Budgetary Review and Recommendation Report of the Portfolio Committee on Employment and Labour, dated 25 October 2023

The Portfolio Committee on Employment and Labour, (the Committee) having considered the performance of the Department of Employment and Labour and its entities in meetings held on 18 and 20 October 2023, reports as follows:

1. INTRODUCTION

The Budgetary Review and Recommendation Report of the Committee has been compiled in compliance with the Money Bills Amendment Procedure and Related Matters Act, No. 9 of 2009. This report provides an assessment of the Department of Employment and Labour (DEL) and its entities' service delivery performance given available resources; effectiveness and efficiency of the use and forward allocation of available resources; and recommendations on the forward use of resources.

1.1. The mandate of the Committee

All parliamentary committees have a mandate to legislate, conduct oversight over the executive and facilitate public participation. As such, the mandate of the Committee is governed by the strategy of Parliament and the Constitution. The Committee is charged with the responsibility of holding the executive and related entities accountable through oversight of objectives of its programmes; scrutinising its budget and expenditure; and recommending through Parliament, what actions the Department should take to attain its strategic goals and contribute to service delivery.

The National Assembly, through its committees, is required by section 5 of the Money Bills Amendment Procedure and Related Matters Act, No. 9 of 2009, to annually assess the performance of each national department and submit Budgetary Review and Recommendation Reports (BRRR) for tabling in the National Assembly. These reports should be submitted to the Minister of Finance and the relevant Ministers.

1.2. The mandate of the Department of Employment and Labour

The Constitutional mandate of the Department is derived from the following sections of the Constitution:

- Section 9, to ensure equal access to opportunities.
- Section 10, promotion of labour standards and fundamental rights at work.
- Section 18, freedom of association.
- Section 23, to ensure sound labour relations.
- Section 24, to ensure an environment that is not harmful to the health and wellbeing of those in the workplace.
- Section 27, to provide adequate social security nets to protect vulnerable workers.
- Section 28, to ensure that children are protected from exploitative labour practices and not required or permitted to perform work or services that are inappropriate for a person of that child's age or their well-being, education, physical or mental health or spiritual, moral or social development is placed at risk.
- Section 34, access to courts and access to fair and speedy labour justice.

The policy mandate of the Department is to regulate the labour market through policies and programmes developed in consultation with social partners, which are aimed at:

- Improving economic efficiency and productivity.
- Creation of decent employment.
- Promoting labour standards and fundamental rights at work.
- Providing adequate social security nets to protect vulnerable workers.
- Promoting sound labour relations.
- Eliminating inequality and discrimination in the workplace.
- Enhancing occupational health and safety awareness and compliance in the workplace.
- Giving value to social dialogue in the formulation of sound and responsive legislation and policies to attain labour market flexibility for competitiveness of enterprises which is balanced with the promotion of decent employment.

1.3. Purpose of the BRRR

The Money Bills Amendment Procedure and Related Matters Act sets out the process that allows Parliament to make recommendations to the Minister of Finance to amend the budget of a national department. In October/November of each year, portfolio committees must compile BRR Reports that assess service delivery performance given available resources; evaluate the effective and efficient use and forward allocation of resources; and may make recommendations of forward use of resources. The reports are also source documents for Standing/ Select Committees on Appropriations/ Finance when they make recommendations to the House of Parliament on the

Medium-Term Budget Policy Statements (MTBPS). The comprehensive review and analysis of the previous financial year's performance, as well as performance to date, form part of this process.

1.4. Method

In reviewing the work of the labour portfolio (Department and its entities) for the 2022/23 financial year, the Committee placed emphasis on the following:

- Overall performance in lieu of allocated budget as reflected in the annual reports of the portfolio.
- Presentations by the labour portfolio to the Committee on their annual reports.
- Report of the Auditor-General on the labour portfolio.
- Presentation by the Auditor-General to the Committee.
- Responses of the Department to the BRR report of 2022.

The source documents used by the Committee are presentations by the labour portfolio during the year, and annual reports of the Department and entities.

1.5. Outline of the contents of the Report

The content of the Report is as follows:

- Overview of the key relevant policy focus areas.
- Summary of previous key financial and performance recommendations of the Committee.
- Overview and assessment of financial performance of the Department of Labour.
- Report of the Auditor-General.
- Overview of financial performance of DEL in Q1 of 2023/24.
- Overview and assessment of service delivery performance for 2022/23 financial year.
- Overview of Performance of Entities of the Department of Labour.
- Committee Observations.
- Committee Recommendations.
- Appreciation.

The sections below expatiate on the content outlined above.

2. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

According to the **Quarterly Employment Survey (QES)**, total employment in the formal non-agricultural sector decreased by 21000 in quarter one of 2023, bringing the level of employment to approximately 10 million. The year-on-year statistics reflected that 97 000 jobs were lost between March 2022 and March 2023.

The quarter-to-quarter decrease of 21 000 was observed across various sectors, while some experienced gains. The trade industry and business sector lost 36 000 and 32 000 jobs respectively. The transport and construction industries both lost 2 000 jobs in quarter one. The community service, mining, manufacturing and electricity industry gained 41 000, 5 000, 4 000 and 1 000 jobs respectively.

Five out of eight industries (Business services, construction, transport, trade and electricity) were reported to have not returned to pre-COVID employment levels.

The official unemployment rate was 32.9% in quarter one of 2023, according to the **Quarterly Labour Force Survey (QLFS)**. The number of employed persons increased by 258 000 to 16.2 million in quarter one of 2023 compared to quarter four of 2022, while the number of unemployed persons increased by 179 000 to 7.9 million. The above changes resulted in the official unemployment rate increasing by 0.2% from 32.7% in the fourth quarter of 2022 to 32.9% in the first quarter of 2023. The unemployment rate according to the expanded definition decreased by 0.2% to 42.4% in the first quarter of 2023 compared to the fourth quarter of 2022.

The QLFS reported the official unemployment rate decreased by 0.3% from 32.9% in the first quarter to 32.6% in the second quarter of 2023. The unemployment rate according to the expanded definition decreased by 0.3% from 42.4% in the first quarter to 42.1% in the second quarter of 2023.

The formal sector employment increased by 143 000 in the second quarter and the informal sector employment decreased by 33 000 over the same period. The following industries recorded the largest employment gains:

- Construction (104 000)
- Trade (92 000)
- Community and Social Services (63 000)

Employment losses were recorded in the following industries:

- Manufacturing (96 000)
- Finance (68 000)
- Transport (7 000)
- Utilities (6 000)

The total number of unemployed youth decreased by 131 000 to 4.7 million, while there was an increase of 105 000 in the number of the employed youth to 5.7 million during the same period. This resulted in a decrease in youth unemployment rate by 1.1% to 45.3% in the second quarter of 2023. The **Quarterly Employment Survey (QES)** showed that total employment increased by 39000 or 0.4% quarter-to-quarter, from 10 039 000 in March 2023 to 10 078 000 in June 2023. This was largely due to increases in the following industries:

- Community services (40 000 or 1.4%)
- Business services (12 000 or 0.5%)
- Mining (2 000 or 0.4%)
- Electricity (1 000 or 1.7%)

However, there were losses in employment in the following industries:

- Manufacturing (-10 000 or -0.8%)
- Transport (-3 000 or -0.7%)
- Trade (-2 000 or –0.1%)
- Construction (-1 000 or -0.2%)

Total employment increased by 104 000 or 1% year-on-year between June 2022 and June 2023. Full-time employment decreased by 25 000 or -0.3% quarter-on-quarter, from 8 816 000 in March 2023 to 8 791 000 in June 2023. Full-time employment decreased by 46 000 or -0.5%, year on year between June 2022 and June 2023.

Part-time employment increased by 64 000 or 5.2% quarter-on-quarter, from 1 223 000 in March 2023 to 1 287 000 in June 2023. Part-time employment increased by 150 000 or 13.2% year-on-year between June 2022 and June 2023.

3. SUMMARY OF PREVIOUS KEY FINANCIAL AND PERFORMANCE RECOMMENDATIONS OF THE COMMITTEE

3.1. Committee Report on Budget Vote

In the Budget Vote of 2023, the Committee recommended that the Minister considers the following:

3.1.1. Department of Employment and Labour, including SEE.

- Ensuring that the initiatives of the Department are aligned to its expanded mandate of employment.
- The Department must work with National Treasury to ensure that the SEE receive preferential procurement status from government departments.
- That people with disabilities that work for SEE are provided with transport to and from work.
- The Public Employment Services branch of the Department is restructured and repurposed for job creation, including interdepartmental and private sector activities.

3.1.2. Productivity SA

- Ensuring that the Productivity SA single source funding model is finalised so that the mandate of PSA is funded through section 12 of the Act read together with section 40(a) of the Act.
- Ensuring that the Productivity SA receives its budget timeously.
- Productivity SA must develop the National Productivity Strategy to improve productivity levels in the country, engaging with social partners at Nedlac.

3.1.3. CCMA

- Ensuring that additional funding is made available to enable the entity to fully execute its statutory as well as legislative mandate.
- Ensuring that the services of the entity are decentralised to Labour Centres.

3.1.4. Nedlac

- The Government Task Team finalise its work of ensuring that Nedlac structure is fit-for-purpose and table its report before the Committee.
- Nedlac must consider amendments to legislation to encourage working from home so as to ensure that gains made as a result of COVID-19 are not lost.

3.1.5. Compensation Fund

- The Department of Employment and Labour (DEL) needs to appear before the Committee with Compensation Fund (CF) led by both administrative and political leadership and explain the real situation of the CF, as well as the impact that their interventions are yielding for an efficient and effective running of CF.
- CF needs to table to Parliament all the outstanding policy documents, for accountability, transparency, and openness among others.

3.1.6. Unemployment Insurance Fund

- Unemployment Insurance Fund (UIF) with DEL led by both administrative and political leadership to brief the Committee on the current state of affairs of UIF and commit on dates as to when to expect improvements on the entity.
- UIF needs to give commitment to the Committee as to when all outstanding policy documents will be tabled in Parliament.

NB: The response of the Department to the above budget vote recommendations is available on request from the Committee Secretariat.

3.2. BRRR 2022 recommendations and responses of the Department

The responses of the Department to BRRR of 2022 are listed below.

3.2.1. Department of Employment and Labour

Recommendation

The Department ensures that both UIF and CF table their Annual Reports on time also their QPRs, in compliance with legislation so that AGSA can make informed audit outcomes.

Response

It is the desire of the UIF and the CF to submit the Annual Financial Statements (AFS) and Annual Reports to the AGSA on the legislated date of 31 May of every year. However, there are reasons behind the late submission of the AFS to AGSA for auditing and the subsequent delayed tabling of audited AFS and Annual Report that are not related to the UIF's inability to do its work. The underlying reasons are as follows:

- The Companies Act 71 of 2008, clause 30 (1), states that each year a company must prepare annual financial statements within six months after the end of its financial year, or such shorter period as may be appropriate to provide the required notice of an annual general meeting.
- Furthermore, clause 27 (1) stipulates that a company must have a financial year, ending on a date set out in the company's Notice of Incorporation. This date can be any date of the calendar year. The UIF and CF Investee companies have the following year-end dates:
  - 31 March= 8 Investee Companies
  - 29 February= 4 Investee Companies
  - 31 December= 3 Investee Companies
  - 30 June= 2 Investee Companies
  - 30 September= 1 Investee Company
- Contrary to the Companies Act, the Public Finance Management Act (PFMA) section 40 (b) states that the accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice and must submit those financial statements within two months after the end of the financial year. There is a huge period gap of six months between the Companies Act and PFMA.

  Section 40 (3) further states that the annual report and audited financial statements must fairly present the state of affairs of the department, trading entity or constitutional institution, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned. The Fund will never be in a position to comply with the above section if the audited financial statements from the Investee companies are not received within two months from the end of the UIF financial year end.

  To comply with both Acts above, UIF and CF opted to request extension to submit its annual financial statements in order to consolidate all information from the investee companies for the financials to be credible and fairly present the affair of the entity.
  In the meantime, UIF and CF drafted a technical memo which proposes change in GRAP implementation of the joint ventures and associates and it was submitted to National Treasury and Accounting Standard Board (ASBO) for consideration and approval.

  The Director-General at each instance evaluates the impact that the approved delay in the submission of the financial statements and annual report has on the organisation and interested stakeholders such as the oversight structures. The Minister and the Director-General are satisfied with the above reasons for non-submission.

  Regarding the Quarterly Performance Reports, the Unemployment Insurance Fund always prepares APP quarterly performance reports and has always been available to present the quarterly performance reports to the Portfolio Committee and any structure.

CF Quarterly reports are compiled and submitted on time to DPME. CF ensures that the Performance is submitted monthly to internal governance structures. The monthly performance is monitored and compiled into quarterly performance for submission to all governance structures which is on time.

The Annual report (AR) is dependent on the audit process conducted by AGSA. CF is committed to the 31 May timeline to submit the financials to treasury to allow AGSA to commence with the audit. CF does co-ordinate audit timelines and deliverables with AGSA to ensure the audit is completed by 31 July annually, to allow CF to incorporate the audited financials into the annual report. The challenges that contribute to delayed timelines is an audit process that extends beyond 31 July due to the quantum of information that AGSA requests. The CF has identified the gaps and commits to improve processes that will ensure a committed audit process that results in timeous submission of the AR.

Recommendation

Funded vacant posts in the Department are filled without delay, more importantly in the Inspection and Enforcement Services (IES) branch.

Response

Upon implementation of the wage agreement with Public Servants, the Department was instructed to fund the resultant increase within our allocation. The expected expenditure of R80 million resulted in the compensation of employees just enough to pay for the warm bodies. What this means is that all vacant position become unfunded. There's moratorium over filling of posts. Notwithstanding what is stated above, it should be stated that the Department is now filling positions that became vacant after the 30 June 2023 as they were funded and filled before the said date.

Recommendation

The Committee demands to receive a comprehensive workable plan on how all funded vacant posts will be rapidly filled in, gradually dropped down to zero, more importantly in the IES branch.

Response

The Department has met and briefed the Portfolio Committee at least twice on the matter of funded vacant posts. The presentations that were shared with the Portfolio Committee highlighted the progress that is made in this front. Suffice to state that currently, only positions that became vacant after the 30th June 2023 should be filled or swapped with a position on the unfunded list if deemed necessary.

Recommendation

The Committee asks to be provided with quarterly reports on how all ICT related challenges are resolved.

Response

ICT is operating in line with the DPSA Corporate Governance of ICT Policy Framework (CGICTPF), that government departments should comply with. CGICTPF which provides the direction on how ICT decisions in the departments should be directed to support with the business strategies.

Various ICT Governance Structures are in place at the department to direct various ICT matters i.e. Strategic ICT Committee (EXCO), ICT Steering Committee, ICT Architecture Committee, Various ICT Project focused Committees and Operational Committee. The ICT Reports are presented at ICT Steering Committees, EXCO, Audit Committees and Risk Management Committees on quarterly basis.

The ICT quarterly reports include the various aspects of ICT, i.e. ICT performance reports on various areas of ICT Projects, ICT Risks and progress reports, ICT Audit Findings and audit action plans to resolve the findings, Cyber Security matters, ICT APP targets reporting, ICT Budget and ICT Resources updates. Challenges are managed through discussions on matters during specific focused operational and project related Committees. ICT Matters are standing agenda items of discussions during EXCO and DEXCOM meetings**.**

Recommendation

The Department to provide the Committee with a report on how it is remedying not only the irregular expenditure of R16 865 million which is related to ICT, but to also report on correction measures on fruitless and wasteful expenditure.

Response

As part of the remedial actions in addressing control deficiencies identified in the management of procurement of goods and services in the Department, the CFO has established a fully-fledged financial compliance and reporting unit effectively from 1 April 2023. The unit has an approved organogram and a dedicated budget and is strategically headed by a Director and 7 support staff members. Among others the unit monitors and assess financial compliance and reporting within

finance and conduct advisory and awareness and/or advocacy on all matters relating to financial compliance in the Department. The unit also conducts financial investigations on identified instances of financial non-compliance and submits such reports to the CFO.
Financial compliance unit is also in a process to rollout a policy search engine, in assisting the department in developing a unified depository of all financial policies, procedures and standard forms that would be interactive on software platform. The policy search engine will be in a form of an online policy advisor incorporated into smartgov where all officials can perform searches that will give them the exact provision of the related policy response.
Loss Control Committee is established to investigate all financial related losses and initiate consequence management process where breaches and/or losses have been found resulting from negligible financial management practice.
Revised SCM policies and standard operating procedures to fortify and/or mitigate gaps that existed resulting in bridges that happened, is assisting the CIO to comply with SITA Act in the procurement of ICT goods and services. The aforementioned intervention is anticipated to derive enhancement and improvements in the financial compliance culture in the department.

Recommendation

The Committee needs quarterly reports on how operations in the Supply Chain Management are improved, in order to deal with the whole issue of poor record keeping and strengthen the financial control environment, among others.

Response

The UIF will provide the Committee with quarterly reports on how operations in the Supply Chain Management are being improved. The UIF has established a probity process as part of the bidding process. Furthermore, regarding record keeping, the Fund has procured an Enterprise Content Management to digitise all of its records.

Recommendation

A strategy to speed up completion of corruption cases must be shared with the Committee with immediate effect.

Response

Currently the department has appointed a panel of forensic investigators to assist with speedy attention given to corruption as the challenges that were faced by the department in delays were due to capacity issues in both human and applicable tools and resources.

3.2.2. Supported Employment Enterprises

Recommendation

The Committee receives regular updates on engagements between Department of Employment and Labour and National Treasury on preferential procurement status of the SEE.

Response

A meeting between SEE officials, The Chief Financial Officer (CFO) of the DEL as well as the office of the Chief Procurement Officer (CPO) from National Treasury was held on the 02 March 2023. The meeting resolved that the Public Procurement Bill that was to be published in the Government Gazette on the 22 May 2023 would somewhat bring about some kind of solution that will be a relief to the solution sort by SEE. The relief is brought by the provision in Section 17 (7) that stipulates that any Minister may submit a request to the Minister of Finance to make regulations regarding a matter pertaining to the portfolio of the relevant Minister, in this case the Minister of Employment and Labour on behalf of SEE.
SEE through DEL will have to bring the request to the Minister of Employment and Labour once the Bill is signed by the Head of State. The provision therefore enables SEE, through the Minister of Employment and Labour to submit a request to the Minister of Finance to make regulations under Preferential Procurement Policy as the provision [(Section 17 (7)] stipulates further to say any Minister may submit a request to the Minister of Finance to make regulations regarding a matter pertaining to the portfolio of the relevant Minister, in this case the Minister of Employment and Labour on behalf of SEE. The Department has also included a provision in the Employment Services Amendment Bill that is to be presented to Parliament once approved by Cabinet. The Provision seeks to clarify the legal status of the SEE as a government Trading Entity so that it can also benefit from the Amended Public Procurement Bill.

Recommendation

DEL must assist SEE to employ people with relevant skills in Finance.

Response

DEL has ensured that the entity employed a Chief Financial Officer for the entity.

The office of the DEL CFO is currently assisting SEE to get up and running with Caseware Management system. DEL has extended the services of both the Internal Audit and the Risk Management to the entity as they do not have the financial means to employ their own.
The Departmental National Risk Committee and the Audit Committee continues to oversee the work of the entity. The DG approved that the entity employs external financial management services company early in the year, to assist on putting together financial statements and to address a range of issues raised by the Auditor General. There are other initiatives underway to augment the current Finance management structure with an additional post of a Cost Accountant to address cost of sales and inventory related issues.

Recommendation

Designated groups must be affirmed. SEE as the Public Institution that is employing people living with disabilities must be catered for to ensure that no one is left behind, and sections that may be found in some of our statutes guaranteeing benefits to designated groups must be put into good practical use.

Response

SEE recognizes that it will not address the plight of people with disabilities alone. To this end, the entity has initiated the following:

- Establishing more practical and meaningful collaboration between SEE/DEL and Department of Social Development as well as Department of Women, Youth & Persons with Disabilities to have impactful outcomes in making a difference in the lives of designated groups.
- Launched Dialogues with Disability constituencies and special schools where SEE normally recruit its new staff members from under the European Union Funded Education for Employment Project.
- Concluded partnership agreement with the MERSETA to train people with Disabilities in various metal skills to facilitate their entry and integration into formal employment beyond SEE.
- Exchange strategies and approaches with other 09 Designated organisations that receive subsidies from DEL.

3.3.3. Nedlac

Recommendation

The entity briefs the Committee on its restructuring to employ more senior staff with facilitation and leadership skills.

Response

Due to the cost containment guidelines of the National Treasury and the significant reduction in our budget over the MTEF, Nedlac is no longer able to employ more senior staff. However, we continue to develop our existing staff including in respect of facilitation and leadership skills.

3.3.4. Productivity SA

Recommendation

The Department should develop a single source funding model to ensure that the mandate of Productivity SA is funded.

Response

DEL did submit a bid for additional funding to the National Treasury and this was not approved. DEL through the PES Branch, continues to transfer to Productivity SA an annual budget allocation of R62, 921.000 on a quarterly basis and based on a Memorandum of Agreement signed with the DG for Productivity promotion in accordance with the Employment Services Act mandate. Two tranches amounting to R41,947,332 for the two tranches have already been effected by end of September 2023.
The entity also receives funding from other three sources. This includes:

- a special annual allocation of about R10 million from the Department of Trade, Industry and Competition for the Workplace Challenge programme that they account for differently.
- They also receive an amount of R42 million from the Unemployment Insurance Fund to assist companies with Turn Around Solutions and must also account for separately.
- The entity is legally allowed to also generate income from provision of consultancy services to companies and last year, they generated about R23 million.
- The Department is of the view that any attempt to channel all the three sources of funding to be paid through PES or to replace the three additional sources with the National Treasury Allocation may not be realised in the current financial situation. DEL has impressed on the Productivity SA Board to ensure that management accounts properly and spend all these monies in accordance with the intended purpose so as to sustain the flow of additional resources until such time that a permanent solution can be secured.

Recommendation
The requirement that distressed companies should be in good standing with UIF and SARS must be reviewed to allow opportunities for companies to be assisted with compliance while concurrently assisting them to save jobs.
Response
The UIF has committed itself to contributing to the creation and preservation of jobs and livelihoods. It is against this fact that the Fund acknowledges that although non-compliance with the UIF related legislation is a big concern and must be discouraged, the preservation of jobs particularly in the face of the high unemployment rate, should be prioritised. Consequently, non-compliance with the UIF related legislation does not automatically preclude distressed companies from benefitting from the Fund's Temporary Employer Employee Relief Scheme (UIF). Non-complaint companies enter into an agreement with the UIF through which the company agree to comply with the UIF related legislation by an agreed timeframe whilst receiving the benefit in the interim. This is meant to ensure that the distressed companies save the existing jobs that are at risk of being lost whilst at the same time embarking on a process towards compliance.
Recommendation
Productivity SA must regularly monitor productivity champions to ensure that the objectives that have been intended by their appointment are indeed realised, which among others are to sustain the legacy of interventions in businesses, with a view to preserve jobs.
Response
Productivity SA has embarked on regular monitoring and evaluation exercise in order to assess the level of impact of the productivity champions and achievements of the intended objectives of its programmes. Furthermore, Productivity SA do case studies on projects completed with the focus of capturing lessons learnt for continuous improvement purposes and dissemination of same to the broader SA economy through quarterly newsletters and annual reports. In Quarter 2 of 2023/24 Financial Year, 418 Productivity Champions were trained, and this has contributed amongst other related interventions to the preservation of 3408 jobs in the period under review. The Productivity Champions are part of a broader company-based structure vested with ensuring long-term sustainability of the enterprise called the Future Forum made up of Management and Workers. Productivity SA in the spirit of continuous improvement will look at further mechanisms to monitor and enhance the effectiveness of this structure and that of Productivity champions to sustain the legacy of interventions in businesses, with a view to preserve jobs.

3.3.5. Commission for Conciliation, Mediation and Arbitration

Recommendation
CCMA should be sufficiently resourced for it to respond effectively to its mandate of dispute resolution.
Response
The CCMA is funded through fiscus, its budget is decided by Parliament through Voted Funds. The role of the Department is to transfer what the Parliament has made available to the CCMA for its operations.

4. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE OF THE DEPARTMENT OF EMPLOYMENT AND LABOUR

4.1. Overview of Vote allocation and spending for 2022/2023

The activities of the Department of Employment and Labour are structured into four programmes, namely Administration; Inspection and Enforcement Services; Public Employment Services; and Labour Policy and Industrial Relations. Table 1 below reflects the allocation and expenditure per programme in 2022/23 financial year.
Table 1: Revenue and Expenditure per Programme for 2022/23 financial year

PROGRAMMES		**2022/23**			
		FINAL APPROPRIATION	**ACTUAL EXPENDITURE AS AT 31/03/2023**	**AVAILABLE BUDGET**	**EXPENDITURE AS AT 31/03/2023**
		R'000	*R'000*	*R'000*	*%*
1.	**ADMINISTRATION**	1 082 903	1 025 499	57 404	95%
2.	**INSPECTION AND ENFORCEMENT SERVICES**	617 287	587 853	29 434	95%

3.	**PUBLIC EMPLOYMENT SERVICES**	1 036 481	933 893	102 588	90%
4.	**LABOUR POLICY AND INDISTRIAL RELATIONS**	1 371 105	1 349 873	21 232	99%
TOTAL		**4 107 776**	**3 897 118**	**210 658**	**95%**

Source: Presentation to the PC on Employment and Labour dated 18 October 2023

Table 1 shows that the final appropriation for the Department of Employment and Labour amounted to R4.1 billion in 2022/23 financial year. The Department spent R3.9 billion or 95% of the final appropriation, resulting in under-expenditure of R210.7 million.

The larger portion of the final appropriation was allocated to the Labour Policy and Industrial Relations programme at R1.4 billion, followed by the Administration programme at R1.1 billion. The Inspection and Enforcement Services programme received R617.3 million and Public Employment Services programme received R1.0 billion.

4.2. Expenditure per programme of DEL in 2022/23

4.2.1. Administration

The purpose of the Administration programme is to provide management, strategic and administrative support services to the Ministry and the Department, with a goal of building institutional capacity. To carry out this objective the activities of the programme are structured into five sub-programmes, namely: Ministry; Management; Corporate Services; Office of the Chief Financial Officer; and Office Administration.

The total allocation for the programme amounted to R1.1 billion, which is approximately 26.4% of the final appropriation to the Department. The programme spent R1.0 billion or 95% of the allocation resulting in under-expenditure of R57.4 million.

Underspending on Compensation of Employees was mainly because of delays in filling vacant posts. Underspending on Goods and Services was reported to be because of delays in payments for software licensing; reduced travelling; accommodation; subsistence and travelling; and foreign travel. Reduced Capital Expenditure resulted from delays in delivery of procured ICT equipment. Overspending on Payments for Financial Assets was reported to be mainly due to bad debts written off.

4.2.2 Inspection and Enforcement Services (IES)

The purpose of this programme is to realise decent work by regulating non-employment and employment conditions through inspection and enforcement, to achieve compliance with all labour market policies. IES programme comprise the following sub-programmes: Management and Support Services; Occupational Health and Safety; Registration; Compliance, Monitoring and Enforcement; Training of Staff; and Statutory and Advocacy Services.

The final appropriation for this programme amounted to R617.3 million. The programme spent R587.9 million or 95% of the programme allocation, resulting in under-expenditure of R29.3 million.

Underspending on Compensation of Employees was mainly because of vacant post. Underspending on Goods and Services was because of reduced travelling, accommodation, S&T, foreign travel. Reduction in Capital Expenditure resulted from delays in delivery of procured ICT equipment.

4.2.3. Public Employment Services (PES)

The purpose of the PES programme is to assist companies and workers to adjust to changing labour market conditions, and to regulate private employment agencies.

This programme comprises the following sub-programmes: Management and Support Services: PES; Employer Services; Work-Seeker Services; Designated Groups Special Services; Supported Employment Enterprises; Productivity South Africa; Unemployment Insurance Fund; Compensation Fund; and Training of Staff: PES.

The final appropriation for this programme was R1.0 billion and it spent R933.9 million or 90% of its allocation, resulting in a variance of R102.6 million. Underspending on Compensation of Employees was reported to be mainly due to vacant posts. Underspending on Good and Services was attributed to reduced travelling; accommodation, S&T; and foreign travel by Department's officials. Underspending on transfers was reported to be due to few claims of injuries on duty and delays in the last tranche transfer towards GTAC. Underspending on Capital was mainly due to the delays in the delivery of laptops and desktops due to the global shortage from supplier.

4.2.4. Labour Policy and Industrial Relations (LP&IR)

The purpose of the LP&IR programme is to facilitate the establishment of an equitable and sound labour relations environment; support institutions of social dialogue and promote South Africa's interests in international labour matters; conduct research, analysis and evaluate labour policy; and provide statistical data on the labour market.

The LP&IR programme comprise the following sub-programmes: Management and Support Services: LP&IR; Strengthen Civil Society; Collective Bargaining; Employment Equity; Employment Standards;

Commission for Conciliation, Mediation and Arbitration (CCMA); Research Policy and Planning; Labour Market Information and Statistics; International Labour Matters; and National Economic Development and Labour Council (NEDLAC).

The LP&IR programme was allocated R1.4 billion or 33.4% of the entire budget of the Department, which is the largest programme allocation. It spent R1.3 billion or 99%, resulting in under-expenditure of R21.2 million. The major reason for underspending on Compensation of Employees is vacant posts. Underspending on Goods and Services was attributed to reduced travelling; accommodation; S&T; foreign travel and delays in submission of GCIS invoices for marketing and advertising; delays in Government Printers invoices and appointment of Research consultants.

Underspending on Transfers was mainly due to the fluctuation of exchange rates and delayed reporting by non-profit organisations; therefore, tranches were not disbursed. Underspending on Capital was mainly due to the final figures for IT devices issued to officials was lower than had been anticipated; and the payment for leases of cell phones was not processed due to renewal phones being purchased, resulting in no lease costs; domestic furniture that was procured in 2021/22 for the Labour Attache that was only processed in March 2023.

4.3. Expenditure of DEL by Economic Classification in 2022/23

The Department reported its expenditure by Economic Classification as follows:

Table 2: Expenditure of the Department by Economic Classification

ECONOMIC CLASSIFICATION	FINAL APPROPRIATION 2022/23 R'000	ACTUAL EXPENDITURE AS AT 31/03/2023 R'000	AVAILABLE BUDGET R'000	EXPENDITURE AS AT 31/03/2023 %
CURRENT PAYMENTS	**2 165 576**	**2 076 737**	**88 839**	**96%**
TRANSFERS AND SUBSIDIES	**1 804 064**	**1 689 506**	**114 558**	**94%**
PAYMENT FOR CAPITAL ASSETS	**137 583**	**130 322**	**7 261**	**95%**
PAYMENT FOR FINANCIAL ASSETS	**553**	**553**	**0**	**100.0%**
TOTAL	**4 107 776**	**3 897 118**	**210 658**	**95%**

Source: Presentation to the PC on Employment and Labour dated 18 October 2023

Table 2 reflects expenditure of the Department by Economic Classification. Current Payments received R2.1 billion or.52.7% of the total budget of the Department, which is the largest share. A total of R2.01 billion or 96% of the Current Payments budget was spent by the end of the financial year resulting to a variance of R88.8 million.

Transfers and Subsidies was allocated R1.8 billion and R1.7 billion or 94% was spent by the end of the financial year resulting to a variance of R114.6 million.

Payments for Capital Assets was appropriated R137.6 million and R130.3 million or 95% was spent by the end of the financial year resulting to a variance of R7.3 million.

Payments for Financial Assets was appropriated R553 000 and 100% of the allocated amount was spent by the end of the financial year.

5. FINANCIAL INFORMATION

5.1. Report of the Auditor General of South Africa

The Auditor-General of South Africa (AGSA) found that the financial statements present fairly, in all material respects, the financial position of the Department of Employment and Labour as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the Modified Cash Standards (MCS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

The AGSA selected the Inspection and Enforcement Services, and Public Employment Services programmes for auditing. AGSA did not identify any material findings on the reported performance information for the two programmes.

However, AGSA drew attention to the following matters:

5.1.1. Annual Financial Statements (AFS)

- The AFS submitted for audit were not prepared in accordance with the prescribed financial reporting framework as required by section 40(1)(b) of the PFMA.

- Material misstatements of goods and services and related party disclosure note identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified opinion.

5.1.2. Expenditure Management

- Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R107.8 million. Most of the irregular expenditure was caused by non-adherence with the procurement process.
- Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R17.5 million. Most of the fruitless and wasteful expenditure was caused by payments made for IT related service that were not received.

5.1.3. Consequence Management

- AGSA was unable to obtain sufficient appropriate evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by the PFMA. This was reported to be because investigations into irregular expenditure were not performed.
- AGSA was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by the PFMA. This was reported to be because investigations into fruitless and wasteful expenditure were not performed.

5.1.4. Internal Control Deficiencies

- AGSA found that Management did not ensure that there were effective controls over information technology systems, consequently, significant weaknesses were identified.
- Furthermore, preventive controls were not implemented to ensure reliable financial reporting and compliance with applicable laws and regulations, as material misstatements and instances of non-compliance were identified during the audit process.
- Finally, leadership did not ensure that consequence management is fully implemented and supported by investigation reports.

5.2. Financial Performance and Financial Position

5.2.1. Statement of Financial Performance

The total revenue of the Department amounted toR4.1 billion in 2022/23, which is an increase from R3.8 billion in 2021/22. Total revenue comprises the following:

- Annual appropriation: R4.1 billion
- Departmental revenue: R19.0 million
- Aid assistance: R35.1 million

The total expenditure amounted to R3.9 billion in 2022/23, which is an increase from the R3.2 billion in 2021/22 financial year. Total expenditure comprises the following:

- Compensation of employees: R1.2 billion
- Goods and Services: R725.2 million
- Transfers and subsidies: R1.7 billion
- Expenditure on capital assets: R134.9 million
- Payment for financial assets: R553 000

The Department recorded a surplus of R260.2 million in 2022/23 financial year.

5.2.2. Statement of Financial Position

The total assets of the Department amounted to R528.8 million in 2022/23, which is a decrease from R684.5 million in 2021/22. Total assets comprise the following:

- Current assets: R479.2 million
- Nom-current assets: R49.6 million

The total liabilities of the Department amounted to R512.3 million in 2022/23, which is a decrease from R670.4 million in 2021/22. Total liabilities comprise only current liabilities.

Net liabilities amounted to R16.5 million in 2022/23, which is an increase from R13.9 million in 2021/22.

6. FINANCIAL PERFORMANCE FOR Q1 OF 2023/24 FINANCIAL YEAR

6.1. Expenditure Analysis

The Department spent R960.8 million against the projection of R1.1 billion; R90.5 million or 8.6% lower than projected. The lower spending was on Compensation of Employees in Programme 2: Inspection and Enforcement Services, Goods and Services in Programme 1 and 4; and in Transfers and subsidies in Programme 3.

6.2. Expenditure per programme

6.2.1. Administration

Low spending by this programme amounts to R23 million or 8.6% mainly due to slower spending on Communication due to the length of time taken to verify payments and on property payments, which was over-projected. Slower spending on Goods and Services due to challenges with the contractor at the Taung labour centre which is being addressed by DPW&I. In addition, there were delays in finalising renovations at the Upington labour centre pending the appointment and placement of a qualified OHS consultant. The low spending on Payments for Capital Assets is due to delays in the delivery of laptops.

6.2.2. Inspection and Enforcement Services (IES)

Spending by this programme was lower than projected for Q1 by R14.9 million or 9.5%. The largest item of low spending by this programme is on Compensation of Employees due to vacant funded posts as well as the shift of OHS inspectors from the Department to the Compensation Fund. These vacancies also contributed to low spending on Goods and Services. Spending on Payments of Capital Assets was also low due to delays in the payment for software licensing fees, in procuring tools of trade for new inspectors and in the delivery of laptops.

6.2.3. Public Employment Services (PES)

Spending by this programme was lower than projected for Q1 by R48 million or 17.6% mainly due to GTAC drawing their funds late in respect of the Presidential Youth Employment Initiative, which was initially scheduled for June, but only captured in July. The transfer to the Compensation Fund for civil servants' injury on duty claims was higher by R1.3 million due to higher invoices received from the Fund than projected.

6.2.4. Labour Policy and Industrial Relations (LP&IR)

Lower than projected spending was R4.5 million or 1.3% mainly due to delays in receiving invoices from Government Printers, the National Minimum Wage Commission conducting their meetings virtually, less than budgeted payments in respect of Commission for Employment Equity (CEE) Board members' fees due to resignation of two CEE members, as well as delays in filling funded vacant posts. The payment to Nedlac was higher than projected by R10.7 million due to an earlier transfer for the Presidential Climate Commission.

7. ` OVERVIEW AND ASSESSMENT OF SERVICE DELIVERY PERFORMANCE FOR 2022/23

7.1. Annual performance per Programme

The Department reported its annual performance per programme as follows:

Table 3: Annual performance per Programme

Branch	Annual Planned Indicators	Achieved	Not Achieved	Overall Achievement
Administration	9	5	4	56%
Inspections and Enforcement Services	4	4	0	100%
Public Employment Services	6	5	1	83%
Labour Policy and Industrial Relations	10	7	3	70%
Overall Performance	**29**	**21**	**8**	**72%**

Source: Presentation to the PC on Employment and Labour dated 18 October 2023

Table 3 above shows that the overall performance of DEL was 72% in 2022/23, which is an improvement from the 64% in 2021/22 financial year.

7.1.1. Administration

The Administration programme had nine annual planned indicators and five were achieved translating to an overall achievement of 56%, which is a decrease in performance from the 63% achieved in 2021/22 financial year. The following indicators were not achieved, and the reasons were provided:

- Approved Cyber Security Strategy and roadmap.

The Security Service Provider Experts advised that DEL needed to develop the Cyber Security Framework before the Strategy in line with the best information security standards.

- IES and PES systems replaced with SAP on HANA.

The project plan dates have been revised due to the project delays emanating from the absence of the SAP support and maintenance. It was reported that the SAP license usage report will be activated post Go Live.

- Roll out of the Ethics Management Plan for the year.

Ethics Strategy and Ethics Implementation Plan have not been approved.

- 93% resolution of reported incidents by disciplinary and criminal interventions.

Cases were not finalised within required timeframes due to capacity constraints.

7.1.2. Inspections and Enforcement Services

Programme two had four annual planned indicators and all were achieved, translating to an overall achievement of 100%. This is a marked improvement from the 25% achieved in 2021/22 financial year. Limpopo and Mpumalanga reported an overall performance of 67% and 33% respectively. All other provinces reported an overall performance of 100%.

7.1.3. Public Employment Services

The Public Employment Services programme had six annual planned indicators and five were achieved, translating to an overall achievement of 83%. This is consistent with the achievement of the previous financial year.

Both Gauteng and Limpopo reported an overall performance of 75%. The rest of the provinces reported an overall performance of 100%. Regarding the National Labour Migration Policy (NLMP), it was reported that the extensive consultative processes resulted in higher than planned levels of inputs which needed more time for incorporation. Furthermore, it was reported that preparations are underway for the policy to be tabled at the Inter-Ministerial Committee (IMC) on Migration and Nedlac, Parliament and Cabinet.

Regarding the National Employment Policy (NEP), it was reported that there were unexpected delays in the reappointment of the service provider by the ILO and in the issuing of a final certificate by the Presidency to enable the Minister to table the draft policy to Cabinet to request approval to commence with consultation.

7.1.4. Labour Policy and Industrial Relations

Programme four had ten annual planned indicators and seven were achieved, translating to an overall achievement of 70%. This is consistent with the achievement of the previous financial year. The following planned indicators were not achieved, and the reasons were provided:

- Employment Equity (EE) Regulations finalised but not published.

Publication of the EE regulations to implement the EE amendments is dependent on the promulgation of the EE Amendment Bill into law.

- 90% (20 received, 18 verified) collective agreements extended to non-parties within 60 working days.

Delay was reportedly caused by both external and internal factors.

- Annual implementation report submitted to Minister for sign-off after 30 April 2022.

It was reported that the report was delayed due to commitments in the chief directorate in respect of preparations for the Global Conference on the elimination of Child Labour.

8. OVERVIEW OF PERFORMANCE OF ENTITIES OF THE DEL: 2022/23

8.1. Supported Employment Enterprises (SEE)

SEE reported on its performance against annual performance targets as follows:

Table 4: SEE Performance against planned annual targets.

ANNUAL PERFORMANCE TARGETS	ACTUAL ANNUAL PERFORMANCE
1. 50 People with Disabilities employed (PWD).	1. 50 PWDs employed.
2. 10% annual sales increase.	2. 88% annual sales increase (R51.7 million).
3. Seven customer agreements signed.	3. Four MOUs signed (3 shortfall).

Source: Presentation to the PC on Employment and Labour dated 18 October 2023

SEE had three planned annual performance targets and achieved two, which translates to an overall performance of 67%.

SEE employed 50 people with disabilities as per planned performance target. Gauteng and the Western Cape employed 271 and 241 people with disabilities as at end of March 2023. The employment equity breakdown of employees is as follows:

- Males – 59%
- Females – 41%
- Youth – 37%
- Blacks – 51%, Whites – 27%, Coloureds – 21%, Indians – 1%

The entity overachieved its planned annual performance target of increasing sales by 10%. It increased annual sales by 88%, amounting to R51.7 million in monetary terms. The final sales figures in 2021/22 and 2020/21 were R28.5 million and R41.6 million respectively. The following sales boosted the sales revenue of the SEE:

- North-West Education Department – R20 million

- Northern-Cape Education Department – R12 million
- Western Cape Health Department – R36 million
- Nkangala FET College – R2 million

SEE signed four memorandums of understanding against the target of seven, resulting in a variance of three agreements.

8.1.1. Major Operational Risks 2022/23

SEE identified the following risks to its production in 2022/23 financial year:

- Intensified load shedding.

Load shedding impacted on SEE's operational output based on many hours of lost production.

- Rigidity in SEE price regulation

SEE price regulation not aligned to fuel price increase, increase in prices of raw materials and inflation in general.

- Lack of innovation/Obsoletion

There is no funding for new product development and for creation of new sales platforms/ online sales.

8.1.2. Risk Mitigation

In response to identified operational risks, management has:

- Established the structure and discipline through weekly STEERCO meetings for the achievement of primary objectives.
- Integrated value chain across operations and supply chain management to optimise production output.

8.1.3. The Dual Mandate

SEEs must balance the business fundamentals as well as the social imperatives mandate.

Business fundamentals

- Business development strategy.
- SCM/Procurement strategy.
- Operational efficiencies.
- Financial efficiencies.

Social imperatives

- Employment opportunities for PWDs.
- Address inequality of opportunities.
- Promote productive livelihoods.
- Improving skills and capacity.
- Psycho-social support.

8.1.4. Financial Figures for 2022/23

Financial figures were reported as follows:

SEE Total Revenue – 217 million

- National Treasury Grant – R166 million
- Sales of Goods and Services – R51 million

SEE Total Expenditure – 221.6 million

- Mandatory Expenses – R19.8 million
- Compensation of Employees – R176 million
- Other Expenses – R25.8 million

Budgeted Revenue – R80 million

- SEE needs at least R80 million from sales to augment treasury grant.

8.1.5. SEE Audit Qualification Areas

SEE received a qualified audit based on the following areas:

- Presentation of Annual Financial Statements (AFS)
- Inventory
- Cost of sales
- Contingent liabilities
- Payables and receivables

8.1.6. SEE 5 Key Drive Priorities

- Employment opportunities for PWDs mandate to be backed up by strong financial support to employ PWDs on a more sustainable basis.
- Improving on the regressed audit opinion to at least qualified audit opinion in 2023/24.
- Alternative energy source to support uninterrupted production output and to reduce the delivery lead times to customers.

- Provide way forward on SEE governance structure where the entity can have a clear direction on its role as a juristic person.
- Grow sales revenue to R80 million to invest in sustainable employment creation.

8.2. National Economic Development and Labour Council (Nedlac)

Nedlac was established through the Nedlac Act, No. 35 of 1994. It operates in terms of the Nedlac constitution. Nedlac's mandate is derived from the Nedlac Act, Labour Relations Act, Nedlac constitution and Nedlac protocols.

Nedlac's objectives in terms of the Act are to:

- Strive to promote the goals of economic growth, participation in economic decision-making and social equity.
- Seek to reach consensus and conclude agreements on matters pertaining to social and economic policy.
- Consider all proposed labour legislation relating to labour market policy before it is introduced in Parliament.
- Consider all significant changes to social and economic policy before it is implemented or introduced in Parliament.
- Encourage and promote the formulation of coordinated policy on social and economic matters.

8.2.1. Nedlac's overall annual performance in 2022/23

Nedlac reported on its annual performance for 2022/23 as follows:

Table 5: Nedlac's Performance per Programme in 2022/23

Programme	Annual Planned Indicators	Achieved	Not Achieved	Overall Achievement
Administration	8	6	2	75%
Core Operations	4	2	0	100%
Capacity Building	1	0	1	0
Presidential Climate Commission	3	3	0	100%
Overall Performance	**16**	**11**	**3**	**69%**

Source: Presentation to the PC on Employment and Labour dated 18 October 2023

Table 5 shows that Nedlac had 16 annual planned indicators and 11 were achieved, translating to an overall performance of 69% in 2022/23 financial year. The Administration programme had eight annual planned indicators and six were achieved, translating to an overall achievement of 75%. Core Operations programme had four annual planned indicators and two were achieved. However, there were no deliverables for two of the indicators, translating to an overall achievement of 100%. Capacity Building programme had one annual planned indicator and it was not achieved, translating to an overall achievement of 0%. The Presidential Climate Commission had three annual planned indicators, and all were achieved, translating to an overall achievement of 100%.

8.2.2. Governance Task Team progress

Nedlac reported progress on Governance Task Tam as follows:

Table 6: Governance Task Team Progress

Bill	Constitution	Protocol
• Updates the functions of Nedlac. • Requires a Minister to take into account a report from Nedlac on a policy or legislation respectively. • Updates criteria for admission to Nedlac. • Sifts some matters regulated in the Act to the constitution. • Introduce a Nedlac Lekgotla to replace the Exco and given the powers of Exco to the Manco.	• Makes provision for more structures in addition to chambers. • Allows constituencies to appoint their own representatives. • Sets out clear admission and termination criteria and processes. • Simplifies meeting procedures. • Aligns with current PFMA, National Treasury and Department of Policy Monitoring and Evaluation	• Clarifies sequences of actions, roles and responsibilities, and decision making procedures. • Enables participants to focus on matters of substance by clarifying process issues. • Outlines the requirements for the completion of Nedlac processes; and • Provides for mechanisms to track the implementation of Nedlac processes.

	(DPME) planning and report requirements.	

Source: Presentation to the PC on Employment and Labour dated 18 October 2023

8.2.3. Nedlac Expenditure per Programme in 2022/23

Nedlac reported on its expenditure per programme as follows:

Table 7: Nedlac Expenditure per programme in 2022/23

Programme	2022/23			
	Budget	Actual Expenditure	(Over)/ Under expenditure	Expenditure as % of Budget
	R'000	R'000	R'000	%
Administration	47 056	35 469	11 587	75.4%
Core Operations	19 559	13 653	5 906	69.8%
Capacity Building	7 500	2 678	4 822	35.7%
Presidential Climate Commission	12 553	16 419	-3 866	130.8%
Special Projects	12 000	12 000	-	100%
Total	**98 668**	**80 219**	**18 449**	**81.3%**

Source: Presentation to the PC on Employment and Labour dated 18 October 2023

Table 7 shows that Nedlac received a budget of R98.7 million in 2022/23 financial year, which is an increase of R18.8 million from the R79.8 million received in 2021/22. It spent R80.2 million or 81.3% of the budget allocation by 31 March 2023 resulting in a variance of R18.4 million.

The Administration programme received R47.1 million or 47.7% of the total budget allocation, which is the largest share of the total budget. This programme spent R35.5 million or 75.4% of its budget resulting to a variance of R11.6 million.

Core Operations programme received a budget of R19.6 million and spent R13.7 million or 69.8% of its budget, resulting to under expenditure of R5.9 million.

Capacity Building programme received an allocation of R7.5 million and spent R2.7 million or 35.7% of its total budget, resulting to a variance of R4.8 million.

The Presidential Climate Commission spent R16.4 million by end of the financial year against the budget of R12.6 million, translating to over expenditure by R3.9 million or 30.8%.

A total of R12 million was allocated for special projects and it was all spent, translating to 100% spending of the budget allocation.

Nedlac received an **unqualified audit opinion** from AGSA.

8.3. Productivity SA

8.3.1. Legislative mandate of the Productivity SA

Productivity SA is established in terms of section 31 of the Employment Services Act, No. 4 of 2014, as a juristic person, with the mandate to promote employment growth and productivity, thereby contributing to South Africa's socio-economic development and competitiveness.

The Act enjoins Productivity SA to develop relevant productivity competencies and competitiveness in workplaces, with a focus on the following core functions:

- To promote employment and income growth, and workplace productivity.
- To improve the employment and reemployment prospects of employees facing retrenchments and those retrenched, which include schemes to provide for turnaround strategies, layoffs, retraining or alternative employment opportunities.
- To conduct research on productivity and competitiveness related matters, provide productivity improvement and competitiveness measures.
- To promote social dialogue and a culture of productivity and competitiveness in the workplace and all spheres of the nation's economic and community life.

The value proposition of Productivity SA is to provide Productivity and Operational Efficiency Enhancement Solutions to improve the competitiveness and sustainability of enterprises throughout the business lifecycle to accelerate the creation of wealth and decent work.

8.3.2. Productivity SA Annual Performance per Programme in 2022/23

Productivity SA reported on its annual performance per programme as follows:

Table 8: 2022/23 Performance per Programme

Programme		Annual Planned Indicators	Achieved	Overall Achievement
1.	Administration: Corporate Services (CS)	2	2	100%

2.	Administration: Human Resources Management (HRM)	1	1	100%
3.	Administration: Corporate Relations (CR)	1	1	100%
4.	Competitiveness Improvement Services (CIS)	3	3	100%
5.	Business Turnaround and Recovery (BT&R)	3	3	100%
6.	Research, Innovation and Statistics (RIS)	2	1	50%
Overall Performance		**12**	**11**	**92%**

Source: Presentation to the PC on Employment and Labour dated 20 October 2023

Table 8 above shows that Productivity SA had an overall performance of 92% in 2022/23 financial year, which is an improvement from the 75% achieved in 2021/22 financial year. The entity registered 100% achievement in five programmes and 50% in one programme. Research Innovation and Statistics programme achieved 50% of its annual planned indicators.

8.3.3. Productivity SA Annual Performance per Strategic Objective in 2022/23

Productivity SA reported its annual performance per strategic objective as follows:

Table 9: 2022/23 Performance per Strategic Objective

Strategic Objectives		**Annual Planned Indicators**	**Achieved**	**Overall Achievement**
1.	Strengthen the institutional capacity of PSA to deliver on its mandate and be financially sustainable (CS & HRM)	3	3	100%
2.	To support government programmes aimed at sustainable employment and income growth (CIS)	2	2	100%
3.	To support enterprises facing economic distress and initiatives aimed at preventing job losses (BT&R)	3	3	100%
4.	Generation and dissemination of productivity related research and statistics (RIS)	2	1	50%
5.	To promote a culture of productivity and competitiveness in the workplace and community life	1	1	100%
Overall Performance		12	11	92%

Source: Presentation to the PC on Employment and Labour dated 20 October 2023

Table 9 above shows that Productivity SA achieved 100% on four strategic objectives and 50% on one strategic objective. The entity received 50% on strategic objective four, which is Generation and dissemination of productivity related research and statistics.

8.3.4. Key achievements for the 2022/23 Financial Year

During the year under review, Productivity SA achieved the following:

- Over 4360 SMMEs, entrepreneurs and workers were supported through the Competitiveness Improvement Services programme.
- Workplace Challenge Programme (WCP) extended its support to 101 enterprises. Of these enterprises, 80% is owned by blacks, 51% owned by women and 25% owned by the youth.
- The BT&R made a breakthrough accomplishing all its targets for the 2022/23 financial year as well as all commitments enshrined within the Funding Agreement. Since the lifting of the two-year suspension in July 2020, notable gains have been in strengthening and recapacitating the programme and the fruit of this revitalisation is now evident.
- Over 186 (107%) companies facing economic distress were supported against a target of 174 over the past three years. Over 1681 Future Forum members were trained, an achievement of 322% against the set target. Both these interventions resulted in over 15710 jobs being preserved/retained, a 181% achievement.
- Implementation of the ILO Productivity Ecosystem for Decent Work in South Africa which is designed to address constraints to productivity growth and decent work, as well as help

countries tackle the challenge of promoting productivity growth and decent work practices in an integrated and mutually reinforcing manner. Productivity SA chairs the Project Advisory Committee (PAC) which plays a pivotal role in creating and implementing the programme that is to be developed.

- The Quality and Productivity Improvement (QPI) project in partnership with Japan International Cooperation Agency (JICA) and the Department of Trade, Industry and Competition (2022-2025) was also launched during the 2022/23 FY. This project aims for nationwide dissemination of Quality and Productivity Improvement (Kaizen) techniques for the industrial sector through creation of a network i.e., National Quality Productivity Network (NQPN) of service providers and related organisations.
- Productivity SA is playing a leading role in the Employment Working Group (EWG) at Brazil, Russia, India, China, South Africa (BRICS) countries and is championing the drive for adoption of the BRICS-Wide Productivity Ecosystem for Decent Work.
- The implementation of a six-month project on the Productivity Assessment and Culture Survey in The Presidency. The outcomes of the project include a report with recommendations on how to improve productivity and the culture of The Presidency and develop and implement the business turnaround strategy to improve business efficiencies and productivity as well as culture in The Presidency according to the approved plan.
- Productivity SA participates in the Africa KAIZEN initiative in collaboration with JICA and AUDA-NEPAD that aims to accelerate Africa's industrialisation through improving productivity and quality improvement, creating decent work and expand job creation.

8.3.5. Challenges and Areas of Non-Performance for 2022/23 FY

Productivity SA identified the following challenges and areas of non-performance during the 2022/23 financial year:

- The Research, Innovation and Statistics programme recorded under-performance achieving one out of two key performance indicators in two consecutive years. This is due to capacity constraints of the research unit.
- Out of 2.3 million SMMEs, Productivity SA can only service a fraction of the total number due to lack of funding. The CIS programme is reliant on other regional and national partners to achieve the annual performance plan targets with the use of additional funding.
- Investment into technology would further assist the CIS unit improve on access to clients and service offerings to support the SMMEs in both the informal and formal economy to become sustainable entities that create decent work.
- Productivity SA's current funding model does not allow adequate achievement of its national mandate to lead and inspire a competitive and productive South Africa. The delays in finalising the single-source funding model in line with section 12 of the Employment Services Act is also exacerbating Productivity SA's funding challenges.

8.3.6. Financial Information for 2022/23 Financial Year

Productivity SA reported on its expenditure for 2022/23 financial year follows:

Table 10: Financial Performance for the year 2022/23

	Programme	**Audited Outcome**		
		2022/23	**2021/22**	**% Change**
Non-Exchange Revenue				
DEL	Administration	61 693	60 669	2%
DTIC	WPC	10 558	10 389	2%
UIF	BT&R	31 892	24 708	29%
Other Donor Funding		2 070	249	732%
Total		**106 218**	**96 015**	**11%**
Exchange Revenue				
Income from Advisory Services and Other		3 297	8 494	-61%
Total		**3 297**	**8 494**	**-61%**
Total Revenue		**109 515**	**104 509**	**5%**

Expenditure				
Compensation of Employees		82 755	74 911	10%
Goods and Services		37 362	25 948	44%
Total Expenditure		**120 117**	**100 859**	**19%**
(Deficit)/ Surplus		**(10 602)**	**3 650**	**-390%**

Source: Presentation to the PC on Employment and Labour dated 20 October 2023

Table 10 above shows that the total revenue for Productivity SA amounted to R109.5 million in 2022/23 financial year, which is an increase from R104.5 million received in 2021/22 financial year. The Department of Employment and Labour contributed R61.7 million towards the Administration programme. The Unemployment Insurance Fund contributed R30.9 million towards the Business Turnaround and Recovery programme. The Department of Trade, Industry and Competition contributed R10.6 million towards Workplace Challenge Programme.

The total expenditure amounted to R120.1 million leading to a deficit of R10.6 million. Of this amount R82.8 million and R37.4 million went to compensation of employees and goods and services respectively.

A total of R46.1 million was spent on the Administration programme, which can be broken down as follows: Corporate Services-R27.8 million, Human Resource Management-R9.3 million and Corporate Relations-R9.1 million.

A total of R8.4 million was spent on Research, Innovation and Statistics programme.

Business Turnaround and Recovery and Workplace Challenges received R31.9 million and R11.1 million respectively.

Eliminations amounted to R21.1 million leading to the total expenditure of R12.1 million.

8.3.7. Audit Outcomes

The Productivity SA received an unqualified audit report with material findings.

The findings were on the following matters:

- Operating expenses-invoices not settled within 30 days.
- Supply management policy not adequate.
- Supply management standard operating procedure not updated to align the supply management policy and the National Treasury procurement thresholds and processes.
- Winning quote dated/received after the closing date.
- Contract/Service Level Agreement (SLA) signed before quotation evaluation date as per evaluation score sheet.
- Invoices received after year end for goods and services that were accrued before financial year end were not raised as accrued expenses in the financial statements.
- Misstatements of amounts disclosed in cashflow statements.
- The public entity did not submit the FORM B-BBEE 1 supported by the approved audited annual financial statements and the approved annual report pertaining to the 2021/22 financial year to the B-BBEE Commission within 30 days as required by regulation 12(2) of the B-BBEE Regulations.

8.4. Commission for Conciliation, Mediation and Arbitration (CCMA)

The CCMA is a statutory body established in terms of section 112 of the Labour Relations Act (LRA) of 1995. In terms of section 113 of the LRA, the CCMA is independent of the State, any political party, trade union, employer, employers' organisation, federation of trade unions or federation of employers' organisations.

The CCMA's statutory functions are set out in section 115 of the LRA and are divided into those that are mandatory and those that are discretionary.

8.4.1. Mandatory Functions of the CCMA

Mandatory functions of the CCMA include:

- To conciliate and arbitrate workplace disputes.
- To assist with the establishment of workplace forums.
- To compile and publish statistics and information about its activities.
- To administer the Essential Services Committee.
- To consider applications for accreditation and subsidies of bargaining councils and private agencies.

8.4.2. Discretionary functions of the CCMA

Discretionary functions of the CCMA include:

- To supervise ballots for unions and employer organisations.
- To provide training and information relating to the primary objective of the LRA.
- To advise a party to a dispute about the procedure to follow.
- To offer to resolve a dispute that has not been referred to the CCMA.
- To publish guidelines on any aspects of the LRA and to make rules.
- To provide training and advice on the establishment of the collective bargaining structures, workplace restructuring, consultation processes, termination of employment, employment equity programmes and dispute prevention.
- To conduct and publish research.
- To provide assistance of administrative nature to an employee earning less than the BCEA threshold.
- To determine fees that the CCMA can charge and regulate practice and procedures for conciliation and arbitration hearings.

8.4.3. CCMA Performance per Programme in 2022/23 Financial Year

CCMA Performance per Programme was reported as follows:

Table 11: CCMA Performance per Programme in 2022/23

Programme		**Annual Planned Targets**	**Achieved**	**Overall Achievement**
1.	Administration	5	5	100%
2.	Proactive and Relevant Labour Market Intervention	10	9	90%
3.	Special Interventions and Support	1	1	100%
4.	Efficient and Quality Dispute Resolution and Enforcement Services	12	11	92%
5.	Effective Strategy Management and Governance	3	3	100%
Overall Performance		**31**	**29**	**94%**

Source: Presentation to the PC on Employment and Labour dated 20 October 2023

Table 11 above shows that CCMA had 31 annual planned targets and achieved 29, translating to an overall performance of 94%. The performance of the entity in 2019/20, 2020/21, 2021/22 and 2022/23 was 84%, 84%, 100% and 94% respectively.

Programme 2 achieved nine of the ten annual planned targets, translating to an overall achievement of 90%.

The underachievement was reported to be due to the elimination of incomplete and defective evaluation forms from the total number of evaluation forms completed of 12030. The numerator consists of the number of participant evaluation forms which were fully completed with positive rating. The revision of the participant evaluation form and guidelines for the assessment of output indicator 2.2.1.3 will be done and implemented in the 2023/24 financial year. Guidance will be provided to the participants on how to properly complete the forms.

Programme 4 achieved 11 of the 12 annual planned targets, translating to an overall achievement of 92%.

A total of 155 683 users accessed CCMA services and demonstrate work done by the CCMA. However, the details of the breakdown of the users who accessed CCMA services was not maintained. What was maintained was a summary report extracted from the case management system which only indicates the total number of cases heard and closed. This is what has been reported on throughout the financial year. Therefore, due to the unavailability of the evidence demonstrating the breakdown of the users, the actual number of users who accessed CCMA services from identified sectors reached per annum could not be verified.

8.4.4. CCMA Financial Performance in 2022/23

8.4.4.1. CCMA Expenditure per Programme

The CCMA reported its expenditure per programme as follows:

Table 12: CCMA Expenditure per Programme

Programme	**Budget**	**Actual Expenditure**	**Variance**	**Variance**

		R'000	R'000	R'000	%
1.	Administration	258 858	251 150	7 708	3%
2.	Labour Market Intervention	14 702	13 203	1 499	10%
3.	Special Interventions and Support	16 219	14 653	1 566	10%
4.	Dispute Resolution and Enforcement Services	771 465	757 374	14 091	2%
5.	Strategy Management and Governance	38 918	36 631	2 287	5%
TOTAL		**1 100 161**	**1 073 011**	**27 150**	**2%**

Source: Presentation to the PC on Employment and Labour dated 20 October 2023

Table 12 above shows that CCMA received a budget allocation of R1.100 billion and spent R1.073 billion or 98% by 31 March 2023 resulting in a variance of R27.2 million or 2% of the budget.

The Administration programme received R258.9 million, which is the second highest programme budget after programme 4. This programme spent R251.2 million or 97% of the budget resulting to the variance of R7.7 million or 3% of the budget allocation.

The variance was reported to result from timing differences in staff recruitment. The other factors that contributed to saving include projects such as JAVS maintenance, BUSA web tool, Helpdesk solution, CMS enhancements, Compliance Management Tool Software and procurement of laptops through the lease option which were budgeted for but not utilised as anticipated, as these projects were not awarded. Further, the employee wellness programme and employee relation activities as well as administration variable expenditure also contributed to the saving as the services are consumed as and when required. Furthermore, the savings related to operating costs result from the travel costs and training interventions which were budgeted for but not utilised as anticipated. Lastly, the saving is also seen in the expenditure resulting from recruitment services.

The Labour Market Intervention programme received R14.7 million budget and spent R13.2 million or 90% of the allocation, resulting to the variance of R1.5 million or 10% of the programme budget.

The variance was reported to be due to fewer claims received from the Councils on the awards made.

The Special Interventions and Support programme received R16.2 million budget allocation and spent R14.7 million or 90% of the allocation resulting to a variance of R1.7 million or 10% of the programme budget.

The variance was reported to result from timing difference in staff recruitment. The other contributing factor was saving on part-time commissioners related to mediation interventions.

Dispute Resolution and Enforcement Services budget received the budget of R771.5 million, which is the largest portion of the Department's budget. It spent R757.4 million or 98% of the allocation resulting to a variance of R14.1 million or 2% of the programme budget.

The variance was reported to result from the unfilled vacancies related to the support staff and full-time commissioners. Furthermore, savings were realised from variable administration expenses.

Strategy Management and Governance programme spent R36.6 million or 94% of the R38.9 million budget resulting to a variance of R2.3 million or 6% of the programme budget.

The variance was reported to result from projects such as Qualitative Data Analysis Software, Social Media Management Tool, and Data Analytic Tool which were budgeted for but not utilised as anticipated. Lastly, the saving is also seen from an additional provision that was made for insurance related to procurement of ICT laptops and other assets as well as the saving resulting from travel and subsistence for provincial visits.

8.4.4.2. Audit Outcome

The CCMA has maintained an unqualified audit opinion with no findings (clean audit) in the 2022/23 financial year.

Irregular Expenditure

One case to the value of R36 601 was assessed during the year 2022/23 and was found to have contravened the applicable laws and regulations. Based on the root cause, a recommendation was made by the Loss and Control Committee that the expenditure be recovered. The balance as of 31 March 2023 was R0.

Fruitless and Wasteful Expenditure

Eight cases to the value of R43 916 were assessed during the 2022/23 financial year and found to have contravened the applicable laws and regulations. Seven of the cases relate to the fruitless and wasteful expenditure that occurred in the 2022/23 financial year, while one case occurred in the 2021/222 financial year. Based on the root causes, the Loss and Control Committee recommended that the expenditure be recovered. The balance as of 31 March 2023 was R0.

9. COMMITTEE OBSERVATIONS

After considering the presentations made by the Department and its entities on their annual reports, the Committee made the following overall observations:

- That it notes with serious concern that Unemployment Insurance Fund (UIF) and the Compensation Fund (CF) have not submitted their Annual Financial Statements (AFS) and Annual Performance Reports for 2022/23 audit, similarly to the previous year. Also that not all recommendations on the 2022 BRRR have been fully addressed, in particular on transport arrangements for SEE employees.
- The Statistics South Africa published the Quarterly Labour Force Survey for quarter two of 2023, which showed the unemployment rate to be 32.6%. This is a slight improvement from quarter one rate that was 32.9%. In terms of the expanded definition of the unemployment rate, it was 42.1% and 42.4% in quarter two and quarter one respectively.

9.1. Department of Employment and Labour (DEL)

9.1.1. The Department spent R3.9 billion or 94.9% of the allocated R4.1 billion in 2022/23 financial year and achieved 21 or 72 % of the 29 annual planned indicators.

9.1.2. The Department received an unqualified audit with material findings. These material findings on the financial statements, expenditure management, consequence management and procurement and contract management identified through the audit hinder the Department from obtaining a clean audit.

9.1.3. Underspending in all programmes of the Department was attributed mainly to the vacant posts.

9.1.4. AGSA made the following findings regarding ICT Governance in the Department:

- Approved ICT strategic plan not in place.
- Immature software asset management processes and governance.
- DEL made payments for unused/underutilised software licenses.

9.1.5. DEL irregular expenditure amounted to R107.8 million in 2022/23 financial year comprising R67.1 million for unapproved services and non-compliance with the SITA Act and R40.7 million for services procured without a valid contract.

9.1.6. The Department incurred fruitless and wasteful expenditure amounting to R17.5 million majority of which relates to payments made for ICT services that were not received.

9.2. Supported Employment Enterprises (SEE)

9.2.1 SEE increased its sales from R28.5 million in 2021/22 to R51.7 million in 2022/23 financial year.

9.2.2. SEE entered into four customer agreements against a target of seven agreements resulting in loss of an opportunity to make revenue.

9.2.3. SEE obtained an adverse audit opinion and the main qualification areas were inventories; cost of sales; receivables from exchange transactions; payables from exchange transactions; operating expenses; contingencies; and property, plant and equipment.

9.2.4. SEE incurred irregular expenditure amounting to R228 954 due to failure to obtain three quotations as per procurement procedures.

9.2.5. The entity incurred fruitless and wasteful expenditure amounting to R1.2 million because of inventory theft and loss.

9.3. Nedlac

9.3.1. Nedlac spent R80.2 million or 81.3% of the allocated R98.7 million and achieved 11 or 79% of the 16 annual planned indicators in 2022/23 financial year.

9.3.2. Nedlac received an unqualified audit opinion from the Auditor-General with reduced findings.

9.3.3. AGSA finding against Nedlac was on the quality of financial statements.

9.3.4. The entity incurred irregular expenditure amounting to R230 243, which is an increase of R35 511 or 18% compared to the previous financial year of R194 732.

9.3.5. The entity did not incur any fruitless and wasteful expenditure in the 202/23 financial year, which is an improvement from the 2021/22 financial year.

9.4. Productivity SA

9.4.1. South Africa's global competitiveness ranking was at 62 out of 64 countries in 2021 and 60 out of 63 countries in 2022.

9.4.2. SMMEs constitute close to 90% of businesses and are acknowledged as productive drivers of the economy. However, there is no national integrated enterprise development and support strategy and programme interventions in place.

9.4.3. Productivity SA's current funding model does not allow adequate achievement of its national mandate to lead and inspire a competitive and productive South Africa.

9.4.4. Productivity SA received an unqualified audit opinion from the Auditor-General with reduced findings.

9.5. Commission for Conciliation, Mediation and Arbitration (CCMA)

9.5.1 The CCMA has maintained an unqualified audit opinion with no findings (clean audit) in the 2022/23 financial year.

9.5.2. The entity achieved an overall performance of 94% with 29 targets achieved against 31 planned targets in the approved 2022/23 Annual Performance Plan. The two targets were recorded as not achieved because the evidence provided to the auditors was not admissible.

9.5.3. The CCMA's overall performance has been exemplary for consecutive years despite the budget constraints. However, the anticipated rise in industrial action might over-stretch the resources of the entity.

10. COMMITTEE RECOMMENDATIONS

Having considered the presentations of the Department and its entities on their annual reports, the Committee recommends that the Minister of Employment and Labour ensures that the following steps are taken:

- To formalize a meeting between both UIF and CF within 14 days of the adoption of this Report. In this meeting, a clear strategy must be developed to curb this continued non-submission of AFS and AR from happening again, because it makes DEL fall short on adequately exercising oversight on the entities.

10.1. Department of Employment and Labour

10.1.1. The Department should develop a plan to address issues raised by the Auditor General and report quarterly to the Portfolio Committee on progress made regarding the implementation of the Audit Action Plan.

10.1.2. The Department should align its ICT procurement processes with the SITA Act to address the material findings by the Auditor General. That within seven days of the adoption of this report, the Committee must invite SITA to appear before it to explain the SITA Act processes.

10.1.3. The Department must develop the ICT strategic plan and align all IT projects to the strategic plan.

10.1.4. The Department must implement a comprehensive system for managing consequences related to poor performance. It must investigate all transgressions that led to material irregularities, irregular expenditure, and fruitless and wasteful expenditure. It must urgently implement all recommendations from investigation reports concluded as this will promote the culture of accountability.

10.1.5. The Department must fill the vacant funded posts without delay, especially the posts under the Inspectorate and Enforcement Services programme. Further, the post of Chairperson of the Northern Cape Risk Committee must be filled without delay.

10.2. Supported Employment Enterprises

10.2.1. SEE's capacity, processes and controls must be strengthened to enable credible financial and performance reporting.

10.2.2. The Committee should receive regular updates on engagements between Department of Employment and Labour and National Treasury on preferential procurement status of the SEE.

10.2.3. The Department should provide alternative energy source for SEE factories to support uninterrupted production output and to reduce the delivery lead times to customers.

10.3. Nedlac

10.3.1. Nedlac's capacity, processes and controls must be strengthened to enable credible financial and performance reporting.

10.3.2. Nedlac must investigate all transgressions that led to irregular expenditure and urgently implement all recommendations from investigation reports concluded as this will promote the culture of accountability.

10.4. Productivity SA

10.4.1. The Department should develop a Single Source Funding Model to ensure that the mandate of Productivity SA is funded through section 12 of the Employment Services Act read together with section 40(a) of the Employment Services Act.

10.4.2. Temporary relaxation of the entry requirements which requires distressed companies to be in good standing with UIF and SARS and allow opportunities for companies to be assisted with compliance while concurrently assisting them to save jobs.

10.4.3. Adoption of the Institute of Management Development (IMD) Competitiveness Framework as a Country Framework for measuring and evaluating productivity and competitiveness.

10.5. Commission for Conciliation, Mediation and Arbitration

10.5.1. Application should be made to the National Treasury (NT) for budget surpluses of other entities within the portfolio that are not going to be utilised by those entities to be transferred to the CCMA.
10.5.2. Application should be made to the NT that the budget surplus of the CCMA that is because of unforeseen or unavoidable circumstances be retained by the entity.
10.5.3. CCMA should charge private sector clients for services rendered such as training and seminars provided.

11. APPRECIATION

The Committee appreciates the cooperation it received from the Department and its entities throughout the BRRR process. The Committee also acknowledges the assistance of the Auditor-General and Internal Audit Committee, in providing information necessary for compiling this report.

Report to be considered.