



City of  
Ekurhuleni



**ERWAT First  
Quarter 2018/19  
Departmental  
Performance  
Reporting**

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## 2018/19 QUARTERLY REPORTING TEMPLATE AGAINST THE APPROVED BUSINESS PLANS

### 1. Executive Summary by the Department

ERWAT has set seven (7) Key Performance Indicators (KPI's) for the 2018/19 financial year of which three(3) of these are reported at CoE metro wide level . The entity strived to elevate its performance during this quarter, but unfortunately the desired results could not be yielded and this does not bode well with the approved service delivery agreements and the business plan.

Even though the performance for this quarter is lagging behind, there was a significant improvement in terms of capital expenditure. The Capital expenditure for this period is currently sitting at 28.50% against a set target of 20% and this compares favourably to the previous year on year CAPEX performance.

Compliance in terms of the wastewater treatment works license conditions and/or exemptions standards was at 88% against a target of 90% and this is an improvement as compared to the first quarter of the previous financial years. The Department of Water and Sanitation has revised the key performance indicators that reportable on the Green Drop Status and it is anticipated that these will impede the performance on the Green Drop status compliance; however, measures have been put in place to circumvent this challenge.

In terms of the increase in external revenue, the entity generated a revenue of R25.5 million against a targeted revenue of R50 million, which is below the targeted revenue by R24.5 million. There are partnerships in place, and these partnerships are expected to boost revenue generation in the next coming quarters. Management is also in a process of developing a financial model, and this will assist with the correct pricing and tariffs models.

Total Operating expenditure for the quarter one was R198.7 million which was below the budgeted expenditure R243.6 million representing under expenditure of R44.9 million The operation expenditure of for the year to date is 18,4% lower than the budget

ERWAT continues to strengthen its position with various stakeholders by entering into various strategic partnerships with private and public sector, where memorandum of understanding and agreements have been agreed upon. It is envisaged that going forward these will bear the desired fruits in terms of the entity's revenue generation.

**Table A: Summary of Service Delivery Performance**

| Service Delivery Monitoring |                            |          |              |          |
|-----------------------------|----------------------------|----------|--------------|----------|
|                             | Total number of indicators | Achieved | Not achieved | Variance |
| City Wide SDBIP             | 3*                         | 1        | 1            | 1        |
| Departmental SDBIP          | 4                          | 1        | 3            | 3        |

*\*One of the KPI is not reportable during this period (Clean Audit Opinion )*

## **Risks and Challenges Identified**

Below are the risks and challenges that were encountered during this first quarter:

- Community unrest
- Labour unrest (Strike)
- Inability to meet the revenue target
- Plant Capacity Upgrades; and
- Inadequate maintenance plans.

## 2. Service Delivery Monitoring

### **KPI 1 – Metro-wide**

Total revenue generated from external business

#### **Method of Measure**

This is the total external sundry income generated through provision of external services to external customers and it excludes the following revenue (Dividend Received, Development contributions, Interest received and dividends, User Charges and Grants Received).

#### **Evidence**

Invoices

#### **Q1 Target**

R50 million

#### **Q1 Actual**

R25.5 million

#### **Comment:**

Target not achieved, only R25.5 million was generated from external business.

#### **Reasons for not achieving KPI:**

The reason for the revenue not achieved was mainly due to bids that did not materialised as per the plans including some of the existing contracts that has expired resulting in less budgeted income.

### **KPI 2 – Metro-wide**

Audit Opinion from AGSA.

#### **Method of Measure**

No material findings on financial statements, audit of predetermined objectives and compliance to laws and regulations on Audit Report and Management Letter.

**Evidence****Q1 Target**

Not reportable during this quarter.

**Q1 Actual**

Not reportable during this quarter

**Comment:**

Not reportable during this quarter

**Reasons for under/ over achievement**

KPI will only be reportable during Mid-Year.

**KPI 3 – Metro-wide**

% compliance with wastewater treatment works license conditions and/or exemptions standards

**Method of Measure:**

Water Quality analysis of all 19 Waste Water Treatment Works calculated as a percentage of parameters complying against the set standards as per Water Use Licences/exemptions. The percentage is then averaged to get the overall % compliance.

**Evidence**

- Water Quality analysis reports per Wastewater Treatment Work and per month;
- Quarterly reports, showing the Water Use License standards and compliance calculations;

**Q1 Target**

88%

**Q1 Actual**

90 %

**Comment:**

Achieved. Twelve (12) out of Nineteen (19) plants achieved the required levels of compliance, which led to the exceedance of the overall target of 88%.

**Reasons for overachieving:**

- Water Use License final effluent standards were successfully negotiated with DWS and amended for eleven (11) Wastewater Treatment Works discharging into the Blesbokspruit.
- Newly installed HYBACS technology has contributed to an improved compliance of the Tsakane Wastewater Treatment Works.



### 3.1 City-Wide/Institutional SDBIP 2018/19

Refer to the City-wide SDBIP 2018/19. NB: Please note that reasons for variance must be provided for both overachievement and under achievement

**Table1: City-Wide Indicators**

| Entity   | Outcome   | Ref No. | Performance Indicator (Output level only)      | Description of Portfolio of Evidence Verified | Baseline (Annual Performance of 2017/18 estimated) | Annual Target for 2018/19 | 1st Quarter Planned Output as per SDBIP | 1st Quarter Actual Output | Variation     | Actual Output Rating | Progress on Targets | Reason(s) for Variation  | Remedial Action  | 1st Quarter Planned Budget | 1st Quarter Actual Expenditure |
|--|---|---------|--|---|--|---------------------------|---|---------------------------|---------------|----------------------|---------------------|--|--|----------------------------|--------------------------------|
| <b>National Prescribed Indicators</b>  |   |         |  |   |  |                           |   |                           |               |                      |                     |  |  |                            |                                |
| N/A  |   |         |  |   |  |                           |   |                           |               |                      |                     |  |  |                            |                                |
| <b>Provincial Indicators</b>   |   |         |  |   |  |                           |   |                           |               |                      |                     |  |  |                            |                                |
| N/A  |   |         |  |   |  |                           |   |                           |               |                      |                     |  |  |                            |                                |
| <b>City of Ekurhuleni Indicators</b>   |   |         |  |   |  |                           |   |                           |               |                      |                     |  |  |                            |                                |
| <b>IDP Strategic Objective 2: To build a clean, capable and modernized local state</b> |   |         |  |   |  |                           |   |                           |               |                      |                     |  |  |                            |                                |
| ERWAT  | Improved Quality of water (including wastewater). | WS4 36  | Total revenue generated from external business | Invoices                                      | R125 million (target 2017/18)                      | R160 million              | R50 million                             | R25.5 million             | R24.5 million | Not Achieved         | 15.9%               | The reason for the revenue not achieved was mainly due to bids that did not materialised as per the plans including some of the existing contracts that has expired resulting in less budgeted income. | Collaboration with our strategic partners in providing ten key solutions to our existing and new potential clients across the various sectors in order to maximise our | R30 million                | R28.1 million                  |

| Entity   | Outcome  | Ref No. | Performance Indicator (Output level only)   | Description of Portfolio of Evidence Verified  | Baseline (Annual Performance of 2017/18 estimated) | Annual Target for 2018/19 | 1st Quarter Planned Output as per SDBIP | 1st Quarter Actual Output   | Variation | Actual Output Rating | Progress on Targets | Reason(s) for Variation   | Remedial Action  | 1st Quarter Planned Budget | 1st Quarter Actual Expenditure |
|--|--|---------|---|--|--|---------------------------|---|-----------------------------|-----------|----------------------|---------------------|---|------------------|----------------------------|--------------------------------|
|  |  |         |   |  |  |                           |   |                             |           |                      |                     |   | conversion rate. |                            |                                |
|  | To build a clean, Capable and Modernised Local State | GG3 37  | Audit Opinion received from the external audit (AGSA)                                       | Audit report from AGSA   | Unqualified Audit Opinion                          | Unqualified Audit Opinion | -                                       | Not Reportable this quarter |           |                      |                     |   |                  | R0                         |                                |
| <b>IDP Strategic Objective 4: To protect the natural environment and promote resource sustainability</b> |  |         |   |  |  |                           |   |                             |           |                      |                     |   |                  |                            |                                |
| ERWAT  | Improved Quality of water (including wastewater)     | 63      | % Compliance with wastewater treatment works license conditions and/or exemptions standards | Water Quality Data of each Wastewater Treatment Works (from the Lab) Spreadsheet used to calculate over all compliance.<br><br>Applicable Water use authorization of each Waste Water Treatment Works. | 86%  | 88%                       | 88%                                     | 90%                         | 2%        | Performance Achieved | Good                | Water Use License final effluent standards were successfully negotiated with DWS and amended for eleven (11) Wastewater Treatment Works discharging into the Blesbokspruit. | None Required    | R124 261 899               | R89 142 716                    |

### 3.2 Entity's SDBIP Scorecard with Key Performance Areas and Indicators 2018/19

**Table 2: Entity's SDBIP**

| Entity   | Outcome  | Ref No. | Performance Indicator (Output level only)   | Description of Portfolio of Evidence Verified  | Baseline (Annual Performance of 2017/18 estimated) | Annual Target for 2018/19 | 1st Quarter Planned Output as per SDBIP | 1st Quarter Actual Output | Variation       | Actual Output Rating | Progress on Targets | Reason(s) for Variation   | Remedial Action   | 1st Quarter Planned Budget | 1st Quarter Actual Expenditure |
|--|--|---------|---|--|--|---------------------------|---|---------------------------|-----------------|----------------------|---------------------|---|---|----------------------------|--------------------------------|
| <b>IDP Strategic Objective 2: To build a clean, capable and modernized local state</b> |  |         |   |  |  |                           |   |                           |                 |                      |                     |   |   |                            |                                |
| ERWAT  | Improved Quality of Water including Wastewater | 1.M     | % Capital expenditure on planned projects   | Project progress reports (weekly, quarterly and Annual reports)<br>Payments certificates<br>Invoices | 95%  | 95%                       | 20%                                     | 28%                       | 8%              | Exceeded             | N/A                 | N/A   | No remedial action required.  | R 24 035 617.20            | R34 016 167.04                 |
|  | Improved Quality of Water including Wastewater | 2.M     | % of planned maintenance scheduled  | Number of Job Cards received versus number of job cards completed.                                   | New indicator                                      | 90%                       | 90%                                     | 33%                       | 57%             | Not achieved         |                     | Inadequate preventative maintenance . (3188 opened job-cards, 1057 Closed job-cards, yielding 33%). | Development of Asset management strategy which include review of maintenance plan, Asset care plans, asset Management policy is ongoing | R25 912 000                | R 21 699 892                   |
|  | Improved Quality of Water including Wastewater | 3.M     | Rand value-support of SMME's through ensuring appropriate application of preferential procurement practices | Procurement Plan and Invoices Paid.  | New  | 120,536 ,966.10           | 37,769,662 .53                          | R23,300, 015.15           | R14,469, 647.38 | KPI not achieved     | R23,300,015 .15     | Highest scoring bidder on two (2) significant contracts was a large company.                        | Increase our efforts to identify possible SMME's to be engaged.   | R37 769 662.53             | R23,300,015.15 (Awards made)   |

| Entity | Outcome  | Ref No. | Performance Indicator (Output level only)     | Description of Portfolio of Evidence Verified | Baseline (Annual Performance of 2017/18 estimated)      | Annual Target for 2018/19 | 1st Quarter Planned Output as per SDBIP | 1st Quarter Actual Output   | Variation                             | Actual Output Rating     | Progress on Targets                | Reason(s) for Variation  | Remedial Action   | 1st Quarter Planned Budget | 1st Quarter Actual Expenditure |
|--------|--|---------|---|---|---|---------------------------|---|---|---------------------------------------|--------------------------|------------------------------------|--|---|----------------------------|--------------------------------|
|        | Improved Quality of Water including Wastewater | 4.M     | Number of audit findings cleared per quarter. | Number of audit findings cleared per quarter. | 29 audit findings cleared in full by the end of Q4 2019 | 29                        | 9                                       | 1 findings of the remaining 4 findings were resolved.<br><br>25% of outstanding findings cleared. | 1 finding or 6% of remaining findings | Performance not achieved | Total of 26 of 29 findings cleared | The clearance of the finding in relation to charging of tax on fringe benefits on rental of properties on the WWTW's could not be finalised in the first quarter of the 2018/19 financial period.<br><br>The process of implementation of this additional tax will be negotiated with the trade unions of ERWAT. | Prioritise the housing policy to include fringe benefits on rental properties . | R0                         | R0                             |

## **KPI – 1 Departmental SDBIP**

% Capital expenditure on planned projects

### **Method of Measure:**

Increase ERWAT Wastewater Treatment Plants (WWTP) treatment capacity and improve process efficiency through infrastructure development projects (CAPEX). The total capital expenditure on major capital projects associated with increasing capacity and improving process efficiency in ERWAT Wastewater Treatment Plant according to green drop requirements and ERWAT Facility Development Plan (FDP 2032).

### **Evidence**

- Project progress reports (weekly, quarterly and Annual reports)
- Payments certificates
- Invoices

### **Q1 Target**

20%

### **Q1 Actual**

28%

### **Comment:**

Target exceeded.

### **Plan of Action**

No plan of action required.

## **KPI – 2 Departmental SDBIP**

% of planned maintenance scheduled.

### **Method of Measure**

Total number of job cards received and loaded on the system versus number of job cards completed.

### **Evidence**

Number of Job Cards received versus number of job cards completed.

### **Q1 Target**

90%

### **Q1 Actual**

33%

**Comment**

Target not achieved. The reason for the non-achievement was due to inadequate preventative maintenance. A total of 3 188 job cards were received and loaded on the system versus a total of 1 057 completed job-cards that were completed and this resulted in 33% achievement.

**Remedial Action**

The development of asset management strategy and policy commenced during June 2018. The asset management strategy will be inclusive of maintenance plans and asset management care plans.

**KPI – 3 Departmental SDBIP**

Rand value- support of SMME's through ensuring appropriate application of preferential procurement practices.

**Method of Measure**

Rand value of contracts awarded to SMME's against a set targeted rand value amount.

**Evidence**

Procurement Plan and Invoices Paid.

**Q1 Target**

R37 769 662

**Q1 Actual**

R23 300 015

**Comment**

Target not achieved and this mainly due to the highest scoring bidder on two (2) significant contracts was a large company.

**Remedial Action**

ERWAT will increase its efforts in identify possible SMME's to be engaged and Set asides to be developed.

**KPI – 4 Departmental SDBIP**

Number of audit findings cleared per quarter.

**Method of Measure**

Number of audit findings cleared against a set number of targeted audit findings to be cleared.

**Evidence**

Implementation of the actions plans as per the recommendations on the Management Report issued by the AG(SA).

### Q1 Target

Nine (9) Findings to be cleared.

### Q1 Actual

Eight (8) Findings cleared.

Comment Target not achieved. Eight out of the nine (9) findings that were cleared

### Remedial Action

Prioritise the housing policy to include fringe benefits on rental properties.

## 3.3. Reflection on operations/ day-to-day activities (Analytical Narrative Account)

### A. Flows

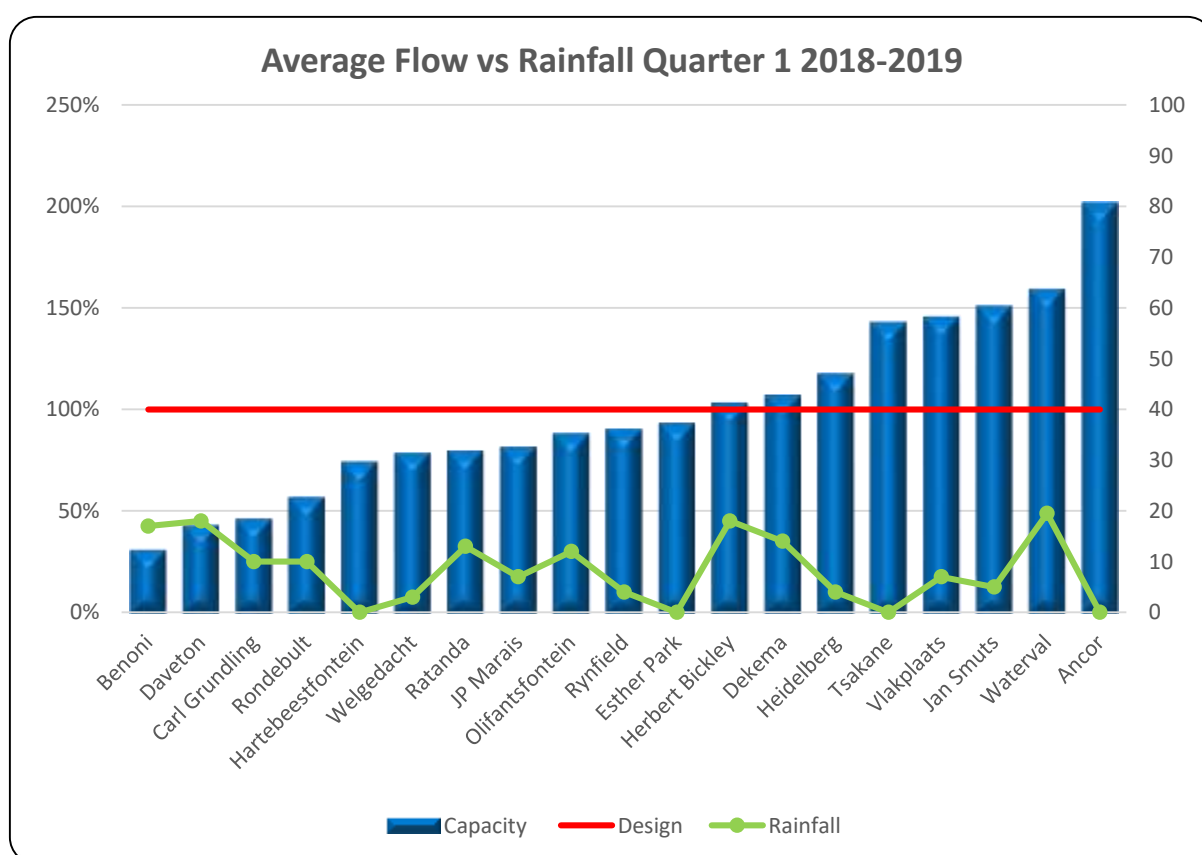


Figure 1

A total of 70 513 MI was treated in Q1, at an average of 767 MI/day, utilising 114 % of the capacity in Q1.

### 3.4. Service Delivery Highlights and Challenges

#### CHALLENGES

##### A. Flows

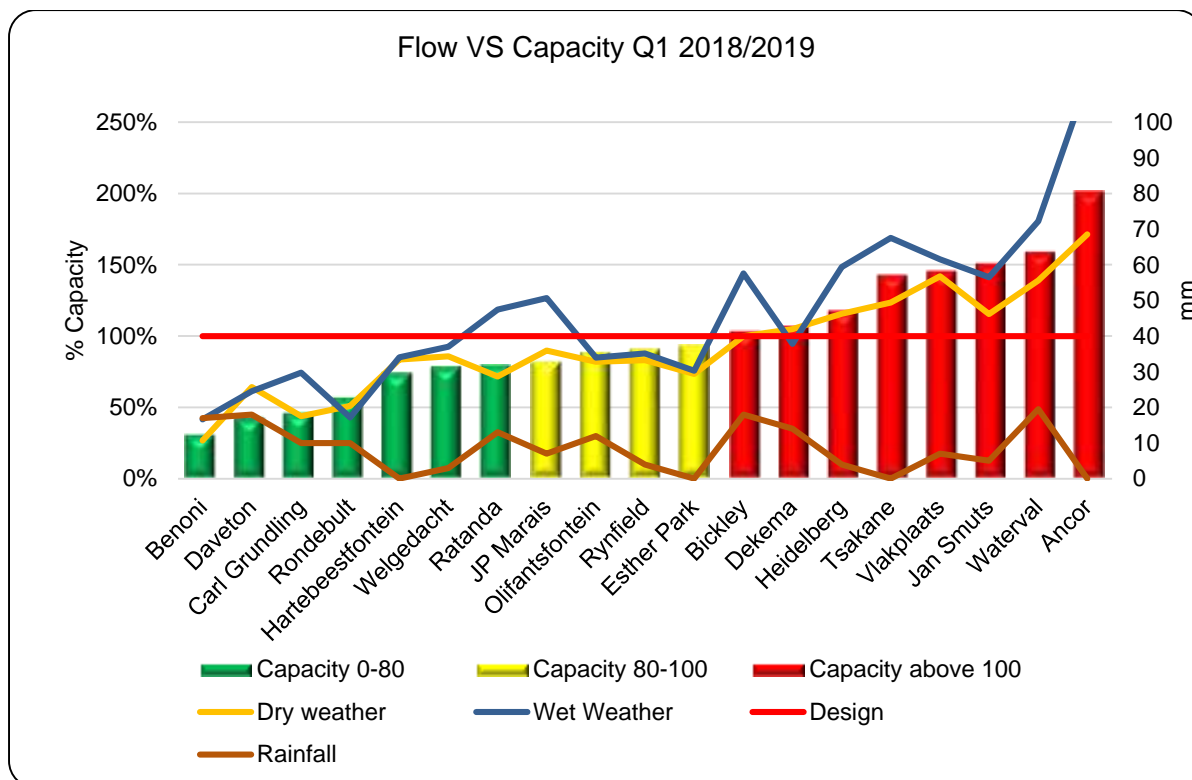


Figure 2

As can be noted in the above graph, during Q1 eight (8) out of the Nineteen (19) Wastewater Treatment Works were operating above their design capacity, four (4) operating between 80% and 100%, seven (7) operating below the 80% mark.

#### CHALLENGES

**Industrial Pollution:** Industrial impacts received at Ancor (49 of 92 days), Dekema (4 of 92 days), Rondebult (8 of 92 days), Vlakplaats (63 of 92 days) and Olifantsfontein (52 of 92 days) exceeded the organic design capacities of the Wastewater Treatment Works therefore affecting the final effluent water quality discharged.

#### Actions taken to address the challenges:

A steering committee has been established with the CoE to investigate how the impact of industrial effluent discharged to Wastewater Treatment Works can be managed and improved. The study will look into the development of an integrated model for the management of industrial effluent and review the CoE Schedule A of the tariff for industrial effluent. The Steering Committee has finalized the scope of work and CoE will proceed with the appointment of a consultant during Q2 2018/2019.

**Technology limitations and lack of infrastructure:**

Trickling filters: Eight (8) of the nineteen (19) ERWAT Wastewater Treatment Works, have older trickling filter technology, which is not suitable to treat high strength sewerage containing industrial pollutants. This leads to non-compliances of the final effluent or reduced capacities of the Wastewater Treatment Works to treat incoming flows. The two (2) worst affected Wastewater Treatment Works are Ancor and Vlakplaats.

Chlorine contacts tanks and associated disinfection equipment: The lack of chlorine contact tanks, insufficient retention time in existing contact tanks and flooding of de-chlorination channels.

**Actions taken to address the challenges**

- Trickling filters: The project for the upgrade of the trickling filter technology at Ancor and Vlakplaats will commence during Q2 of 2018/2019.
- Chlorine contact tanks: Disinfection capacity analysis was performed for all Wastewater Treatment Works to determine the disinfection requirements. The feasibility study has been completed and the detailed design for Ancor will commence during Q2 of 2018/2019.

**Storm water ingress:**

Fourteen (14) of the ERWAT Wastewater Treatment Works, namely Carl Grundlingh, Herbert Bickley, Jan Smuts, JP Marais, Welgedacht, Dekema, Rondebult, Benoni, Heidelberg, Ratanda, Tsakane, Daveyton, Rynfield and Vlakplaats do not have emergency dams to assist during storm events to prevent flooding of the Wastewater Treatment Works and potential environmental pollution.

**Actions taken:**

- The wastewater conveyance and treatment systems regionalization and 50-year masterplan study has commenced. The scope of this study includes identifying storm water infiltration hotspots, condition assessments of the conveyance infrastructure and future sewage flow projections including peak wet weather flows and capacities of the Wastewater Treatment Works. The project is at Data and Information Collection stage as part of the Initiation Phase and expected completion date of the project is Nov.2019.
- The Inception report for Capacity Upgrade of the inlet channel, emergency bypass and emergency dams to handle storm water flows at Ancor was completed and the project will continue during Q2, subject to funding.
- Vlakplaats: The construction of the storm water bypass lines and emergency dam are in progress. The project is 83% complete.

**Failure and replacement of critical equipment:**

Critical equipment failures remain a challenge. Ancor, Jan Smuts and Hartebeestfontein were the worst affected plants during Q1.

**Action taken:**

- ERWAT is in the process of developing and implementing an Asset Management Strategy, Policy and Processes that are in line with ISO55000 (Asset Management world best practice). This will include the development of Maintenance Plans in line with Industry best practice, where the focal point will be mainly on planned/ preventative maintenance. The project will be completed during Q2 of 2018/2019.

**Power outages:**

Power outages remain a challenge with the three (3) worst affected plants during Q1 being Olifantsfontein, Rondebult and Vlakplaats.

| Plant           | Source of Supply   | Power Outages | Duration (Hours) | Cause   |
|-----------------|--------------------|---------------|------------------|---|
| Olifantsfontein | City of Ekurhuleni | 8             | 5                | Olifantsfontein experienced one incident of cable theft and 7 power supply disruptions during the installation and commissioning of new generators. |
| Rondebult       | City of Ekurhuleni | 13            | 79               | Two incidents of cable theft and eleven(11) trippages occurred due to overloading of CoE transformers.  |
| Vlakplaats      | City of Ekurhuleni | 1             | 137              | One (1) outage of 137 hours (5 days and 17 hours) caused by faulty cables at Eskom substation, as reported by CoE.                                  |

**Action taken:**

- The procurement of stand-by generators for the various Wastewater Treatment Works that do not have standby generators will continue during 2018/2019, subject to availability of funding.
- Vlakplaats: Stand-by generators were utilized for certain process units on the plant during the outage period, whilst the cables were replaced.
- Rondebult: Raw inflow was bypassed to Vlakplaats WWCW during the outage periods, however plant processes are adversely affected by the interruption of flows during those periods.
- Olifantsfontein: Stolen electrical cables were replaced and the installation of the new stand-by generators were completed.

**Unstable Ground Conditions:**

Following the formation of a sink hole at Olifantsfontein WWTW that resulted in the collapse of Module 3 feed pipeline, and the structural damage to module 3 PST, the preliminary geotechnical and dolomite stability investigation around Module 3 was conducted to determine the extent of the instability. The investigation confirmed that the area where the PST is located is unstable and unsafe and recommended that further studies be carried out to narrow down on the extent of the instability in affected areas. This resulted in the PST 3 being decommissioned amid safety concerns.

With the PST decommissioned, the following is the impact on the operation of the plant:

- The biofilter plant is also not available which results in a capacity reduction of 15 MI/d. This reduction is mitigated by feeding more flow to Module 1 and 2, which becomes a challenge during peak flows.
- Module 3 struggles to remove phosphorus biologically; instead the process is facilitated chemically by the addition of Ferric Chloride which increases the operational costs.

**Action taken:**

- The Board of Directors resolved that the construction of the new PST be expedited. The specification for the appointment of a consult for the design of the new PST is being finalised. The project is anticipated for completion in 2020/21 subject to availability of funding.

### 3.4. Service Delivery Highlights and Challenges

**NB: This must be more detailed than the executive summary**

#### Highlights

- A list of the department's highlights and a short narrative under each item.
- Challenges and Interventions

### 3.5. Project/Infrastructure Report

#### Project/Infrastructure Report

This section will include all major projects that will contribute to the Mega Catalytic projects such as the John Dube Development.–ERWAT receives new township applications timeously from CoE and provide responses about the capacity availability at various Waste Water Works as and when applications are received. The section will focus into discussion on feasibilities and projects at the following Waste Water Treatment Works (WWTW):

#### Ancor WWTW

- Vlakplaats WWTW
- Welgedacht WWTW
- Herbert Bickely WWTW
- Waterval WWTW

#### Ancor WWTW

The Ancor works is situated in Springs and falls within the DD5 drainage district. The original design capacity of the plant was 32 Mℓ/d. Conventional biological filtration is employed as the main treatment process. The plant capacity has been downgraded to 15 Mℓ/d.

Plans are currently underway to upgrade the plant to 52 Mℓ/d in order to enhance the treatment capacity. These upgrades will ensure that future developments flows are accommodated thereby meeting the required standards as stipulated by the department of water and sanitation (DWS).

|   | PLANNED PROJECTS      | BUDGET REQUIRED | STATUS /COMMENTS   | COMMISSIONING DATE                  |
|---|-----------------------|-----------------|--|-------------------------------------|
| 1 | 30 Mℓ/d Plant Upgrade | R351 000 000.00 | Designs planned to commence in 2018/2019. (30 000 000.00). | The commissioning of the project is |

| PLANNED PROJECTS | BUDGET REQUIRED | STATUS /COMMENTS  | COMMISSIONING DATE          |
|------------------|-----------------|---|-----------------------------|
|                  |                 | <p>The capacity treatment plant upgrade is planned in relation to the 50-year master plan, which computes to 52 Ml/d by year 2068. The 50-year flow projection is based on the CoE IDP population growth.</p> <p>Construction planned to commence in 2019/2020 (321 000 000.00)</p> <p>Pending availability of funds, the R 351 000 000.00 budget required will accommodate 30 Ml/d of 52 Ml/d.</p> | anticipated to be 2021/2022 |

### Vlakplaats WWTW

Vlakplaats is situated in Vosloorus and falls within the DD6 drainage district. The original design capacity of the plant was 83 Ml/d .The plant capacity has been downgraded to 55 Ml/d. Vlakplaats flow distribution project is currently under construction phase to augment and add a peak flow balancing capacity into the plant by converting the old existing ponds into a balancing tank. Plans are currently underway to upgrade the plant to 189 Ml/d in order to enhance the treatment capacity. These upgrades will ensure that future developments flows are accommodated thereby meeting the required standards as stipulated by the department of water and sanitation (DWS).

| PLANNED PROJECTS                             | BUDGET REQUIRED  | STATUS /COMMENTS  | COMMISSIONING DATE  |
|--|------------------|---|---|
| 1<br>Plant Upgrade/Retrofit-Activated Sludge | R203 340 000.00  | <p>Designs and build planned to commence in 2018/2019.</p> <p>The capacity treatment plant upgrade is planned in relation to the 50-year master plan, which computes to 189 Ml/d by year 2068. The 50-year flow projection is based on the CoE IDP population growth.</p> <p>Pending availability of funds, the R 203 340 000.00 budget required will accommodate 41 Ml/d of 189 Ml/d for design-built.</p>     | The commissioning of the project is anticipated to be 2021/2022 |
| 2<br>Plant Upgrade/Retrofit-Bio filter       | R 108 000 000.00 | <p>Project implementation planned to commence in 2018/2019.</p> <p>The capacity treatment plant upgrade is planned in relation to the 50-year master plan, which computes to 189 Ml/d by year 2068. The 50-year flow projection is based on the CoE IDP population growth.</p> <p>Pending availability of funds, the R 108 000 000.00 budget required will accommodate 18 Ml/d of 189 Ml/d for design-built</p> | The commissioning of the project is anticipated to be 2021/2022 |

| PLANNED PROJECTS |                   | BUDGET REQUIRED | STATUS /COMMENTS   | COMMISSIONING DATE  |
|------------------|-------------------|-----------------|--|---|
| 3                | Flow distribution | R 40 000 000.00 | Vlakplaats flow distribution project is currently under construction phase to augment and add a peak flow balancing capacity into the plant. | The commissioning of the project is anticipated to be 2018/2019 |

### Welgedacht WWTW

The Welgedacht works is situated in Springs and falls within the DD5 drainage district. The original design capacity of the plant was 85 Mℓ/d. Module 2 have been commissioned and is currently undergoing defects liability period. The plant capacity has been up-graded to 95 Mℓ/d. Plans are currently underway to upgrade the plant to 327 Mℓ/d in order to enhance the treatment capacity. These upgrades will ensure that future developments flows are accommodated thereby meeting the required standards as stipulated by the department of water and sanitation (DWS).

| PLANNED PROJECTS |                                  | BUDGET REQUIRED  | STATUS /COMMENTS   | COMMISSIONING DATE  |
|------------------|----------------------------------|------------------|--|---|
| 1                | New 50 Mℓ/d Module 3 - Extension | R 667 734 532.80 | <p>Designs planned to commence in 2018/2019.( R 66 773 453.28)</p> <p>The capacity treatment plant upgrade is planned in relation to the 50-year master plan, which computes to 327 Mℓ/d by year 2068. The 50-year flow projection is based on the CoE IDP population growth.</p> <p>Construction planned to commence in 2019/2020 (R 600 961 079.50)</p> <p>Pending availability of funds, the R 667 734 532.80 budget required will accommodate 50 Mℓ/d of 327 Mℓ/d by 2021/2022</p> | The commissioning of the project is anticipated to be 2021/2022 |

### Herbert Bickley WWTW

The Herbert Bickley works is situated south of Nigel town and falls within the DD5 drainage district. The original design capacity of the plant was 18.75 Mℓ/d. The plant capacity has been downgraded to 15.1 Mℓ/d. Plans are currently underway to upgrade the plant to 53 Mℓ/d in order to enhance the treatment capacity.

| PLANNED PROJECTS |                       | BUDGET REQUIRED  | STATUS /COMMENTS   | COMMISSIONING DATE  |
|------------------|-----------------------|------------------|--|---|
| 1                | 10 Mℓ/d Plant Upgrade | R 133 546 906.60 | <p>Designs planned to commence in 2019/2020. (R 13 354 690.66)</p> <p>The capacity treatment plant upgrade is planned in relation to the 50-year master plan, which computes to 53 Mℓ/d by year 2068. The 50-year flow projection is based on the CoE IDP population growth.</p> | The commissioning of the project is anticipated to be 2020/2021 |

| PLANNED PROJECTS | BUDGET REQUIRED | STATUS /COMMENTS  | COMMISSIONING DATE |
|------------------|-----------------|---|--------------------|
|                  |                 | <p>Construction planned to commence in 2019/2020 (R 120 192 215.90)</p> <p>Pending availability of funds, the R 133 546 906.60 budget required will accommodate 10 Ml/d of 53 Ml/d by 2021/2022</p> |                    |

### Waterval WWTW

The Waterval wastewater care works is the largest works operated by ERWAT and is situated in the DD6 area at the Kliprivier. The original design capacity of the Waterval wastewater care works was 155 Ml/d. The plant capacity has been up-graded to 170 Ml/d. The primary treatment-debottlenecking project is currently at the design phase to increase the capacity of module 2 and 3, from 40 Ml/d to 60 Ml/d per module. Plans are currently underway to retrofit the capacity of module 4 from 50 Ml/d to 84 Ml/d and add an additional 100 Ml/d module 5. Below is the summary of these planned and running projects that have been identified to address planned Mega Catalytic Projects.

| PLANNED PROJECTS   | BUDGET REQUIRED    | STATUS /COMMENTS  | COMMISSIONING DATE  |
|--|--------------------|---|---|
| 1<br>New 100 Ml/d<br>Module 5 -<br>Extension   | R 1 333 549 066.00 | <p>Designs planned to commence for 2018/2019. (R 133 546 906.60)</p> <p>The capacity treatment plant upgrade is planned in relation to the 50-year master plan, which computes to 584 Ml/d by year 2068. The 50-year flow projection is based on the CoE IDP population growth.</p> <p>Construction planned to commence in 2019/2020 (R 1 200 002 159.00 )</p> <p>Pending availability of funds, the R 1 333 549 066.00 budget required will accommodate 100 Ml/d of 584 Ml/d by 2027/2028</p>          | The commissioning of the project is anticipated to be 2027/2028 |
| 2<br>Module 2 and<br>3 Capacity<br>Upgrade by<br>debottlenecki<br>ng the primary<br>treatment. | R 20 000 000.00    | <p>Construction planned to commence for 2019/2020.</p> <p>The primary treatment-debottlenecking project is currently at the design phase to increase the capacity of module 2 and 3, from 40 Ml/d to 60 Ml/d per module. The designs are expected to be completed by 31 August 2018.</p> <p>The capacity treatment plant upgrade is planned in relation to the 50-year master plan, which computes to 584 Ml/d by year 2068. The 50-year flow projection is based on the CoE IDP population growth.</p> | The anticipated date for commissioning is 2020/2021             |

| PLANNED PROJECTS  | BUDGET REQUIRED         | STATUS /COMMENTS  | COMMISSIONING DATE   |
|---|-------------------------|---|--|
|   |                         | <p>Pending availability of funds, the R 20 000 000.00 budget required will accommodate 40 Ml/d of 584 Ml/d by 202/2021.</p>   |  |
| <p>3 Technology Capacity Upgrade 50 Ml/d (Module 4)</p> | <p>R 247 975 609.80</p> | <p>Designs planned to commence for 2020/2021. (24 797 560.98).</p> <p>The capacity treatment plant upgrade is planned in relation to the 50-year master plan, which computes to 584 Ml/d by year 2068. The 50-year flow projection is based on the CoE IDP population growth.</p> <p>Pending availability of funds, the R 247 975 609.80 budget required will accommodate 50 Ml/d of 584 Ml/d for design-built.</p> | <p>The anticipated date for commissioning is 2023/2024</p> |

### 3. Financial Report

#### Total Operating Expenditure

Total Operating expenditure for the quarter one was R198.7 million which was below the budgeted expenditure R243.6 million representing under expenditure of R44.9 million. The operation expenditure of for the year to date is 18,4% lower than the budget for the period and the reasons for the under expenditure are listed below;

Table 5: Operational expenditure

| Line item                                 | Total Original Budget | Total Revised Budget<br><small>(Applicable only after Adjustment)</small> | Budget for Quarter | Actual for Quarter | Variance            | Actual for FY (Yr to date) | Variance for year<br><small>(Yr to date)</small> |
|---|-----------------------|---|--------------------|--------------------|---------------------|----------------------------|--|
| Employee related Costs- Salaries & Wages) | 346 451 000           | 346 451 000   | 86 612 750         | 81 232 688         | (5 380 062)         | 81 232 688                 | (5 380 062)                                      |
| Remuneration of Directors                 | 3 288 000             | 3 288 000   | 822 000            | 704 656            | (117 344)           | 704 656                    | (117 344)  |
| Bad debts (Provision for Bad debts)       | 1 024 000             | 1 024 000   | 256 000            | (223 270)          | (479 270)           | (223 270)                  | (479 270)  |
| Depreciation                              | 71 805 000            | 71 805 000  | 17 951 250         | 16 498 413         | (1 452 837)         | 16 498 413                 | (1 452 837)                                      |
| Repairs and Maintenance Planned           | 111 879 819           | 111 879 819   | 27 969 955         | 26 888 065         | (1 081 890)         | 26 888 065                 | (1 081 890)                                      |
| Repairs and Maintenance Ad-hoc            | 12 431 091            | 12 431 091  | 3 107 773          | 2 987 563          | (120 210)           | 2 987 563                  | (120 210)  |
| Interest expense                          | 61 504 000            | 61 504 000  | 15 376 000         | 13 136 059         | (2 239 941)         | 13 136 059                 | (2 239 941)                                      |
| Bulk purchases                            | 202 296 499           | 202 296 499   | 50 574 125         | 37 461 999         | (13 112 126)        | 37 461 999                 | (13 112 126)                                     |
| General Expenses- Other                   | 163 901 591           | 163 901 591   | 40 975 398         | 20 099 912         | (20 875 486)        | 20 099 912                 | (20 875 486)                                     |
| <b>Total Operating Expenditure</b>        | <b>974 581 000</b>    | <b>974 581 000</b>  | <b>243 645 250</b> | <b>198 786 085</b> | <b>(44 859 165)</b> | <b>198 786 085</b>         | <b>(44 859 165)</b>                              |

## **Employee related cost – Salaries and Wages**

- The expenditure for the year to date is 6.2% below the budget.
- As ERWAT is in the process of revising its organisational structure to correct historical anomalies, some positions that were prioritised for the first quarter of the 2018/19 financial year did not take place.

## **Depreciation**

- The depreciation figure recognised by ERWAT for the first quarter (R16 498 413) is less than the budgeted amount (R17 951 250) by R1 452 837.
- This represents an 8% negative variance and is primarily due to the delay in the capitalisation of the Welgedacht Project. As the Welgedacht is included in work in progress, it is not depreciated.
- In addition to the above the Useful Life review conducted resulted in the extension of the useful lives of some assets. This will result in a smaller annual depreciation rate for those assets affected.

## **Repairs and Maintenance**

- ERWAT has under spent on planned repairs and maintenance by R1 081 890 for the first quarter.
- The 3.88% variance is not considered significant and the repairs and maintenance figure at year end is expected to meet the budgeted figure.

## **Interest expense**

- Interest expense was 14.56% lower than budgeted during the first quarter. It was anticipated that the interest rate would be increased by the South African Reserve Bank. This however did not occur and therefore a negative variance of R2 239 941 occurred.

## **Bulk purchases**

- Bulk purchases was 25.9% lower than budgeted during the first quarter. Bulk purchases consist of Chemical P Removal, Electricity, and Disinfection.
- The Initial budget for Electricity is based on a 15% increase but NERSA only approved 5% for 2018.
- It is expected that the actual expenditure will be closer to the budgeted figure in later quarters as NERSA announced that it would allow Eskom to claw back R33.2 bn of its prior year expenses.

## **General Expenses:**

- General expenses was under spent by 50,9% for the first quarter.
- ERWAT anticipated incurring significant Professional fees in the first quarter of the 2018/19 financial period. This expense was deferred to Q2 to Q3.

| <b>Project Detail</b>          | <b>Total Original Budget</b> | <b>Total Revised Budget</b><br>(applicable only after Adjustment) | <b>Budget for Quarter</b> | <b>Actual for Quarter</b> | <b>Variance</b> | <b>Total Budget for the year</b> | <b>Actual for FY (Yr to date)</b> | <b>Variance for year (Yr to date)</b> | <b>% Completion</b> |
|--------------------------------|------------------------------|---|---------------------------|---------------------------|-----------------|----------------------------------|-----------------------------------|---------------------------------------|---------------------|
| Capital Expenditure for plants | 121 804 889                  | 121 804 889   | 30 451 222                | 22 312 629                | (8 138 593)     | 121 804 889                      | 22 312 629                        |                                       | 18%                 |
| Invoices not yet captured      |                              |   |                           | 11 809 235                | 11 809 235      |                                  |                                   |                                       | 10%                 |
| Total                          | 121 804 889                  | 121 804 889   | 30 451 222                | 34 121 864                | 3,670,642       | 121 804 889                      | 34 746 245                        |                                       | 28%                 |

Table 6: Capital expenditure

| Project Detail  | Total Original Budget | Total Revised Budget<br>(applicable only after Adjustment) | Budget for Quarter | Actual for Quarter | Variance       | Total Budget for the year | Actual for FY (Yr to date) | Variance for year (Yr to date) | % Completion |
|---|-----------------------|--|--------------------|--------------------|----------------|---------------------------|----------------------------|--------------------------------|--------------|
| REPLACEMENT OF AERATION BLOWERS   | R 32 661 218.66       | N/A  | R 4 992 584.60     | R 5 882 245.10     | (R 889 660.50) | R 32 661 218.66           | R 5 882 245.10             | (R 889 660.50)                 | 35.00%       |
| PUMP STATION TELEMETRY SYSTEMS  | R 8 326 856.00        | N/A  | R 3 740 899.50     | R 3 740 899.50     | R 0.00         | R 8 326 856.00            | R 3 740 899.50             | R 0.00                         | 85.00%       |
| GEAR BOX INSTALLATION DAYVETON AND WELGEDACHT   | R 1 660 151.61        | N/A  | R 1 660 151.61     | R 1 660 151.61     | R 0.00         | R 1 660 151.61            | R 1 660 151.61             | R 0.00                         | 100.00%      |
| INSTALLATION OF GEAR BOXES AT HARTEBEESTFONEIN & JP MARAIS  | R 2 861 747.36        | N/A  | R 2 221 574.47     | R 2 221 574.47     | R 0.00         | R 2 861 747.36            | R 2 221 574.47             | R 0.00                         | 80.00%       |
| EMERGENCY GENERATORS FOR DAYVETON & JP MARAIS, WELGEDACHT, TSAKANE, PUMP STATION & ANCOR  | R 6 770 648.12        | N/A  | R 6 770 48.12      | R 6 770 648.12     | R 0.00         | R 6 770 648.12            | R 6 770 648.12             | R 0.00                         | 95.00%       |
| REPLACEMENT OF RETROFIT MODULE 3 AT OLIFANSFONTEIN  | R 289 825.00          | N/A  | R 289 825.00       | R 289 825.00       | (R 289 825.00) | R 289 825.00              | R 289 825.00               | (R 289 825.00)                 | 100.00%      |
| FLEET   | R 1 849 944.51        | N/A  | R 1 849 44.51      | R 1 849 944.51     | R 0.00         | R 1 849 944.51            | R 1 849 944.51             | R 0.00                         | 100.00%      |
| INFRASTRUCTURE DESIGN SOFTWARE  | R 4 520 580.00        | N/A  | R 4 520 80.00      | R 4 520 580.00     | R 0.00         | R 4 520 580.00            | R 4 520 580.00             | R 0.00                         | 100.00%      |
| ELECTRICAL DISTRIBUTION SWITCHBOARD AND MOTOR CONTROL CENTRES FOR MODULE 2 AND 3 AT WATERVAL  | R 2 673 154.38        | N/A  | R 2 227 15.40      | R 2 227 415.40     | R 0.00         | R 2 673 54.38             | R 2 227 415.40             | R 0.00                         | 70.00%       |
| DEGRITTER SYSTEM AT HARTEBEESTFONTEIN   | R 673 569.25          | N/A  | R 0.00             | R 22 423.25        | (R 22 423.25)  | R 673 569.25              | R 22 423.25                | (R 22 423.25)                  | 90.00%       |
| WELGEDACHT EXTENSION  | R 425 601.98          | N/A  | R 425 601.98       | R 425 601.98       | R 0.00         | R 425 601.98              | R 425 601.98               | R 0.00                         | 100.00%      |
| PERIMETER FENCE AT THE THREE (3) ERWAT WASTEWATER TREATMENT PLANTS: BENONI, DEKEMA AND TSAKANE  | R 20 738 003.63       | N/A  | R 6 746 333.28     | R 2 248 777.76     | R 4 497 555.52 | R 20 738 003.63           | R 2 248 777.76             | R 4 497 555.52                 | 47%          |
| SUPPLY, DELIVERY & INSTALLATION OF PERIMETER FENCE AT THE THREE (3) ERWAT WASTEWATER TREATMENT PLANTS: DAYVETON RYNFIELD VLAKPLATS & WELGEDACHT | R 28 948 308.00       | N/A  | R 2 014 547.88     | R 2 014 547.88     | R 0.00         | R 28 948 308.00           | R 2 014 547.88             | R 0.00                         | 45%          |
| EQUIPMENT :OPERATIONS   | R 0.00                | N/A  | R 0.00             | R 141 532.46       | (R 141 532.46) | R 0.00                    | R 141 532.46               | (R 141 532.46)                 | 100.00%      |

As indicated in Table 2, ERWAT has achieved the 28% against the target of 20.00%. The organization has an 8% positive variance.

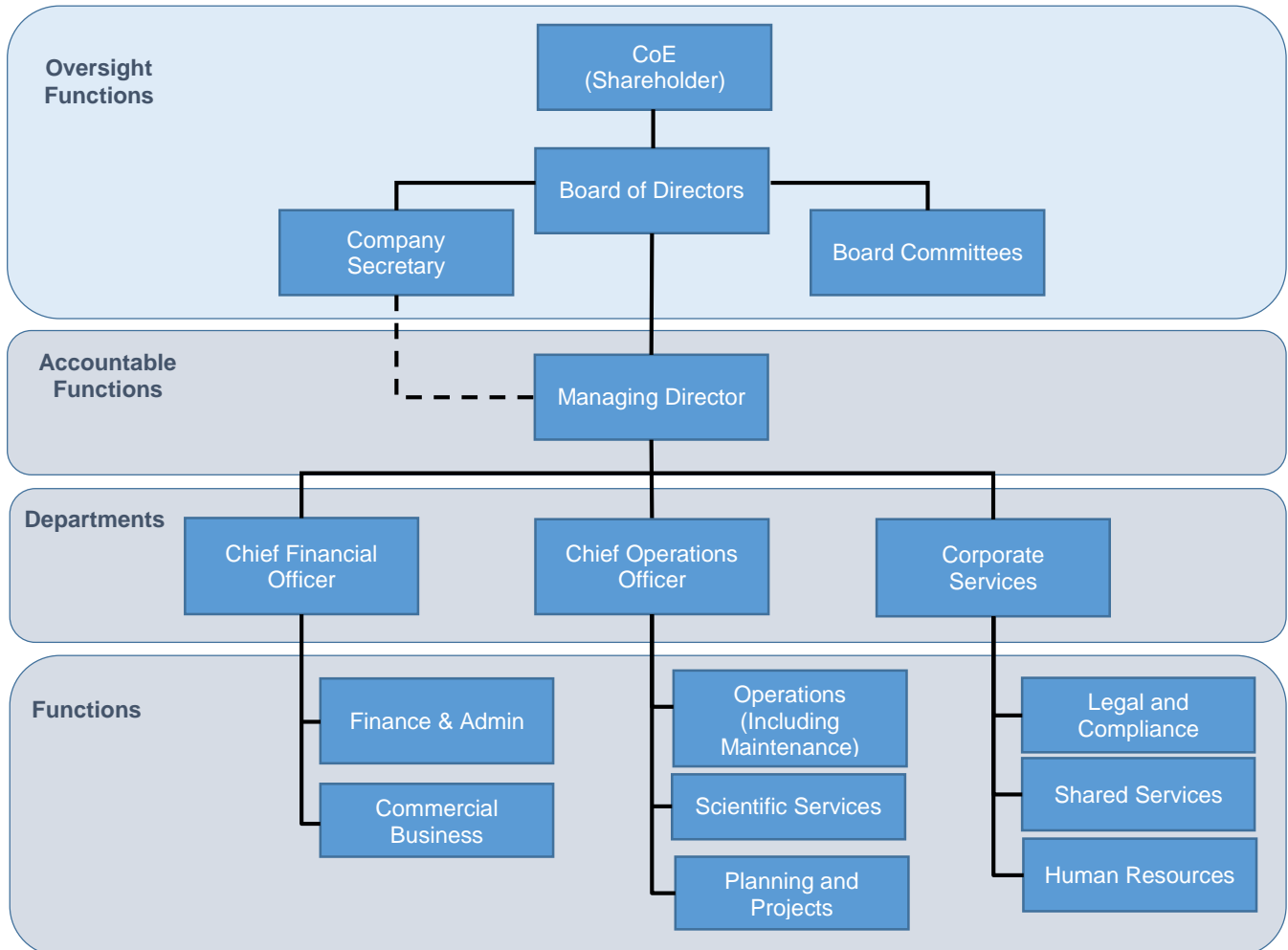
The over achievement is due to the following:

1. Improved project planning and execution cycles
2. Improved contractor and consultants management performance

## 4. Human Resources

ERWAT is expected to report with respect to the Labour Legislation:

1. Report on current structure and staff movements e.g. recruitments, resignations, retirements etc. Please provide a narrative below table 7.



### Staff Movements

| Staff Movements | African |        | Coloured |        | Indian |        | Whites |        |
|-----------------|---------|--------|----------|--------|--------|--------|--------|--------|
|                 | Male    | Female | Male     | Female | Male   | Female | Male   | Female |
| Recruitments    | 33      | 10     | 0        | 0      | 0      | 0      | 2      | 0      |
| Resignations    | 1       | 0      | 0        | 0      | 0      | 0      | 0      | 0      |
| Retirements     | 2       | 0      | 0        | 0      | 0      | 0      | 0      | 0      |
| Deaths          | 1       | 0      | 0        | 0      | 0      | 0      | 0      | 0      |

### 2. Reflect on overtime trends

#### Overtime Trends

|                | Quarter 1      | Quarter 2 | Quarter 3 | Quarter 4 | YTD – Actual |
|----------------|----------------|-----------|-----------|-----------|--------------|
| Total Hours    | 51 574.22      |           |           |           |              |
| Total Overtime | R 6 157 354.13 |           |           |           |              |

### 3. Report on performance in respect of the Employment equity and affirmative action plans and programmes (narrative).

The Employment Equity Committee compiled a 5 Year Employment Equity Plan, which was presented to the ERWAT Executive Committee and approved by the Managing Director. The EE Committee also compiled Employment Equity stats per department and compared these stats to the Gauteng Economically Active Population. At the end of September 2018 the following is an overall representation of the Employment Equity Statistics of ERWAT:

- African Males - 64%, Over Represented by 20%
- Coloured Males - 2%, Equally Represented
- Indian Males - 2%, Under Represented by 1%
- White Males - 5%, Under Represented by 3%
- African Females - 24%, Under Represented by 11%
- Coloured Females - 1%, Equally Represented
- Indian Females - 1%, Under Represented by 1%
- White Females - 3%, Under Represented by 3%

ERWAT has 671 permanent employees and 156 non-permanent employees as at 30 September 2018. The employment demographics of ERWAT as at 30 September 2018 reflects; Females in both permanent and non-permanent positions within ERWAT account for 240 of the total employees which translates or 25% of a total positions filled.

#### 4. Report on performance in respect of the Skills development plans (narrative).

##### Skills Development Plans

As at 30 September 2018, the organisation had in employment 85 young Graduates, In-service Trainees, Learnerships, Bursars and Apprentices.

The breakdown per race is as follows:

- 1 (1%) Indian
- 1 (2%) Coloured
- 2 (2%) White
- 81 (95%) African

During the period 1 July 2018 up to 30 September 2018, 187 employees were developed through various Training Courses, Workshops and conferences aligned to the ERWAT Goals.

The breakdown per race and gender is as follows:

- 48 (81%) were African Females
- 4 (7%) were Coloured Female
- 7 (12%) were White Females and
- 111(87%) were African Males
- 5 (4%) were Coloured Males
- 4 (3%) were Indian Males and
- 8 (16%) were White Males.
- 

Employees trained per Department were:

- 121 (65%) in Operations
- 3 (2%) in Scientific Services
- 38 (20%) in Maintenance
- 0 (0%) in Legal and Compliance
- 14 (7%) in Commercial Business
- 2 (1%) in Human Resources
- 7 (4%) in Infrastructure Projects and Planning and
- 2 (1%) in Finance

For the period 01 July 2018 to 30 September 2018, ERWAT currently has 2 bursars of which 1 is at the University of Johannesburg and the other at the University of Pretoria.

All Departments has submitted their Departmental Training Plans together with their Performance Development Plans per employee to address training gaps. These gaps will be addressed during the financial year of 2018-2019. A 5-year Training Plan was compiled and implementation is being monitored on a Monthly basis.

## 5. Report on staff versus cost of staff to total opex.

|                     | Quarter 1     | Quarter 2 | Quarter 3 | Quarter 4 | YTD – Actual |
|---------------------|---------------|-----------|-----------|-----------|--------------|
| Total Salary Cost   | R 81 937 344  |           |           |           |              |
| Total Opex          | R 198 495 372 |           |           |           |              |
| % of Salary to Opex | 41.28%        |           |           |           |              |

## 5. Procurement Practices, Job Creation and Mainstreaming

- Expanded Public Works Programme (if applicable): No EPWP grant received for the 2018/2019 book year.
- BEE spend in respect of supplier and contractor (PDIs) and GEYODI: Figures combined in table set out below:

### PROCUREMENT ACTIVITIES

ERWAT awarded tenders to the value of R34 373 255.61 from 51%-99% HDI owned companies and R40 624 212.42 to companies with 30%-100% black female ownership in the 1<sup>ST</sup> quarter of the 2018/19 financial period.

Refer to the table below for a summary of the BEE spending practices for the 1<sup>st</sup> quarter and year to date. 45% of the year to date total awards were made HDI owned businesses with more than 50% ownership.

### SUMMARY OF ACTIVITIES

| CATEGORY                 | QUARTER 1            |                      |                     | YEAR TO DATE TOTAL   | % OF YEAR TO DATE TOTAL        |
|--------------------------|----------------------|----------------------|---------------------|----------------------|--------------------------------|
|                          | JULY                 | AUGUST               | SEPTEMBER           |                      |                                |
| 0% HDI / JURISTIC PERSON | -                    | R -                  | -                   | -                    | 0%                             |
| 1-50% HDI                | -                    | 1,855,031.71         | -                   | 1,855,031.71         | 0.02                           |
| 51-99% HDI               | -                    | 27,519,487.08        | 6,853,768.53        | 34,373,255.61        | 45%                            |
| 100% HDI                 | 10,756,356.66        | 29,022,835.44        | -                   | 39,779,192.10        | 52%                            |
| <b>TOTAL</b>             | <b>10,756,356.66</b> | <b>58,397,354.23</b> | <b>6,853,768.53</b> | <b>76,007,479.42</b> | <b>100%</b>                    |
| <b>SIZE OF COMPANY</b>   | <b>JULY</b>          | <b>AUGUST</b>        | <b>SEPTEMBER</b>    |                      | <b>% OF YEAR TO DATE TOTAL</b> |
| LARGE                    | -                    | 27,519,487.08        | -                   | 27,519,487.08        | 36%                            |
| MEDIUM                   | 4,505,399.85         | 23,824,168.44        | -                   | 28,329,568.29        | 37%                            |
| SMALL                    | 6,250,956.81         | 7,053,698.71         | 6,853,768.53        | 20,158,424.05        | 27%                            |
| MICRO                    | -                    | -                    | -                   | -                    | 0%                             |
| <b>TOTAL</b>             | <b>10,756,356.66</b> | <b>58,397,354.23</b> | <b>6,853,768.53</b> | <b>76,007,479.42</b> | <b>100%</b>                    |
| <b>AWARDS MADE TO:</b>   | <b>JULY</b>          | <b>AUGUST</b>        | <b>SEPTEMBER</b>    |                      |                                |
| FEMALES                  | 6,250,956.81         | R 30,386,644.19      | -                   | 36,637,601.00        | 44%                            |
| BLACK FEMALE 30-100%     | 6,250,956.81         | R 27,519,487.08      | 6,853,768.53        | 40,624,212.42        | 48%                            |
| YOUTH                    | 6,250,956.81         | 491,222.96           | -                   | 6,742,179.77         | 8%                             |
| <b>BBEEE SCORE CARD</b>  | <b>JULY</b>          | <b>AUGUST</b>        | <b>SEPTEMBER</b>    |                      | <b>% OF YEAR TO DATE TOTAL</b> |
| EME                      | 4,505,399.85         | 491,222.96           | -                   | 4,996,622.81         | 7%                             |
| QSE                      | 6,250,956.81         | 5,198,667.00         | 6,853,768.53        | 18,303,392.34        | 24%                            |
| GENERIC                  | -                    | 52,707,464.27        | -                   | 52,707,464.27        | 69%                            |
| <b>TOTAL</b>             | <b>10,756,356.66</b> | <b>58,397,354.23</b> | <b>6,853,768.53</b> | <b>76,007,479.42</b> | <b>100%</b>                    |
| <b>AWARD MADE TO</b>     | <b>JULY</b>          | <b>AUGUST</b>        | <b>SEPTEMBER</b>    |                      | <b>% OF YEAR TO DATE TOTAL</b> |
| EMM BASED COMPANIES      | -                    | 23,332,945.48        | -                   | 23,332,945.48        | 31%                            |
| NON EMM BASED            | 10,756,356.66        | 35,064,408.75        | 6,853,768.53        | 52,674,533.94        | 69%                            |
| <b>TOTAL</b>             | <b>10,756,356.66</b> | <b>58,397,354.23</b> | <b>6,853,768.53</b> | <b>76,007,479.42</b> | <b>100%</b>                    |

## 6. Risk Management

Risk assessment provides an assessment of the relevant and critical risks through a classification and rating system, and mitigating actions and KPIs and targets that can be incorporated in the Balanced Scorecard. The reporting on the risk management into the quarterly reporting process is to ensure that the key risks that may prevent the achievement of the department's strategy are systematically identified and mitigating strategies and actions developed.

**Table 11: Risk Assessment**

| Risk Title  | Root Causes  | Impact / Consequences  | Additional controls   | Progress on Mitigation Action   |
|---|--|--|---|---|
| <p><b>ERW1. Inability to meet CAPEX target.</b></p> | <p><b>CF 1.</b> Planning not fully integrated including SCM processes:</p> <p><b>CF2.</b> Inadequate project management business processes and systems</p> | <p><b>IC 1.</b> Ability to increase budget allocation from CoE and future cuts.</p> <p><b>IC 2.</b> Ability to raise external funding</p> <p><b>IC 3.</b> Impact on service delivery ; Socio and economic stability</p> <p><b>IC 4.</b> Not completing projects on time.</p> | <p><b>RAF 1.1.</b>Implementation of digitised document management system.</p> <p><b>RAF 1.2.</b> Integration of digitised document management system into Supply Chain Management Process.</p> <p><b>RAF 2.</b><br/><b>RAF 2.1.</b> Develop business processes.</p> <p><b>RAF 2.2.</b> Implement a Project Management System</p> <p><b>RAF 2.3.</b> Develop Capital Infrastructure planning and project management policy</p> | <p><b>RAF 1.1.</b>Document Management System Project plan has been developed. File plans being developed to suit ERWAT environment and for submission to the National Records &amp; Achieves.</p> <p><b>RAF 1.2.</b> Currently all purchase orders are digitally issued and electronically filed for secure storage, archiving and ease of access for payment purposes. The process of including the initiation of PRs (opex/capex) for items /services on contracts is targeted for completion by the end of 3rd Quarter 2018/19.</p> <p><b>RAF 2.1.</b> Business Process Mapping Project commenced on the 11 September 2018 headed by the Executive Manager Scientific Services Project steering committee established consisting of staff from various departments.</p> <p><b>RAF 2.2.</b>The Project Management System is currently being customised to suit ERWAT environment. First trial has been presented to the department and recommendations to be incorporated into the current version of the system</p> <p><b>RAF 2.3.</b>The Capital Infrastructure planning and the Board approves project management policy.</p> <p><b>RAF 2.4.</b> Service provider has been appointed to assist with the development of standards and specifications. The project is at initiation stage.</p> |

| Risk Title   | Root Causes   | Impact / Consequences  | Additional controls  | Progress on Mitigation Action   |
|--|---|--|--|---|
|  |   |  | <p><b>RAF 2.4.</b> Develop standards and specifications.</p>   |   |
| <p><b>ERW2.</b><br/>Inability to meet external revenue targets.</p>            | <p><b>CF1.</b> The company is currently incorporated as Non-Profit Company.</p> <p><b>CF 2.</b> Municipal Finance <b>Management Act, Sec 164; FORBIDDEN ACTIVITIES.</b></p> <p><b>CF 3.</b> Products and services are not well defined.</p> <p><b>CF 4.</b> Lack of a tariff model.</p> | <p><b>1C 1.</b> Limitation on profit generation thus increasing reliance on parent municipality for user charges.</p> <p><b>IC 2.</b> Services only limited to area of jurisdiction.</p> | <p><b>RAF 1.</b> Change the current incorporation from an NPC to an SOC (LTD).</p> <p><b>RAF 2.</b> No additional controls required.</p> <p><b>RAF 3.</b> Review the marketing strategy</p> <p><b>RAF 4.</b> Tariff model to be developed.</p> | <p><b>RAF 1.</b> Advice sought from legal experts and CIPC. ERWAT has further evaluated all possible options that are available and a report with detailed process will be tabled at the BOARD and Council for approval during Q3</p> <p><b>RAF 1.2.</b> No Additional control</p> <p><b>RAF 3.</b> Marketing strategy is under review and will serve at EXCO during Q2 of 2018/2019</p> <p><b>RAF 4.</b>The revision of the Tariff model has not yet commenced. The target date for the completion of the tariff model is the 2nd Quarter of the 2018/19 financial period.</p> |
| <p><b>ERW3.</b><br/>Laws and regulations hindering alignment to processes.</p> | <p><b>CF 1.</b> MFMA (chapter 11), Preferential Procurement regulations and Supply Chain Management (SCM) policy.</p> <p><b>CF 2.</b> Constitution of South Africa.</p>   | <p><b>IC 1.</b> Community unrest.</p> <p><b>IC 2.</b> Unable to meet corporate social responsibilities.</p>  | <p><b>RAF 1.</b> Revision of the SCM policy to align to the preferential procurement regulations</p> <p><b>RAF 1.2</b> No additional control required.</p> <p><b>RAF 2.</b> No mitigating controls.</p>  | <p><b>RAF 1.</b>Supply Chain Management Policy was revised and approved by the Board of Directors in August 2018.</p> <p><b>RAF 1.2.</b> No Additional control</p> <p><b>RAF 1.2.</b> No Additional control</p>   |

| Risk Title  | Root Causes  | Impact / Consequences   | Additional controls  | Progress on Mitigation Action   |
|---|--|---|--|---|
| <p><b>ERW4.</b><br/>Inadequate infrastructure capacity to treat wastewater.</p> | <p><b>IC 1.</b> Impact on service delivery ; Socio and economic stability.<br/><b>IC 2.</b> Impact on environmental compliance.<br/><b>IC 3.</b> Delay of CoE development growth<br/><b>IC 4.</b> Affect credibility on the commercial business.</p> | <p>1. Impact on service delivery; Socio and economic stability.<br/>2. Impact on environmental compliance.<br/>3. Delay of CoE development growth<br/>4. Affect credibility on the commercial business.</p> | <p><b>RAF 1.</b> Develop a Waste Water Conveyance and Treatment Systems Regionalisation and 50 year Master Plan.</p> <p><b>RAF 2.1</b> Develop an asset management strategy, policy and maintenance plan.</p> <p><b>RAF 2.2</b> Develop maintenance standards and specifications for critical equipment;</p> <p><b>RAF 2.3</b> Develop business continuity management plan (BCMP).</p> | <p><b>RAF 1.</b> A project steering committee has been established and convene bi-weekly<br/>The following assessments have been completed:</p> <ul style="list-style-type: none"> <li>• DD3 Environmental Analysis Draft Report</li> <li>• Stakeholder Analysis Draft Report</li> <li>• DD3 Social Analysis Draft Report</li> <li>• Legal and Regulatory Analysis Draft Report</li> <li>• Review of Planning Documents Draft Report</li> <li>• DD3 Treatment Systems Analysis Draft Report</li> </ul> <p><b>RAF 2.1.</b> ERWAT has Embarked in a process of developing and reviewing the Asset Management Policy, Strategy and Maintenance plans in line with ISO 55 0000<br/>The Policy and Strategy has been reviewed. Asset Maintenance Plans are being developed.<br/>The project will be finalised by the end of October 2018 in line with the project plan.</p> <p><b>RAF 2.2.</b> Service provider has been appointed to assist with the development of standards and specifications. The project is at initiation stage</p> <p><b>RAF 2.3.</b> Business Continuity Management A). Business Continuity Management Project</p> |

| Risk Title | Root Causes | Impact / Consequences | Additional controls  | Progress on Mitigation Action   |
|------------|-------------|-----------------------|--|---|
|            |             |                       | <p><b>RAF 3.</b> Develop funding model.</p> <p><b>RAF 4.</b> No additional control required.</p> <p><b>RAF 5.1</b> Implement of recommendations from the equipment assessment conducted by the original equipment manufacturers.</p> <p><b>RAF 5.2</b> Implementation of recommendations from the civil structure assessments conducted.</p> | <p>commenced on the 11 September 2018 headed by the Chief Financial Officer<br/> B) BCM Project steering committee established consisting of staff from various departments.</p> <p><b>RAF 3.</b> High level funding model was developed and presented to the Governance, Risk and Compliance Board Sub-Committee. A more detailed "financing model" is in the process of being developed and will be completed by the end of the second quarter of the 2018/19 financial period.</p> <p><b>RAF 4.</b> No Additional control</p> <p><b>RAF 5.1.</b><br/> Monthly Servicing regime of equipment is informed by recommendations from equipment assessment. In addition, Equipments that requires or are nearing replacement have been incorporated into a 5-year capex plan</p> <p><b>RAF 5.2.</b> Further scientific assessments to be conducted at the end Q3 of 2018/19. Structures that are dormant to be</p> |

| Risk Title | Root Causes | Impact / Consequences | Additional controls | Progress on Mitigation Action                                     |
|------------|-------------|-----------------------|---------------------|---|
|            |             |                       |                     | demolished as per recommendations from the structural assessment. |

| Risk Title  | Root Causes  | Impact / Consequences  | Additional controls  | Progress on Mitigation Action  |
|---|--|--|--|--|
| <p><b>ERW5.</b><br/>Inability to attract and retain key skills</p>  | <p><b>CF 1.</b> Lack of a manpower recruitment plan.<br/> <b>CF 2.</b> Remuneration is perceived to be lower than industry norm.<br/> <b>CF 3.</b> Lack of a succession plan.<br/> <b>CF 4.</b> Lack of an integrated training and development plan.</p>   | <p><b>IC 1.</b> Compromised service delivery.<br/> <b>IC 2.</b> Low staff morale.<br/> <b>IC 3.</b> Attrition of skilled work force.<br/> <b>IC 4.</b> Unskilled workforce and skills transfer.</p>  | <p><b>RAF 1.</b> Development of a recruitment plan.</p> <p><b>RAF 2.</b> To conduct remuneration structuring which includes benchmarking, development of pay scales and review of remuneration policy.</p> <p><b>RAF 3.</b> Develop a Succession strategy, policy and plan.</p> <p><b>RAF 4.</b> Publishing of annual training report.</p> | <p><b>RAF 1.</b>Recruitment plan has been drafted. The draft recruitment plan will be finalised once the new organisational structure is approved.</p> <p><b>RAF 2.</b> ERWAT has embarked on the remuneration structuring which include the benchmarking, development of pay scales and review of remuneration policy. Expected completion date on project is December 2018</p> <p><b>RAF 3.</b> Succession policy to be reviewed. Strategy and plan to be drafted by end of Quarter 3.</p> <p><b>RAF 4.</b> Report has been finalised and will be published in Quarter 2.</p>                        |
| <p><b>ERW6.</b><br/>Non-compliance to relevant legislative and governance related requirements. (5 key legislation)</p> | <p><b>CF1.</b> Changes in legislation.<br/> <b>CF2.</b> Inadequate business processes and procedures for OHSA, MFMA, NWA, NEMA, CA. Five (5) Key Legislation<br/> <b>CF3.</b> Occupational Health &amp; Safety ACT- Lack of Occupational, Health Safety (OHS) systems and processes.<br/> <b>CF4.</b> Municipal Finance Management Act</p> | <p><b>IC 1.</b> Non-achievement of clean audit.<br/> <b>IC 2.</b> Financial, litigations and other liabilities.<br/> <b>IC 3.</b> Reputational damage.<br/> <b>IC 4.</b> Injuries and/or death<br/> <b>IC 5.</b> Qualified audit<br/> <b>IC 6.</b> Penalties</p> | <p><b>RAF 1.1.</b> Migration and monitoring of legislation from a manual system to a Nexus Lexus Compliance System No additional controls required.</p> <p><b>RAF 1.2.</b> Legal Compliance monitoring dashboard.</p> <p><b>RAF 1.3.</b> The development of Compliance policy and</p>  | <p><b>RAF 1.1.</b> Compliance module on the Lexus GRC system went live in November 2017. The system is in developmental stage for ERWAT needs.</p> <p>Technical glitches has been identified during the initial roll out phase and are currently being resolved as of end of Q1 of 2018/19.</p> <p><b>RAF 1.2.</b> Compliance Monitoring Dashboard is active on the Lexus GRC system, however it is at the initial stages of the system roll out.</p> <p><b>RAF 1.3.</b> Draft compliance policy has been developed and will be tabled at the Board for approval in quarter 3 of 2018/19 financial</p> |

| Risk Title | Root Causes  | Impact / Consequences | Additional controls   | Progress on Mitigation Action   |
|------------|--|-----------------------|---|---|
|            | <p>4.1 Performance</p> <p>(a) Budget not allocated to Key Performance Areas</p> <p>(b) Performance objectives not aligned with the Service Delivery Agreement.</p> <p>(c) Incorrect disclosures in annual financial statements and the annual report</p> <p>4.2 Asset Management</p> <p>(a) Amortisation or depreciation which does not reflect the economic use of the asset.</p> <p>(b) Failure to recognise impairments in value</p> <p>(c) Incorrect computation of gains/losses on asset disposal</p> <p>(d) Capitalisation of costs that should be expensed</p> <p><b>CF5.</b> National Water Act</p> <p>- Wastewater Treatment Plants operating above their design capacity</p> |                       | <p>Compliance Framework.</p> <p><b>RAF 2.</b> Annual review of the Internal Audit Plan and implement the recommendation of the Internal Audit.</p> <p><b>RAF 3.1.</b> Review and update of the occupational health and safety plan</p> <p><b>RAF 3.2.</b> Develop a Safety Compliance Report.</p> <p><b>RAF 3.3</b> Safety video to be rolled out.</p> <p><b>RAF 4.1</b> Review of the Service Delivery Agreement</p> <p><b>RAF 4.2</b> The review of the Asset Management Policy</p> | <p>year</p> <p><b>RAF 2.</b> The Annual Internal Audit Plan approved by the City of Ekurhuleni Audit Committee.</p> <p>The Internal Audit Tracking Tool and approximately 60% of the findings has been resolved.</p> <p><b>RAF 3.1.</b> Occupational Health and Safety Plan reviewed and to be tabled at the Board in quarter 2 of 2018/19</p> <p><b>RAF 3.2.</b> Occupational Health and Safety Gap Analysis on Policies and Procedures was presented to the Executive Committee meeting.</p> <p><b>RAF 3.3.</b> Development of the Safety Video was finalised and the video is part of Induction program as well as all safety meeting</p> <p><b>RAF 4.1.</b> The Service Delivery Agreement is currently under to review incorporate the pump station agreement</p> <p><b>RAF 4.2.</b> The review of the Asset Management policy in line with ISO 55 000 is part of the Asset Management Project to be finalised at the end of October 2018 as per project plan.</p> <p><b>RAF 5.1.</b> The Assessments will take place from 17 to 20 September 2018, and the status report will be available at the end of Quarter 1.</p> |

| Risk Title   | Root Causes  | Impact / Consequences | Additional controls  | Progress on Mitigation Action   |
|--|--|-----------------------|--|---|
|  | <ul style="list-style-type: none"> <li>- Industrial pollution</li> <li>- Storm water ingress</li> </ul> <p><b>CF6.</b> National Environmental Management Act- Spillages</p> <p><b>CF7.</b> Companies Act</p> <ul style="list-style-type: none"> <li>-Possible non-adherence to corporate governance practices and principles</li> </ul>                            |                       | <p><b>RAF 5.1</b> Annual Greendrop Audits</p>  |   |
| <p><b>ERW7.</b> Ineffective/Inadequate Enterprise Risk Management systems.</p> | <p><b>CF 1.</b>Lack of Business Continuity Management.</p> <p><b>CF 2.</b> Organisational Risk Maturity</p> <p><b>CF 3.</b> Ineffective Implementation of Risk management Standards, Strategy, Policies and Framework.</p> <p><b>CF 4.</b> Non-alignment of depreciated historical cost to asset replacement values (Inadequate insurance coverage for ERWAT.)</p> |                       | <p><b>RAF 1.</b> Comprehensive program to update Strategy and Business Processes in conjunction with the implementation of the Business Continuity Management and Disaster Recovery Plan.</p> <p><b>RAF 2.</b> Conduct a Risk Maturity Assessment</p> <p><b>RAF 3 -4.</b> No additional control required</p> | <p><b>RAF 1.</b>Development of ERWAT Strategy Project commenced on the 11 September 2018 headed by the Executive Governance Legal and Compliance. Project steering committee established consisting of staff from various departments.</p> <p><b>RAF 2.</b> Assessment to be finalised in December 2018</p> <p><b>RAF 3-4</b> No Additional control</p> |

### Emerging Risks (Narrative)

This section must reflect on emerging risks in the context of Departmental Strategy and Operations. The section should discuss risks not identified in the original approved business plan.

## **7. Legislative (only if applicable to your department)**

The legislative environment that is applicable to ERWAT is the National Water Act (NWA), Municipal Finance Management Act (MFMA) Occupational Health and Safety Act (OHSA) and National Environmental Management Act (NEMA). Compliance Risk Management Plans (CRMP) are in place and reported on a quarterly basis to the CoE Risk Committee. The board also plays governance oversight on the implementation of plans and had requested that that NEMA and NWA be unpacked and prioritised.

## **8. Key Audit Matters and Progress**

ERWAT had 29 findings in the 2017/2028 financial year of which 25 were resolved in the same financial year. The four (4) findings were carried over to the 2018/2019 and 1 out of the 4 has been resolved.

No internal audits have been implemented during this first quarter and according to approved 2018/19 plan, the audit are supposed to commence during the second quarter of the year.