




STANDING COMMITTEE ON APPROPRIATIONS

Briefing on 3rd Quarter Expenditure Report for the 2011/12 Financial Year

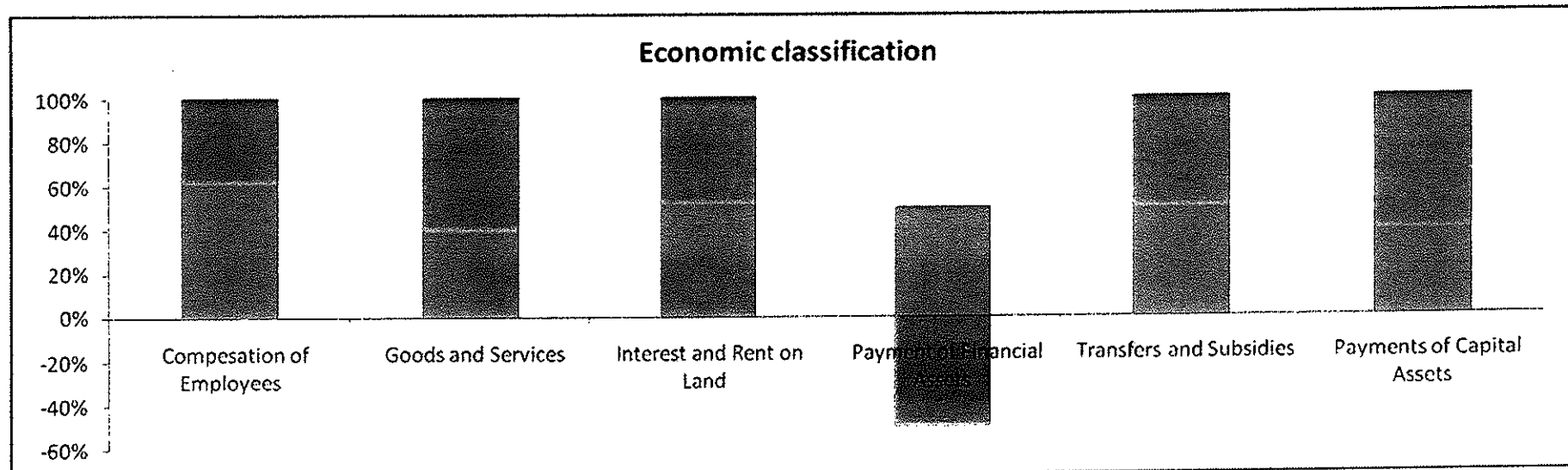
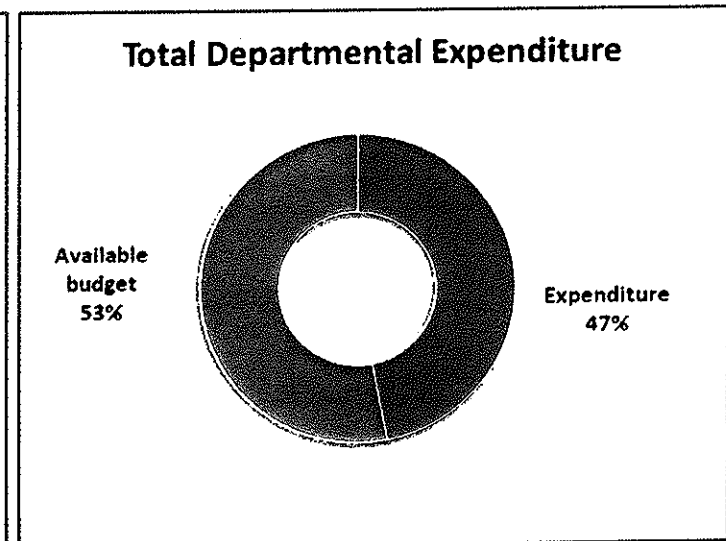
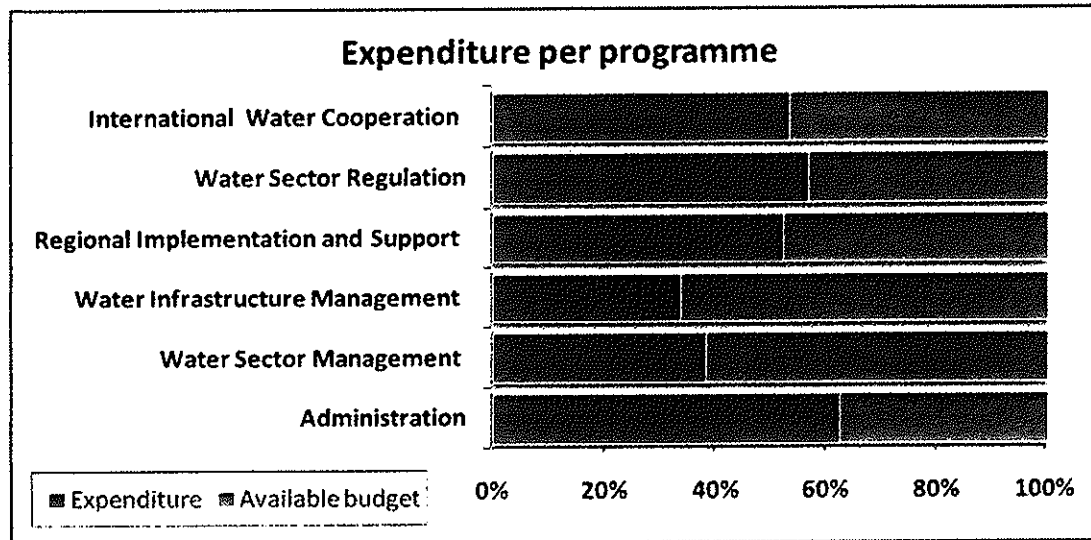
Presentation by
Ms Nthabiseng Fundakubi/ Mr. Fazel Ismael
Chief Financial Officer
25 April 2012



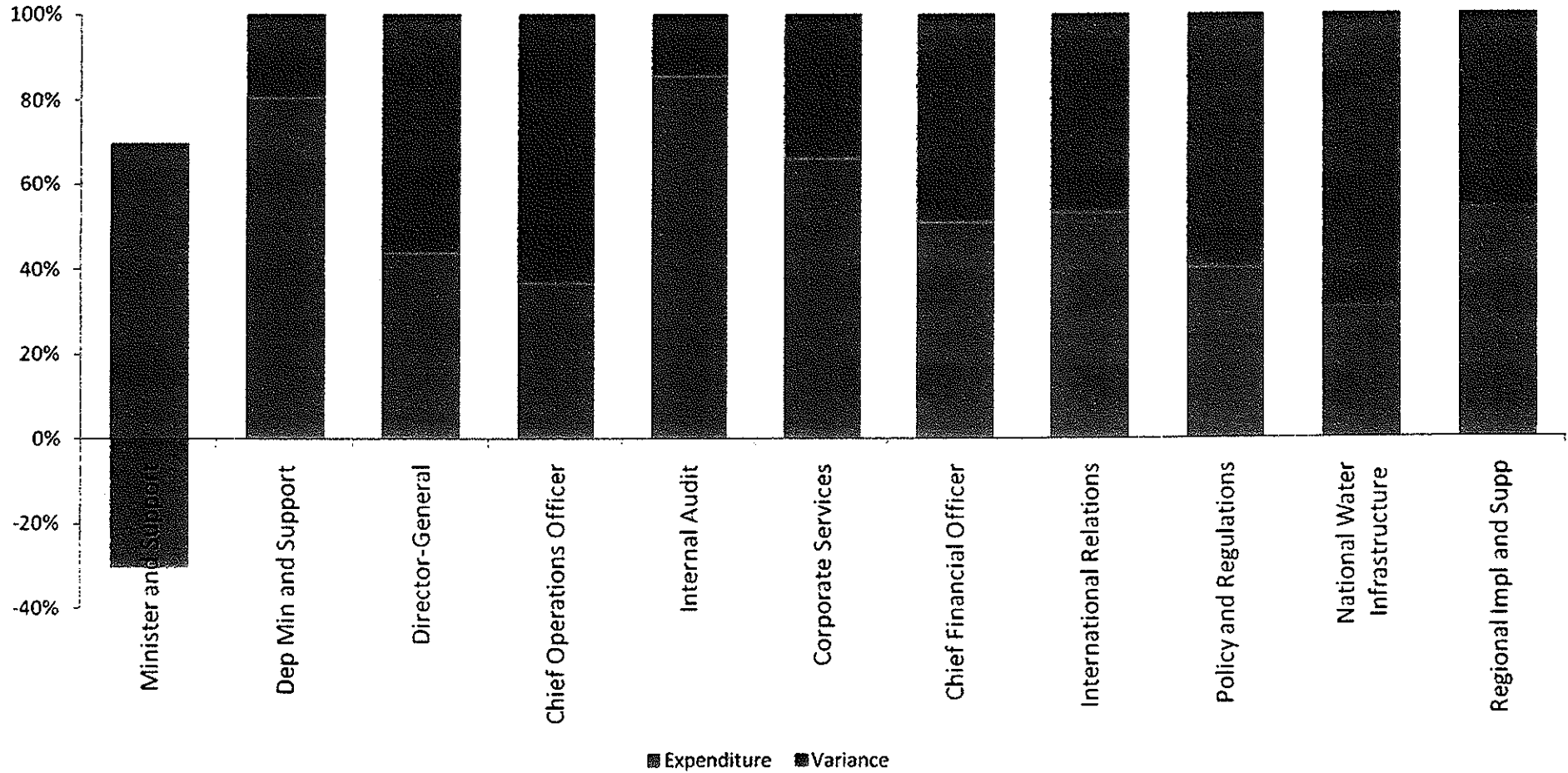
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Expenditure outcome as at 31 Dec 2011



Branch expenditure as at 31 Dec 2011



Third quarter expenditure: 31 Dec 2011

Programme	Adjusted Budget 2011/12	Actual Exp 31 Dec 2011	% spent	Available budget
	R'000	R'000	%	R'000
Administration	869 065	540 913	62%	328 152
Water Sector Management	882 151	326 626	37%	555 525
National Water Resource Infrastructure	2 384 963	803 194	34%	1 581 769
Regional Implementation and Support	4 753 659	2 482 186	52%	2 271 473
Water Sector Regulations	112 370	63 654	56%	48 716
International Water Co-operation	26 111	13 901	53%	12 210
Total	9 028 319	4 230 474	47%	4 797 845

Third quarter expenditure: 31 Dec 2011

Economic classification				
Programme	Adjusted Budget 2011/12	Actual Exp 31 Dec 2011	% spent	Available budget
	R'000	R'000	%	R'000
Current Payments	2 919 301	1 482 886	51%	1 436 415
Compensation of Employees *	1 095 615	691 845	63%	403 770
Goods and Services *	1 822 958	788 327	84%	1 034 631
Interest and Rent on land *	728	2 714	43%	(1 986)
Payments for Financial Assets *	-	80		(80)
Transfers and Subsidies	3 512 408	1 769 256	50%	1 743 152
Payments for Capital Assets - Current Payments	2 596 610	978 252	38%	1 618 358
Total	9 028 319	4 230 474	47%	4 797 845

Third quarter expenditure: 31 Dec 2011

EXPENDITURE TO DATE: 31 DECEMBER 2011 - BRANCH: OPERATIONS REGIONS					
VOTE 38 : WATER AFFAIRS - PROGRAMME 4					
SUMMARY PER MAIN PROGRAMME	Adjusted Budget	Expenditure (Actual)	Available Budget	% Spent to date	VARIANCE
Operational Budget	936 679	531 942	404 737	57	404 737
Drought	450 000	450 000	-	100	-
Bulk Infrastructure	1 785 932	822 423	963 509	46	963 509
ACIP	223 208	52 327	170 881	23	170 881
Transfers	688 890	506 922	181 968	74	181 968
WATER SERVICES PROJECTS	547 519	94 831	452 688	17	452 688
Masibambane	74 231	17 447	56 784	24	56 784
Disaster	19 000	507	18 493	3	18 493
Borehole	36 000	5 200	30 800	14	30 800
OTHERs: EMALAHLENI WWT	20 000	599	19 402	3	19 402
wfw water Exp	-	5 448	-5 448	-	-5 448
TOTAL	4 781 459	2 487 646	2 293 813	52	2 293 813

Reasons for under expenditure for the ended 31 Dec 2011

Programme 1 : Administration

The variance on under expenditure is mainly attributable to:

- 1.1 Unfilled vacant posts.
- 1.2 Late submission of invoices by service providers in respect of SITA and IT related services.
- 1.3 Late submission of invoices by Department of Public Works in respect of office accommodation.

Programme 2 : Water Sector Management

The variance on under expenditure is mainly attributable to:

- Unfilled vacant posts, the OSD requirements are too complex to enable the Department to attract the required skills and competencies
- Late submission of invoices in respect of constructions of gauging stations, Water Eco Systems and maintenance and support of systems
- Expenditure in respect of Governance Training, Twinning Projects, Monitoring Network Management which was anticipated to be spent in the third quarter, however it was only committed in the last quarter.
- Delays in implementation of Acid Mine Drainage – R208 million



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Reasons for under expenditure for the ended 31 Dec 2011

Programme 3 : Water Infrastructure Management

The variance on under expenditure is mainly attributable to:

- 1.1 Delays in submission of outstanding Invoices for September 2011 – December 2011 as result of change in submission of invoices as well as relevant supporting documents such as bill of quantities in respect of infrastructure projects.

Programme 4: Regional Implementation and Support

The variance on under expenditure is mainly attributable to:

- Unfilled vacant posts, the OSD requirements are too complex to enable the Department to attract the required skills and competencies.
- Vacant posts are not being filled due to inadequate office accommodation in the regions
- Special Projects such as ACIP and RBIG cannot be measured at straight line approach due to the fact spending happens in line with implementation phases and other unforeseen challenges faced with the municipalities
- Some of the projects were still at the planning stages
- Appointment of service providers were only made under the month of review.



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Reasons for under expenditure for the ended 31 Dec 2011

Programme 4: Regional Implementation and Support (Cont...)

- Transfer payments to municipalities are done as per payment schedule of DORA
- Transfer payments to various municipalities were rejected due to incorrect banking details which were not corresponding to National Treasury safety web.
- Municipalities submitted incomplete information without necessary source documentation for payments as a result payments were delayed.
- Municipalities and Implementing Agents are slow in appointing contractors
- Projects were progressing slow due to lack of capacity of contractors
- Late submission of invoices for the work done by suppliers



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Recovery plans: programme 4

Transfers

- Regular engagement between DWA, National Treasury and Municipalities to match/reconcile the banking details
- Ensure adherence to payment schedules

Special Projects (ACIP & RBIG), Water Services Projects and Earmarked funds

- Engage Rapid Response Unit to support regions and the municipalities (Short term)
- Appointment of PSP to support municipalities (Medium term)
- Reallocation of funds from slow moving projects
- Compile acceleration action plans, which will include the following:
 - Contract has been divided into separate contracts which will run concurrently to accelerate implementation

Operational Budget

- Filling of critical vacant positions (all levels) during the financial year
- Reprioritize funds and engage DPW and NT to procure new/additional office buildings



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Reasons for under expenditure for the ended 31 Dec 2011

Programme 5: Water Sector Regulations

- Unfilled vacant posts, the OSD requirements are too complex to enable the Department to attract the required skills and competencies.
- Various projects could not take off due to staff shortages and lack of project management skills
- Late submission of invoices for the work done by suppliers.
- Projects such as Auditing Water Allocation Reform were still awaiting approval
- Various projects such as Blue and Green Drop certification support, Waste Water Discharge Systems, institutional re-alignment funds are already committed.

Programme 6: International Water Co-operations

- Unfilled vacant posts.
- Number of International engagements committed and not undertaken due to political dynamics and postponement such as Rwanda, Sudan, Uganda and Russia)
- Late submission of invoices for the work done by suppliers.



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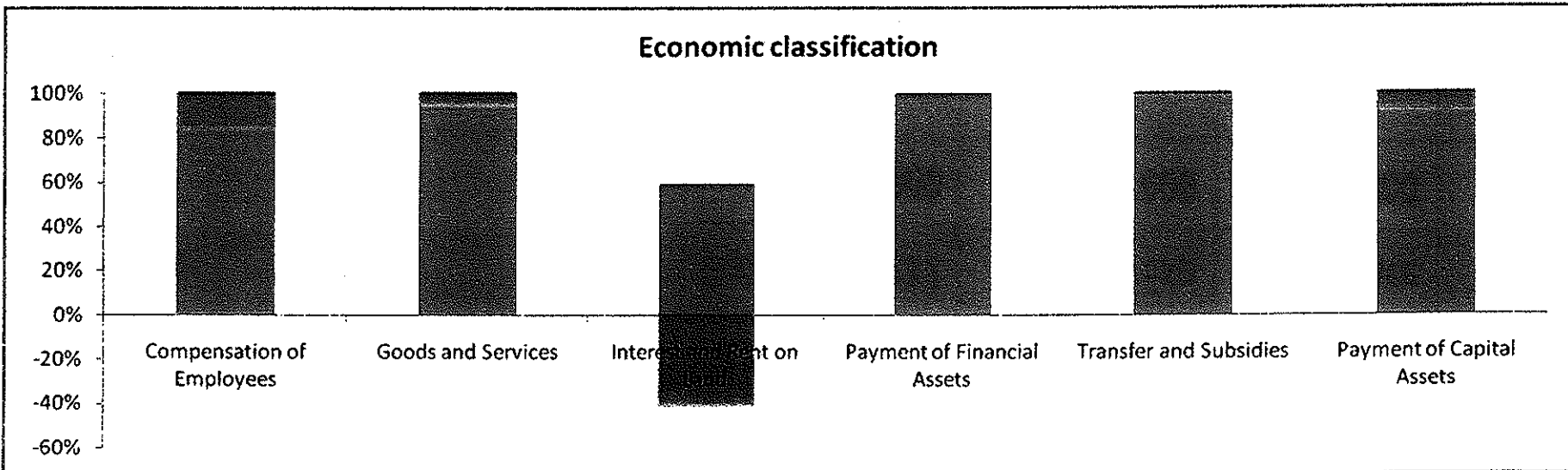
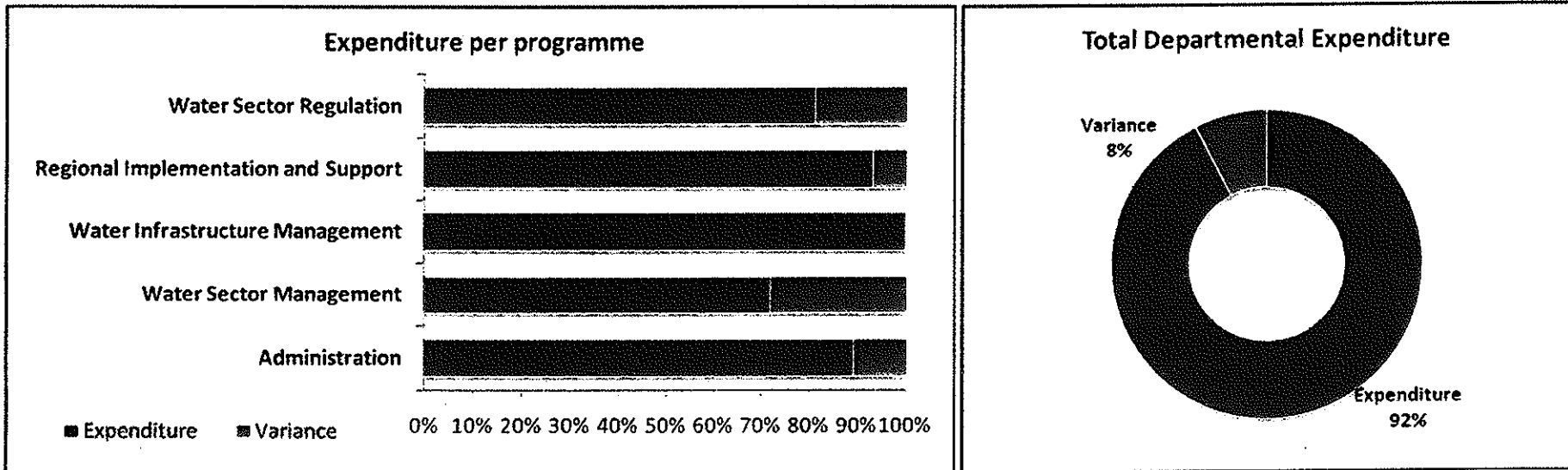
Overview of quarter 4 expenditure report



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Expenditure outcome as at 31 March 2012



Programme expenditure as at 31 March 2012

Programme	Budget 2011/12	YTD Exp	Variance	% spent
	R 000	R 000	R 000	
Administration	878 379	782 822	95 557	89%
Water Sector Management	852 351	611 791	240 560	72%
Water Infrastructure Management	2 384 963	2 384 021	942	100%
Regional Implementation and Support	4 774 145	4 453 165	320 980	93%
Water Sector Regulation	112 370	91 156	21 214	81%
International Water Cooperation	26 111	20 934	5 177	80%
TOTAL	9 028 319	8 343 889	684 430	92%

Economic classification expenditure as at 31 Mar 2012

Economic classification	Budget 2011/12	YTD Exp 2011/12	Variance	% spent
	R 000	R 000	R 000	
Compensation of Employees	1 095 615	922 839	172 776	84%
Goods and Services	1 796 930	1 692 446	104 484	94%
Interest and Rent on Land	1 177	3 827	-2 650	325%
Payment of Financial Assets	25 409	25 446	-37	100%
Transfer and Subsidies	3 512 408	3 486 085	26 323	99%
Payment of Capital Assets	2 596 780	2 213 246	383 534	85%
TOTAL	9 028 319	8 343 889	684 430	92%

Expenditure as at 31 Mar 2012: Programme 4

Summary per main programme	Adjusted budget	Expenditure (actual)	Available budget	% Spent	Variance
Operational Budget	944 839	833 061	111 778	88	111 778
Drought	450 000	450 000	-	100	-
Bulk Infr	1 785 932	1 819 034	-33 102	102	-33 102
ACIP	221 208	219 937	1 271	99	1 271
Transfers	688 890	671 925	16 965	98	16 965
Masibambane (Treasury Rollover)	74 231	76 932	-2 701	104	-2 701
Disaster Management	19 000	17 866	1 134	94	1 134
Borehole Projects	36 000	22 181	13 819	62	13 819
WFW Exp	-	5 422	-5 422		-5 422
TOTAL (EXCL WSP)	4 220 100	4 116 358	103 742	98	103 742
WATER SERVICES PROJECTS(WSP)	547 519	338 445	209 074	62	209 074
GRAND TOTAL (INCL WSP)	4 767 619	4 454 803	312 816	93	312 816

Expenditure as at 31 Mar 2012: Programme 4

Summary per economic classification	Adjusted budget	Expenditure (actual)	Available budget	% Spent to date	Variance
COMPENSATION OF EMPLOYEES	538 834	455 617	83 217	85	83 217
GOODS & SERVICES	846 619	824 838	21 781	97	21 781
INTEREST & RENT ON LAND	627	2 724	-2 097	434	-2 097
TRANSFERS & SUBSIDIES	1 034 574	1 031 705	2 869	100	2 869
PAYMENTS OF CAP ASSETS	1 799 446	1 801 474	-2 028	100	-2 028
TOTAL (EXCL WSP)	4 220 100	4 116 358	103 742	98	103 742
Water Service Proj - Cap	547 519	338 445	209 074	62	209 074
GRAND TOTAL (INCLUDING WSP)	4 767 619	4 454 803	312 816	93	416 557



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Analysis of under expenditure as at 31 Mar 2012



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High level summary

Programmes	Available budget R'000	Comments
Administration	95 557	<p>Unfilled vacant posts – R11 million (This drives other operational costs under goods and services and payments for capital assets)</p> <p>Funds committed for upgrading video conferencing room</p> <p>As result of unfilled vacant post an amount of budgeted for computers, furniture, S & T and other operational costs for newly appointees could not be utilised</p>
Water sector management	240 560	<p>Unfilled vacant posts – R55 million (This drives other operational costs under goods and services and payments for capital assets)</p> <p>The bulk of under expenditure in this programmes is mainly on Acid Mine Drainage – R150 million</p> <p>Late approval of studies to be conducted by planning</p>
Regional implementation and support	320 980	<p>Unfilled vacant posts – R83 million (This drives other operational costs under goods and services and payments for capital assets)</p> <p>Water Services Projects – R209 million - Details of under expenditure below</p>



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Programme 1: Administration

- Unfilled vacant posts – R11 million
- Delays in respect of process for upgrading of Video Conferencing link.
- Business Process Review Project was appointed in June 2011, the project is ongoing
- Delays in the process in respect of development and implementation of Enterprise Monitoring and evaluation tool
- National Water Advisory Council is ongoing



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Programme 2: Water sector management

- Unfilled vacant posts – R55 million (252 vacant posts)
- AMD – R150 million
- Late approval of studies to be conducted by planning
- Transfers of R18 million to Bushbuckridge Water board – payment could not be processed on the 30 March 2012 due to incorrect banking details



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Programme 4: Regional implementation and support

- Operational budget mainly under spent in CoE due to unfilled vacant posts including OSD -R83 million
- Water Services Projects such as Nandoni pipeline, Hluhluwe, Inyaka – R209 million
- Reasons under expenditure on Water Services Projects
 - Approval of service providers took longer than anticipated
 - Second contract was divided into three parts and the appointment is now only due in April / May 2012
 - The pipe diameters had to be re-optimized due to the higher water demands (due to the later design horizon)



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Programme 5: Water sector regulation

- Unfilled vacant posts – R15 million
- late approval of various projects such stream flow reduction, waste discharge charge system and the best practice guidelines



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Programme 6: International water co-operations

- Unfilled vacant posts – R1,5 million
- Number of International engagements committed and not undertaken due to political dynamics and postponement
- Procurement took longer than anticipated



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aCFO: WTE



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Programme 3 actual expenditure as at 31 December 2012

Category	Budget 2011/12	Expenditure 2011/12	Variance	% Spent	Comments
NWRI Support	206,040	106,570	99,470	52%	To fund overheads on engineering services, construction and operations
Financial management	162,979	79,741	83,238	49%	To provide financial management support to NWRI and Proto-CMAs
Infrastructure Projects	1,418,545	906,194	512,351	64%	New infrastructure funding on various projects
Vat	250,259	152,951	97,308	61%	Payment to SARS on augmentation received from Main account
Water resource management	167,134	125,351	41,784	75%	To fund for the shortfall on Proto CMA revenue budget caused by the limitation of the current pricing strategy.
Kobwa	180,000	135,000	45,000	75%	SA contribution towards the repayment of various loans for the building Maguga and Driekoppies Dam
Total	2,384,957	1,505,807	879,151	63%	WTE shows actual expenditure of R1.5 billion while Main Account shows R803 million. This has been caused by invoices amounting to R697 million invoiced but not yet paid by Main Account. Due to timing difference. Paid in Q4 by Main account



Plan to address under expenditure

The recovery plan was drafted to address the under expenditure, the following corrective measures were considered-

- Re prioritization of funds on non performing projects to performing projects.
- Detailed project plans have been developed
- Project scheduling per activity
- Demand plans have been developed



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Plan to address under expenditure

- Speed up procurement process without deviating from the PFMA and National Treasury regulation
- Ensuring that contractors invoice WTE on time
- Regular progress meeting reviews with the Minister and the DG
- Establishment of CAPEX Committee



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NWRI AUGMENTATION FUNDED PROJECTS (including Support) AS AT 31.12.2012

PROJECT NAME	Adjusted budget 2011/12 R'000	Actual Expenditure YTD 2011/12 R'000	Under/ (Over) Expenditure R'000	%	Comments
NWRI Support	206,040	106,570	99,470	52%	<ul style="list-style-type: none"> The under expenditure was R50 million is attributed to: Unfilled vacant posts contributed R18 million Design and supervision R10 million Movable assets R13 million Normal goods and services R9 million
Financial management Support	162,979	79,741	83,238	49%	<ul style="list-style-type: none"> The under expenditure was R41 million is attributed to: Unfilled vacant post contributed R17 million. Delays in submitting of invoice by service provider contributed R13 million Normal good and services R11 million
ORWRDP2A (De Hoop Dam)	493,211	408,391	84,820	83%	<ul style="list-style-type: none"> Expenditure in line with budget
ORWRDP BDS	402,039	7,798	394,241	2%	<ul style="list-style-type: none"> ORWRDP 2 BDS has been affected by the change in directives due to private sector not signing the agreement TCTA couldn't source funds from the market
Nandoni dam	-	218	(218)		<ul style="list-style-type: none"> Payment of a retention
Dam Safety Rehabilitation Programme (DSRP)	436,875	205,231	231,644	47%	<ul style="list-style-type: none"> Lack of in house technical skills Lack of technical data complicates designs Lack of as-built drawings Delays in appointing PSPs

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Please provide a comment some details

Ismailf, 2012/04/23

NWRI AUGMENTATION FUNDED PROJECTS (including Support) AS AT 31.12.2012

PROJECT NAME	Adjusted budget 2011/12 R'000	Actual Expenditure YTD 2011/12 R'000	Under/ (Over) Expenditure R'000	%	Comments
Clanwilliam Dam Raising	9,649	3,986	5,663	41%	<ul style="list-style-type: none"> Delays on PSPs to start work on the N7 re-alignment Delays on record of implementation decisions
MCWAP-1	82,807	238,884	(156,077)	288%	<ul style="list-style-type: none"> Delays on TCTA to obtain off budget funding (75% commercial) due to delayed WUL/ Stipulation letters The 25% social component has to be paid to ensure that project delays are avoided
GLeWAP Phases 2 and 3 (Tzaneen Dam Raising & Nwamitwa Dam)	45,758	-	45,758	0%	<ul style="list-style-type: none"> Delays in issuing environmental authorisation The RID Draft was circulated for comments on 15 August 2011
Hazelmere Dam Raising	43,070	1,204	41,866	3%	<ul style="list-style-type: none"> Delays in appointing PSP for the civil works. Stability analysis of dam wall in progress. Additional measures to ensure safety of the structure for extreme events need to be investigated.
Unallocated expenditure	-	40,482	(40,482)		<ul style="list-style-type: none"> Delay in cost allocation to the project.
Adjust to revised allocation	(94,862)		(94,862)	0%	Transfer of budget from Programme 3 to Programme 4 due to misallocation on the allocation letter from NT.
Subtotal	1,787,564	1,092,505	695,061	61%	
VAT	250,259	152,951	97,309	61%	
TOTAL	2 037 823	1 245 456	792 370	61%	

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Please provide a comment some details
Ismailf, 2012/04/23

NWRI AUGMENTATION FUNDED PROJECTS AS AT 31.03.2012 (including support)

PROJECT NAME	Original Budget 2011/12 R'000	Reallocation R'000	Adjusted budget 2011/12 R'000	Actual Expenditure YTD 2011/12 R'000	Under / (Over) Expenditure R'000	%	Comments
NWRI Support	206,040	(80,500)	125,540	118,939	6,601	95%	- The R7 million under expenditure is due to: Unfilled vacancy R3 million Outstanding invoices on goods and services to be accrued R3.5 million
Financial management	162,979	(36,793)	126,186	124,180	2,006	98%	- The R2 million under expenditure is due to: ERP license fees to be accrued
ORWRDP2A (De Hoop Dam)	493,210	13,012	506,222	504,270	1,952	98%	- The R2 million under expenditure is due to: Accruals on outstanding invoices to be made
ORWRDP BDS	402,039	48,028	450,067	450,067	-	100%	
Nandoni dam	-	400	400	218	182	55%	
Dam Safety Rehabilitation Programme (DSRP)	436,875	(174,198)	262,677	262,138	539	100%	- The R500k under expenditure is due to: Accruals on outstanding invoices to be made

NWRI AUGMENTATION FUNDED PROJECTS AS AT 31.03.2012 (including support)

PROJECT NAME	Original Budget 2011/12 R'000	Reallocation R'000	Adjusted budget 2011/12 R'000	Actual Expenditure YTD 2011/12 R'000	Under/ (Over) Expenditure R'000	%	Comments
Clanwilliam Dam Raising	9,649	(1,027)	8,622	8,622	-	100%	
MCWAP-1	82,807	174,240	257,047	257,047	-	100%	
GLeWAP Phases 2 and 3 (Tzaneen Dam Raising & Nwamitwa Dam)	45,757	(45,757)	-	-	-		
Hazelmere Dam Raising	43,070	(39,448)	3,622	3,622	-	100%	
ERP system upgrade from version 4.7 to ECC6			47,181	47,181	-	100%	
Adjust to revised allocation	(94,862)	94,862					
Subtotal	1,787,564	(0)	1,787,564	1,776,284	11,280	99%	
VAT	250,259	(0)	250,259	248,735	1,579	99%	
TOTAL	2,037,823	(0)	2,037,823	2,025,412	12,859	99%	

PROGRAMME 3 BUDGET 2012/13

TOTAL AUGMENTATION NWRI R1.9 billion

**Programme 3
TOTAL
Augmentation
R 2.3 billion (Vat inclusive)**

**Projects
R1.33 billion**

**Support
R367 million**

**NWRI VAT
R237 million**

**TOTAL OTHER AUGMENTATION
R339 million (Vat inclusive)**

**Water Resource
Management R159
million**

KOBWA R180 million

AUGMENTATION FUNDED PROJECTS BUDGET 2012/13 (including support)

PROJECT NAME	Total Project Budget	Project cost to date	ENE			Comments
			2012/13	2013/14	2014/15	
	R'000	R'000	R'000	R'000	R'000	
ORWRDP (Ph 2A) - De Hoop Dam	3,074,000	2,719,584	284,527	43,368		<ul style="list-style-type: none"> - Completion December 2012 - Build houses for affected families - Finalizing construction activities around the Dam
ORWRDP BDS - Bulk distribution (Sub Phases 2C and 2D)	2,585,000	658,111	300,092	684,942	703,954	<ul style="list-style-type: none"> - Completion March 2014 - Installation of pipes - Cash flow challenges, current financial year R1.2 billion is required.
GLeWAP Phase 1 (Nwamitwa Dam and Tzaneen dam)	1,325,000		59,491	233,471	212,015	<ul style="list-style-type: none"> - Completion March 2018 - Site establishment - Raising of Tzaneen dam
Dam Safety Rehabilitation Programme	2,800,000	1,582,470	349,820	347,762	405,000	<ul style="list-style-type: none"> - Continuous projects - Rehabilitation of dams
Water Resources Project Raising of Clanwilliam Dam	1,830,000	9,829	50,849	317,956	520,056	<ul style="list-style-type: none"> - Completion May 2017 - N7 re-alignment - Dam wall raising
MCWAP-1	2,138,000	435,488	87,800	103,359	93,797	<ul style="list-style-type: none"> - Completion August 2015 - Construction of a 46 km ,1m diameter pipeline - Cash flow must be reprioritised to other projects. - MCWAP-2 to commence to comply with SONA

AUGMENTATION FUNDED PROJECTS BUDGET 2012/13 (including support)

PROJECT NAME	Total Project Budget	Project cost to date	ENE			Comments
			2012/13	2013/14	2014/15	
	R'000	R'000	R'000	R'000	R'000	
Development Raising of Hazelmere Dam	162,000	4,125	43,100	37,800	35,088	<ul style="list-style-type: none"> - Completion September 2014 - The installation of the crest gates - Civil work for safety and stability of dam wall. - Acquisition of additional land in the dam basin
Mopani DM Emergency Works	220,000		70,175	-	-	- Refurbish dilapidated infrastructure
ERP system upgrade from version 4.7 to ECC6	205,000	50,000	70,175	87,719	-	<ul style="list-style-type: none"> - Completion March 2014 - Upgrade and development of new modules
NWRI Support			205,309	216,662	236,753	
Financial management			161,281	155,080	190,465	
TOTAL	14,564,000	5,459,607	1,696,494	2,289,524	2,427,113	
VAT			237,509	320,533	339,796	
TOTAL			1,934,003	2,610,057	2,766,909	



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