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PARLIAMENT

OF THE

REPUBLIC OF SOUTH AFRICA

**ANNOUNCEMENTS,
TABLINGS AND
COMMITTEE REPORTS**

THURSDAY, 31 OCTOBER 2024

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ANNOUNCEMENTS

National Council of Provinces

The Chairperson

1. Membership of Committees

- (1) The following changes have been effected to the membership of the following Joint Committees:

Joint Committee on Ethics and Members' Interests

Appointed: Mr BJ Farmer (Western Cape – PA)
 Discharged: Ms MM Bains (Western Cape – ANC)

Joint Standing Committee on Financial Management of Parliament

Appointed: Mr FJ Badenhorst (Western Cape – DA)
 Discharged: Mr DR Ryder (Gauteng – DA)

Appointed: Ms S Ndhlovu (Limpopo – ANC)
 Discharged: Ms TI Legwase (North-West – ANC)

Appointed: Mr M Feni (Eastern Cape – ANC)
 Discharged: Ms MM Bains (Western Cape – ANC)

TABLINGS

National Assembly and National Council of Provinces

1. The Minister of Home Affairs

- (a) Revised Annual Performance Plan of the Border Management Authority (BMA) for 2024/25.
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COMMITTEE REPORTS

National Assembly

1. BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE STANDING COMMITTEE ON FINANCE, DATED 29 OCTOBER 2024

The Standing Committee on Finance (SCoF/the Committee), having considered the performance report and audited financial statements of the National Treasury (NT) and the South African Revenue Service (SARS) for the 2023/24 financial year, as part of the Budgetary Review and Recommendations Report (BRRR) process under Section 5 of the *Money Bills and Related Matters Act (2009)*, reports as follows:

INTRODUCTION

- 1.1. On 16 October 2024, the Director-General, Dr. D Pieterse and senior staff of the National Treasury appeared before the Standing Committee of Finance to present their annual reports and audited financial statements for 2023/24. The Minister of Finance, Mr Enoch Godongwana, Deputy Ministers Dr D Masondo and Mr A Sarupen, sent apologies as they were attending Cabinet, Cabinet Committee meeting and SCOPA respectively.
- 1.2. On 22 October 2023, the South African Revenue Service, led by the Deputy Minister of Finance, Mr A Sarupen, SARS Commissioner Mr Edward Kieswetter, and senior staff of SARS, appeared before the Standing Committee of Finance to present their annual reports and audited financial statements for 2023/24.
- 1.3. Prior to the presentation of the annual reports, the Office of the Auditor-General of South Africa (AGSA), led by Ms Nompakamo Matanzima, Business Unit Leader: Finance Portfolio, presented to the Committee the audit outcomes of all the entities that AGSA audits in the finance portfolio.

POLITICAL OVERVIEW

2.1. This political overview provided by Minister of Finance Enoch Godongwana, is drawn from the 2023/24 Annual Reports of the National Treasury and SARS. In the foreword to these reports, the Minister highlights disciplined policy adherence, reform momentum, and progress in critical areas amid a challenging economic climate. Despite ongoing energy shortages and infrastructure delays, the South African economy showed resilience, achieving 0.6% growth, with NT's efforts focusing on transparency, accountability, and pro-growth strategies.

2.2. The Minister noted that key structural reforms targeted the energy and logistics sectors and public-sector efficiency, aiming to boost GDP, create jobs, and reduce poverty. NT maintained fiscal discipline by utilizing 99.2% of its R34.35 billion budget while effectively controlling expenditure to prioritize social protection, education, healthcare, and capital investment. Treasury's performance, recognized by an unqualified audit with no material findings, reflected strong governance. Fiscal policy milestones included the advancement of Operation Vulindlela, which addressed digital spectrum, energy project approvals, and water license processing to break down economic barriers. Treasury also initiated tax incentives for renewable energy adoption and introduced a grant for smart electricity meters to improve municipal energy efficiency, complementing Eskom's debt relief initiatives.

2.3. In the financial sector, Treasury focused on anti-money laundering measures to address grey-listing requirements, showing its dedication to financial stability and integrity. Treasury also prioritized local economic development through the neighbourhood development program and continued to strengthen municipal financial management via a redesigned municipal finance improvement program.

2.4. Internationally, South Africa reinforced its role in global economic collaboration by hosting the BRICS summit, which supported cooperative development among emerging markets.

2.5. Minister Godongwana also emphasized the role of SARS in mobilizing domestic resources to support South Africa's fiscal independence. Since its establishment in 1997, SARS has raised R21.5 trillion, contributing over 90% of the national budget and supporting the state's capacity to deliver services. For 2023/24, SARS collected R2.155 trillion in gross revenue, netting R1.741 trillion after refunds, and exceeded projections through robust compliance programs. SARS's modernization initiatives, outlined in the Digital Playbook, aim to build an integrated, data-driven tax and customs platform through AI, digital identities, and collaboration with government agencies.

2.6. Looking forward, Minister Godongwana anticipates that the 7th Administration's initiatives will further strengthen fiscal sustainability and ethical governance.

OVERVIEW OF NATIONAL TREASURY PERFORMANCE

3.1. The National Treasury is responsible for managing South Africa's national finances, a mandate based on Chapter 2 of the Public Finance Management Act and Chapter 13 of the Constitution, particularly Section 216(1), which mandates NT to ensure transparency, accountability, and sound financial controls. The PFMA provides the structural framework, outlining guidelines for efficient and responsible financial governance across all government levels, while the Municipal Finance Management Act (MFMA) reinforces NT's role in municipal financial management by establishing regulatory guidance over municipal budgeting, spending, and reporting.

3.2. The MFMA assigns NT a critical oversight function, including monitoring municipal budget adherence, spending practices, and debt levels to ensure fiscal discipline. Under Chapter 12 of the MFMA, NT is also tasked with strengthening municipal financial

management capacity by providing training, technical assistance, and systems like the Integrated Financial Management System (IFMS). NT's monitoring role helps prevent unsustainable debt levels and fosters improved governance standards and fiscal accountability at the local government level.

3.3.NT also has authority under Chapter 13, Section 139 of the MFMA to intervene in financially distressed municipalities by implementing Financial Recovery Plans (FRPs) aimed at restoring fiscal health and service delivery. It oversees municipal borrowing and investment practices (Chapter 6, Section 46), ensuring these align with long-term sustainability goals. Together, these roles, defined by the PFMA, MFMA, and constitutional provisions, form a governance framework that promotes national fiscal stability and local accountability, strengthening public trust in South Africa's financial governance system.

3.4.NT's 2023/24 Annual Performance Report highlights a mix of achievements and challenges across its programmes. The report underscores a generally positive performance, with specific areas of improvement required in several programmes.

3.5.Programme 1: Administration achieved 100% of its non-financial targets, showcasing strong internal management and governance. Notably, the Treasury exceeded its ICT service delivery standard by achieving a 94% compliance rate, above the 93% target. Additionally, risk management reached level 5 maturity, indicating a robust control environment.

3.6.Furthermore, training and development surpassed expectations, with a 96% spend on this area, against a planned 70%, showing commitment to workforce development. The Administration programme had a projected expenditure of R609.9 million but concluded with an actual spend of R486.2 million, leading to a notable variance of R123.7 million. This represents only 80% of the budgeted amount.

- 3.7. Programme 2: Economic Policy, Tax, and Research also met all its targets, demonstrating progress in policy formulation and economic research. Treasury produced 30 research papers and nine macro/microeconomic reports, exceeding its target of eight. In addition, financial and tax legislation was successfully submitted to Parliament, a key achievement that aligns with Treasury's legislative obligations. Financially, this programme utilized 92% of its allocated R138.4 million, recording a variance of R10.9 million with an actual expenditure of R127.5 million.
- 3.8. Programme 3: Public Finance and Budget Management showed mixed results, achieving 66.67% of its targets. The Treasury disbursed R7.19 billion in grant funding, falling slightly short of the R7.35 billion target. However, it excelled in infrastructure oversight by assessing 100% of infrastructure plans and approving 40 catalytic projects, exceeding the target of 35. Some variances were recorded, primarily due to the under-disbursement of funds related to the Common Monetary Area and delays in certain project rollouts, which impacted overall expenditure. The programme demonstrated close adherence to budget, achieving 99% utilization by spending R3.98 billion against its R4.00 billion target, yielding a minor variance of R26.1 million.
- 3.9. Programme 4: Asset and Liability Management successfully achieved 100% of its targets, reflecting effective fiscal stability and efficient management of the public debt portfolio. The programme conducted timely reviews of corporate plans from public entities and met the annual gross borrowing requirement, reinforcing its role in safeguarding South Africa's financial health. Budget utilization was efficiently managed, with expenditures aligning well with allocated resources, which contributed to maintaining fiscal stability within the set budget framework. This programme reached full budget compliance, spending R656.4 million against a projected R657.7 million, with only a slight variance of R1.3 million.

- 3.10. Programme 5: Financial Accounting and Supply Chain Management Systems presented a more challenging performance, meeting only 54.55% of its targets. Key targets, such as the implementation of the e-Recruitment module and the Integrated Financial Management System, encountered delays. However, the programme achieved some of its supply chain and financial reporting goals, including successful production of transversal term contracts. In Financial Accounting and SCM Systems, NT spent R754.9 million of an R821.6 million budget, achieving 92% budget utilization with a variance of R66.7 million.
- 3.11. Programme 6: Civil and Military Pensions, Contributions to Funds, and Other Benefits achieved 100% of its targets, ensuring that pension and benefit payments were processed efficiently and on time. Financially, this programme adhered closely to its budget, demonstrating efficient financial planning in maintaining these essential services for civil and military personnel. Civil and Military Pensions, Contributions to Funds maintained precise budget compliance, spending R6.66 billion with only a minimal variance of R73. This programme achieved 100% budget utilization.
- 3.12. Programme 7: International Financial Relations achieved all its targets, strengthening South Africa's position in international financial forums such as the BRICS, IMF and World Bank. Additionally, it effectively managed the Southern African Customs Union (SACU) revenue distribution, reinforcing fiscal cooperation with regional partners. Financial allocations were used effectively to support international relations, with funds allocated toward dues and multilateral contributions utilized as per planned budget requirements. International Financial Relations nearly achieved its budget goal, with an expenditure of R2.71 billion out of a R2.75 billion allocation, leaving a variance of R46.5 million and achieving 98% compliance.

- 3.13. Revenue Administration and Financial Intelligence and State Security both attained full budget adherence, each spending R13.28 billion and R5.42 billion, respectively, achieving 100% of their allocated budgets with no variance.
- 3.14. In terms of overall financial performance, the National Treasury allocated a total budget of R34.35 billion for the year, spending R34.075 billion, resulting in an underspend of R275 million (1%). Major variances included a R3.5 million underspend in employee compensation due to a high vacancy rate, R129.4 million underspend in goods and services, impacted by procurement delays, and R100.3 million underspend in capital assets due to ICT procurement lags. Transfers and subsidies also experienced a shortfall of R36.8 million, influenced by fewer-than-expected payments in the Common Monetary Area and savings from favourable foreign exchange rates.
- 3.15. In the economic classification breakdown, Compensation of Employees saw an expenditure of R905.6 million against a budget of R909.1 million, marking an underspend of R3.5 million and achieving 100% of the allocation. Goods and Services spending was slightly below budget at R1.31 billion, compared to an allocation of R1.44 billion, resulting in a variance of R129.4 million and an expenditure rate of 91%.
- 3.16. The Transfers and Subsidies category recorded near-complete budget alignment, with R29.89 billion spent from the R29.93 billion budget, yielding a small variance of R36.8 million. Payment of Capital Assets encountered a significant underspend, utilizing only R18.1 million out of a R118.4 million budget, which translates to 15% of the projected amount, indicating possible delays or adjustments in capital expenditure. Finally, Payment of Financial Assets reached full budget utilization, with a spend of R1.95 billion out of R1.96 billion, achieving 100% compliance.
- 3.17. Key Challenges impacting Treasury's performance included ongoing delays with the IFMS implementation, which has faced longstanding procurement and operational issues.

Additionally, high levels of municipal debt to Eskom and water boards (approximately R80 billion to Eskom and R10 billion to water boards) have constrained local governments, posing risks to essential service delivery and Treasury's own financial management efforts. Treasury's recruitment challenges have also affected program efficiency, although efforts are being made to expedite hiring and align human resources with program needs.

3.18. National Treasury maintained a vacancy rate of 15.93%, with a total workforce of 1,082 employees, inclusive of both fixed-term and additional appointments. Within this complement, 90% of the staff are Black, 57% are female, and 0.83% are individuals with disabilities. The department achieved a significant milestone in workforce development, with 54% of employees participating in skills development and leadership programmes. In addition, 47 employees received promotions over the course of the year, reflecting NT's commitment to internal career growth.

3.19. Senior Management Service compliance was also a priority; 96% of SMS members signed performance agreements. Those who failed to do so were issued letters of intent regarding disciplinary action and will be ineligible for performance rewards, underscoring NT's dedication to performance accountability at senior levels.

3.20. The vacancy rate has been influenced by several factors, including the reprioritisation of service delivery needs and delays in recruitment processes. Additionally, NT adhered to a DPSA directive aimed at controlling the filling of vacant positions to support fiscal sustainability. NT adopted a strategic approach to workforce management by rotating employees and appointing them to act in higher roles, which broadened their skill sets and reinforced the management pipeline. However, the requirement for a minimum level of experience for entry into senior management positions posed challenges, especially since NT competes with the finance sector, affecting its ability to attract seasoned professionals for these roles.

OVERVIEW OF THE SOUTH AFRICAN REVENUE SERVICE PERFORMANCE

- 4.1.SARS's mandate is to contribute to the economic and social development of the country by collecting all taxes, duties and levies due to fund the South African government's public service programmes and priorities. Its objective is the efficient and effective collection of revenue and control over the import, export, manufacture, movement, storage, or use of certain goods.
- 4.2.During the 2023/24 financial year, SARS reported progress toward its vision of becoming a modern, digitally enabled revenue authority, even amid economic challenges, complex tax environments, and limited budgetary resources. Key accomplishments include the successful pursuit of several strategic objectives.
- 4.3.The degree of achievement across SARS's nine strategic objectives showed that 71% of the targets were fully met, with 25% partially achieved, and only 4% not reached.
- 4.4.In the 2023/24 fiscal year, SARS achieved notable successes in fulfilling its mandate objectives, notably in revenue collection and trade facilitation, while it partially met targets related to compliance levels. The agency recorded a 100.55% achievement in revenue collection, surpassing its target. This year, SARS collected a record gross amount of R2.1548 trillion, marking a 4.2% year-on-year growth, and achieved a net collection of R1.7409 trillion, which was 3.21% higher than the previous year. This accomplishment resulted in a surplus of R9.52 billion over the Revised Estimate.
- 4.5.SARS paid out R413.9 billion in refunds to taxpayers, reflecting an 8.6% increase year-on-year. The tax-to-GDP ratio has steadily increased over the past four years, rising from 22.3% in 2020/21 to 24.5% in 2023/24, indicating a stable and improving tax base relative to the economy. The cost-to-revenue ratio for the year stood at 0.71%, remaining well below the 1.00% benchmark for developing economies.

4.6.SARS's compliance programme yielded substantial results, generating R260.5 billion in compliance revenue—a 25.5% increase from the previous year. This revenue emerged from targeted compliance activities, such as the Voluntary Disclosure Programme, designed to foster a culture of trust and regularize tax obligations. Enforced compliance efforts proved significant, adding approximately R91 billion through over 2 million resolved debt cases supported by machine learning models, R95 billion from 1.9 million tax verifications identified via AI-driven risk profiling models, and R41 billion from 230,000 tax and customs compliance audits. SARS's efforts against syndicated crime yielded R20 billion from 150 complex investigations, while general compliance work contributed another R13 billion.

4.7.Despite these successes, SARS partially achieved its voluntary compliance target, with an overall compliance level of 63.63% against a planned target of 66.61%. The deviation was primarily due to underperformance in filing and payment compliance across major tax types, partly attributed to SARS's inability to follow up on a growing inventory of outstanding returns. Many taxpayers indicated that financial hardship prevented them from meeting their tax obligations, despite acknowledging the debt. SARS's continuous compliance efforts, however, have shown progress, with a 2.02 percentage point increase in compliance levels from the prior year. The agency said it is committed to improving its debt collection and outstanding returns processing capacity through a combination of insourcing and outsourcing strategies, which it anticipates will enhance compliance in future fiscal years.

4.8.SARS reported that it achieved substantial progress in trade facilitation, surpassing its target with a Trade Facilitation Index (TFI) score of 71.6%, well above the target of 54.8%. This marked the first year SARS measured this indicator against an established baseline, setting a new standard for future assessments of its trade facilitation performance. Key

components of the TFI included outstanding performances in "formalities: automation" (87%), "formalities: documents" (76%), and "information availability" (76%), all of which contributed significantly to the overall index score. Throughout the year, SARS conducted a mid-year review to assess its progress, refine its methods for engaging stakeholders, and enhance information accessibility. This strategic approach led to a 69% mid-year survey score, indicating positive development throughout the year as SARS worked to address trader concerns and improve service delivery.

4.9. Notably, SARS observed that traders with more industry experience reported higher satisfaction levels, which positively influenced the overall TFI score. This feedback underscores the importance of SARS's efforts to create a more streamlined and user-friendly experience for its stakeholders in the trade industry. Looking forward, SARS will continue to monitor the effectiveness of the TFI, implement improvements where needed, and respond proactively to feedback, ensuring the agency's trade facilitation measures are aligned with industry expectations and contribute to a more efficient trade ecosystem. Below is SARS overview of key achievements and metrics across each of its nine Strategic Objectives (SO1-9).

SO1: Clarity and Certainty for Taxpayers and Traders

4.10. SARS aimed to improve transparency and ease of understanding for taxpayers and traders. It delivered notable results, with 190 Authorized Economic Operator (AEO) accreditations—exceeding the target of 128—and issued 885 rulings and opinions to facilitate clarity. The interactive "Chatbot Lwazi" was instrumental, providing 1.19 million positive responses, while SARS held 215 community workshops to educate stakeholders. Additionally, a new legislative framework for advance-pricing agreements was incorporated in the 2023 Tax Administration Laws Amendment Bill. However, only

66.86% of surveyed stakeholders were satisfied with SARS's clarity and certainty efforts, falling short of the 77% target.

SO2: Ease of Compliance

4.11. A key strategic focus was on enabling digital and seamless taxpayer engagement. SARS achieved 97.33% auto-assessments for standard taxpayers, surpassing its target of 93%. In addition, 88.5% of taxpayers and traders used digital platforms for interactions. SARS processed millions of customs declarations and proactively utilized targeted communications to encourage digital engagement. In total, SARS managed over 20 million service-related interactions across its branches and self-service platforms, significantly reducing in-person engagements.

SO3: Making Non-Compliance Hard and Costly

4.12. SARS continued its rigorous enforcement efforts, achieving a 98.10% risk detection rate and a 95.29% prosecution success rate with the NPA. Compliance interventions yielded significant results, including the identification of R47.7 billion in non-compliant revenue, the seizure of R6.68 billion in contraband goods, and the successful recovery of R20.1 billion from criminal activities. SARS also resolved 14,094 appeals, achieving a 97% resolution rate through Alternative Dispute Resolution.

SO4: Building a High-Performing, Diverse, and Engaged Workforce

4.13. SARS focused on strengthening its internal workforce by achieving a racial equity target of 81.56% and implementing the SARS Career Progression Framework. It also saw improvements in disability representation (2.21%) and gender representation (50.75%). Employee engagement was high, with initiatives like 6,994 on-the-spot awards and 158 annual recognition awards. SARS is committed to continuous learning, as demonstrated by the establishment of a Junior Board and the Women in Leadership program.

SO5: Data-Driven Insights and Integrity

4.14. SARS successfully leveraged data analytics, achieving 100% utilization of automated risk assessment for standard audits and 82.8% for complex cases, yielding R62 billion in recovered revenue. SARS's data capabilities include a suite of 20 machine learning models, which further optimized compliance verification processes. The Automated Exchange of Information (AEOI) system played a key role in detecting offshore tax risks, reflecting SARS's strong emphasis on data integration and integrity.

SO6: Digital Transformation and Streamlined Services

4.15. SARS maintained 99.7% systems availability rate with zero security breaches from known risks, underscoring the reliability of its digital infrastructure. The agency's modernization efforts won SARS a BCX Digital Innovation Award in 2023 for Auto Assessments and recognition at the Global Customs Innovation Awards for innovative customs technology, including a Customs Risk Engine and the use of blockchain for customs bonds.

SO7: Resource Stewardship and Operational Excellence

4.16. SARS achieved a deviation of only 3.01% from its budgeted allocation, well within the 5% target. SARS received a clean audit report for 2023/24, reflecting strong governance in resource utilization. Total expenditure reached R12.85 billion, with R370.8 million earmarked for IT investments. Additionally, an in-year allocation adjustment by the Minister allowed SARS to generate R7.5 billion in collections, prevent R6.9 billion in non-permissible refunds, and yield R5.2 billion in assessments, enhancing SARS's financial stewardship.

SO8: Stakeholder Collaboration

4.17. SARS prioritized cooperative relationships, achieving an 82.86% satisfaction rate from intermediaries, exceeding the target of 73%. Engaging extensively with stakeholders, SARS participated actively in OECD, WCO, ATAF, and SACU events, and contributed to

the FATF program, supporting transparency in international tax obligations. The agency strengthened partnerships through updated Memorandums of Understanding (MOUs) and engaged with various industry associations to improve voluntary compliance.

SO9: Building Public Trust and Confidence

- 4.18. SARS focused on maintaining public trust with an improved public opinion survey score of 77.53%, surpassing the 76% target. While the Service Charter performance score reached 81.33%, it fell short of the 85% target. SARS's commitment to enhancing operational efficiency and integrity contributed to its status as a trusted institution, as reflected in high public confidence in its fair and transparent tax administration.
- 4.19. Over the past decade, SARS has operated within a constrained funding environment. From the 2014/15 to 2023/24 fiscal period, SARS's grant allocation saw only a marginal increase with a compound annual growth rate (CAGR) of 3.5%, while tax revenues displayed a robust CAGR of 6.7%. This growth in tax revenues outpaced the Consumer Price Index (CPI), which grew by 5%, and nominal GDP, which expanded at a rate of 6%.
- 4.20. Despite the gradual increase in allocated funds, SARS's budget only grew by a CAGR of 3.46% during this period. As a result, operational adjustments have been necessary to manage financial constraints. Personnel costs grew at a CAGR of 3.57%, but the overall headcount decreased by approximately 1.6% annually, amounting to an overall reduction of roughly 20% from the 2011/12 baseline figure of 15,726 employees.
- 4.21. Operating expenditure (OPEX) rose modestly at 1.06% CAGR, and capital expenditure (CAPEX) declined by a significant -5.6%, underscoring the tightening budget conditions that limited SARS's capacity for modernization investments and resource expansion.
- 4.22. Looking forward, SARS has identified a critical funding requirement to address these challenges. A baseline adjustment of R17-R20 billion is needed over the Medium-Term Expenditure Framework (MTEF) to adequately support SARS's operational goals.

Additionally, an annual allocation of approximately R1 billion is required for short-term revenue recovery initiatives to ensure sustained compliance and revenue collection.

4.23. Beyond these immediate needs, SARS estimates that an additional R3 billion over the MTEF is essential for furthering its modernization efforts, which would enhance digital capabilities and streamline tax administration processes. Without these funds, SARS's capacity to maintain high levels of service and compliance is at risk, necessitating a focused approach to securing the necessary budget adjustments.

4.24. SARS gave the Committee its mid-year update on SARS's 2024/25 performance, providing some insights into its revenue, trade, and operational performance across key programs, as well as specific updates on new initiatives like the Two-Pot Retirement Withdrawal system.

Revenue Performance (2024/25 Half-Year Update)

4.25. For the first half of the 2024/25 fiscal year, SARS recorded revenue collection of R42 billion year-on-year (Y/Y) growth, a 5.2% increase. However, revenue collection fell short of the Printed Estimate by 2.4%, or R20.5 billion. The primary revenue shortfall was driven by lagging collections from Import VAT, PAYE, and the Fuel Levy, though these were partially offset by positive collections in Corporate Income Tax (CIT) and Domestic VAT. Notably, the Compliance Revenue Programme contributed R106 billion, representing a 3.9% Y/Y increase. Sectoral performance displayed gains in Finance, Community, and Electricity sectors, though Mining contracted. Notably, PAYE collections were constrained due to slower-than-anticipated growth from employers in the Finance sector. In Fuel Levy collections, a decline of 1,330 million litres year-over-year (Y/Y) was observed, with diesel and petrol down by 12.4% and 8.3%, respectively. Encouragingly, Domestic VAT saw

growth in standard-rated sales, suggesting modest economic improvement influencing consumer spending.

Trade Statistics (2024/25 Half-Year Update)

4.26. The global trade environment showed slight recovery in 2024, with world merchandise trade growing by 1.4% Y/Y. Despite this, South Africa's trade flows faced pressures, decreasing by R39.2 billion (a 2% Y/Y decline). Imports fell sharply by R36.2 billion (-3.7%), largely due to a reduction in refined petroleum, electrical transformers, OEM components, and vehicles. Exports dropped marginally by R3 billion, with declines mainly in automotive, platinum group metals, iron ore, coal, and diamonds. Lower importation levels reflected negatively on trade tax collections, pointing to continued economic strain.

Two-Pot Retirement Withdrawals

4.27. SARS introduced the Two-Pot system, receiving 1.487 million applications for tax directives, of which 1.399 million were approved (95%), 50,000 declined (3%), and 25,000 cancelled by Fund Administrators. The system approved gross lump-sum payments of R25.4 billion, with R6.1 billion in tax payable. Compliance enforcement resulted in IT 88 orders for 104,000 non-compliant taxpayers, totalling R670 million in outstanding debt. Additionally, SARS emphasized enhancing ease and clarity of services by developing an online, data-driven platform, facilitating swift directive processing and enabling taxpayer support through outreach campaigns and tools like the SARS Withdrawal Self Help Calculator, used 778,000 times (including 54,000 uses through WhatsApp).

Tax Filing Season 2024

4.28. During the 2024 PIT filing season, from June 30 to October 21, approximately 7.6 million taxpayers filed their returns. Out of these, 5 million were auto assessed, achieving an acceptance rate of 98%. Around 2 million taxpayers used digital platforms for filing, while 600,000 visited Service Centres. Efficiency improvements were evident, with 90%

of assessments issued within five seconds. A significant R28 billion in refunds was distributed to 2.9 million taxpayers, with 71% of refunds processed within 72 hours. SARS engaged over 2.2 million taxpayers through various service channels, reflecting strong support across in-person, phone, and virtual interactions.

4.29. SARS reported to the Committee that it faces multiple challenges that significantly impact its ability to fulfil its mandate. One critical issue is the erosion of social cohesion and public trust, driven by widespread crime, corruption, and organized cross-border syndicates. It said that this environment makes it increasingly difficult for SARS to encourage voluntary compliance among taxpayers, weakening the overall tax culture. Without a strong foundation of social trust, efforts to build compliant taxpayer behaviour become more challenging, undermining the administration's effectiveness.

4.30. Another pressing issue for SARS is the widening tax gap, as it faces difficulties in identifying and enforcing compliance in complex areas like illicit trade, high-income individuals, and large multinational businesses. This growing gap is compounded by SARS's budget limitations, which have not kept pace with GDP growth or inflation. As a result, SARS struggles to hire and retain skilled staff, maintain up-to-date technology, and implement essential modernizations. Customs and excise divisions have experienced staffing reductions, despite a 90% increase in trade value and a 33% increase in declarations over the last decade. This shortfall in resources has strained SARS's ability to manage inspections, ensure efficient trade facilitation, and uphold compliance.

4.31. Further challenges include a scarcity of critical skills in areas such as data science, technology, and customs enforcement. The public sector's competitive recruitment landscape makes it difficult for SARS to secure and retain these essential talents. Meanwhile, rapid technological advancements, including developments in AI and data analytics, demand ongoing investments in modernized systems to address sophisticated

non-compliance tactics effectively. Administrative and operational constraints also plague SARS, with a growing backlog of unaddressed tax returns and debt collections, coupled with limited funding that hampers long-term planning. These cumulative obstacles restrict SARS's capacity to enforce tax compliance, combat illicit activities, and deliver quality taxpayer services, ultimately widening the tax gap and affecting South Africa's fiscal stability.

4.32. As of March 31, 2024, SARS's tax account reconciliation reveals a significant gap between the estimated tax liability and actual collections. The estimated true tax liability for the period was calculated at R2.541 trillion. Of this amount, R1.480 trillion was collected voluntarily and in a timely manner, representing 58% of the total estimated liability. Through its compliance programs and administrative actions, SARS collected an additional R261 billion, accounting for 10% of the estimated tax liability and contributing 15% to the total net recovery.

4.33. However, despite these efforts, a net tax gap of approximately R800 billion persists, equating to 32% of the estimated liability that remains uncollected. The gross tax gap, including known under-recoveries, stands at R1.061 trillion, or 42% of the total estimated liability. Research and data indicate that between R710 billion and R800 billion in tax revenues remain unrecovered, underscoring the need for continued and enhanced compliance efforts to close this substantial shortfall. This under-collection not only impacts fiscal stability but also emphasizes the necessity for increased resources and capabilities within SARS to improve compliance and reduce the tax gap.

**REPORT OF THE AUDITOR-GENERAL SOUTH AFRICA ON NATIONAL
TREASURY AND FINANCE PORTFOLIO ENTITIES.**

5.1. AGSA presented its findings on the 2023/24 audit outcomes for the Finance Portfolio to the Standing Committee on Finance. The audit covered key entities within the Finance Portfolio, including the National Treasury, South African Revenue Service, Public Investment Corporation (PIC), Government Pensions Administration Agency (GPAA), Cooperative Banks Development Agency (CBDA), Development Bank of Southern Africa (DBSA), Financial and Fiscal Commission (FFC), Financial Intelligence Centre (FIC), Financial Sector Conduct Authority (FSCA), Independent Regulatory Board for Auditors (IRBA), Government Technical Advisory Centre (GTAC), Office of the Pension Funds Adjudicator (OPFA), Office of the Tax Ombud (OTO), Land Bank and its subsidiaries (Land Bank Insurance Company and Land Bank Life Insurance Company), and the Government Pension Administration Agency (GPAA). While the portfolio exhibited some positive trends, AGSA identified key areas needing improvement, including material irregularities and persistent compliance challenges.

5.2. AGSA noted a slight regression in audit outcomes compared to the prior year, with only 10 out of the 16 entities achieving unqualified audit opinions with no findings, down from 11 entities the previous year. However, the National Treasury and the CBDA showed notable improvements, achieving clean audits due to strengthened internal controls and effective audit action plans.

5.3. However, several entities faced recurring compliance issues, notably the PIC and GPAA, which struggled with expenditure management and consequence management. Key findings pointed to a need for enhanced internal controls and more timely filling of critical vacancies.

5.4. FFC regressed to an unqualified audit with findings due to unfilled key roles like CFO and CEO, affecting its compliance with asset and expenditure management regulations.

Similarly, LBIC's audit outcome worsened from unqualified to qualified due to its failure to allocate expenses as per IFRS 17 standards.

5.5. Performance assessments across entities displayed significant variation, with some achieving their set goals while others lagged in critical areas. Notably, entities such as the FSCA and IRBA demonstrated strong internal controls and action plans, achieving 100% of their performance targets. This high level of achievement underscores their operational stability and adherence to strategic objectives. In contrast, National Treasury faced notable challenges in reaching key objectives, particularly in supporting financially distressed municipalities. NT managed to place only 75 out of the planned 80 technical advisors, with advisor resignations contributing to this gap. This shortfall hindered NT's capacity to provide comprehensive support for municipal debt management and financial recovery efforts.

5.6. Moreover, NT experienced delays in finalizing Financial Recovery Plans (FRPs) for municipalities in severe financial distress. This delay has further strained NT's ability to support timely financial stabilization efforts, reflecting a need for enhanced coordination and resource allocation in its municipal recovery strategies. Other entities, including SARS and the PIC, also faced critical gaps. SARS struggled with taxpayer satisfaction targets, and the PIC faced challenges with investment performance, indicating areas requiring improvement in service delivery and investment strategy.

5.7. The GPAA encountered significant setbacks, achieving only 6.25% of its target for disbursements under the Temporary Employees Pension Fund. This underperformance led to delayed pension payouts, directly affecting beneficiaries reliant on these funds and potentially influencing tax revenue. Additionally, DBSA experienced delays in infrastructure projects, which impacted community development initiatives and underscored the need for stronger alignment between performance goals and on-ground

execution capabilities. These issues highlight the importance of consistent oversight and strategic alignment to achieve key objectives across the finance portfolio.

5.8. Across the portfolio, irregular expenditure showed a reduction from R80 million in 2022/23 to R69 million in 2023/24. Nevertheless, the bulk of irregularities stemmed from non-compliance with Supply Chain Management (SCM) regulations. SARS led with R32.5 million in irregular expenditure, primarily due to SCM non-compliance, while GTAC and NT reported irregularities related to ongoing multi-year contract expenses without adequate SCM oversight.

5.9. Fruitless and wasteful (F&W) expenditure saw a significant reduction from R1.788 million to R353,000, with a large portion incurred by PIC from overpaid salaries that are under recovery agreements with affected employees.

5.10. To date, only one Material Irregularity (MI) has been identified in the finance portfolio, linked to longstanding issues in the IFMS project. During the 2020-21 audit, an MI notification was issued to the Accounting Officer, prompted by findings from prior audits. This MI was associated with breaches of section 38(1)(c)(ii), section 38(1)(b), and section 45(b) of the Public Finance Management Act (PFMA), which pointed to fruitless and wasteful (F&W) expenditure dating back to the 2016-17 fiscal year. R400 million was expended on non-functional licenses, resulting in financial loss. Although AGSA's audit opinion was not directly impacted by this amount, the F&W expenditure was flagged as a prior-year concern, incurred in the 2021/22 fiscal year, with no payments made in 2023/24. NT's subsequent suspension of payments for technical support and its attempt to renegotiate with Oracle have stalled further expenditures; however, the failure to achieve value from these licenses remains a pressing issue.

5.11. The governance landscape within the finance portfolio remains largely stable, with most auditees maintaining fully constituted boards or accounting authorities and filling

critical executive-level roles. Over the past year, key vacancies included the Accounting Officer positions at NT and GTAC, as well as the CFO and Chief Audit Executive (CAE) at NT, Managing Director (MD) for the CBDA, and the Chief Operating Officer (COO) and CFO at GPAA. NT, GPAA, and the PIC had vacant CFO positions, further impacting stability and operational efficiency.

5.12. Progress has been noted in filling some of these roles: NT has successfully appointed both an AO and CAE, while PIC filled its CFO position in April 2024. However, other key roles remain vacant, potentially impeding progress on action plans and effective governance. These vacancies include the COO and CFO positions at GPAA, the CEO and CFO roles at the FFC, the AO role at GTAC, and the MD role at CBDA. NT also continues to face challenges filling the CFO position due to an ongoing legal matter with the former incumbent.

5.13. AGSA recommended that accounting officers and authorities, alongside executive authorities, expedite the filling of these crucial roles to reinforce governance, foster leadership stability, and enhance the effectiveness of strategic initiatives across the portfolio.

5.14. Information and Communication Technology and infrastructure issues also persist, with entities like SARS making improvements in IT controls, while National Treasury's reliance on legacy systems poses risks. AGSA's findings underscored the importance of modernizing these systems to maintain operational resilience and safeguard data integrity.

5.15. AGSA provided recommendations for the Committee to strengthen oversight and improve financial governance. The Standing Committee on Finance was advised to intensify monitoring and follow-up with both the executive authority and accounting officers/authorities to address several key issues affecting the finance portfolio. Primary areas of concern include addressing the root causes of inadequate audit action plans and the

ineffective monitoring of their implementation. This has contributed to deficiencies in the quality of financial and performance reports, non-compliance with supply chain management regulations, and shortcomings in consequence management.

5.16. Additionally, vacant key positions at entities such as National Treasury, Government Pensions Administration Agency, Financial and Fiscal Commission, and the Government Technical Advisory Centre continue to undermine operational effectiveness, and there are ongoing delays in the Integrated Financial Management System project due to contractual disputes and SIU investigations.

5.17. AGSA also recommended that the Committee focuses on ensuring that entities improve their monitoring mechanisms to meet critical service delivery targets. Active oversight on leadership's progress in implementing audit action plans is essential to enhance compliance with legislation and improve report quality. The Committee should continue to monitor the filling of vacant posts to ensure stable leadership across entities and request regular feedback on both the IFMS project status and the application of SIU recommendations.

5.18. Moreover, in-year reporting should serve as a mechanism to gauge the portfolio's rate of achieving service delivery objectives, allowing for timely intervention, corrective actions, or accountability discussions as needed. This sustained oversight will be vital in addressing these systemic challenges, fostering improved governance and operational efficiency across the finance portfolio.

5.19. AGSA's 2023/24 audit report underscored a mix of progress and persistent challenges. While some entities demonstrated improvements, others remain hampered by compliance issues, material irregularities, and leadership gaps. AGSA encouraged the Committee to continue its oversight role in monitoring audit action plans, supporting consequence management, and ensuring that critical vacancies are filled. With these measures in place,

the Finance Portfolio can strengthen its commitment to accountability, governance, and effective service delivery.

OBSERVATIONS AND RECOMMENDATIONS

REFLECTION ON THE 2019–2024 MEDIUM-TERM STRATEGIC FRAMEWORK CYCLE

6.1. The year under review, 2023/24, marks the conclusion of the 2019–2024 Medium-Term Strategic Framework (MTSF), South Africa's second five-year implementation plan for the National Development Plan. This MTSF comprises 7 priorities, 81 outcomes, 337 interventions, and 561 indicators, providing a detailed roadmap for government departments to support the country's developmental objectives. The priorities include building a capable state, economic transformation, quality basic services, spatial integration, social cohesion, and fostering South Africa's role on the global stage.

6.2. According to the AGSA, NT and Finance Portfolio entities have shown alignment with critical MTSF targets, specifically in the areas of provincial and municipal budget systems, asset management, reduction of irregular expenditure, and integrated financial management system rollout. Key targets have seen partial progress, with achievements in establishing the illicit economy unit and operationalizing the Infrastructure Fund. However, performance against specific targets, especially in the reduction of fruitless, wasteful, unauthorized, and irregular expenditures, shows limited improvement, particularly at the local government level.

6.3. For instance, unfunded budgets remain high, with 108 municipalities reporting unfunded budgets as of the most recent assessment. Asset management continues to face challenges; a significant number of government properties (6,943 in use and 2,394 unoccupied) are in

poor condition. Fruitless and wasteful expenditure in municipalities increased to R108.24 billion under MFMA oversight and R262.03 billion under PFMA oversight, underscoring financial management weaknesses.

6.4. The Committee is deeply concerned about the continued increase in irregular, fruitless, and wasteful expenditure across municipalities, as highlighted in AGSA's report. This expenditure has surged alarmingly from R108 billion to R136 billion, despite National Treasury's directive urging budgetary discipline. This trend points to ongoing weaknesses in financial management, poor budget allocation practices, and a lack of fiscal accountability within local governments, particularly in municipalities already facing significant debt obligations to Eskom and water boards.

6.5. The Committee observes that the escalating municipal debt to Eskom and water boards has reached unsustainable levels, risking the financial stability of state-owned entities and undermining the fiscal health of municipalities. This debt accumulation, largely due to municipal non-payment, has significantly impacted SOE liabilities. The Auditor-General of South Africa has warned that without urgent intervention, water boards may face insolvency. The Committee, aligning with AGSA's recommendations, will enhance its oversight of these matters to ensure fiscal accountability, focusing on municipalities' adherence to the Eskom Debt Relief Program and other compliance measures to mitigate this financial strain.

6.6. The Committee notes the assessment of AGSA that strategic outcomes set over the past five years within the MTSF, particularly in reducing Unauthorised, Irregular, Fruitless, and Wasteful expenditure and improving municipal financial systems, are unlikely to be fully met. This assessment reflects the limited progress in audit outcomes, especially within local government. However, AGSA acknowledges that National Treasury has implemented various targeted initiatives and programmes aligned with the Annual Performance Plan to

support the public sector in these areas. The Committee recognizes NT's ongoing work in addressing these persistent challenges and emphasizes the need for a focused approach to achieve these critical targets, enhancing governance and accountability. To ensure effective oversight, the Committee will request a comprehensive briefing from the Minister and NT at the end of the 3rd quarter of 2024/25, specifically on the progress towards MTSF target achievements within the Finance Portfolio.

GENERAL OBSERVATIONS AND RECOMMENDATIONS ON 2023/24 FINANCE PORTFOLIO AUDIT OUTCOMES

6.7. The Committee observes that the Finance Portfolio's audit outcomes over the past five years show an encouraging trend toward improvement, reflecting advances in financial governance, compliance, and accountability. However, a slight regression was noted in the 2023/24 cycle, where 10 entities (63%) achieved unqualified audit opinions with no findings, a decrease from the 69% of entities in 2022/23. This minor decline underscores the need for ongoing and enhanced focus on internal controls and governance across entities to sustain and further the gains made in recent years.

6.8. The portfolio's steady progress since 2019/20, when only six entities attained clean audits, underscores the effectiveness of targeted interventions and refined audit action plans. Nevertheless, the Committee acknowledges that there remains considerable room for improvement, emphasizing the expectation that entities within the Finance Portfolio, as custodians of public finances, continue to strengthen governance practices and set a standard for accountability across the public sector.

6.9. NT and the CBDA were particularly notable for advancing to unqualified with no findings. Their achievement reflects significant improvements in the control environment and decisive action on previous audit findings.

- 6.10. Eight entities, including the DBSA, IRBA, and FIC, sustained their clean audit status, attributed to strong leadership, efficient governance structures, and robust financial management practices. These entities demonstrate resilience in addressing audit findings promptly, supported by skilled and adequately resourced teams.
- 6.11. However, ongoing challenges persist within the portfolio, particularly among the PIC, GPAA, and Land Bank. The PIC faces persistent issues with asset management compliance and has regressed in its performance information audit due to material findings. GPAA struggles with repeated findings in expenditure and supply chain management and consequence management, largely due to critical vacancies and insufficient internal controls.
- 6.12. Material misstatements in financial statements are recurring in GPAA, LB, LBIC, and LBLIC, with compliance issues exacerbated by the adoption of new accounting standards (IFRS 17) and the entities' inadequate preparation for these transitions.
- 6.13. The FFC also regressed from unqualified with no findings to unqualified with findings, primarily due to a lack of skilled personnel and unfilled key positions in finance and supply chain management. This staffing challenge further impacted FFC's asset and expenditure management practices.
- 6.14. Similarly, the LBIC regressed due to incorrect recording and allocation of expenses as per IFRS 17. These regressions underline the need for strategic planning, staff upskilling, and strengthened oversight of audit processes to align with evolving financial reporting standards.

Irregular expenditure and consequence management

- 6.15. The Committee acknowledges the role of strong consequence management in achieving improved audit outcomes. The CBDA was commended for significant strides in resolving past cases of non-compliance and upholding accountability through consistent corrective

actions. The PIC also made progress by implementing recovery processes for irregular expenditure, showcasing the positive impact of focused consequence management. In contrast, GPAA continues to encounter issues in this area, with repeat findings of material non-compliance due to gaps in documentation and delayed investigations.

6.16. The Committee however also notes with concern the persistent issue of irregular expenditure within the Finance Portfolio, which closed the 2023/24 financial year with an outstanding balance of R1.373 billion. Despite measures in place, the treatment of irregular expenditure remains largely unresolved, with only 12% of cases fully addressed, representing a significant gap in consequence management.

6.17. The Land Bank alone accounts for the majority of the unresolved irregular expenditure, contributing R981 million primarily due to extended service level agreements without National Treasury's prior approval. National Treasury itself reported R280 million in irregular expenditure, linked to unauthorized contract extensions and procurement practices, while the Government Pensions Administration Agency and the Financial and Fiscal Commission are also notable contributors.

6.18. This lack of progress in dealing with irregular expenditure signals significant lapses in internal controls, contract management, and oversight. Moreover, the top five contributors collectively represent 99.7% of the portfolio's unresolved irregular expenditure, indicating that these entities require particular attention to prevent repeated irregularities and enforce stronger accountability measures.

6.19. The Committee recommends that National Treasury and each of the implicated entities develop and implement comprehensive action plans to address irregular expenditure in a timely manner. These plans should include detailed steps for investigating and addressing unresolved irregular expenditure cases, specifying whether they will seek condonement, initiate recovery, or apply other remedial actions. To improve oversight, National Treasury

should also establish more stringent guidelines and set strict deadlines for irregular expenditure cases awaiting condonement or recovery, particularly those from previous years.

- 6.20. For the Land Bank, the Committee recommends that all service level agreements be reviewed to ensure compliance with approval processes, with quarterly reporting to the Committee on the progress of rectifying these irregularities. Furthermore, an independent audit of contract management practices at the Land Bank, National Treasury, and GPAA is recommended to identify and address any systemic issues leading to irregular expenditure.
- 6.21. In cases where investigations into irregular expenditure are ongoing or not yet initiated, such as with FFC and GPAA, the Committee recommends establishing clear timelines for completion. These timelines should be monitored closely by internal audit committees and reported on to ensure accountability. The Committee further recommends that Treasury establish a mechanism to track progress on irregular expenditure cases monthly, ensuring that cases do not accumulate and remain unresolved over extended periods.

Material Irregularity and IFMS

- 6.22. The Committee is deeply concerned about the ongoing material irregularity (MI) related to National Treasury's payments for the IFMS, with R400 million classified as fruitless and wasteful expenditure accumulated over six years. This MI, currently under legal review after a Special Investigating Unit (SIU) investigation, highlights significant governance issues within National Treasury. In response, this Committee will intensify its oversight on consequence management to drive accountability for this high-stakes project, emphasizing the need for a comprehensive briefing on the SIU investigation findings and recommendations before Parliament rises this quarter.
- 6.23. As outlined in the *Report of the Standing Committee on Finance on the Oversight Visit to the National Treasury*, dated 02 May 2023, the IFMS project has seen considerable

financial investment. Initially budgeted at R4.2 billion, the project has incurred a total expenditure of approximately R2.66 billion, with R1.0 billion spent on IFMS 1 (discontinued before 2013) and a further R1.6 billion spent on subsequent phases, leaving a remaining project budget of R1.55 billion. Despite this substantial allocation, the IFMS has yet to deliver its core objectives of financial integration and modernization across government systems. The Auditor-General South Africa identified the R400 million in prior-year payments as fruitless and wasteful, citing deficient project execution and unresolved contractual disputes with service providers as primary causes. Given that payments for technical support have been suspended over the past two years, the Committee recognizes the urgent need for reassessment and strengthened accountability measures to protect public funds and deliver value for investment.

6.24. The Committee acknowledges the use of certificates of debt as a positive step toward enforcing accountability for non-compliant entities. However, concerns remain about timely issuance and effective follow-up on these certificates, especially concerning significant financial irregularities across public sector entities. The Committee has noted a need for greater clarity and consistency in monitoring and enforcing these certificates to ensure meaningful action against non-compliance. The Committee advises AGSA to provide regular briefings on certificates of debt, detailing cases of significant financial irregularities, timelines for implementation, and monitoring processes to ensure their effective enforcement. This will help reinforce transparency and accountability across the portfolio.

6.25. The Committee acknowledges AGSA's concerns regarding the limited parliamentary term, which restricts the Committee's ability to conduct timely and proactive oversight. This delay in addressing issues increases non-compliance risks, especially for financially struggling municipalities and high-risk entities. AGSA's observations underscore the need

for strategic prioritization of oversight activities, particularly for high-risk municipalities, and enhanced collaboration with AGSA and National Treasury to enable real-time monitoring of compliance and budget performance.

ICT Governance

6.26. IT governance across the Finance Portfolio has seen substantial improvements, with National Treasury, SARS, PIC, and DBSA fortifying their cybersecurity measures, enhancing system stability, and implementing strong IT controls. However, outdated systems and cybersecurity vulnerabilities remain challenges for some entities, with National Treasury experiencing issues in disaster recovery due to aged infrastructure. DBSA's delayed implementation of digital and cloud-based solutions also requires renewed focus to ensure alignment with current business needs. Ensuring resilience in the ICT environment across entities is essential to support secure data management and service delivery continuity.

Unlisted investments

6.27. The Committee is concerned by persistent issues surrounding the Public Investment Corporation's investment disclosure practices, particularly regarding unlisted and underperforming investments, despite legislative requirements outlined in the Public Investment Corporation Amendment Act. This non-compliance, which has been flagged for several years, poses transparency and accountability risks, especially given the significant implications for stakeholders such as government pension funds and the Unemployment Insurance Fund. Although the Auditor-General of South Africa confirmed PIC's compliance in publishing required information, public skepticism remains strong. This highlights the need for more consistent, accessible reporting and independent verification of investment details to enhance trust. To address these concerns, the

Committee plans to conduct random oversight visits to a selection of PIC-funded unlisted projects during the 7th administration to assess their impact and transparency.

Project management of infrastructure development

6.28. While the DBSA has been successful in delivering capital projects like the Jewellery Manufacturing Precinct (JMP) and post-fire renovations for Parliament, there is an over-reliance on DBSA as an implementing agent, raising concerns about the capacity of departments to manage their own projects. The shift of responsibilities to DBSA reflects broader systemic capacity issues within departments, particularly those responsible for infrastructure development. The Committee advises that departments develop their internal capacity for project management rather than overly relying on the DBSA. This recommendation includes capacity-building programs to enable departments to independently manage infrastructure projects in alignment with budgetary and performance standards.

NATIONAL TREASURY OBSERVATIONS AND RECOMMENDATIONS

6.29. In the 2023/24 fiscal year, National Treasury achieved a budget utilization rate of 99.2%, underspending by R275.2 million out of a total allocation of R34.35 billion. This is an improvement compared to the 2022/23 fiscal year, where the Treasury utilized 96.5% of its budget, resulting in a higher underspend of R1.35 billion out of R38.84 billion. The reduction in underspending from the previous year demonstrates better alignment between planned and actual expenditures. Nonetheless, underspending across multiple programs continues, highlighting ongoing challenges in the timely execution of financial commitments, particularly in areas like procurement and capital asset investments.

6.30. In the 2023/24 fiscal year, National Treasury underspent by R3.5 million in Compensation of Employees due to delays in filling vacancies, a part of its cost-

containment strategy. With a vacancy rate of 15.9%, staffing shortages pose a potential risk to effective service delivery, particularly in funded posts essential to Treasury's operations. While the Committee acknowledges the importance of cost-saving measures, it stresses that Treasury must be adequately staffed to fulfil its mandate effectively. A balanced approach is therefore recommended to ensure that cost-saving strategies do not undermine the department's capacity to meet its operational objectives and maintain high service standards.

- 6.31. NT should also expedite recruitment for high-impact roles and develop a vacancy prioritization plan, starting with senior leadership positions. The Committee requires NT to provide quarterly updates on staffing progress and a timeline for filling critical vacancies.
- 6.32. Underspending in the Goods and Services category reached R129.4 million, primarily due to delayed ICT procurements, reduced travel and meeting expenditures from cost-containment measures, and slower-than-expected progress on consulting projects. Treasury's expenditure reductions in these areas reflect an emphasis on cost efficiency but may signal a need for improved planning and execution processes, particularly in high-priority initiatives. Strengthening procurement and project management procedures could enhance service delivery timelines, optimize resource use, and support the department's broader program objectives.
- 6.33. The underspending in consultancy services across various programmes highlights delays and inefficiencies in managing external contracts. Within the Intergovernmental Relations Programme, a R17.8 million underspend stemmed from unfulfilled deliverables, while the Economic Policy Programme reported a R5.3 million underspend due to delays in appointing consultants. These delays indicate potential challenges in effectively coordinating and optimizing consultancy services for planned initiatives. Addressing these

gaps could improve project timelines and enhance the impact of consultancy engagements across National Treasury's key areas.

- 6.34. The National Treasury underspent by R11.4 million on travel and subsistence due to a cost-containment directive issued in October 2023, which reduced delegation sizes and in-person meeting attendance. Additionally, R1.5 million was underspent on venues and facilities, as fewer physical meetings, training courses, and workshops were held. These savings reflect Treasury's adherence to cost-containment measures, especially for travel-related activities, which aligns with broader budgetary control efforts for the fiscal year.
- 6.35. The Economic Policy, Tax, Financial Regulation, and Research program (Programme 2) recorded an underspend of R10.9 million, primarily due to delays in planned consultancy services. This underspending reflects challenges in aligning external contract timelines with program objectives, indicating a need for enhanced scheduling and project management practices to ensure allocated funds are fully utilized within the fiscal year.
- 6.36. During the 2023/24 fiscal year, the National Treasury used virements extensively to reallocate a total of R623 million in response to funding shortfalls across various programs. This approach allowed Treasury to redirect internal savings to meet critical needs in areas facing budget constraints.
- 6.37. In Programme 1, R35.5 million was reallocated to address compensation deficits, including R26.8 million directed toward Programme 7 for post-retirement medical benefits and an additional R9 million allocated to SARS to cover wage settlements. Programme 2 contributed R12 million to support compensation shortfalls across other programs, helping to manage staffing needs with internal funds. Programme 3 similarly redistributed R7.7 million to other programs and sourced an additional R16 million to support SARS wage settlements.

- 6.38. Further significant adjustments included Programme 4's receipt of R24.3 million from Programme 7 to cover costs for an independent assessment of Eskom. Programme 5 benefited from R48.7 million in virements toward audit expenses and wage settlements, including R50 million sourced from Programme 7 to maintain operational support. Programme 6 saw a substantial reallocation, receiving R163.8 million, with R158.8 million dedicated to obligations in the Common Monetary Area.
- 6.39. Programme 7 was a central source of funds, transferring a total of R208 million across programs to meet shortfalls in employee benefits, audit costs, and other financial needs. Programme 8 received R123.1 million specifically for wage settlements and was bolstered by an additional R1 billion appropriation to SARS for urgent financial obligations.
- 6.40. While these virements allowed Treasury to manage budgetary constraints effectively, the reliance on frequent, large-scale reallocations within the budget cycle highlights potential areas for improvement in initial budget planning. Adjustments on this scale suggest that enhanced alignment between program needs and budget distributions may reduce the necessity for such extensive virements, enabling more stable and predictable financial management.
- 6.41. Administration achieved all its service delivery targets, including a 94% ICT service delivery compliance rate and a level 5 maturity in risk management. Training and development spending was 96%, notably exceeding the planned 70%. However, the programme underspent by R123.7 million, primarily due to a R100 million delay in capital assets procurement for ICT infrastructure. Despite initiating the tender process in September 2023 and advertising in October, contracting only commenced in February 2024. Consequently, National Treasury has applied for these funds to be rolled over to the 2024/25 financial year.

- 6.42. The Committee supports the roll-over application for the unspent funds. However, to minimize future underspending, it is recommended that National Treasury advance procurement processes for critical infrastructure projects to align more closely with budget allocations and project timelines. Improved pre-procurement planning and early initiation can ensure funds are utilized within the intended fiscal period, reducing reliance on roll-overs.
- 6.43. Programme 2 demonstrated effective policy formulation and research, with 30 research papers and nine reports on macro- and microeconomic issues, surpassing its targets. This aligns with Treasury's objectives of supporting informed economic policymaking. However, the underspending in this program due to consultancy delays suggests that more efficient contracting processes could improve timely service delivery and ensure research outputs contribute meaningfully to economic decision-making.
- 6.44. The Committee observes that Programme 3, responsible for budget allocation and public finance management, achieved 66.7% of its targets, reflecting a partial fulfilment of its objectives. Although it exceeded targets for catalytic projects in infrastructure, delays in grant disbursements and under-utilization in certain budget areas indicate areas where Treasury's performance may need further strengthening. The Committee encourages continued efforts to streamline fund disbursement processes to support consistent delivery on budgetary commitments.
- 6.45. Programme 4 met 100% of its targets, indicating strong oversight of public debt and fiscal stability. The Committee acknowledges Treasury's effectiveness in debt management and public asset oversight, as demonstrated by meeting all borrowing requirements. This level of compliance is vital for maintaining fiscal health; however, ongoing evaluations are recommended to ensure the sustainability of debt levels given current economic conditions.

- 6.46. With only 54.5% of its targets achieved, Programme 5 encountered performance issues, particularly in the rollout of systems such as the Integrated Financial Management System (IFMS). These challenges have implications for Treasury's ability to provide effective financial oversight and support local government SCM capabilities. The Committee observes that improving SCM systems and financial reporting is essential to enhance local government financial performance and accountability.
- 6.47. Programme 6 achieved 100% of its targets, processing pension and benefit payments on time. The Committee recognizes the importance of this program in ensuring stability for civil and military beneficiaries and commends Treasury's precision in managing these benefits within budget, maintaining full compliance in an essential service area.
- 6.48. Programme 7 successfully met all its targets, contributing to South Africa's economic positioning on an international level. This program facilitated effective engagement with BRICS, the IMF, and the World Bank, fostering fiscal cooperation with regional partners. The Committee views this as a key element in Treasury's strategic objectives and suggests maintaining these efforts to reinforce South Africa's global economic role.
- 6.49. Both the Revenue Administration and Financial Intelligence Programmes achieved 100% compliance with their budget allocations. The Committee notes that consistent performance in these areas contributes to fiscal stability and national security. Continued focus on achieving full compliance and addressing irregular expenditure is encouraged to further strengthen Treasury's credibility and operational integrity.
- 6.50. National Treasury reported that out of approximately 80 municipalities that applied for Eskom debt relief, only 17 managed to meet obligations, which raises serious concerns given that municipalities collectively owe Eskom around R80 billion. This debt situation is increasingly unsustainable, impacting the long-term viability of Eskom.

6.51. SCoF will request a comprehensive briefing from National Treasury, Eskom, and CoGTA, and the South African Local Government Association (SALGA) to gain a detailed understanding of the municipal debt landscape, including debt profiles by municipality, compliance with debt relief programs, and specific barriers to repayment. This briefing should also assess the impact of municipal debt on Eskom's liquidity and financial stability, while identifying any systemic risks posed to the national economy. Insights from this session will enable SCoF to develop targeted oversight recommendations, supporting Treasury and CoGTA in enforcing municipal compliance and strengthening Eskom's financial sustainability. Furthermore, the Chairperson of SCoF will confer with the Chairpersons of the Portfolio Committees on CoGTA and Energy and Electricity to ensure coordinated oversight.

6.52. The Committee notes that labour market programs (LMPs) appeared fragmented and difficult for beneficiaries to access due to numerous entry points across various departments. Concerns were also raised about the Jobs Fund, questioning its impact on addressing unemployment and whether funded projects have produced tangible results in terms of job creation and economic transformation.

6.53. National Treasury should evaluate the effectiveness of existing LMPs and explore options for consolidating or restructuring these initiatives to establish a more streamlined and accessible support system. This approach aims to improve accessibility for beneficiaries and ensure that funding is allocated toward projects with a substantial impact. An impact assessment of the Jobs Fund is recommended, with Treasury required to present findings to the Committee detailing how the program has contributed to employment creation and economic growth. Treasury should also improve reporting mechanisms to include measurable, outcome-based indicators that accurately represent program achievements. To supplement this oversight, the Committee will undertake random site

visits to various Jobs Fund-supported programs to assess their on-the-ground impact and alignment with national employment and economic goals.

- 6.54. The Committee recommends that National Treasury consider reforms to improve efficiency in pension-related programs, particularly by assessing any functional overlaps between the Government Employees Pension Fund (GEPF) and the Government Pension Administration Agency (GPAA). By identifying and addressing redundancies, Treasury could enhance service delivery for beneficiaries and achieve cost efficiencies.
- 6.55. National Treasury should conduct a comprehensive review of pension program functions and services, specifically examining areas of duplication between GEPF and GPAA. A feasibility study on possible reforms should be prepared, with Treasury presenting its findings and an action plan to the Committee for evaluation. This streamlined approach could optimize resource use and improve pension services for beneficiaries.
- 6.56. Despite NT's investment in the Municipal Finance Improvement Program (MFIP), which includes technical advisors and support costing R66 million, only 13% of municipalities achieved clean audits. This indicates that MFIP's interventions may not be effectively addressing fundamental issues in financial management and fiscal discipline within local governments.
- 6.57. The Committee will require a comprehensive briefing from NT on the MFIP's effectiveness and challenges. NT should consider developing a revised support strategy with targeted interventions for municipalities at high risk of financial mismanagement. NT is expected to provide quarterly updates on the MFIP, specifically on progress in achieving clean audits and strengthening financial management practices in supported municipalities.
- 6.58. Treasury's township development strategy, which included 40 catalytic projects, has shown limited progress, with few projects reaching completion. This delay diminishes the economic impact these projects are intended to generate in marginalized communities and

raises questions about the viability of Treasury's five-year strategy for township economic development.

6.59. NT should develop a focused timeline for each catalytic project, including funding allocations, deliverables, and completion dates. Quarterly updates on township project developments, including job creation metrics, should be presented to the Committee to ensure projects deliver tangible benefits.

6.60. South Africa's grey listing status highlights ongoing challenges in prosecuting complex financial crimes, with only 14 of the required 22 actions fully addressed to date. The unresolved gaps in anti-money laundering (AML) and counter-terrorism financing (CFT) measures pose risks to the cost of doing business and the stability of the financial sector, underscoring the need for stronger inter-agency coordination.

6.61. The Committee will request a comprehensive briefing from National Treasury, in collaboration with relevant departments, regulatory bodies, and law enforcement agencies, to outline a clear timeline for addressing outstanding grey listing requirements. This briefing should present a detailed action plan that includes defined roles, responsibilities, timelines, and key milestones to ensure the successful completion of all required actions.

OBSERVATIONS AND RECOMMENDATIONS ON SARS

Observations

6.62. The Committee acknowledges SARS's significant progress in supporting South Africa's economic and democratic goals, evolving from a paper-based system in the 1990s to a modern, digital tax administration. This transformation aligns with national objectives of inclusivity and fiscal stability, contributing positively to improved revenue collection and tax compliance. However, the Committee emphasizes that ongoing modernization

efforts should be inclusive, particularly targeting equitable access for taxpayers in rural communities, ensuring that these efforts do not create digital access barriers in underserved areas.

6.63. The Committee notes SARS's strong revenue growth, with a compound annual growth rate of 9.9% since 1994, amounting to a cumulative R21.5 trillion. This growth, coupled with an increased tax-to-GDP ratio from 20.2% in 1994/95 to 24.7% in 2023/24, reflects SARS's role in enhancing financial independence and economic resilience for the country.

6.64. SARS's broadening of the taxpayer base by 1,133% from 2.7 million in 2003/04 to 33.3 million in 2023/24 highlights the effectiveness of its measures in fostering a stable tax system. However, the Committee observes that despite this expanded base, SARS's operational capacity remains constrained by limited funding. The Committee notes that the lack of adequate baseline funding, compounded by inflationary pressures, has impacted SARS's ability to meet its growing responsibilities, hindering modernization initiatives and limiting the necessary expansion in human resources.

6.65. SARS's workforce has decreased by approximately 20% over the past decade, affecting its capacity to address essential operational demands in areas such as enforcement, data analytics, and taxpayer assistance. This workforce reduction has led to a strain on service standards, presenting challenges in maintaining the high standards needed for efficient tax administration.

6.66. The Committee observes that SARS's modernization initiatives, which are essential for ensuring efficiency, security, and accessibility in tax administration, require sustained investment. Given the increasingly digital tax environment and the need for SARS to remain adaptable and responsive, there is a clear necessity for a stable, responsive funding structure.

6.67. The Committee notes that SARS's reported tax gap remains substantial, with approximately R800 billion or 32% of the estimated tax liability remaining uncollected. This tax gap underscores the need for SARS to enhance its compliance capabilities, particularly in addressing non-compliance in high-risk areas like illicit trade and among high-income individuals. Furthermore, the Committee is concerned that while SARS has made strides in revenue collection, the ongoing budget limitations have restricted its ability to modernize and optimize its enforcement capacity fully.

Recommendations

6.68. The Committee recommends that National Treasury increase SARS's baseline funding by R17–R20 billion over the Medium-Term Expenditure Framework (MTEF). This adjustment is essential to address the operational gaps created by years of limited growth in grant allocations, ensuring SARS can adequately meet its expanded mandate under current inflationary pressures.

6.69. To support short-term revenue recovery initiatives, the Committee recommends an annual allocation of approximately R1 billion. This targeted funding would improve SARS's capacity to enhance compliance measures and achieve sustainable revenue growth, contributing to national fiscal stability.

6.70. For modernization, the Committee supports the allocation of an additional R3 billion over the MTEF. This investment should facilitate digital upgrades, automation, and improvements in taxpayer services and compliance efforts. The Committee further recommends that a portion of this funding be used to extend SARS's presence in rural areas through mobile offices or other accessible platforms, ensuring individuals in underserved communities have equitable access to tax services, enhancing broader tax compliance and inclusivity.

- 6.71. The Committee recommends an allocation of R1.5 billion to support the hiring of 2,338 additional resources. Strengthening SARS's human resources is vital for improving service delivery, enforcing compliance, and effectively utilizing data analytics in tax administration.
- 6.72. Given the dynamic nature of the tax and customs environment, the Committee recommends periodic reviews of SARS's funding requirements. This approach will allow SARS's budget to adapt responsively to technological advancements and evolving priorities, helping maintain the organization's global competitiveness.
- 6.73. The Committee requests that SARS submit annual reports detailing measurable outcomes achieved through these additional funding allocations, with a particular focus on revenue growth, tax base expansion, and compliance improvements. This transparent reporting will enable the Committee to assess the tangible impacts of financial support on SARS's performance.

The MKP objects to the report and the EFF reserve their position.

Report to be considered.

2. Report of the Portfolio Committee on Electricity and Energy on the Nuclear Energy Summit dated 30 October 2024.

The Portfolio Committee on Electricity and Energy (PCEE), having attended the Nuclear Energy Summit on 12 September 2024, reports as follows:

1. Introduction

The Portfolio Committee on Electricity and Energy was invited by the Department of Mineral Resources and Energy (DMRE) to attend the Nuclear Energy Summit, held on Thursday, 12 September 2024 at the River Meadow Manor, in Irene, Pretoria.

The Summit is part of the Minister of Electricity and Energy’s series of stakeholder consultations and activities aimed at addressing key issues in the energy sector. Under the theme “Enhancing Nuclear technology for Sustainable Development in South Africa”, the Minister engaged with the nuclear industry and nuclear community stakeholders on the role and attributes of nuclear power in the context of climate change and low carbon transition, to discuss main challenges facing the nuclear sector and explore solutions for tapping the full potential of nuclear power in South Africa.

The Summit also provided an opportunity for the Minister of Electricity and Energy, Dr Kgosientso Ramokgopa, to engage with stakeholders in the nuclear community on the role and attributes of nuclear power in the context of climate change, and to discuss the main challenges facing the nuclear sector and explore solutions for realising the full potential of nuclear power in South Africa.

2. Composition of the delegation

2.1 Members of Parliament

Name of Member	Political Party
Hon. M Mvana	African National Congress (ANC)
Hon. M Mofokeng	African National Congress (ANC)
Hon K Mileham	Democratic Alliance (DA)
Hon. N Paulsen	Economic Freedom Fighters (EFF)
Hon. N Kwankwa	United Democratic Movement (UDM)

2.2 Parliamentary Staff

Name	Designation
Mr. A Kotze	Committee Secretary

3.Nuclear Summit Report

3.1 Opening remarks - Deputy Minister of Electricity and Energy, Hon S Graham-Mare

According to the Deputy Minister there is global acceptance of nuclear energy as an integral part of the solution to mitigate the impact of climate change. The Deputy Minister reiterated that all need to work together to ensure that nuclear energy becomes an important part of the Just Energy Transition.

The Deputy Minister said it is clear that nuclear is a critical component of South Africa’s energy mix – offering a low carbon, reliable source of energy that can contribute significantly to the country’s energy security and climate goals.

The Deputy Minister confirmed that South Africa remains committed to fulfilling the objectives of the Integrated Resource Plan (IRP) 2019, while refining the IRP 2023. She highlighted that the IRP sets out a requirement of 2 500MW of nuclear power to ensure the stability of South Africa’s power grid. In turn, driving the reindustrialisation of our economy and the promise of economic growth that leads to job creation.

The Deputy Minister added that although the new nuclear build is urgent for ensuring energy stability, the Ministry will not compromise on “public participation, adherence of statutory regulatory requirements and openness and transparency in decision making, procurement and the implementation of our new nuclear build”.

The Deputy Minister pointed out that the negative perceptions around nuclear energy must be changed. She noted that nuclear still carries somewhat of a stigma. Much of this is ignorance perpetuated by [a view of] government “shrouded in secrecy manned by scientists in hazmat suits and the fear generated through the cold war era of the total destruction of the planet as a result of a nuclear war. It is up to all of us to change these perceptions”.

The Deputy Minister stated that given South Africa’s expertise and commitment to nuclear energy over the years, this summit is a key engagement with the nuclear industry in SA, that she hopes will become a regular feature of our agenda.

3.2 Keynote Address – Minister of Electricity and Energy, Hon K Ramokgopa

The Minister stated that developing 2 500 megawatts of new nuclear energy generation, as highlighted in the Integrated Resource Plan 2019 (IRP 2019), is firmly on the table as part of the country's future energy mix.

The Minister highlighted that South Africa would follow the science to develop nuclear power capacity as part of the country's just transition to cleaner renewable energy, including wind, solar and hydropower. This is despite challenges by what the Minister calls "emotionally charged lobbyists" - environmentalists - who cite the dangers of nuclear power and radioactive waste disposal; without paying attention to the science.

He said the government's recent withdrawal of the January 2024 gazette of a ministerial determination to procure nuclear power under the Electricity Regulation Act was to ensure the public participation process is transparent, "clean" and "democratic".

The Minister stated that although renewable energy is ascending in use and popularity, there remains "little conversation" about nuclear power from scientists. The Minister asked, "Where are the nuclear people? Because we've got the sterling record of 76 years of contribution to the science and technology, at least to the extent that nuclear is responsible for power ... for purposes of electrification,".

The Minister emphasized that South Africa has entered an arena and a period in this evolving energy complex, of lobbyists, of those who 'appropriate to themselves, the know-how' of a technology, and they've got the capacity and the potential to undermine and discredit a technology not supported by science and evidence. The Minister stated that the scientific community has a duty to dispel "these myths" regarding dangers of nuclear power. The Minister further stated that politicians and policymakers have also "soiled" the reputation of the technology "because of allegations of malfeasance, leakage, corruption, manipulation" and the wasting of money. This according to the Minister is what nonscientists that do not have a scientific basis use, to push back and invalidate the argument.

According to the Minister, the government will announce its next steps regarding its nuclear energy plans, soon, because some of the underlying assumptions, such as Eskom's generation performance, highlighted in the IRP 2019 plan have changed. The Minister continued to state that if there are complexities, or the process of the 2 500MW build programme is compromised, and on our own version, "having studied the process objectively, we find that it is compromised, we have a duty to pull it back, to clean it so that you don't conflate the science and the process. Because when you misstep on the process, you are inviting legal practitioners to enter the domain of science. We are cleaning the

process, making it as democratic as possible. Those who have objections can raise those objections based on the science ... It's important that the process is credible.”

The Minister pointed out that the Summit had gathered some of the country's top scientists to address the nuclear issue and to make it “fashionable, funky and youthful”. The Minister reiterated that nuclear energy is part of the energy mix and that nuclear is part of the future; it is indispensable to the attainment of energy sovereignty in the country. The Minister emphasized that science must trump emotions and politics.

The Minister further pointed out that nuclear is also competitive from a capital cost point of view, because the use of small modular reactors, which could be placed close to sources of consumption, will mean Eskom will not have to expand its distribution lines and the country could also export its nuclear energy skills to the rest of the continent.

In his address, the Minister also stressed the need for the general public to understand the science behind nuclear energy and its everyday applications, noting that nuclear energy can transform society, stimulate economic growth and lift people out of poverty. Furthermore, Dr Ramokgopa emphasised the central role of nuclear energy in South Africa's energy mix and warned that the country should not lag behind as the rest of the world continues to develop and embrace this technology.

The Minister reassured those in attendance that government will “carry the responsibility of ensuring that this process that we're undertaking is subject to the highest levels of public scrutiny, and the last thing we want is to do a major build program on the back of suspicion that the department and government is hiding something from the public.”

3.3 The Status and Value of Nuclear Energy for Africa: Mr R. Grossi – International Atomic Energy Agency (IAEA): Director General

Mr. R. Grossi stated that it is recognized throughout the world and specifically Africa and South Africa, what significant contribution nuclear energy developments can make, under the current circumstances. Energy security and needs are at the base of every societal problem and challenges, and it is obvious that without an adequate answer to the energy challenges, the prospect of any serious economic development is limited in Africa.

There is a need to contrast these evident economic needs with the equally important situation which the country has in terms of other challenges, e.g. in terms of climate change, and how the country moves forward economically, in a way where these processes do not cause any harm environmentally or otherwise. It is based on the that the IAEA, has been increasing the drive for nuclear energy interest. The Chernobyl (Russia) and Fukushima (Japan) incidents contributed to the sceptical views of many regarding nuclear energy. These views are now part of the past as the nuclear sector has shown enormous resilience, i.e. nuclear safety culture, the nuclear safety structures, where these parameters have been

strengthened, by the IAEA and its member states (including South Africa). Countries now in Africa and Latin-America has started to show interest in the development of nuclear energy as a source of energy, which has almost no carbon dioxide emissions. Nuclear energy is thus a source of energy that ensures that it is dispatchable and reliable, in any energy mix.

The IAEA confirmed that they are firm supporters of renewable energies. What is needed is intelligent choices and alternatives, to be made available for countries, especially low- and middle-income countries. It is also encouraging to see the proportionate increase interest of renewable energy in the world and Africa.

Nuclear energy has moved from a notable absent to one which is being recognised to be accelerated, which reflects a global consensus. Nuclear energy with other carbon free technologies should be accelerated. There is thus a realisation, that this “instrument is already there in a number of countries”. It must also be indicated that nuclear energy makes a relatively small portion of global supply, around 10 – 12 percent of electricity being produced.

South Africa now is the only country on the continent, which has an operating nuclear power plant, i.e. the Koeberg Nuclear Power Plant and the IAEA supports the current processes of SA to move to a larger proportion of nuclear energy into the national grid. Discussions and decisions on how to do it and when to do it is entirely in its own domain. The IAEA is working with other African countries who want to approach nuclear energy include Egypt, Algeria, Nigeria, Sudan, Ethiopia, Tunisia, Ghana, Uganda, Morocco, Kenye, Niger, Zambia. All these countries are at different stages of their path towards nuclear energy and are working closely with the IAEA in order to:

- make informed decisions.
- reinforce their national workforce, i.e. capacity building which is needed for a successful nuclear programme.

The nuclear industry is moving towards small modular reactors (SMR), these are reactors which are smaller and cheaper. Several of the African countries, as mentioned above, have shown interest in this development.

Nuclear energy has also been instrumental in the growth and development of several technological sectors of a country, as is the case in South Africa. Nuclear energy which is active and present in the world can and should also play an important part on the African continent.

3.4 The status of Nuclear Energy in the Republic of South Africa (RSA)

According to the DMRE, nuclear is a central part of the South African electricity mix to provide baseload electricity. It provides one of the cheapest electricity generation options.

SA are implementing an energy mix, and nuclear is part of the energy mix that South Africa is going to implement to ensure that the country has a secure and sustainable energy solution.

For the country to manage and address energy sovereignty, it needs to exploit to the fullest the resources that South Africa have relating to nuclear for peaceful purposes. Government policy is thus that it must serve the national interest, according to the DMRE.

Nuclear energy will form part of government strategy to address climate change. It was added that the country is following the energy mix, and all these sources are important to provide the country with a sustainable solution.

The South African Nuclear Energy Corporation (NECSA) stated that there are two (2) aspects of nuclear technology:

- Power applications, which Eskom is running fully at the Koeberg Nuclear Power Plant; and
- Industrial applications, which gets dissected into three (3) areas: Medical applications, non-destructive testing in the normal factories and industry and agriculture. These according to NECSA are prominent aspects of nuclear use for industrial applications, and this is where NECSA is playing a predominant role.

According to NECSA, if the value chain of nuclear is further decoded, it consists of the following areas:

- Mining – where the private players are involved, in terms of mining uranium
- Converting the ore from solid to gas, i.e. conversion
- Enrichment process – enrich from natural uranium to uranium which is useful in terms of application and industry
- Fabricating the fuel assembly, which will go into the reactor – either a nuclear reactor (Eskom run at Koeberg) or the research reactor, which NECSA is running.
- Waste management

The objective is to enable the NECSA to be involved in the front-end development of uranium, which includes conversion, enrichment and fabrication. NECSA's mandate thus must be strengthened to ensure that they deliver and perform.

NECSA is currently working on a project to build a new reactor, called the Multi-Purpose Reactor, which will at some point be a successor to the Safari-1 reactor. NECSA produces isotopes for medical treatment, where they are occupying 20 percent of the international market. As part of the nuclear value chain, they have nuclear grade manufacturing facilities, where they produce some of the equipment for the Koeberg plant. Further to this, the research reactor contributes to the research “body of knowledge”, in the international domain, where their researchers do a lot of research, which is published globally. The aim is to commercial these soon.

With the introduction of a nuclear power program in South Africa during the 1970's it was realized that radioactive waste will have to be managed and that will require a national site for the disposal of the country's nuclear waste. In November 2005 Cabinet approved and

published the radioactive waste management policy and strategy, which identified the need for the implementation of an independent radioactive waste disposal institute.

The National Radioactive Waste Disposal Institute Act (no. 53 of 2008) was drafted and became effective on the 1st of December 2009 endorsing the establishment of the National Radioactive Waste Disposal Institute (NRWDI). NRWDI stated that its objective is to consistently and continuously apply an integrated and accountable radioactive waste management and disposal approach, in order to ensure that no undue burden is placed on future generations due to past, present and future involvement in nuclear programs.

National Radioactive Waste Disposal Institute NRWDI) said there is a need to demystify the myths associated with radioactive waste and nuclear energy.

3.5 Panel Discussions

3.5.1 Future Technology Prospects and their Strategic Importance

NECSA stated that the transfer of the Pebble Bed Modular Reactor (PBMR) from Eskom to NECSA has not been finalised yet. NECSA stated that they are looking forward in resuscitating the technology and taking it forward. NECSA stated that one of their key strategies is positioning itself for energy generation with Small Modular Reactors and the PBMR is one of those. However, according to NECSA, the country has lost some ground with this technology, and it would thus make more sense to identify a partner, to take this technology further - but this partner must not be prescriptive in what the country wants to do.

According to Eskom, all of the credible nuclear energy designs globally are sound and South Africa will need to make a strategic decision of where it wants to go, and to have the courage to follow through on it. Eskom stated that there are a number of SMR technologies which are still in the “talking space” and they are not yet in a regulatory space.

The costs of a plant are crucial, both for SMRs and Pressurised Water Reactors (PWRs). Mr H Kruger (Energy Analyst) said that Unit 1 of the Koeberg Plant has now been extended for another 20 years, but in that period, South Africa need to start planning and building a new reactor because eventually, the cost of running coal plants will become so expensive that electricity won't be affordable. He further noted that discussions are ongoing regarding the type of nuclear technology to employ, with a preference for advanced technologies known for their rapid deployment, cost-effectiveness and efficiency. He emphasised that a project of this magnitude will require careful consideration and time.

Mr Kruger proposed that SA should look at what the United Arab Emirates (UAE) has done, who has completed the project successfully (where 150 South Africans were

involved). In terms of SMRs, Mr Kruger stated that these are different and acknowledged that SMRs has not yet been proven. What is important in this case, is the cost which the vendor agrees on, should be the final costs.

Mr Kruger stated that he “pushes back” redoing the PBMR. The focus should be on what South Africa can learn from this technology.

According to NECSA, technologies which are already proven are PWR. NECSA stated that SMRs are probably the future as the country was initially at the forefront of the PBMR technology, where lots of funding was spent on it. The fuel produced from the PBMR was one of the best in the world.

3.5.2 Readiness of the Industry for Small Modular Reactors (SMRs) and Pressurized Water Reactors (PWRs)

According to Westinghouse they not only deliver products, but also create technologies. They indicated that they have changed how people think about nuclear reactors, where they built these in China and the United States of America (USA). There are currently six (6) of those running, with record-breaking performances and energy availability factors.

Westinghouse is offering a smaller-scale nuclear reactor in an effort to expand access to nuclear power as demand for clean energy soars. They have developed a small version of its flagship AP1000 nuclear reactor. According to Westinghouse, they used the same components, the same supply chain, the same modular design and same construction. Their SMR was launched in 2023, and this year their design specifications are going in for certification.

On localisation, Westinghouse stated that their philosophy is “We buy where we build”. They stated that the local industry is taken onboard, as it is important to bring the local supply chain into consideration. According to Westinghouse it is imperative to have the right quality and skill on the ground for it to be successful. Through their experiences it is thus possible to upskill a country and expand, and that those countries become exporters of the technology, e.g. South Korea to Morocco.

The global experience has shown that it is do-able, and it can be financed. Westinghouse acknowledge that nuclear power plants are capital intensive, but they are long term projects +- 60 years. There are also various options how these projects can be funded and make them affordable.

Nuclear energy costs might be three times more than renewable energy, but it generates three times more power per year, it lasts three times longer and its clean reliable power, so based on this, nuclear energy costs are justifiable, according to NuEnergy Developments.

3.5.3 Nuclear Non-Power Applications

The first power station to produce electricity by using heat from the splitting of uranium atoms began operating in the 1950s. Today most people are aware of the important contribution nuclear energy makes in providing a significant proportion of the world's low-carbon electricity.

The applications of nuclear technology outside of civil electricity production in power plants, are less well-known.

Radioisotopes, nuclear power process heat and non-stationary power reactors have essential uses across multiple sectors, including consumer products, food and agriculture, industry, medicine and scientific research, transport, and water resources and the environment.

Nuclear energy has the potential to increase worldwide energy and water security through non-electric applications, such as seawater desalination, hydrogen production, district heating and various industrial applications.

Non-electric applications powered by nuclear energy could present sustainable solutions for a number of energy challenges current and future generations will have to face. There is growing interest around the world in using nuclear energy for such applications as seawater desalination, hydrogen production, district heating and various industrial applications.

Nuclear desalination has been demonstrated to be a viable option to meet the growing demand for potable water around the globe, providing hope to areas in arid and semi-arid zones that face acute water shortages. Nuclear desalination can also be used in the efficient water management of nuclear power plants, in particular in regions with water scarcity, to ensure a regular water supply is available for all phases of the construction, operation and maintenance of nuclear power plants.

Hydrogen, of which there are no natural deposits, plays a key role in many industrial applications. It is widely recognized as an environmentally friendly energy carrier and can be used as a clean fuel for transportation without contributing to global warming. Nuclear hydrogen production technologies show great potential and have several advantages over other sources that might be considered for a growing hydrogen share in a future world energy economy. Aside from lowering carbon taxes, electricity input to hydrogen

production is decreasing with the higher temperatures offered by high temperature nuclear reactors. Additionally, generating electricity at such high temperatures is significantly more efficient.

Industrial applications and nuclear cogeneration involve the integration of nuclear power plants with other systems and applications. Aside from its use for desalination and hydrogen production, the heat generated by nuclear power plants can be used to produce a vast range of other products, such as cooling, heating and process heat.

The IAEA supports and facilitates the development of new and emerging applications of nuclear technologies by co-generation and heat applications, including seawater desalination. It provides for the exchange of information on the various non-electric applications; publishes technical and economic documents; works with Member States in the context of coordinated research programmes; and organizes technical meetings on the topic. The Agency has developed a variety of software tools to give decision makers in the Member States information on the feasibility of non-electric applications using nuclear energy.

3.5.4. Policy in relation to Regulatory Considerations: International Best Practices

The regulatory framework is either the “make or break” in the nuclear industry, however, the industry cannot function without policy e.g. in South Africa the Nuclear Energy Act. The nuclear industry is a “regime of regulations”, both locally and internationally, according to the DMRE.

The National Nuclear Regulator (NNR) highlighted that it is important to have a regulator in the nuclear industry, which is separated from an entity which is charged with promoting nuclear power or applications. In 1999 the National Nuclear Regulator Act of 47 of 1999 was enacted which intends:

- to provide for the establishment of a National Nuclear Regulator in order to regulate nuclear activities, for its objects and functions, for the manner in which it is to be managed and for its staff matters;
- to provide for safety standards and regulatory practices for protection of persons, property and the environment against nuclear damage.

In terms of the safety fundamentals, the regulatory framework of the NNR is very well grounded in international safety standards.

The Department of Fisheries, Forestry and the Environment (DFFE) highlighted that they do not have anything specific relating to nuclear in its mandate. Their mandate is in terms of the Environmental Management Act. Their mandate is to achieve sustainable development, but also to do it in a sustainable and responsible manner, i.e. it is not to delay development, but to find a way of how to promote economic development in SA. What is important to note is what the impact of these developments are towards mitigation measures to manage these to ensure

that SA is not environmentally irresponsible. There are Environmental Impact Assessment (EIA) regulations, which need to be complied with, which can be a cumbersome process. This process, according to the DFFE does not need to be as cumbersome, if the DFFE are involved in the process from an early stage throughout the process. The DFFE further stated that in many projects there are various departments and entities involved, and what is crucial is integration and coordination amongst all those involved.

According to the Department of Trade, Industry and Competition (DTIC), the control over weapons of mass destruction (WMD) is globally pursued through international agreements and arrangements (treaties, conventions and control Regimes) relating to nuclear, chemical and biological weapons, their specific means of delivery and the associated dual-use ramifications. South Africa subscribes to, supports and participates in most of these agreements and arrangements. In South Africa due regard has been taken of the gravity of the possible proliferation of weapons of mass destruction with policy development and the enactment of specific legislation in the form of the Non-Proliferation of Weapons of Mass Destruction Act, 1993 Act No.87 of 1993). This legislation provides for control over WMD and establishes the South African Council for the Non-Proliferation of Weapons of Mass Destruction (the Council) to control and manage matters relating to the proliferation of such weapons. The Council shall; on behalf of the State, protect the interests, carry out the responsibilities and fulfil the obligations of the Republic with regard to non-proliferation, and advise the Minister with regard to any matter which it deems necessary, and which falls within the purview of this Act. The functions the Council, are amongst others:

- To control and manage all activities relating to non-proliferation, and provide guidance, instructions and information in connection therewith.
- To implement matters arising from international conventions, treaties and agreements related to proliferation affairs entered or ratified by the Government of the Republic.
- To obtain or promote the co-operation between government departments and other government institutions, as well as industry.
- To identify and indicate to the Minister goods to be declared controlled goods and activities.

3.5.5. Research and Development in the Nuclear Industry

According to the DMRE, they developed a strategy and policy focusing on nuclear research development and innovation i.e. (1) coordinate the amount of research and development across the country in different institutions and (2) what is the focus, due to the limited resources available. There are niche areas, e.g. isotope production. The DMRE then did a benchmark study of more than 10 countries, who has nuclear research and innovation strategy policies. The DMRE then developed a position paper, which will soon be released for public consultations and engagements. Complimentary to the above, the Academy of Science of South Africa (ASSAF) also wrote a paper, with recommendations to Government relating to nuclear development and research.

The DMRE stated that nuclear research and development consists of two main areas:

- Infrastructure – research reactor, accelerators etc
- Human resources – critical for any new nuclear build

NECSA stated that the mandate of the Research and Innovation Division (R&I) is to grow and maintain core research capacity in line with the NECSA mandate on the following nuclear, radiation and related fields. The three research focus areas in R&I are: Radiation and Reactor Theory (RRT), Applied Chemistry (AC) and Applied Radiation (AR). Through these focus areas, the R&I Division contributes primarily to the intellectual capital of NECSA. This is accomplished via the main research outputs in the form of innovation disclosures, peer-reviewed publications and technical and contract research reports.

R&I is committed to develop and maintain a group of highly qualified and skilled employees to comply with its mandate of maintaining a core research capacity. It is the responsibility of these highly skilled researchers to ensure that the NECSA Group is on the forefront with regard to new technologies and being innovative in their development of new products. The main research outputs and list of publications are proof of the contribution to intellectual capital by the R&I Division.

According to the NECSA one of its primary stakeholders are academia, who will utilise the nuclear facilities and a major output of these are publications of their research conducted. Another key element is the interaction with international nuclear facilities, and NECSA highlighted that within a scientific perspective, the openness and willingness of these facilities to share information is welcomed and appreciated. NECSA further stated that several SA scientists have been trained at these international facilities through fellowships and scientific visits etc, where NECSA has benefitted immensely.

NECSA highlighted that at one stage SA was the world leader in the PBMR technology and emphasised that SA need to focus on pockets of excellence.

One of the key issues in the newly developed research and innovation policy and strategy is human resource development, the DMRE pointed out that it needs to be done in a synchronized way. According to the DMRE SA are training many students from Africa and around the world which come to SA to learn, as does SA go around the world to train and learn. With the new Multi-Purpose Reactor (MPR), the neutron Beam line centre, is going to take a different form and shape as to what it currently is. The current Beamline Centre is owned and operated by NECSA and the allocation time for Beam line researchers to come and do research is done by NECSA. These Beam lines are over-subscribed, i.e. the amount of research applications received versus the amount of time they have is over double. The way forward and international best practise, by ringfencing this beam line as a national research facility, the beam time will be managed by academics and communities of academics, who then decide and look at research proposals. This not only ensures peer review, but also buy-in.

On commercialisation, the DMRE stated that nuclear research reactors are social investments. A couple of years ago (1998) Safari-1 was on the verge of shutdown and the scientists had to go out and pioneer and be one of the first commercialised research reactors in the world. According to the DMRE, SA has the framework on which to work on as SA has big success in this and the country can grow on that.

4. Way forward – as presented by the Minister of Electricity and Energy, Hon K Ramokgopa

The Minister stated that nuclear power has been identified as a potential long-term solution to South Africa's energy crisis. Despite the push for renewable energy and ongoing efforts to stabilise the power grid through sources like solar and wind, nuclear energy remains part of the conversation as the country seeks to ensure energy security. This comes amid frequent load shedding and the growing demand for a reliable baseload power source.

Minister Ramokgopa emphasised that the newly assembled expert panel would help shape a comprehensive nuclear procurement plan that addresses both affordability and transparency. The panel will assess the financial implications and determine the most appropriate scale at which the nuclear programme should be implemented. The findings of the expert group will also inform the next steps in the public consultation process and the drafting of a procurement framework.

The Minister stressed the importance of maintaining an open and democratic process, where all energy technologies and fuel sources will be considered, ensuring that South Africa's energy sovereignty is upheld. The expert panel's advice will guide the nation in choosing a path that balances energy needs, environmental sustainability, and economic feasibility.

Nuclear energy remains a controversial subject in South Africa, primarily due to its cost and the country's past procurement attempts, which were marred by allegations of corruption and irregularities. However, the Minister assured the public that the current approach will be different. This time, the government aims to ensure that the nuclear procurement process is transparent and credible, thus avoiding the missteps of previous efforts.

The Minister reiterated that nuclear energy is part of a larger strategy to diversify the energy mix, alongside renewables, natural gas, and coal. He assured that the procurement process for the 2,500MW nuclear capacity would be handled with care, ensuring that any nuclear expansion is affordable and meets the country's long-term energy needs.

As part of ensuring transparency, the Minister highlighted that the procurement framework would be subject to public participation before any major decisions are made. The government aims to consult with various stakeholders, including environmental groups, energy experts, and the public, to ensure that all voices are heard in the development of South Africa's nuclear strategy.

While the 2019 IRP has laid the groundwork for nuclear energy as part of the country's future energy mix, the plan will only move forward if it is deemed financially and environmentally sustainable. The National Energy Regulator of South Africa (NERSA) is expected to play a significant role in ensuring that any decisions related to nuclear energy procurement comply with regulatory frameworks and public interest.

5. Recommendations

It is recommended that the Minister of Electricity and Energy should:

1. Address all outstanding issues regarding the decision to withdraw the gazette to procure 2,500MW of nuclear generation capacity
2. Revise or update the country's 2008 Nuclear Energy Policy, as many domestic and international changes have occurred since its adoption by cabinet. The policy should also be reconsidered and/or reviewed.
3. Revise and update existing nuclear legislation to account for the said changes and the shortcomings.
4. Conduct a skills audit to determine the state of nuclear energy training and education in the country. This audit should include an assessment of existing national and inter-governmental training programmes.
5. Ensure that all efforts are put in place to ensure that NECSA is ready for the Nuclear New Build programme, to ensure increased performance and financial viability.
6. Ensure that the funding model of the future nuclear build is advantageous to South Africa.
7. Continuously conduct public education on nuclear energy. Education campaigns should be consistent and continuous, and its impact should be assessed.
8. Ensure constant public consultation on the country's nuclear future.
9. Finalize the Central Interim Storage Facility (CISF) Gateway Review Project so that this project can get shovel readiness since spent nuclear fuel and other nuclear waste cannot be stored indefinitely on the waste generator site.
10. Ensure future nuclear summits held by the Department of Electricity and Energy must invite civil society to make inputs to provide a balanced view on nuclear.
11. Ensure that there is more transparency regarding nuclear procurement, especially financially.

REPORT TO BE CONSIDERED

3. REEPORT OF THE PORTFOLIO COMMITTEE ON ELECTRICITY AND ENERGY ON THE KOEBERG NUCLEAR POWER PLANT OVERSIGHT VISIT, 30 OCTOBER 2024

The Portfolio Committee on Electricity and Energy (PCEE), having undertaken an oversight visit to the Koeberg Nuclear Power Plant on 10 October 2024, reports as follows:

1. Background

The Department of Mineral Resources and Energy (DMRE) published the Integrated Resource Plan (IRP) for electricity in 2019 (IRP 2019) which contemplates that 2 500 megawatts (MW) of new generation capacity will be sourced from nuclear energy, with the remainder from coal, gas, solar and other renewables. The IRP 2019 also proposes extending the lifespan of existing nuclear facilities (i.e. the Koeberg Nuclear Power Plant) as well as exploring the use of small modular reactors to provide a modular approach to the procurement of new nuclear generation capacity.

Thus, the Portfolio Committee on Electricity and Energy took the decision to visit the Koeberg Nuclear Power Plant on 10 October 2024 to familiarise themselves with nuclear power.

2. Composition of the delegation

2.1. Members of Parliament

Name of Member	Political Party
Hon. N. Mvana	African National Congress (ANC)
Hon. K. Mileham	Democratic Alliance (DA)
Hon E. Baptie	Democratic Alliance (DA)
Hon. B. Molefe	Umkhonto weSizwe Party (MK)
Hon. M Mbatha	Umkhonto weSizwe Party(MK)
Hon. N Paulsen	Economic Freedom Fighters (EFF)
Hon L Komane	Economic Freedom Fighters (EFF)

2.2. Eskom officials in attendance

Name	Designation
Mr K Featherstone	Chief Nuclear Officer
Ms B Mashele	Plant Manager: Koeberg
Ms N Sithole	Acting Group Executive: Government and Regulatory Affairs
Mr E Shunmagu	General Manager: Generation

Ms D Mokwena	Senior Manager Media Liaison (Spokeswoman)
Ms S Mabika	Koeberg HR Manager

2.3. Parliamentary Staff

Name	Designation
Ms. A Kotze	Committee Secretary
Ms Y Landu	Communication Specialist
Ms L Bramwell	Committee Researcher
Ms. V Makubalo	Committee Assistant

3. Introduction

Throughout history, humans have been making use of all forms of energy to improve their quality of life, e.g. fire for heating, cooking, lightning and working metals etc. Today electricity is an indispensable source of energy, and research continues to improve technologies for generating electricity. Currently, the basic electricity demand of the modern world is met largely by making use of water, fossil fuels (such as coal, gas, diesel) and nuclear power. Examples of newer “alternative” technologies are solar energy, wind energy, wave energy, and tidal energy.

Most power systems (except solar photovoltaic (PV) systems) use the same principle to generate electricity, i.e. rotating a magnet inside a wire coil. The only difference is the source of energy used to rotate the shaft of the generator. In hydro-electric power stations, water is used, and in thermal power stations, it is the steam produced by heat generated either by burning a fossil fuel or through nuclear fission or through concentrating solar energy.

South Africa (SA) is a water scarce country where the bulk of its electricity is generated by coal. Furthermore, combustion processes present health and environmental impacts that must be mitigated or eliminated. One alternative is nuclear power.

4. Koeberg Nuclear Power Plant

4.1. Introduction of the Koeberg Nuclear Power Plant

Koeberg nuclear power station is currently the only commercial nuclear power station in the country, and the sole commercial power station on the entire African continent. It is located 30 kilometres north of Cape Town, near Melkbosstrand on the west coast of South Africa. Koeberg is owned and operated by the country's national electricity supplier, Eskom. Construction started in 1976 with the two reactors being connected to the grid in 1984 and 1985 respectively. Koeberg contains two uranium pressurised water reactors (PWR) based on a design by Framatome (now Areva) of France. Koeberg supplies power

to the national grid so that over-capacity can be redistributed to the rest of the country whenever needed.

The plant was constructed near Cape Town to be the sole provider of power in the Western Cape after fossil-fuel power stations were deemed too small and too expensive to be viable. Nuclear power was considered because it was more economical than transporting coal to the existing fossil-fuel power stations. Athlone Power Station in the city was too small to provide Cape Town's needs, as well as the Paarden Island power station (itself too small) and both have now been demolished. Furthermore, the construction of new fossil-fuel power-stations would have required 300-meter-tall chimneys to comply with clean-air legislation.

The Koeberg power plant was originally located outside the metropolitan area, whose growth has far exceeded expectations in the past 20 years, so that the power plant is now close to suburban housing. The plant administration enforces maximum housing density regulations in case of evacuation, which precludes the construction of high-rise buildings.

4.2. Nuclear power

The exploitation of nuclear fission allows for safe, clean and relatively cheap power, and also minimizes pollution. A nuclear power plant located on the coast can use sea water for condensing the steam, rather than scarce inland water resources.

The fuel used in a nuclear power plant is uranium dioxide. SA has abundant resources of uranium and is one of the top uranium producing nations in the world. Uranium occurs naturally in the gold-bearing rocks of the Witwaters rand and the copper-bearing ores of the Phalaborwa complex. Minor deposits of uranium are found at Pilanesberg, in the Karoo and NorthWestern Cape. One kilogram of uranium supplies the same amount of energy as three million kilograms of coal.

4.3. Uranium: fuel for a nuclear power station

Uranium, which has the heaviest atomic mass of any naturally occurring element, is present in the earth's crust at four parts per million and is more abundant than gold and silver. The uranium-bearing ore is crushed and then chemically treated to extract the uranium, usually in the form of "yellow cake" (ammonium diuranate). This is then processed by a conversion facility, then enrichment facility and thereafter is manufactured into fuel assemblies.

Nuclear fission

In a nuclear power station uranium atoms are split during a process called nuclear fission, which takes place in the reactor core. Natural uranium normally contains different quantities of uranium isotopes. Isotopes are atoms of an element with an equal number of protons, but different numbers of neutrons in their nuclei.

The number of protons is the atomic number of an element and the number of neutrons plus the number of protons gives the atomic mass. Some uranium atoms have a mass number of 235, others 238. U235 is the most readily fissionable isotope, but 0,7 percent is found in natural uranium. To sustain a certain fission rate (chain reaction), the uranium is processed in an enrichment facility to increase the concentration of U235 up to 4,4 percent.

The fission process generates heat energy, which is used to heat and convert water to steam. The steam drives the turbines, which turn the generator rotor to generate electricity. The voltage generated is stepped up by transformers to transmission via the national grid.

4.4.Pressurised Water Reactor (PWR)

To start the nuclear reaction, a source of neutrons (a californium source is used the very first time, thereafter the used fuel in the reactor) is used to emit the first neutrons that lead to a self-sustaining chain reaction. The neutrons strike uranium atoms, which split and release energy neutrons. This process is repeated over and over – this is the chain reaction.

The reactor core, where the reaction takes place, is contained in the reactor vessel, which is 13 meter high and 4 meters in diameter, with walls that are 25cm thick. The heat generated by the fissioning of nuclei is transferred to the water in which the fuel core is immersed. This is called the primary coolant and consists of purified water, which is kept at high pressure to prevent the water from boiling. This water also has the function of moderator, slowing down the neutrons (that have been released from the fissioning of U235) as they bump against water molecules. Neutrons are emitted from the fission reaction at speeds of around 20 000 km per second. If they are slowed down to a mere 2 km per second, they are much more likely to cause fission in other U235 nuclei in their path.

4.5.Control and generation

To maintain a steady energy (heat) output, the fission process is controlled by means of neutron-absorbing control rods made of a silver/cadmium/indium alloy. These rods are lowered into the reactor core to stop the nuclear reaction. Boric acid, which also absorbs neutrons, can be added to the moderator or withdrawn from it to regulate the reaction as required.

Pumps powered by 5.4 MW motors circulate the pressurised water from the reactor vessel through U-tubes in the steam generator and back to the vessel. This is called the primary circuit. The high temperature (320°C) heats the water contained in the steam generators to produce steam. This steam is used to drive the turbines that turn the shaft of the generator to generate electricity. The steam cycle is the secondary circuit.

There is no contact between the primary and the secondary circuits other than the transfer of heat. After the steam from the steam generators has been used to drive the turbo

generators, it is channelled to the condensers, where a third water circuit consisting of sea water cools and condenses the steam to water.

The condenser is designed to ensure that the condensate does not meet the sea water, thereby creating a third barrier between the primary coolant and the environment.

The primary and secondary water systems are completely closed, and all three water systems are separated from each other.

4.6. The containment building

The containment building encloses the reactor and the steam generators. It consists of a 1m thick post-tensioned concrete shell with 6mm airtight steel liner.

Vertical, horizontal and dome-bonded steel cables in the concrete shell are spaced 500mm apart and tensioned to about 300 tons each. The entire primary circuit plant within the containment is surrounded by another 600mm thick cylindrical wall. A massive radiation shield – a 1m thick circular wall of reinforced concrete, encloses the reactor.

Modern reactor designs such as that at Koeberg have many built-in safety devices, making the escape of any radioactive materials a very remote possibility. All possible failures and errors are analysed, and safety features are developed to prevent any combination of them. If any part of the system is not operating within stringent limits, automatic systems will immediately shut down the reactor.

4.7. Safety

The design of Koeberg Nuclear Power Station is inherently safe.

- Firstly, the uranium fuel is in the form of a dense ceramic material with good fission product retention properties
- Secondly, the fuel is encased in zirconium tubes
- Thirdly, the fuel elements are placed inside the 25cm thick stainless steel reactor pressure vessel
- Fourthly, the reactor pressure vessel rests in a two-metre-thick reinforced concrete biological shield
- Finally, a massive one-metre-thick steel-lined, post-stressed reinforced concrete structure built to withstand incredible forces – including the impact of an aircraft – houses the entire nuclear steam supply system

The nuclear section of the Koeberg Power Station is built on aseismic bearings to prevent damage from even major earthquakes. All critical systems are fully duplicated, and the back-up systems are on permanent standby should the original ones fail. A safety injection system ensures that the nuclear fuel in the reactor is cooled in the event of an accident. Should a reactor coolant pipe break, this system injects cooling water as quickly as possible into the reactor. Should a steam pipe break, the system injects concentrated boric acid

solution into the reactor core to stop the reaction. Finally, in the event of an accident, all radioactive material would be trapped in the containment building, which is tested regularly at a pressure higher than would occur in this eventuality, that is, at 4.5 bar – three times higher than the pressure in the average motor car tyre.

4.8. Waste Management

Types of nuclear waste

There are three types of nuclear waste produced at a nuclear power station: low, intermediate waste and spent fuel.

Low-level waste consists of day-to-day refuse such as paper, gloves, glassware, plastic containers and disposable overalls and overshoes, most of which have low traces of radioactive contamination. Low-level waste is compressed into steel drums, sealed and transported for disposal.

Intermediate-level waste consists of radioactive resins and sludges, spent filter cartridges and scrap metal pieces from normal maintenance work. Intermediate-level waste is solidified by combining it with a cement mix, which is poured into concrete drums. The drums are transported to the radioactive waste disposal burial site. The drums have a design life of hundreds of years, although the waste they contain will reach natural radiation levels after a hundred years.

Koeberg produces some 500 drums of low-level waste per year and 150 drums of intermediate-level waste per year. By comparison, a similarly sized coal-fired station produces about 2 million tons of ash each year.

Used or spent fuel

Spent fuel is nuclear fuel that has been irradiated in a nuclear reactor (usually at a nuclear power plant) to the point where it is no longer useful in sustaining a nuclear reaction.

The spent fuel assemblies are stored underwater in storage racks in the spent fuel pools. Water cools the fuel and serves as an effective shield to protect workers in the fuel storage building from radiation.

Radiation starts decreasing immediately after the fission reaction has stopped and within about ten years has decreased by more than 95%. Spent fuel will either be sent to a reprocessing facility when uranium extraction becomes economically viable, or it will be disposed of at an approved repository.

High level waste

This is what remains when the spent fuel has been chemically processed to remove usable plutonium and uranium. At present, it is not economically viable to undertake reprocessing. In the meantime, spent fuel will be stored in the spent fuel pools at Koeberg.

After reprocessing, high-level waste in synthetic-rock form will be finally sealed into stainless steel flasks (casks) to be buried in the range of 500-1000m deep at waste repositories. Nuclear waste storage sites are situated in remote, geologically stable areas where little seismic activity has been recorded for millions of years and where agricultural and mineral potential is minimal.

4.9. Vaalputs

Vaalputs is South Africa's site for the disposal of nuclear waste and is situated 600km north of Cape Town. In this area the annual evaporation exceeds the annual rainfall. In this way, even if radioactivity should escape, it could not contaminate ground water that might find its way to the surface.

The area allocated for burial of metal drums and concrete containers measures 700m × 300m. This area is sufficient for storing the nuclear waste of three power stations the size of Koeberg for the future. The waste is stored in trenches 10m deep. Radiation at the surface is almost at natural levels and does not constitute a health hazard. However, for safety reasons, the area is fenced off and monitored.

4.10. Environment

Eskom strives to minimise the impact of its operations on the environment. Continued internal and external audits are conducted to ensure compliance. Samples of fish, meat, vegetables, milk, water and grass are regularly collected from the area around Koeberg and analysed to determine any possible effects on the food chain.

The Eskom Koeberg Nature Reserve is home to a diverse number of animal species, reptiles and fynbos and plays a pivotal role in the conservation of the area. All of these are closely monitored within the boundaries of a proclaimed nature reserve.

Several unique coastal landforms, wetlands and different vegetation communities are protected in this area. The outdoor education programme encourages visitors to hike or cycle through the reserve. Routes are well marked, and visitors can enjoy this tranquil environment on the self-guided trails.

5. Power generation by the Koeberg Nuclear Power Plant

Koeberg is rated at just over 1,800 megawatts (MW), its average annual production is 13,668 gigawatt-hours (GWh) and it has two large turbine generators with a capacity of 900 MW each. The two nuclear reactors generate 5 percent of the country's electricity.

Table 1: Koeberg Reactor Capacity and lifespan of Reactor

Reactor	Type	Net Capacity	First Power	Planned closure

Koeberg 1	Pressurised Water Reactor (PWR)	930 MWe	April 1984	2024
Koeberg 2	Pressurised Water Reactor (PWR)	900 MWe	July 1985	2025

Source: Eskom website

Koeberg was one of the first Nuclear Power Stations designed to be specifically resistant to earthquakes. The reactors at the Koeberg nuclear power station are built upon an aseismic raft design – based on a mid-1970s hazard study - to withstand a magnitude 7 earthquake at a focal distance of about 10 kilometres.

The reactor at Koeberg is cooled by cold water from the Atlantic Ocean pumped through an isolated circuit at 80 tons a second. Low and intermediate level waste from Koeberg is transported by road in steel and concrete containers to a rural disposal site at Vaalputs, 600 km away in the Kalahari Desert. The grounds of the nuclear plant form a 22 km² nature reserve open to the public containing more than 150 species of birds and half a dozen small mammal species.

6. Koeberg Nuclear Power Plant Long Term Operation (LTO)

As stated above, the IRP2019 made provision for 2 500MW of new generation capacity from nuclear energy, as well as 1 860MW for the extension of the Koeberg power plant. With regards to the Koeberg Power Plant LTO, the Department of Mineral Resources and Energy (DMRE) stated the following in its Annual Performance Plan (APP) for the 2024/25 financial year:

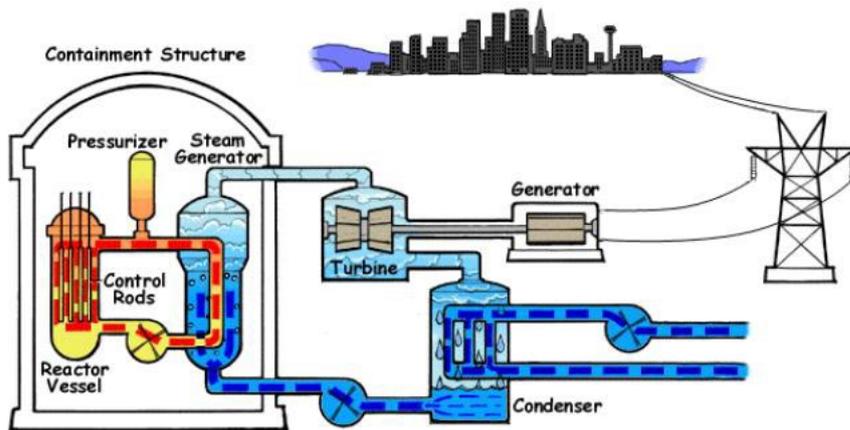
- “Nuclear forms an integral part of South Africa’s energy mix. The Koeberg Nuclear Plant Long Term Operation Project and the associated plant life extension activities are hardwired in the IRP 2019, thereby recognizing the pivotal role that the plant plays in continued energy security for the country. The Koeberg Nuclear Power Plant will undergo a planned maintenance outage including the replacement of steam generators during this year. The initial plan was to have the three Old Steam Generators replaced by the new ones for Unit 2 in June 2022 and the replacement of 3 steam generators for Unit 1 from October 2022. The Steam Generator Replacement project for Unit 2 was deferred to the next outage.”
- “The Department will continue to exercise oversight on the Koeberg Nuclear Power Plant Long long-term operation to ensure the security of energy supply. The Koeberg Nuclear Power Plant’s design life will be extended to 2045 by facilitating the IAEA SALTO12 mission and providing policy guidance as well as grant relevant authorizations.”

Thus, the LTO is to extend the life of the plant from its current 40-year life span by an additional 20 years. Unit 1 entered commercial operation in July 1984 while Unit 2 entered commercial operation in November 1985. Therefore, the life extension will allow Koeberg to operate until 2045 and 2046 respectively.

On 15 July 2024, the National Nuclear Regulator (NNR) approved the 20-year life extension for Koeberg Unit 1 but has deferred a decision on Unit 2 until late 2025, as the assessment of the second reactor's safety case is still ongoing. The NNR agreed to Eskom's request to separate Unit 1 and Unit 2 licences to align with their respective commercial operating dates.

To extend the life of the Koeberg units, the entity has undertaken the Steam Generator Replacement (SGR) programme which will allow the units to continue producing electricity safely over the next 20 years

Diagram 1. Nuclear Reactor at Koeberg



As shown in the diagram above, the steam generator forms the boundary between the reactor and the steam circuit which drives the turbine. The original material used to manufacture the tubes was found to be susceptible to cracking. This issue impacted the whole industry, which Eskom managed safely through lowering the primary temperature and accepted rigorous inspection programmes which required thorough inspections of the tubes at each outage. However, Eskom believed that the original steam generators needed to be replaced for extended Long Term Operation.

There are three steam generators per unit. The scope of the SGR project involved:

- Manufacturing the 6 new steam generators.
- Performing the design studies to accommodate the new SG's and all the associated plant changes.
- Perform all the safety studies to demonstrate the reactor and fuel can operate safely under the new conditions.
- Detailed cutting, rigging and welding plans to remove and install replacements into the primary and secondary circuits.
- Obtaining regulatory approval for the different activities.
- Integrating all activities into the outage schedule
- Ensuring the availability of all the support and facilities needed during execution.

- Then finally cutting out and welding in the new steam generators and performing the required nuclear inspections.

After several deferrals due to design/safety case and installation packages not being ready as well as delays due to the lack of agreed installation plan between Eskom and the contractor, Koeberg Unit 1 was eventually taken off-line in December 2022 for the steam generator to be replaced. Initially the unit was to be off-line for six months, with the expected due date to be back online by June 2023. However, after suffering several delays, the unit was finally synchronised to the grid in November 2023. Koeberg Unit 2 was taken off-line in December 2023 and is expected to be back in operation by 30 September 2024 after its steam generators are also replaced.¹⁷ Eskom has stated that although Unit 2 outage will be similar in terms of the scope, the lessons learnt from Unit 1 outage will enable the duration to be reduced, without compromising nuclear safety.

The Koeberg Long Term Operation is currently well on its way, with Koeberg Unit 1's steam generators being successfully replaced and returned to service in November 2023. Koeberg Unit 2 is currently on an outage in which its steam generators will be replaced, with its return-to-service date has been set as 30 September 2024. This will allow the plant to continue producing its 1 830MW of electricity for another 20 years until 2045/46. The Koeberg nuclear power plant has operated safely for nearly 40 years and is expected to do so for a further 20 years.

7. Observations and discussions

- On the transparency relating to the shutdown, Eskom pointed out that they should be operating with sufficient reserve margins, and they need not talk about a single unit going offline. Eskom, however, is of the opinion that they should not be getting into that level of transparency within the nuclear industry. Eskom is supplying bulk power. However, the nuclear industry does have sensitivities, so Eskom is trying to address these, where they can for example make use of the Eskom website, give more real time information around the Koeberg Nuclear Power Plant (NPP), should people require the information. Eskom stated that they should not be in the media for a unit or units which has tripped. They do however, from a Koeberg NPP view, agree that should the public require information, it should be readily available.
- Members sought clarification regarding why Unit 1 was finished in August 2023 and Unit 2 in October 2024. According to Eskom, they have gained experience from the installation of Unit 1. Unit 1 took longer than was planned, due to having placed too much trust in the contractor, in what they promised they could deliver. All the issues identified and experienced during Unit 1 was put in place for the planning of Unit 2. The lessons learned from Unit 1 was successfully integrated, however an unexpected challenge occurred regarding the welding, where they had to ensure that the welds met all the criteria, which took a long time. The Steam generator replacement for unit 2 was

ahead of schedule, but there was a problem with the crane that moves the SG into place. This had to be fixed before the SG could be moved.

- The Koeberg NPP has 1 549 staff members for two 900 MW units. A gender breakdown of the staff are as follows: female (37,19 percent) and male (62,81 percent).
- Eskom further acknowledged that in the South African context they must create and maintain their pool of nuclear specialists, unlike other countries that have nuclear navies. South Africa, and especially Eskom must train and maintain its own nuclear specialists.
- Eskom is aware that other nuclear builds are happening around the world and because Eskom's focus is on training and developing staff, these staff members are extremely marketable and with the rand exchange rate, these staff are offered exorbitant salaries to work abroad. According to Eskom, their approach has been that they cannot keep an employee if they are offered better salaries. Eskom's main priority in these circumstances is knowledge management and knowledge retention. Their focus is also to ensure that there is a sufficient pipeline of people in the respective job families.
- According to Eskom, the processes and procedures and documentation in the nuclear industry, all helps them in knowledge retention. This is to ensure that the information is captured, and employees can easily access this information.
- Regarding Members comments on getting younger children in the STEM (science, technology, engineering and mathematics) careers, Eskom does have programmes to get primary school pupils interested in the STEM studies, Eskom engineers go into schools and provide assistance to learners.
- Eskom pointed out that the Environmental Impact Assessment (EIA) was not solely done specifically for the LTO, however there was a change in the water requirements, fairly recently, so Eskom had to re-apply for a water permit due to changes in the regulations. They were forced to do a complete re-assessment of all their discharges, including the temperature aspect and all chemicals used. In the area where they believed they had a potential impact, they did a complete monitoring of the marine life, life on the shoreline as well as the plant life in the area, around Koeberg. Eskom has a survey programme which monitors the above on a regular basis and they must submit reports to the NNR to demonstrate that they adhere. Eskom confirmed that over the 40 years, they have seen no impact on any of the species around Koeberg.
- Koeberg NPP's energy availability factor (EAF) dropped to 67 percent over the past five years. Eskom explained that one unit was down for one year, so the EAF should have been 50 percent. According to Eskom, the Koeberg NPP's EAF should be closer to 90 percent, under normal circumstances.
- Regarding insurance for liability, Eskom stated that Koeberg does have insurance liability, but this is also provided by the international community as well as government guarantees in case of a nuclear emergency.
- Regarding safety of the community around Koeberg, there are strict spatial planning by-laws for the suburbs around the NPP. The roads need to be wide enough to allow for emergency evacuations.

6. Simulator demonstration

After the discussion, the Committee Members were taken to see the simulator of the control room of Unit 1 of the Koeberg Nuclear Power Plant. The members were shown how the nuclear operators would react to a trip of Unit 1. The members noted the following:

- The demonstration was carried out by two nuclear operators (one female) and a senior nuclear operator.
- The three-way communication - a process that allows all parties involved in a conversation to share information and understand one another clearly. This type of communication is essential in the workplace, where misunderstandings can lead to dangerous situations.
- The nuclear operators were very calm even with the alarms going off and lots of noise in the control room.
- All nuclear operators went through a rigorous training programme to get certified as nuclear operators, which is followed by further training at the Koeberg simulator before they are allowed to work in the actual control rooms of the nuclear reactors, Unit 1 or Unit 2.

7. Recommendations

It is recommended that the Minister of Electricity and Energy should:

- Address all important deviations in ageing management activities and preparation for safe Long Term Operation (LTO) raised by the IAEA's Safety Aspects of Long Term Operation (SALTO) mission
- Prioritize and ensure that the energy availability factor (EAF) of the Koeberg Nuclear Power Plant is improved.
- Ensure that there is a sufficient pipeline of nuclear specialists/operators at the plant.
- Develop reasonably practicable safety upgrades to enhance the safety of the plant.
- Strengthen and improve cooperation between the various national, provincial and local spheres of government, relating to the safety preparedness at the plant.
- Ensure sufficient arrangements and emergency preparedness for effective and adequate response in the case of a nuclear accident.
- Ensure units tripping at Koeberg Nuclear Power Plant is reported for transparency purposes.
- Provide a comprehensive financial review of the LTO project including both direct and indirect costs.

REPORT TO BE CONSIDERED

4. Report of the Portfolio Committee on Communications and Digital Technologies on the 2023/24 Third and Fourth Quarter Performance and Expenditure Reports of the Department of Communications and Digital Technologies, dated 22 October 2024

The Portfolio Committee on Communications and Digital Technologies (the Committee), having considered the 2023/24 Third and Fourth Quarter Performance and Expenditure Reports of the Department of Communications and Digital Technologies, hereafter referred to as “the Department,” reports as follows:

The Department was initially allocated a total budget of R3.512. During the Adjustment Estimates of National Expenditure (AENE) budget process, the department’s budget has been reduced by R200 million from R3.512 billion to R3.312 billion which consists of Compensation of Employees totalling R301.4 million or (9%), Goods and Services of R1,335 billion or (40%), Transfers and Subsidies of R1,663 billion or (50%), Payment for Capital Assets of R5,6 million (0,2%) and Payment of Financial Assets of R6,9 million (0,2%)

1. Introduction

The Committee considered the Department's 2023/24 Third and Fourth Quarter Performance and Expenditure Reports (01 October 2023 to 31 December 2023 and 01 January 2024 to 31 March 2024) and its Entities on Tuesday, 10 September 2024.

The Department of Communications and Digital Technologies (DCDT) was established in April 2020 through the merger of the Department of Communications and Telecommunications and Postal Services.

The DCDT 2023/24 Annual Performance Plan is aligned with the government's Medium-Term Strategic Framework (MTSF), which outlines specific outcomes and priorities for addressing the challenges of poverty, inequality, and unemployment. In line with the mandate of the DCDT, the priorities for the medium-term are:

- i) ensuring enabling Digital Transformation Policies, Strategies and Regulations;
- ii) increased access to secure Digital Infrastructure and Services;

- iii) digitally Transformed Economy and Society; and
- iv) a High-performing and sustainable portfolio that achieves its respective mandates and policy objectives.

The DCDT is still developing a revised organisational structure that will deliver on its mandate. As an interim measure, the DCDT will still function with a start-up organisational structure in the short term until the revised structure, aligned to the DCDT's mandate and strategy, is finalised, approved, and implemented.

Following the approval of the revised organisational structure, the DCDT will develop a new budget programme structure that will allow the Department to deliver on its mandate optimally. Furthermore, to align with the delivery of its mandate, the Department has developed a draft Operating Model that identifies key functional areas to facilitate the achievement of priority programmes.

The ICT sector plays a vital role in South Africa's economic growth and development, and the 2023/24 Annual Performance Plan (APP) intends to reposition the Department and its Portfolio Entities to lead the South African economy into the digital age.

This Report gives an overview of the department's presentations, mainly focusing on its achievements and output regarding the performance indicators, targets, and related financial performance set for the 2023/24 financial year. The Report also provides the Committee's key deliberations and recommendations regarding the performance presentations made by the Department and its Entities.

2. Organisational Performance Against Annual Performance Plan

2.1 Quarter 3 Performance Per Programme

The Department committed to achieving 38 (thirty-eight) Annual Performance Plan (APP) quarterly targets by the end of **Quarter 3** (01 October 2023 - 31 December 2023) of the 2023/24 financial year. This is the total number of Quarter 3 APP targets of all six (6) Programmes of the DCDT. Overall, the Department has Achieved 30 (79%) of the Q3 APP targets, and 8 (21%) were Not Achieved. The table below summarises Quarter 3 performance per programme against APP targets.

Programme	Total APP Targets	Achieved	Not Achieved	% Achieved
Administration	7	5	2	71%
ICT International Relations and Affairs	4	4	0	100%
ICT Policy Development and Research	8	6	2	75%
ICT Enterprise and Public Entity Oversight	9	9	0	100%
ICT Infrastructure Development and Support	6	4	2	67%
ICT Information Society and Capacity Development	4	2	2	50%
Total	38	30	8	79%

Administration Programme committed to achieve 7 (seven) APP Targets by the end of quarter 3, 01 October 2023 – 31 December 2023. Of these APP targets, 5 (71%) Q3 APP targets were Achieved and 2 (29%) were Not Achieved.

ICT International Relations and Affairs Programme committed to achieve 4 (four) APP targets by the end of Quarter 3, 01 October – 31 December 2023. Of these APP targets, all 4 (100%) Q3 APP targets were Achieved.

ICT Policy Development and Research Programme committed to achieve 8 (eight) APP targets by the end of Quarter 3, 01 October 2023 – 31 December 2023. Of these APP targets, 6 (75%) Q3 APP targets were Achieved, and 2 (25%) were Not Achieved.

ICT Enterprise and Public Entity Oversight Programme committed to achieve 9 (Nine) APP targets by the end of Quarter 3, 01 October 2023 – 31 December 2023. Of these APP targets, all 9 (100%) Q3 APP targets were Achieved.

ICT Infrastructure Development and Support Programme committed to achieving 6 (six) APP targets by the end of Quarter 3, 01 October 2023 – 31 December 2023. Of these APP targets, 4 (67%) of Q3 APP targets were Achieved, and 2 (33%) were Not Achieved.

ICT Information Society and Capacity Development Programme committed to achieve 4 (four) APP quarterly targets by the end of Quarter 3, 01 October 2023 – 31 December 2023. Of these Q3 APP targets, 2 (50%) were Achieved, and 2 (50%) were Not Achieved.

2.2 Quarter 4 Performance Per Programme

The Department committed to achieving 33 (thirty-three) Annual Performance Plan (APP) quarterly targets by the end of Quarter 4 (01 January 2024 - 31 March 2024) of the 2023/24 financial year. Overall, the Department has Achieved 28 (85%) of the Q4 APP targets, and 5 (15%) were Not Achieved.

The table below is a summary of Quarter 4 performance per programme against APP targets

Programme	Total APP Targets	Achieved	Not Achieved	% Achieved
Administration	7	6	1	86%
ICT International Relations and Affairs	3	2	1	67%
ICT Policy Development and Research	6	3	3	50%
ICT Enterprise and Public Entity Oversight	9	9	0	100%
ICT Infrastructure Development and Support	5	5	0	100%
ICT Information Society and Capacity Development	3	3	0	100%
Total	33	28	5	85%

Administration Programme committed to achieve 7 (seven) APP Targets by the end of Quarter 4, 01 January 2024 – 31 March 2024. Of these APP targets, 6 (86%) Q4 APP targets were Achieved and 1 (14%) was Not Achieved.

ICT International Relations and Affairs Programme committed to achieve 3 (four) APP targets by the end of Quarter 4, 01 January 2024 – 31 March 2024. Of these APP targets, 2 (67%) Q4 APP targets were Achieved, and 1 (33%) was Not Achieved.

ICT Policy Development and Research Programme committed to achieve 6 (six) APP targets by the end of Quarter 4, 01 January 2024 – 31 March 2024. Of these APP targets, 3 (50%) Q4 APP targets were Achieved and 3 (50%) were Not Achieved.

ICT Enterprise and Public Entity Oversight Programme committed to achieve 9 (Nine) APP targets by the end of Quarter 4, 01 January 2024 – 31 March 2024. Of these APP targets, all 9 (100%) Q4 APP targets were Achieved.

ICT Infrastructure Development and Support Programme committed to achieving 5 (five) APP targets by the end of Quarter 4, 01 January 2024 – 31 March 2024. Of these APP targets, all 5(100%) of Q4 APP targets were Achieved.

ICT Information Society and Capacity Development Programme committed to achieve 3 (three) APP quarterly targets by the end of Quarter 4, 01 January 2024 – 31 March 2024. Of these APP targets, all 3(100%) of Q4 APP targets were Achieved.

3. Expenditure Analysis Per Programme

3.1 Quarter 3 Expenditure Performance

Budget and Expenditure summary

R million Programme	Main Appropriation	Adjusted Budget	Available Budget	Q3 Actual expenditure	Expenditure as % of Available Budget	Q3 Projected expenditure	Variance from projected expenditure	% Variance from projected expenditure	Disaster Spending
1 Administration	281,4	263,7	263,7	189,4	71,8%	202,5	13,1	6,5%	0,0
2 ICT International Relations and Affairs	72,2	71,7	71,7	67,1	93,6%	66,8	-0,3	-0,4%	0,0
3 ICT Policy Development and Research	43,7	39,6	39,6	21,0	53,2%	24,5	3,4	13,9%	0,0
4 ICT Enterprise and Public Entity Oversight	1 646,4	1 632,3	1 632,3	1 232,0	75,5%	1 232,9	0,9	0,1%	0,0
5 ICT Infrastructure Development and Support	1 381,9	1 230,6	1 230,6	855,3	69,5%	843,0	-12,3	-1,5%	0,0
6 ICT Information Society and Capacity Development	86,5	74,4	74,4	44,6	60,0%	49,0	4,3	8,8%	0,0
Total	3 512,2	3 312,2	3 312,2	2 409,4	72,7%	2 418,6	9,1	0,4%	0,0

Source: Standing Committee on Appropriations 3rd Quarter Expenditure Report 2023/24 Financial Year

At the end of the Third Quarter, the Department spent R2.4 billion, or 72.7 per cent of the adjusted budget of R3.3 billion. Spending was R9.1 million, or 0.4 per cent lower than projected. This is mainly due to employee compensation, which spent R6.7 million, or 3.2 per cent less than projected, due to vacant posts (13.9%), which the Department is currently filling.

The spending of R1.253 billion under Transfers and Subsidies is slightly higher than the projected R1.252 billion, and this is due to the higher expenditure under households due to leave gratuities made to employees who resigned during the year. Funds will be moved from slow spending areas to augment higher spending during adjustment.

The lower-than-expected spending of R3 million under Payments for Capital Assets is due to delays in the procurement of computer equipment. In contrast, higher spending under Payments for Financial Assets is due to unanticipated losses. Shifting funds will cover the shortfall.

Further details on spending per programme are discussed below.

Programme 1: Administration: Spending R189.4 million on this item is R13.1 million lower than the projected R202.5 million for the 3rd quarter. The variance of 6.5 per cent is due to 15 vacant posts within the programme, which has a vacancy rate of 8.5 per cent. However, the filling of positions is underway. Two Chief Director posts and some other lower-level posts have already been filled, and expenditure is expected to increase in the next reporting period. However, the Department has not yet finalised the development of the new organisational structure. Slow spending on goods and services is mainly on audit costs due to outstanding invoices and computer services due to clearing invoices through advance on State Information Technology Agency (SITA) accounts.

Although spending on goods and services is slow, legal services spending is higher than projected due to the invoices paid to legal representatives for work done for the SAPO business rescue process.

The higher spending in payment for capital assets is due to the procurement of IT server systems and IT audio-visual equipment that were not budgeted for.

The spending under this programme, R189.4 million, is R13.1 million lower than the projected R202.5 million, mainly due to vacant funded posts and slow expenditure on goods and services (audit costs due to outstanding invoices).

Programme 2: ICT International Relations and Affairs: Spending R67.1 million on this item is R300 thousand higher than the projected amount of R66.8 million for the 3rd quarter. The variance of 0.4 per cent is due to more travelling than anticipated, advertising costs for promotional items, and venues and facilities costs related to hosting of BRICS meetings. Funds will be moved from slow spending areas to augment the higher spending.

Programme 3: ICT Policy, Development and Research: Spending of R21 million under this programme is R3.4 million lower than the projected amount of R24.5 million up to the 3rd Quarter. The 13.9 per cent variance is mainly due to slow spending on goods and services for the digital economy framework strategy study, which has not been spent due to insufficient response from service providers. In addition, the appointment of a service provider to conduct research on developing a financial model for the SABC was postponed until the fourth quarter. Hence, the related expense has been deferred.

Lastly, the slow spending is also due to the pending gazetting of the draft white paper on audio and audio-visual media services, which has not yet been paid. In contrast, low spending on venues and facilities is due to using webinars rather than physical meetings to reduce costs.

There is also slow spending on employee compensation as eight vacant posts have not yet been filled, which amounts to a vacancy rate of 27.6 per cent. However, there is higher spending on households due to leave gratuities made to employees who have left the Department.

Programme 4: ICT Enterprise and Public Entity Oversight: Spending R1.232 billion on this item is R900 thousand lower than the projected amount of R1.233 billion up to the 3rd Quarter. The variance of 0.1 per cent is due to the non-appointment of the evaluation panel members to assess the performance agreements of the ICASA Councillors due to delays in the finalisation and submission of the signed agreements by the councillors.

Programme 5: ICT Infrastructure Development and Support: Spending R855.3 million on this item is R12.3 million, higher than the projected amount of R843 million in the 3rd quarter. The variance of 1.5 per cent is primarily due to higher spending under households due to leave gratuity made to employees who have left the employment of the Department.

Programme 6: ICT Information Society and Capacity Development: Spending R44.6 million on this item is R4.3 million lower than the projected amount of R49 million for the 3rd Quarter. The variance of 8.8 per cent is due to delays in the approval of the proposed identified additional Artificial Intelligence Hubs. However, there are ongoing engagements with various universities, such as the Central University of Technology (CUT), the University of Venda (UNIVEN), the Durban University of Technology (DUT), and the University of Stellenbosch in this regard. The CUT has confirmed the readiness for the launch, after which spending will commence in the final Quarter. However, DUT and UNIVEN indicated they are not ready to launch this year. Funding as per the Artificial Intelligence National plan for the University of KwaZulu-Natal (UKZN) and the University of Stellenbosch will take effect upon approval by the Minister.

Higher-than-expected spending on travel, subsistence, venues, and facilities is due to invoices from the previous financial year that were received and processed this financial year.

3.1.1 Personnel

The Department's total budget for employee compensation in the 2023/24 financial year is R302 million. At the end of December 2023, the Department had spent R200.6 million, which is lower than the projected amount of R207.3 million. The slow spending is due to critical vacancies not yet filled. A decision was taken to lift the moratorium on post-filling, and the process of filling most of the vacancies is underway.

The Department is still finalising its new organisational structure. At the end of December 2023, it reported 47 vacant positions, mostly under Programme 1: Administration.

3.2 Quarter 4 Expenditure Performance

Budget and Expenditure summary

R million	Main Appropriation	Adjusted Budget	Available Budget	Year End Actual expenditure	Expenditure as % of Available Budget	Underspending/ Overspending	% Underspending/ Overspending	Disaster Spending
Programme								
1 Administration	281.4	263.7	264.7	249.5	94.3%	15.2	5.7%	0.0
2 ICT International Relations and Affairs	72.2	71.7	75.6	74.0	97.9%	1.6	2.1%	0.0
3 ICT Policy Development and Research	43.7	39.6	36.4	27.7	76.0%	8.7	24.0%	0.0
4 ICT Enterprise and Public Entity Oversight	1 646.4	1 632.3	1 648.7	1 648.8	100.0%	-0.1	0.0%	0.0
5 ICT Infrastructure Development and Support	1 381.9	1 230.6	1 214.9	1 213.9	99.9%	1.1	0.1%	0.0
6 ICT Information Society and Capacity Development	86.5	74.4	71.9	65.8	91.6%	6.0	8.4%	0.0
Total	3 512.2	3 312.2	3 312.2	3 279.7	99.0%	32.5	1.0%	0.0

Source: Standing Committee on Appropriations 4th Quarter Expenditure Report 2023/24 Financial Year

The Department of Communications and Digital Technologies (DCDT) has a total Adjusted budget appropriation of R3.312 billion for the 2023/24 financial year. At the end of the Fourth Quarter, the Department spent R3.280 billion, or 99 per cent of the adjusted budget.

Key issues per programme

Programme 1: Administration spent R249.5 million against an allocation of R264.7 million. Underspending is R15.2 million, or 5.7 per cent, due to vacant posts. Some positions, including the two Chief Director posts and some lower-level posts, have already been filled so expenditures will improve in the new financial year.

The overspending under households is due to leave gratuity made to employees who have left the department. The Department will make final adjustments to shift funds to these items.

Programme 2: ICT International Relations and Affairs spent R74 million against an allocation of R75.6 million.

Spending is R1.6 million or 2.1 per cent lower than projected due to vacant posts within the branch.

Programme 3: ICT Policy, Development and Research spent R27.7 million against an allocation of R36.4 million. Spending is R8.7 million or 24 per cent lower than projected due to underspending on goods and services. This was due to the postponement of the appointment of a service provider to conduct research on developing a SABC financial model, the pending gazetting of the draft white paper on audio and audio-visual media services, which has not yet been spent, as well as on venues and facilities due to decision to opt for webinars than physical contact to reduce costs.

The overspending under households is due to leave gratuity made to employees who have left the Department of Employment.

Programme 4: ICT Enterprise and Public Entity Oversight spent R1.648.8 billion against an allocation of R1.648.7 billion, with a slight overspending of R100,000. This is primarily due to higher spending on household transfers, which the accounting officer will address through the virements approval process.

Programme 5: ICT Infrastructure Development and Support spent R1.213.9 billion against an allocation of R1.214.9 billion. Spending is R1.1 million or 0.1 per cent lower than allocated, primarily due to vacant posts within the branch and under goods and services.

The latter is attributed to the advertising budget for the Broadcasting Digital Migration (BDM) awareness campaigns due to delays in the finalisation of the Service Level Agreement (SLA) with the South African Broadcasting Corporation (SABC).

Programme 6: ICT Information Society and Capacity Development spent R65.8 million, against a projection of R71.9 million. The spending is R6 million, or 8.4 per cent lower than projected, due to vacant posts within the branch.

3.2.1 Virements

Approved by the National Treasury

- Approval granted to increase transfer payments of the SABC: public broadcaster by R13 million.
- Approval for a total amount of R2.2 million to be moved out of the capital assets budgets in various programmes and to be utilised to defray excess expenditure in Programme 1 for goods and services (legal services).

Approved by the Accounting Officer

- R1.2 million from ICT Infrastructure Development and Support and R3.2 million from ICT Policy Development and Research will be transferred to International Affairs and Trade to compensate for overspending on goods and services.
- R1 million from ICT Infrastructure Development and Support, R1 million from Administration, and R 2 million from ICT Information Society and Capacity Development will be transferred to ICT Enterprise Development to pay more interest at the SABC.

3.2.2 Personnel

The Department's total adjusted budget for employee compensation in the 2023/24 financial year is R302 million. At the end of March 2024, the Department had spent R270.7 million, which is lower than the projected amount by R31.4 million or 10.4 per cent. The slow spending is due to vacancies not yet filled.

The Minister has lifted the moratorium previously placed on the filling of posts until the new departmental structure has been completed. However, the Department should finalise its new organisational structure as soon as possible.

4. Observations

Committee Observations

Having considered the Third and Fourth Quarter Report for the financial year 2023/2024 of the Department, the Committee noted:

- i) its appreciation to the DCDT for the presentations made;
- ii) with serious concern the poor performance of Entities and non-achievement of targets;
- iii) with concern that almost all Entities have not met targets;
- iv) however, welcome the peer review mechanism to share lessons learnt in the achievement of targets;
- v) with concern the slow finalisation of the White Paper on Audio- and Audio-Visual Technologies; and
- vi) with concern that the R200 million budget cut has negatively impacted the Department's programmes.

On Postbank, the Committee noted:

- i) that Postbank is now bank-compliant;
- ii) with concern that the recapitalisation issue is impacting the licence conditions of Postbank;
- iii) the ongoing governance structure vacuum at the entity;

- iv) with concern that the conditions for the variation notice are undermining the bank from fully operating;
- v) with serious concern that the IT systems are outdated and expose Postbank to vulnerabilities; and
- vi) with serious concern that there is a possibility that data was compromised after R89 million in fraudulent activities.

On SITA, the Committee noted;

- i) that SITA was in the process of revising its targets;
- ii) with concern the instability of governance at SITA;
- iii) with great concern that the leadership instability at SITA has an adverse impact on its service delivery mandate; and
- iv) with concern for the skills shortage in supply chain management.

On SAPO, the Committee noted;

- i) that SAPO is under business rescue and, therefore, under the stewardship of Business Rescue Practitioners (BRPs);
- ii) with concern that there is no clarity as to the costs associated with BRPs;
- iii) with concern that the BRPs were not available to appear before the Committee and yet were readily available to the media;
- iv) with concern that SAPO needs R3.8 billion from the fiscus to rescue it;
- v) with greater concern that there was no clear indication of how and when the R3.8 billion was going to be sourced;
- vi) with serious concern that the rescue is entirely dependent on the release of the R3.8 billion bailout;
- vii) that the planned partnerships model as part of the broader strategy for the sustainability of SAPO has not been fully explored, and
- viii) with concern the worrying regression in meeting targets.

On FPB, the Committee noted;

- i) with serious concern that FPB was in a R 2.7 million net deficit;
- ii) with concern that the Entity is not meeting the target of self-generated revenue; and
- iii) with concern that the FPB is underspending;

On ICASA, the Committee noted;

- i) with concern the looming strike at ICASA;
- ii) however, there is progress in preventing the strike;
- iii) with concern that ICASA did not achieve eight (8) of its targets;
- iv) with serious concern the fruitless and wasteful expenditure at ICASA;
- v) with concern about the vacant posts and that the women and youth participation target was not achieved; and
- vi) with concern that there is zero procurement of companies led by PLWD.

On NEMISA, the Committee noted;

- i) with concern that NEMISA had a shortfall in training in digital literacy, which was their core mandate; and
- ii) with great concern that NEMISA only trained 10 per cent of SMMEs and 26 learners on cell phone repairs whilst it had a 9800 target.

On BBI, the Committee noted;

- i) with concern that the operational expenditure increased due to employment costs and security services.

On USAASA/USAF, the Committee noted;

- i) with concern that the invoices were not paid within 30 days because of administrative issues;
- ii) with serious concern that the Gender Base Violence (GBV) target was not met; and
- iii) with concern that consequent management issues were not addressed.

On SABC, the Committee noted;

- i) with concern that the SABC still owed monies to Sentech, which may impact the sustainability of Sentech; and
- ii) with serious concern that the SABC is not meeting its targets.

On Sentech, the Committee noted;

- i) with concern that the impact of SABC's debt on Sentech has an implication on the sustainability of Sentech.

5. Recommendations

On DCDT and its Entities, the Committee recommended that the Minister:

- i) or Deputy Minister should avail themselves for future Committee meetings;
- ii) ensure that the Department regularly assess the performance management of Entities to ensure targets are met;
- iii) ensure that an update on the status of the White Paper on Audio- and Audio-Visual Technologies is sent to the Committee;
- iv) ensure that the Department responds to all consequence management issues of the Department and Entities during the coming term;
- v) ensure that the Department implements corrective action to address consequence management;
- vi) ensure that the Department provide the Committee with a list of criminal cases opened;

- vii) ensure that the work of Departments and Entities can clearly demonstrate the impact on service delivery to the Citizens;
- viii) ensure that strategic plans speak to impact and outcomes;
- ix) ensure that invoices are paid within 30 days, especially at ICASA and USAASA;
- x) ensure that the Postbank conduct a full audit of its customer data integrity;
- xi) ensure that ICASA is held accountable for procurement inefficiencies;
- xii) ensure that fruitless and wasteful expenditure at ICASA is resolved urgently;
- xiii) ensure that the stability in leadership at SITA is addressed expediently;
- xiv) while the committee notes the court judgement on the reinstatement of the board, the Minister must come and present the outcome of the CDH report and its implications for the stability of leadership at SITA;
- xv) ensure that the Postbank Board is appointed expediently;
- xvi) ensure that SITA implements corrective action and consequence management;
- xvii) ensure the improvement in the performance of SABC and that its targets are met;
- xviii) ensure that the monies owed to Sentech by SABC are fully recovered;
- xix) ensure that FPB address its issues of underspending;
- xx) ensure that NEMISA improves on its core mandate of training in digital media; and
- xxi) ensure that Postbank provides the Committee with a list of criminal cases opened during the coming term.

Report to be considered.

5. Report of the Portfolio Committee on Communications and Digital Technologies on the 2023/24 Third and Fourth Quarter Performance and Expenditure Reports of the Government Communication and Information System, dated 22 October 2024

The Portfolio Committee on Communications and Digital Technologies (the Committee), having considered the 2023/24 Third and Fourth Quarter Performance and Expenditure Reports of the Government Communication and Information System (GCIS), hereafter referred to as “the Department,” reports as follows:

1. Introduction

The Committee considered the 2023/24 Third and Fourth Quarter Performance and Expenditure Reports (01 October 2023 to 31 December 2023 and 2 January 2024 to 31 March 2024) of the GCIS and its Entity, the Media Development and Diversity Agency (MDDA), on Tuesday, 20 September 2024.

As of 31 December 2023, the GCIS had a vacancy rate of 15.16 per cent, broken down as 17 per cent at the SMS level and 15 per cent at levels 1-12. The Director-General's vacancy was advertised, and the selection committee was duly constituted. Due to budgetary constraints, the department could not fill all prioritised vacancies on the approved Recruitment Plan 4.

As of 31 March 2024, the GCIS had a vacancy rate of 16.84 per cent. Broken down as 19 per cent at SMS level and 17 per cent at levels 1-12. The selection committee for the Director-General post shortlisted and conducted Interviews with prospective candidates. By the end of the quarter, the selection process was at an advanced stage, and we were awaiting security clearance reports. Budgetary constraints persisted throughout the year, making the department unable to keep the vacancy rate below 10 per cent at the end of the financial year 2023/24.

2. Organisational Performance Against Annual Performance Plan

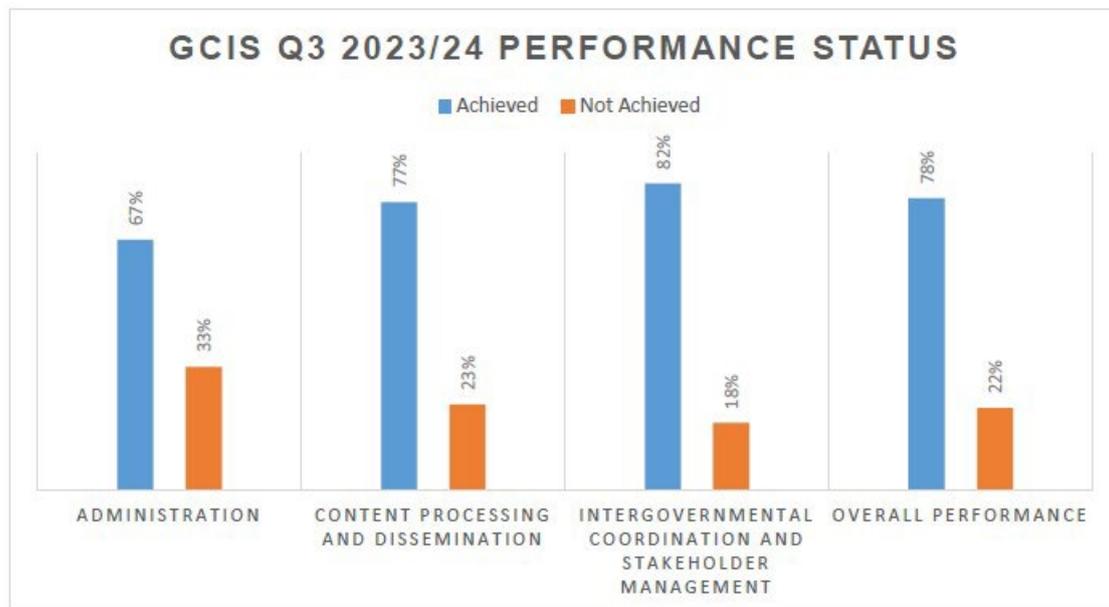
2.1 Quarter 3 Performance Per Programme

During Quarter Three, the process of developing the GCIS Digital Transformation Strategy that will guide the Department into the new era commenced. The strategy forms part of the

initiatives of GCIS, a leading organisation that deliberates on embracing new technology to drive efficiency and organisational effectiveness.

The GCIS focused content on key government campaigns to increase public awareness. The central campaigns coordinated were the South African government's efforts to build the economy, stem the tide of corruption, and respond to GBVF. Braille editions of *Vuk'uzenzele* were published together with the South African Yearbook and Official Guide to South Africa (digital editions).

The GCIS had forty (40) targets due for attainment during this period. Thirty-one (31) of these were achieved, which means that the Department achieved 78 per cent of its targets for Q3. Nine (9) of these forty (40) targets were not achieved.



The graph above reflects the overall performance per Branch for Quarter 3. Branch 1 achieved 67 per cent of its targets, Branch 2 achieved 77 per cent of its targets, and Branch 3 achieved 78 per cent of its targets.

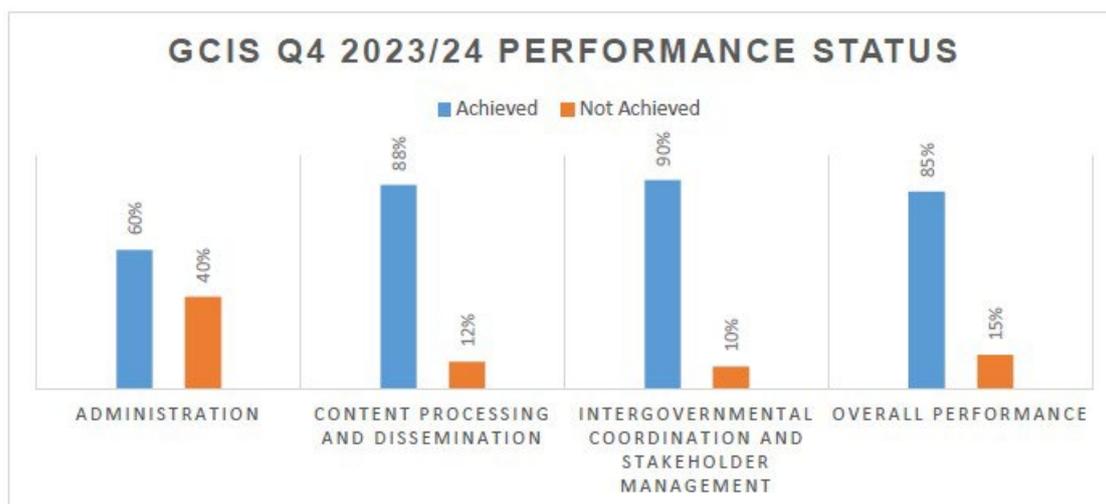
2.2 Quarter 4 Performance Per Programme

During Quarter 4, the GCIS convened Rapid Response meetings and produced biweekly reports on matters addressed as part of coordinating the system and ensuring the government's voice on environmental issues.

The GCIS launched a 13-part Citizens Connect series on 18 January 2024 as a social reality programme. This Advertiser-Funded Programme on SABC 2 aimed to reach a diverse audience

by focusing on topical issues such as Gender-Based Violence and Femicide (GBVF), Anti-Corruption, and the Economic Recovery and Reconstruction Plan (ERRP).

The GCIS had forty (40) targets during this period of review. Thirty-four (34) of these were achieved, which means that the Department achieved 85 per cent of its targets for Q4. The targets not achieved fell under all the programmes, as depicted in the graph.



3. GCIS Expenditure Analysis Per Programme

3.1 Quarter 3 Expenditure Performance

Budget and Expenditure summary

R million Programme	Main Appropriation	Adjusted Budget	Available Budget	Q3 Actual expenditure	Expenditure as % of Available Budget	Q3 Projected expenditure	Variance from projected expenditure	% Variance from projected expenditure	Disaster Spending
1 Administration	199,1	199,1	199,1	143,7	72,2%	144,6	1,0	0,7%	0,0
2 Content Processing and Dissemination	428,0	420,6	420,6	305,4	72,6%	317,8	12,4	3,9%	0,0
3 Intergovernmental Coordination and Stakeholder Management	123,7	123,8	123,8	96,5	77,9%	99,1	2,7	2,7%	0,0
Total	750,7	743,5	743,5	545,5	73,4%	581,6	18,1	2,9%	0,0

Source: Standing Committee on Appropriations 3rd Quarter Expenditure Report 2023/24 Financial Year

The Government Communication and Information System (GCIS) spent R545.5 million or 73.4 per cent of its 2023/24 available budget allocation of R743.5 million as of the end of December 2023. The spending was R16.1 million or 2.9 per cent lower than the Department's projected spending for the period under review, mainly under goods and services, which spent R138.2 million against a projected spending of R150.2 million because of procurement delays

relating to the national priority campaigns (Gender-based violence, Anticorruption, and Economic recovery campaigns).

Furthermore, the Department incurred lower than projected spending on payments for capital assets, mainly due to delays in the procurement of computer equipment and on employee compensation due to funded vacancies.

Further details on spending per programme are discussed below.

Programme 1: Administration: This programme reported an expenditure of R143.7 million, or 72.2 per cent of its 2023/24 available budget of R199.1 million, as of the end of the Third Quarter of 2023/24.

The reported expenditure translates to lower-than-projected spending of R1 million or 0.7 per cent, mainly due to underpayments for capital assets caused by delays in the procurement of computer equipment. According to the GCIS, all invoices will be received and processed in the last quarter of the financial year.

Programme 2: Content Processing and Dissemination: As of the end of the third quarter of 2023/24, this programme reported an actual expenditure of R305.4 million, or 72.6 per cent of its 2023/24 available budget allocation of R420.6 million.

The reported expenditure is lower than projected, at R12.4 million or 3.9 per cent, mainly on goods and services, due to procurement delays relating to national priority campaigns (Gender-based violence, Anti-corruption, and economic recovery campaigns). The Department has placed orders with service providers to be processed in the Fourth Quarter.

Programme 3: Intergovernmental Coordination and Stakeholder Management: As of December 2023, this programme had spent R96.5 million, or 77.9 per cent of its 2023/24 available budget allocation of R123.8 million. The expenditure was R2.7 million, or 2.7 per cent lower than the programme's projected expenditure for the period under review, mainly reported under the compensation of employees due to funded vacancies.

3.2 Quarter 4 Expenditure Performance

Budget and Expenditure summary

R million	Main Appropriation	Adjusted Budget	Available Budget	Year End Actual expenditure	Expenditure as % of Available Budget	Underspending/ Overspending	Underspending/ Overspending/	%	Disaster Spending
Programme									
1	Administration	199.1	199.1	196.0	194.7	99.3%	1.3	0.7%	0.0
2	Content Processing and Dissemination	428.0	420.6	416.4	411.1	98.7%	5.3	1.3%	0.0
3	Intergovernmental Coordination and Stakeholder Management	123.7	123.8	131.1	127.6	97.3%	3.5	2.7%	0.0
Total		750.7	743.5	743.5	733.4	98.6%	10.1	1.4%	0.0

Source: Standing Committee on Appropriations 4th Quarter Expenditure Report 2023/24 Financial Year

The Government Communication and Information System (GCIS) spent R733.4 million or 98.6 per cent of its 2023/24 available budget allocation of R743.5 million as of the end of March 2024. The Department underspent by R10.1 million or 1.4 per cent, mainly under goods and services, which spent R194.2 million against the available budget of R202.3 million because of procurement delays relating to the national priority campaigns (Gender-based violence, Anti-corruption, and Economic recovery campaigns).

Furthermore, the Department underspent its employee compensation allocation by R2 million or 0.7 per cent due to funded vacancies and the freezing of posts in compliance with the directive by the Department of Public Services and Administration.

Key issues per programme

Programme 1: Administration: This programme reported an expenditure of R194.7 million, or 99.3 per cent of the programme's available budget of R196 million, as of the end of 2023/24, resulting in an underspending of R1.3 million, or 0.7 per cent. The underspending was mainly due to the compensation of employees due to funded vacancies and the freezing of posts in compliance with the Department of Public Services and Administration directive.

Programme 2: Content Processing and Dissemination: As of the end of 2023/24, this programme reported an actual expenditure of R411.1 million, or 98.7 percent of its available budget allocation of R416.4 million.

The reported expenditure translates to an underspending of R5.3 million, or 1.3 per cent, mainly on goods and services due to procurement delays relating to national priority campaigns (Gender-based violence, anti-corruption, and economic recovery campaigns).

Programme 3: Intergovernmental Coordination and Stakeholder Management: As of the end of March 2024, this programme had spent R127.6 million, or 97.3 per cent of its available budget allocation of R131.1 million.

The expenditure was R3.5 million, or 2.7 per cent lower than the programme's allocated budget for the period, due to lower-than-projected spending on radio and television transmission.

4. Observations

Having considered the Third and Fourth Quarter Reports for the Financial Year 2023-2024 of the GCIS and MDDA, the Committee noted:

- i) its appreciation to the GCIS for the presentations;
- ii) with concern that the nonachievement of targets that are detrimental to the work of the government communication system;
- iii) with concern the poor quality of indicators;
- iv) with more concern that targets and indicators are not aligned;
- v) with concern about the lack of Vuk'uzenzele copies in constituency offices;
- vi) with more concern that the APP target on media campaigns was not achieved as only 22 of 55 campaigns have been fulfilled;
- vii) that the MDDA board member who resigned took a position to join a political party and therefore had to resign;
- viii) with concern the lack of consequence management at GCIS;
- ix) with concern that GCIS did not report on Programme 1 and, therefore the recommendations of the Auditor General are not transparent;
- x) the lack of reporting on Multipurpose Centres; and
- xi) commend the advertising revenue generated by GCIS.

On **MDDA**, the Committee noted:

- i) its appreciation to the MDDA for the presentations;
- ii) with concern that the Employment Equity target was not met;
- iii) with more concern that MDDA did not receive a clean audit despite the size of the Entity;
- iv) with concern that vacancies at MDDA have not been filled;

- v) with concern that Community Radio Stations do not all get support from MDDA; and
- vi) with concern about the media reports on the state of governance at the MDDA, particularly targeted at the Board.

5. Recommendations

Having considered the quarterly reports of the GCIS and the MDDA, the Committee recommended that the Minister should:

- i) ensure that processes are in place to meet all the targets at GCIS;
- ii) ensure that proper planning and appropriate resources are made available to achieve targets;
- iii) ensure that GCIS share its Digital Transformation Strategy and Social Media Strategy with the Committee during the Annual Reporting;
- iv) ensure that a culture of consequence management is enforced;
- v) ensure that the audit outcomes are addressed and report back to the Committee on progress;
- vi) ensure that media bulk buying issues are addressed;
- vii) present an update on the Draft White Paper;
- viii) ensure that processes are in place (working with COGTA) for citizens to receive updates and meaningful feedback on Imbizos;
- ix) ensure more public awareness of publications of the GCIS;
- x) ensure that information is equally distributed to communities;
- xi) improve the distribution of Vuk'uzenzele;
- xii) address nonachievement of GBV campaigns target;
- xiii) improve monitoring of programmes of the Department;
- xiv) provide a list of newspaper and broadcasting service providers and related amounts to the Committee during the Annual Reporting;
- xv) put systems in place to minimise underspending and non-achievement of targets;
- xvi) ensure that achievements translate to actual impact on the ground;
- xvii) improve relations with ICASA and endeavour to increase assistance to communities that seek to obtain broadcasting licences;
- xviii) ensure that MDDA fulfils its Employment Equity targets;

- xix) ensure that MDDA fill all vacancies;
- xx) ensure a report on the state of governance at MDDA is sent to the Committee during the Annual Reporting; and
- xxi) conduct an assessment and provide a report relating to the move of GCIS to the presidency.

Report to be Considered.