

2018/19 QUARTERLY REPORTING TEMPLATE AGAINST THE APPROVED BUSINESS PLANS

1. Executive Summary by the Department

The entity has managed to achieve five (5) out of the seven (7) key performance indicators. The 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 previous financial years. Capital expenditure for the fourth quarter is at R163.8 million against a budget of R164.2 million. The target CAPEX spending for the year is 99.74% against a target of 95%.

Revenue generated during the year was R106 million which is below the target of R160 million. ERWAT has not been able 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.

Total ERWAT realised R1 035 billion for the year against a budget of R1 025 billion inclusive of a grants and development contribution) The total income is 1% higher than budget for the year-to-date period ending 30 June 2019.

Operational expenditure has however, continuously improved during the course of the year as the remedial plans took effect and we are on track to spend the full maintenance budget by the end of the financial year. Bulk purchases (Electricity, water, chemicals) are 14% below budget due to timing of utility accounts received which corrects at year end.

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	2	1	1
Departmental SDBIP	4	3	1	1

CHALLENGES AND RISKS EXPERIENCED

Commercial business still remains a challenge and the entity has identified the following remedial actions:

- Identification and pursuance of potential clients according to the various sectors as well as reselling of our services to the existing customers through continuous improvement projects (CIP's). These activities will be reported on weekly basis in order to ensure that our efforts and additional support are redirected towards conversion of our sales initiatives.
- Continuous implementation of B-BBEE improvement plan and proper document management system in order to maintain our current status as a level one contributor. The service provider has since been appointed for the verification process and renewal of our B-BBEE certificate. This will also further require an approval to engage and prepare a joint B-BBEE Certificate together with all our potential partners for Joint Venture Agreements.

2. Service Delivery Monitoring

CITY- WIDE KPI'S

KPI 1 – City -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

Q4 Target

R160 million

Q4 Actual

R106 million

Comment:

Target not achieved, only R106 million was generated from external business representing a shortfall of R54 million.

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.

Q4 Target

Audit Opinion from AGSA

Q4 Actual

Unqualified Audit Opinion .

KPI 3 – City-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;

Q4 Target

88%

Q4 Actual

90%

Comment:

Achieved. Even though the overall target was achieved, six (6) of the nineteen (19) plants did not achieve the required levels of compliance, for reasons stated under 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.
- Adopting a risk based management process in identifying and mitigating risks.

KPI 1 Departmental

% Capital expenditure on planned projects

Method of Measure:

Increase ERWAT Wastewater Treatment Plants (WCW) 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

Q4 Target

95%

Q4 Actual

99.74%

Comment:

Target exceeded. The reason for exceeding the target of 95% on capex spending is mainly due to good planning. ERWAT have a detailed Capex plan.

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.

Q4 Target

90%

Q4 Actual

53%

Comments

Target not achieved. The reason for the non-achievement was due to inadequate preventative maintenance.

Remedial Action

Maintenance is in the process of implementing asset management strategy which will address all the maintenance shortfalls.

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.

Q4 Target

R61 846 786

Q4 Actual

R78 652 976

Comments

Target exceeded

Remedial Action

None

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).

Q4 Target

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

Q4 Actual

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

Comments

The findings cleared are awaiting verification by internal audit.

Remedial Acton

None

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	4 th Quarter Planned Output as per SDBIP	4 th Quarter Actual Output	Variation	Actual Output Rating	Progress on Targets	Reason(s) for Variation	Remedial Action	4 th Quarter Planned Budget	4 th 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	R160 million	R106 million	R54 million	Not achieved	R106 million was achieved out of the R160 million target for Q4	The structure was not sales focussed to ensure market penetration and sales targets are achieved in order to increase quarterly revenue targets, hence the need to appoint sales engineers.	Implementation of the revised structure that includes sales engineers to focus on all the identified potential market sectors as clearly outlined on our recent ERWAT	R30 million	R 98 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	4 th Quarter Planned Output as per SDBIP	4 th Quarter Actual Output	Variation	Actual Output Rating	Progress on Targets	Reason(s) for Variation	Remedial Action	4 th Quarter Planned Budget	4 th Quarter Actual Expenditure
													Commercial Opportunities Business Case.8		
	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	Unqualified Audit Opinion	Unqualified Audit Opinion	None	Achieved	Target Achieved	N/A	No Remedial Action Required	R0	R0
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	Target Exceeded	<ul style="list-style-type: none"> 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. Adopting a risk based management process in identifying and mitigating risks. 	None required	R124 261 899	R127 731 834

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	4 th Quarter Planned Output as per SDBIP	4 th Quarter Actual Output	Variation	Actual Output Rating	Progress on Targets	Reason(s) for Variation	Remedial Action	4 th Quarter Planned Budget	4 th 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%	95%	99.74%	+4.74%	Target Exceeded	Target Exceeded	The work done exceeded the target of 95%.	No remedial action required	R 155 994 443	R 163 782 125.41
	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%	53%	37%	Not Achieved	Not Achieved	Lack of developed maintenance plan and asset care plans	Department is the process of implementing asset management strategy which will address all the maintenance shortfalls	R26 360 000	R30 478 191
	Improved Quality of Water including Wastewater	3.M	Rand value-support of SMME's through ensuring appropriate application of preferential procurement practices	Procurement Plan and Invoices Paid.	New indicator	R120 536 966.10	R61,846,787.40	R78 652 976.67	R16 806 189.27	R78 652 976	Target Exceeded	Maintenance and support services higher due to season (pump stations)	None. Pending approval and reconciliations.	R61,846,787.40	R43 093 779.38 Invoices received for partial deliveries. Outstanding invoices payable within 30 days
	Improved Quality of Water	4.M	Number of audit findings	Number of audit findings cleared per quarter.	29 audit findings cleared in full	29	29	29	0	Achieved	29 Findings Cleared			-	2 712 438.74

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	4 th Quarter Planned Output as per SDBIP	4 th Quarter Actual Output	Variation	Actual Output Rating	Progress on Targets	Reason(s) for Variation	Remedial Action	4 th Quarter Planned Budget	4 th Quarter Actual Expenditure
	including Wastewater		cleared per quarter.		by the end of Q4 2019										

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

A. Flows

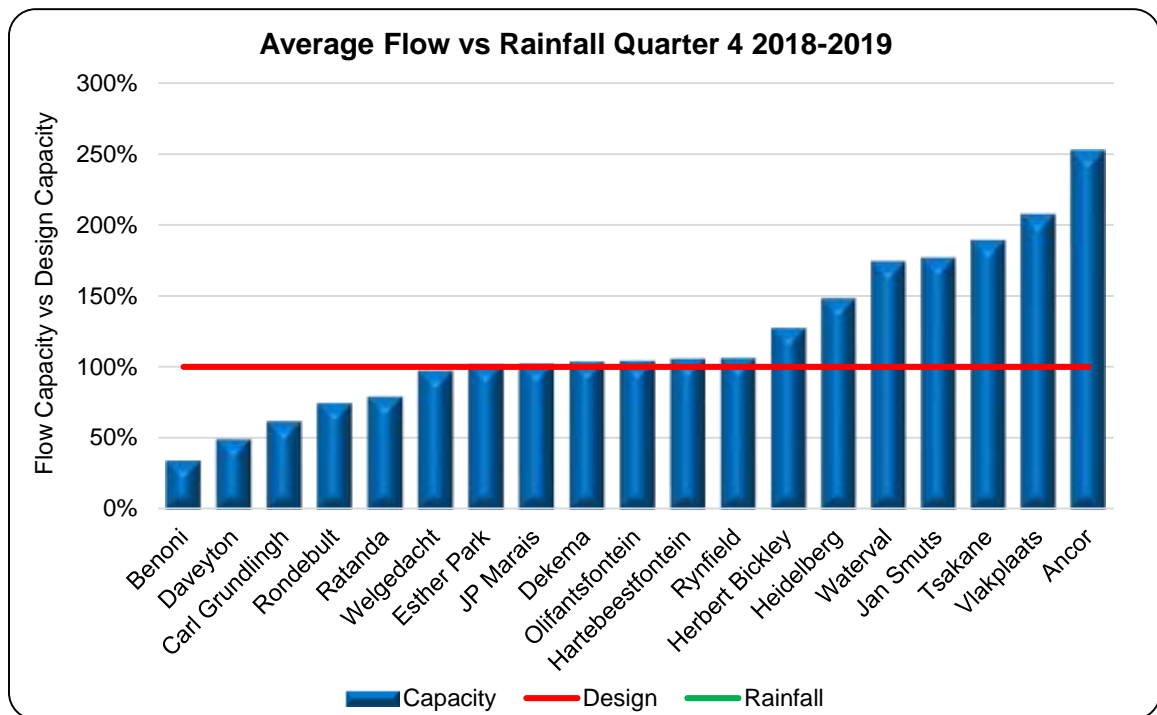


Figure 1

A total of 78 569 MI was treated in Q4 as compared to 84 113 in Q3, at an average of 863 MI/day in Q4 and 936 MI/day in Q3, utilising 129% of the capacity in Q4 against 139% in Q3.

Ancor operated at 252% and Jan Smuts at 176% 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

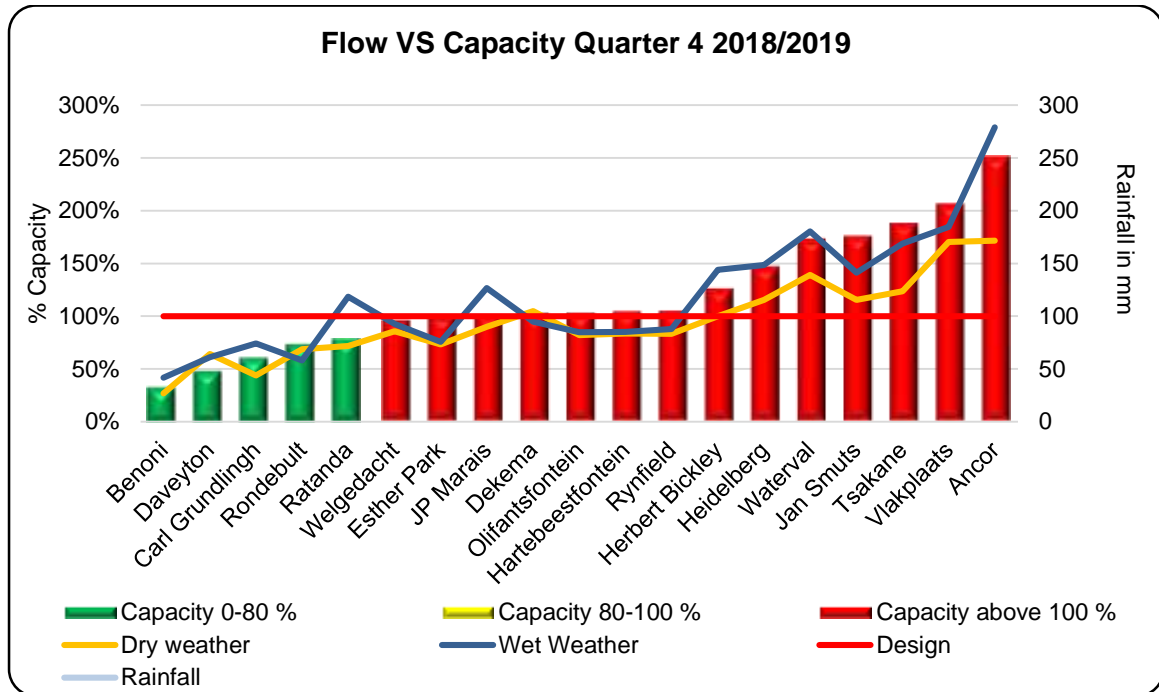


Figure 2

As can be noted in the above graph, during Q4 fourteen (14) out of the Nineteen (19) Wastewater Treatment Works were operating above their design capacity and five (5) operating below the 80% mark.

Ancor operated at 252% of its capacity during Q4 and is the most challenged plant in ERWAT in terms of capacity. The plant's final effluent compliance remains consistently between 60-80%, and frequent spillages occur when the infrastructure such as tanks and sumps overflow. The plant will never obtain a 90% compliance until it receives a major upgrade in terms of both hydraulic and organic capacity. **Jan Smuts** operated at 176% of its capacity during Q4, which contributed to non-compliance of its final effluent.

Herbert Bickley operated at 126% of its capacity during Q4, posing a high risk of spillages to the environment or sub-standard final effluent being discharged to the river. **Heidelberg** exceeded its design capacity and operated at 147%, posing a high risk of spillages to the environment, or hydraulic overloading of the plant, which results in sub-standard final effluent being discharged to the river.

This leaves ERWAT at risk of receiving Directives from DWS for non-compliance or legal action from downstream water users.

No growth is possible in the CoE areas serviced by the mentioned plants until such time that the plants are upgraded/extended. However, ERWAT does not have the funds available.

CHALLENGES

Industrial Pollution:

Industrial impacts received at Ancor (52 of 91 days), Jan Smuts (4 of 91 days), Hartebeestfontein (10 of 91 days), Herbert Bickley (26 of 91 days), Heidelberg (6 of 91 days), Olifantsfontein (25 of 91 days) and Vlakplaats (7 of 91 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 appointment of a professional consultant by the CoE in Q1.

Technology limitations and lack of infrastructure:

- Trickling filter technology: Ancor, Benoni, Jan Smuts, Dekema, Rondebult and Vlakplaats have older trickling filter technology, which is not suitable to treat high strength sewerage containing industrial pollutants.
- **Tsakane** and **Ancor** have no chlorine contact tanks, affecting disinfection efficiency and impacts negatively on the final effluent micro compliance. Both plants fail to produce final effluent complying 90% with the Micro standard as per WUL.

Actions taken to address the challenges

- The request for proposals for the upgrade at Ancor will continue when funds become available.
- In-house feasibility studies are in progress for the construction of chlorine contact tanks at both plants, but no funds are available for the construction of these structures.

Failure and replacement of critical equipment:

- **Degritters:** The degritters at **Hartebeestfontein** were out of operation for refurbishment and as a result, there is accumulation of sand in the digesters and the pipes, which caused blockages of the downstream processes. At **Ancor**, two degritters are currently not in operation and at **Herbert Bickley**, the degritter pumps failed during the quarter resulting in sand and grit accumulation in the PST's and causing blockages to downstream processes (tanks and pipes).
- **Pumps:** The raw feed pumps at the head of works at **Herbert Bickley** have reached the end of their lifespan and are obsolete, with frequent breakdowns posing a risk of environmental pollution. Two desludging pumps failed at **Herbert Bickley** and require urgent replacement as sludge is not adequately removed from the PST and this affects water quality compliance negatively. Frequent failure of raw feed pumps at **Heidelberg** occurred. The four pumps require urgent replacement as failure thereof may result in potential spillages to the environment. Failure of sludge recirculation pump at **Ratanda** affects the efficient operation of the plant. The pump was damaged beyond repair and therefore requires urgent replacement.

- **Screens:** Frequent failure of **Tsakane** recycle pumps occurred due to lack of a fine screen, resulting in screenings (papers and large objects) passing through to the downstream processes damaging the pumps. Similarly, at **JP Marais** and **Benoni**, the fine screen is no longer operational and downstream blockages occur because of large objects and rags passing through to the downstream processes.
- **Aerators:** Frequent failures of the brush aerators at **Carl Grundlingh** occur as they have reached the end of their useful life. An aerator is defective at **Heidelberg** resulting in less available dissolved oxygen in the reactor affecting water quality compliance. Similarly, at **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** also experienced continuous failures of obsolete aeration equipment for modules 2 and 3, which had an impact on final effluent compliance. **Welgedacht** also experienced frequent aerator failures on module 1 and 7 aerators are currently not operational.
- **Thickener:** The thickener at Hartebeestfontein was out of operation for 23 days for adhoc maintenance following the damage on the coupling.
- **Sand filters:** **Welgedacht** experienced frequent challenges with solenoid valves on four of the sand filters. There were no funds available during Q4 to procure new valves.
- **Screw pumps:** **Welgedacht**, **JP Marais** and **Ancor** experienced challenges with screw pumps at lifting stations, balancing tanks and RAS pumps at Module 2 affecting the raw feed into the plants and the recycling streams. No funds were available during Q3 and Q4 for preventative maintenance by external specialist service provider, which caused frequent breakdowns during the 2 quarters.
- **Blowers:** **Welgedacht** experienced challenges with three blowers providing oxygen to module2. Two of the blowers are not operational and maintenance and repairs are required by the service provider (specialist work) which has very long lead times. No funds were available during Q4.
- **MCC panel Module 1:** **Welgedacht** module 1 MCC panel is a risk to the plant with frequent failures, and need to be replaced. No funds are available.
- **Jan Smuts:** **Biofilter** No 5 centre column collapsed during Q3 of 2018/2019 and is affecting the compliance of the plant significantly, especially during the cold winter months. Maintenance is in the process of replacing the centre column and arms, however due to funding constraints the project is delayed and will only be finalised during Q1 of 2019/2020.

Action taken:

- **Degritters:** **Hartebeestfontein** 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. 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 are in progress with expected completion date by Q1 of 2019/2020.
- The new chlorination contact tanks at **Ancor** and **Tsakane** must be designed during 2019/2020, but no funds are available.
- **Pumps:** **Herbert Bickley raw feed pumps** - The project to replace the pumps is currently at the installation phase, whereby six out of seven pumps and associated valves were installed and the remaining pump will be installed in Q1. The anticipated

completion date is end of August 2019. Degritters and sludge pumps at **Herbert Bickley** tender was awarded but awaiting availability of funds for execution. The replacement of the raw feed pumps at **Heidelberg** and the recirculation pumps at **Ratanda** were placed on the CAPEX list for 2019/2020 as one of the priority projects, but no funds are available.

- **Screens: Tsakane and JP Marais:** The tender for the installation/ replacement of the screens were halted due to unavailability of funds. In the meantime, the manual screen is used at Benoni as an alternative measure.
- **Welgedacht MCC:** Capex budget was requested to replace the MCC panels, but no funds are currently available.
- **Welgedacht sand filters:** Sand filter valves will be procured during Q1 of 2019/2020.
- **Jan Smuts:** Bio filter No 5 centre column collapsed during the quarter but no funds were available during Q4 for rehabilitation of the concrete foundation. The work will be executed during Q1 of 2019/2020.
- **Aerators/aeration equipment:** Floating aerators have been installed at **Carl Grundlingh** as a temporary measure to assist with the aeration of the reactor basin. The procurement of new aerators has been halted since there are no funds available to replace the aerators. One aerator at **Heidelberg:** will be repaired during Q1 of 2019/2020. Five (5) blowers have been replaced at **Waterval** with new technology aeration turbines during June 2019. Installation project has been completed 80% and had a negative impact on effluent compliance during the latter part of Q4. **Welgedacht aerators and blowers:** 2 x Aerators were procured during 2018/2019 but not delivered yet. Additional 3 x aerators were put on the capex list for 2019/2020, but no funding is available. The blowers at module 2 will be serviced during Q1 of 2019/2020,
- **Thickener:** the thickener was commissioned on 3 June 2019.

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).

Power outages:

Power outages remain a challenge with the twelve (12) most affected plants during Q4 being Benoni, Daveyton, Esther Park, Hartebeestfontein, Heidelberg, JP Marais, Ratanda, Rondebult, Rynfield, Olifantsfontein, Vlakplaats and Welgedacht.

A total of 187 hours of outages occurred during Q4; of which 25 hours is attributed to ESKOM load shedding.

Plant	Source of Supply	Unplanned Power Outages	Duration (Hours)	Planned Outages (Load shedding)	Duration (Hours)	Total Outage (Hours)	Cause
Esther Park	CoE	6	12	0	0	12	Esther Park experienced incidents of power outages due to electrical faults in May and June.
Hartebeestfontein	CoE	3	4	0	0	4	Hartebeestfontein experienced incidents of power outages due to electrical faults in May and June.
Benoni	CoE	0	0	1	3	3	COE transformer was switched off due to repairs of hanging cables outside the panel at Dunswart pumpstation (Raw sludge pumpstation)
Rynfield	CoE	0	0	0	0	0	The was no power failure for Q4
Olifantsfontein	CoE	3	5	1	9	14	The plant experienced power failures mostly due to CoE maintenance.
Heidelberg	Lesedi	9	17	0	0	17	The plant experienced very frequent power supply outages. Only the inlet works is fitted with a stand-by generator.
Ratanda	Eskom	12	11	0	0	11	A large number of outages occurred due to damaged ESKOM overhead supply lines.
Welgedacht	Eskom	1	2	0	0	2	The plant is affected by outages because no genset is available on the mod.1 reactor and downstream processes.
Daveyton	Eskom	2	3	0	0	3	Two power failure not effecting plant.
JP Marais	CoE	3	8	0	0	8	Three outages due to due to faulty cables at CoE.
Rondebult	CoE	12	64	2	4	68	Two (2) outages due to frequent load shedding events and two (2) days lost due to faulty cables at CoE.
Vlakplaats	CoE	2	2	1	2	4	One (1) outages due to frequent load shedding events and two (2) hours lost due to faulty cables at CoE.

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 becomes available.

Unstable Ground Conditions:

Olifantsfontein Water Care Works (WCW) 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**. This followed the Department's rejection of the plans for **Olifantsfontein** 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.

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

1. That a total amount of R233.8m 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. That 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:

- The R42m requested was approved during budget adjustment from the USDG fund for the 2018/2019 financial year, to be spent by 30 June 2019. The total capital cost funding required over four (4) years which amounts to R233 800 000.00 was also approved. The amount is required to fully restore the functionality and complete

restoration of the plant. This will also assist in curbing pollution of the water resource to a great extent.

- The progress to date on the two projects are as follows;
 - ❖ **Bio-filter refurbishment:** During inspection of the biofilters (Biofilter 1 – 3) it was discovered that the structural integrity of the supporting columns is compromised, thus the structure might not be able to support its structural loads as per the designs. Non-destructive testing has commenced and the results thereof will guide the methodology that will be adopted in order to repair all the structures. This finding have a potential of delaying the project, the exact duration of the delay in completing the project will be determined based on the severity of the structural damages.
 - ❖ **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. Designs for the following works has commenced in order to address all issues pertaining to module 3:
 - Phase 1 - Rehabilitation of the whole module 3 by rerouting flow to six old PSTs as the existing module 3 main PST is decommissioned due to the dolomitic conditions of the area
 - Phase 2 - Design and construction of a new PST to replace the PST which was decommissioned
 - Phase 3 - Refurbishment of Module BNR including replacement of surface aerators and mixers.
 - Phase 4 - Design for the lining of emergency pondsThe designs are currently in inception stage.

Poor condition of civil structures:

Ancor: Some of the critical civil structures of the plant is in a poor condition. These include a cracked humus tank, two distribution towers and two anaerobic digesters. Once these structures are taken out of operation, the plant's operating capacity will be further reduced and the plant's final effluent quality negatively affected. The plant is already under tremendous pressure due to the fact that it is operating far above its design capacity.

Herbert Bickley: The one biofilter civil structure is cracked and in a poor condition, which may cause the wall to collapse. **Jan Smuts'** digester and biofilter no.5 centre column foundation are in a poor condition. The centre column of biofilter no 5 has collapsed during May 2019. Taking this biofilter out of operation has affected the final effluent compliance of the plant. The cracked digester is leaking badly and had to be taken out of operation since April 2019, which caused a constraint on the digestion capacity of the plant.

Action taken:

- Funding is required for the rehabilitation of all the above civil structures, which were unfortunately not available during Q4.as soon as funds become available, these work will be prioritised.

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 physical installation is currently at 95% physical completion and from inception to date 90% has been claimed.
3. Primary and Tertiary Treatment improvement at Waterval WCW	To increase capacity of the PST	The design of the project is completed. The implementation of the physical construction will only be undertaken when the funds becomes available.
4. Upgrade of sludge drying beds at Heidelberg WCW	To increase capacity of the sludge drying beds	The design of the project is completed. The implementation of the physical construction will only be undertaken when the funds becomes available.
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) WCWs	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	The design of the project is completed. The implementation of the physical construction will only be undertaken when the funds becomes available
7. Feasibility studies for the bypass pipeline from Heidelberg to Ratanda WCW	To divert flow from Heidelberg to Ratanda WCW	The design of the project is completed. The implementation of the physical construction will only be undertaken when the funds becomes available.
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 WCWs	The project is currently at 89% Physical completion and 85% of the budget have been claimed by the contractor.

Project Description	Project Objective	Progress
9. Waterval WCW New Aeration Blowers Upgrade	Plant Efficiency Enhancement	The Waterval WCW new aeration Blowers upgrade project is at 75% physical completion and from inception. To date 69% of the budget have been claimed by the contractor.

3. Financial Report

Table 5: Operational expenditure

<u>REVENUE BY SOURCE</u>	BUDGET ANNUAL	BUDGET FOR 12 MONTHS JUNE 2019	ACTUAL YEAR TO DATE JUNE 2019	VARIANCE YTD ACTUAL VS YTD BUDGET	VARIANCE % YTD BUDGET VS YTD ACTUAL
	R	R	R	R	%
User Charges	791 928 000	791 928 000	791 928 669	669	0%
Commercial business - Total	179 074 000	179 074 000	106 456 930	(72 617 070)	-41%
- Municipal Income	42 240 612	42 240 612	11 982 447	(30 258 165)	-72%
- Government Income	7 740 612	7 740 612	46 295	(7 694 317)	-99%
- External business	44 747 028	44 747 028	31 037 013	(13 710 015)	-31%
- Pumpstations	84 345 748	84 345 748,00	63 391 175	(20 954 573)	-25%
Other Income	3 579 000	3 579 000	44 455 424	40 876 424	1142%
Grants received	50 000 000	50 000 000	92 400 000	42 400 000	85%
OPERATING REVENUE GENERATED	1 024 581 000	1 024 581 000	1 035 241 023	10 660 023	1%

Annualised operating revenue results (based on year to date actual results)

<u>REVENUE BY SOURCE</u>	BUDGET ANNUAL	BUDGET FOR 12 MONTHS JUNE 2019	ACTUAL YEAR TO DATE JUNE 2019	VARIANCE YTD ACTUAL VS YTD BUDGET	VARIANCE % YTD BUDGET VS YTD ACTUAL	ANNUALISED PROJECTION
	R	R	R	R	%	R
User Charges	791 928 000	791 928 000	791 928 669	669	0%	791 928 669
Commercial business - Total	179 074 000	179 074 000	106 456 930	(72 617 070)	-41%	106 456 930
- Municipal Income	42 240 612	42 240 612	11 982 447	(30 258 165)	-72%	11 982 447
- Government Income	7 740 612	7 740 612	46 295	(7 694 317)	-99%	46 295
- External business	44 747 028	44 747 028	31 037 013	(13 710 015)	-31%	31 037 013
- Pumpstations	84 345 748	84 345 748,00	63 391 175	(20 954 573)	-25%	63 391 175
Other Income	3 579 000	3 579 000	44 455 424	40 876 424	1142%	44 455 424
Grants received	50 000 000	50 000 000	92 400 000	42 400 000	85%	92 400 000
OPERATING REVENUE GENERATED	1 024 581 000	1 024 581 000	1 035 241 023	10 660 023	1%	1 035 241 023

Annualised Income:

Other Income has been projected to be higher than budgeted for the year.

The reason for the additional other income received mainly arises from development (engineering) contributions received.

Total Operating Expenditure for the year to date is 8% lower than the budget for the period.

Employee related cost – Salaries and Wages

- The expenditure for the year to date is 7% below the budget.
- ERWAT has undergone a process of correcting historical anomalies in the salaries structure and consequently some vacant positions were not filled during the 2018/19 period.
- Certain specialised Repairs and Maintenance services had to be outsourced to external specialists, which were budgeted for under Employee cost.

Repairs and Maintenance

- ERWAT has over spent on repairs and maintenance in total R26 998 551 (planned and ad-hoc) for the fourth quarter YTD.
- Certain specialised Repairs and Maintenance services had to be outsourced to external specialists, which were budgeted for under Employee cost.

Bulk purchases

- Bulk purchases was 5% higher than budgeted during the fourth quarter YTD. Bulk purchases consist of Chemical P Removal, Electricity, and Disinfection.
- The primary reason for this was that a metering error occurred and the CoE had to issue ERWAT with a correction as well as a retrospective bill for the period affected by this error.

General Expenses:

- General expenses have been under spent by 39%.
- This primarily related to lower than anticipated expenditure on the strategy, business process mapping, business continuity management and financial model.
- General expenditure was re-allocated within the same function to repairs and maintenance in order to fund the increased requirement for repairs and maintenance.

Table 6: Capital expenditure

Account No	Description	Spend
73126460020FAXBZZER	PPE COST FURN & OFF IU COST ACQUISITION	47 100.00
7312668532AZZZZZZER	PPE COST COMMUNITY COST ACQUISITION	35 712.50
73136460020FAXBZZER	PPE COST FURN & OFF IU COST ACQUISITION	30 580.00
73146151420FAXBZZER	PPE COST FURN & OFF IU COST ACQUISITION	4 811 509.61
73146470020FAXBBZZER	S/PROJECT - NEW PHASE 3 HEAD OFFICE BUIL	417 216.69

73156420420FAXBGZZER	PPE COST FURN & OFF IU COST ACQUISITION	3 327 290.78
73256460020FAXBAZZER	IA COST INT GEN IU COMPUT SOFTW ACQUISIT	34 370.00
73296449420FAXBHZZER	PPE COST COMP EQUIP IU COST ACQUISITION	2 311 383.02
73296456020FAXBCZZER	PPE COST TRANSP OWN IU COST ACQUISITION	242 309.80
73296460020FAXBAZZER	PPE COST SANIT INFRASTR COST ACQUISITION	16 990.00
73436456020FAXBCZZER	PPE COST SANIT INFRASTR COST ACQUISITION	616 353.75
73436460020FAXBAZZER	PPE COST SANIT INFRASTR COST ACQUISITION	45 939.00
73476460020FAXBAZZER	PPE COST FURN & OFF IU COST ACQUISITION	4 986.00
73526449420FAXBDZZER	PPE COST FURN & OFF IU COST ACQUISITION	650 231.38
73536449420FAXBHZZER	PPE COST FURN & OFF IU COST ACQUISITION	20 542 499.47
73546449420FAXBHZZER	PPE COST SANIT INFRASTR COST ACQUISITION	5 078 475.64
73546456020FAXBCZZER	PPE COST SANIT INFRASTR COST ACQUISITION	1 579 046.76
73546460020FAXBAZZER	PPE COST SANIT INFRASTR COST ACQUISITION	94 512.96
73546473520FAXBKZZER	PPE COST MACH & EQP IU COST ACQUISITION	868 416.42
73616449420FAXBHZZER	PPE COST FURN & OFF IU COST ACQUISITION	5 250 689.86
73616456020FAXBCZZER	PPE COST TRANSP OWN IU COST ACQUISITION	258 056.59
73616460020FAXBAZZER	PPE COST MACH & EQP IU COST ACQUISITION	103 751.20
73626449420FAXBHZZER	PPE COST FURN & OFF IU COST ACQUISITION	5 243 482.54
73636449420FAXBHZZER	PPE COST TRANSP OWN IU COST ACQUISITION	95 544.78
73646449420FAXBHZZER	PPE COST MACH & EQP IU COST ACQUISITION	3 767 354.65
73646449420FAXBLZZER	PPE COST FURN & OFF IU COST ACQUISITION	630 338.00
73646456020FAXBCZZER	PPE COST SANIT INFRASTR COST ACQUISITION	149 658.36
73646460020FAXBAZZER	PPE COST SANIT INFRASTR COST ACQUISITION	130 672.08
73656449420FAXBHZZER	PPE COST SANIT INFRASTR COST ACQUISITION	4 109 037.69
73656460020FAXBAZZER	PPE COST SANIT INFRASTR COST ACQUISITION	85 166.28
73666449420FAXBHZZER	PPE COST MACH & EQP IU COST ACQUISITION	1 188 332.30
73676449420FAXBHZZER	PPE COST SANIT INFRASTR COST ACQUISITION	1 796 193.12
73676460020FAXBAZZER	PPE COST SANIT INFRASTR COST ACQUISITION	290 663.50
73686449420FAXBHZZER	PPE COST SANIT INFRASTR COST ACQUISITION	4 524 913.19

73686449420FAXBLZZER	PPE COST MACH & EQP IU COST ACQUISITION	1 216 242.00
73696449420FAXBHZZER	PPE COST FURN & OFF IU COST ACQUISITION	4 509 517.08
73706449420FAXBHZZER	PPE COST SANIT INFRASTR COST ACQUISITION	2 178 241.87
73706449420FAXBLZZER	PPE COST SANIT INFRASTR COST ACQUISITION	2 068 609.00
73716449420FAXBHZZER	PPE COST SANIT INFRASTR COST ACQUISITION	4 922 032.25
73716456020FAXBCZZER	PPE COST MACH & EQP IU COST ACQUISITION	42 026.80
73726449420FAXBHZZER	PPE COST FURN & OFF IU COST ACQUISITION	2 236 066.40
73726449420FAXBLZZER	PPE COST COMMUNITY COST ACQUISITION	2 745 396.16
73726456020FAXBCZZER	PPE COST SANIT INFRASTR COST ACQUISITION	121 182.00
73816449420FAXBHZZER	PPE COST SANIT INFRASTR COST ACQUISITION	5 194 322.61
73826449420FAXBHZZER	PPE COST SANIT INFRASTR COST ACQUISITION	34 871.02
73836449420FAXBHZZER	PPE COST MACH & EQP IU COST ACQUISITION	9 264 397.70
73836460020FAXBAZZER	PPE COST FURN & OFF IU COST ACQUISITION	5 426.85
73846449420FAXBHZZER	PPE COST SANIT INFRASTR COST ACQUISITION	35 183 672.54
73846449420FAXBLZZER	PPE COST SANIT INFRASTR COST ACQUISITION	2 377 781.14
73846449420FAXBMZZER	PPE COST SANIT INFRASTR COST ACQUISITION	1 044 442.62
SPEND EXCLUDING ACCRUALS		141,523,005.96
% SPEND EXCLUDING ACCRUALS BASED ON BUDGET CAPITAL EXPENDITURE OF R164,2 M		86,0%
UNPROCESSED INVOICES		22,259,119.45
TOTAL SPEND		163,782,125.41
% SPEND INCLUDING ACCRUALS BASED ON BUDGET CAPITAL EXPENDITURE OF R 164,2 M		99,74%

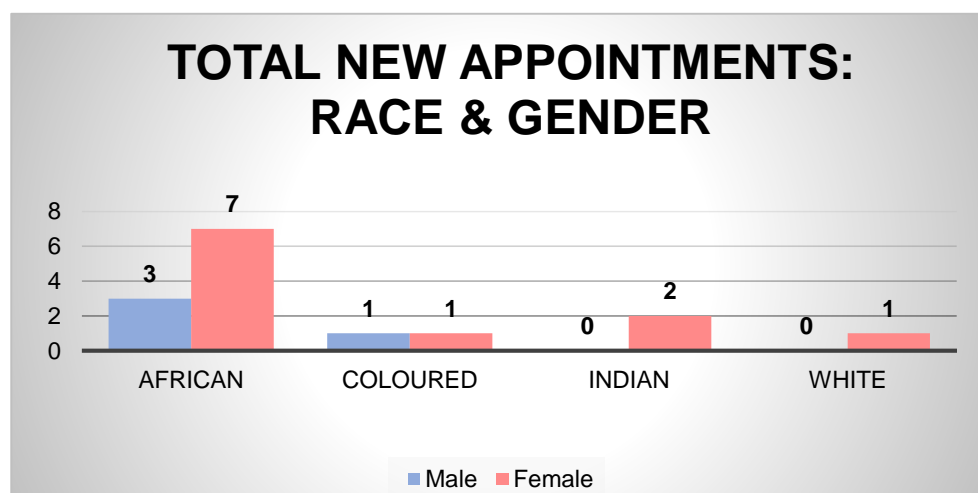
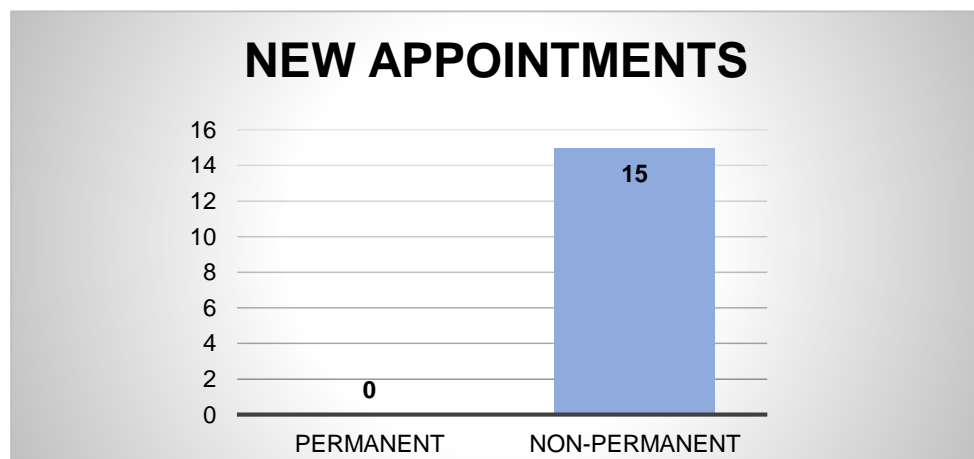
4. Human Resources

Staff Movements

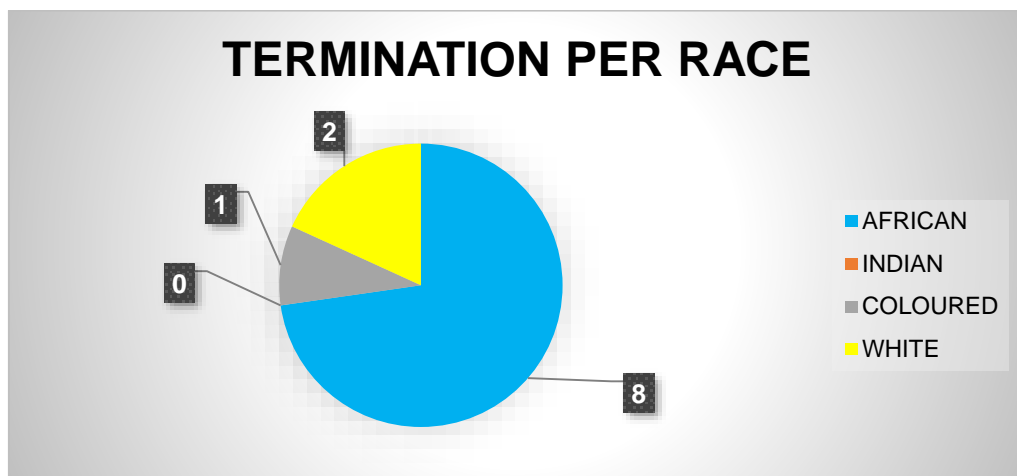
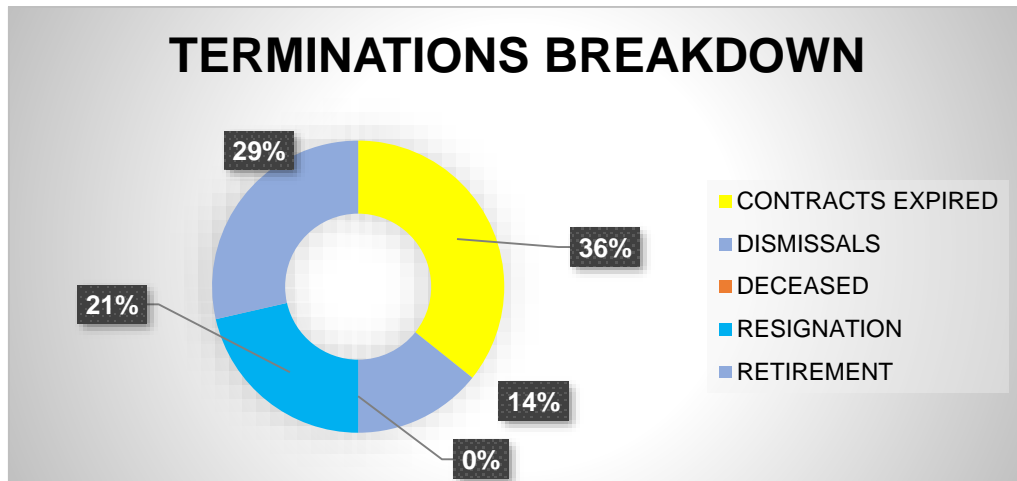
Report on current structure and staff movements e.g. recruitments, resignations, retirements, etc.

Staff Movements	African		Coloured		Indian		Whites		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Recruitments	3	7	1	1	0	2	0	1	15
Resignations	2	1	0	1	0	0	0	0	4
Retirements	1	0	0	0	0	0	2	1	4
Contract Expired	2	2	0	1	0	0	0	0	5
Dismissals	2	0	0	0	0	0	0	0	2
Deceased	0	0	0	0	0	0	0	0	0
Promotions	9	4	1	0	1	0	0	0	16

4.1.1 Appointments



4.1.2 Terminations



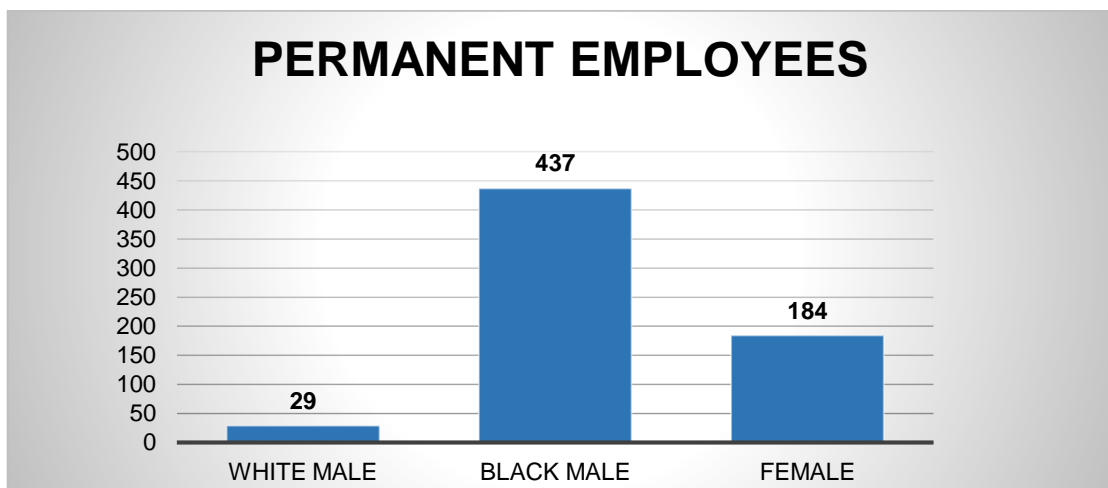
Status Analysis

- During the period under review, 15 non-permanent people were appointed.
- Between the period under review 11 employees exited the organisation for the following reasons;
 - 5 contracts expired;
 - 3 resigned for various reasons;
 - 4 retirements; and
 - 2 dismissal

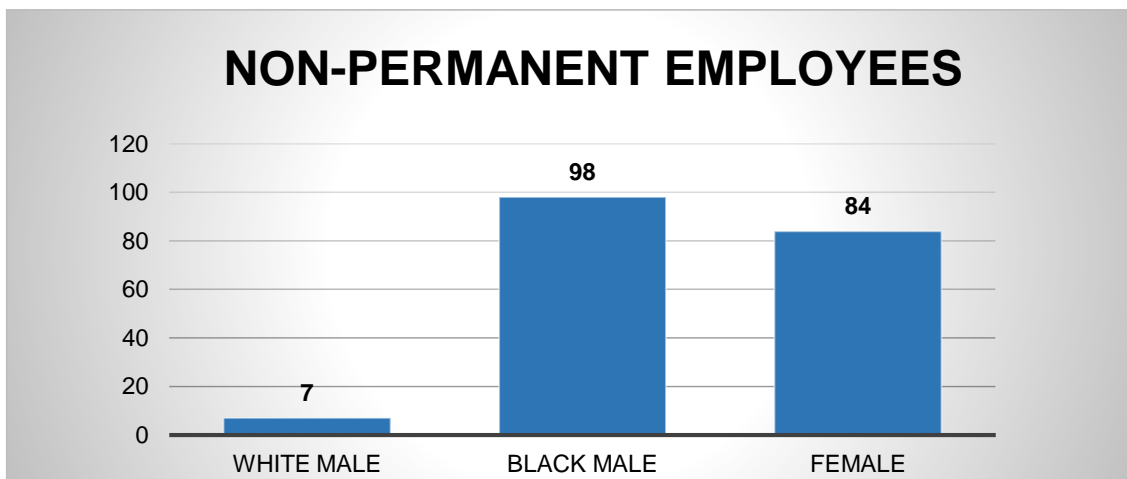
4.1.3 Exit Interview Report

Employee	Department	Month	Reason for resignation
C. Ryland	Operations: Head Office	April	Career Growth
C. Nortje	Scientific Services	April	Retirement
D. Nketle	Operations: Jan Smuts	May	Career Growth
D. Dlamini	Company Secretariat	May	Career Growth
G. Mboyisa	Maintenance	June	Retirement

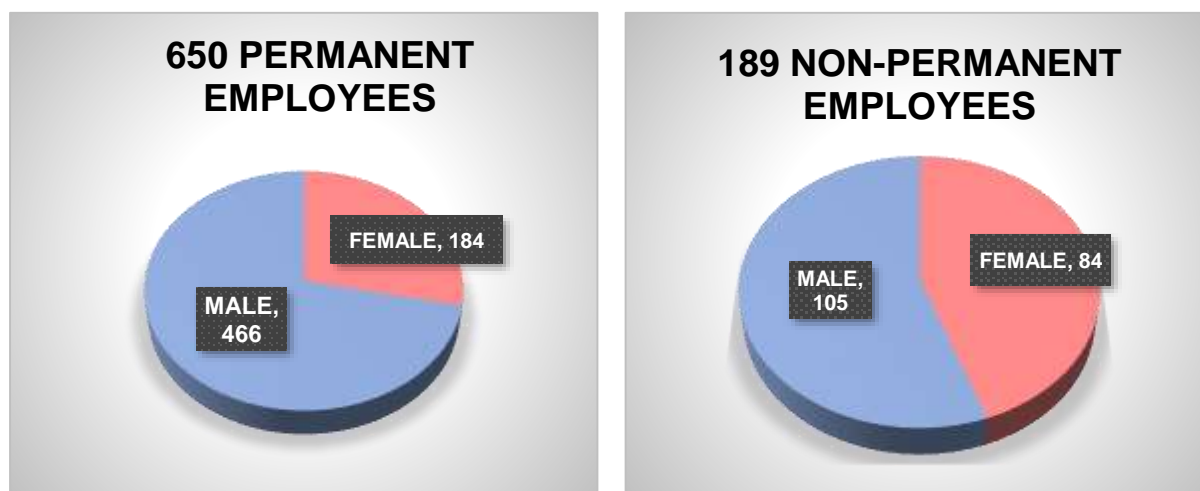
4.3 Employment Equity Demographics



ERWAT has **650** permanent employees, this relates to 95% Equity status.



ERWAT has **189** non-permanent employees, this relate to 96% Equity status.



Status Analysis

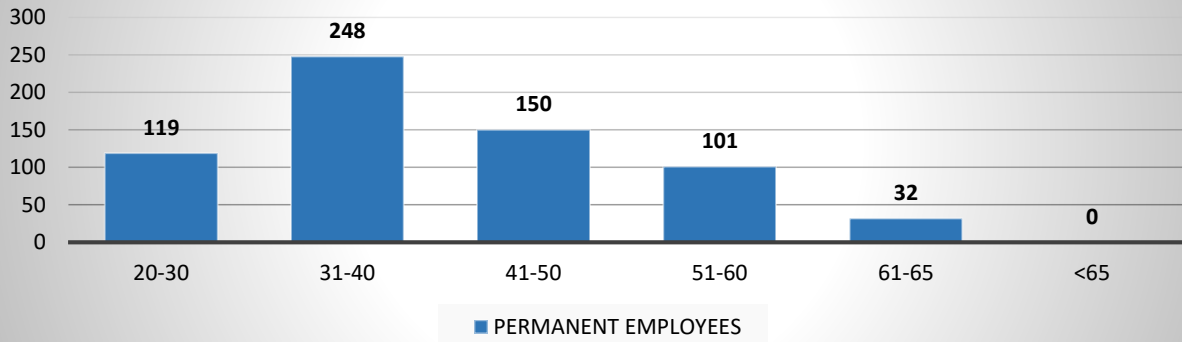
- The employment demographics of ERWAT as at 30th June 2019 reflects;
 - Females in both permanent and non-permanent positions within ERWAT account for 268 or 32% of a total positions filled.

EE Update

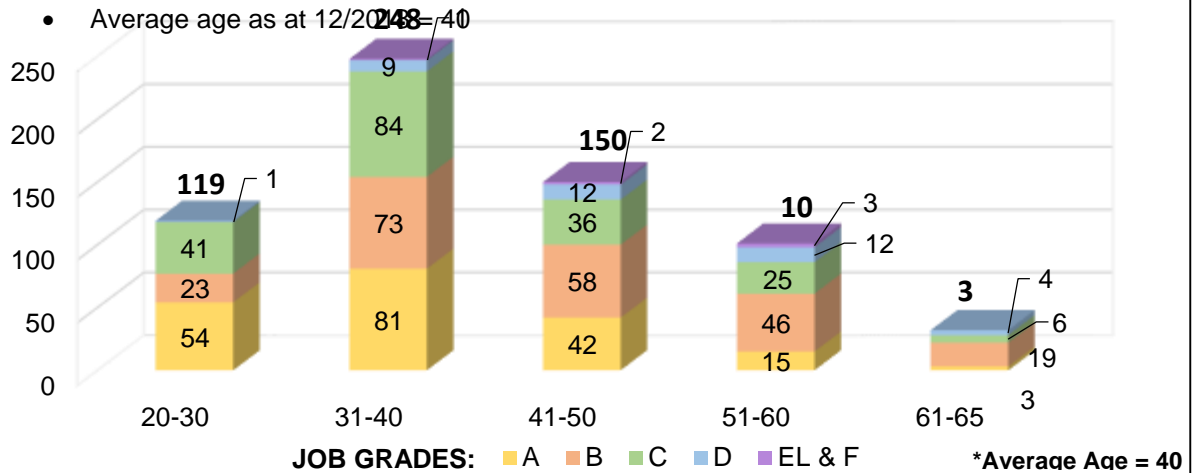
- ERWAT Employment Equity Committee has finalised the 5 Year Employment Equity Plan and began implementation.
- The Employment Equity Committee has also assisted with the Workplace Skills Plan and Annual Training Report submitted to the EWSETA during the last Quarter of this financial year. The Workplace Skills plan was reviewed by the committee and submitted to EWSETA by the Skills Development Facilitator on 30 April 2019.
- The Employment Equity Plan will play a major role in the recruitment process, beginning in the First Quarter of the financial year 2019-2020. The recruitment process will now commence after the approval of the New ERWAT Organisational Structure. The Employment Equity Plan will support the ERWAT recruitment Strategy by identifying a need in a certain Occupational Category, Race and Gender. The current performance of ERWAT in respect of Employment Equity is on track as Implementation of the 5 Year EE plan has commenced.

Age Analysis

AGE ANALYSES

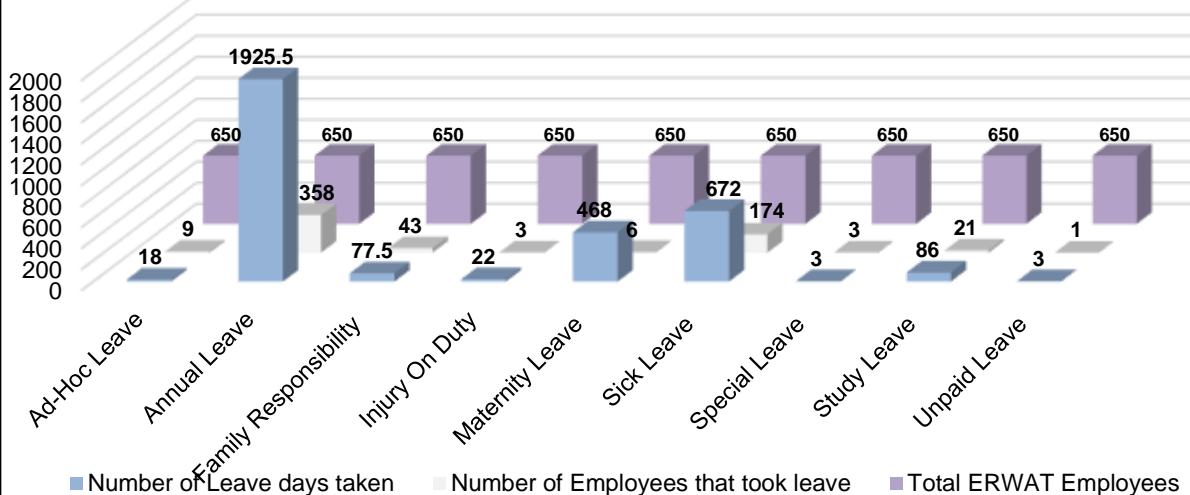


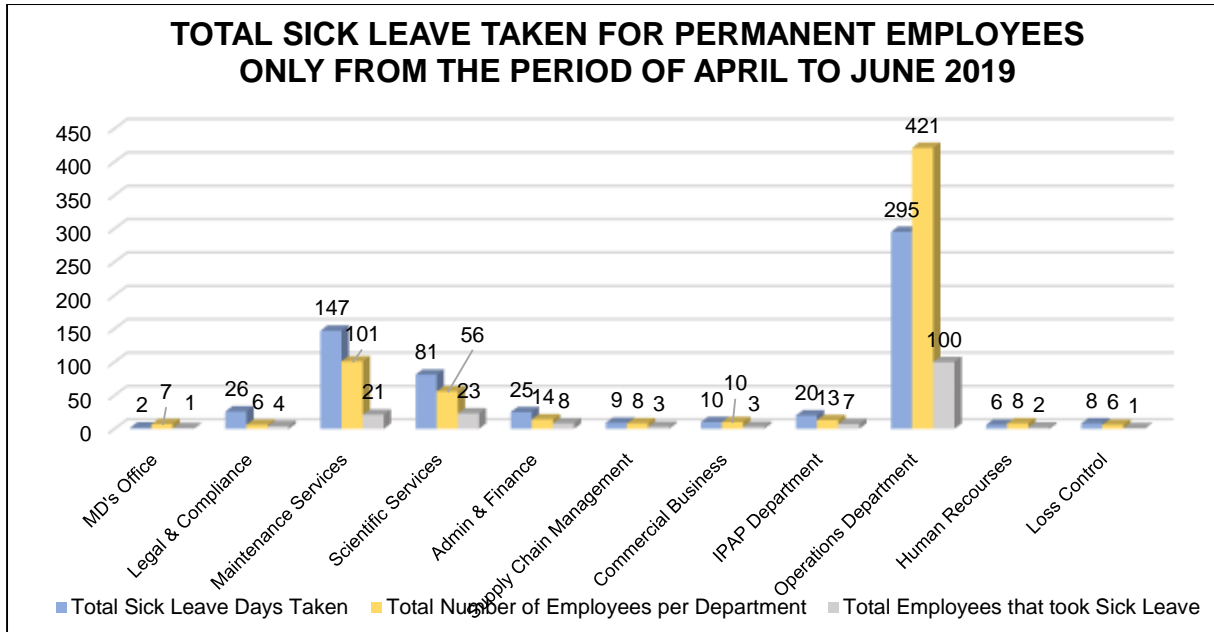
AGE DISTRIBUTION FOR EMPLOYEES BY JOB GRADE



4.4 Leave Management

LEAVE OVERVIEW OF ALL LEAVE TYPES FROM THE PERIOD OF APRIL - JUNE 2019





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:

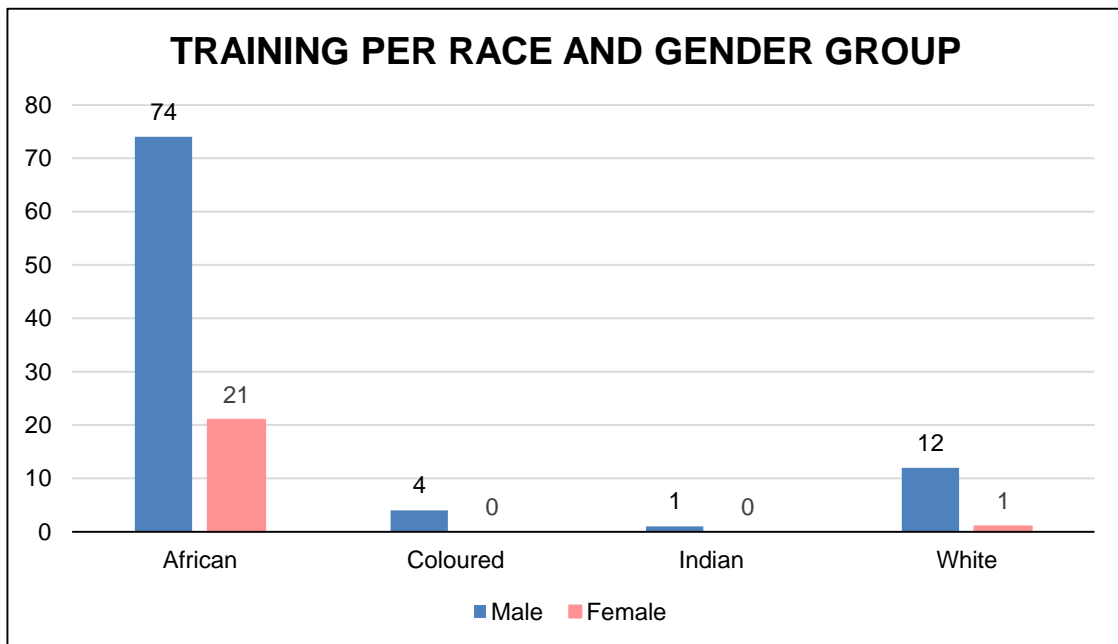
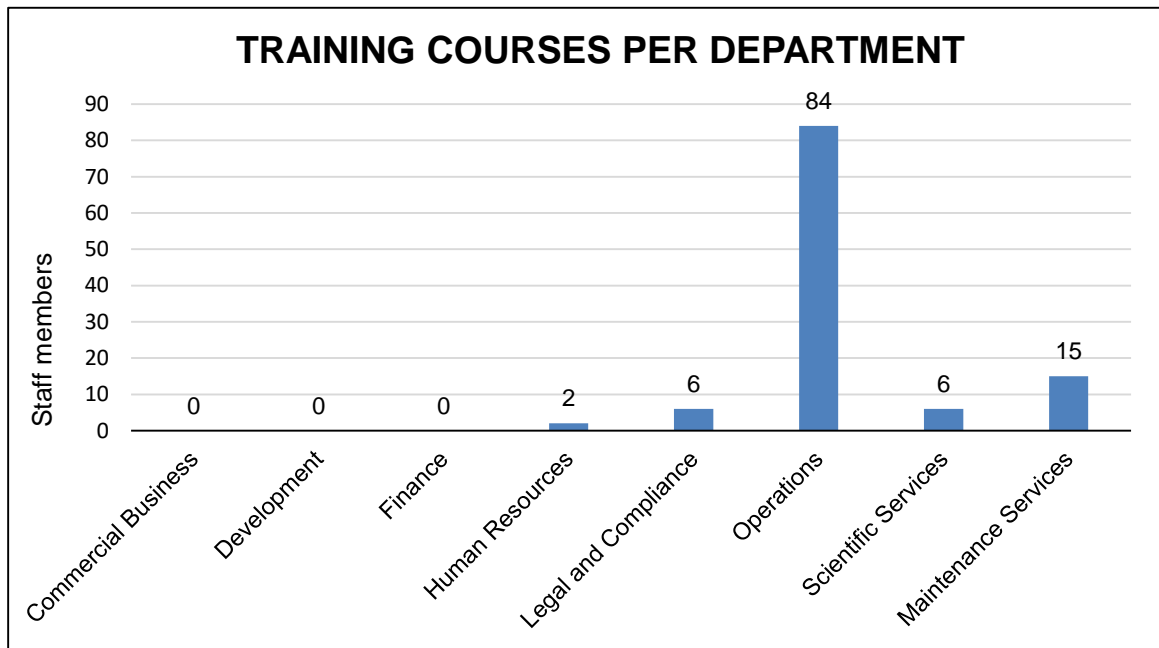
- Ensure that they have the correct proof for their type of illness.
- Liaise with the department (their manager) when they know they are on long term sick leave, or their family must liaise with the manager as soon as they are aware that the employee will be on long term sick leave.

Overtime Trends

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Total Hours	51 574.22	50 362.81	50 776.11	37 201.25
Total Cost	R 6 157 354.13	R 6 054 762.96	R 5 998 879.69	R 4 485 935.38

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

4.5 Training and Development



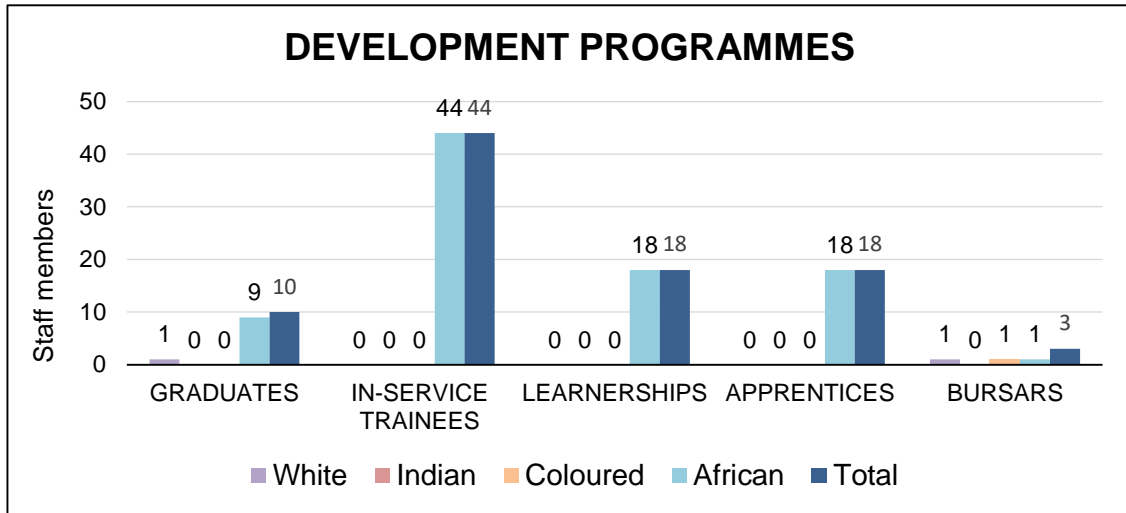
Status Analysis

During the period under review;

- 113 employees were trained through short courses/workshops and conferences.
- 21 (99%) were African Females; and 1 (1%) were White Female
- 74 (82%) were African Males; 4 (8%) were Coloured Males; 1 (2%) were Indian Males and 12 (8%) were White Males

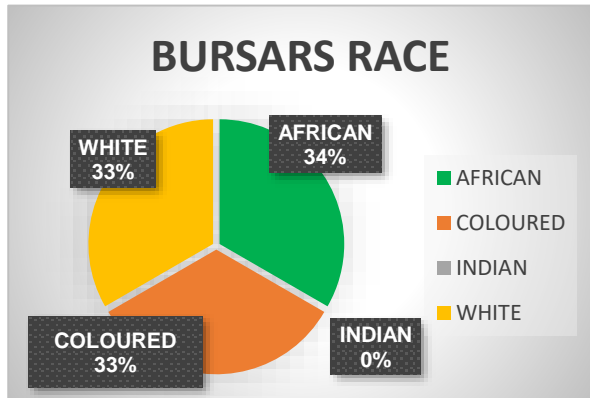
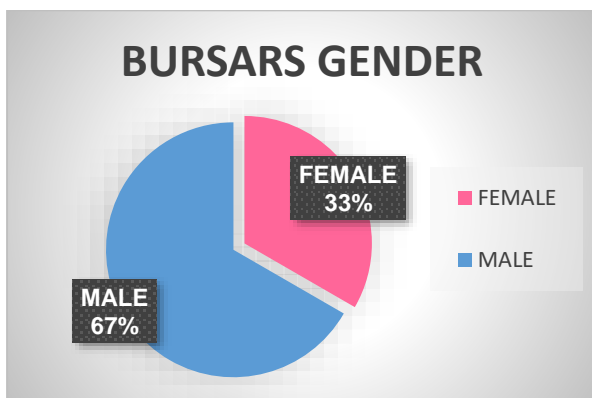
Employees trained per Department were;

- 84 (70%) in Operations;
- 6 (6%) in Scientific Services;
- 15 (17%) in Technical;
- 6 (6%) in Legal and Compliance;
- 2 (1%) in Human Resources;
- 0 (0%) in Commercial Business;
- 0 (0%) in Development and
- 0 (0%) in Finance and Supply Chain



Status Analysis

- As at 30 June 2019, the organisation has a Total of 189 Contractors, Graduates, In-service trainees, Learnerships, Bursars and Apprentices.
- The breakdown per race is as follows:
 - 5 (3%) Indian
 - 7 (4%) Coloured
 - 15 (8%) White
 - 153 (85%) African



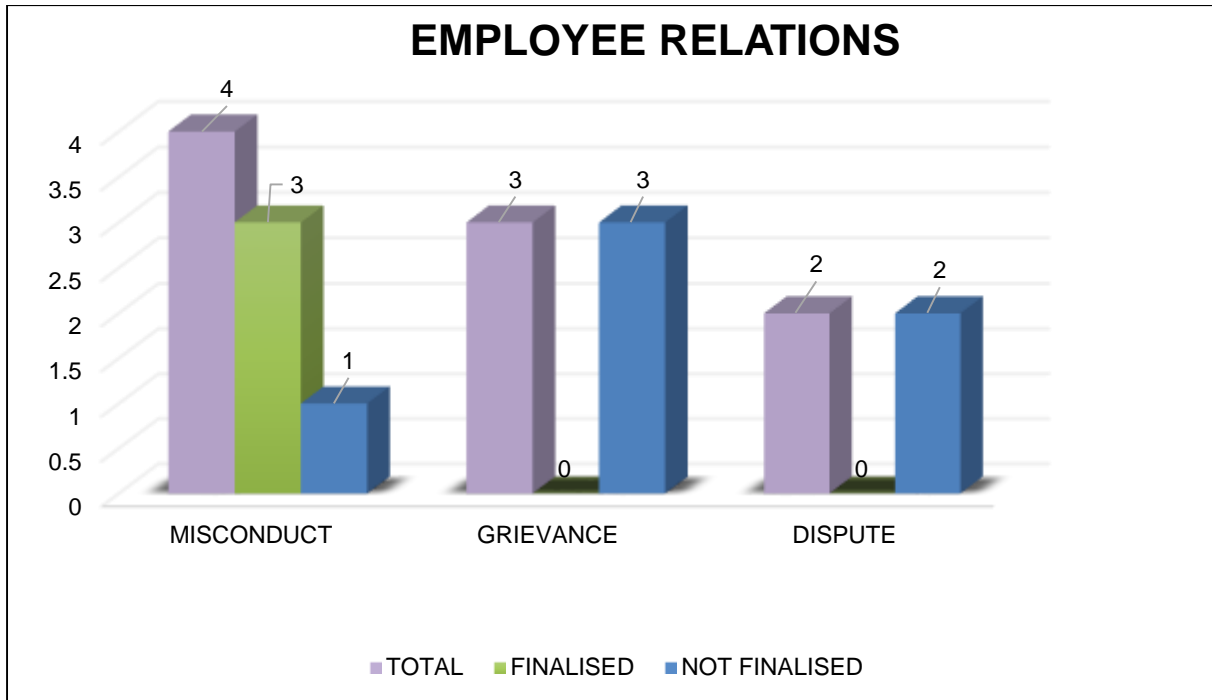
During the period under review, ERWAT currently has 3 bursars at various Universities.

4.6 Performance Management

Status Analysis

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

4.7 Labour Relations



Status Analysis

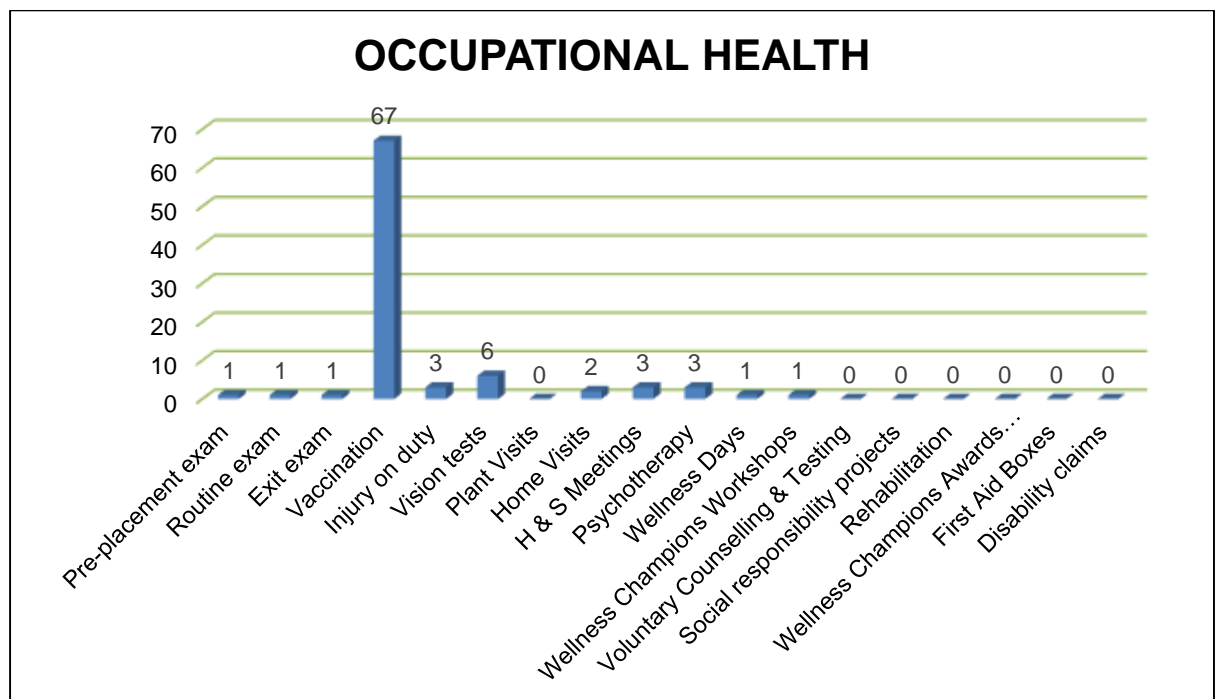
Misconduct				
Position	Nature of Alleged Misconduct	Date Lodged	Disciplinary Action Taken	Date to be Finalized
C3	Misconduct	4 th February 2019	Employee appeared at DC on the 15 th of April 2019	Unresolved
B2	Misconduct	16 th February 2019	Employee appeared at DC on the 12 th of April 2019.	Resolved
C2	Misconduct	17 th December 2018	Employee appeared at DC on the 12 th of April 2019.	Resolved
A2	Misconduct	11 th February 2019	Employee appeared at DC on the 11 th of April 2019	Resolved

Grievances				
Position	Nature of Grievance	Date Lodged	Process Followed	Date to be Finalized
B1&B2	Grievance of Interest	17 th April 2019	Grievance meeting took place on the 23 rd of May 2019.	Unresolved
A2	Unfair labour practice	14 th March 2019	Meeting was held and employee will be sent for RPL.	9 th April 2019
C2	Unfair labour practice	12 th March 2019	Grievance meeting took place on the 2 nd of May 2019.	Unresolved

Disputes			
Nature of Dispute	Date Lodged	Process Followed	Date to be Finalized
Unfair Labour Practice X2	1 st July 2018	Referred to Labour Court	Unresolved
Matters of Rights	8 th April 2019	Referred to Bargaining Council	Unresolved

4.8 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.

4.9 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	R 76 455 579.00	R 84 327 706.65	R 405 191 495,65
Total Opex	R 198 495 372	R 447 024 862.00	R 222 977 685.00	R 246 746 051.00	R1 115 243 970,00
% of Salary to Opex	41.28%	36%	34%	34%	36%

5. Procurement Practices, Job Creation and Mainstreaming

A narrative is on how the Department has created to Job Creation. The narrative should also reflect contribution: The following should be included in this section of the report:

INFORMATION REGARDING BIDS FOR QUARTER 4 (01 APRIL 2019 - 30 JUNE 2019)

	QUARTER 4				
CATEGORY	APRIL	MAY	JUNE	TOTAL VALUE Q4	% Q4
0% HDI / JURISTIC PERSON	R -	R -	R -	R -	0.0%
1-50% HDI	R 19 174 899.35	R -	R -	R 19 174 899.35	16.3%
51-99% HDI	R -	R -	R 317 498.90	R 317 498.90	0.3%
100% HDI	R 12 276 106.20	R 85 628 540.00	R -	R 97 904 646.20	83.4%
TOTAL	R 31 451 005.55	R 85 628 540.00	R 317 498.90	R 117 397 044.45	100.0 %
SIZE OF COMPANY	APRIL	MAY	JUNE	TOTAL VALUE Q4	% Q4
LARGE	R 4 800 448.15	R -	R 1 433 518.15	R 6 233 966.30	5.6%
MEDIUM	R 2 881 101.35	R -	R 81 013.00	R 2 962 114.35	2.7%
SMALL	R 16 276 106.20	R 85 628 540.00	R -	R 101 904 646.20	91.7%
MICRO	R -	R -	R -	R -	0.0%
TOTAL	R 23 957 655.70	R 85 628 540.00	R 1 514 531.15	R 111 100 726.85	100.0 %

AWARDS MADE TO:	APRIL	MAY	JUNE	TOTAL VALUE Q4	% Q4
FEMALES	R 16 293 798.00	R -	R -	R 16 293 798.00	10.2%
BLACK FEMALE 30-100%	R 44 251 453.70	R 85 628 540.00	R 1 751 017.05	R 131 631 010.75	82.2%
PEOPLE WITH DISABILITIES	R -	R -	R -	R -	0.0%
OTHER	R -	R -	R -	R -	0.0%
YOUTH	R 12 276 106.20	R -	R -	R 12 276 106.20	7.7%
	R 72 821 357.90	R 85 628 540.00	R 1 751 017.05	R 160 200 914.95	100.0 %
BBEEE SCORE CARD	APRIL	MAY	JUNE	TOTAL VALUE Q4	% Q4
EME	R 12 276 106.20	R 85 628 540.00	R -	R 97 904 646.20	66.8%
QSE	R 23 174 899.35	R -	R 81 013.00	R 23 255 912.35	15.9%
GENERIC	R 23 975 347.50		R 1 433 518.15	R 25 408 865.65	17.3%
TOTAL	R 59 426 353.05	R 85 628 540.00	R 1 514 531.15	R 146 569 424.20	100.0 %
AWARD MADE TO	APRIL	MAY	JUNE	TOTAL VALUE Q4	% Q4
COE BASED COMPANIES	R -	R 85 628 540.00	R -	R 85 628 540.00	67.3%
NON COE BASED	R 40 251 453.70	R -	R 1 433 518.15	R 41 684 971.85	32.7%
	R 40 251 453.70	R 85 628 540.00	R 1 433 518.15	R 127 313 511.85	100.0 %

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.

#: 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 4
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 Implementation of the DMS is still at the BRS/FRS stage, business requirements are being gathered as part of the ERP programme.
				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.
				C2.1. Develop business processes.	C2.1 a) ERWAT Business processes for all departments has been completed b) Business Process Gap Analysis Workshops conducted for all department
				C2.2. Implement a Project Management System	C2.2 Process flow mapping and information provision has been completed by the user department, and awaiting system integration with the financial system.

Risk Ref	Risk Description	Root Cause	Impact	Future control	Progress Quarter 4
				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 Development of Maintenance Standards and Specifications has not commenced due to budgetary constraints
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. 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.
				C3. Review the marketing strategy	C3. Market analysis conducted and documented in the draft ERWAT Strategy.
				C4. Tariff model to be developed.	C4. Tariff Model is part of the overall ERWAT Funding Model (a) Draft financial model has been developed and currently finalising the dashboards
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 (WCW) operating above their designed capacity	1. Impact on service delivery ; Socio and economic stability. 2. Impact on environmental compliance.	C1. Develop a Waste Water Conveyance and Treatment Systems Regionalisation and 50 year Master Plan.	C1. The progress on the alternative evaluation is now at 46%. The alternative evaluation is undertaken concurrently with the SWOT analysis in order to fast track the progress and ensure the project is completed as scheduled

Risk Ref	Risk Description	Root Cause	Impact	Future control	Progress Quarter 4
		<p>RC2. Inadequate asset management.</p> <p>RC3. Inadequate capex funding for expansion, retrofit, refurbishment and replacement</p> <p>RC4. Outdated Technology</p> <p>RC5. Ageing Infrastructure</p>	<p>3. Delay of CoE development growth</p> <p>4. Affect credibility on the commercial business.</p>	<p>C2.1 Develop an asset management strategy, policy and maintenance plan.</p> <p>C2.2 Develop maintenance standards and specifications for critical equipment;</p> <p>C2.3 Develop business continuity management plan (BCMP).</p> <p>C3. Develop financial model.</p> <p>C4. No additional control required.</p> <p>C5.1 Implementation of recommendations from the equipment assessment conducted by the original equipment manufacturers.</p>	<p>C2.1 Draft Asset Management Policy, AM Strategy and Maintenance Plans to be tabled at the next Board for approval</p> <p>C2.2 The Development of Maintenance Standards and Specifications has not commenced due to budgetary constraints</p> <p>C2.3</p> <ul style="list-style-type: none"> a) BIA workshop with Maintenance, Finance and Supply Chain Management b) First Iteration Draft Status Quo Feedback document completed for the 1st Pilot WWCW Plant i.e. Ancor and Hartebeesfontein c) ISO Lead Implementer Training for the BCM Coordinators (22 ERWAT Employees) d) BCM Champion Group 2 trained (68 Employees) <p>C4.</p> <ul style="list-style-type: none"> a) Draft financial model has been developed and currently finalising the dashboards <p>C4. No reporting required</p> <p>C5.1 Assessment recommendations incorporated into the 2018/2019 Capital Expenditure Plan.</p>

Risk Ref	Risk Description	Root Cause	Impact	Future control	Progress Quarter 4
				C5.2 Implementation of recommendations from the civil structure assessments conducted.	5.2 Further assessment to be 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. Recruitment plan is currently being updated. Implementation to start in Quarter 1..
				C2. To conduct remuneration structuring which includes benchmarking, development of pay scales and review of remuneration policy.	C2. Remuneration benchmarking exercise has been finalised and was tabled at Local Labour Forum on the 25th March 2019 and subsequently to the board on the 11 June 2019
				C3. Develop a Succession strategy, policy and plan.	C3. The Organisational Structure was approved on 11 June and the system is being reconfigured. Anticipated date of completion is at the end of Quarter 2
				C4. Publishing of annual training report.	C4. . No Further reporting required .Additional controls has been implemented.
ERW6	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	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. Functional departments reviewed the business requirements and identified system gaps. Additional requirements to be addressed by the system developers.
				C1.2. Legal Compliance monitoring dashboard.	C1.2 Functional departments reviewed the business requirements and identified system gaps. Additional requirements to be addressed by the system developers.
				C1.3. The development of Compliance policy and Compliance Framework.	C1.3 Compliance Policy and Compliance Framework Incorporated into the Draft Governance, Risk and Compliance Policy

Risk Ref	Risk Description	Root Cause	Impact	Future control	Progress Quarter 4
	Non-compliance to relevant legislative and governance related requirements. (5 key legislation)	<p>- 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>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>C2. C.oE appointed Internal Auditors for Entities. Internal Audits Plan discussed with management and the audits commenced in the 3rd week of March 2019. 16 Auditable areas were covered and reports are available</p> <p>C3.1 No Further reporting required. Additional controls has been implemented.</p> <p>C3.2 No Further reporting required. Additional controls has been implemented</p> <p>C3.3 No reporting required. Additional controls has been implemented</p> <p>C4.1 Service Delivery Agreement submitted to the City for input</p> <p>C4.2 Draft Asset Management Policy, AM Strategy and Maintenance Plans to be tabled at the next Board for approval</p> <p>C5.1 The Assessments took place from 10-12 June 2019, the status report will be available at the end of July 2019.</p>

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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) BIA workshop with Maintenance, Finance and Supply Chain Management</p> <p>b) First Iteration Draft Status Quo Feedback document completed for the 1st Pilot WWCW Plant i.e. Ancor and Hartebeesfontein</p> <p>c) ISO Lead Implementer Training for the BCM Coordinators (22 ERWAT Employees)</p> <p>d) BCM Champion Group 2 trained (68 Employees)</p> <p>BUSINESS PROCESS MAPPING</p> <p>a. ERWAT Business processes for all departments has been completed Business Process</p> <p>b. Gap Analysis Workshops conducted for all department</p>
				<p>C2. Conduct a Risk Maturity Assessment</p>	<p>C2 Draft governance Maturity Assessment report is available</p>
				<p>C3 -4. No additional control required</p>	<p>C3 – 4 No additional control required</p>

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

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 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.