



water & sanitation

Department:
Water and Sanitation
REPUBLIC OF SOUTH AFRICA



PORTFOLIO COMMITTEE BRIEFING ON KGETLENGRIVIER AND MEDIA REPORTS - 2016 TO DATE

Presented by:
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Minister of Water and Sanitation

Date: Friday, 03 March 2017

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- Funding for drought interventions at the Kgatengrivier Local Municipality;
- Allegations of “Serious maladministration” in respect of tender in terms of Gauteng and Limpopo contracts;
- Allegations that the Department is bankrupt particularly in terms of unpaid invoices relating to R1.7 billion and the WTE overdraft of over R 2.6 billion;
- Allegations of the rollout of SAP system.

Funding for drought interventions at the Kgetlengrivier Local Municipality

- I wish to retract the announcement made by officials at the Portfolio Committee of the 17 February 2017, stating that the construction unit will be undertaking the construction work in Kgetleng Local Municipality.
- I wish to state that in the next few days, I will issue a Directive to Magalies Water to be the Implementing Agent in addressing the challenges in Kgetlengrivier Municipality.
- However, this is subject to a Kgetlengrivier Council Resolution on the matter



ALLEGATIONS THAT THE DEPARTMENT IS BANKRUPT; PARTICULARLY IN TERMS OF UNPAID INVOICES 1.7 BILLION MAIN ACCOUNT

PRESENTATION OUTLINE

- Departmental Financial Status 27 February 2017
- Unpaid invoices
- Allegations of bankruptcy of R4.1 billion
- Conclusion

**DEPARTMENTAL FINANCIAL STATUS AS
AT 27 FEBRUARY 2017**

Departmental Spending per program as at 27 February 2017

Programme (Amounts in R'000)	Adjusted Budget	Actual Expenditure	Variance	% spent
1. Administration	1 612 951	1 286 374	326 577	80%
2. Water Planning and Information Management	814 813	599 927	214 886	74%
3. Water Infrastructure Development	12 012 696	10 662 266	1 350 430	89%
4. Water and Sanitation	738 060	821 517	-83 457	111%
5. Water Sector Regulation	346 077	246 594	99 483	71%
Total	15 524 597	13 616 678	1 907 919	88%

Departmental Spending per program as at 27 February 2017

- The Department has been allocated a budget of R15.5 billion of which R13.6 billion has been spent, with an available budget of R1.9 billion up to the end of the financial year.
- All the programs are spending in line with the budget projections and are within their budget allocation except for the Water and Sanitation program due to pressures within the Bucket Eradication Program, which has resulted in an overspending of R83 million on the Water and Sanitation Program.
- The overall spending of the Department up to 27 February 2017 is 88%.

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Departmental Spending per program as at 27 February 2017

- The available R1.9 billion has been allocated as follows:
 - Compensation of employees R238 million
 - Transfers to Municipalities scheduled for payment on 8 and 9 March 2017 of R712 million
 - Goods and services and capital expenditure of R958 million
- The Department has projected that it will spend the full budget allocation by 31 March 2017, with a slight underspending of R99 million on Compensation of Employees.
- The bank balance of the Department is currently R558 million, with a balance of R1.1 billion which has not been requested from National Treasury and is due for payment to the Department in the month of March 2017.

UNPAID INVOICES

- The Department has unpaid invoices amounting to R682 million, of which R207 million is a disputed invoice which will not be paid, and only R475 million is for legitimate invoices received.
- The invoices are made up as follows:

Description	Value	Comment
Giyani Water Services Project	R207 million	Invalid invoices above contract value which will not be paid
Drought Interventions	R224 million	Department re-prioritising within its budget to pay
Bucket Eradication Program	R251 million	Department re-prioritising within its budget to pay
Total of unpaid invoices	R682 million	Only R475 million will be re-prioritised within the Department's budget for payment excluding the R207 million for Giyani Water Services as it is not valid.

UNPAID INVOICES

Giyani Water Services

- The Department experienced a delay in the payment of invoices for the Giyani project as they were budgeted to be paid over four years in line with the contractual cash projections, however, due to acceleration of the project they needed to be paid in two years.
- The Department had to reallocate its budget for 2016/17 to be able to pay all invoices this year, and reprioritise the funds which were allocated for the Giyani project in the future years to other projects as the Giyani project is at its completion phase.
- A total of R2.4 billion (including VAT) has been paid towards the Giyani project against the contract of R2.5 billion. The remaining balance of R100 million is for retentions withheld by the Department which will only be paid when the 12 months defects liability period has passed.
- Additional invoices of R207 million have been received for the Giyani project. These invoices will not be paid as they are above the contract value and no authorisation was provided by the Department to exceed the contract amount.
- There are no other invoices for the Giyani project which are due for payment besides the disputed invoices of R207 million.

UNPAID INVOICES

Drought interventions

- The Department had to reallocate its budget to attend to the drought crisis which was affecting the country.
- Several drought interventions were initiated by the Department of which some were performed by Implementing Agents appointed by the Department, and some were performed by the Department directly. This included the dispatching of 110 water tankers and reservoirs to drought stricken areas like KZN, Free State, Limpopo and North-West.
- R128 million has been paid for water tankers, and there are currently unpaid invoices of R67 million.
- There are also additional unpaid invoices for drought interventions from implementing agents amounting to R157 million.
- The total of all unpaid drought interventions invoices amounts to R224 million, which will be paid through a budget reprioritisation process within the Department.
- Only R50 million was obtained from National Treasury towards the water tankers, which necessitated the withdrawal of all tankers on 10 January 2017 due to the high costs of water tankering.

UNPAID INVOICES

Bucket Eradication

- The allocated budget for Bucket Eradication amounts to R422 million. A request for additional funds has been submitted to the Portfolio Committee as the allocated funds are not sufficient to cover the changes in scope in the Bucket Eradication program due to the related infrastructure, and unforeseen ground conditions. The full budget of R422million has been exhausted.
- While negotiating for additional funds for the Bucket Eradication program, additional invoices of R459 million were received and there were delays in payment of these invoices due to unavailability of funds for the Bucket Eradication Program.
- Invoices of R208 million have been subsequently paid due to a reprioritisation of funds within the Department. There are currently unpaid invoices of R251 million for the Bucket Eradication Program which will be paid through a budget reprioritisation process.
- The Department is currently in a process of costing the full budget requirements to complete the Bucket Eradication Program.

ALLEGATIONS OF BANKRUPTCY OF R4.1 BILLION

- The Media has alleged that the Department is bankrupt to the tune of R4.1billion
- The information was compiled from a spreadsheet dated 13 December 2016 which includes the following:
 - internal requests from line managers for additional funds
 - invoices on hand by 13 December 2016
 - budget pressures that were identified during the normal course of business of which by 13 December 2016 a decision had not been made on whether the Department must continue with such activities or not
- The figure of R4.1 billion in its entirety does not relate to invoices on hand and contractual commitments which the Department is unable to honour, only a small portion of this is relating to invoices still on hand amounting to R682 million as outlined on the previous slides on unpaid invoices, of which R475 million is for legitimate invoices and R207 million is disputed.

ALLEGATIONS OF BANKRUPTCY OF R4.1BILLION

The R4.1 billion can be analysed as follows:

Description	Amount	Status
Requests from Implementing Agents for financial assistance subsidies	R546 million	The request was declined by the Department. There's no accrual or commitment for this amount.
Requests for advances from Implementing Agents for planned and budgeted projects	R268 million	The Department declined to pay the amount as an advance, and only paid it upon receipt of invoices for work done. The projects were already budgeted for, and payment has been made based on invoices received and work performed.
Invoices which have already been paid	R1,8 billion	Invoices have been paid through a budget reprioritisation process which took place within the Department. There's no accrual or commitment for this amount.
Internal requests by line managers for additional funds	R99 million	The requests were considered by the Accounting Officer and declined. There is no accrual or commitment for this amount.

ALLEGATIONS OF BANKRUPTCY OF R4.1 BILLION

Description	Amount	Status
Disputed invoices above contract value for Giyani	R207 million	These invoices will not be paid as there was no authorisation from the Department for the service provider to exceed the contracted amount.
Water Trading Entity claim	R785 million	The claim is being disputed by the Department due to unavailability of supporting documents for the claim. This is only reported as a contingent liability as the probability of paying it is small.
Invoices on hand which have not been paid	R475 million	This relates to invoices for drought interventions and bucket eradication which have not been paid. The Department is reprioritising within its budget allocation to pay these invoices in the current financial year from the available budget of R1.9billion.

CONCLUSION

- The Department still has an available budget of R1.9 billion up until the end of the financial year.
- The available budget is sufficient to honour unpaid invoices of R475 million through an internal budget reprioritisation process within the Department.
- The Department will also be able to pay its salaries and other goods and services invoices as they become due.
- Additional funds are, however, required to enable the Department to complete the Bucket Eradication Program and a request has been submitted for additional funds

WATER TRADING ENTITY ON OVERDRAFT OF MORE THAN 2.6 BILLION WATER TRADING ACCOUNT (WTE)





**ALLOCATION LETTERS FROM NATIONAL TREASURY FOR 2015/16
MTEF**

NATIONAL TREASURY BUDGET ALLOCATION OVER MTEF

National Treasury allocations		MEDIUM TERM EXPENDITURE FRAMEWORK	
2016/17	2017/18	2018/19	Total
R'000	R'000	R'000	R'000
4 211 796	4 472 386	4 696 005	13 380 187
-1 340 243	-1 248 590	-1 311 020	-3 899 853
National Treasury reduction 28 January 2015			
2 871 553	3 223 796	3 384 985	9 480 334
MTEF allocation received on 28 January 2015			
-1 327 091	-1 898 811	-1 993 752	-5 219 654
National Treasury reduction 2 November 2015			
1 544 462	1 324 985	1 391 233	4 260 680
MTEF allocation received on 2 November 2015			
National Treasury increase/(reduction) 31 October 2016			
-415 104	-234 621	-649 725	
MTEF allocation received on 31 October 2016 - excluding AMD			
909 881	1 156 612	2 066 493	
TOTAL CUTS BY NATIONAL TREASURY			
2 667 334	3 562 505	3 539 393	9 769 232

COMMENTS ON THE BUDGET ALLOCATION-NATIONAL TREASURY

- The main reasons that National Treasury indicated to the Entity for the budget cuts were that the Entity was under spending on capital projects and **can use its accumulated surpluses to fund its capital needs.**
- It was also expected that the Entity should collect debts owed to it and use revenue generated through increase in tariffs as a source of funding.
- The assumptions used as a basis of budget reduction did not take into account the following factors:
 - The assertion of accumulated surplus indicated by National Treasury consists of non-cash items and therefore did not take into account that accumulated surplus does not translate into cash as it can be seen from the difference between the surplus of R3.5 billion and the cash and cash equivalents of R42 million in the audited financial statements for the year ended 31 March 2016.

**WTE BUDGET ALLOCATION FOR 2016/17 AND ASSUMPTIONS MADE
REGARDING DEBTORS COLLECTIONS**



ASSUMPTION MADE DURING THE BUDGET ALLOCATION-2016/17

In compiling the budget mentioned above the WTE made the following assumptions:

- Out of total amount of R9.8 billion of revenue billed, R7.8 billion will be collected from the water users.
- Augmentation of R1.5 billion will be received from National Treasury.
- ***The amount of R2.9 billion of long outstanding debt (over 150 days) was to be received from the Water Boards and Municipalities and the R200 million owed by companies will be collected through the debt collector.***
- The Main Account receivables relating to water services projects were to be paid in the current financial year.
- The WTE assumed 100% collection with regards to the Capital Unit Charge – as such taking the bad debt risk of the Trans Caledon Tunnel Authority (TCTA).
- The assumptions that were made took into consideration the budget pressures and the fact that National Treasury budget cut was drastic.

Budget allocation 2016/17

The 2016/17 approved budget was very specific that:

- “The budget allocation was made on the assumption that the projected revenue will be collected from accounts receivable” and;
- “The intervention of Cooperative Governance and Traditional Affairs (COGTA) and National Treasury (NT) will be required for the collection of this long outstanding debt.”

Bilateral between the Department and National Treasury

Before December 2016, the Minister (DWS) requested a meeting with the National Treasury to raise the following issues:

- The drastic cuts in the budget allocation of DWS (R9 Billion);
- The non-payments by Municipalities and Water Boards for services rendered by DWS (+/-R3.1 Billion);
- The shortfall in the Bucket eradication Programme;
- Non-Funding by National Treasury on key projects such as Umzimvubu.

Resolution of the meeting:

- Bilateral of the two Departments which will result in the final meeting with the two Ministers;
- Outcomes of the discussions is still pending.

Debt collection Service Providers

- The Department appointed a Debt Collector to assist in the recovering of debt older than 60 days;
- The commission to be paid to the service provider on successful recovery was 12% and we have since negotiated it to 11.5%;
- To date they have assisted us to collect R2.7 billion and the debt collector has been paid R322 million;
- The debt collector was restricted to only focus on all categories of debtors except water boards, irrigation boards and water user associations.



**STATUS OF DEBTORS BOOK AS AT THE MONTH-ENDED
31 DECEMBER 2016**

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DEBTOR'S AGE ANALYSIS FOR THE WATER TRADING ENTITY

FOR THE MONTH ENDED 31 DECEMBER 2016

CLASSIFICATION	Days							Total	to	%
	R 0									
	0 to 30	31 to 60	61 to 90	91 To 120	122 To 150	151 +	Total			
Bulk Payers (BP)	3 355	-	162	-	-	-	3 193	0%		
Company (C)	1 387 164	294 102	31 785	181 872	(41 365)	(39 419)	960 188	15%		
Dist Municipalities (DM)	1 060 301	18 775	21 114	240 710	38 241	16 766	724 695	12%		
Individual (I)	412 512	1 292	(103)	45 612	(197)	1 207	364 702	4%		
Irrigation Boards (IB)	263 684	(12 339)	(1 093)	50 011	(820)	(1 750)	229 676	3%		
Local Municipalities (LM)	2 299 704	102 964	27 598	123 500	26 151	37 608	1 981 883	25%		
Metro Municipalities (MM)	24 565	10 795	1 064	1 137	1 123	768	9 678	0%		
National Government (N)	119 813	1 166	455	12 304	573	354	104 961	1%		
Provincial Government (P)	13 290	190	104	753	97	137	12 009	0%		
Water Boards (WB)	2 701 716	507 997	63 460	110 753	444 570	38 892	1 536 043	29%		
Water Service Provider (S)	183 171	2 773	(3 469)	9 749	(3 758)	1 843	176 034	2%		
Water User Association (A)	732 392	17 976	6 320	220 234	7 528	6 867	473 467	8%		
TOTAL	9 201 666	945 692	147 234	996 796	472 144	63 272	6 576 528	100%		

Analysis of Debtor's Age Analysis 31 DECEMBER 2016 vs. 30 NOVEMBER 2016

CUSTOMER CATEGORY	31 DEC 2016	30 NOV. 2016	VARIANCE	CHANGES
	R'000			
Bulk Payers	3 355	3 355	-	
Company (C)	1 387 164	1 311 448	(75 716)	
Dist Municipalities	1 060 301	1 042 649	(17 652)	
Individual (I)	412 512	413 952	1 440	
Irrigation Boards (IB)	263 684	273 323	9 639	
Local Municipalities (LM)	2 299 704	2 257 162	(42 541)	
Metro Municipalities (MM)	24 565	31 031	6 466	
National Government (N)	119 813	119 957	144	
Provincial Government (P)	13 290	15 184	1 894	
Water Boards (WB)	2 701 716	2 676 148	(25 568)	
Water Service Provider	183 171	181 478	(1 693)	
Water User Association (A)	732 392	727 449	(4 943)	
GRAND TOTAL	9 201 666	9 053 136	(148 530)	

MUNICIPALITIES PER PROVINCE

DEBTORS AGE ANALYSIS AS AT 31 DECEMBER 2016

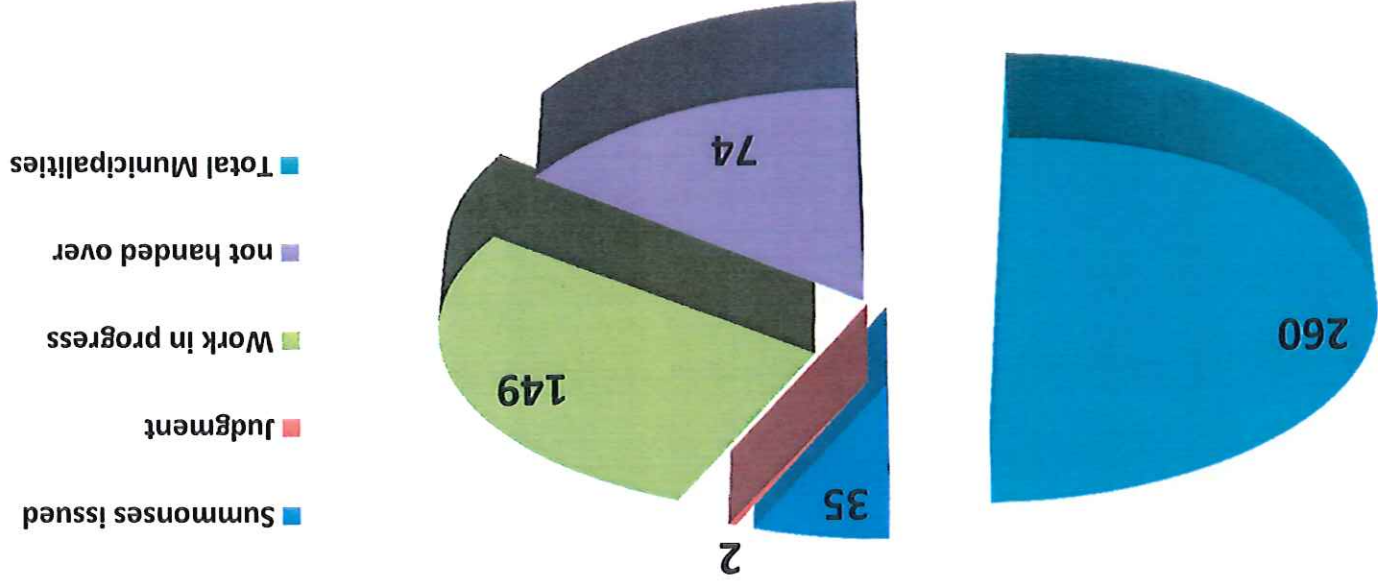
Name	Current	31-60 Days	61-90 Days	91-120 Days	121-150 Days	150+ Days	Total

Mpumalanga	46 386 780	-253 270 834	312 613 563	28 753 818	19 655 267	947 896 462	1 102 035 055
Limpopo	14 942 672	206 982 237	5 207 717	6 213 371	12 797 290	515 906 340	762 049 627
FS	13 097 069	30 310 355	6 346 133	7 373 367	5 127 911	519 507 047	581 761 882
EC	6 701 961	20 588 148	30 967 492	11 111 923	6 274 418	226 703 147	302 347 088
NW	8 294 829	14 026 317	3 794 598	3 763 247	3 829 222	258 569 852	292 278 064
KZN	9 666 885	23 077 876	3 869 064	6 341 787	6 727 848	164 198 607	213 882 067
NC	13 461 708	3 163 142	986 933	734 053	181 587	69 256 019	87 783 441
WC	17 783 932	3 400 540	439 016	454 960	406 313	9 382 874	31 867 635
Gauteng	2 198 583	1 497 262	1 122 888	768 437	141 949	4 835 408	10 564 527
Total	132 534 419	49 775 042	365 347 403	65 514 963	55 141 804	2 716 255 755	3 384 569 386

List of Municipalities that are not paying accounts

LIST OF MUNICIPALITIES NOT PAYING ACCOUNTS								
Name	Current	31-60 Days	61-90 Days	91-120 Days	121-150 Days	150+ Days	Total	Status
VHEMBE DISTRICT MUNICIPALITY	11 646 853	184 316 464	2 800 986	2 785 734	2 776 494	303 585 103	507 911 635	Awaiting summonses
LEKWA LOCAL COUNCIL	21 398 925	-282 793 761	306 124 527	19 305 848	12 018 457	431 941 158	507 995 153	Awaiting summonses
MALUTI-A-PHOFUNG LOCAL	4 211 675	13 644 724	2 432 304	1 705 908	1 686 862	253 573 346	277 254 820	Summonses
MOPANI DISTRICT MUNICIPALITY	6 611 378	12 372 766	3 261 258	2 982 907	3 390 256	178 719 459	207 338 024	Awaiting summonses
MSUKALIGWA MUNICIPALITY	4 908 197	9 974 099	1 882 783	4 114 977	2 062 879	155 696 915	178 639 851	Awaiting summonses
LEKWA - TEEMANE LOCAL MUNICIPALITY	4 515 448	6 612 732	2 199 134	2 199 134	1 867 763	145 262 082	162 656 293	Summonses
OLIVER TAMBO DISTRICT MUNICIPALITY	-16 151 241	11 439 348	25 856 633	3 343 046	4 207 266	101 115 608	129 810 660	Court Judgement
MAFUBE LOCAL	4 383 601	7 403 775	2 191 053	2 188 908	1 956 260	107 921 390	126 044 988	Awaiting summonses
POTCHEFSTROOM LOCAL MUNICIPALITY	2 956 036	3 972 555	1 491 332	1 466 958	1 874 736	48 302 893	60 064 510	Summonses
DIKGATLONG MUNICIPALITY	968 609	2 106 416	576 368	560 742	20 821	41 437 302	45 670 258	Awaiting summonses
DC28 - UTHUNGULU DISTRICT MUNICIPALITY	2 464 659	11 164 719	472 256	1 598 049	23 157	10 505 074	26 227 914	Awaiting summonses
OTHER	84 620 279	69 561 204	16 058 769	23 262 750	23 256 854	938 195 425	1 154 955 281	
Total	132 534 419	49 775 042	365 347 403	65 514 963	55 141 804	2 716 255 755	3 384 569 386	

Legal status on municipalities



Municipalities that have handed over to legal for summoning

- WTE has handed over 186 municipalities (accounts) out of 260 municipalities (accounts) owing the WTE. There are seven (35) municipalities where the summonses were issued and the WTE awaits the judgements to be issued. This are some municipalities were summonses were issued;
 - OR Tambo District Municipality (court judgment)
 - Mafube Local Municipality
 - Emfuleni District Municipality (court judgment)
 - Phumelela Local Municipality
 - Makana Local Municipality
 - Mopane District Municipality
 - Vhembe District Municipality
- Although few municipalities were summoned the other municipalities will follow, awaiting the legal process to unfold.

WATER BOARDS AGE ANALYSIS

WATER BOARDS AGE ANALYSIS 31 DECEMBER 2016

Customer Name	Total	< 30 Days	< 60 Days	< 90 Days	< 120 Days	< 150 Days	>=150 Days	status
SEDIBENG WATER	1 680 546 044	58 809 199	25 553 824	79 302 702	23 086 083	23 089 579	1 470 704 658	Non-payer.
RAND WATER	736 941 342	346 696 675	399 559 157	-12 513 869	-	-101 944	3 301 324	paying
RAND WATER (BUSHBUCKRIDGE)	53 181 438	152 278	77 492	2 353 149	163 295	76 943	50 358 281	Non-paying old debt. PTP current
UMGENI WATER	138 422 946	58 926 301	33 457 061	33 923 373	-316 707	12 220 748	212 169	PTP
MAGALIES WATER	25 404 969	11 738 419	7 852 132	5 814 418	-	-	-	PTP
AMATOLA WATER BOARD	21 729 706	15 684 308	5 022 647	25 249	38 521	32 799	926 182	Paying
LEPELLE NORTHERN WATER	21 038 160	7 617 137	3 966 801	4 281 917	1 286 223	2 588 197	1 297 886	PTP
BLOEM WATER	19 079 585	3 849 291	1 788 780	2 540 772	1 751 082	946 928	8 202 733	PTP
MHLATHUZE WATER	3 996 700	4 438 476	0	-5 105 311	4 663 535	-	-	paying
OVERBERG WATER	1 374 726	85 109	39 756	130 541	40 639	39 024	1 039 658	PTP
Grand Total	2 701 715 617	507 997 192	477 317 649	110 752 941	30 712 670	38 892 273	1 536 042 891	

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Comments on age analysis

Addressing non-collection

- The Department has developed a revenue enhancement strategy to address the challenges the revenue value chain.
- To improve collections individuals and companies needs to be listed with the credit bureaus as non-payers.
- Municipalities continue not to pay the accounts, however they were handed over to legal for summoning.
- 35 summons issued (2 court judgment granted)
- 149 still in legal collection process
- 74 municipalities not handed-over as some of them were paying their accounts. Assessment is being done so that those that are not paying can be handed-over.

Addressing non-collection...(cont)

- 47 billing agent agreement were signed by DWS and WUAs/IRBs.
 - We have 279 WUAs/IRBs combined. Only 93 belongs to SAAFUWA.
 - The DWS is able to coordinate those that belongs to SAAFUWA. The 186 WUAs/IRBs are not coordinated and its difficult to get them to sign the agreement.
 - DWS should is encouraging the 186 to join SAAFUWA so that the coordination can be simplified.
 - The non-payers will also be handed-over to legal
- Most of Water Boards are paying with the exception of Sedibeng Water
 - Final demand letter will be sent to Sedibeng Water. They owe the DWS around R1.7 billion.
 - Water restriction will be considered if they continue not to pay the accounts.
 - Rand Water is not paying for old debt relating to Bushbuckridge. They have committed to pay the current debt.

Collection Steps Taken

- The WTE dunning process didn't yield any positive results as municipalities and water boards continued with non payment of outstanding debt. Therefore the entity had to identify other intervention to collect the debts.

- Letter of demands were sent to all water users not paying the accounts (includes telephone calls)
- The entity decided to call and arrange meeting with the municipalities. Many municipalities are disputing their accounts. WTE made efforts to correct accounts where customers had valid disputes.
- Municipalities that had their queries resolved promised to start paying for their accounts.
- WTE requested intervention from GOGTA and Provisional Treasury. Municipalities made an undertaking to sign the payment arrangement. However, the municipalities that signed the payment arrangement are not honouring the agreement.
- WTE wrote to GOGTA and Minister of Finance in the current financial year to intervene as per the intergovernmental relation Act. GOGTA consulted with the affected municipalities, however there is no positive results as yet.
- The NT is also trying to assist the DWS to collect the outstanding debt from municipalities.

Strategies undertaken/to be taken to collect outstanding debt.

- **Withholding of the equitable share or ensuring Municipalities pay on equitable share.**
 - We are currently working with National Treasury (NT) to withhold equitable share for municipalities that are not paying as prescribed by financial management prescripts. Alternatively, the NT to transfer the equitable share ring-fenced raw water use charges to WTE for non-paying municipalities. We expect this process to address the current overdraft.
- **Restricting water supply**
 - National Water Act allows the DWS to restrict or suspend the flow of water to defaulting water users. In order to collect the outstanding debts, WTE aims to allow municipalities an opportunity to make representations within a reasonable period on any proposed restriction or suspension before the restriction or suspension imposed. The restrictions will be implemented based on the payment patterns of the municipalities. This strategy will have a direct negative impact on the communities which may result to un-rest as the municipalities will not have enough water to deliver to the communities.
 - Restriction or suspension of water supply will affect will also affect economic activities that are happening at local level.

Strategies undertaken/to be taken to collect outstanding debt.

- **Legal action**
 - Hand over non-payers to legal for further handling
- **Listing**
 - Listing non-paying water users with the credit bureaus



ALLEGATIONS OF THE ROLLOUT OF SAP SYSTEM

SAP ROLL-OUT

The business rationale for SAP implementation was necessitated by the 2014/15 FY QUALIFICATION OUTCOMES.

Basis for qualified audit opinion:

Commitments

No 6 "The department did not have adequate systems in place to maintain record of RBIG projects where procurement of goods and services have been approved and /or contracted, but where no delivery has taken place at year end, which resulted in RBIG commitments being misstated by R1.4 billion for the restatement of the corresponding figure for RBIG commitments. The restatement was made in order to rectify a prior year misstatement. I was unable to confirm the restatement by alternative means....."

No 7 "The department did not have adequate systems in place to maintain record of MWIG and RHIG commitments where procurement of goods and services have been approved and/or contracted, but where no delivery has taken place at year end which resulted in RBIG, MWIG and RHIG commitments being misstated by R2 billion....."

SAP ROLL-OUT (Cont...)

The Department explored the possibility of creating seamless reporting mechanism inclusive of all Water Entities under the department. The approved rationale included cost benefit analysis on the sector value chain. The requirements for the subsidiaries of the DWS to use SAP are underpinned by the following:

- The SAP contract will allow for the DWS to continue in successfully executing its operations across various functions and further expand aggressive growth across DWS; Water Boards and subsidiaries.
- Through the consumption and deployment of the solutions included in the new SAP contract, DWS will be able to execute on its newly defined strategies up to and including 2021.

SAP ROLL-OUT

The renewal of the unlimited usage contract is critical to:

- Continued operational agility;
- Current unlimited agreement only covers WTE, the cost of not extending this agreement to other parts of the department outweighs the current cost put forward by SAP (estimated savings of more than R500 million);
- Ensuring that the vision as outlined in the strategic plan is met;
- Ease of consumption: unlimited consumption of software for 5 year period;
- The unlimited contracts rewards for over achievement of the business roadmap over the period of 5 years after the contract date. If usage is higher, DWS does not pay additional license fees and avoids equivalent increases in the higher maintenance base and maintenance is locked during the term;
- The extension of the unlimited usage framework will help reduce total cost of ownership;
- SAP will extend all previous contracts to align with 5 year unlimited term to align with the current contract and previous contracts will be extended by 2 years, allowing DWS more time to realise value of the investment with no additional charges being applied to licenses.

THANK YOU!



water & sanitation

Department:
Water and Sanitation
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