



Together we can keep water flowing



SANDSPRUIT WORKS ASSOCIATION (SWA) ANNUAL REPORT 2016/17

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ACRONYMS

ABBREVIATION	FULL NAME
AFS	Annual Financial Statement

AGSA	Auditor General of South Africa
ATR	Annual Training Report
BoD	Board of Directors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CoT	City of Tshwane
COBIT	Control Objectives for Information and Related Technology
CTMM	City of Tshwane Metropolitan Municipality
EAP	Employee Assistance Programme
EE	Employment Equity
ERP	Enterprise Resource Planning
EWSETA	Energy Water Sector Education and Training Authority
ICT	Information and Communication Technology
IDP	Integrated Development Plan
MFMA	Municipal Finance Management Act
MMC	Municipal Mayoral Council
ODI	ODI Water Services
SAMWU	South African Municipal Workers Union
SWA	Sandspruit Works Association
WSA	Water Services Act 108 of 1997
WSP	Workplace Skills Plan
WWTW	Waste Water Treatment Works
MAWIGA	Mabopane, Wintervelt and Garankuwa areas

PURPOSE

The purpose of SWA annual report is to provide the public and the shareholder on activities carried out and the services provided and for comparing actual service delivery with forecast service delivery with particular emphasis of whether the resources are managed effectively, efficiently and economically

CHAPTER 1 FOREWORD OF THE CEO AND EXECUTIVE SUMMARY

1.1 FOREWORD OF THE CEO

The 2016/17 financial year was a bleak one for Sandspruit Works Association as a result of various factors that affected the country in general. Increased poor investor confidence levels led to negative down gradings by rating agencies that resulted in job losses across the country, resulting in declining payment levels for SWA.

The number of indigent consumers increased substantially during the financial year under review and this translated to recording high sales of water and sanitation services, increase in non-revenue water but with decreased payment levels, resulting in an increase in the debtors' book balance. This, together with the increase in water demand due to the growth of the population in the low-cost housing settlements, cast the ability of Sandspruit Works Association in doubt regarding rendering services in a cost effective and financially sustainable manner.

The entity experienced resistance from some quarters of MAWIGA communities in terms of meter reading whereby officials were intimidated and denied access to water meters. This affected the cash flow situation of Sandspruit Works Association in an adverse manner and in the process made it impossible for the entity to spend in line with the approved budget for the operations and maintenance program.

The average monthly collection rate decreased from R 8.8m recorded in June 2016 to R7.5 m in June 2017 despite management's concerted efforts to implement the Debt Collection Strategy.

SWA was able to settle its current liabilities within 30 days from date of invoice in line with the requirements of MFMA. However, the account for bulk water purchased from CoT amounted to more than R 500m at the end of June and remains unpaid. The entity experienced serious cash flow problems in August and December 2016 resulting in late payment of SDL, UIF and PAYE for end of July. The entity did not have cash to pay December salaries and bonuses and the parent municipality intervened to ensure that employees were paid in December.

CoT remains the largest source of revenue for SWA, contributing 69% of SWA's income through the deficit operational loss subsidy. The going concern status of SWA was a subject of intense questioning by the AGSA during the 2015/2016 annual audit, given the entity's proven reliance on CoT for financial support.

The CTMM council resolved on 27 October 2016 to disestablish Sandspruit Works Association.

There are highlights that the entity has achieved in the 2016/17 financial year such as:

The Entity has established a forum known as Community Development Workers (CDW) in MAWIGA. This forum is regarded as foot soldiers and will assist SWA in reporting unreported

meter leakages and sewerage blockages in the streets of MAWIGA so that they can be attended on time.

The Entity has faced some challenges with regards to the following:

- The decline in revenue collection, the Debt Collection Strategy has not yet yielded positive results.
- Frequent cable theft in our WWTWs, which results in non-compliance to the effluent discharged downstream.
- Meter readers that are being intimidated and threatened by the residence when they are doing meter readings.

None of this would be possible without the hard work and motivation of our team, as well as our valued partnerships with City of Tshwane Metropolitan (CMMT) and stakeholders. I would like to thank you all for your individual contribution to realizing our strategy

1.2 EXECUTIVE SUMMARY

SWA is a registered Non-Profit Company (Section 21) which is recognized as a municipal entity of the City of Tshwane Metropolitan Municipality. SWA currently undertakes the provision of water and sanitation services function in the northern region of the City of Tshwane Metropolitan Municipality (CTMM) and thus have the function of a Water Services Provider (WSP) in terms of the Water Services Act (Act 108 of 1997). The supply area of Sandspruit Works Association includes Garankuwa, Mabopane and Winterveldt. The principal activity of the company is to install, provide and maintain water and sanitation services and related services to these designated areas. It also fulfils the complete Operations, Financial, Marketing, Risk, Information and Communication Technology, Human resources and Legal functions.

SWA operates as an area-based water service provider, undertaking multi-functional initiatives, involving role-players like councilors and basing its effort on a number of constructive efforts, such as provision of portable water and sanitation, Waste Water Treatment Plant, collection of revenue and building relationships through social responsibility with the community and other stakeholders.

The services and projects implemented by Sandspruit Works Association are therefore complementary and in line with the Business plan, Service delivery Agreement and City of Tshwane Integrated Development Plan (IDP). Sandspruit Works Association is managed by the Chief Executive Officer heading the following functional sections:

- Operations and Maintenance
- Finance
- Information and Communication Technology
- Marketing and Communications
- Human Resource
- Legal Services
- Risk management

CHAPTER 2

2.1 CORPORATE GOVERNANCE

To ensure accountability and governance arrangements are in place, Section 121(2) (c) of the MFMA supports the requirements of Section 18(1) (d) of the MSA: information on matters of governance should be communicated to communities. This should, according to Sections 65(1) (a) of the MFMA and 46 of the MSA be undertaken through the compilation and publication of the Annual Report. The purpose of such an annual report is to promote accountability to communities for decisions taken by the Council and matters relating to administrative structures, throughout a financial year.

Ethical Leadership

The board provides effective leadership based on a principled foundation and the entity subscribes to high ethical standards. Responsible leadership, characterised by the values of responsibility, accountability, fairness and transparency, has been a defining characteristic of the entity since the company's establishment in 2005.

The fundamental objective has always been to do business ethically while building a sustainable company that recognises the short- and long-term impact of its activities on the economy, society and the environment. In its deliberations, decisions and actions, the board is sensitive to the legitimate interests and expectations of the company's stakeholders.

Corporate Governance

The entity applies the governance principles contained in King III and continues to further entrench and strengthen recommended practices in our governance structures, systems, processes and procedures. The Board of Directors and Executives recognise and are committed to the principles of openness, integrity and accountability advocated by the King III Code on Corporate Governance. Through this process, shareholders and other stakeholders may derive assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. Monitoring the entity's compliance with King Code on Corporate Governance forms part of the mandate of the audit committee. The entity has complied with the Code in all respect during the year under review.

The Board of Directors has incorporated the City of Tshwane's Corporate Governance Protocol in its Board Charter, which *inter alia* regulates its relationship with the City of Tshwane as its sole member and parent municipality in the interest of good corporate governance and good ethics.

The Protocol is premised on the principles enunciated in the King Report for Corporate Governance for South Africa 2009 (King III). The Company steadfastly consolidated its position in respect of adherence to the King III report on Corporate Governance. The entity practices are, in most material instances, in line with the principles set out in the King III Report. Ongoing steps are however taken to align practices with the Report's recommendations and the Board continually reviews our progress to ensure that we improve our Corporate Governance. During the year under review the Company entrenched its risk management reviews and reporting and compliance assessments were conducted in terms of the Companies Act and the Municipal

Finance Management Act (MFMA). The annual Board assessments and evaluations were conducted and an annual report for the previous year was effectively completed in accordance with the terms of section 121 of the Municipal Finance Management Act.

Corporate Citizenship

The board and management recognise that the entity is formed under a political structure. As such, it has a social and moral standing in society with all the attendant responsibilities. The board is therefore responsible for ensuring that the entity protects, enhances and invests in the well-being of the economy, society and natural environment, and pursues its activities within the limits of social, political and environmental responsibilities outlined in international conventions on human rights.

Compliance with laws, rules, codes and standards

The board is responsible for ensuring that the entity complies with applicable laws and considers adhering to non-binding rules, codes and standards.

The Board of Directors of SWA as stipulated in the King Code III and the Code of Conduct for Directors referred to in section 93L of the Municipal Systems Act, 2000 as amended

Table 1: Board of Directors

Board Member	Capacity: Executive / Non-Executive	Race	Gender	Board Committee Membership
Z Kabini	Non-Executive Director	Black	Female	N/A
CV Maboka	Non-Executive Director	Black	Male	Operations Committee, Social and Ethics Committee and Governance Risk and Finance Committee.
LN Bokaba	Non-Executive Director	Black	Male	Operations Committee, Social and Ethics Committee and HR RemCo.
AZ Ndlala	Non-Executive Director	Black	Male	HR RemCo, Governance Risk and Finance Committee and Operations Committee.
Adv. B Malatji	Non-Executive Director	Black	Male	Social and Ethics Committee, HR RemCo and Governance Risk and Finance Committee
B Zwedala	Executive Director (ACEO)	Black	Female	

*# Mr Lucky Bokaba was retired on 30 November 2016 by Council Resolution dated 27 October 2016

*# Mr. Victor Maboka was retired on 30 November 2016 by Council Resolution dated 27 October 2016

2.2 LEGISLATIVE BACKGROUND PRESCRIBING THE FUNCTIONS OF THE ENTITY

The legislative framework within which water supply and sanitation services take place is mainly provided by the Water Services Act (Act 108 of 1997) (WSA). The Water Services Act derives its mandate from Section 27 of the Bill of Rights in the Constitution. This section of the constitution provides, among other rights, that everyone has the right to have access to sufficient food and water. One of the main objectives of the Water Services Act is thus, to provide for the right of access to basic water supply and to basic sanitation.

The Board of Directors and Executives recognise and are committed to the principles of openness, integrity and accountability advocated by the King III Code on Corporate Governance. Through this process, shareholders and other stakeholders may derive assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. The monitoring of the entity's compliance with King Code on Corporate Governance forms part of the mandate of the group audit committee. As part of this commitment, the Board of Directors supports the highest standards of corporate governance and the ongoing development of best practice.

The Board of Directors has incorporated the City of Tshwane's Corporate Governance Protocol (the Protocol) in its Board Charter, which inter alia regulates its relationship with the City of Tshwane as its sole member and parent municipality in the interest of good corporate governance and good ethics.

The Protocol is premised on the principles enunciated in the King Report for Corporate Governance for South Africa 2002 ("King III report"). Sandspruit steadfastly consolidated its position in respect of adherence to the King III report on Corporate Governance. The entity's practices are, in most material instances, in line with the principles set out in the King III Report. Ongoing steps are however taken to align practices with the Report's recommendations and the Board continually reviews our progress to ensure that we improve our Corporate Governance.

2.2.1 FUNCTIONING OF THE BOARD AGAINST THE WORK PLAN

SWA Board of Directors consists of one (1) executive and five (5) non-executive directors. The board meets regularly, at least quarterly and retains full control over Sandspruit. The Board remains accountable to City of Tshwane Metropolitan Municipality, the sole member and its stakeholders. The directors have a collective responsibility to provide effective corporate governance that involves a set of relationships between the City of Tshwane (CoT), Sandspruit and other relevant stakeholder which include:

- a) Setting strategic direction and goals of Sandspruit and monitoring management's implementation of that strategy;

- b) Appointing such committees of Sandspruit as may be appropriate to assist in the discharge of its responsibilities and to determine their responsibilities;
- c) Ensuring that procedures and practices are in place that protects Sandspruit' assets and reputation;
- d) Monitoring financial outcomes and the integrity of reporting, in particular approving annual budgets and longer-term strategic and business plans;
- e) Ensuring that effective audit, and compliance systems are in place to protect the Sandspruit's assets and to minimise the possibility of Sandspruit operating beyond legal requirements or beyond acceptable risk parameters;
- f) Monitoring compliance with regulatory requirements and ethical standards.

2.2.1.2 RISK MANAGEMENT AND INTERNAL CONTROLS

SWA risk management plan

The board and management have committed to the improvement of the overall performance of SWA by allocating the right amount of resources in mitigating the risks to ensure that the objectives of SWA are achieved. There was regress in terms of the implementation of risks due to the disestablishment of SWA. SWA risk management plan has been tabled below.

No.	Strategic Objective	Risk	Inherent Risk	Residual Risk	Management Action	Progress
1	Promote Sustainable Service Infrastructure and Human Settlement Management	Failure to continuously and consistently supply of quality water and sanitation services	Critical	Critical	1. Upgrade WMS system to assist in the identification of maintenance including leakages	Cancelled due to Disestablishment of SWA
					2. SWA to provide input on CAPEX budget for the 2017/18 financial year.	Completed
					3. Engage CoT in order to clarify the roles and responsibility of SWA in terms of Sanitation Services	Cancelled due to Disestablishment SWA
2	Improve Financial Sustainability	Threat to going concern	Critical	High	1. Participate in the CoT transversal contract for debt collectors.	Completed
					2. Procure IT solution to improve revenue management.	Cancelled due to Disestablishment SWA

No.	Strategic Objective	Risk	Inherent Risk	Residual Risk	Management Action	Progress
					3. Conduct the data cleansing exercise.	In progress
					4. Engage CoT to pay operational grant timely.	Completed
3	Continued Organisational Development, Transformation and Innovation	Inadequate human capital capacity to delivery on the strategy	Critical	High	1 Approval of the organisational structure	Cancelled due to Disestablishment SWA
					2. Fill positions according to priorities	Cancelled due to Disestablishment SWA
4	Promote Governance and Active Citizenry	IT Infrastructure not supporting the operations of the organisation	Critical	High	Procure the IT solution to improve SWA IT infrastructure.	Cancelled due to Disestablishment SWA
5	Promote Sustainable Service Infrastructure and Human Settlement Management	Non-reduction of unaccounted for water	Critical	High	1. Inspections to be made on new developments (mainly RDP as it is the main contributor of water loss)	Completed
					2. Establish relationship with Housing Company Tshwane (for new connections) and CoT Housing and human settlement department during the planning phase	Cancelled due to Disestablishment SWA
					3. Study to investigate illegal connections on areas where our network runs through other municipalities (Appointing consultants)	Cancelled due to Disestablishment SWA
					4. Relocation of meters from inside the yard to outside yard	In progress
					5. Conduct study on Water Conservation and Demand Management	Cancelled due to Disestablishment SWA

No.	Strategic Objective	Risk	Inherent Risk	Residual Risk	Management Action	Progress
6	Promote Sustainable Service Infrastructure and Human Settlement Management	Failure to continuously comply with the effluent quality standard	Critical	High	1. Implement the preventative maintenance plan	Completed
					2. Implement the following measures to improve security at WWTW: a) Monthly monitoring of the securing contract b) Participate in a CoT transversal security contract for electronic security	Completed
					3. Capacitate the WWTP in terms of regulation 17 Water Service Act requirements	In progress

Risk Management Processes

SWA adopted the Public-Sector Risk Management Framework from National Treasury and the King III report on Corporate Governance to ensure that risk management processes within SWA are streamlined to best practices.

An assessment of the risks SWA faces is undertaken annually. This process strives to achieve the identification of the critical risks the entity may face to enable it to formulate appropriate risk strategies and action plans to mitigate and address these risks where necessary.

To ensure SWA's future sustainability, we have looked at risks facing the entity across our major risk categories, these being Strategic risk, financial risk, Operational risk, Governance risk and Information Technology risk.

SWA management owns the responsibility to ensure that risk management strategy and policy is implemented. They do this by taking active responsibility in the risk management process.

SWA's Risk Management and Internal Control Unit, Internal Audit and the Audit Committee Functioning

The Board has delegated the responsibility of creation and monitoring of risk management to the Governance Risk Finance Committee (sub - committee of the board) and the CoT Risk Management Committee (sub-committee of the APC) and Audit and Performance Committee for reviewing the effectiveness of risk management and internal control. The Committees uses information drawn from a number of different sources to carry out this review:

SWA uses that CoT Internal Audit function which provides objective assurance – their annual work plan is developed in conjunction with management and focuses on key risks and key internal controls. In light of Internal Audit's recommendations, management develops and implements corrective action plans, which are tracked to completion by Internal Audit at CoT and internal control unit at SWA, with the results reported to Executive Management, Audit and Performance Committee and the Board;

SWA had its own Risk Management department prior to its incorporation to the City of Tshwane. SWA risk management department has developed the risk and control validation model as part of the risk management strategy together with the CoT Group Audit & Risk Department to ensure the accuracy of the risk register before it is reported to the internal and external stakeholders. The validation is concerned with the results across the spectrum of the organization

Managers are responsible for the identification and effective management of all risks in their areas of responsibility, and how they will mitigate risk through enhancement of the internal control measures applied in their respective area of operations. Further objective assurance is provided by the external auditors and other external specialists.

2.2.1.3 ENTITY'S SUPPLY CHAIN PROCESSES AND PROCEDURES

In terms of the Constitution, the procurement of goods and services must be done in accordance with a system that is fair, equitable, transparent, competitive and cost effective.

SWA has developed and implemented a Supply Chain Management Policy which is aligned to the City of Tshwane's policy and approved by its Board of Directors. The Supply Chain Management Policy sets out ethical and sound procurement practices to be followed by all staff involved in procuring of goods and services, to ensure value for money outcomes for SWA.

The practices in the policy are based upon and supplement the General Procurement Guidelines issued by the Minister of Finance and are to apply to purchases of goods, services, consultancies, specialized equipment etc. The development and implementation of the policy document therefore, represent a significant milestone towards facilitating the SWA's contribution towards the development and promotion of emerging and previously marginalized service providers/suppliers as well as provide a framework that satisfies the constitutional requirement of transparency and accountability. This Policy document will be subjected to changes/amendments, as new SCM prescripts are introduced/ put in place.

The SCM unit was established in September 2005 and which monitors the implementation of the entity's SCM policies in line with the regulations which seeks to modernize financial governance and improve accountability and transparency in the entity's processes. The entity's SCM policies provide for the exclusion of awards persons in the service of the state subject to the exemptions and regulations issued by National Treasury from time to time.

One of the challenges in SCM is that the unit still faced capacity constraints.

Table 2: SWAs supply chain committees and functions

Supply Chain Management Committees:	Guidelines	Functions and purpose of the Committee	No of Meetings targeted	Actual	Reasons	Intervention/ Action Taken
Bid Specification Committee	SCM Regulations 27	To develop and approve the bid specification	46	12	SWA Disestablishment	Advertised Bids were cancelled due to SWA Disestablishment
Bid Evaluation Committee	SCM Regulations 28	To evaluate the bids received, which include verification of the capacity/ability of the bidder to execute the contract from a technical, managerial and financial perspective, and to make recommendations to the BAC.	46	2	SWA Disestablishment	Advertised Bids were cancelled due to SWA Disestablishment
Bid Adjudication Committee	SCM Regulations 29	The BAC assesses the process followed by the BEC by making recommendations to ensure that the SCM policy and all other relevant legislative requirements have been complied with, and it makes the final award or	46	2	SWA Disestablishment	Advertised Bids were cancelled due to SWA Disestablishment

		recommendation to the CEO				
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Table 3: SWA's Bid Adjudication Committee Structure and non-compliance with the requirements

Supply Chain Management procurement threshold and delegations (Table 10) Value of Purchase	Procurement method and requirements	Delegated Authority	Oversight role	Procurement requirements defaults	Reasons	Intervention/ Action Taken
0 to R2,000	Petty Cash	Accounting Officer	Board of Directors	None	N/A	None
R2 0001 to R10 000	Request for Quotation (RFQ)/ Formal Written Price Quotation	Accounting Officer	Board of Directors	None	N/A	None
R10,000 to R30 000	Request for Quotation (RFQ)/ Formal Written Price Quotation	Accounting Officer	Board of Directors	None	N/A	None
R30 001 to R200 000	Request for Quotation (RFQ)/ Formal Written Price Quotation	Accounting Officer	Board of Directors	None	N/A	None
Tenders above R200 000 to R10 million and long term contracts	Bid	Accounting Officer	Board of Directors	None	All advertised bids were cancelled due to SWA Disestablishment	No awards were made
Tenders above R10 million	Bid	Accounting Officer	Board of Directors	None	No bids above R10 million were advertised	No awards were made

Introduction

Service Delivery Agreement (SDA) Between the Entity and the City of Tshwane

The existing Service Delivery Agreement signed in 2011 between SWA and the CoT ended in March 2016 and was never renewed. As a result the Council on the 27 October 2016 resolved that SWA be disestablished effective the 31 October 2016. It was further resolved that the functions performed by SWA including, personnel, assets and other resources will be transferred to the respective departments within the City of Tshwane.

Highlights and Achievements Operations

To continue providing water, but also to alleviate the misuse thereof, the entity introduced water management devices (WMDs). The devices were discontinued due to problems encountered, the device will not retrieve water as expected and more complaints were received as it was not operating as required. Management took a resolution to replace the water management devices with water restrictors and the key performance indicator was transferred to Finance department for implementation of water restrictors.

Waste Water Treatment Works (WWTW)

The WWTW is still experiencing a spate of cable theft and vandalism, which results in the breakdown of treatment processes and the discharge of non-compliant effluent into the water courses. Because of such non-compliance, the National Department of Water and Sanitation has issued pre-directive and directives in terms of section 19 (3) of National Water Act No. 36 of 1998, to the City of Tshwane (CoT), for failure to take reasonable measures to prevent pollution from occurring from the WWTW. The pre-directive was issued for Rietgat WWTW, directives were issued for Klipgat and Sandspruit WWTW.

Maintenance Implementation Plan was developed to improve the conditions at WWTW and to address issues raised in the directives.

Approval was granted by CoT for SWA to use the maintenance service providers having contracts with CoT, to address outstanding and non-procured maintenance repairs at SWA WWTW's.

Approval was also granted by CoT to fill the critical, vacant funded positions at Klipgat and Temba WWTW. SWA HR department has internally advertised posts on the 19 May 2017, to fill these positions. Shortlisting of applicants and their interviews were conducted and completed on 28.06.2017. The appointments to these positions will assist staffing of both Babelegi and Sandspruit WWTW.

Maintenance

Extensive electrical and mechanical maintenance was carried out at WWTW, resulting in most of the critical equipment in operation. This will improve the overall effluent quality and subsequent compliance, thus addressing the pre-directives and directives issued by DWS. The maintenance progress reports are attached as annexures A to E.

Security

Security at WWTWs is still a major problem. CoT Utility Services Department was engaged, requesting assistance with the security. Tshwane Metro Police Department was also requested to assist with the security at the WWTWs.

Community Outreach Programme (GAZEBO SERVICES)

SWA interacted with the community in 18 areas in MAWIGA through placing Gazebo Services in respective wards, with the involvement of Ward Councillors and intention of addressing all reported water and sanitation queries. Billing issue has also been a burning matter in MAWIGA communities for some time and through these programme, SWA will ensure that reported billing queries are recorded and addressed. Some of the reported queries were addressed on the instantly and this aided in addressing long outstanding billing and meter related queries



National Water Week 2017

SWA as a service provider of Water and Sanitation within MAWIGA also participated in the initiative by distributing pamphlet in all MAWIGA shopping centres. The exercise was meant to create awareness and education on water savings tips and tips on sanitation issue. Pamphlets were also distributed at strategic places such as Clinics, Car Wash, Taverns, shops, etc.



MAYORAL IMBIZO

The above Imbizo took place in Winterveldt, in April 2017, to address community concerns by the Mayor. . He was accompanied by the Ward Councillor, members from his Mayoral cabinet and some officials from the City. No major concerns around water and sanitation issues were reported.



Mandela Day

SWA together with its key stakeholders ODI Community hospital clinic –Bokamaso and Total Garage in both Mabopane and Garankuwa celebrated the birth of the late icon Mr. Nelson Mandela by donating pampers, milk and kiddies bed at Charlene’s place of safety at Zone 7, Garankuwa.



STAKEHOLDER MANAGEMENT

STAKEHOLDER ENGAGEMENTS

Engagements with SWA Key stakeholders took place through community meetings and stakeholder forums in MAWIGA. During these meetings, the department addressed community concerns and ensured that raised issues outside the mandate of the department are escalated to relevant sister departments. All these engagements occurred in all wards in MAWIGA. 54 meetings to be precise, took place. It is a highlight as, as per business plan, the department was expected to attend to 40 stakeholder meetings, addressing community concerns and an additional 14 meetings took place.

Meter related queries, sewerage blockages and inconsistent billing were raised as concerns.

During these engagements, customers were also informed on Unwinding of SWA, closure of NTI offices where SWA was operating from, payment of services, different methods of communication by SWA with communities during water interruptions and any other current news in SWA deemed necessary to share with stakeholders at that time.

3.1 PERFORMANCE AGAINST SCORECARD FOR THE SANDSPRUIT WORKS ASSOCIATION FOR 2016/17

3.1.1 Performance Overview

SWA's performance is set against the 2016/17 business plan and the implementation of the approved Debt Collection Strategy as well as the background of the 27th October 2016 Council resolution of disestablishing SWA.

SWA performance during the first 6 months resulted in the entity revising the business plan for 2016/17 to ensure alignment with the City's Integrated Development Plan and Service Delivery and Budget Implementation Plan. The Entity proposed amendments to its scorecard to ensure that the Key Performance Indicators are drafted in terms of SMART principle. Additional to the exercise was that SWA was in the process of Disestablishment as per Council Resolution dated 27 October 2016 thus some of the Key Performance Indicators were no longer applicable since SWA will be absorbed by the City.

Therefore, SWA 12 Key Performance Indicators have been reduced to 9 in the 3rd and 4th quarter of the 2016/17 financial year. The table below shows progress against the 12 indicators of which 2 indicators have been cancelled, 4 are not achieved and 6 have been achieved.

Table 4: Performance against the Business Plan targets for 2016/17 financial year

Strategic Objective	Department Division	Key Performance Area	Not Revised/ Revised 2016/17 Target	Baseline	2016/17 Actual Performance	Budget FY 2016/17 R'000
Promote Sustainable Service Infrastructure and Human Settlement Management	Operations	Achieve an annual target of 20% Non-Revenue Water	20%	20%	25.26%	40 000
Promote Shared Economic Growth and Job Creation	Finance	Outsourcing 40 % job opportunities to SMME's (30%)and Co-operatives (10%) annually	40%	Target 40%	44.92%	3 000

Ensure Sustainable, Safer City and Integrated Social Development	Operations	Reduce the number of registered indigents who consume in excess of the allocated basic water consumption (12kl) The WMD's were replaced by water restrictions in Q3 & Q4	45% for Q1 & 2 and 891 for Q3 & Q4	New Indicator	Q1 & Q2 = 22.39% Q3 & Q4 = 1366	5 000
Promote Governance and Active Citizenry	Finance	Financial Compliance in terms s87 (11) of the MFMA annually	100%	100%	100%	760
Promote Governance and Active Citizenry	Finance	SCM Compliance in terms of Regulation 12 and 36 of the SCM regulations	100%	100%	100%	760
Promote Governance and Active Citizenry	Risk	100% of Mitigation Strategies monitored against Approved Risk Register	100%	New KPI	100%	800
Promote Governance and Active Citizenry	Marketing	Branding	100%	New KPI	Cancelled	0
Promote Governance and Active Citizenry	Marketing	Stakeholder meetings per ward to discuss community concerns (currently MAWIGA have 10 wards)	40	31	54	600
Improve Financial Sustainability	Finance	Achieve Revenue collections of 75% Annually	75%	75%	45%	222 728
Continued organizational Development, Transformation and Innovation	Human Resource	Implement the Reviewed Approved Organizational structure	100%	New KPI	Cancelled	0

Promote Governance and Active Citizenry	Company Secretary	Compliance with Section 33, Section 16 of Companies Act 71 of 2008 and Board governance documents.	1	New KPI	100%	700
Promote Governance and Active Citizenry	ICT	IT Compliance in terms COBIT, KINGIII & ITIL.	100%	New KPI	90.97%	700

3.1.2 Performance Assessment (Scorecards)

Indicate targets not achieved, reasons for non-achievement and corrective measures.

Department	Key performance indicator	Revised/ Not Revised Annual Target	Reasons for non-performance	Mitigation plan
Operations	Achieve an annual target of 20% Non-Revenue Water	20%	Most of the bulk meters are malfunctioning (not reading), whereby reading are estimated for more than three months which is contributing to non-revenue water.	Purchasing through quotations and replacement of all those bulk meters that are malfunctioning.
Operations	Reduce the number of registered indigents who consume in excess of the allocated basic water consumption (12kl)	45% for Q1& Q2 891 for Q3 & Q4	Community unrest and intimidation.	Request escorting from Tshwane Metro Police when installing water restrictors.
Finance	Achieve Revenue collections 75% annually	75%	Measures implemented are inadequate to create a culture of a paying customer.	Implementation of Debt collection strategy and monitoring thereof to be done.
ICT	IT Compliance in terms COBIT, KINGIII & ITIL.	100%	There were no records for POE for the month of November, due to the move to CoT network, hence the drop in target.	IT will follow up and do continuous monitoring of outstanding requests.

3.1.3 Performance Improvement Measures

The entity performance indicators are reviewed by the auditors before the business plan is finalized together with the standard operating procedures. Furthermore, on a quarterly basis the performance report is sent to the auditors for quality assurance to ensure continuous improvement.

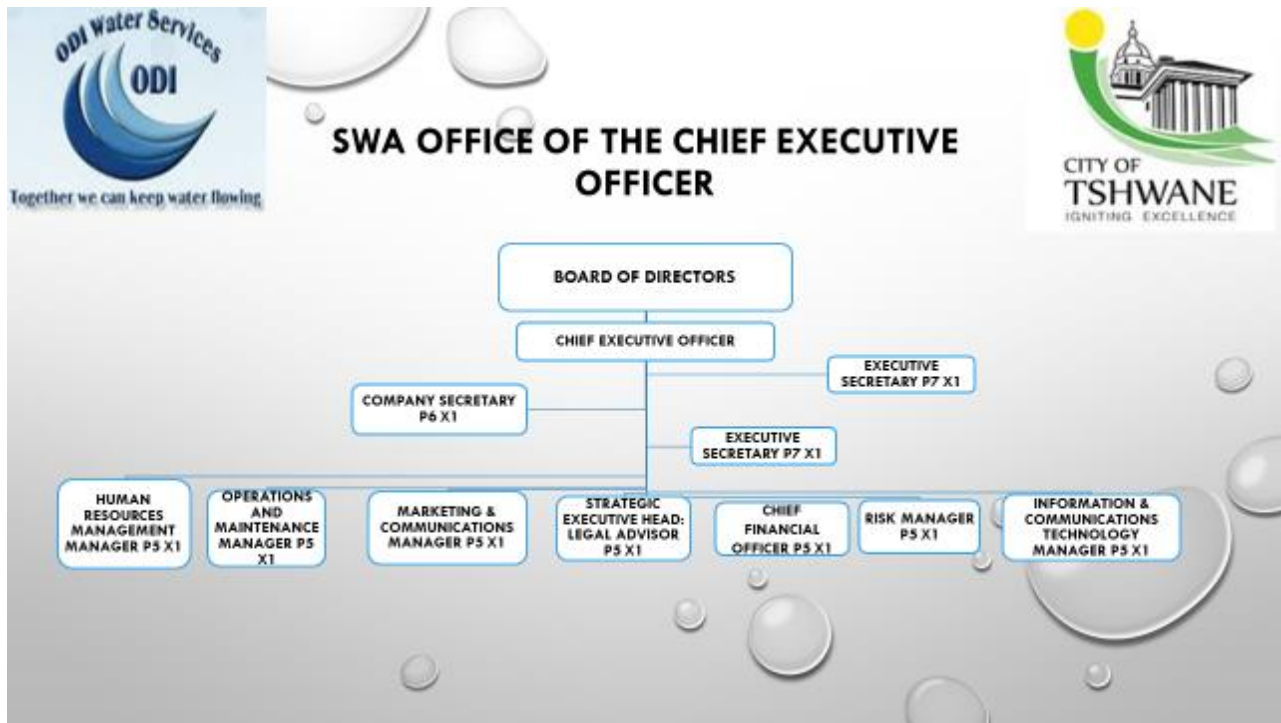
CHAPTER 4 ORGANISATIONAL DEVELOPMENT PERFORMANCE

INTRODUCTION

This chapter provides in-depth information pertaining the entity's staff development, including, Skills development programmes, training academies operationalized by the entity. Circular 63 prescribes that data should be collected as follows and guided by the National Treasury annual report template:

The total number of employees and posts as at 30 June 2017 is 252

4.1 SWA ORGANOGRAM AND STAFF COMPONENT



4.2 MANAGING THE ENTITY'S WORKFORCE

4.2.1 Totals on injuries, sicknesses, suspensions, capacity building, employee expenditure, skills development and training

Total on injuries = 7
4 Females
3 Males

Staff movements	African		Coloured		Indian		Whites	
	Male	Female	Male	Female	Male	Female	Male	Female
Appointments	5	11	0	0	0	0	00	00
Resignations	01	01	0	0	0	01	01	00
Suspension	00	00	00	00	00	01	00	00
Sick leave	00	00	00	00	00	00	00	00

: Training and Development

Description	Training Activity	Institution	Cost					Female				Total	
				A	C	I	W	A	C	I	W		
AET	Level 2	City of Tshwane	R 0.00	3									3
AET	Level 3	City of Tshwane	R 0.00	2				1					3
AET	Level 4	City of Tshwane	R 0.00	2				3					5
Diploma	Office Practice	Tshwane South College	R 2,520.00					1					1
Short Course	Risk Management	UNISA	R 5,244.00					1					1
B-Tech	Civil Engineering	TUT	R 8,080.00	1									1
Degree	LLB	UNISA	R 7,447.40	1									1
Diploma	ODTETD Practices	Institute of People Dev.	R 44,460.00					1					1
Short Course	Compliance Management	UCT	R 16,900.00					1					1
Post-Grade Diploma	Risk Management	UNISA	R 18,500.00					1					1
B-Tech	Civil Engineering	UNISA	R 11,695.00	1									1
Short Course	Bid Committee	NSG	R 114,000.00	10				14					24
TOTALS			R 228,846.40	20	0	0	0	23	0	0	0	0	43

4.2.2 Employee expenditure

4.2.3 SWA'S employee totals, vacancies turnover

Position	Status	Plan
Employee total: 252	Positions filled	Transferred to City of Tshwane
Vacancies: 21	Vacancies	Transferred to City of Tshwane
Turnover :7	Turnover	

4.2.4 EEA report on (Female positions, people with disabilities,

Female positions	97
People with disabilities	1

4.2.5 No of approved positions, filled and vacancies

Units	Total Nr of posts	Nr of filled posts	Nr of vacancies
Chief Executive Officer	3	2	1
Finance Department	86	83	3
Human Resources Department	10	6	4
Operations Department	87	86	1
Marketing & Communications	29	26	3
Legal Department	4	2	2
Risk Department	5	3	2
ICT Department	3	3	0
WWTW Temba	17	15	2
WWTW Klipgat	29	26	3
TOTAL	273	252	21

4.2.6 Highlights, challenges and interventions

4.3 SWA'S TURN AROUND STRATEGY ON RECRUITMENT

The entity's turnaround strategy on recruitment, for the 2016/17 financial year did not materialize due the disestablishment of SWA as per Council Resolution dated 27 October 2016.

4.4 DISCLOSURES

4.1.1 In order to ensure good governance practices, the following tables discloses the remuneration packages of the entity's executives for the 2016/17 financial year.

Names	Basic Salary	Company Contributions									JULY 2016-JUNE 2017	
		Vehicle Allowance	Cellphone Allowance	Medical contribution	Retirement Fund Contributions	Risk Benefits	Housing Bond /Allowance	UIF	SDL	Spouse Cover	Acting Allowance	Total
A.G Singo (HR Manager)	491 720.00	231 384.00	13 392.00	64 671.60	72 663.24	48 876.12	53 957.28	1 784.64	8 615.04	3 195.24		990259.16
BZB Zwedala(Acting CEO)	-	-	-	-	-	-	-	1 784.64	2 400.00	-	240.000.12	42141.44
A.T Phiri(Acting CFO)	-	-	-	-	-	-	-	970.68	970.68	-	97 052.60	26771.52
S Baronian(Operations Manager)	609 768.00	231 384.00	13 392.00	78 338.40	74 879.52	50 366.88	45 240.84	1 784.64	8 830.68	3 292.80		1117277.76
G.J Modise (Marketing Manager)	491 720.00	231 384.00	13 392.00	70 291.20	72 663.27	48 876.12	31 538.04	1 784.64	8 447.04	3 195.24		973291.55
L.MDichaba (Risk Manager)	491 720.00	231 384.00	13 392.00	64 671.60	72 663.27	48 876.12	28 461.36	1 784.64	8 360.16	3 195.24		964508.39
S.F Mathibela (ICT Manager)	583 020.00	231 384.00	13 392.00	70 291.20	71 594.88	48 876.12	53 150.64	1 784.64	9 114.72	3 148.92		1085757.12
E.G Molefe (Company Secretary)	482 592.00	201 984.00	12 012.00	21 646.80	59 262.24	39 862.08	28 452.00	1 784.64	6 676.80	-		854 272.56
Total	3 150 540.00	1 358 904.00	78 972.00	369 910.80	423 726.42	285 733.44	240 800.16	13 463.16	53 415.12	16 027.44		5 991 492.54

4.5 REMUNERATION AND ETHICS COMMITTEE

	HR-REMCO	ACHIEVEMENT S& SUCCESSES	SOCIAL AND ETHICS	ACHIEVEMENTS & SUCCESSES
QUARTER	MANDATE		MANDATE	
Jul-Sep 16	The role of the Committee is to assist the board to ensure that: The directors, executives and prescribed officers are remunerated fairly and responsibly with	Monitoring the implementation of the HR policies approved in 2015 especially the Performance Development Policy.	The role of the committee is to monitor the entity's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters	Monitoring the implementation of the approved policies in 2015 and managing the ethical conduct of management.
Oct-Dec 16	the long-term interests of the company in mind; the remuneration report and disclosure of director and other executive remuneration is simple to read and understand, accurate and complete; and an effective remuneration policy is in place, aligned with the company's strategy, and is applied consistently throughout the entity at all employee levels.	The Board Subcommittee were disestablished due to the retirement of 2 Board Members by the Shareholder that led SWA to be left with only 3 Board members.	relating to: social and economic development, including the entity's standing in terms of the goals and purposes, good corporate citizenship, Stakeholder management, consumer relationships, including the entity's advertising, public relations and compliance with consumer protection laws; Ethics and legal compliance.	The Board Subcommittee were disestablished due to the retirement of 2 Board Members by the Shareholder that led SWA to be left with only 3 Board members.
Jan-Mar 17				
Apr-June 17				

4.6 DIRECTOR'S REMUNERATION

The remuneration of Non-Executive Directors is determined by the City of CTMM through its Remuneration Policies. The Remuneration Policy is intended to guide Municipal Entities (ME) of the CoT in the recruitment, retention and motivation of a consistently high performing human resource, thereby contributing to the achievement of the short and long term objectives of the MEs. Below is the year to date remuneration of SWA's Non- Executive Directors:

4.6.1 SWA's Board of Directors

Table 5: Table: SWA Board of Directors

Director s	Jul	Aug-	Aug-Retaine r 2015-16	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	June-Retainer 2016-17	Total
Ms Zandile Kabini	0	53440	53000	0	21376	18704	0	32064	0	0	32064	0	21376	53 000	285 024
Mr Lucky Bokaba	26720	32064	27000	0	40080	10688	0	0	0	0	0	0	0	0	136 552
Mr Victor Maboka	26720	42752	27000	0	40080	5344	0	0	0	0	0	0	0	0	141 896
Adv. Billy Malatji	26720	40080	27000	0	32064	5344	0	13360	0	0	21376	0	13360	27000	206 304
Mr Zwe Ndlala	26720	29392	27000	0	40080	10688	0	24048	0	0	21376	0	13360	27000	219 664
Total	106880	197728	161000	34736	173680	18704	0	69472	0	0	74 816	0	48096	107000	R989 440

4.7 SWA'S BOARD COMMITTEE MEETINGS 2016/17 FINANCIAL YEAR

4.7.1 Board Committee Meetings 2016/17 Financial Year

Table 6: Table: SWA Board Committee Meetings

Name	Regular Board Meeting	Special Board Meeting	APC	Gover nance Risk and Finance	Special Governan ce Risk and Finance	Operation s	Social and Ethics	HR-RemCo	AGM 2015-16 05 August	MMC Special Meeting	Chairper son's Quarterl y Meeting	Total
Z Kabini	5	3	2	0	0	0	0	0	1	1	0	12
CV Maboka	2	2	0	2	1	2	2	0	1	0	0	12
LN Bokaba	2	2	0	0	0	2	2	2	1	1	0	12
AZ Ndlala	5	2	0	2	1	2	0	2	1	1	0	16
Adv B Malatji	5	2	0	2	1	0	2	2	1	0	0	15

*# Mr. Lucky Bokaba was retired on 30 November 2016 by Council Resolution dated 27 October 2016

*# Mr. Victor Maboka was retired on 30 November 2016 by Council Resolution dated 27 October 2016

Table 7: Human Resources Head count per unit

Units	Total Nr of posts	Nr of filled posts	Nr of vacancies
Chief Executive Officer	3	2	1
Finance Department	86	83	3
Human Resources Department	10	6	4
Operations Department	87	86	1
Marketing & Communications	29	26	3
Legal Department	4	2	2
Risk Department	5	3	2
ICT Department	3	3	0
WWTW Temba	17	15	2
WWTW Klipgat	29	26	3
TOTAL	273	252	21

Table 8: Training and Development

Description	Training Activity	Institution	Cost					Female				Total	
				A	C	I	W	A	C	I	W		
AET	Level 2	City of Tshwane	R 0.00	3									3
AET	Level 3	City of Tshwane	R 0.00	2				1					3
AET	Level 4	City of Tshwane	R 0.00	2				3					5
Diploma	Office Practice	Tshwane South College	R 2,520.00					1					1
Short Course	Risk Management	UNISA	R 5,244.00					1					1
B-Tech	Civil Engineering	TUT	R 8,080.00	1									1
Degree	LLB	UNISA	R 7,447.40	1									1
Diploma	ODTETD Practices	Institute of People Dev.	R 44,460.00					1					1
Short Course	Compliance Management	UCT	R 16,900.00					1					1
Post-Grade Diploma	Risk Management	UNISA	R 18,500.00					1					1
B-Tech	Civil Engineering	UNISA	R 11,695.00	1									1
Short Course	Bid Committee	NSG	R 114,000.00	10				14					24
TOTALS			R 228,846.40	20	0	0	0	23	0	0	0	0	43

4.8 MANAGEMENT OF LEAVE

Table 9: Leave Records

Types of leave	2016/17			Days
	Description	Total Sick Leave	On special and sick leave (medical certificate provided, death certificate and study leave info)	
Vacation Leave	Vacation Leave	12868	YES.	12868
Sick Leave	Sick Leave	1817	YES.	1817

4.9 HUMAN RESOURCES

Human Resources

Table 10: Staff movements

Staff movements	African		Coloured		Indian		Whites	
	Male	Female	Male	Female	Male	Female	Male	Female
Appointments	20	39	0	0	0	0	00	00
Resignations	01	01	0	0	0	01	01	00
Suspension	00	00	00	00	00	01	00	00
Sick leave	00	00	00	00	00	00	00	00

Table 11: Employee totals, vacancies and turnover

Position	Status	Plan
Employee total: 252	Positions filled	Transferred to City of Tshwane
Vacancies: 21	Vacancies	Transferred to City of Tshwane
Turnover :7	Turnover	

5 FINANCIAL PERFORMANCE

5.1 ENTITY'S FINANCIAL PERFORMANCE

Introduction

The aim of this chapter is to provide an overview of the financial performance of the entity. It further provides an opportunity for planning, so as to ensure that future budgetary allocations and functional area activities and outputs.

5.2 SUMMARY OF THE ENTITY'S MTREF RESULTS FOR 2016/17 FY

The department must provide summary of capital and operational expenditure for water related services, as per the following tables:

Table 12: Budget expenditure

Budget Items	2015/16 Budgeted	2015/16 expenditure	2016/17 Budgeted	Actual expenditure 2016/17
Operating expenditure	1,600	1,209	3,130	1,888
General expenditure	379,893	416,797	393,649	411,958
Capital budget				
Salaries and Wages	104,812	94,208	91,105	98,275
Totals	486,305	512,214	487,884	512,121

NB: Operating expenditure relates to all expenses incurred in the procurement of any capital items other than the service delivery capex. This includes amongst others, furniture, computer equipment and others.

NB: General expenditure relates to all expenses incurred by the entity to enable functioning.

5.3 INTRODUCTION TO SPENDING AGAINST CAPITAL AND OPERATIONAL BUDGET

5.3.1 Capital budget

SWA does not have capital budget.

5.3.2 Operating budget

The department must provide summary of operational budget expenditure per group for the MTREF.as per the following table:

Table 13: Opex budget per group

Description	2016/17	2016/17
	Approved Budget	Expenditure
Employee related costs	91, 105	98, 275
Debt impairment	56, 762	142,194
Depreciation	3,130	1,888
Finance charges	0	0
Bulk Purchases	207,873	225,367
Other materials	10,980	2,950
Contracted services	46,612	21,651
Transfer & grants	0	0
Other expenditure	71,422	19,796
Loss on disposal of PPE		
TOTAL EXPENDITURE	487,884	512,121

5.3.4 Staff vs Contracted Services Expenditure

The table below shows the human resource expenditure in terms of staff and contracted services.

Table 14: Staff vs Contracted Services Expenditure

DESCRIPTION	2015/16 Expenditure	2016/17 Approved Budget	2016/17 Expenditure
Salaries and Wages	104,812	91,105	98,275
Contracted Services	21,116	46,612	21,651
TOTALS	125,928	137,717	119,926

5.4 REVENUE

SWA 2016/17 financial year revenue target was not met due to the following:

The mitigation measures that are in place to address non-achievement of revenue:

KPI	Annual Target	Actual Target	Reasons target not met	Mitigating measures
Achieve Revenue collections 75% annually	75%	45%	Poor consumer data Long outstanding water meter queries Outdated financial system Non-or late delivery of statements / invoices by Service Provider Partial implementation of Credit control and debt management Sporadic community intimidations The culture of non-payment Unemployment rate	Implementation of Debt collection strategy and monitoring thereof to be done. Negotiate transversal contracts with the CoT e.g. on Debt Collection Termination of poor performing Service Providers as at 31 December 2016. e.g. Meter reading company Internal customer data verification Revision of annual target considering current economic situation.

5.5 ASSETS

Asset register of SWA comprises of Non-current assets with the total book value of R4,765m and Property, Plants, Equipment with book value of R4,725m and Intangibles of R40 thousand. Monthly reconciliation of assets is done and quarterly review is performed by the internal audit to ensure accuracy and reliability of the financial statement and the Annual Report.

Sandspruit Works Association - Table F4 Monthly Budget Statement - Financial Position - M12 June

Vote Description	2015/16	Current Year 2016/17			
	Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands					
ASSETS					
Current assets					
Cash	12,510	17,786	18,710	7,399	18,710
Call investment deposits	–	–	–	–	–
Consumer debtors	15,875	13,456	13,456	51,406	13,456
Other debtors	19,963	55,000	55,000	577,371	55,000
Current portion of long-term receivables	–	–	–	–	–
Inventory	3,478	3,826	3,826	3,424	3,826
Total current assets	51,827	90,068	90,992	639,601	90,992
Non current assets					
Long-term receivables	–	–	–	–	–
Investments	–	–	–	–	–
Investment property	–	–	–	–	–
Property, plant and equipment	22,116	15,494	15,494	4,725	15,494
Agricultural	–	–	–	–	–
Biological	–	–	–	–	–
Intangible	–	5,000	5,000	40	5,000
Other non-current assets	–	–	–	–	–
Total non current assets	22,116	20,494	20,494	4,765	20,494
TOTAL ASSETS	73,943	110,562	111,486	644,366	111,486

CHAPTER 6 AUDIT MATTERS

6.1 INTERNAL AUDIT

6.1.1 Findings for FY 2015/16

Indicate Internal Audit findings for financial year 2015/16 and how they have been addressed.

Audit area	Measures put in place
Customer Relations management	Customise SWA CRM booklet to CoT CRM booklet A spreadsheet for customer queries is created which is updated weekly so that this can serve as a backup should the current book get lost
Water Infrastructure Maintenance	The maintenance plan has been developed
Water loss Management	An operations sustainability strategy document was developed and approved by the board in April 2016 to assist in terms of measures relating to water loss Data cleansing exercise was implemented to cleanse the data
Payroll	Review of the organizational structure All terminations will be submitted on monthly basis to Finance Department (payroll section)
Poor quality of water / final effluent from the plants	Transversal contract with CoT's electrical maintenance contractor: Replacement of stolen cables and repair of faulty equipment:
Stirrers and reactors not working	Maintenance implementation plan compiled to repair all faulty equipment.

6.1.2 Finding for FY 2016/17

The SWA audit plan for 2016/17 financial year was approved by the Audit and Performance Committee, however it did not materialize due to the disestablishment of SWA by Council Resolution date 27 October 2016.

6.2 AUDITOR GENERAL

6.2.1 Response to AG findings for FY 2015/16

2015/16 SWA MANAGEMENT LETTER ACTION PLAN

Table: Action Plan based on Auditor General's report of 2015/16

CLASSIFICATION	NUMBER OF FINDINGS
Annexure A: Matters affecting the audit report	3
Annexure B: Other important matters	22
Annexure C: Administrative matters	0
TOTAL	25

Ref nr	Finding	Recommendations by AG	Action plan	Responsible person	Due date	Progress
ANNEXURE A: MATTERS AFFECTING THE AUDITOR'S REPORT						
A.1	Limitation of scope-Reduce the number of indigents who consumes in excess of the allocated basic consumption 12kl	Management should ensure all information required for audit purposes should be furnished within the agreed timelines as per engagement letter.	SWA will not register new application without an application form. Furthermore, SWA is restricting water using devices similar to those used for credit control purpose and not the Water Management Devices (WMD)	Chief Financial Officer	Immediately	Completed

A.2	At least 3 quotes were not obtained and deviation not approved for goods and services procured between R2000 and R10 000.	Management should determine the full extent of the understatement of the irregular expenditure (three quotes not received and deviation not approved. Furthermore, amend the SCM policy to address all applicable requirements that are presently omitted which could have an impact on compliance with applicable requirements. And also, improve controls in the review and monitoring of compliance with applicable legislation.	Management Noted the comment from AG and No services will be procured without three quotations.	SCM Manager and Acting CFO	Immediately	Completed
A.3	At least 3 quotes were not obtained and deviation not approved for goods and services procured between R30 000 and R200 000.	Management should ensure that follow up with invited services providers is done daily before closing date to ensure that three quotations are obtained.	Management Noted the comment from AG and No services will be procured without three quotations.	SCM Manager and Acting CFO	Immediately	Completed
ANNEXURE B: OTHER IMPORTANT MATTERS						
B.1	Incorrect classification of training expenses as collection costs in the financial statement	Management should ensure during the mapping of trial balance expenses are correctly classified in the AFS.	Management notes the finding however no changes will be made because the	Acting Chief Financial Officer	30-Jun-17	Completed

B.2	Cut-off - Invoices recorded in the incorrect period.	Management should ensure that proper review of the financial statements is done before they submit for audit.	finding is based on supplementary schedule which does not form part of the AFS.			
		Management should prepare a prior error in terms of GRAP 3, disclosing the circumstances surrounding this issue and restate the comparative amounts for the prior year. And also, review existing policies and procedures to ensure that the policies and procedures address all business process of the entity (e.g. the recording of invoices received after the financial year end for goods and services received before year end as accruals) to enable and support an understanding and execution of internal control objectives, processes and responsibilities.	Management agrees with the audit finding. The amount is considered immaterial and will not have a negative effect on the fair presentation of the AFS as it will not impact on the future financial years. Furthermore, to ensure that there's no future occurrence.	Acting Chief Financial Officer	30-Jun-17	Completed

B.3	Independent reviews of administrator	IT management should develop and implement an IT strategic plan to govern IT goals and activities and ensure that key process is established to ensure that system controller activities are periodically reviewed.	There are processes in place to ensure that activities of the system administrator are reviewed. On regular basis, users list is drawn to check which users are having access to which system. There is approved SWA IT strategy in place and the implementation of thereof. No action plan as current processes and procedures are still effective.	IT manager	N/A	Completed
B.4	Backups are not stored at an off-site location.	Management should ensure that backups and restoration processes are established to ensure IT services continuity.	Backups and restoration processes are established and well documented and approved by	IT Manager	31 st Aug 2017	

		<p>Management should ensure that backups are stored off-site in order to ensure business continuity in the event of a disaster.</p>	<p>the board. The current situation will stand until the entity is on SAP a project driven by the City of Tshwane, then backups will move to a different location. It is on the process of relocating the servers to Mabopane Block X offices or Ga – Rankuwa Zone 5 offices. It is on the process of relocating the servers to Mabopane Block X offices or Ga – Rankuwa Zone 5 offices.</p>			
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B.5	Valuation- Understatement of property, plant and equipment.	Management should perform a thorough assessment of the useful lives of the assets owned by the entity and revise the useful lives accordingly based on the expected future usage of the assets. Management should review existing policies and procedures to ensure that the policies and procedures address all business processes of the entity (e.g. matters applicable to the depreciation and impairment of these assets) to enable and support an understanding and execution of internal control objectives, processes and responsibilities.	Management will assess and implement AG recommendations accordingly. Currently a service provider is assisting SWA	Assets Manager	31-May-17	Completed
B.6	Property, plant and equipment – inadequate replacement of plant and machinery	Management should have and implement effective assets management techniques to ensure that assets are kept under good working condition	Management notes the finding; however, it should be noted that CAPEX programs are the responsibility of the City of Tshwane and the needs analysis in	Acting Chief Financial Officer	N/A	Completed

			<p>this regard is performed by CoT for inclusion in their capital projects budgets.</p>			
B.7	<p>Understatement of revenue from exchange transactions</p>	<p>Management should revisit the population and correct the unrecorded items to ensure that revenue recognized is complete. Furthermore, management should maintain a system of internal controls to ensure that all consumers recorded consumption as per reading files are billed to consumers.</p>	<p>Management notes and agrees with the finding but, however disagrees with the number of accounts should be 1689 and not 11 000. The difference is attributed to the fact that account numbers have each been duplicated several times in the report on which the finding (T1) is based. The investigation will be done to ensure that all consumers are billed. Meter reading is now done by CoT permanent staff as to the previous service provider</p>	<p>Revenue Manager and Acting CFO</p>	<p>Immediately And continuously</p>	<p>On-going</p>

			who was under performing.			
B.8	Limitation of scope – Restriction levy	Management should ensure all information required for audit purposes should be furnished within the agreed timelines as per engagement letter	Management will implement effective and efficient internal controls	Acting Chief Financial Officer	Immediately	Completed
B.9	Occurrence/Accuracy –interest earned could not be traced to the bank statement.	The accounting officer should take care all reasonable steps to ensure that all accounts of the entity are reconciled each month.	Implementation of internal controls to detect and prevent non-reconciling accounts on monthly basis.	Acting CFO	Immediately	Completed
B.10	Scope limitation- Cost of sales	Management should ensure that record keeping is adequate in order to provide the auditors with the required information.	Management does not agree with the finding because the journals and supporting documents in question were	Acting Chief Financial Officer	Immediately	Completed

			presented to AG when they were requested at the execution stage of audit.			
B.11	Incorrect classification – Cost of sales	Management should ensure that there are appropriate controls in place to ensure the correct classification of transactions.	Management notes the finding and will ensure proper classification of transactions. And GL postings	Acting Chief Financial Officer	immediately	Completed
B.12	Payables – limitation of scope	Management should ensure that they have proper control over the safe keeping and filing of all supporting documents for accruals raised.	Management agrees with internal control deficiencies identified. Management will implement internal controls to adequately address the finding.	Acting Chief Financial Officer	Immediately	Completed
B.13	Payables – invoices not accrued for	Management should implement controls to ensure that all the invoices not paid at year end are accrued. Management should also adjust the AFS to reflect the balance not accrued for as stated in the Trade and other Payables.	Management agrees with the finding but will not adjust the AFS as the amount involved is not material. Furthermore, implementation and the monitoring of control	Acting Chief Financial Officer	None	Completed

			measures to avoid the future occurrence will be done.			
B.14	Internal Controls- CEO post not filled for an extended period.	The board should appoint a suitable and qualified CEO for the entity to who will resume the duties of the CEO and bridge the reporting gap.	The recommendation of the AG is noted but the vacant position of CEO will not be filled due to the unwinding processes of SWA.	Company Secretary	30-Jun-17	The recommendation of the AG is noted but the vacant position of CEO will not be filled due to the unwinding processes of SWA.
B.15	Commitments – Differences noted on commitments	Management should revise the commitments note on the AFS and also ensure proper review of commitments register is performed frequently. Ensure proper record keeping is implemented to ensure complete and relevant and accurate information is accessible and available for audit purposes.	Management will implement recommendations of AG.	Acting Chief Financial Officer	Immediately	Completed

B.16	Award made to persons in service of state	Improve controls in the review and monitoring of compliance with all applicable legislation.	SWA agrees with the finding and will implement the internal controls immediately by engaging the City to verify the bids documents.	SCM Manager and Acting CFO	Immediately	Completed
B.17	No rotation of suppliers within Operation Division	Management should ensure that follow up with invited service providers is done before closing date to ensure that suppliers are rotated. All suppliers on the data base should get a chance to provide goods and services to ensure compliance with requirements of the SCM regulations.	Management noted statement and adequate proof was provided to AG to indicate that SWA inherited this during the transition from Daspoort to SWA. No remedial action to be taken.	SCM manager	None	None
B.18	Operating expenses – payments after 30 days	Management should: · Document and implement measures to ensure compliance with Expenditure Management Policy. · Monitor and review adherence to controls to ensure that all invoices are paid within 30 days	Management noted the audit finding regarding the late payment of service provider invoices. In most of the cases recorded in the finding, late payment of invoices is a direct	Finance Admin Manager	Immediately	Completed

		<p>net after date invoice unless specified on the face of the invoice.</p> <p>Should put controls in place to ensure consistence in terms of date in which the invoice was received.</p>	<p>result of suppliers submitting invoices late, evidence is there on the face of the invoices stepped. The other challenge is the Tax clearance certificates which are not validate or expired.</p> <p>AG recommendations will be implemented by verifying Tax clearance certificates.</p>			
B.19	Irregular expenditure understated in the AFS	<p>Management should implement controls to ensure that contracts are coming to the end its term, are extended if there are valid reason to do so six months prior to its expiry date.</p>	<p>Management agrees with the finding and will however not adjust the AFS and furthermore will implement proper controls to avoid future occurrence.</p>	Acting CFO	Immediately.	Completed
B.20	Outsourcing job opportunities to co-operatives	<p>Management should review the calculations and workings performed to determine the annual performance achieved. Management should revise the Annual Performance report</p>	<p>The SMME's and co-operatives reporting must be aligned to BEE spend as per normal procurement processes. The KPI must be</p>	Acting Chief Financial Officer & SCM Manager	As soon as the KPI is changed on the Business plan.	SWA uses the national CSD to appoint service providers

			transferred to SCM once the alignment has been done to comply with BBBEE transformation			
24	Outsourcing job opportunities to SMME'S = Reliability	Management should review the calculations and workings performed to determine the annual performance achieved. Management should revise the Annual Performance report	The KPI was communicated with CoT Internal Audit during the 2 nd quarter reporting and the following was noted: the KPI is not based on outsourcing process but normal procurement process and the outsourcing of SMME's is broad since SWA does not deal with Capex	Acting Chief Financial Officer & SCM Manager	As soon as the KPI is changed on the Business plan.	Completed
25	Achieve revenue collection of 75% annually -inaccurate	Management should review the calculation of the achieved targets and ensure that there controls in place to ensure the accuracy of the achieved target.	Management notes and agrees with the audit finding and will ensure that strict credit control measures are adhered to	Acting CFO and Revenue Manager	Immediately	Completed

			including handing over accounts to agencies for collection.			
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Summary of Results

	SWA
Annexure A	3
Findings Implemented	3
Findings in progress	0
Findings not implemented	0
Annexure B	22
Findings Implemented	21
Findings in progress	1
Findings not implemented	0
Annexure C	0
Findings Implemented	0
Findings in progress	0
Findings not implemented	0
Total	25

APPENDICES

National Treasury Circular 63: Appendices

The entity is required to complete the circular 63 Appendices below:

Appendix I Municipal Entity/Service Provider Performance Schedule

Please provide Top 4 priority indicators as articulated in the IDP

Name of Entity & Purpose (i)	(a) Service Indicators (b) Service Targets (ii)	2014/15			2015/16	2016/17	
		Target		Actual	Target		
		*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	Current Year (ix)	Following Year (x)
Sandspruit Works Association	Reduction of Non-Revenue Water	22%	21%	19.98%	20%	20%	SWA has been disestablished in 2016/17
Sandspruit Works Association	Improvement of Revenue Collections	68%	70%	51.58%	75%	75%	SWA has been disestablished in 2016/17
Sandspruit Works Association	Outsourcing 40 % job opportunities to SMME's (30%) and Co-operatives (10%) annually	Target not on 2013/14 business plan	Target not on 2014/15 business plan	Target not on 2014/15 business plan	40%	40%	SWA has been disestablished in 2016/17
Sandspruit Works Association	Number of stakeholder meetings per ward to discuss community concerns (4 meetings per ward per annum). Currently there are 9 ward committees	8	16	38	36	40	SWA has been disestablished in 2016/17

CONCLUSION

SWA was faced with an enormous challenge during the 2016/17 financial year, which including drastic decline in revenue collection and increase in the debtors book, that led to the Council Resolution on the 27 October 2016 to disestablish the entity and incorporate all its personnel, assets and operations into the City of Tshwane.

Out of the ten (10) key performance indicators SWA managed to achieve six (06), which is 60% achievement. The performance of the Entity has improved as compared to the 2015/16 financial year, where the achievement was at 30%.