**Report of the Portfolio Committee on Water and Sanitation: Overview of the Fourth Quarter Expenditure Report (1 January 2022 to 31 March 2022) of the Department of Water and Sanitation (Vote 41) for the 2021/22 Financial Year, dated 2 December 2022**

The Portfolio Committee on Water and Sanitation, having considered the 2021/22 fourth-quarter report on the expenditure and performance of the Department of Water and Sanitation (the Department), reports as follows:

1. **Background**

The Portfolio Committee on Water and Sanitation considered the Department's 2021/22 fourth-quarter report on 24 May 2022. This report reflects the Department's expenditure and non-financial performance by the end of the fourth quarter of the 2021/22 financial year. It also provides the Portfolio Committee’s critical deliberations, observations, and recommendations. Those are based on the Portfolio Committee's documents by the Department of Water and Sanitation, the Adjusted Estimates of National Expenditure (AENE) and the section 32 report published by the National Treasury.

**2. Introduction**

The legislative mandate of the Department of Water and Sanitation is to ensure that the country’s water resources are protected, managed, used, developed, conserved and controlled by regulating and supporting the delivery of effective water supply and sanitation. This entails adhering to water-related policies and legislation requirements, including constitutional requirements critical in delivering on the right of access to sufficient food and water, transforming the economy and eradicating poverty. The mandate is derived from the National Water Act, 1998, the Water Services Act, 1997 and Water Research Act, 1971.

**3. Financial Performance of the Department of Water and Sanitation**

Table 1 below reflects quarter-four cumulative expenditure against the final appropriation. The final appropriation for the year under review amounted to R17.7 billion. The actual expenditure amounted to R15.2 billion, a variance of R2.5 billion and expenditure as a percentage of final appropriation or 86 per cent.

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At the end of the fourth quarter, the Department spent R15.2 billion or 85.7 per cent of the available budget of R17.7 billion. This equates to a preliminary underspending of R2.5 billion or 14.3 per cent.

**Programme 1: Administration** spent R1.7 billion or 87.6 per cent against the available budget of R2 billion. The preliminary underspending of R243.5 million or 12.4 per cent is primarily due to unfilled vacancies and the slow procurement of cleaning and security services.

**Programme 2: Water Resources Management** spent R3.5 billion or 96.8 per cent of the available budget of R3.6 billion at the end of the fourth quarter. The preliminary underspending of R116.7 million or 3.2 per cent is due to funded vacant posts, lower travel and subsistence costs and delays in finalising feasibility studies and implementation readiness studies for water management.

**Programme 3: Water Services Management** spent R10 billion or 82.1 per cent of the available budget of R12.2 billion. The preliminary underspending of R2.2 billion or 17.9 per cent is due to vacancies, delays in the implementation of the VRS pollution remediation intervention project, as well as delays in the certification, verification and approval for payment of work done by municipalities on behalf of the department through the indirect RBIG and WSIG. Spending on Covid-19 interventions at the end of the fourth quarter amounted to R37.7 million, while R69.3 million was spent in the 2021/22 financial year.

The analysis of the expenditure per economic classification shows that transfers and subsidies are the main cost drivers, as they constitute the highest expenditure at R9.4 billion. While current payments (compensation of employees and Goods and Services) rank second at just above R1,7 billion and R1.4 billion, respectively, and payments for capital assets rank fourth in terms of expenditure. Transfers and subsidies are mainly to the Water Trading Entity, water boards and municipalities (in the form of grants).

**4. Non-financial performance for the fourth quarter**

Table 2 below reflects the non-financial performance for the fourth quarter in each of the three programmes. Overall, in Programme 1: Administration, the Department achieved 80 per cent, with a budget spend of 88 per cent. In Programme 2: Water Resources Management, the Department achieved 59 per cent, with a 97 per cent budget spend. In Programme 3: Water Services Management, the Department achieved 65 per cent, with an 82 per cent budget spend.



In terms of under-performance in each of the programmes, the Department highlighted the following:

**Programme 1: Administration**

The areas of under-performance in this programme related to: the implementation of the risk management plan, implementation of training interventions, and expenditure on the annual budget.

**Programme 2: Water Resources Management**

The areas of under-performance in this programme related to: the architecture of the National Digitised Integrated Water and Sanitation Monitoring System, completion of the Lindley gauging station, cabinet approval of the National Water Amendment bill, gazetting of the Limpopo-North West Catchment Management Agencies’ new operational area, the transformation of four (4) irrigation boards into water user associations, bulk raw water projects in preparation for implementation phase and under construction, scheduled and unscheduled maintenance projects, dam safety evaluations and rehabilitation projects completed, the second draft business case for the independent economic regulator, finalisation of water use license allocations and draft regulation for water allocation reform.

**Programme 3: Water Services Management**

The areas of under-performance in this programme related to: updating water conservation and water demand strategies, feasibility and implementation readiness studies for regional bulk infrastructure projects, district municipality five-year water and sanitation reliability plans, regional bulk infrastructure project phases under construction and completed (mega and large) and cabinet approval for the Water Services Amendment Bill.

**5. Observations and Recommendations**

The Portfolio Committee was extremely concerned by the reported under expenditure of R2.532 billion by the Department of Water and Sanitation in the 2021/22 financial year. Many communities are not assured of water services or quality water services.

Irregular expenditure of R9,347 billion on the Main Account and R8.1 billion on the Main Trading Entity was unacceptable. Members sought assurance from the Department that procurement policies and adherence to laws to prevent transgressions must be monitored. The Portfolio Committee further noted that under-expenditure within the Regional Bulk and Water Services Infrastructure Grants is directly linked to the non-completion of critical projects intended to ensure that people have access to clean water and dignified sanitation.

Other areas of concern by Members in evaluating the performance of the Department in the fourth quarter related to non-adherence to policies on bid evaluations, low target performance in the finalisation of water user licences and slow progress on bulk water and sanitation projects, which increased initial cost estimates.

The Portfolio Committee, therefore, recommended that the Minister, through the Department of Water and Sanitation:

* Provide quarterly briefings on progress made on under-expenditure and non-attainment of targets on bulk water and sanitation infrastructure projects.
* Provide a briefing on proposed amendments to the National Water Act, Water Services Act, and Water Research Act.

**Report to be noted.**