



INKOMATI-USUTHU
CATCHMENT MANAGEMENT AGENCY

ANNUAL REPORT 2022/23

FOREWORD BY MINISTER OF WATER AND SANITATION



Dear Stakeholder,

The Inkomati-Usuthu Catchment Management Agency (IUCMA/Agency) is an institution at the helm of water resources management in South Africa. The Annual Report for the 2022/23 financial year, outlines all the achievements in line with its mandate to continue with the protection and enhancement of the natural water resources while also making a socio-economic contribution. With challenges experienced in the 2022/23 financial year within the sector, the agency still managed to achieve all set targets for the year.

Planning Documents

The Shareholder Compact was developed and approved for the Inkomati-Usuthu Catchment Management Agency (IUCMA) at the beginning of the 2022/23 financial year together with the Annual Performance Plan including the detailed budget. The timeous approval of the APP and associated budget provided assurance that planned projects and activities could be undertaken.

Performance

In the year under review, the agency managed to achieve 100% of the planned targets. The financial and non-financial performance as audited indicated a clean audit opinion, which is impressive considering the agency has achieved clean audits since inception. We congratulate the Board and Management for maintaining good governance and excellent quality management systems.

The water quality compliance assessment for international obligation sites was also conducted and compared with the international water quality guidelines limit (IWQG) as per the Tripartite Interim Agreement between Republic of Mozambique, Republic of South Africa (RSA) and the Kingdom of eSwatini. Surface water quality in the Inkomati-Usuthu WMA complied with the RQOs, Target Water Quality Guidelines (TWQG) and International Water Quality Guidelines (IWQG) limits for most of the monitored points and this showed that the water quality within the WMA is in a relatively good state.

The water management institutions relations in the Inco-Maputo trans-boundary basin involving the three Southern African Development Community (SADC) countries South Africa, Eswatini and Mozambique, represented by the agency, River Basin Authority (RBA) and Aqua Regional Association-South (ARA-Sul) respectively, continue to grow and protect the resource.

Relating to Stakeholder engagements, the agency continued to engage in participatory and strategic adaptive management of water resources. This was achieved through adaptatively, generating and distributing data, coordinating knowledge, skills and management systems and approaches among water users in the management area.

The Agency also facilitated the ongoing establishment of the water user associations (WUAs) in the water management area. This process emanates from the Directive which was issued in the 2020/2021 financial year for all Irrigation Boards (IBs) to transform into Water User Associations (WUAs). The Agency, therefore, conducted a number of meetings and consultation workshops with all the IBs. This is an ongoing process to ensure effective transformation in the Water Sector.

In the processing of water use licenses, the agency once again in the 2022/23 financial year placed itself amongst the top performers. The processing of water use licenses has been identified as one of the tools of ensuring transformation within the water sector, this year under review displayed the dedication of the agency in towards transformation in the sector.

Gratitude

With the afore-mentioned, I thus wish to congratulate the Board of the agency, its senior management and employees, including its stakeholder community on its achievements for the year under review. My office, including those of Deputy Ministers, David Mahlobo and Dikeledi Magadzi and the rest of the officials of the Department of Water and Sanitation will continuously provide the unwavering support to the Inkomati Usuthu Catchment Management Agency.



Mr S Mchunu, MP
MINISTER OF WATER AND SANITATION

Contents

PART A: GENERAL INFORMATION	vii
1. PUBLIC ENTITY'S GENERAL INFORMATION	viii
2. LIST OF ABBREVIATIONS / ACRONYMS	ix
3. FOREWORD BY THE CHAIRPERSON	xiii
4. CHIEF EXECUTIVE OFFICER'S OVERVIEW	xx
5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT	xxviii
6. STRATEGIC OVERVIEW	xxix
7. PERFORMANCE DELIVERY ENVIRONMENT	1
8. LEGISLATIVE AND OTHER MANDATES	4
8.1 Legislative and Policy mandates	4
8.2 Constitutional mandate	4
8.3 Legislative and policy mandates	4
9. ORGANISATIONAL STRUCTURE	9
PART B: PERFORMANCE INFORMATION	10
1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES	11
2. OVERVIEW OF PERFORMANCE	11
2.1. Organisational environment	11
2.2. Key policy developments and legislative changes	17
3. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION	17
3.1. Programme 1: Administration and Governance	17
3.2. Programme 2: Human Resource and Business Support	18
3.3. Programme 3: Finance	19
4. REVENUE COLLECTION	25

5.	CAPITAL INVESTMENT	28
PART C: GOVERNANCE		29
1.	INTRODUCTION	30
2.	PORTFOLIO COMMITTEE	30
3.	EXECUTIVE AUTHORITY	30
4.	THE ACCOUNTING AUTHORITY / BOARD	30
5.	RISK MANAGEMENT	39
6.	INTERNAL AUDIT	41
7.	COMPLIANCE WITH LAWS AND REGULATIONS	42
8.	FRAUD AND CORRUPTION	42
9.	MINIMISING CONFLICT OF INTEREST	42
10.	CODE OF CONDUCT	43
11.	HEALTH, SAFETY AND ENVIRONMENTAL ISSUES	43
12.	BOARD SECRETARY	43
13.	SOCIAL RESPONSIBILITY	44
14.	AUDIT COMMITTEE REPORT	45
15.	B-BBEE COMPLIANCE PERFORMANCE INFORMATION	51
PART D: HUMAN RESOURCE MANAGEMENT		52
1.	INTRODUCTION	53
2.	HUMAN RESOURCE OVERSIGHT STATISTICS	57
PART E: PFMA COMPLIANCE REPORT		61
PART F: FINANCIAL INFORMATION		71
1.	REPORT OF THE EXTERNAL AUDITOR	72
2.	ANNUAL FINANCIAL STATEMENTS	72

Table of tables

PART B: PERFORMANCE INFORMATION

Table 3.2.1: Performance for Programme 2: Human Resource and Business Support	23
Table 3.3.1: Performance for Programme 3: Finance	25
Table 3.4.1: Performance for Programme 4: Water Resource Management.....	28
Table 3.4.2 Linking performance with budget.....	29
Table 4.1: Revenue collection.....	29
Table 4.2: Water resource management charges.....	31

PART C: GOVERNANCE

Table 5.2: Composition of the Board	40
Table 5.3 Governing Committee	42
Table 5.4: Remuneration of Board members.....	42.
Table 5.3 Internal audits conducted in 2022/23	46
Table 15.1: B-BBBEE compliance	56

PART D: HUMAN RESOURCE MANAGEMENT

Table 5.5 Bursaries	60
Table 5.6: Personnel cost by programme / activity / objective	62
Table 5.7: Personnel cost by salary band	63
Table 5.8: Training costs.....	63
Table 5.9: Employment and vacancies	64
Table 5.10: Employment changes	64
Table 5.11 Reasons for staff leaving.....	64
Table 5.12: Labour relations: Misconduct and disciplinary action	65

PART E: PFMA COMPLIANCE REPORT

Table 1.1 a: Analysis of grant appropriated by parliament.....	68
b) Details of current and previous year irregular expenditure (under assessment, determination and investigation)	69
c) Details of current and previous year irregular expenditure condoned	69
d) Details of current and previous year irregular expenditure removed (not condoned)	69
e) Details of current and previous year irregular expenditure recovered.....	69
f) Details of current and previous year irregular expenditure written off (irrecoverable).....	70
g) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution <i>is not</i> responsible for the non-compliance)	70
h) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution <i>is</i> responsible for the non-compliance).....	70
i) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure	71

Table 1.2. a)	Reconciliation of fruitless and wasteful expenditure.....	71
b)	Details of current and previous year fruitless and wasteful expenditure (under assessment, determination and investigation)	72
c)	Details of current and previous year irregular expenditure recovered.....	72
d)	Details of current and previous year irregular expenditure not recovered and written off	72
e)	Details of current and previous year disciplinary or criminal steps taken because of fruitless and wasteful expenditure.....	73
a)	Details of current and previous year material losses through criminal conduct.....	73
b)	Details of other material losses	73
c)	Other material losses recovered	74
d)	Other material losses written off.....	74
2.	Late and non-payment of suppliers	74
3.1.	Procurement by other means.....	75
3.2.	Contract variations and expansions.....	75

Table of figures

Figure 1:	Kwena Dam storage historical analysis.....	12
Figure 2:	4-year analysis of billable volumes.....	51

PART A: GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:	Inkomati-Usuthu Catchment Management Agency
PHYSICAL ADDRESS:	2 nd floor, ABSA Square Building 20 Paul Kruger Street Mbombela 1200
TELEPHONE NUMBER:	013 753 9000
EMAIL ADDRESS:	info@iucma.co.za
WEBSITE ADDRESS:	www.iucma.co.za
EXTERNAL AUDITORS:	Nexia SAB&T
BANKERS:	ABSA
BOARD SECRETARY:	Mr T Mathebula (resigned 27 February 2023)

2. LIST OF ABBREVIATIONS / ACRONYMS

ACRONYM	DESCRIPTION
ABSA	Amalgamated Banks of South Africa
APP	Annual Performance Plan
ARA-Sul	Aqua Regional Association – South (Mozambique)
BBBEE	Broad-Based Black Economic Empowerment
BCM	Business Continuity Management
CEO	Chief Executive Officer
CMA	Catchment Management Agency
CME	Compliance Monitoring and Enforcement
CMF	Catchment Management Forum
CMS	Catchment Management Strategy
COBIT	Control Objectives for Information and related Technologies
CPA	Communal Property Association
CPI	Consumer Price Index
CSI	Corporate Social Investment
DEA	Department of Environmental Affairs
DSS	Decision Support System
DMR	Department of Mineral Energy Resources
DPME	Department of Planning and Monitoring
DWS	Department of Water and Sanitation
EIA	Environmental Impact Assessment
ELU	Existing Lawful Use

ACRONYM	DESCRIPTION
EMPR	Environmental Management Programme Report
EWR	Ecological Water Requirements
EWSETA	Energy and Water Sector Education Training Authority
EXCO	Executive Committee
GA	General Authorisation
GB	Governing Board
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Principles
HDI	Historically Disadvantaged Individuals
HR	Human Resources
IB	Irrigation Board
ICT	Information and Communication Technology
IGR	Intergovernmental Relations
IO	International Obligation
IT	Information Technology
IUCMA	Inkomati-Usuthu Catchment Management Agency
IWQG	International Water Quality Guidelines Limit
KJOF	Komati Joint Operations Forum
MC	Management Class
MP	Member of Parliament
NACH	National Anti-Corruption Hotline
NDP	National Development Plan
NEMP	National Eutrophication Monitoring Programme

ACRONYM	DESCRIPTION
NWA	National Water Act, Act 36 of 1998
NW&SM	National Water and Sanitation Masterplan
NWRS3	National Water Resource Strategy 3
OHS	Occupational Health and Safety
PC	Portfolio Committee
PFMA	Public Finance Management Act 1 of 1999
REMCO	River and Environment Management Corporation
REMP	River Eco-status Monitoring Programme
RMC	Risk Management Committee
RQO	Resource Quality Objectives
RSA	Republic of South Africa
SAPS	South African Police Service
SARS	South African Revenue Services
SCM	Supply Chain Management
SSA	State Security Agency
TWQG	Targeted Water Quality Guidelines
UN	United Nations
WAP	Water Allocation Plan
WAR	Water Allocation Reform
WARMS	Water Use Authorisation and Registration Management System
WMA	Water Management Area
WSP	Workplace Skills Plan
WUA	Water Users Association

ACRONYM	DESCRIPTION
WUL	Water Use License
WWDC	Wastewater Discharge Charge
WWTW	Wastewater Treatment Works

3. FOREWORD BY THE CHAIRPERSON



Mr MS Mthembu
Governing Board Chairperson

On behalf of the Inkomati-Usuthu Catchment Management Agency (IUCMA) Governing Board (the Board), I am pleased to present the Annual Report of the IUCMA for the 2022/23 financial year. This is an important report as it is the last of this Board, having been appointed 4 years ago by the Minister of Water and Sanitation. It reflects all the milestones achieved and challenges faced by the IUCMA in the course of executing its mandate.

The IUCMA has continued to discharge its legislative core mandate to protect, develop, conserve, manage and control the water resource within the Inkomati-Usuthu Water Management Area (WMA), as contemplated in the National Water Act, 1998 (NWA) and the National Water Resource Management Strategy (NWRS).

The Board has continued to exercise oversight over the IUCMA with support from its various committees, namely the Executive Committee, Audit Committee, Risk Management Committee & ICT Committee. The Board and its Committees have been extremely diligent in discharging their roles and responsibilities in compliance with the Shareholder's Compact and applicable Board and Committee Charters. Their support ensured improved performance and effectiveness of the Board. I also wish to commend the Management team and staff of the IUCMA for achieving its overall planned targets and managing the budget allocation well. This is further evident with the recent outcome of the audit outcomes which indicates that the IUCMA achieved another unqualified audit opinion from the external auditors.

The IUCMA experienced some challenges during the year under review, such as non-payment by water users which resulted in financial strain being exerted on the organisation. The Board acknowledges the challenges faced by Government regarding the need to provide financial resources when the needs far exceed what it can provide. To this end, the Department of

Water and Sanitation (DWS) is not an exception in this regard as it has also been affected by fiscal challenges which gave rise to the budget allocations to the IUCMA which was less than required to fund the Annual Performance Plan (APP). The IUCMA however responded with agility to the budgetary constraints by implementing cost containment measures and better management of the limited available resources and robust engagements with users to urge them to pay for the water resource management charges. These efforts shall continue in the next financial year to ensure the financial sustainability of the organisation.

The Covid-19 pandemic brought many challenges that forced the IUCMA to adapt like many other institutions. Those challenges also presented opportunities for the achievement of the APP targets. To that effect, greater emphasis was placed on employee safety and wellness. In addition, the organisation increased the integration of technology in its operations in efforts to improve operational efficiencies and service delivery.

The quality and quantity of water in the management area remained relatively good, despite noted pollution in some areas. The IUCMA will continue to monitor pollution and employ measures to mitigate its effects, including enforcement mechanisms were appropriate. The Board is satisfied with the efforts employed by management in this area, which included a fine in the amount of R120 000 issued by a Court of law against a user who continued to pollute the water resources.

The IUCMA continually reviews its methods for improvement and in the year ahead, the Agency will focus on improved data integrity, pollution related matters, particularly from industry and the implementation of the revenue enhancement strategy which the Board will consider in the new financial year. The achievements and lessons learned in the past year will be maintained and improved upon.

The Board is pleased to report that the IUCMA has achieved its 13th consecutive unqualified audit report which is a testament to the IUCMA's commitment to accountability and transparency in discharging its mandate. The Board is satisfied that the Agency has achieved significant progress in providing services to the satisfaction of the water users in its WMA in a manner that has been tested and found to be in compliance with applicable laws and legislation. Not only has the organisation complied with legislation in discharging its mandate, but the results of the Stakeholder Engagement Survey indicated an acceptable level of satisfaction from key stakeholders. Action plans will be developed and implemented to

respond to the matters raised in the survey. The IUCMA will continue to maintain and enhance the relationship established with stakeholders.

The results collated following the Stakeholder Survey indicated that stakeholders were being adequately engaged resulting in improved understanding of pertinent issues and concerns within the WMA. Albeit the favourable results presented, the Governing Board continues to appreciate stakeholder management as paramount in achieving the Agency's mandate. As a result, the administration will continue to deliver services to all its stakeholders and to perform a transformative role as directed by the Constitution, the NWA, relevant legislation, and the National Development Plan (NDP).

In conforming with increased collaboration, the IUCMA has continued its efforts to ensure strong international cooperation and relationships are forged. In the year under review, the IUCMA participated in two Blue Deal workshops namely the Crocodile Blue Deal project, a project that continues to look for quick wins and solutions to optimise wastewater treatment works and the Komati Joint Water Forum (KJOF) and Joint Water Commission between South Africa and eSwatini. KJOF provides a critical platform for participation as it focuses on the development and utilisation of water resources of the Komati River and Maputo River Basins. The IUCMA in addition attended the Inkomati Basin Committee meeting in Mozambique to share information on water quality and quantity. The Agency has also sent key Executives to attend AMGs of the irrigation Boards.

The IUCMA continues to build relationships and cooperation with Government Departments (National, Provincial, Local), and relevant stakeholders in response to the Intergovernmental Relations Framework Act, 2005. The creation and maintenance of formal relations has been a focal area, and in the next financial year, the Agency will intensify efforts to sign more collaboration agreements with our key stakeholders.

The Board remains sharply alert of the financial sustainability of the IUCMA. To this end, the Board has continuously engaged with management to put in place appropriate mechanisms to reduce the debtor's book as well as to contain operational costs. The Governing Board is satisfied with the efforts reported thus far; however, it is anticipated that the area of debt collection will be strengthened in future periods by improved data quality as well as the enactment of mechanisms that inculcate a paying culture by users. The Governing Board also expressly envisages the continuous conservative application of the Agency's financial resources in future periods.

Noting the economic disparities that continue to be prevalent in South Africa, the Governing Board has impressed on the need for transformative initiatives in the WMA. The year has reported the successful inception of the transformation process of the Irrigation Boards into Water User Associations – a process that is planned to restore equity to the sector. In addition, the Broad-Based Black Economic Empowerment (BBBEE) - a framework that supports black economic empowerment by ensuring the restoration of economic disparities - has been robustly applied resulting in positive economic contributions being made to entities that are owned by women, youth, black people and individuals living with a form of disability. The introduction of key policy positions, namely the Preferential Procurement Frameworks and the revised Supply Chain Management Policy, is anticipated to further improve performance in future periods.

On behalf of the Board, Management, and staff, I would like to take this opportunity to thank the Minister, Deputy Ministers and staff of the Department of the Water and Sanitation for the continued support and confidence shown in the IUCMA under our leadership. To my colleagues on the Board and its sub-committees, the CEO, and the entire administration, your continued unwavering support to ensure that the Agency's mandate is executed is eternally appreciated.

Lastly, the current Board is at the tail end of its term. It has devoted its term to ensuring that the IUCMA has adopted effective systems which the incoming Board should improve upon. I wish the incoming Board success in providing strategic leadership and oversight expected by our stakeholders and broader community.



Mr MS Mthembu
Chairperson of the Governing Board
Inkomati-Usuthu Catchment Management Agency
31 July 2023

GOVERNING BOARD



Mr M.S. Mthembu
Chairperson



Ms S.D. Wiggins
Deputy Chairperson



Ms L.M. Sikhakhane
Member



Mr M. Gangazhe
Member



Adv G. Khoza
Member



Ms L.C. Zulu
Member



Mr W.B. Baird
Member



Dr T. Kelly
Member



Mr L.C. Mohalaba
Ex Officio



Mr T.H. Mathebula
**Board Secretary
(Resigned)**

EXECUTIVE COMMITTEE



Dr. T. Kelly
Chairperson



Mr. M.S. Mthembu
Member



Mr. M. Gangazhe
Member



Adv. G. Khoza
Member

AUDIT COMMITTEE



Mr. J.K. Sithole CA(SA)
Chairperson
External Member



Mr. W.B. Baird
Member



Ms. L.C. Zulu
Member



Ms. M.A. Mphahlele
External Member



Ms. L.M. Sikhakhane
Member



Ms. S.D. Wiggins
Member

RMC CHAIRPERSON



Mr. M. Sebeelo
Chairperson
External Member

ICT STEERING COMMITTEE CHAIRPERSON



Dr. T.G. Sethibe
Chairperson
External Member

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW



Mr LC Mohalaba
Chief Executive Officer

The Inkomati-Usuthu Catchment Management Agency (IUCMA/Agency) in the year under review managed to be at its utmost best in the management of water resources within the Water Management Area (WMA). The annual report for the 2022/23 financial year provides an account of all achievements in line with the planned targets in the Annual Performance Plan (APP). This is by continuing with the protection and enhancement of the natural water resources, while also making a socio-economic contribution. Challenges for the 2022/23 financial year were inevitable, but the unity, effectiveness, efficiency and dedication of our workforce is commended for delivering on targets and strategic outcomes.

Financial review

The Agency has faced the monumental task of managing its activities as a going concern amidst a reported low 2.9% of gross domestic product (GDP) and a staggering high inflation rate of 6.9%. The overall performance of the South African economy inadvertently impacts the operations of the Agency. Cognisant of global and localised economic challenges, the Agency has appreciated that management of its working capital is pivotal in safeguarding the Agency's financial position. To this effect, the Agency has successfully reported a solvent balance sheet as at the end of the financial year under review. One factor that contributed to the successful results was the Agency's ability to shorten its debt collection period (after impairment) to 148 days (2022: 157 days). Positive debtors' performance was further signalled by a 2% lower rate applied to impairment rate for trade debtors by the end of the year. The lower rate applied was made possible following the application of responsive debt management mechanisms that reported a collection figure of R54,2 million for the year.

Spending trends

Management of operating costs continues to be critical to ensuring the long-term financial position of the Agency, given the current strained resources. The Agency has reviewed its entire value chain, which process required that high-value cost drivers be analysed for validity and relevance. The process yielded reduced reliance on specialised external service providers. This was made possible by increased use of our seasoned staff complement to deliver on key activities. Without stifling business operations, during the reporting period, the Agency successfully developed a responsive cost-containment strategy that promotes cost optimisation. As a result, R17 million was reported as a saving under targeted cost drivers. In managing future expenditure trends, it is envisioned that zero budgeting principles will remain the preferred process to project future spending. If applied, the Agency guarantees no budget deficits in future periods.

New proposed key activities to ensure the economic viability of the Agency

The Agency's collective revenue streams are projected to increase by an average rate of 4% in future years. This increase is against a projected consumer price index (CPI) related increase of expenditure of 7%. The different growth rates are deemed to be material and, when extrapolated, future operating periods expose the Agency to an unfavourable forecasted budget deficit. To protect its operations, the Agency has embarked on a fundamental process that is expected to ultimately contribute to a change in a policy position that has been applied when computing the funding framework of CMAs in South Africa. The process is expected to yield a concept document that identifies how the Agency can enhance its already defined revenue position. The study has prioritised low-investment, low-risk propositions that have the highest potential of either generating income or reducing operational costs. National Treasury and Department of Water and Sanitation (DWS) have complimented the Agency on this initiative, citing that there is a dire need for such a process in the water sector. The study is expected to be completed in the next financial year, with the results being tabled to all stakeholders for consideration in the same year.

Supply chain management

The Broad-Based Black Economic Empowerment (B-BBEE) Act 46 of 2013 as amended, was established as a framework to support black economic empowerment so as to restore economic disparities. The Agency's strategic outcome in 2022/23 was defined as 40% of total spending allocated to B-BBEE suppliers. It is a strategic outcome of the Agency to ensure increased support for women, youth and people living with a disability. For this reason, management has earmarked

programmes that will realise real transfer of skills and economic upliftment in this sector. In the quarter under review, the entity successfully restored economic disparities, as evidenced by R7,7 million (51%) of total spending being allocated to the previously disadvantaged groups. The reported performance has been achieved with appointments deemed as competent, competitive and cost-effective. Economic disparities have also been improved with the development and implementation of the Preferential Procurement Process, which identifies key developmental goals that seek to promote economic activities for women, blacks, youth and people living with a disability. The Agency is also excited to redefine its BBEE value proposition by implementing the results of its SCM Strategy, which is currently being developed.

All concluded unsolicited bid proposals for the year under review

As per legislative requirements, the Agency —develops a procurement plan annually, which details all planned procurement of goods and services over R500,000. The plan for 2022/23 was approved by the Accounting Authority on the 31st of March 2022 and submitted to National Treasury for noting. The Agency successfully attained a 95% implementation rate by engaging in competitive, compliant and transparent sourcing processes by the end of the reporting period. To this end, the Agency did not conclude any unsolicited bid proposals during the year under review.

Supply Chain Management

SCM is viewed as a high-risk area, therefore activities are continuously monitored for full compliance. Areas that have been identified as high risk, have been contained in both the strategic and operational risk registers for monitoring. These areas are further subjected to internal audit review to ensure compliance. The results produced by the internal audit are consistent with those of the external audit, which reported a strong control environment with minor housekeeping areas noted that could be improved upon.

The Agency has a responsive SCM Policy that is further supported by a Preferential Procurement Policy. These two fundamental policies are continuously assessed to ensure alignment with any sectoral and legislative changes. Their application has resulted in early detection and enactment of remedial action relating to irregular expenditure of R119,018. The Agency did not report any fruitless and wasteful expenditure in the year under review.

Challenges experienced

Overall reduction of the national fiscus exerts pressure on the Agency's ability to meet its mandate, given the prevailing competing activities and priorities. The said financial challenges require management to identify strategic interventions at all levels. The interventions identified during the year emphasised improved revenue collection from lawful water users, containing operational costs without stifling business processes, and exploring new revenue streams to augment the already-strained budget. The opportunities identified will continue to be applied in conjunction with opportunities that are brought about by the fifth Industrial Revolution - the revolution that realises that system collaboration presents opportunities to redefine business processes to fundamentally promote sound financial management, improve processes and heighten effective internal controls.

The Agency continues to grapple with poor data quality among its water users, which reduces the rate of recoverability of outstanding debt. This challenge is further exacerbated by changing processes within the sector, namely: the exclusion of water rights transfer as a condition of property transfer; the land reform process that has seen land and water transfer rights being transferred to communal property associations (CPAs). These customers become extremely difficult to locate and for that reason are often termed 'faceless' customers. Efforts to locate these faceless customers for the Agency has necessitated borrowing the successful methodologies applied during the validation and verification process. However, it is appreciated that data is not static in nature and for that reason, management, together with DWS, is advocating for system integration to improve data quality within the sector.

Audit report matters

Management has noted the findings raised in the management letter submitted by the appointed audit firm. Matters raised provide an opportunity for the Agency to redefine its processes to ensure improved service delivery. An implementation plan will be developed that details the findings. Resolutions taken to address each finding will further be tested for effectiveness by the internal audit function and other assurance providers during the year.

Events after the reporting date

After the reporting date, the GB appointed the Executive: Water Resource Management, Dr Mhlanga-Ndlovu, who assumed her duties on 1 April 2023. This strategic appointment will assist in the intrinsic management of water resource-related activities. Dr Mhlanga-Ndlovu joins the team at a critical time

when the WMA demands stringent management of the resource, including careful consideration of its protection and preservation, but which brings about sectoral transformation.

Water quality

The Agency has the responsibility of monitoring the resource in the WMA, and in the year under review it achieved 100% performance. The programme was reviewed to ensure that all possible sources of pollution are adequately monitored. Due to cost curtailment measures, of the 269 monitoring sites, the agency derived a criterion to prioritise monitoring points based on frequency. Ecological Water Requirements (EWR) and international obligations were monitored monthly.

Water quantity

In the year under review, the agency managed to achieve 100% of the planned targets. The financial and non-financial performance was audited and indicated a clean audit opinion, which is impressive, considering that the agency has achieved clean audits since inception. We congratulate the Board and management for maintaining good governance and excellent quality management systems.

The water quality compliance assessment for international obligation sites was also conducted and compared with the international water quality guidelines limit (IWQG), as per the Tripartite Interim Agreement between Republic of Mozambique, Republic of South Africa (RSA) and the Kingdom of eSwatini. Surface water quality in the Inkomati-Usuthu WMA complied with the RQOs, Target Water Quality Guidelines (TWQG) and International Water Quality Guidelines (IWQG) limits for most of the monitored points, which showed that the water quality within the WMA is in a relatively good state.

The water management institutions relations in the inco-Maputo trans-boundary basin continue to grow and protect the resource. This involves the three Southern African Development Community (SADC) countries of South Africa, Eswatini and Mozambique, represented by the Agency, River Basin Authority (RBA) and Aqua Regional Association – South (ARA-Sul), respectively.

In terms of stakeholder engagement, the agency continued to engage in participatory and strategic adaptive management of water resources. This was achieved by adaptatively generating and distributing data, and by coordinating knowledge, skills, management systems and approaches among water users in the management area.

The Agency also facilitated the ongoing establishment of the water user associations (WUAs) in the WMA. This process emanates from a Directive issued by the Hon. Minister in the 2020/21 financial year for all irrigation boards (IBs) to transform into water user associations (WUAs). The Agency, therefore, conducted several meetings and consultation workshops with all the IBs. This is an ongoing process to ensure effective transformation in the Water Sector.

In terms of processing water use licenses (WULs), the agency once again placed itself amongst the top performers in the 2022/23 financial year. Processing WULs has been identified as one of the tools for ensuring transformation in the water sector, and the year under review showed the dedication of the agency in working towards transformation in the sector.

Acknowledgements

I would like to express my sincere appreciation to the GB and its sub-committees for their continued support in ensuring that the mandate of the Agency is achieved through their oversight role. As the Agency boasts of another unqualified audit opinion expressed for 2022/23 financial year, acknowledgement of the efforts of the management team and employees of the Agency is fitting. An unqualified audit opinion becomes a yardstick of performance that is to be upheld in future periods. The collaborative effort of the entire team is expected to continuously contribute positively to the water sector in future periods.



Mr LC Mohalaba
Chief Executive Officer
Inkomati-Usuthu Catchment Management Agency
Date: 31 July 2023

EXECUTIVE MANAGEMENT



Mr. L.C. Mohalaba
Chief Executive Officer



Dr. T. Sawunyama
**Acting Executive: Water
Resource Management**



Adv. M.B. Shabangu
Executive: Corporate Services



Ms. S. Mabunda
Chief Financial Officer

SENIOR MANAGEMENT

OFFICE OF THE CEO



Ms. R. Morekisi
Acting Manager:
Strategic Support



Ms. P. Chuene
Internal Audit
Specialist



Mr. T. Shongwe
Risk and Compliance
Management Specialist

FINANCE



Ms. T.N. Sibiya
Manager:
Finance



Ms. S. Mbatha
Manager: Supply
Chain Management



Ms. W.D. Mabuza
Manager:
Revenue

WATER RESOURCE MANAGEMENT



Mr. M.M. Selepe
Manager: Resource
Quality Monitoring



Dr. T. Sawunyama
Manager: Resource
Planning and Operations



Ms. F. Nemathaga
Manager:
Water Use
Authorisation



Mr. H.M. Makhubele
Manager:
Institutions
and Participation



Mr. A. Mbhalati
Manager:
Compliance Monitoring
and Enforcement



Mr. S.H. Shabangu
Manager: Data and
Information
Management

CORPORATE SERVICES



Mr. C.S. Sewela
Manager:
Human Resource
Management



Mr. S.P. Shabangu
Manager: Records and
Auxiliary Services



Mr. L. Skhosana
Manager:
Information
Technology



Ms. S. Machimana
Manager: Communication
and Intergovernmental
Relations



Mr. S. Mchunu
Legal Advisor

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of our knowledge and belief, we confirm the following:

- All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by Nexia SAB&T.
- The annual report is complete, accurate and is free from any omissions.
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements (Part F) have been prepared in accordance with the Generally Recognised Accounting Principles (GRAP) standards applicable to the public entity.
- The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.
- The Accounting Authority is responsible for establishing and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements.
- In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2023.



Chief Executive Officer

Mr LC Mohalaba

Date: 31 July 2023



Chairperson of the Board

Mr MS Mthembu

Date: 31 July 2023

6. STRATEGIC OVERVIEW

VISION

Sufficient, equitable and quality water resources for all
in the Inkomati-Usuthu Water Management Area

MISSION

To efficiently manage water resources by empowering
our stakeholders in our quest to contribute towards
transformation by promoting equal access to water and
protecting the environment

VALUES

Integrity
Batho Pele (Stakeholder Orientation)
Accountability
Diversity
Transparency

7. PERFORMANCE DELIVERY ENVIRONMENT

7.1 Mandate

The Agency derives its existence and mandate from the NWA.

The agency operates within the Inkomati-Usuthu WMA with the following purposes:

- Manage water resources, according to the NWA. We achieve this through the development and implementation of a Catchment Management Strategy with all stakeholders, balancing the utilisation, development and protection of water resources.
- Manage all water uses to promote equity and efficiency. We achieve this through appropriate authorisation, pricing, control and enforcement of water use together with programmes to promote water conservation and pollution control.
- Protect water resources to support biodiversity and local use by communities. We achieve this through setting objectives through a consensus seeking process that balances the need to protect and sustain, with the need to develop and use water resources.
- Involve stakeholders in decision making about water resources. We achieve this through mobilising, empowering and consulting with water users and stakeholders and by focusing on expanding participation with communities, women and the rural poor.
- Facilitate cooperation between water-related institutions to promote political credibility within the Inkomati WMA. We achieve this by building strong relationships, advising on, supporting and monitoring the water-related activities of private and public sector bodies.
- Contribute towards redressing past imbalances, including social and economic development in the WMA. We achieve this through allocation of water and creative initiatives in support of government objectives and strategies.
- Support the cooperative management of the Inkomati basin as an internationally shared water course. We achieve this by supporting the Department of Water and Sanitation (DWS) to implement international agreements.

7.2 Strategic Outcomes

The four strategic outcomes of the Agency highlighted here are linked to the output of the Agency for the 2022/23 financial year.



**Outcome 1:
Increased stakeholder
satisfaction**



**Outcome 2:
Enhanced human
resources capabilities**



**Outcome 3:
Maintain Financial
Sustainability**



**Outcome 4:
Protection and use of
water resources**

7.2.1 Outcome 1: Increased stakeholder satisfaction

Enhancement of partnerships with stakeholders, in order to support strategy execution and manage reputational risks. Stakeholders will be profiled considering their extent of influence on the operations of the Agency and material issues of engagement with such stakeholders will be identified.

The high-level strategic initiatives are:

- Develop, implement and monitor stakeholder engagement to strengthen integrated approaches towards water resource management at local and international level.
- Pursue legal frameworks for international cooperation and establish joint institutions for transboundary water governance.
- Continue with adoption of common standards for water data collection, sharing and analysis of that data on transboundary waters.

7.2.2 Outcome 2: Enhanced human resources capabilities

The potential for excellence in mandate delivery by the agency should be enhanced by how the organisation orchestrate its resources. Its structures must be strengthened to enhance delivery in the core operational mandate area of water resources management, including the support of core areas.

The high-level strategic initiatives are:

- Develop, implement and monitor a human resources development strategy.
- Develop and implement the agency culture strategy to embed a healthy culture conducive to excellence.

7.2.3 Outcome 3: Maintain financial sustainability

The current revenue trajectory of the organisation is not sustainable, therefore a plan to optimise the revenue and resource allocation cycles of the agency will be developed (with water resource management, efficient use and regulation as its core) to improve revenue and determine a financial trajectory that will ensure a sustainable future capital base. Further, key business processes will be identified to strengthen the policy environment in each of those key process areas.

The high-level strategic initiatives are:

- Identification of key business processes by identifying as-is and the movement to to-be, and address shortcomings to enhance the policy environment.
- Develop a resource allocation model for the agency.
- Implementation of the ICT Master Systems Plan.
- Investment in initiatives for promotion of innovation and technology development.

7.2.4 Outcome 4: Protection and use of water resources

The agency must comply with the reserve requirements (the NWA includes ecological and human health requirements), but more importantly with the inter-basin transfers, strategic use, international obligations and Resource Quality / Quantity Objectives. Source water and pristine resources must be protected, impacted resources must be improved and the river health must be improved on a continuous basis to achieve the desired resources state.

The high-level strategic initiatives are:

- Pursue resource conservation and demand management strategies for allocations that would not lead to a non-sustainable resource.
- Conduct studies to understand the entire water resources potential of the WMA, identify impacted resources and perform improvement thereon.
- Develop and implement a water quality strategy for improvement of the resource quality.

8. LEGISLATIVE AND OTHER MANDATES

8.1 Legislative and Policy mandates

The legislative environment, policies and frameworks of Government, provide developmental priorities for the country. Defined priorities provide strategic impetus for the water sector and ultimately the functioning of the IUCMA.

8.2 Constitutional mandate

The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) as amended, provides the following in the Bill of Rights:

- (a) Everyone has a right to an environment that is not harmful to their health or well-being.
- (b) The environment is protected for the benefit of present and future generations through reasonable legislative and other measures that:
 - (i) prevent pollution and ecological degradation;
 - (ii) promote conservation;
 - (iii) secure ecologically sustainable development and use of national resources while promoting justifiable economic and social development.

8.3 Legislative and policy mandates

8.3.1 National Water Act, 1998 (Act 36 of 1998)

The NWA provides for the establishment of the IUCMA (section 78), as a water resource management authority to perform water resource management functions within its WMA. The NWA further provides a mandate and objectives for the IUCMA and details its inherent power and functions, as follows:

- (a) To investigate and advise interested persons on the protection, use, development conservation, management and control of the water resources in its WMA.
- (b) To develop a catchment management strategy (CMS).
- (c) To coordinate related activities of water uses and the establishment of the water management institutions within its WMA.
- (d) To promote coordination of its implementation with the implementation of any applicable development plan established in terms of the Water Services Act, 1997 (Act 108 of 1997).
- (e) To promote community participation in the protection, use, development, conservation, management and control of the water resources in the WMA.

8.3.2 Public Finance Management Act, 1998 (Act 1 of 1998)

The Public Finance Management Act, 1998 (Act 1 of 1998) (PFMA) regulates financial management in the national government and provincial governments in order to: ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; provide for the responsibilities of persons entrusted with financial management in those governments; and provide for matters connected therewith. The IUCMA is a public entity listed in Schedule 3A of the PFMA.

8.3.3 National Water Resource Strategy 3 (year)

The scope and purpose of the third instalment of the National Water Resource Strategy 3 (NWRS3) provides a vision for the protection and management of water resources to enable equitable and sustainable access to water and sanitation services in support of socio-economic growth and development for the well-being of current and future generations. The NWRS3 aims to achieve this vision by means of on the following over-arching goals:

- Water and sanitation supporting development and elimination of poverty and inequality.
- Water and sanitation contributing to the economy and job creation.
- Water that must be protected, used, developed, conserved managed and controlled sustainably and equitably.

The institutional landscape required for effective delivery of services then provides a clarion call to the Department of Water and Sanitation (DWS) as a sector leader, associated sector departments, such as the Department of Minerals and Energy (DMR), Department of Environmental Affairs (DEA), Catchment Management Agencies (CMAs), Water Boards, Private Sector and other agencies of State to commit to an involvement in developmental water resource management.

8.3.4 National Development Plan, 2030

The National Development Plan, 2030 (NDP) provides an over-arching policy framework on a trajectory in dealing with the triple challenges of inequality, unemployment and poverty. The NDP further supports a new societal deal of increased cooperation between Government, business, labour and other social partners for economic growth and development. The NDP further puts an emphasis on investment and development of bulk water, including water resources management infrastructure for water conservation and demand management; integrated catchment management and resource protection such that there is water availability for economic sectors to create jobs.

8.3.4 National Water and Sanitation Masterplan (year)

The National Water and Sanitation Masterplan (NW&SM) intends to bring together water users and all water management institutions (WMI) to resolve issues on water and sanitation service delivery. The NW&SM is a novel plan that will guide the South African water sector led by DWS and implemented at local government level and other sector partners. The plan is intended towards implementation of tangible actions that will have an impact on the management of South Africa water resources and the supply and use of water and sanitation in the country.

8.3.5 African Union, Agenda 2063

Africa Union, Agenda 2063 (Agenda 2063) provides a blueprint and master plan for transformation of Africa into a global powerhouse of the future. It is a strategic framework for the continent that aims to

deliver on the goals for inclusive and sustainable development. It serves as a concrete manifestation of the pan-African drive for unity, self-determination, freedom, progress and collective prosperity. South Africa has prioritised its contribution to the development of the continent and in this regard the African Union Agenda 2063 is key. It provides the strategic framework for the socio-economic transformation of the continent and builds on the initiatives for growth and sustainable development. A prosperous Africa based on inclusive growth and sustainable development is one of the aspirations in Agenda 2063, and it is key to IUCMA in particular, as it emphasises Africa's unique natural endowments, and the health and protection of its environment and ecosystems with climate resilient economies and communities.

8.3.6 United Nations Sustainable Development Goals (years)

The Sustainable Development Goals (SDGs) were designed to be a blueprint to ensuring a sustainable future in countries around the world. The SDGs seek to address key systematic barriers to sustainable development such as inequality, unsustainable consumption patterns, weak institutional capacity and environmental degradation. The SDGs further seeks to improve quality of water by reducing pollution, including to ensure sustainable withdrawals and supply of freshwater to address water scarcity. The United Nations (UN) further convened a High-Level Panel on Water (HLPW), which made recommendations on how to accelerate progress in the achievement of availability and sustainable management of water and sanitation for all and the achievement of other multiple SDGs. High-level recommendations by the HLPW included: understanding, valuing and managing water, which will provide a foundation for broader integrated water management; an integrated approach at local, country and regional levels, including building partnerships and international collaboration at the global level.

8.3.7 Southern Africa Development Community Protocol on Shared Watercourses

This SADC Protocol provides institutional mechanisms to achieve the SADC agenda of regional integration and poverty alleviation. This protocol therefore seeks to:

- (a) Promote and facilitate the establishment of shared watercourse agreements and shared watercourse institutions for the management of shared watercourses.
- (b) Advance the sustainable, equitable and reasonable utilisation of the shared watercourses.
- (c) Promote a coordinated and integrated environmentally sound development and management of watercourses.

- (d) Promote the harmonisation and monitoring of legislation and policies for planning, development, conservation, protection of shared watercourses and allocation of resources thereof.
- (e) Promote research and technology development, information exchange, capacity building and application of appropriate technologies in shared watercourses management.

8.3.8 Presidential Commission on the Fourth Industrial Revolution

The Presidential Commission on the Fourth Industrial Revolution (PC4IR) outlined a vision for development of South Africa to involve prosperity, wealth creation, inclusiveness, including being connected and being digitally advanced and smart. Furthermore, development of 4IR (Fourth Industrial Revolution) systems can help to reach several goals articulated in the South Africa: Vision 2030, specifically those that relate to:

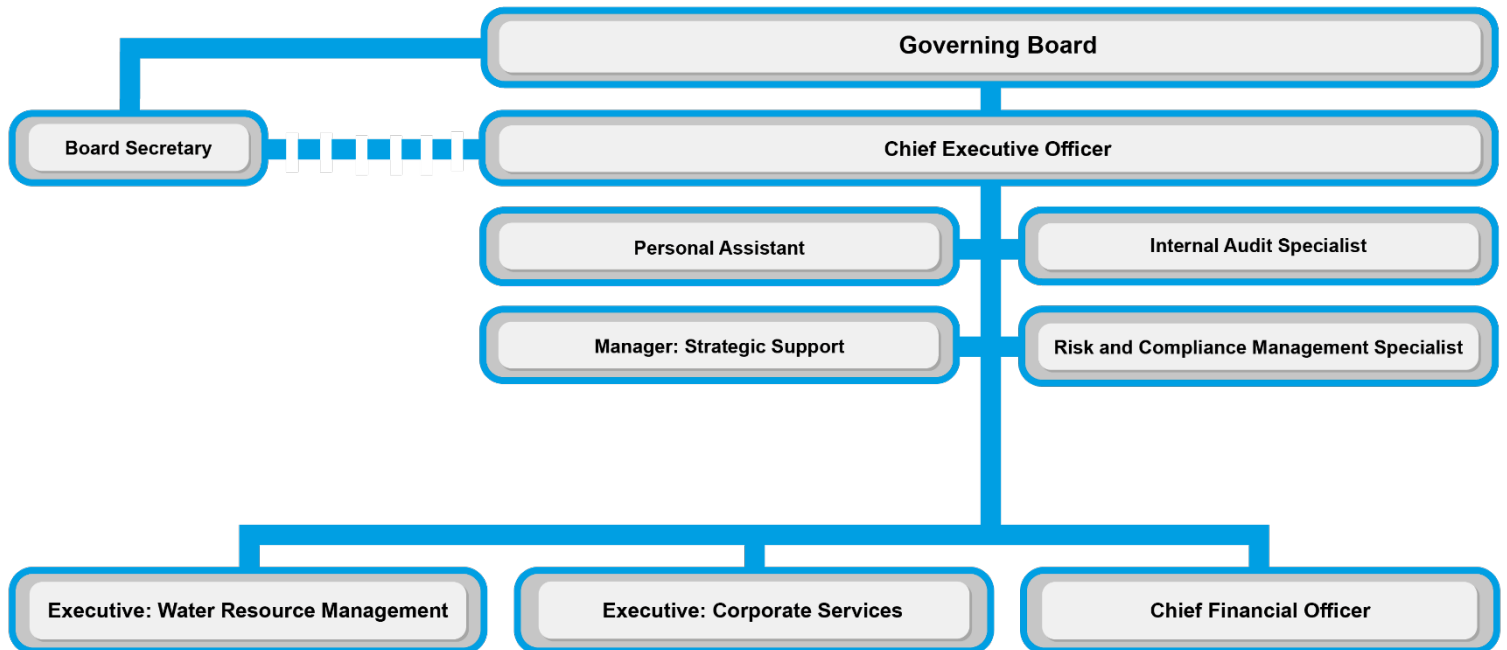
- The economy and unemployment;
- Economic infrastructure;
- Improving education, training and innovation;
- Environmental sustainability and resilience;
- South Africa in the region and in the world;
- Transforming human settlements.

The PC4IR further identifies that South Africa's water sector can respond to the opportunities that are provided by the advent and proliferation of technologies that can increase its effectiveness.

8.3.9 Economic Reconstruction and Recovery Plan

The Economic Reconstruction and Recovery Plan (ERRP), published by the National Treasury in the midst the COVID-19 pandemic, aims to stimulate equitable and inclusive growth. One of the nine priority interventions the ERRP identified is 'green economy interventions' that can be linked to the water sector, as this guarantees the security of water supply. The ERRP states that as part of South Africa's green agenda, private and public buildings will be retrofitted with measures to improve water efficiency. The plan earmarks creating 1560 new opportunities for facility maintenance, water and energy efficiency, including construction of rural bridges.

9. ORGANISATIONAL STRUCTURE



PART B: PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

Refer to Annexure A

2. OVERVIEW OF PERFORMANCE

2.1. Organisational environment

The Agency is responsible for the planning and operation of water resources within the WMA. The main challenge faced within the WMA is that of high water demands that far exceed the available water resource. The situation is further exacerbated by pollution incidents occurring along various sites within the WMA, impacting on water quality acceptability.

2.2.1 Water resource availability

The summer rain received from the start of the 2022 hydrological year gave impetus to high river flow levels and increased dam levels. All the major river systems had no water use restrictions imposed, due to the rain from Tropical Cyclone Freddy received between February and March 2023. These rains resulted to flooding in some parts of the WMA, with the Nkomazi area being hit the hardest. The water level status in most dams supplying major towns, irrigation activities and strategic water uses were between high and very high by the end of December 2022, and most major dams were spilling over. Figure 1 illustrates the operational runs of the Crocodile River system for the Kwena Dam storage analysis as an example of the high rainfall impacts.

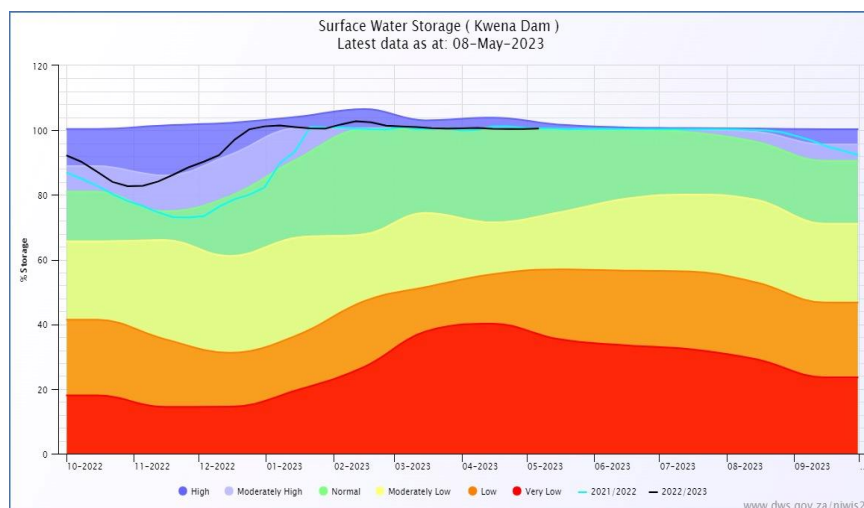


Figure 1: Kwena Dam Storage historical analysis

There was improved compliance to international obligations for flow requirements into Mozambique from the Crocodile catchment area during the dry months. In the 2022/23 financial year, compliance

was at 99% compared to 90% in the 2021/22 financial year this was due to receiving above normal rainfall in 2 consecutive hydrological years, this means the system had enough water. A 100% compliance status was achieved for the Sabie and Usuthu catchment areas in terms of international obligations on flow into Mozambique and Eswatini, respectively.

Comments on the Inkomati-Usuthu Catchment Management Strategy (CMS) were addressed, and the CMS was updated and submitted to DWS for approval. The CMS was subsequently approved by the Minister on 25 July 2023. The CMS requires the IUCMA to develop a Water Allocation Plan (WAP) that details the principles for allocating water within the WMA. The purpose is to redress inequality and ensure equitable access to water resources by all. In the year under review, current and future allocation scenarios were developed for Sabie, Crocodile, Komati and Usuthu catchments to support the development of WAPs. Nevertheless, the finalisation of the WAPs require the completion of the ongoing validation and verification (V&V) process, which is important for ensuring equitable access and use of the water resource.

The Agency continued to participate in transboundary water management forums such as Joint Water Commissions (JWC), the Komati Joint Operations Forum (KJOF), Incomati and Maputo Watercourse Commission (INMACOM) and the Disaster Management Forums. In the year under review the IUCMA implemented its Disaster Early Warning System for Floods, Droughts and Pollution Incidents, by sharing information with relevant stakeholders. Furthermore, the IUCMA also uses various decision support systems (DSS) and, as part of its process of innovation and technology adoption, developed the ESRI data collection application to support hydrology and water quality monitoring.

As part of promoting water security, the Agency initiated and implemented the ongoing projects listed below during the reporting period:

- **Groundwater Development Options:** A study on the assessment of groundwater resources indicated that the groundwater resources within the WMA are not fully exploited in the Komati and Usuthu catchment areas, while it is over-exploited in the Sabie catchment area. The recommendation was that the areas where groundwater is over-utilised be declared controlled areas, while further development should be promoted in areas where it is currently under-utilised, but only through abstraction permits that include strict conditions.
- **Alien Vegetation Removal Programme:** The CMS recognised that the removal of invasive alien plants in the river systems (Sabie, Crocodile and Komati Rivers) could improve the hydrology (run-off and inflow into dams) of the catchment areas substantially, and thereby the assurance of supply for river run-off users. The Agency implemented alien vegetation removal programmes in these three catchment areas during the 2022/23 financial year.

- **Rainwater Harvesting:** The IUCMA and Ehlanzeni District Municipality (EDM) jointly implemented a rainwater harvesting (RWH) project with the aim of improving rural water supply, food security and water use productivity of dryland agriculture. The project was implemented at 20 households within various communities that include Kildare, Lillydale, Mabarhule, Huntingdon and Justicia under the Bushbuckridge Local Municipality and Ehlanzeni District Municipality.
- **Water Use Efficiency:** Significant progress has been made after development of a scientific evidence-based decision support tool that uses readily available information to estimate water use efficiency of key irrigated crops in the WMA. The tool will be used to fine-tune water allocation decision making for specific crop types based on their actual water requirements, leading to possible freeing up of water resources for reallocation.

2.2.2 Resource quality monitoring

The water quality monitoring programme was reviewed to optimise it such that all possible sources of pollution are adequately monitored. EWREWR and international obligation (IO) sites were monitored on a monthly basis and all the applicable variables were also analysed.

The water resources within the WMA have been classified and the resource quality objectives (RQOs) and reserve were determined and gazetted in December 2016 and July 2019, respectively. However, the Resource Directed Measures consisting of the Management Class (MC), Reserve and Resource Quality Objectives (RQOs) for the protection of water resources to ensure sustainable development and use of water resource have not been determined for the Usuthu Catchment. Therefore, the Targeted Water Quality Guidelines (TWQG) were used for water quality compliance assessment for the Usuthu Catchment.

Furthermore, the water quality compliance assessment for international obligation sites was also conducted and compared with the international water quality guidelines limit (IWQG) as per the Tripartite Interim Agreement between Republic of Mozambique, Republic of South Africa (RSA) and the Kingdom of eSwatini. Surface water quality in the Inkomati-Usuthu WMA complied with the RQOs, TWQG and IWQG limits for most of the monitored points and implying that water quality within the WMA is in a relatively good state. However, some non-compliance challenges related to microbial indicator variables (E coli) throughout the WMA were observed. Salts and nutrients indicator variables (electrical conductivity and phosphate) were not a major cause for concern, as most of the areas complied with the legislative requirement or guidelines.

The River Eco-Status Monitoring Program (REMP) was also conducted accordingly using the instream biological indicators or responders, namely vegetation, fish and macro-invertebrates to ensure that the desired level of protection was achieved for the Sabie / Sand, Crocodile, Komati and Usuthu catchment areas. Based on the biomonitoring results, the four catchment areas within the WMA were mainly in category C, meaning that the natural habitat and biota have been moderately modified in terms of abundance and frequency of occurrence.

Eutrophication monitoring at major dams using remote sensing through satellite monitoring was done and algorithms embedded in the system were used to convert data collected into advisory information necessary for stakeholders engaging in recreational activities. This information was shared with stakeholders through the IUCMA website and forums. Furthermore, the data collected was confirmed through National Eutrophication Monitoring Programme (NEMP), and all major dams monitored were classified as oligotrophic, based on median annual Chlorophyll-A and Total Phosphorus, which means they were low in nutrients and there was negligible potential for plant and algal productivity.

2.2.3 Compliance monitoring and enforcement

The majority of the non-compliance instances observed were because of poorly managed wastewater treatment works (WWTWs), which are often faulty in terms of operations and not maintained. The IUCMA has issued several notices/directives to the respective non-compliant facilities, including municipalities and other entities. This intervention has yielded some positive results such as WWTWs upgrades by some facilities, to prevent further pollution of the resource.

The working relationship between the IUCMA and the National Prosecuting Authority (Organised Crime Component) and other enforcement agencies, including South African Police Services (SAPS), improved significantly during the reporting period. This working relationship improvement will ensure that matters are finalised timeously. The IUCMA participated in the joint operations related to illegal mining in and around Noordkaap River system (Crocodile) and Sabie Sands area in collaboration with South African Police Service (SAPS), DMR and State Security Agency (SSA).

2.2.4 Water use authorisation

The volume allocated for the 2022/23 financial year is close to 6mm³/a (million cubic meters per annum) compared to the 5,547,642mm³/a this is an increase by 452 358mm³/a. The highest number of authorisations granted was for the Crocodile sub-catchment. The highest volume was allocated to BBBEE located in the Komati Catchment. It is worth noting that there was a reduction in the number of applications from historically disadvantaged individual (HDI) for a WUL and the General Authorisations (GAs) received and processed in the financial year compared to previous years. This was attributed to HDIs not engaging in big investments that require the applicant to use high water volumes, as is the case with applicants from other sectors.

The Agency continued to review co-operative governance reports (Environmental Impact Assessment (EIA) / Basic Assessment and Environmental Management Programme Report (EMPR)) in the 2022/23 financial year, and the Agency provided technical input to those reports.

2.2.5 Data and information management

The IUCMA progressed well with the Existing Lawful Use (ELU) verification process, and the latest achieved progress on ELU verification in the Inkomati and Usuthu catchment areas were 74.4% and 57.9%, respectively. The Usuthu catchment's dominant water user is SFR, therefore there was slow progress due to the ELU verification challenge brought about by the Stream Flow Reduction (SFR) court case between DWS and ForestrySA. A noteworthy highlight for the ELU verification process was identifying water users that had failed to register when required to do so in 1999, and during the 2022/23 FY the IUCMA ELU process identified 56 properties that had registered late, i.e., after the deadline.

The IUCMA initiated the process of auditing the bulk water allocations of the irrigation boards. The audit outcomes reflected that irrigation boards are permanently transferring water to properties that were not originally part of the irrigation district.

The Agency continued to use the Water Use Authorisation Registration Management System (WARMS) as a critical database for maintaining water use and water users information for purposes of revenue collection, water resource planning information and research. Nonetheless, several challenges were experienced with WARMS, including that the system does not have a monitoring tool to track and provide an alert on property ownership changes of water users, which means the system is not completely effective for revenue collection purposes. The IUCMA with DWS National Office agreed to explore the possibility of developing a monitoring tool that could link the databases at Home Affairs, South African Revenue Services (SARS) and the Deeds Office that can reflect changes to property owners and water users.

2.2.6 Institution and participation

The NWA, Section 80 (c-e) creates and advocates for community participation in decision making regarding the protection, use, conservation, management and control of the water resources by a water management institution such as the IUCMA. The stakeholder engagement and participation process ensures that the consultation with stakeholders improves over a period of time and matures into robust engagements. During the period under review, the IUCMA continued to engage in participatory and strategic adaptive management of water resources. This was achieved through adaptatively, generating and distributing data, coordinating knowledge, skills and management systems and approaches among water users in the management area.

All the quarterly Catchment Management Forum (CMF) meetings were held with the purpose of sharing broad and specific water related issues for discussion by the stakeholders (including municipalities), such as water availability, compliance monitoring, water use authorisation, and resource and drinking quality. The IUCMA engaged in the empowerment and capacity building of HDIs in various communities, with training sessions being organised with emerging farmers and other aspiring water users on water use application processes and other water related activities. The IUCMA also interacted with government departments and entities involved in environmental and water-related activities to promote the Intergovernmental Relations (IGR) Framework.

During the period under review, the IUCMA also facilitated the ongoing establishment of the water user associations (WUAs) in the WMA. This process emanates from the Ministerial Directive issued in the 2020/21 financial year that called for all irrigation boards (IBs) to transform into WUAs. The IUCMA therefore, conducted a number of meetings and consultation workshops with all the IBs. Water users outside of the irrigation districts were also consulted to source their views. Meanwhile the IUCMA also participated in the development of Guidelines for the establishment of WUAs with the Department of Water and Sanitation (DWS) providing an advisory role.

The IUCMA coordinated the Science Schools Competition hosted during the National Water Week/Month celebrations, with 30 schools participating. The projects presented were aligned to the UN theme of 'Accelerating Change'. This initiative was not only about the school competition, but also created awareness and interest for the youth and the communities on water and the environment. The organisation also facilitated the 'Adopt a River' programme through the community and sustainable river rehabilitation project, which aims to engage community groups that will adopt certain stretches of streams and rivers within their communities. Preparatory work was done to ensure that the community groups are ready when the project commences in 2023/24 financial year.

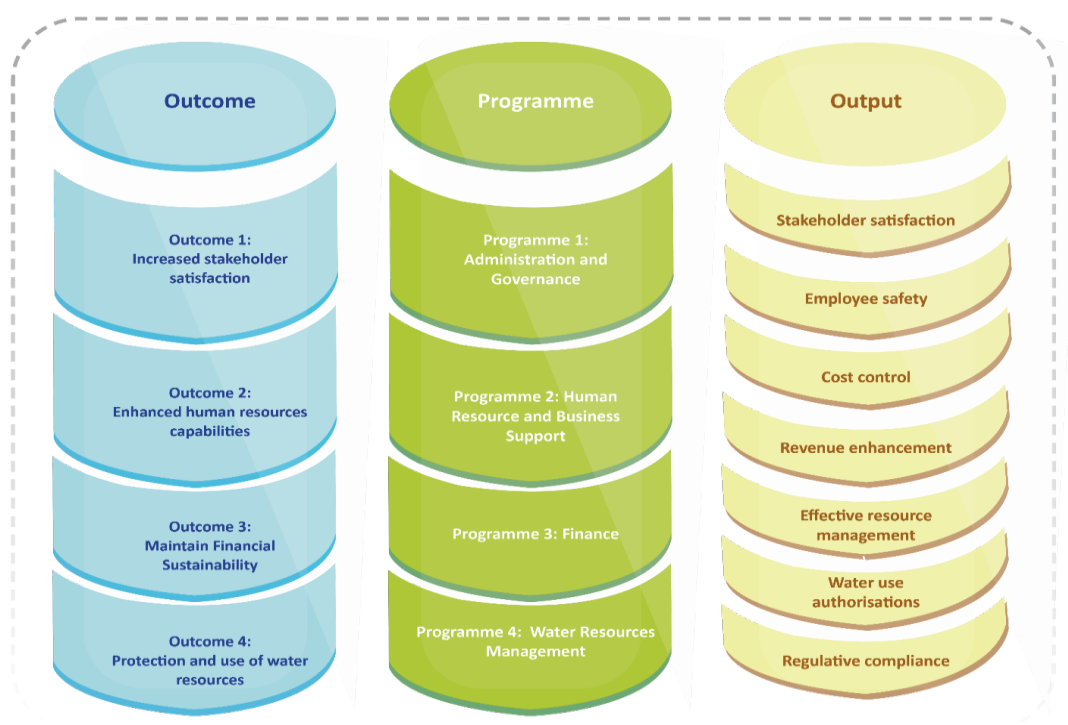


2.2. Key policy developments and legislative changes

The Department of Water and Sanitation has established a National Water Act (NWA) Task Team on the NWA Amendment Bill to discuss the Constitutional Court judgement in the matter of Minister of Water and Sanitation and Others v Lotter N O and Others (Handed down 15 March 2023), on the transfer of water use entitlements (sections 22 and 25 of NWA). The objectives of the task team are, among others, to deliberate how this judgment will affect current policy and propose amendments to water use authorisation provisions in the Act. The process is ongoing and officials from the IUCMA are part of the Task Team.

3. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

The performance of the Agency is anchored around 4 strategic outcomes defined in the CMS and Strategic Plan. To drive activities of the outcomes, each programme is responsible for playing its part in each outcome. Below illustration, is the alignment of outcomes, programmes and outputs



3.1. Programme 1: Administration and Governance

The purpose of this programme is to support the business of the IUCMA in terms of planning, risk management, assurance services, governance structures and setting of appropriate parameters for organisational performance. The extent of the programme is within the Office of the Chief Executive Officer in the areas of governance, as reflected in the previous statement.

The programme includes one sub-programme

3.1.2 Governance and Assurance services

Assurance services are provided through internal audit services and risk management activities and governance of performance information of the IUCMA so that the organisation can effectively communicate its value creation story. The corporate compliance cycle of the IUCMA is implemented through this sub-programme to ensure that the accountability obligations are met, i.e., the preparation of strategic and annual plans, including quarterly reports. Support to the GB and its various

committees is provided through this sub-programme to ensure that their duties are fulfilled in conformance with the applicable laws and regulations.

In the year under review, all planned statutory meetings were convened as per the stakeholder engagement plan. Over-performance was recorded due to increased efforts to engage key stakeholders on revenue and other strategic matters within the WMA.

All legislative requirements were complied with, including the NWA, the PFMA and National Treasury transcripts. All statutory reports were processed and duly submitted, including planning and financial management reports. These reports included the APP, quarterly reports, Budget Estimates and Shareholder compact report. In line with the BBBEE policy, the agency conducted workshops for service providers.

Table 3.1.1: Performance for Programme 1: Administration and Governance

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Annual Target 2022/23	Actual Achievement 2022/23	Reason for Deviation	Corrective Measure
Outcome 1: Increased stakeholder satisfaction	Effective institutions and stakeholder participation	Percent implementation of a stakeholder engagement plan	100% (32/32)	100% (164/164)	85%	119.89% (235/196)	Increased efforts to engage key stakeholders on revenue and other strategic matters within the WMA	The Agency will continue to engage key stakeholders on water resource management issues

3.2. Programme 2: Human Resource and Business Support

This programme supports and provides enhanced capabilities for other programmes in a shared services model. The scope of this programme is provision of a full scope of human resources, adequate enablement of Information Communication and Technology (ICT), records management and stakeholder engagement.

The objective of this programme is the development of human resources (including communities in the WMA) through transformation, skills development and local employment. This extends to supplier development through initiatives intended towards enterprise development. The scope of the sub-programme serves towards full scope talent management for the IUCMA employees, provision of

learnerships and traineeship in the form of internship programmes. As far as enterprise development is concerned, the scope of this sub-programme is procurement from local emerging micro enterprises. This programme enables business support in provision of effective and efficient ICT, legal services, custody of information in the form of records management, including facilities management. ICT architecture and plans should align with business priorities so that resources are appropriately deployed such that there are continuous improvements and ongoing ICT service delivery.

The National Archives and Record Service of South Africa Act, 1996 (Act 43 of 1996) regulates the manner public records must be managed. The IUCMA should thus embrace the requirement of the Act and ensure compliance within the ambit of good governance, accountability and transparency. In addition to the factors mentioned above, this sub-programme seeks to reduce reportable safety hazards, health and disabling incidents through effective management and provision of facilities in compliance with applicable quality and safety standards.

The annual targets for the programme were achieved, this was due to the effective implementation of human resource policies that encouraged staff development and training. In addition, the agency ensured adequate provision of protective equipment and occupational health and safety (OHS) training. Table 3.2.1 shows the performance.

Table 3.2.1: Performance for Programme 2: Human Resource and Business Support

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Annual Target 2022/23	Actual Achievement 2022/23	Reason for Deviation	Corrective Measure
Outcome 1: Enhanced human resources capabilities	Employee safety	Disabling injury frequency rate	-	0%	<1	<1	None	None
	Optimal employee retention	Rate of employee turnover	-	0%	6%	4.34%	None	None

3.3. Programme 3: Finance

This programme ensures effective and efficient use of the financial resources of the Agency. With an appreciation that the Agency's activities compete for resources, the programme ensures delivery of outcomes by achieving increased recoverability of all revenue due, sound and equitable economic use of financial assets, and timeous and accurate reporting of all financial activities.

3.3.1 Supply Chain Management

The programme's mandate is centred on establishing seamless transformed procurement processes that are economical, transparent and equitable. In achieving this mandate, the Agency is expected to take full cognisance of the promotion of economic empowerment for previously disadvantaged groups – black people, youth, women and people living with a disability – as prescribed by the Broad-Based Black Economic Empowerment Act, 2013 (Act 46 of 2013) as amended. Equity achieved through economic transformation is pivotal in the operations of the sub-programme as evidenced by its strong presence in the business of the Agency. When the transformation is fully met, the Agency will achieve value for money on acquisition of goods and services and seamless operations of the organisational value chain.

3.3.2 Financial management

The programme further ensures sound financial accounting in accordance with applicable standards and legislation. Its scope encompasses budget management, payroll administration, and safeguarding financial and non-financial assets of the Agency through compliant processing of all related transactions. These measures are ultimately reflected by effective working capital management and unqualified opinions with no material findings expressed since the inception of the Agency.

3.3.3 Revenue management

Revenue management is a strategic component as its functions are key to the financial sustainability of the Agency. This is firstly achieved by performing a pivotal role in the Catchment Management Agency (CMA) tariff determination that is further submitted for ministerial approval. Once tariffs are approved, the sub-programme ensures the correct application of approved tariffs by timeously and accurately billing and collecting CMA charges from lawful water users. The sub-programme further ensures implementation of the Agency's approved Debt Management Strategy that has been developed within the ambits of applicable policies and legislation, namely the Public Finance Management Act (PFMA), Treasury Regulations and the Agency's Revenue Management Policy. The strategy especially recognises the importance of stakeholder engagement with all customers at both

strategic and operational levels. To this effect, heightened engagement remain key to achieving all the objectives that have been set.

Performance information

The working ratio presents an opportunity for the Agency to assess its cashflow management. In the year under review, the Agency displayed sound cashflow management owing to the full disbursement parliamentary grant - valued at R89 million and R21 million – that increased the cash and cash equivalent component. The performance was further positively impacted by the implementation of the cost containment strategy that yielded savings of R17 million under identified categories.

The current ratio is an important liquidity ratio that tests the ability of the Agency to meet its short-term and long-term obligations as they fall. This favourable ratio was due to an increase in assets on the balance sheet in the form of cash and cash equivalents of R63 million. However, the most impactful item remains the reduction of the conditional grant, which constitutes the largest liability. Following set conditions being met, the Agency recognised an amount of R35 million into the income statement during the year. Debt collection improved over the period under review following the implementation of the debt management strategy that earmarked customer engagements as a key initiative.

Table 3.3.4: Performance for Programme 3: Finance

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Annual Target 2022/23	Actual Achievement 2022/23	Reasons for deviations	Corrective Measure
Outcome 3: Maintain financial sustainability	Cost control	Working ratio	-	106%	≤80%	76%	None	None
		Current ratio	-	-	≥1:1	2,41: 1	None	
	Revenue enhancement	Debt collection ratio (Toxic book)	26% (R 34,554,989.4/R133,381,545.23)	32.9% (R37,869,940.05/R115,069,122.97)	4%	13% (R 7 590 286,16 /R 56 590 446,01)	Collection rates improved following increased customer engagements at a strategic level and the roll-out of approved initiatives in terms of the debt management strategy, namely: entering acknowledgement of debt (AoD) contracts and extending waiver of interest chargeable for	
		Debt collection ratio (Healthy book)			60%	148% (R 46 623 760,15 /R 31 447 881,30)		None

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Annual Target 2022/23	Actual Achievement 2022/23	Reasons for deviations	Corrective Measure
							early settlement of debt	

3.4 Programme 4: Water Resources Management

This programme effects the core mandate area of the IUCMA in ensuring effective, efficient and sustainable management of water resources. The scope of the programme comprises management of resources in water quality monitoring, resource planning and operations, compliance monitoring and enforcement (CME) and water use authorisations, including data information and management.

3.4.1 Resource Quality Monitoring, Planning and Operations

Resource quality monitoring, planning and operation implements effective river operations within the WMA to manage droughts, surface and groundwater management, WAP and data management systems to effect the mandate of the IUCMA. The sub-programme also implements water quality routine monitoring plans.

3.4.2 Water Use Authorisations

The Water Use Authorisation (WUA) function has been delegated to the IUCMA to perform administrative function through the assessment of applications. This is to ensure that water use applications are assessed and submitted with recommendations to the Responsible Authority within the regulated period. The authorisations include WULs and GAs.

3.4.3 Compliance Monitoring and Enforcement

This programme performs inspections and audits, including investigations of reported incidents of resource pollution in compliance with the NWA and other environmental legislation. Comprehensive education and awareness campaigns are conducted to ensure that water users and law enforcement agencies are aware of their role in supporting the work of the IUCMA.

3.4.4 Data and Information Management

Data and Information management is dedicated towards effective data management and information systems within the operational core of the IUCMA. The programme functions in a shared services format and provide services to the support core areas of the IUCMA.

3.4.5 Stakeholder Engagement and Institutional Participation

Stakeholder engagement and institutional participation bears responsibility for stakeholder engagement, institutional participation and international liaison. This is to ensure that legitimate interests of stakeholders and material issues of engagement, locally and internationally, are addressed to mitigate against potential reputational risk. Further, pathways to address the extent and level of engagement with stakeholders (through the Stakeholder Engagement Plan) are developed and implemented.

The outcomes of the Water Resources Management (WRM) programme are to ensure effective water resource management, water use authorisation and regulative Compliance. All work is derived from the inherent and delegated functions as per the NWA, the Catchment Management Strategy (CMS), the five-year Strategic Plan and the targets set out in the approved APP and associated budget.

The Programme Performance Indicators are as follows:

The annual target as in the APP is $\geq 90\%$ and the performance is 100% (23/23) and all were in compliance with the resource quality objectives. This 100% achievement was achieved by monitoring water quantity and quality at all 23 Ecological Water Requirements (EWRs) sites in the WMA, which are used to monitor compliance with the Resource Quality Objectives. This indicator monitors the status of the resource (quantity and quality) in the WMA.

The actual performance of 100% (10/10) was achieved by monitoring water quantity and quality at all 10 IO sites that are used to monitor compliance with international obligations on flow and quality to neighbouring countries. The indicator ensures that South Africa monitors compliance of cross-border flows of water resources and the quality thereof to neighbouring countries.

With regard to water use authorisations, within this financial year the agency managed to achieve 102.91% (106/103). This achievement included GAs and WULs for HDIs.

The APP target for inspections was 90% and performance was recorded as 100.89% (113/112). The 113 inspections established adequate compliance levels through audit reports, feedback letters and file notes, and no further action was required. The planned inspections included a range of entities, i.e., local government, the private sector, mining, agriculture and one provincial government entity. The annual target for enforcement, as per the APP, is 100%, i.e., performance of 100% (60/60). These included directives to non-compliant water users, as the agency is vigilant in respect of non-compliance matters and responds with agility to findings and reports. Generally, the notices and directives are very effective, hence only a few cases end up being reported as criminal matters for prosecution.

Table 3.4.6: Performance for Programme 4: Water Resource Management

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Annual Target 2022/23	Actual Achievement 2022/23	Reasons for deviations	Corrective Measure
Outcome 4: Protection and use of water resources	Effective resource management	Percent monitoring of compliance of Resource Quality Objectives	-	100% (23/23)	≥90%	100% (23/23) ¹	None	None
		Percent monitoring of compliance with international obligations	-	100% (10/10)	≥90%	100% (10/10)	None	None
	Water use authorisations	Percentage of water use authorisations processed within the regulated timeframe	100% (92/92)	95.2% (120/126)	80%	102.91% (106/103)	None	None
	Water Use database management	Percentage of water use authorisations Registered on WARMS	-	-	90%	100% (358/358)	None	None
	Regulative compliance	Percentage of activities monitored for compliance.	-	-	90%	100.89% (113/112)	None	None
		Percentage of enforcement action taken against non-compliant activities	-	-	100%	100% (60/60)	None	None

¹ Quality

$Y = a/b \times 100$
 $Y = 23/23 \times 100$
 $Y = 100\%$

Quantity

$X = a/b \times 100$
 $X = 10/10 \times 100$
 $X = 100\%$

Both quality and quantity

Thereof: $Z = Y + X/2$
 $Z = 100 + 100/2$
 $Z = 100\%$

Linking performance to budgets

Table 3.4.2 details expenditure per programme. Of the total spending, 51% was used for Protection of Water Resources, 25% was used for Business Support Services and 24% was used for Financial Sustainability and Administration & Governance. The trajectory of spend indicates that the highest budget utilisation is on management of the resource. This trend is appreciated and will continue to be supported by internal processes.

Table 3.4.2 Linking performance to budget

	2021/2022			2022/2023		
Programme/ Activity / Objective	Budget	Actual Expenditure	(Over) / Under Expenditure	Budget	Actual Expenditure	(Over) / Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration & Governance	12 006	11 145	861	8 998	12 166	(3 168)
Protection & Use of Water Resources	73 303	68 673	4 630	69 013	62 548	6 465
Human Resource & Business Support	35 467	33 453	2 014	46 492	41 352	5 140
Finance	18 933	21 573	(2 640)	23 376	23 154	222
Total	139 709	134 844	4 865	147 879	139 220	8 659

4. REVENUE COLLECTION

4.1 Allocation appropriated by parliament

In the year under report, the Agency continued to rely on allocation appropriated by parliament as its major revenue stream. The performance as reported by the end of the year realised over-collection of R44 million. Over-collection was due to the recognition of a conditional grant valued at R23 million (after certain conditions were met), as well an additional R22 million received from DWS. Government grants thus accounted for 73% of total funding in the year under review. Consistent with the reducing fiscus, the Agency envisages reducing its reliance on government grants by approximately 45% in future periods, due to the introduction of the wastewater discharge charge (WWDC). Whilst this position is favourable, as it reduces dependency on state funding, the funding risk is transferred to the Agency. To improve this position, management has prioritised improved debt management to improve the payment trend, and adopted a conservative approach in terms of managing overall expenditure.

4.2 Water resource management charges

Revenue management as a strategic component operates to ensure the financial sustainability of the Agency. This strategic unit reported full compliance with prevailing legislation, as well as improved collection from lawful water users. This was firstly achieved by deducing catchment management agency (CMA) tariffs for 2022/23 in consultation with users that were subsequently approved by the minister. Approved tariffs were thus used to bill and collect CMA charges timeously and accurately. Tariffs applied and revenue deemed collectible are noted in Table 4.2.

Table 4.2.1: Water resource management charges

Sector	Proposed Tariff	Total Projected Revenue (R'000)	Approved Tariff	Total PActual Revenue (R'000)
Domestic and Industry	4.26c	55 485	4.13c	38 906
Irrigation	2.09c		2.09c	
Forestry	1.71c		1.66c	

4.3 Revenue collection

In addition, the Agency further ensured in the reporting year that a robust responsive Debt Management Strategy was developed within the ambits of applicable policies and legislation, namely the Public Finance Management Act (PFMA), Treasury Regulations and the Agency's approved Revenue Management Policy. The strategy was successfully implemented as it made special recognition of the importance of stakeholder engagement with all customers at both strategic and operational levels. To this effect, heightened engagement remains key to achieving all the objectives that have been set. The strategy included other responsive mechanisms such as improving data integrity, using legal processes and strengthening inter-governmental relations.

4.4 Revenue billable

Water Resources Management charges reported an under billing of R16,58 million by the end of the year under review. The reduced billables owed to adverse changes noted in registered volumes. Revenue as budgeted was projected based on a registered volume of 1,946 billion cubic meters at a proposed average rate of R0.027c per cubic meter. However, the actual volume for the year was 1,894 billion cubic meters. The reduction in volume ultimately reduces revenue and the 5-year trend is shown in Figure 2.

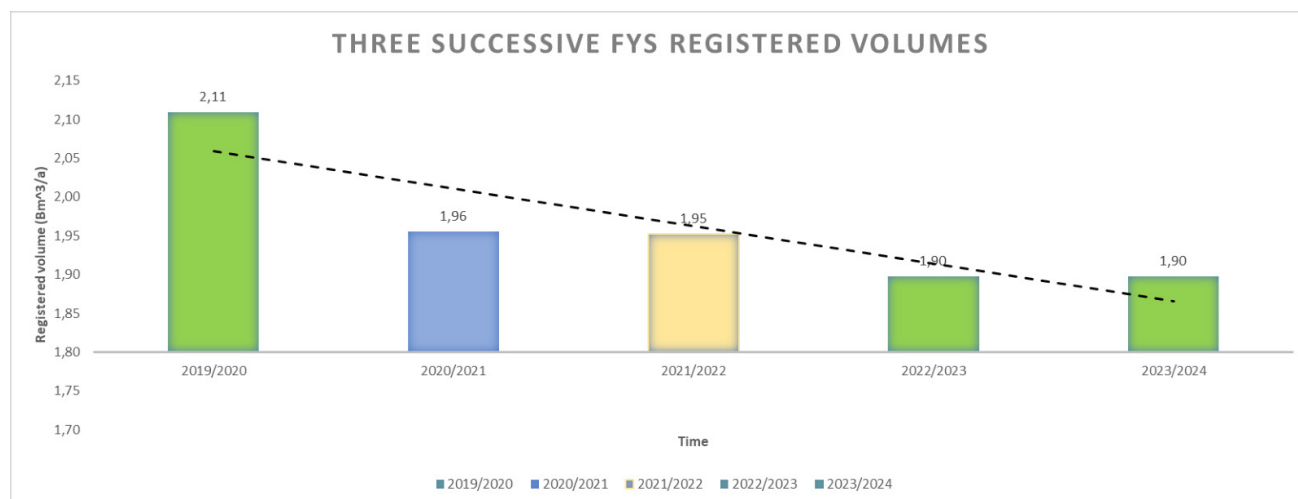


Figure 2: 5-year trend for billable volume

The decline shown in Figure 2 is largely due to the following reasons:

- Verification and validation processes;
- Expired licenses;
- The closure of registrations because of property sales;
- Voluntary surrender of water uses.

The impact of the decline in volumes is especially evidenced by a decline in projected revenue. The material decline in revenue has resulted in the Agency carefully monitoring any changes that have a negative impact on financial sustainability. The reviews that are being conducted institutional-wide at various tiers of management further entail compliance and monitoring evaluations to ensure that indeed there is no further or actual use of the resource. The institution has initiated various interventions to address the challenge of declining volumes and subsequently declining revenue.

These include:

- An improved inter-programme operating mechanism that promotes continued communication between critical functions. This process also promoted the definition and adoption of universal modus operandi of inter-programme processes.
- The establishment of early warning systems that allow the Agency to proactively address any activity that may result in a reduction of volumes. This process will include the identification of water users whose licenses have expired and who have not initiated a renewal process. Customers who are not willing to accept a renewal process will be billed for a punitive charge (non-compliance) until they are in full compliance with the NWA.

- One major reason cited for the lack of timeous renewal of licenses is the tedious process customers need to engage in for renewal. Correcting this problem requires a change in policy position; therefore the Agency has started key engagements with DWS. The engagements seek to request for the review of the currently applied tedious renewal process. In assessing the risk exposure, it was noted that unless DWS resolves this for the Agency, there is an expected exodus of water users from the formal renewal process onto the discouraged punitive charge mechanism. Management is especially cognisant of this looming phenomenon and will ensure that more stringent measures are incepted beyond punitive charges to ensure full compliance by water users.

Table 4.5 provides a summary of all forms of revenue collected by the Agency during the reporting period.

Table 4.5: Revenue collection

Sources of revenue	2021/2022			2022/2023		
	Estimate	Actual Amount Collected	(Over) / Under Collection	Estimate	Actual Amount Collected	(Over) / Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Allocation appropriated by parliament	88 861	122 867	(34 006)	89 394	133 675	(44 281)
Water Resources Management Charges	49 703	33 367	16 336	55 485	38 906	16 579
Interest received (trading)	-	1 999	(1 999)	-	4 138	(4 138)
Interest received (investment)	1 145	3 484	(2 339)	3 000	5 124	(2 124)
Other income	-	701	(701)	-	214	(214)
Total	139 709	162 418	(22 709)	147 879	182 058	(34 179)

5. CAPITAL INVESTMENT

The Agency does not embark in any extensive infrastructure investments due to the nature of its business. Capital investments are limited to those that are done to its owned property located in Piet Retief (Mkhondo). The asset as of the end of the financial year was valued at R2,115 million. Table 5.1 details all investments made during the period under review.

Table 5.1 Capital investment

	2021/2022			2022/2023		
Infrastructure Projects	Budget	Actual Expenditure	(Over) / Under Expenditure	Budget	Actual Expenditure	(Over) / Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Building situated at Portion 1 of Erf 32 Piet Retief	764	764	0	0	0	0
Total	764	764	0	0	0	0

PART C: GOVERNANCE

1. GOVERNANCE STRUCTURES

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation and the Companies Act, corporate governance in public entities is applied through the precepts of the PFMA and run in tandem with the principles contained in the King 4 Report on corporate governance. Parliament, the executive team and the Accounting Authority of the public entity are responsible for corporate governance.

2. PORTFOLIO COMMITTEE

In the financial year under review the agency presented the 2022/23 APP, Annual Report 2021/22 before the Water and Sanitation Portfolio Committee. All comments and recommendations of the Portfolio Committee were considered and actioned accordingly. The dates of the presentations and the documents tabled were:

- The invitation to present was received for the APP 2022/23 to be presented on 3 May 2022.
- The presentation for the annual report 2021/22 was made to the Portfolio Committee on 1 March 2022.
- Amongst the comments and questions of the Portfolio Committee (PC) members, were issues around the initiatives relating to the agency's corporate social responsibility projects. These include drilling boreholes and the provision of water tanks to communities within the catchment area. These initiatives have indeed responded to the needs of the communities and should proceed. The agency will continue with such initiatives in the coming financial years.

3. THE ACCOUNTING AUTHORITY / BOARD

The importance of the Board is to:

(a) Fulfil the mandate of the CMA in accordance with the strategic objectives of the Government, whilst also achieving its delegated responsibilities as set out in the vision and mission of the Inkomati-Usuthu CMA.

(b) To take accountability and responsibility to the Minister of Water and Sanitation for the performance and affairs of the CMA. The Board must therefore retain full and effective control over the CMA and must give strategic direction to the CMA's executive management team. The Board is also responsible for ensuring that the CMA complies with all relevant laws, regulations, policies and codes of practice.

(c) Improve relations to the broader stakeholders, which includes present and potential beneficiaries of water resources in the Inkomati-Usuthu WMA.

The purpose of the Board is to:

- (a) Ensure that all board members are aware of their individual and collective duties and responsibilities.
- (b) Ensure that board members are aware of the various legislation, regulations, policies affecting their conduct.
- (c) Ensure that the principles of corporate governance are applied in their dealings in respect of and on behalf of Inkomati-Usuthu CMA.

Board responsibilities and accountability for the public entity's performance and strategic direction

The Board shall produce an APP with a Budget, in accordance with the planning timeframe set by National Treasury. It shall be submitted to the Minister via the Director-General, as the accounting officer for DWS, as required by the NWA, PFMA and Department of Planning and Monitoring (DPME). The final draft must be submitted before the end of January annually before the start of the new financial year which is 1 April every year. This must align with the DWS strategic planning process and the process of setting of water use charges, including submission of the following:

- First draft of a proposed APP during November and final draft during January preceding the next financial year, in the prescribed format covering projection of revenue, expenditure and borrowings for the previous financial year, the current financial year and three years including that next financial year.
- A proposed five-year strategic plan in the prescribed format covering the affairs of the CMA after every national and provincial elections.
- A CMS as provided for in Section 80 of the NWA.

Role of the board

The role and responsibilities of the Board are to:

- Ensure that the CMA has effective, efficient and transparent systems of operational, risk management and financial internal controls.
- Monitor the activities of the executive management team.
- Ensure that the CMA operates ethically.
- Ensure that the CMA has and maintains a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of Regulation 27 of the National Treasury Regulations promulgated in terms of section 76 of the PMFA.
- Ensure that the CMA has and maintains an appropriate procurement and provisioning system that is fair, equitable, transparent, competitive and cost-effective.
- Ensure that all applicable black economic empowerment legislative frameworks and requirements are complied with.
- The board is responsible for the management, including the safeguarding, of the assets and for the management of the revenue, expenditure and liabilities of the CMA.
- The board must comply with any tax, levy, duty, pension and audit commitments, as required by the statutes.

Board Charter

The GB Charter adheres to the King IV Report principles that aspires to good governance practices, appreciates the IUCMA's core mandate, addresses the issues of risks and opportunities, strategy, business model, performance and sustainable development, information and technology to achieve its strategic objectives.

The GB Charter makes provision for establishing sub-committees to ensure effective performance, and annually evaluates the performance of its members, its Committees and the Chairperson. and support continues improvement in its performance and effectiveness.

The GB has established two committees, namely: the Audit Committee, as required in terms of Regulation 27 of the National Treasury Regulations promulgated in terms of section 76 of the PFMA; and EXCO. Further sub-committees established are as follows:

(i) **ICT Steering Committee**, which seeks to:

- prescribe controls that will ensure effective and consistent levels of security to be maintained in the entire IUCMA IT systems;
- establish mechanisms that help identify and prevent the compromise of information security and the misuse of IUCMA data, application networks and ICT systems;
- ensure the confidentiality, integrity and validity of data.

(ii) **Risk Management Committee**, which seeks to establish and maintain a sound risk management system by reviewing the risk management maturity, the status of risk management activities and the significant risks facing the Agency and ensure the following is addressed:

- Strategic and operational risks
- Insurance management
- Security management
- OHS measures
- Legal and compliance
- Business continuity management and disaster recovery
- Fraud and anti-corruption
- Security management

It can be reported that the GB has been in compliance with its Charter and that it managed to achieve its set objectives, as per the annual planned targets, and by establishing the above-mentioned sub-committees, which ensured compliance with all applicable legislation and regulations.

The Charter is reviewed after three years, or as and when there is a need.

Composition of the Board

Table 5.2: Composition of the Board

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees or Task Teams (e.g.: Audit Committee / Ministerial Task Team)	No. of Meetings Attended
Mr Sam Mthembu	Chairperson	Chairperson: 06.05.2021 Deputy Chairperson:	N/A	Master of Business Leadership Postgraduate	Corporate Governance Financial Accounting		EXCO member	12

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees or Task Teams (e.g.: Audit Committee / Ministerial Task Team)	No. of Meetings Attended
		31.03.2019		Diploma in Risk Management Bcom (Accounting) FAP (IAC)SA Diploma in Commercial Banking	Risk Management			
Ms Shivon Wiggins	Deputy Chairperson	Deputy Chairperson: 06.05.2021 Member: 31.03.2019	N/A	Bachelor of Science in Town and Regional Planning	Corporate Governance and Town Planning		Audit Committee member	12
Adv. Geraldine Khoza	Member	06.05.2021	N/A	B. PROC LLB H. Dip Tax Law CCMA Commissioner Training	Arbitrator, Mediator, Facilitator, Trainer		EXCO member	9
Dr Thava Kelly	Member	31.03.2019	N/A	PhD in Civil Engineering / Municipal Engineering Masters in Science and Engineering Honours Degree Bachelor Degree	Technical / Civil Engineering		EXCO Chairperson	11
Ms Linda Zulu	Member	31.03.2019	N/A	Master of Business Administration (MBA), Post Graduate Diploma in General Management, Bachelor of Technology: Civil Engineering, National Diploma: Civil Engineering, Master of Science: Engineering Management, Master of Philosophy: Development Finance.	Technical / Civil Engineering		Audit Committee member	8

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees or Task Teams (e.g.: Audit Committee / Ministerial Task Team)	No. of Meetings Attended
Ms Miranda Sikhakhane	Member	31.03.2019	N/A	National Diploma in Nature Conservation Bachelor of Technology in Nature Conservation Certificate in SHE Incident Certificate in Environmental Management Inspector Certificate in EIA Certificate in Lead Auditor Management System Certificate in Environmental Weed Management (PCO)	Water resource management and environment		Audit Committee member	9
Mr Willem Baird	Member	06.05.2021	N/A	Chartered Risk Manager Professional Chartered Management Accounting Diploma Fellow of Institute of Internal Auditors Post Graduate Diploma Law Post Graduate - Management Development Program Advance Certificate in Auditing Diploma in Business Development.	Risk and Compliance		Audit Committee member	12
Mr Mashudu Gangazhe	Member	31.03.2019	N/A	B-Tech in Environmental Sciences	Water resource management and environment		EXCO member	9
Mr Lucky Mohalaba	Ex-officio / CEO	02.01.2022	N/A	LLB, Post Graduate Diploma Public Management, Post Graduate Diploma Corporate Law, Admitted Attorney of the High Court of SA, Executive	Leadership, Corporate Governance and Legal		CEO / Board Ex-officio and attends all committee meetings	15

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees or Task Teams (e.g.: Audit Committee / Ministerial Task Team)	No. of Meetings Attended
				Development Programme, Certificate in Legislative Drafting.				

• Alternate members:

- Mr JK Sithole – External Audit Committee Chairperson appointed 15 August 2019 and resigned 26 January 2023.
- Ms MA Mphahlele – External Audit Committee member appointed 16 February 2021 until the first meeting of the new GB.
- Mr M Sebeelo – Risk Management Committee Chairperson appointed 1 June 2019 to July 2022, and extended to the first meeting of a new GB.
- Dr TG Sethibe – ICT Steering Committee Chairperson appointed 1 April 2021 to 31 April 2024.

Committees

Table 5.3 Governing Committee

Committee	No. of Meetings Held	No. of Members	Name of Members
EXCO	6	4	Dr T Kelly – Chairperson Mr S Mthembu Mr M Gangazhe Adv. G Khoza
Audit Committee	9	6	Mr JK Sithole – External Chairperson (resigned 26.01.2023) Ms MA Mphahlele (Interim Chairperson) Ms LC Zulu Ms LM Sikhakhane Mr WB Baird Ms SD Wiggins
Risk Management Committee	6	9	External Chairperson – Mr M Sebeelo CEO 3 x Executives Board Secretary

Committee	No. of Meetings Held	No. of Members	Name of Members
			Risk Management Committee (RMC) Specialist IA Specialist Strategic Support
ICT Steering Committee	5	12	External Chairperson – Dr TG Sethibe ICT Operational Committee Chairperson CEO 3 x Executives Board Secretary IT Technician RMC Specialist IA Specialist Strategic Support

Remuneration of Board members

The GB members are remunerated based on the Category S scales as approved by the Minister of Finance and published by National Treasury. The applicable rates for financial year 2022/23 are noted below.

Position	Applicable Category S rate per day
Chairperson	R5,716
Deputy Chairperson	R4,851
Member	R4,446

Other expenses pertaining to travel costs are payable on actual kilometres travelled as per the rate indicated by the Department of Transport. The GB members are paid for both preparatory time and attendance. Amounts are paid in arrears following confirmation of meeting attendance and actual kilometres claimed.

Amounts claimed and paid are noted in Table 5.4.

Table 5.4: Remuneration of Board members

Name	Remuneration	Other allowance	Total
Mr MS Mthembu (Chairperson)	R390,744	R0.00	R390,744
Mrs SD Wiggins (Deputy Chairperson)	R180,584	R0.00	R180,584
Mr M Gangazhe	R129,345	R0.00	R129,345
Mr WB Baird	R142,495	R0.00	R142,495
Ms LC Zulu	R93,777	R0.00	R93,777
Adv. G Khoza	R228,554	R0.00	R228,554

Dr T Kelly	R254,153	R0.00	R254,153
Ms LM Sikhakhane	R101,050	R0.00	R101,050
TOTAL	R1,520,702	R0.00	R1,520,702

4. RISK MANAGEMENT

The Agency understands that risk management is a strategic imperative for enhancement of performance towards achievement of its strategic outcomes. The Risk Management unit was established in terms of section 51 (a)(i) of the PFMA and it is under the custodianship of the CEO.

The Agency has a Risk Management Policy and Strategy developed in terms of the Public Sector Risk Management Framework. The Policy and Strategy communicates the Agency's risk management philosophy. The Agency conducts risk assessments and reviews annually in accordance with Treasury Regulations 3.2.1. This helps the Agency to direct its internal audit efforts and prioritise the allocation of resources.

The RMC, chaired by an external member, has been appointed by the GB to assist in discharging risk management responsibility. The RMC meets on a quarterly basis to evaluate the effectiveness of mitigating strategies to address the material risks and report to the GB any material changes to the risk profile of the Agency.

The RMC also provides oversight on ethics management in the Agency. An Ethics Management Policy and the risk management implementation plan contain details of the planned activities aimed at promoting an ethical business culture. On a quarterly basis, the RMC discusses the progress regarding of the implementation risk management plan by management. The Audit Committee provides oversight of the risk management function in the Agency and as such, risk management is a standing item on the quarterly meetings of the Audit Committee. Table 5.1 contains all strategic risks monitored during the year under review.

Table 5.1 Strategic risks identified and monitored for mitigation in 2022/23

STRATEGIC OUTCOME	RISK NUMBER	RISK DESCRIPTION	RISK DESCRIPTION EXPLAINED
Outcome 1: Increased stakeholder satisfaction	STR3	Weak / reduced stakeholder confidence and trust.	Linked to the APP targets, the IUCMA seeks to eliminate any risk exposure to stakeholder relations and increased stakeholder satisfaction.
Outcome 2: Enhanced human resources and business capabilities	STR 4	Unsustainable ICT systems.	ICT is regarded as key IUCMA business enabler. The ICT strategy and MSP are approved and implemented, to ensure efficient business software applications systems are applied.
Outcome 3: Maintain financial sustainability	STR2	Unsustainable IUCMA financial resources.	The current revenue trajectory of the IUCMA is not sustainable therefore, a plan to optimise the revenue and resource allocation cycles is developed to have a financial trajectory that would create a sustainable future capital base.
Outcome 4: Protected water resources	STR1	Decline in water security.	Availability of water within the WMA is a serious challenge and is a powerful force that requires attention.

5. INTERNAL AUDIT

The PFMA, section 51(1)(a)(ii), states: “An Accounting Officer for a Public entity, must ensure that a public entity has and maintains a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77”.

The approved Annual Audit plan and the strategic three-year rolling plan are based on strategic risks identified by management and approved by the GB. The coverage plan is updated annually, based on the risk assessment, internal and external emerging issues and results of both internal and external audits performed in the previous financial year. This ensures that the audit coverage is focused on identified internal and external emerging risks. Graph below contains all audits that were conducted

in the year under review. These include, legal services, cellphone and telephone management, risk management etc

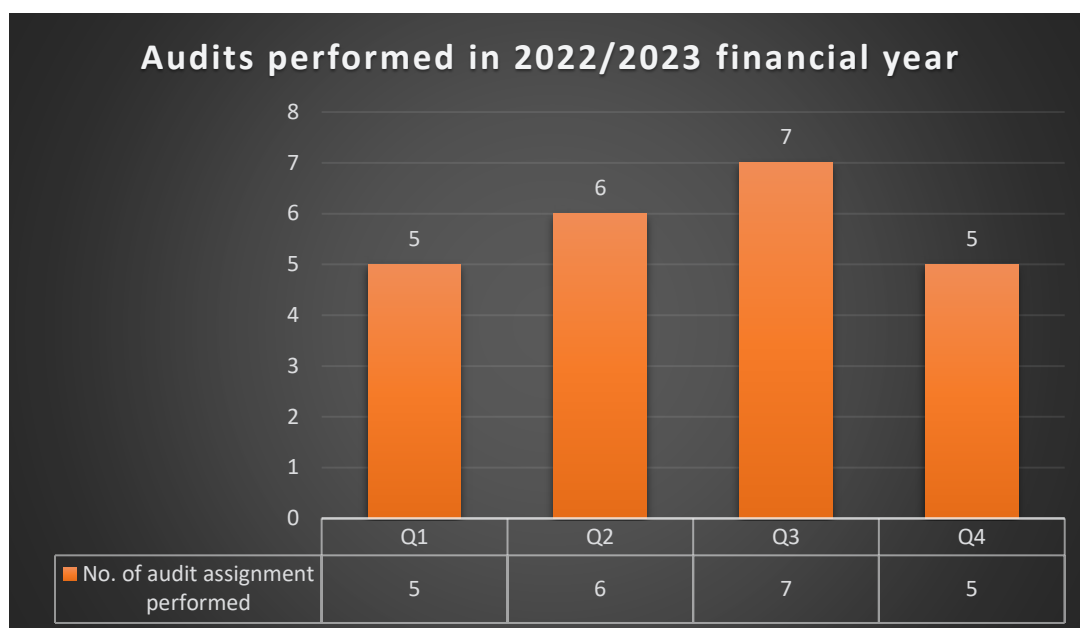


Figure 3: Internal Audits performed

6. COMPLIANCE WITH LAWS AND REGULATIONS

DWS has established a NWA Task Team to discuss the Constitutional Court judgement of 15 March 2023 regarding the NWA Amendment Bill and the transfer of water use entitlements (sections 22 and 25 of NWA). The objectives of the task team are, among others, to deliberate how this judgment will affect current policy and propose amendments to water use authorisation provisions in the Act. The process is ongoing and officials from the IUCMA are part of the Task Team.

7. FRAUD AND CORRUPTION

The Agency has, in terms of Treasury Regulation 3.2.1, an approved Fraud Prevention Plan in place to implement the Fraud Prevention Policy. Fraud Risk Assessments conducted shows that the Agency has a minimum exposure to fraud risks and management has put measures in place to ensure that these risks do not materialise.

Nevertheless, management accepts fraud and corruption as a business risk. However, acceptance does not mean it condones fraud and it therefore commits itself to actively fight fraud, corruption and all other acts of dishonesty. There are measures in place to ensure that fraudulent activities are reported, investigated and resolved within a specified period. Employees and the public are encouraged through awareness programmes and initiatives to report any suspected fraud and

corruption activities. There is a National Anti-Corruption Hotline (NACH) – 0800 701 701 - and a Presidential Hotline that employees and the public can use to report allegations of fraud.

The Agency has a Whistle-Blowing Policy that provides assurance to provide protection to all reporters of unethical conduct. There were no incidents or reported cases during the period under review.

8. MINIMISING CONFLICT OF INTEREST

Measures have been implemented to minimise conflict of interest as disclosed in the approved SCM Policy as follows:

- A consultant and or supplier cannot participate in the bid where it was involved in the bid specification and or design phase of the bid, except for turnkey projects.
- A consultant and its affiliates shall not engage in consulting activities that conflict with the interest of the IUCMA under the contract and shall be excluded from a downstream supply of goods or construction work or purchase of any asset or provision of any other service related to the assignment other than a continuation of the service under the ongoing contract.
- All SCM role players are required to sign the SCM code of conduct and declare any interest in each of all three Bid Committee meetings.
- Providers of goods, services and works are required to declare interest on each bidding opportunity.

Should any SCM role-player have a conflict of interest at any stage of a procurement transaction the employee shall report such conflict of interest to the Manager SCM and shall recuse themselves from participating further.

9. CODE OF CONDUCT

A Code of Conduct has been formulated to help IUCMA employees understand the standards of personal and professional behaviour required of them, in order to maintain public confidence in the integrity of the IUCMA. The code is also intended to promote ethical awareness and serves as a guideline to employees as to what is expected of them from an ethical perspective, both in their individual contact and in their relationship with others (internal and external). The IUCMA is committed to the ethical principles of honesty, transparency, integrity, non-discrimination, respect for human dignity, professionalism and accountability and employees are ultimately accountable to all the

IUCMA's stakeholders for ensuring that the IUCMA business is conducted in accordance with the highest standards of corporate governance, ethics and moral behaviour.

10. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The Agency made efforts to ensure a safe and healthy work environment for all employees. No disabling injury was reported during this reporting period, which is attributed to notable achievements such as the provision of personal protective equipment for field workers, building inspections, the development of a risk assessment matrix and safe working procedures. The occupational hygiene survey was conducted to ensure compliance with the Occupational Health and Safety Act 85 of 1993.

11. BOARD SECRETARY

The responsibilities of the Board Secretary are:

- To be accountable to the GB.
- To provide the GB with guidance as to their duties, responsibilities and powers.
- To advise on any law relevant to or affecting the Agency.
- To report to the Board any failure on the part of the Agency to comply with relevant Legislation, Regulations, Policies or other applicable prescripts.
- To ensure that minutes of all GB and Committee meetings are properly recorded and maintained in accordance with the Agencies standard operating procedures.
- To assist in the proper induction, orientation, ongoing training and education of GB members, including assessing the specific training needs of Board members in terms of their fiduciary and other governance responsibilities.
- To provide a central source of guidance and advice to the Board and to the company, on matters of good governance and changes in legislation.
- The company secretary should have a direct channel of communication to the chairperson and should be available to provide comprehensive practical support and guidance to the Board.
- The company secretary should ensure that the board and board committee charters and terms of reference are kept up to date and adhered to.
- Ensure the proper compilation and timely circulation of board papers and for assisting the chairperson of the board and committees with drafting of yearly work plans.
- Obtain appropriate responses and feedback to specific agenda items and resolutions and matters arising from earlier meetings in board and board committee meetings.

- To raise matters that may warrant the attention of the board.
- Ensure that the proceedings of Board and Committee meetings are properly recorded and that minutes of meetings are circulated to the GB in a timely manner.

12. SOCIAL RESPONSIBILITY

In our quest to improve access to water supply the agency implemented projects in 2 villages (Makgarula and Phola). Two rural community water supply schemes were undertaken as part of the IUCMA projects, funded through the Corporate Social Investment (CSI) programme assisting the City of Mbombela Local Municipality in drilling boreholes in Phola and Makgarula communities. This rudimentary water supply scheme consists of two solar-powered boreholes, two elevated storage tanks, with a capacity of 10,000 litres each, and four standpipes connected to the tanks.



Disaster Relief

Floods struck Mpumalanga Province between November 2022 and March 2023 causing significant infrastructure damage. As part of its CSI commitment, the IUCMA pledged R100,000 towards the support to households affected by the storms in Gert Sibande and Ehlanzeni Districts.

13. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year end 31 March 2023.

The Audit Committee is an independent statutory committee appointed by the GB. Further duties are delegated to the Audit Committee by the GB. This includes both these sets of duties and responsibilities.

Audit Committee Members and Attendance

The Audit Committee consist of the members listed hereunder and must meet four times per annum as per its approved Audit Committee Charter. During the year under review nine Audit Committee meetings were held, five special meetings and four ordinary meetings.

The Special Committee meetings were convened to consider and deliberate on the following matters:

- To review the APP 2021/22, Annual Financial Statements 2021/22 Revised Delegations of Authority and SCM Policy
- External Audit Presentation on the 2021/22 Annual Financial Statements
- Review of the Draft APP 2023/24, Mid-term Budget Adjustment and Draft Budget 2023/24
- Review of Preferential Procurement Policy, SCM Policy and Amendment of Procurement Plan
- Audit Committee Close-Out Report

CEO, Chief Financial Officer, Internal Audit Specialist, External Auditor and other assurance providers attend meetings by invitation only. In terms of Regulation 27 of the National Treasury Regulations, promulgated in terms of section 76 of the PFMA, and as per its Charter, the GB ensures:

- i. The appointment of Audit Committee Chairperson who is an independent, non-executive member of the GB.
- ii. The appointment of Audit Committee members are financially literate, with skills and experience to execute their duties effectively.

Name of member	Number of meetings attended
Mr JK Sithole (Chairperson resigned 26.01.2023).	8
Ms LC Zulu	7
Ms MA Mphahlele (Interim-Chairperson Appointment 26.01.2023)	9
Ms LM Sikhakhane	9
Mr WB Baird	9
Ms SD Wiggins	9

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 55(1)(a)(i) of the PFMA.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as stipulated by its Charter, which includes the following:

- Financial performance management and other reporting practices
- Internal controls and risk management
- Ensuring compliance with laws, regulations and ethics
- Annual financial statements
- Providing an internal audit function and ensuring an external audit function is performed by external auditors
- Ensuring ICT governance.

The Audit Committee has performed its functions in compliance with its Charter and has discharged all its responsibilities contained therein.

Statutory Duties

1. The Committee ensured that the appointment of the Internal and External Auditors complied with the Audit Committee Charter, the PFMA and other legislation relating to the appointment of auditors.
2. In consultation with the executive management team, the Committee agreed to the engagement letter, terms, audit plan and budgeted audit fees for the year 2022/23.

3. In terms of Section 51(1) of the PFMA the GB as the Accounting Authority of the IUCMA, being a public entity ensured that it maintained:

- i. Effective, efficient and transparent systems of financial and risk management and control.
- ii. A system of internal audit under the control and direction of an Audit Committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77.
- iii. An appropriate procurement and provisioning system that is fair, equitable, transparent, competitive and cost effective.
- iv. A system for properly evaluating all major capital projects prior to a financial.

1. The Audit Committee ensured it disclosed the following in the Annual Report 2022/23:

- i. Its overall role and associated responsibilities and functions.
- ii. Its overall role and associated responsibilities and functions.
- iii. Its composition, including each member's qualifications and experience.
- iv. Key areas of focus during the reporting period.
- v. The number of meetings held during the reporting period and attendance at those meetings.
- vi. Whether the committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.
- vii. A statement as to whether the audit committee is satisfied that the external auditor is independent of the IUCMA addressing the following:
 - The policy and controls that address the provision of non-audit services by the external auditor, and the nature and extent of such services rendered during the financial year.
 - Significant changes in the management of the organisation during the external audit firm's tenure, which may mitigate the attendant risk of familiarity between the external auditor and management.

- viii. Significant matters that the Audit Committee has considered in relation to the annual financial statements and how these were addressed by the committee.
- ix. The Audit Committee's views on the effectiveness of the design and implementation of internal financial controls, and on the nature and extent of any significant weaknesses in the design, implementation or execution of internal financial controls, which resulted in material financial loss, fraud, corruption or error.

Internal Financial Controls

The Audit Committee oversaw the process of Internal Audit performing a written assessment of the effectiveness of the Agency's system of internal control and risk management, including internal financial controls.

Whistle Blowing and Ethics Management

Whilst progress has been made with Whistle Blowing and Ethics Management in the year under review, the Audit Committee has received appropriate recommendations from the Risk Management Committee in this regard. The Audit Committee has urged management to increase its efforts to improve the organisation's controls, policies, monitoring and reporting of Whistle Blowing mechanisms and Ethics Management. This is an area that, in the opinion of the Audit Committee, requires urgent attention.

Going Concern

The Audit Committee has reviewed a documented assessment, including key assumptions, prepared by management of the going concern status of the Agency and has made recommendations to the GB in accordance. The Board's statement on the going concern status of the agency, as supported by the Audit Committee, is provided elsewhere in the Annual Report.

Governance of Risk

The GB has assigned oversight of the Agency's risk management function to the Risk Committee. The Chairperson of the ICT and Risk Management Committees attends the Audit Committee meetings by standing invitation to ensure that information relevant to these committees is transferred regularly. The Audit Committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology (IT) risks.

Internal Audit

The Audit Committee is responsible for ensuring that the Agency's internal audit function is independent and has the necessary resources, standing and authority within the Agency to enable it to discharge its duties. Furthermore, the Committee oversees cooperation between the Internal and External Auditors and serves as a link between the GB and these functions.

The Audit Committee considered and recommended the Internal Audit Charter for approval by the GB. The Internal Audit function's Annual Audit Plan was approved by the Audit Committee.

The Internal Audit function reports centrally with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all the Agency's operations. The CEO is responsible for reporting findings of the Internal Audit work against the agreed internal audit plan to the Audit Committee on a regular basis.

The Internal Audit Specialist has direct access to the Audit Committee, primarily through its Chairperson.

The Audit Committee is also responsible for the assessment of the performance of the Internal Audit Specialist and the Internal Audit function. To this end the external assessment of the Internal Audit function shall be undertaken in quarter 4 of the new financial year.

Effectiveness of Internal Control

The Agency has submitted quarterly reports to the Executive Authority in terms of the PFMA after deliberations by the Audit Committee and the GB. In this regard, the Audit Committee considers it appropriate to detail the practices and the internal financial controls of the Agency in the financial statements.

During the year under review, the Committee has received various reports in line with its Charter. The Committee deliberated on such reports and made recommendations on the following matters:

- Management must pay special attention to the financial sustainability of the Agency.
- Management must improve on internal controls in particular the avoidance of irregular expenditure.

- Management must continue to improve on debt management, including alternative sources of funding.
- Implementation of business continuity management (BCM).
- Implementation of the ICT strategy.

Evaluation of Annual Financial Statements

The Audit Committee:

- Reviewed and discussed the audited financial statements to be included in the Annual Report, with the External Auditor of the Accounting Authority.
- Reviewed the External Auditor's management report and management's response.
- Reviewed the Agency's compliance with legal and regulatory provision.

Ms Annabelle Makgetsi Mphahlele

Interim Chairperson of the Audit Committee

Inkomati-Usuthu Catchment Management Agency

31 July 2023

14. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

Table 15.1 has been completed in compliance with the requirements of the BBEE Act of 2013 and as determined by the Department of Trade, Industry and Competition.

Table 15.1: B-BBEE compliance

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	Response	Discussion
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	The Agency monitors water allocations to ensure that there is reported sectoral transformation. In addition, the Agency, in collaboration with DWS, is involved in the transformation of Irrigation Boards to Water User Associations – a process that is expected to heighten transformation in the sector.
Developing and implementing a preferential procurement policy?	Yes	The Agency has developed a preferential procurement policy that takes into consideration developmental goals. The policy allocates points to enterprises owned by black people, women, youth and people living with a disability. In line with this policy, the agency managed to achieve 49% expenditure to B-BBEE out of its total expenditure for the financial year under review.
Determining qualification criteria for the sale of state-owned enterprises?	No	N/A
Developing criteria for entering into partnerships with the private sector?	No	N/A
Determining criteria for the awarding of incentives, grants and investment schemes in support of BBEE?	No	N/A

PART D: HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

Strategic Human Resource (HR) management creates an enabling environment for the survival and performance of the institution to help achieve its strategic outcomes. As with any other visionary organisation, the Agency recognises that employees are its greatest and valuable asset hence the need for an integrated human resource management strategy and leadership.

This implies that the institution remains committed to its values and principles towards its human capital through the implementation of human resource functions such as integrated workforce planning, staffing (recruitment and selection), talent management and retention, competitive and fair remuneration, sound labour relations, training and skills development, leadership and change management. It is for this reason that Human Resource Management becomes a strategic business partner through the links between the HR strategy and the business or organisational strategy.

Set HR priorities for the year under review and the impact of these priorities

The potential for excellence in mandate delivery by the IUCMA should be enhanced by how the organisations orchestrate its resources. Its structures must be strengthened to enhance delivery in core operational mandate area of water resources management, including the support core areas. Enhance human resource capabilities.

- A healthy, high performance and results oriented culture.
- Inclusive, learning and enabling organisation.

The potential for excellence in the IUCMA delivering on its mandate can be enhanced by how the organisation conducts its workforce planning and develops its human resources. Its structures should be strengthened to enhance delivery in terms of the core operational mandate area of water resources management, including business support areas. The IUCMA will implement an HR plan in the context of Board-approved policies.

Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce.

Employee performance management framework.

The institution has an approved performance management and development system and strive to ensure 100% compliance. Performance management of employees was effectively managed throughout the year to ensure that the set strategic objectives of the institution are achieved. In support of our efforts to enhance human capital development, the Workplace Skills Plan (WSP) was developed and duly approved by the Energy and Water Sector Education and Training Authority (EWSETA) to ensure that training interventions undertaken were conducted in line with this plan. Several key strategic training interventions such as Animal Behaviour, First Aid, Emotional Intelligence, Incident Investigation, Microsoft Azure Administrator, Bid committee training and Environmental management.

Employee wellness programmes

Human capital remains one of the most precious and highly valued strategic assets to drive and deliver on our mandate. An investment was made in a quest to have a healthy workforce to provide a wide range of Employee Health & Wellness Services. In the same breath, several interventions such as counselling, trauma debriefing, financial wellness and team building were provided to employees at all levels. In responding to the latter, a remote working policy was developed and approved by the GB to create work-life balance.

Policy development

In a quest to attract, develop, motivate and retain talent to ensure that the organisation is capacitated to deliver on its mandate and repositioning itself as the 'employer of choice' in the water sector, the following policies were approved:

- Staff Attraction and Retention Policy.
- Human Resource Development Policy.
- Remote Working Policy.
- Employee Transfer, Secondment and Resettlement Policy.
- Employment Equity and Disability Policy.
- Recruitment and Selection Policy.
- Performance Management and Development System Policy.

Highlights of achievements

Internal and External Bursaries

A total of 20 employees were awarded internal bursaries to further their studies in various fields of study, as indicated in Table 5.5

Table 5.5 bursaries

Field of Study	Number of Bursaries
Integrated Water Resource Management	4
Environmental Management	4
Environmental Law / LLB	2
Science / Geohydrology	2
Information technology	3
Public / Business / Management	2
Accounting / Finance	3

A total of four external bursaries were also awarded to qualifying previously disadvantaged students from the catchment management areas to pursue their tertiary education in water-related fields in the areas of Environmental Science, Biochemistry & Chemistry and Geology.

Youth employment

The Agency gave consideration to macro-environment conditions, which include socio-economic factors such as a high unemployment rate among South African youth. Therefore, 18 young graduates were placed to allow them to gain work-based experience.

Performance Management

Performance management of employees was effectively managed throughout the year to ensure that the set strategic outcomes of the institution are achieved. In support of our efforts to enhance human capital development, the WSP was developed and duly approved by the EWSETA to ensure that training undertaken was conducted in line with this plan. Several key strategic training sessions were completed, including Animal Behaviour, First Aid, Emotional Intelligence, Incident Investigation, Microsoft Azure Administrator, Bid Committee Training and Environmental Management.

Future HR plans

The HR endeavour to achieve the following goals and objectives as we enhance human resources capabilities:

- Attract and retain talent by appointing the right and competent candidate for the right position.
- Promote, embrace and support a diverse workforce in all job categories and at all job levels by implementing the IUCMA Employment Equity and Disability Policy.
- Continuous improvement of employee's capacity, rewarding performance and organisational effectiveness through the implementation of the IUCMA Performance Management and Development Policy and Bursaries.
- Champion career and professional growth.
- Create and enhance strategic partnerships.
- Streamline and enhance delivery of HR services through technology.
- Offer work-life balance programmes, services and activities that improve employee health and well-being and promote a safe and healthy working environment.
- Foster a work environment that values cooperation and collaboration, and in which issues are resolved at the lowest possible level.

Key human resource priorities over the medium term are as follows:

- (i) Implementation of the integrated human resource plan covering the following areas:
 - Remuneration: To implement a rewards system that is consistent with the outcomes, output and attributes of the IUCMA. When the performing workforce is appropriately rewarded, an extension will thus be made towards retention of those competencies that aligns with the outcomes and impacts of the IUCMA.
 - Succession planning and career pathing: development of employees with specific competencies to take up key position by maintenance of a database of employees with specific competencies.
 - Recruitment and Selection: To ensure effective recruitment and retention of staff with expertise, experience and skills within a framework that ensures diversity and skills.

- **Performance Management:** To recognise and reward performance that is geared towards achievement of the strategic objectives and targets of the IUCMA. The improved performance management system will lead to attainment of the strategic outcomes and impacts of the IUCMA. A robust performance management system will therefore need to be implemented.
- **Employment Equity:** Creation of an environment free of discrimination and removal of barriers to actively appoint and develop individuals with potential from previously disadvantaged groups.
- **Talent Management:** Organisational excellence should be created and sustained through proactive talent management practises. Employees should not only be attracted and recruited but are trained and developed in all critical skills so that they possess the proficiencies that match those required for their positions. Such employees should not only be trained and developed but retained to ensure that they play a role in attainment of the IUCMA strategic outcomes and impacts.

(ii) Perform a baseline organisational culture survey.

(iii) Perform a baseline employee survey.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

The agency prides itself for having an effective workforce here below is key information on human resources.

2.1 Personnel related expenditure

Table 5.6: Personnel cost by programme / activity / objective

Programme/activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Programme 1 (Office of the CEO)	R7 359 727	R7 359 727		7	R1 051 390
Programme 2 (ECS)	R18 829 842	R18 829 842		29	R649 309
Programme 3 (Office of the CFO)	R12 776 793	R12 776 793		16	R798 550
Programme 4 (WRM)	R43 526 933	R43 526 933		63	R725 449

Table 5.7: Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	R5 489 591	100%	3	R1 829 864
Senior Management	R15 488 359	100%	14	R1 191 412
Professional qualified	R18 348 442	100%	20	R917 422
Skilled	R38 443 476	100%	63	R630 221
Semi-skilled	R3 910 165	100%	11	R355 470
Unskilled	R813 262	100%	4	R203 316
TOTAL	R82 493 295	100%	115	R736 547

Performance Rewards

The 2021/22 Financial Year Performance Management Development system was not implemented due to implementation of the remuneration strategy.

Table 5.8: Training Costs

Programme /Activity / Objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No. of Employees Trained	Average Training cost per Employee
Animal behaviour	R174	R174	<0%	60	R3
First aid	R47	R47	<0%	10	R5
Emotional intelligence	R110	R110	<0%	34	R3
Incident investigation	R11	R11	<0%	4	R3
WISA conference and exhibition	R12	R12	<0%	1	R12
SMART procurement indaba	R15	R15	<0%	1	R15
Microsoft Azure administrator	R13	R13	<0%	1	R13
Wetlands indaba	R9	R9	<0%	2	R4
Bid committee training	R87	R87	<0%	20	R4
Environmental management	R52	R52	<0%	40	R1

Table 5.9: Employment and vacancies

Programme /Activity / Objective	2022/2023 No. of Employees	2022/2023 Approved Posts	2022/2023 No. of Employees	2022/2023 Vacancies	% of vacancies
Top management	3	4	3	1	25%
Senior management	14	14	14	0	0
Professional qualified	22	41	20	5	15%
Skilled	65	70	63	5	8%
Semi-skilled	10	11	11	0	0
Unskilled	4	4	4	0	0
TOTAL	118	130	115	11	10%

The position of Executive Water Resource Management became vacant on 1 April 2022. Management placed the position on hold due to the implementation of cost management strategy. However, the position was filled on 1 April 2023.

The institution uses its competitive remuneration strategy to attract highly skilled employees.

Table 5.10: Employment changes

Salary Band	Employment at Beginning of Period	Appointments	Terminations	Employment at End of Period
Top management	3	0		3
Senior management	14	0	0	14
Professional qualified	22	0	2	20
Skilled	65	1	3	63
Semi-skilled	10	1	0	11
Unskilled	4	0	0	4
Total	118	2	5	115

Table 5.11 Reasons for staff leaving

Reason	Number	% of Staff Leaving
Death	0	
Resignation	5	4.4%
Dismissal	0	
Retirement	0	
Ill health	0	
Expiry of contract	18	15.6%
Other	0	
Total	23	20%

Table 5.12: Labour Relations: Misconduct and disciplinary action

Nature of Disciplinary action	Number
Verbal warning	0
Written warning	2
Final written warning	0
Dismissal	0

Table 5.13: Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2							
Senior management	9							
Professional qualified	13							
Skilled	31						1	
Semi-skilled	3							
Unskilled	0							
TOTAL	58						1	

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1							
Senior management	5							
Professional qualified	7							
Skilled	29		1				1	
Semi-skilled	8							
Unskilled	4							
TOTAL	54		1				1	

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top management	0		0	
Senior management	0		0	
Professional qualified	0		0	
Skilled	0		0	
Semi-skilled	0		0	
Unskilled	0		0	
TOTAL	0		0	

PART E: PFMA COMPLIANCE REPORT

1. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

1.1. Irregular expenditure

a) Reconciliation of irregular expenditure

Table 1.1 a: Analysis of grant appropriated by parliament

Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	16 155	15 422
Add: Irregular expenditure confirmed	119	731
Less: Irregular expenditure condoned	(15 422)	-
Less: Irregular expenditure not condoned and removed	-	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance	852	16 153

The balance reported as an opening balance in the current year amounting to R16,154,578 was because of the following expenditure:

- R15,421,608 incurred because of a contravention of National Treasury Instruction Note 3 of 2016/17, paragraph 9 on the contract variation of office space. National Treasury condoned the full amount during the year under review.
- R494,934 incurred because of international trips approved in contravention of approved Human Resource Development policy and National Treasury Instruction No 2 of 2017/18 Section 8.1. This expenditure has not yet been condoned.
- During the year ended March 2023, an amount of R238,036 was identified as irregular expenditure incurred in 2021/22, but only identified in the 2022/23 financial year by the internal auditors during ad hoc assessment of irregular expenditure in terms of the Internet services contract with X-DSL Networking Solutions t/a Stem Connect.

Current year irregular expenditure relates to the following:

- R119,018 incurred because of the Internet services contract with X-DSL Networking Solutions t/a Stem Connect that was deemed irregular, due to payments being made after expiry of the contract. The matter is still under investigation, hence no disciplinary steps or condonement was done by the reporting date.

Reconciling notes

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure that was under assessment in 2021/22	-	-
Irregular expenditure that relates to 2021/22 and identified 2022/23	-	238
Irregular expenditure for the current year	119	495
Total	119	733

b) Details of current and previous year irregular expenditure (under assessment, determination and investigation)

Description ²	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	119	-
Irregular expenditure under investigation	-	-
Total³	119	-

c) Details of current and previous year irregular expenditure condoned

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure condoned	15 422	-
Total	15 422	-

d) Details of current and previous year irregular expenditure removed (not condoned)

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure NOT condoned and removed	852	16 153
Total	852	16 153

² Group similar items.

³ Total unconfirmed irregular expenditure (assessment), losses (determination) and criminal conduct (investigation).

e) Details of current and previous year irregular expenditure recovered

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure recovered	-	-
Total	-	-

f) Details of current and previous year irregular expenditure written off (irrecoverable)

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure written off	15 422	-
Total	15 422	-

g) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance)

Description
N/A
Total

The Agency did not report any non-compliance cases where an institution was involved in an inter-institutional arrangement.

h) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is responsible for the non-compliance)

Description	2022/2023	2021/2022
	R'000	R'000
N/A	0	0
Total	0	0

The Agency did not report any non-compliance cases where an institution was involved in an inter-institutional arrangement.

- i) Details of current and previous year's disciplinary or criminal steps taken as a result of irregular expenditure

Disciplinary steps taken
N/A

No disciplinary actions or criminal steps were taken because of irregular expenditure.

1.2. Fruitless and wasteful expenditure

a) Reconciliation of fruitless and wasteful expenditure

Table 1.2. a) Reconciliation of fruitless and wasteful expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	18	322
Add: Fruitless and wasteful expenditure confirmed	5	35
Less: Fruitless and wasteful expenditure written off	(5)	(339)
Less: Fruitless and wasteful expenditure recoverable	(18)	-
Closing balance	-	18

The balance reported as an opening balance in the current year amounting to R18,209 was because of the following expenditure:

- R18,209 was in lieu of 11 tenders that were advertised and subsequently cancelled before evaluations could be performed. Bids were cancelled following the identification of an irregular process applied in finalising the advertised terms of reference. The full amount was recovered during the year under review.

Current year fruitless and wasteful expenditure relates to the following:

- R5,459 was in lieu of accommodation, car hire and flights for members of the executive management team. The amounts were assessed and approved for write off by the GB in the year of occurrence.

Reconciling notes

Description	2022/2023	2021/2022 ⁴
	R'000	R'000
Fruitless and wasteful expenditure that was under assessment in 2021/22	-	-
Fruitless and wasteful expenditure that relates to 2021/22 and identified 2022/23	-	-
Fruitless and wasteful expenditure for the current year	5	35
Total	5	35

b) Details of current and previous year fruitless and wasteful expenditure (under assessment, determination and investigation)

Description ⁵	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	-	-
Fruitless and wasteful expenditure under investigation	-	-
Total⁶	-	-

c) Details of current and previous year irregular expenditure recovered

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure recovered	18	-
Total	18	-

R18,209 was in lieu of 11 tenders that were advertised and subsequently cancelled before evaluations could be performed. Bids were cancelled following the identification of an irregular process applied in finalising advertised terms of reference. The full amount was recovered during the year under review.

d) Details of current and previous year irregular expenditure not recovered and written off

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure written off	5	339
Total	5	339

R5,459 was in lieu of accommodation, car hire and flights for the executive management team. The amounts were assessed and approved for write off by the GB in the year of occurrence.

e) Details of current and previous year disciplinary or criminal steps taken because of fruitless and wasteful expenditure

Disciplinary steps taken
N/A

No disciplinary actions or criminal steps were taken as a fruitless and wasteful expenditure.

1.3. Additional disclosure relating to material losses in terms of PFMA Section 55(2)(b)(i and iii)

a) Details of current and previous year material losses through criminal conduct

Material losses through criminal conduct	20YY/20ZZ	20XX/20YY
	R'000	R'000
Theft	-	-
Other material losses	-	-
Less: Recovered	-	-
Less: Not recovered and written off	-	-
Total	-	-

No material losses were recorded due to criminal conduct.

b) Details of other material losses

Nature of other material losses	20YY/20ZZ	20XX/20YY
	R'000	R'000
N/A	-	-
	-	-
Total	-	-

No material losses were reported, as such no criminal or disciplinary steps taken by the institution.

c) Other material losses recovered

Nature of losses	20YY/20ZZ	20XX/20YY
	R'000	R'000
N/A	-	-
	-	-
Total	-	-

No material losses were reported as such none were recovered.

d) Other material losses written off

Nature of losses	20YY/20ZZ	20XX/20YY
	R'000	R'000
N/A	-	-
	-	-
Total	-	-

No other material losses were identified and written off.

2. Late and non-payment of suppliers

Description	Number of invoices	Consolidated Value
	R'000	R'000
Valid invoices received	*data not available	41 754
Invoices paid within 30 days or agreed period	*data not available	41 754
Invoices paid after 30 days or agreed period		-
Invoices older than 30 days or agreed period (<i>unpaid and without dispute</i>)		-
Invoices older than 30 days or agreed period (<i>unpaid and in dispute</i>)		-

No late payment of invoices was reported in the year. The Agency ensures that all invoices are paid within 30 days of receipt.

3. SUPPLY CHAIN MANAGEMENT

3.1. Procurement by other means

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Provision of ICT services for 60 months	State Information Technology Act	Sole Supplier	M002-2023/24	1 088
Remote eutrophication monitoring of specific reservoirs in the Inkomati-Usuthu Catchment WMA for 36 months	Cyanolakes (Pty) Ltd	Sole Supplier	M001-2023/24	1 490
Total				2 578

3.2. Contract variations and expansions

Project description	Name of supplier	Contract modification type (expansion or variation)	Contract number	Original contract value	Value of previous contract expansion /s or variation/s (if applicable)	Value of current contract expansion or variation
				R'000	R'000	R'000
Extension of Office Space for Head Office lease agreement for a period of six months (June-November 2022)	Maxsa Properties (Pty) Ltd	Expansion	X-001	6 510	0	3 454
External audit services for three financial years, i.e. 2019/20, 2020/21 and 2021/22	Pricewaterhouse Coopers (Pty) Ltd	Variation	IUCMA/011/EX TERNALAUDIT/ 2019	952	127	103
Lease extension for Bushbuckridge office for a period of three months (November 2022 to January 2023)	Sheerprops 100 (Pty) Ltd	Expansion	X-003	259	0	67
Head office lease agreement for a period of two months (December 2022 to January 2023)	Maxsa Properties (Pty) Ltd	Expansion	X-004	6 510	3 454	1 147

Project description	Name of supplier	Contract modification type (expansion or variation)	Contract number	Original contract value	Value of previous contract expansion /s or variation/s (if applicable)	Value of current contract expansion or variation
				R'000	R'000	R'000
Head office lease agreement for a period of two months (February to March 2023)	Maxsa Properties (Pty) Ltd	Expansion	N/A	6 510	4 601	1 165
Total				7 721	8 182	5 936

PART F: FINANCIAL INFORMATION

1. REPORT OF THE EXTERNAL AUDITOR

This is the audit report as issued by the external auditor.

2. ANNUAL FINANCIAL STATEMENTS

Insert the public entity's audited annual financial statements



INKOMATI-USUTHU

CATCHMENT MANAGEMENT AGENCY

Inkomati-Usuthu Catchment Management Agency
Annual Financial Statements
for the year ended 31 March 2023

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

General Information

Country of incorporation and domicile

South Africa

Members

Mr MS Mthembu (Chairperson)
Mrs SD Wiggins (Deputy
Chairperson)
Mr M Gangazhe
Advocate G Khoza
Ms LC Zulu
Ms LM Sikhakhane
Dr T Kelly
Mr WB Baird
Mr LC Mohalaba (Ex Officio)

Auditors

SAB&T Nexia
Registered Auditors

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

	Page
Accounting Authority's Responsibilities and Approval	3
Audit Committee Report	3 - 5
Independent Auditor's Report	6 - 11
Accounting Authority's Report	11 - 12
Statement of Financial Position	13
Statement of Financial Performance	14
Statement of Changes in Net Assets	15
Cash Flow Statement	16
Statement of Comparison of Budget and Actual Amounts	17
Accounting Policies	18 - 23
Notes to the Annual Financial Statements	23 - 37

Abbreviations used:

DWS	Department of Water and Sanitation
IUCMA	Inkomati Usuthu Catchment Management Agency
PFMA	Public Finance Management Act
GRAP	Generally Recognised Accounting Practice
NWA	National Water Act
AGSA	Auditor General South Africa
WTE	Water Trading Entity

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Accounting Authority's Responsibilities and Approval

The members are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the Agency as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the Agency and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Agency and all employees are required to maintain the highest ethical standards in ensuring the Agency's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Agency is on identifying, assessing, managing and monitoring all known forms of risk across the Agency. While operating risk cannot be fully eliminated, the Agency endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

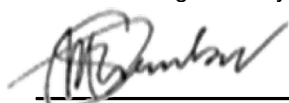
The members have reviewed the Agency's cash flow forecast for the year to 31 March 2024 and, in the light of this review and the current financial position, they are satisfied that the Agency has or has access to reasonable resources to continue in operational existence for the foreseeable future. Absolute reasonableness will further be achieved by the identification of revenue streams to augment the continuous dwindling parliamentary allocation. The members are also cognitive of the need to implement robust cost containment measures as well as strengthening debtors' collection rates of the Agency.

Over and above the revenue collected by the Agency, the Agency is still partly dependent on the Department of Water and Sanitation Water Trading Entity (DWS WTE) for continued augmentation for the funding of operations. The annual financial statements are prepared on the basis that the Agency is a going concern and that the Minister of Water and Sanitation via the budget of DWS WTE has not announced the intention or the need to liquidate the Agency.

The accounting authority is responsible for the controls over and the security of the website, and where applicable for establishing and controlling the process of electronically distributing annual reports and other financial information to the Minister of Water and Sanitation.

The external auditors are responsible for independently reviewing and reporting on the Agency's annual financial statements. The annual financial statements have been examined by the Agency's external auditors and their report is presented on page 6.

The annual financial statements set out on page 11, which have been prepared on the going concern basis, were approved by the accounting authority on 30 September 2023 and were signed on its behalf by:



Mr MS Mthembu (Chairperson)



Mr LC Mohalaba (Ex Officio)

Audit Committee Report

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Audit Committee Report

Independent auditor's report to Parliament and the Shareholders of Inkomati-Usuthu Catchment Management Agency**Report on the audit of the financial statements****Opinion**

1. We have audited the financial statements of Inkomati-Usuthu Catchment Management Agency set out on pages 13 to 37, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In our opinion, the financial statements present fairly, in all material respects, the financial position of Inkomati-Usuthu Catchment Management Agency as at 31 March 2023, and financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

Basis for opinion

3. We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.
4. We are independent of the agency in accordance with the Code of professional conduct for auditors of the Independent Regulatory Board for Auditors (IRBA) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards).
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

6. We draw attention to the matter below. Our opinion is not modified in respect of this matter.

Audit. Tax. Advisory.

National Treasury Instruction Note.4 of 2022-23: PFMA Compliance and Reporting Framework

7. On 23 December 2022, National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 03 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 29 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of Inkomati-Usuthu Catchment Management Agency. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees.
8. We do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the Accounting Authority for the financial statements

9. The Accounting Authority, is responsible for the preparation and fair presentation of the financial statements in accordance with Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA), and for such internal control as the Accounting Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the financial statements, the Accounting Authority is responsible for assessing the Agency's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

11. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
12. A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

13. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, we must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programmes presented in the annual performance report. The Accounting Authority is responsible for the preparation of the annual performance report.
14. We selected the following programme presented in the annual performance report for the year ended 31 March 2023 for auditing. We selected a programme that measures the agency's performance on its primary mandated functions and that is of significant national, community or public interest.

Programme	Page numbers	Purpose
Programme 4: Water resources management	XX	<p>The outcomes of the Water Resources Management (WRM) programme are to ensure effective water resource management, water use authorization and regulative Compliance.</p> <p>All work is derived from the inherent and delegated functions as per the National Water Act (Act 36 of 1998) (NWA), the Catchment Management Strategy (CMS), the five (5) year Strategic Plan and the targets set out in the approved Annual Performance Plan (APP) and associated budget.</p>

15. We evaluated the reported performance information for the selected programme against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the Agency's planning and delivery on its mandate and objectives.
16. We performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the Agency's mandate and the achievement of its planned objectives
 - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
 - the reported performance information is presented in the annual performance report in the prescribed manner

- there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

17. We performed the procedures for the purpose of reporting material findings only; and not to express an assurance conclusion.
18. We did not identify any material findings on the reported performance information of the selected programme.

Report on compliance with legislation

19. In accordance with the PAA and the general notice issued in terms thereof, we must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The Accounting Authority is responsible for the agency's compliance with legislation.
20. We performed procedures to test compliance with selected requirements in key legislation in accordance with the AGSA findings engagement methodology. This engagement is not an assurance engagement. Accordingly, we do not express an assurance opinion or conclusion.
21. Through an established AGSA process, we selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the Agency, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
22. We did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

23. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.
24. Our opinion on the financial statements and our findings on the reported performance information and the report on compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion on it.
25. We did not receive the other information prior to the date of this auditor's report. When we do receive and read this information, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

26. We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with applicable legislation; however, our objective was not to express any form of assurance on it.

27. We did not identify any significant deficiencies in internal control.

Auditor tenure

28. In terms of the IRBA rule published in Government Gazette No. 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of Inkomati-Usuthu Catchment Management Agency for 1 year.

Nexia SAB&T

Caroline Chigora
Director
Registered Auditor

31 July 2023

119 Witch Hazel Avenue
Highveld Technopark
Centurion
0157

Annexure to the auditor's report

The annexure includes the following:

- the auditor's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor's responsibility for the audit

Professional judgement and professional scepticism

1. As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements and the procedures performed on reported performance information for selected programme and on the Agency's compliance with selected requirements in key legislation.

Financial statements

2. In addition to our responsibility for the audit of the financial statements as described in this auditor's report, we also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
 - conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Agency to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify our opinion on the financial statements. Our conclusions are based on the information available to us at the date of this auditor's report. However, future events or conditions may cause a Agency to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the accounting authority with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

1. The selected legislative requirements are as follows:

Legislation	Sections or regulations
Companies Act	Section 30(3)(b)(i); 33(1)(a) Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); 45(4) Section 46(1)(a); 46(1)(b); 46(1)(c') Section 72(4)(a); Section 75(6) Section 86(1); 86(4); Section 88(2)(d) Section 112(2)(a); Section 129(7)
Public Finance Management Act 1 of 1999 (PFMA)	Section 50(3); 50(3)(a); 50(3)(b) Section 51(1)(a)(ii); 51(1)(a)(iii); 51(1)(a)(iv); 51(1)(b); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 52(b) Section 53(4) Section 54(2)(c'); 54(2)(d) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56 Section 57(b); 57(d) Section 66(3)(a)
Preferential Procurement Regulations of 2022 (PPR)	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
Preferential Procurement (PPPF Act)	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
2017 Preferential Procurement reg	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
Prevention and Combatting of Corrupt Activities	Section 34(1)
Treasury Regulations	Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; 29.2.2; 29.3.1 Regulation 31.2.5; 31.2.7(a) Regulation 33.1.1; 33.1.3
Air Traffic Navigation Services Company Act 45 of 1993	The Act, including the relevant regulations and instructions issued in terms of the Act
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34(1)
Companies Regulations	Regulation 30(2); 43(2)(a)
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1) Section 22(3)
CIDB Regulations	CIDB regulation 17; 18(1A)1; 25(1); 25 (5) & 25(7A)

Accounting Authority's Report

The members submit their report for the year ended 31 March 2023.

1. Review of activities

Main business and operations

The Agency is a Schedule 3A Public Entity - domiciled on the 2nd Floor, ABSA Square, 20 Paul Kruger Street, Mbombela 1200 - and is responsible for the integrated management of the water resource in the Inkomati-Usuthu Water Management Area.

Net surplus of the Agency for 2023 was R 37,935,130 (2022: surplus R 8,659,484).

During the year under review, the Agency continued to operate within its delegated mandate resulting in the achievement of its key strategic outcomes. Revenue management remains key to ensure sustainability of the Agency as a result strategic engagements and initiatives are continuously being revised for adaptability within the Catchment Management Area. Collection rates for debtors have improved in the year albeit historic debt remaining a challenge to the Agency. The causation of slow recoverability of historic debt is poor customer data. As such, data integrity is an integral part of the Agency's strategy to ensure ultimate financial sustainability.

In addition to the management of debt, the Agency over the year has recorded increased volatility with regards to reported registered volumes. The volatility results in low predictability of collections for water resource charges. Reductions of volumes in the year was mainly due to the validation and verification project of water rights that is at an advanced stage for the greater part of the Catchment. Other secondary factors that have impacted change in volumes include expired or cancelled licences and voluntary surrender of water rights. Due to the adverse impact volume reduction has on the overall performance of the Agency, management has taken a decision to critically review all adverse changes on the system at an executive level.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Budget Reduction

The Agency realised a downward adjustment of its grant appropriated by parliament in year 2022/23 of approximately R27mil. Through extensive discussions with the DWS, additional grant was released amounting to R22,1mil during the latter part of the reporting year. Whilst the additional release provided some financial relief to the Agency, reductions of budgets continue to be a fundamental challenge for the Agency.

Consistent with prior years, the DWS has confirmed grant allocation for 2023/24 that is R34million lower than what was requested and required by the Agency. The request submitted by the Agency was computed based on the activity drivers that will realise full delivery of identified and approved outcomes. The budget reduction for 2023/24 is deemed to be extremely material and thus requires management to review cost drivers linked to approved outcomes to either defer or downscale some activities. Management will ensure that applied initiatives do not fundamentally stifle business processes. In addition of review of activities, management in the next financial year will apply internal mechanisms to contain cost, identify alternative permissible revenue streams whilst capitalising on existing sources of revenue.

3. Subsequent events

Appointment of Executive Water Resource Management

Subsequent to the reporting date the accounting officer in conjunction with the Governing Board appointed Dr Nicollette Mhlanga in the position Executive Water Resource Management. Dr Mhlanga resumed her role on the 1st of April 2023.

Identification of Irregular expenditure

The Agency incurred expenditure as a result of Internet services amounting to R119,018 that was deemed irregular due to services being rendered after the expiry of the contract. The matter is still under investigation. No disciplinary steps and/or condonation has been applied for as of reporting date.

4. Members' interest in contracts

The members do not have any interests in the contractual dealings of the Agency.

5. Accounting policies

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

. Accounting policies (continued)

The annual financial statements have been prepared in accordance with the prescribed standards of Generally Recognised Accounting Practice (GRAP), including any interpretations of the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Authority

The members of the Agency during the year and to the date of this report are as follows:

Mr MS Mthembu (Chairperson)
Mrs SD Wiggins (Deputy Chairperson)
Mr M Gangazhe
Advocate G Khoza
Ms LC Zulu
Ms LM Sikhakhane
Dr T Kelly
Mr WB Baird
Mr LC Mohalaba (Ex Officio)

7. Auditors

Nexia SAB&T was appointed as the Agency's external auditor for a 1 (one) year term. Their appointment was concurred by the Auditor General South Africa (AGSA) for financial year 2022/23. The Agency will advertise for the provision of external audit services. Any future appointment will require to be ratified by the AGSA.


8. Non-compliance with applicable legislation

The Agency incurred irregular expenditure in the current financial year valued at R119,018 (2022: R732,970).

The Agency incurred fruitless and wasteful expenditure in the current year valued at R5,064 (2022: R34,363). All fruitless and wasteful expenditure has been condoned and written off by the end of the reporting year.

Further details on the irregular, fruitless and wasteful expenditure is disclosed under note 29 of the annual financial statements.

The annual financial statements have been prepared on the going concern basis, and were approved by the accounting authority on 31 July 2023 and were signed on its behalf by:



Mr MS Mthembu (Chairperson)



Mr LC Mohalaba (Ex Officio)

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Statement of Financial Position as at 31 March 2023

Figures in Rand	Note(s)	2023	2022
Assets			
Current Assets			
Receivables from exchange transactions	8	15,889,662	14,379,752
Receivables from non-exchange transactions	9	83,390	11,667
Cash and cash equivalents	10	62,975,465	49,666,435
		78,948,517	64,057,854
Non-Current Assets			
Property, plant and equipment	3	8,185,541	9,912,542
Rental deposits	7	249,461	252,811
		8,435,002	10,165,353
Total Assets		87,383,519	74,223,207
Liabilities			
Current Liabilities			
Finance lease obligation	11	126,156	58,725
Payables from exchange transactions	4	4,905,525	7,809,621
Payables from non-exchange transactions	5	20,949	6,522
Employee benefit obligation	6	6,967,110	7,283,793
Conditional retained funds	12	32,373,527	54,199,832
		44,393,267	69,358,493
Non-Current Liabilities			
Finance lease obligation	11	190,408	-
Total Liabilities		44,583,675	69,358,493
Net Assets		42,799,844	4,864,714
Accumulated surplus		42,799,844	4,864,714
Total Net Assets		42,799,844	4,864,714

* See Note

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022
Revenue	13	176,719,647	158,232,558
Other income	14	214,727	700,898
Operating expenses	20	(144,119,770)	(153,749,449)
Operating surplus		32,814,604	5,184,007
Investment revenue	15	5,123,595	3,483,994
Finance costs	18	(3,069)	(43,680)
Surplus / (deficit) for the year		37,935,130	8,659,484

* See Note

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 April 2021	(3,794,770)	(3,794,770)
Changes in net assets		
Surplus for the year	8,659,484	8,659,484
Balance at 01 April 2022	4,864,714	4,864,714
Changes in net assets		
Surplus for the year	37,935,130	37,935,130
Total changes	37,935,130	37,935,130
Balance at 31 March 2023	42,799,844	42,799,844

* See Note

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022
Cash flows from operating activities			
Receipts			
Water Resources Management Charges Invoiced		37,396,290	35,806,051
Interest income		5,123,595	3,483,994
Grants	16	111,849,419	88,729,000
Interest received on trade debtors		4,137,723	1,998,536
Other income		146,774	214,614
		158,653,801	130,232,195
Payments			
Employee costs		(108,014,240)	(98,661,167)
Operating expenses		(36,628,551)	(50,742,625)
		(144,642,791)	(149,403,792)
Net cash flows from operating activities	21	14,011,010	(19,171,597)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(956,750)	(4,042,074)
Cash flows from financing activities			
Finance lease payments		254,770	(91,948)
Net increase/(decrease) in cash and cash equivalents		13,309,030	(23,305,619)
Cash and cash equivalents at the beginning of the year		49,666,435	72,972,054
Cash and cash equivalents at the end of the year	10	62,975,465	49,666,435

The accounting policies and the notes form an integral part of the annual financial statements.

* See Note

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Water Resources Management Charges Invoiced	55,485,141	-	55,485,141	38,906,200	(16,578,941)	30
Interest received (trading)	-	-	-	4,137,723	4,137,723	30
Other Income	-	-	-	214,727	214,727	30
Interest received - investment	3,000,000	-	3,000,000	5,123,595	2,123,595	30
Total revenue from exchange transactions	58,485,141	-	58,485,141	48,382,245	(10,102,896)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants	89,394,000	-	89,394,000	133,675,724	44,281,724	30
Total revenue	147,879,141	-	147,879,141	182,057,969	34,178,828	
Expenditure						
Personnel	(96,890,322)	(7,110,000)	(104,000,322)	(107,776,394)	(3,776,072)	30
Depreciation	-	-	-	(2,619,514)	(2,619,514)	30
Finance costs	(60,000)	(24,768)	(84,768)	(3,069)	81,699	30
Bad debts provision	(21,902,096)	9,078,633	(12,823,463)	(8,094,363)	4,729,100	30
General Expenses	(29,026,723)	(1,943,865)	(30,970,588)	(25,565,261)	5,405,327	30
Total expenditure	(147,879,141)	-	(147,879,141)	(144,058,601)	3,820,540	
Operating surplus	-	-	-	37,999,368	37,999,368	
Loss on disposal of assets and liabilities	-	-	-	(64,238)	(64,238)	
Operating surplus	-	-	-	37,935,130	37,935,130	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	37,935,130	37,935,130	

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
-----------------	---------	------	------

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented to the nearest South African Rand.

In preparing the financial statements, management makes estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgment include provision for doubtful debts, leave provision, useful lives and depreciation methods and asset impairment. Notes relating to the subject are included under the affected areas of the financial statements.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the supply of services or for administrative purposes and are expected to be used during more than one period.

Property, plant and equipment is initially measured at cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been re-assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight-line	20 years
Furniture and fixtures	Straight-line	8 years
Motor vehicles	Straight-line	8 years
Office equipment	Straight-line	8 years
Computer equipment	Straight-line	5 years
Computer software	Straight-line	5 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life. One building is owner occupied and therefore accordingly recognised at cost less accumulated depreciation.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Agency. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.1 Property, plant and equipment (continued)

The Agency assesses at each reporting date whether there is any indication that the Agency expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the Agency revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one Agency and a financial liability or a residual interest of another Agency. Financial instruments recognised in the Statement of Financial Position include cash and cash equivalents, trade receivables from exchange transactions and payables from exchange transactions. Fair value adjustments to the annual financial statements are recognised in the Statement of Financial Performance in the period in which they occurred.

Financial assets

Financial assets are recognised when the Agency becomes a party to the contractual provisions of the financial asset. Such assets consist of cash and cash equivalents, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and are recognised at fair value. Fair value adjustments are recognised in surplus and deficit. Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institution and are subject to insignificant risk of change in value.

Financial liabilities

Financial liabilities are recognised when the Agency becomes a party to the contractual provisions of the instrument.

Financial liabilities consist of obligations to delivery of cash or another financial asset or to exchange financial instruments with another entity on potentially-unfavourable terms. Financial liabilities including other payables are measured at amortised cost.

Initial recognition

The Agency recognises a financial asset or a financial liability in its statement of financial position when the Agency becomes a party to the contractual provisions of the instrument.

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.2 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The Agency measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Agency establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an Agency calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Impairment of financial assets

Impairment losses relating to exchange transactions are recognised when there is objective evidence of impairment. An impairment loss is recognised in surplus and deficit when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is calculated as the present value of the estimated future cash flows.

Debtors will be assessed for impairment and a debtors provision will be raised as assessed.

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.3 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.4 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the Agency; or
- the number of production or similar units expected to be obtained from the asset by the Agency.

1.5 Equity instruments

An equity instrument is any contract that registers a residual interest in the assets of the Agency after deducting all of its liabilities.

1.6 Employee benefits

Employee benefits are all forms of consideration given by the Agency in exchange for services rendered by employees.

These short term employee benefits are recognised during the period in which the related service is rendered. Accruals for employee entitlements represent the amounts which the Agency has a present obligation to pay as a result of employee services provided at the reporting date. The accruals have been calculated at undiscounted amounts based on current salary rates. The expected cost of incentive is recognised as a liability when there is a legal or constructive obligation to make such a payment as a result of past performance.

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

1.7 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Agency or a present obligation that arises from past events but is not recognised because it is not probable that an out flow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Agency. Contingent assets and contingent liabilities are not recognised.

Contingencies are disclosed in note 24.

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.8 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the Agency – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.9 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Water Resources Management Charges are statutory charges determined in terms of section 57 of the National Water Act (NWA) and these charges are payable to the Agency as the relevant water management institution within the Inkomati-Usuthu Water Management Area. These charges are statutory charges which are billed to water users in line with the water pricing strategy set tariffs based on the allocation of the amount or volume of raw water as it appears on the user's water license.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, commission (where applicable) and volume rebates.

Interest

Interest is recognised, in surplus or deficit, using the effective interest method. The Agency is mandated to recover statutory charges.

1.10 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the Agency, which represents an increase in net assets, other than increases relating to contributions from owners. An annual transfer of revenue as per the approved Annual Performance Plan is received from the DWS WTE.

Control of an asset arises when the Agency can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Transfers

Apart from Services in kind, which are not recognised, the Agency recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The Agency recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.11 Borrowing costs

Borrowing costs are interest expenses incurred by the Agency in connection with finance charges in respect of finance leases. The Agency recognises borrowing costs that are directly attributable to the acquisition of a qualifying asset as part of the cost of that asset. Such borrowing costs are capitalised as part of the cost of the asset when it is probable that they will result in future economic benefits or service potential to the Agency, and the costs can be measured reliably.

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.12 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was identified. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.13 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (Act No.1 of 1999), Treasury Regulations or is in contravention of the entity's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register.

Where irregular expenditure was incurred in the previous year and is only condoned in the following financial year, the register must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.14 Related parties

The Agency operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the Agency, including those charged with the governance of the Agency in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the Agency.

1.15 Matters of judgment applied by the board

In determining the provision for doubtful debt, the impairment of receivables from exchange transactions assumes that the future receipt of the revenue ratios will reflect historic mathematical trend and that the same recovery success rates are achieved from the current year and prior year for statutory charges.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

No standards and interpretations that are effective in the current year were identified.

2.2 Standards and Interpretations early adopted

The Agency has chosen to early adopt the following standards and interpretations:

- GRAP 1 - Presentation of Financial Statements - Effective from 1 April 2023
- GRAP 104 - Financial Instruments - Effective from 1 April 2025

The amendments did not have any material impact on the annual financial statements

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Buildings	2,090,771	(490,308)	1,600,463	2,090,771	(384,006)	1,706,765
Office Equipment	3,628,845	(2,017,159)	1,611,686	3,215,372	(1,570,661)	1,644,711
Furniture and fixtures	6,704,965	(4,629,763)	2,075,202	6,704,998	(4,140,931)	2,564,067
Motor vehicles	1,352,497	(1,352,488)	9	1,352,497	(1,255,119)	97,378
Computer equipment	11,860,254	(8,962,073)	2,898,181	11,386,097	(7,486,476)	3,899,621
Total	25,637,332	(17,451,791)	8,185,541	24,749,735	(14,837,193)	9,912,542

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	1,706,765	-	-	(106,302)	1,600,463
Furniture and fixtures	2,564,067	-	(33)	(488,832)	2,075,202
Motor vehicles	97,378	-	-	(97,369)	9
Office equipment	1,644,711	414,584	(1,111)	(446,498)	1,611,686
Computer equipment	3,899,621	542,166	(63,093)	(1,480,513)	2,898,181
	9,912,542	956,750	(64,237)	(2,619,514)	8,185,541

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Depreciation	Total
Buildings	1,043,071	739,519	(75,825)	1,706,765
Furniture and fixtures	1,294,024	1,642,167	(372,124)	2,564,067
Motor vehicles	146,534	-	(49,156)	97,378
Office equipment	1,303,672	655,306	(314,267)	1,644,711
Computer equipment	3,531,694	1,490,313	(1,122,386)	3,899,621
	7,318,995	4,527,305	(1,933,758)	9,912,542

Details of properties

Property 1

Building is situated on Portion 1 of Erf 32 Piet Retief (Mkhondo)

- Purchase price: 1 December 2008	2023	2022
- Capitalised expenditure	1,351,252	1,351,252
	763,525	763,525

Net Book Value	2,114,777	2,114,777
-----------------------	------------------	------------------

Repairs and Maintenance

	2023	2022	Total
Buildings	-	268,896	268,896
Furniture and fixtures	-	336,412	336,412
Motor vehicles	95,858	70,412	166,270
Computer equipment	111,435	139,899	251,334
	207,293	815,619	1,022,912

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
4. Payables from exchange transactions		
Trade payables	1,459,462	4,525,501
Sundry payables	-	271,018
Accruals	516,037	2,881,581
Debtors with credit balances	2,920,138	-
Unallocated debtors balance	9,888	131,521
	4,905,525	7,809,621

5. Payables from non-exchange transactions

Garage Card	20,949	6,522
-------------	--------	-------

6. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Unpaid salaries	(177,665)	(79,049)
Pension	(1,362,730)	(1,324,998)
Medical Aid	(17,663)	(385,481)
Garnishee & IEMAS deductions	-	(356,035)
Staff Bonus	(517,891)	(555,025)
Leave provision	(4,891,161)	(4,583,205)
	(6,967,110)	(7,283,793)

7. Rental deposits

Rental deposits paid in advance for rented offices at head office in Nelspruit as well as the satellite office in Bushbuckridge. Recorded balance as of reporting date amounted to R249,461 (2022: R252,811).

8. Receivables from exchange transactions

2023	30 days	60 days	+90 days	Provision for doubtful debt	Total
Trade debtors	15,432,545	7,462,688	69,824,282	(77,753,122)	14,966,393
Sundry debtors	42,000	1,000,000	18,123,046	(18,241,777)	923,269
	15,474,545	8,462,688	87,947,328	(95,994,899)	15,889,662
2022	30 days	60 days	+90 days	Provision for doubtful debt	Total
Trade debtors	-	1,647,073	109,228,584	(98,980,246)	11,895,411
Sundry debtors	-	-	7,593,357	(5,109,016)	2,484,341
	-	1,647,073	116,821,941	(104,089,262)	14,379,752

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(104,089,262)	(103,642,210)
Provision for impairment	8,094,363	(447,052)
	(95,994,899)	(104,089,262)

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

8. Receivables from exchange transactions (continued)

Trade debtors balance of R92,719,515 (2022: R110,875,657) was adjusted by a corresponding provision for doubtful debt carried against receivables of R77,753,122 (2022: R98,980,246) resulting in an outstanding balance of R14,966,393 (2022: R11,894,411) reported by the end of the period.

Sundry debtors balance of R19,165,046 (2022: R7,593,357) were also adjusted by corresponding provision for doubtful debt carried against receivables of R18,241,777 (2022: R5,109,016) resulting in outstanding sundry debtors balance of R923,269 (2022: R2,484,341) reported by the end of the period.

9. Receivables from non-exchange transactions

Interest receivable	12,247	3,227
Staff receivables	71,143	8,440
	83,390	11,667

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash float	3,530	642
Bank balances	4,074,147	5,742,534
Investments held with South African Reserve Bank	58,897,788	43,923,259
	62,975,465	49,666,435

11. Finance lease obligation

Minimum lease payments due		
- within one year	190,408	58,725
- in second to fifth year inclusive	126,156	-
Present value of minimum lease payments	316,564	58,725

Present value of minimum lease payments due		
- within one year	190,408	58,725
- in second to fifth year inclusive	126,156	-
	316,564	58,725

It is the Agency's policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 8% to 10% (2022: 8% - 10%).

Interest rates are at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The Agency's obligations under finance leases are secured by the lessor's charge over the leased assets.

12. Conditional retained funds

Unspent conditional retained funds comprise of:

Unspent conditional retained funds		
Contracted and committed conditional grant	32,373,527	43,699,537
Not contracted and not committed	-	10,500,000
	32,373,527	54,199,537

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

12. Conditional retained funds (continued)

Movement during the year

Balance at the beginning of the year	54,199,537	88,337,572
Additions during the year	1,152,575	134,999
Income recognition during the year	(22,978,585)	(34,273,034)
	32,373,527	54,199,537

The Agency received an approval from National Treasury to retain balance of conditional retained funds reported in the financial year 2022/23. By end of year under analysis, all amounts retained as surplus funds were fully committed.

13. Revenue

Water Resources Charges Invoiced	38,906,200	33,366,987
Interest received (Trading Debtors)	4,137,723	1,998,536
Transferred Government Grants	133,675,724	122,867,035
	176,719,647	158,232,558

The amount included in revenue arising from exchanges of goods or services are as follows:

Water Resources charges invoiced	38,906,200	33,366,987
Interest received (trading)	4,137,723	1,998,536
Other income	214,727	700,898
Interest received - investment	5,123,595	3,483,994
	48,382,245	39,550,415

14. Other income

Other income	214,727	700,898
--------------	---------	---------

15. Investment revenue

Interest revenue

Bank interest	5,123,595	3,483,994
---------------	-----------	-----------

16. Grants

Operating grants

Government grant	133,675,724	122,867,035
Recognised conditional grant	(22,978,885)	(34,273,035)
	110,696,839	88,594,000

17. Employee related costs

Basic	81,268,609	74,790,425
Pension contributions	12,739,429	11,625,874
Workman's Compensation	78,837	102,951
Leave pay provision charge	395,128	618,357
Car allowance	13,291,490	12,681,631
	107,773,493	99,819,238

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
18. Finance costs		
Finance leases	3,069	43,680
19. Auditors' fees		
Fees	440,295	453,399
20. General expenses		
Advertising	301,288	462,174
Bank charges	55,808	74,031
Cleaning	30,307	7,600
Gardening and Irrigation	70,365	-
Legal services	955,611	3,551,977
Consumables	27,081	144,336
Insurance	988,656	429,251
Fuel and Toll fees	205,469	199,892
Courier Services	19,569	39,238
Printing and stationery	347,903	590,652
Repairs and maintenance	207,293	815,619
Security services	284,993	3,920
Subscriptions and membership fees	82,138	153,812
Telecommunication Services	1,650,854	3,553,928
Bursaries (Employees)	1,217,974	1,723,607
Travel - local	2,323,261	3,903,940
Water and Electricity	1,296,013	1,283,016
Municipal services	44,307	31,712
CMA Project Costs	22,389,081	23,133,955
Venue and facilities	222,596	448,229
Resettlement costs	102,238	1,410,816
Laboratory Expenses Water Research Testing	1,936,346	2,029,536
Operating Lease: Office Space	6,554,543	7,049,598
	41,313,694	51,040,839

The above forms part of total operating expenses that are ear marked as significant expenses as presented in the Statement of Financial Performance. The following table reconciles the figures noted above to those disclosed in the Statement of Financial Performance.

Operating Expenditure		
General Expenses	41,313,694	51,040,839
Bad debts written off	(8,094,363)	467,052
Auditors' fees	440,295	453,399
Employee costs	107,776,493	99,819,238
Loss on disposal of fixed assets	64,138	-
Depreciation	2,619,513	1,933,758
	144,119,770	153,714,286

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
21. Cash generated from (used in) operations		
Surplus	37,935,130	8,659,484
Adjustments for:		
Depreciation and amortisation	2,619,514	1,933,758
Gain on sale of assets and liabilities	64,238	-
Finance leases	3,069	8,517
Employee benefits	(316,683)	817,717
Changes in working capital:		
Receivables from exchange transactions	(1,509,910)	2,671,720
Other receivables from non-exchange transactions	(71,723)	(1,053)
Rental deposits	3,350	-
Payables from exchange transactions	(538,553)	4,150,287
Payables from non-exchange transactions	(2,351,117)	(3,273,992)
Conditional retained funds	(21,826,305)	(34,138,035)
	14,011,010	(19,171,597)

22. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	15,889,662	15,889,662
Cash and cash equivalents	62,975,465	-	62,975,465
	62,975,465	15,889,662	78,865,127

Financial liabilities

	At amortised cost
Trade and other payables from exchange transactions	4,905,525
Finance lease liability	316,564
	5,222,089

2022

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	14,379,752	14,379,752
Cash and cash equivalents	49,666,435	-	49,666,435
	49,666,435	14,379,752	64,046,187

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

22. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost
Trade and other payables from exchange transactions	10,992,124
Finance lease liability	58,725
	11,050,849

23. Commitments

Operating commitments

Authorised operational commitments

• within one year	39,618,279	28,476,317
• in second to fifth year inclusive	62,287,787	24,674,083
	101,906,066	53,150,400

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	10,770,569	904,180
- in second to fifth year inclusive	31,966,971	-
	42,737,540	904,180

Operating lease payments represent rentals payable by the Agency for certain of its office properties. Leases are generally negotiated for an average term of five years. No contingent rent is payable.

24. Contingencies

On 31 March 2023, the agency received a letter of demand from ALVG Boerdery CC, through their attorneys, Ntuli and Manana Attorneys; in which they claim that the agency, together with the DWS, is jointly and severally liable to them for the sum of R546,633. The amount is said to be for repairing a dam which was damaged by the falling of an illegal dam, which falling is alleged to have been brought by, inter alia, omissions and negligence of the agency and other stakeholders to ensure that the dam wall in the property was safe, in accordance with the provisions of the NWS and the Dam Safety Regulations. Although the position of the agency is that no liability attaches to it on the facts, and that any action to be instituted will be vigorously defended, there still exist a possibility of being ordered to pay the amount of R546 633 plus costs in the region of R150 000.

25. Related parties

The Minister of Water and Sanitation is the only Executive Authority of water resources in the Republic of South Africa and is the main funder of the Agency.

Members of the Executive Management as well as the Governing Board are considered as related parties due to their overall influence on the strategic positioning of the Agency. Compensation paid to Executive Management and Governing Board has been disclosed in note 26.

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

Figures in Rand

26. Members' and prescribed officer's emoluments

Governing Board

	2023	2022
Mr MS Mthembu (Chairperson)	390,744	261,785
Mrs SD Wiggins (Deputy Chairperson)	180,584	188,923
Mr M Gangazhe	129,345	134,906
Mr WB Baird	142,495	159,099
Ms LC Zulu	93,777	169,982
Adv G Khoza	228,554	138,034
Dr T Kelly	254,153	207,827
Ms LM Sikhakhane	101,050	171,239
	1,520,702	1,431,795

Audit Committee

	2023	2022
Mr JK Sithole (Chairperson - Resigned 26 January 2023)	91,122	114,058
Mr WB Baird	88,920	38,853
Ms LC Zulu	62,244	47,487
Ms LM Sikhakhane	80,028	47,487
SD Wiggins	97,020	51,015
Ms MA Mphahlele (Interim Chairperson - Appointed 26 January 2023)	102,888	49,951
	522,222	348,851

Management

2023

	Emoluments	Other benefits	Pension paid or receivable	Total
Mr LC Mohalaba - Chief Executive Officer	1,790,764	198,376	255,280	2,244,420
Adv. MB Shabangu - Executive Corporate Services	1,337,715	306,012	198,924	1,842,651
Ms S Mabunda - Chief Financial Officer	1,374,324	198,376	204,841	1,777,541
Dr JM Molwantwa - Executive Water Resources (resignation date - March 2022)	-	113,927	-	113,927
Dr T Sawunyama - Acting Executive Water Resources	294,666	-	-	294,666
	4,797,469	816,691	659,045	6,273,205

2022

	Emoluments	Other benefits	Pension paid or receivable	Performance Bonus	Total
Mr LC Mohalaba - Chief Executive Officer	402,894	49,594	-	-	452,488
Adv. MB Shabangu - Executive Corporate Services	1,428,760	198,376	-	-	1,627,136
Ms S Mabunda - Chief Financial Officer	1,700,281	229,184	42,327	57,022	2,028,814
Dr JM Molwantwa - Executive Water Resources	1,443,106	198,376	51,514	107,534	1,800,530
	4,975,041	675,530	93,841	164,556	5,908,968

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

27. Reclassification

Reclassification of Statement of Financial Position for 2022

	Reclassified to employee benefits
Provision for leave	4,583,205
Payables from non exchange that are made up of:	
IEMAS deductions	355,785
Bursaries payable	39,290
Garnishee & IT88 deductions	250
Unpaid salaries	39,759
Pension	1,324,998
Medical aid	385,481
Staff bonus	555,025
	7,283,793

The Agency reclassified amounts relating to employee benefits that were previously reported as payables from non exchange transactions as well as leave provisions. These items have now been disclosed as employee benefits. Reclassification was performed to ensure compliance with GRAP 1 as well as GRAP 25. The reclassification was performed for the comparative year.

28. Risk management

Liquidity risk

The Agency's risk to liquidity is a result of the funds available to cover future commitments. The Agency manages liquidity risk through an ongoing review of future commitments and credit facilities. The Agency is dependent on timely grant funding to keep its liquidity ratio healthy.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The Agency only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Provisions are made against debtors that are impaired and no collateral is held.

Interest rate risk

The Agency's interest rate risk arises from borrowings in lieu of finance leases. Borrowings that were issued at variable rates consequently expose the Agency to fair value interest rate risk. The Agency's borrowings were denominated in Rand value.

29. Fruitless and wasteful & irregular expenditure

Irregular Expenditure	119,018	732,970
Fruitless and Wasteful	-	-
Closing balance	119,018	732,970

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

29. Fruitless and wasteful & irregular expenditure (continued)

Current year irregular expenditure relates to the following:

- An amount of R119,018 paid in lieu of Internet services was deemed irregular due to services and payments being rendered after the expiry of the contract. No condonation has been applied for by the reporting date as the matter is still undergoing assessment of liability.

Prior year irregular expenditure relates to the following:

- R494,934 was incurred as a result of international trips approved in contravention of approved Human Resource Development policy and National Treasury Instruction No 2 of 2017/18 Section 8.1. The Governing Board recommended the amount for condonation by National Treasury. No response has been received from National Treasury as of reporting date.
- During 2022/23 an amount paid in 2021/22 amounting to R238,036 was identified as irregular expenditure. This amount was in lieu of Internet services that were rendered to the Agency outside valid contractual period. No condonation has been applied for by the reporting date as the matter is still undergoing assessment of liability.

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

30. Budget differences

Material differences between budget and actual amounts

The below note highlights items of material differences as reported in the budget reconciliation.

Revenue from exchange transactions

Water Resources Management charges invoiced reported an under collection of R16,58mil by the end of the year under review. Expected revenue as budgeted was computed using projected billable water volumes of 1,946 billion cubic meters at a proposed average rate of 0.027c per cubic meter. Variance noted owed to lower actual billable volumes during the year (1,894 billion cubic meters) and a lower approved ministerial average cost per cubic meter of 0.026c. Reduction in volumes owed to ongoing validation and verification process, expiry of licenses/contracts as well as voluntary surrender of water rights within the Catchment. In addition, adverse results were further impacted by commission paid to Irrigation Boards as per Billing Agent Agreements and other necessitated account adjustments amounting to R806k and R7,8mil respectively.

Interest received on trade debtors represents charges raised on customer accounts due to late payment. This form of revenue as well as other income does not form part of normal budgeting processes for this reason any collections in this regard are recorded as a variation of budget.

Upward adjustment on interest rates applicable to funds held in investment as well as prudent cashflow management resulted in favourable returns that yielded over collection of interest earned in comparison to budgeted figures.

Revenue from non-exchange transactions

The Agency reported an over collection of government grants of R44,3mil due to recognition of conditional surplus funds released to offset expenditure in the same period valued at R23mil and additional augmentation valued at R22mil released by the DWS in lieu of financial constraints in the reporting year.

Expenditure

Personnel costs reported a saving of R3,7mil owing to vacant and funded critical positions reported during the year namely Executive Water Resource Management and other positions.

Depreciation charge as well as bad debt provision do not form of budgeting processes as they represent a non-cashflow item.

General expenditure reported a saving of R10,8mil by the end of the period. Savings were reported as a result of management application of cost containment mechanisms.