



water & sanitation

Department:
Water and Sanitation
REPUBLIC OF SOUTH AFRICA

Annual Report of the Department of Water & Sanitation: Vote 41

For the period 01 April 2021 to 31 March 2022

Presented by:

**Dr Sean Phillips
Director-General**

11 October 2022

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Purpose

To brief the Portfolio Committee on the Department of Water and Sanitation's annual report for the 2021/22 financial year

PART A: EXECUTIVE SUMMARY

- **INTRODUCTION**
- **COMPARISON OF ANNUAL NON-FINANCIAL AND FINANCIAL PERFORMANCE**

Introduction

- The annual report highlights achievements and various challenges facing the Department and Water Sector, these includes the following:
 - Lack of service delivery
 - Incidents of ***improper expenditure*** (i.e. ***unauthorised, irregular, fruitless and wasteful***);
 - The existence of fraud and corruption; and
 - Poor financial performance and position.
- The Department has developed and is currently implementing Turnaround and Financial Recovery Plan addressing *inter alia*
 - Submission of annual financial statements to Auditor-General and National Treasury as per PFMA
 - Timely submission of the Annual Report to Parliament
 - Performance and consequence management systems
 - Strategic leadership
 - Institutional stabilization
 - Capacity and transformation
 - Sustainable service delivery
 - Infrastructure maintenance and development
 - Financial Management
 - Implementation new organisational structure and filling of critical prioritised posts.
- In addition to Departmental interventions, there is focussed attention to addressing systematic challenges within the entire value chain in collaboration with Implementing Agents which includes Water Boards and Municipalities.

Comparison of annual non-financial and financial performance

Programme		% actual achievement	% budget spent	Areas of under performance
1	Administration	67%	88%	<ul style="list-style-type: none"> • Implementation of the risk management plan • Implementation of training interventions • Implementation of the financial recovery and turnaround plan • Expenditure on annual budget • Procurement on qualifying small enterprises (Water Trading)
2	Water Resources Management	63%	97%	<ul style="list-style-type: none"> • Solution architecture of the National Digitised Integrated Water and Sanitation Monitoring System • Completion of the Lindley gauging station • Cabinet approval of the National Water Amendment Bill • Gazette of the Limpopo-North West CMA new operation area • Transformation of 4 irrigation boards into water user associations • Bulk raw water projects in preparation for implementation phase and under construction • Scheduled and unscheduled maintenance projects • Dam safety evaluations and rehabilitation projects completed • Second draft business case for the independent economic regulator • Finalisation of water use licence applications • Draft regulation for water allocation reform
3	Water Services Management	72%	82%	<ul style="list-style-type: none"> • Updating water conservation and water demand strategies • Feasibility and implementation readiness studies for regional bulk infrastructure projects • District municipality five-year water and sanitation reliability plans • Regional bulk infrastructure project phases under construction and completed (mega and large) • Cabinet approval of the Water Services Amendment Bill
Total		66%	86%	

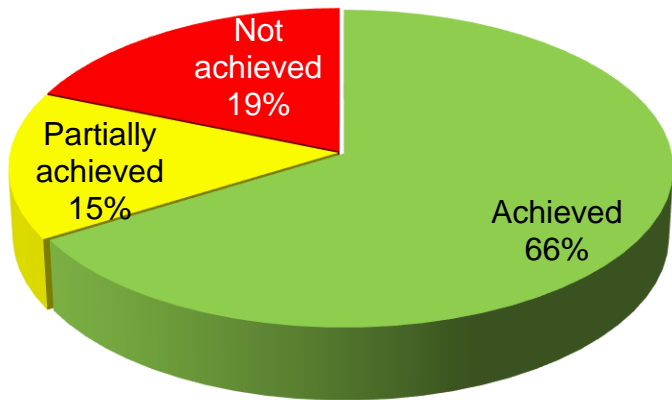
WATER IS LIFE - SANITATION IS DIGNITY

PART B: OVERVIEW OF NON FINANCIAL PERFORMANCE

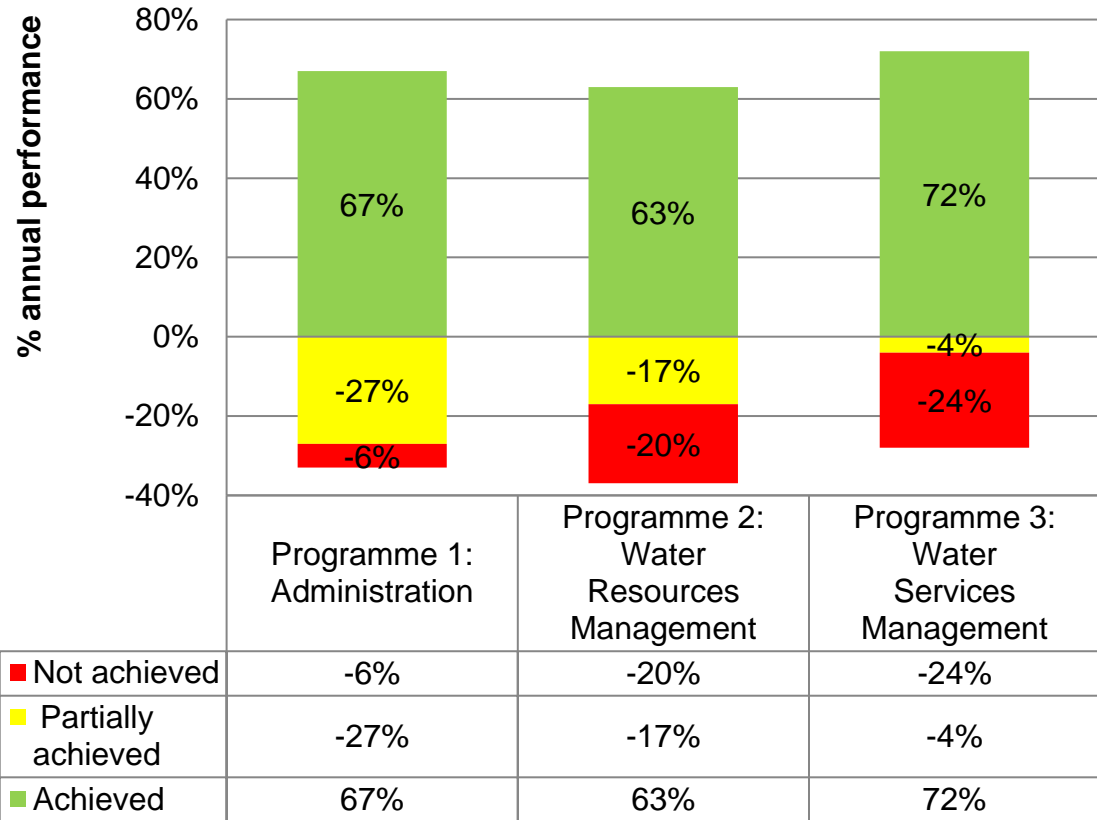
- **OVERVIEW OF THE ANNUAL PERFORMANCE**
- **PROGRESS IN IMPLEMENTING THE 2017 PREFERENTIAL PROCUREMENT REGULATIONS**
- **ANNUAL PERFORMANCE PER BUDGET PROGRAMME**

Overview of the annual performance of the Department

Consolidated performance



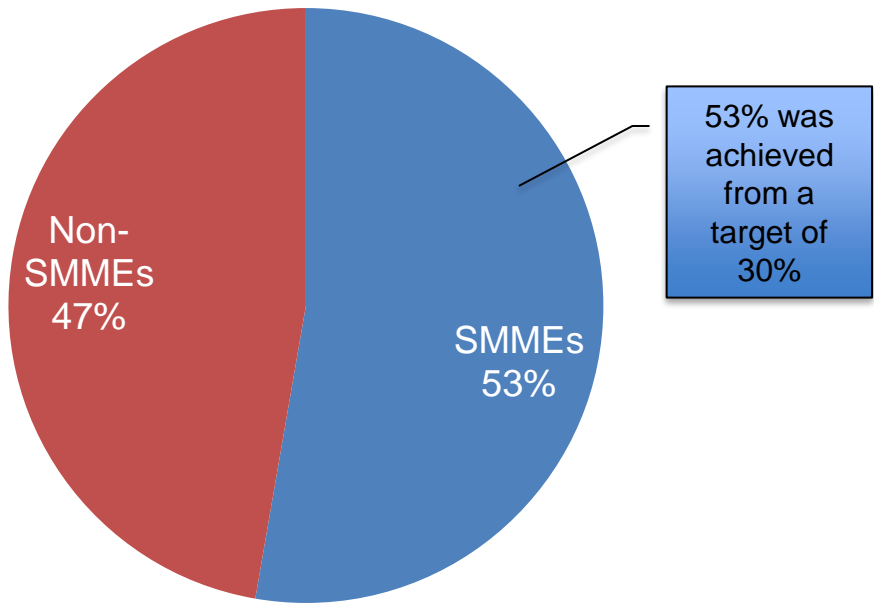
Consolidated performance per programme



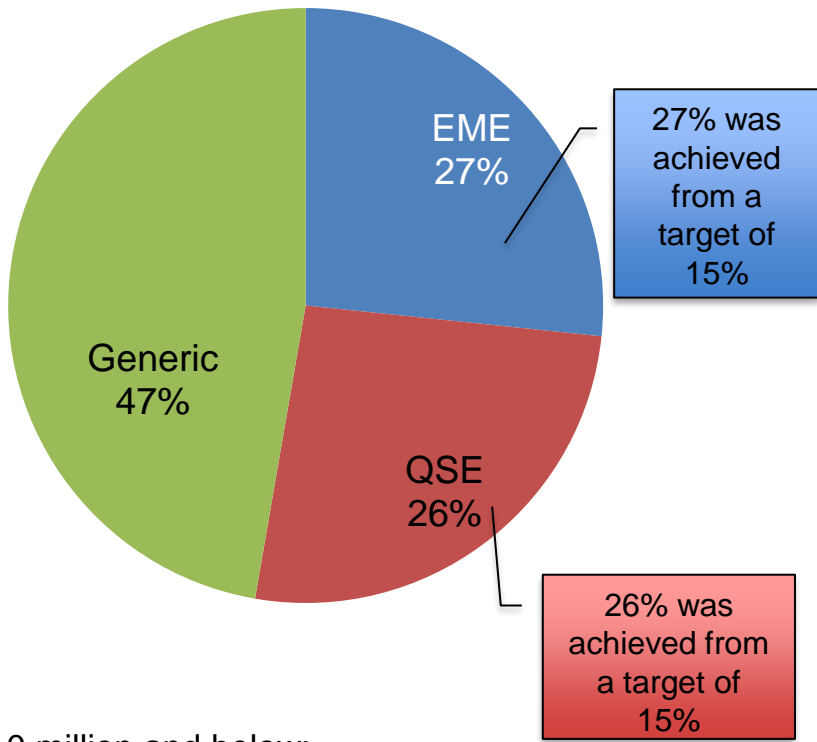
WATER IS LIFE - SANITATION IS DIGNITY

Consolidated progress in implementing the 2017 preferential procurement regulations

Consolidated annual procurement



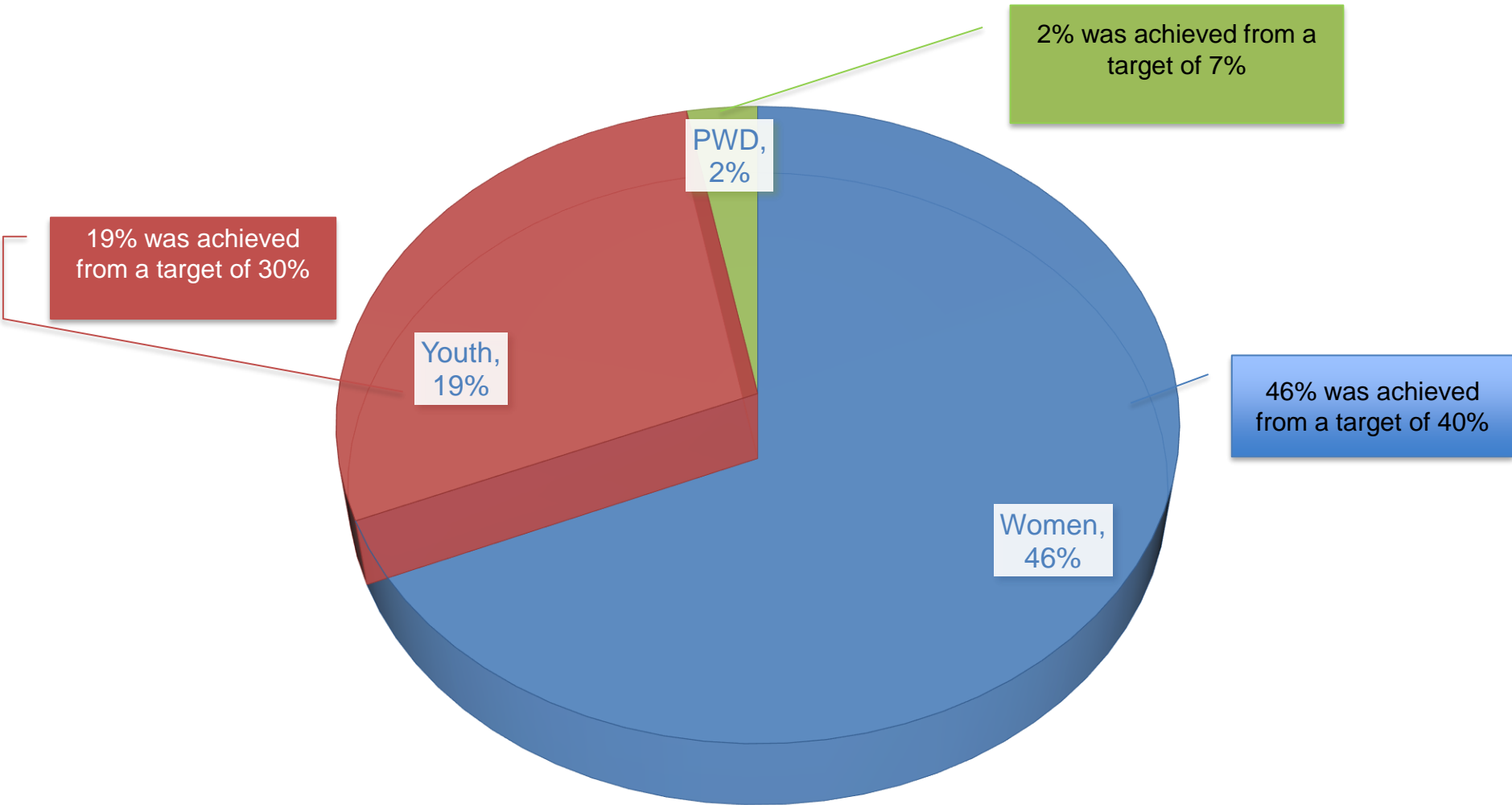
Consolidated annual procurement per B-BBEE status level



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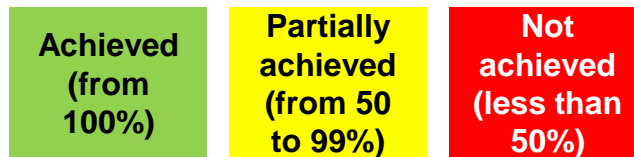
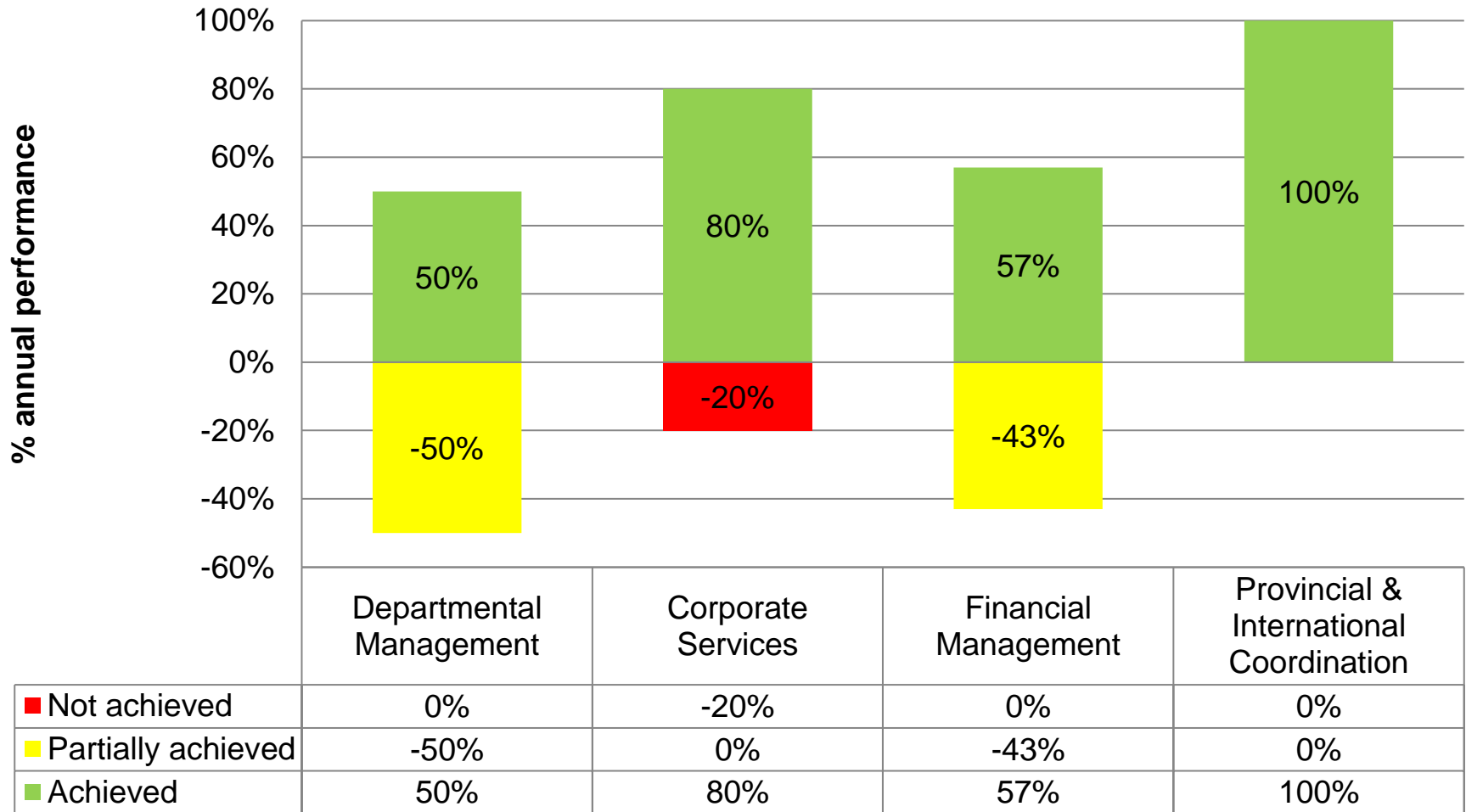
- **Exempted Micro Enterprise (EME):** annual turnover of R10 million and below;
- **Qualifying Small Enterprise (QSE):** annual turnover between R 10 million and R50 million;
- **Generic enterprise:** annual turnover above R50 million

Consolidated progress for designated groups



OVERVIEW OF ANNUAL PERFORMANCE FOR BUDGET PROGRAMME 1 (ADMINISTRATION)

Performance overview per budget sub-programme



Summary of cumulative achievements

Departmental Management

- 107% compliance with the approved audit action plan

Corporate Services

- 854 engineers and scientist posts filled
- 91 safety and security assessments for facilities and installations conducted
- Maintained 99% availability of information technology systems
- Implementation of 1602 communication and stakeholder management activities

Financial Management

- Debtor days reduced to 105 days
- SMME procurement at 53% of which:
 - ❑ 26% targeted procurement spent on qualifying small enterprises (QSEs)
 - ❑ 27% targeted procurement spent of exempted micro enterprises (EMEs)
- Targeted procurement spent on designated groups:
 - ❑ Women account for 46%
 - ❑ Youth account for 19%
 - ❑ People with disabilities account for 2%

Provincial and International Coordination

- Implementation of 2021/22 annual international relations programme as follows:
 - ❑ 2 initiatives
 - ❑ 10 agreements
 - ❑ 13 obligatory

Details on areas of partial and non-achievement

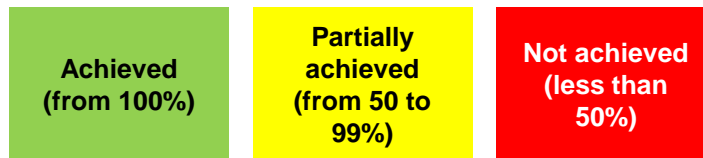
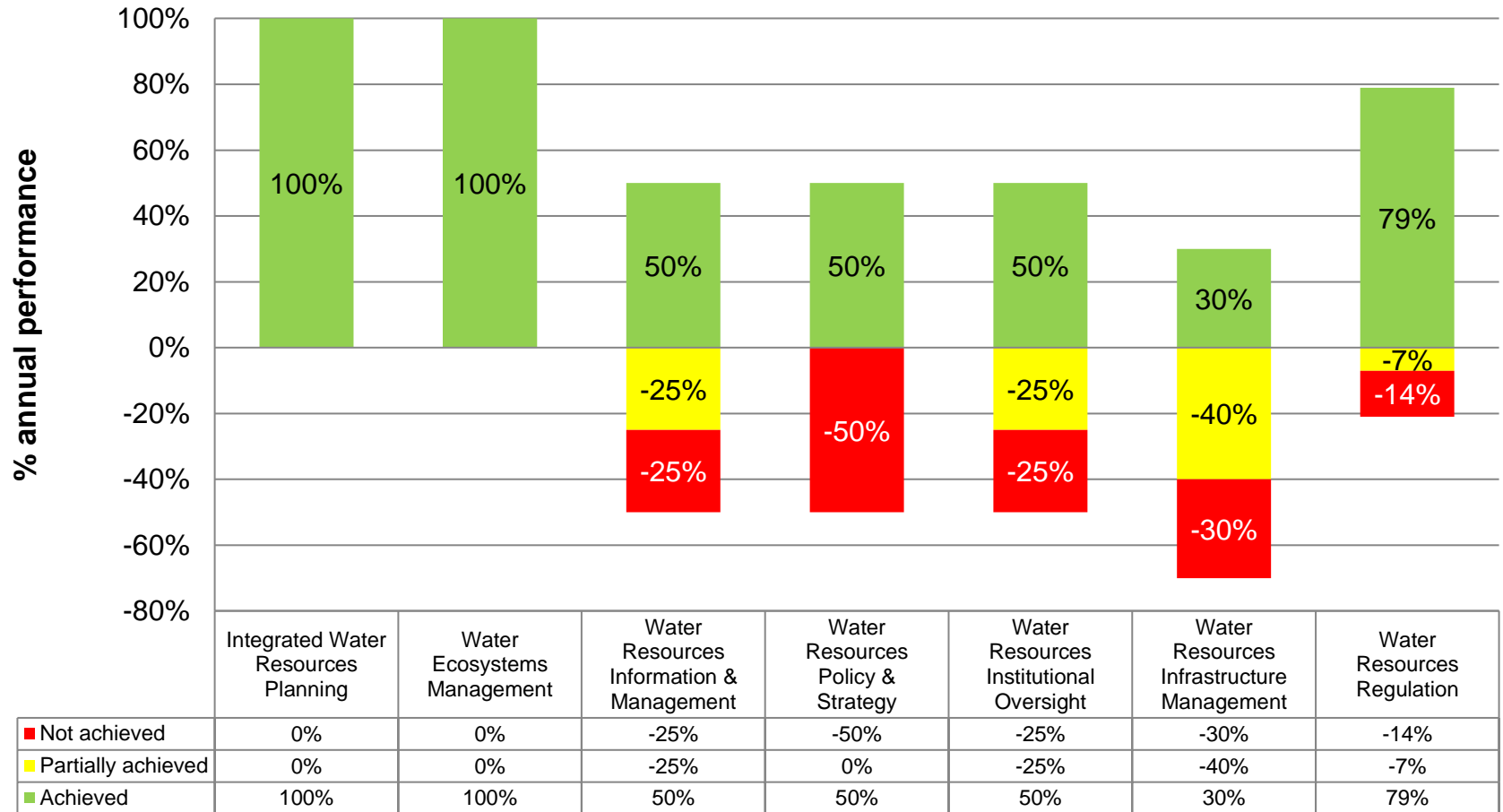
Performance indicator	2021/22 annual target	2021/22 annual achievement	Deviation from annual target	Comments	
Departmental Management					
1.1.2	Percentage compliance with the implementation of risk management plan	100%	96%	Under by 4%	<p>Target partially met</p> <p>In the previous quarter, the department changed its risk management plan, based on a strategic risk review. The risk maturity assessment was not conducted as improvement plan activities were not fully achieved.</p>
Corporate Services					
1.1.4	Percentage of training interventions implemented	50%	24%	Under by 26%	<p>Target not met</p> <p>Poor attendance of officials as a result of compliance with COVID protocols. Online training courses were introduced however the intake of visual training is slow and below expectations.</p>

Details on areas of partial and non-achievement

Performance indicator	2021/22 annual target	2021/22 annual achievement	Deviation from annual target	Comments	
Financial Management					
1.3.1.2	Percentage of targeted procurement budget spent on qualifying small enterprises (QSE)	15%	14%	Under by 1%	Target partially met Water Trading: The temporary suspension of procurement in infrastructure development impacted the appointment of QSEs.
1.4.1	Percentage implementation of the financial recovery and turnaround plan	90%	88%	Under by 2%	Target partially met The outstanding accruals and payables could not be cleared or paid due to pending processes of resolving disputes and invoices from historical unfunded projects.
1.4.2	Percentage expenditure on annual budget	100%	86%	Under by 14%	Target partially met <ul style="list-style-type: none"> • Compensation of employees • Capital payments • Other <p><i>[N.B. details in the annual financial performance presentation]</i></p>

OVERVIEW OF ANNUAL PERFORMANCE FOR BUDGET PROGRAMME 2 (WATER RESOURCE MANAGEMENT)

Performance overview per budget sub-programme



Summary of cumulative achievements

Integrated Water Resource Planning	Water Ecosystems Management
<ul style="list-style-type: none">• Annual update of the National Water & Sanitation Master Plan• Operating rules and specialist strategies completed for 8 water supply systems• Developed climate change risk and vulnerability assessments & adaptation options for Phongola-Mzimkhulu and Berg-Olifants & Breede-Gouritz water management areas• Annual monitoring and evaluation report for Xhariep Pipeline, Clanwilliam Bulk Conveyance Infrastructure and Lower Coerney Balancing Dam	<ul style="list-style-type: none">• Implementation plan for the Thukela water resource classes and resource quality objectives finalised.
Water Resources & Information Management	Water Resources Institutional Oversight
<ul style="list-style-type: none">• 4 water resource monitoring programmes reviewed and maintained (i.e. surface water, ground water, national chemical monitoring programme and national eutrophication monitoring programme)• 6 water and sanitation information systems maintained (i.e. National Integrated Water Information; Hydrological Information; National Geohydrological Information; Water Management; Geographical Information and Flood Monitoring and Forecasting systems)	<ul style="list-style-type: none">• Annual performance plans and quarterly reports for 2 CMAs, TCTA and WRC evaluated• Draft Bill for establishing National Water Resources Infrastructure Agency

Summary of cumulative achievements

Water Resources Infrastructure Management

- 351 maintenance projects completed as planned
- Morgenstond Dam safety rehabilitation completed
- 4.771 kilometres of conveyance systems rehabilitated
- Adherence to water supply agreements / authorisations and operating rules at 103%
- 311 job opportunities created through implementing operations of water resources infrastructure projects

Water Resources Regulation

- Inkomati and Berg-Olifants river system monitored for resource directed measures
- Upper Vaal and Crocodile catchment mitigation strategies for mine water and wastewater treatment works completed
- Catchment plan implemented for mine water and wastewater management for the Vaal
- Waste Discharge Charge System piloted in the Crocodile (West) Limpopo, Vaal and Inkomati Usutu Catchment Management Agency (IUCMA)
- Implementation of river eco-status monitoring in 81 rivers
- 2022/23 raw water charges developed
- Water Research Levy approved and gazetted
- 338 water users monitored for compliance
- 324 of reported non-compliant cases investigated
- 992 wastewater systems assessed for compliance with the Green Drop Regulatory requirements
- 462 wastewater systems monitored against the Regulatory Requirements

Details on areas of partial and non-achievement

Performance indicator	2021/22 annual target	2021/22 annual achievement	Deviation from annual target	Comments	
Water Resources Information Management					
1.4.2	National Digitised Integrated Water and Sanitation Monitoring System Implemented	Solution architecture of a National Digitised Integrated Water and Sanitation Monitoring System	Framework for digitised integrated water & sanitation monitoring system completed	Solution architecture of a National Digitised Integrated Water and Sanitation Monitoring System not done	Target not met Challenges at SITA with the appointment of the PSP to provide solution architecture of the national digitised integrated water and sanitation monitoring system.
3.3.1	Number of water resource gauging stations / weirs constructed	1	0 (Lindley Gauging station at 90% completion)	1 (Completion of the 10% for Lindley Gauging station)	Target partially met The brief SAP system failure resulted in contractor non-payment and delays in material delivery. The work is planned for completion during the 2022/23 financial year.
Water Resources Policy & Strategy					
5.1.1	National Water Act Amendment Bill developed	Draft National Water Act Amendment Bill submitted to Cabinet for approval for public consultation	National Water Act Amendment Bill was submitted to the Office of Chief State Law Advisor for initial certification.	National Water Act Amendment Bill was not submitted to Cabinet	Target not met The process of receiving the preliminary certificate from OCSLA so that the NWA Bill could be submitted to Minister, the Clusters and Cabinet took long and therefore delayed the rest of the milestones.

Details on areas of partial and non-achievement

Performance indicator	2021/22 annual target	2021/22 annual achievement	Deviation from annual target	Comments	
Water Resources Institutional Oversight					
6.2.1	Number of Catchment Management Agencies gazetted for establishment	2	1 (Pongola-Umzimkulu CMA)	Under by 1 (Limpopo-North West CMA)	Target partially met The gazette of the new operation area for Limpopo-North West needs further discussion
6.2.4	Number of irrigation boards transformed into Water User Associations	Transformation status report of the 5 irrigation boards into water user associations submitted	1 (Uppington Island report)	Under by 4 (Loskop, Ixopo, Brandweg Gamtoos irrigation boards)	Target not met Due to unforeseen incidents consultation meetings could not be held to finalise the status reports

Details on areas of partial and non-achievement

Performance indicator		2021/22 annual target	2021/22 annual achievement	Deviation from annual target	Comments
Water Resources Infrastructure Management					
3.4.1	Number of bulk raw water projects in preparation for implementation	5	4	Under by 4	<p>Target not met</p> <ul style="list-style-type: none"> • 2 projects (Olifants River WRDP) are being re-sequenced to allow for private sector participation – this means that they will be done at a later stage jointly with the private sector • Coerney Dam: procurement of design was slower than expected but procurement is now proceeding • Nwamitwa Dam: The finalisation of dam boundary line needs to be fast tracked
3.4.2	Number of bulk raw water projects under construction	4	2	Under by 2	<p>Target partially met</p> <ul style="list-style-type: none"> • For one project (Clanwilliam Dam), the department changed its strategy from using an implementing agent to using the department's construction unit, and this change resulted in a delay. The project is now underway • For one project (Tzaneen Dam), there was a delay in the appointment of the DBSA as an implementing agent. This has since been resolved.

Details on areas of partial and non-achievement

Performance indicator	2021/22 annual target	2021/22 annual achievement	Deviation from annual target	Comments	
Water Resources Infrastructure Management					
3.4.3.1	Number of job opportunities created through implementing augmentation infrastructure projects	90	37	Under by 53	Target not met Delays in the starting of the augmentation projects affected the creation of job opportunities. The projects are now underway and jobs are being created.
3.5.1	Percentage scheduled maintenance projects completed as a proportion of planned maintenance projects	50%	44% (351 of 735)	Under by 6%	Target partially met Lack of term contract to accelerate the implementation of projects. Plans are underway to appoint finalise the term contracts in the 2022/23 financial year.
3.5.2	Percentage unscheduled maintenance projects completed as a proportion of planned maintenance projects	Less than 30%	39%	Increase to 39%	Target partially met Lack of term contract for has led to inadequate maintenance of infrastructure. The newly appointed maintenance term contract will address the under performance by dealing with the maintenance backlog
3.5.3	Number of dam safety evaluations completed	20	18	Under by 2	Target partially met Backlog in the completion and receipt of mechanical reports for the 2021/22 year.

Details on areas of partial and non-achievement

Performance indicator	2021/22 annual target	2021/22 annual achievement	Deviation from annual target	Comments	
Water Resources Infrastructure Management					
3.5.4	Number of dam safety rehabilitation projects completed	2	0	Under by 2	<p>Target not met</p> <p>Mthatha Dam: Construction is currently at 52% completion. Inclement weather delayed the project completion.</p> <p>Bloemhof Dam: is currently at 5% completion. Construction was delayed due to lack of availability of key required materials. Work is still in progress to resolve the materials availability issue.</p>

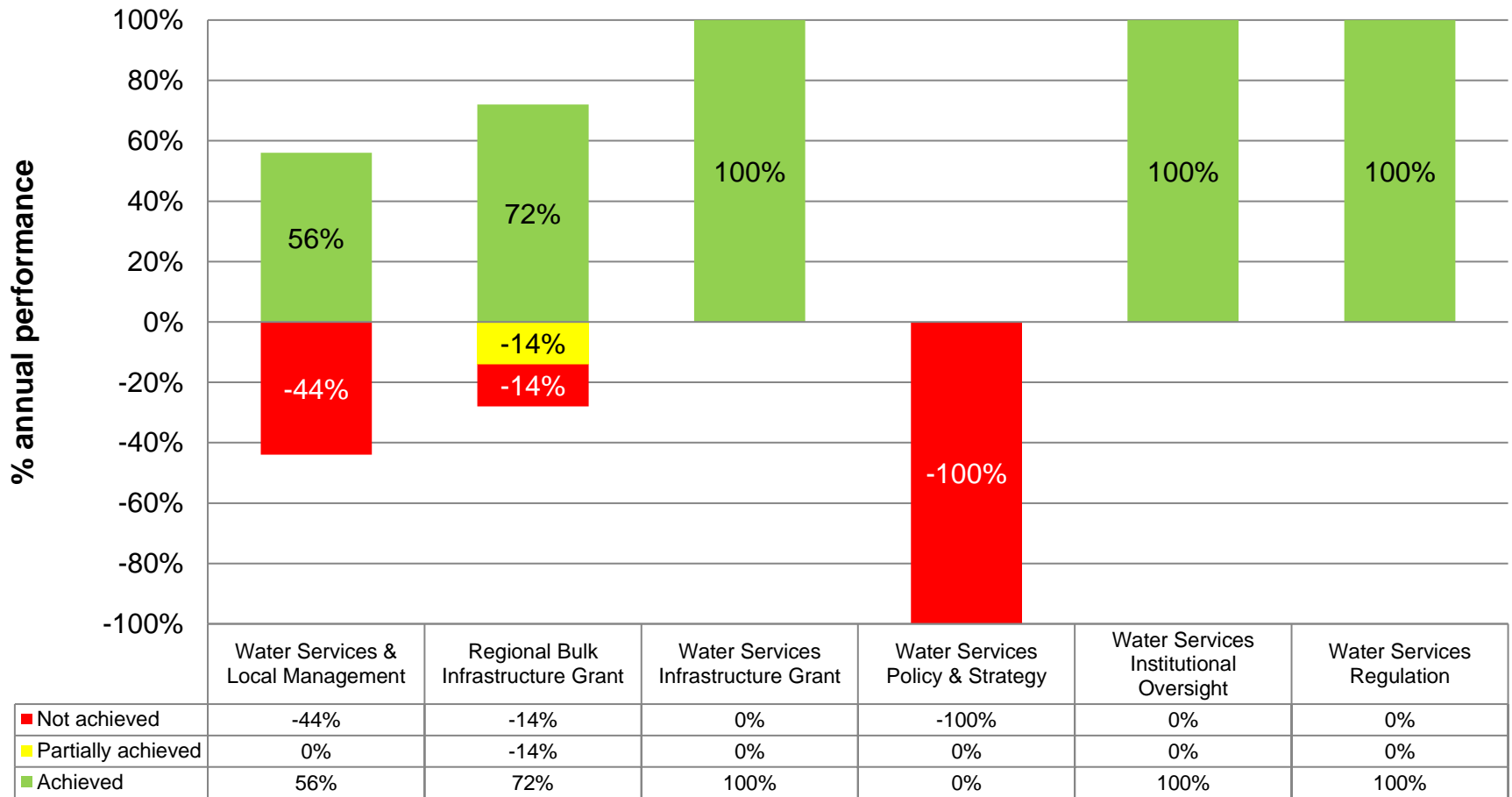
Details on areas of partial and non-achievement

Performance indicator	2021/22 annual target	2021/22 annual achievement	Deviation from annual target	Comments	
Water Resources Regulation					
5.1.4	Percentage of applications for water use authorisation finalised within regulated period	80%	63%	Under by 17%	Target partially met The department has developed a comprehensive improvement plan for water use licencing, which is currently under implementation. The plan includes reengineering of the water-use licensing processes, hiring and training of staff, and further roll-out and improvement of the electronic e-WULAAS system for managing water-use license applications. It will take some time for it to impact on turnaround times.
6.1.1	Regulation for advancement of water allocation reform finalised	Draft Regulation for water allocation reform	Development of draft regulation for water allocation reform in progress	Draft Regulation for water allocation reform not finalised	Target not met As the National Water Act does not prescribe promulgation of water allocation reform regulations, a provision to amend section 26 of the Act to address issues of redress is underway.
6.2.5	Water economic regulator gazetted for establishment	Second draft business case for independent economic regulator developed	Development of second draft business case for independent economic regulator in progress	Second draft business case for independent economic regulator not developed	Target not met Delays in obtaining information to update the business case. Additional support from operation Vulindlela secured to assist with finalizing the business case.

OVERVIEW OF ANNUAL PERFORMANCE FOR BUDGET PROGRAMME 3 (WATER SERVICES MANAGEMENT)



Performance overview per budget sub-programme



Summary of cumulative achievements

Water Services & Local Management	Regional Bulk Infrastructure Grant
<ul style="list-style-type: none"> • Collection of IWA water balances for 8 large water supply systems • National Report on Municipal Strategic Self-Assessments (MuSSA) within the WSAs, metros and secondary cities • National Municipal Priority Action Plan report developed • Draft National Sanitation Integrated Plan • Draft National Faecal Sludge Management Strategy for on-site sanitation developed. 	<ul style="list-style-type: none"> • A total of 128 regional bulk project phases under construction of which <ul style="list-style-type: none"> • 7 are mega project phases • 73 are large project phases • 48 are small project phases • A total of 15 project phases completed of which <ul style="list-style-type: none"> • 1 is a mega project phase • 4 are large project phases • 10 are small project phases • 831 job opportunities created through implementing RBIP infrastructure projects
Water Services Infrastructure Grant	Water Services Regulation
<ul style="list-style-type: none"> • 331 small WSIG projects under construction • 72 small WSIG projects completed • Implementation of the Vaal intervention project 	<ul style="list-style-type: none"> • 2022/23 bulk water tariffs developed • The Blue Drop progress report developed • 459 non-compliant water supply systems monitored against the regulatory requirements
Water Services Institutional Oversight	
<ul style="list-style-type: none"> • Shareholder compacts / Business Plan for 9 water boards evaluated • Draft due diligence reports for 2 regional water utilities (Magalies and Amatola) developed. 	

Overview of provincial projects funded through the regional bulk and water services infrastructure grants

Province	Regional bulk project phases		Water services infrastructure grant projects		Intervention project(s)
	Under construction	Completed	Under construction	Completed	
Eastern Cape	24	5	39	15	-
Free State	26	3	43	9	-
Gauteng	2	-	7	6	1
KwaZulu-Natal	9	1	45	6	-
Limpopo	21	-	73	11	-
Mpumalanga	27	5	40	10	-
Northern Cape	5	-	45	3	-
North West	11	1	18	7	-
Western Cape	3	-	21	5	-
Total	128	15	331	72	1

Achieved
(from 100%)

Partially achieved
(from 50 to 99%)

Not achieved
(less than 50%)

Recovery from previous quarter

Details on areas of partial and non-achievement

Performance indicator	2021/22 annual target	2021/22 annual achievement	Deviation from annual target	Comments	
Water Services and Local Management					
3.7.1	Number of water conservation and water demand management strategies updated	4 Frameworks for Water conservation and water demand management strategies	Draft inception report	Frameworks for Water conservation and water demand management strategies not finalised	<p>Targets not met</p> <p>These targets were not met due to delays in procurement processes and a lack of integration of procurement plans and project implementation plans. The procurement processes have since been accelerated and are underway, and some have been awarded.</p>
3.9.1	Number of feasibility studies for water and wastewater services projects (RBIG) completed	5	0	Under by 5	
3.9.2	Number of implementation readiness studies for water and wastewater services projects (RBIG) completed	1	0	Under by 1	
4.1.1	Number of district municipalities (DMs) with developed 5-year water and sanitation reliability plans	Complete 5 projects	PSP appointment underway to develop reports	Under by 5 projects	

Details on areas of partial and non-achievement

Performance indicator		2021/22 annual target	2021/22 annual achievement	Deviation from annual target	Comments
Regional Bulk Infrastructure Grant					
3.9.3.1	Number of mega regional bulk infrastructure project phases under construction	10	7	Under by 3	<p>Target partially met</p> <ul style="list-style-type: none"> • <u>uMshwathi BWS Phase 4 of 5</u>: Delays to complete phase 3 is delaying the commencement of Phase 4. Phase 3 will be completed during the 2022/23 FY. • <u>Sebokeng WWTW Phase 2 of 2</u>: Delays in completion of Phase 2A- contractor off-site due to cashflow challenges. The IA is in the process of terminating the non-performing contractor.
3.9.4.2	Number of large regional bulk infrastructure project phases completed	9	4	Under by 5	<p>Target not met</p> <ul style="list-style-type: none"> • Greater Mamusa BWS Phase 3 of 4: Delays in procurement of contractors • Mt Ayliff Peri Urban BWS Phase of 2 (upgrade of WTW) : Eskom delayed by community to provide the quotation work required at the raw water intake works • 3 project phases of Driekoppies: There were community unrests and amendments in reservoir designs which delayed the completion of the project.

Details on areas of partial and non-achievement

Performance indicator	2021/22 annual target	2021/22 annual achievement	Deviation from annual target	Comments	
Water Services Policy and Strategy					
5.2.1	National Water Act Amendment Bill developed	Draft Water Services Amendment Bill developed	Draft WSA Bill and are ready to be sent to OCSLA for preliminary certification	Draft Water Services Amendment Bill not developed	<p>Target not met</p> <p>Feedback on from OCSLA regarding the preliminary certification of the WSA Bill was received.</p> <p>All inputs were incorporated into the second Draft WSA Bill and are ready to be sent to OCSLA for preliminary certification.</p>

PART C : OVERVIEW OF FINANCIAL PERFORMANCE



Financial overview

- During the 2021/22 financial year the Department spent 86% of its budget, of which 94%, 65%, 100% and 61% is on Compensation of employees, Goods and Services, Transfers & subsidies and Payments for capital assets respectively.
- Of the reported unspent funds for the year, there were invoices in process of certification and commitments still to be billed. In this regards a rollover request was submitted to National Treasury.
- The Department (inclusive of the Water Entities) has developed and is currently implementing a Financial Recovery Plan, the efforts for which have resulted improved controlled environment including unqualified audit opinions. This plan also include implementation of the Infrastructure Procurement Strategy to improve procurement within the Department and Implementing Agents.
- Assets consist mainly of projects advances to the Water Boards, unauthorised expenditure from previous years and contingent assets currently before court.
- Liabilities including accruals and payables reduced in line with the financial recovery plan as well as contingent liabilities which include mainly guarantees for TCTA Loans.

Financial highlights (Main Account)

Details	2022	2021	Movement	% Change
	R'000	R'000	R'000	
Revenue	17 735 057	16 994 291	740 766	4%
Expenditure	15 203 514	14 502 613	700 901	5%
Bank balance	1 748 050	1 712 555	35 495	2%
Prepayments and advances	138 027	156 965	(18 938)	(12%)
Contingent assets	3 542 437	3 207 651	334 786	10%
Accruals and payables	579 422	898 500	(319 078)	(36%)
Commitments	6 024 637	5 962 982	61 655	1%
Contingent liabilities	11 197 640	14 827 602	(3 629 962)	(24%)
Unauthorised expenditure	641 109	641 109	-	-
Fruitless & wasteful expenditure	16 813	63 552	(46 739)	(74%)
Irregular expenditure	9 459 106	9 695 547	(236 441)	(2%)

Financial highlights (Water Trading)

Details	2022	2021	Movement	Change
	R'000	R'000	R'000	%
Revenue	16 967 225	15 631 850	1 335 375	9%
Expenditure	9 738 831	10 409 198	(670 367)	(6%)
Bank balance Favourable	2 141 999	1 403 143	738 856	53%
Advances	796 580	693 092	103488	15%
Trade receivables (Gross)	24 613 875	20 914 717	3 699 158	18%
Contingent Assets	4 386	34 386	(30 000)	(87%)
Long- term Financial liabilities	11 777 584	14 606 645	(2 829 061)	(19%)
Payables from exchange transactions	2 281 500	1 943 384	338 116	17%
Commitments	1 848 706	1 691 822	156 884	9%
Contingent liabilities	323 279	436 206	(112 927)	(26%)
Fruitless and wasteful expenditure	206 808	197 988	8 820	4%
Irregular expenditure	7 608 541	7 909 028	(300 487)	(4%)

Infrastructure allocations and expenditure as at 31 March 2022

Earmarked, specifically and exclusively appropriated infrastructure items	Adjusted budget	Actual expenditure	Available budget	Expenditure as % of adjusted budget
	R'000	R'000	R'000	%
Regional Bulk Infrastructure Grant 5B	2 237 370	2 237 370	-	100%
Water Services Infrastructure Grant 5B	3 620 327	3 620 327	-	100%
Total	5 857 697	5 857 697	-	100%
Regional Bulk Infrastructure Grant 6B	3 274 930	2 045 400	1 229 530	62%
Water Services Infrastructure Grant 6B	729 692	404 784	324 908	55%
Regional Bulk Infrastructure Grant 6B: Vaal River System Remedial Intervention (Goods and services)	582 200	200 721	381 479	34%
Total	4 586 822	2 650 905	1 935 917	58%
Magalies Water Board (RBIG)	103 390	103 390	-	100%
Sedibeng Water Board (RBIG)	569 388	569 388	-	100%
Umgeni Water Board (RBIG)	230 191	230 191	-	100%
Total	902 969	902 969	-	100%
Water Trading Entity - Acid mine drainage and other capital projects	2 071 970	2 071 970	-	100%
Water Trading Entity: Operations and maintenance	300 695	300 695	-	100%
Komati Basin Water Authority (KOBWA)	240 774	240 774	-	100%
Total	2 613 439	2 613 439	-	100%
Grand Total	13 960 927	12 025 010	1 935 917	86%

RBIG & WSIG 5B Financial Performance Per Province

Provinces	Final Appropriation	Drawings/ DoRA payment schedule	Amount transferred	Expenditure as % of final appropriation
	R'000	R'000	R'000	%
Eastern Cape	341 602	341 602	341 602	100%
Free State	213 921	213 921	213 921	100%
Gauteng	-	-	-	0%
KwaZulu-Natal	242 531	242 531	242 531	100%
Limpopo	218 806	218 806	218 806	100%
Mpumalanga	561 080	561 080	561 080	100%
Northern Cape	146 289	146 289	146 289	100%
North West	404 135	404 135	404 135	100%
Western Cape	109 006	109 006	109 006	100%
Total	2 237 370	2 237 370	2 237 370	100%

Provinces	Final Appropriation	Drawings/ DoRA payment schedule	Amount transferred	Expenditure as % of final appropriation
	R'000	R'000	R'000	%
Eastern Cape	592 000	592 000	592 000	100%
Free State	350 867	350 867	350 867	100%
Gauteng	215 000	215 000	215 000	100%
KwaZulu-Natal	932 050	932 050	932 050	100%
Limpopo	305 449	305 449	305 449	100%
Mpumalanga	535 000	535 000	535 000	100%
Northern Cape	293 551	293 551	293 551	100%
North West	270 910	270 910	270 910	100%
Western Cape	125 500	125 500	125 500	100%
Total	3 620 327	3 620 327	3 620 327	100%

RBIG & WSIG 6B Financial Performance Per Province

Province	Final Appropriation	Actual expenditure	Available budget/ Variance	Expenditure as % of final appropriation
	R'000	R'000	R'000	%
Eastern Cape	356 542	356 542	-	100%
Free State	946 989	435 112	511 877	46%
Gauteng	437 407	195 245	242 162	45%
KwaZulu-Natal	-	-	-	0%
Limpopo	787 797	583 927	203 870	74%
Mpumalanga	332 057	269 889	62 168	81%
Northern Cape	49 631	42 361	7 270	85%
North West	342 534	141 345	201 189	41%
Western Cape	21 973	20 979	994	95%
Total	3 274 930	2 045 400	1 229 530	62%

Province	Final Appropriation	Actual expenditure	Available budget/ Variance	Expenditure as % of final appropriation
	R'000	R'000	R'000	%
Eastern Cape	136 490	40 390	96 100	30%
Free State	108 750	41 398	67 352	38%
Gauteng	30 576	3 858	26 718	13%
KwaZulu-Natal	460	460	-	100%
Limpopo	163 196	107 983	55 213	66%
Mpumalanga	95 000	83 361	11 639	88%
Northern Cape	126 226	58 340	67 886	46%
North West	68 994	68 994	-	100%
Western Cape	-	-	-	0%
Total	729 692	404 784	324 908	55%

Measures to improve spending

The key contributing factors to underspending includes vacant posts during the financial year; Implementing Agent's capacity constraints; Contractual disputes; Community unrests and disruptions by some business forums.

The following measures are being implemented to improve spending performance:

- Compensation of employees
 - New organisational structure has been approved and is currently being implemented.
 - Prioritised and critical posts are being filled within the approved compensation of employees' budget ceiling.
- Local government conditional grants
 - Continued support to Municipalities.
 - Collaboration with National and Provincial Treasuries together with the Department of Cooperative Government and Traditional Affairs in strengthening compliance and service delivery in affected municipalities.
- Operational and Capital expenditure
 - Improved project management capacity of the Department and Implementing Agents.
 - Community engagement programmes have been facilitated in all the provinces to assist in unlocking projects affected by community unrests, this will unlock the current capital projects commitments.
 - The Department has implemented early warning systems for timely budget reprioritisation from low spending projects to projects with capacity to spend additional budget allocation. This is performed on a monthly basis.
 - Contractual disputes in projects are being attended to through the legal services unit.

PART D : OVERVIEW OF AUDITOR-GENERAL'S REPORT

Audit outcomes

- The 2021/22 audit outcomes:
 - The ain vote received unqualified audit opinion with findings.
 - The WTE received unqualified audit opinion with findings
- Detailed audit action plans have been put in place with specific corrective actions and milestones, with progressive implementation towards achieving a clean audit.
- Preventative measures being implemented incorporate the following:
 - Awareness, staff training and development
 - Strengthening internal controls
 - Compliance and governance structures
 - Consequence management
- The Department is proactively engaging with the Office of the Accountant-General on matters related to accounting treatment of some of the transactions.
- The following slides discuss some of the key irregularities raised by the Auditor-General of South Africa.

Payment not made within 30 days resulting in additional interest

AG Report

Payment not made within 30 days resulting in additional interest.

The entity entered into a contract with service provider with a contract value of R154 million (incl. VAT) which required a 10% advance payment on the contract value.

The entity did not make the advance payment as per the contract provisions. This resulted in the service provider issuing a letter of demand and consequently, in court proceedings. The court ordered the entity to pay the service provider interest of R2,2 million and the applicant's taxed party-party costs. The interest expense results in a financial loss.

The matter was referred to the State Attorney for recovery of funds from former officials. The entity received a response from the state attorney on 26 July 2022, indicating that the state attorney is in the process of appointment of an Advocate to assist in the matter.

I will follow-up on the status of the recovery during my next audit.

Action Plan & Progress

- In line with the recommendations of the investigation report the Department issued claim letters to the former Officials.
- The Office of State Attorney is currently processing representations from the former Officials in collaboration with the Department.

Amounts paid to a contractor for site re-establishment cost and standing time

AGSA Report

There were delays in the procurement process of permanent load cells required to finalise the project, this resulted in the project being put on hold from 15 January 2018, at this stage the project was 96% complete. Instances of non-compliance were noted.

The non-compliance resulted in a material financial loss comprising of two elements amounting to R28 824 618 for the entity. A financial loss amounting to R5 963 155 relating to payments made for site re-establishment, was disclosed as fruitless and wasteful expenditure in note 35 to the financial statements. Another financial loss amounting to R22 861 463, which related to standing time prior to year-end, was paid after 31 March 2021.

The material irregularity investigation was finalised on 8 July 2022 and the report indicated the following:

The root cause was determined as misrepresentation by the contractor and delays in procurement processes caused by officials of the entity; The investigation identified three individuals representing the entity who were responsible for weaknesses in procurement processes and recommended that disciplinary process be effected to those employees; In addition to the financial loss reported above, the investigation identified a further loss amounting to R10 247 486, this brings the total amount of financial loss to R39 072 104. 51 The report further recommended below some of the following key actions to be taken. The accounting officer has committed to implement these by the following dates:

- Implement disciplinary action against officials within the entity as their actions or delayed actions resulted in the financial loss by April 2023.
- Appoint a dedicated financial manager, by 01 September 2022, to the Hazelmore Dam Project to ensure that the financial controls are rigorously enforced.

I will follow up on the implementation of the planned actions during my next audit.

Action Plan & Progress

- The recommendations of the investigation report are being implemented and the project completion is being monitored closely to ensure that the approved finalisation date is adhered to.
- The project is nearing completion, scheduled completion date is January 2023.
- A dedicated financial Manager has been appointed and implementing the recommended systems of internal control.
- Labour Relations has begun with implementation of the recommendations in respect of identified officials.

Payment made to a consultant firm without evidence of work performed

AG Report

Payment made to a consulting firm without evidence of work performed

A payment of R17 900 594 was made on the 20 April 2018 to a consulting firm for financial management services, without the required progress report supporting that the work had been performed. The payment for services not delivered was a result of ineffective internal control relating to the approval and processing of payments, as required by treasury regulation 8.1.1.

The non-compliance with legislation was likely to result in a material financial loss if the amount paid is not recovered from the firm.

A contingent asset of R17 700 594 to this matter has been disclosed in note 20.2, of the financial statements.

Action Plan & Progress

The matter is being investigated by the Police, and before the High Court. Progress on these actions is as follows:

- Disciplinary action was taken against responsible Officials, who subsequent resigned from the Department.
- Disciplinary proceedings continued for the Official who is still in the Public Service. The hearing started in October 2021. The hearing of the continued to sit on 4,5 & 6 October 2022.
- The matter was reported to the South African Police Service, and it is currently before the High Court.
- Possible recovery of the R 17 900 594 paid to the service provider. Refer to Contingent Asset Note in this regard.

PART E : OVERVIEW OF FINANCIAL RECOVERY PLAN



Summary of status report

Broad strategies	Key outputs	Status
Funding and budget management	Implementation of audit action plans	Internal and External Audit Action Plans were developed and are being implemented.
	Zero balance on overdraft	Positive bank balance achieved.
	Implementation of debt collection and revenue enhancement strategy	Implementation of Revenue enhancement strategy, credit control and intergovernmental relations.
Expenditure control, financial governance and accountability	Implementation of the accruals and payables management plan	Prior years accruals and payables have been reduced through payments made from reprioritised budgets.
	Fruitless and wasteful expenditure condonations and remedial measures.	Preventative measures have been implemented to ensure that no further incidents are reported.
	Irregular expenditure condonations and remedial measures report	Condonation requests have been submitted to National Treasury. Irregular expenditure was incurred on running contracts which were declared as irregular in the previous financial years.
	Report on implementation of exit strategies on irregular contracts	Legal review of irregular contracts is in progress. This includes work by the SIU and Legal Services.
Alignment of strategic intent	Align strategy, annual performance plans (APP) and budgets	Strategy and APP have been aligned to Estimates of National Expenditure and Procurement Plans.
Capital budget and asset management	Comprehensive reconciliations of assets and liabilities to enable maintenance of proper accounting records for management and reporting purposes.	Status reports have been compiled for infrastructure assets with remedial actions. Annual engineer's reviews have been compiled with remedial actions

Financial highlights

MAIN ACCOUNT	September	March	Movement
Details	2022	2022	
	R'000	R'000	
Bank balance	3 576 918	1 748 050	1 828 868
Prepayments and advances	143 136	138 027	5 109
Contingent Assets	3 714 892	3 542 437	172 455
Accruals and payables	335 855	579 422	(243 567)
Commitments	6 255 779	6 024 637	231 142
Contingent liabilities	11 033 259	11 197 640	(164 381)
Unauthorised expenditure	641 109	641 109	-
Fruitless and wasteful expenditure	16 813	16 813	-
Irregular expenditure	9 459 544	9 459 106	438

- Advances include amounts paid as per the Implementation Agreements with Water Boards and HDA for Regional Bulk and Water Services Infrastructure projects, including Bucket Eradication Programme. The HDA contracts have been ceded to the Department.
- Contingent assets include mainly legal claims by the Department (Joint with Special Investigating Unit) for the Giyani Water Project & Fumile Advisory Services. The matters are before the Polokwane & Gauteng High Courts).
- Contingent Liabilities, Accruals and payables reductions are due to settlements processed in the current period.
- Unauthorised expenditure relates to prior year's overspending of the main division of the vote due to the War-on-Leaks Project and Bucket Eradication Programme.

Financial highlights

WATER TRADING ENTITY	September	March	Movement
Details	2022	2022	
	R'000	R'000	
Bank balance Favourable	3 478 039	2 141 999	1 336 040
Trade receivables (Gross)	26 586 871	24 613 875	1 972 996
Advances	796 367	796 580	(213)
Contingent Assets	4 386	4 386	-
Financial liabilities	11 777 584	11 777 584	-
Payables from exchange transactions	772 451	2 281 500	(1 509 049)
Commitments	1 171 979	1 848 706	(676 727)
Contingent liabilities	323 279	323 279	-
Fruitless and wasteful expenditure	206 808	206 808	-
Irregular expenditure	7 107 117	7 082 046	25 071

- By end of September 2022, an amount of R26.587 billion was owed by trade customers. In addition to enforcement of credit control measures and debt repayment plans, the Department is also part of the Multidisciplinary Revenue Committee (MdRC) which comprises of National Treasury, South African Local Government Association and Department of Cooperative Government and Traditional Affairs which focusses on providing solutions to water debt challenges across the value chain.
- Long-term Financial liabilities represent the amounts owed to Trans-Caledon Tunnel Authority (TCTA) in accordance with various construction contracts for the development and maintenance of infrastructure assets
- Contingent liabilities mainly consist of legal claims against the Department by several service providers in respect of contractual disputes which are on litigation process.
- Fruitless and Wasteful Expenditure has been incurred as a result of irrecoverable construction costs incurred in the internal projects and external projects.
- The Financial liabilities will be adjusted once the mid term figures are received from TCTA.

Summary of Irregular Expenditure

Details	Main Acc	WTE	Total
	2022/23 (Q2) R'000	2022/23 (Q2) R'000	R'000
Opening balance	9 459 106	7 082 046	16 541 152
Additions	438	25 071	25 509
Condonations	-	-	-
Closing balance	9 459 544	7 107 117	16 566 661
Of which:			
Condonations in progress	6 165 672	2 641 307	8 806 979
Submitted for investigation	265 405	1 770 315	2 035 720
Assessment	3 028 467	2 695 495	5 723 962
Total	9 459 544	7 107 117	16 566 661
Percentage breakdown			
Condonations in progress	65%	37%	53%
Submitted for investigation	3%	25%	12%
Assessment	32%	38%	35%
Total	100%	100%	100%

- Of the irregular expenditure R16.567 billion, total amount of R8.807 billion is in the process of condonation with R2.036 billion submitted for investigation and R5.724 billion under assessment.
- A panel of Professional Service Providers (PSPs) Forensic Audit and Investigators, are assisting to accelerate the investigations in progress.
- Current cases include:
 - Main Account: Proper process not followed when appointing the official to the post of the Deputy Director.
 - WTE: Emergency procurement not supported by National Treasury in the previous financial year.

Progress on Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Details	Main Account		Water Trading Entity	
	2022/23 (Q2) R'000	2021/22 R'000	2022/23 (Q2) R'000	2021/22 R'000
Unauthorised expenditure	641 109	641 109	-	-
Fruitless and wasteful expenditure	16 813	16 813	206 808	206 808
Irregular expenditure	9 459 544	9 459 106	7 107 117	7 082 046



- No **unauthorised expenditure** was incurred since the prior period incidents.
- The Unauthorized Expenditure relates to overspending on Bucket eradication and War on Leaks programmes in prior years and was reported to National Treasury for processing to Parliament.
- **Fruitless and wasteful expenditure** relates mainly to costs that could not be recovered from projects, these were incurred on internal and external construction projects. Further incidents were noted on the WTE and are currently at an assessment stage.
- Included in the **Irregular Expenditure** is an amount of R8.807 billion submitted for condonation.
- The reported incidents of unauthorized, irregular, fruitless and wasteful expenditure are at various processing stages, including investigations (by the department, Special Investigating Unit and South African Police Service), disciplinary proceedings and court proceedings.
- The Department appointed a panel of Professional Service Providers (PSPs) to augment the current investigation capacity of the Internal Audit Unit.

Summary of Unauthorised Expenditure

Details	2022/23 (Q2) R'000	2021/22 R'000
Bucket eradication programme	292 269	292 269
War on Leaks programme	348 840	348 840
Closing balance	641 109	641 109

- No unauthorised expenditure incurred in 2021/22 and 2022/23 financial years.
- Reported to National Treasury for processing to Parliament, awaiting outcome.
- The amount of R292.269 million relates to over-spending of within the vote , mainly as a result of the payment of expenditure on the Bucket Eradication Programme (BEP)
- The amount of R348.840 million relates to over-spending of the main division within the vote and is attributable to the expenditure incurred on War on Leaks (WoL) Programme without a budget in 2017/18 financial year.

Summary of Fruitless and Wasteful Expenditure

Details	Main Acc	WTE	Total R'000
	2022/23 (Q2) R'000	2022/23 (Q2) R'000	
Opening balance	16 813	206 808	223 621
Additions (New cases)	-	-	-
Deductions (Amounts recoverable)	-	-	-
Deductions (Amounts written-off)	-	-	-
Closing balance	16 813	206 808	223 621

- Fruitless and wasteful expenditure relates mainly to costs that could not be recovered and capitalised to projects, these were incurred on internal and external construction projects.
- Investigations are being accelerated to enable finalisation before the end of 2022/23 financial year.
- Further incidents were noted on the WTE and are currently at an assessment stage.
- The Financial Recovery Plan also covers measures to prevent incidents of fruitless and wasteful expenditure.

Irregular expenditure in process of condonation (1)

Description	Main Account	WTE	Total	Status/ Comments
	R'000	R'000	R'000	
Giyani Water Services Project	3 381 034	-	3 381 034	The disciplinary hearing was concluded. The employee was found not guilty. Department has taken the matter on review. The matter is currently in the labour court. The department is reviewing the Presiding Office's report verdict in the labour court. Awaiting the outcome of the review application.
Upgrading of the Thukela Goedertrouw Scheme	-	477 310	477 310	Two employees implicated. Department has taken the matter on review. The matter is currently in the labour court. The department is reviewing the Presiding Officer's verdict at the Labour Court The other employee has been served with a charge sheet. Labour Court review will determine the way forward on this matter.
Desalination Plant Richards Bay	301 168	9 684	310 852	Two employees implicated. Both employees implicated have been served with charge sheets. Hearing in respect of one employee is nearing conclusion (leading of evidence has been concluded and the employee was found guilty on 9 of the 10 charges). Pronouncement of sanction is awaited. Hearing resumed on 3 and 4 October 2022. Based on agreed upon dates, the outcome or pronouncement is expected by end October 2022.

Irregular expenditure in process of condonation (2)

Description	Main Account	WTE	Total	Status/ Comments
	R'000	R'000	R'000	
Support and maintenance of SAP ECC6	-	285 951	285 951	Disciplinary file currently being processed by Labour Relations.
Unlimited SAP licences	-	285 000	285 000	Hearing is nearing conclusion (leading of evidence has been concluded and the employee was found guilty on 9 of the 10 charges). Hearing resumed on 3 and 4 October 2022. Based on agreed upon dates, the pronouncement is expected by end October 2022. Combined Civil litigation is underway (DWS and SIU).
War on Leaks Project	823 130	1 499 330	2 322 460	Decision was taken that the matter needs to be referred to SIU for further investigation. No recommendations were made regarding disciplinary action to be taken.
Bucket Eradication Project	1 503 707	-	1 503 707	Disciplinary file currently being processed by Labour Relations.
Financial advisory services	17 901	-	17 901	Disciplinary hearing started in October 2021. The hearing proceeded on 19-21 July 2022. The hearing will continue on 3-5 October 2022. (Managed by Gauteng Finance Department). Furthermore Civil Litigation is underway for recovery of costs incurred.
Isiphethu	-	17 188	17 188	Notice of disciplinary action has been given to the employee. Disciplinary proceedings are pending.

Irregular expenditure in process of condonation (3)

Description	Main Account	WTE	Total	Status/ Comments
	R'000	R'000	R'000	
Payments made without a Purchase Order	-	66 844	66 844	Condonation application under consideration by National Treasury.
Transfer payments	114 879		114 879	Condonation application under consideration by National Treasury.
Gift of the Givers	20 376		20 376	Condonation application under consideration by National Treasury.
Dube ZT of CTSAP Investigators	3 477		3 477	Condonation application under consideration by National Treasury.
Total	<u>6 165 672</u>	<u>2 641 307</u>	<u>8 806 979</u>	

Irregular expenditure condoned by National Treasury

Details	R'000	Description
Caps M – Cleaning services	53 587	This incident has been condoned by the National Treasury on 05 May 2022, and it applies to both Main Account and WTE.
Alteram Solutions – Call Centre (CRM)	230 545	This incident has been condoned by the National Treasury on 07 June 2022, and it applies to WTE.
Private Security Services	949 309	This incident has been condoned by the National Treasury on 07 June 2022, and it applies to both Main Account and WTE.
EOH Mthombo – Information Technology Services	294 909	This incident has been condoned by the National Treasury on 07 June 2022, and it applies to Main Account.
Total	1 528 350	

- In total the amount of irregular expenditure condoned by National Treasury is R1.528 billion.
- The department ensures that remedial actions are taken, to ensure that a similar irregular expenditure is not incurred in future.
- The Department strengthened and enhanced internal controls for procurement processes, procedures and contract management so as to address root causes of irregular expenditure.

Irregular expenditure trend analysis

Trend Analysis of IE Per Financial Year

R6000 000

R5000 000

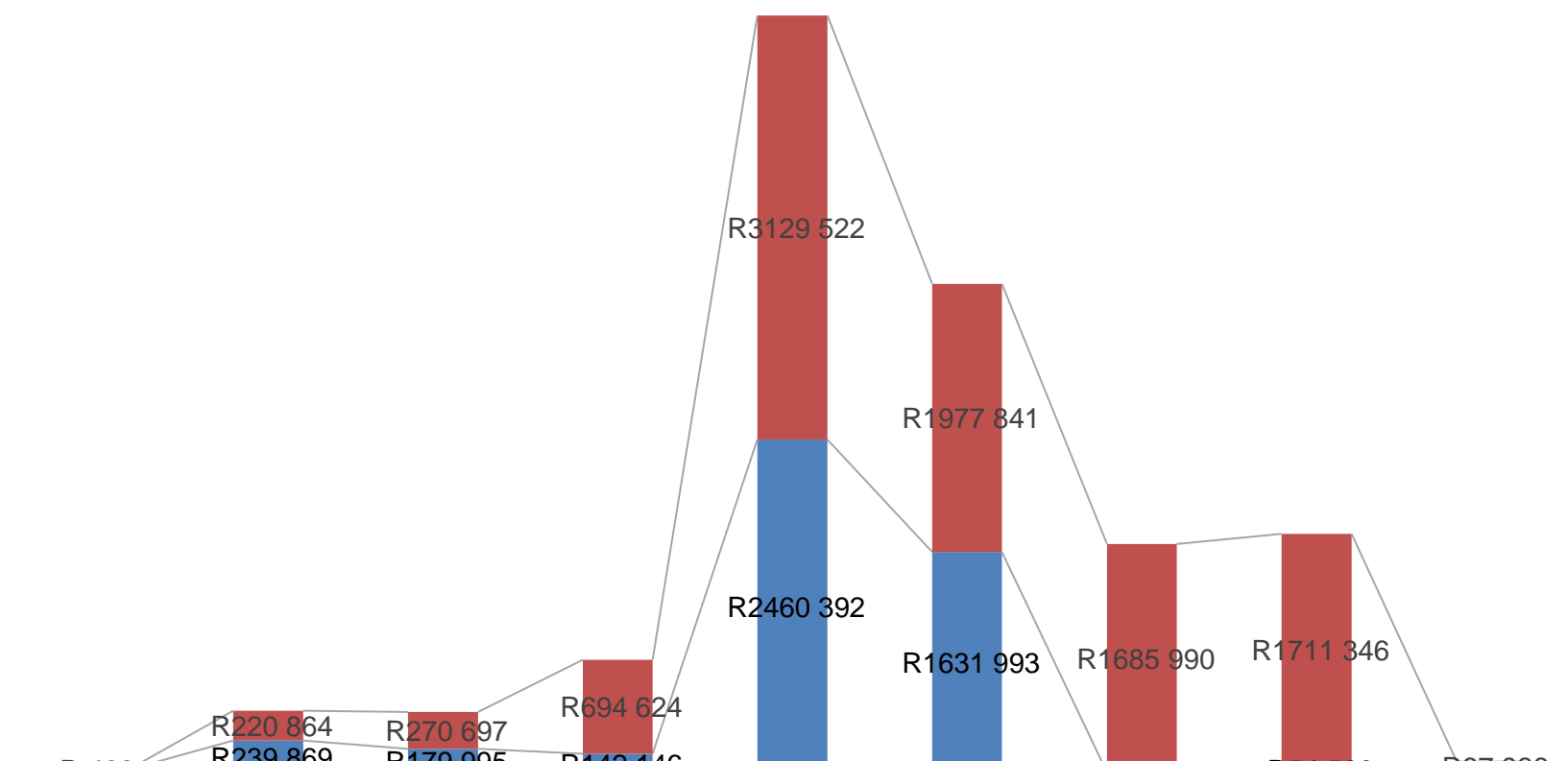
R4000 000

R3000 000

R2000 000

R1000 000

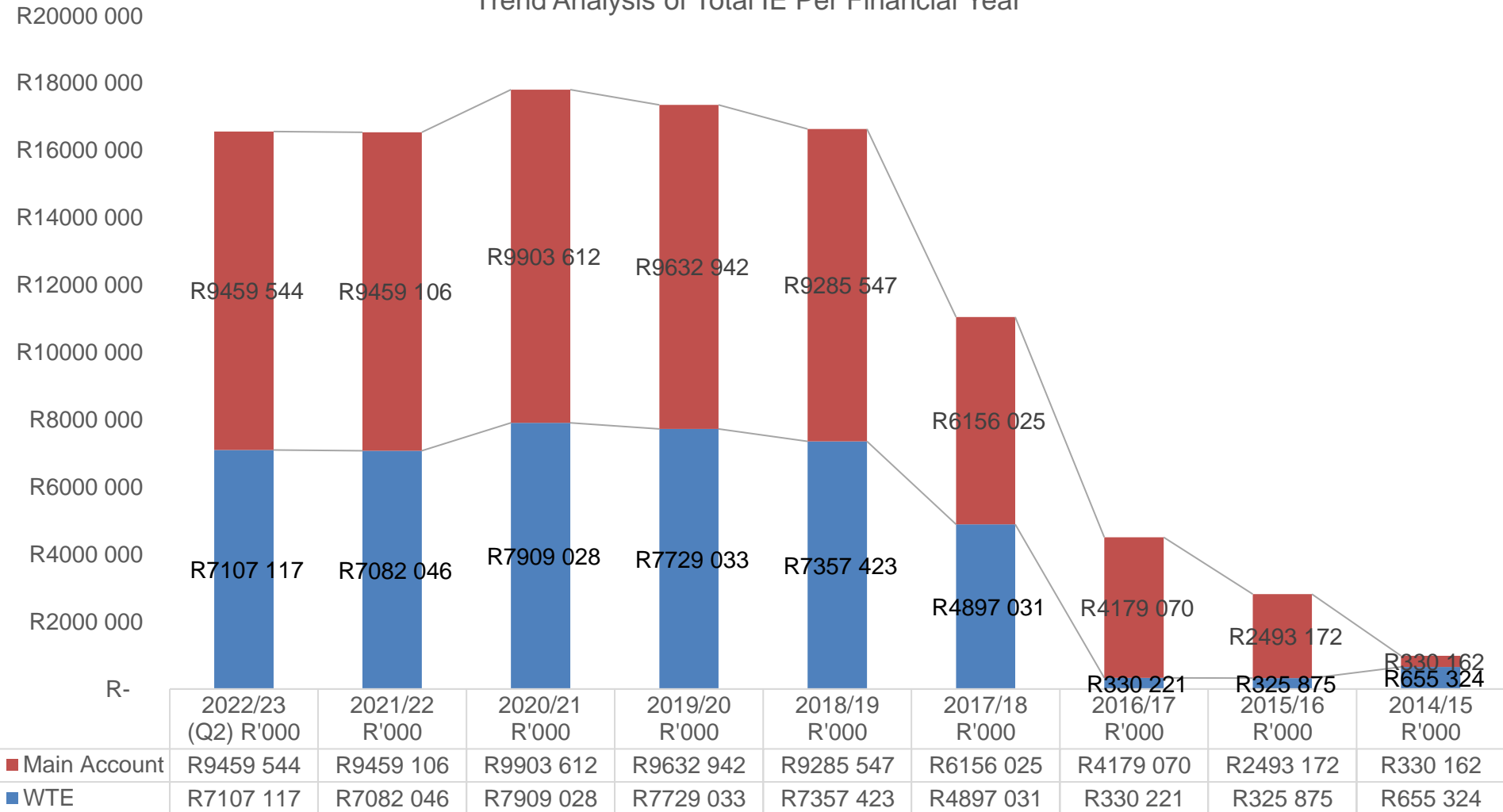
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	2022/23 (Q2) R'000	2021/22 R'000	2020/21 R'000	2019/20 R'000	2018/19 R'000	2017/18 R'000	2016/17 R'000	2015/16 R'000	2014/15 R'000
■ Main Account	R 438	R220 864	R270 697	R694 624	R3129 522	R1977 841	R1685 990	R1711 346	R87 936
■ WTE	R25 071	R239 869	R179 995	R142 146	R2460 392	R1631 993	R4 346	R54 566	R4 151

Total Irregular expenditure trend analysis

Trend Analysis of Total IE Per Financial Year



Progress on forensic Investigation cases 2019/2020 to 2022/23

- A total of 228 total cases were reported to Internal Audit Unit.
- 135 Forensic Investigation cases were investigated by the Department's Internal Audit Unit during the period 2019/20 to 2022/23.
- 98 of the allegations were confirmed to be true while 37 were unfounded.
- 20 cases are currently under investigation.
- 73 cases have not been investigated yet.
- Other cases will be investigated by External Services Providers in order to expedite them.
- A panel of investigators has been appointed to expedite these cases
- The finalised cases (98) referred to:
 - Employee Relations to take disciplinary action against the officials who committed financial and other acts of misconduct;
 - SAPS and the Hawks for criminal investigation; and
 - Legal Services for Civil Recovery in instances where the Department has suffered financial loss.
- These cases resulted in sanctions against the transgressors.
- These sanctions included: Dismissal, Demotion, Suspension without pay, Written Warning letters.
- These cases resulted in an amount of R996 883.24 being recovered through Civil Recovery processes and a judgement of R27 510 067.17 in favour of the Department.
- 74 awareness sessions during the period 2019/20 to 2022/23 wherein 1 781 officials were trained about anti-fraud and corruption measures.

Preventative measures against improper expenditure

- The Department is implementing a turnaround and financial recovery plan which incorporates stabilisation of the Department (Leadership, ethics and organisational culture, staff training and development), improvement of systems of internal controls, preventative measures against fraud and corruption.
- Trend analysis of improper expenditure is reflecting a decline in incidents of irregular, fruitless and wasteful expenditure.
- Improved planning and implementation of infrastructure procurement strategy.
- There are also measures taken to eliminate irregular, fruitless and wasteful expenditure. Supported by preventative controls measures.
- An exit strategy on irregular contracts is also being implemented to ensure that the current incidents of irregular expenditure resulting from prior periods contract are terminated.
- Progress has been made on disciplinary and investigation matters including continued engagement with various law enforcement agencies.
- The streamlined and integrated water sector value chain support and interventions measures by the Department are also part of service delivery improvement plans.

Thank you

