

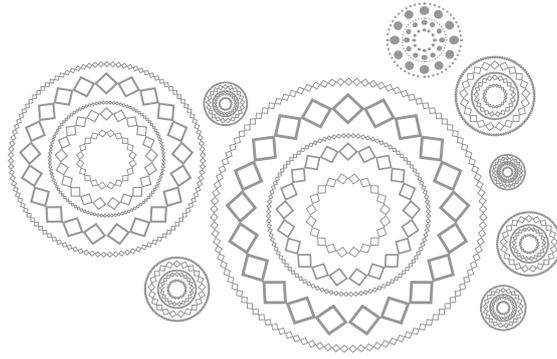


INKOMATI-USUTHU
CATCHMENT MANAGEMENT AGENCY

**ANNUAL
REPORT
2019/20**

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IUCMA



ANNUAL REPORT 2019/20



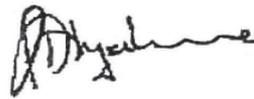
OFFICIAL SIGN OFF

It is hereby certified that this Annual Report:

- Was developed by the Governing Board of the Inkomati-Usuthu Catchment Management Agency (IUCMA) with the assistance of its Management.
- Considers all relevant legislation, policies, and other mandatory documents applicable to the IUCMA.
- Accurately reflects the performance of the IUCMA in the 2019/20 financial year.



Dr JB Molwantwa
Acting Chief Executive Officer



Ms TP Nyakane-Maluka
Chairperson: Governing Board

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LIST OF ACRONYMS

ACRONYM	DESCRIPTION
APP	Annual Performance Plan
ARA-Sul	Aqua Regional Association- South (Mozambique)
CMA	Catchment Management Agency
CME	Compliance Monitoring and Enforcement
CMF	Catchment Management Forum
CROCOC	Crocodile River Catchment Operations Committee
DEA	Department of Environmental Affairs
DSS	Decision Support System
DMR	Department of Mineral Resources
DWS	Department of Water and Sanitation
EIA	Environmental Impact Assessment
EMPR	Environmental Management Programme Report
EWSETA	Energy Water Sector Education Training Authority
EXCO	Executive Committee
GA	General Authorisation
GB	Governing Board
HYDSTRA	Surface Hydrology Information System
IUCMA	Inkomati-Usuthu Catchment Management Agency
IBWiWC	Incomati Basin Women in Water Conference
IT	Information Technology
JWC	Joint Water Commission

ACRONYM	DESCRIPTION
KJOF	Komati Joint Operations Forum
NWA	National Water Act, Act 36 of 1998
OHS	Occupational Health and Safety Act, Act 85 of 1993
PFMA	Public Finance Management Act, Act 1 of 1999
REMCO	River and Environment Management Corporation
RMC	Risk Committee Meeting
REMP	River Eco-status Monitoring Programme
SAHRC	South African Human Rights Commission
TPTC	Tripartite Technical Committee
WAP	Water Allocation Plan
WAR	Water Allocation Reform
WMA	Water Management Area
WUA	Water Users Association
WULA	Water Use Licence Application

FOREWORD BY THE MINISTER



Introduction

South Africa is adjudged to be the 30th driest country in the world. South Africa is making strides in the provision of access to water for all her citizens. We do accept the fact that water has and will always be a limiting factor to development in this beautiful country of ours. Managing our water resources effectively and efficiently is of prime importance. Water management institutions have a responsibility to ensure that our water resources are protected, developed, used and controlled in a sustainable manner. During 2019/20 the Department of Water and Sanitation (DWS) continued the process of institutional realignment of the Catchment Management Agencies (CMAs) but was unable to complete the process. It is hoped that this process will be speeded up in the 2020/21 financial year.

Planning Documents

As expected, the Shareholder Compact (SHC) was developed and approved for the Inkomati-Usuthu (IUCMA) at the beginning of the 2018/19 financial year together with the Annual Performance Plan (APP) which contained a detailed budget. The early approval of the APP and associated budget provided assured that planned projects and activities could be undertaken.

Performance

The IUCMA managed to achieve most of its targets in the 2019/20 financial year. The financial performance as audited indicated no qualified audit opinion which is quite impressive because the IUCMA has achieved clean audits since inception.

The water management institutions cooperation in the Inco-Maputo transboundary basin involving the three SADC countries, South Africa, Swaziland, and Mozambique represented by the IUCMA, RBA and ARA-Sul respectively continued to grow. The REMCO has now developed its constitution which has been approved for implementation.

The IUCMA continued with its international collaboration relationship with water boards in the Netherlands by cooperating with remote sensing of water resources, especially HydroNET. IUCMA has successfully pioneered HydroNET applications in South Africa.

The IUCMA contributed to the processing of water use licence applications in the Inkomati-Usuthu Water Management Area. I urge them to continue in the same spirit to ensure we serve our people efficiently and effectively.

Way Forward

Hopefully, the establishment of CMAs as water management institutions will be finalised in the next financial year. The relevant delegations - roles and responsibilities and associated resources will be provided to the water management institutions to enhance service delivery.

Gratitude

I am grateful to the IUCMA Governing Board, management and staff for their hard work and contribution towards the sound management of water resources in the Inkomati-Usuthu Water Management Area. Your achievements have been noticed. Keep up the good work.



L N Sisulu, MP
Minister of Human Settlement,
Water and Sanitation

CHAIRPERSON'S FOREWORD



The Inkomati-Usuthu Catchment Management Agency (IUCMA) is established in terms of section 78 of the National Water Act, Act 36 of 1998 (NWA) to perform water resource management at catchment level. It is a body corporate, listed as a national public entity in Schedule 3A of the Public Finance Management Act, Act 1 of 1999 (PFMA). Its mandate entails the protection, use, development, conservation, management, and control of water resources within the Inkomati-Usuthu Water Management Area (WMA), as contemplated in the NWA and the National Water Resource Management Strategy (NWRS).

The IUCMA remains steadfast in its commitment to support the Minister of Human Settlements, Water and Sanitation, as the custodian of South Africa's water resources, in the management of the water resources within the Inkomati-Usuthu WMA. As a transboundary WMA, the IUCMA strives to effectively comply with the reserve (ecological and human health needs), international obligations, strategic use (transfers out of the WMA to support Eskom, the Secunda Sasol complex and town of Ermelo), poverty eradication, and to ensure equitable access of the remaining resources to serve the socioeconomic benefit of the WMA.

This 2019/20 Annual Report encompasses the Indicators, Targets and actuals set to implement the Strategic Objectives and Governing Board priorities while being mindful of the constitutional imperative to redress past racial and gender imbalances, and to achieve equitable access to water resources for all within the Inkomati-Usuthu WMA.

The five (5) Strategic Objectives of the IUCMA are as follows:

- Ensure effective, efficient, and sustainable management of available water resources,
- Ensure collaborative and coordinated integrated water resource management for wise socioeconomic development,

- Promote and pursue international developmental agenda,
- Promote knowledge generation and distribution, and
- Effective and efficient management of IUCMA resources.

Concerted efforts are made to ensure that activities carried out in pursuit of these objectives give effect to the Ministerial outcomes, the National Development Plan (NDP), State of the Nation Address (SONA), Departmental Strategic Objectives, the National Water Resource Strategy 2 (NWRS 2) and the IUCMA Catchment Management Strategy (CMS).

The IUCMA is progressively working in collaboration with government departments and other institutions whose mandates have the potential of impacting on or being impacted by water resources management activities. To this effect, cooperation working agreements (MoUs) are in place with the DWS (Regional Office), the Mpumalanga Tourism and Parks Agency (MTPA), University of Mpumalanga (UMP), South African National Parks (SANParks), Water Research Commission (WRC) and some municipalities.

However, the alignment of the Intergovernmental Relations Framework Act, Act 13 of 2005 (IGR) to include CMAs would go a long way to enhance the recognition and support of the water resources management agenda by all. Although there are strategic relations with local and some provincial spheres of government within Mpumalanga, including the House of Traditional Leaders and the Disaster Management Forums, amongst others, to tackle inter alia the material water resource pollution challenge, the IUCMA is still not represented at Provincial Administrative Forums that are governed by the IGR. In the year ahead, these strategic interactions will be pursued to interact more through the Inter-Governmental Relations Framework (IGR).

The IUCMA actively participates in transboundary water resources management forums/meetings between the Kingdom of eSwatini, the Republic of Mozambique and the Republic of South Africa (i.e. Komati Joint Operations Forums (KJOF); Joint Water Commission (JWC) Technical Advisors Meetings and Incomati River Basin Committee Meetings). Thus, with the anticipated expansion of the WMA to include Pongola, the IUCMA will participate fully in the Inco-Maputo Basin Water Resources Management. This makes it urgent for the IUCMA to fully participate in the Tripartite Technical Committee (TPTC), as the technical advisor to the DWS on behalf of the Republic of South Africa.

The funding of the IUCMA is dependent on a zero budget model where the Water Resource Charges (WRC) should be determined in consultation with the water users for the implementation of the water resources management function while the remainder should be augmented through a grant received from DWS. However, the pricing strategy (review and update) limits the increases for sectors such as agriculture and this limits the potential revenue to implement the water resources management function.

The incorrect data linked to the debtor's book handed over from the DWS (Water Trading Entity) to the IUCMA still poses a risk to financial sustainability. The transferor (DWS) did not provide for any impairments on the balance as at date of transfer to the acquirer (IUCMA) which necessitated the

acquirer to assess the true recoverability of debt transferred. The IUCMA has subsequently impaired debt transferred by DWS of R130 300 021 thus adjusting the debt to R66 927 571. The IUCMA continues to encounter huge challenges to manage and to ensure an acceptable collection rate. Management has identified this as a strategic financial risk and has thus developed internal controls to reduce further risk exposure.

The IUCMA has a functional organisational structure which provides for a Chief Executive Officer (CEO) and three Executive Managers, namely the Executive: Water Resource Management heading the core function; the Executive: Corporate Services heading the support function and the Chief Financial Officer (CFO) heading the finance function. The IUCMA has satellite offices in Bushbuckridge and Piet Retief within the Sabie-Sand and Usuthu catchments, respectively.

The Governing Board is satisfied that the IUCMA has achieved significant progress in providing services to the satisfaction of the water users in its WMA and believes that the CEO and the administration will continue to deliver services to the satisfaction of all stakeholders and to perform a transformative role as directed by the Constitution, the National Water Act (NWA), other relevant legislation and the National Development Plan (NDP).

The review and update of the Catchment Management Strategy (CMS) for the IUCMA continued in the 2019/20 financial year and stakeholders were consulted in July 2020. The review is to be gazetted in 2020/21 for full scale implementation from 2021/22 onwards. Hence, the expansion of the WMA is an essential component that updates the CMS.

To ensure more effective performance by the IUCMA, the delegation of the full powers and functions by the Responsible Authority is an urgent imperative. This is exacerbated by the process of transforming Water Management Institutions (WMI) through the establishment of the Water User Association (WUA) by disestablishing the Irrigation Boards (IBs). Thus, Schedule 3 of the NWA must be re-delegated to the IUCMA to prevent the overlapping of powers and functions between the CMA and the WUAs. This Schedule was previously delegated and later withdrawn on 12 December 2015.

Cost-saving measures to hasten the establishment of the CMAs in the remaining seven water management areas are supported and the IUCMA, as the first operational CMA, is available for technical support and advice in this regard.

Going forward, the IUCMA will by means of integrated planning and reporting, aim to focus its energy on the impact that the institution has on society, the economy, and the environment by striving to:

- Integrate planning and management of available water resources within the WMA,
- Produce and implement a Catchment Management Strategy (CMS) that responds to current and future water needs within the WMA,
- Improve the water quality within the WMA,
- Improve Inter-Governmental Relations (IGR) and our engagement with government departments, Provincial Government, and local government (at district and local municipal

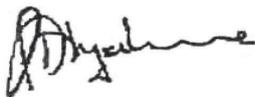
level) regarding water resource pollution, water losses, drought, floods, planning and development,

- Generate and disseminate information gathered through our systems, e.g. HydroNET to our stakeholders,
- Create awareness in all communities and industries in our WMA on the improvement of water use efficiency, water quality and the implementation of water conservation and demand management,
- Better the lives of communities in the WMA through our Corporate Social Responsibility (CSR) initiatives focused on WAR, and
- Maintain effective, productive transboundary water resource management relations.

It is the intention of the IUCMA to pilot the implementation of the Waste Discharge Charge System (WDCCS) in 2020/21 with implementation in the year 2021/22 onwards. This is an attempt to increase our revenue base by way of ensuring compliance and good performance from all water users. Thus, the finalisation of the Pricing Strategy by the DWS is imperative in this regard.

It is also trusted that the Minister and the DWS will continue to support the IUCMA. We hope that there will be improved cooperation by means of, inter alia, improved systems to provide resources to the IUCMA to exercise its powers and perform its functions in implementing its APP.

On behalf of the Governing Board, Chief Executive Officer, Management, and staff, I would like to use this opportunity to thank the Minister for the confidence showed in the IUCMA under my leadership. To my colleagues on the Governing Board, the Chief Executive Officer, the entire administration and the DWS, thank you very much for your support.



Ms TP Nyakane-Maluka
Chairperson: Governing Board

GOVERNING



Ms T.P. Nyakane-Maluka
Chairperson



Mr M.S. Mthembu
Deputy Chairperson



Ms L.M. Skhakhane
Member



Mr M. Gangazhe
Member



Ms S.D. Wiggins
Member



Adv M.B. Shabangu
Member

BOARD



Mr P.A. Tshabangu
Member



Ms L.C. Zulu
Member



Dr T. Kelly
Member

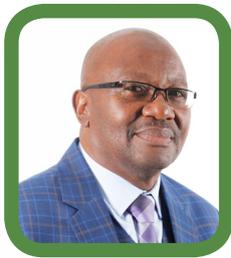


Ms G Shongwe
Acting Board Secretary

EXECUTIVE COMMITTEE



Mr M.S. Mthembu
Chairperson



Mr P.A. Tshabangu
Member



Ms T.P. Nyakane-Maluka
Member



Mr M. Gangazhe
Member



Dr T. Kelly
Member

AUDIT COMMITTEE



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



Ms L.M. Skhakhane
Member



Mr L.C. Mohalaba
External Member



Ms S.D. Wiggins
Member



Adv M.B. Shabangu
Member



Ms L.C. Zulu
Member

OVERVIEW BY ACTING CHIEF EXECUTIVE OFFICER



Introduction

This integrated Annual Report comprises both the financial and non-financial performance for the financial year, 1st April 2019 to 31st March 2020. Progress, innovations, successes as well all challenges were experienced. Due to the commitment and positive teamwork from the IUCMA officials and stakeholders, previous challenges were converted to lessons that were realised in the 2019/20 financial year. As the entity is growing due to additional functions and growth of Water Management Area (WMA) activities the level of performance is critical for achievement of the mandate.

Catchment Management Strategy

The review and update of the Catchment Management Strategy (CMS) for the IUCMA – the Vision and Mission aspects started in 2018/19 financial year where the vision and mission were revised. The draft document was concluded in the 2019/20 financial year and was widely consulted with the stakeholders. It is anticipated that the CMS will be submitted to the Minister for Publication in 2020/21 for implementation over the period 2021 to 2026.

Building partnerships for sustainable IWRM

While the IUCMA remained steadfast in its commitment to keep stakeholders at the centre of all work, it was confirmed through various engagements that the water resources are an integral part of the political, social and economic good. As per the Annual Performance Plan, the IUCMA continues

participation in transboundary water management initiatives, international programmes, IWRM-related projects, forums, and conferences. The IUCMA continued to support the Tripartite Technical Committee (TPTC) of the Joint Water Commission (JWC) which is regulated by the International Treaty signed between the Governments of the Republic of Mozambique and the Kingdom of eSwatini.

Our stakeholder empowerment improved in the year under review including stakeholder capacity building workshops that targeted emerging water users on resource protection, water use authorization, compliance, as well as water conservation and water demand management. The cooperation with the municipalities within the Inkomati-Usuthu WMA has greatly improved with MoU signed with the City of Mbombela.

Accomplishing reporting requirements

Even though there were some financial challenges which affected the performance of the organisation, the IUCMA managed to achieve most of its targets. As in previous years, the IUCMA achieved all targets related to legislative requirements. The Annual Performance Plan (APP), all the quarterly reports, and the Annual Report for 2018/19 were submitted. The IUCMA also received an audit result with no material findings, thanks to the management and staff.

Equitable allocation of resource

The IUCMA River Operations Committee which has the DWS, Irrigation Boards and the Komati Basin Water Authority (KOBWA) as members, managed to provide all water users their equitable share of the resource. This included our neighbouring countries, Mozambique, and Swaziland.

Management of risks

The IUCMA Risk Management Committee (RMC) that is chaired by an independent and external chairperson, assisted the Accounting Authority to fulfil its risk management and control responsibilities in accordance with and in terms of section 51(1)(a)(i) of the PFMA, which refers the Accounting Authority must ensure that the institution has and maintains - (i) effective, efficient and transparent systems of financial and risk management and internal control. The RMC performed its oversight role and ensured that monitoring, control, and implementation of the risk management strategy is effective. The quarterly reviews and reports were submitted to the Audit Committee and the Governing Board, and the resolutions related to risk were implemented.

Water Quality

The problems affecting water quality in the Inkomati-Usuthu WMA are largely attributed to industrial and mining activities and the significant impact is related to the poor state of wastewater treatment works operated by local municipalities and the department of public works. While enforcement measures were taken to mitigate such pollution, the risk to human health and the economy is so much that the Human Rights Commission intervened. There are some positive outcomes resulting from enforcement measures applied to pollution incidents. However, there is still room for improvement.

Human Capacity Development and Redress

Three (3) external bursaries were awarded to qualifying matriculants, and nineteen (19) internal bursaries were awarded to staff. Twenty-one (21) new employees were recruited in the year under review. Approximately 50% of our workforce are women. Set targets regarding BBBEE (BBBEE spend) were exceeded because of increased work awarded to BBBEE service providers.

Way Forward

The leadership of the Governing Board, support from the DWS and the dedication of IUCMA employees are highly appreciated.



Dr JB Molwantwa
Acting Chief Executive Officer



IUCMA MANAGEMENT



Dr Thomas Gyedu-Ababio
Chief Executive Officer



Dr Jennifer Molwantwa
**Executive: Water Resource
Management**



Ms Thembelihle Mbatha CA(SA)
**Executive: Corporate
Services**

OFFICE OF THE CEO



Ms Remofilwe Morekisi
Office/Planning Manager:
Office of the CEO



Ms Sylvia Machimana
**Manager: Marketing and
Communications**

WATER RESOURCE MANAGEMENT



Mr Marcus Selepe
Manager:
Resource Protection
and Waste



Dr Tendai Sawunyama
Manager:
River Systems
Operations and Planning



Ms Felicia Nemathaga
Manager:
Water Resource
Utilization



Mr Joseph Mabunda
Manager:
Institutions
and Participation



Mr Andrew Mbhalati
Manager:
Compliance Monitoring
and Enforcement

CORPORATE SERVICES



Mr Christopher Sewela
Manager:
Human Resource



Mr Thulane Mpangane
Acting Manager:
Finance



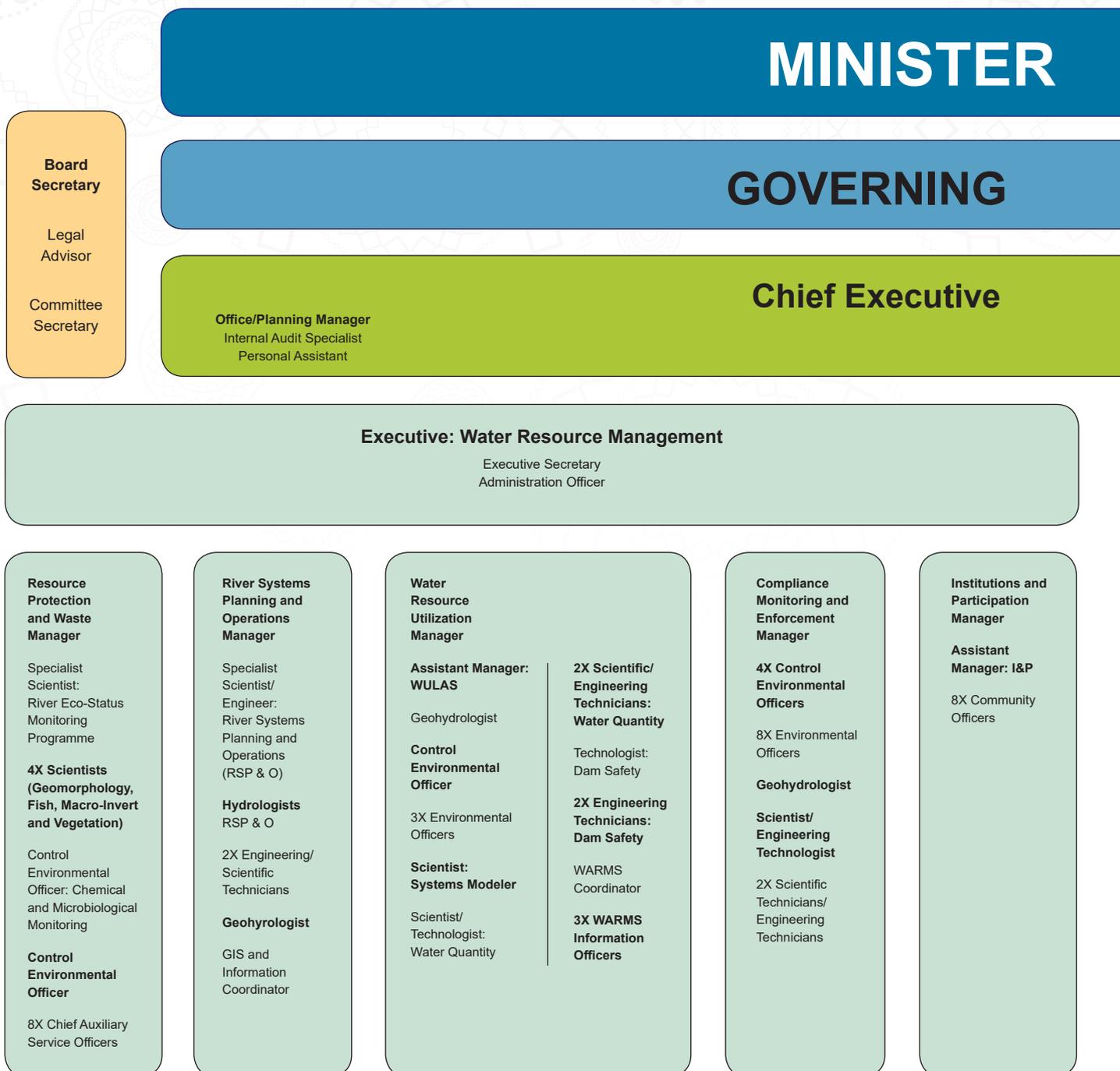
**Supply Chain
Management**
Vacant



Mr Lington Skhosana
**Manager: Information
Technology**

ORGANISATIONAL

In the 2019/20 financial year the IUCMA operated with the following organisational structure. The structure was approved by the Governing Board and budgeted for.



STRUCTURE

BOARD

Officer

Marketing and Communications Manager
Graphic Designer
Communications Officer

Executive: Corporate Services

Executive Secretary
Risk and Compliance Management Specialist
Occupational Health and Safety Officer

Human Resource Manager

Human Resource Practitioner

Human Resource Officer

Organisational Development Specialist

Employee Relations Specialist

3X Receptionists

4X General Office Assistant

Finance Manager

Accountant: Financial Accounting

2X Senior Accountant Officers

Payroll Officer

Asset Management Officer

Accountant: Management Accounting

3X Revenue Officers

2X Senior Accountant Officers

Records Supervisor

Messenger

2X Records Officers

Supply Chain Management Manager

2X SCM Specialists

2X SCM Officers

Information Technology Manager

2X IT Technicians



STRATEGIC OVERVIEW

IUCMA Vision

The Vision, Mission and Values of the IUCMA are depicted in the visuals below.

VISION

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

MISSION

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

VALUES

Integrity
Batho Pele (Stakeholder Orientation)
Accountability
Diversity
Transparency

Performance Delivery Environment

IUCMA Existence

The IUCMA exists within the Inkomati WMA with a purpose to:

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

IUCMA Strategic Objectives

The five (5) Strategic Objectives of the IUCMA highlighted here are linked to the outputs of the IUCMA for the 2018/19 financial year.

Ensure Effective, Efficient and Sustainable Management of Water Resources

- Develop/implement empowerment programmes that promote strategic and consensual decision making across the stakeholder base.
- Develop/implement systems and strategies (e.g. the CMS and river operating systems) that facilitate improved and equitable access to the resource by being mindful of the constitutional imperative to redress the results of racial and gender discrimination in performing the functions of the IUCMA.

- Develop/implement cost-effective early warning and monitoring programmes that serve strategic, adaptive, and consensual decision making.
- Ensure integrated planning and operation of systems.

Ensure Collaborative and Coordinated IWRM for Wise Socioeconomic Development

- Grow multi-level, multi-sectoral (private, NGO and Government.) governance networks and engagement processes that keep IUCMA agendas at the forefront by taking advantage of existing structures wherever they can achieve this purpose.
- Structure the IUCMA's advisory function within resource constraints to ensure IUCMA needs are served alongside those who are requesting advice.
- Support the development, and where appropriate transformation of other WRM institutions (WUAs, CMCs, IBs etc.).
- Develop and implement rules and procedures for operational river management.

Promote and Pursue an International Developmental Agenda

- Improve cross-boundary stakeholder relationships and understanding of current agreements.
- Strategically improve understanding of local catchment conditions and IWRM needs to inform decision making about international obligations under changing circumstances (i.e. do not wait for a crisis or a demand from a neighbour).
- Exchange of knowledge and expertise.
- Share resources to optimise transboundary water resource management in respect of, inter alia, flow monitoring, reporting, early warning systems, etc.

Promote Knowledge Generation and Distribution

- Design and implement a system of data and metadata management pertinent to participative IWRM in the Inkomati-Usuthu that is accessible to all stakeholders.
- Identify, collect, and collate data/information for the system and map the stakeholder network, including the distribution of STEEP competencies, activities, needs, decision-making mandates, etc.
- Develop a strategic plan for knowledge acquisition that will guide future partnerships with stakeholders, and with other knowledge/skills providers.
- Develop/implement strategic empowerment programmes that are explicit about the transfer and diffusion of knowledge/skills across the stakeholder network.
- Do statutory reporting to the Minister of Water and Sanitation and National Treasury.
- Do strategic interaction with stakeholders in the WMA.

Ensure Effective and Efficient Management of IUCMA Resources

- Ensure an effective, relevant, and enabling financial and corporate environment
- Explore and internalise the characteristics and processes of an enabling environment for pioneering IWRM in an emerging African democracy.
- Ensure appropriate capacity is built within the IUCMA for participative IWRM.
- Coordinate and align the adaptive systems that serve the IUCMA objectives.
- Improve internal and external networking.
- Improve internal service infrastructure e.g. the computer network.

LEGISLATIVE FRAMEWORK

The current mandate of the IUCMA is reflected below.

Inherent Functions

The IUCMA has the following initial functions in terms of section 80 of the NWA:

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

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

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

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

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

- Section 33 – Declaration of water use as existing lawful water use.
- Section 34 – Authority to continue with existing lawful water use, including request to register such use.
- Section 35 – Verification of existing water uses.
- Section 40 – Application for licence.
- Section 41 – Procedure for licence applications.
- Section 42 – Reasons for decisions.
- Section 44 – Late applications.
- Section 51 – Successors in title (Adjudication of conflict claims).
- Section 52 – Procedure for earlier renewal or amendment of licences.
- Section 53 – Rectification of contraventions.
- Section 54 – Suspension or withdrawal of entitlements to use water.
- Section 55 – Surrender of licence.
- Section 57 – Application of pricing strategy (Making and receiving of water use charges).
- Section 58 – Recovery of water use charges (Directive to water management institution);

- Section 66 – Condonation of failure to comply with period.
- Section 141 – Provision of information [Sub-par (a) and (b)].
- Section 145(2) – Establish early warning system in respect of floods, droughts, water works, risk by a dam, levels of flood water, risk posed by water quality and any matter connected to water/ water resources the public need to know.

The IUCMA appeals to the Minister to delegate Schedule 3 to the IUCMA to ensure that the IUCMA has the power to manage, monitor, conserve and protect water resources and to implement catchment management strategies; to make rules to regulate water use; to acquire the establishment of management systems; to acquire alterations to water works and to temporarily control, limit, or prohibit use of water during periods of water shortage. To affect the exercising of the delegations, the Minister should give written consent in terms of section 63(3) of the National Water Act to the IUCMA for sub-delegation.

Other Original Functions

In terms of section 25(1) of the National Water Act, the Inkomati–Usuthu Catchment Management Agency may as a water management institution on request authorise the temporary use of existing authorised irrigation water for a different use on the same property or for the same use or similar use on another property in the vicinity. The Inkomati-Usuthu Catchment Management Agency may as a water management institution appoint, in terms of section 124 Authorised Persons, to perform inspection and remedial duties in respect of water resources in terms of section 125(1) – (3). In terms of section 57(2) of the NWA, water resource management charges within a specific water management area may be determined by and are payable to the relevant water management institution. In the case of the Inkomati-Usuthu WMA the IUCMA is the relevant water management institution and has taken on this responsibility accordingly (since November 2017).

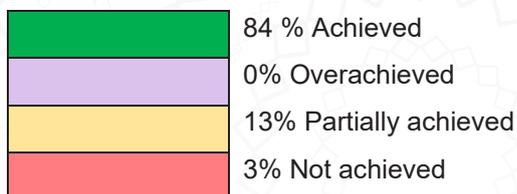
Social Responsibility

The main activities of the IUCMA in respect of social responsibilities are the capacity building of historically disadvantaged individuals (HDIs) by means of workshops as part of the performance objectives of the Institutions & Participation (I&P) division. When boreholes are drilled for testing of ground water, where practical it is done in such a way that schools, institutions, and communities in remote and rural areas can benefit from such boreholes.

Social responsibility investment can be enhanced if the DWS appoints the IUCMA as implementing agent to provide assistance to resource poor farmers in areas like rainwater harvesting and simple water purification where communities are still dependent on raw water direct from the rivers or streams.

SUMMARY OF ORGANISATIONAL PERFORMANCE

In the 2019/20 financial year, the IUCMA managed to achieve 84% of its performance targets. This represents a non-performance of 16%. The non-achieved targets remediation actions will be monitored in the 2020/21 financial year. The performance, in comparison to the previous financial year, represents an 8% decrease. Below is the performance analysis of the IUCMA.



GOVERNANCE

Good Corporate Governance

There were no negative deviations from the expected performance of governance that includes legal services, committee work for the Governing Board and its Committees. The same applies to advisory services regarding ensuring compliance with legislation and policies, and risk management.

The Governing Board has two committees to assist it with its decision and policy-making powers and functions, namely the Executive Committee and the Audit Committee. The attendance of the meetings of the Governing Board and its Committees by members is reflected in the tables below. Table 1 reflects meetings that were attended by the previous Governing Board members, including external Audit Committee attendance; this was in line with the handover to the 2019/20 Governing Board

Table 1: Previous Governing Board attendance

GB MEMBER	CLOSE OFF BOARD MEETING 08.04.2019	AUDIT
Ms. TP Nyakane-Maluka (Chairperson)	1	-
Mr. MS Mthembu (Deputy Chairperson)	1	-
Mr. N Govender	1	-
Dr PE Molokwane	Leave of absence	-
Ms. SD Wiggins	1	-
Mr. PA Tshabangu	1	-
Mr. PJ Venter	1	-
Mr. JM Mathebula	Leave of absence	-
Mr. M Secker (ext. Audit Committee)	1	2
Ms. M Maholovela (ext. Audit Committee)	1	2
Dr TK Gyedu-Ababio (Ex-officio)	Leave of absence	-

Key:

GB ORD – Ordinary Governing Board Meeting

GB SPEC – Special Governing Board Meeting

GB W/S – Governing Board Workshop

GB S/H – Governing Board Stakeholders Meeting

AUDIT – Audit Committee

EXCO – Executive Committee

Table 2: Governing Board and Committee meetings attendance

GB Members:	GB INAUGURAL	GB W/S	GB ORD	GB SPEC	GB S/H	GB S/S	EXCO	AUDIT	TOTAL	BENCH MARK
BENCHMARK	1	2 (Corporate Governance training & Diligent Boards)	4	6	2	3	4	6	29	
Ms TP Nyakane	1	2	4	6	1	3	3	N/A	17	18
Mr MS Mthembu	1	2	4	6	N/A	3	4	N/A	18	18
Adv MB Shabangu	1	2	4	6	N/A	3	N/A	5	19	20
Dr T Kelly	1	2	4	6	1	3	4	N/A	18	18
Ms SD Wiggins	1	2	4	6	1	3	4	N/A	18	18
Mr PA Tshabangu	1	2	4	5	2	3	N/A	6	19	20
Mr M Gangazhe	1	2	4	4	N/A	3	4	N/A	16	18
Ms LC Zulu	1	2	4	4	N/A	3	N/A	4	16	20
Ms LM Sikhakhane	1	2	4	6	1	3	N/A	6	20	20
Dr T Gyedu-Ababio (Ex-officio)	1	2	3	6	2	3	3	5	22	24

Table 3: Audit Committee attendance

EXTERNAL Audit Committee Members:	AC INDUCTION (30.09.2019)	GB ORD	GB SPEC	GB S/S	EXCO	AUDIT	TOTAL	BENCH MARK
BENCHMARK	1	4	6	3	4	6		
Mr JK Sithole (Appointed 15.08.2019)	1	2	2	1	N/A	3	9	10
Mr LC Mohalaba (Appointed 15.08.2020)	1	2	3	1	N/A	3	10	10

The Governing Board also convened ad hoc meetings as indicated below in Table 4

Table 4: Ad hoc Committee attendance

MEMBER	APPRAISAL COMMITTEE	PERFORMANCE MODERATION	AC EXTERNAL SHORTLISTING	AC EXTERNAL INTERVIEWS	BS SHORTLISTING	BS INTERVIEWS	SUB-COMMITTEE ON IUCMA ORGANISATIONAL STRUCTURE	MEETING WITH DEPUTY MINISTER	TOTAL
Ms TP Nyakane-Maluka	1					1	1		3
Mr MS Mthembu		1		1		1			4
Adv MB Shabangu				1		1	1	1	4
Dr T Kelly		1		1		1	1		4
Ms SD Wiggins	1			1		1	1		4
Mr M Gangazhe		1	1		1			1	4
Ms LC Sikhakhane			1						2
Ms LC Zulu			1		1				2
Mr PA Tshabangu			1		1				2

MEMBER	APPRAISAL COMMITTEE	PERFORMANCE MODERATION	AC EXTERNAL SHORTLISTING	AC EXTERNAL INTERVIEWS	BS SHORTLISTING	BS INTERVIEWS	SUB-COMMITTEE ON IUCMA ORGANISATIONAL STRUCTURE	MEETING WITH DEPUTY MINISTER	TOTAL
Mr LC Mohalaba					1	1	1	1	4
Dr T Gyedu-Ababio (Ex-officio)	1	1	1	1	1	1	1		8

The Governing Board is responsible for stakeholder consultation related to tariff setting. In the year under review, the IUCMA consulted stakeholders on the CMS, its visioning process and the 2020/21 financial year APP. A total of 7 stakeholder consultation meetings were held and the attendance of the members is indicated below.

Table 5: Stakeholder Consultation attendance

MEMBER	24.01.2019 (S/H CONSULTATION INKOMATI ON CMS FINAL VISIONING, APP)	TOTAL
Ms TP Nyakane-Maluka	1	7
Mr MS Mthembu	-	3
Ms SD Wiggins	1	2
Mr PJ Venter	-	3
Mr N Govender	-	1
Mr PA Tshabangu	1	4
Mr JM Mathebula	-	3

OFFICE OF THE CHIEF EXECUTIVE OFFICER

Reporting Requirements

The 2019/20 financial year witnessed no variance from the expected performance provided for in the applicable legislative frameworks as the following reporting requirements in relation to the executive authority were fulfilled:

- Annual Performance Plan was submitted.
- 2018/19 Annual Report submitted to National Treasury, Auditor-General and Office of the Minister and subsequently to Parliament.
- 2020/21 Annual Performance Plan and Shareholders Compact were also submitted to the DWS.
- All four (4) quarterly reports, namely performance report, revenue, and expenditure report and PFMA Compliance Checklist were submitted to the DWS every quarter.

Internal Audit

The Internal Audit Specialist reports administratively to the Chief Executive Officer (CEO) and functionally to the Audit Committee. The mandate of the internal audit function is documented in the approved internal Audit Charter which is revised annually to ensure that there is assurance of the internal controls.

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.

In the 2019/20 financial year, the following audits were undertaken; Human Resource Management, River Systems Planning and Operations, Risk and Compliance Management, Subsistence and Travel, Compliance Monitoring and Enforcement, Financial Management, Revenue Management, Performance Information, Corporate Governance and there was an ad hoc audit conducted on awarded tenders of R2 million and above.

Risk Management

The Inkomati-Usuthu Catchment Management Agency Governing Board established a Risk Management Committee which is chaired by an independent member, to assist the Accounting Authority to fulfil its risk management and control responsibilities in accordance with and in terms of the section 51(1)(a)(i) of the PFMA, which refers the Accounting Authority must ensure that the institution has and maintains – (i) effective, efficient and transparent systems of financial and risk management and internal control.

In 2019/20, the Risk Management Committee was able to perform its oversight role in ensuring that the risk management strategy is effectively and efficiently implemented. Quarterly reviews and reports were made available to the Audit Committee and Governing Board, and many of the resolutions by these oversight committees were implemented. Most of the planned annual activities were achieved. The project on the development of the Business Continuity Management framework was started in the fourth quarter and is planned for a period of six months.

Marketing and Communications

The IUCMA continues to strengthen its brand and image through various forms of promotional material and information booklets. The institution prides itself on producing most of its documents in-house, and only outsource printing for bulkier documents and in instances where mass printing is required. This has improved the turnaround time tremendously. The Marketing and Communications unit strives to convey technical information generated by the institution in a simple and reader friendly manner through information newsletters and brochures/ booklets.

Corporate Image

It has been three years since a corporate uniform has been introduced. This has significantly improved and enhanced the image of the institution. The uniform is generally worn three days in a week and to all important events of the IUCMA and the water sector. The IUCMA is committed to continuously use developed branding material in all events in which it participates.

Media Coverage

The IUCMA continues to use both local print and electronic media to enhance public awareness by its stakeholders and the public. It has also vigorously made use of promotional material to strengthen its corporate image and awareness. The website is going strong and Facebook is also strongly utilised to promote events, especially live events.

Nationally, the IUCMA continues to use several media outlets to help strengthen its online and media presence beyond its water management area. These are the likes of Impumelelo Top Empowerment, Mpumalanga business, Alive2green and other local media online advertising platforms. Due to vigorous advertising, the IUCMA has been named one of SA's top empowered companies, particularly in the women empowerment category.

Affiliations

The IUCMA continues to be a patron member of the Water Management Institute of Southern Africa (WISA). The patron membership is the most prestigious form of membership offered by WISA, which seeks to promote professional excellence in the water sector through building expertise, sharing knowledge, and improving quality of life.

For the past three years, the IUCMA has been affiliated to three water management organisations at an international level, namely the International Water Association (IWA), International Network of Basin Organisation (INBO) and the Global Water Partnership (GWP). The GWP has been established to advocate for the implementation of integrated water resources management (IWRM) and the coordinated development and management of water, land and related resources to maximise economic and social welfare without compromising the sustainability of vital environmental systems within the water sector internationally.

The IUCMA continues to identify relevant institutions which could be meaningful to relate with, particularly nationally and in the SADC region. A few might be added to this list soon.

EXPOS

The IUCMA has also participated in several EXPOs for exposure and brand strengthening. To mention but a few, the IUCMA participated and initiated an expo in partnership with kaHhoyi Traditional Authority for benefit of young people in the lower Komati sub-catchment. The IUCMA also continues to partner with the Department of Education (Ehlanzeni District) in its annual career expo which traditionally takes place at Mbombela Stadium. It also supports other education related exhibitions in the water management area with the aim to enhance the lives of our local learners, particularly those from rural communities. This includes the annual Mondi Science Week exhibition which takes place in the Usuthu catchment area. The IUCMA supports and participates in this initiative to add value to the livelihoods of learners in the Usuthu catchment.

WATER RESOURCE MANAGEMENT

The Water Resource Management function is the technical and core mandate of the IUCMA and comprises of River Systems Planning and Operations, Resource Protection and Waste, Water Resource Utilisation, Compliance Monitoring and Enforcement and Institutions and Participation Divisions whose key activities entails the protection, use, conservation and development of water resources.

As part of the Catchment Management Strategy, IUCMA is required to develop a Water Allocation Plan (WAP) as set out in section 23 of the NWA detailing the principles for allocation of water and taking into consideration section 27(1) water uses and Water Allocation Reform (WAR). Following the development of the WAP for Kaap and White River sub-catchments internally, the hydrology for the Crocodile, Sabie and Komati catchments were updated and as such the entire hydrology of the former Inkomati catchment was updated in the 2019/20 financial year. The results indicated a significant reduction in runoff in the Inkomati system (Crocodile, Sabie, Komati Rivers), due to increased water requirements and because of the impact of alien vegetation. The pilot studies in the Kaap and White River sub-systems informed the need to develop a water use efficiency strategy for the irrigation sector which accounts for more than 40% of resource allocation within the WMA. The project to develop the water use efficiency strategy for the irrigation sector will be conducted in collaboration with the Water Research Commission (WRC) in the 2020/21 financial year. The key aim of this study is to determine the efficient volumes to be allocated to water users for efficient use of the resource. The WAP will be rolled out to the rest of the WMA in a phased approach.

Challenges encountered in the implementation of the water quality resource monitoring plan include sites which had no flow and those that were not accessible. In response to these challenges, the water quality resource monitoring plan was amended in quarters 3 and 4 by amending the number of sites - some sites were terminated, and new sites were established.

In the financial year under review, the IUCMA processed 86 water use authorisation applications within the regulated timeframe that includes licences and General Authorisation confirmations. The process of assisting historically disadvantaged individuals (HDIs) and emerging farmers to obtain water use licence applications commenced in the financial year. The applicants are supported through the preparation of hydrology, geohydrology, and water quality reports as well as assisted with the application process on the electronic licence application system (e-WULAAS).

The IUCMA implements the Water Allocation Reform (WAR) plan with a view to redress past imbalances and reports the activities to DWS on a quarterly basis. These include assisting HDIs in licence applications, drilling and equipping boreholes, coordination of meetings where other departments are brought to the stakeholders to explain pertinent issues such as the resource poor farmers support program by the Department of Agriculture.

The CME division responds effectively to complaints and tip-offs within 24 hours and links these complaints to the relevant entities. Most of the complaints relate to sand mining in the rivers, sewage spillage into the environment and oil/ chemical spillage on the roads. Due to the effective response by the CME officials, the stakeholders and communities utilise the IUCMA as a complaint's portal with the assurance that there will be a response. However, there is still a challenge in the high number of non-compliance related to Local Government where the Wastewater Treatment Works discharge poor water quality into water resources thereby impacting negatively on water resources quality.

The River Systems Planning, Resource Protection and Waste as well as Institutions and Participation manager participate in transboundary water resource management forums, including the Joint Water Commission, Ara-Sul Stakeholder Forum, KJOJ, and the REMCO. In the year under review, the IUCMA participated in the REMCO conference that was held in Mozambique.

The Incomati Basin Women in Water (IBWiW) Conference was planned for March 2020 but was postponed due to the onset of the COVID-19 threat.

Non-Performances

The following non-performances were recorded and will be implemented in the next APP by ensuring that the plan/ targets are revised to ensure performance:

- The IUCMA continued to hold stakeholder engagements but this was interrupted in the last quarter (4th quarter) due to Covid-19 regulations that restricted gatherings. Thus, the river cleaning campaigns were cancelled from the 15th March as the nature of gatherings posed a serious human health risk.
- The sector meetings are not all coordinated by the IUCMA and as such the average target was not achieved in the third quarter.
- The water quality data loggers as planned for each quarter included the loggers that were still to be installed. Due to the challenges of the PSP, four (4) of the data loggers were not implemented and the target was not achieved.

River Systems Planning and Operations

The IUCMA has a dedicated team of specialists, scientists and technicians who fully commit themselves to ensure that the sustainable management of the water resources (regulate flows and dam levels) is achieved in the Inkomati-Usuthu Water Management Area (WMA). The key areas of interest this particular division had major impacts are, inter alia, the effective river operations within the WMA to manage droughts, surface and groundwater management, catchment management strategy, water allocation plan, data management systems, innovation and technology as well as human resources and skills development. Although the Department of Water and Sanitation (DWS) has not yet delegated Schedule 3 of the National Water Act (Act 36 of 1998, NWA), the division works hand in glove with the DWS to ensure the sustainable use of the water resources.

Hydrological status and effective river operations

The water availability situation in the Crocodile and Sabie/Sand catchments is still below normal when compared to previous hydrological years, while the availability situation in the Komati and Usuthu catchments is normal. Consequently, the river flow levels in the main rivers (Crocodile, Sabie and Sand) and its tributaries are also extremely low. Historical rainfall analysis for the Crocodile catchment shows that for the 2019-2020 hydrological year the total monthly rainfall received was below the historical average (Figure 1). This is the main reason for the low water availability in the Kwena Dam (Figure 2), for which dam levels have seen below average conditions at this time of year since the 2015/16 hydrological year and the rivers in the Crocodile catchment were affected.

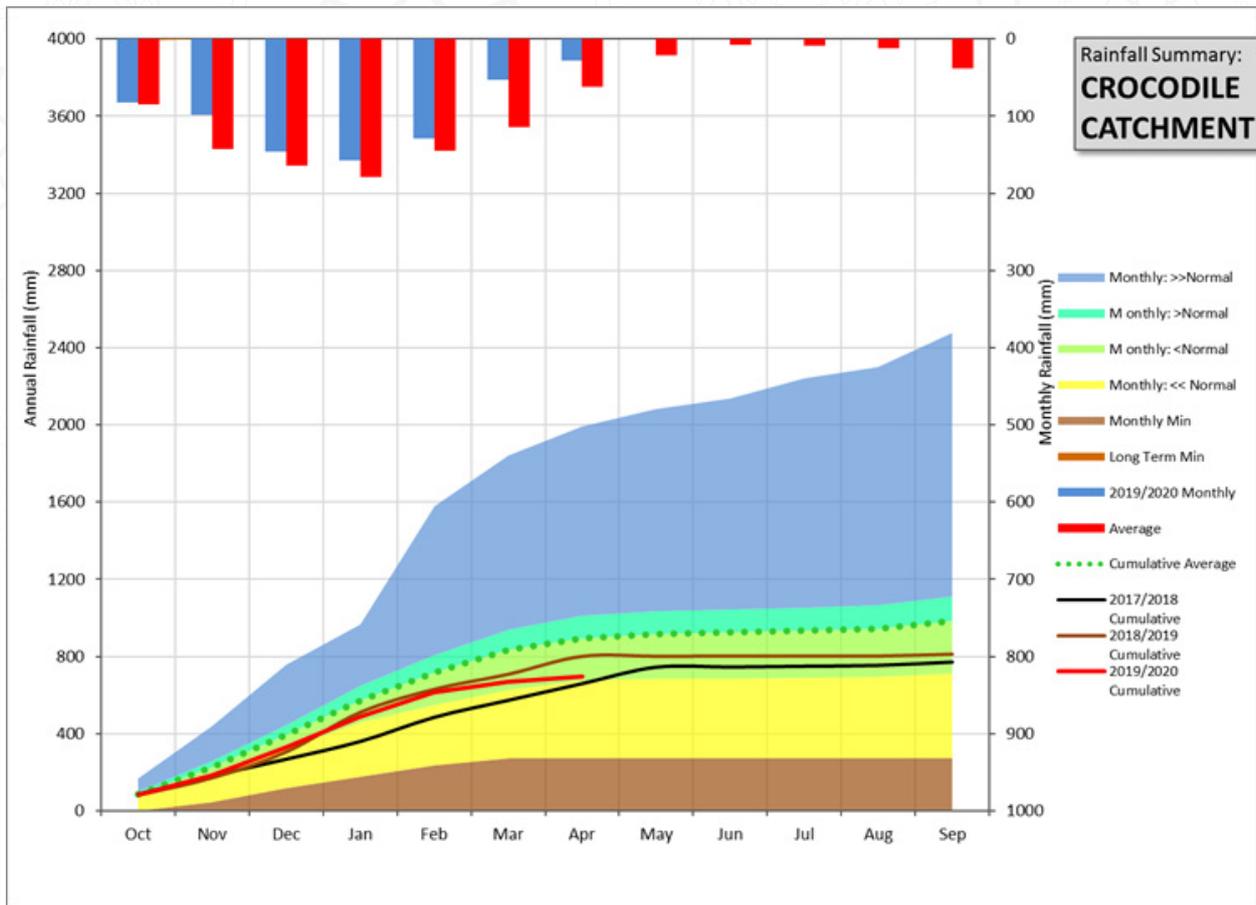


Figure 1: Crocodile Catchment Rainfall Analysis

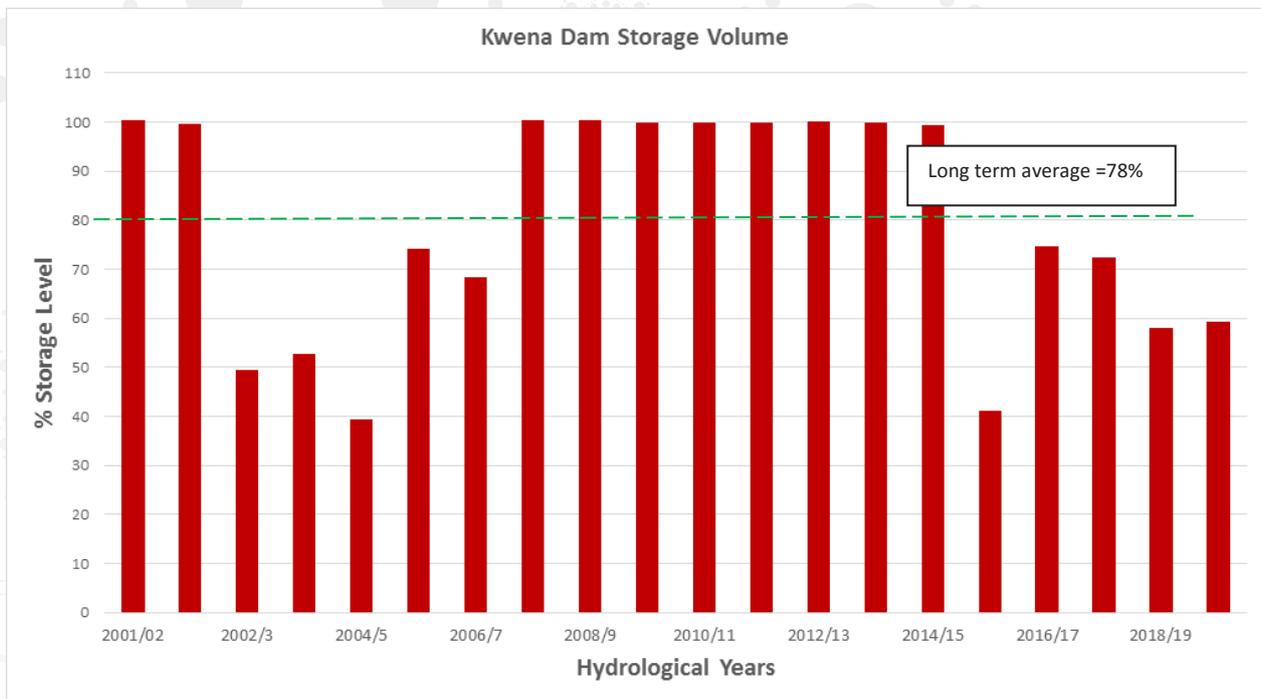


Figure 2: Kwena Dam Storage volume historical analysis (May 2001 – May 2020)

Decision Support Systems

The Decision Support Systems (DSS) currently in place for the operations of the Crocodile and Sabie-Sand catchments enable the IUCMA to manage the levels of the dams and river flows. In the 2019/20 (October - September) hydrological year, the WMA experienced a mid-summer drought, where in the Crocodile catchment the rainfall received in November-December 2019 was below normal when compared to historical information. The El Nino-induced drought in 2015/16 severely affected water availability in the Inkomati-Usuthu WMA and dams in the Crocodile and Sabie catchments have still not recovered from this drought. The water use restrictions were initially imposed in the Crocodile and Sabie-Sand catchments from October 2018 and were increased severely in February 2019, which lead to the City of Mbombela imposing drought tariffs by early February 2020. Restrictions that were imposed are now currently lifted to 10% and 35% on domestic and irrigation use, respectively in the Crocodile River catchment, as well as 10% and 40% restriction on domestic and irrigation use, respectively in the Sabie-Sand River catchment. There were restrictions imposed in the Kaap and White River systems for both domestic and irrigation sector as the dams failed to achieve above average levels. In the Lower Komati catchment, the irrigation sector is on 25% restrictions.

The following are highlights and the status of river systems and operations in the 2019/20 financial year:

- The IUCMA continues to maintain and expand the real-time monitoring network (rainfall and river flow) within the WMA to support DWS functions in flood and drought management.
- The LiDAR survey project on the major rivers with the objective to support the development of a disaster early warning management system for the WMA was concluded.
- The implementation of water restrictions within the Crocodile and Sabie catchments in particular to the domestic and agricultural sector in consultation with water users who are key stakeholders

ensured the sustainable management of resources and avoided the declaration of the area as drought stricken.

- The dams in the Lower Komati catchment operated by the Komati River Basin Authority (KOBWA) achieved the targets through joint efforts of the IUCMA, Department of Water Affairs in eSwatini, the DWS and KOBWA under the Komati Joint Operations Forum (KJOF).
- The IUCMA was invited for the first time to participate in the subcommittees of Joint Water Commission (JWC) and Tripartite Permanent Technical Committee (TPTC) between South Africa, Eswatini and Mozambique, who are responsible for making decisions regarding water allocations between the three countries. This enables the IUCMA to provide the DWS with advice regarding compliance to international obligations.
- The IUCMA participated in the Technical Task Group meetings for the Continuation of Water Requirement and Availability Reconciliation Strategy for The Mbombela Municipal Area (Crocodile Sabie River System Reconciliation Strategy) which is being implemented by the DWS to look at reconciling demands and water supply. The division also participated in the Blue Deal project.
- The IUCMA has greatly reduced the use of consultants in support of the operation and the subsequent spending on consultants. Although the two technical support contracts (Short-term models maintained by DHI/ EkoSource and Long-term models maintained by IWR Water Resources) to support the division to meet its objectives for effective river operations are still maintained on a year-on-year contract taking into account licensing fees and system maintenance.

The implementation of the groundwater strategy is being realised through a project that appointed a panel of three professional service providers (PSP). This is important as the Groundwater Unit is only being developed as part of the structure approved for implementation in the 2020/21 financial year.

Resource Quality Monitoring

The water resources within the former Inkomati Water management Area have been classified. The Resource Quality Objectives and Reserve have also been determined and gazetted in December 2016 and July 2019, respectively. However, the Resource Directed Measures which consist of the Management Class (MC), Reserve and Resource Quality Objectives (RQOs) for the protection of water resources to ensure sustainable development and use of water resource have not been determined for Usuthu catchment. Therefore, the Targeted Water Quality guidelines (TWQG) was used for the water quality compliance assessment of the Usuthu Catchment.

Furthermore, the water quality compliance assessment for international obligation sites were also conducted and compared with the international water quality guidelines limit (IWQG) as per the Tripartite Interim Agreement between the Republic of Mozambique, Republic of South Africa (RSA) and the Kingdom of eSwatini.

The division has performed well with respect to the monitoring of surface water quality and has also reviewed the monitoring programme to optimise it such that all possible sources of pollution are adequately monitored. Some of the monitoring sites that were deemed redundant were also terminated; most of which did not have flow due to measures that have been implemented by various activities to prevent the movement of polluted water into the environment. Regarding the implementation of the Interim Inco-Maputo Agreement, all international obligation sites and variables as per the international water quality guidelines were monitored.

The River Eco-status Monitoring Program was also conducted accordingly using the biological indicators or responders, namely vegetation, fish and macroinvertebrates to ensure that the desired level of protection was achieved, as specified in the RQOs for Sabie/Sand, Crocodile, Komati and Usuthu Catchments. In the year under review, a comprehensive River Eco-status study was conducted for Usuthu Catchment and the report is currently under review for finalisation and publication. Specialist comments have also been provided on various biomonitoring reports that were submitted to the institution as a requirement to the water use authorisation conditions, which is also an assessment tool to control the impact of water use activities on water resources.

As part of public participation and involvement of stakeholders in the management of water resources as espoused in the National Water Act, the status of the resource in terms of water quality and the aquatic eco-status has consistently been shared with stakeholders at various forums as well as other platforms such as the IUCMA website. The division continued to use the HydroNET as a tool for visualisation and presentation of information, including reporting to authorities. Another system that has been put in place to optimise the monitoring of the impact of water use activities on water resources is telemetric water quality stations. Although the network is currently limited and is being gradually rolled out, the few stations that have been installed are placed strategically to assist the institution in achieving its objectives of protecting water resources. The maintenance of these stations has also been conducted to ensure that the stations are functional and record accurate results to enable operational decision making.

The water resources of the former Inkomati Water Management Area were classified and gazetted in December 2016. As part of setting the management class, the resource quality objectives (RQOs) were also set for various parameters of concern at specific monitoring points referred to as ecological water requirement (EWR) sites. These (RQOs) are numerical values which must not be exceeded.

Compliance Monitoring and Enforcement (CME)

To ensure compliance, monitoring and compliance, the IUCMA has a dedicated team of officials consisting of different expertise and backgrounds who fully commit themselves to ensure that the CME division achieves its mandate, as outlined in the approved 2019/2020 APP in support of the mandate of the Department of Water and Sanitation (DWS), as outlined in the NWA. The Compliance Monitoring and Enforcement (CME) division has attained several exciting achievements during the 2019/20 performance cycle including:

- In relation to the Camelot case the accused was found guilty after pleading guilty to three charges and this is unprecedented in the history of the IUCMA.
- The IUCMA has established working relations with the South African Police Services (SAPS) handing cases over to the CME for investigation. Furthermore, this places the IUCMA in total control of environmental criminal investigations, including its outcomes. This is unprecedented in the history of the IUCMA.
- There are four (4) criminal cases which the CME division is pursuing currently, and all these cases are at an advance stage, of which judgement will be handed down soon.
- The working relationship with other Environmental Inspectorates, including the National Prosecuting Authority has improved in the 2019/20 financial year.
- A task team was formed which will be led by Cooperative Governance and Traditional Affairs (COGTA) Mpumalanga Province office of which the IUCMA CME manager forms part of the task team to deal with all Wastewater Treatment Works in the entire Mpumalanga Province.
- A joint Compliance Monitoring team was established with the National Department of Water and Sanitation for all the Wastewater Treatment Works (WWTW) that are managed by the Thaba Chweu Local Municipality (TCLM). The IUCMA continues to play a part in these committees to ensure compliance.

Water Use Authorisation

The Water Use Authorisation Applications (WUAA) include both water use licence and general authorisation. The IUCMA does not make decisions on licences but only recommends. The decision is made at the DWS Head Office. General Authorisations are confirmed (finalised) internally. The water use authorisation application process is done online through the e-WULAAS platform which is accessible on the Department of Water and Sanitation (DWS)'s website: www.dws.gov.za.

The IUCMA received the following recognition nationally and locally:

- Best division (WRU) of the year 2019
- Manager of the year 2019
- Best WULAs Assessor
- WARMS Finest and
- CMA/Region that cooperates with and responds to requests from CD: WUA promptly and accurately.

The IUCMA processed and finalised 86 Water Use Authorisation Applications (WUAA) in the 2019/2020 financial year or performance cycle. Most of the applications finalised were General Authorisations and non-consumptive water uses. The higher percentage of application received and finalised were from HAIs and the least number of applications received and processed where from SOEs. The IUCMA has a backlog of at least 3 water use authorisation applications for the 2019/20 financial year.

The total volume of water allocated for the performance cycle 2019/2020 is 958 418.80 m³/a, of which the HAI user category was allocated 84% and the HDI was allocated only 4%. In terms of application, HAI applications received and finalised were 30 whereas only 6 were for HDIs. The water user application for the conversion from ELU to a water use licence was not included in the calculation because it is not considered a new water use but a conversion from an authorisation type to another. The water converted from ELU to a water use licence was from LM Schoonspruit (Pty) Ltd to a total volume of 7 046 000 m³/a.

The frequently used systems in the WRU Division for data management and information management is the Electronic Water Use Licence Application and Authorisation System (e-WULAAS) and Water Authorisation and Registration Management System (WARMS). The e-WULAAS system is used for water use authorisation applications. The system is used mostly to facilitate the licensing process from the date of application to the finalisation date. The system also assists in streamlining the licencing process as well as data management.

After a decision on the water use authorisation applications has been made, such an authorisation is captured into WARMS system. WARMS capture the issued water use authorisation and register the billable water volume. It then feeds finance (revenue) with information for billing purposes. Currently, the capturing is being done manually, but the DWS is working on integrating the two systems such that once the authorisation is issued, the details of the water use authorisation can be extracted from the e-WULAAS to the WARMS system. WARMS received a clean audit during this period, despite having access to limited available resources.

Institutions and Participation

Chapter 7 of the National Water Act (Act 36 of 1998) espouses one of the main functions of the Catchment Management Agency (CMA), which is to promote community participation in the protection, use, development, conservation, management and control of water resources in its water management area. Public participation constitutes the cornerstone of democracy by way of creating platforms through which the society at large will give input for services and activities that affect them. This principle is also applicable in the management of natural resources, in this instance, the management of water resources.

The Institutions and Participation division is dedicated in the IUCMA organogram as being responsible for the fulfilment of the abovementioned function. Therefore, the coordination of stakeholders' participation in all programmes of the IUCMA is within the functional area of responsibility of this division.

Interactions with Catchment Management Forums

Under this primary strategic objective, the IUCMA, through its I&P division, has established six functional CMFs in all the sub-catchments. The I&P conducted the first Stakeholder Satisfaction Survey and CMF meetings are held on a quarterly basis stemming from the inputs and recommendations whereby broad water use related issues are discussed by different stakeholders within their respective areas. The IUCMA has continuously provided administrative support to all the six sub-catchment committees in the facilitation of the quarterly CMF meetings. Private sector continues to host and fund the CMF meetings by providing for venues and catering for stakeholders. This is viewed as another achievement towards building water stewardship amongst stakeholders.

Highlights of achievements

For the 2019/20 financial year, the APP targets for the I&P division were as follows:

- To coordinate a minimum of 32 (100%) river cleaning exercises based on identified critical intervention areas and supporting the Adopt-A-River Programme with communities.
- For compliance with the Stakeholder Engagement Plan the Institution & Participation division planned:
 - To coordinate 24 (100%) catchment management forum meetings.
 - To coordinate and conduct 32 (100%) agricultural workshops with HDI users, including traditional authorities.
 - To conduct 32 education and awareness initiatives (100%) in the sub-catchments.
 - To attend IWRM-related forums (100%) where the IUCMA is invited to collaborate with / provide advisory services to external stakeholders, including government departments and other sector partners. Based on the trends of these engagements, the IUCMA has benchmarked 40 (forty) IWRM-related forums per annum and each division contributes in accordance to the relevance and demand of the IWRM forum.

Statistics for the stakeholders' representation in the CMF meetings that took place during the fourth quarter of the 2019/20 financial year are presented in Figure 1. The graph shows the fluctuating trend in terms of stakeholder numbers in each of the 6 sub-catchments. For the first time the Crocodile catchment had a wide range of representation in the last CMF meeting due to the issue of forestry that was being raised on various platforms.

These figures are a combination of the different sector representation as indicated in Table 2. This gives the IUCMA an indication of how trends of attendance are changing in terms of improvement or decline. The Sabie, Sand and Usuthu CMFs which are predominantly rural, and the majority being HDIs which by default happen to be black emerging water users, show a high number of stakeholder attendance. The Crocodile catchment is predominantly a commercial farming sub-catchment while the Upper Komati is dominated by mining activities. In the Sand, Sabie and Lower Komati the attendance has been consistent in all four

quarters. The overall assessment of the stakeholder attendance shows that quarter 4 had a higher number of stakeholders.



Figure 3: Sand forum Xalamukani emerging farmers in a meeting held at the project site in Upper Sand Catchment on 16 May 2019.



Figure 4: Learners at the Rev SA Nkosi High School during the career guidance hosted by the IUCMA on 4 June 2019.



CORPORATE SERVICES

The role of the Corporate Services section of the IUCMA is to provide support services in terms of finance, human resource, Information Technology, records management, supply chain management, risk management and outsourced internal audit services to the core operations departments to ensure they meet their operational and strategic objectives.

The key strategic objective related to Corporate Services is to ensure effective and efficient management of IUCMA resources. The important activities carried out during the financial year include ensuring compliance with financial regulations, Treasury regulation implementation and risk management, amongst others.

Finance and Compliance

Expenditure

The IUCMA has in the year under analysis continued to be strategic in its management of all resources of the agency in accordance with all prevailing and applicable legislation. These initiatives entailed exploring new sectorial based opportunities within its delegations whilst maximising on existing sources of funding to maintain financial sustainability. This has been exemplified by implementing debt recovery strategies that are responsive to all customer types within the agency's water management area. Prudent cost containment become a paramount area of delivery due to the downward adjustment of the fiscus. Its establishment would ensure the going concern and financial sustainability of the entity. Utilisation of transversal contracts, ensuring a competitive acquisition process as well as full alignment to the National Treasury Updated Instruction 03 of 2016/17 on Cost Containment Measures Costs yielded heightened benefits for the agency. Costs were monitored continuous to ensure that they are within the parameters of the approved budget prepared based on the National Treasury MTEF guidelines published in June 2018. The budget as an internal control measure was formulated utilising zero-based budgeting processes. Usage of economic factors like extrapolation, CPI and PPI were only applied for services that were already contracted for.

Revenue

Revenue management continues to be a strategic component of the IUCMA as its functions are an integral part of attainment of financial sustainability for the agency. The function of Water Use Charges by WTE since its transfer to the IUCMA has been successfully administered albeit low collection rates recorded estimated at 42% (target rate of 60%) in the financial year 2019/20. Concerns regarding low recoverability of debt has been a major focal point addressed by the approved strategies. The IUCMA in addition, further depends on DWS WTE owned systems to perform all billing and licensing functions. The said dependency increases risk exposure to the IUCMA, as a result, the entity has developed a Business Continuity Plan covering systems management and integration.

Tariffs

The IUCMA in 2019/20 conducted consultations with stakeholders on the proposed Water Resource Management charges as mandated by section 57 of the National Water Act 36 of 1998 as well as the Pricing Strategy of April 2007. A trend analysis is provided below of applied tariffs in the reporting year as well as the prior year being the comparative year. It is however important to note that the tariffs are still not representative of a full cost recovery of work undertaken by the IUCMA towards water resource management in the catchment.

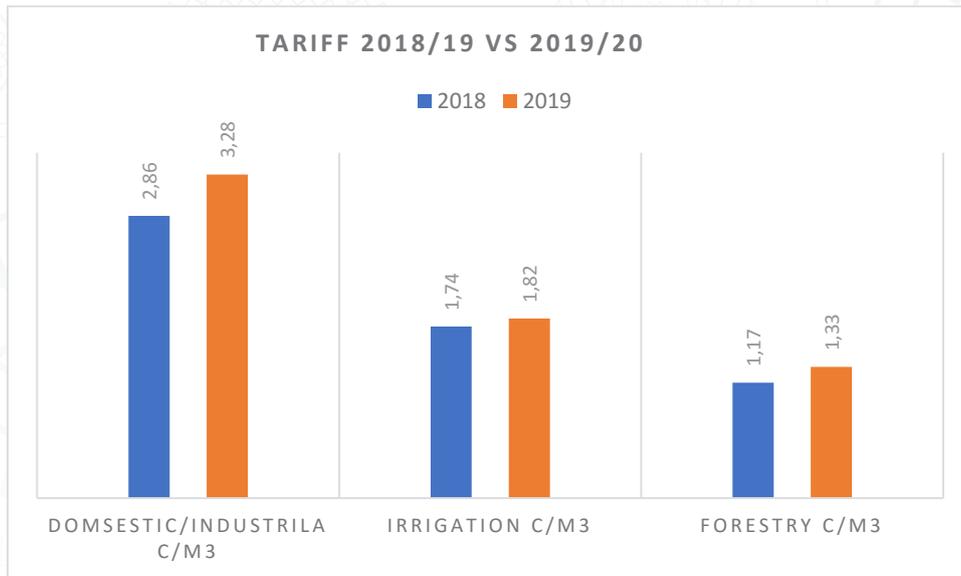


Figure 5: Tariff Comparison

D&I tariffs rose from 2.896c/m³ to 3.28c/m³ thereby resulting in an increase of 15% from 2018/19 to 2019/20. IRR increased from 1.74c/m³ to 1.82c translating into a 5% increase from the prior year. Affordability of tariffs in the IRR sector has far reaching implications towards the greater economy and food security. SFRA increased from 1.17c/m³ to 1.33c translating into a 14% increase.

Human Capital Highlights in 2019/20

The institution developed and implemented strategies to attract, develop, engage, motivate, and retain talent in the organisation to ensure that the organisation is the employer of choice. Performance management of employees through quarterly reviews was effective throughout the year with a motivated workforce to ensure that the vision and the strategic objectives of the institution are achieved. Most of the internal employees were also awarded bursaries to further their studies and external bursaries were also awarded to qualifying students in terms of the bursary policy. A total of seventeen (17) interns were contracted to the institution. In the year, the contracts were extended due to the revised interns policy. It is with these programmes that the IUCMA is honoured to contribute to one of the biggest challenges within

the country, that being youth unemployment. It seeks to empower and develop young graduates within and outside the sector.

In relation to internal capacity development, the IUCMA has trained fifty-two (52%) of its employees, within their respective field of work. These trainings were aligned by means of personal development plans to EWSETA by the human resource division of the institution. Continuous development and empowerment of the workforce remains a pivotal element of the Institution.

Information Technology and Records Management

Master Systems Plan (MSP)

The Master Systems Plan (MSP), IT policies and procedures, IT Structure and IT turnaround strategy have been developed independently in line with the organisation's strategic objectives and complement the necessary information systems required in achieving the set objectives, governance framework, as well as the IT Steering committee formed to provide oversight on IT governance activities in relation to best practice.

Information Management Systems

Water resource management systems such as HydroNET, Hystra, WARMS and WMS have been a vanguard for our information management by ensuring that information is readily available for decision-making processes.

Digitising Satellite Offices

IUCMA satellite offices have been digitised with Local Area Networks, Virtual Private Networks, and Network Security. Our Piet Retief office is in the process of installing a biometric and closed-circuit television system.

BBBEE

At an industry level, although much still needs to be done, we have seen improvement in terms of work awarded in this regard as depicted in the corporate services performance tables in terms of BBBEE spend which exceeded the set targets. The BBBEE target spend for the year was 40% of the total spend for the year. Upon completion of the year, 37% was reported as having been achieved. The IUCMA, in its supply chain management processes, ensures that appointment of preferred service providers is either through tender or request for quotations which is based on an evaluation process that allows for an appointment

that will translate into efficient, economical, transparent, fair and equitable utilisation of funds. In order for the IUCMA to ensure that it meets all future targets, a revision of policy is necessitated that allows for prequalification to be implemented as well as definitions of quotas to ensure that a satisfactory contribution to the BBBEE sector is achieved.

Employment Equity

The IUCMA envisages to have an equal staff complement in terms of the equity legislation. Table 6 below demonstrates the employment equity status of the Institution.

Table 6: Employment equity statistics for 2019/20 financial year

OCCUPATIONAL LEVEL	TOTAL	AM	WM	AF	CF	WF
Top management	3	1		2		
Senior management	7	6		1		
Professionally qualified and experienced specialists and mid management - D band	19	11		8		
Skilled technical and academically qualified workers (Jnr management, supervisors, foreman and superintendents - C Band	50	24	1	23	1	1
Semi-skilled and discretionary decision-making workers -B Band	8	2		6		
Unskilled & defined decision-making workers - A Band	4			4		
TOTAL	91	44	1	44	1	1

Key:

ABBREVIATION	FULL DESCRIPTION
AM	African Male
CM	Coloured Male
IM	Indian Male
WM	White Male
FM	Foreign Male
AF	African Female
CF	Coloured Female
IF	Indian Female
WF	White Female
FF	Foreign Female



CONSOLIDATED ANNUAL PERFORMANCE TABLES

GOVERNANCE

Outputs	Performance Indicators	Baseline	Annual Target 2019/20	Annual Actual 2019/20	#	Reason for Variance	Corrective Action
IUCMA STRATEGIC OBJECTIVE 5: ENSURE EFFECTIVE AND EFFICIENT MANAGEMENT OF IUCMA RESOURCES							
Effective corporate governance	Number of Governing Board and committee meetings coordinated	9x Governing Board 4x EXCO 7x Audit Committee 2x Stakeholder Consultation	5x Governing Board 4x EXCO 5x Audit Committee 2x Stakeholder Consultation	1x Close up meeting 1x Inaugural Meeting 2x Workshops 2x Stakeholder Consultations Meetings 4x Ordinary GB meetings 6x Special GB meetings 3x Strategic Sessions 4x EXCO 6x Audit Committee		New GB was appointed 1 April 2019 and a close-up meeting was arranged, thereafter an inaugural meeting, workshops and strategic sessions for the new GB were conducted. 4x Special GB meetings were held to consider reports on governance lapses in procurement which resulted in non-compliance.	The Governing Board is in the process of addressing the governance lapses in procurement that resulted in non-compliance

Outputs	Performance Indicators	Baseline	Annual Target 2019/20	Annual Actual 2019/20	#	Reason for Variance	Corrective Action
						Special AC was arranged to approve Internal Audit Plan and budget.	

OFFICE OF THE CHIEF EXECUTIVE OFFICER

Outputs	Performance Indicators	Baseline	Annual Target 2019/20	Annual Actual 2019/20	#	Reason for variance	Corrective Action
STRATEGIC OBJECTIVE 5: ENSURE EFFECTIVE AND EFFICIENT MANAGEMENT OF IUCMA RESOURCES							
Legislative reporting requirements effectively complied with	Percentage of compliance with statutory prescripts submitted to the Minister of the DWS	100%	100%	100%		None	None
	Percentage of compliance to Governing Board resolutions	-	85%	81%		4% are still work in progress	Follow ups will be made
Annual Communications Plan	Percentage of monitoring the Communications Performance Plan	-	80%	80%		None	None
Corporate Social Responsibility Initiatives	Number of CSI initiatives implemented	1 borehole	2 boreholes	2 boreholes		None	None
		-	2 water storage facility	2 water storage facility		None	None



OFFICE OF THE EXECUTIVE: WATER RESOURCE MANAGEMENT

Outputs	Performance Indicators	Baseline	Annual Target 2019/20	Actual Performance 2019/20	#	Reason for variance	Corrective Action
STRATEGIC OBJECTIVE 1: ENSURE EFFECTIVE, EFFICIENT AND SUSTAINABLE MANAGEMENT OF WATER RESOURCES							
Water Allocation Reform	Development of the Water Allocation Plan (WAP)	-	Developed Water Allocation Plan	Developed Water Allocation Plan		None	None
	Implementation of the Water Allocation Reform Plan (WAR)	4	4	4		None	None
Effective river operations	Decision Support Systems (DSS) implementation to monitor dam levels and river flows, including the ecological reserve and international obligations	-	4	4		None	None

Outputs	Performance Indicators	Baseline	Annual Target 2019/20	Actual Performance 2019/20	#	Reason for variance	Corrective Action
STRATEGIC OBJECTIVE 1: ENSURE EFFECTIVE, EFFICIENT AND SUSTAINABLE MANAGEMENT OF WATER RESOURCES							
Effective data acquisition and management	Number of routine maintenances performed on the installed river flow and quality data loggers quarterly	112	40	36		There was a delay in the installation of the additional 4 data loggers by the service provider. Currently only 36 are installed and maintained.	The 4 loggers remaining will be installed and maintained in the next financial year 2020/21
	Number of routine inspections and maintenance of installed rainfall gauges quarterly	80	25	25		None	None
Water resource Protection	River Ecosystem Monitoring Program (REMP) implemented as per the REMPP programme	Crocodile	Conduct REMPP monitoring in 3 catchments	Conduct REMPP monitoring in 3 catchments		None	None
		3075	261x12	3037		Total of 3174, 137 sites	A new calculation method will be

Outputs	Performance Indicators	Baseline	Annual Target 2019/20	Actual Performance 2019/20	#	Reason for variance	Corrective Action
STRATEGIC OBJECTIVE 1: ENSURE EFFECTIVE, EFFICIENT AND SUSTAINABLE MANAGEMENT OF WATER RESOURCES							
	Number of sites monitored as per the monthly water resource quality monitoring plan					were not sampled due to no flow and 131 non-accessible sites. ¹	developed in the 2020/21 APP
Full compliance with s19 and s20 and s53 of the National Water Act, including all regulations	Number of planned water users monitored for compliance in terms of s19 and s53 of the NWA	282	308	314		Appointment of additional resources in the 4th quarter to conduct monitoring enabled the over achievement	Set targets will be maintained
	Percentage water resource pollution incidents attended to within 24 hours out of the total reported. S20	100% (20/20)	100%	100% (20/20)		None	None

¹ The decreasing number of sites was due to the water quality monitoring plan being amended during quarters 3 and 4. This was due to the termination of sites which were located outside the perennial streams and some which were not accessible for a period of a year. A detailed report was submitted in quarter 4.

Outputs	Performance Indicators	Baseline	Annual Target 2019/20	Actual Performance 2019/20	#	Reason for variance	Corrective Action
STRATEGIC OBJECTIVE 1: ENSURE EFFECTIVE, EFFICIENT AND SUSTAINABLE MANAGEMENT OF WATER RESOURCES							
Authorised water use	Percentage of applications for water use authorisation processed within the regulated timeframes	100% (64/64)	100%	100% (86/86)		None	None
STRATEGIC OBJECTIVE 2: ENSURE COLLABORATIVE AND COORDINATED INTEGRATED WATER RESOURCE MANAGEMENT FOR WISE SOCIOECONOMIC DEVELOPMENT							
Cooperative governance	Percentage of technical inputs provided in specialist report	100% (24/24)	100%	100% (88/88)		None	None
STRATEGIC OBJECTIVE 3: PROMOTE AND PURSUE INTERNATIONAL AGENDA							
Effective and sufficient transboundary interactions	Percentage of implementation of IUCMA international stakeholder engagement plan	100% (15/15)	100%	100% (10/10)		None	None
STRATEGIC OBJECTIVE 4: PROMOTE KNOWLEDGE GENERATION AND DISTRIBUTION							

Outputs	Performance Indicators	Baseline	Annual Target 2019/20	Actual Performance 2019/20	#	Reason for variance	Corrective Action
STRATEGIC OBJECTIVE 1: ENSURE EFFECTIVE, EFFICIENT AND SUSTAINABLE MANAGEMENT OF WATER RESOURCES							
Strengthened IWRM knowledge sharing networks	Number of quarterly WMA status reports produced for information dissemination at catchment forums	4 Quarterly reports 1 Annual Report	4 Quarterly reports 1 Annual Report	4 Quarterly reports 1 Annual Report		None	None
	Sector specific meetings convened to support catchment management forums and IUCMA planning	–	Mining Agriculture Forestry Municipalities	Mining Agriculture Forestry Municipalities		None	None
Stakeholder interactions and empowerment	Percentage of compliance with the stakeholder interaction plan	100% (35/35)	100%	100% (32/32)		None	None
	Percentage of river cleaning exercises based on identified critical interventions areas	50	100%	91% (29/32)		3 meetings cancelled in quarter 4 as a response to government mitigating the	None

Outputs	Performance Indicators	Baseline	Annual Target 2019/20	Actual Performance 2019/20	#	Reason for variance	Corrective Action
STRATEGIC OBJECTIVE 1: ENSURE EFFECTIVE, EFFICIENT AND SUSTAINABLE MANAGEMENT OF WATER RESOURCES							
						spread of Covid-19	

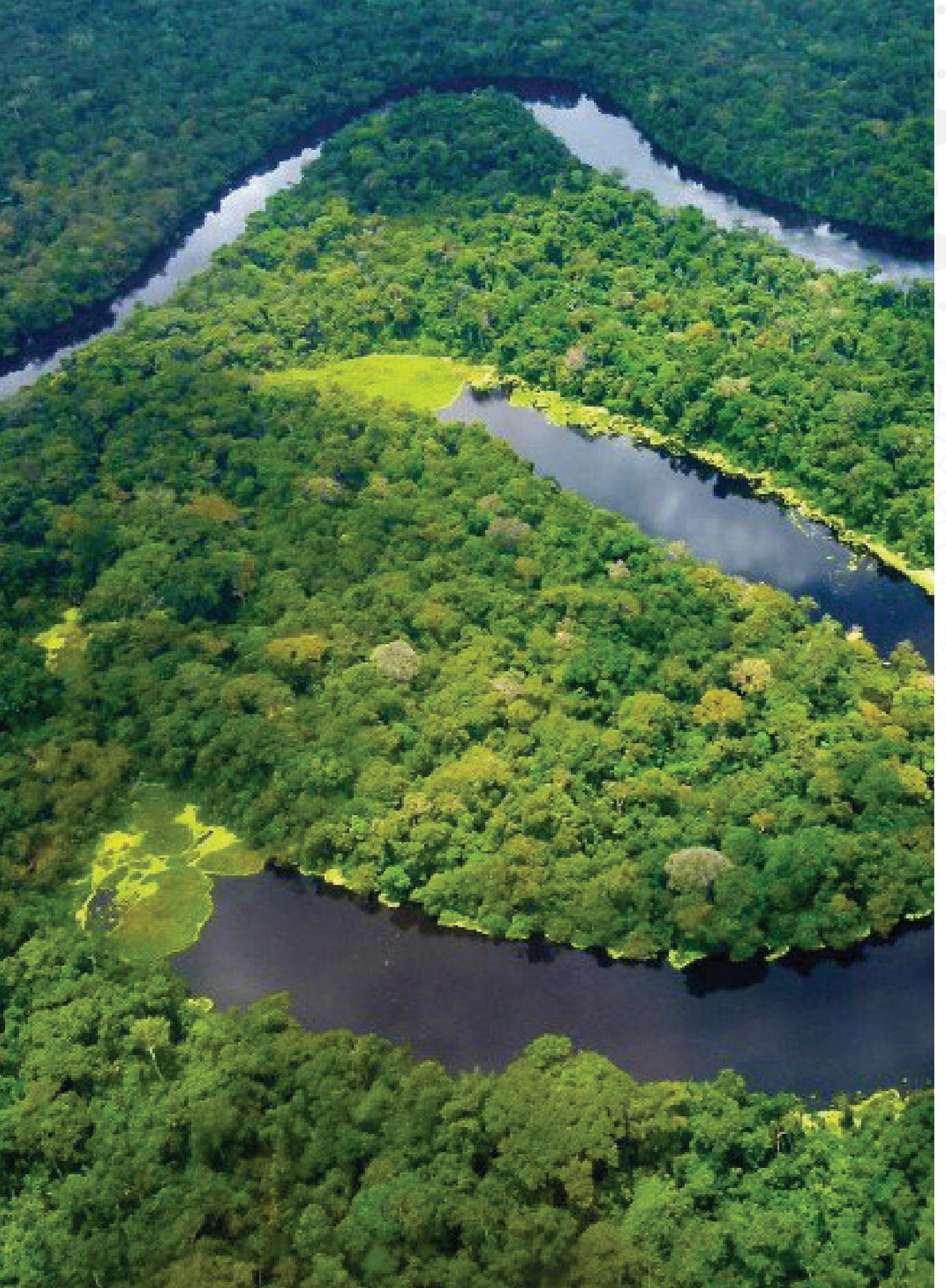
OFFICE OF THE EXECUTIVE: CORPORATE SERVICES

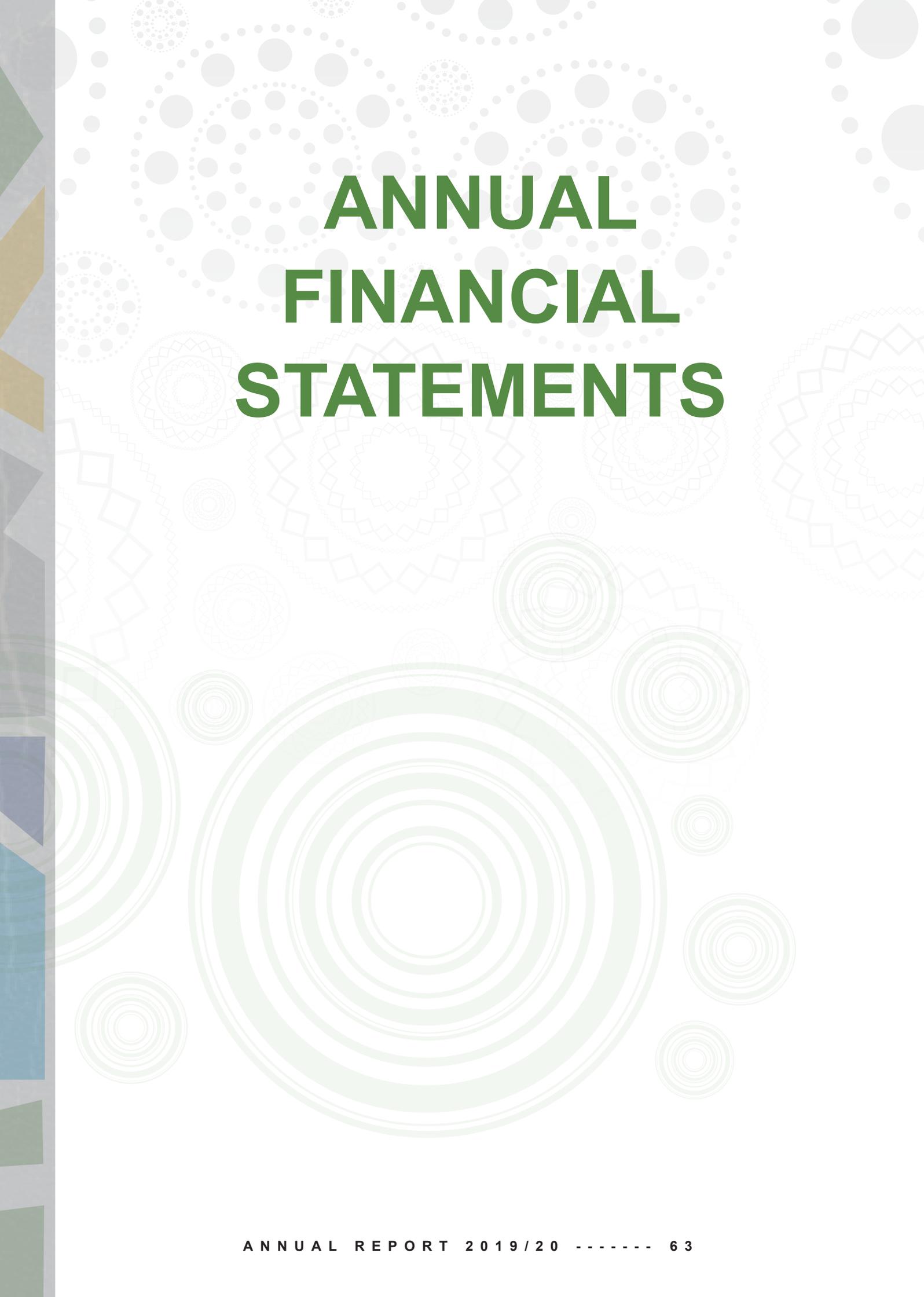
Outputs	Performance Indicators	Baseline	Annual Target 2019/20	Actual Performance 2019/20	#	Reason for Variance	Corrective Actions
STRATEGIC OBJECTIVE 5: ENSURE EFFECTIVE AND EFFICIENT MANAGEMENT OF IUCMA RESOURCES							
Effective risk management	Percentage implementation of Risk Committee recommendations to Audit Committee	100%	100%	100%		None	None
Effective revenue management	Revenue and debt collection strategy	None	Approved revenue and debt collection strategy	Approved revenue and debt collection strategy		None	None

Outputs	Performance Indicators	Baseline	Annual Target 2019/20	Actual Performance 2019/20	#	Reason for Variance	Corrective Actions
STRATEGIC OBJECTIVE 5: ENSURE EFFECTIVE AND EFFICIENT MANAGEMENT OF IUCMA RESOURCES							
Increased BBBEE spend to set percentage	Percentage of actual expenditure on BBBEE	37% (R90, 898,246.)	40%	37.3% (R 15,020 561,40/ R 40,248 928,95)		The assessment method used was reviewing the total spend on BBBEE against total spend within each quarter. ²	The correct calculation method will be used in the 2020/21 FY
Effective IT Management	Percentage compliance to IT Steering Committee recommendation every quarter	100%	100%	100% (4/4)		None	None
Effective information management	Percentage compliance to the annual external records management audit recommendations	-	100%	100%		None	None
Training and skills development	Percentage compliance to the training and skills development HRD plan	76% (19/25)	100%	100% (47/47)		None	None

² The target was achievable, however the assessment method used, was reviewing the total spend on BBBEE against total spend within each quarter. This means our target per quarter should be 40% to achieve the annual target.

Outputs	Performance Indicators	Baseline	Annual Target 2019/20	Actual Performance 2019/20	#	Reason for Variance	Corrective Actions
STRATEGIC OBJECTIVE 5: ENSURE EFFECTIVE AND EFFICIENT MANAGEMENT OF IUCMA RESOURCES							
Work opportunities created	Number of work opportunities through technical projects	6	100%	100% (17/17)		None	None
Filled vacant and funded positions	Percentage of vacant and funded positions filled according to the annual recruitment plan	100% (21/21)	100%	100% (7/7)		None	None
Employee health and wellness	Number of employee wellness activities coordinated	2	2	2		None	None



The background features a complex pattern of overlapping geometric shapes, including circles, squares, and concentric rings, in various shades of green and grey. A vertical bar on the left side is composed of several colored segments: green, yellow, grey, blue, and green.

ANNUAL FINANCIAL STATEMENTS

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

General Information

Country of incorporation and domicile

South Africa

Members

Ms TP Nyakane-Maluka
(Chairperson)
Mr MS Mthembu (Deputy
Chairperson)
Ms Ngidi
Mr PA Tshabangu
Mr Mashudu Gangazhe
Adv Bernard Shabangu
Ms Carol Zulu
Ms Miranda Sikhakhane
Dr Thava Kelly
Dr Jennifer Balatedi Molwantwa
(Ex-Officio)

Auditors

PriceWaterhouseCoopers
Registered Auditors

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

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The reports and statements set out below comprise the annual financial statements presented to the South Africa Parliament:

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Acronyms

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

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2020.

Audit committee members and attendance

The Audit Committee consists of the members listed here under and should meet at least four (4) times per annum as per its approved Audit Committee Charter. During the current year six (6) meetings were held. Attendance of each member is shown in the below table:

Name of member	Number of meetings attended
Mr JK Sithole (Chairperson) (appointment date 15/08/2019)	3
Mr M Secker (Chairperson) (term of office expired 27/05/2019)	0
Ms LC Zulu	4
Mr LC Mohalaba	3
Adv MB Shabangu	5
Ms LM Sikhakhane	6
Mr P Tshabangu	6
Ms V Maholovela (term of office expired 27/05/2019)	2

Audit committee responsibility

The Audit Committee report has complied with its responsibilities arising from section 51(1)(a)(i) of the PFMA and Treasury Regulation 27.1.8.

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

The effectiveness of internal control

The system of internal controls applied by the Agency over financial and risk management is effective, efficient and transparent. In line with the PFMA, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the External Auditors, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, the Audit Committee can report that the system of internal for financial reporting for the period under review was efficient and effective.

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

Evaluation of annual financial statements

The audit committee has:

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

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

Audit Committee Report

Internal audit

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

The following Internal Audit work was completed but not limited to the following:

- Human Resource Management,
- River Systems Planning and Operations Management ,
- Risk Management,
- Subsistence and Travel,
- Compliance Monitoring and Enforcement,
- Financial Audit,
- Revenue Management,
- Performance Information,
- Corporate Governance,
- Adhoc Audit on awarded tenders of R2 million and above.

External Auditor

The audit committee has met with the External Auditors to ensure that there are no unresolved issues.

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



Mr JK Sithole Chairperson of the Audit Committee

Date: 30/9/20

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

Report on the audit of the financial statements as at 31 March 2020

Opinion

1. We have audited the financial statements of the Inkomati-Usuthu Catchment Management Agency, which comprise the statement of financial position as at 31 March 2020, the statement of financial performance, statement of changes in net assets and cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. 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 2020, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Standards (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South African, 1999 (Act No.1 of 1999) (PFMA).

Basis for opinion

3. 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 this auditor's report.
4. We are independent of the Agency in accordance with section 290 and 291 of the Independent Regulatory Board for Auditors' *Code of professional conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

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

Responsibilities of the accounting authority for the financial statements

6. The Accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Standards (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. 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 appropriate governance structure either intends to liquidate the agency or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

8. 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.
9. A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.
11. Our procedures address the reported performance information, which must be based on the approved performance planning documents of the Agency. We have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the

planning documents. Our procedures did not examine whether the actions taken by the Agency enabled and contributed to the achievement of service delivery outcomes as planned. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.

12. We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the agency for the year ended 31 March 2020:

Programme	Pages in the annual performance report
Programme – Office of the Executive: Water Resource Management	54 - 59

13. We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. We did not raise any material findings on the usefulness and reliability of the reported performance information for this programme:
 - Programme – Office of the Executive: Water Resource Management

Achievement of planned targets

15. Refer to the annual performance report on pages 50 to 61 for information on the achievement of planned targets for the year of a number of targets.

Report on the audit of compliance with legislation

Introduction and scope

16. In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the compliance of the Agency with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.
17. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA. Material

misstatements identified by the auditors in the submitted financial statements, but were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

18. The financial statements were not submitted on time in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA.

Other information

19. 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.
20. 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 thereon.
21. 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 objectives presented in the annual performance report, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.
22. We did not receive the other information prior to the date of this auditor's report. When we do receive and read this information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

23. 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. No significant internal control deficiencies were identified that resulted in the modification of our basis for our opinion.

Auditor tenure

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Andries Oosthuizen
Director
Registered Auditor
30 September 2020
Mbombela/Nelspruit



Annexure – Auditor’s responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

3. We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
4. We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that

may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

Accounting Authority's Report

The members submit their report for the year ended 31 March 2020.

1. Review of activities

Main business and operations

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

Net surplus recorded by the Agency was R45,901,585 (2019: surplus R3,270,687). The Agency recorded deferred income of Rnil (2019: R95,368,447) by the end of the year. Recognised deferred income was allocated to fund prior year's budgeted activities that could not be implemented due to delay in receipt of funds. After acquiring due approval from National Treasury, delivery of identified 2018/19 activities was transferred to 2019/20.

During the year under review, the Agency continued to implement - through the successful implementation of SAP - the billing and invoicing function transferred from the DWS WTE on 1 November 2017. The Agency actively revised its revenue management strategies to allow improved recoverability of debt. In addition, the Agency has identified revenue management as a strategic component of its operations, resulting in the revision of the organogram - implementable in April 2020 - that includes a stand alone revenue section.

The transferor (DWS WTE) of the debtor's book transferred did not provide for any impairments on the balance as at date of transfer to the Acquirer (the Agency). In terms of GRAP 105, additional assets or liabilities will be recognised during the measurement period, if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities. The Agency has in the year under analysis impaired debt transferred by DWS WTE by R132,548,843. The Agency will notify the transferor of debt of the impairment. Debt as transferred by DWS WTE was therefore adjusted to R66,678,749.

2. Accounting Authority

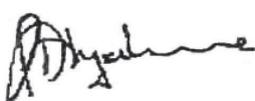
The Minister appointed a new Governing Board effective 1 April 2019 of which consist of the following members:

Ms TP Nyakane-Maluka (Chairperson)	Appointed Monday, 01 April 2019
Mr MS Mthembu (Deputy Chairperson)	Appointed Monday, 01 April 2019
Ms Ngidi	
Mr PA Tshabangu	Appointed Monday, 01 April 2019
Mr Mashudu Gangazhe	Appointed Monday, 01 April 2019
Adv Bernard Shabangu	Appointed Monday, 01 April 2019
Ms Carol Zulu	Appointed Monday, 01 April 2019
Ms Miranda Sikhakhane	Appointed Monday, 01 April 2019
Dr Thava Kelly	Appointed Monday, 01 April 2019
Dr Jennifer Balatedi Molwantwa (Ex-Officio)	

3. Auditors

PricewaterhouseCoopers (PwC) was appointment as the Agency's external auditor for a 3 (three) year term. Their appointment was concurred by the Auditor General South Africa (AGSA). PwC will continue in office for the next financial period unless otherwise instructed by the AGSA.

The annual financial statements set out on pages 6 to 33, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2019 and were signed on its behalf by:



Ms TP Nyakane-Maluka (Chairperson)



Dr Jennifer Balatedi Molwantwa (Ex-Officio)

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

Statement of Financial Position as at 31 March 2020

Figures in Rand	Note(s)	2020	2019 Restated
Assets			
Current Assets			
Receivables from exchange transactions	5	24 462 509	54 848 857
Cash and cash equivalents	6	76 341 569	98 399 231
		100 804 078	153 248 088
Non-Current Assets			
Property, plant and equipment	3	3 934 683	4 100 721
Rental deposits	4	252 811	252 811
		4 187 494	4 353 532
Total Assets		104 991 572	157 601 620
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	2 772 283	6 783 160
Provisions	9	2 928 429	1 871 056
Finance lease obligation	7	67 087	247 146
Deferred income	8	-	95 368 447
		5 767 799	104 269 809
Non-Current Liabilities			
Finance lease obligation	7	27 565	40 863
Total Liabilities		5 795 364	104 310 672
Net Assets		99 196 208	53 290 948
Accumulated surplus		99 196 208	53 290 948

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated
Revenue	11	215 622 231	132 805 512
Other income	12	10 107	136 477
Operating expenses	17	(175 449 031)	(132 901 238)
Operating surplus		40 183 307	40 751
Finance costs	16	(14 952)	(40 749)
Investment revenue	13	5 733 230	3 270 687
Surplus for the year		45 901 585	3 270 687

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus Restated	Total net assets Restated
Balance at 01 April 2018	50 020 259	50 020 259
Changes in net assets		
Surplus for the year	3 270 687	3 270 687
Total changes	53 290 946	53 290 946
Balance at 01 April 2019	53 290 946	53 290 946
Changes in net assets		
Surplus for the year	45 901 585	45 901 585
Total changes	45 901 585	45 901 585
Balance at 31 March 2020	99 192 531	99 192 531

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated
Cash flows from operating activities			
Receipts			
Water Resources Management Charges Invoiced		20 891 655	22 583 951
Grant		80 357 299	140 394 913
Interest income		5 733 230	3 270 687
		106 982 184	166 249 551
Payments			
Employee costs		(78 088 900)	(69 138 547)
Operating Expenses		(49 066 116)	(50 917 550)
		(127 155 016)	(120 056 097)
Net cash flows from operating activities	19	(20 172 832)	46 193 454
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(1 691 471)	(632 754)
Proceeds from sale of property, plant and equipment	3	-	21 625
Net cash flows from investing activities		(1 691 471)	(611 129)
Cash flows from financing activities			
Finance lease payments		(193 358)	(311 391)
Net increase or decrease in cash and cash equivalents		(22 057 661)	45 270 934
Cash and cash equivalents at the beginning of the year		98 399 230	53 128 297
Cash and cash equivalents at the end of the year	6	76 341 569	98 399 231

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

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 Resources Management Charges Invoiced	50 086 018	-	50 086 018	39 896 400	(10 189 618)	Note 29
Other Income	-	-	-	10 107	10 107	Note 29
Total revenue from exchange transactions	50 086 018	-	50 086 018	39 906 507	(10 179 511)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants	80 357 299	95 368 533	175 725 832	175 725 832	-	
Expenditure						
Personnel	(83 099 936)	(3 026 020)	(86 125 956)	(78 505 328)	7 620 628	Note 29
Depreciation	-	-	-	(1 857 509)	(1 857 509)	Note 29
Finance costs	(87 038)	32 030	(55 008)	(14 952)	40 056	Note 29
Lease rentals on operating lease	(4 568 323)	(4 886 705)	(9 455 028)	(5 587 274)	3 867 754	Note 29
General Expenses	(42 658 020)	(87 517 923)	(130 175 943)	(89 498 920)	40 677 023	Note 29
Total expenditure	(130 413 317)	(95 398 618)	(225 811 935)	(175 463 983)	50 347 952	
Surplus for the year from continuing operations	-	-	-	40 168 355	40 168 355	
Interest received - investment	-	-	-	5 733 230	5 733 230	Note 29
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	45 901 585	45 901 585	

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the GRAP, issued by the Accounting Standards Board in accordance with Section 91(1) of the PFMA (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.

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

1.1 Property, plant and equipment

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	20 years
Furniture and fixtures	Straight line	5 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 years
Computer equipment	Straight line	3 years

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

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

Accounting Policies

1.1 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Financial instruments recognised in the Statement of Financial Position include cash and cash equivalents, trade receivables from exchange transactions and payables from exchange transactions. Fair value adjustments to the annual financial statements are recognised in the Statement of Financial Performance in the period in which they occurred.

Financial assets

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

Cash and cash equivalents

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

Financial liabilities

Financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Financial liabilities consist of obligations to delivery of cash or another financial asset or to exchange financial instruments with another entity on potentially-unfavourable terms. Financial liabilities, other than derivative instrument instruments, are measured at amortised cost. Trade and other payables are stated at their nominal value.

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

Accounting Policies

1.2 Financial instruments (continued)

Initial recognition

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

Impairment of Financial Assets

Impairment losses are recognised on loans and receivables when there is objective evidence of impairment. An impairment loss is recognised in surplus and deficit when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate of the instrument

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

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

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

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

1.3 Leases

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

Finance leases - lessee

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

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessee

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

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

Accounting Policies

1.4 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

1.5 Share capital / contributed capital

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

1.6 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Short-term employee benefits

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

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

Accounting Policies

1.7 Provisions and contingencies

Provisions are recognised when:

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 22.

1.8 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancelable or only cancelable 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 entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.9 Revenue from exchange transactions

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

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

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

Interest

Interest is recognised, in surplus or deficit, using the effective interest method.

1.10 Revenue from non-exchange transactions

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

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

Accounting Policies

1.10 Revenue from non-exchange transactions (continued)

Transfers

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

The entity 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 transfer.

1.11 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.12 Translation of foreign currencies

Foreign currency transactions

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

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

1.13 Fruitless and wasteful expenditure

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

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 incurred. 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. There was no fruitless and wasteful expenditure identified in the current year.

1.14 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

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

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

Accounting Policies

1.14 Irregular expenditure (continued)

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.

1.15 Related parties

The entity 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 entity, including those charged with the governance of the entity 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 entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme 	01 April 2019	The impact of the standard is not material.
<ul style="list-style-type: none"> GRAP 20: Related parties 	01 April 2019	The impact of the is not material.
<ul style="list-style-type: none"> IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land 	01 April 2019	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> GRAP 104 (amended): Financial Instruments 	Date not yet determined	Unlikely there will be a material impact
<ul style="list-style-type: none"> Guideline: Guideline on Accounting for Landfill Sites 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> Guideline: Guideline on the Application of Materiality to Financial Statements 	Date not yet determined	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 1 (amended): Presentation of Financial Statements 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 34: Separate Financial Statements 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 35: Consolidated Financial Statements 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 36: Investments in Associates and Joint Ventures 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 37: Joint Arrangements 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 38: Disclosure of Interests in Other Entities 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 110 (as amended 2016): Living and Non-living Resources 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> Directive 7 (revised): The Application of Deemed Cost 	01 April 2020	Unlikely there will be a material impact

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

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3. Property, plant and equipment

	2020		2019	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Buildings	1 351 252	(232 859)	1 118 393	(165 297)
Furniture and fixtures	3 775 163	(2 983 613)	791 550	(2 621 268)
Motor vehicles	1 352 497	(1 250 784)	1 011 713	(1 149 251)
Office equipment	2 667 938	(2 285 125)	382 813	(1 836 136)
Computer equipment	7 958 822	(6 418 608)	1 540 214	(5 541 527)
Total	17 105 672	(13 170 989)	3 934 683	(11 313 479)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Total
Buildings	1 185 955	-	(67 562)	1 118 393
Furniture and fixtures	802 930	350 965	(362 345)	791 550
Motor vehicles	203 246	-	(101 533)	101 713
Office equipment	747 340	84 462	(448 989)	382 813
Computer equipment	1 161 250	1 256 044	(877 080)	1 540 214
Total	4 100 721	1 691 471	(1 857 509)	3 934 683

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	1 253 518	-	-	(67 563)	1 185 955
Furniture and fixtures	1 159 918	52 163	-	(409 151)	802 930
Motor vehicles	427 622	-	-	(224 376)	203 246
Office equipment	1 224 630	4 798	-	(482 088)	747 340
Computer equipment	1 537 790	575 793	(21 625)	(930 708)	1 161 250
	5 603 478	632 754	(21 625)	(2 113 886)	4 100 721

Assets subject to finance lease (Net carrying amount)

Details of properties

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

- Purchase price: 1 December 2008

1 351 252

4. Rental deposits

Rental deposits paid in advance for rented offices at head office in Nelspruit as well as the satellite office in Bushbuckridge.

Recorded balance remained unchanged R252,811 (2019: R252,811).

5. Receivables from exchange transactions

Trade debtors	109 576 631	90 893 320
Sundry debtors	2 862 949	1 589 144
Provision for bad debts	(87 977 071)	(37 646 495)
Prepayments	-	12 888
	24 462 509	54 848 857

Inkomati-Usuthu Catchment Management Agency

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Notes to the Annual Financial Statements

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5. Receivables from exchange transactions (continued)

Debtors transferred in terms of Grap 105 Transfer of billing function from DWS WTE to the Agency

The Agency received an amount of R199 million on the 1st of November 2017. The total amount of debt upon transfer date was deemed as provisional. In accordance to GRAP 105, the Agency has obtained new information about the facts and circumstances that existed as of acquisition date. The provisional amount has now been restated. Changes in the provisional balance has been recorded as a prior year adjustment.

No amount has been written off in accordance to GRAP 105 in 2019/20 (2019:Rnil). However an amount of R132,548,843 was written off in the year of transfer of debt from DWS WTE. This was further deemed to be in line with National Treasury Guidelines Section 11.4 and PFMA Section 76 (1) (e) and 76 (4) (a). The creation and release of provision for impaired receivables was included in operating expenses in surplus or deficit.

GRAP 105 Adjustments	Total
Balance transferred by DWS WTE - 1 November 2017	199 227 592
Write offs: Debtors with credit balances	757 044
Non active debtors	(2 439 341)
Non paying debtors	(59 982 964)
Debtors payments made directly to DWS	(29 652 268)
Debtors with incorrect volumes	(41 231 314)
Restated transfer amount as of 1 November 2017	66 678 749

Reconciliation of provision for bad debts on trade receivables

As of the period under analysis outstanding debt was reported at R24,462,509 (2019:R54,848,857) . A corresponding provision for doubtful debt of R87,977,071 (2019: R37,646,495) has been raised.

Reconciliation of provision for bad debts on trade receivables	2020	2019
Opening Balance	(37 646 495)	(198 694 887)
Additions during the year	(50 330 576)	24 289 801
Unused amounts reversed	-	136 758 591
Total adjustments against prior year's earnings	(87 977 071)	(37 646 495)

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash float	4 000	272
Bank balances	6 376 087	8 993 344
Corporation for Public Deposits	69 961 482	89 405 615
Cash and cash equivalents	76 341 569	98 399 231

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
7. Finance lease obligation		
Minimum lease payments due		
- within one year	67 087	247 146
- in second to fifth year inclusive	27 562	40 863
Present value of minimum lease payments	94 649	288 009
Present value of minimum lease payments due		
- within one year	67 087	247 146
- in second to fifth year inclusive	27 565	40 863
	94 652	288 009

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

The average lease term was 3 years and the average effective borrowing rate was 8% to 10% (2019: 8% to 10%).

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

The Agency's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 7.

8. Deferred Income

All budgeted transfers were duly received which resulted in deferred income being recorded in the year of Rnil (2019: R95,368,447).

Movement during the year

Balance at the beginning of the year	95 368 447	52 276 758
Additions during the year	-	121 153 836
Income recognition during the year	(95 368 447)	(78 062 147)
Deferred Income	-	95 368 447

9. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Total
Leave pay	1 871 056	1 473 802	(416 429)	2 928 429

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Leave Pay	1 788 320	438 044	(355 308)	1 871 056

10. Payables from exchange transactions

Trade payables	295 090	3 219 804
Sundry Payables	1 047 359	3 089 296
Debtors with credit balances	390 249	-
Accruals	1 039 585	474 060
	2 772 283	6 783 160

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
11. Revenue		
Water Resources Charges Invoiced	39 896 400	59 791 489
Transferred Government Grants	175 725 831	73 014 023
	215 622 231	132 805 512
The following amount relating to trade debtors has been raised against expenses in the year:		
Bad debt expense / (Unused provision reversed)	(50 330 576)	24 289 801
12. Other income		
Fees for tender documents and cost recoveries from DWS	10 107	136 477
13. Investment revenue		
Interest revenue		
Bank interest and Interest on receivables	(5 733 230)	(3 270 687)
14. Government grants and subsidies		
Operating grants		
Government grant	80 357 299	73 014 023
15. Employee related costs		
Basic	59 824 054	52 164 009
WCA	94 044	70 460
Leave pay provision charge	1 473 802	438 044
Car allowance	7 568 866	7 485 039
Company Contributions	9 544 562	8 978 086
Overtime payments	-	2 909
	78 505 328	69 138 547
16. Finance costs		
Finance Costs	14 952	40 749

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
17. General expenses		
External Auditors Remuneration	296 277	253 512
Advertising and Marketing	607 385	428 813
Computer expenses	64 964	266 400
Consulting and professional fees	1 764 845	15 422 686
Consumables	184 952	164 385
Rental expense	5 587 274	5 018 681
Insurance	225 506	175 873
Motor vehicle expenses	468 927	387 566
Printing and stationery	247 253	270 558
Repairs and maintenance	546 707	418 725
Subscriptions and membership fees	478 380	180 022
Telephone and fax	1 902 036	1 464 747
Training	1 973 517	2 517 947
Travel - local	5 876 864	5 761 606
Travel - overseas	780 746	656 557
Electricity	959 523	807 570
Project Costs	19 438 439	-
Venue expenses	978 174	837 703
Relocation Expense	110 356	61 975
	42 135 647	35 095 326

The above significant expenses form part of the general expenses as presented in the Statement of Financial Performance.

18. Auditor's remuneration

Accounting fees	296 277	253 512
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19. Cash generated from (used in) operations

Surplus for the year	45 901 585	3 270 687
Adjustments for:		
Depreciation and amortisation	1 857 509	2 113 884
Movements in provisions	1 057 373	82 736
Deferred income	(95 368 447)	76 820 932
Changes in working capital:		
Receivables from exchange transactions	30 386 348	(37 207 535)
Payables from exchange transactions	(4 007 200)	1 112 750
	(20 172 832)	46 193 454

20. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	24 462 509	24 462 509
Cash and cash equivalents	76 341 569	-	76 341 569
	76 341 569	24 462 509	100 804 078

Financial liabilities

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

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Figures in Rand 2020 2019

20. Financial instruments disclosure (continued)

	At amortised cost	Total
Trade and other payables from exchange transactions	2 772 283	2 772 283
Finance Lease Liability	94 649	94 649
	2 866 932	2 866 932

2019

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	54 848 857	54 848 857
Cash and cash equivalents	98 399 231	-	98 399 231
	98 399 231	54 848 857	153 248 088

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	6 783 160	6 783 160
Finance Lease liability	288 009	288 009
	7 071 169	7 071 169

21. Commitments

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	1 084 389	3 330 469
- in second to fifth year inclusive	-	81 701
	1 084 389	3 412 170

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

Authorised operational commitments

Contracted and committed	-	-
- within one year	4 801 001	909 445
- in second to fifth year inclusive	6 074 270	-
	10 875 271	909 445

Operational commitments arise when the Agency orders goods/services in the normal course of business but where delivery has not taken place at the end of the financial year/reporting date. The reported operational commitments constituted of expenditure that was approved and the contract awarded at the end of the financial year.

Inkomati-Usuthu Catchment Management Agency

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22. Contingent Liabilities

The Agency has instituted an application to review and set aside an appointment of a service provider for provision of an office space due to irregularities with estimated legal costs of R60, 000.00. If the service provider succeeds on the matter, they have instituted an action against the Agency wherein they are suing for area deposit, rental and costs for partitioning of the office for an amount of R3,651,250.00. Estimated legal costs for defending this matter are in the region of R400,000.00. This pending case is under investigations internally and may also result into disciplinary hearings amounting to approximately R500,000.00.

There is also another pending case in the High Court wherein a shortlisted candidate did not get appointed by the Agency. The matter was referred to the CCMA and thereafter the candidate lodged an application in the High Court to challenge the appointment of the successful candidate. The estimated legal costs to defend the matter may be R600,000.00.

23. Related parties

Relationships

Executive Authority

Minister of Water and Sanitation

There were no related party transactions during the current financial year. 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's operations.

Inkomati-Usuthu Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2020

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24. Members' and prescribed officer's emoluments

Governing Board

2020

	Committees fees	Total
Ms TP Nyakane-Maluka (Chairperson)	330 565	330 565
Mr MS Mthembu (Deputy Chairperson)	237 021	237 021
Ms SD Wiggins	199 392	199 392
Mr PA Tshabangu	144 975	144 975
Ms LC Zulu	138 542	138 542
Mr M Gangazhe	145 068	145 068
Dr T Kelly	220 256	220 256
Ms LM Sikhakhane	155 590	155 590
Adv MB Shabangu	193 275	193 275
	1 764 684	1 764 684

2019

	Committees fees	Total
Ms TP Nyakane-Maluka (Chairperson)	134 012	134 012
Mr MS Mthembu (Deputy Chairperson)	111 449	111 449
Dr PE Molokwane	30 872	30 872
SD Wiggins	44 800	44 800
Mr PA Tshabangu	40 468	40 468
Mr PJ Venter	91 687	91 687
Mr JM Mathebula	67 608	67 608
Mr N Govender	42 260	42 260
	563 156	563 156

Audit Committee

2020

	Committees fees	Total
Mr JK Sithole (Chairperson)	65 025	65 025
Ms V Maholovela	17 067	17 067
Mr LC Mohalaba	71 927	71 927
Mr PA Tshabangu	53 230	53 230
Adv MB Shabangu	43 933	43 933
Ms LC Zulu	29 329	29 329
Ms LM Sikhakhane	59 683	59 683
	340 194	340 194

Inkomati-Usuthu Catchment Management Agency

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24. Members' and prescribed officer's emoluments (continued)

2019	Committees fees	Total
Mr M Secker (Chairperson)	59 136	59 136
Ms V Maholovela	33 728	33 728
Mr PA Tshabangu	25 347	25 347
Dr PE Molokwane	17 312	17 312
Mr N Govender	34 328	34 328
	169 851	169 851

Management

2020	Emoluments	Other benefits*	Performance Bonus	Total
Chief Executive Officer	1 642 264	184 884	176 268	2 003 416
Executive Corporate Services (Chief Financial Officer)	1 436 921	271 791	119 914	1 828 626
Executive Water Resources Management	1 462 868	167 791	129 396	1 760 055
	4 542 053	624 466	425 578	5 592 097

2019	Emoluments	Other benefits*	Performance Bonus	Total
Chief Executive Officer	1 651 077	154 884	163 666	1 969 627
Executive Corporate Services (Chief Financial Officer)	1 385 502	154 884	125 258	1 665 644
Executive Water Resources Management	1 297 385	154 884	120 145	1 572 414
	4 333 964	464 652	409 069	5 207 685

* Other benefits comprise travel and housing allowances.

25. Accounting policies, changes in accounting estimates and errors

Revenue and operating expenses

Revenue for the prior year has been restated due to applied error of offsetting bad debt expense to revenue. Offsetting is only permitted when it reflects the substance of the transaction or event. Revenue and operating expenses for prior year have thus been measured at fair value of the consideration received or receivables.

Extract of Statement of Financial Performance

		2020	2019 Restated
Revenue	Note 11	215 622 231	132 805 512
Operating expenses	Note 12	(175 449 031)	(132 901 238)

Receivables from exchange transactions

Retained earnings for the prior year have been restated in accordance to GRAP 105. The Agency had in prior years recorded receivables from exchange transactions as provisional amounts. Upon acquisition of new information, the take on balances from the transferor as previously stated at R199,227,582 have now been restated to R66,678,749. An adjustment of R132,548,843 of balances transferred has been adjusted for. Of this balance, R41,231,314 had already been adjusted for in the already reported figures of 2017/18.

Inkomati-Usuthu Catchment Management Agency

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25. Accounting policies, changes in accounting estimates and errors (continued)

Extract of the Statement of Financial Position

Assets		2020	2019 Restated
Current Assets	Note 1	31 448 317	54 848 857

Note 1

Receivable from exchange transactions as per 2018 signed financial statements
Reversal of provision for bad debt 2017/18
Grap 105 write off 2017/18
Correction of overstated debtors

**2019
Restated**
21 160 366
125 708 055
(91 317 528)
(702 036)

Receivable from exchange transactions	54 848 857
--	-------------------

Extract of the Statement of changes in equity

	2020	2019 Restated
Balance at 01 April 2019 Restated	53 290 946	15 629 743
Surplus for the year / previously disclosed surplus	52 189 049	3 270 687
Reversal for provision for bad debt 2017/18	-	125 708 044
Grap 105 write off 2017/18	-	(91 317 528)
Total changes	105 479 995	53 290 946
Balance as at year end	105 479 995	53 290 946

26. 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.

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.

Inkomati-Usuthu Catchment Management Agency

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26. Risk management (continued)

Market risk

Interest rate risk

As the Agency has no significant interest-bearing assets, the risks comprises of the interest rate risk arising from the disclosed finance lease obligations. As the Agency has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates

27. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds (Grants/Augmentation and Water Resource Management Charges) will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Impact of COVID-19

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

The President of South Africa, his excellency President Cyril Ramaphosa declared on the 15th of March 2020 the spread of the pandemic as a National State of Disaster. The presidential pronouncement mandated an immediate lockdown on the 26th of March 2020 of most economic and all social activities with only the exception of essential services. In response to the presidential pronouncement, the Minister of Water and Sanitation during made a declaration that the Agency is a provider of an essential service and thus required all operations to continue to operate during lockdown.

The Agency continued its operations during lockdown with adherence to modified operations which entailed most staff members working remotely and access to offices limited to key staff members only when deemed necessary. Field workers continued operations for areas and processes that where deemed practicable and in conformance to COVID-9 protocols. No staff members lost employment during this period and no salaries or benefits were adjusted. However, the Minister of Water and Sanitation has made a pronouncement and cautioned the Agency not to make any changes to conditions of employment in the year 2020/21.

The nature of services delivered by the Agency is deemed essential and is required to be provided to users with no consideration to defaulted payment terms. The Agency collection rates were not affected during the year under analysis but it is envisaged that the sectors performance will be adversely affected in coming periods. Expected impact of COVID-19 on IUCMA is low collection rates and increased doubtfulness of outstanding debt.

In response to adverse overall economic performance, the Agency will continue to monitor its costs to ensure that stringent cost containment is applied. Management will continue to apply increased innovation and efficiency in management of all its income streams. The Agency will explore new sectorial based opportunities within its delegations whilst maximising on existing sources of funding to maintain financial sustainability. This will be achieved by implementing debt recovery strategies that are responsive to customer type within its water management area.

28. Irregular expenditure

Opening balance	401 073	-
Add: Irregular Expenditure - current year	15 421 608	401 073
Opening balance as restated	15 822 681	-
Closing balance	15 822 681	401 073

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28. Irregular expenditure (continued)

Irregular expenditure was recorded at R15,421,608 in the year (2019: R401,073). Irregular expenditure was identified in 2019/20 however spend covered periods December 2016 to March 2020. Expenditure was due to extensions of lease agreements that was undertaken without obtaining due approvals from National Treasury. Management subsequently notified National Treasury of the irregular expenditure.

Inkomati-Usuthu Catchment Management Agency

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29. Budget differences

Material differences between budget and actual amounts

Total surplus was recorded amounting to R52,189,049 by the end of the year. Savings are attributed to variances recorded under revenue and expenditure as detailed below.

Revenue

Transfer of the Agency's grant income was duly received within expected timeframe's. Timeous transfer of funds allowed the agency to effectively manage its cashflows thus improving its revenue through interest earned.

Deferred income of R95,368,533 was recognised in the period to match expenses of the same value attributable to approved rolled over projects from 2018/19. Deferred projects included: water protection and waste services, river systems as well as projects under the office of the Chief Executive Office. A total sum of R215,632,338 was recorded as revenue in the year under analysis.

Due to unpredicted cash inflows, it is normal practice that the Agency does not budget for investment income. Upon completion of the year, the Agency recorded a favourable amount of R5,733,230 as investment income.

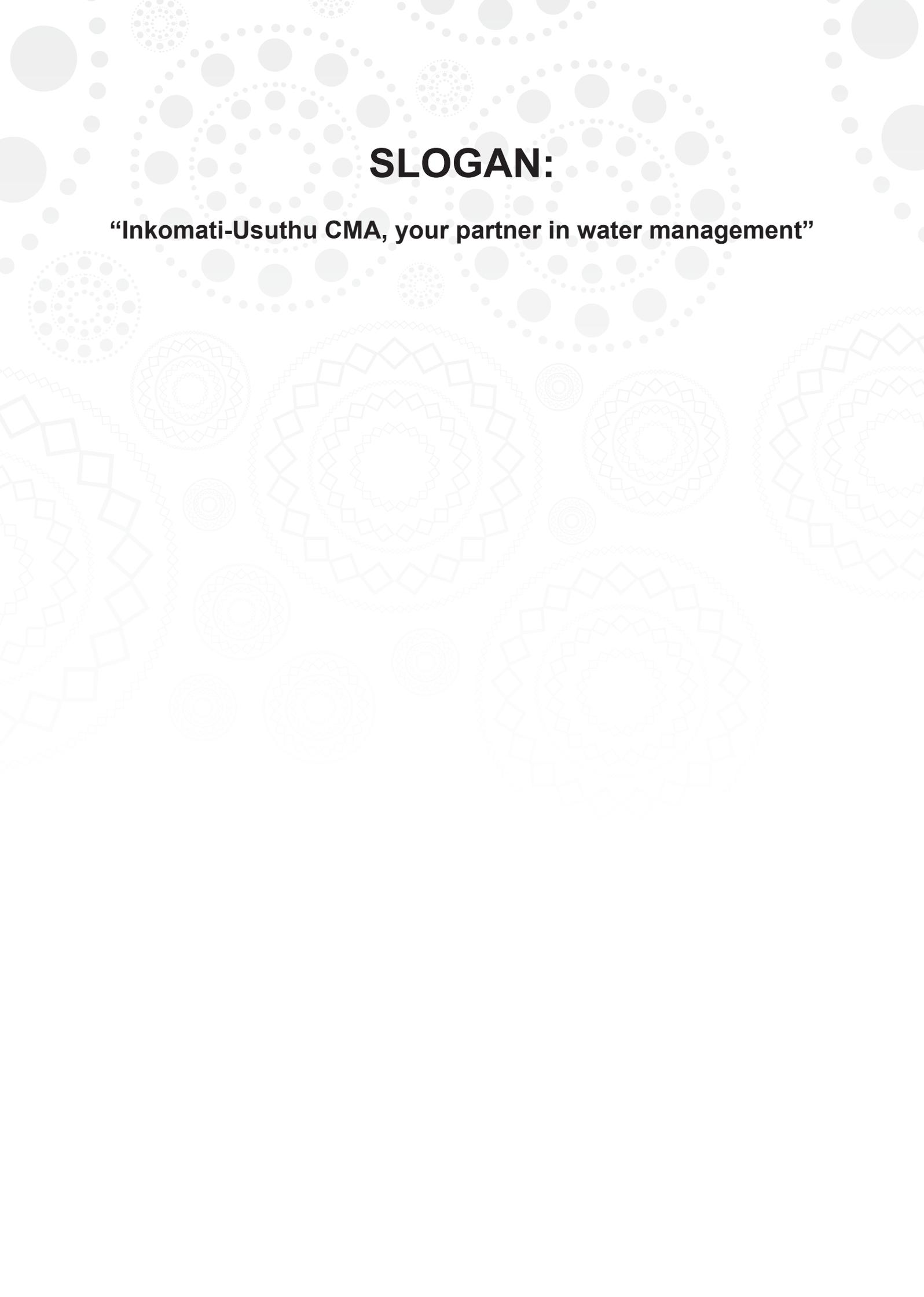
Expenditure

Depreciation of R1,857,509 is an unbudgeted non cash item.

Savings on personnel costs recorded at R7,620,628 was attributed to approved vacant positions in the year. Management will endeavour to ensure expedited filling of approved vacant positions in the next financial year.

A major saving under general expenses was recorded in the year due to savings realised mainly under projects. Savings under this line item was recorded amounting to R40,677,023 by the end of the year under analysis.

There were no other material differences between the final budget and the actual amounts.

The background features a repeating pattern of light gray circles and dots of various sizes, some solid and some dotted, arranged in a grid-like fashion. Below this, there are larger, faint, circular mandala-like patterns composed of concentric lines and geometric shapes.

SLOGAN:

“Inkomati-Usuthu CMA, your partner in water management”



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