Budgetary review and recommendations report (BRRR) 2025-26



Portfolio Committee on Electricity and Energy

30 September 2026

top EMPLOYER South Africa 2026
FOR A BETTER WORLD OF WORK

AUDITOR-GENERAL SOUTH AFRICA

115 YEARS 1911 - 2026

Our mission to advocate for an effective national and provincial government cultures

MISSION

The Auditor-General of South Africa has a **constitutional mandate** and, as the supreme audit institution of South Africa, **exists to strengthen** our country's democracy by **enabling oversight, accountability** and governance in the public sector through auditing, thereby building public confidence.

VISION

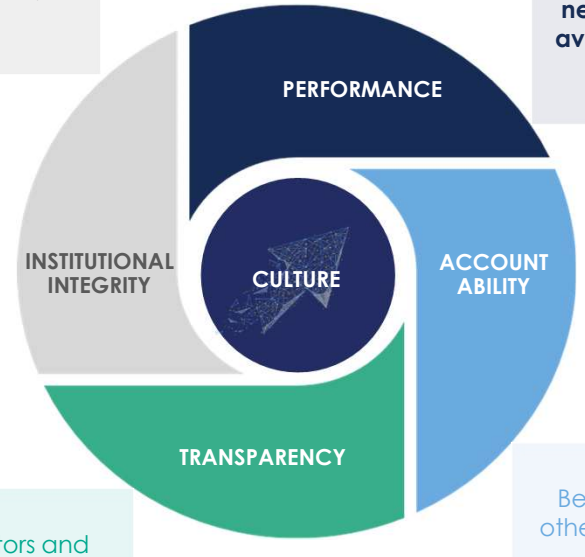
To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

Implement and maintain **institutionalised controls** to ensure leadership and officials **behave ethically, comply with legislation and act in best interest** of institution, **avoiding conflicts of interest**

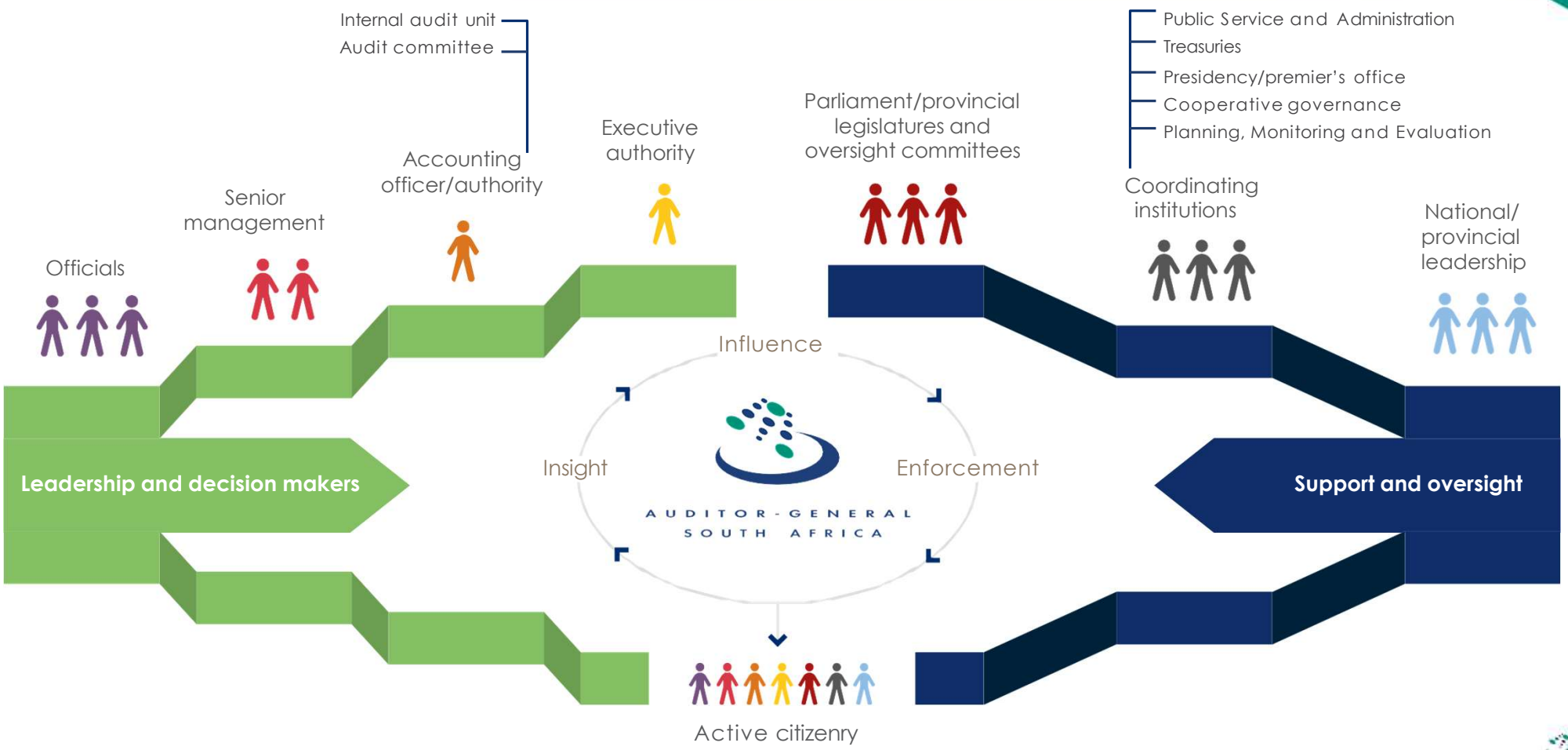
Demonstrate commitment to improving lived realities of South Africans by **delivering on legislated mandate and strategic objectives aligned to people's needs**, being **financially sustainable**, and **avoiding harm to public and public sector institutions**



Provide public, oversight, auditors and other stakeholders with **timely, relevant and reliable information on institution's finances, performance, use of resources and compliance with legislation**

Be responsive to public, oversight and other stakeholders through **reporting and providing answers on mandated responsibilities fulfilled, actions taken and decisions made**; ensure **swift consequences** for transgressions and poor performance

All have a role to play in accountability ecosystem



Effective 01 April 2025, the DMRE split into the Department of **Electricity and Energy** (DEE) and the Department of Mineral and Petroleum Resources (DMPR).

is reporting as a standalone department.

DMRE
Department of Mineral Resources and Energy
(until 31 March 2025)

DEE
Department of Electricity and Energy
(Policy holder)

DMPR
Department of Mineral and Petroleum Resources

Entities reporting to the Department of Electricity and Energy (DEE)

Regulators

NERSA
National Energy Regulator of South Africa **(NERSA)**

NNR
National Nuclear Regulator of South Africa **(NNR)**

Implementers and Researchers

NECSA
Nuclear Energy Corporation of South Africa **(NECSA)**

NRWDI
Nuclear Radioactive Waste Disposal Institute **(NRWDI)**

SANEDI
South African National Energy Development Institute **(SANEDI)**

Eskom
Eskom Holdings SOC Ltd **(ESKOM)**

Effective **01 April 2025**
Eskom reports under the DEE.

The energy value chain

Role of different players in the energy value chain.

1. Policy Formation → 2. Research → 3. Regulation → 4. Energy Sources → 5. Energy Suppliers

1. POLICY FORMATION

Legislation, policies and supporting frameworks. DEE leads energy planning and policy setting; this phase gives entities the authority to deliver and sets the sector's objectives.

Planning and targets must rest on reliable data, with oversight and monitoring that trigger timely corrective action.

2. RESEARCH

A functioning research environment underpins credible policy decisions and lets policy makers design effective responses to projected energy shortfalls.

Affordability is a present and future barrier to equitable access at affordable tariffs – innovative solutions are required.

Research investment is also needed to tackle inefficient electricity distribution and high distribution losses.

3. REGULATION

Regulators sustain energy supply by setting and enforcing norms and standards and by licensing distribution, transmission and generation – driving efficient use and maintenance of infrastructure, safety and tariff setting.

Without licence conditions and monitoring of them, the market will not deliver consumer protection or government objectives.

4. ENERGY SOURCES

A reliable, sustainable electricity System needs sufficient generation from a diverse mix. This pillar centres on sustainability and diversification of sources through exploration and holding of strategic energy feedstock.

There is also dependency on the mineral and petroleum portfolio.

5. ENERGY SUPPLIERS

The uninterrupted supply of affordable electricity is under the custody of Eskom and local government – municipalities which completes the five energy ecosystem pillars.



2024-25 recommendations

In 2024-25, we recommended the following:

1. The department to finalise the Integrated Energy Plan for Submission to Cabinet by 31 March 2027.
2. The department to review Completeness of KPIs and alignment with legislative mandate when approving the strategic documents of entities in the energy value chain.
3. SANEDI: Review of strategic focus on the role of SANEDI in the energy value chain to ensure entity is appropriately funded and capacitated to support government energy programmes. This review is intended to reposition and empower SANEDI to lead research and collate data that is supportive of the government energy programmes.
4. IPPO : Undertake a process to institutionalise the entity in considering the options that aligns with the role and mandate of the entity within the energy portfolio.
5. Eskom: Progress on measures to address viability and going concern risks, including optimisation of the group and company's balance sheet.
6. Monitor the measures to address the municipal debt implemented by the board.

Overall reflections on implementation of recommendations:

1. The department is behind schedule, as the agreement with the Spanish Government had not been concluded by 31 March 2026, delaying the implementation of the project and achievement of planned milestones, impacting project implementation and the realisation of expected benefits.
2. The were no issues noted in the current year on the alignment of KPIs to the legislative mandates in the portfolio, including completeness. We commend the portfolio for ensuring that KPIs are aligned to the entity's mandates.
3. The capacitation of SANEDI and strategic reprioritization is in progress, due 31 March 2027. Delays in capacitating SANEDI may limit its ability to effectively support government energy programmes, potentially affecting the implementation of energy initiatives and the achievement of broader energy security and transition objectives
4. commitment The process to re-prioritise and legalise the IPPO activities remains ongoing, with completion targeted for **31 March 2027**. Until the legal and institutional framework is finalised, challenges remain in the oversight, governance and accountability of the function.
5. Various dependencies as well internal and external uncertainties which could impact Eskom's ability to continue as a going concern were noted. The mitigating strategies and actions as disclosed in the financial statements are numerous but various dependencies and uncertainties both internal and external to the public entity may impact the ability to deliver against these strategies
6. The board has implemented a number of initiatives to improve revenue collection and address the growing municipal debt burden. Given the complexity and longstanding nature of municipal debt, its resolution requires a coordinated and sustained effort by all relevant stakeholders

Implemented In progress Not implemented

Overall audit outcomes

2023-24	3	3	1	0	0	0	7
Last year of previous administration							
2024-25	4	2	1	0	0	0	7
2025-26	4	2	1	0	0	0	7
Cut-off date: 31 August 2026	57%	28%	15%	0%	0%	0%	

Movement from previous year

- 1 ▲
- 6 ▶
- 0 ▼

Movement over administration

- 1 ▲
- 6 ▶
- 0 ▼

Movement over administration

• NNR ▶ • NRWDI ▶ • SANEDI ▶ • NECSA ▶	• DEE ▶ • NERSA ▶	• ESKOM ▶	• None	• None

All auditees in the portfolio submitted financial statements on time

The portfolio maintained the clean audit outcomes as compared to the prior year which is an improvement over this administration. DEE is still struggling with compliance with laws and regulations and performance information while NERSA needs to strengthen the performance information reporting.

ESKOM has received a qualified audit opinion since the last administration.

New auditee:

- ESKOM moved from Public Enterprise effective 1 April 2025

◆ Unqualified with no findings (clean) ◆ Unqualified with findings ◆ Qualified with findings ◆ Adverse with findings ◆ Disclaimed with findings ◆ Outstanding audit ▲ Improvement ▶ Unchanged ▼ Regression

Overall culture within the Electricity and Energy portfolio

The portfolio demonstrates a generally stable control and governance environment, with four of the seven auditees achieving clean audits. However, the sustained findings at DEE and NERSA and the longstanding qualification at Eskom indicate that a culture of accountability and performance has not yet been consistently embedded across the portfolio.

Four auditees achieved clean audits, reflecting established financial and performance management disciplines in parts of the portfolio. **Six of the seven auditees submitted financial statements free from material misstatements**, supporting credible financial reporting. Internal audit was assessed as **good at six of the seven auditees**, and governance structures were generally in place. The portfolio has shown some responsiveness to prior-year recommendations, although several significant interventions remain in progress.

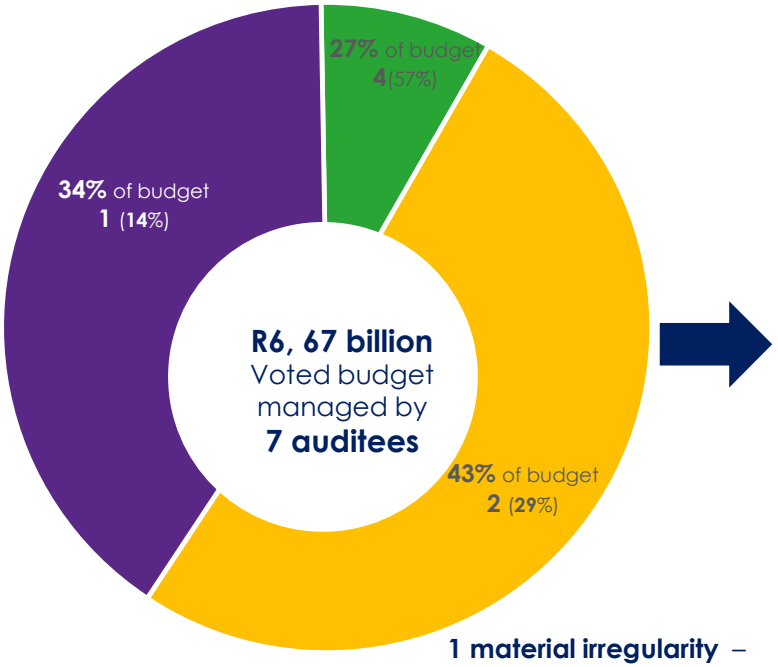
DEE continues to experience weaknesses in compliance and performance planning and reporting, while critical policy and planning deliverables remain delayed. **NERSA needs to further strengthen performance reporting and timely enforcement**, particularly given the limited coverage of electricity distribution licensees. **Eskom has remained qualified for an extended period**, with recurring challenges relating to irregular expenditure, consequence management, procurement and revenue collection. Significant historic irregular and fruitless and wasteful expenditure remains unresolved, indicating that **accountability for transgressions is not yet sufficiently timely across the portfolio**.

The next shift is from maintaining audit outcomes to demonstrating impact. Leadership should embed a culture where credible reporting, compliance and effective controls translate into timely policy implementation, accountability for transgressions and improved delivery of government energy programmes.

The portfolio has a relatively stable accountability foundation, but this has not yet consistently translated into timely implementation of strategic energy priorities, effective consequence management and sustainable service-delivery outcomes. Leadership attention should therefore shift from sustaining controls to ensuring that these controls drive delivery and impact.

Budget managed by auditees per outcome; complacency in yellow zone

Audit outcomes



1 material irregularity – 100% of all MIs

- **1** financial loss – **R317m**
- **Historic MI resolved**

2 auditees with unqualified audit opinion with findings

High levels of non-compliance

- **1 (14%)** repeat material non-compliance with key legislation
- **R4.44m** irregular expenditure

Reporting that is not credible

- **2 (43%)** material misstatements in performance reports submitted for auditing not corrected

Financial health

- NERSA reported a deficit for the year

1 auditee with qualified audit opinion with findings (34% budget)

Reporting that is not credible

- The entity did not finalise assessments of all possible irregular expenditure, these have been disclosed as under assessment for prolonged periods therefore we were unable to determine the full extent of irregular expenditure to be disclosed, furthermore, there is continued non - compliance with procurement prescripts.

High levels of non-compliance

- **5 (55%)** repeat material non-compliance with key legislation
- **R4.9bn** irregular expenditure

Poor financial health

- ESKOM has reported a surplus in the current year, however there are consistent indicators of material inability to collect the revenue due.

Lack of consequences

- Repeat material non-compliance with legislation on consequence management year-on-year because of irregular and fruitless and wasteful expenditure not dealt with.

Reportable irregularities

The audit has revealed two reportable irregularities that are still open, the RI's are discussed further in below slides

Complacency evident from stagnation in category

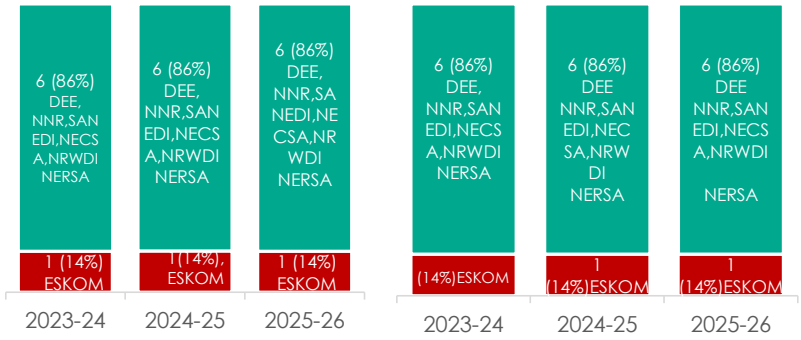


Clean audit | Unqualified with findings | Qualified with findings | Adverse with findings | Disclaimed with findings | Outstanding audit

Concernin
g

Financial statements – accounting for financial performance

Quality of financial statements



ESKOM qualification on completeness of irregular expenditure and material findings

- Inadequate controls to ensure appropriate and timely assessment of potential irregular expenditure arising from non-compliant supply chain management processes and various investigation reports.
- Certain contracts where standardised rates were mandated by the public entity, resulted in a non-compliance with supply chain management prescripts.
- At a divisional and subsidiary level, internal controls were ineffective, and year-end adjustments and reconciliations were not adequately reviewed, leading to material audit adjustments

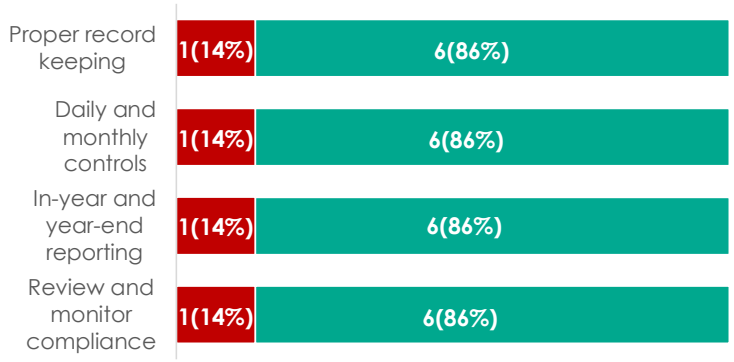
Key observations

We commend **DEE, NERSA, NECSA, NNR, SANEDI and NRWDI** for submitting AFS that are free from material misstatements.

What caused the sustained outcomes?

- Stability in leadership and governance structures
- Leadership tone that drives ethical culture, integrity and accountability
- Sound financial and performance management disciplines
- Corrective action taken in a timely manner

Financial management controls



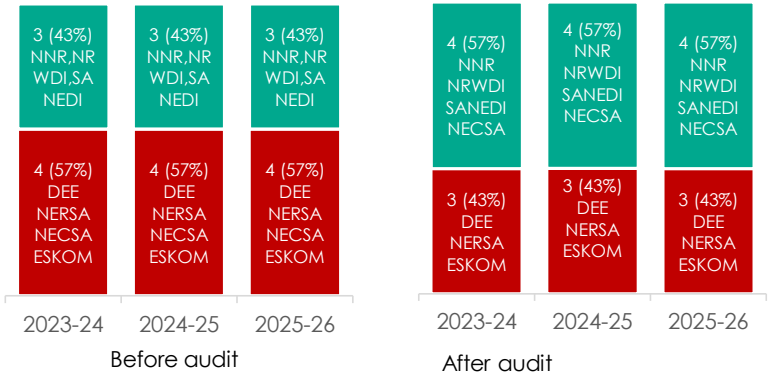
Impact

- Delays in consequence management which may result in repeat transgressions.
- Lack of accountability and transparency with regards to spending of public funds
- Financial reporting that is not credible to adequately facilitate decision making.

Movement over administration ▲ Improvement ▶ Unchanged ▲ Slight improvement ▼ Slight regression ▼ Regression ● Good ◆ Poor

Performance planning and reporting for service delivery

Quality of performance reports



Material findings on performance reports

Department of Electricity and Energy

Number of households with respect to the national commitment inline the MTDP towards 1.6 million household connection verified and implemented – Not useful

New determination issued inline with the updated IRP – Not useful

Revised Gas to Power RFP finalized and issued to market- Not useful

National Energy Regulator SA

5 indicators were not clearly defined and measurable, Inconsistencies across the indicator, the definition and method of calculation.

- Percentage of **complete license applications considered** by the relevant subcommittee or the Energy regulator within the stated time frame
- Percentage **of complete applications for the registration of electricity generation facilities** considered by the relevant subcommittee or the Energy Regulator
- Percentage **of reports on Section 34 Determination from the MOEE** considered by the relevant subcommittee or the Energy Regulator within the stated time frame
- Percentage of **complaint investigations completed and a report on findings considered** by the relevant subcommittee or the Energy Regulator within the stated time frame.
- Percentage of **complete pipeline, storage and loading facility tariff applications considered** by the relevant subcommittee or the Energy Regulator within the stated time frame

4 indicators do not relate to the mandate of the entity. Performance indicators were not relevant as they did not relate logically and directly to an aspect of the institution's mandate and the realization of its strategic goals and objectives.

- Energy Regulator decision on Eskom electricity prices within the stated time frame.
- Number of reports on the contravention of license conditions in terms of section 18 of ERA, as Amended considered by ELS/ER within the stated timeframe.
- Number of reports on suspended or revoked licenses in terms of Section 19 considered by relevant Subcommittee or ER within the stated time frame
- Number of monitoring reports on the compliance status against the notices issued by the tribunal considered by ELS/ER within the stated time frame

ESKOM

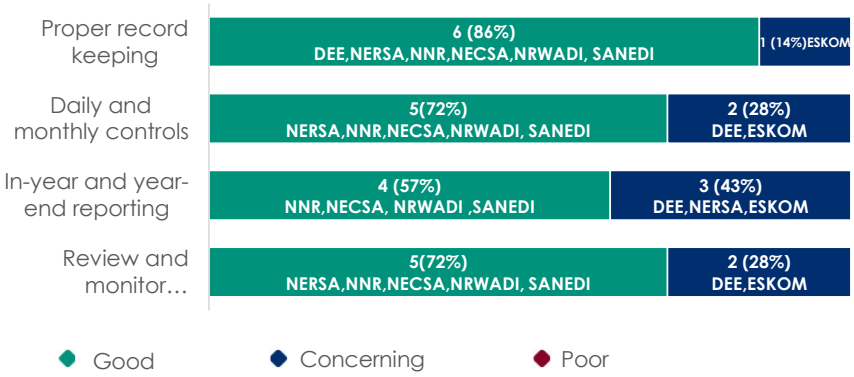
Reported achievement for SAIDI & SAIDI were not consistent with planned targets & measurement criteria – Not useful

Customer delight – Inadequate systems and process to verify performance

We noted that indicators to measure performance on the progress of Eskom Distribution plant maintenance, strengthening and expansion did not form part of the approved planning documents.

Performance planning and reporting for service delivery continues

Performance management controls



Key observations

- In relation to indicators that measures performance against the key enabling legislation and the MTSF, the portfolio has improved in respect of DEE and NERSA as they previously had missing indicators in the APP and in the current year the finding on missing indicators was only raised at ESKOM.
- The portfolio still needs to work on ensuring that the targets and indicators are clearly defined to ensure adequate reporting on mandate and consistent collecting and reporting of the actual achievements.

Causes of performance reporting weaknesses

- Inadequate systems, processes and controls for recording and measuring performance
- Ineffective in-year monitoring with unreliable information
- inadequate oversight and fragmented planning processes

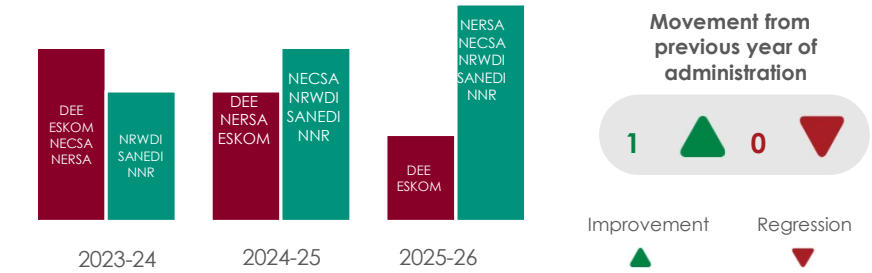
Impact

Errors and omissions in performance reporting **undermine** transparency, accountability, and public trust, limiting stakeholders' ability to assess progress towards the entity's mandate and strategic objectives.

This increases the risk of **ineffective decision-making**, misallocation of resources, and failure to achieve intended outcomes.

Compliance with key legislation

Compliance with key legislation



Most common areas of non-compliance	DEE	ESKOM
Strategic planning and performance Management	X	
Revenue management		X
Annual financial statements		X
Procurement and contract management		X
Expenditure management		X
Consequence management		X

Causes of compliance findings

DEE Non compliance relating to strategic planning and performance management: The planned annual targets were not clearly defined. Furthermore, the in-year monitoring process failed to identify deficiencies in the design and measurability of these targets. As a result, management lacked sufficient assurance that the planned targets were appropriate and would effectively contribute to the achievement of the entity's strategic objectives undermining the annual planning.

ESKOM : Through the Debt Relief Act, a debt recovery plan for municipalities has been developed and implemented, however, there are still a large number of debts not recoverable, therefore the effectiveness of the plan remains slow. Slow response in finalizing consequence management related to transgressions resulting in repeat findings, this was mostly due to the fact that the divisions within the entity takes longer to log the loss control function, in addition the capacity constraints within the loss control function in dealing with this issues. The entity has reported cases of potential irregularities under assessment however, they have not finalised those assessments, therefore the impact of these on the disclosures on the AFS remain unknown.

Inadequate review controls on the year end preparation of financial statements as material misstatements were identified an the annual financial statements submitted for audit purposes

NERSA improved by addressing the prior-year asset management compliance finding, demonstrating effective corrective action and improved responsiveness to audit findings

Impact
Resources and efforts may not have been directed towards the intended strategic outcomes.

The slow implementation of consequence management has several adverse impacts:

- Eskom remains exposed to potential financial losses arising from unresolved cases of potential irregular and fruitless expenditure.
- Weak accountability undermines deterrence, as employees and officials may not experience timely consequences for misconduct.
- Repeated transgressions continue to occur across the value chain, indicating that lessons from previous incidents are not being effectively addressed.
- Prolonged delays erode public trust and confidence in Eskom's governance and stewardship of public resources.
- Matters on revenue management will affect ESKOMS ability to continue as a going concern in future

We commend the entities that have sustained a status of **no material findings on compliance with legislation**, demonstrating a strong commitment to good governance, accountability, and effective internal controls. These entities provide a positive example of how a robust control environment can support sound administration and compliance.

We encourage the remaining entities to strengthen their governance practices, enhance oversight mechanisms, and embed a culture of compliance throughout their operations. Adopting the good practices demonstrated by high-performing entities will contribute to improved compliance outcomes, reduced risk exposure, and enhanced public confidence in the sector.

Risk: weaknesses in procurement and contract management

Status of compliance with legislation on procurement and contract management



No findings | Non-material findings | Material findings

SANEDI regressed in the current year, recording procurement and contract management findings since the last year of administration. The non-compliance for the remaining entities in the portfolio remained unchanged.

Movement from previous year of administration



Improvement | Regression

Causes of procurement and contract management findings.

Eskom

- Inadequate interpretation and application of SCM laws and regulations
- Overdependency on deviation from procurement processes

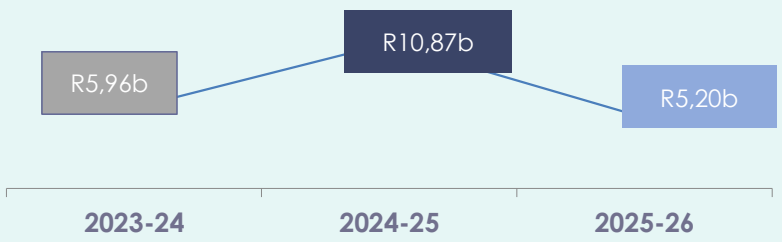
Impact

The occurrence of such practices increases the risk of non-compliance with sound procurement governance principles and compromise the integrity of the procurement process

Detail of procurement findings	ESKOM	DEE	NECSA	SANEDI
Tender processes not adhered to and insufficient delegation of authority	R628m		R4.87m	R4.6m
Incorrect tender process applied	R390m			
Tax non-compliance	R2 825m			
Non-compliance with CIDB requirements	R13m			
Breach of more than one legislative requirement	R972m			
Other	R79m			
Improper constitution of bid committees		R4.4m		

Irregular expenditure

Annual irregular expenditure



Impact of irregular expenditure incurred

- Breach of five pillars of procurement – equitable, fair, cost effective, transparent and competitive: Various instances of uncompetitive bidding processes and unjustifiable deviations.
- Persistent irregular expenditure demonstrates ineffective preventative controls and weak consequence management, resulting in continued legislative non-compliance, undermining accountability, increasing exposure to financial and reputational risks.

Causes of irregular expenditure

- Inadequate interpretation and application of SCM laws and regulations
- Overdependency on deviation from procurement processes (Eskom)

Top contributors

R4 907m	**ESKOM**
R4 870 000	**NECSA**
R4 595 000	**SANEDI**
R4 444 000	**DEE**

Irregular expenditure under assessment

Eskom – National treasury granted Eskom a departure to assess and determine their irregular within 180 days thus the Audited financial statements includes only those irregular, fruitless and wasteful expenditure matters for which the loss control function had completed the assessment test within the timelines prescribed by the departure R64 608 million (2025: R28 6 million)

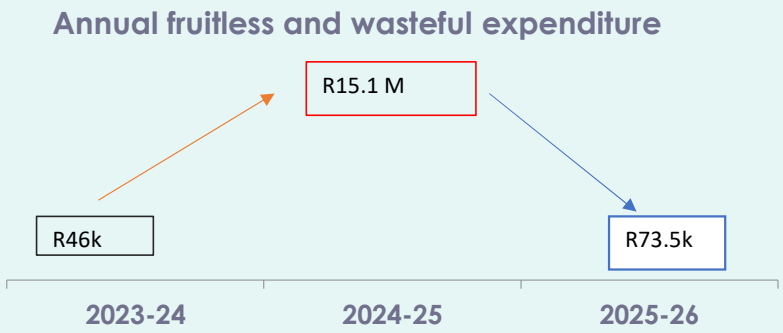
Irregular expenditure is not complete

Qualifications = 1(14%) from 2023-24 to date

The completeness of irregular expenditure was qualified for ESKOM for the last three financial years indicating that the irregular expenditure is not complete. The prior year closing balance was restated by R9.3 bn due to delays in the assessment and determination process.

2026: R4 907 million; 2025: R10 874 million (restated)

Fruitless and wasteful expenditure



- Fruitless and wasteful expenditure across the portfolio remained minimal in the current year.
- Instances identified were limited to two entities with the total amounts below R100 000 annually.
- The two affected entities did not incur any fruitless and wasteful expenditure in the prior year, indicating a slight regression in the current year.
- Eskom demonstrated a notable improvement with a decrease in the current year, compared to significant disclosures reported in prior year.

Top contributors

NECSA : R68.5K

SANEDI : 5K

Impact of fruitless and wasteful expenditure incurred

Fruitless and wasteful expenditure resulted in an avoidable loss of public funds, reducing value for money and resources available to support the entity's mandate and strategic objectives.

Nature of fruitless and wasteful expenditure

SANEDI: No show for conference accommodation booking

NECSA: Overpayment of student stipends

Losses due to criminal conduct

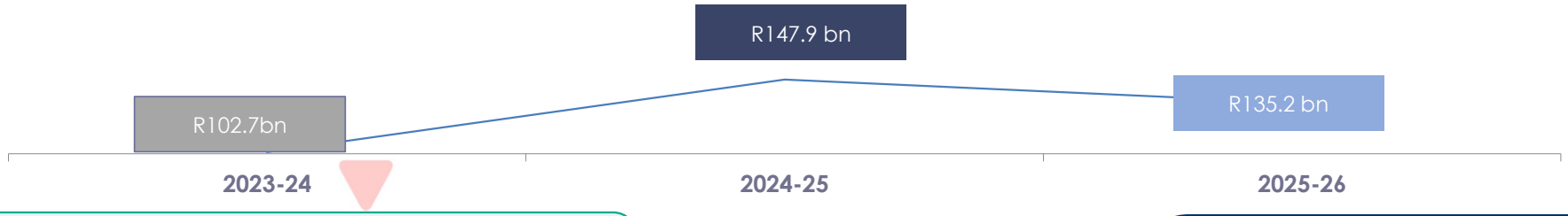
We have noted an improvement in relation to the controls around losses due to criminal conduct as Eskom was able to completely record the balance and we also noted a reduction in the losses as disclosed in the financial statement in comparison to prior year. This is due to the change in the manner in which losses were estimated as well as controls around recording the losses.

2026: R6.7 bn

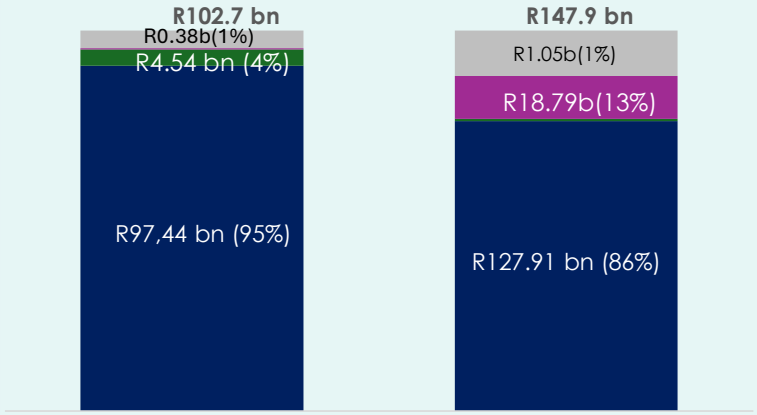
2025: R7.2 bn

Risk: consequence management – dealing with irregular expenditure

Closing balance of irregular expenditure



How have auditees dealt with prior year irregular expenditure balance



Not dealt with Condoned Dealt with Removed

Top 3 contributors (R127.91 Billion) of irregular expenditure not dealt with constitute 100% of R127.91 billion

- R127.63 bn **ESKOM***
- R0.27 bn **DEE**
- R0.01 bn **NECSA**

* Irregular expenditure not complete due to being under assessment for long period of time and the impact cannot be determined.

Reasons for IE not dealt with

DEE: the balance of R0.27b was transferred from the former Department of Mineral Resources and Energy(DMRE). The irregular was as a result of historic events in the former Department of Energy

The irregular expenditure investigated and awaits condonation

SANEDI: R0.001b Awaiting condonation

NECSA: R0.01b Historic irregular expenditure investigated and awaiting condonation

ESKOM: Cases often take longer than the National Treasury approved 180 days to finalise due to delays in assessment and determination processes.

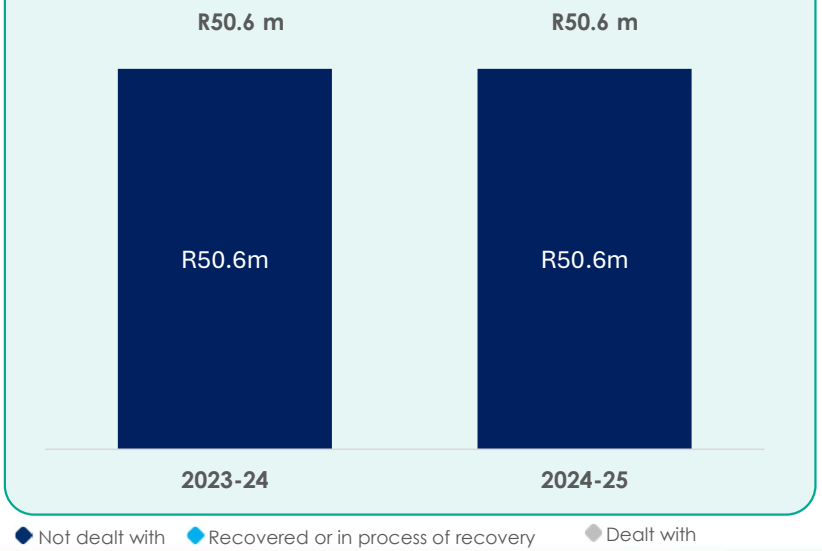
The policy is not clear on the time frames that should be adhered to when the transgression is identified and reported and performing the assessment and determination.

Risk: consequence management – dealing with unauthorised expenditure

Dealing with unauthorized expenditure

2023-24	2024-25	2025-26
R50.6 m	R50.6 m	R50.6m

How have auditees dealt with unauthorised expenditure



All un-authorized expenditure not dealt with is attributable to historic events of the former Department of Energy

No new cases of un-authorised were reported in the past 3 years

Reasons for Un-authorised Expenditure not dealt with

1. Investigated and awaiting condonement/recovery

   R50.6 million

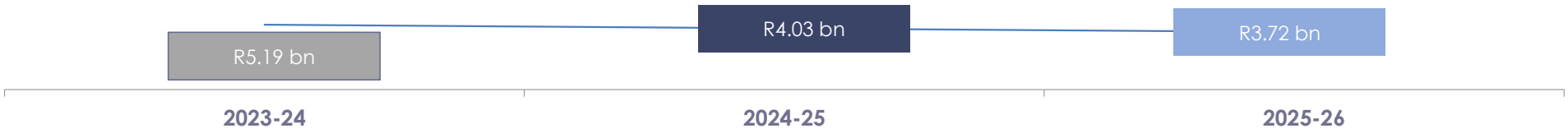
R50.6 **DEE**

Nature of historic Un-authorised Expenditure

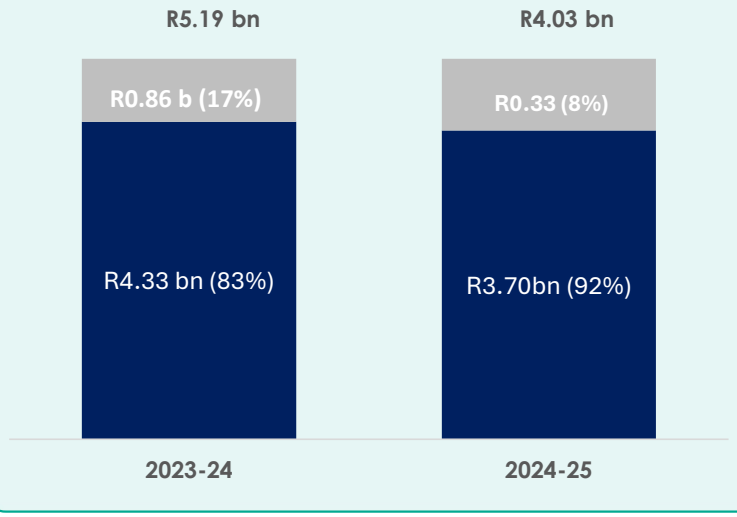
- 2011: Spending not in accordance with vote (R14.86m): condoned without budget.
- 2017: Vote exceeded (R35.74 m)

Risk: consequence management – dealing with fruitless and wasteful expenditure

Closing balance of fruitless and wasteful expenditure



How have auditees dealt with fruitless and wasteful expenditure



Top 2 contributors (R3.7 billion) to fruitless and wasteful expenditure not dealt with constitute 100% of the fruitless expenditure not dealt with

R3.38bn **ESKOM**

R0.32bn **DEE**

Reasons for FWE not dealt with

1. Investigated and awaiting condonement/ recovery
   - DEE
2. Investigation in progress
   - ESKOM

Governance and institutional capability

Governance

Effectiveness of internal audit units

- Internal audit was assessed to be good at 6 of the 7 auditees.
- ESKOM might need re-evaluate as to whether there is a need to **further capacitate** the internal audit due to the nature and the complexity of the entity.

Effectiveness of audit committees

- All committees were in place for the period, the DEE had a new committee because it is its first year of operation.
- The audit outcomes of the portfolio indicate that the majority of the committees are operating effectively.

Institutional capability

Institutional capacity, filling of critical vacancies, and enhancement of oversight of key policy deliverables to accelerate the finalisation of the Integrated Energy Plan (IEP) and ADAM Framework, improving policy certainty, accountability, and departmental performance is required. The DEE operated for the full financial year without a permanently appointed **Director General** (DG), **Chief financial Officer** (CFO) and **Chief Directors** (CDs), positions were filled with acting positions.

The CFO role has since been filled after year end and recruitment processes are reportedly underway for the DG and CD roles.

There has been no increase in budget in the current and following years for SANEDI, indicating that the resources are not directed to empower SANEDI to embark on research activities that will benefit the energy value chain

Necsa acknowledges the challenge of sustaining **critical nuclear skills**, with an average employee age of 47 years and a significant portion of employees in the 41-60 age range, **creating succession and knowledge-retention risks**. Succession planning, knowledge retention plans, and talent pipeline programmes are prioritized.

Eskom governance structures are in place, however, NTCSA's overall capacity needs should be assessed to ensure that adequate people are placed within all critical areas that support financial and performance reporting.

Energy Sustainability – Key insights

The audit assessed whether the Department and its entities are effectively fulfilling their mandates and contributing to a secure, sustainable and affordable energy sector. It focused on whether governance, planning, oversight and accountability arrangements are enabling the achievement of intended outcomes and supporting a resilient energy sector that delivers value to citizens and promotes economic growth.

AUDITOR-GENERAL SOUTH AFRICA

115 YEARS 1911 - 2026

ENERGY SUSTAINABILITY – Audit focus and intended outcome

Assessing whether the energy value chain delivers secure, sustainable and affordable supply

The audit tested whether key role players are executing their mandates and whether performance translates into electricity delivered.

01 DEE and the IPPO

- Whether energy policy and the IRP are translated into additional generation capacity.
- Clear line of sight from planned capacity through procurement to megawatts commissioned.

02 SANEDI

- Whether SANEDI is appropriately positioned and capacitated to direct energy research and innovation.
- Whether it supports government energy programmes and priority energy challenges.

03 NRWDI and Vaalputs

- Whether institutional arrangements and the transfer of Vaalputs are effective.
- Whether NRWDI can fully execute its radioactive waste management mandate.

04 NERSA and Eskom

- Whether NERSA's monitoring and enforcement address distribution risks, losses and reliability.
- Whether Eskom delivers reliably while improving generation, losses, municipal debt and revenue collection.

INTENDED OUTCOME

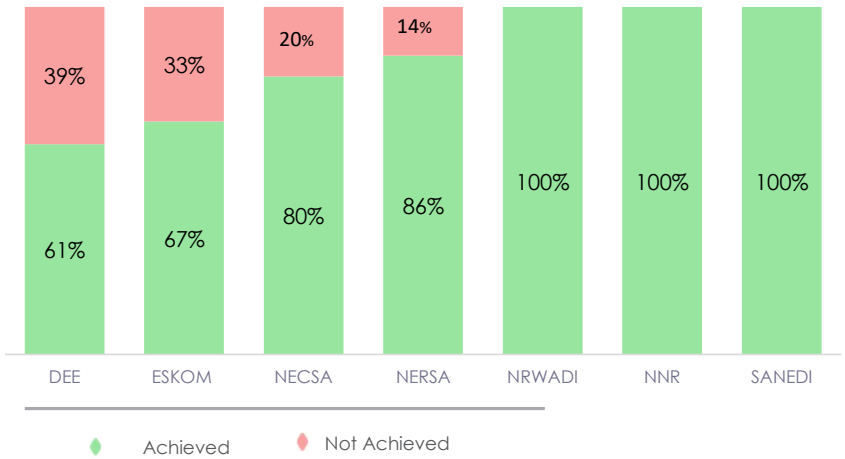
Policies, plans and procurement → **Reliable electricity delivered to consumers**

Additional generation capacity • research and innovation • effective regulation • sustainable energy resources • operational and financial sustainability

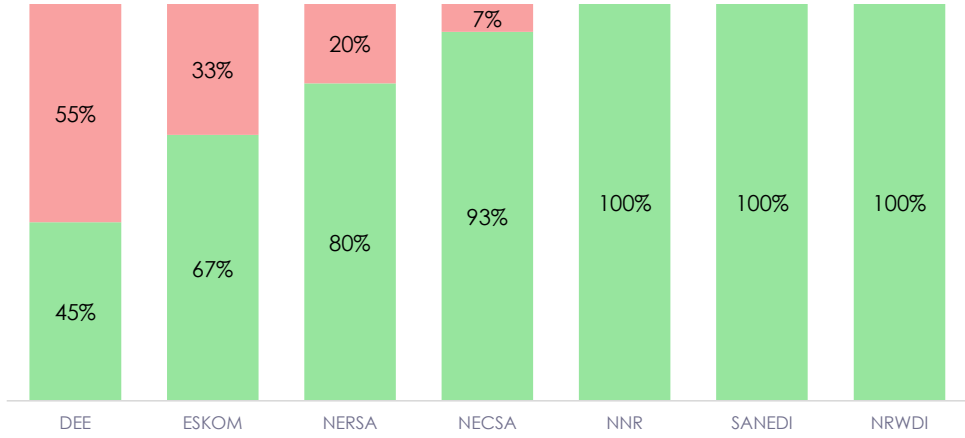
Executive takeaway: Performance reporting must give Parliament a clear line of sight from government interventions to electricity ultimately delivered and its contribution to energy security, sustainability and affordability.

Performance against targets and key indicators not achieved

Achievement of annual targets as reported in annual performance report (all indicators – 2025-26)



Achievement of annual targets as reported in annual performance report (Scoped in programmes – 2025-26)



Key service delivery indicators and related targets not achieved

DEE — 5 not achieved

- Gas Masterplan 2025 to Cabinet
- Integrated Energy Plan draft
- Energy forecasting system upgrade
- NEDLAC report on Nuclear Bill
- Just Energy Transition Framework

NERSA — 8 not achieved

- Municipal performance reports in time
- Generation registration applications
- Section 19 licence reports
- Tribunal compliance monitoring
- Disputes, complaints and investigations

NECSA Group — 3 not achieved

- Necsa Group net profit after tax
- NTP Group net profit after tax
- Pelchem net profit after tax

Eskom — 6 not achieved

- New generation capacity added
- Smart meters commissioned
- Transmission lines installed
- Energy availability factor
- Procurement digitalisation; emissions

Why it matters: Leadership vacancies (DEE), transitional legislative requirements (NERSA), financial underperformance (NECSA) and delivery delays (Eskom) undermine service delivery commitments — stronger planning, monitoring and preventative controls are critical.

Reasons for and impact of non-achievement

Overall reasons and impact of non-achievements

DEE

Capacity constraints

REASON

Vacancies in critical leadership positions and limited institutional capacity delayed strategic policy initiatives.

IMPACT

Constrains the department's ability to provide timely policy direction to the energy sector.

NERSA

Legislative transition

REASON

Underachievement was largely attributable **to transitional legislative requirements** rather than weaknesses in regulatory execution.

IMPACT

Regulatory turnaround times slip, delaying decisions that industry and municipalities depend on.

NECSA Group

Financial underperformance

REASON

The group is undergoing a **strategic transition** and did not meet key profitability targets.

IMPACT

May affect its ability to sustain operations, maintain critical infrastructure and invest in strategic priorities.

Eskom

Delivery delays

REASON

Delays in new capacity, smart metering, transmission and procurement digitalisation.

IMPACT

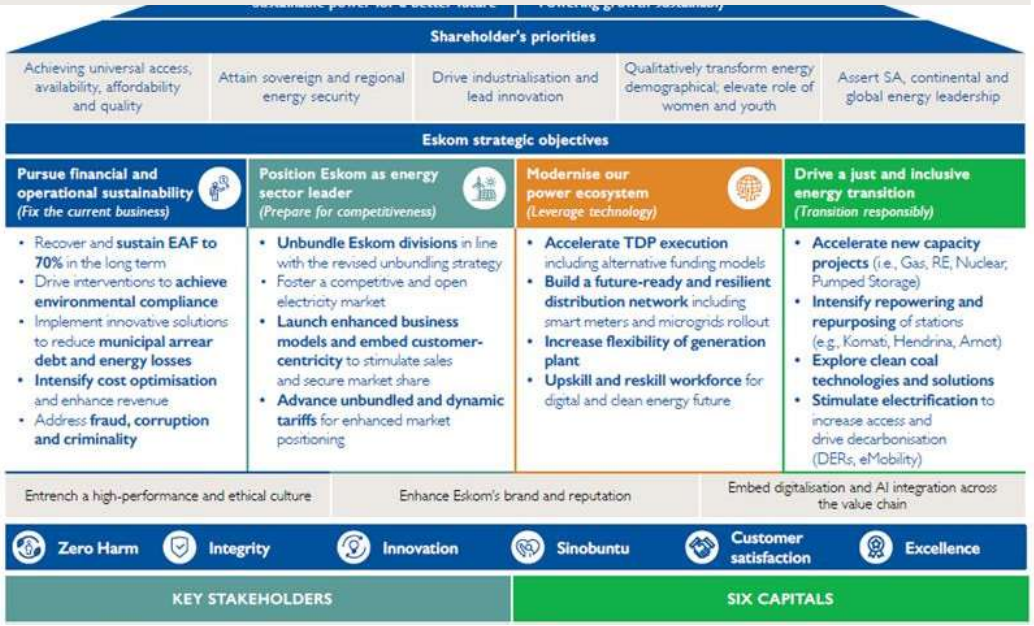
Hinders operational efficiency, demand-side management, containment of non-technical losses and revenue collection.

Sector-wide impact: Non-achievement of performance targets undermines strategic objectives and service delivery commitments, reducing the value delivered to citizens.

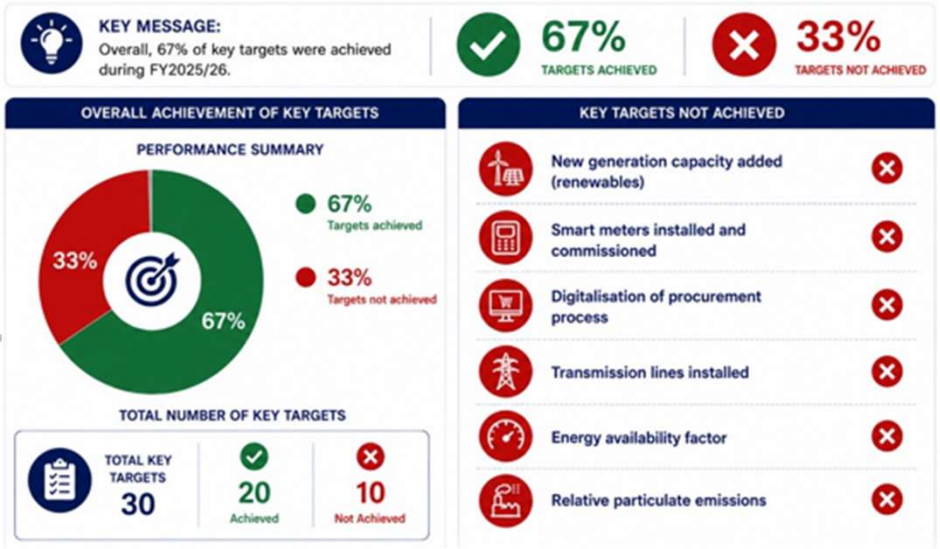
What must change: Strengthened planning, monitoring and preventative controls are critical to improve performance and ensure the intended outcomes are realised.

ESKOM MANDATE AND INSIGHTS OVERVIEW

ESKOM MANDATE: Providing secure and stable supply of electricity in an efficient and financially sustainable manner. The pillars below are inter-alia, contributes to the achievement of ESKOM's mandate.



Overview of achievement against annual plans



01 FINANCIAL SUSTAINABILITY

Eskom reported a profit for the year under assessment which is a positive outcome, we do still highlight concerns over the revenue protection initiatives and going concern assessment. Initiatives should still continue to ensure municipal debt is collected, continued focus on the maintenance of infrastructure of assets to ensure continued stability of the electricity generation and transmission dismantling initiatives are achieved.

02 GOVERNANCE AND ACCOUNTABILITY

Eskom's compliance with applicable laws and regulations remains a concern particularly the actions taken with dealing with irregular expenditure under assessment, the lack of taking timely actions directly impacts the timely implementation of consequence management.

03 ENERGY TRANSITION

Eskom did not achieve on critical targets needed for the achievement of the Integrated Energy Plan (IEP), furthermore the NTCSA did not achieve on the target of transmission lines installed, which may hinder the progress made around the establishment of a fully independent Transmission System Operator (TSO) . There was a notable increase in curtailment compensation claims.

ESKOM ENERGY SUSTAINABILITY KEY MESSAGE

▶ What we found *[Outcomes]*

FINANCIAL SUSTAINABILITY

Municipal debt increased by 17% to R112 billion (FY25: R95.7 billion). Of the total gross municipal debt balance, R91.6 billion (81%) was not recognized as revenue recognition due to the collectability criteria not being met.

Municipalities participating in the debt relief programme account for 85% (R94.8 billion) of the overdue gross debt balance, highlighting the significant concentration of municipal debt exposure within this sector.

OPERATIONAL & PERFORMANCE RELABILITY

KPI Achievement FY26:	Actual	Target
Energy availability factor (EAF)	65.16%	70%
System average interruption duration index (SAIDI)	35.09 hrs	37.5hrs
Transmission lines installed	270.8km	423km
Smart meters installed & commissioned	610 223	800 000

GOVERNANCE & ACCOUNTABILITY

Audit opinion – Qualification on completeness of IE

Irregular expenditure	FY26	FY25
IE incurred	R4.9 billion	R10.9 billion
cumulative IE balance	R134.9 billion	R150 billion
Irregular expenditure under assessment/determination	R64.6 billion	R28.6 billion

ENERGY TRANSITION

Curtailment costs Curtailment costs increased in the current financial year as disclosed in the NTCSA financial statements. These costs primarily relate to compensation payable to IPPs for deemed energy under contractual arrangements where generation capacity was available but could not be dispatched due to transmission constraints, including grid congestion and system balancing requirements. While curtailment is an operational tool used to maintain grid stability and protect network infrastructure, it results in additional costs to Eskom.

Late system connection events [LSCE]. LSCE costs increased in FY 26, reflecting compensation paid to IPPs for delays in connecting generation capacity to the grid and other qualifying connection events outside the control of the IPPs.
These costs have a potential of being fruitless where reasonable care is established.

▶ Key Message *[Call to Action]*

Despite various interventions implemented by Eskom and government to improve debt recovery and address arrear debt, outstanding balances have continued to increase, indicating that these measures have not achieved the desired outcomes.

The resolution of municipal debt requires a coordinated and sustained response from all stakeholders. The Portfolio Committee should support stronger enforcement of NERSA license conditions and the Electricity Regulation Act against municipalities that persistently default on payments. Effective implementation of these regulatory mechanisms is essential to improve accountability, strengthen payment discipline, and reduce the financial burden on Eskom.

While Eskom has made notable progress in improving profitability, plant performance, and energy availability, these gains alone are unlikely to resolve its long-term sustainability challenges. Without addressing underlying distribution infrastructure weaknesses, municipal debt, revenue collection deficiencies, and non-technical losses, the benefits of operational improvements and tariff increases will remain constrained. Eskom may continue to generate and supply electricity, yet a significant portion of the associated revenue may never be realized due to poor debt recovery, illegal connections, electricity theft, and broader revenue management challenges. Addressing these structural issues is therefore critical to securing Eskom's financial viability.

There is also scope for further efficiency improvements across Eskom's operations. As such, we call on the portfolio **committee to effectively monitor and follow up on the KPIs that not achieved**.

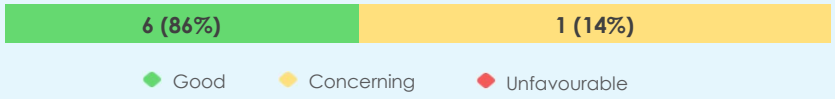
We reiterate the recommendations made in the previous year, as they remain relevant and the inadequate consequence management process at Eskom have not improved - Currently, Eskom takes more than a year from the date management becomes aware of a potential irregular expenditure or fruitless and wasteful expenditure incident to finalize the determination process. This delay occurs before any disciplinary proceedings can be initiated, resulting in prolonged resolution timelines and weakened accountability. The portfolio committee should continue to ensure that Eskom implements a more efficient and effective system to expedite the assessment, determination, and resolution of irregular and fruitless and wasteful expenditure cases, thereby ensuring timely corrective action and compliance with legislative requirements.

Curtailment and LSCE have been elevated here to support proactive oversight and monitoring. While current cost increases do not, in isolation, indicate a risk, sustained growth in deemed energy costs could place additional pressure on Eskom's financial sustainability. The Portfolio Committee should continue engaging Eskom and relevant stakeholders to monitor these trends, assess mitigating actions, and ensure grid management tools are applied effectively and sustainably. **This includes the need to ensure that adequate controls are in place for assessing LSCE avoiding fruitless and wasteful expenditure.**

The Portfolio Committee should continue to monitor curtailment trends, associated costs, and the effectiveness of mitigation measures to ensure that curtailment remains a necessary grid management tool rather than a growing financial burden. Particular attention should be given to transmission network expansion, alleviating grid congestion, and the long-term sustainability of deemed energy costs. The Committee should also oversee progress in strengthening the role of the National Transmission Company South Africa (NTCSA) as the independent transmission system operator [TSO] envisaged by the Electricity Regulation Act, as this is fundamental to enabling efficient grid access. Portfolio committee to further monitor progress in with the NTCSA conversion into the transmission system operator . [Must be completed within 5 years from ERA update of 1 Jan 2025.]

Risk: weaknesses in financial management

Overall financial health assessment



Financial health indicators

- 5 entities reported a deficit in the current financial year (as detailed in the next slide)
- ESKOM was unable to collect majority of its revenue

Going concern uncertainties

- ESKOM has reported going concern uncertainties with mitigations

NECSA group: No events or conditions were identified that cast significant doubt on the Group's ability to continue as a going concern. However, we highlight increasing concerns regarding the financial sustainability of certain subsidiaries. The Group did not achieve key profitability indicators, namely the **Necsa Group; NTP group and Pelchem : Net Profit After Tax target.**

Revenue

- Growing **municipal arrear** debt, and the limited success from the municipal debt relief arrangement places significant strain on the going-concern assessment of ESKOM.
- The revenue and resultant cash flow impact of customer and market developments such as negotiated pricing arrangements (NPAs) with certain energy-intensive customers, together with the related approval by the National Energy Regulator of South Africa (NERSA) of a 62c/kWh tariff with expected increase in electricity consumption and certain other customers moving into care and maintenance in March 2027.

Cash management

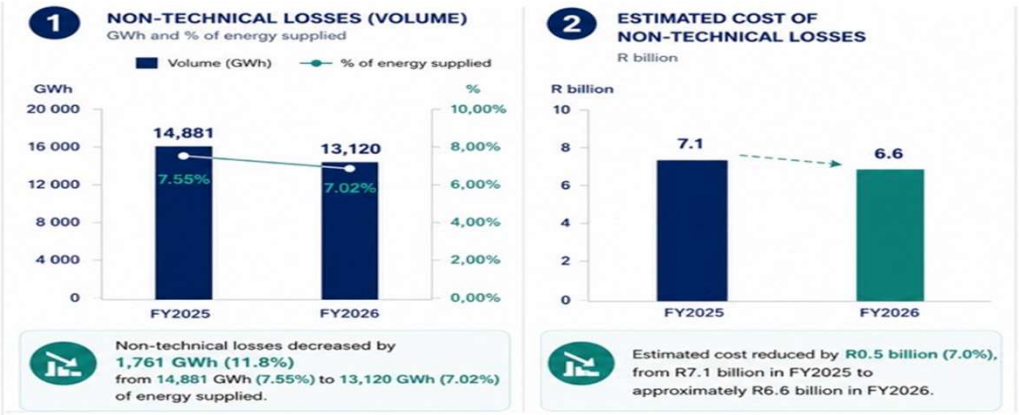
- Debt-dependent liquidity position with continued reliance on government support and debt to fund significant capital expansion.
- The delays in completing the Medupi flue-gas desulphurization plant by June 2027 may result in the early settlement or prepayment of certain related funding arrangements. The group and company is continuing discussions with the relevant lender regarding an extension of the existing waivers.

Asset management

- The timing and dependency risks associated with legal separation, market reform and the corporatisation or operationalisation of sector entities, including the establishment of an independent transmission system operator. (Eskom)
- Curtailment costs increased in the current year as compared to the previous year, while late system events costs increased by R808 million, a 100% increase from the previous year. (NTCSA)
- Eskom continues to operate a significantly aged generation fleet, and plant performance therefore remains a key risk to manage. Though, there ongoing positive and incremental impact of the Generation Recovery Plan
- The generation capacity of the group remains a critical focus area to ensure that appropriate steps are being taken to manage performance.

ESKOM: Municipal Debt and Non-Technical losses





Insights

Gross municipal trade receivables increased by R112.5 billion. However, Only R17.1 billion (15.2%) meets the revenue collectability criteria and is recognized in the AFS

Despite interventions aimed at improving municipal collections, the accumulated municipal debt stock increased by 17.6% to R112.billion.**We recommend** coordinated and sustained effort by all relevant stakeholders to strengthen financial management, improve payment discipline, and support the long-term sustainability of both municipalities and Eskom

Insights

The reduction in non-technical losses is positive, and this is mostly due strengthening security controls over the online vendor system, expanding revenue protection activities and anti-tampering operations and deploying smart metering technology.

This remain a significant operational and financial risk requiring continued intervention and the smart meter roll-out is one of the critical interventions identified to address the escalating non-technical losses and improve revenue collection.

Energy security depends on credible energy information and an integrated long-term plan

Effective energy planning requires reliable information on current and future energy demand and supply, supported by an Integrated Energy Plan that translates this information into long-term strategic direction. These instruments enable government to identify future energy requirements, coordinate investment and infrastructure decisions, and respond to emerging supply risks. Without them, energy planning across the different energy sources may remain fragmented and the basis for long-term energy decisions is less transparent

1. Energy information and analysis | Sections 3(4) to 3(6) of the National Energy Act (NEA)

While mechanisms exist for the collection and collation of energy information ***(S3(4(a-c)),*** the intended outcome of a comprehensive and integrated energy information capability has not yet been fully realised. The required annual analysis of historical energy demand and supply, long-term forecasts and plausible future energy scenarios was not published in accordance with the requirements assessed ***(S3(5-6)).***

SANEDI is an important enabler of this function through its energy research and technical capability. However, the strategic repositioning and capacitation of SANEDI remains in progress, with limited progress noted to date. This may constrain the research, innovation and evidence base required to support broader government energy planning and programmes.

2. Integrated Energy Plan | Section 6(1)

The Integrated Energy Plan has not yet been developed and published. **The IEP is intended to provide overarching strategic direction across the energy sector and should provide a basis for coordinating decisions relating to energy demand and supply, the energy mix, infrastructure requirements and longer-term investment priorities.**
The performance targets for development of the IEP have also not provided a sufficiently clear view of progress towards completion. Targets have focused on individual stages or activities without adequately reflecting the full implementation pathway and critical milestones required to deliver the final IEP. Consequently, Parliament has limited visibility of how far the process has progressed and whether the remaining activities will be completed within the committed timeframe.

Impact
The absence of the required energy demand-and-supply analysis, together with the continued delay in finalising the IEP, weakens the integrated evidence base and strategic direction required for long-term energy planning. This limits government's ability to transparently demonstrate how future energy demand will be met, coordinate interventions across different energy sources, prioritise infrastructure and investment decisions, and monitor whether implementation is progressively strengthening South Africa's energy security.

Reliable energy information tells government where the gaps are; the IEP should determine how those gaps will be addressed. Delays in both weaken the foundation for coordinated, evidence-based energy planning.

Policy formulation continues : The Integrated Resource Planning (IRP) Explained

The IRP provides South Africa's roadmap for meeting future electricity demand by determining the required generation capacity, energy mix and timing of new capacity. Its intended outcome is for planned capacity to translate into megawatts commissioned and electricity available to the system, thereby supporting a reliable, sustainable and affordable electricity supply.

IRP 2019 - What has been delivered?
Performance reporting provides visibility of procurement activities, such as RFQs and RFPs issued**, but does not provide a complete line of sight from the generation capacity planned in the IRP to megawatts procured, commissioned and ultimately available to the electricity system.** This limits the ability to assess the extent to which implementation of IRP 2019 has contributed to closing the electricity supply gap and improving energy security.

IRP 2025 - Readiness for implementation
With IRP 2025 gazetted in October 2025, the focus should shift to whether its priorities have been translated into implementation plans, strategic and annual performance plans, clear milestones, responsibilities and measures that enable progress from planned capacity to electricity delivered to be monitored. Lessons from the implementation and reporting weaknesses of IRP 2019 should inform the implementation framework for IRP 2025. **However, no reporting on outcomes and achievements of IRP 2019**

IPPO: Current year insights
The IPPO continues to administer independent power producer procurement programmes on behalf of DEE and therefore performs an important implementation role in translating planned generation capacity into procured projects. However, its institutionalisation remains in progress, with completion targeted for 31 March 2027. Until the institutional framework is finalised, limitations remain in formal governance, accountability and performance reporting arrangements over this function.
The current performance framework focuses largely on procurement milestones rather than the ultimate outcome of generation capacity commissioned and available to the electricity system. Strengthening performance reporting across the full implementation chain would provide DEE and Parliament with clearer visibility of whether procurement programmes are delivering the intended energy-security outcomes.
Where a determination provides for procurement from independent power producers, the IPPO administers the procurement programme on behalf of the Department

Impact
Limited end-to-end reporting weakens oversight and accountability for whether planned generation capacity is ultimately commissioned and available to the electricity system, making it difficult to assess progress towards closing the supply gap and improving energy security.

Recommendation
DEE should establish and oversee an integrated IRP 2025 implementation and performance-monitoring framework, with clearly assigned responsibilities to the relevant implementing institutions, including the IPPO. The framework should track planned generation capacity **through procurement, financial close, construction and commissioning to megawatts ultimately available to the electricity system**, and report implementation delays, root causes and corrective actions.

Key insights: Research (SANEDI) and energy source (NRWDI)

Research: key insights | SANEDI

National Energy Act section 4: Centralised energy research

Energy research is still not centralised through SANEDI

SANEDI achieved all its reported annual performance targets in 2025-26. However, the achievement of annual targets has not yet translated into the broader institutional strengthening envisaged through the prior-year recommendation to strategically reposition and capacitate SANEDI. Progress remains limited in strengthening the funding model, specialist technical capacity and research capability required for SANEDI to play a stronger role in supporting government energy programmes. The commitment remains in progress, with completion due by 31 March 2027.

The concern is therefore not SANEDI's achievement of its current annual targets, but whether its current mandate, capacity and resources are sufficient to provide the research and innovation capability required to respond to priority challenges across the energy value chain.

SANEDI is undertaking research and innovation initiatives aimed at supporting energy sustainability, including smart-grid and energy-management interventions. However, there is an opportunity to strengthen the alignment and scale of its research activities towards systemic energy-sector challenges, including electricity distribution losses, ageing infrastructure, energy efficiency and the integration of new energy technologies.
In particular, the recurring infrastructure maintenance and electricity-loss challenges identified through NERSA's oversight of municipal distributors present an opportunity for SANEDI's research and innovation capability to be more deliberately directed towards developing, testing and scaling solutions that respond to identified weaknesses in the distribution sector.

Root cause: Limited strategic and financial prioritisation of SANEDI's research mandate, resulting in insufficient funding, technical capacity and implementation of the initiatives required to fulfil its role as the central energy research institution.

Impact: Continued delays in repositioning and capacitating SANEDI may constrain government's ability to develop, test and scale innovative solutions to key energy-sector challenges. This may affect the effectiveness of government energy programmes aimed at improving energy efficiency, reducing distribution losses, modernising electricity networks and supporting the transition towards a secure, sustainable and affordable energy system.

Energy source: key insights | NRWDI

Radioactive waste management and the Vaalputs transfer

Stable governance, but the Vaalputs transfer is still outstanding

NRWDI was established to provide for the safe, secure and sustainable management and disposal of radioactive waste. The transfer of the Vaalputs facility from NECSA is therefore important because it enables NRWDI to assume direct responsibility for a key national radioactive waste disposal facility and more fully execute its legislative mandate.

Current-year progress: The approval of the Vaalputs Nuclear Installation Licence (NIL-43) represents an important milestone towards enabling NRWDI to fulfil its radioactive waste disposal mandate. NRWDI also maintained a clean audit outcome, supported by stable governance and institutional arrangements.

However, the intended benefit of the licence will only be fully realised once the transfer of Vaalputs from NECSA to NRWDI, including the related assets, liabilities, technical expertise and operational responsibilities, is completed. Strategic initiatives such as the Centralised Interim Storage Facility and longer-term disposal solutions also remain in development.

Root cause: The transfer of the Vaalputs facility remains dependent on completing regulatory, operational and asset transfer processes between NRWDI and NECSA. Strategic waste management projects progress slowly due to their complexity, long implementation timelines and the need for sustained funding and specialised technical capacity.

Impact: Delays in finalising the Vaalputs transfer may constrain NRWDI's ability to fully execute its mandate and delay the establishment of an integrated and sustainable national radioactive waste management system. This becomes increasingly important as South Africa's energy planning considers the long-term role of nuclear energy, which requires adequate capability to safely manage radioactive waste over its lifecycle.

Research, innovation and radioactive waste management are important enablers of energy sustainability. While progress is evident, the delayed strategic strengthening of SANEDI and outstanding transfer of Vaalputs to NRWDI may constrain the portfolio's ability to fully develop the institutional capabilities required to support a secure and sustainable energy system.

Energy sustainability Pillar 3 · Regulator | Auditee: NERSA | Effective regulation of electricity distribution

Effective regulation of electricity distributors is critical to energy sustainability. Compliance with licence conditions relating to infrastructure maintenance, technical performance and financial obligations supports reliable electricity distribution, limits electricity losses and contributes to the financial sustainability of municipalities and Eskom.

Monitoring of electricity distributors
NERSA regulates 178 electricity distribution licensees but conducted 18 compliance audits in 2025-26. While all 18 planned audits were completed, this represents approximately 10% annual coverage. At the current level of coverage, a licensee may therefore not be subjected to a compliance audit for several years.
The audits identified instances where municipalities had not complied with licence conditions over extended periods and had not implemented corrective actions, including requirements relating to infrastructure maintenance and payment of Eskom bulk electricity accounts.

Of the 18 distributors audited, 16 were found not to have complied with licence conditions and 8 (from prior year) had not adequately implemented previously issued corrective actions.

Why infrastructure maintenance matters
Delayed maintenance and renewal of municipal distribution infrastructure can contribute to deteriorating network performance, increased technical losses and reduced reliability of electricity supply. Higher electricity losses reduce the proportion of electricity purchased that can ultimately be sold and converted into revenue, placing further pressure on already constrained municipal finances.
NERSA's distribution reporting framework specifically monitors electricity losses, with a stated tolerable range of 5% to 12%, while its municipal tariff assessments demonstrate the relationship between maintenance, loss reduction, grid reliability and asset life.

SANEDI has a complementary role through its Smart Grids Programme and municipal energy-management initiatives, which seek to use technology and applied research to improve the efficiency and reliability of electricity distribution. The opportunity is to more deliberately connect the systemic weaknesses identified through NERSA's regulatory work with SANEDI's research and innovation programme so that proven solutions can be evaluated for broader application across municipalities.

Enforcement remains critical

Following the amendment of the Electricity Regulation Act, NERSA established the Tribunal and commenced enforcement. However, eight contraventions originating from the 2023-24 period were only referred to the Tribunal in July 2025 and heard in December 2025, indicating that enforcement does not always follow promptly after identification of non-compliance.

Of 8 cases of non-compliance identified, eight were referred to the Tribunal. Of these, 5 licensees did not respond and were subsequently issued with notices.

Impact
Inadequate maintenance and delayed enforcement can create a cycle of deteriorating distribution infrastructure, increased electricity losses and unreliable supply. Electricity losses and weak revenue collection reduce the resources available to municipalities to maintain and renew their networks and may weaken their ability to settle Eskom bulk electricity accounts. Persistent municipal non-payment, in turn, increases debt owed to Eskom and places pressure on Eskom's cash flows and financial sustainability. Ultimately, weaknesses at municipal distribution level therefore affect both the reliability and financial sustainability of the broader electricity system.
National Treasury specifically identifies municipal Eskom debt as a material risk to Eskom debt relief and positions improved municipal financial sustainability and Eskom's balance sheet as interconnected objectives of the municipal debt-relief programme.

Recommendation
NERSA should strengthen risk-based compliance monitoring and expedite enforcement where distributors do not comply with licence conditions or implement corrective actions. DEE should promote greater coordination between NERSA, SANEDI, Eskom and municipalities so that recurring weaknesses identified through regulatory oversight inform targeted research, innovation and scalable interventions to reduce distribution losses and improve **infrastructure performance.**

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AUDITOR-GENERAL SOUTH AFRICA

115 YEARS 1911 - 2026

Material irregularities definition and purpose

We have long reported on **pervasive mismanagement / leakage of public funds without consequences** and our **audit recommendations not receiving the required attention,** with little or no improvement noted in the *status quo*, leading to our relevance being questioned

Public outcry for increased **accountability and transparency**, saw calls from parliamentary oversight structures, civil society, organised labour, media and the public at large for the **AG to be empowered to hold accounting officers** entrusted with public funds **accountable for their actions**

Material irregularity

MI

means any **non-compliance** with, or **contravention** of, legislation, **fraud, theft** or a **breach of a fiduciary duty** identified during an audit performed under the Public Audit Act that **resulted in or is likely** to result in a **material financial loss**, the **misuse or loss of a material public resource**, or **substantial harm to a public sector institution or the general public.**

If AO/AA does not appropriately deal with MIs, our expanded mandate allows us to:

1. **Refer material irregularities** to relevant public bodies for further investigation
2. **Recommend actions** in audit report to resolve the material irregularities

   Take binding remedial action for failure to implement recommendations

Issue certificate of debt for failure to implement remedial action if financial loss was involved

Original expanded mandate now finding its basis in our strategy

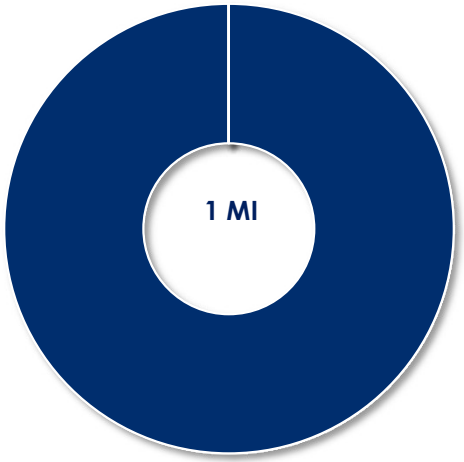
Enforcement
Apply powers to directly and indirectly recover resources lost to the state and taxpayers, and ensure application of consequences for wrongdoing – ***#cultureshift2030***

Overall aim of our expanded mandate:

Instil a culture of accountability	**Improve the protection of resources**	Enhance public sector performance and encourage an ethical culture	**Strengthen public sector institutions to better serve the people of South Africa**	Enable effective oversight

Material irregularities (MIs) in the portfolio

1. Nature of MIs



- Resource management (1 MI)

2. Financial loss from the MI

R317m Total **financial loss**

3. Response to MIs

Determined status of the MI

1 (100%)

4. Observations from MI process

Only one material irregularity was previously issued in the portfolio.
This was in relation to the storage fees paid in relation to the solar water heater project under the former Department of Energy (DOE).

In the previous financial year, recommendations were included in the audit report, the accounting officer implemented the recommendations and provided substantiating evidence of implementation of the project.

The solar water geysers were substantially installed, no storage fees were incurred in the current and prior year.

The Material irregularity has been resolved

Detailed MI nature and status in portfolio

Auditee	Extent	Nature					Determined status of MIs
	MIs	Material financial loss (MIs)	Misuse – material public resources	Loss of material public resources	Harm – general public	Harm – public sector institution	
Department of Electricity and Energy	1	R317m	0	0	0	0	Resolved

Notified	MI description	Nature	Status
29 July 2023	Storage costs incurred on solar water heater project Irregularity: Non-compliance with PFMA 38 (1)(b) Impact: Material loss of R310 075 097 (2021—22, year of identification) with subsequent losses of R7 809 953. Total loss : R317 885 050 The were no further losses identified in the current financial year	Material financial loss	Resolved

Reportable Irregularities

Audits performed under Section 4(3) of the PAA do not report on material irregularities, however, they report on Reportable Irregularities (RI)

Auditor's steps once a RI has been identified

In terms of section 45 of the Auditing Profession Act, the process the auditor must follow when a potential RI is discovered is as follows:

1. Once we have reason to believe that a reportable irregularity has taken place or is taking place, we must send a report to our regulator.
2. Within three days, after writing to the regulator, we must notify members of management that we have sent such a report.
3. Thereafter, we will take reasonable measures to discuss the matters with the members of the management board, obtaining representations from them, and thereafter, we are also required to send a second report to the regulator, within 30 days from the date on which the initial report was sent. This report should contain a statement that we are of the opinion that:
   a) no reportable irregularity has taken place or
   b) the suspected reportable irregularity is no longer taking place and that adequate steps have been taken for the prevention or recovery of any loss as result thereof, if relevant or
   c) the reportable irregularity is continuing.

   If the Independent Regulatory Board for Auditors (IRBA) receives a report that a reportable irregularity is continuing, they are required to notify any appropriate regulator of the details of the reportable irregularity to which the report relates and provide the regulator with a copy of the report.

We assessed laws and regulations for instances of non-compliance. Where non-compliance was identified, we evaluated the impact of each non-compliance on the financial statements and responded in terms of our responsibility to report unlawful matters to the relevant authorities in line with section 45 of the Auditing Professions Act (Act 26 of 2005). The below reportable irregularity (RI) remained open at the date of our audit report.

Reportable irregularity	Status
Non-compliance with environmental laws and regulations: National Environmental Management Act, National Environment Management: Air Quality Act and National Water Act.	Open, pending implementation of actions

Overall message to Portfolio committee

AUDITOR-GENERAL SOUTH AFRICA

115 YEARS 1911 - 2026

Portfolio committee message – overall audit outcomes and service delivery

Root causes, recommendations and commitments

Key root causes

- Delays in developing and approving the Integrated Energy Plan (IEP), caused by inadequate project planning, weak oversight, poor coordination of activities and insufficient management of key milestones and dependencies.
- Processes not adequately aligned to the requirements of the National Energy Act, resulting in delays and deficiencies in meeting statutory obligations for policy and planning development.
- Performance indicators, targets and Technical Indicator Descriptions (TIDs) not sufficiently defined, with monitoring controls inadequate to identify evidence gaps and implementation challenges early enough for corrective action.
- Inadequate enforcement of procurement controls and inconsistent adherence to SCM prescripts, with delays in assessing, investigating and finalising irregular and fruitless expenditure cases resulting in weak consequence management.
- Ineffective controls over financial reporting, performance reporting and revenue collection, particularly municipal debt recovery.

Key recommendations

- The Executive Authority should strengthen governance and oversight of the IEP process by ensuring lessons learned from the IRP are implemented, timelines are effectively managed and internal capacity is built through knowledge transfer.
- Enhance compliance management by ensuring adherence to the National Energy Act and holding management accountable for meeting legislative and policy development requirements.
- The Accounting Officer should improve performance planning and monitoring through clear, measurable indicators and targets, supported by robust in-year monitoring, evidence verification and timely corrective action.
- Institutionalise recovery audit action plans through clear ownership, milestone tracking and regular Board oversight, and strengthen consequence management by accelerating investigations and holding officials accountable for transgressions.
- Implement a coordinated revenue sustainability strategy focused on municipal debt recovery, prepaid metering, reduction of non-technical losses and stakeholder collaboration across government.

Commitments by executive authority

- To be confirmed
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Overall message

Monitoring and regular follow-up with the executive authority and the accounting officer/ authority on:

Portfolio Committee should focus

1. **Track implementation of prior-year commitments**, particularly the **capacitation of SANEDI,** strengthening of **NERSA's enforcement** responsibilities and **institutionalisation of the IPPO**, with clear milestones, responsible parties and completion dates.
2. **Strengthen oversight** of the IEP by requiring regular progress reports on key milestones, implementation risks, capacity-building initiatives and application of lessons learned from the IRP process
3. **Enhance accountability** for legislative compliance by monitoring adherence to the National Energy Act and requiring timely corrective action where delays or non-compliance are identified.
4. **Improve the monitoring of the performance planning and reporting** by ensuring that performance indicators and targets are clear, measurable, and linked to strategic objectives, supported by reliable evidence and robust monitoring processes
5. **Monitor corrective actions and consequence management** including actions against responsible officials for irregular expenditure and SCM transgressions where legislative requirements were not met.
6. **Track revenue sustainability across the portfolio** including progress in reducing municipal debts, improving revenue collections and effectiveness of financial and performance reporting controls.