



# ANNUAL REPORT 2021 / 22



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ANNUAL  
REPORT  
2021/22



# OFFICIAL SIGN OFF

It is hereby certified that this Annual Report:

- Was developed by the Governing Board of the Inkomati-Usuthu Catchment Management Agency (IUCMA) with the assistance of its Management;
- Considers all relevant legislation, policies, and other mandatory documents applicable to the Agency; and
- Accurately reflects the performance of the Agency in the 2021/22 financial year.



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**Mr. L.C. Mohalaba**  
Chief Executive Officer



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**Mr. M.S. Mthembu**  
Chairperson: Governing Board

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# LIST OF ACRONYMS

<b>ACRONYM</b>	<b>DESCRIPTION</b>
APP	Annual Performance Plan
ARA-Sul	Aqua Regional Association- South (Mozambique)
BBBEE	Broad-Based Black Economic Empowerment
CMA	Catchment Management Agency
CME	Compliance Monitoring and Enforcement
CMF	Catchment Management Forum
CROCOCC	Crocodile River Catchment Operations Committee
DEA	Department of Environmental Affairs
DSS	Decision Support System
DMR	Department of Mineral Resources
DWS	Department of Water and Sanitation
EIA	Environmental Impact Assessment
EMPR	Environmental Management Programme Report
EWSETA	Energy Water Sector Education Training Authority
EXCO	Executive Committee
GA	General Authorisation
GB	Governing Board
GWP	Global Water Partnership
HYDSTRA	Surface Hydrology Information System
IBWiWC	Incomati Basin Women in Water Conference
IT	Information Technology
ICAS	Independent Counselling and Advisory Services
IWA	International Water Association
INBO	International Network of Basin Organisation
IIMA	Interim IncoMaputo Agreement

<b>ACRONYM</b>	<b>DESCRIPTION</b>
KJOF	Komati Joint Operations Forum
NWA	National Water Act, Act 36 of 1998
NDP	National Development Plan
OHS	Occupational Health and Safety Act, Act 85 of 1993
PFMA	Public Finance Management Act, Act 1 of 1999
REMCO	River and Environment Management Corporation
RMC	Risk Committee Meeting
REMP	River Eco-status Monitoring Programme
SAHRC	South African Human Rights Commission
SADC	Southern African Development Community
WAP	Water Allocation Plan
WAR	Water Allocation Reform
WDCS	Waste Discharge Charge System
WRC	Water Resource Commission
WMA	Water Management Area
WUA	Water Users Association
WULA	Water Use Licence Application
WISA	Water Management Institute of Southern Africa

## FOREWORD BY THE MINISTER



### Introduction

The scarcity of water in South Africa necessitates that we treat water as the new gold and an endangered resource. This, therefore, requires that we must treat water with outmost maximum care and preservation. Water's contribution to global economy continues to increase emphasising its importance in the global economy.

The quality of water resources has been deteriorating over the past few years. This has necessitated the development of an integrated water quality improvement strategy and implementation plan in the year under review. The development of the integrated water quality improvement strategy and implementation plan was achieved using internal organisational capacity of the Agency.

### Achievements

I have approved the Catchment Management Strategy (CMS) established to guide the management of water resources within the next five years and to take stock of the progress of implementation of the first-generation CMS.

The organisation implements integrated water resource management within the Inkomati-Usuthu Water Management Area (WMA) which is water stressed (demand for water far exceeds the supply), has variable and seasonal rainfall, and evaporation that exceeds precipitation. Furthermore, the water management area forms part of the Inco-Maputo basins which is transboundary in nature sharing water resources between the Republic of South Africa, the Kingdom of eSwatini and the Republic of Mozambique. The sharing of water resources between the three riparian countries is embedded in the international treaty, the Inco-Maputo Agreement (IMA). The Republic of South Africa, which is located upstream where the rivers originate has an obligation to comply with the treaty requirements in terms of both flow and quality.

These efforts should mitigate the realities that South Africa is one of the driest countries in the world. However, South Africa is making strides in the provision of access to water for all her citizens. We do accept the fact that water has, and will always be, a limiting factor to development in this beautiful country of ours. Managing our water resources effectively and efficiently is of prime importance. Water management institutions have a responsibility to ensure that our water resources are protected, developed, used, and controlled in a sustainable manner. During 2021/22 the Department of Water and Sanitation (DWS) continued with the process of institutional realignment of the Catchment Management Agencies (CMAs) but was unable to complete the process. This process is ongoing, and it is envisaged that it will be accelerated in the 2022/23 financial year.



## **Planning Documents**

In 2021/22 we developed and approved the Shareholder Compact (SHC) for the Inkomati-Usuthu (IUCMA) together with the Annual Performance Plan (APP) which contained a detailed budget. The approval of the APP and associated budget assured that planned projects and activities could be undertaken.

## **Performance**

The Agency managed to achieve 89% of its targets in the 2021/22 financial year. The financial performance as audited is unqualified without matters of emphasis. We applaud the Board and Management for maintaining good governance and effective management systems.

We continue to cooperate with our partners from Mozambique and Swaziland under the Inco-Maputo transboundary basin involving the three SADC countries. We are proud of the Agency for hosting two successful international conferences namely, REMCO and Women in Water (IBWiWC) conferences during the year under review. Our wish is that this cooperation will grow from strength to strength and help to solidify our relationship with our sister country and SADEC at large.

The Agency is among the top performers on processing of water use licence applications in the country. We are encouraged by the effectiveness of the entity on discharging this noble responsibility. This will help in accelerating transformation in the sector and also assist with economic recovery. I implore our staff to continue to serve our people with dignity, efficiently and effectively as we strive to clear the backlog in our system.

## **Gratitude**

We remain indebted to the outstanding performance of the Agency, Governing Board, Management and staff. Their efforts are appreciated for the sound management of water resources in the Inkomati-Usuthu Water Management Area. Your remarkable administrative achievements which resulted in a clean audit outcomes and better performance on predetermined objectives remain immensely appreciated.



**S MCHUNU, MP**

**MINISTER OF WATER AND SANITATION**

## CHAIRPERSON'S FOREWORD



On behalf of the Inkomati-Usuthu Catchment Management Agency (IUCMA) Governing Board, I am pleased to present highlights of the IUCMA for the 2021/22 financial year.

During the year under review, the IUCMA has continued to play its important role in water resource management at catchment level, with a core mandate to protect, use, develop, conserve, manage and control water resources within the Inkomati-Usuthu Water Management Area (WMA), as contemplated in the National Water Act, Act 36 of 1998 (NWA), National Water Resource Management Strategy (NWRS) as well as our objective.

The Board is pleased yet again to report another milestone of the 12<sup>th</sup> consecutive year of an unqualified audit. The Board is satisfied that the Agency has achieved significant progress in providing services to the satisfaction of the water users in its WMA and believes that the CEO and the administration will continue to deliver services to the satisfaction of all stakeholders and to perform a transformative role as directed by the Constitution, the National Water Act (NWA), other relevant legislation and the National Development Plan (NDP).

In the year under review, and in line with the provisions of the Public Finance Management Act, Act 1 of 1999, the Board sought to strengthen the management echelons within the organisation. To this end, the Board concluded the appointment of the Chief Executive Officer.

The Agency has ensured that its responsibility relating to monitoring of international obligations in respect of quality and quantity are met in respect of the Interim IncoMaputo Agreement (IIMA) from South Africa towards the Republic of Mozambique and the Kingdom of eSwatini. Stakeholder management remains at the core of the mandate of the organisation; the IUCMA has successfully hosted two international conferences, namely, the River and Environmental Management Cooperation (REMCO) and Incomati Basin Woman in Water Conference (IBWiWC), which were attended by our local and international stakeholders.

The Agency continued to strengthen relations and cooperation with other Sector Government Departments (National, Provincial, Local), and relevant stakeholders. The creation of formal relations has been the focal area, and in the next financial year, the Agency will intensify efforts to sign collaboration agreements with our key stakeholders. The Agency has signed a number of MOUs to strengthen relations and collaborative work with stakeholders.

We are further pleased to report that the Minister approved the Agency's Catchment Management Strategy (CMS) which sets out the principles for allocating water to existing and prospective users, considering all matters relevant to the protection, use, development, conservation, management, and control of water resources in our Water Management Area (WMA) which has now been gazetted for public comment in line with the NWA.

The Board remains sharply alert on the management of the debtors' book. To this end, the Board has continuously engaged with management to put in place appropriate mechanisms to reduce the debtor's book. At year end, the debtors' book was totalling R115 million. The Agency has developed a debt management strategy including a monitoring plan that tracks implementation of the strategy.

On Broad-Based Black Economic Empowerment (BBBEE) as a framework to support black economic empowerment to restore economic disparities, the Agency's strategic outcome in 2021/22 has been defined as 40% of total spend on goods and services allocated to B-BBEE suppliers. The Agency in the year under review, spent 64% of the said budget through competitive appointments of suppliers defined as previously disadvantaged.

It can also be reported that the activities of the IUCMA Governing Board and its committees, the Executive Committee, Audit Committee, Risk Management Committee, and ICT Committee, performed their functions in line with the approved terms of reference.

On behalf of the Governing Board, Management, and staff, I would like to use this opportunity to thank the Minister and Deputy Ministers for the confidence shown in the Agency under our leadership. To my colleagues on the Governing Board, the Chief Executive Officer, the entire administration, and the Department of Water and Sanitation (DWS), thank you very much for your support.



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**Mr. M.S. Mthembu**  
**Chairperson: Governing Board**

# GOVERNING BOARD



Mr M.S. Mthembu  
Chairperson



Ms S.D. Wiggins  
Deputy Chairperson



Ms L.M. Sikhakhane  
Member



Mr M. Gangazhe  
Member



Adv G. Khoza  
Member



Ms L.C. Zulu  
Member



Mr W.B. Baird  
Member



Dr T. Kelly  
Member



Mr L.C. Mohalaba  
Ex Officio



Mr T.H. Mathebula  
Board Secretary



## EXECUTIVE COMMITTEE



Dr. T. Kelly  
Chairperson



Mr. M.S. Mthembu  
Member



Mr. M. Gangazhe  
Member



Adv. G. Khoza  
Member

## AUDIT COMMITTEE



Mr. J.K. Sithole CA(SA)  
Chairperson  
External Member



Mr. W.B. Baird  
Member



Ms. L.C. Zulu  
Member



Ms. M.A. Mphahlele  
External Member



Ms. L.M. Sikhakhane  
Member



Ms. S.D. Wiggins  
Member

## RMC CHAIRPERSON



Mr. M. Sebeelo  
Chairperson  
External Member

## ICT STEERING COMMITTEE CHAIRPERSON



Dr. T.G. Sethibe  
Chairperson  
External Member







# OVERVIEW BY CHIEF EXECUTIVE OFFICER



## **Introduction**

The Annual Report is a key accountability document which enables our stakeholders to have a clear overview of our activities in order to provide better understanding and accountability. It further provides the Agency with an opportunity to report on its efficiencies in the fulfilment of our mandate. This Annual Report affords the Agency an opportunity to outline its purpose and activities within the water management area and accountability for the year under review. The report in the overall will demonstrate the performance of the Agency on its non-financial and financial performances.

## **Unqualified audit opinion**

We are pleased to report that for the period under review, the Agency has received an unqualified audit opinion from the external auditors. This audit outcome displays the maturity and effectiveness of internal controls and systems which have been put in place by management. This achievement affirms our continued passion of ensuring that good corporate governance is practiced and entrenched within the organisation.

## **Performance on predetermined outcomes**

The Agency, in the year under review, achieved 89% of its predetermined performance outcomes whilst. Within the performance outcomes, 67% of the outcomes were overachieved while 22% were achieved and 11% were not achieved.

## **Financial performance**

The Agency, in the year under review, has attained financial results that have defined its operations as a going concern. This position is evidenced by a solvent balance sheet that has reported a total net surplus of R4,9 million. This favourable position asserts that the Agency, during the year carefully managed its working capital thus safeguarding its ability to meet its short and long-term liabilities as they fall due.

When financial performance is reviewed against financial sustainability, the Agency has successfully implemented responsive cost containment strategies whilst improving already defined revenue streams. These initiatives consequently aided a 16% increase in revenue and a conservative market related 8% increase in overall expenditure. In addition, the Agency operated within budget limitations with 96% of planned budget utilised for its intended purposes. Management has thus assumed a position to explore permissible sources of secondary funding streams to augment heavy reliance on parliamentary allocations

Whilst the financial performance of the Agency, as reported is appreciated, management is especially cognisant that sectorial challenges presented by competing activities and reduced funding continuously requires the application of prudent cashflow management. For this reason, the identification of immediate and long-term strategies will be assessed for applicability and adoption in the ambits of prevailing prescripts for the furtherance of the mandate of the Agency.

### **Catchment Management Strategy (CMS)**

The Agency finalised the development of the Catchment Management Strategy (CMS) which has been approved by the Hon Minister. The CMS is currently at the stage of public consultations. The final approval of the CMS is planned to be completed within the 2022/23 financial year.

### **Building partnerships**

Stakeholder engagement remains the pillar of strength of the IUCMA in the protection and conservation of the water resources at local level. In the year under review, the Agency intensified stakeholder engagement activities focusing on Irrigation Boards, local and District Municipalities to engage on the following matters: revenue collection, strengthening collaboration, management of water pollution, and water discharge. It is a pleasure to report that over the years, the Agency has remained steadfast in its commitment to generate value for all stakeholders.

In delivering on its mandate, the Agency strives to work in collaboration with strategic partners and stakeholders to promote and strengthen cooperation across all levels and sectors to ensure sustainable Integrated Water Resources Management (IWRM). During the year under review, the agency hosted back-to-back two successful international conferences, namely: REMCO and women in water((IBWiWC) conferences.

### **Equitable allocation and international obligations**

The water availability in all the river sub-catchments meant that no water use restrictions were imposed during the year under review. During the same period, when compared to the last financial year (2020/21), the total Inkomati-Usuthu dams' storage volume was at 92.5%, and at the end of the financial year under review, storage level was at 98.6%.

Due to the high river flow level, the compliance with international flows for all rivers into Mozambique and Eswatini was 100%.

### **Management of risks**

The Governing Board established a Risk Management Committee, chaired by an independent external member. This is to assist the Accounting Authority to fulfil its risk governance and control responsibilities in accordance with and in terms of the sections 51(1)(a)(i) of the PFMA. In 2021/22 the Risk Management Committee was able to perform its oversight role in ensuring that the risk management strategy is effectively and efficiently implemented. Quarterly reviews and reports were made available to the Audit Committee and the Governing Board.

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, 93,75 % (30/32) of the set targets were achieved. The shortfall of 6,25% (2/32) relates to functional areas outside the Agency's mandate and control.

### **Water quality**

The challenges affecting water quality in the Inkomati-Usuthu WMA are largely attributed to industrial and mining activities as well as the inefficiencies of water service authorities' infrastructure.

The common cases during the financial year under review include:

- raw water (water resources) contamination by sewage from wastewater treatment works; and
- mining effluents from decant/old mines seeping into water resource.

Microbial pollution remains a human health risk, especially to the vulnerable rural communities that at times had to use the river water for domestic, cultural and recreational purposes.

The implementation of the Blue Deal project with our partners remains one of the cornerstones of strengthening operations and maintenance of wastewater works. This included skills transfer and accountability in the three identified Municipalities i.e. Mbombela, Emakhazeni, and Nkomazi Local Municipalities. To this end, we are pleased to report that our collaboration with our Dutch Water Authorities, yielded noticeable improvement with these interventions, particularly in respect of operation and maintenance. We are hopeful that these interventions will assist to improve the quality of the resource.

### **Waste discharge charge system**

The Agency continues to be concerned about the quality of the water resource, in particular activities that may harm the water resource. In line with the mandate of the Agency, efforts are made to ensure that water resources are preserved and protected. To this end, the Agency and the Water Research Commission are collaborating on the Waste Discharge Charge System (WDCS) pilot project. A steering committee has been established to ensure implementation of the project. It is envisaged that the implementation of this system will have a positive impact on enhancing the quality of water resources.

### **Human capital and development**

The Agency is committed to implement the transformation agenda as guided by the Constitution of the Republic of South Africa, 1994 and the Employment Equity Act, Act 55 of 1998.

The Governing Board approved the Employment Equity and Disability Policy. The Agency appointed 50% of women in Executive positions, 33% of women in Senior Management positions, 48% of women in Skilled Technical & Junior Management positions, 80% of women in semi-skilled position and 100% of women in unskilled positions, respectively. This translates to an average of 62% of women appointed across all occupational categories within the Agency.

The Agency further endeavoured to ensure that employees are skilled with the provision of targeted training in line with the needs identified by employees. This will ensure that the Agency has adequate skills to meet its mandate. The Agency has commenced the development of a coherent remuneration strategy. This will ensure that fair remuneration practices are embedded which are in line with best practice.

## Challenges

Whilst the year under review has witnessed positive developments reported on, the Agency also faced challenges which are listed hereunder:

- Debt recovery levels which remain low
- Funding constraints due to non paying and slow paying users
- Data cleansing on water users
- Limitations of the pricing strategy which limits full costs recovery of costs
- Pollution of the resource by users
- Non finalisation of the Verification and Validation process due to ongoing litigation

Management will focus on these areas In the new financial year to confront these systemic challenges to ensure the protection of the resource.

## Conclusion

The Agency will, despite the tough economic times, continue to execute its mandate. It will also continue to promote collaborative efforts with all our stakeholders that were commenced in the year under review.

We wish to thank the employees for ensuring that the outcomes set by the Agency are met and achieved. A special appreciation goes to the Hon Minister for the continued guidance on the work and challenges faced by the Agency. The support from colleagues from the Department is highly appreciated as we continue to engage with officials on regular basis in the delivery of our mandate.



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**Mr. L.C. Mohalaba**  
**Chief Executive Officer**



# EXECUTIVE MANAGEMENT



Mr. L.C. Mohalaba  
**Chief Executive Officer**



Dr. J. Molwantwa  
**Executive: Water  
Resource Management**



Adv. M.B. Shabangu  
**Executive: Corporate Services**



Ms. S. Mabunda  
**Chief Financial Officer**

## SENIOR MANAGEMENT

### OFFICE OF THE CEO



Mr. N.G. 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

### FINANCE

### WATER RESOURCE MANAGEMENT



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



Dr. T. Sawunyama  
Manager: Resource  
Planning and Operations



Ms. F. Nemathaga  
Manager:  
Water Use  
Authorisation



Mr. H.M. 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.P. Shabangu  
Manager:  
Human Resource  
Management



Mr. L. Skhosana  
Manager:  
Information  
Technology



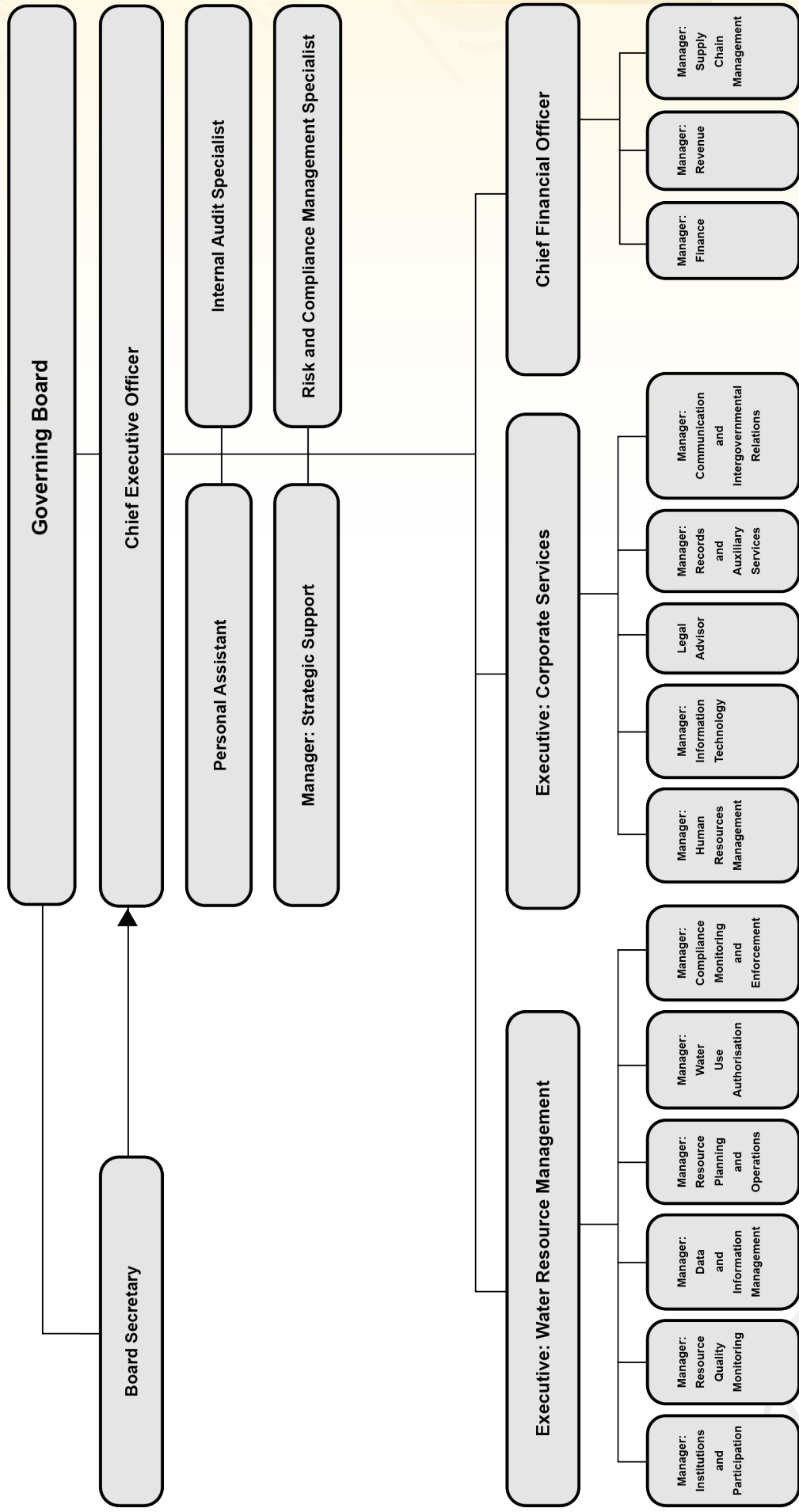
Ms. S. Machimana  
Manager: Communication  
and Intergovernmental  
Relations



Mr. S. Mchunu  
Legal Advisor

## HIGH LEVEL ORGANISATIONAL STRUCTURE

In the 2021/22 financial year the Agency operated with the following approved organisational structure. The adopted structure below is befitting to achieve the strategic outcomes of the Agency as outlined in the Annual Performance Plan.





## STRATEGIC OVERVIEW

The Vision, Mission and Values of the Agency are depicted below. All activities of the Agency are geared towards its achievement.

### 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

## PERFORMANCE DELIVERY ENVIRONMENT

### Mandate

The agency derives its existence and mandate from the National Water Act, Act 108 of 1996.

The agency operates within the Inkomati WMA with a purpose to:

- Manage water resources, according to the National Water Act. We will achieve this through the development and implementation of a Catchment Management Strategy with all stakeholders, balancing the utilisation, development, and protection of water resources.
- Manage all water uses to promote equity and efficiency. We will achieve this through 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. We will achieve this through setting objectives through 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. We will achieve this through mobilising, empowering, and consulting water users and stakeholder by focusing on expanding participation with communities, women, and the rural poor.
- Facilitate cooperation between water-related institutions to promote political credibility within the Inkomati WMA. We achieve this through building strong relationships, advising, supporting, and monitoring water-related activities of private and public sector bodies.
- Contribute towards redressing past imbalances, including social and economic development in the water management area. We will achieve this through 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. We will achieve this by supporting the Department of Water and Sanitation (DWS) to implement international agreements.

### **Strategic Outcomes**

The four (4) Strategic outcomes of the Agency highlighted here are linked to the outputs of the Agency for the 2021/22 financial year.

#### **Outcome 1: Increased stakeholder satisfaction**

Enhancement of partnerships with Stakeholders will be effected in order to support strategy execution and manage reputational risks. Stakeholders will be profiled considering their extent of influence on the operations of the Agency and material issues of engagement with such stakeholders will be identified.

##### *High level strategic initiatives*

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

#### **Outcome 2: Enhanced human resources capabilities**

The potential for excellence in mandate delivery by the agency should be enhanced by how the organisation orchestrate its resources. Its structures must be strengthened to enhance delivery in the core operational mandate area of water resources management, including the support core areas.

##### *High level strategic initiatives*

- Develop, implement, and monitor a human resources development strategy; and
- Develop and implement the agency culture strategy to embed a healthy culture conducive to excellence.

### **Outcome 3: Maintain financial sustainability**

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

- Identification of key business processes, identify “as-is” and movement to “to-be” and address shortcomings to enhance the policy environment;
- Develop a Resource Allocation Model for the agency;
- Implementation of the ICT Master Systems Plan; and
- Investment in projects/initiatives for promotion of innovation and technology development.

### **Outcome 4: Protected water resources**

The agency must comply with the Reserve (the NWA includes ecological and human health requirements) but mostly comply with the inter-basin transfers, strategic use, international obligations, and Resource Quality/Quantity Objectives. Source water and pristine resources must be protected, impacted resources must be improved and the river health must be improved on a continuous basis to achieve the desired resources state.

#### *High level strategic initiatives*

- Pursue resource conservation and demand management strategies for allocations that would not lead to a non-sustainable resource;
- Conduct studies to understand the entire water resources potential of the WMA, identify impacted resources and perform improvement thereon; and
- Develop and implement a water quality strategy for improvement of the resource quality.

# LEGISLATIVE FRAMEWORK

The legislative mandate of the Agency reflected below is provided in various pieces of legislation, and key amongst those is the Constitution of the Republic of South Africa, 1996 and the National Water Act, Act 108 of 1996 which establishes the Agency.

## Inherent Functions

The Agency has the following initial functions in terms of section 80 of the NWA: which provides that the Agency must:

- Investigate and advise interested persons on water resource management.
- Compile the CMS.
- Coordinate related activities of water users and WMIs.
- Promote coordination of implementation of any applicable water services development plan; and
- Promote community participation in water resource management.

Section 80(b) must be read with sections 8 to 11 of the NWA. In terms of section 8, the Agency must by notice in the *Gazette*, establish a catchment management strategy for the protection, use, development, conservation, management, and control of water resources within its water management area. A catchment management strategy or any component of that strategy may only be established with the written consent of the Minister. The conditions of these sections were complied with in the development of the Agency's catchment management strategy.

In addition to section 80 above, the Agency also has the following inherent functions:

- Prevent and remedy effects of water resource pollution, as stipulated in section 19 of the NWA; and
- Control emergency incidents in respect of water resource pollution, as stipulated in section 20 of the NWA.

The powers and functions in the following provisions of the National Water Act have been delegated to the Inkomati-Usuthu Catchment Management Agency:

- Section 33 – Declaration of water use as existing lawful water use.
- Section 34 – Authority to continue with existing lawful water use, including request to register such use.
- Section 35 – Verification of existing water uses.
- Section 40 – Application for licence.
- Section 41 – Procedure for licence applications.
- Section 44 – Late applications.
- Section 52 – Procedure for earlier renewal or amendment of licences.
- Section 53 – Rectification of contraventions.
- Section 54 – Suspension or withdrawal of entitlements to use water.
- Section 55 – Surrender of licence.
- Section 57 – Application of pricing strategy (Making and receiving of water use charges).
- Section 58 – Recovery of water use charges (Directive to water management institution);
- Section 66 – Condonation of failure to comply with period.
- Section 141 – Provision of information [Sub-par (a) and (b)].
- Section 145(2) – Establish early warning system in respect of floods, droughts, water works, risk by a dam, levels of flood water, risk posed by water quality and any matter connected to water/water resources the public need to know.

# SUMMARY OF ORGANISATIONAL PERFORMANCE

In the 2021/22 financial year, the agency managed to achieve eighty-nine percent (89%) of planned performance targets while (11%) represents under performance.

OUTPUT INDICATORS	Q1	Q2	Q3	Q4	Annual Performance	Trend
Percentage implementation of stakeholder engagement plan						↔
Disabling Injury Frequency Rate						↔
Rate of Employee turnover						↔
Working ratio						↔
Debt collection ratio						↔
Percentage monitoring of compliance to Resource Quality Objectives						↔
Percentage monitoring of compliance to international obligations						↔
Percentage of water use authorisations processed within the regulated timeframe						↔
Percentage of activities monitored for compliance, and enforcement action taken against non-compliant activities						↔

Achieved	22%
Overachieved	67%
Partially achieved	N/A
Not achieved	11%

↔	Performance not changed
↑	Performance has improved
↓	Performance has declined

# GOVERNANCE

## Corporate Governance

The role of the Governing Body in maintaining good Corporate Governance is clearly articulated in the King IV Report. This role and responsibilities include to steer the organisation and set its strategic direction, based on which management will develop the strategy which is to be approved by the Governing Body. The Governing Body ensures that there is accountability for organisational performance through, among others, reporting and disclosure. This forms the basis of the operations of the Agency Governing Body in executing its mandate.

The Governing Board has established committees to assist it with governance, strategic decision and policymaking powers and functions. The attendance of the meetings of the Governing Board and its Committees by members is reflected in the tables below.

**Table 1: GOVERNING BOARD & COMMITTEE MEETINGS ATTENDANCE 2021/22**

GB Members:	GB ORD	GB SPEC	GB INDUCTION	GB W/SHOP	GB S/H	EXCO	AUDIT	TOTAL
Mr MS Mthembu	4	3	1	1	1	5	N/A	15
Ms SD Wiggins	4	2	1	1	1	N/A	6	15
Dr T Kelly	4	3	1	1	N/A	5	N/A	14
Ms LM Sikhakhane	4	3	1	1	2	N/A	6	17
Ms LC Zulu	4	2	1	1	N/A	N/A	6	14
Mr M Gangazhe	4	3	Leave of Absence	1	N/A	5	N/A	13
Adv G Khoza (Appointed on 6 May 2021)	3	3	1	1	1	4	N/A	13
Mr WB Baird (Appointed on 6 May 2021)	3	3	1	1	1	N/A	5	14
Adv MB Shabangu (Ex-Officio) (Acting CEO from 1 Feb 2021 to 30 Oct 2021)	4	3	1	1	4	5	6	24
Dr JB Molwantwa (Ex Officio)	(Appointed as Acting CEO from 1 Nov 2021 to 31 Dec 2021))							
Mr LC Mohalaba (Ex Officio) (Appointed as CEO from 3 January 2022)	1	1	N/A	N/A	N/A	1	1	4

**KEY:**

GB ORD – Ordinary Governing Board Meeting  
GB SPEC – Special Governing Board Meeting  
GB Induction – Governing Board induction  
GB W/Shop – Governing Board Workshop  
GB S/H – Governing Board Stakeholders Meeting  
AUDIT – Audit Committee  
EXCO – Executive Committee

**GOVERNING BOARD MEETINGS:**

Ordinary	4
Special	3
GB Induction	1
W/Shop	1
S/H	4
<b>TOTAL</b>	<b>13</b>

**COMMITTEE MEETINGS:**

Audit Committee	4
Special Audit Committee	2
Executive Committee	4
Special Executive Committee	1
Risk Management Committee	4
Special Risk Management Committee	1
ICT Steering Committee	4
Special ICT Steering Committee:	1
<b>TOTAL</b>	<b>21</b>

**AD-HOC MEETINGS: 13**

**Table 2: EXTERNAL AUDIT, RMC and ICT STEERING COMMITTEE ATTENDANCE**

EXTERNAL Audit, RMC & ICT Steering Committee Members:	GB Induction	GB W/Shop	GB ORD	GB SPEC	GB S/H	EXCO	RMC	RM C SPEC	ICT	ICT SPEC	AUDIT	TOTAL
Mr JK Sithole	1	1	4	2	N/A	N/A					5	13
Ms MA Mphahlele	1	1	4	2	N/A	N/A					6	14
Mr. M Sebeelo	1	1	4	1	N/A	N/A	4	1	N/A	N/A	6	18
Dr. TG Sethibe	1	1	4	N/A	N/A	N/A	N/A	N/A	4	1	6	17

Members of the Governing Board also attended ad hoc meetings as indicated below in Table 3:

**Table 3: AD-HOC MEETINGS ATTENDANCE**

Member	Total
Mr MS Mthembu	10
Ms SD Wiggins	7
Dr T Kelly	6
Adv G Khoza	5
Mr WB Baird	4
Ms LM Sikhakhane	5
Ms LC Zulu	5
Mr M Gangazhe	3
Mr JK Sithole	1
Ms MA Mphahlele	2
Mr. M Sebeelo	1
Mr. GT Sethibe	1



# OFFICE OF THE CHIEF EXECUTIVE OFFICER

## Reporting Requirements

The 2021/22 financial year witnessed no variance from the expected performance provided for in the applicable legislative frameworks as the following reporting requirements in relation to the Executive Authority were fulfilled:

- 2022/23 Annual Performance Plan was submitted.
- 2020/21 Annual Report submitted to National Treasury, Auditor-General and office of the Minister and subsequently to Parliament.
- 2022/23 Annual Performance Plan and Shareholders Compact were also submitted to the DWS.
- All four (4) quarterly reports, namely performance report, revenue, and expenditure report and PFMA Compliance Checklist were submitted to the DWS every quarter.

## Internal Audit

The Public Finance Management Act (PFMA). Act 29 of 1999, section 51(1)(a)(ii), states that “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 in accordance with regulations and instructions prescribed in terms of sections 76 and 77” of the Act.

The approved strategic three-year rolling plan, annual operational plan and Annual Audit plan are based on strategic risks identified by management and approved by the Governing Board. The operational plan is updated annually, based on the risk assessment, internal and external emerging issues and results of both internal and external audits performed in the previous financial year. The table below contains all audits that were conducted in the year under review.

**Table 4: Audits Performed 2020/21 FY**

<b>QUARTER 1</b>	
Performance Information Q4 2020/21	Security Management
Pool Vehicle Management	Records Management
Compliance Monitoring and Enforcement	Review of Annual Financial Statements
Review of annual performance tables	
<b>QUARTER 2</b>	
Performance Information Q1	Resource Quality Monitoring
Risk Management	Adhoc assignment - Review of percentage of technical inputs provided on specialist reports - post External Audit
Water Use Authorisation	
<b>QUARTER 3</b>	
Performance Information Q2	Financial Discipline Review (FDR)
Payroll	Revenue Management
Resource Planning and Operations	Supply Chain Management
Leave Management	Contract Management
Corporate Governance	Business Continuity Management
<b>QUARTER 4</b>	
Performance Information Q3	Ad hoc assignment - Review of the 2022/23 APP
Data Information Management	Ad hoc assignment - Tender due diligence review
Subsistence and Travel	Ad hoc assignment - Fruitless and wasteful expenditure
Human Resource Management	

**Risk and Compliance Management**

The Governing Board of the Inkomati-Usuthu Catchment Management Agency established a Risk Management Committee, chaired by an Independent Member, to assist the Accounting Authority to fulfil its risk management and control responsibilities in accordance with, and in terms of, the section 51(1)(a)(i) of the PFMA. In 2021/22, the Risk Management Committee was able to perform its oversight role in ensuring that the risk management strategy is effectively and efficiently implemented. Quarterly reviews and reports were made available to the Audit Committee and the Governing Board, and most of the resolutions 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, 93,75 % (30/32) were achieved. The remaining 6,25% (2/32) relate to the tariff management strategy which was not fully implemented as the function is outside the Agency’s mandate. Also, due to Schedule 3 delegations, which are issued at the Minister’s discretion. See table below for details.

**Table 5: Strategic Risk Assessment**

<b>Risk Description</b>	<b>Mitigation Plan</b>	<b>Comments</b>
Non-sustainability of the IUCMA financial resources.	1. Develop a long-term tariff model through a Professional Service Provider (PSP).	All planned activities were achieved  The Revenue enhancement strategy was developed. The Internal Control Procedure (ICP) manuals for Revenue and SCM were developed. IUCMA is part of the national forum that discusses the strategy for implementation of the waste discharge charge.
	2. Review and implement the Revenue enhancement Strategy (RS)	
	3. a) Develop and implement a database backup plan for finance and other operating systems. (SAP and WARMS)	
	b) Review and implementation of the ICP for the IUCMA.	
	c) Implement the Business continuity plan for the Finance.	
Shortage of available water	1. Continue to implement decision support systems (DSS) and run the operations committee meetings quarterly.	All planned activities were achieved, except for the full delegation of Schedule 3 of the NWA. However, interactions with the department in this regard are ongoing.  Continuous monitoring and implementation of the (Decisions Support Systems (DSS), Validation and Verification of water users, processing of new license applications, implementation of waste removal, and participation in the forum meetings) is managed and reported.
	2. Implement the Validation and Verification of water use	
	3. a. Processing new water use activities.	
	b. Integrated surface and groundwater monitoring.	
	c. Enforcement on non-compliant water users / uses.	
	4. Participate in the forums where construction dams are discussed.	
5. Obtain Schedule 3 delegation.		
Poor water resource quality	1. Continue to implement decision support systems and run the operations committee meetings quarterly.	All planned activities were achieved. Continuous monitoring and implementation of (replacement of IT infrastructure, UPS, ICT Security measures, functional ICT governance structures) were managed and reported.
	2. a. Implement the Validation and Verification of water use	
	b. Pollution remediation project	
	c. Establishment of cooperatives for removal of waste.	
	3. a. Processing new water use activities.	
	b. Integrated surface and ground water monitoring.	
c. Enforcement on non-compliant water users / uses.		
Business disruptions due to IT system failure.	1. Replacement of the Old IT infrastructure with new technology.	All planned activities were achieved. Continuous monitoring and implementation of (replacement of IT infrastructure, UPS, ICT Security measures, functional ICT governance structures) were managed and reported.
	2. a. Develop Business continuity plan for the CMA specifically for SAP and WARMS	
	b. Enhance the Internal Control Procedure (ICP) manual to address inherent risks WARMS and SAP interface.	
	3. Conduct software licence audits.	
	4. Procurement of UPS.	

<b>Risk Description</b>	<b>Mitigation Plan</b>	<b>Comments</b>
	5. CMA forums report on the implementation of the IT SLA with DWS.	
	6. Implement IT security measures and report quarterly.	
Loss of trust and credibility by stakeholders	1. Implementation of the communication strategy.	All planned activities were achieved. Continuous monitoring and implementation of the stakeholder engagement plan shall be maintained.
	2. Quality review of all the information shared with all stakeholders.	
	3. Workshop and training of the stakeholders on the correct use of the IUCMA brand.	
	4. Ensure availability of funds to renew data systems licences	
	5. Develop a CMA framework for implementing the NWA.	
Failure to promote and pursue international developmental agenda	1. IUCMA to continue to participate on tripartite committees (interact through issuing letters).	All planned activities were achieved. Continuous participation in the tripartite committees and enhancement of data information sharing shall be maintained.
	2. Enhance data information sharing by creating a common platform (HydroNET)	



# CORPORATE SERVICES

Corporate Services in terms of the IUCMA organisational strategy falls under Outcome 2 which houses Programme 2 focusing on Human Resources and Business Support. The programme consists of six (6) divisions, namely: Human Resource Management, Records Management and Auxiliary Services, Communications & Intergovernmental Relations, Risk and Compliance Management, Information Technology, and Legal Services. Detailed below are some of the key divisional performance highlights for the period under review.

## Human Capital Management

### Approved Policies

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

- Staff attraction and retention policy.
- Human Resource Development policy.
- Remote working policy.
- Employee transfer, secondment, and resettlement policy.
- Employment Equity and disability policy.

A total of one hundred and eighteen (118) posts out of one hundred and forty-seven (147) approved posts, were filled. This translated to a vacancy rate of 9.2%. The agency plans to finalize the third and final leg of the three-year recruitment drive for all funded and vacant positions in the new financial year.

Key management positions both at executive and senior management level were filled by competent and experienced personnel to drive the strategy of the organisation.

Talent Management and succession planning remained one of the cornerstones of our human resource strategy. Key elements of the talent management plan entailed the absorption of some of the interns that were enrolled onto the graduate development program. The Agency also utilised the staff retention policy to ensure internal recruitment of staff into senior positions where capacity was identified.

The figure below depicts the current human capital statistics of the agency:

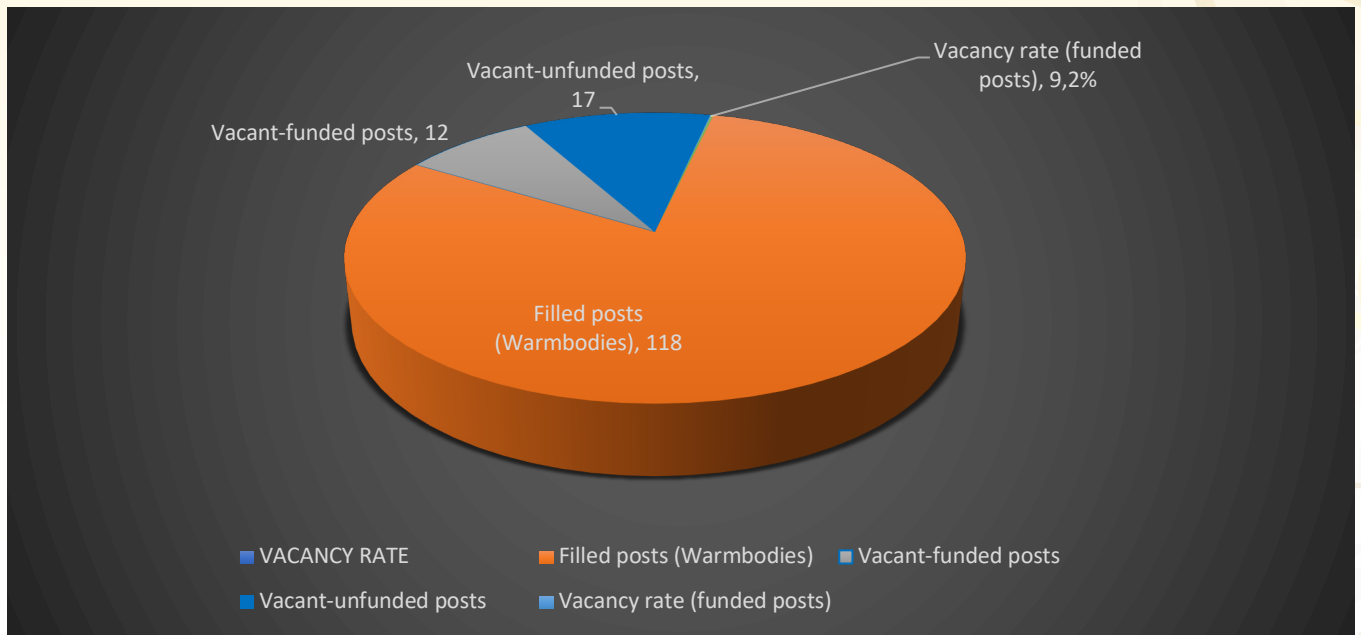


Figure 1: Human Capital Statistics

**Youth employment.**

Agency observance of the macro-environment which includes, among others, the socioeconomic factors such as a high unemployment rate amongst the South African youth resulted in the placement of a total of twenty-two (22) young graduates to gain work-based experience. This included four (4) graduates who were placed in different divisions, in partnership with the Water Research Commission (WRC) to support the Presidential Employment Stimulus Water Graduate Employment Programme.

**Performance Management**

Performance management of employees was effectively managed throughout the year to ensure that the set strategic objectives of the institution are achieved. In support of our efforts to enhance human capital development, the Workplace Skills Plan (WSP) was developed and duly approved by the Energy and Water Sector Education and Training Authority (EWSETA) to ensure that trainings undertaken were conducted in line with this plan. A number of key strategic trainings such as Senior Management Development Programme, Conflict Management, Coaching & Mentoring Programme, Advanced Microsoft Excel, Business and Minutes Writing, and Supply Chain Management Committees (Bid Committees) were rolled out in quest of capacitating the workforce.

### Internal and External Bursaries

A total of fourteen (14) employees were awarded bursaries to further their studies in various fields of study as follows:

**Table 6: Internal Bursaries**

Field of study	Number of bursars
Integrated Water Resource Management	6
Water & Environmental Science	2
Civil Engineering	1
Risk Management	1
Information Systems	1
Communications	2
Business Administration	1

Three (3) external bursaries were also awarded to qualifying previously disadvantaged students from the catchment management areas to pursue their tertiary education in water-related fields in the following areas, Life & Environmental Science, Biochemistry & Chemistry and Geology.

### Employee Health & Wellness

Human capital remains one of our most precious and highly valued strategic assets to drive and deliver on our mandate. A huge investment was made in a quest to have a healthy workforce whereby Agency sourced the service of a professional service provider – Independent Counselling and Advisory Services (ICAS) Southern Africa to provide a wide range of Employee Health & Wellness Services.

In the same breath, a number of interventions such as counselling, trauma debriefing, financial wellness, and team building were provided to our employees at all levels. In responding to the latter, a remote working policy was developed and approved by the Governing Board to create a work-life balance.

### Occupational Health & Safety

The Agency strove to ensure a safe and healthy work environment for all employees. In the year preceding the one under review, matters of occupational health and safety were managed through the Covid-19 Safety Committee which was seized with the responsibility to oversee the implementation of OHS interventions in the Agency. It can be reported that the OHS policy was approved, terms of reference for the committee developed, OHS risk assessment and implementation plans were conducted in the same period in line with Occupational Health & Safety Act, 83 of 1995.

It can be reported that no disabling injury was reported during this reporting period which is attributed to notable achievements such as the provision of personal protective equipment for field workers, building inspections, development of risk assessment matrix and safe working procedures.

In the new year, measures will be put in place to strengthen the capacity of the OHS Committee to discharge its statutory duties. Part of the envisaged activities will entail amongst others the



implementation of the identified risk assessment recommendations and sourcing of some of the critical equipment and resources for OHS.

**Employment Equity & Transformation.**

The Agency is committed to implement the transformation agenda of the government as informed by the Constitution of the Republic of South Africa, 1994 and the Employment Equity Act, 55 of 1998. For this reason, the Governing Board approved the Employment Equity and Disability Policy.

The Agency Employment Equity (EE) statistics are presented in the table below.

**Table 7: Employment Equity/ Workforce Profile for 2021/22 FY**

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management / Executives (E Band)	2	0	0	0	2	0	0	0	4
Senior Management (D3)	10	0	0	0	5	0	0	0	15
Professionally qualified & experienced specialists and Middle Management(D1 - D2)	14	0	0	0	7	0	0	0	21
Skilled Technical & Academically qualified workers / junior management supervisors, foreman and superintendents (C Band)	32	0	0	1	29	1	0	1	64
Semi-Skilled & discretionary decision-making(B Band)	2	0	0	0	8	0	0	0	10
Unskilled & defined decision making(A Band)	0	0	0	0	4	0	0	0	4
<b>TOTAL PERMANENT</b>	<b>60</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>55</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>118</b>

As we strive to create a diverse workforce, efforts will be made to recruit persons with disability across all occupational categories and to provide reasonable accommodation as and when a need arises. This will be done by identifying barriers to employment opportunities and implementing affirmative action measures such as forging strategic partnership with organisations representing persons with disabilities and improving accessibility of our buildings and facilities.

**Table 8: Workplace Profile**

ABBREVIATION	FULL DESCRIPTION
AM	African Male
WM	White Male
AF	African Female
CF	Coloured Female
WF	White Female

Based on the above workforce profile, 50% of women are appointed in Executive positions. 33% of women are appointed in Senior Management positions, 48% of women are appointed in Skilled Technical & Junior Management positions, 80% of women are appointed in semi-skilled position and 100% of women are appointed in unskilled positions, respectively. This translates to an average of 62% of women appointed across all occupational categories in the Agency structure.

### Corporate Social Investment

As a public entity, the IUCMA acknowledges that it must always act as a responsible good corporate citizen, while promoting CSI as a platform for social benefit in line with its legislative mandate as well as promoting the institution. CSI activities serve as a vehicle to assist the IUCMA to achieve its CMS'

objectives within the confines of good governance. Corporate social responsibility or investment is defined as “business decision-making linked to ethical values, compliance with legal requirements and respect for people, communities and the environment.”

In the same spirit of good corporate citizenship, the IUCMA commissioned one borehole and water storage facility project in the Nkomazi Local Municipality. Two boreholes are at execution stage and are anticipated to be completed in the new financial year within the Mbombela Local Municipality. The boreholes are meant to augment water supply to local communities as part of water security.

### **Affiliations**

It remains imperative that the IUCMA continues to affiliate to regional and international water resource management and related institutes and bodies. Locally, the IUCMA continues to be a patron member of the Water Management Institute of Southern Africa (WISA). The patron membership is the most prestigious form of membership offered by WISA, which seeks to promote professional excellence in the water sector through sharing of knowledge and building expertise within the southern African water sector.

In addition, the IUCMA is affiliated to three water management organisations; the International Water Association (IWA), the International Network of Basin Organisation (INBO), and the Global Water Partnership (GWP). The GWP has been established to advocate for the implementation of integrated water resource management (IWRM), the coordinated development and management of water, land, and related resources to maximise economic and social welfare without compromising the sustainability of vital environmental systems within the water sector internationally. Therefore, the IUCMA continues to identify relevant institutions which could be beneficial to relate with, particularly nationally and in the SADC region.

### **Information Technology**

The IUCMA has made great effort in line with the objectives of its approved Master Systems Plan for ICT to ensure effective and efficient information and communication technologies in the organisation. Several ICT projects were implemented ranging from ICT infrastructure, Master System review and development, establishment and strengthening of the ICT Steering Committee functions to provide ICT governance oversight which has been very instrumental in aligning ICT goals to that of the Agency. The new financial year will be focused on the implementation of the ICT strategy which is currently under development.



# WATER RESOURCE MANAGEMENT

The Water Resource Management function constitutes the core mandate of the organisation responsible for the implementation of the National Water Act and related policies and regulations. The function comprises of six (6) divisions, namely Resource Planning and Operations, Resource Quality Monitoring, Water Use Authorisations, Compliance Monitoring and Enforcement, Data and Information Management as well as Institutions and Participation. The National Water Act (1998) seek to promotes community participation in decision making regarding the protection, use, conservation, management, and control of the water resources by a water management institution.

## **Water Availability Assessment**

The WMA is characterised as a water stressed where the demand for water far exceeds the supply. The rainfall is variable and seasonal, evaporation exceeds precipitation, and the long rivers drain away from areas with most demand to flow into neighbouring countries and into the Indian Ocean. The inadequate storage (particularly in the Crocodile catchment compared to other catchments), makes water resource management a challenging task. The transboundary nature of the WMA requires that international obligations are complied with under the Interim IncoMaputo Agreement (IIMA). This is achieved through ensuring that flow and quality from South Africa towards the Republic of Mozambique and the Kingdom of eSwatini comply with international obligations.

The Agency relies on evidence-based decision making on water use efficiency that has seen the cooperation with the Water Research Commission (WRC) in a project to investigate the water use efficiency of crop farming in the WMA. Furthermore, in pursuit of ensuring the water security of the WMA, the agency has developed the Water Security Strategy and the continual implementation of Groundwater Strategy to reduce the burden on surface water resources. This will see the move towards implementing a water mix when making allocations which includes surface- and groundwater use, grey water re-use, rainwater harvesting, water use efficiency, and implementation of water conservation and demand management by all water users in the WMA.

The impact of climate change saw the WMA experiencing the last year of a prolonged five (5) year drought that was effectively managed through strategic adaptive management where the agency and key stakeholders self-regulated by self-imposing water use restriction when necessary. At the end of the 2021/22 financial year, the agency continued to enjoy two (2) consecutive years of good rains after five (5) years of prolonged drought with the storage levels of all the dams in the WMA reaching 100% (Figure 2). While the short- and long-term models predict that water in the storage system (all catchments) will carry the WMA through the dry season, it is imperative to note the stress on the Crocodile catchment presented by the inadequate storage due to the delayed implementation of the Crocodile East dam construction which has now been earmarked to come online by 2028.

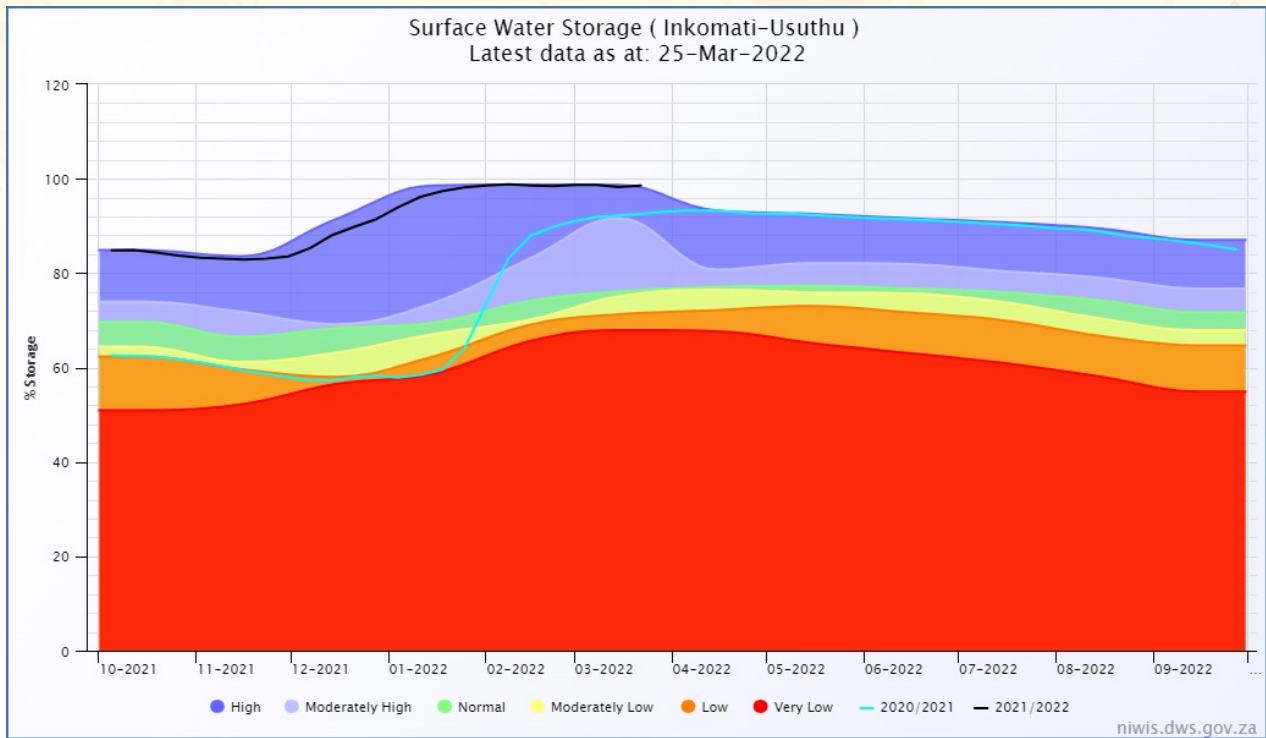


Figure 2: Combined dam storage analysis in the WMA

#### Disaster and cross border flow management

In the year under review, the Agency developed a Disaster Early Warning System for Floods, Droughts and Pollution incidents (Figure 4). Furthermore, the Agency also uses the Decisions Support Systems to make decisions and has developed ESRI data collection application to support hydrology and water quality monitoring as part of innovation and technology to manage disasters. Monitoring of water resources quality and flow pursuant to the implementation of the management class and associated resource quality objectives (RQOs) at the various ecological water requirement (EWR) sites was achieved.

This constitutes the vision and level of protection to be given effect to the various water resources by the agency as gazetted. The compliance to international obligations in both flow and quality was 100% for all transboundary rivers. However, the quality of the water resources has been deteriorating over the past few years in the WMA. This has necessitated the development of an integrated water quality improvement strategy and implementation plan in the year under review. These two documents (strategy and plan) have been approved by the Governing Board for stakeholder consultation in the 2022/23 performance cycle.

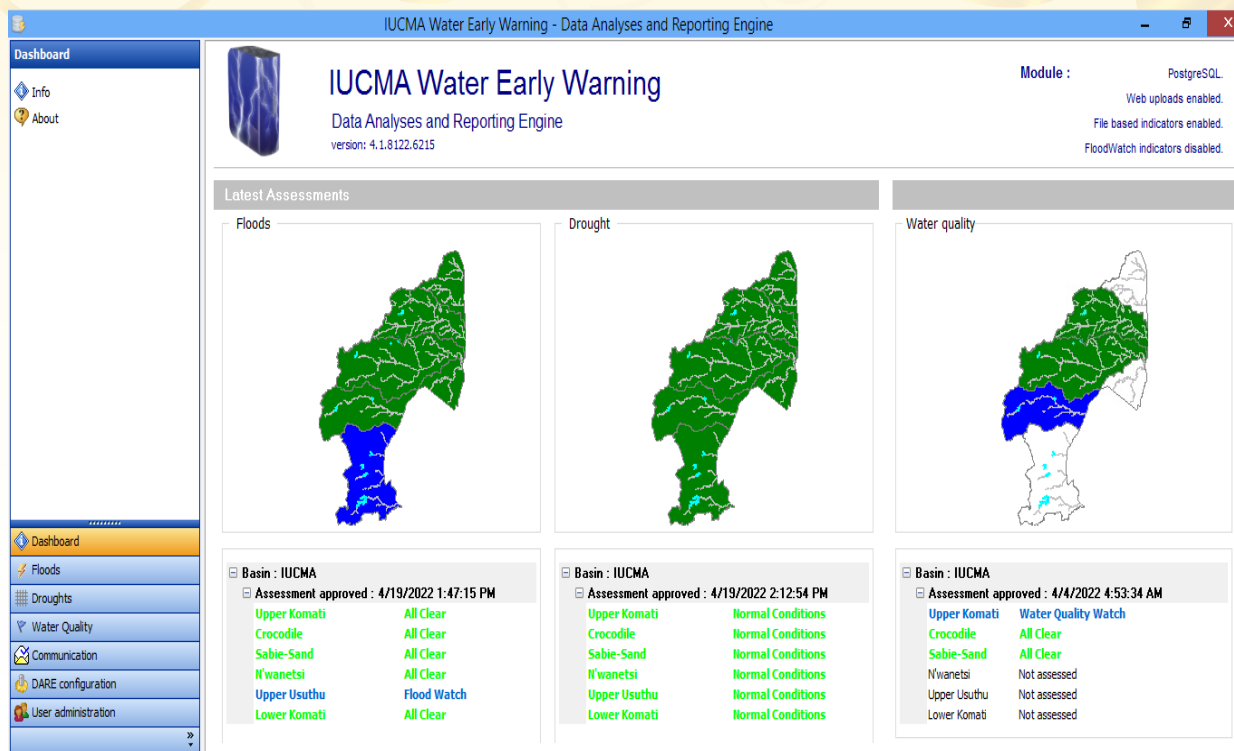


Figure 3: Disaster Early Warning Systems for Agency

### Water Use Authorisation & Registration

To correctly authorise water users, a need exists for accurate, updated, and reliable details of water users and water uses on the Water Use Authorisation and Registration Management System (WARMS). This alone has a rippling knock-on effect on revenue collection and financial sustainability of the Agency. The cumulative billable total volume of **1.95 billion m<sup>3</sup>/a**, consumptive water was registered on WARMS as a result of confirmed General Authorisations (GAs), approved WULs and verified Existing Lawful Use (ELU) by the end of financial year.

Validation is a technical process to ascertain which water uses took place during the qualifying period. Verification is a legal process to determine the lawfulness of the volume of water used, stored, or abstracted by existing water users, under any law prior to the NWA.

The IUCMA has made some meaningful progress regarding the verifications of ELU. By the end of the financial year under review, 66% of the properties were verified. However, efforts are being made to fast track the process to expedite the development of Water Allocation Plans.

It is a requirement of the National Water Act that an Agency must develop Water Allocation Plans. The Water Allocation Plan sets out rules for managing take and use of prescribed water resources to ensure that they are used sustainably. In the last financial year, water availability and scenarios for current and future use were finalised.

In terms of Water Use Authorisation, notwithstanding the challenges associated with Covid 19, the Agency processed 117 Water Use Authorisations made up of 51 Water Use Licenses (WUL) and 58 General Authorisations (GAs). The Agency started implementing the 90 days turnaround time from April 2021 as per the presidential announcement and all backlogs were finalised.

### **Compliance Monitoring and Enforcement**

The Agency is responsible for conducting inspections, investigations, and audits, and attending to complaints, pollutions, and emergency incidents, related to the National Water Act, Act 36 of 1998 (NWA) contraventions and enforcement of noncompliance in line with the NWA mandate. The legislation of which the division implements is clearly outlined in the National Water Act, Act 36 of 1998 of which is part of Specific Environmental Management Act (SEMA).

The 2020/2021 Annual Report indicates that there are non-compliances within the WMA due to the Local Government Wastewater Treatment Works, the mining sector, industry, and privately owned facilities. The continuous discharge of untreated effluent into the resource remains a serious challenge. Furthermore, the majority of these facilities are operating without a Water Use Licence. The Agency will increase all efforts in conducting inspections and undertake audits to ensure compliance with all license conditions. The Agency will further work closely in the new financial year with law enforcement agencies to assist with the prosecution of non compliant users who continue to pollute the resource.

### **Intergovernmental Relations (IGR)**

Intergovernmental Relations continues to strengthen the relationship and cooperation between the IUCMA, Sector Government Departments (National, Provincial, Local), and relevant stakeholders. Inclusive of these initiatives is the Blue Deal programme which will play a key role in terms of resource quality monitoring and management within the Water Management Area.

The IUCMA therefore continues to forge working relations with Local Government and sector departments by convening meetings whereby possibilities of collaborations are discussed. In this regard, it can be reported that to date MOUs have been finalised with the following sector institutions:

- COGTA Mpumalanga
- Ehlanzeni District Municipality
- Bushbuckridge Municipality
- City of Mbombela Municipality
- Nkomazi Municipality
- Chief Albert Luthuli Municipality
- Association for Water and Rural Development (AWARD)
- Gert Sibande District Municipality
- Umgeni Water
- Komati Basin Water Authority (KOBWA)
- University of Mpumalanga

MoUs with DARDLEA and Emakhazeni Local Municipality are anticipated to be finalised in the new financial year.



In the period under review, the Agency continued to engage in participative and strategic adaptive management of water resources. This was achieved through generating, and distributing data, coordinating knowledge, skills and management systems and approaches among water users in the management area. The agency convened six (6) quarterly Catchment Management Forums (CMFs) which serves as a platform through which stakeholder consultations and sharing of broad water-related issues.

It is imperative that the organisation continues to conduct empowerment and capacity-building sessions with historically disadvantaged individuals who are in the majority small scale farmers. The Agency has indeed engaged in these capacity-building and empowerment programmes in various communities by organising sessions where emerging farmers and other aspiring water users were empowered on the water use application process and other water-related activities. Furthermore, the Agency also interacted with other government departments and entities involved in environmental and water related activities in promotion of the Intergovernmental Relations (IGR) Framework.

The agency continues to play a role of being the facilitator on behalf of the DWS in the establishment of the water user associations (WUAs) within the water management area. This process emanated from the Ministerial directive which was issued in March 2020 for all Irrigation Boards (IBs) to transform into Water User Associations and this work is ongoing. The process seeks to integrate all water users to become members of WUAs that will be established in the Inkomati-Usuthu Water Management Area.

The Agency also participated in transboundary and international stakeholder engagements. These include the International Blue Deal Project (between the Dutch Water Authorities and DWS/ CMAs and local municipalities within the Crocodile catchment), transboundary meetings including River Environmental Management Cooperation (REMCO), Joint Water Commission (JWC) of the Tripartite Technical Committee (TPTC), the Komati Joint Operation Forum (KJOF) between RSA and Eswatini. The Agency also hosted two conferences, namely the Incomati Basin Women in Water Conference (IBWiWC) and the REMCO conference.

## Financial Sustainability

South Africa's economy has been hugely impacted by several factors both locally and globally. The most noticeable impact was the effect of COVID-19 which brought about a "pandemic-induced" economic contraction of 6.4% in 2020/21. Following a declaration of a National State of Disaster on the 15th of March 2020, the government through enacted protocols managed to reduce the spread of the pandemic to a manageable level. Consequently, the overall reduced risk of COVID-19 positively impacted the GDP as evidenced by a growth rate of 4.9%. Albeit some moderate levels of economic restoration, national budgets continued to be under enormous pressure. Inadvertently, the Shareholder (the Minister of Water and Sanitation) approved and applied a lower than anticipated percentage increase on augmentation for the 2021/22 financial year. The table below indicates applied increments over 4 years of analysis of the grant appropriated by Parliament which constituted 63% of the total revenue received in 2021/22.

**Table 9: Applied Parliamentary Allocation**

Year	Funding required and applied for (R'000)	Approved and transferred (R'000)	Difference (R'000)	Annual movement %
2019/20	R175 726	R175 726	R0	0%
2020/21	R109 560	R84 375	-R25 185	-23%
2021/22	R88 861	R88 861	R0	0%
2022/23	R116 433	R89 394	-R27 039	-23%

The applied unprecedented lower budget allocation continues and is highly likely to be applied in future years which exerts pressure on the Agency's ability to meet its mandate given prevalent competing activities and priorities. The said financial challenges require management to identify strategic interventions at all levels. The interventions identified during the year emphasised heightened revenue collections for lawful water users, containing operational costs without stifling business processes as well as exploring new revenue streams to augment the already strained budget. The opportunities identified have been, and will continue to be, applied in conjunction with opportunities that are brought about by the Fifth Industrial Revolution. The revolution which realises system collaboration presents opportunities to redefine business processes to fundamentally promote sound financial management, improve processes, and heighten effective internal controls.

Albeit the aforementioned funding challenges, the Agency has successfully presented its financials as a going concern through scrupulous working capital management in the year. The outcomes as reported have been achieved by the collective efforts of Supply Chain Management, Revenue Management and Financial Management, each having its own specific mandate that ultimately supports the overarching mandate of the programme.

### **Black Economic Empowerment**

In line with the transformational agenda, the Agency is expected to take full cognisance of the promotion of economic empowerment for previously disadvantaged groups – black people, the youth, women as well as people living with disabilities – as prescribed by the Broad-Based Black Economic Empowerment Act, Act 46 of 2013 as amended. In 2021/22, the sub-programme reported a sound contribution to the restoration of economic disparities as evidenced by an impressive 64% of total spending awarded to those groups defined as previously disadvantaged. When expenditure for the sector is disaggregated, it reflects a contribution of 32% towards youth and women and 12% of total appointments being in support of highly technical projects.

The reported 2021/22 statistics call for institutional increased efforts to ensure the upliftment of women and youth, especially for technical projects. To address the skewness noted in disaggregated figures, management has identified developmental programmes that will be implemented in future periods that include (but are not limited to) free seminar workshops as well as free coaching/mentoring sessions. The developmental programmes are targeted to address key pertinent business areas that have been noted to disadvantage prospective bidders. To further improve performance indicators, the Agency has altered its policy position by the inclusion of prequalification criteria. These noted deliberate strategic decisions to improve BBEE contributions are expected to produce better results, transfer key skills as well as economic growth in the sector in future periods.

### **Financial Management**

Financial management reported heightened activities by ensuring sound financial accounting in accordance with applicable standards and legislation. This was achieved by meticulous general ledger management that permitted timeous and accurate reporting processes as an enabler of informed decision making. The sub-programme, in addition, ensured robust internal controls that supported the safeguarding of all financial and non-financial assets of the Agency from theft, misuse, or loss. These measures were reflected in reduced internal audit findings, shortened external audit processes, as well as unqualified audit opinions expressed in 2021/22.

One of the adopted Agency's strategic outcomes is to ensure effective and efficient utilisation of financial resources by maintaining acceptable levels of working capital. Whilst the current year realised adverse figures for this performance target in the year under review, it is anticipated that future periods will see improved performance emanating from the development and implementation of responsive and effective debt management strategy, cost containment strategy as well as the revenue enhancement strategy.

### **Revenue Management**

Revenue management is a strategic component of the Agency as its function is key to the financial sustainability of the Agency. During the year the Agency applied strategic initiatives that were both responsive to the Agency's customer base and in line with applicable policy and prevailing legislation. The adopted measures yielded acceptable collection rates with a recorded performance of 33% (R37million). Consequently, the reported amount due to the Agency by 30 March 2022 was reduced to R 117million. Whilst good performance has been reported in the year, the debt balance remains unpleasantly high. The debt balance has been impacted by historic balances transferred in 2017 by DWS amounting to R62million as of reporting date. Whilst the historic debt has reduced significantly by 68% over the years, the current reported balance constituting 56% of total debt continues to reduce the overall recoverability rate of the total debt book.

A detailed analysis of the sectoral debtors' balances reveals that the poorest performing sectors are Irrigation and Industry, who owe the Agency 36% and 37% of total debt, respectively. The performance of the slow-paying debtors has exasperated the age of debt which remains a critical area of concern. Approximately 97% of the said debt constitutes balances older than 30 days which has adversely impacted the collection period of the Agency.

### Customer Data Integrity

Whilst initiatives have been identified to improve debtor payments, the Agency faces huge challenges emanating from the compromised integrity of the data as handed over by the transferor (DWS). The challenge of poor quality of data in the year has resulted in 42% of the issued invoices returning as failed delivery. This makes data integrity a very important aspect of debt management. With challenges stemming from data integrity affecting a vast number of customers, a project has been initiated to address these weaknesses.

### Water Resource Management Charges

The Agency conducted consultations with stakeholders from the 30th of July 2021 to the 4th of August 2021 on the proposed Water Resource Management Charges as mandated by section 57 of the National Water Act, Act 36 of 1998 as well as the Pricing Strategy. Ministerial approved tariffs in 2021/22 for Domestic and Industry as a sector resulted in an increment of 5%. Other sectors realised increments as follows: irrigation 8% and forestry 2%. Whilst increments in the year brought some relief, the applied tariffs did not allow for full cost recovery for the Agency.

**Table 10: Applied Tariffs 2021/22**

Sectors	Domestic/ industrial c/m3	Irrigation c/m3	Forestry c/m3
2020/21 Tariffs	3.7c	1.93c	1.44c
Approved increments	% 5%	2%	8%
2021/22 Tariffs	3.87c	1.96c	1.55c
Capping Policy Applications	D&I - no capping applicable	Irrigation – Base year x PPI of 6.7% as per Water Pricing Strategy	SFRA – R10 per hectare [10,000c/m3] + Base year x PPI of 6.7% as per Water Pricing Strategy

Challenges around the financial constraints of the Agency have been further exasperated by the weakness of the current applied Water Pricing Strategy. These weaknesses include a glaring misalignment of approved tariffs and true costs attributable to the delivery of service. The glaring misalignment induced by sector capping has resulted in the Agency's inability to recover R38,8 million from its water users. In order for the Agency to be able to recover full costs attributable to the delivery of water resource-related services, tariffs should be pegged to allow for full cost recovery that allows for the intrinsic balance between enabling economic activities for water users as well as the preservation of the Agency's ability to recover full costs of water resource management.

**Table 11: Impact of Pricing Strategy**

Sector	Registered volumes c/m3	Average tariffs at full cost recovery 2021/22 (unlegislated)	Revenue collectable when tariffs are at full cost recovery	Proposed tariffs with Pricing Strategy Capping (legislated)	Planned cost recovered with Pricing Strategy Capping
Agriculture	1,065,055,953	4.28c	R45,584,395	1.96c	R20,875,097
Forestry	437,622,287		R18,730,234	1.55c	R 6,783,145
Domestic and Industry	543,863,056		R23,277,338	3.87c	R21,047,500
<b>TOTAL</b>	<b>2,046,541,296</b>		<b>R87,519,900</b>	<b>2,46c (average)</b>	<b>R48,705,742</b>

## Consolidated Agency 2021 / 22 Annual performance Tables

OUTCOME	PROGRAMME	OUTPUT	OUTPUT INDICATORS	ANNUAL TARGET 2021/2022	ANNUAL PERFORMANCE	#	REASON FOR VARIANCE	CORRECTIVE ACTION
Outcome 1: Increased stakeholder satisfaction	Programme 1: Administration and Governance	Effective institutions and stakeholder participation	Percentage implementation of a stakeholder engagement plan	80%	100% (164/164)		Increase in performance was due to additional engagements with municipalities on issues of quality, quantity of the resource and revenue management.	None
Outcome 2: Enhanced human resources capabilities	Programme 2: Human Resources and business support	Employee safety Optimal employee retention	Disabling Injury Frequency Rate Rate of Employee turnover	<1 6%	0% 0%		None None	None None

OUTCOME	PROGRAMME	OUTPUT	OUTPUT INDICATORS	ANNUAL TARGET 2021/2022	ANNUAL PERFORMANCE	#	REASON FOR VARIANCE	CORRECTIVE ACTION
Outcome 3: Maintain financial sustainability	Programme 3: Finance	Cost control	Working ratio	80%	106%		The working ratio is a review of income vs expenditure. Underperformance in the year was due to reversal of billings within the revenue section which subsequently reduced revenue reported for the year.	In the 2022/23 financial year the matching process will be correctly applied which will include adjustments being performed in the year of occurrence. In addition, the approved cost containment strategy will be implemented and monitored to allow better performance of indicator.
		Revenue enhancement	Debt collection ratio	25%	32.9% (R37,869,940.05/ R115,069,122.97)		Reported collection rate indicates healthy collections on current debt of approximately R34,1million. Historic debt continues to resemble a very risky debt type with R3,7million collected of R66,6million outstanding.	Debt will be disaggregated - toxic and healthy debt. A debt management strategy will be implemented to respond to each debt type as categorised.

OUTCOME	PROGRAMME	OUTPUT	OUTPUT INDICATORS	ANNUAL TARGET 2021/2022	ANNUAL PERFORMANCE	#	REASON FOR VARIANCE	CORRECTIVE ACTION
Outcome 4: Protection and use of water resources	Programme 4: Water resource management	Effective resource management	Percentage of monitoring of compliance to Resource Quality Objectives	90%	100% (23/23)		All EWR sites were monitored	The target is adjusted to ≥90% in the 2022/23 financial year.
			Percentage of monitoring of compliance to international obligations	90%	100% (10/10)		All international obligations sites were monitored	The target is adjusted to ≥90% in the 2022/23 financial year.
		Water use authorisations	Percentage of water use authorisations processed within the regulated timeframe	90%	95.2% (120/126)		The entity processed all the allocated applications as per DWS register.	None



OUTCOME	PROGRAMME	OUTPUT	OUTPUT INDICATORS	ANNUAL TARGET 2021/2022	ANNUAL PERFORMANCE	#	REASON FOR VARIANCE	CORRECTIVE ACTION
		Regulative compliance	Percentage of activities monitored for compliance, and enforcement action taken against non-compliant activities	90%	265% (212/80)		More work was done due to level 1 Covid unplanned activities such as complaints and follow up inspections.	The target will be revised in the 2022/23 financial year to mitigate for unplanned activities.

Achieved
Overachieved
Unplanned
Partially achieved
Not achieved



# ANNUAL FINANCIAL STATEMENTS

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## General Information

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### Country of incorporation and domicile

South Africa

### Members

Mr MS Mthembu (Chairperson)

Mrs SD Wiggins (Deputy  
Chairperson)

Mr M Gangazhe

Ms LC Zulu

Ms LM Sikhakhane

Dr T Kelly

Mr WB Baird

Advocate G Khoza

Mr LC Mohalaba (Ex Officio)

### Auditors

PricewaterhouseCoopers Inc.

Registered Auditors

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Index

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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### Abbreviations used:

PwC	PricewaterhouseCoopers Inc.
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

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Accounting Authority's Responsibilities and Approval

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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 auditors are 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 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 2023 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. Absolute reasonableness will further be achieved by the identification of revenue streams to augment the continuous dwindling parliamentary allocation. The members are also cognitive of the need to implement robust cost containment measures as well as strengthening debtors collection rates of the Agency.

Over and above the revenue collected by the Agency, the Agency is still partly dependant 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 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 6.

The annual financial statements set out on page 12, which have been prepared on the going concern basis, were approved by the accounting authority on xxxxxx and were signed on its behalf by:



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Mr MS Mthembu (Chairperson)



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Mr LC Mohalaba (Ex Officio)

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Audit Committee Report

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We are pleased to present our report for the financial year ended 31 March 2022.

### Audit committee members and attendance

The Audit Committee consists of the members listed hereunder and should meet at least four (4) times per annum as per its approved Audit Committee Charter. During the current year six (6) number of meetings were held.

<b>Name of member</b>	<b>Number of meetings attended</b>
Mr JK Sithole (Chairperson)	5
Mrs LC Zulu	6
Ms MA Mphahlele	6
Ms LM Sikhakhane	6
Mr WB Baird	5
MS SD Wiggins	6

### Audit committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 55(1)(a)(i) of the PFMA and Treasury Regulation 27.1.8.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as stipulated by its charter. The Audit Committee has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal control

The Agency has submitted quarterly reports to the Executive Authority in terms of the PFMA.

### Evaluation of annual financial statements

The Audit Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the external Auditor and the Accounting Authority;
- reviewed the External Auditor's management report and management's response;
- reviewed the Agency's compliance with legal and regulatory provisions;

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Audit Committee Report

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### Internal audit

The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the Agency and its audits.

The following Internal Audit work was completed during the year namely:

- Review of Annual Financial Statements for 2020/21
- Revenue Management
- Contract Management
- Supply Chain Management
- Financial Discipline Review (FDR)
- Pool Vehicle Management
- Compliance Monitoring and Enforcement
- Security Management
- Records Management
- Risk Management
- Water Use Authorisation
- Payroll, Resource Planning and Operations
- Subsistence and Travel
- Data and Information Management
- Leave Management
- Corporate Governance
- Human Resource Management
- Ad hoc audits namely review of annual performance tables, review of technical inputs provided on specialist reports-post external audit, review of 2022/23 annual performance plan, due diligence review for tenders above R5 million, and assessment on fruitless and wasteful expenditure.

### External Auditor

The Audit Committee has met with the external auditor (PwC) to ensure that there are no unresolved issues.

The Audit Committee concur with and accept the External Auditor's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the External Auditor.



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**Mr JK Sithole Chairperson of the Audit Committee**

**Date: 29 July 2022**

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## ***Independent auditor's report to Parliament and the Shareholder of Inkomati-Usuthu Catchment Management Agency***

### ***Report on the audit of the financial statements as at 31 March 2022***

#### ***Opinion***

We have audited the financial statements of Inkomati-Usuthu Catchment Management Agency as set out on pages 64 to 90, which comprise the statement of financial position as at 31 March 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Inkomati-Usuthu Catchment Management Agency as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA)

#### ***Basis for opinion***

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Agency in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (Including International Independence Standards).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***Responsibilities of the Accounting Authority for the financial statements***

The Accounting Authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA), and for such internal control as the Accounting Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accounting Authority is responsible for assessing the Agency's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

### ***Auditor's responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

### ***Report on the audit of the annual performance report***

#### ***Introduction and scope***

In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, we have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. We performed procedures to identify material findings but not to gather evidence to express assurance.

Our procedures address the usefulness and reliability of the reported performance information, which must be based on the Agency's approved performance planning documents. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our procedures do not examine whether the actions taken by the Agency enabled service delivery. Our procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the Agency's annual performance report for the year ended 31 March 2022:

<b>Programme</b>
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Programme – Office of the Executive: Water Resource Management
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<b>Programme</b>
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Programme 2: Administration and Governance
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<b>Programme</b>
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Programme 3: Human Resources and business support
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<b>Programme</b>
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Programme 4: Finance
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We performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not identify any material findings on the usefulness and reliability of the reported performance information for these programmes:

Programme – Office of the Executive: Water Resource Management

Programme - Administration and Governance

Programme - Human Resources and business support

Programme - Finance

Programme – Office of the Executive: Water Resource Management

## ***Report on the audit of compliance with legislation***

### ***Introduction and scope***

In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the Agency's compliance with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

### ***Other information***

The Accounting Authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion on it.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We did not receive the other information prior to the date of this auditor's report. When we do receive and read this information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

### ***Internal control deficiencies***

We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. We did not identify any significant deficiencies in internal control.

### **Quotation**

- Three quotations were not obtained and/or deviations not valid for some of the quotations tested leading to material non-compliance with SCM legislation and irregular expenditure. Total value R227 838

**Auditor Tenure**

In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc has been the auditor of Inkomati-Usuthu Catchment Management Agency for 3 years.

*PricewaterhouseCoopers Inc.*

PricewaterhouseCoopers Inc.

Director: Johann Boshoff

Registered Auditor

Mbombela

31 July 2022



### ***Annexure – Auditor’s responsibility for the audit***

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements, and the procedures performed on the reported performance information for selected programmes and on the Agency’s compliance with respect to the selected subject matters.

### ***Financial statements***

In addition to our responsibility for the audit of the financial statements as described in this auditor’s report, we also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accounting Authority.
- conclude on the appropriateness of the Accounting Authority’s use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of Inkomati-Usuthu Catchment Management Agency to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify our opinion on the financial statements. Our conclusions are based on the information available to us at the date of this auditor’s report. However, future events or conditions may cause the Agency to cease operating as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### ***Communication with those charged with governance***

We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Accounting Authority's Report

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The members submit their report for the year ended 31 March 2022.

### 1. Review of activities

#### Main business and operations

The Agency is a Schedule 3A Public Entity - domiciled on the 8th Floor, Suite 801, MAXSA Building, 13 Streak Street, Mbombela 1200 - and is responsible for the integrated management of the water resource in the Inkomati-Usuthu Water Management Area.

The operating results and state of affairs of the Agency are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the Agency was R 8 659 484 (2021: deficit R 5 340 053).

During the year under review, the Agency continued to operate within its delegated mandate resulting in the achievement of its key strategic outcomes. Revenue management remains key to ensure sustainability of the Agency as a result strategic engagements and initiatives are continuously being revised for adaptability within the Catchment management area. Collection rates for debtors have improved in the year albeit historic debt still remains a challenge for the Agency. The causation of slow recoverability of historic debt is poor customer data. Data integrity thus becomes an integral part of the Agency's strategy to ensure ultimate financial sustainability.

### 2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that 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.

#### Impact of COVID 19

Since the first reported case in South Africa - 5th of March 2020 -, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to business worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The President of South Africa, his excellency President Cyril Ramaphosa declared on the 15th of March 2020 the spread of the pandemic as a National State of Disaster - which was subsequently lifted on the 4th of April 2022. This pronouncement resulted in full restoration of economic activities that resulted in COVID-19 pandemic being managed through the National Health Act

The Agency's financial performance was not impacted by COVID-19 in the year under review. Debtors' collection rates evidenced this by a reported increase in the year. Likewise, overall sector performance experienced little impact from COVID-19 during the year under review.

#### Budget Reduction

The Agency has realised a downward adjustment of its grant appropriated by parliament in year 2022/23. The reduced budget of approximately R27million is deemed to be extremely material in the delivery of approved outcomes in the new year. The impact of reduced budgets required the Agency to downscale critical projects and in some instances defer their deliverables.

In response to the downward budget adjustment, management has urgently incepted internal mechanisms to contain cost that include but not limited to the development and implementation of a responsive cost containment strategy. With an appreciation that grant allocation appropriated by parliament could be subjected to future reductions, it has become a strategic position for the Agency to identify alternative revenue streams whilst maximising other primary forms of existing revenue streams i.e. water management charges and other income.

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Accounting Authority's Report

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### 3. Subsequent events

#### Recovery of fruitless and wasteful expenditure

Management successfully recovered an amount R18,209 forming part of reported fruitless and wasteful expenditure. The amount was recovered following an extensive assessment of liability as well as recoverability.

#### Condonation of Irregular expenditure

National Treasury issued a letter dated 30th of June 2022 wherein they condoned the write off expenditure of R15,421,608 incurred as a result of contravention of National Treasury Instruction Note 3 of 2016/17, paragraph 9 on the contract variation of office space.

The Governing Board in their sitting held on the 27th of July 2022 resolved to recommend to National Treasury condonation and write off of R494,934 incurred as a result of international trips approved in contravention of approved Human Resource Development policy as well as National Treasury Instruction No 2 of 2017/18 Section 8.15.

### 4. Members' interest in contracts

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

### 5. Accounting policies

The annual financial statements 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:

Mr MS Mthembu (Chairperson)  
Mrs SD Wiggins (Deputy Chairperson)  
Ms LC Zulu  
Dr T Kelly  
Mr WB Baird  
Advocate G Khoza  
Mr M Gangazhe  
Ms LM Sikhakhane  
Mr LC Mohalaba (Ex Officio)

### 7. Auditors

PricewaterhouseCoopers Inc. (PwC) was appointed as the Agency's external auditor for a three (3) year term until period ending 2022. Their appointment was confirmed by the Auditor General South Africa (AGSA). The Agency will advertise for the appointment of a service provider to provide external audit services. Any future appointments will require to be ratified by the AGSA.

### 8. Non-compliance with applicable legislation

The Agency incurred irregular expenditure in the current financial year valued at R494,934 (2021: R15,421,608).

The Agency incurred fruitless and wasteful expenditure of R34,636 (2021: R322,375).

Further details on the irregular, fruitless and wasteful expenditure are in note 29 and note 30 of the Annual Financial Statements.

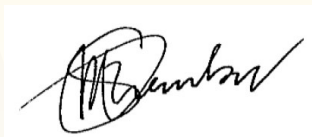
The annual financial statements set out on page 49, which have been prepared on the going concern basis, were approved by the accounting authority on page 63 and were signed on its behalf by:

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Accounting Authority's Report

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Mr MS Mthembu (Chairperson)



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Mr LC Mohalaba (Ex Officio)



# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Statement of Financial Position as at 31 March 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	7	14 379 752	17 285 868
Receivables from non-exchange transactions	8	11 667	10 614
Cash and cash equivalents	9	49 666 435	72 972 054
		<b>64 057 854</b>	<b>90 268 536</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3	9 912 542	7 318 995
Rental deposits	6	252 811	252 811
		<b>10 165 353</b>	<b>7 571 806</b>
<b>Total Assets</b>		<b>74 223 207</b>	<b>97 840 342</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	10	58 725	83 431
Payables from exchange transactions	4	7 809 621	7 058 303
Payables from non-exchange transactions	5	2 707 110	1 451 797
Conditional retained funds	11	54 199 832	88 337 572
Provisions	12	4 583 205	4 645 284
		<b>69 358 493</b>	<b>101 576 387</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	10	-	58 725
<b>Total Liabilities</b>		<b>69 358 493</b>	<b>101 635 112</b>
<b>Net Assets</b>		<b>4 864 714</b>	<b>(3 794 770)</b>
Accumulated (defect) /surplus		4 864 714	(3 794 770)
<b>Total Net Assets</b>		<b>4 864 714</b>	<b>(3 794 770)</b>

\* See Note 27

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue	13	158 232 558	136 183 607
Other income	14	700 898	454 290
Operating expenses	20	(153 714 286)	(145 162 079)
<b>Operating surplus / (deficit)</b>		<b>5 219 170</b>	<b>(8 524 182)</b>
Investment revenue	15	3 483 994	3 203 780
Finance costs	18	(43 680)	(19 651)
<b>Surplus / (deficit) for the year</b>		<b>8 659 484</b>	<b>(5 340 053)</b>

\* See Note 27

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
<b>Balance at 01 April 2020</b>	<b>99 196 208</b>	<b>99 196 208</b>
Changes in net assets		
Transfer to conditional grant	(99 196 208)	(99 196 208)
Prior year adjustment	(2 126 166)	(2 126 166)
Loss for the year as previously reported	(1 668 607)	(1 668 607)
<b>Restated* Balance at 01 April 2021</b>	<b>(3 794 770)</b>	<b>(3 794 770)</b>
Changes in net assets		
Surplus for the year	8 659 484	8 659 484
Total changes	8 659 484	8 659 484
<b>Balance at 31 March 2022</b>	<b>4 864 714</b>	<b>4 864 714</b>

\* See Note 27

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Water Resources Management Charges Invoiced		35 806 051	32 485 410
Interest income		3 483 994	3 203 780
Grants	16	88 729 000	84 375 000
Interest received on trade debtors		1 998 536	6 487 160
Other income		214 614	466 161
		<b>130 232 195</b>	<b>127 017 511</b>
<b>Payments</b>			
Employee costs		(98 626 004)	(82 836 474)
Operating expenses		(50 742 625)	(44 481 328)
		<b>(149 368 629)</b>	<b>(127 317 802)</b>
<b>Net cash flows from operating activities</b>	<b>21</b>	<b>(19 136 434)</b>	<b>(300 291)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(4 042 074)	(3 049 663)
<b>Cash flows from financing activities</b>			
Finance lease payments		(127 111)	(19 561)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(23 305 619)</b>	<b>(3 369 515)</b>
Cash and cash equivalents at the beginning of the year		72 972 054	76 341 569
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>49 666 435</b>	<b>72 972 054</b>

The accounting policies and the notes form an integral part of the annual financial statements.

\* See Note 27

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## 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
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Water Resources Management Charges Invoiced	49 702 637	-	<b>49 702 637</b>	33 366 987	<b>(16 335 650)</b>	31
Interest received (trading)	-	-	-	1 998 536	<b>1 998 536</b>	31
Other Income	-	-	-	700 898	<b>700 898</b>	31
Interest received - investment	1 145 060	-	<b>1 145 060</b>	3 483 994	<b>2 338 934</b>	31
<b>Total revenue from exchange transactions</b>	<b>50 847 697</b>	-	<b>50 847 697</b>	<b>39 550 415</b>	<b>(11 297 282)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants	88 861 371	-	<b>88 861 371</b>	122 867 035	<b>34 005 664</b>	31
<b>Total revenue</b>	<b>139 709 068</b>	-	<b>139 709 068</b>	<b>162 417 450</b>	<b>22 708 382</b>	
<b>Expenditure</b>						
Personnel	(96 939 142)	-	<b>(96 939 142)</b>	(99 819 238)	<b>(2 880 096)</b>	31
Depreciation	-	-	-	(1 933 758)	<b>(1 933 758)</b>	31
Finance costs	(101 007)	-	<b>(101 007)</b>	(43 680)	<b>57 327</b>	31
Bad debts provision	-	-	-	(467 052)	<b>(467 052)</b>	31
General Expenses	(42 668 919)	-	<b>(42 668 919)</b>	(51 494 238)	<b>(8 825 319)</b>	31
<b>Total expenditure</b>	<b>(139 709 068)</b>	-	<b>(139 709 068)</b>	<b>(153 757 966)</b>	<b>(14 048 898)</b>	
<b>Operating loss</b>	-	-	-	<b>8 659 484</b>	<b>8 659 484</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	-	-	-	<b>8 659 484</b>	<b>8 659 484</b>	

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Accounting Policies

Figures in Rand Note(s) 2022 2021

### 1. Presentation of Annual Financial Statements

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 91(1) 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.

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. Significant judgment include : provision for doubtful debts, leave provision, useful lives and depreciation methods and asset impairment. Notes relating to the subject are included under the affected areas of the financial statements.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 27 Changes in estimates and prior period errors.

#### 1.1 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Property, plant and equipment is initially measured at cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	20 years
Furniture and fixtures	Straight-line	8 years
Motor vehicles	Straight-line	8 years
Office equipment	Straight-line	8 years
Computer equipment	Straight-line	5 years
Computer software	Straight-line	5 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life. The building is owner occupied and therefore accordingly recognised at cost less accumulated depreciation.

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 is depreciated separately.

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Accounting Policies

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### 1.1 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Agency. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The Agency assesses at each reporting date whether there is any indication that the Agency expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such 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.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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 derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one Agency and a financial liability or a residual interest of another Agency. Financial instruments recognised in the Statement of Financial Position include cash and cash equivalents, trade receivables from exchange transactions and payables from exchange transactions. Fair value adjustments to the annual financial statements are recognised in the Statement of Financial Performance in the period in which they occurred.

#### Financial assets

Financial assets are recognised when the Agency becomes a party to the contractual provisions of the financial asset. Such assets consist of cash and cash equivalents, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and are recognised at fair value. Fair value adjustments are recognised in surplus and deficit. Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly-liquid investments that are held with registered banking institution with maturities of three months or less and are subject to insignificant risk of change in value.

#### Financial liabilities

Financial liabilities are recognised when the Agency becomes a party to the contractual provisions of the instrument.

Financial liabilities consist of obligations to delivery of cash or another financial asset or to exchange financial instruments with another entity on potentially-unfavourable terms. Financial liabilities including other payables, other than derivative instrument instruments, are measured at amortised cost.

#### Initial recognition

The Agency recognises a financial asset or a financial liability in its statement of financial position when the Agency becomes a party to the contractual provisions of the instrument.

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Accounting Policies

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### 1.2 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The Agency measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Agency establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an Agency calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

#### Impairment of financial assets

Impairment losses relating to exchange transactions are recognised when there is objective evidence of impairment. An impairment loss is recognised in surplus and deficit when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is calculated as the present value of the estimated future cash flows.

Debtors handed over from the historical book debt from the DWS WTE will be assessed for impairment and a debtors provision will be raised as assessed.

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

### 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.

#### 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.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.



# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Accounting Policies

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### 1.4 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the Agency; or
- the number of production or similar units expected to be obtained from the asset by the Agency.

### 1.5 Equity instruments

An equity instrument is any contract that registers a residual interest in the assets of the Agency after deducting all of its liabilities.

### 1.6 Employee benefits

Employee benefits are all forms of consideration given by the Agency in exchange for services rendered by employees.

#### Short term employee benefits

Short term employee benefits are recognised during the period in which the related service is rendered. Accruals for employee entitlements to salaries, performance incentives and annual leave 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.

### 1.7 Provisions 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.

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.

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Accounting Policies

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### 1.7 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 24.

### 1.8 Commitments

Items are classified as commitments when an entity 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.

### 1.9 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Water Resources Management Charges are statutory charges determined in terms of section 57 of the National Water Act (NWA) and these charges are payable to the Agency as the relevant water management institution within the Inkomati-Usuthu Water Management Area. These charges are statutory charges which are billed to water users in line with the water pricing strategy set tariffs based on the allocation of the amount or volume of raw water as it appears on the user's water license.

#### Measurement

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

#### Interest

Interest is recognised, in surplus or deficit, using the effective interest method. The Agency is mandated to recover statutory charges.

### 1.10 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the Agency, which represents an increase in net assets, other than increases relating to contributions from owners. An annual transfer of revenue as per the approved Annual Performance Plan is received from the DWS WTE.

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.

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.

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Accounting Policies

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### 1.11 Borrowing costs

Borrowing costs are interest expenses incurred by the Agency in connection with finance charges in respect of finance leases. The Agency recognises borrowing costs that are directly attributable to the acquisition of a qualifying asset as part of the cost of that asset. Such borrowing costs are capitalised as part of the cost of the asset when it is probable that they will result in future economic benefits or service potential to the Agency, and the costs can be measured reliably.

### 1.12 Translation of foreign currencies

#### Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

### 1.13 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.

### 1.14 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 entity'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. In such instance, no further action is required with the expectation of updating the note to the financial statements.

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. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous year and is only condoned in the following financial year, the register and the disclosure note to the financial statements 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.

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Accounting Policies

### 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 Matters of judgment applied by the board

In determining the provision for doubtful debt, the impairment of receivables from exchange transactions assumes that the future receipt of the revenue ratios will reflect historic mathematical trend and that the same recovery success rates are achieved from the current year and prior year for statutory charges.

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Agency did not adopt any new standards and interpretations.

#### 2.2 Standards and Interpretations early adopted

The Agency has chosen not to early adopt any standards and interpretations:

#### 2.3 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 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2009	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	Date not yet determined	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

## Inkmati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

### Notes to the Annual Financial Statements

Figures in Rand

#### 3. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	2 090 771	(384 006)	1 706 765	1 351 252	(308 181)	1 043 071
Furniture and fixtures	6 704 998	(4 140 931)	2 564 067	5 311 293	(4 017 269)	1 294 024
Motor vehicles	1 352 497	(1 255 119)	97 378	1 352 497	(1 205 963)	146 534
Office equipment	3 215 372	(1 570 661)	1 644 711	2 311 604	(1 007 932)	1 303 672
Computer equipment	11 386 097	(7 486 476)	3 899 621	9 895 784	(6 364 090)	3 531 694
<b>Total</b>	<b>24 749 735</b>	<b>(14 837 193)</b>	<b>9 912 542</b>	<b>20 222 430</b>	<b>(12 903 435)</b>	<b>7 318 995</b>

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Depreciation	Total
Buildings	1 043 071	739 519	(75 825)	1 706 765
Furniture and fixtures	1 294 024	1 642 167	(372 124)	2 564 067
Motor vehicles	146 534	-	(49 156)	97 378
Office equipment	1 303 672	655 306	(314 267)	1 644 711
Computer equipment	3 531 694	1 490 313	(1 122 386)	3 899 621
	<b>7 318 995</b>	<b>4 527 305</b>	<b>(1 933 758)</b>	<b>9 912 542</b>

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Correction of Prior period error	Restated Depreciation	Restated Total
Buildings	1 118 393	-	-	(7 759)	(67 563)	1 043 071
Furniture and fixtures	791 550	257 483	(8 097)	502 414	(249 326)	1 294 024
Motor vehicles	101 713	-	-	93 206	(48 385)	146 534
Office equipment	382 813	939 724	(9 314)	240 244	(249 795)	1 303 672
Computer equipment	1 540 214	2 028 394	(91 432)	717 475	(662 957)	3 531 694
	<b>3 934 683</b>	<b>3 225 601</b>	<b>(108 843)</b>	<b>1 545 580</b>	<b>(1 278 026)</b>	<b>7 318 995</b>

#### Details of properties

##### Owned Building

Building is situated on Portion 1 of Erf 32 Piet Retief (Mkhondo)

- Purchase price: 1 December 2008

- Capitalised expenditure

##### Net Book Value

	2022	2021
Opening balance	1 351 252	1 351 252
- Capitalised expenditure	763 525	-
<b>Net Book Value</b>	<b>2 114 777</b>	<b>1 351 252</b>

##### Repairs and Maintenance

Buildings

Furniture and fixtures

Motor vehicles

Computer equipment

	2022	2021	Total
Buildings	268 896	-	268 896
Furniture and fixtures	336 412	164 777	501 189
Motor vehicles	70 412	18 770	89 182
Computer equipment	139 899	285 243	425 142
	<b>815 619</b>	<b>468 790</b>	<b>1 284 409</b>

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>4. Payables from exchange transactions</b>		
Trade payables	4 525 501	4 906
Sundry payables	271 018	2 162 835
Accruals	2 881 581	4 230 737
Debtors with credit balances	-	659 825
Unallocated debtors balances	131 521	-
	<b>7 809 621</b>	<b>7 058 303</b>

### 5. Payables from non-exchange transactions

IEMAS Deductions	355 785	-
Bursaries payable	39 290	52 506
Garnishee & IT88 deductions	250	5 374
Unemployment Insurance Fund (UIF)	-	30 797
Pay as you earn - PAYE	-	1 363 120
Unpaid salaries	39 759	-
Pension	1 324 998	-
Garage Card	6 522	-
Medical Aid	385 481	-
Staff Bonus	555 025	-
	<b>2 707 110</b>	<b>1 451 797</b>

### 6. Rental deposits

Rental deposits paid in advance for rented offices at head office in Nelspruit as well as the satellite office in Bushbuckridge. Recorded balance remained unchanged R252,811 (2021: R252,811)

### 7. Receivables from exchange transactions

2022	30 days	60 days	+90 days	Provision for doubtful debt	Total
Trade debtors	-	1 647 073	109 228 584	(98 980 246)	11 895 411
Sundry debtors	-	-	7 593 357	(5 109 016)	2 484 341
	-	<b>1 647 073</b>	<b>116 821 941</b>	<b>(104 089 262)</b>	<b>14 379 752</b>

2021	30 days	60 days	+90 days	Provision for doubtful debt	Total
Trade debtors	274 834	-	105 304 661	(93 308 968)	12 270 527
Sundry debtors	-	-	15 348 583	(10 333 242)	5 015 341
	<b>274 834</b>	-	<b>120 653 244</b>	<b>(103 642 210)</b>	<b>17 285 868</b>

### Reconciliation of provision for impairment of trade and other receivables

Opening balance	(103 642 210)	(87 997 071)
Provision for bad debts	(447 052)	(15 645 139)
	<b>(104 089 262)</b>	<b>(103 642 210)</b>

Trade debtors balance of R110,875,657 (2021: R105,579,495) was adjusted by a corresponding provision for doubtful debt carried against receivables of R98,980,246 (2021: R93,308,968) resulting in an outstanding balance of R11,895,411 (2021: R12,270,527) reported by the end of the period.

Sundry debtors balance of R7,593,357 (2021: R15,348,583) were also adjusted by corresponding provision for doubtful debt carried against receivables of R5,109,016 (2021: R10,333,242) resulting in outstanding sundry debtors balance of R2,484,341 (2021: R5,015,341) reported by the end of the period.



# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand

	2022	2021
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### 8. Receivables from non-exchange transactions

Interest receivable	11 667	10 614
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### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash float	642	3 031
Bank balances	5 742 534	9 878 767
Investments held with South African Reserve Bank	43 923 259	63 090 256
	<b>49 666 435</b>	<b>72 972 054</b>

### 10. Finance lease obligation

#### Minimum lease payments due

- within one year	58 729	83 431
- in second to fifth year inclusive	-	58 729

	58 729	142 160
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<b>Present value of minimum lease payments</b>	<b>58 729</b>	<b>142 160</b>
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#### Present value of minimum lease payments due

- within one year	58 729	83 431
- in second to fifth year inclusive	-	58 729

	58 729	142 160
--	--------	---------

It is Agency's policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 8% to 10% (2021: 8% to 10%).

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

The Agency's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 10 .

### 11. Conditional retained funds

#### Unspent conditional grants and receipts comprises of:

##### Description

Contracted and committed conditional grant	46 699 537	-
Not contracted and not committed	7 500 000	88 337 572

	<b>54 199 537</b>	<b>88 337 572</b>
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#### Movement during the year

Balance at the beginning of the year	88 337 572	-
Additions during the year	134 999	99 196 208
Income recognition during the year	(34 273 034)	(10 858 636)

	<b>54 199 537</b>	<b>88 337 572</b>
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# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 11. Deferred Revenue (continued)

The Agency received an approval from National Treasury to retain balance of surplus funds reported in the financial year 2020/21. By end of year under analysis, unspent funds amounted to R54,199,537 of which R46,699,537 was fully committed and contracted by the end of the year. Uncommitted funds amounting to R7,500,000 could not be committed due to all quotations and tenders above R30,000 held in abeyance as instructed by National Treasury as of the 16<sup>th</sup> of February 2022. Uncommitted conditional retained funds require to be pre-approved by National Treasury for retention for the financial year 2022/23. Uncommitted funds relate to the following activities:

Project Description	Amounts
River Cleaning	3 500 000
Corporate Social Investment	3 000 000
Finance Backup System	1 000 000
	<b>7 500 000</b>

### 12. Provisions

#### Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Leave provisions	4 645 284	556 278	(618 357)	4 583 205

#### Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Total
Leave provision	2 928 429	3 974 037	(2 257 182)	4 645 284

The leave provision represents management's best estimate of the Agency's liability based on actual unutilised days as of reporting date.

Leave utilisation is managed in accordance with the approved leave management policy. No assumptions have been made concerning future events of leave provision or its utilisation.

There is no expected reimbursement in respect of the reported leave provision.

### 13. Revenue

Water Resources Charges Invoiced	33 366 987	34 466 136
Interest received (Trading Debtors)	1 998 536	6 487 160
Transferred Government Grants	122 867 035	95 230 311
	<b>158 232 558</b>	<b>136 183 607</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Water Resources charges invoiced	33 366 987	34 466 136
Interest received (trading)	1 998 536	6 487 160
Other income	700 898	454 290
Interest received - investment	3 483 994	3 203 780
	<b>39 550 415</b>	<b>44 611 366</b>

### 14. Other income

Other income	700 898	454 290
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# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>15. Investment revenue</b>		
<b>Interest revenue</b>		
Bank interest	3 483 994	3 203 780
<b>16. Grants</b>		
<b>Operating grants</b>		
Government grant	122 867 035	95 230 311
Recognised conditional grant	(34 273 035)	(10 855 311)
	<b>88 594 000</b>	<b>84 375 000</b>
<b>17. Employee related costs</b>		
Basic	74 790 425	61 761 572
Pension contributions	11 625 874	9 424 208
Workman's Compensation	102 951	102 951
Leave pay provision charge	618 357	2 257 182
Car allowance	12 681 631	11 007 416
	<b>99 819 238</b>	<b>84 553 329</b>
<b>18. Finance costs</b>		
Finance leases	43 680	19 651
<b>19. Auditors' fees</b>		
Fees	453 399	313 009

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>20. General expenses</b>		
Advertising	462 174	525 279
Bank charges	74 031	67 049
Cleaning	7 600	6 600
Legal services	3 551 977	3 477 359
Consumables	144 336	103 328
Insurance	429 251	161 905
Fuel and Toll fees	199 892	87 050
Courier Services	39 238	39 176
Printing and stationery	590 652	325 283
Repairs and maintenance	815 619	468 790
Security services	3 920	-
Subscriptions and membership fees	153 812	107 329
Telecommunication Services	3 553 928	3 650 486
Bursaries (Employees)	1 723 607	726 615
Travel - local	3 903 940	2 428 494
Travel - overseas	-	12 223
Water and Electricity	1 283 016	819 696
Municipal services	31 712	44 655
CMA Project Costs	23 133 955	23 480 037
Venue and facilities	448 229	294 315
Resettlement costs	1 410 816	104 598
Laboratory Expenses Water Research Testing	2 029 536	1 765 162
Operating Lease: Office Space	7 049 598	4 568 604
	<b>51 040 839</b>	<b>43 264 033</b>

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.

<b>Operating Expenditure</b>		
General Expenses	51 040 839	43 264 033
Bad debts written off	467 052	15 645 139
Auditors' fees	453 399	313 009
Employee costs	99 819 238	84 553 329
Loss on disposal of fixed assets	-	108 844
Depreciation	1 933 758	1 278 026
	<b>153 714 286</b>	<b>145 162 380</b>

## 21. Cash used in operations

Surplus (deficit)	8 659 484	(5 340 053)
<b>Adjustments for:</b>		
Depreciation and amortisation	1 933 758	1 278 026
(Loss) gain on sale of assets and liabilities	(485 231)	108 846
Finance costs - Finance leases	43 674	19 651
Movements in provisions	(62 079)	1 716 855
<b>Changes in working capital:</b>		
Receivables from exchange transactions	2 906 116	6 326 262
Other receivables from non-exchange transactions	(1 053)	54 421
Payables from exchange transactions	2 567 038	4 056 014
Payable from non-exchange	(560 106)	2 463 165
Conditional retained funds	(34 138 035)	(10 983 478)
	<b>(19 136 434)</b>	<b>(300 291)</b>

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 21. Cash used in operations (continued)

Movement for 2021 has been realigned to items as disclosed in 2022 for comparability.

### 22. Financial instruments disclosure

#### Categories of financial instruments

#### 2022

##### Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	14 379 752	14 379 752
Cash and cash equivalents	49 666 435	-	49 666 435
	<b>49 666 435</b>	<b>14 379 752</b>	<b>64 046 187</b>

##### Financial liabilities

	At amortised cost	At amortised cost
Trade and other payables from exchange transactions	10 992 124	10 992 124
Finance lease liability	58 725	58 725
	<b>11 050 849</b>	<b>11 050 849</b>

#### 2021

##### Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	17 285 868	17 285 868
Cash and cash equivalents	72 972 054	-	72 972 054
	<b>72 972 054</b>	<b>17 285 868</b>	<b>90 257 922</b>

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand

	2022	2021
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### 22. Financial instruments disclosure (continued)

#### Financial liabilities

	At amortised cost	At amortised cost
Trade and other payables from exchange transactions	7 058 303	7 058 303
Finance lease liability	142 160	142 160
	<b>7 200 463</b>	<b>7 200 463</b>

### 23. Commitments

#### Operating commitments

##### Authorised operational commitments

• within one year	28 476 317	4 576 732
• in second to fifth year inclusive	24 674 083	3 097 602
	<b>53 150 400</b>	<b>7 674 334</b>

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	904 180	888 245
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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. The Agency in the period did not enter into any contracts in excess of 12 months. No contingent rent is payable.

### 24. Contingencies

There is an application brought by Forestry South Africa (FSA) in which the Agency is a fourth respondent. The main respondent in the matter is the DWS WTE. The Agency will only incur travel costs to the value of R100,000 in relation to the stated case.

### 25. Related parties

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.

Members of the Executive Management as well as the Governing Board are considered as related parties due to their overall influence on the strategic positioning of the Agency. Compensation paid to Executive Management and Governing Board has been disclosed in note 26.

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 26. Members' and prescribed officer's emoluments

#### Governing Board

	2022	2021
Ms TP Nyakane-Maluka (Chairperson: Deceased 8 January 2021)	-	119 997
Mr MS Mthembu (Chairperson : Appointed 14 May 2021))	261 785	135 381
Mr M Gangazhe	134 906	120 067
Mrs SD Wiggins (Deputy Chairperson: Appointed 14 May 2021)	188 923	97 132
Mr PA Tshabangu (Deceased: 29 January 2021)	-	93 747
Mr WB Baird (Appointed: 14 May 2021)	159 099	-
Ms LC Zulu	169 982	111 433
Adv G Khoza (Appointed: 14 May 2021)	138 034	-
Dr T Kelly	207 827	115 902
Ms LM Sikhakhane	171 239	107 655
Adv MB Shabangu (Resigned)	-	84 451
Ms MA Mphahlele (Appointed 14 May 2021)	-	8 634
	<b>1 431 795</b>	<b>994 399</b>

#### Audit Committee

	2022	2021
Mr JK Sithole (Chairperson)	114 058	126 812
Mr WB Baird (Appointed: 14 May 2022)	38 853	-
Mr LC Mohalaba (Resigned)	-	37 321
Adv B Shabangu (Resigned)	-	45 329
Ms LC Zulu	47 487	55 851
Ms LM Sikhakhane	47 487	66 644
SD Wiggins	51 015	60 978
Ms MA Mphahlele	49 951	8 634
	<b>348 851</b>	<b>401 569</b>

#### Management

##### 2022

	Emoluments	Other benefits	Pension paid or receivable	Performance Bonus	Total
Chief Executive Officer	402 894	49 594	-	-	452 488
Executive Corporate Services	1 428 760	198 376	-	-	1 627 136
Chief Financial Officer	1 700 281	229 184	42 327	57 022	2 028 814
Executive Water Resources	1 443 106	198 376	51 514	107 534	1 800 530
	<b>4 975 041</b>	<b>675 530</b>	<b>93 841</b>	<b>164 556</b>	<b>5 908 968</b>

##### 2021

	Emoluments	Other benefits	Pension paid or receivable	Gains on exercise of options	Total
Chief Executive Officer	1 356 403	190 313	111 878	-	1 658 594
Chief Financial Officer	877 893	172 782	36 951	-	1 087 626
Executive Water Resources	1 358 527	198 376	-	123 829	1 680 732
Executive Corporate Services	489 581	82 656	-	-	572 237
	<b>4 082 404</b>	<b>644 127</b>	<b>148 829</b>	<b>123 829</b>	<b>4 999 189</b>

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 27. Change in estimates and prior period errors

#### Change in estimates

In terms of the requirements of GRAP 17 the useful lives of all asset items were reviewed by management at year end. The remaining useful life expectations of some asset items differed from previous estimated periods. This resulted in the revision of some of the previous estimates which was accounted for as a change in estimate. The effect of this revision is a decrease in depreciation charge for the current period of R46 426.

#### Prior period errors

During the current year management performed full verification of all assets. This exercise resulted in the correction of a prior year error in which assets that were deemed to have a useful life were carried at Rnil value. The effect of the adjustment is an increase in property, plant and equipment to the value of R7,318,992.

In addition to the above, revenue from exchange transactions has been adjusted in the prior year to include commission payable to Irrigation Boards as per Billing Agent Agreements. The effect of this adjustment is a decrease of receivables from exchange transactions to the value of R136,183,607.

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior year adjustments:

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position	As previously reported	Correction of error	Restated
Property, plant and equipment	5 322 890	1 996 105	7 318 995
Receivables from exchange transactions	140 305 878	(4 122 271)	136 183 607
	<b>145 628 768</b>	<b>(2 126 166)</b>	<b>143 502 602</b>

Statement of financial performance	As previously reported	Correction of error	Restated
Depreciation	1 728 551	(450 525)	1 278 026
Revenue	140 305 878	(4 122 271)	136 183 607
	<b>142 034 429</b>	<b>(4 572 796)</b>	<b>137 461 633</b>

### 28. 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. Provisions are made against debtors that are impaired and no collateral is held.

#### Interest rate risk

The Agency's interest rate risk arises from borrowings in lieu of finance leases. Borrowings that were issued at variable rates consequently expose the Agency to fair value interest rate risk. The Agency's borrowings were denominated in Rand value.



# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>29. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	322 375	423 263
Add: Fruitless and wasteful expenditure identified - current	34 636	22 374
Less: Correction made to previously reported balances	-	(123 262)
Less: Amount written off	(338 802)	-
<b>Closing balance</b>	<b>18 209</b>	<b>322 375</b>

Previously reported fruitless and wasteful expenditure was adjusted by an amount of R123,262 due to reported error noted in historic carried forward balances. Balance reported as a closing balance in prior year amounting to R322,374 was as a result of the following expenditures:

- R 12,026 incurred following cancellation of travel arrangements emanating from COVID-19 restrictions.
- R 10,348 incurred due to forfeited training fees. Attendee was hospitalised on the day of training. No refund was payable or credit note provided due to stipulated terms and conditions of the facilitator.
- R300,000 was in lieu of amounts paid for customer data cleansing exercise that did not yield desired results. Poor delivery of work emanated from ambiguous terms of reference. Whilst the Agency acknowledge receipt of a service, delivery of work was centred around system development and did not improve data integrity of the customer database as intended.

Amounts identified in 2020/21 to the value of R322,374 were assessed for recoverability utilising internal mechanisms. The amounts in their entirety were recommended and subsequently approved for write off in 2021/22 by the Governing Board.

In the year 2021/22, the Agency incurred an additional R34,636 as fruitless and wasteful expenditure as a result of the following expenditure:

- R18,208 was in lieu of 11 tenders that were advertised and subsequently cancelled before evaluations could be performed. Cancellation of bids was necessitated following an identification of an irregular process applied in finalisation of advertised terms of references. The Agency has instituted an investigation to assess recoverability of the said amount.
- R16,428 was in lieu of accommodation and flights for an external interview panel member. The amount was assessed and approved for write off by the Governing Board in the year of occurrence.

### 30. Irregular expenditure

Opening balance as previously reported	15 421 608	15 421 608
Add: irregular expenditure current year	494 934	-
<b>Movement in the year</b>	<b>15 916 542</b>	<b>15 421 608</b>
<b>Closing balance</b>	<b>15 916 542</b>	<b>15 421 608</b>

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

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### 30. Irregular expenditure (continued)

Following the expiration of a competitively appointed service provider for the provision of leased office space for Nelspruit the Agency entered into unregulated contract extensions for periods December 2016 to March 2020. The said extensions resulted in irregular expenditure to the value of R 15 421 607,56. The irregularity as presented was due to contract extensions exceeding 15% of the expired valid contract approved by the Accounting Officer albeit delegations of approval at the time of extension was residing with National Treasury.

Upon discovery of the said costs, the Agency appointed an independent assessor to determine causality and liability. The concluding findings as adopted by the Governing Board evidenced that the expenditure was not an act of fraud, corruption, or other criminal conduct, no case was thus reported to South Africa Police Service. The investigation further concluded that there was no financial loss as the contract extensions were based on the original contract terms and where applicable, escalations on contract anniversary did not exceed 8%. Applied increments during the life of the contract were deemed to be market related. The Governing Board however; incepted disciplinary processes against the affected employee(s) and applied due consequence management against staff members found in contravention of PFMA.

Irregular expenditure was recommended for write off by the Accounting Authority in the year under review.

In January 2020, the Internal Auditor from the Department of Water and Sanitation conducted an investigation at the Agency following allegations of possible irregular expenditure related to international trips undertaken by 3 officials of the Agency. The Governing Board has received the outcomes of the report in June 2022 and is in the process of responding to the Ministry on their findings as well as actions to be taken. The Department's findings reported irregular expenditure relating to 2 of the 3 reported cases citing the following findings:

i. Former Executive Water Resource Management was awarded a bursary to attend an Executive Development Programme which required travelling to London, New York and Dubai. The findings of the investigation highlighted that the trip was in contravention with approved Human Resource Development policy as no approval was provided by the Accounting Authority. Total amount reported as irregular is R385,000.

ii. Former CEO who attended a trip to Australia to participate in a conference. The findings of the investigation noted that the trip was in contravention with National Treasury Instruction No 2 of 2017/2018, section 8.15 as the traveller approved own trip. Total amount reported as irregular is R109,934.

# Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 31. Budget differences

#### Material differences between budget and actual amounts

The below note highlights items of material differences as reported in the budget reconciliation.

#### Revenue from exchange transactions

Water Resources Management charges invoiced reported an under collection of R16mil by the end of the year under review. Expected revenue as budgeted was computed using projected billable water volumes of 2,05 billion cubic meters using an average proposed rate of 2,56c per cubic meter. Variance noted amounting to R16million owed to a reduction of billable volumes (1,99 billion cubic meters) and a lower approved ministerial average cost per cubic meter of 2,46c. Reduction in volumes owed to ongoing validation and verification process as well as voluntary surrender of water rights. In addition, adverse results were impacted by processed credit notes, commission for Irrigation Boards as per Billing Agent Agreements and other necessitated account adjustments valued at R17,5million.

Interest received on trade debtors represents charges raised on customers accounts due to late payment. This form of revenue as well as other income does not form part of normal budgeting processes for this reason any collections in this regard are recorded as a variation of budget.

Upward adjustment on interest rates applicable on funds held in investment resulted in favourable returns that yielded over collection of interest earned in comparison to budgeted figures.

#### Revenue from non-exchange transactions

The Agency reported an over collection of government grants of R29mil due to recognition of conditional surplus funds released to offset expenditure in the same period. Release of conditional grant was also to provide sufficient cashflow to fund accruals reported as well as to write off reported loss in the prior period. All other grants appropriated by Parliament were received in totality.

#### Expenditure

Personnel costs reported an over expenditure of R2,9mil by the end of the period under review due to acting allowances for critical posts when incumbent takes leave during the year. Unfavourable over expenditure also owed to the release of annual leave liability provision.

Depreciation charge as well as bad debt provision do not form of budgeting processes as they represent a non cashflow item.

General expenditure was overspent by R11,2million by the end of the period. Expenditure predominately relates to activities funded by surplus retained funds. The impact of the over expenditure has been matched with an equivalent amount recognized as revenue in the form conditional surplus retained funds.

# **SLOGAN:**

**“Inkomati–Usuthu CMA, your partner in water management”**





**Postal Address: Private bag X11214, Mbombela, 1200**

**Physical Address: Suite 801, The MAXSA Building,  
13 Streak Street, Mbombela, 1200**

**Tel: 013 753 9000 | Website: [www.iucma.co.za](http://www.iucma.co.za)**

**Facebook: IUCMA | Twitter: inkomaticma**

**Instagram: Inkomati-Usuthu CMA**

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