Tuesday, 13 October 2026]

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OF THE

REPUBLIC OF SOUTH AFRICA

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

TUESDAY, 13 OCTOBER 2026

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National Assembly and National Council of Provinces

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1. Calling of Joint Sitting

CALLING OF JOINT SITTING OF PARLIAMENT

In terms of section 84(2)(d) of the Constitution of the Republic of South Africa, 1996, read with Rule 13(1)(a) of the Joint Rules of Parliament, the President of the Republic of South Africa has called for a joint sitting of the National Assembly and the National Council of Provinces on Thursday, 11 February 2027 at 19:00, in order to deliver the State of the Nation Address.

AT DIDIZA, MP

SPEAKER OF THE NATIONAL ASSEMBLY

R MTSHWENI-TSIPANE, MP

CHAIRPERSON OF THE NATIONAL COUNCIL OF PROVINCES

National Assembly

The Speaker

1. Referral to Committees of papers tabled

(1) The following paper is referred to the **Portfolio Committee on Correctional Services**:

(a) Memorandum of Understanding (MoU) between the Government of the Republic of South Africa and the Government of the Republic of Zimbabwe on Cooperation in the Field of Correctional Services (signed on 21 August 2026), tabled in terms of section 231(3) of the Constitution of the Republic of South Africa, 1996.

(2) The following papers are referred to the **Portfolio Committee on Justice and Constitutional Development** for consideration and report. Financial Statements are referred to the **Standing Committee on Public Accounts** for consideration:

(a) Report and Financial Statements of the National Prosecuting Authority of South Africa (National Director of Public Prosecution) for 2025-26.

TABLINGS

National Assembly and National Council of Provinces

1. The Minister of Water and Sanitation

(a) Memorandum of Understanding (MoU) between the Government of the Republic of South Africa and the Government of the Arab Republic of Egypt on Cooperation in the Field of Water Resources Management (signed on 19 April 2024), tabled in terms of section 231(3) of the Constitution of the Republic of South Africa, 1996.

(b) Memorandum of Agreement (MoA) between the Government of the Republic of South Africa and the Government of the Republic of Botswana on the Joint Management of Water Quality and Aquatic Invasive Species in the Upper Limpopo River Basin (signed on 21 May 2026), tabled in terms of section 231(3) of the Constitution of the Republic of South Africa, 1996.

(c) Memorandum of Understanding (MoU) between the Government of the Republic of South Africa and the Government of the Kingdom of Lesotho in relation to the Establishment of a Framework for Cooperation on the Proposed Project on Construction of Two Weirs on the Mohokare (Caledon) River (signed on 23 April 2025), tabled in terms of section 231(3) of the Constitution of the Republic of South Africa, 1996.

National Assembly

1. The Speaker

(a) Reply by the Minister of Sport, Arts and Culture to *Budgetary Review and Recommendation Report of Portfolio Committee on Sport, Arts and Culture on Performance of Department of Sport, Arts and Culture*, as adopted by the House on 25 November 2025.

Referred to the **Portfolio Committee on Sport, Arts and Culture**.

COMMITTEE REPORTS

National Assembly

1. BUDGETARY REVIEW AND RECOMMENDATIONS REPORT OF THE PORTFOLIO COMMITTEE ON WATER AND SANITATION, DATED 13 OCTOBER 2026

The Portfolio Committee on Water and Sanitation (Committee), having considered briefings by the Auditor General of South Africa (AGSA) and the Department of Planning, Monitoring and Evaluation (DPME), the Department of Water and Sanitation (Department) and its Entities – on the annual reports and audited financial statements 2025/26 of the Department and its Entities on the 06th and the 08th of October 2026, reports as follows:

EXECUTIVE SUMMARY

The Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009), as amended, requires Parliament to annually assess whether departments have utilised public funds effectively, efficiently and economically through the Budgetary Review and Recommendation Report (BRRR). The BRRR evaluates departmental expenditure and performance, identifies governance and service delivery challenges, and informs recommendations on future budget allocations and accountability measures.

In fulfilling this mandate, the Portfolio Committee on Water and Sanitation considered the 2025/26 Annual Reports, audited financial statements and performance information of the Department of Water and Sanitation (DWS), the Water Research Commission (WRC), the Trans-Caledon Tunnel Authority (TCTA) and the Catchment Management Agencies (CMAs), together with assessments by the Auditor-General of South Africa (AGSA) and the Department of Planning, Monitoring and Evaluation (DPME).

The Committee welcomed the improvement in audit outcomes across the portfolio. The Department maintained a clean audit for a second consecutive year, while the WRC and Breede-Olifants CMA also achieved clean audits. Newly established CMAs improved from disclaimer to qualified audit opinions, demonstrating progress in governance and financial controls. However, the Committee was concerned by TCTA’s regression to a qualified audit opinion and by the continued governance, financial sustainability and project implementation

challenges within parts of the sector. The Committee stressed that improved audit outcomes alone are insufficient unless accompanied by tangible improvements in the delivery of water and sanitation services.

The Department spent R22.9 billion, representing 97.9% of its R23.4 billion appropriation, yet achieved only 56.3% of its annual performance targets. The Committee expressed concern that expenditure continues to significantly outpace performance, particularly in the Water Services Management Programme, which achieved only 40% of its targets. Delays in procurement, contractor underperformance, inadequate project management, municipal capacity constraints and community disruptions continue to undermine the Department's ability to achieve planned outcomes and raise serious concerns regarding value for money.

The Committee expressed grave concern about the worsening state of water and sanitation service delivery, characterised by ageing infrastructure, inadequate maintenance, declining municipal performance, deteriorating water quality and persistent service delivery backlogs. The Committee found delays in strategic projects, including the Giyani Water Supply Project and Clanwilliam Dam Project, to be unacceptable given their importance to affected communities. It was further concerned by material irregularities, financial losses arising from project management failures and inadequate maintenance of critical infrastructure. The Committee noted with concern that more than 2 600 communities remain without adequate access to water services and that current implementation trends place the achievement of universal access targets at significant risk.

The Committee also raised concerns regarding the financial sustainability of several CMAs, inherited debt burdens, poor municipal payment levels, pollution in key catchments and the slow transformation of irrigation boards into Water User Associations. In addition, the Committee concurred with the Department's assessment that fragmentation of funding across the Regional Bulk Infrastructure Grant (RBIG), Water Services Infrastructure Grant (WSIG) and Municipal Infrastructure Grant (MIG) undermines coordinated planning, delays project implementation and weakens service delivery outcomes. Greater alignment of these funding mechanisms is required to improve efficiency and accelerate access to water and sanitation services.

In light of these findings, the Committee recommends to the Department and its entities to take urgent and concrete measures to improve service delivery, accelerate the implementation of water infrastructure projects, strengthen project planning and contract management, enforce consequence management, and address recurring governance and financial management weaknesses. The Department must intensify support to municipalities, strengthen regulatory oversight and water quality enforcement, ensure the sustainability of transferred infrastructure, improve the financial viability of CMAs, and expedite the completion of outstanding institutional reforms. The Committee further calls on the Minister of Finance to work with the Department to address funding fragmentation across the Regional Bulk Infrastructure Grant, Water Services Infrastructure Grant and Municipal Infrastructure Grant to improve planning and infrastructure delivery. The Committee will closely monitor the implementation of these recommendations through quarterly reporting and targeted oversight engagements and will hold the Department and its entities accountable for progress in ensuring that governance and financial improvements translate into measurable improvements in water and sanitation services for communities.

1. INTRODUCTION

1.1. Mandate of the Portfolio Committee on Water and Sanitation

The mandate of the Portfolio Committee on Water and Sanitation is derived from Section 44 of the Constitution of the Republic of South Africa, which vests national legislative authority in Parliament. In exercising this authority within the water and sanitation sector, the Committee is responsible for making and amending legislation, conducting oversight over the Department of Water and Sanitation and its entities to promote effective and accountable governance, facilitating public participation in legislative and oversight processes, promoting cooperative governance across spheres of government, and supporting regional, continental, and international cooperation on matters relating to water and sanitation.

The Committee's mandate is further guided by various legislative and policy frameworks, including the Financial Management of Parliament and Provincial Legislatures Act, 2009 (Act No. 10 of 2009), the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009), and the Intergovernmental Relations Framework Act, 2005 (Act No. 13 of

2005). Through these constitutional responsibilities and legislative frameworks, the Committee provides legislative oversight, policy direction, and public engagement to support the sustainable, efficient, and accountable delivery of water and sanitation services in South Africa.

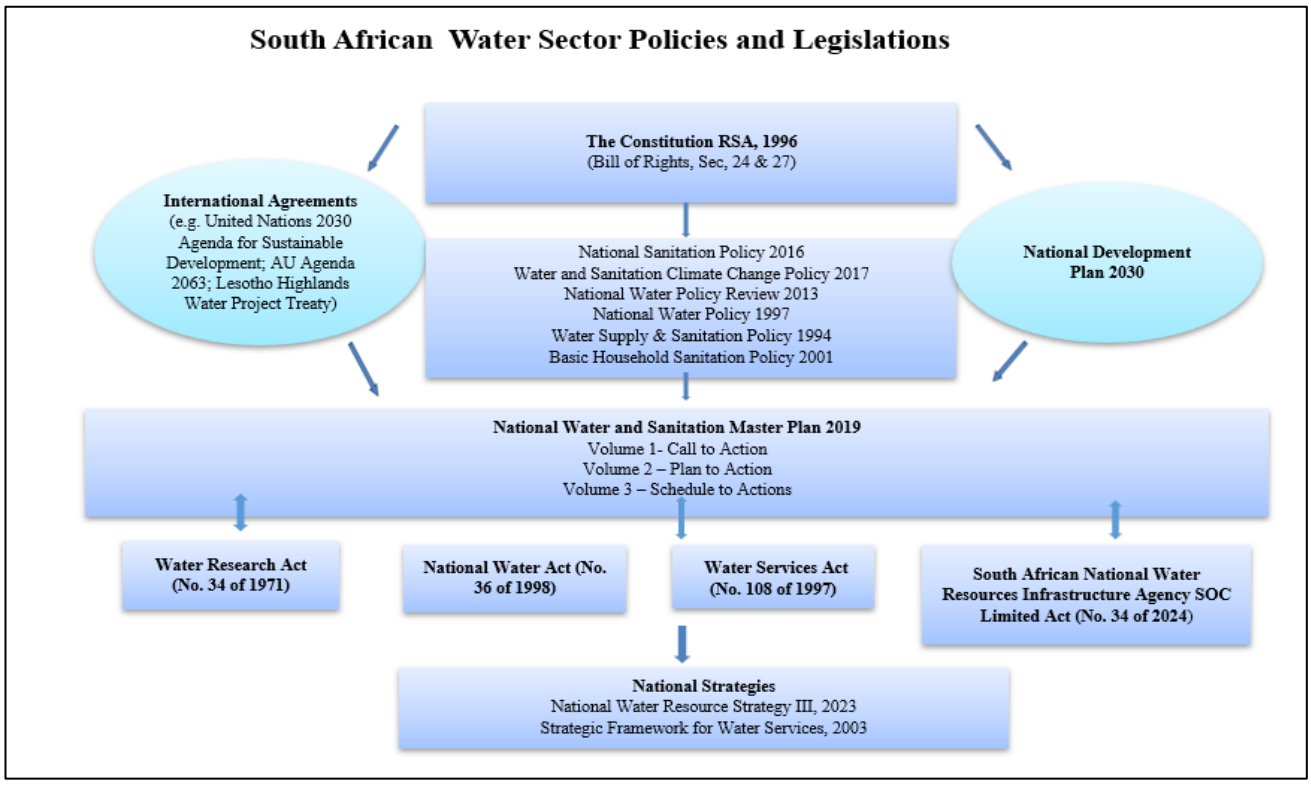
1.2. Purpose of the Budgetary Review and Recommendation Report

The Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009), as amended, empowers Parliament to exercise oversight over government spending and to recommend changes to the budget allocations of national departments through the Minister of Finance. A key instrument in this process is the Budgetary Review and Recommendation Report (BRRR), which portfolio committees are required to adopt annually. The primary purpose of the BRRR is to assess whether public funds have been used effectively, efficiently and economically to achieve the department's strategic objectives and service delivery commitments. In doing so, the BRRR evaluates departmental performance against allocated resources, identifies spending and implementation challenges, and makes recommendations to inform future budget allocations, improve accountability, and strengthen service delivery outcomes.

1.3. 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 legislative mandate of the Department of Water and Sanitation is to ensure that the country's water resources are protected, managed, used, developed, conserved and controlled by regulating and supporting the delivery of effective water supply and sanitation. This entails adhering to the requirements of water-related policies and legislation, including constitutional provisions critical in delivering on the right of access to sufficient food and water, transforming the economy and eradicating poverty.

The legislative mandate is outlined in the National Water Act,1998 (Act No. 36 of 1998), the Water Services Act, 1997 (Act No. 108 of 1997) and the Water Research Act, 1971 (Act No. 34 of 1971). Figure 1 shows the key South African water sector policies and their alignment



while Table 1 shows the Department programmes alignment to the MTDP 2024-2029 priorities.

Figure 1. Water Sector Policies and Legislations.

The Department of Water and Sanitation's strategic priorities are broadly aligned with the objectives of the Medium-Term Development Plan (MTDP) 2024-2029. In support of *Priority 1: Driving Inclusive Growth and Job Creation,* the Department's priorities on *Administration and Governance and Regulation* contribute to creating an enabling environment for investment, infrastructure development and improved sector performance. Through institutional reforms, strengthening the sustainability of water sector entities and implementing regulatory interventions aimed at halting the decline in municipal water and sanitation services, the Department seeks to improve water security and support economic growth.

Furthermore, the Department's focus on *Water Services* aligns with *Priority 3: Building a Capable, Ethical and Developmental State*, particularly the outcome of improving service delivery at the local government level. By enhancing the reliability of water services and supporting municipalities to deliver sustainable water and sanitation services, the Department

contributes to strengthening state capacity and improving the quality of basic service delivery to communities. Overall, the Department's priorities demonstrate a clear linkage to the MTDP objectives of stimulating economic development, improving infrastructure performance and building an effective developmental state.

2. BRIEFING BY THE AGSA AND THE DPME ON THE AUDIT OUTCOMES AND PERFORMANCE OF THE DEPARTMENT AND ITS ENTITIES

The comparative Table 2.1 provides a clear snapshot of the performance and challenges across the Department and its entities.

2.1. Overview of the Department of Water and Sanitation's Contribution to the MTDP 2024-2029 Priorities

Strategic Priority 1: Driving Inclusive Growth and Job Creation

The DPME assessment indicates that the Department of Water and Sanitation (DWS) is contributing to inclusive growth and job creation primarily through water sector reforms and infrastructure investment. Significant progress has been made towards establishing the National Water Resources Infrastructure Agency (NWRIA), which is expected to strengthen infrastructure financing, accelerate project implementation, and unlock investment in water resource infrastructure. The Department has also completed the establishment of six Catchment Management Agencies and implemented the revised Raw Water Pricing Strategy, thereby strengthening the institutional and regulatory environment for economic growth and competitiveness.

The Department has exceeded the MTDP mid-term target for bulk water infrastructure projects, with 18 major projects under construction against a target of 15. Progress on strategic projects such as the Mzimvubu Water Project, Clanwilliam Dam, Tzaneen Dam and the Giyani Water Project demonstrates improved project management capacity and a renewed focus on infrastructure delivery. In addition, 535 water services projects funded through the Regional

Bulk Infrastructure Grant (RBIG) and Water Services Infrastructure Grant (WSIG) were under construction by the end of the 2025/26 financial year, with 162 projects completed.

The DPME further highlights interventions aimed at strengthening water security and retaining strategic assets within South Africa. Its intervention in the proposed sale of AECI's water treatment chemicals business sought to promote local ownership, economic empowerment, infrastructure development, skills development and job creation while safeguarding a critical component of the country's water value chain.

Strategic Priority 3: Building a Capable, Ethical and Developmental State

The Department's contribution to building a capable, ethical and developmental state is reflected in efforts to improve access to basic services, strengthen institutions and reform governance arrangements within the water sector. According to the presentation, 87.4% of households now have access to piped water on-site, while access to improved sanitation stands at 84%. These improvements contribute directly to government's objective of improving service delivery and enhancing the quality of life of citizens.

Institutional reforms remain a central pillar of the Department's efforts. The establishment of the NWRIA, the amendment of the Water Services Act, the proposed creation of an independent water regulator, and the strengthening of Catchment Management Agencies (CMAs) are intended to improve governance, accountability and regulatory oversight across the sector. The Department is also working with municipalities through broader government initiatives aimed at improving local government performance and the sustainability of water and sanitation services.

Despite these achievements, the DPME notes that significant challenges remain. These include municipal financial and technical weaknesses, poor governance, high levels of non-revenue water, ageing infrastructure, wastewater management failures, climate change impacts, and growing municipal debt owed to water boards. To address these challenges, government has established the National Water Crisis Committee (WATERCOM) and is implementing the National Water Action Plan, which combines immediate interventions, medium-term reforms and long-term institutional changes to improve water security and service delivery across the country.

Overall, the DPME's assessment is that the Department has made notable progress in advancing economic growth through infrastructure development and institutional reform, while also contributing to the building of a more capable and developmental state through improved access to water and sanitation services and reforms aimed at strengthening governance and service delivery in the water sector.

2.2. Overview of the AGSA Assessment of the Department of Water and Sanitation (2025/26)

The AGSA assessed the DWS as having maintained a clean audit outcome during the 2025/26 financial year, reflecting continued improvements in financial reporting, governance processes, and internal control systems. The Department benefited from stable leadership structures, effective internal audit and audit committee functions, and a significantly reduced vacancy rate, all of which contributed to a stronger control environment. However, AGSA cautioned that these positive audit outcomes must be supported by sustained accountability and the timely implementation of corrective action plans to prevent a recurrence of identified weaknesses.

Despite the favourable audit outcome, AGSA reported substantial concerns regarding the Department's service delivery performance. The Department achieved only 56% of its annual performance targets, with notable underperformance in water infrastructure development, dam safety evaluations, wastewater monitoring programmes, and projects funded through the RBIG and WSIG. The AGSA highlighted persistent delays in several strategic infrastructure projects, including the Sebokeng Wastewater Treatment Works Module 7 and the Giyani Water Services Project, indicating weaknesses in project planning, contract management, procurement processes, and oversight mechanisms.

AGSA further identified challenges relating to financial sustainability, performance reporting, information technology controls, and consequence management. While the Department maintained sound audit outcomes, material findings were raised on the reliability of certain performance information. The Department also faced financial pressures arising from a negative cash position, increasing accruals, and unresolved irregular expenditure under investigation. In addition, AGSA reported recurring cybersecurity and ICT control weaknesses that expose the Department to operational risks.

The AGSA further highlighted several material irregularities (MI) relating to the Water Trading Entity (WTE) arising from procurement failures, project delays, weak contract management, inadequate asset maintenance, and poor asset management practices. Two material irregularities have been resolved, namely the irregular expenditure of approximately R28.8 million relating to the Hazelmere Dam project and the R15.7 million paid for repair services that were not fully performed at various pump stations, following investigations, disciplinary action, and strengthened controls. However, significant concerns remain regarding delays in the raising of the Clanwilliam Dam, which have resulted in both financial losses of R22.8 million and ongoing risks to public safety and water security, as well as the failure to maintain the Umtata Dam outlet pipes, which has severely affected water supply to communities in the OR Tambo District Municipality. The report also notes a recent material irregularity involving the non-collection of repaired departmental vehicles, resulting in fruitless and wasteful expenditure.

Among the CMAs, the BOCMA maintained a clean audit and stable governance arrangements, while the Inkomati-Usuthu Catchment Management Agency (IUCMA) achieved the strongest overall performance, attaining 80% of its targets and receiving an unqualified audit opinion with findings. In contrast, the Limpopo-Olifants Catchment Management Agency (LOCMA), Mzimvubu-Tsitsikamma Catchment Management Agency (MTCMA), Pongola-uMzimkhulu Catchment Management Agency (PUCMA) and Vaal-Orange Catchment Management Agency (VOCMA) all received qualified audit opinions and experienced varying levels of underperformance, reflecting ongoing weaknesses in institutional capacity, governance, financial management and performance execution.

Table 2.1. shows that the performance of the Department's entities during the 2025/26 financial year. The TCTA regressed to a qualified audit opinion and continued to experience delays in major infrastructure projects, while the WRC improved its audit outcome and maintained sound governance and financial management practices. The WTE showed some improvement in audit performance but continued to face significant financial sustainability challenges, maintenance backlogs and project delays.

Table 2.1. Comparative Analysis of the findings of the AGSA on the performance of the Department and its entities

Entity	Audit Outcomes	Service Delivery Performance	Governance	Financial Management	IT Environment	Recommendations
Department of Water and Sanitation (DWS)	Unqualified audit opinion with no material findings (Clean Audit maintained).	Achieved 56% of annual performance targets. Underperformance in bulk water infrastructure, dam safety, wastewater monitoring, RBIG and WSIG projects.	Effective internal audit and audit committee structures. Low vacancy rate.	Negative cash position; increasing accruals; irregular expenditure under investigation.	Cybersecurity vulnerabilities and weak network controls.	Strengthen project oversight, accountability and ICT controls.
Water Trading Entity (WTE)	Unqualified audit opinion with findings.	Delayed projects and maintenance backlogs affecting service delivery.	High vacancies affect oversight.	Cash flow constraints; debtor collection challenges; irregular expenditure under investigation.	Weak IT governance and SAP-related control weaknesses.	Improve governance, revenue collection and ICT controls.
Trans-Caledon Tunnel Authority (TCTA)	Qualified audit opinion.	Delays in MCWAP-2A, BRVAS and uMkhomazi projects.	Management response to audit findings inadequate.	Deficit reported and financial reporting weaknesses identified.	Weaknesses in database and security controls.	Strengthen financial reporting and project management.
Water Research Commission (WRC)	Unqualified audit opinion with no material findings.	81% (17/21) of targets achieved.	Effective governance and internal controls.	Sound financial management.	No significant findings reported.	Maintain clean audit and strengthen research uptake.

Breede-Olifants CMA (BOCMA)	Unqualified audit opinion with no material findings.	69% (29/42) of targets achieved.	Governance structures function effectively.	Irregular expenditure under assessment.	No significant findings reported.	Sustain clean audit status.
Inkomati-Usuthu CMA (IUCMA)	Unqualified audit opinion with findings.	80% (20/25) of targets achieved.	Effective governance structures.	Material misstatements and revenue-management weaknesses.	No material findings reported.	Strengthen financial reporting controls.
Limpopo-Olifants CMA (LOCMA)	Qualified audit opinion.	36% (12/33) of targets achieved.	No internal audit function established.	Weak financial reporting and receivables management.	Limited ICT capacity.	Establish internal audit capacity.
Mzimvubu-Tsitsikamma CMA (MTCMA)	Qualified audit opinion.	68% of targets achieved.	No Internal audit functions established.	Financial reporting weaknesses.	Depending on WTE systems.	Strengthen institutional capacity.
Pongola-uMzimkhulu CMA (PUCMA)	Qualified audit opinion.	66% (23/35) of targets achieved.	Reliant on DWS and WTE support.	Operating deficit and high debtor collection period.	Depending on WTE systems.	Improve revenue collection and capacity.
Vaal-Orange CMA (VOCMA)	Qualified audit opinion.	53% (16/30) of targets achieved.	No dedicated internal audit function.	Debt management and compliance weaknesses.	Dependent on WTE ICT systems.	Improve governance and performance reporting.

Overall, the audit outcomes improved across the portfolio with the Department, Water Research Commission (WRC) and Breede-Olifants Catchment Management Agency (BOCMA) achieving clean audits. However, recurring weaknesses in financial reporting, revenue management, institutional capacity, project management and infrastructure delivery continue to affect service delivery outcomes, particularly within the newly established CMAs, TCTA and the Water Trading Entity (TCTA).

3. OVERVIEW OF THE FINANCIAL AND NON-FINANCIAL PERFORMANCE OF THE DEPARTMENT 2025/26

The Department operates two financial accounts, which are the main account and the water trading entity (WTE). The main account is funded from the fiscus while the WTE mainly receives its income from water sales and construction services. The main account augments the WTE budget with operational costs when necessary. Notwithstanding the AGSA briefings, the financial performance assessment is provided per account, as each account has its own financial performance targets that were independently audited.

3.1. Main Account Financial Performance

The main appropriation to the Department in the 2025/26 financial year was R23.4 billion. The Department spent R22.9 billion or 97.9% of the available budget, resulting in an underspending of R483.8 million or 2.1% which is slightly higher than the previous year.

The majority of under expenditure (R431.5 million) relates transfers and subsidies due to the non-approval by the National Treasury of the Department's request to stop and reallocate conditional grant funds during the financial year. As a result, the affected funds could not be redirected to areas where expenditure could have been accelerated. The Director-General of the Department of Water and Sanitation has subsequently submitted a motivation to the Director-General of the National Treasury for the approval of the reallocation in the 2026/27 financial year. While R58.3 million under expenditure on payments for capital assets arose primarily from the implementation challenges experienced by implementing agents, including procurement delays, disruptions caused by community unrest at project sites, and delays in the execution of projects linked to contracts that are currently under investigation by the Special Investigating Unit (SIU). These factors adversely affected project progress and delayed the utilisation of allocated funds.

Overall, the current year’s 97.9% spending rate reflects a regression in comparison to the two previous financial years, 2024/25 (99.9%) and 2023/24 (99.8%)

The Department received an unqualified audit opinion with no findings (clean audit), which is a maintenance from the previous year. The Fruitless and Wasteful Expenditure (FWE) has been

completely resolved from the previous year. The Department's irregular expenditure stands at R4.8 billion, which was inherited from the previous years. It is worth noting that the Department did not incur any irregular expenditure during the year under review. The slow pace of resolving the inherited irregular expenditure is a cause for concern. Unauthorised expenditure of R641 million also remains unresolved from the previous years (worth noting that it emanates from the 2016/17 financial year). Overall, the Department's financial performance has improved significantly, considering these selected financial performance indicators.

3.2 Overview of the WTE Financial Performance

The Water Trading Entity was established in 1983 under the Exchequer and Audit Act (Act No. 66 of 1975) as a trading account operating as an integral part of the Department. The status of trading accounts was eventually changed through the Public Finance Management Act (PFMA), 1999, converting trading accounts into trading entities. The Entity reports directly to the Accounting Officer of the Department of Water and Sanitation. It is divided into two parts, namely the Water Resource Management Unit and the Infrastructure Branch. Water Resources Management deals with water resource management functions that primarily address the use, conservation, and allocation of water resources sustainably and equitably to benefit the people residing in the relevant water management areas. This component is funded through revenue generated from water users in the area and partly augmentation from the fiscus, which covers the shortfall where revenue is inadequate to cover the entire operations.

The WTE's total revenue for the year under review was R18.1 billion, mainly through the sale of water services. The entity's expenditure for the year under review was R14 billion, which is 78% of the total revenue. The key cost drivers were the operating, finance and employee costs – mainly through transfers to TCTA and payments for capital assets. Finance costs relate to the TCTA financial model and reflect interest paid for the repayment of loans. It is worth noting that the expenditure excludes outstanding advances to Implementing Agents (IA) including Lesotho Highlands Development Authority (LHDA) for the implementation of Lesotho Highlands Water Project (LHWP) and the TCTA for the implementation of various infrastructure projects.

The WTE received unqualified audit opinion with findings on financial statements, consequence management, and significantly delayed infrastructure projects, among other issues. For instance, the WTE financial statements were not submitted for auditing within the prescribed timeframe after the

end of the financial year, as required by section 40(1)(c)(i) of the PFMA while no disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure.

The performance of the main account has improved while the WTE account has slightly compared to the previous year. In this case, the condonation processes for both irregular, fruitless and wasteful expenditure should be fast-tracked to improve the financial performance of the entire Department. The Special Investigating Unit (SIU) and South African Police Service (SAPS) investigations, internal disciplinary actions and civil litigation should also be prioritised, and the Portfolio Committee should be updated regularly.

3.3.Overview of Performance Per Programme

The Department has organised its performance under three programmes as shown in Table 3. On average, the Department has achieved 56.3% of its planned targets for the year under review. This performance represents a significant regression when compared to the previous years.

Table 3. Comparative Analysis of the financial and non-financial performance (2025/26)

Programme	Actual Achievement (%)	Budget Spent (%)
1. Administration	65	100
2. Water Resources Management	64	100
3. Water Services Management	40	96,8
TOTAL	**56,3**	**97,9**

Programme 1: Administration

The programme provides strategic leadership and support services to the Ministry and the Department through various activities such as financial management, shared corporate support services, and the coordination of water resources between neighbouring countries. This programme has achieved 65% of its planned targets, which is significantly higher than the previous year. The Department could not achieve 150 debtors' days (which decreased from 526 days to 504) which due to the historical debt that remains unpaid. The Department also managed to implement 81% of the financial recovery and turnaround plan which is lower than the planned target by 10% - this poor performance is attributed to the increase in water use debt and the unresolved main account unauthorised expenditure which is awaiting parliamentary process.

Programme 2: Water Resources Management

The programme is responsible for the protection, use, development, conservation, management, and control of water resources sustainably for all people and the environment. It provides for developing a knowledge base for proper planning and informed decision-making. It also includes the development of effective policies and procedures as well as oversight of all water resource management institutions. The sub-programmes under Water Resources Management comprise Water Resource Management Support, Integrated Water Resource Planning, Water Ecosystems Management, Water Resource Information and Management, Water Resources Infrastructure Management, Water Resources Policy and Strategy, Water Resources Regulation, and Water Resources Institutional Oversight.

This programme has achieved 64% of its planned targets, down from 65% in the previous financial year. The Department achieved the target on the monitoring of the National Water and Sanitation Master Plan (NW&SMP); completed Sabie-Crocodile and Komati water supply systems reconciliation strategies; Finalised climate Change adaptation options for Inkomati-Usuthu and Pongola-Umzimkhulu WMAs; created 880 job opportunities created through implementing bulk raw water and operations of water resources infrastructure projects and the National Water Amendment Bill was tabled in Parliament. These are some of the major targets that were met for this programme.

Notwithstanding these achievements, the Department failed to develop the Economic Regulator Bill the establishment of the Water Economic Regulator. The purpose of economic regulation includes setting the rules to control, monitor, enforce and change allowed tariffs and service standards for the water sector whilst giving due regard to social, environmental and economic imperatives.

Programme 3: Water Services Management

The programme addresses the water and sanitation services provision across the water and sanitation value chain to support water services authorities. The integration of bulk and retail water services to improve the sector's coherence and realise economies of scale and efficient use of water. It also provides for developing effective policies, strategies, guidelines, procedures, plans, oversight, and regulation of all water service management institutions. The sub-programmes under Water Services Management comprise Water Resource Management Support, Water Services and Local Management, Regional Bulk Infrastructure Grant, Water Services Policy and Strategy, Water Services Infrastructure Grant, Water Services Regulation, and Water Services Institutional Oversight.

This is the worst performing programme on achievement of planned targets when compared to the other two programmes. It has only achieved 40% of its planned targets which is lower than the previous year (48%). Nevertheless, the Department managed to finalise the Municipal Strategic Self Assessments (MuSSA) and Municipal Priority Action Plan reports; Developed the programme of action for the implementation of the National Sanitation Integrated Plan and developed the Draft guidelines for financial mechanisms and economic models for the National Faecal Sludge Management. In addition, the Department developed 2026/27 bulk water tariffs; 575 non-compliant water supply systems monitored against the regulatory requirements; and tabled the Water Services Amendment Bill in Parliament. Under this programme, the Department created 667 jobs across the country through RBIG infrastructure projects.

Notwithstanding these achievements, the programme has failed to meet its target bulk sewer projects under construction and completed due to delays as a result of contractor cashflow challenges, poor performance and technical implementation challenges.

In conclusion, the Department managed to spend 97.9% of the total adjusted budget, which is slightly lower than the previous financial year. However, regarding the achievement of planned targets, the Department has achieved 56% on average, which is slightly lower than the previous year (58%). Expenditure is thus clearly not aligned with performance. Overall, the Main Account audit outcome remains at its best, with an unqualified audit opinion with no findings and an improvement on its annual performance report, as no material findings were reported. The WTE audit outcome has improved to an unqualified audit opinion with findings.

Overall, the Department’s performance is above average (50%). Based on this performance, the Department is partially achieving its legislative mandate, which relates to the protection, management, utilisation, development, and conservation of the country’s water resources, by regulating and supporting the delivery of effective water supply and sanitation. This also implies that the Department is partially contributing to the constitutional requirements that are critical in delivering on the right of access to sufficient food and water, transforming the economy and eradicating poverty.

3.4. Overview of the strategies to address areas of underperformance per programme

Programme 1: Administration

- Implementation of the Risk Management Plan: The finalisation of the Strategic Risk Assessment was deferred to the 2026/27 financial year. The Department reported in its first quarter report for 2026/27 that the assessment has since been completed.
- Safety and Security Assessments of Facilities and Installations: These assessments were deferred to the 2026/27 financial year due to financial constraints and the need to augment human resources. The Department reported that the outstanding assessments were completed during the first quarter of 2026/27.
- Procurement Expenditure Directed to Qualifying Small Enterprises (QSEs): The Department will continue to encourage greater participation by QSEs in procurement processes through targeted invitations and procurement opportunities. Although the first quarter report for 2026/27 reflected a 4% decline against the annual target, efforts to increase QSE participation remain ongoing.
- Expenditure Against the Annual Budget: The Department indicated that corrective measures and detailed improvement plan to address the marginal under-expenditure will be outlined in its financial performance reporting.
- Reduction of Debtor Days: The Department is implementing a multi-pronged strategy to improve debt collection, including the use of service providers appointed through National Treasury's transversal debt collection contracts. In addition, debt write-off and incentive schemes have been introduced to encourage customers to enter repayment arrangements, with interest waivers and debt relief offered to customers who settle current accounts in full. The Department also noted that some water boards, including Vaal Central Water (VCW), face challenges in settling debts owed to the Department due to outstanding municipal debts. The first quarter report for 2026/27 reflected an improvement of 37 days in the debtor collection period, reducing it to 467 days.
- Establishment of the National Water Resources Infrastructure Agency (NWRIA): The induction of the governing board was deferred to the 2026/27 financial year following its appointment after the close of the reporting period. The Department reported that the Board has since been appointed and that the process to register the entity with the Companies and Intellectual Property Commission (CIPC) has commenced.

- Transformation of Irrigation Boards into Water User Associations: The transformation process was deferred to allow for stakeholder consultation and engagement. The Department reported that stakeholder engagements were continuing during the first quarter of 2026/27.

Programme 2: Water Resources Management

- Completion of Records of Implementation Decisions (RIDs) for Bulk Raw Water Planning Projects: The Department has implemented acceleration measures and deferred completion of these projects to the subsequent financial year. Progress reported during the first quarter of 2026/27 includes:
    - Finalisation of the bid evaluation process and development of a Service Level Agreement for the Breede-Berg (Michell's Pass) Water Transfer Scheme.
    - Conclusion of contractual negotiations for the Crocodile East River Project.
    - Re-initiation of procurement processes for the Verbeeldingskraal Dam and the proposed dams serving Musina and surrounding areas.
- Water Resource Classification and Resource Quality Objectives: The completion of the Keiskamma catchment close-out report was deferred to the subsequent financial year. The Department reported that the draft legal notice has been approved and is being processed for gazetting and public comment.
- Bulk Raw Water Projects in Preparation for Implementation: The Department has introduced acceleration measures to ensure these projects remain on schedule. Progress reported during the first quarter of 2026/27 includes:
    - Nwamitwa Dam: Stakeholder engagements were conducted, and concurrence was sought from the Land Claims Commission to proceed with land valuation processes.
    - Coerney Dam: The design phase has reached 71% completion.
    - Foxwood Dam: The professional service provider has been appointed, and contractual arrangements have been finalised.
- Bulk Raw Water Projects Under Construction and Completed: To address procurement-related delays, the Department has adopted a revised Infrastructure Procurement Strategy aimed at accelerating the implementation of water resource infrastructure projects. In addition, the Department is utilising a diversified implementation model, including the use of multiple implementing agents, private-sector partnerships, and internal capacity, to improve project delivery. Reported progress during the first quarter of 2026/27 includes:
    - Tzaneen Dam: Construction progress reached 65%.

- Mzimvubu Water Project (Ntabelanga Dam): Site establishment reached 16% completion.
- Clanwilliam Dam: Construction progress reached 34%.

Programme 3: Water Services Management

- Development of Five-Year Water and Sanitation Reliability Plans for Metropolitan Municipalities: The completion of these plans was deferred to the 2026/27 financial year, during which the Department intends to finalise the outstanding work.
- Feasibility and Implementation Readiness Studies for RBIG-Funded Water and Wastewater Projects: These studies were deferred to the 2026/27 financial year and remain a priority for implementation.
- RBIG Projects Under Construction and Completed: The Department will intensify project monitoring and engagement with implementing stakeholders to ensure timely appointments, contractor replacements where necessary, and the availability of project funding to support completion.
- Monitoring of Non-Compliant Water Supply Systems Against Regulatory Requirements: The monitoring programme was deferred to the 2026/27 financial year, with implementation planned during the current reporting cycle.
- WSIG Projects Under Construction and Completed: To accelerate project delivery, the Department is implementing several corrective measures, including:
  - Increasing contractor resources to recover lost construction time.
  - Fast-tracking procurement processes and contractor appointments.
  - Utilising the Department's internal construction unit to support implementing agents in project execution.
  - Expanding the use of implementing agents, particularly water boards, to implement projects on behalf of municipalities that lack the requisite technical and institutional capacity.

Apart from these strategies the Department has developed a comprehensive audit action plan to address key areas that were identified by AGSA.

4. OVERVIEW OF THE PERFORMANCE OF DWS ENTITIES FOR THE 2025/26 FINANCIAL YEAR

4.1. Water Research Commission

The WRC was established through the Water Research Act, 1971 (Act No. 34 of 1971) to, among others, (i) promote coordination, cooperation, and communication concerning water research and development (ii) establish water research needs and priorities (iii) stimulate and fund water research according to priority (iv) promote the effective transfer of information and technology (v) enhance knowledge and capacity building within the water sector.

4.1.1. Overview of the Financial and Non-Financial Performance

The WRC recorded a strong performance during the 2025/26 financial year, achieving 81% of its planned targets and maintaining sound governance through an unqualified audit outcome with no material findings. The Commission continued to prioritise research, development and innovation, directing the majority of its resources towards generating water sector knowledge and solutions. Key achievements included support for student development and municipal engineering capacity, as well as research outputs focused on water security, sanitation, irrigation efficiency, flood prediction, mine-water reuse and the management of emerging contaminants. The WRC also received several national and international awards in recognition of its research excellence and innovation.

The Commission further strengthened its contribution to national development priorities by advancing research and innovation initiatives aimed at improving water security, climate resilience, food security and sustainable sanitation. Notable accomplishments included the implementation of innovative sanitation technologies (e.g. South African Sanitation Enterprise Technology SASTEP), the development of tools to support irrigation and wastewater management, and the expansion of citizen science initiatives to strengthen water resource monitoring. The WRC also exceeded its targets for stakeholder engagement and partnership development, securing additional collaborative agreements and leveraging external resources to enhance the impact of its research programmes. International engagement and participation in global water forums further enhanced the Commission’s profile and influence within the sector.

Regarding human resources, the WRC had an approved establishment of 102 positions during the 2025/26 financial year, with 83 positions filled at year-end, resulting in a vacancy rate of 18.6%. The vacancy rate was particularly high at senior leadership levels, with 50% of top management positions vacant due to leadership changes and departures during the year. These vacancies created capacity constraints, increased workloads for existing staff and affected organisational efficiency. To mitigate these challenges, the WRC prioritised the recruitment of critical skills and successfully filled 14 of its 17 identified critical positions during the year. The Commission also identified workforce planning, succession management, employee development and the review of its organisational structure as key interventions to strengthen institutional capacity and improve performance going forward.

Despite these achievements, the WRC faced several challenges during the year. These included the growing impacts of climate change, increasing water scarcity, ageing water infrastructure, rising demand for water services and financial pressures within the broader water sector. Internal challenges included critical vacancies, leadership transitions, delays in implementing certain digital transformation initiatives, and organisational changes associated with office relocation and institutional restructuring. The Commission also remained exposed to broader economic risks that could affect water levy income and long-term financial sustainability. In addition, governance and human resource disruptions, including changes in senior leadership and the precautionary suspension of the Chief Executive Officer towards the end of the reporting period, created additional operational challenges. Nevertheless, the WRC maintained institutional stability and continued to fulfil its core mandate.

4.1.2. Audit Outcome

The WRC received an unqualified audit opinion with no material findings for the 2025/26 financial year, reflecting sound financial management, effective governance and compliance with applicable legislative and regulatory requirements. This audit outcome indicates that the Commission's annual financial statements fairly present its financial position and performance and that no material deficiencies were identified in its financial reporting or performance information. The achievement demonstrates the effectiveness of the WRC's internal controls, risk management processes and oversight structures, including the Board and its committees. The positive audit outcome further strengthens stakeholder confidence in the Commission's stewardship of public resources and its ability to deliver on its mandate of supporting water research, innovation and knowledge generation in South Africa.

4.2 Trans-Caledon Tunnel Authority

The Trans-Caledon Tunnel Authority (TCTA) was established in 1986 to finance and construct the Delivery Tunnel North of the Lesotho Highlands Water Project (LHWP). It is Schedule 2 (major public entity) in terms of the PFMA. In 1994, TCTA received a directive to fulfil the financial obligations of the South African government regarding the water transfer component in Lesotho. The Notice of Establishment was amended in 2000 to include this directive and allow the Minister to issue directives to TCTA. TCTA is responsible for implementing, operating, and maintaining Phases 1 and 2 of the LHWP in South Africa and performing additional functions as directed by the Minister. The National Water Act, 1998 allows the Minister to direct TCTA to provide various services to water management institutions. TCTA cannot undertake any function outside its Notice of Establishment without the Minister's permission. TCTA must manage and account for its Treaty functions separately from its non-Treaty functions. The majority of TCTA's work now consists of non-Treaty functions.

In summary, TCTA is responsible for project structuring, funding and implementation, liability management, tariff setting, advisory services and knowledge management. It also builds infrastructure on behalf of the Department, raises funding for projects which are repaid by users, and operates and maintains Acid Mine Drainage (AMD) treatment plants and a delivery tunnel north of the LHWP.

4.2.1 Overview of the Financial and Non-Financial Performance

During the 2025/26 financial year, the Trans-Caledon Tunnel Authority (TCTA) continued to play a critical role in financing, implementing, operating and maintaining strategic bulk water infrastructure in support of South Africa’s water security objectives. TCTA advanced several major infrastructure projects, including the Lesotho Highlands Water Project Phase II (LHWP-2), the uMkhomazi Water Project (uMWP), the Mokolo-Crocodile Water Augmentation Project Phase 2A (MCWAP-2A) and the Berg River-Voëlvlei Augmentation Scheme (BRVAS). Key milestones achieved during the year included the completion of geotechnical investigations for the uMkhomazi Water Project, the award of the MCWAP-2A River Management System construction contract, and the achievement of financial close for BRVAS. TCTA also achieved 100% of the strategic actions contained in the Water Agency Plan, strengthening its readiness for the planned transition to the South African National Water Resources Infrastructure Agency (SANWRIA). Operationally, the Delivery Tunnel North of the LHWP achieved 100% availability and met all contracted water delivery volumes, while all three Acid

Mine Drainage (AMD) treatment plants exceeded their treatment targets and achieved full compliance with prescribed water quality standards.

TCTA achieved most of its annual performance targets, including maintaining sufficient funding for strategic projects, managing debt within approved borrowing limits, ensuring compliance with operating and maintenance requirements, and effectively coordinating Strategic Infrastructure Project 19 (SIP-19). The entity reported only two performance targets that were not achieved, namely the completion of the BRVAS tender design and the updating of the hydrology study and water user validation for the Nwamitwa Dam Project, both of which were affected by procurement and implementation delays. The Authority also maintained strong stakeholder relations and continued supporting the Department of Water and Sanitation with advisory services and project implementation assistance.

From a financial perspective, TCTA reported a deficit of R789 million compared to a surplus of R1.246 billion in the previous year. The deficit was primarily attributable to higher finance costs and the impact of a loss of a modification on tariff receivables. Despite the deficit, the Authority maintained a strong financial position, with total assets increasing from R26.4 billion to R33.4 billion, cash and cash equivalents rising from R7.1 billion to R13.0 billion, and borrowings increasing from R13.8 billion to R20.6 billion to support the financing requirements of key infrastructure projects. Revenue increased to R3.3 billion, driven by contract revenue and finance income, while total receipts from the Department of Water and Sanitation amounted to R14.9 billion. TCTA remained within all approved borrowing limits, maintained positive net assets of R6.7 billion, and demonstrated strong liquidity, supporting management's assessment that the entity will continue as a going concern pending its incorporation into SANWRIA

4.2.2. Audit Outcome

The TCTA received a qualified audit opinion for the 2025/26 financial year after several years of unqualified audit outcomes, refer to Table 2.1. for further details. The qualification arose from material misstatements in the cash flow statement and insufficient supporting evidence relating to certain receivables associated with the Vaal River System. The Auditor-General also identified weaknesses in financial reporting processes, technical accounting capacity and the timely submission of audit information. However, no material findings were reported on the audited performance information, and the entity's reported achievements were found to be reliable.

Regarding fruitless and wasteful expenditure, the TCTA reported a significant improvement in the management of fruitless and wasteful expenditure during the 2025/26 financial year. The entity confirmed fruitless and wasteful expenditure amounting to R197 000, which was fully recovered, resulting in a zero-closing balance at year-end. However, an additional amount of R5.45 million was under assessment and related primarily to extension-of-time claims that had not yet been finalised at the reporting date. Consequently, TCTA could not yet confirm whether the expenditure met the definition of fruitless and wasteful expenditure under the PFMA.

Despite the qualification, TCTA remained financially sound, maintained adequate liquidity to meet its obligations, and has committed to strengthening financial reporting, internal controls and technical accounting capacity to improve future audit outcomes.

4.3 Catchment Management Agencies

Catchment Management Agency (CMA) is a Water Management Institution (WMI) established in terms of section 78 of the National Water Act, 1998 (Act No 36 of 1998) and operates in a specific Water Management Area (WMA) or catchment. The CMA performs water resources management which includes protection, utilisation, development, conservation, management and control of water resources with the involvement of local communities. The CMA is a Schedule 3A entity in terms of the Public Finance Management Act, 1998 (Act No. 1 of 1999). A CMA has the following inherent functions in terms of sections 79 and 80 and schedules 3 of the National Water Act, 1998:

- Investigate and advise interested persons on water resource management.
- Compilation of the Catchment Management Strategy (CMS).
- Coordinate related activities of water users and WMIs.
- Promote coordination of implementation of any applicable development plan.
- Promote community participation in water resource management.

There are 6 CMAs that reported to the Department during the year under review, namely The Breede-Olifants (BOCMA) formerly known as Breede-Gouritz and Inkomati-Usuthu (IUCMA). Limpo-Olifants (LOCMA); Vaal-Orange (VOCMA); Pongola-Umzimkhulu (PUCMA) and Mzimvubu-Tsitsikamma (MTCMA).

4.3.1 Br68%eede-Olifants Catchment Management Agency (BOCMA)

BOCMA achieved 69% of its annual performance targets during 2025/26 following the successful merger of the Breede-Gouritz CMA and Berg-Olifants Proto CMA. The Agency exceeded targets in compliance monitoring, stakeholder engagement, verification and validation of water users, water quality monitoring, support to resource-poor farmers, and the installation of rainwater-harvesting tanks. It also finalised its Catchment Management Strategy and exceeded procurement targets for women-owned and youth-owned enterprises. However, the Agency underperformed in the collection of water resource management charges, the transformation of Irrigation Boards into Water User Associations, pollution incident response times, implementation of the Waste Discharge Charge System, and the processing of high-risk water use licence applications.

Financially, BOCMA generated revenue of R249.2 million and incurred expenditure of R223.8 million, resulting in a surplus of R25.5 million, more than double the R10.2 million surplus recorded in the previous year. The improved financial performance was mainly due to a significant reduction in the impairment of doubtful debts. While water resource management charge revenue declined and debtor days increased from 82 to 139 days, the Agency remained financially stable and continued to pay creditors within the prescribed 30-day period.

It is worth noting that the Breede-Olifants Water Management Area remains water stressed, with most catchments experiencing water deficits, except for the Breede catchment. This highlights the importance of continued water conservation, demand management and water resource protection initiatives.

BOCMA received an unqualified audit opinion (clean audit) with no findings. The Agency incurred no irregular, unauthorised, fruitless or wasteful expenditure and maintained full compliance with financial and non-financial reporting requirements. The clean audit outcome reflects strong governance, sound financial management and effective internal controls. Unlike the other CMAs, which improved from disclaimer opinions in the previous year to qualified or unqualified opinions with findings, BOCMA maintained the highest level of audit assurance during the year.

4.3.2 Inkomati-Usuthu Catchment Management Agency

IUCMA recorded a strong improvement in institutional performance during 2025/26, achieving 80% of its annual targets compared to 63.64% in the previous year. The Agency exceeded targets in stakeholder engagement, compliance monitoring, enforcement, Existing Lawful Water Use (ELU) verification, and implementation of the Waste Discharge Charge System (95% against a target of 75%). It also achieved 100% compliance in monitoring strategic ecological reserve points, international obligations, and registration of approved water users on WARMS. Notable achievements included processing 136 water use authorisation applications, conducting 96 planned compliance inspections, resolving pollution incidents, supporting disadvantaged water users through capacity-building programmes, and strengthening transboundary water management through engagements with River and Environmental Management Cooperation (REMCO), the Incomati and Maputo Watercourse Commission (INMACOM) and Komati Joint Operations Forum (KJOF). However, the Agency did not achieve targets relating to the establishment of Water User Associations (WUAs) and the evaluation of WUA annual plans and reports due to delays in the transformation of Irrigation Boards.

Financially, IUCMA operated within an approved budget of R249.8 million and spent R189.4 million, resulting in under-expenditure of R60.4 million. Total revenue amounted to R218.0 million, supported by R138.1 million in government transfers and strong collection of water resource management charges. Debt collection improved significantly, with healthy debt recovery reaching 98% and total collections amounting to R52.4 million. The appointment of Hahns Collection Services contributed positively to debt recovery efforts. Despite improved collection rates, outstanding debt increased to R161.7 million, with 81% classified as long-outstanding debt. The Agency remains dependent on parliamentary appropriations and continues to face challenges in achieving full cost recovery due to tariff capping and municipal non-payment.

It is worth noting that water quality across the Water Management Area remained generally stable and compliant with international obligations, although elevated E. coli levels downstream of wastewater treatment works and residential settlements remain a significant concern. Groundwater conditions were largely stable, but severe drought conditions persist in parts of the Crocodile Catchment, posing a long-term water security risk.

IUCMA received an unqualified audit opinion, however with findings on compliance and performance reporting. The external auditors reported findings relating to revenue management, irregular

expenditure arising from procurement deviations, and adjustments made to the financial statements during the audit process. The Agency nevertheless maintained sound governance structures, achieved 100% compliance with its audit plan, implemented most strategic risk mitigation measures, and continued strengthening its internal control environment. The audit outcome reflects generally sound financial management, although revenue collection, procurement compliance and debt management remain areas requiring continued attention.

4.3.3. Limpopo- Olifants Catchment Management Agency

LOCMA's performance was significantly affected by its ongoing operationalisation and transition from the Department of Water and Sanitation (DWS). The Agency exceeded targets in the processing of water use authorisations, registering 98% of approved authorisations on WARMS against a target of 90%, while processing 479 applications within the prescribed period against a target of 431. It also achieved full compliance with international obligations, implemented 100% of the Waste Discharge Charge Strategy and successfully maintained 90% clearance of invasive vegetation at Hartbeespoort Dam. The Agency investigated 103 illegal water-use cases, issued 66 notices and directives, and responded to all 35 reported pollution incidents within prescribed timeframes. However, performance was constrained by capacity shortages, delays in staff transfer from DWS, lack of laboratory services, procurement constraints, and resistance by Irrigation Boards to transform into Water User Associations. As a result, several targets relating to river monitoring, groundwater monitoring, validation and verification, institutional development and Catchment Management Strategy development were not achieved.

Financially, LOCMA recorded total revenue of R404.4 million against expenditure of R434.7 million, resulting in a deficit of R30.3 million. Water resource management charge revenue declined by 15% to R300.7 million, while impairment of receivables increased significantly to R238.2 million due to the transfer and reassessment of historical debt from the Water Trading Entity. The Agency maintained a positive operating cash flow of R5.1 million and increased cash reserves from R153 000 to R3.8 million. Although total accounts receivable increased substantially to R946.4 million, management implemented a debt recovery plan focusing on the top debtors, customer data cleansing, billing improvements and revenue enhancement measures. Despite these challenges, LOCMA maintained a positive net asset position of R546.4 million and was assessed as financially viable.

It is worth noting that the Limpopo-Olifants Water Management Area remains a water-stressed basin where demand exceeds available surface water resources, requiring substantial inter-basin transfers from the Orange-Senqu and Vaal systems. Water quality challenges remain severe due to acid mine drainage, heavy metal contamination, agricultural runoff, municipal wastewater discharges and industrial effluent. The area is also highly vulnerable to climate variability, flooding and drought.

LOCMA received a qualified audit opinion from the Auditor-General. The qualification arose because sufficient audit evidence could not be obtained for receivables from exchange transactions amounting to R567.9 million and assets transferred from the Water Trading Entity. The Auditor-General further reported material findings relating to performance information, revenue management, financial statement preparation and internal controls. Despite these findings, the Agency strengthened governance structures, approved key governance policies, established Board committees and maintained compliance with most governance prescripts. The audit outcome reflects the challenges associated with the Agency's establishment phase and transfer of functions, while highlighting the need to strengthen internal controls, records management, debt collection and performance reporting.

4.3.4. Pongola-Umzimkhulu Catchment Management Agency

PUCMA achieved 66% of its performance targets during 2025/26 despite operating in a transitional environment and facing capacity constraints. The Agency performed strongly in pollution incident response, stakeholder engagement, water use authorisation registration, annual reporting, and verification and validation activities, significantly exceeding its target for validated properties. However, targets relating to water quality monitoring, processing of water use licence applications, and institutional capacity building were not fully achieved.

Financially, PUCMA recorded revenue of R144.3 million and expenditure of R198.8 million, resulting in a deficit of R54.4 million. This was largely driven by the impairment of historical debt transferred from the Water Trading Entity. Despite the deficit, the Agency maintained positive cash flows, reported no irregular, fruitless or wasteful expenditure, and remained financially stable.

PUCMA received a qualified audit opinion, representing a significant improvement from the disclaimer opinion received in the previous year. The improvement reflects progress in financial reporting, governance and institutional development, although further strengthening of revenue management and internal controls remains necessary.

4.3.5. Mzimvubu-Tsitsikamma Catchment Management Agency

MTCMA achieved 68% of its planned targets during 2025/26. The Agency performed well in water use authorisations, compliance monitoring, pollution response, and ecological monitoring, exceeding targets for processing high-risk licence applications and registering approved water uses on WARMS. Underperformance was recorded in the development of the Catchment Management Strategy, water user association transformation, and certain water quality and verification activities due to capacity constraints.

Financially, MTCMA recorded revenue of R119.8 million and expenditure of R94.0 million, resulting in a surplus of R25.7 million. Cash resources improved significantly, and revenue collection increased compared to the previous year. Although impairment of transferred debt remained a challenge, the Agency maintained a strong financial position.

MTCMA received a qualified audit opinion, a substantial improvement from the disclaimer opinion received in 2024/25. The improved outcome reflects significant progress in governance, financial management and institutional maturity, although weaknesses relating to debt management and financial reporting still require attention.

4.3.6. Vaal-Orange Catchment Management Agency

VOCMA achieved 53% of its annual performance targets. The Agency performed well in compliance monitoring, stakeholder engagement, water management institution oversight and pollution incident response, exceeding targets for enforcement actions. However, key targets relating to the Catchment Management Strategy, water quality monitoring, water use authorisation processing, registration of authorisations on WARMS and verification and validation activities were not achieved, mainly due to capacity and system constraints.

Financially, VOCMA generated revenue of R389.7 million and incurred expenditure of R399.2 million, resulting in a deficit of R9.5 million. The deficit was largely attributable to the impairment of transferred debt. Despite revenue collection challenges, the Agency improved its cash position and maintained a strong asset base.

VOCMA received a qualified audit opinion, representing a marked improvement from the disclaimer opinion received in the previous financial year. The Agency reported no irregular expenditure and strengthened its governance and risk management systems. The improved audit outcome demonstrates progress in financial management, although debt recovery and performance management remain areas of concern.

5. OBSERVATIONS

Having considered the briefings by the Department and its entities on their annual performance for the 2025/26 financial year and the deliberations following these presentations, the Committee makes the following observations:

5.1. Improved audit outcomes and poor water services delivery

The Committee notes improvements in governance and audit outcomes across the Department and several entities, including the improvement of some Catchment Management Agencies (CMAs) from disclaimer opinions to qualified or unqualified audit outcomes. However, the Committee remains concerned that these improvements have not translated into corresponding improvements in water and sanitation service delivery.

5.2. Deteriorating municipal water and sanitation infrastructure

The Committee is concerned about the deteriorating state of municipal water and sanitation services, noting that 107 of 144 Water Services Authorities have drinking water or wastewater systems in a poor or critical state, while the latest Green Drop assessment found that 47% of wastewater systems are in a critical state and only 8% are rated good or excellent.

5.3.Water services crisis and infrastructure funding gap

The Committee notes the Department's acknowledgement that the country is facing a water services crisis, driven by ageing infrastructure, inadequate maintenance, weak municipal functionality and underinvestment in operations and maintenance. The Committee further notes the Department's

estimate that municipalities require investment approaching R1 trillion to restore infrastructure functionality and sustainability.

5.4. Delays in strategic mega water infrastructure projects

The Committee remains concerned about persistent delays in major water infrastructure projects, particularly the Giyani Water Supply Project, which commenced in 2006 and remains incomplete after nearly two decades. While the Department reported that the project is approximately 98% complete, the Committee is concerned that contractor failures, business forum disruptions, theft and vandalism continue to undermine infrastructure delivery.

5.5. Material Irregularities (MIs) and poor project management

The Committee is concerned about material irregularities and project delays within the Department's infrastructure programme. In particular, the Committee notes that delays in the raising of the Clanwilliam Dam project that resulted in fruitless and wasteful expenditure of R22.8 million; the non-maintenance of the Umtata dam two outlet pipes while delays and contractual disputes relating to the raising of the Hazelmere Spillway project resulted in financial losses of approximately R28.8 million. The Committee is concerned that these delays have increased project costs, delayed benefits to communities and exposed weaknesses in project planning, contract management and oversight.

5.6. Water access backlogs

The Committee remains concerned about the scale of water access backlogs, noting that the Department has identified 2 688 unserved communities, while only 84 new water access schemes had been implemented by July 2026 and approximately 70 additional schemes were planned during the current financial year. The Committee is concerned that the current pace of delivery is insufficient to achieve universal access targets by 2030 in line with the sustainable development goals (SDGs).

5.7. Sustainability of completed infrastructure owned by municipality

The Committee notes concerns regarding the operational sustainability of newly delivered infrastructure, particularly boreholes and water schemes transferred to municipalities that lack the financial and technical capacity to operate and maintain them. The Committee is concerned that access statistics may not accurately reflect the availability of functional water services to communities.

5.8. Financial sustainability of Catchment Management Agencies

The Committee is concerned about the financial sustainability of several Catchment Management Agencies, particularly the implications of inherited debt and poor revenue collection. The Committee notes that the Inkomati-Usuthu CMA reported outstanding debt of R161.7 million, while the Limpopo-Olifants CMA reported debt impairments amounting to R238 million and debt collection periods of 932 days, raising concerns about its long-term financial viability.

5.9. Declining water quality and pollution control

The Committee remains concerned about declining water quality and the effectiveness of pollution control measures, particularly within the Integrated Vaal River System, which supports approximately 33% of South Africa's population and 46% of the economy. The Committee is of the view that stronger compliance monitoring, enforcement actions and accountability measures are required for municipalities, industries and mining operations responsible for pollution.

5.10. Institutional transformation and capacity constraints

The Committee is concerned about the slow pace of institutional transformation and capacity-building within the water sector, including delays in transforming irrigation boards into Water User Associations, high vacancy rates within several CMAs, and the continued transitional dependence of newly established CMAs on departmental support. The Committee notes the Department's indication that the transition process is expected to be substantially completed by March 2027 and emphasises the need to ensure that CMAs become financially sustainable and fully operational.

5.11. Lack of alignment of the water and sanitation related grants

The Committee noted the Department’s concern that the fragmentation of funding across the Regional Bulk Infrastructure Grant (RBIG), Water Services Infrastructure Grant (WSIG), and Municipal Infrastructure Grant (MIG) continues to hamper effective water services delivery and delays the implementation of critical water infrastructure projects. The Committee further noted the Department’s view that the differing grant conditions and planning frameworks create inefficiencies, hinder

coordinated implementation, and impede efforts to address service delivery backlogs, including the eradication of bucket toilet systems. The Committee observed that the alignment and integration of these grants would strengthen planning and coordination across spheres of government, improve access to water services, and accelerate the implementation and completion of water services infrastructure projects.

6. RECOMMENDATIONS

Having considered the briefings by the Department and its entities on their annual performance for the 2025/26 financial year and the observations, the Committee recommends to the Minister of the Department of Water and Sanitation as follows:

6.1. That the Department should develop and implement a framework that links governance and financial performance improvements to measurable service delivery outcomes and submit quarterly progress reports to the Committee.

6.2. That the Department should strengthen support and oversight of municipalities, prioritise interventions in critically performing municipalities, and submit a comprehensive turnaround plan, including implementation timelines, to the Committee by the first quarter of the 2027/28.

6.3. That the Department should finalise a long-term infrastructure funding and maintenance strategy, including measures to address the infrastructure funding gap and improve maintenance spending, and submit the strategy to the Committee by the first quarter of the 2027/28 financial.

6.4. That the Department should expedite the completion of delayed strategic infrastructure projects and provide the Committee with quarterly progress reports on all delayed projects, including expenditure, implementation progress, revised completion dates, challenges experienced and mitigation measures.

6.5. That the Department should strengthen project planning, contract management and oversight mechanisms, institute consequence management where negligence or misconduct is identified, and provide quarterly progress reports on the implementation of corrective actions to address material irregularities.

6.6. That the Department should accelerate the implementation of water access programmes, prioritise unserved communities and submit a detailed plan, including annual targets and milestones towards achieving universal access, by the first quarter of the 2027/28.

6.7. That the Department should ensure that infrastructure projects have the sustainable operations and maintenance plans, municipal capacity-building programmes and adequate funding arrangements before transfer of assets to municipalities. The Department should submit proof of municipal readiness and sustainability assessments to the Committee at least a quarter prior to the transfer of any major water infrastructure asset to a municipality.

6.8. That the Department should develop and implement a financial sustainability strategy for CMAs, including measures to improve revenue collection, reduce debt exposure and strengthen financial controls, and submit the strategy to the Committee by the first quarter of the 2027/28.

6.9. That the Department should strengthen regulatory enforcement, increase water quality monitoring and provide quarterly reports to the Committee on enforcement actions, compliance levels, and progress in addressing pollution in priority catchments.

6.10. That the Department should expedite the transformation of irrigation boards into Water User Associations, fill critical vacancies within CMAs, finalise the CMA transition process by March 2027 and submit quarterly progress reports to the Committee on implementation progress and institutional readiness.

6.11. The Committee recommends that the Minister of Finance, in consultation with the Minister of Water and Sanitation, Department of Cooperative Governance and Traditional Affairs and relevant stakeholders, review and align the funding conditions and implementation frameworks of the RBIG, WSIG and MIG to promote integrated planning, reduce duplication, and accelerate the delivery of water services infrastructure, including projects aimed at eradicating bucket toilet systems and addressing water service backlogs. The Minister of Finance should report to the Committee on progress made in this regard during the first quarter of the 2027/28.

6.12. That the CMAs engage and collaborate with the South African Agency for Science and Technology Advancement to promote public education on water, sanitation and hygiene (WaSH) and report quarterly to the Committee.

Report to be considered.