

INKOMATI-USUTHU CATCHMENT
MANAGEMENT AGENCY

ANNUAL REPORT 2024/25



INKOMATI-USUTHU
CATCHMENT MANAGEMENT AGENCY

AR 2024/25



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FOREWORD BY THE MINISTER OF WATER AND SANITATION



Ms Pemmy Majodina (MP)
Minister of Water and Sanitation

The Inkomati-Usuthu Catchment Management Agency (IUCMA) continues to demonstrate strong leadership in sustainable water resource management across the Inkomati-Usuthu Water Management Area (IUWMA). This Annual Report for 2024/25 reflects the Agency's commitment to transparency, accountability, and progress in fulfilling its mandate, as outlined in the Annual Performance Plan (APP). Over the past year, our efforts have been guided by four strategic priorities:

1. **Enhancing Stakeholder Satisfaction**
2. **Strengthening Human Resources and Business Capacity**
3. **Maintaining Financial Sustainability**
4. **Ensuring the Protection and Responsible Use of Water**

Resources Governance and Performance

The Agency's success is built on robust governance frameworks, including the timely finalization of the Shareholder Compact (SHC) and the disciplined execution of the Annual Performance Plan. These measures ensure rigorous oversight, effective project management, and the consistent achievement of strategic objectives.

Despite these strong systems, budgetary constraints have posed challenges, leading to a slight decline in performance. In collaboration with the Governing Authority, we are actively addressing these financial pressures to secure the Agency's sustainability.

Innovation and Compliance

Embracing technology remains central to our mission. This year, the Agency advanced eutrophication monitoring in major dams using satellite remote sensing and AI-driven data analysis, providing real-time advisories for recreational water users.

As a transboundary catchment, compliance with the Tripartite Interim Agreement (2002) is critical. I am pleased to report that water quality assessments along shared borders with Eswatini and Mozambique confirmed adherence to regulatory standards, reinforcing regional cooperation.

Key Achievements

A cornerstone of the Agency's operational success this year has been the efficient processing of Water Use Authorisations (WUAs), with nearly all applications finalized within the mandated 90-day

timeframe. This commitment to regulatory efficiency is a critical tool in promoting equitable access to water and driving meaningful transformation across the sector. Furthermore, the finalization of comprehensive Water Allocation Plans for every catchment within the Water Management Area marks a significant milestone. These plans provide the essential framework for the sustainable and equitable distribution of our precious water resources, ensuring both environmental protection and the long-term security of all users.

Gratitude and Commitment

I extend my deepest appreciation to the **IUCMA Board, Management, and dedicated staff** for their unwavering commitment to excellence. Despite challenges, your efforts have delivered measurable impact, upheld governance standards, and advanced our shared vision for water security.

The **Department of Water and Sanitation**, alongside Deputy Ministers **David Mahlobo** and **Isaac Sello Seitlholo**, remains steadfast in supporting IUCMA's mission. Together, we will continue to drive innovation, accountability, and inclusive growth in water resource management.



MS PEMMY C.P MAJODINA, MP
MINISTER OF WATER AND SANITATION

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PART A: GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME: Inkomati-Usuthu Catchment Management Agency

PHYSICAL ADDRESS: 2nd Floor, ABSA Square Building
20 Paul Kruger Street Mbombela
1200

TELEPHONE NUMBER: 013 753 9000

EMAIL ADDRESS: info@iucma.co.za

WEBSITE ADDRESS: www.iucma.co.za

EXTERNAL AUDITORS: PwC South Africa

BANKERS: Standard Bank

GOVERNING BOARD SECRETARY: Mr N T Mathabela

2. LIST OF ACRONYMS

ACRONYM	DESCRIPTION
4IR	Fourth Industrial Revolution
APP	Annual Performance Plan
B-BBEE	Broad-Based Black Economic Empowerment
BCM	Business Continuity Management
CMA	Catchment Management Agency
CSF	Catchment Stewardship Forum
CME	Compliance Monitoring and Enforcement
CMS	Catchment Management Strategy
COBIT	Control Objectives for Information and Related Technologies
COD	Chemical Oxygen Demand
CPA	Communal Property Association
DEA	Department of Environmental Affairs
DIM	Data and Information Management
DMRE	Department of Mineral Resources and Energy
DPME	Department of Planning, Monitoring and Evaluation
DRDLEA	Department of Agriculture, Rural development, Land and Environmental Affairs
DSS	Decision Support System
DWA	Dutch Water Authorities
DWS	Department of Water and Sanitation
EIA	Environmental Impact Assessment
ELU	Existing Lawful Use
EMPR	Environmental Management Programme Report

ACRONYM	DESCRIPTION
ENSO	El Niño-Southern Oscillation
ERRP	Economic Reconstruction and Recovery Plan
EWR	Ecological Water Requirements
EWSETA	Energy and Water Sector Education Training Authority
GA	General Authorisation
GB	Governing Board
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Principles
HDI	Historically Disadvantaged Individuals
HLPW	High-Level Panel on Water
HR	Human Resources
HRM	Human Resources Management
IB	Irrigation Board
ICT	Information and Communication Technology
IGR	Intergovernmental Relations
INMACOM	Incomati and Maputo Watercourse Commission
IO	International Obligation
I&P	Institutions and Participation
IT	Information Technology
IUCMA	Inkomati-Usuthu Catchment Management Agency (or the Agency)
IWQG	International Water Quality Guidelines Limit

ACRONYM	DESCRIPTION
IWRM	Integrated Water Resources Management
JWC	Joint Water Commission
KJOF	Komati Joint Operations Forum
KPI	Key Performance Indicator
MC	Management Class
MP	Member of Parliament
MTEF	Medium-Term Expenditure Framework
NACH	National Anti-Corruption Hotline
NDP	National Development Plan
NEMP	National Eutrophication Monitoring Programme
NPA	National Prosecuting Authority
NT	National Treasury
NW&SM	National Water and Sanitation Masterplan
NWA	National Water Act, Act 36 of 1998
NWRS3	National Water Resource Strategy 3
OHS	Occupational Health and Safety
PC	Portfolio Committee
PC4IR	Presidential Commission on the Fourth Industrial Revolution
PFMA	Public Finance Management Act 1 of 1999
PPP	Public-Private Partnerships
PWC	PricewaterhouseCoopers
REMCO	River and Environment Management Corporation
REMP	River Eco-status Monitoring Programme
RMC	Risk Management Committee

ACRONYM	DESCRIPTION
RQO	Resource Quality Objectives
RSA	Republic of South Africa
RWH	Rainwater Harvesting
SADC	Southern African Development Community
SANAS	South African National Accreditation Standards
SAPS	South African Police Service
SARS	South African Revenue Services
SCM	Supply Chain Management
SDGs	Sustainable Development Goals
SHC	Shareholder Compact
SMME	Small Medium and Micro Enterprises
SOP	Standard Operating Procedure
SRRP	Sustainable River Rehabilitation Programme
TWQG	Targeted Water Quality Guidelines
UN	United Nations
VOIP	Voice Over Internet Protocol
WAP	Water Allocation Plan
WARMS	Water Use Authorisation and Registration Management System
WDC	Waste Discharge Charge
WIL	Work Integrated Learning
WMA	Water Management Area
WMI	Water Management Institutions
WSP	Workplace Skills Plan
WUA	Water User Association

ACRONYM	DESCRIPTION
WUL	Water Use License
WWTW	Wastewater Treatment Works

3. FOREWORD BY THE CHAIRPERSON



Adv G. Khoza
Acting Governing Board Chairperson

Introduction

It is with immense pleasure that the Inkomati-Usuthu Catchment Management Agency (IUCMA) presents its 2024/25 financial year integrated Annual Report to our valued stakeholders. This report is prepared as an expression of the Agency's continued commitment to transparent and accountable oversight and governance as the entity strives to deliver on its mandate of sufficient, equitable, and high-quality water for all in the Inkomati-Usuthu Water Management Area.

Governance and Administration

The Governing Board recognises that governance plays a significant role in setting the right ethical tone and culture for the organisation. In that regard, the Board ensured that oversight committees continued to function optimally, to support the Board in discharging its governance and fiduciary responsibilities, in compliance with all prevailing regulatory prescripts. The Agency reaffirms its commitment to a zero-tolerance approach to fraud, corruption and other forms of impropriety, and is continually refining internal controls and systems to ensure that they are both adequate and responsive.

The Board is pleased to also report that in June 2025, Mr Mokgema Mongane was appointed Chief Executive Officer (CEO) of IUCMA, following a rigorous recruitment and selection process. Mr Mongane is a Civil Engineer, who brings a wealth of experience in both Senior and Executive Management roles in the public sector. He joins IUCMA at a critical time when the institution contends with various challenges. IUCMA wishes Mr Mongane well during his tenure as CEO, and he is assured of the Board's support as he drives the operational objectives of the entity.

Audit and Organisational Performance

It is noteworthy that IUCMA obtained an unqualified audit opinion from external auditors for the year under review, which affirms the Agency's dedication to sound governance. In terms of performance, the organisation registered negative growth from the previously reported 88.88% achieved in the 2023/24 financial year, to 63.64% in the 2024/25 financial year. While this is not encouraging, it does present opportunities for fresh strategic thinking and innovation to improve IUCMA's performance going forward.

Challenges and Strategic Initiatives

The 2024/25 financial year as shown in the CEO's Overview has not been easy. The current socio-economic landscape has presented significant challenges, with fiscal constraints impacting the financial sustainability of IUCMA. Additionally, declining water security, the declining registered water volumes and reduced stakeholder confidence and trust have further compounded these pressures. However, adversity brings forth opportunities.

In the year under review, IUCMA responded to these challenges by implementing cost containment and revenue enhancement strategies, which realized some savings for the institution and saw general improvements in revenue collection. Going forward, these initiatives will be further embedded in the institution, to ensure financial stability and sustainable growth. In efforts to build and solidify relationships with our valued stakeholders, the institution continued to leverage stakeholder geared programmes at local, national and transboundary levels to achieve integrated water resources management objectives within the water management area.

IUCMA recognises the need to adapt to a changing world and to embrace technology and systems to improve on operational efficiencies. In that regard, the institution implemented the ICT Strategy, to assist the institution reach its strategic goals and to foster progress through technological advancement. Additionally, the recently adopted Enterprise Architecture will ensure that the institution's technology initiatives align with strategic goals, enhanced efficiency and data governance.

Transformation

IUCMA has remained committed to driving the Governments important initiative towards transformation and inclusive economic growth, through:

- Corporate Social Investment initiatives.
- Empowering Historically Disadvantaged Individuals (HDI's) through education and awareness programmes, workshops and roadshows.

- Targeted procurement from entities leads by women, the youth and persons living with disabilities, and
- Facilitating the transformation of Irrigation Boards to Water User Associations to enhance community participation in the sector.

IUCMA is pleased to report that in the 2025/26 financial year, IUCMA plans to increase total expenditure on small, medium and micro-enterprises (SMME's) to 70%, with a proportional focus on targeted groups.

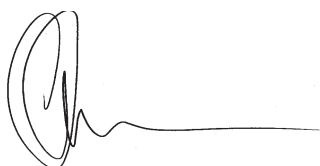
Water Resources Management

IUCMA continued with its mandate as per the National Water Act, 1998, of integrated and sustainable water resources management. IUCMA is pleased to report that the resource within the water management area remains relatively good in terms of quality and quantity, in compliance with Resource Quality Objectives (RQO's), Targeted Water Quality Guidelines (TWQG's) and Irrigation Water Quality Guidelines (IWQG's) at most monitoring sites and international obligation sites.

IUCMA has observed incidences of pollution, caused by mining activities and wastewater treatment works and associated infrastructure within the water management area. The institution will continue to respond to these issues through data distribution, coordinating knowledge sharing and skills transfer among water users by the Institutions and Participation Unit. Additionally, IUCMA will be conducting inspections and issuing directives and enforcement actions to curb pollution incidences.

Conclusion

In conclusion, a word of appreciation is extended to the esteemed Minister, Deputy Ministers and the Department of Water and Sanitation for their leadership, guidance and support. Gratitude is also expressed to the CEO, his Executive Management Team as well as the entire IUCMA Staff. Your dedication and hard work played a significant role in the institution's achievements in the 2024/25 financial year. The Board encourages all IUCMA staff to continue striving for excellence in the 2025/26 financial year, and beyond.



Adv. Geraldine Khoza
Acting Chairperson of the Governing Board
Inkomati-Usuthu Catchment Management Agency

GOVERNING BOARD



Ms. L. C. Zulu
Chairperson



Adv. G. Khoza
Deputy Chairperson



Mr. M.A Ramushu
Member



Ms. S.D. Wiggins
Member



Mr. M.S. Mthembu
Member



Dr. M.S. Mathetsa
Member



Dr. S.Chiloane- Nwabueze
Member



Mr. M Mongane
Ex Officio



Mr. N.T Mathabela
Board Secretary

GOVERNING BOARD COMMITTEES

EXECUTIVE COMMITTEE



Adv. G. Khoza
Chairperson



Dr. S. Chilaone-Nwabueze
Member



Dr. S. Mathesa
Member



Ms. L. C. Zulu
Deputy Chairperson

AUDIT COMMITTEE



Ms. M. Ndlovu
Chairperson
External Member



Mr. M.A. Ramushu
Member



Ms. C. Nkuna
External Member



Ms. S.D. Wiggins
Member



Mr. S. Mthembu
Member

RMC CHAIRPERSON



Mr. M. Sebeelo
Chairperson
External Member

ICT STEERING COMMITTEE CHAIRPERSON



Dr. T.G. Sethibe
Chairperson
External Member

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW



Mr. Mokgema Mongane
Chief Executive Officer

As we present the 2024/25 Annual Report of the Inkomati-Usuthu Catchment Management Agency (IUCMA), we take this opportunity to reflect on our performance and achievements, and the challenges we encountered during the past financial year. This report enables the Agency and our stakeholders to critically assess our progress and challenges, guided by both financial and non-financial performance outcomes. These results provide a comprehensive measure of the Agency's success in fulfilling its mandate.

IUCMA was established under section 78 of the National Water Act, Act 36 of 1998 (NWA). It is responsible for managing water resources at the catchment level within the IUWMA. Our core mandate includes protecting, developing, conserving, managing and regulating water resources to ensure sustainable use for current and future generations.

Financial Review

The 2024/25 financial year presented significant economic challenges, characterised by sluggish growth in gross domestic product (GDP) and persistently high inflation rates. South Africa's weak economic performance impacted the national fiscus negatively, which in turn affected the Agency's revenue streams and operational capacity.

In response, IUCMA implemented strategic and operational measures aimed at optimising working capital and safeguarding our financial stability, while continuing to deliver on our key functions. Despite the difficult fiscal environment, the Agency successfully maintained a solvent balance sheet and met its core mandate, as detailed in the accompanying financial report.

Expenditure and Cost Management

Prudent management of operating costs remains fundamental to securing the Agency's long-term financial sustainability. During the past year, we conducted a comprehensive review of our value chain to scrutinise high cost drivers, and validate their necessity and relevance. This process enabled us to reduce our reliance on specialised external service providers, by leveraging the skills and experience of our internal staff.

Without compromising operational effectiveness, we developed and implemented a cost-containment strategy that yielded savings of approximately R9.5 million in targeted expense categories. Moving forward, zero-based budgeting will be adopted as the preferred approach for forecasting expenditure, so ensuring budget discipline and preventing deficits.

Strategic Partnerships and Stakeholder Engagement

Collaboration with key stakeholders is essential to advancing integrated water resource management in the Inkomati-Usuthu WMA. During the period under review, the Agency actively engaged with local, national and international partners to promote coordinated management. Our involvement in transboundary initiatives such as the Joint Water Commission (JWC), the Komati Joint Operation Forum (KJOF), the Incomati and Maputo Watercourse Commission (INMACOM) and Disaster Management Forums underscores our commitment to regional cooperation and sustainable water governance.

Human Resource Management

The Human Resources (HR) Division, supported by the Business Support Function, made significant strides in enhancing organisational capacity during 2024/25. Guided by the approved Annual Performance Plan (APP), which operationalises our HR strategy, we targeted an 80% improvement in HR business processes to boost operational efficiency.

During the year, the Agency experienced four terminations—three resignations and one fatality—resulting in a staff turnover rate of 3.7%. As at 31 March 2025, 36 positions remained vacant in a total workforce of 108.

A key strategic priority has been restructuring to align with current financial realities. This review aims to optimise organisational design, align resources with strategic mandates, improve operational and financial performance, and foster greater stakeholder engagement. The restructuring process is progressing to schedule, with completion expected in the 2025/26 financial year.

Supply Chain Management and Economic Empowerment

Aligned with the National Development Plan's vision for inclusive economic growth, the Agency intensified its focus on economic empowerment through targeted procurement. We emphasised participation by women, youth and persons with disabilities, by setting clear procurement targets: 40% for women-owned enterprises; 30% for youth-owned enterprises; and 7% for businesses owned by persons with disabilities.

In 2024/25, procurement spending directed at previously disadvantaged groups amounted to R31.8 million, inclusive of R13.1 million to female-owned enterprises, R4.6 million to youth-owned enterprises and over R110,000 to enterprises owned by persons with disabilities. While these figures demonstrate meaningful progress, they also highlight opportunities for further improvement to meet transformation objectives.

For the 2025/26 financial year, the Agency aims to increase total procurement expenditure to SMMEs to 70%, while maintaining targeted proportional allocations for women, youth, and persons living with disabilities. This commitment will continue to drive inclusive development through our supply chain practices.

Procurement Compliance and Governance

IUCMA maintains a robust Supply Chain Management (SCM) Policy that is complemented by a Preferential Procurement Policy. Both are regularly reviewed to ensure alignment with sectoral and legislative requirements.

In compliance with legislation, our annual procurement plan for 2024/25, which details all acquisitions exceeding R1,000,000, was approved by the Accounting Authority before 31 March 2025 and submitted to National Treasury for noting. We actively monitored procurement processes throughout the year, ensuring all activities upheld the principles of competitiveness, compliance and transparency.

Performance Reporting

Despite fiscal constraints, the Agency demonstrated resilience by achieving the majority of its planned targets. Key documents—including the 2025/26 APP, Shareholder Compact (SC), all quarterly reports for 2024/25 and the 2023/24 Annual Report—were submitted punctually and in full compliance with reporting requirements.

Audit and Governance

The Agency's consistently strong audit outcomes reflect a steadfast commitment to performance excellence and sound governance. We diligently address issues raised in auditors' management letters through actionable improvement plans, so fostering continuous enhancement of compliance and operational efficiency.

Water Resources Management

IUCMA continued implementing vital programmes for sustainable water resource management, including alien vegetation control, rainwater harvesting and river rehabilitation initiatives.

Ongoing monitoring of dam storage levels, river flows and RQOs was conducted at all ecological monitoring sites. Compliance assessments conducted as per the International Water Quality Guidelines (IWQG) — pursuant to the Tripartite Interim Agreement with Mozambique and Eswatini — indicate that the water quality within the WMA remains broadly satisfactory.

Recognising the critical role of stakeholders, the Agency ensured active coordination to promote awareness and capacity building through various forums. In line with the Minister's directive, we advanced the transformation of Irrigation Boards into Water User Associations, so facilitating

enhanced community participation.

Significant progress was made with Water Use Authorisation (WUA) applications, which were processed within the legislated timeframes and support provided to historically disadvantaged individuals (HDIs) for technical report preparation. The Compliance and Enforcement unit conducted numerous inspections—both planned and ad hoc—resulting in the issuance of directives and enforcement action to uphold environmental protection.

Acknowledgments

The performance detailed in this report reflects a culture of high achievement and steadfast compliance, despite external challenges. We extend sincere gratitude to the Honourable Minister, the Governing Board and its sub-committees, the Department of Water and Sanitation, our valued water users, and our partner institutions. Their unwavering support and collaboration remain integral to our success.

As we celebrate another unqualified audit opinion for the 2024/25 financial year, we recognise the dedication and professionalism of the Agency's management team and employees. This recognition serves as a benchmark for continued excellence, and underpins our commitment to making a positive and lasting impact on the water sector in the years ahead.



Mr. Mokgema Mongane
Chief Executive Officer
Inkomati-Usuthu Catchment Management Agency

EXECUTIVE MANAGEMENT



Mr. M. Mongane
Chief Executive Officer



Dr. B.F. N. Mhlanga-Ndlovu
**Executive: Water
Resource Management**



Ms. S. Mabunda
Chief Financial Officer



Adv. M.B Shabangu
Executive: Corporate Services

SENIOR MANAGEMENT

OFFICE OF THE CEO



Mr. G.N. Nevari
Manager:
Strategic Support



Ms. P. Chuene
**Internal Audit
Specialist**



Mr. T. Shongwe
**Risk and Compliance
Management Specialist**



Ms. T.N. Sibiya
Manager:
Finance



Ms. S. Mbatha
**Manager: Supply
Chain Management**



Ms. W.D. Mabuza
Manager:
Revenue

WATER RESOURCE MANAGEMENT



Mr. M.M. Selepe
**Manager: Resource
Quality Monitoring**



Dr. T. Sawunyama
**Manager: Resource
Planning and Operations**



Mr. T. Rasuiba
**(A) Manager:
Water Use
Authorisation**



Mr. H. Makhubele
**Manager:
Institutions
and Participation**



Mr. A. Mbhalati
**Manager:
Compliance Monitoring
and Enforcement**



Mr. S.H. Shabangu
**Manager: Data and
Information
Management**

CORPORATE SERVICES



Mr. C.S. Sewela
**Manager: Records and
Auxiliary Services**



Mr. S.C. Lekhuleni
**(A) Manager:
Human Resource
Management**



Mr. L. Skhosana
**Manager:
Information
Technology**



Ms. S. Machimana
**Manager: Communication
and Intergovernmental
Relations**



Mr. S. Mchunu
Legal Advisor

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

We confirm that, to the best of our knowledge and belief:

- All information and amounts disclosed in the annual report are consistent with the Annual Financial Statements audited by PriceWaterhouse Inc. (PwC).
- The annual report is complete, accurate and free of any omission.
- The annual report has been prepared in accordance with the guidelines on the annual report issued by National Treasury.
- The Annual Financial Statements (Part F) have been prepared in accordance with the Generally Recognised Accounting Principles (GRAP) applicable to the public entity.
- The Accounting Authority is responsible for the preparation of the Annual Financial Statements and the judgements made in this information.
- The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance regarding the integrity and reliability of the performance information, the human resources information, and the Annual Financial Statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements.
- The annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2025.



Chief Executive Officer

Date: 31 August 2025



Chairperson of the Governing Board

Date: 31 August 2025

6. STRATEGIC OVERVIEW

VISION

Sufficient, equitable and quality water resources for all
in the Inkomati-Usuthu Water Management Area

MISSION

To efficiently manage water resources by empowering
our stakeholders in our quest to contribute towards
transformation by promoting equal access to water and
protecting the environment

VALUES

Integrity
Batho Pele (Stakeholder Orientation)
Accountability
Diversity
Transparency

7. PERFORMANCE DELIVERY ENVIRONMENT

7.1 MANDATE

The Agency derives its existence and mandate from the National Water Act, Act 36, 1998 (NWA).

The agency operates within the Inkomati-Usuthu WMA with the following purposes:

- Manage water resources according to the NWA. The Agency achieves this through the development and implementation of a catchment management strategy (CMS) with all stakeholders, to balance the utilisation, development and protection of water resources.
- Manage all water uses to promote equity and efficiency. The Agency achieves this with appropriate authorisation, pricing, control and enforcement of water use, together with programmes to promote water conservation and pollution control.
- Protect water resources to support biodiversity and local use by communities. The Agency achieves this by setting objectives using a consensus seeking process that balances the need to protect and sustain, with the need to develop and use water resources.
- Involve stakeholders in decision making about water resources. The Agency achieves this by mobilising, empowering and consulting with water users and stakeholders, and by focusing on expanding participation by communities, women and the rural poor.
- Facilitate cooperation between water-related institutions to promote political credibility within the Inkomati WMA. The Agency achieves this by building strong relationships, and advising on, supporting and monitoring the water-related activities of private and public sector bodies.
- Contribute to redressing past imbalances, including social and economic development in the WMA. The Agency achieves this through the allocation of water and creative initiatives in support of government objectives and strategies.
- Support the cooperative management of the Inkomati basin as an internationally shared water course. The Agency achieves this by supporting DWS to implement international agreements.

7.2 STRATEGIC OUTCOMES

The four strategic outcomes of the Agency are indicated here. They are linked to the output of the Agency in the 2024/25 financial year.



**Outcome 1:
Increased Stakeholder
Satisfaction**



**Outcome 2:
Enhanced Human Resources
and Business Capabilities**



**Outcome 3:
Maintain Financial
Sustainability**



**Outcome 4:
Protection and Use of
Water Resources**

7.2.1 Outcome 1: Increased stakeholder satisfaction

This relates to enhancement of partnerships with stakeholders to support strategy execution and manage reputational risks. Stakeholders are profiled in terms of the extent of their influence on the operations of the Agency. The material issues of engagement with these stakeholders are identified.

The high-level strategic initiatives are:

- Develop, implement and monitor stakeholder engagement to strengthen integrated approaches to water resource management (WRM) at the local and international level.
- Pursue legal frameworks for international cooperation and establish joint institutions for transboundary water governance.
- Continue with the adoption of common standards for the collection of data on water and sharing and analysis of data on transboundary waters.

7.2.2 Outcome 2: Enhanced human resources and business capabilities

The potential for excellence in terms of mandate delivery by the Agency should be enhanced by how the organisation orchestrates its resources. Its structures must be strengthened to enhance delivery in the technical operational mandate area of water resources management, including the support of core areas. The high-level strategic initiatives are:

- Develop, implement and monitor a human resources development strategy.
- Develop and implement an Agency culture strategy to embed a healthy culture that is conducive to excellence.

7.2.3 Outcome 3: Maintain financial sustainability

The current revenue trajectory of the organisation is not sustainable; therefore, a plan to optimise the revenue and resource allocation cycles of the Agency will be developed (with WRM, efficient use and regulation as its core) to improve revenue and determine a financial trajectory that will ensure a sustainable future capital base. Further, key business processes will be identified to strengthen the policy environment in each of the key process areas.

The high-level strategic initiatives are:

- Identify key business processes by identifying as-is and the movement to-be, and address shortcomings to enhance the policy environment.
- Develop a resource allocation model for the Agency.
- Implement the Information & Communication Technology Master Systems Plan.
- Invest in initiatives to promote innovation and technology development.

7.2.4 Outcome 4: Protection and use of water resources

The Agency must comply with the reserve requirements (the NWA includes ecological and human health requirements), but more importantly with the inter-basin transfers, strategic use, IOs and RQOs. Source water and pristine resources must be protected, impacted resources must be improved, and the health of the river must be improved continuously, in order to achieve the desired state of the resource.

The high-level strategic initiatives are:

- Pursue resource conservation and demand management strategies for allocations that will not lead to a non-sustainable resource.
- Conduct studies to understand the entire water resources potential of the WMA, identify

impacted resources and ensure improvement thereof.

- Develop and implement a water quality strategy to improve the quality of the resource.

8. LEGISLATIVE AND OTHER MANDATES

The legislative environment, policies and frameworks of Government provide developmental priorities for the country. Defined priorities provide strategic impetus for the water sector and the functioning of the IUCMA.

8.1 CONSTITUTIONAL MANDATE

The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) as amended, provides the following in the Bill of Rights:

- a) Everyone has a right to an environment that is not harmful to their health or well-being.
- b) The environment is protected for the benefit of present and future generations through reasonable legislative and other measures that:
 - i. prevent pollution and ecological degradation;
 - ii. promote conservation;
 - iii. secure ecologically sustainable development and use of national resources while promoting justifiable economic and social development.

8.2 LEGISLATIVE AND POLICY MANDATES

8.2.1 National Water Act, 1998 (Act 36 of 1998)

The NWA provides for the establishment of the IUCMA (section 78) as a water resource management authority to perform water resource management functions within its WMA. The NWA further provides a mandate and objectives for the IUCMA, and details its inherent power and functions, as follows:

- To investigate and advise interested persons on the protection, use, development conservation, management and control of the water resources in its WMA.
- To develop a catchment management strategy (CMS).
- To coordinate related activities of water uses and the establishment of water management institutions (WMIs) within its WMA.
- To promote coordination of its implementation with the implementation of any applicable development plan established in terms of the Water Services Act, 1997 (Act 108 of 1997).
- To promote community participation in the protection, use, development, conservation, management and control of the water resources in the WMA.

8.2.2 Public Finance Management Act, 1999 (Act 1 of 1999)

The Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA) regulates financial management in national government and provincial governments to:

- ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively
- provide for the responsibilities of persons entrusted with financial management in those governments
- provide for matters connected therewith. The IUCMA is a public entity listed in Schedule 3A of the PFMA.

8.2.3 National Water Resource Strategy 3, 2023

The scope and purpose of the third instalment of the National Water Resource Strategy 3 (NWR3) provides a vision for the protection and management of water resources, to enable equitable and sustainable access to water and sanitation services in support of socio-economic growth and development for the well-being of current and future generations. The NWR3 aims to achieve this vision by means of the following over-arching goals:

- Water and sanitation support the development and elimination of poverty and inequality.
- Water and sanitation contribute to the economy and job creation.
- Water that must be protected, used, developed, conserved, managed and controlled sustainably and equitably.

The institutional landscape required for effective delivery of services then serves as a clarion call to DWS (as a sector leader), associated sector departments (such as the Department of Mineral Resources and Energy (DMRE) and Department of Environmental Affairs (DEA)), catchment management agencies (CMAs), water governing boards, the private sector and other agencies of State to commit to their involvement in developmental WRM.

8.2.4 National Development Plan, 2030

The National Development Plan, 2030 (NDP) provides an over-arching policy framework for dealing with the triple challenges of inequality, unemployment and poverty. The NDP further supports a new societal deal of increased cooperation between Government, business, labour and other social partners for economic growth and development. The NDP further emphasises investment and development of bulk water, including water resources management infrastructure for water

conservation and demand management, and integrated catchment management and resource protection, to ensure water availability for economic sectors to create jobs.

8.2.5 National Water and Sanitation Masterplan, 2019

The National Water and Sanitation Masterplan (NW&SM) intends to bring together water users and all WMIs to resolve issues related to water and sanitation service delivery. The NW&SM is a novel plan that will guide the South African water sector. It is led by DWS and implemented at the local government level by local government and by other sector partners. The plan is intended to ensure implementation of tangible actions that will have an impact on the management of South Africa's water resources and the supply and use of water and sanitation in the country.

8.2.6 African Union, Agenda 2063

The Africa Union's Agenda 2063 provides a blueprint and master plan for transforming Africa into a global powerhouse in the future. It is a strategic framework for the continent that aims to deliver on the goals for inclusive and sustainable development. It serves as a concrete manifestation of the pan-African drive for unity, self-determination, freedom, progress and collective prosperity. South Africa has prioritised its contribution to the development of the continent, and in this regard, Agenda 2063 is key. It provides the strategic framework for the socio-economic transformation of the continent and builds on the initiatives for growth and sustainable development. A prosperous Africa based on inclusive growth and sustainable development is one of the aspirations in Agenda 2063. It is also key to IUCMA's strategic operations, as it emphasises Africa's unique natural endowments, the health, protection of its environment and ecosystems with climate resilient economies and communities.

8.2.7 United Nations Sustainable Development Goals, 2015-2030

The Sustainable Development Goals (SDGs) were designed to be a blueprint for ensuring a sustainable future in all countries around the world. The SDGs seek to address key systematic barriers to sustainable development, such as inequality, unsustainable consumption patterns, weak institutional capacity and environmental degradation. The SDGs further seek to improve the quality of water by reducing pollution, and to ensure sustainable withdrawals and a sustainable supply of freshwater to address water scarcity. The United Nations (UN) convened a High-Level Panel on Water (HLPW) in 10th of September 2024, which made recommendations on how to accelerate the achievement of availability and sustainable management of water and sanitation for all, as well as the achievement of other SDGs. The high-level recommendations made by the HLPW includes, understanding, valuing and managing water, which will provide a foundation for broader integrated water management; an

integrated approach at local, country and regional levels, including building partnerships and international collaboration at the global level.

8.2.8 SADC Revised Protocol on Shared Watercourses, 2000

This SADC Protocol provides institutional mechanisms to achieve the SADC (Southern African Development Community) agenda of regional integration and poverty alleviation. This protocol therefore seeks to:

- Promote and facilitate the establishment of shared watercourse agreements and institutions for managing shared watercourses.
- Advance the sustainable, equitable and reasonable utilisation of shared watercourses.
- Promote coordinated, integrated and environmentally sound development and management of watercourses.
- Promote the harmonisation and monitoring of legislation and policies for planning, development, conservation and protection of shared watercourses, and for the allocation of water resources.
- Promote research and technology development, information exchange, capacity building and the application of appropriate technologies in shared watercourse management.

8.2.9. Presidential Commission on the Fourth Industrial Revolution

The Presidential Commission on the Fourth Industrial Revolution (PC4IR) outlined a vision for the development of South Africa that involves prosperity, wealth creation, inclusiveness, being connected, and being digitally advanced and smart. Furthermore, the development of 4IR (Fourth Industrial Revolution) systems could help the country to reach several goals articulated in South Africa: Vision 2030, specifically those that relate to:

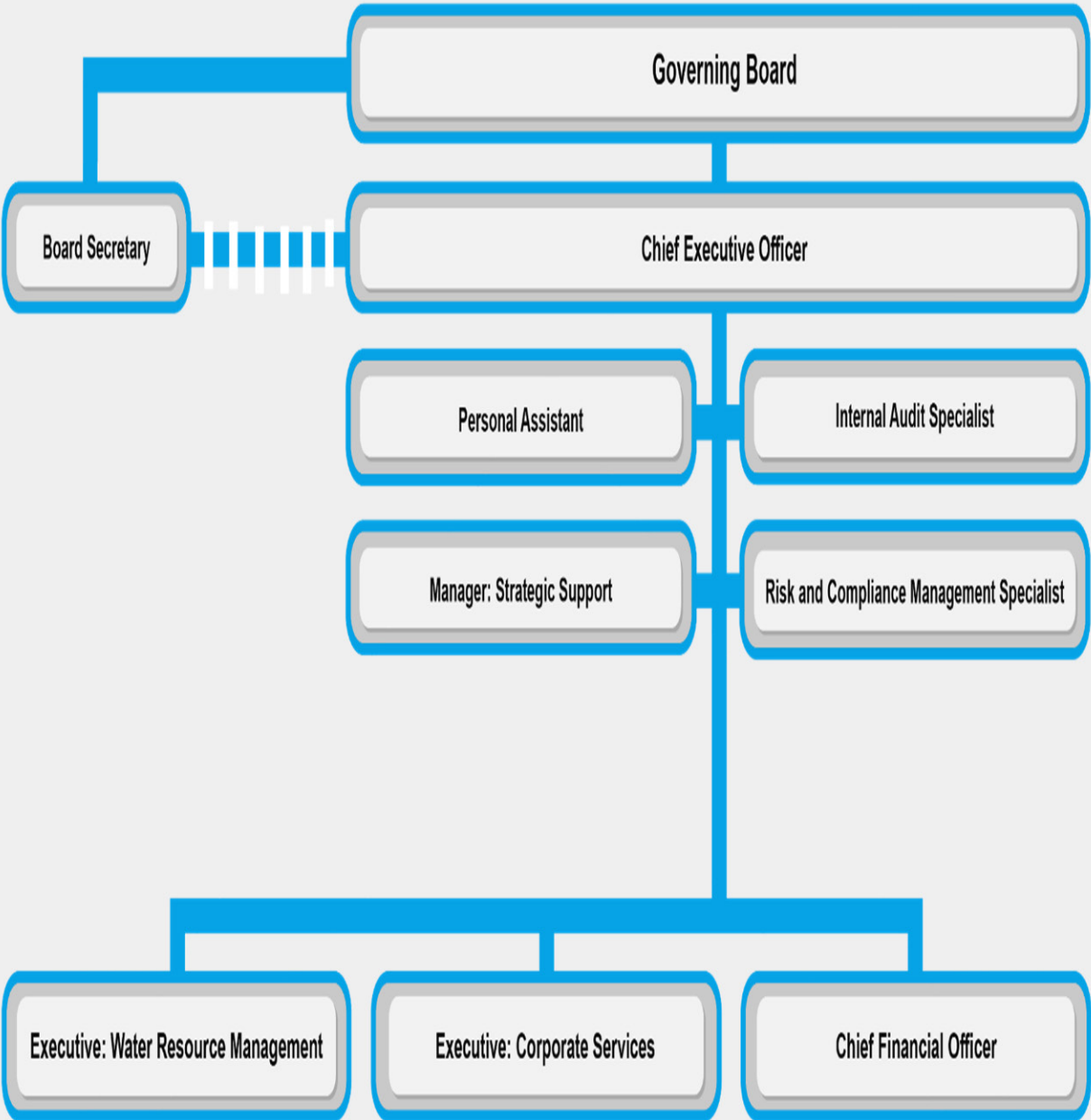
- The economy and unemployment
- Economic infrastructure
- Improving education, training and innovation
- Environmental sustainability and resilience
- South Africa in the region and in the world
- Transforming human settlements.

The PC4IR further indicates that South Africa's water sector can respond to the opportunities that are provided by the advent and proliferation of technologies that can increase its effectiveness.

8.2.10 Economic Reconstruction and Recovery Plan

The Economic Reconstruction and Recovery Plan (ERRP), published by National Treasury (NT) during the COVID-19 pandemic, aims to stimulate equitable and inclusive growth. One of the nine priority interventions that the ERRP identified is 'green economy interventions' that can be linked to the water sector, as this guarantees the security of water supply. The ERRP states that, as part of South Africa's green agenda, private and public buildings will be retrofitted with technology to improve water efficiency. The plan indicates that 1560 new job opportunities will be created for facility maintenance, water and energy efficiency, as well as the construction of rural bridges.

9. ORGANISATIONAL STRUCTURE







PART B: PERFORMANCE INFORMATION

B1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Audit Report content is contained in Annexure A.

B2. OVERVIEW OF PERFORMANCE

The purpose of this section is to provide an overview of the performance of the Agency in the 2024/25 financial year. The Agency achieved an overall annual performance of 63.64%.

In terms of its 22 targets, the following can be noted:

- Nine targets were achieved ($9/22 = 40.91\%$)
- Five were over-achieved ($5/22 = 22.73\%$)
- Eight were not achieved ($8/22 = 36.36\%$)

B2.1 ORGANISATIONAL ENVIRONMENT

B2.1.1 RESOURCE PLANNING AND OPERATIONS

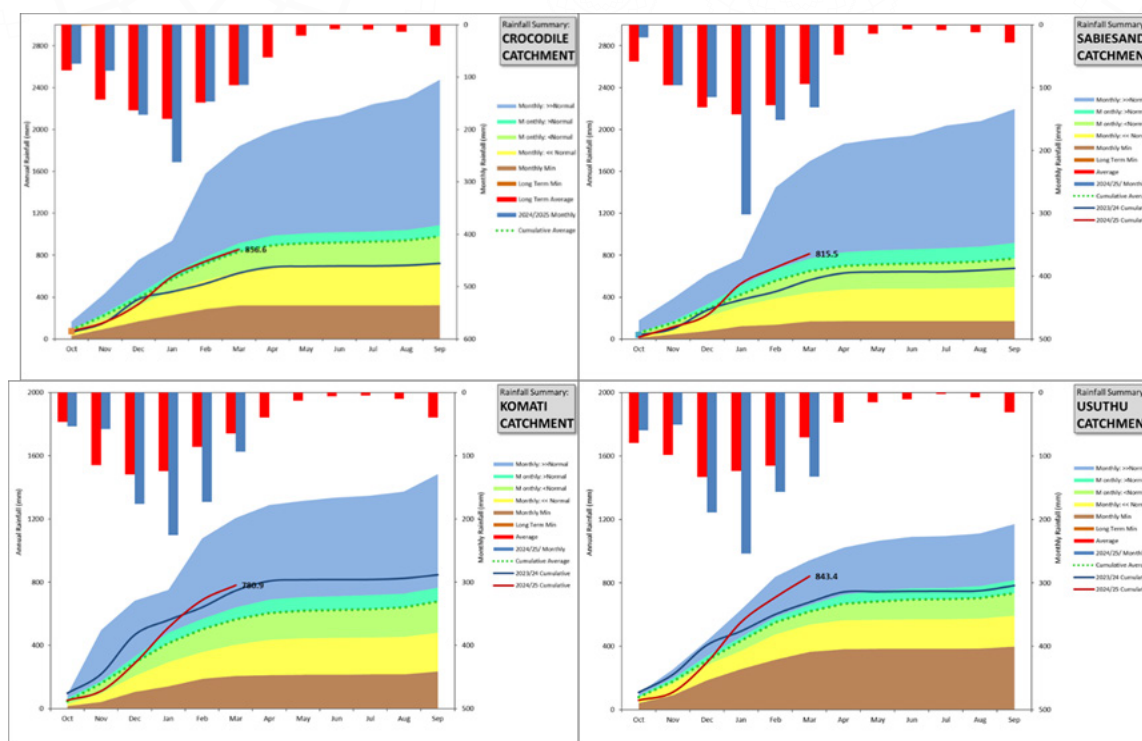


Figure B1: Rainfall statistics for the Crocodile, Sabie-Sand, Komati and Usuthu catchments

The IUCMA monitors and shares climate change-related information with water users for efficient water management. In addition to climate-related information, the Agency monitors dams, rivers and groundwater levels within the WMA. By the end of the financial year, the observed catchment rainfall characteristics (Figure B1) were above normal throughout the WMA and the cumulative rainfall for the 2024/2025 hydrological year was higher than that of the previous hydrological year (2023/2024), resulting in a rise in river flows and dam levels. Therefore, the system recovered from the below normal rainfall shock in the third quarter of the 2024/2025 financial year.

An El Niño event was experienced at the beginning of the 2024/2025 hydrological year, resulting in slow river flow and low dam levels at the end of December 2024. This resulted in 10% and 35% restrictions issued in December 2024 in the Crocodile catchment for the domestic and irrigation sector, respectively, while other catchments were not affected significantly. However, there was a change to a La Nina state in which resulted in above normal water conditions. The impact was significant in the WMA by the end of March 2025, as many dams were full, with the majority spilling. The surface water storage in most dams supplying major towns, and used for irrigation activities and for strategic water purposes were between normal and very high at the end of the 2024/25 financial year except for Jericho dam, which was below normal, due to the way it is operated to supply strategic use. (See Figure B2 and Table B1.)

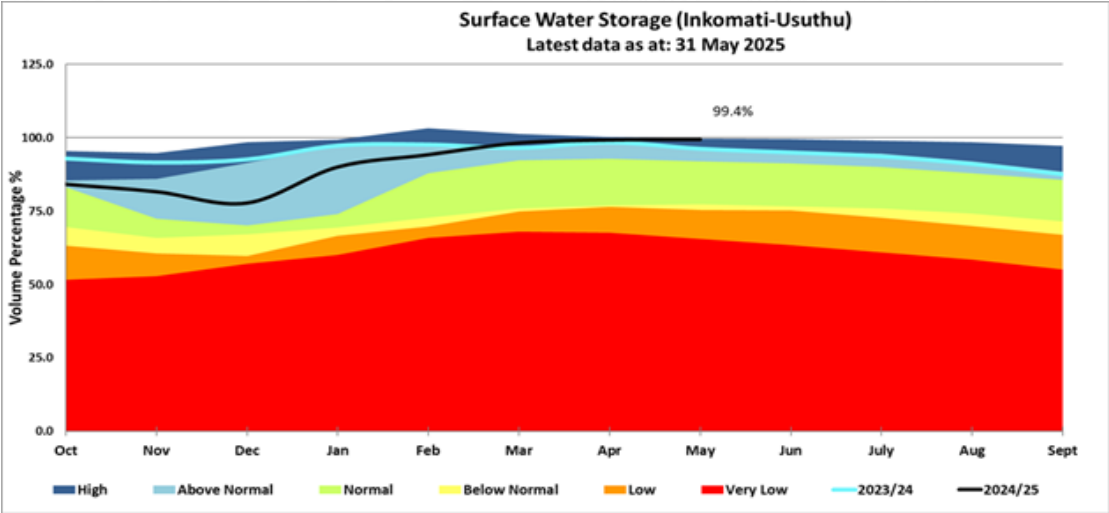


Figure B2: Combined Dam Storage historical analysis in the WMA

Table B1: Quarterly (2024/2025) statistical average of dam levels

Reservoir	Quarter 1 Level (%)	Quarter 2 Level (%)	Quarter 3 Level (%)	Quarter 4 Level (%)	Status
Da Gama Dam	100.50	96.04	103.90	100.19	High
Driekoppies Dam	99.85	98.13	101.30	100.38	High
Heyshope Dam	100.11	97.96	100.55	100.77	High
Inyaka Dam	100.20	98.46	98.77	100.41	High
Jericho Dam	88.13	77.50	77.97	70.54	Below normal
Klipkopjes Dam	99.82	97.74	100.85	99.94	High
Kwena Dam	100.05	92.74	100.10	100.40	High
Longmere Dam	103.41	96.57	102.64	94.36	Normal
Morgenstond Dam	99.41	97.95	95.27	92.17	High
Nooitgedacht Dam	98.46	85.10	99.61	96.18	High
Primkop Dam	100.00	95.90	101.40	101.25	High
Vygeboom Dam	100.34	100.77	101.20	100.60	High
Westoe Dam	75.54	58.00	48.80	69.27	Normal
Witklip Dam	100.08	99.74	100.63	99.46	Normal

River flows were 100% compliant with ecological water requirements and IOs for most river systems in the WMA, except for the Sand River and the Crocodile River systems during the dry months, due to below normal rainfall at the start of the hydrological year (October – December 2024). However, at the end of financial year (2024/2025) groundwater resources in the Komati catchment, Assegai sub-system of Usuthu catchment and Sabie-Sand catchment were seemingly resilient (i.e. groundwater resources can withstand and quickly recover from natural (e.g. prolonged lack of recharge) and human-made impacts (e.g. over-pumping), while the Crocodile catchment and Ngwepisi sub-system of Usuthu catchment were non-resilient.

Overall there was adequate storage within the WMA to guarantee water availability to different sectors throughout the financial year, with the exception of the Crocodile catchment, where restrictions were imposed. By the end of the financial year, the system had fully recovered.

To promote water security, the Agency initiated and implemented the following programmes in the 2024/25 financial year:

- **Water Allocation Plan Programme:** The Agency finalised water allocation plans for all the catchments in the WMA. The catchment surface water requirements and availability status shows that the Sabie and Crocodile catchments, and the Lower Komati catchment were in deficit, while the Upper Komati catchment and Usuthu catchment have excess water for future allocations. A recommendation was made for compulsory licencing in the Kaap river catchment

in the 2025/2026 financial year, in order to reconcile water balances and ensure equitable allocations.

- **Surface and Groundwater Monitoring Programme:** The Agency continued to monitor and promote the use of groundwater resources as an alternative to surface water. The monitoring results reflected the need to declare controlled areas where groundwater is over-utilised, which would be achieved through abstraction permits that contain strict conditions. The surface water monitoring will continue, to ensure that operating rules are implemented effectively so as to ensure sustainability of the resource. The Agency participated in the Emergency Water Supply Interventions for the Mkondo, Chief Albert Luthuli and Msukaligwa local municipalities due to the significant drop in municipal dam levels.
- **Transboundary water management forums:** The Agency continued to participate in quarterly transboundary water management meetings, namely the JWCs between South Africa and eSwatini, the KJO, INMACOM, and the District and Provincial Disaster Management Forums.

B2.1.2 RESOURCE QUALITY MONITORING

Water quality monitoring was conducted monthly throughout the 2024/25 financial year through grab sampling at all EWR sites and IO sites. Applicable variables were analysed using a South African National Accreditation Standards (SANAS) accredited laboratory. The water resources within the former Inkomati WMA were classified; in other words, the RQOs and reserves were determined and gazetted in December 2016 and July 2019, respectively. However, these have not been determined in the Usuthu catchment, which was amalgamated with the Inkomati WMA after the classification study on the Inkomati portion was conducted. In instances where the Management Class comprising the reserve determination and the setting of RQOs are not in place, the TWQGs are used as the default limits for purposes of water quality compliance assessment. During the period under review, the TWQG was used to assess water quality compliance in the Usuthu catchment. Furthermore, since the Inkomati-Usuthu WMA is transboundary in nature, the quality of water flowing into the Kingdom of Eswatini and the Republic of Mozambique was assessed for compliance at predetermined IO sites and compared with the IWQG limits, as per the Tripartite Interim Agreement.

The monthly monitoring of the water quality at the Ecological Water Requirement (EWR) sites (as per the annual performance plan (APP)) was achieved at 100% (23/23). The surface water quality in the Inkomati-Usuthu WMA complied with the RQOs, TWQG and IWQG limits at most of the monitored points, which implies that the water quality in the WMA is in a good state. Non-compliance was

observed regarding microbial indicator variables (*E. coli*) and toxic variables (ammonia and arsenic) throughout the WMA. Arsenic, sulphate, aluminium and manganese were found to be non-compliant due to mining activities in the upper Komati catchment and Kaap River system. The *E. Coli* and ammonia impacts were attributed to wastewater treatment works (WWTWs) and the associated infrastructure (sewer pump station, manhole and runoff from informal settlements) in the three catchments. Arsenic was non-compliant in the Suidkaap, Noordkaap and Louw's Creek catchments. This was attributed to illegal gold mine activities within the Kaap River system. Salt and nutrient indicator variables (electrical conductivity and phosphate) were not a major cause for concern, as most of the areas complied with the legislative requirements or the guidelines.

The monthly water quality monitoring of IO sites as per the APP also recorded 100% achievement (10/10). The quality of water allowed to flow into Eswatini and Mozambique largely complied with the agreed IWQG limits. Non-compliance with IOs was also observed in respect of ammonia, copper, turbidity, chemical oxygen demand (COD), total coliforms and faecal streptococci.

The River Eco-Status Monitoring Program (REMP) was implemented in accordance with the APP, using in-stream biological indicators or responders, namely vegetation, fish and macro-invertebrates, to ensure that the desired level of protection was achieved for the Sabie / Sand, Crocodile, Komati and Usuthu catchments. The biomonitoring results indicated that the four catchment areas within the WMA are generally in category C. This implies that the natural habitat and biota have been moderately modified in terms of abundance and frequency of occurrence.

Eutrophication monitoring was conducted at major dams using remote sensing via satellite monitoring and algorithms embedded in the system to convert data collected into advisory information necessary for stakeholders engaging in recreational activities. This information was shared with stakeholders through the IUCMA website and forums. The data collected was confirmed through the National Eutrophication Monitoring Programme (NEMP), and all major dams monitored were found to be oligotrophic, based on the median annual chlorophyll-A and total phosphorus figures. This means they were low in nutrients and there was negligible potential for plant and algal productivity.

B2.1.3 WATER USE AUTHORISATION

The IUCMA processed 156 WUA applications in the 2024/25 financial year. Most authorisation applications were processed within 90 days, as per the Presidential Pronouncement. Of the 156 WUA applications, 115 were General Authorisations (GAs) and 39 were Water Use Licences (WUL). Only two were declined due to insufficient technical documentation being submitted in order for a decision to be made.

The total volume of water allocated during the 2024/25 financial year was 14.38 million m³/a, compared to 24.057 million m³/a in the previous performance cycle, i.e. nearly 40% less than the 2023/24 allocation.

The decline in water allocation is not technically a decline because the catchment is fully allocated. This means that no new allocation or additional water volume has been added to the current total water allocation of the entire WMA. The current practice in the catchment is that allocation is being facilitated mainly through transfers or when the applicant decides to change water use from one water use to another, e.g. changing from agriculture to domestic use. The groundwater resource has not been fully explored and is one area that users can explore for issuance of a WUL related to water abstraction. However, licences for surface water abstraction are being facilitated mainly through transfers and change of water use applications.

In addition, the Agency reviewed cooperative governance reports (Environmental Impact Assessment / Basic Assessment and Environmental Management Programme Report) and provided technical input to 12 EIA/EMP reports.

B2.1.4 COMPLIANCE MONITORING AND ENFORCEMENT

In the 2024/25 reporting period, the IUCMA noted the lack of budgetary prioritisation of WWTWs and related infrastructure by local municipalities, which led to poor treatment of effluent and ultimately the pollution of water resources. The majority of the non-compliance instances were because of poor management and lack of operations and maintenance of WWTWs, mostly by local municipalities and the Department of Public Works, both provincially and nationally.

The working relationship between the IUCMA and the National Prosecuting Authority (NPA) (Organised Crime Component) and other enforcement agencies, including the South African Police Service (SAPS), has improved significantly and has started showing positive outcomes, specifically in trying to deal with the issue of sewer pollution and illegal mining.

Compliance monitoring was conducted according to the APP. Ninety-six inspections were conducted for various activities, i.e. 100% achievement (96/96). Where non-compliance was identified, the activities were subjected to enforcement action, with notices and directives being issued. Forty-two activities were subjected to enforcement action, which recorded 100% achievement (42/42).

Litigation and Progress:

- Cas 154/05/2017, Elukwatini Wastewater Treatment Works under Chief Albert Luthuli Local Municipality.

The matter was finalised by the NPA on 5 September 2024, after detailed representation was provided by the Municipality Manager. It must be noted that the enforcement action taken by the IUCMA forced the municipality to spend R51,609,035.27 in addressing issues, as instructed by the IUCMA. The work done by the municipality resulted in the pollution being stopped and the WWTW being fully functional; hence the NPA decided not to continue with the prosecution.

- Cas 25/10/2022 - Emakhazeni Local Municipality -charges related to duty of care in terms of NEMA contravention, failure to comply with directives issued by IUCMA and polluting the resource. The investigation is part of the collaborative efforts between the Mpumalanga Department of Agriculture, Rural Development, Land and Environmental Affairs (DRDLEA), and IUCMA. the matter was heard on 31 March 2025 at Belfast Regional court and agreement was reached. The matter will be finalised in due course.
- A criminal case was opened with SAPS - CAS 127/02/2024 - regarding pollution from raw sewage overflowing from an inlet sump at the pumpstation into an unknown tributary of the Assegai River. The investigation is ongoing.
- A criminal case was opened with SAPS Dirkiesdorp - CAS 37/11/2024 - against Mkhondo Fuel and Projects (Pty) Ltd: Mkhondo Colliery on 13 November 2024 for using water without authorisation. The investigation is ongoing.
- A criminal case was opened with SAPS Barberton against AP Vos & Seuns (Pty) Ltd trading as Vosmac on 7 October 2024 Cas 64/10/2024 for illegal construction of three dams without a WUL. The investigation is ongoing.

B2.1.5 DATA AND INFORMATION MANAGEMENT**Existing Lawful Use verification achievements**

On 10 September 2024, the Constitutional Court issued the final and deciding judgement on the litigation on determining the lawfulness and extent of streamflow flow reduction forestry existing lawful use (ELU) of water *between* DWS & Others v/s ForestrySA. The judgement supported the continuation of SFR ELU processing on the priority catchments focused to initiate water allocation reform, for instance the Kaap, White River and Sabie. See Table 1 for achievements made during the 2024/25 financial year.

Table B2: Progress made with ELU verification in priority catchments

Catchment	Outstanding	Done	Total Properties	% Finalised	
Kaap		14	94	108	87
White River		36	183	219	84
Sabie		67	268	335	80
Total		117	545	662	82

However, ELU verification is continuing on the sub-catchments of the Inkomati Usuthu area of operation. The achievements in the sub-catchments during the financial year under review are shown in Table B2.

Table B3: Sub-catchments ELU verification progress

Catchment	ELU Verification	Total properties identified	Percentage
Usuthu	863	1437	60.06
Upper Komati	212	606	34.98
Lower Komati	334	409	81.66
Crocodile	2468	3201	77.10
Sabie	268	335	80.00
Sand	127	179	70.95

The overall ELU verification levels at the end of the 2024/25 reporting period were 3938/4964 (79.3%) in the Inkomati catchment and 863/1437 (60.06%) in the Usuthu catchment. The Usuthu catchment is dominated by SFR / commercial forestry water use, hence the slow progress made within Usuthu compared to the Inkomati catchment. (See Table B3.)

Table B4: Overall ELU verification processing progress

Inkomati catchment				Usuthu catchment			
Outstanding at the end of Q3 of 2025	Achieved progress in Q4 2025		Percentage	Outstanding at the end of Q3 of 2025	Achieved progress in Q4 of 2025		Percentage
1032	Q4 2025	ss35(1): 0 new	79.33%	577	ss35(1): 0 new	60.06%	
		ss35(1): 6 re-issue					
		ss35(4): 6 new					
		{6 identified and 2 late registration}					
		ss35(4): 12 re-issue					
		ss33(2): 0 new					
		ss33(2): 9 re-issue					
Total Remaining	1026			Total Remaining	574		
Total verified in Q4 of 2025, S35: 6 new identified and 2 late registers.			79.33%	Total verified in Q4 of 2025, S35: 4 new identified and 1 late registrater			60.06%
Hence six (6) less property(s) from 1032 Then 1026 remaining properties out of a grand total of 4964 identified properties.				Hence four (4) less property(s) from 577 Then 574 remaining properties out of a grand total of 1437.			

The ELU verification positives include discovery and identification of possible unlawful water uses to be considered by the Compliance Monitoring and Enforcement (CME) division; discovery of unregistered water uses called late registers to increase registered water use supporting revenue collection, authorises ELU water uses for ss 21 (a, b and d).

The lessons learnt through the processing of ELU verification were as follows:

- Most land reform properties with water allocations are not operational, with no economic use of the allocated water, and a high risk of failure to service water charges debt, because of non-payment by Communal Property Association and Trust water users assisted through the land reform programme.
- Lack of understanding and disinformation of the ELU verification process cause water users anxiety, leading to failure / delay in completing ELU verifications as planned.

Water Use Authorisation Registration and Amendments

The Water Use Authorisation Registration Management System (WARMS) is a critical data warehouse for all information on authorised and registered water users, which is used to generate water use charges for revenue collection and for water resource planning and research information. Unfortunately, the system does not have a monitoring tool to track and alert IUCMA if water users and property ownership changes. The lack of a monitoring tool leads to a reactive response when ownership changes occur; sometimes the change is noted after quite some time, which does not promote efficiency in revenue collection. This system shortcoming is known by the custodian, DWS.

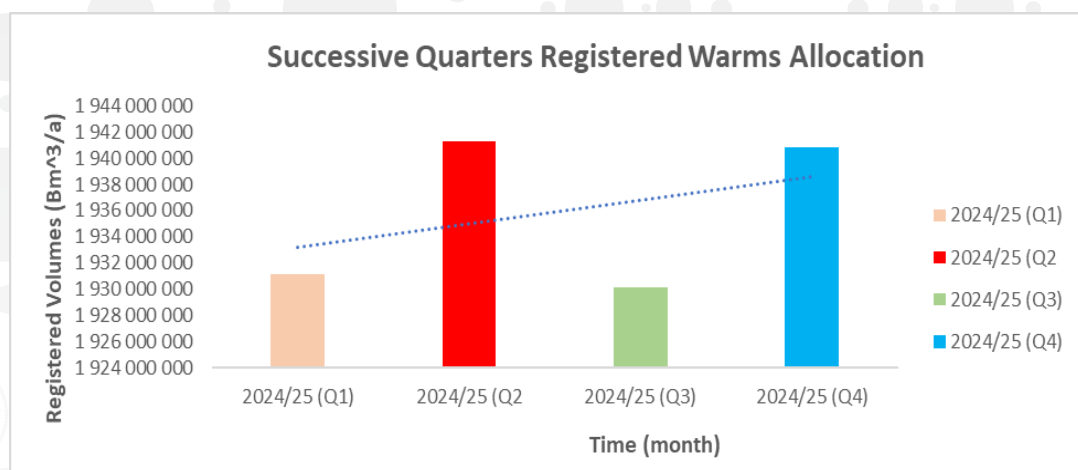


Figure B3: Registered volumes in successive quarters

The overall WARMS registered consumptive water allocation in 2024/25 was 1 940 841 057 m³/a - see Figure 3. This was for unauthorised and authorised consumptive water uses. Only 1 939 348 016 m³/a was determined by DWS as billable for collection of revenue; the difference was not for billing, as prescribed by DWS. Overall performance during the year under review was 100% (504/504) WUAs registered on WARMS.

Waste Discharge Charge System

With regard to Waste Discharge Charge (WDC) revenue collection, the IUCMA registered allocation was 191 617 971 m³/a. Section 21 (e, f, g and h) water uses could previously not be captured on WARMS because the WUL applications did not contain the information needed to calculate the waste loads / concentration required to feed into the NPS calculator. Since April 2023, (DIM) has been focusing on capturing all authorised waste related water uses into WARMS for billing. The registered WDC volume as at **191 617 972 m³/a**.

B2.1.6 INSTITUTIONS AND PARTICIPATION

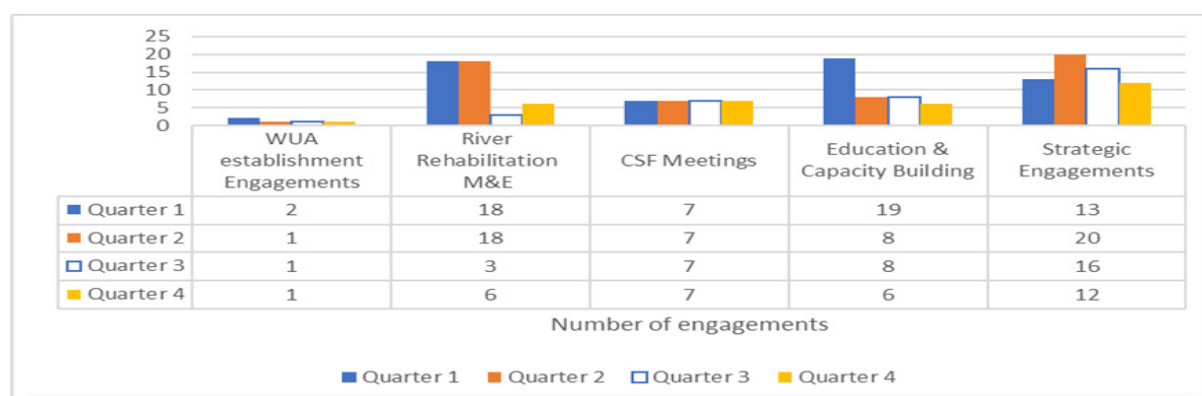


Figure B4: Stakeholder engagements on the 5 KPAs in the WMA in 2024/25

During the period under review, the IUCMA continued to engage in participatory, strategic adaptive management of water resources. This was achieved by generating and distributing data, and coordinating knowledge sharing and skills transfer among water users in the WMA.

Transformation of Irrigation Boards into Water User Associations

The IUCMA continues to implement the Ministerial Directive through: Gazette No.48483; Notice No.3355 dated 28 April 2023; a notice of intention to transform IBs into Water User Associations (WUAs). The IUCMA, in collaboration with the DWS and the IBs, is working on finalising the transformation process. The IUCMA compiled a report regarding the 50% race, gender, demographics and representation requirement in the proposed WUA management meetings.

Sustainable River Rehabilitation Programme

Since April 2023, the IUCMA has facilitated the Adopt a River programme through the Sustainable River Rehabilitation Programme (SRRP). The latter promotes the adoption of certain stretches of a river / stream by communities. The SRRP continued to be implemented in the six sub-catchments, with six project sites being identified in the WMA. This programme is aimed at income generation and unemployment reduction in rural communities in the WMA, especially amongst the youth and women.



Figure B5: River Clean-up campaign run as part of the SRRP during the 2024/25 financial year.

Catchment Stewardship Forum

Engagement sessions with stakeholders remain an ongoing activity, using the different platforms that the IUCMA has created over the years. Twenty-eight Catchment Stewardship Forum (CSF) meetings were coordinated during the 2024/2025 financial year, (including the Forum of Forums meeting).

An assessment and analysis of the CSF meetings in the IUWMA was conducted to provide a clear picture of the approach to be used to engage stakeholders at different levels. The functioning and

performance of emerging farmers was the focus in determining their productive and active participation in the WRM decision making process and in the management of WMIs at the local level. The CSFs have been in existence since 2006, and the IUCMA has been evolving with time through legislative transformation. Section 80 (c and e) of the National Water Act (Act 36 of 1998) gives the IUCMA the mandate to facilitate and promote community participation in the protection, use, development, conservation, management and control of the water resources in the WMAs. The CSF meetings enable public participation, which constitutes the cornerstone of integrated WRM, by creating platforms through which society at large will make input regarding the services and activities that affect them. The analysis established that, in all six sub-catchments, most of the stakeholders who are historically disadvantaged individuals (HDI) or emerging water users have limited capacity to sustain their consistent participation in the CSF meetings. The recommendation was to embark on sector specific engagement sessions to strengthen participation and focused engagement with stakeholders. The CSFs will continue with a new approach: an event for all stakeholders will be coordinated in the form of a WMA Indaba once a year or biennially.

Education and Capacity Building

These are community-based workshops and river clean-up campaigns that support the River Rehabilitation and Resource Programme, the Resource Protection Strategy and creating awareness within communities. The Institution and Participation division coordinates and conducts awareness programmes and activities that are aimed at building capacity among water users and at promoting behavioural changes in the broader communities.

As part of the Education, Capacity Building and Awareness Campaigns programmes, the I&P conducts WUA workshops that target small-scale and emerging water users, which are mostly farming cooperatives in rural areas.

Strategic Engagement Initiatives

The IUCMA participated in several engagement events with local, national and international bodies and organisations in pursuit of IWRM in the catchment and the basin. These initiatives were part of the IUCMA 2024/25 Stakeholder Engagement Plan and were aimed at fostering collaboration with sector partners.

B3. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

The performance of the Agency is anchored on four strategic outcomes defined in the CMS and Strategic Plan. In order to drive the activities of the outcomes, each programme is responsible for playing its part in helping to deliver each outcome. The alignment of outcomes and programmes is illustrated below.

Programme 1: Administration and Governance

Outcome 1: Increased stakeholder satisfaction

Output 1: Annual stakeholder management programme implemented

Outcome 2: Enhanced human resources and business capabilities

Output 1: Compliance with corporate governance regulatory prescripts

Outcome 3: Maintain financial sustainability

Output 1: Targeted procurement supporting SMMEs

Output 2: Financial recovery and cost control

Programme 2: Water resource management

Outcome 1: Protection and use of water resources

Output 1: Water resource classes and Resource Quality Objectives determined and monitored

Output 2: Water resource institutions established

Output 3: Water resource institutions compliance implemented

Output 4: Regulatory compliance and enforcement

B3.1 PROGRAMME 1: ADMINISTRATION AND GOVERNANCE

The purpose of this programme is to support the business of the IUCMA in terms of planning, risk management, assurance services, governance structures and setting appropriate parameters for organisational performance. The overall performance for administration and governance was 156.63%. This was achieved due to engagement events with stakeholders. The programme is within the Office of the Chief Executive Officer in the areas of governance, as reflected in the previous statement. The programme includes one sub-programme.

B3.1.1 SUB-PROGRAMME 1: GOVERNANCE AND ASSURANCE SERVICES

Assurance services are provided through internal audit services, risk management activities and governance of the performance information of the IUCMA, so that the organisation can effectively

communicate its value add. The corporate compliance cycle of the IUCMA is implemented through this sub-programme to ensure that the accountability obligations are met, i.e. preparing strategic and annual plans, including quarterly reports. Support to the Governing Board and its various committees is provided through this sub-programme to ensure that their duties are fulfilled in compliance with the applicable laws and regulations.

During the year under review, all planned statutory meetings were convened as per the stakeholder engagement plan. Over-performance was recorded due to increased efforts to engage key stakeholders regarding revenue and other strategic matters within the WMA.

All legislative requirements were complied with, including the NWA, the PFMA and NT transcripts. All statutory reports were processed and duly submitted, including planning and financial management reports. These reports included the APP, quarterly reports, Budget Estimates and the Shareholder Compact Report. In line with the B-BBEE policy, the agency conducted workshops for service providers.

3.1.2 SUB-PROGRAMME PERFORMANCE

Table B.5: Performance for Sub-Programme 1: Administration and Governance

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Annual Target 2024/25	Actual Achievement 2024/25	Reason for Deviation	Corrective Measure
Outcome 1: Increased stakeholder satisfaction	Stakeholder satisfaction	Percentage implementation of a stakeholder management plan	119.89% (235/196)	159.63% (174/109)	100%	115.18% (129/112)	The over-achievement is due to additional scheduled Governing Board meetings.	None
Outcome 2: Enhanced human resources and business capabilities	Compliance with corporate governance regulatory prescripts	Percentage compliance with Approved Audit plan	-	-	≥80%	96.30% (26/27)	None	None
		Percentage implementation of Strategic Risk Register action plan	-	-	90%	68.82% (13/17)	Due to the increase in the level of risk exposure in the IUCMA financial sustainability.	In the 2025/26 financial period, the risk mitigation plans were reviewed to improve and manage the levels of risk exposure.
		Percentage implementation of the Risk Management plan	-	-	100%	100% (12/12)	None	None

B3.1.3 SUB- PROGRAMME 2: HUMAN RESOURCES AND BUSINESS SUPPORT

This programme operates on a shared services model and significantly enhances the capabilities of other programmes. It has provided a comprehensive range of HR services, ensuring adequate ICT, records management and stakeholder communications. In the year under review, the agency achieved 100% (4/4) performance for human resource and business support. This achievement contributed significantly to the organisation's overall success.

i. HUMAN RESOURCES MANAGEMENT

During the 2024/25 financial year, the HR Division and Business Support Function made notable progress in advancing strategic priorities and strengthening organisational capabilities.

The function's activities were guided by the targets set in the approved APP, which operationalises the key initiatives of the HR Strategy and aims to streamline human resources (HR) business processes. A target of 80% improvement in HR business processes was set to drive operational efficiency. During the year, the agency recorded four terminations of service: three resignations and one due to a fatality. This resulted in a staff turnover rate of 3.7%. As of 31 March 2025, the agency had 36 vacant positions out of a total workforce of 108.

A key strategic focus was adjusting the current structure to align with contemporary organisational financial challenges. The review currently in progress aims to assess the current structure, identify areas for optimisation, ensure alignment with the agency's strategic and legal mandates, improve operational and financial performance, and encourage greater stakeholder involvement. The project is on track for completion in the 2025/26 financial year.

ii. INFORMATION & COMMUNICATION TECHNOLOGY

The ICT Management report aligns with IUCMA's APP for the 2024/25 financial year. Its purpose is to leverage information and communication technology (ICT) to help the institution reach its strategic goals and foster progress through technological advancements. The ICT division aims to improve the effectiveness and efficiency of information systems, strengthen ICT governance controls and enhance service delivery outcomes.

The table below indicates the annual target and the quarterly deliverables for the financial year 2024-25.

All the planned targets were achieved in the financial year.

Output indicators	Annual Target	Quarterly Targets			
	2024/25	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Percentage implementation of the ICT strategy	60%	10%	20%	20%	10%

The IUCMA concluded the implementation of all objectives in its 2023/24 ICT strategy, which ensures effective and efficient information and communication technology in the organisation. Several ICT projects were implemented, ranging from Infrastructure Re-platforming to Enterprise Architecture, Data Enterprise Architecture, Identity and Access Management, Voice Over Internet Protocol (VoIP) and Cyber-Security user awareness. ICT governance controls and oversight by established governance structures were provisioned, which were instrumental in aligning the ICT goals to those of the enterprise. The ICT systems of IUCMA have achieved a capability maturity level of four, which is Managed and Quantitatively. This had an immense service delivery impact in terms of project management, relevance of technology selection, and stability in the contribution of operational efficiencies.

iii. COMMUNICATION AND INTERGOVERNMENTAL RELATIONS

On the communications front, IUCMA intensified its use of digital platforms, notably Facebook and Instagram, to disseminate information more effectively and engage a wider audience. This strategic shift resulted in a noticeable increase in public engagement and online visibility. The agency also maintained visibility at targeted events, such as career expos and educational outreach programmes, where it showcased its mandate and activities to young people within the WMA.

Overall, IUCMA's communications and IGR efforts remained focused on promoting transparency, stakeholder inclusivity, and awareness of water resource governance, despite financial limitations.

iv. RECORDS MANAGEMENT

The institution has implemented a records management policy to ensure the safe keeping of IUCMA records, as required by the National Archives and Record Service of South Africa Act as amended (Act 43 of 1996). The approved file plan has been implemented accordingly. The schedule of records, other than the correspondence system, was approved. The institution was audited by Provincial Archives,

and it was found compliant. The IUCMA offices were maintained to comply with the Occupational Health and Safety Act as amended (Act 85 of 1993) on hygiene matters.

v. LEGAL SERVICES

Compliance with laws and regulations

Changes in legislation, regulations and government policies make it necessary for the institution to regularly review its internal policies and procedures to maintain compliance. To support this, the institution has developed a compliance monitoring tool, which is updated in response to significant legal developments and reviewed on a quarterly basis. Additionally, the institution provides an annual report on its overall compliance with applicable laws. This report includes reporting on various sections of the National Water Act, along with numerous other legislative requirements.

B3.1.4 SUB-PROGRAMME PERFORMANCE

The programme's annual targets were not achieved as projects that were initiated in the year under review overlapped into the new financial year. Table B.6 shows the performance, with overall programme performance at 60% (3/5) of 80%.

Table B.6 Performance for Programme 1: Administration and Governance

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Annual Target 2024/25	Actual Achievement 2024/25	Reason for Deviation	Corrective Measure
Outcome 2: Enhanced human resources and business capabilities	Compliance with corporate governance regulatory prescripts	Percentage implementation of the Human Resource Plan	4.34%	86% (6/7)	80%	60% (3/5)	The HR Division initiated the culture and employee surveys and the development of an HR service delivery model. Service providers were appointed in February 2025 and a Steering Committee was formed in March. Both projects are progressing as planned.	The process has commenced and is expected to be completed by the end of the 3rd quarter of the 2025/26 financial year.
		Percentage implementation		33% (1/3)	60%	75% (3/4)	All ICT projects were supported by the Executive Committee, and	None

Outcome	Output	Output Indicator		Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Annual Target 2024/25	Actual Achievement 2024/25	Reasons for deviations	Corrective Measure
Maintain financial sustainability	Targeted procurement supporting SMMEs	Percentage of targeted procurement budget spent on SMMEs		-	-	40%	80% (R31,750,088/ R39,794,350)	Most companies in the procurement database are SMMEs.	The indicator will be adjusted correctly moving forward to align with our sourcing processes.
		A	Women			40%	41% (R13,128,575/ R31,750,088)	None	None
		B	Youth			30%	15% (R4,605,503/ R31,750,088)	The non-achievement is attributed to the effect of existing contracts that were established prior to the decision to empower youth as a designated group. While the target has been successfully achieved in terms of day-to-day procurement, the higher spend associated with these pre-existing contracts reduces the overall percentage.	Request quotations from only youth-owned companies for selected services and increase supplier awareness through other initiatives, including leveraging support from other key divisions like I&P and Communications
		C	People with disabilities			7%	0% (R113,223/ R31,750,088)	A significant portion of total spend is directed towards existing contracts that were established	Only request quotations from companies owned by people living with disabilities for selected

in the business of the Agency. When the transformation process is completed, the Agency will achieve value for money in terms of the acquisition of goods and services and seamless operation of the organisational value chain.

ii. FINANCIAL MANAGEMENT

The programme further ensures sound financial accounting in accordance with applicable standards and legislation. Its scope encompasses budget management, payroll administration, and safeguarding the financial and non-financial assets of the Agency through compliant processing of all related transactions. These measures are ultimately reflected by effective working capital management and unqualified opinions, with no material findings expressed since the inception of the Agency.

iii. REVENUE MANAGEMENT

Revenue management is a strategic component, as its functions are key to the financial sustainability of the Agency. This is firstly achieved by it playing a pivotal role in the CMA tariff determination that is submitted for ministerial approval. Once tariffs are approved, the sub-programme ensures the correct application of approved tariffs by timeously and accurately billing and collecting CMA charges from lawful water users. The sub-programme further ensures implementation of the Agency's approved Debt Management Strategy that has been developed within the ambit of applicable policies and legislation, namely the NWA, PFMA, Water Pricing Strategy, Treasury Regulations and the Agency's Revenue Management Policy. The strategy especially recognises the importance of stakeholder engagement with all customers at both strategic and operational levels. To this effect, heightened engagement remains key to achieving all the objectives that have been set.

B3.1.6 SUB-PROGRAMME PERFORMANCE

The working ratio presents an opportunity for the Agency to assess its cash flow management. During the year under review, the Agency displayed sound cashflow management, notwithstanding the unprecedented reduction in grants appropriated by Parliament, key financial ratios performed as per target. The current ratio and working capital ratio are an important measure of the Agency's liquidity and solvency. The ratio tests the ability of the Agency to meet its short-term and long-term obligations as they fall due. At the end of the period under review, the current ratio and working ratio reported performance of 97% and 5.97:1, respectively. The review of debt management at the Agency showed that debt collection had improved during the period under review, following the implementation of the debt management strategy that used customer engagement sessions as a key initiative.

Table B.7: Performance for Sub-Programme 1: Administration and Governance

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Annual Target 2024/25	Actual Achievement 2024/25	Reasons for deviations	Corrective Measure
Maintain financial sustainability	Targeted procurement supporting SMMEs	Percentage of targeted procurement budget spent on SMMEs	-	-	40%	80% (R31,750,088/ R39,794,350)	Most companies in the procurement database are SMMEs.	The indicator will be adjusted correctly moving forward to align with our sourcing processes.
		A Women			40%	41% (R13,128,575/ R31,750,088)	None	None
		B Youth			30%	15% (R4,605,503/ R31,750,088)	The non-achievement is attributed to the effect of existing contracts that were established prior to the decision to empower youth as a designated group. While the target has been successfully achieved in terms of day-to-day procurement, the higher spend associated with these pre-existing contracts reduces the overall percentage.	Request quotations from only youth-owned companies for selected services and increase supplier awareness through other initiatives, including leveraging support from other key divisions like I&P and Communications
		C People with disabilities			7%	0% (R113,223/ R31,750,088)	A significant portion of total spend is directed towards existing contracts that	Only request quotations from companies owned by people living with

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Annual Target 2024/25	Actual Achievement 2024/25	Reasons for deviations	Corrective Measure
							empower designated groups. Procurement is minimal, which reduces opportunities to increase spend in this area. Despite efforts to source quotations from suppliers owned by people with disabilities, these suppliers have not been responsive.	organisations working with people living with disabilities to onboard their companies.
	Financial recovery and Cost control	Percentage of debt Working ratio (cash based)	76%	98%	≤80%	97% (R151,618,218/ R156,188,128)	The working ratio target has not been achieved due to the reduction in augmentation funding by the Department.	Continue to enhance revenue collection efforts and to enforce the implementation of cost containment measures, to ensure that expenditure is streamlined across all areas of operation.
		Debt collection ratio (healthy book)	148% (R46,623 760,15/R31 447 881,30)	78%	65%	99% (R28 953 818/ R29 213 627)	Increased engagement sessions with customers such as Mondi SA, Eskom and various municipalities contributed to the 99% achievement.	None
		Debt collection ratio (Toxic book)	13% (R7 590 286,16/R56	9%	8%	24% (R24 468 137/ R102 893 335)	Engagement sessions with customers such as City of Mbombela,	None

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Annual Target 2024/25	Actual Achievement 2024/25	Reasons for deviations	Corrective Measure
			590 446,01				Sappi and Kaap Irrigation Board contributed towards the 24% achievement.	
		Number of debtors' payment period in days (Healthy book)		244.69 days 230.09 days 189.84 days	D&I: ≤100 days Irrigation: ≤270 days Forestry: ≤270 days	D&I: 186.42 days Irrigation: 137.42 days Forestry: 107.14 days	Non-payment by municipalities with a total outstanding balance of R20.3 million, which equates to 16% of the total debt of R128.9 million.	Increased strategic engagement with municipalities through the office of CEO and inter-governmental relations.
		Current Ratio	2.41: 1	2.73: 1	≥1:1	5.97: 1	None	None

B3.4 PROGRAMME 2: WATER RESOURCES MANAGEMENT

Through the water resources management programme, the IUCMA plans and manages the resource, ensuring water availability, authorisation, allocation, conservation, protection and improved quality, and enforcing compliance to set regulations and standards. It further fosters engagement and participation by all relevant stakeholders through various forums and platforms. The main thrust of the programme is ensuring that water resources within the WMA are managed efficiently, equitably and sustainably, in line with the National Water Act of 1998. In the 2024/25 financial year, the IUCMA achieved 60% (6/10) performance in the WRM programme. Detailed analysis of the achieved performance is provided below.

B3.4.1 RESOURCE QUALITY MONITORING, PLANNING AND OPERATIONS

The majority of the dams in the IUCMA were generally at a high level most of the time. Groundwater resources monitoring reflected that, in the Komati catchment, the Assegai sub-system of the Usuthu catchment and the Sabie-Sand catchment showed some resilience throughout the year (i.e. groundwater resources can withstand and quickly recover from natural prolonged lack of recharge) and human-made impacts (e.g. over-pumping). However, groundwater in the Crocodile catchment and the Ngwempisi catchment (a sub-system of Usuthu catchment) showed some decline.

A water quality and quantity compliance status report were compiled during the 2024/25 financial

year. Generally, there were no water quality challenges in the WMA, except for certain variables in specific areas, e.g. arsenic, sulphate and manganese, due to mining activities in the upper Komati Catchment and Kaap River system. However, E coli poses a challenge throughout the WMA, with high concentrations mostly observed downstream of WWTWs and residential areas due to: contamination by sewage (e.g. overflows, spills and leakages or by discharge of untreated/partially treated sewage into the resource); stormwater runoff from rural and urban settlements, including direct disposal of domestic refuse, grey water, seepage from latrines, and human and animal excrement, as well as sewer overflows; poor management and services of domestic waste by municipalities.

The overall eco status (macro-invertebrates, fish and riparian vegetation) within the two catchments (Sabie Sand and Usuthu) was determined to be category C. This indicates that, despite the site-specific issues, the overall biotic condition of the two catchments has remained constant at Category C (moderately modified), in relation to the loss and change of natural habitat as well as biota (frequency of occurrence, abundance, species composition and the physical structure) from the various determined indicator reference conditions. The EWR sites within the WMA indicated compliance with numerical or narrative RQOs descriptors for water quality, quantity and aquatic biota, except for certain variables, such as E coli in specific EWR sites. Watercourses within the Inkomati-Usuthu WMA also complied with flow requirements and water quality limits discharged (allowed to flow) into the Republic of Mozambique and the Kingdom of Eswatini, as per the IO agreement throughout the reporting period, except certain variables at specific IO sites and flow level. The eutrophication status of the dams within the WMA was mostly oligotrophic (low levels of nutrients, with an average chlorophyll-A concentration of less than 8 ug/L).

B3.4.2 WATER USE AUTHORISATION

Table B8: WUAs processed in the four quarters of the 2024/25 financial year

Category	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Water Use Licences	4	9	12	14	39
General Authorisations	43	41	17	14	115
WUA Decline	0	0	1	1	2
Sub-Total	47	50	30	29	156

B3.4.3 COMPLIANCE MONITORING AND ENFORCEMENT

- Ninety-six planned compliance inspections were conducted for various related use.
- Ninety-seven investigations / complaints / follow ups were attended to.
- Twenty-eight pollution incidents were attended to within 48 hours, as per the standard operating procedure.
- Twenty directives were issued.
- Twenty-two notices of intention to issue a directive were issued.

Table B9: Compliance and Enforcement Activities conducted in the 2024/25 financial year

Compliance and Enforcement Activities	Number - Q1	Number - Q2	Number - Q3	Number - Q4	Total in 2024/25
Planned inspections conducted for various activities	24	24	24	24	96
Pollution incidents	4	6	8	10	28
Complaints / investigations / follow up	13	20	32	32	97
Notices issued for non-compliance	4	4	2	12	22
Number of directives issued	4	4	3	9	20

B3.4.4 DATA AND INFORMATION MANAGEMENT

At the end of the 2024/25 financial year, the consumptive WARMS registered volume sections 21 (a) and (d) of the Act was 1 940 841 057 m³/a. This volume is for both registered unauthorised and registered authorised allocations. Of this, 1 939 348 016 m³/a is billable for revenue collection, while 1 493 041 m³/a is not billable. The registered waste discharge charge (WDC) volume at the end of the financial year was 191 617 972 m³/a.

B3.4.5 STAKEHOLDER ENGAGEMENT AND INSTITUTIONAL PARTICIPATION

Stakeholder engagement sessions were achieved through different platforms to realise the five key performance indicators (KPIs) of the I&P, as per the Operational Plan 2024/25. The IUCMA continued to implement the Ministerial Directive through Gazette No. 48483 Notice No. 3355 dated 28 April 2023 - a notice of intention to transform IBs into WUAs. The transformation of IBs was resuscitated after the new Administration took office after the General Elections of 2024.

Stakeholder engagement sessions were held, and twelve CSF meetings were coordinated and conducted in the WMA. Education and empowerment initiatives were coordinated and conducted in the WMA, including Water Use Authorizations, career exhibitions and Water Resource Protection. The SRRP was implemented in six pilot sites within the WMAs. The programme was concluded in February 2025.

3.4.6 PROGRAMME PERFORMANCE

Table B.10: Performance for Programme 2: Water Resource Management

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Annual Target 2024/25	Actual Achievement 2024/25	Reasons for Deviations	Corrective Measure
Outcome 4: Protection and use of water resources	Water resource classes and Resource Quality Objectives determined and monitored	Percentage monitoring compliance of Resource Quality Objectives	100% (23/23)	100% (23/23) ¹	≥90%	100% (23/23)	None	None
		Percentage monitoring compliance of International Obligations	100% (10/10)	100% (10/10)	≥90%	100% (10/10)	None	None
	Water resource institutions established	Number of irrigation boards transformed into water user associations	-	-	3	0	The proposals submitted for the establishment of water user associations did not meet the requirements for approval.	A proposal was made for DWS to consider relaxing the requirements to adapt to the lived experience in the water management area.
	Water resource institutions compliance implemented	Number of institutional annual performance plans evaluated	-	-	3	0	The establishment of WUAs has a direct bearing on this indicator. There will be no performance evaluation if the institutions are not established.	A proposal was made for DWS to consider relaxing the requirements to adapt to the lived experiencing the water management area.
		Number of institutions assessed per	-	-	3	0	The establishment of WUA has a	A proposal was made for DWS to consider

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Annual Target 2024/25	Actual Achievement 2024/25	Reasons for Deviations	Corrective Measure
		Quarter					direct bearing on this indicator. There will be no performance evaluation if the institutions are not established.	relaxing the requirements to adapt to the lived experience in the WMA.
		Number of institutional annual reports evaluated	-	-	3	0	The establishment of WUAs has a direct bearing on this indicator. There will be no performance evaluation if the institutions are not established.	A proposal was made for DWS to consider relaxing the requirements to adapt to the lived experience in the water management area.
	Regulatory compliance and enforcement	Percentage of planned inspections conducted for related uses in various sectors	Quality 100% (48/48)	Quality 100% (48/48)	≥90%	100% (96/96)	None	None
			Quantity 100% (48/48)	Quantity 100% (48/48)				
		Percentage of enforcement action taken against non-complaint users	-	100% (81/81)	≥90%	100% (48/48)	None	None
		Percentage of approved water use authorisations registered on WARMS	100% (358/358)	100% (339/339)	≥90%	100% (504/504)	None	None
		Percentage of water use authorisations processed within the regulate	102.91% (106/103)	100% (136/136)	≥90%	99.26% (136/137)	None	None

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Annual Target 2024/25	Actual Achievement 2024/25	Reasons for Deviations	Corrective Measure
		timeframe						

1

Quality

$Y = a/b \cdot 100$

$Y = 23/23 \cdot 100$

$Y = 100\%$

Quantity

$X = a/b \cdot 100$

$X = 10/10 \cdot 100$

$X = 100\%$

Both quality and quantity

Thereof: $Z = Y + X/2$

$Z = 100 + 100/2$

$Z = 100\%$

B4. LINKING PERFORMANCE TO BUDGETS

During the 2024/25 financial year, the agency maintained its commitment to delivering on its mandate, despite the prevailing fiscal pressures. The agency operated on a total budget allocation of R166,369 million and incurred actual expenditure amounting to R178,556 million. This resulted in over-expenditure of R12,187 million. This variance was primarily driven by increased programme implementation efforts under the Protection and Use of Water Resources programme, which recorded over-expenditure of R13,383 million due to escalated operational demands and intensified resource management interventions aligned with the Agency's strategic objectives. The Administration and Governance programme concluded the year with under-expenditure of R855,000, reflecting continued cost containment efforts and operational efficiencies. Similarly, the Human Resource and Business Support and Finance programmes ended the year with marginal under-expenditure figures of R263 000 and R78 000, respectively, signalling prudent financial oversight and resource management. The Agency remains committed to aligning expenditure with strategic outcomes and improving budget execution in subsequent financial periods.

Table B.11: Linking performance to budgets

Programme / Activity / Objective	2023/24			2024/2025		
	Budget	Budget	(Over) / Under Expenditure	Budget	Actual Expenditure	(Over) / Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration & Governance	15 412	15 959	(547)	17 631	16 776	855
Protection & Use of Water Resources	109 365	111 461	(2 096)	69 727	83 110	(13 383)
Human Resource & Business Support	55 223	47 171	8 052	56 600	56 337	263
Finance	16 849	17 808	(959)	22 411	22 333	78
Total	196 849	192 399	4 450	166 369	178 556	-12 187

B4.1 REVENUE COLLECTION

Revenue collected via billables raised for water charges for the 2024/25 financial year was budgeted at R64,4 million, based on an estimated abstraction volume of 1.876 billion cubic meters and a waste

discharge charge volume of 154.2 million cubic meters, at an average tariff of R0.04 per cubic meter. A variance of R3,2 million was recorded, attributable to lower-than-anticipated billable volumes following the outcomes of the validation and verification process, as well as revenue accruals amounting to R2,145 million that were not factored into the initial budget projections.

Revenue appropriated by Parliament was determined using a zero-based budgeting approach, to ensure that projected funding requirements were directly aligned to the cost drivers necessary for implementing the activities outlined in the SHC. Based on this assessment, the Agency submitted a funding application for R136,577 million, which reflected activity-based cost estimates for the 2024/25 financial year. In response to prevailing national fiscal constraints, the budgeted allocation was reduced to R98,379 million. The DWS initially approved and transferred R75,545 million of this budget, with a subsequent transfer of R23,779 million being made later in the financial year. This resulted in a funding shortfall of R2,295 million against budgeted requirements.

Table B.12: Revenue collection

	2023/24			2024/25		
Sources of revenue	Estimate	Actual Amount Collected	(Over) / Under Collection	Estimate	Actual Amount Collected	(Over) / Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Water resource management charges invoiced	54 043	44 617	9 426	64 426	53 422	11 004
Interest received	-	12 166	(12 166)	-	9 148	(9 148)
Other income	-	2 730	(2 730)	-	340	(340)
Interest received on investments	3 270	6 875	(3 605)	-	-	-
*Grant appropriated by Parliament	128 235	93 864	34 371	98 379	96 084	2 295
Total	185 548	160 252	25 296	162 804	166 820	(4 016)

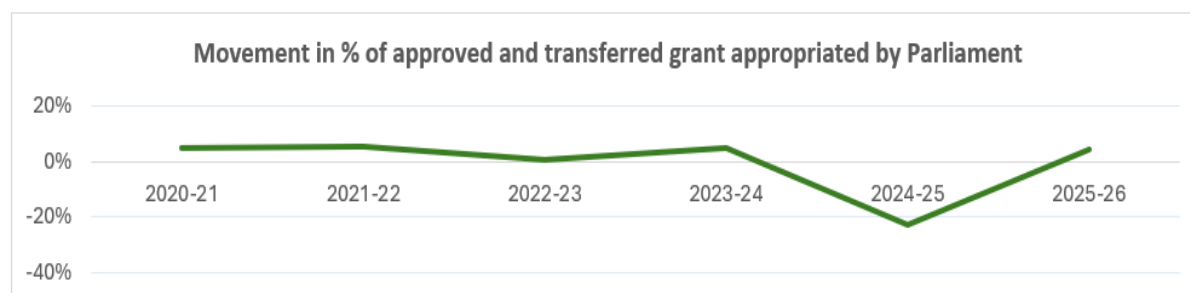
B4.2 ALLOCATION APPROPRIATED BY PARLIAMENT

Government grants accounted for 43% of total funding in the year under review (51% in 2023/24). These computed results mean that the Agency continued to rely on an allocation appropriated by Parliament notwithstanding the increased level of reliance, the Agency has reported a reduction of the Medium-Term Expenditure Framework (MTEF) budget allocation from NT received through the DWS. As a Schedule 3A public entity, the IUCMA relies on equitable and predictable funding to fulfil its statutory mandate under the NWA, particularly in managing water resources effectively. A reduced MTEF allocation constrains the agency's ability to implement critical WRM programmes, including catchment protection, pollution control, compliance monitoring and stakeholder engagement, which potentially undermines the objectives of the NWRS3 and the DWS Water and Sanitation Master Plan. The table below indicates the annual shortfalls in the period 2020 to 2025/26.

Table B.13: Grants appropriated by Parliament

Year	Funding required & applied for (R'000)	Approved & transferred (R'000)	Difference (R'000)	Annual percentage increment of transferred grant
2020-21	R109,560	R84,375	-R25,185	5%
2021-22	R88,861	R88,861	R0	5.3%
*2022-23	R116,433	R89,394	-R27,039	0.6%
2023-24	R128,235	R93,864	-R34,371	5%
*2024-25	R136,557	R72,306	-R64,251	-23%
2025-26	R138,087	R75,545	-R62,542	4.5%

*Additional grants were disbursed following engagement with the shareholder as follows: R21,302 (2022/23) and R23,779 (2024/25).



B4.3 WATER RESOURCE MANAGEMENT CHARGES

In terms of MTEF allocations from NT through the DWS, the Agency derives up to 40% of its annual revenue from alternative funding sources. These include water resource charges, roll-over funds approved by NT, and income streams such as investment returns or service-related fees. This diversified funding structure is essential for financial sustainability and aligns with the principles of cost recovery and resource sustainability, as outlined in the NWA and the Water Pricing Strategy.

The water resource charges, levied in accordance with Section 56 of the NWA, are a critical revenue stream designed to promote equitable and efficient water use, while ensuring the sustainability of WRM activities. These charges contribute directly to catchment protection, compliance monitoring, pollution control and stakeholder engagement, and so support the IUCMA's mandate to ensure integrated and sustainable WRM. However, challenges such as non-payment, delayed collection and economic fluctuations affect the predictability of this revenue stream, which necessitate enhanced debt recovery mechanisms and improved engagement with water users to ensure compliance.

2024/25 marked increased responsiveness to debt management, as the Agency organised various strategic engagement events and implemented initiatives to improve collection rates and ensure financial sustainability. The recently approved Water Pricing Strategy developed by the DWS will be implemented in 2027/28. It brings significant changes, including the removal of tariff caps for certain sectors, differentiated tariff structures for municipal and industrial users, and an expansion of the charge categories. These changes necessitated stakeholder engagement sessions to ensure readiness and alignment, given the Agency's declining revenue and funding constraints.

B4.4 COST RECOVERY

Although the Agency applied successful initiatives for debt collection, the results still indicate the prevalent challenge of charging water users the actual cost of WRM services. This major challenge is rooted in a disabling Water Pricing Strategy that has imposed cap ceilings on sectors categorised as crucial economic drivers, namely irrigation and forestry. This position has had negative unintended consequences on the operations of the agency.

Table B.10 below indicates that the adverse impact of the above tariffs will result in an under-stated tariff recovery of approximately R71,1 million in 2026/27, which will impact the Agency's financial performance. The historical trend of the effect of poor cost recovery in prior years is noted in the table.

Table B.14 Cost recovery

Financial Year	Revenue Collection at Full Cost Recovery (R'000)	Cost Recovery per Pricing Strategy (R'000)	Deficit	%
2022-23	R87 519 900	R55 397 628	(32 122 272)	-58%
2023-24	R111 714 099	R57 671 588	(54 042 511)	-94%
2024-25	R185 657 989	R64 425 924	(121 232 065)	-188%
2025-26	R148 829 439	R79 774 157	(69 055 282)	-87%
2026-27	R150 491 067	R79 346 223	(71 144 843)	-117%

B4.5 TARIFF DETERMINATION

Tariffs are formulated in accordance with the NWA and the National Water Pricing Strategy of 2007. Expected revenue is extrapolated based on the total budget and registered volumes at the date of calculation. The annual budget is linked to the 11 CMA functions. Future adjustments emanating from new registrations, and the validation and verification processes, are accounted for on an ongoing basis and are reflected in actual figures billed. In accordance with Section 6 of the Water Pricing Strategy, CMAs are to be funded predominately through water-related charges charged in lieu of WRM expenditure incurred by the Agency. WRM charges relate to the activities that are required to protect, allocate, conserve, manage and control water resources and manage water quality located within the WMAs.

The Minister approved the tariffs for the 2025/26 financial year, and these were duly applied in the reporting year. The approved tariff adjustments are as follows:

- Domestic & Industry tariffs were approved with an 8% increase, compared to the 11% originally proposed, resulting in a budget shortfall of R713,336.
- Forestry tariffs were approved with an 8% increase, not the proposed 21% increase, leading to a shortfall of R1,1 million in expected revenue.
- Agriculture and Waste Discharge tariffs were approved as proposed, with a 5% (as per recommendation) and 7% increase (recommended), respectively.

The Agency is optimistic that the proposed changes to the Water Pricing Strategy (which are under consideration by the Shareholder) will provide some relief to the challenges of tariff determination. The revision will see the de-construction of sectors, thereby allowing a more applicable tariff determination to be applied. The revision also proposes new chargeable tariffs, subsidies for poor farmers and poor foresters, and removing price capping, which will undoubtedly increase revenue streams. The benefits of the new strategy will only be realised to the extent that the Agency is ready to apply new offerings. Readiness is continuously being tested to ensure maximum benefit.

B4.6 REVENUE COLLECTION

During this period, the Agency undertook various strategic engagements and implemented initiatives to improve collection rates and ensure financial sustainability. The Water Pricing Strategy recently approved by DWS will be implemented in 2027/28 and will bring significant changes. These include the removal of tariff caps for certain sectors, differentiated tariff structures for municipal and industrial users, and an expansion of charge categories. These changes necessitated stakeholder engagement to ensure readiness and alignment, given the Agency's declining revenue and funding constraints.

Debt Collection through Participation in the National Treasury Transversal Contract

Total outstanding trade debt increased slightly in the year, largely due to the addition of WDC volumes. However, collections in the 2024/25 financial year showed significant improvement, reaching R53,4 million. Notably, 78% of the debt was older than 180 days, indicating a high level of toxic debt, which is largely attributed to data integrity issues and unresolved disputes. Several strategic interventions, including payment arrangements and an acknowledgement of debt, have been implemented with key stakeholders. Meanwhile, the Debt Management Strategy remains in force, with the emphasis being on reducing toxic debt and supporting collection through intergovernmental collaboration.

To enhance the recovery of long outstanding and non-responsive debts, the Agency is participating in the National Treasury's Transversal Contract for debt collection services. This participation allows the Agency to leverage the services of pre-approved debt collection companies appointed through a competitive and transparent procurement process.

Following a rigorous internal assessment process, the Agency appointed Hahns Collections (Pty) Ltd to support its debt collection efforts, with the contract commencing on 1 April 2025. As part of the initial phase of implementation, a debtor's book estimated at R100,364 million was handed over to the service provider. The Agency has set a targeted collection rate of 12% over a six-month period,

which is the benchmark for evaluating performance.

To date, R79,237 million of the handed-over debt has undergone preliminary evaluation and screening to determine recoverability and to prioritise collection efforts. This foundational work is expected to support a more focused and results-driven recovery process over the coming months.

An initial list of untraceable customers, with debt amounting to R14 million, was submitted for review. Following an internal updating process, the Agency was able to retrieve and submit valid contact information to the service provider for accounts totalling R5 million. As a result, the value of untraceable debt has been reduced to R9 million, which will continue to be monitored as part of the debt recovery process.

B5. CAPITAL INVESTMENT

Due to its business, the Agency does not undertake extensive infrastructure investments. Capital investments are limited to those made at its owned property located in Piet Retief (Mkhondo). The assets were valued at R1,598 million at the end of the financial year. Table B.11 shows all investments made during the period under review.

Table B.15 Capital investment

Infrastructure projects	2023/24			2024/25		
	Budget	Actual Expenditure	(Over) / Under Expenditure	Budget	Actual Expenditure	(Over) / Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Building situated at Portion 1 of Erf 32, Piet Retief	0	0	0	0	0	0
Total	0	0	0	0	0	0





PART C: GOVERNANCE

C1. GOVERNANCE STRUCTURES

Corporate governance embodies principles, processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, such as the NWA, corporate governance in public entities is applied through the precepts of the PFMA and runs in tandem with the principles contained in the King 4 Report on Corporate Governance. The Executive Authority and the Governing Board of the public entity are responsible for good corporate governance.

C2. PORTFOLIO COMMITTEE

During the financial year under review, the Agency presented the 2024/25 APP and 2023/24 Annual Report to the Water and Sanitation Portfolio Committee. All comments and recommendations made by the Portfolio Committee (PC) were considered and implemented accordingly. The presentations made and the documents tabled were as follows:

- The APP 2024/25 was presented on January 2024.
- The Annual Report 2023/24 was presented on October 2024.
- Comments from PC members focused on IUCMA's corporate social responsibility initiatives, including boreholes and the provision of water tanks to communities within the catchment. These initiatives have responded to the needs of communities, and the Agency was advised to continue with these initiatives in the coming financial years.

C3. THE ACCOUNTING AUTHORITY / GOVERNING BOARD

The responsibilities of the Governing Board are to:

- Ensure the fulfilment of the mandate of the CMA as per the strategic objectives of Government, whilst also achieving its delegated responsibilities as set out in the NWA and PFMA.
- To take accountability and responsibility for the performance and affairs of IUCMA. The Board must therefore retain full and effective control over the CMA and must give strategic direction to the CMA's Executive Management team. The Board is also responsible for ensuring that the CMA complies with all relevant laws, regulations, policies and codes of practice.
- Improve relations with all stakeholders, including present and potential beneficiaries of water resources in the IUWMA.

The purpose of the Board is to:

- Ensure that all Board members are aware of their individual and collective duties and responsibilities.
- Ensure that Board members are aware of the various legislation, regulations and policies affecting their conduct.
- Ensure that the principles of corporate governance are applied in their dealings on behalf of IUCMA.

Governing Board responsibilities and accountability for IUCMA's performance and strategic direction:

The Governing Board shall produce an APP with a budget, in accordance with the planning timeframe set by NT. It shall be submitted to the Minister of Water and Sanitation via the Director-General, as the Accounting Officer for DWS, as required by the NWA, PFMA and Department of Planning, Monitoring and Evaluation (DPME). The final draft must be submitted before the end of January each year, before the start of the new financial year, i.e. 1 April each year. This must align with the DWS strategic planning process and the process of setting water use charges. The following should be submitted:

- The first draft of a proposed APP in November and a final draft in January of the next calendar year. This must be in the prescribed format and must include projected revenue, and expenditure and borrowings for the previous financial year, the current financial year and the next financial year.
- A proposed five-year Strategic Plan in the prescribed format, which covers the affairs of the CMA after every national and provincial election.
- A CMS, as provided for in Section 80 of the NWA.

The Board must take effective and appropriate steps to:

- Collect all revenue due to the CMA.
- Prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure that does not comply with the operational policies of the CMAs.
- Manage available working capital efficiently and economically.

Role of the Governing Board

The role and responsibilities of the Board are to:

- Ensure that IUCMA has effective, efficient and transparent systems of operational, risk management and financial internal controls.
- Monitor the activities of the Executive Management team.
- Ensure that IUCMA operates ethically.
- Ensure that IUCMA maintains a system of internal audit under the control and direction of an Audit Committee, which complies with and operates in accordance with regulations and instructions prescribed in terms of Regulation 27 of the NT Regulations promulgated in terms of section 76 of the PMFA.
- Ensure that IUCMA has and maintains an appropriate procurement and provisioning system that is fair, equitable, transparent, competitive and cost-effective.
- Ensure that all applicable black economic empowerment legislative frameworks and requirements are complied with.
- Manage and safeguard the assets, revenue, expenditure and liabilities of IUCMA.
- Ensure that IUCMA complies with any tax, levy, duty, pension and audit commitments, as required by the statutes.

Governing Board Charter

The Governing Board Charter adheres to the principles contained in the King IV Report. It aspires to ensure good governance practices, appreciate the IUCMA's core mandate, and address the issues of risks and opportunities, strategy, business model, performance and sustainable development, information and technology to achieve its strategic objectives.

The Charter makes provision for establishing sub-committees to ensure effective performance, and evaluates the performance of its members, its committees and the Chairperson on an annual basis. The support ensures continued improvement in terms of the performance and effectiveness of IUCMA.

The Board has in place an Audit Committee (as prescribed in section 51(1)(a) of the PFMA) and an Executive Committee. Other sub-committees in place are the ICT Steering Committee and the Risk Management Committee.

The Governing Board has complied with its Charter and managed to achieve its objectives, as per the planned annual targets. This was aided by the establishment of the above-mentioned sub-committees,

to ensure compliance with all applicable legislation and regulations.

Composition of the Governing Board

Table C.1: Composition of the Governing Board (1 April 2024 to 31 March 2025)

Name	Designation (in terms of the Public Entity Governing Board structure)	Date Appointed	Date Resigned	Qualifications	Governing Board Directorships	Other Committees or Task Teams	No. of Meetings Attended
Ms Linda Carol Zulu	Chairperson	10 August 2023	N/A	Master of Business Administration (MBA), Master of Science Engineering Management, Master of Philosophy: Development Finance	Non – Executive Directorship Silulumanzi	Executive Committee: Member	12
Adv. Geraldine Khoza	Deputy Chairperson	10 August 2023	N/A	B. PROC LLB H. Dip Tax Law	Non – Executive Directorship: Audit Committee member Department of Public Works Bushbuckridge Local Municipality	Executive Committee: Chairperson	12
Mr Sam Mthembu	Member	10 August 2023	N/A	Master of Business Leadership	Non-Executive Directorship: Chairperson of the Audit Committee – Department of Economic Development and Tourism Chairperson of the Audit Committee – Department of Social Development	Executive Committee: Member	12

Name	Designation (in terms of the Public Entity Governing Board structure)	Date Appointed	Date Resigned	Qualifications	Governing Board Directorships	Other Committees or Task Teams	No. of Meetings Attended
Ms Shivon Wiggins (Reappointed)	Deputy Chairperson	10 August 2023	N/A	Bachelor of Science in Town and Regional Planning	Non- Executive Directorship Concor Holdings	Audit Committee: Member	12
Dr Steven Mathetsa	Member	10 August 2023	N/A	PhD (Geography and Environmental Studies)	N/A	Executive Committee: member	12
Salome Chiloane - Nwabueze	Member	10 August 2023	N/A	PHD (Civil Engineering); Master of Business Administration	Non-Executive Directorships Lepelle Northern Water Petroleum Agency SA Audit & Risk Committee member – Ngaka Modiri-Molema DM Council Member-Tshwane University of Technology N3 Toll Concession	Executive Committee: member	12
Mr Mokgobi Andrew Ramushu	Member	10 August 2023	N/A	LLB; MSc: Civil Engineering;	Committee member – Vaal University of Technology Board member – SACPCMP Board member – Amatole Water	Audit Committee: member	12

Name	Designation (in terms of the Public Entity Governing Board structure)	Date Appointed	Date Resigned	Qualifications	Governing Board Directorships	Other Committees or Task Teams	No. of Meetings Attended
Adv Muzikayise Bernard Shabangu	Ex-officio / Acting CEO	1 January 2024 – 30 June 2024	N/A	LLB	Advisor / Secretary: Nkomazi Municipal Public Accounts Committee Chairperson: Matsamo CPA Membership Verification Sub-Committee Deputy Secretary: Matsamo Communal Property Association Chairperson: Sivunosefu Farming Services	Attends all committee meetings	4
Dr Nicollete Mhlanga-Ndlovu	Ex-Officio Board member / Acting CEO	1 July 2024 – 30 May 2025	N/A	PHD (Environmental Science)	N/A	Attends all committee meetings	8

Alternate members:

- Ms Mabel Ndlovu – External Audit Committee Chairperson appointed 1 January 2024.
- Ms Cynthia Nkuna – External Audit Committee member appointed 1 January 2024.
- Mr M Sebeelo – Risk Management Committee Chairperson re-appointed on 1 January 2024.
- Dr T G Sethibe – ICT Steering Committee Chairperson re-appointed on 1 April 2024.

Committees

Table C.2: Governing Board Committees

Committee	No. of Meetings Held	No. of Members	Name of Members
EXCO	6	4	Adv. Geraldine Khoza - Chairperson Ms L C Zulu Ms S Chiloane-Nwabueze Dr M S Mathetsa
Audit Committee	9	5	Ms M Ndlovu External Chairperson Ms C Nkuna Ms S D Wiggins Mr S Mthembu Mr M A Ramushu
Risk Management Committee	5	6	External Chairperson – Mr M Sebeelo CEO 3 x Executives Governing Board Secretary
ICT Steering Committee	5	8	External Chairperson – Dr T.G Sethibe ICT Operational Committee Chairperson CEO 3 x Executives Governing Board Secretary Manager: ICT RMC Specialist

Remuneration of Governing Board members

The Governing Board members are remunerated based on the Category S scales approved by the Minister of Finance and published by NT. The applicable rates for the 2024/25 financial year are noted below.

Table C.3: Remuneration of Governing Board members

Position	Applicable Category S rate per day
Chairperson	R5,716
Deputy Chairperson	R4,851
Member	R4,446

Other expenses, such as travel costs, are payable in terms of actual kilometres travelled, as per the rate indicated by the Department of Transport. Governing Board members are paid for both preparatory time and attendance. Amounts are paid in arrears, following confirmation of meeting attendance and actual kilometres claimed. Amounts claimed and paid are noted in Table C.3.

Table C.4: Remuneration of Governing Board members

	Rand
Governing Board	
Mr M S Mthembu	173 764.50
Mrs S D Wiggins	173 394.00
Ms L C Zulu	251 504.00
Adv. G Khoza	231 823.54
Dr S M Mathetsa	183 267. 83
Ms S Chiloane-Nwabueze	188 399.25
Mr M A Ramashu	196 179.75
Total	1 398 332.87

C4. RISK MANAGEMENT

The Governing Board established a Risk Management Committee, which is chaired by an Independent Member. Its function is to assist the Accounting Authority in fulfilling its risk management and control responsibilities, in accordance with section 51(1)(a)(i) of the PFMA. In 2024/25, the Risk Management Committee performed its oversight role in ensuring that the risk management strategy was effectively implemented. Quarterly reviews and reports were made available to the Audit Committee and the Governing Board, and most of the resolutions taken by these oversight committees were implemented.

The strategic risk assessment for the financial year was conducted and mitigation plans were developed and monitored for implementation. At the end of the financial year, 13 of 17 mitigation plans (76%) were successfully implemented as planned. The remaining 24% of missed opportunities relates to:

- Decline in water security, which resulted to failure to implement climate change initiatives, implementation of the new pricing strategy, enhancement or data cleansing of our water users data and renewal of expired licenses. (Engage water users - customers and encourage them to apply and comply with license conditions if they are still utilising the resource).
- Unsustainable financial resources. The impact of budget cuts by the shareholder, a decline in billing and clients adhering to the payment conditions, and revenue generation streams only

planned to come to fruition in the next 2-3 years.

Table C.5: Strategic risks identified and monitored for mitigation in 2024/25

RISK NUMBER	STRATEGIC OUTCOME	RISK DESCRIPTION	RISK DESCRIPTION EXPLAINED
STR1	Outcome 3: Maintain financial sustainability	Unsustainable IUCMA financial resources	The current revenue trajectory of the IUCMA is not sustainable; therefore, a plan to optimise the revenue and resource allocation cycles is developed to have a financial trajectory that would create a sustainable future capital base.
STR2	Outcome 4: Protected water resources	Decline in water security	Availability of water within the WMA is a serious challenge and is a powerful force that requires attention.
STR3		Reduction in registered volumes	The registered volume on WARMS can either decline or increase owing to the following reasons: <ul style="list-style-type: none"> a) ELU verification in cases where water users over-estimate or under-estimate their water use volumes during registration. b) Expired Licenses – The National WARMS Standard Operating Procedure requires registrations to be closed when a license expires. c) Surrendering of water uses, in cases where the water use will no longer be used.
STR4	Outcome 1: Increased stakeholder satisfaction	Weak / Reduced stakeholder confidence and trust	As per the APP targets, the IUCMA seeks to eliminate any risk exposure to stakeholder relations and increase stakeholder satisfaction.
STR5	Outcome 2: Enhanced human resources and business capabilities	Unsustainable ICT systems	ICT is regarded as a key IUCMA business enabler. The ICT strategy and MSP are approved and implemented, to ensure efficient business software applications systems are applied.

C5. INTERNAL AUDIT

The PFMA, section 51(1)(a)(ii), states: 'An Accounting Officer for a Public entity, must ensure that a public entity has and maintains a system of internal audit under the control and direction of an audit committee complying with and operating per regulations and instructions prescribed in terms of sections 76 and 77 of the Act.'

The approved Annual Audit plan and the strategic three-year rolling plan are based on strategic risks identified by management and approved by the Governing Board. The coverage plan is updated annually, based on the risk assessment, the internal and external issues that are emerging, and the results of both internal and external audits performed in the previous financial year. This ensures that the audit coverage is focused on identified emerging internal and external risks. Table C.6 reflects all the audits conducted in the year under review.

Table C.6 Internal audits conducted in 2024/25

Quarter 1	
1. Performance Information Q4 2023/24	2. Corporate Governance
3. Review of Annual Performance Tables	4. Legal Services
5. Pool Vehicle Management	6. Resource Quality Monitoring
7. Review of Annual Financial Statements	
Quarter 2	
8. Information and Communication Technology	9. Communications and IGR
10. Performance Information Q1	11. Security Management
12. Institution and Participation	13. Records Management
Quarter 3	
14. Performance Information Q2	15. Water Use Authorisation
16. Data and Information Management	17. Revenue Management
18. Financial Discipline Review	
Quarter 4	
19. Performance Information Q3	20. Cellphone and Telephone Management
21. Review of Annual Performance Plan	22. Supply Chain Management

C6. COMPLIANCE WITH LAWS AND REGULATIONS

Amendments to the National Water Act

IUCMA has played a pivotal role in the process of legislative drafting, as far as the NWA is concerned. The Act is undergoing amendments to address various aspects of water resource management in South Africa. The National Water Amendment Bill (B-2023) proposes changes such as ensuring equitable water allocation, optimising water use and protecting water source areas. It also aims to prohibit undesirable consequences of private water trading and improve the review period for the national water resource strategy.

Below are the key proposed amendments:

- **Water Source Area Protection**
The bill seeks to protect water source areas, defined as land and aquifers that provide significant water contributions or meet critical social, economic and environmental water needs.
It proposes prohibitions against mining activities, particularly those that may lead to acid rock drainage or acid mine drainage. The IUCMA suggested the expanding the definition of 'watercourse' to include water source areas and regulating activities within them as 'controlled activities'.
- **Equitable Water Allocation and Use**
The amendments: aim to ensure a more equitable allocation of water resources; and address the optimisation of water use in line with the guiding principles of the NWA.
- **Review and Management of Water Resources**
It has been proposed that the review period for the national water resource strategy be increased from 5 to 10 years. The bill also provides for periodic review of the determination of water resource classes and water RQOs.

Other Key Changes

The amendments address the transfer of WUAs and the reallocation of water. They also provide for the making of regulations and repeal the right to declare an existing lawful water use.

C7. FRAUD AND CORRUPTION

The Agency continues to implement its approved Fraud Prevention Plan and the fraud risk assessments conducted reflect that IUCMA has minimum exposure to fraud risks, and that management has put measures in place to ensure that these risks do not materialise. Nevertheless, management accepts that fraud and corruption are a business risk. However, acceptance does not mean that it condones fraud,

and it commits itself to actively fighting fraud, corruption and all other dishonest acts. There are measures in place to ensure that fraudulent activities are reported, investigated and resolved within a specified period. Employees and the public are encouraged to report any suspected fraud and corruption activity through awareness programmes and initiatives. There is a National Anti-Corruption Hotline (NACH) – 0800 701 701 - and a Presidential Hotline that employees and the public can use to report allegations of fraud. The Agency has an Ethics Policy and Whistle-Blowing Policy that provide assurance of protection of all reporters of unethical conduct.

C8. MINIMISING CONFLICT OF INTEREST

Measures have been implemented to minimise incidents of conflict of interest, as disclosed in the approved SCM Policy, as follows:

- A consultant or supplier cannot participate in a bid if it was involved in the bid specification or design phase of the bid, except with turnkey projects.
- A consultant and any affiliates shall not engage in consulting activities that conflict with the interest of the IUCMA under the contract, and shall be excluded from downstream supply of goods or construction work or the purchase of any asset or the provision of any other service related to the assignment, other than continuation of a service under an ongoing contract.
- All SCM role players must sign the SCM code of conduct and declare any interest in each of the three Bid Committee meetings.
- Providers of goods, services and works are required to declare any interest in each bidding opportunity.

Should any SCM role-player have a conflict of interest at any stage of a procurement transaction, the employee shall report such conflict of interest to the SCM Manager and shall recuse themselves from participating further.

C9. CODE OF CONDUCT

The institution upholds a Code of Conduct, which is reviewed at least every three years or sooner if necessary. This Code is designed to guide IUCMA employees in understanding the standards of personal and professional behaviour expected of them in order to uphold public trust in the integrity of the IUCMA. It aims to foster ethical awareness and serves as a reference for employees regarding the ethical standards expected in both their individual actions and their interactions with others, internally and externally.

In cases where a breach of the Code of Conduct is suspected, the institution's Disciplinary Code applies. This Code outlines, among other things, the definition of 'misconduct' and sets out the responsibilities of both employer and employee during an investigation.

C10. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The Agency made efforts to ensure a safe and healthy work environment for all employees. No disabling injury was reported during this reporting period. This is attributed to notable achievements such as the provision of personal protective equipment for field workers, building inspections, the development of a risk assessment matrix and safe working procedures. An occupational hygiene survey was conducted to ensure compliance with the Occupational Health and Safety Act 85 of 1993.

C11. GOVERNING BOARD SECRETARY

The responsibilities of the Governing Board Secretary are:

- a. To be accountable to the Governing Board.
- b. To provide the Governing Board with guidance regarding their duties, responsibilities and powers.
- c. To advise on any law relevant to or affecting IUCMA.
- d. To report to the Governing Board any failure on the part of IUCMA to comply with relevant legislation, regulations, policies, or other applicable prescripts.
- e. To ensure that the minutes of all meetings of the Governing Board and committees are properly recorded and maintained, as per the Agency's standard operating procedures.
- f. To help with the proper induction, orientation, ongoing training and education of Governing Board members, including assessing their specific training needs in terms of their fiduciary and other governance responsibilities.
- g. To serve as a central source of guidance and advice to the Governing Board and the IUCMA on matters of good governance and changes in legislation.
- h. The Governing Board Secretary should have a direct channel of communication with the Chairperson and should be available to provide comprehensive practical support and guidance to the Governing Board.
- i. To ensure that the Governing Board Committee charters and terms of reference are kept up to date and adhered to.
- j. To ensure the proper compilation and timely circulation of Governing Board papers and assist the Chairperson of the Governing Board and its committees with the drafting of yearly work plans.
- k. To obtain appropriate responses and feedback to specific agenda items and resolutions and

matters arising from earlier meetings of the Governing Board and its committees.

- l. To raise matters that may warrant the attention of the Governing Board.
- m. To ensure that the proceedings of the Governing Board and its committees are properly recorded and that minutes of meetings are circulated to the Governing Board on time.

C12. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2024.

The Audit Committee is an independent statutory committee appointed by the Governing Board of the IUCMA, in compliance with section 51(1)(a) of the PFMA. It provides that IUCMA must maintain a system of internal audit under the control and direction of an Audit Committee, which must comply with and operate as per regulations and instructions prescribed by NT.

Audit Committee Members and Attendance

Table C.7: Audit committee members and attendance

Name	Internal / External	Date of Appointment	Number of meetings attended
Ms M Ndlovu (Chairperson)	External	1 January 2024	3
Ms C A Nkuna	External	1 January 2024	3
Mr M A Ramushu	External	14 September 2023	4
Mr M S Mthembu	External	Reappointed 14 September 2023	4
Ms S D Wiggins	External	Reappointed 14 September 2023	4
Ms M A Mphahlele	External	Term ended 9 August 2023	4
Ms L C Zulu	External	Term ended 9 August 2023	3
Mr W B Baird	External	Term ended 9 August 2023	4
Ms L M Sikhakhane	External	Term ended 9 August 2023	4

During the year under review, and as per IUCMA's approved Audit Charter, the Audit Committee met quarterly and held special meetings as and when required. Seven committee meetings were held, i.e. three special meetings and four ordinary meetings. Special committee meetings were convened to consider the following matters:

- Annual Performance Tables 2022/23, Annual Financial Statements 2022/24, the External Audit Plan prepared by Nexia SAB&T and the Audit Committee Report.
- 2024/25 proposed tariffs.
- APP 2024/25, External Audit Service Provider, Change of IUCMA Bank Account Service, Water Resources Revenue Management Policy, Annual Procurement Plan 2023/24, Supply Chain Management Policy and Preferential Procurement Policy.

Role and Responsibilities

The Audit Committee complied with its responsibilities in terms of section 55(1)(a)(i) of the PFMA, applicable NT Regulations, and its Charter. The committee also has in place appropriate formal terms of reference, as stipulated by its Charter. These include the following matters:

- Financial, performance management and other reporting practices
- Internal controls and management of risks
- Compliance with laws, regulations and ethics
- Annual Financial Statements
- Internal and external audit functions
- ICT governance.

Effectiveness of Internal Controls

During the year under review, the Committee received various reports, in line with its Charter. The Committee deliberated on these reports, which informed the Committee's assessment of the effectiveness of the Agency's internal controls. The Committee made recommendations on the following:

- Management must pay special attention to IUCMA's financial sustainability.
- Management must continue to improve debt management, including securing alternate sources of funding.
- Management must implement Business Continuity Management (BCM).

- Management must place greater emphasis on strategic and operational risks.

The Committee's assessment of the system of internal controls applied by Umalusi over financial and risk management was found to be effective, efficient and transparent. In line with the PFMA, the internal audit function further assured the Audit Committee and management that the internal controls are appropriate and effective in most areas. This is achieved through an ongoing risk management process, identification of corrective actions, and suggested enhancements to controls and procedures throughout the financial period.

Whistle Blowing and Ethics Management

Whilst progress was made in terms of whistle blowing and ethics management during the year under review, the Audit Committee received appropriate recommendations from the Risk Management Committee in this regard. These are being attended to by management.

Governance of Risk

The Governing Board has assigned oversight of the Agency's risk management function to the Risk Management Committee. The Chairperson of the ICT Committee and the Risk Management Committee attend Audit Committee meetings by standing invitation, to ensure that information relevant to these committees is transferred regularly. The Audit Committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risks related to financial reporting and information technology risks.

Internal Audit

The Audit Committee is responsible for ensuring that the IUCMA's internal audit function is independent and has the necessary resources, standing and authority to enable it to discharge its duties. Furthermore, the Committee oversees cooperation between the Internal Auditors and External Auditors and serves as a link between the Governing Board and these functions.

The Audit Committee approved the Internal Audit Charter, Internal Audit Procedure Plan Three Year Annual Rolling and Operational Plan.

The Internal Audit function is responsible for reviewing and providing assurance on the adequacy of the internal control environment across all IUCMA operations. Management is responsible for reporting findings of the internal audit work against the agreed internal audit plan to the Audit Committee regularly.

The Audit Committee is also responsible for assessing the performance of the Internal Audit Specialist and the Internal Audit function. To this end, the external assessment of the Internal Audit function shall be undertaken in the 2024/2025 financial year.

C13. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

Table C.8 has been completed in compliance with the requirements of the B-BBEE Act of 2013, and as determined by the Department of Trade, Industry, and Competition.

Table C.8: B-BBEE compliance

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 –8) regarding the following:		
Criteria	Response	Discussion
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	The Agency monitors water allocations to ensure that there is reported sectoral transformation. In addition, in collaboration with DWS, the Agency is involved in the transformation of IBs Governing Board into water user associations – a process that is expected to heighten transformation in the sector.
Developing and implementing a preferential procurement policy?	Yes	The Agency has ensured the implementation of a preferential procurement policy that takes into consideration developmental goals. The policy allocates points to enterprises owned by black people, women, youth and people living with a disability. In line with the policy, the Agency managed to spend 45% of total expenditure in line with B-BBEE in the financial year under review.
Determining qualification criteria for the sale of state-owned enterprises?	No	N/A
Developing criteria for entering into partnerships with the private sector?	No	N/A
Determining criteria for the awarding of incentives, grants and investment schemes in support of B-BBEE?	No	N/A



PART D: HUMAN RESOURCE MANAGEMENT

D1. INTRODUCTION

Strategic HRM is not merely a function – it is a pivotal element that ensures the institution's survival and performance, and the achievement of its strategic outcomes. As with any progressive organisation, the Agency acknowledges that its employees are its most significant asset. This recognition underscores the need for an integrated HRM strategy and leadership. This strategy is a collection of policies and a commitment to the institution's values and principles regarding its human capital, which are implemented through various human resource (HR) functions, such as integrated workforce planning, staffing (recruitment & selection), talent management & retention, competitive & fair remuneration, sound labour relations, training & skills development, leadership, and change management. This approach elevates HRM to a strategic business partner, by aligning the HR strategy with the business or organisational strategy.

HR priorities and the impact of these priorities

Effective resource management should enhance the IUCMA's potential for excellence in delivering its mandate. Strengthening the organisation's structures is essential to improving the delivery of its core operational mandate in water resources management and its support functions. This includes enhancing human resource capabilities by ensuring:

- a healthy, high performance and results-oriented culture
- an inclusive, learning and enabling organisation.

The IUCMA will implement 80% of the HR plan in the context of policies approved by the Governing Board.

Performance management framework

The institution has an approved performance management and development system and strives for 100% compliance. Employee performance management was effectively overseen during the year, to ensure the institution's strategic objectives were achieved. To support our efforts in enhancing human capital development, a WSP was developed and approved by the Energy and Water Sector Education and Training Authority (EWSETA). This ensures that training is conducted in line with this

plan. Training sessions conducted during the reporting period were as follows: Phase 2 proto-CMAS (CME Training), River Modelling using HEC-RAS, WRM, TOGAF, Flood Hydrology, Effective Report Writing (online), Auditors Course and Microsoft Azure Fundamentals.

Employee wellness programme

Employees remain among our most valued strategic assets in delivering on the Agency's mandate. During the 2024/25 financial year, the Agency continued its commitment to promoting employee wellbeing, despite non-renewal of the Employee Wellness Programme (EWP) contract, due to cost containment measures. As a result, the comprehensive EWP services previously rendered by a dedicated provider could not be sustained, including counselling, trauma debriefing and lifestyle support.

To ensure partial continuity of support, financial wellness services were transferred to Sanlam, which focuses on the financial wellbeing of employees. However, it is important to note that Sanlam does not offer the full spectrum of EWP services. The Agency continues to explore sustainable alternatives to ensure the holistic wellbeing of employees in future financial years.

Policy development

In a quest to attract, develop, motivate and retain talent to ensure that the organisation is capacitated to deliver on its mandate and reposition itself as an 'employer of choice' in the water sector, the following policies were approved:

- Leave Policy
- Disciplinary Code and Procedures
- External Bursary Policy
- Graduate Development Programme.

Internal and external bursaries

No internal bursaries were awarded during the reporting period, due to budget constraints. However, 17 bursars who were awarded bursaries in previous years are continuing with their studies. The fields of study are indicated in the table below.

Table D.1: Internal bursars- field of study

Field of Study	Number of Bursaries
Integrated Water Resource Management	1
Environmental Science / Management	3
Environmental Law / LLB	2
Science / Geohydrology	2
Information technology	0
Public / Business / Management	11
Accounting / Finance	0

No external bursaries were awarded during the reporting period, due to budget constraints. However, two bursars who were awarded bursaries in previous years are continuing with their studies. The fields of study are indicated in the table below.

Table D.2: External bursars - field of study

Field of Study	University / Institution	Number of Bursaries
Bachelor of Science in Environmental and Water Science	University of Mpumalanga	1
BSc in Life and Environmental Science in Biochemistry and Botany	University of Johannesburg	1

Youth employment

In response to the macro-environmental challenges, particularly the high unemployment rate among South African youth, the Agency placed 24 young graduates in work-based experience programmes. These placements are aimed at enhancing youth employability, and spanned a period of 24 months (1 July 2023 to 30 June 2025).

Table D.3: Placement of graduate development trainees

Job Title	Division
Graduate development Trainee / Intern	Water Use Authorization
Graduate development Trainee / Intern	Revenue

Job Title	Division
Graduate development Trainee / Intern	Risk and Compliance Management
Graduate development Trainee / Intern	Information Technology
Graduate development Trainee / Intern	Strategic Support
Graduate development Trainee / Intern	Institutions and Participation
Graduate development Trainee / Intern	Supply Chain Management
Graduate development Trainee / Intern	Records and Auxiliary Services
Graduate development Trainee / Intern	Data and Information Management
Graduate development Trainee / Intern	Communications and Intergovernmental Relations
Graduate development Trainee / Intern	Compliance Monitoring and Enforcement
Graduate development Trainee / Intern	Human Resource
Graduate development Trainee / Intern	Information Technology
Graduate development Trainee / Intern	Finance
Graduate development Trainee / Intern	Governance
Graduate development Trainee / Intern	Resource Planning and Operations
Graduate development Trainee / Intern	Resource Quality Monitoring
Graduate development Trainee / Intern	Internal Auditing
Total	18

Table D.4: Placement of SETA trainees from Forek Institute of Technology

Qualification	Division
Bachelor (Hons) of Earth Science in Hydrology and Water Resources	Resource Planning and Operations
Advanced Diploma in Accountancy	Revenue
Bachelor of Commerce in Accounting	Revenue

Qualification	Division
Bachelor of Commerce in Accounting	Revenue
National Diploma in Accounting	Revenue
N6 Management Assistant	Finance
Total	6

Future HR plans /goals

The Human Resource division endeavours to achieve the following goals and objectives as we enhance our HR capabilities:

- Attract and retain talent by appointing the right, competent candidate for the correct position.
- Implement the IUCMA Employment Equity and Disability Policy to promote, embrace and support a diverse workforce across all job categories and levels.
- Continuous improvement of employee capacity and rewarding performance and organisational effectiveness by implementing the IUCMA Performance Management and Development Policy and awarding bursaries.
- Champion career and professional growth.
- Create and enhance strategic partnerships.
- Streamline and enhance the delivery of HR services through technology.
- Offer work-life balance programmes, services and activities that improve employee health and well-being, and promote a safe and healthy working environment.
- Foster a work environment that values cooperation and collaboration, and ensures that issues are resolved at the lowest possible level.

Critical HR priorities over the medium term are as follows:

- Implementation of the integrated HR plan that covers the following areas:
 - Remuneration: To implement a rewards system that is consistent with the outcomes, outputs and attributes of the IUCMA. When the performing workforce is appropriately rewarded, an extension will thus be made towards the retention of the competencies that align with the outcomes and impacts of the IUCMA.
 - Succession planning and career pathing: Developing employees with specific competencies to take up critical positions by maintaining a database of people.

expertise, experience and skills within a framework that promotes diversity and abilities.

- **Performance Management:** To recognise and reward performance geared towards achieving the strategic objectives and targets of the IUCMA. The improved performance management system will lead to attaining the strategic outcomes and impacts of the IUCMA. A robust performance management system will, therefore, need to be implemented.
- **Employment Equity:** Creating an environment free of discrimination and removing barriers to actively appointing and developing individuals with potential from previously disadvantaged groups.
- **Talent Management:** Organisational excellence should be created and sustained through proactive talent management practises. Employees should be attracted, recruited, trained and developed in terms of all critical skills required for their positions. Employees should be trained, developed and retained to ensure they play a role in attaining the IUCMA's strategic outcomes and impacts. This requires that we:
 - ii. Perform a baseline organisational culture survey.
 - iii. Perform a baseline employee survey.

D2. HUMAN RESOURCE OVERSIGHT STATISTICS

The agency prides itself on having an effective workforce. Below is the key information on human resources.

D2.1. Personnel-related expenditure

Table D.5: Personnel cost by programme / activity / objective

Programme / activity / objective	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Programme 1	53 028 365		55%	59	898 786
Programme 2	45 858 368		45%	49	935 885
Total	98 886 734		100%	108	1 834 671

Table D.6: Personnel cost by salary band

Level	Personnel expenditure (R'000)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management (E1 – E4)	6 124 351	100%	3	2 041 450
Senior Management (D3 – D5)	19 977 147	100%	13	1 536 704
Professional qualified (D1 – D2)	22 539 519	100%	19	1 186 290
Skilled (C1 – C5)	44 763 862	100%	58	771 791
Semi-skilled (B1 – B5)	4 567 293	100%	11	415 208
Unskilled (A1 – A3)	914 562	100%	4	228 641
TOTAL	98 886 734	100%	108	6 180 084

Table D.7: Training Costs

Programme / activity / objective	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost	No. of employees trained	Avg. training cost per employee
Phase 2 proto-CMAS (Compliance Monitoring and Enforcement Training)	0	0	100%	12	0
River Modelling using	R26 400	R26 400	100%	2	R13 200

Programme / activity / objective	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost	No. of employees trained	Avg. training cost per employee
HEC-RAS					
Water Resource Management	R11 000	R11 000	100%	1	R11 000
TOGAF	R18 285	R18 285	100%	1	R18 285
Flood Hydrology	R9 000	R9 000	100%	1	R9 000
Effective Report Writing (Online)	R6 145.80	R6 145.80	100%	1	R6 145.80
Auditors Course	R10 405.50	R10 405.50	100%	1	R10 405.50
Microsoft Azure Fundamentals	R17 595	R17 595	100%	1	R17 595
Total	R98 831.30	R98 831.30	100%	20	R4 941.57

Table D.8: Employment and vacancies

Programme / Activity / Objective	2023/24 No. of Employees	2023/24 Approved Posts	2024/25 No. of Employees	2024/25 Vacancies	% of Vacancies
Top Management	3	4	3	1	25%
Senior Management	15	15	13	2	13%
Professional qualified	21	26	19	7	27%
Skilled	59	82	58	24	29%
Semi-skilled	11	13	11	2	15%
Unskilled	4	4	4	0	0%
TOTAL	113	144	108	36	25%

Table D.9: Employment changes

Salary Band	Employment at the beginning of the Period	Appointments	Terminations	Employment at the end of the Period
Top Management	3	0	0	3
Senior Management	15	0	2	13
Professional qualified	21	0	1	19
Skilled	59	0	1	58
Semi-skilled	11	0	0	11
Unskilled	4	0	0	4
Total	113	0	4	108

Terminations (1 April 2024 – 31 March 2025)

Table D.10: Terminations

Salary Band	Employment at the beginning of the period
Top Management	0
Senior Management	2
Professional qualified	1
Skilled	1
Semi-skilled	0
Unskilled	0
Total	4

Table D.11: Reasons for staff leaving

Reason	Number	% of total staff leaving
Death	1	1%
Resignation	3	3%
Dismissal	0	
Retirement	0	
Ill health	0	
Expiry of contract	0	
Other	0	
Total	4	4%

During the reporting period, four employee exited the Agency: three resigned and one employee's service was terminated due to death. The assessment is that many of the resignations are due to career progression.

Table D.12: Labour Relations: Misconduct and Disciplinary Action

Nature of Disciplinary Action	Number
Verbal Warning	0
Written Warning	1
Final Written warning	0
Dismissal	0

Table D.13: Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1							
Senior Management	9							
Professional qualified	12							
Skilled	27						1	
Semi-skilled	3							
Unskilled	0							
TOTAL	52						1	

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2							
Senior Management	4							
Professional qualified	7							
Skilled	28		1				1	
Semi-skilled	8							
Unskilled	4							
TOTAL	53		1				1	

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0		1	
Senior Management	0		0	
Professional qualified	0		0	
Skilled	0		0	
Semi-skilled	0		0	
Unskilled	0		0	
TOTAL	0		1	



PART E: PFMA COMPLIANCE REPORT

E1. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

The Agency adopted a transformation agenda that focuses on supporting economic empowerment for previously disadvantaged groups. The Agency ensured that a substantial portion of spending was directed toward B-BBEE-owned companies through a systematic procurement process that emphasise competitiveness, efficiency and effectiveness. This strategic approach facilitated the achievement of the Agency's mandate to support black economic empowerment. By adhering to the approved preferential policy, which prioritises B-BBEE suppliers (through the allocation of preference points), the agency over-achieved on its target, and contributed significantly to the economic upliftment of women, youth and people with a disability.

The Agency remains committed to advancing economic empowerment, and will explicitly target marginalised groups like women, youth and people with a disability. Our strategic focus is aligned with the NDP and involves implementing tailored procurement initiatives to support SMMEs that are owned or controlled by the identified groups. Through comprehensive action plans, including training, workshops and mentorship programmes, the Agency aims to bolster the capacity of these groups to foster healthy competition. Furthermore, in the new financial year, the Agency will explore methods to reserve specific quotas or portions of contracts to ensure fair spending opportunities. Despite the possible challenges, particularly in terms of achieving targets for people with a disability (due to a limited pool of suppliers), the agency is determined to overcome the obstacles by developing innovative engagement strategies. The identified approach includes allocating dedicated resources for capacity-building initiatives that will reinforce our commitment to fostering a more inclusive and empowering procurement ecosystem.

E1.1 Irregular expenditure

a) Reconciliation of irregular expenditure

Table E.1 a: Reconciliation of irregular expenditure

Description	2024/25	2023/24
	R'000	R'000
Opening balance	476	971
Add: Irregular expenditure confirmed	-	-
Less: Irregular expenditure condoned	-	(495)

Description	2024/25	2023/24
	R'000	R'000
Less: Irregular expenditure not condoned and removed	-	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance	476	476

The balance reported as an opening balance in the current year (amounting to R476,072) was a result of the expenditure:

- R476,072 incurred as a result of an Internet services contract with X-DSL Networking Solutions t/a Stem Connect that was deemed irregular due to payments being made after the expiry of the contract. A request has been submitted to National Treasury and no condonement has been done at the reporting.

Reconciling notes

Description	2024/25	2023/24
	R'000	R'000
Irregular expenditure under assessment in 2023/24	-	-
Irregular expenditure that relates to 2023/24 and identified in 2024/25	-	-
Irregular expenditure for the current year	-	-
Total	-	-

Table E.2 a) Details of the current and previous year's irregular expenditure (under assessment, determination and investigation)

Description	2024/25	2023/24
	R'000	R'000
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	2, 744	-
Irregular expenditure under investigation	11,511	-
Total	14,255	-

Table E.3 a) Details of the current and previous year's irregular expenditure that was condoned

Description	2024/25	2023/24
	R'000	R'000
Irregular expenditure condoned	-	495
Total	-	495

Fruitless and wasteful expenditure

a) Reconciliation of fruitless and wasteful expenditure

Table E.4 a: Reconciliation of fruitless and wasteful expenditure

Description	2024/25	2023/24
	R'000	R'000
Opening balance	-	-
Add: Fruitless and wasteful expenditure confirmed	-	-
Less: Fruitless and wasteful expenditure written off	-	-
Less: Fruitless and wasteful expenditure recoverable	-	-
Closing balance	-	-

No fruitless and wasteful expenditure was reported in the period under review.

Reconciling notes

Description	2024/25	2023/24
	R'000	R'000
Fruitless and wasteful expenditure that was under assessment in 2023/24	-	-
Fruitless and wasteful expenditure that relates to 2023/24 and identified 2024/25	-	-
Fruitless and wasteful expenditure for the current year	-	-
Total	-	-

b) Details of the current and previous year's irregular expenditure recovered.

Description	2024/25	2023/24
	R'000	R'000
Fruitless and wasteful expenditure recovered	-	-
Total	-	-

There is no fruitless and wasteful expenditure pending recovery and write-off.

c) Details of the current and previous year's irregular expenditure not recovered and written off.

Description	2024/25	2023/24
	R'000	R'000
Fruitless and wasteful expenditure written off	-	-
Total	-	-

There is no fruitless and wasteful expenditure pending recovery and write-off.

Table E.5 a) Late and non-payment of suppliers

Description	Number of invoices	Consolidated Value
		R'000
Valid invoices received	945	38 727
Invoices paid within 30 days or agreed period	687	27 833
Invoices paid after 30 days or agreed period	258	10 894
Invoices older than 30 days or agreed period (unpaid and without dispute)	0	0
Invoices older than 30 days or agreed period (unpaid and in dispute)	0	0
<i>R10,893,597 worth of invoices (258 invoices) were paid after 30 days, but this was within the contractual terms, i.e. payment was only rendered once services were successfully delivered.</i>		

E2. SUPPLY CHAIN MANAGEMENT

Table E.6 Procurement by other means

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Appointment of a service provider to implement a cloud disaster recovery solution as a service (DRAAS) for a period of 36 months	Afrocentric Intellectual Property (Pty) Ltd	Not within threshold	M007-2024/25	1 516
Total				1 516

Table E.7 Contract variations and expansions

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value	Value of previous contract expansion/s or variation/s (if applicable)	Value of current contract expansion or variation
				R'000	R'000	R'000
Installation of fibre internet services at the Absa Square Building	Jireh Technologies (Pty) Ltd	Variation	X001-2024/25	200	21	21
Provision of security services at the Piet Retief Satellite Office and armed response services at Bushbuckridge Satellite Office	Xilota Projects cc	Variation	X005-2024/25	972	56	130
Total				1 172	77	151







PART F: FINANCIAL INFORMATION

- F1. REPORT OF THE EXTERNAL AUDITOR**
- F2. ANNUAL FINANCIAL STATEMENTS**



Inkomati-Usuthu Catchment Management Agency
Annual Financial Statements for the year ended 31 March 2025



Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

General Information

Country of incorporation and domicile

South Africa

Members

Adv G Khoza (Acting Chairperson)
Dr SM Mathetsa
Dr S Chiloane-Nwabueze
Mr MA Ramushu
Mrs SD Wiggins
Mr MS Mthembu
Mr M Mongane (Ex Officio)

Auditors

PricewaterhouseCoopers Inc.
Registered Auditors

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

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Abbreviations used:

DWS	Department of Water and Sanitation
IUCMA	Inkomati-Usuthu Catchment Management Agency
PFMA	Public Finance Management Act
GRAP	Generally Recognised Accounting Practice
NWA	National Water Act
AGSA	Auditor General South Africa
WTE	Water Trading Entity
ICT	Information Communication Technology



Accounting Authority's Responsibilities and Approval

The members are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the agency as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditor is engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance and comply with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the agency and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the agency and all employees are required to maintain the highest ethical standards in ensuring the agency's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the agency is on identifying, assessing, managing and monitoring all known forms of risk across the agency. While operating risk cannot be fully eliminated, the agency endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The members have reviewed the agency's cash flow forecast for the year to 31 March 2026 and, in the light of this review and the current financial position, they are satisfied that the agency has or has access to reasonable resources to continue in operational existence for the foreseeable future. This will be achieved by the identification of revenue streams to augment the continuous dwindling parliamentary allocation. The members are also cognisant of the need to strengthen debtors' collection rates of the agency (refer to note 33).

Over and above the revenue collected by the agency, the agency is still partly dependent on the Department of Water and Sanitation Water Trading Entity (DWS WTE) for continued augmentation for the funding of operations. The annual financial statements are prepared on the basis that the agency is a going concern and that the Minister of Water and Sanitation via the budget of DWS WTE has not announced the intention or the need to liquidate the agency.

The accounting authority is responsible for the controls over and the security of the financial information on the website, and where applicable for establishing and controlling the process of electronically distributing annual reports and other financial information to the Minister of Water and Sanitation.


The external auditors are responsible for independently reviewing and reporting on the agency's annual financial statements. The annual financial statements have been examined by the agency's external auditors and their report is presented on page 9.

The annual financial statements have been prepared on the going concern basis, were approved by the accounting authority on 29 August 2025 and were signed on its behalf by:

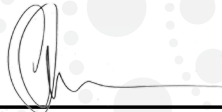
Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Accounting Authority's Responsibilities and Approval



Mr M Mongane (Ex Officio)



Adv G Khoza (Acting Chairperson)

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2025.

The Audit Committee is an independent statutory committee appointed by the Governing Board of the Inkomati Usuthu Catchment Management Agency (IUCMA) in compliance with section 51(1)(a)(ii) of the Public Finance Management Act, 1999 (PFMA), which provides that the agency must have and maintain a system of internal audit under the control and direction of an Audit Committee complying with and operating in accordance with regulations and instructions prescribed by National Treasury.

Audit Committee Members and Attendance

The table below discloses relevant information on Audit Committee members:

Name of member	Internal/External	Date of Appointment	Number of meetings
Ms M Ndlovu (Chairperson)	External	01 January 2024	8
Ms CN Nkuna	External	01 January 2024	8
Mr MA Ramushu	External	14 September 2023	9
Mr MS Mthembu	External	Reappointed: 14 September 2023	9
Ms SD Wiggins	External	Reappointed: 14 September 2023	9

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Audit Committee Report

Audit committee responsibility

The Audit Committee also reports that it has adopted appropriate formal terms of reference as stipulated by its Charter which was approved by the Governing Board and is reviewed annually or as when necessary due to legislative, regulatory changes and/or other circumstances. The Audit Committee has regulated its activities in compliance with this Charter and has discharged all its responsibilities as contained therein.

For the year under review and as per agency's approved Audit Charter, the Audit Committee met quarterly as planned at the commencement of the calendar year and further held special meetings as and when required. Nine (9) Committee meetings were held, comprising of five (5) special meetings and four (4) ordinary meetings. Special Committee meetings were convened to consider the following matters:

- i. Annual Performance Tables and Annual Financial Statements for 2023/24
- ii. PricewaterhouseCoopers Inc. Audit Plan for the year ending 31 March 2024 and the financial sustainability of the IUCMA
- iii. Cost of Living Adjustment Offer to staff
- iv. Combined special Audit Committee and Governing Board meeting for the 2023/24 external audit outcome
- v. The financial sustainability of the IUCMA and implementation of uncommitted funds

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Audit Committee Report

Roles and Responsibilities

The Audit Committee complied with its roles and responsibilities in terms of applicable provisions of the PFMA, applicable National Treasury Regulations and the Charter. The Committee also has in place appropriate formal terms of reference as stipulated by its Charter which includes the following:

- Financial, performance management and other reporting practices
- Internal controls and management of risks
- Compliance with laws, regulations and ethics
- Annual Financial Statements
- Internal and External Audit functions
- ICT governance

The Effectiveness of Internal Control

During the year under review, the Committee received various reports in line with its Charter. The Committee deliberated on such reports which informed the Committee's assessment on the effectiveness of the agency's internal controls. The Committee made recommendations on the following amongst others during the year under review:

- Management must pay special attention to IUCMA's financial sustainability.
- Management must continue to improve on revenue collections, debt management, including securing alternate sources of funding.
- Management must Implement Business Continuity Management (BCM).
- Management must place greater emphasis on strategic and operational risks.

The Committee's assessment of the system of internal controls applied by the agency over financial and risk management was found to be effective, efficient and transparent. In line with the PFMA, the internal audit function further assured the Audit Committee and management that the internal controls are appropriate and effective in relevant areas. This is achieved through ongoing risk management process, identification of corrective actions and suggested enhancements to controls and procedures throughout the financial period.

Whistle Blowing and Ethics Management

Whilst there has been progress made on Whistle Blowing and Ethics Management in the year under review, the Audit Committee has received appropriate recommendations from the Risk Management Committee in respect of Whistle Blowing and Ethics Management which are being attended to by Management.

Governance of Risk

The Governing Board has assigned oversight of the agency's risk management to the Risk Management Committee. The roles and responsibilities are outlined in the Risk Management Charter. This Charter is approved by the Governing Board and reviewed annually to ensure that it remains up to date and relevant within the risk management environment. Chairpersons of the ICT as well as Risk Management Committees are independent non-executive members, appointed by the Board with due consideration of their blend of experience, expertise and qualifications. The chairpersons attend Audit Committee meetings by standing invitation to ensure that information relevant to these committees is escalated regularly. The Audit Committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risks.

Internal Audit

The Audit Committee is responsible for ensuring that IUCMA's internal audit function is independent and has the necessary resources, standing and authority to enable it to discharge its duties. Furthermore, the Committee oversees cooperation between the Internal and External Auditors and serves as a link between the Governing Board and these functions.

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Audit Committee Report

The Audit Committee is mandated to approve the Internal Audit Charter, Internal Audit Procedure Plan Three Year Annual Rolling and Operational Plan.

The Internal Audit function is responsible for reviewing and providing assurance on the adequacy of the internal control environment across all IUCMA operations. Management is responsible for reporting findings of the Internal Audit work against the agreed internal audit plan to the Audit Committee on a regular basis.

The Audit Committee is also responsible for the assessment of the performance of the Internal Audit Specialist and the Internal Audit function. To this end, the quality assurance review of the Internal Audit function inceptioned in 2024/25 and shall be completed in the 2025/26 financial year.

MM NDLOVU

Chairperson of the Audit Committee

Date: 29 August 2025



Independent Auditor's Report

To the Provincial Legislature of Inkomati-Usuthu Catchment Management Agency

**PricewaterhouseCoopers Inc.
Registered Auditors**

01 March 1900

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Accounting Authority's Report

The members submit their report for the year ended 31 March 2025.

1. Review of activities

Main business and operations

The agency is a Public Finance Management Act (PFMA) Schedule 3A Public Entity whose activities are informed by the National Water Act 36 of 1998 is responsible for the integrated management of water resource in the Inkomati-Usuthu Water Management Area.

Net deficit of the agency for 2025 was R 17,326,670 (2024: deficit R 2,509,423).

During the year under review, the Agency continued to operate within its delegated mandate resulting in the achievement of its four key strategic outcomes. Revenue management remains key to ensure sustainability of the agency and as such, strategic engagements and initiatives are continuously being revised for adaptability within the Water Management Area (WMA). Collection rates have improved in the year albeit historic debt remaining a challenge due to slow recoverability and poor customer data. As such, data integrity is an integral part of the agency's strategy to ensure ultimate financial sustainability.

In the current year, the agency recorded increased volatility due to declining water volumes which results in low predictability of collections for water resource charges. Reductions of volumes can be attributed to the outcomes of the validation and verification of water use where water users had overestimated or underestimated their water volumes during registration. Another secondary factor that has impacted a change in volumes include expired water use licences. Due to the adverse impact volume reduction inflicts on the overall performance of the agency, management has taken drastic steps to critically review all aspects of the operations that affect revenue generation.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The going concern of the agency has been detailed in Note 33.

3. Subsequent events

The Governing Board appointed Mr Mokgema Mogane as the Chief Executive Officer. Mr Mongane resumed duties on the 1st of June 2025.

The Chairperson of the Governing Board, Ms L.C. Zulu, tendered her resignation with effect from 31 July 2025, which was accepted by the Minister of Water and Sanitation. Subsequently, on 10 August 2025, the Minister appointed Advocate G. Khoza as Acting Chairperson of the Governing Board.

4. Members' interest in contracts

The members do not have any interests in the contractual dealings of the agency.

5. Accounting policies

The annual financial statements have been prepared in accordance with the prescribed standards of Generally Recognised Accounting Practice (GRAP), including any interpretations of the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Authority

The members of the agency during the year and to the date of this report are as follows:

Name	Appointment Dates
Ms LC Zulu (Chairperson)	Reappointed 9 August 2023. Resigned 31 July 2025
Adv G Khoza (Acting Chairperson)	Reappointed as Deputy Chairperson 9 August 2023. Appointed as Acting Chairperson 10 August 2025
Dr SM Mathetsa	Appointed 9 August 2023
Dr S Chiloane-Nwabueze	Appointed 9 August 2023

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Accounting Authority's Report

6. Accounting Authority (continued)

Mr MA Ramushu	Appointed 9 August 2023
Mrs SD Wiggins	Reappointed 9 August 2023
Mr MS Mthembu	Reappointed 9 August 2023
Mr M Mongane (Ex Officio)	Appointed 1 July 2025
Mr M Gangazhe	Term ended 9 August 2023
Mr W Baird	Term ended 9 August 2023
Ms LM Sikhakhane	Term ended 9 August 2023
Dr T Kelly	Term ended 9 August 2023
Dr BFN Mhlanga-Ndlovu (Ex-Officio)	Term ended 30 June 2025

7. Auditors

PricewaterhouseCoopers Inc. (PwC) was appointed as the agency's external auditor for 3 years as of 2023/24. Their appointment was concurred by the Auditor General South Africa (AGSA) for financial year 2024/25. Appointment for the final year of audit is subject to the AGSA's concurrence. PwC met with the audit committee wherein their audit plan for 2024/25 was tabled and approved.

8. Non-compliance with applicable legislation

The Agency incurred irregular expenditure amounting to R2,744,268 as a result of overspending the approved budget, in contravention of Section 53(4) of the PFMA. This overspend arose from additional audit adjustments recommended to ensure that the allowance for impairment of receivables from exchange transactions was appropriately presented.

In addition, at the request of the DWS the Board engaged the services of an independent legal firm, Cheadle Thompson and Hayson Inc. Attorneys, to review Supply Chain Management transactions amounting to R11,510,944, incurred during the financial years ended 2019 to 2023. As at the date of approval of these financial statements, the investigation remained in progress, and any findings of non-compliance and related irregular expenditure had not yet been confirmed for Governing Board consideration and action.

Further details on irregular expenditure is disclosed under note 31 of the annual financial statements.

No fruitless and wasteful expenditure was incurred during the current financial year.

The annual financial statements have been prepared on the going concern basis, and were approved by the accounting authority on 29 August 2025 and were signed on its behalf by:



Mr M Mongane (Ex Officio)



Adv G Khoza (Acting Chairperson)

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Statement of Financial Position as at 31 March 2025

Figures in Rand	Note(s)	2025	2024 *Restated
Assets			
Current Assets			
Prepayments	5	-	393,563
Receivables from exchange transactions	10	23,102,606	20,285,928
Receivables from non-exchange transactions	11	181,647	167,781
Cash and cash equivalents	12	27,971,908	40,130,752
		51,256,161	60,978,024
Non-Current Assets			
Property, plant and equipment	4	7,804,463	9,438,017
Rental deposits	9	8,345	8,345
		7,812,808	9,446,362
Total Assets		59,068,969	70,424,386
Liabilities			
Current Liabilities			
Payables from exchange transactions	6	7,732,111	2,867,253
VAT payable	7	-	141,394
Employee benefit obligation	8	7,974,686	6,534,238
Finance lease obligation	13	129,542	139,292
		15,836,339	9,682,177
Non-Current Liabilities			
Finance lease obligation	13	11,072	193,981
Total Liabilities		15,847,411	9,876,158
Net Assets		43,221,558	60,548,228
Accumulated surplus		43,221,558	60,548,228
Total Net Assets		43,221,558	60,548,228

* See Note 2 & 29

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 *Restated
Revenue	14	166,479,743	180,391,665
Other income	15	340,330	2,730,046
Operating expenses	21	(188,953,091)	(192,501,769)
Operating deficit		(22,133,018)	(9,380,058)
Interest income	16	4,806,894	6,874,794
Finance costs	19	(546)	(4,159)
Surplus /(Deficit) for the year		(17,326,670)	(2,509,423)

* See Note 2 & 29

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 April 2023	61,902,261	61,902,261
Changes in net assets		
Prior year error (Note 29)	1,155,391	1,155,391
Restated balance 01 April 2023	63,057,652	63,057,652
Loss for the year	(2,509,423)	(2,509,423)
Restated balance at 01 April 2024	60,548,228	60,548,228
Changes in net assets		
Loss for the year	(17,326,670)	(17,326,670)
Total changes	(17,326,670)	(17,326,670)
Balance at 31 March 2025	43,221,558	43,221,558

* See Note 2 & 29

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Cash Flow Statement

Figures in Rand

	Note(s)	2025	2024 *Restated
Cash flows from operating activities			
Receipts			
Water resources management charges invoiced		58,431,230	57,341,839
Interest income		4,806,894	6,874,794
Grants		96,084,000	93,864,000
Interest received on trade debtors		9,147,835	12,165,922
Other income		326,465	2,493,288
		168,796,424	172,739,843
Payments			
Employee costs		(109,373,465)	(112,331,770)
Operating expenses		(69,894,720)	(81,419,181)
		(179,268,185)	(193,750,951)
Net cash flows from operating activities	22	(10,471,761)	(21,011,108)
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(1,494,970)	(1,844,637)
Cash flows from financing activities			
Finance lease		(192,113)	11,029
Net increase/(decrease) in cash and cash equivalents		(12,158,844)	(22,844,716)
Cash and cash equivalents at the beginning of the year		40,130,752	62,975,465
Cash and cash equivalents at the end of the year	12	27,971,908	40,130,749

The accounting policies on pages 23 to 37 and the notes on pages 38 to 56 form an integral part of the annual financial statements.

* See Note 2 & 29

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Water resource management charges invoiced	64,425,924	-	64,425,924	61,247,908	(3,178,016)	32
Interest received (trading)	-	-	-	9,147,835	9,147,835	32
Other income	-	-	-	340,330	340,330	32
Total revenue from exchange transactions	64,425,924	-	64,425,924	70,736,073	6,310,149	

Revenue from non-exchange transactions

Transfer revenue

Government grants	72,306,000	26,072,551	98,378,551	96,084,000	(2,294,551)	32
Total revenue	136,731,924	26,072,551	162,804,475	166,820,073	4,015,598	

Expenditure

Personnel	(107,005,603)	-	(107,005,603)	(110,942,534)	(3,936,931)	32
Surplus funds surrendered	-	-	-	(17,936,779)	(17,936,779)	32
Depreciation and amortisation	-	-	-	(2,555,782)	(2,555,782)	32
Bad debts written off	(8,283,372)	-	(8,283,372)	(13,188,458)	(4,905,086)	32
Expenses (by function)	(24,801,994)	(25,052,551)	(49,854,545)	(43,756,796)	6,097,749	32
Total expenditure	(140,090,969)	(25,052,551)	(165,143,520)	(188,380,349)	(23,236,829)	

Operating surplus	(3,359,045)	1,020,000	(2,339,045)	(21,560,276)	(19,221,231)	
Loss on disposal of assets and liabilities	(200,000)	(1,020,000)	(1,220,000)	(572,742)	647,258	32

Operating surplus	(3,559,045)	-	(3,559,045)	(22,133,018)	(18,573,973)	
Finance Cost	5,255	-	5,255	546	(4,709)	

Deficit for the year from continuing operations	(3,564,300)	-	(3,564,300)	(22,133,564)	(18,569,264)	
Interest received - investment	3,564,300	-	3,564,300	4,806,894	1,242,594	32

Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	(17,326,670)	(17,326,670)	
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Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024
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1. Significant accounting policies

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 89 of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented to the nearest South African Rand.

Changes in Accounting Policy and Comparability

Accounting policies have been consistently applied, except where otherwise indicated below:

For periods ended 31 March 2024 and 31 March 2025, the agency has adopted the accounting framework as set out in point 1 above. The comparative information presented for the year ended 31 March 2024 covers a full 12-month reporting period. Details of any resulting accounting policy changes and the impact on comparative figures are disclosed below, where applicable

The agency changes an accounting policy only in the following instances:

- a) if it is required by a Standard of GRAP; or
- b) if it results in the financial statements providing more reliable information about the effects of transactions, other events or conditions on the agency's financial position, financial performance or cashflow.

Critical Judgment and Sources of Estimation Uncertainty

In preparing the financial statements, management makes estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. If a revision to an accounting estimate affects only one period, it is recognised in the period in which the estimate is revised, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and estimates that management has made in the process of applying the agency's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Revenue Recognition

Accounting Policies 1.8 and 1.9 on Revenue Recognition describe the conditions under which revenue will be recorded by the agency's management.

In making their judgment, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from exchange transactions and GRAP 23: Revenue from non-exchange transactions. Of importance is the estimation process measuring revenue at the fair value on initial recognition. Management of the agency is satisfied that recognition of the revenue in the current year is appropriate.

Significant judgment is applied in the recognition of revenue from exchange transactions, specifically in determining the stage of completion. The agency applies a method based on projected revenue derived from billable volumes, where this reliably reflects the extent of services rendered. This approach requires management to make assumptions regarding consumption patterns, billing accuracy, and volumes authorised during the reporting period

Financial instruments

The classification of financial assets and liabilities into categories is based on judgment by management. Accounting Policy 1.2 on Financial instruments classification describes the factors and criteria considered by management of the agency in the classification of financial instruments.

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Significant Accounting Policies

In making the above-mentioned judgment, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104 (Extant) : Financial instruments. The agency has applied the requirements of GRAP 104 (Extant): Financial Instruments in accounting for and disclosing financial assets, financial liabilities, and related risk exposures. Financial instruments are initially recognised at fair value, and subsequently measured in accordance with the classification criteria and measurement bases prescribed by GRAP 104 (Extant).

Impairment of Financial Assets

Accounting Policy 1.2 on Impairment of financial assets describes the process followed to determine the value by which financial assets should be impaired.

In making the estimate of the impairment, management of the agency considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial instruments and used its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their financial position and slow or non-payment within the last 12 months.

Useful lives of Property, Plant and Equipment

As described in Accounting Policy 1.1 the agency depreciates/amortises its property, plant and equipment over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, servicing requirements and required service potential on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgment as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Impairment

As described in Accounting Policy 1.4 which describe the conditions under which the assets are tested for potential impairment losses by management of the agency. Significant estimates and judgments are made relating to impairment testing. In making the above-mentioned estimates and judgment, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of non-cash generating assets. In particular, the calculation of the recoverable service amount for assets.

Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the Statement of Comparison of Budget and Actual Amounts. The agency's budget is prepared on a cash basis.

Going Concern Assumption

Financial statements have been prepared on the assumption that the agency will continue to operate as a going concern for at least the next 12 months (refer to note 34).

Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.1 Property, plant and equipment

Initial Recognition

Property, plant and equipment are tangible non-current assets that are used for administrative purposes, and are expected to be used for more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future service potential associated with the item will flow to the agency, and if the cost or fair value of the item can be measured reliably.

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Significant Accounting Policies

1.1 Property, plant and equipment (continued)

Property, plant and equipment are initially recognised at cost on their acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on the date of acquisition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the agency. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the agency for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. The cost of an item of property, plant and equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the agency expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future service potential associated with the subsequent expenditure will flow to the agency and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset.

Where the agency replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future service potential associated with the subsequent expenditure will flow to the agency and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset.

Subsequently all property plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Depreciation

Depreciation on assets is calculated at cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Depreciation charge for the period is recognised in surplus or deficit except where it is included in the carrying amount of another asset. The depreciation method used reflects the pattern in which the assets' future service potential is expected to be consumed by the agency. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Depreciation only commences when the asset is available for use, unless stated otherwise.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The useful lives of items of property, plant and equipment have been re-assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight-line	n/a
Buildings	Straight-line	20 years
Furniture and fixtures	Straight-line	8 - 15 years
Motor vehicles	Straight-line	5 - 10 years
Office equipment	Straight-line	8 - 15 years
Computer equipment	Straight-line	5 - 10 years

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1.1 Property, plant and equipment (continued)

The assets' residual values, estimated useful lives, and depreciation methods are reviewed annually and adjusted prospectively, if appropriate, at each reporting date.

The agency assesses at each reporting date whether there is any indication that the agency expectations about the residual value and useful life of an asset have changed since the preceding reporting date. If such an indication exists, the agency revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

Derecognition of Property, Plant and Equipment

The carrying amount of property, plant, and equipment is derecognised upon disposal or when no future service potential is expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the disposal or retirement of property, plant and equipment is determined as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds which is recognised in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

1.2 Financial instruments

The agency has various types of financial instruments, which can be broadly categorised as either financial assets or financial liabilities in accordance with the substance of the contractual agreement. The agency only recognises a financial instrument when it becomes a party to its contractual provisions. Amounts receivable or payable within 12 months from the date of reporting are classified as current assets or liabilities, except for maturities greater than 12 months, which are classified as non-current assets or liabilities in the Statement of Financial Position.

Initial Recognition

Financial assets and financial liabilities are recognised on the agency's Statement of Financial Position when the agency becomes party to the contractual provisions of the instrument. The agency does not offset a financial asset and a financial liability unless a legally enforceable right to offset the recognised amounts currently exists, and the agency intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The agency recognises financial assets using trade date accounting.

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Significant Accounting Policies

1.2 Financial instruments (continued)

Financial assets - classification

A financial asset is any asset that is cash or a contractual right to receive cash. In accordance with GRAP 104 (Exempt): Financial instruments the financial assets of the agency are classified into the three categories allowed by this standard as follows:

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Cash and cash equivalent includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The agency categorises cash and cash equivalents as financial assets at amortised cost.

Financial assets at fair value

Financial assets are measured at fair value when they meet either of the following conditions:

- derivatives
- combined instruments that are designated at fair value
- instruments held for trading
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition, or
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets at cost

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The agency has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Class	Category
Cash and cash equivalents	financial asset measured at amortised cost
Receivables from non-exchange transactions	financial asset measured at amortised cost
Receivables from exchange transactions	financial asset measured at amortised cost

Financial Liabilities - Classification

Financial liability is a contractual obligation by an agency to deliver cash or another financial asset. There are three main categories of financial liabilities, and the classification determines how they are measured

Financial liabilities may be measured at fair value, amortised cost or cost.

The agency has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Class	Category
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Significant Accounting Policies

1.2 Financial instruments (continued)

Payables from exchange transactions	financial liability measured at amortised cost
Payables from non - exchange transactions	financial liability measured at amortised cost

Initial and Subsequent Measurement

Financial Assets:

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Rate Method less any impairment, with interest recognised on an effective yield basis.

Financial assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of Financial Performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

Financial assets at cost are initially and subsequently measured at cost.

Financial Liabilities:

Financial Liabilities measured at amortised cost

Trade and other payables, interest bearing debt including finance lease liabilities and non-interest bearing debt are initially measured at fair value, net of transaction costs are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rates.

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resultant gain or loss recognised in the Statement of Financial Performance.

Financial liabilities at cost are initially and subsequently measured at cost.

Impairment of Financial Asset

The agency assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the allowance is recognised in surplus or deficit.

A provision for impairment of accounts receivable is established when there is objective evidence that the agency will not be able to collect all amounts due according to the original terms of recoverability. The provision is made in accordance with GRAP 104 (Extant) whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar recoverability.

The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short term receivables are not discounted where the effect of discounting is immaterial.

Gains and losses

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Significant Accounting Policies

1.2 Financial instruments (continued)

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-Exchange Transactions.

1.3 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Determining whether an arrangement contains a lease

At inception of an arrangement, the agency determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the agency the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the agency separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

If the agency concludes a finance lease where it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised.

Inkomati-Usuthu Catchment Management Agency

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Significant Accounting Policies

1.3 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability. The discount rate used when calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The leased asset is depreciated in accordance with accounting policy 1.1 Property, plant and equipment.

Any contingent rents are expensed in the period which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense in the Statement of Financial Performance on a straight-line basis over the lease term.

The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.4 Impairment of assets

The agency uses its assets to deliver services, therefore, has classified all assets held as non-cash generating assets. When considering for indication that an asset may be impaired, the agency has to consider:

External Sources of Information:

- cessation, or near cessation, of the demand or need for service provided by the asset; and
- significant long term changes with a favourable effect on the agency that has taken place during the period, or will take place in the near future, in the technological, legal or agency policy environment in which the agency operates.

Internal Sources of Information:

- Evidence is available of obsolescence or physical damage of an asset .
- Significant changes with an adverse effect on the agency have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Impairment of Non-Cash Generating Assets

The agency assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the agency estimates the recoverable service amount of the asset.

If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined. After the recognition of an impairment loss, the depreciation or amortisation charge for the asset must be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

The recoverable service amount is the higher of non-cash generating assets fair value less costs to sell and its value in use. The value in use for non-cash generating asset is the present value of the asset's remaining service potential. The present value of the asset's remaining service potential is determined using the depreciated replacement cost.

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Significant Accounting Policies

1.4 Impairment of assets (continued)

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss. An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit.

The agency assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss should be recognised, the depreciation or amortisation charge for the asset must be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.5 Employee benefits

In line with GRAP 25, employee benefits are all forms of consideration given by the agency in exchange for services rendered by employees.

The obligation for short-term employee benefits is recognised as a liability (accrued expense) to the extent that services have been rendered and the amount is unpaid at the reporting date, after deducting any contributions already paid. Accruals for employee entitlements represent the amounts which the agency has a present obligation to pay as a result of employee services provided at the reporting date. The accruals have been calculated at undiscounted amounts based on current salary rates. The expected cost of incentive is recognised as a liability when there is a legal or constructive obligation to make such a payment as a result of past performance.

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service. Where benefits do not fall due wholly within twelve months after the end of the period in which the employees render the related service, the benefits are discounted using a rate that reflects the time value of money.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The agency measures the expected cost of accumulating compensated absences as the additional amount that the agency expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

Where amounts paid exceed the obligation due for employee services rendered before the reporting date, the excess is recognised as a prepaid expense to the extent that it is expected to result in a reduction of future payments or a refund from the benefit plan.

The agency recognises the expected cost of bonus, incentive and performance related payments when the agency has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the agency has no realistic alternative but to make the payments.

1.6 Provision and Contingencies

Provisions are recognised when:

- the agency has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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Significant Accounting Policies

1.6 Provision and Contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the agency or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the agency. Contingent assets and contingent liabilities are not recognised.

Contingencies are disclosed in note 25 wherein management in has exercised significant judgment in assessing whether an obligation to surrender surplus funds to National Treasury constitutes a contingent liability or a provision. In the current reporting period, the obligation was not finalised at year-end. As a result, the agency has classified the potential surrender as a contingent liability, based on the uncertainty around the timing and confirmation of the outflow.

1.7 Commitments

Items are classified as commitments when an agency has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the agency – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.8 Revenue from exchange transactions

Recognition

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the agency and these benefits can be measured reliably, except when specifically stated otherwise. Revenue comprises the fair value of the consideration received or receivable for services in the ordinary course of the agency's activities.

Rendering of Services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the agency;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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Significant Accounting Policies

1.8 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, commission (where applicable) and volume rebates.

Interest

Revenue arising from the use by others of agency assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the agency, and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest method and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.9 Revenue from non-exchange transactions

Recognition

An inflow of resources from a non-exchange transaction, which meets the definition of an asset shall be recognised as an asset when:

it is probable that the future economic benefits or service potential associated with the asset will flow to the agency and the fair value of the asset can be measured reliably.

The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

Measurement

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognised by the agency. When, as a result of a non-exchange transaction, the agency recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date and the amount of the increase in net asset, if any, is recognised as revenue. When liability is subsequently decreased, the amount of the reduction in the liability is recognised as revenue.

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the Agency. An inflow results in an increase in net assets - excluding contributions from owners - following an annual revenue transfer received from the Department of Water and Sanitation's Water Trading Entity (DWS WTE) in accordance with the approved Annual Performance Plan. In line with Practice Note 6 of 2023/24 issued by National Treasury, revenue is reduced when any surplus uncommitted funds are required to be surrendered to the National Revenue Fund.

Control of an asset arise when the agency can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Transfers

Apart from services in kind, which are not recognised, the agency recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

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Significant Accounting Policies

1.10 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another agency in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The agency recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the agency and the transaction amount can be measured reliably.

Initial measurement

The agency initially measures statutory receivables at their transaction amount.

Subsequent measurement

The agency measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the agency levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers), whichever is applicable.

Impairment losses

The agency assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the agency considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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Significant Accounting Policies

1.10 Statutory receivables (continued)

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the agency measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an agency considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the agency discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The agency derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the agency transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the agency, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the agency:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The agency considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.11 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was identified. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.12 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (Act No.1 of 1999), Treasury Regulations or is in contravention of the agency's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register.

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Significant Accounting Policies

1.12 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register.

Where irregular expenditure was incurred in the previous year and is only condoned in the following financial year, the register must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.13 Segment information

A segment is an activity of an agency:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

The agency has no segments to report on and operates as a single integrated entity.

1.14 Budget information

The annual budget figures are prepared in accordance with GRAP 24: Presentation of budget information in the financial statements standard and are consistent with the accounting policies adopted by management for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts where applicable. Explanatory comment is provided in the Statement of Comparison of Budget and Actual Amounts in the budget motivations for over or underspending on line items.

These figures are those approved in the agency estimate at the beginning and end of the year. The approved budget covers the period from 1 April 2024 to 31 March 2025. The budget is approved on a cash basis by programme and item classification whereas the actual amounts are reported on accrual basis of accounting. Therefore, the Statement of Comparison of Budget and Actual Amounts have not been prepared on the comparable basis of accounting.

1.15 Related parties

The agency operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the agency, including those charged with the governance of the agency in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the agency.

1.16 Events after reporting date

Events after the reporting date that are classified as non-adjusting events have been accounted for in the financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date.

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Significant Accounting Policies

1.17 Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Nothing has come to the attention of Management and Accounting Authority to indicate that the agency would not remain a going concern for the foreseeable future. The going concern has been further detailed in note 34.

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Significant Accounting Policies

2. Changes in accounting policy , prior errors and estimates

Accounting policies are the specific principles, bases, conventions, rules, and practices applied by the agency in preparing and presenting financial statements. Whilst change in accounting estimates, are adjustments of the carrying amount of an asset or liability or related expense resulting from reassessing the expected future benefits and obligations associated with that asset or liability.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year. Changes in accounting estimates have been disclosed in note 28. Prior year errors and change in accounting policy have been disclosed in note 29.

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

No standards and interpretations applicable to the agency were effective in the current year were identified. No standards and interpretations were early adopted.

3.2 Standards and interpretations issued, but not yet effective

The agency has not applied the following standards and interpretations, which have been published and are mandatory for the agency's accounting periods beginning on or after 01 April 2025 or later periods:

Standard and Interpretation	Effective date:	Implementation
GRAP 1 Presentation of Financial Statements	Not yet effective	No date set
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors	Not yet effective	1 April 2025
GRAP 103 Heritage Assets Amendments	Not yet effective	No date set
GRAP 104 Financial Instruments - Amended	Not yet effective	1 April 2025
GRAP 105 Transfers Between Entities Under Common Control	Not yet effective	No date set
GRAP 106 Transfer of Functions Between Entities Not Under Common Control - Amended	Not yet effective	No date set
GRAP 107 Mergers - Amended	Not yet effective	No date set
IGRAP 22 Foreign currency transactions and advance considerations	Not yet effective	1 April 2025

Impact Assessment

GRAP 3 prescribes the principles for selecting and applying accounting policies, as well as the treatment and disclosure of changes in accounting estimates and prior period errors. It will require the agency to apply changes in accounting policy and corrections of prior period errors retrospectively, while changes in accounting estimates are applied prospectively. The standard also requires clear disclosure of the nature, cause, and financial impact of such changes, including restated comparative figures where applicable. The impact of adopting or aligning more closely with GRAP 3 is expected to be minimal, as the agency already applies these principles and presents most related disclosures in its financial statements.

GRAP 104 establishes the recognition, measurement, presentation, and disclosure requirements for financial instruments. It classifies financial instruments into those measured at amortised cost, at fair value, or at cost, and introduces the expected credit loss model for impairment of financial assets. The standard also requires comprehensive disclosures on credit, liquidity, and market risk, as well as details of classification and valuation methods. The impact of GRAP 104 on the agency's financial statements is expected to be minimal, as most financial instruments are already measured at amortised cost and impairment assessments, as well as risk disclosures, are in place in line with the standard's requirements.

The Agency assessed the implications of IGRAP 22 – Foreign Currency Transactions and Advance Consideration, which clarifies the date at which to determine the exchange rate for foreign currency transactions involving advance payments. Given that the Agency conducts the vast majority of its transactions in South African Rand and does not typically engage in foreign currency transactions involving advance consideration, the adoption of IGRAP 22 is expected to have no material impact on the financial statements. Should such transactions arise in future, the Agency will apply the interpretation in accordance with the guidance provided under GRAP 4 and IGRAP 22.

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	1,469,866	-	1,469,866	1,469,866	-	1,469,866
Building	1,299,405	(315,303)	984,102	484,726	(37,162)	447,564
Office equipment	6,132,043	(4,951,435)	1,180,608	6,384,851	(4,832,931)	1,551,920
Furniture and fixtures	4,552,540	(2,800,557)	1,751,983	4,752,696	(2,624,060)	2,128,636
Motor vehicles	1,352,497	(969,713)	382,784	1,352,497	(810,146)	542,351
Computer equipment	8,806,348	(6,771,228)	2,035,120	9,928,438	(6,630,758)	3,297,680
Total	23,612,699	(15,808,236)	7,804,463	24,373,074	(14,935,057)	9,438,017

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Depreciation	Total
Land	1,469,866	-	-	-	1,469,866
Building	447,564	678,500	-	(141,962)	984,102
Furniture and fixtures	2,128,636	271,668	(108,913)	(539,408)	1,751,983
Motor vehicles	542,351	-	-	(159,567)	382,784
Office equipment	1,551,920	189,978	(54,912)	(506,378)	1,180,608
Computer equipment	3,297,680	354,824	(408,917)	(1,208,467)	2,035,120
	9,438,017	1,494,970	(572,742)	(2,555,782)	7,804,463

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Notes to the Annual Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Depreciation	Total
Land	1,469,866	-	-	-	1,469,866
Building	484,726	-	-	(37,162)	447,564
Furniture and fixtures	1,935,341	494,000	(58,118)	(242,587)	2,128,636
Motor vehicles	48,221	-	-	494,130	542,351
Office equipment	1,623,107	325,907	(7,085)	(390,009)	1,551,920
Computer equipment	3,133,420	1,024,730	(153,692)	(706,778)	3,297,680
	8,694,681	1,844,637	(218,895)	(882,406)	9,438,017

Pledged as security

The agency did not pledge any of its assets as security. The agency has office equipment to the value of R138,481 that have been leased.

Land and buildings values have been separated following a correction of a prior year error. Refer to note 29.

Disposals reported in reporting year did not result in a cash inflow.

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
Details of properties		
Property 1		
Land and building is situated on Portion 1 of Erf 32 Piet Retief (Mkhondo)		
Opening Balance	1,917,430	1,954,592
Accumulated depreciation and accumulated impairment	(131,946)	(37,162)
Capitalised costs	678,500	-
Net Book Value	2,463,984	1,917,430

The Agency's land and buildings were revalued during the financial year by an independent, professionally accredited evaluator. Fair value was determined with reference to recent market transactions for similar properties in active markets, adjusted where necessary to reflect differences in location, condition, and use.

The valuation for the land and building was obtained on 7 May 2025. However, based on management's assessment, there were no substantive changes in market conditions between 31 March 2025 and 7 May 2025. Accordingly, the fair value determined as at 7 May 2025 was adopted as representative of the value as at 31 March 2025.

Land and building was separated in the reporting year to ensure compliance with relevant GRAP standards. Refer to note 29.

The revaluation did not result in a revaluation surplus for the period, as the fair value determined was not higher than the carrying amount recognised prior to revaluation. Accordingly, no transfer to the revaluation reserve has been recognised.

Comparative figures for 2024 have been restated to increase understandability and comparability.

Repairs and Maintenance		
Land and buildings	145,465	372,605
Motor vehicles	50,711	120,927
Computer equipment	57,591	56,823
	253,767	550,355

5. Prepayment

Insurance prepayment	-	393,563
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6. Payables from exchange transactions

Debtors with credit balances	912,234	591,108
Unallocated debtors balance	5,968	3,770
Trade payables	1,509,462	-
Accruals	3,751,465	1,245,879
Operating lease liability	1,538,675	1,012,258
Garage card	14,307	14,237
	7,732,111	2,867,253

7. VAT payable

VAT payable	-	141,394
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Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
8. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Staff bursaries	-	(126,218)
Pension	(1,401,613)	-
Medical Aid	-	(940,000)
Unpaid salaries	(232,233)	(214,182)
Staff bonus	(487,661)	(477,168)
Leave provision	(5,853,179)	(4,776,670)
	(7,974,686)	(6,534,238)

9. Rental deposits

Rental deposits	8,345	8,345
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10. Receivables from exchange transactions

2025	30 days	60 days	+90 days	Allowance for impairment	Total
Trade debtors	17,685,793	9,384,973	127,636,576	(131,604,736)	23,102,606
2024	30 days	60 days	+90 days	Allowance for impairment	Total
Trade debtors	20,980,665	(3,757,473)	121,479,014	(118,416,278)	20,285,928

Reconciliation of allowance for impairment of trade debtors

Opening balance	(118,416,278)	(95,994,899)
Provision for impairment	(13,188,458)	(22,421,379)
	(131,604,736)	(118,416,278)

Financial assets were individually assessed. Impairment was determined based on observable factors including customer payment trends, historical default patterns, and known future events that may affect the debtor's ability to settle outstanding amounts. All financial assets have been assessed for impairment at the reporting date, and no further impairment was deemed necessary for amounts past due.

Trade debtors balance of R154,707,342 (2024: R138,702,206) was adjusted by a corresponding allowance for impairment carried against receivables of R131,604,736 (2024: R118,416,278) resulting in an outstanding balance of R23,102,606 (2024: R20,285,928) reported by the end of the period.

11. Receivables from non-exchange transactions

Interest receivable	26,601	24,931
Staff receivables	136,850	142,850
VAT Receivable	18,196	-
	181,647	167,781

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
Petty cash float	3,994	3,991
Bank balances	7,618,113	2,604,634
Cash held with South African Reserve Bank	20,349,801	37,522,127
	27,971,908	40,130,752

13. Finance lease obligation

Minimum lease payments due

Within one year:

Capital component	128,220	192,659
Interest component	1,322	1,322

In second to fifth year inclusive:

Capital component	10,873	139,093
Interest component	199	199

Present value of minimum lease payments	140,614	333,273
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Present value of minimum lease payments due

Within one year:

Capital component	128,220	192,659
Interest component	1,322	1,322

In second to fifth year inclusive:

Capital component	10,873	139,093
Interest component	199	199

	140,614	333,273
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Prior year figures have been restated to include the interest component applicable to the lease arrangement, which was previously excluded from the reported amounts.

It is the agency policy to lease certain equipment under finance leases.

The average lease term is 3 years and the average effective borrowing rate was 8% to 10% (2024: 8% - 10%).

Interest rates are at the contract date. All leases have fixed repayments, no arrangements have been entered into for contingent rent, no options and no restrictions have been imposed.

The agency's obligations under finance leases are secured by the lessor's charge over the leased assets.

14. Revenue

Water resources charges invoiced	61,247,908	74,361,743
Interest received (trade debtors)	9,147,835	12,165,922
Government grants & subsidies	96,084,000	93,864,000
	166,479,743	180,391,665

The amount included in revenue arising from revenue from exchange transactions is noted below:

Water resources charges invoiced	61,247,908	74,361,743
Interest received (trading debtors)	9,147,835	12,165,922
	70,395,743	86,527,665

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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The amount included in revenue arising from non-exchange transactions is as follows:

Government grants & subsidies	96,084,000	93,864,000
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15. Other income

Other income	340,330	2,730,046
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Other income for previous year is predominately made up of fees charged for the development of a flood management strategy for a local municipality. Other revenue earned in the current year was in lieu of licence application fees paid by water users.

16. Interest income

Interest revenue		
Bank interest	4,806,894	6,874,794

17. Grants

Revenue from non-exchange transactions

Government grant	96,084,000	93,864,000
Surplus surrendered	(17,936,779)	-
	78,147,221	93,864,000

18. Employee related costs

Basic	83,522,924	85,396,203
Pension contributions	13,154,425	13,383,636
Workman's compensation	128,621	150,548
Leave pay provision charge	1,830,910	(77,393)
Car allowance	12,291,175	13,133,292
Overtime	14,479	63,160
	110,942,534	112,049,446

19. Finance costs

Finance leases	546	4,159
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20. Auditors' fees

Fees	628,338	521,910
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Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
21. General expenses		
Advertising	146,999	491,115
Bank charges	59,075	65,117
Cleaning	800,168	102,460
Legal fees	115,120	2,705,113
Consumables	210,291	115,794
Gardening and irrigation	67,223	35,455
Insurance	511,509	198,004
Motor vehicle expenses	106,264	201,111
Courier services	23,972	2,213
Printing and stationery	506,898	559,938
Repairs and maintenance	253,767	550,354
Security services	336,433	422,599
Subscriptions and membership fees	314,527	146,483
Telephone and fax	1,046,700	1,595,956
Training	381,222	2,361,759
Travel - local	3,013,640	3,389,101
Travel - overseas	3,272	96,915
Electricity	1,909,491	1,071,454
Municipal services	40,832	46,496
CMA project costs	22,495,243	29,222,572
Protective clothing	28,501	430,169
Internal audit	594,277	405,923
Venue and facilities	48,187	816,463
Resettlement costs	-	479,856
Laboratory expenses water research testing	2,211,795	2,240,697
Operating lease: office space	7,903,052	8,654,616
	43,128,458	56,407,733

The above forms part of total operating expenses that are ear marked as significant expenses as presented in the Statement of Financial Performance. The following table reconciles the figures noted above to those disclosed in the Statement of Financial Performance.

Operating Expenditure		
General expenses	43,128,458	56,407,733
Allowance for impairment	13,188,458	22,421,379
Auditor's fees	628,338	521,910
Employee Costs	110,942,534	112,049,446
Loss on disposal of fixed assets	572,742	218,895
Depreciation	2,555,782	882,406
Surplus funds surrendered	17,936,779	-
	188,953,091	192,501,769

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
22. Cash used in operations		
Deficit	(17,326,670)	(2,509,423)
Adjustments for:		
Depreciation	2,555,782	882,406
Loss on sale of assets	572,742	218,895
Finance leases	(546)	4,159
Employee benefits	1,440,448	(432,872)
Changes in working capital:		
Receivables from exchange transactions	(2,816,678)	(17,019,900)
Other receivables from non-exchange transactions	(13,866)	(84,391)
Payables from non exchange transactions	393,563	(152,447)
Payables from exchange transactions	4,864,858	(2,058,929)
VAT payable /(receivable)	(141,394)	141,394
	(10,471,761)	(21,011,108)

23. Financial instruments disclosure

2025

Financial assets

	At amortised cost	At amortised cost
Trade and other receivables from exchange transactions	23,102,606	23,102,606
Cash and cash equivalents	27,971,908	27,971,908
Receivable from non-exchange transactions	181,647	181,647
	51,256,161	51,256,161

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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Financial liabilities and leases

	At amortised cost
Trade and other payables from exchange transactions	7,732,111
Finance leases	140,614
	7,872,725

2024

Financial assets

	At amortised cost	Total
Trade and other receivables form exchange transactions	20,285,928	20,285,928
Cash and cash equivalents	40,130,752	40,130,752
Receivables from non exchange transactions	167,781	167,781
	60,584,461	60,584,461

Financial liabilities and leases

	At amortised cost	Total
Trade and other payables from exchange transactions	2,867,253	2,867,253
Finance leases	335,375	335,375
	3,202,628	3,202,628

24. Commitments

Operating commitments

Authorised operational commitments

• within 1 year	29,809,096	29,272,478
• in second to fifth year	14,305,362	17,408,368
	44,114,458	46,680,846

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	7,804,871	7,368,204
- in second to fifth year inclusive	16,771,344	24,577,896
	24,576,215	31,946,100

Operating lease payments represent rentals payable by the agency for certain of its office properties. Leases are generally negotiated for an average term of five years. No contingent rent is payable.

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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25. Contingent Liabilities

	2025	2024
National Treasury: Accumulated Surplus	35,419,822	50,902,284

The accumulated surplus is subject to National Treasury approval for retention. The surplus is determined in accordance with National Treasury Instruction No. 12 of 2020/2021. A declaration of this amount will be submitted to National Treasury, together with an application to retain R29,809,096 in terms of Section 53(3) of the PFMA and National Treasury Instruction No. 12 of 2020/2021.

The response on the application to retain the 2023/24 surplus was received in November 2024 whereby the agency was permitted to retain surplus funds of R32,965,505 for 2023/24 disclosed commitments. The Agency was required to surrender the remaining surplus of R17,936,779 to the National Revenue Fund in accordance with paragraphs 6.1 and 6.2 of the Instruction Note 12 of 2020/21.

26. Related parties

Relationships

Controlling Department	Department of Water and Sanitation (Refer to note 17)
Governing Board	Refer to note 27
Executive Directors	Refer to note 27
Audit Committee	Refer to note 27
Regulatory Funder	National Treasury (Refer to note 25)

The Minister of Water and Sanitation is the only Executive Authority of water resources in the Republic of South Africa and is the main funder of the agency.

Governing Board members, Audit Committee members and Executive Directors are considered as related parties due to their overall influence on the strategic positioning of the agency.

The National Treasury is considered as a related party due to its role in the allocation, regulation, and oversight of funding to the Department of Water and Sanitation, in accordance with its mandate under the Public Finance Management Act.

Related party balances

Related party transactions

Department of Water and Sanitation	96,084,000	93,864,000
Executive Directors	(8,126,034)	(8,184,106)
Governing Board Members	(962,282)	(1,357,203)
Audit Committee	(414,108)	(372,096)
National Treasury (Surplus funds surrendered)	(17,936,779)	-

Inkomati-Usuthu Catchment Management Agency

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Notes to the Annual Financial Statements

Figures in Rand

2025

2024

27. Governing Board and Executive Directors' Remuneration

Governing Board

2025

	2025	2024
* Mr MS Mthembu - Chairperson (End of term as Chairperson - 9 August 2023)	103,135	230,793
*Mrs SD Wiggins (End of term as a Deputy Chairperson - 9 August 2023)	106,704	149,209
**Ms LC Zulu - Chairperson (Reappointed - 9 August 2023, Resigned 31 July 2025)	180,930	216,124
**Adv G Khoza - Acting Chairperson (Reappointed as Deputy Chairperson - 9 August 2023, Appointed Acting Chairperson 10 August 2025))	147,121	209,392
Mr M Gangazhe (End of term - 9 August 2023)	-	51,804
Dr SM Mathetsa (Appointed - 9 August 2023)	138,990	104,218
Mr WB Baird (End of term - 9 August 2023)	-	57,230
Dr T Kelly (End of term - 9 August 2023)	-	110,226
Ms LM Sikhakhane (End of term - 9 August 2023)	-	67,039
Dr S Chiloane-Nwabueze (Appointed - 9 August 2023)	145,868	107,816
Mr MA Ramushu (Appointed - 9 August 2023)	139,534	53,352
	962,282	1,357,203

Audit Committee

	2025	2024
Ms N Ndlovu - Chairperson (Appointed - 1 January 2024)	91,456	38,458
Ms MA Mphahlele - Interim Chairperson (End of term - 9 August 2023)	-	44,392
Mr MS Mthembu - Interim Chairperson between 9 August 2023 - 31 December 2023 (Reappointed - 14 September 2023)	80,028	54,898
Mr MA Ramushu (Appointed - 14 September 2023)	80,028	30,566
Ms CN Nkuna (Appointed - 1 January 2024)	82,568	26,676
Ms LC Zulu (End of term - 9 August 2023)	-	25,902
Ms LM Sikhakhane (End of term - 9 August 2023)	-	34,536
Ms SD Wiggins (Reappointed - 14 September 2023)	80,028	82,132
Mr WB Baird (End of term - 9 August 2023)	-	34,536
	414,108	372,096

* Members' contracts were renewed as ordinary members of the Governing Board effective 9 August 2023.

** Members were ordinary members of the Governing Board until 9 August 2023. On the 9th of August 2023, members were appointed as either Chairperson or Deputy Chairperson of the Board.

Executive Management

2025

	Emoluments	Other benefits*	Pension paid or receivable	Total
**Adv MB Shabangu - Acting Chief Executive Officer (1 April 2024 to 30 June 2024)	1,714,022	198,376	230,330	2,142,728
***Dr BFN Mhlanga-Ndlovu - Acting Chief Executive Officer (1 July 2024 to 31 March 2025)	1,605,993	198,376	234,835	2,039,204
Ms S Machimana - Acting Executive Corporate Services (1 April 2024 to 30 June 2024)	408,011	49,594	39,452	497,057
Ms S Mabunda - Chief Financial Officer	1,585,132	198,376	233,270	2,016,778
Mr M Selepe - Acting Executive Water Resource (1 July 2024 to 28 February 2025)	981,923	132,251	149,050	1,263,224
Mr H Makhubele - Acting Executive Water Resource (1 March 2025)	136,356	16,531	14,156	167,043
	6,431,437	793,504	901,093	8,126,034

Inkomati-Usuthu Catchment Management Agency

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024		
2024				
	Emoluments	Other benefits*	Pension paid or receivable	Total
Mr LC Mohalaba - Chief Executive Officer (Resigned: 31 December 2023)	1,507,379	148,782	205,843	1,862,004
**Adv MB Shabangu - Acting Chief Executive Officer (1 January 2024 to 31 March 2024)	1,649,856	198,376	223,213	2,071,445
Ms S Machimana - Acting Executive Corporate Services (1 January 2024 - 31 March 2024)	258,101	33,063	26,302	317,466
Ms S Mabunda - Chief Financial Officer	1,550,228	198,376	226,362	1,974,966
Dr BFN Mhlanga-Ndlovu - Executive Water Resource (Appointed: 1 April 2023)	1,531,854	198,376	227,995	1,958,225
	6,497,418	776,973	909,715	8,184,106

* Other benefits comprise travel allowance and medical benefits.

**Adv MB Shabangu is permanently appointed as the Executive Corporate Services. Following the resignation of the former Chief Executive Officer, Mr LC Mohalaba, on the 31st of December 2023, the Chairperson of the Governing Board appointed Adv MB Shabangu as the Acting Accounting Officer as of the 1st of January 2024 to 30 June 2024.

***Dr BFN Mhlanga-Ndlovu is permanently appointed as the Executive Water Resource. Following the resignation of the former Chief Executive Officer, Mr LC Mohalaba, on the 31st of December 2023, the Chairperson of the Governing Board appointed Dr BFN Mhlanga-Ndlovu as the Acting Accounting Officer as of the 1st of July to 31st of March 2025.

28. Change in accounting estimates

During the current financial year, the entity reviewed the useful lives of property, plant and equipment, in accordance with GRAP 17 and GRAP 3. As a result, the following changes in accounting estimates were made effective from 1 April 2024.

The useful lives of the following assets were revised:

- Furniture and fittings was adjusted from 8 years to 8 to 15 years.
- Motor vehicles was adjusted from 5 years to 5 to 10 years.
- Office equipment was adjusted from 8 years to 8 to 15 years.
- Computer equipment was adjusted from 5 years to 5 to 10 years.

The impact has been a de-acceleration of depreciation on affected assets.

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29. Prior-year errors and change in accounting policy

During the current year, registration volumes for billable accounts were corrected following the results of the verification and validation, late registrations, and correction of volumes. The change resulted in material increase of billable volumes applicable in years covering April 2022 to March 2024. The impact of the errors has now been fully accounted for. The error amounted to R798,826 in periods covering April 2022 and March 2023 and R2,894,400 for the year ended 31 March 2024.

In addition, the Agency corrected a prior period error in the classification and presentation of its land and building components. Land, which is non-depreciable, was previously included within depreciable buildings. The correction resulted in the separate recognition of land (non-depreciable) and buildings (depreciated over a useful life of 20 years). This adjustment led to a reduction in the accumulated depreciation charge of R356,565 from the date of acquisition to 31 March 2023, and a decrease of R71,583 in the depreciation expense for the year ended 31 March 2024.

Depreciation charge emanating from a calculation error of R40,300 for certain asset class type was subsequently reversed during the year ended 31 March 2024.

On initial recognition of the present of value of the lease recognised, a calculation error was made amounting to a net adjustment to the right of use asset and the lease liability amounting to R1,521.

Presented below are those items contained in the statement of financial position, changes in net assets, and statement of financial performance that have been affected by prior-year errors and change in accounting policy.

Statement of financial position

2024

		As previously reported	Correction of error	Restated
Assets				
Current Assets				
Receivables from exchange transactions	10	16,592,702	3,693,226	20,285,928
Non-Current Assets				
Property, plant and equipment	4	8,968,048	469,969	9,438,017
Total Assets		66,261,191	4,163,195	70,424,386
Liabilities				
Current Liabilities				
Finance lease obligations	13	139,093	199	139,291
Non-Current Liabilities				
Finance lease obligations	13	192,659	1,322	193,981
Total Liabilities		9,874,637	1,521	9,876,158
Accumulated surplus		56,386,554	4,161,674	60,548,228
Total Net Assets		56,386,554	4,161,674	60,548,228

Statement of financial performance

2024

		As previously reported	Correction of error	Restated
Revenue	14	177,497,264	2,894,400	180,391,665
Operating expenses	21	(192,613,652)	111,883	(192,501,769)
Deficit for the year		(5,515,707)	3,006,283	(2,509,423)

Statement of change in net assets

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2024			
	As previously reported	Correction of error	Restated
Balance as at 1 April 2023	61,902,261	1,155,391	63,057,652

30. Risk management

Liquidity risk

The agency's risk to liquidity is a result of the funds available to cover future commitments. The agency manages liquidity risk through an ongoing review of future commitments and credit facilities. The agency is dependent on timely grant funding to keep its liquidity ratio healthy.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The agency only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Impairment allowances are made against debtors that are impaired and no collateral is held. Financial assets were individually assessed. Impairment was determined based on observable factors including customer payment trends, historical default patterns, and known future events that may affect the debtor's ability to settle outstanding amounts. All financial assets have been assessed for impairment at the reporting date, and no further impairment was deemed necessary for amounts past due.

An impairment allowance of 87% (2023/24: 98%) has been provided for in 2024 to 2025 of the balance per note 10.

Trade payables that qualify as financial instruments are categorised from current to 90 days and beyond.

Interest rate risk

The Agency's interest rate risk arises from both borrowings in lieu of finance leases and interest earned on investments. Borrowings are issued at variable rates and consequently expose the Agency to fair value interest rate risk. These borrowings are denominated in Rand and are not considered significant in relation to the Agency's overall financial position. In addition, the Agency is exposed to interest rate risk on finance income derived from investments placed in interest-bearing accounts, as fluctuations in market interest rates could result in variability in investment returns. The Agency manages this risk by placing surplus funds with reputable financial institutions and monitoring interest rate trends to optimise returns within acceptable risk parameters.

31. Irregular expenditure

31.1 Irregular expenditure confirmed

Overspending of approved budget - Section 53(4) of the PFMA	2,744,268	-
Closing balance	2,744,268	-

The reported overspend of R2,744,268 was incurred due to an additional audit adjustment amounting to R5,139,094, which was effected to ensure that the allowance for impairment of receivables from exchange transactions was fairly and appropriately presented

31.2 Irregular Expenditure under investigation

The Governing Board has appointed a firm of independent investigators to review Supply Chain Management transactions to the value of R11,510,944 incurred during the financial years ended 2019 to 2023. At the date that these financial statements were signed, the investigation remained in progress, and any findings of non-compliance and related irregular expenditure had not yet been confirmed.

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32. Budget differences

Material differences between budget and actual amounts

Noted below are items of material difference as reported in the budget reconciliation. All material differences in the Statement of Comparison of Budget and Actual Amounts are explained below.

Revenue from exchange transactions

Expected revenue was computed using projected abstraction billable water volumes of 1,876 billion cubic meters and waste discharge charge volumes of 154,2 million at a proposed average rate of 0.04c per cubic meter which resulted in budgeted billables worth R64,4 million.

The variance noted of R3,178 million was due to the following variables:

- i) Reduced volumes than anticipated billable volumes - due to validation and verification process.
- ii) Revenue accruals of R2,145 million raised not included in the budgeting process.

Interest received on trade debtors represents charges levied on customer accounts for late payment. As this revenue, together with other income, does not form part of the normal budgeting process, any collections in this regard are recorded as an over-collection in the Statement of Comparison of Budget and Actual Amounts.

Revenue from non exchange transactions

In applying zero-based budgeting processes, the agency had identified all its cost drivers linked to the delivery of its identified activities as per the Shareholder's Compact. With this extensive exercise, the agency's activities were noted to require a conservative amount funded through the DWS of R98,379 million for the financial year 2024/25. Contrary to the agency's funding requirement, the DWS approved a disbursement of R96,084 million citing a severely strained national fiscus. The lower than anticipated grant appropriated by parliament resulted in an under collection of grant fund of R2,295 million.

The over-collection of interest earned on investments compared to budget figures is attributable to amounts retained as surplus funds in accordance with approved provisions, additional disbursed augmentation, and prudent cash management practices.

Expenditure

Personnel costs reflected an over-expenditure of R3,937 million, primarily due to an upward adjustment in the leave provision amounting to R1,830 million. The remaining variance is attributable to approved acting allowances incurred during periods of key personnel absence.

The depreciation charge is excluded from the budgeting process, as it represents a non-cash accounting entry.

The budgeted allowance for impairment was calculated at 11% of total debt, amounting to R8,283 million. Actual performance for the year reflected an impairment allowance of R13,188 million resulting in a variance of R4,905 million, which represents an increase of approximately 59% against the budget. This variance was primarily due to the need for a more conservative provision for major debtors, following lower-than-expected payment performance during the period.

General expenditure by function recorded a saving of R6,098 million. In response to the overall reduction in the national fiscus, the Agency implemented prudent cost-containment measures, which effectively reduced overall spending and supported financial sustainability.

At year-end, the Agency reported cash on hand of R40,131 million. In terms of National Treasury Instruction Note No. 2, this balance was assessed to determine the portion subject to surrender, after accounting for permissible deductions in line with the applicable framework. Based on this calculation, an amount of R17,937 million was determined as payable to the National Revenue Fund. In compliance with the directive issued by National Treasury, the Agency effected the surrender via electronic funds transfer on 5 December 2024. This amount did not form part of the budget and was thus recorded as a budget deficit.

Reconciliation of Actual Amounts on a Comparable Basis to Budgeted Amounts (Cash vs Accrual Basis)

The budget is prepared on an accrual basis, consistent with the basis used in the preparation of the Statement of Financial Performance. However, to enhance transparency and accountability, a reconciliation is presented below to show the impact of accruals and other timing differences on actual amounts.

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Reconciliation of Actual Amounts on a Comparable Basis to Budgeted Amounts (Cash vs Accrual Basis)		Total
Net deficit as per Statement of Financial Performance (accrual basis)		(17,326,670)
Adjustments for non-cash items:		
Depreciation and amortisation		2,555,782
Loss on disposal of assets		572,742
Finance leases		(546)
Employee benefits		1,440,448
Adjustments for working capital movements:		
Increase in payables		5,117,027
Increase in receivables		(2,830,544)
Adjusted balance		(10,471,761)
Net deficit (cash basis)		(10,471,761)

33. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. It has been identified that future operations may be impacted due to a downward adjustment of the budget. In applying zero-based budgeting processes, the agency has identified all its cost drivers linked to the delivery of its identified activities as per the Shareholder's Compact. With this extensive exercise, the agency's activities were noted to require a conservative amount funded through the Department of Water and Sanitation (DWS) of R138,087 million for the financial year 2025/26. Contrary to the funding requirement of the agency, the DWS committed an amount of R75,545 million appropriated for the financial year 2025/26. The 45% shortfall will significantly impact the agency's ability to fulfil its mandate and deliver on the public good in 2024/25.

The agency continues to assume that funds that have been made available will continue to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

To achieve this, the following measures will be employed in 2025/26.

Continued engagements with the Executive Authority

Through the Governing Board, the Executive Authority has already been informed of the financial difficulties that the agency will face in 2025/26. Advocacy for a revised funding model remains imperative, with continued engagement with the Department of Water and Sanitation (DWS) and National Treasury to push for a more sustainable approach that accurately reflects the public value of the IUCMA's mandate. While allocations are currently provided over a three-year period, the existing funding formula fails to consider the broader societal and economic benefits of effective water resource management, compliance monitoring, and ecosystem sustainability. This disregard for public value results in financial constraints that undermine the agency's ability to deliver long-term water security, environmental protection, and equitable access to water resources. A revised funding model that prioritises public value considerations - including the role of water management in economic growth, climate resilience, and community well-being - is apparent. However, such changes require a revision of policy positions by the shareholder and thus require intervention through the Accounting Authority.

Reprioritization of funds

Non-essential expenditure will be significantly reduced, including administrative overheads, discretionary spending, and travel costs. The Agency needs to implement lean operational strategies, ensuring that all spending aligns with core service delivery priorities. This will further require a reduction of operational footprint which may require downsizing physical presence at head office and all satellite offices.

Advocate for application of tariffs that are reflective of the cost of service delivery

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33. Going concern (continued)

The current tariff structure, as approved by the Minister, is not reflective of the true cost of delivering services. This misalignment creates significant financial and operational challenges for the agency, hindering its ability to sustainably fulfil its mandate and compromising the quality and reliability of service delivery. It is, therefore, imperative to motivate for a tariff review to ensure that approved rates are aligned with the actual costs incurred in providing these services. The under-recovery of costs resulting from the existing tariffs has placed considerable strain on the agency's financial resources. The approved tariffs are insufficient to cover the operational, maintenance required to deliver services effectively. As a result, the agency faces recurring budget deficits that limit its ability to invest in critical activities. This has led to an increased risk of service delivery failures, further exacerbating the agency's operational challenges and long-term sustainability.

Workforce optimisation and efficiency measures

A phased restructuring plan is under review that seeks to optimise staff utilization, ensuring that human resources are allocated efficiently. Hiring freezes will remain in place for non-essential roles, while critical vacancies will be prioritised based on operational needs. The Agency will explore re-skilling and redeployment programs to enhance workforce efficiency while minimizing retrenchments.

Financial Oversight and Monitoring

A strict financial monitoring framework is enforced to track spending against revenue projections and adjust where necessary. The Agency will develop a liquidity management task team to ensure that financial resources are prioritised for critical service delivery areas. Regular financial sustainability reports will be presented to the Board and relevant governance structures to facilitate informed decision-making.

Debt Recovery

The agency has developed and adopted robust debt recovery plan which is fundamental to the financial sustainability of the agency. The strategy has adopted cross-divisional approach, leveraging the expertise, resources, and collaboration of multiple departments. This ensures that the plan aligns with the broader goals of the entity and promotes the principles of shared services to streamline operations, eliminate duplication of efforts, and optimise resource utilization, which is crucial for addressing complex debt challenges effectively.

The following principles are the forming basis of the applied debt recovery plan.

Customer Preservation

The agency has adopted a customer-centric debt recovery approach that prioritises the preservation of stakeholder relationships. Ongoing efforts include engaging with customers through clear communication, flexible payment arrangements, and educational outreach to promote future compliance. These measures are helping to sustain revenue streams and reinforce trust between the agency and its customers.

Reputational Management

To safeguard its public image, the agency has implemented transparent, ethical, and fair debt recovery practices. All engagement with customers is conducted respectfully and professionally, which supports stakeholder confidence and positions the agency as a credible and responsible institution.

Inter-Governmental Collaboration

The agency is actively aligning its debt recovery efforts with national and regional frameworks in line with the Intergovernmental Relations Framework Act. Structured engagements are taking place with municipalities, provincial departments, and other relevant entities. These collaborations have improved coordination, enhanced information sharing, and fostered cooperative governance to address systemic challenges in debt management.

Accountability and Compliance

All debt recovery initiatives are being executed in strict adherence to the Public Finance Management Act (PFMA), Treasury Regulations, and other applicable legislation. This ensures that the agency maintains a high standard of legal compliance, transparency, and sound financial governance.

Sustainability

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33. Going concern (continued)

To ensure long-term debt management, the agency has already begun implementing proactive strategies to reduce the recurrence of bad debts. These include the continuous updating of customer data, refinement of billing systems, and strengthening of credit control measures. These initiatives support the agency's goal of achieving sustainable financial health and operational efficiency.


The Agency's implemented debt recovery plan is already yielding significant results. The timely recovery of outstanding amounts has enhanced cash flow, strengthened financial stability, and ensured that resources are available to support critical operational functions. Accurate financial reporting, together with fair and transparent recovery practices, continues to reinforce the Agency's reputation as a credible and accountable public institution. By implementing a holistic, methodical, and customer-focused approach the Agency has satisfactorily addressed immediate financial challenges.






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