

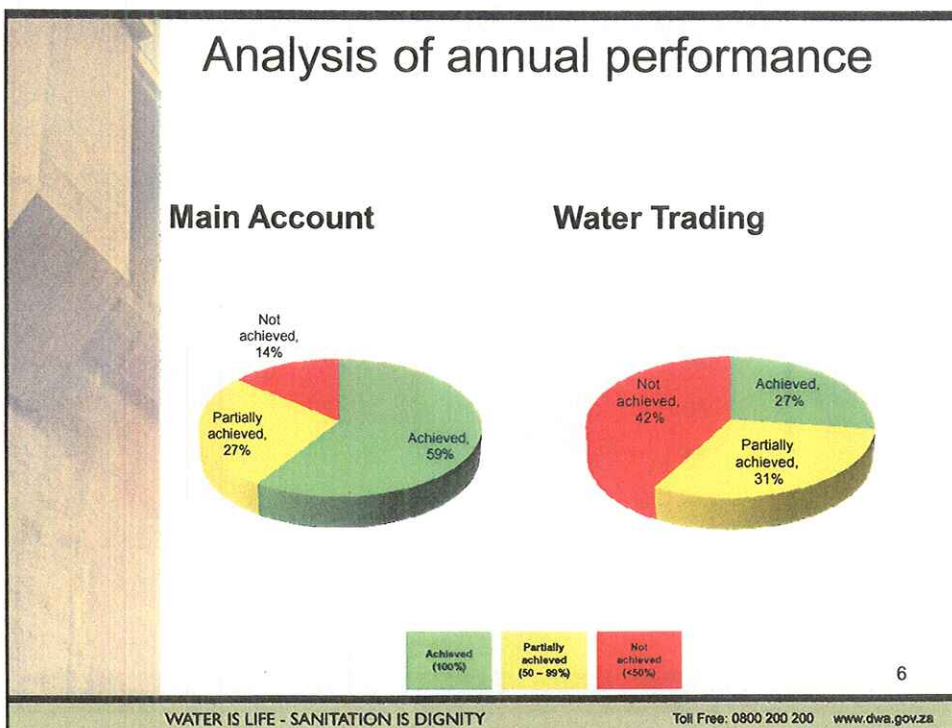
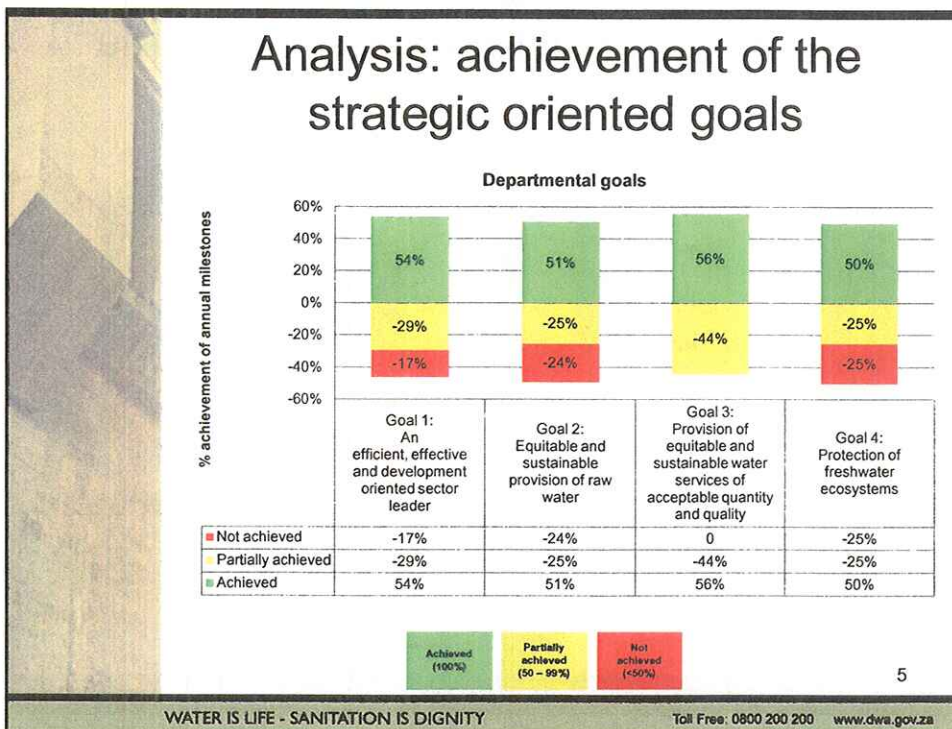
## Introduction

- Creation of a new Water and Sanitation department resulted in the transfer of sanitation function from the Department of Human Settlements.
- Main focus areas during 2014/15 financial year:
  - Clarify the mandate of the new Department to distinguish it from that of the previous Department of Water Affairs, particularly in relation to the function of sanitation.
  - Ensuring that the function of sanitation which has been largely captured and centred on the issues of bucket eradication is widely understood
  - water governance: alignment of the role and responsibilities of our entities to the department's mandate
  - Strengthening risk and internal audit in order to deal with any lapses around decision making to give effect to the turnouts of the PFMA.
- Achievement of an unqualified audit opinion for the Water Trading and improvement of the Main Account qualified opinion
- Gone beyond to assisting the 139 municipalities (e.g. Makana and Madibeng interventions)

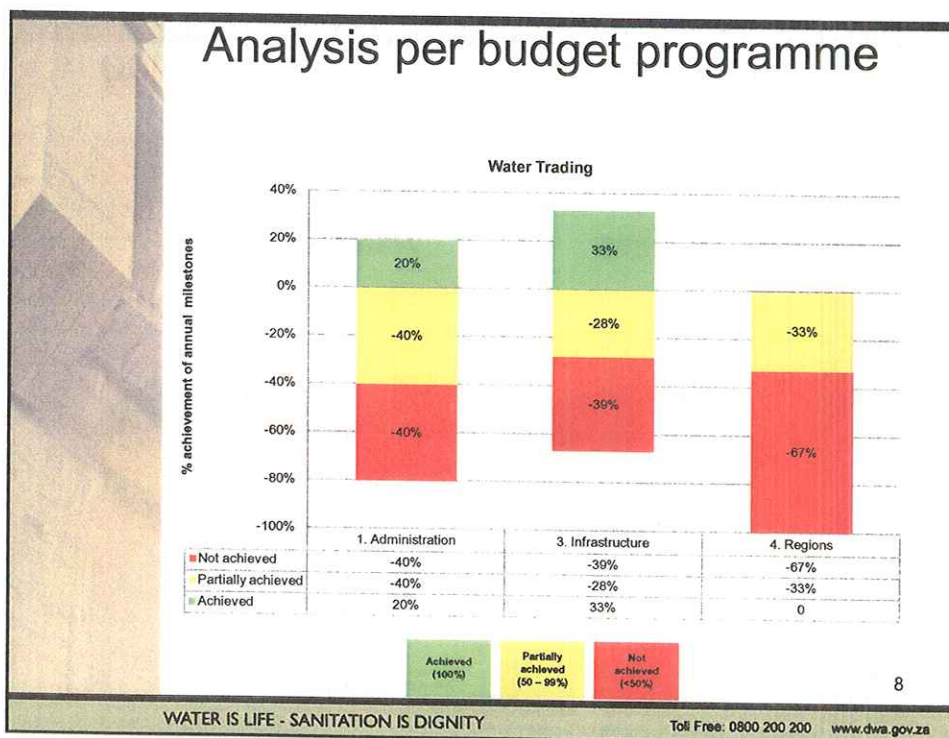
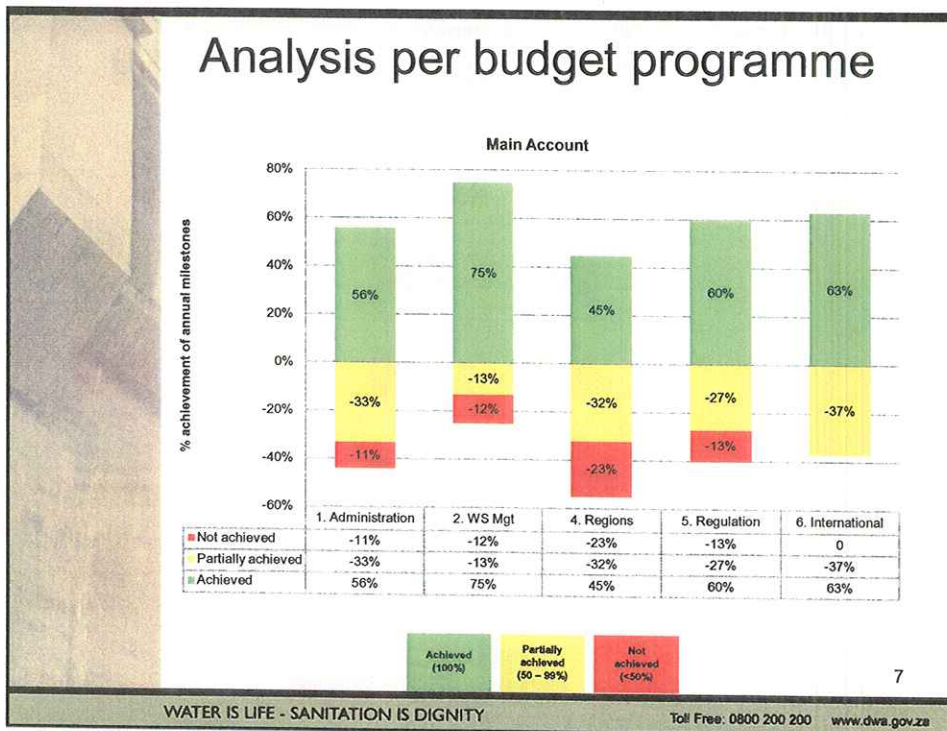
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## PART 1: OVERVIEW OF NON-FINANCIAL PERFORMANCE

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## DETAILED ANALYSIS OF MAIN ACCOUNT

- PROGRAMME 1: ADMINISTRATION
- PROGRAMME 2: WATER SECTOR MANAGEMENT
- PROGRAMME 4: REGIONAL IMPLEMENTATION AND SUPPORT
- PROGRAMME 5: WATER SECTOR REGULATION
- PROGRAMME 6: INTERNATIONAL WATER COOPERATION

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## Administration

### Analysis per sub-programme

	Corporate Services	Financial Mgt	Departmental Mgt	Internal Audit
Not achieved	-20%	0	0	0
Partially achieved	-20%	-50%	0	-100%
Achieved	60%	50%	100%	0

Achieved  
(100%)

Partially  
achieved  
(50 – 99%)

Not  
achieved  
(<50%)

10

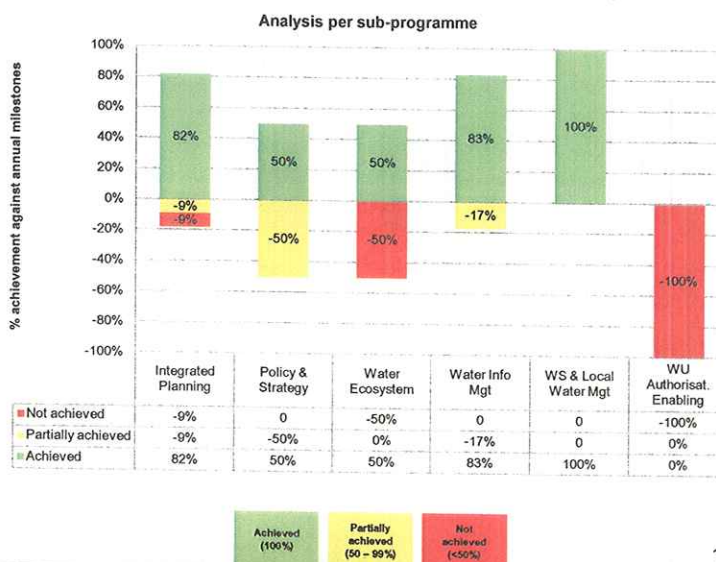
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## Administration explanatory notes

PPI no	Milestones that were not achieved	Comments on deviations
1	A 73% attendance was achieved versus the planned 90% training in line with workplace skills plan (i.e. 7300 of 10000 interventions)	The lower than expected attendance of training was mainly due to changes in the employees working schedule and not allocating time-off for training
2	The vacancy rate for engineers and scientists increased to 17.44% from the baseline of 15%	Of the 215 posts that were advertised, 99 were filled as the department could not attract the required candidates.
5b	An 85% expenditure of the department's budget was achieved versus the planned 100% expenditure	The allocation of the funds was done without the assessment of implementation readiness of the projects. This led to low spending of the infrastructure grants. In addition, there is an under expenditure in the sanitation function due to late transfer of funds for the financial year under review as well as lack of capacity on the part of implementing agents.
6	An 89% compliance was achieved versus the planned 100% compliance with the approved audit plan (i.e. 73 of 82 projects)	The 9 projects that were in progress could not be completed as result of capacity constraints.

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## Water Sector Management



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## Water Sector Management explanatory notes

PPI no	Milestones that were not achieved	Comments on deviations
15d	A 10% completion versus the planned 20% completion of the EIA for the Western Cape Water Supply system was achieved	There were delays in the procurement process. The scope of work to be done needed to be refined further and mobilisation of resources to undertake the work was to be expedited
22	A 4% reduction versus the planned 6% reduction of projected demand for 8 large water supply systems was achieved	Lack of water conservation water demand management funding within municipalities resulted in the under achievement.
19	Forty percent (i.e. Draft Bill inclusive of sanitation) versus the planned 50% completion was achieved for the revision of the National Water Amendment Bill	The publication of the Draft Amendment Bill for public consultation was delayed due to the pronouncement of the new Department of Water and Sanitation in May 2014.

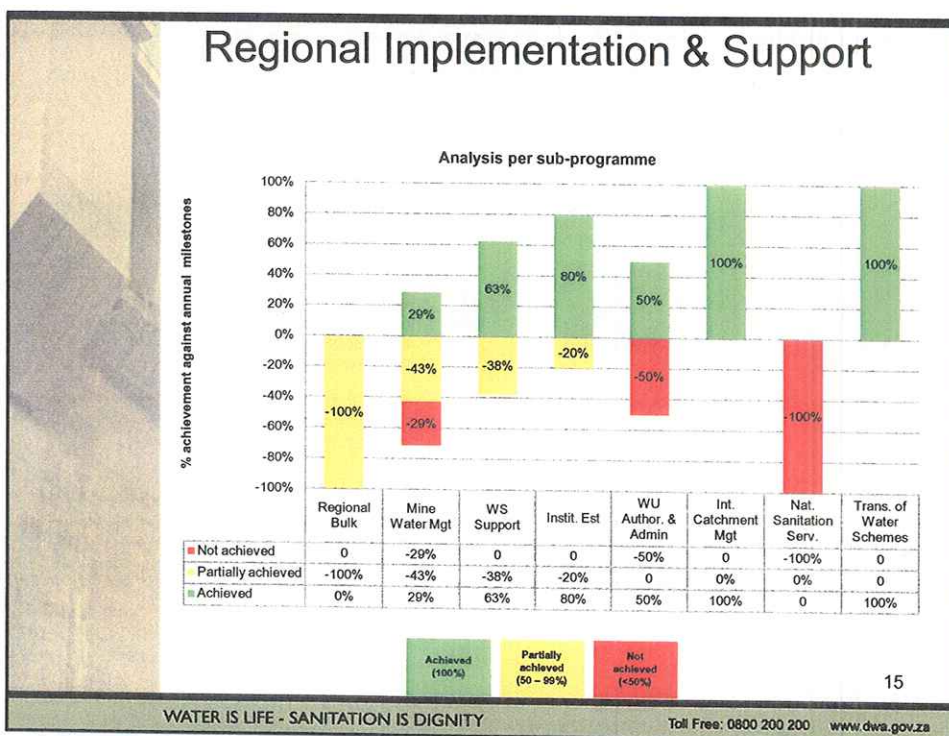
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## Water Sector Management explanatory notes

PPI no	Milestones that were not achieved	Comments on deviations
29	None of the planned 4 river systems had determined resource quality objectives (RQOs) as only draft RQO reports were developed	During the course of the project it was realised that the draft numerical limits (specifications of discharges) of the Upper, middle and lower Vaal needed to be aligned. After gazetting the classes the stakeholders requested that both the Resource classes and RQOs be gazetted simultaneously hence the delay.
26	A total of 1382 versus the planned 1400 national sampling points were monitored	The sampling points where samples had not been provided were excluded from the national monitoring schedule resulting in the reduction in numbers.
18a	None of the planned compulsory licences in Mhlathuze catchment area were issued as 500 draft licences and Record of recommendation were developed	Lack of dedicated personnel to undertake the task resulted in the under achievement as human resources have been availed the plan is to complete this task by end June 2015

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### Regional Implementation & Support explanatory notes

PPI no	Milestones that were not achieved	Comments on deviations
30	A total of 1615 versus the planned 2441 job opportunities were created through RBIG	The labour unrests and late issuing of appointment letters to contractors negatively affected the creation of job opportunities.
33a	Seventy six (76) versus the planned 82 bulk infrastructure schemes were under construction	The MP implementing agent delayed in issuing the appointment letter because of a disagreement with province. Also, there were persistent labour unrests at Sebokeng WWTW that halted the project. Lack of co-funding from WC delayed the project
33b	Eight (8) versus the planned 10 bulk infrastructure schemes were completed	Swellendam and Grabouw wastewater treatment works could not be completed due to land owners objections to the pipeline and delays in the procurement by the IA respectively
40	One (1) versus the planned 2 wastewater treatment works were completed	Objections from WC land owners delayed the project completion
32c	153 versus the planned 295 job opportunities were created through Adopt-A-River programme	The envisaged budget reallocation was not received by FS and the budget reallocation was received late by LP

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## Regional Implementation & Support explanatory notes

PPI no	Milestones that were not achieved	Comments on deviations
36	23% versus the planned 100% water use authorisation applications were finalised (i.e. 375 of 1652 applications)	The 2010 backlog was eradicated as a priority. The licence applications for 2011 to 2013 were consolidated and are in the process of being eradicated in accordance with the new business process.
42	80% versus the planned 100% interventions were made to prevent water supply, water quality and effluent quality incidents (i.e. 74 of 93)	The Department is responding to water related crisis as and when the incidents occur; like poor water quality, prolonged poor water services delivery of functionality problems
43	94 859 versus the planned 144 491 households were provided with (interim or basic) water supply in the 24 priority districts	Loss of IA status for EC municipalities as a result of the introduction of schedule 5B and 6B mid term resulted in the need to deviate from initial planning; stoppage of allocations for MP municipalities as a result of non compliance with signing of SLAs
47	90% versus the planned 100% completion was achieved in the refurbishment of the Rand Uranium treatment plant in the Western Basin (i.e. Civil works for the new pump station underway)	Further research was to be done in terms of policies, regulation and technology to ensure that the department's approach for long term mitigation of AMD is justifiable with regard to water pricing.

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## Regional Implementation & Support explanatory notes

PPI no	Milestones that were not achieved	Comments on deviations
49a	75% versus the planned 100% was completed for the short term mitigating measures in the Eastern basin (i.e. Major civil works nearing completion and electrical and pipeline work has commenced)	The resolution of funding issues prevented prior award of construction contract. The backfilling water-logged area of construction site and ground stability testing on certain areas of the site caused a slight delay in work schedule
50a	None of EIA for the implementation of the acid mine drainage long term solution in the Witwatersrand was achieved	Further research was to be done in terms of policies, regulation and technology to ensure that the department's approach for long term mitigation of AMD is justifiable with regard to water pricing. Work is underway to ratify the recommendations of the Long-Term Feasibility Study
52	30% versus the planned 50% completion of the proposal of an environmental levy for the mining sector was achieved (i.e. Guidelines for drafting Environmental Levy proposal was sent to NT)	The determination of a mechanism for a specific environmental levy for AMD has been delayed.

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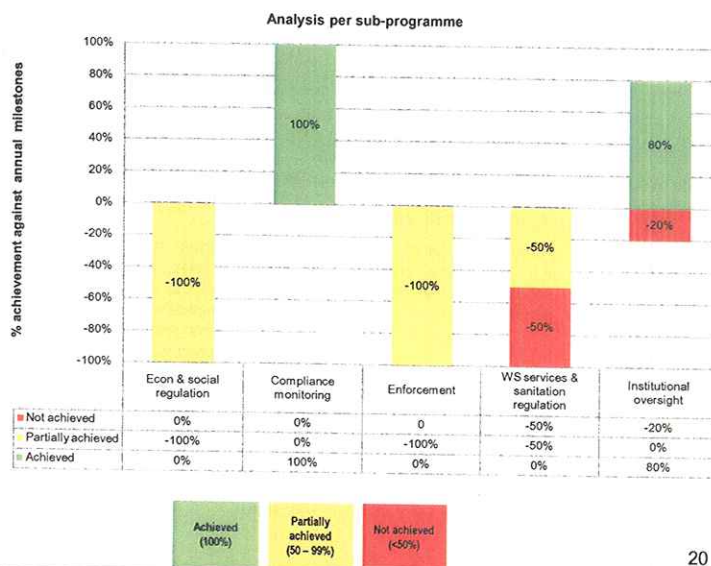


## Regional Implementation & Support explanatory notes

PPI no	Milestones that were not achieved	Comments on deviations
53	20581 versus the planned 88127 existing bucket sanitation system in formal settlements were replaced with adequate sanitation	Lack of adequate bulk infrastructure in projects; Cash flow challenges by IAs; difficult soil or hard rock conditions; service delivery protest in projects
54	None of the planned 92 000 existing bucket sanitation system in informal settlements were replaced with adequate sanitation services	The department is focusing on replacing bucket sanitation in formal areas rather than informal areas
55	9347 versus the planned 63118 households were served through Rural Household Infrastructure Programme	The late transfer of funds to municipalities did not allow timeous procurement of contractors

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## Water Sector Regulation



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## Water Sector Regulation explanatory notes

PPI no	Milestones that were not achieved	Comments on deviations
56	60% (i.e. Stakeholder comments incorporated and draft gazette developed) versus the planned 100% completion of the revised water pricing strategy was achieved.	The pricing strategy was not gazetted for public consultation as the NT raised issues of concern and recommended broader consultation.
58	53% versus the planned 55% completion in establishing economic regulation was achieved as the draft implementation strategy on the ER chapters and the gap analysis have been developed	The implementation strategy on the economic regulation have not been finalised due to the final phase of consultation.
57a	32% versus the planned 55% completion in assessing water supply systems for drinking water supply standards was achieved as the Draft 2013/14 Blue Drop Report was achieved.	The finalisation of the Blue Drop report was delayed as verification audits had to be conducted in Free State, Gauteng, Limpopo, Mpumalanga and Western Cape Provinces negatively impacting on undertaking the targeted the 300 assessments
57b	20% versus the planned 50% completion in assessing wastewater treatment collector systems for compliance with effluent standards as the draft 2013/14 Green Drop progress report was achieved	The finalisation of the Green Drop report was delayed as verification audits had to be conducted in Limpopo negatively impacting on undertaking the targeted the 250 assessments

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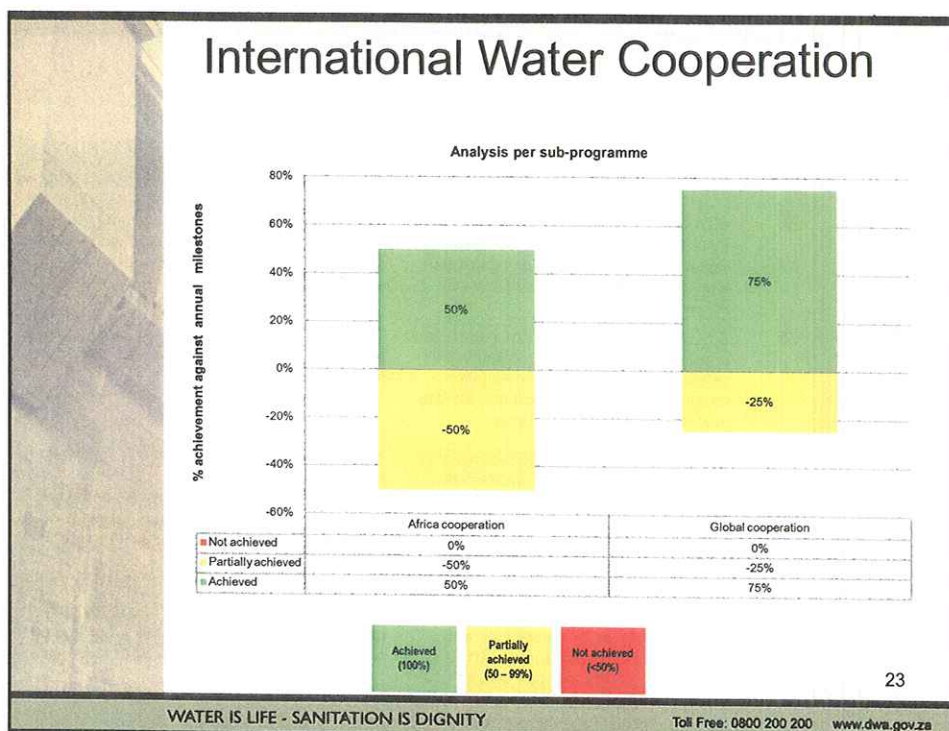
## Water Sector Regulation explanatory notes

PPI no	Milestones that were not achieved	Comments on deviations
61	99% (i.e. 266 of 269 cases) versus the planned 100% reported non-compliant cases were investigated	The remaining 3 cases are still under investigation and have not yet been finalised yet
11	The planned 50% completion of establishing a proto-national water infrastructure agency and approved agency bill was not achieved	A new proposal on the establishment of the water infrastructure agency that will align with the new DWS is being developed and will be included in the 2015/16 financial year

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## International Water Cooperation explanatory notes

PPI no	Milestones that were not achieved	Comments on deviations
62a	Two (2) versus the planned 3 new strategic partnerships established with countries in Africa	The signing ceremony was postponed by Zimbabwe
62b	Eight (8) of the planned 9 existing strategic partnerships implemented with countries in Africa	Uganda requested for a postponement
65c	Seven (7) of the planned 10 strategic engagements with international and multilateral organisations outside Africa (global) were attended	The SA-EU Joint Cooperation Council has been postponed; the planned BRICS Urbanization Forum was postponed

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## DETAILED WATER TRADING PERFORMANCE

- PROGRAMME 1: ADMINISTRATION
- PROGRAMME 3: WATER INFRASTRUCTURE MANAGEMENT
- PROGRAMME 4: REGIONAL IMPLEMENTATION AND SUPPORT

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## Water Trading

### Analysis per sub-programme

	Financial mgt	Infrastructure dev & rehab	Operation of water resources	Integrated catchment mgt
Not achieved	-40%	-42%	-33%	-67%
Partially achieved	-40%	-25%	-34%	-33%
Achieved	20%	33%	33%	0%

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## Water Trading explanatory notes

PPI no	Milestones that were not achieved	Comments on deviations
67	89% versus the planned 100% reduction in irregular expenditure was achieved	The deviation is due to non compliance with procurement regulations regarding quotations by the Provincial/ Cluster and Construction Sites.
69	The reduction in outstanding debt over 60 days increased by 38% instead of the planned reduction to 40%	The non payment by both water boards and municipalities resulted in the increase in the number of debtor days. Water boards also raised the issue of Municipalities defaulting in payments to Water boards. In addition, municipalities not honouring intergovernmental relations framework. Non existence of a CRM unit to timeously resolve customer queries
70	88% versus the planned 98% was spent on refurbishment and betterment against budget	Under spending due the slow implementation of the maintenance plan
71	The number of debtor days increased to 288 days versus the planned reduction to 60 days	The non payment by both water boards and municipalities resulted in the increase in the number of debtor days. Water boards also raised the issue of Municipalities defaulting in payments to Water boards. In addition, municipalities not honouring intergovernmental relations framework. Non existence of a CRM unit to timeously resolve customer queries

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## Water Trading explanatory notes

PPI no	Milestones that were not achieved	Comments on deviations
74b	The planned 5% completion on project plan of Olifants River water resources development project phase 2B was not achieved	The delay is as a result of the funding model not being finalised.
74d	The planned 5% completion on project plan of Olifants River water resources development project phase 2D was not achieved	
75a	1% versus the planned 5% completion on project plan of phase 2A of Mokolo River augmentation was achieved as the EIA process has started	Feedback on the request for an explicit government guarantee allowing the TCTA to approach financial markets for loan funding was received on 31 March 2015.
76	5% versus the planned 13% completion on project plan of Mloti River Development (Raising of Hazelmere Dam) was achieved as designs are under revision, the study on the stability of the dam wall is underway and 50% of affected properties are valued	The design could not be finalised as a result of the delay in the appointment of the contractor. In addition, the valuation of the affected 50% remaining properties is pending; awaiting the outcome of the dispute between the Department and Valuator
77	4% versus the planned 7% completion on project plan of raising Clanwilliam Dam wall	The approval of the environmental management programme took longer as a result of complex issues that emerged during the approval process

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## Water Trading explanatory notes

PPI no	Milestones that were not achieved	Comments on deviations
78	12% versus the planned 15% completion on project plan of Greater Letaba River Water Resources Project (Nwamitwa Dam) as the approved Environmental Management Plans and tender documentation for the engineering geological investigation were achieved	The appointment of the Approved Professional Person (APP) and professional team took longer than expected due to the scarcity of APPs for category 3 dams
79b	27% versus the planned 35% completion on project plan of Greater Letaba River Water Resources Project Distribution as Improvement and new works 91% complete; Clear water tank 25% complete; Pump house 3% complete; Babanana pipeline 3% complete	The proposal to increase the size of the pipe from 300mm to 600mm triggered a listed activity requiring both an environmental authorisation and EMP
73	A total of 149 versus the planned 315 job opportunities were created through Dam Safety Rehabilitation programme	Delays in three of the Dam Safety Rehabilitation projects were due to outstanding environmental authorisations, contractual challenges and supply of material which prevented the creation of job opportunities as per set targets.

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## Water Trading explanatory notes

PPI no	Milestones that were not achieved	Comments on deviations
80	A cumulative total of 38 versus the planned 39 dam safety rehabilitation projects were completed since the programme started in 2005	Although the Cata Dam civil works have been completed, there is a contractual dispute on mechanical works and therefore a commissioning certificate cannot be issued.
83a	93% versus the planned 100% metering of domestic and industrial users was achieved (i.e. 455 of 489 users)	The manufacturer could not supply the required number of meters
83b	1% versus the planned 50% metering of agricultural users was achieved (i.e. 103 of 20 395 users)	The manufacturer could not supply the required number of meters.
84	4417 versus the planned 11 510 water users were validated and verified within water management areas	Although letters were sent to users to apply for the verification, inadequate and slow responses were received from users
85a	780 versus the planned 864 waste discharge points were monitored	The delay in finalising the National laboratory contracts owing to non accreditation of certain laboratories for certain tests
85b	47% versus the planned 100% inspections were conducted in mines with reported incidents (i.e. 48 of 103)	The Mpumalanga, North West and Northern Cape provincial offices could not inspect all their reported incidents as there had staff shortages for pollution inspections

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# OVERVIEW OF AUDIT REPORT

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## Main Account analysis

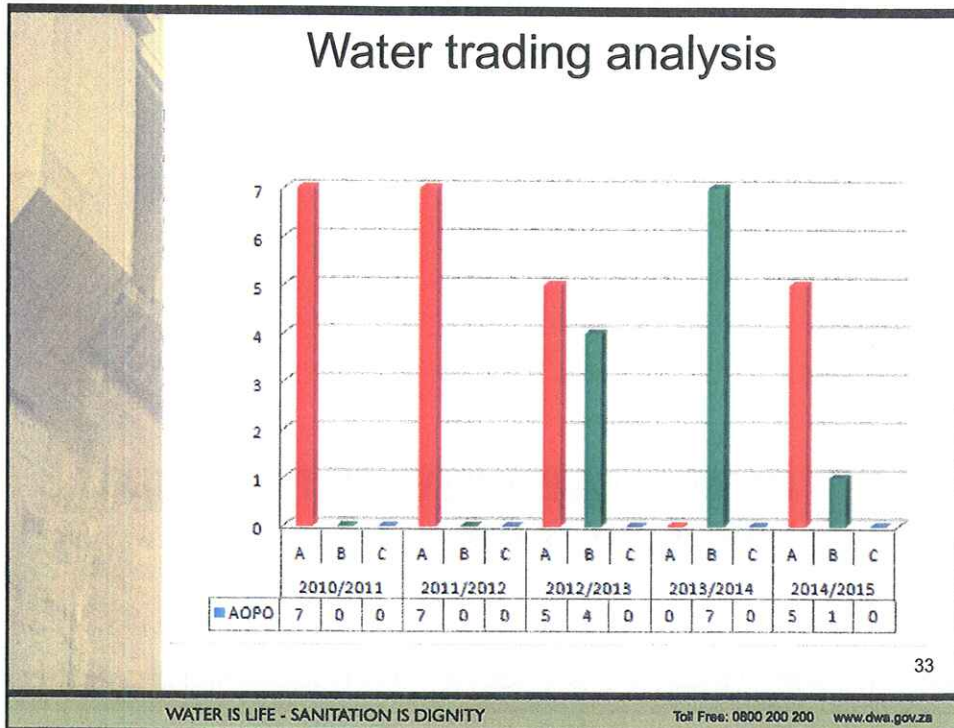
Year	A	B	C
2010/2011	29	0	0
2011/2012	16	0	0
2012/2013	26	3	0
2013/2014	12	0	0
2014/2015	18	0	0

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### Action plan

Major Finding	Root Cause	Action
<b>Predetermined Objectives</b>		
Indicators not SMART	No specifics on deliverables and no lists supporting numbers.	Revising the TIDs and include lists.
Inconsistent data collection.	No standard operating procedures	Develop SOPs for all indicators.
Calculation errors, irrelevant PoE, unauthenticated docs	Poor M & E	<ul style="list-style-type: none"> <li>• Establish a dedicated M &amp; E unit</li> <li>• Monthly and quarterly reviews</li> <li>• Verification of reported performance (incl. review of supporting documents)</li> </ul>

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## PART 2: OVERVIEW OF FINANCIAL PERFORMANCE

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## MAIN ACCOUNT

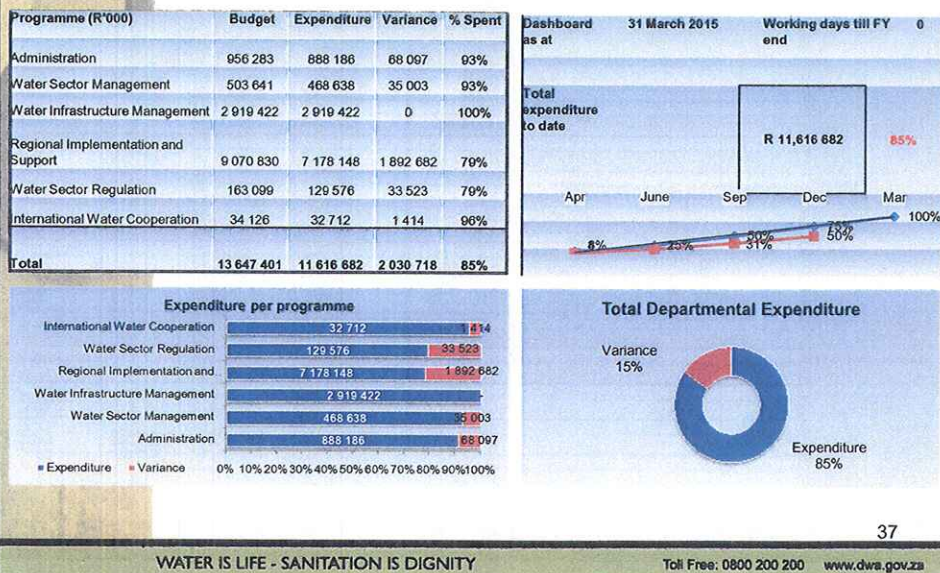
- PROGRAMME EXPENDITURE TRENDS
- NOTES TO THE FINANCIAL STATEMENTS
- OVERVIEW OF THE AUDIT REPORT AND ACTION PLAN

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## Expenditure outcome: 31 March 2015



## Consolidated expenditure per programme

PROGRAMME	NORMAL VOTED FUNDS			EARMARKED FUNDS			TOTAL		
	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent
Administration	956,283	888,186	93%	-	-	0%	956,283	888,186	93%
Water Sector Management	503,641	468,638	93%	-	-	0%	503,641	468,638	93%
Water Infrastructure Management	-	-	0%	2,919,422	2,919,422	100%	2,919,422	2,919,422	100%
Regional Implementation and Support	1,319,123	7,178,148	90%	7,751,707	5,989,844	77%	9,070,830	7,178,148	79%
Water Sector Regulation	163,099	129,576	79%	-	-	0%	163,098	129,576	79%
International Water Cooperation	34,126	32,712	96%	-	-	0%	34,126	32,712	96%
<b>Total</b>	<b>2,976,271</b>	<b>2,707,416</b>	<b>91%</b>	<b>10,671,129</b>	<b>8,909,266</b>	<b>84%</b>	<b>13,647,401</b>	<b>11,616,682</b>	<b>85%</b>



## Expenditure per Infrastructure (Grants) Programme

Infrastructure Grant	Final Appropriation 2014/15	Audited Outcome 2014/15	Variance	% Spent
Regional Bulk Infrastructure Grant(RBIG) Indirect Grant	4 679 901	3 741 876	938 025	80%
Municipal Water Infrastructure Grant(MWIG) Direct Grant	535 608	535 608	-	100%
Municipal Water Infrastructure Grant(MWIG) Indirect Grant	559 426	364 436	194 990	65%
Accelerated Commun Infra Prog(ACIP)	254 073	243 730	10 343	96%
Water Services Operating Subsidy(WSOS) Direct Grant	449 558	449 543	15	100%
Rural Households Infrastructure Grant(RHIG) Direct Grant	65 624	65 624	-	100%
Rural Households Infrastructure Grant(RHIG) Indirect Grant	47 500	183	47 317	0%
Bucket Eradication Programme(BEP) Indirect Grant	899 177	281 779	617 398	31%
Water Infrs Management Programme(WIMP)	2 919 422	2 919 422	-	100%
Water Services Projects	202 233	202 233	-	100%
<b>Total</b>	<b>10 612 522</b>	<b>8 804 434</b>	<b>1 808 088</b>	<b>83%</b>

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## Reasons for Underspending

- **Administration:** 7% (R68.093m) – delayed invoices for office accommodation and municipal services, and the imported equipment relating to Data Storage Infrastructure.
- **WS Management:** 7% (R35.004m) - delayed purchasing of laboratory analyses instruments for national surface water quality programme and Inductively Coupled Plasma Optical Emissions Spectrometer Instrument.
- **Regional Implementation:** 21% (R1.891bn)
  - *prolonged signing of SLA and the delayed delivery of materials by suppliers (MWIG),*
  - *delays in the finalisation of the implementation plan by the newly appointed Implementing Agent and the delays in delivery of ordered material needed for implementation of various regional bulk infrastructure programme (RBIG),*
  - *insufficient infrastructure to support Bucket Eradication Programme, cash flow challenges experienced by the Implementing Agents (Sanitation)*
- **Water Services Regulation :** 21% (R33.525m) delayed implementation of a drinking water quality and wastewater management project, and the prolonged period it took for the draft pricing strategy due to consultations

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## Expenditure per economic classification

EXPENDITURE PER ECONOMIC CLASSIFICATION	VOTED FUNDS			EARMARKED FUNDS			TOTAL		
	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent
<b>Current payment</b>	<b>2,475,504</b>	<b>2,415,888</b>	<b>98%</b>	<b>371,737</b>	<b>179,833</b>	<b>48%</b>	<b>2,847,241</b>	<b>2,595,721</b>	<b>91%</b>
Compensation of employees	1,134,880	1,196,908	109%	172,842	61,742	36%	1,307,722	1,275,705	98%
Goods and services	1,338,355	1,216,016	91%	198,895	118,091	59%	1,538,250	1,316,811	86%
Interest and Rent on land	1,148	1,082	94%	-	-	0%	1,148	1,082	94%
Financial transaction in assets & liabilities	123	123	100%	-	-	0%	123	123	100%
Unauthorised expenditure	-	-	0%	-	-	0%	-	-	0%
<b>Transfer and Subsidies</b>	<b>55,797</b>	<b>37,854</b>	<b>68%</b>	<b>4,534,191</b>	<b>4,550,992</b>	<b>100%</b>	<b>4,590,988</b>	<b>4,588,798</b>	<b>100%</b>
Province and Municipalities	16,652	561	3%	1,033,167	1,050,790	102%	1,051,719	1,051,351	100%
Departmental agencies and accounts	5,759	4,382	76%	2,735,154	2,735,154	100%	2,740,913	2,739,536	100%
Universities and Technikon	-	-	0%	-	-	0%	-	-	0%
Foreign Govt & International Organisations	918	908	99%	184,288	184,288	100%	185,186	185,176	100%
Public Co operations & Private Enterprises	-	-	0%	580,000	579,916	100%	580,000	579,916	100%
Non-Profit Institutions	2,159	1,803	84%	-	-	0%	2,159	1,803	84%
Households	28,408	30,153	106%	2,602	861	33%	31,011	31,014	100%
<b>Payment of Capital Assets</b>	<b>444,970</b>	<b>253,721</b>	<b>57%</b>	<b>5,764,201</b>	<b>4,178,441</b>	<b>72%</b>	<b>6,209,171</b>	<b>4,432,162</b>	<b>71%</b>
Building & Other fixed structures	358,914	208,643	58%	5,752,409	4,177,100	73%	6,111,323	4,385,743	72%
Machinery & Equipment	72,309	34,794	48%	11,792	1,341	11%	84,101	36,135	43%
Cultivated assets	-	-	0%	-	-	0%	-	-	0%
Software & and other intangible assets	13,747	10,284	75%	-	-	0%	13,747	10,284	75%
Land and subsoil assets	-	-	0%	-	-	0%	-	-	0%
<b>Total</b>	<b>2,976,271</b>	<b>2,707,416</b>	<b>91%</b>	<b>10,671,129</b>	<b>8,999,264</b>	<b>83%</b>	<b>13,647,401</b>	<b>11,616,882</b>	<b>85%</b>

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## NOTES TO THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Modified Cash Standard and relevant guidelines specified / issued by the National Treasury.

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## Unauthorised expenditure

DESCRIPTION	2014/15 R'000	2013/14 R'000	Variance R'000	% Variance
Unauthorised expenditure	3 782	3 782	0	

15% overspend

← →

85% not within purpose of vote

**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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## Irregular expenditure

**Analysis:**

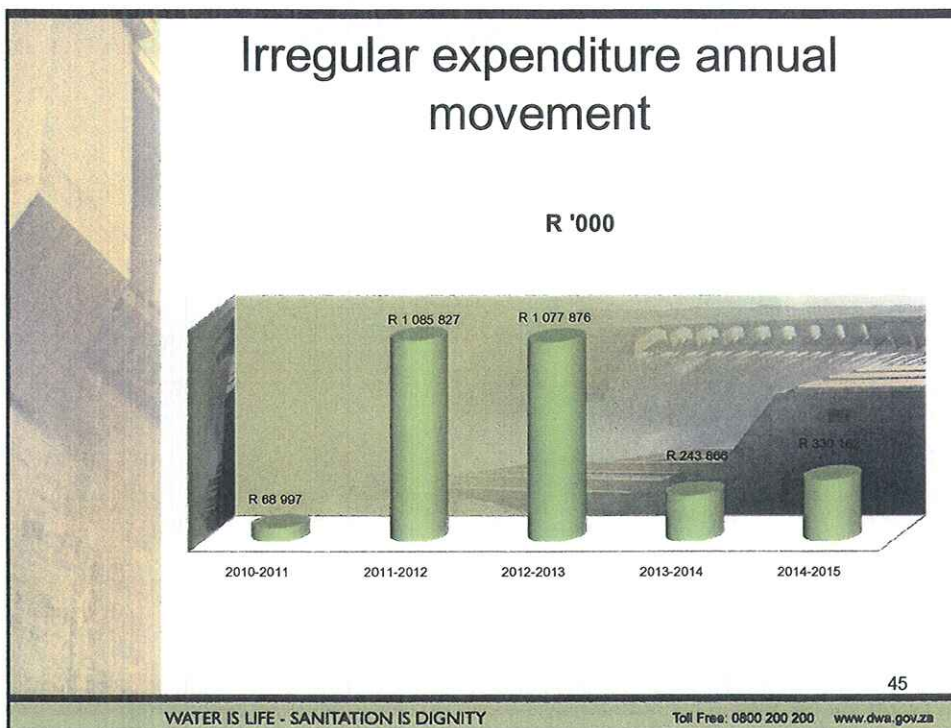
	Note	2014/15 R'000	2013/14 R'000
Opening balance		243 866	1 077 876
Prior period errors			-
As restated		243 866	1 077 876
Add: Irregular expenditure – relating to prior year			653
Add: Irregular expenditure – relating to current year		87 936	85 935
Less: Prior year amounts condoned		(1 640)	(920 598)
<b>Irregular expenditure awaiting condonation</b>		<b>330 162</b>	<b>243 866</b>

Under Investigation

R77.65m : Contravention of SITA Act

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### Fruitless and Wasteful Expenditure

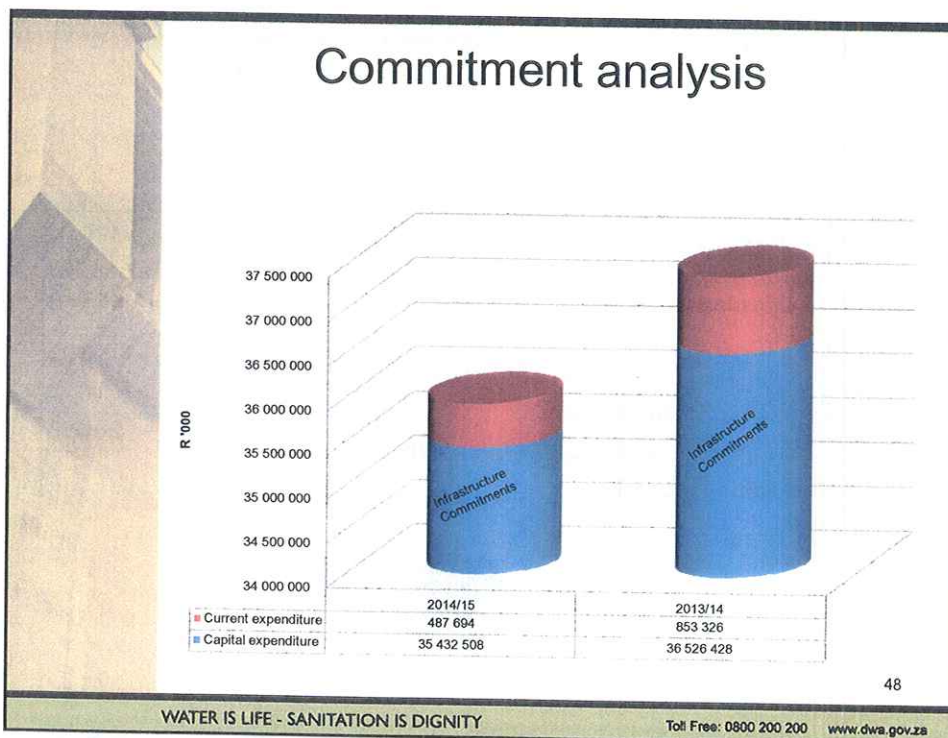
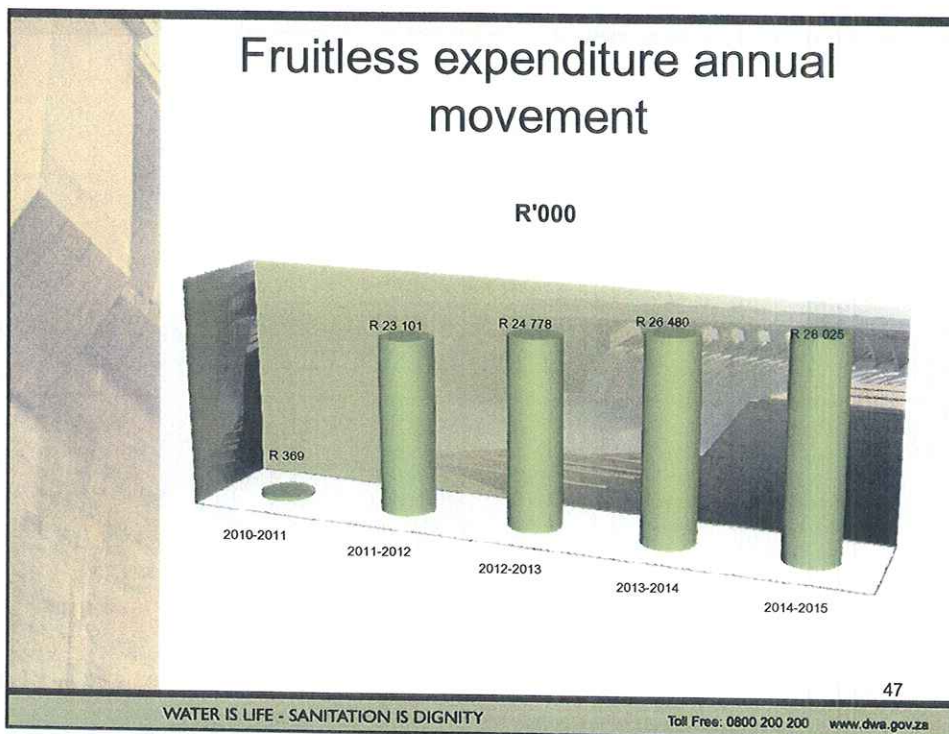
	2014/15	2013/14
	R'000	R'000
<b>Opening balance</b>	26 480	24 778
<b>Fruitless and wasteful expenditure – relating to current year</b>	1 545	1 702
<b>Fruitless and wasteful expenditure awaiting resolution</b>	28 025	26 480

Interest\_R1 million

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## Accruals

	2014/15		2013/14	
	R'000		R'000	
<b>Listed by economic classification</b>				
	30 Days	30+ Days	Total	Total
<b>Goods and services</b>	40 003	2 466	42 470	83 413
<b>Transfers and subsidies</b>	215	-	215	2
<b>Capital assets</b>	386 095	940 669	1 326 765	1 061 948
<b>Total</b>	<b>426 314</b>	<b>943 136</b>	<b>1 369 450</b>	<b>1 145 363</b>

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## OVERVIEW OF AUDIT REPORT

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### Analysis: matters relating the audit report per year

2010/11	2011/12	2012/13	2013/14	2014/15
Qualified (6)	Qualified (9)	Qualified (8)	Qualified (3)	Qualified (2)
<p><b>1. Movable tangible capital assets</b></p> <ul style="list-style-type: none"> <li>Valid, Accurate, Complete</li> <li>Lack of records for asset count</li> <li>Asset register not complete.</li> </ul> <p><b>2. Revenue</b></p> <ul style="list-style-type: none"> <li>Revenue not recorded in the correct period</li> <li>Understatement of surrendered revenue</li> </ul> <p><b>3. Goods and services</b></p> <ul style="list-style-type: none"> <li>Accuracy</li> <li>Capital assets and expense misclassified as infrastructure and planning expenses</li> </ul> <p><b>4. Commitments</b></p> <ul style="list-style-type: none"> <li>LOGIS not always used to record contracts</li> </ul>	<p><b>1. Expenditure for tangible capital assets and Prepayments &amp; advances</b></p> <ul style="list-style-type: none"> <li>Inadequate system to monitor &amp; clear advance payments against expenditure</li> </ul> <p><b>2. Goods and services</b></p> <ul style="list-style-type: none"> <li>Lack of supporting documents</li> </ul> <p><b>3. Irregular expenditure</b></p> <ul style="list-style-type: none"> <li>Inadequate system of control to over irregular expenditure.</li> </ul> <p><b>4. Commitments</b></p> <ul style="list-style-type: none"> <li>LOGIS not always used to record RBIG contracts</li> </ul>	<p><b>1. Commitments</b></p> <ul style="list-style-type: none"> <li>No adequate RBIG systems to maintain records.</li> </ul> <p><b>2. Accruals</b></p> <ul style="list-style-type: none"> <li>Inadequate systems of control to maintain records.</li> </ul> <p><b>3. Irregular expenditure</b></p> <ul style="list-style-type: none"> <li>Inadequate system of control to over irregular expenditure.</li> </ul> <p><b>4. Immovable tangible capital assets</b></p> <ul style="list-style-type: none"> <li>Lack of supporting documents.</li> </ul>	<p><b>1. Commitments</b></p> <ul style="list-style-type: none"> <li>No adequate RBIG systems to maintain records.</li> <li>Opening RBIG balance</li> </ul> <p><b>2. Accruals</b></p> <ul style="list-style-type: none"> <li>Inadequate systems of control to maintain records.</li> </ul> <p><b>3. Immovable tangible capital assets</b></p> <ul style="list-style-type: none"> <li>Overstatement</li> <li>No supporting docs</li> <li>Lack of systems to record additions</li> </ul>	<p><b>1. Commitments</b></p> <ul style="list-style-type: none"> <li>No adequate systems for RBIG, MWIG and RHIG to maintain records</li> <li>Opening balance RBIG</li> <li>Overstatement</li> <li>Lack of supporting documents for RBIG, MWIG and RHIG</li> </ul> <p><b>2. Accruals</b></p> <ul style="list-style-type: none"> <li>Inadequate systems of control to maintain records.</li> </ul>

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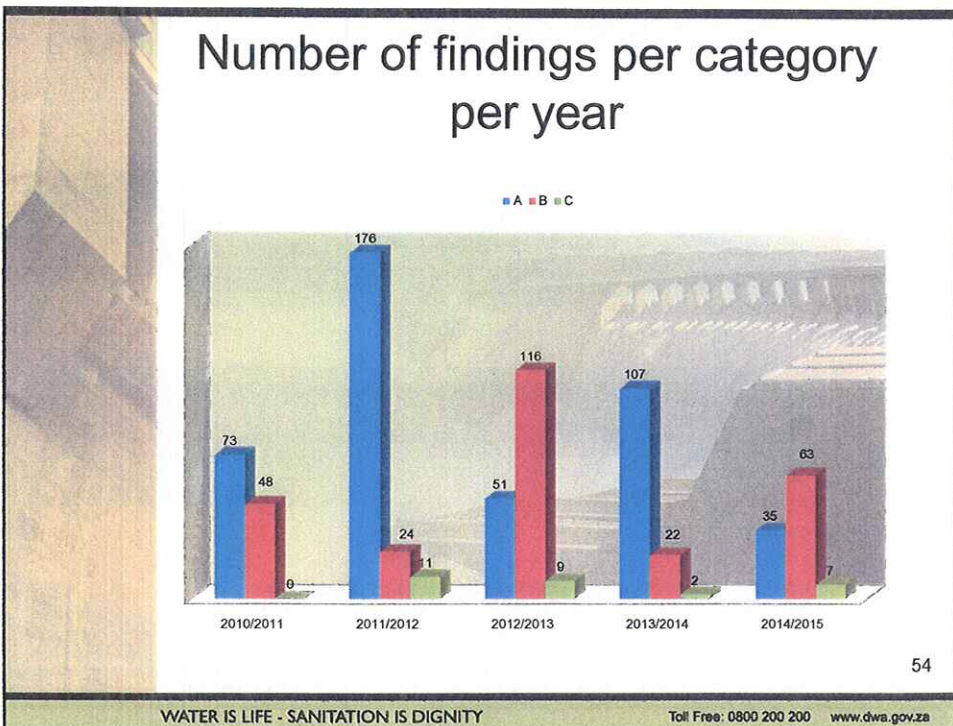
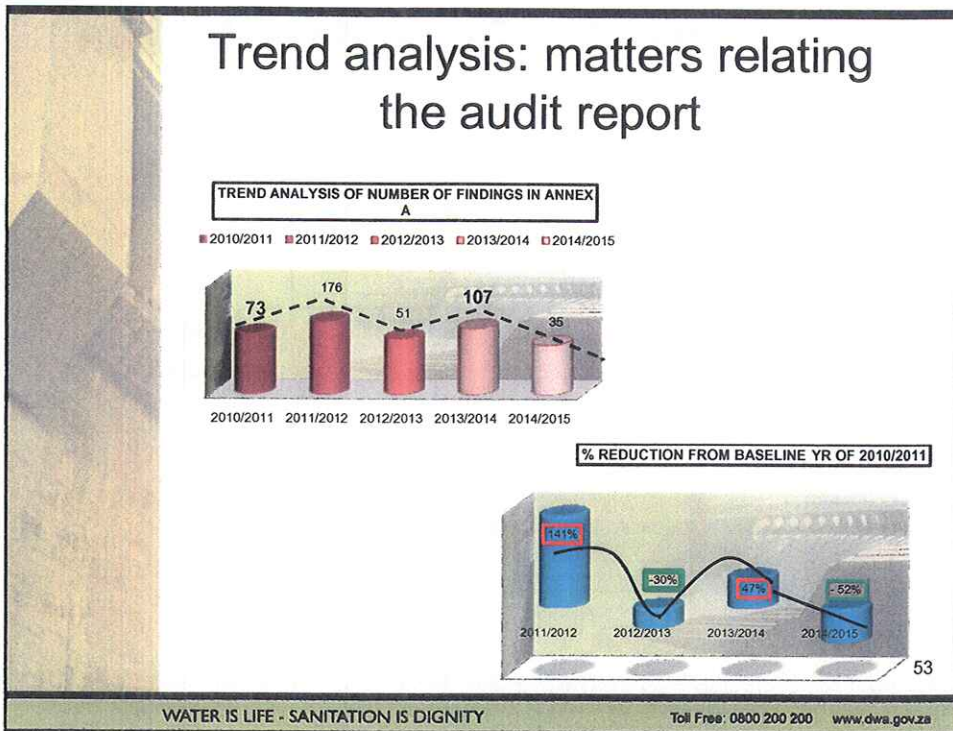
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### Analysis: matters relating the audit report per year

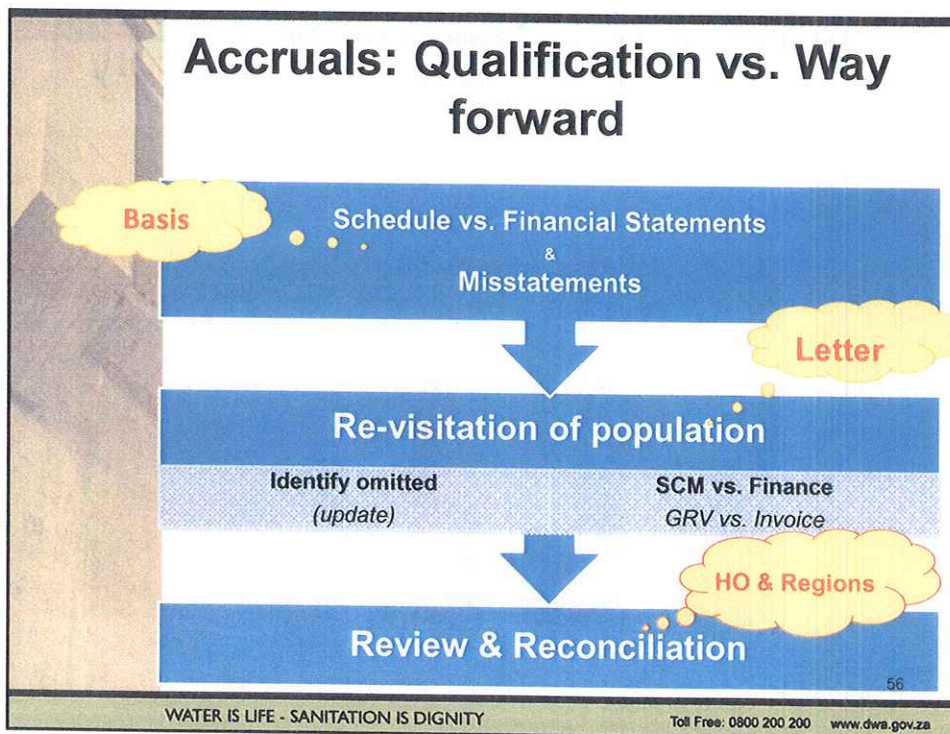
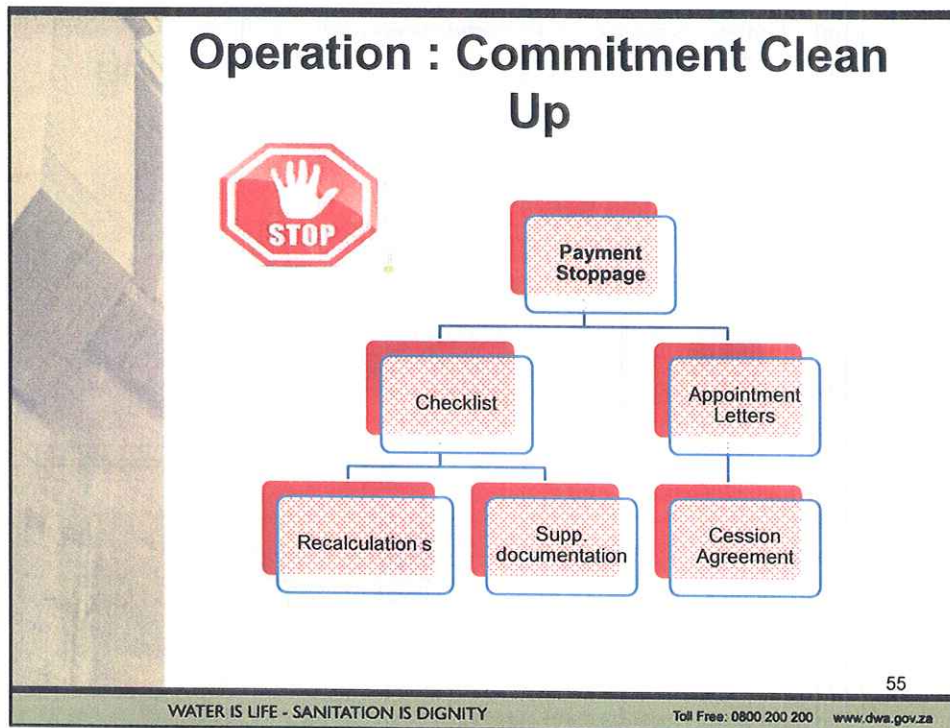
2010/11	2011/12	2012/13	2013/14	2014/15
Qualified (6)	Qualified (9)	Qualified (8)	Qualified (3)	Qualified (2)
<p><b>5. Irregular expenditure</b></p> <ul style="list-style-type: none"> <li>Inadequate system of control to over irregular expenditure</li> </ul> <p><b>6. Fruitless and wasteful expenditure</b></p> <ul style="list-style-type: none"> <li>Lack of system of control</li> <li>Completeness</li> </ul>	<p><b>5. Immovable tangible capital assets</b></p> <ul style="list-style-type: none"> <li>Valuation</li> <li>Lack of supporting documents</li> </ul> <p><b>6. Movable tangible capital assets</b></p> <ul style="list-style-type: none"> <li>Accuracy, Completeness</li> </ul> <p><b>7. Accruals</b></p> <ul style="list-style-type: none"> <li>Inadequate systems of control to maintain record</li> </ul> <p><b>8. Contingent liabilities</b></p> <ul style="list-style-type: none"> <li>Lack of supporting documents</li> </ul> <p><b>9. Loans</b></p> <ul style="list-style-type: none"> <li>Valuation</li> <li>Lack of explanations for variances from loan acknowledgements</li> </ul>	<p><b>5. Commitments</b></p> <ul style="list-style-type: none"> <li>Lack of supporting documents</li> <li>No adequate systems in place for RBIG to maintain records</li> </ul> <p><b>6. Accruals</b></p> <ul style="list-style-type: none"> <li>Inadequate systems of control to maintain record</li> </ul> <p><b>7. Irregular expenditure</b></p> <ul style="list-style-type: none"> <li>Inadequate system of control to over irregular expenditure</li> </ul> <p><b>8. Immovable tangible capital assets</b></p> <ul style="list-style-type: none"> <li>Lack of supporting documents</li> </ul>		

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## WATER TRADING

- FINANCIAL PERFORMANCE
- NOTES TO THE FINANCIAL STATEMENTS
- OVERVIEW OF THE AUDIT REPORT AND ACTION PLAN

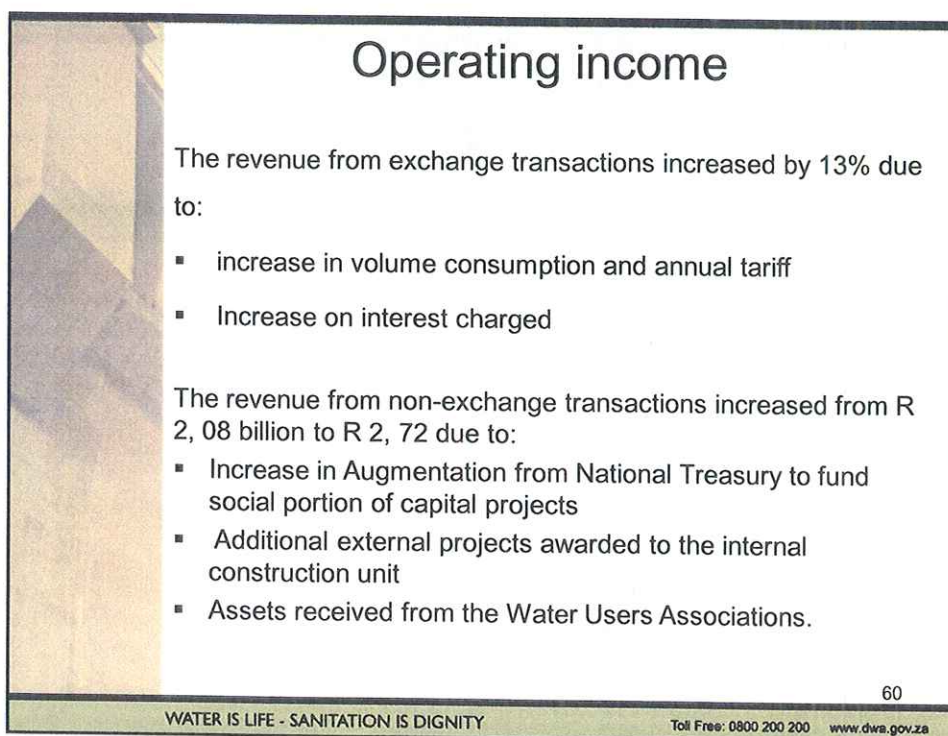
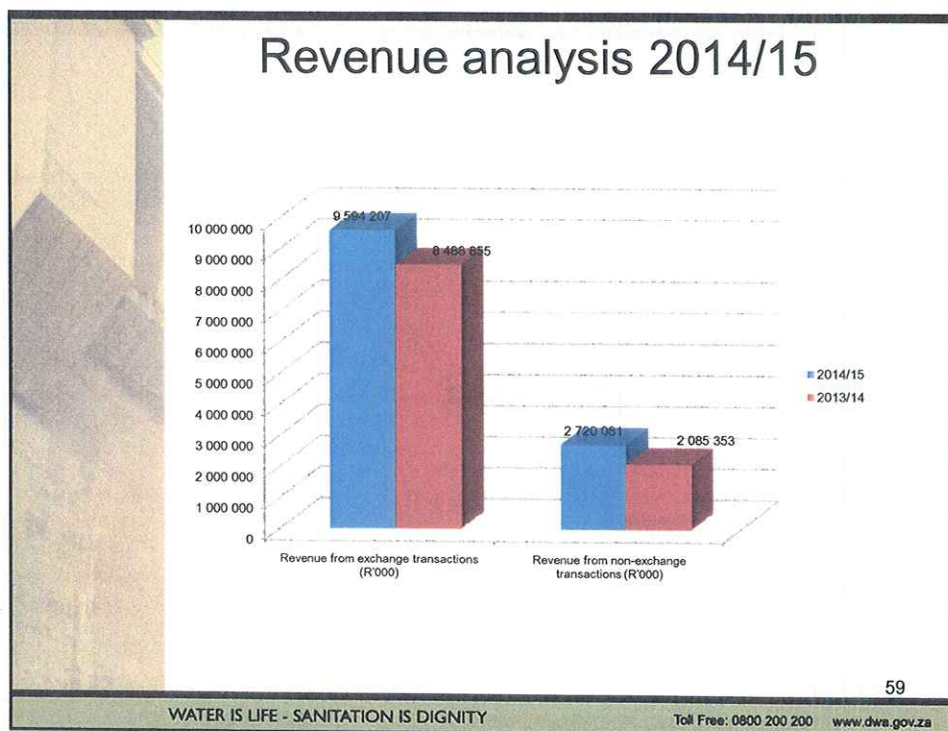
57

## Financial performance: 31 Mar 2015

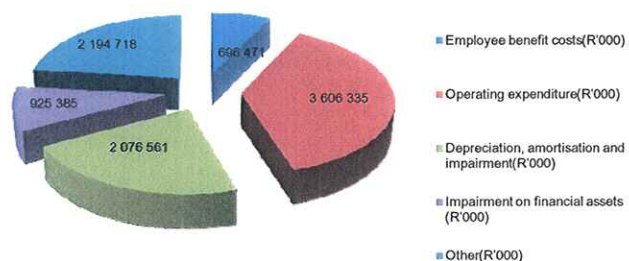
Description	Audited Outcome 2014/15	Audited Outcome 2013/14	Variance
<b>Revenue</b>	<b>12 314 228</b>	<b>10 574 208</b>	16%
Revenue from exchange transactions	9 594 288	8 488 855	13%
Revenue from non-exchange transactions	2 720 081	2 085 353	30%
<b>Expenditure</b>	<b>(9 499 470)</b>	<b>(7 594 529)</b>	25%
Employee benefit costs	696 471	678 206	3%
Operating expenditure	3 606 471	3 190 225	13%
Impairment of financial assets	925 385	561 489	65%
Finance cost	2 163 832	1 336 771	62%
Depreciation, amortisation and impairment	2 076 561	1 782 516	16%
Loss on disposal of fixed assets	30 886	45 322	-32%
<b>Surplus/(deficit)from operating activities</b>	<b>2 814 818</b>	<b>2 979 679</b>	-6%

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## Expenditure analysis 2014/15



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## Total operating expenditure overview

- Operating expenditure increased to R9, 49 billion in 2014/15. This 25% increase is attributed to increases in finance costs, depreciation, impairment and amortization.
- The finance cost increases are attributed to timing of the future cash flows and adjustment on the internal rate of return (IRR).
- The depreciation, amortization and impairment increased to R 2, 07 billion in 2014/15 due capitalisation of new assets.
- The employee benefits costs increased by 3% to R 696 million in 2014/15, as a result of the annual salary increase.

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## Operating Surplus

- The operating surplus does not translate to cash available as the higher revenue has not all been collected hence the increase in debtors of R1 384 million year on year.

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## Statement of financial position: ended 31 Mar 15

Description	2015 R'000	2014 R'000	Variance %
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7 287 027	5 902 513	19%
Receivables from exchange transactions	1 545 888	1 924 895	-25%
Inventory	5 621 201	3 808 435	32%
<b>Non-Current Assets</b>			
Property, Plant and Equipment	119 958	169 183	-41%
Intangible assets	90 214 792	89 442 378	1%
<b>Total assets</b>	74 358 170	73 577 313	1%
<b>LIABILITIES</b>	15 856 622	15 865 065	0%
<b>Current Liabilities</b>			
Payables from exchange transactions	97 501 819	95 344 891	2%
Employee benefits	4 847 323	4 503 199	7%
Finance lease liability	1 044 203	1 177 980	-13%
Financial liabilities: TCTA	175 734	195 445	-11%
<b>Non-Current Liabilities</b>			
Finance lease liability	16 095	36 826	-126%
Financial liabilities: TCTA	3 611 291	3 092 948	14%
<b>Total liabilities</b>	23 138 550	24 140 828	-4%
<b>Total net assets</b>	34 504	12 609	63%
<b>NET ASSETS</b>	23 104 046	24 128 019	-4%
<b>Reserves</b>			
Accumulated surplus	27 985 873	28 643 827	-2%
Pumping cost reserve	69 515 946	66 701 064	4%
<b>Net assets</b>	69 515 946	66 701 064	4%

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## Ratios

### Liquidity

The current ratio has increased from 1.31 during 2013/14 to 1.50 in 2014/15.

The improvement of the current ratio is mainly driven by the increase on receivables from exchange transactions.

### Cash flow from operations

The cash and cash equivalent at the end of the year amounted to R1.54 billion.

### Return on assets

The WTE ratio on return on assets is 3%. This illustrates the entity's effectiveness in using its investment in assets.

### Debtor days in sales

- During the period under review, the debtor days' analysis reflected a regression from 220 days during 2013/14 to 246 days in 2014/15.
- This is due to the interest charged on outstanding accounts and the fact that the entity is still struggling to recover debts from municipalities. An intergovernmental process has been initiated in order to recover the outstanding debts payable by municipalities.

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## Comparison of debtors year on year

Customer category	31 March 2014	31 March 2015	Variance	Changes
	R 000			
Bulk payers	(570)	1 211	(1 781)	●
Company	618 216	1 156 677	(538 461)	●
District municipalities	445 626	424 466	21 160	●
Individual	192 027	337 130	(145 103)	●
Irrigation boards	85 061	105 450	(20 389)	●
Local municipalities	1 600 127	1 533 113	67 014	●
Metro municipalities	9 785	44 886	(35 101)	●
National government	47 816	83 720	(35 904)	●
Provincial government	8 119	14 183	(6 064)	●
Water boards	1 761 248	1 947 656	(186 408)	●
Water user ass.	382 375	390 047	(7 672)	●
Grand total	5 149 830	6 038 538	(888 708)	●

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## Debtors age analysis: ended 31 Mar 15

Classification	Days						% to Total Debt	
	Total	0 to 30	31 to 60	61 to 90	91 To 120	122 To 150 +		
	R 000							
<i>Bulk Payers</i>	1 211	114	697	-	1	1	397	0%
<i>Company</i>	1 156 677	478 738	7 201	(2 629)	4 747	8 020	660 600	19%
<i>Dist Municipalities</i>	424 466	34 440	5 215	(69)	1 709	6 003	377 167	7%
<i>Individual</i>	337 130	55 933	2 283	(374)	983	1 282	277 023	6%
<i>Irrigation Boards</i>	105 450	24 854	3 991	54	270	4 452	71 829	2%
<i>Local Municipalities</i>	1 533 113	111 197	19 464	2 021	24 850	31 404	1 344 177	25%
<i>Metro Municipalities</i>	44 886	39 227	(438)	-	9	8 079	(1 991)	1%
<i>National Government</i>	83 720	6 457	508	-	604	448	75 703	1%
<i>Provincial Government</i>	14 183	743	385	-	114	169	12 771	0%
<i>Water boards</i>	1 947 656	858 515	22 121	44	22 457	25 255	1 019 264	32%
<i>Water User Ass.</i>	390 047	24 153	14 981	185	5 248	9 190	336 289	6%
<b>Grand Total</b>	<b>6 038 538</b>	<b>1 634 371</b>	<b>76 410</b>	<b>-768</b>	<b>60 994</b>	<b>94 303</b>	<b>4 173 229</b>	<b>100%</b>

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## Explanation for increase in debtors

- The increase in debtors year on year is due mainly to interest of R626 million being charged during March 2015 which has not been collected.
- The increase in revenue from the sale of water is responsible for the balance of the increase in debtors.

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## Cash collection report

	MARCH 2015	MARCH 2014	Var.
Revenue Billed	R'000	R'000	%
NWRI	2 581 063	2 393 019	8%
TCTA	4 684 387	4 563 427	3%
CMA	362 135	352 760	3%
Total revenue billed	7 627 586	7 309 206	4%
Cash collection			
NWRI	7 667 984	7 067 112	9%
CMA	523 117	572 224	-9%
Total cash collected	8 191 101	7 639 336	7%
% of Cash Collection to Revenue billed	107%	105%	2%

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## Augmentation funded projects

PROJECT NAME	Original Budget	Final Budget	Actual	Actual vs. Final Budget	Variance
ORWRDP (Ph 2A) - De Hoop Dam	90 126	133 980	133 980	100%	
ORWRDP (Ph 2B-I) - Bulk distribution (Sub Phases 2B, C and 2D)	350 877	566 058	566 058	100%	
ORWRDP-2D				100%	
ORWRDP (Ph 2B-I) - Bulk distribution (Other Sub-phases)				100%	
GLeWAP Phase (Tzaneen Dam Raising)	10 600			100%	
GLeWAP Phase (Nwamitwa Dam)	101 634			100%	
Dam Safety Rehabilitation Programme	220 000	197 766	197 766	100%	
Water Resources Project: Raising of Clanwilliam Dam	538 555	155 454	155 454	100%	
Mokolo and Crocodile River (West) Water Augmentation Project (Phase 1)	70 000			100%	
Mokolo and Crocodile River (West) Water Augmentation Project (Phase 2A including river management)	213 468			100%	

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## Augmentation funded projects

PROJECT NAME	Original Budget	Final Budget	Actual	Actual vs. Final Budget	Variance
Bushbuckridge	-	39 036	39 036	100%	-
Disestablishment of Botshelo Water	-	81 508	81 508	100%	-
Abaqulusi, Nongoma & Jozini Water Intervention Projects	-	58 582	58 582	100%	-
Zeerust, Lekwa Municipality & Ermelo	-	15 229	15 229	100%	-
Development of Raising of Hazelmere Dam	146 865	4 288	4 288	100%	-
GLeWAP Distribution (Mopani DM)	52 179	78 198	78 198	100%	-
Water Services Projects	-	501 061	501 061	100%	-
ERP system upgrade from version 4.7 to ECC6 (SAP)	50 916	82 184	82 184	100%	-
NWRI Support/ Project management	219 498	221 179	221 179	100%	-
Financial Management/Project support	190 465	120 660	120 660	100%	-
<b>SUBTOTAL</b>	<b>2 255 183</b>	<b>2 255 183</b>	<b>2 255 183</b>	<b>100%</b>	
VAT	315 726	315 726	315 726	100%	
<b>TOTAL</b>	<b>2 570 909</b>	<b>2 570 909</b>	<b>2 570 909</b>	<b>100%</b>	

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## Analysis of Augmentation Projects Performance

- During the financial year 2014/15 the budget was reallocated from non performing projects in order to fund the projects that required additional funding and the ministerial water intervention projects. The funds were reallocated from the following under performing projects:
- **Mokolo and Crocodile River (West) Water Augmentation Project (Phase 1 & 2A including river management)** - The under spending on the project was mainly driven by the delay in decision making by the policy makers such as DoE, DPE, NERSA, FLC and ESKOM- paying customers.
- **Groot Letaba Water Augmentation Project-GleWAP (Nwamitwa & Tzaneen)** – The delay in the approval of the environmental plans for these projects.
- **Raising of ClanWilliam Dam** – There were delays in acquiring the land for the dam and also the delays in appointment of the environmental control officer.
- **Raising of Hazelmere Dam** – There was a delay in appointment of the professional services provider.

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## Analysis of Augmentation Projects Performance Cont...

- The Under spending on the above mentioned projects were utilised to fund the following projects:
- **ORWRDP (Ph 2A) - De Hoop Dam** - *The projects required additional funds due to acceleration of mechanical work and site rehabilitation on project.*
- **ORWRDP (Ph 2B-I) - Bulk distribution (Sub Phases 2B, C and 2D)** - *R154 million was paid to TCTA to replenish the working capital.*
- **Water Services Projects** – *Projects undertaken on behalf of the Main Account and funds utilised will be recovered*

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## AUDIT REPORT

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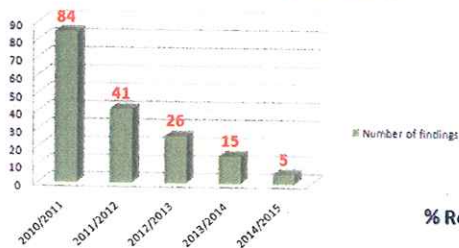
## Analysis: matters relating the audit report per year

2010/11	2011/12	2012/13	2013/14	2014/15
<b>Disclaimer</b>	<b>Qualified (3)</b>	<b>Qualified (1)</b>	<b>Qualified (1)</b>	<b>Unqualified</b>
<p><b>1. Revenue</b> (accuracy, completeness, occurrence, cut-off) &amp; Receivables</p> <p><b>2. Expenditure</b> (completeness, accuracy, cut-off, classification)</p> <p><b>3. PPE</b> (impairment, revaluation, useful lives, residual values, existence, completeness)</p> <p><b>4. Liabilities</b> (unrecorded) &amp; provisions</p> <p><b>5. Suspense accounts</b></p> <p><b>6. Inventory</b></p> <p><b>7. Deferred income</b></p> <p><b>8. Disclosures</b> (Irregular expenditure, related parties, capital commitments, errors, etc)</p> <p>The AG declared a material limitation of scope on most areas of the business as in most instances the internal controls were not in place and supporting documentation could not be provided</p>	<p><b>1. Revenue from exchange transactions</b></p> <ul style="list-style-type: none"> <li>•Sales of water services</li> <li>•Interest on outstanding debtor balances</li> <li>•Impairment of financial assets</li> <li>•Trade receivables from exchange transactions</li> </ul> <p><b>2. Property, plant and equipment</b></p> <ul style="list-style-type: none"> <li>•Assets under construction (AUC)/ Work in progress (WIP)</li> </ul> <p><b>3. Disclosures</b></p> <ul style="list-style-type: none"> <li>Irregular expenditure</li> <li>Financial instrument disclosure</li> </ul>	<p><b>1. Revenue Management</b></p> <ul style="list-style-type: none"> <li>•Revenue from exchange transactions</li> <li>•Impairment of financial assets</li> <li>•Receivables from exchange transactions</li> <li>•Financial Instrument disclosure</li> </ul>	<p><b>1. Revenue from exchange transactions</b></p>	

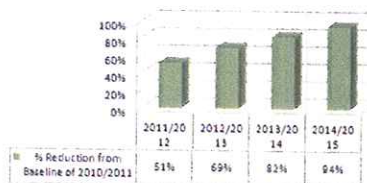
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## Trend analysis: matters relating the audit report

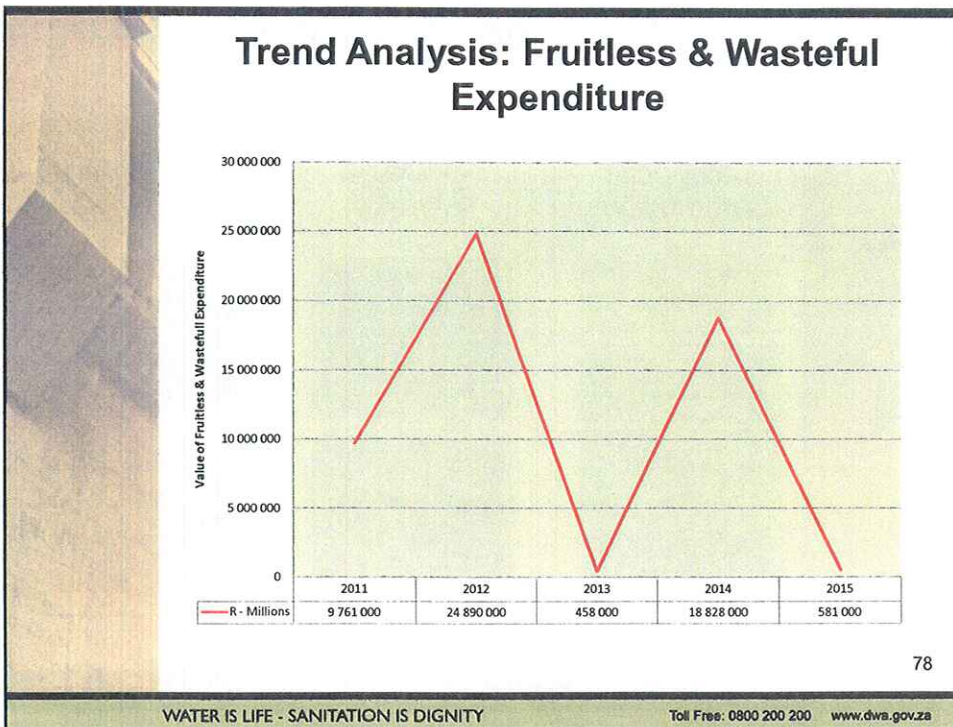
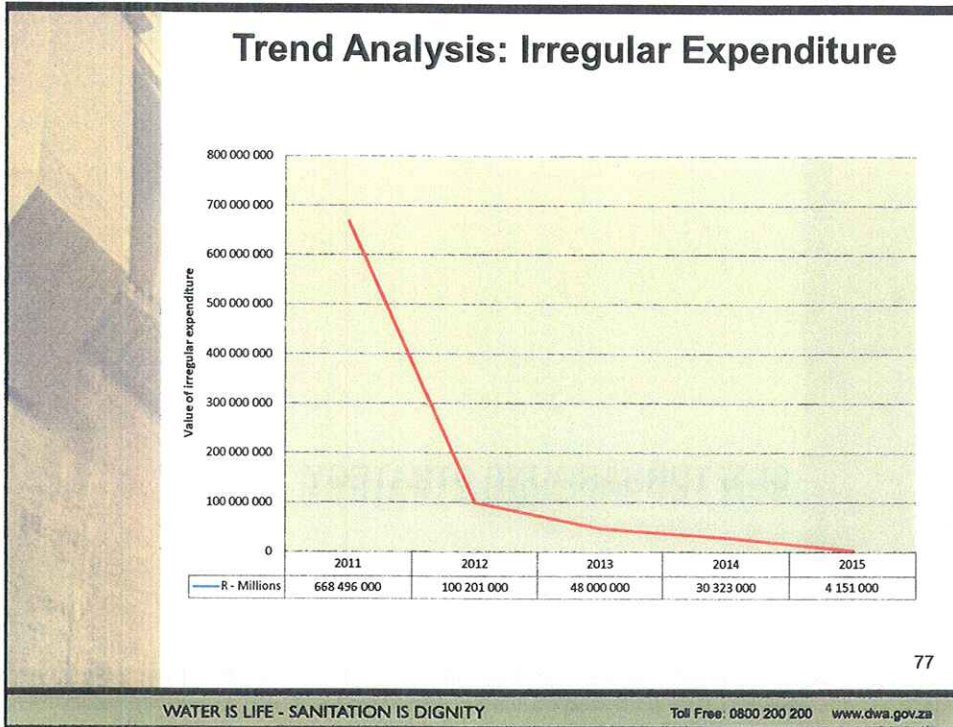
Trend Analysis on number of Findings



% Reduction from Baseline of 2010/2011



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# SCM TURNAROUND STRATEGY

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## Revision of processes

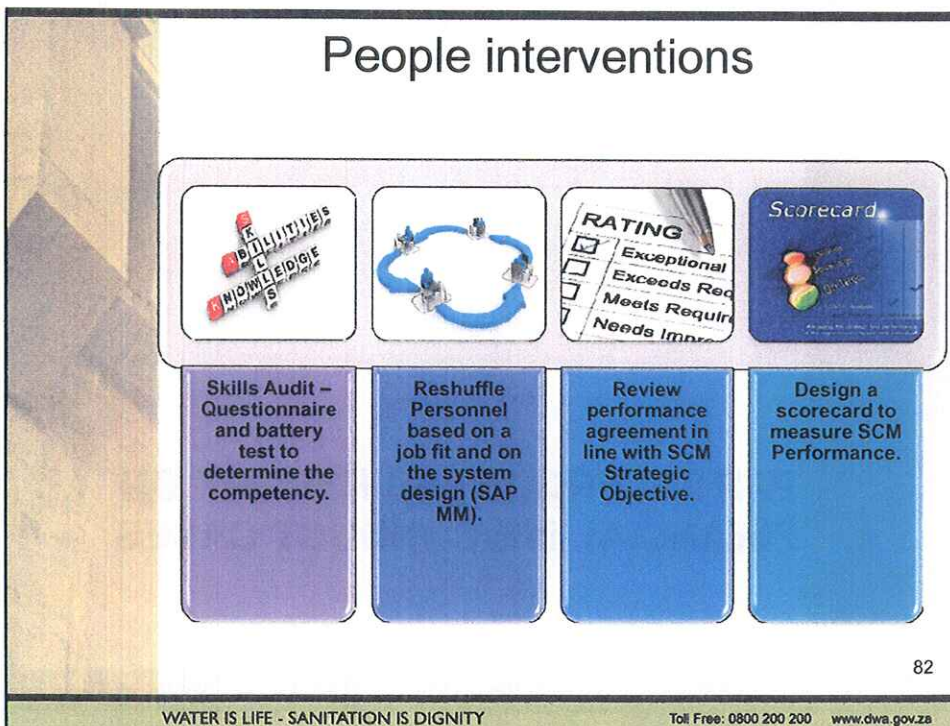
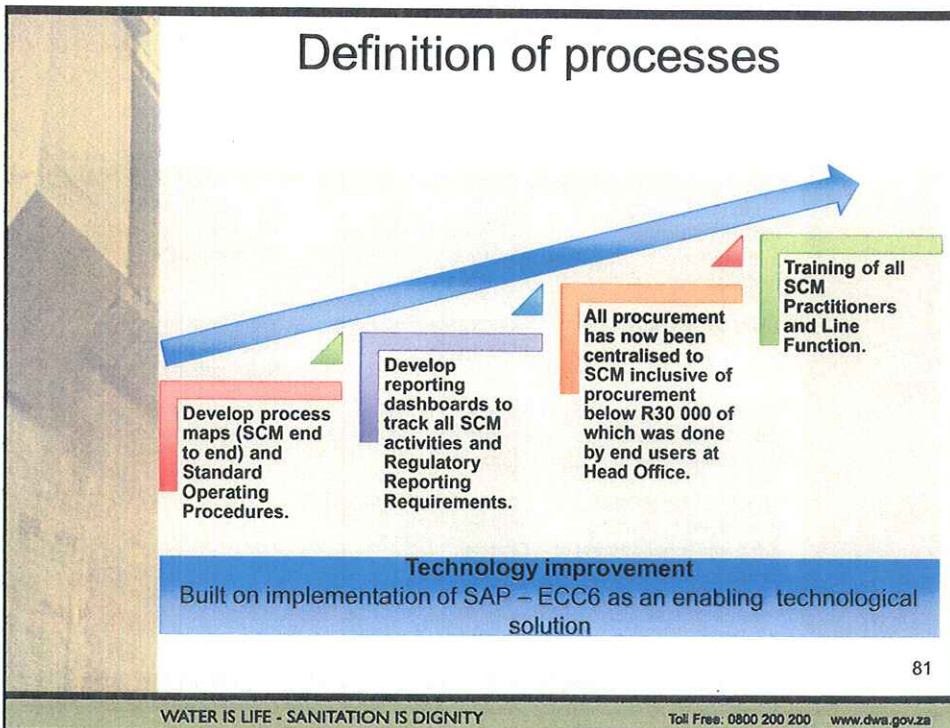
Categorize Commodities	Strategic Sourcing	Purify Supplier Database
<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Stock</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Non-Stock (look at frequency/value spent)</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Services</div> <div style="border: 1px solid black; padding: 5px;">Projects - Operation &amp; Maintenance/ Construction</div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Develop Sourcing Strategy - inclusive of Commodity Market Research</div> <div style="border: 1px solid black; padding: 5px;">Term contracts/Contracts for frequently procured commodities</div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Central Supplier Database (Supplier Relationship Management which enhances the Supplier Registration Process)</div> <div style="border: 1px solid black; padding: 5px;">Suppliers to be screened (pre-qualification) and be aligned to commodities required by the Department.</div>

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## Key drivers that can lead to a clean audit outcome

People	Process	Technology
Adequate Structure incorporating the importance of segregation of duties	Regularly updated Policies in Compliance with PFMA and Treasury Regulations	Adequate Financial Management Systems (Preferably ERP Solution)
Skills Development Plan	Compliance Reporting Framework	Workflows linked to Delegations and Segregation of Duties
Performance Agreements linked to Business Plan And Turnaround Strategy	Standard Operating Procedures and Process Maps	All Manual and Electronic processes documented
Maintain high level of good governance and adequate management of Discipline to prevent financial Misconduct	Year End Audit Process and Action Plan for Closure	

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## PART 3: PROGRESS REPORT ON FINANCIAL MISCONDUCT CASES

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## Overview of financial misconduct cases

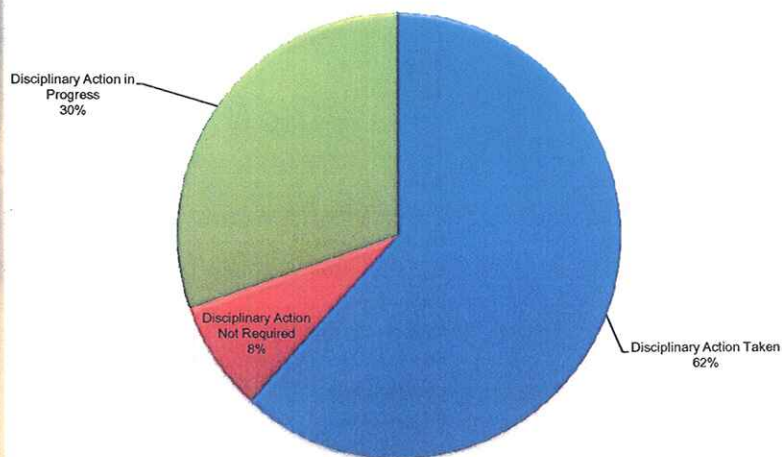
Description	Number of Cases	2011-2012	Number of Cases	2012-2013	Number of Cases	2013-2014	Number of Cases	2014-2015
Total reported	395	R 1 789 387	129	R 64 714	411	R 45 528	139	R 92 087
Condoned	128	R 986 345	49	R 9 809	178	R 64 572	21	R 4 320

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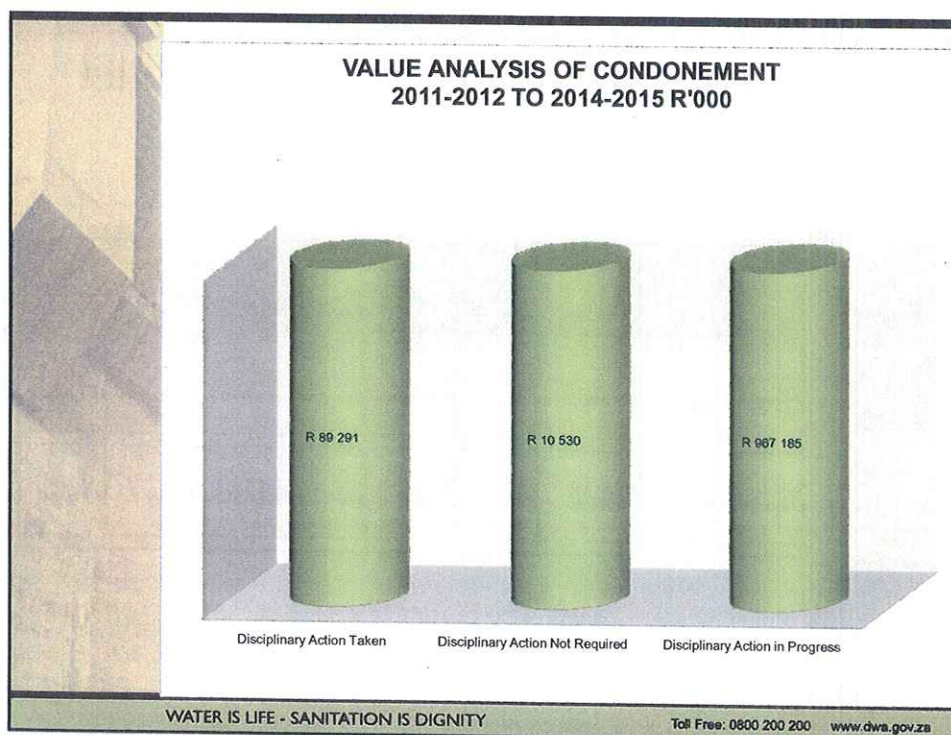
## TOTAL ANALYSIS OF CONDONEMENT 2011-2012 TO 2014-2015 IN R '000



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## Definitions

Abbreviation / Acronym	Description
ACIP	Accelerated Community Infrastructure Programme
AFUR	African Forum for Utility Regulators
AFS	Annual Financial Statements
AG	Auditor-General
AMD	Acid Mine Drainage
AOPO	Audit of Predetermined Objective
APP	Approved Professional Person
BRICS	Brazil, Russia, India, China and South Africa
CRM	Customer Relations Unit
DoRA	Division of Revenue Act
DWS	Department of Water and Sanitation
EC	Eastern Cape
EIA	Environmental Impact Assessment
EMP	Environmental Management Programme
ER	Economic regulation
EU	European Union
e-WULAAS	Electronic Water Use Licence Application and Authorisation System
Exp	Expenditure

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## Definitions (cont...)


Abbreviation / Acronym	Description
FS	Free State
FY	Financial year
G & S	Good and services
IA	Implementing Agent
Inst Est.	Institutional Establishment
LP	Limpopo
MP	Mpumalanga
Nat Sanitation Serv.	National Sanitation Services
NT	National Treasury
OR	Order number
RBIG	Regional Bulk Infrastructure Grant
RQOs	Resource Quality Objectives
SLAs	Service Level Agreements
TCTA	Trans Caledon Tunnel Authority
Trans of Water Schemes	Transfer of Water Schemes
Water Info Mgt	Water Information Management
WC	Western Cape
WS Mgt	Water Sector Management

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## Definitions (cont...)

Abbreviation / Acronym	Description
WS services & sanitation regulation	Water Supply Services and Sanitation Regulation
WSA	Water Service Authority
WU Author & Admin	Water Use Authorisation and Administration
WU Authorisat. Enabling	Water Use Authorisation Enabling
WULATS	Water Use Licence Authorisation Tracking System
WWTW	Wastewater Treatment Works
YTD	Year to date


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**END**

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**ANNEXURE:  
DETAILED EXPENDITURE TRENDS  
PER PROGRAMME (MAIN ACCOUNT)**

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## Programme 1: Administration expenditure per sub-programme

UNIT	VOTED FUNDS			EARMARKED FUNDS			TOTAL		
	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent
<b>SUB PROGRAMME</b>									
Ministry	44 462	43 270	97%			0%	44 462	43 270	97%
Departmental Management	36 547	36 038	99%			0%	36 547	36 038	99%
Internal Audit	21 039	20 185	96%			0%	21 039	20 185	96%
Corporate Services	422 146	407 520	97%			0%	422 146	407 520	97%
Financial Management	132 314	127 475	96%			0%	132 314	127 475	96%
Office Accommodation	299 775	253 698	85%			0%	299 775	253 698	85%
<b>Total</b>	<b>956 283</b>	<b>888 186</b>	<b>93%</b>			<b>0%</b>	<b>956 283</b>	<b>888 186</b>	<b>93%</b>

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## Programme 1: Administration expenditure per economic classification

EXPENDITURE PER ECONOMIC CLASSIFICATION	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent
<b>Current payment</b>	<b>901,941</b>	<b>841,427</b>	<b>93%</b>				<b>901,941</b>	<b>841,427</b>	<b>93%</b>
Compensation of employees	336,063	332,557	96%				336,063	332,557	96%
Goods and services	564,744	507,766	90%				564,744	507,766	90%
Interest and Rent on land	1,035	1,035	100%				1,035	1,035	100%
Financial transaction in assets & liabilities	69	69	100%				69	69	100%
Unauthorised expenditure			0%						0%
<b>Transfer and Subsidies</b>	<b>21,143</b>	<b>19,580</b>	<b>93%</b>				<b>21,143</b>	<b>19,580</b>	<b>93%</b>
Province and Municipalities	5	5	100%				5	5	100%
Departmental agencies and accounts	5,235	3,871	74%				5,235	3,871	74%
Universities and Technikon			0%						0%
Foreign Govt & International Organisations			0%						0%
Public Co operations & Private Enterprises			0%						0%
Non-Profit Institutions	900	700	78%				900	700	78%
Households	13,003	15,004	100%				13,003	15,004	100%
<b>Payment of Capital Assets</b>	<b>33,199</b>	<b>27,183</b>	<b>82%</b>				<b>33,199</b>	<b>27,183</b>	<b>82%</b>
Building & Other fixed structures			0%						0%
Machinery & Equipment	21,564	17,358	80%				21,564	17,358	80%
Cultivated assets			0%						0%
Software & and other intangible assets	11,635	9,825	84%				11,635	9,825	84%
Land and subsoil assets			0%						0%
<b>Total</b>	<b>956,283</b>	<b>888,186</b>	<b>93%</b>				<b>956,283</b>	<b>888,186</b>	<b>93%</b>

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## Programme 1: Administration

The under spending of R68 million (7%) in this programme is mainly due to the following:

- The under spending on this programme is mainly due to delays in receiving invoices of R46 million in respect of office accommodation and municipal services such as electricity, water, sewage and waste removal, and the imported equipment relating to Data Storage Infrastructure for which the invoice of R16 million will only be delivered in the 2015/16 financial year.

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## Programme 2: Water Sector Mgt expenditure per sub-programme

UNIT	VOTED FUNDS			EARMARKED FUNDS			TOTAL		
	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent
<b>SUB PROGRAMME</b>									
Policy Planning and Management Support	5 606	5 604	100%	-	-	0%	5 606	5 604	100%
Integrated Planning	143 420	138 266	96%	-	-	0%	143 420	138 266	96%
Policy and Strategy	15 069	12 293	82%	-	-	0%	15 069	12 293	82%
Water Services and Local Water Management	74 290	69 749	94%	-	-	0%	74 290	69 749	94%
Water Ecosystem	50 075	47 972	96%	-	-	0%	50 075	47 972	96%
Water Information Management	215 181	194 754	91%	-	-	0%	215 181	194 754	91%
<b>Total</b>	<b>503 641</b>	<b>468 638</b>	<b>93%</b>	<b>-</b>	<b>-</b>	<b>0%</b>	<b>503 641</b>	<b>468 638</b>	<b>93%</b>

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## Programme 2: Water Sector Mgt expenditure per economic classification

EXPENDITURE PER ECONOMIC CLASSIFICATION	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent
<b>Current payment</b>	<b>456,855</b>	<b>434,398</b>	<b>95%</b>				<b>456,855</b>	<b>434,398</b>	<b>95%</b>
Compensation of employees	189,146	184,660	98%				189,146	184,660	98%
Goods and services	267,709	249,719	93%				267,709	249,719	93%
Interest and Rent on land			0%						0%
Financial transaction in assets & liabilities			0%						0%
Unauthorised expenditure			0%						0%
<b>Transfer and Subsidies</b>	<b>1,345</b>	<b>1,347</b>	<b>100%</b>				<b>1,345</b>	<b>1,347</b>	<b>100%</b>
Province and Municipalities	9	8	89%				9	8	89%
Departmental agencies and accounts	500	501	100%				500	501	100%
Universities and Technicons			0%						0%
Foreign Govt & International Organisations			0%						0%
Public Co operations & Private Enterprises			0%						0%
Non-Profit Institutions	23	25	100%				23	25	100%
Households	813	813	100%				813	813	100%
<b>Payment of Capital Assets</b>	<b>45,441</b>	<b>32,911</b>	<b>72%</b>				<b>45,441</b>	<b>32,911</b>	<b>72%</b>
Building & Other fixed structures	28,500	25,063	88%				28,500	25,063	88%
Machinery & Equipment	16,469	7,442	45%				16,469	7,442	45%
Cultivated assets			0%						0%
Software & other intangible assets	445	406	82%				445	406	82%
Land and subsoil assets			0%						0%
<b>Total</b>	<b>503,641</b>	<b>468,637</b>	<b>93%</b>				<b>503,641</b>	<b>468,638</b>	<b>93%</b>

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## Programme 2: Water Sector Mgt

The under spending of R35 million (7%) in this programme is mainly due to the following :

- Purchase of laboratory analyses instruments for national surface water quality programme and Inductively Coupled Plasma Optical Emissions Spectrometer Instrument which were projected to be procured in the 2014/15 financial year, could not be procured as planned. The instruments will only be delivered in 2015/16 financial year.
- There was a change of scope for the Supporting participatory intervention in the Water Sector project and Analysis of Inclining Block Traffic and rescheduled to commence in 2015/16 financial year.

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### Programme 3: Water Infrastructure Mgt expenditure per sub-programme

UNIT	VOTED FUNDS			EARMARKED FUNDS			TOTAL		
	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent
<b>PROGRAMME</b>									
Infrastructure Development and Rehabilitation			0%	2,755,177	2,755,177	100%	2,755,177	2,755,177	100%
Operation of Water Resources			0%	164,245	164,245	100%	164,245	164,245	100%
			0%			0%			0%
<b>Total</b>			<b>0%</b>	<b>2,919,422</b>	<b>2,919,422</b>	<b>100%</b>	<b>2,919,422</b>	<b>2,919,422</b>	<b>100%</b>

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### Programme 3: Water Infrastructure Mgt expenditure per economic classification

EXPENDITURE PER ECONOMIC CLASSIFICATION	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent
<b>Current payment</b>						0%			0%
Compensation of employees						0%			0%
Goods and services						0%			0%
Interest and Rent on land						0%			0%
Financial transaction in assets & liabilities						0%			0%
Unauthorised expenditure						0%			0%
<b>Transfer and Subsidies</b>						100%			100%
Province and Municipalities				2,919,422	2,919,422	100%	2,919,422	2,919,422	100%
Departmental agencies and accounts				2,735,154	2,735,154	100%	2,735,154	2,735,154	100%
Universities and Technikons						0%			0%
Foreign Govt & International Organisations				184,268	184,268	100%	184,268	184,268	100%
Public Co operations & Private Enterprises						0%			0%
Non-Profit Institutions						0%			0%
Households						0%			0%
<b>Payment of Capital Assets</b>						0%			0%
Building & Other fixed structures						0%			0%
Machinery & Equipment						0%			0%
Cultivated assets						0%			0%
Software & and other intangible assets						0%			0%
Land and subsoil assets						0%			0%
<b>Total</b>				<b>2,919,422</b>	<b>2,919,422</b>	<b>100%</b>	<b>2,919,422</b>	<b>2,919,422</b>	<b>100%</b>

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## Programme 4: Regional Impl. & Support expenditure per sub-programme

UNIT	VOTED FUNDS			EARMARKED FUNDS			TOTAL		
	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent
<b>SUB PROGRAMME</b>									
Regional Management and Support	2,305	1,836	80%			0%	2,305	1,836	80%
Water Sector Support	444,535	416,452	94%	1,084,963	947,444	87%	1,529,498	1,363,895	89%
Water Use and Regulations	363,852	342,755	94%			0%	363,852	342,755	94%
Institutional Establishment	32,539	26,184	80%			0%	32,539	26,184	80%
Regional Bulk			0%	4,882,915	3,941,238	81%	4,882,915	3,941,238	81%
Transfer of Water Schemes	14,321	13,008	90%	582,556	553,177	95%	596,998	566,185	95%
Support Services	350,717	329,294	94%			0%	350,717	329,294	94%
Water Services Projects			0%	202,233	202,233	100%	202,233	202,233	100%
Integrated Catchment Management	10,528	8,998	85%			0%	10,528	8,998	85%
Water Use Authorisation and Administration	10,440	7,882	76%			0%	10,440	7,882	76%
National Sanitation Service	89,765	40,062	45%	999,040	347,586	35%	1,088,805	387,648	36%
<b>Total</b>	<b>1,319,123</b>	<b>1,188,304</b>	<b>90%</b>	<b>7,751,707</b>	<b>5,989,844</b>	<b>77%</b>	<b>9 070 830</b>	<b>7,178,148</b>	<b>79%</b>

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## Programme 4: Regional Impl. & Support expenditure per economic classification

EXPENDITURE PER ECONOMIC CLASSIFICATION	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent
	<b>Current payment</b>	<b>924,150</b>	<b>980,612</b>	<b>95%</b>	<b>371,737</b>	<b>179,833</b>	<b>73%</b>	<b>1,295,887</b>	<b>1,160,445</b>
Compensation of employees	507,308	595,702	107%	172,842	61,742	58%	680,151	657,444	99%
Goods and services	416,740	384,808	81%	198,895	118,081	84%	615,635	502,900	82%
Interest and Rent on land	47	47	100%			0%	47	47	100%
Financial transaction in assets & liabilities	54	54	100%			0%	54	54	100%
Unauthorised expenditure			0%			0%			100%
<b>Transfer and Subsidies</b>	<b>31,830</b>	<b>15,213</b>	<b>132%</b>	<b>1,615,789</b>	<b>1,565,948</b>	<b>100%</b>	<b>1,647,398</b>	<b>1,646,783</b>	<b>104%</b>
Province and Municipalities	18,537	547	102%	1,033,167	1,050,780	107%	1,051,704	1,051,337	107%
Departmental agencies and accounts	21	10	48%			0%	21	10	48%
Universities and Technicons			0%			0%			0%
Foreign Govt & International Organisations			0%			0%			0%
Public Co operations & Private Enterprises			0%	580,000	579,919	100%	580,000	579,919	100%
Non-Profit Institutions	588	430	73%			0%	588	430	73%
Households	12,4848	14,226	137%	2,602	861	86%	15,088	15,087	132%
<b>Payment of Capital Assets</b>	<b>363,343</b>	<b>192,478</b>	<b>52%</b>	<b>5,764,201</b>	<b>3,698,951</b>	<b>81%</b>	<b>6,127,544</b>	<b>4,370,919</b>	<b>89%</b>
Building & Other fixed structures	330,414	166,222	50%	5,752,408	4,177,100	92%	6,082,823	4,343,322	89%
Machinery & Equipment	31,262	26,203	62%	11,792	1,341	35%	43,054	27,544	60%
Cultivated assets			0%			0%			0%
Software & and other intangible assets	1,667	53	3%			0%	1,667	53	3%
Land and subsoil assets			0%			0%			0%
<b>Total</b>	<b>1,319,123</b>	<b>1,188,304</b>	<b>90%</b>	<b>7,751,707</b>	<b>5,989,844</b>	<b>77%</b>	<b>9,070,830</b>	<b>7,178,148</b>	<b>79%</b>

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## Programme 4: Regional Impl. & Support

The under spending of R1.890 billion (21%) in this programme is mainly due to the following:

- An allocation of R225 million for the implementation of various water supply projects which include construction of pipelines, steel and concrete reservoirs, drilling of boreholes, connection of bulk water supply system in the Interim, Intermediate Water Supply Programme could not be spent due to prolonged signing of service level agreements and the delayed delivery of materials by suppliers.
- An allocation of R918 million could not be spent due to the delays in the finalisation of the implementation plan by the newly appointed Implementing Agent and the delays in delivery of ordered material needed for implementation of various regional bulk infrastructure programme that will ensure provision of water supply to various regions and municipalities
- An allocation of R389 million could not be spent on replacement of bucket toilets with full waterborne sanitation (flushing toilets) with a water and sewer connection to a reticulation network due to the insufficient infrastructure to support Bucket Eradication Programme, cash flow challenges experienced by the Implementing Agents, and the severe hard rock and adverse geotechnical soil conditions which delayed the excavation process.

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## Programme 5: Water Sector Regulation expenditure per sub-programme

UNIT	VOTED FUNDS			EARMARKED FUNDS			TOTAL		
	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent
<b>SUB PROGRAMME</b>									
Regulation Management and Support	6 856	3 423	50%			0%	6 856	3 423	50%
Economic and Social Regulation	7 683	4 472	58%			0%	7 683	4 472	58%
Water Use Authorisation	9 722	9 085	93%			0%	9 722	9 085	93%
Water Supply Services & Sanitation Regulation	32 705	16 036	49%			0%	32 705	16 036	49%
Water Resource Regulation	28 203	25 487	90%			0%	28 203	25 487	90%
Compliance and Monitoring	21 799	21 767	100%			0%	21 799	21 767	100%
Enforcement	14 795	14 031	95%			0%	14 795	14 031	95%
Institutional Oversight	41 336	35 275	85%			0%	41 336	35 275	85%
<b>Total</b>	<b>163 099</b>	<b>129 576</b>	<b>79%</b>			<b>0%</b>	<b>163 099</b>	<b>129 576</b>	<b>79%</b>

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## Programme 5: Water Sector Regulation expenditure per economic classification

EXPENDITURE PER ECONOMIC CLASSIFICATION	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent
<b>Current payment</b>	<b>160,178</b>	<b>128,146</b>	<b>80%</b>			0%	<b>160,178</b>	<b>128,146</b>	<b>80%</b>
Compensation of employees	80,358	79,811	99%			0%	80,358	79,811	99%
Goods and services	79,818	48,335	61%			0%	79,818	48,335	61%
Interest and Rent on land			0%			0%			0%
Financial transaction in assets & liabilities			0%			0%			0%
Unauthorised expenditure			0%			0%			0%
<b>Transfer and Subsidies</b>	<b>758</b>	<b>758</b>	<b>100%</b>			0%	<b>758</b>	<b>758</b>	<b>100%</b>
Province and Municipalities	1	1	0%			0%	1	1	0%
Departmental agencies and accounts			0%			0%			0%
Universities and Technicons			0%			0%			0%
Foreign Govt & International Organisations			0%			0%			0%
Public Co operations & Private Enterprises			0%			0%			0%
Non-Profit Institutions	648	648	100%			0%	648	648	100%
Households	108	110	101%			0%	108	110	101%
<b>Payment of Capital Assets</b>	<b>1,332</b>	<b>669</b>	<b>50%</b>			0%	<b>1,332</b>	<b>669</b>	<b>50%</b>
Building & Other fixed structures			0%			0%			0%
Machinery & Equipment	2,164	669	31%			0%	2,164	669	31%
Cultivated assets			0%			0%			0%
Software & and other intangible assets			0%			0%			0%
Land and subsoil assets			0%			0%			0%
			0%			0%			0%
<b>Total</b>	<b>163,098</b>	<b>129,576</b>	<b>79%</b>			0%	<b>163,098</b>	<b>129,576</b>	<b>79%</b>

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## Programme 5: Water Sector Regulation

The under spending of R33 million (21%) in this programme is mainly due to the following:

- The under spending on this programme is mainly attributable to delayed implementation of a R15 million project on implementation of drinking water quality and wastewater management, and the period it took for the draft pricing strategy to be consulted with key sector stakeholders before it can be approved to be gazetted for public consultation. A further R5 million could not be spent on the envisaged African Forum for Utility Regulators conference which has been postponed to June 2015.

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## Programme 6: Intl Water Cooperation expenditure per sub-programme

UNIT	VOTED FUNDS			EARMARKED FUNDS			TOTAL		
	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent
<b>SUB PROGRAMME</b>									
International Relation Management and Support	5 003	4 916	98%			0%	5 003	4 916	98%
Africa Cooperation	13 457	12 877	96%			0%	13 457	12 877	96%
Global Cooperation	15 666	14 919	95%			0%	15 666	14 919	95%
<b>Total</b>	<b>34 126</b>	<b>32 712</b>	<b>96%</b>			<b>0%</b>	<b>34 126</b>	<b>32 712</b>	<b>96%</b>

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## Programme 6: Intl Water Cooperation expenditure per economic classification

EXPENDITURE PER ECONOMIC CLASSIFICATION	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent	Adjusted Budget	YTD Exp 31 Mar 2015	% Spent
Current payment	32,382	31,324	102%				32,382	31,324	102%
Compensation of employees	21,974	21,233	93%				21,974	21,233	93%
Goods and services	10,344	10,091	128%				10,344	10,091	128%
Interest and Rent on land	64		0%				64		0%
Financial transaction in assets & liabilities			0%						0%
Unauthorised expenditure			0%						0%
<b>Transfer and Subsidies</b>	<b>921</b>	<b>908</b>	<b>99%</b>				<b>921</b>	<b>908</b>	<b>99%</b>
Province and Municipalities			0%						0%
Departmental agencies and accounts	3		0%				3		0%
Universities and Technikon			0%						0%
Foreign Govt & International Organisations	918	908	99%				918	908	99%
Public Co operations & Private Enterprises			0%						0%
Non-Profit Institutions			0%						0%
Households			0%						0%
<b>Payment of Capital Assets</b>	<b>823</b>	<b>480</b>	<b>58%</b>				<b>823</b>	<b>480</b>	<b>58%</b>
Building & Other fixed structures			0%						0%
Machinery & Equipment	823	480	58%				823	480	58%
Cultivated assets			0%						0%
Software & and other intangible assets			0%						0%
Land and subsoil assets			0%						0%
<b>Total</b>	<b>34,126</b>	<b>32,712</b>	<b>96%</b>				<b>34,126</b>	<b>32,712</b>	<b>96%</b>

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## Programme 6: Intl Water Cooperation

**The under spending of R1 million (4%) in this programme is mainly due to the following:**

- The under spending of R1 million in this programme is attributable to the outstanding invoice relating to the participation of the Department in the activities of 7th world water forum which was held in South Korea.

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