



DEPARTMENT OF WATER AND SANITATION
Water is Life - Sanitation is Dignity

ANNUAL REPORT

2016/17



VOTE 36



water & sanitation

Department:
Water and Sanitation
REPUBLIC OF SOUTH AFRICA



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GENERAL
INFORMATION

1 DEPARTMENT GENERAL INFORMATION

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2 LIST OF ABBREVIATIONS/ACRONYMS

Abbreviation / Acronym	Description
ACIP	Accelerated Community Infrastructure Programme
AIDS	Acquired Immunodeficiency Syndrome
AMD	Acid Mine Drainage
AMP	Asset Management Plan
APP	Approved Professional Person
AUC	Asset under construction
BBBEE	Broad-Based Black Economic Empowerment
BDS	Bulk Distribution System
BEE	Black Economic Empowerment
BGCMA	Breede-Gouritz Catchment Management Agency
BWS	Bulk Water Supply
CCMA	Commission for Conciliation, Mediation and Arbitration
CE	Chief Executive
CHDM	Chris Hani District Municipality
CMA	Catchment Management Agency
COGTA	Cooperative Governance and Traditional Affairs
CRM	Customer Relationship Management
CSD	Central Supplier Database
DBAC	Departmental Bid Adjudication Committee
DDG	Deputy Director-General
DG	Director-General
DHET	Department of Higher Education and Training
DIRCO	Department of International Relations and Cooperation
DM	District Municipality
DORA	Division of Revenue Act
DPME	Department of Planning Monitoring and Evaluation
DPSA	Department of Public Service and Administration
DSRP	Dam Safety Rehabilitation Programme
DWS	Department of Water and Sanitation
EC	Eastern Cape
ECL	Environmental Critical Level
ECSA	Engineering Council of South Africa
EHWP	Employee Health and Wellness Programme
EIA	Environmental Impact Assessment
ELU	Existing Lawful Use
EME	Exempted Micro Enterprise

LIST OF ABBREVIATIONS/ACRONYMS

Abbreviation / Acronym	Description
EMP	Environmental Management Plan
ERC	Executive Risk Committee
EWSETA	Energy Water Sector Education and Training Authority
FBSan	Free Basic Sanitation
FDI	Foreign Direct Investment
FOSAD	Forum for South African Directors-General
FS	Free State
GA	General Authorisation
GAAP	Generally Accepted Accounting Principles
GCIS	Government Communication and Information System
GLeWAP	Greater Letaba Water Augmentation Project
GP	Gauteng
GRAP	Generally Recognised Accounting Practice
GWS	Government Water Scheme
HDI	Historically Disadvantaged Individual
HIV	Human Immunodeficiency Virus
HLPW	High Level Panel on Water
HOA	Home Owners Allowance
HR	Human Resources
ICT	Information Communication Technologies
IESBA	International Ethics Standards Board for Accountants
IRS	Implementation Readiness Study
IT	Information Technology
IUCMA	Inkomati-Usuthu Catchment Management Agency
IWQMS	Integrated Water Quality Management Strategy
JSE	Johannesburg Stock Exchange
KOBWA	Komati Basin Water Authority
KSD	King Sabata Dalindyebo
KZN	KwaZulu-Natal
LHDA	Lesotho Highlands Development Authority
LHWP	Lesotho Highlands Water Project
LIMCOM	Limpopo Watercourse Commission
LM	Local Municipality
LP	Limpopo
LRWSS	Lusikisiki Regional Water Supply Scheme
LS	Legal Services
m ²	Metre squared
m ³	Cubic metre

LIST OF ABBREVIATIONS/ACRONYMS

Abbreviation / Acronym	Description
MIG	Municipal Infrastructure Grant
MIIF	Municipal Infrastructure Investment Framework
MI	Megalitre
MI/d	Megalitre per day
Mm	Millimetres
MMS	Middle Management Service
MP	Mpumalanga
MPAP	Municipal Priority Action Plan
MPAT	Management Performance Assessment Tool
MTSF	Medium-Term Strategic Framework
MuSSA	Municipal Services Strategic Assessment
MWIP	Municipal Water Infrastructure Programme
NACH	National Anti-Corruption Hotline
NAMP	National Asset Management Plan
NAWASIA	National Water and Sanitation Infrastructure Agency
NC	Northern Cape
NCOP	National Council of Provinces
NDP	National Development Plan
NEDLAC	National Economic Development and Labour Council
NT	National Treasury
NW	North West
NWA	National Water Act
NWRI	National Water Resources Infrastructure
NWRS-2	Second National Water Resources Strategy
NWSMP	National Water and Sanitation Master Plan
NWSRS	National Water and Sanitation Resources Strategy
NWSRSS	National Water and Sanitation Resources and Services Strategy
O & M	Operations and Maintenance
OFA	Organisational Functionality Assessment
OFO	Organising Framework for Occupation
OHS	Occupational Health and Safety
ORASECOM	Orange-Senqu River Basin Commission
ORWRDP	Olifants River Water Resource Development Project
OSD	Occupation Specific Dispensation
PAT	Performance Assessment Tool
PC	Portfolio Committee
PCPA	Portfolio Committee on Public Account and Finance
PCWS	Portfolio Committee on Water and Sanitation

LIST OF ABBREVIATIONS/ACRONYMS

Abbreviation / Acronym	Description
PEP	Project Executive Plan
PFMA	Public Finance Management Act
PKW	Piano key weir
PLATO	South African Council for Professional and Technical Surveyors
PPI	Producer Price Index
PSC	Public Service Commission
PSCBC	Public Service Coordinating Bargaining Council
PSETA	Public Sector Education and Training Authority
PSP	Professional Service Provider
PSR	Public Service Regulations
QSE	Qualifying Small Enterprise
RBAC	Regional Bid Adjudication Committee
RBIG	Regional Bulk Infrastructure Grant
RDP	Reconstruction and Development Programme
RID	Record of Implementation Decision
RPF	Resource Poor Farmers
RUL	Remaining Useful Life
RW	Rand Water
RWH	Rainwater Harvesting
RWS	Regional Water Scheme
SACNASP	South African Council for Natural Scientific Professions
SADC	Southern African Development Community
SAGC	South African Geomatics Council
SALGA	South African Local Government Association
SCM	Supply Chain Management
SCoA	Standing Committee on Appropriations
SCOPA	Standing Committee on Public Accounts
SCSS	Select Committee on Social Services
SDG	Sustainable Development Goal
SETA	Sector Education Training Authority
SFWS	Strategic Framework for Water Services
SIP	Strategic Infrastructure Project
SITA	State Information Technology Agency
SIU	Special Investigation Unit
SMART	Specific Measurable Achievable Realistic Time-bound
SMME	Small Medium Micro Enterprises
SMS	Senior Management Service
SO	Strategic Objective

LIST OF ABBREVIATIONS/ACRONYMS

Abbreviation / Acronym	Description
SSA	State Security Agency
StatsSA	Statistics South Africa
SWPN	Strategic Water Partners Network
TB	Tuberculosis
TCTA	Trans Caledon Tunnel Authority
TRA	Temporary Relocation Areas
UIF	Unemployment Insurance Funds
VCT	Voluntary Counselling and Testing
VIP	Ventilated Improved Pit
WB	Water Board
WC	Western Cape
WCDM	Water Conservation Demand Management
WIP	Work in progress
WISA	Water Institute of Southern Africa
WMI	Water Management Institution
WRA	Water Research Act
WRC	Water Research Commission
WRM	Water Resource Management
WS	Water Scheme
WSA	Water Service Authority
WSDP	Water Sector Development Plan
WSOS	Water Services Operating Subsidy
WSP	Water Services Provider
WSS	Water Supply Scheme
WTE	Water Trading Entity
WTP	Water Treatment Plant
WTW	Water Treatment Work
WUA	Water User Association
WULA	Water Use License Application
WULATS	Water Use License Application Tracking System
WWTP	Wastewater Treatment Plant
WWTW	Wastewater Treatment Work



Mrs NP Mokonyane
Minister of Water and Sanitation

3 FOREWORD BY THE MINISTER

The Statistician General of the Republic of South Africa, recently issued the outcomes of the General Household Survey which reflect that by June 2016, 89.4% of South Africans had access to piped water with 4.4% of the population still collecting water from other sources such as rivers, streams. The survey also indicated that by the same period, over 80% of our national population had access to 'RDP standard' sanitation services.

What the above reflects is the reality that there remain parts of our country for whom the democratic break-through of 1994 has yet to yield the requisite access to water and sanitation as guaranteed by the Constitution.

The establishment of the Department of Water and Sanitation in the fifth administration, was an attempt to intensify the work of government in delivering these essential basic services to all South Africans and to realise the attainment of the Sustainable Development Goals as well as Vision 2030 as envisioned by the National Development Plan (NDP).

Immense effort has been invested by the Department over the period under review to accelerate the delivery of water and sanitation services to the people of South Africa across the country, in rural and urban areas. In the last three years this effort has however been hampered by the devastating drought that the country experienced from 2013 which increased in intensity increasing distress during 2015/16 and 2016/17.

The drought resulted in eight (8) provinces declaring disasters leading to extensive drought-related interventions in a number of provinces. This was done through water-tankering, boreholes, investment

in new innovative water supply solutions such as desalination. Furthermore, we also invested in the acceleration infrastructure projects in a number of provinces to seek to mitigate the effects of drought.

We are pleased as a department that despite the worst drought in a century, interventions made mitigated the worst effects of the drought and as a result, there was no loss of human life linked to drought nor were there water borne disease outbreaks experienced.

However, the drought and indeed had a dire impact on the financial and performance of the Department against the approved Annual Performance Plan and budget. Given the interventions made, a reprioritisation of financial resources was required to make the drought interventions possible. It is therefore against this background that the performance of the Department against targets in the Annual Performance Plan in the period under review should be understood.

The audit outcomes for the period under review have highlighted a need to improve the internal controls and oversight over work and funds allocated to implementing agents, who execute projects on behalf of the Department.

The regress from our achievement of an unqualified audit opinion in 2015/16 to a qualified opinion in 2016/17 is cause for concern and we will spare no effort in ensuring that the necessary systems are put in place to again turn the ship towards an unqualified audit opinion.

Despite the challenges of the drought and the limitation in resources available for the Department due to a reduction in budget allocations by the National Treasury; several Regional Bulk Infrastructure projects aimed at supporting access to water and sanitation services are in progress

Over the 2016/17 financial year, we have begun a process towards the development of a National Water and Sanitation Master Plan for South Africa. The plan will guide government as well as the water and sanitation sector on the infrastructural needs of our country to ensure we provide a guarantee of water security towards 2030 and beyond; as well as the provision of basic sanitation services for all.

We have also, in the period under review approved the National Sanitation Policy as a key policy on sanitation services and standards in the country.

We have also commenced a review of the Water Services and Water Acts in order to respond to the challenges experienced and to empower the Department to provide end to end water and sanitation services and support to local government in particular. Our legislative review process will also assist us to strengthen our commitment to transformation and equity in the distribution, allocation of water rights and the extension of access to the previously disadvantaged in our country.

We are working towards the establishment of the National Water and Sanitation Infrastructure Agency to enhance our capacity to develop and fund infrastructure required to realize Vision 2030 and to implement the National Water and Sanitation Master Plan.

These initiatives are informed by the National Water Resource Strategy II which aims to create a seamless and integrated management of our national water resources as well as the NDP which states the need for institutional realignment in order to realise its objectives.

Together with the Water Research Commission, we have launched the Women Incubator Programme in the 2016/17 financial year aimed at opening the sector to women in the construction, engineering and innovation sectors to actively benefit from identified projects within the Department. It is our intention to build the capacity of women owned entities to compete with established entities in the pursuit of contracts for water and sanitation services.

PART A: GENERAL INFORMATION

Notwithstanding the challenges, we remain steadfast in our resolve to fast track water sector transformation; delivery of basic water and sanitation services; the regulation of water use and resource management.

I wish to express gratitude to the active role played by the Deputy-Minister in support of the mandate we have been assigned to deliver these important and basic services of our people.

The entire senior management team has worked extremely hard to see the Department through a difficult period given its challenges and will have to up the ante to ensure that the matters raised by the Auditor-General in his audit report are resolved to secure a positive outcome in the 2017/18 financial year.



Mrs NP Mokonyane
Minister of Water and Sanitation

Date: 31 July 2017



Mrs P Tshwete
Deputy Minister of Water and Sanitation

4 DEPUTY MINISTER STATEMENT

The Department of Water and Sanitation (DWS) is dedicating the work covered by the institution for service delivery to our people. This process is a way of thanking our people who, together working with the Department in executing its mandate dedicated to our inspirational struggle heroes of many years, particularly their selfless service in the creation of a new South Africa with peace and freedoms for all. It should be remembered that central in this struggle was the upliftment particularly the empowerment of all South Africans especially the poor and the vulnerable which is what we as the Department strive to maintain and emulate these icons of our people. Much has been achieved while some other ventures are underway.

There were, and still are, a variety of projects undertaken, lined up and those still in their infancy. The planned projects, the communities covered by these projects, the regional and international partnerships presented in our budget, they all reflect our belief as a Department that the ideals for which struggle heroes sacrificed their lives can never die until all South Africans have a right to healthy life, a right to decent sanitation, access to food and water, and the right to the environment that is protected. In the past year DWS has done so much in ensuring sustainable provision of water and decent sanitation facilities to both urban and rural communities.

The work progress achieved is considered as a further enabler to achieve the vision of the Department that is the "Equitable and sustainable water and sanitation that supports socio-economic growth and development for the well-being of current and future generations." At a very strategic level our planning towards realisation of the Departmental mandate and vision in this financial year our work will be firmed through the Integrated Water Quality Management Strategy and located within a sound National Water and Sanitation Master Plan. For instance, the Integrated Water Quality Management Strategy (IWQMS) talks about how we should manage our water resource to be of good quality.

South Africa is a water scarce country and this reality is further compounded by the deterioration of water quality. The issue of water quantity and quality has a huge impact on the resource. Water of growth and development is of paramount importance as we want to maintain a flourishing including sustainable economic growth, social development plus the protection of the environment. As a country, we need to work very hard to ensure continued supply of water in all communities.

In pursuing our efforts in water conservation and demand management, we need to work very closely with sectors such as the formal and informal industry working with breeding and caring for farm animals, the fruit and beverage industry and the municipal wastewater organisation. These institutions in the world over use large amounts of water which can be collected and also be treated for safe use in other industries.

Water pollution is today the major problem and is among the leading causes of disease and death in the world. The most victims of this wide spread phenomenon are mostly the poor and the marginalised communities.

The Department through this strategy needs to ensure continuous tests with the latest technology of all water sources to determine the main culprits of pollution. We also need to educate communities and all water users that water quality and quantity must be understood as two sides of the same coin. Fostering volunteerism among communities is the only solution that can actively encourage human beings to protect our vast majestic environments.

Pollution has a huge negative impact on the environment. It obviously means that marine environments are damaged together with fisheries.

Environmental Education is a foundation formed to strengthen community awareness of all environmental issues, including water pollution-related diseases. But, consequently, poor usage habits, the denigration of wetlands, climate change and consumer and commercial losses are factors causing the availability of this valuable resource to dwindle. Is there an answer to the problems? Fortunately, the Department of Water and Sanitation (DWS) has found a solution to this heartache – Implementing the Clear Rivers Campaign.

The Clean Rivers campaign undertakes collaborative effort to proactively engage the communities including promoting, creating on-going awareness and education on protecting our water resources. Fostering volunteerism among communities is encouraged as part of a proactive approach to protecting rivers, streams, wetlands and other water ecosystems.

When rivers run dry, it reminds us that water does not come from the tap. That is why government, business and civil society initiated the Clear Rivers Campaign in 2016. The campaign calls on everyone to dedicate their 67 minutes of goodwill activities towards cleaning up streams, wetlands, dams, canals and any freshwater source. Everyone is encouraged to participate in cleaning up our water ecosystems on any day during the Nelson Mandela Month Commemoration activities.

Therefore the implementation of this strategy must serve to enhance our economic development, social upliftment and environmental protection. This strategy should reduce the costs of providing water for agriculture, mining, manufacturing purposes and general use by municipalities for household usage.

This Master Plan is about re-engineering the manner in which the water and sanitation business in South Africa is coordinated and guided. Working with all water sector partners we want to see a high level actionable plan, role players, milestones and resources required towards achieving 2030 Sustainable Development Goals. The genesis of this Master Plan would be a strong partnership with all stakeholders present here. It is about mobilising the entire water family to take the lead in their own spaces by selling this concept, collating relevant data on what needs to be done, and providing technical expertise into the task teams for strategic contributions.

We have come a long way since the President launched the War on Leaks Project in Port Elizabeth in 2015. To date some of the municipalities are benefiting from the Water Agents who have been produced by this programme. The Water Agents are assisting with water use advocacy, meter reading and leak identification and reporting.

A special thank you to the Water Service Authorities - Municipalities - who have afforded some of the trainee Artisans with the pre-requisite on the job training they require before they can qualify. This is also a demonstration of the seriousness within these municipalities to save water. Rand Water, Eskom and other private companies have also come on board in this partnership towards saving this scarce resource.

Out of the 2717 Artisans and Water Agents who were recruited in Phase 1, 1848 have been placed. The challenge will remain with all of us ensuring that the remaining 869 as well as the 7000 recruited in Phase 2 are given the internship training they require while we reduce the water losses.

In intensifying and realising the radical socio-economic transformation the Department engaged entities owned by women, youth and people with disabilities on available economic empowerment opportunities. In conclusion I want to thank all partners in the water family and say the drought conditions witnessed in 2016 brought us very close to one another and as a country we presented a formidable united force.

Let me also thank Minister for her guidance and the Officials of the Department for their support whilst the Department navigated through deep waters and difficult tides in the course of doing our work.

Lastly I would also like to thank the Portfolio Committee for their support and insightful contributions in the work of the Department.



Mrs P Tshwete
Deputy Minister of Water and Sanitation

Date: 31 July 2017



Sifiso Mkhize
Director-General (Acting)
Department of Water and Sanitation

5 REPORT OF THE ACCOUNTING OFFICER

5.1 Overview of the operations of the Department

During the year under review, the Department of Water and Sanitation (DWS) implemented its strategic priorities that contribute to the realisation of government's outcomes. Through its various programmes, the Department continued its commitment to effectively manage the country's water resources to ensure equitable and sustainable socio-economic development and universal access to water and dignified sanitation. The progress and achievements per budget programme is summarised below:

Administration

As part of our global multilateral engagements, the Department in the year under review showcased and won the confidence of the world leaders, resulting in the nomination of His Excellency President Jacob Zuma as part of the 11 Head of States High Level Panel on Water (HLPW). The panel seeks to accelerate the implementation of the sustainable development goals in particular goal 6 (SDG6), and related targets, through leading the advocacy initiatives on water and adaptation.

In an effort of strengthening climate change adaptation and resilience in the country the Department signed a Memorandum of Understanding with the government of Italy through, the Ministry of Environment, Land and Sea in October 2016. This agreement is on the technical collaboration in the field of sustainable integrated water management that expands to training and skills development within the areas of collaboration.

The development of technical skills remains a key priority for the Department, through the Learning Academy. Since its inception, 433 young people met professional requirements with professional bodies such as ECSA, SACNASP, South African Geomatics Council (SAGC) (previously known as PLATO). In

turn, they were taken into permanent posts within the Departmental structure. Through the programme, the Department has managed to reduce the entry level vacancies in the Department drastically across all branches. In addition, it gives the young people an opportunity to get the necessary on the job experience needed as required by the professional bodies. Without the professional registration they obtain, employment within the context of OSD regulation will be virtually impossible.

Water Planning and Information Management

South Africa has been experiencing a decline in the quality of water in dams, rivers, wetland, estuaries and aquifers. In response to this, the Department developed an Integrated Water Quality Management Strategy (IWQMS) and implementation plan that set out the required strategic actions in order to realise the vision and goal for water quality in South Africa. The implementation plan further outlines roles and responsibilities, resource requirements, linkages and dependencies between key activities. Furthermore, a monitoring and evaluation framework is included, that articulates indicators to monitor in order to determine the progress of implemented action.

The Department has extensively assessed the risks and vulnerability of water resources to the current and future impacts of climate change. While climate change is considered as a global phenomenon, the nature and impacts are specific to each location. In view of this, for the period under review, climate change risk and vulnerability assessments for the Mzimvubu-Tsitsikamma and the Vaal hydro-climatic zones were completed. These assessments provide additional non-climatic factors such as existing land use practices, water quality and population demands that can be seen as additional stresses to the water resources.

The Lusikisiki area has been experiencing water shortages and low water security for several years. This area is currently served through the Lusikisiki Regional Water Supply Scheme (LRWSS) which require augmentation. The best option to augment the LRWSS is the development of a dam on the Xura River (Zalu Dam) which has been found to be feasible. The development of the proposed Zalu Dam received environmental authorisation and has been approved for implementation subject to availability of funds. Although the development of new irrigation schemes in economically deprived rural areas is also viewed as a key strategic objective by government in order to stimulate socio-economic development, and hence some of the incremental yield from the proposed Zalu Dam will be allocated to small-scale agricultural activities in the area. A handover from planning to implementation through the issuing of a Record of Implementation Decisions (RID) for the Lusikisiki Regional Water Supply Scheme was completed during the period under review.

Government is faced with the challenge of protecting water resources on the one hand and the need to utilise water for social and economic development on the other hand. The protection of water resources is essential to ensure water availability for current and future human use. The National Water Act, thus specifies a series of measures which are intended to do such. The water resource classes and resource quality objectives are examples of these measures. For the period under review the water resource classes and resource quality objectives for the Inkomati and Letaba River systems were determined. This bring the total of protected water resources to seven (7) with the gazetting of the Upper Vaal, Lower Vaal, Middle Vaal, Olifants and Olifants-Doorn at the beginning of the 2016/17 financial year.

Monitoring, recording, assessing and availing information about water resources are critical in ensuring that the main purpose of the National Water Act is achieved. In line with the National Water Act requirements of establishing national monitoring and information systems for all aspects of water resources, the National Water Resources Monitoring Strategy and Implementation Plan were developed. These seek to coordinate the integration, implementation and maintenance of the water resources monitoring network (e.g. surface water quantity and quality monitoring, groundwater monitoring). In addition, the Department assessed and monitored water quantity in 8 key large water supply systems namely, the Vaal, Umgeni, Crocodile West River, Olifants River, Algoa, Amathole, Bloemfontein and the Western Cape Supply System. This is an essential requirement for the optimal operation of the water resources infrastructure to meet some conflicting requirements and to reduce water wastage in the various systems.

In addition, the Department assessed and monitored water loss in eight (8) key large water supply systems namely, the Vaal, Umgeni, Crocodile West River, Olifants River, Algoa, Amathole, Bloemfontein and the Western Cape supply system. This is an essential requirement for the optimal operation of the water resources infrastructure to ensure water security and improve efficiency of water use in these key water supply systems.

An integrated planning approach between the provision of water services and development of water resources is essential. This is of utmost importance for the realisation of 90% access to reliable water and sanitation services by 2019 as required by government's outcomes approach. The Department also developed the water services master plans for six (6) priority district municipalities as part of the thrust to achieve set targets of MTSF and NDP. These master plans provide a framework for the reliable implementation of water and sanitation services at local level. In addition, the Department completed 16 feasibility studies and 12 implementation readiness studies for water and wastewater services projects. These studies outline the required infrastructure to connect the water resource on a macro or sub-regional scale with bulk and reticulation systems.

A water services development plan is a primary planning instrument that assists water services authorities to carry out their functions in the most effective manner. During the period under review, the Department audited 50 Water Service Authorities for delivery against their water services development plans. In addition, the Department conducted a socio-economic impact assessment of water and sanitation infrastructure programmes (e.g. regional bulk and reticulation infrastructure programmes) implemented within the water service authorities.

Water Infrastructure Development

South Africa has the mean annual rainfall of approximately 500mm as compared to the world's average of 860mm. Therefore, it is characterised by low, variably distributed rainfall as well as high evaporation rates, resulting in the uneven distribution of runoff across the country. To overcome the uneven spread of water resources and to manage floods and drought, more than two thirds of the country's mean annual rainfall is currently stored in dams. There is a limited opportunity for more dams and transfer schemes, but they are inevitable in certain areas albeit at a great cost.

During the period under review, the Department continued with the provision of water storage infrastructure and regional bulk infrastructure that assists municipalities with the connection to the resources. A number of strategic water resource infrastructure projects were implemented (i.e. Hazelmere Dam and Phase 2C of the Olifants River Water Resources Development project). The phased impoundment for the Hazelmere Dam continued with two (2) stages of the piano key weir completed. The 40 kilometre pipeline for phase 2C of the Olifants River Water Resources Development project has been laid with the pump station over 95% completed meaning the defects notification period is underway.

A total of 13 mega water and wastewater services projects (i.e. with a total project cost of at least R1 billion over the project lifecycle) were under construction of which one (1) is in the Eastern Cape, one (1) is in Gauteng, four (4) are in KwaZulu-Natal, six (6) are in Limpopo and one (1) is in the Northern Cape.

A further 35 large water and wastewater services projects (i.e. with a total project cost of at least R250 million but less than R1 billion over the project lifecycle) were under construction with two (2) completed during the period under review. Of the 35 projects under construction, the Eastern Cape accounts for eight (8) projects, Free State has eight (8), Gauteng has two (2), KwaZulu-Natal has five (5), Limpopo has four (4), Mpumalanga has one (1), Northern Cape has two (2), North West has seven (7) and Western Cape has one (1). The two (2) completed projects are Kalahari East to Mier pipeline in the Northern Cape and Masilonyana / Brandfort phase1 in the Free State.

A total of 519 small water and wastewater services projects (i.e. with a total project cost of less than R250 million over the project lifecycle) were implemented under the Regional Bulk Infrastructure, Accelerated Community Infrastructure, Municipal Water Infrastructure programmes with a total of 31 projects completed during the period under review.

There is a well-developed infrastructure, with more than 4,395 registered dams in South Africa, including 350 dams belonging to the Department, and a number of large-scale inter-basin water transfer schemes. Water services infrastructure covers more than 35,000km of bulk pipelines and 200,000km of reticulation systems that are managed by 152 water service authorities and providers. During the period under review, the Department completed a national asset management plan and a maintenance plan. A further 152 projects were completed as per the approved maintenance plan; with 4.205 kilometres conveyance systems rehabilitated. The Department also continued with the implementation of its dam safety rehabilitation programme.

The implementation of the Department's infrastructure built programme yielded positive results. A total of 5 046 job opportunities were created for the historically excluded and vulnerable groups during the period under review.

For the year under review the Department continued with a successful coordination of the Cubans water specialists/ engineers. They were stationed at different offices and were allocated different responsibilities according to their areas of specialities (i.e. Irrigation drainage engineers, hydrology engineers, agronomist engineers, agriculture engineers, civil engineers, electrical engineers, mechanical engineers, geo-hydrologists, geo-physics engineers, geology engineers and the hydraulic engineers). During the period under review, the Cubans were deployed to support 373 projects within the Department's infrastructure built programme.

Water and Sanitation Services

For the period under reviewed, the Department continued supporting government's outcomes approach by implementing targeted rural development support initiatives namely the resource poor and water harvesting programmes. These initiatives supported 1 455 resource poor farmers with financial subsidies for inter alia operations and maintenance of waterworks used for irrigation. A further 807 water harvesting tanks were installed for household productive uses such as livestock watering and food production. From these initiatives, a total of 341 job opportunities were created.

While the provision of basic water and sanitation is primarily the function of local government; for period under review, the Department supported activities towards the achievement of the medium term strategic framework (MTSF). The 2019 MTSF targets the eradication of the bucket system by 2019. Through the implementation of the bucket eradication and the rural household infrastructure programmes, the Department replaced 19 424 sanitation systems within households in formal settlements and rural areas.

Water Sector Regulation

For the period under review, the Department used various regulatory instruments to safeguard the interests of all water users, whilst also ensuring the protection of the water resources quality.

To support the enabling environment for the management of the water resources, the draft Water and Sanitation Amendment Bill was developed and preliminary consultations with other government departments were convened during September 2016. In addition, Cabinet approved the new National Sanitation Policy on 7 December 2016. The revised policy addresses existing challenges towards achieving universal access to sanitation.

Pollution prevention is part of protecting water resources. For the period under review, the Department implemented various mechanisms to curb and / or mitigate the contamination of water resource resulting from land activities. The Department assessed coal mines in the Tugela catchment area (i.e. Inkomati-Usuthu Water Management Area) for potential acid mine generation and challenges arising from the management of mine water. In addition, a mitigation strategy was finalised for the Olifants-Steelpoort catchment (i.e. Olifants Water Management Area). This strategy proposes mechanisms for managing or preventing mine water impacts (e.g. the construction of treatment plants during the mine operation or after closure depending on when the need arises).

Water use of strategic importance is authorised. The different types of water use authorisations determine water use activities that require a licence and those that do not require a licence. As stipulated in the National Water Act, a user must apply for a water licence for any new water use that is not listed in schedule 1 or not covered by a general authorisation. During the period under review, the Department gazetted regulations regarding the procedural requirements for water use licence applications and appeals. These regulations require the Department to finalise applications for water use within 300 days and in compliance with these regulations, the Department finalised 275 applications during the period under review.

To monitor the compliance of water users with the legislative, standards, water use entitlements and regulations, a total of 435 water users were monitored during the period under review. These water users fall within the public, mining, industry, agriculture and forestry sectors. A further 178 dams were monitored for compliance with dam safety regulations. Also, 30 water management institutions, were monitored for compliance with their own water use entitlements and how they perform their regulatory functions over affiliated water users.

In pursuit of the excellence in drinking water quality and the management of wastewater services, the Department continued with the implementation of the performance assessment tool for the water treatment works and wastewater collector systems. A total of 318 non-compliant wastewater systems were monitored against the Green Drop regulatory tool with 763 water supply systems assessed for compliance with Blue Drop regulatory standards. A further 316 non-complaint water supply systems were monitored against the Blue Drop regulatory tool.

The National Water Act, Water Service Act and Water Research Act provide for the establishment of Catchment Management Agencies, the Trans Caledon Tunnel Authority, water boards and the Water Research Commission respectively. To ensure sound governance of the Department's entities, performance assessments were conducted for all 13 entities (i.e. 9 Water Boards, 2 Catchment Management Agencies, the Trans Caledon Tunnel Authority and the Water Research Commission).

In an effort of addressing the effects of controlling unlawful water use, the Department investigated a total of 634 reported non-compliant cases. Of these cases, Eastern Cape accounts for 63, Free State has 43, Gauteng has 84, KwaZulu-Natal has 127, Mpumalanga has 65, Limpopo has 65, North West has 73, Northern Cape has 72 and the Western Cape has 42.

5.2 Overview of the financial results of the Department

5.2.1 Departmental receipts

Departmental receipts	2016/2017			2015/2016		
	Estimate	Actual Amount Collected	(Over)/ Under Collection	Estimate	Actual Amount Collected	(Over)/ Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Sale of goods and services other than capital assets	-	3 164		2 494	2 576	(113)
Transfers received	-	-	-	-	-	-
Fines, penalties and forfeits	-	-	-	-	-	-
Interest, dividends and rent on land	-	1 384		3 498	2 428	1 070
Sale of capital assets	-					
Financial transactions in assets and liabilities	-	16 416		13 100	5 973	7 127
Total	-	20 964		19 092	11 008	8 084

5.2.2 Programme Expenditure

Programme Name	2016/2017			2015/2016		
	Final Appropriation	Actual Expenditure	(Over)/ Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	1 547 743	1 504 930	42 813	1 519 753	1 517 867	1 886
Water Planning and Information Management	749 656	695 604	54 052	684 446	668 817	15 629
Water Infrastructure Development	12 130 318	12 082 463	47 855	11 856 540	11 748 847	107 693
Water and Sanitation Services	778 488	1 070 757	(292 269)	1 414 674	1 359 575	55 099
Water Sector Regulation	318 392	281 685	36 707	271 117	261 868	9 249
Total	15 524 597	15 635 438	(110 841)	15 746 530	15 556 974	189 556

5.2.3 Virements/ rollovers

Section 43(1) of the Public Finance Management Act (PFMA), provides that the Accounting Officer of the Department may utilise a saving in the amount appropriated under a main division within a vote towards the defrayment of excess expenditure under another main division within the same vote, unless the relevant treasury directs otherwise.

5.2.3.1 Virements approved by the Accounting Officer

The table below summarises the funds shifted and virements applied by the Department:

From			To		
Programmes	Reasons for virement	Amount R'000	Programmes	Reasons for virement	Amount R'000
Administration	Savings were realised mainly due to unfilled vacant posts and the related goods and services, delays in appointing contractors for planned activities/ projects and the reduced activities on travelling, air transport, travel agency fees and accommodation as part of cost containment	(65 208)	Water Infrastructure Development	To defray over expenditure in the programme	117 622
Water Planning and Information Management	Savings were realised mainly due to unfilled vacant posts and the related goods and services, delays in appointing contractors for planned activities/ projects in the Integrated Planning, Water Ecosystems, Water Services & Local Water Management and Water Information Management of the Department.	(65 157)	Water and Sanitation Services	To defray over expenditure in the programme	40 428
Water Sector Regulation	Savings were realised mainly due to unfilled vacant posts and the related goods and services, delays in appointing contractors for planned activities/ projects in the Institutional Oversight and Economic & Social Regulation Water of the Department.	(27 685)			

5.2.3.2 Requests for rollover

The Department exceeded the budget allocated to the vote by R110.841 million as a result of a net unauthorised expenditure amount of R406.923 million incurred by the Water and Sanitation Services programme; therefore no roll-over request was submitted to National Treasury.

5.3 New or proposed activities

There are no new or proposed activities.

5.4 Supply chain management

During the period under review, the Department did not conclude any unsolicited bids. There were however, challenges experienced as some implementing agents did not comply with the Departmental supply chain policy when implementing projects on the Department's behalf. This affected the Department's ability to prevent irregular expenditure, as a result the irregular expenditure increased from R2.4 billion in 2015/16 to R4,1 billion in 2016/17.

The Department is therefore strengthening its supply chain management (SCM) processes particularly on procurement and contract management where Implementing Agents are appointed to manage projects. In addition, the Department is currently developing an irregular expenditure policy that should be finalised during the 2017/18 financial year.

5.5 Gifts and Donations received in kind from non-related parties

Gifts and donations in kind to the value of R112 000 were received from different organisations during the financial year. These have been listed in Annexure 1H of the Annual Financial Statements.

5.6 Exemptions and deviations received from the National Treasury

No exemptions and deviations were received from the National Treasury during the financial year.

5.7 Events after the reporting date

No significant events occurred after the reporting date.

5.8 Other: Water Trading

5.8.1 Background

The Water Trading Entity was established in 1983 under the Exchequer Act as a trading account operating as an integral part of the Department of Water Affairs. The status of government trading accounts was eventually changed through the Public Finance Management Act of 1999, converting trading accounts into trading entities.

The Water Trading Entity conversion was however delayed up until 2006 and the entity presented for the first time its financial statement in compliance with Generally Accepted Accounting Practices (GAAP) at the end of 2005/6 financial year. The Water Trading Entity has converted from GAAP to General Recognised Accounting Practices (GRAP).

The entity reports directly to the Accounting Officer of the Department of Water Affairs. The trading entity is divided into two parts, the Water Resource Management unit as well as the Infrastructure Branch.

5.8.2 Water resource management (proto-catchment management agencies)

This component deals with water resource management functions which primarily addresses the use, conservation and allocation of water resources in a manner that is sustainable and equitable for the benefit of the people that are residing in the relevant water management areas

Funding for this component is through revenue generated from water users in the area as well as partly augmentation from the fiscus which covers the shortfall where revenue is inadequate to cover the entire operations.

5.8.3 Infrastructure branch

This component deals with the development of new infrastructure as well as operation and maintenance of existing infrastructure. Operations under infrastructure branch are divided into two components i.e. Integrated Systems and Bulk Water Schemes.

5.8.3.1 Integrated Systems

The integrated systems are those schemes that cut across a number of provinces. This infrastructure was developed primarily with an aim of transporting water from water rich catchments to water scarce catchments. A system comprises of a number of dams and pipelines which are operated as one inter linked system.

5.8.3.2 Bulk Water Supply Schemes

These are operated as standalone water schemes comprising primarily of the former homeland government schemes and agricultural sector is by far the largest consumer of water from this infrastructure.

Funding for both components of the infrastructure branch is through revenue generated from water resource infrastructure users as well as augmentation from fiscus where revenue is not enough to cover for the general operations of the branch as well as development of new infrastructure.

5.8.4 Analysis of operating performance

5.8.4.2 Operating deficit

The Statement of Financial Performance reflects an operating deficit of R5.8 billion for the period ended 31 March 2017 (Refer to Figure 1), and this can be mainly attributed to the increase on the finance costs, which is as a results of the fair value adjustment for financing of capital infrastructure undertaken by Trans-Caledon Tunnel Authority (TCTA). The finance charges of R5.8 billion include accrued interest and AG8 interest. The amount of R3.9 billion included in the finance cost is a non-cash entry called AG8 adjustment which is the net present value of future interest and also is R1.5 billion which relates to Lesotho Highlands Water Project (LHWP).

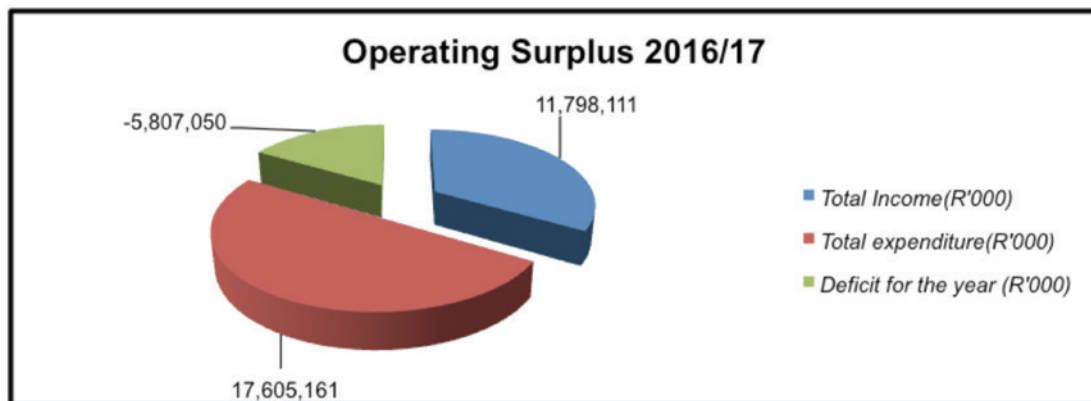


Figure 1: Operating surplus for 2016/17

5.8.4.2 Operating income (revenue) analysis

Revenue from sale of water increased from R8.6 billion in 2015/16 to R9.2 billion in 2016/17 (Refer to Figure 2), due to increase on annual water tariff. Construction revenue reflects a decline of 9% in the current year due to uncertified work. The Augmentation fund for the financial 2016/17 reflects a decrease of 1% when compared with prior year 2015/16 due to the budget reduction by National Treasury. Other revenue reflects an increase of 48% when compared with prior year 2015/16 due to the increase on interest charged on debtor's outstanding accounts.

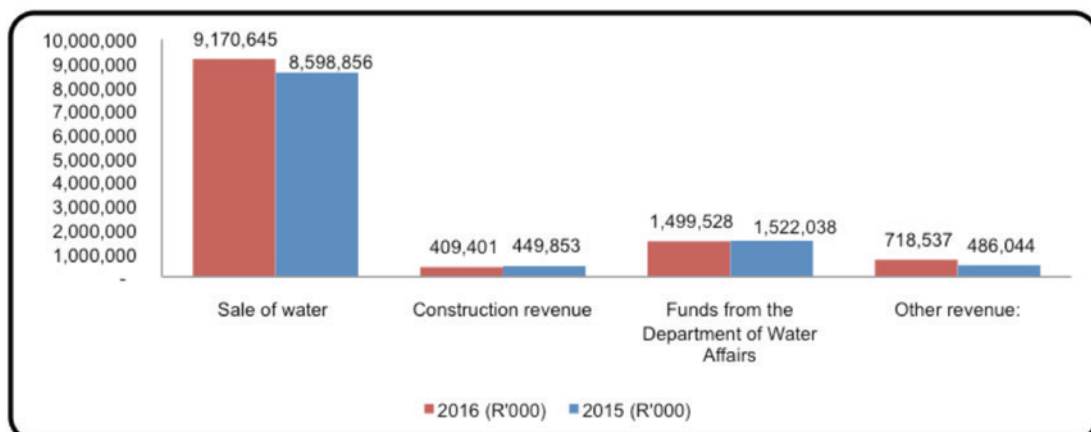


Figure 2: Revenue analysis for 2016/17

5.8.4.3 Total operating expenditure overview

Total expenditure has increased by 57% in the current year (Refer to Figure 3): from R7.6 billion in 2015/16 to R17.6 billion in 2016/17 and the increase can be mainly attributed to increase on the finance costs, impairment of financial assets and operating expenditure. The finance costs increased by 93% due to fair value adjustment for financing of capital infrastructure undertaken by Trans-Caledon Tunnel Authority (TCTA) while impairment of financial assets increased by 72% due to the inability to recover long outstanding debts. The Operating expenditure reflect an increase of 40% when compared with prior year and this can be attributed to the increment on TCTA management fees. The Employee costs increases by 13% as a result of annual salary adjustment and non-capitalisation of employee costs incurred by construction units during the financial year 2016/17. The depreciation, amortisation and impairment decreased by 4% from R1.9 billion in 2015/16 to R1.8 billion in 2016/17.

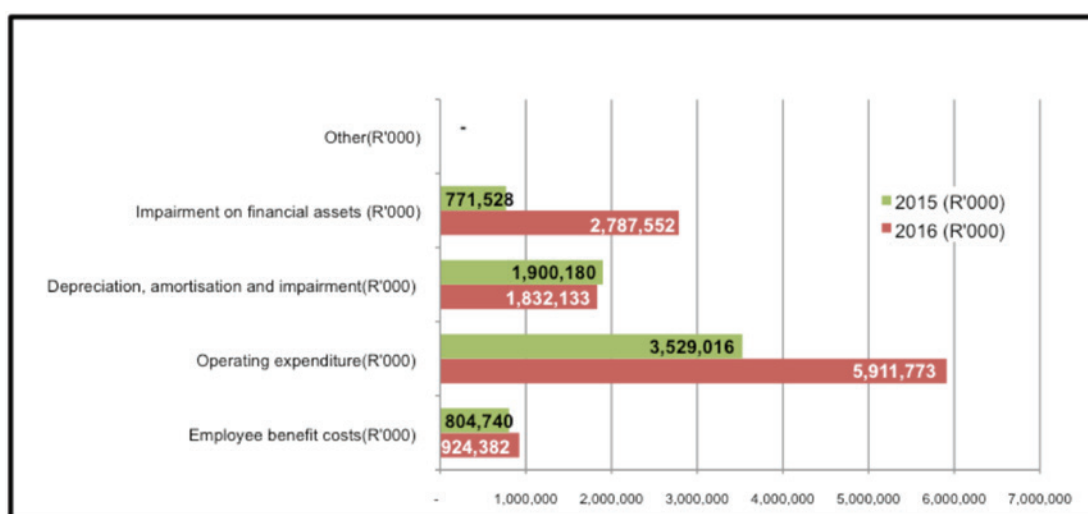


Figure 3: Total operating expenditure

5.8.5 Liquidity

The current ratio of the entity has decreased from 3.32:1 to 0.70:1 due to the overdraft of R2.2 billion reported in the financial year 2016/17. The ratio indicates that the entity does not have adequate working capital to meet short-term obligations when they arise.

	2016/17	2015/16
Current ratio	0.70:1	3.32:1

5.8.6 Cash flow analysis

The Entity's Cash Flow Statement reflects net decrease in cash and cash equivalent of R2.2 billion for the financial year 2016/17. The Entity has since with assistance from the National Treasury put measures in place to improve the cash flow in the new financial year. The National Treasury has granted the entity approval to reduce the overdraft by R743 million in the new financial year 2017/18.

5.8.7 The return on assets

This ratio indicates the entity's effectiveness in using its investment in assets:

	2016/17	2015/16
Return on Assets	-6%	3%

The return on assets reflects decrease when compared with the prior year results due to a deficit reported for the financial year 2016/17.

5.8.8 Debtor's days in sales

	2016/17	2015/16
Debtor's days in Sales	110	155

The debtor's day's analysis reflects improvement when compared to the prior year debtor's days of **155 days**. The decrease on debtor's days is due to the increase on the impairment of financial assets. The debt book reflected a balance of **R9.9 billion** before the provision of impairment of financial assets of **R7.1 billion** for the financial year 2016/17. Please see below the age analysis as at 31 March 2017.

Water Trading debtors' age analysis for the year 31 March 2017								
Classification	Amount in R 000							
	0 to 29 days	30+ days	60+ days	90 + days	120+ days	150+ days	180+ days	Total
Bulk payers	25	-	-	-	-	-	720	745
Company	891 707	(411 941)	8 458	10 138	34 058	30 651	1 088 123	1 651 193
District municipalities	56 429	81 232	17 991	9 001	13 977	18 911	914 680	1 112 221
Individual	52 784	4 410	1 118	(278)	1 010	755	396 154	455 951
Irrigation boards	63 139	2 634	64	60	619	(708)	258 456	324 263
Local municipalities	270 673	73 281	31 468	2 867	45 248	28 284	2 058 513	2 510 334
Metro municipalities	33 673	(11 472)	1 297	772	373	101	8 650	33 393
National departments	13 496	129	570	143	497	468	116 506	131 809
Provincial government	794	195	88	12	90	104	13 038	14 322
Water boards	590 697	434 823	32 973	6 473	33 712	32 216	1 837 792	2 968 685
Water user association	142 096	15 129	8 769	1 260	8 085	6 765	540 961	723 065
Total	2 115 511	188 419	102 795	30 448	137 669	117 547	7 233 592	9 925 981

The 180+ days outstanding amount has increased to R7.2 billion which has contributed directly to the overdraft at year end. All inter-governmental remedies have not resulted in any positive results and the WTE have now instituted legal action against the municipalities who are in arrears.

5.8.9 Accountability arrangements

The Water Trading Entity reports to the Director-General in his capacity as Accounting Officer of the Department. The entity strategic objectives form part of the broader DWS strategic plan but they have been ring fenced accordingly and the entity reports on the basis of its separate objectives on the DWS strategic plan.

5.9 Future plans

There are no principal events, activities or conditions that may cast significant doubt on the Department's ability to continue as a going concern as the Department has a mandate to carry out in line with the Constitution of the Republic of South Africa Act 108 of 1996, National Development Plan and the Second Edition of the National Water Resources Strategy.

However in addressing the negative results the Department will implement the following recovery mechanisms:

- The Department will not to enter into any new projects over the next three years for efficient utilisation of the available budget.
- Stringent cash flow management processes to ensure that in the current financial year 2017/2018 we do not end up with an overdraft.
- Rigorous review processed will be introduced to ensure payments are monitored and co-ordinated from Head Office, to confirm availability of funds and budget.
- Request approval of unauthorised expenditure in line with the normal parliamentary processes.
- The funds for WSIG have been reprioritised in the 2017/18 financial year to cater for the previous year's accruals, budget has been made available to address accrued invoices.
- Normal monthly reporting and consequence management to address non-compliance with revised policies and procedures.

The Water Trading Entity has further conducted an analysis of financial stability and has subsequently reduced the expenditure in the budget for the financial year 2017/18. No additional expenditure (in form of new projects or any other expenditure other than that reflected in the budget) will be incurred by the entity in the foreseeable future. Also, stringent measures have been put to curb and reduce expenditure to reasonable proportions in order to reduce the overdraft. The Entity is committed to adhere to measures put in place to restore its financial sustainability.

5.10 Acknowledgement/s or Appreciation

The year under review has not been an easy one as the country was faced with severe drought. I would like to express my deepest appreciation to the Department's officials, who invested all their efforts in ensuring that water is supplied to our communities despite the drought challenges we faced. The contribution from our water entities is also acknowledged in their endeavours to respond to the drought challenges.

We have indeed made strides to better assert the role of the Department as a Water sector leader, and mechanisms that we had put in motion to transform the water and sanitation sector.

To all our water sector partners we appreciate the collaboration, support and advices that you have given to take the water and sanitation sector to greater heights.

I give special gratitude to the Honourable Minister and Honourable Deputy Minister, on their invaluable guidance and support throughout the course of the financial year under review.

5.11 Conclusion

We will continue to ensure that the mandate of the Department is adhered to and effectively manage the water resources of the country to ensure equitable and sustainable socio-economic development and universal access to water and dignified sanitation.

5.12 Approval and sign off

The Annual Financial Statements set out on pages 192 to 334 have been approved by the Accounting Officer.



Sifiso Mkhize
Accounting Officer (Acting)
Department of Water and Sanitation

Date: 31 July 2017

6 STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed throughout the annual report are consistent.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the modified cash standard and the relevant frameworks and guidelines issued by the National Treasury.

The Accounting Officer is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Accounting Officer is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the Department for the financial year ended 31 March 2017.

Yours faithfully



Sifiso Mkhize
Accounting Officer (Acting)
Department of Water and Sanitation

Date: 31 July 2017

7 STRATEGIC OVERVIEW

1 Vision

Equitable and sustainable water and sanitation that support socio-economic growth and development of the well-being of current and future generations.

2 Mission

To ensure the universal access of all South Africans to equitable water resources and sustainable water and sanitation services, by:

- Protecting, developing, conserving, managing and regulating water resources;
- Managing, regulating and providing efficient and effective water and sanitation services;
- Providing strategic leadership and evidence based policy direction to a coordinated water and sanitation sector for improved sector performance and service delivery;
- Building the skills and capabilities of the sector and enhancing information management to inform decision making; and
- Enhancing communication and stakeholder partnerships with communities and sector constituencies to advance the national development agenda.

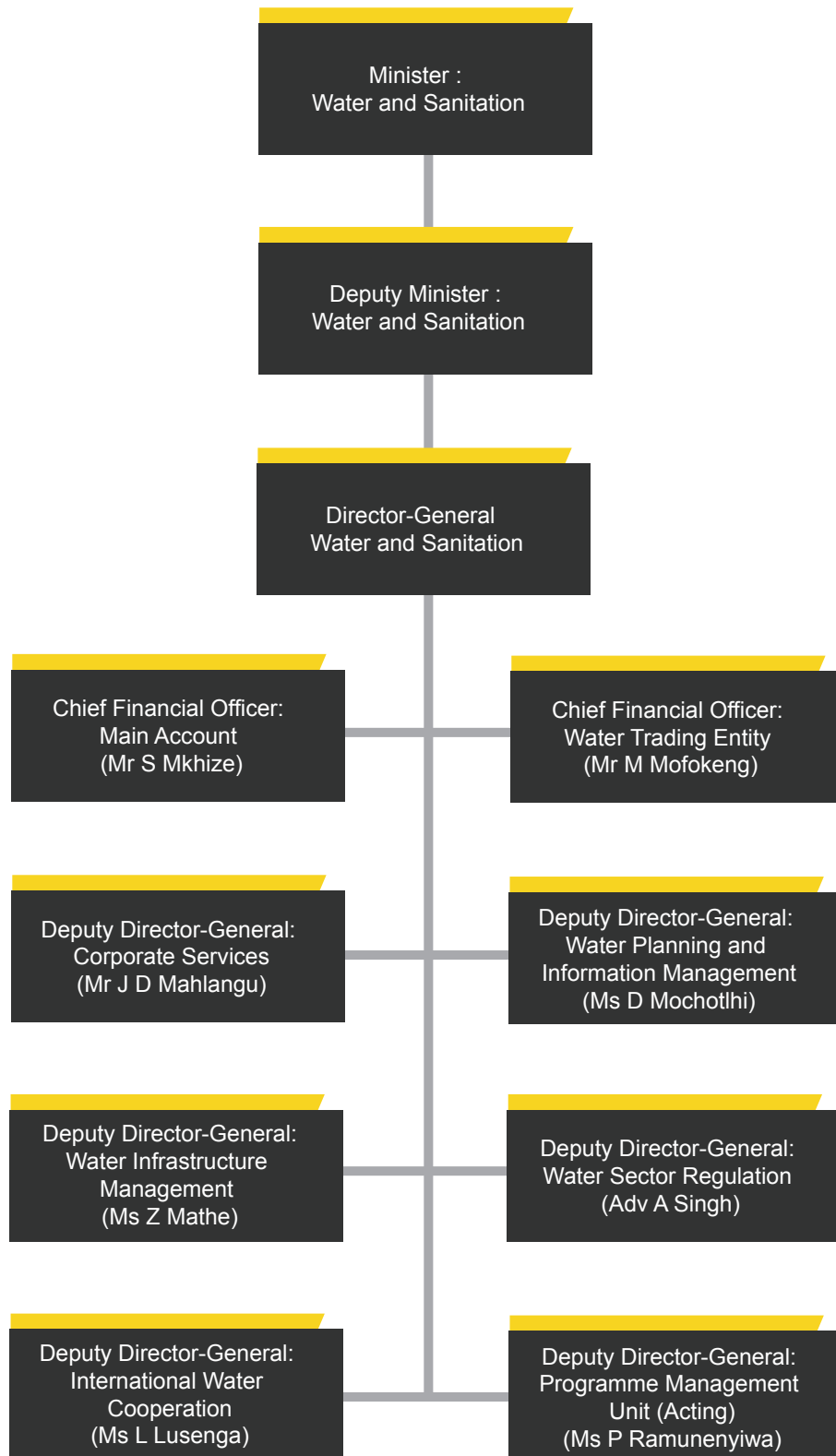
3 Values

- Promoting and maintaining high standards of professional ethics.
- Utilising resources efficiently and effectively.
- Providing services impartially, fairly, equitably and without bias.
- Responding to people's needs;
- Citizens are encouraged to participate in policy-making
- Rendering an accountable, transparent, and development -oriented public administration

8 LEGISLATIVE AND OTHER MANDATES

- 8.1 The Constitution of the Republic of South Africa:** The Constitution sets out water resources management as a national competency. It also states that everyone has a right to an environment that is not harmful to their health or well-being and supports socially justifiable economic development. The Constitution indicates the rights of individuals to have access to basic water and sanitation and sets out the institutional framework for the provision of these services. It gives municipalities the Executive Authority and the right to administer the provision of water services within their areas of jurisdiction. The Constitution gives national and provincial government authority to regulate local government in term of water services. It further gives them the obligation to support and strengthen the capacity of local government to provide services.
- 8.2 The National Water Act, 1998 (Act No. 36 of 1998):** The National Water Act seeks to ensure that the country's water resources are protected, used, developed, conserved, managed and controlled in a sustainable and equitable manner for the benefit of all people. The Act assigns the national government as the public trustee of the water resources. Acting through the Minister, it has the power to regulate the allocation, use, flow and control of all water in the Republic.
- 8.3 The Water Services Act, 1997 (Act No. 108 of 1997):** The Water Services Act prescribes the legislative duty of municipalities as water service authorities to supply water and sanitation in accordance with the national norms and standards sets out by the Minister. In addition, it regulates Water Boards as important water service providers. This Act compels the Minister to maintain a National Water Services Information System and to monitor the performance of all water services institutions.
- 8.4 Water Research Act, 1971 (Act No. 34 of 1971):** This Act established the Water Research Commission and the Water Research Fund and thus promotes water related research. The Minister appoints members of the Water Research Commission (the Commission) and thus exercises executive oversight over the Commission.

9 ORGANISATIONAL STRUCTURE



10 ENTITIES REPORTING TO THE MINISTER

The table below summarises the legislative mandate, the financial relationship and the nature of operation for the 13 entities that reported to the Minister during the period under review

No	Name of entity	Legislative mandate	Financial relationship	Nature of operations
1	Trans Caledon Tunnel Authority (TCTA)	The TCTA was originally established as a Special Purpose Vehicle to fulfil South Africa's Treaty obligations in respect of the Lesotho Highlands Water Project. It has undertaken further work, which varies considerably in nature, on directive from the Minister.	TCTA is listed as schedule 2 in terms of the PFMA.	To implement and fund government water schemes off budget entitled by the National Water Act to raise loans to finance the development of new water resource infrastructure.
2	Water Research commission (WRC)	To facilitate research in the water sector in terms of the Water Research Act of 1971.	WRC is listed as schedule 3A in term of the PFMA	To facilitate water research and development on behalf of the nation.
Catchment Management Agencies				
3	Inkomati-Usuthu (IUCMA)	Catchment Management Agencies (CMAs) are established in terms of Chapter 7 of the National Water Act.	The CMAs are listed as schedule 3A entities in the PFMA.	Management water resources at catchment level in collaboration with local stakeholders (with a specific focus on involving local communities in the decision making) regarding the basic human needs, promoting equitable access to water and facilitating social and economic development.
4	Breede-Gouritz (BGCMA)			
Water Boards				
5	Amatola Water	Water Boards are established in terms of the Water Services Act of 1997 to provide bulk water services.	Water Boards are listed as schedule 3B in terms of the PFMA.	All Water Boards provide bulk water services to the municipalities, industries and the mines
6	Bloem Water			
7	Lepelle Northern Water			
8	Magalies Water			
9	Mhlathuze Water			
10	Overberg Water			
11	Rand Water			
12	Sedibeng Water			
13	Umgeni Water			



PART B GENERAL INFORMATION

1 AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs certain audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the report on other legal and regulatory requirements section of the auditor's report.

Reference is made to the AGSA report for Vote 36, pages 183 to 190, in Part E: Financial Information of this annual report.

2 OVERVIEW OF DEPARTMENTAL PERFORMANCE

2.1 Service Delivery Environment

The below normal rainfall experienced by the country during 2015/16 continued into the 2016/17 rainfall season. Therefore in September 2016, the recorded national average storage levels of the 211 monitored dams were at their lowest. This situation negatively impacted the water sector across the value chain resulting in eight (8) provinces being declared as disaster areas due to drought. A number of measures had to be implemented to mitigate the drought impact for the water sector.

During the year under review, the Municipal Demarcations Board announced a redetermination of certain municipal boundaries in the country. This saw the incorporation and amalgamation of certain municipalities and thus negatively affecting the achievement of certain water and sanitation infrastructure planning, monitoring and evaluation targets.

The Department had been facing challenges owing to lack of an effective and efficient responsive system to respond to service delivery issues raised by the DWS Customers (i.e. Business Partners, Suppliers and the Public in general). Also, the ICT capabilities were not in place to proactively engage and involve DWS Customers in the Department activities. The credibility of the Department's call centre was also questionable in its ability to improve credit collection activities. The Department was also faced with the inability to analyse customer service requests and service failures data to improve customer satisfaction and service delivery.

In an effort to institutionalise the Batho Pele Principles, the Department has implemented a Customer Relationship Management (CRM) system. This system has strengthened the position of the Department by changing the Departments service delivery environment to be more a customer centric environment. It also allows for the improvement of engagements between the Department and its customers; which is enabled by the seamless access to the Departments information and speedy resolution of reported service delivery complaints. The Department is now in a position to analyse customer perceptions on service delivery and influence strategic planning by integrating the voice of the customer in the Department's planning, monitoring and evaluation processes.

2.2 Service Delivery Improvement Plan

Table 1: Main services and standards

Main services	Beneficiaries	Current/actual standard of service	Desired standard of service	Actual achievement
Eradication of bucket systems through the provision of appropriate technologies in formal settlements	Communities in formal settlements	A total of 1 838 bucket systems replaced by March 2016	Eradicate bucket sanitation systems in formal settlements	A total of 6 978 bucket systems replaced by March 2017
Develop and maintain water infrastructure projects	Households, communities, strategic industries and associated municipal services	A total 11 bulk infrastructure schemes were completed by March 2016	Complete all water and wastewater infrastructure projects as planned	34 water and wastewater infrastructure projects completed
Regulate water use through water use authorisation	Strategic sectors (e.g. mining, agriculture) and water service authorities	91% water use authorisation applications finalised as per the water use authorisation guidelines	80% of water use authorisation applications finalised within 300 days	68% of water use authorisation applications finalised within 300 days

Table 2: Batho Pele arrangements with beneficiaries

Current/actual arrangements	Desired arrangements	Actual achievements
Face-to-face communication/ <i>izimbizo</i> by the Minister and departmental staff to schemes and projects	Schedule of consulting with the stakeholders to be developed urgently.	17 public participation programmes convened 20 training sessions convened with water and sanitation forums
Enrol graduate trainees to the Departmental learning academy and place them into positions	Increase the enrolment of and placement of graduate trainees	181 engineers and scientists into permanent positions

Table 3: Service delivery information tool

Current/actual information tools	Desired information tools	Actual achievements
Customer relations management analytical tool: service delivery raw data	Customer relations management analytical tool: standardised service delivery reports	Service Delivery Standard Reports

Table 4: Complaints mechanism

Current/actual complaints mechanism	Desired complaints mechanism	Actual achievements
Customer Relations Management Complaints Management System that supports 30% of the Department's services	Customer Relations Management Complaints Management System that supports 100% of the Department's services	Customer Relations Management Complaints Management System that supports 100% of the Department's services
Complaints resolution rate of 53%	Complaints resolution rate of 90%	Complaints resolution rate of 95%

2.3 Organisational environment

In April 2016, the Department commenced a project that aims to review the organisational structure through analysing and realigning the Department's functions and resources in line with the mandate and the Medium Term Strategic framework (MTSF) priority outcomes of Government in support of the National Development Plan. This project not only focuses on reviewing the organisational structure but is also focuses on reviewing the existing business processes and conducting an organisational functionality assessment (OFA).

As at the end of the 2016/17 financial year an organisational diagnostic review, business process analysis (as-is and to-be), the OFA (including the formulation of a macro design structure) have been concluded. This project should be concluded by 31 March 2018 with an organisational structure that supports the mandate of the Department. Once the revised structure has been finalised, the Department will be reviewing its current Integrated Human Resource Plan.

2.4 Key policy developments and legislative changes

2.4.1 Development of the Water and Sanitation Policy Framework: The development of the National Water and Sanitation Policy Framework aims to consolidate the various water and sanitation policies into a single, cohesive policy framework to guide the water and sanitation sector. This is to include a clarification of the roles and responsibilities of all role-players across the three spheres of government and the water management institutions to facilitate enhanced cooperation and collaboration in the rollout of bulk water resources, water supply and sanitation services.

2.4.2 Development of the National Water and Sanitation Act: The National Water and Sanitation Act is intended to bring in a consolidation of the National Water Act and Water Services Act into one piece of legislation. A consolidation of these Acts will enable everyone within the water sector to have a clearer understanding of the legislative framework regarding water management across the entire water and sanitation value chain. It is also necessary to obviate the need for the cross reading between the two Acts.

The National Water and Sanitation Act (the Act) will seek to empower the Minister to have full oversight and authority over the entire water and sanitation value chain. It also seeks to transform and rationalise the water management institutions. The Act will incorporate aspects relating to sanitation with the aim of enhancing service delivery by using water as a mega nexus. The Act will introduce an efficient and cost effective dispute resolution mechanism in relation to water use applications or decisions taken by the responsible authority.

A number of activities have been undertaken and completed as per the approved legislative roadmap. The drafting of the Water and Sanitation Bill is at an advanced stage. The consultations were with the Departments of Human Settlements, Environmental Affairs, Energy, Basic and Higher Education, Health, Cooperative Governance and Traditional Affairs, National Treasury as well as the South African Local Government Association. The Bill was presented to the FOSAD cluster for review.

The Bill will be submitted for preliminary certification to the Chief State Law Adviser in July 2017. It is envisaged that by August 2017 the Bill will be submitted to Cabinet for approval to gazette for public comments.

Subsequent to the final Cabinet approval of Bill, it will be introduced in Parliament; anticipated that this will be done by October 2017.

- 2.4.3 Review and Development of the National Water and Sanitation Resources and Services Strategy (NWSRSS): Subsequent to the reconfiguration of the Department to include the sanitation function, the second edition of the NWRS will be reviewed to incorporate the sanitation function. Allowing for all legislated processes, including involved in the development of such strategy, the aim is to table the NWSRSS to Cabinet for approval in the year 2017/18.
- 2.4.4 Review of the Water Research Act: The review of the Water Research Act (WRA) is at an advanced stage and seeks to enhance the mandate and governance of the Water Research Commission, and to better align the Act with all other applicable legislation informing the service delivery orientation of the water and sanitation sector; legislation that was not in place at the time the WRA was promulgated in 1971.
- 2.4.5 Review of the water pricing strategy: The Water Pricing Strategy sets out government's approach to raw water pricing. The strategy review seeks to improve the financial viability of government's bulk raw water business to ensure that this scarce resource is valued by all citizens. The major change of the review is to move from the Return on Asset method of infrastructure costing to a method of pricing based on Future Infrastructure Built over 10 years per province.
- 2.4.6 Development of the funding model: The intention of the development of a funding model is to determine the variety of financing mechanisms or models adopted in South Africa and internationally to fund infrastructure. The project will look at the principles of infrastructure funding and financing and help to identify the lessons learnt that could shape future investment decisions in the South African water sector.

Apart from identifying key success factors, the review is also expected to explore innovative and off-budget financing mechanisms, in order to consider their suitability for the South African water sector.

3 STRATEGIC OUTCOME ORIENTED GOALS

The DWS revised its strategic outcome oriented goals from the three (3) during the 2015/16 financial to five (5) during the 2016/17 financial year. This revision also meant the development of strategic objectives unique to each budget programme with indicators and annual targets developed for each strategic objective.

For the previous reporting periods the Water Trading activities had been separated; however, for the period under review these activities were ring-fenced and identified under the respective programmes (i.e. sub-programmes) in which they are conducted.

The Department's performance in achieving its strategic outcome oriented goal is summarised below:

Enhanced and protected water as a resource across the value chain

In ensuring the realisation of this goal, the Department had planned to develop a water and sanitation services regulatory compliance and assessment tool; finalise the Integrated National Water Resources Monitoring strategy; determine water resources classes and resource quality objectives for two (2) river systems; monitor eight (8) large water supply systems monitored for water losses and develop a draft National Mine Water Regulation Programme.

Although the consolidation of the regulatory instruments in order to develop a water and sanitation services regulatory compliance and assessment tool is still underway, the Department continued with the use of separate regulatory tools (e.g. water use authorisation, compliance monitoring, water services regulation).

The National Water Resources Monitoring Strategy And Implementation Plan were developed. It seeks to integrate the implementation and maintenance of the water resources monitoring network (e.g. surface water quantity and quality monitoring, groundwater monitoring).

The water resource classes and resource quality objectives for the Inkomati and Letaba river systems were determined. This reflects the acceptable and unacceptable impacts to the respective water resources in order to protect it.

The Department assessed and monitored the key eight (8) large water supply systems namely, the Vaal, Umgeni, Crocodile West River, Olifants River, Algoa, Amathole, Bloemfontein and the Western Cape supply system. This is an essential requirement for the optimal operation of the water resources infrastructure to meet some conflicting requirements and to reduce water wastage in the various systems.

The draft National Mine Water Regulation Programme was not developed as the finalisation of the policy that will inform its development took longer than expected.

Equitable access to reliable sustainable and acceptable water resources and water and sanitation services

To ensure the achievement of this goal, the Department had planned to complete 21 bulk water supply and sanitation services infrastructure project plans; complete 287 bulk water supply and sanitation services infrastructure projects, finalise the National Asset Management Master Plan and replace sanitation systems in 13 591 households.

During the year under review, the Department completed 28 bulk water supply and sanitation services infrastructure project plans of which 16 were feasibility studies and 12 were implementation readiness studies.

The plan to complete 253 bulk water supply and sanitation services infrastructure projects was not achieved as some funds were reprioritised to support the emergency interventions relating to drought relief as well as certain operations and maintenance projects to ensure water security.

The plan to finalise the infrastructure Asset Management Plan (AMP) for the national water resources infrastructure was achieved. This plan has a ten (10) horizon outlining the management of infrastructure assets over its service life.

Through the replacement of the bucket sanitation in formal settlements and implementation of the programme seeking to eradication sanitation backlogs in rural households, the Department replaced sanitation systems in 19 424 households.

An enhanced contribution to socio-economic development and transformation by the sector

To ensure the achievement of this goal, the Department had planned to complete verification and validation of water allocations in three (3) catchments; implement two (2) rural development initiatives supporting small holder farmers; procure 30% per annum from black entrepreneurs and create job opportunities for historically excluded and vulnerable groups.

Although the verification and validation of water allocations in the targeted three (3) catchments is on-going, this process could not be finalised as additional consultations had to be done with the affected parties.

To support the development of small holder farmers, the Department implemented the resource poor and rainwater harvesting programmes. A total of 1 455 resource poor farmers were provided with financial subsidies for *inter alia* operations and maintenance of waterworks used for irrigation. A further 807 water harvesting tanks were installed for household productive uses such as livestock watering and food production.

To support the government policy of procuring goods and services from small, medium and micro enterprises (SMME), 73% of the Department's procurement budget was used in procuring from SMMEs.

An efficient, effective and development oriented water and sanitation sector

To ensure the achievement of this goal, the Department had planned to conduct public consultations on the Water and Sanitation Amendment Bill; conduct annual appraisals of shareholder compacts and business plans for all entities; achieve an unqualified audit outcome for the 2016/17 financial year and develop a framework for the water and sanitation sector occupations.

The draft Water and Sanitation Amendment Bill was developed and preliminary consultations with other government departments were convened during September 2016 with the extensive public consultation scheduled for the 2017/18 financial year.

Annual appraisals of shareholder compacts and business plans for the 13 departmental public entities (i.e. nine (9) water boards, two (2) Catchment Management Agencies, the Trans Caledon Tunnel Authority and the Water Research Commission) were conducted during the period under review.

The work based skills plan requires the registration of occupations in the Organising Framework of Occupations (OFO) of the Department of Higher Education and Training (DHET). During the period under review, the DWS developed the framework for water and sanitation sector occupations in which the agreed list of the water sector occupations and associated descriptions are stipulated. In addition, the request to update the OFO with the agreed list of the water sector occupations was sent to DHET.

Sound cooperative governance and an active and engaged citizenry

To ensure the achievement of this goal, the Department had planned to develop a five (5) year Africa and global international relations programme as well as conducting an annual assessment of progress against the partnerships, communications and stakeholder relations programme.

For the period under review, the Department analysed progress against the approved annual international relations implementation plan. This analysis contained progress against the implementation of strategic Africa and global partnerships, the implementation of trans-boundary water management projects as well as the Department's participation in strategic multi-lateral forums.

A baseline study providing a base profile of existing partnerships configurations (i.e. understanding their value to the DWS) was conducted. An annual communications programme was developed and implemented during the period under review. An assessment of its implementation was conducted with the intention to measure the extent in which communities are informed and empowered. A baseline study was also conducted to measure the extent in which the established forums and public education programmes are affective and functional.

4 PERFORMANCE INFORMATION OF MAIN ACCOUNT PROGRAMMES

4.1 Programme 1: Administration

This programme provides strategic leadership, management and support services to the Department. Strategically manage mine water. Develop and promote international relations on water resources between neighbouring countries.

4.1.1 Sub-programmes

Ministry provides for administrative and logistical support to the Minister and Deputy Minister as well as support staff and makes provision for their salaries.

Departmental Management provides policy and strategic direction for water and sanitation management including enterprise-wide support services comprising of administrative support to the Director General, corporate planning, monitoring and evaluation as well as the provision of salaries and operation budget of the Department's regional office heads.

Internal Audit provides independent, objective assurance and advisory services designed to add value and improve the Department's operations.

Corporate Services provides enterprise-wide support services comprising of human resources, legal services, communications, learning and development academy and transformation policy and coordination.

Financial Management ensures the efficient management of daily financial operations, processes and systems.

Programme Management Unit provides for improving the coordination and governance in the management of departmental projects including the management of mine water in South Africa (with specific emphasis on acid mine management).¹

International Water Support strategically develops, promotes and manages international relations on water and sanitation between countries through bilateral and multilateral cooperation instruments and organisations in line with the legislative provisions. Pursue national interests at both African multilateral and global multilateral organisations and forums.

Office Accommodation makes payments for rental charges on all leased office space occupied by the Department, as well as for the municipal services such as electricity, water, and sewage and waste removal.

¹ Although the programme structure has not changed, the acid mine management function is performed by sub-programme Water Sector Regulation Management and Support under programme 5. This PMU purpose would thus be updated when the budget structure is being reviewed during the 2016/17 financial year.

4.1.2 Strategic objectives, performance indicators, planned targets and actual achievements

4.1.2.1 Programme strategic objectives

Programme Name		Administration			
Strategic objectives	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
3.3 Targeted procurement that supports black entrepreneurs in the sector	New indicator	30% per annum	73% per annum	43% per annum	The target was exceeded by 43% as the sourcing strategy yielded positive results
4.3 An efficient, effective and high performing organisation	47% MPAT compliance ² (i.e.18 of 38 standard achieved full)	Unqualified audit outcome for 2016/17	Qualified audit outcome for 2016/17	Unqualified audit outcome for 2016/17	The unqualified audit outcome for 2016/17 was not achieved based on the audit outcome.
5.1 Targeted and sustained African and Global cooperation in support of the national water and sanitation agenda	New indicator	Approved 5 year Africa and global international relations programme	Approved 5 year Africa and global international relations programme	Target achieved	Target achieved
5.2 Informed and empowered communities and responsive government securing integrated and sustainable partnerships to support the water and sanitation development agenda	New indicator	Annual assessment of progress against the Partnerships, Communications and Stakeholder Relations Programme	Annual assessment of progress against the Partnerships, Communications and Stakeholder Relations Programme	Target achieved	Target achieved

² The unit of measurement during the 2015/16 on MPAT compliance was changed during the 2016/17 financial year to measure the audit outcome

4.1.2.2 Programme indicators per sub-programme

Sub-programme name		Departmental Management				
Performance indicator		Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
4.3.1	Percentage compliance with MPAT standards at the minimum targeted level 3	47% compliance (i.e.18 of 38 standard achieved full compliance)	100% compliance	43% compliance (i.e. 15 of 35 standards achieved full compliance)	57% compliance (i.e. 20 of 35 standards achieved partial compliance)	The 57% compliance with MPAT standards was not achieved as certain key performance ³ areas had additional requirements resulting in the attainment of partial compliance.
Sub-programme name		Corporate Services				
Performance indicator		Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
4.3.4	Minimum percentage vacancy rate for engineers and scientists	114% posts filled for engineers and scientists (i.e. 673 of 590 engineers and scientists posts filled)	10%	113% filled over establishment. (i.e. 702 filled out of 621 posts).	23%	The minimum vacancy rate for engineers and scientists is set at 10% (i.e. 90% of all funded posts in the Persal system must be filled). This target has been met and exceed due to posts filled additional to the establishment. These posts include amongst others Cuban engineers and scientists as per bilateral agreement, candidate engineers and scientists as per Occupational Specific Dispensation (OSD) requirements and other technical posts.

³ These are strategic planning, governance & accountability, human resources and financial management

PART B: PERFORMANCE INFORMATION

Sub-programme name		Corporate Services			
Performance indicator	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
4.3.5 Percentage of SMS and MMS employees assessed against DPSP set competencies	New indicator	50%	52% SMS employees assessed (i.e. 82 out of 159)	2%	The target was exceeded by 2% as more managers were available for assessment and additional assessment slots were negotiated with the assessors
5.2.1 Annual assessment of the benefits derived from partnership agreement instruments	New indicator	Baseline study of benefits derived from partnership agreement instruments	1 baseline study report submitted	Target achieved	Target achieved
5.2.2 Annual assessment on the implementation of the Annual Communications Programme	New indicator	Annual Communications programme produced and reports on its implementation	Report on the implementation of the annual communications programme developed	Target achieved	Target achieved
5.2.3 Assessment of impact of mediated interactions that will deliver meaningful engagements with communities	New indicator	Baseline study of impact of mediated interactions that will deliver meaningful engagements with communities	Baseline study report on impact of mediated interactions that will deliver meaningful engagements with communities developed	Target achieved	Target achieved

Sub-programme name		Financial Management				Comment on deviations
Performance indicator		Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	
Main Account						
3.3.1.1	Percentage of targeted procurement budget spent on qualifying small enterprises (QSE)	New indicator	15%	31%	16%	Target exceeded by 16% as the sourcing strategy yielded positive results
3.3.2.1	Percentage of targeted procurement budget spent on exempted micro enterprises (EME)	New indicator	15%	44%	29%	Target exceeded by 29% as the sourcing strategy yielded positive results
4.3.2	Percentage expenditure on annual budget	98,8% expenditure	100% expenditure	100,7% expenditure	0,7% over expenditure	The overspending occurred in the payment for capital assets as a result of the bucket eradication programme (BEP). The BEP budget allocation for 2016/17 was insufficient due to the non-approval of the rollover request.
Water Trading						
3.3.1.2	Percentage of targeted procurement budget spent on qualifying small enterprises (QSE)	New indicator	15%	59%	44%	Target exceeded by 44% as the sourcing strategy yielded positive results
3.3.2.2	Percentage of targeted procurement budget spent on exempted micro enterprises (EME)	New indicator	15%	13%	2%	Target not achieved as there was no mandatory requirement for the Water Trading contractors to sub-contract certain procurement to EMEs which affected the achievement in this regard
4.3.3	Number of debtor days	109 debtor days	120 debtor days	117 debtor days	3 debtor days	Target was exceeded by 3 debtor days as payment agreements were reached

Sub-programme name		International Water Support				
Performance indicator		Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
5.1.1	Number of analyses on progress against the approved annual International Relations Implementation Plan	New indicator	4	4 analyses on progress against the approved annual International Relations	Target achieved	Target achieved

4.1.2.3 Strategy to overcome areas of under performance

The sourcing strategy will be improved in 2017/2018 and targeted procurement will be implemented by including a mandatory requirement for contractors to sub contract certain procurement to EMEs and the implementation of the new Preferential Procurement Regulations 2017 which has now created a platform/ added advantage by introducing the pre-qualification criteria which focuses on the QSE and EME. The change in the SCM standard bidding documents (SBD 6.1) will be used as a tracking tool to report the procurement on the QSEs and EMEs.

An improvement plan for the MPAT compliance has been developed and is monitored quarterly.

4.1.2.4 Changes to planned targets

There were no changes to the planned targets during the period under review.

4.1.3 Linking performance with budgets

Sub-programme	2016/17							2015/16	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000
Ministry	52 300	2 923	(248)	54 975	54 975	-	100,0%	60 159	60 158
Departmental Management	145 010	(2 921)	(28 139)	113 950	105 138	8 812	92,3%	102 684	102 682
Internal Audit	38 280	(436)	(1 799)	36 045	34 140	1 905	94,7%	22 298	22 298
Corporate Services	743 044	(28 712)	(12 056)	702 276	679 496	22 780	96,8%	700 295	699 447
Financial Management	249 217	(659)	(21 812)	226 746	220 902	5 844	97,4%	222 311	222 311
Office Accommodation	346 920	29 805	-	376 725	376 725	-	100,0%	374 112	374 112
Programme Management Unit	-	-	-	-	-	-	-	1 375	1 375
International Water Support	38 180	-	(1 154)	37 026	33 554	3 472	90,6%	36 519	35 484
Total	1 612 951	-	(65 208)	1 547 743	1 504 930	42 813	97,2%	1 519 753	1 517 867

4.2 Programme 2: Water Planning and Information Management

The programme is responsible to ensure that the country's water resources are protected, used, developed, conserved managed and controlled in a sustainable manner for the benefit of all people and the environment by developing a knowledge base and implementing effective policies, procedures and integrated planning strategies for water resources and water and sanitation services.

4.2.1 Sub-programmes

Water Planning, Information Management and Support provides strategic leadership and overall management of the programme.

Integrated Planning develops comprehensive plans that guide infrastructure development, systems and services management in the water sector. This entails preparing reconciliation strategies, drafting feasibility plans, compiling the integrated hydrological plan, undertaking options analyses and macro planning.

Water Ecosystems develops and implements measures to protect water resources. This entails determining resource directed measures by classifying water resource systems, determining reserves, conducting resource quality assessments and determining resource directed measures by developing pollution control guidelines and rehabilitation measures and protocols.

Water Information Management ensures the development and maintenance of systems and programmes for data and information acquisition and management as well as building the knowledge base on all aspects of water for informed water management decisions.

Water Services and Local Water Management entails the formulation and development of strategies, guidelines and plans for water services and the management of water at a local level. The function ensures that all people in South Africa have access to effective, sustainable and affordable water services through policy and legislative framework, information and planning, support as well as monitoring, evaluation and reporting.

Sanitation Planning and Management develops the national strategy for the planning of sanitation services and provides planning support to municipalities for the provision of sustainable sanitation services.

4.2.2 Strategic objectives, performance indicators, planned targets and actual achievements

4.2.2.1 Programme strategic objectives

Programme Name		Water Planning and Information Management				
Strategic objectives		Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
		Enhanced management of water and sanitation information	60% completion (i.e. Consolidated report on data quality and scientific review completed)	Integrated National Water Resources Monitoring strategy finalised	Water Monitoring Network Implementation Strategy completed	Target achieved
1.2	The integrity of freshwater ecosystems protected	Although the resources quality objectives for the 5 river systems were not determined, the approval to gazette them was received on 17 March 2016	2	2 river systems with water resources classes and resource quality objectives determined	Target achieved	Target achieved
1.4	Enhanced water use efficiency and management of water quality	A cumulative reduction of 2% was achieved from the 8 large water supply systems	8	8 large water supply systems monitored for water losses	Target achieved	Target achieved
2.1	A coordinated approach to water and sanitation infrastructure planning and monitoring and evaluation	New indicator	No milestone for the SO during the year under review	-	-	-

Programme Name	Water Planning and Information Management				
	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
2.2 Targeted and aligned planning for adequate water availability and the enhanced provision of water supply and sanitation services	100% of the Richards Bay Reconciliation Strategy completed.	21	28 bulk water supply and sanitation services Infrastructure project plans completed	7	The target was exceeded by 7 as certain project plans were added and another that was initially consolidated was separated.

4.2.2.2 Programme indicators per sub-programme

Sub-programme name		Integrated Planning			
Performance indicator	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
1.2.3 Integrated Water Quality Management Strategy completed v	40% completion (i.e. Stakeholder Engagement Report completed)	Integrated Water Quality Management Strategy completed	Integrated Water Quality Management Strategy completed	Target achieved	Target achieved
1.3.3 Number of hydro-climatic zones in which assessments for climate change vulnerability are completed	New indicator	2 <ul style="list-style-type: none"> Zone 3, the Vaal and Zone 5 Umzimvubu-Tsitsikamma 	2 <ul style="list-style-type: none"> Zone 3, the Vaal and Zone 5 Umzimvubu-Tsitsikamma 	Target achieved	Target achieved
2.2.1 Number of completed Record of Implementation Decisions (RID) for bulk raw water planning projects	100% completion of the feasibility plan for the uMkhomazi Water Project (i.e. The main report)	2 <ul style="list-style-type: none"> Lusikisiki Regional Water Supply Scheme; and uMkhomazi Water Project Phase 1 	1 <ul style="list-style-type: none"> Lusikisiki Regional Water Supply Scheme 	1	The Record of Implementation Decision (RID) for the uMkhomazi Water Project Phase 1 was not completed as additional Environmental Impact Assessment (EIA) work had to be undertaken

Water Ecosystems					
Sub-programme name	Performance indicator	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017
1.3.1	Number of river systems with water resources classes and resource quality objectives determined	Although the resources quality objectives for the 5 river systems were not determined, the approval to gazette them was received on 17 March 2016	2 • Letaba; and • Inkomati	2 • Letaba; and • Inkomati	Target achieved
					Target achieved

Water Information Management					
Sub-programme name	Performance indicator	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017
1.2.1	Water Monitoring Network Implementation Strategy completed	60% completion (i.e. Consolidated report on data quality and scientific review completed)	Water Monitoring Network Implementation Strategy completed	Water Monitoring Network Implementation Strategy completed	Target achieved
1.3.2	Number of rivers in which the River Eco-status Monitoring Programme has been implemented	New indicator	66	66	Target achieved
					Target achieved

Sub-programme name		Water Services and Local Water Management				
Performance indicator		Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
1.4.1	Number of large water supply systems assessed for water losses	A cumulative reduction of 2% was achieved from the 8 large water supply systems.	8 <ul style="list-style-type: none">Vaal RiverUmgeni RiverCrocodile West RiverOlifants RiverAlgoaAmatoleBloemfonteinWestern Cape Supply System	8 <ul style="list-style-type: none">Vaal RiverUmgeni RiverCrocodile West RiverOlifants RiverAlgoaAmatoleBloemfonteinWestern Cape Supply System	Target achieved	Target achieved
2.1.2	Number of district municipalities with completed water and sanitation service delivery master plans	9 draft provincial and 1 draft national bulk water master plans were developed.	6 priority DMs <ul style="list-style-type: none">O R TamboXhariepUthunguluVhembeEhlanzeniJohn Taolo Gaetsewe	6 priority DMs <ul style="list-style-type: none">O R TamboXhariepUthunguluVhembeEhlanzeniJohn Taolo Gaetsewe	Target achieved	Target achieved
2.1.3	Number of Water Services Authorities (WSAs) audited on Water and Sanitation delivery performance	New indicator	50 WSAs	50 WSAs	Target achieved	Target achieved

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Sub-programme name		Water Services and Local Water Management				
	Performance indicator	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
2.2.2	Number of completed feasibility studies for water and wastewater services projects (RBIG)	10% completion (i.e. inception report for the Vioolsdrift Dam feasibility plan completed)	28	16	12	A total of 12 feasibility studies for water and wastewater services projects were not completed due to contractual matters that took longer than anticipated
2.2.3	Number of completed implementation readiness studies for water and wastewater services projects (RBIG)	New indicator	19	12	7	A total of 7 implementation readiness studies for water and wastewater services projects were not completed due to contractual matters that took longer than anticipated

Sub-programme name		Sanitation Planning and Management				Comment on deviations
Performance indicator		Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	
2.1.4	Number of WSAs assessed for socio-economic impact	New indicator	53 WSAs	17	36	The plan to assess 36 WSAs for socio-economic impact was not achieved as the signing of the contract with the service provider occurred later than anticipated and thus delaying the completion deadline

4.2.2.3 Strategy to overcome areas of under performance

To improve the assessment of WSAs for socio-economic impact, additional resources will be allocated to roll-out the project during the 2017/18 financial year. In addition, to improve the efficiency when conducting the assessments, a regrouping of the WSA will be done per province to ensure cost effectiveness.

The completion of the Record of Implementation Decisions (RID) for the uMkhomazi Water Project Phase 1 has been deferred for finalisation during the first quarter of the 2017/18 financial year.

To ensure the completion of the feasibility and implementation readiness studies for water and wastewater services projects (RBIG) the following will be done during the 2017/18 financial year:

- Incorporation of the missing elements of the bulk distribution network for the Western Highveld (Rust de Winter to Mathanjanana)
- Get technical and implementation readiness reports for the Giyani Drought Relief (Nandoni Nsami Pipeline)
- Finalise the technical and implementation readiness reports for the Giyani Water Services project
- Complete the final report and the study for the Lady Grey Bulk Water Supply project
- Confirm the budget allocation for the Trompsburg Bulk Water Supply project

4.2.2.4 Changes to planned targets

There were no changes to the planned targets during the period under review.

4.2.3 Linking performance with budgets

Sub-programme	2016/17							2015/16	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000
Water Planning, Information Management and Support	6 319	(1 647)	(806)	3 866	3 847	19	99,5%	5 025	3 851
Integrated Planning	101 887	1 709	(721)	102 875	82 860	20 015	80,5%	162 805	159 032
Water Ecosystems	50 427	5 952	(4 007)	52 372	52 339	33	99,9%	50 230	49 927
Water Information Management	532 028	(7 415)	(25 597)	499 016	474 908	24 108	95,2%	466 386	456 007
Water Services and Local Water Management	112 553	(3)	(33 426)	79 124	69 996	9 128	88,5%	-	-
Sanitation Planning and Management	11 599	1 404	(600)	12 403	11 654	749	94,0%	-	-
Total	814 813	-	(65 157)	749 656	695 604	54 052	92,8%	684 446	668 817

4.3 Programme 3: Water Infrastructure Development

The programme is responsible to develop, rehabilitate and refurbish raw water resources and water and sanitation services infrastructure to meet the socio-economic and environmental needs of South Africa.

4.3.1 Sub-programmes

Water and Sanitation Services Infrastructure provides for the construction of new and rehabilitating existing water services infrastructure, including the transfer of water services schemes to water services institutions (inclusive of Regional Bulk Infrastructure Grant, Accelerated Community Infrastructure Programme, Municipal Water Infrastructure Grant, Water Services Operating Subsidy Grant and Transfer Schemes). Building the knowledge base on all aspects of water and sanitation for informed water and sanitation management decisions.

Infrastructure Development and Rehabilitation provides for the design, construction and commissioning of new water resource infrastructure and the rehabilitation of existing infrastructure to ensure the safety and functionality of departmental dams and related infrastructure.

Operations of Water Resources funds expenditure on water resources management, activities conducted by the Department or catchment management agencies within water management areas.

4.3.2 Strategic objectives, performance indicators, planned targets and actual achievements

4.3.2.1 Programme strategic objectives

Programme Name		Water Infrastructure Development			
Strategic objectives	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
2.3 Adequate water availability and enhanced provision of sustainable and reliable water supply and sanitation services	A total of 11 bulk infrastructure schemes were completed. A total of 34 316 households were provided with interim or basic water supply in the 27 priority districts. A total of 46 schemes are undergoing refurbishment. ⁴	287	34	253	The plan to complete 253 bulk water supply and sanitation services infrastructure projects was not achieved as funds were reprioritised to support the emergency interventions relating to drought relief as well as certain operations and maintenance projects to ensure water security
2.4 Safe, reliable and sustainable water supply and water and sanitation services infrastructure	New indicator	Approved National Asset Management Master Plan (NWR1)	Approved National Asset Management Master Plan (NWR1)	Target achieved	Target achieved
3.4 Job opportunities created that expand economic opportunities for historically excluded and vulnerable groups	A total of 8 179 job opportunities created through implementing and rehabilitating infrastructure projects	4 512	5 046	534	Target exceeded by 534 as labour intensive methods were used for certain operation and maintenance projects

⁴ The unit of measurement was revised during the 2016/17 financial year to only focus on the number of completed infrastructure projects

4.3.2.2 Programme indicators per sub-programme

Sub-programme name		Water and Sanitation Services Infrastructure				
	Performance indicator	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
2.3.4	Number of mega water and wastewater services projects ready for implementation	New indicator	2 Polokwane Wastewater Treatment Works Sedibeng Bulk Regional Sewerage	0	2	The plan to have 2 mega water and wastewater services projects ready for implementation was not achieved. Polokwane Wastewater Treatment Works: only the implementation readiness study was concluded. Sedibeng Bulk Regional Sewerage: the programme for the project had to be reviewed as the Sedibeng Regional Sewer Scheme projects were prioritised. As a result the implementation readiness study was not finalised.
2.3.5	Number of mega water and wastewater services projects under construction	New indicator	13	13	Target achieved	This is a correction of the Annual Performance Plan omission of the Vaal Gamagara project
2.3.6	Number of mega water and wastewater services projects completed	New indicator	1 Jozini (Pongolapoort) BWS	0	1	The plan to complete the construction of Jozini (Pongolapoort) BWS project was not achieved as funds were reprioritised.
2.3.7	Number of large water and wastewater services projects under construction	New indicator	37	35	2	The plan to have 2 large water and wastewater services projects under construction was not achieved Emalahleni Bulk Water Supply Upgrade: although the project is 66% complete, it is currently on hold due to contractual

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Sub-programme name		Water and Sanitation Services Infrastructure			
Performance indicator	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
					and financial challenges. The construction will commence as soon as the challenges have been resolved.
					Western Highveld Water Supply Scheme: the project was transferred to Mpumalanga regional office.
2.3.8	Number of large water and wastewater services projects completed	3 <ul style="list-style-type: none">KSD sanitationMasilonyana/ Brandfort phase1Kalahari East to Mier pipeline	2	1	The plan to complete the construction of KSD sanitation project was not achieved as there are land matters prohibiting its completion that are being resolved by the affected parties.
2.3.9	Number of small water and wastewater services projects under construction	434	519	Target achieved	This is a correction of the Annual Performance Plan: A total of 85 small water and wastewater services projects under construction were included in the infrastructure list but erroneously omitted in the PPI list
2.3.10	Number of small water and wastewater services projects completed	282	31	251	The plan to complete the construction of 251 small water and wastewater services projects was not achieved due to the following: Regional Bulk Infrastructure Grant: A total of 5 projects were not completed owing to the following <ul style="list-style-type: none">Matatiele BWSS: The contract was terminated and ceded to another contractor due to poor performance.

Water and Sanitation Services Infrastructure					
Sub-programme name	Performance indicator	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017
					<ul style="list-style-type: none"> Sundays River WS: Delays on SCM processes Renosterberg WWTW (Van der Kloof): Municipality was unable to secure co-funding Wolmaransstad WWTW: Delayed due to non-payment of service provider by another government department Paarl Bulk Sewer: Project in Phase 3 and will be completed in July 2017 <p>Accelerated Community Infrastructure Programme: A total of 45 projects were not completed as funds were reprioritised to fund drought relief projects and financial support to a departmental entity.</p> <p>Water Services Infrastructure Grant: A total of 201 projects will be completed during the fourth quarter of the municipal financial year (i.e. first quarter of the national financial year)</p>
3.4.1	Number of job opportunities created through implementing water services infrastructure projects	A total of 1 747 job opportunities were created	1 262	1 149	113
					The plan to create 113 job opportunities was not achieved; as the implementation of Olifants River Water Resource Development project phases 2D, 2E and 2F was affected by the longer than anticipated transfer between the Department and TCTA.

Sub-programme name		Infrastructure Development and Rehabilitation				
Performance indicator		Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
2.2.3.1	Number of bulk raw water projects ready for implementation	The design drawings have been finalised with a few minor adjustments that will be carried out after the finalisation of the geotechnical investigation ⁵	5	0	5	The plan to have 5 bulk raw water projects ready for implementation was not achieved due to the procurement delays and delays in the completion of the designs for the bulk infrastructure projects
			Tzaneen	Stockpiling contract completed. Demolition contractor commenced on site in January 2017. Draft tender documents for the dam raising contract submitted	Contractor procurement	The plan to have procured a contractor for raising the dam was not achieved due to the delays in finalising the procurement process
			Nwamitwa	Draft tender documents for roads and bridges completed. Draft dam design reports completed.	Contractor procurement	The plan to have procured a contractor for constructing roads and bridges was not achieved due to the delays in finalising the procurement process as well as delays in the completion of the designs
			Clanwilliam	Contractor procurement tender documents completed. Procurement process for appointment of a contractor for the dam raising is under way.	Contractor procurement	The plan to have procured a contractor for raising the dam was not achieved due to the delays in finalising the procurement process

⁵ The unit of measurement was changed during the 2016/17 financial year to separate the construction (i.e. implementation phase)

Sub-programme name		Infrastructure Development and Rehabilitation				
Performance indicator		Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
2.3.2	Number of bulk raw water projects under construction	1	Umzimvubu	Draft tender documents for access roads completed. Draft detailed design report for Ntabelanga dam completed. Error! Not a valid link. BEE subcontractors have been appointed	Contractor appointment	The plan to have completed the contractor appointment for Ntabelanga Dam, BDS and WTW was not achieved due to the delays in finalising the procurement process as well as delays in the completion of the designs
			ORWRDP 2D, 2E, 2F	Contractor procurement tender documents completed for 2D	Contractor appointment	The plan to have completed the contractor appointments for 2E and 2F was not achieved due to the delays in finalising the procurement process.
			6	2	4	The plan to have 4 bulk raw water projects under construction was not achieved. Details are provided per project.
			Nwamitwa	Procurement process for the construction contractor is underway	Site establishment and construction	The plan to commence with the site establishment and construction was not achieved due to the delays in the finalisation in appointing the main contractor.

Sub-programme name	Infrastructure Development and Rehabilitation				
Performance indicator	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
		Clanwilliam	Procurement process for appointment of a contractor for the dam raising is under way.	Construction of access roads	The plan to commence with the construction of access roads was not achieved as a private contractor has to be appointed with the consent of other stakeholders
		Umzimvubu	Procurement process for appointment of a contractor for access roads is under way.	Sites established and construction commences for Ntabelanga Dam, BDS and WTW	The plan to commence with site establishment and construction of the Ntabelanga Dam, BDS and WTW was not achieved as the project had to be transferred to the TCTA to raise funding and implement
			BEE subcontractors have been appointed and construction is on-going.	Target achieved	Target achieved
		Hazelmere	Phased impoundment achieved. 2 stages of PKW completed. 23 anchors stressed;	Target achieved	Target achieved
			32 holes waterproofed; 34 anchors assembled.	Target achieved	Target achieved

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Sub-programme name		Infrastructure Development and Rehabilitation				
	Performance indicator	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
2.3.3	Number of bulk raw water projects completed	0	ORWRDP 2C	Pipeline: 40 km has been laid to date, except in isolated areas requiring cut-out and other major repairs. Steelpoort river crossing underway. Pump-station: over 95% complete	Target achieved	Target achieved
			ORWRDP 2D, 2E, 2F	Contractor appointed for 2D.	Pipelines construction commences	The plan to have the commencement of construction pipelines for 2D, 2E and 2F was not achieved due to budget cuts
			1 • ORWRDP 2C	1 (i.e. Defects notification period underway: Pipeline repairs, backfilling and other defects rectification work is on-going)	Target achieved	Target achieved
3.4.1	Number of job opportunities created through implementing augmentation infrastructure projects	4 823	3 000	2 823	177	The plan to create 177 job opportunities through implementing augmentation infrastructure projects was not achieved as the delayed implementation of certain projects affected the creation of job opportunities

Sub-programme name		Operations of Water Resources				
Performance indicator		Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
2.4.1	Number of dam safety rehabilitation projects completed	1 dam safety rehabilitation project completed (i.e. Driel Barrage)	5 <ul style="list-style-type: none">Casteel DamNkadimeng DamHammarsdale DamNcora DamMarico-Bosveld Dam	0 <ul style="list-style-type: none">Hammarsdale Dam: working towards practical completionCasteel Dam: contractor appointedNkadimeng Dam: project still in tenderNcora And Marico-Bosveld Dams: no achievement	5	The plan to complete 5 dam safety rehabilitation projects was not achieved as additional environmental requirements had to be finalised.
2.4.2	Approved National Asset Management Plan (NWRl)	2 cluster AMPs have been finalised (i.e. Eastern Cluster & Central Cluster)	1 Cluster AMP completed (Southern) 1 National AMP completed (NWRl)	Maintenance Plan aligned to the AMP developed National AMP completed	Target achieved Target achieved	Target achieved Target achieved
2.4.3	Percentage of projects completed as per AMP aligned maintenance Plan (Planned Maintenance)	New indicator	90%	60% projects completed as per AMP (i.e. 152 of 255) projects completed	30% projects completed as per AMP (i.e. 78 of 255) projects completed	The plan to have completed 78 projects as per the AMP was not achieved due to delays in finalising the procurement processes
2.4.4	Percentage unscheduled maintenance projects completed as a proportion of planned maintenance projects	New indicator	10%	0%	Target achieved	The desire is to maintain the unplanned maintenance projects at 10% and below

Sub-programme name		Operations of Water Resources				Comment on deviations
Performance indicator		Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	
2.4.5	Number of kilometres of conveyance systems rehabilitated per annum	3 water conveyance projects (sections) rehabilitated ⁶	36km	4.205 km laid to date	31.795km	The plan to rehabilitate 31.795km conveyance systems was not achieved as there was a change from using an in-house contractor to external contractors which implied re-doing the procurement process.
3.4.1	Number of job opportunities created through implementing operations of water resources infrastructure projects	210 job opportunities	250 job opportunities	1 074 job opportunities	1 049 job opportunities	The target was exceeded by 1 049 job opportunities as labour intensive methods were used for certain operations and maintenance projects

4.3.2.3 Strategy to overcome areas of under performance

A process is underway to expedite SCM processes for contractor appointments. In addition, contractors may have to increase working hours and review the method statement on infrastructure projects.

4.3.2.4 Changes to planned targets

Some projects could not be executed accordingly due to lack of term contract and appointment of contractors. These are multiyear projects; incomplete projects will be fast tracked and completed in the next financial year (2017/18). Insufficient budget allocated on some of the APP projects in the 16/17 financial year.

⁶ The unit of measurement was changed during the 2016/17 financial year to measure the kilometres instead of the projects

4.3.3 Linking performance with budgets

Sub-programme	2016/17							2015/16	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000
Infrastructure Development and Rehabilitation ⁷	1 988 582	91 204	-	1 897 378	1 482 794	414 584	78%	1 170 748	897 091
Operation of Water Resources ⁸	525 929	-	-	525 929	405 276	120 653	77%	584 164	398 798
Water Services Infrastructure	10 115 784	-	117 622	10 233 406	10 185 550	47 856	99,5%	9 933 179	9 825 517
Total	12 630 295	91 204	117 622	12 656 713	12 073 620	583 093	95,4%	11 688 091	11 121 406

⁷ The infrastructure development and rehabilitation was partly funded from the fiscus and the Water Trading revenue. The fiscus allocation that was fully transferred to the Water Trading during the 2016/17 financial year amounted to R1.731 billion and R 165 million was covered using the Water Trading revenue.

⁸ The operation of water resource is also partly funded from both the fiscus and the Water Trading revenue. The fiscus allocation that was fully transferred to the Water Trading during the 2016/17 financial year amounted to R165 million for the financial year and R306 929 was covered using the Water Trading revenue.

4.4 Programme 4: Water and Sanitation Services

The programme is responsible to ensure the provision of sustainable water and dignified sanitation services, including implementation support and advocacy to support household health and dignity.

4.4.1 Sub-programmes

Water and Sanitation Services Support provides strategic leadership and overall management of the programme.

National Sanitation Services supports the development of infrastructure for sanitation services for improved quality of life.

Water Sector Support provides for the implementation of rainwater harvesting tanks and financial support to resource poor farmers including sector guidance, best practice and innovation on sustainable water provision and sanitation services.

4.4.2 Strategic objectives, performance indicators, planned targets and actual achievements

4.4.2.1 Programme strategic objectives

Water and Sanitation Services					
Programme Name	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
2.5 Enhanced provision of sustainable and dignified basic sanitation	A total of 1 838 bucket sanitation systems were replaced in formal settlements	13 591	19 424	Target achieved	Target is reported as achieved as the sanitation systems that were not achieved during the 2015/16 financial year were completed during the year under review.
3.2 Targeted rural development initiatives that support smallholder farmers	A total of 1 348 resource poor farmers were financially supported.	2 initiatives RPF RWH	2 initiatives RPF RWH	Target achieved	Target achieved
4.4 Coordinated development of the skills pool across the sector	New strategic objective	Water and Sanitation Sector Occupations (skills) framework developed	Water and Sanitation Sector Occupations Framework finalised	Target achieved	Target achieved

4.4.2.2 Programme indicators per sub-programme

Sub-programme name		National Sanitation Services				
	Performance indicator	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
2.5.1	Number of existing bucket sanitation systems in formal settlements replaced with adequate sanitation services per year	1 838	4 135	6 978	2 843	The target was exceeded by 2 843 bucket sanitation systems as the sanitation systems that were not achieved during the 2015/16 financial year were completed during the year under review.
2.5.2	Number of rural households served to eradicate sanitation backlogs as per norms and standards	3 708	9 456	12 446	2 990	The target was exceeded by 2 990 rural households as the sanitation systems that were not achieved during the 2015/16 financial year were completed during the year under review.

Sub-programme name		Water Sector Support				
Performance indicator		Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
3.2.1	Number of additional resource poor farmers financially supported to enhance access to water	1 348	1 239	1 477	238	The target is exceeded by 238 resource poor farmers as the concerted effort to support small holder farmers yielded positive results
3.2.2	Number of tanks installed to harvest water for food production and other household productive use	862	1 500	807	693	The plan to install 693 tanks to harvest water was not achieved as funds were reprioritised to support drought interventions
3.2.3	Number of job opportunities created through the Resource Poor Farmer and Water Harvesting programmes	339	262	341	79	The target was exceeded by 79 as the increased support to resource poor farmers yielded positive results.
4.4.1	Approved standardised Water and Sanitation Sector Occupations Framework implemented	New indicator	Water and Sanitation Sector Occupations (skills) framework developed	Water and Sanitation Sector Occupations Framework finalised	Target achieved	Target achieved

4.4.2.3 Strategy to overcome areas of under performance

None as the planned targets for the period under review were met.

4.4.2.4 Changes to planned targets

There were no changes to the planned targets during the period under review.

4.4.3 Linking performance with budgets

Sub-programme	2016/17							2015/16	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000
Water Sector Support	229 648	(16 444)	(48 694)	164 510	153 716	10 794	93,4%	210 124	205 586
National Sanitation Services	508 412	16 444	89 122	613 978	917 041	(303 063)	149,4%	1 204 550	1 153 989
Total	738 060	-	40 428	778 488	1 070 757	(292 269)	137,5%	1 414 674	1 359 575

4.5 Programme 5: Water Sector Regulation

The programme is responsible for ensuring the development, implementation, monitoring and review of regulations across the water and sanitation value chain in accordance with the provisions of the National Water Act (1998), the Water Services Act (1997) and related water and sanitation policies.

4.5.1 Sub-programmes

Water Sector Regulation Management and Support provides strategic leadership and overall management of the programme.

Compliance Monitoring coordinates and monitors compliance to standards, license conditions and regulations across the full water and sanitation value chain.

Economic and Social Regulation ensures that pricing is efficient and cost reflective, achieves value for money for consumers and, where appropriate, that trade-offs are made between the cost, quality and sustainability of services, focusing on developing finance and pricing strategies.

Enforcement ensures that a range of actions, both administrative and criminal, are taken against organisations and/or individuals for non-compliance with sector regulation and policy.

Institutional Oversight involves institutional governance and oversight of all water institutions, and facilitates their establishment, development, strategic alignment and performance monitoring and evaluation.

Water Use Authorisation and Administration enables equitable access to water-use through the application of various regulatory instruments.

Water Supply Services and Sanitation Regulation regulates the provision of drinking water and the management of wastewater.

4.5.2 Strategic objectives, performance indicators, planned targets and actual achievements

4.5.2.1 Programme strategic objectives

Programme Name		Water Sector Regulation				
Strategic objectives		Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
1.1	Water resources protected through water supply and sanitation services regulation, compliance monitoring and enforcement	New objective	Proposed water and sanitation services regulatory compliance and assessment tool	Target not achieved	Target not achieved	Target not achieved as the consolidation of the regulatory instruments is still underway
1.5	Freshwater eco-systems protected from Acid Mine Drainage	100% completion (i.e. Test commissioning of pumps, pipelines, reactors and settlers underway with the full wet testing imminent).	Draft National Mine water regulation Programme	Target not achieved	Target not achieved	The finalisation of the policy informing the Draft National Mine water regulation Programme took longer than anticipated affecting the achievement
3.1	Equitable water allocation and availability for socio-economic development	New objective	Verification and validation of water allocations in 3 catchments	Target not achieved	Target not achieved	Target not achieved as additional consultations had to be done with the affected parties
4.1	An enabling environment for the management of water resources and the provision of basic water and sanitation services across the sector	New objective	Draft Bill for public consultation	Draft Bill for public consultation	Target achieved	Target achieved
4.2	Sound governance and oversight of the DWS public entities	New objective	Annual appraisals of shareholder compacts and business plans for all entities	13	Target achieved	Target achieved

4.5.2.2 Programme indicators per sub-programme

Water Sector Regulation Management and Support					
Sub-programme name	Performance indicator	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017
1.5.1	Number of catchments assessed for Acid Mine Drainage (AMD)	75% of catchments assessed (i.e. Olifants and Steelpoort catchments assessed)	3 catchments • Olifants-Steelpoort; • Inkomati-Usuthu; and • Tugela to Usuthu-Mhlathuze assessments for AMD completed	2 (i.e. Coal mines in the Olifants-Steelpoort and Tugela catchment area were assessed)	1 The Olifants-Steelpoort catchment is a recovery from the Lower Olifants assessment conducted during the 2015/16 financial year. The plan to assess the Usuthu-Mhlathuze catchment for Acid Mine Drainage (AMD) was not achieved due to human capacity constraints.
1.5.2	Number of catchments in which mitigation strategies for potential AMD are developed	75% of catchments assessed	2 Vaal Olifants-Steelpoort	1 (i.e. Mitigation strategy for Olifants-Steelpoort catchment finalised)	1 The plan to develop a mitigation strategy for the Vaal catchment was not achieved as the review of the catchment is still underway

Water Sector Regulation Management and Support					
Sub-programme name	Performance indicator	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017
1.5.3	Inter/intra governmental structures established for mine water management governance	New indicator	Inter/intra governmental collaborations established	<p>Funding and technology working groups in place.</p> <p>Draft reports in progress</p> <p>On-going engagements with other departments and state entities to optimise mine water governance and management interventions</p> <p>Policy approved by cabinet for gazetting.</p>	Development of the funding model
					The plan for developing a funding model was not achieved as the funding model is still being finalised.

Water Sector Regulation Management and Support					
Sub-programme name	Performance indicator	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017
1.5.4	Completion of the Witwatersrand AMD long term project	Although the implementing agent had will appoint the EIA practitioner was identified, the planned EIA process was not achieved.	EIA process instituted: scoping report published for public comments	National Treasury has approved a closed tender to appoint an EIA Practitioner. EIA Practitioner to be appointed by May 2017.	EIA process instituted: scoping report published for public comments The plan to complete the Witwatersrand AMD long term project is not achieved as a single source procurement of an EIA practitioner had to be revised to include Broad-Based Black Economic Empowerment objectives
1.5.5	Mine water management coordinating bodies established per catchment	New indicator	Olifants catchment coordinating body established	Budget and governance structure finalised. Flagship project: Mine Water for Irrigation identified.	Olifants catchment coordinating body established The plan to establish the Olifants catchment coordinating body was not achieved as the negotiations for an agreed governance structure from the various companies and organisations is still on-going.
4.1.1	Approved National Water and Sanitation Resources and Services Strategy (NWSRSS) and implementation plan	New indicator	Draft National Water and Sanitation Resources and Services Strategy developed	Not achieved	Draft National Water and Sanitation Resources and Services Strategy developed The plan to develop the Draft National Water and Sanitation Resources and Services Strategy was not achieved due to the delays in finalising the contractual issues
4.1.2	Revised water and sanitation norms and standards for all water and sanitation supply and services	New indicator	Approved water supply and sanitation norms and standards published	Not achieved	Target not achieved The water supply and sanitation norms and standards were not published as there was a delay in finalising the contractual issues

Sub-programme name		Compliance Monitoring				Comment on deviations
Performance indicator		Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	
1.1.5	Number of dams evaluated for compliance with dam safety regulations by Approved Professional Persons (APPs)	A total of 154 dams were evaluated for compliance for dam safety regulations	160	178	18	The target was exceeded by 18 dams evaluations as additional dams had to be evaluated due to drought.
1.1.6	Number of water users monitored for compliance	A total of 274 water users were monitored for compliance	370	435	65	The target was exceeded by 65 as additional users had to be monitored due to drought
1.1.7	Number of water management institutions monitored for effective compliance monitoring of affiliated water users	New indicator	30	30	-	Target achieved
1.1.8	Percentage compliance of mines measured against their water use entitlements	New indicator	50%	52%	2%	The target was exceeded by 2% as more mines were available for measurement

PART B: PERFORMANCE INFORMATION

Economic and Social Regulation					
Sub-programme name	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
4.2.5 Establishment of water economic regulator	New indicator	Business case for the establishment of the independent economic regulator approved	Not achieved	Business case for the establishment of the independent economic regulator was not approved	The plan to have an approved business case for the establishment of the independent economic regulator was not achieved as the business is on hold until the next financial year
4.2.6 Water pricing regulations implemented	0% completion (Although the final water pricing strategy was not gazetted section 10 of the norms and standards were gazetted)	Final pricing strategy approved and gazetted	Not achieved	Final pricing strategy approved and gazetted	The plan to gazette the final water pricing strategy was not achieved as the process to obtain the concurrence from other stakeholders is on-going

Enforcement					
Sub-programme name	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
1.1.9 Percentage of reported non-compliant cases investigated	100% (i.e. 376 of 376 cases)	100%	100% (i.e. 634 of 634 cases)	Target achieved	Target achieved

Sub-programme name		Institutional Oversight				
Performance indicator		Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
4.2.1	Number of annual performance assessments conducted on all DWS public entities	New indicator	13 <ul style="list-style-type: none">9 water boards2 CMAsTCTAWRC	13 <ul style="list-style-type: none">9 water boards2 CMAsTCTAWRC	Target achieved	Target achieved
4.2.2	Establishment of a National Water Infrastructure Agency	0% completion in the establishment of the national water infrastructure agency (Although the business case was not finalized, a concept document, an inception/scoping report and work plan were drafted)	Business case gazetted for public consultation	Not achieved	Not achieved	The plan to gazette the business case for the establishment of the National Water Infrastructure Agency was not achieved due to the delays in the finalisation of the procurement process.
4.2.3	Number of Catchment Management Agencies gazetted for establishment	0% completion in establishing Catchment Management Agencies (Although no CMAs were established a total of 4 were gazetted for establishment with the other 3 gazetted for public comments)	3 <ul style="list-style-type: none">Berg OlifantsMzimvubu-TsitsikammaOrange	0	3	The plan to gazette the establishment of 3 CMAs was not achieved as the process for the gazetting is still on-going.

Institutional Oversight				
Sub-programme name	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017
4.2.4 Number of regional water and wastewater utilities gazetted for establishment	New indicators	2 proto-regional water utilities • Magalies/Sedibeng • KwaZulu-Natal	0	2
				The Plan to gazetted the establishment of 2 proto-regional water utilities was not achieved

Water use Authorisation and Administration				
Sub-programme name	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017
3.1.1 Percentage of applications for water use authorisation finalised within 300 days	91% (i.e. 262 out of 288) WULAs were finalised	80%	68% (i.e. 275 of 404 applications)	32% (i.e. 129 of 404 applications)
				The plan to finalise 129 water use authorisations within 300 days was not achieved due to inadequate human resources at catchment management agencies. In addition, the delays in specialist inputs further affects the finalisation of the applications

Sub-programme name		Water Supply Services and Sanitation Regulation				
	Performance indicator	Actual achievement in 2015/2016	Planned target for 2016/2017	Actual achievement in 2016/2017	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
1.1.1	Number of wastewater systems assessed for compliance with the Green Drop Regulatory standards	No wastewater treatment collector systems were assessed as the activity has been moved for implementation during next financial year.	963	0	963	The Department focussed on monitoring the non-complaint wastewater treatment collector systems using internal assessors. Owing to limited internal capacity, the plan to assess 963 wastewater systems for compliance with the Green Drop Regulatory standards was not achieved.
1.1.2	Number of non-compliant wastewater systems monitored against the Green Drop Regulatory tool	New indicator	260	318	58	The target was exceeded by 58 as additional systems had to be monitored.
1.1.3	Number of water supply systems assessed for compliance with Blue Drop Regulatory standards	No water treatment supply systems were assessed (Although no water treatment supply systems were assessed, 346 assessments for the Performance Assessment Tool (PAT) were undertaken)	1 036	763	273	The Department focussed on monitoring the non-complaint water supply systems using internal assessors (i.e. internal capacity). Owing to limited internal capacity, the plan to assess 273 water supply systems for compliance with Blue Drop Regulatory standards was not achieved.
1.1.4	Number of non-compliant water supply systems monitored against the Blue Drop Regulatory tool	New indicator	250	316	66	The target was exceeded by 66 as additional systems had to be monitored as they were found to be displaying compliance challenges.

4.5.2.3 Strategy to overcome areas of under performance

To improve the efficiency within the water use authorisation the Department has developed a WULA business process that will ensure that water use licensing units are established within the catchment management agencies, human capacity is increased and the efficiency of the specialist inputs are improved. Also, the new regulations published in March 2017 will enable the Department to reject and close applications with outstanding information.

The Department's Legal Services and SCM are intervening to assist with dealing with contractual issues that are affecting and delaying the implementation of the projects.

A task team has been established to clarify and confirm the institutional model.

4.5.2.4 Changes to planned targets

There were no changes during the period under review.

4.5.3 Linking performance with budgets

2016/17										2015/16	
Sub-programme	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure		
	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000		
Water Sector Regulation Management and Support	37 309	538	(7 789)	30 058	29 882	176	99,4%	38 128	34 119		
Economic and Social Regulation	27 394	(659)	(8 219)	18 516	14 169	4 347	76,5%	12 487	12 310		
Water Use Authorisation and Administration	71 292	(15 010)	(5 051)	51 231	47 702	3 529	93,1%	45 572	44 403		

Sub-programme	2016/17							2015/16	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000
Water Supply Services and Sanitation Regulation	21 346	-	(5 734)	15 612	15 138	474	97,0%	16 125	15 728
Compliance Monitoring	73 567	1 347	-	74 914	69 949	4 965	93,4%	63 450	60 628
Enforcement	33 286	(926)	(372)	31 988	26 826	5 162	83,9%	24 187	23 754
Institutional Oversight	81 883	14 710	(520)	96 073	78 019	18 054	81,2%	71 168	70 926
Total	346 077	-	(27 685)	318 392	281 685	36 707	88,5%	271 117	261 868

5 TRANSFER PAYMENTS

5.1 Transfer payments to public entities

Name of Public Entity	Services rendered by the public entity	Amount transferred to the public entity in R'000	Amount spent by the public entity in R'000	Achievements of the public entity
Magalies Water Board	Implementation of Pilanesberg BWS	142 769	138 000	<p>The progress for Phase 1 comprising of the following contracts is as follows:</p> <ul style="list-style-type: none"> • Pipeline – Vaalkop to La Patrie: 100% complete • Pipeline – La Patrie to Padda Junction: 100% complete • La Patrie Reservoir (20 MI): 100% complete • Pipeline – Evergreen Junction to Mafenya Reservoir: 100% complete • Mafenya Reservoir (50MI): 100% complete • Vaalkop upgrade (60 MI/d): 100% complete • Phase 2 of the project is under planning with all IRS completed. • Phase 3 of the project is at inception phase.
Sedibeng Water Board	Implementation of Vaal Gamagara and Namakwa BWS	279 000	233 307	<p>Vaal Gamagara progress is as follows:</p> <p>Significant progress has been made on Pipeline 1A and 2; All drawings and designs have been reviewed; All 6 certificates have been paid except for Certificate No. 3B which is currently under dispute resolution. Therefore the project is currently at 20% physical progress.</p> <p>Namakwa BWS progress is as follows: Phase1 of the project was complete in June 2016. Phase 2 is under construction and will be completed in December 2020. The phase 2 of the project is currently at 16% completion.</p>

PART B: PERFORMANCE INFORMATION

Name of Public Entity	Services rendered by the public entity	Amount transferred to the public entity in R'000	Amount spent by the public entity in R'000	Achievements of the public entity
Umgeni Water Board	Implementation of Umshwathi BWS and Lower Tugela BWS	423 004	423 004	<p>Implementation for Phases 1, 2 and 3 of the uMshwathi BWS and the following is the progress to date:</p> <ul style="list-style-type: none"> • The construction of 27 km of pipeline from Claridge to Wartburg was completed in December 2015, testing and disinfection and commissioning will be completed in June 2017 (due to unavailability of water and need for pump station to be completed) • Pump stations for phase1 is under construction and will be completed in May 2017. • Phase 2 pipeline, reservoir and pump station are 92% complete and commissioning expected by November 2017. • Phase 3 pipeline from Dalton to Fawn-Lease to Efaye is under construction and will be commissioned in August 2017. Phase 3 pipeline from Fawn-Lease to Ozwathini is under construction and will be commissioned in June 2017. • Lower Tugela BWSPHase 1 of the scheme, which is designed to produce 55ML/d, is in the final stages of commissioning with latest progress reported as follows: • All process train components can be operated manually except the Sludge handling, on which they are finalising Electrical installations • The plant is able to constantly produce 25 ML/day but through manual operation, only • Sludge Handling: Mechanical Installation 90 % complete – Electrical 80 % • Chemical Dosing – 3 Priority Chemicals 2 of 3 in place on track for 8 April 2017

PART B: PERFORMANCE INFORMATION

Name of Public Entity	Services rendered by the public entity	Amount transferred to the public entity in R'000	Amount spent by the public entity in R'000	Achievements of the public entity
Inkomati-Usuthu CMA	Water resource management	79 613	79 613	<ul style="list-style-type: none"> Water resource protection through sampling of water quality points, remedying pollution incidents and issuing notices and directives Managing water use registering water users, verifying water usage and issuing/confirming water use authorisations Stakeholder management and empowerment sessions
Breede-Gouritz CMA	Water resource management	47 786	47 786	

5.2 Transfer payments to all organisations other than public entities

Name of transferee	Type of organisation	Purpose for which the funds were used	Did the dept. comply with s 38 (1) (j) of the PFMA	Amount transferred (R'000)	Amount spent by the entity (R'000)	Reasons for the funds unspent by the entity
Regional Bulk Infrastructure Grant (RBIG)	Municipalities	<ul style="list-style-type: none"> To develop new, refurbish, upgrade and replace ageing water and waste water infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality To pilot regional Water Conservation and Water Demand Management (WC/WDM) projects or facilitate and contribute to the implementation of local WC/WDM projects that will directly impact on bulk infrastructure requirements 	Yes	1 849 791	951 674	Misalignment of financial years between National and Municipal year

PART B: PERFORMANCE INFORMATION

Name of transferee	Type of organisation	Purpose for which the funds were used	Did the dept. comply with s 38 (1) (j) of the PFMA	Amount transferred (R'000)	Amount spent by the entity (R'000)	Reasons for the funds unspent by the entity
Water Services Infrastructure Grant (WSIG)	Municipalities	<p>Facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainability of services in prioritised district municipalities, especially in rural municipalities</p> <p>Provide interim, intermediate water and sanitation supply that ensure provision of services to identified and prioritised communities, including through spring protection, drilling, testing and equipping of boreholes</p> <p>Provide on-site sanitation solutions</p> <p>Support the existing bucket eradication programme intervention in formal residential areas</p> <p>Support drought relief projects in affected municipalities</p>	Yes	2 830 982	1 130 300	Misalignment of financial years between National and Municipal year

6 CONDITIONAL GRANTS

6.1 Conditional grants and earmarked funds paid

Tabulated below are each of the conditional grants and earmarked funds paid by the Department.

Table 5: Regional Bulk Infrastructure Grant (Schedule 5B)

Grant schedule	Schedule 5B
Department/Municipality to whom the grant has been transferred	Various municipalities (see Annexures)
Purpose of the grant	To develop new, refurbish, upgrade and replace ageing infrastructure that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to develop new, refurbish, upgrade and replace ageing waste water infrastructure of regional significance; to pilot regional Water Conservation and Water Demand Management projects or facilitate and contribute to the implementation of local Water Conservation and Water Demand Management projects that will directly impact on bulk infrastructure requirements.
Expected outputs of the grant	<ul style="list-style-type: none"> • Number of regional bulk and WC/WDM projects initiated • Number of projects completed • Number of people or households targeted to benefit from bulk supply • Number of people or households benefitting from projects completed • Number of municipalities benefitting • Number of job opportunities created
Actual outputs achieved	<ul style="list-style-type: none"> • 21 regional bulk and WC/WDM projects initiated • 0 projects completed • 38 271 households targeted to benefit from bulk supply • 0 of people or households benefitting from projects completed • 21 of municipalities benefitting • 220 of job opportunities created
Amount per amended DORA (R'000)	1 850 000
Amount transferred (R'000)	1 849 791
Reasons if amount as per DORA not transferred	R 209 was not transferred to Cederberg Local Municipality due to DoRA non-compliance.
Amount spent by the Department/municipality (R'000)	1 849 791
Reasons for the funds unspent by the entity	Delays in the projects implementation and SCM process had an impact on spending. Last transferred also done in March month, due to approval of adjusted Division of Revenue Act (DoRA)
Monitoring mechanism by the transferring department	Monthly progress site meetings and quarterly performance evaluations meetings.

Table 6: Water Services Infrastructure Grant (Schedule 5B)

Grant schedule	Schedule 5B
Department/Municipality to whom the grant has been transferred	Various municipalities (see Annexures)
Purpose of the grant	To facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainability of services in prioritised district municipalities, especially in rural municipalities; provide interim, intermediate water and sanitation services that ensure provision of services to identified and prioritised communities, including through spring protection, drilling, testing and equipping of boreholes and on-site solutions; to support drought relief projects in affected municipalities.
Expected outputs of the grant	<ul style="list-style-type: none"> • Number of households provided with water and sanitation through: <ul style="list-style-type: none"> • reticulated water supply • on site sanitation • on site water • source identification • water conservation/water demand management provisioning • Number of households reached by health and hygiene awareness and end user education • Number of job opportunities created
Actual outputs achieved	<ul style="list-style-type: none"> • 178 water services projects were completed of which <ul style="list-style-type: none"> • 89 were for reticulation • 33 on site sanitation • 18 on site water • 29 source identification • 9 water conservation and demand management • 209 job opportunities created
Amount per amended DORA (R'000)	2 844 982
Amount transferred (R'000)	2 830 982
Reasons if amount as per DORA not transferred	The allocation amounting to R14 million for Thabazimbi Local Municipality was stopped due to municipality failing to comply with various conditional requirements
Amount spent by the Department/municipality (R'000)	2 830 982
Reasons for the funds unspent by the entity	Delays in the projects implementation and Supply Chain Management process had an impact on spending. The last transfer also was done in March, due to approval of adjusted Division of Revenue Act (DoRA). The misalignment of financial years between National and Municipal years also impact; the National financial year ends in March, whereas municipalities close their books in June. This means that by the time the Department closes its books, municipalities still have three months to spend their allocations
Monitoring mechanism by the transferring department	<ul style="list-style-type: none"> • Municipalities must submit business plans signed off by the Accounting Officer in line with their Water Services Development Plans (WSDP) • The Department of Water and Sanitation (DWS) must approve the business plans before projects can be implemented • WSA must submit monthly financial and quarterly non-financial reports to DWS • Municipalities must demonstrate in the business plan how they plan to fund and manage the infrastructure over the long term

6.2 Conditional grants and earmarked funds received

Table 7: Bucket Eradication Programme Grant (Schedule 6B)

Grant schedule	Schedule 6B
Purpose of the grant	To provide funding for the eradication of bucket sanitation in formal areas
Expected outputs of the grant	4 135 households previously using bucket toilets provided with basic sanitation
Actual outputs achieved	6 978 households previously using bucket toilets provided with basic sanitation
Amount per amended DORA (R'000)	422 000
Amount received (R'000)	422 000
Reasons if amount as per DORA not received	N/A
Amount spent by the Department (R'000)	831 390
Reasons for the funds overspent by the entity	The overspending is due mainly to the 2015/16 projects that were already under construction in Bucket Eradication Programme which were included in the 2016/17 target. The 2016/17 budget was insufficient due to the non-approval of the rollover request.
Reasons for deviations on performance	The target was exceed by 2 843 bucket sanitation systems as the sanitation systems that were not achieved during the 2015/16 financial year were completed during the year under review.
Measures taken to improve performance	Improve on planning of projects
Monitoring mechanism by receiving department	Site visits and monthly meeting with contractors to report on progress and challenges

Table 8: Regional Bulk Infrastructure Grant (Schedule 6B)

Grant schedule	Schedule 6B
Purpose of the grant	To develop new, refurbish, upgrade and replace ageing infrastructure that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to develop new, refurbish, upgrade and replace ageing waste water infrastructure of regional significance; to pilot regional Water Conservation and Water Demand Management projects or facilitate and contribute to the implementation of local Water Conservation and Water Demand Management projects that will directly impact on bulk infrastructure requirements.
Expected outputs of the grant	<ul style="list-style-type: none"> • Number of regional bulk and WC/WDM projects initiated • Number of projects completed • Number of people or households targeted to benefit from bulk supply • Number of people or households benefitting from projects completed • Number of municipalities benefitting • Number of job opportunities created
Actual outputs achieved	<ul style="list-style-type: none"> • 101 regional bulk and WC/WDM projects initiated • 6 projects completed • 1 854 987 households targeted to benefit from bulk supply • 18 454 households benefitting from projects completed • 83 of municipalities benefitting • 420 of job opportunities created
Amount per amended DORA (R'000)	3 478 829
Amount received (R'000)	3 478 829
Reasons if amount as per DORA not received	N/A
Amount spent by the Department (R'000)	3 422 262
Reasons for the funds under spent by the Department	The immaterial variance of R2 439 was funded from the programme's savings.
Reasons for deviations on performance	N/A
Measures taken to improve performance	N/A
Monitoring mechanism by receiving department	Monthly progress site meetings and quarterly performance evaluations meetings.

Table 9: Water Services Infrastructure Grant (Schedule 6B)

Grant schedule	Schedule 6B
Purpose of the grant	To facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainability of services in prioritised district municipalities, especially in rural municipalities; provide interim, intermediate water and sanitation services that ensure provision of services to identified and prioritised communities, including through spring protection, drilling, testing and equipping of boreholes and on-site solutions; to support drought relief projects in affected municipalities.
Expected outputs of the grant	<ul style="list-style-type: none"> • Number of households provided with water and sanitation through: <ul style="list-style-type: none"> • reticulated water supply • on site sanitation • on site water • source identification • water conservation/water demand management provisioning • Number of households reached by health and hygiene awareness and end user education • Number of job opportunities created
Actual outputs achieved	<ul style="list-style-type: none"> • 25 water services projects were completed and communities receiving services of which <ul style="list-style-type: none"> • 14 were for reticulation • 2 on site water • 6 source identification • 3 water conservation and demand management • 300 job opportunities created
Amount per amended DORA (R'000)	362 145
Amount received (R'000)	362 145
Reasons if amount as per DORA not received	None
Amount spent by the Department (R'000)	297 668
Reasons for the funds unspent by the entity	R64 577 was not spent due to delays in implementing projects by Implementing Agents as a result of prolonged procurement as well as savings realised in other projects
Reasons for deviations on performance	Prolonged turnaround time for appointments as well as lack of ready-made material resulted in the under spending
Measures taken to improve performance	Monthly Project site visits, meetings and quarterly performance review to ensure that implementation started as early to allow the municipalities to spend the allocated budget.
Monitoring mechanism by receiving department	<ul style="list-style-type: none"> • Municipalities must submit business plans signed off by the Accounting Officer in line with WSDP • DWS must approve the business plans before projects can be implemented • DWS must enter into a Service Level Agreement (SLA) with the relevant municipality before any project is implemented

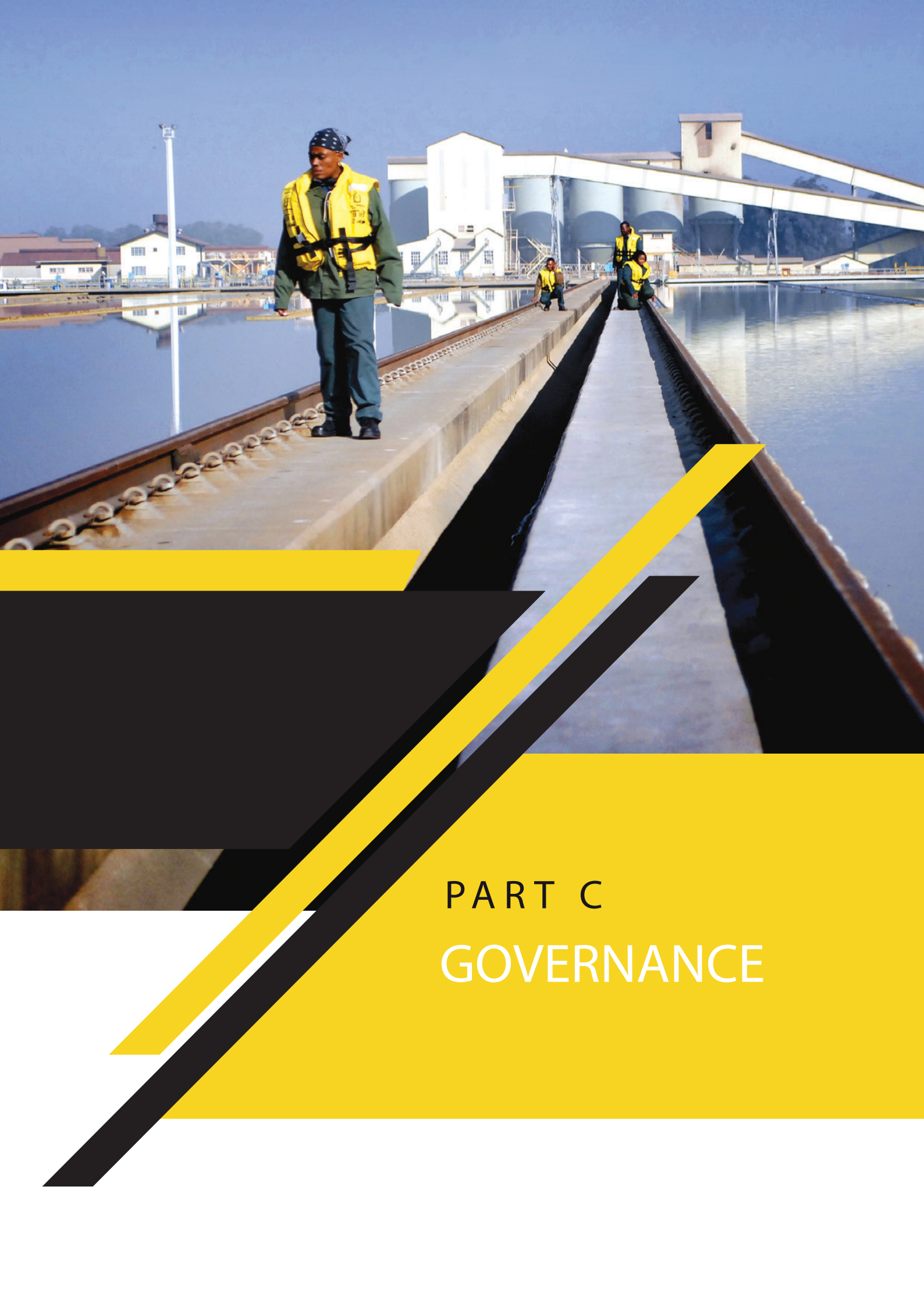
7 DONOR FUNDS

There were no donor funds received for the period 1 April 2016 to 31 March 2017.

8 CAPITAL INVESTMENT

8.1 Capital investment, maintenance and asset management plan

Infrastructure projects	2016/2017			2015/2016		
	Final Appropriation	Actual Expenditure	(Over)/ Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
New and replacement assets	4 323 338	4 603 474	(280 136)	6 755 497	6 702 206	53 291
Existing infrastructure assets	399 933	323 178	76 755	795 483	753 751	41 732
Upgrades and additions	157 369	105 058	52 311	470 885	393 621	77 264
Rehabilitation, renovations and refurbishments	242 564	218 120	24 444	324 598	360 130	(35 532)
Maintenance and repairs						
Infrastructure transfer	7 503 548	7 482 875	20 673	5 084 398	5 078 344	6 054
Current	3 968 102	3 947 638	20 464	2 537 155	2 531 091	6 064
Capital	3 535 446	3 535 237	209	2 547 243	2 547 253	(10)
Total	12 226 819	12 409 527	(182 708)	12 635 378	12 534 301	101 077



PART C

GOVERNANCE

1 INTRODUCTION

Commitment by the Department to maintain the highest standards of governance is fundamental to the management of public finances and resources. Users want assurance that the Department has good governance structures in place to effectively, efficiently and economically utilise the state resources, which is funded by the tax payer.

2 RISK MANAGEMENT

The Department has an approved risk management framework, policy and strategy which guide the risk management process. It also has an Executive Risk Committee (ERC) that provides oversight of risk and the organisation's control environment whilst the Audit Committee provides independent oversight of the organisations risks.

The organisation's approach to risk management is based on established governance processes and relies on both individual responsibility and collective oversight, supported by comprehensive reporting.

Acknowledging the complex and changing risk environment, continuous risk assessments are conducted to identify any emerging risks that could negatively impact on the organisation achieving its objectives. The organisation continues to re-evaluate its risk processes to ensure continuous improvement.

Through the Executive Risk Committee as well as the Audit Committee assurance was provided that the organisation 27 strategic risks were being mitigated. Despite the challenging environment the organisation found itself in, exacerbated by the devastating drought, the organisation was able to reduce the residual risk rating for a number of these risks.

We acknowledge that much work still needs to be done to further strengthen the control environment, especially in the area of project management and irregular, fruitless, wasteful and unauthorised expenditure. That said, the water debt owed by water boards and municipalities remains a constraint to the Department.

3 FRAUD AND CORRUPTION

During the risk assessment process the Department has also considered it's fraud risks exposure. In an attempt to minimise and to ensure their subsequent elimination, the Department put various measures in place. The Department has adopted zero tolerance to fraud and corruption and has approved a fraud policy as well as an anticorruption and fraud prevention plan.

In its fraud policy, the Department subscribes to the Protected Disclosure Act, 26 of 2000. This means employees who have reported incidents of fraud and corruption are protected from any form of occupational hazard.

The anti-corruption and fraud prevention plan is an overall plan that sets out how the Department will reduce fraud and corruption. It sets out the activities that the Department will carry out to limit or eliminate the exposure to corruption and fraud. This was implemented during the financial year and is annually reviewed.

The Department also uses internal and external sources of identifying incidents of fraud and corruption. The external source is mainly the National Anti-Corruption Hotline (NACH), coordinated by the Public Service Commission (PSC) to ensure that all cases of fraud and corruption are reported centrally and redirected to the Departments for investigation. Feedback is then provided to the Public Service Commission on how the reports matters have been handled.

The internal source is mainly through the officials reporting the incidents of fraud and corruption to the Director-General (DG). Subsequent to the DG's approval, the Department's Forensic Investigation Unit located in the Internal Audit investigates and reports to the DG to implement the recommendations.

The Department's Forensic Investigations unit remains independent, free of bias and aspires to remain free of any kind of influence. All managers are responsible for the detection and prevention of fraud and corruption.

4 MINIMISING CONFLICT OF INTEREST

During the period under review, the Accounting Officer appointed six (6) ethics officers that are based in the Department's HR Administration units. These ethics officers are responsible for:

- ensuring compliance in the submission of Financial disclosures for SMS members and other designated groups;
- determining conflict of interests after verifying the disclosures;
- administratively managing remunerative work outside the public service and
- managing matters relating to employees doing business with an organ of state.

Section 30 of the Public Service Act, 1994 allows for employees in the Public Service to perform other remunerative work provided that they have written permission from the Executive Authority. However, on 1 August 2016, Regulation 13(c) of Public Service Regulations, 2016 (PSR) came into effect. It prohibits Public Service employees from conducting business with organs of state.

The Department of Public Service & Administration (DPSA) conducted a compliance assessment of Section 30 of the 1994 Public Service Act, based on the disclosure of financial interests by members of the Senior Management Services (SMS). A report was provided to the Department in which the names of SMS members that do not have permission to conduct remunerative work and employees who are registered on the Central Supplier Database (i.e. they have intention of conducting business with an organ of State) were stipulated.

Subsequent to the DPSA compliance assessment report, the Employee Relations unit issued letters to each affected Senior Manager, providing them with an opportunity to make representations. These representations will be deliberated on by the Ethics Committee. This process will be conducted on an annual basis.

In minimising the conflict of interest with Supply Chain Management (SCM), all officials performing the function and other role players are required to sign the Code of Conduct. The members of SCM committees are required to sign the Code of Conduct. Also, in every meeting members of the Specification, Evaluation and Adjudication Committees are required to sign declaration forms.

For the period under review, the Department sourced quotations from the National Treasury Central Supplier Database (CSD) which can identify companies that have directors that are employed by State. Also prior to the awarding, the Department requires successful bidders to be registered in the National Treasury Central Database to ensure compliance and to check if the company is not owned by an employee of the State.

5 CODE OF CONDUCT

In 1997 government introduced the Code of Conduct for the Public Service. The Code sets standards for ethical conduct in the Public Service and is supported by the Financial Disclosure Framework that requires senior officials to declare their financial interests annually.

For the 2016/2017 financial year a total of 191 Senior Management Service (SMS) members disclosed their financial interests, with the Department achieving 100% compliance in the submission of financial disclosures. This is the third consecutive financial year that the Department has achieved 100% submission by senior managers.

6 HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The Department has a functional Health and Safety Committee comprising of safety officers from across the functional areas of the Department. The Committee is established in terms of the Section 19 of the Occupational Health and Safety Act. The committee meet quarterly to make assessment of the OHS environment and follow-up on mitigation interventions. Qualified safety officers are appointed in all departmental offices to ensure the implementation in the various areas of work. The officers undertake periodic inspections and report to the OHS Committee, which are also submitted to Top Management for discussion and approval of recommendations.

Safety policies on Personal Protective Equipment, OHS and Smoking were reviewed and signed off by the Direct-General. The OHS Strategic Plan remains valid and it is scheduled to be reviewed during the 2018/19 financial year. For the year under review, 139 employees required basic medical attention, while one (1) employee suffered permanent disablement. To minimise incidents of injury on duty, officers receive regular training and awareness campaigns are carried out across the Department. The Department has also appointed a service provider to provide first line employee wellness to support the health and safety programme.

7 PORTFOLIO COMMITTEES

During the year under review, the Department had a total of 40 interactions with Parliament Committees. These interactions are as follows:

- The Portfolio Committee of Water and Sanitation (PCWS) had 22;
- The Select Committee on Social Services (SCSS) had 3;
- The Standing Committee on Appropriations (SCoA) had 2;
- The Standing Committee on Public Accounts (SCOPA) had 1;
- The Portfolio Committee of Cooperative Governance and Traditional Affairs (PC-CoGTA) had 1;
- The Portfolio Committee on Public Account and Finance in the Free State Legislature (PCPA) had 1;
- Portfolio Committee on Public Services and Administration had 1;
- The National Assembly (NA) and National Council of Provinces (NCOP) had 2 for the budget vote; and
- There was a total of 7 oversight visits.

The matters raised by the committees range from drought interventions, regulatory matters, progress on infrastructure projects and legislative review.

Progress and response on some of the issues raised by the committees is tabulated below:

Date of meeting	Matters raised by the committee	Response by the Department
24 August 2016	Department requested to submit progress Validation and Verification of water use (V&V)	<p>The Validation and Verification Team has adopted a concurrent phased approach, which will enable the project team to reach significant milestones as dictated in the project implementation plan and streamline timeframes of the project by dividing the Pongola to Umzimkhulu Catchment Management Area into two divisions namely Northern and Southern.</p> <p>Currently, the Validation and Verification Team is working on the Bushmans, Lower Tugela, Umlaas, Mvoti, Mooi, Pongola, Mkuze, St Lucia and Mfolozi Catchments, with the Umgeni Catchment being completed. Section 35 (5a) letters are being produced for the non-responsive users in the Umgeni Catchment. To date, 7200 properties have been validated, with 5500 Section 35 (1)(2) letters corresponded to the users for the above mentioned catchments. The Validation and Verification Team has conducted stakeholder engagement sessions in the Umgeni, Bushmans and Lower Tugela, with verification in the Umlaas and Mfolozi Catchments being conducted in September. The total verified properties are 1400 in the Umgeni, Bushmans and Lower Tugela. The Bushmans and Lower Tugela verified properties are currently being processed for Section 35 (4) letters.</p>
29 September 2016 (with follow-up sessions 30 November and 07 December 2016)	Department was requested to report on progress on interventions in Madibeng following repeated oversight visit by the Committee.	<p>The Department of Water and Sanitation (DWS) briefed the Committee on water resource pollution in Madibeng municipality, on how water supply interventions in Swaruggens were being addressed and on the fostering of a partnership between the mines and municipalities in addressing water challenges in the North West. In Madibeng, where there had been pollution of the De Kroon Spruit, interventions had identified and stopped pollution of the sewer lines leading to the pump station. The sewers had been cleaned, water quality tests were being done, the pump station was being refurbished and a new treatment plant was being installed at the tannery. Positive feedback was received on these measures from a school situated on the De Kroon Spruit but the rehabilitation of the stream remained a challenge as R5m was needed for further work, as well as R9m funding for an industrial outfall sewer.</p>

Date of meeting	Matters raised by the committee	Response by the Department
		<p>The restoration of water supply to the Swaruggens and Borelelo areas saw interventions implemented to increase the Swaruggens Dam capacity by removing dam sediment and to augment the dam with imported water from a full dam or from the dolomitic areas nearby. Two boreholes had been drilled and trucks and tankers were supplied to provide water to the Swaruggens areas. The biggest challenge was a lack of funds, while other challenges were a lack of water conservation and demand management plans, poor municipal operations and maintenance plans, ageing municipal water and sanitation infrastructure and a lack of municipal operations and maintenance budgets. DWS was in discussions with Department of Cooperative Governance and Traditional Affairs (CoGTA) to access Municipal Infrastructure Grants (MIG) funds. To address the water challenges in the Bojanala District Municipality, DWS had established the Water Sector Forum and was fostering a partnership between the mines and municipalities.</p>
18-19 October 2016	Provide progress report regarding the community affected by the construction of the Nandoni Dam.	<p>The resolutions of the Nandoni Dam has been slow, however, the Department remains fully committed in ensuring that the recommendations of the Public Protector's Report are fully realised.</p> <p>The delays can be attributed to both the Department and the affected communities. The Minister instructed the Department not to proceed with the administrative processes of the appointments of the Registered Professional Valuers and the Social Facilitator until such time that a meeting is held between officials of the Department and the representatives of the communities to resolve the issues raised. The first meeting was held on the 02 June 2016 at the Department's offices led by the Deputy Director-General responsible for the National Water Resources Infrastructure, Ms Zandile Mathe and representatives of the affected communities, led by Mr MB Shavhani and Mr V Mabunda, representing the Tshivhase Traditional Council and Nkunzi Development Agency, respectively. The meeting was fruitful in that the parties found solutions to the issues raised and further resolved to work together in addressing the Nandoni issues.</p>

Date of meeting	Matters raised by the committee	Response by the Department
		<p>As a follow-up to the above meeting, a second meeting was held from the 21 – 23 June 2016 at Thohoyandou, which was attended by all the representatives, from the Department and the affected communities. It was resolved at this meeting, amongst others, that the Department will finalise the appointments of the Professional Registered Valuers and Social Facilitator within periods of two and three months, respectively. During the evaluation of the tender for the appointment of the Professional Registered Valuers, it was found that only one Service Provider met all the criteria set, and was recommended for appointment to determine the compensation payable to the affected communities. In order to mitigate against the delay, a decision was taken further that instead of re-advertising the tender, that the work be done by the single Valuer. While we agree that the process may be slightly longer, however, the Valuer will submit reports on a monthly basis and that the Department will implement remedial action and/or compensation (if no objections raised) simultaneously, on a monthly basis or as and when reports are made available. It is anticipated that the Valuer will commence with duties in October 2016 and will hit the ground running.</p> <p>The evaluation of a tender for the Social Facilitator is at an advanced stage and will be finalised soon. It is anticipated that the successful bidder will be allowed to commence with his/her duties also by October 2016. In view of the fact that there have been delays in appointment of the Valuer and the Social Facilitator, the implementation period of the remedial action will take place within a period of eighteen months. Therefore, the Project is anticipated to be finalised at the end of the 2017/2018 financial year and not December 2016 as initially agreed.</p>
20-21 October 2016	Provide a roadmap on the transformation of irrigation boards.	<p>The Department has developed a roadmap towards implementation of policy reforms on Irrigation Boards and water user associations in South Africa following the Cabinet approval on water policy in 2013 as published on Government Gazette notice No 888 on the 30 August 2013. The policy reaffirms the 1997 White Paper's policy position on the establishment of CMAs to manage water resource in South Africa. It also states that "A CMA, in consultation with Minister, will determine the water institutional structures required to manage water within their jurisdiction" and also that "The Minister will specify date by which WUAs and Irrigation Boards (IBs) will cease to exist, with the appropriate functions related to a state-owned schemes being delegated to a CMA or Regional Water Utility".</p>

Date of meeting	Matters raised by the committee	Response by the Department
02 November 2016	Riparian Rights of farmers and the extent of the sunset clauses in terms of water use allocation and impacts and progress in terms of the legislative review.	<p>The Department has embarked on the legislative review processes aimed at developing the Bill. The legislative review will consolidate the National Water Act and Water Services Act into one piece of legislation. A consolidation of these Acts will enable everyone within the water sector to have a clearer understanding of legislative framework regarding water management across the entire water and sanitation value chain. It is also necessary to obviate the need for the cross reading between the two Acts.</p> <p>The reviewing of the two pieces of legislations is necessary to bring about an improvement in service delivery by using water as a mega nexus. The draft Bill seeks, amongst others, to empower the Minister to have oversight and authority over the water and sanitation value chain; to transform and rationalize the water management institutions; to prohibit trading in water by private individuals, to provide for the polluter and user pays principles; to make provision for a time limit in the recognition of an existing lawful water use; to provide for the Minister to be an appeal authority in relation to decision taken by the responsible authority or any water management institutions; to incorporate aspects relating to sanitation services; and to assign the Director-General as the responsible authority in relation to matters pertaining to water use and any violation of the Act.</p>
08 November 2016	The Department was requested to a hearing regarding irregular, fruitless and wasteful expenditure for the 2015/16	The Department reported that irregular expenditure had increased from R781 million in 2014/15 to R2.4 billion in 2015/16. It was mainly due to irregular expenditure incurred by the implementing agent, Lepelle Northern Water Board, on the Giyani intervention. Lepelle appointed LTE Consulting on an emergency basis to implement the Minister's directive issued in terms of the Water Services Act. The matter was under investigation. A second contribution was the appointment of an ICT service provider without the involvement of State Information Technology Agency (SITA) as required by the SITA Act. Other irregular expenditure cases were being investigated.

Date of meeting	Matters raised by the committee	Response by the Department
		On the Giyani intervention there were questions related to the emergency nature of the project, the implementing agent and the contractor and what qualified the appointment of a turnkey contractor. Issues raised dealt with non-compliance with procurement policies and SCM process, and with the Public Finance Management Act. Lack of supporting documents for paid claims caused concern. The capacity of Internal Audit was questioned. Consequence management received considerable attention including the manner in which the Department dealt with transgressors. The Minister, remarked that the consequence management demonstrated political leadership. A project management unit would be set up to help re-engineer the Department. Performance of the Department needs to be looked at including the absence of performance management and evaluation.
18-19 November 2016	Department was requested to submit progress on the bucket eradication programme and the new deadline for the bucket eradication programme.	<p>With a baseline of 52 249 shared between IAs and DWS of which DWS will complete some 25 040 bucket toilets. A total of 26 570 Units are completed to date in four provinces i.e. Eastern Cape, Northern Cape, Free State and Northern Cape; A total of some 25 679 buckets remains to be completed. A total of 11 329 will be completed by the IAs and a total of 14 350 will be completed by the Department.</p> <p>Due to inadequate funding to complete the project, progress at present is slow however, the completion including Bulk Services will be completed by March 2018.</p>
01 March 2017	Drought interventions by the Department	A joint committee meeting, four departments presented their collaborative strategy in dealing with the on-going drought and climate change. The National Disaster Management Centre of the Department of Cooperative Governance and Traditional Affairs (COGTA) spoke about the joint drought committee of all relevant departments that has been set up and is monitoring the implementation of drought response and measures throughout the country - this happens every Monday morning. The current arrangement regarding disaster funding is that for affected sectors and municipalities, where sources of internal funding are no longer available, then National Treasury can be approached to make disaster grant funding available. Through the use of maps showing different time periods, the creeping progression of the drought was illustrated. The poor operational maintenance by municipalities of water facilities and vandalism

Date of meeting	Matters raised by the committee	Response by the Department
		<p>- which is unrelated to the drought - is seriously hampering the drought response. Groundwater is more resilient to drought and a programme of increasing groundwater use via boreholes is being implemented.</p> <p>The Department of Water and Sanitation (DWS) spoke about water tankering to critically affected communities and the assistance of NGOs such as Operation Hydrate in dealing with the drought situation. Although 458 tankers have already been procured, because of the increasing severity of the drought it is estimated that a further 742 tankers will be required. Groundwater resource is more resilient to drought. A programme of increasing groundwater use is being implemented, entailing refurbishment of existing boreholes and drilling and equipment.</p> <p>The progress in the disbursement of drought relief funding to provinces was outlined. Funds are prioritised according to need, level of stress, expected effectiveness, viability and speed of interventions, and numbers of households affected. Funding for drought relief interventions saw an initial amount of R352.4 million given to the drought relief programme. A further R185 million was allocated from the Water Trading Entity (WTE) during 2015/16 resulting in a total allocation of R340 million from WTE. National Treasury has disallowed a rollover of R46 million and the Water Services Operating Subsidy (WSOS) of R50.5 million. Reprioritisation of R61.5 million had to be done from other programmes.</p>
01 March 2017	The Department was requested to provide progress regarding the desalination plant in Richards Bay.	<p>The purpose of the project is to provide much needed short term relief (10ML/day) in Richards Bay as the only sources of water are drying up and have not picked up even from the rainy season. The only source of water, the Goedertrouw Dam, is at 30.2% as of 28 March 2017.</p> <p>The Desalination Plant is marked for full production on the 15 April 2017 when outside scope works of a pipeline connecting the plant and the reticulation of Richards Bay is completed. Project progress to date includes:</p> <ul style="list-style-type: none"> • A dry test run conducted and first drop of water was achieved on 18 November 2016. • Project completed 100%.

Date of meeting	Matters raised by the committee	Response by the Department
		<ul style="list-style-type: none"> • Outside scope of work to connect plant to reticulation is 85% complete and is earmarked to finish 10 April 2017. • Full Production of water earmarked for 14 April 2017.
01 March 2017	The provide a report regarding the silting of dams owned by the Department.	<p>The Department is in the process of structuring its approach towards Dam Basin Management to ensure that the continuous risk posed by siltation is dealt with, in order to sustain storage capacity of the dam basin. This approach included:</p> <ul style="list-style-type: none"> • Continuously monitoring the siltation levels in all large dams. In-house survey services are performing this function on a continuous basis. • This information is used to determine the most appropriate approach to all siltation scenarios. • Then to draft a Dam Basin Management Strategy to meet the current status and fast track implementation. <p>It is envisaged that the appropriate Siltation Intervention will include:</p> <ul style="list-style-type: none"> • Adopting Dam Basin Operations that will promote the scouring of dams when abundance of water is available. (This was recently done in the case of Welbedacht Dam (FS) during the good rains received). Whilst this is currently being done, the scouring patterns require some scientific scrutiny to ensure enhanced efficiency in the application thereof. • To implement dredging as a means were determined to be economically viable. <p>The Water Research Commission (WRC) is being co-opted to assist with the fast tracking of the Dam Basin Management strategy with a specific focus on practical means of reducing siltation levels. This will include the dredging approach if considered to be economically viable. A plan will be tabled by 30 April 2017.</p>

Date of meeting	Matters raised by the committee	Response by the Department
03 March 2017	Provide timeframes for proposals to withdraw water use licences in instances where WSA were unable to adhere to the requirements.	<p>The Department reported that it has never withdrawn or suspended any water use license for a Water Services Authority (WSA) due to the constitutional obligations of provision of such services without interruption. While it is mandated to regulate the provision of high quality services it also has a support role to these institutions. The Department is also obliged to follow the Intergovernmental Relations Framework Act to address the issues of noncompliance by organs of state. However it continues to engage implicated WSAs on administrative action in terms of National Water Act. Given the different circumstances leading to the various noncompliance each case is dealt with on its own merits which make it difficult to determine a timeframe or if such withdrawal or suspension can even be affected. The Department can also issue a directive in terms of section 41 of Water Services Act (Act 108 of 1997) to Water Boards to intervene for a specific period of time to address WSAs challenges.</p> <p>Furthermore the Department continues to work with the Provincial Government, as the Provincial Government can intervene in local municipalities in terms Section 139 of the Constitution of the Republic of South Africa.</p>
10 March 2017	The Department was requested to provide the list and the total amount owed by all defaulting municipalities.	The summary of money owed by municipalities as at 31 March 2017 per province was at a total of R3 502 050 173. The Department further indicated that a Cab Memo will be taken to Cabinet during the first quarter 2017/18 that seeks to address and inform other Minister about the defaulters particularly taking up the issue with the Minister of Local Government and Traditional Affairs.
15 March 2017	Department briefed the committee on the process followed in setting raw and bulk water tariffs.	The Department reported on the process it followed in setting raw and bulk water tariffs. The raw water charges included the funding of water resource management costs by water management institutions and the waste discharge charge system. Registered water use sectors were domestic, industrial, mining and energy. Water resource infrastructure charges were increased by less than, or equal to, the April producer price index (PPI) plus 10%, until full recovery was reached. For established irrigation farmers, Operation and Maintenance (O & M) was increased by less than, or equal to, 50% until full recovery.

Date of meeting	Matters raised by the committee	Response by the Department
		<p>The costs of Water Resource Management (WRM) activities in the Water Management Area (WMA) would be divided between abstraction and the waste discharged. The average increase of the capital unit charge was 9.65%. The government and the mining sector would be funding 67% of the cost of Acid Mine Drainage (AMD) remediation, with 33% collected from Vaal River system users through the tariff.</p> <p>The country faced a drought which disadvantaged everyone, as a shortage of water inflated the prices of food, while water became more expensive as a shortage of water did not reduce the cost of purification. The tariff increases for the period were between 11% and 35%, with Lepelle, Bloem, Umgeni, Magalies and Rand having the highest increases of above 20%. Some Water Service Authorities (WSAs) were heavily indebted to the Water Boards, which risked an escalation of their debts if the bulk tariff increase rates were not properly managed.</p>

8 SCOPA RESOLUTIONS

There are no resolutions for the period under review.

9 PRIOR MODIFICATIONS TO AUDIT REPORTS

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing/resolving the matter
Main Account		
Accruals not taken into account in the calculation of commitment amounts disclosed on the financial statements.	2012/2013	A standard operating procedure has been developed and signed off which stipulates the monthly reports that should be prepared monthly. Accruals and Commitments are now being submitted and reported on a monthly basis since August 2016.
Payments not taken into account in the calculation of commitment amounts disclosed on the financial statements.	2012/2013	Infrastructure Commitments are reported on a monthly basis in line with the new approved Standard Operating Procedures. Regional Offices submit their reports for review by Head Office.
Incomplete project with contracted amount available for spending has not been disclosed as commitments on financial statements.	2012/2013	Infrastructure Commitments are reported on a monthly basis in line with the new approved Standard Operating Procedures. Regional Offices submit their reports for review by Head Office.
Expenditure deducted from incorrect contractor or project.	2014/2015	Infrastructure Commitments are reported on a monthly basis in line with the new approved Standard Operating Procedures. Regional Offices submit their reports for review by Head Office.
Incorrect calculation of total expenditure due to incorrect formula in the schedule	2014/2015	Infrastructure Commitments are reported on a monthly basis in line with the new approved Standard Operating Procedures. Regional Offices submit their reports for review by Head Office.
Adjusted contract amount in the schedule does not agree to the recalculated adjusted contract amount	2014/2015	Infrastructure Commitments are reported on a monthly basis in line with the new approved Standard Operating Procedures. Regional Offices submit their reports for review by Head Office.
Contracts amount in the schedule does not agree to the contract amount as per appointment letter	2014/2015	Infrastructure Commitments are reported on a monthly basis in line with the new approved Standard Operating Procedures. Regional Offices submit their reports for review by Head Office.
Differences between expenditure amounts reported on the schedule and amounts as per supporting invoices	2014/2015	Infrastructure Commitments are reported on a monthly basis in line with the new approved Standard Operating Procedures. Regional Offices submit their reports for review by Head Office.

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing/resolving the matter
Understatement of commitments	2014/2015	Infrastructure Commitments are reported on a monthly basis in line with the new approved Standard Operating Procedures. Regional Offices submit their reports for review by Head Office.
Differences between RBIG commitments amounts disclosed in schedule and amounts as per auditors recalculation	2014/2015	Infrastructure Commitments are reported on a monthly basis in line with the new approved Standard Operating Procedures. Regional Offices submit their reports for review by Head Office.
Supporting documents not submitted for audit purposes	2011/2012	Circular 7 of 2016 was issued and signed off which requires all Supply Chain documents to be attached to each invoice submitted by Implementing Agents before payment can take place.
Retention and management fees have been claimed twice by the implementing agent.	2012/2013	Circular 7 of 2016 was issued together with a reconciliation template which must be used before payments to Implementing Agents are made. Circular 6 of 2016 was issued which forbids payment of retention fees until the defects liability period has passed.
Accrual amount reported on the commitments schedule was not supported by relevant documents.	2014/2015	Circular 7 of 2016 was issued and signed off which requires all Supply Chain documents to be attached to each invoice submitted by Implementing Agents before payment can take place.
Amount on invoice from Implementing Agent could not be confirmed	2012/2013	Circular 7 of 2016 was issued and signed off which requires all Supply Chain documents to be attached to each invoice submitted by Implementing Agents before payment can take place.
Management fee has been calculated using incorrect rates	2012/2013	Circular 7 of 2016 was issued together with a reconciliation template which must be used before payments to Implementing Agents are made.
Bidder who did not meet the maximum score for functionality was evaluated in preferential point system and awarded a contract	2015/2016	Training for bid committee members at IA must be provided
A tender was not advertised on I-tender portal as required by CIDB prescripts.	2015/2016	Implementing Agents must submit tender evaluation report for new contracts to DWS. The Department to send a memo to all IA's informing them of the new procurement process. Implementing Agent to report on Irregular expenditure on monthly basis and the template was provided.
Quotations sourced without a formal request of quotation.	2011/2012	All quotations including training will be sourced by SCM from CSD.

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing/resolving the matter
Deviation basis documented and approved is not reasonable.	2012/2013	Deviations are now approved by National Treasury. SCM will review all the deviations prior to submission to NT.
Tender not advertised for 21 days.	2015/2016	Deviations are approved by the National Treasury.
Non-existence of bid specification committee for the period April 2015 to August 2015.	2015/2016	Committees are now appointed timeously.
Three quotations not obtained for the procurement of goods and services (Interim)	2011/2012	<p>Developed and implemented a compliance checklist per request</p> <p>At least more than 5 service providers must be invited to provide quotations per request, proof, motivation and approval will be attached.</p> <p>Issue circular on standardisation of some commodities to achieve a seamless process uniformity and cost containment (purchase of certain commodities)</p>
Water Trading		
Incorrect application of the reporting framework (GRAP) and inadequate review of useful life of assets	2016/2017	<p>The Department in line with new Generally Recognised Accounting Practice (GRAP) requirements developed a verification methodology that focuses on Risk based indicator, where qualitative data is gathered about assets as opposed to verifying qualitative. This risk based approach was adopted by the Department, to ensure the review of useful lives is addressed properly.</p> <p>The approach has therefore been to firstly assess the risk of inaccurate useful life data. The condition of assets with very long life is considered unlikely to change condition each year (the average across the portfolio, given a 5-point grading scale, would be every 20 years), whilst ones with shorter life could change frequently. Similarly, components have been identified that are more prone to being stolen or damaged, such as those that are detachable (such as some plant). On this basis, the portfolio was reviewed and placed into 3 categories, requiring verification each year, every 3 years or every 5 years (maximum period between inspections). This effectively addresses the underlying and inherent risk of the accuracy of the component life estimation models, and identification of potential misuse or abuse (as forms of impairment).</p>

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing/resolving the matter
		<p>In addition, clusters were requested to assess the risk of poor data accuracy on different asset types and the type of data to identify areas of uncertainty in the current financial year. This could include (over and above the baseline reviews indicated above) any uncertainty over condition that may have been caused by unforeseen events such as floods, or areas with social unrest, new trends that have come to management's attention that could affect existence or impairment of assets, new or pending legislation, or uncertainty over control. This will be an annual process – establishing indicators by conducting a series of scheduled baseline inspections (defined by the nature of the portfolio), and a process of annual review of current risks based on management information and data. The results of the above process has been disclosed current year with a view to address audit query raised by AGSA</p>
Review of useful life for shell assets	2016/2017	<p>Shell assets were removed from the asset register as a result, they were not included in the annual review exercise</p>
Shell assets in the asset register	2016/2017	<p>During the financial year end audit of 2015/2016, the creation of asset shells was done as unbundling of assets was in progress. As at 31 March 2016 this process was not completed for all assets as the PSP was conducting valuation and confirming other technical information. This led to some shell created not having value and therefore not a live asset in asset register. The Auditor General in its subsequent audit of 2015/2016 required further clarity on these shells and by responding to AG request, it was evident that AG could not comprehend the use of these shells which led to further audit queries.</p> <p>The process of unbundling grouped assets is for improved operational control. In the process of unbundling of grouped assets shells are created, but have no impact on the financial statements as no values are attached to these shells and there is no risk of double counting.</p> <p>The following steps have been performed on SAP to affect the unbundling of grouped assets:</p> <p>The first step is to create the new child assets (i.e. asset shells, without value or RUL).</p>

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing/resolving the matter
		<p>The second step is to provide the new child assets with the condition-based RUL from the annual review workshops. As these are new assets there is no prior year RUL, thus indicated as a zero, which is then changed to the condition based RUL coming from the annual review workshop. Condition grades are attached to shell assets but are not material to the financial statements.</p> <p>The third step is the transfer of the proportional asset value of the child asset (based on a shadow valuation) from the parent asset to the child assets.</p> <p>The fourth and final stage is the calculation of the annual depreciation based on the transferred value and the condition based RUL given to the new child assets.</p> <p>Due to the confusion created for the auditors and to avoid unnecessary audit queries, these shells were removed from the register and only created once steps 1 – 4 of paragraph 2.4 above of the process have been completed. This will ensure that no assets without values will appear on the register although they have no implications to the figures as reported in the financial statements.</p>

10 INTERNAL CONTROL UNIT

The Internal Control function was merged with Risk management and Internal Audit to form an Independent Assurance Unit for the Department under the leadership of the Chief Director: Risk Management. Internal Control within the Independent Assurance Unit performed the following activities that were in its Annual Performance Plan for the financial year ended 31 March 2017.

The activities during the period under review are summarised below:

Compliance Reviews

Compliance reviews were conducted on some of internal controls that were implemented by the Department to ensure that they comply with the applicable prescripts and are adequately designed and functioning effectively as intended.

Follow-up on forensic report recommendations

All the reports that were issued by Forensic and Performance Audit Unit were followed up to ensure that the recommendations of those reports are implemented on time to avoid any further negative implications on the Department. However, the response on these forensic recommendations was not satisfactory.

Follow-up on Internal Audit recommendations

All the reports that were issued by Internal Audit Unit were followed up to ensure that the recommendation of those reports are implemented on time. The implementation of these recommendations ensured that the controls of identified weakness have been corrected. This should have benefitted the Department by resulting in the an efficient and effective controls within the Department that are aligned to the achievement of departmental objectives.

Verification of projects

The verification of projects were performed to keep track of the progress of the projects against the milestones as per the project plan and also challenges that may hamper the projects from been completed on time.

Analysis of business processes

The analysis was performed to align the operations through identification of interrelated functions and elimination of duplications within department, thus channelling the resources to areas where they are needed the most. The Unit has however become aware that there was a Professional Service Provider that was appointed during the course of the year by the Department for the same function.

Performing awareness workshops throughout the Department

Awareness workshops on risk, fraud and corruption were conducted throughout the Department to ensure that the officials are kept abreast of different ways in which the Department could be exposed to fraud and corruption. The workshops were conducted on new officials who joined the Department during their induction programme and on existing officials throughout the Department including the regions. These workshops are aimed at increasing vigilance of the officials.

On ad hoc basis the Head of the Independent Assurance Unit had requested Internal Control Unit to perform the following functions for the financial year ended 31 March 2017:

Forensic Investigation

The Internal Control Unit provided support to Forensic and Performance Audit Unit by undertaking an investigation on matters that were reported to Public Service Commissions. Forensic and Performance Audit Unit was experiencing a backlog on the cases reported due to staff shortage.

Asset Verification

The Department was experiencing problems with regard to the accuracy and completeness of the assets register staff shortage as a result of implementation of the moratorium. The accuracy and completeness of the asset register was critical to avoid the qualified audit opinion in this area.

Project Management

The progress on projects around the Vaal System was not satisfactorily. The Director-General instructed the Head of Independent Assurance Unit to manage those projects with unsatisfactory results. The Head of the Unit requested the Internal Control Unit to manage the projects.

11 INTERNAL AUDIT AND AUDIT COMMITTEES

Internal audit provides an independent, objective assurance and advisory services designed to add value and improve the Department's operations. It assists the Department to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.

The Department's Internal Audit Unit serves both the Main Account and the Water Trading Entity and its activities include the assessing and evaluating:

- The reliability of financial and operating information and the means used to identify, measure, classify and report such information.
- The systems established to ensure compliance with those policies, plans, procedures, laws and other prescripts relevant to the Department.
- The means of safeguarding assets and, where appropriate, the verification of the existence of such assets.
- The economic and efficient management of the Departments financial, human and other prescripts relevant to the Department.
- The operations and/or programmes to ascertain whether or not results are consistent with established objectives and goals and whether or not the operations are being carried out as planned.

The internal audit also conducts investigations and special assignments that are requested by senior management through the Forensic Audit Investigation Unit. Its activities were implemented in line with the annual operational plan which was approved by the Audit Committee as per the treasury regulation prescripts.

The Department's Internal Audit Unit is faced with a capacity challenge in that though the capacity in the Compliance And Performance Units are sufficient to service only the Main Account they are servicing both Main Account and Water Trading Entity. As a result of this constraint in resources the function managed to complete only 67% of the operational plan for 2016/17 financial year.

The Audit Committee, on the other hand, is a statutory committee of the Department constituted in terms of the Public Finance Management Act No. 1 of 1999 (PFMA) as amended. It is established to serve as an independent governance structure whose function is to provide an oversight role on the systems of internal control, risk management, and governance. It thus assists the Accounting Officer (DG) in the effective execution of his/her responsibilities with the ultimate aim of the achievement of the Department's objectives.

The Audit Committee also review the activities of the internal audit function, including its annual work programme, co-ordination with the external auditors, the reports of internal audit with significant findings and the responses of management to specific recommendations.

The table below discloses relevant information on the Audit Committee members:

Name	Qualifications	Internal or external	If internal, position in the Department	Date appointed	Date Resigned	No. of Meetings attended
Ms Annah Badimo	<ul style="list-style-type: none"> • BSc Computer • BSc Hons (Computer Science) • Cobol Programming Diploma • MSc Applied Science (electrical Engineering) • Diploma in Project Management • MBA • Internet Governance Diplomacy Foundation • PHD Computer Science • CRYPTO Security Training • CISM (Certified Information Security Manager) • CGEIT (Certification in the Governance) • PMP (Project Management Professional) • CISA (Certified Information Systems Auditor) 	External	N/A	1 April 2013	N/A	6

PART C: GOVERNANCE

Name	Qualifications	Internal or external	If internal, position in the Department	Date appointed	Date Resigned	No. of Meetings attended
Mr Japie Du Plessis	<ul style="list-style-type: none"> National Diploma in State Accounting and Finance 	External	N/A	01 April 2016	N/A	7
Mr Lwazi Khuse	<ul style="list-style-type: none"> CA (SA) IRBA PPE Part 2 APT (Audit Specialized Diploma) B Com Honours in Accounting Science B Com Accounting 	External	N/A	01 April 2016	N/A	4



PART D
HUMAN
RESOURCE
DEVELOPMENT

1 INTRODUCTION

The information contained in this part of the annual report has been prescribed by the Minister for the Public Service and Administration for all departments in the public service.

2 OVERVIEW OF HUMAN RESOURCES

The structure review process that was launched in the 2015/16 financial year continued in the financial year under review. The following key milestones were achieved:

- A **diagnostic evaluation** of the entire Department: a total number of 2840 employees in the Department were consulted through 54 facilitated sessions at 27 sites across the Department. The information that was gathered through this evaluation is being used as an informant to the organisational functionality assessment and post establishment phases.
- **Business process analysis:** this phase of the project resulted in a total of 1112 'as-is' processes being mapped and analysed. Processes that required a review for the purpose of improving effectiveness and efficiency as well as alignment with the Department's mandate, were redesigned.
- **Organisational Functionality Assessment (OFA):** in line with the Public Service Regulations (2016), an OFA was conducted to assess the effectiveness of the Department's internal systems and processes. This report will accompany the structure recommendations once the Minister for the Public Service and Administration is consulted on the proposed new structure of the Department.
- **Post establishment review:** significant progress has already been made in reviewing and developing the post establishment (micro organisational structure). Once the macro structure has been finalised, further work will be done on aligning and completing the micro structure.

Processes to be completed in the 2017/18 financial year include job analysis, organisational structure costing (in line with the MTEF) and implementation once the structure has been approved and consulted with the Minister for the Public Service and Administration. It is anticipated that the structure review project will be finalised before the end of the 2017/18 financial year.

During the period under review the Department had 6024 posts filled out of a total of 7191 posts with a vacancy rate of 16.23% by the end of the financial year. In addition to permanent filled posts, the Department also employed a total of 391 employees additional to the staff establishment. The majority of these employees are employed as Graduate Trainees and Candidate Engineers and –Scientists. The main reason for the slightly higher than planned vacancy rate was as a result of the anticipated budget cuts on employee compensation for the 2017/18 financial year. Some of the posts that were initially earmarked for filling in the 2016/17 financial year had to be placed on hold pending a reprioritisation of critical posts in line with the budget allocations. During the period under review, quite a number of senior management and professional and technical positions were filled, thereby strengthening the capacity in much needed areas.

The Learning Academy managed to place 181 engineers and scientists into permanent positions. The Department continued to increase the intake of new graduate trainees with the aim of closing the skills gap in the water sector and also to continue to fill critical vacant positions.

The Department has also been successful in the implementation of training interventions in line with the Departmental Workplace Skills Plan whereby a total of 3271 employees benefitted from training and development interventions. In addition to the normal generic training and development interventions, Project Khaedu has since been revived by the National School of Government, and some of the Department's senior and middle managers have been benefiting from this programme that is aimed at empowering them through various processes of learning reinforcement and practice to bring about change within their own areas of operational control. During the period under review, 51% (82 out of 159) of Senior Managers in the Department underwent the SMS Generic Core Management Competence Assessment. The results of such assessments will inform their training and development needs in the 2017/18 financial year and beyond.

Although the female representivity at Senior Management level has decreased slightly as compared to the previous year (51% on 31 March 2016), female representivity stood at 47% as at 31 March 2017. The current vacancies that are being filled within the Department should improve female representivity by March 2018. Some progress has been made with regard to improving on the Department's representivity of persons with disabilities. As at 31 March 2016 the Department recorded a percentage of 0.72% whereas on 31 March 2017, the Department managed to increase the percentage to 1.16%. This increase can mainly be attributed to a campaign where existing employees were encouraged to disclose their disabilities. Special focus will have to be given to further improving on moving closer towards the 2% target in the following financial year.

In the 2016/17 financial year, the Department implemented the Sport and Recreation Policy and the following existing policies were reviewed:

- Human Resource Development Policy.
- Performance Management and Development Policy.
- Bursary Policy

It was reported in the 2015/16 annual report that a decision had been taken in 2015 to migrate employees attached to the Water Trading Entity (WTE) from the Persal system to SAP. Arising from some challenges on the management of the payroll and reporting, as well as after consultation with the DPSA and National Treasury, a decision was taken to move employees who are employed in terms of the Public Service Act back onto the Persal system. This decision was implemented with effect from 1 March 2017.

3 HUMAN RESOURCES OVERSIGHT STATISTICS

3.1 Personnel related expenditure

The following tables summarise the final audited personnel related expenditure by programme and by salary bands. In particular, it provides an indication of the following:

- amount spent on personnel
- amount spent on salaries, overtime, homeowner's allowances and medical aid.

Table 3.1.1 Personnel expenditure by programme for the period 1 April 2016 and 31 March 2017

Programme	Total expenditure (R'000)	Personnel expenditure (R'000)	Training expenditure (R'000)	Professional and special services expenditure (R'000)	Personnel expenditure as a % of total expenditure	Average personnel cost per employee (R'000)
Regional Implementation and Support			0.00	0.00	1	
Water Sector Regulation	228 081	166 383	0.00	0.00	73	48
Administration	1 180 109	551 931	0.00	0.00	47	159
Water & Sanitation Services	599 661	92 602	0.00	0.00	15	27
Water Infrastructure Development	10 219 099	70 823	0.00	0.00	1	20
Water Planning & Information Management	545 984	318 885	0.00	0.00	58	92
Total	12 772 933	1 200 625	0.00	0.00	9	346

Table 3.1.2 Personnel costs by salary band for the period 1 April 2016 and 31 March 2017

Salary band	Personnel expenditure (R'000)	% of total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Contract (Levels 13-16)	17 188	1.13	-	-
Contract (Levels 3-5)	20 767	1.37	150	137 527
Contract (Levels 6-8)	54 545	3.60	203	268 696
Contract (Levels 9-12)	39 027	2.57	80	487 841
Highly skilled production (Levels 6-8)	392 428	25.88	1 160	338 300
Highly skilled supervision (Levels 9-12)	564 435	37.22	912	618 898
Lower skilled (Levels 1-2)	25 201	1.66	153	164 715
Senior management (Levels 13-16)	210 599	13.89	200	1 052 995
Skilled (Levels 3-5)	127 947	8.44	595	215 036
Total	1 452 137	95.75	3465	418 966

Table 3.1.3 Salaries, Overtime, Home Owners Allowance and Medical Aid by programme for the period 1 April 2016 and 31 March 2017

Programme	Salaries		Overtime		Home Owners Allowance		Medical Aid		Total personnel cost per salary band
	Amount (R'000)	Salaries as a % of personnel costs	Amount (R'000)	Overtime as a % of personnel costs	Amount (R'000)	HOA as a % of personnel costs	Amount (R'000)	Medical aid as a % of personnel costs	
Water Sector Regulation	134 208	72.5	5		3 626	2	6 085	3.3	185 004
Administration	507 797	74.5	5 035	0.7	18 154	2.7	27 457	4	681 789
Water & Sanitation Services	89 393	71	11		2 470	2	4 745	3.8	125 881
Water Infrastructure Development	79 982	67.4	715	0.6	3 993	3.4	4 167	3.5	118 718
Water Planning & Information Management	284 423	70.2	575	0.1	11 129	2.7	15 998	3.9	405 177
Total	1 095 803	72.3	6 341	0.4	39 372	2.6	58 452	3.9	1 516 570

Table 3.1.4 Salaries, Overtime, Home Owners Allowance and Medical Aid by salary band for the period 1 April 2016 and 31 March 2017

Programme	Salaries		Overtime		Home Owners Allowance		Medical Aid		Total personnel cost per salary band
	Amount (R'000)	Salaries as a % of personnel costs	Amount (R'000)	Overtime as a % of personnel costs	Amount (R'000)	HOA as a % of personnel costs	Amount (R'000)	Medical aid as a % of personnel costs	
Abnormal Appointment									30
Contract (Levels 13-16)	14 503	83.1			146	0.8	81	.5	17 453
Contract (Levels 3-5)	20 512	97.9	181	0.9					20 946
Contract (Levels 6-8)	54 220	98	15				40	.1	55 322
Contract (Levels 9-12)	37 162	93.4	12		303	0.8	77	.2	39 775
Highly skilled production (Levels 6-8)	271 549	67.6	2 786	0.7	15 452	3.8	25 603	6.4	401 476
Highly skilled supervision (Levels 9-12)	429 687	72.1	798	0.1	9 728	1.6	16 016	2.7	595 700
Lower skilled (Levels 1-2)	15 693	57.5	235	0.9	2 231	8.2	2 560	9.4	27 270
Senior management (Levels 13-16)	170 580	76.6			3 017	1.4	2 671	1.2	222 785
Skilled (Levels 3-5)	81 895	60.3	2 314	1.7	8 495	6.3	11 405	8.4	135 813
Total	1 095 803	72.3	6 341	0.4	39 372	2.6	58 452	3.9	1 516 570

3.2 Employment and Vacancies

The tables in this section summarise the position with regard to employment and vacancies.

The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate, and whether there are any staff that are additional to the establishment.

This information is presented in terms of three key variables:

- programme
- salary band
- critical occupations (see definition in notes below).

Departments have identified critical occupations that need to be monitored. In terms of current regulations, it is possible to create a post on the establishment that can be occupied by more than one employee. Therefore, the vacancy rate reflects the percentage of posts that are not filled.

Table 3.2.1 Employment and vacancies by programme as on 31 March 2017

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Water Sector Regulation	545	408	1,91	53
Administration	2950	2423	7,33	111
Water & Sanitation Services	302	229	1,02	11
Water Resource Management	1972	1833	1,93	159
Water Infrastructure Development	335	223	1,56	4
Water Planning & Information Management	1087	908	2,49	53
Total	7191	6024	16,23	391

Table 3.2.2 Employment and vacancies by salary band as on 31 March 2017

Salary band	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Lower skilled (1-2), permanent	823	756	0,93	0
Skilled(3-5)), permanent	1602	1287	4,38	0
Highly skilled production (6-8)), permanent	2337	1982	4,94	8
Highly skilled supervision (9-12)), permanent	1644	1267	5,24	2
Senior management (13-16), permanent	223	170	0,74	1
Contract (Levels 3-5), Permanent	170	170	0,00	132
Contract (Levels 6-8), Permanent	203	203	0,00	112
Contract (Levels 9-12), Permanent	175	175	0,00	134
Contract (Levels 13-16), Permanent	14	14	0,00	2
Total	7191	6024	16,23	391

Table 3.2.3 Employment and vacancies by critical occupations as on 31 March 2017

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Administrative related, permanent	584	458	1,75	74
Agriculture animal oceanography forestry & other sciences, permanent	4	4	0,00	0
Agriculture related, permanent	2	2	0,00	0
All artisans in the building metal machinery etc., permanent	101	84	0,24	0
Appraisers-valuers and related professionals, permanent	1	1	0,00	0
Auxiliary and related workers, permanent	448	401	0,65	4
Biologists botanists zoologists & related professional, permanent	4	3	0,01	0
Building and other property caretakers, permanent	57	56	0,01	0
Bus and heavy vehicle drivers, permanent	20	11	0,13	0
Cartographers and surveyors, permanent	18	16	0,03	4
Cartographic surveying and related technicians, permanent	15	14	0,01	1
Chemical and physical science technicians, permanent	12	10	0,03	0
Civil engineering technicians, permanent	129	106	0,32	1
Cleaners in offices workshops hospitals etc., permanent	142	129	0,18	0
Client information clerks(switchboard receptionist information clerks), permanent	11	8	0,04	0
Communication and information related, permanent	34	29	0,07	0
Community development workers, permanent	93	72	0,29	0
Computer programmers., permanent	1	1	0,00	0
Computer system designers and analysts, permanent	1	1	0,00	0
Economists, permanent	2	1	0,01	0
Electrical and electronics engineering technicians, permanent	3	1	0,03	0
Engineering sciences related, permanent	566	433	1,85	104

PART D: HUMAN RESOURCE MANAGEMENT

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Engineers and related professionals, permanent	150	126	0,33	73
Farm hands and labourers, permanent	12	8	0,06	0
Farming forestry advisors and farm managers, permanent	1	1	0,00	0
Finance and economics related, permanent	217	172	0,63	3
Financial and related professionals, permanent	20	15	0,07	0
Financial clerks and credit controllers, permanent	438	377	0,85	35
Food services aids and waiters, permanent	19	13	0,08	0
Food services workers, permanent	1	1	0,00	0
Forestry labourers, permanent	2	2	0,00	0
General legal administration & related professionals, permanent	15	11	0,06	0
Geologists geophysicists hydrologists & related professionals, permanent	199	164	0,49	12
Head of department/chief executive officer, permanent	2	2	0,00	0
Health sciences related, permanent	1	1	0,00	0
Horticulturists foresters agriculture & forestry technicians, permanent	1	1	0,00	0
Household and laundry workers, permanent	5	5	0,00	0
Household food and laundry services related, permanent	2	2	0,00	0
Human resources & organisational development& related professionals, permanent	41	32	0,13	0
Human resources clerks, permanent	157	138	0,26	11
Human resources related, permanent	146	120	0,36	6
Information technology related, permanent	27	25	0,03	1
Language practitioners interpreters & other communicators, permanent	42	37	0,07	5
Legal related, permanent	1	1	0,00	0
Librarians and related professionals, permanent	5	3	0,03	0
Library mail and related clerks, permanent	45	39	0,08	1

PART D: HUMAN RESOURCE MANAGEMENT

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Life sciences related, permanent	1	0	0,01	0
Light vehicle drivers, permanent	74	68	0,08	0
Logistical support personnel, permanent	110	94	0,22	3
Material-recording and transport clerks, permanent	168	143	0,35	0
Mechanical engineering technicians, permanent	7	6	0,01	3
Messengers porters and deliverers, permanent	85	68	0,24	0
Mining geology & geophysical & related technicians, permanent	20	20	0,00	1
Motor vehicle drivers, permanent	17	15	0,03	0
Motorised farm and forestry plant operators, permanent	23	23	0,00	0
Natural sciences related, permanent	424	334	1,25	26
Nature conservation and oceanographical related technicians, permanent	2	2	0,00	0
Other administration & related clerks and organisers, permanent	458	389	0,96	17
Other administrative policy and related officers, permanent	97	81	0,22	0
Other information technology personnel, permanent	6	6	0,00	0
Other machine operators, permanent	11	7	0,06	0
Other occupations, permanent	3	3	0,00	0
Photographic lithographic and related workers, permanent	1	0	0,01	0
Physicists, permanent	1	1	0,00	0
Quantity surveyors & related professionals not classified elsewhere, permanent	5	5	0,00	4
Regulatory inspectors, permanent	37	27	0,14	0
Risk management and security services, permanent	83	75	0,11	0
Safety health and quality inspectors, permanent	10	8	0,03	0
Secretaries & other keyboard operating clerks, permanent	170	135	0,49	0
Security guards, permanent	20	14	0,08	0

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Security officers, permanent	83	72	0,15	0
Senior managers, permanent	237	184	0,74	2
Social sciences related, permanent	62	48	0,19	0
Social work and related professionals, permanent	4	3	0,01	0
Statisticians and related professionals, permanent	1	1	0,00	0
Trade labourers, permanent	944	874	0,97	0
Trade related, permanent	14	12	0,03	0
Trade/industry advisers & other related profession, permanent	5	5	0,00	0
Water plant and related operators, permanent	211	164	0,65	0
Total	7191	6024	16,23	391

3.3 Filling of SMS Posts

The tables in this section provide information on employment and vacancies as it relates to members of the Senior Management Service by salary level. It also provides information on advertising and filling of SMS posts, reasons for not complying with prescribed timeframes and disciplinary steps taken.

Table 3.3.1 SMS post information as on 31 March 2017

SMS Level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/Head of Department	1	1	100	0	0
Salary Level 16	0	0	0	0	0
Salary Level 15	14	12	85.71	2	14.29
Salary Level 14	48	34	70.83	14	29.17
Salary Level 13	173	137	79.19	36	20.81
Total	236	184	77.97	52	22.03

Table 3.3.2 SMS post information as on 30 September 2016

SMS Level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/Head of Department	1	1	100%	1	0
Salary Level 16	0	0	0	0	0
Salary Level 15	14	12	85.71	2	14.29
Salary Level 14	48	34	70.83	14	29.17
Salary Level 13	173	137	79.19	36	20.81
Total	236	184	77.97	52	22.03

Table 3.3.3 Advertising and filling of SMS posts for the period 1 April 2016 and 31 March 2017

SMS Level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/Head of Department	1	1	100%	1	0
Salary Level 16	0	0	0	0	0
Salary Level 15	14	12	85.71	2	14.29
Salary Level 14	48	34	70.83	14	29.17
Salary Level 13	173	137	79.19	36	20.81
Total	236	184	77.97	52	22.03

Table 3.3.4 Reasons for not having complied with the filling of funded vacant SMS - Advertised within 6 months and filled within 12 months after becoming vacant for the period 1 April 2016 and 31 March 2017

Reasons for vacancies not advertised within six months
Budget constraints
Reasons for vacancies not filled within six months
None availability of suitable candidates
Inability to compare OSD salary related salaries (Engineers and Scientists) with private sector salaries
Moratorium

Notes

- In terms of the Public Service Regulations Chapter 1, Part VII C.1A.3, departments must indicate good cause or reason for not having complied with the filling of SMS posts within the prescribed timeframes.

Table 3.3.5 Disciplinary steps taken for not complying with the prescribed timeframes for filling SMS posts within 12 months for the period 1 April 2016 and 31 March 2017

Reasons for vacancies not advertised within six months
Circumstances emanating from budgetary constraints make it impossible to place a blame on officials
Reasons for vacancies not filled within six months
None availability of suitable candidates
Inability to compare OSD salary related salaries (Engineers and Scientists) with private sector salaries
Moratorium

Notes

In terms of the Public Service Regulations Chapter 1, Part VII C.1A.2, departments must indicate good cause or reason for not having complied with the filling of SMS posts within the prescribed timeframes. In the event of non-compliance with this regulation, the relevant Executive Authority or Head Of Department must take appropriate disciplinary steps in terms of section 16A(1) or (2) of the Public Service Act.

3.4 Job Evaluation

Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in his or her organisation. In terms of the Regulations all vacancies on salary levels 9 and higher must be evaluated before they are filled. The following table summarises the number of jobs that were evaluated during the year under review. The table also provides statistics on the number of posts that were upgraded or downgraded.

Table 3.4.1 Job Evaluation by Salary band for the period 1 April 2016 and 31 March 2017

Salary band	Number of posts on approved establishment	Number of Jobs Evaluated	% of posts evaluated by salary bands	Posts Upgraded		Posts downgraded	
				Number	% of posts evaluated	Number	% of posts evaluated
Lower Skilled (Levels 1-2)	823	15	1,82	4	26,67	4	26,67
Skilled (Levels 3-5)	1602	88	5,49	74	84,09	13	14,77
Highly skilled production (Levels 6-8)	2337	59	2,52	32	54,24	0	0,00
Highly skilled supervision (Levels 9-12)	1644	49	2,98	42	85,71	3	6,12
Senior Management Service Band A	168	6	3,57	2	33,33	0	0,00
Senior Management Service Band B	45	1	2,22	0	0,00	0	0,00
Senior Management Service Band C	11	0	0,00	0	0,00	0	0,00
Senior Management Service Band D	1	0	0,00	0	0,00	0	0,00
Contract (Levels 3-5)	170	0	0,00	0	0,00	0	0,00
Contract (Levels 6-8)	203	0	0,00	4	0,00	0	0,00
Contract (Levels 9-12)	175	0	0,00	0	0,00	0	0,00
Contract Band A	5	0	0,00	0	0,00	0	0,00
Contract Band B	3	0	0,00	0	0,00	0	0,00
Contract Band C	4	0	0,00	0	0,00	0	0,00
Contract Band D	0	1	0,00	0	0,00	0	0,00
Total	7191	219	3,05	158	72,15	20	9,13

The following table provides a summary of the number of employees whose positions were upgraded due to their post being upgraded. The number of employees might differ from the number of posts upgraded since not all employees are automatically absorbed into the new posts and some of the posts upgraded could also be vacant.

Table 3.4.2 Profile of employees whose positions were upgraded due to their posts being upgraded for the period 1 April 2016 and 31 March 2017

Gender	African	Asian	Coloured	White	Total
Female	14	1	4	1	20
Male	37	1	10	5	53
Total	51	2	14	6	73

Employees with a disability	0
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The following table summarises the number of cases where remuneration bands exceeded the grade determined by job evaluation. Reasons for the deviation are provided in each case.

Table 3.4.3 Employees with salary levels higher than those determined by job evaluation by occupation for the period 1 April 2016 and 31 March 2017

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Nil	0	0	0	-
Total number of employees whose salaries exceeded the level determined by job evaluation				0
Percentage of total employed				0

The following table summarises the beneficiaries of the above in terms of race, gender, and disability.

Table 3.4.4 Profile of employees who have salary levels higher than those determined by job evaluation for the period 1 April 2016 and 31 March 2017

Total number of Employees whose salaries exceeded the grades determined by job evaluation	0
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3.5 Employment Changes

This section provides information on changes in employment over the financial year. Turnover rates provide an indication of trends in the employment profile of the Department. The following tables provide a summary of turnover rates by salary band and critical occupations (see definition in notes below).

PART D: HUMAN RESOURCE MANAGEMENT

Table 3.5.1 Annual turnover rates by salary band for the period 1 April 2016 and 31 March 2017

Salary band	Number of employees at beginning of period - 1 April 2016	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
Lower Skilled (Levels 1-2) Permanent	316	8	21	6,65
Skilled (Levels 3-5) Permanent	867	21	63	7,27
Highly Skilled Production (Levels 6-8) Permanent	1333	22	71	5,33
Highly Skilled Supervision (Levels 9-12) Permanent	914	24	44	4,81
Highly Skilled Supervision (Levels 9-12) Temporary	1	0	0	0
Senior Management Service Band A Permanent	114	8	9	7,89
Senior Management Service Band B Permanent	50	2	2	4,00
Senior Management Service Band C Permanent	14	0	3	21,43
Senior Management Service Band D Permanent	3	0	0	0
Other Permanent	7	0	0	0
Contract (Levels 3-5) Permanent	163	104	72	44,17
Contract (Levels 6-8) Permanent	227	80	47	20,70
Contract (Levels 9-12) Permanent	158	32	22	13,92
Contract Band A Permanent	7	1	2	28,57
Contract Band B Permanent	3	0	0	0
Contract Band C Permanent	1	0	0	0
Contract Band D Permanent	3	1	2	66,67
Total	4181	303	358	8,56

Table 3.5.2 Annual turnover rates by critical occupation for the period 1 April 2016 and 31 March 2017

Critical occupation	Number of employees at beginning of period - 1 April 2016	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
Administrative related permanent	344	52	31	9,01
Agriculture animal oceanography forestry & other sciences, permanent	4	0	0	0.00
Agriculture related permanent	2	0	0	0.00
All artisans in the building metal machinery etc. Permanent	30	1	3	10
Appraisers-valuers and related professionals permanent	67	3	8	11,94
Auxiliary and related workers permanent	189	0	14	7,41
Building and other property caretakers permanent	18	0	2	11,11
Bus and heavy vehicle drivers permanent	9	0	2	22,22
Cartographers and surveyors permanent	6	1	0	0.00
Cartographic surveying and related technicians permanent	11	0	1	9.09
Chemical and physical science technicians permanent	10	0	0	0.00
Civil engineering technicians permanent	92	1	5	5,43
Cleaners in offices workshops hospitals etc. Permanent	63	3	5	7,94
Client information clerks (switchboard receptionist information clerks), permanent	9	0	2	22.22
Communication and information related permanent	29	0	1	3,45
Community development workers permanent	76	0	2	2,63
Computer programmers. Permanent	1	0	0	0.00
Computer system designers and analysts. Permanent	1	0	0	0.00
Economists permanent	1	0	0	0.00
Electrical and electronics engineering technicians permanent	3	0	1	33,33
Engineering sciences related permanent	354	87	80	21,75
Engineers and related professionals permanent	112	16	9	8,04

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Critical occupation	Number of employees at beginning of period - 1 April 2016	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
Farming forestry advisors and farm managers permanent	6	0	0	0.00
Finance and economics related permanent	107	4	6	5,61
Financial and related professionals permanent	11	0	2	18.18
Financial clerks and credit controllers permanent	285	33	10	3,51
Food services aids and waiters permanent	17	1	4	23.53
Forestry labourers permanent	2	0	0	0.00
General legal administration & rel. Professionals permanent	10	0	0	0.00
Geologists geophysicists hydrologists & related professionals, permanent	156	3	7	4,49
Head of department/chief executive officer permanent	3	1	2	66.67
Health sciences related permanent	1	0	0	0.00
Horticulturists foresters agriculture & forestry technicians, permanent	1	0	0	0.00
Household and laundry workers permanent	5	0	0	0.00
Household food and laundry services related permanent	2	0	0	0.00
Human resources & organisational development & related professionals, permanent	36	0	3	8.33
Human resources clerks permanent	111	22	13	11.71
Human resources related permanent	103	5	6	5.83
Information technology related permanent	23	2	2	8.70
Language practitioners interpreters & other communicators, permanent	33	4	2	6,06
Legal related permanent	1	0	0	0.00
Librarians and related professionals permanent	3	0	0	0.00
Library mail and related clerks permanent	39	1	2	5.13
Light vehicle drivers permanent	23	0	3	13,04
Logistical support personnel permanent	58	3	3	5,17
Material-recording and transport clerks permanent	135	0	10	7,41

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Critical occupation	Number of employees at beginning of period - 1 April 2016	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
Mechanical engineering technicians permanent	1	1	0	0,00
Messengers porters and deliverers permanent	61	2	3	4,92
Mining geology & geophysical & related technicians permanent	20	0	0	0.00
Motor vehicle drivers permanent	5	0	0	0.00
Motorised farm and forestry plant operators permanent	28	0	6	21,43
Natural sciences related permanent	269	20	13	4,83
Natural sciences related temporary	1	0	0	0.00
Nature conservation and oceanographical related technicians permanent	4	0	1	25,00
Other administration & related clerks and organisers, permanent	398	15	32	8,25
Other administrative policy and related officers permanent	76	0	1	1,32
Other information technology personnel. Permanent	5	0	0	0.00
Other machine operators permanent	2	0	0	0.00
Other occupations permanent	5	0	0	0.00
Photographic lithographic and related workers permanent	1	0	1	100.00
Quantity surveyors & related professionals not classified elsewhere, permanent	6	0	0	0.00
Regulatory inspectors permanent	22	2	1	4,55
Road workers permanent	3	0	0	0,00
Risk management and security services permanent	5	3	1	20.00
Safety health and quality inspectors permanent	4	0	0	0.00
Secretaries & other keyboard operating clerks permanent	116	3	4	3.45
Security guards permanent	13	0	3	23.08
Security officers permanent	38	0	0	0.00
Senior managers permanent	107	10	8	7,48
Social sciences related permanent	47	0	2	4,26
Social work and related professionals permanent	3	0	0	0.00
Statisticians and related professionals permanent	1	0	0	0.00

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Critical occupation	Number of employees at beginning of period - 1 April 2016	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
Trade labourers permanent	276	3	30	10,87
Trade related permanent	1	0	1	100.00
Trade/industry advisers & other related profession permanent	4	0	0	0.00
Water plant and related operators permanent	57	1	10	17,54
TOTAL	4181	303	358	8,56

Notes

- The CORE classification, as prescribed by the DPSA, is used for completion of this table.
- Critical occupations are defined as occupations or sub-categories within an occupation –
 - in which there is a scarcity of qualified and experienced persons currently or anticipated in the future, either because such skilled persons are not available or they are available but do not meet the applicable employment criteria;
 - for which persons require advanced knowledge in a specified subject area or science or learning field and such knowledge is acquired by a prolonged course or study and/or specialised instruction;
 - where the inherent nature of the occupation requires consistent exercise of discretion and is predominantly intellectual in nature; and
 - in respect of which a department experiences a high degree of difficulty to recruit or retain the services of employees.

The table below identifies the major reasons why staff left the Department.

Table 3.5.3 Reasons why staff left the Department for the period 1 April 2016 and 31 March 2017

Termination Type	Number	% of Total Resignations	% of Total Employment
Death, Permanent	20	5,59	0,46
Resignation, Permanent	107	29,89	1,78
Expiry of contract, Permanent	103	28,77	1,71
Transfers, Permanent	25	6,98	0,42
Discharged due to ill health, Permanent	3	0,84	0,05
Dismissal-misconduct, Permanent	2	0,56	0,03
Retirement, Permanent	96	26,82	1,59
Other, Permanent	2	0,56	0,03
Total	358	100,00	5,95
Total number of employees who left as a % of total employment	20	5,59	0,46

Table 3.5.4 Promotions by critical occupation for the period 1 April 2016 and 31 March 2017

Occupation	Employees 1 April 2016	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progression as a % of employees by occupation
Administrative related	339	20	5.90	227	66.96
Agriculture animal oceanography forestry & other sciences, permanent	3	0	0.00	2	66.67
Agriculture related	1	0	0.00	1	100.00
All artisans in the building metal machinery etc.	26	0	0.00	20	76.92
Appraisers-valuers and related professionals	1	0	0.00	1	100.00
Auxiliary and related workers	186	0	0.00	147	79.03
Building and other property caretakers	4	0	0.00	3	75.00
Bus and heavy vehicle drivers	8	0	0.00	7	87.50
Cartographers and surveyors	6	0	0.00	3	50.00
Cartographic surveying and related technicians	11	0	0.00	8	72.73
Chemical and physical science technicians	9	0	0.00	5	55.56
Civil engineering technicians	78	1	1.28	54	69.23
Cleaners in offices workshops hospitals etc.	57	0	0.00	40	70.18
Client information clerks (switchboard receptionist information clerks), permanent	9	0	0.00	6	66.67
Communication and information related	29	2	6.90	19	65.52
Community development workers	59	3	5.08	48	81.36
Computer programmers.	1	0	0.00	1	100.00

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Occupation	Employees 1 April 2016	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progression as a % of employees by occupation
Computer system designers and analysts.	1	0	0.00	1	100.00
Economists	1	0	0.00	0	0.00
Electrical and electronics engineering technicians	2	0	0.00	0	0.00
Engineering sciences related	311	1	0.32	52	16.72
Engineers and related professionals	42	0	0.00	24	57.14
Farming forestry advisors and farm managers	1	0	0.00	1	100.00
Finance and economics related	96	4	4.17	71	73.96
Financial and related professionals	11	0	0.00	5	45.45
Financial clerks and credit controllers	177	10	5.65	138	77.97
Food services aids and waiters	17	1	5.88	13	76.47
Forestry labourers	1	0	0.00	1	100.00
General legal administration & related professionals	10	0	0.00	9	90.00
Geologists geophysicists hydrologists & related professions	95	1	1.05	43	45.26
Head of department/ chief executive officer	3	0	0.00	0	0.00
Health sciences related	1	0	0.00	1	100.00
Horticulturists foresters agriculture & forestry technicians, permanent	1	0	0.00	1	100.00
Household and laundry workers	5	0	0.00	5	100.00
Household food and laundry services related	2	0	0.00	1	50.00

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Occupation	Employees 1 April 2016	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progression as a % of employees by occupation
Human resources & organisational development & related professionals, permanent	36	3	8.33	22	61.11
Human resources clerks	111	7	6.31	82	73.87
Human resources related	103	7	6.80	76	73.79
Information technology related	23	0	0.00	20	86.96
Language practitioners interpreters & other communicators, permanent	29	0	0.00	16	55.17
Legal related	1	0	0.00	1	100.00
Librarians and related professionals	3	0	0.00	3	100.00
Library mail and related clerks	39	0	0.00	34	87.18
Light vehicle drivers	22	0	0.00	7	31.82
Logistical support personnel	53	3	5.66	44	83.02
Material-recording and transport clerks	116	1	0.86	77	66.38
Messengers porters and deliverers	58	2	3.45	36	62.07
Mining geology & geophysical & related technicians	19	0	0.00	10	52.63
Motor vehicle drivers	4	0	0.00	1	25.00
Motorised farm and forestry plant operators	27	0	0.00	13	48.15
Natural sciences related	208	9	4.33	133	63.94
Nature conservation and oceanographical related technicians	2	0	0.00	0	0.00
Other administration & related clerks and organisers, permanent	334	6	1.80	239	71.56
Other administrative policy and related officers	65	0	0.00	54	83.08

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Occupation	Employees 1 April 2016	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progression as a % of employees by occupation
Other information technology personnel.	4	0	0.00	3	75.00
Other machine operators	2	0	0.00	2	100.00
Other occupations	3	0	0.00	1	33.33
Photographic lithographic and related workers	1	0	0.00	0	0.00
Quantity surveyors & related professionals not classified elsewhere, permanent	6	0	0.00	1	16.67
Regulatory inspectors	21	5	23.81	18	85.71
Risk management and security services	5	0	0.00	5	100.00
Safety health and quality inspectors	4	1	25.00	2	50.00
Secretaries & other keyboard operating clerks	116	1	0.86	96	82.76
Security guards	13	0	0.00	10	76.92
Security officers	37	0	0.00	32	86.49
Senior managers	104	8	7.69	70	67.31
Social sciences related	45	5	11.11	38	84.44
Social work and related professionals	3	0	0.00	2	66.67
Statisticians and related professionals	1	0	0.00	1	100.00
Trade labourers	230	0	0.00	172	74.78
Trade related	1	0	0.00	1	100.00
Trade/industry advisers & other related profession	4	1	25.00	4	100.00
Unknown		1	0.00	0	0.00
Water plant and related operators	47	0	0.00	16	34.04
Total	4181	121	2,89	2677	64,03

Table 3.5.5 Promotions by salary band for the period 1 April 2016 and 31 March 2017

Salary Band	Employees 1 April 2016	Promotions to another salary level	Salary bands promotions as a % of employees by salary level	Progressions to another notch within a salary level	Notch progression as a % of employees by salary bands
Lower Skilled (Levels 1-2), Permanent	316	0	0.00	87	27,53
Skilled (Levels 3-5), Permanent	867	10	1,15	540	62,28
Highly Skilled Production (Levels 6-8), Permanent	1333	46	3,45	1167	87,55
Highly Skilled Supervision (Levels 9-12), Permanent	914	51	5,58	699	76,48
Highly Skilled Supervision (Levels 9-12), Temporary	1	0	0.00	0	0.00
Senior Management (Levels 13-16), Permanent	181	14	7,73	161	88,95
Other Permanent	7	0	0.00	0	0.00
Contract (Levels 3-5), Permanent	163	0	0.00	1	0.61
Contract (Levels 6-8), Permanent	227	0	0.00	9	3,96
Contract (Levels 9-12), Permanent	158	0	0.00	8	5,06
Contract (Levels 13-16), Permanent	14	0	0.00	5	35,71
Total	4181	121	2,89	2677	64.03

3.6 Employment Equity

Table 3.6.1 Total number of employees (including employees with disabilities) in each of the following occupational categories as on 31 March 2017

Occupational category	Male				White males	Female				White females	Total
	African	Coloured	Indian	Sub-total blacks		African	Coloured	Indian	Sub-total blacks		
Senior officials and managers	61	4	9	74	10	57	4	5	66	7	157
Professionals	532	26	17	575	179	483	29	18	530	48	1332
Technicians and associate professionals	648	65	20	733	86	601	21	20	642	112	1573
Clerks	337	24	5	366	16	692	54	19	765	74	1221
Service shop and market sales workers	133	2	1	136	5	47	2	0	49	1	191
Craft and related trade workers	65	7	1	73	23	0	0	0	0	0	96
Plant and machine operators and assemblers	239	9	0	248	11	26	2	0	28	1	288
Labourers and related workers	772	77	0	849	7	292	17	1	310	0	1166
Total	2787	214	53	3054	337	2198	129	63	2390	243	6024

Table 3.6.2 Total number of employees (including employees with disabilities) in each of the following occupational bands as on 31 March 2017

Occupational band	Male					White males	Female				White females	Total
	African	Coloured	Indian	Sub-total blacks			African	Coloured	Indian	Sub-total blacks		
Top Management, Permanent	8	0	1	9	20	7	0	0	0	7	3	39
Senior Management, Permanent	85	4	10	99	44	66	4	5	75	10	228	
Professionally qualified and experienced specialists and mid-management, Permanent	493	27	18	538	119	453	21	18	492	51	1200	
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	654	41	13	705	68	868	33	29	960	150	1886	
Semi-skilled and discretionary decision making, Permanent	800	102	4	906	12	335	20	3	358	11	1287	
Unskilled and defined decision making, Permanent	500	26	0	526	1	217	12	0	229	0	756	
Contract (Top Management), Permanent	4	0	0	4	1	0	0	0	0	0	1	6
Contract (Senior Management), Permanent	4	0	0	4	1	2	1	0	3	0	8	
Contract (Professionally Qualified), Permanent	48	6	2	56	55	43	2	4	49	15	175	
Contract (Skilled Technical), Permanent	120	7	5	132	16	110	5	3	118	2	268	
Contract (Semi-Skilled), Permanent	70	1	0	71	0	697	1	1	99	0	170	
Contract (Unskilled) Permanent	1	0	0	1	0	0	0	0	0	0	0	1
Total	2787	214	53	3054	337	2198	129	63	2390	243	6024	

Table 3.6.3 Recruitment for the period 1 April 2016 to 31 March 2017

Occupational band	Male				White males	Female				White females	Total
	African	Coloured	Indian	Sub-total blacks		African	Coloured	Indian	Sub-total blacks		
Senior Management, Permanent	3	0	0	3	0	5	0	2	7	0	10
Professionally qualified and experienced specialists and mid-management, Permanent	12	0	1	13	4	5	1	2	6	1	24
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	9	0	0	9	0	11	0	1	12	1	22
Semi-skilled and discretionary decision making, Permanent	8	1	0	9	0	11	1	2	12	0	21
Unskilled and defined decision making, Permanent	6	0	0	6	0	2	0	0	2	0	8
Contract (Top Management), Permanent	1	0	0	1	0	0	0	0	0	0	1
Contract (Senior Management), Permanent	0	0	0	0	0	1	0	0	1	0	1
Contract (Professionally qualified), Permanent	10	2	1	13	9	8	0	0	8	2	32
Contract (Skilled technical), Permanent	35	1	1	37	3	36	1	2	36	1	80
Contract (semi-skilled), Permanent	46	1	0	47	0	55	1	1	57	0	104
Total	130	5	3	138	16	134	4	3	144	5	303
Employees with disabilities	0	0	0	0	0	1	0	0	1	0	1

Table 3.6.4 Promotions for the period 1 April 2016 to 31 March 2017

Occupational band	Male				White males	Female				White females	Total
	African	Coloured	Indian	Sub-total blacks		African	Coloured	Indian	Sub-total blacks		
Top Management, Permanent	5	0	0	5	19	0	0	0	0	3	27
Senior Management, Permanent	56	2	5	63	26	43	4	2	49	10	148
Professionally qualified and experienced specialists and mid-management, Permanent	304	21	12	337	53	308	12	9	329	31	750
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	374	22	6	402	23	634	45	23	702	86	1213
Semi-skilled and discretionary decision making, Permanent	287	43	2	332	2	195	14	1	210	6	550
Unskilled and defined decision making, Permanent	40	6	0	46	0	39	2	0	41	0	87
Contract (Top Management), Permanent	0	0	0	0	1	0	0	0	0	1	2
Contract (Senior Management), Permanent	0	0	0	0	0	2	0	0	2	1	3
Contract (Professionally qualified), Permanent	3	0	0	3	1	4	0	0	4	0	8
Contract (Skilled technical), Permanent	1	0	1	2	1	5	1	0	6	0	9
Contract (Semi-skilled), Permanent	0	0	0	0	0	1	0	0	1	0	1
Total	1070	94	26	1190	126	1231	78	35	1344	138	2798
Employees with disabilities	13	2	0	15	8	12	1	1	14	4	41

Table 3.6.5 Terminations for the period 1 April 2016 to 31 March 2017

Occupational band	Male				White male	Female				White female	Total
	African	Coloured	Indian	Sub-total blacks		African	Coloured	Indian	Sub-total blacks		
Top Management, Permanent	0	0	0	0	2	1	0	0	1	0	3
Senior Management, Permanent	5	0	0	5	5	1	0	0	1	0	11
Professionally qualified and experienced specialists and mid-management, Permanent	19	2	0	21	9	12	0	0	12	2	44
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	28	1	0	29	7	26	1	1	28	7	71
Semi-skilled and discretionary decision making, Permanent	37	3	0	40	0	22	1	0	23	0	63
Unskilled and defined decision making, Permanent	9	2	0	11	0	10	0	0	10	0	21
Contract (Top Management), Permanent	1	0	0	1	0	0	1	0	1	0	2
Contract (Senior Management), Permanent	0	0	0	0	0	1	0	0	1	1	2
Contract (Professionally qualified), Permanent	7	1	0	8	8	6	0	0	6	0	22
Contract (Skilled technical), Permanent	22	1	1	24	1	20	1	0	21	1	47
Contract (Semi-skilled), Permanent	39	0	0	39	4	29	0	0	29	0	72
Total	167	10	1	178	36	128	4	1	133	11	358
Employees with Disabilities	2	0	0	2	0	2	0	0	2	0	4

Table 3.6.6 Disciplinary action for the period 1 April 2016 to 31 March 2017

Disciplinary action	Male				White males	Female				White females	Total
	African	Coloured	Indian	Sub-total blacks		African	Coloured	Indian	Sub-total blacks		
Suspension without pay and final written warning	18	0	0	18	0	3	0	0	3	1	22
Dismissal	3	0	0	3	0	0	0	0	0	0	3
Total	21	0	0	21	0	3	0	0	3	1	25

Table 3.6.7 Skills development for the period 1 April 2016 to 31 March 2017

Occupational category	Male				White males	Female				White males	Total
	African	Coloured	Indian	Sub-total blacks		African	Coloured	Indian	Sub-total blacks		
Legislators, Senior Officials and Managers	250	15	15	280	44	113	68	33	214	75	613
Professionals	221	66	28	315	160	154	29	40	223	184	882
Technicians and Associate Professionals	295	44	37	376	155	287	75	61	423	162	1116
Clerks	253	68	32	353	56	672	76	56	804	87	1300
Service and Sales Workers	70	1	0	71	0	22	2	0	0	1	96
Skilled Agriculture and Fishery Workers	0	0	0	0	0	0	0	0	0	0	0
Craft and related Trades Workers	50	4	1	55	5	8	2	0	0	2	72
Plant and Machine Operators and Assemblers	36	2	0	38	0	0	0	0	0	0	38
Elementary Occupations	580	9	0	589	0	142	6	0	0	0	737
Employees with disabilities	0	0	0	0	0	0	0	0	0	0	0
Total	1755	209	113	2077	420	1398	258	190	1664	511	4854

3.7 Signing of Performance Agreements by SMS Members

All members of the SMS must conclude and sign performance agreements within specific timeframes. Information regarding the signing of performance agreements by SMS members, the reasons for not complying within the prescribed timeframes and disciplinary steps taken is presented here.

Table 3.7.1 Signing of Performance Agreements by SMS members as on 31 May 2016

SMS Level	Total number of funded SMS posts	Total number of SMS members	Total number of signed performance agreements	Signed performance agreements as % of total number of SMS members
Director-General/Head of Department	1	1	1	100
Salary Level 16	0	0	0	0
Salary Level 15	14	12	11	91.66
Salary Level 14	48	34	33	97.05
Salary Level 13	173	137	132	96.35
Total	236	184	177	96.19

Table 3.7.2 Reasons for not having concluded Performance agreements for all SMS members as on 31 March 2017

Reasons
Busy schedule of the SMS leading to postponing submission to the last minute where the supervisors are not readily available to sign and endorse prior submission to HR

Table 3.7.3 Disciplinary steps taken against SMS members for not having concluded Performance agreements as on 31 March 2017

Reasons
Individual letters signed by the DDG: CS sent to affected Senior Managers

3.8 Performance Rewards

To encourage good performance, the Department has granted the following performance rewards during the year under review. The information is presented in terms of race, gender, disability, salary bands and critical occupations (see definition in notes below).

Table 3.8.1 Performance Rewards by race, gender and disability for the period 1 April 2016 to 31 March 2017

Race and Gender	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Average cost per employee
African	1064.99	2883	-	-	-
Male	48	1,373	35.10	8,046.32	16,693.96
Female	583	1,510	38.61	8,520.17	14,614.36
Asian	35	61	-	-	-
Male	12	27	44.44	243.39	20,282.86
Female	23	34	67.65	536.16	23,311.49
Coloured	69	171	-	-	-
Male	35	87	40.23	541.45	15,470.02
Female	34	84	40.48	592.59	17,429.09
White	155	311	-	-	-
Male	63	160	39.38	2,049.00	32,523.81
Female	92	151	60.93	2,051.92	22,303.50
Employees with disability	13	39	33.33	172.75	13,288.47
Total	1,337	3,465	38.59	22,753.77	17,018.65

Table 3.8.2 Performance Rewards by salary band for personnel below Senior Management Service for the period 1 April 2016 to 31 March 2017

Salary band	Beneficiary Profile			Cost		Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee	
Lower Skilled (Levels 1-2)	70	153	45.75	385.26	5,503.77	70.00
Skilled (Levels 3-5)	225	595	37.82	1,827.21	8,120.94	225.00
Highly Skilled Production (Levels 6-8)	600	1,160	51.72	8,078.83	13,464.94	599.99
Highly Skilled Supervision (Levels 9-12)	401	912	43.97	10,619.22	26,481.85	401.00
Contract (Levels 3-5)	0	151	0.00	0.00	0.00	0.00
Contract (Levels 6-8)	1	203	0.49	16.88	16,880.40	1.00
Contract (Levels 9-12)	4	80	5.00	120.52	30,130.00	4.00
Total	1,301	3,254	39.98	21,047.93	16,178.39	1,300.99

Table 3.8.3 Performance Rewards by critical occupation for the period 1 April 2016 to 31 March 2017

Critical occupation	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total Cost (R'000)	Average cost per employee
Administrative related	125	384	32.55	2,822.08	22,576.65
Agriculture animal oceanography forestry & other sciences, permanent	1	3	33.33	21.34	21,344.70
Agriculture related	0	1	0.00	0.00	0.00
All artisans in the building metal machinery etc.	8	26	30.77	109.53	13,690.98
Appraisers-valuers and related professionals	1	1	100.00	16.87	16,874.48
Auxiliary and related workers	90	164	54.88	1,203.74	13,374.89
Building and other property caretakers	0	4	0.00	0.00	0.00
Bus and heavy vehicle drivers	3	6	50.00	25.63	8,544.51
Cartographers and surveyors	4	8	50.00	119.44	29,860.28
Cartographic surveying and related technicians	4	10	40.00	130.04	32,510.17
Chemical and physical science technicians	2	9	22.22	37.80	18,900.97
Civil engineering technicians	31	72	43.06	672.63	21,697.84
Cleaners in offices workshops hospitals etc.	32	59	54.24	189.53	5,922.91
Client information clerks (switchboard receptionist information clerks), permanent	0	7	0.00	0.00	0.00
Communication and information related	9	29	31.03	227.32	25,257.43
Community development workers	29	53	54.72	445.85	15,374.18
Computer programmers.	0	1	0.00	0.00	0.00
Computer system designers and analysts.	1	1	100.00	31.76	31,760.66
Economists	1	1	100.00	22.15	22,152.47
Engineering sciences related	36	295	12.20	1,058.77	29,410.17
Engineers and related professionals	14	42	33.33	611.93	43,709.18
Farming forestry advisors and farm managers	0	1	0.00	0.00	0.00

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Critical occupation	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total Cost (R'000)	Average cost per employee
Finance and economics related	35	99	35.35	749.77	21,421.94
Financial and related professionals	3	10	30.00	65.36	21,786.54
Financial clerks and credit controllers	89	196	45.41	1,128.74	12,682.47
Food services aids and waiters	15	13	115.38	89.54	5,969.39
Food services workers	0	1	0.00	0.00	0.00
Forestry labourers	1	1	100.00	7.49	7,492.23
General legal administration & rel. Professionals	6	11	54.55	146.37	24,394.36
Geologists geophysicists hydrologists & related professionals, permanent	64	94	69.14	1,307.78	20,122.83
Head of department/chief executive officer	0	2	0.00	0.00	0.00
Health sciences related	1	1	100.00	55.55	55,554.84
Horticulturists foresters agriculture & forestry technicians, permanent	0	1	0.00	0.00	0.00
Household and laundry workers	4	5	80.00	20.22	5,054.21
Household food and laundry services related	1	2	50.00	4.60	4,603.20
Human resources & organisational development & related professionals, permanent	15	31	48.39	288.55	19,236.96
Human resources clerks	46	120	38.33	526.45	11,444.59
Human resources related	47	111	42.34	1,093.95	23,275.48
Information technology related	12	23	52.17	272.83	22,735.49
Language practitioners interpreters & other communicators, permanent	10	33	30.30	221.04	22,104.08
Legal related	0	1	0.00	0.00	0.00
Librarians and related professionals	3	3	100.00	21.12	7,038.57
Library mail and related clerks	15	38	39.47	169.02	11,267.78

Critical occupation	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total Cost (R'000)	Average cost per employee
Light vehicle drivers	50	19	26.32	34.00	6,800.41
Logistical support personnel	25	53	47.17	432.47	17,298.62
Material-recording and transport clerks	37	102	36.27	429.90	11,618.90
Messengers porters and deliverers	33	57	57.89	271.29	8,221.01
Mining geology & geophysical & related technicians	6	19	31.58	147.08	24,513.11
Motor vehicle drivers	1	4	25.00	10.20	10,204.70
Motorised farm and forestry plant operators	4	22	18.18	17.96	4,490.98
Natural sciences related	98	204	48.04	2,492.04	25,428.97
Nature conservation and oceanographical related technicians, permanent	2	1	200.00	38.65	19,325.45
Other administration & related clerks and organisers, permanent	142	302	47.02	1,653.12	11,641.69
Other administrative policy and related officers	36	64	56.25	584.30	16,230.67
Other information technology personnel.	2	4	50.00	74.84	37,420.31
Other machine operators	1	2	50.00	5.19	5,185.65
Other occupations	0	3	0.00	0.00	0.00
Quantity surveyors & related professionals not classified elsewhere, permanent	1	5	20.00	27.78	27,784.17
Regulatory inspectors	12	26	46.15	168.38	14,031.83
Risk management and security services	1	5	20.00	12.94	12,935.55
Safety health and quality inspectors	2	6	33.33	23.57	11,785.16
Secretaries & other keyboard operating clerks	50	116	43.10	812.03	16,240.67
Security guards	3	10	30.00	15.49	5,162.61
Security officers	4	37	10.81	60.04	15,009.37
Senior managers	9	123	7.32	441.35	49,038.94

Critical occupation	Beneficiary Profile		% of total within occupation	Cost	
	Number of beneficiaries	Number of employees		Total Cost (R'000)	Average cost per employee
Social sciences related	15	46	32.61	415.39	27,692.86
Social work and related professionals	0	3	0.00	0.00	0.00
Statisticians and related professionals	0	1	0.00	0.00	0.00
Trade labourers	65	216	30.09	487.82	7,504.97
Trade/industry advisers & other related profession	0	5	0.00	0.00	0.00
Water plant and related operators	22	37	59.46	135.08	6,140.15
Total	1,337	3,465	38.59	22,753.77	17,018.65

Notes

- The CORE classification, as prescribed by the DPSA, is used for completion of this table.
- Critical occupations are defined as occupations or sub-categories within an occupation –
 - in which there is a scarcity of qualified and experienced persons currently or anticipated in the future, either because such skilled persons are not available or they are available but do not meet the applicable employment criteria;
 - for which persons require advanced knowledge in a specified subject area or science or learning field and such knowledge is acquired by a prolonged course or study and/or specialised instruction;
 - where the inherent nature of the occupation requires consistent exercise of discretion and is predominantly intellectual in nature; and
 - in respect of which a department experiences a high degree of difficulty to recruit or retain the services of employees;

Table 3.8.4 Performance related rewards (cash bonus), by salary band for Senior Management Service for the period 1 April 2016 to 31 March 2017

Salary band	Beneficiary Profile			Cost		Total cost as a % of the total personnel expenditure	Personnel cost SMS (R'000)
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee		
Band A	31	139	22.30	1,364.93	44,029.84	0.01	139,917.40
Band B	5	34	14.71	340.91	68,182.60	0.01	47,153.18
Band C	0	33	0.00	0.00	0.00	0.00	42,588.33
Band D	0	5	0.00	0.00	0.00	0.00	10,579.44
Total	36	211	17.06	1,705.84	47,384.39	0.01	240,238.35

3.9 Foreign Workers

The tables below summarise the employment of foreign nationals in the Department in terms of salary band and major occupation.

Table 3.9.1 Foreign workers by salary band for the period 1 April 2016 and 31 March 2017

Salary band	01 April 2016		31 March 2017		Change		Total employment		Total change in employment
	Number	% of total	Number	% of total	Number	% Change	As at 01 April 2016	As at 31 March 2017	
Highly skilled production (Lev. 6-8)	3	6,00	3	5,66	0	0	3	3	0
Highly skilled supervision (Lev. 9-12)	44	88,00	47	88,68	3	100	44	47	3
Senior management (Levels 13-16)	3	6,00	3	5,66	0	0	3	3	0
Total	50	100	53	100	3	100	50	53	3

Table 3.9.2 Foreign workers by major occupation for the period 1 April 2016 and 31 March 2017

Major occupation	01 April 2016		31 March 2017		Change		Total employment		Total change in employment
	Number	% of total	Number	% of total	Number	% Change	As at 01 April 2016	As at 31 March 2017	
Administrative office workers	3	6	3	6	0	0	3	3	0
Information technology personnel	1	2	1	2	0	0	1	1	0
Professionals and managers	44	88	47	89	3	100	44	47	3
Technicians and associated professionals	2	4	2	4	0	0	2	2	0
Total	50	100	53	100	3	100	50	53	3

3.10 Leave utilisation

The Public Service Commission identified the need for careful monitoring of sick leave within the public service. The following tables provide an indication of the use of sick leave and disability leave. In both cases, the estimated cost of the leave is also provided.

Table 3.10.1 Sick leave for the period 1 January 2016 to 31 December 2016

Salary band	Total days	% Days with Medical certification	Number of Employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated Cost (R'000)	Total of employee using sick leave	Total number of days with medical certification
Contract (Levels 13-16)	23	43,48	5	0,16	4,60	85	3113	10
Contract (Levels 3-5)	360	40,56	90	2,89	4,00	264	3113	146
Contract (Levels 6-8)	646	40,25	121	3,89	5,34	697	3113	260
Contract (Levels 9-12)	271	49,45	56	1,80	4,84	524	3113	134
Highly skilled production (Levels 6-8)	11581	52,87	1240	39,83	9,34	13507	3113	6123
Highly skilled supervision (Levels 9-12)	5889	56,33	781	25,09	7,54	13289	3113	3317
Lower skilled (Levels 1-2)	1094	58,23	134	4,30	8,16	519	3113	637
Senior management (Levels 13-16)	796	60,05	129	4,14	6,17	3192	3113	478
Skilled (Levels 3-5)	4863	54,06	557	17,89	8,73	3351	3113	2629
Total	25523	53,81	3113	100,00	8,20	35428	3113	13734

Table 3.10.2 Disability leave (temporary and permanent) for the period 1 January 2016 to 31 December 2016

Salary band	Total days	% Days with Medical certification	Number of Employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated Cost (R'000)	Total of days with medical certification	Total number of employees using disability leave
Contract (Levels 3-5)	2	100,00	1	1,96	2,00	1	2	1
Contract (Levels 6-8)	2	100,00	1	1,96	2,00	2	2	1
Highly skilled production (Levels 6-8)	594	100,00	22	43,14	27,00	734	594	22
Highly skilled supervision (Levels 9-12)	687	100,00	13	25,49	52,85	1432	687	13
Lower skilled (Levels 1-2)	47	100,00	2	3,92	23,50	21	47	2
Senior management (Levels 13-16)	13	100,00	1	1,96	13,00	48	13	1
Skilled (Levels 3-5)	464	96,98	11	21,57	42,18	344	450	11
Total	1809	99,23	51	100	35,47	2582	1795	51

The table below summarises the utilisation of annual leave. The wage agreement concluded with trade unions in the PSCBC in 2000 requires management of annual leave to prevent high levels of accrued leave being paid at the time of termination of service.

Table 3.10.3 Annual Leave for the period 1 January 2016 to 31 December 2016

Salary band	Total days taken	Number of Employees using annual leave	Average per employee
Contract (Levels 13-16)	195	12,19	16
Contract (Levels 3-5)	1784	10,56	169
Contract (Levels 6-8)	3098	12,70	244
Contract (Levels 9-12)	1504	14,46	104
Highly skilled production (Levels 6-8)	33734	21,42	1575
Highly skilled supervision (Levels 9-12)	22269	20,73	1074
Lower skilled (Levels 1-2)	4020	18,79	214
Senior management (Levels 13-16)	4422	20,19	219
Skilled (Levels 3-5)	16469	19,26	855
Total	87495	19,57	4470

Table 3.10.4 Capped leave for the period 1 January 2016 to 31 December 2016

Salary band	Total days of capped leave taken	Number of Employees using capped leave	Average number of days taken per employee	Average capped leave per employee as at 31 March 2017	Total number of capped leave as at 31 March 2017	Number of employees as at 31 March 2017
Contract (Levels 13-16)	5	1	5	0,00	0	1
Contract (Levels 9-12)	-	-	-	54,42	108,84	2
Highly skilled production (Levels 6-8)	119	20	5,95	73,20	33746,52	461
Highly skilled supervision (Levels 9-12)	71	18	3,94	64,73	16116,75	249
Lower skilled (Levels 1-2)	2	1	2,00	44,51	2002,73	45
Senior management (Levels 13-16)	64	9	7,11	66,02	6469,89	98
Skilled (Levels 3-5)	91,5	16	5,72	76,04	24560,59	323
Total	352,5	65	5,42	62,87	74127,29	1179

The following table summarise payments made to employees as a result of leave that was not taken.

Table 3.10.5 Leave pay-outs for the period 1 April 2016 and 31 March 2017

Reason	Total amount (R'000)	Number of employees	Average per employee (R'000)
Leave pay-out for 2016/17 due to non-utilisation of leave for the previous cycle	572	15	38
Capped leave pay-outs on termination of service for 2016/17	11 249	163	69
Current leave pay-out on termination of service for 2016/17	1 552	47	33
Total	13 373	225	59

3.11 HIV/AIDS & Health Promotion Programmes

Table 3.11.1 Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
None	N/A

Table 3.11.2 Details of Health Promotion and HIV/AIDS Programmes (tick the applicable boxes and provide the required information)

Question	Yes	No	Details, if yes
1 Has the Department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	X		Director: OD Mr Sam Moyi
2 Does the Department have a dedicated unit or has it designated specific staff members to promote the health and well-being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	X		Two (2) EHWP professionals in national Office, and one (1) EHWP coordinator for each regional office. R16M
3 Has the Department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this Programme.	X		HIV, TB & AIDS management; Health Risk Assessments, Promotion and Education: Chronic Disease Management; Psycho-Social Support Services and Referrals; Health and Productivity Management; Policy development; EHWP marketing and promotion.
4 Has the Department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	X		Mr Sam Moyi, Ms Anna Moabelo, Mr Reuben Maruma, Ms Tshidi Baloyi; Mr Eric Ramaswe; Ms Tumi Mpshe, Mr Matome Makwaeba. Two members represent the two major Unions
5 Has the Department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	X		The approved HIV & AIDS policy include an element of TB Management. The policy addresses issues of stigma and non-discrimination of HIV positive employees. It goes further to mention steps to be taken if there is transgression of these policy elements.
6 Has the Department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	X		Policy protects HIV+ employees from discrimination. Disciplinary action to be taken against those who disregard this section of the policy.
7 Does the Department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have you achieved.	X		On-going VCT is provided through a contracted service provider to 55 Departmental sites situated across the country. (2x clinic operations per month).
8 Has the Department developed measures/ indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators.	X		Feedback sessions and questionnaires held/completed after wellness days, campaigns and health talks. Impact assessment to be conducted during the current financial year.

3.12 Labour Relations

Table 3.12.1 Collective agreements for the period 1 April 2016 and 31 March 2017

Total number of Collective agreements	0
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The following table summarises the outcome of disciplinary hearings conducted within the Department for the year under review.

Table 3.12.2 Misconduct and disciplinary hearings finalised for the period 1 April 2016 and 31 March 2017

Outcomes of disciplinary hearings	Number	% of total
Suspensions without pay	10	40
Final written warnings	12	48
Dismissals	3	12
Total	25	100

Table 3.12.3 Types of misconduct addressed at disciplinary hearings for the period 1 April 2016 and 31 March 2017

Type of misconduct	Number	% of total
Misuse of vehicles	9	36
Assault	1	4
Theft of state property	4	16
Gross Negligence	0	0
Fraud	9	36
Dishonesty	2	8
Insubordination	0	0
Total	25	100

Table 3.12.4 Grievances logged for the period 1 April 2016 and 31 March 2017

Grievances	Number	% of Total
Number of grievances resolved	3	50
Number of grievances not resolved	3	50
Total number of grievances lodged	6	100

Table 3.12.5 Disputes logged with Councils for the period 1 April 2016 and 31 March 2017

Disputes	Number	% of Total
Number of disputes upheld	8	50
Number of disputes dismissed	8	50
Total number of disputes lodged	16	100

Table 3.12.6 Strike actions for the period 1 April 2016 and 31 March 2017

Total number of persons working days lost	0
Total costs working days lost	0
Amount recovered as a result of no work no pay (R'000)	0

Table 3.12.7 Precautionary suspensions for the period 1 April 2016 and 31 March 2017

Number of people suspended	1
Number of people whose suspension exceeded 30 days	1
Average number of days suspended	182

3.13 Skills development

This section highlights the efforts of the Department with regard to skills development.

Table 3.13.1 Training needs identified for the period 1 April 2016 and 31 March 2017

Occupational category	Gender	Number of employees as at 1 April 2016	Training needs identified at start of the reporting period			
			Learner-ships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	73	0	289	0	289
	Male	84	0	324	0	324
Professionals	Female	578	0	407	0	407
	Male	754	0	475	0	475
Technicians and associate professionals	Female	754	0	585	0	585
	Male	819	0	531	0	531
Clerks	Female	839	0	891	0	891
	Male	382	0	409	0	409
Service and sales workers	Female	50	0	25	0	25
	Male	141	0	71	0	71
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	12	0	12
	Male	96	0	60	0	60
Plant and machine operators and assemblers	Female	29	0	0	0	0
	Male	259	0	38	0	38
Elementary occupations	Female	310	0	148	0	148
	Male	856	0	589	0	589
Sub Total	Female	2633	0	2357	0	2357
	Male	3391	0	2497	0	2497
Total		6024	0	4854	0	4854

Table 3.13.2 Training provided for the period 1 April 2016 and 31 March 2017

Occupational category	Gender	Number of employees as at 1 April 2016	Training provided within the reporting period			
			Learner-ships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	73	0	166	39	205
	Male	84	0	122	72	194
Professionals	Female	578	0	226	61	287
	Male	754	0	204	57	261
Technicians and associate professionals	Female	754	0	262	57	319
	Male	819	0	332	90	422
Clerks	Female	839	0	368	51	419
	Male	382	0	171	24	195
Service and sales workers	Female	50	0	2	0	2
	Male	141	0	22	0	22
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	9	11	20
	Male	96	0	33	74	107
Plant and machine operators and assemblers	Female	29	0	3	3	6
	Male	259	0	99	71	170
Elementary occupations	Female	310	0	128	49	177
	Male	856	0	375	90	465
Sub Total	Female	2633	0	1164	271	1435
	Male	3391	0	1358	478	1836
Total		6024	0	2522	749	3271

3.14 Injury on duty

The following table provides basic information on injury on duty.

Table 3.14.1 Injury on duty for the period 1 April 2016 and 31 March 2017

Nature of injury on duty	Number	% of total
Required basic medical attention only	139	99,3
Temporary total disablement	0	0,0
Permanent disablement	1	0,7
Fatal	0	0,0
Total	140	

3.15 Utilisation of Consultants

The following tables relate information on the utilisation of consultants in the Department. In terms of the Public Service Regulations “consultant” means a natural or juristic person or a partnership who or which provides in terms of a specific contract on an ad hoc basis any of the following professional services to a department against remuneration received from any source:

- a) The rendering of expert advice;
- b) The drafting of proposals for the execution of specific tasks; and
- c) The execution of a specific task which is of a technical or intellectual nature, but excludes an employee of a department.

Table 3.15.1 Report on consultant appointments using appropriated funds for the period 1 April 2016 and 31 March 2017

Project title	Total number of consultants that worked on project	Duration (work days)	Contract value in Rand
WP11002: Development of National Water and Sanitation Resources and Services Strategy Edition 1 to the Director General	6	24 Months	R4 028 637.45
WP11003: Implementation of National Water Resources Strategy 2: Monitoring, Evaluation and Reporting to the Director General	6	30 Months	R3 996 835.21
WP11045: Assist the chief directorate Macro Planning and Information Management in ensuring that sanitation sustainability issues such as health and hygiene is planned for and implemented within the communities and institutions	7	24 Months	R3 850 000.00
WP11028: Feasibility study, design, site supervision and quality monitoring for the main outfall sewer lines, refurbishment and upgrading of WWTW in Matjhabeng Local Municipality (LM)	8	24 Months	R10 743 594.84
WP11030: Feasibility study, design, site supervision and quality monitoring for the upgrading of the WWTW in Brandfort and Winburg under Masilonyana Local Municipality	13	12 Months	R4 887 299.00
WP11040: Upgrading of the Wastewater Treatment Works (WWTW) bulk sewer in Ladybrand	6	8 Months	R2 475 992.00
WP11029: Upgrading of the Waste Water Treatment Works (WWTW) in Parys Under Ngwathe Local Municipality	19	12 Months	R10 260 000.00
WP11066: Undertake the socio-economic impact assessment of water and sanitation infrastructure in 153 Water Services Authorities and around 62 regional bulk infrastructure projects	38	24 Months	R13 500 408.96

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Project title	Total number of consultants that worked on project	Duration (work days)	Contract value in Rand
WP11086: PEP 6: Investigation into the systematic failure in the delivery of tap water to households and development of a municipal water and sanitation infrastructure costing model	6	16 Months	R 2 458 126.40
WP11085: PEP 5: National water service development plan/provincial master plan programme management support	3	7 Months	R 2 600 504.16
WP11084: PEP 4: National water service master plan: water supply conceptual design and strategic analysis related to feasibility/IRS/Non-revenue and other related study categories	16	7 Months	R 3 996 044.27
WP11083: PEP 3 National: MuSSA and MPAP facilitation to support the development of the five year reliable water and sanitation service delivery implementation plan	8	7 Months	R 2 969 677.20
WP11082: PEP 2: National 5 year reliability plan project and resources system development and associates product deliverables	5	7 Months	R 2 647 365.00
WP11081: PEP 1: Water services references framework geo-database restructuring and information enhancement to ensure alignment with the five year reliability services implementation plans, WSDP system and water services perspectives	11	7 Months	R 2 889 900.00
WP11089: Review the two policies on board members and the chief executives and subsidiaries and the re-grading of water sector entities namely Water Boards, WRC and TCTA	7	10 Months	R 5 194 845.00
WP11100: PEP 1: Provincial water services framework planning data management and reporting	3	12 Months	R 1 196 112.85
WP11101: PEP 2: WSDP support	3	12 Months	R 1 198 223.45
WP11103: PEP 1: WSP support	3	12 Months	R 1 194 746.38
WP11104: PEP 2: WSP support	4	12 Months	R 981 616.43
WP11109: PEP 1: Provincial water services framework planning data management and reporting	2	12 Months	R 967 296.00
WP11110: PEP 2: WSDP support	18	12 Months	R 983 637.60
WP11112: PEP 2: WSDP support	6	12 Months	R 897 088.80
WP11115: PEP 1: WSP support	8	12 Months	R 1 216 277.40
WP11095: PEP 8: Audit report on stakeholder engagements on partnerships and programmes	5	12 Months	R 484 504.00

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Project title	Total number of consultants that worked on project	Duration (work days)	Contract value in Rand
WP11111: PEP 1: Provincial water services framework planning data management and reporting	3	12 Months	R 950 760.00
WP11102: PEP 3: Five year reliable water and sanitation services delivery implementation and monitoring for Uthungulu DM	8	12 Months	R 918 208.44
WP11116: PEP 2: WSP support	8	12 Months	R 2 360 451.00
WP11094: PEP 7: Development of due diligence restructuring tool to align water services and prepare a guideline document to ensure alignment to local water resource management institutions	11	24 Months	R 4 716 033.00
WP11087: Due diligence and finalise the business case for the establishment of National Water and Sanitation Infrastructure Agency (NAWASIA)	20	10 Months	R 9 525 086.96
WP11097: PEP 1: Provincial water services framework planning data management and reporting	6	12 Months	R 1 478 115.00
WP11098: PEP 2: WSDP Support	3	12 Months	R 947 459.00
WP11099: PEP 3: Five year reliable water and sanitation services delivery implementation and monitoring	15	12 Months	R 402 779.70
WP11105: PEP 1: Provincial water services reference framework planning data management and reporting	18	12 Months	R 974 791.20
WP11107: PEP 1: WSP support	2	12 Months	R 1 243 120.00
WP11108: PEP 2: WSP support	3	12 Months	R 829 937.10
WP11113: PEP 1: Provincial framework planning data management and reporting	8	12 Months	R 975 183.36
WP11114: PEP 2: WSP support	8	2 Months	R 1 977 022.59
WP11106: PEP 2: WSP support	3	12 Months	R 1 164 184.87
2016-4 (WP11056 PEP 14) : Water services transfer from eThekweni database system to WSDP structural format (WP11056 PEP14)	5	2 Months	R 416 428.00
WP11077: Post feasibility bridging study for the proposed bulk conveyance infrastructure from the raised Clan William Dam	30	24 Months	R 12 307 937.00

Total number of projects	Total individual consultants	Total duration Work days	Total contract value in Rand
40	375	521 months	R 114 498 292.62

Table 3.15.2 Analysis of consultant appointments using appropriated funds, in terms of Historically Disadvantaged Individuals (HDIs) for the period 1 April 2016 and 31 March 2017

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
WP11002: Development of National Water and Sanitation Resources and Services Strategy Edition 1 to the Director General	100%	2	6
WP11003: Implementation of National Water Resources Strategy 2: Monitoring, Evaluation and Reporting to the Director General	100%	2	6
WP11045: Assist the chief directorate Macro Planning and Information Management in ensuring that sanitation sustainability issues such as health and hygiene is planned for and implemented within the communities and institutions	0.00%	1	7
WP11028: Feasibility study, design, site supervision and quality monitoring for the main outfall sewer lines, refurbishment and upgrading of WWTW in Matjhabeng Local Municipality (LM)	100.00%	1	3
WP11030: Feasibility study, design, site supervision and quality monitoring for the upgrading of the WWTW in Brandfort and Winburg under Masilonyana Local Municipality	0%	1	8
WP11040: Upgrading of the Waste Water Treatment Works (WWTW) bulk sewer in Ladybrand	0%	1	4
WP11029: Upgrading of the Waste Water Treatment Works (WWTW) in Parys Under Ngwathe Local Municipality	100%	1	7
WP11066: Undertake the socio-economic impact assessment of water and sanitation infrastructure in 153 water services authorities and around 62 regional bulk infrastructure projects	100%	1	30
WP11086: PEP 6: Investigation into the systematic failure in the delivery of tap water to households and development of a municipal water and sanitation infrastructure costing model	0%	0	2
WP11085: PEP 5: National water service development plan/provincial master plan programme management support	51%	1	3
WP11084: PEP 4: National water service master: water supply conceptual design and strategic analysis related to feasibility/IRS/Non-revenue and other related study categories	0%	0	10

PART D: HUMAN RESOURCE MANAGEMENT

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
WP11083: PEP 3 National: MuSSA and MPAP facilitation to support the development of the five year reliable water and sanitation service delivery implementation plan	41%	0	6
WP11082: PEP 2: National 5 year reliability plan project and resources system development and associates product deliverables	0%	0	3
WP11081: PEP 1: Water services references framework geo-database restructuring and information enhancement to ensure alignment with the five year reliability services implementation plans, WSDP system and water services perspectives	0%	0	7
WP11089: Review the two policies on board members and the chief executives and subsidiaries and the re-grading of water sector entities namely water boards, WRC and TCTA	0%	0	5
WP11100: PEP 1: Provincial water services framework planning data management and reporting	51%	1	2
WP11101: PEP 2: WSDP support	51%	1	2
WP11103: PEP 1: WSP support	51%	1	2
WP11104: PEP 2: WSP support	0%	1	3
WP11109: PEP 1: Provincial water services framework planning data management and reporting	0%	1	1
WP11110: PEP 2: WSDP support	0%	0	11
WP11112: PEP 2: WSDP support	0%	0	3
WP11115: PEP 1: WSP support	51.04%	0	2
WP11095: PEP 8: Audit report on stakeholder engagements on partnerships and programmes	100%	0	2
WP11111: PEP 1: Provincial water services framework planning data management and reporting	0%	0	1
WP11102: PEP 3: Five year reliable water and sanitation services delivery implementation and monitoring for Uthungulu DM	0%	0	3
WP11116: PEP 2: WSP support	31.72%	0	3
WP11094: PEP 7: Development of due diligence restructuring tool to align water services and prepare a guideline document to ensure alignment to local water resource management institutions	51%	0	7

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
WP11087: Due diligence and finalise the business case for the establishment of National Water and Sanitation Infrastructure Agency (NAWASIA)	36.19%	3	9
WP11097: PEP 1: Provincial water services framework planning data management and reporting	0%	1	2
WP11098: PEP 2: WSDP Support	0%	1	2
WP11099: PEP 3: Five year reliable water and sanitation services delivery implementation and monitoring	98.80%	4	6
WP11105: PEP 1: Provincial water services reference framework planning data management and reporting	0%	0	11
WP11107: PEP 1: WSP support	0%	0	0
WP11108: PEP 2: WSP support	0%	0	1
WP11113: PEP 1: Provincial framework planning data management and reporting	30%	0	0
WP11114: PEP 2: WSP support	30%	0	0
WP11106: PEP 2: WSP support	51%	1	2
2016-4 (WP11056 PEP 14) : Water services transfer from eThekweni database system to WSDP structural format (WP11056 PEP14)	31.72%	0	2
WP11077: Post feasibility bridging study for the proposed bulk conveyance infrastructure from the raised Clan William Dam	58.94%	1	9

PART D: HUMAN RESOURCE MANAGEMENT

Table 3.15.3 Report on consultant appointments using Donor funds for the period 1 April 2016 and 31 March 2017

Project title	Total Number of consultants that worked on project	Duration (Work days)	Donor and contract value in Rand
None	-	-	-

Total number of projects	Total individual consultants	Total duration Work days	Total contract value in Rand
None	-	-	-

Table 3.15.4 Analysis of consultant appointments using Donor funds, in terms of Historically Disadvantaged Individuals (HDIs) for the period 1 April 2016 and 31 March 2017

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
None	-	-	-



PART E
VOTE 36
ANNUAL FINANCIAL
STATEMENTS

1 REPORT OF THE AUDIT COMMITTEE ON THE FINANCIAL STATEMENTS FOR THE DEPARTMENT OF WATER AND SANITATION (VOTE 36)

We are pleased to present our report for the financial year ended 31 March 2017.

Audit Committee and attendance

The Audit Committee consists of the external Members listed hereunder and is required to meet a minimum of at least two times per annum as per provisions of the Public Finance Management Act (PFMA). In terms of the approved Terms of Reference (Audit Committee Charter), seven meetings were held during the current year, i.e. five meetings to consider the Quarterly Performance Reporting (financial and non-financial) and two meetings to review and discuss the Annual Financial Statements and the Auditor-General of South Africa's (AGSA) Audit and Management Reports.

Non-Executive Members

Name of Member	Number of meetings attended
Mr Japie du Plessis (Chairperson)	07
Ms Annah Badimo	06
Mr Lwazi Kuse	04

Executive Members

In terms of the Audit Committee Charter, officials listed hereunder are obliged to attend meetings of the Audit Committee:

Compulsory Attendance	Number of meetings attended
Mr Dan Mashitsho (Accounting Officer)	03 (From 01/01/2017)
Mr Sifiso Mkhize (Acting Accounting Officer)	01 (From 22/06/2016 to 31/12/2017)
Mr Sifiso Mkhize (Chief Financial Officer)	03
Mr Chris Du Preez (Chief Risk Officer)	07
Ms Mbali Manukuza (Acting Chief Financial Officer)	01 (From 8/7/2016 to 31/12/2016)

The Audit Committee noted that the Accounting Officer did not attend all seven scheduled Audit Committee meetings and delegated a proxy to attend on his behalf. Therefore, the Audit Committee is satisfied that the Department adhered to the provisions of the Audit Committee Charter.

The Members of the Audit Committee met with the Senior Management of the Department, Internal Audit and the AGSA, individually and collectively to address risks and challenges facing the Department. A number of in-committee meetings were held to address control weaknesses and deviations within the Department.

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38(1)(a) of the PFMA and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control and Information Communication Technology (ICT) governance

The internal control environment in the Department had deteriorated regarding the quality of the Financial Statements, Supply Chain Management, Financial Health Management and Human Resource Management.

Deficiencies in the system of internal control and deviations were reported in the Internal and AGSA Audit Reports. The Department did not implement key policies and procedures regarding the identification, prevention and disclosure of irregular and fruitless and wasteful expenditure – specifically to procurement done by implementing agencies on behalf of the Department. The Department did not exercise adequate and effective monitoring of funds transferred to implementing agents. The internal control to ensure completeness of commitments and accruals need to improve. The improvement of internal controls within the Human Capital environment regarding the appointment procedures, leave and excessive acting periods, need urgent intervention. Controls were not in place to ensure that quality Financial Statements were submitted to the AGSA as material misstatements were identified.

Project management remains a concern at the Department. The instability at Accounting Officer level must be attended to as a matter of urgency.

Material uncertainty related to going concern/financial sustainability exists. The ability to undertake its objectives where budget is depleted is a concern.

The Audit Committee also reviewed the progress with respect to the ICT Governance in line with the ICT Framework issued by the Department of Public Services and Administration. Although there were some progress on the ICT internal control, the Audit Committee report its dissatisfaction with minimal progress made with the implementation of the Information Technology Steering Committee, Disaster Recovery Plan, the Business Continuity Plan and the monitoring of access in the server control room. This continued to be a high risk for the Department.

The Department did implement some of the recommendations made by the Audit Committee. Inadequate or no actions are taken against employees responsible for contravening internal control processes, policies, laws and regulations. The main concerning areas to the Audit Committee that require urgent consequence management interventions are:

- Low performance achievements of strategic goals and indicators.
- Budget and financial management resulting in unauthorised expenditure and increased liquidity risk at the Department.
- Increased non-compliance resulting in significant audit findings on irregular and fruitless and wasteful expenditure.
- Inadequate implementation of internal and external audit recommendations to ensure the resolution of findings. Assertions were made by management, based on the action plan, to the Audit Committee that significant audit findings were addressed but the audit process has subsequently concluded that management actions were not adequate to resolve the issues that were reported in the prior year.

Internal Audit

The Audit Committee is satisfied that the Internal Audit plan represents a clear alignment with the key risks, has adequate information systems coverage, and a good balance across the different categories of audits, i.e. risk-based, performance and computer audits.

The Audit Committee has noted improvement in the communication between the Executive Management, the AGSA and the Internal Audit Function, which has strengthened the Corporate Governance initiatives within the Department.

The Audit Committee wishes to stress that in order for the Internal Audit Function to operate at an optimal level as expected by the Audit Committee, the shortage in human resources and skills must be addressed as a matter of urgency. From a resource point of view, Internal Audit needs to be equipped to provide assurance on a greater number of risks. The Chief Audit Executive post must be filled as a matter of urgency.

A significant number of audit findings remain unresolved by management and this non-implementation of internal audit recommendations limits the value derived from an internal audit function.

Risk Management

The Department's approach to the management of risk is based on sound governance processes and depends on both a collective oversight and an individual responsibility. Progress on the Department's Risk Management was reported to the Audit Committee on a quarterly basis. The Audit Committee is satisfied that the actual management of risk is receiving attention, although there are areas that still require improvement. The appointment of an external chairperson of the risk committee needs to be considered. Management should take full responsibility for the entire Enterprise Risk Management Process and continue to support the Chief Risk Officer to even further enhance the performance of the Department.

The Audit Committee fulfils an oversight role regarding the management and reporting of risk. The Department continues to enhance its risk management capabilities that will better position the Department to achieve its objectives in a controlled environment.

Forensic Investigations

The Special Investigation Unit (SIU) conducted a forensic investigation regarding possible conflict of interest, possible irregularities and possible supply chain matter irregularities. This investigation was completed in the current year under review and the results were provided to the Department.

The SIU is conducting a forensic investigation on a pipeline. The investigation is in progress.

The SIU is conducting a forensic investigation on allegations of irregular and possible losses by the Lepelle Northern Water which is linked to the Department. The investigation is in progress.

The AGSA is investigating the drought relieve expenditure pertaining to certain departments where the DWS are part of, as requested by Parliament. The investigation is in progress.

Several investigations were conducted/are in progress by the Internal Audit unit at the request of the Accounting Officer and/or the Minister arising from allegations against officials of the Department. The completed investigations resulted in recommendations for disciplinary and/or criminal proceedings to be instituted against the Department's officials concerned.

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

The quality of quarterly reports submitted in terms of the PFMA and the Division of Revenue Act

The Audit Committee is satisfied with the content and quality of some of the financial and non-financial quarterly reports prepared and submitted by the Accounting Officer of the Department during the year under review and confirms that the reports were mostly in compliance with the statutory reporting framework.

Evaluation of Annual Financial Statements

The Audit Committee has:

- Reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report, with the AGSA and the Accounting Officer;
- Reviewed the Audit Report of the AGSA;
- Reviewed the AGSA's Management Report and Management's response thereto;
- Reviewed the Department's compliance with legal and regulatory provisions; and
- Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs with and accepts the AGSA's conclusions on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the AGSA.

Evaluation of Annual Performance Report

The Audit Committee has considered the performance information report submitted to the AGSA for review and noted that there are no material findings. This is a major improvement by the Department considering that the AGSA has reported significant findings in the past financial years and is indicative of an improvement in the internal controls over performance information.

A major concern is the annual performance achievement of only 48% of the set targets, while the Department spent 100.7% of the approved budget for 2016/17. Twenty one percent of the set targets were partially achieved.

Compliance with Laws and Regulations

The AGSA has reported supply chain findings that the Department did not have a proper internal control system to ensure that all tender processes conducted on behalf of the Department by the implementing agents were adhere to. Management has to ensure that all procurement complies with laws, regulations and all departmental policies and procedures. Further the remedial steps as prescribed in the PFMA must be instituted immediately to ensure that there is consequence management and compliance.

One-on-One Meeting with the Executive Authority

The Audit Committee did not meet with the Minister but she was apprised of the proceedings of the Audit Committee meetings by means of quarterly Executive Summaries.

One-on-One Meeting with the Accounting Officer

The Audit Committee has met with the Accounting Officer for the Department to address unresolved issues.

Auditor-General of South Africa

The Audit Committee has met with the AGSA to ensure that there are no unresolved issues.



Mr Japie du Plessis
Chairperson of the Audit Committee
Department of Water and Sanitation

31 July 2017

2 REPORT OF THE AUDITOR GENERAL TO PARLIAMENT ON VOTE 36: DEPARTMENT OF WATER AND SANITATION

Report on the audit of the financial statements

Qualified Opinion

- 1 I have audited the financial statements of the Department of Water and Sanitation (DWS) set out on pages 192 to 307, which comprise the appropriation statement, the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
- 2 In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Department of Water and Sanitation as at 31 March 2017, and financial performance and cash flows for the year then ended in accordance with the Modified Cash Standards (MCS), the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (DoRA).

Basis for qualified opinion

Transfer and Subsidies

- 3 Approved changes were made to the DoRA schedules that resulted in the Department classifying some expenditure previously classified as capital expenditure as transfers to municipalities in the statement of financial performance. Despite budgeting and accounting for these reclassified payments as transfers and subsidies, the Department did not change the underlying nature of these transactions. The Department did not account for these payments made to implementing agents relates to the Regional Bulk Infrastructure Grant (Schedule 5B), in accordance with the requirements of Chapter 16 of the MCS, *Accounting by Principles and Agents*. Consequently, transfers to provinces and municipalities as disclosed in note 7 is overstated by R1 850 million and the following components of the financial statements are understated/overstated and/or not disclosed:
 - Expenditure for capital assets relating to buildings and other fixed structures as disclosed in note 8;
 - Commitments disclosure for capital expenditure in note 21 for commitments to implementing agents;
 - Immovable tangible assets disclosed in note 32 as it relates to capital works in progress;
 - Prepayments as disclosed in note 11, representing advance payments provided to implementing agents which were unspent as at year end;
 - Disclosure of the amount of payments made during the year in relation to these principle agent arrangement in note 33;
 - Appropriate adjustments to the appropriation statement to reflect the correct classification of transactions as requires by the MCS.

I am not able to determine the full extent of the affected financial statements components and to determine the individual misstatements as it was impracticable to do so.

Fruitless and wasteful expenditure

- 4 The Department entered into contracts with implementing agents to construct capital infrastructure on an emergency basis. A system of control, that includes proper project management and costing techniques in line with construction norms and standards, was inadequate to ensure that value for money was received. To this extent, the Department's processes to ensure that all fruitless and wasteful expenditure is identified and disclosed were inadequate. I was unable to confirm the completeness of fruitless and wasteful expenditure disclosed and I could not confirm it by any alternative means. Consequently, fruitless and wasteful expenditure is understated as disclosed in note 26. I am not able to determine the full extent of the understatement as it is impracticable to do so.

Irregular expenditure

- 5 The Department entered into contracts with implementing agents to construct capital infrastructure. When implementing agents are contracted by the Department this does not release the Department from ensuring that funds spent on their behalf by the agents comply with the supply chain management (SCM) regulations that the Department is subjected to. The system of control within the Department to ensure that all irregular expenditure is identified and disclosed was inadequate to allow me to confirm the irregular expenditure disclosure, and I could not confirm it by any alternative means. Consequently, the irregular expenditure is understated as disclosed in note 25. I am not able to determine the full extent of the understatement as it is impracticable to do so. In addition, section 38(1)(c)(ii) of the PFMA, requires the DWS to include in their annual financial statements particulars of any irregular expenditure. Payments were made in contravention of the PFMA and Treasury Regulations amounting to R715 million that was not disclosed in note 25.

Scope of the audit

- 6 I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
- 7 I am independent of the Department in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
- 8 I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty related to going concern/financial sustainability

- 9 I draw attention to note 2 of the accounting policies in the financial statements, which indicates that the Department incurred a net loss of R89 million, overdraft of R194 million and an unauthorised expenditure of R406 million during the year ended 31 March 2017 and, as of that date the Department's current liabilities exceeded its total assets by R454 million. As stated in note 2 of the accounting policies, these events or conditions, along with other matters as set forth in note 2 of the accounting policies, indicate that a material uncertainty exists that may cast significant doubt on the Department's ability to continue as a going concern (thus its ability to undertake its objectives where the vote has been depleted). My opinion is not modified in respect of this matter.

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**Emphasis of matter**

- 10 I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

- 11 As disclosed in note 34 to the financial statements, the corresponding figures for 2015-16 have been restated as a result of numerous errors in the financial statements of the Department at and for the year ended, 2016-17.

Accruals and payables not recognised

- 12 As disclosed in note 22 to the financial statements, accruals and payables, which exceed the payment term of 30 days as required in treasury regulation 8.2.3 amount to R 552 million. This amount, in turn, would increase the incurred unauthorised expenditure due to overspending of the vote of R 111 million as per the appropriation statement. The amount of R 552 million would therefore have constituted additional unauthorised expenditure had the amounts due been paid in a timely manner.

Unauthorised expenditure

- 13 As disclosed in note 9.4 to the financial statements, unauthorised expenditure to the amount of R406 million was incurred, majority due to overspending of a main division.

Responsibilities of the Accounting officer for the financial statements

- 14 The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with Modified Cash Standards, the requirements of the PFMA and the DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- 15 In preparing the financial statements, the accounting officer is responsible for assessing the DWS's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention either to liquidate the Department or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

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

Report on the audit of the annual performance report

Introduction and scope

- 18 In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
- 19 My procedures address the reported performance information, which must be based on the approved performance planning documents of the Department. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
- 20 I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the Department for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
Programme 2: Water Planning and Information Management	48 to 56
Programme 3: Water Infrastructure Development	57 to 68
Programme 4: Water and Sanitation Services	69 to 73
Programme 5: Water Sector Regulation	74 to 85

- 21 I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
- 22 I did not identify any material findings on the usefulness and reliability of the reported performance information for any of the programmes listed in the table above.

Other matters

- 23 I draw attention to the matters below.

Achievement of planned targets

- 24 Refer to the annual performance report on pages 38 to 85 for information on the achievement of planned targets for the year and explanations provided for the underachievement of a significant number of targets.

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**Adjustment of material misstatements**

- 25 I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on reported performance information of Programme 3 – Water Infrastructure Development programme and Programme 5 - Water Sector Regulation programme. As management subsequently corrected these misstatements, I did not report any material findings on the usefulness and reliability of the reported performance information.

Report on audit of compliance with legislation**Introduction and scope**

- 26 In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the Department with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

Financial statements and annual reports

- 27 The financial statements submitted for auditing were not prepared in all instances in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 40(1) (a) and (b) of the PFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

- 28 Effective steps were not taken to prevent irregular expenditure, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by not following procurement processes by implementing agents. Irregular expenditure amounting to R 1.3 billion was incurred by IAs for the current year as a result of not following procurement processes that are in line with legislative requirements.
- 29 Effective steps were not taken to prevent fruitless and wasteful expenditure, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The expenditure disclosed does not reflect the full extent of the fruitless and wasteful expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed fruitless and wasteful expenditure was caused by standing time. Fruitless and wasteful expenditure amounting to R 14 million was incurred on the Bucket Eradication Programme (BEP).

Procurement and contract management

- 30 Some goods and services with a transaction value above R500 000 were procured without inviting competitive bids, as required by treasury regulations 16A6.1. Similar non-compliance was also reported in the prior year.
- 31 Bid adjudication was not always done by committees which was composed in accordance with the policies of the Department, as required by treasury regulations 16A6.2(b).

- 32 Some construction contracts were awarded to contractors that were not registered with the Construction Industry Development Board (CIDB) in accordance with section 18(1) of the CIDB Act.

Budgets

- 33 Effective steps were not taken to prevent unauthorised expenditure amounting to R406 million, as disclosed in note 9.4 to the annual financial statements, in contravention of section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The majority of the unauthorised expenditure was caused by the payment of expenditure on the BEP relating to services rendered in the prior year to the amount of R292 million.
- 34 A transfer to the amount of R114 million that were not originally budgeted for were made without the approval of National Treasury, as required by treasury regulation 6.3.1(b).

Transfers and Subsidies

- 35 Performance in respect of programmes funded by the programmes was not evaluated, as required by section 10(8) of DoRA.
- 36 The expenditure and non-financial information for the programmes funded by the grants were not monitored in accordance with the framework for the grant, as required by section 10(5) of DoRA.

Consequence management

- 37 No evidence could be provided that steps were taken against some of the officials who had incurred and/or permitted fruitless and wasteful expenditure as required by section 38(1)(h)(iii) of the PFMA.

Other information

- 38 The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
- 39 My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
- 40 In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**Internal control deficiencies**

- 41 I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon.

Leadership

- 42 The accounting officer did not ensure that internal controls include that when major decisions are taken in one division of the Department, that the impact of those decisions on the other divisions are clearly articulated, considered and discussed with all other divisions before a final decision is taken.
- 43 Management with the direction of the accounting officer did document policies and procedures to guide the operations of the Department with regards to the Regional Bulk Infrastructure Grant (RBIG) and the Water Service Infrastructure Grant (WSIG). However, these policies were not sufficiently implemented. A manual/policy did exist for the year under review to support payments in having a proper reconciliation system per project in place to ensure all information pertaining to the project are reconciled on a monthly basis. However, the implementation and monitoring thereof were not sufficient.
- 44 The Department did not have a proper internal control system to ensure that all tender processes conducted on behalf of the Department by the implementing agents were adhere to and to ensure previous tender processes was reviewed to ensure all irregular expenditure have been disclosed.
- 45 A system of control that includes proper project management and costing techniques in line with construction norms and standards was inadequate to ensure that value for money was received. The projects were managed by implementing agents and procurement through a proper tender process did not occur.

Other reports

- 46 I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the Department's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
- 47 The Special Investigation Unit (SIU) was investigating possible conflict of interest, possible irregularities identified by SIU data analysis and also possible supply chain matter irregularities. This investigation was completed in the current year under review and the results were provided to the Department.
- 48 The Special Investigation Unit (SIU) is conducting a forensic investigation on the Vuwani Steel pipeline. This investigation is still in progress.
- 49 The SIU is conducting a forensic investigation on allegations of irregularities and possible losses by the Lepelle Northern Water (LNW) which is linked to the Department. This investigation is still in progress.

- 50 An independent consulting firm has performed an investigation at the request of the Director-General during 2015-16. This investigation was initiated based on allegation of misappropriation of the Department's construction equipment. The investigation has been finalised and the report was communicated.
- 51 Several investigations were conducted/are in progress by the internal audit unit at the request of the Accounting Officer and/or the Minister arising from allegations against officials of the Department. The completed investigations resulted in recommendations for disciplinary and/or criminal proceedings to be instituted against the Department officials concerned.



Pretoria
31 July 2017



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

3 ANNUAL FINANCIAL STATEMENTS OF VOTE 36 FOR THE YEAR ENDED 31 MARCH 2017

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PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

APPROPRIATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

Appropriation per programme

2016/17								2015/16	
Programme	Adjusted Appro- priation	Shifting of Funds	Virement	Final Appro- priation	Actual Expenditure	Variance	Expenditure as % of final appro- priation	Final Appro- priation	Actual Expen- diture
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1 Administration	1 612 951	-	(65 208)	1 547 743	1 504 930	42 813	97.2%	1 519 753	1 517 867
2 Water Planning and Information Management	814 813	-	(65 157)	749 656	695 604	54 052	92.8%	684 446	668 817
3 Water Infrastructure Development	12 012 696	-	117 622	12 130 318	12 082 462	47 856	99.6%	11 856 540	11 748 847
4 Water and Sanitation Services	738 060	-	40 428	778 488	1 070 757	(292 269)	137.5%	1 414 674	1 359 575
5 Water Sector Regulation	346 077	-	(27 685)	318 392	281 685	36 707	88.5%	271 117	261 868
Total	15 524 597	-	-	15 524 597	15 635 438	(110 841)	100.7%	15 746 530	15 556 974
Reconciliation with statement of financial performance									
ADD									
Departmental receipts								11 008	
Actual amounts per statement of financial performance (total revenue)								15 757 538	
Actual amounts per statement of financial performance (total expenditure)									15 556 974

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

Appropriation per economic classification

Economic classification	2016/17							2015/16	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	3 202 471	(15 935)	-	3 186 536	3 139 948	46 588	98.5%	2 976 563	2 902 343
Compensation of employees	1 540 217	-	-	1 540 217	1 439 945	100 272	93.5%	1 400 194	1 360 369
Salaries and wages	1 318 509	(5 182)	-	1 313 327	1 261 200	52 127	96.0%	1 226 535	1 191 427
Social contributions	221 708	5 182	-	226 890	178 745	48 145	78.8%	173 659	168 942
Goods and services	1 662 185	(15 941)	-	1 646 244	1 699 929	(53 685)	103.3%	1 569 834	1 535 439
Administrative fees	11 828	(640)	(2 489)	8 699	7 981	718	91.7%	4 610	4 592
Advertising	55 333	(34 019)	(2 579)	18 735	18 349	386	97.9%	54 689	54 686
Minor assets	15 815	(4 902)	(3 709)	7 204	6 599	605	91.6%	8 583	8 224
Audit costs: External	31 225	(2 350)	-	28 875	28 875	-	100.0%	29 854	29 854
Bursaries: Employees	4 119	(1 254)	(31)	2 834	2 834	-	100.0%	2 899	2 865
Catering: Departmental activities	11 371	(3 828)	(2 092)	5 451	4 920	531	90.3%	5 426	5 255
Communication (G&S)	38 027	2 405	(2 881)	37 551	36 876	675	98.2%	41 330	41 266
Computer services	147 473	(8 311)	(23 855)	115 307	115 089	218	99.8%	129 301	129 297
Consultants: Business and advisory services	150 615	6 220	(2 680)	159 515	249 432	(89 917)	156.4%	107 630	107 598
Infrastructure and planning services	145 374	12 422	(21 226)	136 570	122 008	14 562	89.3%	259 978	231 576
Laboratory services	6 430	(885)	(1 867)	3 678	3 668	10	99.7%	5 202	5 201
Scientific and technological services	910	(128)	(782)	-	-	-	-	-	-
Legal services	6 777	6 183	(6)	12 954	12 866	88	99.3%	11 073	11 073
Contractors	198 643	35 576	136 911	371 130	368 647	2 483	99.3%	127 763	127 482

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

Economic classification	2016/17							2015/16	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Agency and support/outsourced services	50 483	(9 057)	(18 607)	22 819	22 286	533	97.7%	38 753	38 730
Entertainment	424	(121)	(79)	224	165	59	73.7%	181	163
Fleet services (including government motor transport)	3 092	137	(73)	3 156	3 006	150	95.2%	1 794	1 785
Inventory: Clothing material and accessories	5 733	(1 141)	(3 096)	1 496	1 166	330	77.9%	2 039	2 031
Inventory: Farming supplies	137	(18)	(67)	52	50	2	96.2%	96	86
Inventory: Food and food supplies	471	(14)	(193)	264	188	76	71.2%	162	154
Inventory: Fuel, oil and gas	6 271	(2 394)	(2 236)	1 641	1 623	18	98.9%	1 973	1 948
Inventory: Learner and teacher support material	765	(544)	(204)	17	0	17	-	5	-
Inventory: Materials and supplies	6 268	(1 114)	(1 892)	3 262	3 070	192	94.1%	3 793	3 750
Inventory: Medical supplies	269	(86)	(57)	126	80	46	63.5%	60	50
Inventory: Medicine	1	0	(1)	0	0	0	-	-	-
Medsas inventory interface	35	(35)	0	0	0	0	-	-	-
Inventory: Other supplies	13 595	(7 914)	(3 428)	2 253	2 189	64	97.2%	37 193	37 193
Consumable supplies	19 309	(3 384)	(1 360)	14 565	14 046	519	96.4%	6 564	6 225
Consumable: Stationery, printing and office supplies	29 887	(7 267)	(5 752)	16 868	15 473	1 395	91.7%	14 192	13 723
Operating leases	304 928	22 517	(540)	326 905	326 325	580	99.8%	317 632	317 362
Property payments	90 238	2 255	(553)	91 940	91 858	82	99.9%	82 085	82 065

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

Economic classification	2016/17							2015/16	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Transport provided: Departmental activity	2 557	(1 134)	(685)	738	738	0	100.0%	196	196
Travel and subsistence	224 283	5 849	(15 328)	214 804	207 163	7 641	96.4%	228 298	227 505
Training and development	37 007	(9 797)	(10 141)	17 069	14 212	2 857	83.3%	18 366	17 031
Operating payments	24 241	(5 549)	(4 678)	14 014	13 546	468	96.7%	15 132	14 452
Venues and facilities	15 223	(2 251)	(8 034)	4 938	4 036	902	81.7%	12 000	11 122
Rental and hiring	3 028	(1 368)	(1 070)	590	565	25	95.8%	982	899
Interest and rent on land	69	6	-	75	74	1	98.7%	6 535	6 535
Interest (Incl. interest on unitary payments (PPP))	69	6	-	75	74	1	98.7%	6 525	6 525
Rent on land	-	-	-	-	-	-	-	10	10
Transfers and subsidies	7 487 642	15 906	-	7 503 548	7 482 157	21 391	99.7%	5 084 398	5 078 344
Provinces and municipalities	4 695 401	147	-	4 695 548	4 681 319	14 229	99.7%	2 305 744	2 305 689
Municipalities	4 695 401	147	-	4 695 548	4 681 319	14 229	99.7%	2 305 744	2 305 689
Municipal bank accounts	4 695 401	147	-	4 695 548	4 681 319	14 229	99.7%	2 305 744	2 305 689
Departmental agencies and accounts	1 713 664	12 905	-	1 726 569	1 725 869	700	100.0%	1 745 893	1 744 838
Departmental agencies (non-business entities)	1 713 664	12 905	-	1 726 569	1 725 869	700	100.0%	1 745 893	1 744 838
Higher education institutions	3 400	(2 419)	-	981	-	981	-	2 000	1 000
Foreign governments and international organisations	188 370	419	-	188 789	188 250	539	99.7%	189 267	189 231
Public corporations and private enterprises	844 773	-	-	844 773	844 773	-	100.0%	802 000	801 748

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Public corporations	844 773	-	-	844 773	844 773	-	100.0%	802 000	801 748
Other transfers to public corporations	844 773	-	-	844 773	844 773	-	100.0%	802 000	801 748
Non-profit institutions	2 766	1,297	-	4 063	3 337	726	82.1%	1 998	681
Households	39 268	3 557	-	42 825	38 609	4 216	90.2%	37 496	35 157
Social benefits	8 021	3 441	-	11 462	11 168	294	97.4%	8 871	8 869
Other transfers to households	31 247	116	-	31 363	28 159	3 204	89.8%	28 625	26 288
Payments for capital assets	4 834 484	26	-	4 834 510	5 013 330	(178 820)	103.7%	7 680 719	7 571 438
Buildings and other fixed structures	4 697 334	-	25 937	4 723 271	4 927 368	(204 097)	104.3%	7 550 980	7 455 957
Other fixed structures	4 697 334	-	25 937	4 723 271	4 927 368	(204 097)	104.3%	7 550 980	7 455 957
Machinery and equipment	109 258	235	(23 092)	86 401	62 003	24 398	71.8%	100 543	86 450
Transport equipment	21 011	1 273	(4 680)	17 604	16 223	1 346	92.3%	14 788	12 201
Other machinery and equipment	88 247	(1 038)	(18 412)	68 797	45 780	23 052	66.5%	85 755	74 249
Software and other intangible assets	27 892	(209)	(2 845)	24 838	23 959	879	96.5%	29 196	29 031
Payment for financial assets	-	3	-	3	3	-	100.0%	4 850	4 849
Total	15 524 597	-	-	15 524 597	15 635 438	(110 841)	100.7%	15 746 530	15 556 974

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

Programme 1: Administration

Sub programme	2016/17						2015/16	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000
1 Ministry	52 300	2 923	(248)	54 975	54 975	-	100.0%	60 159
2 Departmental Management	145 010	(2 921)	(28 139)	113 950	105 138	8 812	92.3%	102 684
3 Internal Audit	38 280	(436)	(1 799)	36 045	34 140	1 905	94.7%	22 298
4 Corporate Services	743 044	(28 712)	(12 056)	702 276	679 496	22 780	96.8%	700 295
5 Financial Management	249 217	(659)	(21 812)	226 746	220 902	5 844	97.4%	222 311
6 Office Accommodation	346 920	29 805	-	376 725	376 725	-	100.0%	374 112
7 Programme Management Unit	-	-	-	-	-	-	-	1 375
8 International Water Support	38 180	-	(1 154)	37 026	33 554	3 472	90.6%	36 519
Total for sub programmes	1 612 951	-	(65 208)	1 547 743	1 504 930	42 813	97.2%	1 519 753
								1 517 867

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

2016/17										2015/16	
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure		
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		
Current payments	1 523 575	(1 409)	(45 419)	1 476 747	1 436 254	40 493	97.3%	1 418 204	1 418 208		
Compensation of employees	702 707	-	-	702 707	662 215	40 492	94.2%	637 892	637 892		
Salaries and wages	593 913	1 827	-	595 740	581 542	14 198	97.6%	561 068	561 068		
Social contributions	108 794	(1 827)	-	106 967	80 673	26 294	75.4%	76 824	76 824		
Goods and services	820 868	(1 409)	(45 419)	774 040	774 039	1	100.0%	773 789	773 793		
Administrative fees	5 568	181	(1 425)	4 324	4 324	-	100.0%	2 221	2 221		
Advertising	47 676	(33 509)	(779)	13 388	13 388	-	100.0%	48 814	48 814		
Minor assets	5 324	(1 800)	(818)	2 706	2 706	-	100.0%	4 506	4 506		
Audit costs: External	31 225	(2 350)	-	28 875	28 875	-	100.0%	29 853	29 853		
Bursaries: Employees	3 899	(1 060)	(11)	2 828	2 828	-	100.0%	2 768	2 769		
Catering: Departmental activities	4 354	(1 819)	(601)	1 934	1 934	-	100.0%	1 640	1 641		
Communication	23 758	4 402	(684)	27 476	27 476	-	100.0%	30 795	30 795		
Computer services	61 141	(4 324)	(839)	55 978	55 978	-	100.0%	65 103	65 103		
Consultants: Business and advisory services	31 153	(6 692)	(1 681)	22 780	22 780	-	100.0%	18 179	18 179		
Infrastructure and planning services	4 810	-	(1 735)	3 075	3 075	-	100.0%	2 528	2 528		
Legal services	6 683	6 183	-	12 866	12 866	-	100.0%	11 073	11 073		
Contractors	51 243	33 674	(16 180)	68 737	68 737	-	100.0%	24 724	24 724		

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

Economic classification	2016/17							2015/16	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Agency and support/outsourced services	6 526	3 321	(50)	9 797	9 797	-	100.0%	9 240	9 240
Entertainment	230	(80)	(40)	110	110	-	100.0%	124	124
Fleet services	353	241	(27)	567	567	-	100.0%	880	881
Inventory: Clothing material and supplies	658	(436)	(116)	106	106	-	100.0%	567	567
Inventory: Farming supplies	4	(4)	-	-	-	-	-	2	2
Inventory: Food and food supplies	155	(19)	(26)	110	110	-	100.0%	64	64
Inventory: Fuel, oil and gas	147	(146)	(1)	-	-	-	-	36	36
Inventory: Learner and teacher support material	11	(11)	-	-	-	-	-	-	-
Inventory: Materials and supplies	1 088	(752)	(188)	148	148	-	100.0%	522	523
Inventory: Medical supplies	101	(80)	-	21	21	-	100.0%	6	6
Inventory: Other supplies	1 236	(42)	(1 192)	2	2	-	100.0%	3 953	3 953
Consumable supplies	10 217	(3 225)	(687)	6 305	6 305	-	100.0%	4 384	4 384
Consumable: Stationery, printing and office supplies	14 515	(3 964)	(1 478)	9 073	9 073	-	100.0%	8 394	8 394
Operating leases	302 091	23 922	(20)	325 993	325 993	-	100.0%	316 992	316 992
Property payments	78 582	(3 971)	(149)	74 462	74 462	-	100.0%	71 376	71 376

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

Economic classification	2016/17							2015/16	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Transport provided: Departmental activity	1 622	(1 150)	(188)	284	284	-	100.0%	-	-
Travel and subsistence	81 660	5 495	(5 056)	82 099	82 099	-	100.0%	91 833	91 833
Training and developments	20 936	(6 567)	(4 782)	9 587	9 587	-	100.0%	10 799	10 799
Operating payments	12 947	(4 624)	(335)	7 988	7 988	-	100.0%	6 736	6 736
Venues and facilities	9 341	(1 290)	(5 868)	2 183	2 183	-	100.0%	5 318	5 318
Rental and hiring	1 614	(913)	(463)	238	237	1	99.6%	359	359
Interest and rent on land	-	-	-	-	-	-	-	6 523	6 523
Interest	-	-	-	-	-	-	-	6 523	6 523
Transfers and subsidies	25 545	1 379	-	26 924	24 683	2 241	91.7%	23 662	21 774
Provinces and municipalities	24	(2)	-	22	2	20	9.1%	10	9
Municipalities	24	(2)	-	22	2	20	9.1%	10	9
Municipal bank accounts	24	(2)	-	22	2	20	9.1%	10	9
Departmental agencies and accounts	2 202	701	-	2 903	2 203	700	75.9%	3 065	3 014
Departmental agencies	2 202	701	-	2 903	2 203	700	75.9%	3 065	3 014
Higher education institutions	3 400	(2 419)	-	981	-	981	-	2 000	1 000
Foreign governments and international organisations	920	419	-	1 339	800	539	59.7%	1 029	993
Non-profit institutions	700	1 300	-	2 000	2 000	-	100.0%	900	100
Households	18 299	1 380	-	19 679	19 678	1	100.0%	16 658	16 658

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

Economic classification	2016/17							2015/16	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Social benefits	2 764	1 210	-	3 974	3 973	1	100.0%	2 975	2 975
Other transfers to households	15 535	170	-	15 705	15 705	-	100.0%	13 683	13 683
Payments for capital assets	63 831	27	(19 789)	44 069	43 990	79	99.8%	77 664	77 662
Machinery and equipment	36 870	196	(16 944)	20 122	20 043	79	99.6%	48 643	48 641
Transport equipment	6 780	115	(3 379)	3 516	3 438	78	97.8%	3 187	3 187
Other machinery and equipment	30 090	81	(13 565)	16 606	16 605	1	100.0%	45 456	45 454
Intangible assets	26 961	(169)	(2 845)	23 947	23 947	-	100.0%	29 021	29 021
Payments for financial assets	-	3	-	3	3	-	100%	223	223
Total for economic classification	1 612 951	-	(65 208)	1 547 743	1 504 930	42 813	97.2%	1 519 753	1 517 867

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

1.1 Ministry

2016/17										2015/16	
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure		
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		
Current payments	51 440	2 883	-	54 323	54 323	-	100.0%	59 170	59 170		
Compensation of employees	30 851	484	-	31 335	31 335	-	100.0%	30 198	30 198		
Goods and services	20 589	2 399	-	22 988	22 988	-	100.0%	28 971	28 971		
Interest and rent on land								1	1		
Transfers and subsidies	24	40	-	64	64	-	100.0%	5	4		
Provinces and municipalities	4	(2)	-	2	2	-	100.0%	4	3		
Departmental agencies and accounts	-	3	-	3	3	-	100.0%	1	1		
Households	20	39	-	59	59	-	100.0%	-	-		
Payments for capital assets	836	-	(248)	588	588	-	100.0%	984	984		
Machinery and equipment	836	-	(248)	588	588	-	100.0%	984	984		
Payments for financial assets											
Total	52 300	2 923	(248)	54 975	54 975	-	100.0%	60 159	60 158		

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

1.2 Departmental Management

2016/17										2015/16	
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure		
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		
Current payments	140 282	(3 031)	(26 249)	111 002	102 211	8 791	92.1%	100 722	100 723		
Compensation of employees	83 490	(484)	-	83 006	74 215	8 791	89.4%	69 777	69 777		
Goods and services	56 792	(2 547)	(26 249)	27 996	27 996	-	100.0%	30 945	30 946		
Transfers and subsidies	245	110	-	355	334	21	94.1%	125	123		
Provinces and municipalities	20	-	-	20	-	20	-	-	-		
Departmental agencies and accounts	-	-	-	-	-	-	-	2	-		
Households	225	110	-	335	334	1	99.7%	123	123		
Payments for capital assets	4 483	-	(1 890)	2 593	2 593	-	100.0%	1 837	1 836		
Machinery and equipment	4 483	-	(1 890)	2 593	2 593	-	100.0%	1 837	1 836		
Total	145 010	(2 921)	(28 139)	113 950	105 138	8 812	92.3%	102 684	102 682		

1.3 Internal Audit

Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	36 959	(659)	(1 799)	34 501	32 596	1 905	94.5%	21 829	21 829
Compensation of employees	26 611	-	-	26 611	24 706	1 905	92.8%	15 182	15 182
Goods and services	10 348	(659)	(1 799)	7 890	7 890	-	100.0%	6 647	6 647
Transfers and subsidies	30	27	-	57	57	-	100.0%	21	21
Households	30	27	-	57	57	-	100.0%	21	21
Payments for capital assets	1 291	196	-	1 487	1 487	-	100.0%	448	448
Machinery and equipment	1 291	196	-	1 487	1 487	-	100.0%	448	448
Total	38 280	(436)	(1 799)	36 045	34 140	1 905	94.7%	22 298	22 298

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1.4 Corporate Services

Economic classification	2016/17						2015/16		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual expenditure R'000
Current payments	677 531	(29 039)	-	648 492	626 490	22 002	96.6%	612 360	612 362
Compensation of employees	381 853	-	-	381 853	359 852	22 001	94.2%	357 910	357 910
Goods and services	295 678	(29 039)	-	266 639	266 638	1	100.0%	247 929	247 931
Interest and rent on land	-	-	-	-	-	-	-	6 521	6 521
Transfers and subsidies	19 856	496	-	20 352	19 652	700	96.6%	19 694	18 845
Provinces and municipalities								6	6
Departmental agencies and accounts	2 202	698	-	2 900	2 200	700	75.9%	3 062	3 013
Non-profit institutions	700	(700)	-	-	-	-	-	900	100
Households	16 954	498	-	17 452	17 452	-	100.0%	15 726	15 726
Payments for capital assets	45 657	(169)	(12 056)	33 432	33 354	78	99.8%	68 237	68 236
Machinery and equipment	18 696	-	(9 211)	9 485	9 407	78	99.2%	39 216	39 215
Software and other intangible assets	26 961	(169)	(2 845)	23 947	23 947	-	100.0%	29 021	29 021
Payment for financial assets	-	-	-	-	-	-	-	4	4
Total	743 044	(28 712)	(12 056)	702 276	679 496	22 780	96.8%	700 295	699 447

1.5 Financial Management

Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	237 616	(1 359)	(16 764)	219 493	213 650	5 843	97.3%	215 797	215 797
Compensation of employees	153 742	-	-	153 742	147 899	5 843	96.2%	141 309	141 309
Goods and services	83 874	(1 359)	(16 764)	65 751	65 751	-	100.0%	74 487	74 487
Interest and rent on land	-	-	-	-	-	-	-	1	1
Transfers and subsidies	1 070	697	-	1 767	1 767	-	100.0%	788	788
Households	1 070	697	-	1 767	1 767	-	100.0%	788	788
Payments for capital assets	10 531	-	(5 048)	5 483	5 482	1	100.0%	5 507	5 507
Machinery and equipment	10 531	-	(5 048)	5 483	5 482	1	100.0%	5 507	5 507
Payments for financial assets	-	3	-	3	3	-	100.0%	219	219
Total	249 217	(659)	(21 812)	226 746	220 902	5 844	97.4%	222 311	222 311

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1.6 Office Accommodation

Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	346 920	29 805	-	376 725	376 725	-	100.0%	374 112	374 112
Goods and services	346 920	29 805	-	376 725	376 725	-	100.0%	374 112	374 112
Total	346 920	29 805	-	376 725	376 725	-	100.0%	374 112	374 112

1.7 Programme Management Unit

Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	-	-	-	-	-	-	-	1 375	1 375
Compensation of employees	-	-	-	-	-	-	-	1 307	1 307
Goods and services	-	-	-	-	-	-	-	68	68
Total	-	-	-	-	-	-	-	1 375	1 375

1.8 International Water Support

Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	32 827	(9)	(607)	32 211	30 259	1 952	93.9%	32 839	32 840
Compensation of employees	26 160	-	-	26 160	24 208	1 952	92.5%	22 209	22 209
Goods and services	6 667	(9)	(607)	6 051	6 051	-	100.0%	10 630	10 631
Transfers and subsidies	4 320	9	-	4 329	2 809	1 520	64.9%	3 029	1 993
Higher education institutions	3 400	(2 419)	-	981	-	981	-	2 000	1 000
Foreign governments and international organisations	920	419	-	1 339	800	539	59.7%	1 029	993
Non-profit institutions	-	2 000	-	2 000	2 000	-	100.0%	-	-
Households	-	9	-	9	9	-	100.0%	-	-
Payments for capital assets	1 033	-	(547)	486	486	-	100.0%	651	651
Machinery and equipment	1 033	-	(547)	486	486	-	100.0%	651	651
Total	38 180	-	(1 154)	37 026	33 554	3 472	90.6%	36 519	35 484

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Programme 2: Water Planning and Information Management

Sub programme	2016/17						2015/16	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000
1 Water Planning, Information Management and Support	6 319	(1 647)	(806)	3 866	3 847	19	99.5%	5 025
2 Integrated Planning	101 887	1 709	(721)	102 875	82 860	20 015	80.5%	162 805
3 Water Ecosystems	50 427	5 952	(4 007)	52 372	52 339	33	99.9%	50 230
4 Water Information Management	532 028	(7 415)	(25 597)	499 016	474 908	24 108	95.2%	466 386
5 Water Services and Local Water Management	112 553	(3)	(33 426)	79 124	69 996	9 128	88.5%	
6 Sanitation Planning and Management	11 599	1 404	(600)	12 403	11 654	749	94.0%	
Total for sub programmes	814 813	-	(65 157)	749 656	695 604	54 052	92.8%	684 446
								668 817

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Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	738 837	(14 526)	(65 157)	659 154	627 634	31 520	95.2%	612 609	601 596
Compensation of employees	395 586	-	-	395 586	383 313	12 273	96.9%	340 544	333 129
Salaries and wages	350 453	(5 312)	-	345 141	334 224	10 917	96.8%	296 201	289 485
Social contributions	45 133	5 312	-	50 445	49 089	1 356	97.3%	44 343	43 644
Goods and services	343 251	(14 532)	(65 157)	263 562	244 315	19 247	92.7%	272 053	268 455
Administrative fees	2 382	(110)	(711)	1 561	1 394	167	89.3%	896	883
Advertising	655	407	(150)	912	902	10	98.9%	1 318	1 318
Minor assets	5 239	(2 155)	(1 425)	1 659	1 382	277	83.3%	1 451	1 368
Audit costs: External	-	-	-	-	-	-	-	1	1
Bursaries: Employees	-	6	-	6	6	-	100.0%	81	81
Catering: Departmental activities	660	(401)	(114)	145	145	-	100.0%	170	159
Communication	6 336	(1 097)	(16)	5 223	5 223	-	100.0%	6 057	6 032
Computer services	74 366	(3 534)	(11 728)	59 104	59 082	22	100.0%	63 549	63 549
Consultants: Business and advisory services	20 378	(5 528)	(6 359)	8 491	8 491	-	100.0%	13 215	13 215
Infrastructure and planning services	97 103	-	(16 278)	80 825	66 393	14 432	82.1%	83 088	83 088
Laboratory services	4 075	-	(1 319)	2 756	2 756	-	100.0%	3 623	3 623
Scientific and technological services	447	-	(447)	-	-	-	-	-	-
Legal services	6	-	(6)	-	-	-	-	-	-
Contractors	13 733	2 050	(191)	15 592	15 511	81	99.5%	13 968	13 962

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Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Agency and support/ outsourced services	4 189	-	(1 894)	2 295	2 295	-	100.0%	488	488
Entertainment	61	(13)	(17)	31	21	10	67.7%	17	12
Fleet services	2 284	-	(46)	2 238	2 088	150	93.3%	898	898
Inventory: Clothing material and supplies	2 551	(46)	(1 991)	514	438	76	85.2%	883	883
Inventory: Farming supplies	111	-	(65)	46	46	-	100.0%	84	84
Inventory: Food and food supplies	78	-	(65)	13	13	-	100.0%	33	33
Inventory: Fuel, oil and gas	5 852	(2 000)	(2 229)	1 623	1 623	-	100.0%	1 674	1 674
Inventory: Learner and teacher support material	4	-	(4)	-	-	-	-	-	-
Inventory: Materials and supplies	4 248	-	(1 359)	2 889	2 881	8	99.7%	3 200	3 199
Inventory: Medical supplies	63	-	(19)	44	44	-	100.0%	38	32
Inventory: Medicine	1	-	(1)	-	-	-	-	-	-
Inventory: Other supplies	9 204	(6 468)	(2 212)	524	524	-	100.0%	4 121	4 121
Consumable supplies	6 923	15	(376)	6 562	6 515	47	99.3%	1 075	1 064
Consumable: Stationery, printing and office supplies	6 127	(34)	(2 942)	3 151	2 779	372	88.2%	2 420	2 251
Operating leases	333	(57)	(276)	-	-	-	-	216	2
Property payments	5 075	-	(380)	4 695	4 695	-	100.0%	1 451	1 451
Transport provided: Departmental activity	-	-	-	-	-	-	-	-	-
Travel and subsistence	58 231	4 320	(5 455)	57 096	54 623	2,473	95.7%	59 280	58 487

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Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Training and development	6 389	(45)	(4 080)	2 264	1 520	744	67.1%	4 020	2 819
Operating payments	4 757	158	(2 156)	2 759	2 521	238	91.4%	3 362	2 953
Venues and facilities	1 226	-	(686)	540	400	140	74.1%	1 076	488
Rental and hiring	164	-	(160)	4	4	-	100.0%	300	237
Interest and rent on land	-	6	-	6	6	-	100.0%	12	12
Interest (Incl. interest on unitary payments (PPP))	-	6	-	6	6	-	100.0%	2	2
Rent on land	-	-	-	-	-	-	-	10	10
Transfers and subsidies	1 476	14 527	-	16 003	16 003	-	100.0%	8 724	8 722
Provinces and municipalities	395	149	-	544	544	-	100.0%	651	651
Municipalities	395	149	-	544	544	-	100.0%	651	651
Municipal bank accounts	395	149	-	544	544	-	100.0%	651	651
Departmental agencies and accounts	-	12 204	-	12 204	12 204	-	100.0%	6 705	6 704
Departmental agencies (non-business entities)	-	12 204	-	12 204	12 204	-	100.0%	6 705	6 704
Non-profit institutions	24	(3)	-	21	21	-	100.0%	23	22
Households	1 057	2 177	-	3 234	3 234	-	100.0%	1 345	1 345
Social benefits	1 057	1 656	-	2 713	2 713	-	100.0%	1 345	1 345
Other transfers to households	-	521	-	521	521	-	100.0%		
Payments for capital assets	74 500	(1)	-	74 499	51 967	22 532	69.8%	58 497	53 884
Buildings and other fixed structures	30 000	-	-	30 000	26 015	3 985	86.7%	26 076	25 971
Other fixed structures	30 000	-	-	30 000	26 015	3 985	86.7%	26 076	25 971

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Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Machinery and equipment	43 569	51	-	43 620	25 952	17 668	59.5%	32 246	27 903
Transport equipment	5 769	250	-	6 019	6 019	-	100.0%	6 259	6 167
Other machinery and equipment	37 800	(199)	-	37 601	19 933	17 668	53.0%	25 987	21 736
Software and other intangible assets	931	(52)	-	879	-	879	-	175	10
Payments for financial assets	-	-	-	-	-	-	-	4 616	4 615
Total for economic classification	814 813	-	(65 157)	749 656	695 604	54 052	92.8%	684 446	668 817

2.1 Water Planning, Information Management and Support

Economic classification	2016/17						2015/16		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual expenditure R'000
Current payments	6 165	(1 647)	(806)	3 712	3 711	1	100.0%	4 711	3 537
Compensation of employees	4 636	(1 647)	-	2 989	2 988	1	100.0%	3 126	2 666
Goods and services	1 529	-	(806)	723	723	-	100.0%	1 585	871
Transfers and subsidies	-	-	-	-	-	-	-	13	13
Households	-	-	-	-	-	-	-	13	13
Payments for capital assets	154	-	-	154	136	18	88.3%	236	236
Machinery and equipment	154	-	-	154	136	18	88.3%	236	236
Payment for financial assets	-	-	-	-	-	-	-	65	65
Total	6 319	(1 647)	(806)	3 866	3 847	19	99.5%	5 025	3 851

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2.2 Integrated Planning

Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	100 456	1 479	(721)	101 214	81 968	19 246	81.0%	160 285	157 702
Compensation of employees	42 876	1 708	-	44 584	44 584	-	100.0%	53 240	53 239
Goods and services	57 580	(229)	(721)	56 630	37 384	19 246	66.0%	107 045	104 463
Transfers and subsidies	-	230	-	230	230	-	100.0%	192	191
Non-profit institutions	-	-	-	-	-	-	-	23	22
Households	-	230	-	230	230	-	100.0%	169	169
Payments for capital assets	1 431	-	-	1 431	662	769	46.3%	2 328	1 139
Machinery and equipment	1 166	-	-	1 166	662	504	56.8%	2 318	1 129
Software and other intangible assets	265	-	-	265	-	265	-	10	10
Total	101 887	1 709	(721)	102 875	82 860	20 015	80.5%	162 805	159 032

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2.3 Water Ecosystems

Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	49 796	3 953	(4 007)	49 742	49 741	1	100.0%	45 313	45 011
Compensation of employees	23 714	3 953	-	27 667	27 667	-	100.0%	24 271	24 271
Goods and services	26 082	-	(4 007)	22 075	22 074	1	100.0%	21 042	20 740
Transfers and subsidies	85	1 999	-	2 084	2 084	-	100.0%	28	28
Departmental agencies and accounts	-	2 000	-	2 000	2 000	-	100.0%		
Households	85	(1)	-	84	84	-	100.0%	28	28
Payments for capital assets	546	-	-	546	514	32	94.1%	338	338
Machinery and equipment	546	-	-	546	514	32	94.1%	338	338
Payment for financial assets	-	-	-	-	-	-	-	4 551	4 550
Total	50 427	5 952	(4 007)	52 372	52 339	33	99.9%	50 230	49 927

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2.4 Water Information Management

2016/17										2015/16	
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure		
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		
Current payments	460 103	(19 680)	(25 597)	414 826	411 612	3 214	99.2%	402 300	395 346		
Compensation of employees	287 120	(5 418)	-	281 702	278 488	3 214	98.9%	259 907	252 953		
Goods and services	172 983	(14 268)	(25 597)	133 118	133 118	-	100.0%	142 381	142 381		
Interest and rent on land	-	6	-	6	6	-	100.0%	12	12		
Transfers and subsidies	1 367	12 265	-	13 632	13 632	-	100.0%	8 491	8 490		
Provinces and municipalities	395	149	-	544	544	-	100.0%	651	651		
Departmental agencies and accounts	-	10 204	-	10 204	10 204	-	100.0%	6 705	6 704		
Households	972	1 912	-	2 884	2 884	-	100.0%	1 135	1 135		
Payments for capital assets	70 558	-	-	70 558	49 664	20 894	70.4%	55 595	52 171		
Buildings and other fixed structures	30 000	-	-	30 000	26 015	3 985	86.7%	26 076	25 971		
Machinery and equipment	40 008	-	-	40 008	23 649	16 359	59.1%	29 354	26 200		
Software and other intangible assets	550	-	-	550	-	550	-	165			
Total	532 028	(7 415)	(25 597)	499 016	474 908	24 108	95.2%	466 386	456 008		

2.5 Water Services and Local Water Management

2016/17										2015/16	
Economic classification	Adjusted Approp- riation	Shifting of Funds	Virement	Final Approp- riation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Approp- riation	Actual expenditure		
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		
Current payments	111 532	(35)	(33 426)	78 071	69 013	9 058	88.4%	-	-		
Compensation of employees	31 291	-	-	31 291	22 233	9 058	71.1%	-	-		
Goods and services	80 241	(35)	(33 426)	46 780	46 780	-	100.0%	-	-		
Interest and rent on land											
Transfers and subsidies	24	33	-	57	57	-	100.0%	-	-		
Non-profit institutions	24	(3)	-	21	21	-	100.0%	-	-		
Households	-	36	-	36	36	-	100.0%	-	-		
Payments for capital assets	997	(1)	-	996	926	70	93.0%	-	-		
Machinery and equipment	881	51	-	932	926	6	99.4%	-	-		
Software and other intangible assets	116	(52)	-	64	-	64	-	-	-		
Total	112 553	(3)	(33 426)	79 124	69 996	9 128	88.5%	-	-		

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Programme 3: Water Infrastructure Development

Sub programme	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1 Infrastructure Development and Rehabilitation	1 731 912	-	-	1 731 912	1 731 912	-	100.0%	1 758 963	1 758 960
2 Operation of Water Resources	165 000	-	-	165 000	165 000	-	100.0%	164 398	164 371
3 Water Services Infrastructure	10 115 784	-	117 622	10 233 406	10 185 550	47 856	99.5%	9 933 179	9 825 516
Total for sub programmes	12 012 696	-	117 622	12 130 318	12 082 463	47 856	99.6%	11 856 540	11 748 847

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Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	323 528	-	182 482	506 010	587 123	(81 113)	116.0%	432 480	371 833
Compensation of employees	100 315	-	-	100 315	84 670	15 645	84.4%	113 130	80 852
Salaries and wages	80 652	-	-	80 652	74 011	6 641	91.8%	99 224	70 963
Social contributions	19 663	-	-	19 663	10 659	9 004	54.2%	13 906	9 889
Goods and services	223 144	-	182 482	405 626	502 385	(96 759)	123.9%	319 350	290 981
Administrative fees	482	(342)	-	140	140	-	100.0%	69	69
Advertising	147	(147)	-	-	-	-	-	-	-
Minor assets	957	(495)	-	462	462	-	100.0%	399	399
Catering: Departmental activities	714	(684)	-	30	30	-	100.0%	39	39
Communication	1 319	(472)	-	847	847	-	100.0%	642	615
Computer services	224	(214)	-	10	10	-	100.0%	128	128
Consultants: Business and advisory services	37 568	(13 644)	23 862	47 786	145 036	(97 250)	303.5%	18 715	18 715
Infrastructure and planning services	23 792	28 331	-	52 123	52 123	-	100.0%	171 890	143 548
Laboratory services	680	(680)	-	-	-	-	-	7	7
Scientific and technological services	128	(128)	-	-	-	-	-	-	-
Contractors	119 273	-	158 620	277 893	277 893	-	100.0%	84 352	84 352
Agency and support / outsourced services	11 440	(11 440)	-	-	-	-	-	-	-
Entertainment	16	(12)	-	4	4	-	100.0%	4	4

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2016/17										2015/16	
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure		
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		
Fleet services	-	2	-	2	2	-	100.0%	5	5		
Housing	-	-	-	-	-	-	-	1	-		
Inventory: Clothing material and supplies	290	(290)	-	-	-	-	-	17	17		
Inventory: Farming supplies	14	(14)	-	-	-	-	-	-	-		
Inventory: Food and food supplies	-	-	-	-	-	-	-	5	1		
Inventory: Fuel, oil and gas	124	(124)	-	-	-	-	-	227	227		
Inventory: Learner and teacher support material	533	(533)	-	-	-	-	-	-	-		
Inventory: Materials and supplies	196	(195)	-	1	1	-	100.0%	4	4		
Inventory: Medical supplies	12	(12)	-	-	-	-	-	-	-		
Inventory: Other supplies	1 461	(1 362)	-	99	99	-	100.0%	22 188	22 188		
Consumable supplies	9	143	-	152	152	-	100.0%	181	181		
Consumable: Stationery, printing and office supplies	1 801	(1 166)	-	635	635	-	100.0%	569	569		
Operating leases	1 230	(1 225)	-	5	5	-	100.0%	-	-		
Property payments	6 373	6 223	-	12 596	12 596	-	100.0%	9 166	9 166		
Transport provided: Departmental activity	12 552	(877)	-	11 675	11 675	-	100.0%	-	-		
Travel and subsistence	1 218	(717)	-	501	92	409	18.4%	9 901	9 901		
Training and development	509	2	-	511	511	-	100.0%	79	79		

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Economic classification	2016/17						2015/16		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual expenditure R'000
Operating payments	82	-	-	82	-	82	-	767	767
Venues and facilities	12 552	(877)	-	11 675	11 675	-	100.0%	-	-
Rental and hiring	-	72	-	72	72	-	100.0%	-	-
Interest and rent on land	69	-	-	69	68	1	98.6%	-	-
Interest (Incl. interest on unitary payments (PPP))	69	-	-	69	68	1	98.6%	-	-
Transfers and subsidies	7 439 193	-	-	7 439 193	7 424 696	14 497	99.8%	4 985 007	4 984 750
Provinces and municipalities	4 694 982	-	-	4 694 982	4 680 773	14 209	99.7%	2 256 847	2 256 847
Municipalities	4 694 982	-	-	4 694 982	4 680 773	14 209	99.7%	2 256 847	2 256 847
Municipal bank accounts	4 694 982	-	-	4 694 982	4 680 773	14 209	99.7%	2 256 847	2 256 847
Departmental agencies and accounts	1 709 462	-	-	1 709 462	1 709 462	-	100.0%	1 735 123	1 735 120
Departmental agencies	1 709 462	-	-	1 709 462	1 709 462	-	100.0%	1 735 123	1 735 120
Foreign governments and international organisations	187 450	-	-	187 450	187 450	-	100.0%	188 238	188 238
Public corporations and private enterprises	844 773	-	-	844 773	844 773	-	100.0%	802 000	801 748
Public corporations	844 773	-	-	844 773	844 773	-	100.0%	802 000	801 748
Other transfers to public corporations	844 773	-	-	844 773	844 773	-	100.0%	802 000	801 748
Households	2 526	-	-	2 526	2 238	288	88.6%	2 799	2 797
Social benefits	2 526	(224)	-	2 302	2 015	287	87.5%	2 799	2 797
Other transfers to households	-	224	-	224	223	1	99.6%	-	-

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2016/17										2015/16	
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure		
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		
Payments for capital assets	4 249 975	-	(64 860)	4 185 115	4 070 643	114 472	97.3%	6 439 053	6 392 264		
Buildings and other fixed structures	4 245 334	-	(64 860)	4 180 474	4 069 245	111 229	97.3%	6 437 373	6 390 584		
Other fixed structures	4 245 334	-	(64 860)	4 180 474	4 069 245	111 229	97.3%	6 437 373	6 390 584		
Machinery and equipment	4 641	-	-	4 641	1 398	3 243	30.1%	1 680	1 680		
Transport equipment	1 090	-	-	1 090	595	495	54.6%	610	610		
Other machinery and equipment	3 551	-	-	3 551	803	2 748	22.6%	1 070	1 070		
Total for economic classification	12 012 696	-	117 622	12 130 318	12 082 463	47 855	99.6%	11 856 540	11 748 847		

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3.1 Infrastructure Development and Rehabilitation

Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Transfers and subsidies	1 731 912	-	-	1 731 912	1 731 912	-	100.0%	1 758 963	1 758 960
Departmental agencies and accounts	1 544 462	-	-	1 544 462	1 544 462	-	100.0%	1 570 725	1 570 722
Foreign governments and international organisations	187 450	-	-	187 450	187 450	-	100.0%	188 238	188 238
Total	1 731 912	-	-	1 731 912	1 731 912	-	100.0%	1 758 963	1 758 960

3.2 Operation of Water Resources

Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	-	-	-	-	-	-	-	-	-27
Goods and services	-	-	-	-	-	-	-	-	-27
Transfers and subsidies	165 000	-	-	165 000	165 000	-	100.0%	164 398	164 398
Departmental agencies and accounts	165 000	-	-	165 000	165 000	-	100.0%	164 398	164 398
Total	165 000	-	-	165 000	165 000	-	100.0%	164 398	164 371

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3.3 Water Services Infrastructure

Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	323 528	-	182 482	506 010	587 123	(81 113)	116.0%	432 480	371 860
Compensation of employees	100 315	-	-	100 315	84 670	15 645	84.4%	113 130	80 852
Goods and services	223 144	-	182 482	405 626	502 385	(96 759)	123.9%	319 350	291 008
Interest and rent on land	69	-	-	69	68	1	98.6%	-	-
Transfers and subsidies	5 542 281	-	-	5 542 281	5 527 784	14 497	99.7%	3 061 646	3 061 392
Provinces and municipalities	4 694 982	-	-	4 694 982	4 680 773	14 209	99.7%	2 256 847	2 256 847
Public corporations and private enterprises	844 773	-	-	844 773	844 773	-	100.0%	802 000	801 748
Households	2 526	-	-	2 526	2 238	288	88.6%	2 799	2 797
Payments for capital assets	4 249 975	-	(64 860)	4 185 115	4 070 643	114 472	97.3%	6 439 053	6 392 264
Buildings and other fixed structures	4 245 334	-	(64 860)	4 180 474	4 069 245	111 229	97.3%	6 437 373	6 390 584
Machinery and equipment	4 641	-	-	4 641	1 398	3 243	30.1%	1 680	1 680
Total	10 115 784	-	117 622	10 233 406	10 185 550	47 856	99.5%	9 933 179	9 825 516

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Programme 4: Water and Sanitation Services

2016/17										2015/16	
Sub programme	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure		
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		
1 Water Sector Support	229 648	(16 444)	(48 694)	164 510	153 716	10 794	93.4%	210 124	205 586		
2 National Sanitation Services	508 412	16 444	89 122	613 978	917 041	(303 063)	149.4%	1 204 550	1 153 989		
Total for sub programmes	738 060	-	40 428	778 488	1 070 757	(292 269)	137.5%	1 414 674	1 359 575		
2016/17										2015/16	
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure		
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		
Current payments	289 624	-	(46 835)	242 789	220 218	22 571	90.7%	254 211	254 081		
Compensation of employees	131 888	-	-	131 888	109 317	22 571	82.9%	130 846	130 716		
Salaries and wages	108 544	-	-	108 544	95 097	13 447	87.6%	113 748	113 618		
Social contributions	23 344	-	-	23 344	14 220	9 124	60.9%	17 098	17 098		
Goods and services	157 736	-	(46 835)	110 901	110 901	-	100.0%	123 365	123 365		
Administrative fees	1 304	(103)	(72)	1 129	1 129	-	100.0%	556	556		
Advertising	4 341	(389)	(1 412)	2 540	2 540	-	100.0%	2 173	2 173		
Minor assets	2 147	(487)	(952)	708	708	-	100.0%	633	633		
Bursaries: Employees	220	(200)	(20)	-	-	-	-	-	-		
Catering: Departmental activities	4 044	(946)	(711)	2 387	2 387	-	100.0%	3 038	3 038		
Communication	3 504	(1 028)	(1 326)	1 150	1 150	-	100.0%	1 756	1 756		
Computer services	11 514	(239)	(11 273)	2	2	-	100.0%	390	390		

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Economic classification	2016/17						2015/16		
	Adjusted Approp- p-riation	Shifting of Funds	Virement	Final App- p-riation	Actual Ex- p-nditure	Variance	Expenditure as % of final appropriation	Final App- p-riation	Actual ex- p-nditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Consultants: Business and advisory services	25 251	31 676	(853)	56 074	56 074	-	100.0%	40 751	40 751
Infrastructure and planning services	19 539	(16 326)	(3 213)	-	-	-	-	-	-
Laboratory services	28	-	(19)	9	9	-	100.0%	275	275
Scientific and technological services	335	-	(335)	-	-	-	-	-	-
Contractors	8 073	435	(4 133)	4 375	4 375	-	100.0%	2 488	2 488
Agency and support / outsourced services	27 363	(1 000)	(16 653)	9 710	9 710	-	100.0%	27 788	27 788
Entertainment	28	(11)	(9)	8	8	-	100.0%	9	9
Fleet services	445	(184)	-	261	261	-	100.0%	1	1
Inventory: Clothing material and supplies	1 185	(497)	(688)	-	-	-	-	339	339
Inventory: Food and food supplies	53	5	(6)	52	52	-	100.0%	51	51
Inventory: Fuel oil and gas	129	(124)	(5)	-	-	-	-	-	-
Inventory: Learner and teacher support material	200	-	(200)	-	-	-	-	-	-
Inventory: Materials and supplies	403	(168)	(215)	20	20	-	100.0%	4	4
Inventory: Medical supplies	30	6	(30)	6	6	-	100.0%	3	3
Inventory: Medicine Medsas Inventory interface	35	(35)	-	-	-	-	-	-	-

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2016/17										2015/16	
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure		
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		
Inventory: Other supplies	110	(42)	-	68	68	-	100.0%	5 715	5 715		
Consumable supplies	931	(352)	(104)	475	475	-	100.0%	347	347		
Consumable: Stationery printing and office supplies	2 586	(548)	(798)	1 240	1 240	-	100.0%	1 019	1 019		
Operating leases	402	(123)	(232)	47	47	-	100.0%	47	47		
Property payments	14	-	(14)	-	-	-	-	1	1		
Transport provided: Departmental activity	935	16	(497)	454	454	-	100.0%	196	196		
Travel and subsistence	33 154	(5 555)	-	27 599	27 599	-	100.0%	30 704	30 704		
Training and development	2 970	(1 884)	(315)	771	771	-	100.0%	1 462	1 462		
Operating payments	3 381	(753)	(1 637)	991	991	-	100.0%	2 132	2 132		
Venues and facilities	2 056	(817)	(666)	573	573	-	100.0%	1 184	1 184		
Rental and hiring	1026	(327)	(447)	252	252	-	100.0%	303	303		
Transfers and subsidies	16 246	-	-	16 246	11 775	4 471	72.5%	65 053	62 146		
Provinces and municipalities	-	-	-	-	-	-	-	48 236	48 182		
Municipalities	-	-	-	-	-	-	-	48 236	48 182		
Municipal bank accounts	-	-	-	-	-	-	-	48 236	48 182		
Non-profit institutions	1 242	-	-	1 242	516	726	41.5%	1 072	556		
Households	15 004	-	-	15 004	11 259	3 745	75.0%	15 745	13 408		
Social benefits	15 004	(14 237)	-	767	767	-	100.0%	803	803		
Other transfers to households	-	(14 237)	-	14 237	10 492	3 745	73.7%	14 942	12 605		
Payments for capital assets	432 190	-	87 263	519 453	838 764	(319 311)	161.5%	1 095 399	1 043 337		

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Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Buildings and other fixed structures	422 000	-	90 797	512 797	832 108	(319 311)	162.3%	1 087 531	1 039 402
Other fixed structures	422 000	-	90 797	512 797	832 108	(319 311)	162.3%	1 087 531	1 039 402
Machinery and equipment	10 190	(12)	(3 534)	6 644	6 644	-	100.0%	7 868	3 935
Transport equipment	4 828	-	(1 065)	3 763	3 763	-	100.0%	3 473	1 337
Other machinery and equipment	5 362	(12)	(2 469)	2 881	2 881	-	100.0%	4 395	2 598
Software and other intangible assets	-	12	-	12	12	-	100.0%	-	-
Payment for financial assets	-	-	-	-	-	-	-	11	11
Total for economic classification	738 060	-	40 428	778 488	1 070 757	(292 269)	137.5%	1 414 674	1 359 575

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4.1 Water Sector Support

Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	208 394	(16 326)	(46 835)	145 233	138 192	7 041	95.2%	167 293	167 163
Compensation of employees	87 269	-	-	87 269	80 228	7 041	91.9%	99 090	98 960
Goods and services	121 125	(16 326)	(46 835)	57 964	57 964	-	100.0%	68 203	68 203
Transfers and subsidies	16 201	(118)	-	16 083	11 612	4 471	72.2%	16 664	13 757
Provinces and municipalities	-	-	-	-	-	-	-	54	
Non-profit institutions	1 242	-	-	1 242	516	726	41.5%	1 072	556
Households	14 959	(118)	-	14 841	11 096	3 745	74.8%	15 538	13 201
Payments for capital assets	5 053	-	(1 859)	3 194	3 192	(718)	122.5%	26 167	24 666
Buildings and other fixed structures	-	-	-	-	-	(718)	-	21 671	21 670
Machinery and equipment	5 053	(12)	(1 859)	3 182	3 182	-	100.0%	4 496	2 996
Software and other intangible assets	-	12	-	12	12	-	100.0%	-	-
Total	229 648	(16 444)	(48 694)	164 510	153 716	10 794	93.4%	210 124	205 586

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4.2 National Sanitation Services

Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	81 230	16 326	-	97 556	82 026	15 530	84.1%	86 918	86 918
Compensation of employees	44 619	-	-	44 619	29 089	15 530	65.2%	31 756	31 756
Goods and services	36 611	16 326	-	52 937	52 937	-	100.0%	55 162	55 162
Transfers and subsidies	45	118	-	163	163	-	100.0%	48 389	48 389
Provinces and municipalities	-	-	-	-	-	-	-	48 182	48 182
Households	45	118	-	163	163	-	100.0%	207	207
Payments for capital assets	427 137	-	89 122	516 259	834 852	(318 593)	161.7%	1 069 232	1 018 671
Buildings and other fixed structures	422 000	-	90 797	512 797	831 390	(318 593)	162.1%	1 065 860	1 017 732
Machinery and equipment	5 137	-	(1 675)	3 462	3 462	-	100.0%	3 372	939
Payment for financial assets	-	-	-	-	-	-	-	11	11
Total	508 412	16 444	89 122	613 978	917 041	(303 063)	149.4%	1 204 550	1 153 989

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Programme 5: Water Sector Regulation

Sub programme	2016/17							2015/16	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1 Water Sector Regulation Management and Support	37 309	538	(7 789)	30 058	29 882	176	99.4%	38 128	34 119
2 Economic and Social Regulation	27 394	(659)	(8 219)	18 516	14 169	4 347	76.5%	12 487	12 310
3 Water Use Authorisation and Administration	71 292	(15 010)	(5 051)	51 231	47 702	3 529	93.1%	45 572	44 403
4 Water Supply Services and Sanitation Regulation	21 346	-	(5 734)	15 612	15 138	474	97.0%	16 125	15 728
5 Compliance Monitoring	73 567	1 347	-	74 914	69 949	4 965	93.4%	63 450	60 628
6 Enforcement	33 286	(926)	(372)	31 988	26 826	5 162	83.9%	24 187	23 754
7 Institutional Oversight	81 883	14 710	(520)	96 073	78 019	18 054	81.2%	71 168	70 926
Total for sub programmes	346 077	-	(27 685)	318 392	281 685	36 707	88.5%	271 117	261 868

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Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	326 907	-	(25 071)	301 836	268 719	33 117	89.0%	259 059	256 625
Compensation of employees	209 721	-	-	209 721	200 430	9 291	95.6%	177 782	177 780
Salaries and wages	184 947	(1 697)	-	183 250	176 326	6 924	96.2%	156 294	156 293
Social contributions	24 774	1 697	-	26 471	24 104	2 367	91.1%	21 488	21 487
Goods and services	117 186	-	(25 071)	92 115	68 289	23 826	74.1%	81 277	78 845
Administrative fees	2 092	(266)	(281)	1 545	994	551	64.3%	868	863
Advertising	2 314	(181)	(238)	1 895	1 519	376	80.2%	2 384	2 381
Minor assets	2 048	135	(514)	1 669	1 341	328	80.3%	1 594	1 318
Bursaries: Employees	-	-	-	-	-	-	-	50	15
Catering: Departmental activities	1 599	22	(666)	955	424	531	44.4%	539	378
Communication	3 710	-	(855)	2 855	2 180	675	76.4%	2 080	2 068
Computer services	228	-	(15)	213	17	196	8.0%	131	127
Consultants: Business and advisory services	36 265	408	(12 289)	24 384	17 051	7 333	69.9%	16 770	16 738
Infrastructure and planning services	130	417	-	547	417	130	76.2%	2 472	2 412
Laboratory services	1 647	(205)	(529)	913	903	10	98.9%	1 297	1 296
Legal services	88	-	-	88	-	88	-	-	-
Contractors	5 721	17	(1 205)	4 533	2 131	2 402	47.0%	2 231	1 956
Agency and support / outsourced services	965	62	(10)	1 017	484	533	47.6%	1 237	1 214
Entertainment	89	(5)	(13)	71	22	49	31.0%	27	14
Fleet services	10	78	-	88	88	-	100.0%	10	-

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Inventory: Clothing material and supplies	1 049	128	(301)	876	622	254	71.0%	233	225
Inventory: Farming Supplies	8	-	(2)	6	4	2	66.7%	10	-
Inventory: Food and food supplies	185	-	(96)	89	13	76	14.6%	13	5
Inventory: Fuel oil and gas	19	-	(1)	18	-	18	-	36	11
Inventory: Learner and teacher support material	17	-	-	17	-	17	-	5	-
Inventory: Materials and supplies	333	1	(130)	204	20	184	9.8%	63	20
Inventory: Medical supplies	63	-	(8)	55	9	46	16.4%	13	9
Inventory: Other supplies	1 584	-	(24)	1 560	1 496	64	95.9%	1 216	1 216
Consumable supplies	1 229	35	(193)	1 071	599	472	55.9%	577	249
Consumable: Stationery printing and office supplies	3 438	(135)	(534)	2 769	1 746	1 023	63.1%	1 790	1 490
Operating leases	872	-	(12)	860	280	580	32.6%	377	321
Property payments	194	3	(10)	187	105	82	56.1%	91	71
Travel and subsistence	40 706	446	(4 817)	36 335	31 167	5 168	85.8%	36 580	36 580
Training and development	5 394	(484)	(964)	3 946	2 242	1 704	56.8%	2 006	1 872
Operating payments	2 647	(332)	(550)	1 765	1 535	230	87.0%	2 135	1 864
Venues and facilities	2 518	(144)	(814)	1 560	880	680	56.4%	4 422	4 132
Rental and hiring	24	-	-	24	-	24	-	20	-
Interest and rent on land	-	-	-	-	-	-	-	-	-
Rent on land	-	-	-	-	-	-	-	-	-

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Transfers and subsidies	5 182	-	-	5 182	5 000	182	96.5%	1 952	952
Departmental agencies and accounts	2 000	-	-	2 000	2 000	-	100.0%	1 000	-
Departmental agencies	2 000	-	-	2 000	2 000	-	100.0%	1 000	-
Non-profit institutions	800	-	-	800	800	-	100.0%	3	3
Households	2 382	-	-	2 382	2 200	182	92.4%	949	949
Social benefits	2 382	(676)	-	1 706	1 700	6	99.6%	949	949
Other transfers to households	-	676	-	676	500	176	74.0%	-	-
Payments for capital assets	13 988	-	(2 614)	11 374	7 966	3 408	70.0%	10 106	4 291
Machinery and equipment	13 988	-	(2 614)	11 374	7 966	3 408	70.0%	10 106	4 291
Transport equipment	2 544	908	(236)	3 216	2 408	773	75.7%	1 260	900
Other machinery and equipment	11 444	(908)	(2 378)	8 158	5 558	2 635	67.8%	8 846	3 391
Total for economic classification	346 077	-	(27 685)	318 392	281 685	36 707	88.5%	271 117	261 868

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

5.1 Water Sector Regulation Management and Support

Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	34 145	675	(7 321)	27 499	27 499	-	100.0%	34 617	32 998
Compensation of employees	18 339	675	-	19 014	19 014	-	100.0%	24 323	24 323
Goods and services	15 806	-	(7 321)	8 485	8 485	-	100.0%	10 294	8 675
Transfers and subsidies	813	(137)	-	676	500	176	74.0%	2	2
Households	813	(137)	-	676	500	176	74.0%	2	2
Payments for capital assets	2 351	-	(468)	1 883	1 883	-	100.0%	3 509	1 119
Machinery and equipment	2 351	-	(468)	1 883	1 883	-	100.0%	3 509	1 119
Total	37 309	538	(7 789)	30 058	29 882	176	99.4%	38 128	34 119

5.2 Economic and Social Regulation

Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	25 751	(675)	(7 391)	17 685	13 338	4 347	75.4%	12 107	12 107
Compensation of employees	15 450	(675)	-	14 775	10 429	4 346	70.6%	5 758	5 758
Goods and services	10 301	-	(7 391)	2 910	2 909	1	100.0%	6 349	6 349
Transfers and subsidies	-	16	-	16	16	-	100.0%	-	-
Households	-	16	-	16	16	-	100.0%	-	-
Payments for capital assets	1 643	-	(828)	815	815	-	100.0%	380	203
Machinery and equipment	1 643	-	(828)	815	815	-	100.0%	380	203
Total	27 394	(659)	(8 219)	18 516	14 169	4 347	76.5%	12 487	12 310

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5.3 Water Use Authorisation and Administration

Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	65 802	(15 010)	(4 809)	45 983	45 015	968	97.9%	43 725	43 725
Compensation of employees	51 879	(15 010)	-	36 869	35 901	968	97.4%	32 002	32 002
Goods and services	13 923	-	(4 809)	9 114	9 114	-	100.0%	11 723	11 723
Transfers and subsidies	2 156	-	-	2 156	2 150	6	99.7%	1 014	14
Departmental agencies and accounts	2 000	-	-	2 000	2 000	-	100.0%	1 000	-
Households	156	-	-	156	150	6	96.2%	14	14
Payments for capital assets	3 334	-	(242)	3 092	537	2 555	17.4%	833	664
Machinery and equipment	3 334	-	(242)	3 092	537	2 555	17.4%	833	664
Total	71 292	(15 010)	(5 051)	51 231	47 702	3 529	93.1%	45 572	44 403

5.4 Water Supply Services and Sanitation Regulation

2016/17										2015/16	
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure		
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		
Current payments	20 046	-	(5 550)	14 496	14 022	474	96.7%	15 486	15 485		
Compensation of employees	8 931	-	-	8 931	8 457	474	94.7%	9 035	9 034		
Goods and services	11 115	-	(5 550)	5 565	5 565	-	100.0%	6 451	6 451		
Transfers and subsidies	800	-	-	800	800	-	100.0%	39	39		
Non-profit institutions	800	-	-	800	800	-	100.0%	-	-		
Households	-	-	-	-	-	-	-	39	39		
Payments for capital assets	500	-	(184)	316	316	-	100.0%	600	204		
Machinery and equipment	500	-	(184)	316	316	-	100.0%	600	204		
Total	21 346	-	(5 734)	15 612	15 138	474	97.0%	16 125	15 728		

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5.5 Compliance Monitoring

Economic classification	2016/17						2015/16		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	70 370	-	-	70 370	66 258	4 112	94.2%	59 813	59 000
Compensation of employees	56 557	-	-	56 557	53 849	2 708	95.2%	46 944	46 944
Goods and services	13 813	-	-	13 813	12 409	1 404	89.8%	12 869	12 056
Transfers and subsidies	-	1 347	-	1 347	1 347	-	100.0%	849	849
Non-profit institutions	-	-	-	-	-	-	-	3	3
Households	-	1 347	-	1 347	1 347	-	100.0%	846	846
Payments for capital assets	3 197	-	-	3 197	2 344	853	73.3%	2 788	779
Machinery and equipment	3 197	-	-	3 197	2 344	853	73.3%	2 788	779
Total	73 567	1 347	-	74 914	69 949	4 965	93.4%	63 450	60 628

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5.6 Enforcement

2016/17										2015/16	
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure		
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		
Current payments	30 637	-	-	30 637	25 475	5 162	83.2%	23 342	23 341		
Compensation of employees	20 166	-	-	20 166	19 371	795	96.1%	15 364	15 363		
Goods and services	10 471	-	-	10 471	6 104	4 367	58.3%	7 978	7 978		
Transfers and subsidies	1 010	(926)	-	84	84	-	100.0%	-	-		
Households	1 010	(926)	-	84	84	-	100.0%	-	-		
Payments for capital assets	1 639	-	(372)	1 267	1 267	-	100.0%	845	413		
Machinery and equipment	1 639	-	(372)	1 267	1 267	-	100.0%	845	413		
Total	33 286	(926)	(372)	31 988	26 826	5 162	83.9%	24 187	23 754		

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5.7 Institutional Oversight

2016/17										2015/16	
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure		
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		
Current payments	80 156	15 010	-	95 166	77 112	18 054	81.0%	69 969	69 969		
Compensation of employees	38 399	15 010	-	53 409	53 409	-	100.0%	44 356	44 356		
Goods and services	41 757	-	-	41 757	23 703	18 054	56.8%	25 613	25 613		
Transfers and subsidies	403	(300)	-	103	103	-	100.0%	48	48		
Households	403	(300)	-	103	103	-	100.0%	48	48		
Payments for capital assets	1 324	-	(520)	804	804	-	100.0%	1 151	909		
Machinery and equipment	1 324	-	(520)	804	804	-	100.0%	1 151	909		
Total	81 883	14 710	(520)	96 073	78 019	18 054	81.2%	71 168	70 926		

Notes to the appropriation statement

- 1 Detail of transfers and subsidies as per Appropriation Act (after Virement):
Detail of these transactions can be viewed in the note on Transfers and subsidies disclosure notes and Annexure 1 (A-G) to the Annual Financial Statements.
- 2 Detail of specifically and exclusively appropriated amounts voted (after Virement):
Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the Annual Financial Statements.
- 3 Detail on payments for financial assets
Detail of these transactions per programme can be viewed in the note on Payments for financial assets to the Annual Financial Statements.
- 4 Explanations of material variances from Amounts Voted (after Virement)

4.1 Per programme	Final Appropriation	Actual Expenditure	Variance R'000	Variance as a % of Final Appropriation
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Administration	1 547 743	1 504 930	42 813	3%
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The under spending is attributable mainly to unfilled vacancies during the greater part of the financial year across the sub-programmes of this programme (R40.494 million), and the transfers which could not be made to the universities of Western Cape and University of Stellenbosch.

Water Planning and Information Management	749 656	695 604	54 052	7%
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The under spending is attributable mainly to unfilled vacancies during the greater part of the financial year across the sub-programmes of this programme and the concomitant goods and services (R31.520 million), and the related payments for capital assets (R22.533 million).

Water Infrastructure Development	12 130 318	12 082 462	47 856	0%
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The under spending is attributable mainly to the funds allocated to Thabazimbi Municipality in respect of Water Services Infrastructure Grant which could not to be transferred due to risk of misappropriation of funding and the unconducive environment within which Thabazimbi found itself (facing legal issues and administration) during the period under review.

Water and Sanitation Services	778 488	1 070 757	(292 269)	(38%)
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The over spending of R292.269 million) is mainly due to the invoices for the Bucket Eradication Programme emanating from the previous financial year and current year's unfunded projects which were processed against the insufficient budget.

Water Sector Regulation	318 392	281 685	36 707	12%
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The under spending is attributable mainly to unfilled vacancies during the greater part of the financial year across the sub-programmes of this programme (R9.290 million), the concomitant goods and services (R5.771 million) and Payments for Capital Assets (R3.409 million) and the terms of reference for planned projects in Institutional Oversight which relate to re-grading of the water entities, water board boundary study and appointment of professional staff to provide strategic advice and support (R18.055 million)

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4.2 Per economic classification	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	R'000
Current payments				
Compensation of employees	1 540 217	1 439 945	100 272	6.51%
Goods and services	1 646 244	1 699 929	(53 685)	(3%)
Interest and rent on land	75	74	1	1%
Transfers and subsidies				
Provinces and municipalities	4 695 548	4 681 319	14 229	0%
Departmental agencies and accounts	1 726 569	1 725 869	700	0%
Higher education institutions	981	-	981	100%
Public corporations and private enterprises	844 773	844 773	-	0%
Foreign governments and international organisations	188 789	188 250	539	0%
Non-profit institutions	4 063	3 337	726	18%
Households	42 825	38 609	4 216	10%
Payments for capital assets				
Buildings and other fixed structures	4 723 271	4 927 368	(204 097)	(4%)
Machinery and equipment	86 401	62 003	24 398	28%
Intangible assets	24 838	23 959	879	4%
Payments for financial assets	3	3	-	-

Current Expenditure: The under spending of R100.272 in compensation of employees is mainly due to the vacant posts across all five programmes. The over spending in goods and services is due mainly to expenditure incurred for water tankering in respect of drought relieve activities, and expenditure incurred in respect of operations and maintenance related interventions.

Transfers and Subsidies: The amount of R14 million allocated to Thabazimbi (WSIG) could not to be transferred due to risk of misappropriation of funding and the unconducive environment within which Thabazimbi finds itself (facing legal issues and administration).

Payments for capital assets: The invoices for the Bucket Eradication Programme emanating from the previous financial year, and the unfunded projects in Bucket Eradication Programme for the period under review which were processed against the insufficient budget.

4.3	Per conditional grant	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
		R'000	R'000	R'000	R'000

Water Services Infrastructure Grant (WSIG)	2 844 982	2 830 982	14 000	0%
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Regional Bulk Infrastructure Grant (RBIG)	1 850 000	1 849 791	209	0%
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Transfers and Subsidies: The amount of R14 million allocated to Thabazimbi (WSIG) could not to be transferred due to risk of misappropriation of funding and the uncondusive environment within which Thabazimbi finds itself (facing legal issues and administration).

The amount of R209 000 could not be processed as a transfer payment to Cederberg Local Municipality due to non-adherence to Division of Revenue Act with regards to the reporting requirements.

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STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
31 MARCH 2017

	Note	2016/17 R'000	2015/16 R'000
REVENUE			
Annual appropriation	1	15 524 597	15 746 530
Departmental revenue	2	20 964	11 008
TOTAL REVENUE		15 545 561	15 757 538
EXPENDITURE			
Current expenditure			
Compensation of employees	3	1 439 945	1 360 369
Goods and services	4	1 699 927	1 535 439
Interest and rent on land	5	74	6 535
Total current expenditure		3 139 946	2 902 343
Transfers and subsidies			
Transfers and subsidies	7	7 482 157	5 078 344
Total transfers and subsidies		7 482 157	5 078 344
Expenditure for capital assets			
Tangible assets	8	4 989 373	7 542 407
Intangible assets	8	23 959	29 031
Total expenditure for capital assets		5 013 332	7 571 438
Unauthorised expenditure approved without funding	9	-	-
Payments for financial assets	6	3	4 849
TOTAL EXPENDITURE		15 635 438	15 556 974
SURPLUS/(DEFICIT) FOR THE YEAR		(89 877)	200 564
Reconciliation of Net Surplus/(Deficit) for the year			
Voted funds		(110 841)	189 556
Annual appropriation		(110 841)	189 556
Conditional grants		-	-
Departmental revenue and NRF Receipts	14	20 964	11 008
SURPLUS/(DEFICIT) FOR THE YEAR		(89 877)	200 564

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2017

	Note	2016/17 R'000	2015/16 R'000
ASSETS			
Current assets		526 927	202 460
Unauthorised expenditure	9	406 923	3 782
Cash and cash equivalents	10	218	147 474
Prepayments and advances	11	38 248	38 979
Receivables	12	79 438	10 150
Loans	16	2 100	2 075
Non-current assets		3 742	6 168
Loans	16	3 742	6 168
TOTAL ASSETS		530 669	208 628
LIABILITIES			
Current liabilities		490 143	194 952
Voted funds to be surrendered to the Revenue Fund	13	296 082	189 553
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	14	315	856
Bank overdraft	15	193 645	6
Payables	17	101	4 537
Non-current liabilities			
Payables	17	-	-
TOTAL LIABILITIES		490 143	194 952
NET ASSETS		40 526	13 676
	Note	2016/17 R'000	2015/16 R'000
Represented by:			
Recoverable revenue		40 526	13 676
TOTAL		40 526	13 676

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED
31 MARCH 2017**

	Note	2016/17 R'000	2015/16 R'000
Recoverable revenue			
Opening balance		13 676	14 375
Transfers:		26 850	(699)
Irrecoverable amounts written off	6.2	-	(287)
Debts revised		(27 398)	1 611
Debts recovered (included in departmental receipts)		(3 967)	(4 041)
Debts raised		58 215	2 018
Closing balance		40 526	13 676
TOTAL		40 526	13 676

CASH FLOWS STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

	Note	2016/17 R'000	2015/16 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		15 545 561	15 757 507
Annual appropriated funds received	1.1	15 524 597	15 746 530
Departmental revenue received	2	19 580	8 549
Interest received	2.2	1 384	2 428
Net (increase)/decrease in working capital		(476 134)	(15 326)
Surrendered to Revenue Fund		(211 058)	(1 923 140)
Current payments		(2 732 949)	(2 895 818)
Interest paid	5	(74)	(6 525)
Payments for financial assets		(3)	(4 849)
Transfers and subsidies paid		(7 482 157)	(5 078 344)
Net cash flow available from operating activities	18	4 643 186	5 833 505
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital assets	8	(5 013 332)	(7 571 438)
Proceeds from sale of capital assets	2.3	-	31
(Increase)/ decrease in loans		2 401	2 075
Net cash flows from investing activities		(5 010 931)	(7 569 332)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/ (decrease) in net assets		26 850	(694)
Increase/ (decrease) in non-current payables			
Net cash flows from financing activities		26 850	(694)
Net increase/(decrease) in cash and cash equivalents		(340 895)	(1 736 521)
Cash and cash equivalents at beginning of period		147 468	1 883 989
Unrealised gains and losses within cash and cash equivalents		-	-
Cash and cash equivalents at end of period	19	(193 427)	147 468

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2017

Summary of significant accounting policies

The financial statements have been prepared in accordance with the following policies which have been applied consistently in all material aspects unless otherwise indicated. Management has concluded that the financial statements present fairly the Department's primary and secondary information.

The historical cost convention has been used except where otherwise indicated. Management has used assessments and estimates in preparing the annual financial statements. These are based on the best information available at the time of preparation.

Where appropriate and meaningful additional information has been disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act (PFMA) Act 1 of 1999 (as amended by Act 29 of 1999) and the Treasury Regulations issued in terms of the PFMA and the annual Division of Revenue Act.

1	Basis of preparation The financial statements have been prepared in accordance with the Modified Cash Standard.
2	Going concern - Uncertainty The financial statements have been prepared on a going concern basis; however there is some uncertainty in sustaining the going concern as the Department reported a net loss of R89 million, overdraft of R193 million, and unauthorised expenditure of R406 million as at 31 March 2017. There are no the principal events, activities or conditions that may cast significant doubt on the Department's ability to continue as a going concern as the Department has a mandate to carry out in line with the Constitution of the Republic of South Africa Act 108 of 1996, National Development Plan and the second National Water Strategy. However in addressing the negative results the Department will implement the following recovery mechanisms: The Department will not to enter into any new projects over the next three years for efficient utilisation of the available budget. Stringent cash flow management processes to ensure that in the current financial year 2017/2018 we do not end up with an overdraft. Rigorous review processed will be introduced to ensure payments are monitored and co-ordinated from Head Office, to confirm availability of funds and budget. Request approval of unauthorised expenditure in line with the normal parliamentary processes The funds for WSIG have been reprioritised in the 2017/18 financial year to cater for the previous year's accruals, budget has been made available to address accrued invoices. Normal monthly reporting and consequence management to address non-compliance with revised policies and procedures
3	Presentation currency Amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the Department.
4	Rounding Unless otherwise stated financial figures have been rounded to the nearest one thousand Rand (R'000).
5	Foreign currency translation Cash flows arising from foreign currency transactions are translated into South African Rands using the exchange rates prevailing at the date of payment / receipt.

6	Comparative information
6.1	<p>Prior period comparative information</p> <p>Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.</p>
6.2	<p>Current year comparison with budget</p> <p>A comparison between the approved final budget and actual amounts for each programme and economic classification is included in the appropriation statement.</p>
7	Revenue
7.1	<p>Appropriated funds</p> <p>Appropriated funds comprises of departmental allocations as well as direct charges against the revenue fund (i.e. statutory appropriation).</p> <p>Appropriated funds are recognised in the statement of financial performance on the date the appropriation becomes effective. Adjustments made in terms of the adjustments budget process are recognised in the statement of financial performance on the date the adjustments become effective.</p> <p>The net amount of any appropriated funds due to / from the relevant revenue fund at the reporting date is recognised as a payable / receivable in the statement of financial position.</p>
7.2	<p>Departmental revenue</p> <p>Departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the relevant revenue fund unless stated otherwise.</p> <p>Any amount owing to the relevant revenue fund at the reporting date is recognised as a payable in the statement of financial position.</p>
7.3	<p>Accrued departmental revenue</p> <p>Accruals in respect of departmental revenue (excluding tax revenue) are recorded in the notes to the financial statements when:</p> <ul style="list-style-type: none"> • it is probable that the economic benefits or service potential associated with the transaction will flow to the Department; and • the amount of revenue can be measured reliably. <p>The accrued revenue is measured at the fair value of the consideration receivable.</p> <p>Accrued tax revenue (and related interest and / penalties) is measured at amounts receivable from collecting agents.</p>
8	Expenditure
8.1	Compensation of employees
8.1.1	<p>Salaries and wages</p> <p>Salaries and wages are recognised in the statement of financial performance on the date of payment.</p>
8.1.2	<p>Social contributions</p> <p>Social contributions made by the Department in respect of current employees are recognised in the statement of financial performance on the date of payment.</p> <p>Social contributions made by the Department in respect of ex-employees are classified as transfers to households in the statement of financial performance on the date of payment.</p>

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8.2	<p>Other expenditure</p> <p>Other expenditure (such as goods and services transfers and subsidies and payments for capital assets) is recognised in the statement of financial performance on the date of payment. The expense is classified as a capital expense if the total consideration paid is more than the capitalisation threshold.</p>
8.3	<p>Accruals and payables not recognised</p> <p>Accruals and payables not recognised are recorded in the notes to the financial statements when the goods are received or in the case of services when they are rendered to the Department or in the case of transfers and subsidies when they are due and payable.</p> <p>Accruals and payables not recognised are measured at cost.</p>
8.4	<p>Leases</p>
8.4.1	<p>Operating leases</p> <p>Operating lease payments made during the reporting period are recognised as current expenditure in the statement of financial performance on the date of payment.</p> <p>The operating lease commitments are recorded in the notes to the financial statements.</p>
8.4.2	<p>Finance leases</p> <p>Finance lease payments made during the reporting period are recognised as capital expenditure in the statement of financial performance on the date of payment.</p> <p>The finance lease commitments are recorded in the notes to the financial statements and are not apportioned between the capital and interest portions.</p> <p>Finance lease assets acquired at the end of the lease term are recorded and measured at the lower of:</p> <ul style="list-style-type: none"> • cost being the fair value of the asset; or • the sum of the minimum lease payments made including any payments made to acquire ownership at the end of the lease term excluding interest.
9	<p>Aid Assistance</p>
9.1	<p>Aid assistance received</p> <p>Aid assistance received in cash is recognised in the statement of financial performance when received. In-kind aid assistance is recorded in the notes to the financial statements on the date of receipt and is measured at fair value.</p> <p>Aid assistance not spent for the intended purpose and any unutilised funds from aid assistance that are required to be refunded to the donor are recognised as a payable in the statement of financial position.</p>
9.2	<p>Aid assistance paid</p> <p>Aid assistance paid is recognised in the statement of financial performance on the date of payment. Aid assistance payments made prior to the receipt of funds are recognised as a receivable in the statement of financial position.</p>
10	<p>Cash and cash equivalents</p> <p>Cash and cash equivalents are stated at cost in the statement of financial position.</p> <p>Bank overdrafts are shown separately on the face of the statement of financial position.</p> <p>For the purposes of the cash flow statement cash and cash equivalents comprise cash on hand deposits held other short-term highly liquid investments and bank overdrafts.</p>

11	<p>Prepayments and advances</p> <p>Prepayments and advances are recognised in the statement of financial position when the Department receives or disburses the cash.</p> <p>Prepayments and advances are initially and subsequently measured at cost.</p> <p>Prepayments and advances are recorded in the financial statements when the goods are received or in the case of services when they are rendered to the Department.</p>
12	<p>Loans and receivables</p> <p>Loans and receivables are recognised in the statement of financial position at cost plus accrued interest where interest is charged less amounts already settled or written-off. Write-offs are made according to the Department's write-off policy.</p>
13	<p>Investments</p> <p>Investments are recognised in the statement of financial position at cost.</p>
14	Financial assets
14.1	<p>Financial assets (not covered elsewhere)</p> <p>A financial asset is recognised initially at its cost plus transaction costs that are directly attributable to the acquisition or issue of the financial.</p> <p>At the reporting date a department shall measure its financial assets at cost less amounts already settled or written-off except for recognised loans and receivables which are measured at cost plus accrued interest where interest is charged less amounts already settled or written-off.</p>
14.2	<p>Impairment of financial assets</p> <p>Where there is an indication of impairment of a financial asset an estimation of the reduction in the recorded carrying value to reflect the best estimate of the amount of the future economic benefits expected to be received from that asset is recorded in the notes to the financial statements.</p>
15	<p>Payables</p> <p>Loans and payables are recognised in the statement of financial position at cost.</p>
16	Capital Assets
16.1	<p>Immovable capital assets</p> <p>Immovable capital assets are initially recorded in the notes to the financial statements at cost. Immovable capital assets acquired through a non-exchange transaction is measured at fair value as at the date of acquisition.</p> <p>Where the cost of immovable capital assets cannot be determined accurately the immovable capital assets are measured at R1 unless the fair value of the asset has been reliably estimated in which case the fair value is used.</p> <p>All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1.</p> <p>Immovable capital assets are subsequently carried at cost and are not subject to depreciation or impairment.</p> <p>Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project unless the immovable asset is recorded by another department in which case the completed project costs are transferred to that department.</p>

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16.2	<p>Movable capital assets</p> <p>Movable capital assets are initially recorded in the notes to the financial statements at cost. Movable capital assets acquired through a non-exchange transaction is measured at fair value as at the date of acquisition.</p> <p>Where the cost of movable capital assets cannot be determined accurately the movable capital assets are measured at fair value and where fair value cannot be determined; the movable assets are measured at R1.</p> <p>All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1.</p> <p>Movable capital assets are subsequently carried at cost and are not subject to depreciation or impairment.</p> <p>Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project unless the movable asset is recorded by another department/entity in which case the completed project costs are transferred to that department.</p>
16.3	<p>Intangible assets</p> <p>Intangible assets are initially recorded in the notes to the financial statements at cost. Intangible assets acquired through a non-exchange transaction are measured at fair value as at the date of acquisition.</p> <p>Internally generated intangible assets are recorded in the notes to the financial statements when the Department commences the development phase of the project.</p> <p>Where the cost of intangible assets cannot be determined accurately the intangible capital assets are measured at fair value and where fair value cannot be determined; the intangible assets are measured at R1.</p> <p>All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1.</p> <p>Intangible assets are subsequently carried at cost and are not subject to depreciation or impairment.</p> <p>Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project unless the intangible asset is recorded by another department/entity in which case the completed project costs are transferred to that department.</p>
17	Provisions and Contingents
17.1	<p>Provisions</p> <p>Provisions are recorded in the notes to the financial statements when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the obligation can be made. The provision is measured as the best estimate of the funds required to settle the present obligation at the reporting date.</p>
17.2	<p>Contingent liabilities</p> <p>Contingent liabilities are recorded in the notes to the financial statements when there is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Department or when there is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured reliably.</p>

17.3	<p>Contingent assets</p> <p>Contingent assets are recorded in the notes to the financial statements when a possible asset arises from past events, and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Department.</p>
17.4	<p>Commitments</p> <p>Commitments are recorded at cost in the notes to the financial statements when there is a contractual arrangement or an approval by management in a manner that raises a valid expectation that the Department will discharge its responsibilities thereby incurring future expenditure that will result in the outflow of cash.</p>
18	<p>Unauthorised expenditure</p> <p>Unauthorised expenditure is recognised in the statement of financial position until such time as the expenditure is either:</p> <ul style="list-style-type: none"> • approved by Parliament or the Provincial Legislature with funding and the related funds are received; or • approved by Parliament or the Provincial Legislature without funding and is written off against the appropriation in the statement of financial performance; or • transferred to receivables for recovery. <p>Unauthorised expenditure is measured at the amount of the confirmed unauthorised expenditure.</p>
19	<p>Fruitless and wasteful expenditure</p> <p>Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and or wasteful expenditure incurred.</p> <p>Fruitless and wasteful expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables for recovery.</p> <p>Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.</p>
20	<p>Irregular expenditure</p> <p>Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred unless it is impracticable to determine, in which case reasons therefor are provided in the note.</p> <p>Irregular expenditure is removed from the note when it is either condoned by the relevant authority, transferred to receivables for recovery or not condoned and is not recoverable.</p> <p>Irregular expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.</p>
21	<p>Changes in accounting policies, accounting estimates and errors</p> <p>Changes in accounting policies that are effected by management have been applied retrospectively in accordance with MCS requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such instances the Department shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.</p> <p>Changes in accounting estimates are applied prospectively in accordance with MCS requirements.</p>

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	Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with MCS requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the Department shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.
22	Events after the reporting date Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the financial statements.
23	Principal-Agent arrangements The Department is party to a principal-agent arrangement for implementation of the water and sanitation projects through arrangements with various water boards and municipalities. In terms of the arrangement the Department is the principal and is responsible for project funding and accountability to Parliament. All related revenues, expenditures, assets and liabilities have been recognised or recorded in terms of the relevant policies listed herein. Additional disclosures have been provided in the notes to the financial statements where appropriate.
24	Departures from the MCS requirements Management has concluded that the financial statements present fairly the Department's primary and secondary information; that the Department complied with the Standard except that it has departed from a particular requirement to achieve fair presentation; and the requirement from which the Department has departed, the nature of the departure and the reason for departure.
25	Capitalisation reserve The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but which are recognised in the statement of financial position for the first time in the current reporting period. Amounts are recognised in the capitalisation reserves when identified in the current period and are transferred to the National/Provincial Revenue Fund when the underlying asset is disposed and the related funds are received.
26	Recoverable revenue Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year. Amounts are either transferred to the National/Provincial Revenue Fund when recovered or are transferred to the statement of financial performance when written-off.
27	Related party transactions A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party. Related party transactions are recorded in the notes to the financial statements when the transaction is not at arm's length. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Department. The number of individuals and their full compensation is recorded in the notes to the financial statements.
28	Inventories (<i>Effective from 1 April 2016</i>) At the date of acquisition, inventories are recorded at cost price in the notes to the financial statements. Where inventories are acquired as part of a non-exchange transaction, the cost of inventory is its fair value at the date of acquisition. Inventories are subsequently measured at the lower of cost and net realisable value or the lower of cost and replacement value.

29	<p>Public-Private Partnerships</p> <p>Public Private Partnerships are accounted for based on the substance of the partnership. The transaction is accounted for as either capital assets, finance or operating leases in accordance with the relevant accounting policies.</p> <p>A summary of the significant terms of the PPP agreement, the parties to the agreement, and the date of commencement thereof together with the description and nature of the concession fees received, the unitary fees paid, rights and obligations of the Department are recorded in the notes to the financial statements.</p>
30	<p>Employee benefits</p> <p>The value of each major class of employee benefit obligation (accruals payables not recognised and provisions) is disclosed in the Employee benefits note.</p>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1 Annual Appropriation

1.1 Annual Appropriation

Included are funds appropriated in terms of the Appropriation Act (and the Adjustments Appropriation Act) for National Department of Water and Sanitation (Voted funds):

	2016/17			2015/16	
	Final Appropriation	Actual Funds Received	Funds not requested/ not received	Final Appropriation	Appropriation received
	R'000	R'000	R'000	R'000	R'000
Administration	1 612 951	1 612 951	-	1 519 753	1 519 753
Water Planning and Information Management	814 813	814 813	-	684 446	684 446
Water Infrastructure Development	12 012 696	12 012 696	-	11 856 540	11 856 540
Water and Sanitation Services	738 060	738 060	-	1 414 674	1 414 674
Water Sector Regulation	346 077	346 077	-	271 117	271 117
Total	15 524 597	15 524 597	-	15 746 530	15 746 530

1.2 Conditional grants

	Note	2016/17 R'000	2015/16 R'000
Total grants received	36	4 694 982	2 305 029

2 Departmental revenue

	<i>Note</i>	2016/17	2015/16
		R'000	R'000
Tax revenue			
Sales of goods and services other than capital assets	2.1	3 164	2 576
Interest dividends and rent on land	2.2	1 384	2 428
Sales of capital assets	2.3	-	31
Transactions in financial assets and liabilities	2.4	16 416	5 973
Transfer received	2.5	-	-
Departmental revenue collected		20 964	11 008

2.1 Sales of goods and services other than capital assets

	<i>Note</i>	2016/17	2015/16
		R'000	R'000
Sales of goods and services produced by the Department	2	3 164	2 547
Sales by market establishment		877	920
Administrative fees		-	66
Other sales		2 287	1 561
Sales of scrap waste and other used current goods		-	29
Total		3 164	2 576

2.2 Interest dividends and rent on land

	<i>Note</i>	2016/17	2015/16
		R'000	R'000
Interest	2	1 384	2 428
Total		1 384	2 428

2.3 Sale of capital assets

	<i>Note</i>	2016/17	2015/16
		R'000	R'000
Tangible assets			
Machinery and equipment		-	31
Total		-	31

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**2.4 Transactions in financial assets and liabilities**

	<i>Note</i>	2016/17	2015/16
	2	R'000	R'000
Receivables		3 484	3 140
Stale cheques written back		(5)	14
Other Receipts including Recoverable Revenue		12 937	2 819
Total		16 416	5 973

2.5 Transfers received

	<i>Note</i>	2016/17	2015/16
	2	R'000	R'000
Public corporations and private enterprises		-	-
Total		-	-

3 Compensation of employees**3.1 Salaries and Wages**

	<i>Note</i>	2016/17	2015/16
	3	R'000	R'000
Basic salary		1 001 809	941 848
Performance award		19 805	17 120
Service Based		3 406	2 834
Compensative/circumstantial		20 846	20 307
Periodic payments		8	8
Other non-pensionable allowances		215 326	209 309
Total		1 261 200	1 191 426

3.2 Social contributions

	<i>Note</i>	2016/17	2015/16
	3	R'000	R'000
Employer contributions			
Pension		120 020	112 213
Medical		58 476	56 560
UIF		-	1
Bargaining council		249	169
Total		178 745	168 943
Total compensation of employees		1 439 945	1 360 369
 Average number of employees		 3 469	 3 543

4 Goods and services

	<i>Note</i>	2016/17	2015/16
		R'000	R'000
Administrative fees		7 981	4 602
Advertising		18 349	54 686
Minor assets	4.1	6 599	8 224
Bursaries (employees)		2 834	2 864
Catering		4 920	5 254
Communication		36 876	41 260
Computer services	4.2	115 415	129 296
Consultants: Business and advisory services		249 432	107 597
Infrastructure and planning services		122 008	231 576
Laboratory services		5 789	5 201
Legal services		12 866	11 073
Contractors		368 647	127 482
Agency and support/outsourced services		22 286	38 730
Entertainment		165	163
Audit cost – external	4.3	28 875	29 855
Fleet services		3 006	1 786
Inventory	4.4	6 245	45 212
Consumables	4.5	29 519	19 947
Operating leases		326 325	317 362
Property payments	4.6	91 857	82 065
Rental and hiring		565	899
Transport provided as part of the Departmental activities		738	196
Travel and subsistence	4.7	207 163	227 506
Venues and facilities		4 036	11 122
Training and development		14 212	17 031
Other operating expenditure	4.8	13 219	14 450
Total		1 699 927	1 535 439

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4.1 Minor assets

	<i>Note</i>	2016/17	2015/16
	4	R'000	R'000
Tangible assets		6 599	8 224
Machinery and equipment		6 564	8 143
Transport assets		35	81
Intangible assets			
Software		-	-
Total		6 599	8 224

4.2 Computer services

	<i>Note</i>	2016/17	2015/16
	4	R'000	R'000
SITA computer services		22 968	24 895
External computer service providers		92 447	104 401
Total		115 415	129 296

4.3 Audit cost – External

	<i>Note</i>	2016/17	2015/16
	4	R'000	R'000
Regularity audits		27 355	21 863
Performance audits		-	1 726
Investigations		1 200	4 448
Environmental audits		-	1
Computer audits		320	1 817
Total		28 875	29 855

4.4 Inventory

	<i>Note</i>	2016/17	2015/16
	4	R'000	R'000
Clothing material and accessories		1 166	2 031
Farming supplies		50	86
Food and food supplies		188	153
Fuel oil and gas		1 623	1 948
Materials and supplies		3 070	3 751
Medical supplies		80	50
Other supplies	<i>4.4.1</i>	68	37 193
Total		6 245	45 212

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**4.4.1 Other supplies**

	<i>Note</i>	2016/17	2015/16
	4.4	R'000	R'000
Assets for distribution		68	31 795
Other assets for distribution		68	31 795
Other		-	5 398
Total		68	37 193

4.5 Consumables

	<i>Note</i>	2016/17	2015/16
	4	R'000	R'000
Consumable supplies		14 046	6 223
Uniform and clothing		2 290	390
Household supplies		5 886	4 637
Building material and supplies		557	480
Communication accessories		1	12
IT consumables		1 044	196
Other consumables		4 268	508
Stationery printing and office supplies		15 473	13 724
Total		29 519	19 947

4.6 Property payments

	<i>Note</i>	2016/17	2015/16
	4	R'000	R'000
Municipal services		45 551	48 829
Property maintenance and repairs		19 696	19 893
Other		26 610	13 343
Total		91 857	82 065

4.7 Travel and subsistence

	<i>Note</i>	2016/17	2015/16
	4	R'000	R'000
Local		191 338	205 285
Foreign		15 825	22 221
Total		207 163	227 506

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4.8 Other operating expenditure

	Note	2016/17	2015/16
	4	R'000	R'000
Professional bodies membership and subscription fees		348	1 219
Resettlement costs		1 417	434
Other		11 454	12 797
Total		13 219	14 450

Included in the line item other operating expenditure in sub-note 4.8 for Goods & Services is an amount of R11.5 million (2015/16: R12.7 million) classified under other expenditure line item of which the breakdown per trial balance is below:-

	Note	2016/17	2015/16
	4	R'000	R'000
Laundry Services		2	-
Courier and Delivery Services		919	1 368
Competency Certificates		105	65
Freight Services		-	31
Voluntary Workers		12	8
Non-Life Insurance Premiums		3 215	5 887
Printing and Publication Services		4 434	4 984
Roadworthy Tests		6	7
Storage Of Assets		53	5
Storage Of Files		57	10
Warranties and Guarantees		2 651	432
Total		11 454	12 797

5 Interest and rent on land

	Note	2016/17	2015/16
	5	R'000	R'000
Interest paid		74	6 525
Rent on land		-	10
Total		74	6 535

6 Payments for financial assets

	Note	2016/17 R'000	2015/16 R'000
Material losses through criminal conduct		-	4 551
Theft	6.3	-	4 551
Other material losses written off	6.1		
Debts written off	6.2	3	298
Total		3	4 849

6.1 Other material losses written off

	Note	2016/17 R'000	2015/16 R'000
Nature of losses	6		
Prepayments and Advances		-	-
Salary Control Accounts		-	-
Total		-	-

6.2 Debts written off

	Note	2016/17 R'000	2015/16 R'000
Nature of debts written off	6		
Bad debts		-	287
Human Settlement		-	11
Bad Debts - Irrecoverable		3	-
Total		3	298

6.3 Details of the theft

	Note	2016/17 R'000	2015/16 R'000
Nature of theft	6		
Fraud and Disallowance		-	4 551
Total		-	4 551

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7 Transfers and subsidies

		2016/17 R'000	2015/16 R'000
	<i>Note</i>		
Provinces and municipalities	36 37	4 681 319	2 305 689
Departmental agencies and accounts	Annex 1B	1 725 869	1 744 838
Higher education institutions	Annex 1C	-	1 000
Foreign governments and international organisations	Annex 1E	188 250	189 231
Public corporations and private enterprises	Annex 1D	844 773	801 748
Non-profit institutions	Annex 1F	3 337	681
Households	Annex 1G	38 609	35 157
Total		7 482 157	5 078 344

Unspent funds transferred to the above beneficiaries

Provinces and municipalities	14 209	-
Departmental agencies and accounts	700	-
Total	14 909	-

8 Expenditure for capital assets

	<i>Note</i>	2016/17 R'000	2015/16 R'000
Tangible assets		4 989 373	7 542 407
Buildings and other fixed structures	32	4 927 369	7 455 957
Machinery and equipment	30	62 004	86 450
Intangible assets		23 959	29 031
Software	31	23 959	29 031
Total		5 013 332	7 571 438

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

8.1 Analysis of funds utilised to acquire capital assets

	Voted funds	Aid assistance	Total
	R'000	R'000	R'000
Tangible assets	4 989 373	-	4 989 373
Buildings and other fixed structures	4 927 369	-	4 927 369
Machinery and equipment	62 004	-	62 004
Intangible assets	23 959	-	23 959
Software	23 959	-	23 959
Total	5 013 332	-	5 013 332

8.2 Analysis of funds utilised to acquire capital assets

	Voted funds	Aid assistance	Total
	R'000	R'000	R'000
Tangible assets	7 542 407	-	7 542 407
Buildings and other fixed structures	7 455 957	-	7 455 957
Machinery and equipment	86 450	-	86 450
Intangible assets	29 031	-	29 031
Software	29 031	-	29 031
Total	7 571 438	-	7 571 438

8.3 Finance lease expenditure included in expenditure for capital assets

	Note	2016/17	2015/16
	8	R'000	R'000
Tangible assets			
Machinery and equipment		22 143	22 493
Total		22 143	22 493

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

9 Unauthorised expenditure

9.1 Reconciliation of unauthorised expenditure

	Note	2016/17	2015/16
	9	R'000	R'000
Opening balance		3 782	3 782
Prior period error		-	-
As restated		3 782	3 782
Unauthorised expenditure - discovered in the current year (as restated)		406 923	-
Less: Amounts approved by Parliament/Legislature with funding		(3 782)	-
Unauthorised expenditure awaiting authorisation/ written off		406 923	3 782
Analysis of awaiting authorisation per economic classification			
Current		-	495
Capital		292 269	-
Transfers and subsidies		114 654	3 287
Total		406 923	3 782

9.2 Analysis of unauthorised expenditure awaiting authorisation per economic classification

	2016/17	2015/16
	R'000	R'000
Current	-	495
Capital	292 269	-
Transfers and subsidies	114 654	3 287
Total	406 923	3 782

9.3 Analysis of unauthorised expenditure awaiting authorisation per type

	2016/17	2015/16
	R'000	R'000
Unauthorised expenditure relating to overspending of the vote or a main division within a vote	292 269	495
Unauthorised expenditure incurred not in accordance with the purpose of the vote or main division	114 654	3 287
Total	406 923	3 782

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**9.4 Details of unauthorised expenditure – current year**

Incident	Disciplinary steps taken/criminal proceedings	2016/17 R'000
Transfer made to Implementing Agent without prior approval from National Treasury	The Department will engage National Treasury for approval of the transfer	114 654
Bucket Eradication Programme (BEP) overspent which was due to the payments of invoices related to services rendered in previous financial years using current year allocations.	The Department has instituted an investigation into the unauthorised expenditure.	292 269
Total		406 923

10 Cash and cash equivalent

	<i>Note</i> 10	2016/17 R'000	2015/16 R'000
Consolidated Paymaster General Account		-	147 133
Cash on hand		76	82
Investments (Domestic)		142	259
Total		218	147 474

11 Prepayments and advances

	<i>Note</i>	2016/17 R'000	2015/16 R'000
Travel and subsistence		306	241
Advances paid (Not expensed)	11.1	37 942	38 738
Total		38 248	38 979

11.1 Advances paid (Not expensed)

	<i>Note</i> 11	2016/17 R'000	2015/16 R'000
National departments		685	446
Provincial departments		-	-
Public entities		37 257	38 266
Other entities		-	26
Total		37 942	38 738

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12 Receivables

	Note	2016/17			2015/16		
		Current	Non-current	Total	Current	Non-current	Total
		R'000	R'000	R'000	R'000	R'000	R'000
Claims recoverable	12.1 Annex 4	39 392	-	39 392	1 810	-	1 810
Recoverable expenditure	12.2	(88)	-	(88)	1 423	-	1 423
Staff debt	12.3	4 679	-	4 679	6 917	-	6 917
Other debtors	12.4	24 775	-	24 775	-	-	-
Fruitless & Wasteful Exp.		10 680	-	10 680	-	-	-
Total		79 438	-	79 438	10 150	-	10 150

12.1 Claims recoverable

	Note	2016/17	2015/16
	12	R'000	R'000
National departments		326	1 636
Provincial departments		-	87
Public entities		39 066	87
Total		39 392	1 810

12.2 Recoverable expenditure (disallowance accounts)

	Note	2016/17	2015/16
	12	R'000	R'000
Sal: Deduction Disallowance Accounts		1	-
Sal: Reversal Control Accounts		(100)	(64)
Sal: Tax Debt		5	1
Disallowance Payment Fraud: CA		2	2
Disallowance Miscellaneous: CA		4	1 484
Total		(88)	1 423

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**12.3 Staff debt**

	<i>Note</i>	2016/17	2015/16
	12	R'000	R'000
Salary Overpayment		2 298	2 100
Bursary (Breach of contract)		790	3 226
State Guarantees		2	5
T & S Advance: Dom		17	16
GG Accidents		36	65
Telephone Debt		358	374
Subsidies Transport		827	523
Departmental Debt/Employees/ Ex-employees/ Other		350	605
Tax Debt		1	3
Total		4 679	6 917

12.4 Other debtors

	<i>Note</i>	2016/17	2015/16
	12	R'000	R'000
Municipal/ Supplier Debt		21 723	-
External Debt		3 052	-
Total		24 775	-

12.5 Fruitless and Wasteful Expenditure

	<i>Note</i>	2016/17	2015/16
	12	R'000	R'000
Opening Balance		-	-
Less Amounts Recovered		(2)	-
Less Amounts Written Off		-	-
Transfers from note 26 Fruitless & Wasteful Expenditure		10 682	-
Interest		-	-
Total		10 680	-

12.6 Impairment of receivables

	<i>Note</i>	2016/17	2015/16
	12	R'000	R'000
Estimate of impairment of receivables		2 292	2 099
Total		2 292	2 099

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13 Voted funds to be surrendered to the Revenue Fund

	Note	2016/17 R'000	2015/16 R'000
Opening balance		189 553	1 912 798
Prior period error	13.1		3
As restated		189 553	1 912 801
Transfer from statement of financial performance (as restated)		(110 841)	189 556
Add: Unauthorised expenditure for current year		406 923	-
Voted funds not requested/not received	1.1	-	-
Paid during the year		(189 553)	(1 912 804)
Closing balance		296 082	189 553

13.1 Prior period error

	Note	2015/16 R'000
	13	
Nature of prior period error		(3)
Relating to 2015/16		
Closing balance incorrectly reported due to typing error during the printing of the Annual Report		189 550
Closing balance as restated on the Annual Report		(189 553)
Total prior period errors		(3)

Prior year balance for voted funds to be surrendered to National Revenue Fund was adjusted from R189 million reported in 2015/2016 to R189 million restated amount. The net effect of prior year error is that the opening balance has increased by R3 thousand.

14 Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund

	Note	2016/17 R'000	2015/16 R'000
Opening balance		856	182
Prior period error	14		2
As restated		856	184
Transfer from Statement of Financial Performance (as restated)		20 964	11 008
Paid during the year		(21 505)	(10 336)
Closing balance		315	856

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**14.1 Prior period error**

	<i>Note</i>	2015/16
	14	R'000
Nature of prior period error		(2)
Relating to 2015/16		
Closing balance incorrectly reported due to typing error during printing of the Annual Report		854
Closing balance as restated on the Annual Report		(856)
Total prior period errors		(2)

Prior year balance for revenue to be surrendered to National Revenue Fund was adjusted from R854 thousand reported in 2015/2016 to R856 thousand restated amount. The net effect of prior year error is that the opening balance has increased by R2 thousand.

15 Bank Overdraft

	<i>Note</i>	2016/17	2015/16
	15	R'000	R'000
Consolidated Paymaster General Account		193 645	-
Overdraft with commercial banks (Local)		-	6
Total		193 645	6

16 Loans

	<i>Note</i>	2016/17	2015/16
	16	R'000	R'000
Public corporations		5 842	8 243
Total		5 842	8 243

Analysis of Balance

Opening balance	8 243	10 318
New Issues	250	360
Repayments	(2 651)	(2 435)
Closing balance	5 842	8 243

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

17 Payables – current

	<i>Note</i>	2016/17	2015/16
		R'000	R'000
Amounts owing to other entities			-
Clearing accounts	17.1	105	4 537
Other payables		(4)	
Total		101	4 537

17.1 Clearing accounts

	<i>Note</i>	2016/17	2015/16
		R'000	R'000
Sal: Income Tax	17	87	643
Sal: Pension Fund: CL		2	39
Payable: Adv: Pub Ent Adv Acc CL		17	13
Sal: Bargaining Councils: CL		1	-
Sal: Finance Other Institution CL		-	3 842
Sal: Rent Non Recoverable: CL		(2)	-
Total		105	4 537

17.2 Other payables

	<i>Note</i>	2016/17	2015/16
		R'000	R'000
Bank charges to be paid April 2017	17	(4)	-
Total		(4)	-

18 Net cash flow available from operating activities

	<i>Note</i>	2016/17	2015/16
	<i>18</i>	R'000	R'000
Net surplus/ (deficit) as per Statement of Financial Performance		(89 877)	200 564
Add back non cash/ cash movements not deemed operating activities		4 733 063	5 632 941
(Increase)/ decrease in receivables – current		(69 288)	18 299
(Increase)/ decrease in prepayments and advances		731	(35 312)
(Increase)/ decrease in other current assets		3 782	-
Increase/ (decrease) in payables – current		(4 436)	1 687
Proceeds from sale of capital assets		-	(31)
Expenditure on capital assets		5 013 332	7 571 438
Surrenders to Revenue Fund		(211 058)	(1 923 140)
Voted funds not requested/ not received		-	-
Net cash flow generated by operating activities		4 643 186	5 833 505

19 Reconciliation of cash and cash equivalents for cash flow purposes

	<i>Note</i>	2016/17	2015/16
	<i>19</i>	R'000	R'000
Consolidated Paymaster General account		(193 645)	147 133
Cash on hand		76	82
Cash with commercial banks (Local)		142	253
Total		(193 427)	147 468

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20 Contingent liabilities and contingent assets

20.1 Contingent liabilities

	Note	2016/17	2015/16
	20	R'000	R'000
Liable to Nature			
Housing loan guarantees Employees	Annex 3A	95	135
Other guarantees	Annex 3A	21 212 640	21 642 229
Claims against the Department	Annex 3B	201 703	100 449
Intergovernmental payables (unconfirmed balances)	Annex 5	697 970	699 208
Total		22 112 407	22 442 020

Contingent liabilities have been based on the best estimate available.

Contingent liabilities relating to litigation have been based on the assessment of the estimated claim against the Department of Water & Sanitation.

Prior year error

Contingent liabilities: Guarantees – Foreign

Foreign Guarantees (in particular – TCTA (LHDA) (OSL 26)) was adjusted from R110.5 million reported in 2015/16 to R111. 6 million restated amount. The net-effect of prior year error is the Increase in the opening balance by R75 000.

20.2 Contingent assets

	Note	2016/17	2015/16
	20	R'000	R'000
Nature of contingent asset			
SJ Dube		2 108	2 108
JS Nkuna		967	931
Total		3 075	3 039

The Department of Water & Sanitation has legal claims against several Parties of which the outcome is still uncertain.

21 Commitments

	Note	2016/17	2015/16
	21	R'000	R'000
Current expenditure			
Approved and contracted		417 689	487 314
Approved but not yet contracted		16 157	54 966
		433 846	542 280
Capital expenditure			
Approved and contracted		8 743 872	10 300 684
Approved but not yet contracted		12	30 550
		8 743 884	10 331 233
Total Commitments		9 177 730	10 873 513

Prior year balance of capital commitments was adjusted from R8.8 billion reported in 2015/16 financial year to R10.3 billion restated amount to reflect the accurate balance that has been tested and validated for existence. The net-effect of prior year error is that the opening balance has increased by R1.465 billion.

The commitments reported arise from multi-year contractual arrangements and the relevant payments will be made over several years.

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22 Accruals and payables not recognised

22.1 Accruals

			2016/17 R'000	2015/16 R'000
Listed by economic classification				
	30 Days	30+ Days	Total	Total
Goods and services	18 152	133	18 285	81 939
Transfers and subsidies	-	-	-	-
Capital assets	384 065	347 200	731 265	549 644
Total	402 217	347 333	749 550	631 583
		<i>Note</i>	2016/17	2015/16
		22	R'000	R'000
Listed by programme level				
Administration			15 384	55 229
Water Planning and Information Management			900	5 461
Water Infrastructure Development			362 633	291 025
Water and Sanitation Services			370 264	276 888
Water Sector Regulation			369	2 980
Total			749 550	631 583

Prior year balance for accrual was adjusted from R501 million reported in 2015/2016 to R632 million restated amount. The net effect of prior year error is that the opening balance has increased by R131 million.

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22.2 Payables not recognised

			2016/17 R'000	2015/16 R'000
Listed by economic classification				
	30 Days	30+ Days	Total	Total
Goods and services	61 866	60 648	122 514	6 118
Transfers and subsidies	-	-	-	3
Capital assets	534 700	144 317	679 017	220 724
Total	596 566	204 965	801 531	226 845
		<i>Note</i>	2016/17	2015/16
		22	R'000	R'000
Listed by programme level				
Administration			96 343	4 297
Water Planning and Information Management			1 876	733
Water Infrastructure Development			669 316	218 483
Water and Sanitation Services			33 021	2 569
Water Sector Regulation			975	763
Total			801 531	226 845
		<i>Note</i>	2016/17	2015/16
			R'000	R'000
Included in the above totals are the following:				
Confirmed balances with other departments		<i>Annex 5</i>	1 105	45
Confirmed balances with other government entities		<i>Annex 5</i>	4 381	4 117
Total			5 486	4 162

Prior year balance for payable was adjusted from R227 million reported in 2015/2016 to R227 restated amount. The net effect of prior year error is that the opening balance has decreased by R33 thousand.

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23 Employee benefits

	Note	2016/17	2015/16
	23	R'000	R'000
Leave entitlement		69 536	61 683
Service bonus (Thirteenth cheque)		37 027	35 054
Performance awards		19 676	16 834
Capped leave commitments		81 488	85 231
Other (Long service awards)		1 691	2 146
Total		209 418	200 948

24 Lease commitments

24.1 Operating leases expenditure

2016/17	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
Not later than 1 year	-	-	-	-	-
Later than 1 year and not later than 5 years	-	-	-	-	-
Later than five years	-	-	-	-	-
Total lease commitments	-	-	-	-	-

2015/16	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
Not later than 1 year	-	-	-	-	-
Later than 1 year and not later than 5 years	-	-	-	-	-
Later than five years	-	-	-	-	-
Total lease commitments	-	-	-	-	-

Prior year error

The opening balance was adjusted from R498 million reported in 2015/16 to R0 restated amount. The net-effect of prior year error is the decrease in the opening balance by R498 million.

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**24.2 Finance leases expenditure****

2016/17	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
Not later than 1 year	-	-	-	5 775	5 775
Later than 1 year and not later than 5 years	-	-	-	3 956	3 956
Later than five years	-	-	-	-	-
Total lease commitments	-	-	-	9 731	9 731

2015/16	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
Not later than 1 year	-	-	-	17 736	17 736
Later than 1 year and not later than 5 years	-	-	-	4 757	4 757
Later than five years	-	-	-	-	-
Total lease commitments	-	-	-	22 493	22 493

25 Irregular expenditure**25.1 Reconciliation of irregular expenditure**

	<i>Note</i>	2016/17	2015/16
	25	R'000	R'000
Opening balance		2 493 172	781 826
Prior period error			
As restated		2 493 172	781 826
Add: Irregular expenditure – relating to prior year		2 176	885
Add: Irregular expenditure – relating to current year		1 683 814	1 710 461
Less: Prior year amounts condoned		(81)	-
Less: Current year amounts condoned		(11)	-
Closing balance		4 179 070	2 493 172

Analysis of awaiting condonation per age classification			
Current year		1 683 803	1 710 461
Prior years		2 495 267	782 712
Total		4 179 070	2 493 172

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**25.2 Details of irregular expenditure – current year**

Incident	Disciplinary steps taken/criminal proceedings	2016/17 R'000
Tender not advertised through SITA - Business Connection	Awaiting condonement	85 680
Services rendered without approval	Referred to labour relations	3
Appointment of the service provider by the implementing Agent on an emergency basis	Investigation in progress at the Implementing Agent to determine corrective steps to be taken	915 206
Tender above R500 000 for the "Almost Empty Campaign" implemented by Sedibeng Water without following SCM process i.e. advertising tender	Referred to Internal Audit for further investigation	10 000
Continuation of payments to supplier without the renewal or approval by the Accounting Officer or Delegated official in Limpopo for servicing lifts	Referred to Internal Audit for further investigation	19
Tender not advertised for procurement above R500 000 to assist with organising World Water Summit	Referred to Internal Audit for further investigation	8 483
Service provider appointed without following SCM processes	Referred to Internal Audit for further investigation	2 028
Three quotations not obtained for catering services in Eastern Cape	Referred to Internal Audit for further investigation	20
Lease payment made without existing contract in Mpumalanga for rental of office space	Referred to Internal Audit for further investigation	317
Maintenance of building contract without a variation order	Condoned by Accounting Officer	11
Overpayments of RBIG, WSIG and sanitation contracts	The irregular expenditure will be referred for investigation by Internal Audit	430 561
Emergency appointment of a service provider for intervention for supply, delivery and install desalination plant for the drought stricken Richards Bay.	To be referred for further investigation	213 958
Winning bidder not requested to provide quotations	To be referred for further investigation	227
Service provider appointed without following SCM processes	To be referred for further investigation	965
Appointed DG on a high salary scale without necessary approval. Payment for three months	To be referred for further investigation	59
Preference point system not applied	To be referred for further investigation	250
Deviation reasons not justifiable	To be referred for further investigation	16 027
Total		1 683 814

Included in the above irregular expenditure is an amount of R2.2 billion (R1.3 billion – 2015/16) which relates to a contractor that was appointed on the basis of emergency procurement in terms of Treasury Instruction. The Department believes that the basis was appropriate as it sought to implement the Minister's Directive which was issued as an emergency in terms of the Water Services Act.

The emergency appointment was carried out by the Department's Implementing Agent – Lepelle Northern Water Board. To prevent this recurring in the future the Department is implementing stringent oversight controls to ensure that all Implementing Agents adhere to the Department's Supply Chain processes.

Investigations are currently being carried out at all Implementing Agents (IAs) to determine and report accurately and completely all Irregular Expenditure identified. Corrective action will be taken upon finalisation of the investigations.

25.3 Details of irregular expenditure condoned

Incident	Condoned by (condoning authority)	2016/17 R'000
Catering Services were rendered without an order	Accounting Officer	15
Splitting of orders	Accounting Officer	33
Splitting of orders	Accounting Officer	33
Maintenance of building contract without variation order	Accounting Officer	11
Total		92

26 Fruitless and wasteful expenditure

26.1 Reconciliation of fruitless and wasteful expenditure

	Note	2016/17 R'000	2015/16 R'000
	26		
Opening balance		64 016	28 025
Prior period error			
As restated		64 016	28 025
Fruitless and wasteful expenditure – relating to prior year		-	23 441
Fruitless and wasteful expenditure – relating to current year		14 066	12 550
Less: Amounts resolved		(7 540)	-
Less: Amounts transferred to receivables for recovery		(10 682)	-
Fruitless and wasteful expenditure awaiting resolution		59 860	64 016

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**26.2 Analysis of awaiting resolution per economic classification**

	2016/17	2015/16
	R'000	R'000
Current	26 045	9 803
Capital	33 815	54 213
Total	59 860	64 016

26.3 Analysis of Current year's fruitless and wasteful expenditure

Incident	Disciplinary steps taken/criminal proceedings	2016/17 R'000
Transportation	Letters sent to officials informing them of the expense	34
Standing time (Bloem Water)	Under Investigation	13 960
Interest	Under Investigation	72
Total		14 066

The Department has initiated a review of all expenditure relating to capital projects to ascertain that the value reflected in the AFS as fruitless and wasteful expenditure is reliable, supported and complete.

26.4 Prior year error

	Note	2015/16
Nature of prior period error relating to 2015/16		
Prior year balance as reflected in the Annual Report incorrectly including amounts which have been raised as debtors		(87 156)
Restated balance excluding amounts which have already been raised as debtors		64 016
Net effect		(23 140)

Prior year balance of Fruitless Expenditure and wasteful expenditure was adjusted from R87 million reported in 2015/16 financial year to R64 million restated amount to reflect the accurate balance that has been tested and validated for existence. The net-effect of prior year error is that the opening balance has decreased by R23 million.

27 Related party transactions

	Note	2016/17	2015/16
	27	R'000	R'000
Year end balances arising from revenue/payments			
Payables to related parties		-	-
Total		-	-

	Note	2016/17	2015/16
	27	R'000	R'000
In kind goods and services provided/received			
Energy Water Sector Education and Training Authority (EWSETA) sponsored Adopt a River Training Programme		-	588
Water Institute of South Africa Biennial Conference sponsorship		800	-
Total		800	588

All departments and public entities in the national sphere of government are related parties. Below is the listing of related parties:-

National Treasury National Department of Agriculture Forestry & Fisheries National Department of Arts & Culture National Department of Basic Education Civilian Secretariat for Police National Department of Communications National Department of Cooperative Governance & Traditional Affairs National Department of Correctional Services National Department of Defence National Department of Economic Development National Department of Energy National Department of Environmental Affairs National Department of Government Communication and Information System (GCIS) National Department of Health National Department of Higher Education & Training National Department of Home Affairs National Department of Human Settlements National Department of Independent Police Investigative Directorate National Department of International Relations & Cooperation National Department of Justice & Constitutional Development National Department of Labour National Department of Military Veterans National Department of Mineral Resources National School of Government National Department of Performance Monitoring & Evaluation National Department of Public Enterprises National Department of Public Service Administration National Department of Public Service Commission National Department of Public Works National Department of Rural Development & Land Reform National Department of Science & Technology National Department of Social Development National Department of South African Police services National Department of South African Revenue Services National Department of Small Business Development National Department of State Security Agency National Department of Sport & Recreation South Africa National Department of Statistics South Africa National Department of Telecommunications & Postal Services National Department of Tourism National Department of Trade & Industry Traditional Affairs National Department of Transport National Department of Women The Presidency and all public entities in the national sphere of government.

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The table below indicates entities falling under the portfolio of the Minister

Public entities in the national sphere of government are related parties. Below is the listing of related parties:-

Amatola Water ;Bloem Water; Lepelle Northern; Magalies Water; Mhlathuze Water; Overberg Water; Pelladri Water

Rand Water; Sedibeng Water; Umgeni Water; Breede Catchment Management Agency; Inkomati Catchment Management Agency; Komati Basin Water Authority; Trans-Caledon Tunnel Authority; Water Research Commission; Water Trading Account; Kalahari West Water.

Irrigation Boards and Water User Associations in the national sphere of government are related parties. Below is the listing of related parties:-

Agterkliphoogte; Bellair; Buffelskloof; Cogmanskloof; Gamkarivier; Haarlem; Illovo; Kanoneiland; Manchester Noordwyk

Noord Agter Paarl; Perdeberg; Sondagsrivier (Elandsplaagte); Suid Agter Paarl; Uitnood.

28 Key management personnel

	No. of Individuals	2016/17 R'000	2015/16 R'000
Political office bearers (provide detail below)	2	4 211	4 211
Officials:			
Level 15 to 16	14	17 722	16 812
Level 14 (incl. CFO if at a lower level)	42	42 678	43 973
Family members of key management personnel	1	397	328
Total		65 008	65 324
	Note	2016/17	2015/16
	28	R'000	R'000
Mr T Modise		-	116
Total		-	116

In 2015/16 under the line item Consultants reported on note 5 for Goods & Services there was an amount paid for the Business Process Review (BPR) committee amounting to R116 thousand (current year: 0). The committee was appointed by the Minister to review and advise the minister on the business processes re-engineering of the Departments. The committee looked at the overall government mandate given to the Department, the relevance of the Department Strategic Plan to the overall priorities of the government and evaluated all legal instruments. Remuneration was as per above table.

29 Provisions

	<i>Note</i>	2016/17	2015/16
	29	R'000	R'000
Claims against the state - JS Erasmus		-	23
Total		-	23

29.1 Reconciliation of movement in provisions – 2016/17

	Provision 1	Provision 2	Provision 3	Total provisions
	R'000	R'000	R'000	R'000
Opening balance	-	23	-	23
Increase in provision	-	-	-	-
Settlement of provision	-	-	-	-
Unused amount reversed	-	(23)	-	(23)
Closing balance	-	-	-	-

Reconciliation of movement in provisions – 2015/16

	Provision 1	Provision 2	Provision 3	Total provisions
	R'000	R'000	R'000	R'000
Opening balance	-	-	-	-
Increase in provision	-	23	-	23
Settlement of provision	-	-	-	-
Unused amount reversed	-	-	-	-
Closing balance	-	23	-	23

JS Erasmus disclosed under contingent liabilities

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30 Movable Tangible Capital Assets

Movement in movable tangible capital assets per asset register for the year ended 31 March 2017

	Opening balance R'000	Value adjustments R'000	Additions R'000	Disposals R'000	Closing Balance R'000
Machinery and equipment	372 010	(357)	39 911	2 535	409 029
Transport assets	15 157	(266)	3 679	2 106	16 464
Computer equipment	113 545	-	15 843	35	129 353
Furniture and office equipment	51 258	-	2 820	318	53 760
Other machinery and equipment	192 050	(91)	17 569	76	209 452
Total movable tangible capital assets	372 010	(357)	39 911	2 535	409 029

Movable Tangible Capital Assets under investigation

	Number	Value R'000
Included in the above total of the movable tangible capital assets per the asset register are assets that are under investigation:		
Machinery and equipment	37	285

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**30.1 Additions**

Additions to movable tangible capital assets per asset register for the year ended
31 March 2017

	Cash*	Non-cash**	(Capital Work in Progress current costs and finance lease payments)	Received current not paid (Paid current year received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
Machinery and equipment	62 001	-	(22 143)	53	39 911
Transport assets	16 223	-	(12 544)	-	3 679
Computer equipment	15 754	-	-	89	15 843
Furniture and office equipment	2 820	-	-	-	2 820
Other machinery and equipment	27 204	-	(9 599)	(36)	17 569
Total additions to movable tangible capital assets	62 001	-	(22 143)	53	39 911

30.2 Disposals

Disposals of movable tangible capital assets per asset register for the year ended
31 March 2017

	Sold for cash	Non-cash disposal	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
Machinery and equipment	-	2 535	2 535	-
Transport assets	-	2 106	2 106	-
Computer equipment	-	35	35	-
Furniture and office equipment	-	318	318	-
Other machinery and equipment	-	76	76	-
Total disposal of movable tangible capital assets	-	2 535	2 535	-

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30.3 Movement for 2015/16

Movement in movable tangible capital assets per asset register for the year ended 31 March 2016

	Opening balance	Prior period error	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
Machinery and equipment	310 758	-	65 371	(4 119)	372 010
Transport assets	13 657	-	1 500	-	15 157
Computer equipment	97 218	-	19 474	(3 147)	113 545
Furniture and office equipment	48 772	-	3 298	(812)	51 258
Other machinery and equipment	151 111	-	41 099	(160)	192 050
Total movable tangible capital assets	310 758	-	65 371	(4 119)	372 010

30.4 Minor assets

Movement in minor assets per the asset register for the year ended as at 31 March 2017

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	102	-	61 582	-	61 684
Value adjustments	-	-	-	156	-	156
Additions	-	-	-	6 920	-	6 920
Disposals	-	-	-	(71)	-	(71)
Total minor assets	-	102	-	68 587	-	68 689

Minor Capital Assets under investigation

	Number	Value R'000
Included in the above total of the minor capital assets per the asset register are assets that are under investigation:		
Machinery and equipment	26	27

Movement in minor assets per the asset register for the year ended as at 31 March 2016

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	102	-	53 735	-	53 837
Prior period error	-	-	-	-	-	-
Additions	-	-	-	8 670	-	8 670
Disposals	-	-	-	(823)	-	(823)
Total minor assets	-	102	-	61 582	-	61 684

31 Intangible Capital Assets

Movement in intangible capital assets per asset register for the year ended 31 March 2017

	Opening balance	Value adjustments	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
Software	95 136	-	23 959	-	119 095
Patents licences copyright brand names trademarks	5 468	-	-	-	5 468
Total intangible capital assets	100 604	-	23 959	-	124 563

31.1 Additions

Additions to intangible capital assets per asset register for the year ended 31 March 2017

	Cash	Non-Cash	(Development work in progress – current costs)	Received current year not paid (Paid current year received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
Software	23 959	-	-	-	23 959
Total additions to intangible capital assets	23 959	-	-	-	23 959

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31.2 Movement for 2015/16

Movement in intangible capital assets per asset register for the year ended 31 March 2016

	Opening balance	Prior period error	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
Software (61 648 +4 457)	66 105	-	29 031	-	95 136
Patents licences copyright brand names trademarks	5 468	-	-	-	5 468
Total intangible capital assets	71 573	-	29 031	-	100 604

32 Immovable Tangible Capital Assets

Movement in immovable tangible capital assets per asset register for the year ended 31 March 2017

	Opening balance	Value adjustments	Additions	Disposals	Closing Balance
	R'000		R'000	R'000	R'000
Buildings and other fixed structures	3 616 189	-	1 073 682	144 171	4 545 700
Dwellings	3 860	-	-	-	3 860
Non-residential buildings	6 923	-	-	-	6 923
Other fixed structures	3 605 406	-	1 073 682	(144 171)	4 534 917
Land and subsoil assets	11 503	-	-	-	11 503
Land	11 503	-	-	-	11 503
Capital Work-in-progress	18 764 662	532 154	4 927 370	(1 073 682)	23 150 504
Total immovable tangible capital assets	22 392 354	532 154	6 001 052	(1 217 853)	27 707 707

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**32.1 Additions**

Additions to immovable tangible capital assets per asset register for the year ended 31 March 2017

	Cash	Non-cash	(Capital Work in Progress current costs and finance lease payments)	Received current not paid (Paid current year received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
Building and other fixed structures	4 927 370	1 073 682	(4 927 370)	-	1 073 682
Other fixed structures	4 927 370	1 073 682	(4 927 370)	-	1 073 682
Total additions to immovable tangible capital assets	4 927 370	1 073 682	(4 927 370)	-	1 073 682

32.2 Disposals

Disposals of immovable tangible capital assets per asset register for the year ended 31 March 2017

	Sold for cash	Non-cash disposal	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
Buildings and other fixed structures	-	144 171	144 171	-
Dwellings	-	-	-	-
Other fixed structures	-	144 171	144 171	-
Total disposals of immovable tangible capital assets	-	144 171	144 171	-

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32.3 Movement for 2015/16

Movement in immovable tangible capital assets per asset register for the year ended 31 March 2016

	Opening balance R'000	Prior period error R'000	Additions R'000	Disposals R'000	Closing Balance R'000
Buildings and other fixed structures	2 235 653	(4498)	1 520 570	(135 536)	3 616 189
Dwellings	9 270	-	-	(5 410)	3 860
Non-residential buildings	6 923	-	-	-	6 923
Other fixed structures	2 219 460	(4498)	1 520 570	(130 126)	3 605 406
Land and subsoil assets	11 503	-	-	-	11 503
Land	11 503	-	-	-	11 503
Total immovable tangible capital assets	2 247 156	(4 498)	1 520 570	(135 536)	3 627 692

32.3.1 Prior period error

	Note	2015/16 R'000
Nature of prior period error		
Relating to 2015/16 [affecting the opening balance]		(4 498)
Reported in 2015/2016 Annual Financial Statements		(2 219 460)
Re-statement of 2015/2016 Annual Financial Statements		2 214 962
Total prior period errors		(4 498)

Prior year balance for Other fixed structures included in Immovable Tangible Capital Assets was adjusted from R2.219 billion reported in 2015/16 to R2.215 billion restated amount to reflect the accurate balance that has been tested and validated for existence. The net-effect of prior year error is that the opening balance has decreased by R4.5 million.

32.4 S42 Immovable assets

Assets subjected to transfer in terms of S42 of the PFMA – 2016/17

	Number of assets	Value of assets R'000
Buildings and other fixed structures		
Other fixed structures	213	4 517 417
Total	213	4 517 417

Included in the R 4.5 billion are completed assets awaiting formal transfer as follows:

- *Assets to the value of R2 billion are pending formal transfer as regulated by the Water Services Act 1997 (Act 108 of 1997) which requires the transfer and disposal of Water Services Works owned not to be disposed or transferred without approval of Parliament;*
- *Assets to the value of R1.4 billion are subject to the completion of acceptance processes with the beneficiaries in terms of section 42 of the Public Finance Management Act;*
- *The balance of R1, 1 billion relates to recently completed projects and still subject to the completion of acceptance processes with the beneficiaries in terms of section 42 of the Public Finance Management Act.*

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**CAPITAL PROJECTS TRANSITIONING**

The Department has converted some projects that were classified under schedule 6B of DORA to schedule 5B and is currently in a transition process to transfer the work in progress that is in the books of the Department over to the Municipalities. During the transition process, the commitments, accruals, and capital expenditure relating to these projects has been disclosed in the financial statements of the Department pending the S42 transfer in terms of the PFMA. The Department will transfer the outstanding balances to municipalities in line with Section 42 of the Public Finance Management ACT of 1999 (PFMA), Act No.1 of 1999.

Process followed by the Department when transferring is as below:

- The Department has forwarded the balances WIP and the commitments that are in our books to the Municipality, requesting them to confirm the balances in line with Section 42 of the Public Finance Management ACT of 1999 (PFMA), Act No.1 of 1999 states that both parties the receiving and the transferring party must agree with the inventory list and sign off.
- The confirmation of balances is taking long; consequently the commitments and work in progress balances have been included in the Financial Statement for 16/17 financial year to ensure a smooth transition.
- In terms of 42 of the PFMA when assets and liabilities are transferred from one entity to the other both Accounting Officers of the transferring and receiving must sign-off.
- Until this process is finalised, the transfer will remain pending and thus accounting of both commitments and WIP will remain with DWS.

Assets subjected to transfer in terms of S42 of the PFMA – 2015/16

	Number of assets	Value of assets R'000
Buildings and other fixed structures	188	3 592 404
Other fixed structures	188	3 592 404
Total	188	3 592 404

33 Principal-agent arrangements

33.1 Department acting as the principal

	Fee paid	
	2016/17	2015/16
	R'000	R'000
Regional Bulk Infrastructure Grant (RBIG)	256 713	158 582
Water Services Infrastructure Grant (WSIG)	6 847	
Municipal Water Infrastructure Grant (MWIG)		31 806
Bucket Eradication Programme (BEP)		-
National Water Week		-
Women in Water Awards		-
Total	263 560	190 388

The Department is party to a principal-agent arrangement for implementation of the water and sanitation projects through arrangements with various water boards and municipalities. In terms of the arrangement the Department is the principal and is responsible for project funding and accountability to Parliament. During the financial year under review the Department paid management fee to the value of R264 million to various implementing agents (municipalities and water boards). The nature circumstances and terms relating to the arrangements differ from one implementing agents to another.

34 Prior period errors

34.1 Correction of prior period errors

	Note	2015/16
	24.2	R'000
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund		
Reported in 2015/16 Annual Financial Statements		854
Re-statement of 2016/17 Annual Financial Statements		(856)
Net effect		(2)

Prior year balance for Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund was adjusted from R854 thousand reported in 2015/16 to R856 thousand restated amount to reflect the accurate balance that has been tested and validated for existence. The net-effect of prior year error is that the opening balance has increased by R2 thousand.

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	Note	2015/16
	21	R'000
Commitments		
Reported in 2015/16 Annual Financial Statements		(8 835 000)
Re-statement of 2016/17 Annual Financial Statements		10 301 000
Net effect		1 466 000

Prior year balance of commitments was adjusted from R8.835 billion reported in 2015/16 financial year to R10 301 billion restated amount to reflect the accurate balance that has been tested and validated for existence. The net-effect of prior year error is that the opening balance has increased by R1.466 billion.

	Note	2015/16
	22.1	R'000
Accruals		
Reported in 2015/16 Annual Financial Statements		500 827
Re-statement of 2016/17 Annual Financial Statements		(631 583)
Net effect		(130 756)

Prior year balance for Accruals was adjusted from R501 million reported in 2015/16 to R632 million restated amount to reflect the accurate balance that has been tested and validated for existence. The net-effect of prior year error is that the opening balance has increased by R131 million.

	Note	2015/16
	22	R'000
Payables not recognised		
Reported in 2015/2016 Annual Financial Statements		(226 878)
Re-statement of 2015/2016 Annual Financial Statements		226 845
Net effect		(33)

Prior year balance for Payables not recognised was adjusted from R226.878 million reported in 2015/16 to R226.845 million restated amount to reflect the accurate balance that has been tested and validated for existence. The net-effect of prior year error is that the opening balance has decreased by R33 thousand.

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	Note	2015/16
	13.1	R'000
Voted Funds to be Surrendered		
Reported in 2015/2016 Annual Financial Statements		189 550
Re-statement of 2015/2016 Annual Financial Statements		(189 553)
Net effect		(3)

Prior year balance for Voted Funds to be surrendered was adjusted from R189.550 million reported in 2015/16 to R189.553 million restated amount to reflect the accurate balance. The net-effect of prior year error is that the opening balance has increased by R3 thousand.

	2015/16
	R'000
Total assets	
Reported in 2015/16 Annual Financial Statements	(3 609 904)
Re-statement of 2016/17 Annual Financial Statements	3 605 406
Net effect	(4 498)

Prior year balance for Total Assets was adjusted from R3.609 billion reported in 2015/16 to R3.605 billion restated amount to reflect the accurate balance that has been tested and validated for existence. The net-effect of prior year error is that the opening balance has increased by R4 million.

	Note	2015/16
	26	R'000
Fruitless Expenditure and wasteful expenditure		
Reported in 2015/16 Annual Financial Statements		(87 156)
Re-statement of 2016/17 Annual Financial Statements		64 016
Net effect		(23 140)

Prior year balance of Fruitless Expenditure and wasteful expenditure was adjusted from R87 million reported in 2015/16 financial year to R64 million restated amount to reflect the accurate balance that has been tested and validated for existence. The net-effect of prior year error is that the opening balance has decreased by R23 million.

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Annexure 1H 2015/16
R'000

Gifts, Donations and Sponsorships Received

Reported in 2015/16 Annual Financial Statements	1 110
Re-statement of 2016/17 Annual Financial Statements	(1 121)
Net effect	(11)

Prior year balance for donations was adjusted from R1.11 million reported in 2015/16 financial year to R1.12 million restated amount to reflect the accurate balance that has been tested and validated for existence. The net-effect of prior year error is that the opening balance has increased by R11 thousand.

Annexure 3A 2015/16
R'000

Financial Guarantees issued- Foreign

Reported in 2015/16 Annual Financial Statements	110 580
Re-statement of 2016/17 Annual Financial Statements	(110 655)
Net effect	(75)

Prior year balance - Foreign Guarantees (in particular – TCTA (LHDA) (OSL 26)) was adjusted from R110.5 million reported in 2015/16 to R111. 6 million restated amount. The net-effect of prior year error is the Increase in the opening balance by R75 000.

Annexure 3A 2015/16
R'000

Operating lease commitments

Reported in 2015/16 Annual Financial Statements	(498)
Re-statement of 2016/17 Annual Financial Statements	-
Net effect	(498)

The total opening balance for operating lease commitment was adjusted from R498 million reported in 2015/16 to R0 restated amount. The net-effect of prior year error is the decrease in the opening balance by R498 million.

35 Inventory

	<i>Note</i>	2016/17	2015/16
	<i>Annexure 6</i>	R'000	R'000
Opening balance		9 174	1 195
Add/ (Less): Adjustments to prior year balances		39 431	11 812
Add: Additions/ Purchases - Cash		6 245	10 577
Add: Additions - Non-cash		-	-
(Less): Disposals		-	-
(Less): Issues		(6 245)	(10 219)
Add/ (Less): Adjustments		(48 605)	(4 191)
Closing balance		-	9 174

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36 Statement of conditional grants received

Name of department	Grant allocation					Amount received by department	Spent			2015/16	
	Division of Revenue Act/ Provincial Grants	Roll Overs	DORA Adjust-ments	Other Adjust-ments	Total Available		Amount spent by department	Under / (Over-spending)	% of available funds spent by department	Division of Revenue Act	Amount spent by depart-ment
	R'000	R'000	R'000	R'000	R'000		R'000	R'000	%	R'000	R'000
Water Services Infrastructure Grant (WSIG)	2 844 982	-	-	-	2 844 982	2 844 982	2 830 982	14 000	100%	2 305 029	2 305 029
Regional Bulk Infrastructure Grant (RBIG)	1 850 000	-	-	-	1 850 000	1 850 000	1 849 791	209	100%	-	-
Total	4 694 982	-	-	-	4 694 982	4 694 982	4 680 773	14 209	100%	2 305 029	2 305 029

37 Statement of conditional grants and other transfers paid to municipalities

Name of municipality	Grant allocation				Transfer		
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department
	R'000	R'000	R'000		R'000	R'000	%
Water Services Infrastructure Grant (WSIG)							
Amatole Municipalities	119 190	-	-	119 190	119 190	-	-
Chris Hani Municipalities	101 597	-	-	101 597	101 597	-	-
Joe Gqabi Municipalities	71 828	-	-	71 828	71 828	-	-
O.R Tambo Municipalities	109 739	-	-	109 739	109 739	-	-
Alfred Nzo Municipalities	101 171	-	-	101 171	101 171	-	-
Letsemeng	55 000	-	5 140	60 140	60 140	-	-
Kopanong	25 702	-	(5 140)	20 562	20 562	-	-
Mohokare	30 265	-	-	30 265	30 265	-	-
Maluti-A-Phofung	20 000	-	-	20 000	20 000	-	-
Mogale City	20 000	-	-	20 000	20 000	-	-
Merafong City	20 000	-	-	20 000	20 000	-	-
Westonaria/Randfontein	30 000	-	-	30 000	30 000	-	-
uGu Municipality	73 213	-	(14 643)	58 570	58 570	-	-
Msunduzi Municipalities	36 721	-	-	36 721	36 721	-	-
Umgungundlovu Dist Municipalities	50 235	-	-	50 235	50 235	-	-
Uthungulu Municipalities	85 369	-	-	85 369	85 369	-	-
Amajuba Municipalities	49 400	-	-	49 400	49 400	-	-
Uthukela Municipalities	81 807	-	-	81 807	81 807	-	-
Zululand Municipalities	109 071	-	-	109 071	109 071	-	-

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Name of municipality	Grant allocation				Transfer		
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department
	R'000	R'000	R'000		R'000	R'000	%
Ilembe Municipalities	62 500	-	-	62 500	62 500	-	-
Umhlatuze Municipalities	50 921	-	(10 185)	40 736	40 736	-	-
Umzinyathi Municipalities	84 111	-	-	84 111	84 111	-	-
Umkhanyakude Municipalities	70 371	-	-	70 371	70 371	-	-
New Castle	40 613	-	-	40 613	40 613	-	-
Harry Gwala Dist Municipalities	86 118	-	-	86 118	86 118	-	-
Albert Luthuli	15 500	-	5 000	20 500	20 500	-	-
Thembisile	19 000	-	10 000	29 000	29 000	-	-
Thaba Chweu	20 000	-	14 643	34 643	34 643	-	-
Nkomazi	84 192	-	(15 000)	69 192	69 192	-	-
Bushbuckridge	130 000	-	20 000	150 000	150 000	-	-
Mbombela/ Umjindi Loc Municipalities	115 372	-	(20 000)	95 372	95 372	-	-
Moses Kotane	38 609	-	-	38 609	38 609	-	-
Dr Segomotsi Mompoti Dist Mun	77 700	-	-	77 700	77 700	-	-
Moretele	45 095	-	-	45 095	45 095	-	-
Kgetleng River	9 500	-	-	9 500	9 500	-	-
Rustenburg	30 000	-	-	30 000	30 000	-	-
Ratlou	4 000	-	-	4 000	4 000	-	-
Joe Morolong	85 184	-	-	85 184	85 184	-	-
Ga-Segonyana	55 800	-	-	55 800	55 800	-	-
Greater Sekhukhune Dist Mun	64 000	-	-	64 000	64 000	-	-

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

Name of municipality	Grant allocation				Transfer		
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department
	R'000	R'000	R'000		R'000	R'000	%
Mopani District Municipalities	109 288	-	-	109 288	109 288	-	-
Vhembe District Municipalities	108 000	-	-	108 000	108 000	-	-
Capricorn District Municipalities	102 800	-	-	102 800	102 800	-	-
Thabazimbi	20 000	-	-	20 000	6 000	14 000	-
Lephalale	21 000	-	10 185	31 185	31 185	-	-
Bela Bela	30 000	-	-	30 000	24 000	-	-
Waterberg	45 000	-	-	45 000	45 000	-	-
Mogalakwena	30 000	-	-	30 000	36 000	-	-
Regional Bulk Infrastructure Grant (RBIG)							
Chris Hani Municipalities	207 815	-	125 091	332 906	332 906	-	-
Joe Gqabi Municipalities	12 945	-	-	12 945	12 945	-	-
O.R. Tambo Municipalities	343 183	-	-	343 183	343 183	-	-
Setsotho	30 716	-	-	30 716	45 716	-	-
uGu Municipality	12 776	-	-	12 776	12 776	-	-
Uthukela Municipalities	80 000	-	(16 000)	64 000	64 000	-	-
Umkhanyakathi Municipalities	106 377	-	-	106 377	106 377	-	-
Zululand Municipalities	108 011	-	34 000	142 011	142 011	-	-
Uthungulu Municipalities	211 224	-	-	211 224	211 224	-	-
Harry Gwala District Municipalities	60 000	-	(12 000)	48 000	48 000	-	-
Polokwane	180 159	-	-	180 159	180 159	-	-
Gert Sibande District Municipalities	97 264	-	-	97 264	97 264	-	-

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

Name of municipality	Grant allocation				Transfer		
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department
	R'000	R'000	R'000		R'000	R'000	%
Bushbuckridge	140 000	-	(100 000)	40 000	40 000	-	-
Hantam	19 494	-	-	19 494	19 494	-	-
Kareeberg	15 000	-	-	15 000	15 000	-	-
Dikgatlong	15 000	-	14 250	29 250	750	-	-
Magereng	15 000	-	-	15 000	-	-	-
Dr Segomotsi Mompoti District Mun	113 339	-	15 000	128 339	128 339	-	-
Ceberg	21 047	-	(4 000)	17 047	16 838	209	-
Witzenberg	27 841	-	(27 841)	-	-	-	-
Stellenbosch	32 809	-	-	32 809	32 809	-	-
Unconditional Grants							
Mun B/ Acc: Vehicle Licences Mun	419	-	147	566	546	-	-
Total	4 695 401	-	28 647	4 724 048	4 681 319	14 209	-

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Annexure 1A: Statement of conditional grants and other transfers paid to municipalities

Name of municipality	Grant allocation				Transfer			Spent			2015/16
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Division of Revenue Act
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Water Services Infrastructure Grant (WSIG)											
Amatole Municipalities	119 190	-	-	119 190	119 190	-	-	119 190	55 394	46%	91 350
Chris Hani Municipalities	101 597	0	0	101 597	101 597	0	0	101 597	48 145	47%	129 608
Joe Gqabi Municipalities	71 828	0	0	71 828	71 828	0	0	71 828	51 959	72%	30 011
O.R Tambo Municipalities	109 739	0	0	109 739	109 739	0	0	109 739	80 743	74%	134 303
Alfred Nzo Municipalities	101 171	0	0	101 171	101 171	0	0	101 171	74 802	74%	101 071
uGu Municipality	73 213	0	(14 643)	58 570	58 570	0	0	58 570	32 318	55%	103 745
Msunduzi Municipalities	36 721	0	0	36 721	36 721	0	0	36 721	7 852	21%	58 333
Umgungundlovu Dist Municipalities	50 235	0	0	50 235	50 235	0	0	50 235	8 441	17%	80 080
Cederberg	0	0	0	0	-	-	-	-	-	-	3000
Matzikama	0	0	0	0	-	-	-	-	-	-	1500
Mogale City	20 000	0	0	20 000	20 000	0	0	20 000	7 000	35%	0

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

Name of municipality	Grant allocation				Transfer			Spent			2015/16
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Merafong City	20 000	0	0	20 000	20 000	0	0	20 000	4 501	23%	0
Westonaria/Randfontein	30 000	0	0	30 000	30 000	0	0	30 000	13 011	43%	0
Moretele	45 095	0	0	45 095	45 095	0	0	45 095	6 843	15%	10 178
Rustenburg	30 000	0	0	30 000	30 000	0	0	30 000	1 109	4%	19 000
Kgetleng River	9 500	0	0	9 500	9 500	0	0	9 500		0%	0
Uthungulu Municipalities	85 369	0	0	85 369	85 369	0	0	85 369	32 232	38%	100 118
Amajuba Municipalities	49 400	0	0	49 400	49 400	0	0	49 400	10 251	21%	22 825
Uthukela Municipalities	81 807	0	0	81 807	81 807	0	0	81 807	72 480	89%	57 382
Zululand Municipalities	109 071	0	0	109 071	109 071	0	0	109 071	33 553	31%	85 006
Ilembe Municipalities	62 500	0	0	62 500	62 500	0	0	62 500	62 500	100%	144 154
Sisonke Municipality Distr	0			0							48 000
Umlathuze Municipalities	50 921	0	-10 185	40 736	40 736	0	0	40 736		0%	62 382
Umkhanyakazi Municipalities	84 111	0	0	84 111	84 111	0	0	84 111	50 467	60%	86 200

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Name of municipality	Grant allocation				Transfer			Spent		2015/16
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by municipality	Amount spent by municipality	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	%	R'000
Umkhanyakude Municipalities	70 371	0	0	70 371	70 371	0	0	70 371	40%	9 200
New Castle	40 613	0	0	40 613	40 613	0	0	40 613	24%	17 825
Harry Gwala Dist Municipalities	86 118	0	0	86 118	86 118	0	0	86 118	39%	
Albert Luthuli	15 500	0	5 000	20 500	20 500	0	0	20 500	36%	25 000
Thembisile	19 000	0	10 000	29 000	29 000	0	0	29 000	42%	15 000
Dr JS Moroka	0	0	0	0	0	0	0	0		15 000
Thaba Chweu	20 000	0	14 643	34 643	34 643	0	0	34 643	31%	0
Nkomazi	84 192	0	-15 000	69 192	69 192	0	0	69 192	36%	15 000
Bushbuckridge	130 000	0	20 000	150 000	150 000	0	0	150 000	10%	20 000
Mbombela/ Umjindi Loc Municipalities	115 372	0	-20 000	95 372	95 372	0	0	95 372	25%	145 000
Moses Kotane	38 609	0	0	38 609	38 609	0	0	38 609	0%	12 500
Ratlou	4 000	0	0	4 000	4 000	0	0	4 000	0%	0
Dr Segomotsi Mompoti Dist mun	77 700	0	0	77 700	77 700	0	0	77 700	0%	44 237
Letsemeng	55 000	0	5 140	60 140	60 140	0	0	60 140	31%	0
Kopanong	25 702	0	(5 140)	20 562	20 562	0	0	20 562	19%	0
Mohokare	30 265	0	0	30 265	30 265	0	0	30 265	60%	15 000

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Name of municipality	Grant allocation				Transfer			Spent			2015/16
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Maluti-A-Phofung	20 000	0	0	20 000	20 000	0	0	20 000	4 377	22%	4 500
Joe Morolong	85 184	0	0	85 184	85 184	0	0	85 184	42 779	50%	82 500
Ga-Segonyana	55 800	0	0	55 800	55 800	0	0	55 800	49 997	90%	45 213
Greater Sekhukhune Dist Mun	64 000	0	0	64 000	64 000	0	0	64 000	46 976	73%	4 500
Mopani Dist Municipalities	101 288	0	0	101 288	109 288	0	0	109 288	1 430	0%	
Vhembe District Municipalities	108 000	0	0	108 000	108 000	0	0	108 000	21 838	20%	102 232
Capricorn District Municipalities	102 800	0	0	102 800	102 800	0	0	102 800	42 937	42%	97 808
Thabazimbi	20 000	0	0	20 000	6 000	14 000	0	6 000		0%	0
Lephalale	21 000	0	10 185	31 185	31 185	0	0	31 185	7 100	23%	27 000
Bela Bela	30 000	0	0	30 000	24 000	6 000	0	24 000	16 221	68%	10 000
Mogalakwena	30 000	0	0	30 000	36 000	-6 000	0	36 000	18 369	0	40 000
Waterberg	45 000	0	0	45 000	45 000	0	0	45 000	19 151	43%	
Nkomazi	0	0	0	0							118 740
Dihlabeng	0	0	0	0							2 500
Metsimaholo	0	0	0	0	-	-	-	-	-	-	3 500
Greater Giyani	4 000	0	0	4 000	-	-	-	-	-	-	0

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Name of municipality	Grant allocation				Transfer			Spent		2015/16
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%
Greater Letaba	4 000	0	0	4 000	-	-	-	-	-	0
Ehlanzeni	0	0	0	0	-	-	-	-	-	4 500
Madibeng	-	-	-	-	-	-	-	-	-	35 028
Phokwane	-	-	-	-	-	-	-	-	-	25 000
Regional Bulk Infrastructure Grant (RBIG)										
Chris Hani Municipalities	207 815	-	125 091	332 906	332 906	0	0	332 906	176 814	53%
Joe Gqabi Municipalities	12 945	-	0	12 945	12 945	0	0	12 945	5 817	45%
O. R. Tambo Municipalities	343 183	-	0	343 183	343 183	0	0	343 183	302 713	88%
Cederberg	21 047	-	(4 000)	17 047	16 838	209	0	16 838	5 022	30%
Witzenberg	27 841	-	(27 841)	0	0	0	0	0	-	-
Stellenbosch	32 809	-	0	32 809	32 809	0	0	32 809	17 332	53%
uGu Municipality	12 776	-	0	12 776	12 776	0	0	12 776	-	0%
Uthukela Municipalities	80 000	-	(16 000)	64 000	64 000	0	0	64 000	11 908	19%
Umzinyathi Municipalities	106 377	-	0	106 377	106 377	0	0	106 377	16 117	15%

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Name of municipality	Grant allocation				Transfer			Spent			2015/16
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Zululand Municipalities	108 011	-	34 000	142 011	142 011	0	0	142 011	57 526	41%	-
Uthungulu Municipalities	211 224	-	0	211 224	211 224	0	0	211 224	157 559	75%	-
Harry Gwala Municipality	60 000	-	(12 000)	48 000	48 000	0	0	48 000	2 554	5%	-
Gert Sibande Municipalities	97 264	-	0	97 264	97 264	0	0	97 264	8 769	9%	-
Bushbuckridge	140 000	-	(100 000)	40 000	40 000	0	0	40 000		0%	-
Dr Segomotsi Mopoti Dist mun	113 339	-	15 000	128 339	128 339	0	0	128 339	87 195	68%	-
Setso	30 716	-	15 000	45 716	45 716	0	0	45 716	33 627	74%	-
Hantam	19 494	-	0	19 494	19 494	0	0	19 494	4 049	21%	-
Kareeberg	15 000	-	0	15 000	15 000	0	0	15 000	1 132	8%	-
Dikgatlong	15 000	-	(14 250)	750	750	0	0	750	0	0%	-
Magareng	15 000	-	(15 000)	0	0	0	0	0	-	-	-
Plokwane Municipality	180 159	-	-	180 159	180 159	-	-	180 159	63 540	35%	-
Total	4 694 982	-	-	4 694 982	4 680 773	14 209	-	4 680 773	2 081 974	44%	2 305 029

Annexure 1B: Statement of transfers to departmental agencies and accounts

Department/ agency/ account	Transfer allocation				Transfer		2015/16
	Adjusted Appropriation	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	
	R'000	R'000	R'000	R'000	R'000	%	R'000
Energy Water Sector Education and Training Authority (EWSETA)	2 197	-	-	2 197	2 197	100%	2 588
Public Sector Education and Training Authority (PSETA)	-	-	-	-	-	-	457
Water Trading Account: Augmentation (Capital)	1 709 462	-	-	1 709 462	1 709 462	100%	1 735 123
Water Research Commission (WRC)	8 900	-	2 005	10 905	10 200	94%	7 700
Com: Licences (Radio and TV)	5	-	-	5	10	200%	21
SA Nat Space Agency	4 000	-	-	4 000	4 000	100%	-
Total	1 724 564	-	2 005	1 726 569	1 725 869		1 745 889

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Annexure 1C: Statement of transfers to higher education institutions

Department/ agency/ account	Transfer allocation			Transfer		2015/16 Appropriation Act
	Adjusted Appropriation	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred
	R'000	R'000	R'000	R'000	R'000	%
Stellenbosch University	1 000	-	(419)	581	-	-
University of the Western Cape	2 400	-	(2 000)	400	-	-
Total	3 400	-	(2 419)	981	-	-
						2 000

Annexure 1D: Statement of transfers/subsidies to public corporations and private enterprises

Name of public corporation/ private enterprise	Transfer allocation			Expenditure				2015/16
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Capital	Current
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Public Corporations								
Transfer								
Amatola Water Board	-	-	-	-	-	-	-	-
Magalies Water	142 769	-	-	142 769	142 769	100.0%	142 769	-
Sedibeng Water	279 000	-	-	279 000	279 000	100.0%	279 000	-
Umgeni Water	423 004	-	-	423 004	423 004	100.0%	423 004	-
	844 773	-	-	844 773	844 773	100.0%	844 773	-
Total	844 773	-	-	844 773	844 773	100.0%	844 773	-
								802 000

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Annexure 1E: Statement of transfers to foreign government and international organisations

Foreign government/ international organisation	Transfer allocation				Expenditure		2015/16 Appropriation Act
	Adjusted Appropriation Act	Roll overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfer							
African Minister Council on Water (AMCOW)	-	-	-	-	-		192
Komati River Basin Water Authority (KOBWA)	187 450	-	-	187 450	187 450	100%	188 238
Limpopo Watercourse Commission (LIMCOM)	287	-	119	406	-	0%	337
Orange-Seque River Basin Commission (ORASECOM)	800	-	-	800	800	100%	500
African Ministers' Council on Water (AMCOW) Trust Fund	133	-	-	133	-	0%	-
Total	188 670	-	119	188 789	188 250		189 267

Annexure 1F: Statement of transfers to non-profit institutions

Non-profit institutions	Transfer allocation				Expenditure		2015/16 Appropriation Act
	Adjusted Appropriation Act	Roll overs	Adjustments	Total Available	Actual Transfer	% of Available funds transferred	
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
NPI: Donations & Gifts NPI	921	-	-	921	854	93%	1 989
NPI: Claims Against State NPI	1 845	-	-	1 845	483	26%	6
NPI: Strategic Water Partner Network	-	-	1 297	1 297	2 000	154%	-
	2 766	-	1 297	4 063	3 337		1 995
Total	2 766	-	1 297	4 063	3 337		1 995

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Annexure 1G: Statement of transfers to households

Households	Transfer allocation				Expenditure		2015/16 Adjusted Appropriation Act
	Adjusted Appropriation Act	Roll overs	Adjustments	Adjusted Appropriation Act	Roll overs	Adjustments	
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
H/H: Bursaries (Non-Employees)	15 535	-	-	15 535	15 565	100%	13 904
H/H: Claim Against the State (Cash)	140	-	400	540	660	122%	-
Farmer Support Household (Cash)	15 661	-	-	15 661	10 867	69%	15 487
H/H Empl S/Ben: Leave Gratuity	7 881	-	3 157	11 038	11 168	101%	3 263
H/H: Donations Gift (Cash)	51	-	-	51	125	245%	51
Land Ref/Rest: Valuer (Transfer)	-	-	-	-	224	-	-
	39 268	-	3 557	42 825	38 609		32 705
Total	39 268	-	3 557	42 825	38 609		32 705

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Annexure 1H: Statement of gifts donations and sponsorships received

Name of organisation	Nature of gift donation or sponsorship	2016/17	2015/16
		R'000	R'000
Received in kind			
South African Breweries	Protective clothing	-	500
Energy Water Sector Education and Training Authority (EWSETA)	Adopt a River Training Programme	-	588
Exxaro Group of Companies	Cape Town Jazz Festival	-	9
Exxaro Group of Companies	Skouspel 2015	-	2
LSIS Advance Water Solutions & Government of Korea	7th World Water Forum sponsor for flights accommodation meal and ground transport	-	21
Phakisa World	Camp chair lunch and bag	-	1
Department of Sport & Recreation-Andrew Mlangeni Green Jacket Award	Mango Airline ticket - CPT-JHB-CPT, Birchwood Hotel One Night Hotel, Pencil Set, Glass Trophy and Medal	3	-
Phakisa World	5 Trolley Bags @ 100) Camp Chair, Lunch and Bag	4	-
Dwarsrivier Chrome Mine	Service (Marquee Tent, 1000 Chairs, VIP Tent with Chairs, Decoration for both Tents, Stage with Chairs and Tables. Promotional Items and 9 toilets).	1 104	-
			-
Subtotal		112	1 121
Total		112	1 121

Annexure 1H: Limpopo Province received donations from SAB Miller South Africa for protective clothing and donated protective clothing to unemployed women of Malamulele amounting to R500 thousand.

Prior year error: Prior year balance was adjusted with R9 thousand increase as a result of additional receipts that were erroneously omitted.

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Annexure 1J: Statement of gifts donations and sponsorships made

Nature of gift donation or sponsorship (Group major categories but list material items including name of organisation)	2016/17	2015/16
	R'000	R'000
Made in kind		
Protective clothing	-	500
Trophy	1	20
Trophy	-	32
Photo Frame	4	-
Engraving + Stickers	-	2
Engraving + Stickers	-	1
T-Shirt	-	7
Hat	-	8
First Aid Kit	-	4
Sponsorship for WISA 2016 conference	800	-
Total	805	574

Annexure 1L: Statement of indirect grants between national departments and municipalities

Name of grant	Grant allocation				Spent
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Amount
	R'000	R'000	R'000	R'000	R'000
Bucket Eradication Programme (BEP)	422 000	-	-	422 000	831 390
Water Services Infrastructure Grant (WSIG)	362 145	-	-	362 145	297 668
Regional Bulk Infrastructure Grant (RBIG)	3 478 829	-	-	3 478 829	3 422 262
Total	4 262 974			4 262 974	4 551 320

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Annexure 2B: Statement of investments in and amounts owing by / to entities

Name of Public Entity	Nature of business	Cost of investment		Net Asset value of Investment		Amounts owing to Entities		Amounts owing by Entities	
		R'000		R'000		R'000		R'000	
		2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
WATER BOARDS									
Kalahari West	Construct a stock drinking scheme	-	-	-	-	-	-	496	1 179
IRRIGATION BOARDS									
Agterkliphoogte	For irrigation	-	-	-	-	-	-	-	11
Buffelskloof	For irrigation	-	-	-	-	-	-	2	36
Cogmanskloof	For irrigation	-	-	-	-	-	-	76	232
Haarlem	Dam and pipelines	-	-	-	-	-	-	2 615	3545
Illovo	For irrigation	-	-	-	-	-	-	56	70
Kanoneiland	For irrigation	-	-	-	-	-	-	-	345
Manchester Noordwyk	For irrigation	-	-	-	-	-	-	2 020	2 060
Noord Agter Paarl	For irrigation	-	-	-	-	-	-	386	438
Perdeberg	For irrigation	-	-	-	-	-	-	191	261
Uitnood	For irrigation	-	-	-	-	-	-	-	52
MUNICIPALITIES									
Saldanha Bay	Purchase of Stompneus reservoir	-	-	-	-	-	-	-	14
Total		-	-	-	-	-	-	5 842	8 243

Annexure 2B: Statement of investments in and amounts owing by/to entities was not audited and does not form part of the audited Annual Financial Statements (AFS).

Prior period error: Error on annual report prior year Kalahari West captured as R1.5 million instead of R1.2 million. Overall total R8.2 million is correct

Annexure 3A: Statement of financial guarantees issued as at 31 March 2017 – Local

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2016	Guarantees draw-downs during the year	Guarantees repayments/cancelled/reduced/released during the year	Revaluations	Closing balance 31 March 2017	Guaranteed interest for year ended 31 March 2016	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	Housing								
NP Dev. Corp	Loans	310	95	-	-	-	95	-	-
Standard Bank	Loans	1 281	40	-	(40)	-	-	-	-
	Subtotal	1 591	135	-	(40)	-	95	-	-

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Annexure 3A: Statement of financial guarantees issued as at 31 March 2017 – Foreign

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2016	Guarantees draw-downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2017	Guaranteed interest for year ended 31 March 2016	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	Other								
KOBWA (18)	DBSA Driekoppies Dam	488 401	202 334	-	56 952	-	145 383	20 289	-
KOBWA (21)	Hambros Maguga Dam	380 000	380 000	-	-	-	380 000	50 625	-
KOBWA (27)	Gensec Bnk Maguga D	165 000	25 946	-	25 947	-	(1)	2 500	-
KOBWA	Rand Mer Bnk Maguga D	380 000	152 696	-	53 534	-	99 162	16 809	-
KOBWA	Nedcor Bnk Maguga D	233 000	95 688	-	33 735	-	61 953	10 645	-
Land Bank (30)	Water projects by WJA's	150 000	39 286	-	1 378	-	37 908	338	-
Land Bank (28)	Kalahari E Water Board	77 400	-	-	-	-	-	-	-
Land Bank (29)	Unzinkulwana WJA	500	-	-	-	-	-	-	-
TCTA (13)	Call Bills & Capital Bills.	4 000 000	202 000	40 000	60 000	-	182 000	392	-
TCTA (14)	Holders of L H W Projects	21 000 000	20 433 698	571 758	753 949	-	20 251 507	427 156	-
TCTA (LHDA)	DBSA - 2868/1	2 700	-	-	-	-	-	-	-
	Subtotal	26 877 001	21 531 648	611 758	985 495	-	21 157 912	528 754	-

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	Total	26 878 592	21 531 783	611 758	985 535	-	21 158 007	528 754	-
	Total								

Annexure 3A: Statement of financial guarantees issued as at 31 March 2017 – Foreign

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2016	Guarantees draw-downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2017	Guaranteed interest for year ended 31 March 2016	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Other									
TCTA (LHDA) (OSL 27)	EIB	36 262	14 029	-	5 612	-	8 417	21	-
TCTA (LHDA) (OSL 26)	EIB	599 554	29 709	-	19 409	(2 552)	12 852	64	-
TCTA (OSL 26 A)		-	15 421	-	7 710	-	7 711	18	-
TCTA (OSL 26 C)		-	3 067	-	1 534	-	1 533	4	-
TCTA (FXL 08)	EIB	588 568	48 429	-	24 214	-	24 215	558	-
	Subtotal	1 324 384	110 655	-	58 479	(2 552)	54 728	665	-
	Total	1 324 384	110 655	-	58 479	(2 552)	54 728	665	-

Prior year balance (in particular – TCTA (OSL 26)) was adjusted from R29 634 million reported in 2015/16 to R29 709 million restated amount. The net-effect of prior year error is the increase in the opening balance by R75 thousand.

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Annexure 3B: Statement of contingent liabilities as at 31 March 2017

Nature of liability	Opening balance 1 April 2016	Liabilities incurred during the year	Liabilities paid/ cancelled/ reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing balance 31 March 2017
	R' 000	R' 000	R' 000	R' 000	R' 000
Claims against the department					
Stephan Mogohlwane & Others	120	19	-	-	139
Freddy Aphane	21	3	-	-	24
Black Child Productions	10 000	-	-	-	10 000
S Walters "Voelvlei" vs. Minister of Public Works and Minister of Water Affairs and Forestry	17 770	1 836	(19 606)	-	-
Naledi Office Equipment	179	25	(204)	-	-
Standard Bank	6 777	1 118	(7 895)	-	-
Rothchild (Y Gontshi)	258	27	(284)	-	-
Nkondo GM	555	-	-	-	555
BM Symthe	5 665	-	(5 665)	-	-
Ntsumi Communications	518	47	-	-	564
Aqua Amos Chemicals CC	84	-	(84)	-	-
JJ Jordaan	18 337	2 842	-	-	21 179
Mothibe EK	66	-	(66)	-	-
Social Technologies (Pty) Ltd	30	3	(33)	-	-
Nana Chuma	35	-	(35)	-	-
Shilata Collins Mkansi	3 813	394	(4 207)	-	-
Rouleti Investments (Pty) Ltd	4 042	627	-	-	4 669
Mariam Mangera	13	2	-	-	15
APS obo Surita Kiesling	115	18	-	-	133
Ibrahim Mahomed and Others	4 683	726	-	-	5 409
Rubbytad Management Pty Ltd	17 549	-	-	-	17 549
Maselesele	12	-	(12)	-	-
Geldenbuys	1 226	190	-	-	1 416
JS Erasmus	20	-	-	-	20
Tuscan Mood 2001(Pty) Ltd	-	4 497	-	-	4 497

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Nature of liability	Opening balance 1 April 2016	Liabilities incurred during the year	Liabilities paid/ cancelled/ reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing balance 31 March 2017
	R' 000	R' 000	R' 000	R' 000	R' 000
Minister of DWS/ Thembi J Shongwe	-	290	-	-	290
Given Legwabe & 505 Others	-	8 838	-	-	8 838
Jonathan Pillay	105	-	(105)	-	-
Diners Club	2 395	340	(2 736)	-	-
Reinhardt Transport	6	1	(7)	-	-
Seani Silas Mbedzi	6 000	-	(6 000)	-	-
Hollard Insurance	46	7	(53)	-	-
Mavis Nondumiso Tom	10	-	(10)	-	-
Metsa Kekana	-	623	-	-	623
Vharanani Properties	-	273 393	(156 776)	-	116 617
MME Mello	-	158	(158)	-	-
Ban Africa // DWS	-	2 322	-	-	2 322
Bigen Africa	-	5 926	-	-	5 926
SJ Tabane & Others // DWS	-	33	-	-	33
L Sishuba // DWS	-	750	-	-	750
Olipa Maseko // Minister of Water and Sanitation	-	103	-	-	103
SA Satar / DWS and Mokgadi Hellen Maloba	-	32	-	-	32
TOTAL	100 449	203 936	(203 936)	-	201 703

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

Annexure 4: Claims recoverable

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total		Cash in transit at year end 2016/17 *	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016	31/03/2017	31/03/2016	Receipt date up to six (6) working days after year end	Amount
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Department								
National Department of Health	-	-	-	32	-	32	-	-
National Department of Water and Sanitation-Trading Account (W7)	-	-	299	1 566	299	1 566	-	-
Independent Police Investigative (Q9)	-	-	-	15	-	15	-	-
Nat Department Cooperative Governance & Traditional Affairs(27)	-	-	-	23	-	23	-	-
Gauteng Department of Health	-	-	-	21	-	21	-	-
North Cape Dept. of Health (H5)	-	-	-	20	-	20	-	-
North Cape Co-Op Govern Human Settlement Traditional Affairs (H4)	-	-	-	32	-	32	-	-
Gauteng Treasury (4G)	-	-	-	14	-	14	-	-
Eastern Cape Department of Health (D2)	-	-	11	-	11	-	-	-
National Department of Public Works	-	-	16	-	16	-	-	-
	-	-	326	1 723	326	1 723		-
OTHER GOVERNMENT ENTITIES								
Public Entities	-	-	39 066	87	39 066	4		-
Western Cape Region	-	-	-	-	-	-	2017/04/11	3
	-	-	39 066	87	39 066	4		3
Total	-	-	39 392	1 810	39 392	1 727		3

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

Annexure 5: Inter-governmental payables

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total		Cash in transit at year end 2016/17 *	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016	31/03/2017	31/03/2016	Receipt date up to six (6) working days before year end	Amount
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
DEPARTMENT								
Current								
Department of Justice & Constitutional Development	731	38	-	-	678	38	-	-
Limpopo Economic Development	-	7	-	-	-	7	-	-
Department of Public Works and Roads: North West	43	-	-	-	43	-	-	-
Gauteng Province: Provincial Treasury	28	-	-	-	28	-	-	-
South Africa Police Services	285	-	-	-	285	-	-	-
Department of Public Works	1				1			
Department of Higher Education and Training	17				17			
Subtotal	1 105	45	-	-	1 105	45	-	-
Total departments	1 105	45	-	-	1 105	45	-	-

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

Annexure 5: Inter-governmental payables

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total		Cash in transit at year end 2016/17 *	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016	31/03/2017	31/03/2016	Receipt date up to six (6) working days before year end	Amount
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
OTHER GOVERNMENT ENTITY								
Current								
Water and Sanitation Trading Entity	-	-	-	699 208	697 970	699 208	-	-
Special Investigation Unit (SIU)	814	4 117	-	-	353	4 117	-	-
AGSA	2 977	-	-	-	2 977	-	-	-
State Security Agency (SSA)	590	-	-	-	590	-	-	-
Subtotal	4 381	4 117	-	699 208	702 351	703 325	-	-
Total Other Government Entities	4 381	4 117	-	699 208	702 351	703 325	-	-
TOTAL INTERGOVERNMENTAL	5 486	4 162	-	699 208	703 456	703 370	-	-

Annexure 6: Inventories

Inventory	Note	Quantity	2016/17	Quantity	2015/16
			R' 000		R' 000
Opening balance		628 074	9 174	462 098	1 195
Add/ (Less): Adjustments to prior year balance		(623 845)	39 431	11 812	11 812
Add: Additions/ Purchases – Cash		555	6 245	168 576	10 577
Add: Additions - Non-cash		-	-	-	-
(Less): Disposals		-	-	(2)	-
(Less): Issues		(555)	(6 245)	(10 219)	(10 219)
Add/ (Less): Adjustments		(4 229)	(48 605)	(4 191)	(4 191)
Closing balance		-	-	628 074	9 174

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

Annexure 7: Movement in capital work in progress

MOVEMENT IN CAPITAL WORK IN PROGRESS FOR THE YEAR ENDED 31 March 2017				
	Opening balance	Current Year Capital WIP	Completed Assets	Closing balance
	R'000	R'000	R'000	R'000
BUILDINGS AND OTHER FIXED STRUCTURES				
Other fixed structures	-	-	-	-
TOTAL	-	-	-	-

Age analysis on on-going projects	Number of projects		2016/17
	Planned Construction not started	Planned Construction started	Total R'000
0 to 1 Year			-
1 to 3 Years			-
3 to 5 Years			-
Longer than 5 Years			-
Total			-

Include discussion on projects longer than 5 years in Capital WIP

MOVEMENT IN CAPITAL WORK IN PROGRESS FOR THE YEAR ENDED 31 March 2016					
	Opening balance	Prior period error	Current Year Capital WIP	Completed Assets	Closing balance
	R'000	R'000	R'000	R'000	R'000
BUILDINGS AND OTHER FIXED STRUCTURES					
Other fixed structures	19 296 816	-	4 922 935	(1 073 682)	23 146 069
	19 296 816	-	4 922 935	(1 073 682)	23 146 069
TOTAL	19 296 816	-	4 922 935	(1 073 682)	23 146 069

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Annexure 8A: Inter-entity advances paid (note 14)

Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016	31/03/2017	31/03/2016
	R'000	R'000	R'000	R'000	R'000	R'000
NATIONAL DEPARTMENTS						
Department of International Relations & Cooperation	-	95	-	-	-	95
Government Communication Information System	452	164	-	-	452	164
National School of Government	233	187	-	-	233	187
Subtotal	685	446	-	-	685	446
PUBLIC ENTITIES						
Rand Water	-	1 577	-	-	-	1 577
Sedibeng Water	-	36 689	37 257	-	37 257	36 689
Subtotal	-	38 266	37 257	-	37 257	38 266
OTHER ENTITIES						
African Scholar Magazine	-	26	-	-	-	26
Subtotal	-	26	-	-	-	26
Total	685	38 738	37 257	-	37 942	38 738



PART E
WATER
TRADING ENTITY

1 REPORT OF THE AUDIT COMMITTEE ON THE FINANCIAL STATEMENTS FOR THE WATER TRADING ENTITY

We are pleased to present our report for the financial year ended 31 March 2017.

Audit Committee and attendance

The Audit Committee consists of the external Members listed hereunder and is required to meet a minimum of at least two times per annum as per provisions of the Public Finance Management Act (PFMA). In terms of the approved Terms of Reference (Audit Committee Charter), seven meetings were held during the current year, i.e. five meetings to consider the Quarterly Performance Reporting (financial and non-financial) and two meetings to review and discuss the Annual Financial Statements and the Auditor-General of South Africa's (AGSA) Audit and Management Reports.

Non-Executive Members

Name of Member	Number of meetings attended
Mr Japie du Plessis (Chairperson)	07
Ms Annah Badimo	06
Mr Lwazi Kuse	04

Executive Members

In terms of the Audit Committee Charter, officials listed hereunder are obliged to attend meetings of the Audit Committee:

Compulsory Attendance	Number of meetings attended
Mr Sifiso Mkhize (Acting Accounting Officer)	01 (From 22/06/2016 to 31/12/2017)
Mr Dan Mashitisho (Accounting Officer)	03 (From 01 /01/2017)
Mr Mpho Mofokeng (Chief Financial Officer)	05
Mr Paul Nel (Acting Chief Financial Officer)	02 (From 18/04/2017)
Mr Chris Du Preez (Chief Risk Officer)	07

The Audit Committee noted that the Accounting Officer did not attend all seven scheduled Audit Committee meetings and delegated a proxy to attend on his behalf. Therefore, the Audit Committee is satisfied that the Entity adhered to the provisions of the Audit Committee Charter.

The Members of the Audit Committee met with the Senior Management of the Entity, Internal Audit and the AGSA, individually and collectively to address risks and challenges facing the Entity. A number of in-committee meetings were held to address control weaknesses and deviations within the Entity.

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38(1)(a) of the PFMA and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control and Information Communication Technology (ICT) governance

Deficiencies in the system of internal control and deviations were reported in the Internal and AGSA Audit Reports. The internal control environment in the Entity had deteriorated regarding the quality of the Financial Statements, Supply Chain Management and Financial Health Management.

Deficiencies in the system of internal control and deviations were reported in the Internal and AGSA audit reports. The Entity did not implement key policies and procedures regarding the identification, prevention and disclosure of irregular and fruitless and wasteful expenditure. Controls were not in place to ensure that quality financial statements were submitted to the AGSA as material misstatements were identified.

Project management remains a concern at the Entity. The instability at Accounting Officer level must be attended to as a matter of urgency.

Material uncertainty related to going concern/financial sustainability exists. The ability to undertake its objectives where the budget is depleted is a concern.

The Audit Committee also reviewed the progress with respect to the ICT Governance in line with the ICT Framework issued by the Department of Public Services and Administration. Although there were some progress on the ICT internal control, the Audit Committee report its dissatisfaction with minimal progress made with the implementation of the Information Technology Governance Framework, Disaster Recovery Plan, the Business Continuity Plan and the monitoring of access in the server control room and SAP users' access controls were ineffective. This continued to be a high risk for the Entity.

- The Entity did implement some of the recommendations made by the Audit Committee. Inadequate or no actions are taken against employees responsible for contravening the internal control processes, policies, laws and regulations. The main concerning areas to the Audit Committee that require urgent consequence management interventions are:
- Low performance achievements of strategic goals and indicators.
- Budget and financial management.
- Increased in non-compliance resulting in significant audit findings on irregular and fruitless and wasteful expenditure.
- Inadequate implementation of internal and external audit recommendations to ensure the resolution of findings. Assertions were made by management, based on the action plan, to the Audit Committee that significant audit findings were addressed but the audit process has subsequently concluded that management actions were not adequate to resolve the issues that were reported in prior year.

Internal Audit

The Audit Committee is satisfied that the Internal Audit plan represents a clear alignment with the key risks, has adequate information systems coverage, and a good balance across the different categories of audits, i.e. risk-based, mandatory, performance, computer and follow-up audits.

The Audit Committee has noted improvement in the communication between the Executive Management, the AGSA and the Internal Audit Function, which has strengthened the Corporate Governance initiatives within the Entity.

The Audit Committee wishes to stress that in order for the Internal Audit Function to operate at an optimal level as expected by the Audit Committee, the shortage in human resources and skills must be addressed as a matter of urgency. From a resource point of view, Internal Audit need to be equipped to provide assurance on a greater number of risks. The Chief Audit Executive post must be filled as a matter of urgency.

A significant number of audit findings remain unresolved by management and this non-implementation of internal audit recommendations limits the value derived from an internal audit function.

Risk Management

The Entity's approach to the management of risk is based on sound governance processes and depends on both a collective oversight and an individual responsibility. Progress on the Entity's Risk Management was reported to the Audit Committee on a quarterly basis. The Audit Committee is satisfied that the actual management of risk is receiving attention, although there are areas that still require improvement. Management should take full responsibility for the entire Enterprise Risk Management Process and continue to support the Chief Risk Officer to even further enhance the performance of the Entity.

The Audit Committee fulfils an oversight role regarding the management and reporting of risk. The Department continues to enhance its risk management capabilities that will better position the Department to achieve its objectives in a controlled environment.

Forensic Investigations

The Special Investigation Unit (SIU) conducted a forensic investigation regarding possible conflict of interest, possible irregularities and possible supply chain matter irregularities. This investigation was completed in the current year under review and the results were provided to the Entity.

Several investigations were conducted/are in progress by the Internal Audit unit at the request of the Accounting Officer and/or the Minister arising from allegations against officials of the Entity. The completed investigations resulted in recommendations for disciplinary and/or criminal proceedings to be instituted against the Entity's officials concerned.

The quality of quarterly reports submitted in terms of the PFMA and the Division of Revenue Act

The Audit Committee is satisfied with the content and quality of some of the financial and non-financial quarterly reports prepared and submitted by the Accounting Officer of the Entity during the year under review and confirms that the reports were mostly in compliance with the statutory reporting framework.

Evaluation of Annual Financial Statements

The Audit Committee has:

- Reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report, with the AGSA and the Accounting Officer;
- Reviewed the Audit Report of the AGSA;
- Reviewed the AGSA's Management Report and Management's response thereto;
- Reviewed the Entity's compliance with legal and regulatory provisions; and
- Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs with and accepts the AGSA's conclusions on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the AGSA. The Audit Committee would like to encourage Management and the AGSA to continuously improve the management of the audit process for the Entity.

Evaluation of Annual Performance Report

The Audit Committee has considered the performance information report submitted to the AGSA for review and noted that there are no material findings. This is a major improvement by the Department considering that the AGSA has reported significant findings in the past financial years and is indicative of an improvement in the internal controls over performance information.

Compliance with Laws and Regulations

Management has to ensure that all procurement complies with laws, regulations and all departmental policies and procedures. Remedial steps as prescribed in the PFMA must be instituted immediately to ensure that there is consequence management and compliance.

One-on-One Meeting with the Executive Authority

The Audit Committee did not meet with the Minister but she was apprised of the proceedings of the Audit Committee meetings by means of quarterly Executive Summaries.

One-on-One Meeting with the Accounting Officer

The Audit Committee has met with the Accounting Officer for the Department to address unresolved issues.

Auditor-General of South Africa

The Audit Committee has met with the AGSA to ensure that there are no unresolved issues.



Mr Japie du Plessis
Chairperson of the Audit Committee
Department of Water and Sanitation

31 July 2017

2 REPORT OF THE AUDITOR GENERAL TO PARLIAMENT ON THE WATER TRADING ENTITY

Report on the audit of the financial statements

Qualified Opinion

- 3 I have audited the financial statements of the Water Trading Entity set out on pages 348 to 408, which comprise of the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
- 4 In my opinion, except for the effects of the possible matters described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Water Trading Entity as at 31 March 2017, and its financial performance and cash flows for the year ended in accordance with Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa (PFMA).

Basis for qualified opinion

Property, plant and equipment

- 5 I was unable to obtain sufficient appropriate audit evidence for the carrying amount to assets under construction and related impairment as the entity did not have adequate systems in place to reconcile the carrying amount of assets under construction to the specific assets under construction and did not assess the carrying amount for indicators of impairment as required by GRAP 21 *Impairment of non-cash generating units*. I was unable to confirm the carrying amount of assets under construction by alternative means. In addition, completed and commissioned assets were not transferred to infrastructure assets, impairment of assets under construction was not accounted for and transactions that are not property, plant and equipment were recorded in assets under construction resulting in assets under construction being overstated by R1 863 098 000. Consequently, I was unable to determine whether any further adjustments were necessary to assets under construction and infrastructure assets stated at R14 456 790 000 and R54 196 185 000 respectively in property, plant and equipment disclosed in note 16 to the financial statements.

Financial liabilities: Trans-Caledon Tunnel Authority (TCTA)

- 6 The entity did not disclose the liability to TCTA at the correct value in accordance with GRAP 104, *Financial Instruments*. The financial liability disclosed in the financial statement does not agree to the underlying financial liability models which form the basis for the liability. As a result, amount of the financial liability: TCTA as disclosed in note 22 is understated by R 1 522 626 692. As the entity did not maintain adequate records and did not perform adequate reconciliations and reviews thereon. It was impracticable to determine the consequential impact on expenditure and/or assets.

Irregular expenditure

- 7 I was unable to obtain sufficient appropriate audit to confirm the irregular expenditure included in the notes to the financial statements as the entity did not implement adequate controls to identify and record all expenditure incurred as required by section 40(3)(b)(i) of the PFMA. I was

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

unable to confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to irregular expenditure stated at R4 346 000 in the financial statement.

Fruitless and wasteful expenditure

- 8 I was unable to obtain sufficient appropriate audit to confirm the fruitless and wasteful expenditure included in the notes to the financial statements as the entity did not implement adequate controls to identify and record all expenditure incurred as required by section 40(3)(b)(i) of the PFMA. I was unable to confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to fruitless and wasteful expenditure stated at R624 000 in the financial statement.
- 9 I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
- 10 I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
- 11 I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty related to going concern/financial sustainability

- 12 I draw attention to note 1.6 in the financial statements, which indicates that the entity incurred a net loss of R 3 611 587 000 during the year ended 31 March 2017. Furthermore the entity incurred an overdraft amounting to R 2 186 502 000 as disclosed in note 19 to the financial statements in contravention with Treasury regulation 19.2.3. As stated in note 1.6, these events or conditions, along with other matters as set forth in note 1.6, indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Emphasis of matter

- 13 I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

- 14 As disclosed in note 33 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of an error in the financial statements of the entity at and for the year ended, 31 March 2017.

Uncertainty relating to the future outcome of exceptional litigation

- 15 With reference to note 29 to the financial statements, the entity is the defendant in a land-claim lawsuit. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Material losses/impairments – trade receivables

- 16 As disclosed in note 8 to the financial statements, material losses to the amount of R2 495 259 000 were incurred as a result of irrecoverable trade and other debtors.

Other matter

- 17 I draw attention to the matters below. My opinion is not modified in respect of these matters.

Responsibilities of the Accounting officer for the financial statements

- 18 The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- 19 In preparing the financial statements, the accounting officer is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

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

Report on the audit of the annual performance report

- 22 In terms of section 40(3)(a) of the PFMA the Water Trading Entity is required to prepare an annual performance report. The performance information of the Water Trading Entity was prepared and reported in the annual performance report of the Department of Water and Sanitation. The usefulness and reliability of the reported performance information was performed as part of the audit of the Department of Water and Sanitation and any audit findings are included in the management and auditor's report of the Department of Water and Sanitation.

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**Report on audit of compliance with legislation****Introduction and scope**

- 23 In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the Entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
- 24 The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Financial statements

- 25 The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 40(1) (a) and (b) of the PFMA.
- 26 Material misstatements of non-current assets identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, the uncorrected material misstatements and/or supporting records that could not be provided relating to property, plant and equipment, liabilities and disclosure items resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

- 27 Effective steps were not taken to prevent irregular expenditure, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. This is due to incorrect interpretation and implementation of procurement legislation.
- 28 Effective steps were not taken to prevent fruitless and wasteful expenditure, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The expenditure disclosed does not reflect the full extent of the fruitless and wasteful expenditure incurred as indicated in the basis for qualification paragraph. This is due to inadequate processes and controls to identify and record fruitless and wasteful expenditure within projects.
- 29 Effective internal controls were not in place for approval and processing of payments, as required by treasury regulation 8.1.1, as payments were made for expenditure which was not budgeted for relating to the drop a block and Mopani emergency projects.

Procurement and contract management

- 30 Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1. The entity sourced goods and/or services relating to construction and events management directly from a panel of suppliers which was not established in accordance with the applicable supply chain management legislation.

- 31 Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of Treasury regulation 16A6.4. The reasons provided by management on these deviations were not of an emergency nature but were indicative of poor planning and misinterpretation of procurement legislation.
- 32 Bid adjudication was not always done by committees which were composed in accordance with the policies of the entity, as required by Treasury Regulations 16A6.2 (a), (b) and (c). Awards were submitted to the accounting officer for approval by a bid adjudication committee which did not quorate in accordance with the supply chain management policy.
- 33 IT related goods and services, classified as mandatory, were not procured through SITA as required by Treasury Regulation 16A 6.3(e). Management proceeded with procurement processes for an accounting systems prior to consulting SITA as required.

Consequence management

- 34 Investigations were not conducted into all allegations of financial misconduct committed by officials, as required by treasury regulation 4.1.1. The Financial Misconduct Advisory Committee was dissolved in the prior financial year resulting in investigations not being conducted into allegations of financial misconduct as required.
- 35 Disciplinary hearings were not held for confirmed cases of financial misconduct committed by officials, as required by treasury regulation 4.1.1, resulting in no sanctions being imposed and/or implemented for the investigations that have been completed.
- 36 Disciplinary steps were not taken against officials who had incurred and permitted irregular expenditure as required by section 38(1)(h)(iii) of the PFMA. There were no investigations conducted on these cases by management and no follow-ups on outcomes where cases are confirmed.
- 37 Disciplinary steps were not taken against officials who had incurred and permitted fruitless and wasteful expenditure as required by section 38(1)(h)(iii) of the PFMA. This was due to a lack of investigation of these cases by management.
- 38 Losses amounting to R 1 217 364 resulting from fruitless and wasteful expenditure were not recovered from the liable persons, as required by treasury regulation 9.1.4. Although management had access to these reports, no action was instituted as at year end.

Other information

- 39 The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the Audit Committee's report. The other information does not include the financial statements and the auditor's report thereon.
- 40 My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
- 41 In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**Internal control deficiencies**

- 42 I considered internal control relevant to my audit of the financial statements and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified and the findings on compliance with legislation included in this report.

Leadership

- 43 Leadership did not provide adequate oversight over the preparation and monitoring of the entity's budget by not taking into account the collectability of the long outstanding debtors which were committed to fund activities of the entity and by also spending on projects which were not budgeted for.

Financial and performance management

- 44 Management did not implement proper record management system to maintain information that supported the assets under construction and to allow them to reconcile the carrying amount thereof to specific assets under construction.
- 45 Management did not review the assets under construction balance in order to identify transactions which should not be included in the balance and also to identify the amounts which should be transferred out of this balance into completed and commissioned infrastructure assets.
- 46 Management did not reconcile and adequately review the financial models which form the basis of the amounts of liabilities accounted for and disclosed in the annual financial statements.
- 47 Management did not perform adequate reviews on the financial statements submitted for audit, as the financial statements submitted contained material misstatements of which some were corrected as a result of the audit process and of which some could not be corrected which resulted in the modified opinion.
- 48 Management did not implement adequate controls to prevent and detect non-compliance with laws and regulations, which resulted in irregular and fruitless and wasteful expenditure. The entity incurred both irregular and fruitless and wasteful expenditure, which increased significantly as compared to the prior year as management did not conduct holistic review of all expenditure for possible irregular, fruitless and wasteful expenditure.

Other reports

- 49 I draw attention to the following engagements conducted by various parties that have or could potentially have an impact on the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigations

- 50 The Special Investigation Unit (SIU) investigated possible conflict of interest, possible irregularities identified by SIU data analysis and also possible supply chain matter irregularities. This investigation was completed in the current year under review and the results were provided to the entity for follow-up.
- 51 The Special Investigation Unit (SIU) is conducting a forensic investigation on the Vuwani Steel pipeline. This investigation was still in progress as at the date of this report.
- 52 An independent consulting firm performed an investigation at the request of the Director-General during 2015-16. This investigation was initiated based on allegation of misappropriation of the entity's construction equipment. The investigation has been finalised and the report issued to management for follow-up.
- 53 Several other investigations were also conducted or are in progress by the internal audit unit at the request of the Accounting Officer and/or the Minister arising from allegations against officials of the entity. The completed investigations resulted in recommendations for disciplinary and/or criminal proceedings to be instituted against the entity's officials concerned, whilst others were still in progress at year end.

Auditor-General

Pretoria**3 August 2017**

3 ANNUAL FINANCIAL STATEMENTS OF THE WATER TRADING ENTITY FOR THE YEAR ENDED 31 MARCH 2017

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PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
31 MARCH 2017

	Notes	2017 R'000	2016 Restated R'000
Revenue		11 797 865	11 056 791
Revenue from exchange transactions	3	10 296 475	9 494 713
Revenue from non-exchange transactions	4	1 501 390	1 562 078
 Expenditure		 15 401 744	 8 206 580
Employee benefit costs	5	924 382	804 740
Operating expenditure	6	4 925 348	3 739 722
Repairs and Maintenance - Property, plant and equipment	7	428 057	70 249
Impairment on financial assets	8	2 495 259	721 023
Finance cost	9	4 634 227	747 526
Depreciation, amortisation and impairment	10	1 884 712	1 913 015
Loss on disposal of fixed assets	11	109 759	210 305
 Surplus/ (deficit) for the year		 (3 603 879)	 2 850 211

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2017

		2017	2016
	Note	R'000	Restated R'000
ASSETS			
Current assets		6 044 200	6 571 691
Cash and cash equivalents (petty cash & other cash)	12	205	42 948
Receivables from exchange transactions	13	5 341 519	6 120 731
Inventory	14	158 811	147 984
Construction Work In Progress	15	543 665	260 028
Non-current assets		94 532 050	93 473 903
Property, plant and equipment	16	76 927 451	76 197 425
Intangible assets	17	17 604 599	17 276 478
Total assets		100 576 250	100 045 594
LIABILITIES			
Current liabilities		6 606 546	2 384 764
Payables from exchange transactions	18	1 947 539	1 174 863
Bank Overdraft	19	2 186 502	-
Employee benefits	20	214 579	162 640
Finance lease liability	21	2 321	46 531
Financial liabilities: TCTA	22	2 255 605	1 000 730
Non-current liabilities		23 765 685	23 852 931
Finance lease liability	21	2 420	4 389
Financial liabilities: TCTA	22	23 763 265	23 848 542
Total liabilities		30 372 231	26 237 695
Total net assets		70 204 019	73 807 899
NET ASSETS			
Reserves			
Accumulated surplus		69 924 404	73 445 312
Pumping cost reserve		279 615	362 586
Net assets		70 204 019	73 807 899

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2017

	Note	Accumulated surplus	Pumping Cost Reserve	Net Assets
Balance at 1 April 2015		70 612 376	345 312	70 957 688
As previously stated		68 413 063	345 312	68 758 375
Prior period error	33	2 199 313	-	2 199 313
Surplus for the year		2 850 211	-	2 850 209
As previously stated		3 564 602	-	3 564 602
Prior period error	33	(714 393)	-	(714 393)
Net movement in reserves		(17 274)	17 274	-
Transfers between reserves		(17 274)	17 274	-
Balance at 31 March 2016		73 445 312	362 586	73 807 898
As previously stated		71 960 392	362 586	72 322 978
Prior period error	33	1 484 920	-	1 484 920
(Deficit) for the year		(3 603 879)	-	(3 603 879)
Net movement in reserves		82 971	(82 971)	-
Transfers between reserves		82 971	(82 971)	-
Balance at 31 March 2017		69 924 404	279 615	70 204 019

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 R'000	2016 Restated R'000
Cash flows from operating activities			
<i>Cash receipts</i>		9 956 110	10 735 983
Taxes and transfers		1 499 581	2 296 790
Sale of water services		8 069 232	7 380 879
Construction and other revenue		338 364	1 024 089
Water research levies - receipts		33 855	18 278
Commission earned		2 920	2 708
Lease revenue earned		12 158	13 239
<i>Cash payments</i>		(6 499 497)	(4 134 808)
Employee benefits		822 586	804 741
Water Research Commissioner - payments		98 936	108 714
Goods and services		3 451 699	2 703 569
Finance cost paid		2 126 277	1 817 022
Net cash flows from operating activities	24	3 456 613	5 301 937
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1 313 245)	(2 205 805)
Acquisition of intangible assets		(250 244)	(203 539)
Proceeds on disposal of non-current assets		10 121	19 346
Net cash flows used in investing activities		(1 553 368)	(2 389 998)
Cash flows from financing activities			
Finance lease payments		(46 531)	(10 895)
Repayments of other financial liabilities		(4 085 928)	(4 403 963)
Net cash flows from financing activities		(4 132 460)	(4 414 860)
Net increase/(decrease) in cash and cash equivalents		(2 229 215)	(1 502 920)
Cash and cash equivalents at beginning of year		42 948	1 545 868
Cash and cash equivalents at end of year		(2 186 267)	42 948

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Approved Budget R'000	Final Budget R'000	Actual Amounts R'000	Variance Amounts R'000
Revenue	24.3	10 167 460	10 696 197	11 797 865	1 101 668
Taxes and transfers		1 499 528	1 499 528	1 499 528	-
Sale of water services		8 370 812	8 619 501	9 170 645	551 144
Construction revenue		221 940	501 988	409 401	(92 587)
Commission earned		-	-	2 920	2 920
Lease revenue earned		13 753	13 753	12 158	(1 595)
Interest revenue		61 427	61 427	697 472	636 045
Other receipts		-	-	5 987	5 987
Total revenue		10 167 460	10 696 197	11 797 865	1 101 668
Expenses	24.4	(4 820 672)	(5 322 720)	(14 546 345)	(9 223 625)
Employee benefit costs		908 523	908 523	924 382	(15 859)
Operating expenditure		1 389 046	1 891 094	2 852 957	(961 863)
Impairment on financial assets		-	-	2 787 552	(2 787 552)
Finance cost		452 077	452 077	6 039 562	(5 587 485)
Depreciation, amortisation and impairment		2 071 026	2 071 026	1 832 133	238 893
Loss on disposal of fixed assets		-	-	109 759	(109 759)
Total expenses		(4 820 672)	(5 322 720)	(14 546 345)	(9 223 625)
Surplus/(deficit) from operating activities		5 346 788	5 373 477	(985 017)	(6 358 494)
Projects expenditure	24.5	5 495 175	5 714 475	4 541 610	1 172 865
Allocation from government grants		1 988 582	1 897 378	1 482 794	(414 584)
Other additions		3 506 593	3 817 097	3 058 816	758 2281
Budget surplus/(deficit)		(148 387)	(340 998)	(7 290 090)	(6 948 845)

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED
31 MARCH 2017****1. Presentation of Financial Statements****1.1 Statement of compliance**

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

1.2 Adoption of GRAP

The following amended Standards of GRAP became effective and were fully implemented in the current financial year:

GRAP 5	Borrowing costs
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 17	Property, plant and equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Parties Disclosures
GRAP 21	Impairment of Non-cash- generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 25	Employee Benefits
GRAP 26	Impairment of cash generating assets
GRAP 31	Intangible Assets
GRAP 104	Financial Instruments

In addition to the Standards that have to be applied, the WTE has adopted the interpretations to the Standards of GRAP approved that entities are required to apply in terms of Directive 5

IGRAP 1	Applying the probability test on initial recognition of revenue
IGRAP 2	Changes in existing decommissioning restoration and similar liabilities
IGRAP 3	Determining whether an arrangement contains a lease
IGRAP 4	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
IGRAP 5	Applying the restatement approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The limit on a Defined Benefit Asset, minimum funding requirements and their interaction
IGRAP 8	Agreements for the construction of assets from exchange transactions
IGRAP 9	Distributions of non-cash assets to owners
IGRAP 10	Assets received from customers
IGRAP 11	Consolidation – Special purpose entities

IGRAP 12	Jointly Controlled Entities - Non-monetary Contributions be Ventures
IGRAP 13	Operating Leases - Incentives
IGRAP 14	Evaluating the substance of transactions involving the legal form of a lease
IGRAP 15	Revenue - Barter transactions involving advertising services
IGRAP 16	Intangible Assets - Website Costs

Based on the analysis of the transactions of the WTE, these Standards do not currently have an impact on the WTE and the adoption of these Standards will thus have no impact on the current financial statements.

1.3 Standards of GRAP issued but not yet effective

The Standards of GRAP that has been issued by the ASB, but where the Minister has not determined an effective date, have not been adopted by the WTE. The WTE used the Standard of GRAP on Related Party Disclosures (GRAP 20) to develop its accounting policies on Related Party Disclosures and the extent of disclosures for related party transactions and balances.

1.3.1 Standard utilised in developing accounting policies

The WTE has utilised the following Standard of GRAP to develop its accounting policies and disclosures when adopting GRAP:

GRAP 108	Statutory Receivables
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As a result, there will be no impact on the disclosures of related party transactions when the Standard becomes effective.

1.3.2 Standards not yet applicable

It's unlikely that the following Standards and/or amendments to Standards, that have been issued but are not yet effective, will have a material impact on the financial statements of the WTE once they become effective and therefore accounting policies have not been developed for the following Standards:

IGRAP 6	Loyalty programmes
IGRAP 12	Jointly controlled entities – Non monetary contributions by ventures
GRAP 6 (as revised 2010)	Consolidated and Separate Financial Statements
GRAP 7 (as revised 2010)	Investments in Associates
GRAP 8 (as revised 2010)	Interests in Joint Ventures
IGRAP 16	Intangible assets website costs
GRAP 18	Segment Reporting
GRAP 27 (as revised 2012)	Agriculture (Replaces GRAP 101)
GRAP 31 (as revised 2012)	Intangible Assets (Replaces GRAP 102)
GRAP 32	Service Concession Arrangements: Grantor
GRAP 105	Transfer of functions between entities under common control

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

GRAP 106	Transfer of functions between entities not under common control
GRAP 107	Mergers
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents

Based on the analysis of the transactions of the WTE, these Standards do not impact the WTE and the adoption of these Standards will thus have no impact on the current financial statements.

1.4 Basis of preparation

These annual financial statements have been prepared on the accruals basis and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

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

1.5 Functional currency

The financial statements are presented in South African Rand (R), also the functional currency of the Water Trading Entity. All values are rounded to the nearest thousand (R'000) except where otherwise indicated.

1.6 Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and the settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Water Trading Entity incurred a nett loss of R3.6 Billion and an overdraft of R2.1 Billion at year end. This has a negative impact on the liquidity ratio and solvency ratios, therefore a material uncertainty exist that may cast doubt on whether the entity can continue as a going concern. To mitigate this management has done an analysis of financial stability and has subsequently reduced the expenditure in the budget for the financial year 2017/18. No additional expenditure (in form of new projects or any other expenditure other than that reflected in the budget) will be incurred by the entity in the foreseeable future. Management has also put up stringent measures to curb and reduce expenditure to reasonable proportions in order to reduce the overdraft. Management is committed to adhere to measures put in place to restore financial sustainability of the Entity.

1.7 Off-setting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.8 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

The effect of restatements are disclosed in note 33.

1.9 Significant judgments and sources of estimation uncertainty**1.9.1 Initial measurement of financial assets**

Short-term financial assets have been measured initially at the transaction price unless there was an indication that the transaction was provided at terms that were longer than the normal credit term of 30 days. Where extended payment terms were given, the transaction prices are discounted at the rate applicable to debt owed to the State to determine the fair value for initial measurement purposes.

1.9.2 Impairment of financial assets

An impairment is recognised for estimated losses firstly on an individually significant receivables and secondly on a group of receivables with similar credit risk that are assessed to be impaired based on objective evidence as a result of one or more events that occurred during the reporting period. For debtors which have defaulted, management makes judgments based on an assessment of their ability to make future payments. Creditworthiness is not used in assessing debtor balances. Should the financial condition of the customers change, actual write-offs could differ significantly from the impairment losses recognised. The current year's provision for impairment is based on management's best estimate of the expected cash flows for amounts that are outstanding for longer than the normal payment terms. A full provision was made for trade debtors that could not be traced after significant effort has been made.

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS

1.9.3 *Useful lives and impairment of assets*

The useful life of an asset will approximate the economic life of an asset, except for certain construction equipment which is earmarked for sale. The review of the useful lives and residual values are performed annually based on a risk assessment approach. Where factors exist that indicate that the useful life needs to be amended, the remaining useful life is reviewed as a result. This estimate is based on reasonable judgement, taking into account historical usage patterns as well as the condition of the asset. As the WTE plans to use the assets for their entire economic life, the residual values on these assets are estimated to be zero. The estimated useful life of leased assets that are capitalised are usually equal to the term of the lease contract unless other factors exist that may indicate a shorter lease period.

Property, plant and equipment and intangible assets are assessed annually for indicators of impairment. The assessment takes into account utilisation, condition, functional performance and obsolescence. Changes in these factors may lead to either an impairment loss or a reversal of previous impairment losses recognised.

The estimated useful lives of property, plant and equipment are as follows:

Infrastructure assets

Land	Infinite life span
Buildings	1 - 75 years
Canals	1 - 298 years
Dams and weirs	1 - 496 years
Pipelines	1 - 60 years
Pump stations	1 - 75 years
Reservoirs	1 - 80 years
Treatment works	1 - 50 years
Tunnels	1 - 253 years
Power Supply	1 - 30 years
Roads and Bridges	15 - 71 years
Boreholes	8 - 50 years
Measuring Facilities	1 - 80 years
Telemetry	1 - 30 years
Servitudes	3 - 99 years

Movable assets

Vehicles	4 - 20 years
Computer equipment	3 - 5 years
Office equipment, Furniture and furniture	6 - 20 years
Construction equipment	Based on usage (kilometres, hours, months)
Machinery and equipment	5 - 59 years
Dwellings: mobile homes	20 years

Intangible assets

Software and licenses	3-13 years
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Current assets of the WTE are non-cash generating, despite the fact that certain water users are classified as commercial users. The majority of these projects are funded through additional funds received through Augmentation from the Department of Water & Sanitation - main account. Therefore, any impairment that has been identified was calculated using the recoverable service amount of the asset.

The depreciation methods were assessed and are considered to be appropriate and will not change unless there is a change in the way that assets will be utilised, which is unlikely in the foreseeable future.

1.9.4 *Recognition of servitudes*

Servitudes on land are often acquired as part of construction of water infrastructure. Where the cost of servitudes can be measured reliably, these assets are included in the cost of infrastructure as it forms an integral part of the cost of the asset, and are recognised as separate components of the water infrastructure.

1.9.5 *Agreements with Trans Caledon Tunnel Authority (TCTA)*

As the DWS through WTE is responsible for the development, operation and maintenance of specific water resources infrastructure and managing water resources in specific water management areas, management concluded that the WTE controls the infrastructure assets that are constructed by the TCTA and has to assume the related liabilities. The cost of the assets recognised includes all the cost attributable to the asset until the asset has been ready for its intended use.

1.9.6 *Measurement of inventories on hand*

Materials on hand are to be consumed in the production process. As all the cost incurred are recovered from users or through the augmentation grant, the price of the inventory items are subject to inflation. It is assumed that the net realisable value or replacement cost will be equal to or exceed the cost of the item at year-end. Therefore, there has been no provision made at year-end for losses in the value of stock due to price changes.

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**1.9.7 Commitments**

Commitments included in disclosure note 27 have been based on orders relating to capital projects but where the goods or services have not been delivered.

1.9.8 Contingent liabilities and provisions

Contingent liabilities and provisions have been based on the best estimate available. Contingent liabilities relating to litigation have been based on the assessment of the estimated claim against the WTE as at 31 March 2017.

1.9.9 Capitalisation of expenses relating to constructed assets

The costs of inventory, property, plant and equipment produced internally include materials, depreciation and certain overheads incurred to produce these assets. The allocation of costs to the different items is based on judgment. The allocation usually occurs on a proportionate basis and where the items produced are to be used internally, exclude internal profits. Abnormal losses are determined based on judgment and is excluded from the cost of assets under construction.

1.9.10 Classification of leases

The WTE classifies lease agreements in accordance with risks and rewards incidental to ownership. Where the lessor transfers substantially all the risks and rewards to the lessee, the lease is classified as a finance lease. All other leases are classified as operating leases.

1.9.11 Fruitless and wasteful expenditure

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

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

1.9.12 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA as expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- a) this Act, or
- b) the State Tender Board Act, 1968, or any regulations made in terms of the Act.

This Act in section 1 of the PFMA includes any regulations and instructions issued in terms of section 69, 76, 85 or 91.

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

2 Significant accounting policies

2.1 Revenue

When the WTE receives value in the form of an asset and directly provides approximate equal value in exchange, the WTE classifies the revenue received or receivable as revenue from exchange transactions. All other revenue is classified as revenue from non-exchange transactions. Revenue is measured at the fair value of the consideration received or receivable, net of any VAT, trade discounts and volume rebates and recognised when it becomes due to the WTE.

2.1.1 *Revenue from non-exchange transactions*

The WTE recognises the inflow of resources from a non-exchange transaction as revenue, except when a liability is recognised in respect of that inflow. These liabilities are classified as payables from non-exchange transactions.

Where services are received in-kind, and a reliable estimate can be made, the WTE will recognise the related revenue. In all other cases, the WTE will only disclose the event.

2.1.2 *Revenue from exchange transactions*

Revenue relating to the supply of water is recognised either on the consumption of water by the water users or in accordance with registered volumes, depending on the specific agreement with licensed water users.

Revenue from construction contracts is recognised by reference to the stage of completion of the contract when the outcome of a construction contract can be estimated reliably. The stage of completion is based on the cost to date and is assessed based on surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable in the period in which they are incurred. An expected loss on a contract is recognised immediately in the Statement of Financial Performance in the period in which it was incurred.

Interest is recognised using the effective interest rate method.

Other revenue from exchange transactions is recognised in the statement of financial performance when the revenue becomes due to the WTE.

2.1.3 *Agency fees and revenue*

The WTE bills and collects water research levies on behalf of the Water Research Commissioner and earns 2% commission, excluding VAT, on the amount billed. The revenue collected (amounts billed less outstanding debt) is recognised as a liability and the payments made to the WTE decreases the liability. The net asset/liability is recognised in the statement of financial position.

The commission earned is recognised as revenue from exchange transactions in the statement of financial performance and the amount owed/overpaid on the commission is recognised in receivables/payables from exchange transactions.

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2.2 Expenditure

Expenditure is classified in accordance with the nature of the expenditure.

The WTE recognises expenditure in the statement of financial performance when a decrease in future economic benefits or service potential related to a decrease in an asset or an increase of a liability, other than those relating to distributions to owners, has arisen, that can be measured reliably.

The WTE recognises expenses immediately in the statement of financial performance when expenses produce no future economic benefits or service potential or when and to the extent that, future economic benefits or service potential do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

The WTE also recognises expenses in the statement of financial performance in those cases when a liability is incurred without the recognition of an asset, for example, when a liability under a court ruling arises.

Finance cost is recognised as an expense in surplus or deficit in the statement of financial performance in the period in which it is incurred, using the effective interest rate method.

2.3 Borrowing cost

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. The WTE incurs borrowing costs as a result of the construction of infrastructure. The WTE capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. All other borrowing costs are expensed in the period in which it is incurred.

2.4 Employee benefits**2.4.1 Short-term employee benefits**

The WTE recognises an undiscounted amount of short-term benefits due to employees in exchange for the rendering of services by employees as follows:

- As a liability in cases where the amounts have not yet been paid. Where the amount paid exceeds the undiscounted amount of the benefits due, the entity recognises the excess as an asset to the extent that the overpayment will lead to a reduction of future payments or a cash refund.
- As an expense, unless the entity uses the services of employees in the construction of an asset and the benefits received meet the recognition criteria of an asset, at which stage it is included as part of the related property, plant and equipment or intangible asset item.

2.4.2 Leave benefits

The WTE recognises the expected cost of short-term employee benefits in the form of compensated absences (paid leave) when the employees render service that increases their entitlement to future compensated absences.

The expected cost of accumulating compensated absences is measured as the additional amount that the WTE expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

2.4.3 *Performance and service bonuses*

The WTE recognises the expected cost of performance or service bonus payments where there is a present legal or constructive obligation to make these payments as a result of past events and a reliable estimate of the obligation can be made. The WTE considers the present obligation to exist when it has no realistic alternative but to make the payments related to performance bonuses.

2.4.4 *Termination benefits*

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy for these benefits or resigns. The WTE recognises termination benefits when it is demonstrably committed either to terminate the employment of current employee(s) according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the end of the financial year are discounted to present value.

2.4.5 *Retirement and medical benefits*

The WTE contributes towards the pension fund and the medical aid for its employees through a defined contribution plan. Once the contributions are paid, the WTE has no further payment obligations. The contribution paid is charged to employee expenses in the same year as the related service is provided.

2.5 **Leases**

2.5.1 *The WTE as a lessee*

The WTE classifies certain leases of equipment and vehicles as finance leases.

The assets acquired under finance leases is recognised as assets and the associated lease obligations as liabilities in the statement of financial position at the commencement of the lease term. The assets and liabilities is recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Where practicable, the discount rate used to calculate the present value of the minimum lease payments is the interest rate implicit in the lease. Where this is not practical, the WTE's incremental borrowing rate is used. Any initial direct costs are added to the amount recognised as an asset.

The WTE measures the liability as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest (i.e. the WTE recognises the capital portion of the obligation as a liability and recognises the interest over the lease term).

The leased assets are subsequently measured at cost less accumulated depreciation and impairment. The leased assets are depreciated over the shorter of the lease agreement or the useful life of the asset. The minimum lease payments is apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases that are longer than 1 year are measured on a straight line basis as an expense, and the difference between the actual payments and the expense is accrued through payables or receivables. Where the lease is less than 1 year, the actual expenses is recognised in the statement of financial performance.

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**2.5.2 The WTE as a lessor**

The WTE receives lease revenue for the hiring out of equipment and renting of houses to its employees.

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term, where the lease term can be determined. The lease charge of construction equipment is based on a charge-out tariff determined on a cost recovery basis.

2.6 Property, plant and equipment

An item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the WTE, and the cost or fair value of the item can be measured reliably. An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost. Where an asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

After recognition as an asset, items of property, plant and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses, except for assets under construction. Subsequent costs are included in the assets carrying amount or recognised as a separate asset only when it is probable that the future economic benefits associated with the item will flow to the entity and the cost of that item can be reliably measured.

Assets under construction are stated at cost, excluding abnormal losses. Depreciation only commences on these assets when they are in the condition necessary for them to be capable of operating in the manner intended by management.

Cost comprises of the purchases price or construction cost of the asset (excluding internal profits), costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and an estimate of the cost of dismantling or rehabilitation.

Where an intangible asset is an integral part of an item of property, plant and equipment, the cost of the intangible asset is not recognised separately from the cost of the asset, but rather, it is included as a separate component of the asset.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciable amount of an asset is allocated on a systematic basis over its useful life. Depreciation is calculated on a straight line basis over the expected life of each major component of an asset. Depreciation is charged to the statement of financial performance, unless it forms part of the cost of inventories or the cost of assets under construction.

The residual value and the useful life of an asset is reviewed at least at each reporting date and, if expectations differ from previous estimates, the change(s) is accounted for as a change in an accounting estimate.

The WTE must assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the WTE will estimate the recoverable service amount of the asset. Items of property, plant and equipment are tested for impairment whenever there are impairment indicators. An impairment loss is recognised where the carrying amount exceeds recoverable service amount for non-cash generating assets and where the carrying amount exceeds the recoverable amount for cash-generating assets.

The WTE assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the WTE will estimate the recoverable service amount of that asset. An impairment loss recognised in prior periods for an asset is only reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised.

Impairment and reversals of impairment is recognised in the statement of financial performance at the time when the event occurred.

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

2.7 Intangible assets

Identifiable intangible assets are recognised if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the WTE, and the cost or fair value of the item can be measured reliably. An intangible asset is measured initially at cost. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition, is measured at its fair value as at that date.

An asset meets the identifiability criterion in the definition of an intangible asset when it is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is recognised in the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets, unless such useful lives are indefinite.

An intangible asset with an indefinite useful life is not amortised. Intangible assets with an indefinite useful life or an intangible asset not yet available for use, are tested for impairment at the end of each financial year and whenever there is any indication that the intangible asset could be impaired. Other intangible assets are only tested for impairment where there is an indication that impairment exists.

Gains and losses on intangible assets, including impairment and impairment reversals, are treated similarly to gains and losses for property, plant and equipment.

2.8 Non-current assets held for sale

The WTE classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable, i.e. a committed plan to dispose of the asset will exist.

The WTE measures non-current assets classified as held for sale at the lower of carrying amount and fair value less costs to sell.

2.9 Inventory

Inventories are assets in the form of materials or supplies to be consumed in the production process; in the form of materials or supplies to be consumed or distributed in the rendering of services; held for sale or distribution in the ordinary course of operations; or in the process of production for sale or distribution.

Inventory is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the WTE; and the cost of the inventory can be measured reliably.

Inventory is initially measured at cost (or fair value if the item was acquired through a non-exchange transaction), and subsequently measured at the lower of cost or net realisable value. Costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition are included in the cost of inventories. Construction and building materials are measured using the First-In-First-Out method and all other inventories are measured using the Weighted Average Cost method. Where inventory is distributed at no or a nominal charge, inventory is measured at the lower of cost or replacement cost.

2.10 Construction contracts and receivables

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

2.11 Construction work in progress

Construction Work in progress are the costs incurred that are directly attributable to the specific projects that are currently in progress and can be allocated to the project on a systematic and rationale basis.

2.12 Financial instruments**2.12.1** *Initial recognition and classification*

The WTE classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or a residual interest in accordance with the substance of the contractual arrangement.

Financial instruments are recognised initially when the WTE becomes a party to the contractual provisions of the instruments and WTE funds are committed or receive the benefits.

The WTE does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exists; and the entity intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.12.2 *Initial measurement*

Financial instruments are initially measured at fair value.

2.12.3 *Transaction costs*

Transaction costs on financial instruments at fair value are recognised in the statement of financial performance. Transaction costs on other financial instruments are included in the cost of the instrument.

2.12.4 *Subsequent measurement*

All non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding instruments that has been designated at fair value or are held for trading, are measured at amortised cost. Instruments that do not meet the definition of financial assets or financial liabilities measured at amortised cost are measured at fair value unless fair value cannot be determined. Those instruments, where fair value cannot be measured reliably, is measured at cost.

Amortised cost is calculated based on the effective interest rate method

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Net gains or losses on the financial instruments at fair value through profit or loss includes transaction costs, interest and foreign exchange gains or losses. A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

2.12.5 *Impairment of financial assets*

At each reporting date the WTE assesses all financial assets, other than those at fair value, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

The inability to redeem amounts due based on the current stream of payments, and default of payments are considered to be indicators of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Impairment losses are recognised in the statement of financial performance as expenses.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed does not exceed the carrying amount that would have been recognised had the impairment not been recognised.

Reversals of impairment losses are recognised in the statement of financial performance as revenue.

Impairment losses are not reversed for financial assets held at cost where fair value was not determinable.

The following items included in the statement of financial position contains financial instruments:

- Cash and cash equivalents;
- Receivables from exchange transactions;
- Other financial assets;
- Payables from exchange transactions; and
- Other financial liabilities(including bank overdraft)

2.12.6 *Derecognition***Financial assets**

The WTE derecognises financial assets using trade date accounting.

The WTE derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the WTE transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the WTE, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the WTE :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the WTE transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the WTE adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the WTE obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the WTE recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

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If a transfer does not result in derecognition because the WTE has retained substantially all the risks and rewards of ownership of the transferred asset, the WTE continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the WTE recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The WTE removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another WTE by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are initially and subsequently measured at fair value.

2.14 Receivables from exchange transactions

Receivables from exchange transactions measured at amortised cost arise from transactions with water users. Prepayments and advances consist of amounts paid to contractors and employees for which future goods and services are expected to be received. Prepayments and advances are not classified as financial instruments.

2.15 Receivables from non-exchange transactions

Receivables from non-exchange transactions are recognised when the WTE has a right to receive the monies due to it, which are allocated in terms of legislation or are due in accordance with an agreement in which the WTE is receiving non-exchange revenue. Receivables from non-exchange transactions are initially measured at fair value and subsequently measured at amortised cost.

2.16 Other financial assets

Other financial assets are measured at fair value unless the fair value cannot be determined reliably. Where fair value cannot be determined, financial assets are measured at cost.

2.17 Payables from exchange transactions

The WTE recognises payables from exchange transactions where liabilities result in counter performance by the respective parties.

Payables from exchange transactions are initially measured at fair value, and are subsequently measured at amortised cost.

2.18 Payables from non-exchange transactions

The WTE recognises payables from non-exchange transactions for amounts received through non-exchange revenue, which are not recognised as revenue as a result of outstanding obligations.

Payables from non-exchange transactions are initially measured at fair value, and are subsequently measured at amortised cost.

2.19 Other financial liabilities

Included in other financial liabilities are the liability incurred to the TCTA. The liability is initially measured at fair value and is subsequently measured at fair value. Effective interest is capitalised against the amounts outstanding in accordance with the respective agreements.

2.20 Provisions and accruals

Provisions and accruals are liabilities where uncertainty exists about the timing or amount of the future expenditure required to settle the liability.

The WTE recognises, in payables, an amount for accruals where an estimate is made of the amounts due for goods or services that have been received or supplied, but the invoice is outstanding or a formal agreement with the supplier has not been concluded.

Provisions are liabilities, excluding accruals that are recognised where the WTE has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the best estimate of the amount to settle the present obligation at the reporting date, discounting to present value where the time value of money is expected to be material.

2.21 Contingents assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in notes 29 and 30.

2.22 Reserves

The WTE classifies its reserves in two categories namely pumping cost reserve and accumulated reserves. None of these reserves are distributable reserves.

PART E: VOTE 36 ANNUAL FINANCIAL STATEMENTS**2.22.1 Pumping cost reserve**

The WTE recovers an additional charge from specific water users in the Vaal River scheme to cover for pumping costs. This additional fee is charge to reduce the impact of price increases as a result of additional pumping cost incurred in times of emergencies, drought and other contingencies.

A transfer is made from the accumulated reserves to the pumping cost for amounts recovered from users for pumping cost and from pumping cost to accumulated reserves for the actual costs incurred.

2.22.2 Accumulated reserves

Accumulated reserves consist of the net assets less amounts transferred to other reserves. Accumulated reserves are mainly build up as a result of the depreciation and return on asset charge included in the pricing strategy and the capital portion of augmentation funds included in revenue recognised. This is to ensure adequate rehabilitation and maintenance of existing infrastructure and future infrastructure development.

2.23 Budget information

The budget is prepared on a modified accrual basis. The WTE Budget compromise of revenue from the transfer payment received from the Department of Water and Sanitation (Main Exchequer Account) as well as revenue received from raw water sales.

2.24 Related parties

Related parties are people (or a close member of that person's family) or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum the following are regarded as related parties of WTE, the minister, Department of Water and Sanitation, all other clients departments, all national public entities, Water boards and Water user associations and the management of the WTE.

2.25 Irregular, fruitless and wasteful expenditure and material losses through criminal conduct

Irregular, fruitless and wasteful expenditure and material losses through criminal conduct is recognised as expenditure in the statement of financial performance according to the nature of the payment and disclosed separately in notes 31 and 32. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

Any receivable recognised as a result of irregular, fruitless and wasteful expenditure or material losses through criminal conduct, are subject to an annual impairment assessment.

2.26 Events after reporting date

The Accounting Authority is not aware of any matter or circumstances arising since the end of the financial year to the date of this report in respect of matters that would require adjustments to or disclosure in the annual financial statements.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED
31 MARCH 2017

	Notes	2017 R'000	2016 R'000
3 Revenue from exchange transactions			
Sale of water services		9 170 645	8 598 856
Construction revenue		409 401	449 853
Commission earned		2 920	2 708
Receivables		2 490	2 300
Short-term deposits and bank accounts		430	408
Interest revenue		697 472	421 090
Receivables		697 463	421 082
Short-term deposits and bank accounts		9	8
Lease revenue earned		12 158	13 239
Property		12 158	13 239
Sale of goods - scrap materials and waste paper		223	139
Other revenue		3 656	8 828
		10 296 475	9 494 713

The fair value of inflowing resources was measured based on the fair value of the cash consideration received or receivable, net of any discount and VAT.

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	R'000	R'000
4 Revenue from non-exchange transactions		
<i>Transfer revenue includes:</i>		
Funds from the Department of Water & Sanitation	1 499 528	1 522 038
<i>Other revenue:</i>		
Assets received/transferred	1 809	39 961
Water usage license fees	53	79
	1 501 390	1 562 078

Funds are transferred from the Department of Water & Sanitation as an augmentation to revenue earned to enable the WTE to carry out its operating activities.

5 Employee benefit costs

Employee benefits consists of:

Short term employee benefits	1 585 956	1 429 157
<i>Less: direct labour capitalised to assets under construction</i>	(351 598)	(470 945)
<i>Less: amounts capitalised to construction costs for third parties</i>	(309 977)	(153 472)
	924 382	804 740

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	2017 R'000	2016 R'000
6 Operating expenditure		
<i>Construction costs incurred</i>	393 258	451 689
<i>Other operating expenditure</i>		
Administrative fees	2 380	3 750
Audit cost	20 726	22 648
Communication	139 913	34 162
Computer services	12 002	94 080
Electricity	231 297	418 242
Entertainment	5	1 560
Facility and management fee: TCTA	1 220 250	784 525
Materials consumed	297 434	234 709
Maintenance, repairs and running costs	69 233	13 312
Operating leases	101 580	113 185
Owned and leasehold property expenditure	206 853	10 229
Professional services: Business and advisory services, contractors and agency/outsourced services	1 624 663	702 666
Professional services: Infrastructure and planning	331 557	415 436
Printing, posting and stationery	24 770	8 756
Transport costs	48 053	28 640
Travel and subsistence	68 816	31 010
Training and staff development	10 072	23 190
Venues and facilities	34 165	133 454
Auxiliary	88 321	214 479
	4 925 348	3 739 722
The amounts above includes changes in estimates for reversals in accruals		
7 Repairs and Maintenance - Property, plant and equipment		
Maintenance, repairs and running costs - Property, plant and equipment	428 057	70 249
	428 057	70 249
8 Impairment on financial assets		
Impairment relating to:		
Trade receivables	1 863 354	708 635
Staff receivables	326	486
Other receivables	598 224	4 831
	2 495 259	721 023

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	2017 R'000	2 016 R'000
9 Finance cost		
Finance leases	1 725	5 241
Interest on amortised payables	4 632 502	742 285
	4 634 227	747 526
	2017 R'000	2016 R'000
10 Depreciation, amortisation and impairment		
<i>Depreciation on property, plant and equipment</i>	1 835 895	1 772 858
Computer equipment	7 313	1 191
Equipment	35 930	57 445
Furniture and Fittings	12 528	1 029
Infrastructure	1 734 813	1 659 675
Leased equipment	3 249	3 901
Leased vehicles	42 783	15 287
Mobile homes	(1 191)	34 164
Vehicles	470	166
<i>Amortisation and Impairment on intangible assets</i>	121 857	53 397
Computer software	121 857	53 397
<i>Change in estimate - depreciation</i>	(210 752)	-
Infrastructure	(210 752)	-
<i>Impairment and impairment reversals</i>	137 712	86 760
Computer equipment	(15)	568
Equipment	32 467	9 052
Furniture and Fittings	(1 002)	595
Infrastructure	106 262	76 373
Leased equipment	-	6
Leased vehicles	-	63
Vehicles	-	103
	1 884 712	1 913 015

The remaining useful lives of all assets were assessed during the year. A change in accounting estimate was effected in relation to assets whose Remaining useful life was increased/decreased for assets still in use. The effect of the change in accounting estimate on the current year's results was an increase in the current year's surplus by R210 751 963.99. will be impracticable to estimate as the assets we reviewed this year were only based on the 12 thousand verified and not the whole population next year other assets will be reviewed and might not be the same ones next year.

11 Loss on disposal of fixed assets

Loss on disposal of fixed assets	109 759	210 305
	<u>109 759</u>	<u>210 305</u>

12. Cash and cash equivalents (petty cash & other cash)

Cash and cash equivalents at fair value:

Current accounts at commercial banks	-	42 668
Short-term deposits	129	120
Cash on hand	76	160
	<u>205</u>	<u>42 948</u>

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	2017 R'000	2016 R'000
13 Receivables from exchange transactions		
Current		
<i>Financial assets at amortised cost</i>		
Trade receivables	10 301 980	8 415 301
Less: Provision for impairment	(6 774 299)	(4 717 762)
Carrying amount at the beginning of the period	(4 717 762)	(3 901 797)
Current year provision	(2 056 537)	(815 965)
	3 527 681	3 697 539
Advances to public entities: other	113 730	467 122
Staff related receivables	6 039	5 846
Less: Provision for impairment	(4 259)	(3 950)
Carrying amount at the beginning of the period	(3 950)	(4 235)
Trade receivables written off	17	772
Current year provision	(326)	(486)
	1 780	1 896
Claims recoverable - Departments	428	97
Water Research Commission - receivables	342 620	283 875
Breede-Gouritz CMA - receivables	63 512	46 230
Inkomati-Usuthu CMA - receivables	96 525	69 376
Other receivables	968 978	830 070
Less: Provision for impairment on other receivables	(692 764)	(9 505)
Carrying amount at the beginning of the period	(9 505)	(31 523)
Trade receivables written off	-	26 848
Current year provision	(683 259)	(4 831)
	276 214	820 565
	4 422 490	5 386 700
VAT receivable	919 029	734 031
	5 341 519	6 120 731

The fair value of the short term receivables approximates the carrying amount of the balances due to their short-term maturity.

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	2017 R'000	2016 R'000
<i>Amounts past due not impaired</i>		
Included in the financial assets at amortised cost above is an amount past due but not impaired:	176 026	364 304
<i>Age analysis of financial assets that are past due but not impaired:</i>		
not more than two months;	100 029	219 841
more than two months and not more than three months;	(25 403)	-
more than three months and not more than four months;	40	28
more than four months and not more than five months;	33	5 401
more than five months;	101 327	139 034
	176 026	364 304

Some of these long outstanding amounts may not be recoverable due to incorrect billings in the past. A reliable estimate of the incorrect billings could not be made.

	2017 R'000	2016 R'000
14 Inventory		
Construction and building materials	139 911	130 574
Consumables	8 853	8 502
Fuel and lubricants	7 119	6 600
Stationery	2 928	2 308
	158 811	147 984

Included in the Inventory balance is the inventory write-off amount equivalent to **R NIL** (2016: R587 046) to bring the Inventory balance to its Net reliable value.

15 Construction Work In Progress

Construction Work In Progress	543 665	260 028
	543 665	260 028

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16 Property, plant and equipment

Summary

	March 2017		March 2016	
	Cost/ revaluation R'000	Accumulated depreciation and impairment R'000	Cost/ revaluation R'000	Accumulated depreciation and impairment R'000
		Carrying amount R'000		Carrying amount - Restated R'000
Owned assets	97 096 692	76 922 795	94 913 608	76 150 486
Assets under construction:				
Infrastructure assets	14 456 790	-	12 289 976	12 289 976
Computer equipment	61 121	(43 874)	55 204	14 868
Equipment	1 503 290	(846 699)	1 483 689	682 234
Furniture and fittings	91 303	(50 148)	89 278	44 920
Infrastructure assets	73 121 568	(18 925 383)	73 141 453	55 570 654
Infrastructure: Land	7 791 050	(245 161)	7 782 977	7 537 816
Mobile homes	65 263	(58 940)	64 635	7 131
Motor vehicles	6 307	(3 692)	6 396	2 887
Leased assets	11 403	(6 747)	88 857	(41 920)
Equipment	11 403	(6 747)	9 775	(5 936)
Motor vehicles	-	-	79 082	(35 984)
	97 108 095	(20 180 644)	95 002 465	(18 805 042)
		76 927 451		76 197 424

Leased assets are encumbered by finance lease liabilities. Refer Note 21.

Delays in Assets Under Construction: Significant delays for Assets Under Construction (AUC) relate to the De Hoop Dam with an accumulated project cost of **R2.995 billion (Vat excl.)** that resulted in the delay of completing the project. This is as a result of the procurement process for the Dam Service lift having to be re-advertised due to service providers that procure not meeting the Service standards. Furthermore repairs are required to the emergency gate and the installation of security fencing.

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Movement 2017

	31 March 2016 Carrying amount restated R'000	Additions R'000	Disposals and write- offs R'000	Transfers R'000	Deprecia- tion R'000	Change in Estimate R'000	Impair- ment R'000	Impair- ment Reversal R'000	31 March 2017 Carrying amount R'000
Owled assets	76 150 487	2 450 546	(119 558)		(1 789 863)	210 752	(138 729)	1 017	76 922 795
Assets under construction:	12 289 976	2 403 347	-	(236 535)	-	-	-	-	14 456 790
Computer equipment	14 868	10 209	(552)	20	(7 313)	-	-	15	17 247
Equipment	682 234	28 761	(3 068)	17 061	(35 930)	-	(32 467)	-	656 591
Furniture and fittings	44 920	7 142	(2 078)	2 698	(12 528)	-	-	1 002	41 155
Infrastructure assets	55 570 654	-	(113 781)	369 635	(1 734 813)	210 752	(106 262)	-	54 196 185
Infrastructure: Land	7 537 816	167	-	7 907	-	-	-	-	7 545 889
Mobile homes	7 131	754	(6)	(2 746)	1 191	-	-	-	6 323
Motor vehicles	2 887	167	(72)	104	(470)	-	-	-	2 615
Leased assets	46 937	4 074	(322)	-	(46 032)	-	-	-	4 655
Equipment	3 839	4 074	(8)	-	(3 249)	-	-	-	4 656
Motor vehicles	43 098	-	(314)	-	(42 783)	-	-	-	-0
TOTAL ASSETS	76 197 424	2 454 620	(119 880)		(1 835 895)	210 752	(138 729)	1 017	76 927 451

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Movement 2016

	31 March 2015 Carrying amount restated R'000	Additions R'000	Disposals and write- offs R'000	Transfers R'000	Depre- ciation R'000	Change in Estimate R'000	Impair- ment R'000	Impair- ment Reversal R'000	31 March 2016 Carrying amount restated R'000
Owned assets	74 036 316	4 785 862	(681 485)	(149 847)	(1 753 670)	-	(86 691)	-	76 150 487
Assets under construction:	8 815 363	4 588 445	(453 232)	(660 602)	-	-	-	-	12 289 976
Computer equipment	19 777	4 548	(7 693)	(1)	(1 191)	-	(568)	-	14 868
Equipment	611 033	128 025	(6 193)	15 865	(57 445)	-	(9 052)	-	682 234
Furniture and fittings	47 345	8 176	(8 982)	1	(1 029)	-	(595)	-	44 920
Infrastructure assets	64 498 297	54 836	(203 463)	(7 042 968)	(1 659 675)	-	(76 373)	-	55 570 654
Infrastructure: Land	-	-	-	7 537 816	-	-	-	-	7 537 816
Mobile homes	41 147	1 709	(1 601)	40	(34 164)	-	-	-	7 131
Motor vehicles	3 354	122	(320)	-	(166)	-	(103)	-	2 887
Leased assets	47 204	18 991	-	-	(19 188)	-	(69)	-	46 937
Equipment	6 147	1 599	-	-	(3 901)	-	(6)	-	3 839
Motor vehicles	41 056	17 392	-	-	(15 287)	-	(63)	-	43 098
	74 083 521	4 804 853	(681 485)	(149 847)	(1 772 858)	-	(86 760)	-	76 197 424

* Leased assets in the prior year were restated as a result of a change in the method of calculating the present value of lease liabilities.

* The total addition on Property Plant and Equipment includes both Cash and No_cash Items.

The WTE pledged assets in a transaction involving assets with a carrying value R 5,6 Billion for the National Treasury SUKUK loan agreement in September 2014. Although entity assets were used WTE is not the Obligor, and there is no encumbrance on the assets as the transaction is not asset-backed but asset-based. The entity is restricted as it may not encumber these assets over the duration of the bond, nor may they be disposed without notifying the investors through National Treasury. The transaction has a finite period which ends in September 2020

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	2017 R'000	2016 R'000
17 Intangible assets		
Summary		
Enduring benefit	17 113 926	17 113 926
Gross carrying amount: Lesotho Highlands	15 844 203	15 844 203
Gross carrying amount: Komati Basin Water Authority (KOBWA)	1 269 723	1 269 723
Computer software	490 673	162 552
Gross carrying amount	735 601	285 784
Accumulated amortisation and impairment	(244 928)	(123 232)
	17 604 599	17 276 478
Reconciliation		
Enduring benefit	17 113 926	17 113 926
Gross carrying amount at the beginning : Lesotho Highlands	15 844 203	15 844 203
Gross carrying amount at the beginning : KOBWA	1 269 723	1 269 723
Computer software	490 673	162 561
Gross carrying amount at the beginning	162 552	12 419
Additions	450 077	203 531
Disposals and write-offs	42	
Transfers	(140)	8
Amortisation and impairment	(121 857)	(53 397)
	17 604 599	17 276 478

In terms of the Treaty between South Africa and the Lesotho Government, South Africa has a right to receive water in perpetuity and this right is capitalised as an enduring benefit. The enduring benefit is assessed annually for impairment. The assessment is based on any indicators that may impact the delivery of the water in terms of the agreement with the Lesotho Government. Based on the assessment performed, no impairment has been identified.

In terms of the Treaty between South Africa and the Kingdom of Swaziland, South Africa has a right to receive water in perpetuity and this right is capitalised as an enduring benefit. The enduring benefit is assessed annually for impairment. The assessment is based on any indicators that may impact the delivery of the water in terms of the agreement with the Kingdom of Swaziland. Based on the assessment performed, no impairment has been identified.

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	R'000	R'000
18 Payables from exchange transactions		
Current		
Financial liabilities at amortised cost	1 943 563	1 168 507
Trade payables	805 985	482 615
Accruals	728 878	204 164
Amounts due to customers: trade debtors	61 890	113 265
Retention creditors	89 597	62 935
Water Research Commission: payables	185 598	191 933
Breede-Gouritz CMA: payables	33 894	47 525
Inkomati-Usuthu CMA: payables	30 942	66 070
Other payables	6 779	-
Unclaimed deposits	3 970	6 351
Advances received	6	5
	1 947 539	1 174 863
19 Bank Overdraft		
Current		
Current accounts at commercial banks (PMG)	2 186 502	-
	2 186 502	-
	2017	2016
	R'000	R'000
20 Employee benefits Liability		
<i>Current obligations:</i>		
Leave benefits due	156 843	131 098
Carrying amount at the beginning of the period	131 098	109 014
Current service costs	156 843	131 098
Less: benefits utilised	(131 098)	(109 014)
Performance bonuses	13 629	15 919
Carrying amount at the beginning of the period	15 919	37 029
Current service costs	13 629	15 919
Less: benefits utilised	(15 919)	(37 029)
Service bonuses - 13th Cheque	44 107	15 623
Carrying amount at the beginning of the period	15 623	29 691
Current service costs	44 107	15 623
Less: benefits utilised	(15 623)	(29 691)
	214 579	162 640

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	2017 R'000	2016 R'000
21 Finance lease liability		
Current obligation	2 321	46 531
Non-current obligation	2 420	4 389
<i>Carrying amount at the end</i>	4 741	50 920
Reconciliation of the carrying amount:		
Future minimum lease payments due:	5 189	55 359
Later than 1 year but less than 5 years	2 682	7 102
Less than 1 year	2 507	48 256
Less: Future finance charges	(448)	(4 440)
Present value of minimum lease payments	4 741	50 920

The finance lease obligations consist of various leases. The incremental borrowing rate (effective interest) was determined based on the difference between the fair value of the asset and the future minimum lease payments. Where the fair value of the asset could not be determined, the incremental rate was based on the rate of similar instruments in the market and the fair value is assumed to estimate the present value of the minimum lease payments. The effective interest rates vary between 9% and 15%. The liability is secured by the leased assets disclosed in note 16.

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	2017 R'000	2016 R'000
22 Financial liabilities: TCTA		
Current obligation	2 255 605	1 000 730
	-	
Non-current obligation	23 763 265	23 848 542
	-	
<i>Reconciliation</i>		
Carrying amount at the beginning of the period	24 849 272	26 715 336
Additions	6 993 435	3 581 546
Construction cost	1 141 375	2 054 998
Interest accrued	4 631 810	742 023
Facility and management fee	1 220 250	784 525
Payments	(5 554 536)	(4 780 054)
Other Movements	(269 301)	(667 556)
Financial liabilities at amortised cost	26 018 870	24 849 272
The liability represents the amounts owed to TCTA in accordance with various construction contracts for the development and maintenance of infrastructure assets. The effective interest rate varies per agreement and range between 4.76% and 10% p.a.		
23 Net cash flows from operating activities		
(Deficit)/surplus for the year	(3 603 879)	2 850 211
Adjusted for non-cash items	8 460 937	3 530 713
Employee benefits liability provisions	214 579	162 640
Depreciation, amortisation and impairment	1 884 712	1 913 015
Assets transferred at no cost	(1 809)	(39 961)
Impairment on financial assets at amortised cost	2 495 259	721 023
Interest accrued: TCTA	2 538 187	385 359
Facility and management fee: TCTA	1 220 250	784 525
Loss on disposal of fixed assets	109 759	210 305
Additional cash items	(162 640)	(175 734)
Employee benefits utilised	(162 640)	(175 734)
Operating cash flows before working capital changes	4 694 418	6 205 190
Working capital changes:	(1 237 835)	(903 254)
(Increase) in receivables from exchange transactions	(1 716 047)	(265 231)
(Increase) in inventories/Construction work in progress	(294 464)	(260 028)
Increase/(decrease) in payables from exchange transactions	772 676	(377 995)
Net cash from operating activities	3 456 583	5 301 936

	2017 R'000	2016 R'000
24 Budget information		
Reconciliation between budget deficit and statement of financial performance		
Budget surplus (deficit)	(7 290 090)	2 029 792
Project expenditure	4 541 610	3 387 538

24.1 BASIS OF PREPARATION OF BUDGET COMPARISON STATEMENT

The Basis of preparation of the budget statement during 2016/17 financial year is not the same with preparation of the annual financial statements. The Operating expenditure reflected on the face of the Statement of Financial Performance includes non-capital projects that were funded under project expenditure reflected in the Statement of Comparison of Budget and Actual amounts.

The project expenditure of R1.4 billion funded from augmentation fund are reported on the Statement of Financial Position, and is the reconciling amount between the Statement of Financial Performance of the WTE of R5.48 billion and the Budget comparison surplus of R7.28 billion.

24.2 REASON ON ORIGINAL BUDGET DEVIATION

The projected revenue for the financial year 2016/17 was revised to R10.6 billion which is an increase of R528 million. The Improvement on the revenue projection can be mainly attributed to the increase on construction revenue and efforts made by the entity to improve the billing efficiency for water sales. The Operating expenditure was revised to R1.8 billion in order to cover the increase on the construction costs and electricity consumption for operation of the pumping station while project expenditure budget was increased from R5.4 billion to R5.7 billion in order to cover projects such as Vaal Water Treatment that required funding during the financial year 2016/17.

24.3 REASON ON THE REVENUE VARIANCE

The favourable variance on revenue performance can be attributed to the increase on efforts made by the entity to improve the billing efficiency for water sales and interest charged on overdue customers' accounts. The total revenue against the revised budget for the financial year reflects a favourable variance of R1.1 billion.

24.4 REASON ON THE EXPENSES VARIANCE

The over spending on total expenses can be mainly attributed to the increase on the finance cost, goods and services and employee costs. The increase in finance cost is due to the cash flow timing difference on off-budget projects (undertaken by Trans Caledon Tunnel Authority-TCTA), while the over spending on the operating expenditure can be mainly attributed to the increase on the TCTA management fees.

The TCTA management fee increased from R653 million in the financial year 2015/16 to R1.4 billion in the financial 2016/17. The Over spending on employee costs is mainly due to the non-capitalisation of employee costs incurred by construction units during the financial year 2016/17. The unfavourable variance on impairment of assets is due to the fact that the entity doesn't budget for impairment on financial assets.

24.5 REASON ON THE PROJECTS EXPENDITURE VARIANCE

The Variance of R414 million on projects funded by government grant is mainly due to underspending on Orange River Water Resource Development Project (ORWRDP) -Phase 2D, Dam Safety Rehabilitation Programme (DSRP) Projects and Mzimvubu Water Project.

The underspending on the ORWRDP-Phase 2D is due to the delay in the appointment of the contractor, DSRP is mainly due to the delay in approval of the Environmental Management Plans (EMP) and also a delays in appointment of subcontractors for cutting of spillway notches and provision of gabion and rock fill materials.

The underspending on Mzimvubu Water Project can be attributed to the late approval of the variation order which resulted in the delay in the appointment of sub-consultant tasked to perform project investigation.

The under spending on other projects is due to delay in sourcing quotation from the appointed pool of contractors, no spending on the Goedetrouw Project and the fact that there was no successful bidder for the metering project.

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		2017 R'000	2016 R'000
25 Financial instruments			
Carrying amounts per category			
The total carrying values of the various categories of financial assets and financial liabilities at the reporting date are as follows:			
Financial assets at fair value			
Cash and cash equivalents	12	205	42 948
Financial assets at amortised cost			
Receivables from exchange transactions	13	4 422 490	5 386 700
Total financial assets		4 422 695	5 429 648
Financial liabilities at amortised cost		30 152 911	26 024 135
Payables from exchange transactions	18	1 947 539	1 174 863
Other financial liabilities	22	26 018 870	24 849 272
Bank Overdraft	19	2 186 502	-
Total financial liabilities		30 152 911	26 024 135
Net losses included in the statement of financial performance on amortised receivables		2 495 259	721 023

Exposure to continuously changing market conditions has highlighted the importance of financial risk management as an element of control for the WTE. The WTE finances its operations primarily from cash receipts from customers and augmentation income received from the government. There are primarily two financial risks that the WTE faces namely credit and interest rate risk.

Interest rate risk exposure

The WTE has an obligation to settle the cost incurred by TCTA for the construction of infrastructure on its behalf. Due to the long term nature of these projects, the WTE is exposed to changes in the interest rates relating to these borrowings as the amounts to settle its obligation to the TCTA is dependent on the interest rates. The effective interest rate for the current period amounted to approximately 23% (2016: 8%). Finance leases are discounted at the interest rates implicit in the lease and do not expose the WTE to any further risk as the rates are fixed for the term of the lease. The short term payables expose the WTE to a very limited risk of losses as a result of fluctuations in interest rates. The WTE endeavours to comply with the PFMA requirements to settle its debt within 30 days of receipt of an invoice.

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Credit risk exposure*Receivables and prepayments*

Potential areas of credit risk consist of trade accounts receivable and cash investments.

Accounts receivable consists mainly of government owned institutions and government owned entities.

The WTE monitors the ageing of debtors on an on-going basis and engages their customers where there is an indication of possible problems with regard to recovery from customers. Provision is made for specific bad debts and at the end of the financial year management did not consider there to be any material credit risk exposure that was not already covered by the impairment provision.

Cash and cash equivalents

Cash investments are investments made by the entity with the South African Reserve Bank and credit risk is considered to be acceptably low. Short-term deposits are held in the Corporation for Public Deposits (CPD) as required by the Treasury Regulations.

	2017 R'000	2016 R'000
<i>Maximum credit risk exposure</i>		
Cash and cash equivalents	129	42 788
Receivables	4 422 490	5 386 700
	4 422 619	5 429 488
 % of total financial assets	 100,0%	 100,0%

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an on-going review of future commitments and credit facilities.

	2017 R'000	2016 R'000
Contractual maturities of non-derivative financial liabilities are:		
Due within 30 days	1 947 539	716 109
Later than one month but not later than 12 months	4 659 007	1 356 559
Later than one year but not later than 5 years	14 260 379	10 394 045
Later than 5 years	9 505 306	15 519 161

The amounts to be paid within 30 days relate mainly to trade and other payables. Amounts due after 30 days include payments due to TCTA that are measured at amortised cost. These payments may vary for certain projects as they are based on actual water sales and are subject to change due to changes in the interest rates. TCTA has various loans with commercial banks that exposes the WTE to liquidity risk.

26 Related party transactions**26.1 Related party relationships and control**

The WTE is controlled through the Department of Water & Sanitation at National Government level.

As a result of the constitutional independence of the three spheres of government in South Africa, only parties within the national sphere of government will be considered to be related parties.

Management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. Individuals on top management level and executive committee members are considered management.

	2017 R'000	2016 R'000
26.2 Related party transactions and outstanding balances		

26.2.1 Department of Water & Sanitation

Revenue from non-exchange transactions	1 499 528	1 522 038
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The Water Trading Entity (WTE) operates within the Department and does not have its own Accounting Officer; its responsibilities are shared by different branches within the Department. The Department of Water and Sanitation incurred some operating expenditure on behalf of the WTE which include, but is not limited to, rent for office space, internal audit cost, IT cost and other administrative costs (including cost related to the business restructuring process). A reliable estimate cannot be made for these services rendered.

26.2.2 Water Research Commission

Revenue from exchange transactions	2 490	2 300
Outstanding balances (Receivables)	342 620	283 875
WRL payment	98 936	108 714

Water Research Commission and WTE both report to the Minister of Water and Sanitation. WTE performs the billing and collection of revenue on behalf of Water Research Commission (i.e. Agent-Principal Relationship).

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	2017 R'000	2016 R'000
26.2.3 <i>Trans-Caledon Tunnel Authority (TCTA)</i>		
The following transactions were carried out with TCTA:		
Construction activities	1 141 375	2 054 998
Finance cost	4 631 810	742 023
Management and facility fees	1 220 250	784 525
Outstanding balances - amount due to TCTA	26 018 870	24 849 272
Prepayment in terms of construction contract	113 730	467 122

TCTA is constructing assets on behalf of the WTE on a full cost recovery basis.

26.2.4 *Eskom*

The following disclosable items were carried out with Eskom:

Revenue	1 081 370	1 062 476
Outstanding balances	50 126	(11 753)
Payment for electricity	706 395	406 269

The amounts billed for the above revenue received from Eskom is based on the actual operations and maintenance cost incurred and not the budgeted operations and maintenance cost included in the water tariffs applicable to other users.

Eskom receives 60 days to pay for water related services instead of the normal 30 days. WTE pays Eskom for pumping costs relating to water within 15 days.

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	2017 R'000	2016 R'000
26.2.5 Rand Water		
The following disclosable items were carried out with Rand Water:		
Sale of water services		
Revenue	4 077 419	4 156 537
Finance revenue (discounting)	35 608	33 169
Gross amount billed	4 113 027	4 189 706
Outstanding balances	690 258	758 486
Gross amount due	696 339	764 539
Less: Effect of discounting	(6 081)	(6 053)
Project cost payment	242 865	541 324

Rand Water (a Water Board) and WTE both report to the Minister of Water and Sanitation. Rand Water receives 60 days to pay for water related services instead of the normal 30 days.

26.2.6 Inkomati Catchment Management Agency

The following disclosable items were carried out with Inkomati Catchment Management Agency:

Inkomati Usuthu CMA - receivables	96 525	69 376
Inkomati Usuthu CMA: payables	(30 942)	(66 070)
Inkomati Usuthu CMA: amount paid for the period	79 614	76 790

Inkomati Catchment Management Agency and WTE both report to the Minister of Water and Sanitation. WTE performs the billing and collection of revenue on behalf of Inkomati Catchment Management Agency (i.e. Agent-Principal Relationship).

26.2.7 Breede-Gouritz Catchment Management Agency (BGCMA)

The following disclosable items were carried out with Breede-Gouritz Catchment Management Agency:

Breede-Gouritz CMA - receivables	63 512	46 230
Breede-Gouritz CMA: payables	(33 894)	(47 525)
Breede-Gouritz CMA: amount paid for the period	70 958	23 366

Breede-Gouritz Catchment Management Agency and WTE both report to the Minister of Water and Sanitation. WTE performs the billing and collection of revenue on behalf of Breede-Gouritz Catchment Management Agency (i.e. Agent-Principal Relationship).

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	2017 R'000	2016 R'000
26.2.8 Sedibeng Water Board		
The following disclosable items were carried out with Sedibeng Water Board:		
Water services related project cost payment	210 890	37 352
26.2.9 Energy SETA		
The following disclosable items were carried out with Energy SETA:		
Water services related project cost payment	557 288	210 000
26.2.9 Lepelle Northern Water Board		
The following disclosable items were carried out with Energy SETA:		
Project cost payment***	236 870	473 040

*** The above project costs include amounts paid for Mopani Municipality emergency project: Bambanana Bulk Pipeline project; raising of Nwamitwa dam and raising of Tzaneen dam.

26.2.7 Entities under control of the Minister of Water and Sanitation

The following Water Boards and Agency are under the common control of the Minister of Water and Sanitation. WTE bills the Water Boards under arm's length transactions in order to recover water infrastructure related charges:

Amatola Water Board
 Bloem Water Board
 Botshelo Water Board
 Bushbuckridge Water Board
 Magalies Water Board
 Mhlathuze Water Board
 Overberg Water Board
 Umgeni Water Board
 Pella Drift Water Board

Komati Basin Water Authority (KOBWA) - Is managed by the treaty between the South African Government and the Swaziland Government. The treaty resulted in KOBWA constructing Maguga and Driekoppies Dam. The WTE has the right of use of water supply from Driekoppies dam. The revenue billed for the current year amount to R15.99 million (2016: R14.59 million).

Water User Associations - There are 222 WUA under the common control of the Minister of Water and Sanitation. WTE bills the WUAs under arms' length transactions in order to recover water infrastructure related charges.

26.3 Key management personnel remuneration

Management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. Individuals on top management level and executive committee members are considered management.

March 2017	Basic salary	Performance related payments	Other short term employee benefits	Post-employment benefits	Total
R'000					
Ms Mathe ZY - Deputy Director General	808	-	513	198	1 519
Mr Maphanga LM - Chief Director***	529	-	312	134	975
Mr Smith FJ - Chief Director	663	-	325	682	1 670
Mr Swart HJ-Construction Manager	1 114	-	349	194	1 657
Mr Arumugam S - Chief Director	750	-	285	97	1 132
Mr Mofokeng MJ- Chief Financial Officer	818	-	444	106	1 368
Mr Manus LAV - Chief Director	664	-	458	88	1 211
Mr Mudau TN - Chief Director	655	-	381	86	1 122
Mr Nel P - Chief Director	764	-	171	99	1 034
Mrs Nkomo RM - Chief Director	655	-	360	85	1 100
Mrs Mkhabela GV - Chief Director	764	-	273	99	1 136
	8 182	-	3 872	1 870	13 924

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March 2016 '000	Basic salary	Performance related payments	Other short term employee benefits	Post- employment benefits	Total
Ms Mathe ZY - Deputy Director General	761	-	485	97	1 343
Mr Maphanga LM - Chief Director***	-	-	-	-	-
Mr Smith FJ - Chief Director	1 013	-	395	131	1 540
Mr Swart HJ-Construction Manager	1 012	-	344	131	1 487
Mr Arumugam S - Chief Director	-	-	-	-	-
Mr Mofokeng MJ- Chief Financial Officer	761	-	429	99	1 289
Mr Manus LAV - Chief Director	635	-	395	81	1 110
Mr Mudau TN - Chief Director	626	-	378	80	1 083
Mr Nel P - Chief Director	730	-	253	95	1 077
Mrs Nkomo RM - Chief Director	710	-	377	90	1 177
Mrs Mkhabela GV - Chief Director	730	-	218	95	1 042
	6 977	-	3 274	899	11 150

Key management personnel remunerated through Department of Water & Sanitation - Main account

The following officials are also considered to be key management personnel. These officials are paid by the Department of Water & Sanitation - Main account.

Official	Position
Mr D Mashitsho	Director General
Mr Balzer T	Deputy Director General
Mr Squire Mahlangu	Deputy Director General

***Mr Maphanga LM - Chief Director has resigned effective 28 February 2017

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	2017 R'000	2016 R'000
27 Capital Commitments		
Capital commitments	2 016 650	2 922 064
Operational commitments	7 168	(1)
Grand total	2 023 818	2 922 063

Commitments for the acquisition of property, plant and equipment that is contracted for but not provided for in the financial statements.

Operational and Capital commitments

Inventory	1 969	2 844
Other operating expense	906 151	1 308 334
PPE: Assets under construction	199	288
PPE: Computer equipment	74	108
PPE: Equipment	4 450	6 425
PPE: Furniture	390	563
PPE: Infrastructure assets	1 106 384	1 597 439
PPE: Leases	3 769	5 442
PPE: Mobile homes	431	622
	2 023 818	2 922 064

The amounts disclosed above for capital commitments exclude VAT.

	2017 R'000	2016 R'000
28 Operating lease commitments		

The Water Trading Entity leases various residential buildings and office Spaces under operating lease agreements and instalments are payable monthly in advance. The instalments are payable over periods varying between 12 and 24 months. The entity is sub-letting these residential buildings to its various employees at a monthly rental.

The future minimum lease rentals to be paid under non-cancellable and cancellable operating lease contracts as at **31 March 2017** are as follows:

Residential Buildings :	17 792	15 989
Due within 1 year	17 792	15 725
Due later than 1 year but less than 5 years	-	264
Office administration Buildings :	683	806
Due within 1 year	552	806
Due later than 1 year but less than 5 years	131	-
Total minimum lease payments	18 475	16 795

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29	Contingent liabilities	2017 R'000	2016 R'000
29.1	Claims against the State		
	Legal claims against the Department Of Water & Sanitation		
29.1.1	Eigenbau Pty Ltd vs Minister of Water and Sanitation	2 244	2 244
29.1.2	Nasiza Trading CC/DWS	1 570	1 570
29.1.3	MICS Empowerment Group // DWS CASE NO. 56544/2013	-	1 509
29.1.4	JSW Electrical (Pty) Ltd vs. DWS and RBF Engineering (Pty) Ltd	1 006	1 006
29.1.5	S H Mkansi vs. Department of Water and Sanitation	-	1 767
29.1.6	JJ Schutte vs. The Minister of Water Affairs and Forestry	-	1 100
29.1.7	WJ Scheepers vs. DWA	-	2 124
29.1.8	Landekamp Boerdery vs. DWA	-	2 703
29.1.9	FM Du Plessis vs. DWA	-	1 322
29.1.10	Neethling N. O. and Others vs. Department of Water and Sanitation	16 647	16 647
29.1.11	Thabani Zulu and Company (Pty) Ltd vs. Minister of Water Affairs	-	2 220
29.1.12	Kwinana & Associates vs DWS	1 158	1 158
29.1.13	Limpopo Travel Agency/ DWA	-	5 000
29.1.14	VW Tengwa/DWA	-	2 765
29.1.15	Mogotleng Kgophane v DWS	1 000	-
29.1.16	Bigen Africa vs. DWS	5 926	-
29.1.17	Sehlagola Nko Ditedu Trading Enterprise CC vs. DWS	2 765	-
29.1.18	Karan Beef vs. Minister of DWS	778	-
29.1.19	Other claims against the state	2 004	3 252
		35 099	46 387

Should the WTE not be successful in defending the above cases, the maximum financial exposure amounts to R35.1 million excluding interest of approximately R3,6 million at 10.25%.

Several companies have laid claims against WTE of which the outcome is still uncertain and the summary of nature of the above cases is as follows:

29.1.1 Eigenbau Pty Ltd vs. Minister of Water and Sanitation - the applicant has made an application in court with a claim that the Department had short paid the applicant. The Department consulted with counsel on the 16 March 2016 and the answering affidavit had been filed. The parties met on the 26 May 2016 and agreed that the plaintiff must write to the Department with their proposal on resolving the matter, such proposal has not been received. Therefore should judgment be granted against the Department; the Department will be ordered to pay the claimed amount or provide a confirmatory to SARS that the payment was erroneously made to SARS

29.1.2. Nasiza Trading CC/DWS a claim is in respect of goods allegedly supplied and delivered to the DWS by the plaintiff. The DWS denies having ordered and received the alleged goods and our investigations revealed that this is a scam using the Department's name. The Department filed and served an Answering Affidavit on 8 September 2015, the matter is still pending.

29.1.3. MICS Empowerment Group // DWS case no. 56544/2013 brought an application to join against the DWS to legal proceeding instituted against Vhembe MD for breach of contract. Counsel will be preparing a plea for filing. The first defendant (Vhembe DM) objected to the amendments and the matter will be set down for arguments on the part of that aspect. The Department has not objected to the amendments and shall await the court's ruling on the notice of Vhembe DM to object the amendments before the Department will file its plea. It should be noted that the Department did not enter into contract with the Plaintiff or even procure services from the Plaintiff.

29.1.4. JSW Electrical (Pty) Ltd vs. DWS and RBF Engineering (Pty) Ltd where the Plaintiff sues both Defendants (RBF Engineering and the Department) for services rendered in terms of a contract for the supply, manufacture, delivery, installation, testing and commissioning by the Plaintiff and RBF of MV and LV Electrical installation for Tugela-Mhlathuze Emergency Transfer following a tender process. The matter pertains to 1998, the Department is defending the matter. The instructions to the State Attorney sent on 18/12/2014 to advise whether the Department should bring an application for dismissal for the delay in prosecuting this matter and to have this matter finalized. The State Attorney advised that DWS should pend this matter until such time there is a reaction from the Plaintiff.

29.1.5. S H Mkansi vs. Department of Water and Sanitation matter relates to a motor vehicle collision belonging to Construction North, Giyani, Limpopo Province.

29.1.6. JJ Schutte vs. The Minister of Water Affairs and Forestry - the Plaintiff instituted summons against the Department for damages suffered by the minor who was utilising the play facility at "Waterwese Kamp", the property allegedly in control of the Department. The Minor fell from the swing and body injuries. Matter pertained to 2012, which is now finalized. The Parties reached and out of court settlement which was made the Court order. The Department has paid a settlement amount of R2.9 million plus legal costs on 8 February 2016.

29.1.7. WJ Scheepers vs. DWA where the Plaintiff together with six others plaintiffs instituted separate civil action against the Department claiming damages for loss of profit emanating from the Department's failure to supply water to them in terms of the Koppies dam water canal scheme.

29.1.8. Landekamp Boerdery vs. DWA where the facts are same as in WJ Scheepers, the plaintiffs claim has prescribed.

29.1.9. FM Du Plessis vs. DWA, the applicant applied for a water use license which was refused by the Department in terms of section 29 (1) (b) of the NWA. The Applicant is challenging the decision of DWS on the basis that it is unreasonable and irrational. On 18 June 2014 a round table was held to resolve the matter. The license has since been issued by DWS. The matter was in court on 29 September 2014 for argument on costs. The Judge awarded costs on party and party costs scale unopposed. Awaiting Bill of costs from the Office of State Attorney.

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29.1.10. Neethling N. O. and Others vs. Department of Water and Sanitation The Department has been joined as 3rd Party. The claim relates to misrepresentation of water rights and the 1st & 2nd Respondents have conceded to the merits of the case. Matter postponed for the settling of the quantum. Matter originated in 2013. The 1st & 2nd Defendants have conceded to the merits of the case and matter postponed sine die to determine quantum. The matter is set down for argument of the quantum from 11-15 September 2017 in the Kimberley High Court.

29.1.11. Thabani Zulu and Company (Pty) Ltd vs. Minister of Water Affairs, Matter originated in 2011. The Plaintiff claims an amount of R2 220 776.25 being fees for professional service rendered in the KZN-Region by identifying and verifying the Department's debtors in the WARM and SAP Financial Management System. Payment was effected on 20 May 2016.

29.1.12. Kwinana & Associates vs DWS. Case originated in the 2014/2015 financial year. A Summons issued against the Department for failure to pay for service rendered in terms of contract to provide a compendium of accounting services to effect financial turnaround for the Revenue Collection sub-directorate. Notice of intention to defend was filed. The state attorney has been requested to appoint a counsel on this matter. We requested further particulars from the plaintiff. The plaintiff did not respond and an application to compel to provide further particulars was done and heard on the 17 August 2015. Rule 35 notice has been served and filed.

29.1.13. Limpopo Travel Agency/ DWA . Case originated in 2013. Summons issued against the Department for rental of motor vehicles by 5 officials purported to be employed by the Department. DWS filed Notice to defend and a plea on 30 January 2014. A pre-trial conference was arranged with the Plaintiff Attorney for 29 May 2015 and postponed because the Plaintiff Attorney was no longer available. Awaiting Pre Trial Conference date from the Plaintiff Attorney.

29.1.14. VW Tengwa/ DWA Labour Matter. Case originated in 2012. DWS made an application for review and setting aside of the ruling of the Arbitrator in the Commission for Conciliation, Mediation and Arbitration (CCMA) . DWS had instructed Counsel to file Rule 11 of the High Court. Rule 11 Applications sent to CD: LS for settling on 29 September 2016.

29.1.15. Mogotleng Kgophane v DWS Matter originated in 2016. Motor vehicle collision involving DWS employee. DWS is defending the matter, notice of intention to defend filed and consultation with Counsel, State Attorney and DWS officials confirmed for 6 April 2017 to prepare to draft our plea.

29.1.16. Bigen Africa vs. DWS. Matter originated in the 2016/2017 financial year. Bigen Africa submitted invoices for the work done in respect of the construction monitoring works and defects liability applicable to the construction. The invoices are not disputed, save to indicate that the budget for payment has been reallocated. The DWS has offered to settle this matter out of court.

29.1.17. Sehlagola Nko Ditedu Trading Enterprise CC vs. DWS. Matter originated in 2015 - Application to direct the DWS to issue a Purchase Order after the DWS instituted Review Application to the High Court to review and set aside the decision to award the Contract to Sehlagola Nko Ditedu Trading Enterprise CC . DWS has filed notice to oppose the application. Sehlangola has applied to the High Court for the consolidation of the two cases. The matter is set down specifically for this purpose on 31 May 2017. The DWS is not opposing the application.

29.1.18. Karan Beef vs. Minister of DWS. Matter related to the 2013 Summons issued against the DWS for over-charging the Plaintiff iro industrial purposes instead of agricultural purpose. Matter finalized. The appeals by both Parties to the Constitutional Court were dismissed for lack of prospects of success.

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29.1.19. Other claims against the state - WTE is the defendant to various small claims below an amount of R1 million each against it instituted by various companies.

28.7 Guarantees

The WTE has issued guarantees in favour of various financial institutions to support employees to obtain loans for housing. To date the WTE has not been called to honour any of these obligations. No loss is expected to materialise in respect of these guarantees in the foreseeable future.

		70	109
30	Contingent Assets	2017	2016
		R'000	R'000
	Legal claims		
30.1	Department of Water Affairs and Forestry vs. A.P.S. South Africa (Pty) Ltd	-	6 971
30.2	The Minister of Water and Environmental Affairs vs. Flowtite Vectus (Pty) Ltd	-	178 231
30.3	Department of Water vs. T- Systems South Africa (Pty) Ltd and Mr. Bokhutlo Senokwane	2 843	2 843
30.4	Department of Water and Sanitation vs. Metrics Industrial Supplies CC	30 000	30 000
30.5	Department of Water and Sanitation vs. EVN Consulting (Pty) Ltd	-	-
30.6	Department of Water and Sanitation vs. Bodust Trading	336	336
		33 179	218 381

The WTE have legal claims against several companies of which the outcome is still uncertain:

30.1 Department of Water Affairs and Forestry vs. A.P.S. South Africa (Pty) Ltd - breach of contract due to delivery of defective supplies.

30.2 The Minister of Water and Environmental Affairs vs. Flowtite Vectus (PTY) Ltd - breach of contract due to delivery of defective supplies

30.3 Department of Water vs. T- Systems South Africa (Pty) Ltd and Mr. Bokhutlo Senokwane - relates to fraud committed by Mr. Bokhutlo Senokwane against the Department whilst under the employment of DWS contractor (T-Systems (Pty) Ltd). The Department did not accept the settlement offered and has made a counter settlement.

30.4 Department issued summons arising from fraudulent invoices in which the Defendant was paid money for services it did not render. Further consultation with Counsel will take place to amend the particulars of the claim.

30.5 The Department issued summons against EVN Consulting (Pty) Ltd for professional negligence as a result of them failing to supervise the installation and backfilling of the Dwarsloop- Acornhoek Pipeline.

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30.6 The Department issued summons against Bodust Trading as the Department had erroneously made a payment into the bank account of the Respondent who appears on the database of the Department.

31	Irregular expenditure	2017	2016
		R'000	R'000
31.1	Reconciliation		
	Opening balance	325 875	655 324
	Add: Irregular expenditure - current year	4 346	54 566
	Add: Irregular expenditure - prior year	-	(384 015)
	Less: Amounts condoned	-	-
		330 221	325 875
	Less: Amounts recoverable (not condoned)	-	-
	Less: Amounts not recoverable (not condoned)	-	-
	Irregular expenditure awaiting condonation	330 221	325 875
Analysis of expenditure awaiting condonation per age classification			
	Current year	4 346	54 566
	Prior years	325 875	271 309
	Total	330 221	325 875

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Incident	Disciplinary steps taken/ criminal proceedings	2017	2016
		R'000	R'000
31.2 Details of Irregular Expenditure			
Goods or services of a transaction value of more than R2 000 were procured without inviting at least three written price quotations from prospective suppliers and the deviation was not approved by delegated person.	Disciplinary steps taken to be taken	267	-
Correct SCM processes and procedures not adhered to. Payment may only be made in terms of a valid contract to a duly authorised payee. Incorrect authorisation of transactions (delegations not complied with).	Transaction under investigation	-	1
Expenditure exceeding original excess of the approved contract or quoted amount or no contract in place	Disciplinary steps taken to be taken	418	97
Service were procured without following normal procurement process as no supporting documentation on how the service was procured could be found on correspondence files	Transaction under investigation	730	-
Incorrect award of a bid to a tenderer who did not score the highest points as per PP Regulations 2011.	Transaction under investigation	2 559	-
The method of procurement is inconsistent with those prescribed in terms of PN 8 of 2007/2008. Goods or services of a transaction value of R10 000 to R500 000 were procured without inviting at least three written price quotations from prospective suppliers and the deviation was not approved by delegated person.	Disciplinary steps taken to be taken	-	241

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Incident	Disciplinary steps taken/ criminal proceedings	2017	2016
		R'000	R'000
Goods and Service were rendered by the supplier and paid for without a valid written signed contract	Disciplinary steps taken to be taken	231	778
Goods and services with a transaction value above R500 000 were not procured by means of a competitive bidding process and the deviation was not approved by the accounting officer or his delegate in accordance with the SCM policy.	Transaction under investigation	-	792
No current contract in place - RBAC submission was send through to DBAC for approval - Critical Service pertaining to Water Testing	Transaction under investigation	-	7
Contract extended without proper delegation	Charges are issued to the transgressor and the disciplinary hearing will be scheduled soon.	-	18 686
Advanced payment was done whereas provision was not made for such in the conditions of contract. Officials did not have delegations to approve payments.	Chairperson of the disciplinary committee has been identified and will be appointed officially after consultation with the Department labour relation.	-	30 655
Suppliers to whom awards were made did not submit declarations to declare that a close family member/ partner/ associate of the supplier or of a director/ member/ principal shareholder/ stakeholder of the supplier is in the service of the institution.	Chairperson of the disciplinary committee has been identified and will be appointed officially after consultation with the Department labour relation.	-	532
Contracts awarded to supplier who should have been disqualified	Matter referred to the Financial Misconduct Advisory Committee	-	360
Awards to bidders who did not meet all the specification requirements	Matter referred to the Financial Misconduct Advisory Committee	-	1 988

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Incident	Disciplinary steps taken/ criminal proceedings	2017 R'000	2016 R'000
Unfair elimination of bidder	Matter referred to the Financial Misconduct Advisory Committee	-	429
Contract extended without proper delegation. Statutory increment for cleaning service not included in overall budget of the contract paid without Variation Order being approved by the Accounting Officer as per delegation of Authority	Awaiting disciplinary action and or condonement.	35	-
Service provider not been given similar specifications to quote which results to other company quoting for more items other less.	Awaiting disciplinary action and or condonement	11	-
No proof is available on file that request for quotation were source on the same day	Awaiting disciplinary action and or condonement	54	-
Procurement approved by person not having delegations to approved the deviations	Awaiting disciplinary action and or condonement	34	-
Service provider not been given similar specifications to quote which results to other company quoting for more items other less.	Awaiting disciplinary action and or condonement	7	-
		4 346	54 566

31.3 Details of Irregular Expenditure condoned

Incident	Condoned by (condoning authority)	2017 R'000	2016 R'000
Failure to obtain three written quotations for the procurement of goods and services	Director-General	-	-

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Incident	Disciplinary steps taken/ criminal proceedings	2017	2016
		R'000	R'000
Expenditure exceeding original contract amount/or no contract in place	Director-General	-	-
Use of transversal contract illegally	Director-General	-	-
Procurement of goods and services without following the proper SCM procedures	Director-General	-	-
Request for ex post facto approval	Director-General	-	-
Splitting of orders to circumvent SCM policies and procedures	Director-General	-	-
Non-compliance with Treasury Regulation for the procurement in excess of R500 000,00		-	-
		-	-
32 Fruitless and Wasteful Expenditure		2017	2016
		R'000	R'000
Incident	Disciplinary steps taken/ criminal proceedings		
Interest expenditure incurred on overdue accounts paid to Eskom, municipalities, etc.	Transaction under investigation	605	1 217
Interest expenditure incurred on the expropriation of land	Transaction under investigation	11	-
Interest expenditure incurred on overdue accounts paid to banks for petrol cards	Transaction under investigation	8	-
		624	1 217

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Incident	Disciplinary steps taken/ criminal proceedings	2017	2016
		R'000	R'000

The interest expenditure incurred on overdue accounts to Eskom is under investigation and the Department has engaged with Eskom to reverse the interest charged where the Department has paid within 15 days of receipt of Eskom invoices.

Fruitless and wasteful expenditure with regards to the procurement of inferior quality pipes was identified during the reporting period. This fruitless and wasteful expenditure relates to a project which originated in 2007 for the installation of glass-reinforced thermosetting plastics (GRP) pipes from Nandoni Dam to Thohoyandou, which was installed and subsequently removed. Corrective action has been taken by management since 2009 to recover this possible fruitless and wasteful expenditure. On 5 May 2010, the Minister of Water and Sanitation sued the two companies for damages and expenses incurred in installing and removing the inferior quality pipes. As at reporting date, the two companies involved have been declared Insolvent and these companies are on the process of being liquidated. The fruitless and wasteful expenditure incurred in 2007 is R697,1 million.

- 33** During the year the WTE has discovered various omissions that relate to prior years. These omissions represent prior period accounting errors which in terms of GRAP standard must be accounted for retrospectively in the WTE Annual financial statements for the year that ended 31 March 2017. As a results of these errors WTE has adjusted all affected comparative amounts presented in the current period's Annual Financial Statements as affected by these prior year accounting errors.

The nature of the prior period errors mainly relate to the following items:

Impairment of financial assets - the value added tax (VAT) input tax will be claimed from the Receiver of revenue emanating from Impaired financial assets (Trade Receivables). This created a receivables from South African Revenue Services amounting to R479 million and R157 million, in 2015/16 and 2014/15 whilst reducing the Receivable from Exchange transactions. This input tax adjustment was claimed in the past only upon write-off of any debtors balances off the WTE's books.

Intangible asset - Recognition of the right of use to the KOBWA water resource scheme amounting to R1.269 billion as per the treaty between the RSA government and Kingdom of Swaziland to derive mutual benefit from the water catchment that spans between the two territories.

Operating expenditure - reversal of error made in 2015/16 for the two Catch Management Agencies. These are payments made to the two CMAs to reduce the liability owed to the two CMAs. This reduces the Payables from exchange transaction with R60 million.

Revenue from exchange transactions - There were existing contracts that billed in 2016/17 in relation to 2015/16 and 2014/15, activities not accrued for R98.5 million and R135 million respectively. The adjustment(s) impacted on Accumulated surplus's opening balances.

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Incident	Disciplinary steps taken/ criminal proceedings	2017	2016
		R'000	R'000

Revenue from non-exchange transactions - the annual asset verification exercise and Canal project has realised the capitalisation of the Infrastructure by R315 million in 2014/15 financial year impacting on the Revenue from non-exchange transactions. Emanating from this adjustment(s), the Depreciation from this adjustments amounts to R30 million in 2015/16 and R2 million in 2014/15, respectively. In addition, there were assets that were removed from the asset register resulting in a loss of R203 million in the 2015/16 financial statements.

The Trans Caledon Tunnel Authority made amendments to the models for the Olifants River Water Development Project (ORWRDP). The adjustment of R298 million affected Assets under Construction (Property, Plant and Equipment) as well as reduced the Accrual raised in 2015/16 financial year with R170 million and R128 million respectively. *Finance leases* - R28 million attributed to incorrectly being accounted for as a non-current liability in the previous financial year (2015/16).

Payables from exchange transactions: current - In the past WTE disclosed the net asset/liability attributable to the Water research commission; in the current WTE is reclassifying the disclosure to account for Water research revenue payable and receivables separately. This resulted in the restatement of payables amounting to R121 million.

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	2016	2 015	2 014
	R'000	R'000	R'000
The impact of these errors is summarised below and the details are as follows:			
Increase/ (Decrease) in assets	(1 795 742)	2 216 261	-
(Increase)/ Decrease in liabilities	1 081 350	(16 949)	-
Increase/ (Decrease) in net assets	(714 393)	2 199 313	-
Represented by:			
<i>(Increase)/ Decrease in accumulated surplus:</i>			
(Increase)/ Decrease in revenue	97 368	(1 722 426)	-
Increase/ (Decrease) in expenses	617 025	(476 886)	-
Effect on surplus/ deficit	714 393	(2 199 313)	-
Effect on opening reserves	(2 199 313)	-	-
	(1 484 920)	(2 199 313)	-

33.1 The following is the summary of corrections made in prior years to correct errors discovered to ensure completeness and accuracy of AFS:

Finance lease liability: current	(27 790)	-	-
Finance lease liability: non-current	28 109	-	-
Intangible assets	2	1 269 723	-
Other financial liabilities: current	(118 525)	-	-
Other financial liabilities: non-current	1 078 287	-	-
Payables from exchange transactions: current	121 268	(16 949)	-
Property, plant and equipment	(648 630)	315 018	-
Receivables from exchange transactions current	(1 147 114)	631 521	-
	(714 393)	2 199 313	-
Depreciation, amortisation and impairment	30 264	2 282	-
Finance cost	321 038	-	-
Impairment on financial assets	(157 835)	(479 168)	-
Operating expenditure	220 095	-	-
Revenue from exchange transactions	98 515	(135 404)	-
Revenue from non-exchange transactions	(1 147)	(1 587 022)	-
Profit/Loss on disposal of fixed assets	203 463	-	-
	714 393	(2 199 313)	-
Effect on opening reserves	(2 199 313)	-	-
	(1 484 920)	(2 199 313)	-


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An abstract graphic design featuring several overlapping geometric shapes. A large yellow rectangle is positioned in the lower right. A dark grey parallelogram is placed over the yellow rectangle, tilted diagonally. Another yellow parallelogram is positioned above the dark grey one, also tilted diagonally. A horizontal yellow bar is located at the top left. The overall composition is modern and minimalist, using the colors of the South African flag.