



Ms Gratitude Ramphaka - CFO

Road to Clean Audit



Overview of ERWAT

AN OVERVIEW OF ERWAT

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1. A specialised Water Care Company.
2. Headquarters situated in Kempton Park, Gauteng, South Africa.
3. Municipal-owned Entity (MoE) of the City of Ekurhuleni (CoE).
4. Servicing some 4,2 million people
5. Servicing more than 8 000 wet industries.
6. Employs some 740 employees.

2



1. Operator of 19 Water Care Works.
2. Regraded Design Capacity: 623 Mℓ/day.
3. Average Dry Weather Flow/Operating Capacity: 847 Mℓ/day.
4. Peak weather wet flow received is ±1 000 megalitres per day.
5. Sludge generation is 200 tons per day dry solids.

3



1. ISO (International Standards Organization) 17025 SANAS Accredited Laboratory.
2. 34 International accredited methods.
3. A LIMS (Laboratory Information Management System) for tracking samples.
4. Laboratory automation for high sample throughput of 200 samples per day.
5. 2 000 Private clients.

Achievements

Highlights & Achievements

- Clean Audit 2023/2024 after 15 years of unqualified audit opinion.
- SALGA Awards - 30 May 2025

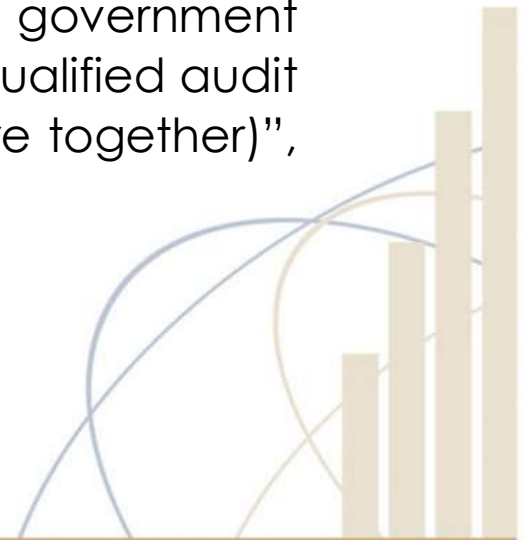


Achievements cont.

During the third SALGA-Gauteng Municipal Audit Rewards ceremony held on Friday, 30 May 2025, municipalities and entities were recognised for meeting the requirements of the Auditor-General of South Africa and demonstrating improvements in their audit outcomes.

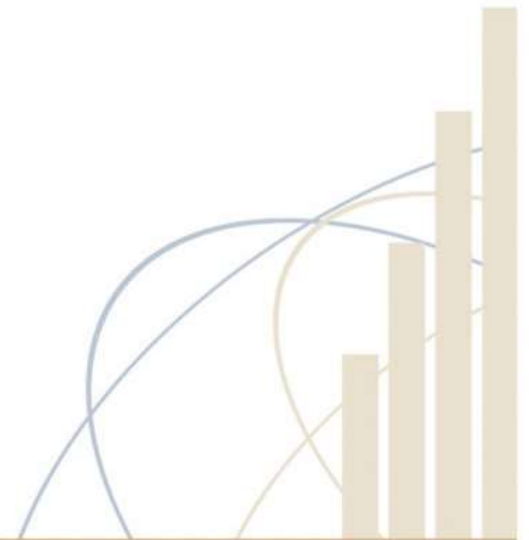
ERWAT (Ekurhuleni Water Care Company) won an award from the Gauteng branch of the South African Local Government Association (SALGA) for obtaining a clean audit by the Auditor General.

These audit awards serve as a strategic tool to enhance sound financial management and good governance within the local government sphere, ensuring that all municipalities in Gauteng attain unqualified audit reports with no findings. under the theme of “Sisonke (We are together)”, in pushing for a clean audit in the province.



Achievements cont.

ERWAT is a proud recipient of **7 Green Drop Awards**, a testament to our commitment to excellence in wastewater management and environmental compliance.



Road to Attaining a Clean Audit

General Actions Taken to Address Current and Past Challenges

- AFS review – external service provider appointed for year end.
- Quarterly Annual Financial Statements (AFS) reviewed by Internal Audit.
- Implementation of internal tracking tool to monitor requests for information (RFIs) from the Audit General (AG) to prevent limitation of scope.
- Operation Clean Audit (OPCA) by the City of Ekurhuleni (oversight) – continuous review and update of audit findings to ensure all findings are resolved and portfolio of evidence is available.
- External and Internal Audit Steering Committee meetings held on a weekly basis throughout the year.



Road to Attaining a Clean Audit cont.

Finance

Challenges:

- Repeat audit findings.
- Fruitless and wasteful expenditure and irregular expenditure – lack of investigation and consequence management.
- Payments within 30 days.

Asset Management

Challenges:

- Work-in-progress (WIP).
- Asset verification.
- System Issues.

Remedial Action:

- Investigations initiated by the City of Ekurhuleni.
- Appointment of an external asset verification/management service provider who assists with timeous recognition of assets, scrapping and derecognition, asset verification and bar coding to ensure accuracy and complete Fixed Asset Register.
- External asset management service provider does year end verifications and assists in responding to internal and external audit findings.



Road to Attaining a Clean Audit cont.

Supply Chain Management

Current Challenges:

- Splitting of works resulting in irregular expenditure.
- Over-expenditure on contracts under contract management.
- Fruitless and wasteful expenditure.
- Contract lapses.

Actions Taken to Address Current and Past SCM Challenges:

- SCM Policy, internal processes and delegation of authority (DoA) has been aligned with the MFMA SCM Regulations by implementing a formal price quotation process (FPQ) for thresholds between R 2 000 and R 750 000 (VAT inclusive) which mimic the formal tender process to ensure there is collective decision making.
- Advertising all formal price quotations (FPQ) on the website to ensure fairness.
- Checklists have been implemented with each SCM stage from initiation to contract performance.
- Internal Probity Committee and External Probity service provider have been appointed to review tenders.
- External Probity service provider is >R10 000 000.
- SCM in collaboration with Finance, monitors expenditure to ensure that no irregular expenditure and fruitless and wasteful expenditure.
- Conduct internal investigations into irregular, fruitless and wasteful expenditure identified, to implement consequent management accordingly.
- Specific procedure/responsible person to manage splitting.
- Executive Committee (EXCO) oversees the contract register for timeous intervention.

Road to Attaining a Clean Audit cont.

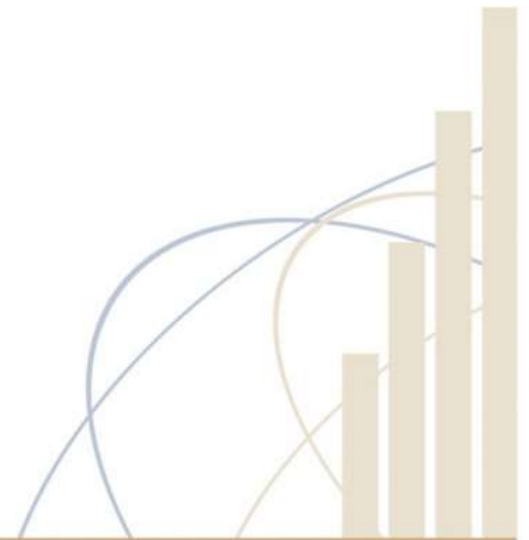
Performance Management

Challenges:

- None.

Remedial Action:

- Strategy, monitoring and evaluation department was established to increase focus on performance information.



Road to Attaining a Clean Audit cont.

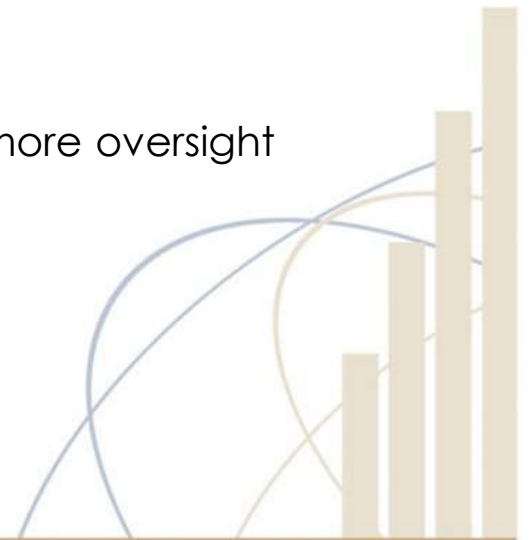
Operations

Challenges:

- Ad-hoc and emergency overtime
- General findings on Wastewater Treatment Plants (WWTW)
 - ❖ Common structural defects in all Wastewater Treatment Plants (WWTW).
 - ❖ Design capacity.
 - ❖ General equipment failures.
 - ❖ Infrastructure which needed repairs/refurbishment.
 - ❖ Effluent quality.
 - ❖ Conditional assessments.
 - ❖ Waterval Waste Water Treatment Works (WWTW) licence.
 - ❖ Key projects significantly delayed and subsequently halted.

Remedial Action:

- Overtime Policy covering ad-hoc and emergency overtime and more oversight over overtime.
- Budget availability.
- Planning.
- Maintenance plan.



Finance Department Strengths

- Accurate Financial Reporting - the finance team consistently delivers timely and reliable financial information for effective decision making.
- Sound Financial Policies and Procedures - Financial Services has guidelines for financial operations ensuring transparency and accountability and supports compliance with Generally Recognized Accounting Practice (GRAP) and Municipal Finance Management Act (MFMA) requirements.
- Unqualified Audit Opinion with no material findings (clean audit).
- Effective financial statement preparation and recordkeeping processes.
- Effective City of Ekurhuleni Internal Audit unit, effective Audit Committee oversight and Operation Clean Audit (OPCA).



Supply Chain Management Department Strengths

- Municipal Finance Management Act (MFMA) provides a legal framework for transparent, accountable, and efficient Supply Chain Management (SCM) in municipalities. Promotes good governance and financial discipline.
- Supply Chain Management (SCM) uses transversal contracts concluded by National Treasury as the need arises.
- Knowledgeable team.
- 3 bid evaluation committees.
- Consequence management from prior years unauthorized, irregular, fruitless and wasteful (UIFW) investigations.
- Corruption and political interference.
- Partnerships e.g. Infrastructure South Africa (grant programs) - can provide more efficient procurement which may expedite service delivery.
- Capacity/Skills Development Programs e.g. National Treasury support.



Next step on Maintaining a Clean Audit

Introducing Probity in the Supply Chain Management (SCM) Processes



Question

Does the legislative framework cater for probity?

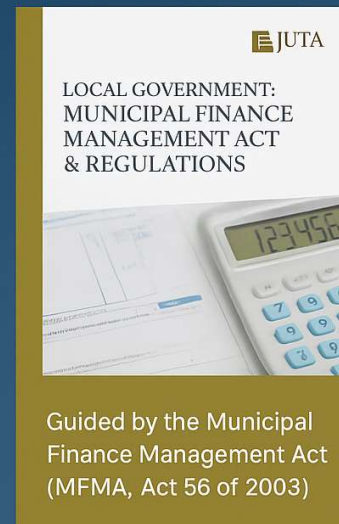
Strengthening Accountability through Effective Audits in Municipal Finance



Ensuring financial integrity and compliance.

-  Strengthen governance and accountability
-  Identify risks and inefficiencies early

-  Enhance service delivery through
-  Support compliance with the Auditor-General's findings



Who should do it?



Internal Probity

or

Internal Audit

or

External Service Provider?

Key Governance Questions

- Tone from the top - does it make a difference?
- Are basic internal controls sufficient in the public sector?
- How effective is collective responsibility (committees) in implementing controls?
- How effective is consequence management in preventing repeat offences?
- Are internal controls really creating red tape?
- Are the PFMA and MFMA really a problem?
- Can probity be an effective internal control tool?
- Can effective internal controls prevent irregular, fruitless and wasteful expenditure?



Announcement

Project 3: COE Wastewater Conveyance and Treatment Systems Regionalization

Province: Gauteng

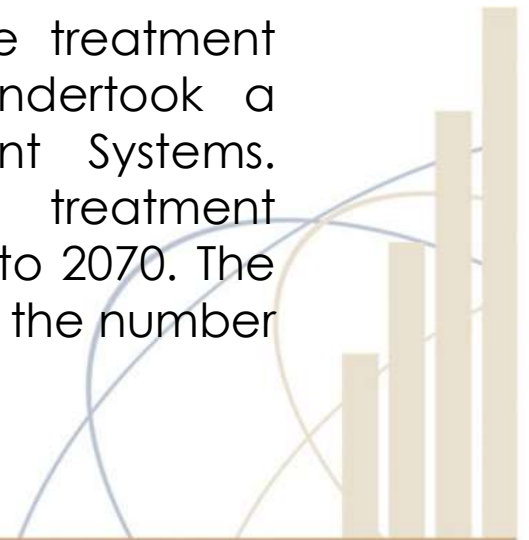
Sector: Water and Sanitation

Project Sponsor: City of Ekurhuleni

Investment Value: R25 390 000 000

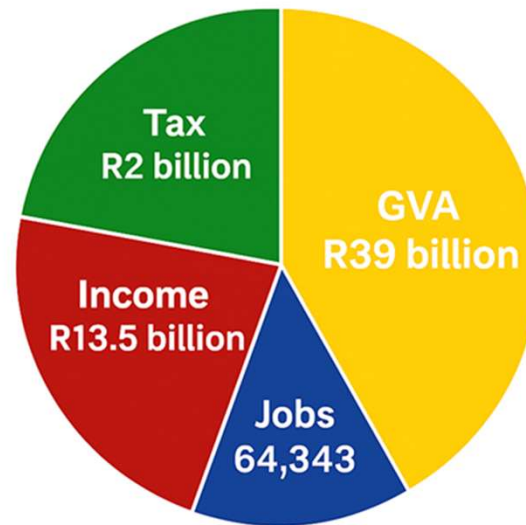
Project Description

ERWAT provides bulk wastewater conveyance and treatment to thousands of industries and more than 3.5 million people under the jurisdiction of the City of Ekurhuleni. In response to future treatment capacity needs, the City of Ekurhuleni and ERWAT undertook a comprehensive Wastewater Conveyance and Treatment Systems Regionalization to provide direction for wastewater treatment infrastructure planning, investment, and implementation up to 2070. The regionalization, among other objectives, focuses on reducing the number of Wastewater Care Works (WCWs) from 19 to 10.



Announcement cont.

Estimated Economy-Wide Impact

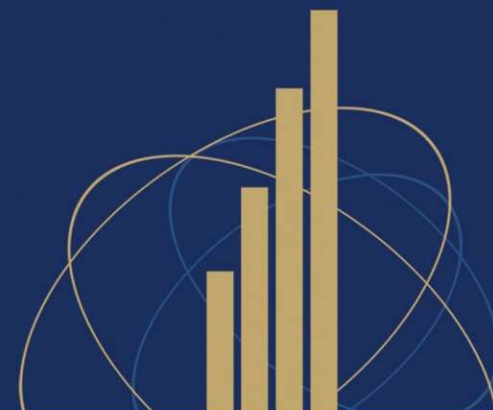


Impact Analysis

The projected Gross Value Added (GVA) impact of the initiative is estimated at approximately R39 billion. Of this, the direct contribution from the COE Wastewater Conveyance investment is around R133.6 billion. The induced impact, resulting from increased household expenditure associated with the project, is estimated at R14 billion, highlighting the significance of these investments. The initiative is expected to generate approximately 64 343 jobs. Furthermore, the additional revenue anticipated for the government is about R2 billion, while household income is projected to rise by R13.5 billion.



Thank You!



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