

BRIEFING THE SELECT COMMITTEE OF SOCIAL SERVICES

VOTE 38: ANNUAL REPORT FOR THE 2013/14 FINANCIAL YEAR

FOR THE PERIOD 1 APRIL 2013
TO 31 MARCH 2014




water affairs
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 - Main Account
 - Water Trading Entity





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Part 1


ANALYSIS OF THE DEPARTMENT'S NON-FINANCIAL PERFORMANCE





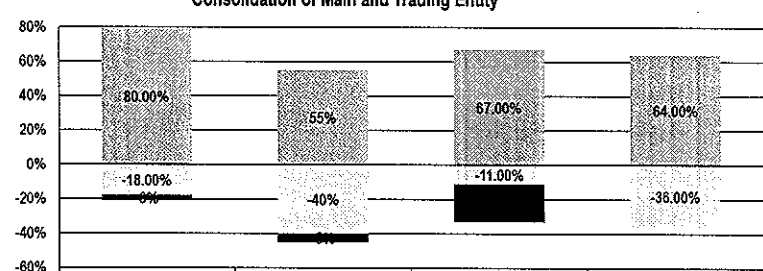
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Analysis on the achievement of 2013/14 goals

Consolidation of Main and Trading Entity



	Goal 1: Development-oriented sector leader	Goal 2: Equitable & sustainable raw water provision	Goal 3: Water services provision	Goal 4: Protection of freshwater ecosystems
■ Not achieved	-3%	-5%	-22.00%	
▨ Partially achieved	-18.00%	-40%	-11.00%	-36.00%
▩ Achieved	80.00%	55%	67.00%	64.00%



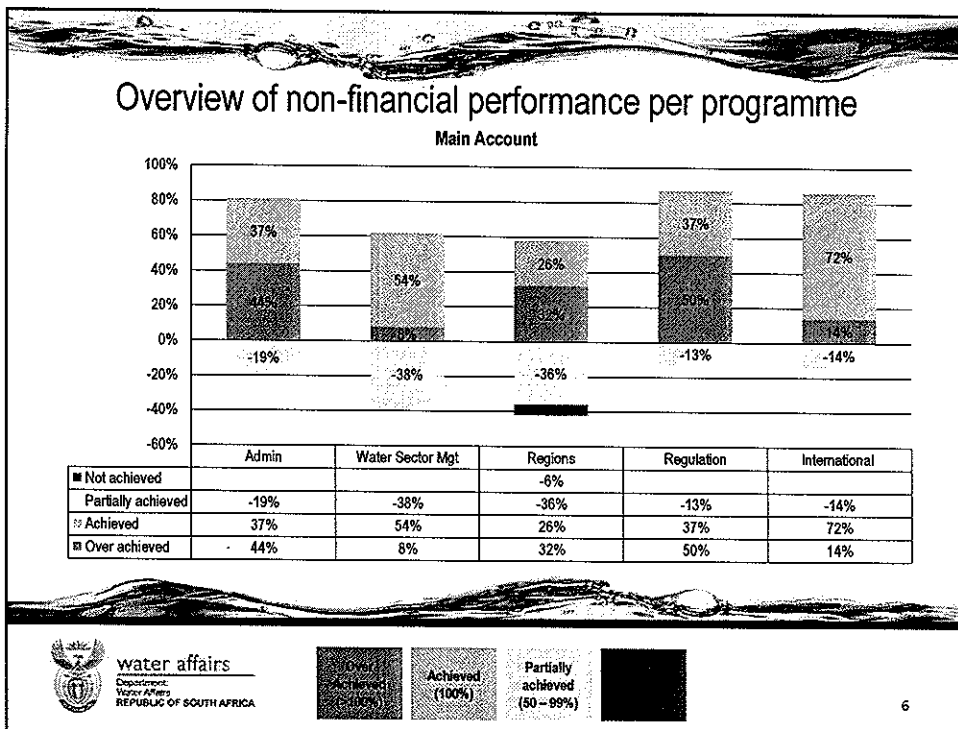
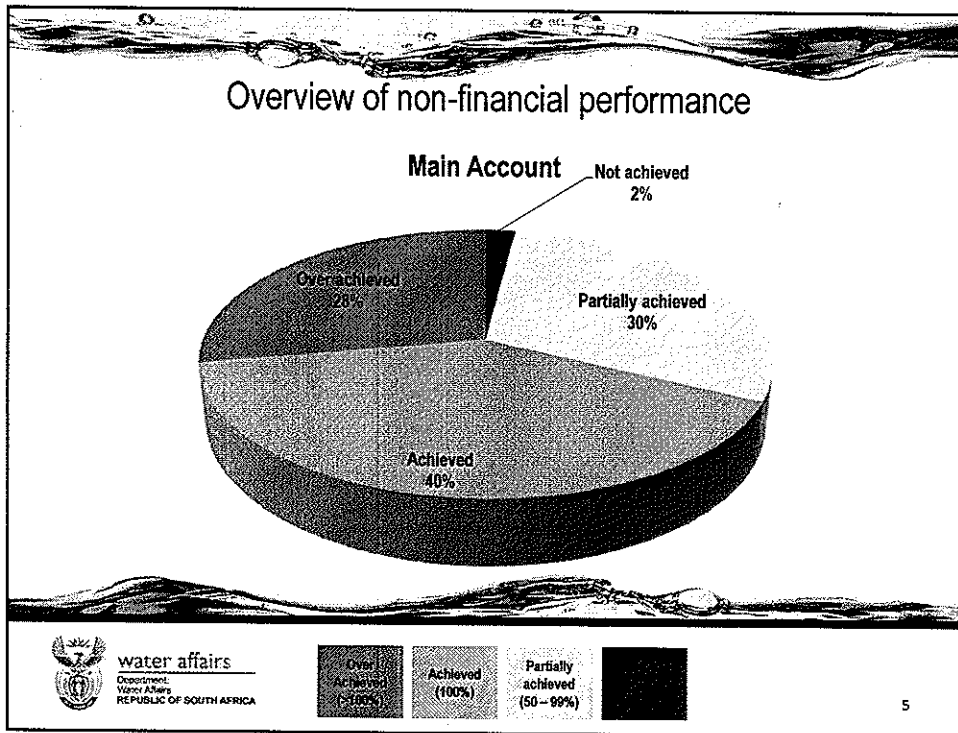


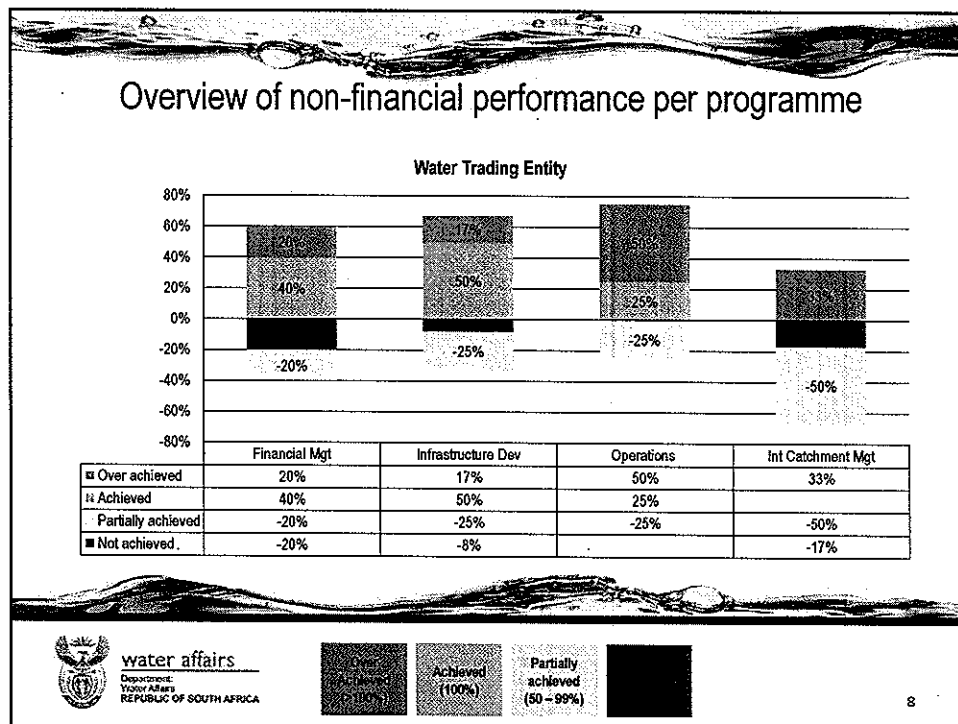
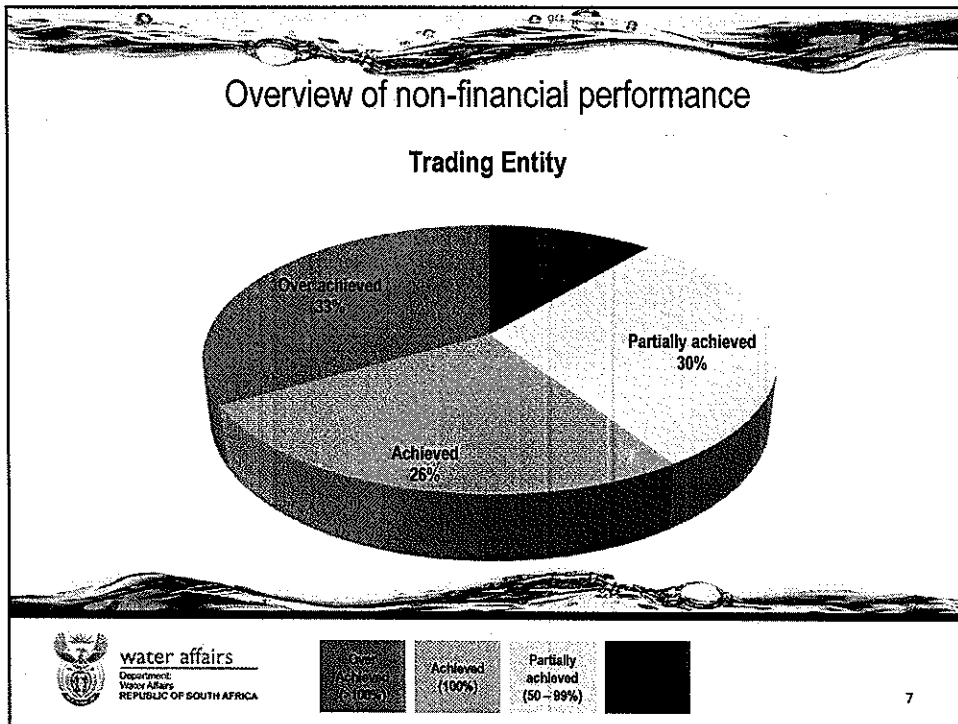
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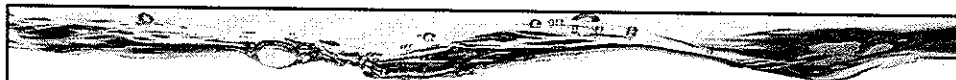
Achieved
(100%)

Partially achieved
(50 – 99%)

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Main Account


2013/14 ACHIEVEMENTS ON SELECTED ESTIMATE OF NATIONAL EXPENDITURE (ENE) INDICATORS





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Programme 2: Water Sector Management

Strategic Outcome Oriented Goal 2 : Equitable and sustainable provisioning of raw water

Strategic Objective 2.1 : Ensure availability of/ access to water supply for environmental and socio-economic use

Sub-programme: Integrated Planning


PPI No	Performance Indicators	Performance target (annual 2013/14)	Cumulative Annual Actual Achievement	Variance	Reasons for the variance
19	Number of new reconciliation strategies developed per year to ensure water security	1 reconciliation strategy (Mbombela) (i.e. 100% completion)	Mbombela Reconciliation Strategy developed	-	
20	Number of reconciliation strategies updated per year to ensure water security	12 strategies updated (i.e. 100% completion)	12 strategies updated	-	

Strategic Outcome Oriented Goal 4 : Protection of freshwater ecosystems

Strategic Objective 4.2 : Improve the protection of water resources and ensure their sustainability

Sub-programme: Water Information Management

PPI No	Performance Indicators	Performance target (annual 2013/14)	Cumulative Annual Actual Achievement	Variance	Reasons for the variance
29	Number of gauging sites monitored for effective management of water resources	500 gauging sites monitored	1458 gauging sites monitored	Over by 934 gauging sites monitored	The training of personnel with rigorous follow ups resulted in improved uploading of information in the system.



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Over achieved (100%)

Achieved (100%)

Partially achieved (50 – 99%)

Not achieved

10

Programme 4: Regional Implementation & Support

Strategic Outcome Oriented Goal 3: Provision of equitable and sustainable provisioning water services of acceptable quantity and quality

Strategic Objective 3.2 : Support the water sector

Sub-programme: Water Sector Support

PPI No	Performance Indicators	Performance target (annual 2013/14)	Cumulative Annual Actual Achievement	Variance	Reasons for the variance
52	Number of households provided with (interim or basic) water supply in the 24 priority district municipalities	30 000 households	40 996 households were provided	Over by 10 996	A number of project were completed during the fourth quarter resulting in additional households receiving interim of basic water supply.

Strategic Outcome Oriented Goal 2: Equitable and sustainable provision of raw water

Strategic Objective 2.1: To ensure the availability of/ access to water supply for environmental and socio-economic use

Sub-programme: Regional Bulk

PPI No	Performance Indicators	Performance target (annual 2013/14)	Cumulative Annual Actual Achievement	Variance	Reasons for the variance
38	Number of Bulk infrastructure schemes completed per year	12 bulk infrastructure schemes completed	7 completed of which: • 3 in FS • 1 in KZN • 2 in MP and • 1 in WC	Under by 5	Some technical failures occurred during testing resulting in the delays with the completion of some projects

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Over achieved (100%)

Achieved (100%)

Partially achieved (50 - 89%)

Under achieved (0 - 49%)

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Programme 4: Regional Implementation & Support

Strategic Outcome Oriented Goal 2: Equitable and sustainable provision of raw water

Strategic Objective 2.1: To ensure the availability of access to water supply for environmental and socio-economic use

Sub-programme: Institutional Establishment

PPI No	Performance Indicators	Performance target (annual 2013/14)	Cumulative Annual Actual Achievement	Variance	Reasons for the variance
40	Number of rainwater harvesting tanks installed for food production	2 400 rain water harvesting tanks installed for food production	2 204 rain water harvesting tanks installed	Under by 196	<p>North West Project implementation could not be completed due to the prolonged floods as the areas were in accessible to deliver the material.</p> <p>Limpopo Project implementation could not be completed due to prolonged floods from January to early March in Vhembe, Sekhukhune and Mopani District Municipalities.</p> <p>Mpumalanga Project implementation could not be completed due to prolonged floods from January to early March in Ehlanzeni and Mopani District Municipalities</p>

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Over achieved (100%)

Achieved (100%)

Partially achieved (50 - 89%)

Under achieved (0 - 49%)

12

Programme 4: Regional Implementation & Support

Strategic Outcome Oriented Goal 2: Equitable and sustainable provisioning of raw water

Strategic Objective 2.1: To ensure the availability of / access to water supply for environmental and socio-economic use

Sub-programme: Institutional Establishment


PPI No	Performance Indicators	Performance target (annual 2013/14)	Cumulative Annual Actual Achievement	Variance	Reasons for the variance
39	Number of Resource Poor Farmers provided with access to water	880 resource poor farmers	1 369 resource poor farmers provided with access to water	Over by 709	Additional applications received in MP, EC and WC resulted in additional RPFs being supported.

Strategic Outcome Goal 3: Provision of equitable and sustainable provisioning water services of acceptable quantity and quality

Strategic Objective: 3.2: Support the water sector

Sub-programme: Water Sector Support

PPI No	Performance Indicators	Performance target (annual 2013/14)	Cumulative Annual Actual Achievement	Variance	Reasons for the variance
49	Number of water services Authorities: Number of municipalities supported to implement water conservation and water demand management	71 WSAs supported	61	Under by 10	As some of WAR Leaks projects in NC were combined with ACIP WCDM the number of intervention were reduced.



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Over
by
(0-25%)

Achieved
(100%)

Partially
achieved
(50 - 99%)

Not
achieved
(0-49%)

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Programme 5: Water Sector Regulation

Strategic Outcome Oriented Goal 2: Equitable and sustainable provisioning of raw water

Strategic Objective 2.2: Improve equity and efficiency in water allocation

Sub-programme: Water Use Authorisation

PPI No	Performance Indicators	Performance target (annual 2013/14)	Cumulative Annual Actual Achievement	Variance	Reasons for the variance
64	Number of new catchment areas in which compulsory licensing processes have been completed per year	2 new catchment areas: Mhlathuze and Jan Dissels	1 new catchment area I. Jan Dissels The compulsory licensing process have been completed in Jan Dissels ii. Mhlathuze The preliminary allocation schedule for Mhlathuze has been developed (93% completion overall)	Under by 1 new catchment area	Ongoing consultation with water users to finalise allocation schedule took longer than anticipated



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Over
by
(0-25%)

Achieved
(100%)

Partially
achieved
(50 - 99%)

Not
achieved
(0-49%)

14


Programme 5: Water Sector Regulation

Strategic Outcome Oriented Goal 3: Provision of equitable and sustainable water services of acceptable quantity and quality

Strategic Objective 3.1: Ensure compliance to water legislation

Sub-programme: Drinking Water Quality and Waste Water Services

PPI No	Performance Indicators	Performance target (annual 2013/14)	Cumulative Annual Actual Achievement	Variance	Reasons for the variance
65(a)	Number of water treatment supply systems assessed for compliance with drinking water quality standards	810 water treatment supply systems assessed	151 water treatment supply systems assessed	Over achieved by 103 water treatment supply	This was due to enhanced internal capacity as well as buy-in and improved communication with respective institutions
65(b)	Percentage Completion of Blue Drop Progress Report	100% completion of Blue Drop Progress Report	100% achievement Blue Drop progress report is complete		



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0%

Achieved (100%)

Partially achieved (50 - 99%)

0%

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Programme 5: Water Sector Regulation

Strategic Outcome Oriented Goal 4: Protection of freshwater ecosystems

Strategic Objective 4.1: Ensure compliance to Water legislation

Sub-programme: Drinking Water Quality and Waste Water Services

PPI No	Performance Indicators	Performance target (annual 2013/14)	Cumulative Annual Actual Achievement	Variance	Reasons for variance
68(a)	Number of wastewater treatment collector systems assessed for compliance with effluent standards	960 wastewater treatment collector systems assessed	957 systems assessed	Over by 7	This was due to enhanced internal capacity as well as buy-in and improved communication with respective institutions
68(b)	Percentage Completion of Green Drop Report	100%	100% achievement Green Drop Report is completed		



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0%

Achieved (100%)

Partially achieved (50 - 99%)

0%

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Programme 6: International Water Cooperation

Strategic Outcome Oriented Goal 1: An efficient, effective and development oriented sector leader

Strategic Objective 1.5 : Coordinate regional and global water cooperation

Sub-programme: Africa Cooperation

PPI No	Performance Indicators	Performance target (annual 2013/14)	Cumulative Annual Actual Achievement	Variance	Reasons for the variance
70(a)	Number of strategic new partnerships established with countries in Africa	2 new partnerships established with countries in Africa	None established however progress is as follows: i. RSA – Ethiopia A memorandum of understanding is ready for signing. ii. RSA-Zimbabwe The negotiations for establishing a partnership are still ongoing iii. RSA - Burundi A draft agreement is being negotiated iv. RSA-Sao Tome and Principe A fact finding mission to Sao Tome and Principe was undertaken and a declaration of intent on Water and Health sector interventions was signed. A Sao Tome delegation was also hosted on a study tour.	Under by 2	RSA-Zimbabwe Legal teams of both countries RSA and Zimbabwe did not agree on certain text of the agreement. The MoU will be renegotiated again

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Over Achieved (100%)

Achieved (100%)

Partially achieved (50 – 99%)

Not achieved

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Water Trading Entity

2013/14 ACHIEVEMENTS ON SELECTED ESTIMATE OF NATIONAL EXPENDITURE (ENE) INDICATORS

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Programme 3: Water Infrastructure Management

Strategic Outcome Oriented Goal 2: Equitable and sustainable provision of raw water

Strategic Objective 2.1: Ensure the availability of / access to water supply for environmental and socio-economic use

Sub-programme: Infrastructure Development & Rehabilitation

PPI No	Performance Indicators	Performance target (annual 2013/14)	Cumulative Annual Actual Achievement	Variance	Reasons for the variance
82	Percentage completion on project plan of Olifants River water resources development project phase 2A (De Hoop Dam and related infrastructure)	99% (Major phase: commissioning and close out)	99% completion Impoundment commenced and dam inaugurated by the President in March 2014.		
83	Percentage completion on project plan of Olifants River water resources development project phase 2b, 2c and 2d (bulk distribution system)	50% (Major phase: Design/ Construction)		Under by 36%	Allocated funding was only sufficient for phase 2C.



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Not achieved (0%)

Achieved (100%)

Partially achieved (50 - 99%)

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Programme 3: Water Infrastructure Management

Strategic Outcome Oriented Goal 2: Equitable and sustainable provision of raw water

Strategic Objective 2.1: Ensure the availability of / access to water supply for environmental and socio-economic use

Sub-programme: Infrastructure Development & Rehabilitation

PPI No	Performance Indicators	Performance target (annual 2013/14)	Cumulative Annual Actual Achievement	Variance	Reasons for the variance
85	Percentage completion on project plan of phase 1 of Mokolo River augmentation	60 % (Major phase: Construction/ Commissioning)	55% Intermediate milestone of debottlenecking (increasing operational efficiency) the existing pipeline at km 6,6 was achieved on 19 May 2013 and at km 10,3 was achieved on 29 October 2013. Water supply has been increased by 37% and 57% due to the debottlenecking at km 6,6 and km 10,3 respectively. Debottlenecking provides sufficient capacity to enable Eskom to commission four of its Medupi Units and meet the forecasted high water demand scenarios until December 2015. 26,6 km of the 43 km pipeline laid (March 2014).	Under by 5%	Construction delays were experienced as a result of labour unrest and shortage of pipe supply in the country due to high demand. Also, extreme flooding in the project area (Lephalele) resulted in a 94 working days delay.



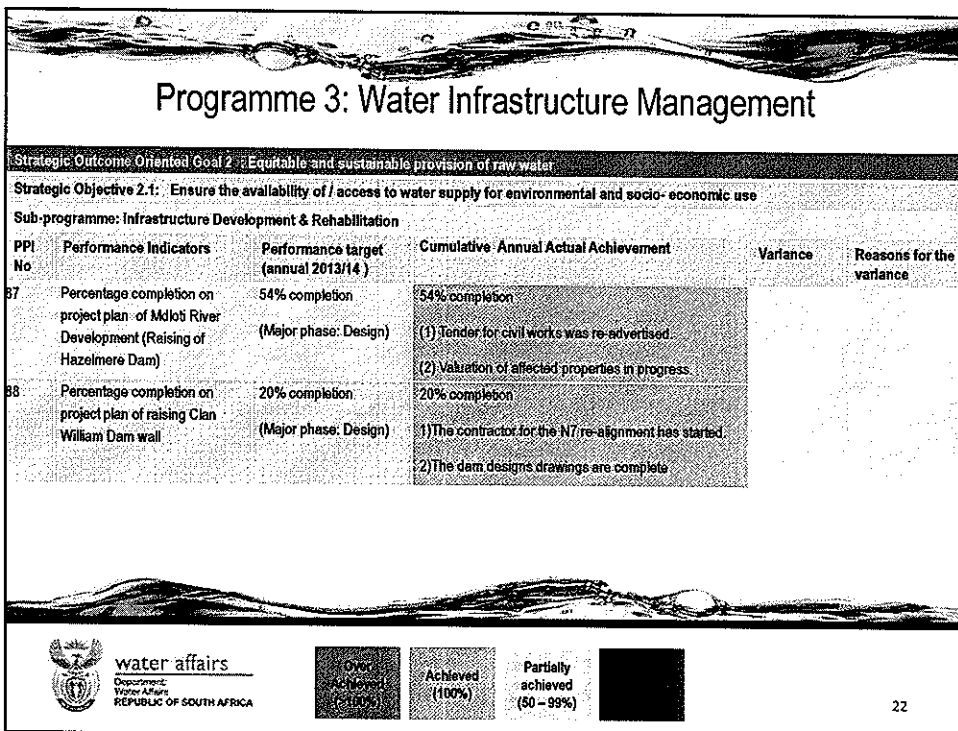
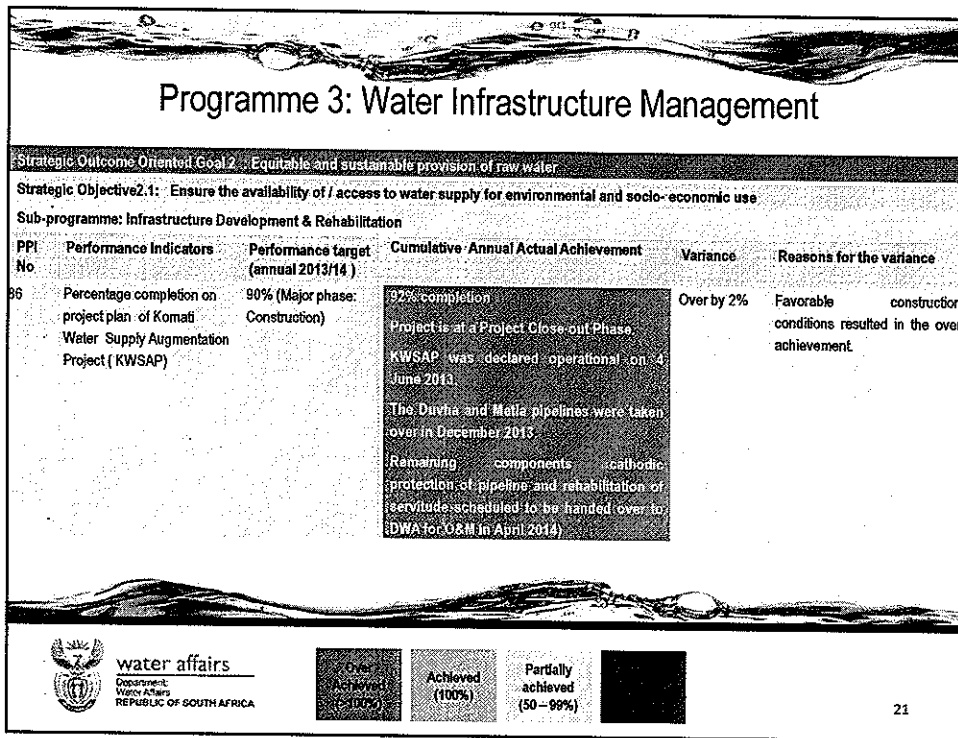
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Not achieved (0%)

Achieved (100%)

Partially achieved (50 - 99%)

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Programme 3: Water Infrastructure Management

Strategic Outcome Oriented Goal 2: Equitable and sustainable provision of raw water

Strategic Objective 2.1: Ensure the availability of / access to water supply for environmental and socio-economic use

Sub-programme: Infrastructure Development & Rehabilitation

PPI No	Performance Indicators	Performance target (annual 2013/14)	Cumulative Annual Actual Achievement	Variance	Reasons for the variance
89	Percentage completion on project plan of Moot- Mgeni Transfer Scheme (MMTS- phase 2)	90% (Major phase: Construction)	71% completion Spring Grove Dam The construction of the dam wall is complete and was inaugurated by the President in November 2013. The project is now in the domain of O&M. Water Transfer System Construction of the 15 km pipeline and pump station of the Water Transfer System including Umgeni Water pipe commenced on 21 Oct 2013. Refurbishment of MMTS-1 The refurbishment of the Mearns pipeline has been completed. The pump station refurbishment is on-going.	Under by 19%	Appeals to the record of decision caused the delays.



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Programme 3: Water Infrastructure Management

Strategic Outcome Oriented Goal 2: Equitable and sustainable provision of raw water

Strategic Objective 2.1: Ensure the availability of / access to water supply for environmental and socio-economic use

Sub-programme: Infrastructure Development & Rehabilitation

PPI No	Performance Indicators	Performance target (annual 2013/14)	Cumulative Annual Actual Achievement	Variance	Reasons for the variance
90	Percentage completion on project plan of Great Letaba River Water Resources Project (N'wamitwa Dam)	10% (Major phase: Design)	10% Design work continues. Environmental Management Plans (EMP) have been drafted		
91	Percentage completion on project plan of Great Letaba River Water Resources project : (Raising of Tzaneen Dam)	25% (Major phase: Design)	16% completion	Under by 9%	Resources were reallocated to projects that needed acceleration such as Mzimvubu and N'wamitwa
92	Percentage completion on project of Lesotho Highlands Water Project Phase II	20 % (Major phase: Design)	20% completion (Completion of the gauging weir design)		



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Programme 3: Water Infrastructure Management

Strategic Outcome Oriented Goal 2: Equitable and sustainable provision of raw water

Strategic Objective 2.1: Ensure the availability of / access to water supply for environmental and socio- economic use

Sub-programme: Operation of Water Resources

PPI No	Performance Indicators	Performance target (annual 2013/14)	Cumulative Annual Actual Achievement	Variance	Reasons for the variance
93	Total number of dam safety rehabilitation projects completed per year to meet dam safety regulations	39	35	Under with the completion of 4 projects	Seasonal climate patterns resulted in further delays in construction work due to planning challenges.
94	Percentage adherence to the demand as per bulk water supply agreements to ensure sustainable bulk water supply	90 % adherence to the Demand as per Bulk Water Supply Agreements	90% adherence to the Demand as per Bulk Water Supply Agreements		
95	Total number of water conveyance projects rehabilitated	20 sections of canals to be completed	22 sections of canals completed	Over by 2	Favourable construction conditions allowed for an increase in casting pace



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Over Achieved (100%)

Achieved (100%)

Partially achieved (50 – 99%)


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Programme 1: Administration

Strategic objective: Goal 1: An efficient, effective and development oriented sector leader

Strategic Objective 1.1: Improve and increase the skills pool and build competencies in the Department and within the sector

PPI No	Performance Indicators	Performance annual target (2013/14)	Annual Actual Achievement	Variance	Reasons for the variance
3	Percentage reduction of vacancy rate for scarce, critical, technical and professional skills	15 Percent reduction of vacancy rate for scarce, critical, technical and professional skills	Vacancy rate for scarce, critical, technical, and professional skills reduced to 12.3% (7336 of 5965)	Over by 2.7 %	The turnover and vacancy rates decreased
4	Number of Graduate Trainees (GTs) added to the trainee development programme of the Learning Academy	50 Graduate Trainees added to the trainee development programme	72 graduate trainees (GTs) added to the trainee development programme	Over by 22	More funds were made available to recruit more GTs to replace those who have been transferred to permanent posts in DWA
5	Number of Learning Academy Graduate trainees placed into positions or permanent positions	35 graduate trainees placed into positions or permanent positions	72 graduate trainees placed into candidate positions or permanent positions	Over by 37	More GTs obtained professional registration and more opportunities were made available within the function.



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Over Achieved (100%)

Achieved (100%)

Partially achieved (50 – 99%)

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Contribution to government's job creation programme

Strategic objective: Goal 1: An efficient, effective and development oriented sector leader

Strategic Objective 1.3: Implement programmes that create job opportunities

Programme: Regional Implementation and Support

PPI No	Performance Indicators	Performance annual target (2013/14)	Annual Actual Achievement	Variance	Reasons for the variance
32	Number of jobs opportunities created through the regional bulk infrastructure grant programme	2684	20 885	Over by 18 191	More labour was employed to accelerate the project in MP, NC, NW and EC
33	Number of jobs opportunities created through Resources poor farmers programme	20 job opportunities	34 opportunities created	Over by 14	As the projects are in deep rural areas with limited accessibility, contractors could not transport machinery to project sites and had to hire additional labourers for work that would have been done using machinery under normal circumstances.
34	Number of job opportunities created through Rainwater Harvesting Programme	250 job opportunities	121 opportunities created	Over by 571	More local labourers were appointed in KZN to fast track the concurrent implementation of the various projects.



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Contribution to government's job creation programme

Strategic objective: Goal 1: An efficient, effective and development oriented sector leader

Strategic Objective 1.3: Implement programmes that create job opportunities

Programme: Regional Implementation and Support

PPI No	Performance Indicators	Performance annual target (2013/14)	Annual Actual Achievement	Variance	Reasons for the variance
35	Number of job opportunities created through Adopt-A-River programmes	123 job opportunities	202 job opportunities created	Over by 79	Funding was made available to the EC and KZN provinces resulting in the increase in the number of created job opportunities.
36	Number of job opportunities created through the interim/intermediate water supply Programmes	532 job opportunities	429 job opportunities created	Under by 103	As this is a new programme and a schedule 5B grant, delays were experienced in finalising business plans and subsequent transfer of funds to municipalities. In addition, the protracted procurement process within municipalities caused further delays during the appointments processes
37	Number of job opportunities created through the construction of water services projects	1165 job opportunities	1 739 job opportunities were created	Over by 594	The acceleration of the Vukuzi pipeline resulted in the creation of additional job opportunities.



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Contribution to government's job creation programme

Strategic objective: Goal 1: An efficient, effective and development-oriented sector leader

Strategic Objective 1.3: Implement programmes that create job opportunities

Programme: Water Infrastructure Management


PPI No	Performance Indicators	Performance annual target (2013/14)	Annual Actual Achievement	Variance	Reasons for the variance
80	Number of job opportunities created through augmentation projects	7050	Cumulative total of 10 486	Over by 3436	The emergency projects caused the increase demand for job opportunities to be created
81	Number of job opportunities created through the Dam Safety Rehabilitation Programme	184	256	Over by 72	The volume of work increased in some instances and thus required more manpower. In some instances additional employment was due to the need to speed up the pace of site work.



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END OF PERFORMANCE INFORMATION REPORT FOR THE PERIOD 01 APRIL 2013 TO 31 MARCH 2014 AS PER THE 2013/14 ANNUAL PERFORMANCE PLAN




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Part 2

Analysis of the department's financial performance: Main Account




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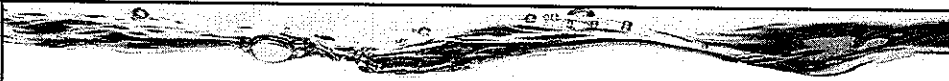
Outline

- **Overview of financial performance**
 - Summary of assets
 - Unauthorised expenditure
 - Staff debts and impairments
 - Prepayment and advances
 - Receivables
 - Write offs
 - Contingent liabilities and assets
 - Commitments
 - Accruals
- **Achievements and challenges**
- **Response to audit findings**





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OVERVIEW OF FINANCIAL PERFORMANCE




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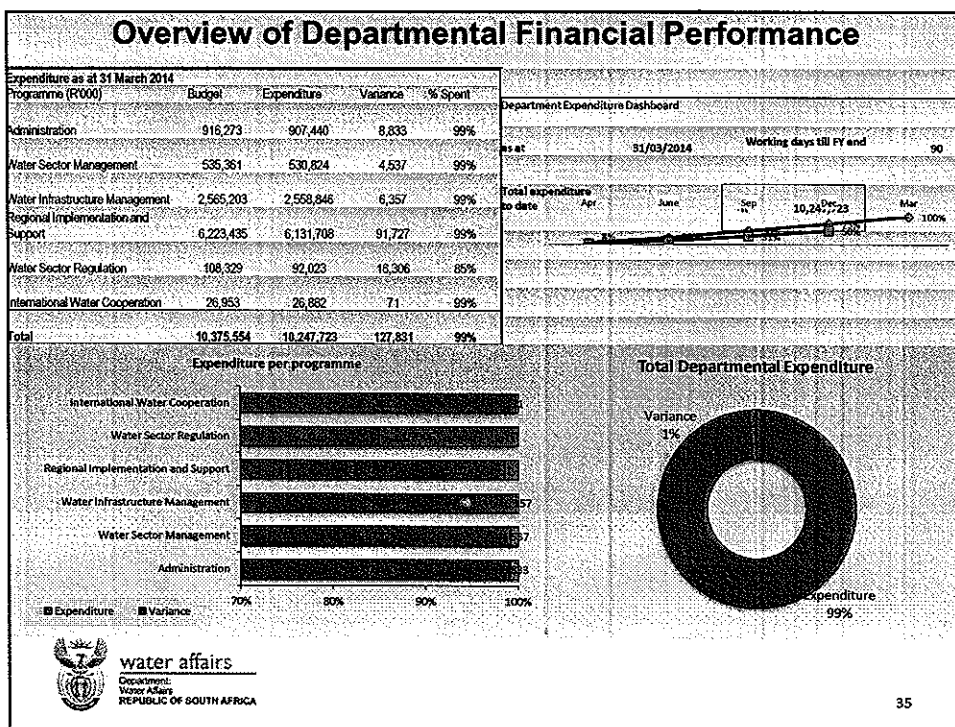
Overview

- The financial statements have been prepared in accordance with modified cash standard and relevant guidelines specified / issued by the National Treasury.
- The financial statements are complete, however there are still challenges with regard to completeness and accuracy of unpaid invoices, goods delivered /services rendered at year-end but not yet invoiced .
- All amounts appearing on the financial statements have been cast and cross-cast.
- Accounting estimates are reasonable in the circumstances.
- Prior year errors have been corrected.



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Overview of departmental financial performance

Economic classification	2013/14 budget	YTD expenditure	Variance	% spent
	R'000	R'000	R'000	
Current payments				
Compensation of employees	1 141 346	1 112 336	29 010	98%
Goods & services	1 405 049	1 360 873	44 176	97%
Interest & rent on Land	102	58	44	57%
Transfers & subsidies				
Provinces & municipalities	1 024 240	1 022 773	1 467	100%
Departmental agencies & accounts	2 439 557	2 437 071	2 486	100%
Foreign investments & international organisations	188 624	182 254	6 370	97%
Public corporations & private enterprises	262 729	244 161	18 568	93%
Non-profit institutions	1 410	1 181	229	84%
Households	27 370	26 502	868	97%

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Unauthorised expenditure

DESCRIPTION	2014/13	2013/12	Variance	%
	R'000	R'000	R'000	Variance
Unauthorised expenditure	3 782	3 782	0	

Narratives

In line with Section 34 (1) (b) of the Public Finance Management Act (PFMA), National Treasury recommend to the Standing Committee on Public Accounts (SCOPA) that the amount of R 3. 782 million in unauthorised expenditure be condoned and that it be provided for in a Finance Bill as a direct charge against the National Revenue Fund. Awaits response.



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Staff Debts and Impairment

DESCRIPTION	2013/14
R'000	
Salary Overpayment	1 288
Bursary (Breach of contract)	1 829
State guarantees	10
Subsistence and travel	14
GG Accidents	117
Telephone debt	9
TOTAL	4 352

•Staff debtors consist of former employees, bursary and deceased cases etc.

R 1 287 949. 56 of the above is considered to be impaired

•The reasons for impairment are mainly long outstanding receivables (More than a year), prescribed debts, default or delinquency in payments plus any other relevant factors. Details for each proposed impairment item are in the debtors files.



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Prepayments and advances

DESCRIPTION	2014/13	2013/12	Variance	% Variance
	R'000	R'000		
Travel and subsistence	22	111	-89	-80%
Advances paid	48 896	347 119	-298 223	86%
Total	48 918	347 230	-298 312	68%

Narratives

Prepayments are in respect of the Eastern Cape and includes:

- R 17 935 893.73: not cleared yet due to the delivery of the remaining pipes that has been delayed by the award of the bid for gravity main (civil works), which is currently at evaluation stage. All the remaining pipes will be delivered within next three months (end June 2014).
- R 10 440 331.10: Eskom line is currently under construction and is expected to be completed in 14/15 financial year.
- R 11 097 334. 82: The delivery of pipes is underway. Delivery delayed by heavy rains and OH&S compliance requirements. Delivery was expected to come by 15/04/2014 and it has not happened.



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Receivables

DESCRIPTION	2014/13	2013/12	Variance	% Variance
	R'000	R'000		
Claims recoverable	9 241	88 951	-79 710	90%
Recoverable expenditure	9 930	0	9 930	100%
Staff debt	4 352	11 117	-6 765	61%
Other debtors	0	3 432	-3 432	100%
Total	23 523	103 491	66 108	187%

NARRATIVES

- Claims recoverable: WTE- Amatola Project paid from Main Account (R9 029) – The full amount has been recovered after year-end; Balance for various Departments – Normal salary related claims.
- Recoverable expenditure: R 1 370 Expenditure recoverable from two Municipalities– the full amount has recovered after year-end; and R 4 909 under investigation by SAPS, Asset Forfeiture Unit: Filing of Forfeiture application underway (Prevention of Organised Crime Act), Internal Disciplinary proceedings underway.
- Staff debt: Decrease due to write-offs of irrecoverable debts.



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Write offs

DESCRIPTION	2013/14
<u>Debtors schedule</u>	
State Loans	R 24 326 749.88
State guarantees: Impala WUA	R 3 512 965.88
Claims recoverable	R 8 699 126.21
Prepayments and Advances	R 8 897 478.76
Salary Control Accounts	R 8 656.71
Staff debts	R 6 605 602.50
TOTAL	R 52 041 923.23

NARRATIVES

- State loans – Amajuba District Municipality (Stagnant loan, inability to pay and dispute of ownership. The Department had already written of R 20 million of interest in March 2010; it has cost the Department more than the original value of this loan).
- Other write-offs relates to balances without supporting documents (including the shift of function balances which were not managed properly leading to loss of records and delayed claims).
- Staff debtors consist of former employees, bursaries, salary/leaved overpayments etc. and deceased cases etc. These were previously not managed properly.



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Contingent liabilities and assets

DESCRIPTION	2014/13	2013/12	%	
	R'000	R'000	Variance	Variance
			R'000	
<u>Contingent liabilities</u>				
Total	36 669	61 266	24 597	(40%)
<u>Contingent assets</u>				
Total	80	312	227	(74%)

Included in the total contingent liabilities paid/cancelled/reduced during the year of R 25, 257 million, is an amount of R 2 186 920-04 million including interest, that the Department has been ordered by the court to pay but the Plaintiff (Attachmate SA) is appealing the court judgment. The other settlement reached during the financial year under review is in respect of Nashua.



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Commitments

	2013/14 R'000	2012/13 R'000
Current expenditure		
Approved and contracted	684 548	882 523
Approved but not yet contracted	168 778	252 319
Capital expenditure		
Approved and contracted	4 529 290	4 812 191
Approved but not yet contracted	-	-
Total Commitments	5 382 616	19 687 550



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Accruals

	2013/14 R'000	2012/13 R'000
Goods and services	63 935	162 755
Capital assets	1 007 762	342 672
Other	2	-
Total Accruals	1 071 700	505 427





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ACHIEVEMENTS AND CHALLENGES






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Water Sector Management

Challenges	Interventions
Additional specialist studies were required and thus delaying the completion of feasibility plans	Specialist studies will be undertaken during the 2013/14 financial year
Labour unrests delayed the completion of resource quality objectives	The stakeholder consultation will be done after the gazetting of the resources quality objectives during 2013/14
Lack of technical expertise delayed the maintenance of the Olifants River system, Western Cape Metropolitan Supply system and Bloemfontein area reconciliation strategies	Projects reprioritisation undertaken and these will be done during 2013/14 financial year





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Regional Implementation & Support

Achievements

- Partnership with Cooperative Governance and Human Settlements departments to deal with service delivery challenges
- Rapid response unit was decentralised to all nine regions
- 3 wastewater treatment works completed in the North West, Northern Cape and Western Cape
- 3 regional bulk infrastructure projects were completed in the Eastern Cape, Free State and KwaZulu-Natal



Regional Implementation & Support (cont...)

Challenges	Interventions
Delays in completing some RBIG projects as technical problems were encountered that required additions to existing scope	Request for additional funding from National Treasury to finalise the projects
Sedibeng District Municipality wastewater bulk infrastructure amount to R3.856 billion split into 3 projects e.g. Sebokeng WWTW, Meyerton WWTW and Sedibeng WWTW with an estimated project cost of R1.2 billion, R256 million and R2.4 billion respectively	Rand Water has been appointed and the Sebokeng WWTW project is in construction phase and with the Meyerton WWTW in design and EIA phase.
OR Tambo District Municipality registered two projects e.g. OR Tambo Mthatha KSD Bulk Water Supply to an estimated cost of R2.058 billion and OR Tambo Mthatha KSD Sanitation with an estimated cost of R240 million and to be completed by February 2018	Both of the projects are in construction phase and are progressing well.





International Water Cooperation

Achievements

- Strategic partnership agreements were signed with Cuba and Netherlands
- Two financing agreements signed with the Dutch ORIO for infrastructure grant for Elundini and uMgungundlovu municipalities




RESPONSE TO AUDIT FINDINGS



Main account response

Commitments	Finding	Action plan
Commitments	<p>The department did not have adequate systems in place to maintain records of Regional Bulk Infrastructure Projects (RBIG) commitments where the procurement of goods and services have been approved and/not contracted, but where no delivery has taken place at year end, which resulted in RBIG commitments being misstated by R576 million for the restatement of the corresponding figure for RBIG commitments. The restatement was made in order to rectify a prior misstatement. I was unable to confirm the restatement by alternative means. In addition, I was unable to obtain sufficient appropriate audit evidence for the corresponding amounts disclosed as RBIG commitments in note 22 of the financial statements and I could not confirm the disclosure by alternative means. Consequently, I was unable to determine whether any further adjustments to prior year RBIG commitments stated at R5.9 million in the financial statements were necessary.</p>	<ul style="list-style-type: none"> • Circular to guide officials on how to commit and maintain RBIG commitments drafted to be circulated • To address historical misstatement supporting documents to be centralised at H/O RBIG program and reconciliation will be performed central, the process for reconciliation is in progress • The current business process to be reviewed where it will outline the supporting documents to be attached when processing payments. • Municipalities to submit all documents on awards to the department on a monthly basis • Develop reporting system • Monthly reconciliation on commitments between BAS and LOGIS • Development a process on commitments and payments thereof




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Main account response

Commitments	Finding	Action plan
Accruals	<p>Inadequate systems of control in place to maintain records of accruals relating to RBIG which resulted in limited assurance that all outstanding invoices for RBIG have been included in accruals</p>	<ul style="list-style-type: none"> • Logistics Management System (LOGIS) used to record goods and services in respect of RBIG. • Monthly reconciliations of billed and unbilled goods / services delivered on each RBIG Project to Chief Financial Officer on the 15th of each month. • Monthly reconciliation of Contractors Statements / Records with the Department's RBIG Commitments incorporating Billed and unbilled invoices. • Ensure that Interim and Annual Financial Statements Inputs are accompanied by supporting Projects reconciliations.




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Main account response

Basis for opinion	Finding	Action plan
Immovable tangible assets	The department did not have adequate systems in place to maintain records of additions to the buildings and other fixed structure for the current and prior year due to status of the accounting records, which resulted in additions being misstated by R204 million. In addition, I was unable to obtain sufficient appropriate audit evidence due to lack of supporting documents for the amounts disclosed as additions for current year and prior year in note 33 to the financial statements and I could not confirm the disclosure by alternative means. Consequently I was unable to determine whether any further adjustments to additions stated at R1.5 billion (2013:R358.2 million) in the financial statements where necessary.	<p>RBIG projects</p> <ul style="list-style-type: none"> Supporting documents to be centralised at H/O RBIG program and reconciliation will be performed at central The current business process be reviewed where it will deal with handling of components within a project and how to craft the completion certificate for components The reviewed business process will also address the situation where projects are abanded by service provider or IA. Perform regular compliance visits and also issue compliance circulars Perform monthly reconciliations, perform monthly samples and continuous do asset verification Proper record keeping system to be put in place Quarterly monitoring and evaluation




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Achievement

Irregular Expenditure		2012-2013	2013-2014	
Unqualified	adjustment	R 48 million	R 653 000	Reduced
	Current	R 13 626 million	R 14 552 million	The department maintained improvement

Fruitless expenditure		2012-13	2013-2014	
Unqualified	Current	R 1 707	R 1 702	The department continued to maintain improvement



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Improving financial management

- Operation clean audit initiated in the previous year has led into an improved performance the department received few areas of qualification in the year under review than the previous years as demonstrated below:

Improving financial management

Description of qualification	2011/12	Comments
Irregular expenditure was qualified due to incompleteness caused by in adequate system to prevent and detect	Prior year R 1 009 billion Current year R 66 051 MILLION	The amount disclosed included R869 million related to RBIG budget and was later condoned by National Treasury as Schedule 6
	2012/13	
Irregular expenditure was qualified for the same reasons in adequate systems	Prior year R 48 million Current R13 626 million	It should be noted there was an improvement on the prior year and current year where the amount reported was reduced
	2013/14	
The department was not qualified. The prior balance was corrected and systems have been improved.	Current year R14 552 million	The number of cases were significantly reduced.

Irregular, Fruitless and Wasteful expenditure

The following has been put in place:

- Incidents of irregular , fruitless and wasteful expenditure from 1 April 2013 were properly investigated and dealt with in accordance with the PFMA and Treasury Regulations .
- The Financial Misconduct Advisory Committee (MCC) has been put in place. The committee is governed by a policy that includes irregular, fruitless and wasteful expenditure
- Non-compliance to any financial prescript is also dealt with at the Financial Misconduct Advisory Committee



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Part 3


Analysis of the department's financial performance:
Water Trading Entity



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KEY PERFORMANCE INDICATORS			
RATIO ANALYSIS			
	Audited 2013/14	Audited 2012/13	Change in % 2012/13 vs 2013/14
Revenue	10 391 441	9 352 253	10%
Expenditure	7 696 370	9 519 139	-24%
Balance Sheet and Income Statement Ratios			
Current ratio	1.34:1	1.25:1	7%
Acid test Ratio	1.31:1	1.23:1	6%
Net Working capital	1 610 065	1 066 107	34%
Efficiency Ratios			
Debtor's Days	190	208	9%

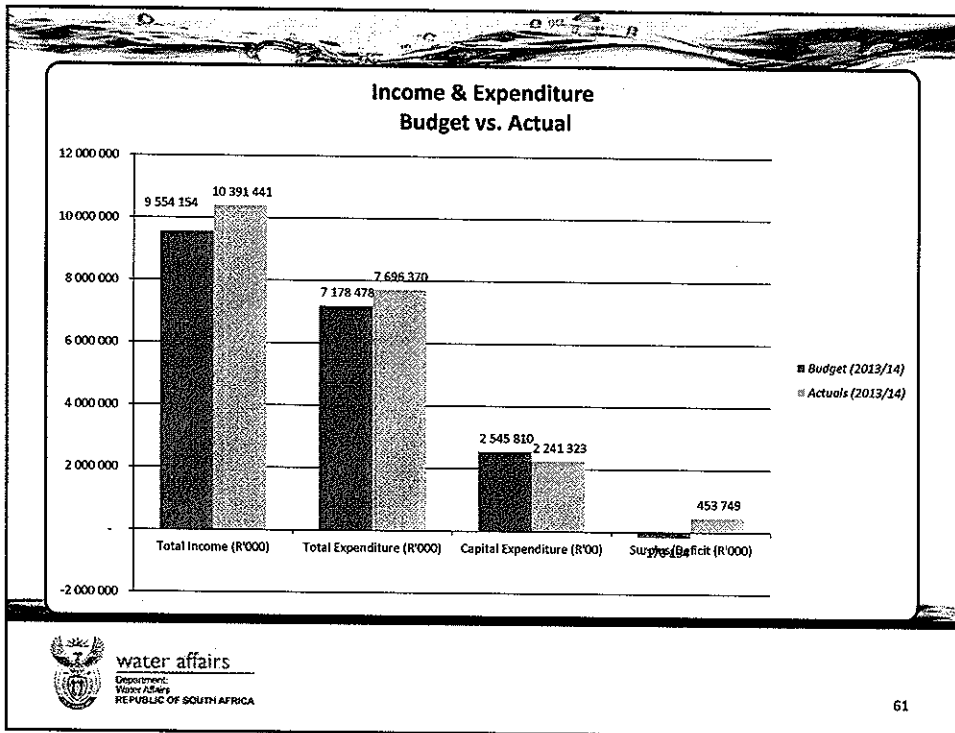

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Other Highlights during Financial Year -2013/14	
<p>1. Commissioning/Launching of the following Infrastructure Projects:</p> <p>a) Mooi-Mngeni Transfer Scheme Phase 1 (MMTS)</p> <p>b) Spring-Groove</p> <p>c) Komati Water System Augmentation Project (KWSAP)</p> <p>d) Mzimvubu Water Project</p>	
<p>2. Approval of the Establishment of nine (9) Catchment Management Agencies.</p>	


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INCOME AND EXPENDITURE FOR THE WATER TRADING ENTITY FOR THE YEAR ENDED 31 MARCH 2014


ECONOMIC CLASSIFICATION	BUDGET 2013/14	ACTUAL 2013/14	VARIANCE	
	R'000	R'000	R'000	%
REVENUE FROM EXCHANGE TRANSACTIONS	7 469 889	8 296 501	827 612	11%
<i>Revenue from sale of raw water</i>	7 210 575	7 308 824	98 249	1%
<i>Construction Income</i>	202 000	808 441	606 441	300%
<i>Commission earned</i>	-	1 903	1 903	-
<i>Lease revenue earned</i>	-	16 792	16 792	-
<i>Interest revenue</i>	56 314	160 541	104 227	185%
REVENUE FROM NON-EXCHANGE TRANSACTIONS	2 085 265	2 084 940	-9 675	0%
<i>Augmentation</i>	2 085 265	2 085 285	-	0%
<i>Other</i>	-	9 675	9 675	-
TOTAL INCOME	9 554 154	10 391 441	837 287	9%
TOTAL EXPENDITURE	4 806 456	4 723 351	83 105	2%
<i>Compensation of Employees</i>	909 426	678 018	231 408	25%
<i>Goods and Services</i>	2 531 285	2 516 928	14 337	1%
<i>Impairment on financial assets</i>	-	584 510	-584 510	-
<i>Finance cost</i>	1 385 765	918 573	447 192	33%
<i>Loss on disposal of fixed assets</i>	-	45 322	-45 322	-
SURPLUS/(DEFICIT) BEFORE DEPRECIATION	-4 747 698	5 668 090	920 393	-19%
<i>Depreciation, amortisation and impairment</i>	2 372 022	2 973 019	-600 997	-25%
SURPLUS/(DEFICIT) BEFORE CAPITAL EXPENDITURE	-2 375 676	2 695 071	319 396	13%
EXPENDITURE	2 545 810	2 241 323	304 487	12%
<i>Allocation from government grants</i>	1 569 160	1 569 160	-	0%
<i>Other additions</i>	976 650	672 163	304 487	31%
SURPLUS/(DEFICIT)	(170 134)	453 749	319 396	387%

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**STAFF ADEQUACY REPORT FOR WATER TRADING ENTITY
FOR THE MONTH ENDED 31 MARCH 2014**

Salary Level	Approved Posts	Funded Posts	Filled Posted	Vacant positions	Vacancy Rate %	2012/13	
						Filled Posted	Changes in %
Number of Employees (Level 1)	27	27	26	1	4%	32	+23%
Number of Employees (Level 2)	811	811	719	92	11%	689	4%
Number of Employees (Level 3)	518	518	462	56	11%	618	-34%
Number of Employees (Level 4)	403	403	358	45	11%	355	1%
Number of Employees (Level 5)	581	581	499	82	14%	358	28%
Number of Employees (Level 6)	375	375	332	43	11%	414	-25%
Number of Employees (Level 7)	484	484	424	60	12%	381	10%
Number of Employees (Level 8)	311	311	264	47	15%	252	5%
Number of Employees (Level 9)	229	229	199	30	13%	153	23%
Number of Employees (Level 10)	182	182	159	23	13%	139	13%
Number of Employees (Level 11)	142	142	121	21	15%	86	29%
Number of Employees (Level 12)	114	114	92	22	19%	98	-7%
Number of Employees (Level 13)	18	18	15	3	17%	12	20%
Number of Employees (Level 14)	7	7	4	3	43%	3	25%
Number of Employees (Level 15)	3	3	2	1	33%		100%
Total	4 205	4 205	3 676	529	13%	3 590	-2%

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Analysis of Financial Performance


- The Total Income for the year 2013/14 reflects a favourable variance of 9% when compared with the annual budget and this is mainly attributed to the following:
 - annual tariffs adjustments/increase and
 - improvement on the billing processes.
 - Increase on augmentation allocation fund.
 - Increase on construction revenue due to the acceleration of water services projects.

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Analysis of Financial Performance Cont.....

The Total Expenditure reflects a favorable variance due to the following reasons:

- The under spending of 25% on compensation of employees which is due to the high vacancy rate. The entity has an approximately 13% vacancy rate.
- The under spending on Finance costs of 33% which is due to the timing difference on the project cash flow that resulted in the reduction of finance costs in 2013/14 financial year.




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CASH COLLECTION REPORT FOR THE WATER TRADING ENTITY

FOR THE MONTH ENDED 31 MARCH 2014

	<i>Mar 2014</i>	<i>Mar 2013</i>	<i>Var.</i>
Revenue Billed	<i>R'000</i>	<i>R'000</i>	<i>%</i>
Total Revenue Billed	7 210 575	6 694 435	9%
Cash collection			
Total cash collected	7 639 336	6 741 834	13%
Total cash collected vs. Total revenue billed	105%	101%	4%




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Age Analysis – March 2013

Category	Total	Current	31 TO 60 Days	61 TO 90 Days	91 TO 120 Days	121 TO 150 Days	151 -180 Days
Bulk Payers	5 468 447	30 768	744 202	408 517	1 279	1 293	4 282 388
Company	1 419 009 960	506 945 860	-47 882 927	-118 602 406	85 778 252	24 921 749	967 849 434
District Municipality	303 699 038	26 138 265	-1 744 453	533 045	60 889 091	1 834 128	216 048 962
Individual	355 453 372	27 448 358	1 533 440	-640 500	2 597 365	403 138	324 111 571
Irrigation Board	274 940 204	31 043 712	8 094 721	-17 931 638	-100 352	1 425 477	252 408 284
Metropolitan Municipality	491 293	-14 638 832	380 635	573 913	-5 553 435	887 454	18 841 558
Municipality	1 268 639 840	93 278 765	19 668 478	-1 873 655	24 130 623	13 910 275	1 119 525 354
National Government	271 340 852	10 592 544	1 642 386	249 476	2 200 988	2 840 716	253 814 742
Other	55 468 548	2 150 885	995 991	60 608	819 532	892 919	50 548 613
Provincial Government	5 183 600	324 035	43 014	1 042	49 326	75 799	4 690 384
Water Board	1 587 941 273	743 714 707	-41 671 479	2 476 394	34 022 648	32 523 492	816 875 511
Water User ass.	353 389 721	34 530 875	25 122 681		10 872 652	800 229	283 137 867
Grand Total	5 900 026 149	1 461 559 941	-33 073 311	-136 819 788	215 707 971	80 516 670	4 312 134 667


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Age Analysis – March 2014


Categories	Total	Current	31 To 60 Days	61 To 90 Days	91 To 120 Days	121 To 150 Days	151 - To 180 Days
Bulk Payers	-569 908	-344 161	190 353		-166 960	0	-249 141
Company	618 216 287	392 892 997	187 958 771	-92 289 611	-75 850 098	-44 533 599	250 037 825
Dist Municipalities	445 626 107	41 896 528	3 232 458	105 731	3 402 875	6 982 322	390 006 194
Individual	192 027 229	26 192 037	855 774	-492 915	512 486	-8 120	164 967 967
Irrigation Boards	85 060 532	-1 264 203	-170 949	-2 590 054	-273 083	39 148	89 319 673
Local Municipalities	1 600 127 309	100 997 906	19 016 537	-9 095 464	14 125 626	30 988 883	1 444 093 820
Metro Municipalities	9 785 151	-14 389 252	7 912	-24 756 791	9 430 374	9 361 686	30 131 222
National Government	47 815 665	10 259 675	2 085 937	-25 245	1 740 670	2 505 325	31 249 303
Provincial Government	8 119 098	3 654 687	92 575		64 412	65 531	4 241 893
Water boards	1 761 248 122	447 086 194	-7 021 444	-9 872 012	60 187 807	139 421 135	1 131 446 442
Water User Ass.	382 375 476	26 489 352	21 669 682		5 840 196	-1 397 165	329 773 410
Grand Total	5 149 831 066	1 033 471 760	227 917 607	-139 016 362	19 014 306	143 425 147	3 865 018 607


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Age analysis Comparison

Category	14-Mar	13-Mar	Variance in %	Movement
Bulk Payers	-569 908	5 468 447	-110%	↓
Company	618 216 287	1 419 009 960	-56%	↓
Dist Municipalities	445 626 107	303 699 038	47%	↑
Individual	192 027 229	355 453 372	-46%	↓
Irrigation Boards	85 060 532	274 940 204	-69%	↓
Local Municipalities	1 600 127 309	1 268 639 840	26%	↑
Metro Municipalities	9 785 151	491 293	1892%	↑
National Government	47 815 665	271 340 852	-82%	↓
Provincial Government	8 119 098	5 183 600	57%	↓
Water boards	1 761 248 122	1 587 941 273	11%	↑
Water User Ass.	382 375 476	352 389 721	9%	↑
Other	0	55 468 548.00	-100%	↓
Grand Total	5 149 831 066	5 900 026 149	-13%	↓






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Analysis of March 2013 vs. March 2014

- The Aged Analysis has decreased by 13% in total between March 2013 and March 2014.
- Company balances have decreased by 56% (R801 million) during the financial year 2013/14.
- Individuals balances have decreased by 46% (R163 million) during the financial year 2013/14.
- Water Boards balances have increased by 11% (R174 million) during the financial year 2013/14.
- Municipalities (District, Local and Metro) balances have increased by 24% (R483million) during the financial year 2013/14.




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EXPENDITURE FOR AUGMENTATION FUNDED PROJECTS							
FOR THE YEAR ENDED 31 MARCH 2014							
PROJECT NAME	Annual				Original budget vs. Adjusted budget	Adjusted budget vs. Actual Var. %	Comments
	Original Budget	Adjustments	Adjusted budget 2013/14	Actual			
ORWRDP (Ph 2A) - De Hoop Dam	150 000	122 144	272 144	272 144	181%	100%	The De-Hoop Dam 2013/14 budget allocation was R150 million. The project required R122 million in an attempt to increase production and also to ensure that the project catch-up with the delays caused by inclement weather and industrial actions over the years.
ORWRDP (Ph 2B-1) - Bulk distribution (Sub Phases 2B, C and 2D)	477 018		457 018	457 018	96%	100%	
ORWRDP (Ph 2B-1) - Bulk distribution (Other Sub-phases)							
GLeWAP Phase (Tzaneen Dam Raising)	8 772	(8 772)			0%		The delay in issuing of the environmental authorisation of the GLeWAP Tzaneen and Nwamitwa dam has resulted in a under spending of R8.6 million and 15 million respectively. The unused funds were transferred to other projects that were overspending. The environmental authorisation from Department of Environmental is needed to allow DWA to commence with the raising of the Tzaneen Dam and construction of Nwamitwa Dam.
GLeWAP Phase (Nwamitwa Dam)	15 000	(15 000)			0%		
Dam Safety Rehabilitation Programme	200 000	17 553	217 553	217 553	109%	100%	The DSRP projects budget for 2013/14 R200 million. Current financial year expenditure is at R214 million. The additional R17 million was funded through savings from other projects.



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EXPENDITURE FOR AUGMENTATION FUNDED PROJECTS 9							
FOR THE YEAR ENDED 31 MARCH 2014							
PROJECT NAME	Annual				Original budget vs. Adjusted budget	Adjusted budget vs. Actual Var. %	Comments
	Original Budget	Adjustments	Adjusted budget 2013/14	Actual			
Water Resources Project: Raising of Clanwilliam Dam	277 318	(238 314)	39 005	39 005	14%	100%	The budget for the year amounted to R277 million and R38 million was utilised. An amount of R238 million has been transferred to other projects that were spending. The under expenditure was as a result of delays in appointing Professional Service Provider (PSP) to prepare the Environment Management Plan (EMP) and also the delays in acquiring the land. The acquisition of land is expected to take place during 2014/15 financial year.
Mokolo and Crocodile River (West) Water Augmentation Project (Phase 1)	20 000	(20 000)			0%		DWA is responsible for the social portion (24,57%) of the cost. Construction progress is slower than planned including industrial action, major flooding, contractor constraints, etc. The budget has been used to fund other new projects. This budget will be used when the social portion is claimed.
Mokolo and Crocodile River (West) Water Augmentation Project (Phase 2A including river management)	100 000	(100 000)			0%		The project didn't progressed as planned. The budget has been used to fund new projects. This budget will be needed once the project is approved. The current progress is depending on outstanding decision by government.
Development of Raising of Hazeliers Dam	184 211	(174 007)	10 204	10 204	6%	100%	The current expenditure for 2013/14 amounts to R10 million. The project budget for the current financial year is R 184 million. The under expenditure of R174 million is as a result of tender for Civil works that has been cancelled due to tender prices exceeding the allocated funds. The new tender is in the process of being re-advertised.
GLeWAP Distribution Mopani DM)	49 123	42 017	91 140	91 140	186%	100%	The allocation budget for 2013/14 was R49 million. The actual spending amounts to R87 million. The project required an extra R42 million to pay for the pipes that were ordered in the previous financial year.



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EXPENDITURE FOR AUGMENTATION FUNDED PROJECTS							
FOR THE YEAR ENDED 31 MARCH 2014							
PROJECT NAME	Annual				Original budget vs. Adjusted budget	Adjusted budget vs. Actual Var. %	Comments
	Original Budget	Adjustments	Adjusted budget 2013/14	Actual			
Bushbuckridge		87 719	87 719	87 719		100%	
Molopo Eye		19 759	19 759	19 759		100%	
Ermelo		42 553	42 553	42 553		100%	
Zeerust		4 705	4 705	4 705		100%	
Water Service Projects		263 666	263 666	263 666		100%	The projects were initiated by the minister to address water challenges that were being experienced within the country.
ERP system upgrade from version 4.7 to ECC8 (SAP)	87 719	(65 415)	22 304	22 304	25%	100%	A delay in delivery of hardware for the SAP upgrade has resulted in an under spending of R5million. An amount of R88 million was allocated for the financial 2013/14. However due to the delay late delivery of the hardware the projected current year actual expenditure amount to R27 million. The under expenditure was transferred to other projects that required additional budget.
NWRI Support/Project management	207 076	44 923	271 999	271 999	131%	100%	
Financial Management/Project support	162 410	(23 531)	138 879	138 879	86%	100%	The under spending of R23 million
Subtotal	1 938 846	0	1 938 848	1 938 848	100%	100%	
VAT	271 411	0	271 411	271 411	100%	100%	
TOTAL	2 210 057	0	2 210 059	2 210 059	100%	100%	


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Notes on Augmentation Funded Projects	
<ul style="list-style-type: none"> • An amount of R556 million had to be shifted from underperforming projects in order to fund the following: <ul style="list-style-type: none"> – DeHoop – received additional R122 million – An amount of R154 million had to be reprioritised to fund the following water related challenges projects across the country: <ul style="list-style-type: none"> • Bushbuckridge – R87 million • Molopo Eye – R20 million • Ermelo – R43 million • Zeerust – R5 million – Dam Safety Rehabilitation Programme – R18 million – Water Services related projects – R263 million. 	


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CAPITAL EXPENDITURE COSTS FOR THE NATIONAL WATER RESOURCES INFRASTRUCTURE
FOR THE YEAR ENDED 31 MARCH 2014


ECONOMIC CLASSIFICATION	Year-To-Date					Annual		
	BUDGET 2013/14	ACTUAL 2013/14	ACTUAL 2012/13	Variance (Budget vs. Actual 2013/14) %	Variance (Actual 2013/14 vs. Actual 2012/13) %	BUDGET	FORECAST	Variance
	R'000	R'000	R'000			R'000	R'000	
Central Operations	619 433	392 113	373 573	37%	5%	619 433	619 433	-
Southern Operations	107 762	77 139	63 609	28%	18%	107 762	105 172	2 590
Eastern Operations	69 455	15 200	7 701	78%	49%	64 595	32 297	32 297
Northern Operations	180 000	63 144	81 776	65%	-30%	182 084	180 000	2 084
TOTAL	976 650	547 596	526 659	44%	4%	973 874	936 802	36 971


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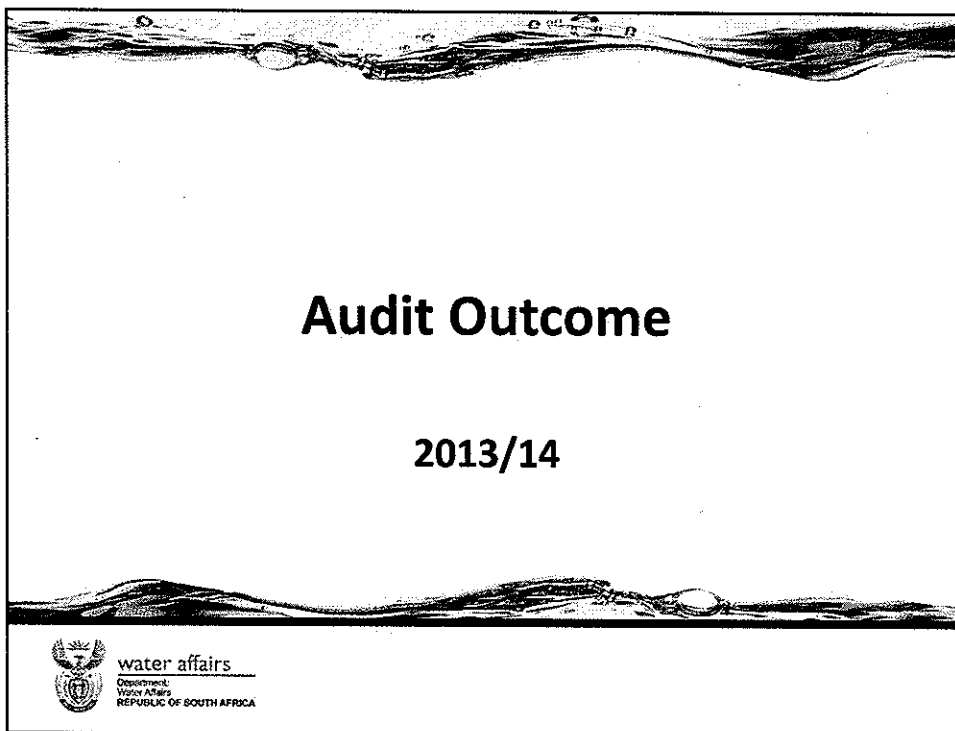
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Analysis of revenue funded projects

- The refurbishment and betterment reflect an under spending of 44% due to delay in appointing of term contracts.
- The term contractors were appointed during November 2013.



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Past Years Audit Opinions


2010/2011 Disclaimer	2011/2012 Qualified	2012/2013 Qualified	2013/14 Qualified
<ol style="list-style-type: none"> 1. No effective HR management to ensure that sufficiently skilled resources are in place in the right structures; 2. Inadequate establishment and communication of policies and procedures; 3. Inadequate oversight relating to the achievement of complete and accurate financial and performance reporting – internal controls 4. Inadequate monitoring of implementation of action plans; and 5. Formal IT Governance framework not established 6. Inadequate review and monitoring of compliance with applicable laws and regulations; 7. Poor review and monitoring to ensure accurate and complete daily and monthly financial and performance reporting; and 8. Reliable evidence to support regular, complete and accurate financial and performance reports 9. IT systems to ensure availability, reliability and protection of information 	<p>Revenue from exchange transactions Sales of water services Interest on outstanding debtor balances Impairment of financial assets Trade receivables from exchange transactions</p> <p>Property, plant and equipment Assets under construction (AUC) / Work in progress (WIP)</p> <p>Disclosures Irregular expenditure Financial instrument disclosure</p>	<p>Revenue & Receivables from exchange transactions Impairment of financial assets</p>	<p>Revenue & Receivables from exchange transactions Due to approved licenses not being captured on WARMS (729 Cases)</p>

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Audit Action Plan

Audit findings	Description	Action Plan Description	Period	Progress to date
REVENUE FROM EXCHANGE TRANSACTION	1. Approved lawful water users not being billed after authorisation by the licencing division.	CD: Internal audit has been tasked with the investigation of the 729 licensing not captured in WARMS. Disciplinary action will be taken to employees who has transgressed.	Short-term	The CD internal audit has started with the investigations. We are awaiting the finalisation of the internal audit report.
		The licence register of all applications will be compiled on the quarterly basis and comparison between the register and WARMS will be done to ensure that all licenses approved are captured on WARMS.	Short to medium term	
		Implementation of EWULAAS (Computer System) to track the status of application.	Medium to Long-term	




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Risk Areas to be addressed


Impact	Risks	Action Plan	Period	Progress to date
REVENUE FROM EXCHANGE TRANSACTION		To compile the register of all General Authorisations (GAs) and Existing Lawful Users (ELUs) issued since the inception of WTE and compare them with information in WARMS. To ensure that all GAs and ELUs issued are available for billing in WARMS.	Short-term	No progress yet as this will commence in Oct 2014



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30 Day Payments			
Summary of Audit Findings	Actions to be taken	Time Period Short/ Medium/Long Term	Progress to date
Payment not made to suppliers within 30 days from receipt of invoices as set out in the Treasury Regulations 8.2.3	• Road show to reiterate the importance of payments to be made within 30 days.	•Road show 31 September 2014	•Road show 100%
	• Escalation to Managers for transactions not attended to.	•Escalate to managers Monthly	•Escalate to managers From September 2014 (August invoices)
	• Document Management System Software (utilized at 5 Construction sites)	•DMSS 31 March 2015	•DMSS 5 out of 19 offices
	• Invoices all received at a Central point to ease tracking mechanism	•Central point 30 November 2014	•Central point 20%



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Supply Chain Management			
Summary of Audit Findings	Actions to be taken	Time Period Short/ Medium/Long Term	Progress to date
SCM			
<ul style="list-style-type: none"> ▪ Irregular Expenditure. ▪ Fruitless and Wasteful Expenditure. 	<ul style="list-style-type: none"> ▪ Disciplinary Actions against transgressors and recovery where necessary. ▪ Review Delegations of Authority ▪ Review SCM Policies ▪ Develop Procedure Manuals ▪ Issue Circulars ▪ Training ▪ Monitor compliance 	<ul style="list-style-type: none"> ▪ Short term ▪ Short term 	<ul style="list-style-type: none"> ▪ Cases of irregular expenditure referred to FMAC. ▪ Delegation of Authority Reviewed. ▪ Review of SCM Policies in progress. ▪ Training conducted through Post Audit Road shows.

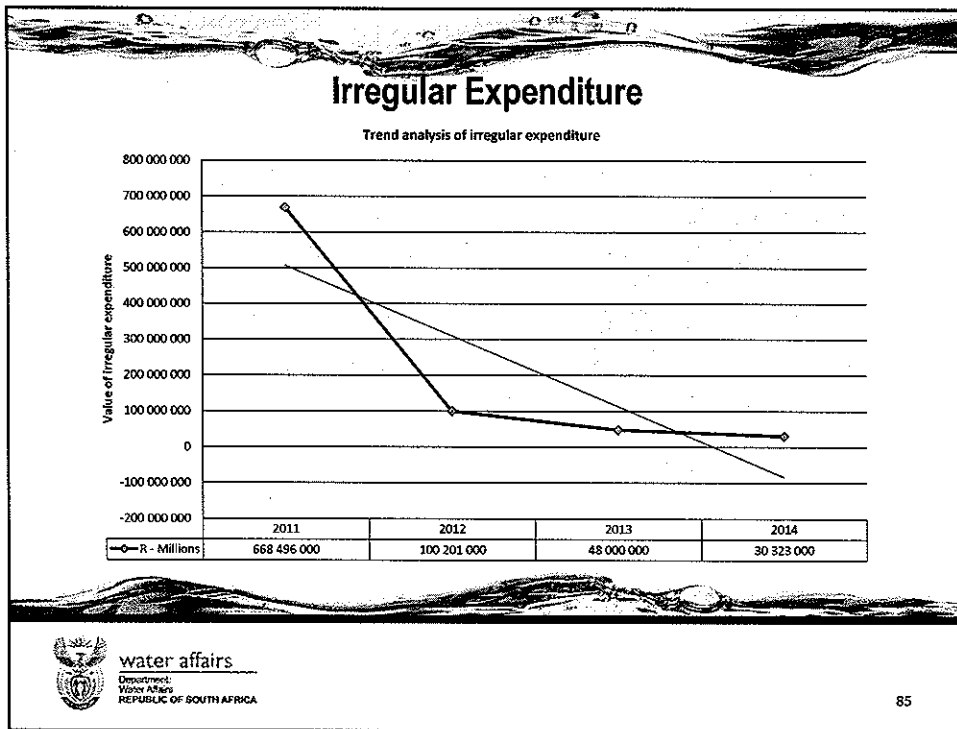


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Supply Chain Management			
Summary of Audit Findings	Actions to be taken	Time Period Short/Medium/Long Term	Progress to date
SCM			
<ul style="list-style-type: none"> Non Compliance 	<ul style="list-style-type: none"> Monitor compliance Disciplinary Action where necessary Review Delegations of Authority Review SCM Policies Develop Procedure Manuals Issue Circulars Training 	<ul style="list-style-type: none"> Short term <ul style="list-style-type: none"> Short term 	<ul style="list-style-type: none"> Compliance monitoring implemented Delegation of Authority Reviewed. Review of SCM Policies in progress. Training conducted through Post Audit Road shows
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Risks that could affect the success of the action plan		
CRITICAL ISSUES THAT AFFECT THE SUCCESS OF THE ACTION PLAN		
<ul style="list-style-type: none"> Interim Audit Upgrade of SAP Establishment of CMAs No progress on creation and filling of posts Separation of functions between Main and Trading 		
WTE STRATEGY TO INTEGRATE PEOPLE PROCESS & TECHNOLOGY		
People	Process	Technology
72% of SMS post Filled Structures for Clusters, CMAs, Below SMS Reviewed	40 Policies Approved and in Process of roll out	SAP Upgrade in Final-Blue Printing Phase
IMMEDIATE INTERVENTIONS REQUIRED		
People	Process	Technology
Approval to create and fill all posts at all levels in Head Office, Regions (CMAs); Clusters Approval to Advertise a Tender for the sourcing of a fully fledged CRM Service Centre	Approval to roll out Policies and conduct post Audit Road-shows across WTE Approval to Delegate powers to institute Disciplinary Action against all officials in accordance with Chapter 5, Part 2 Section 38 H of the PFMA 1999	Approval to fully implement the CRM Module of SAP ECC6 Roll out of SAP –ERP for CMAs for integrated financial reporting
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Financial Misconduct

Description	Number of cases	2011/12	Number of cases	2012/13	Number of cases	2013/14
		R '000		R '000		R '000
Total reported	395	1 780 374	129	66 942	411	45 377
Condoned	(81)	(86 525)	(91)	(38 285)	(178)	(8 304)
Withdrawn	(1)	(59)	(1)	(685)	(1)	(3 985)
Outstanding	313	1 693 790	37	27 972	232	33 088
Under Investigation	84	560 373	15	6 267	44	131
Condoned						
Disciplinary	43	80 024	22	30 905	158	5 074
No disciplinary	3	980	4	2 515	13	2 940
	46	81 004	26	33 420	171	8014
Appeals	1	5 784	2	1 962	-	-

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Financial Misconduct

- Disciplinary action was not taken against the officials who engaged in acts of misconduct in the following instances:
 - The official is deceased
 - Disciplinary action has previously taken against the official for the same misconduct
 - The official is no longer in the employ of the Department.



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END



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