**Report on Water and Sanitation Analysis of the Portfolio Committee on Water and Sanitation Analysis of the First Quarter Expenditure Report on the Department of Water And Sanitation (Vote 41) for 2022/23, Dated 2 December 2022**

The Portfolio Committee, having undertaken its oversight of the first quarterly expenditure report 2022/23 of the Department of Water and Sanitation (Vote 41) reports as follows:

**1. Introduction**

In compliance with the provisions of the Public Finance Management Act (PFMA), the Department of Water and Sanitation (hereinafter the Department), submitted its quarterly expenditure report to the Portfolio Committee on Water and Sanitation (hereinafter the Portfolio Committee) on 20 September 2022. The purpose of Vote 41: Department of Water and Sanitation is to ensure the availability of water resources to facilitate equitable and sustainable socio-economic development, and ensure universal access to water and sanitation services.

The mandate of the Department is set out in the National Water Act (1998) and the Water Services Act (1997). The Department’s legislative mandate is to ensure that the country’s water resources are protected, managed, used, developed, conserved and controlled by regulating and supporting the delivery of effective water supply and sanitation. This is done in accordance with the requirements of water-related policies and legislation that are critical in delivering on people’s rights to have sufficient food and water, growing the economy and eradicating poverty.

**2. Challenges and Achievements**

At the outset of the briefing on the first quarter expenditure performance, the Minister of Water and Sanitation, Minister S Mchunu, acknowledged the findings of the Auditor-General of South Africa on its financial performance for the 2020/21 financial year. Several challenges still confront the optimal functioning of the Department. This includes its financial performance and position, service delivery challenges, clearing of legacy cases involving unauthorised, irregular, fruitless and wasteful expenditure, fraud and corruption and institutional performance challenges within the water sector value chain. National Treasury is currently assessing applications by the Department for condonations.

The Department stressed that it has developed and currently implementing a turnaround and financial recovery plan addressing the strategic context, performance and consequence management systems, strategic leadership, institutional stabilisation and transformation, sustainable service delivery, infrastructure maintenance and development, and financial management.

There were ongoing interventions to correct systematic challenges within the water sector, which were being done in collaboration with National Treasury, COGTA, municipalities and water boards.

A total of 23 senior management posts have been filled since the start of the 2021/2022 financial year, including the Director-General post, which was filled with effect from 1 January 2022. The Chief Financial Officer (CFO) and all other Deputy Director-General (DDG) posts had also been filled. All Chief Director posts had been filled, except for the post vacated by the current CFO, and the incumbent would assume duty on 1 October. One vacant director post, that of the Forensic Investigation and Quality Assurance -- was in the process of being filled. The Forensic Investigation Unit had eight investigators, three of whom had since vacated their positions. This created a capacity constraint.

The DWS was now following a proactive approach, preparing recruitment and selection processes in instances where it became aware of future vacancies. It was also reprioritising other critical vacancies in line with the compensation of employees (CoE) budget allocation for the 2022 medium-term expenditure framework (MTEF), and in line with the approved organisational structure. Specific emphasis was being placed on professional and critical positions.

**3. EXPENDITURE AGAINST ATTAINMENT OF PERFORMANCE TARGETS**

The Department’s expenditure for the period ended 30 June 2022 amounted to R2.422 billion, representing 13.1 per cent of the total annual adjusted budget of R18.5 billion. An amount of R2.5 billion was unspent for the period under review. The total amount of irregular expenditure condoned by National Treasury amounted to R1.4 billion. Between 2019/20 and 2022/23, 228 cases were reported to the internal audit unit, and 135 forensic investigation cases are in progress. A further 73 cases have not yet been investigated, but will be forwarded to external service providers to expedite the investigations.

Budget reprioritisation amounts included R65 million for the Kwazulu-Natal flood disaster, R32 million for the section 63 investigation on water projects in Umkhanyakude, and R67.4 million for the Eastern Cape’s Nelson Mandela Bay and Koega Water Crisis Intervention. The Department achieved 78 per cent of targets during the year under review.

**3.1 MAIN ACCOUNT AND WATER TRADING ENTITY**

**3.1.1 MAIN ACCOUNT**

The Department of Water and Sanitation has a total budget of R18.5 billion for the 2022/23 financial year. At the end of the first quarter, the department spent R2.4 billion or 13.1 per cent of the available budget. This equates to a lower-than-projected spending of R1.7 billion or 41.6 per cent. Most of the underspending was recorded under “Payments for Capital Assets” for R796.6 million.

For all departmental programmes, Administration, Water Resources Management and Water Services Management, in the first quarter, the percentage of actual achievement amounted to 78 per cent with a 13 per cent budget spend.

In **Programme 1: Administration** spent R391.4 million or 23.9 per cent at the end of the first quarter against the projection of R514.5 million. The lower-than-projected spending of R123.1 million or 23.9 per cent is mainly due to a moratorium on filling vacancies to remain within the compensation of employees ceiling over the 2023 Medium Term Expenditure Framework (MTEF) and delayed payment for external bursaries.The actual achievement was 81 per cent, with a 19 per cent budget spend. Under-performance areas include implementing the risk management plan, expenditure on the annual budget, and reduction of debtor days.

In **Programme 2: Water Resources Management** spent R1.48 billion at the end of the first quarter, against a projection of R1.5 billion. Spending is R25 million or 1.7 per cent lower than projected, mainly due to delays in finalising the procurement plans for the Xhariep Pipeline and a shortage of adequately qualified and experienced engineering and technical staff leading to the slow construction of two surface water monitoring gauging network stations. The actual achievement was 77 per cent, with a 39 per cent budget spend. The areas of under-performance – Cabinet approval of the National Water Amendment Bill, Gazetting of the National Water Resources Strategy-3, Cabinet approval of the National Water Resources Infrastructure Agency, rehabilitation of conveyance systems, creation of job opportunities through implementing operations and maintenance projects, consultations on raw water charges, draft regulation for water allocation reform, stakeholder consultation on the water economic regulator, and water users monitored for compliance.

**Table 1: Main Account Expenditure Spend for the First Quarter, 2022/23 Financial Year**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Programmes** | **Year-to-date** | **Year –to- date cumulative approved drawings**  |  **Year-to-date cumulative actual expenditure**  | **Available budget/ Variance** | **Variance - Accumulated drawings and actual expenditure**  | **Projected spending** | **Expenditure as % of the annual appropriation** | **Variance - Accumulated drawings and actual expenditure** |
| **R'000** | **R'000** | **R'000** | **R'000** | **R'000** | **%** | **%** | **%** |
| Administration | 2 012 509  | 514 525  |  391 420  | 1 621 089  | 123 105  | 25,57% | 19,45% | 6,12% |
| Water Resources Management |  3 782 924  | 1 501 148  | 1 476 163  | 2 306 761  |  24 985  | 39,68% | 39,02% | 0,66% |
| Water Services Management |  12 744 236  |  2 134 247  |  555 020  | 12 189 216  |  1 579 227  | 16,75% | 4,36% | 12,39% |
| **Total Programmes** | **18 539 669**  |  **4 149 920**  |  **2 422 603**  |  **16 117 066**  |  **1 727 317**  | **22,38%** | **13,07%** | **9,32%** |
| **Economic classification** |   |   |   |   |   |   |   |   |
| **Current payments** | **3 672 301**  |  **900 814**  |  **643 251**  |  **3 029 050**  |  **257 563**  | **24,53%** | **17,52%** | **7,01%** |
| Compensation of employees  |  1 836 433  |  462 174  |  442 217  |  1 394 216  |  19 957  | 25,17% | 24,08% | 1,09% |
| Goods and services  |  1 835 868  |  438 640  | 201 034  |  1 634 834  |  237 606  | 23,89% | 10,95% | 12,94% |
| Interest and rent on land  |  -  |  -  |  -  |  -  |  -  | 0,00% | 0,00% | 0,00% |
| **Transfers and subsidies** |  **10 528 115**  |  **2 112 727**  |  **1 439 574**  |  **9 088 541**  |  **673 153**  | **20,07%** | **13,67%** | **6,39%** |
| Province and municipalities  |  6 223 394  |  -  |  164  |  6 223 230  | (164) | 0,00% | 0,00% | 0,00% |
| Departmental agencies and accounts  |  2 612 130  | 1 141 661  |  1 145 013  |  1 467 117  |  (3 352) | 43,71% | 43,83% | -0,13% |
| Foreigngovernments andinternationalorganisations  |  250 978  |  146 851  |  146 851  |  104 127  |  -  | 58,51% | 58,51% | 0,00% |
| Public corporations and private enterprises  | 1 413 686  |  811 973  |  143 729  |  1 269 957  |  668 244  | 57,44% | 10,17% | 47,27% |
| Non-profit institutions  |  1 142  |  557  |  500  |  642  |  57  | 48,77% | 43,78% | 4,99% |
| Households  |  26 785  |  11 685  |  3 317  |  23 468  |  8 368  | 43,63% | 12,38% | 31,24% |
| **Payments for capital assets** |  **4 339 253**  |  **1 136 379**  |  **339 778**  | **3 999 475**  |  **796 601**  | **26,19%** | **7,83%** | **18,36%** |
| Buildings and other fixed structures  |  4 193 668  | 1 113 079  |  291 940  |  3 901 728  |  821 139  | 26,54% | 6,96% | 19,58% |
| Machinery and equipment  |  99 202  |  23 300  |  5 872  |  93 330  |  17 428  | 23,49% | 5,92% | 17,57% |
| Software and other intangible assets  |  46 383  |  -  |  41 966  |  4 417  |  (41 966) | 0,00% | 90,48% | -90,48% |
| **Payments for financial assets** |  **-**  |  **-**  |  **-**  |  **-**  |  **-**  | **0,00%** | **0,00%** | **0,00%** |
| **Total economic classification** |  **18 539 669**  |  **4 149 920**  |  **2 422 603**  |  **16 117 066**  |  **1 727 317**  | **22,38%** | **13,07%** | **9,32%** |

In **Programme 3: Water Services Management** spent R555 million against a projection of R2.1 billion. Spending is R1.6 billion or 74 per cent lower than projected, mainly due to the delay in the planned transfer to Umgeni Water Board due to the non‐submission of the required project documentation and the lower spending of the indirect Regional Bulk Infrastructure and Water Services Infrastructure Grants. The actual achievement was 80 per cent, with a 4 per cent budget spend. The areas of under-performance – updating the nine (9) provincial situational analyses, regional bulk infrastructure phases under construction (mega and large), cabinet approval of the Water Services Amendment Bill and evaluation of water boards’ performance against performance plans.

* **Under-spending per economic classification**

Significant under-expenditure per economic classification is as follows:

* Compensation of employees: R19.957 million due to under-spending mainly due to mandatory outer year budget reduction of R94.732 million. These funds cannot be committed to preventing unauthorised expenditure in the year of budget reduction.
* Goods and Services: R237.606 million due to the impact of the moratorium on procurement due to the constitutional court judgement, and other operational budgets.
* Payments for capital assets: R796.601 million due to slow-moving projects, procurement processes by implementing agents for water services and regional bulk infrastructure grants per province.
* Transfers and subsidies: R673.153 million due to water boards finalising compliance documents in the second quarter; with the 2022/23 local government payment schedule approval of the Bulk Infrastructure Grant and Water Services Infrastructure Grant.
* **Financial highlights related to the Main Account**

Table 2 below highlights the movement of funds for the fourth quarter (End-March) of 2021/22 and the first quarter (End-June) of 2022/23 in respect of advances, contingent assets and liabilities, and unauthorised expenditure. No irregular or fruitless and wasteful expenditure was reported for the period under review. The advances reflected in the table below include amounts paid per the Implementing Agents with water boards and HDA for Regional Bulk and Water Services Infrastructure projects, including the Bucket Eradication Programme. Continent assets include mainly legal claims by the Department (Joint with the Special Investigating Unit) for the Giyani Water Project and Fumile Advisory Services. The matters are before the Polokwane and Gauteng High Court.

**Table 2: Financial highlights – Main Account**

|  |  |  |  |
| --- | --- | --- | --- |
| **MAIN ACCOUNT** | **June** |  **March**  |  **Movement** |
|  **Details**   |  **2022** | **2022** |
|  **R'000**  |  **R'000**  |  **R'000**  |
|  Bank balance Favourable (Unfavourable balance)  |  3 499 019 |  1 756 287 | 1 742 732 |
|  Prepayments and advances  |  123 409  |  156 965  | (33 556) |
|  Contingent Assets  |  3 714 892  |  3 622 404  | 92 488 |
|  Accruals and payables  |  335 855  |  405 823  | (69 968) |
|  Commitments  |  6 255 779  |  6 116 970  | 138 809 |
|  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  |  9 459 330  |  9 459 106  | 224 |

Contingent liabilities, accruals and payables reduction are due to settlements processed in the current period. Unauthorised expenditure relates to the prior year’s overspending of the main division of the Vote, largely due to the War-on-Leaks Project and the Bucket Eradication Programme. National Treasury has submitted consolidated recommendations to SCOPA, and amounts are cleared once approval is granted.

**3.1.2 WATER TRADING ENTITY**

The Water Trading Entity (WTE) is not listed as a schedule entity in the Public Finance Management Act (PFMA) and thus functions within the administration of the Department. The Director-General is appointed in terms of section 36(b) of the PFMA as head of the entity. The WTE has two components, namely water resources management and infrastructure management. The resources management component oversees the management of water quality, conservation and allocation of water through Catchment Management Agencies (CMAs). Where Catchment Management Agencies are not yet established, this is done through proto-CMAs located in regional offices. The infrastructure component oversees the operations and maintenance of existing water infrastructure and the development of new infrastructure.

Funding for the WTE (operations and maintenance and the development of new infrastructure) comes from revenue generated from raw water charges in terms of the pricing strategy. The [Water](https://www.engineeringnews.co.za/topic/water) Trading Entity relies on revenues from the sale of [water](https://www.engineeringnews.co.za/topic/water). It augments its budget for developing and managing national [water](https://www.engineeringnews.co.za/topic/water) resource [infrastructure](https://www.engineeringnews.co.za/topic/infrastructure) with an MTEF allocation of R9.55 billion. The medium-term expenditure estimate for the [Water](https://www.engineeringnews.co.za/topic/water) Trading Entity is R51.6-billion, comprising R16.4-billion, R17.2 billion and R18 billion in 2022/23, 2023/24 and 2024/25, respectively.

**Table 3: Water Trading Entity Expenditure Spend for the First Quarter, 2022/23 Financial Year**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Programme** | **Annual Budget** | **% spent against the Annual Budget** | **YTD Budget** | **YTD Actual Expenditure** | **Available Budget** | **% spent on YTD budget** | **% Variance** |
|  **R’000**  | **%** |  **R’000**  |  **R’000**  |  **R’000**  | **%** | **%** |
| 1. Administration |  1 293 018  | 12% |  306 105  |  159 970 |  1 133 049 | 52% | 48% |
| 2. Implementation of water resources management activities  |  738 874  | 29% |  295 816 |  216 009 |  522 865 | 73% | 27% |
| 3. Operations, maintenance and refurbishment of national water resources schemes |  2 329 928 | 9% |  752 987  |  198 814 |  2 131 113 | 26% | 74% |
| 4. Financing and investment in raw water infrastructure | 9 560 135  | 7% |  695 256 |  695 256 |  8 864 879 | 100% | 0% |
| 5. Bulk water supply to strategic users |  2 328 334 | 7% |  755 170 |  173 616 |  2 154 718 | 23% | 77% |
| 6. Implementation of dam safety |  184 471 | 13% |  40 100 |  24 150 |  160 321 | 60% | 40% |
| **Total** | **16 434 760**  | **9%** |  **2 845 434** |  **1 467 815** |  **14 966 944** | **52%** | **48%** |
|   |   |   |   |   |   |   |   |
| **Economic Classification** |  **R’000**  | **%** |  **R’000**  |  **R’000**  |  **R’000**  | **%** | **%** |
| Compensation of Employees |  1 480 709  | 20% | 391 983 | 289 051 | 1 191 657 | 74% | 26% |
| Goods and Services |  2 625 232 | 14% | 790 720 | 357 429 | 2 267 804 | 45% | 55% |
| Trans Caledon Tunnel Authority (TCTA) | 9 560 135 | 7% |  695 256 |  695 256  |  8 864 879 | 100% | 0% |
| Payments for Capital Assets |  2 768 684  | 5% |  967 476  |  126 079 |  2 642 605 | 13% | 87% |
| **Total**  | **16 434 760** | **9%** |  **2 845 434** |  **1 467 815** |  **14 966 944** | **52%** | **48%** |

The programmes under the Water Trading Entity comprise Administration, Implementation of Water Resources Management Activities, Operations, Maintenance and Refurbishment of National Water Resources Schemes, Financing and Investment in Raw Water Infrastructure, Bulk Water Supply to Strategic Users and Implementation of Dam Safety.

The Economic Classification provides a breakdown of the Annual Budget of R16.4 billion for the 2022/23 financial year. The annual budget for the Compensation of Employees amounts to R1.4 billion, with 20 per cent or R289 million spent in the first quarter. On Goods and Services, an annual allocation amounted to R2.6 billion, with 14 per cent or R357 million spent in the first quarter. The annual budget for the work of the Trans-Caledon Tunnel Authority amounts to R9.5 billion, with 7 per cent or R695 million spent in the first quarter. Payments for capital assets amount to R2.7 billion, with 9 per cent or R1.4 billion spent in the first quarter.

* **Financial highlights related to the Water Trading Entity**

Table 4 below reflects the financial highlights related to the Water Trading Entity in respect of trade receivables, long-term financial liabilities, contingent liabilities and fruitless and wasteful expenditure for the fourth quarter (End-March, 2022) and the first quarter (End-June, 2022).

**Table 4: Financial highlights – Water Trading Entity**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **WATER TRADING ENTITY**  | **June** |  **March**  |  **Movement** |  |
|  **Details**  |  **2022** | **2022** |  |
|  |  **R'000**  |  **R'000**  |  **R'000**  |  |
|  Bank balance Favourable  |  4 125 228  | 2 141 999  | 1 983 229 |  |
|  Trade receivables (Gross)  | 25 486 008  |  24 613 875  | 872 133 |  |
|  Contingent Assets  | 2 925 | 2 925 | - |  |
|  Long- term Financial liabilities  | 13 060 459  | 11 114 432  | 1 946 027 |  |
|  Payables from exchange transactions  | 2 159 567  | 2 281 500  | (121 933) |  |
| 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 | 7 102 949  | 7 082 046 | 20 903 |  |

As of the end of June 2022, an amount of R25.4 billion was owed by trade customers. In addition to the enforcement of credit control measures, the Department is part of the Multidisciplinary Revenue Committee which comprises the National Treasury, the South African Local Government Association, and the Department of Cooperative Governance and Traditional Affairs to focus on providing solutions to water debt challenges across the value chain.

Long-term financial liabilities represent the amounts owed to Trans-Caledon Tunnel Authority by various construction contracts for developing and maintaining infrastructure assets. Compared to the previous year, the long-term financial liabilities have decreased to R1.9 billion. Contractual liabilities mainly consist of legal claims against the Department by several service providers regarding contractual disputes on litigation processes. Fruitless and wasteful expenditure was incurred due to irrecoverable construction costs incurred in the internal and external projects.

**4. REPRIORITISATION OF BUDGETS BETWEEN PROJECTS**

As part of the measures to prevent under-spending, the Department had reprioritised budgets between projects with supporting acceleration points, including effective contract management penalties, and termination of non-performing contractors. Some of the key prioritised projects include the following:

**4.1 Vaal River System Intervention – Rand Water**

The Emfuleni Section 63 Directive was being implemented by Rand Water, with an estimated

refurbishment cost of R655.96 million in the 2022/23 financial year.
The Department had appointed seven contractors to replace collapsed pipelines and electromechanical projects, and had issued work packages with a combined value of R223.7 million during August. Construction had already commenced.

Project performance had been affected by community protests and interruptions by business interest groups. More work packages were being processed, and construction was being accelerated. The significant expenditure would be realised upon work certification, thus mitigating under-spending.

The current budget allocation of R400 million would be increased with unspent funds from identified non-performing projects.

**4.2 Madibeng Bulk Water Supply – Magalies Water**

The project had many challenges, resulting in work stoppages, community protests, the liquidation of one of the service providers, poor project execution, etc. Efforts had been made to resolve these challenges, and six contractors -- civil, mechanical and electrical -- were appointed with expenditure projections estimated at R488 million for the 2022/23 financial year.

The project was being accelerated, and it was anticipated that additional funding would be required. The current budget allocation of R105 million would be increased with unspent funds from identified non-performing projects.

**4.3 Loskop Regional Bulk Water Supply Scheme**

Three contractors for projects with a combined value of R1.5 billion were appointed on 5 September. Construction was expected to commence at the end of September, as the contractors were currently busy with contractual obligations such as surety and insurance.
The budget allocation of R140 million was projected to be spent in the 2022/23 financial year. Construction would be accelerated, and significant expenditure would be realised upon work certification.

**4.4 Upgrade of the Olifantspoort and Ebenezer Water Supply Scheme – Lepelle Northern Water**

An amount of R422 million had been allocated through the Budget Facility for Infrastructure Fund. A memorandum of agreement (MOA) had been concluded. A transfer was scheduled for the second quarter to enable Lepelle Northern Water to finalise the implementation readiness study and start the refurbishment works.

**4.5 Budget reallocations between projects within the same province**

Reallocations between projects were also being processed and aimed at preventing under-spending.

**5. OBSERVATIONS AND RECOMMENDATIONS**

Members of the Portfolio Committee on Water and Sanitation, having deliberated on the presentation of the first quarterly expenditure report of the Department of Water and Sanitation (Vote 41), derived the following observations and related recommendations:

**5.1**  **Challenges experienced by implementing agents**

In response to the challenges experienced by implementing agents, such as capacity constraints, the Department will provide detailed reports on work of the implementing agents per province. The reports would clarify the stages of work of the implementing agents, and the departmental assistance and oversight to accelerate the process.

*5.1.1**The Department should, within a set timeframe, be determined by the Portfolio Committee to provide detailed written responses to constraints encountered by implementing agents in each province, and departmental mitigation strategies to resolve the challenges.*

**5.2 Irregular expenditure and condonation thereof**

In response to the lengthy process of condonation of irregular expenditure, the Department noted that there is a set process that National Treasury follows before condoning any amount. The Department has followed all the rules and procedures of Treasury on the condonation of requested amounts. The requirements included the Department’s ability to recoup funds and instigating disciplinary measures, including charges of fraud and corruption by transgressing officials.

Over several years and with a historical debt incurred previously, approximately R16 billion within the Main Account and Water Trading Entity was reflected as irregular expenditure. With the necessary support from National Treasury, the Department, followed all procedures in its requests for amounts to be condoned. Thus far, the amount of irregular expenditure condoned by National Treasury is R1.4 billion.

*4.2.1 The Department should, on a quarterly basis, provide a progress report on recouping funds and work on finalising the disciplinary cases, with information on National Treasury’s processes of condonation requested by the Department.*

**5.3 Establishment of the construction unit and recruitment of young people to the Academy of Learning**

The establishment of the construction unit many decades ago did not cater for providing experience to young people but to building major infrastructure. But, members stressed that the issue of transformation within the construction unit was imperative and also argued that it was critical to build the construction unit with more young people, especially in the field of scientists and engineers. The Department, however, has an Academy of Learning, where young people are recruited through a graduate training bursary. Thus far, 975 bursaries have been awarded, with 827 students completing the course. One hundred and forty-five (145) graduates were currently in the new graduate intern programme, and approximately 600 candidates had been appointed to contract positions in the Department. Three hundred (300) candidates have been appointed to permanent positions in the Department.

**5.4 Finalisation of the one long-standing disciplinary cases**

The Presiding Officer of the disciplinary team hopes to streamline the finalisation of the disciplinary cases involving one of the senior directors to avoid the case dragging on for too long. Perpetual postponements on the director’s part have delayed the finalisation of the case.

**5.5 Reported incidents of fruitless and wasteful expenditure**

By the end of June, an amount of R25.4867 billion was owed by trade customers. In addition to enforcement of credit control measures, the Department was part of the Multidisciplinary Revenue Committee (MdRC), which was comprised of the National Treasury (NT), the South African Local Government Association (SALGA) and COGTA, which focused on providing solutions to water debt challenges across the value chain.

Long-term financial liabilities were the amounts owed to the Trans-Caledon Tunnel Authority (TCTA) in accordance with various construction contracts for developing and maintaining infrastructure assets. Compared to the prior year, these liabilities had decreased by R1.946 billion. Contingent liabilities mainly consisted of legal claims against the DWS by several service providers regarding contractual disputes, which are within the scope of litigation processes. Fruitless and wasteful expenditure had been incurred because of irrecoverable construction costs incurred in internal and external projects.

**5.6 Unauthorised expenditure**

No unauthorised expenditure had been incurred since the prior period incidents. In prior years, the unauthorised expenditure was related to overspending on the BEP and the "War on Leaks" programmes. It had been reported to the National Treasury for processing to Parliament. Fruitless and wasteful expenditure was related mainly to costs incurred on internal and external construction projects that could not be recovered. Further incidents had been noted at the Water Trading Entity (WTE), which was currently at an assessment stage. Included in the irregular expenditure was an amount of R8.8 billion submitted for condonation.

**Report to be noted.**