

**Amatola**  
Water • Amanzi

*bringing water to life*

INTEGRATED  
**ANNUAL**  
REPORT  
2019/20





## VISION

TO BE A LEADER IN PROVISION OF BULK WATER SERVICES IN THE EASTERN CAPE



## MISSION

AMATOLA WATER STRIVES TO EXCEL IN CONTRIBUTING TO THE SOCIO-ECONOMIC DEVELOPMENT BY PROVIDING BULK WATER SERVICES IN THE EASTERN CAPE IN AN ETHICAL AND SUSTAINABLE MANNER.



## VALUES

- PROFESSIONALISM • ACCOUNTABILITY
- EXCELLENCE • INNOVATION • STAKEHOLDER FOCUS
- TEAM ORIENTATION • INTEGRITY

## GENERAL INFORMATION

### COUNTRY OF INCORPORATION AND DOMICILE

South Africa

### NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Water Services

### BOARD MEMBERS

Mr. Zamikhaya Xalisa (Acting Chairperson)  
Ms Buhle Tonise (Deputy Chairperson)  
Mr Mncedisi Mziwoxolo Malotana  
Mr Mxolisi Joe Sikhosana; Ms Legogang Letsoalo  
Ms Tabiso Wana; Mr Makgobi Ramushu  
Ms Nkosazana NomaXhosa Jongilanga  
Dr Mosidi Makgae; Dr Gaathier Mahed

### REGISTERED NAME

Amatola Water Board

### REGISTRATION

Established by the Honourable Minister of Water Affairs and Forestry, proclaimed in Government Gazette Number 18409 of 14 November 1997, as empowered by the Water Services Act 108 of 1997, as well as the Public Finance Management Act, 1999 (Act No 1 of 1999, as amended by Act No 29 of 1999). The organisation is a Schedule 3(B) national government business enterprise.

### REGISTERED OFFICE ADDRESS

6 Lancaster Road  
Vincent 5217 East London  
Eastern Cape South Africa  
Postal address  
Private Bag X3  
Vincent 5217

### TELEPHONE

+27 (0)43 707 3701/3752

### EMAIL

aw@amatolawater.co.za

### WEBSITE

www.amatolawater.co.za

### EXTERNAL AUDITORS

Auditor-General South Africa  
Frere Road, Trust Building  
69 Frere Road,  
Vincent  
East London 5217

### BANKERS

Standard Bank and Nedbank

### COMPANY SECRETARY

Adv Thulani Sagela

### STAKEHOLDER LIAISON OFFICER

Mr Unathi Mbali  
Manager Office of CEO  
+27 (0)43 707 3701  
umbali@amatolawater.co.za

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# ABBREVIATIONS

FULL NAME	ABBREVIATION	FULL NAME	ABBREVIATION
And	&	Expanded Public Works Programme	EPWP
Accounting	ACC	Federated Employers' Mutual Assurance	FEMA
Accounting Standards Board	ASB	Finance Committee	FINCO
Amathole District Municipality	ADM	Financial Year	FY
Amatola Water	AW	Financial Viability	FV
Audit and Risk Committee	ARC	Further Education and Training	FET
Auditor-General of South Africa	AGSA	Global Reporting Initiative Generation 4	GRI G4
BAAN Computerised Maintenance Management System	BAAN	Government Business Enterprises	GBE
Baccalaureus Procuratoris	BPROC	Government Outcomes	GOV OUT
Bachelor of Arts	BA	Government Water Scheme Supply	GWSS
Bachelor of Commerce	BCom	GRI (formerly the Global Reporting Initiative)	GRI
Bachelor of Laws	LLB	Gross Domestic Product	GDP
Bachelor of Science	BSc	Honourable	Hon
Bachelor of Technology	BTech	Honours	Hons
Broad-based black economic empowerment	BBBEE	Human resources	HR
Bulk Water Supply	BWS	Human Resources Management	HRM
Capital expenditure	Capex	Implementing Agent	IA
Chartered Accountant (South Africa)	CA (SA)	Information and communication technology	ICT
Chief Executive	CE	Information Management Steering Committee	ITSCM
Chief Executive Officer	CEO	Infrastructure Stability	IS
Chief Financial Officer	CFO	Institute of Directors in South Africa	IoDSA
Chief Risk Officer	CRO	Institutional realignment and reform	IRR
Commission for Conciliation, Mediation and Arbitration	CCMA	Integrated management system	IMS
Committee of Sponsoring Organisations	COSO	Integrated Reporting	IR
Community/Environmental	CE	Inter-Governmental Relation	IGR
Companies and Intellectual Property Commission	CIPC	International Accounting Standards	IAS
Contract Participation Goals	CPGs	International Ethics Standards Board for Accountants	IESBA
Cooperative Governance and Traditional Affairs	CoGTA	International Standards on Auditing	ISA
Customer Satisfaction	CS	International Executive Development Programme	leDP
Delegation of Authority	DoA	Intergovernmental Relations Framework Act No 13 of 2005	IGFRA
Department of Public Service and Administration	DPSA	International Integrated Reporting Council	IIRC
Department of Cooperative Governance	DCoG	International Integrated Reporting Council's International Integrated Reporting Framework	IIRC <IR>
Department of Education	DoE	International Organization for Standardization	ISO
Department of Science and Technology	DST	International Professional Practices Framework	IPPF
Department of Water and Sanitation	DWS	Information Technology	IT
Department of Water and Sanitation Objective	DWS OBJ	Key Performance Indicator	KPI
Development Bank of Southern Africa	DBSA	Kilolitre	Kℓ
Director-General	DG	Kilometre	Km
Disabling Injury	DI	Kilowatt Hour per Cubic Meter	KWH/M3
Disabling incident frequency rate	DIFR	King Code of Governance Principles and the King Report on Governance	King IV
Disaster Recovery Plan	DRP	King Sabata Dalindyebo	KSD
Energy, Water, Sector Education and Training Authority	EWSETA	King Sabata Dalindyebo Local Municipality	KSDLM
Enterprise Performance Management	EPM		
Environmental Management System	EMS		

FULL NAME	ABBREVIATION	FULL NAME	ABBREVIATION
King Sabata Dalindyebo Presidential Intervention	KSDPI	Professional Service Provider	PSP
Leadership and Employee Development	LG	PricewaterCoopers	PwC
Legum Baccalaureus	LLB	Doctor of Philosophy	PhD
Legum Magister	LLM	Quarter	Q
Local Municipality	LM	Quick Reference	QR Code
Loss Time Injury	LTI	Rand per kilo.	R/KL
Management Committee	MANCO	Regional Bulk Infrastructure Grant	RBIG
Master of Leadership	MBL	Regional Water Scheme	RWS
Master of Commerce	MCom	Research and Development	R&D
Master of Science	MSc	Return of Assets	ROA
Master's in Business Administration	MBA	Reverse Osmosis	RO
Member of Parliament	MP	Right of Use	ROU
Modified Poly Vinyl Chloride	mPVC	Safety, Health and Environment	SHE
Medium-Term Strategic Framework	MTSF	Short Message Services	SMS
Megalitre	Mℓ	Small, Medium and Micro Enterprises	SMME
Memorandum of Understanding	MOU	South Africa	SA
Municipal Infrastructure Grant	MIG	South African Association of Water Utilities	SAAWU
Not applicable	N/A	South African Bureau of Standards	SABS
National Diploma	ND	South African Institute of Professional Accountants	SAIPA
National Department of Public Works	NDPW	South African Local Government Association	SALGA
Number	No	South African Municipal Workers' Union	SAMWU
Number	#	South African National Standard	SANS
National Occupational Safety Association (South Africa)	NOSA	South African Rand	ZAR
Public Audit Act of South Africa, 2004 (Act No 25 of 2004)	PAA	South African Revenue Service	SARS
Nooitgedagt/Coega Low-Level Scheme	NCLLS	South African Statements of Generally Accepted Accounting Practice	SA GAAP
Objective Number	OBJ NO	Stakeholder Relationships and Support	SS
Occupational Health and Safety	OHS	Strategic Goals	SO
Occupational Health and Safety Advisory Services	OHSAS	Sundays River Valley Local Municipality	SRVLM
Oliver Reginald	OR	Supervisory Control and Data Acquisition	SCADA
Operational Optimisation	OO	Supply Chain Management	SCM
Operational Resilience	OR	Technical and Vocational Education and Training	TVET
OR Tambo District Municipality	ORTDM	Total Dissolve Solids	TDS
Personal Protective Equipment	PPE	Trinity Broadcasting Network	TBN
Photovoltaic	PVC	Turnaround Plan	TAP
Postgraduate Diploma	PGDip	Water Adequacy	WA
Preferential Procurement Policy Framework Act	PPPFA	Water Quality	WQ
Public Management Act	PFMA	Water Services Authority	WSA
Project and Development	P&D	Water Services Utility	WSU
Project Development Unit	PMU	Water Treatment Works	WTW
Provincial Joint Tactical Team	PJTT	Volkswagen	VW

# FOREWORD BY MINISTER OF HUMAN SETTLEMENTS, WATER AND SANITATION

A debilitating drought has been ravaging the Eastern Cape Province for more than seven years. The result is dwindling sources of water and an untenable shortage of water in various municipalities. There is significant pressure on the Department of Water and Sanitation and Amatola Water to respond as the water services authorities (WSA) are also water stressed.

The call to action for WSAs is a result of their responsibility as directed by the Constitution of the Republic of South Africa which contains several provisions that gives direction to the water and sanitation sector.

The Constitution provides for:

- The right to an environment that is not harmful to health or wellbeing (Section 24(b) (i to iii))
- The right to have access to sufficient food and water (Section 27(1)(b))
- The property clause may not impede the state from taking measures to achieve land, water and related reform, to redress the results of past racial discrimination (Section 25(8)).

While the Department seeks alternative water sources to address the water shortage issues, the province has struggled to respond to water supply interventions when called upon by the Department and other entities as the devastating COVID-19 pandemic took hold in South Africa.

The Amatola Water Board was tasked with coordinating the drought intervention in the Eastern Cape and the COVID-19 intervention by the National Water and Sanitation Command Centre. More than 3,400 water harvesting tanks were distributed by Amatola Water to the rural areas of the Eastern Cape. Forty-one water carting tanks were dispatched to ensure that the water harvesting tanks are filled with water. The vastness of the province posed a huge challenge for the delivery of water tanks and to fill these with clean drinkable water.

Despite this achievement, it is a drop in the ocean considering the magnitude of the area that has no access to potable water in this province.

Beyond the drought intervention programme, Amatola Water has been appointed as the implementing agent by DWS and other water services authorities for several water infrastructure projects in the Province: King Sabata Dalindyebo Presidential Intervention (KSDPI), Nooitgedagt/Coega Low-Level Supply Scheme (NCLLS), James Kleynhans Bulk Water Supply and Ndlambe Regional Bulk Water Supply. These projects are at various stages of completion and will contribute to the socio-economic development and improvement of the livelihoods for the communities within the Eastern Cape.



The launch of the reverse osmosis plant in Ndlambe Local Municipality is one of the interventions used to source water in the Eastern Cape. The project demonstrates the technological exploration for alternative water resources through a partnership between DWS, Amatola Water and Ndlambe Local Municipality in response to water resource shortages.

The Mzimvubu Water Project is one of the socioeconomic transformation projects and Phase 1 has commenced with the construction of access roads. The objective is to provide water for social needs and contribute to the socioeconomic development of the impoverished rural north-eastern region of the Eastern Cape by leveraging the water resources of the Mzimvubu River Catchment to support agriculture, water supply, hydropower, transport and tourism.

In the year under review, the institution sought the Department's guidance on various challenges that would assist the Water Board in the fulfilment of its mandate. These challenges include:

- Appointment of the permanent Board
- Filling of critical vacant executive and management positions
- Revision of water tariffs for 2020/21
- Fraud and corruption
- Unpaid historical municipal debt
- Reported financial deficit for 2019/20.

The regression in organisational performance and the outcome of the Auditor-General South Africa's audit review for the 2019/20 financial year is acknowledged. The Board has committed to a remedial action plan that will halt declining performance, address audit findings and material irregularities.

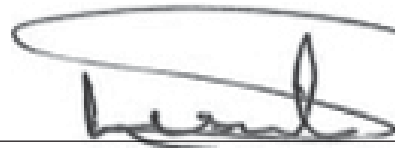
These challenges took place in an environment characterised by diminishing water supply and continuous infrastructure failures. Amatola Water proved itself as an operationally resilient organisation by minimising its combined water losses at 14%, achieving all the water quality standards at all plants and provided a 98.42% assurance of water supply to communities.

The successful implementation of the identified priorities in the National Water and Sanitation Infrastructure Master Plan (NWSMP) requires a strategic collaborative approach and consultation with key stakeholders in the public and private sectors. The development of the Amatola Water Infrastructure Master Plan is a response to the call for action by DWS to address the increasing demand for water services across the water value chain. In the Eastern Cape, the Provincial

Water and Sanitation Infrastructure Master Plan has been developed and reviewed in consultation with water sector stakeholders before its integration into the NWSMP.

My appreciation to the past Board and interim Board members for their commitment and diligence demonstrated in the execution of the legislative mandate of the water board.

I welcome the newly appointed Board members and encourage the Board together with the Amatola Water management and staff to ensure that the water needs of the Eastern Cape communities and business sectors Amatola Water serves are met in a manner that will enhance sustainable socio-economic development and revive public confidence in our water boards.



**LN Sisulu (MP)**

*Minister of Human Settlements, Water and Sanitation*

Date: 12 July 2021

## CHAIRPERSON'S STATEMENT

The Integrated Annual Report of 2019/20 is released amid challenging times for South Africa and the world as the COVID-19 pandemic continues to cripple the economies of many countries, particularly the underdeveloped regions. The concomitant result is a steep rise in unemployment as businesses close.

However, it has not distracted us from our strategic mandate of ensuring that Eastern Cape communities have access to basic water services, a right enshrined in the Constitution of the Republic of South Africa.

The efficiency and effectiveness of bulk water services is the roadmap to the realisation of this right. Hence, Amatola Water cannot be slothful in fulfilling its duty in this respect.

As a bulk water services provider, Amatola Water stands committed to playing a leading role in realising this constitutional right and growing the economic activities within its area of operations. Amatola Water is also committed to expanding water services to the entire Eastern Cape in the quest to realise its mission of transforming the socio-economic landscape of the Eastern Province.

The year under review had different focal points that aim to align the entity with its strategic direction and catapult the institution to an improved level of operational resilience that enables the delivery of services to the communities. The Board and management reviewed the organisation's strategy in response to the emerging priorities, opportunities and threats in its operating environment. It led to the formulation of the following strategic outcomes:

- Increased financial sustainability that is realised when the organisation fully implements its financial recovery plan
- Increased financial growth to improve the organisation's capability to meet the demand of its current and future customers while attaining financial and commercial sustainability and remaining a going-concern
- Increased stakeholder confidence
- Improved leadership
- Increased capacity and skills that allows the workforce to implement the Amatola Water infrastructure masterplan
- Commitment to innovation that focuses on improving methods, systems and internal controls.

### ORGANISATIONAL PERFORMANCE

Amatola Water has struggled to meet its predetermined performance targets because of the emerging risks associated with the COVID-19 pandemic that continues to threaten the health of humankind. Operational conditions were difficult due to COVID-19. It negatively impacted the institution's ability to achieve the desired performance targets, particularly in executing water infrastructure projects. Consequently, Amatola Water revised its project implementation plans and extended completion dates.

The performance in primary business which is to provide bulk potable water to customers and ensuring adequate water supply which meets suitable standards for drinking water was executed well regardless operational challenges that faced the organisation during the year under review.



### STATE OF GOVERNANCE IN THE ORGANISATION

The entity has achieved a qualified audit outcome for the 2019/20 financial year which is a regression from the unqualified audit outcomes in the previous financial years.

The Auditor-General South Africa (AGSA) audit report in its qualification paragraphs depicts non-compliance with regards to accounting reporting on property, plant and equipment; and irregular expenditure with matters of emphasis on the material impairment of debtors and reinstatement of corresponding figures for prior financial years.

The appointment of an internal auditor and resourcing of the internal audit function will ensure adequate capacity is in place for monitoring the implementation of the Internal Audit Plan and Audit Intervention Plan that addresses the findings in the AGSA's audit report.

Amatola Water revised its Anti-Fraud and Corruption Strategy (Policy Statement, Prevention and Response Plan) that will continually be implemented to improve governance and safeguard state resources.

The Board is committed to a zero tolerance in combating fraud and corruption, including transgressions that will not be pardoned.

The Board is exercising its fiduciary duty to ensure that the institution derives maximum value from the resources entrusted to it to benefit designated communities of the Eastern Cape.

The Board appointment of the internal Company Secretary has been finalised to improve the Board's effectiveness in its oversight role and monitoring of the institutional governance, which includes the implementation of Board resolutions.



## STAKEHOLDER CONFIDENCE

The existence and relevance of Amatola Water depends solely to its stakeholders, and hence it remains accountable to its stakeholders.

The delays in the implementation of secondary business projects have created dissatisfaction with stakeholders and lack of confidence in the entity. As a result, the Board has initiated stakeholder engagements to restore confidence with key stakeholders and establish strategic partnerships that ensure effective and efficient delivery of water services in the Eastern Cape.

Amongst these engagements is the focus on recovering long outstanding municipal debt for services rendered.

## SUSTAINABLE ORGANISATION

The sustainability of the organisation is threatened by various issues that include financial and infrastructure stability. The escalation of the reported financial deficit threatens the financial sustainability of the organisation, and in the same vein, the continuation of services to communities is negatively impacted.

The ailing water and sanitation infrastructure in the province remains key and impacts on the ability to provide water services in a sustainable manner. Amatola Water is implementing an infrastructure masterplan and financial recovery plan to address the

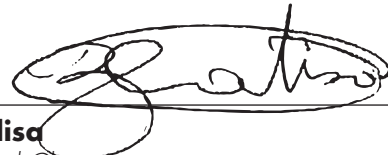
existing and impending challenges that bring sustainable growth and operation resilience in the organisation.

In closing, without any order of priority and importance, I would like to extend my sincere gratitude to the Chief Executive, the management team of the entity and the entire staff for the hard work under the trying times presented by COVID-19.

A word of acknowledgement and appreciation to the outgoing Board and past Board members who have contributed to Amatola Water's realisation of becoming a leader in the provision of bulk water services in the Eastern Cape.

The Board members have shown unwavering support and commitment to ensuring there is sound institutional governance. A word of appreciation is extended to all the oversight bodies and executive authorities that ensure that the mandate of the Board is fulfilled. A special word of appreciation to Portfolio Committee on Human Settlements, Water and Sanitation for its constructive engagement and ensuring that the Board is accountable to the citizens of this country in the delivery of water services.

We also thank the shareholder, Honourable Minister Lindiwe Sisulu and the officials of the Department of Human Settlements, Water and Sanitation for the leadership and support they continue to provide to Amatola Water.



**Mr. Z Xalisa**  
*Acting Board Chairperson*  
Date: 30 June 2021

# CHIEF EXECUTIVE OFFICER'S REPORT

prepared following a period of extraordinary challenges.

The year was characterised by poor financial performance, leadership instability, decreasing levels of stakeholder confidence, the outbreak of the COVID-19 pandemic, and the imminent drought in the Eastern Cape.

The report purposely details the organisational performance and execution of our strategy, which is aligned to Amatola Water's mandate, derived from Section 29 and 30 of the Water Services Act 108 of 1997.

## OVERVIEW OF ORGANISATIONAL PERFORMANCE

The organisation's overall performance for the period under review declined to an average of 55% in comparison to 83% achievement against predetermined targets of the previous financial year. It reflects a decline of 28% in overall performance. The performance achieved against the predetermined targets in the shareholder compact is 53% compared to an 86% achievement in 2018/19; this is a decline of 33%.

The decline in performance in the 2019/20 financial year is mainly attributable to the poor financial performance of the organisation and its inability to execute the infrastructure projects. The organisation's overall performance was affected by the COVID-19 pandemic, so the secondary project progress was muted. Delays in filling key executive and senior management positions created an environment of instability and inadequate capacity to achieve the predetermined targets.

The COVID-19 pandemic exacerbated the revenue collection of the municipalities that had been struggling to collect revenue from their customers. Amatola Water was unable to fully enforce its debt management policy given the need for communities to adhere to high hygiene standards to prevent spread and the scourge of infections presented by the COVID-19 pandemic. In the audited financial statements, a provision of R49,234 million for debt impairment has been provided for Amatola Water customers who were unable to meet their payment obligations for the services rendered.

The qualified audit outcome for the audit review performed by the Auditor-General South Africa is a call to strengthen governance at all levels within the organisation and change the culture of doing business. The establishment of the Internal Audit department, under the management of the Manager: Internal Audit, will ensure proactive monitoring of the implementation of the approved Internal Audit Plan and Audit Intervention Plan that addresses the findings of the AGSA's audit report.

## PRIMARY BUSINESS

The predetermined targets in the key service delivery performance areas that are aligned to our mandate, have been achieved despite the operational challenges and strategic risks:

- **Water quality:** Amatola Water's plant water quality compliance in all its water treatment works and distribution network was in line with SANS 241:2015 Part 1 & 2. Ten plants achieved a "good/excellent" water quality standard.
- **Assurance of supply:** Amatola Water achieved 98.42% assurance of supply to customers from source due to adequate pressure at the reservoirs, set targets being reached and providing the highest reliability of supply standards to customers and consumers.
- **Minimised losses:** Combined production and distributed losses stood at 14% against a target of 14%. This significantly minimised the environmental, financial and social impacts of losses and unaccounted water.
- **Temporary jobs created:** The institution exceeded its target for creating temporary jobs; it created 529 temporary jobs against a predetermined target of 500 during the period under review.



The entity is augmenting its water supply capacity to address the shortcomings in the existing infrastructure and meet the demand for water services in its gazetted area of operations to benefit the communities in Buffalo City, Amathole and Ndlambe. The focus of these upgrades is to increase the treatment capacity and expand bulk distribution networks in the following water treatment works:

- The first phase of the Binfield Water Supply Scheme increases the water purification works capacity to 12 Ml/day. The bulk storage and reticulation upgrade benefits the communities in Amathole and Nkonkobe.
- The Masingedane Bulk Water Supply Scheme has been upgraded to 6.5 Ml/day. The upgrade includes bulk storage and reticulation so that additional water can be supplied to the Amathole communities.
- The Sandile Bulk Water Supply Scheme is being upgraded to 60 Ml/day. The bulk storage and reticulation will provide additional water supply to communities of Amathole in the Raymond Mhlaba Local Municipality.

## SECONDARY BUSINESS

Amatola Water manages a complex infrastructure project portfolio, that is classified according to capital, strategic importance (including Ministerial Directives) and water resource projects.

Amatola Water projects are at different levels of progress. However, the main concern is the stagnation of some projects funded through the Regional Bulk Infrastructure Grant (RBIG) and Municipal Infrastructure Grant (MIG).

The following strategic bulk water and sanitation projects, targeting various water services authorities and water service providers, were implemented. The projects address the backlog of water service in the Eastern Cape:

- **KSD Presidential Intervention (KSDPI)**

The KSDPI programme is delivered or categorised as corridors: The Central Corridor, Airport Corridor, Mqanduli Corridor, Libode/Ngqeleni Corridor, and Nqadu Corridor. The KSDPI Bulk Water Project aims to unlock housing and commercial development for the region beyond Mthatha town and areas surrounding the OR Tambo District Municipality.

- **Nooitgedagt/Coega Low Level Supply Scheme (NCLLS)**

The project, implemented as a Ministerial Directive, aims to increase the bulk treatment, storage and distribution capacity to meet the demand of 1.23 million consumers and smaller municipalities within the Nelson Mandela Bay Metropolitan Municipality's boundaries.

- **Ndlambe Bulk Water Supply**

The aim of this project is to provide safe, sustainable and acceptable quality water to consumers and communities in Seafeld/Kleinemonde, Port Alfred, Bathurst, Alexandria, Cannon Rocks, Boknes, Kanton-on-Sea and Bushman's River in the Ndlambe Local Municipality.

The project entails completing the mechanical and electrical works for the Bulk Water Reverse Osmosis (BWRO) plant, completion of the civil works, pipework and reservoir supplying water to BWRO plant, and recovery of the effluent brine water, which is at the feasibility stage.

- **James Kleynhans Bulk Water Supply**

The project is located in Makana Local Municipality and has four phases. The following two phases are at the implementation stage:

Augmentation of the James Kleynhans WTW that focuses on the optimisation of the existing water treatment works

Construction of an additional 10 Mℓ/d water treatment works that will double the treatment capacity of the works.

- **Coffee Bay Phase 3A and 3B**

The Coffee Bay project is in OR Tambo District Municipality, King Sabata Dalindyebo Local Municipality. Its objective is to extend the Coffee Bay Regional Water Supply Scheme to provide water to Ward 23 (now Ward 24) (except for a portion across the Mpako River) and the Mabehana Village in Ward 24 (now Ward 25) that serves 24,874 people. Phase 3A is 97% complete. In respect of Phase 3B, the appointed contractor has terminated the construction contract due to payment delays.

- **Amatola Water Infrastructure Master Plan (IMP)**

The project inception has been completed but will be reviewed in the light of changes in client/customer of Amatola Water requests and the implications of the Provincial Water and Sanitation Master Plan. The COVID-19 pandemic has slowed various interactions and has made it difficult to define specifics in terms of due dates for stakeholder interaction.

- **Progress on Drought/COVID-19 interventions**

- **Water tankers:** Amatola Water has been allocated R31m to procure tankers through the National Treasury Transversal Allocation. The intervention was preceded by the procurement of 41 tankers hired locally to support the municipalities that installed water harvesting tanks.
- **Delivery, supply and installation of water harvesting tanks:** Amatola Water appointed 40 suppliers for the delivery, supply and installation of 3,502 water harvesting tanks. Amatola Water delivered and installed 3,443 water tanks during the year under

review. The next phase will strengthen the monitoring for delivery of quality tanks. The service providers participating in this programme have been encouraged to utilise local SMME contractors for installations and create job opportunities by employing local labour. The collaboration between Amatola Water, Rand Water, the Department of Water and Sanitation and municipalities has resulted in good progress and improved coordination.

- **Borehole drilling:** Contractors have been appointed to drill and equip boreholes. It is dependent on geohydrological assessment of all identified sites is performed by appointed professionals.
- **Rapid Response Unit:** Three companies have been appointed and 70% of Project Implementation Plans (PIP) have been approved to rapidly carry out various interventions in response to the water challenges associated with the drought and COVID-19 in the Eastern Cape.

## LEADERSHIP AND EMPLOYEE DEVELOPMENT

Amatola Water is dedicated to continuous learning and improvement, recruiting and retaining a workforce that is competent, motivated, adaptive and works safely while ensuring that institutional knowledge is retained and improved. Furthermore, it provides opportunities for professional and leadership development led by an integrated management team.

To improve labour practices and decent work, the organisation is mid-way through a comprehensive policy review and developing a process that will be finalised in the next financial year. The average vacancy rate of 7.04% is being addressed through a recruitment drive that is focusing on filling key executive and senior management positions.

A representative Employment Equity Committee has been established. Its role in recruitment is the consideration of the regional population demographics benchmark and fairness in the workplace. The committee particular focus is on the appointment of women and disabled person based on Amatola Water's Employment Equity Plan and turnover from the previous year.

In collaboration with various health experts, employee wellness awareness and education sessions were held during the year under review to improve awareness about the importance of continuous health screenings and the proactive management of existing health conditions. The organisation has institutionalised its occupational health capacity by appointing an occupational health nurse to ensure occupational health compliance is in line with the Occupational Health and Safety Act (Act No. 85 of 1993) and Amatola Water's ongoing management of employees' chronic health conditions.

Regardless of the turbulences that faced Amatola Water, there have been pockets of good practice. Consequently, without fail, I extend my appreciation to the team whose efforts ensured that the organisation remained on course in terms of its mandate.

I thank the outgoing Board, interim Board and key stakeholders that have been patient with the institution as we have undergone numerous organisational changes.

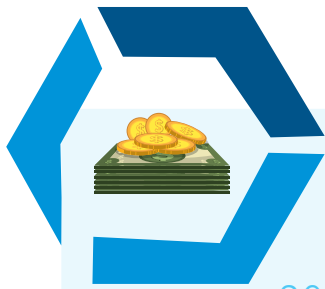


**Mr. S Qweleka**

Chief Executive (Acting)

Date: 30 June 2021

## REFLECTION ON 2019/20



### FINANCIAL CAPITAL

	REVENUE	% CASH PAID	
		TO SUPPLIERS	TO EMPLOYEES
2019	<b>R423m</b>	2019 <b>42%</b> <b>R128m</b>	2019 <b>58%</b> <b>R179m</b>
2020	<b>R419m</b>	2020 <b>62%</b> <b>R331m</b>	2020 <b>38%</b> <b>R202m</b>



### MANUFACTURED CAPITAL

	CAPITAL INFRASTRUCTURE INVESTMENT	PUMP EFFICIENCY ENERGY PROGRAMME RESULTS
2019	<b>R15m</b>	2019 <b>0.844</b> kWh/m <sup>3</sup>
2020	<b>R59m</b>	2020 <b>0.885</b> kWh/m <sup>3</sup>



### NATURAL CAPITAL

#### RAW WATER ABSTRACTION FROM SOURCE

2019	<b>45,914</b> kl'000
2020	<b>45,939</b> kl'000



## INTELLECTUAL CAPITAL

### ICT SPEND ON CAPITAL & OPERATIONS

2019 **R11.38m**

2020 **R16,17m**



## SOCIAL & RELATIONSHIP CAPITAL

### % SPEND ON COMPANIES WITH MORE THAN 50%

2019 **115%**

2020 **108%**

### EMPLOYMENT EQUITY

#### BLACK MALE



2019

CURRENT RESULT:

**67.87%**

TARGET: **49.30%**

#### FEMALE



2019

CURRENT RESULT:

**32.0%**

TARGET: **47.7%**

2020

CURRENT RESULT:

**43.2%**

TARGET: **60.0%**

2020

CURRENT RESULT:

**39.8%**

TARGET: **26.70%**



## HUMAN CAPITAL

### TEMPORARY JOBS CREATED

2019 **568**

2020 **529**

### DISABILITY INCIDENT FREQUENCY RATE

2019 **0.50**

2020 **0.70**





**01**

**INTRODUCTION**

# REPORT PROFILE

This Integrated Annual Report outlines Amatola Water's legislative compliance and performance, as presented to the Minister of Human Settlements, Water and Sanitation, for the financial year, 1 July 2019 to 30 June 2020.

Amatola Water's fifth Sustainability Report and sixth Integrated Annual Report is part of its commitment to achieving ever higher standards in qualitative and quantitative reporting.

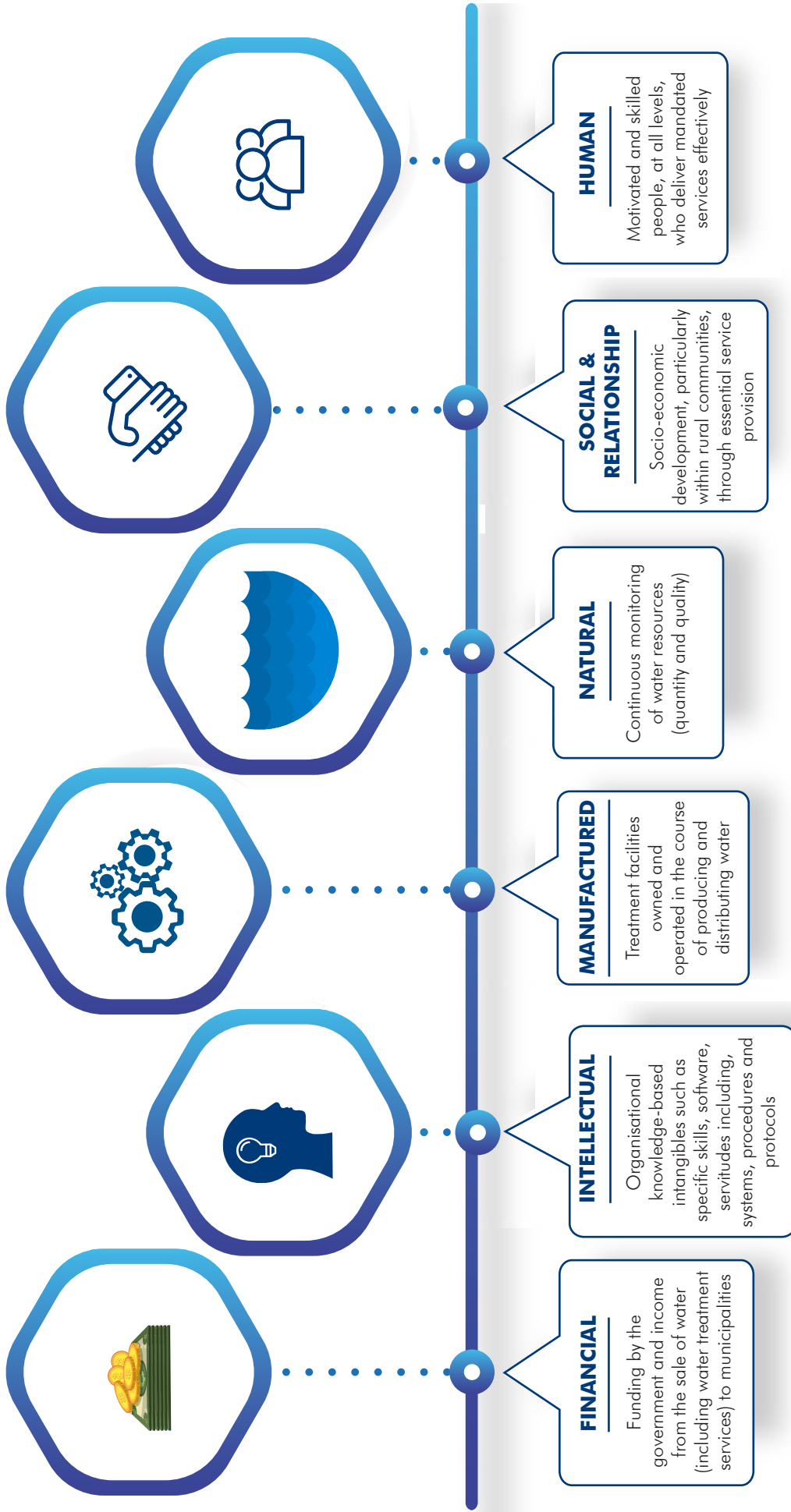
It is guided by the International Integrated Reporting <IR> Framework of the International Integrated Reporting Council (IIRC) and is in accordance with the comprehensive option presented by the G4 guidelines of the Global Reporting Initiative (GRI).

## Amatola Water has adopted seven basic principles in compiling this report:

- 1 **STRATEGIC FOCUS AND FUTURE ORIENTATION:** Insight into the organisation's strategy and how it relates to its ability to create value in the short, medium and long-term
- 2 **CONCISENESS:** Succinct, comprehensive and transparent disclosures
- 3 **CONNECTIVITY AND BALANCED PRESENTATION OF INFORMATION:** A holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation's ability to create value over time
- 4 **RELIABILITY, ACCURACY AND COMPLETENESS:** All material matters, positive and negative, are presented in a balanced manner and without material error, particularly in the commitments stated by the Chief Executive (CE), Chairman of the Board, Chairman of Audit and Risk Committee as well as independent third party assurances
- 5 **STAKEHOLDER RESPONSIVENESS/INCLUSIVENESS:** The nature and quality of the organisation's relationships with its key stakeholders, including how and to what extent it understands, considers and responds to their legitimate needs and interests
- 6 **CONSISTENCY AND COMPARABILITY:** Information is presented consistently and in a way that enables comparison with other organisations to the extent that it is material to the organisation's ability to create value over time
- 7 **MATERIALITY:** Present matters that substantively affect the organisation's ability to create value



# AMATOLA WATER ILLUSTRATES VALUE CREATION OVER TIME IN TERMS OF THE SIX CAPITALS



## ABOUT THIS REPORT

Amatola Water recognises it is important to live out its core values when implementing its mission so that its vision can be realised.

This is done by assessing every decision and action based on the organisational core values since it is critical for Amatola Water's overall success, growth and financial strength, now and for the future.

Amatola Water is positioned to ensure economical, effective and efficient service delivery that best meets the needs of its strategic mandate.

## LEGISLATIVE AND OTHER MANDATES

The Amatola Water Board (Amatola Water), a listed Schedule 3B public entity in terms of the Public Finance Management Act, is a national government business enterprise. It was formed in terms of the Water Services Act by the Minister of Human Settlements, Water and Sanitation (DHSWS) as the Executive Authority.

According to the Water Services Act, Amatola Water is an organ of state, established to perform, as its primary activity, a public function of providing water services (water supply and sanitation services) to other water services institutions (water services authorities, water services providers, a water board and water services committee) within its service area.

The Water Services Act defines water supply services as the abstraction, conveyance, treatment and distribution of potable water as well as water intended for conversion to potable water and for commercial use but not for industrial use.

## SHAREHOLDER COMPACT

A shareholder compact has been entered into by Amatola Water and DHSWS.

## ORGANISATIONAL PROFILE

### WATER SERVICES PROVISION

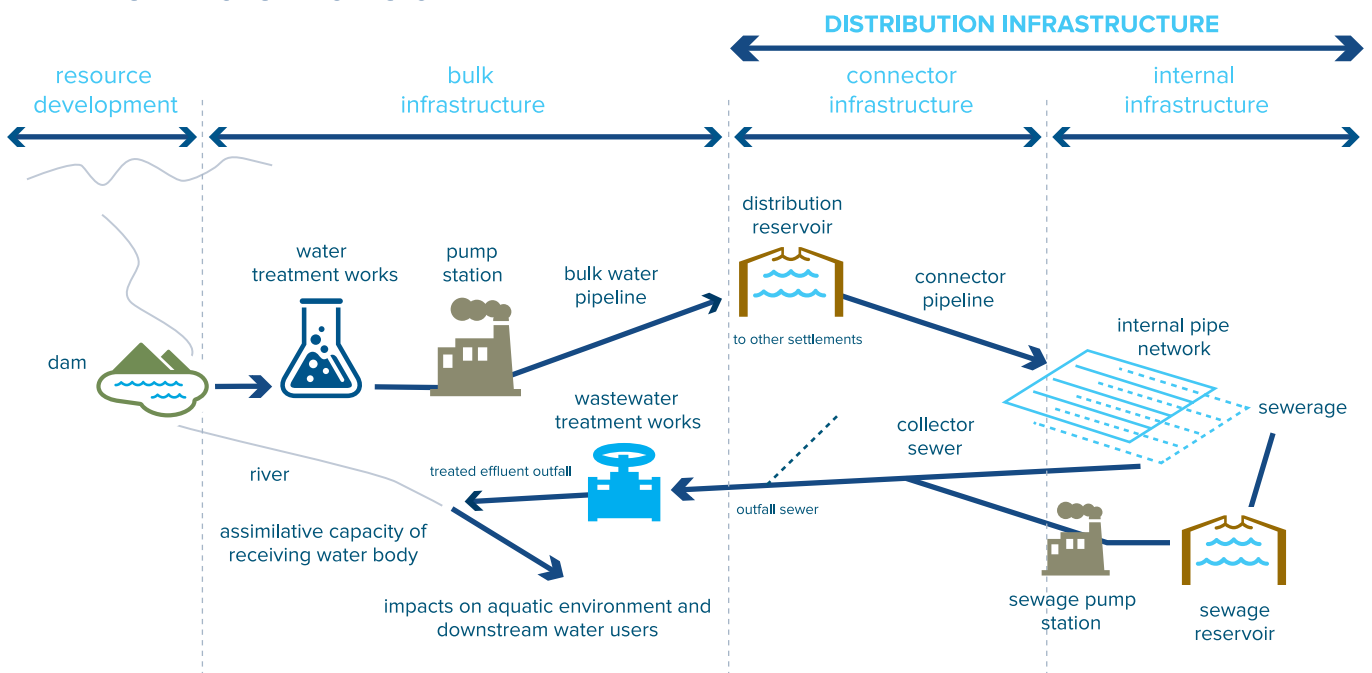


Figure 1.1 Water value chain

Amatola Water is designated to act within a prescribed area as proclaimed in the Government Gazette No 18409 of 14 November 1997 by the Minister, as empowered by the Water Services Act No 108 of 1997.

The prescribed areas are Peddie, Mdantsane, East London, Komga, Qonce (King William's Town), Zwelitsha, Stutterheim, Keiskammahoek, Middeldrift and Victoria East within the Eastern Cape. The government extended the service area to include the municipality of Ndlambe, as proclaimed in Government Gazette No 188 of 12 March 2010.

In addition, Section 30 of the act provides for Amatola Water to operate beyond its mandate, only if it is unlikely to limit its capacity to perform its primary activity or financially prejudice the organisation, any water services institution, existing consumers or other users within its service area, in accordance with its policy statement and business plan.

The act confirms other activities may include but are not limited to:

- Providing management services, training and other support services to water services institutions to promote cooperation in the provision of water services
- Supplying untreated or non-potable water to end users who do not use the water for household purposes
- Providing catchment management services to or on behalf of the responsible authorities
- Approving the water services authority with jurisdiction in the area:
  - Supplying water directly for industrial use
  - Accepting industrial effluent
  - Acting as a water services provider to consumers
  - Providing water services in joint ventures with water services authorities
  - Performing water conservation functions.

In line with Section 30, Amatola Water acts as an implementing agent on behalf of the municipality in operating and upgrading water treatment works.

Amatola Water is further governed by all water and water board-related policy frameworks issued by DHSWS as well as directives from the Minister, to focus on the following key matters:

On 20 June 2015, Amatola Water was directed to implement Phase Three of the Nooitgedagt/Coega Low-Level Scheme with the Nelson Mandela Bay Metropolitan Municipality. Currently, the project is progressing well and Phase 3 will be completed by September 2021.

# AMATOLA WATER AREA OF OPERATION AND WATER SUPPLY SCHEMES

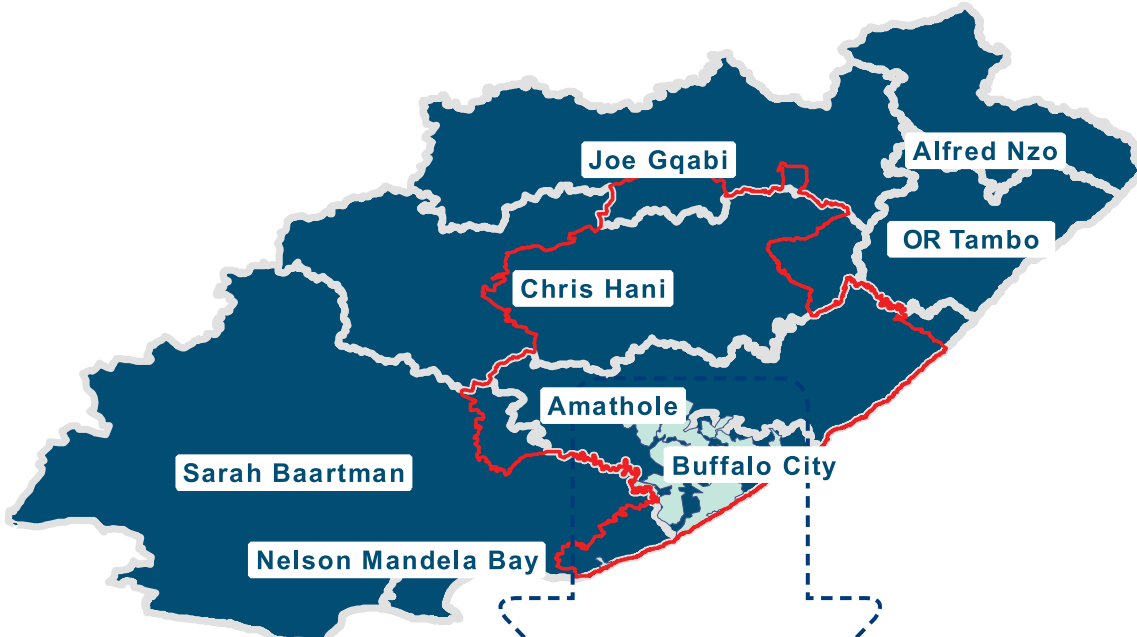


Figure 1.2 Amatola Water's gazetted area



Figure 1.3 Amatola Water supply scheme

## **BUSINESS ENVIRONMENT AND FACTORS INFLUENCING VALUE CREATION**

Amatola Water's business environment considers macro and micro factors that influence its ability to deliver on its mandate.

As an essential services utility based in the Eastern Cape, established in terms of the Water Services Act, Amatola Water is subject to numerous external environmental changes and as such, these need to be managed carefully through transparent and consistent engagement with key stakeholders.

While Amatola Water has little influence over, for example, the allocation of funding and the performance of the national economy, and particularly, the local economy in which it participates, it can mitigate these risks through careful planning and strategic plans.

### **ECONOMY**

The past year was characterised by a stagnant local economy due to the economy's persistent contraction and major droughts in certain parts of the country including the Eastern Cape.

### **WATER INFRASTRUCTURE**

The South African water sector continues to suffer from ageing infrastructure and a large disparity in water infrastructure between the rural and urban areas. As such, there is an opportunity for capital investment and expansion in the water sector when matched with the appropriate strategic goals and planning.

Amatola Water sees strong government support and pending legislation in the sector as a medium and long-term opportunity for improving the capacity and position of Amatola Water as a regional water services utility.

Amatola Water operates in an environment significantly different to most of its peer organisations in South Africa. Its environment is evidenced by a large geographical and infrastructure footprint relative to the volume of water it processes as well as a restricted value chain, and various upstream and downstream impacts that are outside of its control.

### **NATURAL ENVIRONMENT**

Amatola Water is reliant on a stable and constant supply of water through the management of 21 dams within its area of supply.

The environmental monitoring programmes assist Amatola Water with the evaluation of its impact on the natural environment and allow it to mitigate any impact as a result of its activities.

Amatola Water is cognisant that its business has an impact on the environment and takes its responsibility seriously.

For more information, please refer to pages 62-64.

## SOCIAL ENVIRONMENT

Amatola Water’s impact on and responsibility to the communities of the areas in which it operates is considered at every step in the strategic planning and decision-making process.

Amatola Water believes that community involvement is crucial to long-term sustainability.

Please refer to stakeholder engagement on page 32-38, and community outreach and corporate social investment on page 34.

## TECHNOLOGY

Amatola Water’s business is primarily physical in nature. However, the persistent advancement of technology and associated improved efficiencies have resulted in a continued focus on information technology which has been identified as a material matter. Harnessing technological innovations is one of the key aspects that Amatola Water seriously considers to enable effective and efficient services delivery.

## EFFECTIVE ENTERPRISE RISK MANAGEMENT INTEGRATED INTO BUSINESS

Proactive risk management is fundamental to Amatola Water’s ability to meet its short-term and longer-term strategic objectives. Amatola Water manages, monitors and reports on the strategic, operational risks and uncertainties that could impact on its ability to deliver its strategic ambitions. The system of risk management and policy is consistent and clear across the organisation. The key objective is to avoid material issues while maximising its business outcomes.

Effective enterprise management is embedded in Amatola Water’s business processes and planning for the future. Amatola Water aims to reduce its risks to a sufficiently appropriate level through effective risk management. Risk management is important for good business management and signifies good corporate governance.

The requirements of the Public Finance Management Act 1 of 1999, National Treasury Regulations of 2005, King IV on Corporate Governance and the Committee of Sponsoring Organisations Risk Management Framework have been incorporated into the enterprise-wide (integrated) framework and policy on risk management.

Risk management is defined as “understanding the risks the organisation faces and their impact on the achievability of the organisation’s objectives, and then mitigating those risks that would have an unacceptable impact on the organisation”.

This definition highlights the relationship between risk, business strategy implementation and achievement of objectives.

Amatola Water, therefore, identifies its highest risks as those most likely to have a significant impact on the organisation’s ability to achieve its key strategic business objectives.

The Accounting Authority of Amatola Water, that is, the Board, is ultimately responsible for ensuring good governance and oversight of risk management and mitigation.

The Board has delegated the operational oversight responsibility of risk to the Audit and Risk Committee. In turn, it has established a Corporate Risk Committee and Fraud Committee that has appointed risk champions for each division.

These risk champions assist divisional directors to establish and monitor risk systems throughout the division.

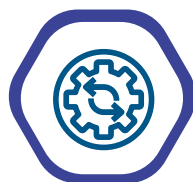
### Amatola Water categorises its risks into three groups:



**STRATEGIC RISKS**



**DIVISIONAL RISKS**



**OPERATIONAL/  
PROCESS RISKS**



**02**

**CONTEXT & STRATEGY**

# STRATEGIC FRAMEWORK

Amatola Water's overall strategic focus in the previous planning period was to fully institutionalise and integrate the Amatola Water Turnaround Plan initiatives that set out to halt the performance decline and stabilise the organisation. Amatola Water's overall performance in 2018/19 was an achievement of 83% which reflected an improvement to the baseline performance of 57% achievement during the 2017/18 financial year.

The strategic framework of Amatola Water was revised against this baseline performance information during the year under review with the guidance and direction of the Interim Board while considering the expectations of the Minister of Human Settlements, Water and Sanitation, developments in the water sector and macro socio-economic environment changes.

Currently, Amatola Water faces several challenges that are affecting its organisational growth, financial sustainability and stakeholder confidence, and is the result of inadequate leadership and limited capacity, poor skills and the limited innovation.

Amatola Water has formulated a strategic mandate as a response which requires the organisation to achieve the following strategic outcomes in the medium term:

- Increasing financial sustainability that will be realised when the organisation fully implements its financial recovery plan that focuses on 10 programmes with underlying operational activities
 

Increasing in financial growth that will be measured by achieving percentage growth in total revenue of 12.8% and a net profit margin of 7.8%; achieving these targets in financial growth will increase the organisation's capability to meet the demand of its current and future customers while attaining financial and commercial sustainability and remaining a going-concern
- Increasing stakeholder confidence that is a suitable outcome indicator for measuring the organisation's required impact for supplying safe and reliable water services, an integral part of the impact statement; it is important for Amatola Water to consistently provide its services effectively and efficiently to meet the client requirements; the five-year target for the stakeholder satisfaction score is set at 9/10 against the baseline of 8/10 that indicates the organisation's commitment to progressively increase stakeholder confidence.
- Leadership development that encompasses a number of programmes to ensure the effective and efficient application of technical, financial and human resources by performing a range of management functions; this will increase management depth and high-impact functional leadership to be able to apply and focus organisational resources towards achieving its outcomes and outputs
- Increasing capacity and skills that involves workforce capacitation and implementation of the infrastructure masterplan that increases the organisation's ability to appropriately respond to client demands
- Promoting innovation that focuses on improving methods and systems including the exploration of new technologies; the organisation will embark on a drive to promote a culture of innovation at all levels with a focus on the efficient and effective use of resources.

To achieve its stated strategic outcomes, the Amatola Water Board has embarked on a three-phased strategic approach and a summarised discussion follows:

## ● Phase One: Stabilisation (completed in 2018/2019)

The Stabilisation Phase, which was completed during the 2018/2019 financial year, halted the declining organisational performance through the implementation of an integrated turn-around intervention. The result was the stabilisation of organisational performance from 2017/2018 leading to improved levels above the 57% level.

Higher levels of performance, which exceeded the stabilisation levels of 57%, is testament to Amatola Water's success in stabilising performance. Therefore, Amatola Water is ready to embark on the next two phases of its strategy.

## ● Phase 2: Consolidation (2019/2020 - 2020/2021)

The second phase will build on the consistent performances achieved during Phase 1 of the Amatola Water Strategy that focuses on internal and external consolidation. The strategic intent of the organisation is to consolidate its internal capacity, capabilities and resources so that it can effectively and efficiently execute its expansion phase.

To realise its consolidation imperatives, Amatola Water will focus on enhancing its leadership capabilities while increasing its technical capacity and capabilities. Once achieved, these consolidation imperatives will form the foundation for initiating and driving the next strategic phase, that is, expansion.





● **Phase 3: Expansion**

The organisation is poised to implement its third and final strategic phase, that is, the expansion phase. The Expansion Phase will consolidate external and internal capabilities for the establishment of a regional water utility that will be able to produce higher volumes and a wider range of secondary services.

This can be achieved by expanding the organisation’s infrastructure footprint and its regional bulk infrastructure portfolio. It also means that corresponding gazetted areas of operations will be increased.

The expanded infrastructure and areas of operation will increase the ability of the organisation to provide efficient and effective bulk water and sanitation as well as secondary services at financially sustainable levels.

## AMATOLA WATER STRATEGIC FOCUS

Amatola Water’s strategic focus recognises the importance of living out its core values by implementing its mission to ensure the realisation of its vision. Basing every decision and action on these values is vital to Amatola Water’s overall success, growth and financial strength, now and for the future.

The strategic map below illustrates the manner in which Amatola Water will create sustainable value through the integration of strategic outcomes in the medium-term:



Figure 2.1 Amatola Water strategy map

## AMATOLA WATER STRATEGIC OUTCOMES

To ensure that Amatola Water achieve its strategic imperatives, it needs to deliver on six strategic outcomes. The individual and combined strategic outcomes will contribute to the supply of safe and reliable water services that ensure the financial sustainability and increase stakeholder confidence in Amatola Water. These outcomes will be achieved by developing leadership, promoting innovation, increasing its capacity and skills.

The table below summarises the strategic outcome, outcome indicator and corresponding five-year targets:

STRATEGIC OUTCOME	OUTCOME INDICATOR	BASELINE	FIVE-YEAR TARGET
Increased Financial Sustainability (SO1)	Percentage implementation of the Financial Recovery Plan	New indicator	100%
Increased Financial Growth (SO2)	Percentage of growth in total revenue	New indicator	12.4%
	Net Profit margin	25.86%	7.8%
Increased Stakeholder Confidence (SO3)	Stakeholder satisfaction score	8	9
Leadership Development (SO4)	Number of leadership development programmes completed	New indicator	3
Increased Capacity and Skills (SO5)	Percentage implementation of the training and skills development programme	81%	100%
	Percentage implementation of the infrastructure masterplan	New indicator	80%
Promoting Innovation (SO6)	Number of innovation projects implemented	New indicator	5

Table 2.1: Strategic outcomes and outcome indicators

# PERFORMANCE MEASURING, EVALUATION AND MONITORING

To measure and manage the successful implementation of its strategy, Amatola Water has developed a Balanced Scorecard with clear monitoring criteria and targets for the next five years (see page XX).

A comprehensive corporate performance management system, which includes divisional and corporate reviews by management as well as oversight by the Board Committees, is detailed in the governance section of this report (page XX).

The strategy of Amatola Water is underpinned by 10 outcomes for sustainable value creation that will ensure successful water service delivery as defined by the Water Research Foundation:

## 1 WATER AND WASTEWATER PRODUCT QUALITY (WQ)

Amatola Water produces bulk potable water and treats wastewater in compliance with statutory requirements, consistent with customer needs, at Amatola Water-owned and ROU plants.

## 2 CUSTOMER SATISFACTION (CS)

This indicator reflects the degree to which Amatola Water provides reliable, responsive and affordable products and services to water services authorities (customers) and meets or surpasses customer expectations. Timely feedback in terms of customer agreed service levels upholds responsiveness to customer needs.

## 3 STAKEHOLDER RELATIONSHIPS AND SUPPORT (SS)

As an organ of the state, Amatola Water has different stakeholders, most notably the Department of Human Settlements, Water and Sanitation. Relationships with various stakeholder groups have to be built and managed by aligning initiatives in support of key stakeholder programmes, informed by the intergovernmental framework, as well as influencing stakeholders to reach a common understanding of Amatola Water's role and catalytic initiatives within the sector.

## 4 INFRASTRUCTURE STABILITY (IS)

Amatola Water's infrastructure should be consistent with customer service levels, as well as the anticipated growth and system reliability goals.

## 5 FINANCIAL VIABILITY (FV)

Amatola Water needs to manage operating expenditures and increase revenues in a manner that strengthens the balance sheet sustainably. In addition, the organisation aims for a sustainable tariff that is consistent with customer expectations, recovers costs and provides for future expansion.

## 6 WATER RESOURCE ADEQUACY (WA)

Amatola Water assesses the scarcity of freshwater resources, investigates sustainable alternatives, manages water abstractions assiduously and allows for access to stable raw water resources that meets current and future customer needs.

## 7 COMMUNITY/ENVIRONMENTAL SUSTAINABILITY (CE)

Amatola Water should be explicitly cognisant of and attentive to the impacts it has on community sustainability, support socio-economic development, manage its operations, infrastructure and investments to protect, restore and enhance the natural environment, while using energy and other natural resources efficiently.

## 8 LEADERSHIP AND EMPLOYEE DEVELOPMENT (LG)

Amatola Water is dedicated to continuous learning and improvement, recruiting and retaining a workforce which is competent, motivated, adaptive and works safely, while ensuring that institutional knowledge is retained and improved, providing opportunities for professional and leadership development, led by an integrated senior leadership team.

## 9 OPERATIONAL RESILIENCE (OR)







Amatola Water proactively and effectively manages business risks across all areas of the business in a manner that ensures the sustainability of the organisation, even in times of challenge and difficulty.

## 10 OPERATIONAL OPTIMISATION (OO)

Amatola Water aims for ongoing, timely, cost-effective, reliable and sustainable performance improvements in all facets of its operations, and a culture of accountability with every employee and department striving to improve systems and processes.

# VALUE CREATION

## INPUTS 2018/19







 <b>FINANCIAL CAPITAL</b>	 <b>INTELLECTUAL CAPITAL</b>	 <b>SOCIAL &amp; RELATIONSHIP CAPITAL</b>	<b>BUSINESS ACTIVITIES</b>
<b>REVENUE</b>  <b>R423m</b>	<b>ICT OPERATIONAL EXPENDITURE</b>  <b>R11.3m</b>	<b>ASSURANCE OF SUPPLY</b>  <b>99.93%</b>	INFRASTRUCTURE DESIGN AND DEVELOPMENT
<b>GRANT FUNDING FOR INFRASTRUCTURE UPGRADES</b>  <b>R92m</b>	<b>ICT CAPITAL EXPENDITURE</b>  <b>R0.07m</b>	<b>B-BBEE SPEND</b>  <b>115%</b>	WATER SERVICES
<b>CASH</b>  <b>R640m</b>	<b>WATER RESEARCH LEVY</b>  <b>R3m</b>	<b>LOCAL JOBS CREATED</b>  <b>568</b>	INSTITUTIONAL AND SOCIAL DEVELOPMENT
 <b>MANUFACTURED CAPITAL</b>	 <b>HUMAN CAPITAL</b>	 <b>NATURAL CAPITAL</b>	TECHNICAL AND OPERATIONAL SERVICES
<b>PROPERTY, PLANT AND EQUIPMENT</b>  <b>R541m</b>	<b>STAFF TURNOVER</b>  <b>0.84%</b>	<b>WATER LOSS - POTABLE PRODUCTION &amp; NETWORK</b>  <b>14%</b>	SCIENTIFIC SERVICES
<b>CAPITAL EXPENDITURE (TREATMENT PLANT UPGRADES)</b>  <b>R15m</b>	<b>STUDY ASSISTANCE</b>  <b>R0.3m</b>	<b>RAW WATER ABSTRACTIONS KI'000</b>  <b>45,914</b>	PROCUREMENT SERVICES
			FINANCIAL SERVICES
			OPERATION AND MAINTENANCE
			INSTITUTIONAL SUPPORT AND DEVELOPMENT
			PROJECT MANAGEMENT

# STRATEGIC FORCUS

## OUTPUTS 2019/20

### THE 10 OUTCOMES FOR SUSTAINABLE VALUE CREATION

- 01** WATER AND WASTEWATER PRODUCT QUALITY
- 02** CUSTOMER SATISFACTION
- 03** STAKEHOLDER RELATIONSHIPS AND SUPPORT
- 04** INFRASTRUCTURE STABILITY
- 05** FINANCIAL VIABILITY
- 06** WATER RESOURCE ADEQUACY
- 07** COMMUNITY/ ENVIRONMENTAL SUSTAINABILITY
- 08** LEADERSHIP AND EMPLOYEE DEVELOPMENT
- 09** OPERATIONAL RESILIENCE
- 10** OPERATIONAL OPTIMISATION

 <b>INTELLECTUAL CAPITAL</b>	 <b>FINANCIAL CAPITAL</b>	 <b>SOCIAL &amp; RELATIONSHIP CAPITAL</b>
<b>REVENUE</b> <b>R419m</b>	<b>ICT OPERATIONAL EXPENDITURE</b> <b>R13.3m</b>	<b>ASSURANCE OF SUPPLY</b> <b>99.93%</b>
<b>GRANT FUNDING FOR INFRASTRUCTURE UPGRADES</b> <b>R1.2m</b>	<b>ICT CAPITAL EXPENDITURE</b> <b>R2.9m</b>	<b>B-BBEE SPEND</b> <b>108%</b>
<b>CASH</b> <b>R523m</b>	<b>WATER RESEARCH LEVY</b> <b>R3m</b>	<b>LOCAL JOBS CREATED</b> <b>529</b>
 <b>MANUFACTURED CAPITAL</b>	 <b>HUMAN CAPITAL</b>	 <b>NATURAL CAPITAL</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b> <b>R583m</b>	<b>STAFF TURNOVER</b> <b>0.64%</b>	<b>WATER LOSS - POTABLE PRODUCTION &amp; NETWORK</b> <b>14%</b>
<b>CAPITAL EXPENDITURE (TREATMENT PLANT UPGRADES)</b> <b>R59m</b>	<b>STUDY ASSISTANCE</b> <b>R0.3m</b>	<b>RAW WATER ABSTRACTIONS KI'000</b> <b>45,939</b>

Amatola Water's governance structure, processes and procedures underpin value creation, not only in reviewing and improving areas in need of attention, but through enforcing a structure that meets the strategic needs and is linked to its strategic focus.

## **MATERIAL ISSUES**

### **Defining materiality for Amatola Water**

Amatola Water determines a material matter to be a risk or opportunity that can substantially affect its ability to deliver on its mandate, purpose and objective of delivering high-quality bulk water and sanitation services while maintaining a positive reputation with all its stakeholders in the Eastern Cape in the short, medium and long-term.

### **Material matters classification**

Amatola Water's underlying mandate is the continuity of service of its operations, that is, providing an uninterrupted supply of high-quality bulk water and sanitation services to its customers while maintaining a positive reputation with all stakeholders.

As such, Amatola Water has determined reputation and continuity of service to be overarching (pervasive) matters and to be the core material matter of the business, with all other material matters having a direct effect on these matters.

### **Material matters table**

The following table provides a more detailed account of the top 10 material matters and linkages with affected stakeholders, capitals and strategic responses, in order of importance:

RANKING	DESCRIPTION OF MATERIAL MATTER	CAPITAL IMPACTED	STRATEGIC RISK	STAKEHOLDER AFFECTED	AW STRATEGIC RESPONSE
1.	<p><b>Financial viability</b></p> <ul style="list-style-type: none"> <li>Many of Amatola Water's inputs and outputs are fixed in nature, such as the charges for purchasing raw water and what it may charge for services provided.</li> <li>In addition, Amatola Water has a limited number of key customers that are subject to similar macro and microeconomic risks.</li> <li>Amatola Water has limited options for obtaining raw water.</li> </ul>	<p>Financial</p> 	SR1	<ul style="list-style-type: none"> <li>Customers and client stakeholders</li> </ul>	SO1 & SO2
2.	<p><b>Economic</b></p> <ul style="list-style-type: none"> <li>As a public service utility, Amatola Water is highly sensitive to the performance of the local and national economy.</li> <li>The local and national economy are under pressure due to factors such as low GDP growth and SA sovereign credit downgrades.</li> <li>The Eastern Cape lags the national economy in terms of productivity and employment growth and as such this had a knock-on effect on Amatola Water's business.</li> </ul>	<p>Financial</p> 	SR1	<ul style="list-style-type: none"> <li>Statutory stakeholders</li> <li>Community stakeholders</li> </ul>	SO1 & SO2
3.	<p><b>Access to funding</b> (Capex and growth)</p> <ul style="list-style-type: none"> <li>Amatola Water manages a significant infrastructure footprint to fulfil its mandate.</li> <li>Amatola Water requires significant capital expenditure to maintain as well as expand its infrastructure to ensure continuity of service as well as sustainable growth.</li> </ul>	<p>Financial</p> 	SR1	<ul style="list-style-type: none"> <li>Statutory stakeholders</li> <li>Customers and client stakeholders</li> </ul>	SO1 & SO2
4.	<p><b>Drought/weather</b></p> <p>As with most parts of South Africa, the Eastern Cape is vulnerable to water shortages caused by a lack of rainfall.</p>	<p>Natural</p> 	SR8	<ul style="list-style-type: none"> <li>Community stakeholders</li> </ul>	SO3
5.	<p><b>Governance</b></p> <ul style="list-style-type: none"> <li>Leadership is critical to the effective and ethical operation of Amatola Water. This can pose a significant risk or opportunity to the organisation.</li> <li>Amatola Water has suffered from a high turnover of key leadership.</li> </ul>	<p>Human</p> 	SR6	<ul style="list-style-type: none"> <li>Statutory stakeholders</li> <li>Customers and client stakeholders</li> </ul>	SO4 & SO5
6.	<p><b>Relationships with key stakeholders</b></p> <ul style="list-style-type: none"> <li>Relationships with Amatola Water's key stakeholders had a major impact on Amatola Water's reputation, which represents a significant risk and opportunity for Amatola Water.</li> </ul>	<p>Social and Relationship</p> 	SR7	<ul style="list-style-type: none"> <li>Statutory stakeholders</li> <li>Customers and clients stakeholders</li> <li>Community stakeholders</li> </ul>	SO3
7.	<p><b>Infrastructure value chain</b></p> <ul style="list-style-type: none"> <li>Amatola Water operates in a narrow portion of the potable water supply chain as well as in a limited closed market.</li> <li>Amatola Water is reliant on upstream and downstream infrastructure suppliers and customers for the delivery of high-quality bulk water and sanitation services.</li> </ul>	<p>Manufacturing</p> 	SR4	<ul style="list-style-type: none"> <li>Community stakeholders</li> <li>Customers and client stakeholders</li> </ul>	SO3 & SO5
8.	<p><b>People skills and development</b></p> <ul style="list-style-type: none"> <li>Appropriately skilled and qualified staff are critical to ensuring effective and efficient operations.</li> </ul>	<p>Human</p> 	SR3	<ul style="list-style-type: none"> <li>Customers and client stakeholders</li> </ul>	SO3 & SO5
9.	<p><b>Economic regulation</b></p> <ul style="list-style-type: none"> <li>Amatola Water is subject to tariff setting and "regulatory lag".</li> </ul>	<p>Financial</p> 	SR1	<ul style="list-style-type: none"> <li>Statutory stakeholders</li> </ul>	SO1 & SO2
10.	<p><b>Technology and communication</b></p> <ul style="list-style-type: none"> <li>The current business environment is heavily dependent on technology for effective, efficient and streamlined operations.</li> </ul>	<p>Intellectual</p> 	SR9	<ul style="list-style-type: none"> <li>Customers and client stakeholders</li> <li>Statutory stakeholders</li> </ul>	SO4, SO5 & SO6

Table 2.2: Material matters table

## STAKEHOLDER UNDERSTANDING AND SUPPORT

The emphasis in the Amatola Water's strategy is the need for the institution to reconnect with stakeholders which led to the establishment of its fully functional workstream, Reconnect with Stakeholders in the turnaround programme.

The Reconnect with Stakeholders workstream is comprised of internal stakeholders whose work has a direct impact on stakeholders with the objective of enhancing communication and stakeholder engagement.

Again, a survey to increase its understanding, knowledge, attitudes, perceptions, interests and experiences of internal and external stakeholders is conducted yearly to check improvement on engagement. These surveys are a tool to establish stakeholder needs.

The stakeholder matrix guides the effective engagement and involvement of stakeholders for the benefit of these stakeholder groups and Amatola Water.

Customers are defined as stakeholders who make it possible for Amatola Water to deliver on its legislated mandate.

Community stakeholders are defined as stakeholders with a direct and indirect interest in the operations of Amatola Water.

Statutory stakeholders are the legislated stakeholders of the institution that are directly and indirectly affected Amatola Water's operations.

The last quarter of the 2019/2020 financial year focused on the suppliers because of COVID-19. Employees, suppliers and investors are stakeholders who provide the required input for Amatola Water to deliver on its mandate.

The institution developed its Communication Strategy to enhance its image and communication flow. It focused on internal and external stakeholders to heighten stakeholder involvement and participation. COVID-19 had a negative effect in the area of stakeholders as minimal interactions were expected. Meetings had to be conducted virtually and was more suited to elite and willing stakeholders.

### **AMATOLA WATER BELIEVES THAT THROUGH AN EFFECTIVE STAKEHOLDER ENGAGEMENT PROCESS, IT CAN ACHIEVE:**

- Improved understanding of stakeholder needs and concerns
- Enhanced image
- Improved communication with communities
- Improved collaboration with the Department of Human Settlements, Water and Sanitation
- Uniformity and consistency in the provision of water and sanitation.



# AMATOLA WATER STAKEHOLDER MANAGEMENT MATRIX

## COMMUNITY STAKEHOLDERS

Community stakeholders have a direct and indirect interest in the operation of Amatola Water. Amatola Water demonstrates value to the communities it serves by being a socially responsible, effective and high-performing entity.

COMMUNITY STAKEHOLDER	STAKEHOLDER INTERESTS	AW INTERESTS	LEVEL/RESPONSIBLE PERSON
Special interest groups	Good governance and performance of Amatola Water	Network research	Executive managers
Civil society	Good governance and performance of Amatola Water	Network research	Office of the CE
Media	Strategy, risk, good governance and performance of Amatola Water	Communication platform, influence, transparency and openness	CE's office and Board Chairman
Business formations (formal and informal)	Strategy, risk, good governance and performance of Amatola Water	Networks, support and influence	CE's office
Traditional leadership	Strategy and performance of Amatola Water	Networks, support and influence	CE's office
Educational and research institutions	Strategy and performance of Amatola Water	Research	MANCO
South African Association of Water Utilities (SAAWU)	Strategy	Strategic alliance	CE and Board Chairman

Table 2.3: Community stakeholders

## CUSTOMER AND CLIENT STAKEHOLDERS

Amatola Water enters into valuable contracts for products, services and goods with customers, suppliers and investors. At the same time, employees and organised labour provide with employment and result in concomitant benefits.

CUSTOMER/CLIENT STAKEHOLDER	STAKEHOLDER INTERESTS	AW INTERESTS	LEVEL/RESPONSIBLE PERSON
Employees	Risk, good governance and performance of Amatola Water	Act as ambassadors for the organisation, sustainability and viability of the institution	Employer (MANCO and Board)
SAAWU	Strategy, risk, good governance and performance of Amatola Water	Sound relations with organised labour, living conditions of the employees	Executive Manager: Corporate Services and CE
Organised labour	Strategy, risk, good governance and performance of Amatola Water	Buy-in and support with regards to living conditions of the employees, sustainability and viability of Amatola Water	Employer (MANCO and Board)
Internal and external audit	Risk, good governance, and performance of Amatola Water	Support and influence	MANCO and Board
Suppliers	Good governance and performance of Amatola Water	Quality products and services efficiency, good performance and productivity	MANCO
Investors (development finance institutions and private banks)	Risk, good governance, and performance of Amatola Water	Funding investment opportunities	MANCO

Table 2.4: Customer and client stakeholders

## STATUTORY STAKEHOLDERS

Regular interaction with statutory stakeholders who regulate the institution and those who perform an oversight role to the institution is key to the growth of the organisation. These stakeholders ensure that the statutory requirements are met and aligned with the government’s objectives. Statutory stakeholders oversee governance, compliance, strategy, performance and risk. Legislated stakeholders with direct and indirect influence on operations are part of the statutory stakeholders in the matrix.

STATUTORY STAKEHOLDER	STAKEHOLDER INTERESTS	AW INTERESTS	LEVEL/RESPONSIBLE PERSON
<b>Executive authority (DHSWS Minister)</b>	Strategy, risk, good governance and performance of Amatola Water	Strategic direction and support	Board Chairperson and Board Members
<b>DHSWS Director-General</b>	Strategy, risk, good governance and performance of Amatola Water	Strategic direction and support	CE
<b>Portfolio Committee on Water and Sanitation</b>	Strategy, risk, good governance and performance of Amatola Water	Influence; feedback and support	Board Chairperson and Executive Managers
<b>National Treasury</b>	Strategy, risk, good governance and performance of Amatola Water	Support and decision-making	CFO and CE
<b>Provincial government (Political leadership)</b>	Strategy, risk, good governance and performance of Amatola Water	Collaboration	Chairperson and Board
<b>Provincial government (Administration)</b>	Strategy, risk, good governance and performance of Amatola Water	Collaboration	CE and Executive Managers
<b>Local government (Municipalities)</b>	Strategy, risk, good governance and performance of Amatola Water	Long-term commitment and loyalty	CE, CFO and Executive Managers
<b>South African Local Government Association</b>	Strategy, risk, good governance and performance of Amatola Water	Collaboration	CE, Executive Managers and Stakeholder Manager
<b>Auditor-General South Africa (AGSA)</b>	Governance, compliance, risk and performance Amatola Water	Governance, compliance, risk and performance Amatola Water	CE and CFO

Table 2.5: Statutory stakeholders

## COMMUNITY OUTREACH AND CORPORATE SOCIAL INVESTMENT

Amatola Water collaborates with the Department of Human Settlements, Water and Sanitation in the national adjudication event as part of widening Amatola Water’s community engagement. The main objectives of the event are to foster awareness of integrated water resource management, sanitation issues and increase enthusiasm among the youth to pursue careers in the sector.

This event is a catalyst in bringing the youth together to share knowledge and good practices. For Amatola Water to succeed, it needs to leverage knowledge and the incorporation of good practices to produce excellent outcomes.

The organisation is mandated to provide a vital service that enhances the quality of life for communities in the Eastern Cape and is a cornerstone for socio-economic development in the province. Investment in the communities has an impact on the fulfilment of its business strategy and the long-term sustainability of the organisation. The institution continues to support the advancement of all communities where its operations are located. This philosophy is embedded in its corporate social responsibility programmes and has widened its reach to include communication with communities in the Eastern Cape beyond its area of operations.

A strong focus is placed on initiatives geared towards community sustainability such as education and awareness, sport and community outreach programmes.

## SCHOOL TOUR PROGRAMME

Amatola Water hosted guided tours for various groups such as the media, tertiary institutions, secondary and primary school tours at the Bushman's RO plant and Nahoon Dam Water Treatment Works.

Visitors are taken through the steps of purifying water at the treatment works. These tours aim to encourage learners to see career opportunities in the water science industry and improve awareness of the water conservation. They also assist them in water conservation competitions. The Department of Human Settlements, Water and Sanitation are in favour of these initiatives as these help with water conservation demand management.



## WATER CONSERVATION AND DEMAND CAMPAIGNS

Eastern Cape is a drought-stricken province and is experiencing severe water conservation challenges. It has also been declared as a disaster area due to drought. Engagements with water service authorities centred around interventions in their respective municipalities. A war room was formed where most engagements took place in order to discuss and establish the kind of assistance needed in most municipalities.

Various awareness campaigns were conducted throughout the Eastern Cape Province and aimed to encourage the communities to save water.

### The campaign included:

- Distribution of flyers
- Development of post cards with the message
- Exhibitions at the State of the Province Address and Provincial Budget Speech
- A walk-about – where the community was greeted and engaged
- A visit to schools.



## SCHOOL VISITS

Schools were visited as part of the Amatola Water's conservation awareness campaign. Water-saving tips, using book-marks, were distributed to the schools. However, schools have now moved to digital so in no time bookmarks will be irrelevant. Amatola Water aims to move with technology trends and advertise to Facebook and other social media.

Visits aimed to create community awareness around healthy water and sanitation practices and reduce and prevent the high probability of water-borne diseases. A healthy environment will indirectly reduce absenteeism or disruption of learning activities at schools.



## CAREER EXHIBITIONS

Amatola Water partners with Community Action Africa (CAA) in their annual Maths and Science career exhibition which takes place at the Buffalo City College (BCC) in East London. CAA is a non-profit and non-governmental organisation (NGO) that provides learner support programmes and assists high school students to choose science and mathematics related careers. CAA also assists learners to improve their academic achievements in three major subjects such as English, mathematics and science.

Amatola Water showcased careers in water science and encouraged learners to acquire scarce skills by studying microbiology and other related subjects. Partnering with Community Action Africa has built Amatola Water's profile in these communities and more schools are now interested in visiting the institution's dams and water treatment works so that they can acquire a better understanding of the business.

### Career Expo

Amatola Water participated in the Mbhashe Local Municipality Career Exhibition held in Idutywa, Colosa. This is an event organised by the Eastern Cape Department of Education in collaboration with Mbhashe Local Municipality. The goal was to assist learners with career choice and encourage careers in the water sector.

Amatola Water made presentations on the career opportunities in the water sector, targeting aspiring water control processors. It also demonstrated how clean and safe water at the water was produced at the water treatment works.

## MINISTER OF WATER AND SANITATION VISIT

The Minister of Human Settlements, Water and Sanitation visited Amatola Water to meet with the Executive Management of Amatola Water Board and Executive Management. She also came to open the reverse osmosis plant at Albany Coast which is one of the technology interventions used to source water for the province. Ndlambe Local Municipality is one of the municipalities that are drought-stricken municipalities.

Minister Sisulu also encouraged Amatola Water to continue with technology interventions while working with the relevant authorities.



## STAKEHOLDER AND CUSTOMER SATISFACTION SURVEY

Amatola Water conducted a Stakeholder Satisfaction Survey and Customer Satisfaction Survey, using an external company during the 2019/20 financial year to increase its understanding and knowledge on the perceptions, interests and experiences of internal and external stakeholders. An external service provider was used after concern was raised that results can be manipulated if they can be conducted internally. The survey findings were delayed due to COVID-19 lockdown in the latter part of the financial year. The findings will be useful in implementing improvements in the delivery of services in 2020/21.

These surveys are of vital importance to the institution and have helped it to generate critical information required for performance management, and to create and sustain organisational change. The feedback from these surveys have been valuable and Amatola Water has developed an important and necessary response to the stakeholder and customer issues.

## **FUTURE STAKEHOLDER ENGAGEMENT PLANS**

Amatola Water is looking at making inroads to the sport fraternity by sponsoring water at Chippa United matches in the province. In time, the sponsorship will be expanded to games outside the province after an assessment of its sponsorship value has been made.

Amatola Water will continue to be the sponsor of Provincial Legislature's main events to drive home the message of water conservation and demand management. Career exhibitions, in partnership, with the Department of Education remains the priority as Amatola Water believes in teaching the children as the future of the country. The aim is to widen the network of communication and engagement to social media particularly in this time of limited interaction.



**03**

**PERFORMANCE  
INFORMATION**

# STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

The Chief Executive is responsible for the preparation of Amatola Water's performance information and for the judgements made in this information and establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In his opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the shareholder compact, annual performance plan and corporate scorecard of Amatola Water for the financial year ended 30 June 2020.

Amatola Water's performance information for the year ended 30 June 2020 has been examined by the external auditors (report on pages 110 and 111) and is set out on pages 41 to 49, as approved by the Executive Authority.



**Mr. Z Xalisa**

*Acting Chairperson of the Board*

Date: 30 June 2021



**Mr. S Qweleka**

*Chief Executive (Acting)*

Date: 30 June 2021



## INTRODUCTION

The Annual Performance Plan and Shareholder Compact documents for 2019/20 financial year including the five-year Business Plan remain the source documents for the compilation of the annual report that outlines the performance information of Amatola Water.

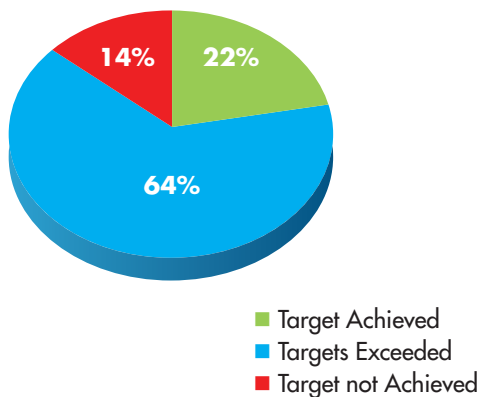
Performance monitoring and evaluation on implementation of the Amatola Water five-year Strategy and the Annual Performance Plan is done through a quarterly reporting system, where individual quarterly reports are compiled by management and shared with the internal audit to perform audit function.

The reports are then submitted to the Audit and Risk Committee and shared with the Board for approval. All four quarterly reports are then submitted to the shareholder (DHSWS). The Annual Report on performance information reflects all the performance indicators and targets as depicted in the Annual Performance Plan for 2019/20 financial year.

The Annual Performance Plan contained 56 performance targets against which Amatola Water had to perform for the year under review. The Shareholder Compact contained 36 targets as approved by the Shareholder.

## PERFORMANCE OVERVIEW

**Overall Shareholder's Compact  
Performance Objectives and Targets  
2018/19**



**Overall Shareholder's Compact  
Performance Objectives and Targets  
2019/20**

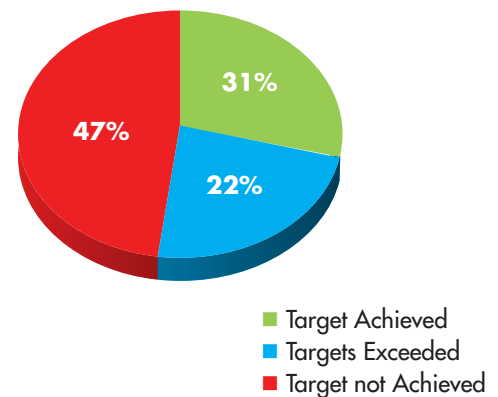


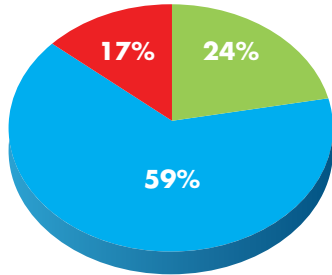
Figure 3.1: Performance overview

The overall performance of the Shareholder compact has declined to an average of 53% in 2019/20 when compared to the 86% achievement against the predetermined targets in 2018/19. In comparison with the 2018/19 achievement of 86%, 2019/20 overall Shareholder's Compact performance has declined by 33%.

The 2019/20 results reflected an actual performance outcome of 55% against the predetermined targets. In comparison with the 2018/19 achievement of 83%, the overall corporate performance showed a significant decline by 28%.

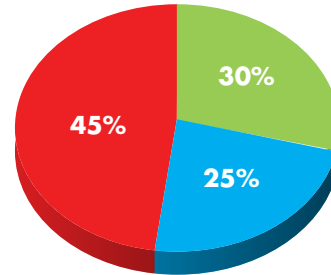
# KEY SERVICE DELIVERY INDICATORS (PRIMARY MANDATE TO DELIVER BULK WATER)

**Overall Corporate Performance  
2018/19**



■ Target Achieved  
■ Targets Exceeded  
■ Target not Achieved

**Overall Corporate Performance  
2019/20**



■ Target Achieved  
■ Targets Exceeded  
■ Target not Achieved

Figure 3.2: Overall corporate performance

- Water quality:** AW's plants water quality compliance in all its water treatment works and distribution network is in line with SANS 241:2015 Part 1 & 2. Ten plants achieved a "Good/ Excellent" water quality standard.
- Assurance of supply:** Amatola Water achieved an **98.42%** assurance of supply to customers from source due to adequate pressure at the reservoirs, set targets being reached and providing the highest reliability of supply standards to customers and consumers.
- Minimised losses:** Production and distribution water losses combined were **14%** against a target of **14%**. Crucially, this minimised the environmental, financial and social impacts of losses and unaccounted water.
- # of temporary jobs created:** The target for the number of temporary jobs created during the 2019/20 financial year was exceeded. A total of 529 jobs were created against the predetermined target of 500.

# PERFORMANCE AGAINST SHAREHOLDER COMPACT INDICATORS 2019/20

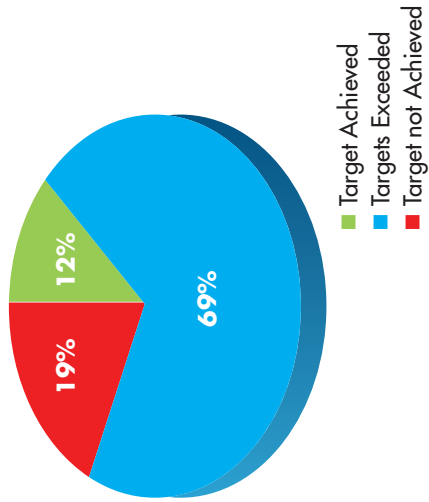
## ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS

PERFORMANCE OBJECTIVE	OUTCOME/IMPACT	INDICATORS/ CALCULATION	ACTUAL ACHIEVEMENT 2018/19	PROJECTED TARGET 2019/20	ACTUAL ACHIEVEMENT 2019/20	COMMENT ON PERFORMANCE ACHIEVEMENT
Bulk potable water quality compliance	Water quality standards met	# of AVI plants achieving "good" quality SANS 241:2015 Edition 2 in Table 4	10	7	10	Target exceeded.
Manage avoidable water losses	Reduced avoidable water losses in treatment and distribution systems	% total water losses on production and distributed	14%	14%	14%	Target achieved.
Reliability of supply	No unplanned interruptions to bulk supply exceeding 24 hours	% assurance of potable water supply	99.93%	98%	98.42%	Target exceeded.
Increased access to services	Contribution to national objectives of extending services	% assurance of raw water supply	69.92%	98%	80.04%	Target achieved.
		% of actual CAPEX budget spend on expansion related projects (initiatives by the Minister)	44%	80%	57%	Target not achieved.

INDICATOR NUMBER	INDICATOR/ MEASURE	REASON FOR VARIANCE AND RECOVERY PLAN
1.2.2	% of Actual CAPEX budget spend on expansion related projects (initiatives by the Minister)	<ul style="list-style-type: none"> <li>The target was not achieved which was a result of a delay in project progress due to the lockdown regulations which affected the supply of materials being delivered to site as well as labour workforce not being on site.</li> <li>The actual CAPEX budget spend and progress against Ministerial Directives on expansion related projects will improve when the COVID-19 pandemic is stabilised and the regulation allows for the entire workforce to be allowed back on site. Measures to mitigate the risk will be implemented in the 2020/2021 financial year.</li> </ul>
1.2.3	% Progress against Ministerial Directives implementation plan	<ul style="list-style-type: none"> <li>The contractor will be closely monitored under COVID-19 regulations. Management will fast-track the approval of contractor claims and involve NMBM to resolve the ISD challenges.</li> <li>Management will instruct the contractor to procure the mechanical and electrical equipment by Q2/3 to avoid any potential delays on projects.</li> </ul>

# FINANCIAL PERFORMANCE

## FINANCIAL PERFORMANCE 2018/19



## FINANCIAL PERFORMANCE 2019/20

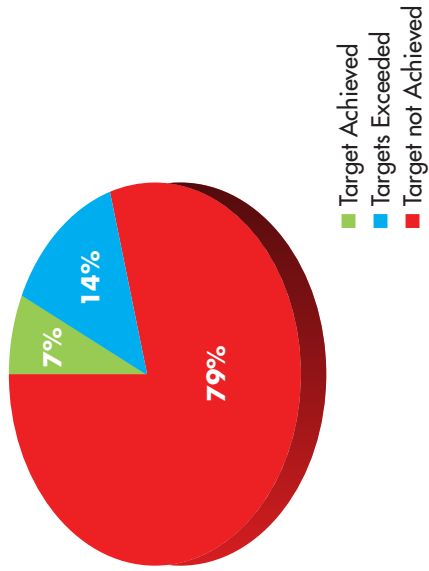


Figure 3.3: Financial performance

PERFORMANCE OBJECTIVE	OUTCOME/ IMPACT	INDICATORS/ CALCULATION	ACTUAL ACHIEVEMENT 2018/19	PROJECTED TARGET 2019/20	ACTUAL ACHIEVEMENT 2019/20	COMMENT ON PERFORMANCE ACHIEVEMENT
Financial reporting compliance	Unqualified audit report	External audit outcome	Unqualified	Unqualified	Qualified	Target not achieved.
Improve key financial ratios	Improved viability and sustainability	Current ratio	1.529	1.056	1.485	Target exceeded.
		Gross profit margin % (primary activity)	30.75%	27.50%	24.91%	Target not achieved.
		Gross profit margin (secondary activity)	65.37%	48.95%	26.63%	Target not achieved.
		Net profit margin (primary activity)	11.49%	2.35%	0.98%	Target not achieved.
		Net profit margin (secondary activity)	54.88%	5.10%	-41.39%	Target not achieved.
		Debt equity	0%	0	0	Target achieved.
Improve key financial ratios	Improved viability and sustainability	Return on Assets	17.69%	-7.42%	-10.94%	Target not achieved.
		Debtors days	63.75 days	60.00 days	87.02 days	Target not achieved.
		Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	4.29%	5.00%	3.09%	Target not achieved.
		Staff remuneration as % of total operating expenditure	40.40%	39.7%	40.43%	Target not achieved.
Increase BBBEE expenditure in relation to operational projects	Spend increased and increased new entrants awarded contracts in the financial year	% BBBEE spend	115%	100%	108%	Target exceeded.
Manage costs within the approved budget	Actual expenditure compared with budgeted expenditure for the quarter	% Variance on operating expenditure	8.37%	5%	-1.56%	Target not achieved.
Capital expenditure programme	Infrastructure available to meet demands	R-value overall project expenditure	R550.20m	R668m	R402m	Target not achieved.
		Overall project completion dates within targets	53%	80%	46%	Target not achieved.
Engagement in secondary activities	Growth in turnover from secondary (other activities)	% secondary revenue of total turnover	33.47%	19.35%	12.87%	Target not achieved.

**REASON FOR VARIANCE AND RECOVERY PLAN**

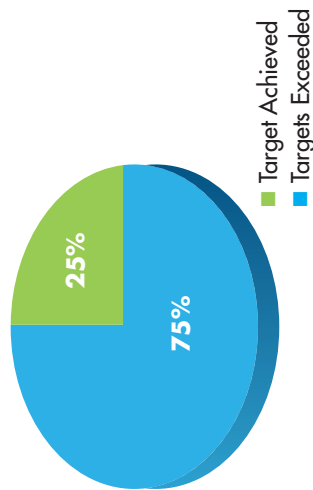
**INDICATOR NUMBER**

**INDICATOR/ MEASURE**

3.1.4	Gross profit margin % (primary activity)	<ul style="list-style-type: none"> <li>The target was not achieved. Primary business gross profit margin was lower than target largely due to Amatola Water raw water purchases being higher than budget by R3,434m and water research levies were higher than the budget by R183K.</li> <li>The volumes purchased by scheme versus budgeted volumes will also be monitored on a monthly basis starting from Q1.</li> <li>The Water Resource section will also investigate and review actual vs budgeted volumes purchased as per the approved budget for 2020/21 financial year.</li> </ul>
3.1.5	Gross profit margin (secondary activity)	<ul style="list-style-type: none"> <li>The target was not achieved. Secondary business revenue did not achieve budget by 31.8% due to delays on KSD PI project, Coffee Bay, James Kleyhans and Ndlambe projects as well as delays in procurement and manpower shortages due to COVID-19.</li> <li>Weekly meetings are held with consulting engineers to fast-track implementation which commenced in Q1 of the 2020/21 financial year. The Planning and Development Department has developed a catch-up plan on all implementing projects after the roll-over budget has been approved.</li> </ul>
3.1.6	Net profit margin (primary activity)	<ul style="list-style-type: none"> <li>The target was not achieved. The debt impairment of R49,234m was R10,8m above budget which eroded the surplus achieved by Q4 FY2020.</li> <li>The Planning and Development Department is in the process of developing a catch-up plan on all implementing projects which were completed by November 2020 after the approval of the rollover budget.</li> </ul>
3.1.7	Net profit margin (secondary activity)	<ul style="list-style-type: none"> <li>The target was not achieved. The under-achievement in Q4 FY2019/2020 is due to the net deficit achieved before financing income of R65,495m versus a planned deficit before financing income of R44,884m.</li> <li>AW to continue with legal action against ADM for the outstanding debt in 2020/2021 financial year.</li> </ul>
3.1.8	Net profit margin (All)	<ul style="list-style-type: none"> <li>The target was not achieved. The trade receivables balance is much higher than planned in relation to revenue achieved for Q4 FY2019/2020.</li> <li>AW has taken legal action against defaulting debtors for the outstanding debt in the 2020/21 financial year.</li> </ul>
3.1.10	Return on Assets	<ul style="list-style-type: none"> <li>The target not achieved. Repairs and maintenance was underspent against budget by 4% mainly due to underspending on pipelines and reservoirs by R488K and underspending on meters by R649K. Preventative maintenance plan is on track.</li> <li>SCM is in the process of finalising the appointments of term contractors.</li> <li>Primary business plant upgrades are being fast-tracked.</li> </ul>
3.1.11	Debtor's days	<ul style="list-style-type: none"> <li>The target was not achieved. The indirect salaries were underspent by 10% due to leave pay accrual.</li> <li>A larger proportion of total expenditure in Q4 due to mainly ADM's non-payment of historic outstanding debt and intermittent payment of current water sales.</li> <li>During Q2 Line Management and MANCO to review the approved budget for 2020/21.</li> <li>Leave accruals will be addressed via the implementation of leave forfeiture as per the leave policy.</li> </ul>
6.1.2	Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	<ul style="list-style-type: none"> <li>The target was not achieved. The under-achievement for 2019/20 financial year is mainly attributable to the debt impairment provided of R49,234m.</li> <li>AW is taking legal action against defaulting debtors for the outstanding debt in the 2020/21 financial year. Bilateral engagements have been conducted between ADM and AW to monitor the progress of the recovery of outstanding debts.</li> </ul>
7.1.14	Staff remuneration as % of total operating expenditure	<ul style="list-style-type: none"> <li>The target was not achieved. Secondary business revenue did not achieve budget by 31.8% due to delays on KSD PI project, Coffee Bay, James Kleyhans and Ndlambe projects as well as delays in procurement and manpower shortages due to COVID-19.</li> <li>Weekly meetings are held with consulting engineers to fast-track the implementation which commenced in Q1 of the 2020/21 financial year.</li> <li>The Planning and Development Department developed a catch-up plan for all implementing projects aligned with the approved rollover budget.</li> </ul>
3.1.12	% Variance on operating expenditure	<ul style="list-style-type: none"> <li>The target was not achieved. The under-achievement for 2019/20 financial year is mainly attributable to the debt impairment provided of R49,234m.</li> <li>AW is taking legal action against defaulting debtors for the outstanding debt in the 2020/21 financial year. Bilateral engagements have been conducted between ADM and AW to monitor the progress of the recovery of outstanding debts.</li> </ul>
3.1.13	% secondary revenue of total turnover	<ul style="list-style-type: none"> <li>The target was not achieved. Secondary business revenue did not achieve budget by 31.8% due to delays on KSD PI project, Coffee Bay, James Kleyhans and Ndlambe projects as well as delays in procurement and manpower shortages due to COVID-19.</li> <li>Weekly meetings are held with consulting engineers to fast-track the implementation which commenced in Q1 of the 2020/21 financial year.</li> <li>The Planning and Development Department developed a catch-up plan for all implementing projects aligned with the approved rollover budget.</li> </ul>
7.1.8	R-value overall project expenditure	<ul style="list-style-type: none"> <li>The target was not achieved. Secondary business revenue did not achieve budget by 31.8% due to delays on KSD PI project, Coffee Bay, James Kleyhans and Ndlambe projects as well as delays in procurement and manpower shortages due to COVID-19.</li> <li>Weekly meetings are held with consulting engineers to fast-track the implementation which commenced in Q1 of the 2020/21 financial year.</li> <li>The Planning and Development Department developed a catch-up plan for all implementing projects aligned with the approved rollover budget.</li> </ul>
7.1.9	Overall project completion dates within targets	<ul style="list-style-type: none"> <li>The target was not achieved. Secondary business revenue did not achieve budget by 31.8% due to delays on KSD PI project, Coffee Bay, James Kleyhans and Ndlambe projects as well as delays in procurement and manpower shortages due to COVID-19.</li> <li>Weekly meetings are held with consulting engineers to fast-track the implementation which commenced in Q1 of the 2020/21 financial year.</li> <li>The Planning and Development Department developed a catch-up plan for all implementing projects aligned with the approved rollover budget.</li> </ul>

## CUSTOMER/STAKEHOLDER INTERACTION

Customer/Stakeholder Interaction  
2018/19



Customer/Stakeholder Interaction  
2019/20

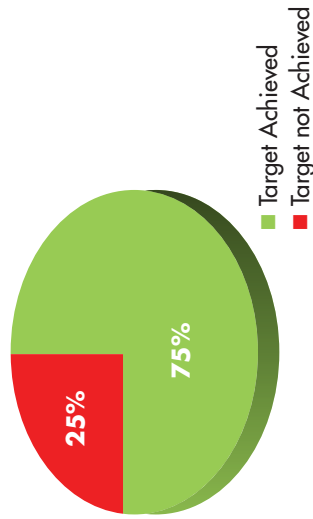


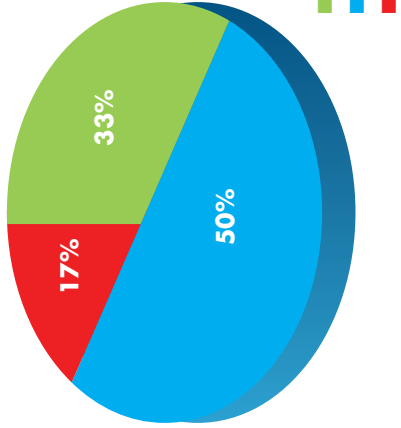
Figure 3.4: Customer/stakeholder interaction

PERFORMANCE OBJECTIVE	OUTCOME/ IMPACT	INDICATORS/ CALCULATION	ACTUAL ACHIEVEMENT 2018/19	PROJECTED TARGET 2019/20	ACTUAL ACHIEVEMENT 2019/20	COMMENT ON PERFORMANCE ACHIEVEMENT
Bulk supply agreements concluded with municipalities/other customers	Statutory and service level agreements in place	# of municipalities/other customers with bulk supply agreements	5	4	4	Target achieved.
Implementation of ministerial directives	New ministerial directives issued are implemented on time	% progress against ministerial directives implementation plan	54%	60%	31%	Target not achieved.
Support rural development	Total number of identified rural municipalities supported	# of signed contracts and MOUs	5	4	4	Target achieved.
Achieve statutory reporting compliance	All statutory reports submitted on time	% submission dates met	100%	100%	100%	Target achieved.

INDICATOR NUMBER	INDICATOR/ MEASURE	REASON FOR VARIANCE AND RECOVERY PLAN
1.2.3	% Progress against Ministerial Directives implementation plan	<ul style="list-style-type: none"> <li>Target not achieved. This resulted from a delay in project progress due to the lockdown regulations which effected the supply of materials being delivered to site as well as labour workforce not being on site (Nooitgedacht: 27%, Drought Implementation Project: 35%).</li> <li>The fast-tracking of progress against Ministerial Directives will improve when the COVID-19 pandemic regulations allow for the entire workforce to be allowed back on site.</li> <li>Measures to mitigate and reduce the risk will be reviewed in 2020-2021 financial year.</li> <li>The contractor will be closely monitored under the COVID-19 regulations.</li> <li>Management will fast track the approval of claims of the contractors and involve NMBM to resolve the ISD challenges.</li> <li>Management will instruct the contractor to procure the mechanical and electrical equipment by G2/3 to avoid any potential delays on projects.</li> </ul>

# ORGANISATIONAL CAPACITY

Organisational Capacity 2018/19



Organisational Capacity 2019/20

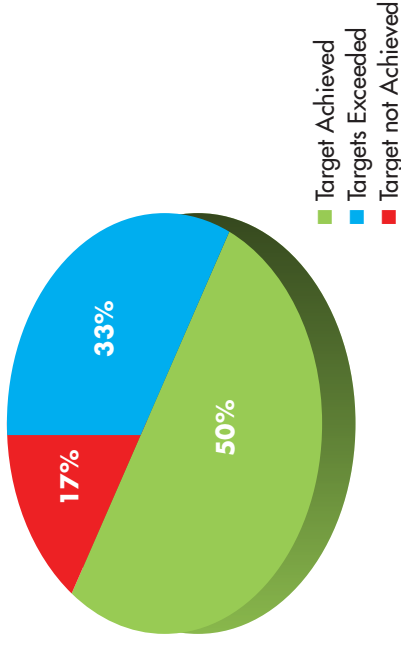


Figure 3.5: Organisational capacity

PERFORMANCE OBJECTIVE	OUTCOME/ IMPACT	INDICATORS/ CALCULATION	ACTUAL ACHIEVEMENT 2018/19	PROJECTED TARGET 2019/20	ACTUAL ACHIEVEMENT 2019/20	COMMENT ON PERFORMANCE ACHIEVEMENT
Staff Levels	Optimal staff retention	% Staff turnover	0.84%	1%	0.64%	Target achieved.
Training and skills development	Skills and capacity building	# of learnerships	2	2	3	Target exceeded.
		# of bursaries employees	32	15	15	Target achieved.
		# of graduate programmes	7	3	7	Target achieved.
Jobs created	Permanent and contract (direct)	# of permanent jobs created	353	357	344	Target not achieved.
		# of temporary jobs created	568	500	529	Target exceeded.

**INDICATOR NUMBER**      **INDICATOR/ MEASURE**      **REASON FOR VARIANCE AND RECOVERY PLAN**

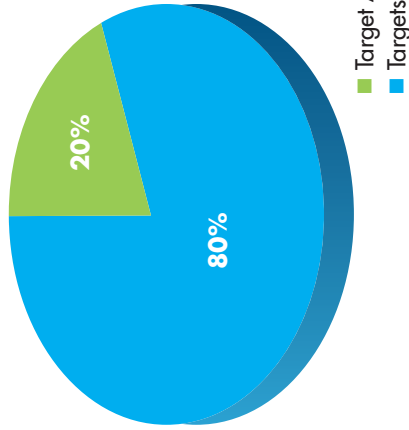
7.1.12      # of permanent jobs created

- Target was not achieved.
- Eleven appointments were made during Quarter 4.
- The targets and the approved budget for the 2020-2021 financial year were revised in Q2 taking into consideration a decline in secondary business and COVID-19 pandemic.



# GENERAL PERFORMANCE

General Performance 2018/19



General Performance 2019/20

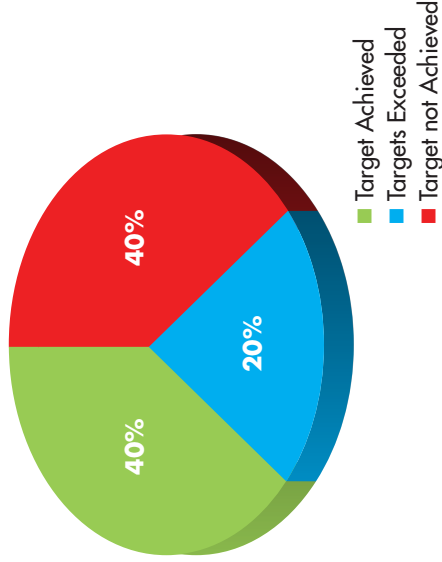


Figure 3.6: General performance

PERFORMANCE OBJECTIVE	OUTCOME/ IMPACT	INDICATORS/ CALCULATION	ACTUAL ACHIEVEMENT 2018/19	PROJECTED TARGET 2019/20	ACTUAL ACHIEVEMENT 2019/20	COMMENT ON PERFORMANCE ACHIEVEMENT
Board effectiveness	Improved performance of fiduciary duties/governance	% board member attendance of all board/committee meetings	81.25%	80%	95%	Target exceeded.
Effective internal controls and risk management	Internal audit findings dealt with	# of repeats internal audit findings	2	8	2	Target achieved.
		# of unresolved internal audit findings	3	20	10	Target not achieved.
Good governance	Improved controls and risk mitigation	# of Breaches of materiality and significance framework	0	0	0	Target achieved.
Corporate social responsibility initiatives	Good corporate citizenship	# of community/school initiatives undertaken	12	12	0	Target not achieved.

INDICATOR NUMBER	INDICATOR/ MEASURE	REASON FOR VARIANCE AND RECOVERY PLAN
1.1.4	# of community/school initiatives undertaken	<ul style="list-style-type: none"> <li>Target not achieved: Schools were closed and no community gatherings were allowed due to COVID-19 pandemic in Q4.</li> <li>Community/school initiatives will resume once the schools open and based on the requests received from schools and communities which will also have to abide to the COVID-19 rules and regulations.</li> </ul>
7.1.18	# of unresolved internal audit findings	<ul style="list-style-type: none"> <li>The target was not achieved. In the absence of the Internal Audit Manager, no internal audits were conducted during Q1 and 2. PWC conducted internal audits during Q3 and Q4.</li> <li>The replacement of an Internal Auditor was finalised, and the incumbent commenced duty on the 1 September 2020.</li> <li>Internal audit plans were compiled and closely monitored on a monthly basis from October 2020.</li> </ul>





**04**

**LEADERSHIP & EMPLOYEE  
DEVELOPMENT**

## INTRODUCTION

Leadership and employee development are optimised at Amatola Water through continuous learning and improvement, recruitment and retention of competent and skilled employees who are motivated, adaptable and adhere to safe working practices, institutional knowledge maintenance and sharing. The organisation provides opportunities for professional development and leadership through its integrated senior leadership team.

Leadership and employee development are one of the 10 outcomes for sustainable value creation (page 29).

It focuses on labour and employment matters such as:

- **Human capital and workforce matters:** Recruitment and selection, occupational health, performance and accountability monitoring and corrective action, wellness programmes and training and development
- **Socio-economic development:** This focus areas is informed by the goals and purpose of the Employment Equity Act, 1998 (Act No 55 of 1998) and Skills Development Act, 1998 (Act No 97 of 1998).

## LABOUR PRACTICES AND DECENT WORK

Amatola Water embraces the principle that its organisational goals and human resources (HR) needs are mutual, compatible and strongly interdependent. The entity's HR policies, therefore, seek to ensure a competent, motivated and engaged workforce for strategy implementation. The HR Department is mid-way through a comprehensive policy review and development process which will be finalised in the next financial year.

## EMPLOYMENT

Amatola Water seeks to maintain a workforce that enables it to deliver quality services to all stakeholders. The entity's 2019/20 workforce profile includes 344 permanent employees and 34 fixed-term contract employees (target 357) in various functions:

SALARY BAND/ OCCUPATION LEVELS	APPOINTMENTS	TERMINATIONS	EMPLOYEES AT THE END PERIOD
Top Management/Executives	0	2	2
Senior management	0	1	11
Professionals and mid-management	1	2	15
Skilled technical workers and junior management	4	7	107
Semi-skilled	1	7	121
Unskilled	2	2	55
<b>Total</b>	<b>8</b>	<b>21</b>	<b>311</b>


Table 4.1: Staff movement and profile as at 30 June 2020

Vacancies are monitored against the organisation's approved interim structure which was reviewed to be more reflective of its current needs and budget. A full organogram review, underpinned by a productivity analysis, is scheduled for 2020/21. Management continues to critically evaluate the necessity of vacancies to be filled on a permanent and fixed-term basis, given the financial situation and pending organogram review of the organisation. This has resulted in a performance slightly below target.

APPROVED POSTS 2018/19 (PER DIVISION)	DIVISION (PER INTERIM STRUCTURE)	EMPLOYMENT AT END OF PERIOD	VACANCIES	% VACANCIES
CE Office	11	14	2	0.62
Corporate Services	34	28	3	0.93
Planning and Development	38	26	9	2.7
Finance	33	29	2	0.62
Operations	229	214	7	2.17
<b>Total</b>	<b>345</b>	<b>311</b>	<b>23</b>	<b>7.04</b>

Table 4.2: Staff vacancies as at 30 June 2020

The organisation adheres to the principles embodied in the Employment Equity Act. A representative Employment Equity Committee is in place and plays an active role in recruitment and which is considerate of the regional population demographics benchmark as well as fairness in the workplace. Special focus has been placed on women and disabled person appointments in accordance with the organisation's Employment Equity Plan and turnover from the previous year.

	LEVEL	AFRICAN	COLOURED	INDIAN	WHITE
	% target	39.8	5.5	0.1	2.4
	% current	24.38	3.1	0.3	2.7
	Top management	1	0	0	0
	Senior management	1	0	0	1
	Professional qualification	5	1	1	3
	Skilled	26	6	0	0
	Semi-skilled	39	3	0	2
	Unskilled	11	0	0	0
	<b>TOTAL</b>	<b>83</b>	<b>10</b>	<b>1</b>	<b>6</b>


	LEVEL	AFRICAN	COLOURED	INDIAN	WHITE
	% target	43.2	5.9	0.1	3.0
	% current	60	4.3	0.62	4.9
	Top management	0	0	0	0
	Senior management	1	0	0	0
	Professional qualification	9	0	2	4
	Skilled	44	8	1	10
	Semi-skilled	92	6	0	1
	Unskilled	44	0	0	0
	<b>TOTAL</b>	<b>190</b>	<b>14</b>	<b>3</b>	<b>15</b>

Table 4.3: Employment equity statistics at 30 June 2020


	LEVEL	DISABLED
	% target	2
	% current	1.9
	Top management	0
	Senior management	0
	Professional qualification	0
	Skilled	2
	Semi-skilled	3
	Unskilled	1
	<b>TOTAL</b>	<b>6</b>

Table 4.4: Staff employment equity statistics at 30 June 2020

CATEGORY	NUMBER	% OF TOTAL TERMINATIONS
Death	3	0.97
Resignation	6	1.93
Dismissal	1	0.32
Retirement	10	3.21
Ill health	0	0
Other	1	0.32
<b>Total</b>	<b>21</b>	<b>6.75%</b>

Table 4.5: Staff terminations for the period ending 30 June 2020

During the period under review, 21 employees left Amatola Water for reasons other than dismissal. Labour turnover increased from 5.58% in 2018/19 to 6.75% in 2019/20. This was within the target range of 1% per annum.

DIVISION	TOTAL EXPENDITURE (R)	PERSONNEL EXPENDITURE (R)	PERSONNEL EXPENDITURE AS A % OF TOTAL	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R)
CE Office	33 091 351	17 975 513	54%	16	1 123 470
Corporate Services	38 481 633	14 078 027	37%	25	563 121
Planning & Development	10 642 939	9 116 317	37%	30	303 877
Finance	29 981 854	13 311 019	44%	36	369 751
Operations	297 170 864	114 045 759	38%	232	491 577
<b>Total</b>	<b>409 368 641</b>	<b>168 526 636</b>	<b>41%</b>	<b>339</b>	<b>497 129</b>

Table 4.6: Personnel expenditure by division

## EMPLOYEE RELATIONS

Sound relations with organised labour, as a key social partner, is of paramount importance to the success of Amatola Water who has a collective agreement with the South African Municipal Workers Union (SAMWU). Membership of this union by Amatola Water stood at 261 members (72.98%) as at 30 June 2019.

Governed through a collective agreement and various forms of legislation, Amatola Water remains committed to sharing information regarding operational changes that may affect employees, directly or indirectly, with organised labour.

Management and organised labour, through a local labour forum, schedule six meetings per annum as per the collective agreement.

Continuous engagement is deemed critical to the development and sustainability of the institution, which, in turn, provides opportunities for all employees.

All planned engagements were met during the year and a continued focus was placed on building workplace relations, as well as the resolution of the majority of long-outstanding grievances. The deadline for the resolution of collective grievances was June 2019.

The determination by the CCMA was finalised, in relation to the minimum services agreement required for essential service organisations in the event of industrial action.

Currently, SAMWU has a full-time Shop Steward and eight shop stewards. A major focus for the year has been on their capacitation given that some stewards were new.

The wage agreement for 2019/20 was concluded with the awarding of a 6.5% inflationary increment. Currently, several cases are under investigation as a result of misconduct related issues due to management's focus on consequent management, which is guided by an updated Disciplinary Policy and Code.

NATURE OF DISCIPLINARY ACTION	NUMBER
Final written warning	0
Suspension	3
Dismissal	2
<b>Total</b>	<b>5</b>

Table 4.7: Number of disciplinary actions

There were two disciplinary cases that were senior and complex. Those two cases were handled by external resources during the performance year. There was also one case that was handled internally. The total number of disciplinary actions for the financial year under review was three.

## EMPLOYEE WELLNESS

One of the key pillars to the organisation's growth strategy is the investment into Amatola Water's human capital. Ensuring a healthy workforce remains a recipe for a productive workforce as well as ensuring longevity. During the period under review, Amatola Water brought the institutionalising of the Occupational Health capacity by re-institutionalising the Occupational Health Nurse to ensure occupational health compliance is in line with the Occupational Health and Safety Act (Act No 85 of 1993) as well as focused management of employees' ongoing chronic health conditions. In turn, this plays a huge role in ensuring that employees spend more time at work than being sick.

In collaboration with various health experts, employee wellness awareness and education sessions were held during December to improve awareness about the importance of continuous health screenings and the proactive management of existing health conditions. During the session, specific focus was given to various chronic conditions, early detection of incurable but manageable health conditions as well as leading a healthy life post diagnosis with lifelong ailments.

As elsewhere in South Africa, Amatola Water faced the corona virus in March 2020. The organisation had to adapt to its unprecedented and catastrophic circumstances. All efforts were quickly put in place to comply with the Disaster Management Act, as well as the COVID-19 health protocol as pronounced by the Minister of Health from time to time. A collaborative effort of senior managers, specialists in the occupational health field as well as South African Municipal Workers Union representation, Amatola Water worked very hard on a COVID-19 response and prevention plan which restricted infections to 38 employees and a 100% recovery rate.

NATURE OF REFERRALS	NUMBER
Psycho-social	6

Table 4.8: Nature of referrals

## TRAINING AND DEVELOPMENT: LEGISLATIVE AND FUNCTIONAL TRAINING

Skills development is an essential enabler for employees to excel in their individual and team roles, and functions and deliver on the organisation’s strategy.

Amatola Water submitted an annual Workplace Skills Plan to the Energy, Water and Sanitation Sector Education and Training Authority (EWSETA). The plan sets out the skills requirements of the organisation. Relevant training reports were submitted to EWSETA and full opportunity has been taken of the available grants.

Employee contributions to this plan were gathered during the Performance Management Development Process. These needs are aligned to the organisational capacity and capability requirements as identified in the business planning process.

Due to a limited budget, training focused on compliance-related training and development critical to the organisational Turnaround Plan.

PERSONNEL EXPENDITURE (R)	TRAINING EXPENDITURE (R)	TRAINING EXPENDITURE AS A % OF PERSONNEL COSTS	NO EMPLOYEES TRAINED	TRAINING COST PER EMPLOYEE (R)
200,483,732	1,615,696	1%	211	7,657

Table 4.9: Training expenditure for 2019/20

DESCRIPTION	MALE				FEMALE				TOTAL
	AFRICAN	COLOURED	INDIAN	WHITE	AFRICAN	COLOURED	INDIAN	WHITE	
Top management	0	0	0	0	2	0	0	1	3
Senior management	6	0	0	1	1	0	0	0	8
Professionals and mid-management	5	0	1	3	3	0	0	2	14
Skilled technical workers and junior management	41	7	0	5	25	3	0	0	81
Semi-skilled	53	1	0	0	14	1	0	0	69
Unskilled	32	0	0	0	3	0	0	0	35
<b>TOTAL</b>	<b>137</b>	<b>8</b>	<b>1</b>	<b>9</b>	<b>48</b>	<b>4</b>	<b>0</b>	<b>3</b>	<b>210</b>

Table 4.10: Training equity profile (Number of people who attended training per race and gender and occupational level)



## FINANCIAL STUDY ASSISTANCE

In line with Amatola Water's objectives to attract and retain employees and enhance productivity levels, Amatola Water provided financial assistance for tertiary education to 15 employees during the reporting period.

In support of the entity's Employment Equity Plan to improve female representation at all levels, 12 of the recipients were female.



**TOTAL  
EXPENDITURE**



**EMPLOYEES**



**AVERAGE COST  
PER EMPLOYEE**

## PERFORMANCE AND REMUNERATION

Amatola Water's performance management system is designed to ensure that all employees have the knowledge and awareness of their roles and performance requirements in relation to the corporate strategy.

A structured performance management system is the vehicle for the implementation of Amatola Water's strategic objectives.

It is critical that Amatola Water's Management continues to utilise the performance management system effectively as it provides a mechanism to improve performance through counselling and discipline. It also provides a justification for decisions related to performance-linked adjustments (such as remuneration and promotion) which are critical for improved organisational performance.

Ongoing management oversight and employee support remains vital to ensure continued efficiency and effectiveness of the individual performance management system. The target for 100% compliance of employee reviews quarterly remains a challenge as delays are experienced for adhering to the cycle times. Automation of the performance management system was placed on hold, due to financial and ICT resource constraints.

## ORGANISATIONAL CULTURE

Culture is an enabler of strategy and Amatola Water continues to strive to enhance organisational culture to create an enabling environment for successful strategy implementation and improved service delivery.

Leadership development remains a key focus for planning leadership assessments that are approved for 2020/21 through 360-degree online feedback. This feedback enhances leadership capabilities.

The Corporate Services Division initiated an internal customer satisfaction survey to identify areas for improvement within the Human Resources, Information, Communication and Technology, Record Management, Fleet and Facilities Departments. Visibility, internal policy communication and timeous feedback will be a focus in 2020/21.

## INFORMATION TECHNOLOGY

Information and Communication Technology (ICT) is a business enabler that the corporate strategy supports by ensuring the availability of ICT services and resources as well as the implementation of enhanced services based on evolving technology.

The focus for 2019/20 was ICT governance, the management of risks and key ICT projects required to support business operations.

## ICT GOVERNANCE

As part of the implementation of new systems and services, and the enhancement of the current framework, the ICT Department is required to adhere to prescribed governance procedures to ensure sound corporate governance.

One of the fundamental aspects of Amatola Water's ICT corporate governance principles is the oversight of all ICT investments, governance, risk management and key projects by the Information Management Steering Committee (ITSCM), and Audit and Risk Committee (ARC). These two committees are responsible for overseeing and obtaining independent assurance on the ICT environment as delegated by the Board.

Key governance drivers this year were the adoption and implementation of new and revised ICT Policies, together with a number of ICT procedures, aimed at fostering organisational awareness and improving controls.

## KEY PROJECTS

### The focus for 2019/20 has been on:

- The enhancement of the current ICT security measures by performing a vulnerability assessment and penetration test on the network with the aim of improving the environment while ensuring that organisation information is secure and protected from probable IT security threats.
- The encryption of end-user machines to secure organisational information
- Improved data protection by installing an automated computer backup client on all laptops
- The rollout of Microsoft Office 365 to the organisation which enables employees to collaborate, conduct online meetings, email capabilities and access of information anywhere.
- Initiating the replacement of the analogue telephone system with a unified communication system which will enable the organisation to make free inter-branch calls with the aim of reducing overhead costs.
- Implementing a video conferencing solution that allows users in different locations to virtual meetings.
- The finalisation of the EPM system which included piloting, verifying and reconciling of data. EPM will remain a key project for the organisation as a means of enhancing and aligning financial reports according to financial standards.
- The approval and implementation of an eLeave initiative project that aims to replace manual processes with environmentally-friendly electronic interventions; eLeave will allow employees to capture leave electronically.
- The development of a risk management system, which aims to improve organisational reporting capabilities while reducing manual processes.

### The improvement of business continuity by means of:

- The replacement of earmarked ICT infrastructure including radio frequency (RF) links
- Implementation of a centralised Storage Area Network solution
- Maintenance of an average of 98.3% availability for infrastructure and systems while meeting the annual target of 98.3%
- The installation of UPS infrastructure at the primary RF link site
- An annual review of the Disaster Recovery Plan (DRP).
- Implementation of a data replication solution between HO and the data recovery site.

### ICT audit compliance

- An internal audit review was conducted in May 2019 and all findings have been addressed.

### Corporate governance of ICT

- An ICT framework that included an approved ICT Governance Policy, ICT Governance Charter and ICT Governance Framework was implemented
- The ICT Strategy was approved.

## **FUTURE PLANS**

**The planned projects for the ICT Department for the 2020/21 financial year that are aligned with the organisational strategy are:**

- Continuous implementation and improvement of the corporate governance of ICT
- A review of the DRP that is in line with best practice and industry standards
- Implementation of the ICT projects
- Development and implementation of an in-house Performance Management System
- Ongoing enhancement and maintenance of all current systems including the enhancement of the organisational communication tools
- Ongoing ICT security and infrastructure enhancements
- Provision of ICT security awareness training to the organisation with the aim of enhancing Amatola Water and employee cyber defences
- Implementation of a unified communication system for the rest of the organisation
- The completion of the eleave system implementation
- The automation of manual business processes.





**05**

**ENVIRONMENTAL  
SUSTAINABILITY**

# ENVIRONMENTAL SUSTAINABILITY

Amatola Water’s Environmental Sustainability Strategy provides the framework for environmental sustainability and governance. It is underpinned by the recognition that Amatola Water has a role to play in effecting the National Development Plan, particularly in the Eastern Cape. The Strategy identifies key interventions related to Amatola Water’s environmental footprint and integrated environmental management within the context of climate change uncertainty, application of relevant technologies and the service delivery imperative.

The development of the Environmental Management System (ISO14001) and environmental reporting continued in the year under review. Currently, Environmental Management System only considers the Nahoon Water Treatment Works operational area for environmental risk identification as the process is tested and refined before rolling it out to other operational areas. However, the identification of environmental risks in sludge management was extended to include other operational areas so that there is a greater variety of scenarios to identify suitable mitigation measures. As part of the development of the environmental management system, reports are being developed and streamlined to improve functionality: for monitoring (compliance) and identification of trends that require interventions in order to provide other appropriate management interventions to reduce environmental footprint (e.g. drought management interventions). These reports are being developed and improved upon in an iterative process to improve the understanding of the environmental impacts and risks, and to better inform water resources management (as part of water conservation and demand management) and to identify areas for intervention.

The next phase of the environmental awareness campaign is being developed to inform the roll-out of the Environmental Management System and to increase environmental awareness amongst employees on how to decrease Amatola Water’s collective environmental footprint at work and at home: Reducing the organisational and individual environmental footprint in water and energy consumption, and waste production is key to ensuring environmental sustainability and resilience. A concept proposal has been developed for a tree garden: A suitable area including suitable tree species for planting have been identified. This proposed area will provide a green corridor to enhance biodiversity and contribute towards carbon mitigation.

A pilot project, jointly funded by the Water Research Commission and Amatola Water, was initiated to investigate the feasibility of extracting water from sand to increase raw water supply to the Albany Coast Reverse Osmosis Plant: Potable water production at this plant is severely constrained by availability of raw water. Currently, Amatola Water is assessing the system installed at the ACRO plant to determine whether the extraction method is viable as an alternative to providing raw water from the sand in the open estuary versus a costly marine intake pipeline for the plant. The environmental impact of the system is potentially lower than a marine intake pipeline, with reduced raw water turbidity (beneficial to the plant operations) and no visible surface structures.

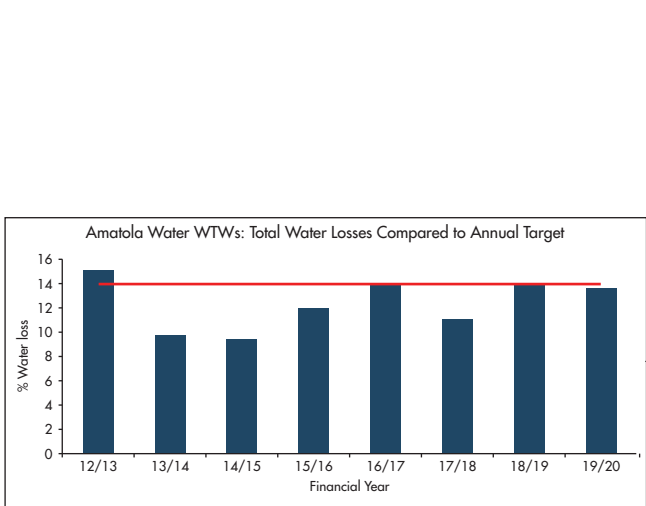


Figure 5.1: Total water losses compared to annual target

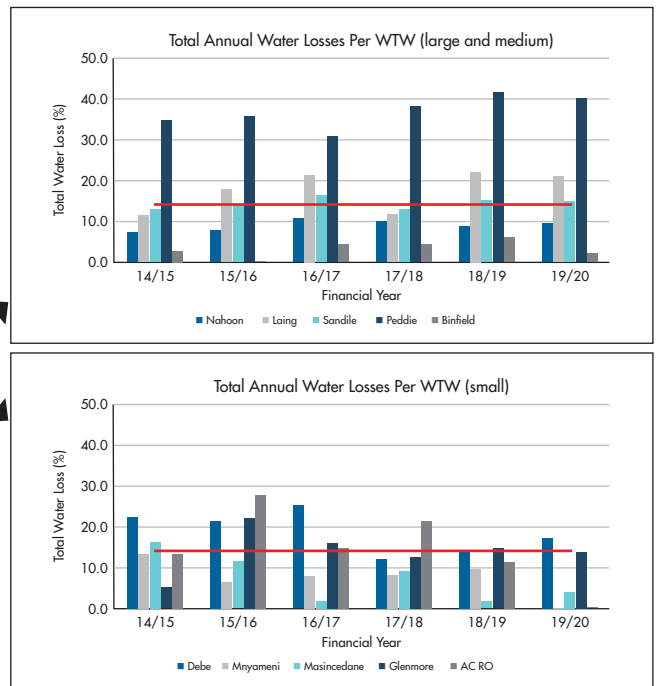


Figure 5.2: Total annual water losses per WTW



The total water losses for Amatola Water show that it meets the organisational KPI. However, disaggregating this information indicates that some water supply schemes do not meet the corporate target and provides useful information for further investigations and mitigation. Long-term monitoring provides additional useful information, potentially providing insight for infrastructure maintenance interventions.

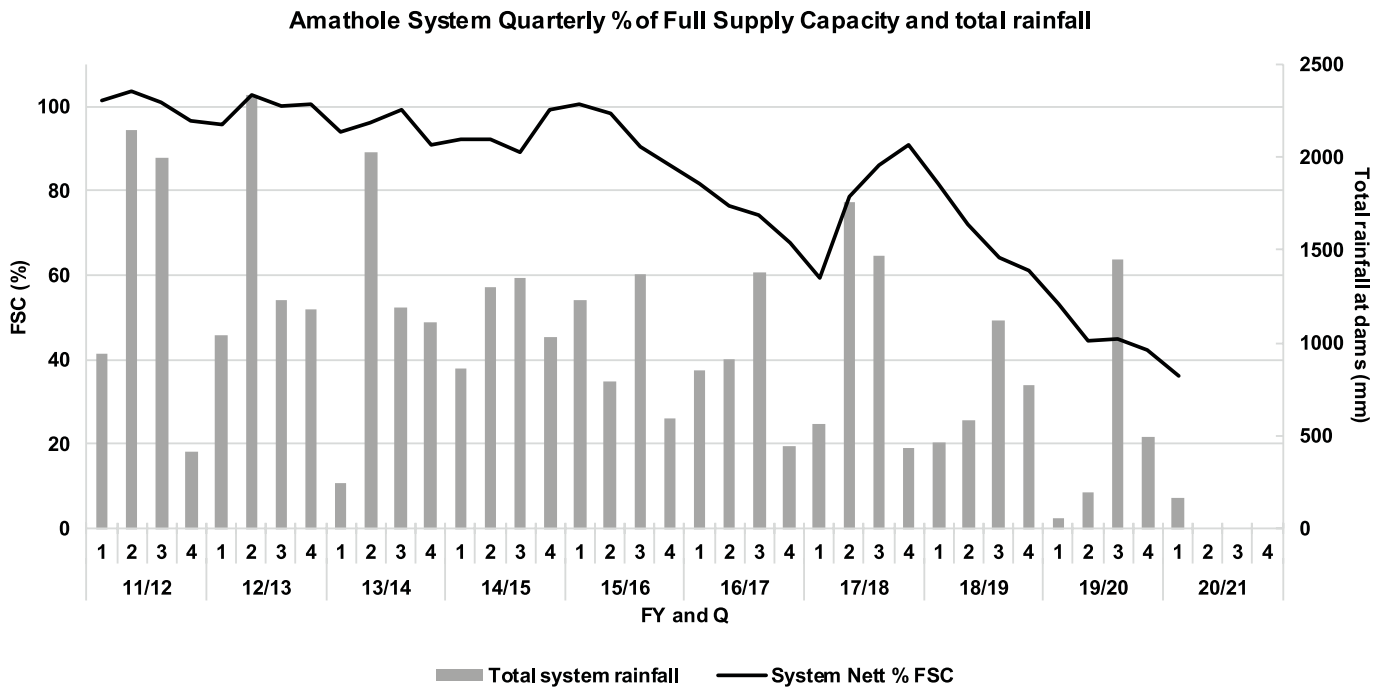


Figure 5.3: Full supply capacity of dams within the Amathole Water Supply System

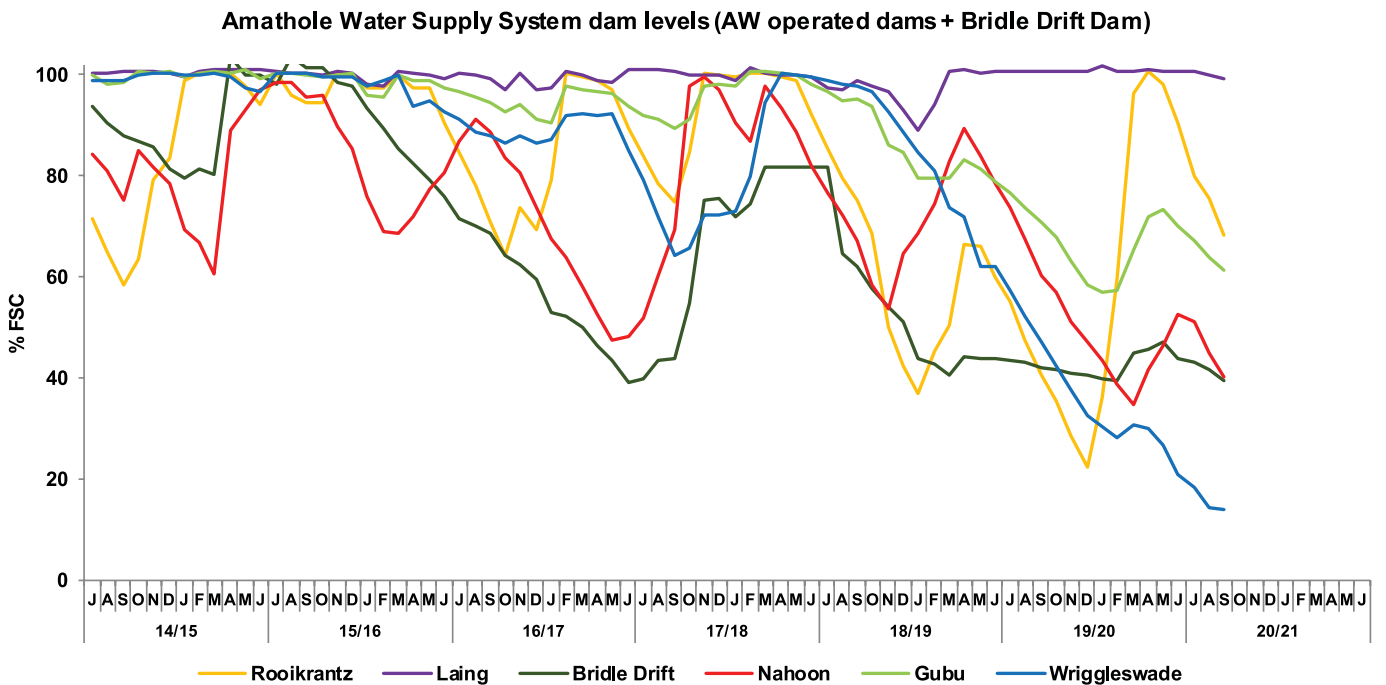


Figure 5.4: Amathole Water Supply System dam levels

Ongoing monitoring of Amatola Water’s supply dams and rainfall allows for improved water resource management through timely and appropriate interventions.

The table identifies functional areas and activities in the Environmental Management System (EMS) for the Nahoon operational area.

<b>NAHOON OPERATIONAL AREA: EMS ARCHITECTURE: FUNCTIONAL AREAS</b>	
<b>FUNCTIONAL AREA</b>	<b>DESCRIPTION</b>
1. Downstream Nahoon River Catchment and Community	Farms and human settlements along the Nahoon River, as well as Nahoon River riparian habitat and instream ecosystems, may be exposed to risks of Amatola Water activities. Communities and ecosystem along the bulk reticulation lines and in the vicinity of the bulk reservoirs may be impacted by Amatola Water activities (included in 5).
<b>CORE OPERATIONS</b>	
2. Abstraction	Amatola Water assumes responsibility for abstraction from the Nahoon Dam off-take tower to the Nahoon WTW (pipeline).
3. Water Treatment (WTW)	This includes the WTW as well as the sludge lagoons and any reticulation.
4. Waste Water Treatment Works (WWTW)	This includes the sewerage infrastructure (from houses/offices/all other operational areas) to the WWTW as well as the evaporation pond (no discharge point to Nahoon River).
5. Potable Reticulation	This includes bulk potable water pipelines from the Nahoon WTW to the command reservoirs for distribution to BCMM and ADM.
<b>SUPPORT SERVICES</b>	
6. Corporate Administration	The activities of the departments within this group are limited to those based at the Nahoon Regional Office.
7. Maintenance	Involves internal maintenance/construction activities (including carpentry, electrical, for example)
8. Workshop	Main workshop is located at the Nahoon WTW.
9. Open space	Grounds management of all open space within Amatola Water property at the Nahoon Dam WTW, including the picnic area.
<b>SCIENTIFIC SERVICES</b>	
10. Laboratory	Existing laboratory for water (potable, raw and effluent) analysis. ISO17025.
<b>CROSS-CUTTING RISKS</b>	
11. Climate Change	Included in Environmental Sustainability Strategy.
12. Water Conservation	Water Conservation and Demand Management Strategy. Water Conservation and Demand Management Policy approved.

Table 5.1: Functional areas and activities in the EMS for the Nahoon operational area





**06**

**OPERATIONAL REVIEW**

## INTRODUCTION

In the latter part of the 2019/20 finance year, the COVID-19 virus had a negative impact on the water production in Amatola Water. Due to this pandemic, unauthorised connections for sanitary purposes increased. The severe drought conditions had a negative impact on water delivery because communities vandalised infrastructure in order to supply water to their livestock.

Regular proactive maintenance on its assets was also suspended for three months but continues to be a fundamental part of continuous operations management.

Amatola Water's participation in the Provincial Water Infrastructure Master Plan, as the implementing agent (IA) of various projects in the Eastern Cape, was a positive contribution to the elimination of the water supply and sanitation backlogs in the Eastern Cape.

## PRIMARY BUSINESS ACTIVITIES

### AMATHOLE DISTRICT MUNICIPALITY

Amatola Water provides bulk raw and potable water services to the Amathole District Municipality (ADM) through a negotiated three-year bulk supply agreement that was extended by two years to 2022. This is in line with the South African Local Government Association (SALGA) and South African Association of Water Utilities (SAAWU) guidelines. The agreement was serviced in line with the contractual conditions and obligations.

### BUFFALO CITY METROPOLITAN MUNICIPALITY

The Buffalo City Metropolitan Municipality became a water services authority in July 2003, following the announcement of its powers and functions by the Minister of Provincial and Local Government.

At the time of the announcement, Amatola Water had already entered into a 30-year supply contract with the Buffalo City Metropolitan Municipality which is valid until 30 May 2028.

### NDLAMBE LOCAL MUNICIPALITY

Amatola Water has entered into a bulk water supply agreement with the Ndlambe Local Municipality to supply the Kenton-on-Sea and Bushmans River areas with potable water. The agreement for a 20-year period was signed on 30 March 2010 and runs until July 2030.



# RAW WATER PRODUCTION

Amatola Water plants are all supplied from the dams within the Amathole and Keiskamma Water Supply Systems and Albany Coast that abstracts sea water from the Boesmansriviermond treats it through a Reverse Osmoses Plant. This is blended with brackish water from the Diaz Cross sand dunes, which is located in the Ndlambe Local Municipality.

Below is an overview of these dam levels over the past five financial years as at the end of June each year:

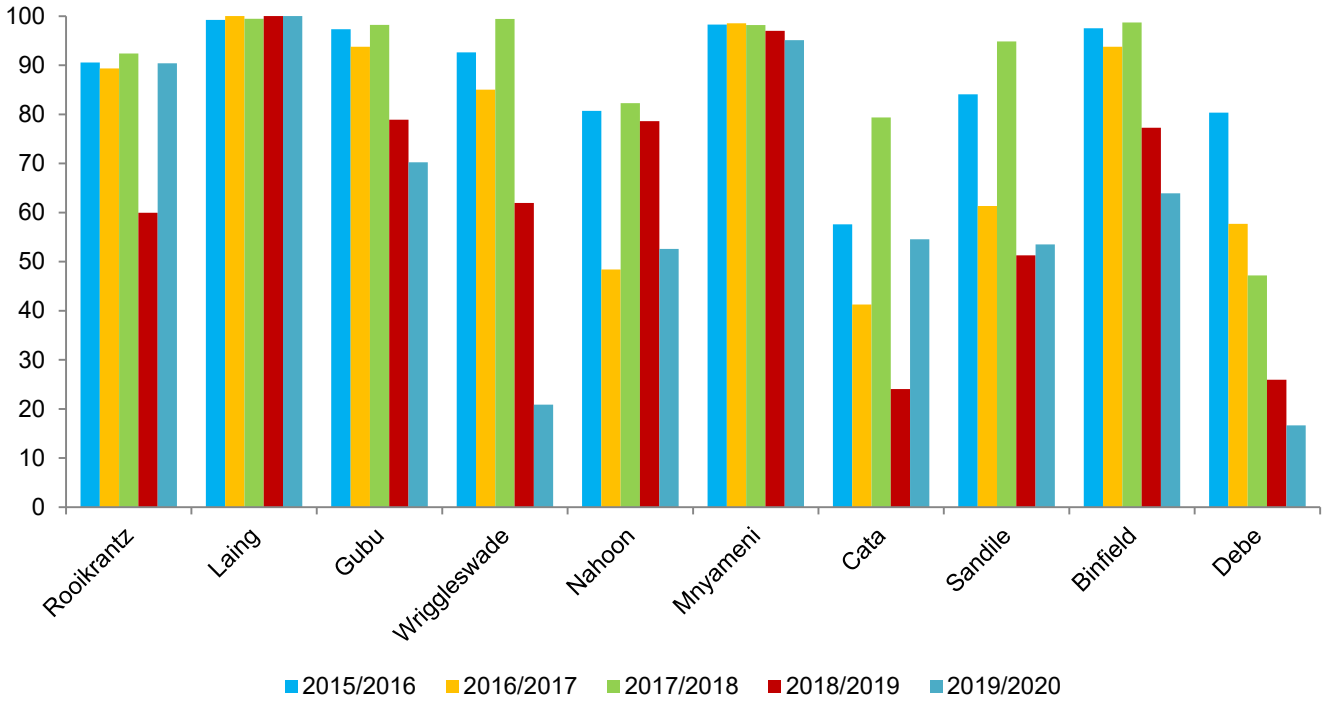


Figure 6.1: Comparison of average annual supply levels of Amatola Water dams

## POTABLE WATER PRODUCTION

The water abstracted from various sources is treated at individual water treatment plants and then distributed to the command reservoirs and channelled into the distribution points.

The table below illustrates the capacity of Amatola Water’s plants, the respective raw water sources as well as the areas of supply per plant:

RAW WATER SOURCE	WATER TREATMENT WORKS/SCHEME	2019/20 WATER WORKS CAPACITY (ML/D)	SUPPLY AREA/NATURE OF AREA SERVED
Sandile Dam	Sandile	18	Dimbaza Town, Middledrift Town, Fort Cox College, Bulembu Airport and more than 128 surrounding villages (20% urban and 80% rural)
Sandile Dam pumping from Craighead Weir	Peddie	6.6	Peddie Town, Nompumelelo Hospital, peri-urban areas of Debe and Feni, surrounding villages (20% peri-urban and 80% rural)
Debe Dam	Debe	5	Rural
Mnyameni Dam	Mnyameni	0.2	Rural
	Masinedane	6	Rural (20% peri-urban and 80% rural): Keiskammahoek
Binfield Park Dam	Binfield Park	4.8	Urban areas of Alice, Khayaletu and kuNtselamanzi, rural service centres of lower and upper Hopefield, 38 rural villages, Fort Hare University and Phandulwazi Agricultural College
Lower Fish GWSS from Glen Boyed Dam	Glenmore	0.5	Rural
Laing Dam	Laing	33	Bhisho, Balassi, Berlin, Ilitha, Zwelitsha, Pakamisa, Ndevana, Potsdam, Mount Coke, (63% urban, 17% peri-urban and 20% rural)
Nahoon Dam	Nahoon	33.7	East London/Reeston/ Mdantsane/ Newlands/ Nqanqarhu (Maclean town) (95% urban and 5% peri-urban)
Sea and ground water	Albany Coast reverse osmosis plants	3.8	Kenton-on-Sea, Bushmans River
<b>TOTAL</b>		<b>111.6</b>	

Table 6.1: Potable water production

## PRODUCTION QUALITY

Amatola Water’s water quality compliance at all its water treatment works and distribution network was in line with the SANS 241:2015 Part 1 & 2, which is a national standard used to measure water quality compliance.

Four plants achieved “good” water quality while six plants achieved “excellent” water quality during the year against a set target of seven plants achieving “good/better” water quality.

The failures were mainly due to network pipe breaks and high electric conductivity failures at the Albany Reverse Osmosis Plant that blends water supplies from the Diaz Cross Dune Wells and the reverse osmosis product water.

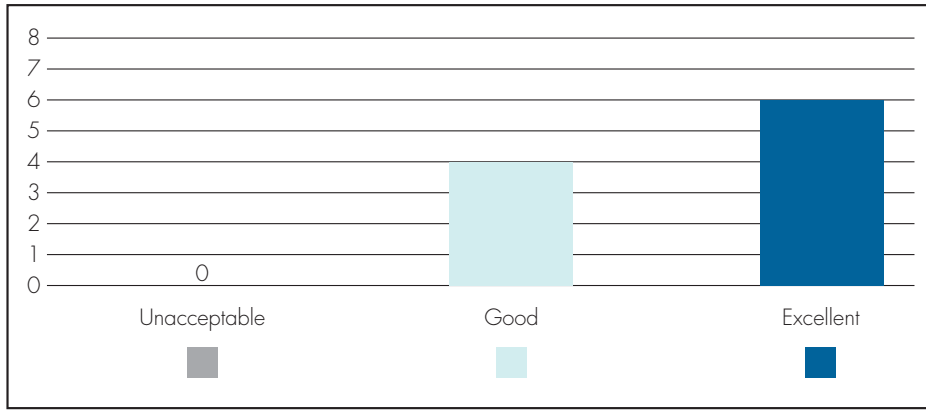


Figure 6.2: Number of plants and water quality results achieved 2019/20

## POTABLE WATER PRODUCTION

The volume of potable water produced was 31.9 million cubic meters for the 2019/20 financial year, which is 9.1% lower than the 35.01 million cubic meters produced in the 2018/19 financial year. This is due to the Makana Local Municipality contract that came to end on 7 July 2019.

## WATER LOSSES

An average total plant production loss of 6.1% was achieved during the year compared with the SAAWU benchmark of 7%. However, the total network losses for treated water decreased to 7.6% from 10.1% in the previous year. The total combined water loss of 14% against the company target of 14% was achieved.

Routine maintenance and inspections throughout the abstraction, treatment and distribution infrastructure have been invaluable to minimising water losses at the plants. Programmes such as meter calibration and maintenance, network inspection, monthly water balance reviews and network planned maintenance, have been implemented to reduce water losses. The telemetry system is closely monitored 24/7 by the control room process controllers and network controllers are guided to problematic reservoirs to check for burst pipelines or overflows at the network reservoirs.

See Figure 6.3 below which gives a comparison in the annual % water losses.

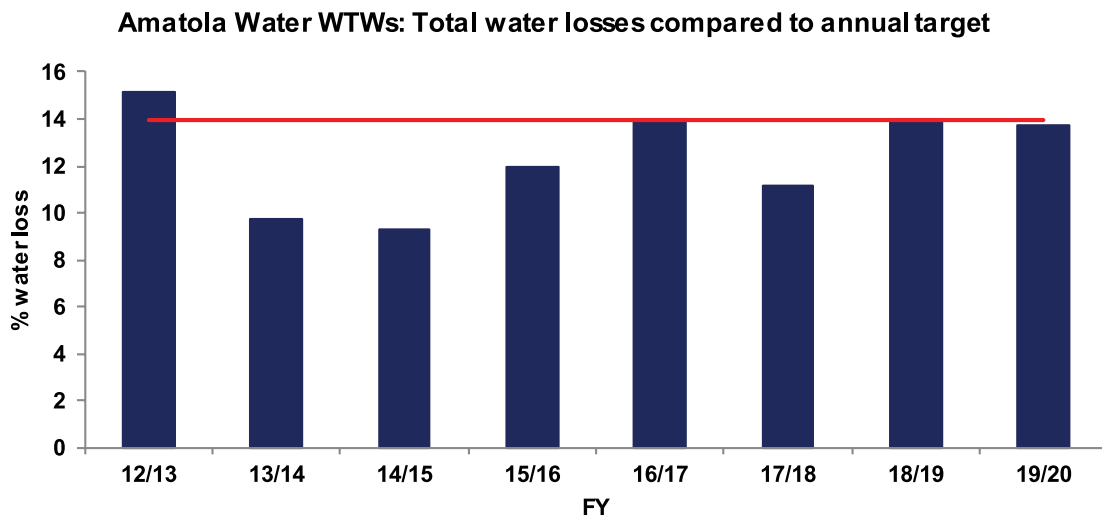


Figure 6.3: Water losses

## NON-REVENUE WATER

Bulk and distribution losses within the Amatola Water bulk systems were monitored. This was done through a water loss and demand management programme. Water loss reports were produced on a monthly basis. A combination of bulk water meter balance reports, meter variance reports and water meter line diagrams were used to track down water losses. Water meters were calibrated according to a set programme and specific needs.

Water balances were recorded on a monthly basis for all the water abstracted, treated and distributed within the supply networks of Amatola Water. The problem areas were identified by logging key water meters and physical inspections of bulk pipeline routes. All water meters were calibrated in line with the Amatola Water meter calibration programme. The early identification of water losses assisted in addressing and reducing water losses and resulted in reduced loss of revenue.

## THREE-YEAR TELEMETRY PLAN

Future SCADA projects include an improved online presence, allowing users remote access to the SCADA via the internet using laptops or cell phone devices.

The Telemetry System has been expanded through the installation of 17 new reservoir-based telemetry stations and digital radios, which replaced the old analogue radios. These included installations throughout the Laing, Peddie, Nahoon, Sandile, Glenmore and Binfield water supply schemes.

## OPTIMISING OPERATIONAL EFFECIENCIES

### WATER PRODUCTION

A decrease of 9.1% on bulk potable water supply was recorded this year. This decrease was mainly due to the ending of the Makana LM bulk treatment contract on the 7 July 2019. Most of the operating plants were running above their design capacity and hence plant the upgrades were executed.

### STORAGE AND SUPPLY CAPACITY EXPANSION

Amatola Water's customers had an overall assurance of supply of 98.33% during the year under review, somewhat lower than the previous year by 1%, it still exceeded the set target of 98%. This was mainly due to the Eskom load shedding.

The organisation is in the process of upgrading its capacity at three water treatment plants- Sandile, Binfield and Debe to meet the demand and erase the current backlog in the Eastern Cape. Funds from National Treasury are being used to subsidise the upgrades to ensure that every household in these areas has access to potable water.

### PUMP EFFICIENCY MONITORING PROGRAMME

There has been an increase in the ratio of kWh/cubic meter of water produced from 0.844 in 2018/2019 to 0.885 in the 2019/2020 financial year. This equates to a 4.8% increase in energy usage. This overall increase in the kWh/cubic meter ratio is also 2.9% above the value of 0.860 the internal target.

The main contributing factor to this increase is the operation of the new RO1 plant at Albany Coast. This is caused by the high consumption in electricity by the RO plants which has increased by 21% from Q1 to Q4.

Below is the kWh/cubic meter of water produced ratio tables for the 2019/2020 financial years:

JULY 2019 TO JUNE 2020				
WTW	CAPACITY ML/D	TOTAL 19/20	TOTAL 19/20	19/20
		KWH	M <sup>3</sup>	KWH/M <sup>3</sup>
Rooikrantz WTW	Closed	0		0.00
Masinedane WTW	6	29199	1235817	0.02
Glenmore WTW	0.5	244680	250052	0.98
Dabi WTW	closed	0	0	0.00
Peddie WTW	6.56	704059	2519604	0.28
Mnyameni WTW	0.29	48670	78369	0.62
Nahoon WTW	33.7	8242552	10515978	0.78
laing WTW	33	11168833	9379490	1.19
Sandile WTW	18	4890468	7129621	0.69
Debe WTW	5	1243069	822374	1.51
Binfield Park WTW	4.8	1126739	1627529	0.69
Albany Coast	2.41	2682802	776298	3.46
<b>TOTAL</b>	<b>111.65</b>	<b>30381071</b>	<b>34335132</b>	<b>0.885</b>

Table 6.2: Electrical consumption over water production period 2019/20

## SAFETY, HEALTH AND ENVIRONMENT

Amatola Water continued to ensure a conducive occupational health and safety (OHS) environment for all employees, stakeholders as well as the public, within its area of operation. Arising from the safety, health and environment (SHE) inspections and audits, an action plan was developed to provide a framework that focuses on standardising and improving occupational health and safety performance.

This action plan has enhanced the organisation's capability in providing health and safety services and oversight by focusing on:

- Monitoring and maintaining Amatola Water's compliance with the OHSAS 18001:2007 Management System and other statutory obligations
- Achievement of the Amatola Water Integrated Management Policy and other strategic imperatives.

## OHSAS 18001 SABS RE-CERTIFICATION AUDIT

The organisation has continued with the implementation and improvement of the Amatola Water OHSAS 18001:2007 Management System.

As part of the commitment, a recertification assessment in terms of OHSAS 18001:2007 was held during May 2019 and results were extremely positive when a close-out report received from SABS on 19 July 2019.

Due to changes in legislation, Amatola Water is currently migrating from OHSAS 18001:2007 to the new ISO 45001 standard.

## DISABLING INJURY FREQUENCY RATE (DIFR)

Amatola Water investigated all incidents to understand the underlying causes and translate these into improvements in standards or ways of working that can be applied broadly across the organisational processes.

The disabling injury frequency rate (DIFR) is a key indicator of the organisation's SHE performance, as it measures the extent of potential disabling injuries and incidents, in which the personnel is exposed. Amatola Water DIFR was calculated at 0.7, during the period under review, which is below the benchmark of DIFR  $\leq$  0.8.

The following graphical information illustrates the 2019/20 DIFR rating relation to a number of disabling injuries (DIs):

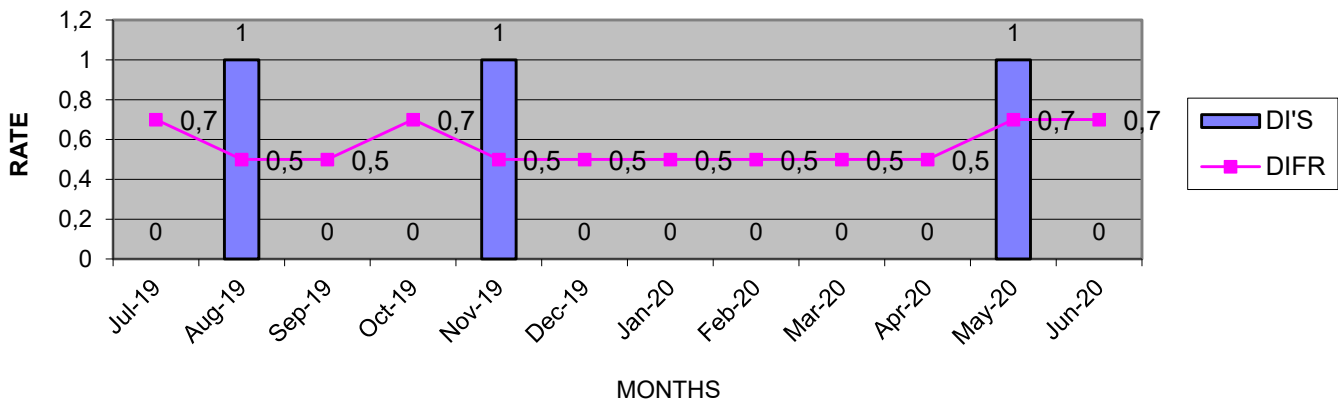


Figure 6.5: Disabling injury frequency rate 2019/20

## AMATOLA WATER PLANT UPGRADES

### UPGRADING OF DEBE WATER SUPPLY SCHEME

<b>Project Description</b>	<p><b>Scope</b></p> <ul style="list-style-type: none"> <li>● Phase 1 caters for the upgrading of the existing water treatment works to a 5ML/day package plant</li> <li>● Phase 2A caters for the bulk distribution mains from the plant to the reservoirs (20 188m)</li> <li>● Phase 2B caters for the construction of the bulk storage (3 No Reservoirs – 2 x 3ML + 1 x 1.8ML)</li> <li>● Phase 2C caters for the upgrading of the mechanical and electrical equipment at the pump stations for the new demands</li> </ul>
	<p><b>Objective</b></p> <p>To improve the quality and quantity of supply from the existing water treatment works (Phase 1), as well as from the mechanical and electrical equipment at the pump stations (Phase 2C).</p>
	<p><b>Location</b></p> <p>Eastern Cape, between the settlements of Dimbaza and Middeldrift in the Amathole District Municipality and Nkonkobe Local Municipality</p>
<b>Progress/Status</b>	<ul style="list-style-type: none"> <li>● Phase 1 – Water treatment works (Defects liability period): 100%</li> <li>● Phase 2A – Bulk distribution (Defects liability period): 100%</li> <li>● Phase 2B – Bulk storage (terminated): 47% Constructed at time of termination</li> <li>● Phase 2C – Mechanical and electrical (Re-tender): 96% Construction</li> </ul>

### UPGRADING OF BINFIELD WATER SUPPLY SCHEME

<b>Project Description</b>	<p><b>Scope</b></p> <ul style="list-style-type: none"> <li>● Upgrade of the Binfield Water Treatment Works: Civil</li> <li>● Upgrade of the Binfield Water Treatment Works: Mechanical and electrical</li> <li>● Upgrade of the Binfield Bulk Storage and Rising Main</li> </ul>
	<p><b>Objective</b></p> <p>To improve the existing water treatment works in terms of quality and quantity of supply and the gravity distribution main feeding the reservoirs and reservoir storage</p>
	<p><b>Location</b></p> <p>Eastern Cape, Amathole District Municipality, Nkonkobe Local Municipality</p>
<b>Progress/Status</b>	<ul style="list-style-type: none"> <li>● Upgrade of the Binfield WTW mechanical and electrical works: 94%</li> <li>● Extensions to the water purification works: Civil works: 99%</li> <li>● Construction of bulk reservoirs: 58%</li> <li>● Construction of the rising main: 84%</li> </ul>





### UPGRADING OF MASINGEDANE WATER SUPPLY SCHEME

#### Project Description

##### Scope

- Upgrade of the Masingedane Water Treatment Works and Bulk Water Reservoirs
- Upgrade of the rising mains and pump stations at Masingedane scheme
- Upgrade of the Masingedane Water Treatment Works: Mechanical and Electrical Works

##### Objective

To improve the existing water treatment works in terms of quality and quantity of supply, construction of a new rising main and improvement of the reservoir storage.

##### Location

Eastern Cape, Amatole District Municipality.

#### Progress/Status

- Upgrade of the water treatment works and reservoirs: 100%
- Upgrade of the mechanical and electrical works: 100%
- Upgrade of the Upper Mnyameni rising mains and pump stations: 100%

### UPGRADING OF SANDILE WATER SUPPLY SCHEME

#### Project Description

##### Scope

- Clear water storage (2 x 16ML reservoirs) –Construction of new reservoirs
- New rising mains from the WTWs to the new reservoirs
- Upgrade of the WTWs to 60ML/day – Civil, electrical and mechanical
- Interconnecting pipe work – Construction of new interconnecting pipelines
- Miscellaneous works

##### Objective

To upgrade of the Sandile WTW to improve the quality of life and create socio-economic growth by increasing water provision to meet the minimum standard of 750ml/household per day.

##### Location

Eastern Cape, Amathole District Municipality, Raymond Mhlaba Local Municipality

#### Progress/Status

- Civil 1 – 2 x 16 ML Reservoirs – Construction completed
- Civil 2 – New British Ridge rising main – Design and tender stage
- Civil 3 – Civil infrastructure for new WTWs & pump-station – Preliminary design stage
- M&E1 – Mechanical & electrical for Civil 3 – Preliminary design stage

## SECONDARY BUSINESS ACTIVITIES

### DEPARTMENT OF WATER AND SANITATION

Amatola Water has an Operation and Maintenance agreement with the Department of Human Settlements, Water and Sanitation (DHSWS) to manage the 21 dams under the custodianship of Department. This has translated into several other opportunities for the utility.

These opportunities included Amatola Water's appointment as the Department's project implementing agent where new bulk water infrastructure is constructed or where emergency interventions were required due to drought, floods or gross water quality negligence. It has also included upgrades and refurbishments of dysfunctional infrastructure.

### NATIONAL DEPARTMENT OF PUBLIC WORKS

Amatola Water has entered into an Operation and Maintenance (O&M) contract with the National Department of Public Works (DPW) since 2007. This contract aims to assist the Department with complying with the SANS 241 water quality and effluent discharge requirements.

It included operations, maintenance and minor refurbishments of the water and sanitation infrastructure, as well as supply of Blue and Green Drop kits on identified properties within the DPW custodianship.

The intervention has restored assurance of potable water supply that complies with SANS 241 standards and the safe discharge of treated effluent that complies with discharge licenses, while providing a safe and hygienic environment.

This contract, however, come to an end in February 2020. DPW appointed another contractor to fulfil the duties AW performed.

AW was approached by DPW to perform assessments of the infrastructure in the Northern Cape (Kimberley) and from this assessment, a report was compiled on the interventions needed within that region. DPW gave AW a tranche of R22 million in March 2020, to perform activities for the Department. AW submitted a detailed breakdown of work to be done and await the go-ahead from DPW.

## **EASTERN CAPE DEPARTMENT OF EDUCATION**

Amatola Water was appointed by the Eastern Cape Department of Education (ECDoE) to provide sustainable bulk water and sanitation solutions to the identified priority schools in the Province.

This included the upgrading and refurbishment of water and sanitation infrastructure as well as providing operations and maintenance services to the allocated schools.

The intervention has restored assurance of potable water supply that complies with SANS 241 standards and safe discharge of treated effluent that complies with discharge licenses, while providing a safe and hygienic environment.

There has been no budget made available from ECDoE to perform full O&M functions at Hostels and Special Schools. The condition of the Bulk water and sanitation treatment plants have deteriorated significantly. There has been, however, adhoc maintenance provided to address critical repairs of equipment at hostels and special schools that needs refurbishment etc.

## **OR TAMBO DISTRICT MUNICIPALITY – MTHATHA PIPE REPLACEMENT**

Amatola Water was provided support to the OR Tambo District Municipality (ORTDM), as an implementing agent, for the Mthatha pipe replacement project.

The project was intended to replace the decaying asbestos cement pipes around Mthatha Town. During the period under review, the Fort Gale to Police Camp pipe replacement programme was completed within the allocated budget.

This service has improved the reliability of water supply to communities, while reducing the number of burst pipes within the identified area.

## **INFRASTRUCTURE MASTERPLAN**

In the previous financial year (2018/19), Amatola Water embarked on a new process to secure the services of a new Professional Service Provider (PSP) to undertake the IMP following the termination of the previous PSP. The IMP development process is now underway and some deliverables are being produced.

The IMP is a substantial recompilation since more than a decade due to the fact that the initial IMP and the water services landscape in the Eastern Cape has changed substantially during the intervening period.

The IMP will be structured into business cases that cover major and smaller water supply systems. In addition, business cases are envisaged for areas outside the current operational area so that the entire gazetted area's sustainability is grounded with a sustainable business case approach. Substantial work has been undertaken on two of the largest schemes, that is, the Nahoon and Laing Water Supply Schemes.

Included in the general master planning by Amatola Water is the review or revision of the Provincial Water and Sanitation Masterplan for the Department of Human Settlements, Water and Sanitation as requested by the regional directorate of the DHSWS.

The Provincial Plan will unfold according to the direction of the Eastern Cape DHSWS. The IMP of Amatola Water is expected to be completed in 2020/21 and all efforts will be directed towards the integration of the plans.

The integration plans aim to incorporate the planning of key water service authorities that are part of Amatola Water's current base into a single integrated masterplan. The planning will be undertaken, guided by the recently completed National Water and Sanitation Masterplan.



### NDLAMBE REGIONAL BULK WATER SUPPLY

<b>Project Description</b>	<b>Scope</b> <ul style="list-style-type: none"> <li>● Completion of the BWRO plant (mechanical and electrical)</li> <li>● Completion of the civil works – Pipe work and reservoir supplying water to BWRO Plant</li> <li>● Effluent brine water recovery – feasibility</li> </ul>
	<b>Objective</b> To provide safe, sustainable and acceptable quality water to consumers in Seafield/Kleinemonde, Port Alfred, Bathurst, Alexandria, Cannon Rocks, Boknes, Kenton-on-Sea and Bushman's River in the Ndlambe Local Municipality
	<b>Location</b> Eastern Cape, Sarah Baartman District Municipality, Ndlambe Local Municipality
<b>Progress/Status</b>	<ul style="list-style-type: none"> <li>● Contract 14: 95% progress</li> <li>● Contract 15: 65% progress</li> <li>● Procurement of BWRO: The procurement of DWS construction unit is place, MOU has been prepared by AW.</li> </ul>

### NOOITGEDAGT/COEGA LOW LEVEL SCHEME (NCLS) – PHASE 3

<b>Project Description</b>	<b>Scope</b> <ul style="list-style-type: none"> <li>● 45 ML: Foundations: Footing and floor slab; columns and bases; GRP scour pipe; inlet and outlet overflow; walls: formwork; rebar and concrete; roof slab, chamber and interconnecting pipes</li> <li>● WTW: Settling tanks, backwash balancing tank and filters</li> <li>● Precast yard and pipelines; construction of EME storage facility building, cathodic protection and AC mitigation, scoping to pipeline rehab, manufacture of precast chambers and placing of Precast chambers and valve replacement</li> </ul>
	<b>Objective</b> To increase the bulk treatment, storage and distribution capacity to meet the demand of 1.23 million consumers and smaller municipalities around the metropolitan boundaries.
	<b>Location</b> Eastern Cape, Nelson Mandela Bay Metropolitan Municipality
<b>Progress/Status</b>	<ul style="list-style-type: none"> <li>● 45ML reservoir: 99% completion</li> <li>● Nooitgedagt WTW: 65% progress</li> <li>● Pre-cast yard pipeline rehabilitation: 90% progress</li> </ul>

### JAMES KLEYNHANS BULK WATER SUPPLY – PHASE 1

<b>Project Description</b>	<b>Scope</b> <ul style="list-style-type: none"> <li>● Clear water storage (2ML reservoir) – Construction of new reservoir</li> <li>● Handling of sludge and backwash water – Upgrading of existing</li> <li>● Sludge ponds – Construction of new sludge ponds</li> <li>● Mechanical works – Refurbishment of existing and installation of new</li> <li>● Electrical (Internal) – Refurbishment of existing and installation of new</li> <li>● Interconnecting pipe work – Construction of new interconnecting pipelines</li> <li>● Miscellaneous works</li> </ul>
	<b>Objective</b> To ensure that Makanda has adequate water supply during peak and drought conditions.
	<b>Location</b> Eastern Cape, Sarah Baartman District Municipality, Makana Local Municipality
<b>Progress/Status</b>	<ul style="list-style-type: none"> <li>● Phase 1- Construction: 100% complete</li> </ul>

**JAMES KLEYNHANS BULK WATER SUPPLY – PHASE 2**

**Project Description**

**Scope**

- Upgrading chemical building – Upgrading and refurbishment of existing building
- Extension of flocculation channels – Construction of additional flocc channel
- Sedimentation tank(10Ml/d) – Construction of new sedimentation tanks
- Filters(10Ml/d) – Construction of four additional new filters
- Clear water storage(1.0Ml) – Construction of new reservoir below filters
- Electrical (Internal) – New electrical installation for additional infrastructure
- Instrumentation (SCADA & PLC) – Installation of new infrastructure
- Telemetry – New installation
- Interconnecting pipe work – Construction of new interconnecting pipelines
- Miscellaneous works

**Objective**

To ensure that Makanda has an adequate water supply during peak and drought conditions.

**Location**

Eastern Cape, Sarah Baartman District Municipality, Makana Local Municipality

**Progress/Status**

- Phase 2 – Construction: 35% progress.

**PATERSON BULK WATER SUPPLY SCHEME**

**Project Description**

**Scope**

- New raw water pumps-2 x duty pumps with combined capacity of 266m<sup>3</sup>/hr and a standby pump
- Upgrade of 50m of rising main from 150mm diameter to 250mm diameter uPVC class 9
- Upgrade chemical storage and dosing system
- New concrete clarifier (1.5m diameter)
- New rapid gravity sand filter building
- New feeder pump
- Upgrading of the ablution facilities
- Upgrading of WTW area
- Upgrading of sludge drying beds

**Objective**

To ensure increased total output of water supply to 6 Ml/day and to meet the water demand of Addo and Paterson until the year 2035.

**Location**

Eastern Cape, Sarah Baartman District Municipality, Sunday's River Valley Local Municipality

**Progress/Status**

- Paterson Bulk Water Supply Phase 1 – 5 is 100% complete
- Phase 6 was awarded in March 2019; current completion status stands at 82%

**COFFEE BAY PHASE 3A AND 3B**

**Project Description**

**Scope**

- Two booster pump stations, three command reservoirs, two rising main pipelines, eight bulk gravity main pipelines,
- Seven village supply reservoirs, two elevated tanks, ten village reticulation networks, break pressure tanks, 286km of pipelines, 744 stand taps

**Objective**

To extend the Coffee Bay Regional Water Supply Scheme to provide water to Ward 23 (now Ward 24) (except for a portion across the Mpako River) and the Mabehana Village in Ward 24 (now Ward 25) serving a population of 24,874 people.

**Location**

Eastern Cape, OR Tambo District Municipality, King Sabata Dalindyebo Local Municipality

**Progress/Status**

- Phase 3A: 97% complete
- Phase 3B : Contractor has terminated construction contract in October 2020 due to non-payment by the client.

## KING SABATA DALINDYEBO PRESIDENTIAL INTERVENTION

Project Name	Project Scope	Progress/Status by Project
<b>Project Description</b>	<p><b>Objective</b> The KSDPI Bulk Water Project aims to unlock housing and commercial development for the region beyond Mthatha Town.</p> <p><b>Impact</b></p> <ul style="list-style-type: none"> <li>● The primary focus is to expand the existing Mthatha Town Bulk Water Supply System operated by the OR Tambo District Municipality to create a regional scheme along five development “corridors” and serving over one million people.</li> <li>● The KSDPI Bulk Water Project aims to unlock housing and commercial development for the region beyond Mthatha Town.</li> <li>● The intervention enables the development of Mthatha that will lead to the decommissioning of nine sewage pump stations and reducing pollution of the Mthatha River.</li> <li>● The project provides adequate portable water to the community that meets the SANS 241 standard that will allow for sustainable rural livelihoods and improve health and hygiene. The total households served by the intervention are 2,719.</li> </ul> <p><b>Location</b> Eastern Cape, OR Tambo District Municipality, King Sabata Dalindyebo Local Municipality</p>	
<b>Thornhill raw water pipes &amp; WTW</b>	<ul style="list-style-type: none"> <li>● Upgrading Mthatha raw water supply to Thornhill WTW (7km), upgrading of Thornhill WTW (60Mℓ/d to 80Mℓ/d) and two pump stations</li> <li>● Upgrading the clear water pump stations</li> </ul>	<ul style="list-style-type: none"> <li>● Thornhill raw water pipes &amp; WTW: Construction 100% complete</li> <li>● Upgrading of clear water: Construction 89% complete</li> </ul>
<b>Mthatha South and Central</b>	<ul style="list-style-type: none"> <li>● Construction of 16.2km bulk conveyance, five bulk reservoirs and one pump station</li> </ul>	<ul style="list-style-type: none"> <li>● Mthatha South and Central: Construction 100% complete</li> </ul>
<b>Airport Corridor</b>	<ul style="list-style-type: none"> <li>● Construction of 29.9km bulk conveyance, one bulk reservoir</li> </ul>	<ul style="list-style-type: none"> <li>● Airport Corridor: Construction 96% complete</li> </ul>
<b>Mqanduli Corridor</b>	<ul style="list-style-type: none"> <li>● Construction of 53.8km bulk conveyance, six bulk reservoirs and two pump stations</li> </ul>	<ul style="list-style-type: none"> <li>● Mqanduli Corridor: Construction 99% complete</li> </ul>
<b>Libode Corridor</b>	<ul style="list-style-type: none"> <li>● Construction of 56km bulk conveyance, six bulk reservoirs and three pump stations</li> </ul>	<ul style="list-style-type: none"> <li>● Libode Corridor: Construction 96% complete</li> </ul>
<b>Nggeleni Corridor</b>	<ul style="list-style-type: none"> <li>● Construction of 23.4km bulk conveyance, three bulk reservoirs and one pump station</li> </ul>	<ul style="list-style-type: none"> <li>● Nggeleni Corridor: Construction 90% complete</li> </ul>
<b>Rosedale/ Mthatha North</b>	<ul style="list-style-type: none"> <li>● Construction of 18.9km bulk conveyance, six bulk reservoirs, WTW and two pump stations</li> </ul>	<ul style="list-style-type: none"> <li>● Rosedale/Mthatha North: Construction 73% complete</li> </ul>
<b>Nqadu Corridor</b>	<ul style="list-style-type: none"> <li>● Construction of 21km bulk conveyance, three bulk reservoirs and two pump stations</li> </ul>	<ul style="list-style-type: none"> <li>● Nqadu Corridor: Tender stage</li> </ul>
<b>Mthatha wastewater treatment works upgrade</b>	<ul style="list-style-type: none"> <li>● Phase two upgrade and extension of the Mthatha WWTW from 12Mℓ/d to 24Mℓ/d</li> <li>● Construction of 17m deep sewage pump station and 100m long pipe bridge</li> <li>● Supply and installation of M&amp;E equipment in main pump station</li> </ul>	<ul style="list-style-type: none"> <li>● Mthatha WWTW upgrade: Construction 100% complete</li> </ul>
<b>Northern outfall sewers</b>	<ul style="list-style-type: none"> <li>● Northern outfall sewers (Four contracts)</li> <li>● Supply and laying of 7.4km of 1200mm diameter concrete pipes, approximately 110 manholes and small structures</li> </ul>	<ul style="list-style-type: none"> <li>● Northern outfall sewers: Construction 98% complete</li> </ul>
<b>Southern outfall sewers</b>	<ul style="list-style-type: none"> <li>● Upgrading Kuyasa and Southbridge Park bulk gravity sewers</li> <li>● Refurbish and recondition of five sewage pump stations</li> <li>● New bulk gravity sewers, sewage pump stations and rising mains in support of BNG phase 1A: Maydene,</li> <li>● Upgrading the Ngangelizwe outfall and associated gravity sewers in Mthatha (20.6km and 11 pump stations)</li> </ul>	<ul style="list-style-type: none"> <li>● Southern outfall sewers: Construction 100% complete</li> </ul>
<b>Western outfall sewers</b>	<ul style="list-style-type: none"> <li>● Supply and laying of 31km of 1200mm pipeline</li> </ul>	<ul style="list-style-type: none"> <li>● Western outfall sewers: Design stage</li> </ul>

## LOOKING FORWARD

Amatola Water will strive to balance continued provision of reliable bulk water supply in the Eastern Cape to support economic growth, while extending and increasing water and sanitation access to vulnerable municipalities and rural areas to reduce backlogs and improve local development.

Working closely with provincial stakeholders, the municipalities that fall within the supply area, and communities, Amatola Water is in the process of developing an Infrastructure Master Plan that will be integrated with the Provincial Water Infrastructure Masterplan.

Proactive maintenance, coupled with continuous plant and system improvement initiatives, will continue as these have played a major role in production equipment availability and reliability. This has culminated in the achievement of consistently high-quality water results by most water treatment plants.

The BAAN Computerised Maintenance Management System will continuously improve. This will enable faster and more accurate generation of timetables and eliminate the possibility of errors in predicting when equipment maintenance is due.

The primary business sector achieved a ratio of 81:19 for planned versus unplanned maintenance and exceeded the company benchmark target of 80:20. Eighty-three percent (83%) of service orders for planned maintenance and 87% for unplanned maintenance were completed.



**07**

**CORPORATE GOVERNANCE**

# INTRODUCTION

Amatola Water, as a custodian of the people’s water resources in the Eastern Cape, is committed to a corporate governance process that is underpinned by respect, trust and transparency.

During the reporting year, the following structures at Amatola Water helped the organisation to respond to its strategy and execute its mandate:

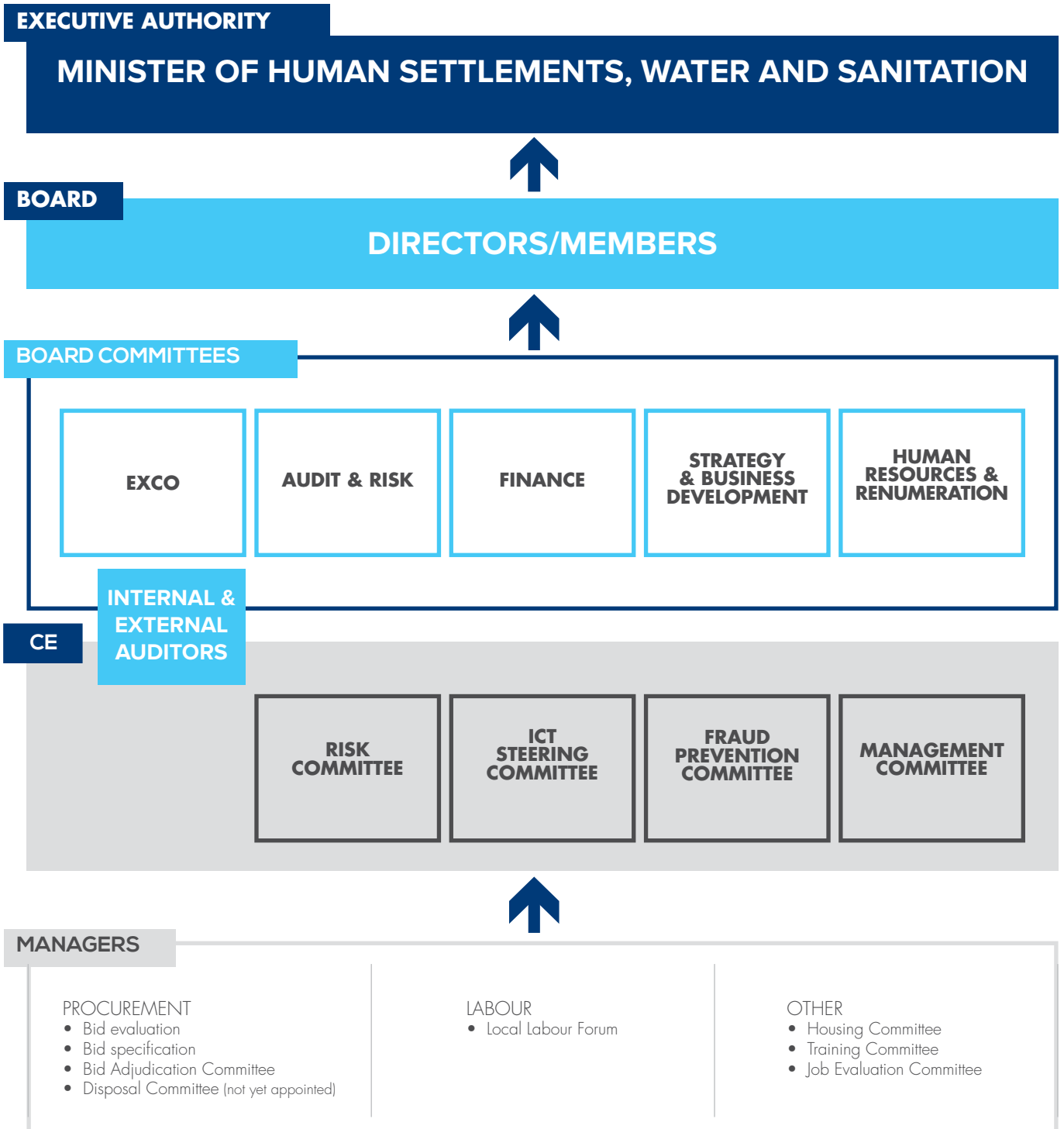


Figure 7.1: Governance structure



## CORPORATE GOVERNANCE AT A STRATEGIC LEVEL

### Parliamentary Portfolio Committee

The Human Settlements, Water and Sanitation Portfolio Committee exercises oversight of Amatola Water's service delivery performance through the Executive Authority and reviews the financial and non-financial information presented in the annual reports.

The following table is a summary of the engagements and briefing sessions held with the Human Settlements, Water and Sanitation Portfolio Committee during the year under review:

DATE	DESCRIPTION OF THE MEETING WITH THE PARLIAMENTARY PORTFOLIO COMMITTEE
29 October 2019	Debt owed to water boards: input from COGTA, SALGA, National Treasury & DWS
05 November 2019	Briefing session on municipal water debt solutions with Deputy Ministers
22 May 2020	Briefing session by the water boards: Lepelle Northern; Mhlathuze and Amatola 2018/19 Annual Reports with Deputy Minister
02 June 2020	Briefing session on water board tariff increases with Deputy Ministers

Table 7.1: Briefing sessions held with Human Settlements, Water and Sanitation Portfolio Committee

## EXECUTIVE AUTHORITY

Oversight by the Executive Authority, the Minister of Human Settlements, Water and Sanitation, rests by and large on the prescripts of the Water Services Act 108 of 1997 (read with the Public Finance Management Act). The Executive Authority has the power to appoint and dismiss the Board of a public entity.

In addition to the other powers set out in the act, the Executive Authority must ensure the appropriate mix of executive and non-executive directors are appointed and that the directors have the necessary skills to guide the public entity.

The Executive Authority has met with the Board of Amatola Water on occasion and continuously engages with the public entity.

Strategic engagements are set out in the following table. Operationally, various other project steering committees oversee project implementation.

## BOARD MEMBER PROFILES

Brief professional profiles of Board Members, who were appointed by the Minister of Human Settlements, Water and Sanitation, on 1 March 2021 follow:



**Mr Zamikhaya Xalisa**  
Acting Board Chairperson

**Academic Qualifications**

**PhD Sustainable Agriculture (To date), Masters in Sustainable Agriculture, Masters in Business Administration, BTech Agricultural Management , National Diploma Farm Business Management**

**Skills and Experience**

Various economic industries of the agricultural sector for the last 12 years. Have a clear understanding of the dynamics and challenges facing the development in the agricultural and water sector as a key economic driver of the rural economy but at the same time has acquired knowledge on prospects and challenges facing other sectors of the economy as well.

Board Member at Grain Farmer Development Association (2011 - 2016), Abenzi Investments Holding (2012 -2014), Mohair Empowerment Trust (2009 - 2017)



**Ms Buhle Tonise**  
Deputy Chairperson of the Board & Chairperson of FINCO

**Academic Qualifications**

**LLB, Practical Legal Training, currently completing a LLM**

**Skills and Experience**

Has experience in governance, corporate law and commercial law with expansive knowledge in these sectors including contract management.

Currently serves as a Deputy Chairperson at Eastern Cape Provinces Arts and Culture Council, Board Member for the Ubuntu Transformation Foundation. Previously served as a Chairperson of the Eastern Cape Progressive Youth Patron - Eastern Cape Youth Awards.



**Mr Mncedisi Mziwoxolo Malotana**  
Chairperson of the Board & EXCO

**Academic Qualifications**

Diploma in Architecture

**Skills and Experience**

Building construction (residential and larger structures such as school buildings). Currently serving as the Board Member of Amatola Water.



**Mr Mxolisi Joe Sikhosana**  
FINCO Member

**Academic Qualifications**

**Chartered Accountant (SA), Postgraduate Diploma in Accounting, BCom Accounting**

**Skills and Experience**

Preparation of financial statements including valuation reports and cash flow projections for various clients. Designing and implementing appropriate accounting policies and disclosure requirements to enhance the quality of financial reporting, preparation of budgets and forecasts for the business unit.

Currently serving on the Council of the Mangosuthu University of Technology as an independent member of council and a member of the Audit, Risk and Compliance Committee, and Finance and Investment Committee at Mangosuthu University of Technology.



**Ms Lebogang Letsoalo**  
ARC Caretaker Chairperson

**Academic Qualifications**

**Diploma Purchasing, BTech Logistics, Masters in Business Administration, Doctorate of Business Leadership (Enrolled)**

**Skills and Experience**

Enforcing compliance in procurement decisions, application of private sector and public sector supply chain experience to ensure governance structures are followed. Chairperson for South African Shippers Transport and Logistics Council, Previously Board Member of the Ethekwini Maritime Cluster, Chairperson of Manufacturing Engineering and Related Services Seta (until March 2020), Chairperson of African Women in Supply Chain Association, Non-Executive Director for Jet Demolitions, Non-Executive Director for Sonae Arauco.



**Ms Tabiso Wana**  
Chairperson of HRRC  
Academic Qualifications  
**Certificate in Human Relations, National Diploma in Computer, Advanced Project Management, Intelligence Course, Advanced Governance and Public Leadership Skills and Experience**  
Deputy Chairperson of SACCAWU in the Eastern Cape, Supervisor at Trans-kei Road Transport Corporation for 10 years, Manager at the NGO Zingisa Rehabilitation Centre, dealing with awareness of HIV/Aids in rural areas for eight years, Project Coordinator at the Eastern Cape Development Corporation from 2002 to 2009, Whipper at Eastern Cape Legislature from 2009-2014, Member of the intelligence committee, local government committee, petition and executive undertaking from 2014-2019.



**Ms Nkosazana NomaXhosa Jongilanga**  
HRRC Member  
Academic Qualifications  
**Judicial Skills for Traditional Leaders, World Tourism Organisation Practicum Diploma, Certificate in Marketing Management, Honours in Sociology**  
Skills and Experience  
Tourism Development, Resolution of disputes in terms of Customary Law.  
Acting Chief: ImiDushane Traditional Council (2016 to date), Chairperson: ImiDushane Trust (2016 to date), Deputy Chairperson: Buffalo City Local House of Traditional Leaders (2016 to date), Board Member: Ncera Macadamia Farming Pty Ltd (2016 to date), Board Member: Macadamia Skills Academy (2016 to date).



**Mr Mokgobi Ramushu**  
FINCO & SBDC Member  
Academic Qualifications  
**Bachelor of Science Civil Engineering, Master of Engineering, Bachelor of Laws (LLB)**  
Skills and Experience  
A professional engineer with experience spanning more than 10 years in the field of civil engineering. Has a vast experience in the infrastructure delivery value chain from inception to commissioning, experience in civil engineering designs, quality and construction management. Has previously worked in the office of the Auditor-General South Africa as the manager responsible for infrastructure audits at all three levels of government.



**Dr Mosidi Makgae**  
SBDC & ARC Member  
Academic Qualifications  
**PhD Environmental Chemistry, MSc Chemistry in Membrane Technology, BSc Hons**  
Skills and Experience  
General management, project management, energy and minerals, waste and water treatment, Environmental Management.  
Board Member Strategic Fuel Fund (2019), Board Member Mhlathuze Water Board (2018), Advisor to the Technical Committee: National Nuclear Regulator (2017 to date), Board Member Water Research Commission (2016 to date), Interim Board Member Zenzele TDC, Subsidiary of SEDA (2015 – 2016), Council Member Water Institute of Southern Africa (2010-14).



**Dr Gaathier Mahed**  
ARC Member  
Academic Qualifications  
**BSc Environmental Science, BSc (Hons) Environmental Science, MSc Environmental and Water Sciences, PhD Geology (Geophysics)**  
Skills and Experience  
Groundwater scientist and World Islamic Economic Forum Global Young fellow with extensive international exposure. Worked and trained in multiple research labs globally. Received multiple globally recognised awards for the work completed in the research, business and NGO arena. Trained in numerous labs in Europe on various aspects of shale gas, geothermal energy, geophysics and flow in porous media. Creative problem solving, project management, research, leadership, quality assurance and control, geophysics (potential fields), policy development, training, hydrogeology, laboratory work.

### EXTERNAL BOARD MEMBER PROFILES

Ms L Smith Date of Appointed: 29 August 2017 Date of Termination: 31 January 2020	Ms Smith is a partner of Marais and Smith Chartered Accountants with vast experience in financial management, human resources and training, risk management, asset management and accounting framework compliance. She is a member of the Institute for Internal Auditors.
Mr N Ravgee Date of Appointed: 27 October 2017 Date of Termination: 31 January 2020	Mr Ravgee is a Chartered Accountant with 15 years of experience in the private and public sectors. He has extensive experience in managing the audit process including audit queries and related responses. He has played numerous leadership roles in the finance sector.
Ms T Cumming Date of Appointed: 12 February 2020	Ms Cumming is a Chartered Accountant who has close on 20 years of experience in auditing in the public and private sector including non-profit organisations. She played numerous leadership roles in finance, auditing and executive management.
Ms A Magwentshu Date of Appointed: 12 February 2020	Ms Magwentshu is a specialist in Human Resource Management and Corporate Governance and holds a BA (SW), BA (Honours), Diploma in Labour Law, Masters in Public and Development Management.
Mr A Wakaba Date of Appointed: 12 February 2020	Mr. Wakaba is a specialist in finance, auditing, accounting, strategy, risk and governance and holds a MBA, BCompt (Hons), BCom (Accounting) and Advanced Diploma in Accounting Sciences.

Table 7.2: External Board members' brief profiles

### BOARD AND COMMITTEE MEMBERSHIP PROFILE

BOARD MEMBER	GENDER	RACE	ARC	EXCO	HRRC	FINCO	SBDC
1. Mr Mncedisi Mziwoxolo Malotana	M	Black		√			
2. Ms Buhle Tonise	F	Black		√		√	
3. Mr Mxolisi Joe Sikhosana	M	Black				√	
4. Ms Lebogang Letsoalo	F	Black	√	√			
5. Ms Tabiso Wana	F	Black		√	√		
6. Ms Nkosazana NomaXhosa Jongilanga	F	Black			√		
7. Mr Mokgobi Ramushu	M	Black				√	√
8. Dr Mosidi Makgae	F	Black	√				√
9. Dr Gaathier Mahed	M	Coloured	√				
10. Mr Zamikhaya Xalisa	M	Black		√	√		√

Table 7.3: Board and committee membership profile

## INDUCTION & TRAINING

- Expected to have background knowledge and skills - verified in the selection process
- During induction, board members received training on governance by Executive Authority

## BOARD CHARTER

- Set by King IV and the Water Services Act 108 of 1997
- Sets out its responsibilities
- Continued compliance Charter looks at the framework of Board

## REMUNERATION POLICY

- Set out by the Executive Authority
- Annual increment determined by Minister

## COMPANY SECRETARY ROLE

- Guides Board Members
- Develops systems and processes for Board support
- Inducts new Board Members
- Guides Board Members in terms of ethics and good governance
- Facilitates training

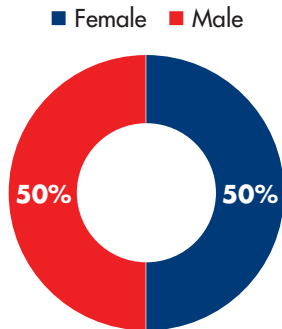
# STRATEGIC OVERSIGHT AND BOARD/COMMITTEE COMPOSITION

## AMATOLA WATER BOARD (ACCOUNTING AUTHORITY)

### Roles and responsibilities of the Board

- Absolute responsibility for performance
- Fully accountable to the Executive Authority
- Provides strategic direction to Amatola Water
- Leads Amatola Water in pursuit of its vision
- Assists to fulfil the mandate of water services
- Looks at risk, strategy and business plan

### BOARD GENDER PROFILE



### BOARD RACE PROFILE

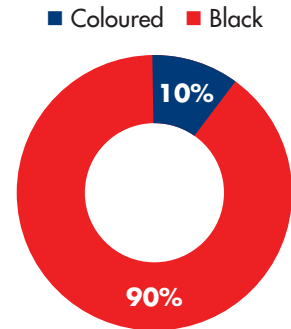


Figure 7.2: Amatola Water Board demographics

### Board Member Attendance Quarterly Analysis 2019/20

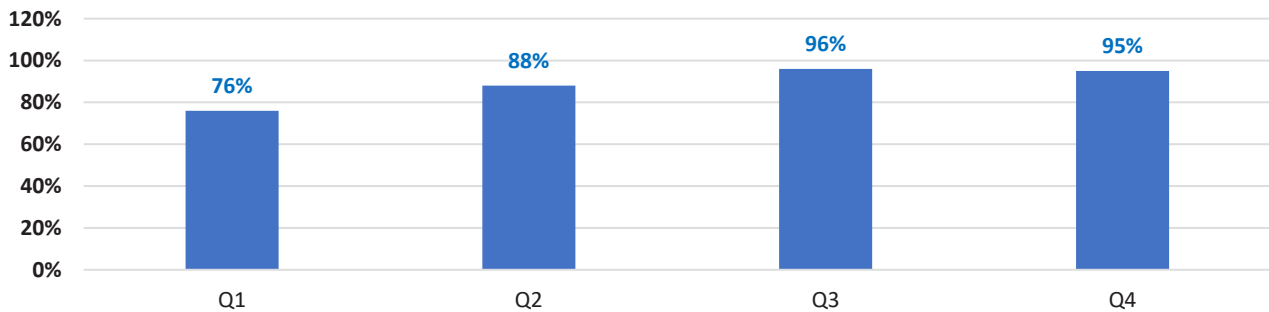


Figure 7.3: Boarder member attendance quarterly analysis 2019/20

### Board member attendance effective from 1 July 2019 to 31 January 2020

NO.	MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Mr Eugene Vincent Jooste	Male	4	4	100%
2	Ms Nokulunga Mnqeta	Female	1	1	100%
3	Mr Abraham Pieter Le Roux	Male	4	3	75%
4	Mr Chuma Mbande	Male	4	0	0%
5	Mr Brian Edwin Hollingworth	Male	4	3	75%
6	Prof Lynette Louw	Female	4	3	75%
7	Mr Ayanda Wakaba	Male	4	4	100%
8	Ms Nonkululeko Nyakaza	Female	4	4	100%
9	Ms Amanda Magwentshu	Female	4	4	100%
10	Mr Maxwell Sirenya	Male	3	3	100%

Table 7.4: Board member attendance effective from 1 July 2019 to 31 January 2020

## Board member attendance effective from 1 February 2020 to 30 June 2020

NO.	MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Mr Mncedisi Mziwoxolo Malotana	Male	10	10	100%
2	Rev Nkosinathi Geja	Male	10	8	80%
3	Mr Sicelo Gqobana	Male	10	9	90%
4	Adv Ntombizodwa Kutta	Female	10	4	40%
5	Mr Bhekuyise Makedama	Male	10	10	100%
6	Mr Sizwe Sifo	Male	10	8	80%
7	Ms Luhle Tshangela	Female	10	8	80%
8	Ms Nompumelelo Javu	Female	10	9	90%
9	Ms Tabiso Wana	Female	10	10	100%
10	Mr Mzuzima Kondlo	Male	10	8	80%
11	Ms Buyelwa Sonjica	Female	6	5	83%
12	Mr Phumzile Songo	Male	10	10	100%

Table 7.5: Board member attendance effective from 1 February 2020 to 30 June 2020

### STRATEGY AND BUSINESS DEVELOPMENT COMMITTEE

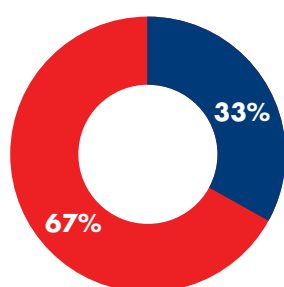
**Terms of reference**  
Reviewed biannually

#### Roles and responsibilities

- Strategic planning
- Business planning
- Business development
- Corporate citizenship
- Customer satisfaction
- Product quality: Water and wastewater
- Water resources adequacy
- Stakeholder relations.

#### SBDC GENDER PROFILE

■ Female ■ Male



#### SBDC RACE PROFILE

■ Black

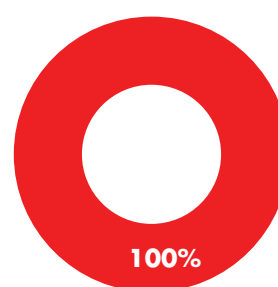


Figure 7.4: Strategy and Business Development Committee demographics

## SBDC member attendance effective from 1 July 2019 to 31 January 2020

NO.	MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Mr Brian Edwin Hollingworth	Male	2	2	100%
2	Prof Lynette Louw	Female	2	1	50%
3	Mr Chuma Mbande	Male	2	1	50%
4	Mr Ayanda Wakaba	Male	2	2	100%

Table 7.6: SBDC member attendance effective from 1 July 2019 to 31 January 2020

## SBDC member attendance effective from 1 February 2020 to 30 June 2020

NO.	MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Rev Nkosinathi Geja	Male	2	2	100%
2	Mr Bhekuyise Makedama	Male	2	2	100%
3	Mr Sizwe Sifo	Male	2	2	100%
4	Mr Sicelo Gqobana	Male	2	2	100%

Table 7.7: SBDC member attendance effective from 1 February 2020 to 30 June 2020

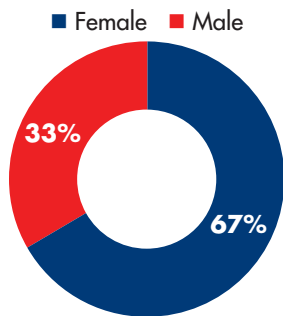
### HUMAN RESOURCES AND REMUNERATION COMMITTEE

#### Terms of reference Reviewed biannually

#### Roles and responsibilities

- Formulate a human resource strategy and policies
- Guide and monitor implementation of human resource transformation, performance management and remuneration strategies
- Leadership and employee development.

#### HRRC GENDER PROFILE



#### HRRC RACE PROFILE

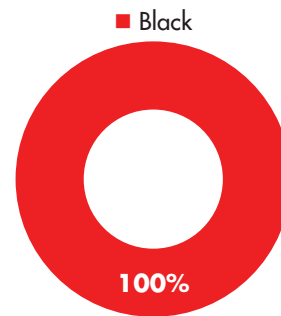


Figure 7.5: Human Resources and Remuneration Committee demographics

## HRRC member attendance effective from 1 July 2019 to 31 January 2020

NO.	MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Mr Abraham Pieter Le Roux	Male	4	4	100%
2	Prof Lynette Louw	Female	4	3	75%
3	Ms Amanda Magwentshu	Female	4	4	100%

Table 7.8: HRRC member attendance effective from 1 July 2019 to 31 January 2020

## HRRC member attendance effective from 1 February 2020 to 30 June 2020

NO.	MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Ms Tabiso Wana	Female	5	5	100%
2	Adv Ntombizodwa Kutta	Female	5	5	100%
3	Ms Nompumelelo Javu	Female	5	5	100%
4	Ms Amanda Magwentshu	Female	1	1	100%
5	Mr Phumzile Songo	Male	1	1	100%

Table 7.9: HRRC member attendance effective from 1 July 2019 to 31 January 2020

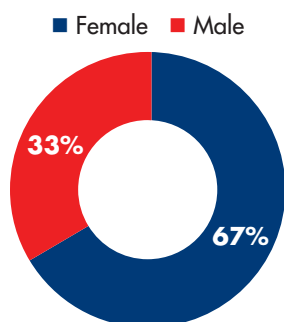
**AUDIT AND RISK COMMITTEE**

**Terms of reference**  
Reviewed biannually

**Roles and responsibilities**

- Audit and risk management
- General financial reporting
- Annual financial reporting
- Audit oversight
- Compliance and code of conduct
- Fraud Prevention Strategy.

**ARC GENDER PROFILE**



**ARC RACE PROFILE**

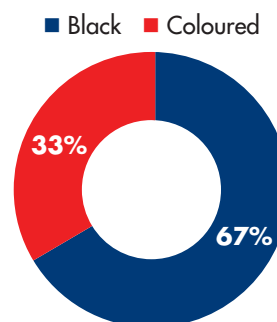


Figure 7.6: Audit and Risk Committee demographics

**ARC member attendance effective from 1 July 2019 to 31 January 2020**

NO.	MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Mr Eugene Vincent Jooste	Male	6	6	100%
2	Mr Brian Edwin Hollingworth	Male	6	6	100%
3	Ms Lauren Smith	Female	6	5	83%
4	Mr Nielesh Ravgee	Male	6	1	17%

Table 7.10: ARC member attendance effective from 1 July 2019 to 31 January 2020

**ARC member attendance effective from 1 February 2020 to 30 June 2020**

NO.	MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Ms Luhle Tshangela	Female	3	3	100%
2	Mr Phumzile Songo	Male	3	2	67%
3	Mr Ayanda Wakaba	Male	3	3	100%
4	Ms Amanda Magwentshu	Female	3	3	100%

Table 7.11: ARC member attendance effective from 1 February 2020 to 30 June 2020



**FINANCE COMMITTEE****Terms of reference**  
**Reviewed biannually****Roles and responsibilities**

- Ongoing strengthening of the balance sheet to sustainable services
- Build the reserves and infrastructure investment with surplus per financial year contribution
- Explore funding alternatives for infrastructure development
- Sustainable and affordable tariffs
- Reliable infrastructure
- Upgrade plants to provide minimum five mega litres per day
- Influence Provincial Water Infrastructure Sector Plans
- Minimise production and distribution water losses.

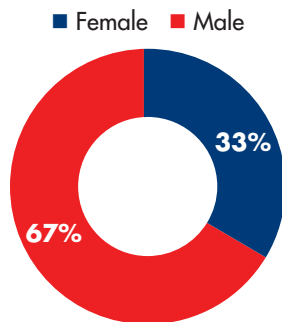
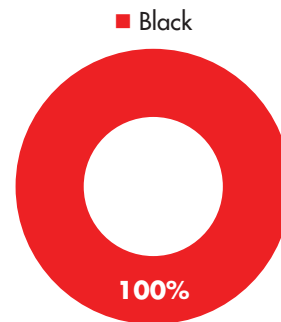
**FINCO GENDER PROFILE****FINCO RACE PROFILE**

Figure 7.7: Finance Committee demographics

**FINCO member attendance effective from 1 July 2019 to 31 January 2020**

NO.	MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Mr Eugene Vincent Jooste	Male	2	2	100%
2	Mr Abraham Pieter Le Roux	Male	1	0	0%
3	Mr Chuma Mbande	Male	2	1	50%
4	Ms Tracy Cumming	Female	2	2	100%
5	Ms Nonkululeko Nyakaza	Female	1	1	100%

Table 7.12: FINCO member attendance effective from 1 July 2019 to 31 January 2020

**FINCO member attendance effective from 1 February 2020 to 30 June 2020**

NO.	MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Mr Sicelo Gqobana	Male	3	3	100%
2	Mr Mncedisi Mziwoxolo Malotana	Male	3	3	100%
3	Mr Mzuzima Kondlo	Male	3	3	100%
4	Ms Tracey Cumming	Female	3	3	100%

Table 7.13: FINCO member attendance effective from 1 February 2020 to 30 June 2020

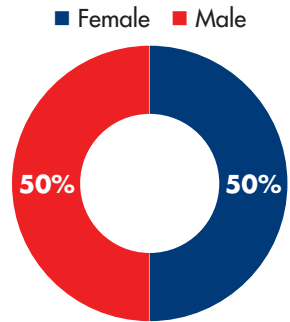
**EXECUTIVE COMMITTEE**

**Terms of reference**  
**Reviewed biannually**

**Roles and responsibilities**

- Organisational development including but not limited to the Turnaround Plan, rebranding and restructuring
- Delegation authority review
- Matters that fall within the mandate of more than one committee to avoid duplication
- Any other matters.

**EXCO GENDER PROFILE**



**EXCO RACE PROFILE**

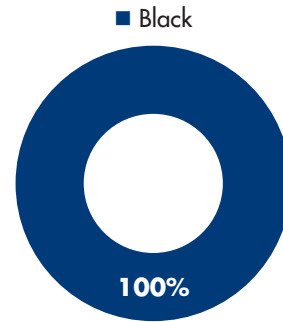


Figure 7.8: Executive Committee demographics

**EXCO member attendance effective from 1 July 2019 to 31 January 2020**

NO.	MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Ms Eugene Vincent Jooste	Male	2	2	100%
2	Mr Abraham Pieter Le Roux	Male	1	1	100%
3	Mr Chuma Mbande	Male	2	1	50%
4	Mr Brian Edwin Hollingworth	Male	2	2	100%
5	Mr Ayanda Wakhaba	Male	1	1	100%
6	Mr Maxwell Sirenya	Male	1	1	100%
7	Ms Amanda Magwentshu	Female	1	1	100%

Table 7.14: EXCO member attendance effective from 1 July 2019 to 31 January 2020

**EXCO member attendance effective from 1 February 2020 to 30 June 2020**

NO.	MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Ms Buyelwa Sonjica	Female	1	1	100%
2	Rev Nkosinathi Geja	Male	1	1	100%
3	Ms Tabiso Wana	Female	1	1	100%
4	Mr Sicelo Gqobana	Male	1	1	100%
5	Ms Luhle Tshangela	Female	1	1	100%

Table 7.15: EXCO member attendance effective from 1 February 2020 to 30 June 2020

## MANAGEMENT COMMITTEE PROFILES



Vuyo Zitumane  
*Chief Executive*

**Date of Appointment:** 1 April 2018

**Date of Termination:** 13 November 2020

**B Juris, BA (Hons) cum laude, MBA**

Ms Zitumane is an experienced turnaround specialist and has been instrumental in stabilising several municipalities in the Eastern Cape such as Sundays River, Mquma, King Sabata Dalindyebo and Nelson Mandela Metropolitan Municipality. She was seconded to the Nelson Mandela Metropolitan Municipality by the provincial Department of Cooperative Governance and Traditional Affairs as part of a Section 154 intervention which she successfully completed.

She has served and chaired many boards including JSE-listed companies.

Ms Zitumane is also the recipient of a Business Women Association Regional Award Winner of Women in Government Awards in 2012.



Ms Asanda Gidana  
*Executive Manager: Operations*

**Date of Appointment:** 2 March 2015

**Date of Termination:** 31 May 2020

**ND (Civil Engineering), BTech (Civil Engineering) (Urban Planning), Executive Leadership Programme, MBA**

Ms Gidana has acquired 20 years of experience in infrastructure development in the public and private sector, as well as 11 years of senior management/executive experience. She has played several leadership roles at provincial and municipal level and led various infrastructure and other government-related implementation programmes. She started her professional career at Aurecon (formerly Africon Engineering International), moved into the municipal space at Nelson Mandela Bay Metro and Ndlambe Municipality. She also worked for the Department of Roads and Transport, Department of Human Settlements and Department of Water and Sanitation, before joining Amatola Water



Mr Luyolo Fokazi  
*Chief Financial Officer*

**Date of Appointment:** 15 October 2018

**Date of Termination:** 18 December 2020

**BCom (Accounting) and CPMD (Wits Business School) and is studying towards his MBA (thesis outstanding)**

Mr Fokazi has vast experience as a Chief Financial Officer in various local and district municipalities. He has worked for National Treasury as the Municipal Advisor where he worked directly with municipalities, giving them valuable advice in develop turnaround strategies, development and implementation of revenue enhancement strategies, as well as guidance on the broader National Treasury reform programme. He has also worked with KwaZulu Natal COGTA in the Chief Financial Support Programme.

He has an enormous experience as a Chief Financial Officer that covers a period of approximately 19 years.



Ms Jo Dalbock  
*Executive Manager: Corporate Services*

**Date of Appointment:** 8 January 2018

**Date of Termination:** 12 June 2020

**BCom (Accounting & Economics), PG Dip (Human Resources Management), Diploma: Manufacturing Management**

Ms Dalbock has 27 years of experience in the human resources arena, servicing private and public sector organisations from the corporate and consulting perspective. She has operated at an executive level for 16 years where she has played an integral strategic and governance role. Her key skills are in leadership, employee relations, people development, performance management, change management and project management.



Mr Sazile Qweleka  
*Executive Manager: Operations*

**Date of Appointment:** 1 September 2020

**BTech (Mechanical Engineering), MBA**

Mr Qweleka joined Amatola Water in August 2010 as a Programme Manager in the Operations Division. He has vast experience in the public and private sectors in the fields of programme management, production systems, operations and engineering maintenance. He has worked for companies such as Namakwa Sands, SA Five Engineering, South African Breweries and the Ford Motor Company of SA.

**\*\*Acting Chief Executive effective from 19 March 2021**

# STRATEGY IMPLEMENTATION

## Delegation of Authority

In accordance with the Water Services Act 108 of 1997, the Board may delegate any operational power to:

- a committee of the Board
- its Chief Executive
- any of its employees.

This is done through the delegation of authority matrix. Even though the CE is delegated responsibility to handle matters, the CE remains responsible for reporting to the Board on all delegated areas.

In the 2019/20 financial year, the Delegation of Authority (DOA) went through a review process and is awaiting Board approval.

## Chief Executive

The Chief Executive consistently strives to achieve the organisation's financial and operational goals and objectives, and ensures that the day-to-day business affairs of the organisation are properly monitored and managed.

The incumbent ensures continuous improvement in the quality and value of services provided by the organisation so that it achieves and maintains a satisfactory position in the water industry.

The incumbent also fosters a corporate culture that promotes ethical practices, encourages individual integrity, and fulfils the social responsibility objectives and imperatives.

With respect to providing information and counsel to the Board, the Chief Executive is duty bound to ensure that the Board is kept well informed at all times. Accordingly, the incumbent has the duty:

- to submit monitoring data required by the Board in a timely, accurate and understandable fashion so that Board is fully informed
- to take steps to make the Board aware of relevant trends, anticipate adverse media coverage and contemplate significant external and internal changes, and particularly, changes in assumptions upon which any Board strategy has previously been established
- to advise the Board that it is not in compliance with its own policies on governance and Delegation of Authority, particularly if, in the Chief Executive's opinion, this is the case and especially in instances where the conduct of the Board is known to have a detrimental effect on the working relationship between the Board and the Chief Executive.

The Chief Executive is contracted in terms of a performance agreement which is reviewed annually. The incumbent's appointment is for a period of five years, subject to renewal for further terms.

## Corporate governance at an operational level



Figure 7.9: Corporate governance at operational level

# ETHICS

Amatola Water’s Ethics Programme involves various steps including policy and system reviews, and awareness campaigns. Ethics awareness workshops and training were not held during the year under review due to the COVID-19 lockdown regulations.

Amatola Water’s leadership has shown commitment by incorporating the values in all aspects of its business conduct.

All staff have access to governance officials and are invited to raise any ethical questions or concerns with them. The Board has entrenched a zero-tolerance culture to fraud. The Board has taken consequence management in all instances of fraud and corruption and shown its commitment to dealing with contraventions.

## Value addition

Increase stakeholder trust in the brand, reduce fraud and increase ethical decision-making and the reduction of non-compliant expenditure.

## Sustainability

- Amatola Water is committed to reporting on the organisation’s ethics management and the implementation of a strong ethics management programme.
- The impact is measured through investigation reports, proving that fraud and consequence management is undertaken.

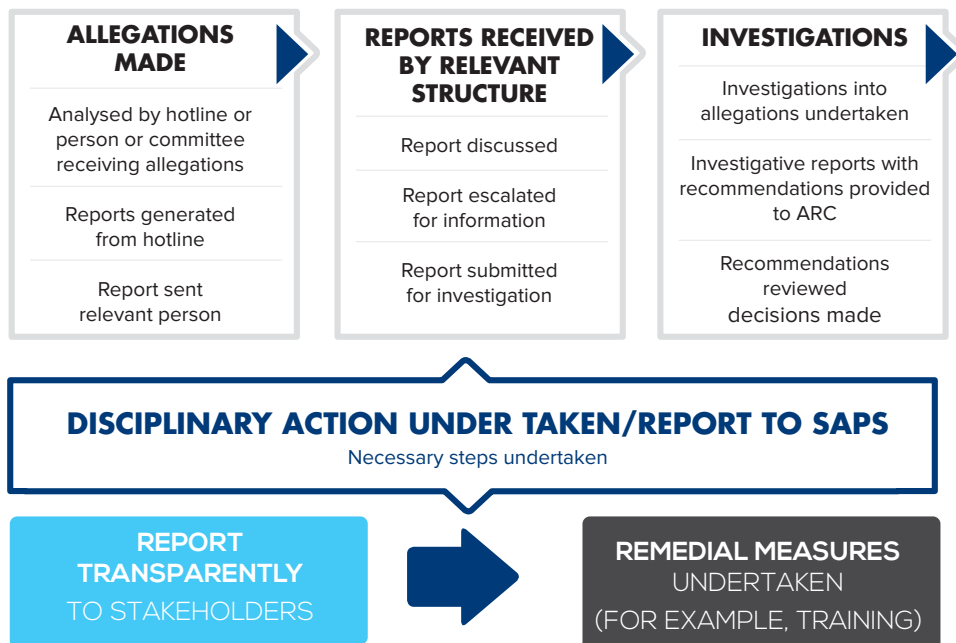
## Trend analysis

- The trend shows that the hotline was used often which gave credibility to the system.

## Looking forward

- Conduct a gap analysis
- Implement the overarching ethics programme
- Join an independent body for benchmarking and rolling out best practice
- Conduct annual training and awareness
- Assess the effectiveness of the ethics management and training
- Test the overall impact of the organisation’s actions on stakeholder perception.

## Anti-Fraud and Corruption Strategy



YEAR	NO OF CALLS RECEIVED ON HOTLINE	NO OF REPORTS GENERATED	AREAS	ACTUAL FRAUD CONFIRMED	RESULTS
15/16	69	9	Computer crime (3)	No	The Audit and Risk Committee did not find any evidence of fraud or tender irregularities. All allegations relating to management were escalated to the CE and sent for external investigation, which ultimately led to the dismissal of individuals.
			Human resources (3)	No	
			Enquiry (1)	No	
			Corruption (1)	No	
16/17	48	11	Governance (2)	No	Matters at management level were escalated to the CE level who reported it to the Audit and Risk Committee. The other matters relating to tender irregularities had to be escalated for further investigation. Any potential fraud and actual fraud is reported to the Audit and Risk Committee to Board.
			Violent crime (1)	No	
			Pollution and environmental (2)	No	
			Other crime (security issues) (1)	No	
			Human resources (4)	No	
			Procurement irregularities (1)	No	
17/18	26	2	Governance (1)	No	The Audit and Risk Committee has assessed and investigated these reports and found no evidence of fraud.
			Unfair business practice (1)	No	
18/19	40	3	Governance (1)	No	The governance matter referred to an alleged conflict of interest on the part of an employee who is currently facing disciplinary charges. The matter was postponed to obtain further evidence. One theft matter related to a dismissed employee who allegedly still had an Amatola laptop in his possession. Management is confirming the status of the laptop, which was not returned to the IT Department. The second theft matter was referred to Internal Audit for further investigation. The alleged suspect was found to be employed by the Ndlambe Municipality and not Amatola Water.
			Theft (2)	No	
19/20	25	1	Fraud	No	Alleged fraud and unethical behaviour implicated an employee at Amatola Water.

Table 7.16: Fraud hotline reports

All investigation reports were made available to the Auditor-General South Africa for perusal. All recommendations, arising from the reports, were carried out by the Board.

This shows the effectiveness of the reporting and the fraud hotline system. This can be confirmed by the handling of the reports and outcomes. Processes and procedures are put in place that are transparent and efficient.

## Minimising conflict of interest and gift registers

The reporting of the potential conflicts of interest is done online and consolidated by an independent body where the details of the discloser (employee) is compared to the Companies and Intellectual Property Commission (CIPC).

Amatola Water is also implementing a system which compares supplier disclosures with that of the employees and Board Members to generate an Integrated Annual Report that compares and highlights areas that need to be managed.

The effectiveness of these procedures is determined by adhering to the documented procedures, and real-time monitoring and reporting.

This creates a value-add service that is founded on interrogation, best-practice implementation and the management of potential areas of conflicts. The goal of these procedures is to minimise and eliminate fraud, and potential fraud from occurring.

Although disclosures occur annually, any changes can be made during the year. The onus is on the employees and Board Members to ensure full disclosure and for the effective and proactive management of the areas which have been flagged.

## RISK, COMPLIANCE AND ASSURANCE REPORTING

The Board, through its Audit and Risk Committee, ensures there is an effective risk management process within the Board. Risk management processes include policy development, facilitation of risk assessments and the development of mitigating controls for the identified risks.

### Integrated Enterprise Risk Management

Amatola Water has an Integrated Enterprise Risk Management Policy. The policy was reviewed and remains relevant. Every year, the Board engages in a strategic risk review to identify risks that could hinder the implementation of the strategy.

The organisation has adopted an approach to identify and mitigate risks on three levels, that is, at the strategic, divisional and process levels.

The cause, consequence and risk owners are identified. Then the inherent risks and controls, together with the residual risks, control improvements and implementation dates, are calculated and confirmed by Management.

Reporting is escalated from the divisions to the Corporate Risk Committee, Audit and Risk Committee and finally with the Board.

**The following table reflects the inherent and residual impact risk rating of the 13 strategic risks:**

NO	STRATEGIC OUTCOME NO	RISK TITLE	INHERENT RATING			RESIDUAL RISK RATING		
			LIKELIHOOD	IMPACT	TOTAL	LIKELIHOOD	IMPACT	TOTAL
SR1	SO1 & SO2	Financial viability	10	10	96	8	8	64
SR2	SO3 & SO4	Fraud, corruption and collusion	9	9	81	7	7	49
SR3	SO3 & SO4	Poor relations between management and labour - consolidated	10	10	100	6	7	42
SR4	SO3 & SO5	Inability to meet the bulk water supply demand	8	8	64	6	6	36
SR5	SO3 & SO5	Non-compliance with national standard of water quality and wastewater effluent	8	7	57	6	5	30
SR6	SO4 & SO5	Unsustainable corporate governance	10	10	100	10	9	90
SR7	SO3	Lack of stakeholder confidence in AW - consolidated	10	10	100	7	7	49
SR8	SO3	Environmental unsustainability	7	7	50	7	5	36
SR9	SO4, SO5 & SO6	ICT governance	8	8	71	7	6	42
SR10	SO3&SO5	Security	9	9	79	9	7	63
SR11	SO1 & SO2	Inadequate contract management	10	10	100	8	7	56
SR12	SO3, SO4 & SO5	Ineffective project and programme management	10	10	100	7	7	49
SR13	SO3, SO5 & SO6	COVID-19	9	8	72	8	9	72

Table 7.17: Strategic risks' inherent and residual risk rating

### Compliance with Laws and Regulations

The Enterprise-Wide Legislative Compliance Policy defines the fundamental principles, roles and responsibilities of the compliance function within the Amatola Water Board with its Board of Directors, Executive Managers, and the business and operational functions.

The Enterprise-Wide Legislative Compliance Policy is in place and being implemented. Monitoring and reporting of the universal regulatory environment occurs on a quarterly basis.



The Safety and Health units within Amatola Water also ensure compliance with legislation. This follows the ISO standard audit. Reporting on the audit findings and remedial actions are facilitated through the compliance function.

Compliance is reported through the Risk Committee to the Audit and Risk Committee (ARC). The autonomy of the compliance function and allowance to report breaches directly to the ARC is fundamental to the independence of the function and is entrenched in the policy.

## Value Addition

The value addition for compliance is being institutionalised. Hence, it is anticipated that with proactive compliance-thinking, the awareness will be created to manage and prevent breaches in legislative compliance.

## Sustainability

While there are interventions to ensure compliance, shortfalls have been identified and are articulated in the external audit reports. An extensive review of existing policies to ensure compliance is underway.

## Trend Analysis

The audit review indicates similar issues to those which were raised in the previous financial year. On a comparative basis, there are concerns about the lack of improvement in terms of the severity of non-compliance issues such as non-compliant expenditure.

The amended Public Audit Act (PAA) requires institutions to undertake consequence management for non-compliant expenditure and Amatola Water is committed to implementing the requirements of the PAA.

## Assurance Providers

The Amatola Water Board has Internal and External Auditors. The internal audit is cosourced to PricewaterhouseCoopers (PwC). The External Auditor is the Auditor-General of South Africa (AGSA).

The Board has an independent Audit and Risk Committee (ARC) which plays an important oversight and monitoring function of the entity's Internal Audit and Risk Management activities. The management has established an internal Risk Management Committee that meets quarterly to identify, assess and monitor the effectiveness of the Enterprise-Wide Risk Management Framework.

It should be noted that Management also undertakes internal audits in terms of certification, be it to test OHSA or ISO compliance prior to applying to obtain certification and accreditation.

The independence of assurance providers is considered very important for the protection of Management and the Board. After the audits have been undertaken, reports are submitted to the Amatola Water Board through the ARC. Management monitors any findings (from Internal Audit and External Audit) and improvements which have been put in place to mitigate and prevent the finding from re-occurring in line with the Audit Non-Conformance Report (Audit Intervention Plan). This report is tabled with the Management Committee, ARC and Finance Committee.

The advantages of assurance reports are two-fold: It enhances the validation of information and ensures verification and accuracy of the underpinning processes and controls for providing quality water and service delivery.

## Value addition

Assurance reports provide value to shareholders and management by ensuring quality operations are undertaken. Assurance also assists in ensuring that effective controls are put in place to mitigate risks, be these operational, financial or fraudulent in nature.

## Sustainability

Assurance planning and reporting is critical and has an impact on the organisation and indirectly on society at large. It can affect the organisation's reputation and credibility. The better the assurance report, the better the reputation of Amatola Water will be.

Assurance reporting is required legislatively. Future intentions include having a fully-fledged in-house internal audit function to ensure ongoing value addition and monitoring of controls.

## Internal audit

The Public Finance Management Act and King IV require Amatola Water to appoint Internal Auditors. Furthermore, the assurance internal audit provides assists the organisation in managing its reputation as it creates shareholder value and stakeholder appreciation of the organisation.

Internal audit is currently a cosourced function. Internal audit plays a critical role in Amatola Water's corporate governance.

The approved Internal Audit Plan for the 2019/20 financial year included:

- Risk assessment
- Debt Recovery Management
- Infrastructure/Asset Management Review (GRAP Compliance of Asset Register)
- Review of Technical Data sheets
- Information Technology Review (Follow-up AGSA finding no. 04 and no. 06)
- Bi-annual Financial Statements
- 2018/19 Draft Annual Financial Statements
- 2018/19 Draft Annual Performance Report
- Supply Chain Management Review
- Follow-up on the 2018/19 AGSA findings (Audit Intervention Plan)
- Reviewed Quarterly Performance Information Reports (Quarter 1 to Quarter 4) prior to submission to the Department of Human Settlements, Water and Sanitation.

## Going forward

Amatola Water strives to achieve a clean audit by ensuring full implementation of the Audit Intervention Plan and addressing the control deficiencies raised in the various Internal Audit Reports.

## Performance of internal audit

The International Professional Practices Framework (IPPF), that guides the work of internal auditors, defines internal auditing as an assurance and consulting activity (without providing more consulting services over auditing). It provides a value-add service to the organisation by evaluating the effectiveness of risk management, internal control and governance processes within an organisation.

The ARC, as part of its mandate as outlined in the ARC Charter, assessed the effectiveness of the Internal Audit function.

## External Audit

The external auditor for 2019/20 is the Auditor-General of South Africa.

## Other Assurance Reports

There are various other forms of external auditing that occur throughout the operations.

### These audits includes:

- The SHE compliance audit prior to the verification and achieving ISO accreditation or Blue and Green Drop Certification
- The OHSA audits.

More details of these reports can be found on page 97 of the SHE Report. The advantages of assurance reports are two-fold: It enhances the validation of information and ensures verification and accuracy of the underpinning processes and controls for providing quality water and service delivery.

Furthermore, the Internal Audit Unit liaised and coordinated efforts, where necessary, with the Risk Management Office, AGSA and investigators that conducted various investigations at Amatola Water.



**08**

**FINANCIAL REVIEW**

## INTRODUCTION

The past financial year has been tough for the economy of the country. This was exacerbated by the impact of the declaration of drought within the Eastern Cape Province as well as the impact of the Covid-19 pandemic with its resultant lockdown as imposed by the President of the Republic of South Africa on 26 March 2020. This had a negative impact on most of our clients as it resulted in their continued inability to meet their debt obligations. This also meant that most capital projects that were currently under implementation had to be stopped until the declaration of level-3 lockdown.

Whilst Amatola Water had witnessed a slow recovery from the financial sustainability challenges that prevailed up to the 2017/18 financial year, the 2018/19 financial year showed some positives as a result of the implementation of the financial recovery and turn-around plans. With the declaration of drought within the Eastern Cape Province during quarter 2 of the current financial year, the financial situation of Amatola Water started to stagnate and got even worse during the remaining two quarters (quarter 3 and 4) as a result of the National Lockdown. This resulted in an increased debtors' book as well as continued inability to effect payments to creditors.

The wage demands as agreed to at the Amanzi Bargaining Council continued to put a strain in Amatola Water's financial sustainability as some of them had to be implemented retrospective from the beginning of the financial year as well as those wage demands that emanated from the previous financial year.

### Implementation of the Financial Recovery Plan

The financial recovery that was developed in the previous financial year is currently being reviewed. Key areas to be addressed during the review process would be to ensure that the following issues are elevated:

- (i) Identifying additional revenue generating projects for Amatola Water so as to grow the current revenue base.
- (ii) Reduction in costs associated with doing business.
- (iii) Identify potential projects and cost savings to be implemented and achieved in the short, medium and long-term.
- (iv) Proper cost analysis of all potential projects to be implemented.

## FINANCIAL SUSTAINABILITY AND VALUE CREATION

Amatola Water operations depict an operating deficit of R14,9 million in the current financial year compared to a restated operating surplus of R141 million in the previous financial year.

With the introduction of the new reporting framework, as required by the Accounting Standards Board (ASB), the Generally Recognised Accounting Practices (GRAP) standards in the previous financial year, the first-time implementation of these standards resulted in Amatola Water recognising revenue from grant funding. However, there has not been any corresponding grant funding receipts recognized in the current financial year.

Primary business revenue increased by 7% (R364 million) in comparison to the prior year (R341 million). This reported increase was achieved in both sales of raw water as well as treated water.

These are some of the positive developments emanating from the implementation and bringing into operation some components of the plant upgrades projects.

Secondary business revenue has decreased by 34% (R55 million) in comparison to prior year (R82 million). This is as a result of the termination of one of the major contracts with the Department of Public Works as well as the reduced budget for the implementation of the projects for the Department of Education (DOE) coupled with slow implementation of projects aligned to both the Regional Bulk Infrastructure Grant (RBIG) and the Municipal Infrastructure Grant (MIG)..

## AMATOLA WATER FINANCIAL SUSTAINABILITY

In line with National Treasury requirements, the Amatola Water Board resolved to adjust the current year budget downwards as some of the planned contracts that would have yielded additional revenue could not be confirmed. This was coupled with the declaration of drought by the Premier of the Eastern Cape Province as per Provincial Gazette number 4336 of October 2019.

Also, linked to the reasons for the revised budget was the following:

- Termination of a contract on secondary business.
- Secondary business projects not generating sufficient revenue as planned.
- Provisions for additional increases in payroll costs and allowances as per the signed Amanzi Bargaining Council Wage Agreement.
- New projects to be implemented (i.e. drought relief project).

This was to ensure that the Amatola Water budget realistically reflects the anticipated revenue to be collected over the year under review.

Actual revenue from exchange transactions as at the reporting date depicts a decrease of 1% (R419 million) compared to R423 million (restated) in the previous financial year.

The revenue from non-exchange transactions decreased by 99% (R1.2 million) compared to R92 million (restated) in the previous financial year. This significant reduction was as a result of the grant received in the prior year towards the Amatola Water plant upgrades which was treated as revenue.

Total expenditure increased by 32% (R181 million) compared to R138 million (restated) for the previous financial year. This increase was mainly influenced by the 395% increase in the provision for debt impairment which was as a result of the continued failure by the Amathole District Municipality to honor their debt.

A payment agreement was signed with the Amathole District Municipality On 31 March 2020 towards this debt. It will be paid over a period of 48 months effective 01 July 2020. Operating and administrative expenses have decreased by 19% to R32 million compared to R40 million for the previous financial year.

Employee related costs continue to escalate as depicted by the 23% increase to R59 million compared to R48 million in the previous financial year. This is mainly as a result of effecting the Amanzi Bargaining Council allowances as per the 2019/20 agreement as well as the outstanding 2018/19 allowances that were deferred.

The impact of drought as well as the Covid-19 pandemic that resulted in the President of the Republic of South Africa imposing a lockdown effective from 26 March 2020 had negative implications in the revenue generation potential of Amatola Water during the third and fourth quarters of the financial year as most clients started defaulting in meeting their monthly obligations.

# PRIMARY AND SECONDARY BUSINESS REVENUE

Revenue from the primary business for raw water and treated water sales has increased by 7% (R364 million) when compared to R341 million from the previous financial year. The increase was mainly as a result of the tariff increase of 6.85% during the current year.

**PRIMARY REVENUE  
(2017-2020)**

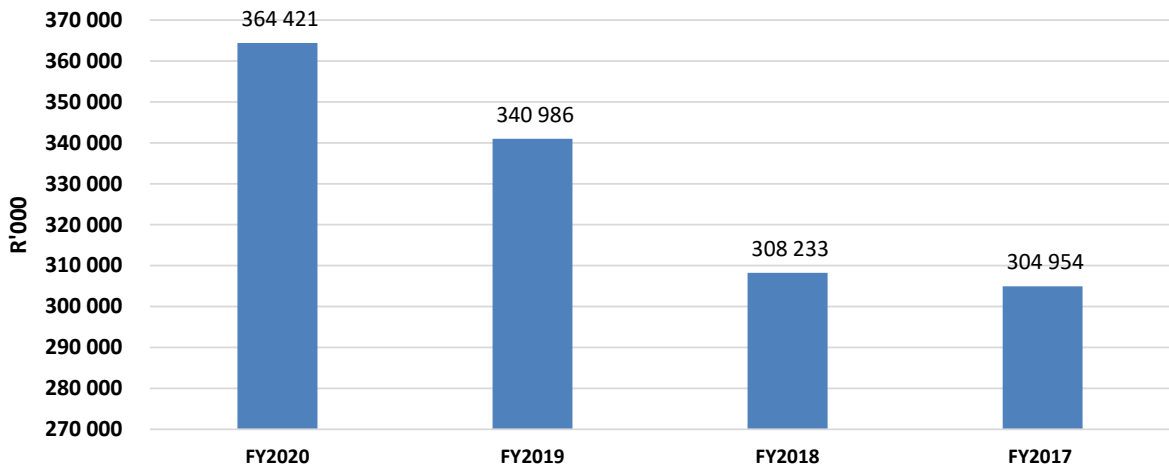


Figure 8.1: Primary Revenue (2017-2020)

**PRIMARY REVENUE  
(2013-2016)**

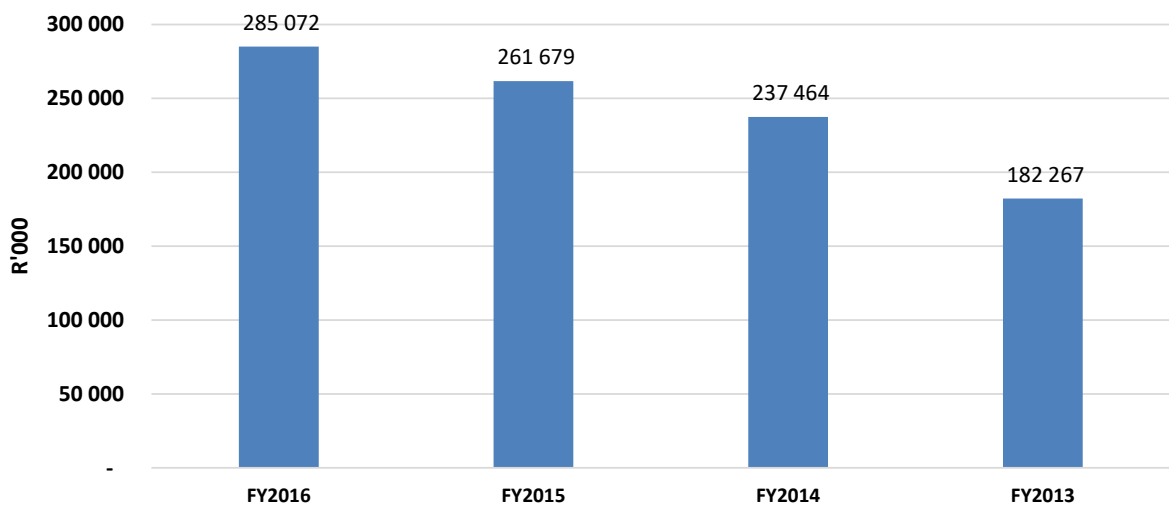


Figure 8.2: Primary Revenue (2013-2016)

Secondary business revenue decreased by 34% (R55 million) when compared to R82 million from the previous financial year.

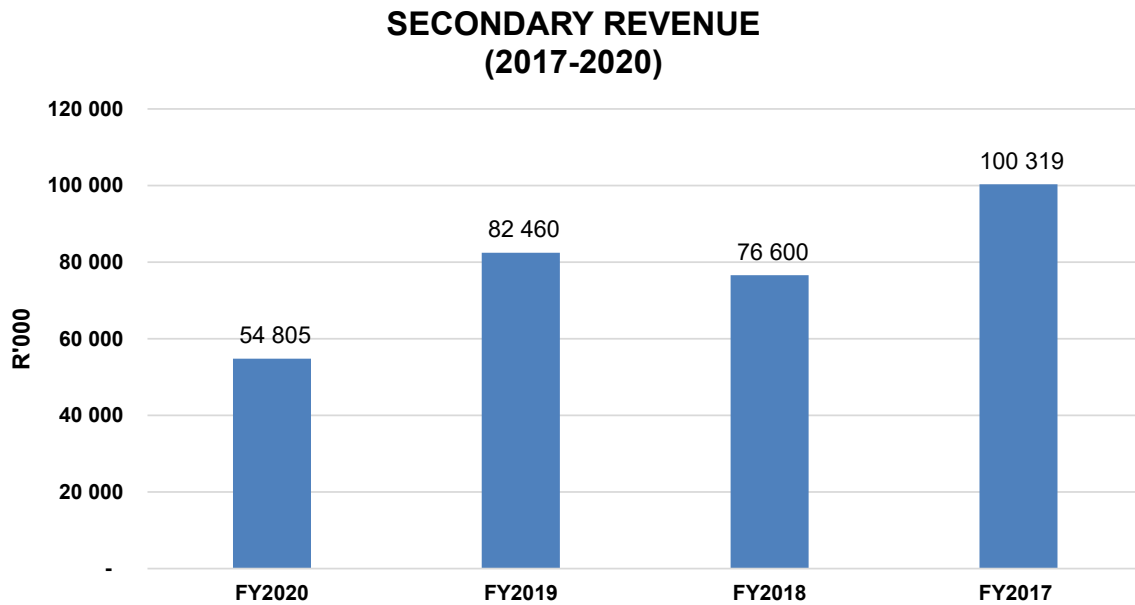


Figure 8.3: Secondary Revenue (2017-2020)

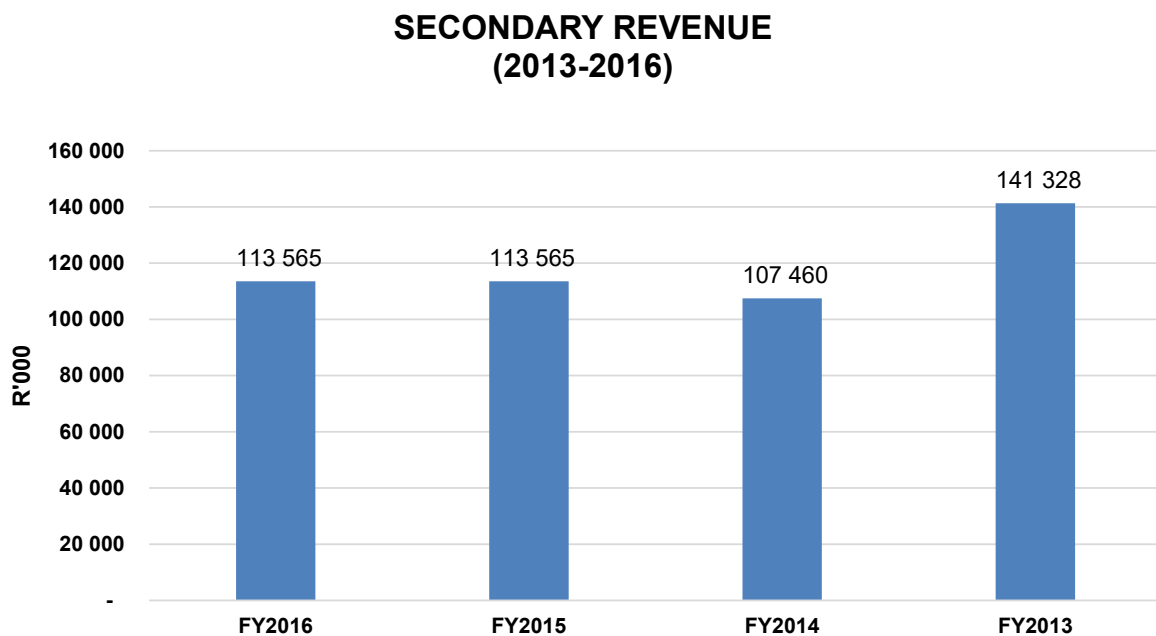


Figure 8.4: Secondary Revenue (2013-2016)

## COST OF SALES AND OPERATING COSTS

The cost of sales has increased by 7% (R31 1 million) during the year and this increase is higher than the year-on-year increase of 1% when compared with the previous financial year (R291 million).

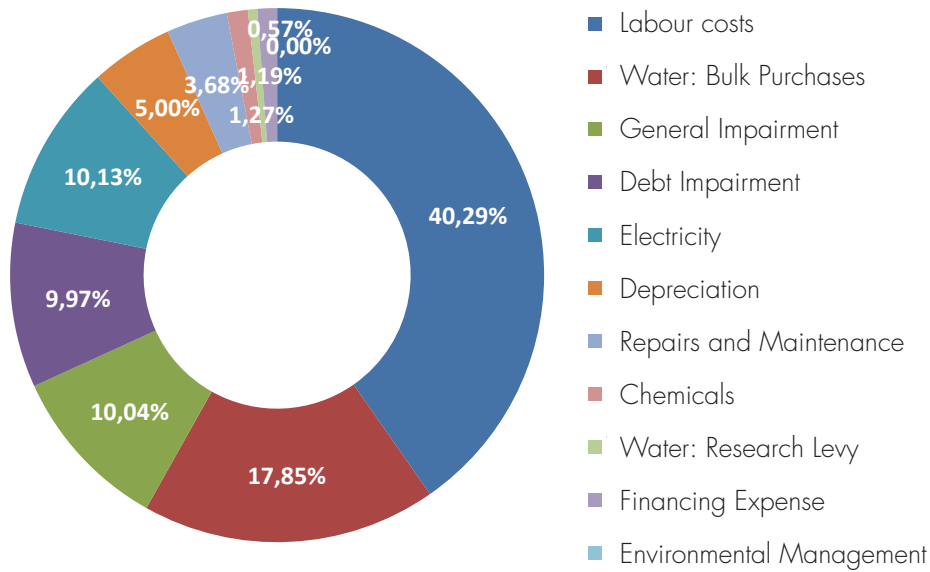


Figure 8.5: Cost of sales and operating costs 2019/2020

## FINANCE INCOME

Finance income from cash and cash equivalents has been consistently increasing year-on-year with a 7% increase in the year under review when compared to a 64% increase in the previous financial year. The year-on-year increase is starting to reduce as a significant portion of the cash and cash equivalents is starting to be utilized towards projects implementation.

In line with the provisions of the approved Banking, Cash Management and Investment Policy, cash on hand is invested in short-term deposits with highest interest bearing potential with the four major banks. Additional interest is charged on all outstanding debtors' invoices

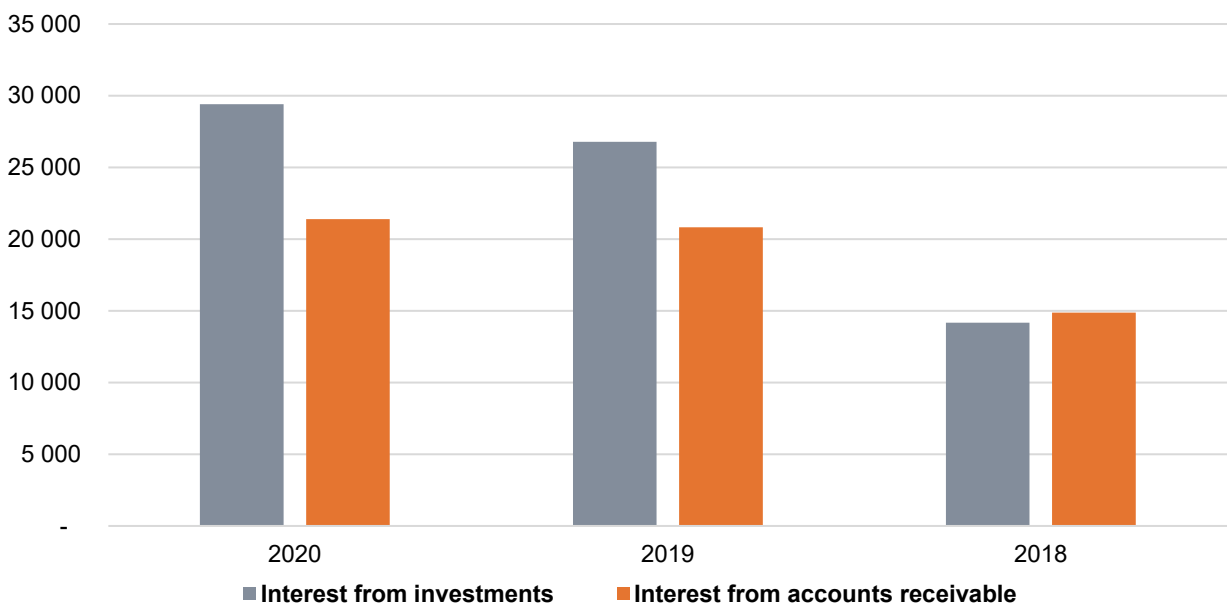


Figure 8.6: Finance Income 2018 -2020



## KEY FINANCIAL RATIOS

The following table reflects key financial ratios that depict Amatola Water's performance for the financial year under review.

RATIOS	RESTATED					
	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015
Current Ratio	1.498	1.545	1.27	1.36	1.24	1.20
Trade Debtors (days)	87.78	69.65	66.60	88.07	160.9	342.8
Return on Assets	-10.01%	18.79%	-8.35%	1.78%	2%	-0.00
Debt/Equity Ratio	-	-	-	-	-	-
Acid-Test Ratio	1.49	1.54	1.27	1.35	1.23	1.00
Cost of Sales (R/kl)	5.95	5.39	5.22	4.62	4.72	4.08
Electricity Cost (R/kl)	1.23	1.04	0.98	0.92	0.88	0.81
Chemical Costs (R/kl)	0.15	0.26	0.25	0.18	0.20	0.24
Raw Water purchases (k/l)	2.18	2.15	2.16	1.83	1.94	1.63
Water Research levies (k/l)	0.07	0.08	0.07	0.07	0.06	0.05
PRODUCTIVITY	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015
Number of Employees	336	365	488	380	343	375
Average Revenue per Employee (R'000)	1,248	1,431	979	1,067	1,162	894

Table 8.1: Key financial ratios

## SUPPLY CHAIN MANAGEMENT

The supply chain management unit has performed a review of all its policies during the current financial year and aligned them with the National Treasury instruction and practice notes. Despite glaring capacity deficiencies with the SCM Unit, significant progress has been achieved in curtailing irregular, fruitless and wasteful expenditure as there are significant reductions during the current year in both categories. The same has been achieved in the reduction of deviations from supply chain management policies. The review of the SCM policies culminated in the approval of the following policies by the Board:

- Supply Chain Management Policy for goods and services
- Framework for Infrastructure Delivery and Procurement Management

The standard operating procedures that give effect to these policies have also been developed and await final approval at a management level.

Key activities as identified in the Turnaround Plan (TAP) as well the Financial Recovery Plan (FRP) continue to be implemented thus resulting in some improvements in the internal control environment within the SCM unit.

### Key focus areas identified during the year were:

- Appointment of a Contracts Manager
- Review of existing policies
- Development of Standard Operating Procedures

## CONTRACTS MANAGEMENT UNIT

For the first time during the fourth quarter of the financial year, Amatola Water appointed a contracts manager. Included in the duties assigned to the contracts manager is to establish a fully-fledged unit so as to provide the required support towards the management of all Amatola Water contracts. The following key achievements have been noted within the current financial year:

- a) The drafting of contracts of all Amatola Water legal binding agreements has been introduced to ensure that the roles and responsibilities of each Contracting Party, as well as contractual terms and conditions are maintained in a best possible manner.
- b) Contract Review process has been initiated before the signing of each contract to ensure that all Agreements are vetted to maintain fairness and transparency in all Amatola Water legal binding agreements.
- c) Actual performance of each project is monitored against contract requirements.
- d) Monitoring of the status of each contract mainly construction project is monitored monthly through desktop review process in the interim.
- e) Project Managers are required to submit progress reports of each project to monitor progress and update contract register.
- f) Contract & Deviation register is maintained monthly to monitor progress of each contract.
- g) Contract Dispute process has been introduced and maintained to minimise the litigation risks and to ensure that dispute resolution processes are well managed between Amatola Water and its suppliers.

## LOOKING AHEAD

Amatola Water's financial sustainability relies heavily on key clients honoring their payment obligations. This is at the back drop of a struggling economy which has been exacerbated by both the declaration of drought as well the impact of the National Lockdown due to the Covid-19 pandemic. Whilst there were glimpses of emergence the threatening financial sustainability difficulties experienced during the 2016/17 to the 2017/18 financial years, these have been eroded by both the effects drought and Covid-19. For continued financial sustainability and viability, the following key focus areas have been identified:

- Finalization and implementation of the primary and secondary business models.
- Aggressive implementation of the Credit Management and Debt Collection Policy.
- Review of the Financial Recovery Plan to address potential new revenue generation projects as well as reduction in costs of doing business.
- Focused attention towards SMME development so that they participate positively in growing the Eastern Cape economy.

# INDEX

The reports and statements set out below comprise the financial statements presented to the Executive Authority:

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<b>2. Auditor General's Report</b>	<b>109</b>
<b>3. Audit and Risk Committee Report for the year ended 30 June 2019</b>	<b>115</b>
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**09**

# ANNUAL FINANCIAL STATEMENTS

# 1 Accounting Authority's Responsibility and Approval of the Annual Financial Statements

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion of the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) including interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. The Accounting Authority acknowledges that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, the Accounting Authority sets standards for internal control aimed at reducing the risk of error or omission in a cost effective manner.

The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.


The Accounting Authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or omission.

The Accounting Authority has made an assessment of the entity's ability to continue as a going concern and is satisfied that Amatola Water Board has adequate resources to remain operational for the foreseeable future.

The external auditors are responsible for reporting on whether the financial statements are fairly presented in all material respects in accordance with the applicable financial reporting framework. The external auditors are also responsible for independently reviewing and reporting on the entity's annual financial statements.

The president of the country declared a national state of disaster in South Africa effective from the 26th March 2020 and South Africa went into a 21 day Level 5 lockdown. The initial 21 day lockdown was further extended by an additional 14 days. This resulted in significant implications in meeting both our quarterly and annual targets for both revenue and expenditure.

The annual financial statements, as set out on pages 121 to 172, which have been prepared on the going concern basis, and approved by the Accounting Authority on the 23 April 2021 and signed on its behalf by:



Mr. Z. Xalisa  
Acting Board Chairperson



Mr. S. Qweleka  
Chief Executive (Acting)

# Report of the Auditor-General to Parliament on the Amatola Water Board

## Report on the audit of the financial statements

### Qualified opinion

1. I have audited the financial statements of the Amatola Water Board set out on pages 121 to 172 which comprise statement of financial position as at 30 June 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and 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 my opinion, except for the effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Amatola Water Board as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

### Basis for qualified opinion

#### Property plant and equipment

3. The entity did not properly account for assets in accordance with GRAP 17, Property, plant and equipment as the entity did not record all items that met the definition of property, plant and equipment. I was unable to determine the full extent of the misstatement on property, plant and equipment, stated at R582 million in note 8 to the financial statements, as it was impracticable to do so.
4. Furthermore, the entity did not adequately disclose work-in-progress in accordance GRAP 17, Property, plant and equipment. Expenditure incurred on work-in-progress was not disclosed per class of asset being constructed. Consequently, the disclosure was not in line with the GRAP standard.

#### Irregular expenditure

5. The entity did not include all irregular expenditure in the notes to the financial statements, as required by section 55(2)(b)(i) of the PFMA. This was due to payments made in contravention of the supply chain management requirements. Consequently, I was unable to determine the full extent of the misstatement on irregular expenditure, as disclosed in note 32 to the financial statements, as it was impracticable to do so.

### Context for the opinion

6. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
7. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### Material uncertainty relating to going concern/ financial sustainability

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.
10. Note 36 to the financial statements indicates how covid-19 has affected the entity to date, and results in certain material uncertainties related to the future financial position, performance and cash flows of the entity. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Due to the impact of covid-19, the entity's clients will likely not meet their debt obligation.

## Emphasis of matters

11. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### Restatement of corresponding figures

12. As disclosed in note 25 to the financial statements, the corresponding figures for 2018-19 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 2019-20.

### Material debt impairments

13. As disclosed in note 5 to the financial statements, debt impairment of R49 million (2019: R10 million) was incurred as a result of an allowance for doubtful debts.

## Responsibilities of the accounting authority for the financial statements

14. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the 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.
15. In preparing the financial statements, the accounting authority is responsible for assessing the entity'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 entity or to cease operations, or has no realistic alternative but to do so.

## Auditor-general's responsibilities for the audit of the financial statements

16. My 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 my 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.
17. A further description of my 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

18. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
19. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures also do 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, my findings do not extend to these matters.
20. I 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 objective presented in the annual performance report of the entity for the year ended 30 June 2020:

**OBJECTIVES****PAGES IN THE ANNUAL PERFORMANCE REPORT**

Objective (1) – organisational efficiency and effectiveness

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21. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I 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.
22. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected objective.

**Other matters**

23. I draw attention to the matters below.

**Achievement of planned targets**

24. Refer to the annual performance report on pages to for information on the achievement of planned targets for the year.

**Adjustment of material misstatements**

25. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of the selected objective. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

**Report on the audit of compliance with legislation****Introduction and scope**

26. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the water board's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
27. The materia} findings on compliance with specific matters in key legislation are as follows:

**Annual financial statements**

28. 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 were not adequately corrected, which resulted in the financial statements receiving a qualified opinion.

**Expenditure management**

29. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1 )(b) (ii) of the PFMA. As reported in the basis for qualified opinion, the full extent of the irregular expenditure could not be quantified. The majority of the irregular expenditure disclosed in the financial statements was caused by non-compliance with supply chain management (SCM) legislation.
30. Effective steps were not taken to prevent fruitless and wasteful expenditure of R5,7 million disclosed in note 31 to the annual financial statements, as required by section 51(1 )(b)(iii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by interest charged on late payments.

**Procurement and contract management**

31. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements as the information was not submitted for audit.

32. Some goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1 )(a)(iii) of the PFMA. Similar non-compliance was also reported in the prior year.
33. Some contracts were not awarded in an economical manner or the prices of the goods or services were not reasonable, as required by section 57(b) of the PFMA.
34. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders based on preference points that were allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act 5 of 2000 and its regulations (PPPF).
35. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders that scored the highest points in the evaluation process, as required by section 2(1 )(f) of the PPPF Act and preferential procurement regulations.
36. Sufficient appropriate audit evidence could not be obtained that construction contracts were awarded to contractors that were registered with the Construction Industry Development Board (CIDB) and qualified for the contract in accordance with section 18(1) of the CIDB Act 38 of 2000 and CIDB regulations 17 and/or 25(7A).
37. Sufficient appropriate audit evidence could not be obtained that some of the commodities designated for local content and production were procured from suppliers who submitted a declaration on local production and content, as required by the 2017 preferential procurement regulations.
38. Sufficient appropriate audit evidence could not be obtained that commodities designated for local content and production were procured from suppliers who met the prescribed minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(5).

### **Consequence management**

39. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure, as required by section 51(1 )(e)(iii) of the PFMA. This was due to proper and complete records not being maintained as evidence to support the investigations into irregular expenditure.
40. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure, as required by section 51(1) of the PFMA. This was due to proper and complete records not being maintained as evidence to support the investigations into fruitless and wasteful expenditure.
41. Allegations of theft or fraud that exceeded R100 000 were not reported to the South African Police Service, as required by section 34(1) of the Prevention and Combating of Corrupt Activities Act 12 of 2004.

### **Other information**

42. 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 the selected objective presented in the annual performance report that has been specifically reported in this auditor's report.
43. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
44. In connection with my audit, my 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 objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
45. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am 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, I 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

56. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the findings on compliance with legislation included in this report.
47. The entity did not adequately review and reconcile the fixed asset register regularly.
48. The entity has numerous instances of non-compliance reported, mainly due to a lack of proper review and monitoring of compliance with applicable legislation.
49. The entity did not have sufficient monitoring controls to ensure adherence to the internal policies and procedures relating to procurement and contract management for the purposes of taking corrective action. The lack of adequate oversight resulted in the recurrence of irregular expenditure and non-compliance with the SCM policies and legislation.

## Other reports

50. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on compliance with legislation.
51. An independent consultant and the Special Investigating unit (SIU) investigated an allegation of fraud and financial misconduct at the request of the executive authority of the entity, which covered the period December 2019 to March 2020. The investigation by the independent consultant was completed; however, the report could not be obtained as it was with the executive authority. The investigation by the SIU was still in progress at the date of reporting.

*Auditor-General*

East London

31 March 2021



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the entity's compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I 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 my 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 entity's internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
  - conclude on the appropriateness of the use by the board of directors, which constitutes the accounting authority, of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Amatola Water Board to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Communication with those charged with governance

3. I 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 I identify during my audit.
4. I also confirm to the accounting authority that I 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 my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

# Audit and Risk Committee Report for the year ended 30 June 2020

## 1. BACKGROUND

The Audit and Risk Committee is established as a statutory committee in terms of section 51(1) (a) (ii) of the Public Finance Management Act and Treasury Regulation 3.1.13.

The Committee has adopted a formal Terms of Reference, as its Audit and Risk Committee Charter and has fulfilled its responsibilities for the year, in compliance with the Audit and Risk Committee Charter.

## 2. MEMBERSHIP AND ATTENDANCE

- The Committee consists solely of independent members who are financially literate and have appropriate experience.
- The Committee met nine times during the year.
- The following is a list of the members, their qualifications and a record of their attendance.

NAME	QUALIFICATIONS	INDEPENDENT EXTERNAL MEMBER OR BOARD MEMBER	RACE	DATE APPOINTED	GENDER	NUMBER OF MEETINGS		
						TOTAL	MEETINGS ATTENDED	
							TERM END DATE	
E. Jooste	BCom (Acc), SAIPA, IoDSA, International Executive Development Programme (leDP)	Board Member	Coloured	11-Mar-16	M	9	7	31-Jan-20
B. Hollingworth	BSc (Civil Engineering), ILB, MSc (Hydraulics), MBA (Business Administration)	Board Member	White	11-Mar-16	M	9	5	31-Jan-20
L. Smith	Chartered Accountant, CA (SA); Registered Auditor with South African Independent Regulatory Board for Auditors	Independent External Member	White	29-Aug-17	F	9	6	30-Jan-20
N. Ravgee	B.Sc (Info: Proci); H. Diploma Accounts, Chartered Accountant, CA (SA)	Independent External Member	Indian	27-Oct-17	M	9	1	30-Jan-20 (Resigned Prior)
N. Nyakaza	Chartered Accountant, CA (SA); Bcom, Post Graduate Diploma in Education, Post Graduate Diploma in Accounting, Bcompt Honours	Board Member	Black	30-Apr-19	F	9	2	31-Jan-20
A. Magwenishu	BA Social Work, B.A. Honours Psychology, Masters in Public and Development Management, Diploma in Labour Law and Certificate Program in Management Development for Municipal Finance	Board Member	Black	30-Apr-19	F	9	1	31-Jan-20
A. Magwenishu		Independent External Member	Black	12-Feb-20			3	17-Nov-20
L. Tshangela	Chartered Accountant, CA (SA), Bcom Accounting Honours, Bcom Honours: Internal Audit Bcom Accounting	Board Member	Black	11-Feb-20	F	9	3	17-Nov-20
P. Songo	B Juris, ILB (Post Grad)	Board Member	Black	11-Feb-20	M	9	1	05-Jul-20 (Resigned Prior)
A. Wakaba	Masters in Business Management and Administration (MBA) Honours-Bachelor of Accounting Sciences Bachelor of Commerce (Accounting) Advanced Diploma in Accounting Sciences	Independent External Member	Black	12-Feb-20	M	9	3	17-Nov-20

ARC MEMBERS	ARC POSITION	TOTAL NUMBER OF MEETINGS	NUMBER OF MEETINGS ATTENDED	ORDINARY ARC MEETINGS	SPECIAL MEETING
E. Jooste	Chairperson	9	7	5	2
B. Hollingworth	Member	9	5	3	2
L. Smith	Member	9	6	2	4
N. Ravgee	Member	9	1	-	1
N. Nyakaza	Member	9	2	1	1
A. Magwentshu	Member	9	4	2	2
L. Tshangela	Chairperson	9	3	2	1
P. Songo	Member	9	1	1	-
A. Wakaba	Member	9	3	2	1

### 3. THE AUDIT AND RISK COMMITTEE'S RESPONSIBILITIES:

The Audit and Risk Committee is satisfied that it has discharged its oversight responsibilities in respect of:

#### 3.1. Internal Controls

- The safeguarding of assets, the operation of adequate systems, control and reporting processes, and the preparation of accurate reports and financial statements in compliance with the applicable legal requirements and accounting standards.
- Overseeing the activities and ensuring coordination between, the activities of internal and external audit.
- Providing a forum for identifying and reviewing enterprise-wide risks relating to financial, performance and regulatory exposures, and monitoring controls designed to minimize these risks.
- Reviewing AW Board's quarterly financial and performance information, annual report, including the Annual Performance Information Report and Annual Financial Statements, and any other public reports or announcements containing financial and non - financial information.
- Reviewing of the year-end financial statements and performance reports.
- Annually reviewing the Committee's work and Charter and making recommendations to the AW Board to ensure the Committee's effectiveness.

#### 3.2 Risk Management

- Management is responsible for the establishment and maintenance of an effective system of governance, risk management, the prevention and detection of fraud and internal controls.
- Internal audit was guided by the consolidated risk profile, critical audit areas and management's inputs in the formulation of its Three-year Strategic and Annual Internal Audit Plans.
- AW has a Risk Committee which is chaired by the Chief Executive Officer, as the ultimate Chief Risk Officer (CRO) who reports directly to the Audit and Risk Committee, despite the Committee not being fully functional throughout the financial year. However; the Management Committee constituted by all the Executive Managers (Senior Managers) considered the quarterly risk management reports prior to tabling in the ARC meetings.
- A risk register is updated and reviewed at each risk committee meeting and updated with emerging risks. This is to ensure that all the major risks, including the emerging risks facing AW Board are effectively managed. The Committee participates extensively in the Annual Risk Assessment Workshops of AW.

#### Notes:

\*\*\* It must be noted that the Entity had two Audit & Risk Committee's established during 2019/20 financial:

- Old Committee that had its term ended on 31st January 2020; held six (6) meetings out of the nine (9) meetings held during the financial year. Therefore, this Committee served seven (7) months of the financial year.
- New Committee appointed from February 2020 (along with the Interim Board) to replace the outgoing Committee, held three (3) meetings out of the nine (9) meetings held during the financial year.
- A. Magwentshu served on both these two Committees.
- The Special ARC meeting of 31 July 2019 and 08 August 2019 have been combined and regarded as one meeting, as the meeting of 08 August 2019 was a continuation of the Special ARC meeting of 31 July 2019.

\*\*\*\* The exceeded number of Board/ARC meetings were approved as extraordinary circumstances through condonement by the Minister of Human Settlements, Water and Sanitation on 09 July 2020.

### 3.3 Internal Audit

The Committee approved a Risk-based Three year Rolling Strategic Internal Audit Plan and an Annual Audit Coverage Plan for the period 01 July 2019 to 30 June 2020 covering the following key audit activities:

PLANNED AUDITS	NUMBER OF AUDITS
Performance Information Review (Q3 & Q4)	2
Debt Recovery Management Review (Primary & Secondary)	1
Supply Chain Management Review	1
Infrastructure/Assets Management (GRAP Compliance of Assets Register)	1
Review of Technical Datasheets	1
Information Technology Review	1
Bi-annual financial statement review and working paper file	1
Annual Financial Statement Review & Working Paper file	1
Audit Improvement Plan (Follow-up on AGSA Findings)	1
<b>TOTAL PLANNED AND PERFORMED AUDITS</b>	<b>10</b>

The Committee reviewed all the Internal Audit reports and is satisfied:

- With the activities of the Internal Audit function, including its annual work programme, the reports of significant investigations and the responses of management to specific recommendations.
- That Internal Audit conducted its work in accordance with the standards set by the Institute of Internal Auditors.
- The Committee conducted annual performance assessment on the effectiveness of Internal Audit and is generally satisfied with performance and effectiveness of Internal Audit.
- The Committee is concerned about internal control weaknesses identified by Internal Audit and expects that management will address all those weaknesses identified.
- The Committee is concerned that there was no follow-up/Internal Audit Findings Tracker compiled and monitored during the 2019/20 financial year.
- The Committee notes that the Internal Audit Manager position was vacant for the better half of the financial year, effective November 2019 to end June 2020. However, the position has since been filled effective 1 September 2020.

Furthermore, the Committee notes the outbreak of CoVID-19 Pandemic which was declared as a National Disaster and led to countrywide shutdown/lockdown from 27 March 2020 to June 2020. The National lockdown led to reduced work force at Amatola Water thus leading to some Internal Audit projects to be completed after year end.

### 3.4 Other Identified Concerns

The Committee has the following concerns related to:

- Control weaknesses in the SCM environment.
- Significant challenges within the SCM department's environment in terms of capacity and capability. The lack of an approved Infrastructure Master Plan.
- Processes for recovery of outstanding debtors' balances were not always completely followed. This was worsened by the outbreak of CoVID-19 which imposed number of Regulations which restricted cutting of water services to non-payment customers, as water was identified as an essential and much needed service to fight the pandemic.
- Number of investigations on alleged fraud and corruption within Amatola Water.

Other than these matters, nothing significant has come to our attention to indicate any material breakdown in the functioning of controls, procedures and systems. The Committee is therefore of the opinion that Internal Audit is independent, provided objective assurance and consulting activities that were designed to add value and improve AW's operations.

### 3.5 The Adequacy, Reliability and Accuracy of the Financial and Performance Information

The Committee is of the opinion, based on the information and explanations provided by management, as well as the results of audits performed by Internal Audit and the Office of the Auditor – General South Africa (AGSA), that the financial and performance information provided by management to users of such information is partial adequate, reliable and accurate. This is evident by the number of internal control deficiencies noted in the Internal Audit reports and as well as the audit outcome per the audit report issued by Office of the Auditor General.

### 3.6 External Audit

- The Office of the Auditor General South Africa met three times with the Committee during the financial year.
- The Committee holds in-committee meetings at every Audit and Risk Committee meeting and it also meets based on requests from the Committee members, management, Internal and External Audit.
- The Committee has had various sessions with the parties independently and confirms that they are satisfied that there are no unresolved issues of concern.
- The Committee reviewed and accepted the External Audit Report and all the accounting and auditing concerns were discussed with management.
- The Committee notes the Qualified Audit Outcome on Property Plant and Equipment and Irregular Expenditure.
- The Committee concludes that the Office of the Auditor General is independent and objective.

Furthermore, the Committee notes delays in the completion of the 2019/20 audit by the Office of the Auditor General due to CoVID-19 pandemic which led to the audit report to be issued only on 31 March 2021. The late issuing of the audit report is a risk to Amatola Water, as it affords the Board only three months to monitor and deal with the issues identified in the audit report.

## 4. THE EFFECTIVENESS OF INTERNAL CONTROLS

### The Committee:

Considered all the reports issued by the various assurance providers internal and external.

Noted management's actions in addressing identified control weaknesses and are satisfied with the following achievements reported during the year:

ASSURANCE PROVIDER	TOTAL FINDINGS	RESOLVED FINDINGS	PARTIALLY RESOLVED FINDINGS	NOT RESOLVED
External audit	36	11	22	3
<b>Total</b>	<b>36</b>	<b>11</b>	<b>22</b>	<b>3</b>

- We also noted findings raised by both internal Audit and Office of the Auditor General in respect of Performance Information, Infrastructure Assets and Supply Chain Management which management is addressing.
- The Committee notes with concern that there was no follow-up/Internal Audit Findings Tracker compiled and monitored during the 2019/20 financial year.
- In light of the above, we report that the system of internal control for the period under review is not functioning optimally.

## 5. COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

The Committee has:

- Reviewed the in-year management and quarterly reports submitted in terms of the PFMA and is satisfied that no material deviations were noted.
- Reviewed management's policies and procedures to ensure compliance with applicable laws and regulations.
- Raised concerns with the AW's non-compliance to some of the legislative requirements as reflected in the audit report of the Office of the Auditor – General South Africa.

## 6. EVALUATION OF INTERNAL AUDIT FUNCTION

The Committee has evaluated/assessed the performance and effectiveness of the Internal Audit Function during the month of September 2020 and generally happy with the performance and effectiveness of Internal Audit and progress towards finalisation of Internal Audit Plan.

The Committee noted and accepted the appointment of the Internal Audit Manager, as it participated in the recruitment process.

## 7. EVALUATION OF THE AUDIT AND RISK COMMITTEE

The Committee has conducted a self-assessment of its performance and effectiveness during the month of September 2020 and is generally happy with its performance.

## EVALUATION OF FINANCIAL STATEMENTS AND ANNUAL REPORT

The Committee evaluated the Annual Financial Statements and Annual Performance Information Report for the year ended 30 June 2020 and duly recommended them for the approval of the Members of the Board of Amatola Water.

The Committee reviewed the Auditor-General's audit adjustments, management and audit reports and concurs with their conclusions. The Committee therefore accepts the audit opinion and conclusion expressed by the Office of the Auditor-General South Africa on the Annual Financial Statements, Annual Performance Report and Annual Report.

We would like to express our sincere appreciation to the Management team for their leadership and commitment during a very challenging period.



**Ms. L Letsoalo**

*Interim Chairperson: Audit and Risk Committee*

*Date: 12 April 2021*



## Statement of Financial Position

		2020	2019
			RESTATED*
	NOTE(S)	R '000	R '000
Assets			
Current Assets			
Inventories	3	3 109	2 914
Receivables from exchange transactions	4	200 298	214 184
VAT receivable	6	11 395	4 738
Cash and cash equivalents	7	523 951	639 955
<b>Total current assets</b>		<b>738 753</b>	<b>861 791</b>
Non-Current Assets			
Property, plant and equipment	8	582 851	541 096
Intangible assets	9	3 279	1 394
<b>Total non-current assets</b>		<b>586 130</b>	<b>542 490</b>
<b>Total Assets</b>		<b>1 324 883</b>	<b>1 404 281</b>
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	491 477	553 434
Provisions	11	592	1 890
Unspent Conditional Grant	12	1 132	2 355
<b>Total current liabilities</b>		<b>493 201</b>	<b>557 679</b>
<b>Total Liabilities</b>		<b>493 201</b>	<b>557 679</b>
<b>Net Assets</b>		<b>831 682</b>	<b>846 602</b>
Share capital / contributed capital		274 557	274 557
Accumulated surplus		557 125	572 045
<b>Total Net Assets</b>		<b>831 682</b>	<b>846 602</b>

## 5 Statement of Financial Performance

		2020	2019
			RESTATED*
	NOTE(S)	R '000	R '000
Revenue from exchange transactions			
Revenue	14	419 226	423 446
Cost of sales	15	(311 496)	(290 741)
<b>Gross surplus</b>		<b>107 730</b>	<b>132 705</b>
Other income	13	6 668	6 596
Finance Income	16	50 800	47 609
Total revenue from exchange		165 198	186 910
Revenue from non- Exchange			
Government grants and subsidies	17	1 223	92 386
Total revenue from non-exchange		1 223	92 386
<b>Operating surplus</b>		<b>166 421</b>	<b>279 296</b>
Expenditure			
Employee related costs	18	(59 248)	(48 858)
Non - executive members emoluments	19	(4 970)	(3 245)
Depreciation and amortisation	8	(3 793)	(1 875)
Lease rentals on operating leases	20	(11 312)	(9 128)
Debt Impairment	5	(49 234)	(9 952)
Repairs and maintenance	21	(14 403)	(16 450)
Operating and other expenses	22	(32 560)	(40 223)
Finance costs	23	(5 821)	(8 450)
<b>Total expenditure</b>		<b>(181 340)</b>	<b>(138 181)</b>
<b>Surplus (deficit) for the year</b>		<b>(14 919)</b>	<b>141 115</b>

## Statement of Changes in Net Assets

	NOTE(S)	SHARE CAPITAL / CONTRIBUTED CAPITAL R '000	ACCUMULATED SURPLUS R '000	TOTAL NET ASSETS R '000
Opening balance as previously reported		274 557	430 930	705 487
Changes in net assets				
Surplus/ (Deficit) for the year as previously reported		-	135 122	135 122
Prior Year Adjustments	25	-	5 993	5 993
Surplus for the year after adjustments		-	141 115	141 115
<b>Balance at 01 July, 2019 as restated</b>		<b>274 557</b>	<b>572 044</b>	<b>846 601</b>
Changes in net assets				
Surplus/ (Deficit) for the year		-	(14 919)	(14 919)
Total changes		-	(14 919)	(14 919)
<b>Balance at 30 June 2020</b>		<b>274 557</b>	<b>557 125</b>	<b>831 682</b>

## 7 Cash Flow Statement

		2020	2019
			RESTATED*
	NOTE(S)	R '000	R '000
Cash flows from operating activities			
Receipts			
Cash receipts from customers		447 844	461 880
Grants	17	1 223	92 386
Other receipts	13	6 668	6 596
Payments			
Cash paid to suppliers		(331 316)	(128 422)
Finance costs		-	-
Cash paid to employees		(201 671)	(179 699)
<b>Net cash flows from operating activities</b>	<b>24</b>	<b>(77 252)</b>	<b>252 741</b>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(65 279)	(15 836)
Purchase of other intangible assets	9	(2 884)	(66)
Interest on investments	16	29 411	26 786
<b>Net cash flows from investing activities</b>		<b>(38 752)</b>	<b>10 884</b>
Total cash and cash equivalents movement for the year		(116 005)	263 625
Cash and cash equivalents at the beginning of the year		639 955	376 331
<b>Total cash and cash equivalents at end of the year</b>	<b>7</b>	<b>523 950</b>	<b>639 956</b>

# Statement of Comparison of Budget and Actual Amounts

## Budget on Accrual Basis

	APPROVED BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL AMOUNTS ON COMPARABLE BASIS	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL	REFERENCE
	R '000	R '000	R '000	R '000	R '000	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Revenue - Section 29	352 577	5 318	<b>357 895</b>	363 992	<b>6 097</b>	
Section 29- Right of use(Makana)	-	429	<b>429</b>	429	-	
Revenue - Section 30	85 130	(15 386)	<b>69 744</b>	54 805	<b>(14 939)</b>	33.1
Other miscellaneous income	4 194	457	<b>4 651</b>	4 589	<b>(62)</b>	33.2
Interest income	43 334	9 400	<b>52 734</b>	50 800	<b>(1 934)</b>	
<b>Total revenue from exchange transactions</b>	<b>485 235</b>	<b>218</b>	<b>485 453</b>	<b>474 615</b>	<b>(10 838)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Insurance Claims	-	-	-	2 079	<b>2 079</b>	
<b>Transfer revenue</b>						
Government grants	-	-	-	1 223	<b>1 223</b>	
Total revenue from non-exchange transactions	-	-	-	3 302	<b>3 302</b>	
<b>Total revenue</b>	<b>485 235</b>	<b>218</b>	<b>485 453</b>	<b>477 917</b>	<b>(7 536)</b>	
<b>Expenditure</b>						
Personnel	(192 787)	(8 829)	<b>(201 616)</b>	(197 550)	<b>4 066</b>	
Non - Executive Members Emoluments	(3 964)	1 000	<b>(2 964)</b>	(4 970)	<b>(2 006)</b>	33.3
Accommodation	(1 959)	(616)	<b>(2 575)</b>	(2 278)	<b>297</b>	33.4
Depreciation and amortisation	(21 618)	(1 503)	<b>(23 121)</b>	(24 522)	<b>(1 401)</b>	
Finance costs	(57)	(3 658)	<b>(3 715)</b>	(5 821)	<b>(2 106)</b>	33.5
Lease rentals on operating lease	(10 824)	(1 098)	<b>(11 922)</b>	(11 312)	<b>610</b>	
Debt Impairment	(24 431)	(14 000)	<b>(38 431)</b>	(49 234)	<b>(10 803)</b>	33.6
Bulk purchases	(99 111)	15 064	<b>(84 047)</b>	(87 481)	<b>(3 434)</b>	
Other operating expenditure	(130 418)	17 490	<b>(112 928)</b>	(109 668)	<b>3 260</b>	
<b>Total expenditure</b>	<b>(485 169)</b>	<b>3 850</b>	<b>(481 319)</b>	<b>(492 836)</b>	<b>(11 517)</b>	
<b>Surplus</b>	<b>66</b>	<b>4 068</b>	<b>4 134</b>	<b>(14 919)</b>	<b>(19 053)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement*</b>	<b>66</b>	<b>4 068</b>	<b>4 134</b>	<b>(14 919)</b>	<b>(19 053)</b>	

# Statement of Comparison of Budget and Actual Amounts

## Budget on Accrual Basis

	APPROVED BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL AMOUNTS ON COMPARABLE BASIS	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL	REFERENCE
	R '000	R '000	R '000	R '000	R '000	
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	3 087	(24)	<b>3 063</b>	3 109	<b>46</b>	
Receivables from exchange transactions	97 397	123 149	<b>220 546</b>	200 298	<b>(20 248)</b>	
VAT receivable	-	-	-	11 395	<b>11 395</b>	
Cash and cash equivalents	203 419	239 213	<b>442 632</b>	523 951	<b>81 319</b>	33.7
	<b>303 903</b>	<b>362 338</b>	<b>666 241</b>	<b>738 753</b>	<b>72 512</b>	
<b>Non-Current Assets</b>						
Property, plant and equipment	579 538	(31 029)	<b>548 509</b>	582 851	<b>34 342</b>	
Intangible assets	1 874	30	<b>1 904</b>	3 279	<b>1 375</b>	33.8
	<b>581 412</b>	<b>(30 999)</b>	<b>550 413</b>	<b>586 130</b>	<b>35 717</b>	
<b>Total Assets</b>	<b>885 315</b>	<b>331 339</b>	<b>1 216 654</b>	<b>1 324 883</b>	<b>108 229</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	285 058	80 300	<b>365 358</b>	491 477	<b>126 119</b>	33.9
VAT payable	3 253	765	<b>4 018</b>	-	<b>(4 018)</b>	
Provisions	696	(46)	<b>650</b>	592	<b>(58)</b>	33.10
Grant liability	64 074	(62 190)	<b>1 884</b>	1 132	<b>(752)</b>	
	<b>353 081</b>	<b>18 829</b>	<b>371 910</b>	<b>493 201</b>	<b>121 291</b>	
<b>Non-Current Liabilities</b>						
Deferred Income Liability	271 707	(271 707)	-	-	-	
<b>Total Liabilities</b>	<b>624 788</b>	<b>(252 878)</b>	<b>371 910</b>	<b>493 201</b>	<b>121 291</b>	
<b>Net Assets</b>	<b>260 527</b>	<b>584 217</b>	<b>844 744</b>	<b>831 682</b>	<b>(13 062)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
Share capital / contributed capital	274 557	-	<b>274 557</b>	274 557	-	
<b>Reserves</b>						
Accumulated surplus*	(14 030)	584 217	<b>570 187</b>	557 125	<b>(13 062)</b>	
<b>Total Net Assets</b>	<b>260 527</b>	<b>584 217</b>	<b>844 744</b>	<b>831 682</b>	<b>(13 062)</b>	

The accounting policies on pages 10 to 26 and the notes on pages 27 to 53 form an integral part of the annual financial statements.

# Accounting Policies

## 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999) and comply with the Water Services Act (Act 108 of 1997) and the Public Finance Management Act (Act 1 of 1999, as amended by Act 29 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.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period.

### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

### 1.3 Significant judgements and sources of estimation uncertainty

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

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the annual financial statements and as well as related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include: provisions, asset useful lives and depreciation methods, as well as impairments.

### Trade receivables / Held to maturity investments and/or loans and receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

## Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

## Contingencies

Present obligations that arise from past events but are not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability are disclosed in the financial statements. Contingencies recognised in the current year relate to matters under litigation whose outcome is still uncertain as at year-end. Estimates and judgments were therefore required in the disclosure and were informed by assessments from the entity's legal representatives. Refer to note 27 on litigation contingent liabilities.

## Useful lives and residual values

The estimation of useful lives as well as residual values of property, plant and equipment is based on historical performance as well as expectations about future use and therefore require a significant degree of judgement to be applied by management. The depreciation rates and residual values, if any, represent management's best estimates. Management reviews its estimate of the useful lives and residual values of depreciable assets at each reporting date, based on the expected utility of the assets. The residual values are management's best estimates based on useful lives as well as other available information.

## Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The entity determines the appropriate discount rate, through consultation with appointed actuaries, at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

## Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

## Capital and operational grant funding

The requirements of GRAP 23 on Revenue from Non-Exchange Transactions (Taxes and Transfers) is applied in accounting for grants. Under GRAP 23, revenue is recognised unless an obligation exists to use the transferred resources (in this instance, the grant or transfer payment) in a certain way or return the resources to the transferor (i.e. the transfer of resources is subject to a "condition"). If an entity is only required to use the resources received in a certain way with no corresponding requirement to return those resources to the transferor, then no obligation exists and revenue is recognised.

## 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure 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.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.



The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

An annual assessment of whether there are any indicators that a revision of the residual value, useful life and depreciation method of each asset is conducted at each financial year end.

Fully depreciated assets that continue to be used are reported at cost in the Property, Plant and Equipment section of the Statement of Financial Position. The accumulated depreciation for these assets is also reported in this section. As a result, the combination of these assets' costs minus their accumulated depreciation will be a net amount of zero.

The cost and accumulated depreciation continue to be reported while the entity is in the process of replacing these assets.

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
Pipelines	Straight line	30
Reservoirs	Straight line	35
Pumpstations	Straight line	
•Building and civil works		35
•Electrical		15
•Mechanical		20
Water treatment works	Straight line	
•Building and civil works		50
•Electrical		15
•Mechanical		20
Other equipment	Straight line	5 -12
•Furniture and fixtures		
•Implements		
•Computer Equipment		
•Electronic equipment		
•Office equipment		
•Plant and machinery		
•Scientific Equipment		
Motor vehicles	Straight line	10

Land is not depreciated.

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. Depreciation commences when the asset is capable of operating in the manner intended and its value can be reliably estimated.

The depreciation charge for each period is recognised in surplus or deficit as operating expenses or cost of sales 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.

Capital work in progress comprises non-current assets under construction and is stated at cost less accumulated impairment losses. Depreciation is not provided on capital work in progress.

## 1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation for each period is recognised as in surplus or deficit as operating expenses or cost of sale unless it is included in the carrying amount of another asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Computer software	Straight line	5

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

## 1.6 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.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:

-receive cash or another financial asset from another entity; or

-exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

The financial instruments of Amatola Water Board are as below listed:

Financial assets – Investments and receivables - Held at amortised cost

Cash and cash equivalents

Trade and other receivables

Financial liabilities – Held-at-amortised cost

Trade and other payables

Unspent conditional grant

### **Initial recognition**

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument. Prepayments shall be measured at cost which shall be deemed to be the cash amount paid for the goods or services not yet delivered. The prepayment will be derecognised as the related goods or services are received.

The entity recognises financial assets using trade date accounting.

### **Initial measurement of financial assets and financial liabilities**

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value and subsequently measured at fair value.

## 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 amortised cost.

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

## Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

## Derecognition

### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset.

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

### Financial liabilities

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

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

## Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

## 1.7 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

### Operating leases - lessee

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

## 1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

## 1.9 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.

### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

### Reversal of impairment loss

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

## 1.10 Share capital / contributed capital

Capital contribution comprises of inventory and property, plant and equipment that was transferred from the Department of Human Settlements, Water and Sanitation (DHWS). Capital contribution is accounted for as part of the entity's net assets. Refer to the property, plant and equipment accounting policy for further detail.

## 1.11 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.



Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### **Short-term employee benefits**

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.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions as well as long service awards;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (medical care, subsidised services such as housing, electricity and refuse collection) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

### **Post-employment benefits**

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

## **1.12 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.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 27.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

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

### 1.14 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.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

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

#### Sale of goods

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

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

## Rendering of services

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

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

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Project revenue comprises of sales to customers and service rendered to customers. Project revenue is stated at the invoice amount and is exclusive of value added taxation.

Amatola Water Board's project revenue comprises:

Implementing agency fees

Operations and maintenance agreements

Project cost recoveries

## Interest

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

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

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

## 1.15 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.

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.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

The requirements of GRAP 23 on Revenue from Non-Exchange Transactions (Taxes and Transfers) is applied in accounting for grants. Under GRAP 23, revenue is recognised unless an obligation exists to use the transferred resources (in this instance, the grant or transfer payment) in a certain way or return the resources to the transferor (i.e. the transfer of resources is subject to a "condition"). If an entity is only required to use the resources received in a certain way with no corresponding requirement to return those resources to the transferor, then no obligation exists and revenue is recognised.

## Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

## Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

### 1.16 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

### 1.17 Accounting by principals and agents

#### Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

#### Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

#### Recognition

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

### 1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

## 1.19 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.

## 1.20 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.

National Treasury instruction no. 2 of 2019/20 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 17 May 2019):

All requests for condonation of irregular expenditure for public entities listed under schedule 3B of the PFMA must be submitted to the National Treasury.

Accounting officers of departments and constitutional institutions and accounting authorities of public entities must address cases of irregular expenditure in terms of Annexure A to the mentioned instruction note: Irregular Expenditure Framework. The Annexure details the manner in which public entities are to account for irregular expenditure including the following:

For a government component, a constitutional institution, a trading entity or a public entity listed in Schedules 2 or 3 to the PFMA applying Generally Recognised Accounting Practice (GRAP) to incur irregular expenditure, the non-compliance must be linked to a financial transaction. Although a transaction may trigger irregular expenditure, a constitutional institution, government component, trading entity or public entity will only record irregular expenditure when a transaction is recognised as expenditure in the Statement of Financial Performance in accordance with GRAP or IFRS, whichever is applicable.

Upon detection of alleged irregular expenditure, the relevant function must conduct an assessment to identify possible irregularities in transactions that have been processed and to confirm whether irregular expenditure has been incurred or whether the incident was the result of non-compliance with legislation that did not relate to the incurrence of a financial transaction.

If a transaction has been processed in contravention of legislation and the same transaction has a financial implication (payment was made or a liability was recognised in the books), it must be recorded as irregular expenditure.

Where it has been confirmed that the identified non-compliance does not constitute irregular expenditure, as defined in section 1 of the PFMA, the accounting officer or accounting authority must –

- (a) strengthen the internal control environment where the non-compliance was identified and confirmed; and
- (b) refer the non-compliance matter to the Human Resource Management Function in the institution to institute disciplinary processes against the employee responsible for the non-compliance.

The accounting officer or accounting authority must conduct an investigation if it is suspected that there is a possibility of fraudulent, corrupt or other criminal conduct emanating from the incurrence of irregular expenditure.

If the investigation confirms that the irregular expenditure is related to a fraudulent, corrupt or other criminal conduct, the accounting officer or accounting authority must, within seven days, ensure that a criminal charge is laid with the South African Police Service against the responsible employee(s).

Treasury Regulations 9.1.5 and 28.2.1 require accounting officers and accounting authorities to disclose all irregular expenditure incurred by their respective institutions as a note to the annual financial statements.

## 1.21 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

## 1.22 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.



### **1.23 Events after reporting date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### **1.24 Value Added Tax**

Amatola Water Board is registered for value added tax in terms of section 23 of the Value Added Tax Act no 89 of 1991 on the invoice basis.

### **1.25 Taxation**

Amatola Water Board is exempt from income taxation in terms of section 10(1)(t)(ix) of the Income Tax Act.

### **1.26 Cash and cash equivalents**

Cash and cash equivalents are measured at amortised cost. Cash and cash equivalents in the statement of financial position comprise of cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 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:
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2019	The impact of the Standard is not material.
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2019	The impact of the Standard is not material.
• GRAP 20: Related parties	01 April 2019	The impact of the Standard is not material.
• GRAP 108: Statutory Receivables	01 April 2019	
• GRAP 109: Accounting by Principals and Agents	01 April 2019	

### 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 July 2020 or later periods:

STANDARD/ INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT:
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact



### 3. INVENTORIES

	2020	2019 RESTATED
	R '000	R '000
Plant spares, chemicals and stores	2 344	2 087
Water	765	827
	<b>3 109</b>	<b>2 914</b>

### 4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables	86 385	87 216
Sundry receivables	102 274	96 456
Other receivables	965	678
Accrued income	6 494	24 381
Other project receivables	4 180	5 453
	<b>200 298</b>	<b>214 184</b>
Trade Receivables	255 029	195 094
Debt Impairment	(168 644)	(107 878)
	<b>86 385</b>	<b>87 216</b>
Sundry Receivables	113 688	119 593
Debt Impairment	(11 414)	(23 137)
	<b>102 274</b>	<b>96 456</b>

Trade and other receivables payment terms are 30 days from invoice date. Interest has been charged on these debtors in the year under review. Refer to Note 35 for debtors aging.

Sundry receivables consist of mostly project receivables that have been invoiced to the principal funders of the projects under the project implementation agent contracts.

Other receivables relates to prepaid expenses, rental deposits and employee receivables that occurred during the course of the business.

Accrued income relates to project costs received after the reporting date that relates to the financial year under review. These costs will be billed to the principal funders in the forth coming financial period and will be recognised to surplus and deficit as per other project implementing agent contract costs

Other project receivables consist of funds held in trust accounts due to legal disputes

## 5. DEBT IMPAIRMENT

	2020	2019 RESTATED
	R '000	R '000
Debt impairment	49 043	9 952
Bad debts written off	191	-
	<b>49 234</b>	<b>9 952</b>

2020	OPENING BALANCE	MOVEMENT	CLOSING BALANCE
Allowances for doubtful debt	131 015	49 043	180 058
	-	-	-
2019			
Allowances for doubtful debt	121 063	9 952	131 015

## 6. VAT RECEIVABLE

VAT	11 395	4 738
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## 7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Bank balances	277 571	343 243
Short-term deposits	246 380	296 712
	<b>523 951</b>	<b>639 955</b>
Cash and cash equivalents held by the entity related to grant funding and capital upgrades	92 851	187 070
Cash and cash equivalents held by the entity related to project implementation	195 792	218 238
Cash and cash equivalents held by the entity for operations	235 308	234 647
	<b>523 951</b>	<b>639 955</b>

Cash at banks earns interest at daily bank deposit rates.

Short-term deposits are made for varying periods, depending on the immediate cash requirements of the entity and earn interest at the respective short-term deposit rate. The following cash balances related to specific expenditure requirements and is not available for the daily operations of the entity.

## Guarantees

Guarantees are in the normal course of business from which it is anticipated that no material liabilities will arise. The guarantee is issued against short term deposits.

The guarantee is security provided for the supply of electricity by Eskom to Amatola Water Board water treatment works plants. Eskom has the right to call on the guarantee should Amatola Water Board fail to honour its electricity invoices.

Cash held by the entity relating to grant funding and capital upgrades is the cash received from National Treasury for the Jobs fund as per note 12 and the funds received from DHWS for capital upgrades of Amatola Water Board treatment works.

Cash held by the entity for project implementation relates to funds received from principals for projects that are implemented by Amatola Water Board.

	2020	2019 RESTATED
	R '000	R '000
Eskom	1 000	1 000

## 8. PROPERTY, PLANT AND EQUIPMENT

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	5 410	-	5 410	5 410	-	5 410
Buildings	29 505	(17 776)	11 729	29 168	(15 034)	14 134
Plant and machinery	51 971	(37 360)	14 611	44 949	(32 366)	12 583
Furniture and fixtures	1 283	(1 043)	240	1 255	(925)	330
Motor vehicles	5 560	(5 169)	391	5 560	(4 688)	872
Buildings and civil works	96 331	(31 973)	64 358	90 234	(29 982)	60 252
Pipelines	194 612	(109 126)	85 486	187 532	(102 459)	85 073
Reservoirs	104 541	(43 377)	61 164	104 541	(40 213)	64 328
Pumpstations	9 104	(6 207)	2 897	8 994	(5 728)	3 266
Treatment works	60 898	(25 644)	35 254	57 577	(22 440)	35 137
Capital - Work in progress	301 311	-	301 311	259 711	-	259 711
<b>Total</b>	<b>860 526</b>	<b>(277 675)</b>	<b>582 851</b>	<b>794 931</b>	<b>(253 835)</b>	<b>541 096</b>

	2020	2019 RESTATED
	R '000	R '000

### Reconciliation of property, plant and equipment - 2020

	OPENING BALANCE	ADDITIONS	TRANSFERS	DEPRECIATION	TOTAL
Land	5 410	-	-	-	5 410
Buildings	14 134	337	-	(2 742)	11 729
Plant and machinery	12 583	6 706	-	(4 678)	14 611
Furniture and fittings	330	28	-	(118)	240
Motor vehicles	872	-	-	(481)	391
Buildings and civil works	60 252	6 097	-	(1 991)	64 358
Pipelines	85 073	7 080	-	(6 667)	85 486
Reservoirs	64 328	-	-	(3 164)	61 164
Pumpstations	3 266	110	-	(479)	2 897
Treatment works	35 137	3 321	-	(3 204)	35 254
Capital - Work in progress	259 711	56 024	(14 424)	-	301 311
	<b>541 096</b>	<b>79 703</b>	<b>(14 424)</b>	<b>(23 524)</b>	<b>582 851</b>

### Reconciliation of property, plant and equipment - 2019

	OPENING BALANCE	ADDITIONS	DISPOSALS	TRANSFERS	DEPRECIATION	TOTAL
Land	5 410	-	-	-	-	5 410
Buildings	13 797	-	-	-	337	14 134
Plant and machinery	11 684	2 071	(13)	-	(1 162)	12 580
Furniture and fixtures	271	19	-	-	40	330
Motor vehicles	832	-	-	-	40	872
Buildings and civil works	61 710	457	-	-	(1 915)	60 252
Pipelines	89 726	1 882	-	-	(6 535)	85 073
Reservoirs	67 493	-	-	-	(3 165)	64 328
Pumpstations	3 520	-	-	-	(254)	3 266
Treatment works	35 527	2 342	-	-	(2 730)	35 139
Capital - Work in progress	250 646	13 390	-	(4 325)	-	259 711
	<b>540 616</b>	<b>20 161</b>	<b>(13)</b>	<b>(4 325)</b>	<b>(15 344)</b>	<b>541 095</b>

### Depreciation

#### Reconciliation of amortisation and depreciation expense

Amortisation (refer to Note 9)	999	781
Depreciation	23 524	15 344
	<b>24 523</b>	<b>16 125</b>
Section 29 - Costs of Sale	20 729	14 250
Depreciation and Amortisation	3 794	1 875
	<b>24 523</b>	<b>16 125</b>

GRAP requires that the annual financial statements should reflect the economic substance of events and transactions and not merely the legal form. Amatola Water Board recognises and records those assets which are resources controlled by the enterprise and result in receipt of economic benefits or rewards and in incurring risks incidental to ownership, even though legal ownership has not passed.

The Transfer Agreement between Amatola Water Board and the Department of Water and Sanitation was concluded with effect from 1 July 1998. In terms of Section 63(1)(c) of the National Water Act, powers and responsibility for the control, operation, administration and maintenance of immovable assets were delegated to Amatola Water Board by the Minister of Water and Sanitation.

In terms of the Transfer Agreement, the Department of Water and Sanitation has agreed to transfer the major water services works to Amatola Water Board. These works comprise pipelines, reservoirs, pump stations and water treatment works in Amatola Water Board's designated area. In terms of Section 73(2) (a) of the Water Services Act, legal ownership will be transferred with the written approval of the Minister of Human Settlements, Water and Sanitation and on registration of the properties in the name of Amatola Water Board by the Registrar of Deeds.

Internally funded capital work-in-progress is included in the above note, assets under construction that are not yet available for use are accounted for in this section. These assets are not depreciated and are transferred to their respective asset categories when they become available for use for Amatola Water Board.

## 9. INTANGIBLE ASSETS

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	7 175	(3 896)	3 279	4 291	(2 897)	1 394

### Reconciliation of intangible assets - 2020

	OPENING BALANCE	ADDITIONS	AMORTISATION	TOTAL
Computer software	1 394	2 884	(999)	3 279

### Reconciliation of intangible assets - 2019

	OPENING BALANCE	ADDITIONS	AMORTISATION	TOTAL
Computer software	2 109	66	(781)	1 394

	2020	2019 RESTATED
	R '000	R '000
<b>10. PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade payables	211 237	233 612
Payments received in advanced - contract in process	195 792	218 318
Project Payables	44 153	70 556
Other payables	27 268	20 068
Accrued leave pay	10 243	8 244
Accrued bonus	2 784	2 636
	<b>491 477</b>	<b>553 434</b>

Trade and other payables terms are 30 days from the invoice date unless stated otherwise based on a valid contract between Amatola Water Board and the service provider concerned

Other payables relate to payroll related balances (PAYE, SDL and UIF payable, etc), Water research levy and other liabilities which are individually not significant. Refer to note 26 for restatements relating to payables from exchange transactions.

Payments received in advance relates to funds received in advance for project implementation.

## 11. PROVISIONS

### Reconciliation of provisions - 2020

	OPENING BALANCE	ADDITIONS	UTILISED DURING THE YEAR	TOTAL
Provision for employee benefits	1 259	-	(1 259)	-
Long service award	631	106	(145)	592
	<b>1 890</b>	<b>106</b>	<b>(1 404)</b>	<b>592</b>

### Reconciliation of provisions - 2019

	OPENING BALANCE	ADDITIONS	UTILISED DURING THE YEAR	TOTAL
Provision for employee benefits	5 379	1 259	(5 379)	1 259
Long service award	656	102	(127)	631
	<b>6 035</b>	<b>1 361</b>	<b>(5 506)</b>	<b>1 890</b>

Long service awards vest with the employees on completion of an uninterrupted 5 years service, and thereafter every 5 years of uninterrupted service or when the employee retires whilst in the employ of Amatola Water Board.

The vesting conditions are uncertain as employees may leave at any given moment.

	2020	2019 RESTATED
	R '000	R '000

## 12. UNSPENT CONDITIONAL GRANT

Amatola Water Board received 2.5 million grant from the Jobs Fund( previously administered by DBSA) in respect of the learning academy in 2015 financial year. National Treasury raised a moratorium on these funds. On the 22 July 2020 Amatola Water received communication to pay back R 1 131 790.39 to the Jobs Fund and to absorb R 1 223 348.61 in reimbursement of cost incurred by Amatola Water.

	OPENING BALANCE	AMOUNT RECEIVED	TRANSFERRED TO REVENUE	CLOSING BALANCE
Current year	2 355	-	1 223	1 132
Prior year	2 355	-	-	2 355
	-	-	-	-

## 13. OTHER INCOME

Sundry income	6 668	6 484
Other income	-	112
	<b>6 668</b>	<b>6 596</b>

Sundry income includes commission and discounts received, permit fees, tender document sales, scientific services revenue, rental income..

## 14. REVENUE

### Revenue from Exchange Transactions

Volumes sold	KI'000	KI'000
Treated Water	31 835	31 432
Raw Water	8 367	8 304
	<b>40 202</b>	<b>39 736</b>

### Section 29

Treated water sales	341 268	313 426
Raw water sales	22 724	20 726
Right of use	429	6 834
	<b>364 421</b>	<b>340 986</b>

### Section 30

Implementing agency fees	19 316	29 562
Operations and maintenance agreement	33 883	37 443
Project cost recoveries	1 606	15 455
	<b>54 805</b>	<b>82 460</b>

<b>Total revenue</b>	<b>419 226</b>	<b>423 446</b>
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	2020	2019 RESTATED
	R '000	R '000

## 15. COST OF SALES

### Cost of Sales - Section 29

Raw water purchases	87 481	84 970
Water research levies	2 786	3 053
Electricity	49 625	41 418
Chemicals	6 011	10 270
Employee benefit costs	105 131	81 933
Depreciation and amortisation	20 729	14 250
	<b>271 763</b>	<b>235 894</b>

### Cost of sales - Section 30

Chemicals	233	647
Employee benefit costs	33 171	44 919
Repairs and maintenance	3 632	6 750
Project costs	2 697	2 530
	39 733	54 846
<b>Total cost of sales</b>	<b>311 496</b>	<b>290 741</b>

## 16. FINANCE INCOME

### Interest revenue

Interest earned from cash investments	29 411	26 786
Interest income relating to trade and other receivables	21 389	20 821
	<b>50 800</b>	<b>47 607</b>

## 17. GOVERNMENT GRANTS AND SUBSIDIES

### Government grants

Government grants	1 223	92 386
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In 2019 a capital grant was received from DHWS for the upgrade of Amatola Water Boards treatment works plants. The grant was accounted for according to GRAP 23 and is recognised as revenue.

The condition for the grant is such that where there is under expenditure for any reason, then an acceleration report must be developed by the Water Board and submitted to the Department of Human Settlement Water and Sanitation detailing the reason for the delays and how the project will be accelerated to utilise the funding budget for the remainder of the term of the agreement. The acceleration report was developed and submitted to department as per the conditions of the grant.

Amatola Water Board received 2.5 million grant from the Jobs Fund( previously administered by DBSA) in respect of the learning academy in 2015 financial year. During the financial year R 1 223 348.61 has been transferred to revenue after approval was granted by National Treasury as a reimbursement for cost incurred by Amatola Water.



	2020	2019 RESTATED
	R '000	R '000
Basic salaries	122 966	117 737
Bonus	10 819	7 270
Allowances	20 719	19 831
Casual Labour	260	116
Overtime	7 829	8 242
Long Service Awards	57	53
Contributions - Medical, Pension, UIF	29 769	24 029
Other Allowances	2 244	2 186
Leave Pay	2 887	(3 752)
	<b>197 550</b>	<b>175 712</b>
Direct costs	138 302	126 854
Indirect costs	59 248	48 858
	<b>197 550</b>	<b>175 712</b>

The entity provides retirement benefits for all permanent employees by making contribution to a defined contribution provident and pension fund. The fund, Orion, is administered by Old Mutual and is subject to the Pension Fund Act, 1956 as amended.

	Number of staff 2020	2020 R'000	Number of staff 2019	2019 R'000
Provident fund contributions	246	15 067	256	12 638
Pension fund contributions	57	4 222	65	3 926
	<b>303</b>	<b>19 289</b>	<b>321</b>	<b>16 564</b>

An actuarial valuation has been performed on Amatola Water Board's unfunded liability in respect of the entitlement of employees to Long Service Awards and Retirement Gifts. The effective date of this valuation is 30 June 2020.

	2020	2019 RESTATED
	R '000	R '000

Amatola Water Board provides long service awards and retirement entitlements which are defined as other long service awards in terms of GRAP 25. In the current financial year, management assumed that all actuarial assumptions occurred and the actuarial valuation held true. It is management's intention to value the employee benefits every year. These are reconciled as follows

	LONG SERVICE AWARDS	RETIREMENT GIFTS
<b>Balance as at 01 July 2018</b>	<b>577</b>	<b>76</b>
Current service costs recognised in the statement of financial performance	77	3
Retirement gifts/ Long service awards paid	(121)	(6)
<b>Balance at 01 July 2019</b>	<b>533</b>	<b>73</b>
Current services costs recognised to the statement of comprehensive income	78	28
Retirement gifts/Long service awards paid	(128)	(17)
<b>Balance at 30 June 2020</b>	<b>483</b>	<b>84</b>

## 19. EXECUTIVE AND NON-EXECUTIVE MEMBERS' EMOLUMENTS

### Executive

2020

	CASH COMPONENT	BACK PAY	REIMBURSIVE AND OTHER ALLOWANCES	VEHICLE ALLOWANCE	PENSION/ PROVIDENT PACKAGE	FAMILY COVER, DISABILITY AND GROUP LIFE	MEDICAL AID PACKAGE	CCMA SETTLEMENT	TOTAL
A. Gidana	1 332	-	60	110	114	46	19	-	1 681
J. Dalbock	1 092	-	11	240	95	48	-	-	1 486
V. Ziturane	1 740	20	39	547	-	-	-	-	2 346
Y. Roboiji	-	-	-	-	-	-	-	1 115	1 115
L. Fokazi	1 103	-	20	422	109	55	-	-	1 709
	<b>5 267</b>	<b>20</b>	<b>130</b>	<b>1 319</b>	<b>318</b>	<b>149</b>	<b>19</b>	<b>1 115</b>	<b>8 337</b>

2019

	CASH COMPONENT	BACK PAY	REIMBURSIVE AND OTHER ALLOWANCES	VEHICLE ALLOWANCE	PENSION/ PROVIDENT PACKAGE	FAMILY COVER, DISABILITY AND GROUP LIFE	MEDICAL AID PACKAGE	CCMA SETTLEMENT	TOTAL
A. Gidana	1 301	48	46	120	122	49	21	-	1 707
J. Dalbock	1 142	13	15	240	85	50	-	-	1 545
V. Ziturane	1 640	-	63	547	-	-	-	-	2 250
L. Fokazi	790	-	25	302	79	39	-	-	1 235
Y. Roboiji	-	-	-	-	-	-	-	2 246	2 246
	<b>4 873</b>	<b>61</b>	<b>149</b>	<b>1 209</b>	<b>286</b>	<b>138</b>	<b>21</b>	<b>2 246</b>	<b>8 983</b>

	2020	2019 RESTATED
	R '000	R '000

**2020**

Resignations

J Dalbock resigned on the 12 June 2020

Acting arrangements

Acting Director : Planning and Development division : Sazile Qweleka (1 July 2019- 30 June 2020) Acting allowance R 47 675.

CCMA Settlement

An additional amount of R 1 115 254.00Roboji additional CCMA won against the organisation.

**2019**

Acting Chief Financial Officer : K Mviko - ( 1 July 2018 - 14 October 2018) Ex gratia payment of R 125 700.

Acting Director: Planning and Development division:Sazile Qweleka (1 July 2018 - June 2019) Acting Allowance R 94 500.

CCMA Settlement

Y Roboji was paid R 2 2245 561.00 CCMA case won against the organisation

**Non-executive****2020**

	<b>BOARD STIPEND</b>	<b>BOARD MEETING FEES</b>	<b>TRAVEL AND OTHER DISBURSEMENTS</b>	<b>TOTAL</b>
<b>Old Board Members up to January 2020</b>	-	-	-	-
L Louw	115	74	1	190
EV Jooste	115	121	1	237
BE Hollingworth	115	157	8	280
N Mnqeta**	66	146	1	213
AP Le Roux	115	135	-	250
BH Makedama	58	70	23	151
T Cumming*	-	65	-	65
L Smith*	-	56	-	56
N Ravgee*	-	3	-	3
A Wakaba*	115	157	2	274
AP Magwentshu*	115	137	-	252
N Nyakaza	115	85	4	204
M Sirenya	91	162	10	263
C Mbande	115	39	-	154
<b>Interim Board Members from Feb 2020</b>	-	-	-	-
L Tshangela	58	70	2	130
B Sonjica	74	96	1	171
N A Geja	64	70	18	152
SR Sifo	58	65	13	136
M Kondlo	58	62	19	139
NM Javu	58	61	1	120
M Malotana	58	64	5	127
T Wana	58	62	21	141
S Gqobana	58	60	13	131
PH Songo	63	76	1	140
NM Kutta	58	61	1	120
	<b>1 800</b>	<b>2 154</b>	<b>145</b>	<b>4 099</b>

\* External committee members.

Included in the Board Emoluments expense as disclosed in the face of the Statement of Financial Performance is a June 2019 accrual reversed in July 2019 of R163 839 and a June 2020 accrual of R1 035 492.

	2020	2019 RESTATED
	R '000	R '000

\*\*N Mngqeta resigned on the 30 September 2019.

## 2019

	MEMBERS' FEES	COMMITTEES FEES	MEMBERS' FEES FOR SERVICES AS MEMBERS' OF SUBSIDIARIES	TOTAL
N Mngqeta	238	779	2	1 019
AP Le Roux	173	288	2	463
AP Magwentshu	15	14	-	29
BE Hollingworth	159	272	11	442
C Mbande	130	130	3	263
EV Jooste	173	243	-	416
A Wakaba	15	14	-	29
L Smith*	-	134	-	134
L Louw	173	222	2	397
N Ravgee*	-	64	-	64
AS Hadebe	15	22	-	37
T Cumming**	-	53	-	53
N Nyakaza	15	19	-	34
	<b>1 106</b>	<b>2 254</b>	<b>20</b>	<b>3 380</b>

\* External Audit and Risk Committee members (not included as board members)

\*\*External Finance Committee member (not included as board members)

This disclosure note reflects actual payments made during the year.

The reconciliation between the amounts is as reflected in table below:

Payments during the period under reporting	4 099	3 380
June accrual reversed in July	(164)	(299)
June 2020 accrual	1 035	164
	<b>4 970</b>	<b>3 245</b>

	2020	2019 RESTATED
	R '000	R '000
<b>20. LEASE RENTALS ON OPERATING LEASE</b>		
Premises		
Contractual amounts	1 179	1 134
Motor vehicles		
Contractual amounts	9 775	7 641
Equipment		
Contractual amounts	358	353
	<b>11 312</b>	<b>9 128</b>

Refer to Note 29 - Commitments for a breakdown of the financial commitment relating to operating leases

## 21. REPAIRS AND MAINTENANCE

Building and Fences	1 359	1 511
Equipment : Computer	38	56
Refurbishment	2	53
Equipment : Other	2	57
Laboratory Calibration	156	281
Laboratory Equipment	149	11
Meters	889	1 088
Pipelines and Reservoirs	1 818	959
Plant and Machinery	4 345	4 191
Power Supply	1 030	1 333
Radio and Communications	585	614
Tools and Loose Gear	260	337
Tunels and Canals	-	71
Vehicles and Implements	7 376	12 637
Equipment: Furniture and Office	25	-
	<b>18 034</b>	<b>23 199</b>
Direct repairs and maintenance	3 631	6 749
Indirect repairs and maintenance	14 403	16 450
	<b>18 034</b>	<b>23 199</b>

	2020	2019 RESTATED
	R '000	R '000
<b>22. OPERATING AND OTHER EXPENSES</b>		
Admin and Secretariat Services	513	295
Auditors remuneration	2 378	1 739
Bank charges	337	206
Cleaning	-	-
Consulting and professional fees	3 598	6 996
Consumables	2 152	2 710
Control of Hyacinth	1	2
Cooperate identity development	16	-
Dam management charge out costs	-	13
Designs and Creative Services	35	52
Electricity and water	1 816	1 691
Equipment Hire	8	11
Equipment small value items	59	52
Fees Contracts	526	65
Fees: Technical Services	554	255
Health and Safety	186	73
Hire of vehicles	105	392
Inaugurations and events	498	117
Insurance	2 128	1 295
Insurance Workmans Compensation	640	659
Laundry and cleaning expenses	246	319
Legal Expenses	2 006	6 923
Loss on disposal of assets	-	13
Magazines, books and periodicals	66	84
Medical expenses	35	11
Membership Fees	332	280
PR Services	11	-
Postage and courier	19	20
Printing and stationery	570	469
Promotional Aids and gifts	203	145
Protective Clothing	166	1 516
Publicity and advertising	160	431
Refreshments: Seminars and meetings	240	354
Repographic and printing services	271	300
Security	2 973	3 037
Services Data	2 050	1 940
Services: Courier	3	3
Software Licences	2 288	1 597
Sponsorship and social investment	33	134
Staff social events and others	-	6
Stores revaluations	-	(4)
Stores write off and adjustments	23	(6)
Telephone and fax	1 209	1 166
Training	1 671	1 565
Travel - local	2 279	3 066
Vehicle licence fees	156	231
	<b>32 560</b>	<b>40 223</b>

Refer to note 25 for changes in the prior year



	2020	2019 RESTATED
	R '000	R '000

## 23. FINANCE COSTS

Interest: Creditors	5 821	8 450
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Interest: Creditors relates mainly to interest charged by the Department of Human Settlements, Water and Sanitation on outstanding bulk water purchases debt as well as interest on late payment from other supplier.

## 24. CASH (USED IN) GENERATED FROM OPERATIONS

Surplus/ (Deficit) for the year	(14 919)	141 115
<b>Adjustments for:</b>		
Finance income	(50 800)	(47 609)
Loss on sale of asset	-	13
Finance costs	5 820	8 450
Impairment (assets)	-	-
Movements in provisions	(1 298)	(4 145)
Depreciation and amortisation	24 523	16 124
Finance income from receivables	21 389	20 823
<b>Changes in working capital:</b>		
(Increase)/ Decrease in Inventories	(195)	(146)
(Increase)/ Decrease in Receivables from exchange transactions	13 886	22 349
(Increase)/ Decrease in Unspent conditional grant	(1 223)	-
(Increase)/ Decrease in Payables from exchange transactions	(67 778)	115 640
(Increase)/ Decrease in VAT Payable	-	(15 141)
(Increase)/ Decrease in VAT Receivable	(6 657)	(4 738)
	(77 252)	252 735

	2020	2019 RESTATED
	R '000	R '000

The correction of the error(s) results in adjustments as follows:

## 25. PRIOR PERIOD ERRORS

Prior year trade creditors and sundry creditors were reduced by credit notes received after year end amounting to R 5 992.

### Statement of financial position

Payables as previously reported	559 427
Less Credit note on Water Purchases	(214)
Less Credit note on Health and Safety	(87)
Less Management Fees	(5 692)

Payables after changes were effected	<b>553 434</b>
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### Statement of Financial Performance

#### Cost of sales

As previously reported	296 647
Less Credit note on water purchases and management fees	(214)
	(5 692)

	<b>290 741</b>
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#### Operating Expenditure

As previously reported	40 310
Less Credit Note on health and safety	(87)

	<b>40 223</b>
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### Statement of changes in Net Assets

Accumulated Surplus as previously reported	566 052
Add Credit note on water purchases	214
Add back credit note on Health and Safety	87
Add back credit note on Management Fees	5 692

Accumulated surplus after net changes	<b>572 045</b>
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### Cashflow Statement

Movement on payables from exchange as previously reported	121 638
Less credit note on water purchases	(214)
Less credit note on health and safety	(87)
Less management fees	(5 692)

	<b>115 645</b>
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	2020	2019 RESTATED
	R '000	R '000

## 26. AUDITORS' REMUNERATION

Audit fees: external	2 378	1 739
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## 27. CONTINGENT LIABILITIES

### Debt applications

Amatola Water Board is currently defending ten (prior year: ten) applications for outstanding debt and the outcome is uncertain.	29 774	37 737
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### Labour matters

Amatola Water Board is currently defending seven (prior year: seven) labour matters and the outcome is uncertain.	4 830	5 689
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### Other matters

Amatola Water Board currently is defending four (prior year: three) personal liability matters and the outcome is uncertain.	12 834	6 284
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## 28. RELATED PARTIES

### Relationships

Members	Refer to members' emoluments note
Department with significant influence	Department of Human Settlements, Water and Sanitation

The Department of Human Settlement, Water and Sanitation (DHWS) is considered a related party entity as it exercises significant influence over Amatola Water Board.

Amatola Water Board has entered into various purchase and service transactions with Department of Human Settlements, Water and Sanitation (DHWS), in the ordinary course of business. These transactions were at arm's length.

Executive and non-executive members are the members of the board and its sub-committees and management of Amatola Water Board delegated to run the entity on a day to day basis. The list of key management personnel disclosed in note 21

### Related party balances

#### Statement of Financial Position

DHWS receivable	31 448	38 873
DHWS payable	(132 276)	(118 704)
DHWS provision for water research levy and interest	(19 653)	(13 985)

### Related party transactions

#### Statement of financial performance

Dam management fees paid by DHWS to Amatola Water Board	12 309	11 845
Project revenue - DHWS	7 688	1 998
Raw water purchases - DHWS	(87 481)	(85 383)
DHWS grant funding received	-	92 386
Interest on outstanding debt - DHWS	(5 668)	(8 346)
Water research levy - DHWS	(2 786)	(3 052)

	2020	2019 RESTATED
	R '000	R '000

## 29. COMMITMENTS

Capital commitments are commitments relating to the infrastructure upgrades approved capital expenditure. These will be expedited in the next financial year. The proposed capital expenditure will be funded by grant funding as well as internally generated funds.

### Authorised capital expenditure

#### Already contracted

Capital Commitments	225 189	122 603
---------------------	---------	---------

#### Total commitments

Capital commitments	225 189	122 603
---------------------	---------	---------

### Operating leases - as lessee (expense)

Ninety-seven motor vehicles are leased under the new operating lease contract. The lease payments include a maintenance portion for the duration of the lease term. The leases are for an initial period of three years. The future minimum lease payments under the operating leases are as follows:

#### Operating lease commitments - motor vehicles

- within one year	8 896	9 225
- in second to fifth year inclusive	7 414	16 310
	<b>16 310</b>	<b>25 535</b>
Operating lease commitments - Rental of office space (Less than one year)	580	359

Amatola Water Board entered into various lease rental agreements for office space use. The last lease term expired on the 31st of May 2020.

#### Operating lease commitments - office equipment

- within one year	149	114
- in second to fifth year inclusive	149	76
	<b>298</b>	<b>190</b>

Amatola Water Board rents office machinery for use for normal business purposes. The lease payments include service agreements and monthly rental amounts. These leases are over variable periods.

	2020	2019 RESTATED
	R '000	R '000

### 30. FINANCIAL INSTRUMENTS DISCLOSURE

#### Categories of financial instruments

##### Financial assets

	At amortised cost	At amortised cost
Trade and other receivables from exchange transactions	200 298	345 199
Cash and cash equivalents	523 951	639 955
	<b>724 249</b>	<b>985 154</b>

##### Financial liabilities

	At fair value	At amortised cost
Trade and other payables from exchange transactions	282 658	536 762
Unspent conditional grant (non-exchange)	1 132	2 355
	<b>283 790</b>	<b>539 117</b>

##### Residual interest

	At cost	At cost
Capital contribution	<b>274 557</b>	<b>274 557</b>

#### Financial instruments in Statement of financial performance

	At cost	At cost
Interest income (calculated using effective interest method) for financial instruments at cost)	50 800	47 609
Interest expense (calculated using effective interest method) for financial instruments at cost)	(5 821)	(8 450)
	<b>44 979</b>	<b>39 159</b>

	2020	2019 RESTATED
	R '000	R '000

### 31. FRUITLESS AND WASTEFUL EXPENDITURE

Opening balance as previously reported	11 334	11 334
Add Fruitless and wasteful expenditure current year	5 741	5 741
<b>Closing balance</b>	<b>17 075</b>	<b>17 075</b>

Fruitless and wasteful expenditure relates to interest charged on the late payment of invoices as well as interest on outstanding DHWS debt.

### 32. IRREGULAR EXPENDITURE

Opening balance	154 698	132 033
Add: Irregular Expenditure - current year	6 027	22 665
<b>Closing balance</b>	<b>160 725</b>	<b>154 698</b>

Details of irregular expenditure -current year

Non- Compliance to SCM regulations	681	4 785
Expenditure incurred on expired contracts	5 008	17 842
Expenditure on misplaced contracts/no contract in place	338	38

	<b>6 027</b>	<b>22 665</b>
--	--------------	---------------

The entity has made an application to the National Treasury in relation to amounts included in the current year opening balance however additional supporting documents as well as proof of consequence management was requested by National Treasury.

Management is still considering this additional submission to National Treasury.

### 33. BUDGET DIFFERENCES

Material differences between budget and actual amounts

Differences of 10% or greater between the final budget and actual amounts have been assessed and are due to the following key differences:

Revenue

#### 33.1 Revenue – Section 30

Under budget by 21.42%.

Secondary business revenue was lower due to lower funding commitment than expected from DOE and all projects were significantly behind the planned expenditure due to the COVID 19 lockdown. EC Drought Relief Programme was far behind the anticipated completion stages due to project delays.

### **33.2 Other miscellaneous income**

Over budget by 43.38%.

This is driven by insurance claims and increases in the scientific services revenue as part of the Turn-Around Plan drive to unlock revenue from diversified sources.

### **33.3 Non- Executive Members Emoluments.**

Over Budget by 67.67%.

Expenditure incurred for board meetings due to higher than normal meetings as well as claims related to Covid 19 /drought verifications.

### **33.4 Accomodation**

Under budget by 11.52%.

Expenditure decreases due to implementation of cost containment measures and lockdown

### **33.5 Finance Cost**

Over budget by 56.67%

Due to interest charged by DHWS on the outstanding bulk water purchases debt.

### **33.6 Dept Impairment**

Over budget by 28.11%.

The key contributing customer is ADM with non-payment of old outstanding debt and intermittent payment of current debt.

### **33.7 Cash and Cash Equivalent**

Over budget by 18.37%

Utilisation of advances received were lower than planned due to slow implementation of projects due to COVID 19 lockdown.

### **33.8 Intangible Assets**

Over budget by 64.81%.

More software were procured and due to increase in exchange rate on other softwares the cost also increased

### **33.9 Trade and other payables**

Over budget by 34.52%

Due to advance payments for section 30 projects not utilised as anticipated. DHWS bulk purchases debt and other trade payables not paid at year end.

### **33.10 Provisions**

Under budget by 451.25%.

Provision for performance bonus was not budgeted for, but due to new developments on cascading of organisational performance this gave rise to a provision for performance bonus.

## Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of changes in the overall budget parameters.

### 34. EVENTS AFTER THE REPORTING DATE

No events are known to have occurred between the end of the reporting period and the date when the annual financial statements were authorised for issue which may present information that should be considered in the preparation of financial statements.

### 35. RISK MANAGEMENT

#### Financial risk management

Amatola Water Board's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The entity's overall risk management program focuses on financial unpredictability and seeks to minimise potential adverse effects on the entity financial performance. Financial risk management is carried out by a internal treasury function, as part of financial management, under policies approved by the board. Entity identifies, evaluates and mitigates financial risks in close co-operation with the entity operating units. The board provides principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and investment of excess liquidity.

#### Liquidity risk

Liquidity risk is the risk that Amatola Water Board will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Amatola Water Board's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the entity's reputation.

The entity manages liquidity risk through proper management of working capital, ongoing review of future commitments, capital expenditure and actual versus forecasted cash flows. Adequate reserves and liquid resources are also maintained.

	2020	2019 RESTATED
	R '000	R '000
<b>Financial liabilities</b>		
Trade and other payables	282 658	536 762
Unspent conditional grant	1 132	2 355
	<b>283 790</b>	<b>539 117</b>
<b>2020</b>	<b>On demand</b>	<b>1-3 Months</b>
Trade and other payables	-	282 658
Unspent conditional grant	1 132	-
	<b>1 132</b>	<b>282 658</b>
<b>2019</b>	<b>On demand</b>	<b>1-3 Months</b>
Trade and other payables	-	536 762
Unspent conditional grant	2 355	-
	<b>2 355</b>	<b>536 762</b>



	2020	2019 RESTATED
	R '000	R '000

## Credit risk

Financial assets, which potentially subject the entity to credit risk, consist principally of cash and trade receivables.

The entity's cash equivalents are placed with high credit quality financial institutions.

Credit risk with respect to trade receivables is high, as trade receivables mainly comprise bulk consumers, namely Local and District Municipalities. The remainder relates to water supply to domestic and industrial consumers.

Credit risk with respect to sundry receivables is also high, as sundry receivables mainly comprise of DHWS, Local and District Municipalities in relation to MIG, RBIG and other capital funding. The average credit period allowed is 30 days from invoice date. Interest is charged at 7.75%.

Ongoing credit evaluations are performed on the financial condition of receivables. Trade receivables are presented net of impairment losses.

The carrying amounts of financial assets represent the maximum exposure to credit risk. Amatola Water

Board's maximum exposure to credit risk at year end is as follows:

Financial instrument	2020	2019
Cash and cash equivalents	523 951	639 955
Trade and other receivables	200 298	345 199

## Ageing and impairment losses

The ageing of trade receivables at the reporting date was:

	GROSS 2020	IMPAIRMENT 2020	GROSS 2019	IMPAIRMENT 2019
Not past due date	34 536	26 842	33 193	6 344
One month past due date	12 530	7 426	10 381	6 472
Two months past due date	12 074	7 386	9 894	6 193
Three months past due date	12 019	7 310	1 239	768
More than four months past due date	183 870	119 680	140 387	88 101
	<b>255 029</b>	<b>168 644</b>	<b>195 094</b>	<b>107 878</b>

The ageing of sundry receivables at the reporting date was:

	GROSS 2020	IMPAIRMENT 2020	GROSS 2019	IMPAIRMENT 2019
Not past due date	24 149	1 817	29 681	218
One month past due date	3 705	503	16 650	203
Two months past due date	4 075	499	5 857	181
Three months past due date	3 968	496	5 428	225
More than four months past due date	77 794	8 099	61 977	22 310
	<b>113 691</b>	<b>11 414</b>	<b>119 593</b>	<b>23 137</b>

	2020	2019 RESTATED
	R '000	R '000
The movement in the allowance for impairment in respect of trade receivables during the year was as follows:		
Balance as at 01 July	107 878	70 427
Impairment provision increase/ (decrease)	60 766	37 451
	<b>168 644</b>	<b>107 878</b>

The movement in the allowance for impairment in respect of sundry receivables during the year was as follows:

Balance as at 01 July	23 137	50 636
Impairment provision increase/ (decrease)	(11 723)	(27 499)
	<b>11 414</b>	<b>23 137</b>

#### Market risk

##### Interest rate risk

As the entity has no significant interest-bearing assets or investments, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Amatola Water Board adopted a policy of limiting exposure to interest rate fluctuations by arranging investments on a variable rates basis. Cash investments are conducted on a short-term basis and are invested at variable interest rates with a diversified pool of registered banking institutions. The average interest rate earned for the year was 6.30 %

##### Cash flow interest rate risk

FINANCIAL INSTRUMENT	CURRENT INTEREST RATE	DUE IN LESS THAN A YEAR	DUE IN ONE TO TWO YEARS	DUE IN TWO TO THREE YEARS	DUE IN THREE TO FOUR YEARS	DUE AFTER FIVE YEARS
Trade and other receivables - normal credit terms	7,75%	200 298	-	-	-	-
Cash in current banking institutions	6,30%	523 951	-	-	-	-
Trade and other payables - normal credit terms	7,75%	282 658	-	-	-	-
Capital risk management						

The Amatola Water Board's objective for managing capital is to enhance Executive Authority value by providing an efficient and reliable water services to customers at the lowest economic cost while reducing debt, remaining financially self-sufficient and generating sufficient funds to meet the required capital expenditure programme and thus sustaining future development of the business and its ability to continue as a going concern. This objective has remained consistent with the prior years.

As a government business enterprise, Amatola Water Board strives towards a target optimal capital structure, which is made up of a combination of financial liabilities, capital and reserves as disclosed in the statement of changes in net assets.

	2020	2019 RESTATED
	R '000	R '000
Capital contribution	274 557	274 557
Accumulated surplus/ (deficit)	557 124	572 045
	<b>831 681</b>	<b>846 602</b>

## 36. GOING CONCERN

We draw attention to the fact that at 30 June 2020, the entity had an accumulated surplus of R552 million and that the entity's total assets of R 1.3 billion exceed its liabilities by R497 million.

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

### Material uncertainties.

Given the impact of COVID-19 on the economy, our clients will likely not meet their debt obligation and this will impact in Amatola Water Board revising its future projections on both revenue and expenditure.

Amatola Water Board does however have the following mitigation factors that will assist the organisation:

- Amatola Water Board is an essential services utility providing water services as mandated by government.
- Amatola Water Board has long term bulk water service provisioning contracts with three major clients (BCMM, Ndlambe Municipality and ADM).
- Amatola Water provides secondary business activities to other clients (DOE, NDPW, ORTDM and DHWS).
- There are other potential sources of replacement funding from DHWS (Drought /COVID 19 Relief Funding).
- There are no indications of possible restructuring.
- There is no indication made by the Minister of Human Settlement, Water and Sanitation to liquidate or to transfer the entity to another.

## 37. TAXATION

Amatola Water Board is exempt from income taxation in terms of section 10 (1)(ix)

## 38. COVID-19 IMPLICATION TO AMATOLA WATER

The president of the country declared a national state of disaster in South Africa effective from the 26 March 2020 and South Africa went into a 21 day Level 5 lockdown. The initial 21 day lockdown was further extended by an additional 14 days. This resulted in significant implications in meeting both our quarterly and annual targets for both revenue and expenditure as follows:

### Revenue

Secondary business revenue collections were lower than planned due to projects which were significantly behind the planned expenditure due to the COVID-19 lockdown. Almost 3 months was lost in project implementation as a result of the lockdown period.

### Debt Impairment

Amathole District Municipality which is the biggest debtor of the institution could not meet their payment obligations as they were unable to make the necessary collections from their clients. They wrote a letter indicating that they won't be able to meet their payment obligations as per the initial payment arrangement and that has resulted in an increase on debt impairment.

### Cash and Cash Equivalents

Amatola Water was unable to meet the stakeholder expectations as it experienced difficulties in the utilization of projects funds to fast-track implementation of projects. Due to the reduction in interest rates during the lockdown period, lesser interest was generated from the various call accounts than initially planned.

### Trade and other payables

Trade payables were higher as during the lockdown period, normal activities could not be rendered resulting in inability to fast-track the processing of payments to our clients.

	2020	2019 RESTATED
	R '000	R '000

### Impact on cashflows

The continued inability to collect revenue from one of our key clients( Amathole District Municipality) has started to impact negatively on Amatola Water's current and future cashflows.This is as a result of most business clients of ADM who were impacted negatively by the COVID-19 related lockdown.

## 39. ACCOUNTING BY PRINCIPALS AND AGENTS

The entity act as an agent on agreements entered with OR Tambo District Municipality, National Department of Public Works, Department of Education, Department of Housing Water and Sanitation, Joe Gqabi District Municipality and Makana Local Municipality.

Amatola Water Board engages with service providers and contractors on behalf of the government department, Water Service Authorities that it has agreements with in the execution of various capital and operational water service projects.

Agency fees or cost incurred under each agreement are charged by Amatola Water Board at a rate agreed upon in the agreement.

The agreements do not contain significant areas of judgement on behalf of the agency as the agreement are legally enforceable and the risk and rewards are clearly articulated in the agreement that provides a definitive process of directive for work allocation and resource utilisation.

### Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

Project advances	195 792	233 318
<b>Revenue recognised</b>		
Revenue		
Section 30	54 805	82 460

Revenue recognised relates to implementing agency fees, operations and maintainace charges and project recoveries.

### Additional information

Expenditure incurred in proving the services to the principals

Amount of expenditure incurred

Cost of sales	39 733	54 846
---------------	--------	--------

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Project Receivables

Sundry debtors	102 274	96 456
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Sundry debtors relates to monies owed by principals to Amatola Water.

Payables relating to projects

Project payables	44 153	70 556
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Project payables relates to payables raised on projects that are implemented by the agency on behalf of the principals.

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**ANNEXURES**

# ANNEXURE A

## SPLIT OF PRIMARY AND OTHER ACTIVITIES (UNAUDITED)

### for the year ended 30 June 2020

	RESTATED		RESTATED		RESTATED	
	PRIMARY ACTIVITY (BULK SUPPLY)	PRIMARY ACTIVITY (BULK SUPPLY)	OTHER ACTIVITY	OTHER ACTIVITY	TOTAL	TOTAL
	2020	2019	2020	2019	2020	2019
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Revenue</b>	364 421	340 986	56 028	175 188	420 450	516 174
Cost of Sales	(271 763)	(241 665)	(39 733)	(61 865)	(311 496)	(303 530)
<b>Gross profit</b>	92 659	99 321	16 296	113 323	108 954	212 644
Gross profit %	25,43%	29,13%	29,08%	64,69%	25,91%	41,20%
Other income	6 237	5 564	431	1 031	6 668	6 595
Operating and Administration Expenses	(124 279)	(40 816)	(51 241)	(76 467)	(175 520)	(117 283)
<b>Net operating surplus/(deficit)</b>	<b>(25 383)</b>	<b>64 069</b>	<b>(34 514)</b>	<b>37 888</b>	<b>(59 897)</b>	<b>101 956</b>
Interest Income	(35 299)	(20 553)	(15 501)	(27 056)	(50 800)	(47 609)
Finance Cost	4 045	3 648	1 776	4 803	5 821	8 451
<b>Surplus (Deficit) for the year</b>	<b>5 871</b>	<b>80 974</b>	<b>(20 789)</b>	<b>60 141</b>	<b>(14 918)</b>	<b>141 114</b>



# ANNEXURE B

## FIVE-YEAR HISTORICAL STATISTICAL OVERVIEW (UNAUDITED)

	2020 VS 2019			2019 VS 2018		2018 VS 2017	
	2020 YTD R000	2019 RESTATED R000	%	2018 RESTATED R000	%	2017 RESTATED R000	%
<b>OPERATIONS</b>							
Revenue	419 226	423 446	(1,0)	384 833	10,0	405 272	(5,0)
Cost of Sales	311 496	290 741	7,1	293 975	(1,1)	289 166	1,7
Other income	6 668	6 596	1,1	4 516	46,1	4 065	11,1
Grant Funding	1 223	92 386	(98,7)	88 554	4,3	-	-
Operating and Admin Expenses	181 340	138 181	31,2	190 658	(27,5)	127 411	49,6
Net finance income	50 800	47 609	6,7	29 045	63,9	16 761	73,3
Net Operating (Deficit)/Surplus	-14 919	141 115	(110,6)	22 315	532,4	9 521	134,4
<b>FINANCIAL POSITION</b>							
Capital Contribution	274 557	274 557	-	274 557	-	274 557	-
Reserves	-	-	-	-	-	-	-
Retained (Deficit)/Surplus	557 125	572 045	(2,6)	430 931	32,7	91 385	371,6
Long-term Liabilities	-	-	-	-	-	275 050	(100,0)
Current Liabilities	493 201	557 679	(11,6)	452 870	23,1	282 808	60,1
Total Equity and Liabilities	1 324 883	1 404 281	(5,7)	1 158 358	21,2	923 800	25,4
Non-current Assets	586 130	542 490	8,0	542 726	(0,0)	533 716	1,7
Current Assets	738 753	861 791	(14,3)	615 632	40,0	390 084	57,8
Total Assets	1 324 883	1 404 281	(5,7)	1 158 358	21,2	923 800	25,4
<b>CASH FLOW POSITION</b>							
Cash flow from Operating Activities	77 252	252 741	(130,6)	260 793	(3,1)	-57 901	(550,4)
Cash Flow util. in /gen. from Investing Activities	-38 752	10 884	(456,0)	-15 316	(171,1)	-111 937	(86,3)
Cash Flow utilised in Financing Activities	-	-	-	-	-	-15	(100,0)
Net Cash Increase/(Decrease) for year	-116 004	263 625	(144,0)	245 477	7,4	-169 853	(244,5)
<b>RATIOS</b>							
Revenue (Kilolitres x 1000)	-	-	-	-	-	-	-
Treated Water Sales	31 835	31 432	1,3	31 708	(0,9)	33 208	(4,5)
Raw Water Sales	8 367	8 304	0,8	8 026	3,5	8 438	(4,9)
Total Water Sales	40 202	39 736	1,2	39 734	0,0	41 646	(4,6)
Revenue (R'000)	-	-	-	-	-	-	-
Treated Water Sales	341 268	313 426	8,9	286 564	9,4	270 593	5,9
Raw Water Sales	22 724	20 726	9,6	18 614	11,3	17 067	9,1
Total Water Sales	363 992	334 152	8,9	305 178	9,5	287 660	6,1



2017 VS 2016		2016 VS 2015		2015 VS 2014		2014 VS 2013		2013 VS 2012	
2016 RESTATED R000	%	2015 RESTATED R000	%	2014 RESTATED R000	%	2013 RESTATED R000	%	2012 RESTATED R000	%
398 637	1,7	335 327	18,9	328 763	2,0	358 056	(8,2)	351 302	1,9
285 964	1,1	237 187	20,6	227 952	4,1	249 301	(8,6)	255 970	(2,6)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
118 078	7,9	104 769	12,7	88 719	18,1	82 027	8,2	107 648	(23,8)
12 714	31,8	6 231	104,0	13 299	(53,1)	4 698	183,1	4 379	7,3
7 309	30,3	-488	(1 597,7)	25 390	(101,9)	31 425	(19,2)	-7 937	(495,9)
274 557	-	274 557	-	274 557	-	274 557	-	274 557	-
-	-	-	-	-	-	-	-	-	-
81 862	11,6	74 553	9,8	75 041	(0,7)	51 042	47,0	12 781	299,4
178 079	54,5	83 506	113,3	1 516	5 408,3	10 448	(85,5)	982	964,0
386 554	(26,8)	356 534	8,4	320 753	11,2	368 041	(12,8)	209 236	75,9
921 052	0,3	789 150	16,7	671 867	17,5	704 088	(4,6)	497 556	41,5
441 957	20,8	351 563	25,7	285 531	23,1	292 524	(2,4)	297 882	(1,8)
479 095	(18,6)	437 587	9,5	386 336	13,3	411 564	(6,1)	187 445	119,6
921 052	0,3	789 150	16,7	671 867	17,5	704 088	(4,6)	485 327	45,1
119 147	(148,6)	(61 522)	(293,7)	54 504	(212,9)	58 036	(6,1)	22 364	159,5
63 160	(277,2)	66 267	(4,7)	(10 375)	(738,7)	-7 328	41,6	-523	1 301,1
-1 609	(99,1)	(8 902)	(81,9)	(26 362)	(66,2)	930	(2 934,6)	-2 829	(132,9)
180 698	(194,0)	-4 157	(4 446,8)	17 767	(123,4)	51 638	(65,6)	19 012	171,6
-	-	-	-	0	0	0	0	0	0
33 630	(1,3)	33 385	0,7	33 189	0,6	31 723	4,6	30 835	2,9
8 247	2,3	7 557	9,1	8 441	(10,5)	7 842	7,6	8 168	(4,0)
41 877	(0,6)	40 942	2,3	41 630	(1,7)	39 565	5,2	39 003	1,4
-	-	-	-	-	-	-	-	-	-
250 701	7,9	231 338	8,4	211 167	9,6	183 864	14,8	161 930	13,5
15 557	9,7	13 245	17,5	13 249	(0,0)	11 192	18,4	10 810	3,5
266 258	8,0	244 583	8,9	224 416	9,0	195 056	15,1	172 740	12,9

# ANNEXURE C: PERFORMANCE AGAINST ANNUAL PERFORMANCE PLAN 2019/20

BSC	SO#	STRATEGIC OBJECTIVES	INDICATOR NUMBER	MEASURE/INDICATOR	SHC	ACTUAL ACHIEVEMENT 2018/19	PLANNED TARGET 2019/20	ACTUAL ACHIEVEMENT 2019/20	COMMENT ON PERFORMANCE ACHIEVED
Customer & Stakeholder Perspective	SO 1.1	To progressively obtain stakeholder satisfaction levels of at least 80% by 2022.							
			1.1.1	Stakeholder Satisfaction Score	SC	8	4	0	Target Not Achieved.
			1.1.2	% Customer Satisfaction Level	SC	76%	50%	0	Target Not Achieved.
			1.1.3	% B-BBEE Spend	SHC PO7	115%	100%	108%	Target Exceeded.
			1.1.4	# of community/school initiatives undertaken	SHC PO21	12	12	12	Target Achieved.
			1.1.5	% submission dates met	SHC PO14	100%	100%	100%	Target Achieved.
	SO 1.2	To ensure that 81% of WSAs in the province are contracted as customers through ownership or ROU by 2036.							
			1.2.1	% of WSAs in the province contracted as customers	SC	38%	20%	38%	Target Exceeded.
			1.2.2	% of actual CAPEX budget spend on expansion related projects (initiatives by the Minister)	SHC PO4	44%	80%	57%	Target Not Achieved.
			1.2.3	% progress against ministerial directives implementation plan	SHC PO12	54%	60%	31%	Target Not Achieved.
			1.2.4	# of signed contracts and MOUs	SHC PO13	5	4	4	Target Achieved.
			1.2.5	# of municipalities/other customers with bulk supply agreements	SHC PO11	5	4	4	Target Achieved.
	SO 2.2	To implement at least five environmental monitoring programmes at AW supply schemes to reduce environmental footprint by 2022							
			2.2.1	# of environmental monitoring and evaluation initiatives indicating compliance with environmental footprint targets	SC	3	3	3	Target Achieved.

BSC	SO#	STRATEGIC OBJECTIVES	INDICATOR NUMBER	MEASURE/INDICATOR	SHC	ACTUAL ACHIEVEMENT 2018/19	PLANNED TARGET 2019/20	ACTUAL ACHIEVEMENT 2019/20	COMMENT ON PERFORMANCE ACHIEVED
Financial Perspective	SO 3.1	To establish and implement funding mechanisms and models to increase volumes to 170 Ml/day by 2022							
			3.1.1	# of Ml/day sold	SC	92.3Ml/day	88Ml/day	87.5 Ml/day	Target Not Achieved.
			3.1.3	Current ratio	SHC PO6	1.529	1.056	1.485	Target Exceeded.
			3.1.4	Gross profit margin % (primary activity)	SHC PO6	30.75%	27.50%	24.91%	Target Not Achieved.
			3.1.5	Gross profit margin (secondary activity)	SHC PO6	65.37%	48.95%	26.63%	Target Not Achieved.
			3.1.6	Net profit margin (primary activity)	SHC PO6	11.49%	2.35%	0.98%	Target Not Achieved.
			3.1.7	Net profit margin (secondary activity)	SHC PO6	54.88%	5.10%	-41.39%	Target Not Achieved.
			3.1.8	Net profit margin (All)	SC	25.86%	0.01%	-4.49%	Target Not Achieved.
			3.1.9	Debt equity	SHC PO6	0	0	0	Target Achieved.
			3.1.10	Return on assets	SHC PO6	17.69%	-7.42%	-10.94%	Target Not Achieved.
			3.1.11	Debtor days	SHC PO6	63.75 days	60 days	87.02days	Target Not Achieved.
			3.1.12	% variance on operating expenditure	SHC PO8	8.37%	5%	-1.56%	Target Not Achieved.
			3.1.13	% secondary revenue of total turnover	SHC PO10	33.47%	19.35%	12.87%	Target Not Achieved.
			3.1.14	Solvency ratio	SC	2.49	1.42	2.66	Target Exceeded.
			3.1.15	Creditor days	SC	85.17days	30 days	85.97 days	Target Not Achieved.

BSC	SO#	STRATEGIC OBJECTIVES	INDICATOR NUMBER	MEASURE/INDICATOR	SHC	ACTUAL ACHIEVEMENT 2018/19	PLANNED TARGET 2019/20	ACTUAL ACHIEVEMENT 2019/20	COMMENT ON PERFORMANCE ACHIEVED
Internal Business Process Perspective	SO 4.1	To achieve and maintain a "GOOD" quality rating of SANS 241 at all water plants operated by AW.							
	4.1.1	# of AW plants achieving "GOOD" quality SANS 241:2015 Edition 2 in Table 4	SHC PO1	10	7	10		Target Exceeded.	
	SO 4.2	To achieve and maintain compliance to effluent discharge requirements as per the regulation at all wastewater plants operated by AW.							
	4.2.2	Average number of days to report on tests performed	SC	14	5	4		Target Exceeded.	
	SO 4.3	To maintain a turnaround time of 5 days to report on all water quality tests performed.							
	4.3.1	# of determinants SANAS accredited	SC	20	20	20		Target Achieved.	
	SO 5.1	To manage the potable water in an integrated manner to achieve 98% assurance of supply.							
	5.1.1	% assurance of potable water supply	SHC PO3	99.93%	98%	98.42%		Target Exceeded.	
	SO 5.2	To manage the raw water resources in an integrated manner to achieve 98% assurance of supply.							
	5.2.1	% assurance of raw water supply	SHC PO3	69.92%	98%	80.04%		Target Achieved.	
	SO 6.1	To maintain water losses at a maximum of 12% per annum.							
	6.1.1	% total water losses on production and distributed	SHC PO2	14%	14%	14%		Target Achieved.	
	6.1.2	Repairs and maintenance as % of PPE and investment property (carrying value)	SHC PO6	4.29%	5.00%	3.09%		Target Not Achieved.	
	6.1.3	% expenditure on maintenance of total primary business operating budget.	SC	7.45%	6%	6%		Target Achieved.	
	SO 7.1	To achieve an organisation effectiveness score of 4 out of 5 on the Likert scale by 2022.							
	7.1.2	% availability of ICT infrastructure	SC	99.44%	98.30%	98.33%		Target Achieved.	
	7.1.3	% availability of ICT systems	SC	98.30%	98.30%	98.33%		Target Exceeded.	
7.1.5	# of learnerships	SHC PO16	2	2	3		Target Exceeded.		
7.1.6	# of bursaries employees	SHC PO16	32	15	15		Target Achieved.		
7.1.7	# of graduate programmes	SHC PO16	7	15	15		Target Achieved.		
Learning and Growth Perspective									

BSC	SO#	STRATEGIC OBJECTIVES	INDICATOR NUMBER	MEASURE/INDICATOR	SHC	ACTUAL ACHIEVEMENT 2018/19	PLANNED TARGET 2019/20	ACTUAL ACHIEVEMENT 2019/20	COMMENT ON PERFORMANCE ACHIEVED
	7.1.8			R-value overall project expenditure	SHC PO9	R550,20Mil	R672Mil	R402Mil	Target Not Achieved.
	7.1.9			Overall project completion dates within targets	SHC PO9	53%	80%	46%	Target Not Achieved.
	7.1.10			Employee to revenue (R million)	SC	R1,409m	R1,028m	R1,230m	Target Exceeded.
	7.1.11			% staff turnover	SHC PO15	0.84%	1%	0.64%	Target Achieved.
	7.1.12			# of permanent jobs created	SHC PO17	353	425	344	Target Not Achieved.
	7.1.13			# of temporary jobs created	SHC PO17	568	250	529	Target Exceeded
	7.1.14			Staff remuneration as % of total operating expenditure	SHC PO6	40.40%	40.90%	40.43%	Target Not. Achieved
	7.1.15			External audit outcome	SHC PO5	Unqualified	Unqualified	Qualified	Target Not Achieved.
	7.1.16			% Board Member attendance of all Board/Committee meetings	SHC PO18	81.25%	80%	95%	Target Exceeded.
	7.1.17			# of repeats internal audit findings	SHC PO19	2	10	2	Target Achieved.
	7.1.18			# of unresolved internal audit findings	SHC PO19	3	25	10	Target Not Achieved.
	7.1.19			# of breaches of materiality and significance framework	SHC PO20	0	0	0	Target Achieved.
	SO 7.1			To achieve an organisation effectiveness score of 4 out of 5-on the Likert scale by 2022.					
Learning and Growth Perspective				% of targets achieved within the organisational scorecard	SC	83%	70%	55%	Target Not Achieved.
				% of employees achieving an average score of 3.5	SC	64,39%	70%	91.2%	Target Exceeded.
				% of employee reviews performed biannually	SC	100%	100%	97.2%	Target Not Achieved.
				% of new grievances resolved within 30 days	SC	0%	100%	100%	Target Not Achieved.
				% of employees suitably qualified as per the job requirements	SC	100%	100%	100%	Target Achieved.
				% implementation of approved training plan	SC	81%	80%	63%	Target Not Achieved.

# ANNEXURE D: GRI CONTENT INDEX

Amatola Water has reported “in accordance” with the comprehensive option presented by the GRI’s G4 guidelines.

An independent assurance report can be found on page 109 - 113.

## GENERAL STANDARD DISCLOSURES

STRATEGY AND ANALYSIS	PAGE
<b>G4-1:</b> Provide a statement from the most senior decision-maker of the organisation (such as CE, Chairperson, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation’s strategy for addressing sustainability	8 - 11
<b>G4-2:</b> Provide a description of key impacts, risks and opportunities	22, 30-31, 96
ORGANISATIONAL PROFILE	PAGE
<b>G4-3:</b> Report the name of the organisation	Throughout the report
<b>G4-4:</b> Report the primary brands, products and services	18 – 20, 28-29, 66 - 70
<b>G4-5:</b> Report the location of the organisation’s headquarters	Cover page
<b>G4-6:</b> Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	2, 19 and 20
<b>G4-7:</b> Report the nature of ownership and legal form	2, 18 - 19
<b>G4-8:</b> Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	18 – 20, 66 -78
<b>G4-9:</b> Report the scale of the organisation, including: <ul style="list-style-type: none"> <li>• Total number of employees</li> <li>• Total number of operations</li> <li>• Net sales (for private sector organisations) or net revenues (for public sector organisations)</li> <li>• Total capitalisation broken down in terms of debt and equity (for private-sector organisations)</li> <li>• Quantity of products or services provided</li> </ul>	12 -13, 28-29, 48, 52 – 57, 66 -78, 121 -123
<b>G4-10:</b> Report the composition of the workforce, including: <ul style="list-style-type: none"> <li>• Total number of employees by employment contract and gender</li> <li>• Total number of permanent employees by employment type and gender</li> <li>• Total workforce by employees and supervised workers and by gender</li> <li>• Total workforce by region and gender</li> <li>• Whether a substantial portion of the organisation’s work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors</li> <li>• Any significant variations in employment numbers</li> </ul>	13, 28-29, 52 -57
<b>G4-11:</b> Report the percentage of total employees covered by collective bargaining agreements	55
<b>G4-12:</b> Describe the organisation’s supply chain	105
<b>G4-13:</b> Report any significant changes during the reporting period regarding the organisation’s size, structure, ownership, or its supply chain, including: <ul style="list-style-type: none"> <li>• Changes in the location of, or changes in, operations, including facility openings, closings, and expansions</li> <li>• Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private-sector organisations)</li> <li>• Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination</li> </ul>	2, 12-13, 19-20, 12-13, 105, 109, 141, 166
<b>G4-14:</b> Report whether and how the precautionary approach or principle is addressed by the organisation	Not applicable
<b>G4-15:</b> List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	12 -13, 17, 32 -38
<b>G4-16:</b> List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: <ul style="list-style-type: none"> <li>• Holds a position on the governance body</li> <li>• Participates in projects or committees</li> <li>• Provides substantive funding beyond routine membership dues</li> <li>• Views membership as strategic</li> </ul>	6 - 7, 32-38

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES	PAGE
<b>G4-17:</b> a. List all entities included in the organisation's consolidated financial statements or equivalent documents b. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report	108 -172
<b>G4-18:</b> a. Explain the process for defining the report content and the aspect boundaries b. Explain how the organisation has implemented the reporting principles for defining report content	16 -18, 30 -31
<b>G4-19:</b> List all the material aspects identified in the process for defining report content	30 - 31
<b>G4-20:</b> For each material aspect, report the aspect boundary within the organisation, as follows: • Report whether the aspect is material within the organisation • If the aspect is not material for all entities within the organisation (as described in G4-17), select one of the following two approaches and report either: ◦ The list of entities or groups of entities included in G4-17 for which the aspect is not material or ◦ The list of entities or groups of entities included in G4-17 for which the aspect is material • Report any specific limitation regarding the aspect boundary within the organisation	30 -31
<b>G4-21:</b> For each material aspect, report the aspect boundary outside the organisation, as follows: • Report whether the aspect is material outside of the organisation • If the aspect is material outside of the organisation, identify the entities, groups of entities or elements for which the aspect is material, and describe the geographical location where the aspect is material for the entities identified • Report any specific limitation regarding the aspect boundary outside the organisation	30 - 31
<b>G4-22:</b> Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	121 -124, 162
<b>G4-23:</b> Report significant changes from previous reporting periods in the scope and aspect boundaries	121 -124, 162
STAKEHOLDER ENGAGEMENT	PAGE
<b>G4-24:</b> Provide a list of stakeholder groups engaged by the organisation	32 - 38
<b>G4-25:</b> Report the basis for identification and selection of stakeholders with whom to engage	32 - 38
<b>G4-26:</b> Report the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	32 -38, 81
<b>G4-27:</b> Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting, and report the stakeholder groups that raised each of the key topics and concerns	32- 38, 81
REPORT PROFILE	PAGE
<b>G4-28:</b> Reporting period (such as fiscal or calendar year) for information provided	Throughout the report
<b>G4-29:</b> Date of most recent previous report	Throughout the report
<b>G4-30:</b> Reporting cycle (such as annual, biennial)	Throughout the report
<b>G4-31:</b> Provide the contact point for questions regarding the report or its contents	Cover page
<b>G4-32:</b> a. Report the "in accordance" option the organisation has chosen b. Report the GRI content index for the chosen option c. Report the reference to the external assurance report	182
<b>G4-33:</b> a. Report the organisation's policy and current practice with regard to seeking external assurance for the report b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided c. Report the relationship between the organisation and the assurance providers d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report	71, 98, 115 - 120

GOVERNANCE	PAGE
<b>G4-34:</b> Report the governance structure of the organisation, including committees of the highest governance body, and identify any committees responsible for decision-making on economic, environmental and social impacts	80 – 93
<b>G4-35:</b> Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	80 - 93
<b>G4-36:</b> Report whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	80 - 83
<b>G4-37:</b> Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body	32 -38, 81
<b>G4-38:</b> Report the composition of the highest governance body and its committees by: <ul style="list-style-type: none"> <li>• Executive or non-executive</li> <li>• Independence</li> <li>• Tenure on the governance body</li> <li>• Number of each individual's other significant positions and commitments, and the nature of the commitments</li> <li>• Gender</li> <li>• Membership of under-represented social groups</li> <li>• Competences relating to economic, environmental and social impacts</li> <li>• Stakeholder representation</li> </ul>	80 - 93
<b>G4-39:</b> Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organisation's management and the reasons for this arrangement)	Not applicable
<b>G4-40:</b> Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including: <ul style="list-style-type: none"> <li>• Whether and how diversity is considered</li> <li>• Whether and how independence is considered</li> <li>• Whether and how expertise and experience relating to economic, environmental and social topics are considered</li> <li>• Whether and how stakeholders (including shareholders) are involved</li> </ul>	Not applicable
<b>G4-41:</b> Report processes for the highest governance body to ensure conflicts of interest are avoided and managed, and whether conflicts of interest are disclosed to stakeholders, including, as a minimum: <ul style="list-style-type: none"> <li>• Cross-board membership</li> <li>• Cross-shareholding with suppliers and other stakeholders</li> <li>• Existence of controlling shareholder</li> <li>• Related party disclosures</li> </ul>	94 - 95
<b>G4-42:</b> Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	2, 80-93, 127
<b>G4-43:</b> Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	84
<b>G4-44:</b> Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, whether such evaluation is independent or not, and its frequency, whether such evaluation is a self-assessment, as well as actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organisational practice	27, 41 – 49
<b>G4-45:</b> Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities, including the highest governance body's role in the implementation of due diligence processes, and whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks and opportunities	21 -22, 30 – 38, 81, 96
<b>G4-46:</b> Report the highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics	22, 30-31,96
<b>G4-47:</b> Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities	22,30-31,96
<b>G4-48:</b> Report the highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material aspects are covered	80 -92
<b>G4-49:</b> Report the process for communicating critical concerns to the highest governance body	80 - 98
<b>G4-50:</b> Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	95



GOVERNANCE	PAGE
<b>G4-51:</b> Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration: <ul style="list-style-type: none"> <li>• Fixed pay and variable pay:</li> <li>• Performance-based pay</li> <li>• Equity-based pay</li> <li>• Bonuses</li> <li>• Deferred or vested shares               <ul style="list-style-type: none"> <li>◦ Sign-on bonuses or recruitment incentive payments</li> <li>◦ Termination payments</li> <li>◦ Clawbacks</li> <li>◦ Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees</li> </ul> </li> <li>• Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives</li> </ul>	84, 155 -158
<b>G4-52:</b> Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management, and report any other relationships which the remuneration consultants have with the organisation	84
<b>G4-53:</b> Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	84
<b>G4-54:</b> Report the ratio of the annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	57, 84, 155-158
<b>G4-55:</b> Report the ratio of percentage increase in annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	57, 84, 155-158

ETHICS AND INTEGRITY	PAGE
<b>G4-56:</b> Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Cover page, 94 -95
<b>G4-57:</b> Report the internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines	94 -95
<b>G4-58:</b> Report the internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	94 -95

## SPECIFIC STANDARD DISCLOSURES

DISCLOSURE ON MANAGEMENT APPROACH AND INDICATORS	PAGE
<b>CATEGORY: ECONOMIC</b>	
<b>ASPECT: ECONOMIC PERFORMANCE</b>	
<b>G4-EC1:</b> Direct economic value generated and distributed	28 -29, 121 -172
<b>G4-EC2:</b> Financial implications and other risks and opportunities for the organisation's activities due to climate change	21, 30 -31, 96
<b>G4-EC3:</b> Coverage of the organisation's defined benefit plan obligations	128, 122, 136 - 137, 153 -154
<b>G4-EC4:</b> Financial assistance received from government	28 -29
<b>ASPECT: INDIRECT ECONOMIC IMPACTS</b>	
<b>G4-EC7:</b> Development and impact of infrastructure investments and services supported	12 - 13, 28 -29
<b>G4-EC8:</b> Significant indirect economic impacts, including the extent of impacts	12 - 13, 28 -29
<b>ASPECT: PROCUREMENT PRACTICES</b>	
<b>G4-EC9:</b> Proportion of spending on local suppliers at significant locations of operation	12 - 13, 28 -29

## DISCLOSURE ON MANAGEMENT APPROACH AND INDICATORS

PAGE

**CATEGORY: ENVIRONMENTAL****ASPECT: ENERGY**

<b>G4-EN3:</b> Energy consumption within the organisation	12 – 13, 70-71
<b>G4-EN6:</b> Reduction of energy consumption	12 – 13, 70-71
<b>G4-EN7:</b> Reductions in energy requirements of products and services	12 – 13, 70-71

**ASPECT: WATER**

<b>G4-EN8:</b> Total water withdrawal by source	12 – 13, 28 -29, 62, 66-70
<b>G4-EN9:</b> Water sources significantly affected by withdrawal of water	12 – 13, 28 -29, 62, 66-70
<b>G4-EN10:</b> Percentage and total volume of water recycled and reused	Not applicable

**ASPECT: COMPLIANCE**

<b>G4-EN29:</b> Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Not applicable
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**ASPECT: OVERALL**

<b>G4-EN31:</b> Total environmental protection expenditures and investments by type	28-29, 152
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**CATEGORY: SOCIAL – LABOUR PRACTICES AND DECENT WORK****ASPECT: EMPLOYMENT**

<b>G4-LA6:</b> Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities, by region and by gender	72
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**ASPECT: TRAINING AND EDUCATION**

<b>G4-LA10:</b> Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	56-57
<b>G4-LA11:</b> Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	56-57

**ASPECT: DIVERSITY AND EQUAL OPPORTUNITY**

<b>G4-LA12:</b> Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	12 – 13, 52-54
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**ASPECT: LABOUR PRACTICES GRIEVANCE MECHANISMS**

<b>G4-LA16:</b> Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	52-55
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**CATEGORY: SOCIAL – HUMAN RIGHTS****ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING**

<b>G4-HR4:</b> Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	54-55
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## DISCLOSURE ON MANAGEMENT APPROACH AND INDICATORS

PAGE

**CATEGORY: SOCIAL – SOCIETY****ASPECT: LOCAL COMMUNITIES**

<b>G4-SO1:</b>	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Not applicable
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<b>G4-SO2:</b>	Operations with significant actual or potential negative impacts on local communities	Not applicable
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**ASPECT: ANTI-CORRUPTION**

<b>G4-SO3:</b>	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	94 - 95
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<b>G4-SO4:</b>	Communication and training on anti-corruption policies and procedures	94 - 95
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<b>G4-SO5:</b>	Confirmed incidents of corruption and actions taken	94 - 95
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**ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY**

<b>G4-SO10:</b>	Significant actual and potential negative impacts on society in the supply chain and actions taken	105 - 106
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**CATEGORY: SOCIAL – PRODUCT RESPONSIBILITY****ASPECT: CUSTOMER HEALTH AND SAFETY**

<b>G4-PR1:</b>	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	68 -67
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<b>G4-PR2:</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	68 -67
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**ASPECT: COMPLIANCE**

<b>G4-PR9:</b>	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Not applicable
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