

ANNUAL REPORT 2023/24



FOREWORD BY THE MINISTER OF WATER AND SANITATION



The Inkomati-Usuthu Catchment Management Agency (IUCMA) also referred to as the 'Agency' continues to make great strides in effective water resources management in the Inkomati-Usuthu Water Management Area (IUWMA). The 2023/24 Annual Report affords the Agency an opportunity to report on the achievements realized in executing its mandate in line with what is contained in the Annual Performance Plan (APP). These were encapsulated within four strategic outcomes: Increased stakeholder satisfaction; enhanced human resource and business capabilities; maintain financial sustainability; and protection and use of water resources. The Annual report provides a broad account of the achievements realized and challenges encountered as the Agency was exercising its stewardship of the natural water resource

Planning Tools

The Agency's improved excellence and efficiency is derived from the timely development of the Shareholder Compact (SHC). Achievement of high levels of excellence continue to depend on the effective and timely approval of the Inkomati-Usuthu Catchment Management Agency's Annual Performance Plan (APP) including the detailed budget. This fosters quality assurance, effective governance and management as well as monitoring and oversight of planned projects and activities which guarantees success in achieving predetermined objectives.

Performance

Effective governance and management systems, internal controls, monitoring and oversight utilised by the Agency resulted in high achievement of predetermined objectives. Further to this the IUCMA achieved an unqualified audit opinion, a feat which has been achieved since the inception of the Agency. Great appreciation goes to the Board and Management for maintaining effective governance and excellent quality management systems.

The assessment of surface water quality in the WMA complied with the set Resources Quality Objectives (RQOs), the Targeted Water Quality Guidelines (TWQG) and International Water Quality Guidelines (IWQG) limits for most of the monitored points an implication that water quality within the WMA is in a good state. The WMA falls within a transboundary catchment and therefore compliance to set obligations enshrined in the Tripartite Interim Agreement, 2002, is paramount for cooperation among the riparian member states. The

quality of water flowing into neighbouring countries (Kingdom of Eswatini and Mozambique) was assessed for compliance and on the overall, most parameters were compliant.

The Agency remained the pathfinder in that it retained its status of being a top performer in the processing of Water Use Authorisations (WUAs). In the year under review, all Water Use Authorisations (WUA) were processed within the set timeframe of 90 days as per the Presidential Pronouncement. Processing water use authorisations is regarded as one of the most effective tools for ensuring transformation within the water sector, therefore, this achievement reflects the dedication of the Agency towards transformation in the sector.

Gratitude

Considering the substantial performance achievement of targets and clean audit opinion - of the Agency of many financial years including the financial period under review, we bestow honor and appreciation to the Agency's Board, Management, Employees, and relevant stakeholders for the sterling work rendered. My office, including those of Deputy Ministers, David Mahlobo and Judith Shabalala and the rest of the officials of the Department of Water and Sanitation will continuously provide the solid support to the Inkomati Usuthu Catchment Management Agency



MISS PEMMY C.P. MAJODINA, MP
MINISTER OF WATER AND SANITATION
DATE: 20/08/2024

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PART A: GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME: Inkomati-Usuthu Catchment Management Agency

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

TELEPHONE NUMBER: 013 753 9000

EMAIL ADDRESS: info@iucma.co.za

WEBSITE ADDRESS: www.iucma.co.za

EXTERNAL AUDITORS: PwC South Africa

BANKERS: Standard Bank

GOVERNING BOARD SECRETARY: Mr N.T. Mathabela

2. LIST OF ACRONYMS

ACRONYM	DESCRIPTION
4IR	Fourth Industrial Revolution
ABSA	Amalgamated Banks of South Africa
APP	Annual Performance Plan
BBBEE	Broad-Based Black Economic Empowerment
BCM	Business Continuity Management
CEO	Chief Executive Officer
CMA	Catchment Management Agency
CME	Compliance Monitoring and Enforcement
CMF	Catchment Management Forum
CMS	Catchment Management Strategy
COBIT	Control Objectives for Information and related Technologies
COD	Chemical Oxygen Demand
CPA	Communal Property Association
CSF	Catchment Stewardship Forum
DEA	Department of Environmental Affairs
DMRE	Department of Mineral Resources and Energy
DPME	Department of Planning, Monitoring and Evaluation
DSS	Decision Support System
DWA	Dutch Water Authorities
DWS	Department of Water and Sanitation
EIA	Environmental Impact Assessment
ELU	Existing Lawful Use

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

ACRONYM	DESCRIPTION
JWCs	Joint Water Commissions
KJOF	Komati Joint Operations Forum
MC	Management Class
MP	Member of Parliament
NACH	National Anti-Corruption Hotline
NDP	National Development Plan
NEMP	National Eutrophication Monitoring Programme
NT	National Treasury
NW&SM	National Water and Sanitation Masterplan
NWA	National Water Act, Act 36 of 1998
NWRS3	National Water Resource Strategy 3
OHS	Occupational Health and Safety
PC	Portfolio Committee
PC4IR	Presidential Commission on the Fourth Industrial Revolution
PFMA	Public Finance Management Act 1 of 1999
PPP	Public-Private Partnerships
PWC	PricewaterhouseCoopers
REMCO	River and Environment Management Corporation
REMP	River Eco-status Monitoring Programme
RMC	Risk Management Committee
RQO	Resource Quality Objectives
RSA	Republic of South Africa
RWH	Rainwater Harvesting
SADC	Southern African Development Community

ACRONYM	DESCRIPTION
SANAS	South African National Accreditation Standards
SAPS	South African Police Service
SARS	South African Revenue Services
SCM	Supply Chain Management
SDGs	Sustainable Development Goals
SHC	Shareholder Compact
SMME	Small Medium and Micro Enterprises
SRRP	Sustainable River Rehabilitation Programme
TWQG	Targeted Water Quality Guidelines
UN	United Nations
VOIP	Voice Over Internet Protocol
WAP	Water Allocation Plan
WARMS	Water Use Authorisation and Registration Management System
WDC	Waste Discharge Charge
WIL	Work Integrated Learning
WMA	Water Management Area
WMI	Water Management Institutions
WSP	Workplace Skills Plan
WUA	Water Users Association
WUL	Water Use License
WWTW	Wastewater Treatment Works



3. FOREWORD BY THE CHAIRPERSON



Ms L.C. Zulu
Governing Board Chairperson

Introduction

As the newly appointed Governing Board of the Inkomati-Usuthu Catchment Management Agency (IUCMA), it gives us great pleasure to report on the activities and performance achieved by the IUCMA during for the 2023/24 financial year. We present a report that seeks to paint a holistic picture of the work done towards attaining our strategic outcomes in appreciation of the grit and commitment displayed by the institution.

On behalf of the Board, we wish to express our sincere gratitude to the outgoing Board for leading the IUCMA for the past four years. The previous Board has demonstrated effective, ethical and progressive leadership in performing its oversight functions and ensuring that the IUCMA discharges its legislative core mandate as per the National Water Act, 1998 and the related prescripts. Without derogating from the immense achievements of the previous Board, key highlights have included the overall performance 88,86% and the achievement of consecutive unqualified audit opinions from external auditors; the development and approval of the Catchment Management Strategy to ensure that the nation's water resources are protected, developed, used, conserved, managed and controlled according to the National Water Act; improved stakeholder collaboration, engagement and satisfaction, through initiatives such as the Stakeholder Survey. As the new Board takes over, we are committed to building on the achievements of the previous Board in achieving the Agency's mandate.

Strategic initiatives

The work of the IUCMA is amplified and supported by its stakeholders, who constitute our reason for existence. Over the reporting period, the Agency continued with its efforts to strengthen collaborative efforts and relationships with key stakeholders and partners at the local, national and international level. Activities conducted in this regard involved: participation in the River and Environmental Management Committee (REMCO); attendance at transboundary water management meetings, such as the Joint Water Commission (JWC), the Komati Joint Operation Forum (KJOF), the Incomati and Maputo Watercourse Commission

(INMACOM) and Disaster Management Forums. In addition, and in collaboration with the Dutch Water Authorities (DWA), the IUCMA actively engaged in the Crocodile Blue Deal Partnership Programme, which supports municipalities that discharge wastewater into the Crocodile River. The IUCMA is committed to having open communication lines with all role-players, to ensure that our users, customers and communities are kept abreast of developments and challenges that may impact the provision of services by the Agency from time to time.

Transformation of Irrigation Boards into Water User Associations

In pursuit of ensuring transformation within the water sector, and with the assistance of the Department of Water and Sanitation (DWS), the Agency continued to engage irrigation boards in its effort to transform them to water user associations. The IUCMA considers the transformation initiative to be very important, as it will not only align existing and untransformed irrigation boards with the current legislative regime, being the National Water Act, 1998, but it will also signify a move from single-sector institutions, whose common interest is irrigation management, into multiple-sector institutions, whose common interest is a more inclusive and shared water with equity being central. The Board is pleased to report that considerable success was realised in this process, with most of the irrigation boards submitting proposals on transformation.

Supply Chain Management

During the past financial year, the IUCMA remained committed to driving transformation initiatives that are necessary to address prevailing economic disparities in the sector. To this end, the IUCMA exceeded its transformation targets by directing 70% of total spending to B-BBEE suppliers, which surpasses the 40% target for the period. Additionally, the entity conducted a supplier development workshop in the Crocodile catchment area, in partnership with key stakeholders, to enhance the skills of potential suppliers. In adhering to its Preferential Policy, the Agency's procurement efforts contributed significantly to the economic empowerment of women, youth, and people living with a disability. In the 2024/25 financial year, the Agency will remain committed to advancing economic empowerment by targeting 40% of its spending on SMMEs, with 40%, 30%, and 7% of this spend being directed toward businesses owned or controlled by women, youth and people living with a disability, respectively.

Water resource management

The IUCMA also continued with its primary function of monitoring the quality and quantity of the water resources within the Water Management Area (WMA). The IUCMA is pleased to report that the resources remained relatively good in both quality and quantity, thereby complying with the resource quality objectives (RQOs) at most of the monitoring sites as well as at most of the international obligation's sites.

Information and Communications Technology

In keeping with the demands of the 4th Industrial Revolution, the Agency successfully resumed implementation of the approved 2022/23 ICT Strategic Plan, Enterprise Architecture Strategy, Identity and Access Management plan, and the Disaster Recovery Plan. These instruments serve to enhance the resilience and robustness of the Agency's information and technology (IT) infrastructure, data security and management, thus demonstrating the IUCMA's readiness to respond to challenges occasioned by the digital age.

Challenges

The IUCMA's financial sustainability continues to pose a significant challenge, and this situation impacts on the institution's ability to meet its mandate and operational commitments. This position emanates from an unprecedented downward adjustment of the budget appropriated by Parliament, compounded by challenges faced by the Agency regarding revenue collection and non-payment by customers due to poor customer data quality, financial hardship faced by users and other factors.

The IUCMA has responded to these challenges through the implementation of several rigorous cost containment and control measures that continue to bear fruit, as reflected in the savings realised by the institution in the 2023/24 financial year. Additional measures, such as the Revenue Enhancement Strategy and the Debt Management Strategy are earmarked for approval by the Governing Board and implementation in the 2024/25 financial year. These will further optimise expenditure while maintaining operational efficiencies and maximising revenue.

Gratitude

On behalf of the Governing Board, I wish to thank the Minister of Water and Sanitation, the Deputy Ministers and officials of the DWS for their continued support of the IUCMA. The Board is grateful for the strategic leadership and direction provided to the IUCMA by the previous Board, whose term of office ended in August 2023. I also express gratitude to members of the current Board, as it continues to subscribe to the principles of good Corporate Governance, at the centre of which is high ethical values and integrity. I thank the Agency's Management team and staff for their invaluable contribution to the performance results achieved during the financial year under review. This reflects the visionary leadership that is underpinned by strong commitment by staff.

As we look forward to the year ahead, I am encouraged by the diligence of the IUCMA, which is well poised to continue providing efficient, equitable and sustainable water resource management services in the Inkomati and Usuthu catchment areas.



Ms L.C. Zulu

Chairperson of the Governing Board

Inkomati-Usuthu Catchment Management Agency

31 August 2024



GOVERNING BOARD



Ms L.C Zulu
Chairperson



Adv G. Khoza
Deputy Chairperson



Mr M.A Ramushu
Member



Ms S.D. Wiggins
Member



Mr M.S. Mthembu
Member



Dr S.M Mathetsa
Member



Ms S.Chiloane- Nwabueze
Member



Adv M.B Shabangu
Acting Ex Officio



Mr N.T Mathabela
Board Secretary

Governing Board Committees

EXECUTIVE COMMITTEE



Adv. G. Khoza
Chairperson



Ms. S. Chilaone-Nwabueze
Member



Dr. S. Mathetsa
Member



Ms. L. C. Zulu
Chairperson

AUDIT COMMITTEE



Ms. M. Ndlovu
Chairperson
External Member



Mr. M.A. Ramushu
Member



Ms. C. Nkuna
External Member



Ms. S.D. Wiggins
Member



Mr. S. Mthembu
Member

RMC CHAIRPERSON



Mr. M. Sebeelo
Chairperson
External Member

ICT STEERING COMMITTEE CHAIRPERSON



Dr. T.G. Sethibe
Chairperson
External Member



Adv. M.B Shabangu

Acting Chief Executive Officer

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

It is that time of the year once again, where we reflect in retrospect at the performance, achievements and challenges of the IUCMA in the year 2023/24. The Annual Report presents the organization and stakeholders with an opportunity to assess, analyse and take stock of the progress and pitfalls that confronted the Agency during the period under review. The financial and non-financial performance outcomes of the Agency in the relevant period are the yardstick by which the success and/or failure of the organisation was tested. The agency was established in terms of section 78 of the National Water Act, Act 36 of 1998 to perform water resource management at the catchment level. Its mandate entails protecting, using, developing, conserving, managing, and controlling water resources within the Inkomati-Usuthu Water Management Area (WMA).

Financial review

The Agency has been faced with the monumental task of managing its annual activities as a going concern amidst a reported low of gross domestic product (GDP) environment and a staggering high inflation rate. The slow performance of the South African economy during the period under review, has negatively impacted the national fiscus and by extension, the Agency's own revenue and operations. Cognisant of the negative impacts of the global and local economic environment, the Agency has had to design and implement a number of strategic and operational interventions in order to optimize its working capital, protect its financial position and to deliver on its mandate. It can be reported in this regard, as would appear in the detailed finance report, that the Agency has managed to achieve its core mandate and maintained a solvent balance sheet as at the end of the financial year under review, despite the difficulties presented by the prevailing fiscal environment.

Spending trends

The frugal management of our operating costs continues to be critical in ensuring the long-term financial sustainability and position of the Agency, given the currently strained fiscal environment. The Agency has reviewed its entire value chain, which process required that high-value cost drivers be analysed for validity and relevance. The process yielded reduced reliance on specialized external service providers. This was made possible by increasing the utilization of our seasoned staff complement to deliver on key activities. Without stifling business operations, during the reporting period, the Agency successfully developed a responsive cost-containment strategy that promotes cost optimization. As a result, R5 million was reported as a saving under targeted cost drivers. In managing future expenditure trends, it is envisioned that zero-based budgeting principles will remain the preferred process to project future spending. If applied, the Agency guarantees no budget deficits in future periods.

Strategic engagement

In fulfilling its mandate, the agency aims to collaborate with key partners and stakeholders to enhance cooperation throughout the Water Management Area. During the period under review, the IUCMA engaged with local, national, and international bodies to advance integrated water resources management within the catchment and basin. Additionally, the Agency maintained its active engagement in transboundary water management meetings such as the Joint Water Commission (JWC), the Komati Joint Operation Forum (KJOF), Incomati and Maputo Watercourse Commission (INMACOM), and the Disaster Management Forums.

Human Resource Management

Human Resource Management (HRM) is essential for optimizing workforce performance, fostering a positive organizational culture, and ensuring compliance with regulations. It ultimately contributes to the achievement of strategic outcomes. Training and development contribute significantly to organizational success by enhancing employee capabilities and meeting the outcomes of the IUCMA hence the Agency developed a Workplace Skills Plan (WSP) to ensure that training aligns with the established performance development plan. Furthermore, the WSP was submitted and approved by the Energy and Water Sector and Education and Training Authority (EWSETA). As a part of the Agency's commitment to bridging the gap between academia and industry, 25 young graduates were provided with valuable work experience through internships and Work Integrated Learning (WIL) programmes

Supply Chain Management

The Broad-Based Black Economic Empowerment (B-BBEE) Act 46 of 2013 as amended, was established as a framework to support black economic empowerment and restore economic disparities. The Agency's strategic

outcome in 2023/24 was defined as 40% of total spending allocated to B-BBEE suppliers. The strategic outcome seeks to empower previously disadvantaged groups namely women, youth and people living with disabilities by providing opportunities for economic participation and advancement. Therefore, in the period under review, the Agency conducted a supplier development workshop within the WMA in collaboration with key strategic partners, with the aim of enhancing the capabilities and skills of potential suppliers.

The entity also successfully implemented measures to contribute to the mitigation of economic disparities amongst the residents of the water management area. This is evidenced by the R33,7 million (70%) of total procurement spending on entities owned by previously disadvantaged groups. The reported performance has been achieved whilst making sure that appointments are made in compliance with the statutory requirements around competitiveness, competence, and cost-effectiveness. These efforts which were aimed at mitigating the economic disparities within our WMA have also been enhanced by the development and implementation of the Preferential Procurement Process, which identifies key developmental goals and activities in which the participation of (HDI) women, blacks, youth and people living with a disability can be promoted. The Agency continues to redefine its BBEE value proposition by reviewing the results of its SCM Strategy and developing relevant mitigations where necessary.

All concluded bid proposals

The Agency has a responsive SCM Policy which is further supported by a Preferential Procurement Policy. These two fundamental policies are continuously assessed to ensure alignment with any sectoral and legislative changes.

As per legislative requirements, the Agency must develop a procurement plan annually, that details all the procurement plans for goods and services over the value of R500,000. The procurement plan for 2023/24 was developed and approved by the Accounting Authority on the 31st of March 2022 and was submitted to National Treasury for noting. The Agency was able during the financial year to monitor the implementation of the plan to ensure that all procurement was competitive, compliant and transparent. To this end, the Agency did not conclude any unsolicited bid proposals during the year under review.

Reporting requirements

Despite encountering financial challenges, the Agency demonstrated resilience and adaptability by successfully achieving a significant majority of its planned targets. The 2023/24 Annual Performance Plan, Shareholder Compact 2023/24, all the quarterly reports (2023/24) and Annual Report for 2022/23 were submitted as required.

Audit matters

The Agency's impressive audit outcomes over the years, continue to inspire the organization to maintain a high standard of performance and good governance. The Agency continued to assess its performance matters that are raised annually in the management letters by the Auditors. The action plans and improvement plans provide the Agency with an opportunity to continuously improve its performance and compliance levels.

Water resource management

The Agency continued to implement various activities and programmes necessary for effective, efficient and sustainable water resources management within the WMA such as alien vegetation removal programme, rainwater harvesting and sustainable river rehabilitation project.

Monitoring of dam storage levels, river flows, and compliance to resources quality objectives (RQOs) was conducted for all ecological sites. International obligation sites were monitored and results compared with the international water quality guidelines limit (IWQG), as per the Tripartite Interim Agreement between the Republic of Mozambique, the Republic of South Africa (RSA) and the Kingdom of Eswatini. Target Water Quality Guidelines (TWQG) and International Water Quality Guidelines (IWQG) targets assessment in most of the monitored points showed that the water quality within the WMA was in a relatively good state.

Since stakeholders are key in water resources management, the IUCMA continued to coordinate stakeholders through various platforms and forums with the aim of creating awareness and capacity building. In addition, in accordance with the Minister's Directive to transform Irrigation Boards (IB) to Water User Associations (WUA), the Agency actively pursued the transformation initiative.

In Water Use Authorization (WUA), the Agency has made significant strides in ensuring that water use applications are processed within regulated timeframes. Efforts were also made to assist HDI applicants with the preparation of some of the technical reports required for water use authorization. The environmental protection efforts and enforcement were also carried out through our Compliance and Enforcement (CME) activities during the period under review. Several planned and unplanned inspections were undertaken and resulted in a number of directives being issued, and enforcement activities being implemented.

It is worth mentioning that the Agency successfully attained 100% of all planned targets under the water resource management programme.

Acknowledgments

The performance of the IUCMA, as would appear in this report, tells a story of an organization characterized by a consistently high-performance culture and compliance despite the odds. In this regard we continue to cherish and appreciate the collective efforts of all our stakeholders and partners whose collective contributions have been the cornerstone of the success of the Agency. In this regard we wish to render our sincere appreciation to the Honorable Minister, the Governing Board and its sub-committees, the DWS for their support and guidance. Furthermore, the Agency extends its sincere gratitude to the valuable water users and partner institutions, for their phenomenal participation which remains instrumental in achieving the Agency's mandate.

As the Agency claims another unqualified audit opinion expressed for 2023 /24 financial year, acknowledgment of the efforts of the management team and employees of the Agency is fitting. An unqualified audit opinion becomes a yardstick of performance that is to be upheld in future periods. The collaborative effort of the entire team is expected to continuously contribute positively to the water sector in future periods.



Adv M.B Shabangu

Acting Chief Executive Officer

Inkomati-Usuthu Catchment Management Agency





EXECUTIVE MANAGEMENT



Adv. M.B. Shabangu
Acting Chief Executive Officer



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



Ms. S. Machimana
Acting 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

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. C. Zulu
(A)Manager: Communication
and Intergovernmental
Relations



Mr. S. Mchunu
Legal Advisor

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

To the best of our knowledge and belief, we confirm the following:

- All information and amounts disclosed in the annual report are consistent with the Annual Financial Statements audited by PwC South Africa.
- The annual report is complete, accurate and free from any omission.
- The annual report has been prepared in accordance with the guidelines on the annual report issued by NT.
- The Annual Financial Statements (Part F) have been prepared in accordance with the Generally Recognised Accounting Principles (GRAP) applicable to the public entity.
- The Accounting Authority is responsible for the preparation of the Annual Financial Statements and the judgements made in this information.
- The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance regarding the integrity and reliability of the performance information, the human resources information, and the Annual Financial Statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements.
- The annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2024.



Acting Chief Executive Officer

Adv. M.B Shabangu

Date: 31 August 2024



Chairperson of the Governing Board

Ms L.C. Zulu

Date: 31 August 2024

5. STRATEGIC OVERVIEW

VISION

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

MISSION

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

VALUES

Integrity
Batho Pele (Stakeholder Orientation)
Accountability
Diversity
Transparency

6. PERFORMANCE DELIVERY ENVIRONMENT

6.1 Mandate

The Agency derives its existence and mandate from the NWA, Act 36 of 1998.

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

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

6.2 Strategic Outcomes

The four strategic outcomes of the Agency indicated here are linked to the output of the Agency in the 2023/24 financial year.



**Outcome 1:
Increased Stakeholder
Satisfaction**



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



**Outcome 3:
Maintain Financial
Sustainability**



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

7.2.1 Outcome 1: Increased stakeholder satisfaction

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

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

7.2.2 Outcome 2: Enhanced human resources and business capabilities

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

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

7.2.3 Outcome 3: Maintain financial sustainability.

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

The high-level strategic initiatives are:

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

7.2.4 Outcome 4: Protection and use of water resources

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

The high-level strategic initiatives are:

- Pursue resource conservation and demand management strategies for allocations that will not lead to a non-sustainable resource.

- Conduct studies to understand the entire water resources potential of the WMA, identify impacted resources and ensure improvement thereof.
- Develop and implement a water quality strategy to improve the quality of the resource.

8. LEGISLATIVE AND OTHER MANDATES

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

8.1 Constitutional mandate

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

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

8.2 Legislative and Policy Mandates

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

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

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

- (e) To promote community participation in the protection, use, development, conservation, management, and control of the water resources in the WMA.

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

The Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA) regulates financial management in national government and provincial governments to: ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; provide for the responsibilities of persons entrusted with financial management in those governments; and provide for matters connected therewith. The IUCMA is a public entity listed in Schedule 3A of the PFMA.

8.2.3 National Water Resource Strategy 3, 2023

The scope and purpose of the third instalment of the National Water Resource Strategy 3 (NWRS3) provides a vision for the protection and management of water resources, to enable equitable and sustainable access to water and sanitation services in support of socio-economic growth and development for the well-being of current and future generations. The NWRS3 aims to achieve this vision by means of the following over-arching goals:

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

The institutional landscape required for effective delivery of services then serves as a clarion call to DWS as a sector leader, associated sector departments, such as the Department of Minerals Resources and Energy (DMRE), Department of Environmental Affairs (DEA), Catchment Management Agencies (CMAs), Water Governing Boards, Private Sector and other agencies of State to commit to involvement in developmental water resource management.

8.2.4 National Development Plan, 2030

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

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

8.2.5 National Water and Sanitation Masterplan, 2019

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

8.2.6 African Union, Agenda 2063

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

8.2.7 United Nations Sustainable Development Goals, 2015-2030

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

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

8.2.8 SADC Revised Protocol on Shared Watercourses, 2000

This SADC Protocol provides institutional mechanisms to achieve the SADC agenda of regional integration and poverty alleviation. This protocol therefore seeks to:

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

8.2.9 Presidential Commission on the Fourth Industrial Revolution

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

- the economy and unemployment;
- economic infrastructure;
- improving education, training, and innovation;
- environmental sustainability and resilience;
- South Africa in the region and in the world;
- transforming human settlements.

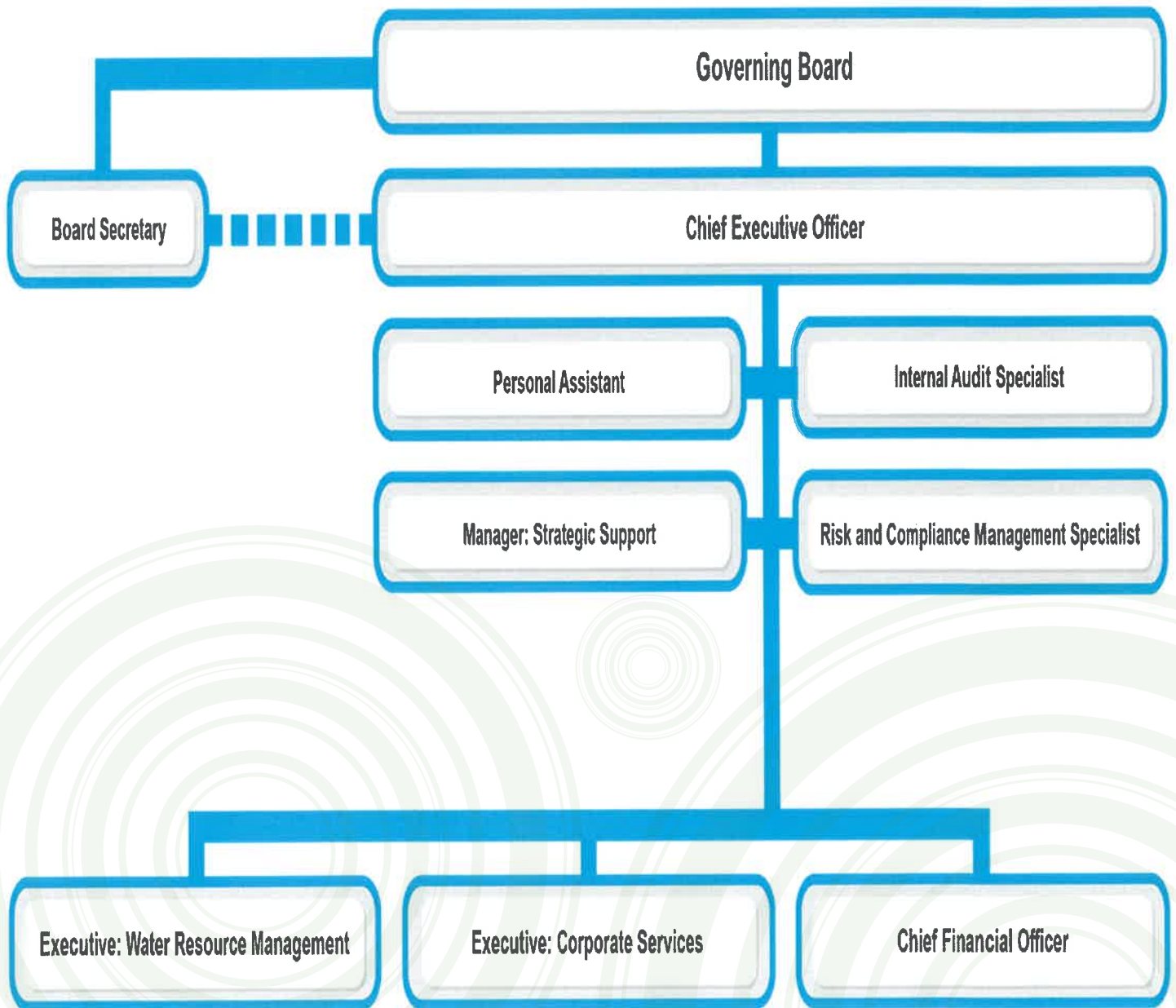
The PC4IR further indicates that South Africa's water sector can respond to the opportunities that are provided by the advent and proliferation of technologies that can increase its effectiveness.

8.2.10 Economic Reconstruction and Recovery Plan

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



9. ORGANISATIONAL STRUCTURE





PART B: PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

Audit report contents are contained in Annexure A.

2. OVERVIEW OF PERFORMANCE

The purpose of this section is to provide an overview of the performance of the Agency in the 2023/24 financial year. The Agency achieved an overall annual performance of 88,88% (16/18).

Out of the set eighteen (18) targets for the output indicators, the following can be noted:

- Eleven (11) were achieved (11/18 = 61,11%),
- Five (05) were overachieved (05/18 = 27,77%),
- Two (2) were not achieved (02/18 = 11,11%)

2.1 Organisational environment

2.1.1 Resource planning and operations

Climate change can result in significant impacts on regional and global surface water and ground water resources and the Inkomati-Usuthu Water Management Area (WMA) is not an exception to this phenomenon. Using ground water in the management area as a complimentary source of water has proved to be an effective means of satisfying the ever-increasing water demands and dealing with surface water shortage problems in some of the areas where groundwater is high. The conjunctive use of surface water and groundwater is crucial for IWRM, as it helps with reducing the vulnerability of water supply systems and mitigating water supply stress in responding to climate change and ensuring that International Obligations (IOs) are met.

Although La Nina typically brings normal or above-normal rainfall and El Niño typically brings below-average rainfall to the southern region of Africa, these trends cannot be considered as a 100% confirmation of weather prediction. There are various rainfall zones in southern Africa, each of which has a unique relationship with the El Niño-Southern Oscillation (ENSO). Additionally, ENSO only accounts for about 30% of the variability in rainfall; therefore, additional factors should be considered when forecasting seasonal rainfall. The El Niño event was predicted for the 2023/24 hydrological year, but the impact was not high in the WMA. Because of the El Niño conditions, below normal rainfall was received in the Sabie-Sand, Crocodile, Komati and Usuthu catchment. In addition, the cumulative rainfall received in the 2023/24 hydrological year was lower than the cumulative rainfall received in the previous hydrological year (2022/23) for all the Catchments.

Compliance of river flows with Ecological Water Requirements (EWR) at IO sites was 100% (including during the dry months), except in the Sand River in December 2023, when flows were below the EWR target due to no accruals. The flows in the 2023/24 hydrological year were a bit lower than in the previous hydrological year for the entire reporting period, due to below-normal rainfall.

Despite the below-normal rainfall in 2023/24, many dams in the WMA started spilling earlier than in previous years. Most of the dams in the Inkomati-Usuthu WMA were above 80%, except for the Jericho and Westoe dams, which are an important source of water used by Eskom in generating power. A comparison of the level of major dams in the WMA is shown in Figure 1. The water level in most dams that supply water to major towns, irrigation activities, and strategic water users was measured as being high and exceedingly high by the end of the year. (See Figure 2.) Despite the below-normal rainfall predicted, most major dams were spilling; hence, no water use restrictions were imposed in relation to the major river systems.

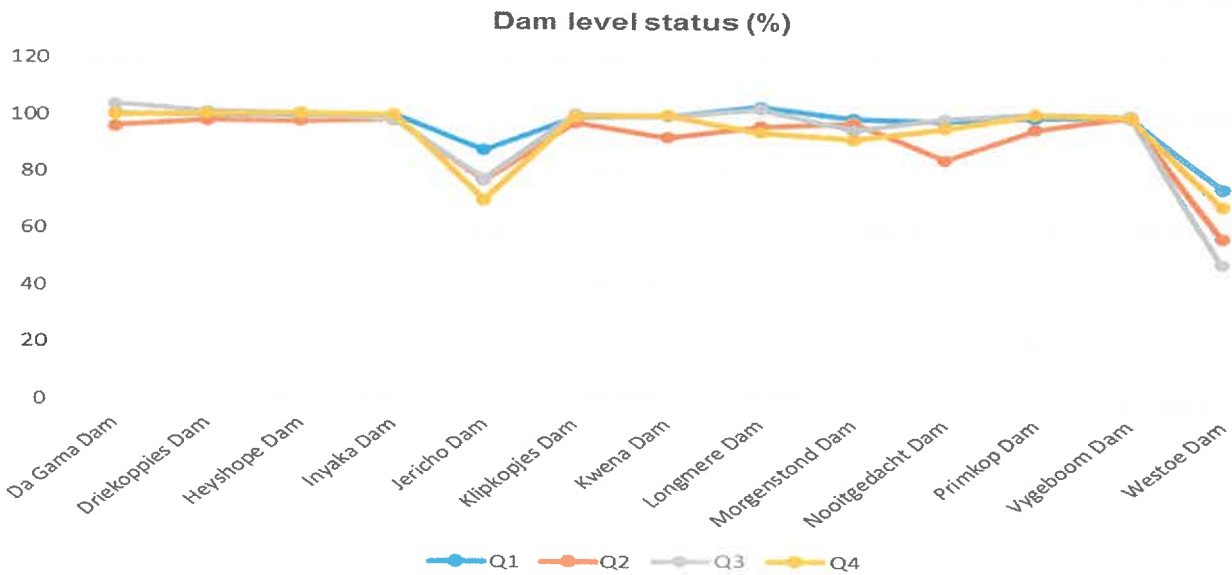


Figure 1: Comparison of dam levels per quarter for 2023/24

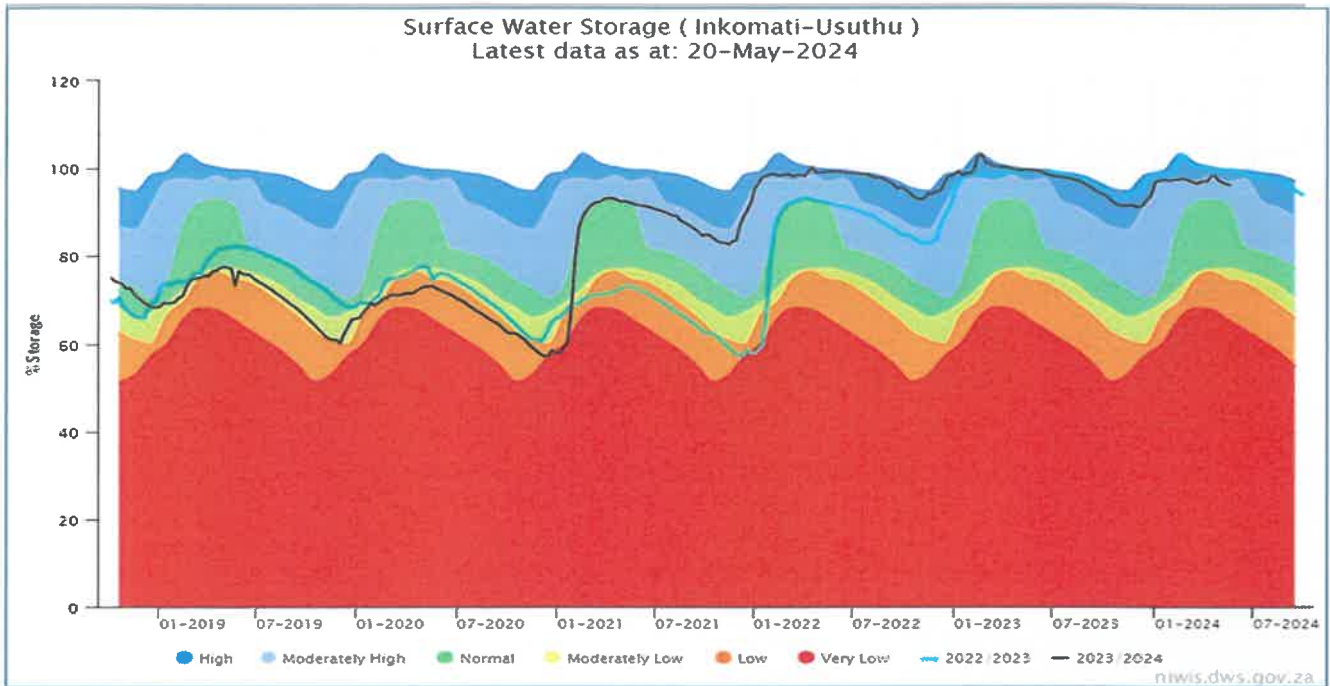


Figure 2: Historical analysis of combined dam storage in the WMA

During the year under review, the IUCMA Catchment Management Strategy (CMS) was published. In addition, water allocation plans (WAPs) were developed for the Sabie, Crocodile, Komati and Usuthu Catchment. However, for compulsory licensing processes, Validation and Verification data is important, as per Section 23 of the NWA (1998), as it will bring the IUCMA closer to implementing compulsory licensing, which is critical for equitable access and use of the water resource. The verification of water use scenario on Existing Lawful Use (ELU) above 90% was included in the Kaap River Sub-system Water Allocation Plan (WAP). Furthermore, the IUCMA and Water Research Commission jointly funded project on the socio-economic impact assessment of water re-allocation was validated. The project will be finalised in the 2024/25 financial year.

The Agency continued to participate in transboundary water management meetings, such as the JWC, the KJOF, the INMACOM, and the Disaster Management Forums.

As part of promoting water security, the Agency initiated and implemented the following ongoing projects during the reporting period:

- **Groundwater Development Options:** The WMA continues to use sustainable groundwater resources as an alternative to surface water. However, the areas where groundwater is over-utilised should be declared controlled areas, while further development should be promoted in areas where it is currently under-utilised, but only through abstraction permits that include strict conditions.
- **Alien Vegetation Removal Programme:** The CMS recognised that the removal of invasive alien plants from river systems (Sabie, Crocodile and Komati Rivers) can improve the hydrology (runoff and inflows into dams)

of the catchment areas. A total of 130ha was cleared in the WMA and 120 jobs were created (44 women, 30 men and 46 youths).

- **Rainwater Harvesting (RWH):** The IUCMA and Ehlanzeni District Municipality jointly implemented the RWH project that has the potential to improve rural water supply and contribute to the provision of the first 6 kilolitres of water consumed monthly. The project was implemented in Kildare Village, Lillydale Village, Mabarhule Village, Huntingdon Village, and Justicia Village in the Bushbuckridge Local Municipality and Ehlanzeni District Municipality in Mpumalanga Province. The RWH project involved the installation of Jojo tanks, gutters, plinths, and irrigation systems at 19 households over a period of 12 months. The RWH has been identified as part of the solution to food security, as it increases water use productivity of dryland agriculture and enhances homestead gardening.
- **Water Use Efficiency:** During the 2023/24 financial year, significant progress was made through the development of a scientific evidence-based decision support tool that uses readily available information to estimate the water use efficiency of key irrigated crops (mango, avocado, litchi, banana, citrus, macadamia, sugarcane, and grapefruit) in the WMA. This was implemented by Water Research Commission. The tool can be used to fine-tune water allocation decision-making for specific crop types based on their actual water requirements and could free up water resources for reallocation.

2.1.2 RESOURCE QUALITY MONITORING

Water quality monitoring was conducted monthly throughout the 2023/24 financial year through grab sampling at all EWR sites and IO sites. Applicable variables were analysed using a South African National Accreditation Standards (SANAS) accredited laboratory. The water resources within the former Inkomati WMA were classified; in other words, the resource quality objectives (RQOs) and Reserves were determined and gazetted in December 2016 and July 2019, respectively. However, these have not been determined in the Usuthu Catchment, which was amalgamated with the Inkomati WMA after the classification study in the Inkomati portion was conducted. In the instance where the Management Class comprising the reserve determination and the setting of RQOs are not in place, the TWQGs are used for water quality compliance assessment as default limits. In the period under review, the TWQG was used to assess water quality compliance in the Usuthu Catchment. Furthermore, since the Inkomati-Usuthu WMA is transboundary in nature, the quality of water flowing into the Kingdom of Eswatini and the Republic of Mozambique was assessed for compliance at predetermined IO sites and compared with the IWQG limits, as per the Tripartite Interim Agreement.

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

coli) throughout the WMA and toxic variables (Ammonia and Arsenic). Ammonia was noncompliant in the Langspruit, a tributary of the Sabie River (Sabie Catchment); tributaries of Crocodile River, namely the Gladdespruit, Besterspruit, White River, KaNyamazane Stream, tributary of Gutshwa River and Hectorspruit (Crocodile Catchment); and Boesmanspruit, tributary of Seekoeispruit and tributary of Komati downstream in Tonga (Komati Catchment). The total E Coli and ammonia impacts are attributed to wastewater treatment works and associated infrastructure (sewer pump station, manhole and runoff from informal settlements) within the three catchments. Arsenic was noncompliant in the Suidkaap, Noordkaap and Louw's Creek. The impact is attributed to gold mine activities within the Kaap River system. Salt and nutrient indicator variables (electrical conductivity and phosphate) were not a major cause for concern, as most of the areas complied with the legislative requirements or the guidelines. The monthly water quality monitoring of international obligation sites as per the annual performance plan also recorded 100 per cent (10/10) achievement. The quality of water allowed to flow into Eswatini and Mozambique largely complied with the agreed international water quality guideline limits. Non-compliance with IOs was also observed in respect of turbidity, chemical oxygen demand (COD), total coliforms, and faecal streptococci.

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

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

2.1.3 WATER USE AUTHORISATIONS

During the year under review, the IUCMA processed 136 Water Use Authorisations (WUA) applications. The majority were processed within 90 days, as per the Presidential Pronouncement vis-a-vis the previous 300 days. Of the 136 WUAs, 125 were General Authorisations (GAs), 10 were Water Use Licences (WULs) and 1 was a Schedule 1 confirmation.

The total volume of water allocated during the 2023/24 FY was 24.057 million m³/a, which is quadruple that

allocated in the previous financial year. The highest volume of water was allocated to BBBEE (HAI) and was from the Crocodile sub-catchment. The volume of water allocated to Historically Disadvantaged Individuals (HDIs) was 0.3 million m³/a, equal to only 1 percent of the total water allocated.

Through the processing of license applications, the Agency also assisted HDIs with water use authorisation (WUA) application processes and other WUA related activities. It is worth noting that, of the 62 WUAs for HDIs, 60 were GAs, 1 was a WUL and 1 was closed by DWS, and of these, 26 were applications from individuals while 7 were from shareholders in companies. This suggests that HDIs are still not actively involved in large scale or commercial water use.

The Agency reviewed cooperative governance reports (Environmental Impact Assessment / Basic Assessment and Environmental Management Programme Report) and provided technical input into a total of 16 EIA / EMP reports.

2.1.4 COMPLIANCE MONITORING AND ENFORCEMENT

In the 2023/24 reporting period, the IUCMA noted the lack of budgetary prioritisation of Wastewater Treatment Works (WWTWs) and related infrastructure by local municipalities, which lead to poor treatment of effluent and ultimately the pollution of water resources. The majority of the non-compliance instances were because of poor management and lack of operations and maintenance of WWTWs mostly by local municipalities and the Department of Public Works, both provincially and nationally.

The working relationship between the IUCMA and the National Prosecuting Authority (Organised Crime Component) and other enforcement agencies, including SAPS, has improved significantly and has started showing positive outcomes, specifically in trying to deal with the issue of sewer pollution from municipal infrastructure.

Compliance monitoring was conducted according to the annual performance plan. Forty-eight inspections were conducted for quality related activities and another forty-eight inspections conducted for quantity related activities recording 100 percent (48/48) achievement for both quality and quantity. Where non-compliance was identified, the activities were subjected to enforcement action through issuing of notices and directives. Eighty-one activities were subjected to enforcement actions which recorded 100 percent (81/81) achievement.

A criminal case was finalised by the Directorate of Public Prosecutions on 30 June 2023 against Mamokebe (Pty) Ltd. The accused pleaded guilty and was sentenced as follows:

- Count 1, 2, and 3 were taken together for the purpose of sentencing, and the accused was fined an amount of R300 000, suspended for three years, on condition that the accused is not convicted of an offense, in contravention of the NWA.

- The accused was also ordered to pay as remedial measure an amount of R120 000 within thirty (30) days of sentencing to the IUCMA for the purpose of the proper execution of enforcement, environmental rehabilitation and enforcement training.

The agency experienced challenges with expired water use license investigations for 2023/24 which were not 100% successful due to the following reasons-

- Untraceable contact details.
- The water users changed from individuals to a trust.
- Water users not responding to emails and calls.

To improve efficiencies, the agency will in future consider separating compliance monitoring from enforcement activities.

2.1.5 DATA AND INFORMATION MANAGEMENT

The court litigation on commercial forestry for past water use lawful determination (*between DWS & Others v/s ForestrySA*) enrolled at the Constitutional Court, putting a halt to complete verification and confirmation of forestry ELU authorised water allocations. Despite the added litigation challenge from the known challenges for ELU, the IUCMA tilted its focus to properties that are without forestry water use authorisation and are priority catchments, for the WAP and Compulsory Licensing. The priority catchments are Kaap, White River and Sabie, all of which are not immune to ELU forestry water use, hence progress is directly affected. However, current progress made on the no forestry water use verification is: Kaap - 93%; White River - 85%; Sabie - 84%. Additional details are provided in Table B.1.

Table B.1 Summary of priority catchments ELU verification progress

Kaap catchment ELU candidate properties verification status				
Properties without SFRA				
Catchment	Outstanding	Done	Total properties	% Finalised
Kaap	4	50	54	93
Properties with SFRA and other water uses				
Catchment	Outstanding	Done	Total properties	% Finalised
Kaap	1	14	15	93
Properties with only SFRA				
Catchment	Outstanding	Done	Total properties	% Finalised
Kaap	10	29	39	74
Total ELU verification progress				
Catchment	Outstanding	Done	Total properties	% Finalised
Kaap	15	93	108	86

White River catchment ELU candidate properties verification status				
Properties without SFRA				
Catchment	Outstanding	Done	Total properties	% Finalised
White River	18	105	123	85
Properties with SFRA and other water uses				
Catchment	Outstanding	Done	Total properties	% Finalised
White River	7	13	20	65
Properties with only SFRA				
Catchment	Outstanding	Done	Total properties	% Finalised
White River	30	46	76	61
Total ELU verification progress				
Catchment	Outstanding	Done	Total properties	% Finalised
White River	55	164	219	75

Sabie catchment ELU candidate properties verification status				
Properties without SFRA				
Catchment	Outstanding	Done	Total properties	% Finalised
Sabie	37	193	230	84
Properties with SFRA and other water uses				
Catchment	Outstanding	Done	Total properties	% Finalised
Sabie	4	14	18	78
Properties with only SFRA				
Catchment	Outstanding	Done	Total properties	% Finalised
Sabie	33	54	87	62
Total ELU verification progress				
Catchment	Outstanding	Done	Total properties	% Finalised
Sabie	74	261	335	78

About 3 864 of the total 4 964 properties were verified in the Inkomati catchment area (77.8%) and 824 of the total 1437 properties in the Usuthu catchment parallel to almost (58.6%). The Usuthu catchment is dominated by forestry water use, hence the slow progress made compared to the Inkomati catchment. But it is worth noting that the ELU verification process is discovering unlawful ELU water users that failed to register when called to do so in 1999, named late registers and they are currently authorised. The total allocated volume of the late registers was 4 104 950 m³/a, supporting and providing a tool for IUCMA financial sustainability and authorised water users compliance enforcement. The overall progress made with ELU verification is indicated in Table B.2.

Table B.2. Progress made with the sub-catchment ELU verification process.

Catchment	ELU Verification	Total identified	Percentage
Usuthu	838	1437	58,3
Upper Komati	210	606	34,7
Lower Komati	331	409	80,9
Crocodile	2419	3201	75,6
Sabie	267	335	79,7
Sand	116	179	64,8

Furthermore, the ELU verification discovered the following:

- a. The majority of all land reform properties with water allocations are not functional and there is no economic use of the allocated water, with an inherent risk to the financial viability of CMA, because of non-payment by Communal Property Association and Trust water users associated with the land reform programme.
- b. Lack of quality control / assurance in the past caused a high possibility of non-ELU water users to be registered into WARMS, resulting in false water use charges budget projections.

As an adaptive measure to arrest water allocation disputes, the IUCMA initiated a process to audit WMI and bulk water users. In 2023/24 the Inkomati, Chief Albert Luthuli and Mkhondo local municipalities were audited. The audits indicated over-abstraction and lack of authorisations of water use on some Water Treatment Works (WTW) or abstraction points. This exercise was conducted to support compliance enforcement and improve WARMS data dynamism and financial sustainability.

The Water Authorisation Registration Management System (WARMS) is a critical data warehouse for all authorised and registered water users' information to generate water use charges revenue collection and for water resource planning and research information. Unfortunately, the system does not have a monitoring tool to track and alert if water users and property ownership changes. In summary, the lack of a monitoring tool leads to a reactive response when ownership changes occur sometimes the change is noted after quite some time, which does not promote efficiency in revenue collection. The system shortcoming was reported to the Department of Water Sanitation (DWS), as the custodian with some recommendations to seek a possibility to explore linking databases of Home Affairs, SARS, and Deeds Offices.

Moreover, on the aspect of Waste Discharge Charge (WDC) revenue collection, the IUCMA registered allocations were 228 639 086 m³/a (equivalent of R 11 569 137).



Figure 3: Successive quarters Registered volumes in successive quarters.

The overall WARMS registered water allocations in 2023/24 were 1 943 249 125 m³/a, see Figure 3. This volume is for both registered unauthorised and registered authorised allocations. Of this, 1 941 567 100 m³/a is billable for revenue collection, except 1 682 026 m³/a made of the not billable water uses like recreation, etc., as prescribed by DWS. Overall performance in the year under review 100% (339/339) water use authorisations registered on WARMS.

2.1.6 INSTITUTIONS AND PARTICIPATION

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

i. Catchment Stewardship Forum (CSF)

All the CSF quarterly meetings were held to share broad and specific water-related issues for discussion by key stakeholders (including municipalities and mining houses), such as water availability, compliance monitoring, water use authorisation, and resource and drinking quality.

ii. Capacity Building

The IUCMA engaged in the empowerment and capacity building of HDIs in various communities. The training sessions were organised with emerging farmers and other aspiring water users with topics covering water use application processes and other water-related activities. The Agency also interacted with government departments and private entities involved in environmental and water-related activities to promote the Intergovernmental Relations (IGR) Framework as well as the Public-Private Partnerships (PPP)

iii. Transformation of Irrigation Boards (IBs) into Water User Associations (WUAs)

During the period under review, the IUCMA facilitated the implementation of the Ministerial Directive through Gazette No. 48483, Notice No. 3355 dated 28 April 2023, a notice of intention to transform IBs Governing Board into WUAs. The process resulted in the submission of proposals by the existing IBs Governing Board to establish three WUAs in the Inkomati catchment within the Inkomati-Usuthu WMA. These three WUAs will be an amalgamation of 23 IBs Governing Board. The proposals submitted were then evaluated by a WUA Evaluation Committee established by the Agency, and which also involved DWS officials.

iv. Science Schools Competition

The IUCMA coordinated the Science Schools Competition that was hosted during the 2024 National Water Week/Month celebrations, with a total of 40 schools participating. This initiative was not only about the schools' competition but also created awareness and interest for the youth and the communities on sustainable water and the environment management.



Figure 4: The IUCMA Governing Board Chairperson, Ms C.L. Zulu, during a media briefing session for the Final Science Schools Competition, in March 2024, at the Lowveld Botanical Garden in Mbombela. On the right is the Ndlela Secondary School team (from the Usuthu Catchment which walked away with the top prize in the Competition).

v. Sustainable River Rehabilitation Programme

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



Figure 5: Some visible impacts of the SRRP in the WMA

vi. Stakeholder Engagement Initiatives

The IUCMA participated in several engagements with local, national, and international bodies and organisations in pursuance of IWRM in the catchment and the basin. These initiatives contributed to the IUCMA 2023/24 Stakeholder Engagement Plan and were aimed at fostering collaborations with sector partners. The Agency also participated in the Incomati and Maputo River Basins initiative through identified Pilot Projects to demonstrate sustainable approaches to addressing key environmental issues, while at the same time improving livelihoods.

3. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

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



Programme 1: Administration and Governance
Outcome 1: Increased stakeholder satisfaction
Output 1: Stakeholder satisfaction



Programme 2: Human Resource and business support
Outcome 2: Enhanced Human Resource and business capabilities
Output 1: Optimal employee retention
Output 2: Optimal business support



Programme 3: Finance
Outcome 3: Maintain financial sustainability
Output 1: Cost control
Output 2: Revenue enhancement
Outcome 3: Solvency



Programme 4: Water Resource Management
Outcome 4: Protection and use of water resource
Output 1: Effective resource management
Output 2: Regulative compliance
Output 3: Water use database management
Output 4: Water Use Authorisation

3.1 Programme 1: Administration and Governance

The purpose of this programme is to support the business of the IUCMA in terms of planning, risk management, assurance services, governance structures and setting of appropriate parameters for organisational performance. The overall performance for administration and governance is 156,63% of targeted 100% This was achieved due to engagements with stakeholders. The extent of the programme is within the Office of the Chief Executive Officer in the areas of governance, as reflected in the previous statement. The programme includes one sub-programme.

3.1.1 Governance and Assurance services

Assurance services are provided through internal audit services and risk management activities and governance of performance information of the IUCMA so that the organisation can effectively communicate its value creation story. The corporate compliance cycle of the IUCMA is implemented through this sub-

programme to ensure that the accountability obligations are met, i.e. the preparation of strategic and annual plans, including quarterly reports. Support to the Governing Board and its various committees is provided through this sub-programme to ensure that their duties are fulfilled in conformance with the applicable laws and regulations.

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

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

Table B.3: Performance for Programme 1: Administration and Governance

Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Annual Target 2023/24	Actual Achievement 2023/24	Reason for Deviation	Corrective Measure
Outcome 1: Increased stakeholder satisfaction	Stakeholder satisfaction	Percentage implementation of a stakeholder engagement plan	100% (164/164)	119.89% (235/196)	100%	159.63% (174/109)	More engagement meetings with relevant stakeholders were held, which resulted into improved revenue collection.	The targets as per the new stakeholder engagement plan has been aligned to the revenue enhancement strategy and management plan.

3.2 Programme 2: Human Resource and Business Support

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

3.2.1 Human Resources Management

This programme aims to develop HR (including communities in the WMA) through transformation, skills development, and local employment. The scope of the sub-programme is to develop and retain talent of IUCMA employees and provide career development and skill development opportunities through training, learnerships and internship programmes.

In addition, this sub-programme seeks to reduce reportable safety hazards and disabling incidents through effective management and the provision of facilities in compliance with applicable quality and safety standards.

3.2.2 Information & Communication Technology

The sub-programme enables business support in providing effective and efficient ICT. The ICT architecture and plans align with business priorities so that resources are appropriately deployed to ensure continuous improvements and ongoing ICT service delivery.

The IUCMA has successfully implemented its approved 2022/23 ICT strategic plan, ensuring effective and efficient information and communication technologies (ICT) in the organisation. This has been achieved through implementing several ICT projects, including Infrastructure Re-platforming, Enterprise Architecture, Data Enterprise Architecture, Identity and Access Management, and Voice Over Internet Protocol (VoIP). The plan's governance controls and oversight by established structures have been instrumental in aligning ICT goals with the enterprises. As a result, the ICT systems of IUCMA have achieved a capability maturity level of three, significantly impacting service delivery and organisational performance.

3.2.3 Communication and Intergovernmental Relations (IGR)

During the year under review, IGR at IUCMA focused on strengthening internal partnerships and engaging stakeholders, especially local municipalities, to align tariff structures and promote participation in development planning.

Moreover, the IUCMA embraced digital channels such as Facebook and Instagram to enhance outreach and communication effectiveness, witnessing increased engagement and outreach. Additionally, the Agency strategically utilised digital bill Boards, which proved more cost-effective than traditional media, and aligned with the organisation's financial constraints. These initiatives reflect IUCMA's adaptability and commitment to leveraging digital platforms for impactful communication and outreach.

3.2.4. Records Management

The National Archives and Record Service of South Africa Act, 1996 (Act 43 of 1996) regulates how public records must be managed. The IUCMA thus embraces the Act's requirements and ensures compliance regarding good governance, accountability, and transparency.

3.2.5 Legal Services

Given the dynamic nature of law, regulation, and government policy, our institution proactively ensures compliance. We have developed a robust compliance monitoring tool regularly updated to reflect significant legal changes. This tool is reviewed quarterly, and its findings are reported annually, which demonstrates our

commitment to transparency and adherence to legislation. The report encompasses various sections of the NWA and other legislative prescripts, which is evidence of our comprehensive approach to compliance.

3.2.6 Programme Performance

The programme's annual targets were achieved due to the effective implementation of HR policies that encourage staff development and training. In addition, the Agency ensured adequate provision of protective equipment and occupational health and safety (OHS) training. Table B.4 shows the performance. Overall performance of the programme is 86% (6/7) of 80%.

Table B.4: Performance for Programme 2: Human Resource and Business Support

Outcome	Output	Output Indicator	Audited Actual Performance: 2021/22	Audited Actual Performance: 2022/23	Annual Target 2023/24	Actual Achievement 2023/24	Reason for Deviation	Corrective Measure
Outcome 1: Increased stakeholder satisfaction	Stakeholder satisfaction	Percentage implementation of a communication plan	-	-	80%	(31/31)	None	None
Outcome 2: Enhanced human resources and business capabilities	Optimal employee retention	Percentage implementation of human Resource implementation plan	-	4.34%	80%	86% (6/7)	Organisational structure has been reviewed, pending approval.	Structure to be finalised in the 2024/25
	Optimal business support	Percentage implementation of the ICT strategy	-	-	30%	33% (1/3)	Two of the three planned targets for the financial year were not achieved, due to delays in the start of the planned ICT project.	The ICT projects will be monitored for implementation and concluded in the new financial year.
		Percentage of identified COBIT gaps addressed	-	-	100%	100% (3/3)	None	None

3.3 Programme 3: Finance

This programme ensures effective and efficient use of the financial resources of the Agency. With an appreciation that the Agency's activities compete for resources, the programme ensures delivery of outcomes by achieving increased recoverability of all revenue due to sound, and equitable economic use of financial assets, and timeous and accurate reporting of all financial activities. The overall performance for finance in the year under review was 60% (3/5). Three of the indicators were achieved meanwhile two indicators were not achieved

3.3.1 Supply Chain Management

The programme's mandate is centred on establishing seamless transformed procurement processes that are economical, transparent, and equitable. In achieving this mandate, the Agency is expected to take full cognisance of the promotion of economic empowerment for previously disadvantaged groups of black people, youth, women, and people living with a disability as prescribed by the B-BBEEE Act, 2013 (Act 46 of 2013) as amended. Equity achieved through economic transformation is pivotal in the operations of the sub-programme as evidenced by its strong presence in the business of the Agency. When the transformation is fully completed, the Agency will achieve value for money on acquisition of goods and services and seamless operations of the organisational value chain.

3.3.2 Financial management

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

3.3.3 Revenue management

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

3.3.4 Performance information

The working ratio presents an opportunity for the Agency to assess its cash flow management. During the year under review, the Agency displayed sound cashflow management, notwithstanding the unprecedented reduction in grants appropriated by parliament, key financial ratios performed as per target. The current ratio and working capital ratio are an important measure of the Agency's liquidity and solvency. The ratio tests the ability of the Agency to meet its short-term and long-term obligations as they fall. By the end of period under review, the current ratio and working ratio reported a performance of 98% and 2.73:1 respectively. When debt management of the Agency is reviewed, debt collection improved during the period under review, following

the implementation of the debt management strategy that earmarked customer engagements as a key initiative.

Table B.5: Performance for Programme 3: Finance

Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Annual Target 2023/24	Actual Achievement 2023/24	Reasons for deviations	Corrective Measure
Maintain financial sustainability	Cost control	Working ratio	106%	76%	≤80%	98%	The Agency received lower than requested augmentation from the DWS. Whilst initiatives were applied including cost containment and increased revenue collection, the impact of the downward adjustment of the augmentation was extremely material.	<ul style="list-style-type: none"> i) Strategic engagement with the shareholder wherein the impact of low allocations is expressed. ii) Identification of areas where costs can be downward adjusted without stifling operational processes. iii) Increase of revenue collections from water users.
	Revenue enhancement	Debt collection ratio (healthy book)	32.9% (R37,869,94	148% (R46,623 760,15 / R31 447 881,30)	65%	78%	Application of a responsive debt management strategy has realized increased debtors'	Management will develop and implement the stakeholder engagement plan.

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Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Annual Target 2023/24	Actual Achievement 2023/24	Reasons for deviations	Corrective Measure
		Debt collection ratio (Toxic book)	0.05 / R115,069,122.97)	13% (R7 590 286,16/R 56 590 446,01)	6%	9%	performance.	Participation in the NT transversal contract for debt management. Service providers have call centers and infrastructure for debt collection).
		Debtors' payment period in days (Healthy Book	-	-	D&I: ≤ 100 days Irrigation: ≤540 days Forestry: ≤540 days	244.69 days 230.09 days 189.84 days	D&I sector is greatly impacted by poor data quality and poor performances of municipalities, and some Irrigation Boards.	i) Development of engagement plan for D&I to increase visibility. ii) Prioritise cleansing of data relating to the D&I.
	Solvency	Current ratio	-	2,41: 1	≥1:1	2,73: 1	None	None

3.4 Programme 4: Water Resources Management

This programme affects the core mandate area of the IUCMA in ensuring effective, efficient and sustainable management of water resources. The scope of the programme comprises the management of resources in water quality monitoring, resource planning and operations, CME and water use authorisations, including data information and management. The Agency successfully attained 100% (9/9) performance in the water resource management programme in the year under review.

3.4.1 Resource Quality Monitoring, Planning and Operations

Resource quality monitoring, planning and operation implements effective river operations within the WMA to manage droughts, surface and groundwater management, WAP and data management systems to effect the mandate of the IUCMA. The sub-programme also implements water quality routine monitoring plans.

3.4.2 Water Use Authorisations

The Water Use Authorisation (WUA) function has been delegated to the IUCMA to perform administrative function through the assessment of applications. This is to ensure that water use applications are assessed and submitted with recommendations to the Responsible Authority within the regulated period. The authorisations include WULs and GAs.

3.4.3 Compliance Monitoring and Enforcement

This programme performs inspections and audits, including investigations of reported incidents of resource pollution in compliance with the NWA and other environmental legislation. Comprehensive education and awareness campaigns are conducted to ensure that water users and law enforcement agencies are aware of their role in supporting the work of the IUCMA.

3.4.4 Data and Information Management

Data and Information management is dedicated towards effective data management and information systems within the operational core of the IUCMA. The programme functions in a shared services format and provide services to the support core areas of the IUCMA.

3.4.5 Stakeholder Engagement and Institutional Participation

Stakeholder engagement and institutional participation bears responsibility for stakeholder engagement, institutional participation and international liaison. This is to ensure that legitimate interests of stakeholders and material issues of engagement, locally and internationally, are addressed to mitigate against potential reputational risk. Further, pathways to address the extent and level of engagement with stakeholders (through the Stakeholder Engagement Plan) are developed and implemented.

The outcomes of the Water Resources Management (WRM) programme are to ensure effective water resource management, water use authorisation and regulative Compliance. All work is derived from the inherent and delegated functions as per the NWA, the CMS, the five-year Strategic Plan and the targets set out in the approved APP and associated budget.

6. PERFORMANCE DELIVERY ENVIRONMENT

6.1 Mandate

The Agency derives its existence and mandate from the NWA, Act 36 of 1998.

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

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

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Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Annual Target 2023/24	Actual Achievement 2023/24	Reasons for Deviations	Corrective Measure
Outcome 4: Protection and use of water resources		Percentage monitoring of compliance to Resource Quality Objectives	100% (23/23)	100% (23/23)	≥90%	100% (23/23) ¹	None	None
		Percentage monitoring of compliance to international obligations	100% (10/10)	100% (10/10)	≥90%	100% (10/10)	None	None
	Regulative compliance	Percentage of planned inspections for quality related uses	-	100.89% (113/112)	≥90%	100% (48/48)	None	None
		Percentage of planned inspections for quantity related use	-	100.89% (113/112)	≥90%	100% (48/48)		
		Percentage of enforcement action taken against non-compliant uses			≥90%	100% (81/81)	None	None
	Water Use database management	Percentage of water use authorisations registered on WARMS	-	100% (358/358)	≥90%	100% (339/339)	None	None
	Water Use Authorisations	Percentage of water use authorisations processed within the regulated timeframe	95.2% (120/126)	102.91% (106/103)	≥90%	100% (136/136)	None	None

1

Quality

$$Y = a/b * 100$$

$$Y = 23/23 * 100$$

$$Y = 100\%$$

Quantity

$$X = a/b * 100$$

$$X = 10/10 * 100$$

$$X = 100\%$$

Both quality and quantity

Thereof: $Z = Y + X/2$

$$Z = 100 + 100/2$$

$$Z = 100\%$$

Linking performance with budgets

Table B.7 below presents expenditure per programme. Of the total spending, 51% was used for the Protection of Water Resources (with a saving of R43 000 on conference and facilities), 25% for Business Support Services (with a savings of R225 000 on vacant posts), and 24% for Financial Sustainability (with a savings of R133 000 on repairs and maintenance and R50 000 on accommodation) and Administration and governance (with a savings of R595 000 on projects). The trajectory of spending indicates that the highest budget utilisation is allocated to resource management. This trend is appreciated and will continuously be supported by internal processes.

Table B.7 Linking performance with budget.

Programme / Activity / Objective	2022/2023			2023/2024		
	Budget	Actual Expenditure	(Over) / Under Expenditure	Budget	Actual Expenditure	(Over) / Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration & Governance	8 998	7898	1 100	15 412	15 959	(547)
Protection & Use of Water Resources	69 013	61 914	7 099	109 365	111 461	(2 096)
Human Resource & Business Support	46 492	40 718	5 774	55 223	47 171	8 052
Finance	23 376	22 519	857	16 849	17 808	(959)
Total	147 879	133 049	14 830	196 849	192 399	4 450

4. REVENUE COLLECTION

The agency required R116,443 to fund all operations, based on costed cost drivers. Despite this requirement, the shareholder approved a downward-adjusted budget of R89,394. The Shareholder subsequently transferred an additional R21,302 in December 2023, to alleviate the agency's financial burden. Amounts were recognised as income, as the conditions of the grant were fully met.

Table B.8 Revenue collection

Sources of revenue	2022/23			2023/24		
	Estimate	Actual Amount Collected	(Over) / Under Collection	Estimate	Actual Amount Collected	(Over) / Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Water resource management charges invoiced	55 485	37 476	18 009	54 043	71 467	17 425
Interest received	-	4 138	(4 138)	-	12 166	12 166
Other income	-	1 367	(1 367)	-	2 730	2 730
Interest received investment	3 000	5 124	(2 124)	3 270	6 875	3 605
*Grant appropriated by Parliament	89 394	110 697	(21 303)	128 235	93 864	(34 371)
Total	147 879	158 802	(10 923)	185 548	187 102	(1 555)

4.1 Allocation appropriated by Parliament.

Government grants accounted for 52% (75% in 2022/23) of total funding in the year under review. These computed results mean that the Agency continued to rely on an allocation appropriated by Parliament as a significant source of revenue. Notwithstanding the levels of reliance, the Agency has encountered substantial financial challenges in 2023/24 owing to a R27 million unprecedented decline in grants appropriated by parliament. The reduction has severely impacted the delivery of the mandate and public good. This has evoked an extensive review of the strategic position to ensure the going concern amidst economic challenges. The redefined strategic position included scaling down or deferring critical operations, cessation of some key recruitment processes, and implementing extensive cost containment measures. These initiatives may have

seen some relief in 2023/24, but due to their short-termism, the agency cannot rely on similar initiatives in the future without stifling business processes. Thus, long-lasting solutions have been identified to safeguard the going concern. These include prioritizing responsive debt management initiatives to heighten payment trends and conservatism when managing overall expenditure.

With augmentation forming part of the most substantial component of the agency's revenue stream, analysing its performance becomes imperative. The analysis indicates that the agency's funding requirements have not been sufficiently realised. Consequently, this type of funding has been flagged as volatile and will, in future periods, be contained as a principal risk. As a mitigation action, the agency has embarked on an extensive sector-based assessment to identify alternative permissible revenue streams. This process to yield tangible results will further require a policy position change that sees a redefinition of the funding framework for the catchments in South Africa. Table B.9 below indicates the downward movement of grants appropriated by parliament over the last four consecutive years.

Table B.9 Grants appropriated by parliament.

Year	Funding required & applied for (R'000)	Approved & transferred (R'000)	Difference (R'000)	Annual percentage increment
2020/21	109 560	84 375	(25 185)	-22.98%
2021/22	88 861	88 861	-	5.32%
2022/23	116 433	89 394	(27 039)	-23.22%
2023/24	128 235	93 864	(34 371)	-13.70%

4.2 Water resource management charges

Revenue management is a strategic component of the Agency as its functions are critical to its financial sustainability. During the 2023/24 FY, strategic initiatives responsive to the Agency's customer base and aligned with applicable policy and prevailing legislation were employed. Following their implementation, it is still evident that enormous challenges exist in achieving desired repayment levels for the domestic and industry sectors. The performance of this sector is stifled due to poor payment trends reported for municipalities and poor data quality for companies and individuals. Poor data quality is consistent in the entire water sector, thus requiring a systematic approach that sees the interface of national databases.

4.3 Cost Recovery

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

operations of the agency. Table B.10 below indicates that the agency in 2023/24 failed to recover R54 million from its water users due to various reasons which includes price capping.

Table B.10 Cost recovery

Financial year	Revenue collectable when tariffs are at full cost recovery	Cost recovered with Pricing Strategy Capping	Deficit	
			Rand	%
2022/23	R87,519,900	R55,397,628	-R32,122,272	-37%
2023/24	R111,714,099	R57,671,588	-R54,042,511	-48%

4.4 Tariff determination

The approval of tariffs involves a complex process that includes strict compliance with the NWA, Water Pricing Strategy and Public Finance Management Act. The tariff determination process requires public consultations and a final submission of proposed tariffs to the Minister of Water and Sanitation, who approves tariffs annually.

In 2023/24, the Minister of Water and Sanitation approved water resource management charges per the agency's proposed tariffs. However, the computed revenue for the 2023/24 budget utilised registered volumes of 1,95 million cubic meters (as recorded during budget formulation) versus the applied 1,89 million cubic meters. The unfavourable outcome inadvertently reduced budgeted income by R1,631million. Due to the volatility of registered volumes, it is anticipated that more movements will be experienced in the new year. Investigating all adverse movements of volumes has become a priority to safeguard against future losses. The table presents the impact of the tariffs as approved.

Proposed 2023/24 Tariffs & Projected Income				Current Registered Volumes & Approved 2023/24 Tariffs			Differences	
Sector	Registered Volumes	Proposed Tariffs	Projected Income	Registered Volumes	Proposed Tariffs	Projected Income	Diff Volumes	Diff Revenue
Domestic & Industry	448,718,101	0.0467	20,955,135.32	427,187,328	0.0467	19,949,648,.21	21,590,773	1,005,487.10
Irrigation	1,069,877,740	0.0236	25,249,114.66	1,046,586.03	0.0236	24,699,430.37	23,291,708	549,684.30
Forestry	428,320,284	0.0183	7,838,261.20	424,141,000	0.0183	7,761,781.76	4,179,204	76,479.44
Total	1,946,916,125		54,042,511.18	1,897,914,440		52,410,860.34	49,001,685	1,631,650.84

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

will only be realised to the extent that the Agency is ready to apply new offerings. Readiness is continuously being tested to ensure maximum benefits.

4.5 Revenue collection

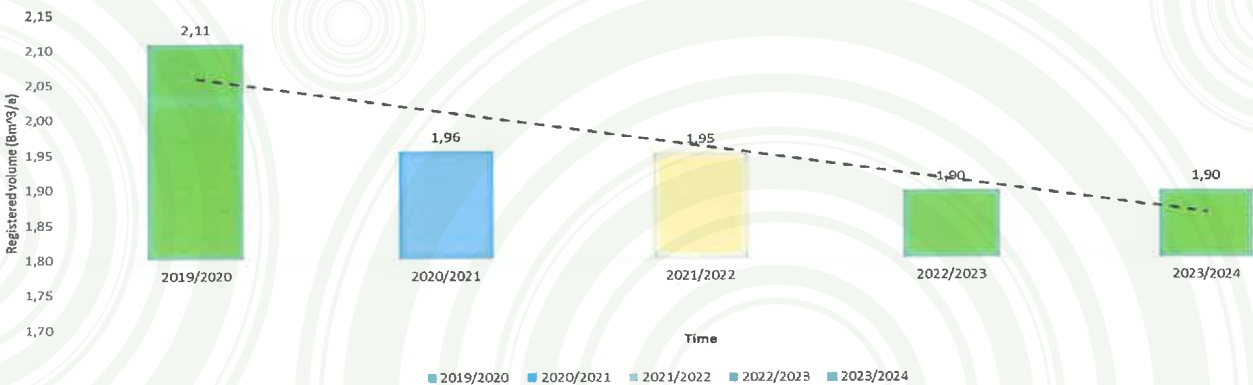
The Agency further ensured in the reporting year that a robust responsive Debt Management Strategy was developed within the ambits of applicable policies and legislation, namely the Public Finance Management Act (PFMA), Treasury Regulations, and the Agency’s approved Revenue Management Policy. The strategy was successfully implemented by recognising the importance of stakeholder engagement with all customers at strategic and operational levels. To this effect, heightened engagements remain vital and critical to achieving all set objectives. The strategy used other responsive mechanisms, including improving data integrity, utilising legal processes, and strengthening inter-governmental relations. These initiatives resulted in R44,6 million being collected in the 2023/24 financial year.

4.6 Decline of registered volumes

The Agency's revenue is threatened due to the continuous recorded decline in registered volumes. This is an extremely worrying position, as there is excessive reduction in lawfully registered water volumes, i.e. 1,946,916,125 in 2022/23 vs 1,897,914,440 in 2023/24. The reported decline represented above is primarily due to Verification and Validation, expired licenses, closure of registrations because of property sales, and water use surrender.

The impact of the decline in volumes is especially evidenced by a decline in projected revenue. The material decline in revenue has resulted in management carefully monitoring any changes that negatively impact financial sustainability. Reviews being conducted institutional-wide at various tiers of management entail compliance and monitoring evaluations to ensure that there is no further or actual use of the resource.

THREE SUCCESSIVE FYS REGISTERED VOLUMES



5. CAPITAL INVESTMENT

Due to its business, the agency does not undertake extensive infrastructure investments. Capital investments are limited to those made in its owned property located in Piet Retief (Mkhondo). The assets were valued at R2,115 million at the end of the financial year. Table B.11 presents all investments made during the period under analysis.

Table B.11 Capital Investment

Infrastructure projects	2022/23			2023/24		
	Budget	Actual Expenditure	(Over) / Under Expenditure	Budget	Actual Expenditure	(Over) / Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Building situated at Portion 1 of Erf 32, Piet Retief	764	764	0	0	0	0
Total	764	764	0	0	0	0





PART C: GOVERNANCE

1. GOVERNANCE STRUCTURES

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

2. PORTFOLIO COMMITTEE

In the financial year under review, the Agency presented the 2023/24 APP and 2022/23 Annual Report to the Water and Sanitation Portfolio Committee. All comments and recommendations of the Portfolio Committee (PC) were considered and implemented accordingly. The dates of the presentations and the documents tabled were as follows:

- a. The APP 2023/24 was presented on 20 January 2023.
- b. The Annual Report 2022/23 was presented on 17 October 2023.
- c. Comments from PC members focused on IUCMA's corporate social responsibility initiatives, including boreholes and the provision of water tanks to communities within the catchment. These initiatives have responded to the needs of communities and the Agency was advised to continue with these initiatives in the coming financial years.

3. THE ACCOUNTING AUTHORITY / GOVERNING BOARD

The responsibilities of the Governing Board are to:

- (a) Fulfil the mandate of the CMA as per the strategic objectives of Government, whilst also achieving its delegated responsibilities as set out in the vision and mission of IUCMA.
- (b) To take accountability and responsibility for the performance and affairs of IUCMA. The Governing Board must therefore retain full and effective control over the CMA and must give strategic direction to the CMA's Executive Management team. The Governing Board is also responsible for ensuring that the CMA complies with all relevant laws, regulations, policies and codes of practice.

(c) Improve relations with all stakeholders, including present and potential beneficiaries of water resources in the Inkomati-Usuthu WMA.

The purpose of the Governing Board is to:

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

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

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

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

The Board must take effective and appropriate steps to:

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

Role of the Governing Board

The role and responsibilities of the Governing Board are to:

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

Governing Board Charter

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

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

The Governing Board established the Audit Committee in terms of section 51(1)(a) of the PFMA and the Executive Committee. Other sub-committees established are the ICT Steering Committee and the Risk Management Committee.

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

Composition of the Governing Board

Table C.1: Composition of the Governing Board

(1 April 2021 to 9 August 2023)

Name	Designation (in terms of the Public Entity Governing Board structure)	Date Appointed	Date Resigned	Qualifications	Governing Board Directorships	Other Committees or Task Teams	No. of Meetings Attended
Mr Sam Mthembu	Chairperson	May 2021 - 31 March 2023 Extended: 1 April - 9 August 2023	N/A	Master of Business Leadership	Non-Executive Directorship Chairperson of the Audit Committee – Department of Economic Development and Tourism Chairperson of the Audit Committee – Department of Social Development	Executive Committee Member	7 (26 April 2023 - 31 July 2023)
Ms Shivon Wiggins	Deputy Chairperson	6 May 2021 - 31 March 2023 Extended: 1 April - 9 August 2023	N/A	Bachelor of Science in Town and Regional Planning	Non- Executive Directorship Concor Holdings	Audit Committee Member	6 (26 April 2023 - 31 July 2023)
Ms Linda Zulu	Member	1 April 2021 - 31 March 2023 Extended: 1 April - 9 August 2023	N/A	Master of Business Administration (MBA), Master of Science Engineering Management, Master of Philosophy: Development Finance.	Non – Executive Directorship Silulumanzi	Audit Committee member	5 (26 April 2023 - 31 July 2023)
Adv. Geraldine	Member	6 May 2021 -	N/A	B. PROC LLB	Non – Executive	Executive	6

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Name	Designation (in terms of the Public Entity Governing Board structure)	Date Appointed	Date Resigned	Qualifications	Governing Board Directorships	Other Committees or Task Teams	No. of Meetings Attended
Khoza		31 March 2023 Extended: 1 April - 9 August 2023		H. Dip Tax Law	Directorship Audit Committee member – Department of Public Works Audit Committee member – Bushbuckridge Local Municipality	Committee Member	(26 April 2023 - 31 July 2023)
Dr T. Kelly	Member	1 April 2021 - 31 March 2023 Extended: 1 April - 9 August 2023		PhD in Civil Engineering / Municipal Engineering	N/A	Executive Committee Chairperson	6 (26 April 2023 - 31 July 2023)
Ms Miranda Sikhakhane	Member	1 April 2021 - 31 March 2023 Extended: 1 April - 9 August 2023		Bachelor of Technology in Nature Conservation	Non – Executive Directorship Chairperson of Usuthu Catchment Forum	Audit Committee Member	6 (26 April 2023 - 31 July 2023)
Mr Mashudu Gangazhe	Member	1 April 2021 - 31 March 2023 Extended: 1 April - 9 August 2023		B-Tech in Environmental Sciences	Non – Executive Directorship Upper Komati Catchment Management Forum	Executive Committee Member	3 (26 April 2023 - 31 July 2023)
Mr Willem Baird	Member	6 May 2021 - 31 March 2023 Extended: 1 April - 9 August 2023		Post Graduate - Management Development Program	N/A		5 (26 April 2023 - 31 July 2023)

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Name	Designation (in terms of the Public Entity Governing Board structure)	Date Appointed	Date Resigned	Qualifications	Governing Board Directorships	Other Committees or Task Teams	No. of Meetings Attended
GOVERNING BOARD MEMBER APPOINTMENT AS FROM 10 AUGUST 2023							
Ms Linda Zulu (Reappointed)	Chairperson	10 August 2023	N/A	Refer to qualifications above	Refer to GB directorships above	Refer to above	6 (10 August 2023 - 29 April 2024)
Adv. Geraldine Khoza (Reappointed)	Deputy Chairperson	10 August 2023	N/A	Refer to qualifications above	Refer to GB directorships above	Refer to above	6 (10 August 2023 - 29 April 2024)
Mr Sam Mthembu (Reappointed)	Member	10 August 2023	N/A	Refer to qualifications above	Refer to GB directorships above	Refer to above	6 (10 August 2023 - 29 April 2024)
Ms Shivon Wiggins (Reappointed)	Member	10 August 2023	N/A	Refer to qualifications above	Refer to GB directorships above	Refer to above	6 (10 August 2023 - 29 April 2024)
Dr Steven Mathetsa	Member	10 August 2023	N/A	PhD (Geography and Environmental Studies)	N/A	Executive Committee member	6 (10 August 2023 - 29 April 2024)
Salome Chiloane-Nwabueze	Member	10 August 2023	N/A	Master of Science in Civil Engineering; Master of Business Administration	Non-Executive Directorships Lepelle Northern Water Petroleum Agency SA Audit & Risk Committee member – Ngaka Modiri-Molema DM Council Member-	Executive Committee member	6 (10 August 2023 - 29 April 2024)

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Name	Designation (in terms of the Public Entity Governing Board structure)	Date Appointed	Date Resigned	Qualifications	Governing Board Directorships	Other Committees or Task Teams	No. of Meetings Attended
					Tshwane University of Technology N3 Toll Concession		
Mr Mokgobi Andrew Ramushu	Member	10 August 2023	N/A	LLB; BSc: Civil Engineering; MSc: Civil Engineering;	N/A	Audit Committee member	6 (10 August 2023 - 29 April 2024)
Mr Lucky Mohalaba	Ex-officio / CEO	1 January 2022	31 December 2023	LLB	Chairperson of Audit Committee KOBWA	CEO / Governing Board Ex-officio and attends all committee meetings	11 (26 April 2023 - 27 October 2023)
Adv. Muzikayise Bernard Shabangu	Ex-officio / Acting CEO	1 January 2024	N/A	LLB	Advisor / Secretary: Nkomazi Municipal Public Accounts Committee Chairperson: Matsamo CPA Membership Verification Sub- Committee Deputy Secretary: Matsamo Communal Property Association Chairperson: Sivunosefu Farming Services	Acting CEO / Governing Board Ex-officio and attends all committee meetings	2 (1 January 2024 to 26 April 2024)

Alternate members:

- Ms Mabel Ndlovu – External Audit Committee Chairperson appointed 1 January 2024.
- Ms Cynthia Nkuna – External Audit Committee member appointed 1 January 2024.
- Ms M.A. Mphahlele – External Audit Committee member appointed 16 February 2021 until the first meeting of the new GB on 10 August 2023.
- Mr M. Sebeelo – Risk Management Committee Chairperson re-appointed on 1 January 2024.
- Dr T.G. Sethibe – ICT Steering Committee Chairperson re-appointed on 1 April 2024.

Committees

Table C.2: Governing Board Committee

Committee	No. of Meetings Held	No. of Members	Name of Members
EXCO	Meetings held from 18 April 2023 to 19 July 2023: 2	4	Members from 18 April 2023 - 19 July 2023: Dr T. Kelly – Chairperson Mr M. Gangazhe Adv. G. Khoza Mr M.S. Mthembu
	Meetings held from 18 October 2023 to 17 April 2024: 4	4	Members appointed from 14 September 2023 to date: Adv. Geraldine Khoza - Chairperson Ms L.C. Zulu Ms S. Chiloane-Nwabueze Dr M.S. Mathetsa
Audit Committee	Meetings held from 20 April 2023 to 20 July 2023: 4	5	Members from 20 April 2023 - 20 July 2023: Ms M.A. Mphahlele – Interim External Chairperson Ms L.C. Zulu Ms L.M. Sikhakhane Mr W.B. Baird Ms S.D. Wiggins
	Meetings held from 20 October 2023 to 19 April 2024: 4	5	Members appointed from 14 September 2023 to date: Ms M. Ndlovu External Chairperson – appointed 1 January 2024 Ms C. Nkuna – appointed 1 January

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Committee	No. of Meetings Held	No. of Members	Name of Members
			2024 Ms S.D. Wiggins Mr S. Mthembu (<i>Acted as Interim Chairperson in the absence Chairperson – 20 October 2023</i>) Mr M.A. Ramushu
Risk Management Committee	6	7	External Chairperson – Mr M. Sebeelo CEO 3 x Executives Governing Board Secretary Risk Management Committee (RMC) Specialist
ICT Steering Committee	5	8	External Chairperson – Dr T.G Sethibe ICT Operational Committee Chairperson CEO 3 x Executives Governing Board Secretary IT Technician RMC Specialist

Remuneration of Governing Board members

The Governing Board members are remunerated based on the Category S scales approved by the Minister of Finance and published by NT. The applicable rates for the 2023/24 financial year are noted below.

Table C.3: Remuneration of Governing Board members

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

Other expenses for travel costs are payable in terms of actual kilometres travelled, as per the rate indicated by the Department of Transport. Governing Board members are paid for both preparatory time and attendance. Amounts are paid in arrears following confirmation of meeting attendance and actual kilometres claimed. Amounts claimed and paid are noted in Table B.4.

Table C.4: Remuneration of Governing Board members

Figures in Rand	2024
Governing Board	
Mr M.S Mthembu	230 793
Mrs S.D Wiggins	149 209
Mr M Gangazhe	51 804
Mr W.B Baird	57 230
Ms L.C Zulu	216 124
Adv G Khoza	209 392
Dr T Kelly	110 226
Ms L.M Sikhakhane	67 039
Dr S.M Mathetsa	104 218
Ms S Chiloane-Nwabueze	107 816
Mr. M.A Ramashu	53 352
Total	1 357 203

4. RISK MANAGEMENT

The Governing Board established a Risk Management Committee, which is chaired by an Independent Member. Its function is to assist the Accounting Authority in fulfilling its risk management and control responsibilities, in accordance with sections 51(1)(a)(i) of the PFMA. In 2023/24, the Risk Management Committee performed its oversight role in ensuring that the risk management strategy was effectively implemented. Quarterly reviews and reports were made available to the Audit Committee and the Governing Board, and most of the resolutions taken by these oversight committees were implemented.

The strategic risk assessment for the financial year was conducted and mitigation plans were developed and monitored for implementation. At the end of the financial year, 93.93% (31/33) of the mitigation plans were achieved. The remaining 6.06% (2/33) relates to the following major risk exposures:

- Unsustainable financial resources. The impact of budget cuts by the shareholders, a decline in billing and clients adhering to the payment conditions, and revenue generation streams only planned to come to fruition in the next 2-3 years.
- Decline in water security. Availability of water within the WMA is a serious challenge and it requires attention because of climate change and climate variability, water pollution, unlawful water use, unavailability of credible data for decision making, and a decrease in the quality of information of water users.

Table C.5: Strategic risks identified and monitored for mitigation in 2023/24.

STRATEGIC OUTCOME	RISK NUMBER	RISK DESCRIPTION	RISK DESCRIPTION EXPLAINED
Outcome 1: Increased stakeholder satisfaction	STR3	Weak / reduced stakeholder confidence and trust.	Linked to the APP targets, the IUCMA seeks to eliminate any risk exposure to stakeholder relations and increased stakeholder satisfaction.
Outcome 2: Enhanced human resources and business capabilities	STR 4	Unsustainable ICT systems.	ICT is regarded as a key IUCMA business enabler. The ICT strategy and the MSP) are approved and implemented, to ensure efficient business software applications systems are applied.
Outcome 3: Maintain financial sustainability	STR2	Unsustainable IUCMA financial resources.	The current revenue trajectory of the IUCMA is not sustainable; therefore, a plan to optimise the revenue and resource allocation cycle has been developed to provide a financial trajectory that will enable the creation of a sustainable future capital base.
Outcome 4: Protected water resources	STR1	Decline in water security.	Availability of water within the WMA is a serious challenge and a powerful force that requires attention.

5. INTERNAL AUDIT

The Public Finance Management Act (PFMA), Act 29 of 1999, section 51(1)(a)(ii), states: “An Accounting Officer for a Public entity, must ensure that a public entity has and maintains a system of internal audit under the control and direction of an audit committee complying with and operating per regulations and instructions prescribed in terms of sections 76 and 77 of the Act.”

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

Table C.6 Internal audits conducted in 2023/24.

Quarter 1	
Performance Information Q4 2022/23	Contract Management (2022/23)
Corporate Social Investment	Compliance Monitoring and Enforcement
Review of AFS	Review of Annual Performance Tables
Quarter 2	
Performance Information Q1	Leave Management
Resource Planning and Operations	Human Resource Management
Risk Management	
Quarter 3	
Q2 Performance Information	Revenue Management
Data Information Management	Financial Discipline Review
Quarter 4	
Performance Information Q3	Supply Chain Management
Review of Annual Performance Plan	Tender Review – External Auditors (Ad hoc)
Business Continuity Management	

6. COMPLIANCE WITH LAWS AND REGULATIONS

The Governing Board participated in the public participation process arranged by DWS on proposed amendments to the NWA. The Amendment Bill is currently before Parliament. In addition, the Governing Board continues to ensure that IUCMA complies with applicable legislation, including the PFMA, Regulations and the Governing Board Charter. There were no reported deviations from relevant prescripts during the applicable period.

7. FRAUD AND CORRUPTION

The Agency continues to implement its approved Fraud Prevention Plan and the Fraud Risk Assessments conducted reflect that IUCMA has minimum exposure to fraud risks, and that management has put measures in place to ensure that these risks do not materialise. Nevertheless, management accepts that fraud and corruption are a business risk. However, acceptance does not mean that it condones fraud, and it commits itself to actively fighting fraud, corruption, and all other dishonest acts. There are measures in place to ensure that fraudulent activities are reported, investigated, and resolved within a specified period. Employees and the public are encouraged to report any suspected fraud and corruption activities through awareness programmes and initiatives. There is a National Anti-Corruption Hotline (NACH) – 0800 701 701 - and a Presidential Hotline that employees and the public can use to report allegations of fraud. The Agency has an Ethics Policy and Whistle-Blowing Policy that provide assurance of protection of all reporters of unethical conduct.

There were no incidents or reported cases of fraud or corruption during the period under review.

8. MINIMISING CONFLICT OF INTEREST

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

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

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

9. CODE OF CONDUCT

The institution adopted and maintained a Code of Conduct, which is reviewed at least every three years or when there is a need to do so. This Code of Conduct was formulated to help IUCMA employees understand the standards of personal and professional behaviour required to maintain public confidence in the integrity of the IUCMA. The code is also intended to promote ethical awareness. It serves as a guideline to employees as to what is expected of them from an ethical perspective, both in their contact and their relationship with others (internal and external). Where a breach of the Code of Conduct has been alleged, the institution's complementing Disciplinary Code applies. The Disciplinary Code includes a definition of misconduct and what is expected from the employer and the employee if an investigation is instituted.

No Code of Conduct matters were reported during the year under review.

10. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

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

11. GOVERNING BOARD SECRETARY

The responsibilities of the Governing Board Secretary are:

- a. To be accountable to the Governing Board.
- b. To provide the Governing Board with guidance regarding their duties, responsibilities and powers.
- c. To advise on any law relevant to or affecting IUCMA.
- d. To report to the Governing Board any failure on the part of IUCMA to comply with relevant legislation, regulations, policies, or other applicable prescripts.
- e. To ensure that the minutes of all meetings of the Governing Board and committees are properly recorded and maintained, as per the Agency's standard operating procedures.
- f. To help with the proper induction, orientation, ongoing training, and education of Governing Board members, including assessing their specific training needs in terms of their fiduciary and other governance responsibilities.

- g. To provide a central source of guidance and advice to the Governing Board and the IUCMA on matters of good governance and changes in legislation.
- h. The Governing Board Secretary should have a direct channel of communication with the Chairperson and should be available to provide comprehensive practical support and guidance to the Governing Board.
- i. The Governing Board Secretary should ensure that the Governing Board Committee charters and terms of reference are kept up to date and adhered to.
- j. Ensure the proper compilation and timely circulation of Governing Board papers and assist the Chairperson of the Governing Board and its committees with the drafting of yearly work plans.
- k. Obtain appropriate responses and feedback to specific agenda items and resolutions and matters arising from earlier meetings of the Governing Board and its committees.
- l. To raise matters that may warrant the attention of the Governing Board.
- m. Ensure that the proceedings of the Governing Board and its committees are properly recorded and that minutes of meetings are circulated to the Governing Board on time.

12. AUDIT COMMITTEE REPORT

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

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

Audit Committee Members and Attendance

Table C.7: Audit committee members and attendance

Name	Internal / External	Date of Appointment	No of meetings attended
Ms M. Ndlovu (Chairperson)	External	1 January 2024	3
Ms C.A. Nkuna	External	1 January 2024	3
Mr M.A. Ramushu	External	14 September 2023	4
Mr M.S. Mthembu	External	Reappointed 14 September 2023	4
Ms S.D. Wiggins	External	Reappointed 14	4

Name	Internal / External	Date of Appointment	No of meetings attended
		September 2023	
Ms M.A. Mphahlele	External	Term ended 9 August 2023	4
Ms L.C. Zulu	External	Term ended 9 August 2023	3
Mr W.B. Baird	External	Term ended 9 August 2023	4
Ms L.M. Sikhakhane	External	Term ended 9 August 2023	4

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

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

Roles and Responsibilities

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

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

Effectiveness of Internal Controls

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

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

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

Whistle Blowing and Ethics Management

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

Governance of Risk

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

Internal Audit

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

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

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

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

13. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

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

Table C.8: B-BBEE compliance

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 –8) regarding the following:		
Criteria	Response	Discussion
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	The Agency monitors water allocations to ensure that there is reported sectoral transformation. In addition, in collaboration with DWS, the Agency is involved in the transformation of IBs Governing Board into water user associations – a process that is expected to heighten transformation in the sector.
Developing and implementing a preferential procurement policy?	Yes	The Agency has ensured the implementation of a preferential procurement policy that takes into consideration developmental goals. The policy allocates points to enterprises owned by black people, women, youth and people living with a disability. In line with the policy, the Agency managed to achieve 51% of total expenditure going to B-BBEE in the financial year under review.
Determining qualification criteria	No	N/A

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 –8) regarding the following:		
Criteria	Response	Discussion
for the sale of state-owned enterprises?		
Developing criteria for entering into partnerships with the private sector?	No	N/A
Determining criteria for the awarding of incentives, grants and investment schemes in support of BBEE?	No	N/A



PART D: HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

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

HR priorities and the impact of these priorities

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

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

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

Performance management framework

The institution has an approved performance management and development system and strives for 100% compliance. Employee performance management was effectively overseen during the year, to ensure the institution's strategic objectives were achieved. To support our efforts in enhancing human capital development, a WSP was developed and approved by the Energy and Water Sector Education and Training Authority (EWSETA). This ensures that training is conducted in line with this plan. Key strategic training sessions included Coaching & Mentoring, Senior Management and Executive Development Programme, Self-defence, Working at Height, SAP (HR & Payroll), Bid Committees, and Environmental Management.

Employee wellness programme

Employees are among our most precious and valued strategic assets for driving and delivering our mandate. The Agency has invested in creating a healthy workforce by providing a wide range of employee health and wellness services, such as counselling, trauma debriefing, and promoting a healthy lifestyle through a contracted professional wellness service provider.

Policy development

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

- Motor Vehicle Policy
- Human Resource Strategy.

Internal and External Bursaries

A total of 18 employees were awarded internal bursaries to further their studies in various fields of study, as follows:

Table D.1 Internal bursars' field of study

Field of Study	Number of Bursaries
Integrated Water Resource Management	5
Environmental Science / Management	3
Environmental Law / LLB	2
Science / Geohydrology	3
Information technology	1
Public / Business / Management	3
Accounting / Finance	1

Four external bursaries were also awarded to qualifying previously disadvantaged students from the catchment management areas, to allow them to pursue their tertiary education in water-related fields, i.e. BSc in Environmental Science and Water Science, BSc in Life and Environmental Sciences with specialisation in Biochemistry and Botany.

Table D.2 External bursars' field of study

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

Youth employment

The Agency's observation of the macro-environment, which includes socio-economic factors such as the high unemployment rate amongst South African youth, resulted in the placement of 25 young graduates to enable them to gain work-based experience.

Table D.3 Placements of Graduate development trainees

Job Title	Division
Graduate development Trainee/Intern	Water Use Authorization
Graduate development Trainee/Intern	Revenue
Graduate development Trainee/Intern	Risk and Compliance Management
Graduate development Trainee/Intern	Information Technology
Graduate development Trainee/Intern	Strategic Support
Graduate development Trainee/Intern	Institution and Participation
Graduate development Trainee/Intern	Supply Chain Management
Graduate development Trainee/Intern	Records and Auxiliary Services
Graduate development Trainee/Intern	Data and Information Management
Graduate development Trainee/Intern	Communications and Intergovernmental
Graduate development Trainee/Intern	Compliance Monitoring and Enforcement
Graduate development Trainee/Intern	Human Resource
Graduate development Trainee/Intern	Information Technology
Graduate development Trainee/Intern	Finance
Graduate development Trainee/Intern	Governance

Job Title	Division
Graduate development Trainee/Intern	Resource Planning and Operations
Graduate development Trainee/Intern	Resource Quality Monitoring
Graduate development Trainee/Intern	Internal Auditing
Total	18

Table D.4 Placement of SETA trainees from Ehlanzeni TVET College

Qualification	Division
N6 Management	Records and Auxiliary Services
N6 Financial Management	Revenue
N6 Public Management	Supply Chain Management
N6 Human Resource Management	Human Resource
N6 Financial Management	Finance
N6 Human Resource Management	Human Resource
N6 Public Management	Records and Auxiliary Services
Total	7

Future HR plans /goals

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

- Attract and retain talent by appointing the right, competent candidate for the correct position.
- Implement the IUCMA Employment Equity and Disability Policy to promote, embrace, and support a diverse workforce across all job categories and levels.
- Continuous improvement of employee capacity and rewarding performance and organisational effectiveness by implementing the IUCMA Performance Management and Development Policy and awarding bursaries.
- Champion career and professional growth.
- Create and enhance strategic partnerships.
- Streamline and enhance the delivery of HR services through technology.

- Offer work-life balance programmes, services and activities that improve employee health and well-being, and promote a safe and healthy working environment.
- Foster a work environment that values cooperation and collaboration, and that ensure that issues are resolved at the lowest possible level.

Critical HR priorities over the medium term are as follows:

(i) Implementation of the integrated HR plan that covers the following areas:

- Remuneration: To implement a rewards system that is consistent with the outcomes, outputs, and attributes of the IUCMA. When the performing workforce is appropriately rewarded, an extension will thus be made towards the retention of those competencies that align with the outcomes and impacts of the IUCMA.
- Succession planning and career pathing: Developing employees with specific competencies to take up critical positions by maintaining a database of them.
- Recruitment & Selection: To ensure the effective recruitment and retention of staff with expertise, experience, and skills within a framework that promotes diversity and abilities.
- Performance Management: To recognise and reward performance geared towards achieving the strategic objectives and targets of the IUCMA. The improved performance management system will lead to attaining the strategic outcomes and impacts of the IUCMA. A robust performance management system will, therefore, need to be implemented.
- Employment Equity: Creating an environment free of discrimination and removing barriers to actively appoint and develop individuals with potential from previously disadvantaged groups.
- Talent Management: Organisational excellence should be created and sustained through proactive talent management practises. Employees should be attracted, recruited, trained, and developed in terms of all critical skills required for their positions. The employees should be trained, developed, and retained to ensure they play a role in attaining the IUCMA strategic outcomes and impacts. This requires that we:

(ii) perform a baseline organisational culture survey.

(iii) perform a baseline employee survey.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

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

2.1 Personnel-related expenditure

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

Programme / activity / objective	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Programme 1	15 959	11 760	74%	12	980
Programme 2	111 461	24 057	54%	23	1046
Programme 3	47 171	15 911	51%	16	994
Programme 4	17 808	60 321	89%	62	973
Total	192 399	112 049	58%	113	992

Table D.6: Personnel cost by salary band

Level	Personnel expenditure (R'000)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management (E1 – E4)	8 184	100%	4	2 046
Senior Management (D3 – D5)	24 300	100%	15	1 620
Professional qualified (D1 – D2)	26 856	100%	20	1 343
Skilled (C1 – C5)	44 216	100%	60	737
Semi-skilled (B1 – B5)	7 348	100%	11	668
Unskilled (A1 – A3)	1 145	100%	4	286
TOTAL	112 049	100%	113	992

Table D.7: Training Costs

Programme / activity / objective	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost	No. of employees trained	Avg. training cost per employee
Safety Management Training Course (SAMTRAC)	n/a	135	100%	1	135
Facility Management	n/a	129	100%	1	129
How to Audit Performance Information for Public Sector IAOAPI	n/a	75	100%	1	75
Advanced Excel	n/a	79	100%	1	79
Senior Management Programme	n/a	314	100%	3	105
South African Society of Archivist Conference	n/a	72	100%	1	72
26th Southern Africa Internal Audit Hybrid Conference	n/a	79	100%	1	79
Self-defence Training	n/a	214	100%	24	9
Working at Height Training	n/a	274	100%	28	98
Tools for Wetland Assessment	n/a	252	100%	4	63
67th Annual IPM Convention 2023	n/a	117	100%	3	39
Advanced Project Management	n/a	154	100%	1	154
Environmental Management	n/a	254	100%	31	8
Bid Committee Training	n/a	214	100%	21	10
Total		2362	100%	121	20

Table D.8: Employment and vacancies

Programme / Activity / Objective	2023/24 No. of Employees	2023/24 Approved Posts	2023/24 No. of Employees	2023/24 Vacancies	% of Vacancies
Top Management	3	4	3	1	25%
Senior Management	15	15	15	0	0%
Professional qualified	21	26	20	6	15%
Skilled	60	81	60	21	30%
Semi-skilled	11	13	11	2	18%
Unskilled	4	4	4	0	0%
TOTAL	114	144	113	31	22%

Table D.9: Employment changes

Salary Band	Employment at the beginning of the Period	Appointments	Terminations	Employment at the end of the Period
Top Management	4	0	1	3
Senior Management	14	1	0	15
Professional qualified	20	0	1	19
Skilled	63	5	6	62
Semi-skilled	11	0	0	11
Unskilled	4	0	0	4
Total	116	6	8	114

The Agency is undergoing a process of structural review which will change the current state of the vacancy rate upon conclusion.

Terminations (1 April 2023 – 31 March 2024)

Table D.10: Terminations

Salary Band	Employment at the beginning of the period
Top Management	1
Senior Management	0
Professional qualified	1
Skilled	6
Semi-skilled	0
Unskilled	0
Total	8

Table D.11: Reasons for staff leaving.

Reason	Number	% of total staff leaving
Death	0	
Resignation	8	9%
Dismissal	0	
Retirement	0	
Ill health	0	
Expiry of contract	0	
Other	0	
Total	8	100%

Eight employees resigned during the financial year, and one employee submitted a resignation letter (effective 31 March 2024). This employee is not reflected in the table above, since the termination was effective end March 2024. The assessment is that many of the resignations are due to career progression. However, it has been noted that some employees expressed working conditions as part of the exit from the entity.

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

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

Table D.13: Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1							
Senior Management	10							
Professional qualified	13							
Skilled	29						1	
Semi-skilled	3							
Unskilled	0							
TOTAL	56						1	

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2							
Senior Management	5							
Professional qualified	7							
Skilled	28		1				1	
Semi-skilled	8							
Unskilled	4							
TOTAL	54		1				1	

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





PART E: PFMA COMPLIANCE REPORT

1. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

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

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

1.1 Irregular expenditure

a) Reconciliation of irregular expenditure

Table E.1 a: Reconciliation of irregular expenditure

Description	2023/24	2022/23
	R'000	R'000
Opening balance	971	16 155
Add: Irregular expenditure confirmed	-	238
Less: Irregular expenditure condoned	(495)	(15 422)
Less: Irregular expenditure not condoned and removed	-	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance	476	971

The balance reported as an opening balance in the current year amounting to R971,006 was a result of the following expenditures:

- R494,934 incurred as a result of international trips approved in contravention of approved Human Resource Development policy and National Treasury Instruction No 2 of 2017/18 Section 8.1. The Governing Board condoned the full amount during the year under review.
- R476,072 incurred as a result of an Internet services contract with X-DSL Networking Solutions t/a Stem Connect that was deemed irregular due to payments after the expiry of the contract. The matter is still under investigation, hence no disciplinary steps and/or condonement has been done at the reporting date.

Reconciling notes

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure under assessment in 2022/23	-	-
Irregular expenditure that relates to 2022/23 and identified in 2023/24	-	-
Irregular expenditure for the current year	-	238
Total	-	238

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

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	-	238
Irregular expenditure under investigation	-	-
Total	-	238

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

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure condoned	495	15 422
Total	495	15 422

Fruitless and wasteful expenditure

a) Reconciliation of fruitless and wasteful expenditure

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

Description	2023/24	2022/23
	R'000	R'000
Opening balance	-	18
Add: Fruitless and wasteful expenditure confirmed	-	5
Less: Fruitless and wasteful expenditure written off	-	(5)
Less: Fruitless and wasteful expenditure recoverable	-	(18)
Closing balance	-	-

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

Reconciling notes

Description	2023/24	2022/23
	R'000	R'000
Fruitless and wasteful expenditure that was under assessment in 2022/23	-	-
Fruitless and wasteful expenditure that relates to 2022/23 and identified 2023/24	-	-
Fruitless and wasteful expenditure for the current year	-	5
Total	-	5

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

Description	2023/24	2022/23
	R'000	R'000
Fruitless and wasteful expenditure recovered	-	18
Total	-	18

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

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

Description	2023/24	2022/23
	R'000	R'000
Fruitless and wasteful expenditure written off	-	5
Total	-	5

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

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

Description	Number of invoices	Consolidated Value
	R'000	R'000
Valid invoices received	1 555	56 408
Invoices paid within 30 days or agreed period	1 114	39 830
Invoices paid after 30 days or agreed period	441	16 578
Invoices older than 30 days or agreed period (unpaid and without dispute)	0	0
Invoices older than 30 days or agreed period (unpaid and in dispute)	0	0

R1,551,471 worth of invoices (38 invoices) were paid after 30 days, due to invoice discrepancies that required correction. Other invoices were paid after 30 days, but this was within the contractual terms, i.e. payment was only rendered once services were successfully delivered.

2. SUPPLY CHAIN MANAGEMENT

Table E.6 Procurement by other means.

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Services for IWR for WReMP modelling software subscription, maintenance, model upgrades and improvements for 36 months	IWR Water Resources (Pty) Ltd	Sole source	M004-2023/24	1 402
Services to provide specialised software support for DHI Mike Customised software package subscription and maintenance of short-term decision support system (DSS) for 36 months	Ekosource Insight (Pty) Ltd	Sole source	M005-2023/24	1 499
Total				2 901



PART F: FINANCIAL INFORMATION

REPORT OF THE EXTERNAL AUDITOR AND ANNUAL FINANCIAL STATEMENTS



INKOMATI-USUTHU

CATCHMENT MANAGEMENT AGENCY

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements

for the year ended 31 March 2024



Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

General Information

Country of incorporation and domicile

South Africa

Members

Ms LC Zulu (Chairperson)
Adv G Khoza (Deputy
Chairperson)
Dr SM Mathetsa
Ms S Chiloane-Nwabueze
Mr MA Ramushu
Mrs SD Wiggins
Mr MS Mthembu
Adv MB Shabangu (Ex Officio)

Auditors

PricewaterhouseCoopers Inc.
Registered Auditors

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

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Abbreviations used:

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

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

Accounting Authority's Responsibilities and Approval

The members are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the agency as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external 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 2025 and, in the light of this review and the current financial position, they are satisfied that the agency has or has access to reasonable resources to continue in operational existence for the foreseeable future. This will be achieved by the identification of revenue streams to augment the continuous dwindling parliamentary allocation. The members are also cognitive of the need to strengthen debtors' collection rates of the agency (refer to note 34).

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

The accounting authority is responsible for the controls over and the security of the 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 auditor is 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 8.

The annual financial statements have been prepared on the going concern basis, were approved by the accounting authority on 14 August 2024 and were signed on its behalf by:

Inkomati-Usuthu Catchment Management Agency
Annual Financial Statements for the year ended 31 March 2024

Accounting Authority's Responsibilities and Approval



Ms LC Zulu (Chairperson)



Adv MB Shabangu (Ex Officio)

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

Audit Committee Report

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

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

Audit Committee Members and Attendance

The table below discloses relevant information on Audit Committee members:

Name of member	Internal/External	Date of Appointment	Number of meetings
Ms M Ndlovu (Chairperson)	External	01 January 2024	3
Ms CN Nkuna	External	01 January 2024	3
Mr MA Ramushu	External	14 September 2023	4
Mr MS Mthembu	External	Reappointed: 14 September 2023	4
Ms SD Wiggins	External	Reappointed: 14 September 2023	4
Ms MA Mphahlele	External	Term ended: 9 August 2023	4
Ms LC Zulu	External	Term ended: 9 August 2023	3
Mr WB Baird	External	Term ended: 9 August 2023	4
Ms LM Sikhakhane	External	Term ended: 9 August 2023	4

Audit committee responsibility

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.

For the year under review and as per agency's approved Audit Charter, the Audit Committee met quarterly and held special meetings as and when required. Seven (7) Committee meetings were held, comprising of three (3) special meetings and four (4) ordinary meetings. Special Committee meetings were convened to consider the following matters:

- i. Annual Performance Tables, Annual Financial Statements, and External Audit Plan by Nexia SAB&T for 2022/23
- ii. Audit Committee Report
- iii. 2024/25 Proposed Tariffs
- iv. Annual Performance Plan 2024/25
- v. External Audit Service Provider
- vi. Change of IUCMA Bank Account Service
- vii. Water Resources Revenue Management Policy
- viii. Annual Procurement Plan 2023/24, Supply Chain Management Policy and Preferential Procurement Policy

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

Audit Committee Report

Roles and Responsibilities

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

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

The Effectiveness of Internal Control

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

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

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

Whistle Blowing and Ethics Management

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

Governance of Risk

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

Internal Audit

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

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

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

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

Audit Committee Report

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



Chairperson of the Audit Committee

Date: 14 August 2024



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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the Inkomati-Usuthu Catchment Management Agency set out on pages 13 to 48, which comprise the statement of financial position as at 31 March 2024, the statement of financial performance, statement of changes in net assets, Statement of Comparison of Budget and Actual Amounts and statement of cash flows 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 the Inkomati-Usuthu Catchment Management Agency as at 31 March 2024 and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including the Public Finance Management Act (no 1 of 1999) (PFMA) and Other Treasury issued regulations.

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.

Material uncertainty relating to going concern

We draw attention to the Accounting Authority's Report Note 2 and Note 34 to these financial statements, which describes the uncertainty related to the continued financial support by the Executive Authority based on the shortfall of the amounts committed by the Department of Water and Sanitation and the departments' willingness through ministerial intervention to provide additional committed funds, to enable the Agency to operate without curtailment and continue to execute its mandate, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Agency's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Allowance for impairment

We further draw attention to note 21 to these financial statements where an allowance for impairment expense amounting to R22,4 million was included as part of the operating expenses due to the impairment of receivables from exchange transactions subjected to the vetting and validation process undertaken during the year. Our opinion is not modified in respect of this matter.

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 Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of PFMA and Other National Treasury regulations 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.

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Chief Executive Officer: L S Machaba

The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.



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

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. The Accounting Authority is responsible for the preparation of the annual performance report.

We selected the following programme presented in the annual performance report for the year ended 31 March 2024 for auditing. We selected programme that measures the agency's performance on its primary mandated functions and that are of significant national, community or public interest.

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 programme presented in the Agency's annual performance report for the year ended 31 March 2024.

Programme	Page Numbers	Purpose
Programme 4: Water resource management	19 - 22 of Part B	Ensuring effective, efficient, and sustainable management of water resources.

We evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the agency's planning and delivery on its mandate and objectives.

We performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the Agency's mandate and the achievement of its planned objectives;
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements;
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated;
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents;
- the reported performance information is presented in the annual performance report in the prescribed manner; and
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

We performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

We did not identify any material findings on the reported performance information of Programme 4: Water Resource Management.

Other matter - material misstatement subsequently corrected

We identified a material misstatement in the annual performance report submitted for auditing. This material misstatement was identified in the performance information of Programme 4: Water Resource Management. Management subsequently corrected the misstatement, and consequently we did not include any findings relating to the programme in this report.



Report on the audit of compliance with legislation

In accordance with the PAA and the general notice issued in terms thereof, we must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The Accounting Authority is responsible for the Agency's compliance with legislation.

We performed procedures to test compliance with selected requirements in key legislation in accordance with the AGSA findings engagement methodology. This engagement is not an assurance engagement. Accordingly, we do not express an assurance opinion or conclusion.

Through an established AGSA process, we selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the Agency, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

The material findings on compliance with selected legislative requirements, presented per compliance theme, are as follows:

Revenue management

Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

Other information in the Annual Report

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 objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

A handwritten signature in black ink, appearing to read 'Johann Boshoff', is positioned above the printed name and title.

PricewaterhouseCoopers Inc.
Director: Johann Boshoff
Registered Auditor
Nelspruit, South Africa
16 August 2024

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

Accounting Authority's Report

The members submit their report for the year ended 31 March 2024.

1. Review of activities

Main business and operations

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

Net deficit of the agency for 2024 was R 5,515,707 (2023: surplus R 14,830,185).

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 (CMA). Collection rates for debtors have improved in the year albeit historic debt remaining a challenge to the agency. The causation of slow recoverability of historic debt is poor customer data. As such, data integrity is an integral part of the agency's strategy to ensure ultimate financial sustainability.

In addition to the management of debt, the agency over the year has recorded increased volatility with regards to reported registered volumes. The volatility results in low predictability of collections for water resource charges. Reductions of volumes in the year was mainly due to the validation and verification project of water rights that is at an advanced stage for the greater part of the Catchment. Other secondary factors that have impacted change in volumes include expired or cancelled licences and voluntary surrender of water rights. Due to the adverse impact volume reduction has on the overall performance of the agency, management has taken a decision to critically review all adverse changes on the system at an executive level.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The going concern of the agency has been detailed in Note 34.

3. Subsequent events

No events were reported post reporting date.

4. Members' interest in contracts

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

5. Accounting policies

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

6. Accounting Authority

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

Name	Appointment date
Ms LC Zulu (Chairperson)	Reappointed 9 August 2023
Adv G Khoza (Deputy Chairperson)	Reappointed 9 August 2023
Dr SM Mathetsa	Appointed 9 August 2023
Ms S Chiloane-Nwabueze	Appointed 9 August 2023
Mr MA Ramushu	Appointed 9 August 2023
Mrs SD Wiggins	Reappointed 9 August 2023
Mr MS Mthembu	Reappointed 9 August 2023
Adv MB Shabangu (Ex Officio)	Appointed 1 January 2024
Mr M Gangazhe	Term ended 9 August 2023
Mr W Baird	Term ended 9 August 2023
Ms LM Sikhakhane	Term ended 9 August 2023
Dr T Kelly	Term ended 9 August 2023

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

Accounting Authority's Report

Accounting Authority (continued)
Mr LC Mohalaba (Ex-Officio)

Term ended 31 December 2023

7. Auditors

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

8. Non-compliance with applicable legislation

The agency did not incur irregular expenditure in the current financial year. The agency opened with a balance of R238,036 carried over from prior year.

The agency did not incur fruitless and wasteful expenditure in the current year as well as in 2023

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

The annual financial statements have been prepared on the going concern basis, and were approved by the accounting authority on 14 August 2024 and were signed on its behalf by:



Ms LC Zulu (Chairperson)



Adv MB Shabangu (Ex Officio)

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

Statement of Financial Position as at 31 March 2024

Figures in Rand	Note(s)	2024	2023 *Restated
Assets			
Current Assets			
Prepayments	5	393,563	
Receivables from exchange transactions	10	16,592,702	2,467,202
Receivables from non-exchange transactions	11	167,781	83,390
Cash and cash equivalents	12	40,130,752	62,975,465
		57,284,798	65,526,057
Non-Current Assets			
Property, plant and equipment	4	8,968,048	8,336,595
Rental deposits	9	8,345	249,461
		8,976,393	8,586,056
Total Assets		66,261,191	74,112,113
Liabilities			
Current Liabilities			
Payables from exchange transactions	6	2,867,253	4,926,178
VAT payable	7	141,394	
Employee benefit obligations	8	6,534,238	6,967,110
Finance lease obligation	13	139,093	126,156
		9,681,978	12,019,444
Non-Current Liabilities			
Finance lease obligation	13	192,659	190,408
Total Liabilities		9,874,637	12,209,852
Net Assets		56,386,554	61,902,261
Accumulated surplus		56,386,554	61,902,261
Total Net Assets		56,386,554	61,902,261

[¶] See Note 2 & 29

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 *Restated
Revenue	14	177,497,264	152,311,072
Other income	15	2,730,046	1,367,302
Operating expenses	21	(192,613,652)	(143,968,715)
Operating (deficit) surplus		(12,386,342)	9,709,659
Interest income	16	6,874,794	5,123,595
Finance costs	19	(4,159)	(3,069)
Surplus /(Deficit) for the year		(5,515,707)	14,830,185

* See Note 2 & 29

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / (deficit)	Total net assets
Balance at 01 April 2022	4,864,714	4,864,714
Changes in net assets		
Prior year error (N29)	42,207,362	42,207,362
Restated balance 01 April 2022	47,072,076	47,072,076
Surplus for the year	14,830,185	14,830,185
Restated balance at 01 April 2023	61,902,261	61,902,261
Changes in net assets		
Loss for the year	(5,515,707)	(5,515,707)
Total changes	(5,515,707)	(5,515,707)
Balance at 31 March 2024	56,386,554	56,386,554

* See Note 2 & 29

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 *Restated
Cash flows from operating activities			
Receipts			
Water resources management charges invoiced		57,341,842	38,548,570
Interest income		6,874,794	5,123,595
Grants		93,864,000	110,697,139
Interest received on trade debtors		12,165,922	4,137,723
Other income		2,493,288	146,774
		172,739,846	158,653,801
Payments			
Employee costs		(112,331,770)	(108,014,240)
Operating expenses		(81,419,181)	(36,628,551)
		(193,750,951)	(144,642,791)
Net cash flows from operating activities	22	(21,011,105)	14,011,010
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(1,844,637)	(956,750)
Cash flows from financing activities			
Finance lease payments		11,029	254,770
Net increase(decrease) in cash and cash equivalents		(22,844,713)	13,309,030
Cash and cash equivalents at the beginning of the year		62,975,465	49,666,435
Cash and cash equivalents at the end of the year	12	40,130,752	62,975,465

The accounting policies on page 18 and the notes on pages 33 to 48 form an integral part of the annual financial statements.

* See Note 2 & 29

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

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						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Water resource management charges invoiced	54,042,511		54,042,511	71,467,342	17,424,831	32
Interest received (trading)				12,165,922	12,165,922	32
Other income				2,730,046	2,730,046	32
Interest income	3,270,000		3,270,000	6,874,794	3,604,794	32
Total revenue from exchange transactions	57,312,511		57,312,511	93,238,104	35,925,593	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants	128,234,765		128,234,765	93,864,000	(34,370,765)	32
Total revenue	185,547,276		185,547,276	187,102,104	1,554,828	
Expenditure						
Personnel	(114,864,901)		(114,864,901)	(112,049,446)	2,815,455	32
Depreciation	-		-	(994,289)	(994,289)	32
Finance costs	(5,102)		(5,102)	(4,159)	943	32
Allowance for impairment	(13,510,628)		(13,510,628)	(22,421,379)	(8,910,751)	32
General Expenses	(57,166,646)	(11,301,367)	(68,468,013)	(56,929,643)	11,538,370	32
Total expenditure	(185,547,277)	(11,301,367)	(196,848,644)	(192,398,916)	4,449,728	
Operating surplus				(5,296,812)	6,004,556	
Loss on disposal of assets and liabilities				(218,895)	(218,895)	32
Operating surplus		(11,301,367)	(11,301,367)	(5,515,707)	5,785,661	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement		(11,301,367)	(11,301,367)	(5,515,707)	5,785,661	

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

Significant Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Significant accounting policies

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

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

Changes in Accounting Policy and Comparability

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

For periods ended 31 March 2023 and 31 March 2024, the agency has adopted the accounting framework as set out in point 1 above. The information for prior year ended 31 March 2023 is for a period of 12 months. The details of any resulting accounting policy and comparative figures are set out below:

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

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

Critical Judgment and Sources of Estimation Uncertainty

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

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

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

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

Revenue Recognition

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

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

Financial instruments

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

In making the above-mentioned judgment, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial instruments.

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

Significant Accounting Policies

Impairment of Financial Assets

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

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

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

Useful lives of Property, Plant and Equipment

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

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

Impairment

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

Budget Information

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

Going Concern Assumption

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

Offsetting

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

1.1 Property, plant and equipment

Initial Recognition

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

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

Significant Accounting Policies

1.1 Property, plant and equipment (continued)

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

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

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

Subsequent Measurement

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

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

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

Depreciation

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

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

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

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

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

Significant Accounting Policies

1.1 Property, plant and equipment (continued)

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

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

Derecognition of Property, Plant and Equipment

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

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

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

1.2 Financial instruments

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

Initial Recognition

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

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

Significant Accounting Policies

1.2 Financial instruments (continued)

Financial assets - classification

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

Financial assets at amortised cost

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

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

Financial assets at fair value

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

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

Financial assets at cost

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

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

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

Financial Liabilities - Classification

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

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

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

Class	Category
Payables from exchange transactions	financial liability measured at amortised cost

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Significant Accounting Policies

1.2 Financial instruments (continued)

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

Initial and Subsequent Measurement

Financial Assets:

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

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

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

Financial Liabilities:

Financial Liabilities measured at amortised cost

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

Financial liabilities measured at fair value

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

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

Impairment of Financial Asset

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

Financial assets carried at amortised cost

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

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

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

Gains and losses

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

Inkomati-Usuthu Catchment Management Agency

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Significant Accounting Policies

1.2 Financial Instruments

(continued) Derecognition

Financial assets

The agency derecognises financial assets using trade date accounting.

The agency derecognises a financial asset only when:

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

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

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

Financial liabilities

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

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

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

1.3 Leases

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

Determining whether an arrangement contains a lease

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

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

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Significant Accounting Policies

1.3 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

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

1.4 Impairment of assets

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

External Sources of Information:

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

Internal Sources of Information:

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

Impairment of Non-Cash Generating Assets

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

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

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Significant Accounting Policies

1.4 Impairment of assets (continued)

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

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

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

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

1.5 Employee benefits

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

These short term employee benefits are recognised during the period in which the related service is rendered. Accruals for employee entitlements represent the amounts which the agency has a present obligation to pay as a result of employee services provided at the reporting date. The accruals have been calculated at undiscounted amounts based on current salary rates. The expected cost of incentive is recognised as a liability when there is a legal or constructive obligation to make such a payment as a result of past performance.

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

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

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

1.6 Provision and Contingencies

Provisions are recognised when:

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

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

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

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.

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Significant Accounting Policies

1.6 Provision and Contingencies (continued)

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

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

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

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

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

Contingencies are disclosed in note 25.

1.7 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.8 Revenue from exchange transactions

Recognition

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

Sale of Goods

Sale of goods Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the agency has transferred to the buyer the significant risks and rewards of ownership of the goods.
- the agency retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- the amount of revenue can be measured reliably.
- it is probable that the economic benefits or service potential associated with the transaction will flow to the agency.
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of Services

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

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Significant Accounting Policies

1.8 Revenue from exchange transactions (continued)

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

Measurement

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

Interest

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

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

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

1.9 Revenue from non-exchange

transactions Recognition

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

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

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

Measurement

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

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

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the agency, 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.

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Significant Accounting Policies

1.9 Revenue from non-exchange transactions (continued)

Transfers

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

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

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The agency recognises statutory receivables as follows:

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

Initial measurement

The agency initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Impairment losses

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

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Significant Accounting Policies

1.10 Statutory receivables (continued)

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

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

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

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

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

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

Derecognition

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

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

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

1.11 Fruitless and wasteful expenditure

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

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

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

Significant Accounting Policies

1.12 Irregular expenditure

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

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

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

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

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

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

1.13 Segment information

A segment is an activity of an agency:

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

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

1.14 Budget information

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

These figures are those approved in the agency estimate at the beginning and end of the year. The approved budget covers the period from 1 April 2023 to 31 March 2024. The budget is approved on a cash basis by programme and item classification whereas the actual amounts are reported on accrual basis of accounting. Therefore, the Statement of Comparison of Budget and Actual Amounts have not been prepared on the comparable basis of accounting.

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1.15 Related parties

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

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

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

1.16 Events after reporting date

Events after the reporting date that are classified as non-adjusting events have been accounted for in the financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in note 33.

1.17 Going concern

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

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2. Changes in accounting policy, prior errors and estimates

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year. No changes were applied to accounting policies. Changes to accounting estimates and prior year errors have been disclosed in note 28 and 29.

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

3.2 Standards and interpretations issued, but not yet effective

The agency has not applied the following standards and interpretations, which have been published and are mandatory for the agency's accounting periods beginning on or after 01 April 2024 or later periods:

Standard and Interpretation	Effective date:	Implementation date
GRAP 1 Presentation of Financial Statements	Approved, not yet effective	No date set
GRAP 104 Financial Instruments - Amended	Approved, not yet effective	1 April 2025
GRAP 105 Transfers Between Entities Under Common Control	Approved, not yet effective	No date set

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Figures in Rand

4. Property, plant and equipment

	2024		2023	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
Land and buildings	2,090,771	(601,482)	1,489,289	2,090,771
Office equipment	6,383,330	(4,852,435)	1,530,895	3,628,845
Furniture and fixtures	4,752,696	(2,624,059)	2,128,637	6,704,965
Motor vehicles	1,352,497	(810,146)	542,351	1,352,497
Computer equipment	9,928,438	(6,651,562)	3,276,876	11,860,254
Total	24,507,732	(15,539,684)	8,968,048	25,637,332
				(17,300,737)
				8,336,595

Inkomati-Usuthu Catchment Management Agency

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Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Depreciation	Total
Land and buildings	1,598,027	-	-	(108,738)	1,489,289
Furniture and fixtures	1,935,341	494,000	(58,118)	(242,587)	2,128,636
Motor vehicles	48,221	-	-	494,130	542,351
Office equipment	1,621,586	325,907	(7,085)	(409,512)	1,530,896
Computer equipment	3,133,420	1,024,730	(153,692)	(727,582)	3,276,876
	8,336,595	1,844,637	(218,895)	(994,289)	8,968,048

Inkmati-Usuthu Catchment Management Agency

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Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation (restated)	Total
Land and buildings	1,706,765	-	-	(108,738)	1,598,027
Furniture and fixtures	2,471,394	-	(34)	(536,019)	1,935,341
Motor vehicles	97,378	-	-	(49,157)	48,221
Office equipment	1,665,549	414,584	(1,111)	(457,436)	1,621,586
Computer equipment	3,971,456	542,166	(63,093)	(1,317,109)	3,133,420
	9,912,542	956,750	(64,238)	(2,468,459)	8,336,595

Pledged as security

The agency did not pledge any of its assets as security. The agency has office equipment to the value of R330,672 that have been leased.

Depreciation linked to all assets has been restated following correction of prior year error as disclosed in Note 29.

The following assets have been reclassified to enhance the financial records namely: furniture and fittings, office equipment and computer equipment. The changes did not impact the valuation of total assets.

Disposals reported in 2023 did not result in a cash inflow.

Details of properties

Property 1

	2024	2023
Land and building is situated on Portion 1 of Erf 32 Piet Retief (Mkhondo)		
- Opening balance	1,598,027	1,706,765

Repairs and Maintenance

	2024	2023
Land and buildings	372,605	-
Motor vehicles	120,927	95,858
Computer equipment	56,823	111,435
	550,355	207,293

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

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5. Prepayment

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

Debtors with credit balances	591,108	2,920,138
Unallocated debtors balance	3,770	9,888
Trade payables	-	1,459,166
Accruals	1,245,879	516,037
Operating lease liability	1,012,258	-
Garage card	14,237	20,949
	2,867,253	4,926,178

7. VAT payable

VAT payable	141,394	-
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8. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Staff bursaries	(126,218)	-
Pension	-	(1,362,730)
Medical aid	(940,000)	(17,663)
Unpaid salaries	(214,182)	(177,665)
Staff bonus	(477,168)	(517,891)
Leave provision	(4,776,670)	(4,891,161)
	(6,534,238)	(6,967,110)

9. Rental deposits

Rental deposits	8,345	249,461
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10. Receivables from exchange transactions

	30 days	60 days	+90 days	Allowance for impairment	Total
2024					
Trade debtors	22,719,780	(3,757,473)	116,046,673	(118,416,278)	16,592,702
2023					
Trade debtors	15,852,545	8,462,688	74,146,868 <small>(restated refer to N29)</small>	(95,994,899)	2,467,202

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Figures in Rand	2024	2023
Reconciliation of allowance for impairment of trade debtors		
Opening balance	(95,994,899)	(104,089,262)
Allowance for impairment	(22,421,379)	8,094,363
	(118,416,278)	(95,994,899)

Trade debtors balance of R135,008,980 (2023: R98,462,101) was adjusted by a corresponding allowance for impairment carried against receivables of R118,416,278 (2023: R95,994,899) resulting in an outstanding balance of R16,592,702 (2023: R2,467,202) reported by the end of the period.

11. Receivables from non-exchange transactions

Interest receivable	24,931	12,247
Staff receivables	142,850	71,143
	167,781	83,390

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash float	3,991	3,530
Bank balances	2,604,634	4,074,147
Cash held with South African Reserve Bank	37,522,127	58,897,788
	40,130,752	62,975,465

13. Finance lease obligation

Minimum lease payments due		
- within one year	139,093	126,156
- in second to fifth year inclusive	192,659	190,408
Present value of minimum lease payments	331,752	316,564

Present value of minimum lease payments due		
- within one year	139,093	126,156
- in second to fifth year inclusive	192,659	190,408
	331,752	316,564

It is the agency 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% (2023: 8% - 10%).

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

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

14. Revenue

Water resources charges invoiced	71,467,342	37,476,210
Interest received (exchange transactions)	12,165,922	4,137,723
Transferred government grants	93,864,000	110,697,139
	177,497,264	152,311,072

Inkomati-Usuthu Catchment Management Agency

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Figures in Rand	2024	2023
The amount included in revenue arising from exchanges of goods or services are as follows:		
Water resources charges invoiced	71,467,342	37,476,210
Interest received (trading debtors)	12,165,922	4,137,723
Other income	2,730,046	1,367,302
Interest income	6,874,794	5,123,595
	93,238,104	48,104,830
15. Other income		
Other income	2,730,046	1,367,302
Other income is predominately made up of fees charged for the secondment of staff during the year to support the Department of Water and Sanitation. Other revenue earned was in lieu of licence application fees paid by water users.		
16. Interest income		
Bank interest	6,874,794	5,123,595
17. Grants		
Operating grants		
Government grant	93,864,000	110,697,139
18. Employee related costs		
Basic	85,396,203	81,268,609
Pension contributions	13,383,636	12,739,429
Workman's compensation	150,548	78,837
Leave pay provision charge	(77,393)	395,128
Car allowance	13,133,292	13,291,490
Overtime	63,160	-
	112,049,446	107,773,493
19. Finance costs		
Finance leases	4,159	3,069
20. Auditors' fees		
Fees	521,910	440,295

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
21. General expenses		
Advertising	491,115	301,288
Bank charges	65,117	55,808
Cleaning	102,460	30,307
Legal fees	2,705,113	955,611
Consumables	115,794	27,081
Gardening and irrigation	35,455	70,365
Insurance	198,004	988,656
Motor vehicle expenses	201,111	205,467
Courier services	2,213	19,569
Printing and stationery	559,938	347,903
Repairs and maintenance	550,354	207,293
Security services	422,599	284,993
Subscriptions and membership fees	146,483	82,138
Telephone and fax	1,595,956	1,650,854
Training	2,361,759	1,217,974
Travel - local	3,389,101	2,323,261
Travel - overseas	96,915	-
Electricity	1,071,454	1,296,013
Municipal services	46,496	44,307
CMA project costs	29,222,572	21,538,500
Protective clothing	430,169	62,784
Internal audit	405,923	787,799
Venue and facilities	816,463	222,596
Resettlement costs	479,856	102,238
Laboratory expenses water research testing	2,240,697	1,936,346
Operating lease: office space	8,654,616	6,554,543
	56,407,733	41,313,694

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. 2023 figures have been restated for full alignment to the line items as disclosed in 2024. The additional disclosure was deemed necessary to aid heightened levels of understandability.

Operating Expenditure		
General expenses	56,407,733	41,313,694
Allowance for impairment	22,421,379	(8,094,363)
Auditor's fees	521,910	440,295
Employee Costs	112,049,446	107,776,493
Loss on disposal of fixed assets	218,895	64,138
Depreciation	994,289	2,468,458
	192,613,652	143,968,715

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
22. Cash (used in) generated from operations		
(Deficit) surplus	(5,515,707)	14,830,185
Adjustments for:		
Depreciation	994,289	2,468,459
Loss on sale of assets and liabilities	218,895	64,238
Finance leases	4,159	3,069
Employee benefits	(432,872)	(316,683)
Changes in working capital:		
Receivables from exchange transactions	(14,125,500)	(79,920)
Other receivables from non-exchange transactions	(84,391)	(71,723)
Payables from non-exchange transactions	(152,449)	(2,348,062)
Payables from exchange transactions	(2,058,923)	(538,553)
VAT Payable	141,394	-
	(21,011,105)	14,011,010

Prior year figures have been adjusted due to errors as disclosed in note 29.

23. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	16,592,702	16,592,702
Cash and cash equivalents	40,130,752	-	40,130,752
Receivables from non-exchange transactions	-	167,781	167,781
	40,130,752	16,760,483	56,891,235

Financial liabilities

	At amortised cost
Trade and other payables from exchange transactions	2,853,312

2023

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	2,467,202	2,467,202
Receivables from non-exchange transactions	-	83,390	83,390
Cash and cash equivalents	62,975,465	-	62,975,465
	62,975,465	2,550,592	65,526,057

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Financial liabilities

		At amortised cost
Trade and other payables from exchange transactions		4,905,525
Finance lease liability		316,564
		5,222,089

24. Commitments

Operating commitments

Authorised operational commitments

• within one year	29,272,478	39,618,279
• in second to fifth year inclusive	17,408,368	62,287,787
	46,680,846	101,906,066

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	7,368,204	10,770,569
- in second to fifth year inclusive	24,577,896	31,966,971
	31,946,100	42,737,540

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

25. Contingencies

National Treasury: Accumulated Surplus	47,208,959	53,422,927
Legal action against the agency	695,633	695,633
	47,904,592	54,118,560

Accumulated Surplus is subject to National Treasury approval to retain such funds. The accumulated surplus is determined in terms of the National Treasury Instruction No. 12 of 2020/2021. A declaration of the cash surplus as at 31 March 2024 will be submitted to the National Treasury, together with an application to retain such surpluses in terms of section 53(3) of the PFMA and National Treasury instruction No 12 of 2020/2021. The Accounting Officer will make an application to the National Treasury to retain the surplus in order to fund the capital and operational commitments as they are not taken into account in the determination of the accumulated surplus. The response on the application to retain the 2022/23 surplus was received in April 2024 whereby the agency was permitted to retain surplus funds.

The legal action that was instituted by ALVG Boerdery CC on 31 March 2023 for damages amounting to R545,633 remains unresolved and is before the court. Should the agency lose the matter, it may be required to pay the claimed amount, plus costs in the region of R150,000. The Governing Board is opposing the matter with legal counsel assistance.

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Figures in Rand 2024 2023

26. Related parties

Relationships

Controlling department	Department of Water and Sanitation (Refer to note 17)
Governing Board	Refer to note 27
Executive Directors	Refer to note 27
Audit Committee	Refer to note 27

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

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

Related parties transactions		
Department of Water and Sanitation	93,864,000	110,697,139
Executive Directors	(8,184,106)	(6,723,205)
Governing Board Members	(1,357,203)	(1,520,702)
Audit Committee	(372,096)	(522,222)
	83,950,595	101,931,010

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2024

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Figures in Rand	2024	2023
27. Governing Board and Executive Directors' Remuneration		
Governing Board		
2024		
* Mr MS Mthembu - Chairperson (End of term as Chairperson - 9 August 2023)	230,793	390,744
*Mrs SD Wiggins (End of term as a Deputy Chairperson - 9 August 2023)	149,209	180,584
**Ms LC Zulu - Chairperson (Reappointed - 9 August 2023)	216,124	93,777
*Adv G Khoza - Deputy Chairperson (Reappointed - 9 August 2023)	209,392	228,554
Mr M Gangazhe (End of term - 9 August 2023)	51,804	129,345
Dr SM Mathetsa (Appointed - 9 August 2023)	104,218	-
Mr WB Baird (End of term - 9 August 2023)	57,230	142,495
Dr T Kelly (End of term - 9 August 2023)	110,226	254,153
Ms LM Sikhakhane (End of term - 9 August 2023)	67,039	101,050
Ms S Chiloane-Nwabueze (Appointed - 9 August 2023)	107,816	-
Mr MA Ramushu (Appointed - 9 August 2023)	53,352	-
	1,357,203	1,520,702

Audit Committee

Mr JK Sithole - Chairperson (Resignation date - 26 January 2023)	-	91,122
Ms MA Mphahlele - Interim Chairperson (End of term - 9 August 2023)	44,392	102,888
Ms N Ndlovu - Chairperson (Appointed - 1 January 2024)	38,458	-
Mr MS Mthembu - Interim Chairperson between 9 August 2023 - 31 December 2023 (Reappointed - 14 September 2023)	54,898	-
Mr MA Ramushu (Appointed - 14 September 2023)	30,566	-
Ms CN Nkuna (Appointed - 14 September 2023)	26,676	-
Ms LC Zulu (End of term - 9 August 2023)	25,902	62,244
Ms LM Sikhakhane (End of term - 9 August 2023)	34,536	80,028
Ms SD Wiggins (Reappointed - 14 September 2023)	82,132	97,020
Mr WB Baird (End of term - 9 August 2023)	34,536	88,920
	372,096	522,222

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

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

Executive Management

2024

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

2023

Inkomati-Usuthu Catchment Management Agency

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Figures in Rand	2024	2023		
27. Governing Board and Executive Directors' Remuneration (continued)				
	Emoluments	Other benefits* Pension paid	Total	
Mr LC Mohalaba - Chief Executive Officer	1,790,764	198,376	255,280	2,244,420
Adv MB Shabangu - Executive Corporate Services	1,337,715	306,012	198,924	1,842,651
Ms S Mabunda	1,374,324	198,376	204,841	1,777,541
Dr JM Molwantwa - Executive Water Resources (resignation date: 31 March 2022)	-	113,927	-	113,927
Dr T Sawunyama Acting Executive Water Resources (1 June 2022 - 31 March 2023)	294,666	-	-	294,666
	4,797,469	816,691	659,045	6,273,205

* Other benefits comprise travel allowance and medical benefits.

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

28. Change in accounting 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. The effect of this revision is a decrease in depreciation charge of R1,529,515.

29. Prior-year errors

During the current year, registration volumes for billable accounts were corrected following the results of the verification and validation process. The change resulted in material reduction of billable volumes applicable in years covering 2017 to 2024. The impact of the errors has now been fully accounted for. The error amounted to R11,992,470 in periods covering 2017 and 2022 and R1,429,990 in 2023.

It was further noted that some assets defined as property, plant and equipment were incorrectly depreciated. The useful life of the affected assets was subsequently corrected thus resulting in a decrease in depreciation charge in the prior year of R151,055.

An amount of R32,373,527 (2023) and R54,199,832 (2022) previously classified as conditional retained funds has now been correctly presented as accumulated surplus. The correction in addition required previously capitalised additions of R1,152,575 to be recognised as other income in the year in which they were received and an adjustment of R1,152,575 in net cash flow from operating activities.

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

Statement of financial position

2023

	10	As previously reported	Correction of error	Restated
Receivables from exchange transactions		14,379,752	(11,992,470)	2,387,282
Conditional retained funds		(32,373,527)	32,373,527	-
Accumulated surplus		(4,864,714)	(42,207,362)	(47,072,076)
		(22,858,489)	(21,826,305)	(44,684,794)

Statement of financial performance

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Figures in Rand		2024	2023	
2022				
		As previously reported	Correction of error	Restated
Revenue	14	176,719,647	(24,408,575)	152,311,072
Operating expenses	21	(144,119,770)	151,055	(143,968,715)
Other income	15	214,727	1,152,575	1,367,302
Surplus for the year		32,814,604	(23,104,945)	9,709,659

Statement of change in net assets

2022		As previously reported	Correction of error	Restated
Balance as at 01 April 2022		4,864,714	42,207,362	47,072,076

30. Risk management

Liquidity risk

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

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The agency only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Impairment allowances are made against debtors that are impaired and no collateral is held. An impairment allowance of 87% (2023: 98%) has been provided for in 2024 of the balance per note 11.

Interest rate risk

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

31. Irregular expenditure

Irregular expenditure	-	238,036
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Current and prior year irregular expenditure relates to the following:

- An amount of R238,036 paid in lieu of Internet services was deemed irregular due to services and payments being rendered after the expiry of the contract. No condonation has been applied for by the reporting date as the matter is still undergoing assessment of liability.

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32. Budget differences

Material differences between budget and actual amounts

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

Revenue from exchange transactions

Water resource management charges invoiced reported an over collection of R17,4 million by the end of the year under analysis. Expected revenue was computed using projected billable water volumes of 1,875 billion cubic meters at a proposed average rate of 0.03c per cubic meter. Variance noted was due to the following variables:

- i) Higher than anticipated billable volumes - due to verification and validation process - of 1,943 billion cubic meters;
- ii) Revenue accruals of R2 million raised that were not included in the budgeting process; and
- iii) Adjustments that were made on debtors accounts as a result of validation and verification process amounting to R13,4 million (refer to note 29).

Interest received on trade debtors represents charges raised on customer accounts due to late payment. The form of revenue as well as other income does not form part of normal budgeting processes, for this reason, any collections in this regards are always recorded as an over collection in the Statement of Comparison of Budget and Actual Amounts.

Amounts retained as part of surplus retained funds, early disbursement of the augmentation and prudent cash management resulted in over collection of interest earned in comparison to the budget figures.

Revenue from non exchange transactions

In applying zero-based budgeting processes, the agency had identified all its cost drivers linked to the delivery of its identified activities as per the Shareholder's Compact. With this extensive exercise, the agency's activities were noted to require a conservative amount funded through the DWS of R128,23 million for the financial year 2023/24. Contrary to the agency's funding requirement, the DWS only approved a disbursement of R93,864 million citing a severely strained national fiscus. The lower than anticipated grant appropriated by parliament resulted in an under collection of grant fund of R34,37 million.

Expenditure

Personnel costs reported a saving of R2,8 million. R1,6 million of the savings were due to unpaid performance bonuses following the ministerial directive. The balance of R1,2 million owes to vacant and funded critical positions reported during the year.

Depreciation charge does not form part of the budgeting process as it represents a non-cash item.

Allowance for impairment was provided at a rate of 25% of total debt as informed by the identified outcome. Due to high level of historic debt, the agency recognised an amount R8,9 million higher than the initial allowance.

General expenditure reported a saving of R11,538,370. The savings was as a result of a Governing Board approved budget adjustment to accommodate the approved utilisation of retained earnings reported in the previous year.

33. Events after reporting date

No material transactions occurred from year end to the date that may necessitate disclosure in the financial statements.

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34. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. It has been identified that future operations may be impacted due to a downward adjustment of the budget. In applying zero-based budgeting processes, the agency has identified all its cost drivers linked to the delivery of its identified activities as per the Shareholder's Compact. With this extensive exercise, the agency's activities were noted to require a conservative amount funded through the Department of Water and Sanitation (DWS) of R136,557 million for the financial year 2024/25. Contrary to the funding requirement of the agency, the DWS committed an amount of R72,306 million appropriated for the financial year 2024/25. The 47% shortfall will significantly impact the agency's ability to fulfil its mandate and deliver on the public good in 2024/25.

The agency continues to assume that funds that have been made available will continue to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. To achieve this, the following measures will be employed in 2024/25.

Continued engagements with the Executive Authority

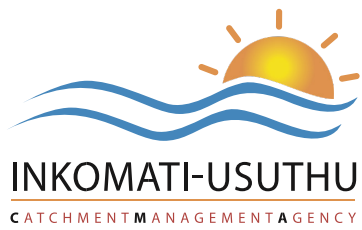
Through the Governing Board, the Executive Authority has already been informed of the financial difficulties that the agency will face in 2024/25. The letter highlighted the shortfall of the amounts committed by the DWS as augmentation to the agency. The letter has served the compliance requirement that the Accounting Authority must fulfil if the agency faces significant challenges in meeting its core mandate. Management views this engagement as key in restoring allocations for 2024/25 and fundamentally entering into critical conversations about the shortcomings of the currently applied funding formula. Based on previous lessons, ministerial interventions may not immediately be extended to the agency. It is thus suggested that management focuses on other resources that may provide the agency with some relief.

Reprioritization of funds

Management has initiated a process of identifying the critical activities that require funding. In identifying these, amounts allocated to non-critical activities will be redirected, or output will be deferred until the agency's favourable financial position is restored. Critical activities remain to protect water resources and essential activities supporting this core activity. This process will not necessarily increase revenue, but it is anticipated that the agency's mandate will be minimally impacted by identifying critical services.

Renegotiation of prevailing contracts

Noting that the agency only has sufficient resources to pay its operating costs, renegotiating contract terms to reduce its operational footprint becomes necessary. Management appreciates that this must be done with careful consideration of business requirements and legal implications



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