systems to verify and match receivables accurately, ensuring reliable revenue recognition and financial statements.	The Fund is implementing monthly hard-close and reconciliation disciplines for statutory receivables, the general ledger and supporting employer records. Aged reconciling items, credit balances, impairment calculations and unallocated receipts will be investigated and resolved through accountable deadlines and independent review. Automated reconciliation tools and employer-master remediation will be

		used to improve the completeness and reliability of revenue and receivables.
14	Re-assess and strengthen oversight over investments by involving experienced investment committees and implementing better risk management practices.	Investment oversight will be strengthened through appropriately skilled governance structures, formal challenge and decision records, quarterly pipeline and performance reporting, early escalation of delayed transactions, documented risk assessment and improved evidence protocols with the Public Investment Corporation. Investment balances, valuations and disclosures will be reconciled to the general ledger and annual financial statements, with exceptions tracked through In-Year Monitoring.
15	Improve record-keeping and documentation processes for compensation benefits and related liabilities to substantiate amounts in financial reporting.	Standard Operating Procedures are updated to ensure quality assurance checks are performed on the completeness of supporting claims documentation. The Fund is implementing a central evidence repository, complete claims and pension control registers, digitisation of legacy files and governed master-data remediation. Awards, payments, the general ledger and actuarial inputs will be reconciled monthly, and supporting evidence will be indexed and independently reviewed before balances or audit actions are regarded as complete.
16	Establish robust internal controls and documentation procedures for fair value assessments and contingencies to support accurate disclosures.	The Fund will strengthen valuation governance through formal source-data requirements, audited investee information where applicable, documented management challenge, reconciliation of investment records to the general ledger and annual financial statements, and retained approval evidence. Fair value judgements, assumptions and contingency assessments will be supported by indexed

		working papers and independent review before disclosure.
17	Ensure timely finalisation and review of actuarial reports and provisions to accurately reflect liabilities in financial statements.	The Fund will formalise the actuarial reporting timetable, data-cut-off dates, accountable data owners, completeness checks and management review before financial statements are finalised. Claims and pension populations will be certified, reconciled to awards, payments and the general ledger, and submitted to the actuary in a controlled evidence pack. Assumptions, movements and resulting provisions will be challenged, approved and retained for audit support, with progress monitored monthly through In-Year Monitoring.

7.3 Commission for Conciliation, Mediation and Arbitration

No.	2025 Committee recommendation	CCMA response
1	The Committee recommends that DEL engage National Treasury to review the CCMA's funding model, ensure financial sustainability and protect service delivery by allocating additional resources to the CCMA.	National Treasury allocations are determined within the capacity of the fiscus. Although departments and public entities continue to request improved allocations, available resources remain constrained. Engagement with National Treasury is continuing.
2	The Committee recommends that the CCMA review staffing capacity and explore innovative case-management methods, including digital scheduling and pre-conciliations, to manage increasing caseloads effectively.	The CCMA continuously reviews staffing capacity and fills critical vacancies. Digital scheduling and pre-conciliation are being used to improve operational efficiency. Year to date, facilitated section 189A processes saved 23,042 of 47,976 jobs at risk, a 48% job-saving rate. Capacity nevertheless remains constrained because the CCMA relies mainly on full-time commissioners and proactive retrenchment interventions require substantial resources.
3	The Committee recommends that the CCMA and DEL expand proactive retrenchment-prevention mechanisms and strengthen	The CCMA has implemented pre- and post-section 189A monitoring processes with Productivity SA. In the new financial year, it intends to expand this service and

	coordination between the CCMA, UIF and DEL Employment Services to safeguard more jobs.	collaborate more proactively with DEL and the UIF to protect jobs threatened by internal and external factors.
4	The Committee recommends that the CCMA continue to uphold sound financial-management practices and maintain full compliance with the PFMA and Treasury Regulations.	The CCMA will continue strengthening governance and monitoring compliance with the PFMA and Treasury Regulations through risk-based internal audits, compliance reviews, risk assessments and its combined-assurance model. Any control gaps will be addressed through action plans.
5	The Committee recommends that the CCMA fast-track ICT infrastructure projects, address supply-chain inefficiencies and strengthen cybersecurity to protect sensitive case data.	The CCMA is accelerating implementation of its ICT Strategy and Digital Transformation Roadmap, including the Web Dispute Management System, e-Referral kiosks and AI-enabled transcription services. ICT, Supply Chain Management and Finance are strengthening demand planning, market analysis, procurement packaging, technical specifications and contract management. Cybersecurity measures include layered controls, vulnerability assessments, penetration testing, access management, patching, POPIA-aligned data protection and governance oversight.
6	The Committee recommends that the CCMA prioritise appointing full-time commissioners, improve human-resource planning, and develop succession and retention strategies.	The CCMA will retain a hybrid model of full-time and part-time commissioners, prioritising full-time appointments in high-impact operational areas. Workforce forecasting, mentorship, coaching, specialised training materials, case-law learning platforms, professional development and knowledge-sharing will support succession and retention within budget and compensation constraints.
7	The Committee recommends enhanced collaboration with SALGA and DEL Labour Centres to increase physical and digital access to CCMA services, especially in rural and underserved areas.	The CCMA will strengthen its existing partnerships with DEL and SALGA. Implementation controls under the current memoranda of understanding remain active.
8	The Committee recommends that the CCMA present its 2025–2030 Strategic Plan,	The CCMA's 2025/26–2029/30 Strategy, "The Momentum – Empowering Progress, Embracing

	highlighting how it will address financial sustainability, digital transformation and access equity.	Change", rests on Resource Optimisation, Adaptation and Resilience, and User Experience. Budgeting and spending patterns have been adjusted in response to continuing budget reductions and changes in the economic and technological environment.
9	The Committee recommends that the CCMA sustain and expand partnerships for capacity building, labour-relations transformation and dispute prevention.	The CCMA continues partnerships with the ILO, public universities, DEL, the Commission for Employment Equity, Productivity SA and SETAs. It also shares dispute-resolution expertise and training across SADC and participates annually in the International Industrial Relations Agencies meeting.
10	The Committee recommends that the CCMA and DEL develop joint resilience strategies, including contingency planning for service continuity during economic and infrastructure crises.	The CCMA's strategy incorporates adaptation and resilience. The Minister has also initiated enquiries into alternative revenue-generation mechanisms and greater use of technology and digitisation. This work remains in progress.
11	Develop a strategic plan to optimise virtual service delivery while balancing cost savings, service quality and staff capability.	The CCMA has implemented a generative-AI WhatsApp chatbot, the e-Commissioner platform, e-Referral kiosks and Wi-Fi across all 25 offices. Teams integration with the Justice Audio Visual Solution is being pursued, while online hearings continue for parties with the necessary resources and data.
12	Scale up capacity and resources to manage increased referrals efficiently, including by expanding the pool of trained mediators and conciliators.	The CCMA continues to develop commissioners, mediators and conciliators. The case-disbursement budget was increased. Through agreements with universities, CCMA Candidate Commissioner material is incorporated into labour-law postgraduate and certificate programmes, reducing future internal training costs and expanding the pool of suitably prepared practitioners.
13	Continue expanding outreach initiatives to underserved sectors, ensuring equitable access and responsiveness to specific sector needs.	Outreach includes user and sector forums, radio programmes, izimbizo and responses to stakeholder requests. The CCMA collaborates with the public broadcaster, community radio stations, the South African Human Rights Commission and DEL on service-delivery roadshows for underserved and vulnerable groups.

7.4 National Economic Development and Labour Council

No.	2025 Committee recommendation	NEDLAC response
1	Commend NEDLAC for its performance and sustained oversight to ensure continued compliance with the PFMA and Treasury guidelines.	NEDLAC notes the Committee's acknowledgement and remains committed to sustained performance, sound governance and compliance with the PFMA and National Treasury requirements.
2	Encourage NEDLAC to maintain proactive facilitation of multistakeholder dialogue and strengthen coordination with DEL.	NEDLAC continues proactively facilitating multistakeholder dialogue and coordinating with DEL in advancing the Department's mandate.
3	Support leadership continuity and request a strategic plan from the new Executive Director outlining NEDLAC's priorities and capacity-building approach.	NEDLAC is reviewing its organisational structure to remain responsive to its mandate and strengthen institutional effectiveness, including enhanced research and monitoring capacity. Additional funding will be required to establish and sustain this capacity.
4	Engage DEL and National Treasury to secure stable and adequate funding, while strengthening internal financial controls and risk management.	NEDLAC has appointed a service provider for 12 months to provide strategic governance, risk and compliance advisory support. The intervention is intended to embed ethical leadership, proactive risk management, accountability and continuous improvement in line with the PFMA, the National Treasury Public Sector Risk Management Framework and King IV.
5	Prioritise filling key vacancies and increasing training budgets to enhance institutional capacity.	NEDLAC is in the final stages of recruiting for key funded vacancies. Additional funding is required to fill other unfunded posts.
6	Clarify governance, financial-reporting and accountability mechanisms between NEDLAC, the PCC and DEL, and ensure sufficient resourcing for both entities.	NEDLAC uses programme-specific budgets, project codes and account numbers across Administration, Core Operations, Capacity Building, the PCC and National Dialogue. NEDLAC remains the accounting organisation, with the PCC operating as Programme 04 and accounting through NEDLAC's governance structures, including ARC, HREC, MANCO and EXCO, through to DEL. Unless the PCC is fully listed as a public entity under the PFMA and allocated sufficient funding, it faces a funding shortfall from 2027/28.

7	Review NEDLAC's founding documents to promote inclusivity and broader participation by marginalised and community groups.	NEDLAC reviewed the NEDLAC Act 39 of 1994. The NEDLAC Bill was submitted to Parliament on 19 March 2026. It seeks to update governance, membership criteria and functions, strengthen NEDLAC's role in policy consultation and oversight, and repeal the 1994 Act to align the institution with current socio-economic realities and legislative requirements.
8	Provide progress reports on all Bills and policies reviewed at NEDLAC to monitor implementation and alignment with parliamentary processes.	NEDLAC conducted a Parliamentary Tracker study covering 25 Bills considered between 2021/22 and 2025/26. As at 31 March 2026, 11 Bills had been enacted; two had been passed by Parliament and sent to the President for assent; one was before Parliament; and 11 had completed the NEDLAC process but had not yet been introduced in the National Assembly.
9	Ensure NEDLAC's dialogue outputs inform national policy frameworks and that social dialogue supports employment creation and transformation.	NEDLAC facilitated dialogue on energy security and affordability; unemployment insurance and compensation for occupational injuries and diseases; small-business development; freight and public transport; trade relations with the United Kingdom, China and the United States; and local-government reform. These engagements support employment creation, economic transformation and responsive public policy.
10	Support continued investment in digital transformation and infrastructure maintenance to improve efficiency and sustainability.	NEDLAC requires additional investment for digital transformation. Through the budget-review process, it is seeking to redirect more resources towards digital transformation.
11	Enhance stakeholder engagement by expanding participation by labour, business and government representatives to foster more inclusive and impactful decision-making.	NEDLAC continues to provide a platform for organised business, organised labour, government and community constituencies to participate in policy development and decision-making. It also strengthens social-partner capacity through dialogue, collaboration, partnerships and targeted workshops.

7.5 Productivity South Africa

No.	Committee recommendation	Productivity SA response
1	Improved performance and recovery of unachieved targets	Productivity SA welcomes the Committee's recognition of the improvement in performance. The 2025/26 Annual Report presentation recorded achievement of 11 of 12 planned indicators, representing 92% overall performance, while the entity maintained an unqualified audit opinion. As the 2025/26 financial year has concluded, any unachieved target cannot be recovered retrospectively. The outstanding indicator and its underlying causes will be addressed through corrective actions and monitored in the relevant performance and post audit action plans during 2026/27.
2	Sustainable and predictable baseline funding	Productivity SA supports engagement between the Department of Employment and Labour (DEL), the Unemployment Insurance Fund (UIF) and National Treasury on a sustainable funding model. Predictable baseline funding would improve medium-term planning and protect core institutional capacity, while programme-specific funding would support targeted interventions. Productivity SA will provide the relevant programme, performance and financial information required to inform these discussions, subject to the Department's and other funding partners' processes.
3	Timely UIF disbursements and evaluation of turnaround outcomes	Productivity SA recognises that timely disbursement and clear funding arrangements are important for the effective implementation of the Business Turnaround and Recovery (BT&R) Programme. The Annual Report presentation reported support to 95 companies and 8,820 jobs saved through the enterprise support programmes in 2025/26. Productivity SA supports regular engagement with the UIF on funding schedules, implementation milestones and reporting requirements, alongside monitoring enterprise recovery and job-retention outcomes. Any future outcome reporting should use documented and verifiable evidence.
4	Provincial rollout and additional funding for CIS	Productivity SA supports expanding Competitiveness Improvement Services (CIS), particularly to rural and township enterprises. In 2025/26, the presentation reported 1,553 SMMEs supported, 2,742 entrepreneurs and workers capacitated, and 415 Productivity

		Champions trained. Wider provincial reach will require adequate programme resources and practical delivery partnerships with provincial and local institutions. Productivity SA submitted a proposal for the Labour Activation Programme to pursue scalable delivery approaches with additional funding. The proposal is under review within the UIF and will be referred to the DG's office.
5	Research capacity and data resources	Productivity SA acknowledges the importance of research and reliable data for evidence-based productivity policy and planning. During 2025/26, the entity reported published research and statistics outputs, including productivity statistics and international competitiveness reporting. The organisation will continue to prioritise research outputs aligned to its mandate and strengthen the use of available data. Additional specialist capacity and data resources is being considered through workforce planning, prioritisation and available funding.
6	Appointment of a new Board	Productivity SA acknowledges that continuity in governance and strategic oversight is important. The appointment of Board members falls within the relevant Departmental appointment process. Productivity SA current Board was appointed as of 1st October 2025 for a term of 5 years.
7	Comprehensive HR and capacity plan	Productivity SA acknowledges the need for a comprehensive HR and capacity plan that addresses critical vacancies, skills retention and institutional capability. The Annual Report presentation notes that only critical positions are being prioritised to contain employee-cost pressures. The entity went through an organizational review in 2025. The organizational structure is in line with the funding allocations and strategy to achieve its service delivery objectives.
8	Audit action plan and internal controls	Productivity SA will maintain oversight of audit findings through its post audit action plan and established governance structures. The 2025/26 presentation records an unqualified audit opinion and identifies specific procurement and consequence-management matters requiring attention. Progress on corrective actions will continue to be tracked with clear responsibilities, due dates and supporting evidence, with unresolved matters escalated through management and the relevant audit and risk governance structures. Productivity SA will continue to improve the internal controls as a mitigation against undesirable audit

		outcomes.
9	Revenue Generation Strategy and partnerships	Productivity SA supports strengthening its Revenue Generation Strategy to reduce exposure to fluctuations in grant funding. The Annual Report presentation recorded total revenue of R119.4 million, including R11.2 million in exchange revenue. The entity will continue to explore appropriate revenue opportunities, including fee-based advisory services and partnerships with development agencies, where these are consistent with its statutory mandate, approved policies and public-interest obligations. Revenue initiatives will be assessed for feasibility, sustainability, affordability and value for money.
10	Provincial presence through partnerships	Productivity SA supports a partnership-based approach to expanding provincial reach, including exploring collaboration with SEDFA, Special Economic Zones (SEZs), provincial economic departments and other relevant institutions. A MOU has been signed by SEDFA in 2025 with the implementation of initiatives underway. Furthermore, an SEZ strategy has been incorporated into the Kaizen project with the DTIC. Regional operations have MOUs with certain Provincial Economic development departments. Such partnerships can help identify enterprises, coordinate referrals and extend access to productivity support without automatically requiring a full physical office in every location. Specific arrangements will be subject to partner engagement, capacity, funding and appropriate agreements.
11	Impact evaluation and standardised reporting	Productivity SA supports strengthening impact evaluation and standardised reporting beyond activity counts. Reporting should, where data is available and verifiable, cover jobs saved and retained, enterprise survival and recovery, productivity improvements, and the sustainability of outcomes after intervention. Existing programme indicators and case studies provide a foundation, but a consistent methodology, baseline information and follow-up arrangements are important to demonstrate attribution and avoid overstating impact. The framework is being implemented but the revision will further enhance the process and consider a system based on available resources.
12	Digital transformation, innovation and AI capability	Productivity SA recognises that digital transformation and appropriate use of emerging technologies may improve productivity, service delivery, analysis and risk detection. Any investment in digital systems

		or artificial intelligence is following a needs assessment and business case, with consideration of costs, data quality, cybersecurity, privacy, staff capability and measurable benefits. Priorities are being phased according to operational risk, mandate requirements and available funding.
13	Governance weaknesses, accountability and transparency	Productivity SA acknowledges the Committee's concern regarding governance and accountability. The 2025/26 presentation identified R2.946 million in irregular expenditure and R172,884 in fruitless and wasteful expenditure. The presentation records that the matters were investigated by Internal Audit, that management was considering appropriate consequence-management measures, and that the expired contract was terminated and a replacement service appointed through the appropriate procurement process. Productivity SA will continue to strengthen preventative controls, document decisions and corrective actions, and apply consequence management where responsibility is established and in accordance with applicable processes.
14	Skills assessments and targeted training	Productivity SA supports a targeted assessment of staff competencies in performance reporting, financial reporting, procurement and internal control. Training is informed by identified gaps and focused on improving the quality, accuracy and timeliness of reporting. The entity continues to align training priorities with audit findings, changes in reporting requirements and operational needs, and evaluates whether training has improved practice. The scope and timing of interventions will be subject to an internal needs assessment and available resources.
15	ICT infrastructure and proactive risk detection	Productivity SA acknowledges the role of fit-for-purpose ICT infrastructure in supporting reliable financial and performance reporting, record management and timely risk detection. The entity would assess existing systems, control weaknesses and user requirements before prioritising upgrades. Any proposed investment would be supported by a costed business case, implementation plan and appropriate safeguards for information security and access controls. Implementation will be phased in line with urgency, affordability and procurement requirements.
16	Internal controls over performance reporting	Productivity SA supports strengthening controls over performance information to ensure reported achievements are accurate, complete,

		properly authorised and supported by evidence. This includes clear responsibility for source data, documented verification and review, consistent supporting records, and timely resolution of exceptions before information is reported. The controls would be monitored through management review and internal audit, with corrective actions tracked to completion. This work is important to maintaining credible performance reporting and sustaining public confidence in the entity.

8. OVERVIEW OF KEY RELEVANT POLICY FOCUS AREAS

8.1 Policy and Strategic Context

The Department's policy priorities for 2025/26 were guided by the National Development Plan (NDP), the Medium-Term Development Plan (MTDP) 2024–2029, the Department's Strategic Plan 2025–2030 and its Annual Performance Plan (APP) for 2025/26. The policy framework places emphasis on inclusive economic growth, employment creation, poverty reduction, social protection and the development of a capable, ethical and developmental state. The Department's mandate is particularly relevant to the national objective of reducing unemployment through active labour market interventions, improving labour market regulation and protecting the rights of workers. The Department identified three national priorities underpinning its interventions:

- Inclusive growth and job creation.
- Reduction of poverty and the high cost of living.
- Building a capable, ethical and developmental state.

These priorities are supported by interventions aimed at strengthening employment services, improving workplace compliance, expanding social protection, promoting fair wages and modernising labour market institutions.

8.2 Employment Creation and Inclusive Economic Growth

Employment creation remains a central policy priority in response to South Africa's persistent structural unemployment, particularly among young people, women and persons with disabilities. The Department's Public Employment Services programme contributes to this priority through employment registration, counselling, matching work-seekers with employment opportunities and facilitating placements. The National Employment Policy and Employment Services Amendment Bill are important policy instruments intended to strengthen the institutional framework for employment services and improve coordination between government, employers and other stakeholders. The Committee recognises the importance of

strengthening partnerships with the private sector, public employment programmes and social partners to expand pathways into sustainable employment.

8.3 Protection of Workers' Rights and Decent Work

The Department's regulatory mandate is implemented primarily through the enforcement of the Basic Conditions of Employment Act, Labour Relations Act, Occupational Health and Safety Act, Employment Equity Act and National Minimum Wage Act. The Inspection and Enforcement Services programme is responsible for monitoring compliance, conducting workplace inspections, issuing compliance notices and referring non-compliant employers for prosecution. The Department reported conducting 309,659 workplace inspections during 2025/26 and implementing 26 high-impact blitz inspections in high-risk sectors. The Committee notes that enforcement capacity remains a concern, given the Department's reported complement of approximately 2,300 permanent inspectors and the extensive demand for labour law compliance across the country.

8.4 Social Protection and Income Security

The UIF and Compensation Fund play an important role in protecting workers against income loss arising from unemployment, occupational injuries and diseases. The policy focus includes improving the administration of benefits, reducing claims backlogs, strengthening institutional governance, improving accessibility of services and ensuring the sustainability of the funds. The continued challenges relating to the financial reporting and operational effectiveness of the UIF and Compensation Fund demonstrate the need for sustained institutional reforms and stronger accountability.

8.5 Labour Market Transformation and Social Dialogue

The Department continues to promote equitable labour market participation through employment equity, collective bargaining, minimum wage regulation and social dialogue. NEDLAC remains an important institutional mechanism for engagement between government, organised business, organised labour and community constituencies. Productivity SA contributes to economic competitiveness, enterprise development, productivity improvement and business turnaround interventions.

These institutions are relevant to the broader objective of creating an inclusive labour market that supports sustainable economic growth and decent work.

9. OVERVIEW AND ASSESSMENT OF THE FINANCIAL PERFORMANCE OF THE DEPARTMENT

9.1 Overall Financial Performance

The Department of Employment and Labour was allocated a final appropriation of R4.285 billion for the 2025/26 financial year, following an adjustment of R132.029 million to the original allocation of R4.153 billion. Actual expenditure amounted to R4.172 billion, representing 97.4% of the final appropriation. The

Department recorded an underspending of R112.935 million, equivalent to approximately 2.6% of the available budget. The expenditure level reflects relatively high overall budget utilisation. However, the Committee's assessment of financial performance must also consider the quality of expenditure, the achievement of predetermined objectives, the effectiveness of internal controls and the extent to which resources translated into improved public services.

Table 1: Departmental expenditure by programme

Programme	Final budget (R million)	Actual expenditure (R million)	Spending
Administration	1,109.470	1,088.698	98.1%
Inspection and Enforcement Services	593.721	532.423	89.7%
Public Employment Services	1,116.450	1,116.450	100%
Labour Policy and Industrial Relations	1,465.525	1,434.660	97.9%
Total	4,285.166	4,172.231	97.4%

Source: Department of Employment and Labour Annual Report 2025/26, Appropriation Statement.

9.2 Programme Expenditure Assessment

Programme 1: Administration

Administration received a final allocation of R1.109 billion and spent R1.089 billion, representing 98.1% expenditure. The programme supports strategic leadership, financial management, human resources, ICT, legal services, internal audit and corporate administration. Although expenditure was relatively high, the programme achieved only 56% of its planned performance indicators. The Department also reported a vacancy rate of 23%, alongside challenges in meeting supplier payment deadlines and improving procurement participation by youth-owned and businesses owned by persons with disabilities. The Committee is concerned that high-budget utilisation did not correspond with the achievement of all planned administrative outputs. This raises questions about the effectiveness of management interventions, institutional capacity and the relationship between expenditure and performance.

Programme 2: Inspection and Enforcement Services

The programme received R593.721 million and spent R532.423 million, representing 89.7% expenditure.

The resulting underspending of R61.298 million requires further scrutiny, particularly considering the Department's reported capacity constraints in workplace inspections. The programme achieved all four of its planned performance indicators, including the inspection of 309,659 workplaces, the issuing of compliance notices and referrals for prosecution. The Committee notes the apparent contrast between the

achievement of performance targets and the underspending of approximately 10.3% of the programme's budget. The Department should clarify whether underspending was attributable to vacancies, procurement delays, operational efficiencies or other factors, and whether additional resources could have expanded inspection coverage.

Programme 3: Public Employment Services

Public Employment Services received R1.116 billion and spent the full allocation. The programme achieved all eight of its planned performance targets, including the registration of more than 1.13 million work-seekers and the facilitation of 116,044 employment placements. The Committee notes the programme's contribution to employment facilitation. However, future reporting should distinguish between registrations, counselling, referrals, placements and sustained employment outcomes to establish the longer-term impact of public employment interventions.

Programme 4: Labour Policy and Industrial Relations

The programme received R1.466 billion and spent R1.435 billion, representing 97.9% expenditure. The programme achieved all seven planned performance targets, including the publication of employment equity reports, minimum wage reviews, labour market research and support for social dialogue. The Committee notes the importance of ensuring that policy development and legislative reforms are accompanied by effective implementation plans, adequate funding and measurable labour market outcomes.

9.3 Irregular, Fruitless and Wasteful Expenditure

The Department reported irregular expenditure of approximately R159.9 million and fruitless and wasteful expenditure of approximately R592,000 for 2025/26. The existence of irregular expenditure raises concerns regarding compliance with procurement legislation, contract management, internal controls and the effectiveness of preventative measures. The Committee requires clarity on the age of the irregular expenditure, the status of investigations, recoveries, condonement applications and consequence management. The Department should demonstrate that irregular expenditure is not merely disclosed in the Annual Report but is subjected to appropriate investigation and corrective action.

10. REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA

10.1 Overall Portfolio Audit Outcomes

The AGSA's audit outcomes briefing for 2025/26 reflects continued weaknesses in financial management, governance and internal controls across the Employment and Labour portfolio. Of the six institutions assessed, only the CCMA achieved a clean audit outcome. The portfolio recorded three qualified audit opinions, while the Compensation Fund continued to receive a disclaimer of opinion. The audit outcomes also reflected the regression of NEDLAC from an unqualified opinion with no findings to an unqualified

opinion with findings, while SEE improved from an adverse to a qualified audit opinion. The AGSA's overall assessment highlights the persistence of weaknesses in financial reporting, record keeping, reconciliations, compliance monitoring and the implementation of corrective measures. The Committee is concerned that recurring audit findings have not translated into sufficiently sustainable improvements in the portfolio's control environment.

10.2 Department of Employment and Labour

The Department received a qualified audit opinion. The AGSA identified concerns relating to incomplete receivables documentation and asset misstatements. These findings raise questions about the adequacy of financial records, asset management controls and the reliability of financial information. The Committee notes that the Department's relatively high expenditure rate and improved performance achievement must be considered alongside the qualified audit outcome. However, management should strengthen financial statement preparation, supporting documentation, asset verification and reconciliations to prevent recurring misstatements.

10.3 Unemployment Insurance Fund

The UIF continued to experience financial reporting and governance challenges. The AGSA's portfolio assessment identifies persistent weaknesses in the Fund's financial management and internal controls, including concerns requiring improved accountability and resolution of material irregularities. The Committee is particularly concerned about the relationship between the Fund's substantial financial resources and its ability to deliver timely, accessible and reliable benefits to contributors.

10.4 Compensation Fund

The Compensation Fund received a disclaimer of opinion for 2025/26. The AGSA was unable to obtain sufficient appropriate audit evidence regarding several material financial statement balances, including outstanding claims provisions, pension-related liabilities and compensation benefits. The outstanding claims provision was reported at R3.148 billion, while the capitalised value of pension liabilities included current liabilities of R1.750 billion and non-current liabilities of R20.962 billion. The AGSA's inability to verify these balances raises significant concerns regarding the completeness and reliability of the Fund's accounting records, valuation methodologies and financial reporting processes. The Fund's Audit Committee also reported that most previous disclaimer findings remained unresolved and called for decisive interventions.

10.5 Supported Employment Enterprises

SEE improved from an adverse audit opinion to a qualified audit opinion. While the improvement represents progress in the audit outcome, the entity continues to require strengthened financial reporting, internal controls and governance arrangements. The Committee should assess whether the improvement is supported by sustainable corrective action and whether the entity's financial and operational performance is improving in line with its mandate.

10.6 Commission for Conciliation, Mediation and Arbitration

The CCMA maintained a clean audit outcome, reflecting sound financial reporting and internal control arrangements. The entity achieved all 24 of its planned performance targets, representing 100% performance for 2025/26. The Committee notes the importance of sustaining these governance standards while addressing operational pressures arising from the high demand for dispute resolution services.

10.7 National Economic Development and Labour Council

NEDLAC received an unqualified audit opinion with findings and achieved 16 of its 17 performance targets, representing 94% performance. The unachieved target related to social partner satisfaction, which recorded 74% against a target of 75%. The Committee notes the need to strengthen stakeholder engagement, improve the implementation of internal controls and address the matters raised by the AGSA.

10.8 Material Irregularities and Consequence Management

The AGSA highlighted delays in resolving material irregularities, including matters reported between 2021 and 2024. The portfolio also continues to experience delays in investigations into irregular expenditure, fruitless and wasteful expenditure and other identified control failures. The Committee is concerned that prolonged investigations undermine the effectiveness of consequence management and weaken accountability. Management across the portfolio should provide a consolidated schedule of material irregularities, indicating the financial implications, responsible officials, investigation status, recovery measures and corrective action taken.

11. OVERVIEW AND ASSESSMENT OF SERVICE DELIVERY PERFORMANCE FOR 2025/26

11.1 Overall Performance

The Department achieved 24 of its 28 planned performance targets, representing 86% achievement compared with 71% in 2024/25. The performance improvement was driven primarily by the achievement of all targets under Inspection and Enforcement Services, Public Employment Services, and Labour Policy and Industrial Relations. Administration remained the main area of underperformance, achieving five of its nine planned targets.

Table 2: Performance by programme

Programme	Planned targets	Achieved	Achievement
Administration	9	5	56%
Inspection and Enforcement Services	4	4	100%
Public Employment Services	8	8	100%
Labour Policy and Industrial Relations	7	7	100%
Total	28	24	86%

11.2 Programme 1: Administration

The Administration programme achieved 56% of its planned targets. The Department achieved 51% representation of women in senior management, exceeding its target of 48%. It also reported progress in digital transformation and implementation of its cybersecurity strategy. However, the programme continued to experience a vacancy rate of 23%, delays in recruitment and challenges in supplier payment management. The Committee notes that weaknesses in the administrative programme may have implications for the Department's overall operational effectiveness, particularly in relation to financial management, ICT modernisation, procurement and human resource capacity.

The programme achieved all planned targets.

During 2025/26, the Department:

- Conducted 309,659 workplace inspections.
- Issued 75,644 compliance notices to non-compliant employers within the prescribed period.
- Referred 6,870 non-compliant employers for prosecution within 30 days.
- Conducted 26 high-impact blitz inspections.

These interventions contributed to the enforcement of labour legislation and the protection of workers' rights. However, the reported shortage of permanent inspectors remains a significant operational constraint. The Committee notes that the achievement of inspection targets should be complemented by evidence of improved compliance, reduction in repeat violations, successful prosecutions and improved occupational health and safety outcomes.

11.4 Programme 3: Public Employment Services

Public Employment Services achieved all eight planned targets. The Department registered more than 1.13 million work-seekers on the Employment Services System, facilitated 116,044 employment placements and provided employment counselling to more than 357,000 work-seekers. The programme also advanced the National Employment Policy and Employment Services Amendment Bill. The Committee recognises the importance of these interventions in facilitating access to employment opportunities. However, the persistent unemployment challenge requires stronger integration of employment services with skills development, private-sector recruitment and other employment creation programmes. The Department should strengthen monitoring of employment placement outcomes to establish whether placements translate into sustained employment.

11.5 Programme 4: Labour Policy and Industrial Relations

The programme achieved all seven planned targets. Key areas of performance included employment equity reporting, the national minimum wage review, registration of labour organisations, labour market research and support for social dialogue. The Department also produced research addressing emerging labour market developments, including the platform economy and restaurant sector. The Committee notes the

importance of ensuring that policy and legislative reforms respond to changes in the labour market, including non-standard forms of employment, digitalisation and the protection of vulnerable workers.

11.6 Overall Assessment

The Department's improvement from 71% to 86% performance is acknowledged. However, performance achievement should not be interpreted solely as the attainment of numerical targets. The Committee's assessment is that the Department must strengthen the quality, reliability and impact of its performance information. This is particularly important where reported achievements coexist with qualified audit findings and continuing institutional capacity constraints. The Department should demonstrate how its performance indicators contribute to measurable improvements in employment, labour law compliance, workplace safety and access to social protection.

12. OVERVIEW OF THE PERFORMANCE OF ENTITIES OF THE DEPARTMENT

12.1 Unemployment Insurance Fund

The UIF is responsible for providing short-term financial relief to eligible contributors during periods of unemployment and other qualifying life events. The Fund's performance should be assessed in relation to the timely processing of claims, benefit payments, employment creation interventions, financial sustainability and the management of its investment portfolio. The Committee notes that governance and financial reporting weaknesses remain significant concerns. The Fund must strengthen the reliability of its financial statements, improve ICT systems and address operational inefficiencies affecting beneficiaries. The Labour Activation Programme also requires closer oversight to ensure that programme expenditure translates into measurable employment and skills development outcomes. The Committee further emphasises the importance of transparent investment governance, proper due diligence and effective monitoring of investments.

12.2 Compensation Fund

The Compensation Fund administers compensation benefits for occupational injuries and diseases in terms of the Compensation for Occupational Injuries and Diseases Act. The Fund reported progress in medical invoice processing, with 938,775 of 1,020,558 invoices finalised within 30 working days, representing performance of 92% against an 87% target. Despite this operational progress, the disclaimer audit opinion remains a major concern. The Fund continues to experience weaknesses in financial reporting, data integrity, supporting records, internal controls and the management of historical claims and medical invoice backlogs. The Committee notes the need to ensure that operational improvements are supported by reliable financial information and effective governance.

12.3 Commission for Conciliation, Mediation and Arbitration

The CCMA achieved all 24 of its planned targets, representing 100% performance. The entity recorded 191,533 dispute referrals during 2025/26, a decrease of approximately 1% compared with the preceding

financial year. The CCMA also continued providing dispute resolution, advisory services, collective bargaining support and interventions aimed at preserving employment. The Committee acknowledges the entity's clean audit outcome and achievement of its performance targets. However, the continued demand for dispute resolution services, particularly BCEA and National Minimum Wage matters, places pressure on operational resources and the case disbursement budget. The CCMA should continue strengthening access to dispute resolution services, operational efficiency and the monitoring of settlement and job preservation outcomes.

12.4 National Economic Development and Labour Council

NEDLAC achieved 16 of its 17 planned targets, representing 94% performance. Its core operations, capacity-building activities, Presidential Climate Commission programme and National Dialogue programme achieved all their respective targets. The entity continued facilitating engagement between government, organised business, organised labour and community constituencies. The Committee notes the importance of NEDLAC in building consensus on labour market reforms, economic transformation and inclusive growth. The decline in its audit outcome from a clean audit to an unqualified opinion with findings requires management attention. The entity should strengthen its internal controls and improve stakeholder satisfaction, particularly through increased participation in social partner engagements.

12.5 Productivity South Africa

Productivity SA contributes to improving productivity, competitiveness, enterprise development and business sustainability. Its programmes include Competitiveness Improvement Services, Business Turnaround and Recovery, and Research, Innovation and Statistics. The Committee's assessment should focus on the extent to which these programmes contribute to enterprise survival, productivity improvement, employment retention and the development of sustainable businesses. Institutional capacity, financial sustainability and the reliability of performance reporting remain important areas for continued oversight. The entity should provide clear evidence of the outcomes of its business turnaround interventions, including enterprises assisted, employment retained and measurable productivity improvements.

12.6 Supported Employment Enterprises

SEE is mandated to provide employment opportunities for persons with disabilities through supported employment and related production activities. The improvement from an adverse to a qualified audit opinion is noted. However, the entity continues to face challenges relating to financial reporting, internal controls and operational sustainability. The Committee should assess whether SEE is adequately fulfilling its mandate of providing meaningful employment opportunities, developing skills and promoting the economic inclusion of persons with disabilities. The entity should also demonstrate how its production activities, revenue generation and operational expenditure contribute to long-term sustainability.

13. COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

Table 3: Department of Employment and Labour (DEL)

No.	Committee Observation	Committee Recommendation
1	The Department's overall performance improved in 2025/26, with Inspection and Enforcement Services and Public Employment Services achieving all planned indicators. However, Administration achieved only 56% of its indicators, while a 23% vacancy rate, recruitment delays and capacity constraints continued to undermine operational performance and front-line service delivery.	The Department should implement a time-bound performance and recruitment plan that assigns accountability for underperforming indicators, prioritises critical senior-management and front-line vacancies, and provides the Committee with quarterly reports on corrective action and progress.
2	The Department again received a qualified audit opinion because material misstatements, inadequate supporting records and weaknesses in financial-statement preparation were not fully addressed. The limited implementation of internal-audit findings indicates that the underlying control deficiencies remain unresolved.	The Department should implement a time-bound Audit Action Plan that addresses the root causes of material misstatements and record-keeping weaknesses, assigns accountable officials, and requires management and the Audit Committee to report quarterly to the Committee on progress.
3	Irregular, fruitless and wasteful expenditure remains unresolved. Incomplete records and delayed investigations have also limited the Department's ability to demonstrate that disciplinary and recovery processes have been implemented.	The Department should finalise all outstanding investigations, maintain complete supporting records, recover losses where appropriate, and implement a formal consequence-management framework with clear deadlines and accountable officials. It must report quarterly to the Committee on disciplinary and recovery outcomes.
4	Progress was made in digital transformation, with 80% implementation reported and full execution of the cybersecurity strategy. However, ICT-related weaknesses and risks remain.	The Department should accelerate the implementation of modern technology and report quarterly to the Committee on ICT upgrades and expenditure.
5	PES exceeded its registration and placement targets, registering more than 1.13 million work	PES must develop and implement a tracking system for post-placement outcomes to assess the

	seekers and facilitating 116,044 placements. However, there is insufficient evidence that the sustainability of placements is being systematically tracked.	sustainability of long-term employment.
6	IES achieved 100% of its planned indicators and conducted more than 309,000 workplace inspections. However, the Department reports that it has only approximately 2,300 permanent inspectors and remains under-capacitated.	The Department should increase inspector recruitment and training and ensure sufficient resources for compliance and enforcement activities.
7	Employment Equity transformation remains a concern. The Annual Report indicates that compliance with certain aspects of the Employment Equity Act was affected by transitional regulatory changes.	The Department should strengthen monitoring and enforcement of Employment Equity compliance and finalise the implementation of sectoral EE targets.
8	Poor infrastructure and unsuitable office facilities continue to pose potential barriers to effective service delivery, and the available 2025/26 evidence does not demonstrate that the previous recommendation has been fully implemented.	The Department should develop an Infrastructure Improvement Plan with timelines and costings for Labour Centre upgrades and submit it to the Committee for oversight.
9	Although expenditure was substantially utilised, differences in programme performance indicate that expenditure does not consistently translate into achievement of planned outputs, particularly in Administration.	The Department should conduct efficiency reviews of all programmes to ensure that expenditure translates into measurable outcomes and improved service delivery.
10	Coordination between DEL and its entities remains an area requiring strengthening, particularly in governance, audit, ICT, and performance management.	The Department should strengthen coordination mechanisms with entities and ensure alignment between the Department's and entities' performance plans.
11	The Department succeeded in conducting more advocacy sessions than planned to raise employment law awareness, but sustained community engagement remains essential to deepen labour rights knowledge.	Enhance and expand grassroots advocacy and awareness programmes to ensure broader compliance with labour laws and improved protection of vulnerable workers at all levels.

Table 4: Supported Employment Enterprises (SEE)

No.	Committee Observation	Committee Recommendation
1	SEE's audit outcome improved from an adverse opinion in 2024/25 to a qualified opinion in 2025/26, indicating progress in the financial control environment. However, the qualified opinion confirms that material weaknesses in financial reporting remain.	SEE should implement a comprehensive financial recovery plan addressing all outstanding audit findings and submit quarterly progress reports to the Committee.
2	SEE continues to experience weaknesses in financial records and internal controls. AGSA reported that trade receivables were not adequately reconciled to individual transactions and that the entity lacked adequate internal controls.	SEE should introduce a proper accounting and record-keeping system aligned with PFMA and GRAP requirements, with regular internal audit verification. SEE should strengthen financial controls through proper reconciliation of receivables and supporting documentation for inventory adjustments.
3	AGSA identified SEE as having material compliance findings relating to procurement and contract management, quality of financial statements, prevention of irregular and fruitless and wasteful expenditure, and consequence management.	SEE should finalise investigations into all irregular and fruitless and wasteful expenditure and enforce consequence management against responsible officials. A report should be submitted to Parliament within the next reporting cycle.
4	Internal audit and risk-management weaknesses remain a concern. The persistence of financial and compliance findings indicates that preventative controls are not yet sufficiently effective.	SEE should strengthen its internal audit and risk-management capacity, ensuring independent oversight and quarterly risk assessments reported to the Audit Committee.
5	SEE increased sales revenue from approximately R37.1 million in 2024/25 to R59.6 million in 2025/26, raising the proportion of funding generated through sales from 17% to 23%. Despite this improvement, the entity remains dependent on the National Treasury grant for approximately 77% of its funding, while financial constraints, limited production capacity and market pressures continue to impede delivery of its employment mandate.	The Department and SEE should implement a performance-linked sustainability plan that diversifies the client base, secures more private-sector and other non-government contracts, improves production efficiency, and links financial resources to measurable employment outcomes for persons with disabilities.

6	SEE remains structurally underfunded, with over 95% of the Treasury grant reportedly directed towards salaries. The entity indicates that this limits resources available for raw materials, machinery maintenance and other operational requirements.	The Department should review SEE's funding model to ensure a more balanced allocation between compensation, production, maintenance and operational investment.
7	Inventory and asset-management weaknesses remain relevant to the entity's financial reporting. The continued qualified audit opinion and AGSA findings on financial records demonstrate that the previous control weaknesses have not been fully resolved.	SEE should introduce an automated inventory-management system and conduct bi-annual stock verifications, with findings reported to Internal Audit.
8	SEE continues to operate with 12 factory plants/branches, while the Durban factory remains under refurbishment by DPWI. The entity continues to face operational and production constraints.	The Department should provide a detailed implementation plan and timeline for the completion of outstanding factory infrastructure projects, including the refurbishment of the Durban factory, with progress reported quarterly to the Committee.
9	Consequence management remains unresolved. AGSA identified SEE among entities with material findings relating to effecting consequences, while non-compliance and procurement weaknesses remain present.	The Department should ensure all pending disciplinary cases related to financial mismanagement are concluded within six months, and outcomes reported to the Committee.
10	AGSA's 2025/26 findings indicate that SEE continues to experience weaknesses in the quality of financial statements. The qualified opinion specifically identified unresolved issues relating to trade receivables and internal controls.	SEE should implement robust procedures for supporting and reconciling inventories, receivables, payables and other financial statement balances, with regular review processes to prevent material misstatements.
11	SEE continues to require stronger financial-management capacity and oversight. The entity is working with GTAC on a feasibility study for a trading-account model and with Productivity SA on initiatives to improve operational and financial performance.	SEE should invest in financial-management capacity and strengthen oversight mechanisms to improve financial management practices and reduce the risk of inaccuracies and irregularities.
12	The previous Committee identified errors in	SEE should enhance internal controls over

	SEE's cash-flow reporting. The 2025/26 audit outcome remains qualified, indicating that financial reporting weaknesses have not been eliminated.	cash-flow reporting, with detailed review and reconciliation processes to ensure accurate financial disclosures.
13	SEE achieved only 60% of its annual targets, with significant underachievement in employing persons with disabilities: 30 persons were employed against a target of 100, owing to limited factory production capacity.	SEE should invest in expanding and improving factory production capacity to increase operational output and enable the entity to meet its employment targets, particularly for persons with disabilities.
14	SEE reported a net operating deficit of R28.24 million, with under-expenditure of R33.16 million on factory employees' salaries and overspending of R12.62 million on administration salaries, indicating weaknesses in budget management.	SEE should strengthen budget planning and monitoring by implementing stricter budget controls and regular financial reviews to prevent under- or overspending and improve utilisation of allocated funds.
15	Financial reporting reflected underspending of R44.21 million on administration costs, suggesting inefficiencies in budget allocation and resource management.	SEE should conduct a comprehensive budget-allocation review to realign resources with operational priorities and optimise expenditure patterns for financial sustainability.

Table 5: Unemployment Insurance Fund (UIF)

No.	Committee Observation	Committee Recommendation
1	The UIF Board was previously identified as having limited decision-making and fiduciary powers. During 2025/26, a permanent 13-member Board was appointed for the period 1 June 2025 to 31 May 2028, representing progress in governance stability. However, the broader governance reform process remains ongoing.	The Ministry and UIF should continue strengthening the governance framework of the Fund and ensure that the Board has sufficient authority, capacity and accountability mechanisms to effectively exercise oversight.
2	Leadership instability was previously a concern. The 2025/26 Annual Report continues to identify the Commissioner as Acting UIF Commissioner, indicating that leadership stability has not been fully resolved.	The Ministry should urgently appoint a permanent, substantive UIF Commissioner to provide stability and continuity in the management of the Fund.
3	The UIF has not fully resolved its audit weaknesses. Only 36% of audit action plans were implemented against an annual target of 80%, and the Fund continues	The UIF should fully implement its Audit Action Plan, with clear deadlines, responsible officials and quarterly

	to report recurring weaknesses in financial reporting.	progress reports to the Committee.
4	The UIF has previously relied heavily on external consultants for core finance and ICT functions. The 2025/26 Annual Report continues to identify institutional capacity and ICT modernisation as areas requiring attention.	The UIF should implement a plan to build sustainable internal finance, ICT and technical capacity and reduce reliance on external contractors for core functions.
5	The Labour Activation Programme showed substantial improvement compared with 2024/25. In 2025/26, 174,167 beneficiaries participated in employability programmes against a target of 240,000, compared with only 28,563 against a target of 360,000 in the previous year. However, the target was still not achieved.	The UIF should implement a corrective action plan to close the remaining performance gap in the Labour Activation Programme and ensure that training translates into sustainable employment and labour-market participation.
6	Concerns regarding oversight and value for money in LAP interventions remain relevant. Although performance improved substantially, the Committee requires evidence that funding translates into measurable employment outcomes.	The UIF should conduct regular performance and expenditure assessments of LAP projects and strengthen the accountability framework for implementing partners.
7	Service accessibility has improved through digital and mobile initiatives. The Mobile Customer Service Officer pilot captured and uploaded 690 claims in Cape Town within a few hours, with plans for gradual rollout to all 126 labour centres. This represents progress against the previous concern regarding rural and vulnerable communities' access to UIF services.	The UIF should accelerate the rollout of mobile customer-service solutions, particularly in rural and underserved areas, and report quarterly on geographic coverage and utilisation.
8	The UIF has made progress in claims administration. In 2025/26, 95% of unemployment benefit claims were finalised within 25 working days, and 99.8% of paysheets were processed within ten working days. However, only 74% of deceased benefit claims were finalised within the required 20 working days.	The UIF should improve workflow systems, automation and operational capacity to reduce delays in outstanding categories of claims, particularly deceased benefits, and report quarterly on turnaround times.
9	The previous recommendation to accelerate the Integrated Claims Management System remains relevant. The Fund continues to report delays in ICT modernisation, although digital service improvements have been introduced.	The UIF should accelerate the full implementation and automation of the Integrated Claims Management System and provide Parliament with a detailed implementation timeline and progress

		report.
10	Fraud and corruption investigations have improved. In 2025/26, 88% of complex cases were investigated within 365 calendar days against an 80% target, while all four simple cases were finalised within 90 working days.	The UIF should sustain the improved investigation performance and strengthen resources and monitoring mechanisms to ensure that all outstanding complex cases are finalised within prescribed timeframes.
11	POPIA compliance and beneficiary data protection were previously identified as weaknesses. The available 2025/26 evidence indicates continued emphasis on governance and digital systems but does not demonstrate that the previous 100% POPIA compliance recommendation has been fully achieved.	The UIF should ensure full compliance with POPIA, strengthen information-security controls and provide the Committee with regular reports on data-protection compliance and identified risks.
12	The UIF has made progress in demonstrating a stronger employment-creation role. In 2025/26, it reported 93,730 employment opportunities, significantly above the annual target of 13,400, while 174,167 beneficiaries participated in employability programmes. However, the sustainability and long-term employment outcomes of these interventions require further monitoring.	The UIF should conduct an impact evaluation linking labour activation expenditure to sustainable employment, job retention and re-entry into the labour market.
13	The UIF's investment portfolio has improved in diversification. In 2025/26, the investment mandate was revised to include areas such as agro-processing and manufacturing, and the portfolio reported approximately 14% growth.	The UIF should continue to diversify its investment portfolio while maintaining prudent risk management and ensuring that investment decisions protect the Fund's long-term financial sustainability.
14	The UIF continues to face sustainability pressures arising from unemployment, contribution collection and the need to maintain sufficient reserves while supporting beneficiaries.	The UIF should strengthen actuarial planning, contribution collection, investment management and long-term financial sustainability measures.
15	The UIF's overall performance improved only marginally, from 62% in 2024/25 to 64% in 2025/26, with nine of 14 APP targets achieved. This indicates improvement but also continuing underperformance against planned institutional outcomes.	The UIF should develop and implement a Performance Improvement Plan addressing all targets not achieved, with clear corrective measures, responsible officials and quarterly reporting to the Committee.
16	The previous Committee identified the need to extend	The Ministry should brief the Committee

	UIF coverage to informal-sector and self-employed workers. The available 2025/26 Annual Report evidence does not demonstrate that this matter has been fully resolved.	on progress towards legislative amendments to extend UIF coverage to informal-sector and self-employed workers.
17	The UIF achieved only 36% implementation of audit action plans against an 80% target, indicating weak follow-through on audit recommendations.	The UIF should strengthen monitoring and verification processes to ensure timely and effective implementation of audit action plans and enhance accountability across all levels.
18	Finalisation of deceased benefit claims was delayed, with only 74% completed within the 20-working-day target, reflecting backlog-processing challenges.	The UIF should strengthen reporting lines and compliance at labour centres to expedite benefit-claim processing, clear backlogs and improve turnaround times.
19	Qualified audit opinions persisted for the second year because of material misstatements in performance reporting and weak financial controls, undermining stakeholder confidence.	The UIF should implement governance and oversight reforms focused on expenditure, asset and procurement management to strengthen transparency and financial integrity.
20	The Temporary Employer Employee Relief Scheme (TERS) did not finalise any valid applications within 20 days, resulting in administrative bottlenecks.	The UIF should revise its Standard Operating Procedures to adopt a verification-first approval process that prevents delays and ensures compliance before adjudication.
21	Programmes 2 and 3 revealed discrepancies between reported achievements and supporting documentation, highlighting weaknesses in internal controls and data integrity.	The UIF should strengthen internal controls and data-verification protocols to prevent material misstatements and improve the accuracy of performance-information systems.

Table 6: Compensation Fund (CF)

No.	Committee Observation	Committee Recommendation
1	The Compensation Fund remains financially sustainable, with investment assets increasing to R161.5 billion and actuarial liabilities of approximately R36.6	The Committee recommends that the Department and the Fund strengthen financial and governance oversight and

	billion. However, persistent weaknesses in governance, financial management, internal controls and accountability continue to undermine the Fund's institutional effectiveness.	provide quarterly progress reports on corrective measures, audit findings and governance reforms.
2	The Fund received a disclaimer of audit opinion for 2025/26. AGSA was unable to obtain sufficient appropriate audit evidence relating to outstanding claims, pensions and compensation benefits. Most repeat disclaimer findings remained unresolved.	The Committee urges the Fund to urgently implement the Audit Action Plan, with clear responsibilities, timeframes and measurable outcomes, and to report quarterly to the Committee until the disclaimer is resolved.
3	Persistent weaknesses in internal controls and consequence management remain a concern. AGSA found that disciplinary steps were not taken against some officials responsible for irregular, fruitless and wasteful expenditure and that confirmed financial misconduct cases remained unresolved.	The Committee recommends that the Fund strengthen internal controls and expedite investigations, disciplinary proceedings, consequence management and recovery of financial losses.
4	The vacancy rate improved to 9.6%, with 90 vacancies out of 934 approved posts. However, critical capacity constraints remain in areas including internal audit, anti-corruption, clinical and administrative functions.	The Committee recommends that the Fund prioritise the filling of critical and specialised vacancies and implement a skills attraction and retention strategy for scarce occupations.
5	The Fund achieved 67% of its planned targets. Although this represents operational progress, AGSA identified material misstatements in reported performance information, raising concerns about the reliability of performance reporting.	The Committee recommends that management implement a Performance Recovery Plan to improve target achievement and ensure that all reported performance information is supported by reliable and verified information.
6	Persistent legacy data-integrity and records-management issues continue to delay claim finalisation and weaken audit verification, with unsupported performance-indicator data requiring revision.	The Fund should prioritise comprehensive legacy-data reconstruction, enhanced records management and robust evidence-retention protocols to improve audit verifiability and accelerate claim finalisation.
7	Administration programme underperformance, owing to under-expenditure and procedural delays in meeting	The Fund should enhance budgeting accuracy and streamline operational

	SMME investment targets, signals inefficiencies in budgeting and operational execution.	processes, with improved monitoring and accountability, to ensure full utilisation of allocated resources and improved programme outcomes.
8	Audit reports highlight incomplete and unverifiable data for key performance indicators in COID Services and Medical Benefits programmes, raising concerns about data quality and audit qualifications.	The Fund should establish rigorous data-quality controls, provide staff training on indicator reporting, and enhance audit-evidence protocols to ensure complete and verifiable data and reduce the risk of audit qualifications.

Table 7: Commission for Conciliation, Mediation and Arbitration (CCMA)

No.	Committee Observation	Committee Recommendation
1.	The CCMA achieved 100% of its 24 Annual Performance Plan targets in 2025/26, demonstrating strong institutional performance and continued delivery of its statutory mandate.	The Committee recommends that the CCMA sustain its high level of performance and strengthen systems to ensure that the 100% achievement rate is maintained, particularly as caseloads and resource pressures increase.
2.	The CCMA processed 191 533 referrals, with BCEA and NMWA matters continuing to place pressure on the caseload and case-disbursement budget.	The Committee recommends that the CCMA continuously assess its staffing and financial capacity and implement innovative case-management mechanisms to manage increasing demand efficiently.
3.	The CCMA maintained very high dispute-resolution turnaround performance, with 99.55% of conciliable cases heard within 30 days and 99.99% of arbitration awards issued within 14 days.	The Committee recommends that the CCMA maintain these turnaround standards and strengthen monitoring of cases that fall outside prescribed timeframes to ensure consistent and timely dispute resolution.
4.	The CCMA exceeded its job-saving target, achieving a 48.02% job-saving rate, with 23 042 jobs saved out of 47 976 employees.	The Committee recommends that the CCMA, in collaboration with DEL and relevant social partners, strengthen proactive retrenchment-prevention and job-preservation interventions.
5.	The CCMA demonstrated improved collective bargaining outcomes, achieving settlement rates of 68% for mutual-interest disputes, 98% for public-	The Committee recommends that the CCMA sustain these interventions and strengthen dispute-prevention mechanisms to promote

	interest disputes and 54% for organisational-rights disputes.	labour-market stability and reduce the escalation of disputes.
6.	The CCMA continued to experience financial and resource constraints. The Governing Body identified financial constraints and resource limitations as risks to service delivery and emphasised the need to optimise internal processes and diversify funding sources.	The Committee recommends that the CCMA and DEL engage National Treasury on the sustainability of the CCMA funding model and ensure that funding is adequate to support its statutory mandate and growing demand for services.
7.	Staffing capacity remains a concern. The CCMA reported 36 vacancies, while continuing to rely on acting appointments and part-time Commissioners to manage resource requirements.	The Committee recommends that the CCMA prioritise the filling of critical vacancies, particularly professional and specialist posts, and develop a sustainable human-resource and succession strategy to reduce reliance on temporary and part-time capacity.
8.	The Committee's previous recommendation concerning reliance on part-time Commissioners and interpreters remains relevant, notwithstanding progress in strengthening Commissioner capacity through training and accreditation. The CCMA trained 1 347 officials and stakeholders during 2025/26.	The Committee recommends that the CCMA continue expanding its pool of suitably qualified full-time Commissioners and strengthen succession, retention and professional-development programmes.
9.	The CCMA made progress in digital transformation and service accessibility, including its contact-centre, online and digital-service initiatives. However, the Governing Body identified digital transformation as an ongoing strategic priority.	The Committee recommends that the CCMA accelerate digital transformation, including online dispute-resolution systems and digital access platforms, while ensuring adequate cybersecurity and protection of sensitive user information.
10.	The CCMA continued to expand access through its contact-centre and information services. During 2025/26, the Contact Centre handled 69 941 calls, while Information Services handled 58 452 enquiries.	The Committee recommends that the CCMA continue expanding physical and digital access, particularly for vulnerable workers and communities in rural and underserved areas, in collaboration with DEL Labour Centres and other stakeholders.
11.	The CCMA maintained a sound financial position and received an unqualified audit opinion, with	The Committee recommends that the CCMA maintain its sound financial-management and

	AGSA finding that the financial statements fairly presented the entity's financial position and performance. AGSA also reported no significant deficiencies in internal control and no material non-compliance with the selected legislative requirements.	governance practices and ensure that the current audit outcome is sustained in subsequent financial years.
12.	Irregular expenditure was significantly reduced. The CCMA reported R9 600 in current-year irregular expenditure, while R164 204 in fruitless and wasteful expenditure was recorded. Disciplinary and recovery processes were undertaken in identified cases.	The Committee recommends that the CCMA strengthen preventative controls over procurement and expenditure, conclude outstanding determinations promptly, and ensure consequence management and recovery where financial losses occur.
13.	The previous Committee recommendation on strengthening ICT infrastructure and addressing procurement delays remains relevant, although the CCMA has made progress in digital transformation.	The Committee recommends that the CCMA provide regular progress reports on ICT projects, address procurement bottlenecks and ensure that digital expansion is supported by appropriate cybersecurity and data-protection measures.
14.	The CCMA has maintained strong stakeholder and social-partner engagement, contributing to dispute prevention, labour-market stability and capacity building. Its strategic focus is aligned with the MTDP priorities on inclusive growth, poverty reduction and building a capable, ethical and developmental state.	The Committee recommends that the CCMA sustain and expand partnerships with DEL, organised labour, business, NEDLAC, SALGA and other relevant stakeholders to strengthen dispute prevention, labour-market stability and access to services.
15.	There was a 25.6% decline in service-rendered income and a 54.5% shortfall in conscientious-objector funding owing to unpredictable transfers, indicating revenue volatility and over-reliance on certain income streams.	The Committee recommends that the CCMA enhance forecasting models and diversify income sources by expanding partnerships, exploring new service offerings, or incentivising discretionary payments to reduce dependence on government grants and mitigate funding risks.
16.	The return-to-work index remains low at 6.92%, suggesting challenges in promoting sustainable employment and job retention following dispute	The Committee recommends that the CCMA develop targeted interventions and support mechanisms, such as post-mediation follow-

	resolution.	ups, employer-engagement programmes and worker-support services, with clear monitoring frameworks to track improvements in return-to-work outcomes.

Table 8: National Economic Development and Labour Council (NEDLAC)

No.	Committee Observation	Committee Recommendation
1.	NEDLAC achieved 16 of 17 APP targets, representing 94% overall performance. Core Operations, Capacity Building, the Presidential Climate Commission and National Dialogue programmes each achieved 100% of their targets.	The Committee recommends that NEDLAC sustain its strong performance and develop corrective measures for the outstanding target to ensure full achievement of APP targets.
2.	The social partner satisfaction target was not achieved. The target was 75%, while actual satisfaction was 74%, with NEDLAC attributing the shortfall primarily to low participation in the survey.	The Committee recommends that NEDLAC strengthen engagement with all constituencies to improve participation in stakeholder surveys and use the findings to address areas affecting stakeholder satisfaction.
3.	NEDLAC maintained an unqualified audit opinion, but the audit outcome regressed from the previous clean audit status because of a material finding relating to the disposal of assets. AGSA found that movable assets were not disposed of in a manner most advantageous to the State, contrary to Treasury Regulation 16A.7.1.	The Committee recommends that NEDLAC strengthen asset-management controls and ensure that all asset disposals fully comply with Treasury Regulations. The Committee further recommends that the audit finding be resolved and that NEDLAC work towards restoring its clean audit outcome.
4.	Internal Audit identified 30 findings, of which 21 were addressed, three were not yet due, and six remained unaddressed. Seven recurring findings were recorded over the previous three financial years, indicating that some control weaknesses require sustained management attention.	The Committee recommends that NEDLAC accelerate the implementation of outstanding and recurring internal-audit findings and provide quarterly progress reports on corrective actions to the Committee.
5.	NEDLAC's budget is under pressure following a 13% baseline reduction over the MTEF, while donor funding has also declined. These pressures affect stakeholder engagement, social dialogue and capacity-building programmes.	The Committee recommends that DEL engage National Treasury to consider the adequacy and sustainability of NEDLAC's funding and that NEDLAC strengthen its strategy for diversifying donor and other funding sources.

6.	The Presidential Climate Commission (PCC) continues to be hosted and supported by NEDLAC while the PCC business case remains pending, placing additional financial and administrative pressure on NEDLAC.	The Committee recommends that the Department and NEDLAC expedite the finalisation and approval of the PCC business case and clarify the respective governance, financial and accountability arrangements between NEDLAC, the PCC and the relevant Executive Authority.
7.	NEDLAC continues to face capacity constraints and some vacancies are being addressed through fixed-term appointments linked to donor funding. Fiscal constraints continue to influence workforce planning.	The Committee recommends that NEDLAC prioritise the filling of critical vacancies, strengthen internal technical capacity and reduce reliance on temporary or donor-dependent staffing where sustainable funding is available.
8.	The Committee previously raised concerns about the technical capacity of social partners to participate effectively in complex socio-economic and legislative negotiations. NEDLAC's Capacity Building Programme achieved its 2025/26 target.	The Committee recommends that NEDLAC expand targeted capacity-building programmes for organised labour, business and community constituencies, particularly on complex economic, labour, climate and legislative matters.
9.	The Committee previously raised concerns about limited public awareness of NEDLAC's role and outputs. NEDLAC has continued to strengthen communication and digital transformation, including implementation of a SharePoint-based collaboration and document-management solution.	The Committee recommends that NEDLAC intensify public communication and outreach and regularly publish accessible information on dialogue outcomes, agreements, stakeholder contributions and the policy impact of NEDLAC processes.
10.	The Committee previously expressed concern about weak implementation and follow-through on agreements and social compacts reached through NEDLAC processes. NEDLAC's strategic focus includes monitoring implementation of laws and social compacts.	The Committee recommends that NEDLAC strengthen monitoring and reporting mechanisms for agreements and social compacts and provide the Committee with measurable evidence of implementation and outcomes.
11.	NEDLAC recorded no new fruitless and wasteful expenditure during 2025/26. However, a historical balance of R1.449 million remained, requiring continued oversight.	The Committee recommends that NEDLAC continue strengthening expenditure controls and ensure that all historical fruitless and wasteful expenditure is appropriately addressed in

		accordance with the PFMA and Treasury Regulations.
12.	NEDLAC's irregular expenditure position improved, with no new irregular expenditure recorded during 2025/26. However, R918 000 remained under assessment, while R2.116 million from the previous year was condoned.	The Committee recommends that NEDLAC conclude the assessment of the outstanding R918 000 and ensure that appropriate consequence-management and recovery processes are implemented where required.
13.	NEDLAC has expanded its mandate through support for the National Dialogue and the PCC, while continuing its core role of facilitating structured engagement among government, business, labour and community constituencies.	The Committee recommends that NEDLAC strengthen institutional coordination and ensure that its expanded responsibilities do not compromise its core statutory mandate and capacity to facilitate effective social dialogue.
14.	NEDLAC continues to align its work with the MTDP, particularly in relation to inclusive development, social dialogue, just transition and climate action.	The Committee recommends that NEDLAC maintain alignment with national priorities and report through measurable indicators on how social-dialogue outcomes contribute to employment creation, inclusive growth, economic transformation and the just transition.
15.	Employee costs were underspent owing to vacancies and resignations in senior-manager and officer positions, potentially affecting programme delivery.	The Committee recommends that NEDLAC promptly fill vacant senior-manager and officer positions to sustain operational effectiveness and maintain programme-delivery momentum, supported by effective recruitment and retention strategies.
16.	ICT and training initiatives exceeded planned targets, reflecting strong technological efficiency and human-capital development.	The Committee recommends that NEDLAC build on this momentum by continuing to invest in ICT automation and capacity building, while sharing best practices across programmes to enhance overall operational effectiveness.

Table 9: Productivity South Africa (Productivity SA)

No.	Committee Observation	Committee Recommendation
1.	Productivity SA had 12 planned APP targets and achieved 11, representing an overall achievement rate of 92%. All targets under	The Committee recommends that Productivity SA sustain its strong programme performance and implement corrective measures to ensure

	Competitiveness Improvement Services, Business Turnaround and Recovery, Research, Innovation and Statistics, Human Resource Management and Corporate Relations were achieved.	achievement of the outstanding APP target.
2.	Productivity SA continued to implement interventions through Competitiveness Improvement Services, Business Turnaround and Recovery, and Research, Innovation and Statistics, supporting enterprise competitiveness, job preservation, productivity improvement and skills development.	The Committee recommends that Productivity SA expand and deepen its productivity interventions, particularly among SMMEs and enterprises facing economic distress, and report on the measurable employment and productivity outcomes of these interventions.
3.	Productivity SA received an unqualified audit opinion with findings. AGSA reported no material misstatements but identified material findings on compliance with applicable laws and regulations.	The Committee recommends that Productivity SA address all audit findings through a time-bound Audit Action Plan and strengthen financial management, governance and internal-control systems to improve its audit outcome.
4.	The entity did not achieve its APP target to reduce audit findings. The number of findings increased to 10, and Productivity SA attributed control deficiencies partly to vacancies in key senior finance positions.	The Committee recommends that Productivity SA urgently address recurring control deficiencies, fill critical finance and management vacancies and provide quarterly progress reports on implementation of the Audit Action Plan.
5.	Productivity SA reduced fruitless and wasteful expenditure from R713 045 to R404 723, thereby achieving its target for reducing such expenditure.	The Committee recommends that Productivity SA sustain the reduction, strengthen preventative expenditure controls and ensure that all instances of fruitless and wasteful expenditure are investigated and subjected to appropriate consequence management where applicable.
6.	AGSA identified concerns relating to consequence management and repeat findings on the prevention of irregular expenditure.	The Committee recommends that Productivity SA strengthen consequence-management processes, ensure that all identified instances of irregular expenditure are investigated timeously and implement measures to prevent recurrence.
7.	Productivity SA's staffing capacity remains constrained. At 31 March 2026, the entity had 20	The Committee recommends that Productivity SA prioritise the filling of critical vacancies,

	vacancies, representing an overall vacancy rate of approximately 18%, with particularly high vacancy rates at senior-management and skilled levels.	particularly in finance, senior management and specialist functions, and implement a sustainable skills-retention and succession strategy.
8.	The entity continues to experience challenges associated with its funding model and the sustainability of programme implementation. Earlier Committee oversight identified underfunding, reliance on conditional funding and delayed funding as constraints on Productivity SA's national reach and service delivery.	The Committee recommends that DEL and Productivity SA engage relevant stakeholders, including National Treasury, to strengthen the sustainability and predictability of funding and reduce reliance on short-term conditional funding arrangements.
9.	The Business Turnaround and Recovery Programme continues to make an important contribution to employment preservation. By the third quarter, the programme had reported 6 956 jobs saved in 70 companies, exceeding the year-to-date target.	The Committee recommends that Productivity SA strengthen and expand the Business Turnaround and Recovery Programme, with particular attention to enterprises facing economic distress and sectors with significant employment potential.
10.	Productivity SA continued to strengthen strategic partnerships and was designated as an Africa Kaizen Initiative Centre of Excellence, reinforcing its role in productivity improvement and industrial development.	The Committee recommends that Productivity SA leverage these partnerships to expand knowledge transfer, productivity programmes and technical support to South African enterprises, particularly SMMEs and emerging businesses.
11.	The entity has continued to develop its Research, Innovation and Statistics function, including the publication of productivity statistics. However, the Committee remains concerned with the need for evidence of the longer-term impact of productivity interventions on enterprise performance and employment.	The Committee recommends that Productivity SA strengthen monitoring and evaluation and report on outcome-level indicators, including productivity improvements, jobs retained or created, enterprise survival and competitiveness.
12.	Productivity SA's national reach remains constrained by its funding and institutional capacity, limiting the extent to which productivity interventions can be extended	The Committee recommends that Productivity SA develop a clear national-outreach strategy prioritising underserved provinces, townships, rural economies and SMMEs, and report annually

	equitably across provinces.	on geographic coverage and beneficiaries reached.
13.	Productivity SA continues to face ICT and organisational-capacity requirements necessary to support effective financial management, reporting and programme delivery. The entity's strategic objective includes strengthening institutional capacity and financial sustainability.	The Committee recommends that Productivity SA accelerate ICT modernisation, strengthen information-management systems and ensure adequate cybersecurity and data-management controls.
14.	Productivity SA's mandate remains closely aligned with national priorities relating to productivity, competitiveness, employment preservation, skills development and inclusive economic growth. Its interventions also contribute to the broader objective of building a capable and developmental state.	The Committee recommends that Productivity SA continue aligning its programmes with the MTDP and provide measurable evidence of its contribution to employment creation and preservation, enterprise development, productivity growth and industrialisation.
15.	Employee costs increased from R77.5 million to R92.0 million, contributing materially to the entity’s financial deficit and placing pressure on its financial sustainability.	The Committee recommends that Productivity SA strengthen employee-cost controls by prioritising the filling of critical posts, regularly reviewing workforce requirements and aligning personnel expenditure with its approved structure, funding envelope and service-delivery priorities.
16.	The entity’s cash reserves declined by R27.65 million owing to negative operating cash flow and timing differences in the utilisation of grant funding, placing pressure on liquidity and the timely implementation of programmes.	The Committee recommends that Productivity SA strengthen cash-flow forecasting and liquidity management, align grant drawdowns and expenditure schedules, and report quarterly on mitigating measures to ensure the timely implementation of priority programmes, including Business Turnaround and Recovery.
17.	Despite financial pressures, Productivity SA maintained an unqualified audit opinion, reflecting generally sound financial reporting and governance arrangements. However, the compliance findings and increase in audit findings require sustained management attention.	The Committee recommends that Productivity SA sustain its sound governance and financial-reporting practices while addressing all compliance and internal-control findings through a time-bound Audit Action Plan, with quarterly progress reports submitted to the Committee.

14. CONCLUSION

The Committee acknowledges the Department's improvement in 2025/26, including full achievement of the planned targets for Inspection and Enforcement Services, Public Employment Services, and Labour Policy and Industrial Relations, as well as expenditure of 97.4% of the final appropriation. These results nevertheless coexist with a qualified audit opinion, irregular expenditure and significant administrative-capacity constraints. The central oversight finding is therefore that high expenditure and improved target achievement have not yet been matched by sufficiently reliable financial management, institutional capacity and demonstrable service-delivery impact.

The achievement of predetermined targets and the use of allocated budgets must be supported by credible financial reporting, effective governance, accountability and measurable improvements in the lives of workers, unemployed persons and vulnerable groups. The Department and its entities must therefore implement the Committee's recommendations through time-bound corrective action, assign responsibility for each measure and report regularly to Parliament on progress and outcomes. The Committee will continue to oversee implementation to ensure that public resources are used effectively and that the portfolio advances decent work, employment creation, social protection and inclusive economic growth.

15. APPRECIATION

The Committee expresses its sincere appreciation to all Committee Members for their active participation, valuable contributions and commitment throughout the BRRR process. The Committee also thanks the Department of Employment and Labour and its entities for their cooperation and constructive engagement; acknowledges the Auditor-General of South Africa for the information and insights that informed the compilation of this report; and extends its gratitude to the Committee support team for its dedicated assistance throughout the process.

Report to be considered

8. PORTFOLIO COMMITTEE ON SOCIAL DEVELOPMENT BUDGET REVIEW AND RECOMMENDATION REPORT (BRRR), 2025/2026, DATED 14 OCTOBER 2026

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1. INTRODUCTION

The Portfolio Committee on Social Development considered the financial and non-financial performance of the Department of Social Development (DSD), the South African Social Security Agency (SASSA) and the audit report of the Auditor-General South Africa (AGSA) on 06 October 2026. It also considered the financial and non-financial performance of the National Development Agency (hereafter the NDA or Agency) on 07 October 2026. The Committee reports as follows:

The Committee's mandate as prescribed by the Constitution of South Africa and the Rules of Parliament is to build an oversight process that ensures a quality process of scrutinising and overseeing the department's action, that is driven by the ideal of realising a better quality of life for all people of South Africa. It is also required to facilitate public participation, monitoring and oversight over the legislative processes relating to social development and also to confer with relevant governmental and civil society organs on social development matters.

The Committee also enhances and develops the capacity of its members to exercise effective oversight over the Executive Authority in social development. It monitors whether the Department of Social Development fulfils its mandate according to priorities.

The Committee also has a mandate to perform the following:

- Considers legislation referred to it;
- Conducts oversight of any organ (s) of the state and constitutional institution(s) falling within its portfolio;
- Facilitates appointment of candidates to entities;
- Considers international agreements; and
- Considers budget of department and entities falling within its portfolio.

For the current medium term (2024 – 2029), the Committee's oversight focuses on the department and its entities performance regarding the implementation of the priorities set in the National Development Plan and in the Medium Term Development Plan, 2024 - 2029 (MTDP). The Committee also conducts oversight over the department's performance in implementing the priorities of the State of the Nation Address (SONA).

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2. PURPOSE OF THE BRRR

As part of exercising its oversight work, the Committee considered the 2025/2026 annual reports of the department and its entities. This BRRR reports on the financial and non-financial performance of the department and its entities.

In terms of Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No.9 of 2009, the National Assembly (NA) through its committees must annually assess the performance of each national department. Portfolio Committees must thus annually submit Budget Reviews and Recommendation Reports (BRRRs) for tabling in the NA in order for Parliament to compile a report for the Medium Term Budget Policy Statement.

The Money Bills Amendment Procedure and Related Matters Act therefore makes it obligatory for Parliament to assess the department's budgetary needs and shortfalls vis-à-vis the department's operational efficiency and performance.

Most importantly, the budget review process enables the Committee to amend the budget allocation of the department through the recommendations it makes. Its recommendations are considered during the consideration of the Medium Term Budget Policy Statement (MTBPS).

The budget review process also enables the Committee to make recommendations to the Minister of Social Development on issues pertaining to service delivery. This therefore means that the analysis contained in the BRRR is both backward and forward looking.

3. METHODOLOGY

The BRRR culminated from a very intense and thorough analysis and interaction with the Department of Social Development, the South African Social Security Agency (SASSA) and the National Development Agency (NDA). These included briefings from the department and its entities on their quarterly reports and briefings on their annual reports. The Committee also received a briefing from

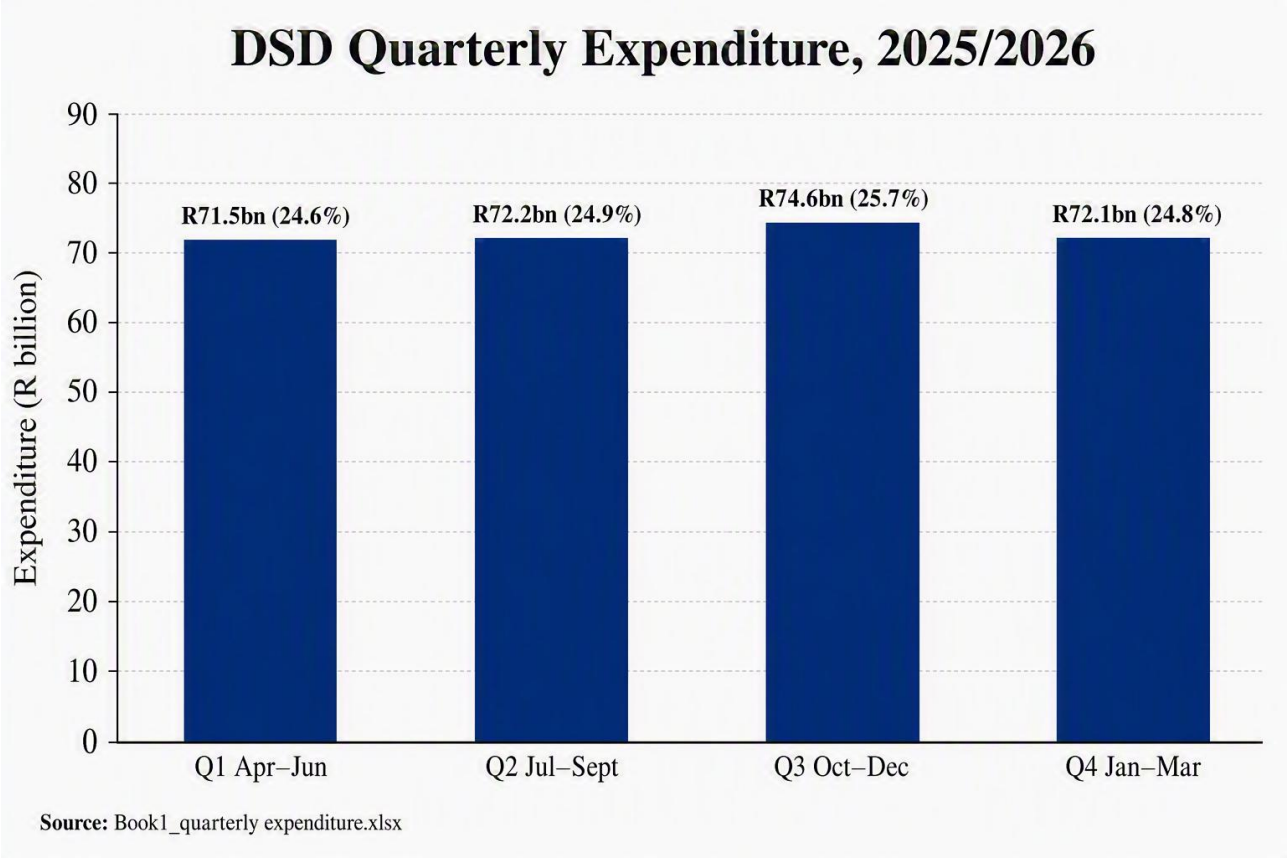
the Office of the Auditor-General on the audit outcomes of the department and its entities financial and non-financial performance for the year under review (2025/2026).

4. COMMITTEE OVERSIGHT

4.1 Analysis of financial expenditure and targets achieved per quarter for 2025/2026 financial year

The Committee received quarterly expenditure and non-financial performance report for the four quarters of the 2025/2026 financial year. Table 1 and Figure 2 below show the expenditure and target performance trends of the Department of Social Development per quarter during 2025/2026 financial year.

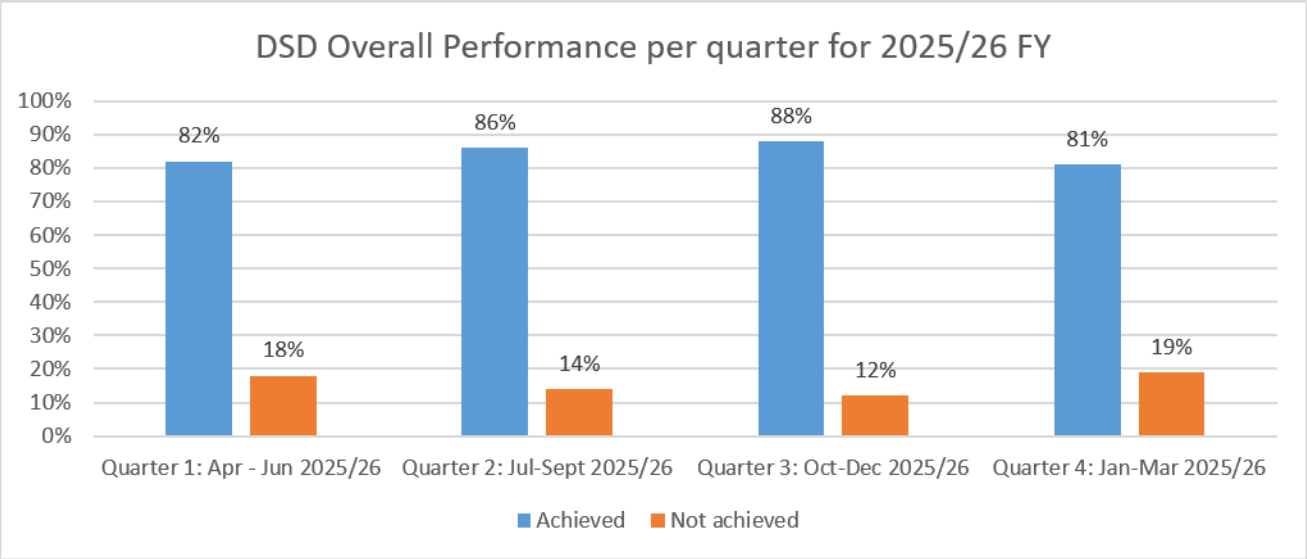
Figure 1: DSD Budget expenditure per quarter, 2025/2026



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The Department maintained an average expenditure of R70 million across the four quarters, which marked 98.35% average expenditure at the end of Q4. Of its R295 255 billion allocated budget, it managed to spend R290 345 billion. It had a total underspending of R4 879 billion due to R4 846 billion under-expenditure in Programme 2 related to monthly lapses in the Disability Grant in particular the Temporary Disability when 6- or 12-months period comes to an end. There were also monthly conversions of beneficiaries turning 60 years to Old Age Grant from the Permanent Disability Grant. There was also a low take up due to improved administration of the grant's approval process. In September 2025, SASSA implemented compulsory biometric enrolment for all new grant applications. For Child Support Grant applications, biometric data is now captured for parents or caregivers, as well as for the children concerned. The under-expenditure in this Programme increased from R2 613 billion in 2024/2025 financial year.

Figure 2: DSD targets performance success rate per quarter, 2025/2026



The Department had high performance in quarters 3 and 2 of the financial year, achieving 88% and 86% of set targets, respectively. Quarter 4 had the least achieved targets at 81% a slight increase from 71% in 2024/2025.

Detailed quarterly expenditure trends and non-financial performance for the year under review are contained in the Portfolio Committee Fourth Quarter Report.

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4.1.1 COMMITTEE OBSERVATIONS[1]

The following are the key observations made by the Committee across the four quarters:

- The Committee was concerned that quarterly reports do not report on Irregular, Fruitless and Wasteful (IFW) expenditures. Reporting on this expenditure to the Committee at the end of the year is too late. That means there is no measuring mechanism for the Committee during the year. It recommended that the Minister should ensure that the Department aligns the Section 32 reports (quarterly reports) with Audit Action Plans. These reports should also include a report on reported cases of Irregular, Fruitless and Wasteful Expenditure.

- It also concerned with concern that the Department's target date of March 2027 to submit the revised BIS to Cabinet further stretches the finalisation of the policy when there are millions of people who are excluded from the Covid 19 Social Relief of Distress Grant. It was concerned that for 2025 it only organised a two-day policy colloquium.

- It also expressed a concern that the DSD Western Cape was not available for the training on substance abuse when it has high levels of substance abuse.

- It also raised a concern over the long delays in finalising various policies, including the policy on Basic Income Support when there is a large portion of the population of 18 – 59 year olds that remain excluded from Social Assistance Programme. It recommended that the Minister should ensure that the Department achieves and finalises all the policies that have been in formulation for over years.

- It also expressed a serious concern over the significant decline in the achievement of targets from 88% in quarter 1 to 81% in quarter 4. The failure to meet the targets that are supposed to support vulnerable people cannot be accepted.

- It also raised a serious concern that the department did not meet its target of 40% procurement spending on women-owned businesses because a significant portion of expenditure was directed towards the high-value expenditure relating to international service providers, including Microsoft (IT services) and AMEX (travel and credit card services). This

[1] Full details on the responses from DSD are contained in the Portfolio Committee Report on Quarter 1 Performance Report of DSD

demonstrated a high degree of not taking procurement spending on women owned business seriously.

4.2 OVERSIGHT OVER KEY PRIORITY AREAS

The period after the adoption of the 2025/2026 BRRR, the Committee focused on the following priority areas:

- **Gender based violence:** the Committee conducted oversight on the department's interventions against statutory rape in response of a National Assembly referral. The referral was made to the Portfolio Committees on Social Development, Basic Education, Women, Youth and People with Disabilities, Police, Justice and Constitutional Development and Health. Portfolio Committees on Social Development, Basic Education, Health and Women, Youth and Persons with Disabilities compiled and adopted their individual reports. The reports were amalgamated into one Interim Report on Statutory Report that was adopted by the National Assembly on 05 March 2026 and referred to the respective departments for their implementation of the recommendations.

  Detailed Committee observations and recommendations are contained in its report and in the Interim Report on Statutory Rape.

- **Skilling of women and victims of GBV:** the Committee was briefed by the Department of Small Business and Development on its programmes aimed at skilling victims of GBV – women and children, transitioning from places of safety into their communities. The department presented the various programmes it is implementing to support small businesses. It clarified that its mandate focuses on economic empowerment and entrepreneurship, not direct social welfare services for GBV victims. It focuses at leading and co-ordinating enterprise development, co-operatives and SMMES. It is responsible for implementing Pillar 5: Economic Power, of the National Strategic Plan on GBVF it focuses on the economic development pillar. DSD is responsible for social aspects and through NDA it focuses on grant funding for economic development. The NDA can provide information on its programmes for victims of GBV. It is responsible for the inclusion of women in all the sectors in order to contribute towards breaking economic dependency.

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The Committee also received a briefing from the National Development Agency (NDA) on how its Turnaround Strategy addresses the skilling of women in South Africa including victims of GBV – women and children and their transitioning from places of safety to communities. The NDA reported that the Turnaround Strategy recognises that there must be pointed and deliberate actions to advance women empowerment through CSO specific community-based interventions. It identifies inequality and marginalization as one of the key causes of poverty and therefore argues that for a population to escape poverty, all groups must be involved in the decision-making process. The Strategy further recognises that women have catalysed and spurred economic changes at a local level far greater than men have as men mostly migrated to urban areas leaving women behind. Women have therefore bore the brunt of poverty, which has in the recent past been further exacerbated the gender based violence. This inevitably adds a layer of social inequality as men perpetrate acts of violence against women which leave them eco-nomically disadvantaged.

The Turnaround Strategy further identifies Hunger and Poor Healthcare as causes of poverty. Hunger can have a damning effect on children resulting in malnutrition and stunting, whilst poor healthcare can have fatal consequences on young and vulnerable children and can also drive households into extreme poverty occasioned by lack of access. It therefore prioritises and seeks to accelerate grant funding and capacity building support towards women led CSOs as evidenced by efforts undertaken over the last five years. Historically, more women than men have benefitted from NDA interventions.

The Committee welcomed the intentional strategy by the NDA to ensure that women in particular, are the beneficiaries of its grant funding. It called for integration and collaboration among departments to avoid undoing the gains made in supporting children. It noted that the presentation demonstrated the critical need for the support of the NDA to fully implement its mandate. The 43% decrease in funding allocation was concerning. It however noted that the presentation lacked articulation on how interventions are determined to be evidence-based. It focused on outputs rather than outcomes. There is a need for reporting on impact and outcome measurements. The Committee is more concerned with the impact outcome in alignment with National Strategic Plan on GBVF. There must be more focus on evidence based outcome and impact to the communities.

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- **Substance abuse:** the Committee considered a 2024/2025 annual report of the Central Drug Authority (CDA). The CDA reported an over expenditure of R3 million, distanced itself from this expenditure because it had no knowledge of it. The CDA has no financial power or authority. Its finances are handled by the Department of Social Development. This raised an oversight question on who should be held accountable for this over expenditure. The Committee requested DSD and the CDA to address this matter and submit a detailed budget expenditure report to it.

  The Committee held a joint meeting with the Select Committee on Social Services with the Department of Social Development to be briefed on the issues the two Committees raised when they considered the CDA 2024/2025 Annual Report. The Department provided the following responses in relation to over expenditure:

  - The CDA is not listed as a public entity in terms of the PFMA and is therefore not a separate entity from DSD. The legislation establishing the CDA does not provide financial delegations. The CDA does not have a budget vote, CDA's budget is allocated from National Treasury to DSD for CDA's administration. The DSD expenditure (including costs relating to CDA) is audited annually by the Auditor General of South Africa (AGSA) The expenditure related to CDA is reflected on page 93 and page 194 of the DSD Annual Report for 2024/2025. The audit by AGSA gives a true reflection of expenditure and performance.

    There are no financial statements that are prepared specifically for the CDA. The CDA function resides within the Department of Social Development, and the funding is also administered through the Department. The CDA as a function is part of the audited financial statement of the department.

  - The CDA secretariat has since been upgraded from a sub-directorate to a fully-fledged Directorate, following the concurrence of the DSD organizational structure. The Directorate structure was approved and implemented, with the appointment of a Director Secretariat, three Deputy Directors, and three administrative staff members, with effect from 1 April 2026.

  - The CDA was expected to conduct only four meetings as per annually schedule. However, deviations occurred whereby more meetings than originally planned and

increased travel to attend external meetings and related claims resulted to this overspending. DSD will strengthen control systems to prevent over expenditure as recommended by AGSA. Members must stick to the meetings schedule for the financial year.

The joint meeting raised a serious concern over the lack of separate financial delegation for the CDA. It requested the department to provide a detailed breakdown of the CDA's 2024-2025 financial expenditure, including proof of travel and meetings, to the joint committee.

- **SASSA office infrastructure requirements:** the Committee visited KwaZulu-Natal SASSA office to conduct oversight over the state and requirements of office infrastructure as well as the readiness of local offices to implement the Modernisation Plan, which includes digitisation of social grants administration processes. These processes entail Online Grants Applications System, income verification of beneficiaries and biometric verification and registration of beneficiaries, migration from legacy systems to web based system (storage of beneficiary files), cyber range security, queue management. The oversight visit formed part of the Committee's implementation of the Parliament's Oversight Priority Plan (OPP).

The findings and recommendations of the Committee are contained in its report.

As a follow up on its oversight visit, the Committee invited SASSA national office and national DSD to brief it on its office space requirements, policy framework and recommendations it made in its oversight report. The Committee had also extended the invitation to the Department of Public Works and Infrastructure. The Minister Public Works requested the meeting to be postponed because the Department had planned to conduct its quarterly entity reviews on 11 March, which had previously been postponed from 2025 and cannot be pushed further back. Also, the DPWI is overseen by the Portfolio Committee on Public Works and Infrastructure, which meets on Wednesdays. The Minister advised there should be more co-ordination between Parliament committees because the department had also received a similar invitation from the Portfolio Committee on Human Settlement.

The Committee appreciated the presentation of SASSA because it highlighted the oversight work that it still needs to conduct. It also gave the Committee a better understanding of SASSA's footprint in the country. It also demonstrated the plight of vulnerable beneficiaries

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and officials who continue to be subjected to adverse weather conditions because of infrastructural challenges. SASSA services the most vulnerable population of the country – mothers, people with the disabilities and older persons. It is therefore critical that all identified infrastructural challenges are addressed. It appreciated that Mandeni Office was listed as one of the offices that deviation has been approved for procurement.

It however raised concerns about the impact of inadequate infrastructure on service delivery and the dignity of beneficiaries. It highlighted the conditions faced by clients at some offices, including long queues outside buildings, insufficient waiting areas, and the continued use of temporary structures in several regions.

It noted the closure of public buildings by the Department of Labour and Employment because of OHS non-compliance. This was a very serious issue and demonstrates the critical importance of addressing non-compliance. It also noted that the presentation showed that SASSA has more buildings it manages compared to DPWI and this demonstrated that it can procure its offices.

The Committee resolved to hold a joint meeting with the Portfolio Committee on Public Works and Infrastructure, DSD, SASSA to be briefed by the Department of Public Works and Infrastructure. The joint meeting was scheduled for 10 June 2026. the meeting did not procced as planned because the co-Chairpersons received a letter from the Minister of the Department of Public Works and Infrastructure in which he apologized for the late submission of the updated presentation. The letter was read to the meeting. In the letter, the Minister raised the following matters:

- The presentation that was submitted to the Joint Committee on Sunday, 7 June 2026, was submitted to his office on late on the evening of Friday, 5 June 2026.
- On the evening of 8 June, the Ministry received an updated version of the presentation containing additional explanations relating to private leasing matters.
- Due to the exceptionally late inclusion of this information, he wished to place on record that he had instituted a standing instruction that presentations must be submitted to his office no later than Friday for consideration and approval. Consequently, the revised presentation has not been signed off by the Ministry.

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- Requested the Joint Committee to ensure that the PMTE accounts for its failure to submit a complete and accurate presentation within the required timeframe.

Following deliberations, the joint meeting adopted the following resolutions:

- It could not proceed with substantive consideration of the DPWI presentation, as the revised presentation had not been formally signed off by the Minister of Public Works and Infrastructure.
- The matter of SASSA infrastructure and accommodation challenges must be rescheduled for a future joint meeting.
- The next joint engagement should require the attendance of the Minister of Public Works and Infrastructure so that the Executive Authority may account directly to Committee Members on the matters raised.
- The Chairperson of the Portfolio Committee on Social Development together with the Secretariat of the Committee must formally communicate the concerns of Members and request the Minister's attendance for the rescheduled meeting, in line with applicable Parliamentary Rules and procedures.
- The concerns raised by Committee Members regarding repeated postponements, executive accountability and the effect of delays on SASSA service delivery must be recorded and reflected on the Committee's follow-up correspondence.

- **Irregular ministerial and departmental appointments:** the Committee conducted oversight over the media reported allegations of irregular appointments at the ministerial and departmental offices. These involved irregular appointments of Minister's Special Advisor, Mr Ngwako Kgatla and Personal Assistant to the Minister, Ms Lesedi Mabiletja, who was later appointed as an Acting Chief of Staff. It also involved the employment contract of the former DSD Director-General, Mr Peter Netshipale, which reflected a 5 year term instead of a Cabinet approved 1 year term. The Department reported to the Committee that it had referred the matter of appointments of Mr Kgatla and Ms Malebetja to the Public Service Commission (PSC) for an independent investigation. The matter of the contract of the former DG was referred to forensic investigations. The Committee received briefings from PSC and Mketsu & Associates Incorporated on the outcomes of their investigations.

Details of the Committee's oversight on this matter are contained in the Committee's Report on its Investigation on Alleged Irregularities in DSD Appointments. The Report also contains the Committee's oversight over the matter involving the employment contract of the Minister's Food Aide. The PSC report was forwarded to the Committee on 30 September 2026, and it was scheduled to be presented on 14 October 2026.

- **R3 million expenditure on a trip to New York, United States of America:** the Committee received a briefing from DSD to respond to the media reports on this matter. The department reported the expenditure covered travels costs of 6 DSD officials and one (1) NPO representative who attended the Commission on the Status of Women (CSW).

  The Committee noted that the report was not a formal report, but a PowerPoint presentation accompanied by an unsigned letter. It cited that that the presentation lacked the depth, detailed expenditure per official, and supporting documentation expected of an official report submitted to Parliament. It argued that this lack of transparency made it impossible for it to understand how public funds were utilised during the trip. It requested the department to provide it with a comprehensive report showing exactly how, where, and when the funds were spent, starting from day one of the trip through to its conclusion. To date this report has not been provided. The Minister requested a report to be presented post the BRRR period because she wanted to be fully briefed by the department as she joined the department mid-year (2026).

- **Implementation of conditions imposed by National Treasury (NT) to SASSA (beneficiary income verification and biometric registration):** the Committee held a joint meeting with the Standing Committee on Appropriations to receive a briefing from DSD on the 2025 Appropriation Bill [B16 – 2025]. In relation to the NT's conditions, the joint meeting acknowledged the need for measures to verify the legitimacy of social grant recipients, it expressed there should be no interruptions in the disbursement of social grants.

  The meeting raised a concern on how SASSA will be able to make a fair distinction between the funds that are deposited into the beneficiaries` accounts, either as supplementary funds for child support grants; loans or from any other source to assist the recipients. Members opined that the implementation of the bank income verifications may unfairly disadvantage many beneficiaries. Members also noted with serious concern that some of the conditions would

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subject the elderly and people with disabilities to long and tedious administrative processes that will cause serious challenges like waiting in the long queues for the biometric verification systems. Members also noted that SASSA lacks the capacity to conduct biometric verification and suggested that instead, rigorous measures should be introduced to ensure that data is accurate and updated through available modern data purification systems.

- The Committee further held meeting with SASSA wherein SASSA reported on progress made in rolling out the mandatory biometric verification and the electronic Know Your Customer (eKYC) processes. SASSA reported that it had conducted 53 000 verifications (by September 2025) and it detected 5 000 instances of fraudulent activities. The Committee raised concerns regarding the frequent system downtime of the Department of Home Affairs and its impact on SASSA operations. It emphasised the importance of accountability, effective intergovernmental cooperation, and transparency in the implementation of the biometric verification and Social Relief of Distress (SRD) grant processes. It stressed that duplication of beneficiaries and the payment of ghost beneficiaries remained major sources of corruption, and that the biometric verification system is essential to eliminate these risks.

- **Impact of the expiry of the SASSA and Postbank Master Service Agreement (MSA):** the Committee held a joint briefing by the South African Reserve Bank (SARB) and DSD/SASSA on the impact of the expiry of the MSA. The Committee noted the measures outlined to guarantee continuity of grant payments after the expiry of the MSA contract between SASSA and Postbank. It was however of the view that SASSA's Regulation 23.1[2] could have been sufficiently promoted by SASSA to protect the interest of the grant beneficiaries. Furthermore, beneficiaries could have been advised that they have the right to a bank of their choice. It further noted that lack of proper implementation and education of regulation 23.1 had not only caused SASSA, Postbank, Post Offices and government financially but it also caused reputational damage. It noted that the implementation of the Regulations could have solved the challenges of long queues during card replacements, corruption during cash pay points, armed robbery, trauma faced by beneficiaries and unlawful deductions. It was of the view that the Regulations was a traceable way to keep track of payments whereas the methods used were open to corruption.

[2] Regulation 23.1 allows SASSA to pay social grants into a bank account of the beneficiary as consented by the beneficiary.

- **Vulnerabilities on the SRD grant application and payment system:** the Committee conducted oversight on this matter as follow up on the allegations made by University of Stellenbosch students, Mr Cedras and Mr Gosai in 2024. The Committee mandated the department and SASSA to conduct a full investigation into the matter as well as overall social grant application and payment system vulnerabilities. In the year under review (2025/2026), the Committee received a progress report on the implementation of the findings of the investigations and recommendations.

  It commended the department and SASSA for acknowledging the weaknesses identified by University of Stellenbosch students. This was very important to enable them to address the weaknesses. It noted that because of the evolution of technology there will always be cyber security risks. It also noted that due to the multi-billion rand SASSA disburses every month, it is important to acknowledge that SASSA will constantly be investing in cyber security and other IT related security systems. It emphasized the importance of linkages between various systems of government that SASSA utilizes in its work of grant administration and payment.

- **Audit action plans:** the Committee received briefings from SASSA, DSD and the NDA on their audit action plans on Auditor-General South Africa (AGSA) findings and recommendations for 2023/2024 financial year. The Department completed 81% of its corrective audit action interventions for the 2023/24 audit with only ten actions in progress by various units. All remaining actions that were still in progress had been rolled over and incorporated into 2024/25 audit action plan. Internal Control actions were incorporated in the action plan of 2024/25 as they related to the backlog on the Loss Control matters. In relation to Material Irregular Expenditure, the Department formulated charges on each implicated official and issued notices of disciplinary hearings against nine (9) officials.

  SASSA completed 98% of audit interventions for the 2023/24 audit with only four (4) actions in progress as at 31 August 2025 (i.e. 2 from ICT and 2 from Grants Administration). The three (3) of these remaining actions were set to be completed by 30 September 2025 and the one (1) relating to Grants fraud could take more time to finalise as it is pursued through criminal investigation process by law enforcement agency. Some of grants findings emanating from 2023/24 were incorporated into 2024/25 audit action plan as they were repeat findings.

that the NDA had a total number of 19 findings for the 2023/24 financial year of which most were in the Finance and the Human Resource components of the organisation. The NDA elevated the monitoring of the Audit Action Plan to the APP. Through quarterly monitoring processes, the Internal Audit unit reviews Management performance against the Plan. The NDA had thus far resolved 17 out 19 findings which represented 89% resolution of the AGSA findings.

The Committee welcomed the investigation on Irregular Expenditure (IE) and Material Irregular expenditure and efforts put in place to address the AG findings. It however, cautioned that the Action Plans by their nature are a correction of audit findings, and therefore they do not need to be celebrated. It emphasised that it was against any regression and repeat findings. National Treasury regulations are clear that deviation need to be reported to AGSA within 14 days. The deviation from a 3 quotes system cannot be accepted. This means there is a need to capacitate the internal audit committee to identify and address such deviations before they become an audit finding. The ultimate objective should be on creating an ethical and developmental state.

In relation to SASSA, the Committee welcomed the 98% progress and commitment to clear all outstanding findings within the 2024/2025 financial year. It, however, raised a concern that investigations on the cases of fraud in the Eastern Cape were taking long, while suspended officials were earning their salaries. It advised SASSA to establish a real time death registration, similar to the birth registration with daily processing. This relates to SASSA's comprehensive digitization and full data integration. It also relates to the strengthening of Inter-governmental relations through Service Level Agreements (SLA) with other government departments.

5. AUDITOR – GENERAL SOUTH AFRICA (AGSA) FINDINGS FOR 2025/2026

5.3.1 Overall Audit Outcomes

The audit outcomes for the Department of Social Development portfolio have regressed from unqualified audit opinion with findings in 2023/2024 financial year to qualified audit opinion with findings in both 2024/2025 and 2025/2026 financial years. The department received this audit findings due to the weaknesses in the social grant administration at SASSA. The Social Assistance Act, (No. 13 of 2004) mandates the Minister of Social Development with the moneys appropriated by Parliament pay the social grants. The South African Social Security Act (No. 9 of 2004) mandates SASSA to administer the payment of social grants on behalf of the department. These legislative provisions created a "unique environment" wherein the department is affected by SASSA's execution of its mandate. The department has a legislative mandate to conduct oversight over the transfers made to SASSA and ensure efficient administration and payment of social grants.

SASSA and the NDA audit findings remained unchanged at unqualified with findings.

5.3.2 Financial Statements

The financial statements of SASSA and the NDA audit outcome with no findings after management corrected issues raised by the Auditor-General. The department financial statements received audit outcome with material findings after management failed to correct issues raised by the AGSA. The following are the main qualifications areas the AG identified:

- **Transfers and subsidies:** there were weaknesses and leakages in the disbursements of social grants and the recording of these leakages in the annual financial statements.

- **Receivables:** AGSA could not confirm the reliability of the completeness amount for receivables as it identified that not all receivables were accounted for in the annual financial statements of the department.
- **Contingent assets:** it could also not confirm whether the amount disclosed in the financial statements of the department was correct as there was no sufficient information to support the amounts disclosed.

The causes of financial reporting weaknesses were as follows:

- Reliance on the audit process by senior management to identify misstatements.

- Critical positions vacant for the entire year or majority of the financial year – the CFO position at NDA was vacant for nine months of the financial year and CEO position has been vacant for the entire financial year.
- Instability in the DG position at DSD.
- Leadership did not ensure adequate systems were in place to ensure sufficient review of the annual financial statements and underlying records.
- Lack of regular monthly and quarterly reporting and robust review processes to identify and resolve grant-related deficiencies before year-end reporting.

The deficiencies identified prevent the department from being responsive to the public, oversight and other stakeholders through reporting and providing answers on fulfilling mandated responsibilities, actions taken and decisions made as recurring verification weaknesses, fraud risks, poor data quality and persistent grant leakages continue to divert resources away from intended beneficiaries. The findings identified highlight the need for stronger verification, improved system integration and enhanced fraud prevention controls.

5.3.3 Compliance to legislation

For both 2024/2025 and 2025/2026 financial years the social development portfolio received audit outcome with material findings. The causes of compliance findings included:

- Inadequate consequence management at the NDA.
- Inadequate review processes to ensure regular, accurate and complete reports that are supported by reliable information (DSD, NDA, SASSA).
- Strategic planning not adequately implemented (DSD).

These findings had the following impact:

- Lack of credible performance and financial reporting, which affects transparency and accountability.
- Inability to hold officials accountable for transgressions due to ineffective consequence management.
- Deficiencies in strategic planning affect delivering on legislated mandate.

5.3.4 Irregular Expenditure

The social development portfolio incurred an annual irregular expenditure of R26 million in the year under review, marking a significant increase from R7 million in 2024/2025 financial year. This expenditure was incurred due to inadequate exercise of oversight responsibility regarding compliance and related internal control. Also, review and monitoring controls over compliance with Supply Chain Management (SCM) laws and regulations were not adequate and effective to detect and prevent SCM non-compliance. The department accounted for R23. 3 million, the NDA for R3.3 million and SASSA for R42 million.

AGSA found that a total of R165. 25 million out R175 million (94%) irregular expenditure from prior years was not dealt with. Disciplinary steps not taken against officials who caused the irregular expenditure as the investigations were not performed at the NDA. The NDA accounted for R88 million, DSD for R77 million and SASSA for R3 million.

5.3.5 Information Technology (IT) controls

AGSA made the following findings across the social development portfolio:

- Weaknesses in ICT governance and oversight of ICT and IJS project delivery at SASSA and DSD.
- Backups were performed but not stored offsite and restoration testing not performed (DSD).
- Devices running unsupported Windows 10 versions (DSD).
- Identified vulnerabilities not timeously remediated (SASSA).
- Unavailability of grant systems (SASSA and DSD).
- Ineffective system interface between grant systems (SASSA, DSD).
- Ineffective system controls on the Socpen grant system (SASSA, DSD).
- Ineffective system controls on the SRD350 grant system (SASSA, DSD).

These were caused by weaknesses in accountability, inadequate monitoring of controls, delays in ongoing procurement process, vulnerability process did not include a risk-based mechanism to prioritise and expedite the remediation of exploitable vulnerabilities. These resulted in project delays and an inability to achieve strategic objectives, prolonged system outages and inability to recover critical services, increased risk of cyber incidents, data compromise and unauthorised access and grant payment delays, fraud and service delivery disruptions.

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5.3.6 Governance and Institutional Capability

Internal audit units

AGSA made the following findings:

- Internal audit units of the department and its entities have fulfilled their responsibilities by identifying key risks and supporting governance structures through regular reporting and follow-up processes.
- Noted an insignificant audit effort towards grant administration, which is a great concern, noting that it forms a significant part of the mandate and operation of the portfolio.
- The recurring findings on compliance and performance information at the department and its entities indicate that sufficient efforts are not being directed to pressure points in the portfolio (i.e. grant administration, performance information, consequence management).

Audit Committees

AGSA made the following findings:

- DSD audit committee provided valuable input into the monitoring of key issues relating to social assistance between SASSA and the department. The committee seeks communication with the executive authority and is involved with issues of service delivery at grass roots level. Appropriate direction and advice have been provided to management of both the department and its entity, Sassa.
- SASSA audit committee provided valuable input into the monitoring of key issues relating to social assistance. The committee seeks communication with the executive authority and is involved with issues of service delivery at grass roots level. Appropriate direction and advice have been provided to management of the entity.

Vacancies

AGSA made the following findings:

- There is instability in the position of the DG at the DSD, a recently appointed DG's contract was not renewed, and an acting DG was appointed.

- The CEO and accounting authority (board) positions are still vacant at the NDA. The position of the CEO has been vacant for more than four years, while the position of the accounting authority has been vacant for less than one year.
- The appointment process of the executive director in the inspectorate unit commenced, and the recommended official was identified. However, the process has stalled with the department citing delays at Department of Public Service and Administration (DSD).

5.3.6 Material Irregularities (MIs)

AGSA observed that five (5) of the MIs raised at SASSA were resolved in the 2023/2024 financial year. One material irregularity raised at DSD was resolved in the 2025/2026 financial year. The accounting authority at SASSA was taking appropriate action to address the MI relating to duplicate grant payments made to Quad 7777 beneficiaries. This is a new MI that was raised during the 2025-26 financial year.

5.3.7 Leakages in grant disbursements

The AGSA's audit identified weaknesses across multiple components of the grant administration ecosystem that collectively limit assurance over whether grants are consistently paid to eligible beneficiaries throughout the grant life cycle. Although these weaknesses manifest in different processes and systems, they indicate a broader challenge relating to the integrity, reliability and sustainability of beneficiary management controls.

The current control environment at SASSA remains heavily dependent on information declared by beneficiaries, with limited independent verification of financial means, employment status, residency requirements and other eligibility criteria. The effectiveness of these controls is further weakened by the Agency's reliance on information held by external institutions. Delays in the exchange of information relating to court orders, identity records, residency status and border movements limit the Agency's ability to consistently apply legislative requirements and verify beneficiary eligibility in a timely manner.

The consequences of these weaknesses are evident in areas requiring heightened monitoring. The audit identified deficiencies in the management of centenarian beneficiaries, where life certification

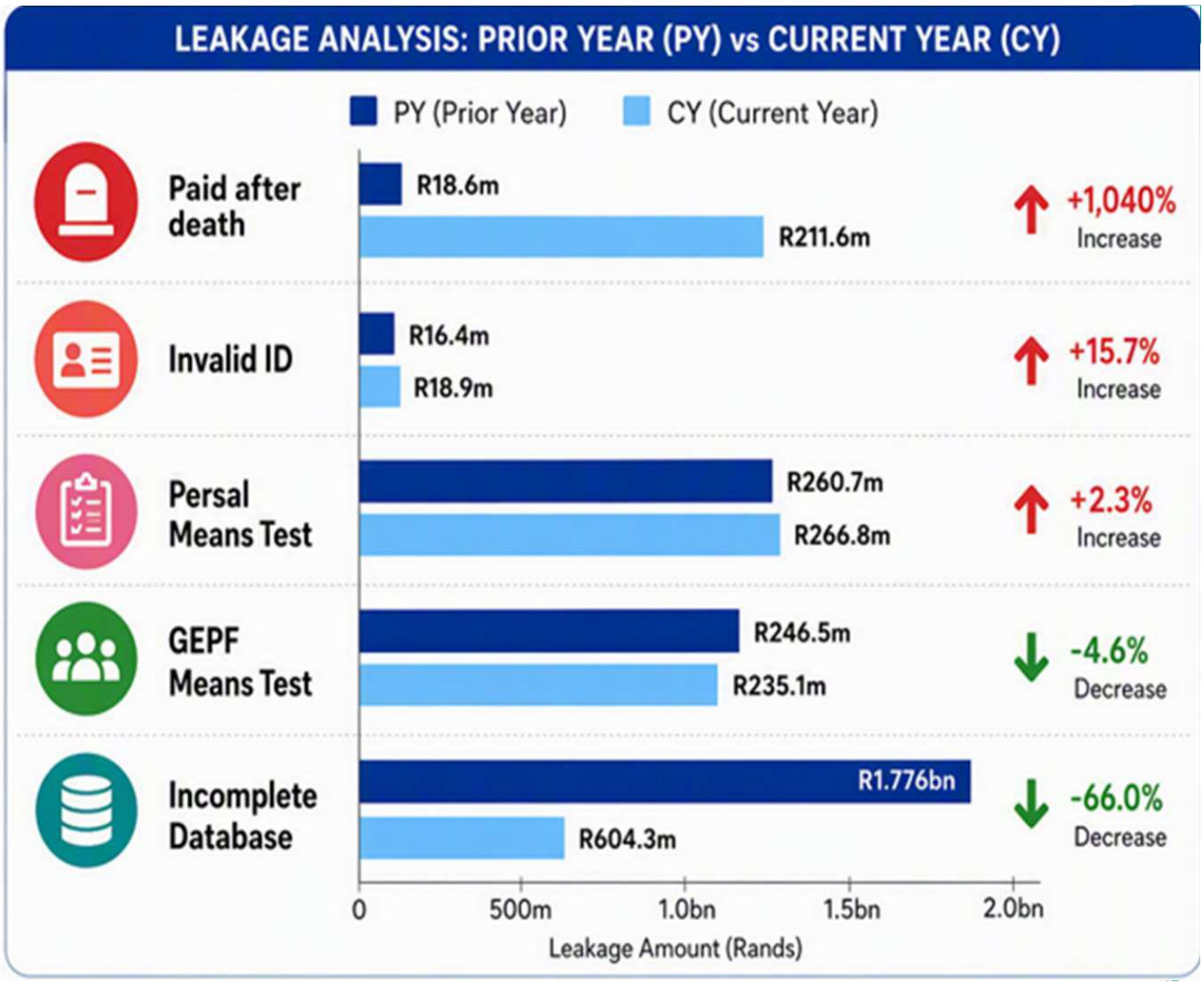
and home visit verification controls were not performed and a substantial proportion of sampled beneficiaries was found to be deceased.

Taken together, these findings suggest that the primary risk facing the grant administration environment is no longer isolated compliance failures within individual processes, but the absence of an integrated control framework capable of providing ongoing assurance over beneficiary eligibility throughout the grant life cycle.

There is a greater need for improvements in grant administration, with less dependency on additional manual controls and more on strengthening data integration, enhancing automated verification capabilities, improving real-time access to information from key government institutions and building sufficient oversight capacity to monitor emerging risks.

Figure 1 below indicates the rand value analysis of the leakages between 2024/2025 and 2025/2026 financial years. There have been significant increase in leakages that occurred in payments made after death, payments made to invalid IDs and to beneficiaries who did not qualify as per the persal means test.

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5.3.8 Service delivery initiatives

Gender Based Violence and Femicide Support

AGSA found that the department adopted a targeted approach to service delivery through the identification of GBV hotspot areas. Its analysis of hotspot locations indicates that the interventions are generally aligned with areas experiencing the highest levels of reported GBV like Gauteng and KwaZulu-Natal. Opportunities remain to strengthen the alignment between demand for services and the distribution of support infrastructure; e.g. Eastern Cape and Western Cape collectively account for one-third of the identified hotspot areas and represent the third- and fourth-highest provinces in terms of GBV reported cases but these provinces rank lower in the number of shelters and one-stop centres available to survivors.

Children under the age of two receiving grants

AGSA found that following prior recommendations to strengthen awareness and outreach, SASSA exceeded its 2025/2026 target for children under two (2) receiving grants, achieving 1. 56 million beneficiaries against a target of 1. 01 million. Improved stakeholder engagement, outreach programmes and collaboration with health facilities contributed to this achievement. A significant portion (978 964 children) were under the age of one (1), reflecting a 135% increase from the prior year and demonstrating the success of targeted community outreach initiatives.

Implementation of the Queue Management System (QMS)

AGSA observed that the Annual Performance Plan of SASSA includes an indicator on "number of local offices implementing queue management". The indicator is aimed at the management of queues at local offices to ensure that the entity can account for all the clients who report for assistance and be able to queue these clients in a manner that improves customer service. SASSA did not achieve the indicator in the current year.

It however identified challenges relating to training of staff to utilise the QMS at certain local offices, causing delays in reducing time spent by citizens waiting at the local offices, as well as a lack of support from ICT to assist in the event of system shutdowns which affected the implementation of the QMS.

5.3.9 Root causes, key recommendations and commitments

Key roots	Key recommendations	Proposed Commitments by Executive Authority
• Internal control deficiencies in grants administration not fully addressed. • Lack of oversight of grant disbursements by the department. • Consequence management not adequately implemented for poor performance and transgressions. • Inadequate controls over monthly processing and reconciling of transactions.	• Strengthen leadership oversight and link overdue corrective actions to formal performance management. • Accelerate system integration and grant data control. • Coordinate assurance across internal audit, risk and inspectorate Fill key vacancies at the DSD (DG) and NDA (CEO and accounting authority).	• Ensure key vacancies are filled and consequence management measures are implemented. • Facilitate relationships with banks and the National • Treasury to ensure means tests are performed. • Ensure that Sassa has a short and long term plan on how the Socpen system will be integrated with other government system to be able to reduce leakages within the disbursements of grants.

5.3.40 Five Key Areas for Monitoring and Regular Follow-Up

These are the five key areas the AGSA identified for monitoring and follow-up:

- Filling of DG post at DSD; CEO and accounting authority posts at NDA.
- Progress made in resolving MIs, including expediting the investigation process at the department and the entities, to foster a culture of consequence management.
- Implementation of audit action plans to strengthen proper recordkeeping and reconciliations, enforce compliance with applicable laws and regulations, track progress against key service delivery targets and improve governance and internal controls.
- Continue coordinating with the South African banks and the National Treasury to ensure that means tests are conducted effectively.
- Design and implement a short- and long-term plan on how the Socpen system will be integrated with other government systems to be able to reduce leakages within the disbursements of grants.

5.4 Portfolio Committee observations on AGSA report

- The Committee raised concern about weak accountability for officials responsible for payments to ineligible beneficiaries and argued that losses should be recovered from those responsible for strengthening consequence management. It requested clarity on the consequences when audit recommendations are not implemented and emphasised that disciplinary cases should be concluded promptly to avoid prolonged paid suspensions and further legal or administrative costs.

  It questioned the financial impact of inadequate investigations, prolonged suspensions, legal costs and disciplinary processes, noting that these expenses divert resources intended to support vulnerable people. It requested clarity on how audit findings, enforcement measures and recovery processes are used to hold accounting officers and other responsible officials accountable for irregular expenditure and financial losses.

  AGSA explained that accountability operates through an ecosystem in which every institution must discharge its statutory mandate effectively to make the public sector work for citizens. It stated that the Public Finance Management Act places primary responsibility on accounting

officers and accounting authorities to establish effective controls, investigate irregularities, prevent financial losses and institute disciplinary action. It clarified that its role is to audit the credibility of reported information and compliance with laws and regulations, communicate findings to the responsible authority and use its enforcement mandate when significant losses are not addressed.

- The Committee raised concern that recurring Material Irregularities, including questionable procurement, avoidable travel costs and poor asset management, continued to appear without timely implementation of corrective measures.

  AGSA explained that a matter progresses to enforcement only when it meets the definition of a Material Irregularity, after which AGSA may make a referral, include recommendations in the auditor's report, impose remedial action and ultimately issue a certificate of debt if a financial loss remains unrecovered. It cited a procurement-related Material Irregularity involving assets acquired above market price as an example in which the accounting officer was required to implement consequence management and pursue disciplinary processes against all implicated officials, including those who had moved to other departments.

  AGSA clarified that recurring Material Irregularities are reported each year to show their current status and the progress achieved through the enforcement mandate rather than to present them as newly identified matters. AGSA reported that one Material Irregularity relating to the department had been resolved after disciplinary action was taken against all persons identified through the investigation.

  It explained that disciplinary matters often take a long time because they may require a preliminary investigation, a full investigation by internal audit or an external provider, and a formal hearing led by an independent chairperson. It emphasised that prolonged investigations and hearings impose further costs on the public purse and again demonstrated the importance of preventative controls.

- The Committee expressed alarm that grants were being paid to people who did not qualify while eligible applicants experience delays or are denied assistance. It called for stronger controls to prevent leakage and ensure equitable access. The Committee questioned whether

the grant administration system could independently identify all bank accounts held by an applicant rather than relying exclusively on bank statements disclosed by the applicant.

AGSA confirmed that the grant administration agency does not have sufficiently robust processes to independently verify the completeness of applicants' bank-account disclosures and remains heavily dependent on information submitted by applicants.

AGSA recommended direct collaboration with banks and stronger data-verification mechanisms to determine whether applicants hold undisclosed accounts, receive other income or remain eligible for grants. It explained that integrated data from banks, population records and other government systems are essential to distinguish eligible from ineligible beneficiaries, confirm personal circumstances and reduce unreasonable documentary demands on applicants.

- The Committee acknowledged that the audit presentation exposed gaps in the Committee's oversight and asked what root causes had weakened consequence management despite the issue having been raised repeatedly.

  It asked whether persistent critical vacancies, extended acting appointments, leadership changes and the absence of stable governance structures were delaying investigations, disciplinary action and implementation of oversight directives.

  AGSA linked weak consequence management to vacancies, leadership changes and institutional instability, explaining that incoming leadership may need to reassess earlier investigations before taking action and that the absence of a board at the NDA weakens oversight and delays disciplinary decisions and recoveries.

- The Committee welcomed the introduction of the biometric verification and the savings already achieved but noted that not all existing beneficiaries had been enrolled and that incomplete coverage continued to expose the grant system to leakage.

  AGSA assessed biometric verification as a positive control that has prevented payments to ineligible new applicants since its introduction but cautioned that its benefits remain limited

because it has not been applied to the full beneficiary population. It, however, warned that system downtime leads officials to override biometric controls, thereby reopening the risk that ineligible applicants may be approved.

It stated that the core beneficiary system is not fully integrated with other databases and that stronger integration is required to identify government employees and other persons who receive grants without qualifying. It indicated that full biometric verification should already be operational across the entire beneficiary population and regarded the control as too important to postpone, while noting that the grant administration agency would need to provide its implementation plan.

It requested an assessment of the effectiveness of the biometric system, its integration with other verification mechanisms, the enhancements still required and the timeframe for achieving full beneficiary verification. It highlighted cases in which vulnerable applicants were required to produce difficult or outdated employment, marital or family-status documents, while apparently ineligible households continued to receive grants. It called for simpler, fairer and better-integrated verification processes that use reliable government and financial data to establish eligibility without placing unreasonable administrative burdens on applicants.

- The Committee sought clarity on the oversight and service-delivery implications of moving a mandate-related performance indicator from the annual performance plan to an operational plan.

  AGSA indicated that it expressed a concern to SASSA about removing the queue-management indicator from the Annual Performance Plan because the indicator was intended to improve customer experience and maintain accountability for conditions at service offices.

- The Committee asked how many certificates of debt had been issued and whether the available enforcement mechanisms were being used effectively when responsible authorities failed to recover losses or implement remedial action.

AGSA reported that no certificate of debt had yet been issued within the social development portfolio because the prescribed enforcement stages had not reached that point, while recoveries involving a former service provider remained dependent on the outcome of liquidation proceedings. It noted that two certificates of debt had been issued elsewhere where accounting officers failed to recover losses after the required enforcement process.

It emphasised that accounting officers and authorities certify that financial statements and annual performance reports are accurate and complete and therefore carry the responsibility for submitting credible supporting information.

- The Committee expressed concern that incomplete, inaccurate or delayed information from the Department and its entities could undermine the audit process and asked what steps, consequences and mitigation measures were applied to secure credible evidence.

  AGSA explained that when information is inaccurate or incomplete, it identifies the underlying control weaknesses, recommends corrective action and expects internal audit to align its audit plans with institutional risks so that deficiencies are detected before the external audit.

- The Committee asked whether proposals from academic researchers regarding an ICT solution had been considered, whether consultation had taken place and how the proposed approach related to the newly appointed ICT service provider.

  AGSA reported that an investigation had been conducted into proposals presented by academic researchers and that an external service provider had worked with internal audit, but it was not aware of any collaboration with the lecturer to develop a new system.

- The Committee asked whether lifestyle audits were being conducted within SASSA as an additional safeguard against corruption, unexplained wealth and the loss of public funds.

  AGSA confirmed that a proposed lifestyle-audit process did not proceed because the intended approach required a proclamation and was not implemented.

- The Committee emphasised that all improvements in governance, information systems, staffing, verification, investigations and consequence management must ultimately protect public funds, improve service delivery and ensure that assistance reaches eligible and vulnerable beneficiaries without unnecessary delay or hardship.

  AGSA acknowledged that inadequate investigations, legal services and disciplinary proceedings create additional costs and stressed that prevention is preferable because these expenses reduce funds available for service delivery.

6. DEPARTMENT OF SOCIAL DEVELOPMENT

6.1 DSD Policy Priorities Alignment with other Frameworks

In executing their mandate, government departments and entities are guided by the NDP, MTDP, SONA and sector plans.

The DSD, together with the South African Social Security Agency (SASSA) and National Development Agency (NDA), took into consideration issues emanating from the 2025 SONA, and the alignment of the APP to the MTDP (2024-2029). The following selected performance areas reflect the alignment or contribution by DSD's APP to the MTDP (2024-2029)

Strategic Priority 1: Inclusive growth and job creation	Strategic Priority 2: Reduce Poverty and tackle the high cost of living	Strategic Priority 3: A capable, ethical and developmental state
Create 1 454 845 Expanded Public Works Programme (EPWP) work opportunities through Social Sector EPWP Programmes	• Cooperatives linked to economic opportunities Rand value of Financial and Non-Financial resources mobilised for Community Based Enterprises • Draft Social Assistance amendment Bill providing for Basic Income Support (BIS) submitted to Parliament for approval. • Ensure eligible beneficiaries are in receipt of the older	• Victims of gender-based violence (GBV) are accessing sheltering services • Programmes implemented to address terror Finance (TF) and Money Laundering (ML) risks identified. • Monitoring of gender-based violence and femicide GBVF hotspots areas

	persons grants, children's grants and disability grants • Submit the draft Policy on Linking Social Protection Beneficiaries to sustainable livelihoods opportunities to Cabinet for approval. • Service users are accessing substance use disorder (SUD) treatment services. • People reached through substance abuse prevention programmes.	

The following are some selected performance areas that reflect APP 2025/26 alignment with the Economic Reconstruction and Recovery Plan:

- Monitor the implementation of the Psycho-social Services Policy in fifteen (15) Gender-Based Violence and Femicide (GBVF) hotspot areas in line with the National Strategic Plan on GBVF.
- 40% of procurement spent on women-owned businesses.
- Monthly payment of social grant beneficiaries as administered and paid by the Social Security Agency (SASSA) on behalf of DSD.
- The establishment of GBV centres in the remaining 8 of the 52 districts.
- National Food and Nutrition Security Plan implemented.

National Development Plan (NDP)

These priorities are in line with the (NDP) Vision 2030 which, inter alia, promotes social protection, defined by:

- Protective measures to save lives and reduce levels of deprivation;
- Preventative measures which help people to avoid falling deeper into poverty and reduce their vulnerability;
- Promotive measures which enhance the capabilities of individuals, communities, and institutions;
- Transformative measures which tackle inequities through changes in policies, laws, and budgets; and

- Developmental and generative measures, which increase the poor's consumption, promoting local economic development.

State of the Nation Address (SONA), February 2025

The February 2025 SONA outlined the following policy objectives in social development:

Policy objectives	Explanatory notes
Job creation	The most urgent task for the Government is to grow the economy to create jobs, reduce poverty and improve the lives of all South Africans. Non-Profit Organisations (NPOs) are critical partners in the delivery of social and other services. NPOs are regulated by the Non-profit Organisations Act (1997), which promotes the effective and fair regulation of NPOs. Over the MTEF period, Government intends enhancing the registration and oversight processes of NPOs by developing a policy framework, improving the turnaround time for registrations, and improving compliance monitoring. Through the DSD community development programme, it intends to link 2% of all grant recipients to sustainable livelihood opportunities.
Social security	Over 28 million unemployed and vulnerable people receive social grants. The Social Relief of Distress (SRD) Grant is as an essential mechanism for alleviating extreme poverty. More importantly, the SRD will function as a base for the introduction of a sustainable form of income support for unemployed people. In 2024, the DSD indicated that it would conduct an extensive review of social security policy. A white paper on social security is expected to be finalised over the 2024/25-2026/27 period. In 2024, the DSD indicated that it would finalise policy options on the replacement of the grant, taking into consideration the need to strengthen employment opportunities and means for sustainable livelihoods.
Ending Gender-Based Violence (GBV)	The President reported that there are 65 Thuthuzela Care Centres country wide. Out of 52 districts in the country, 44 have GBV shelters. Moreover, all police stations in the country offer victim-friendly services, while another 16 sexual offences courts will be established in the next financial year.

6. 2 Overview of financial performance

Table 1: Expenditure per Programme, 2025/26 vs 2024/25

	2025/26				2024/25			
R'000	Final Budget	Actual Expenditure	Under/ over expenditure	%	Final Budget	Actual Expenditure	Under/ over expenditure	%
Prog 1	464 521	463 040	1 481	99.6%	441 701	441 373	328	99.9%
Prog 2	285 920 437	281 073 620	4 846 817	98.3%	269 365 184	266 714 738	2 650 446	99.0%
Prog 3	8 168 214	8 151 879	16 335	99.8%	7 828 725	7 820 377	8 348	99.9%
Prog 4	318 999	311 422	7 577	97.6%	306 405	300 050	6 355	98.3%
Prog 5	352 956	345 429	7 527	97.8%	353 918	351 431	2 487	99.2%
TOTAL	**295 225 127**	**290 345 390**	**4 879 737**	**98.3%**	**278 295 933**	**275 627 969**	**2 667 964**	**99.1%**

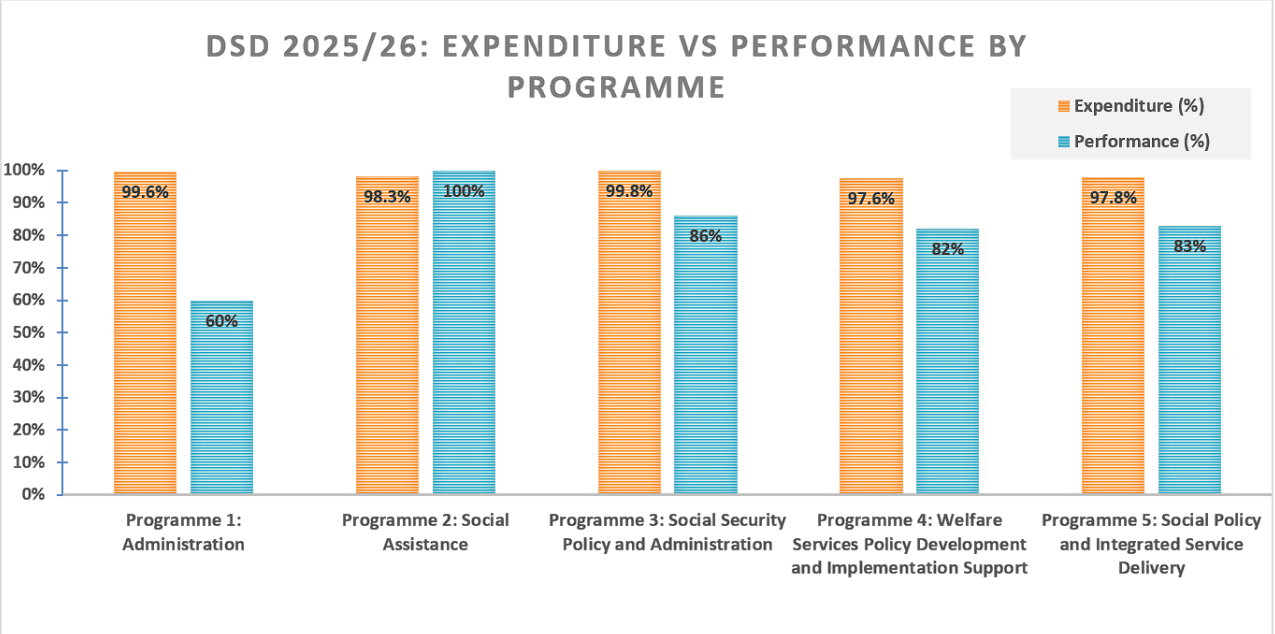
- The Department spent R290.3 billion of its R295.2 billion final budget, equivalent to 98.3%, leaving R4.88 billion unspent. Most of the underspending was in Programme 2: Social Assistance, which underspent by approximately R4.85 billion.
- Overall spending declined slightly from 99.1% in 2024/25 to 98.3% in 2025/26, despite the total budget increasing.

	2025/26				2024/25			
R'000	Final Budget	Actual Expenditure	Under/ over expenditure	%	Final Budget	Actual Expenditure	Under/ over expenditure	%
Prog 1	464 521	463 040	1 481	99.6%	441 701	441 373	328	99.9%
Prog 2	285 920 437	281 073 620	4 846 817	98.3%	269 365 184	266 714 738	2 650 446	99.0%
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Prog 5	352 956	345 429	7 527	97.8%	353 918	351 431	2 487	99.2%
TOTAL	**295 225 127**	**290 345 390**	**4 879 737**	**98.3%**	**278 295 933**	**275 627 969**	**2 667 964**	**99.1%**

- The Department received approval for a R2.2 billion rollover under Programme 2, while R1 billion in social grant funding was declared unspent due to lower-than-projected Child Support Grant beneficiaries.
- National Treasury approved the write-off of R242.5 million in social assistance debtors, which the Department regarded as irrecoverable or uneconomical to recover.
- R25.6 million was shifted from Programmes 3 and 5 to Programme 1 to fund centralised mandatory services and official vehicles. No virements required parliamentary approval.

- Although no new unauthorised expenditure was reported, irregular expenditure increased to R77.4 million, while fruitless and wasteful expenditure amounted to R229 000, compared with R86 000 in 2024/25.
- Overall, the high expenditure rate masks important financial-management concerns, particularly the substantial underspending on social assistance, rising irregular expenditure, outstanding Loss Control Committee cases and weaknesses in supply chain management. These areas warrant continued parliamentary oversight.

Figure 3: DSD 2025/2026 Expenditure vs Performance by Programme



6.3 REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA (AGSA)

- The Department retained a qualified audit opinion, with findings similar to 2024/25.
- The qualification was mainly driven by weaknesses in social grant administration, transfers and subsidies, debtor management and supporting records.
- The AGSA reported material misstatements and insufficient audit evidence relating to performance information in Programmes 4 and 5.
- The Department materially underspent its budget by R4.8 billion, mainly on social assistance.

6.4 Governance: Key Issues

- The Department maintained a Risk and Ethics Committee, which met regularly during 2025/26 to oversee risk management, ethics and internal controls.
- The R15.134 billion COVID-19 social grant expenditure remains unresolved and requires further parliamentary consideration before it can be regularised.
- An Audit Implementation Action Plan was developed to address AGSA findings that contributed to the Department's qualified audit opinion.
- The Internal Audit Unit completed only 7 of 11 planned audits, with four deferred due to difficulties securing suitable external service providers.
- Internal audit capacity remains a significant concern, with the unit operating at less than 50% of its ideal structure and lacking sufficient IT audit capacity.
- Overall, governance structures are in place, but weaknesses in internal audit capacity and internal controls continue to pose risks to effective oversight and service delivery.

6.6 Human Resources

- The Department recorded a 10% vacancy rate as at 31 March 2026, following the filling of critical posts at SMS level and below.
- Personnel expenditure as a percentage of total expenditure was highest relative to programme expenditure under Programme 4 (53.7%) and Programme 1 (51.4%).
- Highest average personnel cost per employee was highest under Programme 1, i.e. R817 000/ person, and lowest under Programme 3 with R580 000/ person.
- Of the 622 employees, 410 (65.9%) were women and 212 (34.1%) were men, indicating strong overall female representation.
- Only 13 employees (2.1%) were persons with disabilities, indicating limited disability representation within the workforce.

6.7. Overview of Target Performance

The DSD target performance is analysed against the backdrop of its 2025-2030 Strategic Plan, as well as the 2025/26 Annual Performance Plan (APP). The DSD presented its APP for the 2025/26 financial year on 18 June 2025.

The Department reduced its targets from fifty-two (52) in 2024/25 to forty-two (42) in 2025/26, as per its original APP. The DSD indicated that it is constantly improving in its planning processes and combining it with rigorous performance review processes to track performance and come up with remedial actions on targets that are not met and/or lagging.

Programme Performance

This section of the analysis provides information on the operational successes of the Department, in relation to its programmes and sub-programmes. DSD reported that some targets were revised or deleted on 13 June 2025 for (Programme 4 and 5).

Programme	Original App Target	Revised App Targets	Reasons
Programme 4	Calls received through the GBV command centre responded to for intervention.	**Deleted**	This target is already covered by non-financial data, as reported by provinces. National DSD monitors the implementation of the National Strategic Plan (NSP) on Psycho-social Services Policy in fifteen (15) GBVF hotspot areas, in line with the National Strategic Plan on Gender Base Violence and Femicide (NSP on GBVF).
	Submit the National Plan of Action for Children to Cabinet (NPAC) for approval	Replaced with the National Strategy to Accelerate Action for Children to Cabinet (NSAAC) for approval	NSAAC is ready for approval to Cabinet.
Programme 5	Monitor Implementation of Community Mobilisation and Empowerment Framework towards active citizenry in nine (9) provinces	**Deleted**	Shifted to the annual operational plan to allow for the development of comprehensive monitoring tool in line with District Development Model (DDM).

Programme 1: Administration

The objective of this programme is to provide leadership, management and support service to the Department and the social development sector.

Table 1: Programme 1: Administration Targets and Financial Performance

Total targets set in Annual Performance Plan (APP)	5
Total targets in Annual Report	5
Targets achieved in Annual Report	3
Targets not achieved	2
Performance success rate	60%
Total budget spent	R 463.0 million
Financial expenditure rate	99.7%

The programme spent 99.7% of its final budget of R 463. million. It set itself five (5) targets and achieved a total of three (3). The DSD managed to develop and integrate its data with the Department of Home affairs (DHA) in the 1st quarter, Department of Basic Education (DBE) in the 2nd quarter, SASSA and the National Student Financial Aid Scheme (NSFAS) in the 3rd quarter and lastly, Department of Health (DoH) in the 4th quarter as planned in the APP.

Some of the targets not achieved were as follow:

Finance:

- Target to obtain an unqualified audit opinion was not achieved. Reasons cited was due to the DSD's lack of systems to identify ineligible beneficiaries. Additionally, the DSD indicated that there was no proper audit evidence for transfers and subsidies as it did not implement adequate monitoring systems to maintain supporting documents (beneficiary files).
- Only 24% against a target of 40% procurement spent on women-owned business. The reasons cited is that the DSD had already committed 63% of its goods and services budget to entities that do not contribute to the specific goals of the Broad-Based Black Economic Empowerment (B-BBEE Act) or the Preferential Procurement Regulations. Some of these are mandatory services, provided by entities such as the State Information Technology Agency (SITA), g-FleeT, the Auditor-General, banks and the Department of Public Works and Infrastructure.

Programme 2: Social Assistance Targets Achievement

This programme provides social assistance to eligible beneficiaries in terms of the Social Assistance Act 13 of 2004, and its regulations.

Table 2: Programme 2: Social Assistance Targets and Financial Performance

Total targets set in Annual Performance Plan (APP)	1
Total targets in Annual Report	1
Targets achieved in Annual Report	1
Targets not achieved	0
Performance success rate	100%
Total budget spent	R281.0 billion
Financial expenditure rate	98.3%

The Social Assistance programme did not achieve its target to transfer R285.9 billion to SASSA for administration and payment of social grants to beneficiaries on behalf of the DSD. Instead, transfers totalled R281.0 billion. It set itself 1 target and DSD indicated that it had achieved this target.

Programme 3: Social Security Policy and Administration

This programme is responsible for the provision of social security policy development, administrative justice of social grants, and the reduction of incorrect benefits payments.

Table 3: Programme 3: Social Security Policy and Administration Targets and Financial Performance

Total targets set Annual Performance Plan (APP)	7
Total targets in Annual Report	7
Targets achieved in Annual Report	6
Targets not achieved	1
Performance success rate	86%
Total budget spent	R8.2 billion
Financial expenditure rate	99.8%

The programme spent R8.2 billion (or 86) against a budget of R8.15 billion. It set itself seven (7) targets, as per both the original APP 2025/26, and DSD Annual Report presentation, and six

(6) target was achieved. Under the Social Security sub-programme, the DSD managed to produce an audit report on Social Assistance Grants.

Target not achieved

- **Social Security:** The DSD did not achieve its target of submitting the draft Policy on Basic Income Support to Cabinet for approval. The reason cited was that additional research was required to refine the costing model and develop more detailed proposals on the implementation of linkages between the policy, Active Labour Market Programmes (ALMPs), and broader economic opportunities.

Programme 4: Welfare Services Policy Development and Implementation

The aim of this programme is to create an enabling environment for the delivery of equitable developmental welfare services through the formulation of policies, norms and standards and best practices and the provision of support to the implementation agencies.

Table 4: Programme 4: Welfare Services Policy Development and Implementation Support Targets and Financial Performance

Total targets set in Annual Performance Plan (APP)	18
Total targets in Annual Report	**17**
Targets achieved in Annual Report	14
Targets not achieved	3
Performance success rate	82%
Total budget spent	R311.4 million
Financial expenditure rate	97.6%

The programme spent R311.4 million (97.6%) of its budget of R318.9 million. This is R7.5 million lower than projected spending.

The Department set itself eighteen (18) targets under this programme as per original 2025/26 APP. However, the DSD annual report reflects seventeen (17) targets, of which a total of fourteen (14) were

achieved. The DSD indicated in its presentation that some targets were revised or deleted on 13 June 2025.

Some of the Achievements under this programme included:

- Monitoring the implementation of the Integrated Social Crime Prevention Electronic Information Management Systems in 10 Districts.
- Capacitating 7 provinces on the implementation of Universal Prevention Curriculum (UPC) Series for Practitioners – against a target of 6 provinces.
- Monitoring the implementation of the National Strategic Plan (NSP) on Psycho-social Services Policy in fifteen (15) GBVF hotspot areas in line with the NSP on GBVF.

Target not achieved

- **Professional Social Services and Older Persons:** Did not achieve its target to present the draft Supervision Policy for SSP to heads of the Social Development Sector (HSDS) for approval. This was due to the HSDS not having their meeting during the 4th quarter.
- **Services to Persons with Disabilities:** Did not submit the costing report for the Respite care services to Children with Disabilities and their Families to HSDS for approval. This was also due to the postponement of the sitting of the HSDS.

Programme 5: Social Policy and Integrated Service Delivery

The programme's responsibility is to support community development and promote evidence-based policy making in the Department and the Social Development Sector.

Table 5: Programme 5: Social Policy and Integrated Service Delivery Targets and financial performance

Total targets set in Annual Performance Plan (APP)	12
Total targets in Annual Report	12
Targets achieved in Annual Report	10
Targets not achieved	2
Performance success rate	83%
Total budget spent	R345.4 million
Financial expenditure rate	97.9%

The programme spent 97.9 of its allocation of R352.9 million for 2025/26. It set itself twelve (12) targets, as per the original APP 2025/26 and the DSD Annual Report presentation, and ten (10) were achieved. The DSD did indicate in their presentation that some targets were revised or deleted on 13 June 2025.

The following are some of the targets achieved under this programme:

Population and Development:

- Government Sexual and Reproductive Justice Strategy was submitted to cabinet and approved by cabinet on the 25 February 2026.

Poverty Alleviation, Sustainable Livelihood and Food Security

- Developed an Annual Report on the implementation of the National Food and Nutrition Security Plan.

Targets not achieved

- **Special Projects and Innovation:** Did not create a total of 280 964 work opportunities through the Social Sector EPWP Programmes but also did not specify how were created.
- **Population and Development:** Did not submit the Population Policy Progress Review Report to Cabinet for approval within the planned timeframe. This was due to the need for additional stakeholder consultations.

Performance: Key Issues

The DSD's overall performance was mixed, with high expenditure levels not fully translating into achievement of performance targets. Programme performance ranged from 60% in Programme 1 to 100% in Programme 2, while Programmes 3, 4 and 5 achieved 86%, 82% and 83%, respectively.

Financial expenditure remained consistently high, with the Department spending 98.3% of its total budget, suggesting a continuing disconnect between expenditure and service-delivery performance. Key areas of underperformance included the Basic Income Support policy, EPWP work opportunities, selected welfare-services targets and the 40% procurement target for women-owned businesses.

Performance reporting also remains a concern, as the AGSA identified material misstatements and insufficient supporting evidence for some reported achievements in Programmes 4 and 5.

Overall, while the Department achieved the majority of its targets, persistent weaknesses in performance reporting, financial controls and the alignment between spending and results require continued parliamentary oversight.

7. Key Oversight Issues

- **Qualified audit opinion:** Persistent weaknesses in financial controls, record keeping, social grant administration, transfers and subsidies, and debtor management.
- **Reliability of performance information:** Material misstatements and inadequate supporting evidence, particularly in Programmes 4 and 5.
- **Spending versus performance:** The Department spent 98.3% of its budget but achieved about 80% of its targets, indicating continued misalignment between expenditure and performance.
- **Social assistance underspending:** Approximately R4.85 billion was underspent in Programme 2.
- **Programme 2 reporting inconsistency:** The programme reports 100% target achievement, despite transferring R281.0 billion against the planned R285.9 billion.
- **Irregular expenditure:** Irregular expenditure increased to R77.4 million, requiring stronger consequence management and controls.
- **Outstanding COVID-19 expenditure:** The **R15.134 billion COVID-19 social grant** expenditure remains unresolved.
- **Basic Income Support:** The draft policy was not submitted to Cabinet as planned, delaying progress towards sustainable income support.
- **EPWP work opportunities:** The Department did not achieve its target of 280,964 work opportunities and failed to report the actual number of work opportunities created.
- **Women-owned businesses:** Only 24% of procurement spending went to women-owned businesses against the 40% target.
- **Revision/deletion of targets:** Targets in Programmes 4 and 5 were revised or deleted during the reporting period. This was done following the re-tabling of Budget on the 21 May 2025 by the Minister of Finance.
- **Welfare-service targets:** Delays affected the Supervision Policy for Social Service Professionals and the costing of respite care services for children with disabilities and their families.

- **Internal audit capacity:** Only 7 of 11 planned audits were completed, while the Internal Audit Unit operated at less than 50% of its ideal structure.
- **AGSA action plan:** Recurring audit findings raise concerns about the effectiveness and implementation of corrective measures.
- **Vacancies:** The Department recorded a 10% vacancy rate, which may affect its capacity to deliver on its mandate.
- **Disability representation:** Persons with disabilities constituted only 2.1% of employees.
- **Accuracy of performance reporting:** Inconsistencies in reported targets and achievements, particularly in Programmes 2 and 3, require clarification.
- **Overall accountability:** Continued high expenditure without corresponding achievement of performance targets requires stronger oversight of value for money and service-delivery outcomes.

8. THE SOUTH AFRICA SOCAL SECURITY AGENCY (SASSA)

The mandate of the Portfolio Committee on Social Development as prescribed by the Constitution of South Africa and the Rules of Parliament is to build an oversight process that ensures a quality process of scrutinising and overseeing the department and its entities' action and that is driven by the ideal of realising a better quality of life for all people of South Africa. It monitors whether the Department of Social Development and its entities fulfil their mandate according to priorities. It also conducts oversight over the financial and non-financial performance of the department and its entities by scrutinising their annual reports. Importantly, in relation to the latter, it is mandated by an Act of Parliament (Money Bills Amendment Procedure and Related Matters, No. 9 of 2009) to consider and make recommendations on the budget allocation of the department through the Budget Review and Recommendation Report (BRRR).

The purpose of this analysis is to provide a report on the annual financial and non-financial performance of South African Social Security Agency for 2025/2026 financial year. The mandate for SASSA is to ensure effective and efficient administration, management and payment of the social assistance including related services.

SASSA's work for the medium term period is streamlined towards achieving outcomes as detailed in Five Year Strategic Plan (2025 – 2030) that is aligned to the Government's Medium Term Development Plan (MDTP). SASSA significantly contributes towards the achievement of Outcome 1: Reduced Levels of Poverty and Outcome 2: Improved Customer Experience of the MDTP through the administration and payment of social grants.

8.1 Overview of Financial Performance

SASSA functions through two main programmes, namely, *Programme 1: Administration* and *Programme 2: Benefits Administration & Support*.

Table 6 below shows the medium-term budget allocation and the overall budget cuts. SASSA's budget allocation from 2024/2025 to 2025/2026 financial year will increase by 4% (R322 million). This increase was below the projected increase of Consumer Price Index (CPI) at 4.61% and the cost of living salary adjustment agreed on at 5.5%.

Table 6: SASSA 2024/2025 and 2025/2026 budget allocation

Description	**2024/2025**	**2025/2026**
	R'000	R'000
Baseline Allocation	7 748 437	7 770 816
Additional Allocation	0	300 000
Revised Allocation	7 748 437	8 070 816
% Change to the original allocation	0%	4%
R Y/Y increase/decrease	0	322 378
% Y/Y increase/decrease	0%	4%

8.2 Budget allocation and expenditure per programme, 2024/2025 and 2025/2026

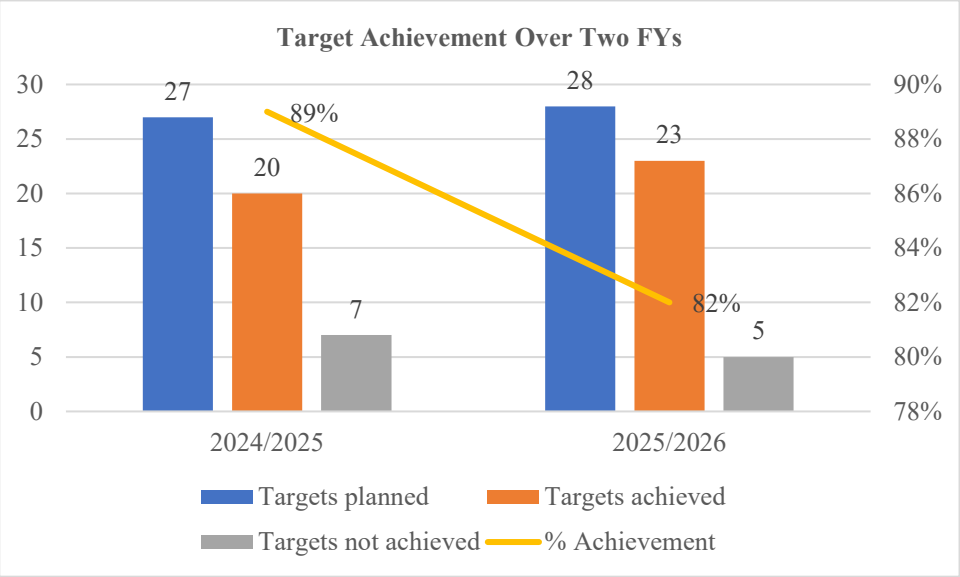
Table 7: Budget allocation and expenditure per programme, 2024/2025 and 2025/2026

Programmes	2024/2025	Actual Exp	Over/Under Exp	2025/2026	Actual Exp	Over/Under Exp
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1: Administration	3 407 663	3 221 857	185 806	4 249 187	3 476 089	773 098
Add: Non-cash items	0	131 634	-131 634		130 580	-130 580
Total appropriation	**3 407 663**	**3 353 491**	**54 172**	**4 249 187**	**3 606 668**	**642 518**
Programme 2: Benefits Administration	4 340 774	3 723 594	617 629	3 821 629	3 881 204	-59 574
Add: Non-cash items	0	0	0	0	12 638	-12 638
Total appropriation	**4 340 774**	**3 723 594**	**617 629**	**3 821 629**	**3 893 842**	**-72 212**
Grand Total appropriation (P1 & P2)	**7 748 437**	**7 077 085**	**671 801**	**8 070 816**	**7 500 510**	**714 730**

Budget allocation and expenditure trends for the two programmes of SASSA indicate that in 2025/2026 it spent a total of R7 500 billion out the allocated budget of R8 070 billion, marking a 93% expenditure. This was slightly higher compared to 91% (R7 077 billion out of R7 748 billion) in 2024/2025 financial year. It underspent by R714 730 million compared to R671 801 million under expenditure in 2024/2025 financial year.

8.3 Overview on Target Performance

Figure 3: Performance Trends



SASSA's non-financial performance rate decreased from 89% in 2024/2025 to 82% in 2025/2026 financial years.

8.3.1 Performance information by programme

Programme 1: Administration

The purpose of this programme is to provide leadership, management and support services to SASSA.

Table 8: Programme 1: Administration Targets and Financial Performance

Targets planned	19
Targets chieved	16
Targets not achieved	3
Performance success rate	84%
Total budget spent	R3 606 billion
Financial expenditure rate	84.9%

Under this programme, SASSA had planned to achieve 19 targets, and it managed to achieve 16 targets, marking only 84% achievement rate which is an increase compared to 67% in the previous financial year. It had an equal expenditure of 84.9%. This indicates a low financial and non-financial performance of this Programme. In 2024/2025, non-financial performance rate was 67%, and financial expenditure stood at 98%. Even though in 2025/2026 there was an improvement in achievement of targets compared to 2024/2025, the performance both financially and non-financially remained lower.

This programme mainly contributed towards the achievement of the MTDP outcome 3 by achieving targets that relate to the following 2025/2026 outputs:

a) **Cost of administering social grants:** the average cost of administering the social assistance per beneficiary was R25 against the projected target of below R37. It contained the administration cost as percentage of social assistance transfers budget at 3% of the total social assistance expenditure against the projected target of below 5%.
b) **Effective financial management:** a total of R239 million out of R721 million social assistance debts was recovered, marking a 33.10% achievement rate against the 4% target.
c) **Implementation of the SASSA Modernisation Plan**: The Front-end web-based (Employee Portal) System was implemented in 432 local offices. A Beneficiary Biometric System across 432 offices. The roadmap for the replacement of SOCPEN legacy system was approved. This project aims to modernise the current SOCPEN platform, addressing outdated technology and improving overall functionality. Ninety five percent (95%) availability of online grants

application system was recorded against the target of 80%. The configured front – end web based system (online social grants application) was implemented to enable intake of all social grants applications,

Phase 1 of Cyber Range Security Operations Centre (SOC) was implemented, which included Security Operations Centre (SOC) expansion from 250 GB/ day to 1,150 GB/day; implementation of User Behaviour Analytics; operationalisation of Threat Intelligence and Take Down Services; and procurement of the Cybersecurity Awareness and Training solution. A total of 7 009 out of 7 533 vacancies were filled, marking 93% achievement against the target of 90%. SASSA has an effective Critical Post Committee (CPC) that monitors the implementation of the recruitment plan. Integrated Communication and Marketing programmes were executed utilising a range of channels, including community engagement initiatives, media outreach, social media platforms, and other avenues identified in the SASSA Integrated Communication and Marketing Plan. These efforts were designed to enhance customer communication, bolster organisational reputation, and effectively convey strategic interventions.

d) **ICT architecture reviewed and optimised:** the target to review the AS-IS Enterprise Architecture was not achieved.
e) **Capacitation of SASSA for optimum performance**: The target to develop a Human Resource Plan Policy was not achieved yet again due to the non-approval of the reviewed organisational structure, which remained incomplete at the end of the financial year. The target to have the Human Capital Management Policy approved was also not achieved because the determination from the Department of Public Service Administration was not finalised by 31 March 2026.

Programme 2: Benefits Administration and Support

The purpose of this programme is to provide a grant administration service and ensures that operations within SASSA are integrated. It also ensures implementation of the full value chain of grants administration.

Table 9: Programme 2: Benefits Administration and Support targets and financial performance

Total targets planned	9

Targets achieved	7
Targets not achieved	2
Performance success rate	78%
Total budget spent	R3 893 billion
Financial expenditure rate	101.1%

For the year under review SASSA had set to achieve 9 targets under this programme. It managed to achieve 7 targets (78%). It had an over expenditure of 101.1% of its allocated budget. This This programme mainly contributed towards the achievement of the MTDP outcomes 1 and 2 by achieving targets that relate to the following 2025/2026 outputs:

a) **Provision of social assistance to persons unable to support themselves and /or their dependents:** a total of 18 838 310 social grants were paid at a cost of R246 billion. This indicates a 2% decline in payments compared to 19 255 361 payments in 2024/2025. The decline is attributed to measures implemented by SASSA to improve operational efficiency, eliminate inclusion errors, and strengthen efforts to combat fraud and corruption. The measures included social grants reviews and beneficiary biometric verification as well as normal attrition.

b) **Reduction of exclusion and inclusion errors:** a total of 1 555 057 children below the age of 2 years were in receipt of children's grants. This represented 55% overachievement against the target of 1 005 893 children. This was due to SASSA's collaboration with the Departments of Home Affairs and Health to ensure that children are enrolled for social grants shortly after birth.

c) **Provision of temporary relief to individuals and households affected by disasters, undue hardships and loss of breadwinner:** a total of 16 946 912 out of 18 017 250 SRD grant applications were processed, marking a 94.06% success rate.

d) **Reduced turnaround times in social grants application process:** a total of 1 412 646 out of 1 656 629 new social grants applications were processed within 7 days, marking 85% success rate against the 90% target.

e) **Informed citizenry:** a total of 48 outreach programmes were conducted against the target of 36 outreach programmes.

a) **Implement measures to reduce long queues at SASSA local offices:** a queue management system was implemented in 264 local offices. The system aims to systematically monitor and enhance efficiency by tracking and reducing the time citizens spend waiting at local offices.

8.4 Human Resources

Table 10: Employment rate and vacancy rate at SASSA, 2024/2025 and 2025/2026

Occupational Group	2024/2025	2025/02/26	2025/2026	2025/2026	% of Vacancies
	No. of Employees	Approved Posts	No. of Employees	Vacancies	
Top Management	9	18	11	7	38.9%
Senior Management	182	304	180	124	40.8%
Professional Qualified	436	889	428	461	51.9%
Skilled	2 206	6 781	2 172	4 609	68.0%
Semi-Skilled	4 368	10 650	4 318	6 332	59.5%
Unskilled	291	314	253	61	19.4%
Total	**7 492**	**18 956**	**7 362**	**11 594**	**61.2%**

The Agency reported that it filled 93% (7 009) of its funded permanent posts including 108 posts filled through internal promotions. Of these promotions, 41 were awarded to females and 67 to males. In addition, it appointed 25 interns as part of responding to the President's call of capacitation of unemployed graduates. In the year under review, it funded only 410 vacant posts. The vacancy rate stands at 61.2% slightly higher compared to 60.5% in 2024/2025.

Table 11: Equity targets and employment targets of people with disabilities

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	3	3	0	2
Professional Qualified	5	6	3	5
Skilled	29	30	23	26
Semi-Skilled	67	65	94	83
Unskilled	1	0	2	0
Total	**105**	**104**	**122**	**116**

Out of the staff complement of 7 362, there are 227 employees with disabilities, who account for 3.08% of the total workforce. This is an increase from 2.9% in 2024/2025, reaching the Government target of 3% equity employment equity for people with disabilities.

8.5. Irregular Expenditure (IE), Fruitless and Wasteful Expenditure (FWE)

SASSA incurred R42 250 thousand in 2025/2026 Irregular Expenditure in the year under review compared to R1 470 million in 2024/2025. A total of R1 590 million Irregular Expenditure was

condoned in compliance with National Treasury PFMA Compliance and Reporting Framework issued in January 2023.

In the year under review, SASSA incurred a total of R4 162 million Wasteful Expenditure, a significant decline from R82 162 million in 2024/2025 financial year. This amount includes a R4 million case SASSA is pursuing through legal process. This matter relates to a contract in amount of R4 million (R75m-R71m) paid to second highest bidder. The claim was lodged against former CEO and former General Manager: Fraud and Compliance. The matter is before the Court. The notice of intention to amend SASSA`s particulars of claim (summons) has been served on both defendants and filed with the court. None of the defendants have objected to the amendments.

8.6. Report of SASSA Audit Committee

The Audit Committee raised concerns about persistent weaknesses in the areas of performance information management, records management, and cybersecurity, as these deficiencies continue to adversely affect the reliability and integrity of reporting. They also affect the safeguarding and accessibility of critical records, and the organisation’s resilience against evolving cyber threats. These challenges may further undermine the effectiveness of governance, service delivery, and the successful implementation of the organisation’s digital transformation initiatives. The Committee also raised a concern about the slow rate of implementation of the Demand Management Plan, which may negatively impact procurement planning, operational efficiency, and the timely achievement of strategic objectives.

8.7. Report of the Auditor-General South Africa (AGSA)

AGSA made the following audit findings for 2025/2026 financial year:

- **Audit opinion**

SASSA received an unqualified audit opinion with material findings. AGSA identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for benefits administration and support. Management did not correct the misstatements.

AGSA found that the financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements on disclosure notes identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

The AGSA also made material findings in relation to the Agency's significant internal control deficiencies. It found that management did not exercise sufficient oversight responsibility over financial reporting in that the financial statements submitted were not prepared in terms of the reporting framework. It further found that management did not adequately review and monitor compliance with applicable laws and regulations, which resulted in a material irregularity. Management also did not ensure that regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information are prepared.

- **Performance audit on Programme 2: Benefit Administration and Support**

SASSA reported an achievement of 1 555 057 against a target of 1 005 893 for the number of children below the age 2 in receipt of children's grants. However, AGSA could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

The AGSA found that the indicator on the number of calls answered at the Call Centre does not relate directly to the achievement of the entity's strategic objective and outcome of improved customer experience through better turnaround time. Consequently, the indicator is not useful for measuring and monitoring progress against the entity's planned objectives.

It also found that the audit evidence presented did not support the 264 achievement of local offices implementing a queue management system against the target of 269. As a result, it 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.

- **Material Irregularities**

During the auditing process, AGSA found that SASSA did not implement appropriate system validations to identify cases where beneficiaries using Quad 7777 IDs were registered for and paid

more than once for a specific grant type. As a result, instances of duplicate payments involving beneficiaries with Quad 7777 ID numbers were identified. This resulted in non-compliance with section 51 (1)(a)(i) of the PFMA and Department of Social Development suffering a likely financial loss. SASSA management reported to AGSA that corrective actions were being implemented through the Agency's formal grant review processes. All Quad 7777 beneficiaries who had not been biometrically enrolled were in a suspension state (i.e. not in payment) and their grants would be lapsed if they failed to make their final representation once their suspension period lapses.

The non-responsive Quad 7777 beneficiaries were referred to the entity's fraud and compliance unit to determine whether:

- any misrepresentation, omission or irregularity may have occurred, and whether corrective, remedial or investigative action - including referral to law enforcement agencies where justified - is warranted in line with applicable legislation and due process
- there were process, control or compliance failures, including potential staff-related irregularities.

9. Key Oversight Issues

Issues for the Committee to note:

- SASSA is implementing the Queue Management System (QMS), which aims to measure the awaiting time of beneficiaries at local offices. What impact has this system had on the lives of beneficiaries? What analysis has been drawn from this system? Or What results has this system produced? Evidence on the ground still show that beneficiaries still face challenges related to digital barriers (lack of data or wifi to access online platforms, poor network coverage and infrastructure, particularly in rural areas), administrative barriers (long queues and staff shortages), unreliable SASSA systems including its website, Call Centre and biometric system, geographic barriers (long distances to SASSA offices and transport costs.[3]

  SASSA also reports in its Annual Report "*that the pace of transformation was moderated by a range of systemic and operational challenges as the Agency continued to mature its technological environment. These included system performance constraints, integration*

[3] Daily Maverick.2026

limitations between critical platforms, and delays in achieving full connectivity with key external stakeholders. Despite these challenges AGSA found that the implementation of the biometric system prevented losses on new beneficiaries approved". Infrastructure gaps, particularly in relation to bandwidth and connectivity, further affected system stability and user experience. In addition, operational pressures emerged in the form of application backlogs, extended turnaround times, and slower-than-expected uptake of digital channels, compounded by delays in records digitisation and misalignment with the evolving operating model."[4]

SASSA reports "*that it introduced interventions reduce backlogs and improve processing turnaround times, while enhancements to digitisation processes and ongoing organisational realignment are progressively aligning operations to a modernised, digital service delivery environment."*[5]

It further reports , "*delays in infrastructure readiness impacted the rollout of certain digital capabilities, while reliance on external data sources, such as death registrations and data quality issues, continued to present risks in relation to payment accuracy and recovery processes. Capacity constraints in debt recovery, data integrity challenges, and identity-related exceptions further underscored the need to strengthen control mechanisms."*[6]

The Committee may need to probe further what these interventions are and their impact. The Committee may also need to implement a more focused or dedicated oversight programme through committee briefings and visits to local offices in identified regional offices.

[4] SASSA Annual Report, 2025. Page 11
[5] Ibid
[6] Ibid

10. NATIONAL DEVELOPMENT AGENCY

The work of the NDA is guided by a number of international and national strategic framework such as the United Nations (UN) Sustainable Development Goals (SDGs), National Development Plan (NDP) Vision 2030, and the Medium-Term Development Plan (MTDP). At the international level, South Africa has committed to achieving the resolutions of the SDGs. The SDGs acknowledge that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development. SDG1 aims at ending poverty in all its forms. Its seven associated targets aim, among others to:

- eradicate extreme poverty for all people everywhere;
- reduce at least by half the proportion of men, women and children of all ages living in poverty;
- implement nationally appropriate social protection systems and measures for all; and
- by 2030 achieve substantial coverage of the poor and the vulnerable.

The NDA, through the Turnaround Strategy has prioritised the following key priorities over the next five (5) years:

- Create a conducive policy environment for economic development and sustainability of communities;
- Create sustainable communities through resource mobilisation from strategic partners and collaborative engagement with other stakeholders within the District Development Model (DDM) mechanism.
- Review and alignment of IT architecture to the NDA model;
- Strengthening NDA institutional capacity, capabilities and skills required to deliver on the mandate of poverty eradication; and
- Diversify NDA development funding sources.

10.1 Overview of Financial Performance

Table 12: Appropriation Statement 2025/2026

Programme	2025/26				2024/25			
	Final Budget In Rand (R'000)	Actual Spend In Rand (R'000)	Over/ Under-spend In Rand (R'000)	Spend rate %	Final Budget In Rand (R'000)	Actual Spend In Rand (R'000)0	Over/ Under-spend In Rand (R'000)	Spend rate %
1. **Governance and Administration**	116 857	116 617	240	99.7%	127 149	105 474	21 675	82.9%
2. **CSO Development**	94 615	95 582	(967)	101.0%	101 633	97 537	4 096	95.9%
3. **Research and Development**	10 232	7 014	3 218	68.5%	7 667	6 335	1 332	82.6%
TOTAL	**221 704**	**219 213**	**2 491**	**98.8%**	**236 449**	**209 346**	**27 103**	**88.5%**

The NDA had a total revenue of R218.1 million against a final budget of R221.7 million, representing 98.4% of budget. Overall expenditure amounted to R219.213 million, or 98.9% of the R221.7 million final budget. However, expenditure was uneven across programmes: Programme 1 spent 99.8%, Programme 2 spent 101.0%, while Programme 3 spent only 68.5% of its budget. The Programme 3 underspending is particularly noteworthy because all four of its performance targets were nevertheless reported as achieved. It recorded a deficit of R1.157 million in 2025/26, compared with a R3.367 million surplus in 2024/25, representing a deterioration in the annual financial result.

Finance income was substantially below budget, at only R60,600 against a budget of R3.20 million. The report attributes this to the absence of funds invested in interest-bearing accounts. Other income was R1.69 million against a R2.20 million budget. The Agency surrendered R23.251 million to National Treasury in December 2025, relating to its 2024/25 cash surplus that Treasury did not permit the NDA to retain. Against the backdrop of its deficit and existing commitments, the NDA subsequently requested Treasury's approval to retain the R5.762 million surplus relating to 2023/24 to provide for contracted and approved operational commitments.

10.2 Overview on Non-Financial Performance

Programme 1: Governance and Administration

This programme promotes and maintains organisational excellence and sustainability through effective and efficient administration.

Programme 1: Administration was the main area of weakness. The organisational structure and Brand Strategy were not approved by year-end. More significantly, only R16.74 million of the R80 million resource-mobilisation target was raised, equivalent to 20.9%, while six of the targeted eight partnerships were concluded. The NDA attributes the resource mobilisation shortfall to a prolonged vacancy in the relevant function.

There were nevertheless improvements in aspects of administration. The NDA resolved 85% of prior-year AGSA findings against an 80% target, while preferential procurement reached 90% against an 80% target.

Table 13: Targets not achieved

Output indicator	Annual target not achieved	Reasons for non-achievement
Approved Organisational Structure	Organisational Structure was not approved as envisaged.	Lengthy consultation delayed sign-off, though a functional structure was adopted
Approved Branding and integrated marketing Communication strategy	NDA did not achieve its target of the consultation process for the Branding Integrated Marketing Communication Strategy.	Brand Strategy developed but approval held back pending costing and affordability; approval will be deferred to 2026/27.
Rand value of resources raised from NDA partnerships	NDA did not achieve to raise R80 million as planned.	R16 740 920,74 raised, below target due to a prolonged vacancy in resource mobilisation.
Number of partnerships established	NDA did not achieve its target to establish 8 Partnerships but instead only 6 were achieved.	Several earmarked partnerships were still under negotiation at year-end of 2025/26.

Programme 2: CSO Development

This programme designs and implements programmes and projects that respond to poverty eradication through sustainable livelihoods. It uses a combination of interventions to support efforts to eradicate poverty in poor communities.

The programme used the District Development Model (DDM) model architecture and mechanisms to deploy its development

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Programme 2 was the strongest-performing programme. All six targets were achieved or exceeded. This included 709 CSOs accessing resources against a target of 600; 3,370 CSOs capacitated against 2,000; 5,132 community members capacitated against 3,000; and 1,755 beneficiaries earning income through projects against a target of 1,500. The target of 22 community engagements was also met.

Grant expenditure was particularly high, with 102% of the allocated grant-funding budget spent against a 95% performance target, following budget reprioritisation once the allocated budget had been fully spent.

Table 4: Targets achieved

Output indicator	Annual target achieved	Reasons for over/ non-achievement
Number of Community Civil Society Organisations (CSOs) that have accessed resources from strategic partners	Over-achieved: 709 against set target of a total 600	Collaboration with key stakeholders provided extra resources that enabled the target to be achieved
Percentage utilisation of NDA grant funding budget for implementation of poverty eradication interventions by CSOs	Over-achieved: 102% against 95% set target.	This was due to budget reprioritisation
Number of Community engagements on poverty eradication conducted	22 Community Engagement as planned	Achieved
Number of beneficiaries participating on income-generating projects	Over-achieved: 1 755 against set target of 1500	This was as a result of enormous support from external and within donor Funders.
Number of Community members capacitated with skills to implement to implement poverty eradication interventions	Over-achieved: 5 132 against set target of 3000	Collaboration with stakeholders within and outside government extended the reach of the capacity-building programme.
Number of CSOs capacitated with skills to implement development interventions	NDA over-achieved its target by capacitating on financial management, project management, conflict management and the legislation and compliance governing CSOs, 3 370 against 2000 target set.	This was driven by the funded poverty eradication projects implemented with CSOs and partners.

Programme 3: Research

This programme is responsible for conducting evidence-based research and evaluations to inform development policy and generate information on best practice.

Programme 3: Research achieved all four targets, including the baseline research study, a policy dialogue, review and alignment of the M&E Framework, and two evaluation studies. The NDA reports that this work was achieved largely by optimising internal personnel despite resource constraints

Table 5: Selected targets achieved

Output indicator	Annual target achieved	Reasons for over-achievement
Longitudinal Research Study on policy impediments conducted	Baseline Data Collection Report was produced	Achieved
Monitoring and Evaluation (M&E) Framework	Monitoring and Evaluation Framework was developed to align it to the Turnaround Strategy.	Achieved
Evaluation Report	1 Evaluation Study was conducted on a virtual platform.	Achieved

Overall performance assessment

Overall performance was 75%, with four KPIs not achieved. This is below the 83% achieved in 2024/25 and the five-year average of 79.4%. All four missed targets were located in Programme 1: Administration.

The results indicate that front-line and core programme delivery was substantially stronger than institutional and administrative performance. Programme 2 delivered significant numerical overachievement and Programme 3 achieved all its targets, while every institutional target that failed was concentrated in Programme 1.

A particularly important oversight issue is the relationship between resource mobilisation and service delivery sustainability. Although CSO-development outputs were strong, the NDA raised only 20.9%

of its R80 million partnership-resource target. This raises a question about whether the current level of programme delivery can be sustained without stronger external resource mobilisation.

There is also an institutional stability concern. The NDA operated during a period in which the Board's term ended on 31 December 2025, the CEO position was vacant, and officials seconded first from the Department of Social Development and subsequently SASSA acted in the position.

10.3 Report of Auditor-General South Africa

- The NDA received an unqualified audit opinion, unchanged from 2024/25.
- No material weaknesses were identified in the selected CSO Development performance indicators. However, there were material compliance and internal-control weaknesses.
- The financial statements initially submitted for audit contained misstatements that should have been prevented or detected through stronger review processes.
- Procurement and contract management remain a concern, with ineffective monitoring identified on a contract valued at R4.436 million.
- The closing balance of irregular expenditure increased from R84.1 million to R87.5 million.
- More concerning is that 60 instances of irregular expenditure had not been investigated to determine whether disciplinary action was required.
- Fruitless and wasteful expenditure under assessment, determination and investigation increased from R2.40 million to R2.48 million, including R78 000 confirmed during the year.

10.4 Human Resources

- The NDA ended 2025/26 with 168 employees, including five employees with disabilities, i.e. 3%.
- The Agency reported a 17% vacancy rate, attributed to a recruitment moratorium linked to the ongoing organisational structure review.
- Personnel expenditure amounted to R147.8 million, representing 67.4% of total expenditure of R219.2 million.
- Personnel expenditure was particularly significant in Programme 2, where it represented 84.9% of programme expenditure, compared with 53.6% in Programme 1 and 44.8% in Programme 3.

- The report identifies the continued vacancies in critical leadership positions, particularly the CEO position, as an issue requiring urgent attention.

10.5 Key Oversight Issues

Financial Performance

- **Deficit position:** The movement from a R3.37 million surplus to a R1.16 million deficit warrants scrutiny, particularly given the NDA's existing commitments.

- **Programme 3 underspending: Only 68.5% of its R9.2 million budget was spent**, yet all programme targets were achieved. This warrants examination of whether the programme was over-budgeted, whether planned activities were delayed, or whether the targets sufficiently reflect the programme's intended use of resources. The latter points are oversight questions arising from the figures, rather than explanations given in the report.

- Programme 2 **expenditure exceeded its programme budget**, with expenditure at 101%, while grant-budget utilisation was reported at 102% following reprioritisation. The Committee may wish to establish precisely how the additional expenditure was funded and authorised.

- **Very low finance income:** Actual finance income of R60,600 compared with a R3.20 million budget represents a significant variance and indicates that the underlying assumptions used to budget for finance income were not realised.

- **Weak resource mobilisation:** Raising only R16.74 million of the R80 million target is both a performance and financial sustainability concern, especially given the NDA's mission to mobilise resources for poor communities.

- **Pressure from commitments and cash resources:** The surrender of R23.25 million, combined with the reported deficit and the request to retain a further R5.76 million to meet commitments, makes cash and commitment management an important area for Committee oversight.

Audit Report

While the unqualified audit opinion is positive, it should not obscure significant weaknesses in the NDA's control environment. The increasing irregular expenditure, outstanding investigations and ineffective contract monitoring point to persistent deficiencies in SCM controls, oversight and consequence management. The key concern is therefore not only whether irregular expenditure is identified, but whether it is investigated promptly, accountability is enforced and recurrence is prevented.

Human Resources

The NDA faces a significant institutional capacity risk. A 17% vacancy rate, prolonged vacancies in key leadership positions and the recruitment moratorium may constrain effective management and implementation. At the same time, personnel costs account for more than two-thirds of total expenditure and almost 85% of Programme 2 expenditure. This warrants scrutiny of whether the NDA's staffing configuration and expenditure are appropriately aligned with frontline service delivery.

The inaccurate programme-level personnel percentages in the Annual Report also raise concerns about quality assurance of reported HR information.

Overall

Weaknesses in internal controls, consequence management, leadership stability, vacancies and information quality require sustained parliamentary oversight.

11. COMMITTEE OBSERVATIONS AND DELIBERATIONS ON THE SOCIAL DEVELOPMENT PORTFOLIO ANNUAL REPORTS

11.1 Department of Social Development

- **Vacancies:** the Committee welcomed the appointment of acting officials but expressed a concern that key permanent leadership posts remained vacant. It emphasised that prolonged acting arrangements could affect accountability, governance stability and the implementation of audit action plans. The Committee called for urgency in filling the Director-General post and other senior posts, including those linked to grant integrity and inspectorate functions.

The Minister undertook to provide detailed written responses to matters that could not be fully addressed during the meeting. She clarified that the appointment of the Director-General was dependent on the President's delegation and indicated an anticipated timeframe for appointment by the beginning of the next financial year. She emphasised, however, that acting officials are expected to exercise the full responsibilities of the posts in which they act and cannot use acting status as a reason for failing to make decisions or implement corrective measures.

The department indicated that the Executive Director post for the Inspectorate had been delayed because of verification of the selected candidate's qualifications, but that the matter had progressed in the current financial year.

- **Audit outcomes:** the Committee raised strong concerns about the department receiving a qualified audit opinion, due to weaknesses in beneficiary records, missing supporting documentation, receivables, contingent assets and recurring control failures. It asked how a qualified audit on beneficiary-record integrity could co-exist with large underspending on grants intended for the poorest households. Members requested details on the number of eligible beneficiaries delayed, suspended or not paid due to verification processes, the value of overpayments, recovery plans, missing files, cases under investigation, and consequence management for officials responsible for recurring weaknesses.

  The department reported that Social Assistance Service Delivery Assurance Committee was established, which brings together relevant officials from the department and SASSA to address policy implementation, beneficiary experience, performance, finance, risk and audit issues. It also reported that a dedicated entity oversight unit had been established in the Office of the Director-General and strengthened through the appointment of a director, with further work planned on oversight frameworks, agency agreements and regular reporting to the Minister.

  It confirmed that concerns about audit coverage had been raised by the Auditor-General and the audit committee. It indicated that its internal audit unit and SASSA's internal audit unit would collaborate to increase audit coverage of social grants, given that grants constitute the bulk of expenditure. The department stated that planned work included audits on major grant types and biometric rollout, with reports intended to serve as early-warning mechanisms before the next external audit cycle.

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- **Financial performance:** the Committee questioned whether the department's expenditure levels reflected meaningful impact. It argued that many reported achievements measured activities, workshops, reports or monitoring visits rather than improved outcomes for beneficiaries. It requested evidence of how capacity-building programmes improved service delivery, how monitoring reports were used, whether reports were available, how often monitoring took place, and whether districts previously monitored continued to receive follow-up oversight.

  The Committee was particularly concerned about the department's underspending of approximately R4.8 billion in a frontline service-delivery environment. It questioned the use of the word "savings" where vulnerable beneficiaries had unmet needs, and asked whether unspent funds could be redirected, rolled over or had to be surrendered to National Treasury. The Committee also raised concerns about the low up take rates of social grants, delayed payments, bank-verification processes, and whether strengthened anti-fraud controls were unintentionally excluding legitimate beneficiaries.

  The department explained that unspent social grant funds are specifically and exclusively appropriated and cannot be redirected without approval. The Department stated that such funds must be surrendered to National Treasury by the required deadline. It explained that a large portion of goods and services expenditure was already committed to mandatory service providers and long-term contracts, but undertook to revisit its technical indicator, target the available procurement balance more effectively, use the central supplier database, strengthen standard operating procedures and adjust procurement scoring to support women-owned businesses.

- **Gender based violence:** the Committee expressed concern about gender-based violence and femicide interventions. Members asked whether the department was satisfied with its overall response, what tangible impact had been achieved on the ground, whether the removal of the gender-based violence calls indicator weakened accountability, and how shelters, victim-support services, psychosocial support and Thuthuzela Care Centres were being supported. Questions were also raised about teenage pregnancy, substance abuse, the effectiveness of behaviour-change programmes, and how the department could prove impact where the Auditor-General had raised concerns about evidence.

  The department acknowledged the severity of the gender-based violence crisis and stated that it was working through interdepartmental structures, national coordination mechanisms and

hotspot-focused interventions. The Department referred to strengthened coordination structures, psychosocial support at Thuthuzela Care Centres and victim-friendly rooms, contract social workers in hotspot areas, shelter support, a recent shelter indaba, work with sector education and training authorities to provide accredited skills programmes in shelters, legislative reforms, prevention campaigns focused on men and boys, and substance-abuse awareness because substance abuse was identified as a driver of violence.

It confirmed that the National Strategy to Accelerate Action for Children had been tabled and approved, and that implementation training was being provided to departments, provinces and civil society. It explained that awareness campaigns on sexual abuse of children had been phased across financial years because of budget limitations, with hotspot provinces prioritised first and remaining provinces covered later. The Department also reported that impact evaluation work was under way on social behaviour-change programmes, including teenage pregnancy prevention, and that evaluation findings would be shared once available.

It committed to strengthening monitoring and evaluation, including through a multi-year evaluation plan, improved planning indicators that better measure outcomes rather than only activities, regular EXCO monitoring of the audit action plan, and quarterly reporting to the Committee on progress. The Department also indicated that managers would be required to account for audit findings while formal loss-control and negligence processes continued

- **Procurement targets:** the Committee raised concerns about the repeated procurement targets for women-owned businesses not being met, noting that the department achieved only about 24% against a 40% target. It asked why women-owned businesses remained underrepresented in procurement, whether the proposed remedial actions were sufficient, and what would be done differently to improve transformation outcomes.

11.2 South African Social Security Agency

- **Biometric verification:** the Committee engaged SASSA extensively on grant access, biometric verification, digital exclusion, queue management and service standards. It raised concerns that beneficiaries in rural areas and people with low digital literacy could be excluded by increased digitisation. The Committee asked how SASSA would guarantee

physical access, assisted services, functional queue-management systems and clear service standards for applicants who could not use online platforms due to connectivity, disability, age or technological barriers.

The Committee recognised the need to prevent fraud but cautioned that older persons, persons with disabilities and eligible beneficiaries must not go hungry because of system failures, fingerprint difficulties, bank verification delays or biometric errors. Questions were asked about how many biometric sites were operational, whether officials bypassed biometric systems when they failed, how data integrity was protected, and whether special assistance was available for frail beneficiaries through home visits.

SASSA indicated that biometric enrolment was contributing to cleaning the grant system, preventing ineligible access and saving public funds. It acknowledged that some eligible beneficiaries could be affected by errors or system challenges and emphasised the need for case-by-case management rather than abandoning verification measures altogether. It stated that digitisation was reducing queues for some beneficiaries through channels such as online applications and WhatsApp, but recognised that beneficiary education, assisted access and partnerships with community structures were necessary to avoid digital exclusion.

Fingerprint Biometric verification system was implemented in all the 432 SASSA offices across all the 9 provinces and the devices, being the Futronic fingerprint readers and cards procured are used to support this solution. SASSA has further procured additional fingerprint biometric scanners to cater for beneficiaries whose fingerprints quality is weak and cannot be adequately captured using Futronic scanners.

The Agency has deliberately designed its anti-fraud controls to minimise the risk of excluding legitimate beneficiaries. In most instances, a potential risk identified through data matching, biometric verification or income verification does not result in the immediate cancellation of a grant. Instead, it triggers a review process during which the beneficiary is afforded an opportunity to explain their circumstances and provide supporting documentation.

Beneficiaries are notified through multiple channels and are generally afforded up to 90 days to respond before a grant lapses. Where beneficiaries cooperate with the review process and are found to remain eligible, their grants continue or may be restored in accordance with the

Social Assistance Regulations. Additional safeguards include local office support, home visits for qualifying frail and bedridden beneficiaries, procurator arrangements, appeal mechanisms and alternative verification processes where standard biometric verification is not possible. The Agency has also expanded communication channels, including SMS notifications and WhatsApp enquiry services, to help beneficiaries understand what action, if any, is required from them.

Ultimately, the objective is to achieve an appropriate balance between protecting vulnerable beneficiaries and protecting public resources. Controls that are too weak expose the social assistance system to fraud and abuse, while controls that are too rigid may inadvertently disadvantage legitimate beneficiaries. SASSA therefore continuously monitors the impact of its controls and refines them where necessary to ensure that eligible beneficiaries retain access to assistance while the integrity of the system is strengthened.

- **Delays in verification processes:** the Committee wanted to know the number of eligible beneficiaries who have experienced delays, suspension of benefits or non-payment as a result of verification processes. It also wanted to know what interventions SASSA is implementing to application backlogs and address slower-than-expected uptake of digital channels? How will infrastructure gaps that affect access to services be resolved? It further wanted to know the number of beneficiaries who experience persistent difficulties at local offices and the average time experienced.

  SASSA reported that together with DSD they do not any have no evidence that a quantifiable number of eligible beneficiaries experienced delays, suspension or non-payment due to verification. Eligibility can only be confirmed once the review is complete; beneficiaries under assessment cannot yet be classified as eligible. Reviews are temporary and corrective, not punitive. Beneficiaries who cooperate and remain eligible continue receiving assistance or have their grants restored under the applicable legislation.

  In the first quarter of 2026/27, approximately 105,600 beneficiaries were reviewed; 48,793 remained eligible, 56,617 were suspended pending compliance, and 5,231 grants were reinstated after beneficiaries met the review requirements. To minimise the inconvenience, SASSA provides SMS notifications, awareness campaigns, local-office and outreach support, and a WhatsApp enquiry platform for checking review status before visiting an office. Beneficiaries may submit further information and have grants restored where continued

eligibility is proven. Verification complaints do not necessarily indicate loss of entitlement. SASSA recorded 7,763 complaints involving biometric verification, identity checks, system issues and assistance requests; these are investigated and resolved individually through established support processes.

SASSA reported that it met its 2025/2026 target to finalise 90% of grant applications within 7 working days, well within the legislated three-month period. Although backlogs are not a systemic national challenge, it is improving access and easing pressure on local offices by deploying about 1,000 contract workers, expanding digital and self-service channels, implementing the revised Queue Management Policy, and continuing service-delivery improvements. Digital uptake remains slower in some communities because of connectivity constraints, limited digital literacy, and a preference for face-to-face services. Digital channels will therefore supplement, not replace, local offices, while infrastructure, outreach, and assisted self-service are expanded as resources allow.

It does not have a verified national or provincial measure of the number of beneficiaries who experience persistent difficulty contacting its offices. It continues to strengthen its customer care function, enhance communication channels, and monitor complaints to identify recurring service-access challenges.

The Quality Management System (QMS) recorded an average national waiting time of 142.3 minutes during the second quarter of the 2026/27 financial year, reflecting an improvement of 18.6 minutes (11.5%) compared to the first quarter average of 160.9 minutes.

Provincial average waiting times for the quarter were 137.6 minutes in the Eastern Cape, 150.2 minutes in the Free State, 139.7 minutes in Gauteng, 150.2 minutes in KwaZulu-Natal, 152.0 minutes in Limpopo, 142.2 minutes in Mpumalanga, 127.3 minutes in North West, 114.7 minutes in the Northern Cape, and 150.3 minutes in the Western Cape.

- **Over payments:** the Committee further wanted to know what is SASSA's time-bound, quantified plan for recovering overpayments and locating missing files? What consequence-management measures will be applied where negligence or misconduct is established? It also wanted to know the number of ineligible beneficiaries and how much has been recovered to date and plans for recovering outstanding amounts.

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SASSA reported that together with DSD they have developed an Audit Action Plan assigning responsible officials and deadlines to each finding. Management, Internal Audit and Audit Committees monitor implementation and sustainability of corrective actions. SASSA monitors missing beneficiary files through an exceptions register. Regions must trace the files, notify beneficiaries where reconstruction requires a review, or suspend and cancel grants where fraud is suspected.

A definitive timeline for recovering all overpayments cannot be provided. Recovery depends on each case, including beneficiary cooperation, debt acknowledgement, repayment arrangements, legal action, and any fraud investigations or proceedings beyond SASSA's control. Where investigations confirm negligence, misconduct or deliberate wrongdoing by officials, action will be taken under applicable disciplinary, labour relations and public finance prescripts. Consequence management will follow only after the facts are established.

The Department of Social Development's 2025/26 Annual Report discloses R1.687 billion in potential, not confirmed, overpayments:

- R5.099 million for possible double-dipping;
- R1.518 billion for beneficiaries with suspected income who did not complete reviews;
- R34.342 million for incomplete review information;
- R129.488 million in potential COVID SRD recoveries pending validation. These remain estimates until reviews, validation and reconciliation are complete.

As at 31 March 2026, the Department also recognised R1.017 billion in social assistance debtors, about R56 million less than the previous year, mainly after writing off R219.445 million in irrecoverable debt, despite new overpayments identified during the year. The statements also record R183.369 million in recoveries for March 2026 not yet surrendered to the National Revenue Fund. The write-off is not money recovered.

Recovery will begin after verification confirms an overpayment and a legally recoverable debt is raised. No definitive timeframe can be set because recovery depends on each case, beneficiary cooperation and finances, repayment arrangements, and possible civil or criminal proceedings. Responsible officials and deadlines are assigned in the Department and SASSA audit action plan, with monthly monitoring.

- **Decline in grants in payment:** the Committee wanted to know the reason behind the decline in social grants in payment, especially in Child Support Grant.

  SASSA reported that permanent grants declined because actual beneficiary volumes were below budget projections, falling from approximately 19.26 million in March 2025 to 18.84 million in March 2026—a decrease of about 416,000, or 2.2 per cent. The Child Support Grant fell from approximately 13.12 million to 12.59 million, the Foster Child Grant from approximately 224,758 to 190,675 and the Older Persons Grant, Grant-in-Aid and Care Dependency Grant continued to grow.

  Reasons beneficiaries exited the system included:

  - Beneficiaries exited because they no longer met eligibility criteria; did not complete required reviews; failed income, identity or other verification; reached the age limit; experienced changes in care or legal status; died; or had duplicate, fraudulent or irregular records removed.
  - Declining birth rates also reduced new entrants.
  - The largest decrease was in the Child Support Grant, where lapses rose by approximately 470,000 in 2025/26. This mainly reflected intensified reviews, age-related exits, incomplete reviews, eligibility changes, unvalidated records and fewer births.

  Measures being taken include:

  - strengthening data matching, income and identity checks, application screening, beneficiary reviews and record maintenance. Compulsory biometric enrolment for new applications, introduced in September 2025, aims to reduce identity fraud, duplicate applications and invalid payments.
  - beneficiaries may submit supporting information, and SASSA assists those unable to complete digital or biometric processes. Confirmed eligible cases are reinstated or processed under the applicable rules.
  - Unspent social grant funds must be surrendered to the National Revenue Fund. SASSA will continue monitoring trends, exclusion risks and assisted access for eligible beneficiaries.

- **Queue Management Systems (QMS): t**he Committee questioned the reliability and impact of SASSA's Queue Management System, noting that implementation figures did not show whether beneficiaries actually waited for shorter periods or received better service. It requested data on average waiting times nationally and provincially, whether QMS was fully functional, and whether beneficiaries, especially older persons and persons with disabilities, were treated with dignity. What service standards apply to applicants who cannot use online application channels because of connectivity or other technology barriers? Concerns were also raised about security guards controlling access to offices, poor treatment of vulnerable beneficiaries, and repeated trips required because applicants were not given complete information upfront.

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  SASSA reported that it revised its national queue-management approach to strengthen physical and assisted access at local offices. Every person arriving at a SASSA office must be admitted into the formal queue and issued with a ticket immediately. Applicants who cannot use online channels because of connectivity, technology or other barriers must be assisted through the local-office service process. Officials are required to begin the application or service request using the information and documents available and provide a formal indication of any outstanding requirements, rather than turning the applicant away. Vulnerable applicants must receive appropriate assistance, while returning clients who are only submitting outstanding information should be prioritised and served without restarting the queueing process.

  To support a functioning QMS, it has retrained staff across all regions on customer care, ticket discipline, queue procedures, the management of vulnerable beneficiaries and managerial oversight. The QMS is used to monitor waiting times, repeat visits, service-completion rates and bottlenecks so that underperforming offices can be targeted for intervention. Approximately 1,000 contract workers have also been deployed nationally to strengthen frontline capacity and reduce backlogs while longer-term staffing solutions are pursued.

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Security guards should not be managing beneficiaries or deciding access to services, and that such incidents should be escalated. It reported that queue-management training and customer-service improvements were being used to address officials' conduct. On 16 October 2026, it will issue a formal instruction to security service providers clarifying that security officers must not manage queues, screen applicants or determine access to services, as these functions fall outside their contractual responsibilities.

The Customer Care Unit within the Grants Administration Branch will communicate this instruction to security officers at local offices. Also, its Security Management will raise the matter at monthly service-level agreement meetings with security service providers and ensure that it remains a standing agenda item. • Security Management, together with local office management, will monitor the conduct of contracted security officers. Non-compliance will result in the application of the relevant contractual penalty clauses.

- **Social assistance programme:** the Committee raised various clarity seeking questions on social grant application processes. These included clarity on declined SRD applications, appeal volumes, appeal outcomes, doctor assessments for disability grants, turnaround times, grant terminations, cash-handling fees (bank charges), and the relationship between grant integrity measures and actual beneficiary access, asylum seeker and refugee grant statistics. The Committee wanted to know the number of asylum seekers and refugees receiving social grants by grant type and legal status category and validation processes used. It also wanted to know what measures SASSA is implementing to address recurring concerns about funeral policy deductions and ensures that beneficiaries understand who is covered under their policies and prevent unauthorised or misrepresented deductions. It also wanted to know if home visits for the elderly and frail are still conducted.

  SASSA explained that it had previously engaged National Treasury and banks on a possible standardised beneficiary product, but competition-law issues had arisen. It reported that it had again written to National Treasury for assistance and explained that bank-verification costs were driven by large monthly volumes of SRD and grant-account validations, as well as beneficiary changes to bank details. SASSA stated that cash-handling fees were linked to the current Postbank arrangement, the future of which depended on court processes and related guidance.

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It has reviewed opportunities to reduce payment-related costs by:

- migrating to direct electronic payments through the National Payment System (NPS),
- reducing reliance on intermediaries, promoting digital payment channels and assessing the fees charged for payment processing, clearing, settlement, switching, bank-account verification and the monthly means test for the SRD R370 grant.
- The review found that the high expenditure is driven mainly by the scale and complexity of the payment environment: SASSA processes approximately 19 million grant payments each month and conducts monthly means tests for approximately 18 million SRD applicants. Consequently, even relatively small transaction charges result in significant aggregate costs.

While alternative banking and payment-service arrangements remain under consideration, no formal comparative assessment has yet produced a finding that another provider can deliver the required national scale, security, reliability and regulatory compliance at a lower total cost. SASSA will engage National Treasury, the South African Reserve Bank and the Department of Trade, Industry and Competition during 2026/27 FY to obtain guidance and explore more favourable tariffs or alternative service arrangements. Any option will be assessed through the applicable procurement and regulatory frameworks and must demonstrate measurable savings without compromising the timely and secure payment of social grants.

It reported that the number of Refugees receiving Normal Social grants are as follows:

- Documented Refugees with an ID book = 3220
- Refugees with Section 24 Refugee Permit = 10324

The number of Asylum seekers and Special Permit holders receiving Covid -19 Social grants is 8,203 as depicted in the table below;

NATIONALITY	Number
	8,203
Angolan SpecialPermitHolder	11
Asylum Seeker	939
Lesotho ExemptionPermitHolder	6,876
Zimbabwean ExemptionPermitHolder	377

These number vary month to month subject to the verification processes followed. Asylum Seekers whose applications have not been legally approved do not qualify to apply for social grants as per the Social Assistance Regulations.

SASSA has introduced compulsory biometric enrolment and verification for all new social grant applicants, including refugees and asylum seekers who apply using alternative documentation. In addition, all existing refugee and asylum seeker beneficiaries are being reviewed to collect and verify biometric information. These measures are intended to strengthen identity management, prevent duplicate applications, reduce identity fraud and improve confidence in the integrity of the social assistance system.

Additional controls have also been implemented to monitor refugee status on an ongoing basis. Refugee reference numbers and permit expiry dates are captured and verified, while monthly control processes identify beneficiaries whose refugee status has expired. Where refugee status is no longer valid, the relevant grant is reviewed and, where appropriate, lapsed in accordance with the legislative framework. These controls assist the Agency in ensuring that social assistance is paid only to persons who continue to meet the legal requirements for assistance

SASSA indicated that it recognises that that there are recurring concerns about funeral policy deductions—including misrepresentation, poor disclosure and unlawful sales practices—undermine public confidence. Funeral policy premiums are the only deductions allowed

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directly from social grants and are regulated under Regulation 29 of the Social Assistance Regulations. Each beneficiary may have only one deduction, capped at 10 per cent of the grant value, with prior consent and through an approved, registered insurer.

Since June 2025, all new funeral policies have required biometric enrolment and consent. Facial recognition or fingerprint verification, supported by liveness checks, confirms the beneficiary's identity and presence at the point of sale, reducing impersonation, mandate fraud and unlawful deductions. Each transaction is linked to a registered intermediary, enabling complaints to be traced. Beneficiaries receive confirmation of policy details, while agents implicated in misselling, fraud or misconduct may be blocked pending investigation.

Beneficiaries may dispute unauthorised, misrepresented or incorrect deductions at SASSA offices, directly with the insurer, or by SMS to 34548. Confirmed fraud, misrepresentation or invalid mandates result in deductions being stopped and beneficiaries refunded. National procedures guide the consistent handling of disputes, cancellations and complaints.

Concerns about beneficiaries not understanding policy coverage relate to disclosure, market conduct and consumer protection. SASSA administers the deduction framework, while the Financial Sector Conduct Authority (FSCA) oversees insurers and intermediaries. SASSA is cooperating with the FSCA and industry to strengthen transparency, fair treatment and beneficiary protection. The aim is to ensure that beneficiaries understand the policy, premium, coverage and their rights to dispute or cancel. SASSA will continue strengthening controls and supporting regulatory action so that deductions remain fair, transparent and in beneficiaries' best interests.

Home visits remain an official SASSA service and have not been discontinued. They are available, where appropriate, to older persons, frail or bedridden beneficiaries, and certain institutionalised persons who cannot reasonably travel to a SASSA office. Eligible applicants may request a home visit through the Agency's customer service channels. Where a beneficiary cannot attend an office in person, they may appoint a procurator to act on their behalf. A trusted person may then assist with grant applications, reviews, administrative processes and other grant-related matters. These measures are intended to ensure equitable access while maintaining the controls required for the administration of social assistance. SASSA remains committed to providing home visits where justified, facilitating procurator

arrangements where appropriate, and ensuring that elderly, frail and other vulnerable beneficiaries are not disadvantaged because they cannot travel to a SASSA office**.**

- **Alternative Payment Solution:** the Committee reiterated its concern about the impact of the closure of pay points, particularly in rural areas, which adversely affected rural economy. It noted that the former Minister Tolashe indicated in SASSA 2025/2026 Annual Performance Plan that SASSA needs to fast track alternative payment solution which will be accessible to beneficiaries in deep rural areas where is there is no payment infrastructure. It expressed a serious concern that SASSA provided no progress made on this matter. It asked SASSA to provide progress made in developing and implementing the alternative payment channels.

- **Audit outcomes:** the Committee raised concerns about delayed fraud investigations, criminal referrals, disciplinary actions (consequence management), recovery of money paid to illegible beneficiaries. It noted that SASSA reportedly achieved 84% of its Programme 1 administration target and filled 93% of funded posts. However, AGSA identified weaknesses in financial reporting, records management and performance information, while the Audit Committee assessed the control environment as only partially effective. It wanted to know how SASSA reconciles its reported institutional improvements with these continuing weaknesses, and what specific measures will ensure that digitisation improves data integrity and financial control.

  SASSA acknowledged that improved performance against Programme 1 targets and the filling of 93% of funded posts do not, on their own, demonstrate that the control environment is fully effective. The reported improvements reflect progress in institutional capacity and operational delivery, while the AGSA and Audit Committee findings identify continuing weaknesses in financial reporting, records management, performance information, reconciliations, beneficiary data quality, debt management and the consistent application of controls. It therefore does not regard the achievements and audit findings as contradictory; rather, they show that progress has been made, but that significant control gaps still require focused corrective action.

  To address these weaknesses, SASSA has implemented a consolidated Audit Action Plan that records each finding, its root cause, the required corrective and preventative measures, responsible officials, implementation dates and supporting evidence. Progress is monitored through management oversight, Internal Audit and the Audit Committee, with unresolved

matters escalated for intervention and consequence management where negligence or misconduct is established. Matters involving the interpretation of accounting standards or the legal point at which a potential overpayment becomes an enforceable debt are being clarified with National Treasury, without delaying corrective action on accepted control weaknesses.

Digitisation will be used as a control measure rather than merely as a conversion of paper records. SASSA is strengthening beneficiary records through biometric enrolment and identity verification, lawful data matching with other government institutions, validation of banking and personal information, automated checks for duplicate, deceased or high-risk records, and targeted beneficiary reviews. Cases identified through data analysis will be subjected to verification and the prescribed review process before a final decision is taken, thereby protecting public funds while ensuring that eligible beneficiaries are not unfairly excluded.

To improve data integrity and financial control, digitised records will be subject to standardised indexing, completeness checks, access controls, audit trails, exception reporting and regular reconciliation between beneficiary, payment, debt and financial systems. Management will monitor data-quality exceptions, unresolved reconciliations, repeat findings and overdue corrective actions, while Internal Audit will test whether the controls are operating effectively. These measures are intended to ensure that digitisation produces reliable, traceable and auditable information that supports accurate financial and performance reporting.

- **Capacity issues:** the Committee also raised concerns regarding the accessibility of local offices, staffing levels, use of contract workers and vacancies and the impact of office infrastructure on service delivery.

SASSA stated that executive management had visited several local offices and observed improvements in queue management, including shorter waiting times in some offices. It acknowledged that the previous year had focused largely on infrastructure rollout and staff training and indicated that an impact-assessment model would be developed to test functionality and effectiveness more comprehensively.

It explained that vacancies could not always be filled immediately because of job-evaluation and recruitment requirements, but that a recruitment plan had been developed and more than 1,000 contract workers had been appointed to support frontline service delivery while permanent recruitment processes continued. It prioritises and monitors the filling of all funded vacant posts through the Critical Posts Committee appointed by the CEO. The appointments of all posts are targeted for completion within the prescribed 120-day turnaround time. The filling of posts is also monitored by EXCO through monthly reporting. On a monthly basis, the Agency identifies employees who intend to exit voluntarily and initiates (advertising of posts) the recruitment process while the incumbents are still in service. The outstanding 228 posts are planned to be filled by December 2026.

- **Lease costs**: the Committee asked if SASSA had conducted an audit to assess value for money for the leases? What were the findings, and what action will be taken where savings or improvements are possible?

SASSA reported that it assesses the value for money of lease agreements at the procurement stage through rental benchmarking undertaken by Supply Chain Management, using available market information, including the Rode Report, together with local market quotations where comparable data is limited. Lease renewals are subjected to the same process. Accommodation procured through the National Department of Public Works and Infrastructure follows the applicable procurement and governance processes. It is in the process of procuring a comprehensive facilities and property management performance audit services.

The audit will amongst others verify lease status, rental costs, municipal charges and property-register information and assess compliance with the Government Immovable Asset Management Act. The bid was advertised in August 2026, and the evaluation process is under way and accordingly, a final consolidated set of audit findings is not yet available. The intended purpose of the audit outcome is to consider areas with potential for savings and improved control, including negotiating lower rentals and escalation rates on direct leases, applying government space norms, optimising accommodation through shared or multi-purpose spaces and hot-desking where appropriate.

The audit review reports will be developed in phased outputs and acted upon immediately starting from the 2026 FY fourth quarter. Once the Building Assessment Audit is completed,

recommendations will be prioritised and costed where applicable. Progress and realised savings will be monitored through the relevant governance structures**.**

11.3 National Development Agency

- **Impact and role of the NDA:** the Committee acknowledged the visible value of some NDA-supported projects, especially where cooperatives and community enterprises appeared to be producing quality goods, accessing markets and generating income. However, some Members questioned whether the NDA provided sufficient value for money as a separate entity and whether some of its functions could be performed directly by the department or provincial departments. The NDA was requested to demonstrate measurable evidence that its interventions create sustainable livelihoods, viable CSOs, jobs and reductions in poverty, rather than only reporting headcounts, workshops or participation figures.

  The Committee was on the other hand encouraged to consider the NDA Act and the broader purpose of the entity before reaching conclusions about its value, noting that the legal mandate contains significant potential for poverty alleviation if implementation, leadership, funding and accountability challenges are addressed.

  The NDA clarified that the Department of Social Development is responsible for national policy, legislation, regulation and sector-wide leadership. The NDA, by contrast, is established to serve as an implementation and partnership mechanism between government and civil society. Its distinct role is to strengthen CSOs, provide grant and capacity-building support and mobilise resources for CSO support and community-driven initiatives. There are areas of interface, particularly in CSO funding, capacity-building, research and community development.

  The NDA is the implementation arm of the Department of Social Development in relation to civil society development and community-driven poverty-eradication initiatives. While the Department provides policy direction, oversight and sector leadership. The NDA translates these priorities into implementation through grant funding, CSO capacity-building, resource mobilisation, research and direct support to community initiatives. The roles are therefore complementary and there is no duplication of work by the NDA; rather, the NDA provides

the dedicated institutional mechanism through which the Department's objectives are implemented in partnership with civil society.

- **Value of the NDA to CSOs:** the Committee wanted to know the value of the NDA to CSOs.

The NDA explained that its value to CSOs lies in its ability to connect government's poverty-eradication mandate with the practical work taking place in communities. Its primary mandate is to help eradicate poverty and its causes by funding and strengthening CSOs that work directly with poor and vulnerable communities.

It also serves as an important funding conduit. It can channel resources from government, foreign governments, bilateral and multilateral partners, the private sector, international organisations and local or international philanthropists to eligible CSOs. In addition, it may provide grants from its own National Treasury allocation. This enables the NDA to bring different sources of funding closer to organisations that understand local conditions and are already serving communities.

The support is developmental rather than purely financial. Alongside grant funding, the NDA helps CSOs strengthen governance, financial management, project management, compliance and service-delivery systems. This combination enables organisations to deliver better-quality services, build credible performance records, attract additional investment and become more sustainable over time.

In practical terms, the value of this support can be seen in the following outcomes:

- Through the funding the NDA has made inroads in ridding the society of the dire effects of poverty, especially to the vulnerable and poor in our society. The grant funding focused on assisting CSOs with seed funding that enables them to provide services to communities.
- Since the 2020/2021 Financial year to date, the NDA has created over 6 000 work opportunities, in order to ensure that economically disadvantaged families have their quality of life improved through participation in the NDA supported community projects;
- Household food security has been improved through support to communal food gardens and small-holder farmers;

- Through funding to the Early Childhood Development Centres, the children within the Centres access services which meet the norms and standards of the sector. This increases their development prospects and provides an opportunity for caregivers to be involved in economic activities;
- In the fight against Gender Based Violence and Femicide (GBVF), grant funding support has been provided to 312 CSOs involved in the fight against Gender Based Violence and Femicide. The CSOs ensure that GBV survivors have improved access to care, support, prevention services and quick access to the justice system. A critical component of the funding was support for the survivors to be involved in income generation ventures to reduce their dependency.

- **Financial performance:** the Committee sought clarity on what the impact would be if National Treasury does not approve the request to retain the R5. 761 million surplus relating to 2023/2024 financial year. It also noted that the NDA surrendered R23. 25 million to National Treasury. The Committee noted that the NDA recorded a surplus in 2024/2025 but a deficit in the year under review. It wanted to know what accounted for this change and what measures are in place to ensure consistent and sound financial management.

  The NDA explained that the National Treasury declined the NDA's request to retain the surplus of R23.25 million primarily because the request for retention was not submitted within the prescribed timeframe stipulated in the applicable National Treasury Instruction. National Treasury advised that, in terms of section 4.1(b) of National Treasury Instruction No. 3 of 2025/26, where a request for retention is not submitted by the prescribed date, the entity is required to surrender the surplus to the National Revenue Fund. As a result, National Treasury directed the NDA to surrender the calculated surplus of R23,250,633.

  The NDA's submission further indicated that out of the surplus declared, approximately R15.1 million related to committed operational expenditure and obligations, while approximately R8.4 million was requested to be retained to support the implementation of the Agency's envisaged organisational structure.

  It submitted a request to National Treasury to retain the R5.762 million relating to the 2023/24 surplus. The Agency motivated that the retention of these funds was necessary to support existing obligations and to preserve liquidity required for the continued implementation of its

developmental mandate. Should National Treasury decline the request, the NDA will comply with the decision and surrender the amount to the National Revenue Fund as required by the applicable legislative and regulatory framework.

The surrender would place additional pressure on the Agency's cash resources and may require the NDA to further prioritise expenditure, carefully manage contractual commitments and implement additional cost-containment measures to ensure the continued delivery of its mandate within the resources available. The Agency would also continue engaging with its Executive Authority and other stakeholders on measures to strengthen its long-term financial sustainability.

Notwithstanding the outcome of the request, the NDA remains committed to maintaining service delivery, meeting its legal and contractual obligations, and ensuring that available resources are directed towards achieving the objectives of poverty eradication and strengthening civil society organisations

The movement from a surplus of R3.37 million in 2024/25 to a deficit of R1.16 million in 2025/26 did not indicate inconsistent management of funds. The two amounts represent the financial results of separate reporting periods, based on the revenue recorded and expenditure incurred in each financial year.

During 2025/26, the NDA recorded a total revenue of R218.06 million and incurred a total expenditure of R219.21 million, resulting in the audited deficit of R1.16 million. The deficit represents approximately 0.5% of total expenditure and arose because expenditure marginally exceeded the revenue available during the year. Although the government transfer of R216.31 million was received as budgeted, finance income amounted to only R60,635, compared to a budget of R3.20 million, because funds were not held in interest-bearing investments. This reduced the income available to absorb expenditure incurred in executing the Agency’s mandate.

Total expenditure amounted to R219.21 million, equivalent to 100.5% of the final expenditure budget, resulting in a marginal overspend of approximately R1.16 million. It is also important to distinguish the annual accounting result from the NDA’s cash and liquidity position. The surrender of R23.25 million to the National Revenue Fund during 2025/26 was recognised

directly against accumulated net assets and did not form part of the expenditure that produced the R1.16 million deficit. It nevertheless materially reduced the Agency's available cash. Cash and cash equivalents declined from R67.56 million at 31 March 2025 to R32.89 million at 31 March 2026.

Accordingly, the change from a surplus to a deficit was attributable to the relationship between revenue and expenditure during the respective financial years, particularly the lower-than-budgeted finance income and expenditure marginally exceeding available revenue. It was not the result of an unexplained loss or disappearance of funds.

Management acknowledges the need to prevent a recurrence and is strengthening financial forecasting, in-year expenditure monitoring, investment and cash-flow management, and the alignment of expenditure commitments with confirmed revenue and available cash resources.

- **Under expenditure:** The Committee wanted to know the cause of underspending in Programme 3. Was it attributable to internal capacity constraints, budget-planning weaknesses or other factors?

  The NDA explained that the reported underspending of 68.5% under Programme 3: Research was incorrect and arose from a presentation error. Programme 3 achieved expenditure of approximately R7.0 million against a budget of R6.5 million, resulting in a budget utilisation rate of approximately 106.5%. During the 2025/26 financial year, the Research Programme successfully implemented key research and evaluation initiatives, including:
  - An evaluation of the NDA's capacity to implement the Turnaround Strategy; and
  - A rapid assessment of NDA-funded Community-Owned Enterprises.

  The expenditure incurred on these studies and related activities resulted in Programme 3 exceeding its approved budget allocation and therefore the programme did not underspend.

- **Non-financial performance:** the Committee raised concern that the NDA had achieved only 20.9% of its R80 million resource-mobilisation target. It questioned why such a target had been approved if the organisation lacked capacity to achieve it, how the shortfall of R63 million affected CSOs and communities, and what would be done to improve fundraising locally and internationally. It also asked how the NDA intended to scale successful projects

so that they reach more wards and communities, and what support would be required from National Treasury and Parliament to expand impact.

The NDA explained that the shortfall did not represent the withdrawal of the NDA's baseline allocation, but it constrained the scale, reach and pace of interventions that would otherwise have been supported through successfully mobilised resources. For CSOs, the practical effect was reduced opportunity for additional grant funding, institutional capacity-building, technical support and follow-up assistance. It also limited the NDA's ability to extend support to a larger number of organisations, intensify assistance to existing beneficiaries, and bring potentially viable community initiatives into the funding pipeline.

For the communities served by CSOs, this translated into fewer or delayed opportunities to benefit from services and development initiatives such as livelihood support, enterprise development, job-creation activities and community-based responses to poverty and vulnerability. The impact was therefore primarily one of foregone expansion and reduced reach, rather than the automatic termination of all existing services.

The NDA continued to implement its approved programmes within the resources available and prioritised existing legal, contractual and grant commitments. The Agency is strengthening its resource-mobilisation approach by broadening engagement with government, the private sector, development finance institutions, donors and other partners; improving the development of fundable proposals; and pursuing co-funding and partnership arrangements. The NDA will also strengthen reporting on the value of resources mobilised, the number of CSOs supported, the communities reached and the developmental outcomes achieved, so that the impact of future funding gaps can be quantified more directly.

- **Organisational structure:** the Committee questioned the delayed organisational structure and the implications for implementation, accountability and capacity. It wanted to know when the structure would be approved and implemented, how the absence of a final structure affected delivery, and whether the NDA's staffing model was aligned to its mandate.

  The NDA reported that it was operating and implementing its work in accordance with the organisational structure that was approved in 2018. This approved structure remains the formal basis for the Agency's staffing establishment, allocation of responsibilities, reporting

lines and operational activities. Accordingly, the absence of approval for a proposed or revised organisational structure is not a hindrance to the NDA executing its mandate. As such the Agency continues to function within the parameters of the existing approved and funded 2018 structure until such time as a revised structure is formally approved and funded. Where vacancies arise because of natural attrition, the organisation fills the gap through secondments and fixed term contract employment.

The implementation of the approved organisational structure will take place in a phased approach, over two financial years once the structure is approved. The basis for the two financial years was (1) budget considerations (funding of the structure) and (2) the period it might take to recruit critical and scarce skills which the organisation may not currently employ.

- **Consequence management:** the Committee also raised concerns about lack of consequence management, especially failure to invest funds in an interest-bearing account, the resulting loss of potential interest, the deficit, and the need to hold responsible officials accountable**.**

  The NDA indicated that a senior finance official was placed on precautionary suspension pending an investigation into allegations of financial misconduct, governance breaches and related matters concerning the failure to earn expected interest. It noted that the investigation process had not yet resulted in a disciplinary outcome and that further reporting could be provided once the investigation was finalised.

  As the forensic investigation has not yet been finalised, it would be premature to attribute responsibility to a particular individual or to disclose details that could compromise the integrity of the investigation and the relevant employee's right to due process. Once the investigation has been concluded, the NDA will consider its findings and implement appropriate consequence-management measures where wrongdoing, negligence or non-compliance is established.

- **Research findings and impact:** the Committee interrogated the NDA's research function, asking how research data is disseminated, who the target audiences are, how research informs decisions, and what policy or programme changes have resulted from completed studies. It asked for research-to-policy metrics and evidence that research outputs benefit poor

communities. It also questioned how the NDA monitors whether capacitated CSOs remain compliant, financially viable, operational and sustainable after receiving training or funding.

The NDA acknowledged that there had been a weak link between research, advocacy and policy impact. It reported that a policy advocacy framework and research dissemination framework had been developed to strengthen stakeholder engagement, improve dissemination and ensure that research informs policy and practice. It further reported that it had started a three-year longitudinal study on barriers affecting CSOs, with the intention that the completed phases would inform practical policy recommendations in the outer years. It identified intended research audiences as government departments, academic and research institutions, the private sector, donors, international partners, the general public and other stakeholders, with dissemination channels including reports, policy briefs, webinars, public dialogues, media releases, social media and policy workshops.

It disseminates research findings through published research reports, policy briefs, stakeholder dialogues, roundtables and conferences, as well as publications accessible through its website. The Policy Advocacy Framework (2025) which the NDA developed in collaboration with HSRC provides a structured approach to using research evidence to inform policy engagement, advocacy and recommendations for policy reform.

It utilises research findings to inform strategic planning, policy advocacy priorities and stakeholder engagements. Research evidence assists the Agency in identifying policy and regulatory barriers affecting CSOs and informing interventions aimed at strengthening their capacity to contribute to poverty eradication. For example, findings from the initial phase of the longitudinal study are informing the focus and approach of subsequent research phases, with the intention of generating evidence to guide policy recommendations and programme improvements. However, it recognises the need to strengthen the systematic integration of research findings into internal decision-making, particularly in relation to CSO funding, capacity-building interventions and programme design.

- **Community Owned Enterprises (COE):** the Committee wanted to know the viability of the Community Owned Enterprise approach. It also wanted to know if any research had been conducted in in South Africa or internationally, on successful community-owned enterprises that drive local economies, including their success rate, sustainability and income stability.

The NDA maintained that the Community-Owned Enterprise approach is viable because it places local people at the centre of economic development. A COE is created, governed, managed and owned by community members to meet shared local needs and build a more self-reliant local economy. Its viability, however, depends on effective governance, appropriate skills, access to markets, sound financial controls and the ability to generate income beyond grant funding. When these foundations are in place, the model offers the following strengths:

- ***Community ownership:*** Community members participate in establishing, governing and managing the enterprise. This strengthens accountability, commitment and a shared interest in its success.
- ***Needs-driven development:*** The enterprise is designed around local economic, social, environmental or cultural priorities, making it more relevant to the community it serves.
- ***Potential to scale:*** A successful enterprise can expand its products, services and employment opportunities as community skills, market demand and available resources grow.
- ***Partnership-based growth:*** COEs can draw on existing community networks while building partnerships with government, the private sector, funders and development institutions.
- ***Local economic circulation:*** By producing goods or services for viable markets and sourcing locally where possible, the enterprise helps keep income and economic activity within the community.
- ***Long-term sustainability:*** Shared ownership spreads responsibility and risk. The goal is to build an enterprise that earns revenue, reinvests in its operations and gradually reduces its dependence on grants or donations.

It is implementing a three-year longitudinal study examining policy and regulatory impediments affecting Civil Society Organisations, cooperatives and social enterprises, including barriers arising from municipal by-laws that may constrain their development and participation in the mainstream economy.

The study is being implemented in three phases. Phase 1, completed in 2025/26, gathered insights from NDA development practitioners who work directly with communities and support development interventions. Phase 2, that is underway in 2026/27, focuses on the experiences and perspectives of CSOs themselves. Phase 3, planned for 2027/28, will engage policymakers and regulatory authorities to triangulate findings from the preceding phases and develop evidence-based recommendations for policy and regulatory reforms.

In addition, the NDA has developed a substantial body of research covering key development priorities, including CSO development, the role of cooperatives in advancing South Africa's Economic Reconstruction and Recovery Plan, youth development, economic transformation, job creation, and sustainable food value chains as pathways out of poverty, among others.

- **Identification of beneficiaries:** the Committee wanted to know how the NDA identifies beneficiaries for funding.

The NDA explained that it identifies beneficiaries through an inclusive, community-based process that begins with understanding the development needs of communities, particularly in areas with high levels of poverty, unemployment and limited economic activity. NDA Development Practitioners engage communities and civil society organisations through profiling, dialogue and needs assessments. This helps the NDA identify local priorities, understand the capacity of existing organisations and determine the most appropriate support. Potential beneficiaries are therefore not identified only through submitted funding applications. The process also includes consultation with CSOs, assessment of their institutional capability and consideration of whether the proposed programme demonstrates a clear community benefit, long-term sustainability and the ability to strengthen community skills and livelihoods. Proposals that meet these requirements are subjected to the NDA's assessment, due-diligence and approval processes before funding is awarded.

- **CSOs sustainability:** the Committee wanted to know how CSOs create sustainable livelihood in communities.

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The NDA reported that CSOs create sustainable livelihoods when they move communities beyond short-term relief and help people build lasting sources of income, food security, skills and productive assets. Because CSOs are rooted in the communities they serve, they are often well placed to identify local opportunities, organise participants and connect development support to real needs.

- **Creating a foundation for local economic activity:** NDA seed funding enables CSOs to start or strengthen community projects that respond to local needs. This support helps organisations acquire basic assets, improve production and demonstrate a record that can attract further public or private investment.

- **Expanding work and income opportunities:** Since the 2020/2021 financial year, NDA-supported projects have created more than 6 000 work opportunities. These opportunities allow members of economically disadvantaged households to earn income, gain experience and participate more actively in their local economies.

- **Strengthening household food security:** Support for communal food gardens and small-holder farmers improves access to food while also creating the potential for surplus production, local sales and longer-term livelihood opportunities.

- **Funding of projects:** the Committee noted that the NDA is involved in small projects and does not provide funding for the whole operations of the organisation.

The NDA acknowledged that its funding may not cover the full operational costs of a civil society organisation. However, its role is not limited to financing isolated “small projects”. Its approach is to unlock the potential of organisations and communities through targeted grant funding, capacity-building and partnerships that create a foundation for growth and sustainability. Through seed and catalytic funding, it assists organisations to strengthen or expand initiatives that respond to identified community needs. This support can help an organisation acquire essential equipment, improve production or service-delivery systems, strengthen governance and financial controls, develop staff and community skills, and demonstrate measurable results. A credible performance record places the organisation in a stronger position to attract additional funding from government, the private sector, development partners and other donors.

The NDA also unlocks potential by connecting funded initiatives to wider markets, technical support and strategic partnerships. The intention is therefore to use limited public resources strategically: to reduce barriers that prevent promising CSOs and community-owned enterprises from progressing, to stimulate local economic activity and work opportunities, and to support organisations towards greater self-reliance rather than permanent dependence on a single grant. While the scale of NDA resources remains a constraint and cannot meet every operational need, the value of its intervention lies in its catalytic effect. When funding is combined with organisational strengthening, market access, partnerships and effective monitoring, even a targeted intervention can unlock broader and more sustainable development outcomes for an organisation and the community it serves.

12. OVERALL CONCLUDING REMARKS BY THE MINISTER

The Minister thanked the Committee for a robust, constructive and frank engagement. She stated that the department values the Committee's oversight role and that the issues raised provide important guidance for the Department and its entities. She undertook that the recommendations and concerns would be taken seriously and translated into measurable improvements in the work of the department, SASSA and the NDA.

She indicated that processes to appoint the NDA Board were under way and would be concluded, after which the appointment of the NDA Chief Executive Officer would be initiated. She stated that the intention was to avoid unnecessary delays while ensuring that appointment processes are conducted properly and in line with applicable requirements.

On queues at SASSA offices, the Minister acknowledged the Committee's concerns and reported that she had personally visited service offices in several areas to understand the beneficiary experience. She stated that long queues, long waiting times and the treatment of older persons and persons with disabilities remained a concern. SASSA would continue working to reduce queues, improve waiting times and ensure that beneficiaries are treated with dignity and respect. She apologised for instances where staff members were rude and emphasised the need for ongoing training grounded in dignity, respect and service to vulnerable people.

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The Minister defended the role of biometric enrolment and verification in strengthening grant-system integrity, reducing fraud and avoiding duplication, while acknowledging that accuracy and the quality of data captured must improve. She stated that cases brought to her attention through site visits and direct beneficiary communication had provided insights into both the strengths and weaknesses of the system. She also reported that additional ICT measures, including expansion of digital channels such as the WhatsApp service, were being implemented to improve access and reduce system interruptions.

She acknowledged concerns about beneficiaries being sent back repeatedly for different documents and stated that this related to the need for training and clearer communication by staff. She emphasised that older persons and people who are ill should be prioritised at service points. She also noted that the demand for SASSA services is very high and that more than 1,000 contract workers had been appointed to strengthen frontline capacity while permanent vacancies are addressed.

On gender-based violence, shelters and children's services, the Minister referred to the shelter indaba and engagement with service providers as part of efforts to strengthen services. She also highlighted a children's summit where children presented provincial reports and raised issues including parenting, online safety, inclusion of children with disabilities, and the need for services to be responsive to their lived experience. She stated that these engagements provided important learning for the department.

The Minister concluded that officials in the department and its entities are working under demanding conditions, particularly SASSA because of the high demand for services. She stressed that doing one's best must be accompanied by continuous improvement. The department did not view the Committee's concerns as criticism, but as an opportunity to improve the quality of services provided to vulnerable people. She welcomed the Chairperson's reminder that members should consider the NDA Act and noted that poverty alleviation is a shared responsibility across government, with the department and NDA contributing within their respective mandates.

The Minister noted the Committee's recommendations that the Director-General post and other senior posts linked to grant integrity and inspectorate functions should be filled urgently, governance and entity oversight should be strengthened, responsibility should be assigned for recurring audit weaknesses, and consequence management should be applied. She further noted that the department

and SASSA should reconcile beneficiary records, resolve missing files, quantify beneficiaries delayed, suspended or not paid during verification, report overpayments, recoveries, investigations and deadlines, and ensure that anti-fraud and bank-verification controls do not exclude eligible beneficiaries.

She acknowledged that capacity-building and monitoring should be supported by accessible reports and measurable evidence of improved service delivery, including the impact of gender-based violence, shelter, child protection, teenage pregnancy, substance-abuse and behaviour-change interventions. The Minister also noted the need to address grant underspending, strengthen internal audit and financial controls, improve procurement opportunities for women-owned businesses, and reduce avoidable bank, cash-handling and lease costs.

The Minister recognised that SASSA should guarantee physical and assisted access, functional queue-management and biometric systems, clear service standards, reported waiting times, adequate staffing, accessible offices, home visits, complete application guidance and dignified treatment of older persons and persons with disabilities, and should provide detailed follow-up on SRD appeals, grant terminations, fraud outcomes, recoveries, refugee and asylum seeker statistics, grant decreases, child support grant exits, doctor assessments and beneficiary verification impacts.

The Minister further noted that the NDA should finalise its organisational structure, strengthen consequence management and cash-flow planning, improve resource mobilisation and surplus-retention processes, demonstrate sustainable livelihoods, viable CSOs, jobs, income, support for women and youth, sustainable cooperatives and poverty reduction, strengthen research dissemination and research-to-policy evidence, monitor CSOs beyond initial support, scale successful projects, identify support required from Treasury and Parliament, and ensure that assessments of its value take account of the NDA Act and the entity’s broader mandate. The Minister undertook that progress on all these recommendations would be monitored and reported to the Committee.

13. COMMITTEE RECOMMENDATIONS

13.1 Department of Social Development

- The Minister should ensure that the long standing vacancy in the position of the Director-General as well as other senior management positions, including the Director for the Social Assistance Inspectorate, are filled within the 2026/2027 financial year. There is an urgent need to restore institutional stability, governance, integrity in the grant administration; strengthened entity oversight and functioning inspectorate.

- The Minister should also ensure that Department in the performance reports for 2027/2028 financial year going forward demonstrates how capacity-building and monitoring improve service delivery; make monitoring reports available; sustain follow-up oversight; and provide measurable evidence of the impact of gender-based violence, shelter, child protection, teenage pregnancy, substance-abuse and behaviour-change interventions.

- The Minister should also ensure that the Department during the 2026/2027 and 2027/2028 financial years strengthens its internal audit committees as well as SASSA's audit committee to audit the administration of social grants (transactions) and ensure that supporting documentation for receivables, contingent assets and irregular expenditure controls are correctly recorded.

- The Minister should endure that within 90 days after the adoption of this Report DSD and its entities (SASSA and NDA) present time bound consequence management implementation reports outlining progress, progress in addressing the 61 DSD cases and 60 NDA cases. The reports must be accompanied by evidence of investigation instituted and disciplinary actions taken.

13.2 The South African Social Security Agency

The Minister should ensure that SASSA during the 2027/2028 financial year develops an integrated control framework with its stakeholders (government departments and financial institutions) to strengthen its beneficiary management controls, exchange and reconciliation of beneficiary information and records to eliminate leakages in the social grant payments. The substantial increase of social grants paid after death from R18.6 million in 2024/2025 to R211. 6 million in 2025/2026 financial year is a matter of serious concern that needs urgent intervention. It is equally concerning that the rand value of social grants paid due to weakness in the application of the Persal Means Test also increased from R260.7 million to R266.8 million.

In pursuant to the above recommendation, the Minister should ensure that SASSA during the 2027/2028 financial year furnishes the Committee with comprehensive reports detailing the number of beneficiaries verified, discrepancies identified and resolved, fraudulent of ineligible payments prevented, financial losses recovered and outstanding cases requiring investigation. These reports should be supported by verifiable records and internal audit assurance to enable Parliament to determine whether the interventions are yielding measurable reductions in financial leakages without unjustifiably excluding eligible beneficiaries.

- The Minister should ensure that SASSA through its customer care programme and Queue Management System develops a mechanism that not only measure the average waiting time but will also record beneficiaries who persistently encounter difficulties at SASSA offices and on its online platforms as well as individual waiting time. Evidence on the ground shows that beneficiaries continue facing difficulties at SASSA offices and on online platforms. Implementation of the Queue Management System has not resulted in improved waiting times and subsequently reduction of queues.

- The Minister should ensure that SASSA within the 2027/2028 financial year develops and implements the Alternative Payment Solutions, that aims to redress the impact of the closure of pay points, particularly in the rural areas. The Committee recommends that this intervention should be reflected in SASSA's 2027/2028 Annual Performance Plan.

13.3 The National Development Agency

- The Minister should ensure that the NDA within the 2026/2027 financial year finalises the appointment of a permanent Chief Executive Officer, the Board, which is key to restore governance, institutional and financial stability, including resource mobilisation (donor funding). The surrender of R23. 25 million surplus to National Treasury because the request for retention was not submitted within the prescribed timeframe as stipulated in the National Treasury Instruction is regrettable and demonstrates the serious impact of the leadership void in the organisation. Lack of consequence management, unresolved irregular expenditure and wasteful and fruitless expenditure are also a demonstration of lack of a permanent leadership.

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- Equally, the Minister should ensure that the NDA within 2026/2027 and 2027/2028 financial years finalises and implements the organisational structure as the Agency reported it will take two financial years to implement it.

- The Minister should also ensure that from the 2027/2028 financial year, reporting of the NDA moves beyond output reporting and demonstrates sustainable livelihoods, viable CSOs, jobs and income generation, support for women and youth, sustainable cooperatives and poverty reduction.

Report to be considered

9. BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON HIGHER EDUCATION ON ITS ASSESSMENT OF THE 2025/26 ANNUAL REPORTS OF THE DEPARTMENT OF HIGHER EDUCATION AND TRAINING AND ENTITIES, DATED 14 OCTOBER 2026

The Portfolio Committee on Higher Education (hereinafter the Committee), having assessed the 2025/26 Annual Reports of the Department of Higher Education and Training (hereinafter the Department), Council for Higher Education (CHE), Quality Council for Trades and Occupations (QCTO), South African Qualifications Authority (SAQA), reports as follows:

1. INTRODUCTION AND MANDATE OF THE COMMITTEE

1.1. Introduction and mandate of the Committee

The National Assembly (NA) Committees are required in terms of Section 5 of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009) to annually assess the performance of each national department and thereafter submit a Budgetary Review and Recommendation Report (BRRR), which will provide an assessment of the department's service delivery performance given available resources, an assessment of the effectiveness and efficiency of the department's use and allocation of available resources, and recommendations on the forward use of resources.

Section 55(2) of the Constitution of the Republic of South Africa, 1996 stipulates that *"the National Assembly (NA) 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 (i) national executive authority, including the implementation of the legislation; and (ii) any organ of state."*

1.2. Purpose of the BRR Report

The report accounts for the work done by the Portfolio Committee on Higher Education in assessing the 2025/26 Annual Reports of the Department, CHE, QCTO, and SAQA in accordance with section 5 (2) of the Money Bills Amendment Procedure and Related Matters Act, 2009, which mandates all committees of the National Assembly (NA) to annually submit BRR reports for tabling in the NA for each department. On 30 September 2026, the Speaker of

the National Assembly referred the Higher Education and Training Portfolio Annual Reports to the Portfolio Committee for consideration and reporting.

1.3. Method

The Portfolio Committee convened briefing sessions on 2 and 7 October 2026 with the Auditor-General of South Africa (AGSA), the Department, CHE, QCTO, and SAQA. During these briefings, the Committee received and scrutinised the presentations on the audit outcomes of the Higher Education and Training Portfolio. The Department and entities further presented their 2025/26 Annual Reports, which were assessed and scrutinised by the Committee as part of the BRRR process.

2. RELEVANT POLICY FOCUS AREAS

2.1. National Development Plan (NDP) Vision 2030 and the Medium-Term Development Plan (MTDP) 2024-2029

The NDP identifies decent work, education, and the state's capacity as important priorities. For the post-school education and training sector, the NDP envisages that by 2030, South Africans should have access to the highest-quality education and training. The education, training, and innovation system should cater to different needs and produce highly skilled individuals. The NDP also emphasises that the graduates of the post-school system should have adequate skills and knowledge to meet the current and future needs of the economy and society. It has set targets for the post-school system to increase enrolment and participation and improve quality and efficiency by 2030.

The main objective of the Medium-Term Development Plan (MTDP) 2024–2029 is to strategically guide the work of the 7th Administration to achieve the goals set out in the Statement of Intent of the Government of National Unity (GNU) and the National Development Plan (NDP). To achieve these goals, the MTDP 2024-2029 identifies three strategic priorities that 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.

These three Strategic Priorities, with a set of policy choices and priority interventions, will be implemented across all government departments and will be overseen and monitored by the centre of government. This approach aims to focus effort and resources behind an ambitious

but achievable set of goals that can drive delivery while presenting a clear vision for the society the country wants to create. While they do not displace other programmes and commitments, they are essential to the economic growth agenda and should be prioritised for immediate implementation.

2.2. White Paper for Post-School Education and Training (WPPSET)

The White Paper articulates a vision for an integrated post-school education and training system, with all institutions playing their role as part of a coherent but differentiated system. The White Paper sets out strategies to expand the current provision of education and training in South Africa, improve its quality, and integrate various strands of the post-school system. The White Paper sets out interventions for implementation by different sectors within Post-School Education and Training.

2.3. National Plan for Post-School Education and Training (NPPSET)

The NNPSET serves as a roadmap for the development and revitalisation of the Post-School Education and Training (PSET) system to 2030. Its overarching goal is to ensure that, by 2030, the PSET system is socially just, responsive and well-coordinated, providing access to a diverse range of quality education and training opportunities. It further aims to ensure that students have a reasonable prospect of success and that stronger linkages are established between education and the world of work

2.4. National Skills Development Plan (NSDP)

The NSDP seeks to ensure that South Africa develops adequate, appropriate and high-quality skills that contribute to economic growth, employment creation and social development. It serves as the primary policy framework guiding the work of skills levy institutions until 2030 and has been developed within the broader policy context of the National Development Plan (NDP) and the White Paper for Post-School Education and Training.

3. OVERVIEW AND ASSESSMENT OF THE DEPARTMENT'S NON-FINANCIAL PERFORMANCE PER PROGRAMME FOR THE 2025/26 FINANCIAL YEAR

For 2025/26, the Department had 82 annual targets, comprising 51 direct outputs managed within the Department and 31 system/institutional targets (MTDP Outcomes-related targets). Overall, the Department achieved 55 of the 82 targets, representing an achievement rate of 67%. This reflects a significant improvement of 18% compared to the 49% achievement

rate recorded in 2024/25. When performance is disaggregated, the Department achieved 78% of its direct output targets but only 48% of its system targets, indicating significantly stronger performance in areas under its direct control than in broader system-level interventions.

The Department's overall performance over the three financial years has been inconsistent. Performance declined from 51% in 2023/24 to 49% in 2024/25, before improving significantly to 67% in 2025/26. While the improvement in 2025/26 is commendable, it nevertheless remains disproportionate to the Department's high expenditure levels of over 99%. Although the Department has demonstrated strong financial spending capacity, challenges persist in translating financial outputs into intended service delivery outputs.

The Department's programmes and their related achievement against the direct output performance targets for the 2025/26 financial year are presented below.

Table 1: The Department's programme direct output target performance for the 2025/26 financial year

PROGRAMMES	APP Targets 2025/26	Achieved	Not Achieved	% Achieved	% Budget Spent
Programme 1: Administration	9	6	3	67%	98.5%
Programme 2: Planning, Policy and Strategy	14	10	4	71%	99.1%
Programme 3: University Education	12	10	2	83%	100.0%
Programme 4: TVET Colleges	5	5	0	100%	99.8%
Programme 5: Skills Development	5	3	2	60%	97.3%
Programme 6: CET Colleges	6	6	0	100%	9946%
Total	**51**	**40**	**11**	**78%**	**99.9%**

Source: DHET (2026)

The Department's programmes and their related achievement against the system/institutional output performance targets for the 2025/26 financial year are presented in Table 2.

Table 2: The Department's programme system/institutional output target performance for the 2025/26 financial year

PROGRAMMES	APP Targets 2025/26	Achieved	Not Achieved	% Achieved
Programme 1: Administration	-	-	-	-

Programme 2: Planning, Policy and Strategy	1	0	1	0%
Programme 3: University Education	16	7	9	44
Programme 4: TVET Colleges	5	2	3	33%
Programme 5: Skills Development	4	2	2	50%
Programme 6: CET Colleges	5	4	1	80%
Total	**31**	**15**	**16**	**48%**

A notable concern is the performance against system/institutional targets, which achieved only 48%, with 15 of the 31 targets achieved and 16 not achieved. Given that these targets relate to the broader sector outcomes and the achievement of the MTDP objectives, the underperformance rate raises concerns about the Department's ability to influence, monitor and coordinate performance across the PSET system. Failure to achieve more than half of these targets may have implications for the attainment of national priorities relating to improved access, improved success and efficiency, improved quality and a responsive PSET system.

The poor performance on system/institutional targets is particularly concerning given that the largest share, R128 billion of the Department's total budget of R142 billion in 2025/26, was allocated to transfers and subsidies aimed at achieving system-level outcomes, including university education, TVET and CET colleges, NSFAS, SETAs and the National Skills Fund (NSF) for the skills development initiatives.

3.1. Non-financial performance per programme

3.1.1. Programme 1: Administration

The programme provides strategic leadership, management, and support services to the Department. It has six budget sub-programmes: Ministry, Department Management, Corporate Management Services, Office of the Chief Financial Officer, Internal Audit, and Office Accommodation.

For 2025/26, the programme had nine direct output targets, of which six were achieved, representing an achievement rate of 67%. This represents a marginal decline from the 70% achievement rate recorded in 2024/25.

Key selected targets achieved:

The Department implemented President Ramaphosa's 2025 State of the Nation Address (SONA) policy priorities aimed at transforming the economy through inclusive public

procurement practices that promote equitable participation by businesses owned by women, youth, and persons with disabilities. In this regard, the programme exceeded all its procurement transformation targets, achieving 46.8% against the target of 40% for women-owned businesses; 30.18% against a target of 25% for youth-owned businesses; 76.45% against a target of 65% for Black-owned businesses; 4.57% against a target of 0.5% for businesses owned by persons with disabilities; and 70.35% against a target of 50% for small, medium, and macro enterprises.

Targets not achieved included:

- 99.75% of valid invoices were paid within 30 days against a target of 100%, resulting in a marginal shortfall of 0.2%.
- The Department obtained an unqualified audit outcome against a clean audit target. Notably, since its establishment, the Department has not progressed to a clean audit, despite repeatedly committing to addressing the underlying causes of audit findings.
- 73.6% of disciplinary cases were resolved within 90 days against a target of 80%. The percentage of disciplinary cases finalised within 90 days decreased from 86.3% in 2023/24 to 80.8% in 2024/25, before declining significantly to 73.6% in 2025/26, resulting in the target not being achieved during the year under review.

3.1.2. Programme 2: Planning, Policy and Strategy

The programme provides strategic direction in the development, implementation, and monitoring of Departmental policies and the Human Resource Development Strategy for South Africa. It comprises six budget sub-programmes, namely: sub-programme 1: Programme Management: Planning, Policy and Strategy, sub-programme 2: Human Resource Development Council of South Africa (HRDCSA), sub-programme 3: Policy, Planning, Monitoring and Evaluation, sub-programme 4: International Relations, sub-programme 5: Legal and Legislative Services, and sub-programme 6: Social Inclusion and Quality.

The programme had 14 direct output targets and one system target. The programme achieved 10 of the 14 output targets, representing an achievement rate of 71%, which is a significant improvement from 31% recorded in 2024/25. The single system output target was not achieved.

Selected key direct output targets achieved:

- A Draft Skills Development Amendment Bill, 2024 and the Draft Continuing Education and Training Amendment Bill, 2022, were submitted to the Office of the Chief State Legal Advisor on 6 January 2026 for a preliminary opinion.
- The first draft of the Higher Education Amendment Bill was shared with internal and external stakeholders on 19 March 2026 for preliminary comments.
- In ensuring improved educational outcomes through infrastructure development, seven contractors were appointed to commence the refurbishment of the Tshwane University of Technology, Giyani Campus; A feasibility study for the establishment of Phase 1 of the University of North-West Mining Campus was approved; 2,598 new student beds were completed, contributing to the expansion of student accommodation.
- In advancing social cohesion and nation building, the programme had reports on the Sexual Offences and Related Matters Amendment Act (Act 32 of 2007) and the interventions on the implementation of Social Inclusion (Including Gender Equality and GBV) in the PSET system approved.
- To support improved energy security and Just Energy Transition, the programme established a Just Energy Transition Skills Desk.

Direct output targets not achieved:

- A Draft National Qualifications Further Amendment Bill, 2024, submitted to the Office of the Chief State Legal Advisor by 31 March for a second opinion.
- The first draft NSFAS Amendment Bill shared with internal and external stakeholders by 31 March 2026 for preliminary comments.
- Contractor to commence construction of Bhambanana and Greytown TVET campuses appointed by 31 March 2026.
- Contractor to commence construction of Northern Cape and Gauteng CET colleges appointed by 31 March 2026.

System output target not achieved:

- 7,770 students and staff in PSET institutions were trained through the Civic Education and Health Skills Programme against a target of 10,000.

3.1.3. Programme 3: University Education

The programme develops and coordinates the policy and regulatory framework for an effective and efficient university education system. Provide financial and other support to universities, the National Student Financial Aid Scheme (NSFAS) and national higher education institutions. It comprises six sub-programmes, namely: sub-programme 1: Programme Management; sub-programme 2: University Planning and Institutional Funding; sub-programme 3: Institutional Governance and Management Support; sub-programme 4: Higher Education Policy Development and Research; sub-programme 5: Teaching, Learning and Research Development; and sub-programme 6: University Subsidies.

The programme had 12 direct output targets and 16 system output targets for the 2025/26 financial year. Of the 12 direct output targets, 10 were achieved, resulting in an achievement rate of 85%, and seven of its 16 system targets were achieved, representing an achievement rate of 44%.

Selected key direct output targets achieved:

- To support improved educational outcomes, the programme had the Ministerial Statement on University Enrolment Planning for 2025-2030 approved by the Minister.
- A report on fee increase recommendations was submitted to the Minister for consideration.
- 85 new Generation of Academics were allocated to universities.
- 47 scholarships or internship positions were allocated to universities through the NESP against a target of 40.
- 92 doctoral scholarships were allocated to universities through the University Staff Doctoral Programme against a target of 40.

Direct output targets not achieved:

- The Minister approved a report on students funded by NSFAS.
- A Turnaround Strategy to reform and improve NSFAS administration submitted to the Minister for noting by 30 November 2025.

Selected key system targets achieved:

- A total of 797 223 university students received funding through NSFAS bursaries, exceeding the target by 225 223 students.
- A total of 10 960 students graduated in Natural and Physical Sciences, exceeding the target by 16 graduates
- A total of 203 graduated in Veterinary Sciences, exceeding the target by 20 graduates.
- A total of 56% of university lecturers (permanent instruction or research staff) held doctoral degrees against a target of 53%.

Selected key system targets not achieved

- A total of 115 580 students enrolled in universities against a target of 1 133 868, resulting in the target not being achieved. This marks the third consecutive financial year in which the target has not been achieved, following similar underperformance in 2023/24 and 2024/25. The reasons for deviation have varied over the three years and included the capping of enrolments at a lower threshold, the inability of some universities to attract suitably qualified students, and budget cuts by National Treasury, which negatively affected the available funding for student enrolments and completions.
- A total of 237 571 university students completed qualifications, against a target of 249 509, resulting in the target not being achieved. This marks the third consecutive year of underperformance on this indicator. The reasons for the deviation have varied over the three years and included student withdrawals and dropouts linked to economic hardship and transport costs, the migration of pipeline students in phased-out programmes to the University of South Africa (UNISA) to complete outstanding modules, budget cuts by National Treasury that constrained funding for student enrolments and completions, and difficulties experienced by some universities in attracting suitably qualified students. In addition, student progression challenges, qualification changes, and varying graduation rates, which pointed to weaknesses in progression management and programme alignment processes.
- A total of 10 805 students graduated in Engineering Sciences against a target of 14 734, while 8 663 students graduated in Human Health Sciences against a target of 9 934. These targets have not been achieved for more than three consecutive financial years.

Over the three years, underperformance has been attributed to a combination of factors, including inadequate preparation of students in Mathematics and Science at school level, budget reductions that constrained university funding for enrolments and completions, and persistently low enrolment levels in science, technology, engineering and mathematics (STEM) programmes. High dropout rates, extended time to graduation, qualification changes, post-COVID enrolment declines, and weaker National Senior Certificate performance in Mathematics and Science have further contributed to lower-than-targeted graduate outputs in these critical fields.

- A total of 3 973 Doctoral students graduated from universities against a target of 4 010, resulting in a shortfall of 37 graduates.
- A total of 14 726 Master's students graduated from universities, against a target of 15 416, resulting in a shortfall of 690 graduates. This target has not been achieved for three consecutive financial years. The underperformance has largely been attributed to insufficient financial support for academically eligible and financially needy Master's students, limited supervisory capacity due to the retirement of senior academics, and student dropouts linked to funding constraints, all of which have negatively affected postgraduate completion rates.

3.1.4. Programme 4: Technical and Vocational Education and Training

The programme plans, develops, implements, monitors, maintains, and evaluates national policies, programmes, assessment practices, and systems for TVET. It also provides financial and other support to TVET Colleges and regional offices. It comprises six budget sub-programmes, namely: sub-programme 1: Programme Management: TVET; sub-programme 2: TVET System Planning and Institutional Support; sub-programme 3: Programmes and Qualifications; sub-programme 4: National Examinations and Assessment; sub-programme 5: TVET Financial Planning; and sub-programme 6: Regional Offices.

For the 2025/26 financial year, the programme had five direct output targets and five system targets. The programme achieved all the direct output targets, resulting in a 100% achievement rate. Of the five system targets, two were achieved, representing an achievement rate of 33%.

Selected key direct output targets achieved:

- The Director-General approved a 5-year TVET enrolment plan with programme differentiation.
- Five TVET Colleges were supported to offer new programmes and/ or qualifications linked to Occupations in High Demand.
- A total of 2 034 TVET lecturers participated in nationally coordinated Continuous Professional Development activities.

Selected key system targets not achieved:

- The underperformance has been attributed to incomplete and delayed placement data arising from misalignment between the reporting schedules of the Department and SETAs, as well as the failure of some SETAs to submit mandatory reports timeously. Performance was further affected by weaknesses in data management and procedural controls, including instances of duplicate or multiple student placements being recorded
- A total of 263 428 TVET college students received NSFAS bursaries against a target of 269 314, resulting in a shortfall of 5 886. Over the past three financial years, performance on this target has been affected by several factors, including the reduction of trimesters from three to two following the COVID-19 pandemic, which reduced the number of students eligible for NSFAS funding. In subsequent years, some returning students did not qualify for continued funding due to failure to meet NSFAS progression requirements, highlighting challenges in student progression and the monitoring of funding eligibility.
- A total of 92.02% of TVET Colleges met the standard of good governance against a target of 95%, resulting in a shortfall of 2.98%.

3.1.5. Programme 5: Skills Development

The programme promotes and monitors the National Skills Development Strategy (NSDS) and develops skills development policies and regulatory frameworks for an effective skills development system. It comprises five budget sub-programmes, namely: sub-programme 1: Programme Management: Skills Development; sub-programme 2: National Artisan Development; sub-programme 3: Sector Education and Training Authority Coordination; sub-programme 4: National Skills Authority Secretariat; and sub-programme 5: Quality Development and Promotion.

For the 2025/26 financial year, the programme had five direct output targets and four system targets. The programme achieved three of the direct output targets, resulting in a 60% achievement rate. Of the four system targets, two were achieved, representing a 50% achievement rate. The performance indicates challenges in achieving both direct outputs and broader system-level objectives.

Selected key direct output targets achieved:

- The Deputy Director-General approved a report on the number of qualifying employers paid the Mandatory Grant.
- The average turnaround time from receipt of a qualifying trade test application to completion of the trade test was 27.5 days, exceeding the target by 12.5 days.
- All 21 SETAs were assessed as having developed credible Sector Skills Plans.

Targets not achieved

- An advocacy Strategy to improve and increase workplace-based learning opportunities across the Skills Development system was not approved. The Department reported that a concept document for the Advocacy Strategy has been developed.
- The Guidelines for appointment of the SETA Accounting Authority members have not been approved as planned. The Department indicated that a concept document for the appointment of the SETA Accounting Authority members has been developed.

Selected key system output targets achieved

- A total of 108 380 learners/students were placed in workplace-based learning (WIL) (internships, learnerships, TVET students or graduates placed in WIL), exceeding a target of 90 000.
- A total of 87 414 students were registered in skills development programmes, exceeding a target of 70 400.

Selected key system output targets not achieved

- A total of 16 133 artisans were produced against a target of 20 000, resulting in a shortfall of 3 867.
- A total of 76% of SETAs met the standard of good governance against a target of 95%, resulting in a shortfall of 19%.

3.1.6. Programme 6: Community Education and Training

The programme plans, develops, implements, monitors, maintains, and evaluates national policy, programme assessment practices, and systems for community education and training. It also provides financial and other support to CET Colleges. It comprises six budget sub-programmes, namely: sub-programme 1: Programme Management: Community Education and Training; sub-programme 2: CET System Planning, Institutional Development and Support; sub-programme 3: CET College Financial Planning and Management; and sub-programme 4: Education, Training and Development Assessment.

For the 2025/26 financial year, the programme had six direct output targets and four system targets. The programme achieved all six direct output targets, resulting in a 100% achievement rate. Of the five system targets, four were achieved, representing an 80% achievement rate. This performance reflects strong delivery against planned outputs and demonstrates the programme's ability to achieve both operational and broader system-level objectives.

Selected key direct output targets achieved:

- The Director-General approved the five-year Enrolment Plan for CET Colleges.
- Two new programmes and qualifications were offered in CET Colleges.
- A total of 1 000 CET lecturers were trained.

System targets achieved:

- CET student enrolment in the QCTO-accredited skills programmes increased by 1%.
- A total of 11 652 CET College students completed the General Education and Training Certificate (GTEC) Level 4.
- A total of 80.81% of CET Colleges were compliant with the implementation of the Funding Model for CET Colleges.
- Compliance by CET Colleges with the implementation of the National Norms and Standards for Funding CET Colleges was at 82%, exceeding the target of 80%.

System targets not achieved:

- A total of 128 541 students were enrolled in CET colleges, against a target of 142 877, resulting in a shortfall of 14 336 students. This target has not been achieved for several consecutive financial years. The persistent underperformance has been attributed to inadequate and inappropriate infrastructure, the lack of a distinct institutional identity as many CET colleges operate from public school premises, limited sector marketing, insufficient ICT access, inadequate funding for skills programmes, and shortages of qualified facilitators. These challenges continue to constrain the sector's attractiveness, accessibility, and expansion.

4. OVERVIEW OF AND ASSESSMENT OF THE DEPARTMENT'S 2025/26 FINANCIAL PERFORMANCE

4.1. Overview and assessment of the 2025/26 overall budget and expenditure

Table 3: 2025/26 budget allocation and expenditure

APPROPRIATION PER PROGRAMME	FINAL APPROPRIATION R'000	ACTUAL EXPENDITURE R'000	VARIANCE R'000	% SPENT
Administration	656 193	646 186	10 007	98.5%
Planning, Policy and Strategy	2 298 289	2 277 419	20 870	99.1%
University Education	96 003 322	95 991 120	12 202	100.0%
Technical and Vocational Education and Training	13 938 656	13 911 583	27 073	99.8%
Skills Development	381 127	370 927	10 200	97.3%
Community Education and Training	3 164 120	3 146 493	17 627	99.4%
Total: Departmental Voted Funds	**116 441 707**	**116 343 728**	**97 979**	**99.9%**
Statutory Appropriation	**25 575 718**	**25 575 718**	**-**	**100.0%**
Total	**142 017 425**	**141 919 446**	**97 979**	**99.9%**

Source: DHET (2026)

In 2025/26, the Department's total final appropriation was R142 billion, an increase from R136.9 billion in 2024/25. This comprised R116.3 billion in voted funds and R25.5 billion in direct charges against the National Revenue Fund. The total revenue excludes funds from departmental receipts and aid assistance. By the end of the financial year, the Department had spent R141.9 billion, representing an expenditure rate of 99.9% of the total available budget. The Department underspent R97.9 million, or 0.1%, of its voted funds, improving on the R139.9 million underspending in 2024/25.

The Department has consistently spent more than 99% of its allocated budget over the three financial years. However, this high level of expenditure remains a matter of concern, as it has not been matched by a commensurate level of non-financial performance, particularly in relation to the achievement of system/institutional targets, which constitute a significant portion of the Department's mandate and account for a substantial share of its expenditure.

4.2. Expenditure per economic classification

Table 4: 2025/26 allocation and expenditure per economic classification

APPROPRIATION PER ECONOMIC CLASSIFICATION	FINAL APPROPRIATION R'000	ACTUAL EXPENDITURE R'000	VARIANCE R'000	% SPENT
Compensation of employees	12 174 123	12 142 819	31 304	99.7%
Goods and services	1 060 980	1 027 639	33 341	96.9%
Transfers and subsidies	128 696 904	128 690 247	6 657	100.0%
Payments for capital assets	81 719	55 226	26 493	67.6%
Payment for financial assets	3 699	3 515	184	95.0%
Total	**142 017 425**	**141 919 446**	**97 979**	**99.9%**

Source: DHET (2026)

During the 2025/26 financial year, the Department spent R12.1 billion (2024/25: R11.4 billion) or 99.7% on the compensation of employees budget. Underspending on the compensation of employees at the end of 2025/26 was R31.3 million or 0.3%, reflecting a significant decrease from R80.5 million underspent in 2024/25. The Department ascribed the unspent funds to natural attrition/unfilled vacancies due to prolonged recruitment processes.

Regarding goods and services, the Department spent R1.0 billion or 96.9% (2024/25: R902.9 million). The Department recorded lower-than-projected spending amounting to R33.3 million, reflecting a decrease from R54.1 million in 2024/25. Underspending on goods and services was attributed to savings on administrative expenditure, which resulted from vacant positions and cost-containment measures such as conducting TVET meetings on virtual platforms.

Expenditure on transfers and subsidies was R128.6 billion or 100% (2024/25: R124.3 billion), recording an underspending amounting to R6.6 million, which was ascribed to savings on

transfers to the Commonwealth of Learning due to a favourable Rand/Euro exchange rate and the over-provision for the payment of leave gratuities resulting from Early Retirement and Voluntary Exit Packages introduced during the 2025/26 financial year.

The Department spent R55.2 million on capital expenditure, recording a lower-than-projected spending amounting to R26.4 million. Under-expenditure was on machinery and equipment, and was ascribed to delays in the procurement processes that required bulk ordering that resulted in requested equipment not delivered as planned and the under-expenditure on buildings and infrastructure is mainly attributed to delays in the implementation and execution of planned capital projects for the CET infrastructure project. Notably, underspending increased significantly from R4.1 million in 2024/25 to R26.4 million in 2025/26.

4.3.Virements

The Department applied virements as follows:

Table 5: Virements applied in 2025/26

Shifted from	Shifted to	Amount (R'000)
P2: Planning, Policy, and Strategy	P1: Administration	2 318
P2: Planning, Policy, and Strategy	P4: Technical and Vocational Education and Training	12 554
P3: University Education	P4: Technical and Vocational Education and Training	8 450
P6: Community Education and Training	P4: Technical and Vocational Education and Training	71 990
P5: Community Education and Training	P5: Skills Development	34 834
Total:		**130 146**

Source: DHET (2026)

The Department reported that the requirement for a Virement to Programme 4: Technical and Vocational Education and Training was necessitated to fund a budget shortfall on Examinations and Assessment operational expenditure, to Programme 5: Skills Development for operational expenditure in respect of the National Artisan Development and World Skills projects, respectively, while the Virement within Programme 2: Planning, Policy and Strategy was approved by National Treasury for internal reprioritisation of unspent Infrastructure Funds on CET colleges, accordingly directed towards transfers to TVET colleges for infrastructure upgrades at the latter colleges. Savings on Compensation of Employees resulted from vacant posts on the Departmental Staff Establishment that could not be filled as planned, and concomitant savings as a result thereof. Savings on Buildings and Infrastructure resulted from the slower-than-planned implementation of the CET Infrastructure project.

Over the three consecutive financial years, 2023/24, 2024/25 and 2025/26, the Department consistently shifted funds from other budget programmes to Programme 4: TVET, including virement within the same programme from employee compensation to goods and services to cover the shortfall in Examination and Assessment operational expenditure.

4.4. Overview and assessment of expenditure per programme

4.4.1. Programme 1: Administration

The programme's final appropriation for the 2025/26 financial year was R656.1 million (2024/25: R660.0 million). The Programme spent R646.1 million, representing a spending rate of 98.5%. The programme recorded a lower-than-projected spending of R10.0 million, compared to R63.8 million in 2024/25, reflecting a notable improvement in expenditure performance. The underspending was mainly due to vacant attrition posts not filled as planned, and concomitant savings in administrative expenditure, as well as machinery and equipment, due to delays in procurement processes and software not procured as planned.

4.4.2. Programme 2: Planning, Policy and Strategy

The programme's final appropriation for the 2025/26 financial year was R2.2 billion (2024/2: R3.7 billion). The programme's expenditure at the end of the year totalled R2.2 billion, representing a spending rate of 99.1%. The programme recorded underspending of R20.8 million (2025/25: R17.5 million) or 0.9% against the final appropriation.

The Department attributed the underspending to vacant attrition posts not filled as planned, and the concomitant savings on administrative expenditure, as well as machinery and equipment due to procurement processes that required bulk ordering, resulting in requested equipment not being delivered as planned. Underspending on buildings and infrastructure was mainly attributable to delays in the implementation and execution of planned capital projects. Further savings were realised on the transfer to the Commonwealth of Learning due to a favourable Rand/Euro exchange rate.

The bulk of the programme's expenditure, amounting to R2.0 billion or 91.1%, was incurred under transfers and subsidies. Of this amount, 93.7% was transferred to higher education institutions, primarily for infrastructure efficiency grants.

4.4.3. Programme 3: University Education

The programme's final appropriation for the 2025/26 financial year was R96.0 billion (2024/25: R91.6 billion). The programme's expenditure at the end of the year was R95.9 billion, representing a spending rate of 100.0%. The programme recorded underspending of R12.2 million compared to R8.2 million in 2024/25, reflecting an increase of 48.7%. Underspending was attributable to vacant attrition posts filled as planned, as well as related savings on administrative expenditure.

The programme's expenditure was dominated by transfers and subsidies at R95.9 billion, mainly to universities and the National Student Financial Aid Scheme (NSFAS).

4.4.4. Programme 4: Technical and Vocational Education and Training (TVET)

The programme's final appropriation for the 2025/26 financial year was R13.9 billion (2024/25: R13.2 billion). Expenditure at the end of the year was R13.9 billion, representing a spending rate of 99.8%. The programme recorded underspending of R27.0 million, compared to R31.0 million in 2024/25, reflecting an improvement in expenditure performance. The underspending constituted only 0.2% of the final appropriation. The lower-than-projected spending was attributable to vacant attrition posts not filled as planned and the related savings on administrative expenditure. Additional savings were realised from cost containment measures, including conducting TVET meetings on the Virtual Platform where possible. Further underspending was recorded on machinery and equipment due to delays in the procurement processes implemented during the financial year.

The programme's expenditure was largely dominated by compensation of employees, which amounted to R8.6 billion, followed by transfers and subsidies of R4.7 billion, primarily to TVET Colleges.

4.4.5. Programme 5: Skills Development

The programme's final appropriation for the 2025/26 financial year was R381.1 million (2024/25: R341.8 million). Expenditure at the end of the year was R370.9 million, representing a spending rate of 97.3%. The programme recorded underspending of R10.2 million, compared

to R6.9 million in 2024/25, reflecting an increase of R3.2 million. The underspending was attributable to vacant attrition posts not filled as planned and the related savings on administrative expenditure. Additional underspending was recorded on machinery and equipment due to delays in the procurement processes implemented during the financial year.

The programme's expenditure was largely dominated by compensation of employees, which amounted to R169.7 million, followed by transfers and subsidies of R171.6 million.

4.4.6. Programme 6: Community Education and Training (CET)

The programme's final appropriation for the 2025/26 financial year was R3.1 billion (2024/25: R3.1 billion). Expenditure at the end of the year was R3.1 billion, representing a spending rate of 99.6%. The programme recorded underspending of R17.6 million, compared to R12.1 million in 2024/25, reflecting an increase of R5.5 million. The underspending was attributable to vacant attrition posts not filled as planned and the related savings on administrative expenditure.

The programme's expenditure was largely driven by compensation of employees, which amounted to R2.8 billion and accounted for 92% of total expenditure. This was followed by transfers and subsidies of R241.3 million. It is concerning that the bulk of the programme's expenditure is directed towards compensation of employees rather than transfers and subsidies to CET Colleges. Given the programme's mandate to expand access to education and training opportunities for youth who are not in education, employment or training (NEET), as well as adults requiring literacy, skills development and second-chance learning opportunities. A greater proportion of resources should ideally be directed towards programme delivery at the institutional level.

4.5. Irregular, fruitless, wasteful, and unauthorised expenditures incurred in the 2025/26 financial year

No irregular expenditure was incurred during the 2025/26 financial year. The irregular expenditure balance of R59 000 carried over from prior years was removed during the year after all prescribed investigations and condonation processes had been followed.

Similarly, no fruitless and wasteful expenditure was incurred during the year under review. The opening balance of R59 000 from prior years was fully written off during the 2025/26 financial year, resulting in a nil closing balance.

It is commendable that the Department has not incurred new irregular, fruitless and wasteful expenditure during the year under review. This suggests that measures implemented by the Department are proving to be effective in preventing irregular, fruitless and wasteful expenditure. The successful resolution of historical expenditure balances further demonstrates the Department's commitment to sound financial governance and prudent stewardship of public resources.

4.6. 2025/26 Audit Outcomes

The Department obtained an unqualified audit opinion with findings from the AG for the 2025/26 financial year. The Department has not progressed to a clean audit outcome since its establishment.

4.6.1. The basis for the opinion

Report on the audit of the annual performance report

Material findings: The Auditor-General (AG) identified material findings relating to the usefulness and reliability of reported performance information in Programme 2: Planning, Policy and Strategy. The Department's supporting evidence materially differed from the achievement reported under this Programme. An achievement of 2 598 student beds was reported against a target of 2 000 student beds; however, the AG was unable to verify the accuracy of the reported achievement due to insufficient supporting evidence being provided for audit purposes. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Material misstatements: The AG also identified material misstatements in the Annual Performance Report submitted for auditing. These misstatements related to reported performance information in Programme 2: Planning, Policy and Strategy and Programme 3: University Education. Although some corrections were made during the audit process, management did not rectify all the identified misstatements. Consequently, the AG reported material findings in this regard.

Report on compliance with legislation: The AG identified material instances of non-compliance in financial and supply chain management. Key findings included material misstatements in the Annual Financial Statements submitted for audit, weaknesses in the collection of monies owed to the Department, and procurement processes that did not fully comply with legislative requirements. In several instances, goods and services exceeding R1 million were procured without competitive bidding, the prescribed preference point system was not consistently applied, and sufficient audit evidence was not available to confirm that contracts were awarded to the highest-scoring bidders based on correctly calculated preference points.

Internal control deficiencies: The AG identified several internal control deficiencies, including inadequate preventative controls to support accurate financial and performance reporting, ineffective processes for collecting, verifying and reviewing performance information, and insufficient evidence to substantiate reported achievements. The AG also found shortcomings in procurement and contract management controls, which resulted in instances of non-compliance with legislative requirements. Furthermore, weaknesses in revenue management processes hindered the timely collection of monies owed to the Department, increasing the risk of financial losses and compromising effective financial management

5. ENTITIES OF THE DEPARTMENT OF HIGHER EDUCATION AND TRAINING

5.1. Council on Higher Education (CHE)

The Council on Higher Education (CHE) is a statutory body established in terms of the Higher Education Act (1997), as amended. It is mandated to advise the Minister responsible for higher education on higher education, at the request of the Minister and proactively, publish information on higher education, including reports on the state of higher education, promote access of students to higher education, and perform any other functions designated to it by the Higher Education Act, the NQF Act, or by the Minister through notice in the Gazette.

The CHE is further mandated by the National Qualifications Framework Act, 2008 (Act No. 67 of 2008) to develop and manage the Higher Education Qualifications Sub-framework (HEQSF), to develop and implement policies and criteria for advancing the HEQSF, recommend higher education qualifications to SAQA; submit for registration on the NQF and

take responsibility for quality assurance in relation to the HEQSF; and advise the Minister on matters relating to the HEQSF.

5.1.1. Overview and assessment of the CHE's 2025/26 non-financial performance

For the 2025/26 financial year, the CHE had five budget programmes, namely: Programme 1: Quality Assurance; Programme 2: Management of the HEQSF; Programme 3: Research and Monitoring; Programme 4: Policy and Advice; and Programme 5: Strategy, Governance and Management. The CHE had 48 targets for the 2025/26 financial year, all of which were achieved, resulting in a 100% achievement rate. This represents an improvement of 5% compared to the 95% achievement rate recorded in 2024/25.

Table 6: The CHE's programmes, with their related achievement against performance targets for the 2025/26 financial year

Programme	APP Targets 2025/26	Achieved	Not achieved	% Achievement
1. Quality Assurance	16	16	0	100%
2. Management of the HEQSF	9	9	0	100%
3. Research and Monitoring	6	6	0	100%
4. Policy and Advice	3	3	0	100%
5. Strategy, Governance and Management	14	14	0	100%
Overall Total	**48**	**48**	**0**	**100%**

Source: CHE (2026)

Programme 1: Quality Assurance

The Programme and its sub-programmes contribute towards the fulfilment of the mandate of the CHE as the national authority for quality assurance in higher education by developing and implementing processes to inform, assure, promote and monitor quality in higher education institutions (HEIs), in line with the approach articulated in the CHE's Quality Assurance Framework (CHE, 2020).

The Programme had 16 targets for the 2025/26 financial year, all of which were achieved, resulting in a 100% achievement rate.

Selected key achievements:

- A total of 15 Higher Education Practice Standards were submitted to the HEQC for approval.
- Three new or reviewed Qualification Standards were submitted for approval.
- 59 Capacity Development initiatives were implemented for institutions/sector, exceeding the target of 25.
- 98% of programmes or qualification accreditation applications that proceeded through the accreditation process were presented to the HEQC within eight months of successfully passing the checklist stage.
- Reports of 95% of site visits undertaken were presented to the HEQC within 6 months from the date of receipt of reports from the site visit panels.
- Ten institutional Audit reports with a review methodology (Institutional Reviews) were presented to HEQC for approval.
- Eight reports on completed National/Qualification Reviews were presented to HEQC for approval.

Programme 2: Management of the HEQSF

The Programme manages the implementation of the HEQSF and related policies, qualifications and data to meet the goals of the NQF, the National Plan for Post-School Education and Training (NPPSET) and the National Development Plan (NDP).

The Programme had nine targets for the 2025/26 financial year, all of which were achieved, resulting in a 100% achievement rate.

Selected key achievements:

- Four reports of the HEQSF record updates were compiled within three months of the issuance of HEQC outcome letters.
- Four reports on registration recommendations to SAQA were compiled.
- Ten higher education institutions were supported in the development and implementation of relevant institutional policies.
- The CHE participated in ten national events and/or forums related to the NQF, quality assurance and promotion.

Programme 3: Research and Monitoring

The Programme aims to grow the research, monitoring, and critical discourse area of work within the CHE to provide an effective anchor for a credible knowledge hub on higher education. It seeks to consolidate the position of the CHE as a reputable knowledge hub that provides credible knowledge resources, data and information, and intellectual engagement platforms to the higher education sector.

The Programme had six targets for the 2025/26 financial year, all of which were achieved, resulting in a 100% achievement rate.

Selected targets achieved:

- Four research reports against a target of three, exceeding the target by one report.
- Three journals/journal articles or book chapters were published against a target of 2, exceeding the target by one journal.
- One VitalStats publication was produced.

Programme 4: Policy and Advice

The Programme is to increase the use of evidence to underpin the formulation of sound advice and the development of viable policies on higher education.

The Programme had three targets for the 2025/26 financial year, all of which were achieved, resulting in a 100% achievement rate.

Key selected achievements

- One policy was developed and/or reviewed and revised.
- Five advisory notes were submitted to the Minister, exceeding the target by two advisory notes. The advisory notes covered a range of strategic higher education matters, including proposed amendments to the Regulations on Reporting by Public Higher Education Institutions, alternative approaches to using higher education expenditure as a percentage of Gross Domestic Product (GDP) to determine public funding allocations, the proposal by the University of Pretoria to establish a satellite campus in Mauritius in partnership with a Mauritian university, and commentary and advice on the National Qualifications Framework Further Amendments Bill.

Programme 5: Strategy, Governance and Management

The Strategy, Governance and Management Programme aims to provide strategic direction, leadership, oversight, systems, activities and structures that enable the organisation to operate effectively and efficiently in fulfilling its mandates and in pursuit of its outcomes. The programme focuses on setting the policy and tone for good governance, statutory compliance, and transfer of business best practices across the organisation; and ensuring the efficient and effective provision of corporate services (administrative, financial, technical and professional) to support the discharge of the CHE's core functions.

The Programme had 14 targets for the 2025/26 financial year, all of which were achieved, resulting in a 100% achievement rate.

Key selected achievements

- Nine ICT policies, frameworks, guidelines and procedures were developed or reviewed, exceeding the target by one policy.
- Eight financial management and supply chain management policies, frameworks, guidelines and procedures were developed or reviewed.
- An ICT Operational Plan based on the CHE's approved Digital Transformation Framework was developed and approved.
- 90% of activities were concluded as per an approved annual ICT Operational Plan, exceeding the 80% target.
- 100% of eligible suppliers were paid within 30 days from the date of receipt of the invoices.
- 80% of activities were concluded as per the Communication and Advocacy Plan.

5.1.2. Overview and assessment of CHE's 2025/26 budget allocation and expenditure

For the 2025/26 financial year, the CHE's total budget amounted to R123.3 million, comprising R88.5 million in government grants and subsidies, R15.2 million generated from accreditation fees, institutional audit fees and other income, R2.2 million in investment interest income, R12.0 million in conditional grant funding for the Quality Assurance Framework (QAF), and R5.2 million in surplus funds rolled over from the previous financial year

It is commendable that the CHE recorded a significant increase in revenue during the 2025/26 financial year, primarily driven by growth in income from accreditation services and

conference fees. Revenue generated from accreditation services increased substantially from a projected R7.0 million to R15.2 million, exceeding the projected revenue by R8.1 million. Consequently, the CHE's overall revenue increased by R8.8 million, from a projected R114.5 million to approximately R123.3 million. The increase in accreditation-related revenue suggests growing demand from higher education institutions for programme and qualification accreditation services.

Total expenditure at the end of the financial year was R112.6 million, resulting in an underspending of R1.9 million against the available budget. Expenditure on compensation of employees amounted to R53.8 million, reflecting an overspending of R1.6 million, while expenditure on goods and services amounted to R58.8 million, which was R3.6 million below the budget.

The overspending on compensation of employees was attributed to higher-than-budgeted employee costs, including provisions for employee leave and performance bonuses not included in the budget.

Underspending on goods and services was attributed to the following:
Programme 1: Administration: Underspending in the programme was mainly attributable to savings realised from the renewal of ICT licences that are due in the new financial year. Additional savings were realised on office supplies and insurance costs, as fewer fixed assets were procured and required insurance cover during the year under review. Lower-than-budgeted expenditure on general expenses also contributed to the underspending.

Programme 2: Quality Assurance: Underspending was primarily due to savings realised on payments related to the Standards and Capacity Development Committee, as well as lower expenditure on Standards Development and Capacity Development Projects.

Management of Quality Assurance Framework (QAF): Underspending was mainly driven by savings on the CHE Management Information System (MIS) budget, which is intended to be spent in phases.

5.1.3. Irregular, fruitless, and wasteful and unauthorised expenditure

Irregular expenditure of R8 000 incurred in the prior year was condoned after consideration by the Financial Misconduct Committee (FMC). During the year under review, the CHE incurred irregular expenditure of R61 000, which remained under investigation and was scheduled for consideration by the FMC in the 2026/27 financial year. The irregular expenditure relates to a payment made to Fire Tech for the supply and installation of a gas suppression system, as well as heat and smoke detectors, to ensure compliance with the Occupational Health and Safety Act.

Fruitless and wasteful expenditure amounting to R5 000 from the prior years was deemed irrecoverable and subsequently written off after due consideration.

Similarly, an unauthorised expenditure amounting to R31 000 from the prior years was deemed irrecoverable and written off after due consideration.

5.1.4. Contingent liability

The CHE had unspent cash of R11 977 100 from the budget of the year under review. This unspent cash is ordinarily required to be transferred back to the National Treasury in terms of section 53(3) of the PFMA. The CHE noted that it will request the retention of these funds from the National Treasury to address budget pressures anticipated in the 2026/27 financial year.

5.1.5. 2025/26 Audit outcomes

The CHE obtained a clean audit outcome, marking its fourth consecutive clean audit since 2022/23. This achievement is highly commendable, as it reflects sustained excellence in financial management, governance, and compliance. The clean audit outcome is particularly noteworthy given that it was accompanied by a 100% achievement rate against the entity's performance targets during the year under review, demonstrating the CHE's ability to maintain strong financial controls while delivering on its strategic and operational objectives.

5.1.6. Future outlook

The CHE reported that its Compensation of Employees (CoE) budget remains insufficient to fully support its approved organisational structure. The current allocation does not provide for all funded posts contained in the reviewed and approved structure. Furthermore, the budget does not adequately cater for annual performance bonuses, which are linked to employee

performance outcomes, nor for annual cost-of-living salary adjustments determined through engagements involving the Department of Employment and Labour, National Treasury, and organised labour.

The ratio between COE and Goods and Services for the current year and the MTEF Period is 56% for the COE and 44% for Goods and Services.

The Goods and Services budget is also constrained and does not adequately provide for several critical activities required to fulfil the CHE's mandate, including

All the institutional site visits that are required for effective implementation of the quality assurance functions, including the travel expenses associated with these.

- Quality assurance is a peer-driven exercise, and the budget for peer academics to be involved in quality assurance activities is limited.
- The full scope of research, monitoring, policy and advice activities that need to be carried out. The implementation of the CHE's Transformation Monitoring mandate remains unfunded despite its strategic importance.

5.2. Quality Council for Trades and Occupations (QCTO)

The QCTO was established as a juristic person in 2010 in terms of the Skills Development Act (SDA), 1998 (Act No. 97 of 1998), as amended in 2008. The QCTO, as a quality assurance body, is responsible for a part of the National Qualifications Framework (NQF), which is the Occupational Qualifications Sub-Framework (OQSF). The QCTO performs its functions in accordance with the Skills Development Act, 1998, as amended and the National Qualifications Framework Act, 2008.

5.2.1. Overview and assessment of QCTO's 2025/26 non-financial performance

Table 7: The QCTO's programmes, with their related achievement against performance targets for the 2025/26 financial year

Programme	APP Targets 2025/26	Achieved	Not achieved	% Achievement
1. Administration	4	4	-	100%
2. Occupational Qualifications Management and Certification	9	9	-	100%
3. Occupational Qualifications Quality Assurance	11	11	-	100%
4. Research Analysis	2	2	-	100%

Total	**26**	**26**	**-**	**100%**

Source: QCTO (2026)

For the 2025/26 financial year, the QCTO had four budget programmes, namely: Programme 1: Administration; Programme 2: Occupational Qualifications Management and Certification; Programme 3: Occupational Management; and Programme 4: Research Analysis. The QCTO had 26 targets for the 2025/26 financial year, all of which were achieved, resulting in a 100% achievement rate. This represents an improvement of 4% compared to the 96% achievement rate recorded in 2024/25.

Programme 1: Administration

The Programme enables QCTO performance through strategic leadership and reliable delivery of management support services that will ensure a responsive and learning organisation.

The Programme had four targets for the 2025/26 financial year, all of which were achieved, resulting in a 100% achievement rate.

The programme implemented and reported on two Strategic Capacity Building initiatives linked to the OQSF, and four Master Systems Plan (MSP) deliverables. It also achieved 86% of key financial health indicators, exceeding the target by 16%.

Programme 2: Occupational Qualifications Management and Certification

The Programme ensures the development, assessment and certification of occupational qualifications, part qualifications and skills programmes that are responsive to the world of work, the Just Energy Transition and sustainability, and other national imperatives.

The Programme had nine targets for the 2025/26 financial year, all of which were achieved, resulting in a 100% achievement rate.

Selected key achievements:

- 80% of prioritised occupational qualifications were processed within prescribed 90 working days.
- 94% of prioritised developed skills programmes were processed within 90 working days, exceeding the target by 14%.

- 88% of the assessments for QCTO-approved skills programmes were quality assured, exceeding the target by 8%.
- 99.98% of certificate (legacy trades) applications were approved within the 21 working day turnaround, exceeding the target by 4.98%.

Programme 3: Occupational Management

The Programme establishes and maintains quality standards for Accreditation and Quality Assurance within the OQSF.

The Programme had 11 targets for the 2025/26 financial year, all of which were achieved, resulting in a 100% achievement rate.

Selected key achievements:

- 96% of Skills Development Providers (SDPs) accreditation applications for occupational qualifications and part qualifications were processed within a turnaround time of 90 working days, surpassing the target by 6%.
- 99.8% of the SDPs' recommendations received from Quality Partners were processed within the turnaround time of 30 working days.
- Four accreditation reports on accredited SDPs and Assessment Centres against compliance standards were approved.
- Four quality assurance reports on accredited SDPs implementing occupational qualifications, part qualifications and Skills Programmes were approved following quality assurance against QCTO compliance standards were approved.

Programme 4: Research Analysis

The Programme establishes and maintains QCTO Standards for quality assurance through research, monitoring, evaluation and analysis.

The Programme had two targets for the 2025/26 financial year, all of which were achieved, resulting in a 100% achievement rate. The programme completed and approved seven reports on issues of importance to the development and implementation of the OQSF, exceeding the target by one report, and published one research bulletin online.

5.2.2. Overview and assessment of the QCTO's 2025/26 budget allocation and expenditure

For the 2025/26 financial year, the QCTO's total revenue amounted to R193.7 million (2024/25: R174.1 million). The revenue comprises R20.2 million in revenue from exchange transactions and R173.4 million from non-exchange transactions (Departmental subsidy and SETA levy grants).

Total expenditure amounted to R195.3 million, resulting in an overspending of R1.6 million. Expenditure on employee costs amounted to R94.9 million (2024/25: R84.6 million), and administration amounted to R100.4 million (2024/25: R89.1 million).

5.2.3. Irregular, fruitless and wasteful expenditure

No irregular expenditure was incurred during the 2025/26 financial year. However, the annual report notes that expenditure of R105.2 million for the acquisition of the QCTO office building was under assessment by the National Treasury for possible irregular expenditure arising from alleged procurement-related non-compliance. As at 31 March 2026, no irregular expenditure had been confirmed.

No fruitless or wasteful expenditure was incurred during the 2025/26 financial year. However, the annual report notes that a prior-year case involving the unauthorised use of a corporate credit card, amounting to R16 410.44, had been fully recovered and the closing balance of fruitless and wasteful expenditure was R0.00 as at 31 March 2026.

5.2.4. 2025/26 Audit outcomes

The QCTO obtained a clean audit outcome for the 2025/26 financial year, marking its tenth consecutive clean audit outcome. Remarkably, the clean audit outcome was matched by the performance of the predetermined objectives. The AG did not identify any material findings on the QCTO's annual financial statements, predetermined objectives, compliance with legislation, and the internal controls environment.

5.3. South African Qualifications Authority (SAQA)

The South African Qualifications Authority (SAQA) is a statutory body established in terms of the South African Qualifications Authority Act (1995) and exists in terms of the National

Qualifications Framework Act (2008), as amended. The authority is mandated to advise the Minister on matters related to the national qualifications framework; oversee, liaise, and consult with quality councils on the implementation of the national qualifications framework; develop policies and criteria for the registration of qualifications; maintain a national learner records database; and conduct or commission research into matters related to the national qualifications framework.

5.3.1. Overview and assessment of SAQA's 2025/26 non-financial performance

For the 2025/26 financial year, SAQA had five budget programmes, namely: Programme 1: Administration; Programme 2: Registration and Recognition; Programme 3: Information and Communication Technology and National Qualifications Framework Management Information System; Programme 4: Authentication Services; and Programme 5: Research.

SAQA had 22 targets for the 2025/26 financial year and achieved 21 of the 22 targets, resulting in a 95% achievement rate. This represents an improvement of 8% compared to the 86% achievement rate recorded in 2024/25.

A summary of programme performance for the 2025/26 financial year is illustrated in Table 8 below.

Table 8: SAQA Programmes, with their related achievement against the performance targets for the 2025/26 financial year

SOUTH AFRICAN QUALIFICATIONS AUTHORITY (SAQA)	APP Targets 2025/26	Achieved	Not achieved	% Achievement
1. Administration	7	7	0	100%
2. Registration and Recognition	3	3	0	100%
3. Information and Communication Technology	4	3	1	75%
4. Authentication Services	3	3	0	100%
5. Research	5	5	0	100%
Overall Total	**22**	**21**	**1**	**95%**

Source: SAQA (2026)

Programme 1: Administration

The Programme is responsible for oversight of the overall organisational performance and SAQA's international initiatives; effective financial and infrastructural governance and

resources to support SAQA's objectives; and communications through SAQA's digital and traditional media platforms.

The Programme had seven targets for the 2025/26 financial year, all of which were achieved, resulting in a 100% achievement rate.

Selected key achievements

- 100% of the project plan for institutional review was implemented.
- 100% of the Human Resources Plan was executed.
- One joint initiative was executed.
- Nine capacity-building initiatives with schools were implemented, exceeding the target by four

Programme 2: Registration and Recognition

This programme is responsible for registering qualifications and part-qualifications, recognising professional bodies and registering professional designations. This programme contributes to two of the five outcomes.

The Programme had three targets for the 2025/26 financial year, all of which were achieved, resulting in a 100% achievement rate.

Selected key targets:

- A new quality assurance framework was conceptualised.
- Two training and Capacity-building workshops related to the NQF were conducted for stakeholders.
- 100% of qualifications that met criteria and were recommended by the quality councils were registered within 70 working days, exceeding the target by 20%.

Programme 3: Information and Communications Technology (ICT)

The Programme is responsible for ensuring effective ICT governance and the aligned development of ICT infrastructural resources to support the achievement of organisational outcomes and business processes. The ICT unit drives SAQA's plans to embrace the Fourth Industrial Revolution by enabling the automation of operations across the organisation and developing end-to-end workflows where required.

The Programme had four targets for the 2025/26 financial year and achieved three targets, resulting in a 75% achievement rate.

Selected key achievements:

- 100% of progress was recorded on the implementation of an ICT infrastructure plan.
- The Programme achieved 95% of ICT system uptime.

Target not achieved:

- The ICT modernisation and digitisation project reached 93% implementation against a target of 100%, resulting in a shortfall of 7%.

Programme 4: Authentication Services (AS)

The AS unit verifies the authenticity of national qualifications and evaluates foreign ones by verifying and then comparing foreign qualifications to the South African National Qualifications Framework (NQF).

The Programme had three targets for the 2025/26 financial year, all of which were achieved, resulting in a 100% achievement rate.

Selected key achievements:

- 99% of foreign qualification evaluations were completed without successful appeals, exceeding the target by 10%.
- 99.36% of compliant requests received for the verification of national qualifications found on the National Learner Records Database were completed within 25 working days.

Programme 5: Research

The unit is responsible for conducting, commissioning, managing, and participating in evidence-based research on issues of importance for the development and implementation of the NQF and evaluating the impact of the NQF on South African education, training, and employment.

The Programme had five targets for the 2025/26 financial year, all of which were achieved, resulting in a 100% achievement rate.

Selected key achievements

- Five research outputs were generated.
- One event was held to disseminate research.
- Lifelong Learning Implementation Framework was developed.

5.3.2. Overview and assessment of SAQA's 2025/26 budget allocation and expenditure

For the 2025/26 financial year, SAQA's total revenue amounted to R162.5 million, comprising R97.3 million from Government grants and subsidies and R65.2 million from exchange transactions (R50.3 million from rendering of services, R9.3 million from interest received, R2.7 million from conference income, and R2.5 million from sundry income).

Although SAQA receives approximately 62% of its budget from voted government funds, it is required to generate the balance of its income through the provision of paid services. During the year under review, SAQA received a grant of R97.3 million from the Department of Higher Education and Training. The automation project remains in progress and is expected to be completed by March 2028, subject to funding availability. Sundry income was mainly derived from the SAQA 30th Conference, funding from the ETDP SETA, and research projects. Interest income was primarily earned on funds invested with the Corporation for Public Deposits (CPD).

Expenditure for the 2025/26 financial year amounted to R181.6 million, resulting in a net deficit of R19.1 million, compared to a surplus of R20.1 million recorded in the previous financial year. The deficit was largely attributable to increased employee costs, investments in information and communication technology modernisation, office infrastructure, and other operational expenditure incurred during the year.

5.3.3. Irregular, fruitless, and wasteful expenditure

Irregular expenditure amounting to R25.4 million was incurred during the 2025/26 financial year due to contracts awarded to two suppliers with non-compliant tax statuses. The contracts related to the supply, delivery and commissioning of office furniture and fit-out works for SAQA's leased office accommodation. The matter has been referred to National Treasury for determination, after which recommendations on condonation or consequence management will be submitted to the relevant authority.

In addition, irregular expenditure of R42 000 identified in the previous financial year, relating to the procurement of photography services from a supplier with a non-compliant tax status, was restated in the 2025/26 financial statements. Consequently, the closing balance of irregular expenditure amounted to R25.5 million.

No disciplinary action had been taken as at the reporting date, as the irregular expenditure was still under assessment and investigation.

No fruitless and wasteful expenditure was reported for the 2025/26 financial year. However, the Annual Financial Statements note that a possible fruitless and wasteful expenditure of R20 034, relating to interest on an outstanding invoice, was still under investigation at the reporting date and had not been confirmed as such.

Consequently, the closing balance of confirmed fruitless and wasteful expenditure remained nil for the year under review.

5.3.4. 2025/26 Audit outcomes

SAQA obtained an unqualified audit outcome with findings for 2025/26, which is a regression from a clean audit in 2024/25.

Basis for the opinion:

The AG identified material findings on compliance with legislative requirements. Specifically, the financial statements submitted for auditing were not initially prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. Material misstatements identified during the audit process were subsequently corrected, resulting in the unqualified audit opinion.

The AG also reported a significant internal control deficiency, noting that the entity did not ensure the preparation of regular, accurate and complete financial reports, as evidenced by material misstatements identified in the annual financial statements submitted for audit.

6. OBSERVATIONS AND KEY FINDINGS

The Committee, having assessed the 2025/26 Annual Reports of the Department and entities, made the following observations:

Department of Higher Education and Training

6.1. Programme 1: Administration

6.1.1. The Committee expressed concern regarding the persistent delays in filling funded vacant and critical positions within the Department. As at 31 March 2026, the Department reported a high vacancy rate of 39.8% at senior management service level. This vacancy rate has adversely affected the Department's institutional capacity, service delivery and the ability to achieve planned targets, and may also contribute to under-spending.

6.1.2. The Committee was concerned about the continued delays in finalising disciplinary cases within the prescribed 90-day period, which undermines effective consequence management and accountability. Prolonged disciplinary processes may have significant financial implications, where officials may remain on paid suspension for extended periods.

6.1.3. The Committee noted with concern that, since its establishment in 2009, the Department has not achieved a clean audit outcome, which points to persistent weaknesses in internal controls, financial management, performance information and the implementation of corrective measures.

6.1.4. The Committee was further concerned that recurring audit findings have not been adequately addressed and that previous corrective measures implemented by the Department have not resulted in sustained improvements in audit outcomes.

6.1.5. The Committee was concerned about the overall regression in the audit outcome of the Higher Education portfolio. The number of clean audits declined from 12 to 9 entities (32%), while qualified audit opinions increased from 8 to 11 entities (39%), reflecting a deterioration in financial governance and compliance across the portfolio.

6.2. Programme 2: Planning, Policy and Strategy

6.2.1. The poor performance on system/institutional targets is particularly concerning given that the largest share, R128 billion of the Department's total budget of R142 billion in 2025/26, was allocated to transfers and subsidies aimed at achieving system-level

outcomes, including university education, TVET and CET colleges, the National Student Financial Aid Scheme (NSFAS), Sector Education and Training Authorities (SETAs) and the National Skills Fund (NSF) for the skills development initiatives.

6.2.2. The disparity between the achievement of direct outputs (78%) and system/institutional targets (48%) was noted with serious concern and raises concerns about the effectiveness of the Department's oversight, monitoring, support and intervention measures aimed at driving performance improvements across institutions.

6.2.3. The Committee observed that the Department has maintained consistently high expenditure levels of over 99% for consecutive financial years. However, this strong spending performance remains a matter of concern, as it has not been accompanied by a commensurate level of non-financial performance.

6.2.4. The persistent underperformance against the target relating to the Draft National Qualifications Framework (NQF) Amendment Bill is a matter of concern. This target has remained unachieved for three consecutive financial years (2023/24, 2024,25 and 2025/26). The continued delay in finalising the Draft NQF Amendment Bill delays the introduction of important legislative amendments intended to strengthen the NQF and address emerging challenges within the PSET sector.

6.2.5. The Committee expressed serious concern regarding the inadequate capacity within the Planning Branch to effectively oversee, coordinate and manage infrastructure development projects. The capacity constraint has contributed to the under-utilisation of infrastructure grants and delays in the delivery of critical infrastructure across the PSET system.

6.2.6. The Committee noted with concern the poor performance of the Independent Development Trust (IDT), appointed by DHET as an implementing agency for the delivery of infrastructure projects for nine CET colleges across the country. The subsequent appointment of the Development Bank of Southern Africa (DBSA) to assist in rescuing the projects demonstrates the seriousness of the implementation challenges.

6.2.7. The Committee expressed grave concern that the Department once again shifted funds from Buildings and Infrastructure: CET Colleges to TVET Colleges. Investment in CET infrastructure has been repeatedly delayed since the inception of the funding allocation, despite the sector's persistent inability to meet enrolment and skills development targets due to inadequate and unsuitable infrastructure. The continued reprioritisation of these funds undermines efforts to expand access to quality

community education and training opportunities and to strengthen the sector's capacity to respond to development needs.

6.2.8. The Committee expressed concern about the absence of a clear framework governing the appointment, powers, responsibilities and accountability of administrators in the PSET sector.

6.2.9. The Committee was deeply concerned about the inadequate oversight and monitoring of DHET entities, as evidenced by recurring underperformance, repeated audit findings and regression in the audit outcomes of some entities.

6.2.10. It is deeply concerning that PSET institutions are not consistently utilising SAQA's qualification verification services for employees and applicants. Greater utilisation of SAQA's qualification services across the PSET institutions and the broader public sector would strengthen the integrity of qualification verification processes, reduce the risk of fraudulent qualifications, and enhance the entity's financial sustainability through increased revenue generation.

6.3. Programme 3: University Education

6.3.1 The Committee expressed concern about the regression in the audit outcomes of universities during the 2025/26 financial year and emphasised the need for stronger interventions to address recurring weaknesses in governance, financial management and internal controls.

6.3.2 While universities received the largest share of the University Education Programme's budget, performance was unsatisfactory in several key areas. The Programme achieved only seven of 16 targets, or 44% of the system output targets, such as university enrolment, Master's graduates, university students completing qualifications, Engineering Sciences, Human Health Sciences, and Doctoral graduates.

6.3.3 The Committee expressed serious concern regarding the absence of the NSFAS 2025/26 Annual Report due to the late submission of the entity's annual financial statements. This recurring delay, which has occurred over the past two financial years, is indicative of persistent weaknesses in NSFAS's financial management, reporting processes and governance structures.

6.3.4 The Department failed to achieve its target of finalising and implementing the NSFAS' turnaround strategy, despite the continued operational, financial and governance challenges confronting the entity. The absence of a comprehensive and time-bound

turnaround strategy contributes to the persistence of these challenges and limits the Department's ability to provide effective strategic direction and oversight to the entity.

6.3.5 The Committee noted with concern the continued instability at NSFAS, including prolonged vacancies in key senior management positions, which adversely affect the entity's operational efficiency, governance and institutional capacity to fulfil its mandate. The Committee emphasised the need for the timely appointment of suitably qualified and experienced candidates to critical positions and for the strengthening of leadership stability and accountability within NSFAS.

6.3.6 The Committee further raised concerns regarding the continued use of private audit firms by universities, particularly in circumstances where the depth and scope of audits may not adequately identify systemic governance, financial management and control weaknesses.

6.3.7 The Committee expressed concern about the excessive expenditure on legal fees by universities, particularly where such expenditure relates to litigation involving students and staff.

6.4 Programme 4: Technical and Vocational Education and Training

6.4.1 The persistent reliance on internal reprioritisation for over three consecutive financial years to address shortfalls in operational expenditure of Programme 4: TVET's Examination and Assessment function remains a matter of concern. This recurring practice raises questions about the accuracy of budget projections, the sustainability of current arrangements, and the potential impact on other programme activities from which resources are repeatedly diverted.

6.4.2 The Committee welcomed the improvement in the overall audit outcomes of TVET colleges during the 2025/26 financial year, recognising this as an indication of progress in financial management and governance. Notwithstanding this improvement, the Committee remained concerned about the continued challenges facing individual colleges, particularly Northern Cape Urban TVET College, which require targeted intervention and strengthened oversight.

6.4.3 The Committee emphasised that improvements in aggregate audit outcomes should not obscure persistent governance, operational and financial challenges at individual institutions.

6.5 Programme 5: Skills Development

6.5.1 The Committee expressed serious concern regarding the audit and performance findings relating to SETAs and the National Skills Fund (NSF) during the 2025/26 financial year.

6.5.2 The Committee noted with concern that SETAs accounted for a significant proportion of irregular expenditure, rising from R176 million in 2024/26 to R466 million in 2025/26, and fruitless and wasteful expenditure, which increased from R87 million in 2024/25 to R246 million in 2025/26 over the same period. This reflects persistent weaknesses in procurement practices, financial controls and governance within the skills levy institutions.

6.5.3 The Committee was particularly concerned about the inadequate implementation of consequence management against officials responsible for financial irregularities, non-compliance and other breaches of applicable legislation and prescripts. The continued failure to institute timely and appropriate consequence-management measures weakens accountability and contributes to the recurrence of financial misconduct and control deficiencies in SETAs.

6.5.4 The Committee noted with concern the recurring pattern of officials resigning before disciplinary proceedings are concluded and subsequently obtaining employment at other SETAs. This practice undermines accountability and creates a risk that officials implicated in misconduct can move between entities without facing appropriate consequences.

6.5.5 The Committee observed the recurring nature of financial irregularities across several SETAs, which points to weaknesses in the Department's oversight, monitoring, and intervention mechanisms, necessitating stronger and more proactive oversight measures.

6.5.6 The Committee expressed concern that some SETAs continue to procure learner management systems from private service providers, despite the MICT SETA having been assigned responsibility for the development of an Integrated Learner Management System (ILMS) for the broader PSET system. This raises concerns regarding potential duplication of expenditure, value for money and the alignment of SETA procurement decisions with the Department's broader digital transformation objectives.

6.5.7 The Committee was deeply concerned by the AG findings that some SETA officials and Board members have allegedly abused bursary schemes by awarding or facilitating bursaries for the education of their relatives and children, including discretionary grants awards. Such conduct constitutes a serious misuse of public resources intended for skills development and undermines the fairness, integrity and credibility of SETA bursary programmes.

6.5.8 The Committee remained concerned about weaknesses in project management, contract monitoring and oversight within certain SETAs. Instances where service providers were paid for work that was not adequately delivered, verified or demonstrated to meet the contractual standards raise concerns regarding value for money, the effectiveness of contract management and the adequacy of accountability mechanisms.

6.5.9 It is deeply concerning that SETAs have entered into skills development commitments amounting to approximately R10.7 billion despite their current statutory lifespan ending in 2030. The Committee is further concerned that the Department has not yet provided a formal transitional framework to guide SETAs in managing long-term commitments in the context of the pending SETA reforms. The absence of such a framework creates a risk that commitments entered into under the current dispensation may become misaligned with the future institutional arrangements, potentially resulting in fruitless and wasteful expenditure.

6.5.10 The Committee was concerned that, despite the Construction SETA spending approximately R18 million on the Duja Forensic Report, there is insufficient evidence of meaningful progress in implementing the report recommendations. Given that the Administrator's terms of reference explicitly included the implementation of the report's recommendations, the Committee is concerned that, after a year in office, insufficient progress has been made in ensuring accountability and consequence management against officials implicated in the report. Continued delays risk undermining accountability and weakening efforts to address the governance and financial management deficiencies identified through the forensic investigation.

6.6 Programme 6: Community Education and Training

6.6.1 The CET sector remains severely underfunded, limiting its ability to expand its infrastructure, improve learning environments, increase learner enrolment and realise its full potential as a key component of the PSET system.

6.6.2 The Committee emphasised the need for a sustainable funding and infrastructure development strategy for CET colleges, particularly given their mandate to expand access to education and training opportunities for youth not in education, employment or training (NEET), as well as adults requiring literacy, skills development and second-chance learning opportunities.

ENTITIES

6.7 Council on Higher Education

6.7.1. The clean audit outcome and 100% achievement of performance targets during the year under review are highly commendable and demonstrate sound financial management, effective governance and strong performance against planned objectives.

6.7.1 Despite its strong performance during the year under review, the entity continues to face significant financial constraints. These limitations pose a risk to the CHE's ability to effectively fulfil its expanded mandate and sustain the current level of performance. For example, the entity requires R3 million to R5 million to fully operate the additional transformation monitoring mandate, which is critical to advancing transformation within the higher education sector.

6.7.2 The higher accreditation demand presents an opportunity for the CHE to strengthen its financial sustainability through own-revenue generation, potentially reducing its reliance on DHET grant allocations over time. However, overdependence on accreditation income may therefore expose the CHE to financial sustainability risks during periods of sector-wide disruption or economic uncertainty. As demonstrated during the COVID-19 pandemic, periods of reduced institutional activity, programme development, and expansion can lead to a decline in accreditation applications and a corresponding reduction in revenue.

6.7.3 The Committee commended the CHE for its role in strengthening quality assurance and accreditation of programmes offered by public and private universities. The Committee further noted that instances of some public universities offering unaccredited programmes have declined significantly over time, largely as a result of the CHE's robust accreditation and quality assurance processes, which have enhanced compliance and protected the integrity of higher education qualifications.

6.8 Quality Council for Trades and Occupations

6.8.1 The Committee commended the QCTO for achieving a clean audit outcome and a100% performance achievement rate during the year under review. These results demonstrate sound financial management, effective governance and strong performance against planned objectives. The Committee further noted that the entity has consistently maintained a clean audit since its establishment.

6.8.2 The entity continues to operate with a significantly insufficient staffing complement of 140 employees against an organisational structure of 240 positions. This capacity constraint may compromise the entity's ability to effectively execute its expanding mandate and sustain the current high level of performance.

6.8.3 The backlog in the issuance of Red Seal certificates affecting 6 000 artisans is deeply concerning. While the root causes may primarily lie upstream within the skills development value chain, particularly in relation to SETAs and the National Artisan Moderation Body (NAMB) and trade test centres, the prolonged delays adversely affect artisans' employment prospects and undermine confidence in the certification system.

6.9 South African Qualifications Authority

6.9.1 The regression from a clean audit outcome in 2024/25 to an unqualified audit outcome with findings in 2025/26 is concerning, particularly given SAQA's previous track record of sound governance and financial management.

6.9.2 The progress made in developing Project Phoenix is highly commendable, especially considering that the system was developed internally. Through Project Phoenix, SAQA can become a central qualification verification agency for public entities and private businesses, thereby establishing a coordinated and reliable national verification mechanism, strengthening the integrity of recruitment and appointment processes, reducing the risk of fraudulent qualifications, and promoting confidence in the credibility of South Africa's qualifications system.

6.9.3 The entity's funding limitations continue to pose a significant risk to its ability to effectively execute its mandate, sustain its operations, invest in critical infrastructure, and maintain the quality of its services over the long term. For example, Project Phoenix

requires R200 million to be fully operational, and that progress may be significantly delayed in the absence of additional baseline funding.

6.9.4 The Committee commended SAQA for an improvement in turnaround time of its qualification verification services. This achievement is noteworthy given that verification services constitute one of the entity's most significant sources of self-generated revenue after government grants.

6.9.5 The Committee expressed concern about the increasing number of litigation matters instituted by private institutions and individuals citing SAQA due to its statutory mandate under the NQF Act. The prolonged or unnecessary litigation may result in increased legal costs and place additional financial pressure on the entity's already constrained resources.

6.9.6 The Committee noted with concern that SAQA did not achieve its target of 100% ICT system uptime, recording actual performance of 95%. Given the central role of information technology systems in the entity's core operations and service delivery, system downtime may adversely affect the efficiency and reliability of key services.

7. CONCLUSION

The Committee considered the Department's Annual Report for the 2025/26 financial year and expressed concern about the overall performance. The Department achieved only 78% of its direct output targets and 48% of the system targets, which the Committee considered unsatisfactory given the Department's critical mandate to support students and institutions across the post-school education and training (PSET) system. The Committee expressed its concern that the Department received another unqualified audit opinion with findings for the year under review and failed to progress to a clean audit outcome, as set out in the 2025/26 Annual Performance Plan. The Committee also highlighted the continued delays in filling funded vacant positions, which remain a recurring challenge and negatively affect the Department's institutional capacity and overall performance.

The Committee raised concerns about the Department's target-setting and performance planning, particularly the practice of deferring targets to subsequent financial years. This practice undermines effective performance management and accountability and requires the

Department to establish realistic, measurable and achievable targets, particularly within Programme 2: Planning, Policy and Strategy.

In relation to the University Education Programme, the Committee expressed serious concern about the continued instability at NSFAS, particularly its failure, for the second consecutive year, to submit annual financial statements to the AG within the prescribed Public Finance Management Act (PFMA) timelines. The Committee viewed this as indicative of persistent weaknesses in governance and financial management at NSFAS. The Committee further noted with concern that the Department failed to finalise NSFAS's turnaround strategy during the year under review, as planned, thereby contributing to the continuation of operational deficiencies at the entity.

The Committee further expressed concern about persistent governance and financial management weaknesses within the SETAs, particularly their significant contribution to irregular, fruitless and wasteful expenditure within the PSET system. The Committee emphasised the need for strengthened governance, internal controls, consequence management and financial oversight across the SETA sector. In addition, the Committee raised concerns about delays in the rollout of infrastructure development projects within the CET sector, noting that these delays undermine efforts to expand access to education and training opportunities and improve learner outcomes.

Regarding the CHE, QCTO and SAQA, the Committee was generally satisfied with their audit outcomes and performance during the year under review. However, the Committee noted that all three entities face growing financial sustainability risks due to limited funding in the context of their expanding mandates within the PSET system. The Committee therefore emphasised the need for the Department to develop sustainable funding mechanisms to ensure that these entities are adequately resourced to effectively and efficiently fulfil their respective mandates.

8. RECOMMENDATIONS

The Committee, having assessed the 2025/26 Annual Reports of the Department and entities, recommends that the Minister of Higher Education and Training and the Minister of Finance consider the following:

Department of Higher Education and Training

The Department should:

8.1.1 Programme 1: Administration

8.1.1 Urgently fill all critical and funded vacancies, particularly positions that have a direct impact on service delivery, institutional capacity and the achievement of planned performance targets. The Department should also prioritise positions that have remained vacant for extended periods and strengthen monitoring mechanisms to ensure that recruitment processes are concluded within prescribed timeframes.

8.1.2 Strengthen disciplinary management processes and ensure that disciplinary matters are investigated and concluded within the prescribed timeframes. The Department should strengthen monitoring of outstanding disciplinary cases and implement measures to promptly address delays to support effective consequence management and accountability.

8.1.3 Develop and implement a comprehensive audit action plan aimed at addressing recurring audit findings and achieving a clean audit outcome in the 2026/27 financial year.

8.1.4 Implement controls to ensure that all valid invoices from service providers are processed and paid within the prescribed 30-day period.

8.2 Programme 2: Planning, Policy and Strategy

8.2.1 Strengthen planning, implementation, monitoring, and accountability mechanisms to ensure that sustained high expenditure delivers corresponding improvements in system/institutional output target performance and sector outcomes.

8.2.2 Review its approach to target setting and performance management to ensure that targets are realistic, measurable and aligned with the Department's mandate and available resources.

8.2.3 Develop a clear and time-bound roadmap for the finalisation and tabling of the NQF Amendment Bill and ensure that the legislative process is not subjected to further delays.

8.2.4 Strengthen the capacity of the Planning Branch to improve infrastructure management expenditure performance and project implementation.

8.2.5 Urgently develop and implement a comprehensive framework to guide the selection and appointment of administrators across the PSET sector.

8.2.6 Strengthen oversight and monitoring mechanisms for all entities under its portfolio and establish an early-warning and intervention mechanism for entities demonstrating persistent underperformance, governance weaknesses or deteriorating audit outcomes.

8.2.7 Ensure that the Independent Development Trust (IDT) is held accountable for all outstanding work for which it was contracted before the transfer of responsibilities to the DBSA. The Department should also ensure that all outstanding contractual obligations and deliverables are comprehensively assessed and resolved before the transition.

8.2.8 Expedite the construction of the planned nine Community Learning Colleges across the country.

8.2.9 Expedite the finalisation of the appointment of contractors to commence with the construction of the Bhambanana and Greytown TVET College campuses.

8.2.10 Through the Minister, engage Cabinet to consider issuing a directive/circular requiring all government departments and public entities to utilise the services of SAQA's verification services when verifying the qualifications of prospective and current employees.

8.2.11 Ensure that PSET institutions lead by example in utilising the services of SAQA to verify the qualifications of current and prospective employees.

8.2.12 Provide appropriate support and explore sustainable funding solutions to strengthen the three entities' (CHE, QCTO and SAQA) financial capacity and enable them to deliver effectively on their respective mandates.

8.3 Programme 3: University Education

8.3.1 Urgently finalise and implement a comprehensive NSFAS turnaround strategy, with clearly defined interventions, implementation timeframes and measurable outcomes.

8.3.2 Provide the NSFAS Board with clear timeframes for the appointment of suitably qualified and permanent senior management at NSFAS, particularly the positions of Chief Executive Officer, Chief Financial Officer and Chief Operations Officer.

8.3.3 In collaboration with AGSA, develop targeted interventions for universities that experienced a regression in their audit outcomes.

8.4 Programme 4: Technical and Vocational Education and Training

8.4.1 Conduct a comprehensive review of the funding model and costing assumptions for the sub-programme 4: Examination and Assessment function within Programme 4: TVET

to ensure that budget allocations are realistic and aligned with actual operational requirements.

8.4.2 Develop a sustainable strategy to address recurring budget shortfalls and reduce reliance on in-year virements and reprioritisation of funds.

8.4.3 Consolidate and strengthen the interventions that have contributed to the improvement in TVET audit outcomes to prevent future regression.

8.4.4 Commission a forensic investigation into allegations of financial misconduct and maladministration at the Northern Cape Urban TVET College.

8.5 Programme 5: Skills Development

8.5.1 Develop and implement a comprehensive SETA improvement plan addressing the audit, governance, financial management and performance weaknesses identified by AGSA.

8.5.2 Ensure that officials found responsible for financial misconduct or non-compliance within SETAs are subjected to appropriate disciplinary and, where applicable, legal processes. The Department should also ensure that the recommendations of the Duja Forensic Report at CETA are implemented.

8.5.3 Develop mechanisms to prevent officials facing disciplinary proceedings from evading accountability through resignation and subsequent employment within another SETA.

8.5.4 Strengthen the Department's oversight framework for SETAs, including regular monitoring of financial management, procurement, consequence management and performance.

8.5.5 Hold the National Artisan Moderation Body (NAMB), trade test centres and SETAs accountable for the Red Seal certificates backlog affecting approximately 6 000 artisans, and require the submission of a credible, time-bound action plan to eliminate the backlog and prevent recurrence.

8.6 Programme 6: Community Education and Training

8.6.1 Develop a comprehensive strategy to strengthen the CET sector, addressing infrastructure, funding, staffing and learner support challenges, to expand access and improve learner success.

ENTITIES

8.7 Quality Council for Trades and Occupations

QCTO should:

8.7.1 Play an active role, in collaboration with NAMB, trade test centres and SETAs in addressing the backlog of Red Seal certificates affecting approximately 6 000 artisans.

8.7.2 Expedite the finalisation of outstanding dispute processes relating to its recently purchased office accommodation.

8.7.3 Develop and implement a single, coordinated learner-centred plan with a clear deadline to manage the transition from the legacy qualifications.

8.8 South African Qualifications Authority

SAQA should:

8.8.1 Strengthen supplier due diligence processes before the awarding of contracts to ensure that service providers are appropriately vetted and comply with all applicable procurement requirements.

8.8.2 Enhance the Project Phoenix system to incorporate applicants' criminal record verification functionality and to establish a comprehensive information repository of all qualifications awarded in South Africa.

8.8.3 Develop sustainable revenue diversification strategies to strengthen the entity's long-term financial sustainability and support the effective execution of its expanded mandate, particularly Project Phoenix, which requires approximately R200 million to become fully operational.

8.8.4 In collaboration with the DHET and the Department of Home Affairs (DHA), review the Critical Skills List to provide evidence-based projections of the country's current and future skills needs.

The Committee recommends that, within three months of the adoption of this Report by the National Assembly, the Executive Authority submit a progress report on the implementation of the above recommendations.

Report to be considered.

10. BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON WOMEN, YOUTH AND PERSONS WITH DISABILITIES, DATED 15 OCTOBER 2026

The Portfolio Committee on Women, Youth and Persons with Disabilities, having considered the annual and financial performance of the Department of Women, Youth and Persons with Disabilities on 12 October 2026, and the Commission for Gender Equality on 8 October 2025, reports as follows:

1. Introduction

The Portfolio Committee on Women, Youth and Persons with Disabilities (hereafter the Committee) considers this Budget Review and Recommendations Report (BRRR) for 2026 having assessed the annual reports for the Department of Women, Youth and Persons with Disabilities (hereafter the Department) and the Commission for Gender Equality (CGE) in light of each of the respective Strategic Plans, Annual Performance Plans and the 2025 BRRR.

With respect to the National Youth Development Agency (NYDA), the Committee was informed of the late tabling of the NYDA's Annual Report 2025/26 as per the ATC No. 164 of 2026 as follows:

> "The following paper is referred to the **Portfolio Committee on Women, Youth and Persons with Disabilities** for consideration:
>
> (a) Letter from the Minister of Women, Youth and Persons with Disabilities, dated 29 September 2026, to the Speaker of the National Assembly, explaining the reasons for the delay in the submission of the Annual Report of the National Youth Development Agency (NYDA) for 2025/26."

The Auditor General of South Africa (AGSA) briefed the Committee on 2nd October 2026 on the outcome of the audits undertaken for the 2025/26 financial year for the Department and the CGE. Thereafter, on the 8th October 2026, the Committee was briefed by the Commission for Gender Equality (CGE) on its Annual Report for 2025/26 and then the Department briefed the Committee on the 12th October 2026 on its Annual Report for 2025/26 as it was tabled late.

Subsequently, the Department submitted an Addendum to the Annual Report to correct an error on the total number of targets not met.

2. Strategic Overview

2.1. Mandate and Purpose of the Department

The Department of Women, Youth and Persons with Disabilities derives its mandate from section 9 (3) of the Constitution which states that "the state may not unfairly discriminate directly or indirectly against anyone on one or more grounds, including race, gender, sex, pregnancy, marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language and birth; and Section 10 states that "everyone has inherent dignity and the right to have their dignity respected and protected."[1] The Department goes on to state that its mandate is to "lead on socio-economic transformation and implementation of the empowerment and participation of women, youth and persons with disabilities through mainstreaming, advocacy, monitoring and evaluation."[2]

As stated in the Estimates of National Expenditure (ENE) for 2025, the Department received its transfer from National Treasury via Vote 20, which at the time was inclusive of five programmes namely; Programme 1: Administration; Programme 2: Mainstreaming Women's Rights and Advocacy; Programme 3: Monitoring, Evaluation, Research and Coordination and Programme 4: Rights of Persons with Disabilities and Programme 5: Rights of Youth.

2.2 Mandate of the Commission for Gender Equality

The Commission for Gender Equality (CGE) was established in 1996 according to the Commission for Gender Equality Act 39 (1996) to promote gender equality. In its efforts to monitor, lobby, educate citizens and encourage the equitable development of women and men, the CGE is compelled to undertake the following:

[1] Department of Women, Youth and Persons with Disabilities (2026) Vote No. 20 Annual Report 2025/26 Financial Year, p.27
[2] Ibid

- To monitor and evaluate policies and practices of organs of State at any level, statutory bodies or functionaries, public bodies and authorities, and private businesses, enterprises and institutions;
- To cultivate an understanding of gender equality and the role and activities of the Commission through developing, conducting and managing information and education programmes;
- To evaluate whether Acts of Parliament (existing or proposed), systems of personal and family law or custom, systems of indigenous law, custom or practices or any other law, will affect the status of women, and to make recommendations to Parliament in this regard;
- To recommend to the National and Provincial Legislatures, any new legislation that would promote gender equality;
- To investigate on its own initiative or due to a complaint, any gender related issue;
- To maintain close relations with institutions that undertake similar work, and to facilitate cooperation in handling complaints;
- To interact with civil society to further the work of the Commission;
- To monitor compliance to international conventions, covenants and charters related to gender issues, and to submit reports to Parliament in this regard;
- To conduct research on gender related issues; and
- To consider recommendations, suggestions and requests made with regards to gender equality as received from any source.

3. Purpose of the Budget Review and Recommendations Report (BRRR)

The Money Bills Procedures and Related Matters Amendment Act (No. 9 of 2009) sets out the process that allows Parliament to make recommendations to the Minister of Finance to amend the budget of a national department. Section 5 (1) of the Money Bills Amendment Procedure and Related Matters Act (No. 9 of 2009) requires that the National Assembly, through its Committee, must annually assess the performance of each national department. Section 5 (2) makes provision for the annual submission of the budgetary review and recommendations report (BRRR) for tabling in the National Assembly for each department. It is expected of the BRRR to report on the following:

- Assessment of the department's service delivery performance given the available resources;
- Assessments on the effectiveness and efficiency of the department's use and forward allocation of available resources; and
- May include recommendations on the forward use of resources.

4. Method

In order to enable the Committee to take informed decisions on the performance of the Department for the financial year 2025/26, the Committee consulted the following reports and documents: Section 32 reports of National Treasury, the Department's Annual Report 2025/26, Reports of the Auditor-General of South Africa (AGSA), Report of the Department's Audit and Risk Committee (ARC), the 2025 State of the Nation's Address and the CGE's Annual Report for 2025/26. All of this information assisted the Committee in providing a holistic assessment of the Department and the CGE's performance for 2025/26 with reflections on the 1st Quarter report of 2026/27.

In complying with Section 5 (2) of the Money Bills Amendment Procedure and Related Matters Act, (Act No 9 of 2009), the Portfolio Committee on Women, Youth and Persons with Disabilities held a meeting on the 12th October 2026 to consider the 2025/26 Annual Report of the Department. The Office of the AGSA was invited to give input during the budget review and recommendation report process on the 2nd October 2026 as well. As noted previously, the Committee was also briefed and deliberated on the quarterly reports for 2025/26 for the Department. The Committee had previously considered the Department's 1st quarter report for 2026/27 as part of its in-year monitoring. As such, this report therefore includes those key issues that were identified by the Committee.

5. Outline of the Contents of the Report

This report provides an analysis of the financial and programmatic performance of the Department and the CGE. Cognisance is taken of the reductions imposed on the budget allocated as well as revisions made to respective Annual Performance Plans and where relevant,

commentary is provided in that regard. Moreover, the report not only reflects on the Annual Reports but examines the Committee's engagement with the entities for the year under review as well as the Q1 of 2026/27 performance and what needs to be taken into consideration going forward. The report concludes with key observations and recommendations made by the Committee having engaged with the Department, the CGE, the AGSA and each of the Audit and Risk Committee's for each of the entities.

6. Overview of Key Policy Focus Areas - Strategic Priorities of Government

6.1 National Development Plan

"The NDP Vision 2030 prioritises the significant role of women, youth and people with disabilities in our society. If these three groups are strong, our whole society will be strong. These are cross-cutting focus areas that need to be mainstreamed into all elements of South Africa's developmental future and all programmes of government. They will inform interventions across the three pillars."[3]

The Department's Strategic Plan 2025-2030 is said to be aligned to the vison in the NDP and the national development priorities and targets as outlined in the Medium-Term Development Plan. Furthermore, the Department indicates that its "policy and legislative programme are aligned to government's overarching objectives as outlined in the National Development Plan 2030 and Medium-Term Development Plan (MTDP) that of promoting initiatives that enhance economic opportunities, safeguard social justice and create safe environments for vulnerable populations and those who continue to face social and economic exclusion."[4]
Thus, in implementing its programmes, the Department maintains that it aligned its indicators to respond and contribute to the principles of the NDP. To this end, the Department, "seeks to contribute to the achievement of the country's development impacts as outlined in the National Development Plan (NDP) 2030 and the Medium-Term Development Plan (MTDP) 2024-2029. Given the Department's mandate, the specific focus will be on women, youth and persons with disabilities."[5]

[3] Department of Planning, Monitoring and Evaluation, Republic of South Africa (2019) Medium Term Strategic Framework 2019-2024.
[4] Department of Women, Youth and Persons with Disabilities (2025) Strategic Plan 2025-2030, p.4.
[5] Ibid, p. 42

6.2 Medium-Term Development Plan (MTDP)[6]

The Medium-Term Development Plan (MTDP) 2024–2029 guides the 7th Administration in implementing the Government of National Unity (GNU) Statement of Intent and advancing the National Development Plan.

Government has set five goals for the next five years, which are:

i. A dynamic, growing economy;
ii. A more equal society, where no person lives in poverty;
iii. A capable state delivering basic services to all citizens;
iv. A safe and secure environment; and
v. 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.

These priorities support the vision of "Building a nation that works for all" through dignified work, a dynamic economy, effective social protection, and rapid, inclusive and sustainable growth.

The three Strategic Priorities, supported by defined policy choices and priority interventions, will be implemented across government and overseen and monitored by the centre of government. This approach concentrates effort and resources on an ambitious but achievable set of goals that can accelerate delivery and articulate a clear vision for the society government seeks to create. The priorities do not replace other programmes or commitments; however, they are central to the economic growth agenda and should be implemented without delay. Effective implementation will also require collaboration with non-state role players, including business, labour and civil society.[7]

[6] Department of Planning, Monitoring and Evaluation (2025) Medium-Term Development Plan 2024-2029
[7] Ibid

6.3 State of the Nation Address 2025

The President reflected on the adoption of the Medium-Term Development Plan during the 2025 State of the Nation Address (SONA) which identifies three strategic priorities namely advancing inclusive growth and job creation; reducing poverty and tackling the high cost of living and building a capable, ethical and developmental state. All these priorities have a direct bearing on the lives of women, youth and persons with disabilities in the country.

President Cyril Ramaphosa called on all South Africans to unite in a National Dialogue with the aim of shaping the long-term vision for the country. This call was a central theme of the 2025 State of the Nation Address (SONA). The inclusion of women, youth and persons with disabilities would be imperative as a collective constitute a significant proportion of the populace.

Other key highlights from the address include:
"Economic Growth & Investment – Government aims to lift economic growth above 3%, with over R940 billion allocated for infrastructure investment over the next three years. A second wave of SOE reform will drive efficiency and attract private sector participation.

Energy & Water Infrastructure – The Electricity Regulation Amendment Act came into effect on 1 January, marking the transition to a competitive electricity market. To tackle the water crisis, the government has secured R23 billion for seven major water infrastructure projects and will soon establish the National Water Resource Infrastructure Agency to unlock further investment in water security.

Public Sector Reform – A graduate recruitment scheme will attract top talent to public service, while digital transformation efforts will improve government efficiency through a revamped gov.za platform and a national digital identity system.

Business & Trade – A modernised industrial policy will focus on localisation, diversification, digitisation, and de-carbonisation. The visa system will also be streamlined with the launch of an Electronic Travel Authorisation System to boost tourism and foreign investment.

Social Development & Housing – The Social Relief of Distress Grant will serve as a foundation for a more sustainable income support system. Housing policies will be redesigned to encourage affordable inner-city housing and the repurposing of underutilised state properties.

Justice & Anti-Corruption – Reforms to South Africa's anti-corruption framework will enhance whistleblower protections and strengthen enforcement against money laundering and financial crimes."

Women, youth and persons with disabilities are directly impacted in all of the areas listed.

7. Department's Strategic Priorities

7.1 Strategic Priorities as per Strategic Plan 2025-2030[8]

As per the Strategic Plan (2025-2030), the Department identified the following strategic priorities as outlined below.

- **Universal design and access and reasonable accommodation:** Promoting, advocating and monitoring the implementation of universal design and design framework to remove barriers to access and participation for persons with disabilities.

- **Empowerment and Economic Inclusion:** Implement programs for economic empowerment, with a focus on financial and non-financial entrepreneurship support and training, vocational skills and mentorship for women, youth and persons with disabilities. Further work will be undertaken to expand access to economic opportunities for persons with disabilities, including fair employment practices.

- **Integrated Health and Support Services:** Work with other relevant government departments to improve access to equitable healthcare and psycho-social support for marginalised groups, addressing mental health, reproductive health, and disability-specific services.

[8] Department of Women, Youth and Persons with Disabilities (2025) Strategic Plan 2025-2030

- **Enhanced Safety and GBVF Response:** Strengthen GBVF prevention and response initiatives, emphasizing community-driven interventions, survivor support, and data collection for evidence-based decision-making and policy refinement. The Department will integrate the findings and recommendations of the HSRC prevalence study into the National Strategic Plan on Gender-Based Violence and Femicide (NSP on GBVF) to ensure a coherent response to the issues identified; monitor the implementation of GBVF responses; champion, implement and finance the 365 days campaign and work closely with traditional leaders and queens, drawing on their influence to support initiatives led by the Department of Cooperative Governance and Traditional Affairs (COGTA) and strengthen a comprehensive, culturally responsive approach to GBVF.

- **Education and Skills Development:** Support the promotion of accessible education and skill development programs, prioritising STEM fields, digital skills, and professional training to prepare youth for emerging sectors.

- **Institutional Capacity Building:** Focus on internal capacity building, emphasising effective resource management, staff training, and monitoring and evaluation frameworks to enhance the Department's operational efficiency.

The Department has the following policy frameworks that is intended to guide the strategic priorities and work of the Department and government in the next five years these include:

- Women's Socio-Economic Empowerment Index
- Strategy for Economic Empowerment of Women, Youth and Persons with Disabilities
- Sanitary Dignity Framework
- National Strategic Plan (NSP) on Gender-Based Violence and Femicide (GBVF)
- National Strategic Frameworks on Disability – Reasonable Accommodation; Universal Design and Access; Self-Representation and Awareness Raising

7.2 Strategic Outcomes over MTEF Period

The Department indicates that its outcomes are aligned to the following MTDP priorities:

- Priority 1: Inclusive growth and job creation

- Priority 2: Reduce poverty and tackle the high cost of living
- Priority 3: Capable, ethical, developmental State

The table below reflects the Department's achievement of institutional impacts and outcomes as outlined in the Annual Report for 2025/26.

Table 1: 2025/26 Institutional Impacts and Outcomes

IMPACT	OUTCOMES
Improved Quality of Life for Women, Youth and Persons with Disabilities	• **Improved governance processes and systems for DWYPD** - The planned target for 2024/25 is to have DWYPD governance plans and policies implemented, at the time of this reporting period the following policies and plans were developed and implemented which contributed to improved governance process. • **Government-wide planning, budgeting, M & E addresses priorities relating to women`s empowerment, youth development and the rights of persons with disabilities**. - Planned target for 2025/26 is to produce report on 20% of government departments addressing WYPD priorities in their 2025-2030 strategic plans analysed. At the time of this reporting period 20% national government strategic plans were analysed, one annual performance monitoring report on inclusion of persons with disabilities was produced and a status report on draft annual performance plans for national government departments developed. • **Gender, youth and disability rights machineries institutionalised** - In the 2025/2026 financial year four (4) NYM meetings were convened to: ensuring joint planning for the youth sector; setting national youth development priorities; and making recommendations on strategic decisions and reporting progress on implementation of the National Youth Policy and projects. • **Accessible and available evidence-based knowledge and information on access to services, empowerment and participation for women, youth and persons with disabilities** - In the year under review the primary research was conducted to ensure the credibility of the findings and the relevance of the recommendations in responding to the approved terms of reference - research questions, as well as to support informed decision-making. The research will be finalised in the next financial year • **Strengthened stakeholder relations and community mobilisation towards the realisation of women's empowerment, youth development and disability rights**. - The planned target for 2025/26 is to conduct 12 stakeholder engagements on the empowerment of women, youth and persons with disability. At the time of this reporting period 12 stakeholder engagements were conducted and 4 community mobilisation initiatives were conducted on the empowerment of women, youth and persons with disabilities.
Transformed, representative and inclusive economy which prioritises women, youth and persons with disabilities	• **Equitable economic empowerment, participation and ownership for women youth and persons with disabilities being at the centre of the national economic agenda** - The planned target for 2025/26 is 4 interventions to support social empowerment and participation of women, youth and persons with disabilities monitored. At the time of

IMPACT	OUTCOMES
	this reporting period 4 interventions to support social empowerment of women, youth and persons with disabilities were monitored.
All women and girls, youth and persons with disabilities enjoy good quality health care and better life opportunities and educational outcomes	• **Improved rate of educational attendance and retention of young women and women with disabilities in public sector institutions** - The planned target is annual report on the implementation of the sanitary dignity framework on number of girl learners accessing free sanitary dignity products in Quintile 1,2 & 3 schools, special and farm schools. At the time of this reporting period annual report on the implementation of the sanitary dignity framework on number of girl learners accessing free sanitary dignity products in Quintile 1,2 & 3 schools, special and farm schools was finalised. • **Improved health for women, youth and persons with disabilities** - Poor menstrual hygiene may pose serious health risks. When girls and women do not have access to safe and affordable sanitary materials to manage their menstruation, they have an increased risk of contracting infections. In this regard, the DWYPD developed the Sanitary Dignity Implementation Framework (SDIF) with the objective of ensuring that indigent girls and women are afforded the opportunity to manage menstruation in a knowledgeable, safe and dignified manner, hence the distribution of menstrual products in the form of disposable sanitary pads to selected beneficiaries. In 2025/26 FY girls in public schools, which are quintiles 1 – 3 schools (no fee-paying schools), special and farm schools were the beneficiaries through the equitable share allocation from National Treasury. • **Improved skills for women, youth and persons with disabilities** - The implementation of the Sanitary Dignity Implementation Framework by provinces allows the beneficiaries to attend school without interruption as learners were sometimes unable to attend school due to lack of access to sanitary pads.
All women, girls, youth and persons with disabilities are and feel safe and enjoy freedom and a better life	• **Levels of marginalisation, stigmatisation and discrimination and violence against women, girls and persons with disabilities reduced** - The planned target of 2025/26 is to monitor 25 National Departments, NSP on GBVF, 7 provincial departments, and 06 Municipalities on the implementation of NSP on GBV. At the time of this reporting period, the National Strategic Plan on Gender Based Violence and Femicide (NSP on GBVF) were monitored. The number of national departments monitored exceeded by 5 departments and 2 more provincial departments were monitored for the implementation of the NSP on GBV.
Africa and the world that is more responsive and inclusive to the rights of women and persons with disabilities	**Strengthened women, youth and disability rights agenda within global, continental and regional platforms, institutions and engagements towards a better Africa and the world** - In the year under review the department successfully, coordinated the country's responses to various Regional, Continental and International requirements, frameworks and conventions affecting women, youth and persons with disabilities, as follows: • The implementation of the SADC Protocol on Gender and Development, in particular the representation and participation of women in political and decision-making positions as well as addressing gender-based violence and femicide. • The reporting to the various Committees served as an opportunity to reflect and monitor progress on what the South African government is doing well, and what needs to be done better. At the National Level, the coordination by the Department improved collaboration and

IMPACT	OUTCOMES
	partnership between Government Departments and other strategic stakeholders including academia and civil society organisations.

7.3 Strategic Priorities 2025/26

As per the ENE (2025) the Department indicated that "Over the MTEF period, the department will continue focusing on enhancing the coordination of the national response to gender-based violence; advancing responsive planning, budgeting, monitoring and evaluation within government; protecting the rights of people with disabilities; and encouraging the participation of women, young people and people with disabilities in the economy."[9]

Furthermore, the following section outlines that indicators within the core programmes that are linked to the respective MTDP outcome 9 (Economic transformation for a just society) as contained in the 2025 ENE.

Programme	Indicator
2. Advocacy and Mainstreaming for the Rights of Women	Number of interventions to support economic empowerment, participation and ownership for women, youth and people with disabilities per year
3. Monitoring, Evaluation, Research and Coordination	Number of stakeholders engagements on the empowerment of women, youth and persons with disabilities
	Number of community mobilisation initiatives on the rights of women, youth and persons with disabilities coordinated per year
	Number of reports on the compliance of government commitments on international and regional instruments produced per year
4. Rights of Persons with Disabilities	Number of research reports on the inclusion of persons with disabilities produced per year

The Department has also highlighted the following legislative imperatives that it will focus on across the five-year planning period:

- The development of the Promotion of Women's Rights, Empowerment and Gender Equality Bill

[9] National Treasury (2025) 2025 Estimates of National Expenditure, Vote 20, p.396

- The development, in partnership with the South African Law Reform Commission, of a Disability Rights Bill
- The South African Youth Development Bill

8. Policy Priorities for 2025/26

The Department indicated the following key focus areas as outlined in the ENE 2025:

- Addressing GBV and supporting empowerment
- Promoting GRPBME
- Promoting the rights of people with disabilities
- Supporting the empowerment of young people

Furthermore, the Department's Annual Performance Plan for 2025/26 the expands on how it intends address these focus areas through amongst others the economic empowerment of women, social empowerment of women and youth development. Moreover, the Department indicated that work would also be focussed on Government's Youth Employment Programmes as a mechanism to address youth unemployment. In addition, special attention would also be placed on advancing the rights pf persons with disabilities.[10]

9. General Overview and Assessment of Financial Performance for Department[11]

According to the Estimates of National Expenditure 2025, R 1 361.7 billion was allocated for Vote 20 for the Department of Women, Youth and Persons with Disabilities, bearing in mind that R97.5 million constituted the transfer payment to the CGE and R1 024.6 billion to the NYDA.[12] Hence the Department would have been left with an operating budget of approximately R239.6 million to undertake its programmes and meet its targets for 2025/26.

As of 31 March 2026, the Department spent R1 354 124 billion (99.4%) of its total budget R1 361 686 billion (includes transfers). The total under-expenditure incurred was R7 562 million

[10] Department of Women, Youth and Persons with Disabilities (2025) Annual Performance Plan 2025/26.
[11] Levendale, C (2026) Annual Report Overview 2025/26 Department of Women, Youth and Persons with Disabilities, Budget Overview and Programmes 1, 2, 3 and 4. Parliament of the Republic of South Africa, Research Unit, 6 October 2026.
[12] National Treasury (2025) 2025 Estimates of National Expenditure, Vote 20 – Women, Youth and Persons with Disabilities

and relates primarily to the Department's operational budget. With respect to the operational budget, the Department spent R232.082 million (96.8%) and incurred the under-expenditure as noted above.

A number of internal transfers or virements occurred between programmes. The Department reports a total of R14 097 million in virements (p.20) however the amounts transferred between programmes differed slightly to that which is recorded in the Appropriation Statement on p.176 as highlighted below.

- A total of R992 000 was transferred from Programme 1 (Administration) to Programme 4 for Software and Intangible Assets and a total of R3.6 million was transferred in from Programme 2 (R3 million) for Compensation of Employees (COE), R502 000 from Programme 3 for COE and R180 000 from Programme 3 for Transfers and subsidies (Households). However, the Appropriations Statement (p.176) reflected total virements for this programme as R3.3 million.
- A total of R8.5 million was transferred out from Programme 2 G&S to Programme 1 (R3 million) for COE and R5.581 million from G&S to Programme 3 for Goods and Services (G&S).
- A total of R1 058 million was transferred out of Programme 3 from G&S to Programme 3 (R1 million) for G&S and R502 000 from COE to Programme 1 for COE. In addition, a total of R8.1 million was transferred into Programme 3 from Programme 2 (R5.581 million) for G&S then R1.043 million from Programme 4 for G&S and R1.495 million from Programme 5 for G&S. However, the Appropriation Statement reflects a total of R7 million in virements.
- A total of R1.2 million was transferred out from Programme 4, R1.043 million from G&S to Programme 3 for G&S and R180 000 from Transfers and Subsidies (Households) to Programme 1 Transfers and Subsidies. In addition, R1.8 million was transferred into Programme 4 from Programme 1 R992 000 for Software and Intangible assets and R818 000 from Programme 5 for COE.
- A total of R2.3 million was transferred out of Programme 5 from COE to Programme 4 COE for R818 000 and R1.5 million from Programme 5 G&S to Programme 3 for G&S.

In summary, Programme 3 received an additional R8.1 million while R1.058 million moved out of the programme thus benefitting the most from the virements. This is followed by Programme 1 that received R3.6 million and R992 000 was transferred out.

In examining the programme expenditure for 2025/26, the following table has been collated using the information the information provided in the Annual Report.

Table 2: Total vs Operational Expenditure as at 31 March 2026[13]

Programme	Total final budget as per Annual Report Appropriation Statement (incl. transfer payments) R'000	Total Expenditure Incl. transfer payments R'000	Budget per programme excluding transfer payments (operational budget)	Actual expenditure excluding transfer payments (operational expenses)	Expenditure as % of programme operational budget	Programme expenditure as % of total operational expenditure
1. Admin.	R128 607 m	R127 687 m	R128 607m	R127 687m	99.2%	55%
2. AMRW	R132 252 m	R131 786 m	R34 777m (excl. CGE)	R34 311m (excl. CGE)	98.6%	14.8%
3. MERC	R50 025m	R45 903m	R50 025m	R45 903m	91.7%	19.8%
4. RPD	R15 810 m	R14 115m	R15 810m	R14 115m	89.2%	6.1%
5. RY	R1 034 992	R1 034 633	R10 425 (excl. NYDA)	R10 066m	96.5%	4.3%
Total	**R1 361 686 billion**	**R1 354 124 billion**	**R239 644 million**	**R232 082 million**		
Total under-expenditure = R7.562m		**Total % expenditure, i.e. operational budget = 96.8% Operational budget under-expenditure = R7.562 million**				

The table provides an overview of expenditure as at the end of the 2025/26 financial year. The following can be noted:[14]

- When considering the overall expenditure of the Department based on its total appropriation of R1 361 686 billion it appears that the Department has spent 99.4% or R1 354 124 billion of its total budget.

[13] Levendale, C (2026) Department of Women, Youth and Persons with Disabilities Analysis of 2025/26 (Financial Performance of Programmes 1, 2, 3 and 4). Parliament of the Republic of South Africa, Research Unit, 12 October 2026.
[14] Ibid

- However, when considering the budget less the transfer payments to the CGE and NYDA, i.e. the operational budget (R239 644 million), the Department has spent 96.8% or R232 082 million of the operational budget. This is similar the previous FY 2024/25 where the Department spent 95.5% (R208.141 million) of the budget (i.e. its operating budget of R217.834 million) with an under-expenditure of R9.693 million.
- The bulk of the Department's operational budget was still allocated to its Administration Programme (Programme 1). This programme also consumed the largest expenditure (R127 687 million) of the Department's operational expenditure which amounted to 55%.
- In terms of the programme expenditure as a percentage of overall expenditure, Programme 2, accounts for only 14.8% of expenditure, while Programme 3 accounts for 19.7%, Programme 4 accounts for 6.1% and Programme 5 only accounts for only 4.3% of the operational expenditure.
- Total under-expenditure for the year amounts to R7 562 million and the operational expenditure amounts to R232 082 million.

The Department reports that it has requested the following roll-over funds from National Treasury:

- The Department reports that it has submitted a request to National Treasury for the rollover of funds amounting to R2.4 million for the payment of capital assets related to the replacement of 3 executive vehicles for the Minister and Deputy Minister.

The key cost drivers were Compensation of Employees and Goods and Services. As such, 57.6% (R138 229 million) of the Department's operating budget has been spent on Compensation of Employees (COE) compared to R134 356 million in the 2024/25 FY. Furthermore, 35.7 % of the operating budget has been consumed by Goods and Services (R85 654 million) compared to R73 541 million in 2024/25. In terms of spending under Goods and services, the line items which have incurred the greatest expenditure are listed in the table below for 2021/22 to 2025/26.

Table 3: Comparison of Key Cost Drivers between 2021/22 – 2025/26

Key Cost Driver	2025/26	2024/25	2023/24	2022/23	2021/22
Compensation of employees	R138.229	R128.853m	R117.187 m	R117,187 m	R115,077 m
Goods and services	R85.654m	R73.791m	R77.666 m	R77,666 m	R50,993 m
- Property payments	R10.707m	R10.2m	R8.991 m	R13,009 m	R21,649 m
- Travel & Subsistence	R30.510m*	R28.3m	R23.806 m	R22,054 m	R4,450 m
- Communication	R2.636m	R2.144m	R1.967 m	R3,602 m	R4,008 m
- External Audit Costs	R4.195m	R4.7m	R4.295 m	R4.415 m	R3,802 m
- Computer services	R7.654m	R12.3m	R8.191 m	R8,265 m	R4,224 m
- Advertising	R1.264m	R1.070m	R375 000	R2,760 m	R5,112 m
- Consultants	R3.320m	R5.7m	R3.039 m	R7,230 m	R1,848 m
- Venue and facilities	R10.585m	R2.148m	R3.310 m	R3,979 m	R1,110 m

*Local Travel = R14.9m and International travel = R15.5m

Reflecting on the key cost drivers across the financial years, expenditure incurred for Travel and subsistence has increased year-on-year. It remains a primary cost driver. Property payments also increased from R10.2 million in 2024/25 to R10.707 million in 2025/26.

In terms of spending under Goods and Services, the main cost drivers were travel and subsistence (R30.5 million), property payments (R10.7 million), consultants (R3.3 million), expenditure for external audit costs (R4.1 million), computer services (R7.6 million) and venues and facilities (R10.5 million). These 6-line items consume 90.5% (R66.7 million) of the Goods and Services budget.

The Department indicated that under-spending per programme was due to following reasons

- Programme 3 (R4.122 million): Three high value vacant posts.
- Programme 4 (R1.695 million): Disability Rights Awareness Month activities as funded through CARA Fund.

Notwithstanding the reasons cited, under-spending for the rest of the programmes was as follows:

- Programme 1 (R920 000):
- Programme 2 (R466 000)
- Programme 5 (R359 000)

In terms of Compensation of Employees, the Department underspent by R4 767 million and cited the following reasons:

- This was mainly attributed to vacancies.

In terms of Transfers & Subsidies, an under-expenditure of R45 000.

In terms of Payment for Capital Assets, the Department underspent by R2 445 million, and this was attributed to:

- Delays in the procurement and delivery of three VIP vehicles, amounting to R2.8 million, which are expected to be delivered and expensed during the 2026/27 financial year.
- Delays in the delivery of replacement laptops, amounting to R758 thousand, which will also be delivered and expensed during the 2026/27 financial year.

Furthermore, the Department indicated that it utilised 72 consultants on 41 projects to the value of R3.315 million. Table 3.15 (p.147) in the Department's annual report provides more details on the use of consultants for the year under review.
The Department spent R550 240 on procuring the services of sign language interpreters for the 2025/26 for various events/initiatives (30/41 projects). Moreover, R1 962 303,42 was spent on consultants (5/41 projects) to undertake work within core programmes in which there are dedicated personnel employed tasked with those deliverables.

9.1 Expenditure Management for 2025/26

9.1.1 Irregular Expenditure

- The Department did not incur any irregular expenditure for the period under review. However, it has a balance of R924 000 on its financial statements relating to previous financial years that has not yet been condoned or written off.
- The AGSA indicated that R12.1 million irregular expenditure is under assessment. Procurement with a value exceeding R1 million was undertaken without following the prescribed competitive bidding processes, and no approved deviation was in place to justify the departure from these requirements – R11 196 977 (IEUA). The motivation

was prepared for deviation from obtaining 3 quotes, and the reasons provided were not justifiable.

9.1.2 Fruitless and Wasteful Expenditure (FWE)

- The Department's Accounting Officer's statement indicates that no fruitless and wasteful expenditure was incurred for the year under review. The Audit and Risk Committee welcomed this outcome.
- However, a balance of R451 179 in relation to 2024/25 remains on the Department's statements. In 2024/25 the Audit and Risk Committee noted that two cases of FWE were identified. This was because of the Department booking venues for conferences/meetings/workshops that did not take place. As a result, both service providers imposed a 100% cancellation fee. By the end of 2024/25, these two cases were under assessment by Internal Audit.
- The Annual Report also reflects an amount under Other Receivables for FWE of R1.330 million for 2025/26 from previous year. The Department states on p.208, "*The fruitless & wasteful expenditure is still with the State Attorney due to the challenges of the existence for the service provider. This matter will be followed up with the State Attorney through Legal Services to finalise the possibility of recovery during the 2025/26 financial year. Should this not be recoverable the matter will be dealt with in accordance with the relevant write-off policies.*"

9.1.3 Unauthorised expenditure

- The Department did not incur any Unauthorised expenditure for 2025/26 FY.

9.1.4 Exemptions and Deviations

- The Department states in its 2025/26 AR (p.22) that it "did not apply for an exemption from the PFMA, Treasury Regulation or deviation from the financial reporting requirements during the current and/or previous financial year."
- As at 31 March 2026, the Department has incurred 38 deviations amounting to R20.7 million which R7.8 million increase from previous FY 2024/25 in which Department reported 30 deviations amounting to R12.996 million. Most transactions were approved through single-source appointments or obtaining fewer than three quotations.
- The Department also reports 8 Contract Variations and Expansions that amounted to R1.1 million.

9.1.5 Contingent Liabilities

- The Department noted contingent liabilities to the amount of R9 523 million
- The Department notes in the AR (p.211) that "*There are currently 2 claims against the department for R7 million and R731 thousand emanating out of disciplinary hearings. There are also 2 claims against the department emanating from a Labour Relation Dispute Case which is quantifiable*."

9.1.6 Donor funds[15]

- For the 2025/26 financial year the Department received 2 tranches of donor funding from the European Union and the Criminal Assets Recovery Account (CARA) Fund Project which have been captured in the table below.

Table 4: Donor Funding for 2025/26[16]

European Union (EU) - Sector Budget Support (SBS) Programme	Criminal Assets Recovery Account (CARA) Fund
The Department received donor funding from the **European Union (EU)** through the **Sector Budget Support (SBS) Programme** to strengthen gender-responsive governance, women's empowerment, and the implementation of gender mainstreaming across government. **Funding Details** • **Donor:** European Union • **Total Funding Commitment:** R109.3 million • **Funding Period:** 2021/22 to 2023/24 • **Extended Implementation Period:** Rolled over to **2024/25 to 2026/27** due to delays in the release of funds by the National Treasury. **Performance** • **Actual Output Achieved:** Expanded expertise within government in the application of the **GRPBMEA Framework**. **Financial Performance** • **Amount Received:** R61.6 million • **Amount Spent:** R25.1 million • **Unspent Funds:** Approximately **R36.5 million** remains unspent.	The Department received funding through the **CARA Fund** to support the implementation of the **National Strategic Plan (NSP) on Gender-Based Violence and Femicide (GBVF)**, with a focus on prevention, awareness, social cohesion, and community mobilisation. **Funding Details** • **Donor:** CARA Funding • **Total Funding: R35 million** • **Funding Period:** 2023/24 to 2025/26 • **Extended To: 31 March 2027** **Performance** • **Actual Outputs Achieved:** GBVF Awareness and Prevention Campaigns, Positive Masculinity Programme, Integrated Prevention Activities (participated in JCPS Cluster prevention initiatives), Community Engagements, National Campaigns (16 days campaign, men's indaba) **Financial Performance** • **Amount Received:** R24.5 million • **Amount Spent:** R6.3 million • **Unspent Funds:** Approximately R18.2 million remains unspent.

[15] Levendale, C (2026) Department of Women, Youth and Persons with Disabilities – Analysis of 2025/26 Annual Report (Financial Performance of Programme 1, 2 and 3)
[16] Ibid, p.11

European Union (EU) - Sector Budget Support (SBS) Programme	Criminal Assets Recovery Account (CARA) Fund
Reasons for Under-Expenditure The Department reported that: • Several research projects were still underway. • Final reports and invoices had not yet been received. • Payments will be made once project milestones are achieved.	**Reasons for Under-Expenditure** The Department reported that: • CARA funds were only made available late in the first year of implementation. • There was insufficient time to procure and deliver all planned activities. • Large-scale school, community and media interventions continued into 2025/26. • An acceleration plan was developed to ensure achievement of the programme's objectives.

9.2 2025/26 MTEF financial allocation

The Department still maintains that it is under-resourced and requires more funding to function more optimally as there are capacity constraints across all programmes.

9.3 Concluding comments on financial performance

The Department spent 96.8% (R232.082 million) of its operating budget (R239.644 million) and managed to achieve 77% (43/56) of its planned targets as per the Addendum submitted to the Annual Report 2025/26. Despite the Department's repeated concerns about being underfunded, the Department continues to underspend as reflected in the 2025/26 FY. Underspending of R7.562 million is notable for the year under review.

When considering the overall expenditure of the Department based on its total appropriation of R1 361 686 billion, it appears that the Department has spent 99.4% or R1 354 124 billion of its budget. In terms of the programme expenditure as a percentage of total operational expenditure, 55% of the budget has been spent on the Administration programme. Programme 2: Mainstreaming Women's Rights and Advocacy accounts for only 14.8% of total operational expenditure, Programme 3 was 19.7% while Programme 4, Rights of Persons with Disabilities accounts for only 6.1% of operational expenditure and Programme 5: Rights of Youth 4.3%. Programme 1 consumes the greatest proportion of the budget at 53.6% yet has met only 44.4% (4/9) of its targets which will be discussed in the next section of the report. Despite a substantial portion of the operational budget being allocated to Compensation of Employees, the Department continued to rely on consultants to deliver on targets and expenditure incurred despite a large cohort of staff within programmes. Most of the expenditure incurred as in the

previous financial years was for Compensation of Employees and Goods and Services. Virements amounted to R14.097 million and deviations to R20.7 million for the 2025/26 FY.

10. OVERVIEW AND ASSESSMENT OF SERVICE DELIVERY & FINANCIAL PERFORMANCE PER PROGRAMME FOR DEPARTMENT OF WOMEN, YOUTH AND PERSONS WITH DISABILITIES

This section provides details of annual targets as per the APP 2025/26 for each programme as well as an indication as to which targets have been reported on in the Annual Report. An indication is also provided of whether targets have been achieved or not.

10.1 Programme 1: Administration

The purpose of this Programme is to provide strategic leadership, management and support services to the department. The purpose of each sub-programme is as follows:

- **Ministry:** The purpose of the sub-programme is to provide executive support to political principals.
- **Departmental Management**: The purpose of this sub-programme is to provide executive support, strategic leadership and management to the Department.
- **Financial Management**: The purpose of this sub-programme is to provide and ensure effective, efficient financial management and supply chain services. This includes budget planning and expenditure monitoring, and the management of procurement, acquisition, logistics, asset, and financial transactions.
- **Corporate Management**: The purpose of this sub-programme is to provide effective human capital management, security and work environment and ICT systems enabled for the Department.
- **Office accommodation**

This programme planned to achieve 9 targets of which 5 (44.4%) were achieved and 5 targets (55.6%) were not achieved as reflected in the Addendum to the Annual Report. The targets not achieved related to the following:

- 4 Business Continuity Risk Monitoring reports

- 40% Controllable procurement spend on entities owned by women; 3% Controllable procurement on entities owned by youth; 7% Controllable procurement spend on entities owned by persons with disabilities owned business
- Maintain a vacancy rate of less than 10% annually
- 3 progress reports on implementation of Human Resource Plan
- 100% payment within 30 days (as per Addendum to AR)

The total allocation for this programme was R125.3 million as per the initial Estimates of National Expenditure (ENE) 2025. In terms of Virements, this programme received to R3 million from Programme 2 for Compensation of Employees and an additional R502 000 from Programme 3. In addition, R180 000 was also moved from Programme 4 Transfers and Subsidies (Households) to the same cost item in Programme 1. The Programme transferred R992 000 from its Software and Intangible Assets line item to the same line item in Programme 4. The total funds into the programme was R3.6 million and R992 000 out of the programme. However, the Appropriation Statement (p.176) has a total virement of R3 316 million for this programme.

The final appropriation for this programme was R128 607 million. Moreover, this programme still consumed the largest proportion (53.6%) of the Department's operational budget (R239.8 million) in 2025/26. The actual expenditure was R127 687 million which amounts to 55% of the operational expenditure. This programme spent 99.3% of its programme budget. An under-expenditure of R920 000 was recorded.

The key cost drivers for Programme 1 were as follows:

- Compensation of Employees accounted for 57% of the programme budget, the final appropriation was R73 423 million and R73 420 million (100%) was spent.
- Goods and Services accounted for 36.6% of the programme budget, the final appropriation was R47 060 million and R48 562 million (103.2%) was spent, incurring an over-expenditure of R1 502 million.

With respect to the expenditure per sub-programme, the Ministry with a final appropriation of R29 197 million, spent R30 755 million thus incurring an over-expenditure of R1 558 million. The Departmental Management had a final appropriation of R22 697 million and spent R22 452 million with an under-expenditure of R245 000. Corporate management had a final

appropriation of R41 820 million and spent R40 196 million incurring an under-expenditure of R1 624 million. Financial management had a final appropriation of R24 248 million and spent R23 630 million incurring an under-expenditure of R618 000. Office accommodation had a final appropriation of R10 645 million and spent R10 643 million incurring an under-expenditure of R2000.

10.2 Programme 2: **Mainstreaming Women's Rights and Advocacy (MWRA)**

The purpose of the programme is to promote good governance regarding the rights and transformation of the social and economic empowerment of women.

The programme consists of the following sub-programmes namely:

- **Management Advocacy and Mainstreaming for the Rights of Women**: The purpose of the sub-programme is to provide strategic leadership and management to the programme.
- **Social Empowerment of Women (SEW):** The purpose of the sub-programme is to promote good governance to further transformation, social justice and empowerment and rights for women.
- **Economic Empowerment of Women (EEW):** The purpose of the sub-programme is to mainstream and promotes good governance to further transformation, economic justice, empowerment and rights of women.
- **Commission for Gender Equality (CGE):** The department facilitates transfer payments to the Commission for Gender Equality, which promotes gender equality and respect for women's rights.

*Of importance to note is the slight variation in the wording of the purpose of each sub-programme as contained in the AR versus the Amended APP for 2025/26 but no explanation provided as to why the changes were introduced.

For the year under review, this programme had achieved 92% (11/12) of its targets. The following target was not achieved:

- 1 Progress report produced on the institutionalisation of the strategy for economic empowerment of WYPD

In terms of this programme's operating budget i.e. excluding the transfer (R97.5 million) to the CGE, this programme was allocated R41.8 million as per the ENE 2025. The total allocation for this programme including the CGE was R139.3 million as per the ENE 2025.

Excluding the CGE transfer, the final operating budget for this programme was R34.6 million.

In terms of virements, R300 000 was moved out of this programme from Goods and Services to Programme 1 and R5 581 million also from Goods and Services was transferred to Programme 3's Good and Services. The Appropriation statement reflects total virement of R8.581 million out of the programme. The final appropriation for this programme was R132 252 million (includes the CGE allocation).

The actual expenditure incurred for this programme was R131 786 million. Hence this Programme spent 99.6% of its programme budget which includes the CGE allocation, incurring an under-expenditure of R466 000.

But excluding the transfer to the CGE this programme spent R34.2 million, or 14.8% of the total operational expenditure and 99% of the programme budget. Thus, an under-expenditure of R400 000. The key cost drivers for this programme were as follows:

- Compensation of Employees accounted for 64.2% of the programme operational budget (R34.6m). The final appropriation was R22 208 million and R21 963 million (98.9%) was spent accounting for 64% of the total expenditure incurred for the programme.
- Goods and Services accounted for 36.1% of the programme operational budget. The final appropriation was R12 518 million and R12 324 (98.5%) million was spent accounting for 35.9% of the total expenditure incurred for the programme.

With respect to the expenditure per sub-programme, Management had a final appropriation of R4 271 million and R4 268 million was spent with an under-expenditure of R3 000. The Social Empowerment of Women sub-programme had a final appropriation of R15 157 million and spent R15 020 million incurring an under-expenditure of R137 000. The Economic Empowerment sub-programme had a final appropriation of R15 349 million and spent R15 023 million incurring an under-expenditure of R326 000.

10.3 Programme 3: Monitoring, Evaluation, Research and Coordination

The purpose of programme 3 is to provide research, knowledge management, international relations, stakeholder management and monitoring and evaluation for women, youth and persons with disabilities.

The programme consists of the following sub-programmes:

- **Management: Monitoring, Evaluation, Research and Coordination**: Provides strategic leadership and management to the programme.
- **Research and Knowledge Management (RKM)**: To provide research and knowledge management services on the rights of women, young people and persons with disabilities to encourage transformation in their interests.
- **International Relations, Stakeholder Management and Capacity Building (IRSMCB)**: The purpose of the sub-programme is to manage and coordinate the provision of international relations, stakeholder participation and capacity building for women, youth and persons with disabilities.
- **Monitoring and Evaluation**: **Women, Youth and Persons with Disabilities (M&EWYPD)**: The purpose of the sub-programme is to ensure effective monitoring and evaluation of policy priorities that encourage transformation in the interests and the empowerment of women, young people and persons with disabilities throughout government.

*Of importance to note is the slight variation in the wording of the purpose of each sub-programme as contained in the AR versus the Amended APP for 2025/26 but no explanation provided as to why the changes were introduced.

This programme planned for 9 targets and achieved (7) 78%. The following 2 targets were not achieved:

- 1 Research Report undertaken on WYPD priorities
- 4 Status reports developed on implementation of the departmental WYPD International Relations Strategy

The programme was allocated R44.5 million as per the ENE 2025. In terms of virements (p.20), this programme transferred R502 000 from Goods and Services to Programme 1 Compensation of Employees. This programme received, R5 581 million for Goods and Services from Programme 2 and additional R1 043 million from Programme 3 for Goods and Services as well

as R1 495 million from Programme 4 Goods and Services. The total funds out of the programme was R1.058 million and R8.1 million was transferred into the programme. However, the Appropriation Statement (p.176) reflected a total virement of R7 061 million into the programme. The final budget allocated for this programme was R50 025 million.

The actual expenditure incurred was R45 903 million which is 91.8% of the programme expenditure and 19.8% of the operational expenditure. This programme incurred an under-expenditure of R4 122 million which was due to three high value vacancies in the programme at SMS level (DDG, Chief Director and Director). The key cost drivers for this programme were as follows:

- Compensation of Employees accounted for 55.8% of the programme budget, the final appropriation as R27 928 million and R23 765 million (85.1%) was spent, accounting for 51.6% of the total expenditure incurred for the programme.
- Goods and Services initially accounted for 45% of the programme budget, the final appropriation was R20 730 million and R20 792 million (100.3%) was spent, accounting for 49.8% of the total expenditure incurred for the programme.

The Management sub-programme had a final appropriation of R2 400 million and spent R1 625 million hence an under-expenditure of R775 000. Research and Knowledge Management had a final appropriation of R8 501 million and spent R8 107 million also recording an under-expenditure of R394 000. The sub-programme International Relations, Stakeholder Management and Capacity Building had a final appropriation of R30 913 million and spent R28 618 million thereby incurring an over-expenditure of R2 295 million. The Monitoring and Evaluation sub-programme had a final appropriation of R8 211 million and spent R7 553 million also incurring a slight under-expenditure of R658 000.

10.4 Programme 4: Rights of Persons with Disabilities

The purpose of this programme is to advocate and monitor mainstreaming of the rights of persons with disabilities.

The Sub-programmes are as follows:

- **Management**: Provides strategic leadership and management to the programme.

- **Advocacy and Mainstreaming for the Rights of Persons with Disabilities**: The purpose of the sub-programme is to advocate and mainstream for the transformation and empowerment of person with disabilities.
- **Governance and Administration Rights of Persons with Disabilities**: The purpose of the sub-programme is monitoring, evaluation reporting, research and coordination mechanisms which sets the agenda to all spheres of Government on disability priorities.

This programme planned for 18 targets and 12 (66.7%) were achieved and 6 (33.3%) targets were not achieved as listed below.

- 1 Annual Presidential working group on disability engagement
- 3 Advocacy manuals on disabilities developed
- 11 Awareness raising articles compiled and issued
- 1 Universal accessibility action plans on disabilities round tables and summits implemented
- 1 Concept note proposing the establishment of disability working groups, MOUs, bilateral commissions advocated for and mainstreamed

*Of importance to note is the omission of one indicator and related target that is listed in the Amended APP 2025/26 but was not reported on in the AR for the year under review namely; Output indicator - Number of implementation plans, disability forums established, and disability policies amended aligned to the WPRPD and related annual target – 1 Report on implementation plans, disability forums and disability policy amended approved"[17]

The programme was allocated R15.3 million as per the ENE 2025. In terms of virements (p.20), this programme received R818 000 for Compensation of Employees and R992 000 for Software and Intangible Assets from Programme 1. This programme transferred R1.043 million from Goods and Services to Programme 3 Goods and Services and R180 000 from Transfers and Subsidies (Households) to the same line item in Programme 1. A total of R1.058 million was transferred out to other programmes and R1.8 million into the programme. However, the Appropriation Statement reflected a virement of R517 000 into the Programme with a final budget of R15 810 million.

[17] Matthews, T (2026) Department of Women, Youth And Persons with Disabilities- Annual Report 2025/26: Programme 4 and 5. Research Unit, Parliament of Republic of South Africa.

The actual expenditure incurred was R14 115 million which is 89.3% of the programme expenditure and only 1% of the total expenditure of R1 354 124 billion. This programme incurred an under-expenditure of R1 695 million which was due to the following:

- Disability Rights Awareness Month funded through CARA Fund to alleviate funding constraints during the FY which is linked to venues and facilities and Travel and subsistence.

The key cost drivers for this programme were as follows:

- Compensation of Employees accounted for 74.5% of the programme budget. The final appropriation was R11 311 million and R11 310 million (100%) was spent accounting for 80.1% of the total expenditure for the programme.
- Goods and Services accounted for 21.2% of the programme budget - the final budget allocated was R3 357 million and R1 685 million (50.2%) was spent accounting for 11.9% of the total expenditure incurred for the programme.

The Management sub-programme had a final appropriation of R574 00 and spent R573 000 hence a marginal under-expenditure of R1000. The sub-programme Advocacy and Mainstreaming for the Rights of Persons with Disabilities had a final appropriation of R15 236 million and spent R13 542 million also recording an under-expenditure of R1 694 million.

10.5 Programme 5: Rights of Youth

The purpose of this programme is to advocate for mainstreaming of the rights of youth.

The Sub-programmes are as follows:

- **Management**: The purpose of the sub-programme is to manage the unit that advocated and mainstream for transformation and empowerment of youth.

- **Advocacy and Mainstreaming for the Rights of Youth**: The purpose of the sub-programme is to advocate and mainstream for the rights of youth through policy and legislation development.
- **Governance and compliance for the Rights of Youth**: The purpose of the sub-programme is to facilitate national and international stakeholder engagements and promote governance and compliance for the rights of youth.
- **NYDA**: Makes transfers to the NYDA.

This programme planned for 8 targets and achieved 100%.

The programme was allocated R1 037.3 billion as per the ENE 2025 which includes the transfer to the NYDA of R 1024.6 billion. In terms of virements, the programme transferred R818 00 to Programme 4 Cost of Employment and R1.495 million to Programme 3 Good and Services. A total of R2.313 million was transferred to other programmes. The Appropriation Statement (p.176) also reflected a virement of R 2 313 million out of the programme. The final appropriation was R1 034 992 billion. The operating budget for this programme was R10 425 million.

Including the NYDA, this programme spent in total R 1034 633 billion (99.9%) of its total programme budget of R1 034 992 billion. Thus, an under-expenditure of R359 000 of the overall programme expenditure, including the NYDA, was incurred. Excluding the NYDA, this programme spent R10 066 million (96.6%) of its operating budget.

The key cost drivers for this programme were as follows:

- Compensation of Employees accounted for 77.9% of the programme's operational budget and R 7 771 million of the final budget was spent (95.6%) which accounts for 77.2% of the expenditure incurred for the programme's operational budget.
- Goods and Services accounted for 22% of the programme operational budget (R10.420m), with a final budget of R8 126 million and R2 291 million (99.9%) was spent of the final budget which accounts for 22.8% of the total expenditure incurred for the programme's operational budget.

The sub-programme Management: Advocacy and Mainstreaming for Youth had a final appropriation of R2.245 million and spent R2.230 thereby incurring an under-expenditure of R15 000. The sub-programme Advocacy and Mainstreaming for the Rights of Youth had a final appropriation of R7.433 million and spent R7.283 million also incurring an under-expenditure of R150 000.

10.5 Human Resources

The Department notes in its Annual Report that as at 31 March 2026 it had a vacancy rate of 11.6%, thus 17 vacancies of 146 approved funded posts, with 129 filled. Furthermore, the Department had a total of 13 employees additional to the establishment - the majority of these were in the Administration programme (6), 4 in Programme 2 and another 3 in Programme 4. Thirty-five of the 129 posts filled are in senior management positions (salary band 13-16), 41 are on salary band 6-8, while 44 are on salary band 9-12. The majority of personnel in the Department's employ is located in the Administration Programme (71), 17 posts filled in Programme 2, 23 in Programme 3, 10 in Programme 4 and 8 in Programme 5. Thirty-five employees are employed in the Senior Management level (level 13-16), at an average cost of R1.710 million per employee. (Refer to table below for more details.) For the year under review, 5 grievances were lodged, of which 2 were resolved and 3 were not. In addition, one person was placed on precautionary suspension for since 30 October 2024 at a cost of R1 848 651 per annum.

Table 5: Human Resource Overview[18]

Programme	Number of approved posts	Number of filled posts	Employees additional to establishment	Vacancy rate	Total Personnel Expenditure (R'million)	Average personnel cost per employee (R'000)
Programme 1: Administration	83	71	6	14.5%	R126 676m	R885 000
Programme 2: Mainstreaming Women's Rights and Advocacy	17	17	4	0%	R34 311m	R1 292 000
Programme 3: Monitoring, Evaluation,	26	23	0	11.5%	R45 903m	R914 000

[18] Levendale, C (2026) Department of Women, Youth and Persons with Disabilities – Analysis of 2025/26 Annual Report (Financial Performance of Programme 1, 2 and 3)

Research and Coordination						
Programme 4: Rights of Persons with Disabilities Rights	11	10	2	9.1%	R14 115m	R1 028 000
Programme 5: Rights of Youth	9	8	0	11.1%	R10 066m	R863 000
Total	**140**	**125**	**8**	**10.7%**	**R125.853m**	**R684 000**

In terms of sex, 86/146 staff members are female (58.9%) and 45 are male (41.1%). The majority of females (32) fall within the Skilled Technical and academically qualified workers, junior management, supervisors, foreman and superintendents, followed by Professionally qualified and senior management 20 each. Most males employed in the Department are in professional positions (17), followed by senior management (16). The Department employs 7 persons with disabilities (4.7% of staff complement).

By the end of the FY 2025/26, the Department had vacancy rate 11.6%. In terms of delays in recruitment and appointment, the Department highlights the following:

- Reasons for vacancies not advertised within six months = Administrative delays – Slow internal recruitment processes due to HR capacity challenges.
- Reasons for vacancies not filled within twelve months = The absence of a digitised e-recruitment system, which has resulted in longer turnaround times in filling vacant funded posts because of delays in response handling.

In terms of people leaving and joining the Department during the financial year, a total of 29 staff left the Department of which 7 were resignations, 2 transfers to other public service departments, 1 death, 1 other and 19 expiry of contracts. During the year under review, there was 1 disciplinary hearing.

The Department notes 42 funded SMS posts, 37 SMS member posts filled and 33 had signed performance agreements (p.137). However, table 3.3.3 SMS post information indicates that as on 31 March 2026 there were 45 funded posts and 38 SMS posts filled. The three extra posts are additional to the establishment as reflected in table 3.2.2 Employment and vacancies by salary band as at 31 March 2026.

Furthermore, no staff member was promoted for the period under review. A total of 111 staff members across various occupational categories received skills development for the period under review.

10.6 Concluding comments on service delivery performance

In examining the achievements which the Department noted in the 2025/26 Annual Report, the following have been highlighted:

- For the year under review 2025/26, the Department achieved 43 (77%) targets out of 56 planned targets. This information had to be corrected via an Addendum after having withdrawn the initial AR on 30 September 2026, then tabled a week later to be followed by an Addendum a week thereafter.
- The Department's performance has regressed and it is said to be in poor financial health.
- Most of the targets achieved in the Administration programme (4/9) are compliance related matters. 38/47 targets were met in the core programmes (2, 3, 4 and 5). Programme 5 had 100% achievement of targets.
- All programmes incurred an under-expenditure but still managed to spend more between 90-99% of its budget but not meeting all their targets with the exception of Programme 1 that achieved 100%.
- Several reports produced in the core programmes related to research, monitoring and evaluation and were outsourced to consultants. The AGSA could not obtain supporting evidence for targets achieved that were audited in addition to finding difficulty in assessing poorly defined indicators and corresponding targets.
- The impact of the initiatives (e.g. awareness raising, stakeholder engagements, community mobilisation etc.) and usefulness of the outputs (e.g. monitoring reports, evaluations etc.) produced by the Department is not apparent.

10.7 Summary: Finance and Service Delivery Performance Assessment

This section provides a synopsis of the service delivery performance against spending patterns for 2024/25-2025/26 as well as the 1st quarter of 2026/27 of the Department.

10.7.1 General commentary

The Department has seen a regression in performance as reflected in the sections before and will be expanded on in the section dealing with the AGSA and the Audit and Risk Committee. Notwithstanding that, there have been longstanding matters that have not been resolved and as such targets not achieved. The impact and effectiveness of the Department's achievements have yet to be proven. The under-expenditure incurred persists, so too the Department's heavy reliance on consultants to help achieve its core targets. Furthermore, the achievement of targets has not translated into visible, tangible differences to the lives of women, youth and persons with disabilities in the country. The development of policy is welcomed but must be implemented. Notwithstanding that, the slow pace of development for the bills before the Department is concerning as the WEGE Bill, the Disability Rights Bill and the South African Youth Development Bill has yet to be finalised, approved by Cabinet and tabled in Parliament.

10.7.2 Overview of performance for 2026/27

- Programme 1 consistently consumes the greatest proportion of the operational budget with 26% of its targets met and 25.8% of the programme budget spent.
- An under-expenditure was incurred several programmes, more so in the core programmes and of late the administration programme. Whilst budgets are spent, not all targets are achieved.
- The impact of the Departments initiatives has yet to be determined.
- The Department continues to rely heavily on consultants to undertake the core work and in so doing targets are achieved.

Table 6: Targets Achieved per programme 2026/27

Programme Name	Total number of targets	Targets Achieved	Targets Not Achieved	Achievement rate %
Programme 1: Administration	4	1	3	26%
Programme 2: Advocacy And Mainstreaming for the Rights of Women	9	9	0	100%

Programme Name	Total number of targets	Targets Achieved	Targets Not Achieved	Achievement rate %
Programme 3: Monitoring, Evaluation, Research and Coordination	4	4	0	100%
Programme 4: Rights Of Persons with Disabilities	5	5	0	100%
Programme 5: Rights of Youth	5	5	0	100%
Overall Performance for DWYPD	**27**	**24**	**3**	**89%**

10.7.3 Overview of budget for 2026/27[19]

- For 2026/27, the Department of Women, Youth and Persons with Disabilities received an overall budget allocation of R2 243.1 billion, of which R1 843.8 billion will be transferred to the National Youth Development Agency (NYDA) and R111.3 million to the Commission for Gender Equality (CGE). In addition, funding for the National Council on Gender-Based Violence and Femicide was allocated under Programme Two, amounting to R46.5 million. This left the Department with approximately R241.3 million for its own operations for 2026/27. This is roughly R2 million more than in 2025/26 when the Department had an operational budget of R239.8 million.
- Overall, allocations are expected to decrease in 2027/28, primarily because of the cessation of allocations to the NYDA for the implementation of the Presidential Employment Initiative – the last allocation will be made during this financial year.
- The Administration programme receives the bulk of the financial and human resource allocation, while it has a total of 9 targets. The remaining 4 programmes must achieve a total of 50 targets, with 54% of the budget and 43% of the personnel.

10.8 Overview of budget for Q1 of 2026/27[20]

The table below outlines the Overall Financial Performance - Per Programme as at 30 June 2026.

Table 7: Overall Financial Performance - Per Programme

[19] Levendale, C (2025) Women, Youth and Persons with Disabilities: Quarter 1 (2025/26) Analysis of Programmes 1, 2 and 3
[20] Levendale, C (2025) Women, Youth and Persons with Disabilities: Quarter 1 (2025/26) Analysis of Programmes 1, 2 and 3

Programme	Original Appropriation (R'000)	Prog. Expenditure as at 31 Mar 2026 (R'000)	Balance (R'000)	% Prog. Budget Spent	Prog. Expenditure as % of Total Operational Budget Exp.
Admin.	130 583	33 755	96 828	25.8%	13.9%
AMRW	28 865	6 168	22 697	21.4%	2.5%
MERC	49 664	15 807	33 857	31.8%	6.6%
RPD	19 080	3 342	15 738	17.5%	1.3%
RY	13 272	2 051	11 221	15.5%	0.8%
Total operational allocation	**241 464**	**61 122**	**180 342**	**25.3%**	

- As at 30 June 2026, the Department has spent 25.3% of its operational budget.
- When looking at programme expenditure, programmes 2, 4 and 5 have spent less than 25% of their allocated programme budgets – together these 3 programmes account for less than 19% of total expenses incurred with Programme 2 accounting for only 2.5% of the total operational expenditure, and Programmes 4 and 5 accounting for just over 2% of operational expenditure collectively.
- The Q1 SCOA report reports that Lower spending is recorded under programmes 1,2, 4 and 5. This was partially offset by higher than projected spending in programme 3. Details for under-and- overspending are highlighted in the table below.
- The Department's first-quarter underspending was mainly attributable to delays in the establishment of the National Council on Gender-Based Violence and Femicide, resulting in lower than-budgeted expenditure on consultants as the earmarked funds could not yet be utilised.
- In addition, lower spending resulted from the postponement of some scheduled meetings due to the appointed service provider's non-compliance with supply chain management processes.
- By the end of Q1 of 2026/27, the Department incurred 16 deviations and 2 variations, amounting to R1.502 million and R146 000 respectively. While the financial implications are significantly lower than at the end of Q1 of 2025/26 (R8.5 million), the high number of deviations are still an indication of poor planning and management by the Department.

11. COMMISSION FOR GENDER EQUALITY (CGE)

The CGE briefed the Committee during all the quarterly reports on its finances. A Commissioner's report was submitted to the Committee at every quarter.

Based on its constitutional mandate, the CGE's vision is to strive for "a society free from all forms of gender oppression and inequality", while its mission includes to "advance, promote, protect, monitor and evaluate gender equality through undertaking research, public education, policy development, legislative initiatives, effective monitoring and litigation". Its values are independence; professionalism; accountability; ethical behaviour; and teamwork.

The Commission's Strategic Framework translates its constitutional mandate into four strategic outcomes as outlined hereafter. In summary, the CGE set out to achieve 27 targets and achieved 26 (98%) which is an improvement from the previous financial year p24/25 in which it achieved 93.75%.

11.1 Strategic Outcome 1 (SO1)

An enabling legislative environment for gender equality through submissions, recommendations, investigations and litigation.

The purpose of SO 1 is to evaluate legislation, policies, practices and mechanisms within public and private institutions and make recommendations and undertake litigation to advance the gender transformation agenda.

According to the Annual Report 2025/26, this SO planned for 4 targets, and all were achieved (100%). However, it is important to note that, the AG's finding related to the target "500 complaints and enquiries finalised" which even though cited by the CGE as over-achieved [783 complaints and enquiries finalised], the AG noted material misstatement on the performance information. To this end, the AG noted that the target was overstated as the audit revealed that "enquiries that were converted to complaints being doubled as finalized enquiries, and enquiries and complaints reported as finalized as despite evidence indicating that the cases remained open at year-end. As a result, the reported achievement was overstated and did not accurately reflect the number of complaints and enquiries finalised during the report period."[21]

[21] Commission for Gender Equality (2026) Annual Report 2025/26, p.15.

11.2 Strategic Outcome 2 (SO2)

Develop and manage information and public education programmes to foster public understanding of gender equality and the role of the CGE.

The purpose of this SO2 is to conduct advocacy initiatives and develop and manage public education interventions with sector partners in the promotion of public understanding of gender equality and access to gender justice.

According to the Annual Report 2025/26, this SO planned to achieve 6 targets of which all were achieved.

11.3 Strategic Outcome 3 (SO3)

Monitoring compliance and research on issues that undermine the attainment of gender equality.

The purpose of this SO3 is to identify and monitor key issues that impact on gender equality, evaluate contributions by role-players to gender equality and make recommendations to promote and attain gender equality.

According to the Annual Report 2025/26, this SO planned to achieve 4 targets and achieved all.

11.4 Strategic Outcome 4 (SO4)

A renewed, efficient and effective organisation that is sustainable.

The purpose of this SO 4 is to build and sustain an efficient and effective organisational culture, organisational systems, operations and governance processes, for the optimal performance of the institution in executing its mandate.

According to the Annual Report 2025/26, this SO planned to achieve 13 targets and 12 were achieved. The target not achieved is listed below.

- 80% of funded vacancies filled

However, it is important to note the following:

- The CGE overspent on the target relating "100% expenditure on planned initiatives" (104%) so this cannot be regarded as an achievement having incurred an over-expenditure.
- The target "100% Percentage of compliance with legislation" was cited as achieved but the AG had a finding of non-compliance with legislation.

11.5 CGE'S BUDGET FOR 2025/26[22]

For the 2025/26 financial year, the CGE received an initial allocation of R97.5 million through the transfer payment via the Department of Women, Youth and Persons with Disabilities as per the 2025 ENE. Notwithstanding that, the CGE augmented its income from sundry income and interest to the amount of R1.04 million. This brought the revenue received by the CGE during 2025/26 to R98.52 million.

For the year under review, the CGE spent R104 134 278 of its budget and thus incurred an over-expenditure of R5.53 million. The Annual Report indicates that the main contributor to the deficit/overspending was primarily caused by travel expenses for the Commission to reach its APP targets for 2025/26.[23]

Approximately 65% of the budget (R67.98 million) was spent on COE (and all associated costs), while 36% was spent on G&S (R37.88 million). Expenditure at provincial offices accounted for 32% - this is one percent less than in the previous year. While spending at Head Office increased from R65.4 million in 2024/25 to R70.4 million in 2025/26, the corresponding spend for provincial offices increased by only R1.4 million in total.

The CGE's Annual Report does not provide a basic breakdown of projected allocations and expenditure per strategic outcome. The only breakdown of cost/expenses is provided in terms of the following (p.102 of AR):

- Commissioners & Governance - R15 495 906 allocated and an over-expenditure of R1 058 647 incurred.

[22] Levendale, C (2026) Commission for Gender Equality 2025/26 Annual Report Overview and Analysis, Parliamentary Research Unit, 7 October 2026
[23] Commission for Gender Equality (2026) Annual Report 2025/26.

- Corporate Support Services - R32 404 945 allocated and an over-expenditure of R1 085 717 incurred.
- Service delivery – R49 574 149 allocated and an over-expenditure of R3 386 805 incurred.

The Key Cost drivers at the end of the FY were as follows:

Table 8: CGE Cost Drivers 2022/223 – 2025/26

Cost driver	2022/23	2023/24	2024/25	2025/26
Local Travel	R5 857 342	R5 296 079	R5 578 713	R5 578 713
International Travel				R2 225 462
Legal fees	R 5 592 151	R3 809 947	R2 432 727	R2 005 236
Conference and seminars	R4 473 027	R3 353 310	R3 040 959	R3 614 218
External Auditing Fees	R2 885 299	R4 095 099	R2 795 532	R2 750 838
Report writing, printing and publishing	R 2 999 609	R5 013 333	R4 991 816	R4 307 619
Consulting and professional fees	R 1 937 346	R 2 204 924	R2 172 273	R4 571 378
Software expenses	-	R 2 051 362	R2 105 903	R2 005 236
Office cleaning, maintenance, security				R2 350 381

*Auditor General remuneration as reflected in CGE annual report 2025/26

In terms of expenditure incurred for consultants, the Commission saw a 105% increase year-on-year between 2024/25 and 2025/25. The Commission's presentation to the Committee on its AR indicated that in terms of consulting and professional fees, budget was spent on the following activities: - Consulting and professional fees amounting to R 4 571 378 was incurred, the expenditure was increased by the three (3) projects namely job evaluation, HR and IT strategies which were developed by the Commission in consultation with the service providers. No further details are provided in relation to the HR and IT strategies mentioned. However, in its presentation on its 2025/26 audited annual financial statements submitted to the Committee, the following is noted in relation to consultants and professional services:

- Information Technology use of consultants at R75K per month, as an interim solution while waiting for the 2023 labour court matter to be resolved before filling the position of an IT Manager. (3-year contract - 2024 to 2027).
- Internal audit is outsourced at R34k per month. This service's independence is not compromised when it is external. (3-year contract - 2024 to 2027).

- Newsletter service is outsourced due to not having internal expertise, at a cost of R11K per month. (1 year contract - 2025 to 2026).
- Consultancy fees amounted to R4.5 million to the Research unit having vacancies of HOD & 2 Researchers. HOD only commenced work on 01 December 2025, four months to the end of the financial year. One Researcher joined CGE in May 2026.

The above information is not reflected in the Annual Report.

In terms of irregular expenditure, Commission reflects an opening balance of R20.9 million in terms of irregular expenditure of which just over R12.4 million was removed during 2025/26, leaving a balance of R8.5 million. Added to this balance is the current year irregular expenditure of R2.2 million, which brings the closing balance for irregular expenditure to R10.8 million.

The CGE declares R2.2 million in irregular expenditure that was incurred during 2025/26 due to supply chain prescripts not followed:

- R1.6 million relates to supply chain management processes not being followed for the appointment of a legal panel to support the CGE in its litigation and legal initiatives mandate. Three quotations were not obtained as required.
- R639 922 was incurred as a result of a bid not being published/advertised as required by National Treasury prescripts.
- In its Annual Report, the CGE indicates that “detailed irregular expenditure at end of report Appendix A” – there is no appendix A in the Annual Report.

The Commission reflects an opening balance of R7.6 million in terms of fruitless and wasteful expenditure of which just over R7 million was removed during 2025/26, leaving a balance of R575 thousand.

FWE disclosed as at year 31 March 2026 amounts to R5 742 and is reported as follows:

- R 5 742 was as a result of employees missing their flights and shuttles for engagements on behalf of the Commission.
- It is not clear if any attempts have been made to recover these funds and whether consequence management has been implemented

As with irregular expenditure, in its Annual Report, the CGE indicates that “detailed fruitless and wasteful expenditure at end of report Appendix B” – again, there is no appendix B in the Annual Report.

In the year under review, the Commission did not manage to recover any of the fruitless and wasteful expenditure.

11.6 Human Resources

The CGE’s Annual Reports states that the Commission had a total of 98 employees as at the end of March 2026, of which 7 were temporary or intern positions. It indicates 111 funded posts and 17 vacancies, resulting in a vacancy rate of 16 percent. Fourteen appointments were made during the 2025/26 financial year, while 12 staff left the Commission. Five of these relate to resignations, while 7 contracts expired. The Commission reports that in terms of skills development, 33 staff members received training during this financial year. A total of 60 staff members received performance-related rewards, amounting to R5.5 million during 2025/26 as per the Employee Related Costs in the financial statements. However, p.54 of the AR under performance related awards it indicates that an amount of R3.2 million was paid during 2025/26.

12. NATIONAL YOUTH DEVELOPMENT AGENCY (NYDA)

At the time of publishing the report, the NYDA had not tabled its Annual Report 2025/26 and as such the Committee could not consider it.

13. FINDINGS OF THE AUDITOR GENERAL OF SOUTH AFRICA (AGSA)

The Department has received an unqualified audit opinion from the Auditor-General of South Africa (AGSA), with findings on expenditure management and compliance with legislation, specifically in relation to consequence management and internal control deficiencies. To this end, the AGSA highlighted the following key concerns with regards to the Department, the CGE and the NYDA:

13.1 Department

With regards to the Department, it received an unqualified audit opinion with findings from the AGSA. The following matters were raised by the AGSA:

- The Department has regressed, with material misstatements in financial statements submitted for auditing and in performance reports submitted for auditing.
- The AGSA notes poor financial health with concerning or unfavourable financial health assessments.

Financial Statements:

- The AG identified material differences on contingent liabilities and aid assistance disclosure. The need for material audit adjustments to achieve credible financial statements highlights weaknesses in financial reporting quality assurance controls and undermines the reliability of financial information used for management, oversight, and decision-making. The lack adequate reviews prior to the submission of the financial statements for audit led to the material misstatements identified.

Performance planning and reporting for service delivery

- The annual performance plan (APP) contained poorly defined indicators and targets, as a result the audit could not verify measurement and performance for some of the indicators. This was attributed to a lack of adequate reviews of the annual performance plan and annual performance report. In addition to, a lack of adequate reviews of the reported performance information against the supporting portfolio of evidence.
- The indicators and targets reported in the annual performance report were not fully consistent with those approved in the APP. Inconsistencies were also identified between planned and reported performance information. In turn, the performance information reported to Parliament and other oversight structures is not credible and reliable.

Impact of targets not achieved

The AG notes 4 targets not achieved and the impact as follows:

- Lack of progress reports on the Economic Empowerment Strategy weakens oversight, accountability, and evaluation of implementation and impact.
- Failure to conduct research on women, youth and persons with disabilities' priorities limits the evidence available to inform policy development, planning and determination of focus areas.

- Lack of reporting on the Women, Youth and Persons with Disabilities International Relations Strategy weakens monitoring of international commitments and accountability for implementation.

Compliance with key legislation

- The AG notes the most common areas of non-compliance related to the quality of financial statements, expenditure management and effective consequences.
- Measures to sustain clean audit outcomes were not effectively put in place and implemented.
- Lessons learned from previous improvements on consequence management were not institutionalised or sustained.
- Prior-year expenditure management findings were not adequately addressed, resulting in their escalation to material non-compliance.
- The AG notes material audit adjustments were effected on the financial statements submitted for audit, indicating weaknesses in financial reporting and review controls. In turn, material audit adjustments reduce confidence in the accuracy and reliability of financial information used for governance, oversight and decision-making.
- The AGE notes investigations were not conducted to determine accountability and disciplinary steps for instances of IFWE, resulting in ineffective consequence management. In turn, failure to investigate IFWE weakens accountability and increases the risk of recurring IFWE.
- The AG notes prepayments were made without supporting contracts.

Irregular Expenditure (IE)

- The AG notes IE under assessment (IEUA) of R924 000 for 2024/25 FY and R12.1million for the 2025/26 FY.

  With respect to the 2025/26 FY:

- The contract was not awarded to the highest scoring supplier due to the application of an evaluation criteria that was not included in the ToR – R963 238 (IEUA)
- Procurement with a value exceeding R1 million was undertaken without following the prescribed competitive bidding processes, and no approved deviation was in place to justify the departure from these requirements – R11 196 977 (IEUA). The motivation was prepared for deviation from obtaining 3 quotes, and the reasons provided were not justifiable.

  With respect to the 2024/25:

- The R924 000 was confirmed as irregular expenditure in the 2025/26 financial year and disclosed in the annual financial statement for the 2025/26 financial year.
- Furthermore, the AG notes R42.3 million of IE was investigated and awaiting condonement whilst R924 000 of IE was not yet investigated.

Fruitless and Wasteful Expenditure (FWE)

- The AG notes that evidence was not obtained that disciplinary steps were taken against the officials who caused the FWE.
- FWE of R12.095 million was not yet investigated.

Effectiveness of internal audit unit

- The AG notes that vacancies within the internal audit unit weakened the Department's ability to provide effective assurance and oversight during the year. Although the vacant positions were subsequently filled, the vacancies adversely affected the unit's effectiveness.

Effectiveness of audit committees

- The AG notes that the audit committee demonstrated commitment to governance and oversight; however, the regression in audit outcomes indicates a need for strengthened oversight of internal controls and the implementation of corrective actions.

Vacancies

- The AG notes that instability in the accounting officer position, coupled with an increase in the overall vacancy rate to 11,6% and a senior management vacancy rate of 16,2%, continued to undermine institutional capacity and accountability.

13.2 CGE

The CGE received an unqualified audit opinion from the AGSA. However, findings have been raised with material findings on performance information and repeat material findings on non-compliance with legislation. To this end, the following matters were raised by the AGSA:

- *Irregular Expenditure* (IE): The AGSA notes R2 28739 IE incurred due to supply chain prescripts not followed. Tender awards to legal panel members were done in contravention of the Procurement Policy Framework Act No. 5 of 2022. In 2025/26m the IE under assessment relate to the splitting of tenders into quotations.

- *Restatement of corresponding figures*: The AGSA notes corresponding figures for 31 March 2025 were restated as a result of errors in the financial statements of the constitutional institution and for the year end 31 March 2026.
- *Performance information*: The AGSA notes that the reported achievement for the indicator, "Number of complaints and enquiries finalised" was overstated. The audit revealed that enquiries were converted to complaints and were being double counted as finalised enquiries. In addition, the audit also identified enquiries and complaints reported as finalised despite evidence indicating that the cases remained open at year-end. As a result, the reported achievement was overstated and did not accurately reflect the number of complaints and enquiries finalised during the reporting period. The AGSA had previously noted that the credibility of the Commission is compromised if they are unable to produce quality performance reports that reflect its transparency and accountability on the reported performance targets. Moreover, the AGSA goes on to state that the achievements and over-achievements against planned targets as reflect in the AR should be "considered in the context of the material findings on the reported performance information."[24]
- *Report on compliance with legislation*: The AGSA identified material findings on compliance with selected legislative requirements with respect to consequence management and internal control deficiencies.
- *Consequence management*: The AGSA 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 due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure.
- *Internal controls*: The AGSA highlights significant internal control deficiencies that resulted in the basis for the unqualified opinion and material findings on compliance with legislation. In addition, the AGE notes that management did not adequately develop, implement and monitor action plans to address identified internal control deficiencies. As a result, compliance with applicable legislation was not effectively reviewed and monitored, resulting in a repeat instance of non-compliance relating to consequence management. Moreover, AGSA states that management did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information, consequently the annual performance

Other key issues highlighted by the AGSA in its presentation to the Portfolio Committee include:

[24] Commission for Gender Equality (2026) Annual Report 2025/26, p.62

- The audit outcome remained unchanged from the previous FY 2024/25 with material findings on performance information and repeat material findings on compliance with legislation.
- Material omission identified on segment reporting disclosure.
- Investigations were not conducted to determine accountability and disciplinary steps for instances of IFWE resulting in ineffective consequence management. Failure to investigate IFWE weakens accountability and increases the risk of recurring IFWE. Evidence was not obtained that disciplinary steps were taken against the officials who caused the IE.
- Lessons learned from previous improvements on consequence management were not institutionalised or sustained.
- The AG notes R7.4 million IE was investigated and the CGE awaits condonement whilst IE of R986 000 was not yet investigated.
- The AG notes R560 547 FWE was investigated and the CGE is awaits condonement whilst FWE of R12.095 million has not yet been investigated.
- With respect to effectiveness of internal audit units, the AG notes that despite internal audit reviews and follow-up on prior audit findings, significant control deficiencies persisted, contributing to material noncompliance and material findings on performance information.
- With respect to effectiveness of audit committee, the AG notes that while the audit committee monitored the control environment and management's progress in addressing prior findings, persistent control deficiencies resulted in material non-compliance and material findings on performance information.
- With respect to vacancies, the AG notes that although the overall vacancy rate remained relatively low at 4%, senior management vacancies of 14% present a risk to leadership continuity and effective oversight.

13.3 NYDA

- The NYDA had not tabled the 2025/26 AR at the time of adoption of this report. The AGSA informed the Committee that the audit remained outstanding due to a dispute lodged by the NYDA regarding findings affecting the audit report. The dispute resolution was still underway. The AGSA did indicate that once matter resolved it would present its audit findings for the 2025/26 Annual Report.

13.4 AGSA Recommendations

The AGSA have considered the Annual Reports of the Department and the CGE recommended the following to address the audit outcomes:

- Develop and implement action plans that are informed by comprehensive root cause analyses, with clear accountability, defined timelines, and regular monitoring to address the underlying root causes of audit findings and prevent their recurrence.
- Strengthen internal audit planning to ensure adequate coverage of critical risk areas, with appropriate review scope, resources, and capacity to provide effective assurance.
- Strengthen internal review and quality assurance processes, to ensure that compliance, financial and performance information is subject to regular, effective, and timely review.
- Prioritise leadership stability through the appointment of the director-general and expedite the filling of critical vacancies, particularly at senior management level, to strengthen accountability, oversight and institutional capacity.

In light of the aforementioned, the AG recommended monitoring and regular follow-up with the Executive Authority and the Accounting Officer by the Portfolio Committee on the following:

i. Development and implementation of action plans that are informed by comprehensive root cause analyses, with clear accountability, defined timelines, and regular monitoring to address the underlying root causes of audit findings and prevent their recurrence.
ii. The effectiveness of internal audit planning to ensure adequate coverage of critical risk areas, with appropriate review scope, resources, and capacity to provide effective assurance
iii. The strengthening of internal review and quality assurance processes, to ensure that compliance, financial and performance information is subject to regular, effective, and timely review.
iv. Prioritisation of leadership stability through the appointment of the director-general and expedite the filling of critical vacancies, particularly at senior management level, to strengthen accountability, oversight, and institutional capacity.

13 FINDINGS OF THE AUDIT AND RISK COMMITTEE (ARC)

The next section is a reflection of the findings of each of the Audit and Risk Committee's for the Department and the CGE.

14.1. ARC Department

The Audit and Risk Committee (ARC) of the Department of Women, Youth and Persons with Disabilities noted the following findings and recommendations as contained in the Annual Report for 2025/26:

- The Audit and Risk Committee provided oversight over the Department's control environment and received assurance from Management, Internal Audit, Risk Management and AGSA.
- The Committee noted deterioration in the control environment, particularly in financial management, performance information, compliance, risk management and IT, which affected the effectiveness of controls during 2025/26 financial year.
- The Committee acknowledged human and financial resource constraints as a contributing factor, but emphasised Management's responsibility for ensuring that appropriate controls are established and maintained within the resources available to the Department.
- The Committee noted capacity constraints (vacancy and limited human resource capacity) within the Risk Management unit. (including absence of a permanent CRO in Q3 and Q4. This limited the Committee's ability to obtain consistent assurance on the monitoring & management of risks.
- The Committee provided independent oversight and assessed the effectiveness of the Internal Audit Function during the period under review. As such, the ARC approved and monitored the 3-Year Rolling Strategic IA Plan, the Annual Coverage Plan and the Internal Audit Strategy. Despite limitations in both human and financial resources, the Committee is satisfied that the Internal Audit Function effectively discharged its responsibilities during the financial year under review.
- Despite operating at approximately 50% capacity, Internal Audit implemented the approved risk-based plan and discharged its core responsibilities. However, the capacity constraint affected the extent of assurance coverage.
- The Committee reviewed the Annual Performance Report and recommended improvements were necessary. It was recommended to Accounting Officer for approval, and submission to AGSA for audit.

- The Committee evaluated the Annual Performance Information for the year ended 31 March 2026 and recommended it for approval by the Accounting Officer prior to submission to the Auditor-General of South Africa (AGSA) for audit.
- Internal audit reviewed quarterly performance reports and the Annual Performance Report and raised audit findings on compliance, usefulness and reliability of the reports.
- Recommendations were made to address deficiencies identified. Committee remained concerned about the effectiveness of internal controls related to performance information.
- Recurring challenges to vacant positions within the Directorate: Planning and Reporting.
- The Committee notes the insufficient capacity in the Office of the CFO remains a concern, affecting financial management and compliance.
- The Committee notes concerns on IE given the continued occurrence; delays in assessment, investigation and resolution; unresolved 2024/25 matter between management and the AGSA by the end of the FY and the lack of timely corrective action and consequence management.

14.2 ARC CGE

With respect to the CGE, its ARC noted the following:

14.2.1 Findings

- The Audit and Risk Committee (ARC) notes that it applauds the CGE for the audit results achieved for the 2025/2026 financial year, particularly the ability of the CGE to present financial statements for audit without material corrections.
- It states that this achievement is, among other factors, attributed to the stability in the offices of the CFO and CEO and the review work performed by internal audit and is pleased with the high-performance achievement rate against targets set for strategic objectives during the year ending 31 March 2026.
- The ARC highlights that while it notes the high-performance achievement rate against targets set, the credibility of actual performance reported remains in doubt due to the consistent failure by the CGE to report accurately on its performance.
- While internal control mechanisms exist, the repeat compliance failures show that corrective actions and accountability controls remain ineffective.
- The ARC has considered the reports of the Auditor-General for the financial year ended 31 March 2026 and agree with the conclusions made.

- The ARC highlighted recurring control deficiencies and recommended that Management design and implement preventative, detective and corrective controls within agreed timeframes.
- The ARC will continue to provide oversight over the corrective actions and assess the effectiveness of measures implemented to address control weaknesses.
- The ARC recommends that the Department prioritise the appointment of the CRO and ensure that the Risk Management Unit is adequately resourced. In addition, the Department should strengthen arrangements for the continuous monitoring, reporting and escalation of emerging and material risks. In turn, the Committee will continue to monitor the effectiveness of the Department's risk management processes during the 2026/27 financial year.
- The ARC considers the strengthening of Internal Audit capacity and audit software to be a priority for the 2026/27 financial year.
- The ARC indicated that performance should be useful, reliable and supported by appropriate portfolio of evidence. The Directorate: Planning & Reporting should strengthen their ability to operate as a second line of defence and ensure that the reported performance is accurate, valid, and supported by adequate reliable evidence Management should address the human resource constraints in the Directorate: Planning and Reporting.
- The ARC indicated that management should:
    - Strengthen financial management capacity, prevent irregular expenditure and ensure identified matters are resolved within prescribed timeframes
    - Investigate the root cause of incurrence of irregular expenditure and strengthen the internal controls around the root causes.
    - Expedite the resolution of the dispute with the Auditor-General of South Africa (AGSA) regarding the potential irregular expenditure identified during the 2024/25 annual audit. Where possible, the matter should be concluded before the finalisation of the 2025/26 annual audit to provide certainty on the status of the expenditure.
    - Address the reported irregular expenditure in accordance with the National Treasury Framework for Irregular Expenditure.

The ARC has identified the following priorities to focus on for 2026/27:

Oversight on the implementation of the Audit Action Plan focusing on AGSA recommendations in the following areas:

- Review and monitor controls of APP annual and quarterly targets.
- Payments relating to contractual agreements - compliance with the Treasury Regulations
- Deviation from normal procurement processes
- Filling the vacant position within 12 months
- Unauthorised, irregular and fruitless and wasteful expenditure are investigated and resolved within a reasonable timeframe.

- The ARC appeals to National Treasury to consider the Department's funding constraints and provide the necessary support to enable the Department to effectively discharge its legislative mandate and responsibilities

14.2.2 ARC Recommendations for CGE

- The ARC states that there is a need to strengthen internal verification processes undertaken during quarterly reporting to ensure that actual performance agrees with supporting evidence. In addition, urgent steps must be taken to close off all cases of irregular and fruitless expenditure to address the non-compliance matters reported by the Auditor-General.

14 COMMITTEE'S OBSERVATIONS

Having interacted with the Department, the AGSA, the NYDA and the CGE, the Committee made the following observations:

Observations with respect to the Department of Women, Youth and Persons with Disabilities

15.1 General

a) The Committee commends CGE for tabling the Annual Reports within the specified time but noted with concern the late tabling of the Department's Annual Report.
b) The Committee expressed its grave dissatisfaction with the process related to the late tabling of the report and subsequent addendum to it. This was noted as unacceptable and reflected serious operational and governance issues within the Department that require attention.
c) The Department's tabled report is of a poor quality and required editing e.g. numerical values in financial table misaligned. It brings into question how this was allowed to be approved and signed off by senior management and the Executive Authority. Moreover, the credibility of the information was further questioned with discrepancies noted not only within the AR but between what the Department presented to the Committee and the AR.
d) The Committee notes with concern that the NYDA was unable to table its Annual Report on time due to dispute process currently underway to resolve the outcome of the audit findings.
e) The Committee noted that the Department achieved 43 of 56 annual performance targets, representing 77% performance, and spent 99.4% of its allocated budget. The Committee further noted that the reported achievement was revised from 79% after the Department identified that 11 invoices had not been paid within 30 days.
f) The Committee noted with concern that the Annual Report submitted to Parliament contained an error and that the Department had provided multiple versions of its report and presentation. This hindered the Committee's ability to conduct effective oversight and raised concerns about the accuracy and quality assurance of the information submitted.
g) The Committee notes the addendum to correct the reported performance information, subject to appropriate parliamentary and legal processes and awaits the ATC.
h) The Committee noted the Department's regression from a clean audit to an unqualified audit opinion with findings. It expressed concern about findings relating to performance information, compliance with key legislation, internal controls, risk management and the reliability and usefulness of reported information.
i) The Committee commended the Department for its achievements but noted with concern all the discrepancies in the information provided together with a lack of supporting evidence in the form of submission of reports the Committee questions the reliability of what has been reported for the year under review.
j) The Committee noted that the Auditor-General had identified weaknesses in the Department's performance-information controls. It expressed concern that these

weaknesses could affect the credibility of reported performance across the Department's programmes.

k) The Committee noted that the Department's work is primarily one of policy leadership, coordination, monitoring and advocacy, and requested clearer evidence of how this work contributes to measurable improvements in the lives of women, youth and persons with disabilities.

l) The Committee noted the Department spent 96.8% (R232.1 million) of the budget (i.e. its operating budget of R239.6 million) with an under-expenditure of R7.5 million. This underspending has continued into the 1st quarter of 2026/27 which is concerning. The Committee observed that the Department constantly raises concerns about being underfunded, however continues to underspend. This recurrence of under-spending is concerning.

m) The Committee observed that majority of the targets met in Programme 1 relates to compliance matters in terms of the development and submission of reports, however, it remains a concern that it continuously consumed the largest proportion (53.6%) of the Department's operational budget and staff compliment (71/129).

n) The Committee noted with concern the Department's continued reliance on consultants (72 in 2025/26) despite having highly paid personnel employed that are expected to deliver on targets within the core programmes, however, the Department then also maintains it has inadequate funding.

o) The Committee concurred with all the findings and recommendations of the AGSA and the ARC. In particular, the Committee concurred with the AGSA that the Department should ensure greater emphasis is placed on improving the lived experiences of women, youth and persons with disabilities through the delivery of its targets as outlined in the APP.

p) The Committee observed that the Department had regressed and that the AGSA noted the AAP did not address the root causes of problems which is concerning for the Committee.

15.2 Mandate, Mission and Vision

a) *Mandate*: The Committee questioned whether the Department was giving effect to its mandate with some of the choice of activities/initiatives it has reported on as achievements as it resources spent on rendering services such as capacity building and training.

b) The Committee noted that the Department's work is primarily one of policy leadership, coordination, monitoring and advocacy, and requested clearer evidence of how this work

contributes to measurable improvements in the lives of women, youth and persons with disabilities.

15.3 Institutional Impacts and Outcomes

a) *Impact of Department*: The Committee remains concerned about the lack of demonstratable impact in terms of what the Department renders.
b) The Committee reiterates the importance of undertaking initiatives that are evidence based and can demonstrate impact to bring about change in the lives of women, youth and persons with disabilities.

15.3 Policy and Law Reform

15.3.1 Policy

a) The Committee observed that the National Gender Policy Framework was reviewed as noted in the previous FY.

15.3.2 Legislation

a) The Committee expressed concern about the continued delays in developing and advancing key legislation, including the Women Empowerment and Gender Equality Bill, the Youth Development Bill and the Disability Rights Bill.
b) The Committee noted the Department's reference to regulations being developed in relation to the NYDA Act which the Committee is unaware of.
c) The Committee notes the pending court case [Case No: 2026-220533] Wise4afrika And Others v the President of the Republic of South Africa and Others[25] by Lawyers for Human Rights as the applicant and the President of the Republic of South Africa as the 1st respondent, the Minister of Women, Youth and Persons with Disabilities and the Director Gender as the 2nd and 3rd respondent.

15.4 Performance of Programme 1: Administration

15.4.1 Overview of Programme 1 Performance

a) The Committee observed that Programme 1, received more than half of the Department's operational budget but it had only managed to meet 55% (5/9) of its targets and spent 99%

[25] Minister of Women, Youth and Persons with Disabilities as the 2nd and 3rd respondent; the Director General as 4th respondent; Chief Director of DWYPD as 5th respondent; Speaker of the National Assembly, Parliament of RS and Deputy Speaker of the NA, Parliament of RSA as 6th and 7th respondent and to the Chairperson: NCOP and Deputy Chairperson: NCOP; and the PC on Women, Youth and Persons with Disabilities and the NCGBVF

of its programme budget. It has also received R3.6 million in virements/transfers from other programmes.

b) This programme continued to have the largest staff cohort within the Department – 67 posts filled with 2 posts additional to the establishment and 10 vacancies.

15.4.2 Human Resources

a) The Committee notes the Department's request for additional funding due to the limited resources (human and financial) but further notes the continued outsourcing of the core work to consultants and donor funding used to augment procuring the services of external service providers.

b) The Committee observed that as at 31 March 2025 the Department had 146 approved posts of which 129 were filled resulting in a vacancy rate of 11.6% which was noted with concern. In addition, the Committee observed that the total COE incurred was R138.229 million with an average cost per employee of R947 000.

c) *Skilled personnel vs Lack of capacity*: The Committee observed that of the 125 filled posts in 2024/25, 37 officials are in senior management, while 41 fell within the highly skilled production and 43 within highly skilled supervision category. As such, 84 employees within the Department are meant to have the requisite skills to function at a high-end level given their employment ranking, to be able to give effect to the Department's mandate and achieve the goals it has set out. However, the Department maintains that it has a lack of capacity, and is reliant on consultants, yet continues to underspend on Compensation of employees by not filling vacancies. Furthermore, the Committee observed that there were no promotions to another salary level during the period under review while 90 employees received notch progressions within their salary level at an average cost of R10 600 per employee.

d) *SMS cost*: The Committee observes that for the year under review, Senior Management constituted 49.2% (R62.015 million) of the personnel cost and the highly skilled supervision (levels 9-12) 29.2% (R36.770 million). That amounts to nearly 80% of expenditure on staff.

e) *Use of consultants*: The Committee noted with concern the Department's continued reliance on consultants to deliver on targets within the core programmes despite recommendations by the Committee to avoid outsourcing its core business when, as noted before, it spends 80% of personnel expenditure on senior management and staff in highly skilled supervision category positions. The Committee notes that during 2024/25 the Department used 114

consultants on 64 projects to the value of R5.772 million which was concerning as this was also an increase from the previous FY 2023/24 – 116 consultants on 16 projects for R3 million. In the year under review, 2025/26 the Department utilised 72 consultants for 41 projects at a cost of R3.3million. Furthermore, the Committee noted that the Department spent R550 240 on procuring the services of sign language interpreters for the 2025/26 for various events/initiatives (30/41 projects). Moreover, R1 962 303,42 was spent on consultants (5/41 projects) to undertake work within core programmes in which there are dedicated personnel employed tasked with those deliverables.

f) *Employment of persons with disabilities*: The Department is commended for exceeding the 3% employment equity target for persons with disabilities (7 employees with disabilities).

g) *Vacancies*: The Committee noted that the department had 17 vacant posts out of an establishment of 146 at year-end, and that vacancy figures and rates were presented inconsistently. It also noted that the Department reported staff shortages, high turnover and difficulties filling critical posts. The Committee welcomed the e-recruitment introduced but was concerned about the sustainability as the service was provided on a pro bono basis.

h) *Disciplinary cases*: The Committee noted that 22 grievances were lodged of which 2 were resolved and one employee was placed on precautionary suspension for 109 days.

i) *Performance Rewards*: The Committee notes as per table 3.8.1 of the AR 86/131 employees received performance rewards. The table 3.8.2 Performance rewards by salary band for personnel below Senior Management Service (SMS) reflects 56 employees from level 3-12. The table 3.8.4 Performance related rewards (cash bonus) by Salary band for SMS reflects 38 senior managers having been rewarded. It remains unclear how the numbers reconcile with each other between tables and how many senior managers actually were awarded and at what cost. Subsequently, the Department provided information indicating that there were 30 SMS members that were awarded. Moreover, whilst the Committee notes the Department's response that performance bonuses were not issued it was notch progression it remains unclear what the rationale was as the Department had regressed in performance, targets were not met, there were repeat and new findings by the AGSA and each programme incurred an under expenditure. No details are provided that identifies the breakdown of these rewards by programme and salary level. The Committee maintained that given the fiscal constraints, performance must be based on a merit system and employees should not be rewarded for poor performance.

15.4.3 Financial performance

a) The Committee noted that the Department's limited financial and human-resource capacity was cited as a factor affecting performance. It was concerned, however, that several planned targets were not achieved despite the Department spending 99.4% of its budget, and that some activities were affected by reprioritisation or a lack of operational funding.

b) The Committee expressed concern about the Department's procurement deviations, the unresolved assessment and determination of expenditure matters, and reported payments made before services were rendered. It also noted concerns regarding the Department's financial health and the implementation of audit recommendations and consequence-management processes.

c) The Committee noted the Department's explanation that approximately R42.3 million in reported irregular expenditure related to legacy matters, while the Auditor-General clarified that information provided by the Department had been considered and that certain matters remained subject to the applicable assessment, determination and National Treasury processes.

d) The Committee noted the Department's underspending of R7.5 million for 2025/26 and that this trend had continued into Q1 of 2026/27 which was concerning. To this end, the Committee noted that lobbying for more funding from National Treasury then becomes difficult as the Department is not spending its allocated budget.

e) *Audit findings*: The Committee observed that the Department cleared (5) or (45.45%) of the (11) audit findings while (3) or 27.27% were still in progress and a further (3) or 27.27% were not actioned. The Committee noted that the reasons cited were unacceptable and not justifiable. Furthermore, the Committee also noted that findings in progress are incomplete and not achieved thus bringing the total number of findings incomplete higher than what was stated. The Committee noted the CFO's response that the Department could not fully address the Audit Action Plan because of the shortages in the strategic management unit and sought clarity in that regard as the Committee was not satisfied with the response.

f) *Under-expenditure*: The Committee noted with concern the R5.5 million under-expenditure for a department with a small operational budget claiming it is underfunded. Furthermore, having assessed the Department's Q1 performance for 2025/26, noting the continued under-expenditure in certain programmes is of particular concern.

g) *Roll-over funds*: The Committee notes the Department's request to National Treasury for a total R2.4 in roll-over of funds for payment of capital assets.

h) The Committee commends the Department for not incurring any *Irregular Expenditure* and *Unauthorised expenditure* for the year under review. The Committee notes the historical Irregular Expenditure incurred awaiting condonation from National Treasury.

i) The Committee notes the Department incurred *Fruitless and wasteful expenditure* of R451 000 during 2024/25 which was due to two cases and was referred to the Internal Audit for assessment yet the Accounting Officer's statement in the Annual Report stated none was incurred.

j) The Committee observed that the Department did not incur any *Unauthorised expenditure* during 2024/25 which is commendable. The Unauthorised expenditure for the four financial years (R32.774 million) also awaits condonement.

k) *Virements*: The Committee observed virements totalling R14 097 million but noted the differences in amounts reflected p.20 of the AR versus what was reflected in the Appropriations Statement on p.176. Programme 3 benefitted the most as R8.1 million was transferred in from other programmes followed by Programme 1 with R3.6 million in. Programme 2 had the largest amount transferred out to other programmes amounting to R8.5 million.

l) *Deviations*: The Committee noted with concern the number of deviations incurred for the year under review (38) amounting to R20.7 million as compared to 2024/25 in which there were 30 deviations amounting to R12.995 million which and then in 2023/24 where only 15 deviations were reported amounting to R3.250 million. In addition, the Committee notes the 8 contract variations and expansions for R1.1 million as compared to 7 in 2024/25 to the value of R790 864. The Committee notes with concern the Department's inability to forecast appropriately and manage finances more optimally given the limited budget. Most of the deviations were approved through single source appointments or obtaining less than 3 quotations.

m) Contingent liabilities: The Committee also noted with concern the cost of the 2 claims against the Department which appears to be longstanding matters.

n) Donor funding: The Committee observed the sizeable amount of donor funding received from the European Union and the CARA Fund primarily for GBV related activities. The Committee notes that not all funds were utilised in the year under review.

o) *Invoices paid within 30 days*: The Committee noted that the Department had implemented control measures to prevent the recurrence of non-payment of invoices. The Committee sought clarity on what those control measures entailed as the target in this regard was not

met due to outstanding invoices, bringing into question the effectiveness of what was implemented.

15.4.4 Investigations & Consequence Management

a) The Committee reiterated the importance of consequence management and urges the Department to resolve any ongoing/outstanding investigations and to keep the Committee abreast of developments in this regard.

15.4.5 Supply Chain Management (SCM)

a) The large number of deviations are a cause of concern and points towards poor planning and can be avoided.

15.4.6 Internal Audit

a) The Committee noted the ARC's finding regarding limited human resources in Internal Audit.

15.5 AGSA & ARC

15.5.1 AGSA Findings and Recommendations

a) The Committee concurred with the findings and recommendations of the AGSA.
b) *Consequence management*: The Committee noted lack of improvement in terms of consequence management as identified by the AGSA.
c) *Outcomes of Performance Audit*: Based on the AGSA's audit of the entities in the portfolio, the Committee acknowledged the AGSA's opinions expressed regarding the impact of the Department and the CGE considering the targets achieved and budget spent for the FY under review. The Committee agreed with the AG that there appeared to be a disparity between the targets achieved budget spent versus trying to establish what the resultant impact has been on improving the lives of women, youth and persons with disabilities. Moreover, the Committee also concurred with the AG's concerns regarding targets that have not been met including long outstanding legislation that has not yet been tabled for e.g. South African Youth Development Bill, WEGE Bill, Disability Rights Bill.
d) The Committee notes the late submission of AFS by the NYDA to the AGSA and expressed dissatisfaction and concern with the NYDA in this regard. The Committee raised with concerns the failure of the NYDA to submit their financial statements timeously. Notwithstanding the explanation on the migration from the old to the new system and then

reverting to the old system, the concern expressed related to the financial implications of the new system that now is now longer in use.

e) The Committee noted with concern the report by the AG that they received financial statements and supporting evidence that were not credible. To this end, Members requested to be provided with the details of misstatements the AG received from the Department and the CGE.

f) The Committee noted with concern that the target related to capacity building and training provided to GBVF Rapid Response Teams portfolio of evidence was not aligned with the report. Furthermore, the Committee raised concerns about the Department's ability to have impact on women, youth and persons with disabilities if the portfolio of evidence is lacking to substantiate what they do.

g) The Committee noted that according to the AGSA, the Department wrote to the National Treasury to condone the irregular expenditure and the National Treasury commented by saying the accounting officer had powers to condone it, however, this was not implemented. The Committee requested to be furnished with information as to why the accounting officer did not follow through on the recommendation.

15.5.2 Audit and Risk Committee (ARC)

a) The Committee acknowledges the findings and recommendations of the ARC and that it concurs with that of the AGSA.

b) The Committee notes the ARC concern regarding resource constraints experienced by the Department, particularly as it relates to internal audit and if not urgently addressed, it has the potential to adversely affect the system of internal controls in the Department. The Committee notes the ARC's recommendation that the Department compiles a business case for additional human and financial resources to the National Treasury, through the Executive Authority.

c) *Audit Action Plan*: The Committee concurs with the ARC recommendation that the Accounting Officer develops an audit action plan to resolve the audit findings identified during the 2026/27 financial year.

15.6 Core Programmes

15.6.1 Overview of performance for core programmes

a) *Targets and expenditure*: The Committee commends the Department for achieving all 30/39 targets in its core programmes during the year under review. The key concern noted by the Committee was the under-expenditure incurred mainly due to vacancies.

b) *Policy and Law Reform*: The Committee notes with concern that the Department has yet to introduce Bills it has proposed such as the WEGE Bill, the South African Youth Development Bill and the Disability Rights Bill. The Committee notes that it has yet to receive the reviewed National Gender Policy Framework.

c) *Reports:* The Committee acknowledges the reports submitted as evidence of the work achieved for the year under review e.g. Report on (5) National Departments Implementing GRPBMEAF, March 2026. The Committee would need to engage with the Department in these reports and also ascertain what progress has been since the publication of the report in terms of dissemination, monitoring and evaluation of recommendations contained in the reports. Furthermore, the Committee has repeatedly urged the Department to submit reports within one month of finalisation to the Committee for consideration. Oversight is weakened when the Committee is not privy to products yielded by the Department as evidence of targets met. The Committee also notes that not all reports are available on the Department's website and as such not accessible to the public.

15.6.2 Programme 2

a) The Committee commends the Department for targets achieved in this programme.

b) *Interventions to support economic empowerment and participation*: The Committee commends the Department for achieving this target. However, the Committee questioned the extent to which these interventions facilitated economic empowerment and job creation, cost benefit and impact. The Committee requested to be provided with tangible evidence to support what the Department reflected in the Annual Report that women, youth and persons with disabilities benefitted from these interventions.

c) *Interventions to support social empowerment and participation*: The Committee commends the Department for achieving the target but questioned the impact of these initiatives. The Committee is concerned that the Department continues to pursue and fund activities that fall outside of its mandate.

d) *Sanitary Dignity Programme (SDP)*: The Committee remains concerned about the impact and effectiveness of the SDP and the interventions undertaken by the Department in this regard.

e) *Rapid Response Teams*: The Committee notes the target achieved related to training of the 9 RRT but is unable to assess whether it is effective as the reports are not forthcoming. Furthermore, the Committee notes the lack of information in the AR on this target which thus impedes the Committee's oversight.

f) *GBV Donor Funding*: The Committee notes the continued donor funding received from the EU and CARA for GBV related activities and sought more information in this regard.

g) *M&E of NSP on GBVF*: The Committee commends the Department for assessing several national and provincial government departments and municipalities. However, the Committee dissatisfied with the Department's non-submission of the reports despite numerous requests. The Committee noted concerns about the implementation and monitoring of the National Strategic Plan on Gender-Based Violence and Femicide, including how non-compliance and inadequate funding by departments are escalated.

h) *NCGBVF*: The Committee noted that the Department's support to the National Council on Gender-Based Violence and Femicide has increased pressure on its capacity and expressed concern about the impact of secondments and the allocation of responsibilities between the Department and the Council.

15.6.3 Programme 3: Monitoring, Evaluation, Research and Coordination

a) *Gender mainstreaming*: The Committee commends the Department for the targets achieved by assessing several departments on the implementation of the Gender Responsive Planning Monitoring Evaluation and Auditing Framework. However, the lack of supporting evidence to substantiate what was achieved is concerning.

b) *Stakeholder engagement*: The Committee welcomed the Department's stakeholder engagement efforts but still questioned the impact and sustainability of such initiatives with evidence to support the outcomes.

c) *International activities*: The Committee notes the costs incurred for international trips and maintains the cost benefits should be considered and measures implemented to curb costs.

15.6.3 Programme 4: Rights of Persons with Disabilities

a) *Unmet targets*: The Committee notes with concern the number of unmet targets and the reasons cited was finance related e.g. budget reprioritisation which is more indicative of poor planning and financial forecasting as the targets were approved against a set budget that was approved by the Committee. Furthermore, the Department notes an under-

expenditure of R1 695 million which is attributed the Disability Rights Awareness Month being funded through the CARA Fund to alleviate funding constraints through the year. The reason then provided for why targets were not met because of the lack of funding is then refuted if the activities planned for was funded through external funds.

b) *PRPD Bill*: The Committee notes with concern the slow pace of progress in finalising and tabling the proposed Bill.
c) The Committee noted concerns regarding disability inclusion, including unmet targets, access to assistive technology and devices, accessibility of public services, and the need for stronger coordination and accountability across government.

15.6.4 Programme 5: Rights of Youth

a) The Committee noted with concern that the South African Youth Development Bill has not yet been finalised and has yet to be tabled.
b) The Committee remains concerned about the operations of the NYDA given all the whistleblower complaints that continue to emerge. The fact that the NYDA has yet to table its AR for 2025/26 does not inspire any confidence in the entity. The Committee acknowledges receipt of the monitoring reports of the NYDA by the Department, the TOR for the forensic investigation initiated by the Minister Chikunga and awaits a progress report at a date to be communicated to the Department.
c) The Committee is concerned that the current oversight and monitoring arrangements by the Department of Women, Youth and Persons with Disabilities is not adequate or effective.

Observations with respect to the Commission for Gender Equality (CGE)

15.7 CGE Matters

Notwithstanding the fact that the CGE is a Chapter 9 Institution, it only accounts to Parliament vis-a-vis the Portfolio Committee on Women, Youth and Persons with Disabilities and that the Department merely transfers its funds, the Committee deemed it important to note the following observations:

15.7.1 General

a) The Committee welcomed the tabling of the Annual Report 2025/26 by the CGE within the required time frame, its achievements, as well as efforts to increase its visibility insofar as fighting GBVF through media coverage.
b) **Performance information**: The Committee noted with concern that, although 98% of the targets were reported as achieved, these results should be viewed with scepticism in light of AGSA's finding that the credibility of the audited performance information could not be substantiated because the verification system was unreliable. The Committee therefore cautioned that the reported achievements must be understood in the context of the identified credibility shortcomings, which cast doubt on the integrity of the entire 2025/26 Annual Report. It further enquired about the systems the CGE intends to implement to ensure the independent verification of performance information. In addition, the Committee continues to question the extent to which the reported achievements have had a meaningful impact on communities and advanced gender equality
c) **Impact**: The Committee enquired about the mechanisms the CGE applied to determine the impact and effectiveness of its programmes/initiatives as the targets primarily appear quantitative in nature rather than outcomes or impact based. The Committee reiterated the importance of establishing such a mechanism to determine whether the programmes/initiatives were having the desired effect. In turn, this could be used as the basis to demonstrate what works and therefore motivate for additional funding from National Treasury as the supporting evidence would then be provided.
d) The Committee noted with concern that the CGE did not submit the ARC report, the progress report on the implementation of the 2025 BRRR and the Commissioners Report for the 2025/26 FY. This despite having requested this in the briefing document that accompanied the letter of invite for the meeting on the AR briefing.
e) **Business Model/Plan**: The Committee notes the CGE's response in relation to the Business Model/Plan but it has not been presented to the Committee in full. During September 2024 the CGE provided a brief introduction to the Business Model and the exorbitant amount required to fund it. The Committee was subsequently informed that National Treasury had declined to fund the plan. The Committee has requested on numerous occasions to be furnished with the Business Model/Plan but it has not been forthcoming. The Committee also sought more information on the fundings shortfall. Furthermore, the Committee corrected the CEO and placed on record that the Committee had not approved the said Business Model but awaits the report including the financial breakdown.

f) The Committee noted the CGE's broad mandate and that it has been historically underfunded relative to other Chapter 9 institutions but encouraged using the existing funds optimally to motivate for more.

15.7.2 Legal Practice

a) The Committee remained concerned about the CGE's legal standing and sought a progress update in this regard. To this end, the Committee noted that the CGE had undertaken several activities that involved legal practitioners to deal with internal matters and as part of its core programmes e.g. litigation and mediation was noted as key tools used to advance gender equality.

SO1

15.7.3 Complaints and Enquiries

a) The Committee notes with concern the AG finding about the overstated target – complaints were double counted as enquiries; enquiries/complaints not closed at year end but recorded as closed. This brings into question the credibility of the performance information and the lack of controls for monitoring and evaluating the target regularly. The Committee queried the actual number of complaints and enquiries opened and closed in the 2025/26 FY and questioned who should be held to account for the submission of inaccurate information.
b) The Committee notes that even though the CGE reports this target as over achieved, the enquiries outnumbered the complaints; the number of complaints opened and closed were very low overall, with some provinces often recording zero within a given quarter, which was concerning. Hence, the Committee questioned whether the low uptake was attributed to capacity constraints within provinces. As such, the Committee queried whether the CGE considered partnering with the NYDA to have interns brought on board via the National Youth Service (NYS) programme to bolster the complaints and enquiries handling.
c) The Committee welcomed the CGE's proposal to move to automate the complaints and enquiries handling but cautioned against duplicating systems that may already exist within other Chapter 9 institutions. Instead, the Committee suggested exploring the existing complaints systems currently in place and how these could be leveraged.

15.7.4 Investigations

a) The Committee welcomed the investigations conducted by the CGE but questioned how many of the recommendations were subsequently implemented by Government.
b) The Committee noted with grave concern the investigation in Limpopo that revealed many educators were not vetted which was alarming. The Committee questioned how the CGE was leveraging its power and enforcing compliance of the mandatory vetting required prior to employment.
c) The Committee welcomed the investigation focused on sexual harassment in the workplace in the Free State but questioned what binding directives can be introduced by DPSA to address sexual harassment in the workplace.
d) The Committee welcomed the investigation in KZN focused on disaster management and noted the key finding related to the lack of gender responsiveness in this regard. To this end, the Committee questioned what policy recommendations the CGE proposed to enforce gender mainstreaming within disaster management and improve intergovernmental relations in response.

SO2

15.7.5 Gender Mainstreaming

a) The Committee welcomed the CGE's mainstreaming initiatives undertaken within government but queried what, if any, cost recovery there was for the CGE once assessment has been done and the CGE was called back to assist a government institution.

SO3

15.7.6 Research

a) The Committee welcomed the research reports e.g. the focus on domestic workers, as well as Muslim marriages. The Committee however queried when the CGE would examine the inequalities faced by women within all other marriages; and within homes and religious institutions as this was a main contributing factor to GBVF. The Committee enquired about what informed the CGE's research strategy as it was unclear.

SO4

15.7.7 AG Findings and Recommendations

a) The Committee noted with concern the AG findings and concurred with the recommendations made.

b) The Committee noted with concern the AG's finding that the AAP was ineffective as it had not addressed the root cause of the problems nor was it adequately reviewed. Whilst the Committee acknowledges that the CGE had informed the Committee previously it had an AAP and presented a progress regard hereto at every quarterly report briefing, this exercise was deemed almost to be futile given the AGSA's opinion expressed on it.

15.7.8 Finance

a) The Committee notes with concern that despite numerous requests the CGE does not provide a breakdown of the finances by Strategic Outcome (SO) and this impeded oversight for the Committee as the Committee cannot track expenditure incurred for targets identified within a SO.
b) **Deficit/Over-expenditure**: The Committee noted with concern the deficit incurred by the CGE (R5million) for the year under review which was almost double from the previous FY. As such, the Committee queried how this came about, and how it was allowed to happen given the existing oversight structures in place such as the Finance Committee, the ARC and the IA who all met on a regular basis throughout the 2025/26 FY. Moreover, the Committee questioned whether the CGE's financial performance was aligned with the 2025/26 APP.
c) The Committee questioned who should be held to account for the deficit incurred.
d) The Committee noted with concern the trend in over-expenditure incurred with no consequence management implemented.
e) The Committee queried what the impact of the deficit from 2025/26 FY would have on the current FY 2026/27 and the implications for operations.
f) **100% expenditure on planned initiatives**: The Committee noted with concern that this target was recorded as an over-achievement at 104% when this is not a positive outcome.
g) **Donor funding and partnerships**: The Committee sought more information about what, if any, donor funding the CGE received and any other support to supplement its resources in order to achieve its targets within the FY. The Committee argued that if the CGE was supplemented with additional funds, that could be used to motivate to National Treasury that additional funding was required.
h) **Performance Bonuses**: The Committee notes payment of 60 staff performance bonuses which includes all 4 senior management and questioned how this was done given the deficit that was incurred and the serious AGSA findings - some of which were a repeat finding. Whilst the Committee acknowledges the hard work undertaken by staff within the CGE, it

remains unclear what the determination was to reward some staff and not others (38). The concern was thus the criteria and application. Furthermore, the Committee questioned performance bonuses issued to senior management when the CGE incurred a deficit and did not comply with legislative and policy prescripts. The Committee was not in agreement with incentivising employees with notch progressions as a means to improve salary when the base line salary should be reviewed as part of an improved funding for the CGE.

15.7.9 Use of Consultants

a) The Committee noted that the expenditure on consultants had increased significantly from the previous FY, almost double to R4 571 378 for the 2025/26 FY. The Committee observed that the ICT and Internal Audit had muti-year contracts. To this end, the Committee noted the CGE's response and the need for outsourcing ICT and research. However, the Committee questioned the sustainability of this in the long term and questioned whether there was any skills transfer in place to ensure capacity building of existing officials to avoid reliance on consultants.
b) The Committee questioned what was being spent on consultants conducting research versus having to employ permanent researchers.
c) The Committee notes the expenditure incurred for outsourcing the newsletter and queried whether there was any value for money in having a newsletter and how this was determined. Furthermore, the Committee queried what skills transfer was implemented by the external service provider to build internal capacity for the CGE to eventually do the newsletter by CGE officials.

15.7.10 IFWE

a) The Committee sought clarity about the IE and FWE incurred, the status of the investigations and related lack of consequence management which was particularly concerning.
b) The Committee expressed its dissatisfaction with the repeat findings and lack of implementation of recommendations by both the AGSA and the Committee itself. As such, the Committee sought surety from the CGE that the same findings would not be repeated again in the next annual report. The Committee noted the CGE's response and request for condonement but expressed dissatisfaction with money being written off with no consequence for what had transpired.

c) The Committee questioned how the CGE continued to incur IE of over R2.1 million when there were established oversight structures such as the Finance Committee, the ARC and Internal Audit that met regularly during the year under review.

15.7.11 International trips

a) The Committee queried whether the trip to France to support the Caster Semenya case as observers by the CGE was an optimal use of funds given the fiscal constraints experienced by the CGE and the fact the CGE attendance was not as a legal representative of the complainant - at the time as they were still not recognised by the Legal Practice Council. Furthermore, the Committee queried whether there would be any other costs incurred by the CGE in relation to this case.

15.7.12 Governance and accountability

a) *Consequence management*: The Committee noted with concern the lack of consequence management implemented as raised by the AGSA. Furthermore, while the Committee notes the CGE's response about why consequence management could not be implemented against officials that were no longer in the employ of the institution, the Committee was not satisfied with the response and indicated that the CGE should undertake consequence management within the prescripts of the law and policy. To this end, the Committee queried whether the CGE explored options of ensuring that disciplinary processes continue, and resignation should not be accepted until processes have been concluded. In addition, the Committee questioned why the CGE did not consider recouping funds back from the pension fund of officials found liable for IE and FWE. The Committee reiterated that if consequence management is not implemented its sets a precedent that laws and policy can be broken with no repercussions.

b) *Commissioners*: The Committee notes with concern the lack of reporting of the contributions made by the Commissioners for the year under review in the AR. To this end, the Committee notes that the reflection in the AR is limited to a picture of each Commissioner except for one, the technical description of what the role of the Commissioners are and the fiduciary duties through the various committees that were created. The Committee maintains that such reflections fall short of what is expected as the Commissioners are the face of the institution, are paid based on taxpayers' money and therefore should account for how they contributed to achieving the CGE's targets within a given FY.

15.7.13 ICT

a) The Committee notes the expenditure incurred for outsourcing ICT services and the implications of the court case with an ICT official from the CGE. To this end, the Committee sought more information on when the matter would be resolved, the cost incurred for litigation and the implications then for ICT service in the CGE and what the contingency plan would be for the 2026/27 FY in this regard.

15.7.14 Internal Audit (IA)

a) The Committee noted the expenditure incurred to procure the services of an external service provider to conduct internal audit functions but questioned why a permanent official could not be employed. If the argument was that outsourcing the service was more cost efficient, the Committee wanted to be furnished with a costing of what it would require to have the IA adequately resourced to function optimally.

15.7.15 Audit and Risk

a) The Committee noted the ARC findings that confirmed the main obstacle to the CGE receiving a clean audit related to IFWE and a lack of consequence management.

15.7.16 Audit Action Plan (AAP)

a) The Committee noted with concern the AGSA's findings related to the AAP and questioned the CGE about what would be done differently to address root causes of the problems.

15.7.17 Human Resources

a) **Vacancies**: The Committee noted with concern the high vacancy rate and queried what impact this had on operations. The Committee sought more clarity about the reasons for the recruitment delays that resulted in only 65.5% of funded vacancies being filled. Furthermore, the Committee noted the CGE's response that positions could not be filled post interviews as candidates often turn down the offer based on the low-salary package. However, the Committee questioned why the information on the salary package is not made available from the onset to avoid applicants going through a recruitment process only to decline the offer.
b) The Committee noted with concern that the target was not met.

c) The Committee noted the 15% vacancy rate (17 vacancies) and 12 terminations, the Committee sought the reasons for the staff turnover. To this end, the Committee enquired about the CGE's retention plan to maintain stability within the Commission.
d) The Committee noted the CGE's response regarding the challenge around retaining staff because of the lower salaries paid relative to other Chapter 9 institutions but cautioned management from using performance bonus to incentivise staff to stay as this was not addressing the root cause of the problem – baseline funding that was set too low.
e) The Committee noted the 4 researcher, 1 internal audit, 1 provincial manager, 1 legal officer, 1 finance vacancies and enquired about their implications on operations in this regard.

15.8 Observations with respect to the National Youth Development Agency

15.8.1 General

a) The Committee noted with concern that the NYDA had not tabled its Annual Report for two consecutive years in a row.

16. RECOMMENDATIONS

The Minister of Women, Youth and Persons with Disabilities should ensure that the following recommendations are implemented.

16.1 General

a) The Department must ensure that its indicators and targets are SMART when developing the APP for 2026/26 and cost it accordingly.
b) Targets must continue to be monitored and alignment with key government priorities ensured.
c) The Department must confine its programmes and activities in accordance with its mandate in order to utilise its funds optimally.
d) The Department should submit a formally corrected Annual Report or addendum, with supporting evidence, within the timeframe agreed with the Committee and in accordance with parliamentary procedures. It should explain the cause of the discrepancy and the measures taken to prevent similar errors.

e) *Quality assurance*: The Department should strengthen quality assurance for annual reports, presentations and performance information, ensuring that documents submitted to Parliament are accurate, consistent, reconciled and clearly identified as final.
f) Internal controls for planning, monitoring, evaluation and verification of performance information should be strengthened. Responsibilities across management, planning and reporting, internal audit and the Audit and Risk Committee should be clearly defined.
g) *Alignment*: The Department should review the alignment between its Annual Performance Plan, budget and implementation capacity to ensure targets are properly costed, funded and achievable. Any reprioritisation affecting planned targets should be documented, justified and reported to the Committee.
h) *Collaboration*: The Department must work collaboratively with other departments/entities where possible given the financial constraints and the general fiscal environment.
i) *Impact*: The Department should provide clear evidence of the impact of its coordination, monitoring and advocacy work, including reports, findings, corrective actions and measurable outcomes for women, youth and persons with disabilities.
j) *Outstanding Reports/Information*: The Department should submit the outstanding information requested during the meeting, including updates on the NYDA forensic investigation and delayed annual report, the Sanitary Dignity Programme, donor funding, vacancies, ICT and procurement matters, and progress on previous BRRR recommendations.

16.2 SMART principle

a) The Department must ensure the alignment between the Strategic Plan and its Annual Performance Plan which includes objectives and targets that are SMART and costed accordingly. Any changes to the APP must be brought to the attention of the Committee as soon as these are done with a clear indication of the HR impact and financial implications. The Department must update the Committee on the status of targets on a quarterly basis. Financial and performance reporting must be in-line with the tabled APP.
b) The Department to avoid, as far as possible, amendments to its APP once operational particularly in the latter half of the FY.

16.3 Legislative and Policy Reform

a) The Department must expedite the development of all outstanding policies, bills and regulations and brief the Committee on a quarterly basis and provide a progress update.

b) A time-bound legislative programme should be provided for outstanding bills and regulations under the Department's mandate, including anticipated dates for Cabinet consideration and submission to Parliament.

16.4 Financial performance

a) *In-Year Monitoring Reports*: The Department must continue to submit quarterly reports to the Committee in line with National Treasury Regulations.
b) *Spending Trends*: The Committee recommends that the Department monitor spending patterns and ensure that this is in keeping with what has been outlined in the respective Strategic Plans and Annual Performance Plans. To this end, the Department is to provide the Committee with detailed financial reports for activities on a quarterly basis. These financial reports should clearly indicate the purpose of the activity as it relates to the objectives outlined in the APP and the expenditure incurred which includes donor funding.
c) *APP*: The Department must ensure that its APP is costed appropriately with a clear indication as to how and when it intends undertaking activities with corresponding costs. The APP should clearly indicate what measures will be implemented to capacitate and develop the current workforce in a bid to avoid using consultants.
d) *Irregular Expenditure, Fruitless and Wasteful Expenditure*: The Department is requested to keep the Committee abreast on a quarterly basis of any irregular expenditure, unauthorised and fruitless and wasteful expenditure incurred and the disciplinary action taken against employees in this regard. The Committee should be updated on progress and outcomes. Outstanding assessments and determinations relating to irregular, fruitless and wasteful expenditure should be completed, with the necessary National Treasury processes pursued and consequence management implemented where warranted. The Department must keep the Committee abreast of condonement matters.
e) *Deviations*: The Department is urged to improve financial planning to avoid unnecessary deviations and expansions from reoccurring. Financial management and procurement controls should be strengthened to reduce reliance on deviations and ensure that payments comply with applicable legislation and contractual requirements.
f) *Donor funds*: The Department should provide comprehensive quarterly reports on donor expenditure and performance.

16.5 Audit Action Plan

a) A corrective action plan should be developed and implemented to address audit findings and their root causes. The Department should report progress to the Committee regularly, supported by evidence of implementation.
b) The Department should submit its final Audit Action Plan (ensure reflection on unmet findings from previous FY) for the Committee's consideration by 30 November 2026 and report at the next quarterly report briefing.
c) The Department should clearly articulate how it intends addressing each of the findings identified and implementing the recommendations with clear time frames within the Audit Action Plan.
d) The AGSA and ARC recommendations should be implemented by the Department and officials found having not complied in this regard must be held to account.

16.6 Human Resource

a) *Vacancies*: The Department should provide a time-bound plan for filling vacant posts, particularly critical posts. Updates should include the length of time each post has been vacant and the impact of vacancies on performance and service delivery.
b) *e-recruitment*: The Department to submit the MOU on the pro bono work provided for the e-recruitment and a plan to ensure its sustainability in the future.
c) *Consequence management*: The Committee recommends that the heads of Programmes provide quarterly reports of consequence management for the non-delivery of targets with a clear indication of the remedial action implemented.
d) *Use of consultants*: The Department must review its continued reliance on consultants and report back to the Committee on how transfer of skills is enabled to Department officials by the current cohort of consultants. The APP 2026/27 should clearly outline a plan in this regard.
e) *Disciplinary cases and investigations:* The Department should submit a comprehensive report on all cases in the Department and brief the Committee accordingly on a quarterly basis.
f) *Performance rewards*: The Department to submit a comprehensive report on the performance rewards issued to employees as per the AR 2025/26 by programme, salary level/occupational band (i.e. indicate number beneficiaries per programme and include number of senior managers that were awarded), total and average cost for SMS level for performance rewards issued and criteria applied to select eligible beneficiary.

16.7 Governance

a) The Committee reiterated the importance of compliance with the Public Finance Management Act and National Treasury Regulations by the Department and that failure of officials in this regard must be dealt with expeditiously. To this end, the Committee recommends that the Department reports on how it deals with transgressors and what remedial action is taken. This should be presented in the quarterly reports.

b) *Investigations*: The Committee recommends that the Department briefs it (Quarter 2 briefing for 2026/27) on the outcome of investigations that have been completed and indicate what progress has been made in terms of implementing recommendations and consequence management. Furthermore, the Department is expected to brief the Committee on progress with regards to investigations currently underway.

16.8 Core Programme related recommendations

16.8.1 Sanitary Dignity Programme (SDP)

a) The Committee urges the Department to reinstate a specific target focussed on monitoring and evaluation of the SDP.

b) The Committee recommends that the Department provides a comprehensive assessment of the implementation of the SDP and submit a report within two months of the publication of this report.

16.8.2 National Gender Machinery (NGM), GEYODI, Youth and Disability Machineries

a) The NGM is an important mechanism for stakeholder engagement as espoused in CEDAW to which South Africa is a signatory. The Committee should be kept abreast of NGM meetings and activities. Similarly, for GEYODI, youth and disability machineries.

16.8.3 Treaty compliance framework and timeframes

a) The Department should ensure that country reports are submitted within the specified timeframes as required by the relevant reporting bodies**.** All country reports submitted during the reporting period under review should be sent to the Committee for consideration along with concluding observations and the Department's plan of action in that regard.

b) The Committee recommends that the Department should report back to Parliament on feedback received on country reports, action plans developed in this regard as well as progress in terms of implementing recommendations.

c) The Committee recommends that the Department present all reports at an international level to the Committee at least one month before it undertakes the international trip.

16.8.4 Reports

a) The Committee recommends that the Department brief the Committee on reports completed for 2025/26 and submit all outstanding reports. The briefing should include what progress has been made since the completion of the reports.
b) The Department is requested to submit all finalised reports one month after completion to the Committee for consideration.

16.8.6 GBVF

a) *NSP on GBVF*: The Department should strengthen its monitoring of the implementation and funding of the National Strategic Plan on Gender-Based Violence and Femicide, identify departments that are not meeting their obligations, and report how these matters are escalated.
b) *NSP on GBVF and National Prevention Strategy on GBV*: The Department to provide quarterly updates on the implementation of the NSP and the Prevention Strategy. The Department to submit its M&E reports on the implementation of the NSP and brief the Committee accordingly. The Department is urged to monitor all government departments and entities on a quarterly basis and not limit it to a few.
c) *RRT*: The Department to submit a comprehensive report on the training and capacity building of all RRTs undertaken during the year.
d) *NCGBVF*: The respective roles, staffing arrangements and resource requirements of the Department and the National Council on Gender-Based Violence and Femicide should be clarified. The Department should also report on the Council's establishment and operational progress.

16.8.8 Rights of Persons with Disabilities

a) Disability-inclusive coordination across government should be strengthened, including access to assistive devices and technology, accessible public services, and the participation of persons with disabilities in developing and implementing relevant programmes.
b) The Department should brief the Committee on the reports produced in 2025/26 and a follow-up progress made.

c) The Department should expedite the development of the Protection of Rights of Persons with Disabilities Bill and brief the Committee accordingly.

16.8.9 Rights of Youth

a) The Department reviews its shareholder agreement with the NYDA and report back to the Committee in that regard at a time to be communicated to the parties concerned.
b) The Department, in its capacity as the NYDA's shareholder and Executive Authority, to review its Shareholder Performance Agreement within 30 days of adoption of this BRRR report.
c) The Department to submit the revised agreement, inclusive of the measures for non-compliance or underperformance, to the Committee within the same 30-day period.
d) The Department to submit to the Committee the first, interim and final forensic reports as they are received.
e) The Department should submit all monitoring reports for NYDA for 2025/26 FY and Q1-2 for 2026/27 FY.
f) The Department to submit TOR on forensic investigation initiated on the NYDA and provide a progress report on the investigation within 2 weeks of adoption of this report.
g) The Department should brief the Committee on reports produced in 2025/26 and indicate progress made.
h) The Department to submit a progress report on the development of the South African Youth Development Bill at the next Quarterly report briefing together with a progress report on the regulations that are being developed.
i) The Department to collaborate with the NYDA to facilitate the implementation of youth projects led by the SANDF as well as other youth related initiatives led by this programme.

16.9 CGE

The CGE should ensure that the following recommendations are implemented.

16.9.1 General

a) The CGE to ensure that targets are developed and set appropriately and not too low for the 2026/27 FY.
b) The CGE to strengthen its verification of information for reporting against targets met on a quarterly basis.

c) The CGE to submit the Business Plan and associated costing for the Committee to consider. The Committee to invite the CGE to brief the Committee on its Business Plan, associated costing and progress report hereto.
d) The Committee called for the enforcement of mandatory vetting of persons against the sexual offences register prior to employment within schools and that the Limpopo Department of Education should implement the recommendations proposed by the CGE.
e) The CGE must report on the performance of Commissioners at every quarter to the Committee and ensure their contributions are reflected in the next AR for 2026/27.

16.9.2 SO1

a) **Complaints and enquiries**: The CGE to submit a comprehensive report on final number of complaints and enquiries handling for 2025/26 in light of the AG finding. Furthermore, the CGE to provide a comprehensive report on why the information was captured incorrectly, who should be held to account and what measures would be put in place to prevent reoccurrence in future. In addition, the CGE to explore existing automated systems within Chapter 9 institutions to leverage from for its complaints and enquiries handling.
b) **Partnership with NYDA**: The CGE to explore partnership with NYDA on NYS programme to enhance support for the complaints and enquiries handling through the employment of youth interns.

16.9.3 SO2

a) The Committee acknowledged the over-achievements of targets in this SO but queried whether the target was then not set too low to start off with, and given the achievements, whether these targets would then be set higher in the 2026/27 FY.
b) **Gender and Development Training (GAD)**: The Committee requests the publication but submitted and indicate how it would be distributed and the cost incurred.

16.9.4 SO3

a) The CGE to submit a report on the research strategy and what would inform selection for the 2026/27 FY.

SO4

16.9.5 Finance

a) **Financial Reporting**: The CGE must submit a report to the Committee on the expenses incurred per Strategic Outcome for the 2025/26 FY and ensure that all quarterly financial reports are provided in the same manner. Furthermore, the APP 2026/27 should reflect the budget allocation per Strategic Outcome with a clear indication of COE, G&S and all other relevant costing line items.

b) **Financial Management**: The CGE to ensure more prudent use of it budget and not incur a further deficit in the next FY. The CGE should reprioritise their funding by keeping expenditure on international travel and consultants to a minimum and rechannel funding towards capacity building and training of officials instead.

c) **100% expenditure on planned initiatives**: The CGE to correct the target status as this was not achieved.

d) **Consultants**: The CGE to desist from over-reliance on consultants and reduce costs incurred in this regard.

e) **IFWE**: The CGE to submit a report on the condonement of the IFWE as per approval from National Treasury. The CGE is urged to clear the historic IFWE by the next AG audit.

f) **Audit Action Plan**: The CGE to develop an AAP that addresses the root causes of the problems, clearly identifies who the key persons responsible are for implementation along with time frames; and submit the report to the Committee for consideration together with a progress report.

16.9.6 Human Resources

a) **Vacancies**: The CGE to prioritise the filling of vacancies and report to the Committee on a quarterly basis in that regard.

b) **Performance Bonus**: The CGE must ensure that performance bonuses are issued within the prescripts of the policy and law. The CGE to submit a report on the performance bonuses issued for the 2025/26 FY.

c) **Capacity building**: The CGE must ensure skills transfer where possible when services of external service providers are procured.

16.10 NYDA

The NYDA should ensure that the following recommendations are implemented.

a) To table the Annual Report for 2025/26 and brief the Committee accordingly.

The Committee hereby recommends the following for consideration by the Minister of Finance:

16.11 National Treasury

a) The Committee requests National Treasury to reassess the funding allocation to the Department and the CGE to optimally implement its respective mandates.

16.12 AGSA

a) The AGSA should monitor and evaluate the implementation of mitigation strategies and tracking of resolutions by the key persons responsible actioning these.
b) The AGSA should provide a report to the Committee on the unresolved matter related to the Department.
c) The AGSA should provide a report to the Committee on the outcome of the NYDA once completed and the report is tabled.
d) The AGSA to examine mechanisms for strengthening recommendations proposed and implications for non-compliance.

17. SUMMARY OF REPORTING REQUESTS

Table 9: Reporting requests

Reporting matter	Action required	Timeframe	Dept.	CGE	NYDA
Implementation report on implementation of BRRR 2026	Written report	Within 60 days of adoption of report	☑	☑	☑
Quarterly reports	Written report Briefing	Every quarter	☑	☑	☑
Audit outcomes - Details of audit action plan	Written report of audit action plan Briefing	30 Nov. 2026 Q2 2024/25 briefing	☑	☑	☑
	Progress report on audit action plan Briefing	Q2 2026/27 briefing and then at every quarterly briefing thereafter	☑	☑	☑
Investigations	Written report Briefing	Quarterly	☑	☑	☑

Reporting matter	Action required	Timeframe	Dept.	CGE	NYDA
Deviations	Written report Briefing	Quarterly	☑	☑	
HR: vacancies, dismissals, termination of contracts	Written report Briefing	Quarterly	☑	☑	☑
Country reports	Written report Briefing	Progress update at quarterly briefings	☑	☑	
Impact reports of initiatives (campaigns, events, workshops, conferences etc.)	Written report	30 days after an event has taken place	☑	☑	
CGE Business Model/Plan	Written report Briefing	Finalised version to be sent by 30 November 2026		☑	
Commissioner's Action Plan for 2026/27 linked to SO	Written report Briefing	At Q2 2026/27 briefing		☑	
Commissioner's performance per quarter	Written report Briefing	At every quarterly report briefing		☑	
NYDA Board performance	Written report Briefing	At every quarterly report briefing			☑
Department, CGE, NYDA – Request for reports, documentation etc.	Written report Briefing	Refer to BRRR 2026 for exact time frame	☑	☑	☑

18. CONCLUSION

The Committee affirms the important role of the Department, the NYDA and CGE and maintains it would continue to conduct oversight of these entities to ensure the implementation of recommendations made by the AGSA as well as the ARC. The Committee reiterates that the portfolio has a key responsibility to ensure that through the targets set that the lived experiences of women, youth and persons with disabilities in the country are improved.

The Committee, noting the whistleblower complaints concerning the National Youth Development Agency (NYDA) and the forensic audit in this regard, continuing instability at Board level, and the NYDA's failure to again submit its Annual Report on time, is concerned that the current oversight and monitoring arrangements by the Department of Women, Youth and Persons with Disabilities is not adequate or effective.

The Committee therefore resolves to:

- Request the Department, in its capacity as the NYDA's shareholder and Executive Authority, to review its Shareholder Performance Agreement within 30 days of adoption of this BRRR report.
- Require the Department to submit the revised agreement, inclusive of the measures for non-compliance or underperformance, to the Committee within the same 30-day period.
- Require the Department to forward to the Committee the first, interim and final forensic reports as they are received.

In conclusion, the Committee requests and urges the DPYWD, CGE and NYDA to implement its recommendations and to provide its first implementation report, 60 days after the adoption of this report and thereafter monthly.

uMkhonto Wesizwe Party reserves its rights to support the Committee's 2026 BRRR.

Report to be considered.

NATIONAL COUNCIL OF PROVINCES

1. REPORT OF THE SELECT COMMITTEE ON PUBLIC INFRASTRUCTURE AND MINISTER IN THE PRESIDENCY ON THE DRAFT REGULATIONS ON THE PROPOSED INCREASE OF THE VALIDITY PERIOD OF A DRIVING LICENCE CARD FROM 5 TO 10 YEARS, MADE IN TERMS OF SECTION 75 OF THE NATIONAL ROAD TRAFFIC ACT, 1996 (ACT NO. 93 OF 1996), DATED 14 OCTOBER 2026

The Select Committee on Public Infrastructure and Minister in the Presidency ("the Select Committee"), having considered the draft Regulations on the proposed increase of the validity period of a driving licence card from 5 to 10 years, made in terms of Section 75 of the National Road Traffic Act, 1996 (Act No. 93 Of 1996), reports as follows:

1. INTRODUCTION

The draft Regulations on the proposed increase of the validity period of a driving licence card from 5 to 10 years, made in terms of Section 75 of the National Road Traffic Act, 1996 (Act No. 93 Of 1996) ("the draft Regulations) was referred to the Select Committee on 20 August 2026 [ATC No 137 – 2026].

The Department of Transport ("the Department") on 6 October 2026, briefed the Select Committee on the draft Regulations with a focus on the policy rationale informing the draft Regulations as well as the legal implications, implementation arrangements, and consultation process undertaken in respect thereof.

2. OVERVIEW AND POLICY RATIONALE INFORMING THE DRAFT REGULATIONS

2.1. The draft Regulations seek to amend regulations 100, 101 and 108 of the National Road Traffic Regulations, 2000, in order to extend the validity period of driving licence cards for codes A1, A, B and EB (being codes for light motor vehicles) from five to ten years.

It should be noted that the underlying driving licence remains valid indefinitely unless it is suspended or cancelled and the proposed amendment concerns the period for which the physical driving licence card serves as proof and authorisation that its holder is licensed. Driving licence cards for codes C1, C, EC1 and EC (being codes for heavy motor vehicles) will remain valid for five years, while the existing two - year validity period applicable to professional driving permits will be retained.

2.2. The proposal follows a review of the card-validity regime, which has largely remained unchanged since the introduction of the current driving licence system in the late 1990s and the commencement of the National Road Traffic Regulations in 2000. The five-year validity period was originally informed by the durability of the laminated card, environmental conditions and the need for periodic verification of a driver's continued fitness. Subsequent operational experience, including production interruptions during the COVID-19 period, the breakdown and maintenance requirements of the existing card-production machine, scarcity of replacement parts and the resulting renewal backlogs, demonstrated the pressure created by a five-year renewal cycle.

2.3. The policy rationale is therefore to modernise the renewal system, reduce the frequency and cost of renewals for motorists, relieve demand on licensing and card-production capacity, and lessen the risk of recurring backlogs. A longer period for motorcycle and light-motor-vehicle licence cards is also intended to align South Africa more closely with international practice and to be supported by a more durable polycarbonate card. At the same time, the differentiated approach preserves more frequent oversight of heavy-vehicle and professional drivers, whose driving activities present greater road-safety and public-risk considerations.

2.4. The draft Regulations also provide continuity during implementation. An existing five-year card for codes A1, A, B or EB will remain valid while a replacement is being issued, but for no longer than three months after its expiry date. The Department on 29 July 2026 obtained Cabinet approved for public participation on the proposed amendments and the proposed amendments were published in Government Gazette No. 55205 of 17 August 2026 for written comments. The consultation process is intended to inform any refinement of the proposals before their final approval and incorporation into the National Road Traffic Regulations.

3. KEY CONSIDERATIONS AND IMPLEMENTATION IMPLICATIONS

3.1. The proposed extension of the validity period of driving licence cards for light motor vehicle codes from five to ten years is expected to reduce pressure on the renewal system. The retention of a shorter validity period for professional driving permits recognises the greater road-safety responsibilities and exposure associated with professional driving, as well as the need for more frequent medical, eyesight and other prescribed assessments.

3.2. Members were concerned that a ten-year cycle could allow eyesight or fitness to deteriorate between renewals, particularly where rural communities have limited access to testing centres and health professionals. Risk-based safeguards and electronic submission of optometrist certificates where proposed and the Department confirmed that eyesight testing would remain compulsory at renewal and could be completed at a testing centre or by a registered optometrist.

3.3. Implementation of the proposed amendments will depend on the readiness of the card-production machinery, administrative systems and municipal capacity, particularly in view of previous breakdowns and backlogs. Government Printing Works (GPW) has been engaged as an interim producer, while the anticipated reduction in renewal volumes is expected to ease operational pressure. The financial implications include the possibility of fee increases, with the production cost estimated at R92 per card. New equipment and training coordinated by the Road Traffic Management Corporation (RTMC) is intended to be deployed concurrently, including in remote municipalities.

3.4. The Committee urged that measures to address fraudulent cards, corrupt licensing transactions, local production and accountability for system failures should form part of the implementation framework. Responsibility for card production remains with the Driving Licence Card Account, supported by the GPW. The Department reported that transactions on the Electronic National Traffic Information System (eNATIS) are traceable to individual officials, and suspected irregularities referred to the relevant authorities.

3.5. In closing, the Committee called for the expedited implementation of digital driving licences which would reduce dependence on physical card production and assist in alleviating licensing backlogs. Physical card production imposes a significant cost on the Department and remains dependent on the original equipment manufacturer for machine repairs and replacement parts. A Presidency-led interdepartmental working group is considering the integration of digital driving licences into the Government's digital identity framework. Implementation should ensure equitable access for persons without smartphones, affordable data or reliable connectivity.

4. RECOMMENDATIONS

The Select Committee on Public Infrastructure and Minister in the Presidency, having deliberated on and considered the draft Regulations on the proposed increase of the validity period of a driving licence card from 5 to 10 years, made in terms of Section 75 of the National Road Traffic Act, 1996 (Act No. 93 Of 1996) ("the draft Regulations"), referred to it in the ATC No 137 – 2026 of 20 August 2026, reports that it supports the amendments contained in the Draft Regulations.

Report to be considered

2. Report on the Oversight Visit of the Select Committee on Agriculture, Land Reform and Mineral Resources, dated 13 October 2026

The Select Committee on Agriculture, Land Reform and Mineral Resources, having conducted a follow-up oversight session at the North-West Provincial Legislature from 11 to 14 August 2026, reports as follows:

The delegation comprised the following Members of Parliament: Ms MG Modise (Chairperson, ANC), Ms SL Sithole (ANC), Mr BJ Farmer (PA), Mr M Montwedi (EFF), Mr NH Pienaar (DA) and Mr HJ Van Den Berg (FF+). The delegation was supported by parliamentary staff, namely Mr AA Bawa (Committee Secretary), Mr J Jooste (Content Advisor), Ms J Le Roux (Researcher), Ms B Mfecane (Executive Assistant), Ms Y Landu (Media Specialist) and Mr S Tsewu (Committee Assistant). Apologies were received from Ms M Dhlamini (ANC), Mr SP Mabilo (ANC), Mrs MB Ndlangisa-Nodada (ANC) and Ms H Boshoff (DA).

1. Background / History of Intervention

1.1. The Committee was requested to intervene in a matter that has remained unresolved for several years. The role players initially identified in the matter were:

- Sogima Mining Ltd
- Department of Mineral and Petroleum Resources
- Black Mamba community, Mooinooi Ward 27, Marikana, Madibeng
- National Department of Human Settlements
- North-West Department of Human Settlements
- Madibeng Local Municipality
- Housing Development Agency

1.2. At the centre of the matter is the delayed relocation of sections of formal and informal settlements from land bordering a mining right held by Sogima Mining Ltd , but on which it has been unable to commence mining operations. The relocation of affected

communities, located within the 500m exclusion zone of the mine had been ordered by the National Department of Housing but not implemented by its provincial counterpart or the local municipality. Alternative parcels of land for relocation had been identified over a significant period, but the process was not finalised. According to communication available to the Committee, the relevant stakeholders were requested to sign a Memorandum of Understanding by the end of March 2023, outlining their respective roles and responsibilities. Follow-up work on the draft Terms of Reference developed by the Housing Development Agency was also expected to proceed at that time. Since then, the relocation has not been finalised and mining operations have been delayed by a further three years. The Select Committee, which exercises oversight over the Department of Mineral and Petroleum Resources, was approached to obtain clarity on the causes of the delays and to assist in resolving any intergovernmental relations or cooperative governance challenges contributing to the matter.

1.3. At the end of the two-day session in Madibeng, attended by all stakeholders, it was resolved that the Committee would liaise further with the Department of Mineral and Petroleum Resources on the matter. It was further resolved that Ms Dili, an official from the Department of Human Settlements, would submit a report to the Committee on the housing and relocation issues central to the impasse.

1.4. The Committee further resolved to convene a follow-up meeting once the relevant reports and discussions had been concluded, to determine a way forward and finalise the matter.

2. Proceedings – 12 August 2026

2.1. Mr MG Modise – Chairperson of the session

2.1.1. The Chairperson opened the session by explaining that its purpose was to resolve the impasse between Sogima Mining and the various stakeholders. He expressed serious concern that, as resolved during the previous session, Sogima Mining was the only stakeholder that had submitted the documents requested by the Committee. The National Department of Human Settlements and the Office of the Chief Inspector of Mines had not submitted the requested reports and documentation. The Chairperson further noted

with concern that, since March 2026, no resolution had been reached between the affected parties and no meetings or discussions had taken place.

2.1.2. The Chairperson handed over to the Provincial Department of Human Settlements to submit a presentation.

2.2. Presentation and Inputs by the Provincial Department of Human Settlements

2.2.1. The presentation explained that the Black Mamba settlement is adjacent to Sogima Mine and falls within the 500-metre blasting buffer zone. It was reported that 234 households are located within this buffer and that these households are the complainants, citing property damage, dust pollution and other health risks. The complainants requested that Sogima Mining reimburse them for damages before operations could resume.

2.2.2. The Department of Human Settlements further explained that township establishment applications commenced in 2012 and were finalised in 2016, following a positive environmental impact assessment from the Department of Economic Development, Environment, Conservation and Tourism and positive comments from the Department of Mineral and Petroleum Resources. It was stated that Sogima Mining applied for a mining permit in 2017, that the rights were granted in July 2018 and that operations commenced in October 2018. Blasting operations were halted on 7 December 2018, and the blasting licence was withdrawn in 2019 by the Department of Mineral and Petroleum Resources following complaints from households within the 500-metre buffer zone. The withdrawal was dependent on the relocation of the 234 households within the buffer zone. A technical committee was established under the guidance of the National Department of Human Settlements. Alternative land was donated by Sibanye Mining, and feasibility studies were undertaken by Sogima Mining. However, before the matter could be resolved, the identified land was invaded.

2.2.3. The provincial Department of Human Settlements outlined the financial investment already made in developing the area and indicated that it did not have available funds for the relocation of the complainants. The Department recommended that Sogima Mining bear full responsibility for, and the full cost of, relocating the entire community.

2.3. Presentation by the Department of Mineral and Petroleum Resources

2.4. The Departmental delegation was led by the Chief Inspector of Mines, Mr D Msiza. The provincial Principal Inspector of Mines provided an overview of the matter and indicated that the withdrawal of the blasting permit or authorisation related primarily to compliance with Regulation 4.16(2) of the Mine Health and Safety Act, 1996 (Act No. 29 of 1996), as amended, which regulates blasting within 500 metres of structures to be protected. The presentation also referred to provisions of the Mine Health and Safety Act relevant to the Bokamoso community and highlighted the following key issues:

- Section 2(1)(b) of the MHSA - Employer to ensure safety, employees can perform their work without endangering the health and safety of themselves or of any other person,
- Section 5(2)(b) of the MHSA - Employer to maintain healthy and safe mine environment …ensure that persons who are not employees, but who may be directly affected by the activities at the mine, are not exposed to any hazards to their health and safety.

2.4.1. It was further explained that, in addition to inherent mining operational challenges, the following complaints from communities have been encountered;

- Proximity of the workings to the communities/households.
- Damaged property and cracked houses.
- Ground vibrations, dust, noise, fly rocks, fumes and gases due to blasting operations.
- Environmental pollution, including noise from machinery.
- Water contamination and accumulation of water (dams).
- Electric fencing (mine boundary demarcation) – danger to children and livestock, etc.

2.4.2. The provincial Principal Inspector of Mines then explained how the Mine Health and Safety Act currently applies to surface mines, how Sogima Mining's blasting permit came to be withdrawn, and the processes and developments that followed. The reasons and timelines are set out below.

A. How the current MHSA governs surface mines

- Regulation 4.16(2) of the MHSA: no blasting operations within 500m of structures, UNLESS permission is issued by the Principal Inspector of Mines (promulgated on 14 September 2018) - (read with Explosives Regulations – Compliance with the Explosives Act, 1956 or any other relevant legislation e.g., Continuous Transport Permit)
- Regulation 17.7 of the MHSA – no mining activities within 100m of structures, UNLESS permission is issued by the Principal Inspector of Mines
- Reg 17.8 (a): No person may erect, establish or construct any structures 100m metres from workings, unless a lesser safe distance has been determined;
- Reg 17.10: No mining operations, erecting, establishment, or construction, as contemplated in regulations 17(7)(a) and 17(8) respectively, may take place until such written comment or approval has been obtained.

B. 2018 - Sogima mine suspension of blasting operations

- Sogima became the holder of a Mining Right in terms of Section 23(1) of the Mineral and Petroleum Resources Development Act, granted with effect from 06 August 2018 and valid until 05 August 2029 (DMPR Klerksdorp), over Portion 68, 72 and 77, the remainder of Portion 121, and Portion 133 of the farm Elandsdrift 467 JQ, adjacent to the Bokamoso Community (Ward 27, Mooinooi) and to Samancor Chrome's operations. Blasting complaints were lodged in July and August 2018, leading to a Section 54 instruction on 7 September 2018 (uplifted with conditions on 27 September), the promulgation of Regulation 4.16(2) of the MHSA on 14 September 2018, and blasting permission being issued in October 2018. Following a site visit by the Chief Inspector of Mines on 6 December 2018, prompted by further complaints of property damage, the Office of the Principal Inspector of Mines withdrew blasting permission on 7 December 2018.

C. 2019 to 2025 – What transpired leading to Sogima Mine blasting operations to still be suspended.

- No blasting permission was reinstated between December 2018 and 2025. A further complaint was received in August 2019. Throughout this period, the Department's understanding was that the mine continued to engage with the community in

consultations regarding blasting activities, with all engagements, meetings and enforcement measures directed at addressing the associated health and safety concerns.

D. Nature of the disputes/complaints against Sogima Mine

- It is acknowledged that that blasting design and blasting techniques are of secondary concern to the main reason for the continued refusal to lift blasting restrictions, which is is that blasting operations are conducted within 500m of human settlements. A detailed study of suitable blasting methods could, under very specific conditions, result in the granting of permission to blast within a closer distance to settlements, but this process has not been achieved for this specific mine to date.
- The primary issue is community consultations resulting from complaints which include,
  - Alleged damage to houses.
  - The mine disputes that alleged damage resulted from mining/blasting.
  - Some community members refused consultation because they preferred relocation.
  - Many of the disputes were associated with the relocation expectations.
  - The Mining Right does not mention relocations as part of the conditions of granting of the original Mining Right.

E. 2025 - Suspension of all blasting operations in the Rustenburg region and engagements with Sogima mine

- On 23 May 2025, all surface blasting operations within 500m across the region were suspended in the interest of health and safety, following an influx of complaints, unless permission was issued after written application and presentation; several mines, including Sogima, applied. Sogima applied on 3 June 2025 and presented on 17 June 2025, but permission was not issued because affected stakeholders had not consented; the mine was advised to explore alternative rock-breaking measures. Sogima notified the Department on 24 June 2025 of its intention to use a rock-fracturing product in place of blasting. Further community complaints were received on 1 July 2025, and on 9 July 2025 the mine presented the rock-fracturing proposal to the PIOM jointly with the product’s supplier.

F. 2025 - Continued engagements with Sogima Mine and the permision granted for utilisation of rock fracturing products

- Further community complaints were received on 30 July 2025, prompting a PIOM-convened meeting with the mine, complainants and other stakeholders on 2 September 2025 and a verification inspection on 3 September 2025. A Section 54 stoppage instruction was issued on 4 September 2025, covering risk assessment, mining practices, supervision and blasting within 500m; this was partially uplifted on 10 September 2025, with blasting remaining prohibited pending a final compliance presentation, which took place on 30 September 2025 (following a postponement on 16 September) and was followed by a further presentation on TMM and traffic-management compliance on 6 October 2025. A fly-rock incident during rock-fracturing activity on 22 October 2025 prompted an investigation on 24 October 2025 and a fresh Section 54 instruction suspending rock-fracturing operations. Following a request from Sogima, a once-off rock-fracturing trial was approved on 12 December 2025, presented to the PIOM on 5 and 6 February 2026, and cleared without objection on 10 February 2026, with the trial's outcome due to be reported back to the PIOM within 21 days, jointly with the product's supplier.

G. 2026 - RECENT DEVELOPMENTS WITH SOGIMA MINE

- Following deliberations on 21 and 22 July 2026, key resolutions were reached: the mine to comply with MHSA consultation requirements before blasting affecting surrounding properties; historical blasting-damage claims to be properly documented and evidenced; community participation to occur through recognised Ward Councillor and Ward Committee structures; repair service providers to be formally recommended and appointed through documented community processes; a structured, transparent damage-claims management framework to be developed; and the claim forms and associated agreement to be revised for consistency and legal certainty, with all technical, legal and operational terminology clearly defined. A final draft contract reflecting these resolutions was submitted to the PIOM on 3 August 2026 and remained under review; further engagement on the revised agreement was scheduled for 18 August 2026.

H. Departmental Conclusion

- The Department reiterated that mining and communities should coexist, noting the industry's role in job creation, and that its engagements had throughout been directed at addressing health and safety concerns. Possible interventions discussed included a formal agreement with affected stakeholders, a programme to address historical damage claims, a legal agreement facilitated and signed by the Ward Councillor and Sogima's CEO, and time-limited permission under Regulation 4.16(2). As at the date of this report, no permission had been issued for Sogima to conduct blasting operations within 500m.

2.5. Presentation by Sogima Mine

2.5.1. Mr G Mfetoane, Chief Executive Officer of Sogima Mine, provided a brief overview. He stated that Sogima first received prospecting rights in 2011, undertook bulk sampling activities in 2014 and was granted mining rights in 2018. According to Sogima, shortly after blasting commenced, Madibeng Local Municipality settled people on land adjacent to the mine, including some within the 500-metre blasting buffer zone. Mr Mfetoane indicated that he could not understand how the municipality could settle people in an area proclaimed for mining. He further informed the meeting that the same community had previously been settled on land adjacent to Samancor Chrome operations, but was not permitted to remain there. He questioned why the municipality would then settle the community next to another mine, knowing that blasting would take place and could create future problems.

2.5.2. He added that, as expected, complaints were lodged by residents of the adjacent land shortly after blasting commenced. These complaints were eventually referred to the South African Human Rights Commission, which approached the Department of Mineral and Petroleum Resources. In 2018, the mine's blasting permit was withdrawn, with the Department indicating that Sogima had to conduct a consultation process with the complainants and remedy the situation before the blasting permit could be reissued. Mr Mfetoane stated that consultations with affected parties took place immediately after the permit was withdrawn, inspections were conducted and compensation was paid for damaged structures, household goods and other personal items as a gesture of good faith. A relocation feasibility study was also undertaken at Sogima's expense, land was

identified and relocation was approved by the then Minister of Human Settlements. To date, no explanation has been provided as to why the relocation process collapsed, after which the land was occupied unlawfully.

2.5.3. Mr Mfetoane further stated that, in 2024, Sogima continued mining through alternative, more time-consuming and costly methods in order to keep operations going, particularly as illegal mining had affected the area during 2023 and 2024. Mining activities were again halted in 2025 pending the outcome of the reapplication for the blasting permit, after the Department again required Sogima to undertake consultations with the affected parties. Sogima undertook a comprehensive consultation process between 12 May 2025 and 3 June 2026, including door-to-door consultations. Mr Mfetoane stated that he could not understand the delay in restoring the blasting permit, as Sogima had complied with consultation requirements and had compensated complainants and affected parties. He explained that Sogima repeated the consultation process during 2025 and 2026, only to be informed by the Housing Development Agency that it should pay for relocating the entire community, which Sogima stated it could not afford because it had not been able to mine effectively or generate sufficient revenue. Sogima further alleged that some objectors had indicated during the most recent consultation process that they would not move or stop lodging complaints until they had received title to the land on which they reside or to land to which they may be relocated.

2.6. Members questions, discussion and comments

2.6.1. Members who attended the previous meeting in March 2026 expressed disappointment at the lack of progress. They noted that, over a six-month period, no stakeholder had effectively assisted Sogima, despite the North-West Province having one of the highest unemployment rates in the country. A recurring concern was the recommendation by the Housing Development Agency that Sogima pay for the relocation of the entire community, rather than only those households located within the 500-metre buffer zone. Members also raised concerns about why the Department of Human Settlements and Madibeng Local Municipality had settled the community adjacent to a mine when they had not been permitted to remain adjacent to a larger mining operation. Members questioned whether Sogima, as a smaller local mining operation owned by a local

entrepreneur, was being treated differently. They asked why, after consultations undertaken and compensation paid by Sogima, relocation costs were now being placed at the company's door.

2.6.2. Members further questioned why land proclaimed for mining had been purchased for housing development and whether proper town planning had been undertaken. The Department of Human Settlements replied that, when the land was purchased and sold to the municipality, it was registered as undeclared land and had subsequently passed environmental impact assessment processes and received approval from the Department of Mineral and Petroleum Resources. Despite these explanations, Members asked how people came to reside within the 500-metre blasting buffer zone when the Department of Human Settlements and the Department of Mineral and Petroleum Resources were aware that such a buffer exists around mining operations. Members further asked why the matter had not been addressed by the Department or the municipality when the problem first arose.

2.6.3. Issues related to Sogima's blasting permit, the reasons why it was withdrawn vs how other bigger mining operations are treated were also sharply raised. Members in their discussion raised the following concerns;

- What led to Sogima's blasting permit continually being withheld, despite them consulting and paying compensation;
- Are Sogima being held to stricter measures compared to other mining operations;
- How many other mining companies have had their blasting permits withdrawn and how long before were they restored;
- Why was the original report withdrawing the blasting permit never submitted to the committee as was requested by the secretariat;
- Since the committee's last visit in March 2026, what engagements has the department had with Sogima and how has the department assisted them;

2.6.4. The Chief Inspector of Mines, Mr D Msiza, reiterated that the Department's primary concern was compliance with the Mine Health and Safety Act and the safety of people in mining operations and adjacent communities. He informed the meeting that all mining houses were treated equally and cited examples of other mining operations whose

blasting permits had also been withdrawn following blasting-related complaints. He added that discussions had been held with Sogima regarding changes to its blasting method or the possibility of going underground, as some other mining operations had done. In Sogima's case, no middle ground had been reached with claimants after the most recent complaints were lodged with the Department. In response, Sogima stated that it had complied with all requirements set by the Department and had submitted its report, only to be informed that further complaints had been lodged. Sogima also stated that it could not change its mining method because the size of the mining area did not allow for underground mining. The Committee asked Madibeng Local Municipality what would happen if all residents adjacent to the mine were relocated. The municipality replied that, because the land is currently zoned for housing, it would most likely settle more people there. The Chairperson, Mr MG Modise, then concluded the day's session and instructed Sogima Mining, the Department of Mineral and Petroleum Resources, the Department of Human Settlements and the Housing Development Agency to remain behind, discuss the matter further and present the Committee with a workable solution when the session resumed the following day.

2.6.5. At the start of the following day's session, the Committee expressed deep disappointment when it was reported that the meeting between Sogima Mining, the Department of Mineral and Petroleum Resources, the Department of Human Settlements and the Housing Development Agency had not produced the expected results. The Committee reprimanded the role players for failing to cooperate with one another in developing a practical proposal and way forward. The Department of Mineral and Petroleum Resources requested additional time to engage with the community and hear its grievances. The Committee cautioned the Department against acting outside its mandate or entering the political sphere, noting that consultations should ideally be conducted by Sogima through councillors representing the affected communities. The Department stated that it wished only to observe the consultation process in order to obtain first-hand knowledge of the issues. The Committee again raised concerns, noting that Sogima had provided the Department with detailed reports on the consultation process, but that requirements appeared to change whenever Sogima made progress. Some Members expressed the view that the matter may not be resolved because of third-party influences and suggested that Sogima consider approaching the courts for recourse. Other Members proposed that the Committee undertake a field test to compare the impact of blasting at

Sogima with blasting at other mining operations. It was further proposed that the matter be brought before a formal sitting of the Committee in Parliament, that Parliament's legal advisers be consulted and that a Committee resolution be used to bring the matter to an end.

2.6.6. The Department requested the Committee's further indulgence and stated that Sogima, through the ward councilor's, would hold another consultation session. Thereafter, the Department, Sogima, the Department of Human Settlements and the Housing Development Agency would meet and submit a report to the Committee on possible options. The Chairperson stated that, while awaiting the report, the Department of Mineral and Petroleum Resources should submit the following to the Committee Secretariat:

- Copies of complaints received by the department against other mining houses such as Somanco and Theresa;
- The department to submit the letter of complaint initially received from the Lawyers for Human Rights;

2.7. Recommendations

This section organises the Committee's findings and recommendations into three tiers, reflecting the order in which they need to be resolved rather than the order in which they arose. Tier 1 addresses the single threshold question on which the legal footing of the entire matter depends. Tier 2 addresses present-conduct questions that can and should proceed in parallel, without waiting on Tier 1. Tier 3 sets out consequential recommendations that are included in full for completeness but are expressly conditional and are not to be actioned unless the Tier 1 review requires it. Matters not falling within these tiers, including drafting/editorial corrections, are listed separately at the end of this document. Only facts confirmed against the Committee's own oversight record or independently verified sources have been relied upon.

2.8. TIER 1 — The mining vs human settlement land use question

2.8.1. The Committee's inquiry has surfaced a threshold question underlying all other aspects of this matter: was the land occupied by Sogima's mining right, and by the adjacent settlement, ever in a lawful state to be mined once the community had settled there — and if that state changed at any point, when, and on whose authority? The Committee's findings on township establishment and on the granting of Sogima's mining right both ultimately turn on this single question, and it should be resolved before the more consequential questions in Tier 3 are considered.

This question is designed to determine the following:

- Did the Municipality have the right to establish a township on land that had past mining rights and a current exploration right registered over it since 2011?
- Did DMPR have the right to grant Sogima's mining right in 2018 over land that, by then, already had a finalised, occupied township in extremely close proximity to it?

2.9. Finding 1.1 — DMPR's role in the 2012–2016 township establishment process, and its disputed weight

- The Department of Human Settlements informed the Committee that township establishment applications for the settlement commenced in 2012 and were finalised in 2016, supported by a positive Environmental Impact Assessment and positive comments from the DMPR. Sogima's founder and director, Mr G Mfetoane, informed the Committee that Sogima held a prospecting right over the relevant ground from 2011 — predating the commencement of the township establishment process by at least one year. The DMPR has disputed being associated with responsibility for the township establishment decision, stating that it holds no approval or rejection function in respect of such planning applications, and that its involvement was limited to having been contacted by the Department of Human Settlements for comment.

2.10. Finding 1.2 — The decision-making process behind settlement adjacent to three active mine sites have not been accounted for

- Engagements with Madibeng Local Municipality and the Department of Human Settlements have not produced a clear account of the decision-making process that led to settlement immediately adjacent to the Sogima, Tharisa, and Samancor Chrome sites.

2.11. Finding 1.3 — The settlement's history indicates a repeated pattern of resettlement into mining-affected land

- Sogima's founder and director informed the Committee that the same community had previously been settled adjacent to Samancor Chrome's operations and was not permitted to remain there, before subsequently being settled adjacent to Sogima's operations, where a materially similar conflict has now recurred.

2.12. Finding 1.4 — The timeline of mineral rights, zoning status, and the 2018 grant has not been established with certainty

- Sogima's mining right was granted in 2018, after the township establishment process is recorded as having been finalised in 2016. The Committee has not established, on a year-by-year basis, what municipal zoning and what mineral or prospecting rights applied to the site between 2011 and 2018, nor whether these were ever simultaneously aligned in favour of lawful mining. Sogima has separately asserted that a mining-related development exclusion applied to the site prior to and at the time of the 2018 grant; this assertion remains unverified pending documentary substantiation.

2.13. The relevant legal precedent

- In Maccsand (Pty) Ltd v City of Cape Town and Others [2012] ZACC 7; 2012 (4) SA 181 (CC), the Constitutional Court held that a mining right or mining permit granted under the MPRDA does not override municipal land-use zoning and does not obviate the need for separate land-use authorisation — the two operate alongside one another, with neither substituting for the other. The underlying facts of that matter — a mining right

and permit held over land directly abutting private homes, with an informal settlement on one of the affected properties — bear a close resemblance to the present matter. Of particular relevance, section 48 of the MPRDA was found to address only the broad character of an area, and a section 48 approval does not constitute or imply a municipal zoning or land-use authorisation. This indicates that section 48 compliance and municipal zoning compliance are separate legal requirements, and that resolving the threshold question in this matter requires establishing the zoning position independently of, and in addition to, the mineral rights position.

2.14. Recommendations — Tier 1

2.14.1. DMPR and Madibeng Local Municipality be requested to jointly produce a single, dated timeline setting out, for the Sogima footprint: (a) the municipal zoning applicable at each material date from 2011 to 2018; and (b) the mineral or prospecting right status over the same footprint at each of those dates — in order to establish whether the two were ever simultaneously aligned in favour of lawful mining, and if not, when and how this came to be resolved (if at all) prior to the 2018 grant.

2.14.2. DMPR be requested to clarify, in writing, the legal basis, purpose and intended weight of any comment it provides when contacted by another organ of state during a township establishment process, and whether it considers itself to have any statutory role in such matters.

2.14.3. The Department of Human Settlements be requested to clarify how much weight was placed on DMPR's "positive comment" in reaching its own approval decision, and whether the existence of Sogima's 2011 prospecting right was independently identified or verified as part of that process.

2.14.4. The Department of Human Settlements and Madibeng Local Municipality be requested to provide a full account of the community's settlement history, including the circumstances and timing of its removal from land adjacent to Samancor, and the process by which the current site was subsequently identified and approved.

2.14.5. Parliament's Legal Services Section be requested to provide a single, consolidated opinion addressing: (a) whether sections 48 and 53 of the MPRDA were required to be,

and were, applied at the relevant times; (b) whether, having regard to Maccsand (Pty) Ltd v City of Cape Town 2012 (4) SA 181 (CC), the Madibeng zoning scheme independently permitted mining on the site at the time of the 2018 grant; and (c) whether Sogima was required to, and did, obtain separate municipal land-use authorisation to conduct mining operations, given that a mining right alone does not authorise mining where zoning does not permit it.

2.14.6. Sogima be formally requested to substantiate, with documentary evidence rather than assertion, its position that a mining-related development exclusion applied to the site prior to and at the time of the 2018 grant.

2.14.7. This matter be treated as illustrative of a possible structural gap — an advisory, non-binding DMPR comment potentially being relied upon as a substantive clearance, and mineral rights and zoning processes proceeding without coordination — rather than as evidence of fault by any single party at this stage.

2.15. TIER 2 — Present-Conduct Questions (to Proceed Now, in Parallel With Tier 1)

The following matters concern how the parties are conducting themselves today, and do not depend on the outcome of the Tier 1 threshold question. They should be pursued immediately and are not to be delayed pending the Tier 1 review.

2.16. DMPR's Refusal to Reinstate the Blasting Permit

- The committee wishes to clarify whether the DMPR is following the letter of the law in refusing to renew Sogima's blasting permit, given Sogima's claims of adherence to the Department's stated requirements
- The DMPR has maintained that Sogima has been unable to meet blasting safety requirements since 2018, but the Committee was not provided with a specific breakdown of the requirements at issue. Regulation 4.16(2) of the MHSA Explosives Regulations itself provides a pathway to blasting within 500m, subject to risk assessment, consultation, and Principal Inspector approval. The Committee has not received blast damage reports for either the first or second blast referenced during oversight

engagements, and the outcome of the second blast (conducted under charges already in place) was not addressed. On Sogima's own presentations, the company appears to have satisfied each condition previously communicated to it as a precondition for reinstatement; DMPR has not provided a corresponding written confirmation or denial.

2.17. Recommendations

2.17.1. The DMPR and Sogima each be requested to provide the full damage assessment reports for both the first and second blasts.

2.17.2. DMPR be requested to confirm whether it monitored the second blast, to provide any resulting inspection or damage report, and to disclose any complaints received following it.

2.17.3. DMPR be requested to provide a written, itemised response confirming or disputing, condition by condition, whether Sogima has satisfied each requirement communicated to it as a precondition for blasting permit reinstatement.

2.17.4. Parliament's Legal Services Section be requested to provide an opinion on the legal weight DMPR may properly place on an unresolved community negotiation, as distinct from a completed consultation process, as grounds for continued refusal, and whether a demand for land title (as distinct from unresolved damage claims or safety risk mitigation) is a legally relevant consideration under Regulation 4.16(2).

2.18. Sogima’s inability to reach a point of satisfying the DMPR’s requirements

- The committee wishes to establish whether Sogima is truly exploring all realistic solutions, or is it genuinely constrained by geology and location such that resolving the regulatory and community issues would not, in itself, restore viable operations?
- The Committee's record does not contain an independent technical assessment of whether alternative, non-blast or reduced-blast mining methods are genuinely viable at this site, what such alternatives would cost, or what specific geological constraints, if any, limit Sogima's options.

2.19. Recommendations

2.19.1. Sogima be requested to provide full documentation of all alternative mining methods and technologies investigated to date, together with associated feasibility findings, costs, and reasons for adoption or rejection of each.

2.19.2. The Committee consider commissioning an independent technical/geotechnical review of the ore body characteristics at the site and the extent to which they constrain viable extraction methods other than blasting.

2.19.3. The DMPR's own technical or Mine Health and Safety Inspectorate capacity be requested to provide its independent assessment of whether Sogima's stated geological and technical constraints can be resolved economically through amended mining procedures.

2.20. The Relocation Impasse — Household Numbers and Cost Allocation

2.20.1. The Committee wishes to establish whether the demand that Sogima bear the full cost of relocation is rational and consistent, given the numbers involved and the treatment of comparable cases.

2.20.2. At least three distinct household figures have been placed before the Committee: the number of households within the blast zone at the time of the Minister's original relocation instruction (lower than the current figure); the number of households actively complaining and seeking relocation (fewer than 50, on Sogima's consultation record); and the approximately 230 households cited by the Department and Municipality as comprising all formal and informal dwellings within the 500m zone (which Sogima disputes as outdated, estimating the true figure could exceed 500). The relocation demand appears to rest on the broadest of these figures rather than on affected or objecting households. The Committee further notes that the majority of the settlement also falls within 500m of Samancor's operations, yet no corresponding relocation demand has been placed on Samancor. Separately, a previously ministerially-approved relocation to land donated by Sibanye Mining was not implemented, and the identified

land was subsequently occupied unlawfully, without explanation being provided to the Committee.

2.21. Recommendations

2.21.1. The Department of Human Settlements and Madibeng Local Municipality be requested to provide a single, current, dated household count broken down by: households within 500m of Sogima's operations; households within 500m of Samancor's operations (noting overlap); households that have formally complained; and households seeking relocation.

2.21.2. The Department and Municipality be requested to set out the legal and policy basis on which the cost of relocating the full household count — rather than only complainant households — is being attributed to Sogima, and to explain why no equivalent demand has been raised against Samancor.

2.21.3. The National and Provincial Departments of Human Settlements be requested to account, in writing, for why the approved relocation to the Sibanye-donated land was not implemented, and for the circumstances of the subsequent unlawful occupation of that land.

2.21.4. Should the Department and Municipality be unable to provide a rational and consistent basis for the scope and cost allocation of the proposed relocation, the Committee consider recommending that any relocation cost be apportioned according to a documented, verifiable causal link between each household and the operations of the specific mine cited as the basis for relocation.

2.22. TIER 3 — Consequential Recommendations (Conditional)

- These recommendations are not to be actioned unless and until the tier 1 review (recommendations 2.18.1 and 2.18.5) establishes that the site was not, at the relevant time, in a lawful state to be mined, or that a comparable procedural or statutory defect attended the granting of Sogima's mining right, the establishment of the settlement, or both.

- These recommendations are included in this report in full, rather than reserved for later insertion, so that the Committee is not required to reopen or amend an adopted report should the Tier 1 review establish that further action is required. If the Tier 1 review confirms that municipal zoning and mineral rights were properly aligned throughout, and no comparable defect is established, no action under this Tier is required, and Tier 2 will represent the full extent of the Committee's necessary intervention in this matter.

2.23. Finding 3.1 — The consequences of any established defect and the appropriate remedy are not self-evident

- Should the Tier 1 review establish that the site was not lawfully available for mining at the time Sogima's right was granted, or that a comparable defect attended the process, the Committee notes that this would not automatically determine what should follow. Significant reliance has already been placed on Sogima's mining right, including by the mine, its employees, and — indirectly — the community itself through the consultation, compensation, and partial relocation processes already undertaken.

2.24. Relevant legal precedent

- In Bengwenyama Minerals (Pty) Ltd v Genorah Resources (Pty) Ltd 2011 (4) SA 113 (CC), the Constitutional Court held that a mining right granted in breach of the DMPR's statutory obligations is reviewable, but developed a "just and equitable" remedial approach rather than automatic invalidation, having regard to the practical consequences of unwinding a right upon which reliance has already been placed. This indicates that, even should a defect be established, invalidation of Sogima's right would not necessarily follow as the only, or the most appropriate, outcome.

2.25. Recommendations — Tier 3 (Conditional)

2.25.1. Should the Tier 1 review establish a defect as described above, Parliament's Legal Services Section be requested to advise, with reference to the remedial approach adopted in Bengwenyama Minerals (Pty) Ltd v Genorah Resources (Pty) Ltd 2011 (4)

SA 113 (CC), on the range of remedies available in principle, including whether invalidation of Sogima's mining right would be the only available outcome or whether a more limited, practically-calibrated remedy would be appropriate given the extent of reliance already placed on the right.

2.25.2. Should the Tier 1 review establish such a defect, DMPR be requested to advise, in writing, on the practical and legal consequences for Sogima's current operations and rights, having regard to the reliance already placed on the right by the mine and its employees.

2.25.3. Should the Tier 1 review establish such a defect, the Department of Human Settlements and Madibeng Local Municipality each be requested to account for any responsibility flowing from their role in the township establishment process, it being recorded that Sogima, as a private rights holder, bears no responsibility for the administration or implementation of the applicable legislation, and no adverse inference is drawn against Sogima, Samancor, or any private rights holder in this regard.

2.25.4. Any action under this Tier be brought back to the Committee for consideration before implementation, rather than actioned administratively by any department or entity on the strength of this report alone.

Report to be considered.

3. Report on the Oversight Visit of the Select Committee on Agriculture, Land Reform and Mineral Resources, report dated 13 October 2026

The Select Committee on Agriculture, Land Reform and Mineral Resources, having conducted an oversight visit to Cradock / Inxuba, Eastern Cape from 24 – 28 August 2026, reports.

The delegation consisted of the following members of Parliament, Ms MG Modise (Chairperson, ANC), Ms MP Dhlamini (ANC), Ms SL Sithole (ANC), Mr SP Mabilo (ANC), Ms MB Ndlangisa – Nodada (ANC), Ms HS Boshoff (DA), Mr NH Pienaar (DA), Mr BJ Farmer (PA), Mr M Montwedi (EFF), Mr HJ Van Den Berg (FF+), Ms LP Mhlongo (MK) and Parliamentary support staff, Mr AA Bawa (Committee Secretary), Mr J Jooste (Content Advisor), Ms J Le Roux (Researcher), Ms B Mfecane (Executive Assistant), Mr M Lukani (Media Specialist), Mr S Tsewu (Committee Assistant), and Ms M Monareng (Assistant to Ms MP Dhlamini)

1. Background

1.1. Local government is often described as the level of government closest to the people and the Constitution mandates the local sphere of government to deliver essential services, such as water and sanitation and refuse removal, and requires all spheres of government and all organs of state to cooperate and support one another. Basic municipal services refer to municipal service that is necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health or safety or the environment, according to the Local Government: Municipal Systems Act (No.32 of 2000). Over the past few years during the State of the Nation Address, the improvement of the performance of local government was continuously highlighted as a priority for government.

1.2. The town of Cradock (Nxuba) in the Inxuba Yethemba Local Municipality in the Eastern Cape province has experienced severe local governance challenges in recent years, leading to environmental risks, inconveniences, health risks and negative economic

impacts. These include intermittent water supplies, poor water quality, sewage spillages in the town and into the Great Fish River, the lack of a municipal pound, and nesting egrets, which create health risks for residents.

1.3. The Ixuba Yethemba Local Municipality (IYLM) distributes electricity to Cradock and the surrounding neighbourhoods (Michausdal, Bergsig, Hillside, etc.), while ESKOM supplies power directly to the Lingelihle informal settlement. Therefore, key responsibilities of the IYLM include the bulk purchase of electricity from ESKOM, the distribution and administration of prepaid electricity for consumers in their area of jurisdiction. Protests related to the maladministration of electricity bills and the disconnection of electricity supply to pre-paid consumers, based on alleged outstanding municipal accounts took place during 2023. In the 2023 audit report of the IYLM, the Auditor-General expressed concern over material uncertainties that "may cast significant doubt on the municipality's ability to continue as a going concern.

1.4. Furthermore, the municipality's liabilities exceeded its assets by nearly R500 million, most of which relate to debt owed to ESKOM. A court order is compelling ESKOM to continue to provide electricity to customers in the municipality. The IYLM has not issued municipal accounts to many households for years, while credit control measures are not adequately implemented to restore the financial system.

1.5. The challenges experienced with the supply of electricity in the IYLM (and Cradock) have had a significant knock-on effect on the environment, in particular water quality and water availability, as reduced hours are available for pumping water for treatment and distribution, resulting in several areas left without drinking water for days, and sewage spills into the Great Fish River. The electricity disruptions and unreliable water services have had profound economic impacts for businesses in and around the town. Other towns falling within the IYLM, notably Middleburg, are facing similar challenges.

2. Proceedings Day 1 – 23 August 2026

2.1. Mr MG Modise – Chairperson of the session

2.1.1. The Chairperson opened the session explaining that the oversight was to gain insight into the electricity challenge of the municipality possible assist with the impasse between the Inxuba Local Municipality and ESKOM. Role players at the session were the Inxuba Local Municipality, the Chris Hani District Municipality, Inxuba Ward councilors, ESKOM, and the Department of Electricity and Energy.

2.1.2. The Chairperson handed over to the Mayor, (Ms N Zonke) of Inxuba Local Municipality

2.2. Presentation and Inputs by Inxuba Mayor, Ms N Zonke,

2.2.1. The Mayor explained that the Inxuba Yethemba Local Municipality is a Category B municipality (Area:11 663km²) located in the Chris Hani District in the Eastern Cape. It is approximately 240km north of Nelson Mandela Metropolitan Municipality and is one of six municipalities in the district, making up a third of its geographical area. Cradock consists of the suburb of Cradock, and the Lingelihle and Michausdal communities, whilst Middelburg has the suburb of Middelburg, with the Kwanonzame Lusaka, Rosemead and Midros communities. In response to the reason for the oversight by the committee, the mayor in her presentation explained the following.

A. ENVIRONMENTAL OVERVIEW

The municipality aims to curb illegal dumping and in response to environmental risk management machinery is hired on a quarterly basis to remove the hips of the illegal dumped waste. Awareness campaigns are also conducted to educate community members on the health risks of illegal dumping. In further mitigating the Environmental hazards that would increase health risks, the Municipality has the following measures in place as part of its core service delivery mandates:

- Waste removal function on a weekly basis to cover all households
- Issuing of refuse bags to households, 4 per month
- Removal of illegally dumped waste quarterly with a yellow plant
- Litter picking and greening per ward through CWP and EPWP
- Maintenance and rehabilitation of waste disposal sites
- Awareness campaigns quarterly in schools and communities

B. THE ENVIRONMENTAL IMPACT ASSESSMENT (EIA) PROCESS

As part of integrated Service delivery, an Environmental Impact Assessment Process in respect of the Construction of a new Waste Disposal Site in Cradock by the Municipality is being embarked on in consultation with Eastern Cape Department of Economic Development, Environmental Affairs and Tourism in South Africa (DEDEAT), including the application of the Approval of the proposed site.

C. LANDFILL SITE MANAGEMENT

The mayor explained that the municipality has two licensed functional landfill sites both in Middelburg and Cradock in terms of the **National Environmental Management: Waste Act** (Act No. 59 of 2008) NEMWA, as part of legislative compliance. The Middelburg landfill site is being used for disposal of general domestic and commercial waste. Both disposal sites are experiencing manageable operational challenges, with both equipment and personnel shortages being attended to. The Municipality has appointed a service provider to manage both landfill sites until they comply with NEMWA.

D. ENVIRONMENTAL MANAGEMENT

She explained further mitigations on environmental management risks included the removal of household and businesses refuse, industrial waste, street sweeping of the central business zone and peripheries. This also includes the management of solid waste disposal sites, removal of refuse from households and business premises is done once a week throughout the municipality. Each household is supplied with a refuse bag on a weekly basis. In terms of environmental risk by-laws, the municipality is currently in the process of developing its own

by-laws that are currently in draft form to better manage the environment in IYLM. All related Environmental Management Activities or educational programmes are entrusted to the Environmental Management and Cleansing sections.

E. WATER SERVICES MANAGEMENT

In terms of the Municipal powers and duties as per the schedule, the Chris Hani District Municipality (CHDM) is the water service provider whilst the Inxuba Yethemba Municipality supplies bulk electricity on their water pump stations. In response to water supply challenges such as water supply, poor water quality, sewage spillages in the town and into the Great Fish River, the municipality constantly engages with the District Municipality to bring the above challenges to their attention. As much as the problems are prevalent and manifesting on the Municipal local space, the municipality remains handicapped in resolving them. The Intergovernmental Relations (IGR) Forums, District Mayors Forum (DIMAFO) platforms deals with these integrated service delivery matters in a collective manner. The Inxuba Yethemba Local Municipal Council has interacted on different occasions with Stakeholder representatives around the water related challenges which are escalated to the District Municipality.

F. ELECTRICAL INFRASTRUCTURE

The power line supplying the Geelbooi pump station originates from the Nxuba intake substation, which is fed from the ESKOM substation. It is supplied via an 8 km, 11 kV line that also distributes power to the surrounding industrial area, adjacent farms, and the Chris Hani District Municipality water treatment plants. This line is more than 40 years old and has exceeded its designed operational lifespan, resulting in frequent supply interruptions, which are resolved within 8 hours of occurrence. The Municipality's interim measures have improved supply reliability to the Geelbooi pump station. These can be summarised as follows:

- An alternative feed has been provided to the Geelbooi pump station, sourced from the Cross substation.
- A panel of emergency electrical contractors has been appointed to enable the municipality to respond promptly to unplanned major outages as they occur.

To provide a permanent and reliable power supply to the Geelbooi pump station, the municipality requires the following investment.

Estimated Cost	Item	Detail	COMMENTS
R 12 Million	**Project**	Construction of new 11 kV power line to Geelbooi pump station	Funding is required to address the increase of the Notified Maximum Demand at both Eskom bulk supply points. This limitation currently constrains the municipality's ability to approve new bulk electricity connection applications for new developements. Considering all the above challanges, The electricity supply within Inxuba Yethemba LM is fairly stable.
	Length	8 km	
	Scope	New 11 kV line, outdoor ring main units (RMUs) and switching stations	
	Expected Outcome	Reliable, secure power supply to the pump station and associated industrial and agricultural users	

G. RESPONSE TO ESKOM DEBT

The mayor provided some background to the municipality ESKOM debt stating that the historical debt of R910 966 027 emanated from previous Council administrations. In trying to resolve or reduce the debt, the Municipality participated in the ESKOM Municipal Debt Relief Programme in November 2023. But, due to the inability to sustain the commitment at the beginning of April 2026, National Treasury terminated the participation of the Municipality in the Debt Relief Programme. The major underlying causes for the inability to honor debt relief and the ESKOM account are as follows:

- Affordability of the Municipality: The ESKOM is demanding a R10m monthly payment based on the Debt, the Municipality is unable to meet the demand as the Revenue collected also takes into consideration Salaries, Overtime, Standby Allowance, Equipment, Transformers, Maintenance of the Infrastructure, Security Services as well as Maintenance against the vandalized Equipment.
- Trading of the Commodity at a Loss: The Municipality is unable to charge Cost Reflective Tariffs to the consumers within its designated wards, whilst 3 out of the 9 are directly serviced by ESKOM. ESKOM is a counter strategy, charging less to the consumers in these three wards, thus handicapping the Municipality from trading or selling electricity profitably to advance other service delivery areas adequately.

- The Municipality has also been allocated only 6MVA out of the 40 MVA in Middleburg, this has placed a limitation that the municipality would reach the maximum demand within a short space of time. Huge Power users of electricity are being serviced by ESKOM in three Wards. ESKOM gives bulk in these Wards and charges them at lower rates, which the Municipality cannot afford to. This has also limited the attraction of potential investors since ESKOM directly sells electricity to businesses, industries and farmers.
- The above is in addition to the technical losses that are being incurred; however, provisions are made to deal or curb such in the new financial period.
- The Municipality has continued to engage with ESKOM on several platforms beyond the municipality. These include discussions involving the municipality, ESKOM, Provincial Treasury, EC Office Of the Premier, National Treasury and the Minister of Energy.

The Municipality to date is unable to reach an agreement with ESKOM regarding what is viewed as an affordable and reasonable Payment Plan. The last meeting held with the Minister of Finance during presentation towards the release of withheld Equitable share due to the ESKOM account resulted in ESKOM defaulting from an agreement to secure their signature on their part in respect Secure the signature of the payment plan adopted by Council on 22 June 2026. Based on the above, the Municipality has since embarked on the following:

- *Legal Recourse:* The municipality is initiating legal action against ESKOM following a deadlock in repayment negotiations. The municipality feels coerced into an unrealistic payment plan that threatens municipal financial stability. This legal step is not taken lightly, nor does it ignore cooperative governance, it is vital intervention to protect Inxuba Yethemba community, as paying the demanded amount would completely cripple local service delivery. This is further backed by the latest stance of ESKOM reverting to an uncompromising demand of a R 10 million monthly repayment by the Municipality.

- *Servicing of ESKOM Debt (Current):* The Municipality has since started to honor the last agreement with ESKOM by paying R 5 million during July and the next to be done end of August 2026 (R 5 million).

H. STATE OF ELECTRICITY SUPPLY IN THE MUNICIPAL AREA

The state of electricity supply in the municipal area as described by the mayor in her presentations is broken down as follows:

- *The municipality's role is administered as follows* - Bulk purchase of electricity supply from ESKOM, distribution of electricity to consumers, management of pre-paid electricity to consumers, taking measures to prevent theft of electricity, maintaining links with government departments and institutions such as the **Department of Electricity and Energy** (DME), **National Energy Regulator of South Africa** (NERSA) etc. As well as the implementation of projects on housing electrification, maintenance and upgrade of electricity infrastructure and networks, public lighting of streets and maintenance of streetlight fittings and fixtures.

- *Notified maximum demand for Middleburg and Cradock* - The Municipality has reached Universal Access, 100% electricity connections with the Notified Maximum Demand (NMD) for Middelburg Unit being 6 MVA. This statement shows that there's a limit or inability to provide electricity for future developments in Middelburg. The Municipality is unable to apply for capacity increase from ESKOM due to historical debt. The Notified Maximum Demand (NMD) for Cradock is 8MVA, with the current usage is 7.6MVA. This shows that there's a limit or inability to provide for future developments in Cradock. The Municipality is unable to apply for capacity increase from ESKOM due to historical debt. The electricity disruptions are now being managed with arranged power outages which are being properly managed.

- Electricity projects status - Through the Integrated National Electrification Programme (INEP) Grant, the Municipality has completed an upgrading of power line which will improve the Municipal electricity supply and reduce unplanned outages.

I. GOING CONCERN

As per the mayor's presentation, the following are the going concerns of the municipality:

1. Background

- The Status of the Municipal Liabilities exceeding its Assets is due to ESKOM as the major creditor.
- The going concern as also been assessed and it's acknowledged from the AG report.
- The above status has had an effect and consequences on arrears such as Liquidity, Cash flow management, Payables and Budget fundability.
- The Municipality has had an unfunded budget for the 2026/27 financial period, with the major impacting issue on the fundability being ESKOM.
- The ESKOM Debt could not be spread over the MTRF resulting in the unfunded budget in the current financial year.
- Based on ESKOM not signing the agreed payment plan, the Municipal Budget remains not restructured by Treasury despite the payment of R 5 million as agreed.

2. Actions towards budget fundability and credit control

- Reapplication to National Treasury Debt relief program was done at the beginning of August.
- Revision of the voluntary recovery financial Plan subsequent Treasury correspondence for the Municipality to indicate how and when the budget will be fully funded.
- The Voluntary financial recovery plan with three phases currently focuses on the recovery based on quick wins which include Revenue Enhancement, Strategy Implementation, Cost Containment, a developed expenditure control and management policy, revised liquidity policy and the electricity distribution losses reduction policy.
- All the above seek to address the overall governance, going concern and long-term financial sustainability of the Municipality in holistic manner beyond ESKOM and other creditors.
- The Municipality is steadily enforcing its credit control policy in the 6 wards despite the challenge of ESKOM also proving electricity to the other 3 wards at reduced tariffs which

are a major backlash to the Municipal revenue base (Electricity). The average revenue collection rate being 84%.

- The Municipality issues billing statements on monthly basis to the consumers electronically, by means of emails and sms's.

3. *Pound Management*

- The challenge of the pound has been prioritised by the Municipality and forms part of its high risks as per submitted our risk register.
- In response to the above, the 2025/26 procurement and Service Delivery and Budget Implementation Plan (SDBIP) included this as a service delivery target.
- The construction of the pound facilities which was planned for implementation in 2025/26 Financial year has since been rolled overdue financial constraints.
- The projected procurement is to be finalised by Quarter 1 of 2026/27 Financial year.
- As part of proactive compliance, the Council has approved Pound management Bylaw.
- This bylaw has since been gazetted in July 2026 to deal with the pound and other challenges *relating* to nuisance caused by livestock.

4. Municipal State of Governance and Stability

- The Municipal Council and its committees are still functional and operate as per the approved Council Calendar.
- All Oversight committees (Section 79&80) have been fully functional during the year ending 30th June 2026.
- The Municipality has a Draft Annual Report as testament to its functionality.
- Public participation office if functional, Public Participation strategy is implemented and improvements are continuously explored.
- IGR is functional with cross sectorial representation sitting on quarterly basis (Political & Technical)
- The Functional Administrative Arm is led by the Accounting Officer with the full complement of Directors reporting under him.
- With the support of a very effective risk management committee and Audit Committee functioning, the Municipality has received good advice on matters of governance.

- The Municipality is currently in the process of the submission of Annual Financial Statements to AGSA by 31st August as legislated.
- The 2026 Audit process has commenced already.
- As a proactive step towards the upcoming local government elections and government stability, the Municipality will commence with public consultations on the IDP in September.
- The Municipality has been obtaining Unqualified Audit Outcomes as of 2021–2024 and has regressed in the last financial year and obtained Qualified Audit Opinion. An Integrated Audit Improvement Plan has been developed to address the findings raised by AGSA and the Audit Improvement strategy will be developed for the intention of improving the upcoming audits outcomes.
- Overall, the Municipal governance status is stable whilst continuing with its plans towards the budget fundability through Voluntary Financial Recovery Plan.
- The Municipality still needs the support from the Provincial and National government towards improving the service delivery.

5. Overview of Basic Service Delivery & Infrastructure Challenges

- Municipality has got a history of performing well on Grant spending even before the introduction of RAS. This has resulted in the Municipality being the beneficiary of additional funding over the year on Infrastructure CHDM also is assisting the Municipality with the Maintenance tracking system.
- Municipal Budget Allocation is inclusive of MIG and INEP for the 2025/26 Financial period, having steadily 100% spent on the grants over the years
- The Current Projects are funded through the above in respect of 2026/27 in all the Wards and the Disaster Grant.
- Infrastructure Delivery is however still a challenge in the light of grant dependency and the effect of disasters impacting the infrastructure and the economy of the Municipality.
- The impact on road infrastructure due to damage caused by Manganese trucks results in Municipal maintenance work n not sustainable and causing it to lose revenue.
- The Municipality has managed to buy yellow fleets for one unit and is currently in the process of procuring yellow fleets for the second unit as per the 2026/27 budget. This will assist in accelerating the implementation of the Infrastructure Maintenance Plan.

2.3. **Members questions, discussion and comments**

2.3.1. Following the mayor's presentation members were given the opportunity to pose / present questions and comments based on the presentation as well as research done for the committee prior to the oversight visit. The consensus amongst members was that the problems were not unique to the municipality and seemed to be more of a governance and accounting / financial accountability issue. Members all applauded the municipality on achieving an overall 80% municipal electricity revenue collection but at the same time questioned the municipality over the non-payment of its current and outstanding ESKOM debt. The issue of waste and sewerage management was also highlighted. Some of the questions / queries raised by members were as follows:

- What is the electricity expenditure of the municipality. A full itemized breakdown should be provided, explaining how much money was generated from the six wards, the reason why it was not paid over to ESKOM and where it was spent,
- Why is the municipality expecting ESKOM to charge the municipality less for electricity than what they charge other municipalities,
- It the municipality generates enough revenue from electricity, why is ESKOM not being paid. Why does the municipality want to pay ESKOM 5 million opposed to the 10 million requested by ESKOM,
- As presented, the municipality entered the Debt Relief Programme in 2023 and removed in April 2026 because the municipality failed to meet its conditions. What has fundamentally changed since April 2026, that makes Treasury believe you will comply this time, and
- What has the municipality done with regards to the damage in and around the town caused by trucks from nearby mines.

2.3.2. Members also commented on the size of the municipality populations vs geographical area questioning whether a plenary type of municipality might not be better suited considering issues such as governance where municipal structures are to be re-evaluated, possible high-salary expenses, etc. Concerns were also about the statement by the mayor that the municipal governance is stable despite having an unfunded budget and a qualified audit, while National Treasury withheld your equitable share because of serious MFMA non-compliance. Further concerns were raised about the additional

electricity supply to both Middleburg and Cradock because of the municipality's outstanding debt to ESKOM, which is further hampering future investment, economic growth and ultimately job creation.

2.3.3. In respect to financial management, it was suggested that the maybe the municipality should look at cost cutting measures such as purchasing machinery where possible instead of hiring them as well optimally utilising existing resources instead of outsourcing. This way the municipality could build its own capacity which would ultimately lead to job creation. This issue of capacity goes hand in hand with the need for the municipality to retake control of land fill, waste management sites and sewerage plants, ensuring that they all conform with the legislative requirements. Before handing back to the municipality and stakeholders present, the committee asked the municipality to tell the committee how best it could assist with the challenges it faced.

2.4. **Response from the Municipality, ESKOM and the Department of Electricity and Energy**

2.4.1. The Municipality's Chief Financial Officer (CFO) explained that expenses are linked to municipal operating costs, staff salaries, vehicles and their maintenance as well as equipment expenditure. He emphasized that of the 9 municipal wards only 6 are paying the municipality for electricity with the other three paying ESKOM directly. The CFO stated that most of the municipal electricity revenue lies in the 3 wards not connected to the municipality and when the municipality implements load shedding only 6 wards are affected, leading to civic problems, especially when municipal debt collectors are sent out to communities. The CFO also stated that he has on numerous occasions requested ESKOM to provide proper billing as incorrect tariffs were previously used on current accounts as well as a proper payment plan for the outstanding amounts. He added that the municipality was willing to pay ESKOM 5 million rand and a month but was rejected by ESKOM.

2.4.2. The Municipal Manger (MM) in his response explained that the municipal electricity debt repayment started in 2013/2014 when the municipality lost its revenue from its water license which was taken over by the Chris Hani District municipality. He further

corroborated what the CFO stated about the tariffs charged by ESKOM as well as the matter pertaining to the wards paying ESKOM directly. He stated that the municipality is eager and willing to come to a reasonable understanding / agreement with ESKOM in an attempt to settle its account.

2.4.3. ESKOM, in their response stated that municipality's huge debt which ballooned from 200 million to almost 1 billion in a span of 10 years is seriously alarming and cannot be a ESKOM problem. The ESKOM representative further explained that they have commended the municipality for its huge electricity revenue collection but that it cannot be used to pay for other goods and services to the detriment to ESKOM. He stated that numerous attempts to come to an amicable solution with the municipality have failed purely because the municipality wants to dictate to ESKOM what they wish to pay, which according to ESKOM does not even cover their current electricity account. ESKOM explained that if they allow the municipality to pay the account as they wish to and not as per ESKOM payment structures, the almost 1 billion debts will grow exponentially in no time. The municipality was on numerous occasions asked by ESKOM to pay the current electricity account and that once a steady payment has been received the issue of the outstanding debt will be discussed. As of July 2025, the municipality in total have only paid 5 million rand to ESKOM in lieu of current and outstanding debts. In response to the 3 wards that ESKOM is supplying directly, the municipality can approach the regulator to have them pay the municipality after a very lengthy process. In ESKOM's opinion this will do more damage than good as these 3 wards will only increase the electricity debt to ESKOM because in their opinion the municipality is cross subsiding other goods and services with ESKOM electricity revenue.

2.4.4. Advisor to the Minister of Electricity and Energy supported ESKOM fully stating that despite an 84 percent electricity revenue collection the municipality has an obligation to settle its account with ESKOM and not use this revenue for other goods and services. He stated that the 3 wards in question are governed by the regulator and inhabitants of those wards pay regularly with no arears. He informed the meeting that the mayor has approached the Minister, who commended the municipality on its excellent electricity revenue collections but stated that the municipality clearly needs an intervention in

certain areas to manage its finances. The minister further suggested that the municipality sign with the Distribution Agency Agreement (DAA) so that the department and ESKOM train municipal staff in the installation of smart meters and transformers, which has proven to be a huge success in other municipalities in Mpumalanga.

2.4.5. He further added that ESKOM has also requested the municipality to provide them with a list of indigent people for free basic electricity. The DEE also suggested energy efficient measures such as solar and energy efficient streetlights, solar panels for hospitals, clinics and schools as an additional or alternate source of electricity. The suggestions were also made for the municipality, with the assistance of DEE and NERSA to establish a solar farm in the area which will assist greatly with electricity outages. The DEE in conclusion stated that ESKOM should be attending all IDP meetings to advise on electricity related matter before it becomes a crisis.

2.4.6. The executive mayor, in her closing remarks stated that electricity revenue is not used for other goods and services but for maintenance of the municipal electricity infrastructure such streetlights, planned maintenance and outages. She disputed findings about the 3 wards not connected to the municipality stating that it was these 3 wards that contributed to the electricity crisis and that they cannot be leveraged to pay for services because they are paying ESKOM directly. She further alleged that ESKOM owes the municipality money for infrastructure used by ESKOM. She confirmed that the municipality has refused to sign the DAA on advice of COGTA and SALGA, who has taken the DAA to court. She also commented on the damage to roads caused by trucks, stating that she has spoken to the President about the matter and how the municipality can be assisted with regards this matter.

2.5. **Site Visits**

2.5.1. ***ESKOM Substation***

2.5.1.1. The site visit was to the ESKOM-operated substation, supplying outlying farms, individual businesses and Lingelihle wards 1 to 3. According to ESKOM, the substation

is large enough to supply all of Nxuba and surrounds, although the Eastern Cape is struggling with technician shortages. As a result, ESKOM also makes use of contractors to service the community.

2.5.1.2. Discussing community interactions and specifically the re-opening of ESKOM walk-in centers, it was emphasized that ESKOM attempts to supply connections as fast as possible but that they have experienced customer service challenges at walk-in centers. Ordinary fault reporting should be responded to within 7.5 hours in 90% of reported cases, but often the regulator does not enforce this requirement rigorously.

2.5.1.3. According to ESKOM representatives, there were no more Eastern Cape municipalities experiencing load reduction. Roughly 8% of the tariffs charged were required to be set aside for infrastructure maintenance, which is achieved through regular visual inspections and routine maintenance based on the requirements of the sub-station. An asset register tracking observations and maintenance schedules need to be kept at the site and maintained.

2.5.1.4. ESKOM representatives could not comment on whether municipal sub-stations are operated and maintained in the same manner but speculated that it could be a challenge for municipalities.

2.5.2. ***Geelbooi Drinking Water Pump Station, water treatment works and Wastewater treatment plant***

2.5.2.1. During all three site visits the delegations saw first-hand what the lack of electricity does to these treatment plants. Besides the periodic disruptions in electricity supply, the delegation observed the ageing and decaying infrastructure which is costing the municipality more to fix and maintain. The lack of electricity also led to the municipality losing their water services licence as it could no longer guarantee water safety.

3. Proceedings Day 2 – 24 August 2026

3.1. Presentations, Inputs and Submission from Stakeholders present

3.1.1. Stakeholders present represented community and business forums and stated that these groups have been forced to raise funds to assist the municipality with repairs and maintenance work, keep the town clean of rubbish, and clear dead and decaying leaves from trees. They presented challenges such as refuse bags not collected, lack of upkeep of the municipal garden as well as a lack of maintenance, repairing and painting of municipal buildings and roads. The community groups performed these tasks and where times and funds allow, also fixed potholes. Community and business forums also helped repair electrical infrastructure and water related challenges. Highlights of community involvement in municipal maintenance responsibilities included:

- clean the canal from the weir in the river to Geelbooi dam enabling the water to be pumped to the purification plant in Bokkie camp. The canal is 3kms long. The roadway leading to the canal has now been cleared and vehicles are now able to drive up to check on and maintain the canal and sluices,
- The pumps at Geelbooi dam were moved around and have been refurbished maintaining a constant supply of water to the purification plant at Bokkie camp,
- The pump house at Geelbooi dam has been cleaned out, windows replaced, electric light fittings replaced with doors are now able to function as designed. The vegetation around the pump house was also removed,
- Major water leaks at the top storage reservoir have also been repaired with private individuals transporting water to vulnerable residents in need at no cost to them,
- The parks, athletic track and sports fields are all cut by a retired member of CCF who purchased a tractor and mower at his own cost and receives no compensation for his efforts.

3.1.2. The Agricultural Forum representing approximately 250 commercial farmers in the Eastern Cape stressed the need for proper infrastructure and roads. They further highlighted the growing concern of unmarked / tagged livestock roaming freely with no municipal intervention, especially with current Foot and Mouth (FMD) pandemic the country is experiencing. The forum also raised the matter of irregular billing that

farmers do want to pay rates and services but have not received proper billing from the municipality since November 2016. A local farmer, on behalf of her community raised serious concerns about local councillors not servicing their communities but always attending events, workshops and conferences that does not befit the community at large. Similarly, the municipality has no programs or initiatives that involve non-communal land farmers. Great dissatisfaction was displayed when mentioning how the mayor dangles the foregone Sugar beat project as an initiative, when everyone knows full well that the land that was originally earmarked to build the factory was sold and the farmers were given permission to pursue other ventures. The individual stated that local farmers have made peace with the fact that the project will not happening anytime soon but feels that elected officials should not use this project whenever voter support is required, only to once again disappoint and tramp on the dignity of already downtrodden local farmers. The issue of housing or lack thereof as well as maintenance of municipal homes was also raised as part of the municipalities lack of planning.

3.1.3. Another community representative highlighted the serious sewerage problem in their area coupled with intermittent water supply and environmental issues impacting on basic human dignity such as sewerage spilling into the fish river, local gravesites, cattle grazing areas and children's playgrounds. The matter of unemployment, lack of local municipal initiative was also Sharpley raised on the backdrop of the vast truck traffic in the area where it was stated that the municipality should work round this and draw up a plan where trucks are held accountable for the damage to the roads but at the same time create an economy around these trucks in an attempt to create jobs and promote business opportunities. The overall concern all comes back to the ever-increasing ESKOM debt and the mismanagement of the municipality under the current leadership which they attribute to the decline of the municipality and the lack of local and outside investment.

3.1.4. Below are some of the common problems / areas of concern raised by all stakeholders' present at the meeting.

- The shocking condition of the roads in and around the town and the number of potholes occurring because of the manganese ore trucks that travel throughout town with no regard to the rules of the road. Trucks tend to park wherever they like,

urinate and discard their rubbish against the buildings and business, with community and businesses forums having to clean at a later dat. No support is rendered or received from local traffic services enforce the law to move the illegally parked trucks,

- Burst and leaking water and sewerage pipes in and around town that are not maintained, resulting in raw sewerage running into the river. Where repairs have been done to infrastructure, the site is never rehabilitated,
- The streetlights have not been functioning for many years and when repaired, they are left burning all day and eventually burn out within a couple of days, on top of the electricity supply that is constantly failing in certain areas,
- There are stray cattle, sheep, goats and pigs in around the town that are not remove and impound, causing accidents, yet no reaction from the traffic department. The animal impound facility has also had its fences stolen, failing to contain these animals further endangering other livestock in the area especially with the FMD epidemic prevalent in the country.
- The road traffic signs are non-existent with road markings faded and or incorrect. Road repairs and projects take years from start to completion as funds get paid to contractors prior to the completion of the projects, who then disappear before completing the project. The road between the traffic department and the new police station was meant to be a six-month project which and has been standing for about a year. It is now promised that completion will be by the end of October 2026,
- Outside security companies are hired at astronomical rates whereas local reliable and affordable security companies are ignored and could be doing the same work and supporting the local community at a far lesser cost. This would enable more people to be employed.
- The security guards at Geelbooi dam have no ablution facilities and have also not been paid for several weeks. The CHDM is responsible for their payment.
- A failed project opposite the Shoprite store in the town has turned into an open mass open toilet area, which should be torn down and removed. The various community forums have to periodically clean up the rubbish left there after the weekends. Buildings belonging to the municipality, the police, PWD and schools that have been set fire to and are being stripped till there is nothing left but building rubble. Ja Calata School is a prime example as it is being stripped and carried away

daily in broad daylight with the police have been notified without reaction. Everywhere where there is a derelict building it soon becomes a dumping site where community and business forums must pick up the rubbish and dispose of it,

- Diesel being stolen from trucks in broad daylight with the police being notified but no reaction, leaving security companies to react and deal with the matter despite not having any powers required to arrest the thieves. Here community and business forums once again must clean up the spillages. Theft is a huge problem, where thieves walk about in broad daylight with stolen trollies and wheelbarrows carrying stolen pipes, cables and scrap metal to the various buyers. The police don't react on the information given to them or arrest the buyers of these stolen goods.
- Unattended trees have also become a problem as they grown out of control, in turn damage the electrical infrastructure as well as provide a breeding facility for the thousands of birds particularly the egrets. These birds return annually to breed, carrying diseases promoting chest problems mainly in children and the elderly. The faeces produced by these birds' stinks and is also starting kill the trees, with rotting faeces and the dead baby egrets posing a public health risk where community forums are left to clean up and dispose of. Trees that are cut down, after people remove firewood, are by the municipality for other civic organisations to clean up and dispose of,
- Should the municipality cut a tree down the firewood is generally removed and the rest left for the community to remove and dispose of. The trees need to be professionally pruned and where necessary where trees have died or been cut down, new trees, of a correct species for our area need to be planted.
- Both the CHDM and Inxuba Yethemba municipality have a drastic lack of knowledge and experience with most infrastructure problems occurring in Cradock. The tartan athletics track, which was a huge income generator for the town has been in despair for 3 years, with upgrades never being completed. Outside contractors are normally brought in at great expense whereas the municipality has an abundance of experienced electricians, agricultural pump supply companies, civil engineering companies and engineering firms that can repair damaged infrastructure, timeously and at a fraction of the cost of the outsourced contractors.
- The outstanding ESKOM bill will soon force Cradock's business to close one by one because of lack of electricity. The outstanding water bills from CHDM are

exorbitant crippling the community of Cradock who are trying to keep their heads above water. The CHDM have approved a massive increase in water tariffs from about R16 to about R25, for water that cost them 66c per kilolitre from department of water affairs. There have been no water accounts for approximately 12 years, with CHDM now installing smart meters which are not performing as they had hoped. This needs to be addressed and the water distribution needs to be returned to Cradock.

- The CHDM collection of monies owed to it is between 3 and 5% of the total distributed and lost water. The collection of electricity tariffs from Cradock residents is not paid over to ESKOM and is used to finance inflated salaries, with no money left to fund materials for the maintenance and repairs as needed.

3.1.5. The consensus amongst stakeholders present was that the Cradock / Inxuba Local Municipality should be a fully functional municipality it would not have been necessary for any community forum to assume the duties of the municipality but instead play a civic role, assisting the municipality in fulfilling its mandate. Instead, residents of Cradock who pay their taxes and their property rates and taxes, are left with no alternative but to finance community and business forums to try and maintain a clean functioning town that all residents can be proud of. If the town had a functioning municipality, more businesses would be moving to our town which would mean more employment, instead no business or persons looking to relocate would consider Cradock with its total lack municipal infrastructure and service delivery.

3.2. **Members and Municipality responses and comments made to the stakeholder input**

3.2.1. The mayor, Ms Zonde explained that all water and sanitation issues remained the responsibility of the CHDM. On the matter of outside contractors, she explained that PMFA processes must be complied with, explain that previously contractors from Eastern Cape who secured tenders wanted part payment upfront to purchase equipment and goods to start the project which was clearly in contravention of the PMFA. On the matter of local security companies, she informed the meeting that certain local security companies dominated the market for an unusual number of years whereafter the Premier instructed the municipality to appoint new service providers. She further

explained that the municipality could not build new houses but rather fix them. With regards to the matter raised about the Sugar Beans Farm project, the mayor stated that it was the responsibility and mandate of the Department of Agriculture to provide support to emerging farmers. She did however confirm that roaming livestock is a huge problem in the municipality and that almost all of them belong to local farmers who do not brand or tag them, leave them to roam for grazing purposes, do not have proper fenced off areas to hold them or have not fixed broken fences. She stated that a meeting was held between the municipality and emerging farmers highlighting the importance of containing the unnecessary movement of livestock given the huge outbreak of FMD in the country.

3.2.2. The delegation in their responses assured the meeting that sites chosen to be visited were not done by the municipality but by the committee itself to see resultative effects due to the lack of electricity. What was unintentionally uncovered was that lack of electricity, lack of water and sanitation as well as sewerage related issues were only but the "tip of the iceberg" of issues emerging from the committees visit to the area. Business and community forums were commended for their proactive role with the municipality being advised to play a more proactive role and not let others assume their responsibilities. The municipality should also seek middle ground with commercial farmers in pending litigation as well as implementing a viable programme to address tagging and roaming of livestock.

3.2.3. Responding to matters related to crime the area station commander acknowledged the problem stating that she has implemented certain measures to address the matter. She further explained that consultations are and has been underway to address the problem of vandalism, trying to make the community onboard. She stated that the biggest challenge is getting the community to attend such meetings.

3.3. **Proposed resolution of the committee during proceedings**

- The committee should have a follow-up visit and, on its return, conduct a stakeholder meeting first in order to ascertain progress or lack thereof,

- The Provincial Portfolio Committee must be furnished with the committee's adopted report and requested to conduct their own oversight based on the report,
- The Department of Land Reform Rural Development should be consulted about the large number of outstanding land claims in the municipality as well as the issuing of title deeds,
- The Department of Agriculture should furnish the committee with the criteria as to how emerging farmers are identified in the municipality,
- The DOA should also provide the committee with the names of farmers whose eligibility was revoked and the reasons why,
- Correspondence sent to CHDM to ascertain the exact reason why the municipalities water license was revoked,
- Once the committee report has been adopted, it should be referred to SALGA, COGTA and the relevant select committees so as to determine how best to assist the municipality or what interventions are best suited.

3.4. **Site Visits**

3.4.1. ***Rocklands Abattoir***

3.4.1.1. Biggest challenge experienced is water interruptions. The abattoir use about 10 000 liters of water per hour to ensure the site is clean and complies with safety requirements. Water is also needed to ensure that trucks are washed and clean and that biosecurity protocols are adhered to, including to prevent the spread of FMD. The abattoir is audited for compliance with health, safety and hygiene standards once per month. Water gets filtered before use. The facility can operate almost a day without water, due to their storage tanks, but sometimes the water supply is interrupted for three days at a time. The abattoir management highlighted that they have had a broken water meter for years and have followed up with the Chris Hani District municipality on numerous occasions, but to no avail.

3.4.1.2. Rocklands Abattoir makes use of generators for electricity interruptions, costing more than R500 000 per year in diesel. They would like to expand their operations in the near future but are limited operationally by the intermittent water supplies and electricity costs. Their monthly electricity costs are around R350 000 and they are looking to

invest in solar power and battery systems to reduce reliance on the grid. This would cost them millions. They also want to register in order to export internationally. Their municipal accounts are up to date and they pay for their electricity usage every month.

3.4.1.3. Dairy farms are their main market, as cows that are not producing milk anymore, as well as calves are slaughtered. They also rely on emerging farmers. The committee requested that the abattoir share the details of the broken water meter and email correspondence with the Committee for further follow-up.

3.4.2. ***Nxuba Hospital***

3.4.2.1. The only hospital in Nxuba was visited in order to determine whether it is experiencing current challenges with electricity or water supply. Hospital management informed the delegation that they have made significant investments in water security over time, augmenting the 100 000-l water storage capacity of the original design with additional JoJo tank installations. The delegation was informed that since March of 2026, water supply to the hospital had been stable. In terms of electricity supply, the hospital is not affected by reduced service from ESKOM as it is supplied with dedicated electricity. The hospital also received a number of additional electricity back-up systems during the era of load shedding, consisting of 2 back-up generators and three diesel fuel tanks for the generators.

3.4.2.2. The delegation noted that the hospital has several broken windows. The staff explained that it was broken by some of the patients from the mental health ward. The ward is not in a separate facility, but part of the main hospital structure. Members observed that this may not be in the best interest of the patients (from all wards), or the staff. It is worth noting that the hospital and schools were exempt from electricity disruptions due to the outstanding Eskom debt, in terms of a recent court pronouncement/agreement.

3.4.3. ***Prison / Youth Correctional Facility***

3.4.3.1. The main purpose of the visit to the facility was to understand the impact of intermittent electricity supply, loadshedding and water shortages at the facility. It was explained that

the facility houses adult, teen/youth, and juvenile offenders, all kept in separate sections of the prison. In the introductory meeting, it was explained that key challenges at the facility include understaffing and overcrowding. The facility, however, offers school classes for grades 10 to 12, as well as technical and skills development courses. The delegation, led by the chairperson, Mr MG Modise, informed the meeting that the primary reason for the delegation's visit was the electricity challenges experienced. Prison officials present were requested to give the committee a rundown of what has been affected by the lack of water and electricity, as well as the aftereffects thereof.

3.4.3.2. The following examples explained by officials managing the facility describe how the facility is affected by the lack of water and electricity:

A. *Health and Hygiene Crises*

- No flushing toilets leading cells to become unhygienic within hours, leading to foul smell and risk of disease,
- Offenders and Officials are unable to bathe violating health standards, and the leading cause of skin infections,
- No laundry or uniforms can be washed,
- As a result of the above, there is an increased risk of outbreaks such as diarrhea, cholera, and TB spreading rapidly in overcrowded cells.
- Clinics cannot function without electricity, especially sterilizations and oxygen supply equipment which puts chronic and vulnerable patients as well as mentally ill patients at risk,
- Refrigeration facilities for medication are compromised.

B. *Kitchen and Food services collapse*

- Because of water shortages no cooking should take place as per health standards,
- No washing of pots, plates and utensils can take place,
- Food provisions become an issue as water is required to prepare safe meals,
- No water is available when the power is out,
- No electrical appliances in the kitchen works.

C. *Security and Safety Risk*

- Unrest and protests often occur when offenders or unable to bathe or use ablution facilities. It is one of the main triggers for riots, hunger strikes and assault on officials,
- Restriction of movement for all in the facility as sections of the facility have to be locked down to control and manage the use of ablution facilities,
- Total darkness at night with only emergency lighting that only lasts a few hours causes panic at night as offenders become brazen in illegal activities, such as smuggling, assaults, self-harm, riots and attempted escapes.

3.4.3.3. It was further explained to the committee current borehole and generator have been adversely affected by the sudden cut in electricity and have subsequently become uneconomical to repair and must be replaced. With boreholes not working and the facility having to rely on limited water storage capacity, water must be trucked in which poses a huge security risk, prompting smuggling of contraband into the facility as well as planned escapes. In the absence of a working borehole, the facility cannot grow any produce in its community garden, which also leaves offenders idle with nothing to do during the day which ultimately leads to boredom and frustration. A tour of the kitchen revealed that all electric pots and steamers as well as most cold storage facilities are out of commission because of load sheading causing surges in the equipment rendering them inoperable and now must be replaced or repaired. It was explained that food now has to be cooked on gas burners, requiring offenders working in the kitchen to start preparing food hours earlier as the gas burners cannot handle the capacity of offenders as the normal equipment can. This often causes fights or disputes between groups as the food cannot be properly measured and cooked, leading the food to be either burnt or uncooked.

3.4.3.4. Because the bulk refrigeration rooms are also out of commission most of the kitchen produce such as meat and chicken must be stored offsite and brought onsite when required. This usually happens at a daily scheduled time which poses a huge security risk as there is more movement in and out of a secure facility than is required or allowed. A visit to the school facility and hospital wing highlighted how classes are disrupted when computers, lights and aircon units are not working. The biggest security risk of the institution is the moving offenders outside of the facility which occurs when

offenders must see the dentist as the dentist chair in the facility is also out of commission.

3.5. Findings and Recommendations

3.5.1. Context: an economically viable local government, and the constraints Inxuba Yethemba did not create

3.5.1.1 South Africa needs economically viable local government. Municipalities are the sphere of government closest to residents and are constitutionally tasked with delivering water, sanitation, electricity and other basic services at street level. The committee's own report-back of 27 August 2026 recorded that it had been “confronted with a local government in crisis”, where the loss of water-service revenue arising from the consolidation of water and sanitation services at district level had already constrained municipal income, and where the municipality had in turn become dependent on diverting electricity revenue to other municipal functions. This report expands on that finding rather than repeating it, because the structural pressures behind it are not unique to Nxuba (formerly Cradock), are well documented nationally, and deserve to be named plainly rather than left implicit.

3.5.1.2. Three structural pressures on this municipality's finances are acknowledged up front. First, the adequacy of the Local Government Equitable Share (LGES) is itself a matter of live, unresolved national concern, not a defence invented locally: SALGA has raised a funding gap in the order of 17% between the LGES and the actual cost of the services it is meant to fund, and National Treasury has itself acknowledged “data and methodological concerns” in the underlying formula; the Financial and Fiscal Commission has for several years flagged the fairness of the vertical division of revenue to local government as unresolved, and has noted that the grant has not kept pace with the centrally bargained cost of employment or with NERSA-determined bulk service costs. Second, the reallocation of water services authority status to district municipalities — provided for in the Local Government: Municipal Structures Amendment Act 33 of 2000, and extended, as the Thursday report-back itself records, across all district municipalities — has removed a material own-revenue stream from

local municipalities such as Inxuba Yethemba, even though the community consequences of water and sanitation failures remain locally visible and locally felt. Third, Eskom's own national response to municipal arrears is becoming a further, compounding source of municipal revenue loss: Eskom has stated publicly that where defaults persist it will "limit supply to levels commensurate with payments received", and it is in the process of moving dozens of municipalities either onto Distribution Agency Agreements (under which Eskom itself takes over billing and revenue collection) or, in effect, onto direct or volume-restricted supply arrangements. This is a real operational and financial constraint on the municipality, even though it is a direct consequence of the municipality's own historical non-payment rather than an externally imposed one.

3.5.1.3. These are genuine, documented, national-level pressures on municipal financial viability, and the evidence for them is extensive. National Treasury's decision to temporarily withhold July 2026 equitable share transfers — reported at approximately R13.5 billion across some 69 municipalities found to be in serious or persistent breach of the MFMA — was itself framed by commentators as exposing, rather than resolving, a deeper structural funding problem. Ratings Afrika's 2026 Municipal Financial Sustainability Index recorded an aggregate municipal liquidity shortfall of R128.7 billion, up from R107 billion in 2024 and only R55 billion four years earlier, alongside an average operating deficit that had grown to R39 billion and an average revenue-collection rate of only 83.9%. A joint SALGA/CoGTA study has put the sector's permanent structural transfer gap at approximately R150 billion, with municipal own-revenue cover of recurrent operating expenditure having deteriorated to around 60%, well short of the 90% benchmark generally regarded as sustainable. None of this is unique to Inxuba Yethemba, and none of it is offered to excuse what follows — it is offered because a report that recommends consequence management without acknowledging the structural terrain within which municipalities are operating would be neither fair nor, ultimately, credible, and because part of what this report recommends (see Recommendations 5 and 6) is structural, sector-wide reform, not only case-specific correction.

3.5.1.4. That acknowledgment of context is not, however, a basis for inaction, and it does not alter this committee's assessment of what is required at Inxuba Yethemba specifically. Access to a safe and healthy environment is a right guaranteed by section 24 of the Constitution, and municipalities remain bound, regardless of their fiscal circumstances, to comply with the legislation governing their core functions — the payment of bulk service current accounts, the lawful adoption of budgets, and the prevention of sewage pollution among them. The recommendations that follow accordingly hold both of these things together: they treat the municipality's genuine structural funding position as relevant context that provincial and national government must also address in their own right, while insisting that the specific statutory and constitutional failures identified during this oversight visit be corrected without further delay.

3.5.1.5. Two recurring national patterns further inform the framing of the recommendations that follow and speak directly to consequence management rather than to funding adequacy. First, the non-payment of municipal current accounts to Eskom is not unique to Inxuba Yethemba: it reflects a national trend in which municipal arrears to Eskom rose to R111.6 billion in the 2025/26 financial year, an increase of 17.9% year-on-year, with Eskom itself warning that this could reach R358 billion by 2031 absent decisive intervention. Second, the pollution of the Fish River is not an isolated local failure: the Department of Water and Sanitation's 2025 Green Drop Report found that 396 of 848 audited municipal wastewater systems nationally (47%) are now in a critical state, up from 39% in 2022, with only 14 systems nationally achieving Green Drop certification. In both instances, the committee's central concern is not the existence of legislative and regulatory instruments — these exist in abundance — but the near-total absence of consequence management against the officials and institutions responsible for enforcing them.

3.5.2. A note on institutional competence and separation of powers

3.5.2.1. This is a national oversight report addressing provincial and local government, and its recommendations have accordingly been tested against the Constitution's separation-of-powers architecture before finalisation. Three provisions are directly in point. First, section 42(4) confines the NCOP's oversight role to “national aspects” of provincial

and local government; the constitutional monitor of a municipality's own executive conduct is the provincial legislature, under section 155(6)–(7). Second, section 41(1)(f)–(g) requires every sphere of government to refrain from assuming powers not conferred on it, and to exercise its own powers without encroaching on the functional or institutional integrity of another sphere. Third, on Section 139 interventions specifically, the NCOP's constitutional role is to review and approve or disapprove an intervention once a province has already invoked it (section 139(2)); it has no power to direct a province to intervene, or to prescribe the terms on which that discretion must be exercised. Measured against that framework, most of the recommendations below ask an organ of state to report to the committee or refer a matter to the correct forum — squarely within the committee's oversight mandate.

3.5.3. Recommendations: ESKOM Current Account and Historical Debt

3.5.3.1. These recommendations respond to the committee's finding that the municipality has failed to honour the 2021 High Court order and the 2025 co-operation agreement, that its debt to Eskom has grown from R127 million (2020/21) to approximately R918 million to date, and that standard remedial mechanisms have not produced any positive response.

3.5.3.2. Recommendation 1: Section 106 investigation into non-payment and fund diversion. The committee recommends that the MEC for Co-operative Governance and Traditional Affairs (Eastern Cape) initiate an investigation under Section 106 of the Local Government: Municipal Systems Act 32 of 2000 into the Municipal Manager's and Chief Financial Officer's continued failure to settle the Eskom current account within the 30-day period required by Section 65(2)(e) of the MFMA, and into the apparent diversion of electricity revenue away from the bulk supplier, which more properly engages the accounting officer's general financial management duty under MFMA Section 62(1)(d) and the revenue management obligations under MFMA Section 64. Findings should be reported to the committee within 90 days.

3.5.3.3. Recommendation 2: Section 139 threshold — requesting the province's own assessment. Given the committee's own finding that standard remedial action has not

yielded any positive response over a period of approximately six years, the committee records its assessment that the statutory threshold for considering a Section 139(1)(b) intervention may well have been met and recommends that the Provincial Executive Council report to the committee within 60 days on its own assessment of whether intervention is warranted and, if not, why not. The decision to intervene under Section 139 remains exclusively that of the Provincial Executive Council; consistent with section 41(1)(f)–(g) of the Constitution and the National Council of Provinces' constitutional role of reviewing an intervention once taken (rather than directing that one be taken), this recommendation requests the province's own reasoned position rather than instructing it to act by a fixed deadline.

3.5.3.4. **Recommendation 3: Material Irregularity — request to the Auditor-General.** The committee recommends that the Auditor-General of South Africa be requested to indicate to the committee whether the matters disclosed during this oversight visit meet the threshold for registration as a Material Irregularity in terms of the Public Audit Act 25 of 2004 (as amended), and, if so, to confirm to the committee within 90 days whether this has resulted in binding remedial action, recovery of losses from responsible officials, or referral for further investigation. This recommendation is framed as a request rather than a direction, in recognition of the Auditor-General's constitutionally protected independence under section 181(2) of the Constitution.

3.5.3.5. **Recommendation 4: Criminal and disciplinary accountability.** The committee recommends that National Treasury and the Auditor-General jointly confirm to the committee, in writing, whether the Municipal Manager and Chief Financial Officer have at any point faced disciplinary action, financial misconduct charges under MFMA Sections 171–173, or criminal referral for the unlawful withholding of funds due to a bulk service provider, and if not, why not. The committee notes that accountability provisions that are never invoked provide no meaningful deterrent.

3.5.3.6. **Recommendation 5: Debt Relief Programme and Section 216(2).** The committee recommends that National Treasury report within 60 days on: (a) the circumstances of the municipality's expulsion from the National Treasury Municipal Debt Relief Programme and the conditions, if any, for re-admission; (b) whether Section 216(2) of

the Constitution has been invoked, or considered, in respect of this municipality; and (c) the status of negotiations on a Distribution Agency Agreement (DAA), including a substantive response to COGTA and SALGA's advice against signature and Treasury's parallel request for a standardised DAA template.

3.5.3.7. Recommendation 6: Binding, time-bound action plan with named ownership. The committee recommends that National and Provincial Treasury, COGTA, SALGA, the Department of Electricity and Energy, and ESKOM be required to attend an urgent joint meeting, as already proposed by the committee, and that the outcome of that meeting take the form of a single binding action plan with dates and named institutional owners for each action — not a further round of engagement without enforceable deadlines. The plan should explicitly account for six years of unaddressed debt escalation and identify which institution bears responsibility for the absence of consequence management to date.

3.5.4. Recommendations: Budget Legality and Financial Governance

3.5.4.1. These recommendations respond to the unrebutted allegation that the past two municipal budgets were passed through irregular voting practices, and to the repeated adoption of unfunded budgets in 2020/21 and 2025/26, the latter resulting in the freezing of the equitable share on 8 July 2026.

3.5.4.2. Recommendation 7: Verification of quorum and voting record — routed through the correct constitutional channel. The committee recommends that the certified minutes, attendance registers and recorded votes for the adoption of the 2024/25 and 2025/26 annual budgets be obtained and placed before the committee within 30 days, for independent verification against the absolute-majority and quorum requirements of Section 160(3)(b) of the Constitution and Section 30 of the Municipal Systems Act. Because Section 155(6)–(7) of the Constitution designates the Provincial Legislature, not this Council, as the body with the constitutional monitoring relationship to the municipality, the committee recommends that this request be directed through the Eastern Cape Provincial Legislature and the MEC for CoGTA, rather than instructing the Speaker of Council or the Municipal Manager directly. Should the committee wish

to obtain these records directly, this would require reliance on the formal summons power available to parliamentary committees under section 56, read with section 69, of the Constitution, rather than a bare recommendation. The executive's failure to contradict the ratepayers' association's allegation on this point at the public engagement should not be treated by the committee as confirmation, but it does raise the evidentiary bar for the municipality to positively demonstrate compliance.

3.5.4.3. **Recommendation 8: Consequence for confirmed irregularity — requesting the MEC's position.** Should the record confirm that either budget was not lawfully passed, the committee records its view that the statutory conditions for intervention under Section 26 of the MFMA would appear to be met, and recommends that the MEC for CoGTA report to the committee on what action is being taken or considered, including whether the dissolution of council is being contemplated. As with Recommendation 2, this is framed as a request for the province's reasoned position rather than a direction to intervene, consistent with the constitutional principle that the decision to intervene lies exclusively with the provincial sphere.

3.5.4.4. **Recommendation 9: Equitable share conditions and repeat pattern.** The committee recommends that Provincial Treasury report on the specific conditions attached to the release of the equitable share on or around 8 August 2026 and explain what has changed structurally since the same failure occurred in the 2020/21 financial year to prevent a third recurrence. A municipality that has twice adopted an unfunded budget within five years without consequence should not be assumed capable of self-correction absent external intervention.

3.5.4.5. **Recommendations: Sewage Pollution of the Fish River.** Water and sanitation fall outside this committee's portfolio mandate and the debrief record correctly proposes referral of this matter to the Department of Water and Sanitation and the responsible portfolio committee. The committee has nonetheless resolved to record substantive findings and recommendations of its own on this issue, rather than treat referral as a substitute for comment, because the pattern of unenforced consequence management mirrors precisely the ESKOM debt failure that is this committee's core focus, and

because the evidence available to the committee indicates this is a national, not merely local, governance failure.

3.5.4.6. Recommendation 10: Formal referral with a substantive request for information. The committee recommends formal referral of the Fish River pollution matter to the Portfolio Committee on Water and Sanitation, with a request that the Department of Water and Sanitation report in writing, within 60 days, on: the current enforcement status of Section 19 National Water Act directives issued to Chris Hani District Municipality since 2016; the municipality's compliance with the 2021–2022 Grahamstown High Court supervisory order obtained by Agri Eastern Cape; and the outcome of the criminal case opened at Cradock SAPS in July 2019 against the then Acting Municipal Manager under Section 151(1) of the National Water Act.

3.5.4.7. Recommendation 11: National, not case-by-case, framing of the recommendation. The committee records its own finding that the Fish River crisis should not be addressed as an isolated Cradock problem. The Department of Water and Sanitation's own 2025 Green Drop Report found that 47% of the country's 848 audited municipal wastewater systems are in a critical state, a deterioration from 39% in 2022, with only 14 systems nationally meeting certification standards. The committee recommends that its referral to the Water and Sanitation portfolio committee explicitly request that any departmental response address the national systemic causes of wastewater treatment failure — chronic underinvestment, unfilled technical posts, and the absence of a legislative requirement that water and sanitation revenue collected be ring-fenced for maintenance — and not be limited to a site-specific remedial update on Cradock alone.

3.5.4.8. Recommendation 12: Use of unexercised statutory powers. The committee recommends that the Department of Water and Sanitation explain, in its response, why the power under Section 63 of the National Water Act to take over a non-compliant treatment works and recover the cost from the municipality has not been exercised at Cradock despite a documented non-compliance history dating to at least 2016, notwithstanding that this same enforcement gap — available powers not being used — is the department's own diagnosis of the national wastewater crisis.

3.5.4.9. Recommendation 13: Criminal enforcement gap. The committee recommends that the Department of Forestry, Fisheries and the Environment report on the status of any NEMA Section 28 and Section 49A criminal referrals arising from the Fish River pollution, and specifically account for the gap between the issuing of pre-compliance notices and the initiation of prosecutions, consistent with the committee's broader concern regarding consequence management.

3.5.5. Recommendations: A Cross-Cutting Consequence Management Framework

3.5.5.1 This is, in the committee's assessment, the most important section of this report. The individual failures documented above — non-payment of the Eskom current account and unmanaged sewage pollution — are symptoms of a single, recurring structural problem: the near-total absence of enforced consequence management against officials and institutions that fail statutory duties, notwithstanding an extensive and largely adequate legislative framework (the MFMA, the Municipal Systems Act, the National Water Act, NEMA, the Public Audit Act, and the Intergovernmental Relations Framework Act). The committee considers it necessary to state this plainly, notwithstanding the proximity of local government elections and the fact that this finding implicates local, district, provincial and national government.

3.5.5.2. Recommendation 14: Committee-initiated inquiry into consequence management, in conjunction with SCOPA. The committee recommends that it initiate, jointly with the Standing Committee on Public Accounts (SCOPA), a focused inquiry into whether existing consequence-management mechanisms — Section 139 intervention, Material Irregularity findings, MFMA financial misconduct provisions, and criminal referral under sector legislation — have resulted in a single disciplinary sanction, recovery of loss, or conviction against a senior municipal official in a case materially comparable to Inxuba Yethemba or the Fish River, in the past five years. If the honest answer is that they largely have not, this should be reported to Parliament as a finding in its own right, rather than left as an implicit gap between successive oversight reports.

3.5.5.3. Recommendation 15: Use of the Intergovernmental Relations Framework Act. The committee recommends that, where a dispute persists between organs of state (as

between the municipality and Eskom/DWS/Treasury) beyond the timeframes set in this report, the matter be escalated through the formal dispute-resolution mechanisms of the Intergovernmental Relations Framework Act 13 of 2005, rather than allowed to continue through informal engagement indefinitely, consistent with Eskom's own stated position that it has "exhausted all reasonable avenues" through the IGR framework in relation to municipal debt nationally.

3.5.5.4. Recommendation 16: Standing reporting obligation. The committee recommends that National Treasury, COGTA, DWS, AGSA, and the Hawks/NPA be placed under a standing obligation to report to this committee, and to SCOPA, every 90 days until resolved, on the specific consequence-management steps taken (not merely the technical or financial remediation status) in respect of both the Eskom debt matter and the Fish River pollution matter, so that the absence of enforcement action is visible to Parliament in real time rather than only at the next oversight visit.

3.6. Matters Recommended for Referral to Other Committees

3.6.1. The following matters raised during the oversight visit fall outside this committee's mandate. The committee recommends formal referral, with a written response requested within 60 days in each case:

3.6.2. Correctional Services Portfolio Committee: generator repair, additional water storage, and kitchen infrastructure risk to staff at the local correctional facility.

3.6.3. Department of Health / relevant health committee: capacity and appropriateness of the 83-bed hospital facility currently accommodating mental health patients.

3.6.4. Provincial CoGTA: management of heavy trucks diverting from the N10 onto municipal roads, including funding for road repair and traffic/weighbridge enforcement capacity.

3.6.5. Department of Agriculture, Land Reform and Rural Development / relevant committee: the sugar beet farming co-operative's concerns regarding farmer support, beneficiary

selection, title deeds and losses attributed to a strategic partner; and livestock tagging, traceability and unattended foot-and-mouth-disease biosecurity risk.

3.6.6. Provincial CoGTA: billing accuracy and dispute-resolution process raised by Agri Eastern Cape, including the specific faulty water meter affecting the abattoir.

3.7. Implementation and Follow-up

3.7.1. **Recommendation 17: Follow-up session within 90 days.** The committee recommends a mandatory follow-up session within 90 days of the adoption of this report, with National and Provincial Treasury, COGTA, SALGA, Eskom, the Department of Electricity and Energy, DWS and the municipality all in attendance. The committee notes that the absence of the district municipality and the province from the oversight visit itself constrained the committee's work and recommends that attendance at the follow-up session be treated as mandatory rather than discretionary.

3.7.2. This report will not achieve its purpose if its recommendations are received, noted, and left to the same consequence-management vacuum that produced the underlying crises. The committee accordingly recommends that its own oversight of implementation — not only of the municipality's compliance, but of whether provincial and national government meet the reporting deadlines set out above — form part of its programme for the remainder of this term.

Report to be considered.