

Friday, 23 May 2025]

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OF THE

REPUBLIC OF SOUTH AFRICA

ANNOUNCEMENTS,

TABLINGS AND

COMMITTEE REPORTS

FRIDAY, 23 MAY 2025

TABLE OF CONTENTS

ANNOUNCEMENTS

National Council of Provinces

1. Transmission of Bills for concurrence 1

COMMITTEE REPORTS

National Assembly

1. Water and Sanitation 3
2. Water and Sanitation 15

ANNOUNCEMENTS

National Council of Provinces

1. Bills passed by Assembly and transmitted to Council for concurrence

- (1) Bill passed by National Assembly and transmitted for concurrence on 22 May 2025:

- (a) **Economic Regulation of Transport Amendment Bill** [B10–2025]
(National Assembly – sec 75).

The Bill has been referred to the **Select Committee on Public Infrastructure and Minister in The Presidency** of the National Council of Provinces.

The Bill was erroneously referred to a Select Committee on Transport. (See ATC of 22 May 2025, page 2.)

COMMITTEE REPORT

National Assembly

1. Portfolio Committee on Water and Sanitation Report on Consolidated Annual Reports of Water Boards for the 2023-24 Financial Year, dated 20 May 2025

The Portfolio Committee on Water and Sanitation (the Committee), having considered the consolidated annual reports for water boards for the 2023/24 financial year on the 01 April 2025, reports as follows.

1. Introduction

Water Boards (WBs) are established by the Minister of Water and Sanitation in terms of section 28 of the Water Services Act, 1997 (Act No. 107 of 1997). The primary activity of a water board is to provide water services (bulk and reticulation) to other water services institutions (water services authorities, water service providers, and water service committees) within its service area as outlined in section 29 of the Water Services Act, 1997. The Minister of Water and Sanitation is a shareholder and executive authority for water boards and has the mandate to appoint the Board and to provide oversight management.

Water boards are classified as schedule 3b public entities in terms of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999). Section 55(1)(d) of the PFMA requires the Accounting Authority for a public entity to submit annual report and financial statements within five (5) months of the end of the financial year to the Executive Authority (Minister of water and sanitation) responsible for that public entity. Section 55(3) of the PFMA requires that the Accounting Authority must submit the annual report and audited financial statements to the relevant Executive Authority through the Accounting Officer of a Department, for tabling in Parliament. The Department of water and sanitation tables the Annual Reports of the Water Boards to Parliament during the second week of December each year. The reports for the 2023/24 financial year were tabled on 10 December 2024.

The Minister of water and sanitation concludes a shareholder compact with all water boards on an annual basis. The shareholder compact broadly covers performance indicators relating to

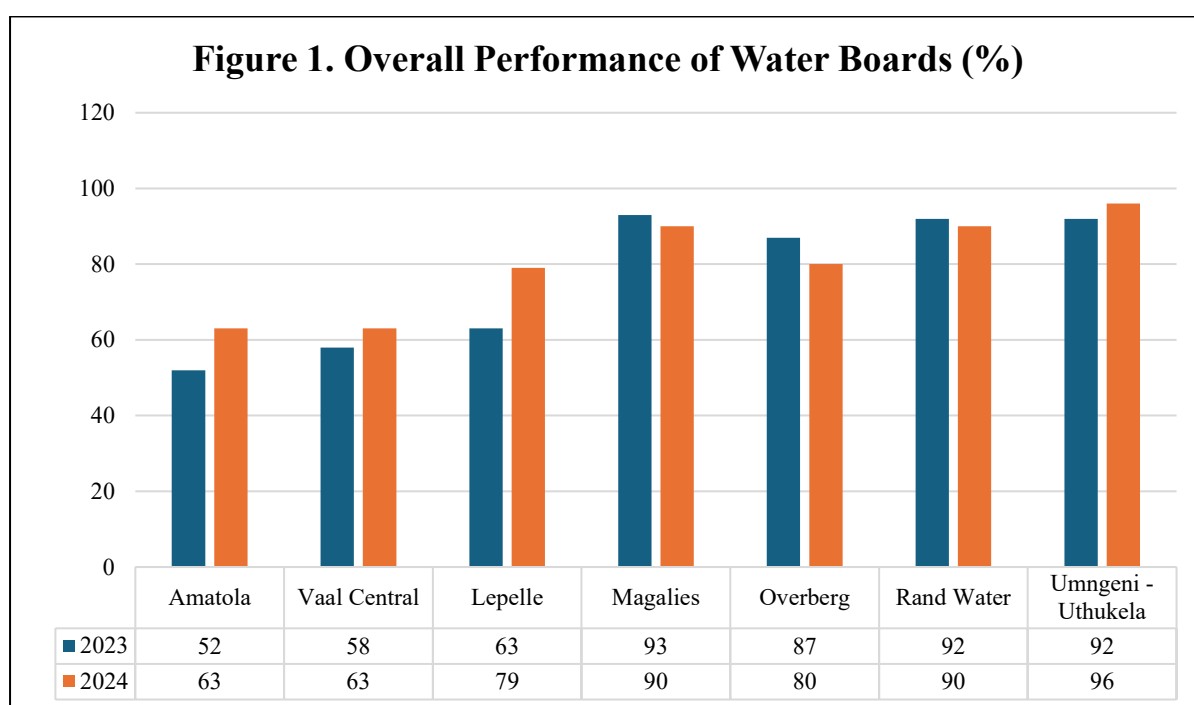
Organisational Efficiency and Effectiveness, Financial Performance, Customer/ Stakeholder Interaction Organisational Capacity and General Performance. The water boards are required to report on their performance with respect to among other water quality, non-revenue water, reliability of supply, access to water services, financial reporting, jobs, corporate social responsibility, training and skills development.

There are seven water boards spread across the country as shown in Table 1. The water boards collectively employed 7 102 employees in 2023/24 financial year.

Table 1 List of Water Boards				
Water Boards	No. of Employees	Province	Establishment Date	Head Office
Amatola Water	374	Eastern Cape	1997	East London
Lepelle Northern Water	380	Limpopo	1960	Polokwane
Magalies Water	679	Northwest, Limpopo and Gauteng	Not Provided	Rustenburg
Overberg Water	63	Western Cape	1993	Somerset West
Rand Water	3 525	Gauteng, Mpumalanga, Northwest, Free State	1903	Glenvista
Vaal Central Water	669	Northern Cape, Free State	2022	Bloemfontein
uMngeni-uThukela Water	1 412	KwaZulu Natal	1974	Pietermaritzburg

2. Overview of the 2023/24 Performance

Figure 1 shows that the Water Boards performance has slightly improved from 2023 to 2024 with respect to the achievement of targets. However, 57% of the water boards have achieved more than 80% of their targets while Amatola, Lepelle Northern and Vaal Central Water Boards achieved less than 80% of their planned targets.



Amatola, Lepelle and Magalies Water Boards partially achieved their targets on compliance with water quality standards in terms of South African Bureau of Standards for Water Quality (SANS 241) in 2024.

In as far as the water losses are concerned, Amatola, Magalies, Overberg did not meet the set target for water losses for various reasons such as ageing infrastructure and poor maintenance. Lepelle, Rand Water and uMngeni-uThukela water recorded lowest levels of water losses.

Vaal Central and uMngeni-uThukela water boards failed to meet their targets on reliability of supply. Leaking pipes, ageing infrastructure and power failures are the main factors that interrupted supply in these two water boards area of supply.

All the water boards received unqualified audit opinion with findings in 2022/23 and 2023/24 financial years.

Table 2 Actual Water Volumes vs Actual Revenue Generated				
Water Boards	Water Volumes (kl 000) 2022/23	Water Volumes (kl 000) 2023/24	Revenue (R'000) 2022/23	Revenue (R'000) 2023/24
Amatola	38 060	35 939	402 819	454 330
Vaal Central	178 600	183 530	4 174 000	5 297 000
Lepelle	104 523	109 669	2 365 401	2 046 184
Magalies	120 922	100 000	1 814 000	2 397 000
Overberg	3 767	3 757	69 419	76 707
Rand Water	1 800 126	1 721 658	19 578 472	21 815 000
Umnjeni - Uthukela	581 266	665 000	5 300 076	6 896 034
TOTAL	2 827 264	2 819 553	33 704 187	38 982 255

The water boards collectively sold 2.8 billion kilolitres of water and generated R39 billion in revenue. Rand Water (R21.8 billion), uMngeni-uThukela (R6.9 billion), and Vaal Central Water (R5.3 billion) are the leading water boards with respect to revenue generated in 2023/24, refer to Table 2.

uMngeni-uThukela Water Board remain the leading entity in terms of investment in infrastructure operation, maintenance and development (CAPEX). It spent R2.75 billion in 2023/24, (R1.2 billion in 2022/23) of which R1.5 billion was spent on bulk infrastructure augmentation, expansion, upgrades and rehabilitation projects while R805 million was spent on rural development projects. Rand Water and Magalies Water Boards are the second and third in terms of CAPEX performance while Magalies has spent more than double the 2022/23 CAPEX in 2023/24 (refer to Table 3). The total capital expenditure across all water boards increased from R3.8 billion in 2022/23 to R5.6 billion in 2023/24. This increase shows that the water boards have recovered from the effect of COVID19 which had stalled all capital investments for almost 2 years.

Table 3. Water Boards Capital Expenditure (CAPEX) (R'000)		
Water Boards	2022/23	2023/24
Amatola	R57 000	R21 575
Vaal Central	R85 112	R145 094
Lepelle	R69 700	R62 500
Magalies	R387 347	R1 095 947
Overberg	R25 119	R2 000
Rand Water	R1 410 000	R1 460 000
Umngeni - Uthukela	R1 802 000	R2 839 000
TOTAL CAPEX	R3 838 301	R5 628 140

3. Overview of the Municipal Water Debts to the Water Boards and the Debt Relief Programme

The municipal water debt to the water boards stood at R24.8 billion in January 2025 which has grown from R7.9 billion in 2018, refer to Table 4.

Table 4 Municipalities Debt owed to Water Boards as of 31 January 2025 (R'000)						
Water Board	TOTAL	CURRENT	Days 30	Days 60	Days 90	Days 120+
Amatola	430 683	46 562	17 460	17 067	18 828	330 766
Vaal Central	10 918 785	333 029	185 609	173 916	184 284	10 041 947
Lepelle Northern	808 134	89 293	22 868	41 841	42 123	612 009
Magalies	1 010 758	71 330	60 390	50 367	47 540	781 131
Overberg	3 353	3 071	231	51	0	0

Rand Water	7 956 928	2 268 833	1 008 744	317 168	330 344	4 031 839
Umnngeni- Uthukela	3 677 928	784 753	169 103	144 263	137 893	2 441 915
TOTAL	24 806 569	3 596 872	1 464 405	744 673	761 013	18 239 607

3.1. Debt Collection Initiatives

The Department of Water and Sanitation has negotiated with municipalities to enter into a payment agreement to settle their water debts to water boards. This initiative has enabled some municipalities to pay while others failed to enter into these agreements citing lack of budget. In cases where there is no payment agreement the Department of Water and Sanitation requested the National Treasury to withhold the equitable share. For example, the Department of Water and Sanitation requested National Treasury to withhold the equitable share for four local municipalities (LM) in December 2024, namely, Kopanong LM, Thabazimbi LM, Merafong City LM, and Victor Kanye LM, which the National Treasury granted. Following the withholding of the equitable share the Thabazimbi LM entered into a new payment agreement and paid the first instalment in December 2024 after which their remaining equitable share was released. Thabazimbi LM paid R12 million in December 2024 and R3 million in January 2025. Kopanong paid R3 million in December 2024 while Merafong City paid R45 million in December 2024. These two municipalities failed to make payments in January 2025. Victor Kanye LM paid R15.9 million in December 2024 and R5 million in January 2025.

A court order prevented National Treasury from withholding the equitable share of Matjhabeng LM. The court order was issued after Vaal Central Water Board issued a Section 4(5) restriction notice to Matjhabeng LM on 26 June 2024 for implementation on 25 July 2024. Matjhabeng LM approached the Court to prevent the water restriction and declare a dispute. The court issued an order that an Arbitrator should be appointed to rule on the dispute. The order of the court also instructed Vaal Central Water Board to uplift any water restrictions and for Matjhabeng LM to pay R12 million a month until the arbitration process has been completed. The average invoice to Matjhabeng LM is approximately R68 million per month and the R12 million is not sufficient for Vaal Central Water Board to continue providing water as it would be bankrupt within the next 6 months should this trend continue.

The request for withholding equitable share is ongoing as shown in Table 5. The National Treasury has been requested to withhold payments in March 2025 for the listed municipalities.

Table 5 List of Municipalities whose Equitable Share Payment will be withheld in March 2025 (*request was made in December 2024)	
Water Board	Municipality
Magalies	Dr Ruth Segomotsi Mompati District Municipality
Magalies	Ngaka Modiri Molema District Municipality
Rand Water	Victor Khanye Local Municipality *
	Emfuleni Local Municipality
	Merafong City Local Municipality *
	Lesedi Local Municipality
	Rand West City Local Municipality
	Ngwathe Local Municipality
Vaal Central	Matjhabeng Local Municipality *
	Kopanong Local Municipality *
	Nala Local Municipality
	Phokwane Local Municipality

3.2. Water Debt Relief Incentive

In an effort to alleviate financial burden on the Water Trading Entity, Water Boards and Municipalities, the Department of Water and Sanitation devised a debt relief programme. The Department of Water and Sanitation would offer certain water boards (WBs) and Water User Associations (WUAs) debt relief should they enter into repayment agreements with the municipalities owing them. The debt write-offs can only be undertaken with WBs/WUAs which are owed by municipalities, and which owe amounts to the Water Trading Entity (WTE). Subject to the municipality's compliance with the conditions the total municipal arrear debt can then be written off over three years should the municipality continue to pay its current invoices during these three years. Only municipalities invited by the WTE/WB/WUA in writing may apply for the water debt relief scheme. The WTE/WB/WUA must include the Department of Water and Sanitation, and the National Treasury in the invitation to any municipality to apply for the water debt relief scheme. To address the growing municipal debt to the WTE, WBs, and WUAs. The Department and National Treasury has developed an incentive scheme in which municipal debt will be written off after the municipality has demonstrated a change in its behaviour through paying its current invoices for 12 consecutive months after which one third (1/3) of its arrear debt will be written off. This aims to improve the cashflows of the WBs, the WTE and WUAs. The Water Debt Relief Guideline was approved by the Director-General on 11 February 2025 for implementation. It is worth noting that the water debt relief incentive is currently limited to the R5.3 billion owed to the WTE.

4. Irregular, Fruitless and Wasteful Expenditure

The large portion of the irregular expenditure emanated from noncompliance with supply chain management (SCM) procurement regulations, such as Deviations and variations orders not approved; Non-compliance with delegation of authority; Not rotating panels of service providers; Expenditure incurred on expired contracts; Highest bidder not appointed; Tax related matters; Non-compliance with Construction Industry Development Board (CIDB) regulations. The fruitless and wasteful expenditure on Vaal Central relates to interest levied on the Department of Water and Sanitation raw water account, refer to Table 6 for details on Irregular, Fruitless and Wasteful Expenditure.

Table 6. Water Boards Irregular, Fruitless and Wasteful Expenditure

Entities Irregular, Fruitless &Wasteful Expenditures at 2022/23 to 2023/24							
Name of Entity	Irregular Expenditure			Fruitless and Wasteful Expenditure			Comments on the comparison of irregular, fruitless and wasteful expenditure: 2022/23 and 2023/24 financial years
	2023/24	2022/23	Total Closing Balance at June 2024 (incl. historical amounts R000)	2023/24	2022/23	Total Closing Balance at June 2023 (incl. historical amounts R000)	
Amatola Water	82 857	93 342	176 199	9 082	25 616	25 626	Historical irregular expendirure not included is still under investigation which incurred on behalf of the principal (DWS)
Vaal Central Water	2 333	46 360	48 693	443 618	25 190	468 808	Regressed on fruitless and wasteful expenditure due to the reconfiguration of former Sedibeng Water to Vaal Central Water. R237 million of fruitless and wastful expenditure written off by the DWS
Lepelle N Water	0	7 000	7 000	0	7 000	7 000	No, irregular and fruitless and wasteful expenditures
Magalies Water	62 743	13 992	76 735	2 372	78 491	80 863	regressed due to the reconfiguration of former Sedibeng Water to Magalies Water
Overberg Water	0	11	11	131	10	131	No, irregular expenditure. Fruitless and wasteful is also insignificant
Rand Water	741 214	513 474	2 681 105	74	155	155	regressed on irregular and fruitless and wasteful expenditures due to tax related matters etc
Umgeni-Uthukela Water	1 363 305	656 553	3 671 342	43 877	36 384	43 877	regressed due to the reconfiguration of former Mhlathuze Water to Umgeni Water
TOTAL	2 252 452	1 330 732	6 661 085	499 154	172 846	69 658	Irregular expenditure has increased during the year under review, this includes historical amounts for Rand Water and Umgeni Uthukela Water

In as far as water boards governance is concerned, all water boards had governing boards in place during the year under review except for Amatola Water Board which had an interim Boards. Magalies Water Board had an action CEO while Vaal Central Water Board had an acting CFO.

The Department summarised the major water boards challenges as follows: Delayed project implementation with an average delay of 65 months resulted in increased costs to complete projects; Penalties not enforced for delays by contractors; Additional costs to complete the project not recovered from contractor ; Inadequate project management/ poor planning marked, delays in applying for permits, late issuing of drawings, items claimed not verified resulted in additional costs due to payment of standing time, cost overruns, payment for work not done, etc.; Lack of preventative maintenance due to ineffective planning of maintenance resulting in poor condition of the Bulk Water Supply Scheme; and Asset verification projects: Infrastructure assets not adequately marked, and water losses identified due to leakages of an infrastructure asset verified and difference between invoices and asset register.

5. Observations and Recommendations

The Portfolio Committee having considered the presentation by the Department made the following observations:

5.1. The Committee stressed the importance of having water boards more involved in municipal infrastructure management to reduce water losses and ensure maintenance and upgrades of the water reticulation infrastructure. Emphasis was put on the importance of addressing the issue of non-revenue water.

5.2. The Committee requested that the merger between uMgeni Water and Mhlathuze Water Boards to uMngeni-uThukela Water Board should be reviewed to determine its effectiveness and impact on service outcomes. Also, the department must appoint an independent assessor to assess the viability merger.

5.3. The Committee remarked that the department must enforce penalties to contractors who delay projects and those who are performing poorly should not get new contracts.

5.4. The Committee raised concern about the cost and impact of construction delays and the need for infrastructure upgrades. The Committee enquired about the department's budget for the current fiscal year on infrastructure upgrades.

5.5. The Committee implored the department to impose stricter oversight on irregular and wasteful expenditure.

5.6. Concerns were raised about the governance of water boards including recruitment and appointment of board members. The Committee enquired about the Minister's progress in addressing governance challenges and the appointment of board members for Amatola Water Board.

5.7. The Committee expresses concerns on operational and financial challenges faced by Magalies and Vaal Central Water Boards and asked the department to urgently address the issues to ensure their financial sustainability.

5.8. The Committee implored the department to ensure the successful implementation of the National Water Resources Infrastructure Agency and the effective utilization of the budget allocation for water infrastructure.

5.9. The Committee stressed the need for legislative changes to allow the department to intervene in challenges faced by municipalities regarding water services supply.

5.10. The Committee requested the Department to consider the revival of the "War on Leaks " programme to curb water losses through deteriorating municipal infrastructure with a request for updates on departmental plans to reduce non-revenue water.

5.11. The Committee commended the expansion of the Rand Water Board beyond South African borders and requested details of its work/contract in Zanzibar. The Committee enquired about the value of the contract and the type of work to be done and the legislation through which the Rand Water Board applied for this contract in a foreign country.

The Department of Water and Sanitation, having considered the observations made by the committee, responded as follows:

5.12. The Deputy Minister emphasized the need for performance alignment with strategic objectives and the department's efforts to address raw water quality and project delays and noted a that 96% performance improvement across water boards but highlighted ongoing issues with irregular expenditure.

5.13. The department reported that it has strengthened water boards governance and is on track with board appointments.

5.14. The Department informed the Committee that non-revenue water for bulk water supply is within international standards, with only two boards exceeding 15%. The department supports water boards in infrastructure development projects but emphasised that their responsibility in managing non-revenue water is limited as majority of non-revenue water is happening along the municipal water reticulation system. And further stressed the importance of reducing non-revenue water and prioritising it and stated that the department encourages water boards to address non-revenue water issues.

5.15. The department explained that Magalies Water Board inherited liabilities and staff from disestablished Sedibeng Water Board, that negatively impacted its financial stability. There are ongoing processes such as asset audits to stabilise the board and addressing historical debts.

5.16. The Department of Water and Sanitation is working to address irregular expenditure issues, including collaborating with the Special Investigating Unit (SIU) on a "war on leaks" report and engaging with municipalities to improve revenue collection.

5.17. Legislative reforms are currently underway to separate Water Services Authorities from water service providers through a licensing system in line with the upcoming amended Water Services Act, 1997.

5.18. The Committee, having considered the responses by the Department resolved that the Minister should provide written responses on the following issues:

- Governance issues at the Amatola Water board, including the appointment of the interim board and ongoing investigations.
- Report on the exact costs of the delayed bulk water infrastructure projects.
- Rand Water Board water services contract in Zanzibar.

Report to be considered.

2. Report of the Portfolio Committee on Water and Sanitation on the 2nd and 3rd Quarterly Expenditure Reports for Vote 41 Water and Sanitation 2024/25 Financial Year, dated 20 May 2025

The Portfolio Committee on Water and Sanitation (the Committee), having considered the Department of Water and Sanitation (the Department) 2nd and 3rd Quarterly Expenditure Reports for 2024/25, reports as follows:

1. Introduction

The Portfolio Committee on Water and Sanitation considered the quarterly expenditure reports partly on the 18th and finally on the 19 March 2025. The Committee's report presents a brief overview of cumulative expenditure and performance over the two quarterly reports including the Committee's critical deliberations, observations, and recommendations.

2. Briefing on 2nd and 3rd Quarterly Expenditure Reports for the 2024/25 Financial Year

2.1. The presentation highlighted key achievements and challenges over the 01 April – 30 December 2024 period that covers the two quarters under review. The 2nd quarter expenditure amounted to R11.1 billion, representing 46.6% of the total adjusted budget of R23.9 billion. The expenditure increased to R17.2 billion or 72% in the 3rd quarter, resulting in available budget of R6.7 billion to be spent by the end of 4th quarter.

2.2. The Department reported the budget and expenditure per economic classification as follows: The spending on compensation of employees amounted to R1.4 billion which represents 73.4% of the total adjusted appropriation of R1.9 billion. The spending on goods and services amounted to R1.2 billion which represents 60.9% of the total adjusted appropriation of R2.0 billion. The goods and services budget increased by R243 million for the Integrated Vaal River pollution remediation project in line with the National Treasury approval. The spending on transfers and subsidies is R10.8 billion which represents 68.6% of the total adjusted appropriation of R15.8 billion. The remaining transfer payments were processed in the fourth quarter of the financial year. The spending on capital assets amounted to R3.7 billion, which represents 90% of the total adjusted appropriation of R4.1

billion. The expenditure incorporates accelerated regional bulk infrastructure and water services infrastructure projects including bucket eradication programme, implemented in line with the approved project plans and budgets.

2.3. The Department reported that it continues to implement the financial recovery plan, and the budget is monitored regularly to ensure compliance and spending within the approved budget. And that the full budget will be spent by the end of the financial year.

2.4. The table below shows a performance summary with a list of targets that were not achieved together with strategies to address under performance.

Programme	2 nd Quarter		3 rd Quarter		Areas of under performance	Strategies to overcome areas of under performance
	% actual achievement	% budget spent	% actual achievement	% budget spent		
Administration (P1)	50	45	63	67.5	• Vacancy rate for engineers and scientists • Training interventions implemented in the department • Safety and security assessments for departmental facilities • Implementation of the financial recovery plan • Expenditure of departmental budget • Percentage of targeted procurement budget spent on qualifying small enterprises (QSE) • Number of debtor days • Implementation of the international relations programme	• Vacancy rate - The implementation of the organisational structure and abolishing unfunded positions is being finalised to address vacancy rate. • Implementation of the Financial recovery and turnaround plan • Debtors' days – implementation of credit control measures, litigation, Intergovernmental Relations (IGR) and Incentive schemes.

Water Resources Management (P2)	70	52,4	70	74.3	• Water resource gauging stations / weirs constructed and refurbished • Bulk raw water projects in preparation for implementation and under construction • Progress on the completion of dam safety projects • Progress on the tabling of the National Water Amendment Bill • Advocacy for the water economic regulator regulations • Finalisation of applications for water use authorisation • Validation and verification in Limpopo-Olifants water management area • Oversight assessments conducted for functions devolved to catchment management agencies (CMAs) • Training for Green Drop assessments • Compliance monitoring with regulatory requirements of dam owners	• Delayed Bulk Raw Water Projects: Implementing Agent for geotechnical investigations to fast-track the finalization of the Geotechnical Report for Coerney and Zalu Dams • SD: Land Rights Administration engaged with the landowners and permission to access the site was granted by the landowners. • SCM to fast-track the procurement process for the appointment of the design PSP. • Dam safety rehabilitation projects completed: an acceleration plan to recover from the underperformance is underway. • Water use authorisation: The is a recovery plan from the office of CIO to continuously upgrade the eWULAAS system • Validation and verification: Delayed response time from users; the finalization is planned for the subsequent quarters • Green Drop: audit processes commenced with Provincial symposiums held in December 2024. • Compliance monitoring for dam owners: the monitoring will be finalised by the end of the financial year. • Water Services Amendment Bill: as soon as the final legal certification is obtained the bill will be submitted to Cabinet
Water Services Management (P3)	72	44,2	70	71.7	• Training for No Drop progress assessment • Completion of implementation readiness studies for water and wastewater services projects (RBIG) • Completion of district municipality five-year water and sanitation reliability plans • Mega regional bulk infrastructure project phases completed	• No Drop PAT: audit processes commenced with Provincial symposiums held in December 2024 • Mega projects under construction: the initial target was 22 however due to allocation changes the by NT, NW was moved to small project construction. • Water Services Amendment Bill: as soon as the final legal certification is obtained the bill will be submitted to Cabinet

					Job opportunities created under RBIG	
Total	67	46,6	68	72		

2.5.The annual procurement from designated groups was reported as follows:

- Black companies with 50% or more ownership: 41% of procurement expenditure amounting to R3.1 billion with annual procurement expenditure of R7.76 billion
- Women companies with 50% or more ownership: 20% from the target of 40% amounting to R1.58 billion.
- Youth companies with 50% or more ownership: 8% from the target of 30%, amounting to R644 million.
- People with disability companies with 50% or more ownership: 1% from a target of 7%, amounting to R55.5 million.

2.6.The administration programme spent R1.5 billion against a projection of R1.7 billion.

Spending was 11.7% lower than projected mainly due to unfilled funded positions and delays in processing invoices for delivered goods and rendered services related to administrative expenses, as well as in finalising procurement for operational projects. These projects include employee health and wellness initiatives, the supply and installation of CCTV equipment, and the repining of multi-lock cylinders with spare keys. Additionally, the department further experienced delays in procurement of Information Technology (IT) hardware (Network Monitoring Equipment and Laptops for learning academy students).

2.7.The water resources management programme spent 99.6% against the total projected expenditure for the third quarter. The expenditure was 0.4% lower than projected, mainly due to unfilled funded vacant posts and delays in appointing service providers for the Blue and Green Drop projects, feasibility studies, reviewing and updating the Climate Change Policy for the Water and Sanitation Sector as well as outstanding payments for invoices from previous months related to office furniture and equipment.

- 2.8. The water services management programme spent R469 million, which is higher than projected. The higher-than-projected expenditure was mainly attributed to the payments for capital assets due to the large volume of invoices for various completed projects under the RBIG and WSIG Schedule 6B as well as invoices paid for the Vaal River System (VRS) projects which were not included in the original drawings.
- 2.9. Department further highlighted and acknowledged unacceptable delays in some of the key infrastructure projects. However, good progress has been made to unblock and accelerate the delayed projects including the Lesotho Highlands Water Project, uMkhomazi Dam, Ntabelanga Dam, Stephen Dlamini Dam, Foxwood Dam and raising the wall of Clanwilliam Dam. The Olifants River Water Resource Development Project which is jointly funded by the government and the mining sector at a tune of R24 billion is currently underway. This project will increase water supply and ensure water security to enable investment in mining. Communities adjacent to the bulk pipelines will also benefit from the project alleviating the concern of communities that have been complaining that bulk water pipelines pass through their villages, yet they remain without water.
- 2.10. Department released the results of its Blue, Green and No-drop reports in 2023, as part of its work as the regulator of the water services sector in terms of the Water Services Act. The reports keep the public and stakeholders informed with credible information about the state of water and sanitation services in the country. The drop reports indicated that the performance of municipal water and sanitation services has declined since the last time the drop reports were issued in 2014. The drop reports were provided to all water services authorities, and they were advised as to the causes of the decline and what needs to be done about it. The identified causes include, amongst others, water and sanitation infrastructure being in poor condition due to a lack of maintenance and non-adherence to standard operating processes for drinking water treatment and wastewater treatment.
- 2.11. The Department is strengthening its role as the regulator of water services, by developing more comprehensive and stringent norms and standards for water services and standardising its regulatory processes. These include the amendments to the Water Services Act to more clearly separate the roles of Water Services Authorities (ensure that water services are provided to required standards) and Water Services Providers (provide the services) and to enable the Minister to intervene more effectively as the Regulator. The

Water Services Amendment Bill went through a public consultation process during the reporting period and will shortly be submitted to the Cabinet for approval for submission to Parliament.

2.12. The Department is currently dealing with the historical unauthorised, irregular, fruitless and wasteful expenditure incurred mainly between 2016/17 and 2018/19. Unauthorised expenditure emanates from the Bucket Eradication Programme (R292.269 million) and the War on Leaks (WoL) Programme (R348.825 million). The unauthorised expenditure is currently under consideration by Parliament (Standing Committee on Public Accounts). Projects that are under investigation are the Giyani Water Services Project; Upgrading of the Thukela Goedertrouw Scheme; Support and maintenance of SAP ECC6; War on Leaks Project; Vaal Intervention; Financial advisory services; Desalination Plant Richards Bay; Bucket Eradication Programme; and Usuthu Vaal Emergency works.

2.13. The irregular, fruitless and wasteful and unauthorised expenditure are summarised in the table below

Expenditure Variables	Main Account		Water Trading Entity		TOTAL
	Q3-2024/25 R'000	2023/24 R'000	Q3-2024/25 R'000	2023/24 R'000	Q3-2024/25 R'000
Unauthorised expenditure	641,109	641,109	-	-	641,109
Fruitless and wasteful expenditure	120	10,808	150,423	137,838	150,543
Irregular expenditure	4,909,510	5,101,272	5,572,040	5,796,649	10,481,550
Total	5,550,739	5,753,189	5,722,463	5,934,487	11,273,202

2.14. Some of the irregular expenditure cases are currently under investigation by the Department, South African Police Service (SAPS) and Special Investigating Unit (SIU) while some of the cases are before the courts of law. The Internal Audit is also investigating some of the reported irregular, fruitless and wasteful expenditure while Human Resource Management is conducting disciplinary hearings on some of these matters.

3. Committee Observations

The Committee made the following observations:

- 3.1.The Committee enquired about the strategies in place to increase current access to potable water and the projected timeline for universal access.
- 3.2.The Committee raised concerns about the deterioration in municipal water and sanitation services, highlighting a significant increase in poor microbiological compliance from 5% in 2014 to 46% in 2023.
- 3.3.The Committee enquired about immediate actions that are being taken to address the decline in water quality and on how the department plans to support municipalities in improving their water treatment processes.
- 3.4.The Committee expressed concerns about delays in the completion of projects in the Limpopo Province and enquired about the general challenges in the province. The Committee also asked the department to provide a breakdown and explanation of the quarterly reported data, particularly the discrepancy between the low completion rate of Water Services Infrastructure Grant (WSIG) projects in Limpopo and the high expenditure percentages.
- 3.5.The Committee expressed concerns about the financial stability of Vaal Central and Magalies Water Boards.
- 3.6.The Committee highlighted the importance of green drop assessments for municipalities' well-being and quality of life, noting past disruptions and the need for continuous monitoring and implementation. The Committee mentioned the disastrous consequences of the green drop assessments pause in the year 2013-14 and thanked the Ministry and the Department for their efforts in restoring these assessments.
- 3.7.The Committee expressed concerns over the slow progress and uncertainty in water and sanitation projects, calling for more effective interventions and tools.

3.8. Concerns were raised about the reluctance of the Office of the Chief State Law Advisor to proceed with the proposed amendments to the Water Services Amendment Bill.

3.9. The Committee enquired about the criteria followed in funding certain projects under the Budget for Facility Infrastructure (BFI) which were previously funded by Regional Bulk Infrastructure Grants (RBIG) and asked for an example of such a project.

3.10. The Committee emphasized the need for the department to coordinate with municipalities to conduct studies and develop interventions to reduce water losses and recommended the Water Institute of South Africa (WISA) and the Water Research Commission (WRC) as organizations that can help find innovative solutions.

3.11. A question was posed about initiatives to reduce water losses and to improve water use efficiency across municipalities.

3.13. The Committee acknowledged the department's recognition of the need for R900 billion to stabilize water infrastructure over the next decade and sought assurance that the department will ensure transparency and efficient use of these funds.

4. Department's Responses to the Observations by the Committee

4.1. The department acknowledged the deterioration in water quality and mentioned that there are measures in place to track municipal progress on interventions. The department is accelerating oversight and has met with Water Services Authorities in all nine provinces to track progress and identify gaps. The department also reported the use of innovation, engineers and project managers to support municipalities, noting that the current target is around 3%, but there are areas with full access.

4.2. The department supports municipalities with grants and technical assistance, aiming to increase access and improve treatment processes. Strategies include prioritizing projects to increase access and using revenue for maintenance. The department also conducts summits and provides planning support and skilled staff to municipalities. Challenges identified include lack of skilled staff in municipalities which hampers effective grant management and prioritization.

4.3. Water quality was extensively discussed at the water summit 2024 where the WSAs agreed to develop corrective actions plans and the upcoming National Water Indaba 2025 would assess progress on these issues. No drop report also proposes technical solutions to water quality and Non-Revenue Water problems.

4.4. The department informed the Committee that debt collectors from the Initial Treasury Transversal Contract have been appointed to assist with the recovery of outstanding debts relating to companies and individuals. The Director General has approved the department's debt relief program to encourage municipalities to settle their current accounts.

4.5. Regarding the unauthorized expenditure that emanated from the Bucket Eradication Program and the War on Leaks Program, the department has submitted its presentations and reports to Parliament's Standing Committee on Public Accounts via National Treasury and is awaiting the outcome of that process. The historic unauthorised expenditure will remain in the books of the department, in line with the Public Finance Management Act, until parliament has authorized or approved the application to clear the bank overdraft either through the current allocation or a special allocation.

4.6. With the challenge regarding projects in the Limpopo Province, the department reported that some of the major delays were mostly where the department is implementing schedule 6B grants interventions. Funds are put on hold until the completion of work where there have been delays. Some of the challenges reported included Implementing Agents taking time to appoint service providers and this delays the procurement processes. Some service providers were poorly performing, resulting in termination of contracts. There were also cases of good service providers who do not have the cash flow and struggle to procure material which resulted in work stoppages. The department has managed to unblock some of these challenges. The Provincial Head came up with an intervention plan in the province to unblock projects.

4.7. The Minister outlined the responsibility of the department which is to ensure access to water and sanitation services emphasising the importance of meeting minimum standards for water quality to prevent waterborne diseases and ecological damage. Various interventions by the Minister, such as supporting municipalities in managing their wastewater systems and

addressing pollution issues, the role of the department in ensuring compliance with national water resource quality standards was presented to the Committee.

4.8. The responsibility of the Department is to set norms and standards on water access as a regulator, among others legislated mandates. For example, the Drop reports which are also responding to Sustainable Development Goals 6 on water and sanitation (SDG 7) such as blue drop report which deals with water quality, an important indicator for health and food quality. The Department intervened through these reports in various municipalities, for example, Emfuleni Local Municipality, Matjhabeng Local Municipality, Mpumalanga (Msukaligwa Local Municipality), Tshwane Metro, eThekweni Metro. The minister directed Umgeni to provide support to eThekweni metro following poor drop reports outcomes.

4.9. The Department also deals with compliance issues to prevent pollution for example, the Govan Mbeki Local Municipality was taken to court, found guilty and fined R150 million for polluting water resources and contravening environmental and water legislation.

4.10. The 2025 Water and Sanitation Indaba will discuss the issue of the lack of technical capacity in the municipalities together with the President. The Water Partnership Office is set up to address some of these challenges. RBIG and WSIG are used to address water and wastewater operation, maintenance and development issues. The Water Research Commission (WRC) is at the pinnacle of water research through cooperation, partnerships, research and development. However, the technologies that are created by WRC are not easily taken up by the government. The Department has a memorandum of understanding (MoU) with the Council for Science and Industrial Research (CSIR) on water research and development. The Department will continue with the publication of the blue and green drop reports starting from December 2025.

4.11. Regarding projects funded by the Budget Facility for Infrastructure (BFI), the department clarified that these are projects that have both economic and social value components. The criteria involve financing the social component through the Regional Bulk Infrastructure Grant (RBIG) and the economic component through the BFI, this is called blended finance. An example of a blended finance project is the Olifants- Ebenezer scheme in Limpopo supplying Sekhukhune and Polokwane implemented by the Lepelle Northern Water Board. It is funded by off takers (meaning it is funded by water tariffs), Vaal Gamagara is

another example of a blended finance project. National Treasury is developing a mechanism which involves additional allocation to the RBIG to encourage blended financing of projects by government and private companies.

4.12. The department announced the approval of the Water Services Amendment Bill by the Chief State Law Advisor paving the way for submission to the Cabinet.

4.13. The national Non-Revenue Water (NRW) was reported to 47% on average. However, it should be noted that other municipalities have high NRW while others have lower NRW than this national average. The metro trading programme is a countrywide initiative for the cities across the country which includes ring fencing of the water revenue. The National Treasury has established a R60 billion grant to support this programme. Metros would earn an allocation from this grant through performance-based indicators which include non-revenue water etc. There are many other reforms underway by various government departments. WSIG also contributes to reduction of water loss initiatives or projects. Municipalities do not have accurate asset registers. The Provincial leaders are assisting municipalities with the development of 5-year water reliability plans with a focus on water demand and conservation management (WDCM) which includes NRW and water losses among other indicators.

Concluding remarks

The Committee noted and appreciated the responses from the Department on the 2nd and 3rd Quarterly Expenditure Reports.

Report to be considered.