



BRIEFING NOTE TO SCOPA

PFMA
2020-21

Water Boards

PFMA 2020-21

14 June 2022



AUDITOR - GENERAL
SOUTH AFRICA

1. Introduction

1.1 Reputation promise of the Auditor-General of South Africa

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

1.2 Purpose of document

The purpose of this briefing document is for the Auditor-General of South Africa (AGSA) to brief SCOPA on the audit outcomes and other findings in respect of the annual financial statements, compliance with legislation and performance against predetermined objectives of the 9 Water Boards for the 2020-21 financial year end.

1.3 Legislative Mandate

Water boards operate under the Water Services Act 108 of 1997 and the Public Finance Management Act 1 of 1999), among others, and report to the minister of Water and Sanitation through the Department of Water and Sanitation (DWS). The minister is responsible for the establishment and disestablishment of water boards and for determining the service area of a water board.

The right of access to basic water supply and basic sanitation is entrenched in section 3 of the Water Services Act as follows:

- Section 3(1): Everyone has a right of access to basic water supply and basic sanitation.
- Section 3(2): Every water services institution must take reasonable measures to realise these rights.
- Section 3(3): Every water services authority must, in its water services development plan provide for measures to realise these rights.

Section 29 of the Water Services Act mandates water boards to provide water services to other water service institutions in their service area. Section 30 makes provision for water boards to extend their services in certain instances where they have the capacity to do so.

The nine water boards currently in existence are responsible for the provision of bulk water services by sanitising raw water made available by the Water Trading Entity and supplying potable water to various water service institutions for further supply to end-users, i.e. communities and industries.

Section 34 of the Water Services Act sets out key parameters for functions of water boards that are significant for meeting its service delivery obligations and for maintaining financial viability. In performing its activities, exercising its powers and carrying out its duties, a water board must achieve a balance between the following:

- (a) Striving to provide efficient, reliable and sustainable water services
- (b) Optimally using available resources
- (c) Striving to be financially viable
- (d) Promoting the efficiency of water service authorities
- (e) Taking cognisance of the needs of water service institutions, consumers and users
- (f) Taking into account national and provincial policies, objects and developments
- (g) Acting in an equitable, transparent and fair manner
- (h) Complying with health and environmental policies
- (i) Taking reasonable measures to promote water conservation and water demand management, including promoting public awareness of these matters

Section 34 further states that a water board is financially viable if it is able to:

- (a) repay and service its debts
- (b) recover its capital, maintenance and service costs
- (c) make reasonable provision for depreciation of assets
- (d) recover the costs associated with the repayment of capital from revenues (including subsidies) over time, and make reasonable provision for future capital requirements and expansion.

1.4 Overview (Executive summary)

Overall audit outcomes

The overall audit outcomes for 2020-21 remained unchanged compared to that of 2019-20.

A commendable improvement in the audit outcomes of Overberg Water, as the entity moved from an unqualified opinion with material non-compliance findings to a clean audit, was offset by Mhlathuze Water's failure to sustain its previous year's clean audit outcome. It regressed to an unqualified audit opinion with findings on compliance with legislation. We also commend Magalies Water for successfully retaining its clean audit status.

Five water boards (55%), including Mhlathuze Water, were financially unqualified with material non-compliance findings and/or material findings on reported performance information. Amatola Water and Sedibeng Water received repeat qualified opinions with material findings on compliance with legislation and/or findings on the annual performance report, consistent with its previous year's audit outcomes.

Financial Statements

Sedibeng Water was the only water board that did not meet the legislated timeline for submission of financial statements for auditing. Financial statements were submitted on 03 February 2022.

Credible financial statements are crucial to enable accountability and transparency; however, **more than half of the water boards submitted poor quality financial statements for auditing**. Material errors were identified in the financial statements of six (67%) water boards. Due to the nature of the errors identified as well as additional audit efforts invested, four of these water boards were able to make corrections to the financial statements to achieve unqualified opinions.

The nature of the errors identified at Amatola Water and Sedibeng Water required significant corrective action by management and could thus not be corrected before the finalisation of the audit process. These material errors, therefore, resulted in the qualified audit opinions. Management must make the necessary corrections to these errors with the submission of its next financial statements.

Financial Health

The **financial health of the water boards improved slightly** in 2020-21, with five (55%) water boards reflecting two or fewer unfavourable indicators.

None of the water boards recorded cash shortfalls or bank overdrafts. A review of key solvency and liquidity ratios identified significant challenges at Sedibeng Water. The entity was not able to generate sufficient cash through revenue and the expected realisation of receivables to settle its short-term obligations, thereby casting doubt on its ability to continue operating as a viable entity. The liquidity challenges mainly stemmed from an inability to adequately collect from debtors, with the debtor's payment period reaching 911 days. This impacted on the institution's ability to pay its liabilities as and when they fell due and, ultimately, resulted in it not being able to fund its day-to-day operations anymore. The minister of Water and Sanitation announced the disestablishment of Sedibeng Water in January 2022, further stating that the functions, assets and liabilities of Sedibeng Water would be taken over by Magalies Water and Bloem Water. The liquidation announcement came just one year after the entity received a financial bailout of R300 million.

The time it takes to collect debt and make payments to creditors remains a concern at other water boards, as Amatola Water, Bloem Water, Lepelle Northern Water, Magalies Water, Sedibeng Water and Overberg Water all had debtor collection days of longer than 90 days. In addition, none of the audited water boards paid creditors within the general norm of 30 days. Management must implement interventions to effectively deal with these challenges to not only improve the liquidity position of the water boards and cement their sustainability, but also to support the sustainability of service providers.

Two (22%) water boards recorded a net deficit during the period under review, being Lepelle Northern Water (R96,6 million) and Amatola Water (R96,8 million), as their operational costs and expenses exceeded the revenue they were able to generate.

The water boards incurred significant total fruitless and wasteful expenditure in the current year of R296 million (2019-20: R261 million). This was mainly due to interest paid and overpayments for goods and services. The main contributors to the fruitless and wasteful expenditure were Sedibeng Water (R268 million), Amatola Water (R14,5 million), Umgeni Water (R7,4 million), Sedibeng Water (R268m) and Lepelle Northern Water (R4,3 million).

It is recommended that management should continue to closely monitor cash-flow projections and ensure that appropriate initiatives are implemented to maintain the positive liquidity positions of the water boards.



Performance Management

Credible performance reporting is essential to monitor the effectiveness of service delivery initiatives and commitments made. It is concerning that **material errors were identified in the annual performance reports of five (55%) water boards** (Bloem Water, Lepelle Northern Water, Mhlathuze Water, Sedibeng Water and Overberg Water).

Inaccurate, incomplete or unreliable information affects critical tactical and operational decisions that have to be taken based on performance information prepared during the year. It is the responsibility of the accounting authority and management to implement appropriate internal controls to enable useful and reliable performance reporting.

Bloem Water, Overberg Water and Mhlathuze Water were able to correct the errors detected in their performance information reported; therefore, no material findings were reported in their audit reports. Lepelle Northern Water was unable to properly substantiate supporting listings provided with appropriate supporting evidence, resulting in the material findings reported in the audit report. Sedibeng Water was unable to support the performance reported for 2 material indicators which were not well-defined and verifiable.

Compliance with Legislation

Seven (77%) water boards (Bloem Water, Lepelle Northern Water, Umgeni Water, Rand Water, Amatola Water, Sedibeng Water and Mhlathuze Water) **transgressed key legislation**, which resulted in material findings being reported on regarding non-compliance with legislation.

The main areas of non-compliance related to the following:

- Quality of financial statements
- Procurement and contract management
- Expenditure management
- Consequence management
- Revenue management

Irregular expenditure reported in the financial statements also increased to R7,1 billion from R6.5 billion in the previous year. We noted that none of the irregular expenditure reported in the previous year was condoned during the year.

1.5 Structure of the oversight of the Department of Water and Sanitation



1.6 Vacancies and instability in key positions

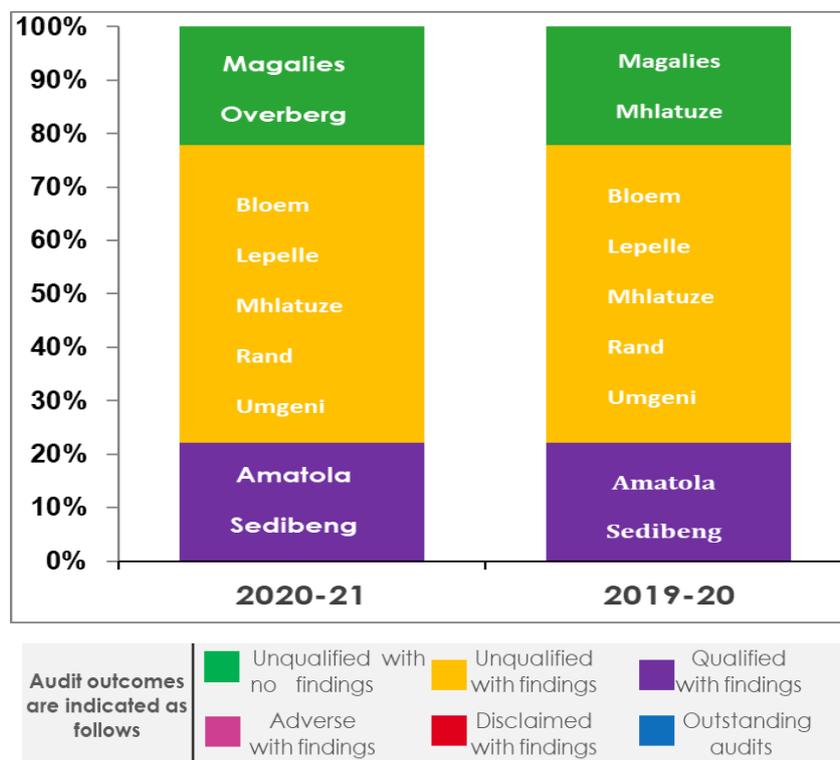
Amatola Water – the CEO position was vacant since November and December 2020. The vacancy rate at senior management level was 30%.

There was no board between November 2020 and March 2021 and the administrator that was appointed was not present for the whole period.

There was instability in the audit committee of the entity as there was no audit committee for part of the year. This resulted in deficiencies in executing its duties relating to monitoring the internal audit function.

Umgeni Water – in October 2021, the appointment of the interim board by the minister of Water and Sanitation was declared unlawful by the High Court. The previous board commenced its duties in November 2021 after approval by the Cabinet. In addition, the CEO position was vacant for the entire year under review. The CFO acted as CEO for a portion of the year, until her resignation in October 2021. As a result of this, an acting incumbent was appointed for the year under review.

2. Consolidated portfolio audit opinion history



2.1 Water Boards

(Magalies and Overberg Clean = Unqualified AFS, No material findings on AoPO + Compliance)

DESCRIPTION	Amatola Water	Bloem Water	Lepelle Northern	Mhlathuze Water	Rand Water	Sedibeng Water	Umgeni Water
Report on the audit of the financial statements							
Audit opinions							
• Areas of qualification							
- VAT payable						X	
- Fruitless & wasteful expenditure						X	
- Property, Plant & Equipment	X					X	
- Payables from exchange transaction	X						
- Contracted services						X	
- Irregular expenditure	X					X	
• Material uncertainty related to going concern	X					X	
• Emphasis of matter							
- Restatement of corresponding figures	X	X	X		X	X	
- Material debt impairment- Receivables from exchange transactions	X	X				X	
- Bad debt written-off	X						
- Event after reporting date						X	
- Uncertainty relating to the future outcome of exceptional litigation						X	
- Provision for doubtful debt			X				
- Asset under construction – Property, plant & equipment					X		
- Material losses and impairments							X
Report on the audit of predetermined objectives							
• Material findings on Predetermined objectives						X	
Report on the audit of compliance							
• Annual financial statements and annual report	X	X	X	X		X	X
• Procurement and contract management	X	X			X	X	X
• Expenditure management	X	X	X	X	X	X	X
• Consequence management	X					X	X
• Revenue management	X					X	

AUDIT OPINION INDEX

	CLEAN AUDIT OPINION: No findings on PDO and compliance
	UNQUALIFIED with findings on PDO and compliance
	QUALIFIED AUDIT OPINION (with/without findings)
	DISCLAIMER/ADVERSE AUDIT OPINION



3. Report on the audit of the financial statements

 Financial statements		2020-21	2019-20	Quality of submitted financials statements
		Movement		
Submission of financial statements by legislated date		89% (8)	100% (9)	<ul style="list-style-type: none"> Only Sedibeng did not provide the financial statements by the legislated date 33% (3) auditees submitted financial statements that did not contain material misstatements and should be commended (Maqalies; Overberg & Rand). The remaining water boards submitted financial statements that contained material misstatements. Only 33% (3) of the remaining water boards were able to submit quality financial statements after adjusting for audit corrections (Bloem; Lepelle & Umgeni). These 3 water boards relied on the audit process to provide credible financials even in the prior year.
Financial statements submitted without errors		33% (3)	44% (4)	
Quality of final submission after audit		33% (3)	33% (3)	
Root cause analysis				Recommendations
<ul style="list-style-type: none"> Material misstatements on the AFS were due to inadequate reviews by management prior to submission for audit. Majority of the material misstatements identified for the portfolio were on disclosure notes. Lack of adequate action plans to address internal control deficiencies identified by internal and external auditors. Preventive control measures not yet effective to reduce repetitive findings. 				<ul style="list-style-type: none"> Accounting authority through audit committees to ensure management implement and enhance processes of review of the financial statements. Internal audit to review the AFS (disclosure notes) effectively The developed actions plans must be thoroughly reviewed to ensure that they address the root causes. Effective monitoring and oversight by the audit committee is also critical to ensure that these repeat findings are prevented in the next financial year.

3.1 Qualification paragraphs

The following qualification paragraph was included in the audit report for Amatola and Sedibeng on its annual financial statements for the 2020-21 financial year end.

3.1.1 Amatola Water Board

Finding	Root causes	Recommendation
Property, Plant & Equipment		
<p>The entity did not account for property, plant and equipment in accordance with GRAP 17, <i>Property, plant & equipment</i>. Assets were incorrectly valued on the subsequent measurement when applying Directive 7 in calculation of the replacement costs. As a result, the amount for property, plant & equipment as disclosed in note 8 to the financial statements, was understated by R8.1 million.</p> <p>I was unable to obtain sufficient appropriate audit evidence for the restatement to the corresponding figure property, plant & equipment. As described in note 27 to the financial statements, the restatement was made to rectify previous years' misstatements, but the restatement could not be substantiated by appropriate audit evidence for depreciation as the restatement to the corresponding figure for property, plant & equipment could not be substantiated by appropriate evidence. Consequently, I was unable to determine whether the adjustments processed to the property, plant and equipment corresponding figure stated at R1.9 billion in the financial statements are valid accurate and complete. This has impact on the surplus for the period and on the accumulated surplus</p> <p>The entity reviewed the useful lives of assets, however the change in the estimate amount that had an effect on the current and future periods was not disclosed, as required by GRAP 3 resulting in it being impractical to determine the misstatement. I was unable to confirm the misstatement by alternative means</p>	<p>The financial statements of the entity contained numerous misstatements that were not corrected. This was due to lack of adequate reviews to ensure accurate and complete information is submitted and changes were made to the comparative figures without valid supporting evidence.</p> <p>The entity reviewed useful lives and made changes however, changes to estimates were not appropriately treated and disclosed as required by the relevant standard.</p>	<p>Management should perform adequate reviews to ensure accurate and complete information is submitted and changes made to the comparative figures submitted with valid supporting evidence.</p>
Payables from exchange transactions		
<p>The entity did not correctly account for payables from exchange transactions in accordance with GRAP 1, Presentation of financial statements as VAT was incorrectly charged on invoices where the entity is acting as an implementation fee charged to the principals. Consequently, payables from exchange transactions was understated by R13.4 million and VAT receivable overstated by the same amount.</p>	<p>Daily, weekly and monthly controls were not always implemented as errors that could have been detected or prevented with the implementation of such controls were identified during the audit.</p>	<p>Management should ensure that daily, weekly and monthly controls are always implemented so that errors are detected or prevented with the implementation of such controls.</p>
Irregular Expenditure		
<p>The entity did not include all irregular expenditure in the notes to the financial statements, as required by section 55(2)(b)(i) of the PFMA. This was due to payments made in contravention of the supply chain management on irregular expenditure, as disclosed in note 34 to the financial statements, as it was impracticable to do so. The auditor's opinion has been modified because of the possible effects of the unresolved matter on the comparability of the current year's figures and the corresponding figures.</p>	<p>The entity's compliance monitoring process has not been effective in the implementation and monitoring of controls to ensure compliance with its laws and regulations. This contributed repeat findings of non-compliance findings in the current year.</p>	<p>Management should ensure that compliance monitoring process are effective in the implementation and monitoring of controls to ensure compliance with its laws and regulations.</p>



3.1.2 Sedibeng Water Board

Finding	Root causes	Recommendation
VAT payable		
<p>I was unable to obtain sufficient appropriate audit evidence for the amounts disclosed as VAT payables due to the status of record keeping. I was could not confirm VAT payables by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to VAT payables, stated at R155,691 million in note 18 to the financial statements.</p>	<p>Management did not submit the financial statements and annual performance report with the complete underlying accounting records such as the Mafikeng VAT reconciliation, and other crucial schedules to support the actual reported financial and non-financial performance information. Some of the legislative schedules were only submitted after the acknowledgement letter was communicated to the accounting authority.</p>	<p>Management should ensure that the financial statements are submitted with complete underlying records and other schedules to support the actual reported financial information.</p>
Property, plant and equipment		
<p>I was unable to obtain sufficient appropriate audit evidence for evidence for capital work-in-progress and additions due to the status of the accounting records. I could not audit these transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to capital work-in-progress and additions, stated at R1,918 billion(2020: R1.374 billion) in note 5 to the financial statements.</p> <p>The entity did not correctly account for all opening accumulated depreciation on some items of property, plant and equipment in accordance with GRAP 17, Property, plant & equipment and its accounting policy. Consequently, pipelines and reservoirs was overstated and the opening accumulated depreciation understated by R31,912 million.</p> <p>Furthermore, the residual values and useful lives of property, plant and equipment were not reviewed at 30 June 2021 in accordance with GRAP 17, <i>Property, plant and equipment</i>. I was unable determine the impact on the net carrying amount of plant and equipment as it was impracticable to do so.</p> <p>Furthermore, the residual values and useful lives of property, plant and equipment were not reviewed at 30 June 2021 in accordance with GRAP 17, <i>Property, plant and equipment</i>. I was unable to determine the impact on the net carrying amount of plant and equipment as it was impracticable to do so.</p>	<p>Management did not implement the following daily and monthly controls designed for the entity's business processes:</p> <ul style="list-style-type: none"> - Management did not perform annual asset verification; - Material differences were noted between the supporting schedules and the amounts disclosed in the annual financial statements. - Monthly reconciliations were not adequately reviewed to ensure that there are no accounting errors. 	<p>Management should properly perform the reviews to ensure that the schedule and amounts disclosed in the annual financial statements agrees.</p> <p>Management should ensure that physical verification of assets is performed on a monthly basis and monthly reconciliations are reviewed to ensure that there no accounting errors.</p>
Irregular Expenditure		
<p>The entity did not include all irregular expenditure in the notes to the financial statements, as required by section 55(2)(b)(i) of the PFMA. This was due to payments made in excess of contract amounts, which resulted in irregular expenditure being understated by R273.5 million. In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the irregular expenditure was not provided. I was unable to confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure, stated at R1.099 billion (2020:R831,156 million) in note 46 to the financial statements.</p>	<p>Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements as the entity did not maintain accurate and complete records. Similar limitation of scope misstatements were also reported in the prior year cycle.</p>	<p>Management should perform adequate reviews to ensure accurate and complete information is submitted and changes made to the comparative figures submitted with valid supporting evidence.</p>



Contracted services		
I was unable to obtain sufficient appropriate audit evidence for the amounts presented and disclosed as contracted services due to the status of the accounting records. I could not confirm contracted services by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to contracted services, stated at R56,613 million in note to the financial statements.	Some transactions and balances were not supported by sufficient appropriate audit evidence which resulted in a number of significant limitation of scope audit findings being raised.	Management should ensure that transactions and balances are supported by sufficient appropriate audit evidence which will not result in a number of significant limitation of scope audit findings being raised

3.2 Uncertainty relating to going concern

3.2.1 Amatola Water Board

Emphasis of matter	Root causes	Recommendation
As disclosed in note 38 to the financial statements, COVID-19 has affected the entity to date and results in certain material uncertainties related to the future financial position, performance and cash flows of the entity. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Due to the impact of COVID-19, entity's clients will likely not meet their debt obligation. Our opinion is not modified in respect of this matter	The entity is unable to effectively collect the revenue due, which is an indication that the measures in place to manage the revenue may not provide it with sufficient cash to cover all operational expenses in the near future. This is evidenced by the negative cash flows from operations.	Management should ensure that there are measures in place to collect revenue or monies owed to them in time to improve the cash flow risk and liquidity problems.

3.2.2 Sedibeng Water Board

Material uncertainty related to going concern	Root causes	Recommendation
I draw attention to note 48 to the financial statements, which indicates that the receivables from exchange transactions gross balance was R 7,044 billion as at 30 June 2021 on which some of the accounts may not be recoverable due to the entity's key customers that are not servicing their accounts and due to the entity's inability to settle its short term obligations within the agreed payment terms, and results in certain material uncertainties related to the future financial position, performance and cash flows of the entity. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.	The entity's financial health remained under significant pressure and there is doubt about whether it can continue to exist as a going concern as the shareholder is intending to cease the operations of the entity and transfer some functions to Magalies and Bloemhof water board	None



3.3 Emphasis of matter paragraph

3.3.1 Amatola Water

Emphasis of matter	Root causes	Recommendation
Restatement of corresponding figures		
As disclosed in note 27 to the financial statements, the corresponding figures for 30 June 2020 were restated as a result of errors in the financial statements of the department at, and for the year ended 30 June 2021.	Management did not perform adequate reviews on the financial statements to ensure that errors are detected and corrected timeously.	Management should implement adequate review controls to detect and correct errors in the period that it relates to ensure that errors are detected and corrected timeously.
Material debt impairment		
As disclosed in note 5 to the financial statements, debt impairment of R22 million (2020: R36.5 million) was incurred as a result of an allowance for doubtful debtors.	Internal controls were not always monitored to detect and address risks on financial statements. As a result, financial statements were not adequately reviewed resulting to material misstatements	Management should ensure that internal controls are always monitored to detect and address risks on financial statements.

3.3.2 Bloem Water

Emphasis	Root causes	Recommendation
Restatement of corresponding figures		
As disclosed in note 28 to the annual financial statements, corresponding figures for 30 June 2020 have been restated as a result of an error in the financial statements of the entity at and for the year ended 30 June 2021.	Management did not perform adequate reviews on the financial statements to ensure that errors are detected and corrected timeously.	Management should implement adequate review controls to detect and correct errors in the period that it relates to ensure that errors are detected and corrected timeously.
Material impairments		
As disclosed in note 32 to the annual financial statements, management provided for impairment of receivables from exchange transactions of R682 007 000 (2020: R1 410 084 000) as a result of uncollectable debts. The reduction in the amount provided was due to the reversal of the impairment provided for Mangaung Metropolitan Municipality of R927 424 000 and the increase in the provision of the remaining receivables from exchange transactions of R199 345 000.	Management did not perform adequate reviews on the financial statements to ensure that errors are detected and corrected timeously.	Management should implement adequate review controls to detect and correct errors in the period that it relates to ensure that errors are detected and corrected timeously
Bad debt written off		
As disclosed in note 5 to the financial statements, material losses of R409 612 000 were incurred as a result of the write-off of irrecoverable trade debtors	Management did not perform adequate reviews on the financial statements to ensure that errors are detected and corrected timeously.	Management should implement adequate review controls to detect and correct errors in the period that it relates to ensure that errors are detected and corrected timeously



Emphasis	Root causes	Recommendation
Irregular expenditure		
As disclosed in note 25 to the financial statements, the public entity incurred irregular expenditure of R2 519 000 (2020: R4 117 000) due to non-compliance with supply chain management processes. In addition, the full extent is being investigated	Management did not adequately review and monitor compliance with applicable laws and regulations, as instances of non-compliance with laws and regulations were identified	Management should ensure that adequate review and monitoring compliance with applicable laws and regulations is performed to reduce instances of non-compliance with laws and regulations.

3.3.3 Lepelle Northern Water

Emphasis	Root causes	Recommendation
Restatement of corresponding figures		
As disclosed in note 30 to the annual financial statements, corresponding figures for 30 June 2020 have been restated as a result of an error in the financial statements of the entity at and for the year ended 30 June 2021.	Management did not perform adequate reviews on the financial statements to ensure that errors are detected and corrected timeously.	Management should implement adequate review controls to detect and correct errors in the period that it relates to ensure that errors are detected and corrected timeously.
Provision for doubtful debt – receivables from exchange transactions		
As disclosed in note 32 to the annual financial statements, material provision for doubtful debt of receivables from exchange transactions of R335 175 000 was provided for, as a result of an inability to collect monies owed to the public entity.	Due to poor financial position of specific municipalities to which the entity provides services to Lepelle Northern Water this causes the collection period to be slower than normal.	Management should ensure that there are measures in place to collect revenue or monies owed to them in time to improve the cash flow risk and liquidity problems.

3.3.4 Rand Water

Emphasis	Root causes	Recommendation
Restatement of corresponding figures		
As disclosed in note 40 to the annual financial statements, corresponding figures for 30 June 2020 have been restated as a result of an error in the financial statements of the entity at and for the year ended 30 June 2021.	<p>There are no adequate controls in place for the monthly processing and reconciliation procedures to ensure that invoices are accounted for in the correct accounting period.</p> <p>There was no proper reconciliation on the prior period error note reported in the financial statements.</p>	Management should implement adequate review controls to detect and correct errors in the period that it relates to ensure that errors are detected and corrected timeously.



Emphasis	Root causes	Recommendation
Asset under construction – Property, plant & equipment		
As disclosed in note 32 to the annual financial statements, included in the amount of property, plant and equipment is an amount of R14.2 billion of assets under construction. These assets have not been brought into use as they were still being constructed and not yet ready for their use.		

3.3.5 Sedibeng Water

Emphasis	Root causes	Recommendation
Restatement of corresponding figures		
As disclosed in note 51 to the annual financial statements, corresponding figures for 30 June 2020 have been restated as a result of an error in the financial statements of the entity at and for the year ended 30 June 2021.	There are no adequate controls in place for the monthly processing and reconciliation procedures to ensure that invoices are accounted for in the correct accounting period. There was no proper reconciliation on the prior period error note reported in the financial statements	Management should implement adequate review controls to detect and correct errors in the period that it relates to ensure that errors are detected and corrected timeously.
Material debt impairment- Receivables from exchange transactions		
As disclosed in note 9 to the financial statements, provision was made for impairment of R1,178 billion (2020: R1, 043 billion) on receivables from exchange transactions	The entity is unable to effectively collect the revenue due, which is an indication that the measures in place to manage the revenue may not provide it with sufficient cash to cover all operational expenses in the near future. This is evidenced by the negative cash flows from operations.	Management should ensure that internal controls are always monitored to detect and address risks on financial statements.
Events after reporting date		
As disclosed in note 49, the Minister Water and Sanitation announced on 24 January 2022 that Sedibeng Water will be disestablished in the following financial year ending 30 June 2022.		
An uncertainty relating to the future outcome of exceptional litigation		



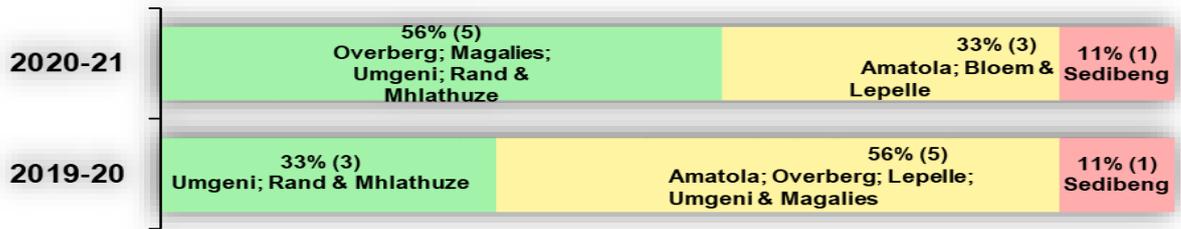
Emphasis	Root causes	Recommendation
<p>With reference to note 44 to the financial statements, the entity is the defendant in a lawsuit. The entity is opposing the claim, as it believes that they have reasonable defence. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.</p> <p>Furthermore, the entity lodged a civil claim against a contractor for overpayment of R67,500 million in contractual work done as it believes that the claim was null and void. The ultimate outcome of the matter could not be determined and no provision for any asset that may result from this claim was made in the financial statements.</p>		

3.3.6 Umgeni Water

Emphasis	Root causes	Recommendation
Restatement of corresponding figures		
<p>As disclosed in note 6.1 to the consolidated and separate financial statements, material losses of R84.78 million were incurred by Umgeni Water because payments for goods and services were not received.</p> <p>As disclosed in note 16.1 to the consolidated and separate financial statements, material impairments of R174.39 million(2019-20:R246.92 million) were raised by Umgeni Water on trade and other receivables due to debtors not being able settle outstanding amounts</p>	<p>There are no adequate controls in place for the monthly processing and reconciliation procedures to ensure that invoices are accounted for in the correct accounting period.</p> <p>There was no proper reconciliation on the prior period error note reported in the financial statements</p>	<p>Management should implement adequate review controls to detect and correct errors in the period that it relates to ensure that errors are detected and corrected timeously.</p>

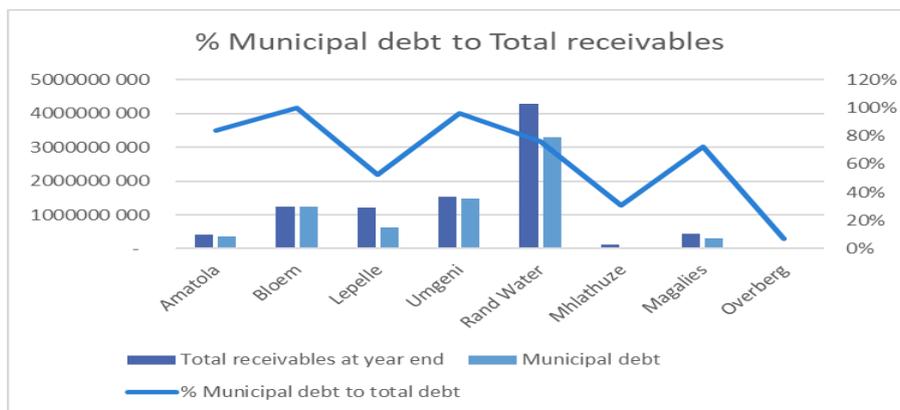


4. Financial Health

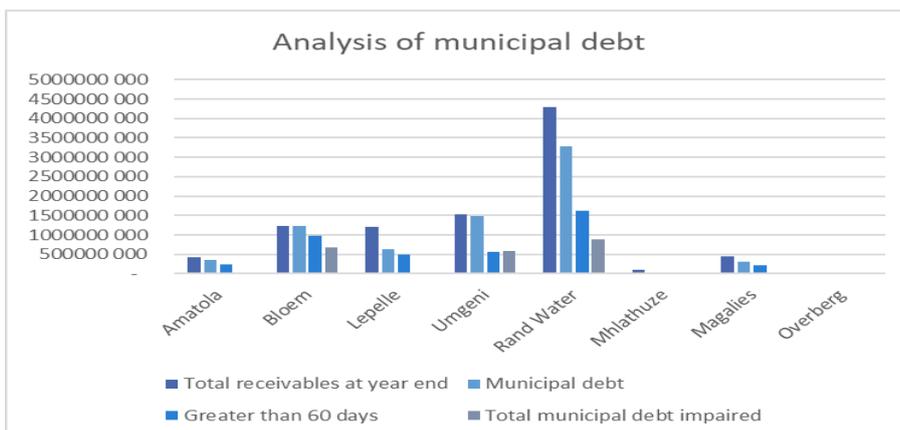


- An overall improvement in financial health status for the portfolio, due to improvements by Overberg and Magalies in improving their liquidity positions. Challenges of debt collection and creditor payments however still remained a concern for these 2 entities.
- Three Water Boards (Amatola, Bloem & Lepelle) experienced financial health concerns. The water boards experience considerable difficulties in collecting debt as their debt collections were not adequate and their average collection periods were long.
- Lepelle continues to have an abnormally long creditor payment period. Some of the contributing factors were due to delays in paying suppliers is where the entity is acting as an implementing agent on behalf of department of water and sanitation, the department does not reimburse the entity timeously for claims on projects resulting in the delay in settling of invoices of suppliers
- Sedibeng financial health poses significant doubt on their ability to continue operating in future as they have insufficient cash to cover their obligations once due.

The figure below depicts the reported total of all municipal debt for each water board (2020-21):



The figure below depicts the percentage of the municipal debt over the total debt for each water board (2020-21):



5. Report on the audit of the annual performance reports

Performance report		Movement	2020-21	2019-20	Quality of performance reporting
	Performance report submitted without errors CY- (Magalies; Rand; Umgeni and Amatola) PY- (Magalies; Mhlathuze; Overberg; Rand and Amatola)	⬇️	50% (4)	63% (5)	Quality of performance reporting <ul style="list-style-type: none"> • Magalies; Rand; Umgeni and Amatola were able to submit quality performance reports • Material errors were identified at Bloem; Mhlathuze and Overberg which were subsequently corrected. • Eight (8) water boards APP and Reports achieved no findings on usefulness of performance indicators and targets however Sedibeng had material findings on usefulness of performance indicators and target.
	Performance report adjusted for material misstatements to improve reliability CY (Bloem; Mhlathuze and Overberg) PY (Bloem; Lepelle and Umgeni)	⬆️	37% (3)	37% (3)	
	Usefulness of performance indicators and targets CY (All except Sedibeng) & PY (All)	⬇️	100% (8)	100% (9)	
Root cause analysis			Recommendations		
<ul style="list-style-type: none"> • Management did not adequately implement review and monitoring controls to ensure no errors in the submitted annual performance report. 			<ul style="list-style-type: none"> • Management should implement adequate review and monitoring controls to ensure that the APR is properly reviewed to identify errors. • Effective monitoring and oversight by the audit committee is also critical. 		

Credible performance reporting is essential to monitoring the effectiveness of service delivery initiatives and commitments made.

Lepelle Northern Water had findings on the reliability of reported performance information for the current and prior year, as management was unable to substantiate supporting listings provided with appropriate supporting evidence.

Sedibeng Water was unable to support the performance reported for 2 material indicators which were not well-defined and verifiable.

In addition, material errors identified at Bloem Water, Mhlathuze Water and Overberg Water were corrected to achieve no material findings reported in the audit report.

5.1 Analysis of key performance indicators linked to key service delivery objectives

The corporate plans of water boards were approved by the Minister before the start of the financial year. This section analyses the performance results of certain key service delivery indicators as reported by the respective water boards.

5.1.1 Analysis of overall total performance reported by the water boards



Performance indicators are not determined centrally resulting in some inconsistencies in reporting on performance.

Overall, only two (2) water boards were able to achieve more than 80% of their planned targets, being Magalies (95%) and Mhlathuze (85%).

5.1.2 Compliance with Water Quality Standards

Access to safe drinking water is a basic human right and is vital for good health. SANS 241 is a drinking water specification that indicates the minimum requirements for potable water to be considered safe for human consumption. The minister determined that all water supply must conform to the requirements of SANS 241.

All water boards measured the quality of bulk water provided during the year and reported on this against the targets set, in line with the requirements of SANS 241, which deal with the limits and associated risks for domestic water.

As depicted in the graph below, eight water boards reported that they complied with the standard, with the exception being Lepelle Northern Water.



Lepelle Northern Water reported non-compliance for the following specifications required by the standard:

- Micro-compliance: the target set at 98% and the actual achievement reported was 96,9%.
- Operational compliance: the target set at 95% and the actual achievement reported was 94%.

The water board reported that the non-compliance was due to a shortage of chlorine gas in the country, which resulted in a failure to meet the residual chlorine concentration. HTH chlorine was used to disinfect instead of chlorine gas.

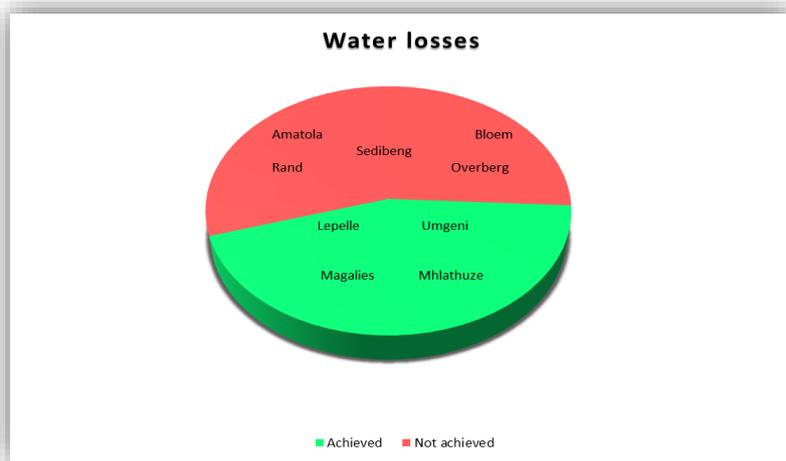
In addition, the water board was unable to provide adequate supporting evidence for the achievement reported in the annual performance report and to confirm the quality of water supplied to the communities. This resulted in a material finding being reported in the audit report for this indicator.

5.1.3 Management of avoidable water losses

The sector has not defined a standard target for avoidable water losses at water boards. Currently, each water board sets its own standard based on varied bases and information.

Lepelle Northern Water, Umgeni Water, Magalies Water and Mhlathuze Water all targeted avoidable water losses of less than 5% and were able to successfully achieve this result, per the respective annual performance reports.

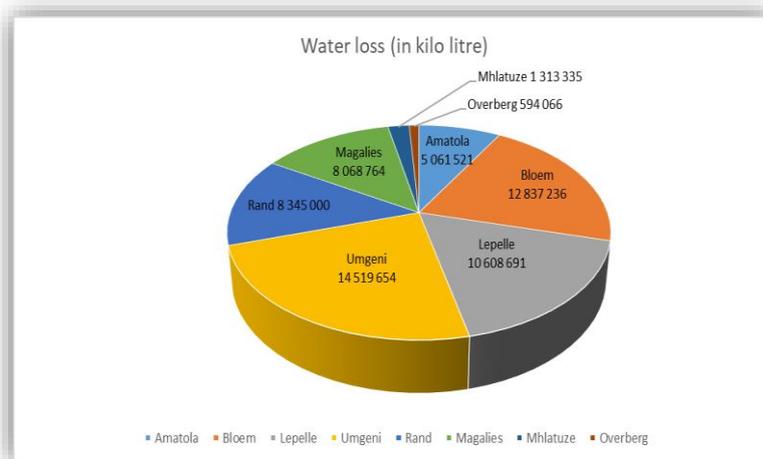
The figure below depicts the achievement of water losses targets by each water board (2020-21):



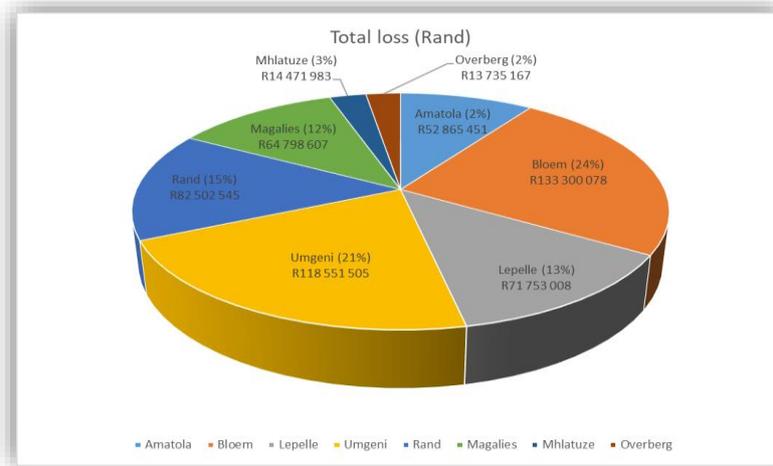
- Amatola Water targeted 14% but achieved 14,4%, the highest among the water boards, with the main reason for the non-achievement cited as being due to illegal connections on networks and pipelines that are not metered and, subsequently, not billed. Pipe breaks and level control units also took a long time to be repaired.
- Bloem Water targeted 10% and achieved 13,02% due to extensive testing of the new hydrostatic pressure.
- Rand Water targeted 4,5% and achieved 5,26% due to pipeline leaks.
- Overberg Water targeted 10% and achieved 14,72%. Severe floods caused by heavy rain resulted in burst water pipes.
- Sedibeng target 10% and achieved 10,5% due to aged infrastructure.

In addition, it is generally accepted that South Africa is faced with an ageing water infrastructure network that contributes to avoidable water losses. The water wasted could be used for other essential purposes, including plumbing, drinking or bathing. The following figures show the kilolitres of water lost per water board that could otherwise have been used for plumbing, drinking or bathing.

The figure below depicts the Water losses incurred by each water board in kilolitres lost (this figure excludes Sedibeng Water as information was not available at the time of preparing this briefing note) (2020-21):



The figure below indicates the Water losses incurred by each water board (except for Sedibeng Water) in Rand values which represents losses to the water boards. (2020-21):

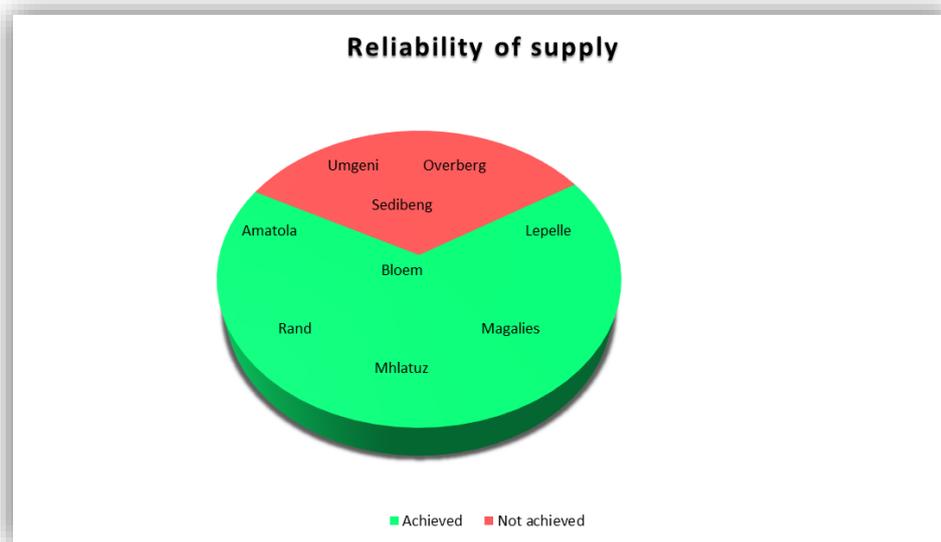


The sector reported a total of 61,3 million kilolitres lost, which resulted in a consequential total loss of revenue of R552 million (excluding Sedibeng information not available). According to a 2017 benchmark study done by the Department of Water and Sanitation, the average South African was reported to consume 235 litres of water a day.

These losses thus could have provided at least 709 000 citizens with water for an entire year.

5.1.4 Reliability of supply

Water boards measured the number of days' supply interrupted as a percentage of possible supply days. Six water boards targeted between 0% and 3% and were able to achieve the targets set, as depicted by the figure below:



Umgeni Water targeted 0% and achieved 10,45% due to what management reported as attributed to burst water pipes and cable theft at raw water abstraction.

Overberg Water targeted 0% and achieved 17% due to management reported burst water pipes resulting from floods caused by heavy rain.

Sedibeng targeted 0% and achieved 19% due to aged infrastructure.

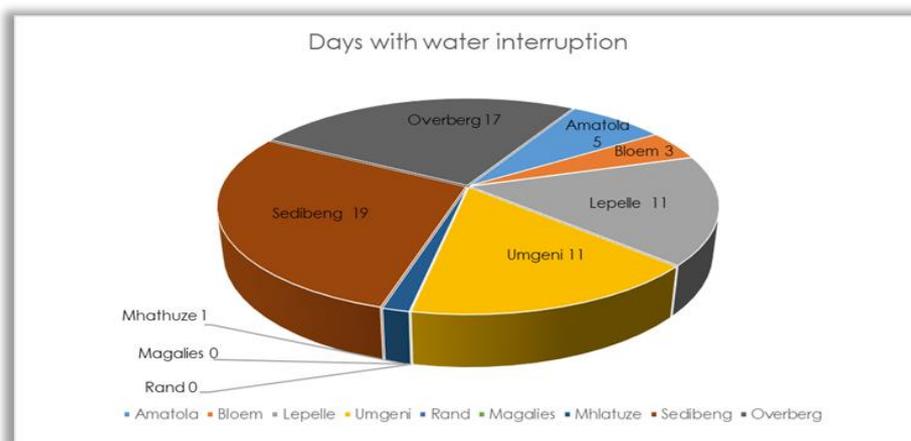
The information on reliability target and actual percentages were further analysed to obtain the days of water interruptions experienced, to determine the actual number of days the citizens had to endure without water.

Rand Water defined and measured its indicator differently from the other water boards. The indicator measured unplanned water interruptions of longer than 24 hours. Therefore, planned water interruptions and unplanned interruptions of less than 24 hours were not measured.

As a result, Rand Water reported zero unplanned water interruption days for the period reported, despite parts of Johannesburg being without water for a week as reported on 25 October 2020¹. The interruptions, reported by the water board to be a result of electrical problems, caused several reservoirs to run dry in various areas. Contingency plans were implemented by the City of Johannesburg to alleviate the impact. This same event occurred in mid-March 2022, again causing several reservoirs to run dry, leaving several citizens in the affected areas without water.²

Despite the approval of the indicator by the accounting authority, by measuring only unplanned interruptions and not all interruptions (unplanned and planned due to scheduled maintenance, etc.), it is not reflective of the experience of the citizens on the ground who are still left without water, regardless. This was also evident during the planned shutdown in November 2020, where citizens were without water for three days.³

The figure below indicates the total days with water interruption by each water board (2020-21):



Interruptions in the supply of water at a water board directly affect the continuity of services delivered by municipalities to the end-users, including citizens, industries and hospitals, which can have a significant impact on the health of citizens waiting for water services to be restored, in addition to the obvious inconvenience in trying to source water from other locations.

The interruptions also have a significant impact on the productivity of industries in the service area, including the ability of hospitals and other essential services to operate effectively and efficiently.

5.1.5 Increased access to water

Water boards measured their contribution to the national objectives of extending their services. **The key indicator related to this is actual CAPEX spending on planned expansion-related projects.**

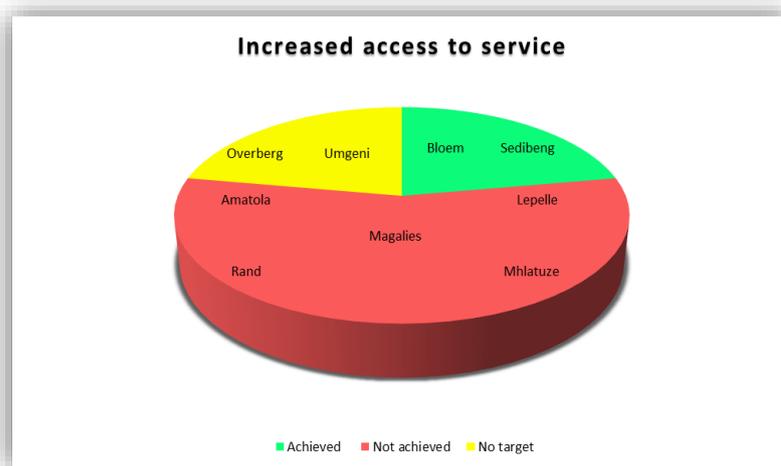
Overberg Water and Umgeni Water did not include this indicator in their annual performance plans, noting another inconsistency in the water boards' reporting.

¹ [Some Johannesburg areas still without water for a week \(ewn.co.za\)](https://www.ewn.co.za)

² [Rand Water water interruptions in 2021 - Search \(bing.com\)](https://www.bing.com)

³ [Media Statement - G18 201120.pdf \(randwater.co.za\)](https://www.randwater.co.za)

The figure below depicts the Reliability of water supply by each water board (2020-21):



The following table sets out high-level reasons why some of the water boards did not achieve these set targets:

Water board	Target	Achieved	Reasons
Amatola Water	70%	58,1%	Allocation of DWS funding being depleted in Q3 and contractors embarking on a go-slow during project implementation due to non-payment of invoices.
Lepelle Northern Water	75%	70%	Social challenges (as per APR).
Rand Water	15%	0%	Approvals are still outstanding from DWS.
Magalies Water	90%	59%	The delays were due to the compliance with the stringent way-leave conditions for the crossing of R101 and Apies River.
Mhlathuze Water	90%	26,65%	Delays in project implementation.

By not meeting this target of increasing their capacity through the planned critical expansion projects, the water boards are therefore not able to meet the increasing demands of the growing citizenry to provide them with water.

5.1 6 Asset management

Actual repairs against planned repairs

The water boards set targets for repairs and maintenance to be conducted during the year. The targets were set as either a percentage of PPE and investments or a percentage spending on budgeted repairs and maintenance.

Three water boards (Umgeni Water, Magalies Water and Overberg Water) achieved the targets set for the year.

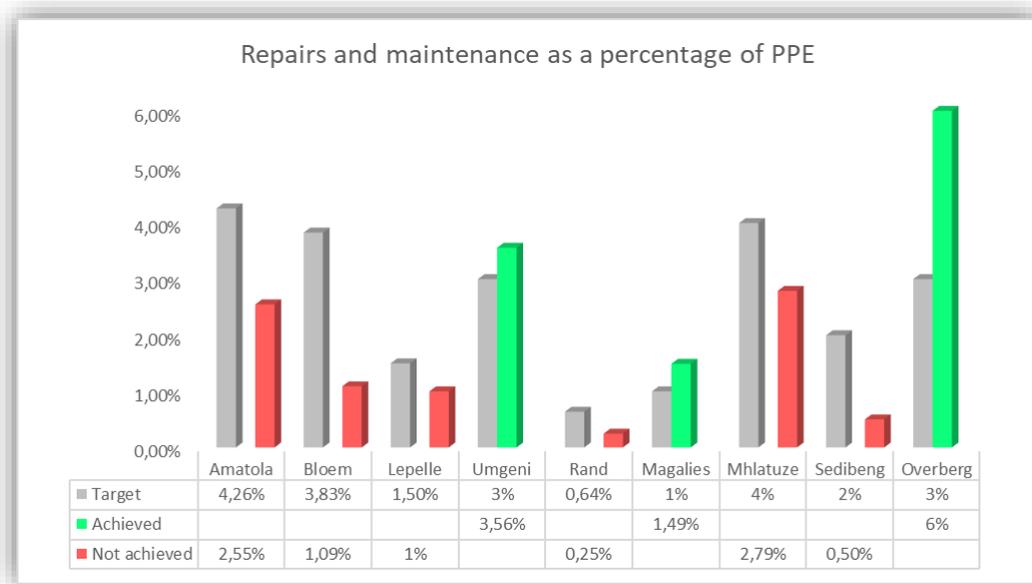
The following water boards did not achieve the target set as indicated in the following table:

Water board	Target	Achieved	Reason
Amatola Water	4,26%	2,55%	Under expenditure is mainly due to low spending on desludging of dams; underspending on building, fences, meters, plant, machinery and fuel for fleet vehicles.
Bloem Water	3,83%	1,09%	Scheduled maintenance was deferred and reduced pipelines failure.
Lepelle Northern Water	1,5%	1%	Shortage of resources to carry out repairs and maintenance.
Rand Water	0,64%	0,25%	Underspending was caused by the redirection of spending towards refurbishment and replacement.
Sedibeng Water	2%	0.5%	Unavailability of cash to attend to regular maintenance



Mhlathuze Water	4%	2,79%	Maintenance work not being carried out in accordance with the maintenance plan.
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The figure below indicates the total days with water interruption by each water board (2020-21):



5.1.7 Capital projects

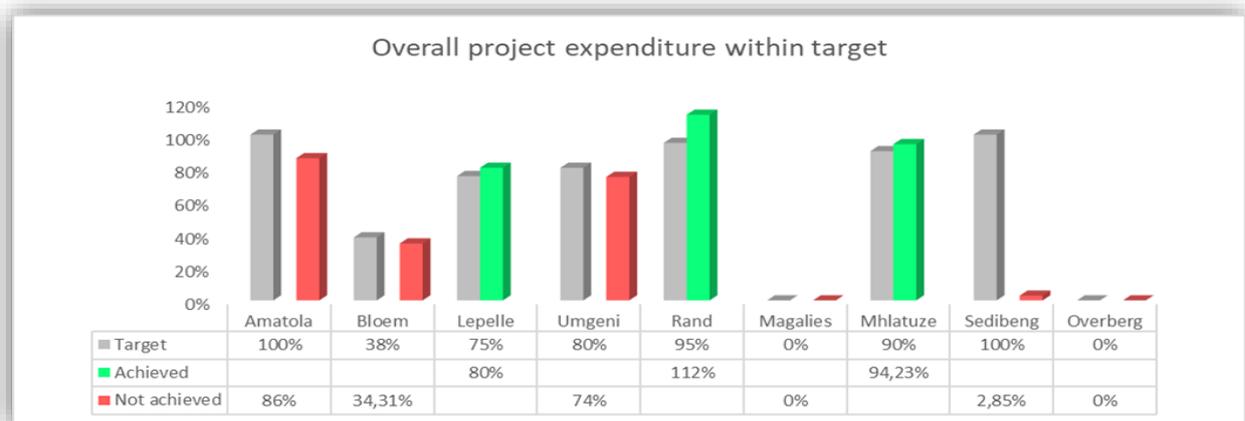
Magalies Water and Overberg Water did not set targets in its annual performance plan relating to the progress of all capital projects in progress (targets were set for expansion projects only). This creates another inconsistency in the water boards' reporting.

Lepelle Northern Water, Rand Water and Mhlathuze Water were able to spend in line with its capital expenditure plan.

Delays in planned projects significantly affect the delivery of critical water supply to citizens. Three water boards were not able to spend in line with their planned target due to the following reasons:

Water board	Target	Achieved	Reason
Amatola Water	R450 million (100%)	R386 million (86%)	Due to the covid-19 lockdown regulation, which affected the progress of the contracts pertaining to all projects.
Bloem Water	38%	3,7%	Covid-19 impact and continued funding challenges.
Umgeni Water	80%	74%	Capex programme was affected negatively by the covid-19 lockdown restrictions, some contractors going into business rescue, lengthy appeals, and deferral of certain projects.

The figure below depicts the project expenditure against the targeted budgets (2020-21):

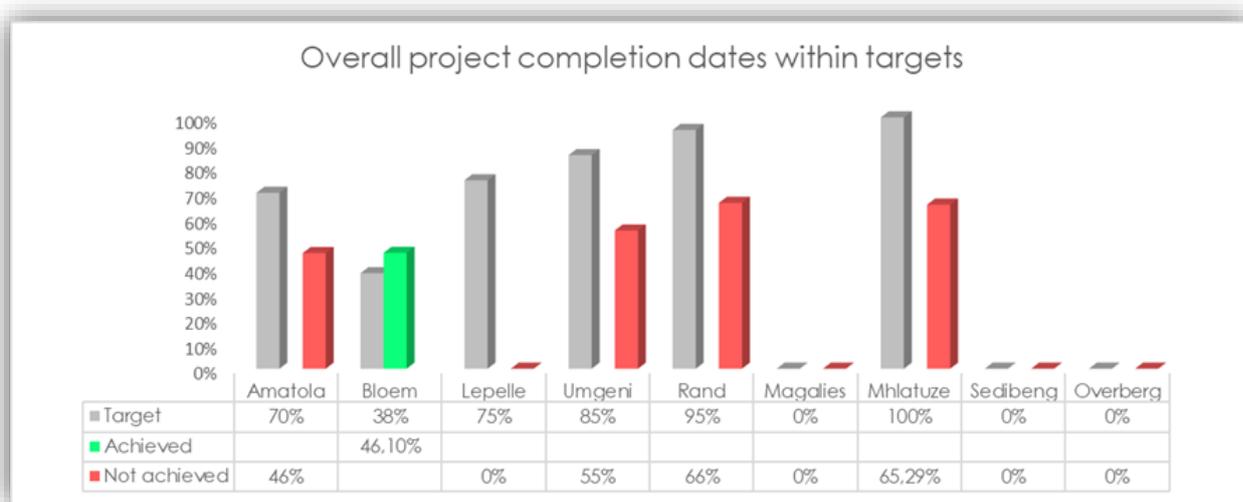


Lepelle, Rand and Mhlathuze were able to spend in line with its capital expenditure plan

The following table sets out high-level reasons why some of the water boards did not achieve these set targets:

Water board	Target	Achieved	Reason
Amatola	R450 million (100%)	R386 million (86%)	Due to the covid-19 lockdown regulation, which affected the progress of the contracts pertaining to all projects.
Bloem	38%	3,7%	Covid-19 impact and continued funding challenges.
Sedibeng	R126m (100%)	R3,6m (2,9%)	Lack of cash flow to implement capital expenditure.
Umgeni	80%	74%	Capex programme was affected negatively by the covid-19 lockdown restrictions, some contractors going into business rescue, lengthy appeals, and deferral of certain projects.

The figure below depicts the overall project completion dates within target dates (2020-21):



Bloem Water reported that it is on track to complete its projects as planned; however, five water boards have experienced delays in completing capital projects:

Water board	Target	Achieved	Reason
Amatola Water	70%	46%	Due to the covid-19 lockdown regulation, which has affected the progress of the contracts pertaining to all projects.
Lepelle Northern Water	75%	0%	Long-outstanding social issues and delays in SCM processes.
Umgeni Water	85%	55%	Capex programme was affected negatively by the covid-19 lockdown restrictions; some contractors going into business rescue, lengthy appeals, deferral of certain projects.
Rand Water	95%	66%	Challenges with regard to contractor supervision and management.
Mhlathuze Water	100%	65,29%	Delays in project implementation.

The water boards have been struggling to implement the targeted projects as planned for the past years, mainly due to covid-19. The impact of these delays, however, remains the same in that citizens are not receiving the benefit of access to services, as intended.

Delays in these capital projects also place significant strain on the already ageing current infrastructure, rendering them exposed to breakdowns and leakages of water that could have otherwise been used by the citizens. Lack of prioritising and spending on repairs and poor maintenance further exacerbates the problem.



6. Report on the audit of compliance with legislation

Overall audit outcomes regarding Water boards compliance with legislation

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Compliance with legislation - Regression

Seven (7) water boards (**Bloem, Lepelle, Umgeni, Rand, Amatola, Sedibeng and Lepelle**) transgressed key legislation which resulted in material findings being report on non-compliance with legislation. This non-compliant outcome is unfortunately consistent with the prior year, which may indicate a culture of impunity.

The main areas of non-compliance relate to the following:

- Quality of financial statements;
- Procurement and contract management;
- Prevention of irregular, fruitless and wasteful expenditure; and
- Consequence management.

Consequence management

Consequence management remains a challenge at **Umgeni and Sedibeng** (Irregular Expenditure) and **Amatola** (Irregular and Fruitless and Wasteful Expenditure), as there were significant delays in finalising investigations relating to a number of instances of irregular expenditure incurred in the prior year which led to the findings on consequence management.

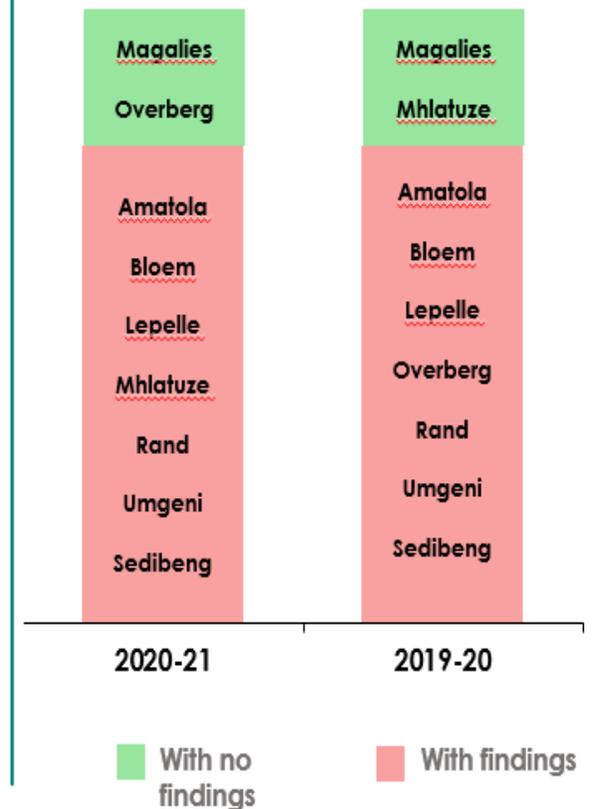
Recommendations to AA /AO

It is recommended that management implements appropriate actions to ensure compliance with SCM legislation, including the following critical interventions:

- Pointed, specific and regular SCM training to ensure understanding and application of the legislation.
- Accounting authorities must take swift action against staff that transgress procurement regulations.
- Effective implementation of actions plans which identify and address the real root causes relating to non-compliance.
- Enhance the utilisation of the Internal audit function to assist with monitoring of actions to correct procurement findings and providing real-time assurance to management on the controls in place.



Findings on compliance with key legislation



The following material findings were included in the audit report Water boards on its non-compliance for the 2020-21 financial year end

Finding	Root cause	Recommendation
Annual financial statements		
<p>The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 40(1)(a) and (b) of the PFMA.</p> <p>(Amatola Water)</p> <p>Material misstatements of expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected, but the some supporting records that could not be provided relating to expenditure resulted in the financial statements receiving a qualified opinion.</p>	<p>Management did not adequately prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>Management should ensure that adequate regular, accurate and complete financial statements are that are supported and evidenced by reliable information.</p>
<p>The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 40(1)(a) and (b) of the PFMA.</p> <p>(Bloem Water)</p> <p>Material misstatements of expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected, but the some supporting records that could not be provided relating to expenditure resulted in the financial statements receiving a qualified opinion.</p>	<p>Management did not adequately prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>Management should ensure that adequate regular, accurate and complete financial statements are that are supported and evidenced by reliable information.</p>
<p>The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 40(1)(a) and (b) of the PFMA.</p> <p>(Lepelle Northern Water)</p> <p>Material misstatements of expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected, but the some supporting records that could not be provided relating to expenditure resulted in the financial statements receiving a qualified opinion.</p>	<p>Management did not adequately prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.</p>	<p>Management should ensure that adequate regular, accurate and complete financial statements are that are supported and evidenced by reliable information.</p>
<p>The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 40(1)(a) and (b) of the PFMA.</p> <p>(Mhlathuze Water)</p> <p>Material misstatements of expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected, but the some supporting records that could not be provided relating to expenditure resulted in the financial statements receiving a qualified opinion.</p>	<p>Management did not adequately prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>Management should ensure that adequate regular, accurate and complete financial statements are that are supported and evidenced by reliable information.</p>



Finding	Root cause	Recommendation
<p>The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 40(1)(a) and (b) of the PFMA.</p> <p>(Sedibeng Water)</p> <p>Material misstatements of expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected, but the some supporting records that could not be provided relating to expenditure resulted in the financial statements receiving a qualified opinion.</p>	<p>Management did not adequately prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>Management should ensure that adequate regular, accurate and complete financial statements are that are supported and evidenced by reliable information.</p>
<p>The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 40(1)(a) and (b) of the PFMA.</p> <p>(Umgeni Water)</p> <p>Material misstatements of expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected, but the some supporting records that could not be provided relating to expenditure resulted in the financial statements receiving a qualified opinion.</p>	<p>Management did not adequately prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>Management should ensure that adequate regular, accurate and complete financial statements are that are supported and evidenced by reliable information.</p>

Finding	Root cause	Recommendation
Expenditure management		
<p>(Amatola)</p> <p>Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the qualified opinion the value disclosed in note 34 of the financial statements does not reflect the full extent of the irregular expenditure incurred. Full extent of the irregular expenditure could not be quantified. The majority of the irregular expenditure disclosed in the financial statements was caused by the procurement processes where SCM processes were not followed and expenditure was incurred on expired contracts.</p>	<ul style="list-style-type: none"> Action plans developed to address audit findings of the prior year were not effectively implemented and monitored. Slow progress in investigating prior year irregular expenditure incurred and implementing consequence management, for the irregular expenditure incurred. The majority of current year irregular expenditure resulted from not following adequate procurement competitive processes when awarding contracts (bids/ tenders) in contravention of legislation. 	<ul style="list-style-type: none"> Audit action plans should be actively driven by leadership to ensure achievement of milestones and corrective action taken where milestones are not achieved. Consequence management - Management should expedite its investigation of all irregular expenditure and ensure that responsible staff members are held accountable for non-compliance with laws and regulations and failing to adhere to internal policies and procedures.
<p>(Bloem Water)</p> <p>Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. The value of R2 519 000 as disclosed in note 25, is not complete as management was still in the process of quantifying the full extent of the irregular expenditure. The majority disclosed in the financial statements was caused by non-compliance with local content requirements.</p>	<p>Management did not adequately review and monitor compliance with applicable legislation.</p>	<p>Management should ensure that the compliance with applicable legislation are adequately reviewed and monitored</p>



Finding	Root cause	Recommendation
<p>Expenditure management</p> <p>(Lepelle Northern Water) Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R28 385 000 as disclosed in note 35 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. This was due to goods and services not procured through the proper procurement process. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R4 374 000, as disclosed in note 34 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.</p>	<p>Management did not adequately review and monitor compliance with applicable legislation.</p>	<p>Management should ensure that the compliance with applicable legislation are adequately reviewed and monitored</p>
<p>(Mhlathuze Water) Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R49 456 942 as disclosed in note 27 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with section 51(1)(a)(iii). 38. Resources of the Mhlathuze Water were not utilised economically, as required by section 57(b) of the PFMA. This was as a result of expenditure incurred beyond the approved capped fee relating to the recovery of fruitless and wasteful expenditure identified in the prior years and the implementation of consequence management by the legal service providers appointed within the panel.</p>	<p>Management did not adequately review and monitor compliance with applicable legislation.</p>	<p>Management should ensure that the compliance with applicable legislation are adequately reviewed and monitored</p>
<p>(Rand Water) Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R3,8 million as disclosed in note 34 to the consolidated and separate financial statements, as required by section 51(1)(b)(ii) of the PFMA. Most of the irregular expenditure disclosed in the consolidated and separate financial statements relates to non-compliance with preferential procurement regulations and supply chain management policy.</p>	<p>Management did not adequately review and monitor compliance with applicable legislation.</p>	<p>Management should ensure that the compliance with applicable legislation are adequately reviewed and monitored</p>
<p>(Sedibeng Water) Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R271,589 million as disclosed in note 46 to the annual financial statement, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the qualified opinion the value disclosed in note 46 of the financial statements. The majority of the irregular expenditure disclosed in the financial statements was caused by varied instances of non-compliance with applicable SCM laws and regulations. Effective and appropriate steps were not taken to prevent fruitless and wasteful expenditure amounting to R268,337 million, as disclosed in note 47 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure disclosed in the financial statements was caused by incurring interest due to late payments.</p>	<p>Management did not adequately review and monitor compliance with applicable legislation.</p>	<p>Management should ensure that the compliance with applicable legislation are adequately reviewed and monitored</p>



Finding	Root cause	Recommendation
Consequence management		
<p>(Amatola) I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.</p>	<p>The accounting authority did not exercise oversight responsibility by implementing adequate controls to prevent irregular expenditure. The accounting authority did not implement effective ,consequence management by ensuring proper investigations were carried out on all instances of irregular expenditure to determine if any person was guilty of incurring this irregular expenditure</p>	<p>The accounting authority should exercise oversight responsibility by implementing adequate controls to prevent irregular expenditure. The accounting authority should implement effective ,consequence management by ensuring proper investigations are carried out on all instances of irregular expenditure to determine if any person was guilty of incurring this irregular expenditure</p>
<p>(Sedibeng Water) I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. Management indicated that all instances of irregular expenditure had been investigated, however, some instances of irregular expenditure which were not investigated were identified during the audit. Furthermore, for the investigations which were performed they did not identify any employee whom the accounting authority must take effective and appropriate disciplinary steps against. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. Management indicated that all instances of fruitless and wasteful expenditure disclosed were still under investigation. The evidence of the investigations could not be provided.</p>	<p>The accounting authority did not exercise oversight responsibility by implementing adequate controls to prevent irregular expenditure. The accounting authority did not implement effective ,consequence management by ensuring proper investigations were carried out on all instances of irregular expenditure to determine if any person was guilty of incurring this irregular expenditure</p>	<p>The accounting authority should exercise oversight responsibility by implementing adequate controls to prevent irregular expenditure. The accounting authority should implement effective ,consequence management by ensuring proper investigations are carried out on all instances of irregular expenditure to determine if any person was guilty of incurring this irregular expenditure</p>
<p>(Umgeni Water) I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained to support the investigations into irregular expenditure as well as a number of investigations that had not commenced in the year.</p>	<p>The accounting authority did not exercise oversight responsibility by implementing adequate controls to prevent irregular expenditure. The accounting authority did not implement effective ,consequence management by ensuring proper investigations were carried out on all instances of irregular expenditure to determine if any person was guilty of incurring this irregular expenditure</p>	<p>The accounting authority should exercise oversight responsibility by implementing adequate controls to prevent irregular expenditure. The accounting authority should implement effective ,consequence management by ensuring proper investigations are carried out on all instances of irregular expenditure to determine if any person was guilty of incurring this irregular expenditure</p>



Finding	Root cause	Recommendation
Procurement and contract management		
<p>(Amatola) Some of the commodities designated for local content and population, were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by the 2017 procurement regulation 8(5).</p> <p>Some of the goods, works or services were not procured through a procurement process which is fair, equitable transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar non-compliance was also reported in the prior year.</p>	<p>Management did not adequately implement review and monitoring controls to prevent non-compliance with laws and regulations relating to supply chain management and payment processing Action plans developed to address audit findings of the prior year were not effectively implemented and monitored.</p> <p>Slow progress in investigating prior year irregular expenditure incurred and implementing consequence management, for the irregular expenditure incurred.</p>	<p>Audit action plans should be actively driven by top management to ensure achievement of milestones and corrective action taken where milestones are not achieved.</p> <p>Consequence management - Management should expedite its investigation of all irregular expenditure and ensure that responsible staff members are held accountable for non-compliance with laws and regulations and failing to adhere to internal policies and procedures</p>
<p>(Bloem Water) Bid documentation for procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2). Similar non-compliance was also reported in the prior year.</p> <p>Some of the commodities designated for local content and production were procured from suppliers who did not submit a declaration on local production and content in accordance with paragraph 3.4 of National Treasury Note 4 of 201512016. Similar non-compliance was also reported in the prior.</p>	<p>Management did not adequately implement review and monitoring controls to prevent non-compliance with laws and regulations relating to supply chain management and payment processing Action plans developed to address audit findings of the prior year were not effectively implemented and monitored.</p> <p>Slow progress in investigating prior year irregular expenditure incurred and implementing consequence management, for the irregular expenditure incurred.</p>	<p>Audit action plans should be actively driven by top management to ensure achievement of milestones and corrective action taken where milestones are not achieved.</p> <p>Consequence management - Management should expedite its investigation of all irregular expenditure and ensure that responsible staff members are held accountable for non-compliance with laws and regulations and failing to adhere to internal policies and procedures</p>
<p>(Rand Water) Construction contract was awarded to a contractor that did not qualify for the contract in accordance with section 18(1) of the CIDB Act and CIDB regulations 17 and/or 25(7A).</p> <p>Some of the commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content as required by the 2017 preferential procurement regulation. The winning provider did not furnish the auditee with the declaration on local production and content.</p>	<p>Management did not adequately implement review and monitoring controls to prevent non-compliance with laws and regulations relating to supply chain management and payment processing Action plans developed to address audit findings of the prior year were not effectively implemented and monitored.</p> <p>Slow progress in investigating prior year irregular expenditure incurred and implementing consequence management, for the irregular expenditure incurred.</p>	<p>Audit action plans should be actively driven by top management to ensure achievement of milestones and corrective action taken where milestones are not achieved.</p> <p>Consequence management - Management should expedite its investigation of all irregular expenditure and ensure that responsible staff members are held accountable for non-compliance with laws and regulations and failing to adhere to internal policies and procedures</p>
<p>(Sedibeng Water) I was unable to obtain sufficient appropriate audit evidence that all contracts and quotations were awarded in accordance with the legislative requirements as the entity did not maintain accurate and complete records. Similar limitations were also reported in the prior year.</p> <p>I was unable to obtain sufficient appropriate audit evidence that goods, works and services were procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar limitation was also reported in the prior year.</p>	<p>Management did not adequately implement review and monitoring controls to prevent non-compliance with laws and regulations relating to supply chain management and payment processing Action plans developed to address audit findings of the prior year were not effectively implemented and monitored.</p> <p>Slow progress in investigating prior year irregular expenditure incurred and implementing consequence management, for the irregular expenditure incurred.</p>	<p>Audit action plans should be actively driven by top management to ensure achievement of milestones and corrective action taken where milestones are not achieved.</p> <p>Consequence management - Management should expedite its investigation of all irregular expenditure and ensure that responsible staff members are held accountable for non-compliance with laws and regulations and failing to adhere to internal policies and procedures</p>



Finding	Root cause	Recommendation
<p>(Umgeni Water) Some goods, works or services were not procure through a procurement process which was fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Some of the tenders which failed to achieve the minimum qualifying score for functionality criteria were not disqualified as unacceptable in accordance with 2017 Preferential Procurement Regulation 5(6) Some of the tenders which achieved the minimum qualifying score for functionality criteria were not evaluated in accordance with 2017 Preferential Procurement Regulation 5(7).</p>	<p>Management did not adequately implement review and monitoring controls to prevent non-compliance with laws and regulations relating to supply chain management and payment processing Action plans developed to address audit findings of the prior year were not effectively implemented and monitored. Slow progress in investigating prior year irregular expenditure incurred and implementing consequence management, for the irregular expenditure incurred.</p>	<p>Audit action plans should be actively driven by top management to ensure achievement of milestones and corrective action taken where milestones are not achieved. Consequence management - Management should expedite its investigation of all irregular expenditure and ensure that responsible staff members are held accountable for non-compliance with laws and regulations and failing to adhere to internal policies and procedures</p>
Revenue Management		
<p>(Amatola Water) Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.</p>	<p>Due to poor financial position of specific municipalities to which the entity provides services to this causes the collection period to be slower than normal.</p>	<p>Management should ensure that they are measure in place to collect revenue or monies owed to them in time to improve the cash flow risk and liquidity problems.</p>
<p>(Sedibeng Water) Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA. The majority of outstanding debtors relates to municipalities serviced by the water board. \\</p>	<p>Due to poor financial position of specific municipalities to which the entity provides services to this causes the collection period to be slower than normal.</p>	<p>Management should ensure that they are measure in place to collect revenue or monies owed to them in time to improve the cash flow risk and liquidity problems.</p>



7. Material irregularities

At the center of the PAA amendments – Material irregularity

What is a material irregularity?

Irregularity any **non-compliance** with, or contravention of, legislation, **fraud, theft or a breach of a fiduciary duty**

identified during an audit performed under this Act that **resulted in or is likely to result in ...**

Impact a **material financial loss, the misuse or loss of a material public resource or substantial harm to a public sector institution or the general public.**

To allow for establishing capacity and processes, a **phased-in approach** for identifying material irregularities will be followed in 20-21 based on:

1. the type of material irregularity to be identified and reported
2. the auditees where it will be implemented

Selection criteria

Type of material irregularity
Any non-compliance with the definition stated above. The material irregularity process is implemented at selected auditees audited by the AGSA that represent **a significant portion of the expenditure budget and the irregular expenditure** of national, provincial and local government, including state owned entities. The selection is also focused on auditees that are key contributors to the **government priorities**. **For the 2021 year, the DWS, WTE and TCTA and Water boards were selected for MI implementation in the water portfolio.**

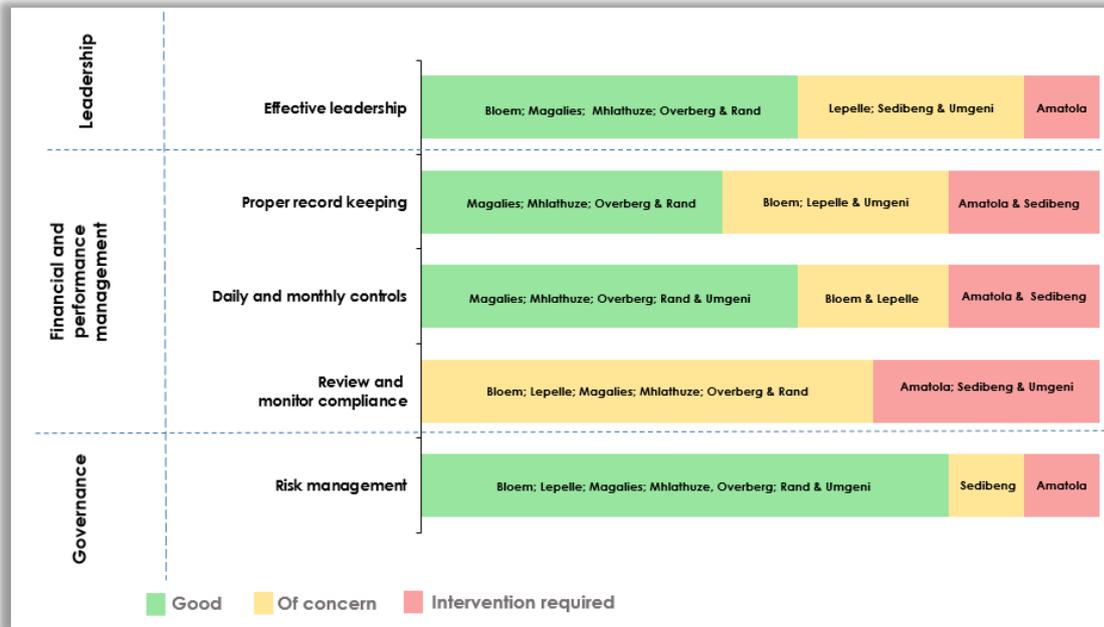
Weaknesses in financial management, internal controls, fraud prevention and legislative compliance could result in material financial losses at some auditees. The amendments to the Public Audit Act 25 of 2004, which came into effect on 1 April 2019, give us the mandate to report on these matters as material irregularities and to take action if accounting officers and authorities do not deal with them appropriately. One material irregularity was identified at Umgeni Water for the year under review,

Auditee	MI Description	Status / Word done by AA
Umgeni Water	The accounting authority was notified of the material irregularity on 17 March 2021; the material irregularity related to the award of R86 million to a supplier for the provision of consulting services. The supplier was incorrectly evaluated, resulting in an award to a supplier who submitted a higher price. This resulted in a financial loss of R3,56 million.	Investigations were undertaken and a conclusion was reached that disciplinary action should be taken against the responsible employees. The audit team is in the process of evaluating the appropriateness of the actions taken by management. This will be evaluated during the 2021/22 audit cycle.

8. Status of internal controls and assurance providers

The diagram below depicts the status of the internal controls and assessment of assurance providers of the water boards as assessed by the auditors. The assessment was limited to the internal controls relevant to the audit of financial statements, reported performance information and compliance with applicable legislation.





In our assessment, the most prevalent root causes for not achieving the desired audit outcome relates to the following:

The slow response by management and those charged with governance to address the root causes of the previous year’s audit findings on some of the water boards.

During the current and previous audits, we have communicated to management the root causes of audit findings. We noted that the action plans in place were not effectively reviewed and monitored by senior management and those charged with governance to ensure an improvement in audit outcomes. Key challenges not addressed were related to compliance with procurement legislation and the implementation of appropriate consequence management procedures to address instances of irregular, and fruitless and wasteful expenditure identified.

We recommend that the following actions should be taken to address the root cause:



- Senior management must take ownership of internal control deficiencies that resulted in the findings in the audit report. Appropriate action plans that address the real root cause must be developed, implemented and monitored.
- The accounting authority must review and assess the appropriateness of all action plans to ensure that the root causes are adequately addressed. The implementation of the plan must be monitored regularly, and corrective action must be taken where necessary.
- The minister must regularly monitor progress made on audit action plans through regular and robust engagements with the boards, audit committees and executive management.

Lack of consequences for poor performance and transgressions

The lack of action by the leadership to address repeat audit findings contributes to a culture of complacency where poor performance and non-compliance is tolerated. It is important that appropriate policies and procedures are developed and implemented to enable a culture of accountability.

We recommend that the following actions should be taken to address the root cause:

- Accounting authorities should ensure that compliance findings are investigated to determine whether there are indicators of financial misconduct or misconduct in the SCM processes, followed by disciplinary hearings where misconduct has been confirmed.
- All unauthorised and irregular expenditure should be investigated promptly, as required by the Public Finance Management Act to determine whether such expenditure should be recovered from the responsible official(s).
- To improve the performance and productivity of officials, the leadership should set the tone by implementing sound performance management processes, evaluating and monitoring officials' performance and consistently demonstrating that poor performance has consequences.

Improved coordination required by all the role players in the entire sector

Many projects are experiencing delays due to non-payment by the department for various reasons. In some instances, monies paid over may not always have been used for the intended purpose, resulting in contractors not being paid on time. These contractors then embark on go-slows, as was the case in Amatola Water; and, in some cases as with Rand Water, the department did not always make timely payments to allow Rand Water to remain on track with the projects.

Throughout this report, we noted some pockets of successes, especially insofar as it relates to the financial management of the water boards. Some water boards reacted to audit recommendations with the appropriate levels of responsiveness and these good practices should be replicated where concerns and challenges remain. The probability of success in sharing best practices and leveraging each other's successful processes is exceptionally high, as all these entities operate within the same sector and provide the same services.

The fact that they also report to a single executive authority should also be leveraged to drive consistency and improve coordination in the planning and implementation of projects by the department, the trading entity and the water boards.

The remaining matters that need urgent attention to improve audit outcomes are not impossible to rectify. They require stability in leadership to ensure that they, in turn, instil in management the disciplines of financial and performance management, complemented by proper consequence management. The leadership in the water boards, under the guidance and leadership of the department, should create a culture that promotes effective financial and performance management, reduces irregular and fruitless and wasteful expenditure, and improves service delivery.

Inconsistent reporting by the water boards due to inconsistent target setting also poses a challenge for the sector to engage in meaningful planning, based on a consistent data set. This affects key decision-making and may also pose concerns for consistent accountability discussions.

9. Other reports/ Investigations

Status update on investigations conducted (More detail reported by the SIU 8 June 2022_:

No	Proclamation	Status
1	<p>Amatola Water An investigation by the SIU on Covid-19 related procurement and expenditure, in terms of proclamation R23 of 2020</p> <p>An Investigation conducted by Directorate for Priority Crime Investigation (DPIC)/Hawks relating to procurement processes followed for a specific contract.</p> <p>Investigations approved by the audit and risk committee in relation placement of entity's employees undertaken in 2015. These investigations were not finalised at reporting date</p>	Still in progress
2	<p>Lepelle Northern Water The minister of Human settlements, Water and Sanitation appointed a service provider to investigate the Lepelle Northern Water's operations. The investigation reports have been issued to the minister and the public entity has responded to the findings in the report.</p> <p>Commission of enquiry into state capture: During the 2018 financial period the President of South Africa instituted a commission of enquiry into state to investigate amongst other, issues, allegations of corruption and fraud involving several public entities. During the prior year the commission has indicated that several water boards (Including Lepelle) were within its scope and requested and requested certain documents to be submitted to the commission.</p> <p>Numerous other investigation are still in progress by Lepelle's service providers including SIU</p>	Still in progress
3	<p>Mhlathuze Water An independent consultant investigated an allegation of possible misappropriation of entity's assets within the SCM section. The investigation was concluded in 2020 and resulted in disciplinary proceedings against the employee</p> <p>An independent consultant was contracted through a sub-contracting arranged to investigate bank statements as part of forensic investigation which was required consequence management implementation process. The investigation was still in progress at financial year end.</p>	Completed In progress:
4	<p>Rand Water Two agreed-upon procedure engagements were held on the accuracy of the water research levy for the periods July 2020 to December 2020 and January 2021, and reports were not issued by the date of this report.</p> <p>Agreed upon procedure were performed on compliance with section S13B(1) of Pension Funds Act 1956 for the period 1 July 2020 to 30 June 2021</p>	Still in progress
	<p>Sedibeng Water Management appointed an external service provider to review the procurement transactions from July 2017 to June 2020, compile an irregular expenditure register to ensure that consequences for transgressions and action against poor performance are taken by management. The investigation was concluded during 2020/21 financial year and by the date of the audit report, management's action was still awaited</p>	Still in progress
	<p>Umgeni Water SIU is investigating alleged irregularities in the affairs of Umgeni Water, which covers the period 2012 to 2019. These investigations are still in progress at the date of this report.</p>	Still in progress



Several other investigations were also conducted, or were in progress, by the internal audit unit at the request of the accounting authorities and/ or the executive authority arising from allegations of financial misconduct against officials of the department. The completed investigations resulted in recommendations for disciplinary and/or criminal proceedings to be instituted against the officials concerned, while others were still in progress at year end.

10. Assurance providers

11. Still to Include graph

12.

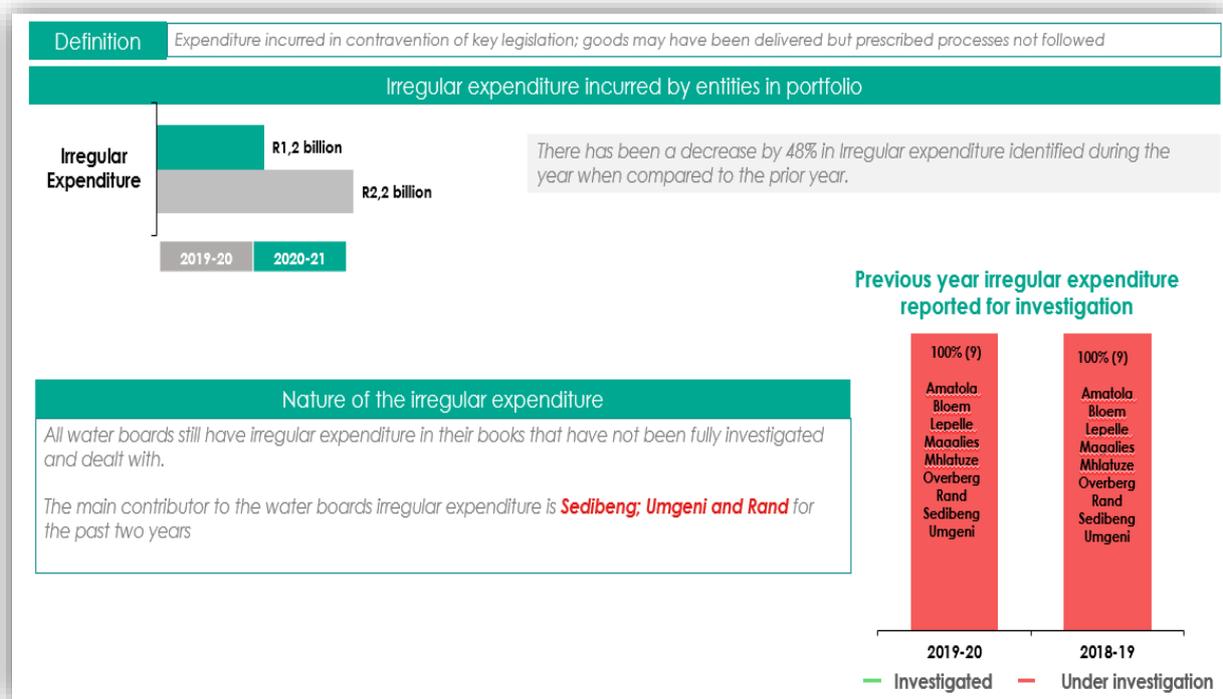
13.10. We assessed the level of assurance provided by these assurance providers based on the status of internal controls at the department and entity and the impact of the role players on these controls. Follow up on previous SCOPA resolutions from previous engagement

There are no prior formal SCOPA resolutions made following previous audit outcomes.

14.11. Unauthorised, Irregular and Fruitless and wasteful expenditure

11.1 Irregular Expenditure:

The following depicts the incidents of irregular expenditure incurred during the 2020/21 financial year:



Total irregular expenditure that was identified in the current year amounted to R1,2 billion. The biggest contributors to irregular expenditure were **Umgeni; Rand and Sedibeng** who incurred R511 million (44%); R301 million (26%) and R272 million (23%) respectively.



The main root causes for the irregular expenditure were mainly due to:

- Policies not being updated to reflect the latest legislation and operational requirements,
- Lack of understanding of procurement legislation and internal controls by the staff and members who must implement these and ensure that the institutions comply during the processes; and
- Slow responses by the accounting authorities and those charged with governance to implement corrective action and implement preventative controls to prevent irregular expenditure.

Delays were experienced in finalising investigations relating to a number of instances of irregular expenditure incurred in the previous year. Often these investigations are initiated, but do not receive the necessary attention to ensure speedy finalisation.

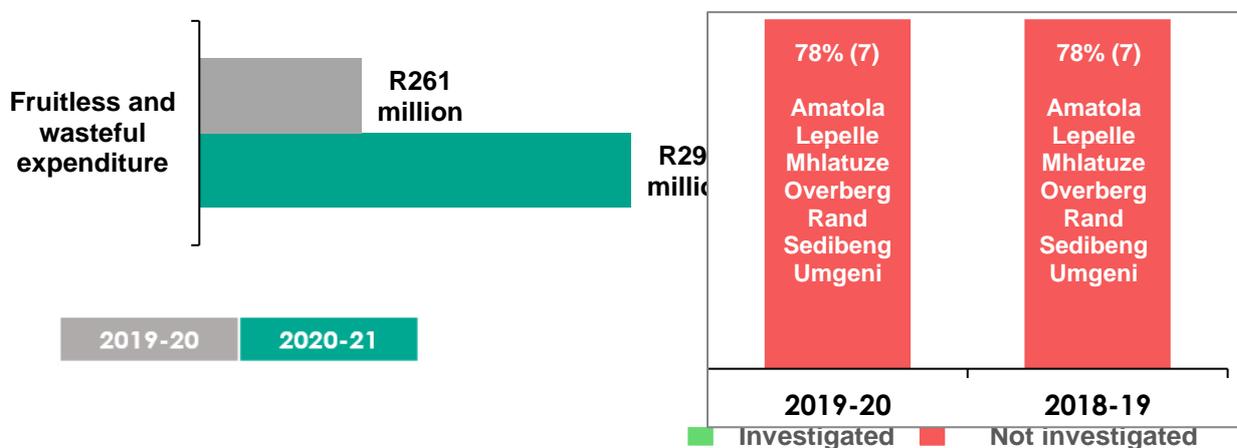
The most common findings on supply chain management were as follows:

- Non-compliance with Treasury Regulations relating to local content.
- Construction contracts were awarded to contractors whose CIDB grading was below the required grading for the value of the particular contract.
- Contracts awarded without applying the preference points system.
- Bids not advertised for the prescribed period of 21 days.
- Rand Water and Amatola Water (25%) mostly failed to comply with the covid-19 emergency procurement requirements, as they also largely assisted in the water and sanitation portfolio intervention.

11.2 Fruitless and Wasteful Expenditure

Refer to snapshot below for fruitless and wasteful expenditure incurred within the department and the trading entity.

Definition	<i>Expenditure incurred in vain and could have been avoided if reasonable steps had been taken been taken. No value for money received.</i>
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Nature of the fruitless and wasteful expenditure	
<ul style="list-style-type: none"> • Bloem and Magalies had no fruitless and wasteful expenditure that has not been dealt with • The remaining water boards still have fruitless and wasteful expenditure in their books that have not been fully investigated and dealt with. • Sedibeng; Amatola; Lepelle and Umgeni are the main contributors to Fruitless and Wasteful expenditure incurred during the year. These mainly relate to interest incurred on late payment to suppliers. 	

Seventy-seven per cent (7/9) water boards reported fruitless and wasteful expenditure for the year under review, amounting to R28 million, 95% (R268 million) of which was incurred by Amatola Water, Umgeni Water and Lepelle Northern Water.

- Amatola Water – R14 560 000 (interest and penalties)



- Umgeni Water – R7 442 000 (interest of R1,1 million and overpayment for goods and services of R6,3 million)
- Lepelle Northern Water – R4 374 000 (interest and penalties)
- Sedibeng Water – R268 000 000 (interest and penalties)

recommendations to the Committee:

We request and recommend that the committee consider the following actions to be implemented as part of the role oversight can play in facilitating an improvement in the financial and performance management, as well as the status of compliance of the public entity to improve audit outcomes, thereby ensuring good governance and administration of public funds:

- The committee should follow up with management on the timely and effective implementation of the audit action plans to address the audit findings related to supply chain management and the qualification of irregular expenditure.
- Follow up with management and the executive authority on the implementation of consequence management. Management should be clear on the processes they will follow to investigate these cases of irregular expenditure, especially the long outstanding cases. These investigations should be conducted in a proper manner that will facilitate appropriate action being taken to enforce consequence management. The accounting authorities should report, through the executive on a quarterly basis to the oversight committees (PC and SCOPA), therefore oversight should insistently request feedback on these
- The Water boards, supported by the department and executive authority, must regularly report the progress on the timely implementation of key infrastructure projects to the oversight committees (portfolio committee and SCOPA). The progress reporting must be informed by proper and timely intel that allows management to implement clear interventions on any potential delays and/ or bottlenecks experienced during the planning and implementation of these key infrastructure projects. The delivery of which will ensure that the citizens are provided with minimally to no interrupted access to quality water.
- The minister must continue to enhance and improve the current intergovernmental relations processes with clear interventions on how the large sums of outstanding municipal debt will be recovered. The water boards are also then in a position to ensure that they also honour they debts to the Water trading entity. The availability of funding in the sector will ensure the continued implementation of new and expansion projects to meet the demands of the increasing citizenry and economy.
- The committee must further closely monitor the effective implementation of the mandate, roles and responsibility of each entity that forms part of water sector, by the leadership of these institutions through the review of action plans to address service delivery shortcomings. Oversight must monitor the effective coordination between the Department, WTE, TCTA and the Water Boards in the water sector, to ensure that the all the entities are working towards providing water to the citizens in an improved coordinated, planned and effective manner. The department must exercise leadership and guidance in this regard.