



AUDITOR - GENERAL
SOUTH AFRICA

BUDGETARY REVIEW AND RECOMMENDATIONS

Portfolio Committee on
Water and Sanitation

10 October 2023

*Briefing document on the
audit outcomes for the
Water and Sanitation
Portfolio:
2022-23*

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1. Introduction

1.1 Reputation promise of the Auditor-General of South Africa

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

1.2 Role of the AGSA

Our role as the AGSA is to reflect on the audit work performed to assist the portfolio committee in its oversight role of assessing the performance of entities, taking into consideration the committee's objective to produce a budgetary review and recommendations report (BRRR).

1.3 Role of the portfolio committee

Section 5(2) of the Money Bills Procedures and Related Matters Amendment Act 9 of 2009 allows for each committee to compile a BRRR, which must be tabled in the National Assembly. Section 5(3) provides for a BRRR to contain the following:

- An assessment of entities' service delivery performance given available resources
- An assessment on the effectiveness and efficiency of entities' use and forward allocation of available resource
- Recommendations on the forward use of resources

1.4 Mandate of the AGSA and the portfolio committee

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AGSA mandate	Portfolio committee mandate
Section 188 of the Constitution	National Assembly Rule 227 Portfolio committees may, amongst other things, perform the following functions:

AGSA mandate	Portfolio committee mandate
<p>The AGSA must audit and report on the accounts, financial statements and financial management of government institutions.</p> <p>Section 20(2) of the Public Audit Act (PAA)</p> <ul style="list-style-type: none"> • The AGSA must prepare an audit report containing an opinion/conclusion on the: <ul style="list-style-type: none"> ○ fair presentation of the financial statements ○ compliance with applicable legislation ○ reported performance against predetermined objectives. • Discretionary audits (including special audits, investigations and performance audits) <p>Section 5(1B) of the PAA</p> <p>The auditor-general has the power to:</p> <ul style="list-style-type: none"> • issue a material irregularity • include recommendations in the audit report • take an appropriate remedial action • issue a certificate of debt, as prescribed, where an accounting officer/authority has failed to comply with remedial action. 	<ul style="list-style-type: none"> • Deal with bills and other matters falling within their portfolio, as referred to them in terms of the Constitution, legislation or rules, or by resolution of the assembly • Maintain oversight of their portfolios of national executive authority, including implementation of legislation, any executive organ of state falling within its portfolio, any constitutional institution falling within its portfolio, and any other body or institution in respect of which oversight was assigned to it • Consult and liaise with any executive organ of state or constitutional institution • Monitor, investigate, enquire into and make recommendations concerning any such executive organ of state, constitutional institution or other body or institution, including the legislative programme, budget, rationalisation, restructuring, functioning, organisation, structure, staff and policies of such organ of state, institution or other body or institution • Consult and liaise with any executive organ of state or constitutional institution • Perform any other functions, tasks or duties assigned to it in terms of the Constitution, legislation, these rules, the Joint Rules or resolutions of the Assembly, including functions, tasks and duties concerning parliamentary oversight or supervision of such executive organs of state, constitutional institutions or other bodies or institutions.

1.5 Purpose of this document

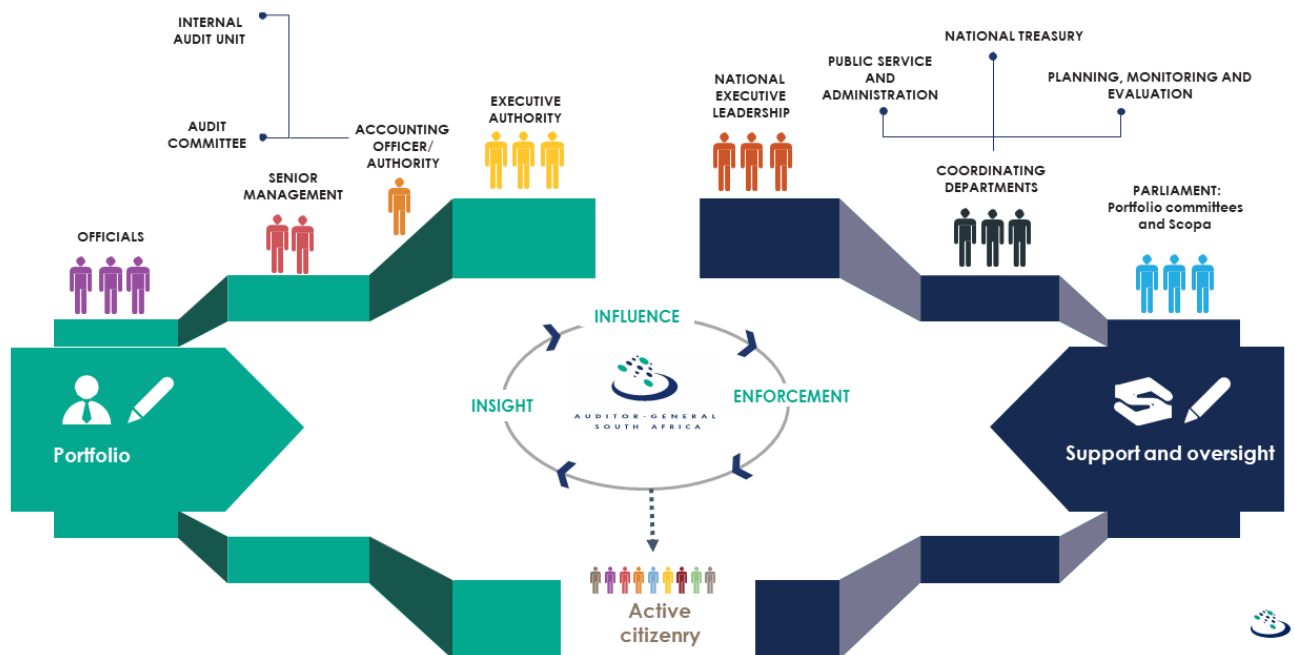
The purpose of this briefing document is for the AGSA to reflect on the audit outcomes to assist the portfolio committee in its oversight role of assessing the performance of entities, taking into consideration the objective of the committee to produce a BRRR.

1.6 Shifting the public sector culture through the accountability ecosystem

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All have role to play in national government accountability ecosystem

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- The accountability ecosystem is the network of stakeholders that have a mandate and/or responsibility, whether legislative or moral, to drive, deepen and/or insist on public sector accountability.
- A more active and engaged accountability ecosystem would add to the much-needed effort of shifting public sector culture and would alleviate the overreliance on the AGSA to assume responsibility for improving audit outcomes and enforcing consequences.
- Shifting the public sector culture towards one that is characterised by performance, accountability, transparency and integrity can only be accomplished if all role players in the broader accountability ecosystem fulfil their respective responsibilities and mandates.
- Given the nature of the AGSA's mandate, by the time that we audit the financial statements of auditees and report on adverse findings, multiple failures have already occurred along the accountability value chain. After our audits, other steps are required to complete the accountability cycle.
- Improvement in sound financial management to enhance the lives of citizens does not only reside within the domain and responsibility of the accounting officer or authority and the auditors. It depends on the entire accountability ecosystem to enable a culture of accountability in a sustainable and meaningful way.

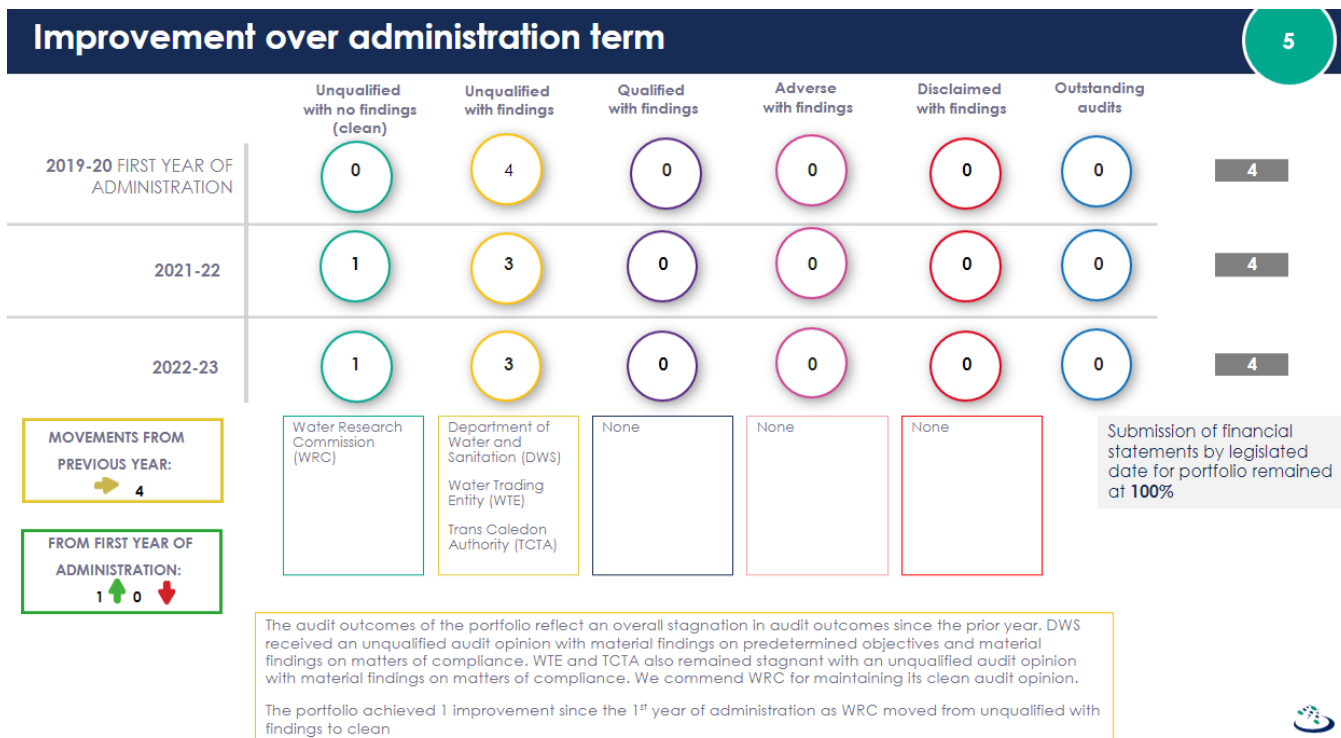
1.7 Audit outcomes explained

<p>Unqualified opinion with no findings (clean audit)</p>	<p>Financially unqualified opinion with findings</p>	<p>Qualified opinion</p>	<p>Adverse opinion</p>	<p>Disclaimed opinion</p>
 <p>Auditee:</p> <ul style="list-style-type: none"> produced credible and reliable financial statements that are free of material misstatements reported in a useful and reliable manner on performance as measured against predetermined objectives in the annual performance plan (APP) complied with key legislation in conducting their day-to-day operations to achieve their mandate 	 <p>Auditee produced financial statements without material misstatements or could correct the material misstatements, but struggled in one or more area to:</p> <ul style="list-style-type: none"> align performance reports to the predetermined objectives they committed to in APPs set clear performance indicators and targets to measure their performance against their predetermined objectives report reliably on whether they achieved their performance targets determine the legislation that they should comply with and implement the required policies, procedures and controls to ensure compliance 	 <p>Auditee:</p> <ul style="list-style-type: none"> had the same challenges as those with unqualified opinions with findings but, in addition, they could not produce credible and reliable financial statements had material misstatements on specific areas in their financial statements, which could not be corrected before the financial statements were published. 	 <p>Auditee:</p> <ul style="list-style-type: none"> had the same challenges as those with qualified opinions but, in addition, they had so many material misstatements in their financial statements that we disagreed with almost all the amounts and disclosures in the financial statements 	 <p>Auditee:</p> <ul style="list-style-type: none"> had the same challenges as those with qualified opinions but, in addition, they could not provide us with evidence for most of the amounts and disclosures reported in the financial statements, and we were unable to conclude or express an opinion on the credibility of their financial statements

2. Improvement in audit outcomes over administration term

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3-year audit outcomes



2.1 Overview

Credible financial statements are crucial for enabling accountability and transparency in the portfolio. Overall, the combined audit outcomes of the portfolio reflect a stagnation as DWS received an unqualified audit opinion with material findings on predetermined objectives and material findings on matters of compliance. WTE and TCTA remained stagnant with an unqualified audit opinion with material findings on matters of compliance. We commend WRC for maintaining its clean audit opinion.

2.2 Detail on outcomes

2.2.1 Overview

DWS

DWS received an unqualified audit outcome with findings on predetermined objectives and findings on compliance. Controls around preparation of regular, accurate and complete performance reports that are supported and evidenced by reliable information should be strengthened, audit actions plans should be effectively monitored to prevent repeat findings and financial statements and the annual performance report should be appropriately reviewed to ensure they are free from material misstatements prior to submission for audit.

Delays in the investigation of instances of irregular expenditure and allegations against officials resulted in delays in the implementation of consequence management processes and procedures.

It is important to note that DWS has improved on its compliance with applicable legislation when compared against the prior year. There were no material findings on material corrections to the financial statements and on procurement.

WTE

The overall internal control environment of the trading entity remained stagnant from the prior year, as such, the audit outcomes remained unchanged as unqualified audit opinion with findings on compliance with legislation. The trading entity corrected all material misstatements identified during the audit, remaining with non-compliance findings.

Although some of the drivers of internal controls are maintained, management did not implement adequate preventative internal controls to avoid non-compliance with legislation resulting from the annual financial statements, expenditure management, consequence management, procurement and contract management.

Furthermore, the entity did not implement adequate preventive internal controls such as effective compliance checklist to prevent non-compliance with legislation, mostly relating to following proper procurement processes for obtaining quotations, competitive bidding process and applying local content procedures, which resulted in irregular amounting to R26 million and fruitless and wasteful expenditure amounting to R70 million in the current year

TCTA

TCTA received an unqualified audit outcome with findings on compliance. Controls around compliance with laws and regulations should be strengthened, audit actions plans should be effectively monitored to prevent repeat findings and financial statements should be appropriately reviewed to ensure they are free from material misstatements prior to submission for audit.

Gradual implementation of consequence management has resulted in a reduction of historical irregular expenditure by R553 538 406. The remaining balance of irregular expenditure still requires full implementation in line with National treasury framework requirements and the entities policies and procedures. The slow implementation of consequence management continues to impact the audit outcomes of the entity.

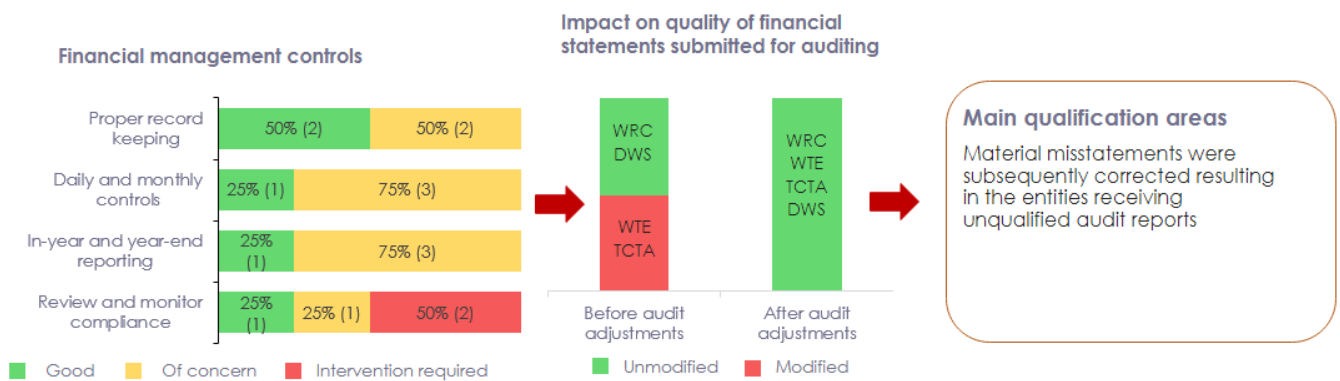
WRC

WRC audit outcome remained unqualified with no findings on the audit of pre-determined objectives and compliance with legislation. We noted a strong internal control environment over the recording and reporting of financial and performance information together with a disciplined adherence to applicable legislation that assisted the entity to maintain the clean audit for the 2022-23 financial year.

2.3 Quality of financial reporting

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Quality of financial reporting 32



Impact

- For two of the auditees, material errors were identified through the audit process and subsequently corrected by management, resulting in the unqualified audit opinions received.
- The internal control processes implemented by management did not identify or prevent these errors.
- For the 2 auditees, material compliance findings were identified in more than one compliance area.

Outcomes of the audit of predetermined objectives

2.4 Findings on the audit of the annual performance report and achievement of targets

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Auditee	Programme/ Objective / Portfolio	Material findings
DWS	Programme 2 – Water resources management	<p>We identified material misstatements in the reported performance information in the annual performance report submitted for auditing.</p> <p>PPI 3.5.1 - Percentage scheduled maintenance projects completed as a proportion of planned maintenance projects. An achievement of 45% was reported against a target of 50%. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported.</p>

Auditee	Programme/ Objective / Portfolio	Material findings
		Consequently, it is likely that the underachievement on the target was more than reported.
	Programme 3 – Water service management	We did not identify any material findings on the usefulness and reliability of the reported performance information for this programme. However, we did identify a material misstatement in the annual performance report submitted for auditing. This material misstatement was in the reported performance information of water service management and as management subsequently corrected the misstatement, we did not raise any material findings on the usefulness and reliability of the reported performance information.
WTE	Programme 2 – Water resources management Programme 3 – Water service management	In terms of section 40(3)(a) of the PFMA, the entity is required to prepare an annual performance report. The performance information of the entity was reported in the annual performance report of the Department of Water and Sanitation. The usefulness and reliability of the reported performance information were tested as part of the audit of the department and audit findings are included in the management and auditor's reports of the department.
TCTA	Objective 2 – Operate and maintain designated projects to meet DWS requirements/ specifications	We did not identify any material findings on the usefulness and reliability of the reported performance information for this objective.
	Objective 3: Operate and maintain designated projects to meet DWS requirements/specifications	We did not identify any material findings on the usefulness and reliability of the reported performance information for this objective.
WRC	Portfolio - Research, development, and innovation portfolio	We did not identify any material findings on the usefulness and reliability of the reported performance information for this objective.

2.5 Performance against targets

Key targets in medium-term strategic framework for portfolio

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A reflection of the key targets in the medium-term strategic framework and the portfolio's performance to date are included below:

Key MTSF targets	Planned target	Reported achievement by 31 March 2023
Timeframe for processing water use license applications	Timeframe for water use license applications reduced by 50% by 2020 (150 days)	Currently 110 days to process applications

No of bucket sanitation systems eradicated in formal areas	12 221	592
27 District Municipalities with five year reliability implementation plans	27	4
Number of dam safety rehabilitation projects completed	9 dams rehabilitation projects completed	1 completed

It was further noted that 2 presidential projects being implemented by TCTA did not achieve the planned targets for the year as follows:

- MCWAP – 2A: Award of main construction contract
- BRVAS: Award of design and build tender

The delays in the finalisation of projects **cause significant harm or undue hardships** to the communities intended to benefit from these projects, including the bucket eradication and BRVAS and MCWAP projects. This also results in significant costs increases over a period.

Delays in turn-around times for approving water use licences has potential economic consequences for applicants and can affect food security.

Delayed dam safety projects places lives of surrounding community members at risk. It is concerning that only 1 of 9 planned dam safety rehabilitation projects were completed by 31 March 2023.

2.6 Achieving key performance targets – summarised information from performance report and impact on service delivery

A reflection of the key performance measures, impact on service delivery and reasons for the non-achievement of some key targets are included in the tables below:

DWS

Programme 2 – Water resources management

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The department has also not achieved numerous key service delivery set target included in the annual performance plans as indicated below.

	Planned target	Reported achievement
Programme 2: Water Resources Management		
Targets achieved: 75%		

Budget spent: 99%		
PPI 3.4.1- Number of bulk raw water projects in preparation for implementation	4	1
PPI 3.4.2- Number of bulk raw water projects under construction	4	2
PPI 3.5.1- Percentage scheduled maintenance projects completed as a proportion of planned maintenance projects	50%	45% (473 of 1046)
PPI 3.5.2- Percentage unscheduled maintenance projects completed as a proportion of planned	≤30%	35% (364 of 1046)
PPI 3.5.4- Number of dam safety rehabilitation projects completed	2	0
PPI 5.1.4- Percentage of applications for water use authorisation finalised within regulated period	80%	62% (562 out of 902)

Programme 3 – Water service management

	Planned target	Reported achievement
Programme 3: Water Services Management		
Targets achieved: 70%		
Budget spent: 93%		
PPI 3.8.2- Number of WSAs assessed for compliance with the requirements of the No Drop Regulatory Programme	144 WSAs assessed	0 WSAs assessed (Draft No Drop Watch report)
PPI 3.9.3.2- Number of large regional bulk infrastructure project phases under construction	67	65
PPI 3.9.4.2- Number of large regional bulk infrastructure project phases completed	13	5
PPI 3.10.2- Number of small WSIG projects completed	115	102
PPI 3.10.4- Number of existing bucket sanitation backlog systems in formal settlements replaced	10 798	0
PPI 5.3.1- Number of water supply systems assessed for compliance with Blue Drop]	1035	979

The root causes for non-achievement of these indicators primarily relate to inadequate project management, slow response by WSA's to the department's requests, inadequate supervision of contractors resulting in the late identification of poor performance of contractors and protracted supply chain management processes.

TCTA



Objective 2 – Operate and maintain designated projects to meet DWS requirements/ specifications

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	Planned target	Reported achievement
Objective 2: Implement capital projects on time, within budget, to the appropriate standards and in a sustainable socio/environmental manner Targets achieved: 0%		
Reaching of project critical milestones as reflected in the Project Plan	MCWAP – 2A: Award of main construction contract	MCWAP – 2A: The main construction contract was not awarded
Reaching of project critical milestones as reflected in the Project Plan	BRVAS: Award of design and build tender	BRVAS: The design and build tender was not awarded.

The measures and targets included in Objective 2 track the implementation of two critical projects, the Mokolo-Crocodile Water Augmentation Project - Phase 2A (MCWAP-2A) and the Berg River Voëlvlei Augmentation Scheme (BRVAS) in line with project plans in place.

The non- achievement of key milestones on the BRVAS and MCWAP-2A projects impacts on critical water infrastructure projects being delayed which may affect delivery of water to the ordinary citizens and communities as beneficiaries of the water value chain. The consequential impact of delays in the completion of the project results in cost increases over a period and project milestones being continually revised as project charter are revised.

The non-achievement of the MCWAP-2A target was as a result of delays in securing funding mostly due to the delays in the due diligence processes that needed to be performed, while BRVAS experienced delays as a result of changes to the conceptual designs.

Objective 3 – Operate and maintain designated projects to meet DWS requirements/ specifications

	Planned target	Reported achievement
Objective 3: Operate and maintain designated projects to meet DWS requirements/ specifications Targets achieved: [6/8] 75%		
Operate and maintain the plant to meet the minimum operating volumes	Eastern Basin: An average daily volume of treated water of between 80% and 90% of the max treatment capacity of 100 MI/d including planned outages, calculated over the full year.	Eastern Basin: An average daily volume of treated water of 21 MI/d (21%) of the max treatment capacity of 100 MI/d calculated over the full year. No adjustments were made as no Force Majeure or other events outside

	Adjusted for any Force Majeure or other events outside TCTA's control.	of TCTA's control occurred in the period.
LHWP Delivery Tunnel North – Ensure infrastructure is operated and maintained to ensure sustainable water deliveries from Lesotho	Award Tender for the PSP Contract for the 2024 tunnel outage by 30 September 2022	The tender for the PSP Contract for the 2024 tunnel outage was not awarded by 30 September 2022. The revised and improved tender document was developed and approved by the Bid Specification Committee on 28 March 2023.

Objective 3 - Operate and maintain designated projects in accordance with DWS requirements/specifications is key to TCTA's mandate, as it includes measures and targets relating to the pumping and water treatment/ management of acid mine water in the Western, Central and Eastern Basins (Witwatersrand Gold Fields).

The targeted performance on the Eastern Basin to pump an average volume of between 80% and 90% treated water based on the max treatment capacity of 100 MI/d was not achieved. This was mainly due to the failure of all the AMD pump motors. The Eastern Basin AMD Plant was not in operation from 01 April 2022 to 17 December 2022. New AMD pump motors were sourced from an alternative supplier and delivered to the AMD Plant in November 2022. The last AMD Pump was commissioned in February 2023, thus enabling the AMD Plant to operate within the DWS agreed parameters of 80% to 90% of the max treatment capacity of 100MI/d, post February 2023

WRC

Portfolio - Research, development and innovation portfolio

The WRC achieved all its targets (10/10) 100% in the 2022-2023 financial year.

Performance indicator	Target	Actual performance	Reason for achievement
The number of new RDI projects initiated in the 2022/23 financial year	95	121	Target exceeded as a result of projects funded and co-funded by WRC research partners.
The total number of RDI projects managed by the WRC in the 2022/23 financial year	230	378	Annual exceeded as a result of projects funded and co-funded by WRC research partners.
The number of research projects completed in the 2021/22 financial year	80	150	Annual target met and exceeded due to: <ul style="list-style-type: none"> • The COVID-19 pandemic resulted in delays in the finalisation of research projects. Projects that were delayed in 2021/22 had to be finalised and have now been completed in 2022/23. • The recovery has now resulted in finalisation/completion of many more projects as the backlog had been cleared.
The number of innovations/products	30	47	Annual target met and exceeded as more guidance and support was provided to research

Performance indicator	Target	Actual performance	Reason for achievement
and services produced from WRC research			teams to produce and identify new knowledge and innovations created by WRC-funded projects.

2.7 Service delivery

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The key water sector focus areas identified are as follows:

- Management of infrastructure projects
 - Infrastructure projects
 - Maintenance of infrastructure
- Water Quality
- Water Losses

Delayed Regional Bulk Infrastructure Projects at DWS

Sixty (71%) out of 85 RBIG projects were identified to be delayed when compared to the originally planned dates for completion. There are many reasons for the delays but what is evident is that delays in the completion of infrastructure projects has a direct effect on the provision of reliable water supply to affected communities.

Six key projects were identified as being significantly delayed in the 2021-22 financial year. We continued to follow up on these projects during the year and identified that these projects have not yet been completed.

Project	Purpose	Start date	Planned completion date	Revised completion date	Reason for delays
Masilonyana Bulk Water Supply	Phase 2: Refurbishment of Winburg Water Treatment Works. Construction of a bulk water supply pipeline from Theunissen to Winburg	Nov - 13	Sep- 20	To be determined upon appointment of Contractor.	Contractor was offsite in 2019 until the pending case was finalised. Municipality was issued with a non-compliance letter from SARS in Aug 2019, therefore DWS could not process service provider invoices. Covid-19 also contributed to the delays as a result of restrictions that were imposed (the staff was not operating optimally).

					<p>Delays in the procurement process to acquire Land from owners by DWS</p> <p>Non-payment of invoices by Masilonyana LM to contractors during the lifespan of the project which resulted in contractors starting to have cash flow challenges the eventually lead to contract terminations</p> <p>Hard rocks being encountered on site</p> <p>Labour unrest on site at random days during the implementing stage after appointment of the sub-consultant also contributed to the delays.</p> <p>Delay due to terminations and re-appointment processes of consultant and contractors.</p>
Mogalakwena Bulk Water Scheme	Construction of raw and potable water pipeline systems to identified target areas, i.e. Waterberg DM, Capricorn DM (including Polokwane LM) and Sekhukhune DM is to ultimately provide 15 M ³ /day of potable water to 90 051 people in 178 villages.	Apr 18	Mar 2020	June 2024/ dependent on the appointment of last contractor	<p>There were various challenges outlined in the progress reports which inferred that the implementing agent was not effectively and efficiently carrying out the project as per the implementation plan; the project is currently on hold since May 2022 as the contractor abandoned site. A new contractor has not been appointed. The pipes were left unattended and appear worn out and would not be usable and cement was left uncovered and not put in a safe place.</p> <p>Mogalakwena is both the implementing agent and the beneficiary of the projects and has received qualified audit opinions for the past 2 years and there is currently an SIU investigation into maladministration by the SIU.</p>
Nebo Bulk Water Scheme	The purpose of the project is to ultimately provide potable bulk water supply to the Nebo Plateau, which is home to some 420,000 people living in 153 villages.	Apr 18	Mar 2020	Mar 2024	<p>The Lobethal project experiences challenges with the existing hard rock material which could affect the period and cost of construction</p> <p>The Marulaneng project experienced challenges with the hydraulic testing of the pipeline due unavailability of water.</p> <p>Another challenge for Lobethal is insufficient cash-flow; the contractor has thus decided to suspend the works.</p> <p>The Makgeru to Schoonoord project also experienced challenges from the local community due to method used to recruit labour is in dispute, thereby causing construction delays.</p> <p>Delays due to community unrest which led to stoppage of project and has lasted for more than three (3) months</p> <p>Testing of the line has been delayed due to recommissioning of Malekana to Janefurse pipeline.</p>
Mafikeng (Mmabatho)	Upgrading of the Mmabatho WTW to 30 M /d, from a	Oct 2014	Oct 2016	Mar 2025 for the entire project.	The ongoing slow pace in completing the works by the contractor is causing extension to the contract completion every month. This is all due

<p>South BWS RL33</p>	<p>current effective capacity of approximately 9M/d that will benefit the residents of Mahikeng and surrounding villages.</p>				<p>to the contractor's inability to quickly procure items, like the site pipework specials.</p> <p>The estimated completion of the work has now moved to 29 May 2023. This likely to be extended with another month due to the delay in finalizing the site pipework purchase order.</p> <p>The contractor appointed FG Manufacturing for the manufacturing of the pipe specials. The sub-contractor could not submit satisfactory documentation to the third party inspector.</p> <p>Poor Performance of sub-contractors.</p> <p>Delay in payments to the contractors throughout the project. Resulting in contractors not working</p> <p>Contractors behind schedule resulting in a delay in progress</p>
<p>Madibeng Bulk Water supply</p>	<p>Refurbishment of Brits Water Treatment Works (WTW) to improve water quality; 160 431 households of Madibeng are meant to benefit from the project</p>	<p>Oct 2010</p>	<p>Dec 2020</p>	<p>Nov 2023</p>	<p>There has been number of disruptions/stoppages on the project thus causing delays, from March 2015 until July 2020.</p> <p>To date the project have lost 779 days (2.5 years) due to disruptions and stoppages.</p> <p>The inclement weather (rain) for the month of Nov. and Dec. 2022</p> <p>Construction drawings not being provided by the Client representative to the contractor on time.</p> <p>New variant of COVID in the month of June 2021</p> <p>MMA (Former-PSP) excused themselves from site from Jan. 2021, due to their issues with the client, resulting in the delays.</p> <p>The new PSP (Lidwala Consulting Engineers) was appointed in September 2021 to take over from MMA Consulting.</p> <p>There has been a delay caused by Black Business forum, due to the precautionary suspension</p> <p>On the 25th of June 2023, it was noted during visit to the plant that the Site has been closed by the department of Labor for the past 3 weeks until further notice.</p>
<p>Giyani Bulk Water Scheme – Nandoni to Nsami pipeline</p>	<p>The project is intended to convey raw water from the Nandoni Dam via the pipelines that connects to the Middle Letaba canal system that will eventually flow to the Nsami Dam for</p>	<p>2011</p>	<p>2013</p>	<p>Revised to October 2023</p>	<p>Some parts of the village of which the project was to pass by were denying access to the contractor demanding to be included in the project either through sub-contracting and/or employment. The village are Mulenzhe, Rasinga and Xikukwane</p> <p>Added scope from the initial scope i.e. to supply water in 14 villages in Malamulele</p> <p>Changes in implementing agents as well as re-appointments of contractors due to termination</p> <p>Poor project management</p>

	augmenting the water supply to the 55 villages in Giyani				<p>Delays in getting some specialised material needed by the contractor</p> <p>In February 2023 there were floods that lead to 17 days of no works done.</p> <p>Overall progress is 98%. Construction of the pipeline has been complete, contractor attending to defects before practical completion can be signed off.</p>
Giyani project water services projects (Pipelines Borehole & WWTW) & Giyani Water Supply – Reticulation in 55 Villages	This specific project consists of upgrading and refurbishing the bulk distribution system (including construction of 325km of bulk potable water pipeline network) that will aid supply of water to the widely reported 55 villages in Giyani.	2011	2013	June 2024	<p>Changes in implementing agents</p> <p>Non-payment of contractors timeously (all parties contributed)</p> <p>SIU investigation that took place</p> <p>Change of contractors due to terminations</p> <p>Delay in procurement of support contractors to assist DWS construction unit</p> <p>Poor performance by support contractor that has recently been terminated</p> <p>Project was delayed due to stoppage by local forums</p> <p>Delays in procurement of material by DWS construction unit</p>

It is important management assesses the root causes for these significant deficiencies and addresses the root cause to ensure that projects are implemented in a timely manner and in line with the budgeted costs. The following root causes have been identified as key matters that the department should attend to:

- **Appointment of beneficiary municipalities** with history of poor financial controls and lacking adequate capacity
- **Poor performance of implementing agents** – inadequate contract management – no actions taken for poor performance
- **Poor performance of contractors not identified** in a timely manner.
- **Contractors abandon site** due to cash flow challenges or non-payment by municipalities
- **Delays in the procurement process** both to appoint contractors and also on procuring some of the materials
- **Access restrictions** by community leaders and protests by the community as they also want to be part or benefit from the project
- **Poor project management** both by the implementing agent and the department
- **Poor oversight and monitoring** by the department

Bucket eradication programme

Under the Water Services Act “basic sanitation” means the prescribed minimum standard of services necessary for the safe, hygienic and adequate collection, removal, disposal or purification of human excreta, domestic wastewater and sewage from households, including informal households; chapter 3 highlights the right of access to basic water supply and basic sanitation.—(1) Everyone has a right of access to basic water supply and basic sanitation.

The bucket eradication programme targeted 4 Provinces Eastern Cape, Free State, Northern Cape and North West Province with bucket toilets in formal areas. Targets were achieved in 2 Provinces, Eastern Cape and North West with outstanding works in the Free State and in the Northern Cape.

During the audit we noted that the bucket eradication programme has been significantly delayed mainly due to poor project management by the department, poor performance by appointed contractors and delays in procurement processes by the department and various other reasons.

These delays significantly impact the communities this project intends to benefit as they continue to be without access to basic sanitation.

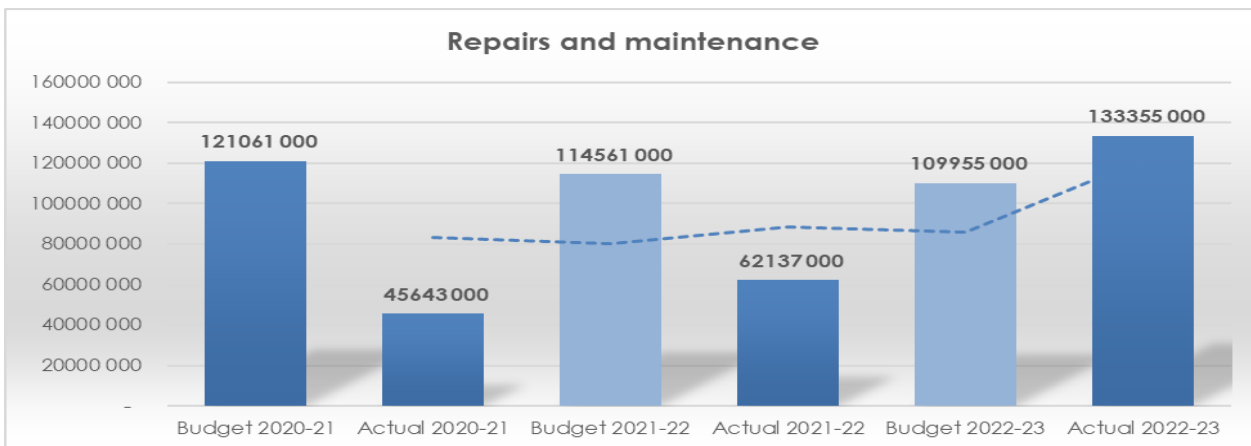
The following table illustrated the performance of the project over the MTEF period

MTEF period	Annual target	Achievement reported	Budgeted amount R	Expenditure incurred R	% of budget spent
2020/21	10798	592	R190,292,000	R1,661,730	1%
2021/22	-	-	R367,285,000	R15,178,979	4%
2022/23	10798	0	R504,302,000	R12,774,018	3%

Management also agreed that there were delays in procurement processes at DWS construction which resulted in further delays and that the department has introduced a new Procurement Policy in 2022 as well as Framework Agreements for specific services to fast track procurement for internal projects

Maintenance of infrastructure

Graph below depicts budgeted repairs and maintenance vs actual spending



The entities (TCTA&WTE) overspent their budget for repairs and maintenance in the 2022/23 financial year, this is an improvement compared to the prior year’s underspending.

42% of the trading entity’s infrastructure assets are in a poor condition mostly due to lack of maintenance. Over a period of seven years (2015-16 to 2021-22), the maintenance budget was severely impacted by the financial constraints experienced by the WTE. This contributed to the backlogs in maintenance and has resulted in the targets for maintenance being reduced and unachieved.

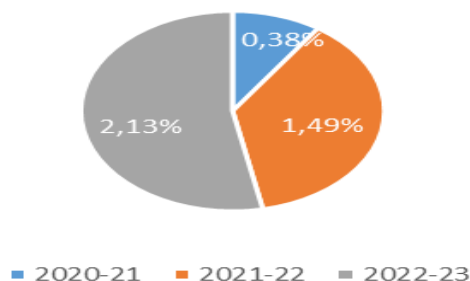
Although the entity is not experiencing severe financial constraints anymore, the maintenance budget is still significantly low.

The asset management plan is also not updated, since 2018 in contravention of the Government Immovable Asset Management Act (GIAMA). Condition assessments as recorded in the asset register are not collated to provide a holistic picture of the conditions of assets for the WTE as a whole to determine the maintenance activities required and the total and true costs of the maintenance activities required to ensure optimum value is derived from the investment in infrastructure assets. This has a potential to negatively affect maintenance planning of the trading entity.

Management did not implement appropriate controls to supervise contractors on the job and ensure payment is made when repairs are fully performed. An example of this is where a contractor was paid for repair work not fully performed, which resulted in fruitless and wasteful expenditure. We also raised a material irregularity for this matter.

The graph below depicts repairs and maintenance as a percentage % of property, plant and equipment.

Repairs and Maintenance as a % of Property, Plant and Equipment (Carrying Value)



The ratio is extremely low and indicates that not enough funds are being spent on repairs and maintenance, which could lead to dilapidated infrastructure assets.

In the current year repairs and maintenance costs on infrastructure assets only amounted to 2.13% of the total infrastructure costs. Furthermore this ratio is below the acceptable norm of at least 8% as stated in the National Treasury circular.

Water Quality

Under the National Water Act as the public trustee of the nation's water resources the National Government, acting through the Minister must ensure that water is protected, used, developed, conserved, managed, and controlled in a sustainable and equitable manner, for the benefit of all persons and in accordance with its constitutional mandate

We would like to commend the department for producing the green drop watch drop and the blue drop watch reports which keep the public and stakeholders informed and updated with information about the state of water and sanitation services in the country. The reports identify what needs to be done to address each of the identified shortcomings. In this regard, the reports are a support mechanism, in addition to being a regulatory mechanism, because they provide the owners of the infrastructure with advice and guidance as to how to improve their water and sanitation service.

Below are the issues we wish to highlight based on our observations:

Observations based on TSA scores

151 out of 1035 water treatment systems in the country were sampled. All water service authorities were covered by the sample.

Out of 151 WSS, 128 (85%) is found to be in 'average, good, and excellent' condition, whilst 23 (15%) is found to be in 'poor and critical' condition. The best overall performing water supply systems are found in Gauteng, followed by Western Cape and Eastern Cape. WSSs in poor and critical state are located in the Free State, Limpopo, Northern Cape, and North West.

During the audit we identified that

Corrective Action Plans (CAP) for BD progress assessment were not prioritised since BD progress report was a risk assessment that will be followed by full BD assessment

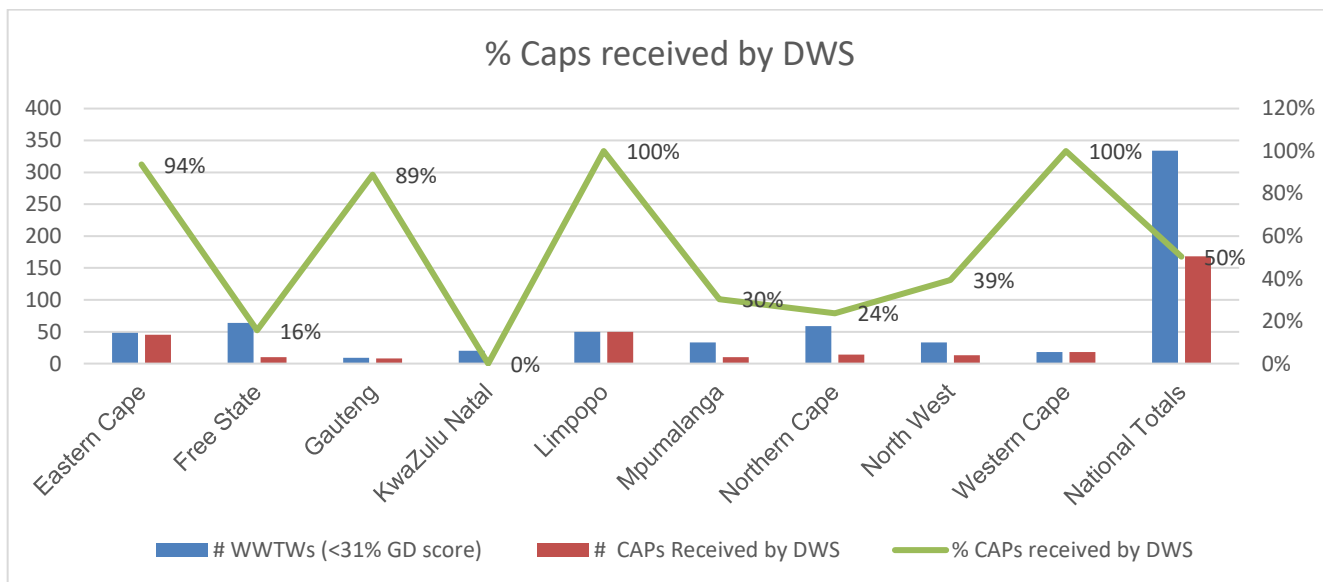
Observations from the Green Drop Watch Report

The Green Drop Watch Report is a special interim report that gives expression to the leadership’s intent to monitor and publish the status of “turnaround” one year after identification of 334 critical wastewater systems in the Green Drop report of April 2022. This report draws attention to the status and quality of correction actions plans, taken by the local authorities responsible for critical systems, who were placed under regulatory surveillance. As an interim report leading to the 2023 GDPAT report and 2024 Green Drop audit, the Watch Report seeks to keep the public and stakeholders updated and informed on the progress (or lack thereof) made by municipalities to remedy failing and dysfunctional wastewater infrastructure and compliance. The main outputs from the Green Drop 2022 audit cycle are:

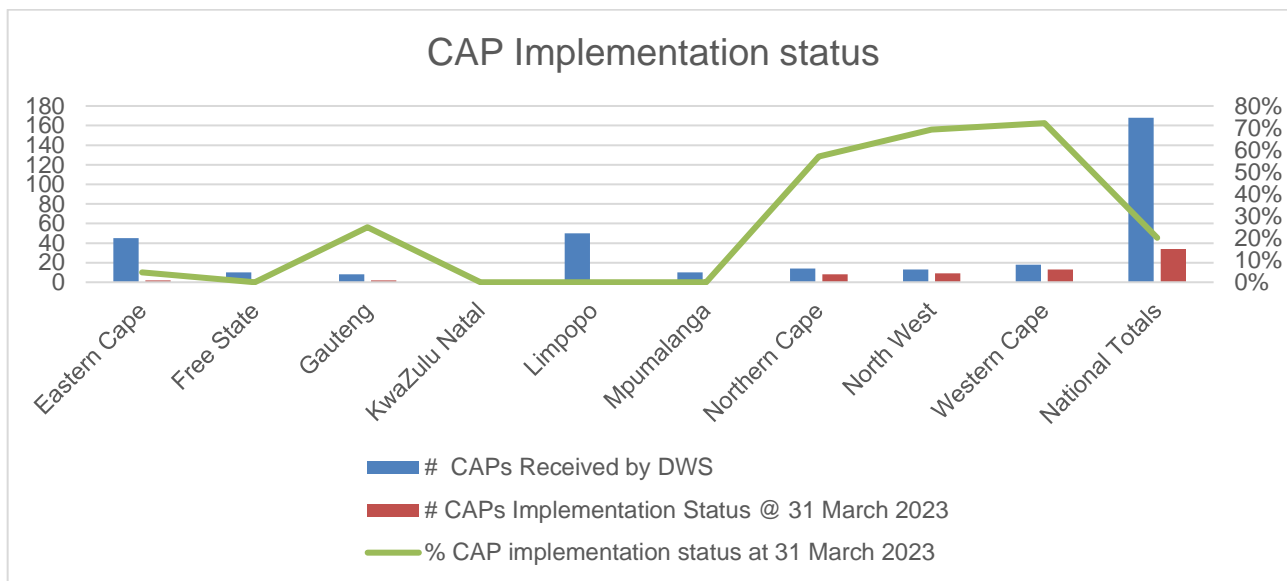
Nine Provinces and 334 municipal WWTWs were identified to be in critical state in 2022, receiving Green Drop scores below 31%. These municipalities were placed under regulatory surveillance in accordance with the Water Services Act (108 Of 1997) and required the WSIs to submit a detailed corrective action plan within 60 days from the publishing of the Green Drop 2022 Report.

Accordingly, 334 non-compliance letters were issued to the WSIs. 168 CAPs were received by DWS giving a 50% (168 of 334) response to the Regulatory request.

The following graph illustrates the % of CAPs received by the department per province at the date the report was published



The following illustrated the implementation status of the CAPs received as at 31 March 2023



The green drop watch report has details of support was provided to municipalities to improve the status quo.

During the audit we identified that

There is still slow progress in municipalities effectively implementing the initiatives as seen by the deteriorating state of the municipalities waste water treatment works and the low implementation of CAPs as at 31 March 2023.

The actions instituted by the department are still not sufficient as from the 334 critical wastewater treatment works as per the 2022 Green Drop report only 7 criminal cases have been opened with 2 cases finalized during the reporting period.

Water losses

Under the National Water Act the minister must ensure that water is conserved, managed, and controlled in a sustainable and equitable manner.

We would like to commend the department for producing the no drop report which outlines the water losses in the country; the report also highlights the challenges experienced by the sector and aims to start relevant conversations amongst responsible entities and individuals as to how the sector can improve.

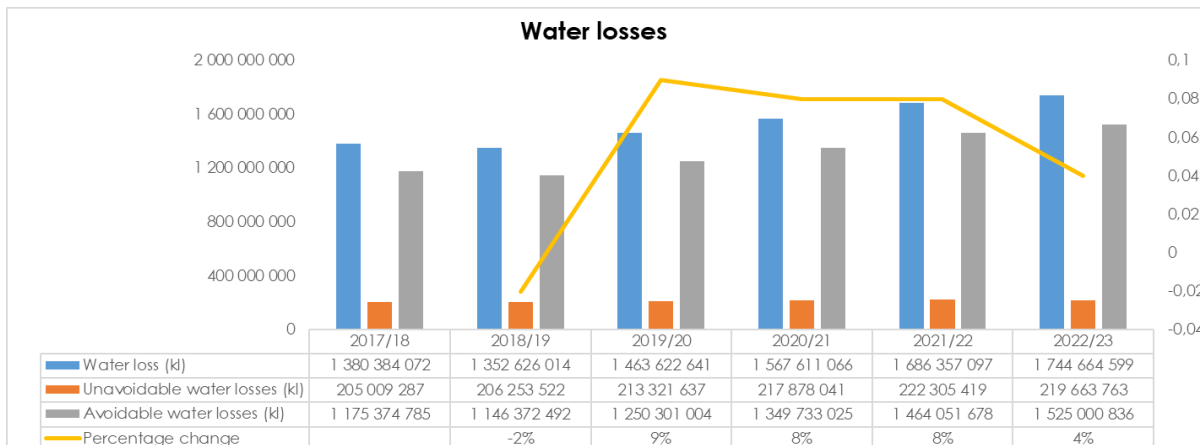
Below are the issues we wish to highlight based on our observation:

Status of water losses in the country

We have included the infographic below based on the information in the No drop reports which depicts an increasing trend of water losses over the years.

Refer to the infographic below





1. Avoidable water losses have been increasing over the years and currently stands at 1 525 million kilo-litres which is an increase of 4% compared to the prior year.
2. The main root cause attributing to the avoidable losses amongst others are theft due to illegal connection; billing inaccuracies and leaks due to aging infrastructure
3. **The sector loses money spent to treat (sunk cost) water to become potable as well as the opportunity cost that could have been derived from the sale of water annually amounting to R18.9 billion and R29.7 billion respectively.***
4. **Hypothetically, to put this number in context, the 1 525 million kilo-litres of avoidable water lost could serve 19.3 million people for a year.****
5. The report also has key recommendations both for DWS and municipalities that will result in reduction of water losses if these recommendations gets implemented.
6. During the audit we identified that there is:
 - **No water loss targets set by the department to drive compliance by water service authorities** noting that currently as it stands the department has reconciliation strategies to monitor water demands which aims on reducing water demand.
 - **No evidence of review and monitoring** by the Department of **action plans** prepared by Water Service Authorities to address water losses
 - **No national action plans** prepared by the department **to address root causes of material water losses** in the system apart of the recommendation that are on the No drop report that are not even tracked for implementation however it's worth noting that currently the department at a high level regularly updates the water conservation and water demand management strategy which indirectly also address water losses
 - **Inadequate validation of water loss data submitted by Water Service Authorities** and the departments acknowledges this fact on their own No drop reports
7. The department is in the process of implementing the water services improvement plan to assist with improving service delivery at municipalities. The following key planned initiatives will assist to move the sector forward as it attempts to address the challenges it faces:

- Started engagements with NT, COGTA, MISA and SALGA for the purpose of developing an action plan to address the root causes identified related to the management of infrastructure, water losses and water quality.
- Development of a single national regulatory dashboard that tracks various assessments and results for each municipality, rates a municipality and identifies focused actions relating to the municipality to improve its performance.
- Review legislation to strengthen the department's oversight role/enforcement rights and to enable greater involvement of the department as may be necessary to resolve water service delivery concerns as may be necessary.
- Capacity building at municipal level for water service managers, linked to recognized tertiary educational institutions. This will include increased focus on minimum competency requirements and practical artisan training.

Overall recommendations to address service delivery concerns in the water sector

The audit identified significant challenges affecting the implementation of key projects, maintenance of infrastructure at WTE, management of water quality risks at water service authorities and the management of water losses at water service authorities. The department has fulfilled a part of its oversight responsibility by preparing monitoring reports for these key areas. *It was however identified that the key actions required to directly address the root causes identified were not determined and documented in an action plan to assist the sector to improve their systems and processes.*

The Water Services Improvement Plan (WSIP) is an important part of the plan developed by the department to assist the sector to improve however it does not include a detailed action plan to address the root causes that must be addressed immediately to see improvements in the service delivery challenges currently experienced by citizens across the country.

The department plays a crucial oversight role over the water sector. The WSIP demonstrates the commitment of the Minister and the department to assist water service authorities to improve on service delivery challenges. It further acknowledges the important role to be played by other oversight departments, including the National Treasury, National Cogta, Provincial Departments of Cogta and Salga. The importance of the integrated efforts of these entities are further listed in the detailed action plans included in the National Water and Sanitation Master Plan.

At the date of the audit, the department did not have a detailed action plan to address the direct and specific root causes that impact on the service delivery challenges identified, clearly incorporating the responsibilities of other responsible oversight institutions and defined timelines to assist the sector to improve on the challenges it has identified.

2.8 MI process implemented and MIs identified

Slide 20

Definition: A material irregularity means any non-compliance with, or contravention of, legislation, fraud, theft or a breach of a fiduciary duty identified during an audit performed under the PAA that resulted in or is likely to result in a material financial loss, the misuse or loss of a material public resource or substantial harm to a public sector institution or the general public.

Auditees in the portfolio scoped in for MI implementation

2021-22	2022-23
<ol style="list-style-type: none"> 1. Department of Water and Sanitation (DWS) 2. Water Trading Entity (WTE) 3. Trans Caledon Tunnel Authority (TCTA) 	<ol style="list-style-type: none"> 1. Department of Water and Sanitation (DWS) 2. Water Trading Entity (WTE) 3. Trans Caledon Tunnel Authority (TCTA)

Status of previously reported material irregularities

Notified	Type	MI description	Status of MI	Status description
Accounting officer	Actual financial loss R17 900 594	<i>Payment made to a consulting firm without evidence of work performed (DWS)</i>	Will follow up during next year's audit	<p>The disciplinary process included a disciplinary hearing held on 19-21 July 2022 and is still in progress.</p> <p>A criminal case was opened on 17 July 2018 with South African Police Services and is still in progress.</p> <p>The accounting officer filed a combined summons with the High Court on 22 November 2018 to declare the contract invalid and recover the amount paid. The court case was still in progress at the date of the audit report.</p>

Notified	Type	MI description	Status of MI	Status description
Accounting officer	Non-compliance Impact: Actual	<i>Payment not made within 30 days resulting in additional interest (WTE)</i>	Will follow up during next year's audit	Investigation was conducted and finalised in June 2020; investigation found three former officials responsible for the loss.

Notified	Type	MI description	Status of MI	Status description
	Financial loss R2 264 737			<p>A legal opinion was obtained on 17 December 2020 stating that letters be written to the former officials concerned to make the payment within 30 days and failure to do so. Legal services should be instructed by the accounting officer to take the matter to the office of the state attorneys.</p> <p>An opportunity was provided to the former officials to provide their representations on the loss; however, none was received.</p> <p>On 4 July 2022 the entity instructed the state attorney to issue summons for the recovery of the loss from the former officials.</p> <p>On 26 October 2022 the trading entity instructed the state attorney to issue summons to the former employees, however summons have not yet been issued as the addresses of the former employees could not be located.</p> <p>On 19 June 2023 the entity instructed the state attorney to appoint a tracer to locate the ex-officials. The matter is still in progress.</p>
Accounting officer	Non-compliance Impact: Actual Financial loss R39 072 104	<i>Amounts paid to a contractor for site re-establishment cost and standing time (WTE)</i>	Will follow up during next year's audit	<p>An investigation was finalized on 08 July by an independent service provider.</p> <p>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.</p> <p>Disciplinary proceedings against the officials implicated in the report have commenced and are still underway.</p> <p>On 1 September 2022 a dedicated Finance Manager was appointed to the project to control spending and to limit any further losses.</p> <p>The recovery process has commenced, with a letter of demand delivered to the contractor on 28 June 2023.</p> <p>Legal representatives of the contractor responded on the letter dated 6 July 2023, indicating that the required refund will not be made, as the payments made by the WTE arose from a settlement agreement.</p>

New material irregularities notified in 2022-23

Notified	Type	MI description	Actions taken	Actions planned / In progress
Accounting officer- 2 March 2023	Non-compliance Impact: Likely financial loss R18 225 768	Payments made in vain for repair services not/not fully performed at various pump stations. (WTE)	Some of the officials were suspended and one resigned in the prior financial period Investigation was completed on the 15 February 2021 and an amount of R17 187 649.44 was recommended to be disclosed as irregular expenditure in the AFS	The disciplinary proceedings against the officials of the entity are in progress. The case was opened with the SAPS on 10 July 2022. The Special Investigating Unit is also investigating this matter.
Accounting officer- 13 July 2023	Non-compliance Impact: Actual financial loss R22 750 190	Delays in the construction of the raising of the Clan William dam project resulting in financial loss due to overhead costs. (WTE)	The financial losses incurred were investigated and written off. The infrastructure procurement strategy and infrastructure procurement policy were developed and are currently being implemented within the Department. In addition to the implementation of improvement plans by the Department, the Financial and Supply Chain Management delegations were revised together with the standard operating procedures with the aim of improving procurement efficiency The Department has put in place measures to accelerate construction of the raising of the Clanwilliam Dam. These measures include capacitation of the Infrastructure Management Branch (infrastructure Development, Engineering Services and Construction Unit) and Financial Management Services Branch with particular focus on the Supply Chain Management Units.	Award of bids for the raising of the Clanwilliam dam.
Accounting officer- 24 July 2023	Non-compliance Impact: Likely harm to the general public	Delays in the construction of the raising of the Clanwilliam dam resulting in likely harm to the public. (WTE)	See above responses relating to the financial loss MI. The contractor (Construction South) through Chief Directorate: Construction Management (CD:CM) was granted emergency/urgent delegations by the Director-General on 21 April 2023 (Annexure U) to expedite the procurement processes	Award of bids for the raising of the Clanwilliam dam.

Notified	Type	MI description	Actions taken	Actions planned / In progress
			<p>Progress is being diligently monitored through regular monthly project progress meetings and weekly project readiness meetings</p> <p>The contractor has successfully appointed a subcontractor, who is actively involved in surface preparation on the dam wall.</p>	

Observations and recommendations

Material irregularities were reported at the DWS and WTE. For the material irregularity at the DWS we noted that impact has been achieved in that consequence management steps are in the process of being implemented. Disciplinary hearings and actions are in progress and actions in terms of recovery of monies will be informed by the outcome of the court cases. Furthermore, in response to the MI, the accounting officer implemented internal controls to strengthen the efficient and effective monitoring of the performance of service providers against set deliverables and the review of appropriate verifiable supporting documents.

For the WTE, we noted that there is slow response in terms of implementing recommendations from investigations conducted. Whilst steps have been taken by the accounting officer, there is still slow response in implementing disciplinary actions. In some cases, accounting officer has instructed the state attorney to issue summons for the recovery from former officials of the entity.

2.9 Compliance with key legislation

Slides 22

The following material non-compliance issues were identified and reported:

DWS

Description	Root cause
<p>Consequence management</p> <p>I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure, as required by section 38(1)(h)(iii) of the PFMA.</p>	<p>The accounting officer did not implement adequate and timely consequence management processes for irregularities identified and for allegations against staff members due to delays in completing investigations.</p>

Description	Root cause
I was unable to obtain sufficient appropriate audit evidence that investigations were conducted allegations of financial misconduct committed by officials, as required by treasury regulation 4.1.1.	

WTE

Description	Root cause
<p>Annual financial statements</p> <p>The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 40(1)(a) and (b) of the PFMA.</p> <p>Material misstatements of non-current assets, cash flow statement and statement of comparison between budget and actual amounts identified by the auditors in the submitted financial statements were corrected resulting in the financial statements receiving an unqualified opinion.</p>	<p>Management did not adequately review the annual financial statements to ensure that they are prepared in accordance with the requirements of GRAP accounting standard and the PFMA.</p>
<p>Expenditure management</p> <p>Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R239 865 000, as disclosed in note 34 to the annual financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The majority of the irregular expenditure related to prior year irregular contracts which were extended in the current year.</p> <p>Effective steps and appropriate steps were not taken to prevent fruitless and wasteful expenditure amounting to R26 998 000, as disclosed in note 35 to the annual financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The majority of the fruitless and wasteful expenditure disclosed in the financial statements was caused by losses or abnormal costs incurred on internal and external projects.</p>	<p>Management did not implement adequate controls to prevent and detect non-compliance with the PFMA and the Treasury Regulations, which resulted in the incurrence of irregular expenditure.</p> <p>Management did not apply appropriate project management processes to prevent incurrence of fruitless and wasteful expenditure relating to internal and external projects.</p>
<p>Procurement and contract management</p> <p>Some of the contracts were awarded to bidders that did not score the highest points in the evaluation process, in contravention of section 2(1)(f) of PPPFA and preferential procurement regulation 2017</p> <p>Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the Construction Industry Development Board Act (CIDB) and CIDB regulations 17 and 25(7)(A).</p>	<p>Management did not adequately implement review and monitoring controls to prevent non-compliance with laws and regulations relating to supply chain management.</p>
<p>Consequence management</p> <p>I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against the officials who had incurred and permitted fruitless and wasteful expenditure in prior years, as required by section 38(1)(h)(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.</p>	<p>The accounting officer did not implement adequate consequence management processes for transgressions against applicable policies, laws and regulations.</p>

TCTA

Description	Root cause
<p>Annual financial statement</p> <ul style="list-style-type: none"> The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA. Material misstatements of revenue and expenditure identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion. 	<p>Management did not adequately review the annual financial statements to ensure that they are prepared in accordance with some aspects of the financial reporting framework.</p> <p>The entity was also not sufficiently capacitated on AFS preparation, they have since appointed a financial reporting specialist to assist in this process.</p>
<p>Expenditure management</p> <ul style="list-style-type: none"> Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R 3 781 827 as disclosed in note 23 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The irregular expenditure was caused by non-compliance with national treasury instruction note 03 of 2016/17 where expansions to contracts were not approved by NT. 	<p>Management did not implement adequate controls to prevent and detect non-compliance with the PFMA, which resulted in the incurrence of irregular expenditure.</p>
<p>Consequence management</p> <ul style="list-style-type: none"> Disciplinary steps were not taken against the officials who had incurred and/or permitted irregular expenditure, as required by section 51(1)(e)(iii) of the PFMA. This was mainly due to recommendations of the Loss Control committee not timeously implemented. Disciplinary steps were not taken against the officials who had incurred and/or permitted fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the PFMA. This was mainly due to recommendations of the Loss Control committee not timeously implemented. 	<p>The accounting authority did not adequately implement consequence management processes in relation to contravention with applicable policies, laws and regulations.</p> <p>Management did not take effective and appropriate steps in ensuring that determinations tests commenced and were finalised as required in terms of the relevant Framework.</p>

WRC

No material findings on compliance with the specific matters in key legislation was identified for the entity during the 202-23 period.

2.10 PFMA Compliance and Reporting Framework

Slide 24

National Treasury Instruction No. 4 compliance reporting framework matter.

1. National Treasury Instruction No. 4 of 2022/2023: PFMA Compliance and Reporting Framework (Instruction) which came into effect on 03 January 2023, was issued in terms of section 76(1)(b), (e) and (f), (2)(e) and (4)(a) and (c) of the PFMA.
2. The objective of the Instruction note is to prescribe the principles and compliance reporting requirements for departments, trading entities, constitutional institutions and public entities listed in Schedules 2 and 3 to the Public Finance Management Act, 1999 with regard to unauthorised, irregular and fruitless and wasteful expenditure (UIF&WE).

Background on the key changes to irregular and fruitless and wasteful expenditure disclosure requirements as a result of the National Treasury Instruction no.4: PFMA compliance and reporting framework.

3. The new framework brought significant changes in relation to the disclosure of irregular, and fruitless and wasteful expenditure (IFWE). These changes are as follows:
 - a) The movements in the disclosure note of IFWE such as condoned, recoverable, removed, written off, under assessment, under determination and under investigation have been moved from Annual Financial Statements and now will be disclosed in the Annual Report.
 - b) PFMA institutions will only disclose IFWE incurred in the current year, with a one-year comparative analysis in the Annual Financial Statements notes disclosure.
 - c) The historical balances (i.e. opening balances) have been completely removed from the annual financial statements (AFS).

Message to oversight on the AGSA's position on the audit of IFWE that should be disclosed in the annual report.

4. The purpose of disclosing irregular, fruitless and wasteful expenditure in the financial statements is to enable the oversight and monitoring structures of South Africa (e.g., Parliament) to perform their role to ensure that funds are spent in line with s217 of the Constitution and to hold officials and the executive accountable.
5. The fact that the disclosure of IFWE (historical balances and movements) is no longer required on the annual financial statements and no audit assurance is provided thereon, the oversight structures would need to engage directly with the information disclosed in the annual report or request the information on historical balances directly from the relevant institution where not disclosed in the annual report to exercise their oversight responsibility.

6. From an audit perspective, transparency and accountability is further limited by the fact that currently no audit assurance will be provided on the additional disclosures that have been moved from the AFS.

2.11 Irregular expenditure

Slide 25

DWS

During the year under review, the department incurred irregular expenditure amounting to R1 023 million, which was disclosed in the financial statements. The analysis of irregular expenditure shows that irregular expenditure decreased by 99.5% compared to the prior year. The expenditure is broken down below:

Description	Amount (R)	Root cause	Impact
Proper process not followed when appointing an employee	1 023 451	Inadequate review and monitoring of compliance with applicable legislation	Other
Total IE disclosed	R1 023 451		

WTE

During the year under review, the entity incurred irregular expenditure amounting to R26 998 000, which was disclosed in the financial statements. The analysis of irregular expenditure shows that irregular expenditure decreased by 90% compared to the prior year. The expenditure is broken down below:

Description	Amount (R)	Root cause	Impact
Delay in implementation of emergency procurement.	R26 998 000	Lack of an appropriate procurement strategy	Other
Total IE disclosed	R26 998 000		

TCTA

During the year under review, the entity incurred irregular expenditure amounting to R3 781 827 which was disclosed in the financial statements. The analysis of irregular expenditure shows that irregular expenditure decreased by 88.5% compared to the prior year. The expenditure is broken down below:

Description	Amount (R)	Root cause	Impact
Non-compliance with National Treasury Practice Note Number SCM 03 of 2003 (Appointment of Consultants). Extensions without National Treasury approval	3 077 523	Poor SCM planning which resulted in expansions not approved by NT	Other
Non-compliance with Treasury Regulation 8.2. Approval of expenditure [Section 38(1)(f) and 76(4)(b) of the PFMA] Exceeded the contract amount and time allocated.	704 302	Poor SCM planning which resulted in expansions not approved by NT	Other
Total IE disclosed	R3 781 827		

WRC

During the year under review, the entity incurred did not incur any irregular expenditure.

2.12 Consequence management

Slide 26

The following material non-compliance issues relating to consequence management were identified and reported:

DWS

Description	Root cause
<p>Failure to properly deal with allegations reported in the prior year</p> <p>Based on a sample selected, nine (9) instances of irregular expenditure have not been investigated to determine if disciplinary steps need to be taken against officials.</p> <p>Based on a sample selected, investigations were not conducted into six (6) instances of allegations of financial misconduct committed by officials.</p>	<p>The delayed conclusion of investigations was mainly due to backlogs resulting from imposed COVID regulations and restrictions during 2020 to 2021. Management has procured the services of professional service providers to assist with the catch up on the investigations.</p> <p>.</p>

WTE

Description	Root cause
<p>Ongoing investigations</p> <p>A total 275 cases were received for investigation, 132 (48%) were investigated and completed, and 111(40%) cases are still under investigation while 32 (12%) cases were refuted.</p> <p>The average turnaround time for finalisation of an investigation is 242 working days, from the date, case is received.</p>	<p>The following measures <i>were not</i> adequately implemented to ensure that the environment is conducive to effective consequence management:</p> <ul style="list-style-type: none"> • The entity did not fully adhere to the requirements of the irregular expenditure and fruitless and wasteful expenditure framework issued by the National Treasury. • There was a lack of proper record keeping to ensure that complete, relevant and accurate information is timeously accessible and available to support the processes followed for financial misconduct/transgressions committed by officials of the auditee. • Insufficient evidence was maintained on whether disciplinary hearing and actions were taken against officials responsible for financial misconduct.
<p>Sanctions/recommendations not implemented for completed forensic investigations</p> <p>The PFMA treasury regulation requires that at completion of an investigation, disciplinary proceedings are held.</p> <p>From the 132 investigations completed, disciplinary action was implemented at 67(51%) cases and disciplinary action is still in progress on 65(49%) cases.</p>	

TCTA

Description	Root cause
<p>Ongoing investigations</p>	<p>Management did not take effective and appropriate steps in ensuring the timeous implementation of consequence management processes.</p>
<p>Sanctions/recommendations not implemented for completed investigations</p> <p>Failure to properly deal with allegations reported in the prior year</p> <p>There were no consequence management processes (disciplinary process) for 100% of the samples selected for both irregular and fruitless and wasteful expenditure.</p> <p>Instances where the determination test was not finalised after the timeframes stipulated in par. 4.12 of Instruction note 4 were identified. Management should note that if further instances of this non-compliance are identified in future audit cycles the matter may be reported in the audit report.</p>	<p>The loss control committee recommendations were not implemented.</p>

WRC



No material findings on compliance with the specific matters in key legislation was identified for the entity during the 2022-23 period.

3. 2021-22 recommendations

Slide 28

The table below indicates status of recommendations we requested the portfolio committee to follow-up in the 2021-22 presentation of audit outcomes.

Recommendations	Status
The executive authority, supported by the accounting officer to take effectiveness of steps to finalise the recalculation of the net benefit rate relating to the royalty payments made to the government of Lesotho (GOL)	The accounting officer, supported by the LHWC and a management expert, has recomputed the net benefit rate of the LHWP. The recomputed rate was presented to the AG and is currently under review.
Continuous monitoring of compliance with legal and regulatory provisions to avoid non-compliance findings, especially as it relates to the supply chain management environment to prevent irregular expenditure	Improvements were noted in the monitoring of compliance with legal and regulatory provisions relating to supply chain management. The portfolio has significantly reduced irregular expenditure incurred during the year.
Timeous monitoring and oversight over the proper implementation of action plans to address both internal and external audit findings be performed to avoid repeat findings. Ensure financial statements are appropriately reviewed and in line with accounting framework.	Improvements were noted in the quality of financial statements submitted by DWS. The TCTA and WTE financial statements submitted for audit still contained material misstatements, these were corrected after identification by the auditors.
Detailed action plans which address challenges affecting management of water quality risks at Water Services Authorities and water losses at Water Services Authorities should be developed and implemented	The department has developed a water services improvement plan to assist with improving service delivery at municipalities. The plan includes important initiatives for the sector, including: <ul style="list-style-type: none"> • Coordination with NT, COGTA, MISA and SALGA to develop appropriate action plans to address the root causes for challenges with water infrastructure, water quality and water losses • Development of a national regulatory dashboard for municipalities to allow for individual focused action plans to improve performance. • Review legislation to strengthen the department's oversight role/enforcement rights • Capacity building at municipal level for water service managers.

Strengthen project management controls over the implementation of significant RBIG projects to complete delayed projects as soon as possible.	Significantly delayed projects identified in the prior year were not completed in the current year, despite revisions to completion dates
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4. Main root causes, recommendations, and commitments for the portfolio

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Overall root causes, key recommendations to, and commitments by, accounting officers and authorities and executive authority for significant findings in Water and Sanitation portfolio

Root cause	Key recommendations to Accounting officers and authorities	Commitments by the Executive Authority
Lack of national action plans to address the root causes identified for water quality risks and water losses at water service authorities.	Continue to effectively implement the water services improvements programme, with a strong emphasis on collaboration with other responsible government entities, including NT, COGTA, MISA and SALGA. National action plans must be developed to assist the WSAs.	<ul style="list-style-type: none"> The water services improvement plan will continue to be prioritised to ensure that planned milestones are achieved in order to improve service delivery. Action plans to be developed to address the root causes identified for poor project management of key infrastructure projects.
Non-implementation of an appropriate procurement strategy for the procurement of infrastructure goods/services.	A procurement strategy aimed specifically at procurement of infrastructure goods and services should be implemented at the WTE.	<ul style="list-style-type: none"> Follow-up on the slow progress of investigations into irregular, fruitless and wasteful expenditure to allow consequence management procedures to be implemented timeously.
Lack of appropriate supervision/ monitoring of implementing agents and contractors to ensure construction/ repair work performed is of the required quality.	Management should appropriately supervise/monitor implementing agents and contractors to ensure construction/ repair work performed is of the required quality	
The AO did not implement adequate and timely consequence management processes. Financial management controls were not adequate to prevent material errors in the submitted financial statements.	Continue to monitor implementation of consequence management processes. Financial management controls must be strengthened to prevent material errors in the financial statements submitted for audit.	

5. Portfolio committee message

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

Overall message to portfolio committee

Commitment
Engage the accounting officer and executive authority on the steps taken to/ and or implemented to address the material irregularities identified.
Engage the accounting officer and the executive authority on the challenges experienced with the management of projects, which impacts on service delivery objectives and on the action plans developed to address the root causes of water losses and water quality risks.
Engage the accounting officer on progress made with the implementation of the water services improvement plan, including co-ordination with NT, COGTA, MISA and SALGA.
Continue to follow up on the implementation of consequence management and the action plans implemented by management to improve financial management controls.