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ANALYSIS OF THE THIRD QUARTERLY EXPENDITURE REPORT 2021/22: VOTE 41 WATER AND SANITATION

1. INTRODUCTION

The Department of Water and Sanitation's legislative mandate seeks 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 the requirements of water-related policies and legislation, including constitutional requirements that are 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 (No. 36 of 1998), the Water Services Act (No. 108 of 1997) and the Water Research Act (No. 34 of 1971).¹

In addition to contributing to the National Development Plan (NDP) 2030, the Department would also continue to directly contribute to the priorities of government as stated on the Medium Term Strategic Framework 2019-2024 (MTSF 2019-2024).² The priorities are as follows: Priority 1 Economic transformation and job creation; Priority 4 Spatial integration, human settlements and local government; and Priority 6 Building a capable, ethical and developmental state.³

¹ Department of Water and Sanitation (2021a).

² National Planning Commission (2012).

³ Department of Planning, Monitoring and Evaluation (2019).



The purpose of this report is to provide a comparative analysis of the quarterly expenditure for the 3rd quarter 2017/18; 2018/19; 2019/20; 2020/21 and 2021/22 in order to assess the Department's efficiency in discharging its mandate and meeting the planned targets for the 3rd Quarter of 2021/22. The analysis also provides an in depth assessment of the 2021/22 3rd quarterly expenditure report. The Medium Term Adjusted Budget 2021 were also used in the assessment.⁴

The expenditure is organised per programme as follows: Programme 1 Administration; Programme 2 Water Resources Management; and Programme 3 Water Services Management. It is worth noting that the Department has reduced its programmes from four in 2020/21 to three in 2021/22 financial year. This may make comparison of expenditure per programme difficult. However, the total quarterly expenditure will be used to compare performance per quarter.

2. COMPARATIVE ASSESSMENT OF THE THIRD QUARTERLY EXPENDITURE⁵

Although the aim of this brief is to assess the third quarterly expenditure report for 2021/22. It is important to assess the expenditure in light of the previous financial years' expenditure at the same time (3rd quarter). In this regard, table 1 provides a comparative display of the previous 4 years third quarterly expenditure reports. In summary, the 2021/22 performance shows an improvement based on the overall average expenditure percentage, which stood at 98.8%. Although, the department has underspent the projected expenditure by 0.2%. It should be noted that the overall expenditure is acceptable in that the underspent budget will be spent in the fourth quarter.

⁴ National Treasury (2021).

⁵ National Treasury (2020a).



Table 1.: Comparison of 3rd Quarterly Expenditure for 2017/18; 2018/19; 2019/20 ; 2020/21 & 2021/22

(red colour indicates both under and over expenditure)

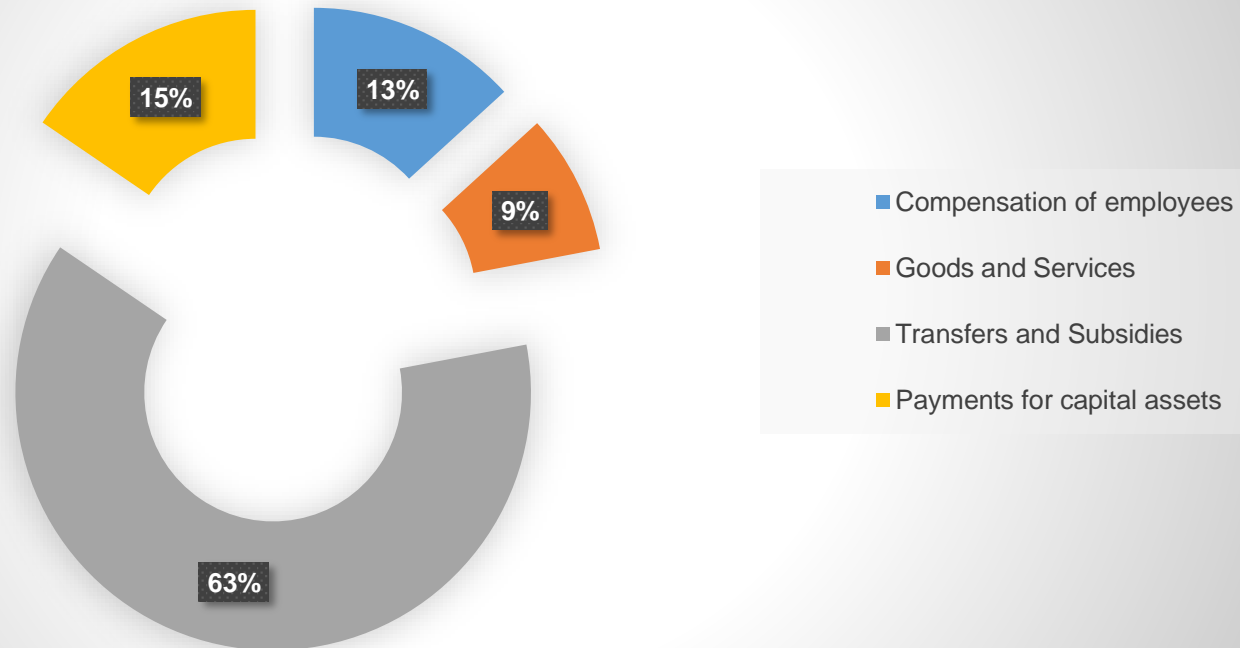
Programme	2017/18 Expenditure (R 000)			2018/19 Expenditure (R 000)			2019/20 Expenditure (R 000)			2020/21 Expenditure (R 000)			2021/22 Expenditure (R 000)		
	Projected	Actual	(%)	Projected	Actual	(%)	Projected	Actual	(%)	projected	Actual	(%)	projected	Actual	(%)
1	1 139.2	1 114.6	97.8	1 858.0	1 205.1	64.9	1 274.1	1 173	92.1	1 110.6	1 216.2	109.5	1111,4	1093,9	98,4
2	538	489.8	91	570.2	520.7	91.3	518.9	476.1	91.7	449.4	432.5	96.2	3123,2	3203,2	102,6
3	8 985.8	9 354.4	104.1	7 959.9	8 312.5	104.4	8 404.7	7 876.3	93.7	7 853.5	7 959.7	101.4	5677,5	5499,5	96,9
4	269.4	238.9	88.7	240.5	209.2	87	249.4	213.6	85.6	217.5	197.6	90.9	–	–	-
TOTAL	10 932.4	11 197.8	102.4	10 628.7	10 247.6	89.6	10 447.2	9 739.0	93.2	9 631.0	9 805.9	101.8	9 912,20	9 796,60	98,8

To this end, the Department planned to spend R9.9 billion at the end of the third quarter. Therefore, the actual expenditure of R9.8 billion is R116 million lower than projected. Overall, the Department spent 55.2% of the available budget of R17.7 billion for 2021/22 at the end of the third quarter.

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 63%. While Goods and Services and Payment for Capital Assets rank second and third in terms of expenditure as illustrated on Figure 1 below. Transfers and subsidies are mainly to Water Trading Entity, water boards and municipalities.



Figure 1 Economic Classification of Expenditure (R000')



Adapted from National Treasury (2022)

The expenditure per economic classification is in line with the expenditure as reflected per programme.



3. ANALYSIS OF THE THIRD QUARTERLY EXPENDITURE AND PERFORMANCE PER PROGRAMME

This section provides a summary of performance based on the third quarterly expenditure report for 2021/22.⁶ The Annual Performance Plan for 2021/22 - 2023/24⁷ and the 3rd Quarter performance progress report⁸ were also used to evaluate programme performance. Table 2 provides a presentation of the selected third quarter performance targets per programme. It is worth noting that the performance per programme given below is not exhaustive as it only highlights selected targets that are considered important.

Programme 1 Administration

This programme spent 98% during the quarter under review. The expenditure is 2% lower than projected due to delays in finalising implementation of the newly approved macro-organisational structure, which impacts on filling vacancies.

The department managed to achieve 61% compliance with the approved audit action plan, filled 854 posts for engineers and scientists; implemented 89% of the financial recovery plan and reduced debtor days to 119, among other achievements. Notwithstanding these achievement, the department failed to spend 78% of the annual budget as planned. This is a course for concern, the Department should provide a detailed recovery plan to ensure that the budget is fully spent by the end of the financial year.

⁶ National Treasury (2022).

⁷ Department of Water and Sanitation (2021) Annual Performance Plan for the Fiscal Years 2021/22 to 2023/24

⁸ Department of Water and Sanitation (2022a).



Programme 2 Water Resources Management

As of 31 December 2021, this programme had spent 102.6% of the total projected expenditure for the third quarter. The expenditure is 2.6% higher than projected, mainly due to higher than projected transfer to the Water Trading Entity.

The department successfully met the target to develop Draft business cases for Phongola Mzimkhulu and Limpopo North West CMAs; Consulted stakeholders on draft Bill for establishing National Water Resources Infrastructure Agency and for the transformation of Gamtoos and Upington Island irrigation boards. And delivered the draft annual update of the National Water Sanitation Master Plan and created 40 job opportunities through implementing operations of water resources infrastructure projects. However, the department could not submit National Water Amendment Bill to Top Management and the National Water Resources Strategy Edition 3 (NWRS 3) for public consultation as planned. In this regard the department should provide reasons for failure to deliver on these 2 very important targets and how it intends to rectify poor performance.

Programme 3 Water Services Management

As of the end of the third quarter, this programme had spent 96.9%, which slightly lower than projected. The lower than projected expenditure is mainly attributed to delays in filling vacant posts and unprocessed invoices in relation to work done through the Regional Bulk Infrastructure and Water Services Infrastructure Grants projects as well as withheld transfers to municipalities contravening the requirements of the Division of Revenue Act 2021 (Act No. 9 of 2021).



The department achieved a target on regional bulk project which are under construction phase of which 7 are mega project phases; 60 are large project phases; 32 are small projects; 2 are large projects and the Vaal intervention project. Nevertheless, the department failed to develop a draft due diligence for the establishment of 2 regional water utilities during the quarter under review. The reason provided for this, is that the change in political leadership in the department changed the strategic direction and the focus is now on revision of existing water boards' boundaries and extending their roles and responsibilities within existing legislation rather than developing regional water utilities.

The department could not achieve the target to evaluate the performance of water boards against their performance plans because 1 water board did not submit its performance report. Which water board is this and why it has failed to submit its performance reports? How does the department intend to resolve and empower the water board to meet the target in the future?

The department could not submit Water Services Amendment Bill to Top Management as planned. In this regard the department should provide reasons for failure to deliver on this very important target and how it intends to rectify poor performance.

In conclusion, the Department financial performance has improved when compared with the same period in 2020/21. To this end, the Department has performed well above average in terms of expenditure while attainment of planned targets remains a challenge, as discussed above. It is also worth noting that National Treasury did not identify any issues for Parliament to consider during the quarter under review. This implies that the department performance and compliance with policies has improved.



4. REFERENCES

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