



ERWAT Third Quarter Departmental Performance

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 the third quarter. The entity reported a significant improvement in implementing capital projects and recorded 72% CAPEX against a target of 70%.

Compliance in terms of the wastewater treatment works license conditions and/or exemptions standards was at 91% 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 R77.5 million against a targeted revenue of R125 million, which is below the targeted revenue by 47.5 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 3rd quarter was R670 million which was below the budgeted expenditure R731 million representing under expenditure of R44.9 million. 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.

Table A: Summary of Service Delivery Performance

Service Delivery Monitoring				
	Total number of targets set for the quarter	Achieved	Not achieved	Variance
City Wide SDBIP	3*	1	1	1
Departmental SDBIP	4	1	3	3

**Not reportable during this quarter, only 2 Indicators are reportable*

2. Service Delivery Monitoring

KPI 1 – 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;

Q3 Target

88%

Q3 Actual

91%

Comment:

Achieved. Five (5) out of Nineteen (19) plants did not achieve the required levels of compliance, namely Ancor, Hartebeestfontein, Olifantsfontein, Vlakplaats and Welgedacht due to reasons given under challenges in point 3.4.

Reasons for overachieving:

- 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 compliance of the Tsakane Wastewater Treatment Works.
- Continuous training and refresher courses of Operations personnel.
- Adopting a risk based management process in identifying and mitigating risks.
- Reduced turn-around times on critical equipment breakdowns.

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

Q3 Target

R125 million

Q3 Actual

R77.5 million

Comment:

Target not achieved, only R77.5 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.

Q3 Target

Not reported during 3rd quarter of 2018/19

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

Q3 Target

70%

Q2 Actual

72%

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.

Q3 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.

Q3 Target

R 8 998 790.78

Q3 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).

Q3 Target

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

Q3 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	3 rd Quarter Planned Output as per SDBIP	3 rd Quarter Actual Output	Variation	Actual Output Rating	Progress on Targets	Reason(s) for Variation	Remedial Action	3 rd Quarter Planned Budget	3 rd 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	R125 000 000	R77.5 million	R47.5million	Not Achieved	R77.5 million was achieved out of R125 million target for Q3 and R160 million annual target Q4).	The reason for the revenue not achieved was the current sales structure not sales focused to ensure achievement of revenue target.	Proposed structure presented to the ERWAT Board for approval.	R125million	R70 million
	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 in this Quarter			R325 236	R11921 725
IDP Strategic Objective 4: To protect the natural environment and promote resource sustainability															
ERWAT	Improved Quality of water	63	% Compliance with wastewater	Water Quality Data of each Wastewater	86%	88%	88%	91 %	3%	Performance	Good	• ERWAT successfully negotiated	None required	R124 261 899	R113 730 678.72

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	(including wastewater)		treatment works license conditions and/or exemptions standards	<p>Treatment Works (from the Lab) Spreadsheet used to calculate over all compliance.</p> <p>Applicable Water use authorization of each Waste Water Treatment Works.</p>						Achieved		<p>an amendment of licence conditions with DWS, using scientific evidence, to industry norms.</p> <ul style="list-style-type: none"> • Installed HYBACS technology has contributed to an improved effluent compliance of the Tsakane Wastewater Treatment Works. • Continuous training and refresher courses of Operations personnel. • Adopting a risk based management process in identifying and mitigating risks. <p>Reduced turn-around times on critical</p>			

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	3 rd Quarter Planned Output as per SDBIP	3 rd Quarter Actual Output	Variation	Actual Output Rating	Progress on Targets	Reason(s) for Variation	Remedial Action	3 rd Quarter Planned Budget	3 rd Quarter Actual Expenditure
												equipment breakdowns			

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	3 rd Quarter Planned Output as per SDBIP	3 rd Quarter Actual Output	Variation	Actual Output Rating	Progress on Targets	Reason(s) for Variation	Remedial Action	3 rd Quarter Planned Budget	3 rd Quarter Actual Expenditure
IDP Strategic Objective 2: To build a clean, capable and modernized local state															
ERWAT	Improve 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%	70%	72%	2%	Performance Exceeded	Good	ERWAT accelerated expenditure on the implementation programmes	No remedial action required	R 116 186 744.67	R 118 494 09.49
	Improve 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%	Planned : 45%	45%	Not Achieved		ERWAT maintenance department did not achieve the quarterly target of 90% due to the following reasons below: 1. Lack of developed maintenance plan and asset care plans. 2. Lack of equipment	Asset Management Strategy is in a process of being developed, which will also assist in producing asset maintenance	R141 891 188.25	R154 465 760.20

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	3 rd Quarter Planned Output as per SDBIP	3 rd Quarter Actual Output	Variation	Actual Output Rating	Progress on Targets	Reason(s) for Variation	Remedial Action	3 rd Quarter Planned Budget	3 rd Quarter Actual Expenditure
												criticality analysis. 3. Lack of skills, Training and continues improvement. 4. Unavailability of a central store for critical inventory.	ance plans, asset care plans, criticality analysis, asset care training. Maintenance department is also in the process of developing a central store for critical spares inventory. The new maintenance plan roll out will be implemented in Q4.		
	Improved Quality of Water including Wastewater	3.M	Rand value-support of SMME's through ensuring appropriate	Procurement Plan and Invoices Paid.	New indicator	R120 536 966.10	R11 921 725.40	R11 518 802.85	- R402 922 .55	Not achieved	Spend on SMME's was 3.38% lower	A number of orders to the value of R12 265 308.14 were placed but not delivered as yet	Follow up on the delivery for payment	R11 921 725.40	R11 518 802.85

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	3 rd Quarter Planned Output as per SDBIP	3 rd Quarter Actual Output	Variation	Actual Output Rating	Progress on Targets	Reason(s) for Variation	Remedial Action	3 rd Quarter Planned Budget	3 rd Quarter Actual Expenditure
			application of preferential procurement practices								than target due to the timing of the approval of tenders in the third quarter.		within the 18/19 FY		
	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	22	14	8	Not achieved	No verified progress during the 3 rd quarter 2019	Additional findings were cleared, however no verification took place during the 3 rd quarter of 2019. The reason for this is the delay in the commencement of ERWAT's internal audit program. The audit only commenced on the 26 th of March 2019 as opposed to January 2019.	The verification of prior period audit findings have been prioritised for the start of the 4 th quarter of 2019.	R325 236	R1,037,878.89

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.**

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

A. Flows

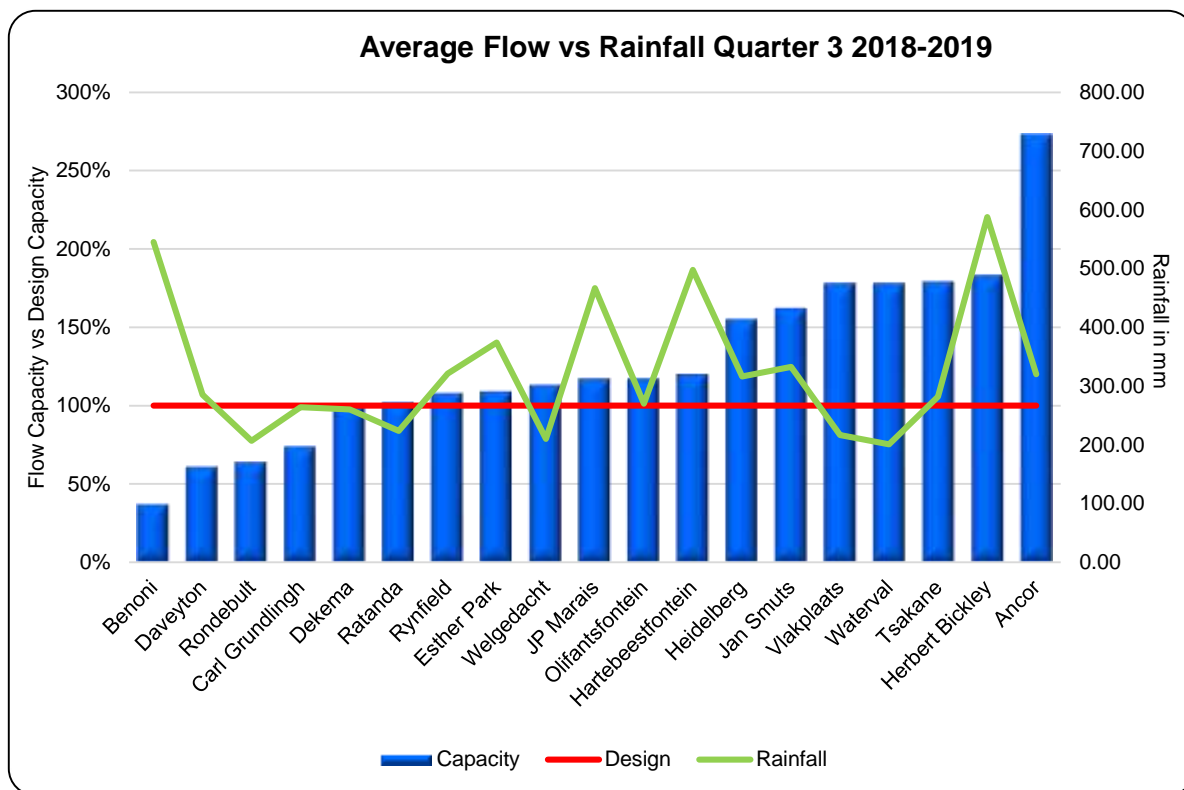


Figure 1

A total of 84 113 MI was treated in Q3 as compared to 74 668 in Q2, at an average of 936 MI/day and 811 MI/day in Q2, utilising 137% of the capacity in Q3 against 120% in Q2.

Fourteen (14) of the nineteen (19) plants operated above their design capacities, which poses a serious risk. Ancor operated at 273% of its capacity, which is the highest in ERWAT, with large regional plants such as Vlakplaats and Waterval operating at 178%. Additional capacity is urgently needed.

3.4. Service Delivery Highlights and Challenges

CHALLENGES

A. Flows

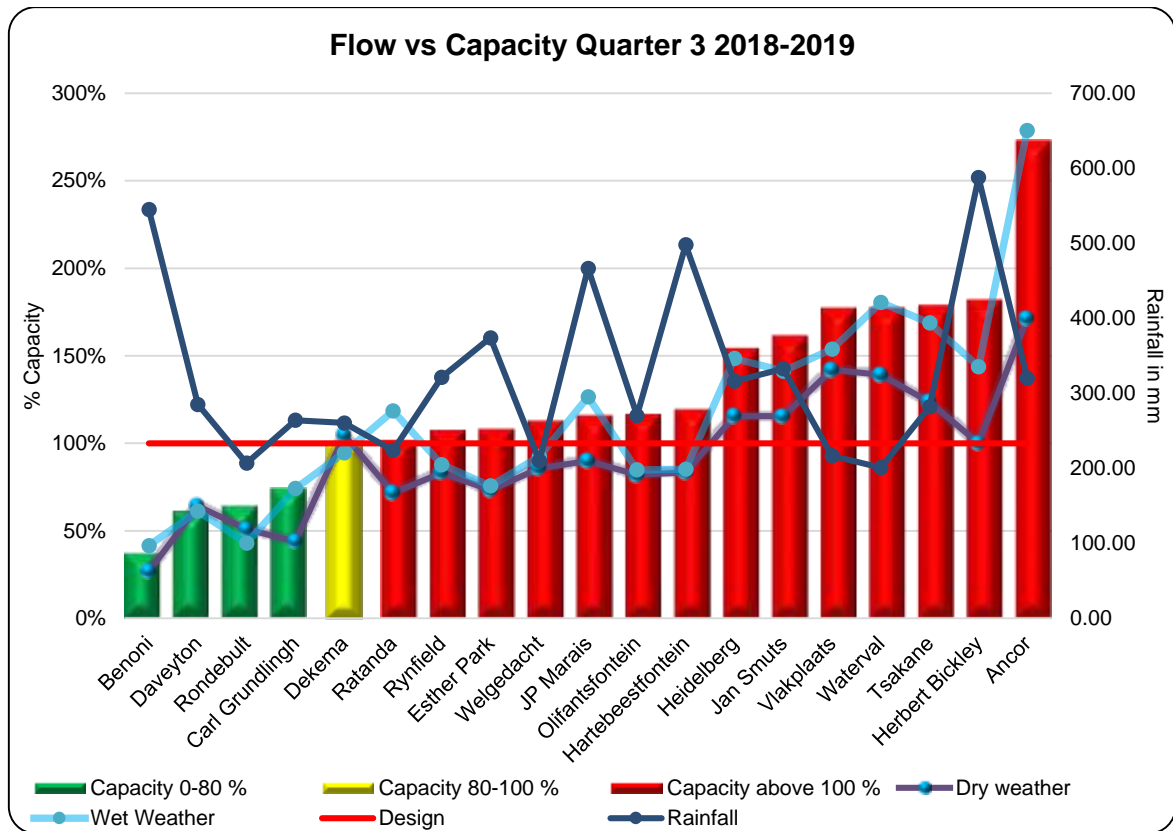


Figure 2

As can be noted in the above graph, during Q2 fourteen (14) out of the Nineteen (19) Wastewater Treatment Works were operating above their design capacity, one (1) operating between 80% and 100%, four (4) operating below the 80% mark.

Operating plants above capacity presents a myriad of risks including environmental spillages, frequent trippages of equipment due to overload, critical bacterial culture being washed out resulting in non-compliant effluent being discharged into the river etc.

CHALLENGES

Industrial Pollution:

Industrial impacts received at Ancor (38 of 90 days), Jan Smuts (18 of 90 days), Hartebeestfontein (67 of 90), Herbert Bickley (13 of 90 days), Heidelberg (28 of 90 days), Olifantsfontein (65 of 90 days) and Rondebult (19 of 90 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 by developing an integrated model and review the CoE Schedule A tariff for industrial effluent. The scope of work was finalized and is ready for approval by the CoE HOD: Water and Sanitation.

Technology limitations and lack of infrastructure:

- Hartebeestfontein: The degritters were out for refurbishment and as a result, there is accumulation of sand in the digesters and the pipes which caused blockages.
- Trickling filter technology: Ancor and Vlakplaats have older trickling filter technology which is not suitable to treat high strength sewerage containing industrial pollutants.

Actions taken to address the challenges

- Hartebeestfontein: The degritters are back in operation and the pipes feeding the digesters have been cleared. The digesters will be emptied and cleaned pending availability of funds.
- The Ancor and Vlakplaats plants are targeted for technology improvements and upgrade. The request for proposals from the market will be issued during Q1 of 2019/2020.
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Failure and replacement of critical equipment:

- Critical equipment failures remain a challenge. Ancor, Herbert Bickley, Carl Grundlingh, Olifantsfontein, Rynfield and Waterval were the most affected plants during Q3.
 - Ancor: Chlorination system failures occurred 6 times during the quarter, including both the chlorinator and the chlorination pumps. The final effluent micro compliance was affected with each failure. No stand-by pumps were available.
 - Ancor: Degritters 3-6 are currently not in operation resulting in sand and grit accumulating in the PST's, causing blockages of the downstream tanks and pipes.
 - Herbert Bickley: The main pumps at the head of works have reached the end of their lifespan and are inefficient, with frequent breakdowns posing a risk of environmental pollution.
 - Carl Grundlingh: Frequent failures of the brush aerators occur as they have reached the end of their useful life.
 - Olifantsfontein: The module 3 aerators have reached the end of their lifespan and cause frequent trippages and failures which results in noncompliant effluent being discharged into the Kaalspruit.
 - Waterval: Frequent breakdowns and trippages of aeration equipment at modules 2, 3 and 4.

Action taken:

- Aeration equipment replacement project commenced at Waterval new blowers are being installed. (Project 15% complete). Variable speed drives have been ordered for module 4 BNR to replace faulty units.
- 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). The project is at the final stage, with training of staff and implementation of the maintenance plans during Q4.
- Ancor: The construction of a new chlorination system, inclusive of a new chlorination contact tank, is at the detailed design phase for 2019/2020. Ancor degritters 3 and 4 must be replaced and were included in the CAPEX budget request for 2019/2020, but there are no funds available. The repair of degritters 5 and 6 is in progress with expected completion date end of Q4.

- Herbert Bickley: Diesel overhead pumps were hired in to assist in controlling the water level in the main sump. The project to replace the pumps is currently at the installation phase. The anticipated completion date is mid May 2019.
- Carl Grundlingh: Floating aerators have been installed as a temporary measure to assist with the aeration of the reactor basin. The procurement of new fixed has been halted since there are no funds available to replace the aerators.

Power outages:

Power outages remain a challenge with the ten (10) most affected plants during Q3 being Hartebeestfontein, Heidelberg, Benoni, Rynfield, Ratanda, Ancor, Dekema, Rondebult, Vlakplaats and Welgedacht.

Plant	Source of Supply	Unplanned Power Outages	Duration (Hours)	Planned Outages (Load shedding)	Duration (Hours)	Total Outage (Hours)	Cause
Hartebeestfontein	CoE	2	7	0	0	7	Hartebeestfontein experienced an incident of a power outage due to an electrical fault in January and February.
Benoni	CoE	2	9	6	20	29	Cable theft at Apex
Rynfield	CoE	0	0	2	6	6	
Heidelberg	Lesedi	17	60	16	39	99	The plant experienced very frequent power supply outages. Only the inlet works is fitted with a stand-by generator.
Ratanda	Eskom	2	13	20	86	99	A large number of outages occurred due to damaged ESKOM overhead supply lines..
Ancor	CoE	0	0	6	16	16	Load shedding at the plant affected the chlorination system as there is no generator available for this section of the plant.
Welgedacht	Eskom	5	23	0	0	23	The plant is affected by outages due to the fact that no genset is available on the mod.1 reactor and downstream processes.
Dekema	Eskom	0	0	14	49	49	Fourteen (14) outages due to frequent load shedding events.
Rondebult	CoE	1	53	16	61	114	Sixteen (16) outages due to frequent load shedding events and two (2) days lost due to faulty cables at CoE.
Vlakplaats	CoE	0	0	12	49	49	Twelve (12) outages due to frequent load shedding events.

Action taken:

- The procurement of stand-by generators for the various Wastewater Treatment Works that do not have sufficient standby capacity will continue once funding is available.
- Dekema: Stand-by generator was used to run the plant during the power failure periods.
- 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 was procured during Q2 to ensure continuous operation of the critical plant processes during power outages. The anticipated completion date for installation and commissioning is 30 May 2019.

- A meeting will be arranged with Lesedi Municipality to bring to their attention the impact of the frequent failures at the plant and assist in restoring the ring-feed to the plant.
- Ratanda: The multitude of outages on the overhead feedline needs to be addressed with Eskom with the assistance of Lesedi, as the same ESKOM line also feeds the Heidelberg plant via Lesedi Municipality.
- Ancor: A generator for the chlorination section of the plant has been requested on budget for 2019/2020 but no CAPEX funds are available.
- Welgedacht: Stand-by generators are available for mod. 2. Generators for mod.1 will be procured once CAPEX funding is available.
- Benoni: Cable theft was reported to CoE and cables were replaced.
- Hartebeestfontein: Job card was loaded and was attended to by Maintenance and CoE.

Unstable Ground Conditions:

Olifantsfontein Wastewater treatment works (WWTW) discharges into the Kaalspruit and operates under the Water Use licence granted in terms of Section 52 of the National Water Act 36 of 1998.

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 the 19th December 2018, CoE was issued with a letter by DWS for failure to take reasonable measures to prevent pollution from occurring, continuing or recurring at Olifantsfontein WWTW. This followed the Department's rejection of the plans for Olifantsfontein WWTW in as far as they relate to the restoration of capacity. Lack of capital funding commitment by CoE to address the challenges currently experienced by the plant was cited as the reason for the rejection.

This was followed by an urgent meeting on the 21st December 2018 between CoE and ERWAT where it was resolved:

1. That a total amount of R213.8m is required over a period of five years to fully restore the capacity and the functionality of the plant. It was identified that an estimated budget amount of R80m is required in the 2018/2019 financial year to restore the functionality of the plant. The amount was further revised to R42m as informed by the revised detailed cash flow projection and procurement plan submitted to CoE. Both CoE and ERWAT were to contribute equally toward the required amount, however it would not be possible for ERWAT to contribute as all the available funds were already committed to other urgent capital expenditure projects. A submission for the adjustment of the 2018/2019 budget was made to CoE in this regard.

The matter was further discussed at the Senior Management Team (SMT) meeting held on the 22nd January 2019 where it was resolved that the R42 million USDG fund surrendered by CoE Water & Sanitation should be ring fenced and made available to ERWAT.

2. The CoE legal department draft an email to the Department of Water and Sanitation to seek some clarity on the issues raised in the letter of rejection. It was further resolved that both CoE Department of Water and Sanitation and ERWAT were to draft a combined response to DWS. Both the detailed procurement plan as well as the cash flow plan were submitted to CoE to form part of the response to DWS.

Action taken:

- A total amount of R42m was approved by Council and provided to ERWAT for the partial refurbishment of the bio filter plant to restore the functionality of the plant.
- The ERWAT held two separate briefing for the work required on site. The two projects consist of design and refurbishment and are as detailed below;
- **Bio-filter refurbishment:** The tender was advertised on the 17th of February 2019, and the briefing was held on the 20th of March 2019. The tender will be closing on 10th of April 2019, consequently evaluation will commence. The expected date of appointment is the 30th of April 2019.
- **Design for resuscitation of Bio-filter module, new PST, and Ekurhuleni pump station:** The tender briefing was held on the 15 of March 2019, and the closing date was on the 27th March 2019. The expected date of appointment is the 5th of April 2019. The reason for short time line is that the service provider will be selected from the ERWAT Panel of consultants.

Subsequent to the project plan provided to DWS, there was a follow up meeting held between DWS, CoE and ERWAT on the 29th March 2019 to discuss the progress on the refurbishment project.

Poor condition of civil structures:

Ancor: Some of the critical civil structures of the plant is in a poor condition. These include humus tanks, distribution towers for the biofilters and the anaerobic digesters that are all cracked and crumbling. With these structures taken out of operation, the plant's operating capacity will be further reduced and the plant's final effluent quality negatively impacted. The plant is already under tremendous pressure due to the fact that it is operating at 273% of its design capacity.

Action taken:

- Capex funding is required for the rehabilitation or rebuilt of these structures. No CAPEX funding is currently available.

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	Application for water use licence amendments (WULA) at the Department of Water and Sanitation (DWS) is ongoing 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 project currently is at 90% physical completion and from inception to date 90% has been claimed.
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 100% physical completion.
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,	Supply, delivery & installation of	The project is currently at 83% Physical completion and 85% has been claimed to date

Project Description	Project Objective	Progress
Tsakane, Vlakplaats (Phase 2) and Welgedacht	perimeter at ERWAT WWTPs	
9. Waterval WWTP New Aeration Blowers Upgrade	Plant Efficiency Enhancement	The Waterval WWTP new aeration Blowers upgrade project is at 50% physical completion and from inception to date 47% has been claimed.

3. Financial Report

Table 5: Operational expenditure

Line item	Total Original Budget	Total Revised Budget (Applicable only after Adjustment)	Budget for Quarter	Actual for Quarter	Variance	Actual for FY (Yr to date)	Variance for year (Yr to date)
Employee Related costs	R 346 451 000	R 346 451 000	R 86 612 750	R 76 455 580	-R 10 157 170	R 238 926 446	-R 20 911 804
Remuneration of Directors	R 3 288 000	R 3 288 000	R 822 000	R 638 601	-R 183 399	R 1 805 730	-R 660 270
Bad Debts Provision	R 1 024 000	R 1 024 000	R 256 000	R 273 029	R 17 029	R 1 010 619	-R 242 619
Depreciation	R 71 805 000	R 71 805 000	R 17 951 250	R 19 168 933	R 1 217 683	R 53 345 953	-R 507 797
Repairs and Maintenance	R 124 310 910	R 124 310 910	R 31 077 727	R 36 095 684	R 5 017 957	R 113 268 746	R 20 035 563
Interest Expense	R 61 504 000	R 61 504 000	R 15 376 000	R 12 677 302	-R 2 698 698	R 39 332 329	-R 6 795 671
Bulk Purchases	R 202 296 499	R 202 296 499	R 50 574 124	R 54 896 813	R 4 322 689	R 149 395 087	-R 2 327 287
General Expenses	R 163 901 591	R 163 901 591	R 40 975 397	R 22 785 393	-R 18 190 004	R 72 917 638	-R 50 008 555
TOTAL	R 974 581 000	R 974 581 000	R 243 645 248	R 222 991 335	-R 20 653 913	R 670 002 548	-R 61 418 440

Employee Related Costs - Salaries & Wages – Negative variance of R10 157 170 or 12% was noted for the 3rd quarter of 2018/19. This is mainly due to the revision of the organisational structure to correct historical anomalies and unfilled vacancies. It is expected that the revised organisational structure will be finalised during the 4th quarter of 2018/19.

Remuneration of Directors – Negative variance of R183 399 or 22% was noted for the 3rd 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.

Repairs and Maintenance – Positive variance (over-spend) of R5 017 957 or 16% was noted for the 3rd quarter of 2018/19. Kindly refer to the detailed analysis of repairs and maintenance below.

Interest Expense – Negative variance (under-spend) of R2 698 698 or 18% was noted for the 3rd 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 R4 322 698 or 9% was noted for the 3rd quarter of 2018/19.

General Expenses – Negative variance (under-spend) of R18 190 004 or 44% for the 3rd 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 3rd quarter. Significant invoicing is expected in Q4 2018/19.

Table 6: Capital expenditure

Project Detail	Total Original Budget	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
Capital Expenditure for plants	R164 004 889	R41 001 222	R 38 299 350	-R 2 701 872	R 164 004 889	R 104 468 102	-R 18 535 564	64%
Invoices not yet captured			R 14 236 616	R 14 236 616		R 14 236 616		8%
TOTAL	R164 004 889	R41 001 222	R 52 535 966	R 11 534 744	R 164 004 889	R 118 704 718	R45 300 171	72%

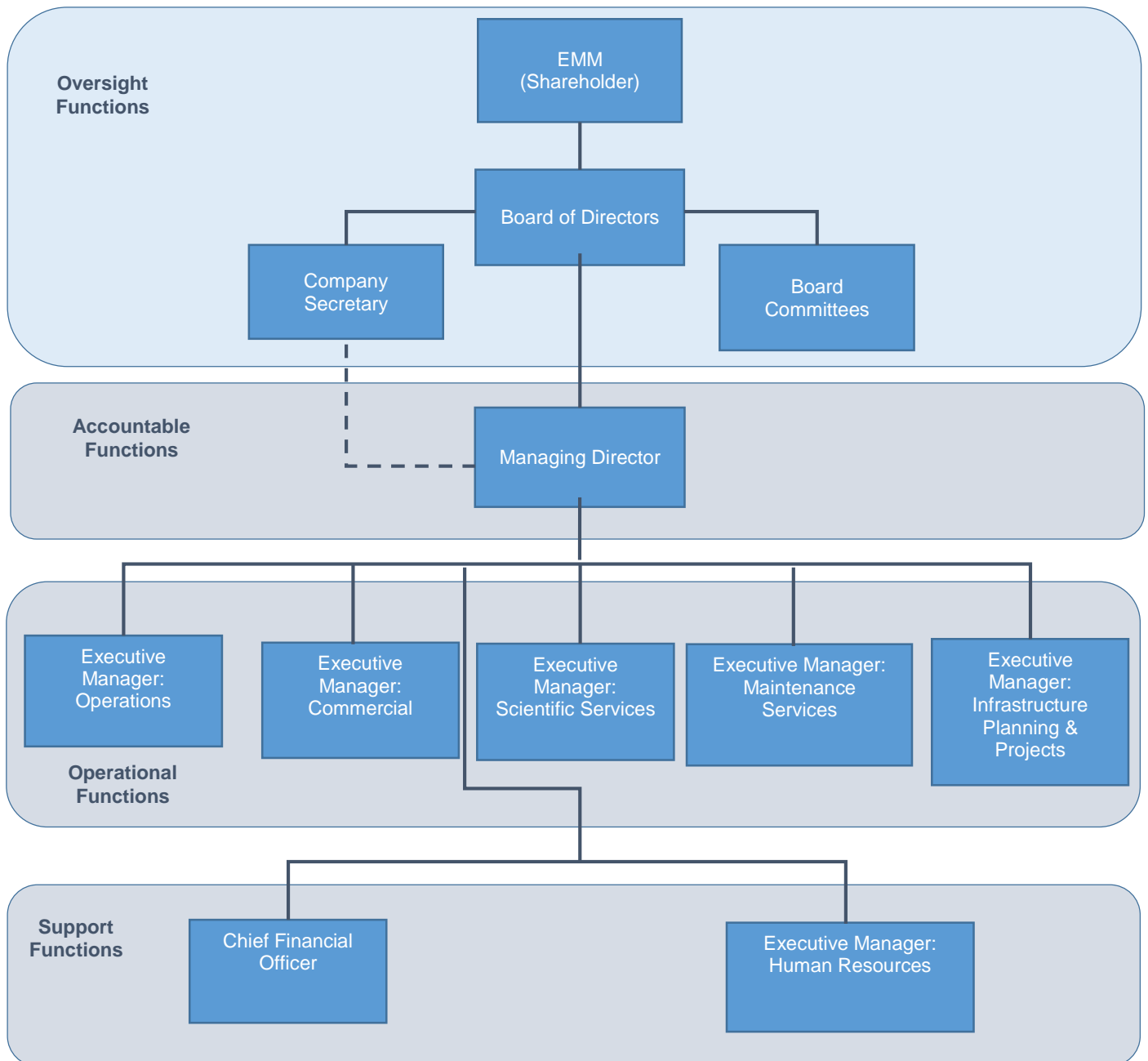
Capital expenditure for the third quarter is at R118 million. The target CAPEX spending for third quarter of 2018/19 financial year is 70% accumulative and actual spending is 72%. The target for the third quarter has been exceeded.

4. Human Resources

4.1 Staff Movements

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

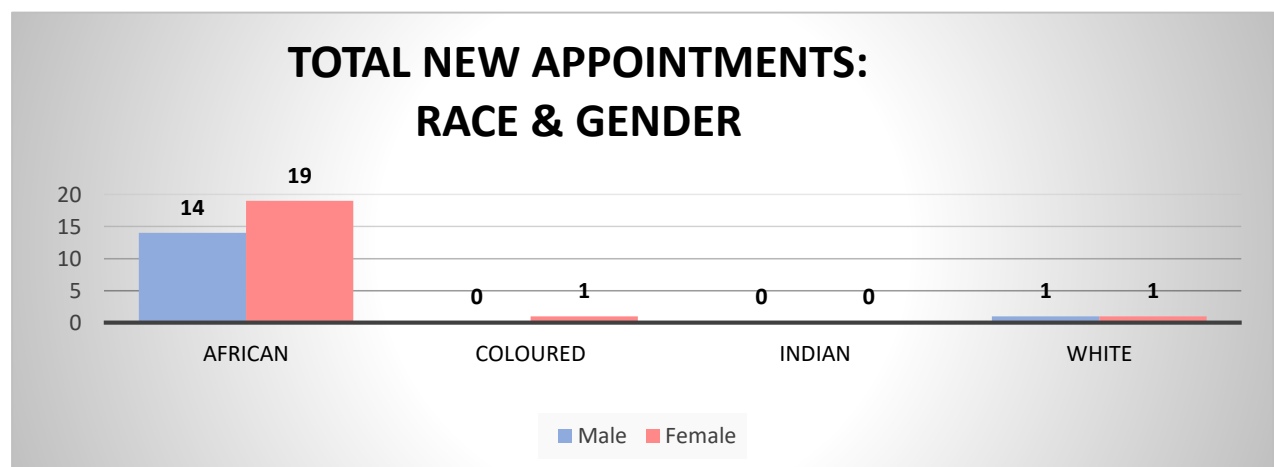
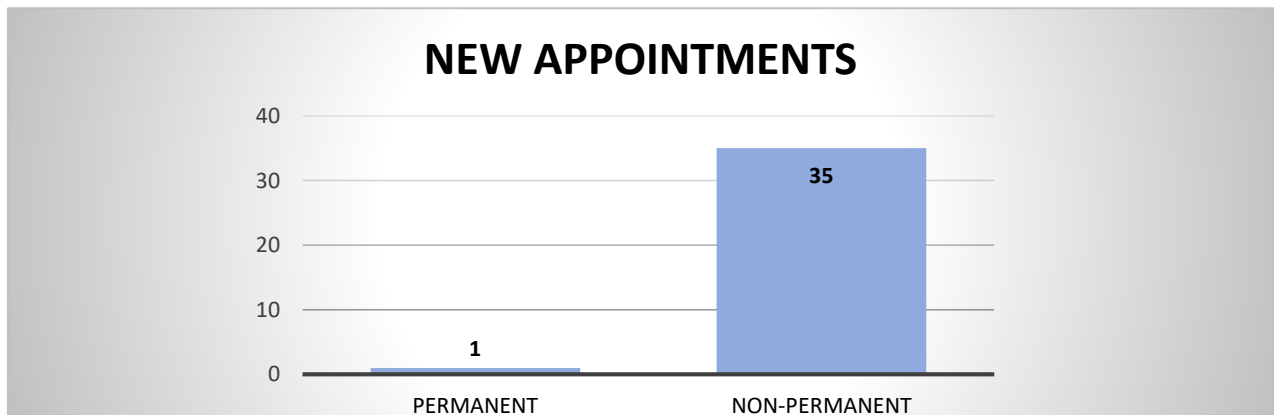
Current Structure



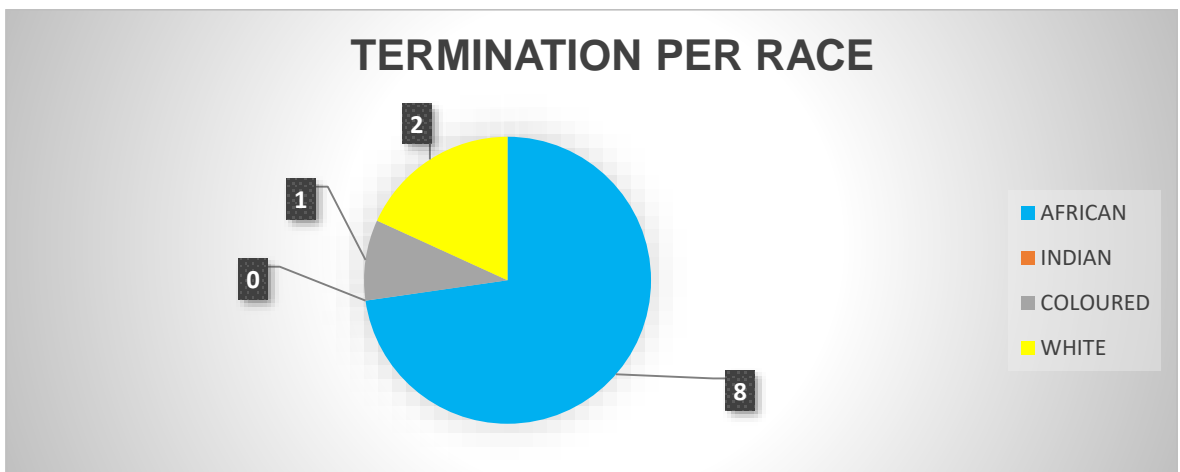
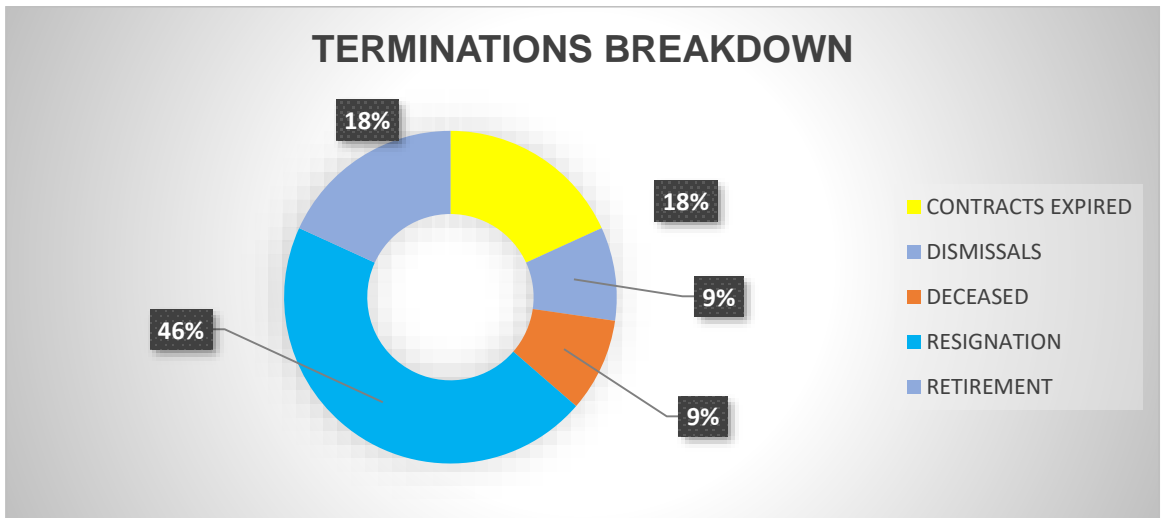
Staff Movements

Staff Movements	African		Coloured		Indian		Whites		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Recruitments	14	19	0	1	0	0	1	1	36
Resignations	2	2	0	0	0	0	1	0	5
Retirements	1	0	0	0	0	0	1	0	2
Contract Expired	2	0	0	0	0	0	0	0	2
Dismissals	1	0	0	0	0	0	0	0	1
Deceased	0	0	1	0	0	0	0	0	1
Promotions	0	0	0	0	0	0	0	0	0

Appointments



Terminations



Status Analysis

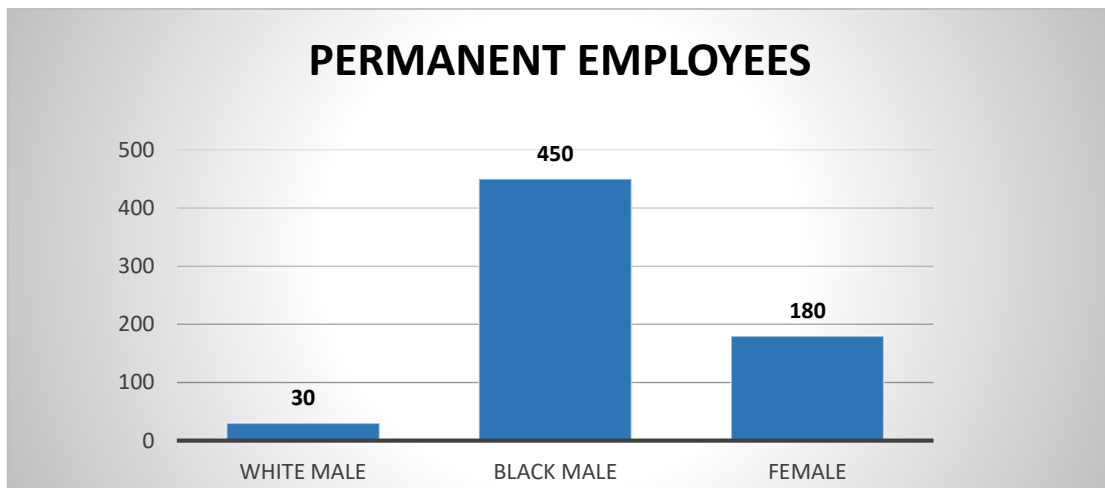
- During the period under review, 35 non-permanent people were appointed.
- Between the period under review 11 employees exited the organisation for the following reasons;
 - 2 contracts expired;
 - 5 resigned for various reasons;
 - 1 death;
 - 2 retirements; and
 - 1 dismissal

2. Overtime Trends

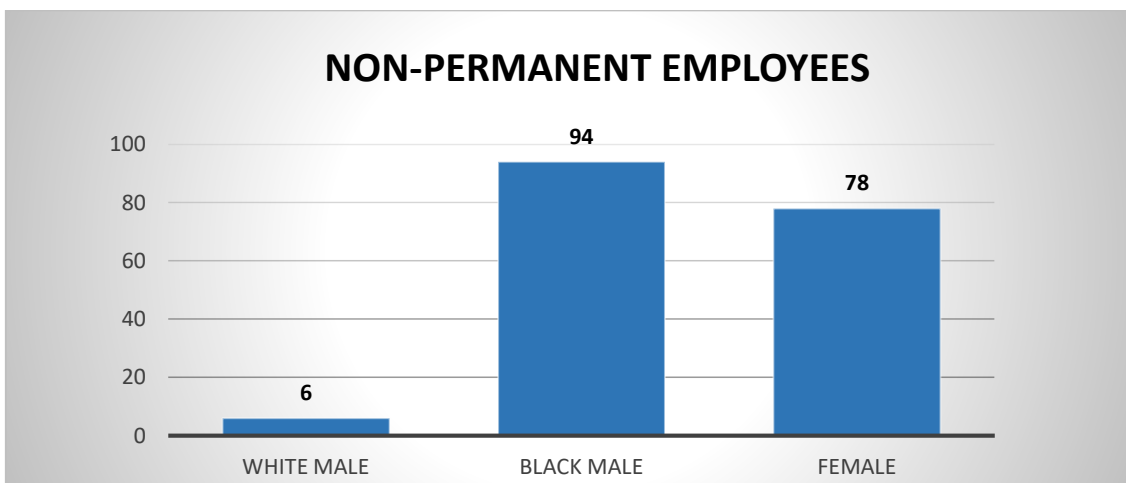
	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Total Hours	51 574.22	50 362.81	50 776.11	
Total Cost	R 6 157 354.13	R 6 054 762.96	R 5 998 879.69	

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

3. Employment Equity Demographics

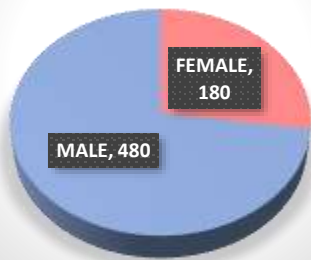


ERWAT has **660** permanent employees, this relates to 95% Equity status.

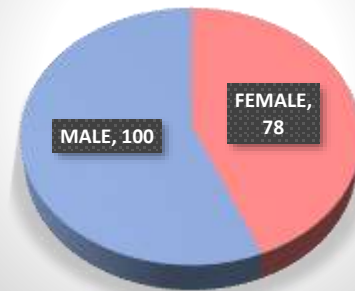


ERWAT has **178** non-permanent employees, this relate to 96% Equity status.

660 PERMANENT EMPLOYEES



178 NON-PERMANENT EMPLOYEES



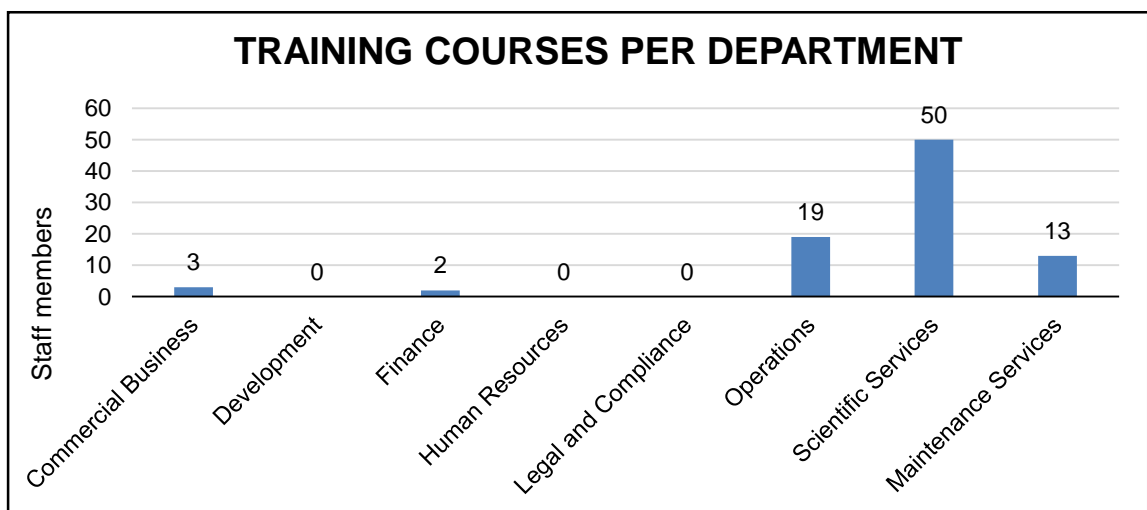
Status Analysis

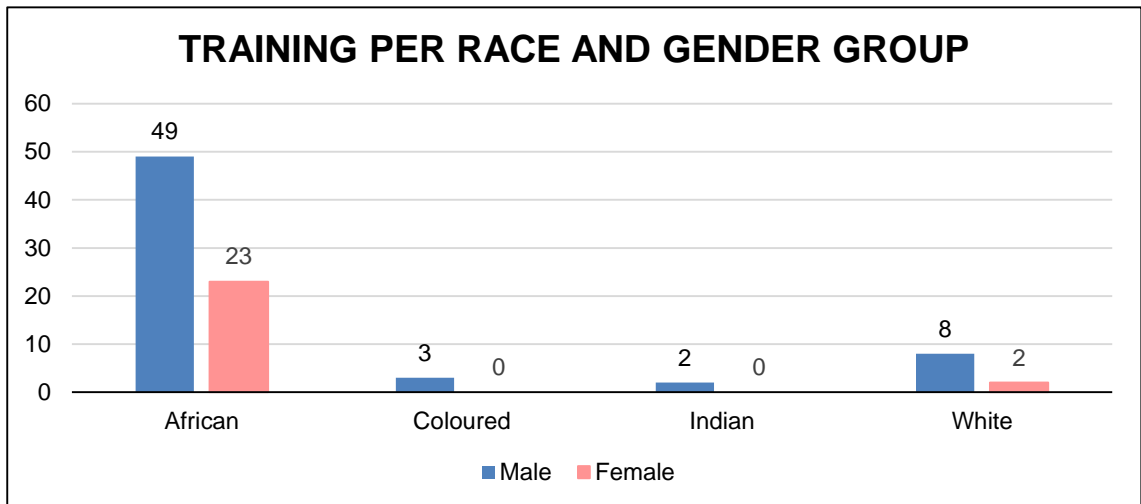
- The employment demographics of ERWAT as at 31st March 2019 reflects;
 - Females in both permanent and non-permanent positions within ERWAT account for 253 or 31% of a total positions filled.

EE Update

- The Employment Equity Committee finalized the 5 year EE plan and it was presented to EXCO. The EE Plan was signed off and approved at the end of September 2018.
- 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.

4. Training and Development





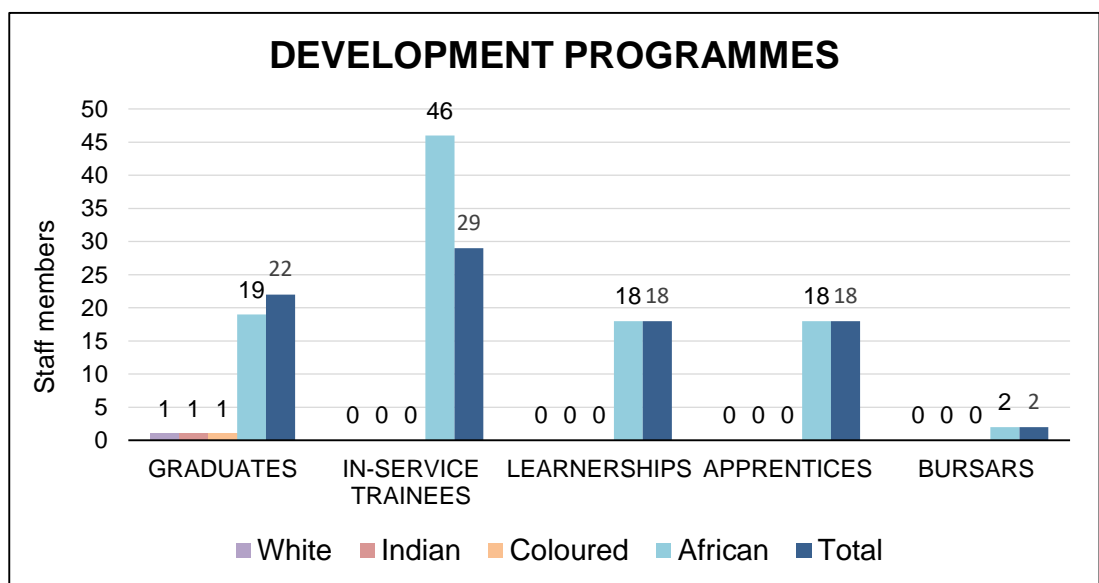
Status Analysis

During the period under review;

- 87 employees were trained through short courses/workshops and conferences.
- 23 (96%) were African Females; and 2 (4%) were White Female
- 49 (82%) were African Males; 3 (8%) were Coloured Males; 2 (2%) were Indian Males and 8 (8%) were White Males

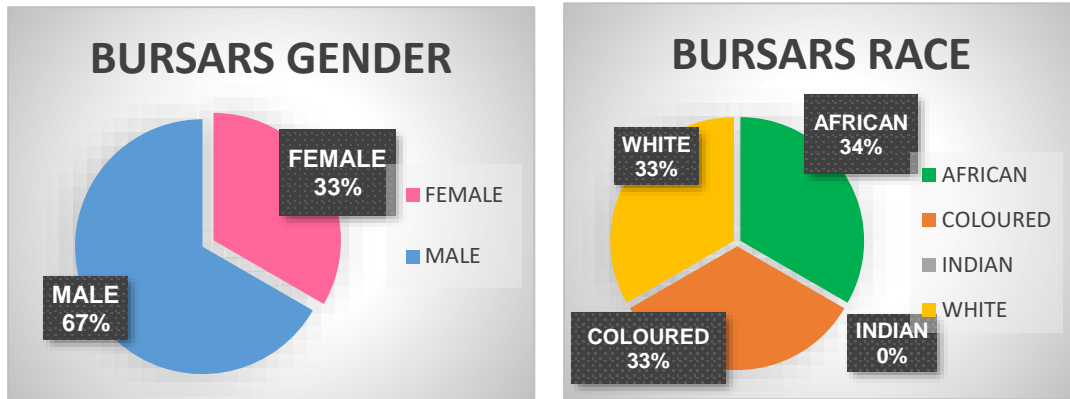
Employees trained per Department were;

- 19 (18%) in Operations;
- 50 (61%) in Scientific Services;
- 13 (12%) in Technical;
- 3 (2%) in Legal and Compliance;
- 3 (5%) in Commercial Business;
- 0 (0%) in Human Resources;
- 0 (0%) in Development and
- 2 (2%) in Finance and Supply Chain



Status Analysis

- As at 31st March 2019, the organisation has a 178 Contractors, Graduates, and In-service trainees, Learnerships, Bursars and Apprentices.
- The breakdown per race is as follows:
 - 2 (2%) Indian
 - 2 (2%) Coloured
 - 11 (6%) White
 - 163 (90%) African



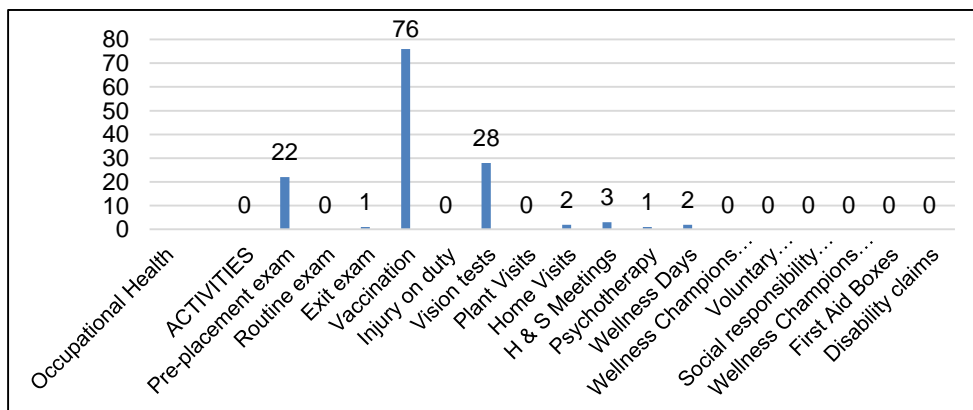
During the period under review, ERWAT currently has 3 bursars at various Universities.

5. Percentage of Salary to Total OPEX

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD – Actual
Total Salary Cost	R 81 937 344	R 162 470 866.00	Q3 info will be available in April		R 244 408 210.00
Total Opex	R 198 495 372	R 447 024 862.00			R 645 520 234.00
% of Salary to Opex	41.28%	36%			38%

6. Employee Wellness Programme Explanation

ERWAT Occupational Health Services offers Wellness Programme as follows;



7. 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.

Table 8: Percentage of Salary to total Opex

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Total Salary Cost	81 937 344	163 637 995	240 732 176	
Total Opex	198 786 085	447 011 213	670 002 548	
% of Salary to Opex	41.2%	36.60%	35.90%	

5. Procurement Practices, Job Creation and Mainstreaming

ERWAT awarded tenders to the value of R213 584.90 from 51%-99% HDI owned companies and R0 to companies with 30%-100% black female ownership in the 3rd quarter of the 2018/19 financial period.

Refer to the table below for a summary of the BEE spending practices for the 3rd quarter and year to date. 98% of the year to date total awards were made HDI owned businesses with more than 50% ownership.

CATEGORY	TOTAL FOR 1st QUARTER	TOTAL FOR 2nd QUARTER	TOTAL FOR 3rd QUARTER	YEAR TO DATE TOTAL	% OF YEAR TO DATE TOTAL
0% HDI / JURISTIC PERSON	1 855 031.71	-	-	1 855 031.71	2%
1-50% HDI	-	4 702 277.27	-	4 702 277.27	0%
51-99% HDI	39 571 922.61	38 113 058.96	213 584.90	77 898 566.47	58%
100% HDI	34 580 525.10	13 544 586.88	-	48 125 111.98	40%
TOTAL	76 007 479.42	56 359 923.11	213 584.90	132 580 987.43	100%
SIZE OF COMPANY					% OF YEAR TO DATE TOTAL
LARGE	27 519 487.08	-	-	27 519 487.08	21%
MEDIUM	28 329 568.29	25 448 059.33	-	53 777 627.62	41%
SMALL	20 158 424.05	30 911 863.78	213 584.90	51 283 872.73	39%
MICRO	-	-	-	-	0%
TOTAL	76 007 479.42	56 359 923.11	213 584.90	132 580 987.43	100%
AWARDS MADE TO:					
FEMALES	1 855 031.71	-	-	1 855 031.71	2%
BLACK FEMALE 30-100%	-	-	-	-	0%
HDI 50-100%	39 571 922.61	30 911 863.78	213 584.90	70 697 371.29	59%
100% HDI	34 580 525.10	13 544 586.88	-	48 125 111.98	40%
YOUTH	-	-	-	-	0%
	76 007 479.42	44 456 450.66	213 584.90	120 677 514.98	100%
BBEEE SCORE CARD					% OF YEAR TO DATE TOTAL
EME	4 996 622.81	13 544 586.88	-	18 541 209.69	14%
QSE	18 303 392.34	30 911 863.78	-	49 215 256.12	37%
GENERIC	52 707 464.27	11 903 472.45	213 584.90	64 824 521.62	49%
TOTAL	76 007 479.42	56 359 923.11	213 584.90	132 580 987.43	100%
AWARD MADE TO					% OF YEAR TO DATE TOTAL
EMM BASED COMPANIES	23 332 945.48	7 201 195.18	-	30 534 140.66	23%
NON EMM BASED	52 674 533.94	49 158 727.93	213 584.90	102 046 846.77	77%
	76 007 479.42	56 359 923.11	213 584.90	132 580 987.43	100%

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 Ref	Risk Description	Root Cause	Impact	Future control	Progress Quarter 3
ERW1	Inability to meet CAPEX target.	<p>RC 1. Planning not fully integrated including SCM processes:</p> <p>RC2. Inadequate project management business processes and systems</p>	<p>1. Ability to increase budget allocation from CoE and future cuts.</p> <p>2. Ability to raise external funding</p> <p>3. Impact on service delivery; Socio and economic stability</p> <p>4. Not completing projects on time.</p>	C1.1. Implementation of digitised document management system.	C1.1 The project is still at the stage of developing Files Plans in line with ERWAT internal structure
				C1.2. Integration of digitised document management system into Supply Chain Management Process.	C1.2 a) Contract Management module activated on the Solar System to improve contract governance. All active contracts are being uploaded b) Electronic Bid Tender document listing on the new ERWAT Website. c)
				C2.1. Develop business processes.	C2.1 a) approved BPM Standards & Guidelines b) BPM Strategy developed, aligned to strategy and approved c) Value Chain Workshop held d) Processes mapped from Level 1-4 per business unit and gaps being identified in the process
				C2.2. Implement a Project Management System	C2.2 Process flow mapping and information provision to customise has been completed by the user department and awaiting system integration with the financial system have completed Process flow mapping and information provision.
				C2.3. Develop Capital Infrastructure planning and project management policy	C2.3 No Further reporting required .Additional controls has been implemented.
				C2.4. Develop standards and specifications.	C2.4 The project to commerce in quarter 4 of 2018/19
ERW2	Inability to meet external revenue targets.	<p>RC1. The company is currently incorporated as an Non-Profit Company.</p> <p>RC2. Municipal Finance Management Act, Sec</p>	<p>1. Limitation on profit generation thus increasing reliance on parent municipality for usercharges.</p> <p>2. Services only limited to area of jurisdiction.</p>	C1. Change the current incorporation from an NPC to an SOC (LTD).	C1. A resolution taken by the Board to retain the current legal structure of the organisation. There will be no further reporting in quarter 4.
				C2. No additional controls required.	C2. No reporting required.

Risk Ref	Risk Description	Root Cause	Impact	Future control	Progress Quarter 3
		164; FORBIDDEN ACTIVITIES. RC3. Products and services are not well defined. RC4. Lack of a tariff model.		C3. Review the marketing strategy C4. Tariff model to be developed.	C3. A deep-dive of the market analysis conducted and documented in the draft ERWAT Strategy. C4. Tariff Model is part of the overall ERWAT Funding Model (a) Plant effluent and volume analysis has been completed (b) Cost centre mapping completed, direct and indirect costs for the various plants have been identified are to be confirmed by the ERWAT financial team
ERW3	Laws and Regulations Hindering Alignment to processes	MFMA(Chaper11) Preferential Procurement Regulations and SCM policy	Community unrest	C1. Review of the Supply Chain Management Policy	C1. No Further reporting required .Additional controls has been implemented.
ERW4	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. C2.1 Develop an asset management strategy, policy and maintenance plan. C2.2 Develop maintenance standards and specifications for critical equipment; C2.3 Develop business continuity management plan (BCMP).	C1. The project is in phase 2 of the 3 phases Situational Analysis phase is 80% complete C2.1 Draft Asset Management Policy, AM Strategy and Maintenance Plans to be tabled at EXCO in April 2019 for recommendation to the Board sub-committees C2.2 The project on developing Maintenance & Specifications for critical equipment will commence in quarter 4. C2.3 a) Business Impact Analysis commenced for business units. b) Pilot site assessments in progress for Ancor and Olifantsfontein c) BCM Policy and Governance Structure approved by management.

Risk Ref	Risk Description	Root Cause	Impact	Future control	Progress Quarter 3
				C3. Develop financial model.	C4. a) Plant effluent and volume analysis completed b) Cost centres mapping completed, c) Direct and indirect costs for plants have been identified are to be confirmed by the ERWAT financial team.
				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 Assessment recommendations incorporated into the 2018/2019 Capital Expenditure Plan.
				C5.2 Implementation of recommendations from the civil structure assessments conducted.	5.2 Demolition of dormant structure has not yet started due to lack of funds. Environmental Impact Assessment not required as per investigation that were conducted.
ERW5	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. 3. Develop a Succession strategy, policy and plan. 4. Publishing of annual training report.	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 Remuneration Benchmarking exercise finalised. To be tabled at the Local Labour Forum
				C3. Develop a Succession strategy, policy and plan.	C3. The Succession Policy reviewed. It is anticipated that the plan will be finalised at the end of Q4
				C4. Publishing of annual training report.	C4. . No Further reporting required .Additional controls has been implemented.

Risk Ref	Risk Description	Root Cause	Impact	Future control	Progress Quarter 3	
ERW6	Non-compliance to relevant legislative and governance related requirements. (5 key legislation)	<p>RC1. Changes in legislation.</p> <p>RC2. Inadequate business processes and procedures for OHS, MFMA, NWA, NEMA, CA.</p> <p>Five (5) Key Legislation</p> <p>RC3. Occupational Health & Safety ACT - Lack of Occupational, Health Safety (OHS) systems and processes.</p> <p>RC4. Municipal Finance Management Act</p> <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>	<ol style="list-style-type: none"> 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 	<p>C1.1. Migration and monitoring of legislation from a manual system to a Nexus Lexus Compliance System</p> <p>C1.2. Legal Compliance monitoring dashboard.</p> <p>C1.3. The development of Compliance policy and Compliance Framework.</p> <p>C2. Annual review of the Internal Audit Plan and implement the recommendation of the Internal Audit.</p> <p>C3.1. Review and update of the occupational health and safety plan</p> <p>C3.2. Develop a Safety Compliance Report.</p> <p>C3.3 Safety video to be rolled out.</p> <p>C4.1 Review of the Service Delivery Agreement</p> <p>C4.2 The review of the Asset Management Policy</p> <p>C5.1 Annual GreenDrop Audits</p>	<p>C1. There is no progress made in resolving the technical glitches identified in quarter 3</p> <p>C1.2 Compliance Monitoring Dashboard is active on the Lexus GRC system, however it is at the initial stages of the system roll out.</p> <p>C1.3 The Entity awaiting the final review of C.o.E Compliance Policy and Compliance Framework to ensure alignment.</p> <p>C2. C.o.E appointed Internal Auditors for Entities. Internal Audits Plan discussed with management and the audits commenced in the 3rd week of March 2019</p> <p>C3.1 The OHS plan reviewed updated, the approval of the plan is awaiting the approval of the OHS Policy</p> <p>C3.2 The OHS plan reviewed updated, the approval of the plan is awaiting the approval of the OHS Policy</p> <p>C3.3 No reporting required. Additional controls has been implemented</p> <p>C4.1 Service Delivery Agreement submitted to the City of Ekurhuleni for inputs</p> <p>C4.2 Draft Asset Management Policy and maintenance plans has been finalised pending approval from EXCO. Draft AM strategy subject to approval of ERWAT's strategy</p> <p>C5.1 The Assessments took place from 11-13 March 2019; the status report will be available at the end of April 2019.</p>	
	Non-compliance to relevant legislative and governance related requirements. (5 key legislation)		<ol style="list-style-type: none"> 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 			

Risk Ref	Risk Description	Root Cause	Impact	Future control	Progress Quarter 3
ERW7	Failure to effectively intergrate Enterprise Risk Management systems.	<p>RC1. Lack of a formalised Business Continuity Management programme.</p> <p>RC2. Organisational Risk Maturity</p> <p>RC3. The organisational culture towards risk management prioritisation</p> <p>RC4 depreciated historical cost to asset replacement values (Inadequate insurance coverage for ERWAT.)</p>	<p>1. Impact on service delivery ; Socio and economic stability</p> <p>2. Lower importance placed on risk management</p> <p>3.1. Existing risks not identified, assessed and/or mitigated.</p> <p>3.2. Financial liabilities arising from inappropriate execution of Risk Management Processes</p> <p>4. Inability to replace critical asset</p>	<p>C1. Comprehensive program to update Strategy and Business Processes in conjunction with the implementation of the Business Continuity Management and Disaster Recovery Plan.</p>	<p>STRATEGY, Operating Model reviewed and Key Performance goals defined Communication Plan drafted Drafted 3 of the 5 business plans</p> <p>BUSINESS CONTINUITY MANAGEMENT</p> <p>a) Business Impact Analysis commenced for business units.</p> <p>b) Pilot site assessments in progress for Ancor and Olifantsfontein.</p> <p>c) BCM Policy drafted and approved</p> <p>d) BCM Governance Structure identified and approved by management.</p> <p>BUSINESS PROCESS MAPPING</p> <p>a) BPM Standards & Guidelines approved</p> <p>b) BPM Strategy developed, aligned to strategy and approved</p> <p>c) Value Chain Workshop held</p> <p>d) Processes mapped from Level 1-4 per business unit and approved by business units</p>
				<p>C2. Conduct a Risk Maturity Assessment</p>	<p>C2 Conduct a Risk Maturity Assessment</p>
				<p>C3 -4. No additional control required</p>	<p>C3 – 4 No additional control required</p>

Emerging Risks (Narrative)

There are no emerging risks for the period under review

7. Legislative (only if applicable to your department)

Compliance Risk Management forms part of the broader risk management within ERWAT. In order to protect ERWAT from the Risk of non-compliance, management has identified and prioritised 5 key legislation. An additional legislation, the Labour Relations Act has been added to the priority list. Compliance Risk Management Plans has been developed and there are quarterly compliance monitoring and reviews to enhance adherence to the key legislation

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
6. Labour Relations Act 66 of 1995

6. 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 34 findings which are classified as follows:

- a. Administrative matters: Two (2) findings
- b. Other important matters: Twenty-six (26) findings
- c. 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.