



ERWAT Second Quarter / Mid-Year Departmental Performance Reporting

2018/19 MID _ YEAR REPORT 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 the second quarter. The entity reported a significant improvement in implementing capital projects and recorded 83.75% CAPEX against a target of 40%.

Compliance in terms of the wastewater treatment works license conditions and/or exemptions standards was at 90% against a target of 88% and this is an improvement as compared to the second 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 R52.6 million against a targeted revenue of R85 million, which is below the targeted revenue by R32.4 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 second quarter 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 continued 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.

The 2017/18 audit process was finalised during November 2018 and the ERWAT obtained an unqualified audit opinion.

Table A: Summary of Service Delivery Performance

Service Delivery Monitoring				
	Total number of indicators	Achieved	Not achieved	Variance
City Wide SDBIP	3	2*	1	1
Departmental SDBIP	4	2	2	2

2. Service Delivery Monitoring

METRO-WIDE SDBIP

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

Q2 Target

R85 million

Q2 Actual

R52.3 million

Comment:

Target not achieved, only R52.3 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.

Q2 Target

Not reported in the 2nd quarter of 2018/19

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;

Q2 Target

88%

Q2 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.

DEPARTMENTAL SDBIP

KPI 1 Departmental

% 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

Q2 Target

40%

Q2 Actual

83.75%

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.

Q2 Target

90%

Q2 Actual

33%

Comments

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.

Q2 Target

R 8 998 790.78

Q2 Actual

R15,000,000

Comments

Target exceeded

Remedial Action

Target exceeded, no remedial action required.

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).

Q 2 Target

15 audit findings cleared in full by the end of Q4 2019

Q2 Actual

14 audit findings cleared in full by the end of Q2 2019

Comments

Target in progress 14 findings were cleared during the second quarter.

Remedial Acton

Findings related to internal control deficiencies can only be confirmed as cleared once internal audit has tested the implementation of the controls.

3.1 City-Wide/Institutional SDBIP 2018/19 Refer to the City-wide SDBIP 2018/19.

Table1: City-Wide Indicators

NB: Please note that reasons for variance must be provided for both overachievement and under achievement

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	2 nd Quarter Planned Output as per SDBIP	2 nd Quarter Actual Output	Variation	Actual Output Rating	Progress on Targets	Reason(s) for Variation	Remedial Action	2 nd Quarter Planned Budget	2 nd Quarter Actual Expenditure
National Prescribed Indicators															
N/A															
Provincial Indicators															
N/A															
City of Ekurhuleni Indicators															
IDP Strategic Objective 2: To build a clean, capable and modernized local state															
ERWAT	Improved Quality of water (including wastewater).	WS4 36	Total revenue generated from external business	Invoices	R125 million (target 2017/18)	R160 million	R85 000 000	R52.6 million	R32.4 million	Not Achieved	R52.6 million was achieved out of R85 million target for Q2 target and R160 million annual target Q4).	The reason for the revenue not achieved was mainly due the expired contracts that were not renewed and the As and When Contracts that has not started including bids that did not materialise as per the plans 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 conversion rate. Our recent appointment by	R47.2 million	R32.8 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	2 nd Quarter Planned Output as per SDBIP	2 nd Quarter Actual Output	Variation	Actual Output Rating	Progress on Targets	Reason(s) for Variation	Remedial Action	2 nd Quarter Planned Budget	2 nd Quarter Actual Expenditure
													Municipal Infrastructure Support Agent (MISA) will enable us to expand our client base and generate additional revenue.		
	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 reported in Q2	-	-	-	-	-	R1 300 947	R1,277,347.78
IDP Strategic Objective 4: To protect the natural environment and promote resource sustainability															
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. Applicable Water use authorization of each Waste Water Treatment Works.	86%	88%	88%	90%	2%	Performance Achieved	Good	ERWAT successfully negotiated an amendment of licence conditions with DWS, using scientific evidence, to industry norms. Installed HYBACS technology has contributed to an improved effluent	None required	R124 261 899	R106 421 568.10

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	2 nd Quarter Planned Output as per SDBIP	2 nd Quarter Actual Output	Variation	Actual Output Rating	Progress on Targets	Reason(s) for Variation	Remedial Action	2 nd Quarter Planned Budget	2 nd Quarter Actual Expenditure
												compliance of the Tsakane Wastewater Treatment Works.			

3.2 Entity's SDBIP Score card 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	2 nd Quarter Planned Output as per SDBIP	2 nd Quarter Actual Output	Variation	Actual Output Rating	Progress on Targets	Reason(s) for Variation	Remedial Action	2 nd Quarter Planned Budget	2 nd Quarter Actual Expenditure
IDP Strategic Objective 2: To build a clean, capable and modernized local state															
ERWAT	Improved Quality of Water including Wastewater	1.M	% Capital expenditure on planned projects	Project progress reports (weekly, quarterly and Annual reports) Payments certificates Invoices	95%	95%	40%	83.75%	43.75%	Target Exceeded	N/A	N/A	No remedial action required	R48 721 955.6	R102 015 145.19
	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%							R25 677 000	
	Improved Quality of Water including Wastewater	3.M	Rand value-support of SMME's through ensuring appropriate	Procurement Plan and Invoices Paid	New	R 120 536 966.10	R 8 998 790.78	R15,000,000	R6,001,209.22	Exceeded	Achieved	Larger than expected value of tenders awarded during Q2	None	R8 998 790.78	R15,000,000

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	2 nd Quarter Planned Output as per SDBIP	2 nd Quarter Actual Output	Variation	Actual Output Rating	Progress on Targets	Reason(s) for Variation	Remedial Action	2 nd Quarter Planned Budget	2 nd Quarter Actual Expenditure
			application of preferential procurement practices									that made use of the 30% sub-contracting clause contained in the preferential procurement regulations.			
	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	15	14	1	Not Achieved	14 Findings have been cleared of the 15 targeted	Findings related to internal control deficiencies can only be confirmed as cleared once internal audit has tested the implementation of the controls.	Internal audit's verification of the AGSA's findings will commence in Q3.	R1 300 947	R1,277,347.78

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

NB: Reflect on the day to day activities that may not be in the Departmental Scorecard but constitute a key mandate of the department. Some of the day to day activities may be in the DH: Scorecards. This may also include the **Mayoral Lekgotla Action Plan, State of the City Pronouncements etc.**

3.4. Service Delivery Highlights and Challenges

CHALLENGES

A. Flows

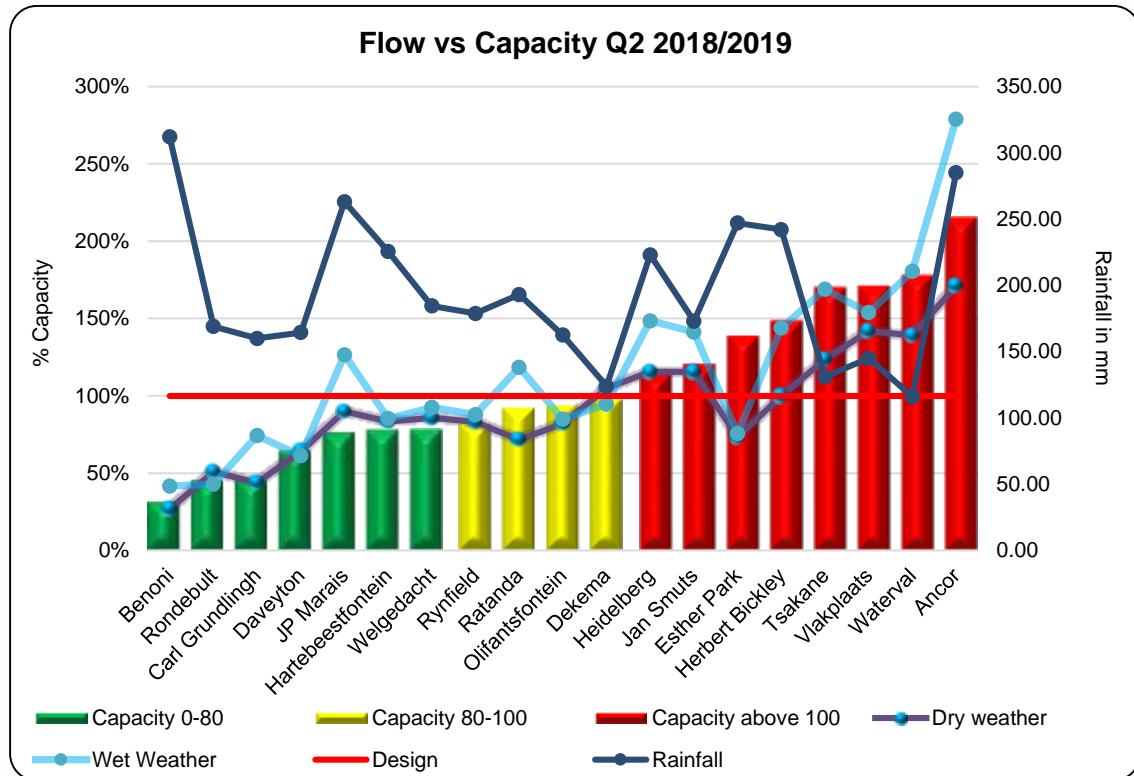


Figure 1

As can be noted in the above graph, during Q2 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 (74 of 92 days), Jan Smuts (48 of 92 days), Hartebeestfontein (67 of 92), Herbert Bickley (8 of 92 days), Heidelberg (62 of 92 days), Olifantsfontein (65 of 92 days), Rondebult (19 of 92 days), Vlakplaats (19 of 92 days) and Waterval (33 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. Progress made to date with regards to the study that 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 is as follows: The scope of work is finalized and is ready for approval by the HOD: Water and Sanitation.

Technology limitations and lack of infrastructure:

Reduced treatment capacity due to the isolation of Mod 4 (24 MI/d) at Hartebeestfontein for the purpose of maintenance. The isolation was triggered by the defective bubble aeration diffuser pipe and this presented an opportunity to undertake maintenance on the related equipment and unit processes both up-and downstream of the Module 4 reactor.

Actions taken to address the challenges

- Module 4 bubble aeration, PST, FST and Surface aeration basins were emptied and the repair and installation of the diffusers, scrappers and siphons was fully commissioned on the 3rd December 2018 instead of 31st October as initially anticipated. This was due to the delay in procurement of the diffusers as they had to be imported.

Failure and replacement of critical equipment:

Critical equipment failures remain a challenge. Ancor, Jan Smuts and Hartebeestfontein were the most affected plants during Q2.

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 is at the final stage, with training of staff and implementation during Q3 and Q4.

Power outages:

Power outages remain a challenge with the seven (7) most affected plants during Q2 being Hartebeestfontein, Heidelberg, Herbert Bickley, Olifantsfontein, Rondebult, Vlakplaats and Welgedacht.

Plant	Source of Supply	Power Outages	Duration (Hours)	Cause
Hartebeestfontein	CoE	2	37	Hartebeestfontein experienced an incident of a power outage due to a burnt main supply cable as well as a power outage in October.
Heidelberg	Lesedi LM	14	39	The plant experienced power supply interruptions due to heavy winds and excessive thunderstorms damaging supply lines feeding the plant
Herbert Bickley	CoE	6	22	Four (4) incidents due to load shedding lasted 11 hours and two (2) power interruptions lasting 11 hours
Olifantsfontein	CoE	4	4	Olifantsfontein experienced 4 power failures (1 hour each) in Q2 relating to CoE.
Rondebult	CoE	8	22	Three (3) power failures occurred due to overloading of CoE transformers, five (5) load shedding events.
Vlakplaats	CoE	13	30	One (1) outage of 8 hours (1 day) caused by faulty cables at Eskom substation in October, as reported by CoE. Twelve (12) outages due to frequent power outages and load shedding events.
Welgedacht	CoE	9	27	All failures reported due to faulty supply cables

Action taken:

- The procurement of stand-by generators for the various Wastewater Treatment Works that do not have sufficient standby capacity will continue during 2018/2019, subject to availability of funding.
- Vlakplaats: Stand-by generators were utilized for critical process units on the plant during the outage period, whilst the cables were replaced.
- Rondebult: Raw inflow was bypassed to Vlakplaats WWTW during the outage periods, however plant processes were adversely affected by the interruption of flows during those periods.
- Heidelberg: A new Generator has been procured to ensure continuous operation of the plant during power interruptions events, installation is anticipated during the course of Quarter 3.
- Herbert Bickley: Stand-by generator was used to run the plant during the power failure periods.
- Welgedacht: Stand-by generators available to run critical process units during power failure periods.
- Olifantsfontein: Stolen electrical cables were replaced and the installation of the new stand-by generators was completed.

Unstable Ground Conditions:

Olifantsfontein Wastewater treatment works (WWTW) discharges into the Kaalspruit and operates under the Exemption granted in terms of Section 21(4) of the Water Act 54 of 1956.

There have been numerous concerns raised by Department of Water & Sanitation (DWS) together with the complaints from the downstream users, the neighbouring community and the environmentalists over the state of the Kaalspruit and Hennops rivers. ERWAT has subsequently communicated the challenges and proposed solutions regarding the performance of the Olifantsfontein plant.

On 9 December 2018, there was a complaint with regard to foam at the discharge point of the Olifantsfontein WWTW at Kaalspruit which was posted in Hennops Catchment Forum WhatsApp platform. Upon investigation it was found that the foam at the Kaalspruit discharge point was too much compared to the final effluent point at the treatment works due to turbulence.

The plant experienced high inflows due to rain (17 mm on 08/12/2018 & 0, 5 mm on 09/12/2018) on 08 and 09 December 2018 with an average of 124 MI/d and 109 MI/d respectively which contributed to limited emergency dam space, resulting in 100% discharge of mod 3 final effluent instead of 50% discharge to the emergency dams and 50% to Kaalspruit. This could have been a cause of high foam during the visit even though the picture which was sent to the Hennops catchment forum WhatsApp platform seem to be an old picture (lacking some of the recent attributes in the area).

The current operation of the plant warrant excess flow to be diverted to the emergency dams during daily peak flow and less flow to the crippled module 3. It is a serious challenge when it is raining as the emergency dams, especially dam 7, the discharge point of the module 3 get full. The challenge can be mitigated by the short term solution of speeding up the rehabilitation of the Biological filtration plant which includes the rerouting of the inlet pipe to the old PSTs while waiting for the long term solution, which is the construction of the new PST.

The CoE pump station that feeds the plant has been earmarked as high risk due to the frequent blockages as well as its proximity to the river. The capacity of the pump station is not adequate to accommodate the increase in flow over the years. In order to alleviate the blockages, the design capacity of the pump station has been restored as a short term measure. Further upgrades on the electrical panel and the pipeline are anticipated for completion by end of the 2018/19 financial year.

Table 3 below shows the summary of the challenges and progress to date on the mitigation plans.

Table 3

No	Challenge Description	Proposed Mitigation measure(s)	Estimated cost of Mitigation	Timelines	Progress
1.	Dolomitic conditions	1.1 Flow rerouting to feed biofilters	R 2.25 million	10 weeks (February 2019*)	Feasibility Study is being finalised
		1.2 Design and construction of the relocated PST	R 28.7 million	2021*	Site briefing was held on the 22 November 2018 for professional service, closes on the 12 December 2018
		1.3 Refurbishment of 6* biofilters	R 73 million	10 weeks (February 2019)*	Feasibility Study is being finalised
2.	Emergency dams not lined	Conversion of the emergency dams into balancing tanks	R 35 million	June 2022	BSC approval by 30 November 2018
3.	Sludge Handling Capacity	Refurbishment of digesters	R 50 million	8 months (Dec 2019)*	Requires funding
4.	CoE pump station capacity	4.1 Restoration of pump station capacity	R 770 000	1 week (October 2018)	Completed
		4.2 Pipeline and electrical panel upgrade	R 3.4 million	June 2019	Requires funding
5	Module 3 Aeration	Upgrade of surface aeration	R 30 million	June 2020	Requires funding

*The completion of the project by the indicated timeline is subject to availability of funding.

Furthermore, the steering committee which consist of process engineers, reliability engineers (Maintenance), scientists (Scientific Services) and process controllers (including District, Regional and Plant Managers) has been formed which meets on weekly basis to monitor and evaluate the weekly challenges and the impact of the optimization initiatives. This exercise will further serve as a training mechanism for the plant personnel.

Vaal River Pollution - South African Human Rights Commission

The majority of ERWAT wastewater treatment works discharge treated effluent into ecologically sensitive aquatic environments (16 out of 19).

Water from the two largest drainage districts, DD5 and DD6, all drain towards the Vaal River System where severe pollution is currently taking place.

The South African Human Rights Commission requested to visit ERWAT Plants.

Action taken:

- A delegation of five (5) SAHRC officials visited Waterval and Heidelberg on Monday 3rd December 2018.
- ERWAT was highly commended by the SAHRC officials after the visit for Operational efficiency, effluent quality and generally well maintained appearance of the 2 plants.
- EMFULENI Local Municipality and ERWAT signed a Memorandum of Understanding to address some of the challenges faced by the municipality.
- An ERWAT delegation of all disciplines visited the Leeukuil, Rietspruit and Sebokeng WWTW and several pump stations to perform assessments to assist the municipality with remedial action.

AfriForum Request/Complaint

Welgedacht: Following the commissioning of the Dewatering Facility (Filter Belt Press) in February 2018, there have been public complaints from time to time that unacceptable odours are detected from the wastewater treatment works due to the stockpiling of the dewatered sludge. Moreover, the buffer zones are continuously reduced by the encroachment of housing developments adding to the odour challenges.

Ancor: A complaint was received from AfriForum dated 29 October 2018 regarding an overflowing manhole in Springs polluting Blesbokspruit. Upon investigations by City of Ekurhuleni and ERWAT it was found that the suspected overflow was in the vicinity of Ancor WWTW on main CoE outfall sewer in Springs upstream of final effluent discharge point of the WWTW. The exact date and location of overflow not mentioned in the complaint.

Action taken:

- Welgedacht: Increase the dosing of lime to curb any odours at the sludge handling areas
- Prevent the accumulation of stockpiled dewatered sludge on the plant by regular legal disposal off site.
- Ancor: All information as requested by AfriForum and CoE was sent to CoE Water and Sanitation Department on 6 December 2018 who will formally respond to AfriForum.

3.5. Project/Infrastructure Report

This section covers the discussion on the progress of the capital infrastructure projects that are being implemented during 2018/19 financial year. It should be noted that some of these projects have multiyear budgets.

Project Description	Project Objective	Progress
1. Vlakplaats Emergency Dam and Related Works	Increase treatment capacity of the plant	Authorisation for Vlakplaats Environmental Impact Assessment was obtained on the 14 th August 2018 from Gauteng Province Agriculture and Rural Development (GDARD) with the activity not listed in the regulation for EIA and Pre-application for water use licence amendments (WULA) authorisation has commenced with assumption that the department of water and sanitation (DWS) will provide feedback by the end of December 2018 and the finalisation of the project is totally depending on the authorisation of the WULA application from DWS.
2. Integrated Sludge Beneficiation Plant	To generate electricity and treatment of sludge	The Heating and mixing infrastructure project was successful completed. The manufacturing of the filter belt presses was completed and delivered to site on the 26 th October 2018 and installation is currently in progress and commissioning is anticipated to be by end of February 2019.
3. Primary and Tertiary Treatment improvement at Waterval WWTW	to increase capacity of the PST	The design of the project is completed and awaits availability of funds in order to go out on Tender. The project is at 95%.
4. Upgrade of sludge drying beds at Heidelberg WWTW	to increase capacity of the sludge drying beds	The design of the project is completed and awaits availability of funds in order to go out on Tender. The project is at 95%.
5. Perimeter Fence at Two ERWAT Waste Water Treatment Plants: Olifantsfontein, and Vlakplaats.	Supply, delivery & installation of perimeter at ERWAT Olifantsfontein and Vlakplaats (Phase 1) WWTPs	The project is at 94% physical completion. The fence contractor is experiencing delays due to the construction works (i.e. pipeline excavations along a section of the fence line) for the Emergency dam and related works project currently underway at the plant

Project Description	Project Objective	Progress
6. Upgrade of access and internal roads at the Dekema, Ancor, and Rondebult Waste Water Treatment Plants	Upgrade of access and internal roads	Phase 1 of the project is complete with Ancor at BEC stage while Dekema and Rondebult currently at pre-evaluation stage. Phase 2 of the project will be construction supervision.
7. Feasibility studies for the bypass pipeline from Heidelberg to Ratanda WWTW	To divert flow from Heidelberg to Ratanda WWTW	The design of the project is completed and awaits availability of funds in order to go out on Tender. The project is at 95%.
8. Perimeter fence at the seven (7) ERWAT Wastewater Treatment Plants: Benoni, Daveyton, Rynfield, Tsakane, Vlakplaats (Phase 2) and Welgedacht	Supply, delivery & installation of perimeter at ERWAT WWTPs	The project is currently at 60% Physical completion and 30% has been claimed to date
9. Waterval WWTP New Aeration Blowers Upgrade	Plant Efficiency Enhancement	<p>The Waterval WWTP new aeration Blowers upgrade project is at 50% physical completion and from inception to date 47% has been claimed.</p> <p>The MCC panel is being assemble at LVS in Glen Marais, FAT was conducted, with expected date for completion to be on 11 January 2019.</p> <p>The electrical cables, trays valves and other auxiliaries have been ordered and delivery.</p> <p>Civil construction works is underway, it includes core drilling for cables and pipes, breaking and rebuilding of walls for the new access, earth works, concrete pipes installation is complete.</p>

3. Financial Report

Table 5: Operational expenditure

Line item	Total Original Budget	Total Revised Budget <small>(Applicable only after Adjustment)</small>	Budget for Quarter	Actual for Quarter	Variance <small>() Underspent</small>	Actual for FY <small>(Yr to date)</small>	Variance for year <small>(Yr to date)</small> <small>() Underspent</small>
Employee Related Costs - Salaries & Wages	346 451 000	N/A	86 612 750	81 238 178	(5 374 571.56)	162 470 866	(10 754 634)
Remuneration of Directors	3 288 000	N/A	822 000	462 472	(359 527.76)	1 167 129	(476 871)
Bad Debts (Provision for Bad Debts)	1 024 000	N/A	256 000	960 860	704 860	737 590	225 590
Depreciation	71 805 000	N/A	17 951 250	17 664 957	(286 293)	34 163 370	(1 739 130)
Repairs and Maintenance - Planned	111 879 819	N/A	27 969 954.75	42 567 691	14 597 735.85	69 455 756	13 515 846
Repairs and Maintenance - Ad Hoc	12 431 091	N/A	3 107 772.75	4 729 743	1 621 970.65	7 717 306	1 501 761
Interest Expense	61 504 000	N/A	15 376 000	13 518 968	(1 857 032)	26 655 027	(4 096 973)
Bulk purchases	202 296 499	N/A	50 574 124.75	57 036 275	6 462 150.25	94 498 274	(6 649 976)
General Expenses – Other	163 901 591	N/A	40 975 397.75	30 059 632	(10 915 765.75)	50 159 544	(31 791 252)

Key trends and expenditure:

Employee Related Costs - Salaries & Wages – Negative variance of R5 374 572 or 6% was noted for the 2nd quarter of 2018/19. This is mainly due to the revision of the organisational structure and unfilled vacancies. It is expected that the revised organisational structure will be finalised during the 3rd quarter and that the vacancies will be filled during the 4th quarter of 2018/19

Remuneration of Directors – Negative variance of R359 527.76 or 44% was noted for the 2nd quarter of 2018/19. The revised board structure has reduced the number of non-executive directors from eight (8) to (5), therefore reducing the total remuneration to directors.

Bad Debts (Provision for Bad Debts) – Positive variance (over-provision) of R704 860 or 275% was noted for the 2nd quarter of 2018/19. The increase in the value reflected for the provision for bad debts increased significantly due to correcting accounting entries processed in the financial records during quarter 2. It is expected that the provision at year end will meet the budgeted amount.

Repairs and Maintenance - Planned – Positive variance (over-spend) of R704 860 or 275% was noted for the 2nd quarter of 2018/19. Kindly refer to the detailed analysis of repairs and maintenance below.

Repairs and Maintenance - Ad Hoc – Positive variance (over-spend) of R1 621 970.65 or 52% was noted for the 2nd quarter of 2018/19. Kindly refer to the detailed analysis of repairs and maintenance below.

Interest Expense – Negative variance (under-spend) of R1 857 032 or 12% was noted for the 2nd quarter of 2018/19. ERWAT expected the interest rate to increase significantly during the 2018/19 financial period. This however did not occur and only an increase of .25 applied.

Bulk purchases – Positive variance (over-spend) of R6 462 150.25 or 13% was noted for the 2nd quarter of 2018/19.

General Expenses – Other – Negative variance (under-spend) of R10 915 765.75 or 27% for the 2nd quarter of 2018/19. The reason for this is that the ERWAT strategy, business process management and business continuity management projects only commenced at the end of Q1 2018/19 and significant invoicing has not yet taken place in the 2nd quarter. The invoicing is expecting to commence in Q3 2018/19.

Detailed Analysis of the repairs and maintenance:

Table 6: Capital expenditure

Project Detail	Total Original Budget	Total Revised Budget (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

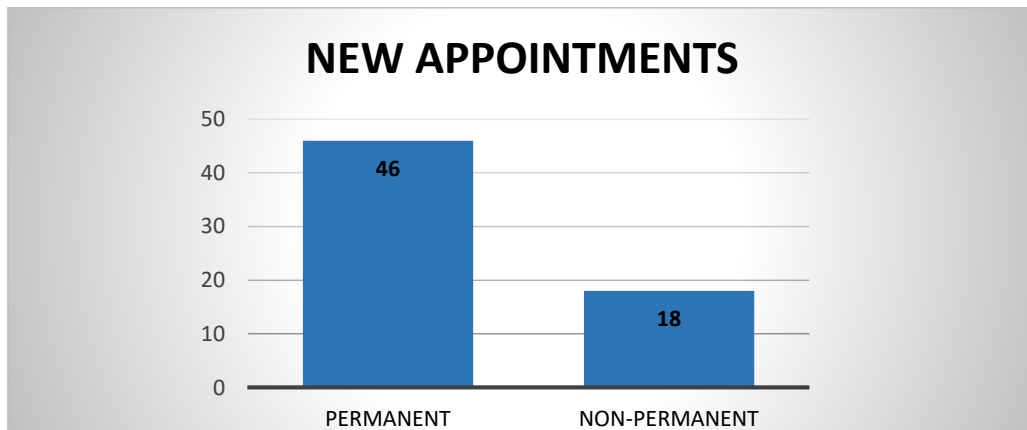
4. Human Resources

Staff Movements

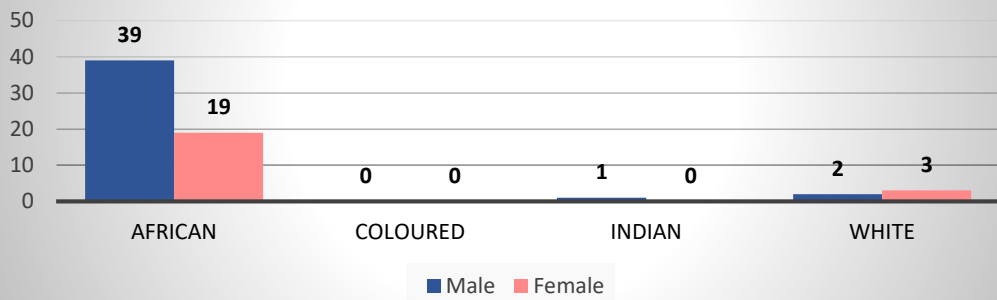
Report on current structure and staff movements e.g. recruitments, resignations, retirements, etc.

Staff Movements	African		Coloured		Indian		Whites		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Recruitments	1	2	0	0	0	0	0	2	5
Resignations	3	2	1	0	0	0	0	0	6
Retirements	4	0	0	0	0	0	1	1	6
Contract Expired	7	5	0	0	0	0	0	0	12
Dismissals	0	0	0	0	0	0	0	0	0
Deceased	1	0	0	0	0	0	0	0	1
Promotions	0	0	0	0	0	0	0	0	0

4.1.1 Appointments

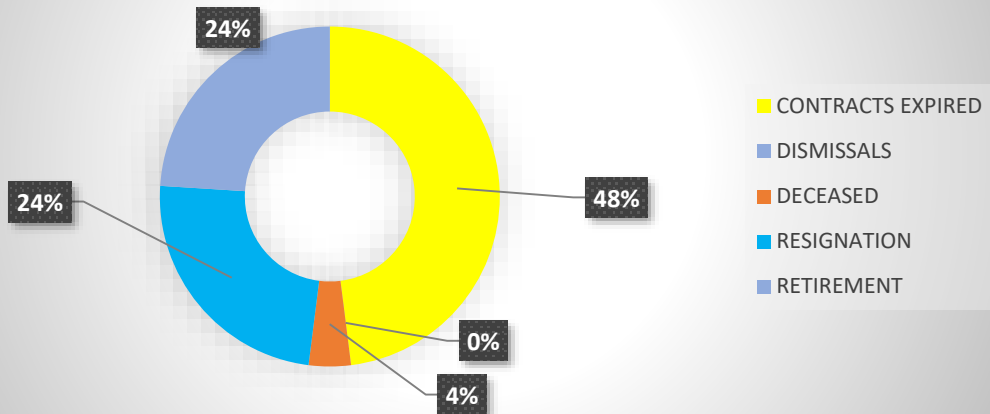


TOTAL NEW APPOINTMENTS: RACE & GENDER

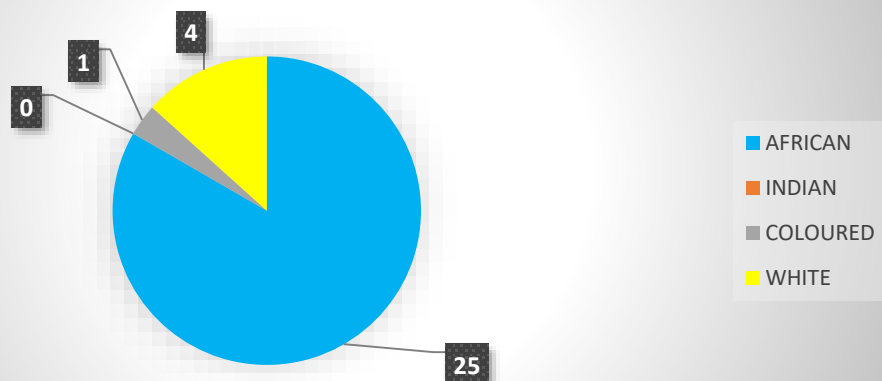


4.1.2 Terminations

TERMINATIONS BREAKDOWN



TERMINATION PER RACE



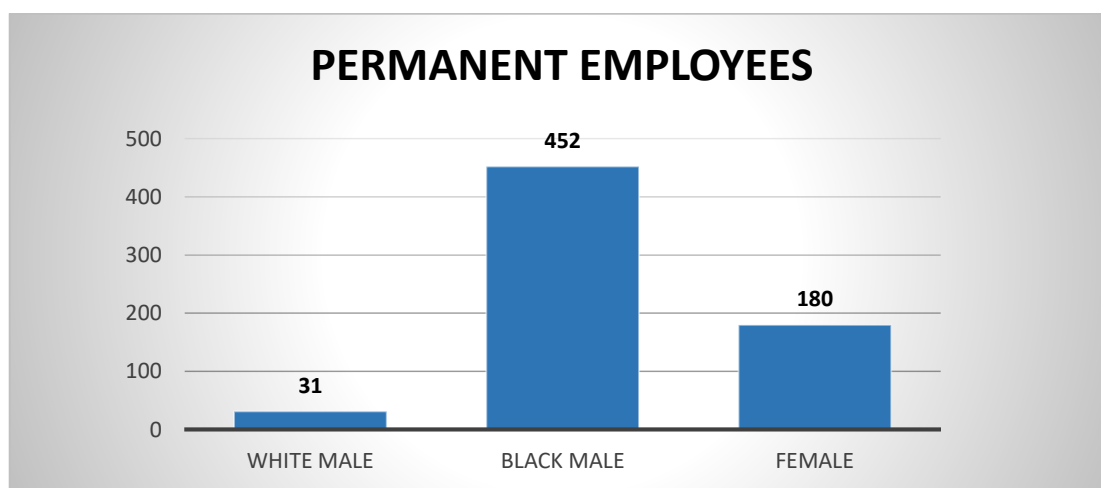
Status Analysis

- During the period under review, 18 non-permanent people were appointed.
- Between the period under review 30 employees exited the organisation for the following reasons;
 - 12 contracts expired;
 - 6 resigned for various reasons;
 - 1 death; and
 - 6 retirements

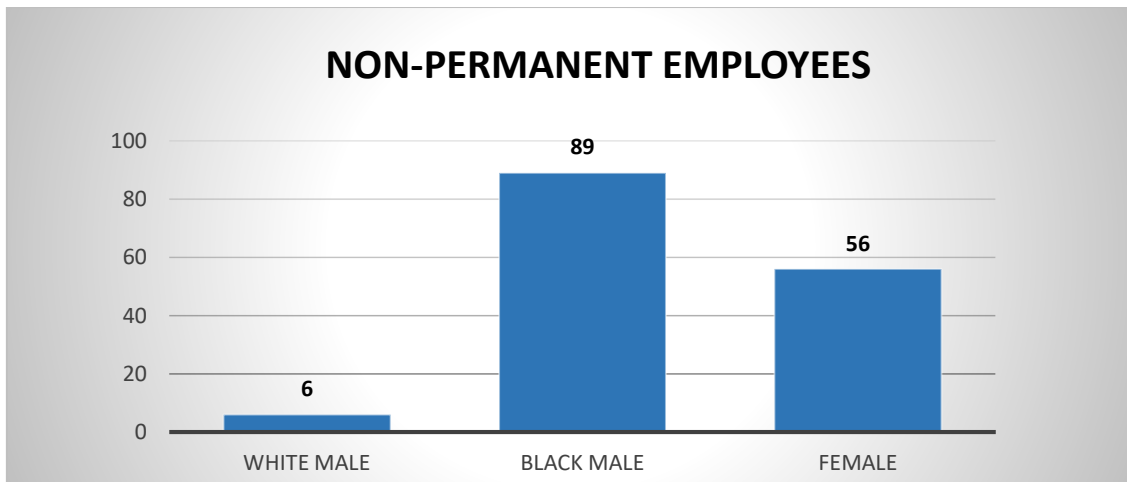
4.1.3 Exit Interview Report

Employee	Department	Month	Reason for resignation
F. Ferris	SCM	October	Resigned following Disciplinary Recommendation
L. Shaw	Finance	November	Early Retirement
M. Atkinson	Maintenance	November	Retirement
S. Mashabane	Commercial Business	November	Career Growth
N. Skweyiya	Office of the MD	December	Mutual Separation
S. Mazibuko	Maintenance	December	Career Growth

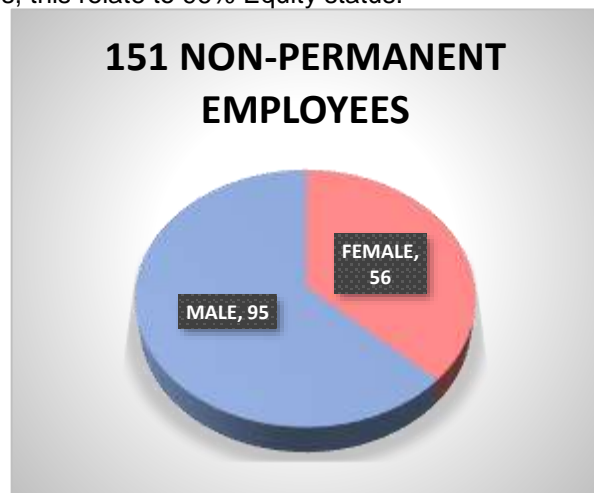
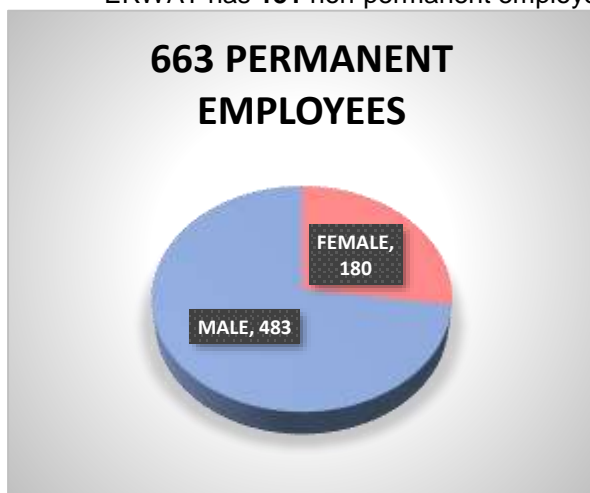
4.3 Employment Equity Demographics



ERWAT has **663** permanent employees, this relates to 95% Equity status.



ERWAT has 151 non-permanent employees, this relate to 96% Equity status.



Status Analysis

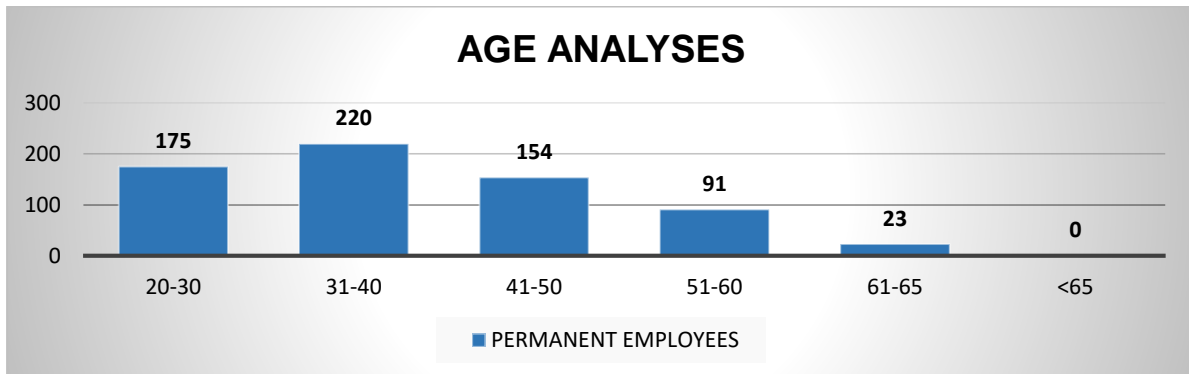
- The employment demographics of ERWAT as at 31st December 2018 reflects;
 - Females in both permanent and non-permanent positions within ERWAT account for 236 or 29% of a total positions filled.

EE Update

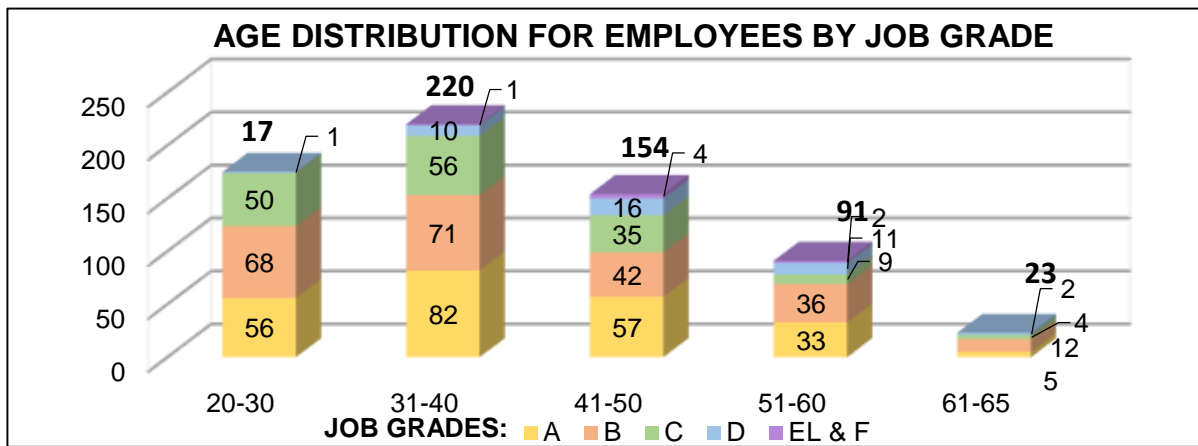
- The Employment Equity Committee met during the month of September 2018 to discuss and finalise the 5 year EE Plan, which is due this year for submission.
- The Employment Equity Plan which commenced on 01 October 2018 was finalised and submitted to the Department of Labour and will be valid up to and including 30 September 2023.
- The EE Committee agreed to embark on a Disability drive in order to ensure that employees are aware of their disabilities and that it can be declared in the form of an EEA1 to HR.
- The EE Committee also reviewed and revised the current ERWAT Employment Equity Policy and completed the Annual Reports due at Department of Labour before 15 January 2019.

Both the EEA2 and EEA4 was approved and submitted on 07 December 2018 on the DOL website.

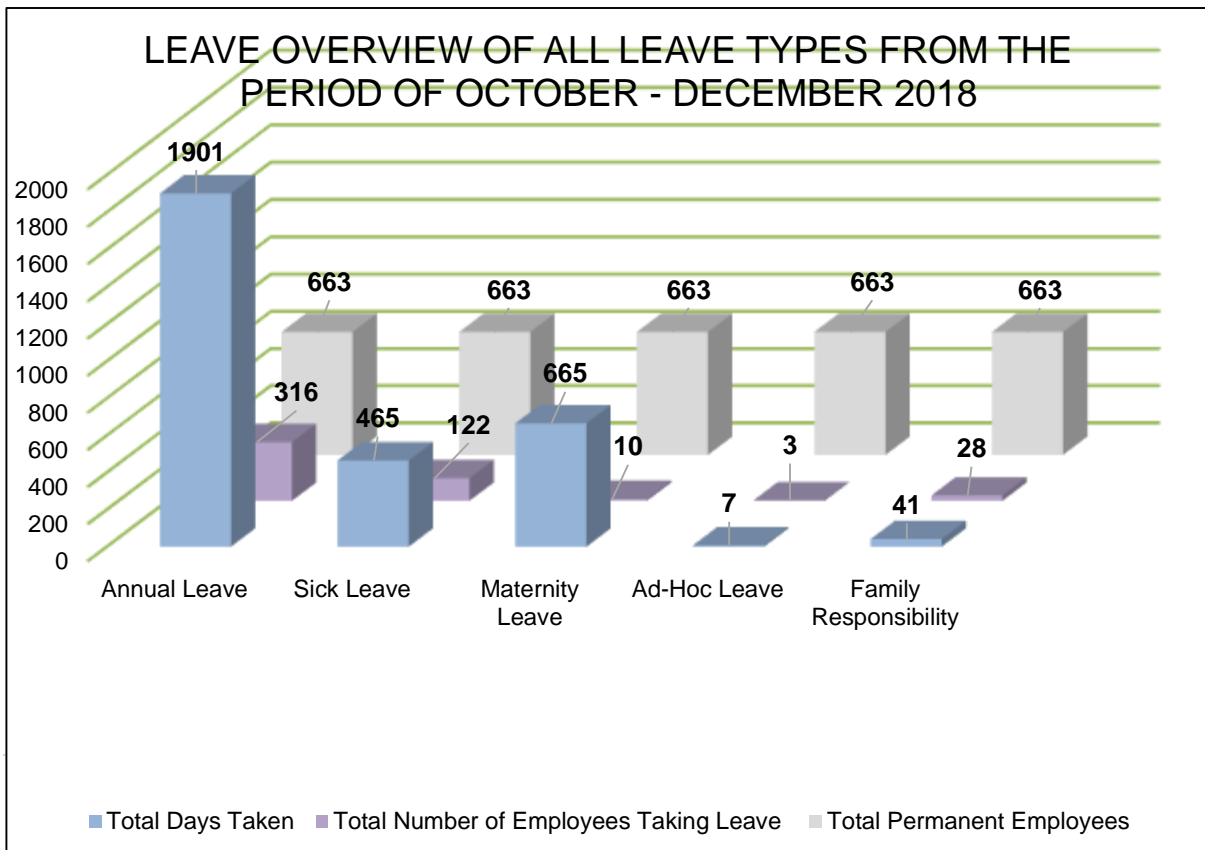
Age Analysis



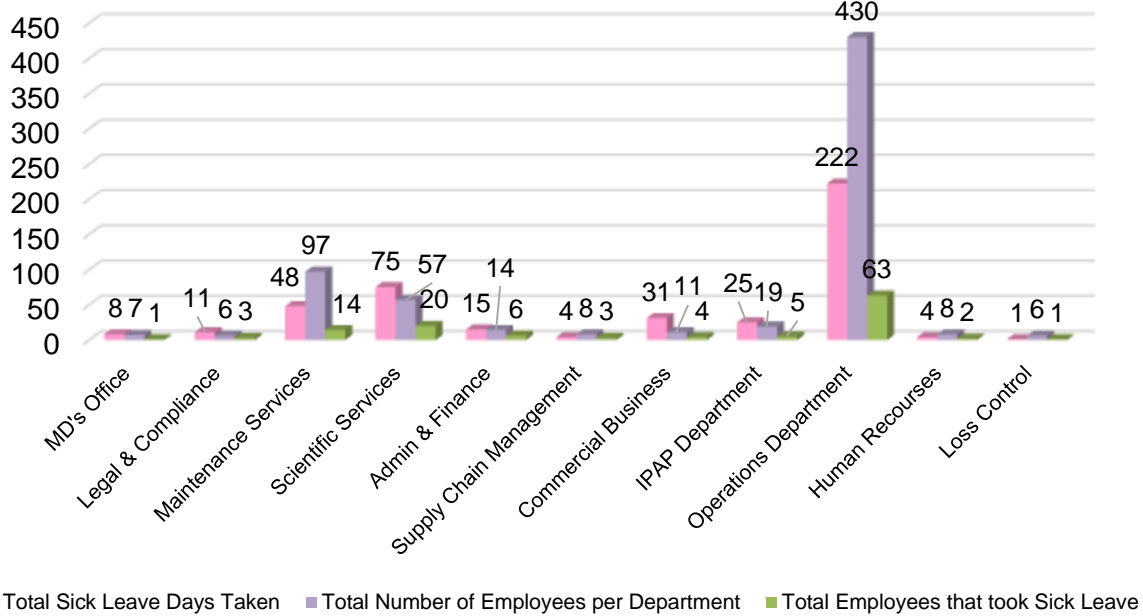
- Average age as at 12/2018 = 39



4.4 Leave Management



TOTAL SICK LEAVE TAKEN FOR PERMANENT EMPLOYEES ONLY FROM THE PERIOD OF OCTOBER TO DECEMBER



Status Analysis

For the period under review, one disability claims were received in the process of being evaluated.

Action Taken/To Be Taken

Managers must:

- Exercise their responsibility to monitor sick leave of employees.
- Assist to ensure employees on sick leave longer than five days' account for their leave.
- Follow-up with employees who are on sick leave for a long time.
- Must liaise with HR as soon as they are aware that the employee will be on long term sick leave.

Employees must:

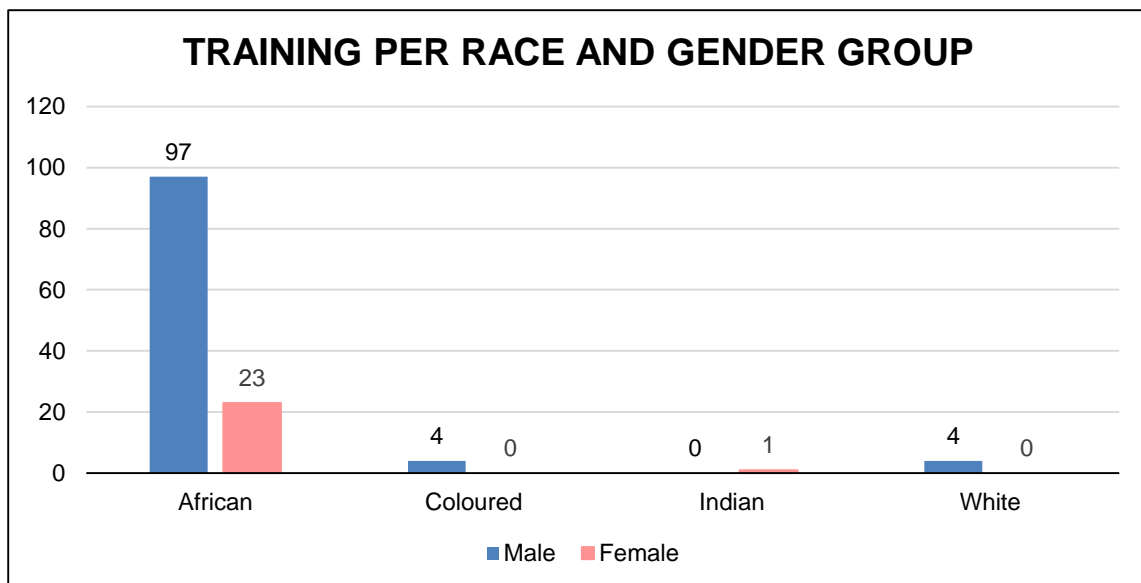
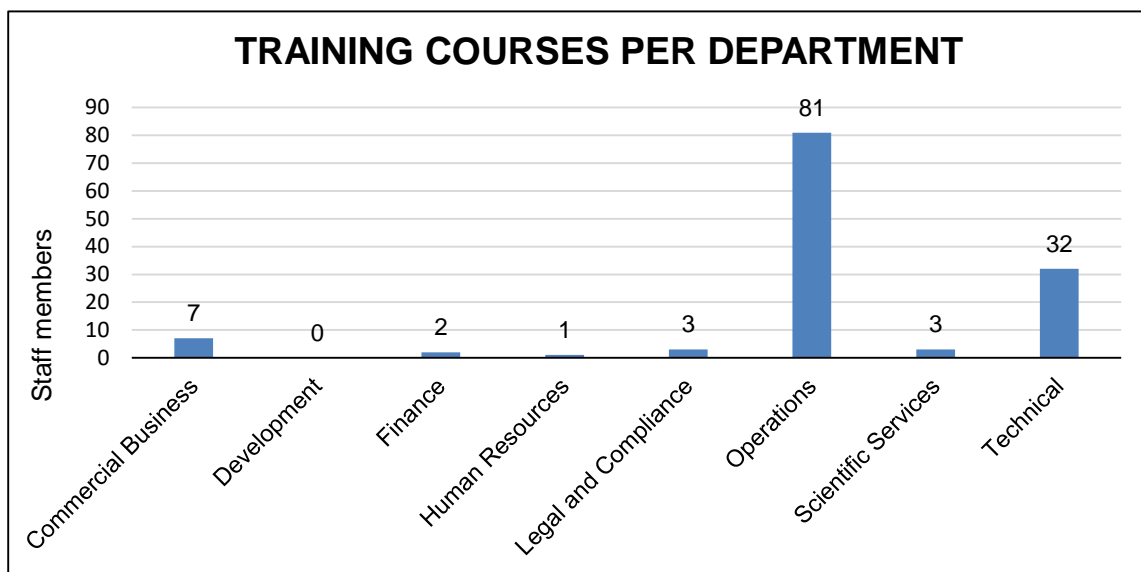
- Ensure that they have the correct proof for their type of illness.
- Liaise with the department (their manager) when they know they are on long term sick leave, or their family must liaise with the manager as soon as they are aware that the employee will be on long term sick leave.

Overtime Trends

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Total Hours	51 574.22	50 362.81		
Total Cost	R 6 157 354.13	R 6 054 762.96		

Overtime is being monitored and approved as per the needs of the various business units.

4.5 Training and Development



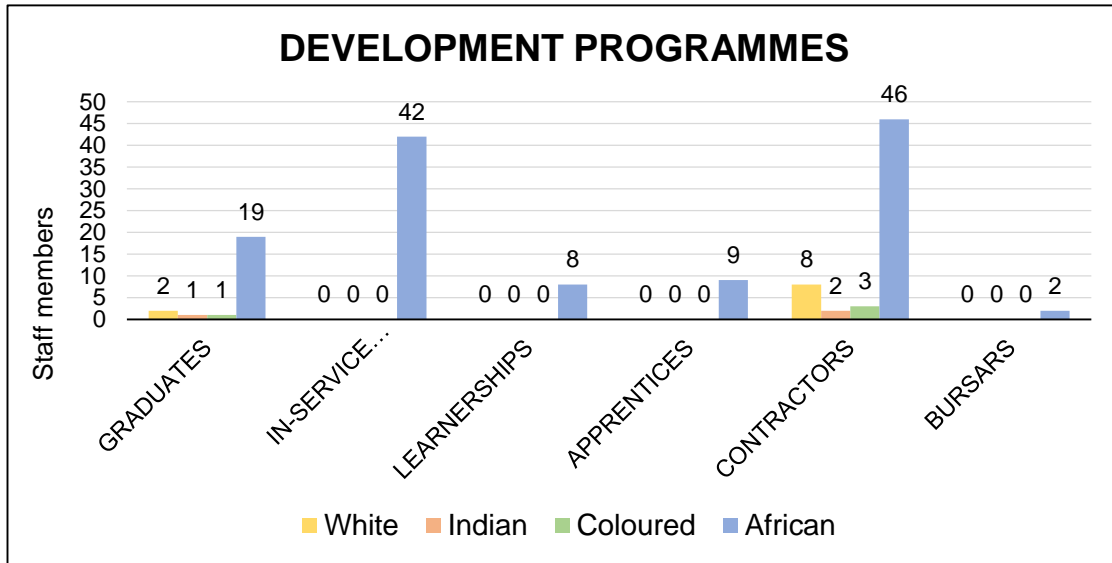
Status Analysis

During the period under review;

- 129 employees were trained through short courses/workshops and conferences.
- 23 (96%) were African Females; and 1 (4%) were Indian Female
- 97 (92%) were African Males; 4 (8%) were Coloured Males; and 4 (8%) were White Males

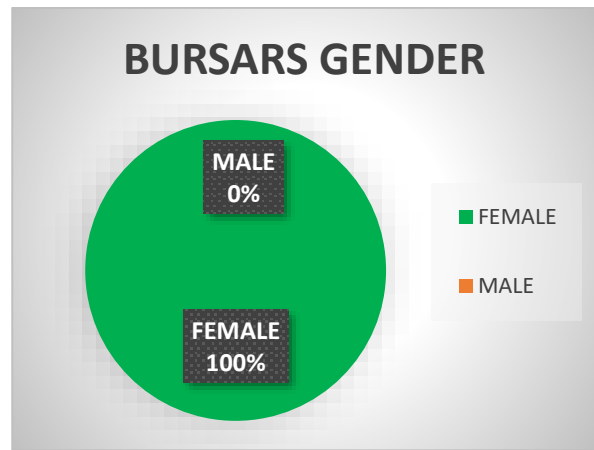
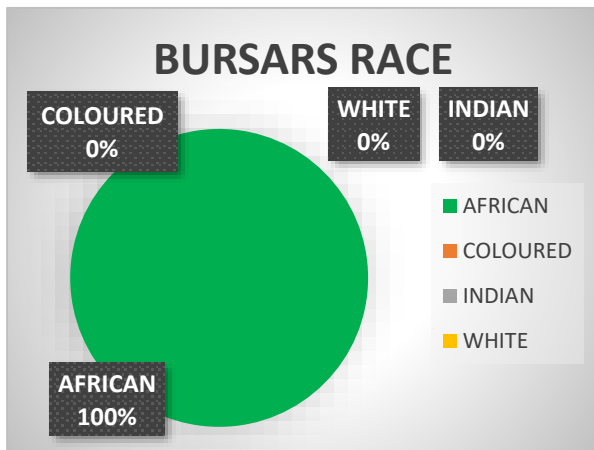
Employees trained per Department were;

- 81 (63%) in Operations;
- 3 (2%) in Scientific Services;
- 32 (25%) in Technical;
- 3 (2%) in Legal and Compliance;
- 7 (5%) in Commercial Business;
- (1%) in Human Resources;
- (0%) in Development and
- (2%) in Finance and Supply Chain



Status Analysis

- As at 31st December 2018, the organisation has a 143 Contractors, Graduates, and In-service trainees, Learnerships, Bursars and Apprentices.
- The breakdown per race is as follows:
 - 3 (2%) Indian
 - 4 (4%) Coloured
 - 10 (7%) White
 - 126 (87%) African



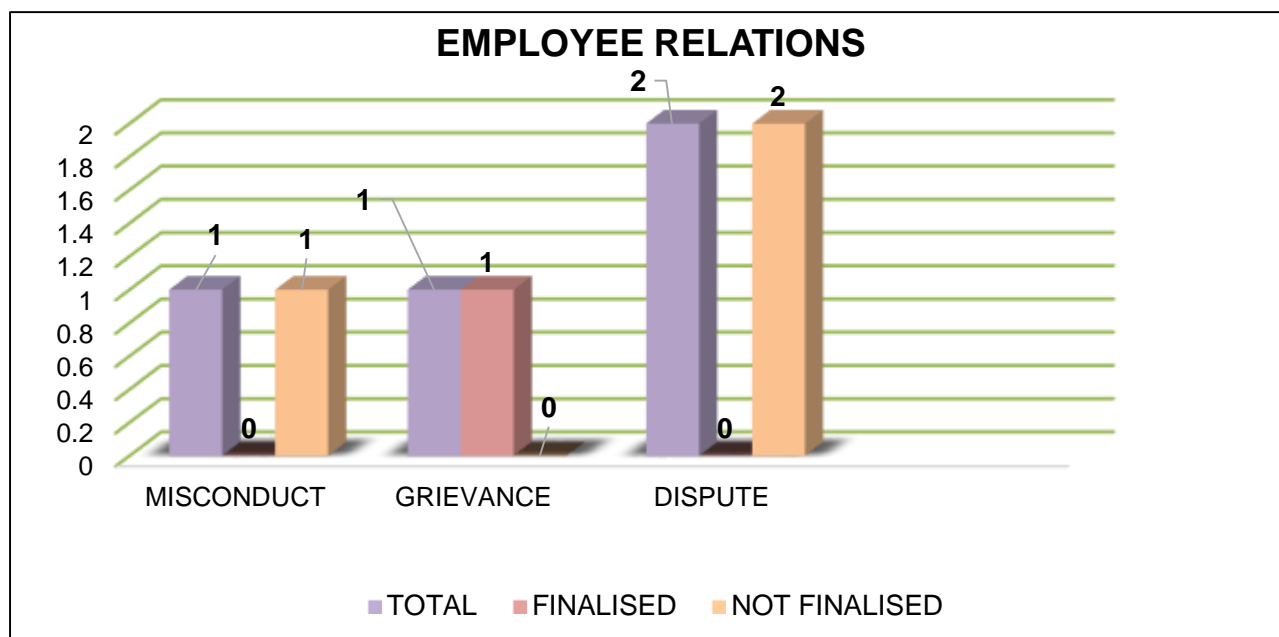
During the period under review, ERWAT currently has 2 bursars at various Universities.

Performance Management

Status Analysis

The 95% of the performance assessments for the period under review, has been finalised for all employees throughout has been organisation.

Labour Relations



STATUS ANALYSIS

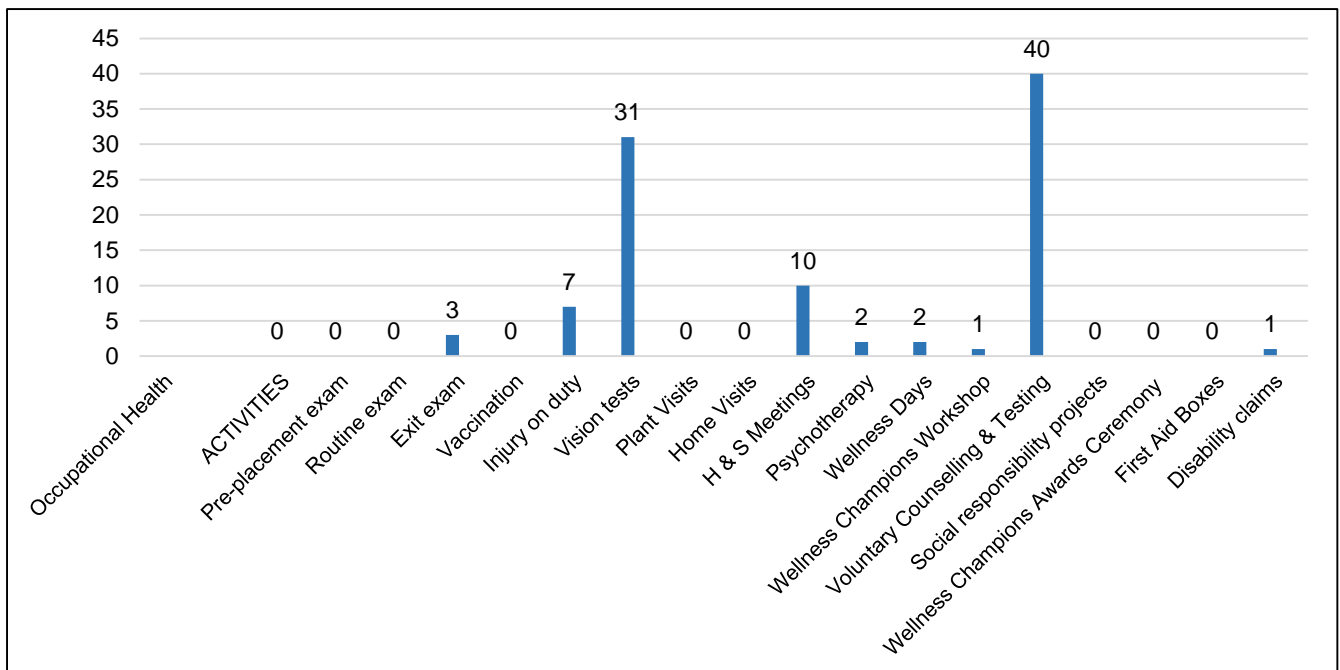
Misconduct			
Nature of Alleged Misconduct	Date Lodged	Disciplinary Action Taken	Date to be Finalised
1. Unauthorised and Uncommunicated absenteeism.	9 November 2018	Charges have been formulated; employee has been served with a notice of disciplinary hearing.	Disciplinary hearing to be held in 07/01/2019

Grievances			
Nature of Grievance	Date Lodged	Process followed	Date to be Finalised
Discrimination	15 November 2018	Meeting to be held with Regional Manager	08 January 2019

Disputes			
Nature of Dispute	Date lodged	Process followed	Date to be Finalised
Unfair Labour Practice X 2	01 July 2018	Referred to Labour Court	Awaiting date for hearing from Labour court

Employee Wellness Programme Explanation

ERWAT Occupational Health Services offers Wellness Programme as follows;



HIV/AIDS Workplace Programme

- ERWAT has 43 Wellness Champions (WC) that are placed on all 19 Plants including the Laboratory and Head Office.
- The core function of the WC is to assist the Occupational Health nurse, in identifying any health & wellness concerns amongst employees, monitor absenteeism, they also provide health education in a form of frequently scheduled meeting with employees on site.
- A Wellness Day Award ceremony took place on the 19th November 2018.

Percentage of Salary to Total OPEX

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD – Actual
Total Salary Cost	R 81 937 344	R 81 700 651			R 163 637 995
Total Opex	R 198 495 372	R 248 529 490			R 447 024 862
% of Salary to Opex	41.28%	32,87%			36,62%

5. Procurement Practices, Job Creation and Mainstreaming

ERWAT awarded tenders to the value of R26 643 880.97 from 51%-99% HDI owned companies and R0 to companies with 30%-100% black female ownership in the 2nd quarter of the 2018/19 financial period.

Refer to the table below for a summary of the BEE spending practices for the 2nd quarter and year to date. 98% of the year to date total awards were made HDI owned businesses with more than 50% ownership.

ANNEXURE A - SUMMARY OF AWARDS								
INFORMATION REGARDING BIDS FOR THE PERIOD ENDED 31 DECEMBER 2018								
CATEGORY	QUARTER 1			QUARTER 2			YEAR TO DATE TOTAL	% OF YEAR TO DATE TOTAL
	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER		
0% HDI / JURISTIC PERSON	R -	R -	R -	R -	R -	R -	R -	0%
1-50% HDI	R -	R 1 855 031.71	R -	R -	R -	R -	R 1 855 031.71	0.02
51-99% HDI	R -	R 27 519 487.08	R 6 853 768.53	R 29 643 880.97	R -	R -	R 64 017 136.58	54%
100% HDI	R 10 756 356.66	R 29 022 835.44	R -	R 13 544 586.88	R -	R -	R 53 323 778.98	45%
TOTAL	R 10 756 356.66	R 58 397 354.23	R 6 853 768.53	R 43 188 467.85	R -	R -	R 119 195 947.27	100%
SIZE OF COMPANY	JULY	AUGUST	SEPTEMBER	-	NOVEMBER	DECEMBER		% OF YEAR TO DATE TOTAL
LARGE	R -	R 50 852 436.56	R -	R -	R -	R -	R 50 852 436.56	43%
MEDIUM	R 4 505 399.85	R 491 222.96		R 13 544 586.88	R -	R -	R 18 541 209.69	16%
SMALL	R 6 250 956.81	R 7 053 698.71	R 6 853 768.53	R 29 643 880.97	R -	R -	R 49 802 305.02	42%
MICRO	R -	R -	R -	R -	R -	R -	R -	0%
TOTAL	R 10 756 356.66	R 58 397 358.23	R 6 853 768.53	R 43 188 467.85	R -	R -	R 119 195 951.27	100%
AWARDS MADE TO:	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER		
FEMALES	R 6 250 956.81	R 30 386 644.19	R -	R -	R -	R -	R 36 637 601.00	38%
BLACK FEMALE 30-100%	R 6 250 956.81	R 27 519 487.08	R 6 853 768.53	R -	R -	R -	R 40 624 212.42	42%
YOUTH	R 6 250 956.81	R 491 222.96	R -	R 13 544 586.88	R -	R -	R 20 286 766.65	21%
BEEEE SCORE CARD	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER		% OF YEAR TO DATE TOTAL
EME	R 4 505 399.85	R 491 222.96	R -	R -	R -	R -	R 4 996 622.81	4%
QSE	R 6 250 956.81	R 5 198 667.00	R 6 853 768.53	R 43 188 467.85	R -	R -	R 61 491 860.19	52%
GENERIC	R -	R 52 707 464.27	R -	R -	R -	R -	R 52 707 464.27	44%
TOTAL	R 10 756 356.66	R 58 397 354.23	R 6 853 768.53	R 43 188 467.85	R -	R -	R 119 195 947.27	100%
AWARD MADE TO	JULY	AUGUST	SEPTEMBER	AUGUST	NOVEMBER	DECEMBER		% OF YEAR TO DATE TOTAL
EMM BASED COMPANIES	R -	R 23 332 945.48	R -	R -	R -	R -	R 23 332 945.48	20%
NON EMM BASED	R 10 756 356.66	R 35 064 408.75	R 6 853 768.53	R 43 188 467.85	R -	R -	R 95 863 001.79	80%
TOTAL	R 10 756 356.66	R 58 397 354.23	R 6 853 768.53	R 43 188 467.85	R -	R -	R 119 195 947.27	100%

6. Risk Management

Risk is the effect of uncertainty on objectives. On an annual basis ERWAT conducts a risk assessment to identify risks that have a potential to impact the strategic objectives as set out in the Business Plan. Any risk mitigations identified during this process to strengthen the control environment are implemented by the various risk owners. A follow-up takes place on a quarterly basis to track the progress made by the various department in implementing the mitigations. The formal reporting takes place through the entity's Executive Committee, the Board of Directors and ultimately the City's Risk Management Committee

#: This report is against the risks identified in the Business Plans

Table 11: Risk Assessment

Risk Ref	Risk Description	Root Cause	Impact	Future control	Progress Quarter 3
ERW1	Inability to meet CAPEX target.	RC 1. Planning not fully integrated including SCM processes: RC2. Inadequate project management business processes and systems	1. Ability to increase budget allocation from CoE and future cuts. 2. Ability to raise external funding 3. Impact on service delivery; Socio and economic stability 4. Not completing projects on time.	C1.1. Implementation of digitised document management system.	C1.1 No progress for the period under review
				C1.2. Integration of digitised document management system into Supply Chain Management Process.	C1.2 The process is on track.
				C2.1. Develop business processes.	C2.1 The Business Process mapping exercise started in September 2018. Various department being engaged for the mapping
				C2.2. Implement a Project Management System	C2.2 The program has been configured to fit ERWAT needs.
				C2.3. Develop Capital Infrastructure planning and project management policy	C2.3 No Further reporting required .Additional controls has been implemented.

Risk Ref	Risk Description	Root Cause	Impact	Future control	Progress Quarter 3
				C2.4. Develop standards and specifications.	C2.4 No progress for the quarters under review
ERW2	Inability to meet external revenue targets.	RC1. The company is currently incorporated as an Non-Profit Company. RC2. Municipal Finance Management Act, Sec 164; FORBIDDEN ACTIVITIES. RC3. Products and services are not well defined. RC4. Lack of a tariff model.	1. Limitation on profit generation thus increasing reliance on parent municipality for usercharges. 2. Services only limited to area of jurisdiction.	C1. Change the current incorporation from an NPC to an SOC (LTD).	C1. The report will be tabled in quarter 3
				C2. No additional controls required.	C2. No reporting required.
				C3. Review the marketing strategy	C3. Marketing strategy is still under review.
				C4. Tariff model to be developed.	C4. The Tariff and Financial model presented at Management Lekgotla in November 2018. It is anticipated that the model will be finalised by June 2018
ERW3	Inadequate infrastructure capacity to treat wastewater	RC1. Waste Water Treatment Plants (WWTP) operating above their designed capacity RC2. Inadequate asset management. RC3. Inadequate capex funding for expansion, retrofit, refurbishment and replacement RC4. Outdated Technology RC5. Ageing Infrastructure	1. Impact on service delivery ; Socio and economic stability. 2. Impact on environmental compliance. 3. Delay of CoE development growth 4. Affect credibility on the commercial business.	C1. Develop a Waste Water Conveyance and Treatment Systems Regionalisation and 50 year Master Plan.	C1. Situational Analysis phase is on track and ongoing
				C2.1 Develop an asset management strategy, policy and maintenance plan.	C2.1 Draft AM policy and maintenance plans has been finalised pending approval from EXCO. Draft AM strategy subject to approval of ERWAT's strategy
				C2.2 Develop maintenance standards and specifications for critical equipment;	C2.2 No progress for the quarters under review.
				C2.3 Develop business continuity management plan (BCMP).	C2.3 Site visits have been completed and a draft BCM policy compiled. The draft policy has been workshopped to 60% of ERWAT employees during November 2018 and will

Risk Ref	Risk Description	Root Cause	Impact	Future control	Progress Quarter 3
					be presented to EXCO once the workshops have been completed. It is anticipated the project will be completed by 30 June 2018.
				C3. Develop financial model.	C4. The Tariff and Financial model presented at Management Lekgotla in November 2018. It is anticipated that the model will be finalised by June 2018
				C4. No additional control required.	C4. No reporting required
				C5.1 Implementation of recommendations from the equipment assessment conducted by the original equipment manufacturers.	C5.1 Monthly service regime is an ongoing process, subject to OPEX budget availability. Incorporated into the annual 2018/19 CAPEX plan
				C5.2 Implementation of recommendations from the civil structure assessments conducted.	5.2 Currently undergoing SCM process to source a service provider to assist with the demolishing of dormant structure
ERW4	Inability to attract and retain key skills	RC 1. Lack of a manpower recruitment plan. RC2. Remuneration is perceived to be lower than industry norm. RC 3. Lack of a succession plan. RC 4. Lack of an integrated training and development plan.	1. Development of a recruitment plan. 2. To conduct remuneration structuring which includes benchmarking, development of pay scales and review of remuneration policy.	C1. Development of a recruitment plan.	C1. The recruitment plan finalised it will be implemented as soon as the Organisational Structure is approved.
				C2. To conduct remuneration structuring which includes benchmarking, development of pay scales and review of remuneration policy.	C2. The process is on track and ongoing

Risk Ref	Risk Description	Root Cause	Impact	Future control	Progress Quarter 3
			3. Develop a Succession strategy, policy and plan. 4. Publishing of annual training report.	C3. Develop a Succession strategy, policy and plan. C4. Publishing of annual training report.	C3. The Succession Policy reviewed. It is anticipated that the plan will be finalised at the end of Q4 C4. Annual training reports finalised
ERW5	Non-compliance to relevant legislative and governance related requirements. (5 key legislation) Non-compliance to relevant legislative and governance related requirements. (5 key legislation)	RC1. Changes in legislation. RC2. Inadequate business processes and procedures for OHSA, MFMA, NWA, NEMA, CA. Five (5) Key Legislation RC3. Occupational Health & Safety ACT - Lack of Occupational, Health Safety (OHS) systems and processes. RC4. Municipal Finance Management Act 4.1 Performance (a) Budget not allocated to Key Performance Areas (b) Performance objectives not aligned with the Service Delivery Agreement. (c) Incorrect disclosures in annual financial statements and the annual report 4.2 Asset Management (a) Amortisation or depreciation high does not reflect the economic use of the asset. (b) Failure to recognise impairments in value (c) Incorrect computation of gains/losses on asset disposal	1. Non-achievement of clean audit. 2. Financial, litigations and other liabilities. 3. Reputational damage. 4. Injuries and/or death 5. Qualified audit 6. Penalties	C1.1. Migration and monitoring of legislation from a manual system to a Nexus Lexus Compliance System	C1. Technical glitches has been identified during the initial roll out phase and are currently being resolved
				C1.2. Legal Compliance monitoring dashboard.	C1.2 Compliance Monitoring Dashboard is active on the Lexus GRC system, however it is at the initial stages of the system roll out.
				C1.3. The development of Compliance policy and Compliance Framework.	C1.3 Draft compliance policy has been developed and will be tabled at the Board for approval in quarter 3 of 2018/19 financial year
				C2. Annual review of the Internal Audit Plan and implement the recommendation of the Internal Audit.	C2. The Annual Internal Audit Plan approved by the City of Ekurhuleni Audit Committee. The Internal Audit Tracking Tool and approximately 75% of the findings has been resolved.
				C3.1. Review and update of the occupational health and safety plan	C3.1 Occupational Health and Safety Plan reviewed and to be tabled at the Board in quarter 2 of 2018/19
				C3.2. Develop a Safety Compliance Report.	C3.2 Occupational Health and Safety Gap Analysis on Policies and Procedures was

Risk Ref	Risk Description	Root Cause	Impact	Future control	Progress Quarter 3
		(d) Capitalisation of costs that should be expensed	3. Reputational damage. 4. Injuries and/or death 5. Qualified audit 6. Penalties		tabled at Executive Committee meeting.
				C3.3 Safety video to be rolled out.	C3.3 No reporting required. Additional controls has been implemented
				C4.1 Review of the Service Delivery Agreement	C4.1 The Serve Delivery Agreement is currently under to review incorporate the pump station agreement
				C4.2 The review of the Asset Management Policy	C4.2 Draft AM policy and maintenance plans has been finalised pending approval from EXCO. Draft AM strategy subject to approval of ERWAT's strategy
				C5.1 Annual Greendrop Audits	C5.1 The Assessments took place from 3 rd to 5 th December 2018, and the status report will be available at the end of January 2019.
ERW6	Failure to effectively intergrate Enterprise Risk Management systems.	RC1. Lack of a formalised Business Continuity Management programme. RC2. Organisational Risk Maturity RC3. The organisational culture towards risk management prioritisation RC4 depreciated historical cost to asset replacement values (Inadequate insurance coverage for ERWAT.)	1.Impact on service delivery ; Socio and economic stability 2. Lower importance placed on risk management 3.1. Existing risks not identified, assessed and/or mitigated. 3.2. Financial liabilities arising from inappropriate execution of Risk Management Processes	C1. Comprehensive program to update Strategy and Business Processes in conjunction with the implementation of the Business Continuity Management and Disaster Recovery Plan. C2. Conduct a Risk Maturity Assessment C3 -4. No additional control required C5. Comprehensive program to update Strategy and Business Processes in conjunction with the	C1. Strategy workshop was held on the 6-7 th November 2018. Various workshops were held for BPM and BCM. -Draft BCM policy developed and workshops are held. C2. No progress for period under review C3 – 4 No additional control required C5 Strategy workshop was held on the 6-7 th November 2018. Various workshops were held for BPM and BCM.

Risk Ref	Risk Description	Root Cause	Impact	Future control	Progress Quarter 3
			4. Inability to replace critical asset	implementation of the Business Continuity Management and Disaster Recovery Plan.	-Draft BCM policy developed and workshops are held.

Emerging Risks (Narrative)

There were no emerging risks identified or escalated during the period under review.

7. Legislative (only if applicable to your department)

Compliance Risk Management forms part of the broader risk management within ERWAT. Top management has identified 5 Key Legislation that is critical to it's operations. These are as follows

1. National Water Act 36 of 1998
2. Municipal Finance Management Act of 2003
3. Companies Act 71 of 2008
4. Occupational Health & Safety Act 85 of 1993
5. National Environmental Act 107 of 1998

There are Compliance Risk Management Plans in place for each of the identified Acts. The reviews are conducted on a quarterly basis to ensure implementation of the plans.

8. Key Audit Matters and Progress

The annual regularity audit for ERWAT commenced on 15 August 2018 and was completed on 30 November 2018. The signed audit report and management report was provided to ERWAT on 7/12/2018.

The final audit outcome was unqualified with findings. The audit outcome remained unchanged from the 2016/17 financial period.

The Auditor General (South Africa) identified 35 findings which are classified as follows:

- 8.1 Administrative matters: Two (2) findings
- 8.2 Other important matters: Twenty-six (27) findings
- 8.3 Matters affecting the audit report: Six (6) findings

The quality of the financial statements and annual performance improved from the previous financial period as evidenced by the absence of an MFMA Section 122 and Section 87 paragraph in the audit report respectively. No material adjustments to the Annual Financial Statements or Annual Performance Report was required. Compliance with the laws and regulations regresses from the previous financial period.

The findings noted in relation to the fixed asset register were not material and did not impact the audit report.