



## **CORPORATE PLAN**

### **TRANS-CALEDON TUNNEL AUTHORITY**

**FOR THE PERIOD 1 April 2023 to 31 March 2026**

**(Prepared in accordance with National Treasury  
Guidelines)**

## STATEMENT BY THE ACCOUNTING AUTHORITY

It is hereby certified that this Corporate Plan:

- was developed by the Executive Management of the Trans-Caledon Tunnel Authority of South Africa under the guidance of the Board of Directors, in line with the aspirations of the Executive Authority, the Minister of Water and Sanitation,
- takes into account all the relevant policies, legislation and other directives for which TCTA is responsible, and
- accurately reflects the strategic outcome-oriented goals and objectives, which TCTA will endeavour to achieve over the period 2023/24.

The Corporate Plan is recommended for submission in terms of section 52 of the PFMA.

Compiled by:

Signature: \_\_\_\_\_

**Mr Percy Sechemane**

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Approved by:

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**Ms Precious Sibiya**

**Chairperson of the Board: TCTA**

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**SUPPORTING FRAMEWORK:**

- ANNEXURE A - TCTA CORPORATE BALANCED SCORECARD FOR 2023/24**
- ANNEXURE B - CAPITAL EXPENDITURE PROGRAMME AND OPERATIONS & MAINTENANCE**
- ANNEXURE C - BORROWING PROGRAMME, BUDGETS AND CASH PROJECTIONS**
- ANNEXURE D - RISK MANAGEMENT PLAN**
- ANNEXURE E - FRAUD PREVENTION PLAN**
- ANNEXURE F - MATERIALITY AND SIGNIFICANCE FRAMEWORK**
- ANNEXURE G - EXECUTIVE MANAGEMENT PROFILES**
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## 1. OVERVIEW

### 1.1 THE PURPOSE OF THIS CORPORATE PLAN

The purpose of this corporate plan is to outline how the Trans Caledon Tunnel Authority (TCTA) will fulfil its mandate and implement the directives received from the Minister of Water and Sanitation, and in doing so, support the Government's developmental agenda.

TCTA as a Schedule 2 public entity complies with section 52 of the Public Finance Management Act, Act No.1 of 1999 as amended, which provides that,

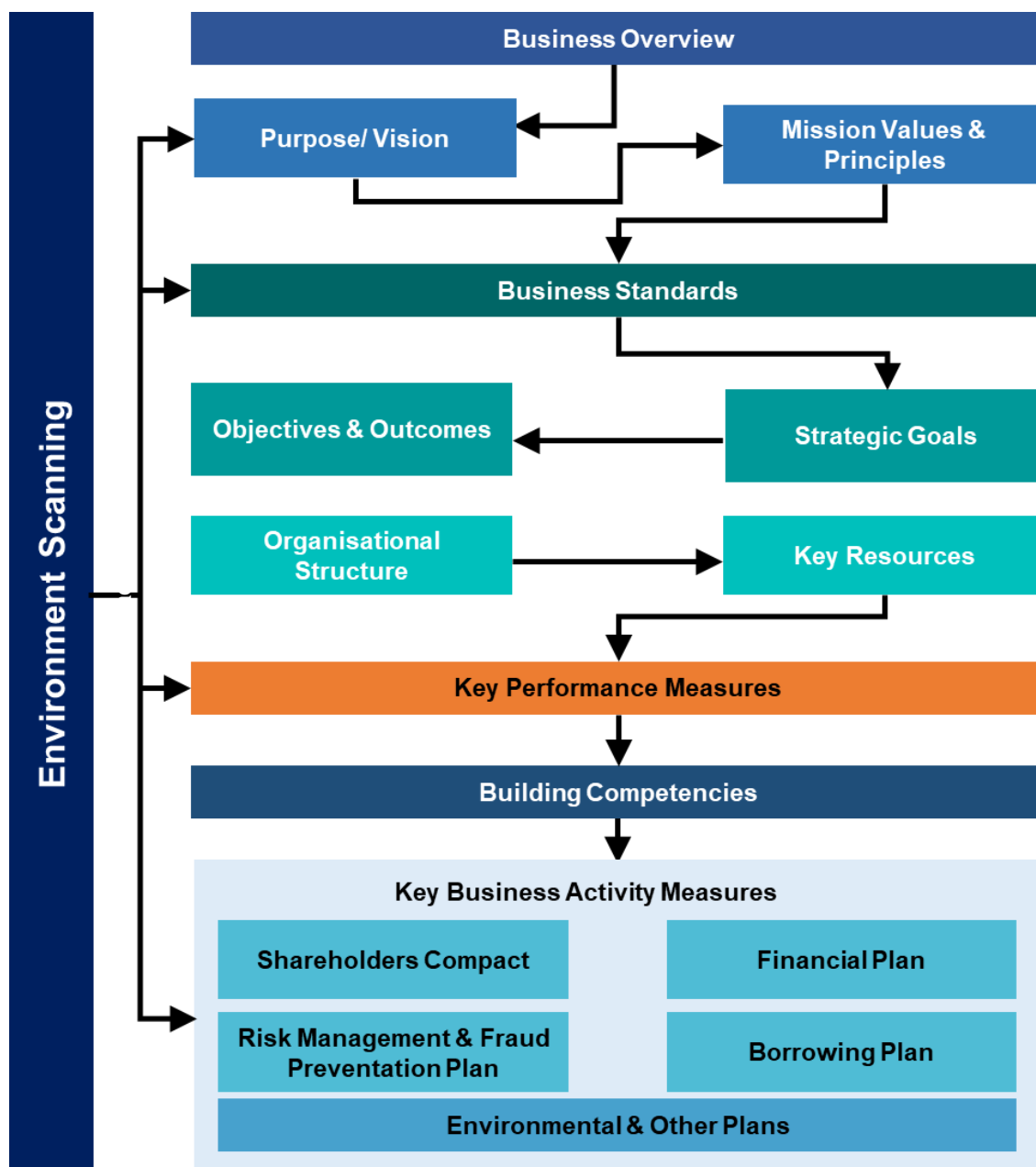
*'The accounting authority for a public entity listed in Schedule 2 or a government business enterprise listed in Schedule 3 must submit to the accounting officer for a department designated by the executive authority responsible for that public entity or government business enterprise, and to the relevant treasury, at least one month, or another period agreed with the National Treasury, before the start of its financial year—*

- a) a projection of revenue, expenditure, and borrowings for that financial year in the prescribed format; and*
- b) a corporate plan in the prescribed format covering the affairs of that public entity or business enterprise for the following three financial years, and, if it has subsidiaries, also the affairs of the subsidiaries.'*

In line with National Treasury Practice Note 4 of 2009/2010, this corporate plan includes information required in terms of Section 52 of the PFMA and Treasury Regulation 29.

## 1.2 A CONCEPTUAL FRAMEWORK FOR THE CORPORATE PLAN

A conceptual framework for the corporate plan can be graphically depicted as follows:



To provide the National Treasury with sufficient information as required by the PFMA, the corporate plan presented by TCTA as a public entity contains the following information:

- A brief overview of the Mandate of the public entity.
- The Vision of the public entity.
- The Mission of the public entity.
- The Supporting Values of the public entity.
- Background-legislative and regulatory framework.

- Main Activities
- Business Strategy
- Corporate Strategic Objectives (Key Performance Indicators are in Annexure A)
- The Operating Principles.
- Governance Structures
- Financial Plan
- Capital Expenditure Plan
- Borrowing Plans
- Risk Management and Fraud Prevention Plans
- Materiality and Significant Framework

### 1.3 A BRIEF OVERVIEW OF TCTA's MANDATE

TCTA conducts its business as a state-owned entity tasked with the funding and implementation of water infrastructure projects. TCTA's mandate is set out in terms of the Notice of Establishment and directives issued from time to time by the Executive Authority.

TCTA's solvency is secured by the tariff methodology, income agreements and guarantees (explicit and implicit), that provide certainty that all costs incurred by TCTA will be fully funded either through user tariffs as the debt is repaid or through direct cost-recovery payments from the Department of Water and Sanitation. TCTA's tariffing methodology seeks to provide a stable planning platform for the future by smoothing the tariff over the period of repayment (usually 20 years after construction) which is significantly less than the project infrastructure useful life, while taking into account the end-user affordability.

Throughout the project lifecycle, the projects will reflect net surpluses and deficits depending on the phase and repayment profile of the project. This will result in the projects reflecting deficits in some years – merely because the project has an accumulated deficit in the particular year.

The tariffing methodology is a contributing factor to this as the tariffs recouped in any particular year, especially during the earlier years of the project, may be lower than the costs in the year because of the underlying principle of a smoothed tariff.

A further contributing factor is the interest expense at that point in time exceeding the interest on the financial asset, a factor that will always reverse by the time the financial asset is extinguished and the debt repaid.

Management confirms that while the surplus/deficit position may vary during the life of a project, all projects will ultimately repay all their debt and hold no surplus or deficit when all the loans for the project are repaid. Hence, the going concern status of TCTA is assured.

#### **1.4 VISION**

To be the world-class enabler of sustainable infrastructure for a water-secure South Africa.

#### **1.5 MISSION**

To plan, finance and implement sustainable and accessible water resource infrastructure.

#### **1.6 CORPORATE VALUES**

TCTA's corporate values are driven by its desire to achieve excellence in everything it does and, consequently, its leadership imperatives underscore how everyone will *work better together* to achieve this end.

Corporate values emphasise Excellence, Integrity and Respect for one another, while promoting Unity of Purpose, the Growth of the Collective and an Enabling Environment where employees are encouraged to grow and excel.

TCTA conducts its business with professionalism and uncompromising integrity and diligence. The organisation is committed to complying with internationally recognised standards and managerial and technical excellence. TCTA cherishes transparent and consultative relationships with all its stakeholders.

It proactively aligns itself to meet the challenges of a dynamic environment, and ascribes to accountability, sound governance and environmental sustainability in executing its mandate and directives.

#### **1.7 STRATEGIC OVERVIEW**

Both the National Development Plan and the National Water Resources Strategy underscore sound strategies for enhancing the capacity of South Africa's water resource infrastructure to meet competing needs across all sectors. Infrastructure development is one of the keys to South Africa's economic growth and transformation.



As and when directed by the Minister, TCTA continues with its critical role of ensuring the timeous development of infrastructure for the expanded supply of water to deal with the historical imbalances relating to access to water, and to simultaneously stimulate South Africa's economic growth.

## **1.8 VALUE PROPOSITION**

In pursuit of a sustainable water supply, TCTA's objective is to provide water infrastructure at the lowest lifecycle cost to the end-consumer in the most sustainable socio-economic manner. To achieve this objective, it has developed its capability beyond simply raising finance and managing debt. It is involved in the following:

- Project management and implementation,
- Liability management,
- Structuring and raising of project finance,
- Knowledge management,
- procurement,
- financial management,
- risk management, and
- Local economic development.

TCTA as a Special Purpose Vehicle of government continues to deliver within the parameters agreed with the Department of Water and Sanitation.

## **2. BACKGROUND**

### **2.1 LEGISLATIVE AND REGULATORY FRAMEWORK**

TCTA operates within the regulatory framework of Chapter 10 of the National Water Act (Act 36 of 1998) as an implementing agency or special purpose vehicle of the Department of Water and Sanitation. TCTA is a Schedule 2 public entity as listed in the Public Finance Management Act, Act No.1 of 1999, as amended, and it therefore broadly operates within the ambit of Constitutional provisions including other relevant legislative prescripts like Environmental and Employment Laws etc.

## 2.2 ESTABLISHMENT DATE AND REASONS

The Trans-Caledon Tunnel Authority (TCTA) was established in 1986, by Notice 2631 in Government Gazette No 10545, dated 12 December 1986, to finance and build the Delivery Tunnel North of the Lesotho Highlands Water Project (LHWP). In 1994 a directive was received to fulfil the financial obligations of the Government of South Africa, in terms of the treaty, on the water transfer component in Lesotho.

On 24 March 2000, the Notice of Establishment was amended by Notice 277 in Government Gazette No 21017 to include the 1994 directive and to allow the Minister, in terms of section 24 (d) of the notice to issue directives to TCTA in terms of section 103(2) of the National Water Act (Act 36 of 1998).

In accordance with section 3 of the Notice of Establishment the main objectives of TCTA are to:

- a) implement, operate, and maintain the part of Phase 1 of the Lesotho Highlands Water Project situated in the Republic of South Africa, in accordance with the provisions of the Treaty; and
- b) perform the functions set out in clause 24 (a) and (b) and any other additional functions which the Authority may be required to perform in terms of a directive by the Minister under section 103 (2) of the National Water Act.

The Minister must be satisfied that such directives will not prejudice the capacity of TCTA to perform the functions for which it was established.

The National Water Act allows the Minister to direct a body established under section 102, of the Act, to perform additional functions which may include –but are not limited to– providing local and foreign water management institutions with:

- management services (project implementation);
- financial services (structuring and raising project finance, debt management and tariff setting);
- training; and
- other support services.

The above makes it clear that TCTA cannot undertake any function outside of its mandate without a directive from the Minister, unlike the Water Boards who are given such opportunity in terms of section 30 of the Water Services Act (Act 108 of 1997). The National Water Act requires that TCTA manage its different functions separately.

This is further emphasised in the Notice of Establishment for TCTA which states in section S20(1) that TCTA must manage its treaty functions separately from its non-treaty functions and account for them separately as required by section 105(1) of the National Water Act. Section 20(2) furthermore states that the Authority's treaty responsibilities are not applicable to its non-treaty responsibilities. Treaty functions are those functions assigned to TCTA in the Treaty on LHWP, while non-treaty functions include the mandate to perform South Africa's financial obligations arising from the Treaty and any other functions which the entity has been directed by the Minister to perform.

### **2.3 TCTA KEY COMPETENCIES**

The competencies of TCTA reflect its growth and experiences from the days when it operated in a single project environment, following its establishment as a special purpose vehicle in 1986 specifically to fulfil South Africa's treaty obligations in respect of LHWP.

The scope of TCTA activities has expanded considerably in scale and complexity, from a single project (LHWP) to the management of the current portfolio of major infrastructure projects across the country. Activities also include extensive advisory services.

TCTA has developed sound expertise and an acknowledged track record in the efficient financing and project management of water infrastructure delivery. Its competency capabilities render it well placed to assume increased responsibilities and functions within an enhanced institutional framework.

### **2.4 MAJOR PRODUCTS AND SERVICES**

In the course of fulfilling the responsibilities set out in the Notice of Establishment and the directives that are given to it from time to time by the Minister, TCTA provides the following services and associated products:

- a) structuring and raising project finance;
- b) project management and implementation of water infrastructure covering:
  - design
  - construction
  - environmental and social management
  - land acquisition
- c) operation and maintenance;
- d) debt management;

- e) knowledge management;
- f) risk management;
- g) socio-economic transformation; and
- h) tariff setting.

## 2.5 MAIN ACTIVITIES: DIRECTED AND POTENTIAL NEW PROJECTS

### 2.5.1 CURRENT DIRECTED PROJECTS

TCTA received directives from the Minister of Water and Sanitation to fund and implement the projects shown in Table 1. Currently there are 6 projects under debt management, 3 projects at implementation phase, 4 assets under operation and maintenance, 2 on hold and 3 advisory projects.

Project	Date Directive received	Work to be undertaken in 2023/24							
		Planning	Funding & Debt Management	Implementation	Close-out	Operation and maintenance	Advisory	Payment agency	On-hold
Projects with Debt Under Management									
Vaal River System: To fulfil all the republic's financial obligations in terms of or resulting from the Treaty (non-Treaty functions) on the Lesotho Highlands Water Project and any other obligations on the Vaal River System (Acid Mine Drainage). (VRS)	3 August 1994 (and incorporated into amended Notice of Establishment, 24 March 2000)		✓			✓		✓	
Berg Water Project (BWP)	6 May 2002		✓						
Vaal River Eastern Subsystem Project (VRESAP)	6 October 2004		✓						
Mooi–Mgeni Transfer Scheme – Phase 2 (MMTS-2)	29 November 2007		-		-				

Project	Date Directive received	Work to be undertaken in 2023/24							
		Planning	Funding & Debt Management	Implementation	Close-out	Operation and maintenance	Advisory	Payment agency	On-hold
Komati Water Scheme Augmentation Project (KWSAP)	29 September 2008		✓						
Mokolo–Crocodile Water Augmentation Project – Phase 1 (MCWAP-1)	19 May 2010		✓		✓				
Projects at Implementation Phase									
Mokolo–Crocodile Water Augmentation Project – Phase 2A (MCWAP-2A)	19 May 2010		✓	✓					
Berg River Voëlvlei Augmentation Scheme (BRVAS)	18 May 2017	✓	✓						
uMkhomazi Water Project Phase 1 (uMWP-1)	25 February 2019	✓	✓						
Assets Under Operation and Maintenance									
Lesotho Highlands Water Project: Delivery Tunnel North (Treaty obligations) (LHWP)	12 December 1986		✓			✓			
Acid Mine Drainage- Short- term Solution (AMD-STs) Plants (Eastern, Western and Central Basins)	6 April 2011		✓			✓			
Projects on Hold									
Olifants River Water Resources Development Project – Phase 2B (ORWRDP-2B)	25 February 2015 (Directive revised 22 October 2015)		✓						✓
Acid Mine Drainage (AMD- LTS)	19 May 2016		✓						✓
Advisory Services									

Project	Date Directive received	Work to be undertaken in 2023/24							
		Planning	Funding & Debt Management	Implementation	Close-out	Operation and maintenance	Advisory	Payment agency	On-hold
Advisory Services to Water Management Institutions, Water Boards and DWS	17 May 2004						✓		
Strategic Integrated Projects 19 (SIP-19)	6 August 2021						✓		
Programme Management Services to DWS in relation to Water Infrastructure Projects.	1 April 2019						✓		
Mzimvubu Water Project (MWP)	19 January 2019 (replaced previous directives)			➡			➡		
<ul style="list-style-type: none"> <li>Stage 1- Project Advisory Management Services</li> <li>Assistance with the implementation strategy further Phases</li> </ul>		✓					✓		

As highlighted in the table above, there are a number of projects for which TCTA has received directives, but is unable to proceed, as the projects are on hold for a variety of reasons. The specific projects are as follows:

- The implementation of Phase 2B of the Olifants River Water Resources Development Project forms part of the remaining phases of the project still to be implemented to complete the water distribution system. The DWS is currently in a process of engaging with the mines with a view to conclude an alternative institutional arrangement for the funding and implementation of the remaining phases. TCTA is providing advisory support to the DWS in the engagements with the mines and expects the DWS to direct TCTA on its future role on the project.
- Long-term Solution for Acid Mine Drainage on the Witwatersrand. TCTA has requested the Minister to suspend the Directive following DWS' decision to review technical solution options for the project, the response still pending.

## 2.5.2 POTENTIAL DIRECTIVES

The Infrastructure Development division of the Department of Water and Sanitation (DWS-ID) approached TCTA on 14 October 2019 to assist with further projects, which are constrained and delayed for various reasons. The projects include:

### **Nwamitwa Dam Project**

This project is part of the directive on Programme Management Services to DWS in relation to Water Infrastructure Projects.

The feasibility study for the development and management options in the Groot Letaba River proposes the construction of a dam at Nwamitwa and the raising of Tzaneen Dam (which DWS proceeded with) for augmenting water supply from the Groot Letaba River. Following TCTA's response to DWS request for a proposal on the implementation of the project a response from the DWS is still pending.

## 2.5.3 STRATEGIC INTEGRATED PROJECTS: SIP-19

In April 2012, the Presidential Infrastructure Coordinating Commission (PICC) tasked specific state-owned entities to co-ordinate and monitor each of the Strategic Integrated Projects (SIPs).

TCTA was originally assigned to coordinate SIP-3 and SIP-18 in 2012 and 2013, respectively. In 2021, following a review of the program for optimisation in 2019, TCTA was appointed as co-ordinator for SIP-19, focusing on national water and sanitation infrastructure. The SIPs consist of projects prioritised by the PICC on the basis of their strategic and catalytic nature, and grouped into clusters where synergies could be achieved. The synergies would be derived from the integrated planning of value chains, management of inter-dependencies, and leveraging of lessons learned across similar project environments, among others.

The SIPs coordination program has the benefit of show-casing the convening power of TCTA as it brings together diverse and strategic stakeholders in mutual collaborative engagements and platforms. In particular, the coordination of SIP-19 provides TCTA the advantage of accessing its potential long-term project pipeline for timely positioning and business development.

SIP-19 is made up of strategic national water and sanitation projects located throughout South Africa. The program includes projects across the water value-chain. The SIP is designed to address water and sanitation backlogs, and in particular communities that remain under-served. Projects also aim to assure sustainable supply of water in support of economic growth, while simultaneously meeting social needs.

These projects may provide new infrastructure, the rehabilitation and upgrading of existing infrastructure, as well as improving the management of water and sanitation infrastructure.

In the year ahead, TCTA will continue with diligent project tracking and monitoring, generating, and presenting timeous reports to the PICC and Infrastructure South Africa. Particular focus will also be directed towards unblocking project bottlenecks as well as undertaking practical research on pertinent themes to deepen understanding of critical elements impacting on the successful implementation of water and sanitation projects.

Also, TCTA will continue to give focused attention to facilitating the accelerated delivery of the critical and strategic projects, namely, BRVAS, Clanwilliam Dam, transboundary LHWP-2, MCWAP-2, Mkhomazi Project, and the Mzimvubu Water Project. The water sector remains critical and pivotal in supporting national growth. As such, the sector remains in the spotlight for the country. Correspondingly, SIP-19 projects remain a key focus for the PICC/ISA and national government. In the coming year, TCTA will double their coordination efforts on water infrastructure projects, tracking progress on critical project across the country. TCTA will also focus on promoting fast-tracked implementation of such projects as BRVAS and the critical Mkhomazi Water Project.

Multi-sector and multi-disciplinary stakeholder engagement remain pivotal to successful and meaningful SIP coordination. As in the past, TCTA will continue to closely engage key partners and stakeholders to ensure that effective coordination takes place and will reinforce efforts to convene the program technical committee forum as an inclusive platform for educative and progressive technical interfacing.

### **3. INDUSTRY OVERVIEW**

Water is the most pivotal natural resource for socio-economic development; where and when its supply may be constrained, all forms of human endeavour suffer. It is therefore a fundamental and existential challenge to water managers and policymakers everywhere, to ensure that water resources remain adequate, secure and sustainable, and so enable the social and economic development of countries.

Incongruously, this vital importance of water is often not recognised, usually by those from outside the water sector. The result is widespread under-investment in the sector, under-valuing of the commodity and sub-economic recovery through the tariff structures. In this vein, the challenges we face in South Africa resonate with those across the globe. It is therefore an imperative for sector leadership to elevate water security to the national policy dialogue.



South Africa's water story is one of hardship and inequality, but also of ingenuity and pragmatism. Our water endowment is not abundant, and frequent droughts continue to extract a heavy toll. We also face systemic challenges: Precipitation is well below the global average, and evaporation rates far above it, with the result that we have relatively few large rivers.

We have inherited a legacy of unequal infrastructure planning, and much of our economic activity is located along a watershed, far away from natural water resources. Similarly, none of our coastal metros were founded on major rivers. In response to these challenges, we have built a formidable surface water system that captures two-thirds of all the river flows, and transfers much of it to where it is needed for livelihoods, through inter-basin transfer schemes.

And yet, despite these efforts, our water demand is steadily overtaking what can be supplied from the surface water system. The National Water and Sanitation Master Plan of 2018 anticipates that the national water deficit will grow to 17% by 2030, if no remedial action is taken, and that this shortfall will be most severe in the catchments serving the three major economic hubs of Gauteng, eThekweni and Cape Town. The Master Plan proposes that the deficit be addressed through specific sector-wide interventions on both the supply and demand sides, over the next eight years:

- Reduce the national average per-capita domestic consumption, from 237 litres to 175 litres per person per day, to yield a saving of 1,245 million cubic metres (MCM) per annum.
- Increase the reliable yield of the national surface water system by 874 MCM per annum.
- Halve the national average in water reticulation losses, from 35% to 15%, to yield a saving of 859 MCM per annum.
- Increase the desalination of mainly seawater, but also mine-impacted water, for potable and industrial use, by 588 MCM per annum.
- Increase groundwater yield by 405 MCM per annum.
- Increase the re-use of water for potable and industrial use by 110 MCM per annum.

To bring these interventions to fruition will require actions to be taken along the entire water value chain. A significant burden will be on local government, where Water Services Authorities will need to launch programs for reticulation loss reduction, demand management and non-conventional water resource development. This is a daunting task for local authorities, where many suffer from very limited institutional capacity. Programs are under development within the sector to lend support in overcoming technical, financial and procurement hurdles.

Securing adequate investment into the water sector remains to be a challenge. In recent years, investment in water and sanitation infrastructure stood at about R57 billion per annum, compared to a capital investment requirement of R90 billion per annum for new-build projects, upgrades and rehabilitation. The annual deficit of R33 billion could reasonably be made up with debt funding or private sector investment through PPP structures, however the caveat being that there should be underlying bankable projects.

Much-needed reform of the sector is underway. This is evident from various multi-year initiatives involving sector-wide planning, institutional re-alignment and other actions, aimed at building the required capacity to respond to a changing strategic landscape and broadly, the achievement of the sixth global Sustainable Development Goal. These initiatives include the establishment of new institutional capacity in various nodes, notably Catchment Management Agencies, a National Water Resources Infrastructure Agency (NWRIA) and an independent economic regulator for the sector. Reform is also evident in the recasting of the Raw Water Pricing Strategy, aimed at addressing long-standing funding deficiencies.

Ultimately, the South African water sector needs to implement sustainable and affordable water and sanitation infrastructure that will build social capital and provide access to the unserved and marginalised. It is incumbent upon water managers, activists, regulators, financiers and policymakers to respond to the social and economic demands of the various stakeholders, and to pursue the opportunities arising from the water-energy-climate nexus, such as the energy transition, the 4th Industrial Revolution, adaptation to Climate Change and the quest for a decarbonised water sector. In this pursuit, it will be essential to work beyond the conventional silos, and consider the integration of sectoral plans, programs and strategies within the framework of national economic and social policy.

### **3.1 EFFECTS OF CLIMATE CHANGE**

Climate change impacts on water in South Africa could exacerbate existing water-related challenges and create new ones related to climate variability, extreme weather events and changing rainfall seasonality. This would affect a wide range of economic sectors and livelihoods and impact on the development of infrastructure into the future, including through water quality-related issues.

Projected impacts are due to changes in rainfall and evaporation rates, further influenced by climate drivers such as wind speed and air temperature as well as soils, geology, land cover and topography across South African water catchments. Hydrological modelling is essential for translating these complex interactions into potential water resource impacts.

In general terms, the effect of climate change on water availability would need to become more prominent in the mainstream dialogue in the sector, with more attention being given to climate-independent, renewable water resources, and strategies for addressing the impact of climate change on water resource infrastructure.

### **3.2 INFRASTRUCTURE INVESTMENT IMPERATIVE**

The South African water sector faces a significant challenge in respect of infrastructure funding. Recent estimates emanating from the Master Plan launched by the Minister in November 2019, indicate a first order estimate investment requirement of approximately R900 billion over a ten-year period.

Of the total investment required, about 42% would be for building new infrastructure, 15% for the upgrading of existing infrastructure and 43% for the rehabilitation of existing infrastructure. Across all the elements of infrastructure financing and related structuring, an expanding direct and advisory role is envisaged for TCTA.

### **3.3 INSTITUTIONAL SETTING**

Thirteen institutions report to the Minister of Water and Sanitation, including the Trans-Caledon Tunnel Authority, the Water Research Commission, two catchment management agencies and nine water boards.

In most of the entities, the building of institutional capacity is an ongoing challenge, currently leading to weaknesses in key operational areas.

However, strategies are underway to address the challenges. At a national level, the alignment of roles and functions between the TCTA and the Department of Water and Sanitation, particularly relating to infrastructure development, operation and maintenance, will be advanced through the planned establishment of the National Water and Sanitation Infrastructure Authority.

This development will benefit the sector through improved, more integrated project planning, early clarity on financing options and strategies, and greater continuity in the management of the asset lifecycle.

To conclude, the sector is responsive to the multi-pronged challenges of climate change, water resources allocation, institutional alignment and funding deficits, through the master planning initiative and the establishment of an infrastructure agency.

## 4. ECONOMIC OUTLOOK

### 4.1 ECONOMIC OVERVIEW

As a relatively small, open economy, South Africa enjoys very little insulation from the dynamic forces of the global economy. After generous fiscal easing in recent years by the US, the UK and EU especially, demand is now outstripping the ability of their economies to supply, causing a rapid rise in inflation and a tightening of financial conditions. In China, lingering COVID fears are bringing stringent lockdowns, which affect the global economy and impede vital supply chains. And in Ukraine, a brutal conflict is raising security concerns everywhere, and elevating tensions around energy security. Amid all of this, the UN recently announced that the world is not nearly on track to limit global warming to 1.5°C by 2050 and issued a stern warning that the decarbonisation of the world's economies needs to be urgently prioritised. There is certainly an abundance of global challenges to contend with.

These headwinds caused the International Monetary Fund to revise downward its global growth projections, from an earlier 4.4% down to 3.2% for 2022, and similarly 2.7% for 2023, compared to an earlier 3.8%. A slowing global economy will necessarily also impede growth in South Africa.

After two consecutive quarters of positive growth, real gross domestic product (GDP) decreased by 0.7% in the second quarter of 2022. The devastating floods in KwaZulu-Natal and load shedding contributed to the decline, weakening an already fragile national economy that had just recovered to pre-pandemic levels.

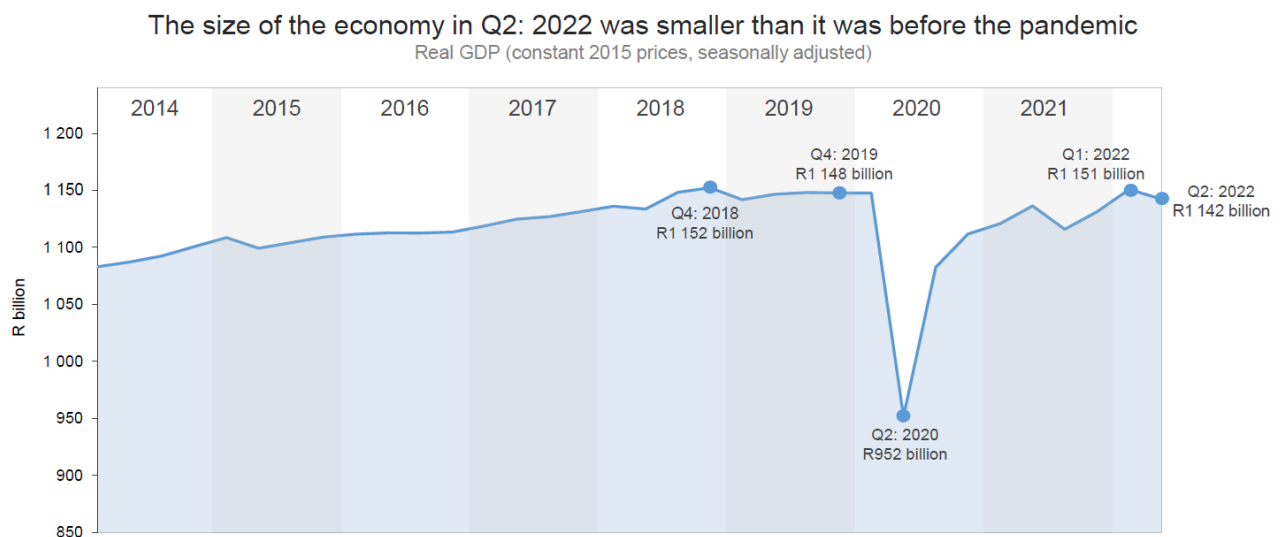


Figure 1: South Africa's Quarterly GDP in constant 2015 values. (Source: Stats SA)

The South African economy is struggling with long-standing structural issues, which limit its growth potential to 2% or less: These include an unreliable electricity supply, costly and inefficient ports and rail network, crime and corruption, weakened state capacity, high levels of market concentration and barriers to entry that suppress the emergence and growth of small businesses.

Furthermore, South Africa has had unforeseen setbacks such as the KZN floods, and hence our real GDP growth projection for 2022 is now 1.9%, down from the 2.1% anticipated in February. The three-year outlook is for an average growth of 1.6% per annum. This anaemic performance does not allow the state to address our pressing developmental goals, and it is therefore an imperative to place the economy onto a path of higher growth.

A slowing or low-growth economy is also not conducive to water infrastructure development, and this affects TCTA directly; low employment levels impede the ability of households to pay for services, credit risk downgrades raise the cost of capital, and in time, a slow-down in public expenditure erodes the capacity of the domestic construction industry to undertake large or complex projects.

But there are also developments which hold promise of a better future; two things stand out. First, deep reforms are underway in the energy and transport sectors, which will improve efficiency, reliability and cost-effectiveness of these services, mostly through the introduction of competition. In the transport sector, an independent regulator will encourage competition and regulate third party access to the network; already, Durban's Pier 2 and the Ngqura container terminals are within scope.

An even greater impact will come from the energy sector, where a transition to renewables and gas is well underway. Evident so far is a vast over-subscription on the REIPPP program, of independent power producers bidding to develop new generating capacity at benchmark low feed-in charges. Eskom anticipates R1.2 trillion in such investment through to 2030, which will be a strong stimulus for economic growth.

A second promising sign is that South Africa is emerging as an investment destination in the global energy transition and climate response. Perhaps the best example here is the Just Energy Transition Partnership (JETP), announced in November 2021, whereby \$8.5 billion in funding is made available by UK, EU and US governments to accelerate the decarbonisation of South Africa's economy. In October 2022, Cabinet approved an investment plan for the funding, indicating that focal areas will include the decommissioning and repurposing of coal-fired power plants, social protection of affected staff, expansion of the transmission network, local manufacture of electric vehicles and the development of a green hydrogen industry. The latter two, especially, will be a catalyst for significant further foreign investment. It is hoped that the JETP will become a model of how funding could be applied to aid the decarbonisation of developing economies.

Gross fixed capital formation, a measure of fixed investment into the economy by both the private and public sectors, has been on a downward trajectory since peaking at R796 billion in 2015, and now stands at about R660 billion. The private sector share in this, which is about two thirds of the total, is mostly impeded by wavering business confidence, policy uncertainty and difficulty in doing business. The remedy lies in improving policy certainty, the elimination of administrative red tape, and making progress with structural reform in critical sectors.

On the public side, SoE's have an important role in the provision of critical economic goods and services to the economy, especially through the development of infrastructure. In the medium term, expenditure on new and refurbished capacity will grow rapidly from R66.7 billion in 2022/23 to R112.5 billion in 2025/26.

It is hard for any government to meet development objectives when its finances are over-burdened with debt. Repeated budget deficits over the past fifteen years have resulted in government debt escalating from R627 billion in 2008/09, to more than R4.7 trillion in 2022. This means that about R355 billion will be spent each year on debt-service costs alone, within the medium term. With the global economy slowing, and inflation increasing, this number will rise; already, the debt-service cost for 2022 is now estimated to be R5.9 billion higher than the projection made earlier in February.

Hence the imperative is clear: We need to stabilise public finances, reduce our annual deficits and decrease our debt burden. Hence, the medium-term strategy is to maintain a prudent fiscal policy and progress towards a fiscal surplus in the medium term. Helping the fiscus improve is higher-than-expected revenue collection over the past year, with the gross tax revenue for 2022/23 projected to be increased by R83.5 billion, to R1.68 trillion.

It is foreseen that a prudent fiscal policy and improved tax revenue will aid in stabilizing gross government debt at 71.4% of GDP in 2022/23.

Some state-owned entities are vital to the functioning of the economy, and should be healthy, self-sufficient and adequately funded in order to contribute to economic growth; this is particularly so in the transport, energy and engineering sectors.

The situation has eroded over several years because of bad leadership and corruption, but a process of recovery is now underway; balance sheets are being restored and the perpetrators are being prosecuted. The strategy of government is to use the current higher-than-anticipated revenues to reduce risks from specific SOE's (Eskom, Transnet, Denel, Sanral), by allowing them to adjust their business models and restore their long-term financial viability. But fiscal support to SOE's will now require compliance with strict pre-and post-conditions.

An initiative from National Treasury is underway to strengthen procurement and financial accountability, by adopting best-practices in the tendering processes. The aim is to simplify and speed up the process for public infrastructure projects, whilst eliminating the opportunities for looting and corruption.

Two changes to procurement governance can be expected: The Public Procurement Bill is due to go to Parliament in March 2023. Once promulgated, it should improve transparency and integrity in public procurement, and promote the use of technology for better efficiency. Furthermore, the Preferential Procurement Regulations of 2022 will replace the now-invalid Regulations of 2017 with effect from 16 January 2023; this will allow state entities to determine their own preferential procurement policies, within the ambit of the Preferential Procurement Policy Framework Act.

The world is facing a tough economic climate, which will only add to the woes already being faced by South Africa in 2023, of structural deficiencies and a heavy debt burden. But there is recognition by government of these challenges, and key policy decisions are being made to improve efficiencies in energy and transport in particular. Furthermore, there are promising signs of South Africa having a prominent role in the global energy transition and climate response, which would attract significant foreign investment. There is also clear evidence of a return to prudent fiscal policy, clean governance and accountability. This bodes well for South Africa in the medium term.

## **4.2 ECONOMIC IMPACT**

The state of the economy impacts on the water sector in several ways. A higher level of growth translates into greater business and investor confidence, improved currency stability, and a greater capacity to borrow money for infrastructure development.

Furthermore, consumer confidence tends to improve on the back of greater employment and disposable income, which improves the likelihood that services could be paid for, and hence allows infrastructure loans to be serviced. Unfortunately, the converse also holds true: economic distress raises the cost of borrowing and weakens the ability of consumers to pay for services.

Government is acutely aware of the immense challenges to accelerate progress and build a more inclusive society. Its vision and priorities to address them are outlined in the 2030 National Development Plan, which outlines two main strategic goals: 1) double the GDP by 2030 and eliminate poverty, and 2) reduce inequality as measured by the income Gini coefficient, from 0.70 to 0.60. The central target, however, requires a rate of growth that seems to be out of reach, currently.

TCTA projects like MCWAP2A will provide water security to the power generation industry thus ensuring that South Africa's economic growth will not be constrained during times of drought.

Also, LHWP2, BRVAS and uMkhomazi will ensure water security in the major economic hubs of the country and thus providing an enabling environment for economic growth.

## **5. TCTA BUSINESS STRATEGY**

The global water sector is growing in strategic importance and complexity, and water is increasingly being managed within the nexus with energy and food. Water managers are ever more pressed to adapt to the challenges of tighter supply-demand balances and a less predictable climate, and all water institutions are required to adapt accordingly. In this vein, TCTA is aware that the medium-term future will require a shift in emphasis to new water infrastructure and supply systems, from the long-established linear use of mainly surface water resources, to circular water management, whilst drawing on a more diverse portfolio of water resources, including potable reuse, aquifer recharge and seawater desalination. Along with this, will come new models of finance, delivery and ownership.

TCTA occupies a unique upstream position in the value chain of the domestic water sector, being mandated to raise commercial finance for the development of national water infrastructure, with elements of assurance being provided by the fiscus and the Department of Water and Sanitation. This role exposes TCTA to a complex strategic landscape that embraces not just the water and construction sectors, but also private sector finance and National Treasury.

The mission of TCTA is to plan, finance and implement sustainable and accessible water resource infrastructure. Its primary goals are to do the above to specification, on-time and within budget, in a sustainable manner; to ensure that all projects facilitate socio-economic transformation and build sustainable communities through small enterprise development and job creation; and to manage and operate the business, its projects and processes in a cost-effective manner, to the highest standards of clean governance. Other goals are to build capable hubs of thought leadership and innovation in niched areas of water infrastructure; and to ensure the continuous nurturing and retention of high-calibre and motivated human capital for delivering on the organisational mission, also into the future.

The directive-driven, full cost recovery business model of TCTA has served the organisation well since its inception in 1986, and today the organisation is renowned for its project implementing capabilities, ability to raise commercial funding, sound financial control and exemplary governance.



However, the vulnerability and limitations of the same business model, which relies exclusively upon Ministerial directives for new projects, and does not allow reserves to be accumulated, have become painfully apparent in recent years. Efforts are underway to improve the efficiency of transitioning projects from DWS to TCTA, through the establishment of a bilateral project platform wherein more complete feasibility assessment would be done.

Looking to the environment in which TCTA operates, the demise in recent years of several large construction firms has caused supply-side weakness in the sector, which limits the capacity and risk appetite for mega projects. An implication is that much of the specialised skill, technology and equipment needed on complex projects such as uMkhomazi and LHWP-II would need to be sourced from abroad, which may run into conflict with local content and participation requirements, and bring unwelcome cost escalations.

TCTA's ability to finance and implement water infrastructure is affected by the state of the economy. As a debt-finance vehicle, TCTA thrives in an environment where an appetite for responsible debt exists, and where households have the means and confidence to consume utilities and pay for them. The current state is characterised by stagnant growth, high levels of unemployment and crippling state debt; this is far from ideal, and TCTA anticipates difficult trading conditions to continue in the medium term. In the domestic setting, fiscal constraints and struggling water revenue collection continue to frustrate the funding and guarantees required to gain momentum on projects. Borrowing is expected to remain expensive, due to rising interest rates. Government's appetite for further borrowing is also muted, and this can be seen in the growing enthusiasm for off-balance-sheet projects in energy, transport and soon, also water.

Over the past two years, the strategic discourse in TCTA has been dominated by the prospect of being merged into the National Water Resources Infrastructure Agency, along with selected DWS elements, within the next two to three years. Public and stakeholder consultation on the draft Agency bill is currently underway, with the parliamentary process due to commence during 2023. What is envisaged is a PFMA Schedule 2 entity, mandated by its own Act, hosting a progressive Agency that will plan, finance, implement, operate and maintain all national water resources infrastructure, such that the Department of Water and Sanitation is refocussed on its regulation and sector leadership roles. The initiative continues to receive strong political support, and the advocacy from TCTA is for the establishment of a well-mandated and capable new state-owned company.

In the interim, all internal business strategies are mapped out to appropriately reflect the imminent move into the new Agency, underlining effective readiness and alignment with the anticipated corporate form, migration requirements, integrated business architecture and associated timelines.

Separate from the Agency initiative, TCTA is positioning to become a more resilient organisation, through the implementation of a digital transformation strategy and pursuit of greater maturity in risk management. An improved control environment is being established, and the organisation aims to achieve a clean audit in 2023/24.

The procurement landscape will facilitate greater socio-economic transformation amongst historically disadvantaged groups and achieve real positive development impact in communities, while maintaining a high-integrity institution and bid system, with an entrepreneurial leadership team.

As a progressive organisation, TCTA is pursuing a reconfigured, optimal workspace suitable for the post-Covid reality; the aim is to achieve greater flexibility without sacrificing employee productivity or engagement. In alignment with this, is the drive to cultivate and institutionalize more courageous and authentic leadership in the organisation, in part through focussed business coaching programs.

TCTA is firm in its belief that it is well-placed for a prominent role in a more complex and challenging water sector; it is a healthy, well-functioning institution with a sound reputation amongst its peers, financial regulators, the private construction sector and the lender market. The organisation will continue to focus on excelling in all aspects of its business, delivering its wider spectrum of projects with greater agility and performance-centred professionalism, supported by efficient core business processes and integrated technology platforms.

## **6. CORPORATE STRATEGIC OBJECTIVES**

TCTA has the following corporate strategic objectives for 2023/24:

- a) Raise funding for implementation of infrastructure.
- b) Implement capital projects on time, within budget, to the appropriate standards and in a sustainable socio/environmental manner.
- c) Operate and maintain designated projects to meet DWS requirements/ specifications.
- d) Manage debt within the approved borrowing limit.
- e) Ensure organisational positioning for the planned Water Agency.
- f) Maintain the highest standard of internal control environment.
- g) Ensure that all IT systems are implemented to support the business.
- h) Position TCTA as a thought leader in critical aspects of water security.
- i) Embed a performance culture that manifests as an agile organization.

The measures, targets and indicators of these corporate strategic objectives are clearly described in the Balanced Scorecard contained in Annexure A.

## **7. OPERATING PRINCIPLES**

The following key principles underpin TCTA's current business model:

- a) Operating in a multi-project environment with each project separately accounted for;
- b) A flexible approach to Capital Unit, Bulk Operations and Royalty Charges setting that accommodates specific requirements of major stakeholders including, but not limited, to off-takers or end-users;
- c) Adopting a risk-averse philosophy;
- d) Implementing best practice in project management approaches; and
- e) Establishing best practice in environmental and social sustainability.

Each project is accounted for and managed separately. This includes the funding, revenue streams and liability management. TCTA funds and implements projects for which back-to-back implementation agreements have been concluded between TCTA and DWS and simultaneously Water Supply Agreements between DWS and off takers. This approach matches the income streams from off takers with an implied government guarantee on the income streams from DWS.

## **8. CAPITAL UNIT CHARGE**

DWS, supported by TCTA and in consultation with stakeholders for a specific system/scheme, sets raw water use charges that will be levied on water users in accordance with the prevailing Pricing Strategy for Raw Water Use Charges.

The raw water use charge includes a Capital Unit Charge to enable TCTA to repay the project debt within a predetermined period. This repayment period is normally 20 years post the project construction period. The Capital Unit Charge is reviewed on an annual basis based on actual project costs incurred up to that point and forecast costs for the remainder of the debt repayment period.

Project agreements make provision for TCTA to revise the project costs (actual and forecast) annually, after consultation with stakeholders if triggers agreed upon at project inception materialise and for the Capital Unit Charge to be adjusted to recover the project costs over the remainder of the debt repayment period. This is to ensure that TCTA is always able to honour its obligations with regards to its funders.

Should a project realise savings in its implementation, those savings are passed on to the end-users through lower tariffs. The Capital Unit Charge is also smoothed in cases where future augmentation projects occur during the repayment period of a project. This avoids large increases in the Capital Unit Charge when a new project comes online.

## **9. RISK-AVERSE PHILOSOPHY**

TCTA has adopted a Strategic Risk Framework and formulated policies, which results in the minimisation of financial and non-financial risks to the end consumer.

The operating principle takes the following into account: the specific risks associated with project implementation such as construction, environmental sensitivity, social aspects and geotechnical; the financial risks associated with the management of liabilities; and the ability of the risk management processes to reinforce the business objectives of the organisation.

## **10. BEST PRACTICE IN PROJECT MANAGEMENT APPROACHES**

TCTA has a well-developed Project Implementation Methodology (PIM) based on the principles of the Project Management Body of Knowledge (PMBOK). PIM provides detailed processes and procedures on all project implementation activities which covers the project lifecycle from initial planning to project commissioning and handover.

PIM ensures standardisation of project implementation processes across all projects within the TCTA's multi-project environment. As part of TCTA's initiative on total quality management, ISO compliance for the PIM is an ongoing objective.

## **11. BEST PRACTICE IN ENVIRONMENTAL AND SOCIAL SUSTAINABILITY**

The revised Environmental Management Policy was approved by the Board in April 2022 for implementation as part of the organisation-wide Environmental and Social Management System (ESMS). Through the growth and implementation of an organisation wide Environmental and Social Management System (ESMS) risks and opportunities for improved responsible corporate citizenship, interdisciplinary integration, and environmental and social aspect management are identified, defined, and addressed.

Priority areas include the establishment of frameworks to guide decision making and practice. Examples of improvement efforts include the development and application of environmental indicators for sustainability linked loans for new projects, the revision of TCTA's environmental risk appetite and the development of an Operational Environmental Management Plan to facilitate improved assurance of compliance and good practice in the management of TCTA's corporate operations.

The ESMS planning tools are being used to proactively identify project specific environmental and social matters that contribute to the reduction of project risks whilst mitigating the impacts of the projects on the receiving natural and social environments.

The ESMS planning tools are being used to proactively identify project specific environmental and social matters that contribute to the reduction of project risks whilst mitigating the impacts of the projects on the receiving natural and social environments.

Improved social sustainability initiatives include the identification and prioritisation of project opportunities for the benefit of communities within the project-affected areas. TCTA collaborates with project partners and through participation in existing community development projects to promote social wellbeing. TCTA supports government departments and non-profit organisations to empower youth and develop skills in rural areas and within project footprints.

Environmental sustainability focus areas include the implementation of biodiversity offsets and partnering with existing local and internationally supported programmes for river and wetland rehabilitation. TCTA will continue its participation in Blue Deal Partnership contribution to the realisation of Sustainable Development Goal 6.

TCTA continues to be represented in Boards of Professional bodies for knowledge sharing, and continual environmental and social management improvement purposes.

## **12. TRANSFORMATION STRATEGY**

TCTA views transformation from internal and external perspectives. The implementation of TCTA projects provides the organisation with opportunities to contribute to the transformation of emerging enterprises, historically disadvantaged persons and affected communities. Further, it is through the implementation of procurement best practices that transformation is achieved.

Transformation targets are incorporated into tenders for professional service providers and construction contracts to facilitate skills development, enterprise development, preferential procurement and the creation of meaningful short-term employment opportunities.

During 2023/24 financial year the project implementation activities that will be undertaken will include the commencement of the procurement of engineering Professional Service Providers (PSP) for the uMkhomazi project who will undertake design and construction supervision once the contracting strategy has been confirmed, the procurement of a design and build contractor for the BRVAS project and the procurement of the contractors for the construction of the MCWAP-2. The transformation targets in the procurement of these services will be in accordance with the New Preferential Procurement Regulations ("2022

Regulations") which took effect from 16 January 2023, in South Africa. These will expand the aims of preferential procurement and reinforce the discretion of organs of state to implement their own procurement policies.

Internally, TCTA is positive about personal development for career growth and offers training opportunities to employees. Under Project Naledi, bursars are assisted to obtain qualifications in the fields of engineering, project finance and environmental management, amongst others, and to gain work experience and exposure through internships.

Within the Professional Services contracts, TCTA facilitates the training of interns by the PSPs such that at the end of the contract, the interns are equipped to continue their professional development and obtain professional registration where applicable. PSP's and Contractors are also required to implement leadership programmes and community projects to facilitate social upliftment and skill development within the project footprint.

## **13. GOVERNANCE**

The board of directors is ultimately accountable for the governance and performance of TCTA, balancing the interests of the organisation as a responsible citizen with the legitimate interests and expectations of stakeholders. The Board provides oversight, strategic direction and leadership, determines the goals and objectives of TCTA and approves strategic policies.

### **13.1 BOARD RESPONSIBILITIES**

The Board is responsible to set direction and approve policy and planning that gives effect to the strategy and oversees and monitors the implementation and execution by management. In doing so, the Board shall:

- a) Set the strategic direction for the implementation and delivering water infrastructure as well as additional services that are directed, from time to time, by the Minister of Water and Sanitation.
- b) Oversee and monitor the implementation of multiple projects, while providing support and ensuring alignment of the strategy to the strategic priorities and objectives of the Department of Water and Sanitation as well as the Government outcomes for the period 2023/24 to 2025/26.
- c) Ensure accountability for organisational performance by means of disclosure and report on corporate governance, compliance, internal controls, risk and financial management; and ensure that reports such as the annual financial statements and sustainability reports comply with statutory requirements and reasonable information needs of material stakeholders.

- d) Maintain full and effective control over the organisation, and notwithstanding the delegation of responsibilities to its Committees and to Executive Management via the Chief Executive Officer, the Board shall remain accountable for the performance of the organisation.
- e) Act in good faith in the best interests of the organisation and its key stakeholders, avoid a conflict of personal interest with the interest of the organisation, whether directly or indirectly.
- f) Act ethically, within the limits of its authority, exercise duty of care, skill and diligence in exercising its oversight responsibilities.

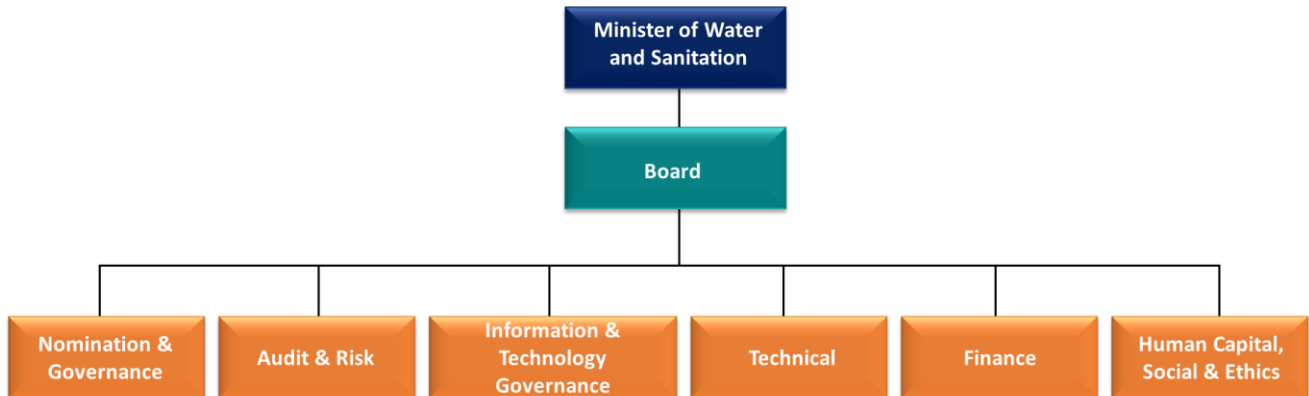
## 13.2 GOVERNANCE STRUCTURE

- a) The Board is well structured to achieve strategic outputs as set out in the Notice of Establishment. The Board set the direction and parameters for the powers which are reserved for itself, and those which are delegated to the Chief Executive Officer. The Board has in place an approved Strategic Delegation of Authority, as required under section 5 of the Board Charter and section 16 (1) (a) (ii) and (b) of the Notice of Establishment. The Board has delegated some of its responsibilities to standing Board Committees to facilitate efficient decision making and to assist the Board in the execution of its duties, powers and authorities.
- b) The Board is guided, amongst others, by directives issued by the Minister of Water and Sanitation, the Notice of Establishment, the National Water Act, the Public Finance Management Act, the Strategic Delegation of Authority, the Code of Business Conduct and Ethics, the King IV Report on Corporate Governance and other applicable legislations, regulations and policies whenever it executes its responsibilities.
- c) The standing Board Committees rely on the statutory framework as well as its Terms of References to implement the Board's directives and adhere to sound governance principles.
- d) The Board has a charter setting out its responsibilities and meets at least quarterly.
- e) A Board strategy session is convened annually with Executive Management to realign the business strategy and ensuring organisational growth in line with new developments and additional mandates and directives issued by the Minister of Water and Sanitation and with due consideration to achieve the appropriate balance between its key stakeholder groupings.

### 13.3 THE STRUCTURE OF THE COMMITTEES OF THE BOARD

TCTA reports to the Minister of Water and Sanitation, and as a public entity, to Parliament for overall oversight.

#### THE STRUCTURE OF THE COMMITTEES OF THE BOARD



The Board has established six standing committees with specific focus areas and has accordingly delegated roles and responsibilities. As at the date of this plan, these were the Audit and Risk Committee, the Finance Committee, the Nomination and Governance Committee, the Human Capital, Social & Ethics Committee, the Technical Committee, and the Information and Communications Technology Governance Committee.

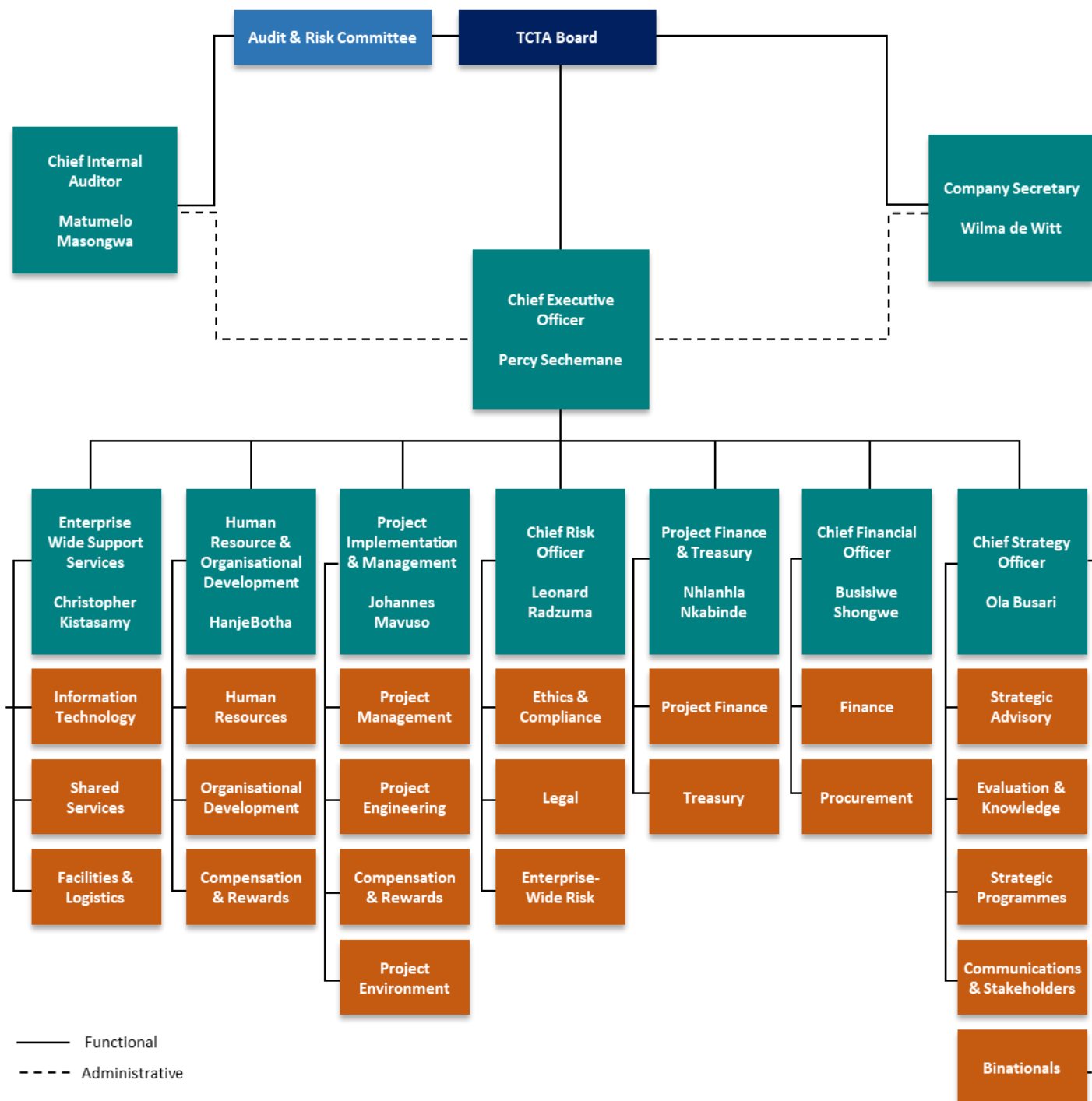
The Audit and Risk Committee is a statutory committee as prescribed by section 77 of the PFMA; the other committees support the Board in the fulfilment of its governance and oversight role. All Board Committees are chaired by an independent, non-executive director.

Each committee's role, responsibilities and membership are in accordance with its terms of reference, as approved by the Board. The terms of reference are reviewed annually to ensure that such remain in line with relevant regulations, organisational requirements, and leading corporate governance practices.



### 13.4 TCTA HIGH-LEVEL STRUCTURE (FY 2023/24)

The high-level structure for 2023/24 can be graphically depicted as follows:



## 14. FUNDING REQUIREMENTS

### 14.1 OVERVIEW

TCTA structures project financing on a stand-alone basis; the project's cashflows service its debt while DWS undertakes to step in and perform TCTA's obligations to funders if TCTA is unable to do so. Once the project is operational, the role of TCTA is to manage debt, considering changing market circumstances, until such time that the debt has been fully repaid.

### 14.2 PREPARATION OF FUNDING REQUIREMENTS

TCTA prepares a rolling three-year budget on an annual basis. This budget is prepared on an accruals basis and identifies financial commitments for the period, and this is approved by the TCTA Board. The funding requirements per project have been determined from the budget as shown below:

Table 1: TCTA's Funding Requirements (Medium-Term) [1]

Project	2023/24	2024/25	2025/26	TOTAL	FINAL DEBT REPAYMENT DATE
	R' million	R' million	R' million	R' million	
VRS	2,342	1,130	460	3,932	2045
BWP	9	25	-16	18	2029
VRESAP	-49	-47	-9	-105	2028
MMTS-2	45	0	-	45	2023
ORWRDP (fiscus)	15	2	2	19	N/A
KWSAP	-110	-89	-54	-253	2034
MCWAP-1	7	-5	-5	-3	2030
MCWAP-2	361	3,157	3,372	6,890	N/A
uMWP	84	659	3,908	4,651	
BRVS	87	283	325	695	N/A
MRWP (fiscus)	7	7	7	21	N/A
	2,798	5,122	7,990	15,910	

#### Notes on the above funding requirements:

- VRS:** The budget for the VRS amounts to R3 932 million for the three financial years from 2023/24 to 2025/26. The funding requirements for LHWP-2 and AMD-STI have been integrated into the funding of VRS under a single borrowing programme and revenue stream. AMD-LTS is on hold (Minister was requested to suspend the Directive pending a review of the project by DWS) and not provided for in the funding requirement.

[1] Negative values indicate a surplus in net funding requirements.

- b) **BWP:** BWP is expected to require funding of R18 million in the next three financial years from 2023/24 to 2025/26, after considering interest and capital payments.
- c) **VRESAP:** For the next three financial years from 2023/24 to 2025/26, VRESAP will generate funding of R105 million. The project's revolving credit facility is now fully utilised, and a new R400 million liquidity facility is being sourced to improve the liquidity of the project.
- d) **MMTS-2:** The project will require R45 million in 2023/24 for remaining environmental requirements. The debt has been fully repaid by November 2022.
- e) **ORWRDP2C:** The project will require a further R19 million from 2023/24 to 2025/26. This amount will be funded by the Department of Water and Sanitation.
- f) **KWSAP:** The project is expected to generate R253 million cashflow from 2023/24 to 2025/26. This amount will be utilised to service debt on the project.
- g) **MCWAP:** MCWAP-1 will generate R3 million from 2023/24 to 2025/26. MCWAP-2 will initially require an estimated R6 890 million from 2023/24 to 2025/26.
- h) **MRWP:** The project will require a further R21 million from 2023/24 to 2025/26.
- i) **BRVAS:** The project will require a further R695 million from 2023/24 to 2025/26.
- j) **uMWP:** The project will require a further R4 651 million from 2023/24 to 2025/26.

### 14.3 FUNDING AND DEBT MANAGEMENT STRATEGIES

TCTA's current funding strategy leverages committed facilities and commercial paper programmes for each of its projects, while a new capital markets programme is also being prepared. All the funding facilities available are ring-fenced to specific projects. On an annual basis, TCTA prepares its budget for the next three years and forecasts for the life of the project.

This budget informs the funding requirements for each project. Funding and debt management strategies are then developed based on these funding requirements and consider all facilities available as well as the economic climate (Refer to the Annexure C on the Borrowing Programme for more details). Funding for recent directives has been sourced from both the commercial banks and development finance institutions. The potential funding mix is also reflected in detail under Annexure C.

#### **14.4 HEDGING STRATEGIES FOR FOREIGN FUNDING**

Currently TCTA has no foreign currency funding. However, it is anticipated that some of the LHWP-2 contracts will be in euros, US dollars or pound sterling. It is envisaged that the funding facilities for the VRS will be drawn in rand and foreign currency will be acquired at the prevailing spot exchange rate at the time contract payments are made. The LHWP-2 long-term cost plan contingency amount as prepared by LHDA includes expected currency movements.

#### **14.5 IMPACT OF FINANCIAL MARKETS ON FUNDING**

All foreign exchange exposure is covered at 100% of the interest and capital portion of the loans. The impact of interest rate risk due to movements in financial markets is managed through the 70:30 fixed to floating policy. TCTA will continue to monitor the financial markets to minimise overall exposure to projects.

#### **14.6 GOVERNMENT GUARANTEES**

Because TCTA funds and implements all its projects on behalf of DWS, all its debt is either explicitly or implicitly guaranteed by the South African Government. An explicit government guarantee is in place for the VRS funding, whilst implicit government guarantees are in place for all the other projects.

These guarantees are provided for in the implementation agreements in which DWS undertakes to honour obligations in cases where TCTA is unable to do so. New guarantees were issued to lenders for the VRS in 2018 for R6.5 billion, while R9.3 billion in guarantees was released due to the repayment of the WS05 bond in August 2018. A further R4.5 billion loan guarantees were requested in February 2020 for DFI funding for LHWP-2 and granted in 2021. Another R15.45 billion was granted in 2021 for other bank loans. Finally, guarantees for a new DMTN programme of R12billion expected to be registered in 2023 will also be requested.

### **15. CONCLUSION**

TCTA, as an organ of state, is positioning itself to play a major role as a catalyst to enable Government to achieve its goal of making water available to drive economic growth and social development. The various projects already directed by Government for implementation in the next few years provide ample opportunity to be that catalyst, as well as contributing to the transformation of the socio-economic landscape across the country.

TCTA is confident that it will be able to support Government's developmental agenda by undertaking the strategic coordination of critical infrastructure projects and promoting research that addresses water security issues, as well as leading the entire supportive chain of project finance and implementation.

Some of the strategic interventions planned in this context are as follows:

- Endeavouring that water infrastructure projects create jobs and improve livelihoods in and around project communities in an environmentally sensitive matter,
- Supporting Government with advice for strengthening the policy and strategic framework for sustainable water management, including effective water pricing and tariff determination, as well as innovative solutions to water security challenges,
- Leveraging organisational skills in project management and implementation, including state-of-the-art engineering know-how for successful project delivery; and
- Harnessing insights into the dynamics of financial markets, thus ensuring greater attractiveness for TCTA debt.

## **ANNEXURE A**

### **TCTA CORPORATE BALANCED SCORECARD FOR 2023/24**

## TCTA CORPORATE BALANCED SCORECARD FOR 2023/24

Strategic Objective	Measure	Annual Target	Means of Verification	Key Performance Indicator				
				Q1	Q2	Q3	Q4	Stretch Target
Financial Perspective (50%)								
Theme: Deliver on TCTA directives in an efficient manner in accordance with the shareholder and partner expectations.								
1.  Raise funding for implementation of infrastructure (15%)	Sufficient funding is available to facilitate reaching of critical project milestones (9%)	MCWAP-2A: Funding is available to enable implementation activities according to the Project Implementation Plan (3%)	Investments and confirmation by lenders and/or DWS that sufficient funds are available for disbursement, in 2023/24.	<ul style="list-style-type: none"><li>Request fiscal funding from DWS for 2024/25 social funding contribution.</li><li>Commercial loans available for drawdown.</li></ul>	-	<ul style="list-style-type: none"><li>2023/24 social funding confirmed by DWS.</li><li>Funding is available.</li></ul>	Funding is available to enable implementation activities according to the Project Implementation Plan.	Funding is available 1 or more months before the target date in the Project Plan.
		uMkhomazi: Funding is available to enable implementation activities according to the Project Implementation Plan (3%)	Investments and confirmation by lenders and/or DWS that sufficient funds are available for disbursement, in 2023/24.	Request fiscal funding/ project prep funding for 2024/25	Conclude MOA for project prep funding for 2023/24.	Project prep funding for 2023/24 received.	Funding is available to enable implementation activities according to the Project Implementation Plan.	Funding is available 1 or more months before the target date in the Project Plan
		BRVAS: Funding is available to enable implementation activities according to the Project Implementation Plan (3%)	Investments and confirmation by lenders and/or DWS that sufficient funds are available	Preferred lenders appointed.	Funding available to enable implementation activities according to the	-	-	Funding is available 1 or more months before the target date in the Project Plan.

Strategic Objective	Measure	Annual Target	Means of Verification	Key Performance Indicator				
				Q1	Q2	Q3	Q4	Stretch Target
			for disbursement, in 2023/24.		Project Implementation Plan.			
	<b>uMkhomazi:</b> Conclusion of Institutional arrangements (3%)	Approval of the project borrowing limit by the Minister and the Minister of Finance by 31 March 2024	Letter from DWS Minister approving the borrowing limit	Borrowing limit request submitted to the Minister.	Engage DWS and NT on borrowing limit submission	Minister of Finance response to Minister's request for concurrence	Approval of borrowing limit received from the Minister of Water and Sanitation by 31 March 2024.	Approval of borrowing limit received from the Minister of Water and Sanitation Q3 or earlier.
	<b>BRVAS:</b> Conclusion of Institutional arrangements (3%)	Approval of the project borrowing limit by the Minister and the Minister of Finance by 30 June 2023.	Letter from Minister of Water & Sanitation, letter of concurrence by Minister of Finance approving the borrowing limit	Approval of the borrowing limit by 30 June 2023.	Conclusion of institutional arrangements.	-	-	Conclusion of institutional arrangements in Q1
<b>2. Implement capital projects on time, within budget, to the appropriate standards and in a sustainable socio/ environmental manner (10%)</b>	Reaching of project critical milestones as reflected in the Project Plan (10%)	<b>MCWAP:</b> <ul style="list-style-type: none"> <li>Acquire 100% of land and servitudes to enable construction (4%)</li> </ul>	The land acquisition Report	Draft PAJA Notices for batch 3 & 4 of schedule of properties	Issue PAJA Notices to the affected parties	Draft expropriation notices for batch 3 & 4 of schedule of properties	Issue expropriation notices for batch 3 & 4 of schedule properties	Issue expropriation notices for batch 3 & 4 and properties relating to RMS
		<ul style="list-style-type: none"> <li>Award the construction contract to the successful bidder by 31 March 2024 (3%).</li> </ul>	Bid committees minutes/extracts	Issue the construction tender document to the market &	Tender in market	Bid evaluation	Bid awarded	Conclude SLA or contract document by December 2023.



Strategic Objective	Measure	Annual Target	Means of Verification	Key Performance Indicator				
				Q1	Q2	Q3	Q4	Stretch Target
				conclude all bid clarifications.				
		<b>BRVAS Project:</b> <ul style="list-style-type: none"> <li>Award the PSP contract to the successful bidder by 31 March 2024 (3%)</li> </ul>	Bid committees minutes/extracts	Prepare the PSP tender document	Obtain approval from Bid Specification Committee	Issue PSP tender document to the market and conclude bid clarifications.	Bid awarded	Conclude SLA or contract document by January 2024.
3. Operate and maintain designated assets to meet DWS requirements/specifications (15%)	Operate and maintain the AMD Assets to meet the minimum operating volumes (6%)	<b>Western Basin:</b> An average daily volume of treated water of between 80% and 90% of the max treatment capacity of 30 MI/d including planned outages, calculated over the full year. (2%)	Plant operational reports	An average daily volume of treated water of between 80% and 90% of the max treatment capacity of 30 MI/d	An average daily volume of treated water of between 80% and 90% of the max treatment capacity of 30 MI/d	An average daily volume of treated water of between 80% and 90% of the max treatment capacity of 30 MI/d	An average daily volume of treated water of between 80% and 90% of the max treatment capacity of 30 MI/d	An average daily volume of treated water of above 90% of the max treatment capacity of 30 MI/d
		<b>Central Basin:</b> An average daily volume of treated water of between 80% and 90% of the max treatment capacity of 60 MI/d including planned outages, calculated over the full year. (2%)	Plant operational reports	An average daily volume of treated water of between 80% and 90% of the max treatment capacity of 60 MI/d.	An average daily volume of treated water of between 80% and 90% of the max treatment capacity of 60 MI/d.	An average daily volume of treated water of between 80% and 90% of the max treatment capacity of 60 MI/d.	An average daily volume of treated water of between 80% and 90% of the max treatment capacity of 60 MI/d.	An average daily volume of treated water of above 90% of the max treatment capacity of 60 MI/d.
		<b>Eastern Basin:</b>	Plant operational reports	An average daily volume of treated	An average daily volume of treated	An average daily volume of	An average daily volume of treated	An average daily volume of treated

Strategic Objective	Measure	Annual Target	Means of Verification	Key Performance Indicator				
				Q1	Q2	Q3	Q4	Stretch Target
		An average daily volume of treated water of between 80% and 90% of the max treatment capacity of 100 MI/d including planned outages, calculated over the full year. (2%)		water of between 80% and 90% of the max treatment capacity of 100 MI/d.	water of between 80% and 90% of the max treatment capacity of 100 MI/d.	treated water of between 80% and 90% of the max treatment capacity of 100 MI/d.	water of between 80% and 90% of the max treatment capacity of 100 MI/d.	water of above 90% of the max treatment capacity of 100 MI/d.
	To ensure the water discharged from the Western Basin, Central and Eastern Basins plants, meets parameters as set out in DWS letter of 23 September 2020 (6%)	90% of the water samples taken in the Western Basin are compliant with the parameters as set by DWS (2%)	Report on achievement against DWS specifications as per lab tests.	90% of the water samples taken in the Western Basin are compliant	90% of the water samples taken in the Western Basin are compliant	90% of the water samples taken in the Western Basin are compliant	90% of the water samples taken in the Western, Basin are compliant	100% of the water samples taken in the Western Basin are compliant
		90% of the water samples taken in the Central Basin are compliant with the parameters as set by DWS (2%)	Report on achievement against DWS specifications as per lab tests.	90% of the water samples taken in the Central Basin are compliant	90% of the water samples taken in the Central Basin are compliant	90% of the water samples taken in the Central Basin are compliant	90% of the water samples taken in the Central Basin are compliant	100% of the water samples taken in the Central Basin are compliant
		90% of the water samples taken in the Eastern Basin are compliant with the parameters as set by DWS (2%)	Report on achievement against DWS specifications as per lab tests.	90% of the water samples taken in the Eastern Basin are compliant	90% of the water samples taken in the Eastern Basin are compliant	90% of the water samples taken in the Eastern Basin are compliant	90% of the water samples taken in the Eastern Basin are compliant	100% of the water samples taken in the Eastern Basin are compliant
	LHWP Delivery Tunnel North – Ensure infrastructure is	Implement scheduled annual operation and maintenance plan	O&M report on completed activities versus scheduled	Implement scheduled Q1 operation and maintenance plan	Implement scheduled Q2 operation and maintenance plan	Implement scheduled Q3 operation and maintenance plan	Implement scheduled Q4 operation and maintenance plan	Zero un- planned outages.

Strategic Objective	Measure	Annual Target	Means of Verification	Key Performance Indicator				
				Q1	Q2	Q3	Q4	Stretch Target
	operated and maintained (1%)		activities and outage schedule.					
	LHWP Delivery Tunnel North – Preparation for outage in October 2024 (2%)	Construction tender for outage in October 2024 in evaluation	Record of Bid Closing	-	-	-	Construction tender for outage in October 2024 in evaluation	Construction tender for outage in October 2024 awarded
<b>4. Manage debt within the approved borrowing limit (10%)</b>	Debt is managed within approved borrowing limits and all debt payment obligations are met (10%)	Debt managed within the borrowing limits and all debt payment obligations are met. <ul style="list-style-type: none"> <li>• VRS (2%)</li> <li>• BWP (2%)</li> <li>• VRESAP (2%)</li> <li>• KWSAP (2%)</li> <li>• MCWAP (2%)</li> </ul>	Borrowing Limit Utilisation Report	Debt managed within the borrowing limits and all debt payment obligations are met.	Debt managed within the borrowing limits and all debt payment obligations are met.	Debt managed within the borrowing limits and all debt payment obligations are met.	Debt managed within the borrowing limits and all debt payment obligations are met.	Debt managed within the borrowing limits and all debt payment obligations are met. Liquidity facilities cover 15% of outstanding debt.
<b>Stakeholder Perspective (10%)</b>								
<b>Theme: Influence the National Water Resource Infrastructure Agency (NWRIA).</b>								
<b>5. Ensure organisational positioning for the planned Water Agency (10%)</b>	Corporate achievement against Water Agency Plan of TCTA (10%)	90-100% implementation of key strategic actions by 31 March 2024 (5%)	Evidence of progress made, e.g., presentations, plans, reports, mails, minutes.	90-100% achievement against 1 <sup>st</sup> quarter milestones in the TCTA Plan	90-100% achievement against 2 <sup>nd</sup> quarter milestones in the TCTA Plan	90-100% achievement against 3 <sup>rd</sup> quarter milestones in the TCTA Plan	90-100% achievement against 4 <sup>th</sup> quarter milestones in the TCTA Plan	100% implementation of Plan by 28 February 2024.

Strategic Objective	Measure	Annual Target	Means of Verification	Key Performance Indicator				
				Q1	Q2	Q3	Q4	Stretch Target
Internal Business Processes (30%)								
Theme: Embrace combined assurance.								
6. Maintain the highest standard of internal control environment (20%)	Treatment of irregular expenditure, fruitless and wasteful expenditure within the legislated time periods as prescribed by the Compliance and Reporting Framework. (Instruction note 4, 22/23). (5%)	Treatment of irregular expenditure within 90 days from discovery as prescribed by the Compliance and Reporting Framework. (Instruction note 4, 22/23)	Quarterly reports to the accounting authority and National Treasury Template.	Treatment of irregular expenditure within 90 days of discovery. (-30 days for declaration, assessment, and confirmation, -30 days for determination, and 30 days for Loss Control Committee resolution and consequence)	Treatment of irregular expenditure within 90 days of discovery. (-30 days for declaration, assessment, and confirmation, - 30 days for determination, and 30 days for Loss Control Committee resolution and consequence)	Treatment of irregular expenditure within 90 days of discovery. (30 days for declaration, assessment and confirmation, 30 days for determination, and 30 days for Loss Control Committee resolution and consequence)	Treatment of irregular expenditure within 90 days of discovery. (30 days for declaration, assessment and confirmation, 30 days for determination, and 30 days for Loss Control Committee resolution and consequence)	Treatment of irregular expenditure within 30 days of discovery.
	Clear legacy irregular, Fruitless and Wasteful Expenditure (5%)	Clear all legacy Irregular Expenditure by the end of December 2023.	Quarterly reports to the accounting authority and Request for Condonation to National Treasury Template.	Clear 40% legacy Irregular Expenditure by the end of June 2023	Clear 80% legacy Irregular Expenditure by the end of September 2023.	Clear 100% legacy Irregular Expenditure by the end of December 2023.	-	Clear 100% legacy Irregular Expenditure by the end of September 2023.

Strategic Objective	Measure	Annual Target	Means of Verification	Key Performance Indicator				
				Q1	Q2	Q3	Q4	Stretch Target
	Achievement of an unqualified audit opinion in 2023-24 financial year (10%)	Unqualified audit opinion in 2023-24 financial year.	External Auditors report and Management Letter.	-	-	-	-	Clean Audit Opinion in 2023-24 financial year.
<b>Theme: Establish an enabling ICT environment.</b>								
<b>7. Ensure that all IT systems are implemented to support the business (10%)</b>	Implementation of Digital Initiatives as defined by the Digital Transformation Strategy (5%)	100% implementation of identified initiatives by 31 <sup>st</sup> March 2024	Implementation Plan	25% implementation of year 2 initiatives	50% implementation of year 2 initiatives	75% implementation of year 2 initiatives	100% implementation of year 2 initiatives	100% implementation of year 2 initiatives by Q3
	Creating a secure and resilient ICT Environment (5%)	95% availability of critical systems with zero successful cyber-attacks	Availability of systems report	95% availability of critical systems with zero successful cyber-attacks	95% availability of critical systems with zero successful cyber-attacks	95% availability of critical systems with zero successful cyber-attacks	95% availability of critical systems with zero successful cyber-attacks	Above 97% availability of critical systems with zero successful cyber-attacks
<b>Learning and Growth (10%)</b>								
<b>Theme: Create a mindset for TCTA to be regarded as a centre of excellence in the water sector.</b>								
<b>8. Position TCTA as a thought leader in critical aspects</b>	Contribution of papers to technical publications and conferences. (3%)	3 business relevant papers written and submitted during the year.	Number of papers or proposals submitted during the year.	At least one paper in draft preparation	1 paper written and submitted	1 paper written and submitted	1 paper written and submitted	Above 3 business relevant papers written and submitted by year-end.

Strategic Objective	Measure	Annual Target	Means of Verification	Key Performance Indicator				
				Q1	Q2	Q3	Q4	Stretch Target
<b>of water security (5%)</b>	Effective annual co-ordination of the SIP-19 Program (2%)	Average effectiveness rating of 3, on SIPs coordination and monitoring.	Stakeholder feedback ratings from principals and partnership forums on survey	Stakeholder feedback ratings from principals and partnership forums	Stakeholder feedback ratings from principals and partnership forums	Stakeholder feedback ratings from principals and partnership forums	Stakeholder feedback ratings from principals and partnership forums	Average effectiveness rating of 4.
<b>9. Embed a Performance Culture that manifests as an agile organisation (5%)</b>	% Progress against the Performance Improvement Plan (2.5%)	Between 80-90% achievement against the Performance Improvement Plan	Progress report	Between 80-90% achievement against the 1 <sup>st</sup> quarter tasks	Between 80-90% achievement against the 2 <sup>nd</sup> quarter tasks	Between 80-90% achievement against the 3 <sup>rd</sup> quarter tasks	Between 80-90% achievement against the 4 <sup>th</sup> quarter tasks	Above 90% achievement against the plan by year end
	% Progress against the Human Resource (HR) Optimization Plan (2.5%)	Between 80-90% achievement against the HR Optimization Plan	Progress report	Between 80-90% achievement against the 1 <sup>st</sup> quarter tasks	Between 80-90% achievement against the 2 <sup>nd</sup> quarter tasks	Between 80-90% achievement against the 3 <sup>rd</sup> quarter tasks	Between 80-90% achievement against the 4 <sup>th</sup> quarter tasks	Above 90% achievement against the plan by year end

## **PERFORMANCE RISKS ON THE BALANCED SCORECARD FOR 2023/24**

### **Objective 4. Manage debt within the approved borrowing limit.**

**Target:** Debt managed within the borrowing limits and all payment obligations are met.

- VRS
- BWP
- VRESAP
- KWSAP
- MCWAP

**Performance Risk:** The borrowing limits are for shorter terms and lower amounts than those requested by TCTA, which will make it challenging to manage debt within the borrowing limit going forward and increases funding risk.

**ANNEXURE B**

**CAPITAL EXPENDITURE PROGRAMME AND**

**OPERATIONS & MAINTENANCE**



## **1. INTRODUCTION**

TCTA's capital expenditure programme comprises of projects that are categorized as projects at preparation phase, projects at construction phase, projects at close-out phase, completed projects and projects on-hold.

TCTA also oversees the operation and maintenance of the AMD treatment plants in the Western, Central and Eastern basins and on the Delivery Tunnel North of the Lesotho Highlands Water Project.

A summary of the key activities that will be undertaken during the financial year ending on 31 March 2024 is provided below.

### **1.1. PROJECTS AT IMPLEMENTATION PHASE**

- Mokolo And Crocodile River Water Augmentation Project - Phase 2A (MCWAP-2A)
- uMkhomazi Water Project Phase 1 (uMWP-1)
- Berg River Voëlvlei Augmentation Scheme (BRVAS)

### **1.2. PROJECT AT CLOSE-OUT PHASE**

- Olifants River Water Resources Development Project - Phase 2C (ORWRDP-2C)

### **1.3. COMPLETED PROJECTS**

- Mooi Mgeni Transfer Scheme - Phase 2 (MMTS-2)
- Mokolo and Crocodile Water Augmentation Project - Phase 1 (MCWAP-1)
- Acid Mine Drainage - Short Term Intervention (AMD-STI)

### **1.4. ADVISORY SERVICES**

- Mzimvubu Water Project (MWP)
- Programme Management Services to DWS in relation to Water Infrastructure Projects (Advisory)

## **1.5. PROJECTS ON-HOLD**

- Acid Mine Drainage - Long Term Solution (AMD-LTS)
- Olifants River Water Resources Development Project - Phase 2B (ORWRDP-2B)

## **1.6. OPERATION AND MAINTENANCE ASSETS**

- Acid Mine Drainage (AMD) Plants
- Lesotho Highlands Water Project (LHWP) Delivery Tunnel North

## **2. PROJECT AT IMPLEMENTATION PHASE**

### **2.1. MOKOLO AND CROCODILE RIVER WATER AUGMENTATION PROJECT - PHASE 2A (MCWAP-2A)**

#### **2.1.1. STRATEGIC IMPACT**

Additional water from MCWAP-2 is required to provide Medupi Power Station with enough water to operate the additional three Flue Gas Desulphurization (FGD) units, Matimba Power station and to operate their six FGD units, which could not be supplied from the MCWAP-1 pipeline. It will also provide the Lephalale Municipality with water for a growing population, who are using above their allocated MCWAP 1 capacity. MCWAP-2A will also unlock the coal resources in the Waterberg region for power generation which consist of Independent Power Producers (IPP's), coal supply to some of the Eskom's power stations, coal for export and other industrial developments.

Development of the Waterberg Coal Fields is the object of the PICC SIP-01 programme.

MCWAP-2A consists of an abstraction weir, a 160 km water transfer infrastructure with associated ancillary infrastructure and a River Management System.

#### **2.1.2. KEY ACTIVITIES FOR 2023/24**

In 2021, tender design was completed, and the Environmental Authorization was upheld (appeals dismissed). Further, Water Supply Agreements have been finalized with Water Users and DWS. In 2022, TCTA obtained the approval of the Construction Environmental Management Programme, which includes deviations necessitated by the discovery of martial eagles and bat cave along the pipeline route and further obtained the approval of all the required borrow pits which were subject to appeals by various stakeholders in the previous financial year.

The key activities planned to be undertaken in 2023/24 financial year consist of:

- Commence and conclude the procurement process for the appointment of the main contractor and the contractor for the River Management System.
- Continue with the process to acquire priority land and servitudes required to enable the commencement of the construction activities.
- Secure funding for the project.

## **2.2. UMKHOMAZI WATER PROJECT PHASE1 (uMWP - 1)**

### **2.2.1. STRATEGIC IMPACT**

A DWS Feasibility Study identified uMWP as the most viable solution to sustainably meet the long-term water requirements of domestic and industrial water users in the eThekweni and Pietermaritzburg regions of KwaZulu-Natal. The first phase of the project (uMWP-1) will augment the yield of the integrated Mgeni Water Supply System (MWSS) by 220 million m<sup>3</sup> per annum to sustainably supply the anticipated water demands of 600 million m<sup>3</sup> per annum in 2040, after which the further phase (uMWP-2) should be commissioned.

The MWSS has been in deficit since 2016 and augmentation through uMWP-1 is urgent to prevent a constraint on the development and economy of KZN. A new 81 m high dam at Smithfield on the uMkhomazi River, conveyance infrastructure (32.5 km tunnel and 5.2 km pipeline) to the new Umgeni Water (UW) water treatment works (WTW) in the uMlaza River valley. The raw water component being TCTA's responsibility.

A WTW in the uMlaza River valley, followed by a gravity pipeline connecting to the existing UW bulk potable distribution system in the area of the Umlaas Road reservoir, being Umgeni Water's responsibility.

### **2.2.2. KEY ACTIVITIES FOR 2023/24**

TCTA provided technical support to DWS to resolve the appeals on the environmental authorisation, which entailed further studies and investigations to amend the EIA Report with Comments and Responses that was submitted to DFFE. The Environmental Authorizations (EAs) were obtained in November 2020 and most of the amendments thereto by TCTA and DWS were approved in September 2021 with no appeals lodged. The Environmental Management Programmes (pre-construction only) were finally approved by DFFE in March 2022 with no appeals lodged.

The key activities to be undertaken in 2023/24 financial year include:

- Procure the Professional Service Provider (PSP) to perform outstanding environmental work that will enable approval of the construction and operational EMP's and engineering preparatory work for the Smithfield Dam and Associated Infrastructure and the Water Conveyance.
- Finalise the institutional arrangements.

## **2.3. BERG RIVER VOËLVLEI AUGMENTATION SCHEME (BRVAS)**

### **2.3.1. STRATEGIC IMPACT**

The 2012 Water Reconciliation Strategy for the Western Cape Water Supply System (WCWSS) indicated that the system is projected to be in deficit in 2016 and required urgent augmentation, which became evident by the system's inability to cope with the 2017/18 drought situation. BRVAS was identified as the most viable surface water solution to augment the system the soonest. The subsequent WCWSS reconciliation strategy status report indicates required augmentation from BRVAS in 2023 for the average water demand scenario. BRVAS will then augment the yield of the WCWSS by 23 million m<sup>3</sup>/a through the abstraction of winter flows in the Berg River and transferring it to Voëlvlei Dam.

### **2.3.2. KEY ACTIVITIES FOR 2023/24**

Following the appointment of the Professional Service Provider in January 2021, the concept design was concluded in February 2022. The outcomes of the concept design resulted in the significant increase in capital cost and project timelines. This necessitated the review of the project execution philosophy and the procurement strategy. The detailed review of the project scope, scope improvements, design changes and the cost estimate for the project was completed and the revised procurement strategy for the project will be finalised in this financial year.

The key activities to be undertaken in 2023/24 include:

- Finalise the institutional arrangements and secure funding.
- Commence with the tendering process for the appointment of the PSP to commence with the development of the tender document for the main contractor.

### **3. PROJECTS AT CLOSE-OUT PHASE**

#### **3.1. OLIFANTS RIVER WATER RESOURCES DEVELOPMENT PROJECT - PHASE 2C (ORWRDP-2C)**

##### **3.1.1. STRATEGIC IMPACT**

ORWRDP-2 bulk distribution system transfers water from the De Hoop and Flag Boshielo dams for municipal and mining needs in the middle Olifants river catchment area, unlocking significant social and economic development.

Phase 2C will improve water supply to the Jane Furse / Nebo Plateau and mining activities in the Steelpoort - Burgersfort area.

##### **3.1.2. KEY ACTIVITIES FOR 2023/24**

Construction of ORWRDP-2C has been completed and the project has been handed over to DWS for Operations and Maintenance in December 2018.

The remaining activity remaining is the refurbishment of the old pipeline, which is subject to a pending DWS funding decision.

### **4. COMPLETED PROJECTS**

#### **4.1. MOOI MGENI TRANSFER SCHEME - PHASE 2 (MMTS-2)**

##### **4.1.1. STRATEGIC IMPACT**

MMTS-2 entailed the construction of a 37.7m high dam with 139.5 million-m<sup>3</sup> storage capacity; a pump station and 14.9km pipeline including 8.3 km of Umgeni Water (UW) potable pipe; and the refurbishment of MMTS-1.

MMTS-2 augments the yield of Mgeni System by 60 million to 394 million m<sup>3</sup> per annum and increases water security in the system. The water benefits eThekweni Metropolitan Municipality, uMgungundlovu District Municipality, Msunduzi Local Municipality, Ugo Municipality and Ilembe Municipality representing the economic hub of KZN.

##### **4.1.2. KEY ACTIVITIES FOR 2023/24**

MMTS-2 is complete and operational.

The activity remaining is the implementation of the Biodiversity Offsets. A detailed implementation plan was approved by the Department of Forestry, Fisheries and Environment and in November 2021 EXCO approved the total estimated budget of R42.4 million.

Unfortunately, the land which was earmarked for the implementation of the Biodiversity Offset plan is no longer available and TCTA has engaged with the Department of Forestry, Fisheries and Environment, to evaluate the compensation option. The following activities will be finalised:

- Further engagements with the environmental working groups on the proposal.
- Agree the way forward with all the key stakeholders.

## **4.2. MOKOLO AND CROCODILE WATER AUGMENTATION PROJECT - PHASE 1 (MCWAP-1)**

### **4.2.1. STRATEGIC IMPACT**

MCWAP-1 consisted of acquisition of the old Exxaro Scheme and construction of a 43km of pipeline and pump station to deliver bulk raw water from the Mokolo Dam to Medupi and Matimba power stations, Exxaro and Lephalale Municipality. It also includes refurbishment of the old pipeline from Mokolo dam to the Matimba supply point.

Refurbishment of the old pipeline is required to primarily provide 18-day redundant supply to the Municipality in case of maintenance of the new pipeline. It also provides a redundant supply to Exxaro and Eskom.

### **4.2.2. KEY ACTIVITIES FOR 2023/24**

MCWAP-1 is complete and operational.

A possible activity remaining is, implement the refurbishment of the old pipeline, which is subject to a pending DWS decision.

## **5. CAPITAL PROJECT ADVISORY SERVICES**

### **5.1. MZIMVUBU WATER PROJECT (MWP)**

#### **5.1.1. STRATEGIC IMPACT**

Two multi-purpose dams and associated infrastructure, Ntabelanga and Lalini dams, on the Tsitsa River, which is a tributary of the Mzimvubu River, will be developed to provide for potable water supply, irrigation, hydropower and tourism.

Due to the catalytic role the project is expected play in the broader socio-economic development of the region, Government has classified the project as a Strategic Integrated Project under SIP-3.

The project will be implemented in stages:

- Stage1: Advanced Infrastructure – consists of mainly access road and other advance infrastructure.
- Stage2: Implementation of Ntabelanga Dam and Water Treatment Works.
- Stage 3: Implementation of the bulk distribution system.
- Stage4: Implementation of the Irrigation and Hydropower components– roads, staff housing.

TCTA received a revised directive on 16 January 2019 to provide project management services for Stage 1 and continue to provide such services.

#### **5.1.2. KEY ACTIVITIES FOR 2023/24**

In accordance with the current Directive TCTA has continued to provide project management and advisory services for Stage 1 which is mainly related to the access road, utilizing DWS-Construction Unit as the contractor and DWS-Infrastructure Development as the implementer, with the support of DWS-Engineering Services and other directorates.

The access road (Stage 1) is currently under construction. However, the project is delayed due to lack of details on the available construction drawings, excessive rain and procurement processes. TCTA will continue to provide project management services support to DWS to complete the project.

DWS initiated a Request for Interest (RFI) process to solicit interest from competent service providers on their ability to fund and construct bulk raw water infrastructure including dams and only one competent service provider expressed interest. TCTA advised DWS to request a mandate from National Treasury to commence with non-binding negotiations this service provider.

Key activities to be undertaken in 2023/24 include:

- Complete Stage 1 (Access road) construction
- Commence with RFI for Stage 2 – 4 and obtain government's final decision on the project.

## **5.2. PROGRAMME MANAGEMENT SERVICES TO DWS IN RELATION TO WATER INFRASTRUCTURE PROJECTS**

### **5.2.1. STRATEGIC IMPACT**

DWS is facing a challenge of inadequate capacity for effective programme planning and co-ordination which is necessary for ensuring efficient project preparation, roll-out and delivery to specifications, on time and within budget. To address these challenges, DWS needs support with infrastructure programme planning and management services and has issued a directive to TCTA in this regard. TCTA is to utilise its capabilities and resources to increasingly support DWS in its infrastructure mandate, and leverage on the broader infrastructure development as a lever for social well-being, economic development and transformation.

### **5.2.2. KEY ACTIVITIES FOR 2023/24**

Further engagements with DWS to agree on the project management support required and to formalise same through entering into service level agreements. The priority projects identified requiring support to progress are:

- Olifants ORWRDP-2, render support to resolve the institutional arrangements for the implementation of further phases.
- Nwamitwa Dam project, a planning review report was submitted to DWS, and a response is awaited.

## **6. PROJECTS ON HOLD**

### **6.1. ACID MINE DRAINAGE - LONG-TERM SOLUTION (AMD-LTS)**

#### **6.1.1. STRATEGIC IMPACT**

AMD-LTS entails the desalination of the partially treated acid mine drainage water from the Short-term Intervention to a potable or industrial standard. Implementation of the long-term project will reduce the need for dilution releases from the Vaal Dam. Desalinated acid mine drainage from the Witwatersrand will augment water supplies to the Vaal River System (VRS) which will in turn delay the need for further augmentation of the VRS until 2030, as per current demand projections.



### **6.1.2. STATUS**

The DWS is in the process of assessing the Vaal River System yield and salinity model, with reference to the impact of the AMD-STI on the system. The outcome of the assessment will determine the need and timing for the implementation of further water treatment requirements. TCTA has issued a letter to the Department of Water & Sanitation to request the Minister to formally instruct TCTA to suspend the Directive until the foretated activities have been completed.

## **6.2. OLIFANTS RIVER WATER RESOURCES DEVELOPMENT PROJECT - PHASE 2B (ORWRDP-2B)**

### **6.2.1. STRATEGIC IMPACT**

The ORWRDP-2 project involves a bulk raw water distribution infrastructure in the middle Olifants catchment. ORWRDP-2 is being implemented in phases consisting of Phase 2B, 2C, 2D, 2E and 2F. Construction of the bulk distribution infrastructure started with Phase 2C and has been completed and handed over to the DWS for operation and maintenance. TCTA has further been directed to fund and implement Phase 2B of ORWRDP-2.

Phase 2B entails construction of a 71.1 km pipeline from Flag Boshielo Dam to Pruisen near Mokopane; three pump stations and three reservoirs. Phase 2B will augment the water supply to the Mogalakwena area by 50 million m<sup>3</sup>/a. The water will be used by mines and municipalities.

### **6.2.2. STATUS**

The Directive was subsequently withdrawn by the Minister of the DWS and TCTA awaits DWS guidance on what role TCTA will play within the new institutional framework.

## **7. OPERATIONS AND MAINTENANCE**

### **7.1. LESOTHO HIGHLANDS WATER PROJECT (LHWP) WITHIN RSA**

TCTA operates and maintain the Delivery Tunnel North of the Lesotho Highlands Water Projects located within the RSA. A planned outage during October and November 2019 took place to undertake the 5 year inspection of the infrastructure and to conduct necessary maintenance activities.

In the 2023/24 financial year, TCTA will continue to fulfil the obligation to operate and maintain the delivery tunnel to ensure that there are no unplanned outages in the delivery of water to South Africa. The planning and preparation work for the next scheduled outage in 2024 will continue and this will include the appointment of the PSP.

## **7.2. ACID MINE DRAINAGE – SHORT-TERM INTERVENTION (AMD-STI)**

TCTA is directed to operate and maintain the AMD water treatment plants in the Western, Central and Eastern basins of the Witwatersrand area. The Western Basin plant is operated and maintained by Sibanye Stillwater in terms of an agreement concluded with TCTA. The costs are shared on a basis of 1/3:2/3 between Sibanye Stillwater and TCTA. The Central and Eastern Basin plants are operated and maintained in terms of two 5-year contracts entered with external service provider. The current contract with the current service provider commenced in 2021 and will expire in year 2025.

In 2023/24, TCTA will continue to effectively operate and maintain the AMD treatment plants to achieve the DWS strategic objectives of preventing environmental degradation.

## 8. PROJECT COSTS

The status of TCTA projects and activities to be undertaken during 2023/24 financial year are summarised as follows:

### PROJECTS CAPITAL EXPENDITURE (CAPEX) SUMMARY TABLE

Projects	Cumulative Actual to Actual/ Forecast	Budget / R Millions										Total Cost to Completion	Contingency	Charter Value	Annexure
	March'22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32				
<b>2.1 Projects at Implementation Phase</b>															
uMWP-1	R ,0	R ,0	R 28	R 372	R 3 513	R 4 278	R 4 305	R 4 046	R 2 565	R 1 224	R	R 20 839	R 2 405	R 23 243	1
BRVAS	R 53	R 11	R 66	R 262	R 306	R 228	R 67					R 994	R 1 166	R 1 166	2
MCWAP 2	R 446	R 105	R 217	R 2 866	R 3 223	R 3 820	R 1 205	R 223	R 71			R 12 176	R 186	R 12 362	3
<b>2.2 Projects at Close-Out Phase</b>															
ORWRDP 2C	R 2 093	R 21	R 1									R 2 385	R 159	R 2 545	4
<b>2.3 Completed Projects</b>															
MMTS	R 1 808	R 2	R 44									R 2 128	R 101	R 2 066	5
BWP	R 1 502	R	R 1	R 8								R 1 666	-R 113	R 1 553	6
<b>SUB-TOTAL 1</b>	<b>R 5 903</b>	<b>R 138</b>	<b>R 358</b>	<b>R 3 507</b>	<b>R 7 042</b>	<b>R 8 325</b>	<b>R 5 577</b>	<b>R 4 269</b>	<b>R 2 636</b>	<b>R 1 224</b>	<b>R</b>	<b>R 40 188</b>	<b>R 3 904</b>	<b>R 42 935</b>	
<b>2.4. MCWAP 2 ADVANCE PAYMENT</b>															
Mokolo Pipeline- Structures				R 401	-R 268	-R 134									
Mokolo Pipeline- Pipeline				R 362	-R 211	-R 151									
Mokolo Pipeline - Ancillary Work					R 78	-R 78									
<b>SUB-TOTAL 2</b>					<b>R 763</b>	<b>-R 401</b>	<b>-R 362</b>								

The table above shows the capital expenditure for all current projects until completion.

OPERATIONS EXPENDITURE (OPEX) SUMMARY TABLE

Operations	Cumulative Actual to Forecast	Budget/ R millions						Annexure
	March'22	22/23	23/24	24/25	25/26	26/27	27/28	
2.7. Operations & Maintenance								
AMD O&M Central Basin	R 847	R 133	R 205	R 214	R 223	R 233	R 244	7
AMD O&M Western Basin	R 345	R 74	R 90	R 94	R 98	R 103	R 107	7
AMD O&M Eastern Basin	R 539	R 93	R 174	R 182	R 190	R 199	R 208	7
AMD Construction Costs		R 46	R 46					7
SUB-TOTAL	R 1 732	R 345	R 515	R 490	R 512	R 535	R 558	
LHWP O&M		R ,12	R 35	R 106	R 5	R 148	R 2	8
TOTAL	R 1 732	R 345	R 550	R 596	R 517	R 682	R 560	

The table above illustrates the operational expenditure of the AMD plants as well as LHWP until 2026/27.

## **ANNEXURE C**

### **BORROWING PROGRAMME, BUDGETS AND CASH PROJECTIONS**

**ANNEXURE C1**  
**BORROWING PROGRAMME**

## 1. EXECUTIVE SUMMARY

This section provides information on the consolidated funding programme for all the projects under the management of TCTA. TCTA is expected to have a funding requirement of R15 910 million in the next three years from 2023/24 financial year (excluding the redemption portfolio and debt portfolio structuring). It is expected that the bulk of the funding will be raised from the financial markets with the balance funded from the fiscus. Raising of funding is dependent on government guarantees being issued to lenders where required and approval or renewal of borrowing limits.

### 1.1. COMBINED FUNDING REQUIREMENTS

The combined funding requirements for all projects for 2023/24 to 2025/26 is shown in the following table.

Project	2023/24	2024/25	2025/26	TOTAL	FINAL DEBT REPAYMENT DATE
	R' million	R' million	R' million	R' million	
VRS	2,342	1,130	460	3,932	2045
BWP	9	25	-16	18	2029
VRESAP	-49	-47	-9	-105	2028
MMTS-2	45	0	-	45	2023
ORWRDP (fiscus)	15	2	2	19	N/A
KWSAP	-110	-89	-54	-253	2034
MCWAP-1	7	-5	-5	-3	2030
MCWAP-2	361	3,157	3,372	6,890	N/A
uMWP	84	659	3,908	4,651	
BRVS	87	283	325	695	N/A
MRWP (fiscus)	7	7	7	21	N/A
	<b>2,798</b>	<b>5,122</b>	<b>7,990</b>	<b>15,910</b>	

The Government of the Republic of South Africa has authorised a maximum of R25 000 million of debt to be issued under the guarantee on the Vaal River System funding programme, which includes the funding of LHWP, and AMD. The following debt facilities have been arranged or are planned to be arranged. Borrowings under the facilities will not exceed the maximum amount of the guarantee:

- Long-term loans: R4 000 million
- Revolving credit facilities: R1 500 million
- Existing Commercial Paper Programme: R4 000 million
- Approved guarantees for DFI loans: R4 500 million
- Approved guarantee for new commercial facilities: R15 450 million

- New DMTN planned for registration in 2023 after redemption of R9 400 million WSP-5 bonds in May 2021: R10-15 billion (depending on the size of the expanded Commercial Paper Programme).

The debt relating to the other projects is supported by undertakings by DWS in favour of the funders in terms of the project implementation agreements to honour TCTA's obligations.

## 2. PROJECT SPECIFIC INFORMATION

### 2.1. VAAL RIVER SYSTEM (VRS, COMPRISING LHWP-1, LHWP-2 AND AMD-ST AND AMD-LTS)

#### 2.1.1. CAPITAL MARKET MATURITY LADDER

A new DMTN is planned for registration in 2023.

#### 2.1.2. FUNDING REQUIREMENTS

The domestic funding requirements of the VRS are discussed below. The VRS is expected to require funding of R3 932 million during the next three financial years (the medium term) due to accelerating capital expenditure on LHWP-2.

Year	Incremental (R million)	Capital Repayment (R million)	Total Funding Requirement (R million)
2023/24	1,488	854	2,342
2024/25	-123	1,253	1,130
2025/26	-991	1,451	460
<b>TOTAL</b>	<b>374</b>	<b>3,558</b>	<b>3,932</b>

(NB: "Incremental" funding requirement is cashflow before capital repayment).

#### **Guarantees / Contingent Liabilities**

The VRS is funded with up to R25 billion approved government guarantees. All debt covenants, conditions of the listed bonds, are complied with and covenant breaches which occurred during the year have been waived and/or remedied.

#### 2.1.3. FUNDING TERMS

R6.5 billion loan facilities were sourced from banks in 2018. In 2021, loan agreements were concluded with six local banks for R15.45 billion loan facilities, with maturities from 5 years to about 20 years.



A further R1.3 billion has been negotiated with the African Development Bank and R3.2 billion with the New Development. Government guarantees have been approved. A new domestic multi-term note programme will be registered in 2023 to issue bonds with varying maturities up to 2042. The bonds will be used to refinance some of the shorter-dated loan maturities and to fund capital expenditure on LHWP-2.

## 2.2. BWP

### 2.2.1. FUNDING REQUIREMENTS

The table below sets out the funding requirement for the following three financial years. It is projected that the project will require funding of R18 million from 2023/24 to 2025/26 after debt service and administration payments in the medium term.

Year	Incremental (R million)	Capital Repayment (R million)	Total Funding Requirement (R million)
2023/24	-59	67	9
2024/25	-33	59	25
2025/26	-36	20	-16
<b>TOTAL</b>	<b>-128</b>	<b>146</b>	<b>18</b>

#### ***Guarantees / Contingent Liabilities***

There is no explicit government guarantee in place for BWP as this was funded purely on a project finance basis off balance sheet, where recourse is by design and only to the project cash flows. The robustness of agreements around the implementation of the project and the payment structure has resulted in the project obtaining a Ba3 long-term global / Aa3.za long-term national scale issuer rating from Moody's Ratings.

All covenants are currently being complied with.

## 2.3. VRESAP

### 2.3.1. FUNDING REQUIREMENTS

VRESAP supplies water to Eskom's power stations in Mpumalanga and to Sasol. The project is projected to generate funding from 2023/24 to 2025/26. Water demand may be affected by changes in the country's energy mix.

The table below sets out the funding requirement for the medium term:

Year	Incremental	Capital Repayment	Total Funding Requirement
	(R million)	(R million)	(R million)
2023/24	-321	272	-49
2024/25	-339	292	-47
2025/26	-324	315	-9
<b>TOTAL</b>	<b>-984</b>	<b>879</b>	<b>-105</b>

The project will generate funding of R106 million in the medium term. New liquidity facilities are being arranged.

The size of the commercial paper programme has been increased to R500 million to accommodate the project's medium-term funding needs and to preserve the availability of liquidity support facilities.

#### ***Guarantees / Contingent Liabilities***

There is no explicit government guarantee in place for the VRESAP as this was funded purely on a project finance basis where recourse is by design only to the project cash flows. The project is rated Ba3/Aa3.za on the long-term global / national scale respectively by Moody's.

VRESAP complies with all loan covenants.

## **2.4. MMTS-2**

### **2.4.1. FUNDING REQUIREMENTS**

The table below sets out the funding requirement for the following three years:

Year	Incremental	Capital Repayment	Total Funding Requirement
	(R million)	(R million)	(R million)
2023/24	45	-	45
2024/25	0	-	0
2025/26	-	-	-
<b>TOTAL</b>	<b>45</b>	<b>-</b>	<b>45</b>

The project will require R45 million in the medium term.

#### ***Guarantees / Contingent Liabilities***

There is no explicit government guarantee in place for the MMTS-2 as this was funded purely on project finance basis where recourse is by design only to the project cash flows (debt service account in this case). The project is rated Ba3/Aa3.za on the long-term global / national scale respectively by Moody's.

## 2.5. KWSAP

KWSAP faces the same water demand issues discussed under VRESAP, related to Eskom's power generating activities in Mpumalanga and dynamics in the country's future energy mix.

### 2.5.1. FUNDING REQUIREMENTS

The table below sets out the funding requirement for the following three years:

Year	Incremental (R million)	Capital Repayment (R million)	Total Funding Requirement (R million)
2023/24	-163	53	-110
2024/25	-148	59	-89
2025/26	-121	67	-54
<b>TOTAL</b>	<b>-432</b>	<b>179</b>	<b>-253</b>

The project is expected to generate R253 million in the medium term.

KWSAP complies with all loan covenants. The project is rated Ba3/Aa3.za on the long-term global / national scale respectively by Moody's.

## 2.6. MCWAP-1

### 2.6.1. FUNDING REQUIREMENTS

The table below sets out the funding requirement for the following three years:

Year	Incremental (R million)	Capital Repayment (R million)	Total Funding Requirement (R million)
2023/24	-36	43	7
2024/25	-53	48	-5
2025/26	-59	54	-5
<b>TOTAL</b>	<b>-148</b>	<b>145</b>	<b>-3</b>

It is projected that MCWAP-1 will generate a surplus of R3 million in the medium term.

MCWAP-1 complies with all debt covenants.

The project's rating is combined with MCWAP-2A and rated Ba3/Aa3.za on the long-term global / national scale respectively by Moody's.

## 2.7. MCWAP-2A

### 2.7.1. FUNDING REQUIREMENTS

The table below sets out funding requirements for the following three years for MCWAP-2A.

Year	Incremental	Capital Repayment	Total Funding Requirement
	(R million)	(R million)	(R million)
2023/24	361	-	361
2024/25	3,157	-	3,157
2025/26	3,372	-	3,372
<b>TOTAL</b>	<b>6,890</b>	<b>-</b>	<b>6,890</b>

MCWAP-2 is a new project. Its funding will be integrated with MCWAP-1 since the two have a combined borrowing limit. 11% of the project will be funded from the fiscus. The balance will be raised by means of commercial funding.

The funding requirements are based on the current approved water requirements scenario and funding model underlying the approved project capacity.

The project's rating is combined with MCWAP-1 and rated Ba3/Aa3.za on the long-term global / national scale respectively by Moody's.

## 2.8. ORWRDP

### 2.8.1. FUNDING REQUIREMENTS

Funding requirements cover only Phase 2C of ORWRDP. A funding model for Phase 2B is under development and the project will only be included in the budget once a borrowing limit has been approved.

The table below sets out funding requirement for the following three years for ORWRDP.

Year	Total Funding Requirement
	(R million)
2023/24	15
2024/25	2
2025/26	2
<b>TOTAL</b>	<b>19</b>

DWS is the only source of funding for the ORWRDP. No other funding sources are available.

## 2.9. BRVAS

### 2.9.1 FUNDING REQUIREMENTS

The table below sets out the funding requirement for the following three years for BRVAS:

Year	Incremental	Capital Repayment	Total Funding Requirement
	(R million)	(R million)	(R million)
2023/24	87	-	87
2024/25	283	-	283
2025/26	325	-	325
<b>TOTAL</b>	<b>695</b>	<b>-</b>	<b>695</b>

The project will require funding of R695 million in the medium term, which will be funded from new facilities to be arranged after the project agreements have been signed and a borrowing limit approved.

BRVAS is a new project still in the structuring phase. It is a commercial project and will be funded with commercial loans.

## 2.10. MZIMVUBU WATER PROJECT

### 2.10.1 FUNDING REQUIREMENTS

Mzimvubu is funded by the fiscus. The implementation activities are on hold. The funding requirements are for minor operational requirements, mainly travelling on stakeholder engagements.

The table below sets out the funding requirement for the following three years for Mzimvubu:

Year	Incremental	Capital Repayment	Total Funding Requirement
	(R million)	(R million)	(R million)
2023/24	7	-	7
2024/25	7	-	7
2025/26	7	-	7
<b>TOTAL</b>	<b>21</b>	<b>-</b>	<b>21</b>

The project will require funding of R21 million in the medium term, which will be funded from the fiscus.

## 2.11. uMKHOMAZI WATER PROJECT PHASE 1

### 2.11.1 FUNDING REQUIREMENTS

Year	Incremental	Capital	Total Funding
	(R million)	Repayment	Requirement
	(R million)	(R million)	(R million)
2023/24	84	-	84
2024/25	659	-	659
2025/26	3,908	-	3,908
<b>TOTAL</b>	<b>4,651</b>	<b>-</b>	<b>4,651</b>

The project will require funding of R4 651 million in the medium term.

**ANNEXURE C2**  
**BUDGET FOR 2023/24**

## **1. BACKGROUND**

In terms of Section 52 of the Public Finance Management Act, Act No. 1 of 1999 (PFMA), TCTA is required to submit to the Department of Water and Sanitation (DWS) and National Treasury, together with the corporate plan, an approved Budget for a period of three years, before the end of February of each year.

In preparing this medium-term budget, management has taken guidance from the broad legislative and planning frameworks such as the National Water Act (NWA), the National Water and Sanitation Master Plan (NWSMP), the National Water Resources Strategy (NWRS), the National Development Plan (NDP), the current economic and sectoral context, pronouncements by National Treasury, and the strategic frame of the organisation.

Whilst policy determines the priorities for national government, planning and budgeting serves as a transitional process between policy and implementation. TCTA aspires to fill a leading role in the implementation of national strategy, within the water sector.

## **2. PRINCIPLES EMPLOYED IN THIS BUDGET**

The 2023/24 Budget is set within the context of renewed government commitment to spend on critical infrastructure, but also the certainty that fiscal resources will fall well short of the intended capital expenditure in the water sector. However, the scope for borrowing to implement bankable projects is significant. Since TCTA may only proceed upon directives, the capital expenditure budget is based upon the specific infrastructure projects which TCTA has been directed to implement. Budget has only been catered for where projects have funding in place. Similarly, the operating budget reflects the planned level of activity associated with the projects being implemented.

The 2022/23 Actual/Forecast figures reflect the actuals from 1 April 2022 to 30 September 2022 and the forecast for the period 1 October 2022 to 31 March 2023. The Budget 2023/24 represents the period 1 April 2023 to 31 March 2024.

The following are the key principles applied in the preparation of the budget for 2023/24:

### **3.1. CAPITAL EXPENDITURE (CAPEX)**

The capex budget is informed by the status of TCTA mandated projects. A conservative approach has been adopted in budgeting for projects. Where the probability of commencing a project is dependent on factors such as funding, National Treasury approvals of borrowing limits, signing of water supply agreements by the Users, DWS approvals and other factors outside TCTA control, the organisation has erred on the side of caution and budgeted conservatively.



TCTA has been directed by the Minister of Human Settlements, Water & Sanitation to fund and implement a portfolio of projects. Projects are categorised as projects at preparation phase, implementation phase, projects at close out phase, projects on hold and potential projects for which mandates are anticipated.

TCTA further is responsible for the operation and maintenance of the AMD treatment plants in the Western, Central and Eastern basins and for the Delivery Tunnel North of the Lesotho Highlands Water Project.

Below is the current status of projects:

### **Projects at Implementation Phase**

Mokolo And Crocodile River Water Augmentation Project - Phase 2A (MCWAP-2A)

uMkhomazi Water Project Phase 1 (uMWP-1)

Berg River Voëlvelei Augmentation Scheme (BRVAS)

### **Projects at Close-out Phase**

Olifants River Water Resources Development Project - Phase 2C (ORWRDP-2C)

### **Completed projects**

Mooi Mgeni Transfer Scheme - Phase 2 (MMTS-2)

Berg Water Project (BWP)

Mokolo Crocodile Water Augmentation Project (MCWAP)

Komati Water Scheme Augmentation Project (KWSAP)

Vaal River Eastern Subsystem Augmentation Project (VRESAP)

### **Programme Management Services to DWS in relation to Water Infrastructure Projects**

Mzimvubu Water Project (MWP)

### **Operations and Maintenance**

Acid Mine Drainage (AMD) Plants

Lesotho Highlands Water Project (LHWP) – Delivery Tunnel North

The cost projections are based on the most recent financial reviews conducted by the service providers contractors and reviewed by the Engineer and TCTA project staff. The financial reviews are contractual obligations conducted on a bi-annual basis and require updated contractor project cash flows and forward projections by the project team Engineer on potential variation orders and claims to the completion of the respective contracts. Escalation assumptions and forward projections are also reviewed as part of the exercise.

### 3.2. ADMINISTRATIVE EXPENDITURE:

The budgeting for administrative costs is impacted on by the level of activity planned for the year in TCTA's key activities including project preparation, funding, implementation and debt management. A major consideration is also the level of organisation improvements planned for the year such as system and related infrastructure developments. Development of TCTA's human capital is equally an important consideration. Fixed overhead costs are based on contractual escalation provisions.

Key budgeting principles include:

- Where the probability of commencing a project is dependent on factors such as funding, DWS approvals and other factors outside TCTA control, the organisation has erred on the side of caution and budgeted conservatively.
- Management has adopted a cautious approach when budgeting for administrative related costs with the objective to manage and where possible reduce or maintain costs while ensuring that strategic imperatives are achieved.
- Zero-based budgeting while considering the current status of operational areas.
- Inflation adjustment for MTEF is 4.45% per annum as per National Treasury guidelines.
- The salary calculation per division includes an average BER inflationary increase of 4.725%.
- Vacancies and new positions are budgeted in accordance with the projected date of placement for each vacancy.
- Office lease costs and peripheral office costs are based on new premises for all support related services and includes a hybrid work environment.
- The cost-containment instructions from National Treasury have been adhered to in the preparation of this budget insofar as it relates to the mandatory elements of the instruction.
- In line with the cost-containment instruction, all consultancy fees that have been budgeted for and are supported by business cases for the Accounting Authority's approval.

### 3. COST RECOVERY FROM PROJECTS

- TCTA is a Special Purpose Vehicle (SPV) operating on a cost recovery basis. Administrative costs not directly attributable to a project are recovered from mandated projects based on the level of planned activity on the respective projects during a particular year – see Table 1 below.
- Administrative costs directly related to a specific project are paid from the respective project's bank account. Other non-specific overhead costs are paid from the TCTA corporate account and recovered from the respective projects based on the approved recovery percentages for the year.
- The project cost recovery percentages charged to projects is dependent on the number of active projects. Should the pipeline increase, the shared costs allocation to each project will be reduced proportionally based on activity. Should the project pipeline diminish severely, a realignment strategy will be required to reduce overheads. As projects approach completion and enters the debt service phase the recovery percentage reduces.

Shared costs are to be recovered from projects in the following proportions:

Projects	2022-23	2023-24	2023-24
LHWP	34%	30%	163 693 503
BWP	2%	2%	10 912 900
VRESAP	3%	5%	27 282 251
ORWRDP	4%	0%	-
MMTS2	4%	0%	-
KWSAP	2%	2%	10 912 900
MCWAP1	3%	3%	16 369 350
AMD	10%	10%	54 564 501
LHWP2	15%	15%	81 846 752
MRWP	2%	2%	10 912 900
MCWAP2	12%	15%	81 846 752
UMWP	5%	10%	54 564 501
BRVAS	4%	6%	32 738 701
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>545 645 011</b>

Table 1

#### 4. ANALYSIS 2023/24 BUDGET vs ACTUAL/FORECAST 2022/23

	Actual/Forecast 2022/23	Budget 2022/23	Actual/Forecast vs Budget	Budget 2023/24	Actual/Forecast 22/23 vs Budget 23/24	% Variance
Tariff Revenue	( 7 791,09)	( 7 970,90)	( 179,81)	( 7 655,82)	( 135,26)	2%
	-	-	-	-	-	
<b>Operating Costs</b>	<b>734,51</b>	<b>1 044,36</b>	<b>309,85</b>	<b>1 049,76</b>	<b>( 315,25)</b>	<b>-43%</b>
TCTA Admin Costs	435,27	582,87	147,60	545,65	( 110,38)	-25%
Operations and Maintenance	299,25	461,49	162,25	504,11	( 204,87)	-68%
	-	-	-	-	-	
<b>Operating Inflows/Outflows</b>	<b>( 7 056,58)</b>	<b>( 6 926,54)</b>	<b>130,04</b>	<b>( 6 606,07)</b>	<b>( 450,51)</b>	<b>6%</b>
	-	-	-	-	-	
Total Finance Charges	885,41	1 415,55	530,13	786,09	99,32	11%
	-	-	-	-	-	
<b>Net Working Capital Cash (in)/outflows</b>	<b>( 6 171,16)</b>	<b>( 5 510,99)</b>	<b>660,17</b>	<b>( 5 819,97)</b>	<b>( 351,19)</b>	<b>0,00</b>
	-	-	-	-	-	
Capital Repayments	1 870,82	1 584,93	( 285,89)	1 222,34	648,47	35%
	-	-	-	-	-	
Fixed Assets	33,04	59,92	26,88	2,35	30,69	93%
	-	-	-	-	-	
<b>Capital Expenditure</b>	<b>150,09</b>	<b>1 211,16</b>	<b>1 061,08</b>	<b>310,15</b>	<b>( 160,06)</b>	<b>-107%</b>
TCTA Projects	150,09	1 211,16	1 061,08	310,15	( 160,06)	-107%
	-	-	-	-	-	
Self Insurance Fund	-	5,00	5,00	5,00	( 5,00)	
	-	-	-	-	-	
<b>Lesotho Related Financial Obligations</b>						
Lesotho Operating Costs	1 469,63	1 388,16	( 81,47)	1 605,98	( 136,35)	-9%
LHWP2 Construction	2 065,52	4 100,00	2 034,48	4 800,00	( 2 734,48)	-132%
	-	-	-	-	-	
<b>Total Funding Requirement before Accruals</b>	<b>( 2 647,59)</b>	<b>2 833,18</b>	<b>5 480,77</b>	<b>2 120,85</b>	<b>( 4 768,44)</b>	<b>180%</b>
	-	-	-	-	-	
Non cash flow items and accruals	( 271,13)	( 94,09)	177,04	676,28	( 947,41)	349%
	-	-	-	-	-	
<b>TOTAL FUNDING REQUIREMENT</b>	<b>( 2 918,72)</b>	<b>2 739,09</b>	<b>5 657,81</b>	<b>2 797,13</b>	<b>( 5 715,84)</b>	<b>196%</b>

Table: 2- values are in R'million

#### 4.1 TARIFF REVENUE

Project	Actual/Forecast 2022/23	Budget 2022/23	Increase/ (Decrease)	Budget 2023/24	Increase/ (Decrease)
VRS	( 6 657.09)	( 6 370.46)	286.63	( 6 678.00)	20.91
BWP	( 98.63)	( 98.42)	0.21	( 78.15)	( 20.48)
VRESAP	( 681.74)	( 510.01)	171.74	( 544.20)	( 137.54)
MIMTS	-	( 673.35)	( 673.35)	-	-
KWSAP	( 253.52)	( 218.64)	34.88	( 255.36)	1.84
MCWAP	( 100.11)	( 100.11)	-	( 100.11)	-
<b>Total</b>	<b>( 7 791.09)</b>	<b>( 7 970.98)</b>	<b>( 179.90)</b>	<b>( 7 655.82)</b>	<b>( 135.26)</b>

Table: 3- values are in R'million

- The Actual/Forecast 2022/23 tariff revenue is expected to be lower than budgeted for 2022/23 (R180m) mainly due to actual volumes being higher than budgeted and higher than budget tariff being offset by MMTS-2 where there was no billing in the current financial year as the debt was settled early.
- Tariff revenue for the 2023/24 financial year is expected to be lower than the Actual/Forecast 2022/23 by R135m mainly due to a step-down provision in the new year's tariffs. All tariff revenue is budgeted based on income agreements and the tariff models.

## 4.2 TCTA ADMIN COSTS

TCTA Admin costs consist of operating expenses of TCTA. The Actual/Forecast 2022/23 translates to 75% of the original budget envisaged to be spent. The increase in the budget for the 2023/24 financial year is expected to be R110.38 million, translating to an increase of 25% from the Actual/Forecast 2022/23 but is flat over the 2022/23 budget. Below provides a summary of the movements between the Budget 2022/23 and the Actual/Forecast 2022/23 as well as the Budget 2023/24.

	Actual/Forecast 2022/23	Budget 2022/23	(Increase)/ Decrease	Budget 2023/24	(Increase)/ Decrease
Staff Costs	299,89	349,15	49,26	331,55	( 31,66)
Directors Costs	7,56	9,65	2,09	10,39	( 2,84)
Audit Fees	12,00	13,00	1,00	14,00	( 2,00)
Consulting fees	48,07	84,69	36,62	89,73	( 41,67)
Depreciation and Amortisation	3,37	27,29	23,92	11,46	( 8,09)
Rent paid-Premises	9,79	13,33	3,54	9,06	0,73
Equipment Rentals	18,71	19,43	0,72	21,39	( 2,68)
Communications	3,76	6,84	3,08	4,26	( 0,50)
Other Operating Expenses	32,12	59,49	27,36	53,80	( 21,68)
<b>Total</b>	<b>435,27</b>	<b>582,87</b>	<b>147,60</b>	<b>545,65</b>	<b>( 110,38)</b>

Table: 4- values are in R'million

### ■ Staff costs:

Staff costs includes salaries, statutory payments, incentive provision, allowances and other costs related to employee retention, attraction, development, and wellness:

#### **Actual/Forecast 2022/23 vs. Budget 2022/23**

Originally, the approved staff cost budget for 2022/2023 was R349m, this has been reduced in the forecast budget to R300m, due to underspending. The key reason is the 33 vacant position (excluding provision made for interns, temps, and interim position) which has not been filled due to the following reasons:

- Difficulty in securing and retaining critical skills, specifically in the ICT and PF&T business units
- Purposeful delay in filling specific positions, due to delay in converting received mandates to the implementation stage.

#### **Actual/Forecast 2022/23 vs. Budget 2023/24**

Due to the staff cost dilemma in relation to the low project activity, management has approved a resource optimisation plan, with several elements. As a result of the same, 20 approved vacant position has been frozen, and only 13 critical vacancies will be filled, with the budget provision being aligned to the same. Further, a prudent annual increase based on current Bureau for Economic Research (BER) CPI projects has been, at a 4.725%.

This approach to the staff cost budget is resulting in an overall staff cost increase of 10.55%, compared to the 2022/2023 forecast figures, which include the incentive provision at R29m. The total staff cost budget amount of R332m, represent 61% of the total administrative cost.

- **Directors Fees:**

**Actual/Forecast 2022/23 vs. Budget 2022/23**

The actual forecast 2022/23 is below budget. The lower spend is due to remote meetings and planned activities which did not occur in the period. The budget includes costs for advisory, ad hoc fees and ministerial activities. The lower spend on board advisory is due to the budget being contingent and there has been no business need for these costs to be incurred.

**Actual/Forecast 2022/23 vs. Budget 2023/24**

The increase in the 2023/24 budget is mainly due to the increase in the number of directors. Directors' Fees are based on the approved NED Remuneration Policy without any cost-of-living adjustment. Included in the budget is a provision for legal costs. The Corporate Secretariat strategic objectives for 2023/24 are, amongst others, corporate governance, and meeting support services as well as training, continuous development and induction of directors.

- **Audit Fees:**

**Actual/Forecast 2022/23 vs. Budget 2022/23**

Audit fees are expected to be lower than budget. The actual/forecast is based on estimated costs per the audit engagement letter.

**Actual/Forecast 2022/23 vs. Budget 2023/24**

The budget 2023/24 budget has been estimated at 2022/2023 actual forecast amount plus 5% as per Audit Engagement agreement.

- **Consulting Fees:**

Consulting fees for the Actual Forecast 2022/23 is expected to be below budget. Whilst the Budget 2023/24 sees an increase due to Legal, IT and other Consulting.

- **Legal Fees:**

**Actual/Forecast 2022/23 vs. Budget 2022/23**

Legal costs were budgeted for as a contingency based on the expected outcomes, while the actual expense is based on current proceedings in on-going matters. The appointment of the legal panel has been concluded. Legal support has largely been provided from internal resources.

### **Actual/Forecast 2022/23 vs. Budget 2023/24**

The 2023/24 budget makes provision for ongoing legal matters and has contingency for legal support in defending contractual claims and assistance with the drafting of financing agreements. The 2023/24 budget also includes costs to defend RSA on the Kingdom of Lesotho matter.

#### ▪ **IT Consulting:**

### **Actual/Forecast 2022/23 vs. Budget 2022/23**

A three-year ICT Strategic Plan for the period October 2020 to September 2023 approved by the Board in October 2020 focuses on stabilising, optimising and digitising the environment. In the current financial year, we continued with the implementation for the digital transformation strategy. We will commence the procurement process for the replacement of computer equipment. Lower spend on consulting fees due to delays in the implementation of scheduled projects, including the ERP related work and other software related consulting.

### **Actual/Forecast 2022/23 vs. Budget 2023/24**

The ICT budget for 2023/2024 seeks to firmly support implementation of the strategy, and by the implementation of Oracle Cloud Fusion commencing in quarter 1. In the current financial year, we will commence with the implementation for most initiatives of the digital transformation strategy. This budget will continue to fund existing contracts with service providers and suppliers and ensure a smooth and seamless transition from current to new systems.

#### ▪ **Rentals (Equipment & Premises):**

### **Actual/Forecast 2022/23 vs. Budget 2022/23**

Overall rentals have a positive variance. The variance is mainly due to lower rental, lower equipment rentals and rental of services.

### **Actual/Forecast 2022/23 vs. Budget 2023/24**

The budget for 2023/24 includes:

- Rental Premises- lower rental because due to negotiated price being lower as compared to prior year.
- Equipment Rentals & Rental of Services- The higher costs are related to the marginally higher operating cost for building.

- **Communications Costs:**

**Actual/Forecast 2022/23 vs. Budget 2022/23**

Communications costs are lower in this period due to fewer functions taking place, cancellation of water function that was planned, non-responsive tender for corporate video, lower than budget costs for exhibitions. CSI costs for the period are also lower with the approval of the overall CSI plan being approved in August. It is expected that planned expenditure will be incurred according to the revised plan.

**Actual/Forecast 2022/23 vs. Budget 2023/24**

The strategy for 2023/24 includes initiatives such as promoting the TCTA brand and more stakeholder engagement initiatives.

- **Other Operating Expenses:**

**Actual/Forecast 2022/23 vs. Budget 2022/23**

Other Operating Expenses have lower spend mainly due to lower stakeholder related costs, training and travel costs.

**Actual/Forecast 2022/23 vs. Budget 2023/24**

The budget 2023/24 caters for higher subsistence & travel costs, higher insurance related costs with the inclusion of R5 million self-insurance fund, repairs & maintenance costs, higher treasury related costs, higher software renewal cost and higher stakeholder related costs.

## 4.3 OPERATIONS AND MAINTENANCE

	Actual/Forecast 2022/23	Budget 2022/23	(Increase)/ Decrease	Budget 2023/24	(Increase)/ Decrease
Eastern Basin	92,79	173,79	81,00	174,43	( 81,64)
Western Basin	73,86	99,22	25,36	90,06	( 16,20)
Central Basin	132,55	176,31	43,76	204,64	( 72,08)
LHWP1	0,05	12,17	12,12	34,99	( 34,94)
<b>Total</b>	<b>299,25</b>	<b>461,49</b>	<b>162,25</b>	<b>504,11</b>	<b>( 204,87)</b>

Table: 5- values are in R'million

### AMD

Lower than budgeted chemical costs and electricity charges were incurred due to the Central and Eastern basin AMD plant not in operation operating at full capacity during the period. Limitation on the Central basin pump capacity and due to the failure of all motors and inability to source replacement spare parts. on the Eastern basin being the main causes.



In addition, the budget provides for a monthly provision for unforeseen unplanned maintenance and refurbishment costs including the procurement of a new bigger size pump and the upgrade of the discharge pipeline for the Central Basin. Delays that had been experienced in the procurement of a new pump have been resolved.

The Budget 2023/24 makes the provision for the escalation of the AMD operator's cost, chemical cost, and utilities (water, electricity, etc.) due to inflation. The current Operator's contract will end in 2025 and a new contract will be procured. The budget has made provision for the anticipated increase in Operator's cost as TCTA will be entering into a new contract. It is anticipated that a new pump will be built in the central basin, which will allow the plant to operate at full capacity and the fixing of the spare motor and pump issue. The increased capacity will lead to a greater usage of lime and electricity hence in the estimated increased costs.

## LHWP

The Budget 2023/24 makes provision for the appointment of the Professional Service Provider to finalise the maintenance scope for the tunnel outage planned for implementation in the financial year 2024/25.

## 4.4 FINANCE CHARGES

	Actual/Forecast 2022/23	Budget 2022/23	(Increase)/ Decrease	Budget 2023/24	(Increase)/ Decrease
Finance Charges	885,41	1 415,55	530,13	786,09	99,32

*Table: 7- values are in R'million*

Finance Charges consist of interest that TCTA incurs in connection with the borrowing of funds.

Actual/Forecast finance charges are below the 2022/23 budget primarily because of lower funding utilised because of project delays. Once off fees budgeted for new projects did not occur. Due to a delay in the finalisation of the DMTN programme, no new funding has taken place, resulting in the positive variance.

The increase in 2023/24 is due to once off fees in new projects and interest on VRS variable rate loans being higher than actual forecast.

## 4.5 CAPITAL REPAYMENTS

	Actual/Forecast 2022/23	Budget 2022/23	(Increase)/ Decrease	Budget 2023/24	(Increase)/ Decrease
Capital Market	1,14	-	( 1,14)	-	1,14
Loans	1 869,67	1 584,93	( 284,75)	1 222,34	647,33
<b>Total</b>	<b>1 870,82</b>	<b>1 584,93</b>	<b>( 285,89)</b>	<b>1 222,34</b>	<b>648,47</b>

Table: 8- values are in R'million

The increase in the 2022/23 actual forecast capital repayments is mainly due to prepayment on MMTS facility. In April 2022, the Board approved the accelerated prepayment of MMTS debt by November 2022.

The budget for 2023/24 decreases mainly due to the prepayment of MMTS of R582m by November 2022. The budget 2023/24 includes capital repayments as per agreements.

## 4.6 CAPITAL EXPENDITURE

The current portfolio of TCTA includes projects in various stages of the project life cycle: Seven major projects are in debt management phase, three are in project implementation phase: Berg River Voëlvei Augmentation Scheme (BRVAS), the uMkhomazi Water Project (uMWP) and Phase 2 of the Mokolo Crocodile Water Augmentation Project (MCWAP-2). The current funding program encompasses the raising of funding for, inter alia, BRVAS (R1.1 billion), and MCWAP-2 (R12.36 billion). The current portfolio of TCTA further includes ORWRDP-2C which is in the close-out phase. Implementations of MMTS-2, MCWAP-1, AMD-STI, BWP and VRESAP have been completed and are fully operational.

The table below provides a comparison of the 2022/23 budget as approved and the outcomes now expected as included in the Actual/forecast 2022/23, as well the budget for 2023/24:

	Actual/Forecast 2022/23	Budget 2022/23	Actual/Forecast vs Budget	Budget 2023/24	Actual/Forecast 22/23 vs Budget 23/24
BWP	-	5,02	( 5,02)	1,10	( 1,10)
MMTS2	1,50	15,38	( 13,88)	44,36	( 42,86)
ORWRDP	20,66		20,66	0,65	20,01
MCWAP2	78,79	1 090,72	( 1 011,93)	147,95	( 69,16)
AMD	47,78	26,50	21,28	46,00	1,78
UMWP		16,93	( 16,93)	28,21	( 28,21)
BRVS	1,36	56,61	( 55,24)	41,72	( 40,36)
<b>TOTAL</b>	<b>150,09</b>	<b>1 211,16</b>	<b>( 1 061,08)</b>	<b>310,00</b>	<b>( 159,91)</b>

Table: 9- values are in R'million

## **MCWAP-2A**

The PSP costs are planned to increase, with the commencement of the procurement process for the appointment of the construction contractor. Land acquisition is expected to intensify in the 2023/24 year and is to be concluded prior to the appointment of the construction contractor. A large amount of the planned expenditure relates to the advance payment to the construction contractors whom are expected to commence in the early months of 2024.

## **BRVAS**

New PSP for detailed design is planned to be appointed in financial year 2023/2024 and this will enable the finalisation of detail design and the tender documentation which will enable the appointment of the construction contractor. The current PSP services are reduced due to change in contracting strategy for the project and will be minimal until detailed design is completed or during the procurement of the contractor.

## **uMWP-1**

The appointment of the first PSP to perform outstanding environmental work including the Biodiversity Offsets that will enable approval of the construction and operational EMP's and engineering preparatory work (Engineering Design, construction Tender Documentation and the development of Environmental Management Programmes (EMPrs) for construction, and Compensation Plans are anticipated to commence in the financial year 23/24.

## **ORWRP-2C**

The project is complete, expenditure related to DAB's and PSP support has been concluded.

## **BWP**

The design for the construction of the interactive display centre at the Skuifraam Ruins, is projected to commence towards the later part of 2023/24 and the construction of the centre will be executed in financial year 2024/25.

#### 4.7 LESOTHO RELATED FINANCIAL OBLIGATIONS

	Actual/Forecast 2022/23	Budget 2022/23	Actual/Forecast vs Budget	Budget 2023/24	Actual/Forecast 22/23 vs Budget 23/24
Lesotho Operating Costs	1 469,63	1 388,16	( 81,47)	1 605,98	( 136,35)
LHWP2 Construction	2 065,52	4 100,00	2 034,48	4 800,00	( 2 734,48)
<b>Total</b>	<b>3 535,15</b>	<b>5 488,16</b>	<b>1 953,01</b>	<b>6 405,98</b>	<b>( 2 870,83)</b>

Table: 6- values are in R'million

- Lesotho Operating Costs comprise the Royalties, Lesotho Highlands Development Authority and Lesotho Highlands Water Commission costs. The budgeted amount is based on information provided by the LHDA as the implementing agent for the project in Lesotho. Expenditure is expected to increase over the medium term as construction activities resume. TCTA does not recognise the amounts spent by the LHDA as capital expenditure in the financial statements, but rather as cost related payments made to the LHDA.
- LHDA operating costs are lower due to slower progress on LHWP2 in the period.
- Royalties- The budget had expected higher royalties. Budget is as provided by the LHDA - based on the royalty protocol and expected PPI and ESI. Royalties' costs for the first six months are below budget due to lower water volumes and the budget had projected a higher PPI. The last six months estimate has been adjusted according to the new estimate provided by LHDA. Higher royalties are expected for 2023/24 because of expected higher electricity price increases and a higher ESI adjustment.

## **ANNEXURE C3**

### **MEDIUM TERM EXPENDITURE FORECAST**

## PURPOSE

This document reflects expected net income generated from operations and the funding requirement after capital redemption and capital expenditures over the medium term. The main factors giving rise to the movements in the income/expenditure items are explained. The Medium-Term Budget for operating income and expenditure shows a decrease in nett cash inflow from 2022/23 to 2025/26. This is driven by higher operating expenditure, Higher Lesotho related financial obligations and finance charges as detailed below:

## MEDIUM TERM FORECAST FOR OPERATING INCOME AND EXPENDITURE

	Actual/Forecast 2022/23	Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26
Tariff Revenue	( 7 791,09)	( 7 970,90)	( 7 655,82)	( 7 991,54)	( 7 935,76)
	-	-	-	-	-
<b>Operating Costs</b>	<b>734,51</b>	<b>1 044,36</b>	<b>1 049,76</b>	<b>1 164,86</b>	<b>1 110,47</b>
TCTA Admin Costs	435,27	582,87	545,65	568,67	593,81
Operations and Maintenance	299,25	461,49	504,11	596,19	516,66
	-	-	-	-	-
<b>Operating Inflows/Outflows</b>	<b>( 7 056,58)</b>	<b>( 6 926,54)</b>	<b>( 6 606,07)</b>	<b>( 6 826,68)</b>	<b>( 6 825,29)</b>
	-	-	-	-	-
Total Finance Charges	885,41	1 415,55	786,09	1 300,04	1 891,04
	-	-	-	-	-
<b>Net Working Capital Cash (in)/outflows</b>	<b>( 6 171,16)</b>	<b>( 5 510,99)</b>	<b>( 5 819,97)</b>	<b>( 5 526,64)</b>	<b>( 4 934,25)</b>
	-	-	-	-	-
Capital Repayments	1 870,82	1 584,93	1 222,34	1 711,48	1 907,73
	-	-	-	-	-
Fixed Assets	33,04	59,92	2,35	2,45	2,56
	-	-	-	-	-
<b>Capital Expenditure</b>	<b>150,09</b>	<b>1 211,16</b>	<b>310,15</b>	<b>3 491,37</b>	<b>6 866,26</b>
TCTA Projects	150,09	1 211,16	310,15	3 491,37	6 866,26
	-	-	-	-	-
Self Insurance Fund	-	5,00	5,00	-	-
	-	-	-	-	-
<b>Lesotho Related Financial Obligations</b>					
Lesotho Operating Costs	1 469,63	1 388,16	1 605,98	1 678,63	1 754,58
LHWP2 Construction	2 065,52	4 100,00	4 800,00	3 500,00	2 500,00
	-	-	-	-	-
<b>Total Funding Requirement before Accruals</b>	<b>( 2 647,59)</b>	<b>2 833,18</b>	<b>2 120,85</b>	<b>4 857,30</b>	<b>8 096,88</b>
	-	-	-	-	-
Non cash flow items and accruals	( 271,13)	( 94,09)	676,28	264,75	( 107,64)
	-	-	-	-	-
<b>TOTAL FUNDING REQUIREMENT</b>	<b>( 2 918,72)</b>	<b>2 739,09</b>	<b>2 797,13</b>	<b>5 122,05</b>	<b>7 989,25</b>

Table 1- values in R million

## TARIFF INCOME

Tariff billing decreases from 2022/23 to 2023/24, then increases marginally from 2024/25 onwards. The budgeted volumes and tariffs are based on Department of Water and Sanitation (DWS) estimates. LHWP (VRS) sees an increase which is largely attributable to a higher tariff. The water income for VRS, Berg Water Project (BWP) and Vaal River Eastern Subsystem Augmentation Project (VRESAP) continue to be billed in line with demand expectations as agreed with DWS, as

well as the inflation-linked increases as per the water supply agreements/models. The Budget also includes the tariff for Komati Water Scheme Augmentation Project (KWSAP) and Mokolo and Crocodile River (West) Water Augmentation Project (MCWAP). The tariff billing for these projects is based on the water demands as received from DWS.

The table below shows the revenue per project for the medium term:

Project	Actual/Forecast 2022/2023			Budget 2022/2023			2023/24			2024/2025			2025/2026		
	Tariff	Volume (mcm)	Tariff Billing (R million)	Tariff	Volume (mcm)	Tariff Billing (R million)	Tariff	Volume (mcm)	Tariff Billing (R million)	Tariff	Volume (mcm)	Tariff Billing (R million)	Tariff	Volume (mcm)	Tariff Billing (R million)
VRS	3,5410	1 880	6 657	3,5391	1 800	6 370	3,7100	1 800	6 678	3,9016	1 820	7 101	3,9552	1 805	7 139
BWP (3 months) 1 April - 30 June	0,4280	69	30	0,4275	69	30	0,3000	77	23	0,2394	78	19	0,1915	80	15
BWP (9 months) 1 July - 30 March	0,3000	230	69	0,2993	230	69	0,2394	230	55	0,1915	235	45	0,1532	239	37
<b>BWP Total</b>		<b>299</b>	<b>99</b>		<b>0</b>	<b>299</b>	<b>0</b>	<b>307</b>	<b>78</b>	<b>0</b>	<b>313</b>	<b>64</b>		<b>319</b>	<b>52</b>
VRESAP-ESKOM	2,3820	199	474	2,3822	157	375	1,7718	189	335	1,7718	176	312	1,7718	157	277
VRESAP-SASOL	2,5560	81	208	1,5320	88	135	2,5560	82	209	2,3906	81	194	2,2359	83	185
<b>VRESAP Total</b>	<b>0</b>	<b>280</b>	<b>682</b>		<b>246</b>	<b>510</b>	<b>0</b>	<b>271</b>	<b>544</b>	<b>0</b>	<b>257</b>	<b>506</b>		<b>239</b>	<b>462</b>
MMTS (3 months) 1 April- 30 June	-	-	-	1,6280	99	160	-	-	-	-	-	-	-	-	-
MMTS (9 months) 1 July- 30 March	-	-	-	1,7360	296	513	-	-	-	-	-	-	-	-	-
<b>MMTS Total</b>				<b>0</b>	<b>394</b>	<b>673</b>									
KWSAP	3,9670	64	254	3,9670	55	219	3,9670	64	255	3,6256	61	221	3,3136	55	183
MCWAP	4,5300	22	100	4,5262	22	100	4,5300	22	100	4,5300	22	100	4,5262	22	100
<b>Total Tariff Receivable</b>			<b>7 791</b>			<b>7 971</b>			<b>7 656</b>			<b>7 992</b>			<b>7 936</b>

Table 2: Volumes and Revenue in millions

## OPERATING COSTS

Overall, Operating costs increases by an average of 4.64% over the medium term. The main factors driving the increased expenditure are TCTA Admin (2.17%) costs and Lesotho Operating costs (6.05%). Below are brief notes that provide reasons for the increases:

### TCTA ADMIN COSTS

TCTA Admin costs fluctuate in the medium term. The increase in 2022/23 expenditure is mainly driven by the inflation rate that has been applied as guided by the MTEF guidelines. Where costs were known for the medium term, they were budgeted for according to respective agreements and SLAs (e.g. office rentals, equipment rentals and rental of services and systems). With salaries being the highest cost for TCTA, the budget has made a provision for an average increment of 4.42%. Fixed overhead costs, where there are no contracts in place, are based on historic costs adjusted taking in consideration appropriate indexes or contractual escalation provisions.

## OPERATIONS AND MAINTENANCE

Operations and Maintenance is budgeted for in terms of agreements in place and expected outcomes over the medium term. The medium-term budget is based on the actual cost of operating all three basins and provision is made for increases, escalation and rates and taxes.

## FINANCE CHARGES

The marginal increase in the finance costs from 2022/23 to 2025/26 is due to the additional financing costs on the funding of the redemption portfolio for the WSP5 being largely offset by the investment income of the same.

## CAPITAL REPAYMENTS

LHDA and TCTA Capital repayments are in accordance with loan agreements. TCTA is expected to allocate R7 billion towards the redemption portfolio.

## FIXED ASSETS

Fixed Assets have been budgeted for based on expected acquisitions in the medium term.

## CAPITAL EXPENDITURE

Capex has been budgeted for in accordance with the Capital Expenditure Plans, contracts in place and charters of the projects, considering the revised timelines and the dynamics of each project. Increased capital expenditure over the medium term is due to MCWAP2, BRVAS and UMWP.

	Actual/Forecast 2022/23	Budget 2022/23	Actual/Forecast vs Budget	Budget 2023/24	Actual/Forecast 22/23 vs Budget 23/24	Budget 2024/25	Budget 2025/26
BWP	-	5,02	(5,02)	1,10	(1,10)	7,50	-
MMTS2	1,50	15,38	(13,88)	44,36	(42,86)	-	-
ORWRDP	20,66		20,66	0,65	20,01	0,68	0,71
MCWAP2	78,79	1 090,72	(1 011,93)	147,95	(69,16)	2 873,98	3 072,77
AMD	47,78	26,50	21,28	46,00	1,78	-	-
UMWP		16,93	(16,93)	28,21	(28,21)	371,90	3 512,87
BRVS	1,36	56,61	(55,24)	41,72	(40,36)	237,23	279,83
<b>TOTAL</b>	<b>150,09</b>	<b>1 211,16</b>	<b>(1 061,08)</b>	<b>310,00</b>	<b>(159,91)</b>	<b>3 491,29</b>	<b>6 866,18</b>

Table 3: R millions

## LESOTHO RELATED FINANCIAL OBLIGATIONS

The main cost item relates to Royalty payments to Lesotho. Budgeted costs are based on LHDA cost projections and expected outcomes over the medium term. Payments made for costs incurred in Lesotho comprise the cost related payments, royalties and Lesotho Highlands Water Commission costs. The variance is because of lower LHDA costs, Operations & Maintenance costs which have been offset by higher royalties

The budgeted amount is based on information provided by the LHDA as the implementing agent for the project in Lesotho. Expenditure is expected to increase over the medium term as construction activities resume. TCTA does not recognise the amounts spent by the LHDA as capital expenditure in the financial statements, but rather as cost related payments made to the LHDA.



**ANNEXURE D**

**RISK MANAGEMENT PLAN 2023/24**

## **1. PURPOSE**

The Risk Management Plan for the 2023/24 financial year describes how risk management will be structured and performed to ensure that risks are managed and controlled to acceptable levels. This plan provides an annual programme of risk management activities with associated timelines and responsibilities critical to support TCTA in achieving its business objectives.

## **2. OBJECTIVE**

The main objective of the Risk Management Implementation Plan is to facilitate the execution of risk management. The Risk Management Implementation Plan for TCTA is prepared to give effect to the implementation of the Risk Management Policy and Framework and sets out all risk management activities for 2023/24 financial year.

## **3. APPROACH**

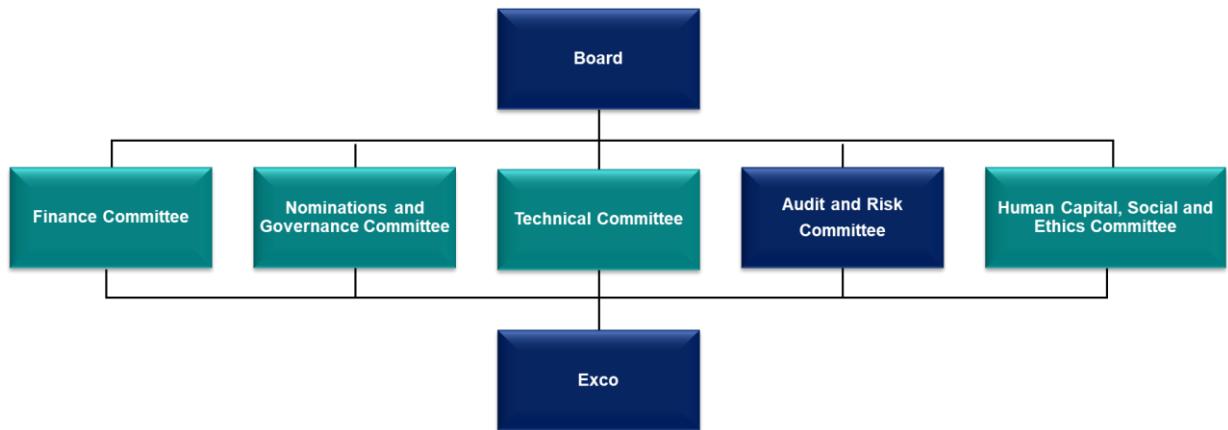
The development of the Risk Management Implementation Plan considers the approved Risk Management Policy, the Risk Management Framework, the objectives of the business and available resources. The Risk Management team will implement a continuous risk management process focusing on risk assessment and mitigation. Risk assessment includes activities to identify, analyze and prioritize risks. Risk mitigation includes developing risk mitigation strategies as well as monitoring the impact of the strategies and residual risks.

## **4. GOVERNANCE STRUCTURE**

TCTA has established management and operating structures in pursuit of strategy and business objectives. The structures describe how the organisation carries its day-to-day operations in the execution of ERM for the achievement of its business objectives.

The ERM Governance and Reporting Structure as depicted in Figure 1 below serves as TCTA's Management and Operating Structure. ERM is dealt with in the structures marked orange.

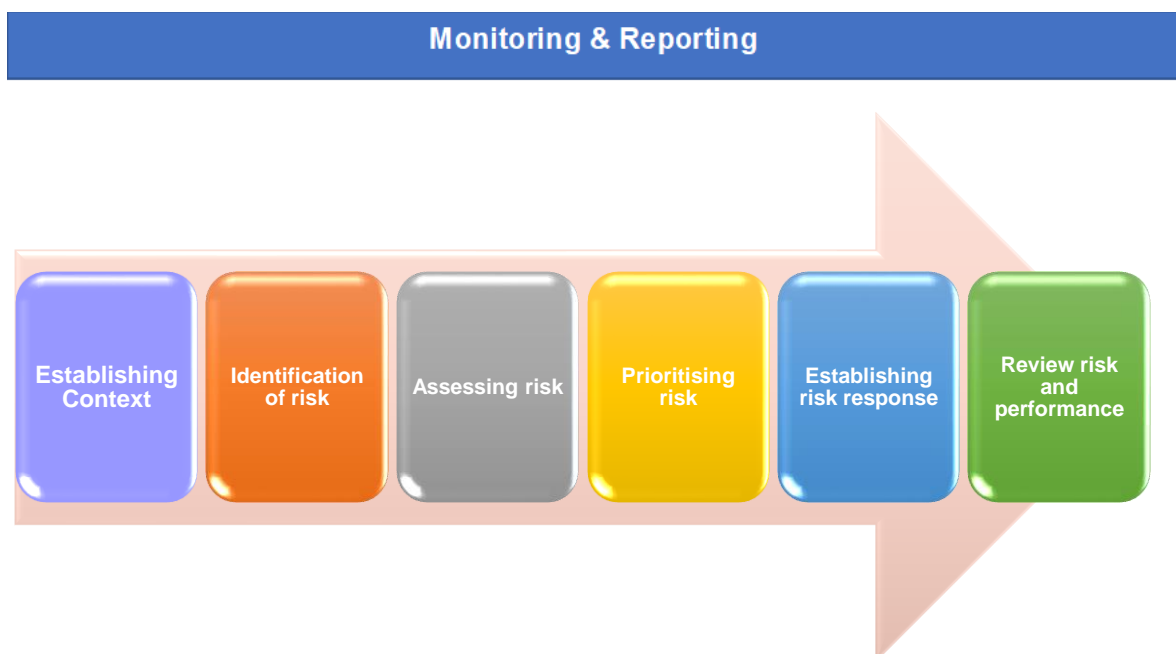
**Figure 1. ERM Governance Structure**



## 5. RISK MANAGEMENT PROCESS

The risk management process set out a structured approach which TCTA will follow in managing risks. TCTA has adopted the COSO Framework, the King Code on Governance Principles (King IV), the Public Sector Risk Management Framework, COBIT for information technology (IT) and PMBOK for project management, the COSO Enterprise Risk Management Framework and ISO 31000 and COBIT guidelines as part of its risk management process to manage organisational, information technology and projects risks, respectively.

The high-level TCTA ERM process that should be followed is illustrated in the diagram below.



## **6. DETAILED ANNUAL RISK MANAGEMENT PLAN**

A detailed risk management implementation plan is outlined in Annexure A and is in the form of a project plan which records tasks, responsible persons, and target dates. The plan for 2023/2024 outlines the activities to be undertaken as well as the outcomes.

The following areas will be prioritized during the 2023/2024 financial year:

- The embedment of the risk management within TCTA's business operations and activities
- Risk management training and awareness.
- Water Agency risks Identification and management.
- The implementation of the Risk Appetite and Tolerance Framework.

## **7. KEY RISKS IDENTIFIED BY BOARD AND MANAGEMENT**

The Board Risk workshop held in December 2022 identified key risks likely to prevent TCTA from achieving its business objectives. The 2023/2024 business objectives as outlined in the corporate plan and Balanced Scorecard were the basis of the risk identification.

A detailed risk register is attached as Annexure B.

**ANNEXURE D1**

**RISK MANAGEMENT PLAN ACTIVITIES FOR 2023/24**

## ANNEXURE A. DETAILED RISK MANAGEMENT IMPLEMENTATION PLAN

Planned Action	No.	Detailed Actions	Outputs	Responsible Person	Due Date
<b>Governance of Risk</b>					
Oversight on the implementation of the Risk Management Policy and Framework/Risk Management Strategy	1	Risk Management -Oversight	Consideration of the Quarterly Risk Management Report	Audit and Risk Committee	Quarterly – Scheduled Audit and Risk Committee Meetings
	2	Board Strategic Risk Assessment	<ul style="list-style-type: none"> <li>Strategic Risk Register</li> <li>Strategic Risk Report</li> </ul>	Chief Risk Officer (CRO)/Board/Executive Management (EXCO)	01 December 2022
<b>Risk Awareness and Capacity Building</b>					
To raise organisational risk awareness	1	<ul style="list-style-type: none"> <li>Develop detailed plan / programme for all employees</li> <li>Develop awareness programme for new employees</li> <li>Risk awareness during risk register update sessions</li> <li>Risk awareness to Risk Forum members</li> <li>Risk awareness to risk champions</li> <li>Bi-annual organisational risk awareness sessions</li> </ul>	<ul style="list-style-type: none"> <li>Risk Presentations</li> <li>List of Attendance</li> </ul>	Risk Manager/CRO	<ul style="list-style-type: none"> <li>30 April 2023</li> <li>30 April 2023</li> <li>Quarterly</li> <li>Annually</li> <li>Annually</li> <li>30 September 2023 and 31 March 2024</li> </ul>
	2	Two (2) Risk management articles published per annum	Risk management articles on relevant topics published on the TCTA intranet and Staff Newsletter	Risk Management Team	30 September 2023 and 31 March 2024

Planned Action	No.	Detailed Actions	Outputs	Responsible Person	Due Date
Publication of risk policies and frameworks	3	Publicise approved risk management policies, and frameworks on the intranet/SharePoint	Risk Management policies and frameworks easily accessible on intranet/SharePoint	Risk Manager/CRO	30 June 2023
Integrating risk management and performance management	4	<ul style="list-style-type: none"><li>Divisional meetings to include risk management as a standing agenda item</li></ul>	<ul style="list-style-type: none"><li>Improved organisational performance</li></ul>	EXCO	Quarterly
		<ul style="list-style-type: none"><li>Divisional risk trend analysis</li></ul>	<ul style="list-style-type: none"><li>Divisional Risk Reports</li></ul>	Risk Management Team	Quarterly
Risk Orientation					
Review of Risk Appetite and Tolerance Framework	1	Review Risk Appetite and Tolerance Framework indicators to ensure risk exposure is minimised to acceptable levels.	Approved Risk Appetite and Tolerance Framework	Risk Manager/CRO	31 March 2024
Review of Materiality and Significance Framework	2	Review the strategic and Corporate Materiality and Significance Framework in line with National Treasury guidelines and latest audited financial statements	Approved Materiality and Significance Framework	Risk Manager/CRO	31 January 2024
Review of 2023 -2024 Risk management plan	3	Review the current risk management plan to align with changes the business	Approved Risk Management Plan	Risk Manager/CRO	31 January 2024
Review of the fraud prevention plan and strategy	4	Review the current fraud prevention plan and align with best practice	Approved Fraud Prevention Plan and Strategy	Risk Manager/CRO	31 January 2024

Planned Action	No.	Detailed Actions	Outputs	Responsible Person	Due Date
Review business continuity management (BCM) Plans	5	Review the following plans: <ul style="list-style-type: none"> <li>Emergency Response plan</li> <li>Business Recovery Plan</li> <li>Crisis Management plan</li> <li>ICT Coordination and Continuity Plan</li> </ul>	Approved Business Continuity Plans	Risk Manager/CRO	31 March 2024
<b>Combined Assurance</b>					
Support Audit & Risk Committee in driving the implementation of Combined Assurance	1	Contribute to the implementation of Control Self-Assessment Process to inform assurance activities (Combined Assurance)	Control Self-Assessment Results.	CRO/Risk Manager/CIA	As per Combined Assurance Implementation Plan
	2	Review key risks that form the basis of the combined assurance initiative	TCTA risk profile	CRO/Risk Manager	30 April 2023
	3	Review the approved combined assurance map and provide improvements to gaps identified.	Combined Assurance Map	CRO/Risk Manager/CIA	31 May 2023
	4	Assessment of TCTA's risk maturity level	Maturity Assessment Report	CRO/Risk Manager	30 June 2023
<b>Enterprise-wide risk management</b>					
<b>Divisional/Operational Risks</b>					
Divisional risk assessment and reporting	1	Facilitate Divisional Risk Identification and Assessments Workshops	<ul style="list-style-type: none"> <li>Divisional risk registers</li> <li>Divisional risk reports</li> </ul>	Risk Management Team/EXCO	Quarterly



Planned Action	No.	Detailed Actions	Outputs	Responsible Person	Due Date
Continuous Monitoring of Emerging Risks	2	Review risk registers and implementation of action plans. Update risk registers with risk information identified in the Internal audit reports.	Updated risk registers, including emerging risks.	Risk Management Team/ EXCO	Monthly and quarterly
<b>Project Risks</b>					
Projects risk assessment and reporting	1	Facilitate Projects Risk Identification and Assessments Workshops.	<ul style="list-style-type: none"> <li>Project risk registers</li> <li>Risk input to projects progress reports (uMWP, AMD, BRVAS and MCWAP-2)</li> </ul>	Risk Management Team/Project Teams	Monthly and quarterly
Continuous Monitoring of Emerging Projects Risks	2	Continuously review project risks to ensure action plans are implemented.	Updated project risk registers	Risk Management Team/Project Teams	Monthly and quarterly
Water Agency Risks	3	Assess and manage water Agency risks	Water Agency risk register	Risk Management Team	Quarterly
<b>Treasury Risk Management</b>					
Management of Financial Risks	1	Monitoring interest rate risk, liquidity risk, counterparty risk, and borrowing limits	<ul style="list-style-type: none"> <li>Counterparty limit utilisation reports</li> <li>Interest rate risk reports</li> <li>Liquidity reports</li> <li>Borrowing limit reports</li> </ul>	Risk Management Team	Daily, bi -weekly and monthly
	2	Conduct financial analysis of counterparties and review counterparty limits	Counterparty limits review reports	Risk Management Team	31 January 2024

Planned Action	No.	Detailed Actions	Outputs	Responsible Person	Due Date
	3	Monitor credit worthiness of approved counterparties	Counterparty monitoring report	Risk Management Team	Quarterly
<b>Fraud Risk Management</b>					
Identification of fraud risks emanating from the Business Operations.	1	Facilitate Fraud Risk Identification and Assessments Workshops	Fraud risk register	Risk Management Team/EXCO	Quarterly
<b>Risk Financing</b>					
Management of risk financing (Insurance)	1	Conduct corporate financial risk assessment to identify insurable risk exposures.	<ul style="list-style-type: none"> <li>Insurance Placement/Renewal Report</li> <li>Risk Management Report</li> </ul>	CRO/Risk Manager	30 April 2023
	2	Administration of corporate insurance claim	Insurance Claims Report	Risk Management Team	Monthly
<b>Business Continuity Management</b>					
Rollout of the BCM programme	1	Conduct Business Impact Assessment	BIA report	Risk Manager/CRO	31 March 2024
	2	Monitor implementation of business continuity strategies / plans	BCM report	Risk Manager/CRO	Quarterly
	3	Test effectiveness of the business continuity programme	BCM Test Report with findings and recommendation	Risk Manager/CRO	31 March 2024
<b>Monitoring</b>					
Monitoring of enterprise risk management performance to consider how well the enterprise	1	Monitoring of implementation of action plans and reporting on status of action plans	<ul style="list-style-type: none"> <li>Report to the ARC</li> <li>Ratings on divisional performance on risk management</li> </ul>	Risk Management Team	Quarterly

Planned Action	No.	Detailed Actions	Outputs	Responsible Person	Due Date
risk management components are functioning over time and provides information on any substantial changes.	2	Populating and updating the risk treatment plan	<ul style="list-style-type: none"> <li>Risk treatment plan</li> <li>Reduction of risks to acceptable levels</li> </ul>	CRO/Risk Manager/ Exco	Quarterly
	3	Resolution of External and internal audit findings	Audit findings resolution rate	CRO/Risk Manager	Quarterly
	4	Monitoring the Implementation and Execution of the Risk Framework and Policy and the effectiveness of the risk management processes	Quarterly risk management report	Risk Manager/CRO	Quarterly
	5	Monitor organisational risk appetite and tolerance levels against the thresholds approved in the Framework.	Risk appetite and tolerance report	Risk Manager/CRO	Quarterly
	6	Monitoring progress against implementation of the fraud prevention plan.	Quarterly Fraud prevention plan report	Risk Manager/CRO	Quarterly
<b>Reporting</b>					
Risk reporting	1	Risk reporting to the Risk Forum, Exco, FC, ARC, and the Board	Risk Management Reports	CRO/ Risk Manager	Monthly and quarterly
Annual Report	2	Provide Assurance on the status of risk management within TCTA	Risk Management section of the annual report	Risk Manager	30 June 2023

**ANNEXURE D2**  
**STRATEGIC RISK REGISTER**

**TCTA STRATEGIC RISK REGISTER – 2023/24**

Ref	Date reported	Objective	Risk/Event	ERM category	Root cause/ Risk driver	Consequences/ Effects	Inherent risk rating			Controls in place	Effectiveness	Residual risk rating			Action plan required to reduce residual risk to an acceptable	Responsible Official	Due date
							Impact	Likelihood	Rating			Impact	Likelihood	Rating			
	1	2	3	4	5	6	7	8	9	10		11	12	13	14	15	16
SSR1	Dec-22	Raise funding for the implementation of infrastructure	1. Funding not raised on time and in the amount required to implement projects	Funding	1.1 Credit-worthiness of the projects. 1.2. Funding climate in the country, particularly in relation to SOE's. 1.3. Capacity issues (human resources) within TCTA	Delay in commencement of construction in projects.  Increase in project costs, which may affect affordability to end-users	5	5	25	1.1 Regular interaction with funders to promote understanding of TCTA credit, compliance with covenants, the project funding model and borrowing limit are scrutinised for sustainability by NT before approval.  1.2. Large number of potential funders.  1.3. Approved structure of required positions and SLA with HR.	Partially effective	4	4	16	1.3 a. Accelerate filling of Project Financier and Legal Advisor vacancies. b. Expedite appointment of external Legal Advisor c. Develop talent pool through internships.  (NB: controls for root causes 1 & 2 are effective)	EM:PF&T	30-Apr-23
SSR2	Dec-22	Implement capital projects on time, within budget, to the appropriate standards and in a sustainable socio/environmental manner	2. Infrastructure projects not delivered on schedule, safely, within budget & quality.	Project Governance	2.1. Schedule Slippage. 2.2 Budget Overrun. 2.3. Quality Deviation. 2.4. HSE Incidents & non compliances	Reputational damage TCTA's sustainability.  Inability to commercialize projects  Increase water tariff  Inability to meet customer's water delivery commitments.  Legal challenges, non-compliances, and penalties	4	4	16	2.1. Project Charters & Project Implementation Plans,. 2.2. Procurement plans, policies and procedures, Tender Committees. 2.3. Strategic and operational DOA's. 2.4 Internal audits. 2.5. Contractual remedies. 2.6.Contractual risk sharing provisions.	Partially effective	3	3	9	<b>HSE Key Responses</b> 1.HSE Plan 2.HSE Risk Management Procedure 3.HSE Baseline Risk Assessment  <b>Budget Key Responses</b> 1.Cost Control Procedure	EM: PMID	

Ref	Date reported	Objective	Risk/Event	ERM category	Root cause/ Risk driver	Consequences/ Effects	Inherent risk rating			Controls in place	Effectiveness	Residual risk rating			Action plan required to reduce residual risk to an acceptable	Responsible Official	Due date
							Impact	Likelihood	Rating			Impact	Likelihood	Rating			
										2.7. Support to DWS, escalation to principals. 2.8. Investigative studies during planning. 2.9. Make use of Competent PSP. 2.10. Due diligence on feasibility study recommendations, panel of experts, competent service providers. 2.11. Implementation and Off-take Agreements with DWS/Project Partners, Participative project governance structures, Directive obligations. 2.12. OHS Policy and Policy Statement. 2.13. Project Implementation Methodology					2.Management of Change Control Procedure 3.Estimating Standards 4.Project Risk Management Procedure 5.Contract Management Procedure Manual <b>Schedule Key Responses</b> 1.Schedule Management Procedure 2.Management of Change Control Procedure 3.Project Level 1 Plan 4.Project Milestones <b>Quality Key Responses</b> 1.Scope Management Procedure 2.Management of Change Control Procedure 3.PIM Update		

Ref	Date reported	Objective	Risk/Event	ERM category	Root cause/ Risk driver	Consequences/ Effects	Inherent risk rating			Controls in place	Effectiveness	Residual risk rating			Action plan required to reduce residual risk to an acceptable	Responsible Official	Due date
							Impact	Likelihood	Rating			Impact	Likelihood	Rating			
															4.Project Quality Standard 5.Project and Engineering Assurance Framework 6.Procurement procedure manual 7.Materials Management Procedure		
SSR3	Dec-22	Operate and maintain designated projects to meet DWS volume targets and specifications	3. 3.Failure to meet volume targets and specifications/standards.	Strategic	3.1 Unplanned Plant outages. 3.2 UFeedstock supply challenges. 3.3 High water ingress due to Abnormal rain conditions. 3.4 Vandalism of AMD infrastructure. 3.5 Power failures and prolonged outages. 3.6. Global spare parts Supply chain challenges	Reputational damage to TCTA should environmental degradation or ground water contamination occur.  Regulatory non-compliances leading to monetary penalties or legal action against TCTA and DWS.	5	5	25	3.1 Appointment of competent operator with the requisite skill and experience in plant operation and maintenance. 3.2. Plant security measures and reaction plans in place.  3.3. TCTA staff located on site to monitor operator and plant performance. 3.4. Creation of water level buffers within basins to absorb water level rises due to short-term outages. 3.5 Stakeholder engagement strategy and plan.	Partially effective	5	3	15	Finalize DWS/TCTA Implementation Agreement 2.Negotiate maintenance SLA with strategic suppliers for critical equipment. 3.Restore plant capacity in Eastern Basin: Repair of motors and pumps. 4.Restore plant capacity to Central Basin: Pipe capacity and procure pump set.	EM: PMID CFO	31-Mar-24

Ref	Date reported	Objective	Risk/Event	ERM category	Root cause/ Risk driver	Consequences/ Effects	Inherent risk rating			Controls in place	Effectiveness	Residual risk rating			Action plan required to reduce residual risk to an acceptable	Responsible Official	Due date
							Impact	Likelihood	Rating			Impact	Likelihood	Rating			
SSR4	Dec-22	Manage debt within the approved borrowing limit	4. Inadequate liquidity to meet project obligations and requirement	Liquidity	4.1. Late payments of tariff revenue by DWS. 4.2. Slow government processes for approving borrowing limit. Requested tariff adjustments not approved or implemented. 4.3. Event of default (e.g., qualified audits, late audited financial statements) 4.4. Lack of market interest in TCTA commercial paper.	Event of default leading to suspension or cancellation of credit facilities and accelerated repayment of outstanding loans Delay in implementing projects	4	4	16	4.1. Proactive engagement with DWS on receivables. 4.2. Early submission of borrowing limit requests. 4.3. Bank liquidity facilities in place. 4.4. Engage with the Minister through Board when/if required tariffs do not get approved. 4.5. Projects have committed bank facilities/ target greater than 10% of outstanding debt.	Partially effective	4	2	8	4.1 Improve control environment for positive audit outcomes. 4.2. Renegotiations with the lenders to align submission of audited AFS to the legislated (PFMA) dates. 4.3. Obtain approval of the DMTN guarantee by NT to enable issuing of JSE-listed commercial paper.	EM: PF&T	30-Sep-23
SSR5	Dec-22	Ensure organisational positioning for the planned Water Agency	5. Inability to influence the establishment of the new Agency initiative.	Strategic	5.1 Political pressure 5.2. Lack of capacity to undertake the complex change initiative.	Weak and unsustainable institution. Loss of market confidence and impact on funding. Loss of critical staff.	5	4	20	5.1. Buy-in at highest political level, including Ministerial oversight. 5.2. Established structures for initiative, as well as potential specialist support.	Ineffective	4	4	16	5.1, No action required. 5.2. Support independent professional advisory for the initiative. 5.3. Implement Cabinet approved	Chief Strategy Officer	



Ref	Date reported	Objective	Risk/Event	ERM category	Root cause/ Risk driver	Consequences/ Effects	Inherent risk rating			Controls in place	Effectiveness	Residual risk rating			Action plan required to reduce residual risk to an acceptable	Responsible Official	Due date
							Impact	Likelihood	Rating			Impact	Likelihood	Rating			
					5.3. Institutional turf protection and lack of alignment between DWS and TCTA.  5.4. Poor stakeholder management	Water insecurity.				5.3. Roadmap that is Cabinet approved, including institutional responsibilities.  5.4. Stakeholder engagement plan.					roadmap and unpack into transition plan.  5.4. Firm up stakeholder management plan		
SSR6	Dec-22	Enhance (maintain) the internal control environment, risk management and supply chain management system (to be removed)  Maintain the highest standard of corporate governance, the internal control environment, and risk management	6. Weak control environment and reduced ability to manage risks.	Strategic	6.1'Difficulties in embedding of risk framework due to lack of accountability  6.2 Adherence to corporate governance requirements seen as additional initiative.	Weak control environment and reduced ability to manage risks	4	4	16	6.1 Risk management framework and related policies in place.  6.2 Internal audit plan, risk management plan and Reporting structures to Board and Exco in place.	Partially effective	2	2	4	6.1mplement recommended action plans.  6.2 Address audit findings	CRO/CIA/ EXCO	
SSR7	Dec-22	Ensure that all IT systems	7. Failure to implement IT systems and controls to	IT	7.1. Misalignment between ICT and business objectives.	1. Security breaches (Internal and External)	4	4	16	7.1. Working groups in TCTA to ensure buy in and support for programmes.	Partially effective	3	3	9	7.1. Regular engagement with Divisions and Execs, in terms of participating in	EM: EWSS	

Ref	Date reported	Objective	Risk/Event	ERM category	Root cause/ Risk driver	Consequences/ Effects	Inherent risk rating			Controls in place	Effectiveness	Residual risk rating			Action plan required to reduce residual risk to an acceptable	Responsible Official	Due date
							Impact	Likelihood	Rating			Impact	Likelihood	Rating			
		are implemented to support the business	support the business		7.2. Lack of skill and capacity 7.3. Lack of appropriate governance forums. 7.4. Slow response by IT support services to resolve queries. 7.5. Inability to procure solutions on time.	2. Failure of systems and platforms to support the business. 3. Inability of the business to implement their strategies.				7.2. Integrated resource plan for the Department in place. 7.3. ICT Steering Committee mandated by Exco and Board. 7.4. SLA for all support services with response and resolution times. 7.5 Digital Transformation strategy in place. 7.6. Procurement strategies in place				working groups and committees. 7.2. Execute the integrated resource plan for the department. 7.3. Regular review and reporting of ICT plan progress and control environment to the oversight structures. 7.4 Regular engagement with assurance providers to strengthen control environment. 7.5. Monitor of suppliers via signed SLAs. 7.6 Monitor implementation of the digitalisation plan. 7.7. Regular engagement with SCM regarding fast tracking of procurement.			
SSR8	Dec-22	Position TCTA as a thought leader in critical	8. Inability to demonstrate thought	Strategic	8.1 Inadequate knowledge presence	Loss of competitive advantage.	3	3	9	8.1 Active participation in strategic sector platforms and forums.	Partially effective	3	2	6	8.1. Implement contracted knowledge deliverables, for	Chief Strategy	

Ref	Date reported	Objective	Risk/Event	ERM category	Root cause/ Risk driver	Consequences/ Effects	Inherent risk rating			Controls in place	Effectiveness	Residual risk rating			Action plan required to reduce residual risk to an acceptable	Responsible Official	Due date
							Impact	Likelihood	Rating			Impact	Likelihood	Rating			
		aspects of water security, including in sector advisory role.	leadership, and to meet SIP stakeholder expectations.		externally on sector platforms.  8.2. Weak learning culture.  8.3. Stakeholder competition for space to influence and lead thought.   8.4. Differing and conflicting agendas and interests of various SIP partners.	Poor perception of TCTA in sector.  Reputational damage.  Limitation of SIP value-add.				8.2. Relevant publications and presentations at strategic forums.  8.3. Inclusive implementation of the knowledge plan.  8.4 Improved knowledge sharing and collaboration across divisions.  8.5. Effective collaboration in external communities of practice.  8.6 Ongoing field interaction and formal quarterly engagement with SIP partners.				specialists, managers, and executives.  8.2. Implement approved annual knowledge plan.  8.3. Knowledge plan underscores sector collaboration in niche business areas.  8.4. Engagement with project partners quarterly, together with SIP reporting.	Officer		
SSR9	Dec-22	Embed a Performance Culture that manifests as an agile organisation.	9. Inability to shift the culture to one of high performance in TCTA	Strategic	9.1. Inadequate demonstration of leadership with regards to high performance culture.  9.2. Misalignment between employees' expectations with organisational vision, mission, and values.  9.3. Inadequate technology	Negative impact on performance of the business. Low employee satisfaction.  Failure to attract and retain the right skills	4	4	16	9.1.1. Implement year 4 of coaching leadership programme.  9.1.2 Implement year 3 of People Management Capacitating Programme (PMCP) through the People Management Forum (PMF)  9.2 Implement the approved culture transformation plan.  9.3 Implement ERP as per organisational plan.	Partially effective	3	3	9	Continue and complete the implementation of the leadership coaching and team effectiveness programs	EM: HR&OD	31-Mar-23

Ref	Date reported	Objective	Risk/Event	ERM category	Root cause/ Risk driver	Consequences/ Effects	Inherent risk rating			Controls in place	Effectiveness	Residual risk rating			Action plan required to reduce residual risk to an acceptable	Responsible Official	Due date
							Impact	Likelihood	Rating			Impact	Likelihood	Rating			
					(systems and processes) to manage and channel HR information leads to inaccurate information or slow decision making.  9.4. Inability to attract and retain skilled staff.				9.4.1 Follow the targeted recruitment process to secure critical resources.  9.4.2 Implement the revised Remuneration Policy as it applies to critical skills								
SSR 10	Dec-22	Operation and Maintenance of LHWP within RSA.	10. Disruptions of water supply from LHWP to RSA.	Strategic	10.1. Prolonged unplanned outages (lack of maintenance and noncompliance with operational requirements).  10.2. Planned outages (delays in completing required maintenance activities).	Water Shortages (Gauteng Province).  Reputational Damage.	5	4	20	10.1. Updated operations and maintenance manuals.  10.2. Comprehensive tunnel inspection at scheduled intervals.  10.3. Regular monitoring of tunnel behaviour.	Partially effective	5	1	5		EM: PMID	

**ANNEXURE E**  
**FRAUD PREVENTION PLAN**

## 1. PURPOSE

The purpose of the Fraud and Corruption Prevention Plan is to outline the TCTA strategy and process towards fraud risk management, and to reinforce management commitment to prevent, mitigate and reduce the risk of fraud and corruption. The plan also provides mechanisms for the early detection of fraud and corruption, reporting and investigation to minimise the fraud and corruption risk exposure and promote ethical behaviour within TCTA. The plan focuses on addressing the root causes of fraud and corruption and deter similar incidents from occurring.

The plan is dynamic, and it will continuously be reviewed as and when TCTA makes changes and improvements to its risk management efforts. Furthermore, the plan is also aimed at raising awareness amongst employees, service providers, as well as in dealings with other stakeholders (i.e., DWS, funders, Service Providers).

Specific initiatives to be undertaken to prevent fraud and corruption are listed below and thereafter discussed in greater detail:

- Good corporate governance
- Implementation of the Code of Business Conduct
- Fraud and Corruption Awareness and Training
- Fraud and Corruption Risk assessment
- Enhancement of internal controls and systems
- Effective compliance, risk management and internal audit functions
- Independent auditors' reviews
- Fraud and Corruption reporting guidelines
- Whistle blowing facility
- Implementation of anti-money laundering policy
- Supplier and trading partner awareness
- Pre-employment vetting
- Expediting disciplinary processes
- Proactive fraud detection

The Fraud and Corruption Prevention Plan relies on an effective corporate governance that utilises the risk-based approach to its work and ensures that compliance with internal controls is achieved, to minimise opportunities for Fraud and Corruption.

The desired outcome of this commitment is to minimise the potential for Fraud and Corruption, and related activities against the TCTA by employees and/or external parties.

## **2. APPROACH TO THE DEVELOPMENT OF THE PLAN**

TCTA's business risks were identified as part of the enterprise-wide risk management process. A Fraud and Corruption Risk Assessment was conducted, and a resultant risk register was developed as attached in Annexure B.

All the identified risks documented in the risk register were considered during the development of the Fraud and Corruption Prevention Plan. The identified risks are not all-encompassing and should not be taken to be an exhaustive list of all Fraud and Corruption risks relevant to the TCTA.

The Fraud and Corruption Prevention Plan does not protect the TCTA from incidents of Fraud and Corruption but serves as an additional measure to assist in the management of risks with a focus on creating awareness and promoting ethical conduct.

## **3. FRAUD AND CORRUPTION DEFINITION**

In South Africa, fraud is commonly defined as the unlawful and intentional making of a misrepresentation which causes actual prejudice, or which is potentially prejudicial to another. The use of the term is in its widest possible meaning and is intended to include all aspects of economic crime and acts of dishonesty. In other words, fraud can be described as any conduct or behavior of which a dishonest representation and/or appropriation forms an element.

It can be perpetrated for the benefit of the perpetrator or to the detriment of the organisation and by persons outside as well as inside TCTA. Fraud may include:

- Dishonest activity causing actual or potential loss to TCTA.
- Falsification, manipulation, or alteration of documents, information and copying of signatures.
- Embezzlement or misappropriation of funds or assets.
- Improper use of information or position.
- Providing false information.
- Unauthorised disclosure of confidential information for personal gain.
- Alteration and falsifying of accounting records.

- Theft of funds or assets; dishonesty, abuse of working hours for private gain, and any other form of misrepresentation or wrongful deception.

Corruption is described as any conduct or behaviour in relation to a person entrusted with responsibilities in public office which violates his/her duty as an employee of TCTA and which is aimed at obtaining undue gratification of any kind for themselves or for others.

Corruption may include:

- Offering or receiving of bribes and kickbacks.
- Extortion.
- Abuse of power.
- Conflict of interest.
- Abuse of privileged information.
- Favouritism.
- Nepotism.
- All acts of dishonesty.

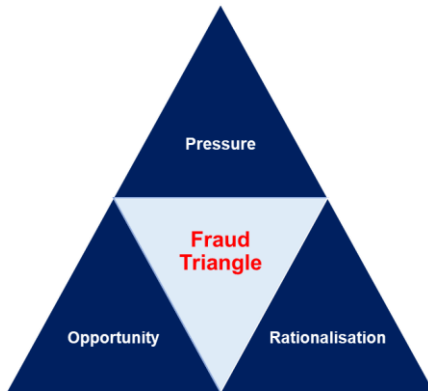
Fraud remains a threat to stakeholders' trust and confidence, it is therefore essential to recognise fraud prevention as an integral part of strategic management. It is important that the Board and Executive Management set the right tone for the prevention and management of fraud in TCTA.

#### **4. UNDERSTANDING FRAUD AND CORRUPTION**

Fraud and Corruption can be perpetrated internally by employees of the TCTA. This occurs because the employees have access to certain information, and they may see the opportunity to commit Fraud or Corruption. Individuals can also perpetrate Fraud and Corruption outside of the TCTA. Included in this are procurement frauds, theft, fraud committed through cyber-crime techniques. And lastly, collusion between TCTA employees with each other as well as between TCTA employees and outside parties.



This has been illustrated in figures 1 and 2 below.



*Figure 1: The Fraud Triangle*

According to the fraud triangle the perceived opportunity is a contributing factor to the committing of fraud. Opportunity presents itself in an environment with weak controls, where controls can be overridden and where there is insufficient management supervision. The perceived motivation refers to the need to commit the fraud. This need can be because of several factors such as personal debt, compensation for good performance as well as pressure to achieve goals and targets. The rationalisation side of the fraud triangle refers to the perpetrator justifying the commission of the fraud. The perpetrator believes that it was not his/her fault that the fraud was committed, but that it was due to factors beyond his/her control.

#### **Pressures**

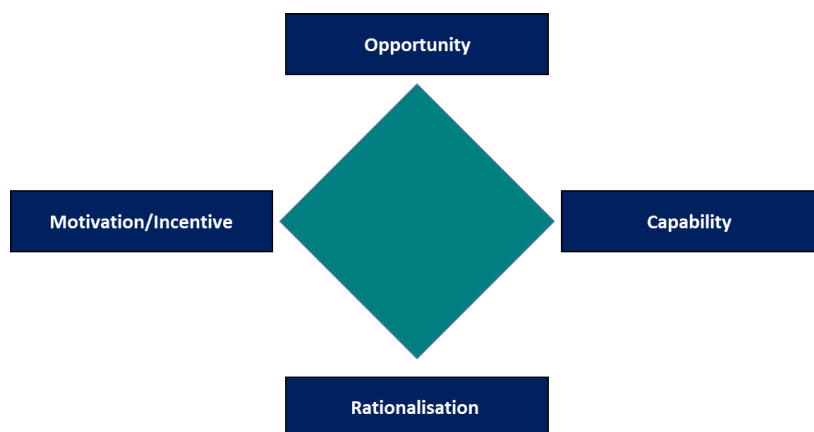
- Financial Pressures.
- Personal Habits (Gambling, Drugs, Alcohol).
- Work-related Factors (Overworked, Underpaid, Not Promoted).
- Achieve Financial Results (Bonus, Compensation) and
- High Debt Level.

#### **Opportunities**

- Poor Internal Control.
- Low Fraud Awareness.
- Treat Fraudster with Leniency.
- Rapid Turnover of Employees.
- Use of Many Banks.
- Weak Subordinate Personnel and
- Absence of Mandatory Vacations.

## Rationalisation

- I am only borrowing the money and will pay it back.
- Nobody will get hurt.
- The Institution treats me unfairly and owes me.
- It is for a good purpose and
- It is only temporary, until operations improve.



*Figure 2: The Fraud Diamond*

In addition to the three contributing factors to fraud as indicated in the fraud triangle, the fraud diamond contains a further factor that can contribute to the perpetration of fraud – CAPABILITY. Capability refers to the perpetrators level of authority, skills, knowledge of the systems and internal controls, as well as the ability to deal with the stress of the committing of the crime and the ability to live with a bad conscience.

## 5. SCOPE OF THE FRAUD AND CORRUPTION PREVENTION PLAN

This Fraud and Corruption Prevention Plan applies to all unethical conduct, fraud, corruption, or suspected irregularities of any nature involving employees, stakeholders, contractors, vendors, and suppliers doing business with TCTA.

TCTA undertakes to:

- Demonstrate the leadership to combat and eradicate corruption by continually improving governance and economic management, by striving to create a climate that promotes transparency, accountability, and integrity.
- Establish budgetary and financial transparency and strong financial management systems.
- Enact and enforce a disciplinary code that will deal effectively with corruption offences by imposing severe penalties on individuals convicted of corruption or corrupt practices.

- Eliminate conflicts of interest by adopting and enforcing effective guidelines, ethical regulations, and a code of conduct for all directors and employees, which include rules on conflict of interest and requirements for the regular disclosure of financial interests, assets, liabilities, gifts, and other transactions.
- Continually improve the morale and integrity of employees.
- Promote transparency in procedures for procurement.
- Adopt a sound revenue collection system.
- Maintain adequate and accurate financial records and adhere to international financial accounting standards (IFAS) as well as international accounting standards.
- Establish and enforce a code of conduct.
- Promote standards for good corporate governance and the protection of shareholder value.
- Prohibit individuals found guilty of corruption from doing business with TCTA.
- Establish independent accountability and oversight mechanisms such as a compliance function (consisting of legal services and legal compliance systems), an internal audit function and the use of independent, external auditors.
- Adopt mechanisms and procedures for the public and personnel to submit complaints of corruption and corrupt practices, including the protection of witnesses and whistle blowers.
- Facilitate the cooperative investigation of cases involving corruption by rendering mutual legal assistance in obtaining evidence, documents, articles, records, and witness statements.

## 6. STRUCTURAL STRATEGIES

Structural strategies represent the actions to be undertaken to address Fraud and Corruption at the level of organisational governance. The initiatives to be implemented by TCTA are detailed in **Annexure A**.

### 6.1 GOOD CORPORATE GOVERNANCE

TCTA's organisational culture is critical to help prevent Fraud and Corruption. The overall emphasis is on creating a working environment which is zero tolerant to Fraud and Corruption, where employees play a role in protecting assets and perpetrators are fully prosecuted by law enforcement agencies.

An Anti-Fraud and Anti-Corruption culture promotes good staff and industrial relations, defines an organisation's mission, and clearly sets out its desired role in its economic and social environment. The Board of Directors is responsible for overseeing the business of TCTA, including its policies for managing risk and delegating the management of day-to-day activities to management.

The TCTA will annually reconfirm its commitment to an open governance process through which its stakeholders may derive assurance that the TCTA is being managed ethically and according to prudently determined risk parameters in compliance with best international practices.

The TCTA directors, management and employees will be committed to transparent, sound, and ethical business practices as expressed in the TCTA Code of Business Conduct. The directors will subscribe to the philosophy of transparency and fair, dependable, and easily understandable reporting to stakeholders.

The Board of the TCTA will be fully committed to maintaining the standards of integrity, accountability and openness required to achieve effective corporate governance. All directors, sub-committee members and employees of TCTA will comply with the Public Finance Management Act, Act no.1 of 1999.

The Board of Directors will strive for compliance to all relevant and applicable King VI Code of Corporate Practice recommendations.

## **6.2 RESPONSIBILITY FOR FRAUD AND CORRUPTION RISK MANAGEMENT**

The Chief Executive Officer bears the ultimate responsibility for fraud and corruption risk management. This includes the coordination of risk assessments and the delegated oversight of the function to the Chief Risk Officer.

The managing of fraud remains a managerial responsibility. The Audit Committee oversees the investigation of suspected fraud and corruption.

## **6.3 ETHICAL CULTURE**

Each member of the Board, upon becoming a member will be furnished with a copy of the Code of Conduct for Directors, which should be signed by the member and returned to the company secretary.

All employees will sign the Code of Conduct for employees each year. The Code of Conduct:

- commits TCTA to the highest standards of behaviour.

- is developed in such a way as to involve all employees so that the ethical culture is infused into TCTA.
- enjoys total commitment from the Board and Chief Executive Officer of TCTA.
- is embraced by all the stakeholders and
- is sufficiently detailed as to give clear guide to the behaviour of all employees.

Furthermore, the Code of Conduct:

- demonstrates corporate intent.
- codifies unacceptable actions.
- emphasises consequences of non-compliance.
- is attested to by employees.
- removes ignorance as defence.
- is to be well publicised and
- stresses management's commitment and behaviours.

It is the responsibility of the Chairperson of the Board to review and monitor adherence by the Board of Directors to the Code of Conduct. The Chairperson may delegate this responsibility to the Company Secretary.

#### **6.4 ASSESSMENT OF FRAUD AND CORRUPTION RISK**

The diversity of Fraud and Corruption risk issues prompts the need for an enterprise-wide risk framework and internal risk-based audit approach that goes beyond the traditionally acknowledged areas of financial and internal control.

Fraud and Corruption risk assessment is performed on an annual basis to identify the relevant risks. These identified risk areas are analysed and weighted, mitigating controls evaluated and the residual risk defined. This residual risk is then assessed on a cyclical basis whereby the controls are analysed, and the necessary action plans are formulated. The action plans are deliberated at the Risk Forum meetings. Benchmarking is done on a regular basis.

A risk-based compliance framework will be established based on the risk assessment. Profile changes will be assessed by the Chief Risk Officer on a regular basis. Reviewing internal controls on a regular basis will enhance the prevention of Fraud and Corruption.

## **6.5 EMPLOYEE AWARENESS**

The effectiveness of the Fraud and Corruption Prevention Strategy will be enhanced by raising the level of awareness to the risk of Fraud and Corruption and minimising temptation, motive, and opportunity. Employees who are educated about the symptoms of fraud are more likely to identify and report their suspicions of criminal behaviour.

The return on an investment in appropriate training can be significant and contribute considerably to reducing losses and to more successful disciplinary actions and prosecutions. All employees will regularly awareness sessions in Fraud and Corruption which will be TCTA specific.

## **7. OPERATIONS STRATEGIES**

### **7.1 INTERNAL CONTROLS**

The Board recognizes and acknowledges its responsibility for the TCTA system of financial and operational internal controls.

The directors and management are responsible for the implementation of an adequate system of internal control to ensure the accuracy and integrity of the financial statements. The controls include written policies and procedures, clearly defined lines of accountability, and the delegation of authority which also includes TCTA's procurement policy and guidelines. The responsibility for the adequacy, extent and operations of these systems is delegated to the Chief Executive Officer.

The effectiveness of the internal control system, including the potential impact of changes in the operating and business environments, will be monitored through regular management reviews, and reviewing and testing by the internal auditors' and independent auditors and other assurance providers.

The auditors have a responsibility to identify the relevant weakness in the controls, systems, or procedures. To ensure that the business practices are conducted in a manner that is above reproach under all reasonable circumstances, all employees are required to maintain the highest ethical standards.

Everything that comes to the attention of the directors to indicate any occurrence of material breakdown in the functioning of these controls, systems, and procedures during the year under review should be reported in the annual financial statements.

Effective risk management is integral to the TCTA objective of consistently adding value to the business. Risk will be minimised by ensuring that the appropriate infrastructure, controls, systems, and people are in place to manage risks.

Key policies and procedures will be employed in managing risk and may involve segregation of duties, transaction authorisation, monitoring, and financial and managerial reporting. International pronouncements on risk management are evaluated on an ongoing basis and where appropriate, used to provide benchmarks to ensure continued compliance with international best practice.

The TCTA will adhere, where relevant and appropriate, to the recommendations of King IV Report on Corporate Governance, COSO framework and the Charter of Best Practice in Treasury Management.

The objective of systems of internal control of TCTA will ensure that TCTA is effective in achieving its objectives. It is imperative that management is accurately aware of the risks TCTA is exposed to which the overall performance of TCTA, as well as the performance of individuals within TCTA.

The performance review process of individuals within TCTA is structured in such a way that it ensures that the key performance areas of all employees are aligned with TCTA's primary purpose and mission statement. It is also important that management has relevant, timeous accounting information to assess the financial position and performance of TCTA.

TCTA will design its internal controls to ensure that:

- all transactions and commitments entered are recorded and are within the scope of TCTA or the individual acting on behalf of TCTA.
- there are procedures to safeguard assets and control liabilities and
- there are measures, as far as is reasonably practicable, including the extent to which employees are permitted to engage in personal account trading, to minimise the risk of losses to the business from irregularities, Fraud and Corruption, or error and to identify such matters as they occur so that prompt remedial action may be taken by management.

## **7.2 PREVENTION STRATEGIES**

Several initiatives result in an overall preventative environment in respect of fraud. These include the following:

### **PRE-EMPLOYMENT VETTING**

To ensure that the TCTA limits its exposure to hiring potential fraudsters, the HR &OD division must ensure that all relevant details about prospective employees are acquired prior to their employment.

The screening process will typically include a review of:

- References.
- Criminal records.
- Civil claims records.
- Disciplinary records.
- Insolvency.
- Other businesses.
- Qualifications – CV audit.
- Technical competence and
- Psychometric testing results.

## **REFERENCES**

When checking references of prospective employees, care will be taken to ensure that the prospective employee's entire career history is disclosed. Gaps in employment are often disguised under the excuse of "working from home" or "tried my own business," whereas that person may have been dismissed from their former employment.

The reference checking process can only be considered as complete when the TCTA has the assurance that there were no undisclosed acts of dishonesty relating to a prospective employee's previous employment.

## **CRIMINAL RECORDS**

It is difficult to obtain criminal records of prospective employees as such information is under the exclusive control of the South African Police Services, which is not authorised to release it on demand. It is important, however, for the employer to know whether a prospective employee has a criminal record as this would significantly affect the related risk profile.

Differentiation will be drawn between crimes involving dishonesty and crimes that are not likely to affect the employee's work. It is therefore a requirement that all applicants submit full disclosure of any criminal records. In addition, a prospective employee must, prior to his/her appointment, accept in writing that the non-disclosure of a criminal record or pending criminal case is a dismissible offence.



## **CIVIL RECORDS**

Civil records give a good indication of the track record of individuals. If a person is recruited for a management position, for example, it is important to determine whether that person has any civil judgments or adverse listings. A prospective manager may prove to be unsuitable for the post if his or her credit history reveals major financial indiscretions in his or her past. As civil judgments affect the risk profile of an individual, it is important to consider this factor before employment is confirmed. All records of civil judgments are easily obtained through any of the recognised credit bureaus.

As with criminal records, all prospective candidates shall be required to disclose any civil judgments against their names. This should include pending civil matters. Failure to disclose such information shall be regarded as a disciplinary offence.

## **DISCIPLINARY RECORDS**

It is important for the TCTA to know whether a prospective employee has a history of disciplinary actions against him/her from previous companies. Learning about these falls in the category of “learning from other people’s mistakes” and is invaluable in assessing the risk exposure the candidate presents before employment is confirmed. The disclosure of disciplinary cases shall include those that were settled or withdrawn because of the candidate’s resignation.

## **INSOLVENCY**

A person who has previously been declared insolvent is often a high fraud risk. It is therefore mandatory for prospective employees to disclose any declared insolvency. A credit bureau check would reveal such a fact and shall therefore be undertaken as a matter of course.

## **OTHER BUSINESSES**

It is important to ascertain from all applicants whether they have other businesses in which they are involved or hold a share. This information is important as it could impact on the applicant’s objectivity if he/she were to be able to favour that company or on his or her ability to commit fully to his or her responsibilities to the TCTA.

## **QUALIFICATIONS**

Most applicants will submit curriculum vitae (CVs) in support of their application. These CVs will typically list all the applicant’s academic, professional, technical, and other qualifications.

The TCTA is exposed to risk if it appoints a person who has submitted false qualifications. Apart from the obvious risks, this is also an indication of dishonesty. CVs shall therefore be carefully audited and investigated where necessary.

Consideration shall be given to, among others, the following:

- Whether the time span makes sense (two years to obtain a law degree, for example) and
- Whether the university or college offers these courses.

Most fraudsters who submit false qualifications will focus on qualifications which are difficult to check, especially those from foreign universities or universities which have since closed. Such qualifications should be considered as high risk. The qualification check shall be undertaken not only for prospective employees, but also for current employees as part of the fraud prevention initiatives and employee risk assessments.

## **TECHNICAL COMPETENCE**

Assessing the technical competence of a prospective employee is an integral part of the screening process, but not directly linked to the Fraud and Corruption risk assessment. The past disciplinary records and reference checks in this regard shall be considered carefully.

## **PSYCHOMETRIC TESTING**

There are several psychometric tests available on the market. Such tests may reveal characteristics of the applicant which could place him or her in a high-risk category. It is recommended that people earmarked for critical positions be subjected to appropriate psychometric testing that is compliant with the requirements of the Employment Equity Act. The test used should, therefore, be acceptable to all cultures and designed to be non-discriminatory.

## **7.3 DETECTION STRATEGIES**

### **INTERNAL ASSURANCE**

TCTA has an in-house internal audit function to facilitate ongoing management assurance. By charter and in terms of the PFMA, internal audit covers the full scope of the organisation's operational and financial activities, including its core activities relating to treasury and projects. A risk-based approach is used in assessing key focus areas and designing the audit programmes. Internal audit is also closely aligned with the organisation's strategic objectives.

It is expected that, wherever possible, reliance will be placed on the work of Internal Audit by the TCTA external auditors. Both internal and external auditors will have regular meetings with the intention of sharing information.

The scope of the internal audit function is to review the reliability, integrity, and effectiveness of:

- the financial and operating information.
- the system of internal control.
- the safeguarding of assets.
- the managing of resources.
- the conduct of operations and
- compliance with the Public Finance Management Act (Act No 1 of 1999) and any other legislation that becomes applicable.

## **EXTERNAL AUDITORS**

The auditors have a responsibility to plan and perform the audit to obtain reasonable assurance on whether the financial statements are free of material misstatement, whether caused by error or fraud.

Because of the nature of audit evidence and the characteristics of fraud, the auditor can obtain reasonable, but not absolute, assurance that material misstatements are detected. Audits must include procedures designed to provide reasonable assurance of detecting illegal acts that would have a direct and material effect on financial statement amounts. Each audit must include an evaluation of the ability of TCTA to continue as a going concern.

## **7.4 RESPONSE STRATEGIES**

### **WHISTLE BLOWING**

Through this service, all stakeholders can report suspected Fraud and Corruption. This service is a useful tool through which the momentum and interest in the Fraud and Corruption prevention initiatives can be maintained.

The TCTA has put in place mechanisms that comply with the Protected Disclosures Act, in terms of which employees and outsiders are encouraged to report any information or reasonable suspicions on Fraud and Corruption that come across. Mechanisms have been put in place to ensure that such information or suspicions are channelled to persons who will deal with them appropriately.

The TCTA has secured an independent contractor with specialist knowledge to manage the Tip-Off Anonymous service, which reports to the Chief Internal Auditor. Should the information received through this service be useful and result in fraud being uncovered, appropriate action/steps shall be taken against the perpetrator(s).

The Chief Internal Auditor shall identify and report to the Audit Committee cases involving:

- Hoax calls.
- Allegations of a criminal nature.
- Allegations which could potentially justify disciplinary action and
- Other reported issues and/or alleged irregularities (i.e., human resources disputes, personality clashes, political or racial grievances, sexual harassment, xenophobia, etc.).

The report of the Chief Internal Auditor shall also identify specific tip-offs requiring further investigation. Information on non-fraud related matters will almost inevitably also be received, and provision has therefore been made for communicating such information to the relevant division and/or responsible manager. Such information should not be disregarded as it may result in the whistle blower losing faith in the system. Awareness of the Tip-Offs Anonymous Hotline is crucial to its success. As a result, the promotion of awareness thereof shall form part of the communication strategy for the Fraud and Corruption Prevention Plan.

Monthly call reports are forwarded to the Chief Internal Auditor, the reporting rules have an escalation structure where the service provider forward reports to the Audit Committee Chair where EXCO members are allegedly involved in fraud or corruption.

How to report a complaint:

- If any employee of TCTA believes that fraud has taken place, he/she should report a complaint to, Chief Internal Auditor or the Fraud Hotline Should any of these persons be involved, the alleged allegations of fraud should be reported to the CEO or if the CEO is involved, to the Chairperson of the Audit Committee.
- Before reporting any suspected allegations to the Chief Internal Auditor or the Fraud Hotline, the employee should review the facts as he/she knows them and write them down.

It will be mandatory for all employees to report incidents of corruption as soon as they become aware of them and any attempt to conceal such incidents may lead to charges of misconduct against the employee in question.

Intimidation by any employee, of any informant, or an investigator or any witnesses involved in the investigation, could result in charges of misconduct.

Extortion of stakeholders by employees must be reported by stakeholders, failure of which could be considered as complicity and may result in cessation of any or all business dealings or restriction from further tendering. The reporting mechanism is independently managed, anonymous, confidential, secure, and internally promoted.

## **8. MAINTENANCE STRATEGIES**

### **8.1 REVIEW OF THE EFFECTIVENESS OF THE FRAUD AND CORRUPTION PREVENTION PLAN**

TCTA will conduct a review of the Fraud and Corruption Prevention Plan annually to determine the effectiveness thereof.

### **8.2 REVIEW AND UPDATING THE FRAUD AND CORRUPTION PREVENTION PLAN**

This plan should be maintained and reviewed annually to ensure that TCTA's focus of detection and prevention remains relevant as the internal and external operating environment continually changes the fraud risk profile.

The Chairperson of the Audit Committee shall have oversight and provide guidance on the review of the plan.

**ANNEXURE E1**  
**FRAUD RISK REGISTER**

# ANNEXURE E1

Ref	Risk	Category	Root causes	Consequences	Likelihood	Impact	Rating	Controls	Likelihood	Impact	Rating	Action	Due date	Responsible Department	Status
HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT															
HR-1	Unauthorised payroll adjustments on employee benefits.	Internal	1.1 Inadequate segregation of duties in Payroll. 1.2 Possible management oversight.	Financial losses. Reputational damage.	3	3	9	1.1 Changes in employee benefits are approved by Executive: Human Resources before to capturing into the system. 1.2 Checks are done on reports generated from information captured into the system. In addition, two signatories are required on payroll releases.	1	2	2	N/A- The risk residually low. HR& OD will continue to monitor existing controls for adequacy and effectiveness.	Monthly	HR	No fraud incidents have been detected during the period under review.
HR-2	Payments to fictitious employees and accounts.	Internal	2.1 Possible weaknesses in controls regarding the creation of payroll records. 2.2 Payment of salaries to unverified bank accounts.	Financial losses. Reputational damage.	3	2	6	2.1 Payroll section keeps track of staff levels monthly and any new employees on the payroll are verified. 2.2 Payroll variance review.	1	2	2	N/A- The risk residually low. HR& OD will continue to monitor existing controls for adequacy and effectiveness.	Monthly	HR	A Cyber fraud matter was detected during the previous financial year. The attempted fraud was detected and prevented.
HR-3	Inflated/fictitious reimbursement claims.	Internal	3.1 Double claiming. 3.2 Forging of receipts. 3.3 Collusion of payroll personnel with other employees.	Financial losses.	3	3	9	3.1 Approval and review of claims by line managers. 3.2 Verification of claims by finance department.	2	1	2	N/A- The risk residually low. HR& OD will continue to monitor existing controls for adequacy and effectiveness.	Monthly	Line Managers	No fraud incidents have been detected during the period under review.
HR-4	Salary advances not deducted from end-of-month payroll.	Internal	4.1 Inadequate segregation of duties in Payroll. 4.2 Management oversight.	Financial losses. Reputational damage.	3	1	3	4.1 & 4.2 Strict policy on salary advances.	1	1	1	N/A- The risk residually low. HR& OD will continue to monitor existing controls for adequacy and effectiveness.	Monthly	HR	No fraud incidents have been detected during the period under review.
HR-5	Abuse of sick leave.	Internal	5.1 False medical certificates.	Loss of productivity Financial losses	3	4	12	5.1 Adherence to the leave policy.	2	1	2	N/A- The risk residually low. HR& OD will continue to monitor existing controls for adequacy and effectiveness.	Daily	Line Managers/HR	No fraud incidents have been detected during the period under review.
SUPPLY CHAIN															
SCM-1	Conflict of interest.	Internal	1.1 Lack of openness by staff. 1.2 Lack of supplier vetting.	Financial losses (investigation costs, increased insurance premiums. Improper awarding of contracts and tenders. Delays in TCTA achieving its objectives. Legal costs from losing bidders. Reputational damage.	3	4	12	1.1 Transparent tender approval system. The supplier selection process is handled by a multidisciplinary team within a three-bid committee system. The influence of a single individual in the supplier selection process is therefore minimised.  1.2 The code of business conduct requires all employees to disclose interest. Declaration of interest also completed by DWA and Engineering Consultants (everyone who sits in the evaluation committee) and service providers.	2	2	4	1.2.1 Supplier vetting to be included in the bid document template as a requirement at evaluation stage. 1.2.2 Procedure manuals to be updated to outline the process of supplier vetting.	Sep 22	Supply Chain	1.2.1. <b>Done:</b> This requirement has been updated in the bid document template as an evaluation stage. 1.2.2 <b>Done:</b> Procurement's approved procedure manuals outline the process of supplier vetting.

Ref	Risk	Category	Root causes	Consequences	Likelihood	Impact	Rating	Controls	Likelihood	Impact	Rating	Action	Due date	Responsible Department	Status
SCM-2	Bribery and Kickbacks.	Internal	2.1 Collusion and collaboration between TCTA representative and service providers. 2.2 Weak internal procurement controls. 2.3 Acceptance of gifts, money and favours that may compromise independence.	Overpaying for goods and services. Low quality goods/services. Financial losses (investigation costs, increased insurance premiums. Awarding contracts to unqualified/ undeserving supplies or service providers. Legal costs from losing bidders. Reputational damage.	5	4	20	2.1 Transparent tender approval system. The supplier selection process is handled by a multidisciplinary team within a three-bid committee system. 2.2 The influence of a single individual in the supplier selection process is therefore significantly minimised. 2.3 Gift policy and register.	2	3	6	Appointment of an SCM Acquisitions Manager to capacitate the Procurement department and ensure multi-level monitoring and review is undertaken.	Sep 22	Supply Chain	<b>Done:</b> We have since added an additional assurance stage with the appointment of the SCM Acquisitions Manager. The Manager reviews all recommendations and submissions prior to them being approved.
SCM-3	Misrepresentation of goods and services/Counterfeit goods.	Internal	3.1 Goods procured not inspected by Supply Chain on delivery. 3.2 Poor contract management. 3.3 No independent verification of work completed by service providers. 3.4 Deliberate hiding of facts by service providers/suppliers.	Financial losses (investigation costs, increased insurance premiums. Failure to achieve organisational objectives.	4	3	20	3.1 All goods and services received are inspected by the Client Business unit which has intimate knowledge of its requirements as well as the quality. 3.2 All invoices are signed off by line management on satisfaction of the quality of the service / goods received.	2	3	6	Monitoring of existing controls to ensure adequacy and effectiveness in preventing the risk from materializing.	Mar 23	Procuring Divisions	Most of the items procured fall under services and very few are goods. There have been no instances of counterfeit or incorrect goods delivered in the current or previous financial year.
SCM-4	Rigged specifications to favour certain service providers.	Internal	4.1 Bid specifications for capital projects are prepared by Consulting engineers who may have links with certain contractors. 4.2 Bid specifications prepared by procuring divisions. 4.3 Lack of technical knowledge in approving committees.	Financial losses (investigation costs, increased insurance premiums. Failure to achieve organisational objectives. Reputational damage. Legal cases against TCTA.	5	4	20	4.1 Tender specification and evaluation documents for capital projects prepared by professional engineering service providers are compiled on an advisory basis for approval by a TCTA multidisciplinary Bid Specification Committee. 4.2 multidisciplinary Bid Specification Committee. 4.3 Evaluation of bids are approved by a TCTA multidisciplinary Bid Evaluation Team.	3	4	12	Appointment of an SCM Acquisitions Manager to capacitate the Procurement department and ensure multi-level monitoring and review is undertaken.	Sep 22	Supply Chain/Bid Committees	SCM Acquisitions Manager appointed. No risk incidents picked up in this quarter.
SCM-5	Inflated billing/False invoices	External/Internal	5.1 Inadequate review and checking of invoices against services performed. 5.2 Collusion and collaboration between TCTA representative and service providers. Management override.	Financial losses.	4	4	16	5.1 Invoices are signed off by Executive of the procuring department.	2	3	6	Monitoring of existing controls to ensure adequacy and effectiveness in preventing the risk from materializing.	Monthly/quarterly monitoring	All Divisions/Supply Chain	Procurement has not picked up any incidents of inflated billing/false invoices in this quarter.
SCM-6	Collusive bidding.	External	6.1 Inadequate checking of pricing of tenders. 6.2 Limited supplier base. 6.3 Lack of market research by Trans Caledon Tunnel Authority. 6.4 Price fixing. 6.5 Withdrawal of previously submitted bid.	Limits competition and exposes TCTA to higher prices. Financial losses (investigation costs, increased insurance premiums. Contracts awarded to undeserving suppliers/ contractors who may produce poor quality work and delays in	3	4	12	6.1 TCTA obtains Engineer's estimate of prices and compares this to bid prices. 6.2 Bids awarded based on the highest total number of points and not necessarily to the lowest bidder. The tender evaluation criteria are mainly objective with minimum subjectivity.	3	4	12	To utilise available channels (i.e., the BEC, TCTA's fraud hotline reports etc.) to minimise the risk and identify any suspected collusive bidding.	Monthly	All Divisions/Supply Chain	<b>In progress:</b> We continue to monitor this risk using our fraud hotlines and any information received during the bid process.



Ref	Risk	Category	Root causes	Consequences	Likelihood	Impact	Rating	Controls	Likelihood	Impact	Rating	Action	Due date	Responsible Department	Status
			6.6 Cover bidding (submitting bids that are too high or with special terms to lose and give the chosen bidder a chance).	TCTA achieving its objectives. Legal costs from losing bidder. Reputational damage.											
SCM-7	Split purchases by TCTA departments to avoid SCM limits.	Internal	7.1 Inadequate reviews and monitoring of purchases.	Financial losses. Reputational damage.	4	4	16	7.1 Monitoring of smaller tenders by SCM monthly. 7.2 Review of RFQ's by SCM.	2	2	4	7.1 Appointment of an SCM Acquisitions Manager to capacitate the Procurement department and ensure multi-level monitoring and review is undertaken.	Sep 22	Supply Chain	7.1 <b>Done:</b> We have since added an additional assurance stage with the appointment of the SCM Acquisitions Manager. The Manager reviews all recommendations and submissions prior to them being approved.
SCM-8	Manipulation of closed-tender bidding process	Internal	8.1 Exclusion of qualifying bidders 8.2 Multiple contracts awarded to the same companies	Limits competition and exposes TCTA to higher prices. Reputational damage.	5	4	20	Divisional procurement plan and procurement strategy reviewed and approved before sourcing of any goods and services.	3	2	6	8.1 To align the closed- tender bidding process to the procedure manual. 8.2 Creation of a new/enhanced requisition template to minimise the likelihood of the risk materializing.	Sep 22	All Divisions/Supply Chain	8.1 - 8.2 <b>Done.</b> The new policies and procedures have stricter requirements for the utilisation of the limited bidding process. There is also a new instruction note on the use of such processes. There is a requirement for market analysis for some of the bids to justify the limitation.
SCM-9	Recording fictitious vendors into the vendor database.	Internal	9.1 Lack of segregation of duties between approval and entry of vendor information into the database.  Lack of review and validation of supplier information.	Financial losses.	3	4	12		2	3	6	9.1 Digitisation of the vendor recording process into the database.	Mar 23	SCM	9.1 <b>In progress:</b> We are in the process of working with a system service provider in order to update and digitise this process further.
FINANCE															
FIN-1	Misappropriation of petty cash.	Internal	1.1 Theft of petty cash. Fraudulent invoices.	Financial losses.	4	2	8	1.1 Cash (R500 per project except for LHWP - R1 000 and none for BWP) kept in a safe place and restricted to named personnel. 1.2 Authorisation required to release cash after documents of requests are approved. 1.3 Independent reconciliation of petty cash. 1.4 Keep cash balances to a minimum. Access to the keys restricted to two people.	1	2	2	/A- The risk residually low. Finance will continue to monitor existing controls for adequacy and effectiveness.	Daily	Finance	No fraud incidents have been detected during the period under review.
FIN-2	Adjusting financial records to perpetrate or conceal fraudulent activities.	Internal	2.1 Inadequate system access controls or user profiles which may render weak access control to creditors balances.	Financial losses.	3	3	9	2.1 All adjustments of records in the system require prior management approval and documentation.	1	2	2	N/A- The risk residually low. Finance will continue to monitor existing controls for adequacy and effectiveness.	Monthly	Finance	No fraud incidents have been detected during the period under review.

Ref	Risk	Category	Root causes	Consequences	Likelihood	Impact	Rating	Controls	Likelihood	Impact	Rating	Action	Due date	Responsible Department	Status
			2.2 Collusion with external parties.					2.2 Segregation of duties and dual approvals with system user profiles aligned to level of authority. 2.3 Password controlled access.							
FIN-3	Creating false records to support fraudulent claims.	Internal	3.1 Specimen for authorising signatures not being updated. Non-adherence to policy such as payment of claims with no documents or wrong rates applied.	Financial losses.	4	3	12	3.1 All claims should be approved by claimant's manager and supported by appropriate documentation. 3.2 No member of staff can authorise payments to himself/herself. Ensure correct rates for claims are used.	1	2	2	N/A- The risk residually low. Finance will continue to monitor existing controls for adequacy and effectiveness.	Monthly	Finance	No fraud incidents have been detected during the period under review.
FIN-4	Inflated billing/False invoices.	External/Internal	4.1 Inadequate review and checking of invoices against services performed. 4.2 Weak controls on payment for unbudgeted items. 4.3 Management override. Collusion and collaboration between TCTA representative and service provider.	Financial losses.	3	4	12	4.1 & 4.2 Invoices are signed off by Executive of the procuring department.	1	2	2	N/A- The risk residually low. Finance will continue to monitor existing controls for adequacy and effectiveness.	Monthly	Finance	No fraud incidents have been detected during the period under review.
FIN-6	False payment instruction (external) with forged signatures and bank details.	Internal	5.1 Collusion of employees and external parties. 5.2 Not checking/confirming bank details for our service providers. Unexplained change of client bank details.	Financial losses.	3	4	12	5.1 Ensure changes and additions to payee and banking details are in written form and properly authorised and accompanied by a blank cheque. 5.2 Verify banking details with service provider and the banking institution concerned. 6.1 Restrict and log system access for any changes to banking details. 6.2 Proof of payment is sent to Departments and service provider for early detection of fraudulent bank details. 6.3 Banking details are only changed if there is a provision for this in the contract.	1	2	2	N/A- The risk residually low. Finance will continue to monitor existing controls for adequacy and effectiveness.	Monthly	Finance	A phishing incident occurred in the past financial year where an email was sent from a Gmail account to EOH Service provider requesting a password reset on Oracle. As a result, unauthorised changes were made to the banking details of 3 employees, however no authorised payments were made.
INFORMATION TECHNOLOGY															
IT-1	Override of system controls: Personnel may be able to access restricted data or adjust records fraudulently e.g., personnel with inappropriate access to the general ledger, subsystems, or the financial reporting tool can post fraudulent entries.	Internal	1.1 Weak system access controls (passwords). 1.2 User profiles not aligned to job requirements. Inadequate segregation of duties.	Financial losses. Reputational damage.	4	3	12	1.1 Authorisation required prior to any changes in records. 1.2 General computer controls include restricted system access, restricted application access, and program change control policy and procedure.	3	2	6	Monitoring of existing controls to ensure adequacy and effectiveness in preventing the risk from materializing.	Daily	IT/All	No fraud incidents have been detected during the period under review.
IT-2	Theft of assets: Individuals	Internal	2.1 Lack of security controls	Financial losses (high insurance	4	3	12	2.1 Assets verifications.	3	2	6	Monitoring of existing controls to	Daily	IT/All	No fraud incidents have

Ref	Risk	Category	Root causes	Consequences	Likelihood	Impact	Rating	Controls	Likelihood	Impact	Rating	Action	Due date	Responsible Department	Status
	who have access to fixed assets and to the accounting systems that track, and record activity related to those assets can use IT to conceal their theft of assets, e.g., someone may steal an asset and record the assets as disposed of, thus removing the asset from the balance sheet.		2.2 Inappropriate location of assets 2.3 Lack of reporting of security violations Lack of procedures for the movement of IT assets	premiums). Reputational damage. Loss of information.				2.2 Reconciliation of the assets 2.3 register and accounting records. 2.4 Awareness to staff on safe 2.5 custody of assets (i.e., Laptops). 2.6 Insurance cover.				ensure adequacy and effectiveness in preventing the risk from materializing.			been detected during the period under review.
IT-3	Cyber Security/ Theft/Loss of sensitive information or Intellectual property e.g., Intruders can bypass TCTA IT security on their own or through the help of TCTA employees.	External Internal	3.1 Hacking by intruders. 3.2 Security breaches by TCTA employees. 3.3 Manipulation of data by internal staff. 3.4 Data Leakage – people forwarding sensitive information to Gmail – use of USB ports, use of personal devices without encryption etc, sharing of recordings, photographing of sensitive information etc. 3.5 Ransomware – phishing.	Financial losses. Reputational damage. Loss of information.	5	5	25	3.1 Firewalls and vulnerability tests. 3.2 Awareness to employees 3.3 Access to sensitive information restricted to specific staff. 3.4 Strict approval and access to financial transactions. Review of user access rights.	3	3	9	Monitoring of existing controls to ensure adequacy and effectiveness in preventing the risk from materializing.	Daily	IT/All	No fraud incidents have been detected during the period under review.
TREASURY															
TR-1	Fictitious trades in Treasury: Dealing staff may enter fictitious trades that will result in TCTA losing funds.	Internal	1.1 Lack of confirmation of deals.	Loss of money to TCTA and reputational impact.	3	4	12	1.1 Confirmations (incoming and outgoing) are done for each deal. 1.2 Release of payments authorised by at least two signatories. Bank account of beneficiary must be registered, and this also requires management approval.	1	4	4	1.1 Back Office to confirm transactions as and when due. 1.2 Minimum of 2 signatories authorise all payments when due. .3 Daily deals only to be done with counterparties recommended by Risk and vetted by Compliance	Daily	Treasury	No fraud incidents have been detected during the period under review.
TR-2	Collusion: Incorrect rates may be used when entering trading deals into the system thereby defrauding the company of interest on investments.	Internal	2.1 Lack of confirmation of deals. 2.2 Unauthorised amendments of deals.	Loss of money to TCTA and reputational impact.	2	3	6	2.1 Rates are independently confirmed with counterparties and treasury transactions are recorded (i.e., emails and electronic systems). 2.2 Bank account of beneficiary must be registered, and this also requires management approval. All transactions conducted are recorded on deal books and emails.	1	3	3	2.1 Back Office confirms the rate agreed to with counterparty before any transition is confirmed. 2.2 Record all approved deals in deal book.	Daily	Treasury	No fraud incidents have been detected during the period under review.
TR-3	Settlement fraud: Funds	Internal	3.1 Inadequate segregation of	Loss of money to TCTA and	3	3	9	3.1 Release of payments authorised by at	3	2	6	3.1 Ensure all transactions are	Daily	Treasury	No fraud incidents have

Ref	Risk	Category	Root causes	Consequences	Likelihood	Impact	Rating	Controls	Likelihood	Impact	Rating	Action	Due date	Responsible Department	Status
	fraudulently transferred to wrong accounts.		duties and lack of dual signings on release of funds. 3.2 Compromised passwords for release of funds.	reputational impact.				least two signatories. 3.2 Bank account of beneficiary must be registered in the system and any changes approved by management after confirmation. All transactions conducted are recorded on deal books and emails.				released by at least 2 signatories.  3.2 Implement as per control.			been detected during the period under review.
TR-4	Missing treasury scrip	Internal	4.1 Lack of adequate controls and reconciliation of scrip	Loss of money to TCTA and reputational impact	3	2	6	4.1 Treasury pays only to the settlement agent hence the risk lies with the agent i.e., Standard bank.	1	1	1	N/A- The risk residually low. Treasury will continue to monitor existing controls for adequacy and effectiveness.	Daily	Treasury	TCTA has not issued Call Bonds in a decade and is unlikely to ever do so again. All other instruments are dematerialised, and no scrip is issued.
TR-5	Changing bank details of counterparties	Internal	5.1 Infrequent updating of signing instructions from counterparties. 5.2 Stolen passwords.	Loss of money to TCTA and reputational impact.	2	3	6	5.1 Constant updating of counterparty specimen signatures. When signatories for counterparties change, TCTA receives the updated signatory list. Also, TCTA sends its signatory list on a quarterly basis to clients. 5.2 Request for change of bank details must be in writing and confirmed by counterparties.	1	2	2	N/A- The risk residually low. Treasury will continue to monitor existing controls for adequacy and effectiveness.	Daily	Treasury	No fraud incidents have been detected during the period under review.
TR-6	Collusion: Offering high yields to colleagues when borrowing and accepting low yields when investing in return for kickbacks (e.g., TCTA invest at a lower yield and the counterparty in turn invest the funds at a higher rate with another financial institution).		6.1 Inadequate monitoring of treasury trades. 6.2 Deliberate failure to reset rates when interest rates change.	Loss of money to TCTA and reputational impact.	3	3	9	6.1 Limit on investment concentration or trades with a single counterparty. 6.2 Checking of deals and market rates by Treasury Manager prior to authorisation of deals. 6.3 Checking of investment rates and issuing rates on the maturity ladder daily by Treasury Manager.	2	2	4	6.1 Conduct daily dealings on receipt of limit utilisation report from Risk,  6.3 Dealer to conduct deals according to the latest rates received.	Daily	Treasury	No fraud incidents have been detected during the period under review.
TR-7	Investing in fake securities e.g., commercial paper.		7.1 Inadequate checking of security issues resulting in the organisation buying fake securities such as treasury bills or commercial paper from brokers.	Loss of money to TCTA and reputational impact.	3	3	9	7.1 All counterparties are vetted by the compliance Department.	1	2	2	N/A- The risk residually low. Treasury will continue to monitor existing controls for adequacy and effectiveness. Conduct deals in term of approved limits and instruments	Daily	Treasury	Conduct deals in term of approved limits and instruments
TR-8	Overpayment of term borrowings on maturity/ duplicate payments.		8.1 Inadequate checking of maturity ladders and deal tickets on payment.	Loss of money to TCTA and reputational impact.	4	3	12	8.1 Release of payments authorised by at least two signatories who checks the settlement amount.	1	3	3	Monitoring of existing controls to ensure adequacy and effectiveness in preventing the risk from materializing.	Daily	Treasury	All Deals are settled through the Strate system
TR-9	Channelling trades to a counterparty in return for		9.1 Excessive number of gifts accepted from counterparties.	Loss of money to TCTA in the event of default risk.	3	3	9	9.1 Counterparty limits in place and monitored daily.	1	3	3	Monitoring of existing controls to ensure adequacy and	Daily	Treasury	Daily deals are conducted in line with

Ref	Risk	Category	Root causes	Consequences	Likelihood	Impact	Rating	Controls	Likelihood	Impact	Rating	Action	Due date	Responsible Department	Status
	some benefits.							9.2 Concentration limits in place. Adherence to gift policy.				effectiveness in preventing the risk from materializing.			the limit utilisation report received from Risk

## **ANNEXURE E2**

### **FRAUD PREVENTION PLAN IMPEMETATION**

## ANNEXURE E2

### FRAUD AND CORRUPTION PREVENTION PLAN IMPLEMENTATION

NO	INITIATIVE	OBJECTIVE	ACTIVITY	OUTCOMES	RESPONSIBLE PERSON	DUE DATE
1	<p>Good corporate governance</p> <ul style="list-style-type: none"> <li>The CEO and the executive team actively set the culture of zero tolerance for fraud.</li> <li>Company secretary promotes best corporate governance through its processes that are reviewed on annual basis.</li> <li>Company Secretary's office maintains gift declaration registers.</li> </ul>	To create a corporate culture that sets a tone for prevention of fraud.	<ul style="list-style-type: none"> <li>Review the Fraud and Corruption Policy, Plan and Strategy.</li> <li>Declaration of interest completed by all Board members.</li> <li>Regular update of the Gift registers.</li> </ul>	<ul style="list-style-type: none"> <li>Approved Fraud and Corruption policy, prevention plan and strategy.</li> <li>Completed declaration of interest forms.</li> <li>Updated Gift registers.</li> </ul>	<p>CRO</p> <p>Company Secretariat</p> <p>Company Secretariat</p>	<p>Quarterly</p> <p>Annually</p> <p>Monthly</p>
2	<p>Implementation of the Code of Conduct</p> <ul style="list-style-type: none"> <li>All Executives and Senior Managers Review adherence of the Code of Conduct on annual basis.</li> </ul>	To ensure adherence by all staff, board members and stakeholders of the TCTA Code of Conduct.	Declaration of interest completed by all TCTA employees.	Completed declaration of interest forms.	Company Secretariat	Annually or During Bid Meetings.





NO	INITIATIVE	OBJECTIVE	ACTIVITY	OUTCOMES	RESPONSIBLE PERSON	DUE DATE
5	Enhancement of internal controls and systems. <ul style="list-style-type: none"> <li>The CEO is responsible in ensuring that internal controls are adequate and effective. This duty is shared through delegation to the Executive team.</li> </ul>	Ensure adequacy and effectiveness of internal controls	<ul style="list-style-type: none"> <li>Review of organizational and divisional risk registers and implementation of action plan</li> <li>Implementation of audit recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>Updated risk register and action plans implementation reports.</li> <li>Audit tracking reports.</li> </ul>	CRO/Exco  CIA/Exco	Quarterly  Monthly
	Rigged specifications to favour certain service providers.	Ensure adequacy and effectiveness of internal controls	<ul style="list-style-type: none"> <li>Review and recommendation of Bid specifications to the BSC.</li> <li>Review of construction contracts specifications multidisciplinary Bid Specification Committee.</li> </ul>	<ul style="list-style-type: none"> <li>Fair, equitable, transparent, competitive and cost-effective specifications.</li> </ul>	Exec – PMID  BSC/SCM	As per procurement plan  As per procurement plan
	Collusive bidding.	Ensure adequacy and effectiveness of internal controls	<ul style="list-style-type: none"> <li>Comparing Engineers Estimates and Bid prices for construction contracts.</li> <li>Award Bid on price and preference</li> </ul>	<ul style="list-style-type: none"> <li>Fair and competitive bid prices</li> </ul>	PMID/SCM  BEC/EXCO	As per procurement plan

NO	INITIATIVE	OBJECTIVE	ACTIVITY	OUTCOMES	RESPONSIBLE PERSON	DUE DATE
				<ul style="list-style-type: none"> <li>Fair, equitable and competitive bid prices</li> </ul>		As per procurement plan
	Cyber Security/ Theft/Loss of sensitive information or Intellectual property	Ensure adequacy and effectiveness of internal controls	<ul style="list-style-type: none"> <li>Awareness to employees</li> <li>Conducting firewalls and vulnerability tests</li> </ul>	<ul style="list-style-type: none"> <li>Limited cyber incidents</li> </ul>	Exec - EWSS  Exec - EWSS	Quarterly  Weekly
6	Effective compliance and internal audit functions. <ul style="list-style-type: none"> <li>The CEO is responsible in ensuring that TCTA adheres to South African legislation and regulations. This duty is shared through delegation to the executive team.</li> <li>The Chief Risk officer ensures compliance within the organisation through the implementation of the Compliance programme.</li> </ul>	Ensure existence of an effective compliance and internal audit functions	<ul style="list-style-type: none"> <li>Implementation of the divisional compliance plans.</li> </ul>	<ul style="list-style-type: none"> <li>Compliance reports</li> </ul>	CRO	Quarterly
7	Independent auditors' reviews. <ul style="list-style-type: none"> <li>All executives are responsible in ensuring that</li> </ul>	To ensure concerns of external auditors regarding fraud are	<ul style="list-style-type: none"> <li>Discloser of information to external Auditors.</li> </ul>	<ul style="list-style-type: none"> <li>Audit report</li> </ul>	CFO	During the financial year after

NO	INITIATIVE	OBJECTIVE	ACTIVITY	OUTCOMES	RESPONSIBLE PERSON	DUE DATE
	<p>TCTA is not exposed and vulnerable to fraud.</p> <ul style="list-style-type: none"> <li>The Chief Finance Officer co-ordinates contact with external auditors to ensure adherence to all disclosure requirements.</li> </ul>	considered and recommendations implemented				audit finalisation.
8	<p>All TCTA staff are responsible for the use of the Anti-Fraud and Ethics Hotline.</p> <p>The Chief Internal Auditor is responsible for the administration of the Hotline to:</p> <ul style="list-style-type: none"> <li>Ensure the contract terms are upheld by the Service Provider.</li> <li>Create regular awareness of the Hotline facility by means of posters, pamphlets, and other internal communications.</li> </ul>	Implement a communication strategy for TCTA-wide awareness of the whistle blowing Hotline.	Conduct Fraud Hotline awareness sessions.	Provide a report to Audit and Risk Committee highlighting investigated and reported on through the fraud Hotline.	CIA	Quarterly
9	<p>Implementation of anti-money laundering policy.</p> <p>The CEO and the Executive Team are responsible in</p>	Adequate and effective anti-money laundering policy.	Monitor adherence and compliance to the policy.	Report on compliance.	CRO	Quarterly

NO	INITIATIVE	OBJECTIVE	ACTIVITY	OUTCOMES	RESPONSIBLE PERSON	DUE DATE
	ensuring that anti-money laundering policies and practices are part of TCTA's culture. The Chief Risk Officer's compliance unit co-ordinates adherence to policy and FICA.					
10	Supplier and trading partner awareness. All Executives are responsible in ensuring that TCTA is not exposed to, participation in unethical business practices. The office of Chief Finance Officer co-ordinates: <ul style="list-style-type: none"> <li>SLA with the service providers.</li> </ul> Company Secretary's office maintains gift declaration registers.	Implement supplier and trading partner awareness programmes to limit the supplier's exposure to, and participation in unethical business practices.	Conduct Supplier awareness session.	Completed session.	CFO	Annually and quarterly.
11	Pre-employment vetting. <ul style="list-style-type: none"> <li>All Executives are responsible the pre-employment vetting.</li> <li>The HR Executive Manager ensures that:</li> </ul>	Ensure that staff vetting processes, which limit exposure to hiring potential fraudsters, are in place	<ul style="list-style-type: none"> <li>Screening and Vetting of all employees.</li> </ul>	Screening and vetting reports.	Executive HR&OD	Ongoing at every recruitment.

NO	INITIATIVE	OBJECTIVE	ACTIVITY	OUTCOMES	RESPONSIBLE PERSON	DUE DATE
	<ul style="list-style-type: none"> <li>An adequate process is in place for the vetting of prospective employees and staff.</li> <li>Staff vetting procedure is continuously assessed to determine its effectiveness.</li> </ul>					
12	<p>Expediting disciplinary processes.</p> <p>All executives are responsible for disciplinary processes in their area of responsibility.</p> <p>The HR Executive Manager co-ordinates training to equip line managers to effectively deal with the disciplinary process.</p>	<p>Ensure prompt finalisation of matters in terms of the applicable disciplinary processes.</p>	<p>Initiation of disciplinary process when necessary.</p>	<p>Disciplinary reports</p>	<p>EXCO/ executive HR&amp;OD</p>	<p>As often as disciplinary processes are required.</p>
13	<p>Proactive Fraud Detection.</p> <p>Identify fraud-prone environments and review underlying root causes to detect fraud.</p> <p>Conduct annual data analytics.</p>	<p>Identify fraud-prone environments and review underlying root causes to detect fraud.</p> <p>Conduct annual data analytics.</p>	<ul style="list-style-type: none"> <li>Conduct Fraud Risk Assessments</li> </ul>	<p>Fraud and Corruption risk registers.</p>	<p>Exco/CRO</p>	<p>Ongoing basis throughout the year.</p>

**ANNEXURE F**  
**MATERIALITY AND SIGNIFICANCE FRAMEWORK**

## 1. INTRODUCTION

In terms of regulation 28.3.1 of the Treasury Regulations of the Public Finance Management Act (PFMA) of 1999, TCTA is required to develop a framework of acceptable levels of materiality and significance with the relevant Executive Authority. The approved materiality framework must be included in the Corporate Plan of the organisation.

## 2. BACKGROUND

The materiality and significant framework have been reviewed in accordance with the PFMA. The following was considered in reviewing the materiality and significance framework.

- Guidelines issued by National Treasury.
- The nature of TCTA 's business.
- The control and risk environment in which TCTA operates.
- TCTA materiality levels determined by External Auditors (if available).

Further, in order to comply with Section 54 (2) of the Public Finance Management Act (PFMA), the Board is expected to report on:

- The acquisition and disposal of a significant asset and /or
- The beginning of a significant business activity

## 3. DETERMINATION OF TCTA MATERIALITY LEVELS

TCTA's materiality is based on the practice note issued by National Treasury on 20 July 2006, and the principles applied by the auditing profession in their quantification of risk. The statement of Generally Accepted Accounting Practice AC000 defines materiality as follows:

*"Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error, judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point, rather than being a primary qualitative characteristic which information must have if it is to be useful."*

This definition is generally used to describe audit materiality; however, it can also be used to derive a definition for materiality in general. Materiality should be considered for financial as well as non-financial matters such as fraud and misrepresentation.

#### 4. TCTA MATERIALITY LEVELS

TCTA considers materiality both at strategic (project) and operational level. Two levels of materiality are determined:

- Strategic project materiality, which is based on project assets.
- TCTA corporate materiality which is calculated as a percentage of TCTA's total expenses.

#### 5. MATERIALITY FRAMEWORK IN TERMS OF PFMA AND NATIONAL TREASURY PRACTICE NOTE

The table below shows that TCTA materiality levels are based on National Treasury Guidelines, (the National Treasury Practice Note Attached as Annexure A), the nature to TCTA's business (TCTA's project assets) and the control environment in which TCTA operates (TCTA is risk averse).

The National Treasury Practice Note provides parameters for calculating materiality using the latest audited financial statements, considering judgment, consistency, and qualitative factors.

The parameters provided for in the National Treasury Practice Note are as follows:

Element	%age range to be applied against R value
Total Assets	1% - 2%
Total Revenue	0.5% - 1%
Profit after tax	2% - 5%

The Practice Note recommends that materiality be calculated based on the ranges shown above. Profit after tax is not applicable to TCTA as the organisation does not generate profit. TCTA is a risk averse organisation, hence, the organisation opted to apply 25% of the lower levels recommended by the Practice Note. The intention is to report materiality at lower levels and prevent unnecessary risks to the organisation. This report uses the 2021/22 audited figures as provided by the Auditor General.

The proposed 2023/24 materiality levels are shown in the table below.



6. 2023/24 STRATEGIC PROJECT MATERIALITY

In using the parameters under the National Treasury Practice Note the following results were arrived at:

Element	Percentage	VRESAP	BWP	VRS(LHWP, AMD)	MMTS-2	KWSAP	ORWRDP	MCWAP-1	UMGENI	KRIEL	MRWP	MCWAP-2	TCTA-C	BRVAS	UMWP	Consolidated
Total Assets		3,346,000,000	356,000,000	13,511,000,000	981,000,000	1,089,000,000	52,000,000	1,382,000,000	4,000,000	6,000,000	1,000,000	936,000,000	5,000,000	20,000,000	12,000,000	21,701,000,000
	1.0%	33,460,000	3,560,000	135,110,000	9,810,000	10,890,000	520,000	13,820,000	40,000	60,000	10,000	9,360,000	50,000	200,000	120,000	217,010, 000
	2.0%	66,920,000	7,120,000	270,220,000	19,620,000	21,780,000	1,040,000	27,640,000	80,000	120,000	20,000	18,720,000	100,000	400,000	240,000	434,020,000
Total Revenue		(48,000,000)	(8,000 000)	1172,000,000	114,000,000	13,000,000	0	113,000,000	0	0	0	0	1,000,000	7,000,000	0	1,364,000,000
	0,5%	(240,000)	(40,000)	5,860,000	570,000	65,000	0	565,000	0	0	0	0	5,000	35,000	0	6,820,000
	1.0%	(480,000)	(80,000)	11,720,000	1,140,000	130,000	0	1,130,000	0	0	0	0	10,000	70,000	0	13,640,000
Profit After Tax (n/a)		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		n/a
	2.0%	0	0	0	0	0	0	0	0	0	0	0	0	0		0
	5.0%	0	0	0	0	0	0	0	0	0		0	0	0		0
2021/22 External Audit Materiality	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Assets	0.5%	16,730,000	1,780,000	67,555,000	4,905,000	5,445,000	260,000	6,910,000	20,000	30,000	5,000	4,680,000	25,000	100,000	60,000	108,505,000
Total Revenue	0.25%	(120,000)	(20,000)	2,930,000	285,000	32,500	0	282,500	0	0	0	0	2,500	17,500	0	3,410,000
Profit After Tax (n/a)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

## 7. PRIOR YEAR 2022/23 FOR INFORMATION PURPOSES

TCTA adopts materiality levels based on total assets because the costs incurred in implementing its projects are capitalized into the costs of each project and form part of the outstanding debt under each project. The table below shows prior year figures for comparison:

Element	%	VRESAP	BWP	VRS(LHWP, AMD)	MMTS-2	KWSAP	ORWRDP	MCWAP-1	UMGENI	KRIEL	MRWP	MCWAP-2	TCTA-C	BRVAS	UMWP	Consolidated
Total Assets		3,614,000,000	460,000,000	15,847,000,000	1,371,000,000	1,172,000,000	47,000,000	1,852,000,000	5,000,000	6,000,000	8,000,000	356,000,000	3,000,000	74,000,000	28,000,000	24,842,000,000
	1.0%	36,140,000	4,600,000	158,470,000	13,710,000	11,720,000	470,000	18,520,000	50,000	60,000	80,000	3,560,000	30,000	740,000	280,000	248,420,000
	2.0%	72,280,000	9,200,000	316,940,000	27,420,000	23,440,000	940,000	37,040,000	100,000	120,000	160,000	7,120,000	60,000	1 480,000	560,000	496,840,000
Total Revenue		(43,000,000)	(5,000,000)	831,000,000	140,000,000	(13,000,000)	0	20,000,000	0	0	0	0	0	0	0	930,000,000
	0.5%	(215,000)	(25,000)	4,155,000	700,000	(65,000)	0	100,000	0	0	0	0	0	0	0	4 650 000
	1.0%	(430,000)	(50,000)	8,310,000	1,400,000	(130,000)	0	200,000	0	0	0	0	0	0	0	9 300 000
Profit After Tax (n/a)		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		n/a
	2.0%	0	0	0	0	0	0	0	0	0	0	0	0	0		0
	5.0%	0	0	0	0	0	0	0	0	0		0	0	0		0
2020/21 External Audit Materiality	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Assets	0.5%	18,070,000	2,300,000	79,235,000	6,855,000	5,860,000	235,000	9,260,000	25,000	30,000	40,000	1,780,000	15,000	370,000	140,000	124,210,000
Total Revenue	0.25%	(107,500)	(12,500)	2 077,500	350,000	(32,500)		50,000	0	0	0		0	0	0	2 325,000
Profit After Tax (n/a)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

## 8. CORPORATE MATERIALITY

TCTA's balance sheet is only based on project assets, as the organisation does not have any corporate assets. In the absence of corporate assets, corporate expenditure has been used as a basis for calculating corporate materiality. The table below shows a comparison between the 2022/23 and 2023/24 corporate materiality calculated at 0.5%, 1% and 2% of total expenditure.

Item	2022/23	2023/24
Total Expenses	R 243 000 000	R 262 000 000
Materiality Level (2%)	R4 860 000	R 5 240 000
Materiality Level (1%)	R2 430 000	R 2 620 000
Materiality Level (0.5%)	<b>R1 216 000</b>	<b>R 1 310 000</b>

Materiality is calculated at half (0.5) percent of total expenses. The table below shows the comparison between corporate materiality for 2023/24 and that of the previous year 2022/23.

## 9. SIGNIFICANCE FRAMEWORK IN TERMS OF PFMA

In terms of S54 (2) of the PFMA, TCTA has not concluded any of the following specific transactions and hence has no relevant information to submit to the National Treasury in this regard:

- no participation in a significant partnership, trust or unincorporated joint venture;
- no acquisition or disposal of a significant shareholding in a company;
- no acquisition or disposal of a significant asset;
- no commencement or cessation of a significant business activity; and
- no significant change in its interest in a significant partnership, trust or unincorporated joint venture.

Should TCTA wish to enter any one of the above transactions, it would be incorporated into a directive issued by the Minister of Water and Sanitation as the executive authority. Should TCTA decide to enter into any one of the transactions under S54(2), the Board, as the accounting authority must inform the National Treasury of the transaction and relevant particulars of the transaction submitted to the executive authority for the approval of such transactions.

## 10. CONCLUSION

The strategic materiality level based on the National Treasury practice note, at 1% of total assets is R 217 010 000.

However, TCTA proposes to set its thresholds to lower limits in order to ensure that all risks are anticipated and reported at lower levels in line with the risk averse nature of the organisation. As a result, TCTA has set its materiality level for the financial year 2023/24 based on 25% of the lower figure of 1% recommended by National Treasury. The calculated corporate materiality for the 2023/24 financial year calculated at a lower level of 0.5% is R 1 310 000, however due to an increase compared to the previous financial year, the materiality figure for the previous financial year is recommended for the 2023/24 financial year. The External Auditors have not disclosed their materiality figure for the past year.

Hence:

- The recommended strategic materiality level for 2023/24 is R 54 252 500.
- The recommended corporate materiality level for 2023/24 is R 1 216 000.
- The approved materiality figures are effective from 01 April 2023 to 31 March 2024.

## ANNEXURE F1

### SIGNIFICANCE FRAMEWORK IN TERMS OF PFMA

Section	Requirement	Material/Significant
Section 51(1)(g)	An Accounting Authority for a public entity must promptly inform the National Treasury on any new entity which that public entity intends to establish or in the establishment of which it takes the initiative.	TCTA will inform the National Treasury of individual transactions covered by this section irrespective of the materiality or significance of the transaction.
Section 54(2)	<p>Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction:</p> <p>(a) establishment or participation in the establishment of a company;</p>	<p><b>1. Quantitative factors</b></p> <p>1.1 <b>Sections 54(2)(a)-(e)</b> : Any transaction will be regarded as significant if its rand value exceeds <b>R108.5 million</b> as determined under 3 above.</p> <p>1.2 <b>Section 54(2)(f)</b> : Any change in interest will be regarded as significant if the rand value exceeds <b>R 3.410 million</b> as determined paragraph 3 above.</p> <p><b>2. Qualitative factors.</b></p> <p>The following qualitative factors will be taken into account when determining the significance of transactions:</p> <p>2.1 Any transaction of this nature that causes any interest (equity or loans) to be taken by TCTA in the company to be established requires approval from the Executive Authority irrespective of its materiality or significance.</p> <p>2.2 Concerning participation in the establishment of a company, where an interest (equity or loans) is to be taken by TCTA in the company to be established, any involvement by TCTA in the establishment process will necessitate an application for approval, regardless of the degree of involvement by TCTA.</p> <p>2.3 For purposes of establishment of an entity as envisaged under section 51(1)(g), the above principles will also apply.</p>

Section	Requirement	Material/Significant
	(b) Participation in a <b>significant</b> partnership, trust, unincorporated joint venture or similar arrangement;	<p>2.4 Any transaction that entails incorporation under the Companies Act (or similar foreign legislation) should be dealt with under 2.1 to 2.3 above.</p> <p>2.5 For transactions not entailing incorporation, any transaction will be considered as significant -</p> <p>2.5.1 If participation is in any partnership, trust, unincorporated joint venture or similar arrangement that is located outside the Republic.</p>
	(c) acquisition or disposal of a <b>significant</b> shareholding in a company;	<p>2.6 Transactions are to be regarded as significant where -</p> <p>2.6.1 ownership control is affected; or</p> <p>2.6.2 TCTA's right to pass or block a special resolution is affected; or</p> <p>2.6.3 there is a change in shareholding; or</p> <p>2.6.4 for an acquisition, any transaction results in a shareholding.</p>
	(d) acquisition or disposal of a <b>significant</b> asset;	<p>2.7 Although the acquisition or disposal of shares or of an interest in an unincorporated entity, as envisaged by sections 54(2)(b), (c) and (f), would also be an acquisition or disposal of an asset.</p> <p>2.8 Regarding the acquisition of assets through a finance lease, and current assets are not regarded as falling under this subsection.</p>
	(e) commencement or cessation of a <b>significant</b> business activity; and	2.9 A business activity that falls within TCTA's core business is not regarded as falling under this subsection.
	(f) a <b>significant</b> change in the nature or extent of its interest in a <b>significant</b> partnership, trust, unincorporated joint venture or similar arrangement.	2.10 Where the nature changes between any of the entity (that is between a partnership, trust, unincorporated joint venture or similar arrangement), this will be regarded as significant.
Section 55(2)	<p>The annual report and financial statements referred to in subsection 55(1)(d) must –</p> <p>(b) include particulars of –</p>	2.11 Losses in excess of <b>R50, 000</b> arising from criminal conduct are considered to be material and will be reported in accordance with the provisions of section 55(2) of the PFMA.

Section	Requirement	Material/Significant
	(i) any <b>material</b> losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year;	2.12 Any individual transaction arising from irregular expenditure and fruitless & wasteful expenditure will be considered to be material and will be dealt with in accordance with the provisions of section 55(2) of the PFMA irrespective of the rand amount involved.

## ANNEXURE F2

### PRACTICE NOTE ON APPLICATIONS UNDER SECTION 54 OF THE PFMA

#### 3.7 Guidance on setting the parameters for the rand value determination of significance for purposes of 3.2.2, 3.4.3, 3.5.2 and 3.6.2 above

*It should be noted that in terms of Treasury Regulation 28.3.1, acceptable levels of significance must be agreed with the Executive Authority. In arriving at acceptable levels of significance, the guiding principles set out below should be applied.*

**3.7.1** The parameters are derived from the rand values of certain elements of the individual public entity's audited annual financial statements, as follows:

Element:	% range to be applied against R value
Total Assets	1% - 2%
Total Revenue	0,5% - 1%
Profit after tax	2% - 5%

The finalised rand amount to be applied for purposes of determining the significance threshold for each public entity will require sound judgment:

- The rand value of the above elements will differ from one public entity to the next;
- The most appropriate % chosen within the range is also entity-specific;
- The rand amounts calculated per element may require averaging in the interests of prudence;
- Qualitative factors, for example, where the transaction is likely to result in large-scale retrenchments should also be taken into account.

**3.7.2** The latest available audited financial statements should be used to calculate the above.

**3.7.3** The elements as well as % range selected should be consistent from one year to the next.

**3.7.4** The finalised rand amount should be reviewed at least annually.



**ANNEXURE G**  
**EXECUTIVE MANAGEMENT PROFILES**

Surname	First Name	Gender	Race (African, Asian, Coloured and White)	Age	Qualifications	Current position and active membership in other organisations/companies/entities/ boards
Sechemane	Percy	Male	African	55	<ul style="list-style-type: none"> <li>MBA (University of the North-West, 2002)</li> <li>BCom (University of the North-West, 1993)</li> </ul>	<b>Current position:</b> <ul style="list-style-type: none"> <li>Chief Executive Officer (CEO)</li> </ul> <b>Other directorships (Leadership Role):</b> <ul style="list-style-type: none"> <li>Institutional Realignment Oversight Task Team</li> </ul>
Radzuma	Leonard	Male	African	48	<ul style="list-style-type: none"> <li>Fundamentals of Treasury (University of Johannesburg, 2015)</li> <li>MBL (UNISA SBL, 2006)</li> <li>B. Comm (Accounting) (Univ. Venda, 1996)</li> </ul>	<b>Current position:</b> Chief Risk Officer <b>Other directorships:</b> None <b>Other Board committee memberships:</b> None
Busisiwe	Shongwe	Female	African	46	<ul style="list-style-type: none"> <li>Municipal Executive Financial Management (WITS Business School, 2016)</li> <li>MBA (Milpark Business School, 2013)</li> <li>Chartered Accountant: CA (SA) - (SAICA) Bachelor of Commerce Accounting -Honours (University of Natal, 2000)</li> <li>Bachelor of Commerce (WITS, 1998)</li> </ul>	<b>Current position:</b> Chief Financial Officer <b>Other directorships:</b> None <b>Other Board committee memberships:</b> None
Busari	Ola	Male	African	61	<ul style="list-style-type: none"> <li>Senior Executive Programme (Harvard Business School, 2016)</li> <li>MBA (Henley Business School, UK, 2011)</li> </ul>	<b>Current position:</b> Chief Strategy Officer <b>Other directorships:</b> None

Surname	First Name	Gender	Race (African, Asian, Coloured and White)	Age	Qualifications	Current position and active membership in other organisations/companies/entities/ boards
					<ul style="list-style-type: none"> <li>Advanced (Env) Isotopes Program (Univ. Chicago, USA, 2001)</li> <li>PhD Water Resource Optimisation (Univ. Ibadan, Nigeria, 1990)</li> <li>MSc Eng. Hydro-Geology (Univ. Ibadan. Nigeria, 1986)</li> <li>BSc (Hons) Civil Eng. (Univ. Lagos. Nigeria, 1984)</li> </ul>	<b>Other Board committee memberships:</b> None
Mavuso	Johannes	Male	African	50	<ul style="list-style-type: none"> <li>Project Management Institute</li> <li>Project Management Professional (PMP)</li> <li>South African Council for the Project and Construction Management 2021</li> <li>Professionals Professional Construction Project Manager</li> <li>2012</li> <li>University of Pretoria Master of Science in Project Management</li> <li>2003</li> <li>University of Johannesburg</li> <li>B Tech Electrical Engineering</li> <li>Bachelor's Degree in electrical engineering (Heavy current) 1998</li> </ul>	<b>Current position:</b> Executive Manager: PMI <b>Other directorships:</b> Ulirforce Pty Ltd <b>Other Board committee memberships:</b> None

Surname	First Name	Gender	Race (African, Asian, Coloured and White)	Age	Qualifications	Current position and active membership in other organisations/companies/entities/ boards
					<ul style="list-style-type: none"> <li>University of Johannesburg</li> <li>National Diploma Electrical Engineering</li> <li>1996</li> <li>National Diploma Electrical Engineering (Heavy Current)</li> </ul>	
Nkabinde	Nhlanhla	Male	African	59	<ul style="list-style-type: none"> <li>Master of Applied Science, Engineering (University of Waterloo Ontario, Canada, 1992)</li> <li>BSc Electrical &amp; Electronic Engineering (UCT, 1986)</li> <li>Post Graduate course in Mathematics of Finance (WITS, 1997)</li> </ul>	<p><b>Current position:</b> Executive Manager: Project Finance &amp; Treasury</p> <p><b>Other directorships:</b></p> <ul style="list-style-type: none"> <li>Khalazome Investments (in deregistration)</li> <li>Ungoye Investments</li> <li>Gasela Engineering Projects (Pty) (deregistered)</li> <li>Zeranza 275 (Pty) Ltd (deregistered)</li> <li>Trustee: Nkabinde Family Trust</li> <li>Trustee: Belle-Thintane Family Trust</li> </ul> <p><b>Other Board committee memberships:</b> None</p>
Kistasamy	Christopher	Male	Asian	41	<ul style="list-style-type: none"> <li>Master of Technology (Cape Peninsula University of Technology, 2011)</li> </ul>	<p><b>Current position:</b> Executive Manager: EWSS</p> <p><b>Other directorships:</b></p>

Surname	First Name	Gender	Race (African, Asian, Coloured and White)	Age	Qualifications	Current position and active membership in other organisations/companies/entities/ boards
					<ul style="list-style-type: none"> <li>Bachelor of Technology Honours - Universiti Teknologi Petronas (Malaysian University, 2003)</li> </ul>	None <b>Other Board committee memberships:</b> None
Botha	Hanje	Female	White	48	<ul style="list-style-type: none"> <li>MBA (Henley Business School, UK, 2022)</li> <li>MPhil in Professional and Leadership Coaching (Middlesex University, UK, 2010)</li> <li>Leadership Development Programme, (GIBS, 2006)</li> <li>BA HONS (GIS) (University Stellenbosch, 1997)</li> <li>BA (Economics and Geography) (University of Stellenbosch, 1996)</li> </ul>	<b>Current position:</b> Executive Manager: HR&OD <b>Other directorships:</b> None <b>Other Board committee memberships:</b> None

**ANNEXURE H**  
**BOARD MEMBERS' PROFILES**

Surname & Initials	Gender	Race	Age	Skills, Knowledge and Experience		Term of Office		Other Active Memberships
				Qualifications	Field of Expertise	Date of first appointment	Expiry of Term	
Sibiya, PS	Female	African	52	<ul style="list-style-type: none"> <li>• Bachelor of Accountancy,</li> <li>• Postgraduate Diploma in Accounting,</li> <li>• Registered Chartered Accountant (South Africa),</li> <li>• Advanced Short Course in Business Rescue Practice.</li> </ul>	<ul style="list-style-type: none"> <li>• Finance</li> <li>• Risk Management</li> <li>• Audit</li> <li>• Supply Chain Management</li> <li>• Human Resources</li> <li>• Information Technology</li> <li>• Business Rescue</li> </ul>	01 January 2023	31 December 2025	<ul style="list-style-type: none"> <li>• AWCA Investment Holdings</li> <li>• Reef Tankers</li> <li>• Ithala Development Finance Corporation</li> <li>• Air Traffic Navigation Services</li> </ul>
Dumas, GT	Male	African	72	<ul style="list-style-type: none"> <li>• Master of Business Administration</li> <li>• Municipal Executives Financial Programme</li> <li>• Diploma in Business Management</li> <li>• Diploma in Production Management</li> <li>• Bachelor of Science</li> </ul>	<ul style="list-style-type: none"> <li>• Water Sector</li> <li>• Strategy development and Implementation</li> <li>• Risk Management</li> <li>• Audit</li> <li>• Human Resources</li> </ul>	01 January 2023	31 December 2025	<ul style="list-style-type: none"> <li>• Market Theater Foundation</li> <li>• Nethezeka Business Solution</li> </ul>
White, GNJ	Male	White	63	<ul style="list-style-type: none"> <li>• BA (Economics)</li> <li>• Honours BAdmin: Development Studies – postgraduate</li> <li>• Executive Leadership Program</li> </ul>	<ul style="list-style-type: none"> <li>• Human Resources and Remuneration</li> <li>• Social and Ethics</li> <li>• Development Finance</li> <li>• Treasury</li> <li>• Corporate Strategy</li> <li>• Consulting</li> </ul>	01 January 2023	31 December 2025	None

Surname & Initials	Gender	Race	Age	Skills, Knowledge and Experience		Term of Office		Other Active Memberships
				Qualifications	Field of Expertise	Date of first appointment	Expiry of Term	
Tladinyane, NM	Male	African	58	<ul style="list-style-type: none"> <li>• B.Sc. (Civil Engineering)</li> <li>• GDE (Municipal Engineering)</li> </ul>	<ul style="list-style-type: none"> <li>• Civil and construction engineering</li> <li>• Project Management</li> <li>• Infrastructure (South Africa and African countries)</li> <li>• Consulting</li> <li>• Construction and Development Management</li> <li>• Human Settlement Delivery Management</li> </ul>	01 January 2023	31 December 2025	<ul style="list-style-type: none"> <li>• PHB Engineers</li> <li>• Neo Projects</li> <li>• PHB Telecoms</li> <li>• One Climate Fund Southern Africa</li> </ul>
Vedalankar, VN	Female	White	63	<ul style="list-style-type: none"> <li>• Executive Development Programme - GIBS</li> <li>• Master in Town &amp; Regional Planning</li> <li>• Bachelor of Science</li> </ul>	<ul style="list-style-type: none"> <li>• Localisation</li> <li>• Strategy Implementation</li> <li>• Human Resource Development</li> <li>• Governance and Risk Management</li> <li>• Stakeholder Management</li> <li>• Financial Management</li> <li>• Transformation</li> </ul>	01 January 2023	31 December 2025	<ul style="list-style-type: none"> <li>• Billy &amp; Elsie Nair Educational Trust</li> <li>• Laws Africa</li> <li>• Begen Africa Group Holdings</li> <li>• Action Aid SA</li> </ul>
Mamabolo, ME	Female	African	46	<ul style="list-style-type: none"> <li>• Baccalaureus Legum- LLB</li> <li>• Diploma in Business Leadership</li> <li>• Practical Legal Training (PLT)</li> </ul>	<ul style="list-style-type: none"> <li>• Legal and Regulatory</li> <li>• People Management</li> <li>• Project Management</li> <li>• Dispute resolution</li> </ul>	01 January 2023	31 December 2025	<ul style="list-style-type: none"> <li>• SMU University</li> </ul>



Surname & Initials	Gender	Race	Age	Skills, Knowledge and Experience		Term of Office		Other Active Memberships
				Qualifications	Field of Expertise	Date of first appointment	Expiry of Term	
Mnisi, PR	Male	African	46	<ul style="list-style-type: none"> <li>• Bachelor of Laws/LLB Degree</li> <li>• Post Grad Certificate in Compliance Management</li> </ul>	<ul style="list-style-type: none"> <li>• Legal and Regulatory</li> <li>• Compliance</li> <li>• Risk Management</li> <li>• Peoples Management</li> <li>• Corporate Strategy</li> <li>• Dispute Resolution</li> <li>• Human-Resource Development</li> <li>• Transformation etc.</li> </ul>	01 January 2023	31 December 2025	<ul style="list-style-type: none"> <li>• MBSA</li> <li>• JBCC</li> <li>• Mogokare Fam Trust</li> <li>• </li> </ul>
Tshabalala, ZN	Female	African	40	<ul style="list-style-type: none"> <li>• Master of Business Administration (MBA)</li> <li>• Post Graduate Diploma in Business Administration</li> <li>• Bachelor of Commerce (BCom)</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit</li> <li>• Finance</li> <li>• Risk Management</li> <li>• Compliance</li> <li>• Performance Evaluation &amp; Monitoring</li> <li>• Corporate Governance</li> </ul>	01 January 2023	31 December 2025	<ul style="list-style-type: none"> <li>• ZNT Risk Advisory</li> <li>• WAX O Smooth</li> </ul>
Mofokeng, PJ	Male	African	42	<ul style="list-style-type: none"> <li>• Master of Business Administration (MBA)</li> <li>• Master of Arts (MA) in ICT Policy &amp; Regulation</li> <li>• Postgraduate Diploma in Management Practice</li> </ul>	<ul style="list-style-type: none"> <li>• Digital Transformation</li> <li>• ICT Governance</li> <li>• Information system management</li> <li>• Business continuity systems</li> <li>• Project Management</li> <li>• ICT Infrastructure</li> </ul>	01 January 2023	31 December 2025	<ul style="list-style-type: none"> <li>• PMFH Consulting</li> </ul>

Surname & Initials	Gender	Race	Age	Skills, Knowledge and Experience		Term of Office		Other Active Memberships
				Qualifications	Field of Expertise	Date of first appointment	Expiry of Term	
				<ul style="list-style-type: none"> <li>Multi-disciplinary Professional Certificate in CIO Practice</li> </ul>	<ul style="list-style-type: none"> <li>Software development</li> </ul>			