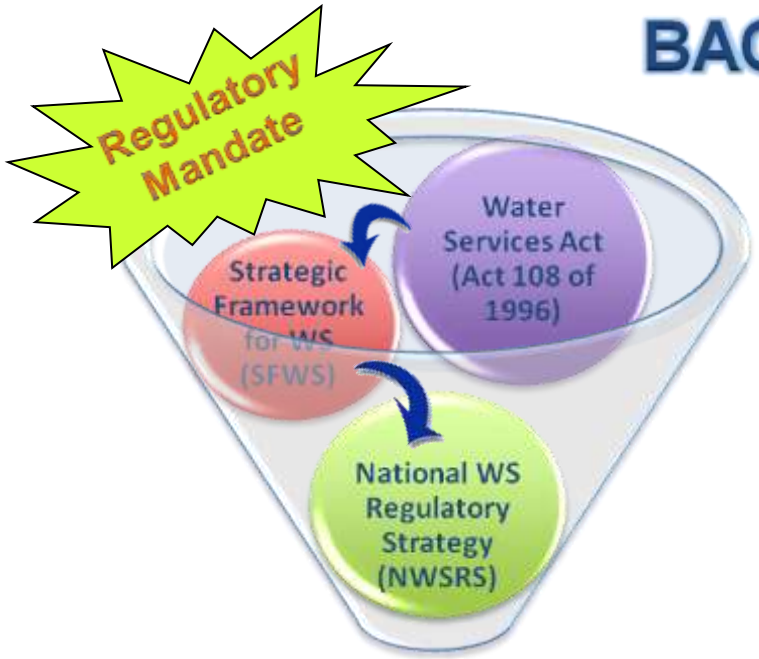
water affairs

Department:
Water Affairs
REPUBLIC OF SOUTH AFRICA

water affairs
Department:
Water Affairs
REPUBLIC OF SOUTH AFRICA

BACKGROUND



Regulatory Performance Measurement System (RPMS)

- Legislative Frameworks and the need for Local Government Performance monitoring gave birth to the 'RPMS'

- The 3rd formal assessment has been undertaken based on 2010-2011 municipal financial data

Our objectives

Our objectives in moving towards risk based and incentive based regulation is to have:

•WSAs that are charging fair, cost reflective tariffs

• WSAs that have contracts that are enforceable and complies with contract regulation.

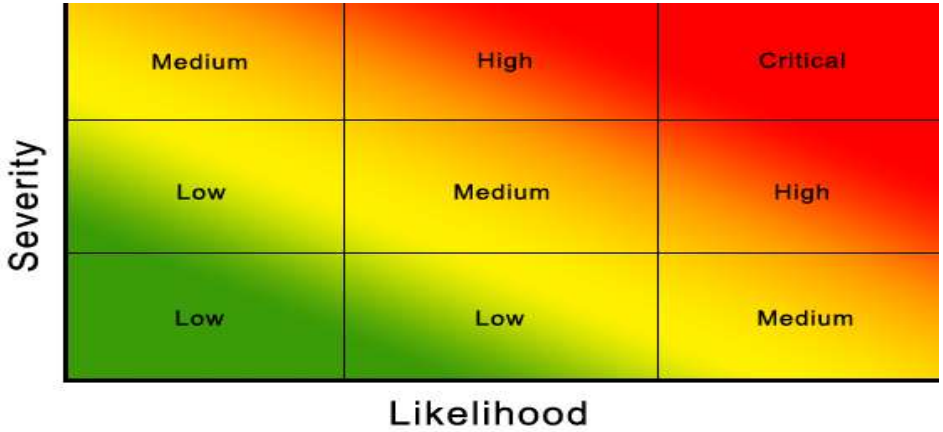
•WSAs provide services the will be satisfying to the customers

• WSAs that are efficient in managing their assets and able to generate sufficient revenue from water services

• WSAs that are more proactive in risk mitigation rather than reactive WSAs

RISK-BASED APPROACH

- Sections 38(1)(a)(i) and 51 (1)(a)(i) of the Public Finance Management Act and Section Sections 62(1)(c)(i) and 95 (c)(i) of the Municipal Finance Management Act require that all government organisations have and "maintain effective, efficient and transparent systems of risk management.
- In order to try and improve the confidence in the data provided, and prompt all WSIs to have good record keeping, systems, and planning in place, the Department plans to look at assessing *how* the WSIs are doing their business through a **risk management framework.**



: A typical risk assessment matrix

KPIs

- Performance Measurement is measured through KPIs
- it a mechanism used to monitor targets / trends
- its used in conjunction with Risks in order to meet the needs on the organisation

Strategic Objectives

For an organisation to meet its strategic objectives, it will need to consider historical performance and future risks simultaneously.

For each objective, there will be a few KPIs & a set of baseline risks & their minimum control measures.

Risks

Anything that threatens the ability of an institution to meet its objectives

Identification of risks and assessment of control measures helps to reduce/prevent problems

the new approach

- complex reporting by all;
- intense investigation into all aspects of the business;
- same level of assessment for all institutions regardless of historical level of compliance

to

- targeted information requests
- Check outcomes, not output
- Target high risk areas and institutions for in-depth investigation

Old KPIs

KPI 1 :access to water supply
KPI 2 :access to water sanitation
KPI 3 :access to free basic water
KPI 4 : access to free basic sanitation
KPI 5 : drinking water quality management
KPI 6 : wastewater quality management
KPI 7 : Customer Service Quality
KPI 8: Institutional Effectiveness
KPI 9: Financial Performance
KPI 10: Asset Management
KPI 11: Non-Revenue Water

New KRAs with KPIs

- What are the key risks to this objective
- What can be done to mitigate the risk
- How will the mitigation help

Risks	Minimum Control measures	Impact of control measures
Poor contract management	Appropriate contracts in place: Bulk contract Retail contract Operation and Maintenance / Management Contract Intermediary Contract, e.t.c	The WSA will be able to monitor the WSP and ensure that they are rendering services of quality that was agreed upon and the services are delivered in time.
Poor Legal Framework	Gazetted bylaws Aligned with legislation Revised following changes in legislation or significant changes to service provision mechanism	Ability to perform local regulation in line with the national legislations
Fragmented approach to water services	Water services business plan Roles, responsibilities, KPIs, goals for: WSP, WSA, Finance, e.t.c	Clear goals and knowledge of what is expected at the end.
Insufficient Stilled staff	Defined competencies for key water services management staff	Qualified staff produces quality products.
Inadequate Knowledge and information management	Information Management Systems Electronic and hard copy system for record keeping and information sharing	Ensures that information is available when needed for current and future times.

Effective Institutions

- What are the key risks to this objective
- What can be done to mitigate the risk
- How will the mitigation help

Risks	Minimum Control measures	Impact of control measures
Liquidity = (current assets – inventory) ÷ current liabilities Financial Performance = (Total revenue raised ÷ total expenditure)	**Revenue Management systems** Short term Investment management and policies Cash flow management and policies	Improve profitability, short term sustainability positively influencing long term debt
Leverage Ability to provide services Debtor Collection (revenue tied up in debt) = (Consumer debt ÷ total income)	• Credit rating • Credit control and Debt collection policy • Benchmarking medium to long term budget • Medium to long term cash flow plan integrated with budget	Improved revenue collection, Long term sustainability
Dependence on external grants Cost reflective tariffs	**Tariff-cost Model** **Rising block tariffs** **Consumer Demand** Consumption per zone **Policies**	True cost of water revealed. Revenue collected informed by true cost of water provision Efficient and effective use of grants (for WSA that are dependent on grants)

water affairs
Department:
Water Affairs
REPUBLIC OF SOUTH AFRICA

Financially Sustainable Business

- What are the key risks to this objective
- What can be done to mitigate the risk
- How will the mitigation help

Risks	Minimum Control measures	Impact of control measures
Low willingness to pay	Accurate, timeous invoices CRM system and processes **Customer communication**	WSA will gain trust from the customers which will lead to them not being reluctant to pay.
Change in expectations	Customer charter – reviewed annually Customer education and awareness Customer surveys	Customers aware of what they will get from the WSA and how they need to participate in ensuring water services.

Customer Satisfaction

- What are the key risks to this objective
- What can be done to mitigate the risk
- How will the mitigation help

Risks		Minimum Control measures	Impact of control measures
Asset management	Infrastructure failure	Asset Management Plan (MFMA) GRAP compliant asset management policy GRAP compliant asset register Comprehensive Maintenance Plan (MFMA) Annual O&M audit Job cards Stock control system	Known conditions of assets and proper maintenance to avoid asset failures.
	Inadequate planning	5 year water services plan water services integrated into IDP backlog eradication plan integration with local & regional LED/Strat plans	
Conservation and demand management	High unauthorized consumption	Zonal metering Meter management (bulk and consumer) Records for: Billed metered; billed unmetered; unbilled metered; unbilled unmetered Customer education and awareness programme Meter replacement programme	Identify if there is unauthorized consumption/ illegal connections and act thereon.
	High Physical Losses	Water balance per system Education Programmes Active and Passive leak detection Pressure management	Ability to detect and minimize leaks.

Risks		Minimum Control measures	Impact of control measures
Conservation and demand management	Demand greater than available supply	Water Conservation Demand Management Plan Customer demand strategies WC/WDM regulations and bylaws	Able to manage the consumer demands, for the available supply
Short-term sustainability	Water shortages in peak periods/ emergencies/failure s	Peak Demand model/calculations Disaster management plan, Supply and reliability standards incl goals and targets Contingency Plan Incident Management Protocol	Minimize the risk of water shortages during peaks. Water shortages are kept at minimal during emergencies or failures
Long-term sustainability	Water resource shortages	20 year Demand projections Climate change impact assessment Drought management plan Demand management Plan Goals/targets	Ability to plan for future and develop plans to save water for future demand