



Trans-Caledon Tunnel Authority (TCTA): 2020-21 Annual Report Presentation to SCOPA on 13 September 2022

By

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Outline



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Strategic Overview

TCTA Vision & Mission

Vision

To be the Leader in the Sustainable Supply of Water in the Southern Africa Region

Mission

To facilitate water security through the planning, financing and implementation of bulk raw water infrastructure, in the most cost-effective manner that benefits water users



Mandate

Mandate is derived from legislation and Notice of Establishment, as well as directives from the Minister.



TCTA, the Organization



Who is TCTA?

State-owned Water Infrastructure Entity (SPV)

Established in 1986 to fund and implement RSA portion of LHWP

Mandate expanded to undertake liability management on LHWP

Now a multi-project entity, to fund & implement bulk raw water infrastructure

What do we do?

- Project structuring
- Project funding
- Project implementation
- Liability management
- Tariff setting
- Advisory services
- Knowledge management

TCTA, the Organization



<i>Who is TCTA?</i>	<i>What do we do?</i>
<i>Reports to the Minister of Water & Sanitation</i>	<ul style="list-style-type: none">• Carry out directives from the Minister
<i>Shareholder's Compact: agreement with the Minister on the expected performance targets</i>	
<i>Quarterly Reports to the Minister from Board</i>	



Organisational Performance



Organisational Performance

- ❑ TCTA continued to play its critical role in the water sector which is supported by its track record of raising funding for the implementation of infrastructure, and the quality infrastructure project delivery within budget, as well as debt management, amongst others.



Debt Management

Repayment of Capital and Interest

- ❑ On all projects, capital and interest payments were made on the due date and the borrowing limits on the projects were not breached.
- ❑ Though outside the reporting period, it is important to note that on 28 May 2021, TCTA repaid the WSP05 bond and its associated coupon, an amount of R9 857 million.
- ❑ Demonstrated to the market, the ability to finance national water resource infrastructure and repay the money owed, through the tariffs received from the users.





Projects in Implementation

Phase-2A of the Mokolo-Crocodile Water Augmentation Project

- ❑ MCWAP-2A will augment water supply to Eskom, IPP power generation, associated coal mining, Lephalale Municipality and unlock economic development in the Waterberg Coalfields.
- ❑ 160 km pipeline from Thabazimbi to Lephalale in Limpopo.
- ❑ The project is in the Tender Design and Procurement phase.
- ❑ Project cost: Ca. R12.3 billion
- ❑ Issuing of the tender is dependent on the securing of the total project funding or National Treasury granting exemption from the requirement in National Treasury Supply Chain Management Note No3 that required funding to be available before going out on tender.





Projects in Operation and Maintenance

Short-term Intervention for Acid Mine Drainage

- ❑ Operation of 3 plants in Gauteng to treat acid mine drainage to an acceptable quality before discharge into the environment.
- ❑ All water that was discharged into the environment met the required specification.
- ❑ No reports of contamination of groundwater or surface water, from acid mine drainage rising too high in the mine void were received.
- ❑ Even though we have had a failure of one the main pumps on the Central Basin and the standby replacement pump having a reduced capacity as well as an extended interruption due to community vandalism to the electricity supply line the target water level in the basin was achieved.



Delivery Tunnel North of the Lesotho Highlands Water Project

- ❑ The tunnel is from the border between Lesotho and South Africa to the Ash River outfall North of Clarens in the Free State.
- ❑ TCTA complied with all its operations and maintenance obligations to ensure that the infrastructure could deliver the scheduled 780 million m³ of water at the designated outlet point in the Ash River.





Financial Summary

Highlights

Analysis of significant items in the statement of financial position:

- Tariff Receivable
- Cash and Cash-equivalents
- Retained Income
- Long-term Financial Market Liabilities



Financial Reporting Highlights

	2021 (R'm)	2020 (R'm)
Tariff receivable*	12 854	16 849
Cash and cash equivalent #	9 324	4 291
Retained Income >	2 876	1 946
Long term financial market liabilities @	9 901	20 113

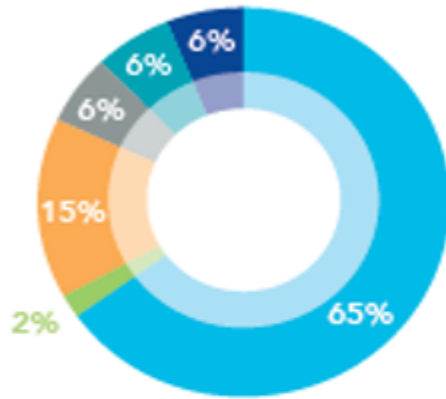
- * The balance reduced predominantly due to the costs capitalized as a result of the level of project activity being lower than the amounts received from DWS.
- # The balance had a significant increase as additional funding was obtained for a bond redemption
- > Increased due to the increased surplus for the year
- @ The net movement mainly due to capital repayments and reallocation of bonds from long term in 2020 to short term in 2021

Financial Operational Highlights

- Tariffs billed – exceeds budget due to volumes billed being higher than budgeted volumes
- Running Expenses – below budget due to Lower staff costs, O&M, Royalties and LHDA operations and maintenance.
- Finance charges – below budget due to the delays in setting up the JSE program for VRS funding and lower than anticipated costs for the LHWP and due to lower funding being needed due to general expenditure being below budget.

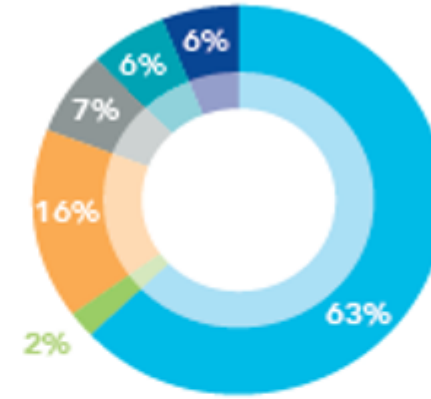


Distribution of total debt across projects



Total 2021:
R20 086m

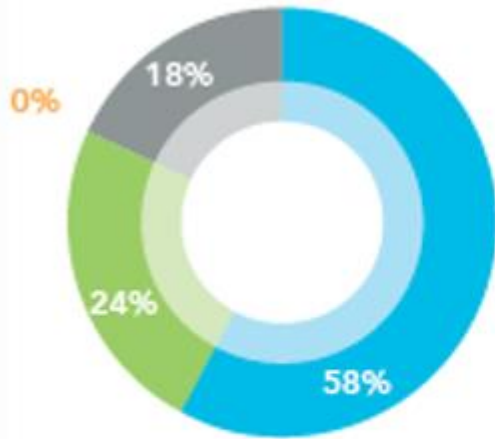
- LWHP
- BWP
- VRESAP
- MMTS
- KWSAP
- MCWAP



Total 2020:
R21 013m

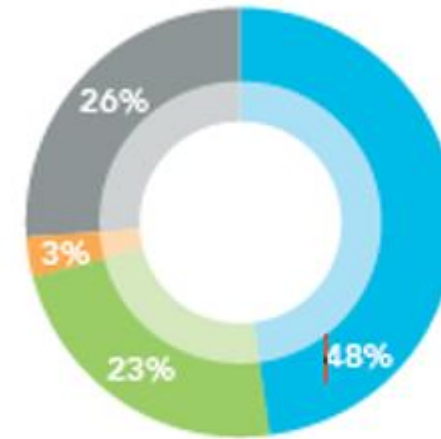
- LWHP
- BWP
- VRESAP
- MMTS
- KWSAP
- MCWAP

Cash Flow Analysis



Total 2021:
R7 290m

- Cash paid to suppliers and employees
- Finance costs
- Payment to acquire financial assets
- Repayment on borrowings



Total 2020:
R8 749m

- Cash paid to suppliers and employees
- Finance costs
- Payment to acquire financial assets
- Repayment on borrowings

External Audit Opinion

The AGSA issued an unqualified audit opinion with no matter of emphasis.

“In my opinion, the financial statements present fairly, in all material respects, the financial position of the entity as at 31 March 2021, and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa 1999 (Act No.1 of 1999) (PFMA).”



Irregular Expenditure

(Services not procured in accordance with regulation but value for money received)

Reconciliation of irregular expenditure	2021 Rand	2020 Rand
Opening balance	804 991 798	663 102 723
Irregular expenditure previously incorrectly disclosed - note A	(417 130)	-
Irregular expenditure current year	554 893	61 515 258
1. Acid Mine Drainage	-	42 965 131
3. Variation Orders	-	4 658 340
4. Other	554 893	13 891 787
Irregular expenditure from prior years identified in the current year	1 157 302	80 373 817
1 Acid Mine Drainage	-	80 373 817
4. Other	1 157 302	-
Irregular expenditure awaiting condonement	806 286 863	804 991 798

Note A:

Section 6.3 of National Treasury (NT) Instruction Note 2 of 2019/2020 which came into effect on the 17 May 2019 prescribes that:

Any reference to non-compliance of internal policies being regarded as irregular expenditure in terms of Treasury Instruction No 1 of 2018/2019 must be disregarded. The Accounting to accord with the definition of "irregular expenditure" in section 1 of the PFMA. Four transactions reported as irregular and which are dating back to 2017/2018 are removed from the irregular expenditure reported in the current period as they relate to non-compliance with policies.

Progress Update on Irregular Expenditure Incurred

- ❑ The majority of reported irregular expenditure relates to contracts that were entered into in prior years.
- ❑ There has been an improvement in the procurement control environment, and this has resulted in a few incidences of non-compliance being reported in the current financial year.
- ❑ A new procedure manual and consequence management guideline were developed to enhance the process for management of irregular, fruitless and wasteful expenditure.
- ❑ A Loss Control Committee is in place to quantify the losses and make recommendations to the Chief Executive Officer on the actions to be taken.



Going Concern

- ❑ The underlying operating model for TCTA has remained the same as it has been in previous years, and continues to assure the long-term solvency of TCTA, as well as the ability to meet all its obligations as they fall due and to continue to operate as a going concern.





Discussion & Clarifications ...