

Report of the Portfolio Committee on Water and Sanitation – Overview of the Third Quarter Expenditure Report of the Department of Water and Sanitation (Vote 41) for the 2021/22 Financial Year, dated 8 March 2022

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

1. Introduction

The Portfolio Committee on Water and Sanitation considered the Department's 2021/22 third-quarter report on 15 February 2022. This report reflects the Department's expenditure and non-financial performance by the end of the third quarter of the 2021/22 financial year. It also provides the Portfolio Committee's critical deliberations, observations, departmental responses, and recommendations. Those are based on the Portfolio Committee's documents by the Department of Water and Sanitation, the Estimates of National Expenditure (AENE) and section 32 report published by the National Treasury.

2. Overview of the overall expenditure

Table 1 below highlights the total adjusted appropriated budget against actual spending in each programme: Programme 1: Administration; Programme 2: Water Resources Management; Programme 3: Water Services Management. In its reporting of budget votes, the Department of Water and Sanitation delineates the voted funds of Vote 36 (Main Account) to that of the Water Trading Entity (WTE).

The expenditure for the period ended 31 December 2021 amounted to R9.797 billion, representing 55 per cent of the total adjusted budget of R17.735 billion, with an unspent amount of R7.938 billion. Compared to the approved drawings to date of R12.508 billion, the Department reflected an under expenditure of R2.711 billion.

Quarter 3 cumulative expenditure against the adjusted budget

| Programme | Expenditure as at 31 December 2021 | | | Expenditure as % of adjusted budget |
|---|------------------------------------|--------------------|---------------------------|-------------------------------------|
| | Adjusted budget | Actual expenditure | Available budget Variance | |
| | R'000 | R'000 | R'000 | |
| Administration | 1 960 017 | 1 093 866 | 866 151 | 56% |
| Water Resources Management | 3 616 600 | 3 203 212 | 413 388 | 89% |
| Water Services Management | 12 158 440 | 5 499 526 | 6 658 914 | 45% |
| Total programme | 17 735 057 | 9 796 604 | 7 938 453 | 55% |
| Economic classification | | | | |
| Current payments | 4 116 750 | 2 157 192 | 1 959 558 | 52% |
| Compensation of employees | 1 854 657 | 1 295 508 | 559 149 | 70% |
| Goods and services | 2 261 871 | 861 463 | 1 400 408 | 38% |
| Interest and rent on land | 222 | 221 | 1 | 100% |
| Transfers and subsidies | 9 412 244 | 6 123 099 | 3 289 145 | 65% |
| Province and municipalities | 5 858 379 | 3 166 131 | 2 692 248 | 54% |
| Departmental agencies and accounts | 2 375 855 | 2 375 855 | - | 100% |
| Foreign governments and international organisations | 243 324 | 219 631 | 23 693 | 90% |
| Public corporations and private enterprises | 902 969 | 330 750 | 572 219 | 37% |
| Non-profit institutions | 1 322 | 518 | 804 | 39% |
| Households | 30 395 | 30 214 | 181 | 99% |
| Payments for capital assets | 4 206 063 | 1 516 313 | 2 689 750 | 36% |
| Buildings and other fixed structures | 4 045 522 | 1 444 534 | 2 600 988 | 36% |
| Machinery and equipment | 117 294 | 30 399 | 86 895 | 26% |
| Software and other intangible assets | 43 247 | 41 380 | 1 867 | 96% |
| Payments for financial assets | - | - | - | - |
| Total economic classification | 17 735 057 | 9 796 604 | 7 938 453 | 55% |

2.1 Economic Classification (Main Account)

The Economic Classification identifies the type of expenditure incurred, for example, salaries, goods and services, transfers and interest payments, or capital spending. The expenditure for the period ended 31 December 2021 amounted to R9.797 billion, representing 55 per cent of the total adjusted budget of R17.735 billion, leaving a total unspent amount of R7.938 billion, reflecting an underspend of R2.711 billion. The cumulative variations from projected spending within the various budget economic classification are as follows:

- Compensation of employees is below projected spending R47.609 million. The underspending is due mainly to the outstanding adjustment of the conditions of service of members of the Senior Management Services, currently under consideration by the Minister for Public Services and Administration and the reduced rate of filling vacancies within the medium-term expenditure framework.
- Goods and Services is below approved drawings by R286.236 billion. The underspending is due to outstanding invoices for goods delivered and services rendered relating to the operational expenditure required for the running of the Department, for example, office accommodation, information technology-related services and operating payments for the Vaal River Pollution Remediation Project intervention.
- Transfers and subsidies below drawings by R857.579 million. The underspending is due to the following factors:
 - Withholding a portion of conditional grants allocations to municipalities due to non-compliance with the Division of Revenue Act. The Department is working with affected municipalities and the National Treasury in implementing corrective measures to enable transfers of local government conditional grants before the end of the current financial year.
- Payments for capital assets were below drawings by R1.520 billion. The significant contributor being – outstanding invoices for the indirect allocation of the Regional Bulk Infrastructure Grant and Water Services Infrastructure Grant from the implementing agents. Factors contributing to under-expenditure include slow-moving projects, contractual disputes, protests and community unrest.

2.2 Financial highlights for the Main Account

The Department highlighted the following for the Main Account for the period under review:

- Advances include an amount paid per the implementation agreements with water boards and HDA for the Regional Bulk and Water Services Infrastructure projects, including the Bucket Eradication Programme.
- Contingent assets include mainly legal claims by the Department (Joint with the Special Investigating Unit) for the Giyani Water Project and Fumile Advisory Services. The matters are before the Polokwane and Gauteng High Courts.
- Contingent liabilities, actuals and payables reductions are due to settlements processed in the current period.
- Unauthorized expenditure related to prior years' overspending of the main division of the vote due to the War on Leaks Project and Bucket Eradication Programme. National Treasury has submitted consolidated recommendations to the Standing Committee on Appropriations, and amounts will be cleared once approval is granted.
- Irregular expenditure relates mainly to prior period contractual obligation declared as irregular, with carry-through effect in the current year.
- No fruitless and wasteful expenditure was reported for the period under review.

2.3 Expenditure and economic classification (Water Trading Entity/Account)

Revenue collection within the Water Trading Entity/Account remains a challenge, although interventions to improve debt management through improved debt management processes were

initiated specifically within units at the provincial level. The table below provides an overview of the budget and expenditure of the Water Trading Entity/Account.

Trading Account: Quarter 3 budget and expenditure

| Programme | Annual Budget | % spent against Annual budget | YTD Budget | YTD Actual Expenditure | Available Budget | % spent on YTD budget | % Variance |
|--|-------------------|-------------------------------|------------------|------------------------|------------------|-----------------------|------------|
| | R'000 | % | R'000 | R'000 | R'000 | % | % |
| 1. Administration | 1 122 056 | 42% | 611 182 | 467 304 | 654 752 | 76% | 24% |
| 2. Implementation of water resources management activities | 689 712 | 58% | 449 909 | 396 712 | 293 000 | 88% | 12% |
| 3. Operations, maintenance and refurbishment of national water resources schemes | 2 289 181 | 24% | 1 296 434 | 544 452 | 1 744 730 | 42% | 58% |
| 4. Financing and investment in raw water infrastructure | 8 907 849 | 69% | 6 164 123 | 6 164 123 | 2 743 726 | 100% | 0% |
| 5. Bulk water supply to strategic users | 2 531 372 | 32% | 1 207 207 | 798 511 | 1 732 861 | 66% | 34% |
| 6. Implementation of dam safety | 98 330 | 18% | 68 570 | 17 881 | 80 449 | 26% | 74% |
| Total | 15 638 500 | 54% | 9 797 425 | 8 388 982 | 7 249 518 | 86% | 14% |
| Economic Classification | R'000 | % | R'000 | R'000 | R'000 | % | % |
| Compensation of Employees | 1 423 595 | 60% | 1 051 940 | 858 076 | 565 519 | 82% | 18% |
| Goods and Services | 2 429 438 | 41% | 1 565 107 | 992 839 | 1 436 599 | 63% | 37% |
| Trans Caledon Tunnel Authority (TCTA) | 8 907 849 | 69% | 6 164 123 | 6 164 123 | 2 743 726 | 100% | 0% |
| Payments for Capital Assets | 2 877 618 | 13% | 1 016 255 | 373 945 | 2 503 674 | 37% | 63% |
| Total | 15 638 500 | 54% | 9 797 425 | 8 388 982 | 7 249 518 | 86% | 14% |

2.3.1 Financial highlights for the Water Trading Entity

The Department highlighted the following for the Water Trading Entity:

- Water sales debt increased by R2.223 billion from the prior year. The actual recoveries for the reporting period amount to R10.427 billion. In addition to enforcement of credit control measures, the Department is part of the Multidisciplinary Revenue Committee, which comprises the National Treasury, South African Local Government Association and Department of Cooperative Government and Traditional Affairs, which focuses on water debt challenges across the value chain.
- Financial liabilities represent the amounts owed to the Trans-Caledon Tunnel Authority by various construction contracts for the development and maintenance of infrastructure assets.
- Contingent assets mainly consist of several service providers' legal claims against the Department regarding contractual disputes on litigation processes.
- Fruitless and wasteful expenditure of R79.778 has been incurred as a result of irrecoverable constructions costs incurred in the internal and external projects and compensation of beneficiaries of land related to the Nandoni Project.

2.4 Expenditure spend on the Regional Bulk Infrastructure Grant 5B and Water Services Infrastructure Grant per Province – 3rd quarter¹

¹ Regional Infrastructure Grant (RBIG) Assist Water Services Authorities (WSAs) to (i) develop new, refurbish, upgrade and replace ageing water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality and (ii) implement bulk infrastructure with a potential of addressing Water Conservation and Water Demand Management (WC/WDM) projects or facilitate and contribute to the implementation of local WC/WDM projects that will directly impact on bulk infrastructure requirements.

Water Services Infrastructure Grant (WSIG) Assist Water Services Authorities (WSAs) to (i) facilitate the planning and implementation of various water and on site sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities, (ii) provide interim, intermediate water and sanitation supply that ensures provision of services to identified and prioritised communities, including through spring protection and groundwater development, (iii) support municipalities in implementing water conservation and water demand management projects, (iv) support the closeout of existing bucket eradication programme intervention in formal residential areas and (v) support drought relief projects in affected municipalities.

Transfers are made in line with the payment schedule approved by National Treasury. Withholding of allocations was done in line with the provision of the Division of Revenue Act. The Department engaged the affected municipalities, including National Treasury, provincial treasuries and provincial departments, responsible for local government.

2.4.1 Regional Bulk Infrastructure Grant 5B (Direct Grant)²

An overview of the expenditure spent on the Regional Bulk Infrastructure Grant 5B per province in the third quarter reflects the following: R481.329 million allocated to the Eastern Cape, R111.028 was spent translating to a spend of 23 per cent spend. In the Free State, an amount of R213.921 was allocated, an amount of R150.300 was spent, translating to a spend of 70 per cent; in Kwazulu-Natal, allocation of R238.621 million, R154 million spent, translating to a spend of 65 per cent. Limpopo, allocation of R218.806, R120 million spent, translating to a spend of 55 per cent. In Mpumalanga, allocation of R411.080 million, R268.080 million spent, translating to a spend of 65 per cent. In Northern Cape, allocation of R106.289 million, R21.961 million spent, translating to a spend of 21 per cent. In North-West, allocation of R458.318 million, R275 million spent, translating to a spend of 60 per cent, and Western Cape, allocation of R109.006 million, R16.202 million spent, translating to a spend of 15 per cent.

The reasons for withholding the funds are as follows:

- Eastern Cape – the municipalities has been placed under section 216 (2) of the Constitution of South Africa by the National Treasury. In other provinces, allocations were withheld as per Section 17(1)(c) of the Division of Revenue Act, 2021 due to significant under-expenditure on previous transfers and non-submission of business plans for the 2021/22 financial year.

On the RBIG 6B (indirect grant)³ financial performance in the third quarter, some provinces recorded expenditure in line with the projection, whilst others recorded low spending due to the following reasons – implementing agency capacity constraints, community unrest and disruptions by some businesses demanding allocation of tenders.

2.4.2 Water Services Infrastructure Grant 5B

An overview of the expenditure spent on the Water Services Infrastructure Grant 5B per province in the third quarter reflects the following: R527 million allocated to the Eastern Cape, R208.448 was spent translating to a 40 per cent spend. In the Free State, an amount of R374.617 was allocated, an amount of R265.337 was spent, translating to a spend of 71 per cent; in Gauteng, an amount of R172 million was allocated, R120.159 million was spent, translating to a spend of 70 per cent, in Kwazulu-Natal, allocation of R897.050 million, R485 million spent, translating to a spend of 54 per cent. In Limpopo, allocation of R315.449 million, R195.449 million spent, translating to a spend of 62 per cent. In Mpumalanga, allocation of R571 million, R332.6 million spent, translating to a spend of 58 per cent. In Northern Cape, allocation of R284.138 million, R203.629 million spent, translating to a spend of 72 per cent. In North-West, allocation of R350.073 million, R170 million spent, translating to a spend of 49 per cent, and Western Cape, allocation of R129 million, R68.569 million spent, translating to a spend of 53 per cent.

² Direct grant is an allocation gazetted in schedule 5b of the Division of Revenue Act. In this schedule, disbursement of funds to municipalities are done or transferred in advance (pre-work payment) to municipalities. Municipalities based on the transfer made execute the work aligned with the conditions of the funds transferred and report to the Department as the transferring institution on the performance of the funds (expenditure incurred including physical progress made) within regulated period and intervals. □ Municipalities classified on direct payment are deemed to be institution with requisite capacity to implement water services infrastructure projects of bulk nature as well as ability to conform fully with the regulated provisions and condition as per the framework of the grant and also the Division of Revenue Act.

³ Indirect grant is an allocation gazetted in schedule 6b of the Division of Revenue Act. In this schedule, the Department implement the projects or appoint the implementing agent either in the form of water board or other municipality on behalf of the concerned municipalities for the benefit of the concerned municipality. Where the latter takes effect, the concerned implementing agent execute the work and after based on the work done invoice the Department for the reimbursement or payment of this work. The payment is done post verification by the Department on work claimed. The implement agent also reports to the Department on regulated period or intervals as contained in the Service Level Agreement signed between the two institutions.

The reasons for the withholding of funds are as follows:

- In the Eastern Cape, the municipality has been placed under section 218(2) of the Constitution of South Africa by the National Treasury. In other provinces, allocations are withheld as per Section 17(1)(c) of the Division of Revenue Act, 2021 due to under-expenditure on previous transfers and non-submission of the business plans for the 2021/22 financial year.

3. Expenditure and performance targets per programme

A summary of expenditure against targets achieved/not achieved is highlighted below on each of the departmental delineated programmes:

3.1 Programme 1: Administration

This programme was allocated R1.9 billion of the R17.7 billion total adjusted appropriation budget for the 2021/22 financial year. The programme's actual expenditure for the quarter amounted to R1.09 billion. This amounts to an R866 million variance; and a spend of 56 per cent.

The targets partially achieved and not achieved in this programme relate to the following:

- The projected target for compliance with the risk management plan implementation was 100 per cent, with 83 per cent achieved. The reason for attaining partial achievement is that the Department decided to change its risk management plan based on a strategic risk review. The process to update the departmental strategic risk profile is underway.
- The projected target for the percentage of training interventions implemented was 35 per cent, with 17 per cent achieved. The target not being met is the poor attendance of officials due to COVID-19 protocols. Online sessions will be implemented.
- The projected target for the number of safety and security assessments for facilities and installations conducted was 16, with 12 being achieved. The partial achievement is due to the Department's closure for vacation during the latter part of December 2021. These assessments are on track to be finalised by the fourth quarter.
- The projected percentage expenditure on the annual budget in the 3rd quarter for the Main Account was 78 per cent, with a 55 per cent achieved. The partial achievement is the compensation of employees, goods and services, transfers and subsidies and payment for capital assets.
- The projected percentage expenditure on the annual budget in the 3rd quarter for the Water Trading Account was 15 per cent, with a 6 per cent achieved. The target was not met due to low procurement activity for relatively low-value procurements. A revised procurement plan has been developed and submitted to National Treasury.

3.2 Programme 2: Water Resources Management

This programme was allocated R3.6 billion of the R17.7 billion total adjusted appropriation budget for the 2021/22 financial year. The programme's actual expenditure for the quarter amounted to R3.2 billion. This amounts to an R413 million variance; and a spend of 89 per cent.

The targets not met in this programme are the following:

- The study on the implementation of the National Digitised Integrated Water and Sanitation System, the development of the National Water Act Amendment Bill, the draft NWRS-3 not published for public comment, five bulk raw water projects in preparation for implementation, number of job opportunities created through implementing augmentation infrastructure projects was at 30, but 0 met, number of dam safety rehabilitation projects completed was at 1, but 0 met, and 2 of the targets on bulk raw water projects under construction not being met.
- 72 per cent of the 80 per cent projected target on applications for water use authorisations were finalised within the regulated period, and 79 of the 89 wastewater systems were monitored against the regulatory requirements.

3.3 Programme 3: Water Services Management

This programme was allocated an amount of R12.1 billion. The programme's actual expenditure for the quarter amounted to R5.4 billion. This amounts to an R6.6 billion variance and a spend of 45 per cent.

The targets not achieved relate to the following:

- The updated inception reports on water conservation and water demand management strategies.
- Completion of feasibility studies for water and wastewater projects projected at five, but the target was not met.
- The projected five projects of district municipalities with developed 5-year water and sanitation reliability plans were not met.
- The target for the development of the Water Services Amendment Bill was not achieved.

4. Observations and Responses

Members of the Portfolio Committee on Water and Sanitation, having deliberated on the presentation on the third quarterly expenditure report of the Department of Water and Sanitation (Vote 41), made the following observations (in statement form) with the respective responses from the Department:

4.1 Filling of vacancies

Twenty-three senior management posts have been filled since the start of the 2021/22 financial year, including the Director-General position that was filled with effect from 3 January 2022. Cabinet confirmed the Chief Financial Officer post. A further 15 senior management posts have been advertised and are in various stages of being filled. The filling of the provincial head positions for Gauteng and Western Cape have also been concluded. All the Chief Director posts in the Department are filled except for Chief Director: Internal Audit, which was vacated by the incumbent on 15 January 2022. The position has since been advertised with a closing date of 4 February 2022. The shortlisting process is underway. The Department is also currently reprioritising other critical vacancies in line with the Compensation of Employees budget allocation for the 2022 MTEF and the approved organisational structure. Specific emphasis is being placed on professional and critical positions.

4.2 Implementation of project management systems

The Department is implementing an online geo-referenced project management dashboard to improve the management of resources, time and costs for water resources and water services infrastructure projects. It provides a dashboard of all water resources and water services, for example, RBIG and WSIG grant-funded projects; spatial view of the projects (municipal and provincial allocation), projects schedule (including project milestones, budget expenditure and if projects are on track, and contact details of relevant officials. The basic information has been captured for a total of:

- 1 069 bulk infrastructure grant projects.
- 1 436 water services infrastructure grant projects.
- 30 water resources infrastructure projects are currently being captured.

The project authentication on the project status and all project documentation will be finalised after three months.

4.3 Irregular expenditure

Of the irregular expenditure on the Main Account of R9.812 billion and the Water Trading Entity of R8.048 billion, a total amount of R10.047 billion is in the process of condonation. R1.047 billion

represents concluded investigations, with R6.765 billion in the process of investigations. Irregular expenditure relates to prior period contractual obligations (Private Security Services and Cleaning Services contracts), with carry-through effect on current running contracts. The irregular expenditure includes the incidents submitted to National Treasury for condonation consideration. Investigations are being accelerated to finalise the 2021/22 financial year.

The Department strengthened and enhanced internal controls for procurement processes, procedures and contract management to address root causes of irregular expenditure by implementing various interventions such as:

- Conducted workshops to train supply chain management to officials and members of various supply chain committees.
- Standardisation of bid evaluation committee processes across the Department and conducting due diligence on outcomes of bid evaluation processes before awards of bids.
- Where non-compliance which may result in irregular expenditure is detected, recommendations are made to the relevant adjudication committee and the Accounting Officer to either withdraw, cancel the bid or provide other appropriate recommendations on how to proceed with the procurement processes.
- The procurement process for new Private Security Services is advanced to eliminate irregular expenditure.

4.4 Measures to improve spending

The Department has implemented measures to improve spending, fast-track projects, and mitigate the risks of stagnant projects and under-expenditure. On compensation of employees, all great adjustment of the conditions of services is to be processed in line with directives issued by the Minister of Public Service and Administration. As per the approved Human Resources Plan, all the prioritised and critical posts must be filled within the approved compensation of employees' budget ceiling.

On local government support, the Department will strengthen compliance and service delivery in affected municipalities together with National and Provincial Treasuries, Department of Cooperative Government and Traditional Affairs. There will be a transfer of withheld local government conditional grants, including revisions/amendments of allocations in the last quarter of the financial year. This would allow municipalities to expend the funds in the previous quarter of the municipal financial year.

4.5 On operational and capital expenditure

The Department will improve the project management capacity of the Department and implementing agents. Other critical interventions to facilitate operational and capital expenditure are to:

- Engaging and facilitating community participation in programmes in all provinces to assist in unlocking projects affected by community unrests. This will unlock the current capital projects commitments, totalling R6.339 billion.
- Budget reprioritisations from low spending projects to projects with the capacity to spend additional budgetary allocation by 31 March 2022.
- Contractual disputes on projects are being attended to through the legal services unit.

4.6 Involvement with water boards and municipalities in infrastructure development

The Department is working on the engagement with the water board and municipalities by using the internal construction unit, partnering with the Infrastructure Fund in the Development Bank of Southern Africa, involving the private sector within the areas of infrastructure, and effectively utilising provincial offices support municipalities. Water boards will be working closely with the Department of Cooperative Government and Traditional Affairs. The systems would be in place within three months.

4.7 Underachievement of targets

The presenter noted that this reflects very poor performance, and much work is needed to improve procurement and supply chain management. There are weaknesses in planning and implementation

within the Department, but measures are being taken to address this. **Presentations and detailed written input on procurement and supply chain management would be available to the Portfolio Committee.**

4.8 National Water Resource Infrastructure Agency

The Bill on establishing the National Water Resource Infrastructure Agency (NWRIA) will be released for public comment. The Bill notes that the Agency will be formed by merging the Water Trading Entity and the Trans-Caledon Tunnel Authority. The primary focus of the Agency will be on financing and construction, and management of national water resource infrastructure – not water services infrastructure. The main benefit of creating the NWRIA is that this entity will own all the infrastructure assets with a substantial balance sheet. This will allow obtaining more finances to enable the construction of the water infrastructure needed within the country. This would assist in alleviating future water shortages.

4.9 Raising of the Clanwilliam Dam Wall

The budget for the raising of the Clanwilliam Dam Wall is R3.9 billion. The total expenditure is R921 million.

Further presentations will be made on the Clanwilliam Dam to address the progress and expenditure of the dam wall.

4.10 Establishment of regional water utilities

The establishment of regional water utilities is under review by the Department. Currently, the focus is optimally using the water boards to support municipalities more effectively. The concept of establishing regional water utilities will not be scrapped.

More detail is to be provided to the Portfolio Committee on revising the mandate of water boards to ensure optimal support to municipalities.

4.11 Blue and Green Drop Assessment

Non-compliance such as pollution and wastewater contamination is being addressed using different and new techniques. Interventions are currently being more formalised, sustained and more effective. The Department also focuses on dam safety and proper construction that must align to regulations.

The Blue Drop and Green Drop projects have 998 waste retrieval projects and have all been audited. The Green Drop reports are being drafted on these projects and will be released by March 2022. All wastewater services have been audited, and all municipalities throughout the country have been covered. This report will be completed and sent for review by the Committee. The Blue Drop report, which is the drinking water aspect of the Department, has completed a risk assessment as per the World Health Organization water safety regulations.

A progress report will be available for the Committee.

4.12 Reasons for delays on condonation by National Treasury

The cases are currently at the disciplinary hearing stage and would need to be completed so that National Treasury can approve the condonation. Once this process is completed and the National Treasury approves the condonation, the process will be tabled in Parliament to the Standing Committee on Appropriations. Parliament is the only institution that can support condonations on irregular expenditure.

4.13 Clarity on retrieval of payments on SAP licences

The Special Investigating Unit is currently busy with the investigation on procuring of SAP licences by the Department. The Department is working on retrieving these funds from the service provider.

Report to be noted.