



AUDITOR - GENERAL
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Auditor-general calls for reliable water service delivery to communities

PRETORIA – Auditor-general (AG) Tsakani Maluleke today released the [report on the audit outcomes of South Africa's nine \(9\) water boards](#), namely: Rand Water, Bloem Water, Magalies Water Board, Mhlathuze Water Board, Lepelle Northern Water, Umgeni Water, Amatola Water, Overberg Water and Sedibeng Water.

She called for improved financial and performance management controls that enable reliable water service delivery to communities, stating, “sustainable provision of sufficient water has a direct impact on the lived reality of citizens, which is a key focus area for my office.”

The report covers the 2020-21 financial year.

The AG says the report provides valuable audit insights to Parliament, the minister and the Department of Water and Sanitation that, if adopted, can improve their audit outcomes and address shortfalls in water service delivery.

Maluleke says her office has noted some success, especially relating to financial management of the water boards. She further notes that some water boards responded appropriately to audit recommendations made by the AGSA, “and these good practices should be replicated where concerns and challenges remain”.

Summary of some key findings

Below is a summary of some of the key findings. The full report can be accessed on the AGSA's website (www.agsa.co.za).

Water boards' performance

Performance against planned targets

The main focus of the AG's report was the review of the water boards' performance against key service delivery objectives as set out in the Water Service Act.

She notes that credible performance reporting is essential to monitor the effectiveness of service delivery initiatives and commitments made to citizens. The AG says it was concerning that only four water boards (out of the nine audited) achieved more than 80% of their planned targets.

The minister of Water and Sanitation has determined that all water supply must meet the minimum requirements for safe drinking water laid out in South African National Standard 241¹ of which only six water boards complied with the standard and three only partially complied with certain specifications.

In addition, the prevention of avoidable water losses, much as a result of ageing infrastructure that is not properly maintained, caused a total of 74.7 million kilolitres of water lost (R794 million revenue lost).

Maluleke points out that water boards do not define, measure and report on water interruptions consistently causing misalignment to the lived experience of citizens when it comes to the water interruptions they regularly experience.

“Water boards play an important role in providing water to all citizens, which makes it concerning that only two water boards were able to increase access to services to citizens, while five did not achieve on the targets they

¹ SANS 241 is a drinking water specification that states the minimum requirements for drinking water to be considered safe for human consumption.

set themselves and the remaining two did not measure this at all," the AG revealed.

Lack of coordination

The audit office found that there was a lack of proper coordination between the department and the water boards to drive the consistent formulation and reporting of key performance objectives as set out in the National Water and Sanitation Master Plan.

"Even though the minister approved the water boards' corporate plans, which included the planned performance indicators and targets, before the start of the financial year, the department did not develop standardised indicators to allow all water boards to report consistently on their performance on key service delivery priorities," reports the AG.

"In addition, key objectives as set out in these plans, including the provision of quality water, reduction of water losses, increased investment and upgrading of infrastructure, as well as the maintenance of these assets were not always achieved as reported in the annual performance plans. There was no coordinated effort to address the root causes that resulted in the non-achievement of some of these indicators at the water boards."

Credible performance reporting and financial statements

She says credible performance reporting is essential to monitor the effectiveness of service delivery initiatives and commitments made. However, auditors identified material errors in the annual performance reports of five water boards.

Material errors were also identified in the financial statements of six water boards, four of which were able to make corrections to the financial statements to achieve unqualified opinions. If the AGSA had not allowed for corrections, only three water boards would have produced financial

statements that were reliable enough for the accounting authority and other decision-makers to use.

Water boards' financial health

Maluleke says the overall financial health of the water boards improved slightly in 2020-21.

She says while none of the water boards reported any cash shortfalls at year-end, "we are still concerned about the time it takes for them to collect the money they are owed and pay their creditors".

"Water institutions must be financially sustainable to ensure they can continue to deliver water services. If they cannot collect the money they are owed in a reasonable time, then they cannot pay their service providers to maintain the key infrastructure required to deliver services and to properly fund future investments in infrastructure."

Irregular, fruitless and wasteful expenditure

For the year under review, the water boards' irregular expenditure decreased by 41%, from R3,2 billion in 2019-20 to R1,9 billion in 2020-21.

Fruitless and wasteful expenditure increased by 12%, from R264 million in 2019-20 to R296 million in 2020-21. Seven of the nine water boards reported fruitless and wasteful expenditure for 2020-21, amounting to R296 million.

Sedibeng Water, Amatola Water, Umgeni Water and Lepelle Northern Water were responsible for 99,6% (R295 million) of this amount, as follows:

- Sedibeng Water – R268,34 million (interest and penalties)
- Amatola Water – R14,56 million (interest and penalties)
- Umgeni Water – R7,44 million (interest of R1,1 million and overpayment for goods and services of R6,3 million)
- Lepelle Northern Water – R4,37 million (interest and penalties)

The AG said the audit office is busy evaluating some of this spending to see if it qualifies as material irregularities, as it also has a negative effect on the

supply chain ecosystem because suppliers that are not paid cannot maintain and operate their businesses to provide effective and efficient services that may affect the speed of service delivery.

Material irregularity notification

During this audit, the national audit office issued one (1) material irregularity notification to the accounting authority of the Umgeni Water Board related to an award to a supplier that did not submit the lowest price. We will report on the progress on this material irregularity in the water board's 2021-22 audit report.

Recommendations to improve performance

To improve the performance of water boards, Maluleke recommends that those charged with administration, governance and oversight should implement these actions:

- For credible and consistent reporting, the department needs to create standard indicators and targets that should be included in the corporate plans. This will ensure that all water boards are consistently working towards the priorities of government and that their performance can be monitored appropriately.
- To improve the quality of performance management, management and the accounting authority should implement internal controls that will enable useful and reliable performance reporting. This will ensure that the water board adequately performs its role in achieving the constitutional right of access to sufficient water for all citizens.
- Water boards must analyse the root causes of not achieving their targets and develop action plans to improve on these critical service delivery areas, as this directly affects the quality and availability of water.

Conclusion

“The Constitution establishes the basic right of access to sufficient water for everyone, and the National Development Plan 2030 recognises access to clean running water in all homes as a pivotal enabling milestone to the plan's success.

“We therefore call on all stakeholders to accelerate improvements in accountability. The improvements we seek do not only reside within the domain and responsibility of the accounting officer or authority and the auditors, they depend on the entire accountability ecosystem. This includes a multitude of role players at different levels – leadership and decision-making, support, intervention and oversight – who all need to play their part effectively to enable a culture of accountability in sustainable and meaningful ways,” concludes the AG.

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Media note: The water boards consolidated report is available on www.agsa.co.za.

About the AGSA: The AGSA is the country's supreme audit institution. It is the only institution that, by law, has to audit and report on how government is spending taxpayers' money. This has been the focus of the AGSA since its inception in 1911 – the organisation celebrated its 100-year public sector auditing legacy in 2011.