

Amatola
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AMATOLA WATER
INTEGRATED ANNUAL REPORT
2021/22



AMATOLA WATER INTEGRATED ANNUAL REPORT 2021/22

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GENERAL INFORMATION

Country of incorporation and domicile	Republic of South Africa
Executive authority	Minister of Water and Sanitation
Accounting authority	Amatola Water Board
Nature of business and principal activities	Water Services
Board members	Ms P Yako Mr S Dzungwa Ms Z Kiviet Mr A Mjekula Ms B Mokgatle Mr N Tyibilika Ms SP Xulu
Registered office	6 Lancaster Road Vincent East London 5217
Postal address	Private Bag X3 Vincent East London 5217
Bankers	Standard Bank Ltd and Nedbank Ltd
Auditor	Auditor-General South Africa
Company Secretary	Advocate Thulani Sagela
Business enterprise registration and date of establishment	Gazette Number 18409 of 14 November 1997
Preparer	The annual financial statements were internally compiled by the management of Amatola Water Board.
Specific governing legislation	<ul style="list-style-type: none"> Public Finance Management Act, 1999 (Act No. 1 of 1999 as amended by Act No. 29 of 1999) Water Services Act, 1997 (Act No.108 of 1997)
Chief Executive	<ul style="list-style-type: none"> Mr S Qweleka (effective from 23 March 2021 to 25 March 2022) Mr S Koyo (25 March 2022 to 15 August 2022) Dr L Makuleni (effective from 15 August 2022 to 14 November 2022) Mr S Galada (effective 14 November 2022)
Chief Financial Officer	<ul style="list-style-type: none"> Mr U Mbali (effective from 6 January 2021 to 22 April 2022) Ms N Nomnganga (effective from 22 April 2022 to 30 September 2022 and from 15 November 2022) Mr S Galada appointed Chief Financial Officer effective from 1 October 2022



ABBREVIATIONS

FULL NAME	ABBREVIATION	FULL NAME	ABBREVIATION
Accounting Standards Board	ASB	Financial Viability	FV
Annual Financial Statements	AFS	Fixed Term Contract	FTC
Albany Coast Reverse Osmosis	ACRO	Global Reporting Initiative Generation 4	GRI G4
Amathole District Municipality	ADM	Government Water Scheme Supply	GWSS
Amatola Water	AW	Generally Recognised Accounting Practice	GRAP
Asbestos Cement	AC	Global Reporting Initiative	GRI
Audit and Risk Committee	ARC	Gross Domestic Product	GDP
Auditor-General of South Africa	AGSA	High Density Polyethylene Plastic Pipe	HDPE
Audit Intervention Plan	AIP	Honours	Hons
Audit of Predetermined Objectives	AoPO	Human Resources	HR
BAAN Computerised Maintenance Management System	BAAN	Human Resources	HR
Baccalaureus Procuratoris	BPROC	Remuneration Committee	HRRC
Bachelor of Arts	BA	Implementing Agent	IA
Bachelor of Commerce	BCom	Information and Communication Technology	ICT
Bachelor of Laws	LLB	Infrastructure Master Plan	IMP
Bachelor of Science	BSc	Infrastructure Stability	IS
Bachelor of Technology	BTech	Institute of Directors in South Africa	IoDSA
Brackish Water Reverse Osmosis	BWRO	Institutional Realignment and Reform	IRR
Bid Evaluation Committee	BEC	Integrated Management System	IMS
Broad-based black economic empowerment	B-BBEE	Integrated Reporting	IR
Buffalo City Metropolitan Municipality	BCMM	Inter-Governmental Relations	IGR
Calcium Hypochlorite/Dry Chlorine	HTH	International Ethics Standards	
Capital Expenditure	Capex	International Financial Reporting Standards	IESBA
Central Energy Fund	CEF SOC	International Standards on Auditing	IFRS
Chartered Accountant (South Africa)	CA (SA)	International Standards on Auditing	ISA
Chief Executive	CE	Intergovernmental Relations	
Chief Financial Officer	CFO	Framework Act, 2005 (Act No 13 of 2005)	IGFRA
Chief Risk Officer	CRO	International Integrated Reporting Council	IIRC
Commission for Conciliation, Mediation and Arbitration	CCMA	International Integrated Reporting Council's International Integrated Reporting Framework	IIRC <IR>
Community/Environmenta	CE	International Organization for Standardization	ISO
Company Secretariat and Governance	CSSA	International Professional Practices Framework	IPPF
Construction Industry Development Board	CIDB	Information Technology	IT
Coronavirus Disease	COVID-19	Key Performance Indicator	KPI
Corporate Risk Management Committee	CRMCo	Kilolitre	Kl
Customer Satisfaction	CS	Kilometre	Km
Department of Education	DoE	Kilowatt Hour per Cubic Meter	KWH/M3
Department of Public Work	DPW	King Code of Governance Principles and the King Report on Governance	King IV
Department of Water and Sanitation	DWS	King Sabata Dalindyebo	KSD
Department of Water and Sanitation Objective	DWS OBJ	King Sabata Dalindyebo	
Disabling Incident Frequency Rate	DIFR	Local Municipality	KSDLM
Disaster Recovery Plan	DRP	King Sabata Dalindyebo	
Eastern Cape Department of Education	ECDoE	Presidential Intervention	KSDPI
Energy, Water, Sector Education and Training Authority	EWSETA	Leadership and Employee Development	LG
Employee Assistance Programme	EAP	Local Municipality	LM
Enterprise Resource Programme	ERP	Local Labour Forum	LLF
Finance Committee	FINCO	Loss Time Injury	LTI
Financial Year	FY	Management Committee	MANCO
		Master of Science	MSc

ABBREVIATIONS

FULL NAME	ABBREVIATION	FULL NAME	ABBREVIATION
Master of Business Administration	MBA	Regional Water Scheme	RWS
Mechanical and Engineering	M&E	Request for Quotation	RFQ
Member of Parliament	MP	Research and Development	R&D
Medium Term Strategic Framework	MTSF	Return of Assets	ROA
Micro, Small and Medium Enterprise	MSME	Safety, Health and Environment	SHE
Modified Poly Vinyl Chloride	MPVC	SA Supplier Development Agency	SASDA
Medium Term Strategic Framework	MTSF	South Africa	SA
Megalitre	MI	South African Association of Water Utilities	SAAWU
Memorandum of Understanding	MOU	South African Bureau of Standards	SABS
Municipal Infrastructure Grant	MIG	South African Local Government Association	SALGA
Nelson Mandela Bay		South African Municipal Workers' Union	SAMWU
Metropolitan Municipality	NMBMM	South African National Accreditation System	SANAS
Not Applicable	N/A	South African National Standard	SANS
National Development Plan	NDP	South African Police Services	SAPS
National Diploma	ND	South African Rand	ZAR
National Department of Public Works	NDPW	South African Revenue Service	SARS
National Education, Health, and Allied Workers' Union	NEHAWU	South African Statements of Generally Accepted Accounting Practice	SA GAAP
Number	No	Stakeholder Relationships and Support Strategy and Business Development Committee	SS SBDC
Number	#	Strategic Goals	SO
National Occupational Safety	NOSA	Strategy and Business Development Committee	SBDC
National Qualifications Framework Association (South Africa)	NQF	Sunday's River Valley Local Municipality	SRVLM
Public Audit Act of South Africa, 2004 (Act No 25 of 2004)	PAA	Supervisory Control and Data Acquisition	SCADA
Programmable Logic Controller	PLC	Supply Chain Management	SCM
Nooitgedagt/Coega Low-Level Scheme	NCLLS	Sunday's River Valley Local Municipality	SRVLM
Objective Number	OBJ NO	Total Dissolve Solids	TDS
Occupational Health and Safety	OHS	Turnaround Plan	TAP
Operations and Maintenance Advisory Services	O&M OHSAS	Unplasticised polyvinyl chloride	uPVC
Oliver Reginald	OR	Value Added Tax	VAT
Operational Optimisation	OO	Water Adequacy	WA
Operational Resilience	OR	Water Quality	WQ
OR Tambo District Municipality	ORTDM	Water Services Authority	WSA
Personal Protective Equipment	PPE	Water Services Utility	WSU
Photovoltaic	PVC	Wastewater Treatment Works	WTW
Preferential Procurement			
Policy Framework Act	PPFA		
Public Management Act	PFMA		
PricewaterhouseCoopers	PWC		
Project and Development	P&D		
Provincial Joint Tactical Team	PJTT		
Provincial Medium Term Strategic Framework	P-MTSF		
Professional Service Provider	PSP		
Public Finance Management Act	PFMA		
Doctor of Philosophy	PhD		
Quarter	Q		
Quick Reference	QR Code		
Radio Frequency	RF		
Rand per kilo	R/KL		
Regional Bulk Infrastructure Grant	RBIG		

FOREWORD BY MINISTER OF WATER AND SANITATION



Mr E Senzo Mchunu (MP)
Minister of Water and Sanitation

The South African water mandate is embodied in the National Water Act, 1998 (Act No. 36 of 1998), Water Services Act, 1997 (Act No. 108 of 1997) and Water Research Act, 1971 (Act No. 34 of 1971).

These water service delivery tools include a set of policy mandates and water sector strategies that direct the formulation of plans to address water challenges.

The persistent challenges relating to water security in South Africa remain and include:

- Increasing water demand and declining supply
- Deteriorating water ecosystems
- Unreliable water and sanitation services
- Inequitable water allocation
- Weak regulation of the water and sanitation sector.

The Department of Water and Sanitation's immediate response to these challenges has been to embark on water and sanitation initiatives to ensure the availability of drinking water and reliable sanitation services. The following key points should be noted:

- The culmination and integration of water security strategies and policies in a water sector-specific framework that creates a foundation for sustainable planning and coherent decision-making processes
- Investment in water research and innovative technologies that assist in detecting changes in weather patterns, water use, and alternative methods to ensure the availability of water services
- The collaboration of efforts by stakeholders across the water value chain to address the situation where water demand exceeds supply with an emphasis on adequate water resource management and efficient water services management.

The existing water sector policy frameworks, which link water, water services and socio-economic development in the country, enable Amatola Water to fulfil the strategic mandate of the government and achievement the strategic outcomes of the Department of Water and Sanitation.

The Department of Water and Sanitation is reviewing the number of water boards to ensure functionality and infrastructure stability for the delivery of water services. As a water entity in the Eastern Cape, Amatola Water is positioned to play a pivotal role in ensuring the province's citizens are provided with clean drinking water.

The establishment of the regional water utility in the Eastern Cape will contribute to addressing the three challenges of unemployment, poverty, and inequality. The response to these three challenges is the implementation of the Provincial Medium Term Strategic Framework (P-MTSF) by creating jobs for the jobless, reducing unemployment, enhancing food security, alleviating hunger, and building equal opportunities for all the citizens of the Eastern Cape through seven priorities:

- 1 Building a capable, ethical, and developmental state
- 2 Transforming the economy and creating jobs
- 3 Investing in education, skills and health
- 4 Consolidating the social wage through reliable and quality basic services
- 5 Integrating spatial planning, rural economy, and local government
- 6 Building social cohesion and safe communities
- 7 Building a better Africa and the world.

The development of the Amatola Water Infrastructure Master Plan expounds on the water entity's capacity to respond to water resource and service management challenges.

The Amatola Water Infrastructure Masterplan is nearing completion and addresses the increased demand for water services in the Eastern Cape. An important consideration for Amatola Water's Infrastructure Master Plan development is the Statistics South Africa Census 2021 survey, which was delayed and only commenced in 2022. It has a critical impact on the Infrastructure Master Plan preparation as all water demands are based on demographic information which may or may not lead to serious revisions of plans and proposals.

Amatola Water is engaging earnestly with key stakeholders within its gazetted area of operations regarding the integration of development plans that will maximise our collaborative efforts to improve water service delivery for the benefit of communities in the Buffalo City Metropolitan Municipality, Amathole District Municipality and Ndlambe Local Municipality.

A plan has been put in place through the Amatola Water Infrastructure Master Plan to improve the sea water abstraction capacity of the Albany Coast Reverse Osmosis Plant in the Ndlambe Local Municipality, an intervention used to source water in the Eastern Cape. The intervention demonstrates the technological exploration for alternative water resources through a collaboration with the Department of Water and Sanitation, Water Research Commission, Amatola Water and Ndlambe Local Municipality in response to water resource shortages.

The Department and other water service authorities appointed Amatola Water as its implementing agent for water infrastructure projects in the province: King Sabata Dalindyebo Presidential Intervention (KSDPI), Nooitgedagt/Coega Low-Level Supply Scheme (NCLLS), James Kleynhans Bulk Water Supply, Ndlambe Regional Bulk Water Supply and Eastern Cape Department of Education. These projects are at various stages of completion and contribute to the socio-economic development and improvement of the livelihoods of Eastern Cape communities.

The Nooitgedagt/Coega Low-Level Supply Scheme Phase 3 project, implemented by Amatola Water as an implementing agent through a Ministerial Directive under Section 41(1)(i) of the Water Services Act, has been completed. The completion of the project brings relief due to the prolonged drought in the Algoa Water Supply System which led to interruptions in the water supply for the citizens in the metro.

The newly-appointed interim board members of Amatola Water have been mandated to ensure leadership stability by prioritising the filling of critical executive and senior management positions. It is imperative for Amatola Water to have the necessary capacity and skills to meet the demands of its operating environment.

Notably, the Interim Board has formulated a strategic approach that includes building blocks for the desired end state of the entity's vision and mission. The interim board has adopted a three-pillar focused intervention:

- **Pillar 1:** Create a primary business focus
- **Pillar 2:** Strengthen governance
- **Pillar 3:** Restore leadership.

It is the role of the Minister of Water and Sanitation to ensure the stability and proper governance of its water entities to fulfil the statutory requirement of delivering water services through the water boards to the citizens of the Republic of South Africa.

In pursuit of sustainable socio-economic development, I commit the Department of Water and Sanitation to provide support and water sector leadership to guide Amatola Water in delivering water and improving the living standards for the citizens of the Eastern Cape Province.

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

I encourage the Amatola Water Board, 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 improves sustainable socio-economic development and revitalises public confidence in our water entities.



Mr E Senzo Mchunu (MP)
Minister of Water and Sanitation

Date: 30 November 2022

CHAIRPERSON'S STATEMENT



Ms Pam Yako
Interim Board Chairperson

Amatola Water presents its eighth Integrated Annual Report. This report continues to be one of our foremost platforms for engaging with our valued stakeholders. As you read this report, I would encourage you to consider your role in supporting Amatola Water to fulfilling its mandate to service communities in the Eastern Cape in a sustainable way.

We have not performed as we had hoped. This report is an honest appraisal of our performance and the reasons for that performance. At no point does the board want to disavow accountability for how the institution has performed. Our commonly shared values, as South Africans, teach us that we own our responsibilities and acknowledge our interdependencies as a community – no one can do everything by themselves. We need each other to each do what we need to do. Alone, Amatola Water can only achieve so much. We rely on all

our stakeholders in pursuit of our mandate which resides as a basic human right for all South African community – access to water.

The institution, as is the case with the rest of the country, continues to face various challenges that would hamper its ability to achieve its desired service delivery objectives and operational sustainability. Having recently faced the COVID-19 pandemic with resilience and fortitude, we have been presented with other challenges which affect our ability to provide safe and reliable water. Amongst these challenges are shortages in consistent and reliable power sources for providing electrical power for our facilities, as well as national shortages in chemicals that we use to achieve the desired level of quality drinking water.

Our internal challenges are numerous, but most are centred on one fundamental driver for organisational excellence and good governance – a stable leadership body.

Amatola Water has, in the recent past, experienced severe disruption due to the discontinuation of its previous board of directors and the appointment of an interim board.

This instability has many consequences which include:

- Many of the executive positions being occupied by acting personnel;
- An inconsistent and unclear governance tone for the institution;
- Outdated and misaligned policies and processes intended to drive effective and efficient service delivery. Instability in leadership also results in misalignment between individual and institutional performance measures and objectives;
- The inability to attract and retain capable and motivated staff; and
- Recurringly unfavourable audit outcomes from the statutory reviews conducted by the Auditor-General of South Africa.

All is not bad news.

As you read this report, you will see that there are performance targets that we have achieved and some where we have exceeded that service delivery objectives we committed to. In all these instances, we find that the causes for our success relate mainly to funds that are made available for us to do the work that is required.

These funds are from our key stakeholders which include the national government, and other government institutions such as SETAs which fund training programmes.

We also rely on those to whom we supply water honouring the agreements to pay for that water in recognition of the importance of our mandate and the need to ensure that we get the funds we need to continue to provide water.

Our ability to maintain and upgrade our water infrastructure needs Amatola Water to have funds. When our maintenance plans cannot be funded, we have found that we lose water because of leaks and breakages.

The communities are one of our key stakeholders. We exist to serve them and implore them to work with us in taking ownership of the water infrastructure used to service them. Vandalism and illegal water connections pose a threat to Amatola Water's ability to continue providing sustainable access to water. Community leaders are an important partner with us for curbing these destructive behaviours that are not aligned to our values as South Africans.

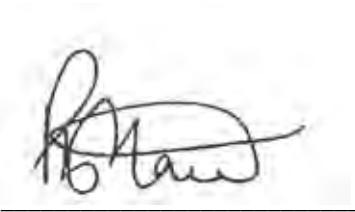
Our stakeholders include the suppliers and contractors with whom we partner to build and upgrade existing infrastructure to provide water services to all communities. The number of contracts that are discontinued because of service providers who do not meet their commitments is a rising concern for us and our executive authority, the Minister of the Department of Water and Sanitation.

As an interim board, we are committed to harnessing the commitment of the officials within the institution who have continued to serve the institution and the province of the Eastern Cape. We are also committed to continuously building key stakeholder relationships to find the most viable solutions to common challenges.

As the chairperson of the interim board, I am comfortable that the members of the board are both committed to and capable of effective and ethical governance over the financial, service delivery and compliance-related activities of Amatola Water.

I express and acknowledge gratitude to the Honourable Minister and Deputy Ministers of the Department of Water and Sanitation for their verbal and active support.

I also express gratitude to the acting Chief Executive and his management team.



Ms Pam Yako
Interim Board Chairperson
Date: 30 November 2022

CHIEF EXECUTIVE'S REPORT



Mr Spelele Galada
Acting Chief Executive

The presentation of the Amatola Water Integrated Annual Report for the 2021/22 financial year fulfils the legislative compliance and creates a platform for engaging with key stakeholders on the performance of the organisation and its strategic imperatives, which are aligned with the legislative mandate.

The report presents Amatola Water's audited performance results for the first year post the COVID-19 pandemic, which has left us uncertain about the future prospects. However, the demand for recovery and a stable environment for sustained future growth is imperative as we continue with the mission to deliver services to the communities that we serve.

The organisational performance has declined by 11% on the shareholder's compact indicators and by 8% for those in the Annual Performance Plan compared to the previous year's results.

The declining organisation performance is attributable to:

- The prolonged drought that has left Debe Dam empty and affected the assurance of the water supply
- The national shortage of chlorine that has affected water quality
- The water restrictions imposed by the Department of Water and Sanitation that have resulted in reduced revenues and the mega litres sold
- Ageing infrastructure that has contributed to the increase in combined water losses.

To arrest the declining organisational performance and instability, the Interim Board has formulated a strategic response and immediate intervention that is guided by three pillars with the following underpinning key activities and areas of focus:

PILLAR 1 Creating primary business focus	PILLAR 2 Strengthening governance	PILLAR 3 Restoring leadership
<ul style="list-style-type: none"> • Resolve Amathole District Municipality issues • Resolve Buffalo City Metropolitan Municipality's additional capacity request • Upgrade Buffalo City Metropolitan Municipality's servicing plant • Resolve Ndlambe Local Municipality's water supply issues • Strengthen stakeholder management (political, clients, and public) • Consolidate and improve the financials • Increase awareness of the effects of climate change. 	<ul style="list-style-type: none"> • Restore board functioning to normalcy • Develop an audit improvement plan • Apply consequence management • Reorganise for modernisation • Restore systems, policies and standard operating procedures across the organisation, including systems of internal controls. 	<ul style="list-style-type: none"> • Fill the posts of CEO and CFO posts • Fill posts for critical core functions (and governance-related posts) • Boost leadership training • Build organisational capability.

Notwithstanding the difficulties confronted during the fiscal year, Amatola Water has exceeded the performance expectations for the following key performance indicators which demonstrate a resilient, robust, and sustainable organisation:

- The solvency ratio target was set at 2.58, and the performance result achieved was 6.08. The target was exceeded due to the implementation of a project to correctly account for items of property, plant and equipment in the asset register as required by the GRAP 17 – Property, Plant and Equipment.
- The annual target of the number of community/school initiatives undertaken was set at 14. The performance result achieved was 44. The target was exceeded due to increased demand for school visits as part of the water-saving education in schools and communities, and to support the implementation of the water restrictions imposed by DWS.

- The annual targets for R-value overall project expenditure and percentage of actual capex budget spend on expansion-related projects (initiatives by the Minister) were exceeded. The R-value overall project expenditure increased due to fast-tracking the implementation of the Nooitgedaght project, which is 99.5% completed.
- The number of permanent jobs created target was set at 300, and the performance result achieved was 333. The target was exceeded due to an increase in the number of fixed-term contracts at Albany Coast.
- The target for the number of learnerships was set at five; the performance result achieved was 14. The target was exceeded because Amatola Water received a grant from the Energy and Water Sector Education Training Authority (EWSETA) that enabled the entity to provide more learnerships than planned.
- The target for the number of employee bursaries was set at 15, and the performance result achieved was 22. The target was exceeded because EWSETA funding was obtained to award more bursaries.

The financial position and performance of the organisation remain a concern. Hence, the strategic area of focus on improving financial viability remains. Amatola Water's audited financial performance report shows an operating deficit of R181m in the financial year under review compared to a restated operating deficit of R98.6m in the previous financial year.

The audited financial results for the 2021/22 financial year depicted a positive increase in the asset base and a negative on the operations as a result of the GRAP 17 Assets component – the application of deemed cost. The revenue from primary business activities increased by 0.6% (R357m) compared to the prior year (R355m) due to implementing and bringing some components of plant upgrade projects into operation.

Regarding secondary business activities, the revenue has decreased by 16% (R31m) compared to the prior year (R37m). It is a result of the implementation challenges with the principals (DWS and OR Tambo District Municipality).

It is worth noting that the entity's financial performance and position continue to be impacted negatively by the non-recovery of revenue from the Amathole District Municipality and contribute to the challenge of not meeting the financial obligations.

For three consecutive years, the entity has received a qualified audit outcome from the statutory review conducted by Auditor-General South Africa (AGSA) which revealed areas of non-compliance and deficiencies in the internal control system. The qualification items were irregular expenditure; fruitless and wasteful expenditure; commitments; contingent liabilities; corresponding figures and payables from exchange transactions.

An audit intervention plan has been developed and implemented to address these findings. Additional human resource capacity for the internal audit function is being sought to allow for the effective monitoring and implementation of the Audit Action Plan that will ensure that the entity resolves the repeated findings in certain areas.

The severe weather patterns, characterised by the prolonged drought and flooding in certain parts of the Eastern Cape Province and country, have had a negative impact on water delivery.

Amatola Water's Environmental Sustainability Strategy provides the framework for environmental sustainability and identifies key interventions related to Amatola Water's environmental footprint and integrated environmental management within the context of climate change uncertainty, the application of relevant technologies, and the service delivery imperative.

The organisation continued to develop our environmental management system (ISO14001) and environmental reporting in the year under review. As an integral part of the development of the environmental management system, reports are developed and streamlined to improve functionality for monitoring (compliance) and identifying trends that require interventions to reduce environmental footprint or provide other appropriate management interventions, for example, drought management interventions.

It is an iterative process to improve understanding of environmental impacts and risks, better inform water resource management (as part of water conservation and demand management), and identify areas for intervention. In the year under review, the environmental management system underwent an initial high-level internal audit to identify gaps and shortcomings for system improvement.

Amatola Water produced 32.2m cubic meters of potable water for the 2021/22 financial year. The associated average total plant production loss of 7.09% was achieved during the year under review compared with the South African Allied Workers' Union's benchmark of 7%. The total network losses for treated water increased from 9.6% to 10.38% compared to the previous year. The total combined water loss of 17.5% against the company target of 14% was achieved. The proactive and preventative maintenance of Amatola Water assets continues to be a fundamental part of operations management's continuous focus on reducing water losses and interruptions in the water supply.

Four of Amatola Water's plants achieved "GOOD and EXCELLENT" compliance with South African National Standards 241:2015 which is a national standard used to measure water quality compliance despite the nationwide shortages of chemicals. The Debe plant did not achieve any results because the plant has been non-operational because it is empty.

The report's analysis of the pump efficiency monitoring programme shows a decrease in the ratio of kWh/cubic meter of water produced from 0.893 in 2020/21 to 0.856 in the 2021/22 financial year. It equates to a 4.1% decrease in energy usage. The overall decline in the kWh/cubic meter ratio is also 3.% below the value of the internal target of 0.880. The main contributor to the decrease in the functioning of the Buffalo City Metropolitan Municipality's Newlands pumps at the old pump station. These are operating with their own electricity supply which came about during the upgrade of the pump station by the Buffalo City Metropolitan Municipality.

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. The main concern is the delay of some projects funded through the Regional Bulk Infrastructure Grant (RBIG) and Municipal Infrastructure Grant (MIG).

Amatola Water has been appointed as an implementing agent by DWS and other water service authorities to implement water infrastructure projects in the province: King Sabata Dalindyebo Presidential Intervention (KSDPI), Nooitgedagt/Coega Low-Level Supply Scheme (NCLLS), James Kleynhans Bulk Water Supply, Ndlambe Regional Bulk Water Supply and Eastern Cape Department of Education.

It should be noted that the Nooitgedagt/Coega Low-Level Supply Scheme Phase 3 project, implemented by Amatola Water through a Ministerial Directive under Section 41(1)(i) of the Water Services Act, 1997 (Act No. 108 of 1997), has been completed. The completion of the project brings relief to the constrained water supply in the Nelson Mandela Bay Metropolitan Municipality due to a prolonged drought in the Algoa Water System which led to interruptions in the water supply for the citizens in the metro.

At the core of Amatola Water is the principle to support fair labour practices and a decent work environment that ensures that the human resources needs are matched, aligned, and strongly interdependent. In the year under review, the organisation continued implementing activities for continuous learning, skills development and knowledge improvement, recruitment, and workforce retention.

These activities ensure employees are motivated, competent, and adaptive and can execute the entity's mandate in a safe working environment.

The entity adheres to the principles embodied in the Employment Equity Act. An employment equity committee is in place and plays an active role in recruiting after due consideration of the regional population demographics as well as fairness in the workplace. The main focus is on designated groups, such as the previously disadvantaged, particularly women and people with disabilities. During the year under review, the target of 2% was met for employment equity statistics for people living with a disability.

There are good relations with organised labour as a critical social partner. Amatola Water understands that labour is of paramount importance to our success.

Management and organised labour, through a local labour forum, schedule 12 meetings per annum as per the ABC Organisational Rights agreement. The planned engagements were met during the year under review. These continuous engagements are deemed essential to developing sound workplace relations and the organisation's sustainability, which, in turn, provides opportunities for all employees.

In the year under review, Amatola Water had three disciplinary cases that were senior and considered complex and were handled by external resources.


The in-house Occupational Health Clinic at Amatola Water and contracted doctor services ensure the management of occupational health risks. The health and safety committee convenes periodically to ensure workplace compliance and reviews injuries in the workplace. In addition to the medical aid benefit, Amatola Water offers an Employee Assistance Programme to enable employees to access psycho-social support when required. Amatola Water conducted a total of 289 medical surveillance activities in the period under review.

The stakeholder-inclusive approach by Amatola Water is paramount for sustainable value creation. Stakeholder influence has a direct and indirect impact on the overall performance of the entity. Stakeholder engagement was carried out during the year under review with the guidance of the Amatola Water stakeholder matrix that ensures that all stakeholders are involved for the benefit of the stakeholders and institution.

The entity concentrated on schools and communities close to its water treatment works and dams as part of water conservation and demand management. Investing in these communities impacts the fulfilment of its business strategy and the organisation's long-term sustainability.

Nonetheless, despite the prevailing uncertainties and turbulences that face Amatola Water, our cadre of resilient employees are characterised by pockets of excellence and professional conduct, which is evident by their work ethic and servant leadership trait. Without exception, I sincerely appreciate the teamwork from the management that ensured the organisation remained on course and delivered on its mandate.

I thank the Interim Board members for their leadership, support, and guidance in exercising their oversight role and the key stakeholders that have been patient with the entity as we have undergone numerous organisational changes.



Mr Spelate Galada
Acting Chief Executive
Date: 30 November 2022

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE INTEGRATED ANNUAL REPORT INFORMATION ACCURACY

In terms of the Public Finance Management Act, No.1 of 1999 (PFMA) as amended and as the Accounting Authority of Amatola Water, we accept responsibility for the maintenance and preparation of financial statements and non-financial performance information of Amatola Water for the 2021/22 financial year.

The Amatola Water Annual Financial Statements have been prepared in accordance with, among others, the Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) and the requirements of the PFMA. We also take full responsibility for the preparation, assessments, or evaluations and the outcomes contained in the Integrated Annual Report for the financial year ending 30 June 2022.

The level of performance (49%) reported on the predetermined objectives is accurate. The content is credible, of integrity, and reliable due to the embedded internal controls that remain relevant and adequate. These are designed to provide reasonable assurance of our performance throughout the year.

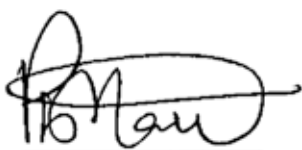
For instance, Amatola Water's internal controls are implemented and monitored at the self-assessment level. Our employees understand the importance of maintaining the highest ethical standards when conducting our business.

The internal audit function and risk management processes provide the necessary oversight that considers all levels of defence in verifying the effectiveness of the existing control measures and identifying additional ones, where applicable.

The two functions continued to provide reasonable assurance against material misstatements or deficits and to check that risks and opportunities were dealt with whenever necessary. This is our account of the acceptability of the true state of affairs of our entity's results from an operational and financial perspective for the year ended 30 June 2022.

It is premised on two critical factors:

1. Our reported information has been externally audited, and the Auditor-General of South Africa (AGSA) has expressed an independent opinion on the annual financial statements and all other predetermined non-financial objectives that had been contracted to the shareholder for the reporting period. Refer to the AGSA report on pages 152 to 161.
2. The Integrated Annual Report has been prepared on a going concern basis, and the Accounting Authority approved it on 30 November 2022.



Ms P Yako
Interim Board Chairperson



Mr S Galada
Acting Chief Executive



1 INTRODUCTION





REPORT PROFILE

The Integrated Annual Report outlines Amatola Water's legislative compliance and performance, as presented to the Minister of Water and Sanitation, for the financial year, 1 July 2021 to 30 June 2022.

Amatola Water's seventh Sustainability Report and eighth Integrated Annual Report are part of the organisation's commitment to achieving higher qualitative and quantitative reporting standards.

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 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), Chairperson of the Board, Chairperson 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 Amatola Water's ability to create value over time.
- 7. MATERIALITY:** The report presents matters that substantively affect the organisation's ability to create value.



Financial capital

Funding by the government and income from the sale of water (including water treatment services) to municipalities.



Human capital

Motivated and skilled people at all levels who deliver mandated services effectively.



Intellectual capital

Organisational knowledge-based intangibles such as specific skills, software, and servitudes, including systems, procedures, and protocols.



Social and relationship capital

Socio-economic development, particularly in rural communities, through essential service provision.



Manufacturing capital

Treatment facilities owned and operated in the course of producing and distributing water.



Natural capital

Continuous monitoring of water resources (quantity and quality).

ABOUT THIS REPORT

Amatola Water recognises the importance of living its core values when implementing its mission and vision.

It 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, 1997 (Act No.108 of 1997) by the Minister of Water and Sanitation (DWS) as the Executive Authority.

According to the Water Services Act, Amatola Water is an organ of the 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 for commercial use but not for industrial use.

SHAREHOLDER COMPACT

Amatola Water and DWS have entered into a shareholder compact.

ORGANISATIONAL PROFILE

WATER SERVICES PROVISION

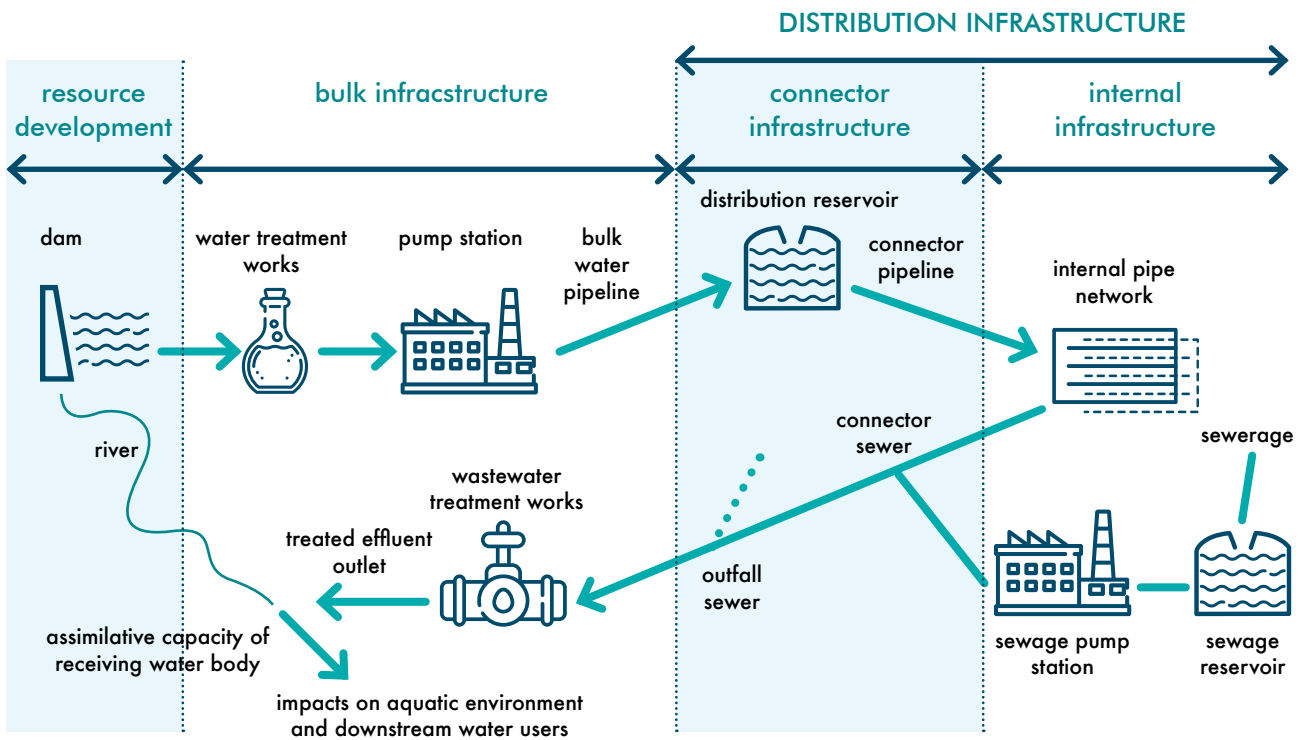


Figure 1.1 Water value chain

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, Middledrift 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 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
- Assisting water services authority within the Eastern Cape Province:
 - Supplying water directly for industrial use
 - Treating 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 municipalities, DWS and DoE in operating and upgrading water treatment works.

Amatola Water is further governed by all water and water board-related policy frameworks issued by DWS as well as directives from the Minister.

AMATOLA WATER AREA OF OPERATION AND WATER SUPPLY SCHEMES

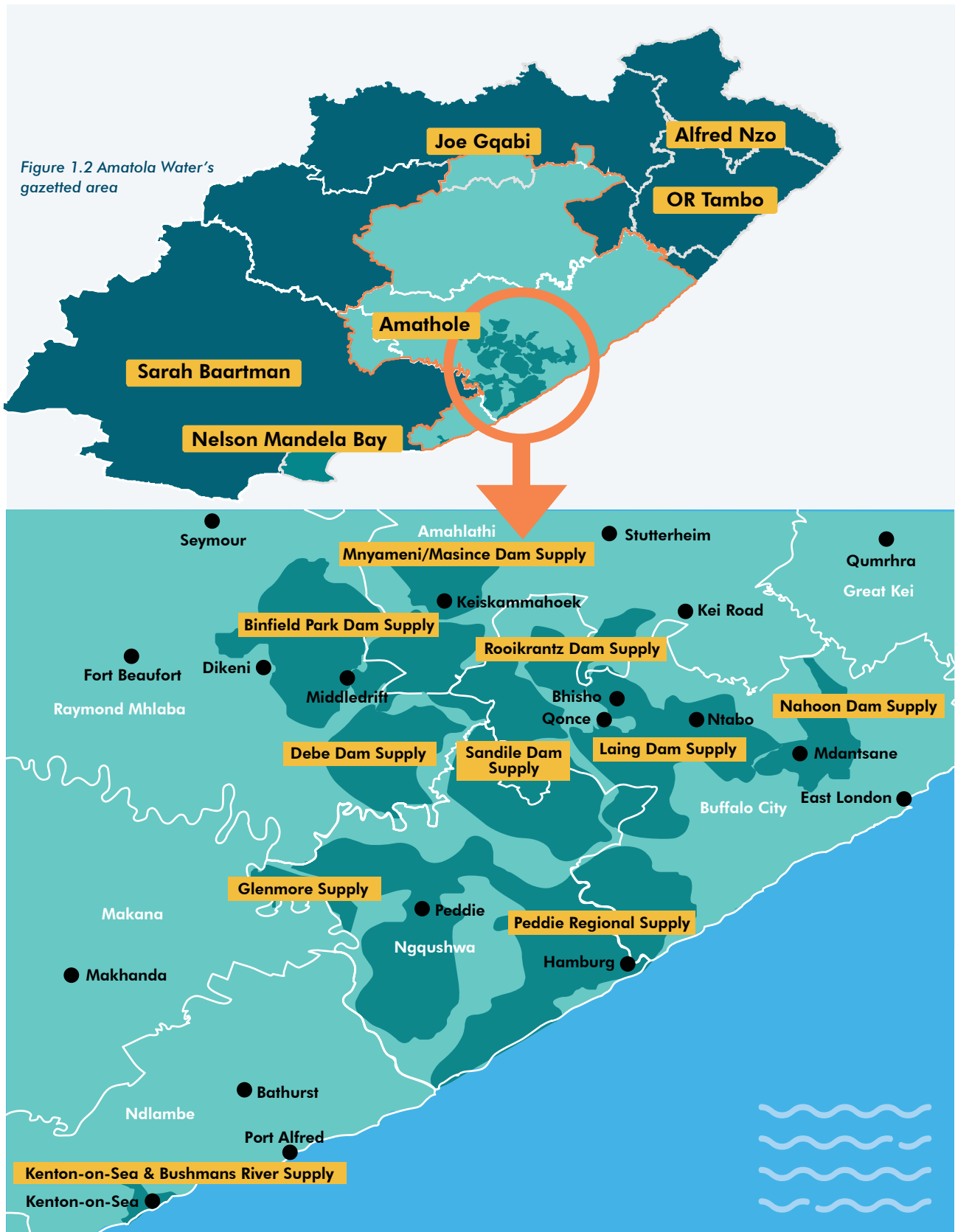


Figure 1.3 Amatola Water supply scheme

BUSINESS ENVIRONMENT AND FACTORS INFLUENCING VALUE CREATION

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

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

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

Economy

The year under review was characterised by negative economic growth, high levels of unemployment, and 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 aging infrastructure and the large disparities 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 the entity as a regional water services utility.

Amatola Water operates in an environment significantly different from most of its peer organisations in the country. 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 relies on a stable and constant water supply through the management of 21 dams within its area of supply and operations.

The environmental monitoring programmes assist Amatola Water with evaluating its impact on the natural environment and allow it to mitigate any effect resulting from its activities.

Amatola Water is cognisant that its business impacts the environment and takes its responsibility seriously.

For more information, please refer to pages 152 to 161.

Social environment

Amatola Water's impact and responsibility to the communities in 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 pages 61 to 64, and community outreach and corporate social investment on pages 65 to 69.

Technology

Amatola Water's business is primarily physical in nature. However, the continued 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 critical aspects that Amatola Water seriously considers to enable effective and efficient service 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 and operational risks and uncertainties that could impact its ability to deliver its strategic ambitions. The risk management and policy system are consistent and clear across the organisation. The key objective is to avoid material issues and maximise 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 an effective enterprise risk management system. Risk management is important for good business management and signifies good corporate governance.

The requirements of the Public Finance Management Act, 1999 (Act No.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 achieving the organisation's objectives, and then mitigating those risks that would have an unacceptable impact on the organisation".

The 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 significantly impact its ability to achieve its key strategic business outcomes.

The accounting authority is ultimately responsible for ensuring good governance and oversight of risk management and mitigation.

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







Amatola Water categorises its risks into three groups:







- Strategic
- Divisional
- Operational.

VALUE CREATION

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.

INPUTS 2020/21

 FINANCIAL CAPITAL	 INTELLECTUAL CAPITAL	 SOCIAL & RELATIONSHIP CAPITAL
REVENUE R392m	ICT OPERATIONAL EXPENDITURE R6m	ASSURANCE OF SUPPLY 98.63%
GRANTS AND DONATIONS RECEIVED FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT R26m	ICT CAPITAL EXPENDITURE R1,7m	B-BBEE SPEND 120%
CASH R418m	WATER RESEARCH LEVY R3m	LOCAL JOBS CREATED 331
 MANUFACTURED CAPITAL	 HUMAN CAPITAL	 NATURAL CAPITAL
PROPERTY, PLANT AND EQUIPMENT R1822m	STAFF TURNOVER 0.67%	WATER LOSS-POTABLE PRODUCTION AND NETWORK 14.4%
CAPITAL EXPENDITURE (TREATMENT PLANT UPGRADES) R32m	STUDY ASSISTANCE R0.846m	RAW WATER ABSTRACTIONS (KL'000) 45,067
BUSINESS ACTIVITIES		
INFRASTRUCTURE DESIGN AND DEVELOPMENT WATER SERVICES INSTITUTIONAL AND SOCIAL DEVELOPMENT	TECHNICAL AND OPERATIONAL SERVICES SCIENTIFIC SERVICES PROCUREMENT SERVICES	FINANCIAL SERVICES OPERATION AND MAINTENANCE INSTITUTIONAL SUPPORT AND DEVELOPMENT PROJECT MANAGEMENT

 FINANCIAL CAPITAL	 INTELLECTUAL CAPITAL	 SOCIAL & RELATIONSHIP CAPITAL
REVENUE R389m	ICT OPERATIONAL EXPENDITURE R6m	ASSURANCE OF SUPPLY 98.21%
GRANTS AND DONATIONS RECEIVED FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT R0m	ICT CAPITAL EXPENDITURE R0.8m	B-BBEE SPEND 115%
CASH R252m	WATER RESEARCH LEVY R3m	LOCAL JOBS CREATED 333
 MANUFACTURED CAPITAL	 HUMAN CAPITAL	 NATURAL CAPITAL
PROPERTY, PLANT AND EQUIPMENT R1708m	STAFF TURNOVER 0.30%	WATER LOSS-POTABLE PRODUCTION AND NETWORK 17.5%
CAPITAL EXPENDITURE (TREATMENT PLANT UPGRADES) R21m	STUDY ASSISTANCE R0.989m	RAW WATER ABSTRACTIONS (KL'000) 43,829

THE 10 OUTCOMES FOR SUSTAINABLE VALUE CREATION

- | | | |
|---|--|---------------------------------------|
| 1 WATER AND WASTEWATER PRODUCT QUALITY | 5 FINANCIAL VIABILITY | 8 LEADERSHIP AND EMPLOYEE DEVELOPMENT |
| 2 CUSTOMER SATISFACTION | 6 WATER RESOURCE ADEQUACY | 9 OPERATIONAL RESILIENCE |
| 3 STAKEHOLDER RELATIONSHIPS AND SUPPORT | 7 COMMUNITY ENVIRONMENTAL SUSTAINABILITY | 10 OPERATIONAL OPTIMISATION |
| 4 INFRASTRUCTURE STABILITY | | |

2 CORPORATE GOVERNANCE





INTRODUCTION

Amatola Water is committed to a corporate governance process that is underpinned by respect, trust and transparency.

During the reporting year, the following structure at Amatola Water enabled the organisation to respond to its strategy and execution of its mandate:

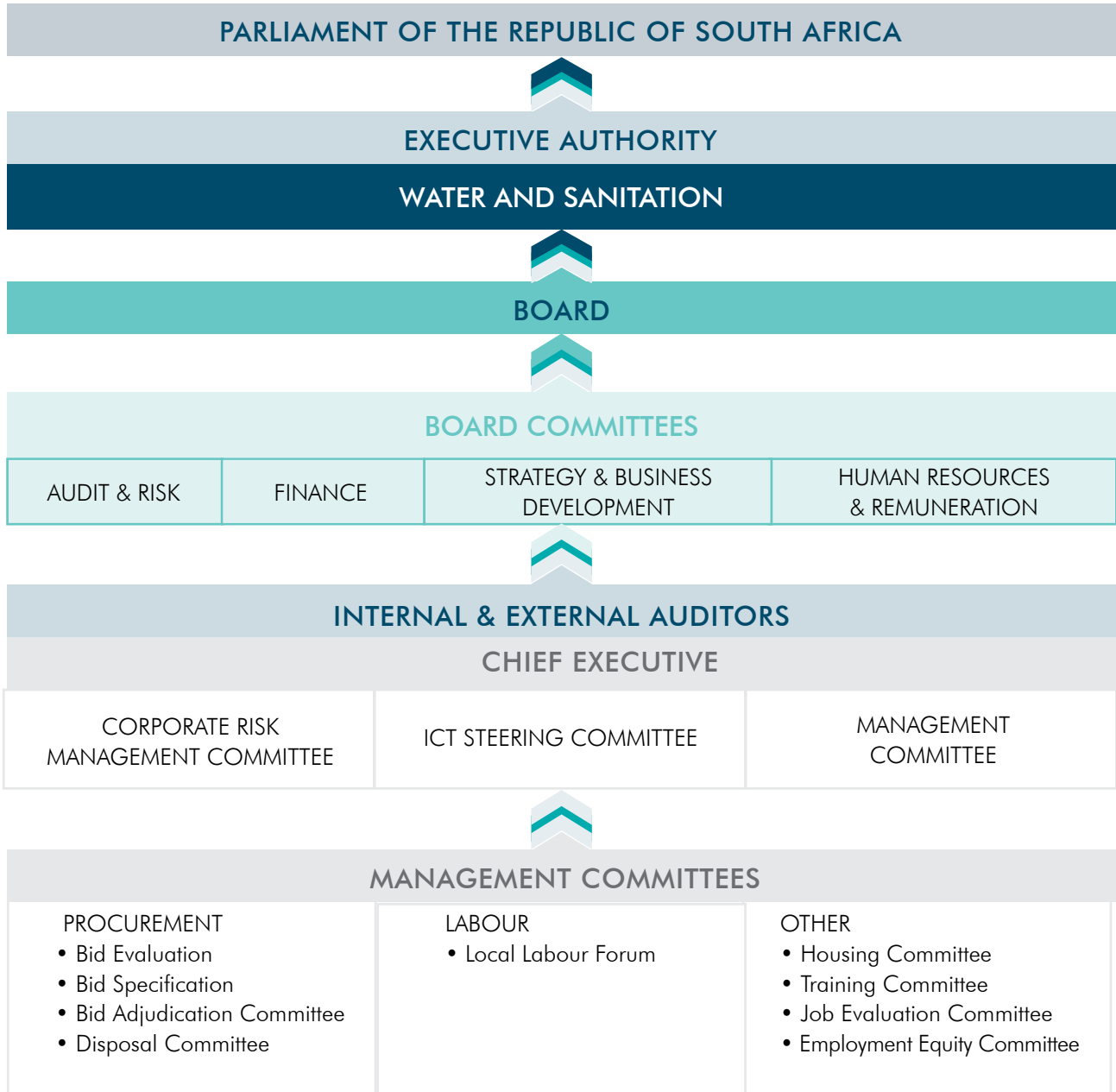


Figure 2.1: Governance structure

PARLIAMENTARY PORTFOLIO COMMITTEE ON WATER AND SANITATION

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

Amatola Water submitted reports through the Executive Authority (Department of Water and Sanitation).

EXECUTIVE AUTHORITY

Oversight by the Executive Authority, the Minister of Water and Sanitation, in terms of the Water Services Act, 1997 (Act No.108 of 1997) read with the Public Finance Management Act No.1 of 1999 as amended.

In addition to the other powers set out in the act, the Executive Authority must ensure the appropriate mix of board members are appointed and that 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. Operationally, various other project steering committees oversee project implementation

BOARD MEMBER PROFILES



**Interim Board Chairperson,
member of HRRC and SBDC
Appointed: 25 March 2022**

NAME & SURNAME

Ms Pam Yako

QUALIFICATIONS

Master of Business Leadership
Bachelor of Commerce (Industrial
Sociology, Management and
Economics)

SKILLS AND EXPERIENCE

Strategy development and implementation, project management, executive coaching, sustainability planning, and municipal support and turnaround.

For over a decade, Ms Yako has successfully performed various senior public servant roles including leading some of the most influential local, provincial and national entities in the spheres of water, environmental affairs and municipal management.

Ms Yako's has also served on the boards of the Linked Environmental Services, Eastern Cape Parks and Tourism Agency, South African Tourism Board and South African National Biodiversity Institute. Currently, she is SANPARKS Board Chairperson and also serves on the Board of World Wildlife Fund and Seriti Institute.



BOARD MEMBER PROFILES

**Member of FINCO,
SBDC and HRRC
Appointed: 25 March 2022**

NAME & SURNAME

Mr Simphiwe
Dzengwa

QUALIFICATIONS

Master of Business Administration
Master of Public Administration
Certificate in Development Finance
Certificate in Property Management

SKILLS AND EXPERIENCE

Financial management, project management, people management, strategy and policy development and execution, budgeting and planning, communication, stakeholder management, leadership, organisational turnaround, monitoring and evaluation, qualitative analysis and advocacy.

Mr Dzengwa has vast experience as a board member, board committee member, executive and senior manager. Having served as a CEO for the Hluma Local Investment Development Agency, the Eastern Cape Innovation Hub and the Gauteng Partnership Fund, he has wide exposure and an advantageous understanding of the policies, legislative frameworks, and operational matters applicable to three spheres of the government. Mr Dzengwa also has private sector experience and has led various initiatives nationally and internationally.



BOARD MEMBER PROFILES

**HRRC
Chairperson
and member of
SBDC
Appointed:
25 March 2022**

NAME & SURNAME

Ms Zamela
Kiviet

QUALIFICATIONS

Bachelor of Laws (LLB postgraduate) and Baccalaureus Procurations (BProc), Postgraduate qualification on Company Secretariat and Governance (CSSA) (NQF Level 8), Certificate on Public Sector Governance, Certificate on risk compliance and various related qualifications.

SKILLS AND EXPERIENCE

Legal and corporate governance, audit and risk.

Ms Kiviet is a highly experienced legal and corporate governance practitioner, a chartered secretary who has served on a number of state-owned entity boards such as Mayibuye Transport Corporation, the Eastern Cape Provincial Arts and Culture Council, and Ntinga Development Agency.

She has served as a non-executive director at Automotive Industry Development Centre, Eastern Cape Informative Technology Initiative and is now serves on the Chris Hani Development Agency's Board.

Currently, she is a member of the Audit Committee and Risk Management Committee of the Department of Education, Eastern Cape. She is a part-time Instructor at the Practical Legal Training (Law School East London)

Her previous employers include Aspire, Amatola Water, the Eastern Cape Liquor Board, Legalwise and the University of Fort Hare, performing in roles such as a company secretary, legal advisor/branch manager, lecturer and liquor inspector.



BOARD MEMBER PROFILES

FINCO Chairperson and member of ARC
Appointed: 25 March 2022

NAME & SURNAME

Mr Ayanda Mjekula

QUALIFICATIONS

Master of Business Administration (Financial Accounting)
 Bachelor of Arts

SKILLS AND EXPERIENCE

Finance and strategic leadership.

Mr Ayanda Mjekula, is a member of the Institute of Directors of South Africa. Currently, he holds positions on various boards. He is the Deputy Chairperson of the Coega Development Corporation and chairs its Audit and Risk and is a member of its Capital Allocation Committee.

He serves on the board of Safika Holdings including its Audit and Risk Committee as well as its Remuneration Committee.

He is the Chairperson of the National Arts Festival and a Trustee of the Anglican Church of South Africa's Pension Fund. He is also Chair of the Audit and Risk Committee of the Fort Hare Foundation.

In the past, he has held board positions as Chairperson of Central Energy Fund SOC, UBank Limited where he also headed the Audit, Remuneration, and IT Governance Committees. For 17 years, he served on the Council of the University of Fort Hare and became Deputy Chairperson while he chaired the Finance and the IT Governance Committees.

Mjekula cut his teeth in the banking industry, having held executive management positions at Nedbank and Standard Bank, over a period of 24 years. He was the first black person to be appointed in an executive management position in any bank in South Africa. In 1989, he was honoured with the Black Management Forum/Kellogg's Manager of the year award, in recognition of his managerial achievements. He had previously been awarded, by Ford Motor Company, a fellowship to read for his Master's of Business Administration.

As the Chief Executive of the South Africa Supplier Development Agency (SASDA), Mjekula gained extensive experience in enterprise and supplier development. He has played a major role in the energy sector, particularly in the liquid fuels industry. He holds a BA degree in English from the University of Fort Hare and an MBA in Financial Accounting from Western Michigan University.

BOARD MEMBER PROFILES



**Member of ARC
and FINCO**
Appointed: 25 March 2022

NAME & SURNAME

Ms Boitumelo
Mokgatle

QUALIFICATIONS

Master of Business Administration
Bachelor of Commerce
(Accounting)

SKILLS AND EXPERIENCE

Enterprise risk management, strategy development, project and change management, organisational strategy and option analysis, workshop facilitator, corporate compliance management and corporate governance.

Currently, Ms Mokgatle serves on the boards of the Construction Industry Development Board, Magalies Water Board, Dannhauser Local Municipality, Durban Chamber of Commerce, City of Johannesburg: Johannesburg Roads Agency, City of Tshwane, KwaZulu-Natal Film Commission and the Institute of Risk Management of South Africa's KwaZulu-Natal risk intelligence committee.

Former boards on which she served include the Department of Environmental Affairs: Audit and Risk Committee member, NAPSAR (Chairperson Audit Committee), Ubuciko Twines and Fabrics (Chairperson of Board), KwaZulu Property Development Holdings, Tshwane Rapid Transit (Chairperson Social and Ethics, and Audit Committees), and the Institute of Risk Management of South Africa (National risk intelligence committee member).

She has over 25 years of audit experience, having gained experience with KPMG and Ernst & Young. Then she joined the South African Revenue Services, where, amongst others, she was involved in strategic projects and later with the Presidency, where she was the Director – Internal Audit and Risk Management. She also served as the Group Chief Risk Officer at the Ithala Development Fund, supporting micro-small and medium enterprises in KwaZulu-Natal.

BOARD MEMBER PROFILES



**SBDC Chairperson and
member of FINCO**
Appointed: 25 March 2022

NAME & SURNAME

Mr Ndumiso
Tyibilika

QUALIFICATIONS

Bachelor of science (Mechanical
Engineering) (registered)
Executive Development Programme

SKILLS AND EXPERIENCE

Financial decision-making skills, design engineering and system integration, operations management, project management, business re-engineering, system and operations optimisation, supply chain management, business strategy crafting and implementation.

Mr Tyibilika has an impressive track record as an engineer and executive having worked for Amcoal, Caltex Refinery, Eskom (Hydro & Water), Denel and Coca-Cola. The experience covers a period for Pebble Bed Modular Reactor. Current client sectors include engineering, steel supplier and aviation spares hub. Landmark projects include the R120m refinery upgrade for Caltex's jet fuel desulphurisation and the R21m Coca-Cola Canner's new packaging line installation, and the complete overhaul and upgrades of water pump stations for Eskom.

BOARD MEMBER PROFILES



**Member of FINCO
and HRRC**
Appointed: 25 March 2022

NAME & SURNAME

Ms Sindisiwe
Prudence Xulu

QUALIFICATIONS

Bachelor of Arts
Bachelor of Arts (Honours)

SKILLS AND EXPERIENCE

Strategic planning, leadership and people management, communication, stakeholder relations and management, financial management, policy development and project management.

Ms Xulu has a formidable pedigree in the public sector, having led the office of the Premier, and the Departments of Public Works, Roads and Transport, Agriculture, Land and Environment and Economic Development in Mpumalanga and North West provinces. Furthermore, she has experience in higher education with two sector education and training authorities in quality assurance roles. Former employers have included the South African Qualification Authority and the University of Cape Town. Her work career began as an educator and later as a researcher and translator.

STRATEGIC OVERSIGHT AND BOARD/COMMITTEE COMPOSITION

In the year under review, the Board discharged its responsibilities through the following committees:

1. Audit and Risk Committee (ARC)
2. Finance Committee (FINCO)
3. Human Resources and Remuneration Committee (HRRC)
4. Strategy and Business Development Committee (SBDC)

Amatola Water Board and committee membership during the reporting year is shown in Tables 2.1 (a) and 2.1 (b).

BOARD AND COMMITTEE MEMBERSHIPS (1 MARCH 2021 - 25 MARCH 2022)

NO	Board Member	Gender	Race	ARC	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		√		√
11.	Mr Abraham le Roux	M	White		√		√

Note

*Mr Mncedisi Mziwoxolo Malotana was appointed as a Board Chairperson effectively from 1 March 2021 until 5 November 2021.

**Dr Mosidi Makgae was appointed as a Board Chairperson effectively from 14 November 2021 until 25 March 2022.

Table 2.1 (a): Board members (√ denotes committee member)

INTERIM BOARD AND COMMITTEE MEMBERSHIP, FROM 25 MARCH 2022

NO	Board Member	Gender	Race	ARC	FINCO	HRRC	SBDC
1.	Ms Pam Yako	Female	Black			√	√
2.	Mr Simphiwe Dzengwa	Male	Black			√	√
3.	Ms Zamela Kiviet	Female	Black			√	√
4.	Mr Ayanda Mjekula	Male	Black	√	√		
5.	Ms Boitumelo Mokgatle	Female	Black	√	√		
6.	Mr Ndumiso Tyibilika	Male	Black		√		√
7.	Ms Sindisiwe Prudence Xulu	Female	Black		√	√	

Table 2.1 (b): Interim Board members (√ denotes committee member)

BOARD COMPOSITION

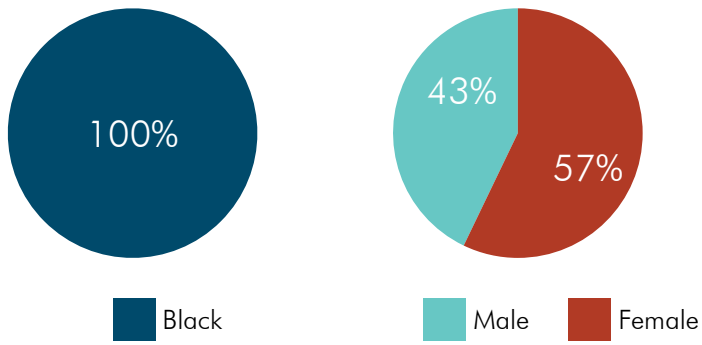


Figure 2.2: Board member race and gender profile

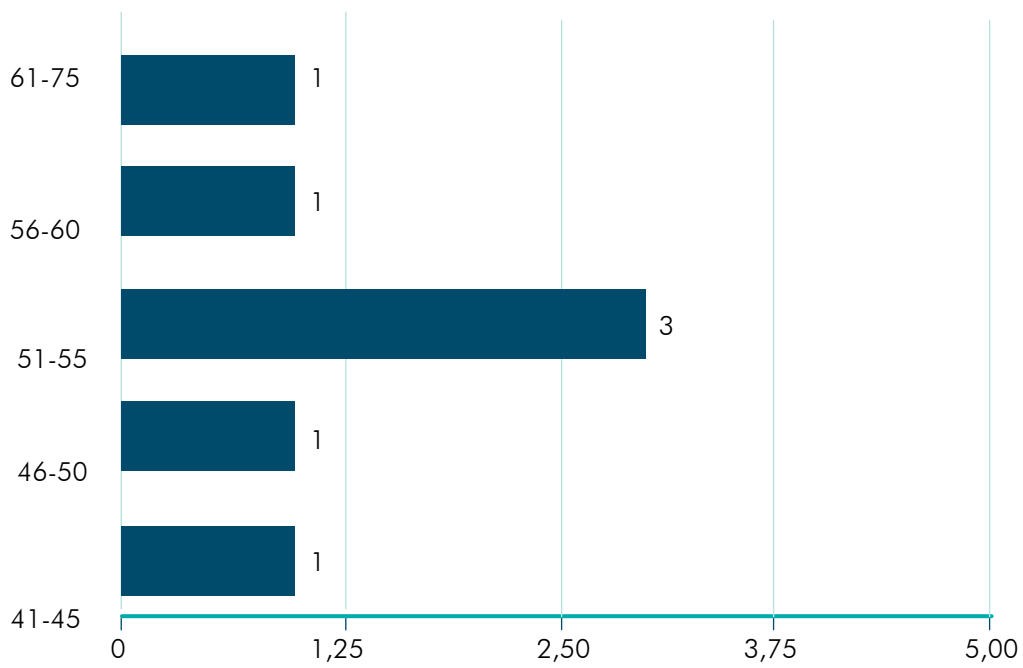


Figure 2.3: Board member age range

BOARD MEETING ATTENDANCE

NO	BOARD MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Mr Mncedisi Mziwoxolo Malotana	Male	4	4	100%
2	Ms Buhle Tonise	Female	9	9	100%
3	Mr Zamikhaya Xalisa	Male	13	11	84.62%
4	Mr Mxolisi Joe Sikhosana	Male	13	10	76.92%
5	Dr Mosidi Makgae	Female	13	10	76.92%
6	Ms Tabiso Wana	Female	13	12	92.31%
7	Ms Nkosazana NomaXhosa Jongilanga	Female	13	13	100%
8	Dr Gaathier Mahed	Male	13	10	76.92%
9	Mr Mokgobi Ramushu	Male	13	10	76.92%
10	Ms Lebogang Letsoalo	Female	13	10	76.92%
11	Mr Abraham le Roux	Male	9	9	100%

Table 2.2 (a): Board member attendance effective from 01 July 2021 to 25 March 2022

NO	BOARD MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Ms Pamela Bulelwa Yako	Female	9	9	100%
2	Mr Simphiwe Dzengwa	Male	9	9	100%
3	Ms Zamela Kiviet	Female	9	9	100%
4	Mr Ayanda Mjekula	Male	9	7	78%
5	Ms Ertia Boitumelo Mokgatle	Female	9	9	100%
6	Mr Ndumiso Tyibilika	Male	9	8	89%
7	Ms Sindisiwe Prudence Xulu	Female	9	9	100%

Table 2.2 (b): Interim Board member attendance effective from 25 March 2022 to 30 June 2022

BOARD ROLES AND RESPONSIBILITIES

AMATOLA WATER BOARD (ACCOUNTING AUTHORITY)

- Provides strategic direction to Amatola Water
- Leads Amatola Water in pursuit of its vision
- Approves business plan and budget
- Responsible for performance
- Accountable to the Executive Authority
- Manage stakeholder relations.

STRATEGY AND BUSINESS DEVELOPMENT COMMITTEE (SBDC)

ROLES AND RESPONSIBILITIES

SBDC terms of reference are reviewed annually	Roles and responsibilities
	<ul style="list-style-type: none"> • Strategic planning • Business planning • Business development • Corporate citizenship • Customer satisfaction • Product quality: Water and wastewater • Water resources adequacy • Stakeholder relations.

Table 2.3: SBDC roles and responsibilities

SBDC COMPOSITION

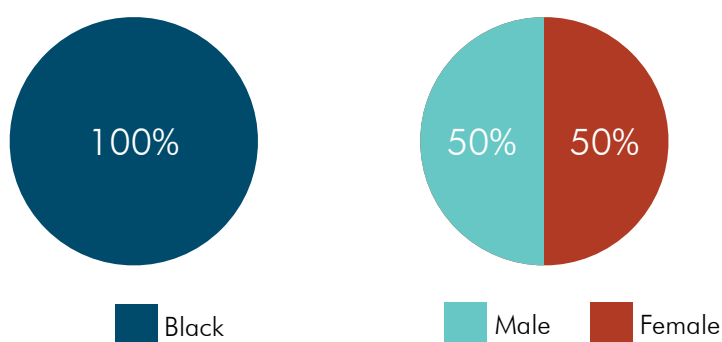


Figure 2.4: SBDC member race and gender profile

SBDC MEMBER MEETING

NO	BOARD MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Mr M Ramushu	Male	2	1	50%
2	Dr M Makgae	Female	1	1	100%
3	Dr G Mahed	Female	1	1	100%

Table 2.4 (a): SBDC member attendance effective from 01 July 2021 to 25 March 2022

NO	BOARD MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Mr Ndumiso Tyibilika	Male	3	3	100%
2	Ms Zamela Kiviet	Female	3	3	100%
3	Ms Pamela Bulelwa Yako	Female	3	2	66.67%
4	Mr Simphiwe Dzengwa	Male	3	2	66.67%

Table 2.4 (b): SBDC member attendance effective from 25 March 2022 to 30 June 2022

FINANCE COMMITTEE (FINCO)

ROLES AND RESPONSIBILITIES

FINCO terms of reference are reviewed annually	Roles and responsibilities
	<ul style="list-style-type: none"> • 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 to enhance revenue. • Annual financial reporting

Table 2.5 : FINCO roles and responsibilities

FINCO COMPOSITION

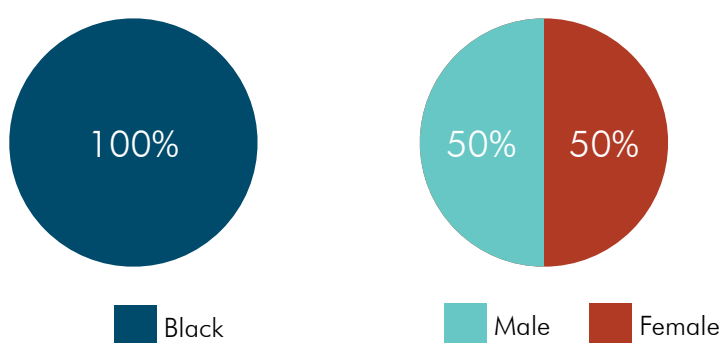


Figure 2.5: FINCO member race and gender profile

FINCO MEMBER MEETING

NO	BOARD MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Mr MJ Sikhosana	Male	3	3	100%
2	Mr M Ramushu	Male	3	2	66.67%
3	Ms N Jongilanga	Female	2	1	50%
4	Ms L Letsoalo	Female	3	1	33.33%
5	Ms B Tonise	Female	1	1	100%

Table 2.6 (a): FINCO member attendance effective from 01 July 2021 to 25 March 2022

NO	BOARD MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Mr A Mjekula	Male	3	3	100%
2	Ms EB Mokgatle	Female	3	3	100%
3	Mr N Tyibilika	Male	3	3	100%
4	Ms SP Xulu	Female	3	3	100%

Table 2.6 (b): FINCO member attendance effective from 25 March 2022 to 30 June 2022

HUMAN RESOURCES AND REMUNERATION COMMITTEE (HRRC)

ROLES AND RESPONSIBILITIES

HRRC terms of reference are reviewed annually	Roles and responsibilities
	<ul style="list-style-type: none"> • Formulate a human resource strategy and policies • Guide and monitor implementation of human resource transformation • Performance management and remuneration strategies • Leadership and employee development.

Table 2.7: HRRC roles and responsibilities

HRRC COMPOSITION

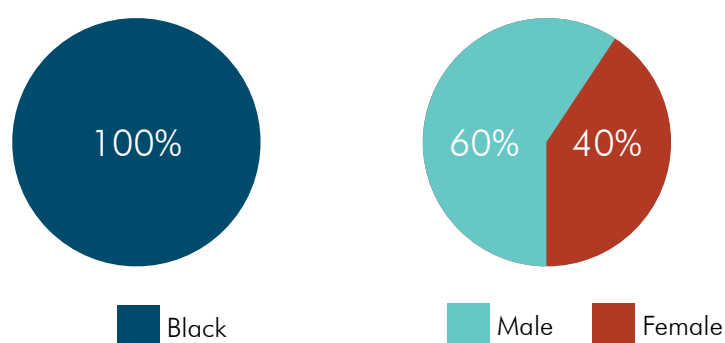


Figure 2.6: HRRC member race and gender profile

HRRC MEMBER MEETING ATTENDANCE

NO	BOARD MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Ms T Wana	Female	5	4	80%
2	Ms N Jongilanga	Female	5	5	100%
3	Mr G Mahed	Male	2	2	100%
4	Mr Z Xalisa	Male	3	2	66.67%
5	Mr AB le Roux	Male	3	3	100%

Table 2.8 (a): HRRC member attendance effective from 01 July 2021 to 25 March 2022

NO	BOARD MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Ms Z Kiviet	Female	1	1	100%
2	Ms PB Yako	Female	1	1	100%
3	Mr S Dzengwa	Male	1	1	100%
4	Ms SP Xulu	Female	1	1	100%

Table 2.8 (b): HRRC member attendance effective from 25 March 2022 to 30 June 2022

AUDIT AND RISK COMMITTEE (ARC)

ROLES AND RESPONSIBILITIES

	Roles and responsibilities
ARC terms of reference are reviewed annually	<ul style="list-style-type: none"> • Audit and risk management • General financial reporting • Audit oversight • Compliance and code of conduct • Fraud Prevention Strategy.

Table 2.9 : ARC roles and responsibilities

ARC COMPOSITION

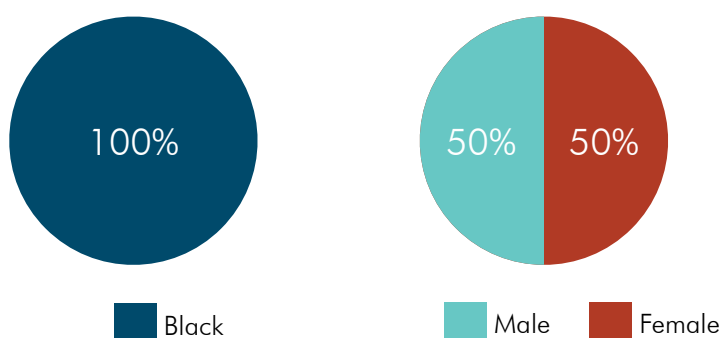


Figure 2.7: ARC member race and gender profile for ordinary and independent members

ARC MEMBER MEETING ATTENDANCE

NO	BOARD MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Ms L Letsoalo	Female	3	2	66.67%
2	Dr M Makgae	Female	1	0	0%
3	Dr G Mahed	Male	1	1	100%
4	Mr MJ Sikhosana	Male	1	0	0%

Table 2.10 (a): ARC member attendance effective from 01 July 2021 to 25 March 2022

NO	BOARD MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Mr A Mjekula	Male	2	2	100%
2	Ms EB Mokgatle	Female	2	1	50%

Table 2.10 (b): ARC ordinary member attendance effective from 25 March 2022 to 30 June 2022

NO	BOARD MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Mr G Labane	Male	3	3	100%
2	Mr S Maharaj	Male	3	3	100%
3	Ms FJ Mudau	Female	3	3	100%

Table 2.10 (c): ARC independent member attendance effective from 25 March 2022 to 30 June 2022

BOARD MEMBER INDUCTION AND TRAINING

The Interim Board was inducted on the 30 March 2022

BOARD CHARTER

The Board Charter sets out its responsibilities and is reviewed on an annual basis.

REMUNERATION POLICY

The remuneration of the Board is determined by the Executive Authority

COMPANY SECRETARY ROLE

- Develops systems and processes for Board support
- Inducts new Board members
- Provides secretarial services and legal support to the Board and its committees
- Custodian of board documents including minutes, shareholder's compact and other documents
- Guides Board members in terms of ethics and good governance

MANAGEMENT COMMITTEE

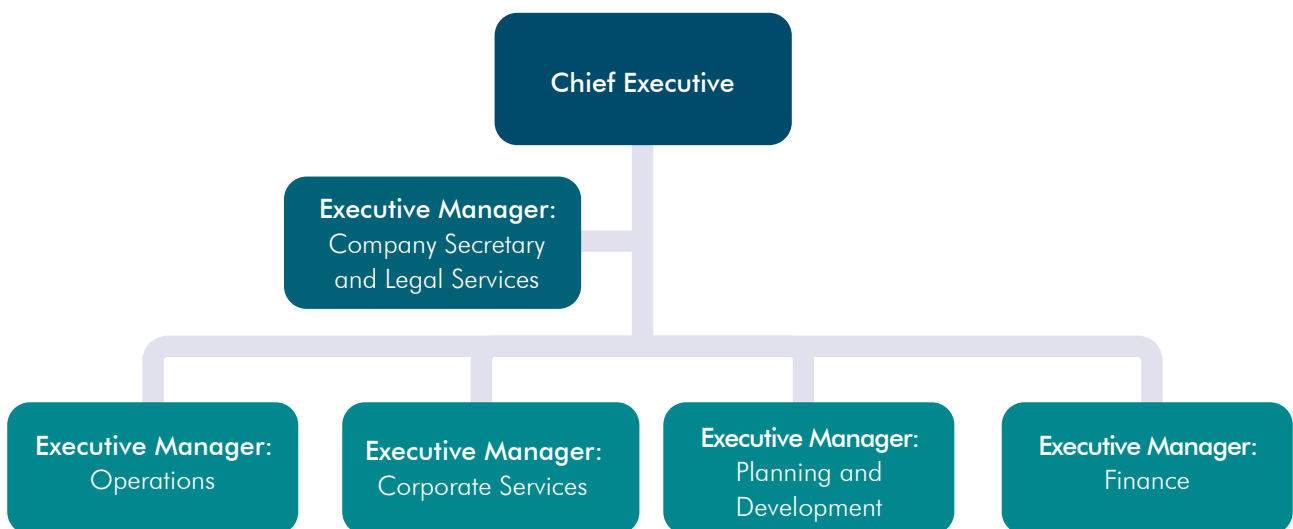


Figure 2.8: Management committee structure



MANAGEMENT COMMITTEE

Brief Professional Profile

Bachelor of Technology (Mechanical Engineering),
Master of Business Administration

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.

Executive Manager

Mr Sazile Qweleka

Executive Manager: Operations
Date of appointment:
1 September 2020

Acting Chief Executive (**Acting
Chief Executive effective from
23 March 2021 to March 2022)



MANAGEMENT COMMITTEE

Executive Manager

Mr Siyabulela Koyo

Executive Manager:
Planning and Development
Date of Appointment:
1 June 2021

Acting Chief Executive (**Acting
Chief Executive effective from 25
March 2022 to 15 August 2022)

Brief Professional Profile

National Diploma (Civil Engineering), Advanced Certificate Programme (Project Management), Certificate Programme (Management Development for Municipal Finance), Bachelor of Technology (Civil Engineering, Urban Planning), Bachelor of Arts (Honours) (Development Studies), Master of Arts (Development Studies), Postgraduate Certificate (Monitoring and Evaluation)

Mr Koyo has over 20 years of experience in civil engineering across the public and private sectors.

Prior to joining Amatola Water, Mr Koyo was the municipal manager for the Intsika Yethu Municipality as well as a general manager at the Eastern Cape Department of Cooperative Governance and Traditional Affairs.

He also performed various technical and management roles at Mbhashe Local Municipality, Eastern Cape Department of Agriculture, Rinoma Consulting Engineers, OR Tambo District Municipality and ZM Construction.



MANAGEMENT COMMITTEE

Executive Manager

Mr Spelele Galada

Chief Financial Officer
Date of Appointment:
1 October 2022

Acting Chief Executive (**Acting
Chief Executive effective from
14 November 2022)

Brief Professional Profile

Bachelor of Commerce (Honours), Accounting (CTA), Postgraduate Diploma: Financial Accounting, Southern African Institute of Business Accountants member

Mr Galada has extensive experience in accounting that ranges from junior financial manager to various chief financial officer roles. Having completed his articles at Grant Thornton International and Auditor-General of South Africa, he is experienced in financial management consulting.

In his roles with the Department of Health and the Department of Higher Education and Training (Ikhala TVET College), he improved their financial management, corporate governance and supply chain management.

His most recent role was Chief Financial Officer for Mayibuye Transport Corporation.



MANAGEMENT COMMITTEE

Executive Manager

Ms Zaza Ngele

Executive Manager:
Corporate Services
Date of Appointment:
3 May 2021

Brief Professional Profile

Bachelor of Arts, Advanced Certificate (Human Resources & Industrial Relations), Master of Arts (Management), Postgraduate Diploma (Labour Law) cum laude

Ms Ngele has 32 years of experience in the public and state-owned entity sector which includes 12 years of senior management experience in the human resource area. With a formidable background in the nursing college sector as a lecturer, Ms Ngele has worked for Ciskei College of Nursing, Lilitha College of Nursing, Free State Department of Health, Eastern Cape Department of Health and Walter Sisulu University. Ms Ngele joined Amatola Water in January 2019 as a senior human resource manager and was later promoted to her current position after acting in the position for close on a year.



MANAGEMENT COMMITTEE

Executive Manager

Adv Thulani Sagela

Executive Manager:
Company Secretary
and Legal Services
Date of Appointment:
10 May 2021

Brief Professional Profile

Bachelor of Laws, Certificate in Corporate Governance in the Public Sector

Advocate Sagela is an experienced legal practitioner in the private and the public sector. He completed his Articles with Legal Aid SA (Cape Town Justice Centre). After completing his articles, he was admitted as the Advocate of the High Court of SA. He started practicing as an independent legal practitioner, focusing on civil and criminal litigation.

He started his career in the public sector, as a Legal Services & Administration Manager at Emalahleni Municipality in Cacadu. His responsibility was to set up the Municipal Public Accounts Committee (MPAC) and the Legal Services Unit. He provided Secretariat Services to the Council and Council Committees.

He was then appointed as the Executive Manager: Company Secretary & Legal Services at Aspire, an agency of Amathole District Municipality. Before his appointment as Executive Manager: Company Secretary at Amatola Water, he ran a consultancy firm that provided quality legal advisory services. He is also the Pastor of the Church of God and Saints of Christ.

DELEGATION OF AUTHORITY

In accordance with the Water Services Act, 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 Chief Executive is delegated responsibility to handle matters, the Chief Executive remains responsible for reporting to the Board on all delegated areas.

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 in line with applicable legislative prescripts and policy provisions.

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.



ANTI-FRAUD AND CORRUPTION STRATEGY

YEAR	NO OF TIP-OFFS RECEIVED	NO OF REPORTS GENERATED	AREAS	ACTUAL FRAUD CONFIRMED	RESULTS
2021/ 2022	3	1	Overpricing on the Request for Quotations (Price gouging)	Yes	Actual fraud was reported to the Audit and Risk Committee (ARC) and to the Board. The matter was escalated to law enforcement agencies for criminal investigation. Steps to recover some financial losses were initiated against implicated employees and service providers.
			Breach of Company Policy: Failure to Declare Conflict of Interest	Pending	The matter is being investigated.
			Breach of Company Policy: Financial Misconduct and Authorised Misuse of Company Vehicle	Pending	The matter is being investigated.

Table 2.11: Fraud hotline reports

Amatola Water has an anti-fraud hotline (whistleblowing) maintained by an external service provider. Internal Audit has read-only access to the hotline. Investigation reports are drawn from the hotline and tabled to the ARC and the Board quarterly. All the investigation reports were made available to the Auditor-General South Africa for noting and consideration of risk in their annual audit. All recommendations, arising from the reports, were carried out by the Board.

This shows the effectiveness of the reporting and 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.

RISK, COMPLIANCE AND ASSURANCE REPORTING

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

INTEGRATED ENTERPRISE RISK MANAGEMENT

Amatola Water has an Integrated Enterprise Risk Management Policy. Every year, the Board engages in a strategic risk review to identify risks that could hinder 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 causes, consequences 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 Management Committee (CRMCO), ARC and finally with the Board. The CRMCO convened two meetings during the financial year, ie. 10 February 2022 and 25 April 2022.

The following table reflects the inherent and residual impact risk rating of the 11 strategic risks:

No	Strategic Outcome No	Risk Title	Inherent Rating			Residual Risk Rating			
			Likelihood	Impact	Total	Control Effectiveness Rating	Control Effectiveness Factor	Inherent Rating	Total
1	SO1 & SO2	Financial viability	10	10	100	Satisfactory	0.6	100	60
2	SO3 & SO4	Fraud, corruption and collusion	9	9	81	Weak	0.8	81	65
3	SO3 & SO4	Poor relations between management and labour-consolidated	8	8	64	Satisfactory	0.6	64	38
4	SO1 & SO3	Inability to meet the bulk water supply demand	8	8	64	Satisfactory	0.6	64	38
5	SO3 & SO5	Non-compliance with National standard of water quality and wastewater effluent	8	7	56	Good	0.4	56	22
6	SO3, SO4 & SO5	Unsustainable corporate governance	9	9	81	Satisfactory	0.6	81	49
7	SO3	Environmental unsustainability	7	7	49	Good	0.4	49	20
8	SO4, SO5 & SO6	Ineffective ICT governance	8	8	64	Satisfactory	0.6	64	38
9	SO3 & SO5	Inadequate security	9	9	81	Weak	0.8	81	65
10	SO1 & SO2	Non-compliance with SCM legislation and regulations	10	10	100	Weak	0.8	100	80
11	SO3, SO5 & SO6	Inadequate COVID-19 Strategy	9	8	72	Weak	0.8	72	58

Table 2.12: Strategic risks' inherent and residual risk rating

ASSURANCE PROVIDERS

The Amatola Water Board has both Internal and External Auditors. The Internal Audit is co-sourced to PricewaterhouseCoopers (PwC) with their contract having ended on 31 March 2022.

The External Auditor is the Auditor-General of South Africa (AGSA).

The Board has an ARC comprising three external members independent of the Board which plays an important oversight and monitoring function over the entity's Internal Audit and Risk Management activities.

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 (both from Internal Audit and External Audit) and improvements which have been put in place to mitigate and prevent the findings from reoccurring in line with the Audit Intervention Plan (AIP). This report is tabled at the Management Committee, ARC and Finance Committee.

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

VALUE ADDITION

Assurance reports provide value to shareholders, management and other stakeholders 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 Amatola Water's reputation will be.

Assurance reporting is required by law and there are future intentions to have a fully-fledged in-house Internal Audit function to ensure ongoing value addition and monitoring of controls.

INTERNAL AUDIT

The Public Finance Management Act (PFMA) and King IV Corporate Governance Code require Amatola Water to appoint Internal Auditors. Furthermore, the assurance internal audit provides assists the organisation to manage its reputation as it creates shareholder value and stakeholder appreciation of the organisation.

Internal audit is currently a co-sourced function. Internal audit plays a critical role in Amatola Water's corporate governance, risk management and control processes.

The approved Internal Audit Plan for the 2021/22 financial year included the following audit areas:

- Supply Chain Management Review-2020/21 (finalisation).
- Review of the placement of Amatola Water Employees affected in 2015 (finalisation).
- Infrastructure-Follow-Up-Asset Register (finalisation).
- Project Management Review – 2020/21 (finalisation).
- Risk Management processes (consulting).
- Supply Chain Management Review – 2021/22.
- Fraud Prevention Plan.
- Organisational Ethics.
- Records Management.
- Review of Inventory Management.
- Review of Quarter 1 SCM Deviations.
- Investigation/determination of irregular, fruitless and wasteful expenditure.
- Investigation of Allegations on Overpricing of Quotations.
- Review of proposed debtors' write-off.
- Review of the 2020/21 Annual Financial Statements.
- Review of 2020/21 Annual Performance Report.

- Audit of Predetermined Objectives (AoPO)/Performance Information Review (Q1 to Q4).
- Follow-up on the prior year's Internal Audit Reports.
- Review of Audit Intervention Plan (Follow-up on 2020/21 AGSA findings).
- Review of the Draft Integrated Annual Report of 2020/21.
- Review of the Draft Strategic Plan and Draft Business Plan for 2022/23 financial year.

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), which guides the work of internal auditors, defines internal auditing as an assurance and consulting activity (without providing more consulting services over auditing) which 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 and the Internal Audit was found to be effective.

EXTERNAL AUDIT

The external auditor for 2021/22 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 include:

- The Safety, Health, Environment (SHE) compliance audit prior to the verification and achieving ISO accreditation or Blue and Green Drop Certification.
- The Occupational Health and Safety Act (OHSA) audits.

More details of these reports can be found on page 114 to 115 of the SHE and OHSA Reports.

Internal Audit liaised and coordinated efforts where necessary with the Risk Management Office, AGSA and investigators who conducted various investigations at Amatola Water which are ongoing.

3 CONTEXT AND STRATEGY






amatola
water-amato
bringing water to life

AMATOLA WATER VISION, MISSION, IMPACT AND VALUES

VISION: A leader in the bulk water supply in the Eastern Cape.

MISSION: To contribute to the socio-economic development of the Eastern Cape through the provision of safe and reliable water services.

IMPACT: Improved health, dignity and well-being of the people of Eastern Cape through Amatola Water’s provision of safe and reliable water services.

VALUES: Amatola Water strives to live by the following values:








Values	Description
<p>1. Professionalism</p> 	<p>Amatola Water demonstrates a commitment to professionalism in all interactions and dealings with stakeholders. Giving consideration and respect for others guides our manners and that is the main determination for the entity’s character.</p>
<p>2. Accountability</p> 	<p>Amatola Water takes full responsibility for our actions and strives to exceed expectations. The entity aims to make the right decisions and always honour its commitments.</p>
<p>3. Excellence</p> 	<p>Amatola Water uses the best knowledge, understanding, and innovative thinking. The entity seeks continuous improvement in all that it does in the pursuit of excellence.</p>
<p>4. Innovation</p> 	<p>Amatola Water strives to understand the customer’s needs, embrace constant change in the sector and adapt to meeting those needs through creativity and new technology.</p>
<p>5. Stakeholder focus</p> 	<p>Amatola Water recognises that stakeholders have an interest in the work it does and always strives to satisfy its stakeholders. Amatola Water is committed to listening and responding positively to their needs.</p>
<p>6. Team orientation</p> 	<p>Amatola Water strives to work together to be more effective. It values individual strengths and talents but celebrates collaboration. Amatola Water employees collaborate towards a common goal and in the process inspire one another.</p>
<p>7. Integrity</p> 	<p>Amatola Water strives to be honest in its dealings with one another and stakeholders. It prides itself on ethical conduct, and acts with openness and respect.</p>

Table 3.1: Amatola Water values

STRATEGIC APPROACH AND PERSPECTIVE

Amatola Water recognises that stakeholders have an interest in the work it does and always strives to satisfy its stakeholders. Amatola Water is committed to listening and responding positively to their needs.

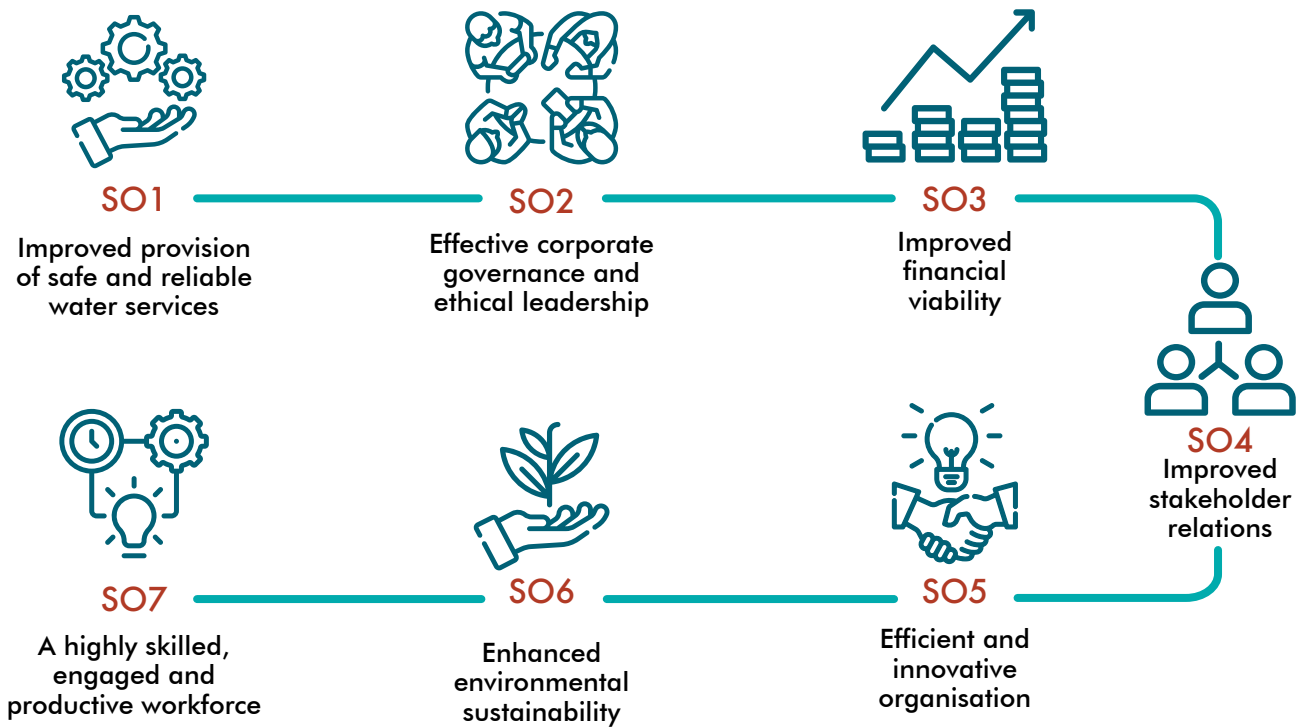


Figure 3.1: Amatola Water's Strategic Outcomes (SO)

The strategic outcomes constitute the building blocks of the roadmap to the entity's desired goals as represented by its vision and mission statement. The strategic outcomes represent the entity's strategies, actions, and collective efforts.

In addition to the long-term focus on the approved strategic direction, the interim Board is convinced that to achieve the deliverables of a well-functioning water board more is needed.

Hence, the interim Board has adopted a three-pillar focused intervention. The short-term intervention plan is to stabilise the organisation and lay a solid foundation for the incoming Board to ensure the institution's long-term sustainability is:

PILLAR 1 Creating Primary Business Focus	PILLAR 2 Strengthen Governance	PILLAR 3 Leadership Restoration
<ul style="list-style-type: none"> • Resolve Amathole District Municipality issues • Resolve Buffalo City Metropolitan Municipality additional capacity request • Upgrade Buffalo City Municipality Metropolitan servicing plant • Resolve Ndlambe Local Municipality water supply issues • Stakeholder management (political, clients and public) • Financial consolidation and improvement • Increase awareness of the effects of climate change. 	<ul style="list-style-type: none"> • Board functioning is restored to normalcy • Audit improvement plan • Consequence management • Reorganisation for modernisation • Restoration of systems, policies and standard operation procedures across the organisation including systems of internal controls 	<ul style="list-style-type: none"> • CEO and CFO posts filled • Critical core functions post filled (and governance related posts) • Leadership training • Building organisational capability

Contribution towards achieving the National Development Plan (NDP), Medium Term Strategic Framework (MTSF), and provincial priorities

The planned performance is guided by and contributes to the attainment of goals set out in several policy instruments including the National Development Plan, Medium Term Strategic Framework 2019-2024, Department of Water and Sanitation's Strategic Outcomes and Provincial Development Plan (PDP) Vision 2030:

Strategic outcome	MTSF	DWS outcome	PDP goals
SO1: Improved provision of safe and reliable water service	Priority 5: Spatial integration, human settlements and local government	2. Ecological infrastructure protected and restored 6. Water redistributed for transformation	Goal 2: An educated, empowered and innovative Goal 4: Vibrant, equitable enabled citizenry Goal 5: Capable, conscientious and accountable institutions
SO2: Effective corporate governance and ethical leadership	Priority 1: Building a capable, ethical and developmental state Priority 3: Education, skills and health	1. Efficient, effective and development-orientated department 2. Ecological infrastructure protected and restored 6. Water redistributed for transformation	Goal 2: An educated, empowered and innovative citizenry Goal 4: Vibrant, equitable enabled communities Goal 5: Capable, conscientious and accountable institutions
SO3: Improved financial viability	Priority 2: economic transformation and job creation	2. Ecological infrastructure protected and restored 6. Water redistributed for transformation	Goal 1: A growing, inclusive and equitable economy Goal 4: Vibrant, equitable enabled communities
SO4: Improved stakeholder relations	Priority 2: economic transformation and job creation	2. Ecological infrastructure protected and restored 6. Water redistributed for transformation	Goal 1: A growing, inclusive and equitable economy Goal 4: Vibrant, equitable enabled communities
SO5: Efficient and innovative organisation	Priority 1: Building a capable, ethical and developmental state Priority 5: Spatial integration, human settlements and local government	2. Ecological infrastructure protected and restored 6. Water redistributed for transformation	Goal 4: Vibrant, equitable enabled communities Goal 5: Capable, conscientious and accountable institutions
SO6: Enhanced environmental sustainability	Priority 3: Education, skills and health	2. Ecological infrastructure protected and restored	Goal 2: An educated, empowered and innovative citizenry
SO7: A highly skilled, engaged and productive workforce	Priority 1: Building a capable, ethical and developmental state Priority 3: Education, skills and health	1. Efficient, effective and development-orientated department	Goal 2: An educated, empowered and innovative citizenry Goal 5: Capable, conscientious and accountable institutions

PERFORMANCE MEASURING, EVALUATION AND MONITORING

To measure and manage the successful implementation of its strategy, Amatola Water has developed clear monitoring criteria and targets for the next five years which are contained in the approved Amatola Water Business Plan 2022-2027.

A comprehensive corporate performance management system, which includes divisional and corporate reviews by management as well as oversight by the Board and its committees, is detailed in the governance section of this report (page 28 to 50).

MATERIAL MATTERS

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 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>Financial viability</p> <ul style="list-style-type: none"> 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. In addition, Amatola Water has a limited number of key customers that are subject to similar macro and microeconomic risks. 	 <p>Financial capital</p>	SR1	<ul style="list-style-type: none"> Customers and client stakeholders 	SO3
2	<p>Economic</p> <ul style="list-style-type: none"> As a public service utility, Amatola Water is highly sensitive to the performance of the local and national economy. The local and national economy are under pressure due to factors such as low GDP growth and SA sovereign credit downgrades. The Eastern Cape lags the national economy in terms of productivity and employment growth and this has had a knock-on effect on Amatola Water's business. 	 <p>Financial capital</p>	SR1	<ul style="list-style-type: none"> Statutory stakeholders Community stakeholders 	SO3

Material matters table (continued)

Ranking	Description of material matter	Capital impacted	Strategic risk	Stakeholder affected	AW strategic response
3	<p>Access to funding</p> <ul style="list-style-type: none"> • Amatola Water manages a significant infrastructure footprint to fulfil its mandate. • Amatola Water requires significant capital expenditure to maintain and expand its infrastructure to ensure continuity of service and sustainable growth. 	 <p>Financial capital</p>	SR1	<ul style="list-style-type: none"> • stakeholders • Customers and client stakeholders • Statutory 	SO3
4	<p>Drought/weather</p> <ul style="list-style-type: none"> • As with most parts of South Africa, the Eastern Cape is vulnerable to water shortages caused by a lack of rainfall. 	 <p>Natural capital</p>	SR7	<ul style="list-style-type: none"> • Community stakeholders 	SO6
5	<p>Governance</p> <ul style="list-style-type: none"> • Leadership is critical to the effective and ethical operation of Amatola Water. It can pose a significant risk or opportunity to the organisation. • Amatola Water has suffered from high turnover in key leadership positions. 	 <p>Human capital</p>	SR6	<ul style="list-style-type: none"> • Statutory stakeholders • Customers and client stakeholders 	SO2
6	<p>Relationships with key stakeholders</p> <ul style="list-style-type: none"> • Relationships with Amatola Water's key stakeholders has had a major impact on Amatola Water's reputation, which represents a significant risk and opportunity for Amatola Water. 	 <p>Social and relationship capital</p>	SR3 & SR6	<ul style="list-style-type: none"> • Statutory stakeholders • Customers and clients stakeholders • Community stakeholders 	SO4
7	<p>Infrastructure value chain</p> <ul style="list-style-type: none"> • Amatola Water operates in a narrow portion of the potable water supply chain as well as in a limited closed market. • Amatola Water is reliant on upstream and downstream infrastructure suppliers and customers for the delivery of high-quality bulk water and sanitation services. 	 <p>Manufacturing capital</p>	SR4	<ul style="list-style-type: none"> • Community stakeholders • Customers and client stakeholders 	SO1
8	<p>People skills and development</p> <ul style="list-style-type: none"> • Appropriately skilled and qualified staff are critical for ensuring effective and efficient operations 	 <p>Human capital</p>	SR3	<ul style="list-style-type: none"> • Customers and client stakeholders 	SO7
9	<p>Economic regulation</p> <ul style="list-style-type: none"> • Amatola Water's income-generating capability is dependent on the timelag between the setting and regulatory approval of water tariffs. 	 <p>Financial capital</p>	SR1	<ul style="list-style-type: none"> • Statutory stakeholders 	SO3
10	<p>Technology and communication</p> <ul style="list-style-type: none"> • The current business environment is heavily dependent on technology for effective, efficient and streamlined operations. 	 <p>Intellectual capital</p>	SR8	<ul style="list-style-type: none"> • Customers and client stakeholders • Statutory stakeholders 	SO5

STAKEHOLDER ENGAGEMENT AND COMMUNITY SUPPORT

Stakeholder understanding brings value and worth to an organisation and is important in how the organisation is perceived. They perform an important role as they greatly influence the performance of the organisation. The organisation cannot succeed or progress without their involvement (contribution, acknowledgement) and input. Customers partners, suppliers or employees, can offer formidable fine distinctions of feedback and ideas. They are the strength of the organisation, need supreme treatment and cannot be undermined.

Working together with stakeholders ensures healthy relationships and good communication to help with the smooth functioning of the organisation. A stakeholder's influence is strongest at the beginning. However, as the relationship changes, engagement becomes less of a priority and people acquainted with the content. The keyword when it comes to stakeholders is "engagement" organisations should work towards the best engagement of stakeholders possible.

Influencing stakeholders can take a lot of effort as there may be a large number of stakeholders with different levels of involvement, requirements, interests and powers to influence a project. The plethora of stakeholders have been categorised into two types: **Internal and external stakeholders**

Amatola Water uses surveys to improve its understanding, knowledge, attitudes, perceptions, interests and experiences of internal and external stakeholders. These surveys help the organisation to identify and understand the needs as these relate to the services provided to customers.

Stakeholder engagement is carried out with the guidance of the stakeholder matrix that ensures that all stakeholders are involved accordingly for the effective benefit of the stakeholder and institution.

Customers or clients are defined as stakeholders who make it possible for Amatola Water to deliver on its legislated mandate. Amatola Water's customers under its legislated mandate, are Amathole District Municipality (ADM), OR Tambo District Municipality (ORTDM), Buffalo City Metropolitan Municipality (BCMM), Nelson Mandela Bay Metropolitan Municipality (NMBMM), Ndlambe Local Municipality and the Eastern Cape Department of Education.

Community stakeholders are defined as stakeholders with a direct or indirect interest in the operations of Amatola Water. Amatola Water engages with traditional leadership, non-governmental organisations, schools of higher learning, and the media, for example. In other instances, the relationship is forged because of skills development and to build Amatola Water's service delivery capacity. For example, Buffalo City College is one institution of higher learning with which the entity has engaged in terms of capacity building.

Statutory stakeholders are the legislated stakeholders of the institution that directly or indirectly affect Amatola Water's operations. Employees, suppliers and investors are stakeholders who provide the input required for Amatola Water to deliver on its mandate. The institution has developed a Stakeholder Policy to improve the level of engagement and bolster stakeholder engagement and participation in the institution.

Amatola Water believes that through an effective stakeholder engagement process, it can:

- Improve the understanding of stakeholders' needs and concerns
- Enhance stakeholder confidence
- Educate and inform communities on water sector matters
- Conserve water and manage demand.

AMATOLA WATER STAKEHOLDER MANAGEMENT MATRIX

COMMUNITY STAKEHOLDERS

Community stakeholders have a direct or 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. It also makes sure that it continuously engages with its stakeholders regarding its business.

COMMUNITY STAKEHOLDER	STAKEHOLDER INTERESTS	AW INTERESTS	LEVEL/RESPONSIBLE PERSON
Special interest groups	Good governance and performance of Amatola Water	Network and research	Executive Managers
Civil society	Good governance and performance of Amatola Water	Network and influence	Office of the CE
Media	Good governance and performance of Amatola Water	Communication platform; Influence transparency/openness	AW Board Chairperson and Office of the CE
Business formations (formal and informal)	Strategy, risk, good governance and performance of Amatola Water	Networks, support and influence	Office of the CE
Traditional leadership	Strategy and performance of Amatola Water	Networks, support and influence	CE's office
Educational and research institutions	Strategy and research	Research	Manco
Water sector associations	Strategy, performance and governance	Strategic alliance	AW Board Chairperson and CE

CUSTOMER AND CLIENT STAKEHOLDERS

Amatola Water values are crafted with stakeholders in mind. There is a deep understanding that the growth of the organisation depends on the growth of prioritising and acknowledging stakeholders with whom contracts for products, services and goods with customers, suppliers and investors. At the same time, employees and organised labour provide it with labour which results in concomitant benefits.

COMMUNITY STAKEHOLDER	STAKEHOLDER INTERESTS	AW INTERESTS	LEVEL/RESPONSIBLE PERSON
Employees	Risk, good governance, and performance of AW	Act as an ambassador for the organisation. Sustainability and viability of the institution	Manco and Board
Organised labour	Strategy, risk, good governance, and performance of AW	Sound relations with organised labour. Conditions of employees. Buy-in and support with regards employment conditions	AW Board Chairperson, CE, and Executive Manager: Corporate Services
Internal and external audit	Risk, good governance, and performance of AW	Quality products and services	Manco and Board
Suppliers and service providers	Good governance and performance of AW	Efficiency, good performance and productivity	Manco
Investors (development finance institutions and private banks)	Risk, good governance, and performance of AW	Funding and investment opportunities	Manco

STATUTORY STAKEHOLDERS

Statutory stakeholders are mostly regulatory bodies of the institution and perform oversight roles to Amatola Water. They are beneficial to the organisation's growth and expansion. Their focus is the fulfillment and compliance of statutory requirements that aligns 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
Executive Authority (Minister)	Strategy, risk, good governance and performance of AW	Strategic direction and support	AW Board Chairperson
Parliamentary Portfolio Committee of Water and Sanitation	Strategy, risk, good governance and performance of AW	Strategic direction and support	AW Board Chairperson
Department of Water and Sanitation	Strategy, risk, good governance and performance of AW	Strategic direction and support	AW Board Chairperson, CEO and Manco
National Treasury	Strategy, risk, good governance and performance of AW	Strategic direction and support	CEO and CFO
Political leaders in provincial and local government (premier, members of the executive committee, executive mayors and members of mayoral committees)	Strategy, risk, good governance and performance of AW	Collaboration	AW Board Chairperson
Provincial and local government administration (directors-general, heads of department and other senior officials)	Strategy, good governance and performance of AW	Collaboration	CE and Manco
Local government (municipal mayors and other senior officials)	Strategy, risk, good governance and performance of AW	Long-term commitment, collaboration and loyalty	CE and Manco
South African Local Government Association	Strategy, risk, good governance and performance of AW	Collaboration	Manco

COMMUNITY OUTREACH AND CORPORATE SOCIAL INVESTMENT

Amatola Water believes in educating communities about its business, particularly as it exists in the communities and needs active participation from the communities. The dissemination of information and empowering communities with knowledge is an investment because communities understand the value the business brings to various communities and stakeholders. This year, Amatola Water has concentrated mostly on schools close to their water treatment works and dams as part of water conservation and demand management. However, the organisation has not excluded other schools.

Investment in these communities impacts 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. The 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 toward community sustainability such as education, awareness, sport, and community outreach programmes.

Amatola Water also visits communities next to its facilities and conducts water awareness campaigns. The main objective of these visits is to foster awareness of integrated water resource management, address sanitation issues and increase enthusiasm among the youth to pursue careers in the sector.

The schools visited during the financial year were Jongile Nompondo Public School; Zanempucuko Senior Secondary School; Sinetemba High School; Kamva Lesizwe High School; Tamsanqa High School and many more. The campaign aimed to inform them about water production and supply.

During June, a youth month in South Africa, Amatola Water collaborated with the national Department of Water and Sanitation to celebrate youth month and encourage the youth to take advantage of opportunities available in the water sector. The programme was inward-looking, targeting youth already in the sector. The presentations covered the opportunities available in the sector for youth. Other state-owned entities that focused on youth empowerment and participated in similar drives were sector education training authorities and the National Youth Development Agency.

The programme is a catalyst for bringing together youth from different provinces and academic backgrounds to share knowledge and good practices.

For Amatola Water to succeed, it needs to leverage knowledge and incorporate 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.

The organisation also visited the Alfred Nzo District Municipality to showcase Amatola Water careers available as a way of getting learners to see and understand careers in water. The presentation was also made to schools that attended the career exhibition.

Water is a scarce resource that needs to be emphasised in our communities and in every engagement conducted with them.



SCHOOL TOUR PROGRAMME

In an endeavour to strengthen skills and collaborations with institutions of higher learning, the Buffalo City College and Philani Sanitation Solution Water Academy visited Amatola Water to learn new technology and establish where they can help with skills development.

Amatola Water hosted and guided tours for various groups such as the media, tertiary institutions, and secondary and primary school tours at the Albany Coast Reverse Osmosis, Ngqushwa and Nahoon Water Treatment Works.

Visitors are taken through water production processes at the treatment works. These tours aim to encourage learners to pursue career opportunities in water science and improve awareness of water conservation.

The tours also assist students in water conservation competitions and give them an understanding of how to apply their classroom theory in a real-life setting.



AMATOLA WATER'S WATER CONSERVATION AND DEMAND CAMPAIGNS

Drought continues to challenge the Eastern Cape Province and water supply is severely dwindling. It was declared a disaster area due to drought and there is no improvement as sources continue to run dry.

A war room was established for quicker decision-making and where most discussions take place to establish assistance needed in most municipalities.

Various water awareness campaigns were conducted throughout the province. The campaign included:

- Distribution of flyers
- Development of postcards
- Community meetings
- School visits.



SCHOOL VISITS

Amatola Water's water conservation awareness campaign is conducted mainly with schools. Water-saving tips, using bookmarks, school stationery, and water bottles were distributed to the schools together with flyers and information on water-saving in communities.

As schools move into the digital realm, some collateral like bookmarks will become irrelevant.

Amatola Water aims to move with technology trends and develop digital flyers. The organisation is considering advertising on Facebook and other social media platforms.

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

These visits also concentrated on learner safety and security because they should understand the dangers of playing in areas where there is infrastructure.

There have been unfortunate instances involving children playing in these areas. Consequently, increased awareness of child safety in these areas where Amatola Water is operating is a necessity.



CAREER EXHIBITIONS

Amatola Water collaborated with the Alfred Nzo District Municipality in conducting a career exhibition in the financial year under review. More than 8,000 learners attended the exhibition and a careers presentation was made. It was clear Amatola Water should be using digital communication as most learners use tablets. There was enormous interest from learners in these career events, especially regarding the opportunities available in the sector.

The goal of career exhibitions is to assist learners with making career choices and encouraging careers in the water sector. ———

Amatola Water made presentations on career opportunities in the water sector, targeting aspiring water control processors. The entity's exhibition team demonstrated how to purify water and how potable water is produced at water treatment works. The institution also brought in young scientists to enhance young people's interest in the field and to help them understand the practice.



PRESIDENT OF THE REPUBLIC OF SOUTH AFRICA AND MINISTER OF WATER AND SANITATION VISIT

Amatola Water, as the implementing agent for the Nooitgedacht Coega Low-Level Scheme, hosted the President of the Republic of South Africa. The President visited the scheme to assess the progress on the implementation of the project.

The Nelson Mandela Bay Metropolitan Municipality is struggling with water provisioning and the project means to augment water provision to the municipality. Amatola Water Board had been requested by the Minister of Water and Sanitation to intervene in the municipality to avoid the area's "Day Zero", a term used for when the taps would run dry and people would have to line up to get water rations. The Board has employed several strategies within the area to ensure water is provided to the residents and businesses every day.

The Minister also visited the organisation as part of the departmental stakeholder engagement and intervened as part of the department's governance obligations as a shareholder. His visit ensured stability in the institution and emphasised the organisation's mandate. The institution is at the forefront of drought intervention and the Minister is passionate about providing water in areas that are experiencing the drought.

Water tankering is a short-term intervention by the Department while the government continues to roll out water infrastructure throughout the province.

FUTURE STAKEHOLDER ENGAGEMENT PLANS

Amatola Water will continue to collaborate with stakeholders for events to heighten water awareness and drive the message of water conservation and demand management.

Signature events in the province being considered include the SALGA conference, South African Broadcasting Corporation's golf event, the State of Province Address, and others.

Career exhibitions, in partnership with the Department of Education, remain a priority as Amatola Water believes in educating children as the future of the country. The aim is to widen the network of communication and engagement on social media, particularly during times of limited interaction.



Amatola Water will continue to emphasise its message in respect of its areas of operation and educate the youth on its business. It improves awareness of water conservation and demand management and encourages water saving as a lifestyle in the communities.



SECTION 4: PERFORMANCE INFORMATION



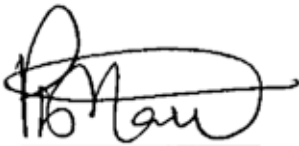


STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

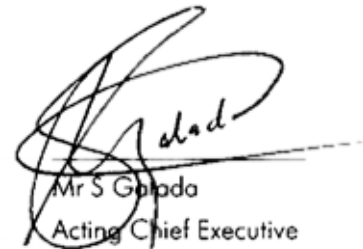
The Chief Executive is responsible for the preparation of Amatola Water's performance information. The incumbent is also responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

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 2022.

Amatola Water's performance information for the year ended 30 June 2022 has been examined by the external auditors and is set out on pages 70 to 85, as approved by the Accounting Authority.



Ms P Yako
Interim Board Chairperson



Mr S Garada
Acting Chief Executive

INTRODUCTION

The Annual Performance Plan and Shareholder Compact documents for the 2021/22 financial year, including the five-year Business Plan, remain the source documents for the compilation of the integrated annual report on performance information of Amatola Water.

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

Amatola Water implements its strategy through a balanced scorecard (annual performance plan) and shareholder compact. For the year under review, this comprised of four Perspectives and six Strategic Outcomes.

The quarterly performance reports were then submitted to the Audit and Risk Committee and were further transmitted to the Board for approval. All four quarterly reports were thereafter submitted to the shareholder (DWS).

The integrated annual report on performance information reflects all the performance indicators and targets as depicted in the annual performance plan for the 2021/22 financial year.

The Annual Performance Information for the 2021/22 the financial year is made up of 57 measurable result indicators, for which responsibilities and accountabilities were agreed and targets approved within the entity at the start of the financial year.

These result indicators include all statutory indicators specifically targeted by the Executive Authority and approved through the Shareholder Compact.

The scorecard enables the organisation to achieve its six Strategic Outcome and, ultimately, its Mission/Mandate to supply safe and reliable water services that ensure Amatola Water's financial sustainability and increase stakeholder confidence by developing its leadership, promoting innovation, and increasing its capacity and skills.

PERFORMANCE OVERVIEW

For the period 1 July 2021 to 30 June 2022, the entity implemented its planned initiatives and continuously assessed its progress whilst doing so. Performance against the predetermined targets is illustrated graphically in Figures 4.1 and 4.2.

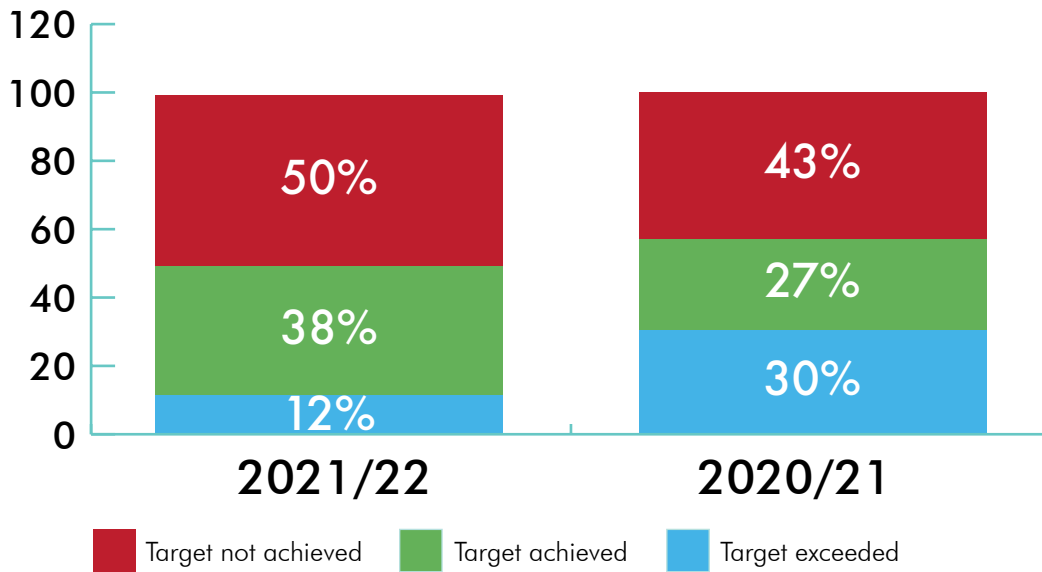


Figure 4.1 : Shareholder Compact Performance (2020/21 & 2021/22)

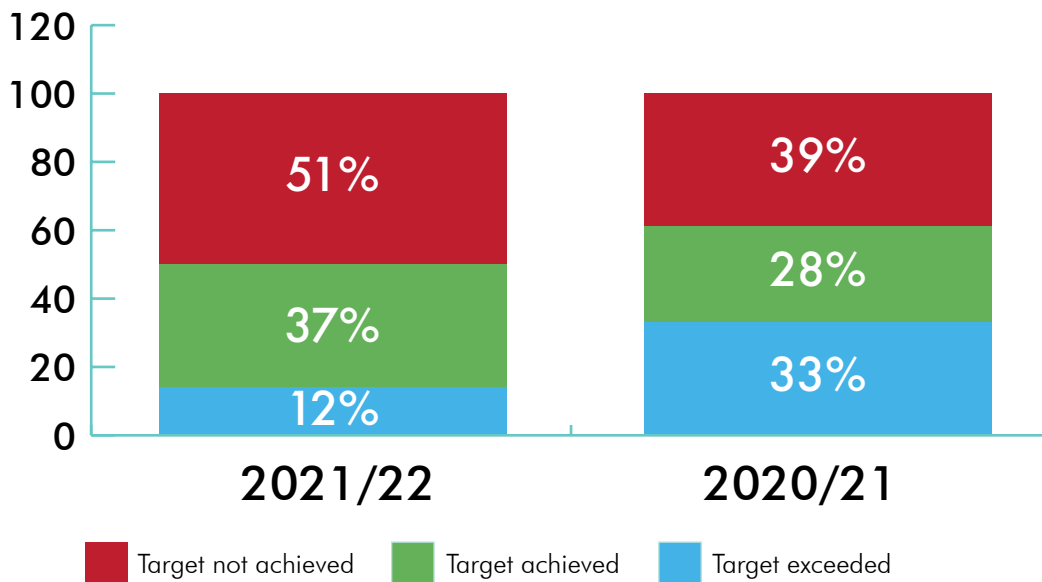


Figure 4.2 : Annual Performance Plan Report (2020/21 & 2021/22)

The entity's performance has declined by 11% on the shareholder's compact indicators and by 8% on those in the Annual Performance Plan. The decline in performance is attributable to the following factors:

- Water restrictions imposed by DWS during 2021/2022 have resulted in the reduction of revenue and mega litres sold.
- The national crisis of chlorine shortages affected water quality.
- There was a prolonged drought that left the Debe Dam empty and affected the assurance of water supply.
- Ageing infrastructure has reduced.

Despite the difficulties encountered during the fiscal year, Amatola Water has exceeded the performance expectations for some key performance indicators. This demonstrates a resilient, robust, and sustainable organisation.

The reasons for the over-achievements include the following:

- The solvency ratio target was set at 2.58 and the performance result achieved was 6.08. The target has been exceeded due to the implementation of a project to correctly account for items of property, plant and equipment in the asset register as required by the GRAP 17 – Property, Plant and Equipment. The identification and assessment of assets, including the application of the deemed cost, resulted in an increase in the value of the asset base and depreciation.
- The number of community/school initiatives undertaken annual target was set at 14. The performance result achieved was 44. The target has been exceeded due to increased demand for school visits as part of the water-saving education in schools and communities, and to support the implementation of the water restrictions imposed by DWS.
- The annual targets for R-value overall project expenditure and percentage of actual capex budget spend on expansion-related projects (initiatives by the Minister) have been exceeded. The R-value overall project expenditure increased as an indication of fast-tracking the implementation of the Nooitgedaght Phase 3 project which is 99.5% completed. The project was expected to be completed by 25 March 2019. Due to several delays, the completion date was extended. The revised completion date was 28 September 2022, which includes a 28-day trial operating period for the plant. After the trial operating period is completed, a 12-month defect liability period will commence from 1 October 2022 and will end on 30 September 2023.
- The number of permanent jobs created target was set at 300 and the performance result achieved was 333. The target was due to an increase in the number of fixed-term contracts at Albany Coast.
- The target for the number of learnerships was set at five; the performance result achieved was 14. The target was exceeded because Amatola Water received a grant from Energy & Water Sector Education Training Authority (EWSETA) that enabled the entity to provide more learnerships than planned.
- The target for the number of employee bursaries was set at 15; the performance result achieved was 22. The target was exceeded because EWSETA funding was obtained to award more bursaries.

The performance against the predetermined targets in the Shareholder Compact is summarised in the following tables:

ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS

Performance objective	Outcome/ Impact	Key performance indicator	Actual audited performance outcome 2020/21	Annual target 2021/22	Annual result 2021/22	Variance
Bulk potable water quality compliance	Water quality standards met	Number of AW plants achieving "GOOD & EXCELLENT" quality SANS 241:2015 Edition 2 in Table 4	9	7	4	-3
Manage avoidable water losses	Reduced avoidable water losses in treatment and distribution systems	Percentage of total water losses on production and distribution	14,4%	14%	17,5%	-3,5%
Reliability of supply	No unplanned interruptions to bulk supply exceeding 24 hours	Percentage assurance of potable water supply	98.21%	98%	97,89%	-0.11%
		Percentage assurance of raw water supply	70,4%	98%	60,1%	+37,9%
Increased access to Services	Contribution to national objectives of extending services	Percentage of actual capex budget spend on expansion related projects (initiatives by the Minister)	58,1%	100%	155%	+55%
Financial reporting compliance	Unqualified audit report	External audit outcome	Qualified	Unqualified	Qualified	Qualified

Table 4.2: Organisational efficiency and effectiveness

REASONS FOR NOT ACHIEVING TARGETS AND CORRECTIVE ACTION

1) Number of AW plants achieving “GOOD & EXCELLENT” quality SANS 241:2015 Edition 2 in Table 4

- Reason for performance

There was a nationwide shortage/ unavailability of chlorine gas. The entity had to resort to the use of chlorine tablets which are not as effective as chlorine gas thus impacting the number of Amatola Water plants achieving “GOOD & EXCELLENT” quality SANS 241:2015 Edition 2 in Table 4.

- Corrective action

- 1) As a short-term solution, Amatola Water is making use of HTH chlorine tablets to purify the water.
- 2) Two alternatives were proposed: Ammonia and ozone. However, AW found this dangerous given the current level of AW employee skills and site locations. BCMM is not using ammonia as per its strategy. Since AW and BCMM’s water mix at some points, it is not viable for AW to use this option.
- 3) On 25 August 2022, two AW employees will attend a disinfection technology Seminar that taking place at Die Hut, Moorreesburg. They will also participate in a site tour to view the application of the technology. Currently, AECL Water is conducting a disinfection pilot study at West Coast District Municipality using Chlorine Dioxide as an alternative disinfectant to Chlorine Gas. This is being used for post-disinfection throughout the reticulation system of an estimated 100km.
- 4) It was also identified that the contracted service provider is associated with a struggling chlorine manufacturer. Currently, AW is sourcing quotations from alternative suppliers.

• Percentage of total water losses on production and distribution

- Reason for performance

- The target has not been achieved. High water losses were experienced because of frequent pipe bursts as a result of water hammering during Eskom load shedding.
- The turnaround time to procure critical spares. Illegal connections on the water network.
- Equipment failure and numerous breakdowns occurred at the same time; this resulted in delayed response times and more water losses.
- Ageing infrastructure

- Corrective action

- 1) Replace damaged sections with the higher-class pipe to deal with the water hammering. Apply to Eskom for loadshedding exemption while exploring alternative energy sources.
- 2) Currently, finalisation of the procurement of term contracts is underway for plant and machinery, pipes, fittings and valves to assist with improving the turnaround times on water supply interruptions. Currently, term contracts for water carting, plant and machinery is at the specification, stage targeting an award in November 2022. The pipes, fittings and valves are at the stage of specification, targeting an award in December 2022.
- 3) ADM and DWS have been engaged to assist with the illegal connections. Develop an integrated strategy for water conservation and demand management in preventing water losses.
- 4) Reconfiguration of working hours of the pipeline team in line with possible shift work to avoid a shortage of capacity.
- 5) Follow up with DWS on the request for approval of budgets to augment and refurbish ageing infrastructure.

- **Percentage assurance of potable water supply**

- **Reasons for performance**

- 1) Assurance of potable water supply could not be achieved due to the inability to meet the demand.
- 2) The rolling loadshedding has also had a negative impact on the assurance of water supply.
- 3) The failure of infrastructure at Albany Coast and low dam levels at Debe.
- 4) A prolonged drought left the Debe Dam empty and affected the assurance of water supply.

- **Corrective actions**

- 1) Follow up with DWS on the request for approval of budgets to augment and refurbish ageing infrastructure.
 - 2) AW to consider investing in generators/alternative energy sources to keep pumping water during loadshedding.
 - 3) Apply for exemption from loadshedding at our wastewater treatment works.
 - 4) Develop a costing for the refurbishment plan for the ACRO plant
 - 5) Develop a water conservation and demand management plan in consultation with the three clients (ADM, BCMM and Ndlambe).
-

- **External audit outcome**

- **Reason for performance**

The target has not been achieved. The entity received a qualified audit opinion for 2021/22 from statutory audit review by the Auditor-General South Africa.

The qualification items were:

- Irregular Expenditure
- Fruitless and wasteful expenditure
- Commitments
- Contingent Liabilities and
- Corresponding figures - Payables from exchange transactions.

- **Corrective action**

- Management will develop an Audit Improvement/Intervention Plan by 28th November 2022 in order to monitor and address issues/findings identified by the AGSA in the 2021/22 audit report.

FINANCIAL PERFORMANCE

Performance objective	Outcome/Impact	Key performance indicator	Actual audited performance outcome 2020/21	Annual target 2021/22	Annual result 2021/22	Variance
Improve key financial ratios	Improved viability and sustainability	Current Ratio	1.396	1.2467	1.336	+0.893
		Gross profit margin % (primary activity)	18.54%	28.12%	2.74%	-25.38%
		Gross profit margin (secondary activity)	59.44%	42.71%	2.43%	-40.28%
		Net profit margin (primary activity)	-13.53%	0.01%	-32.93%	-32.94%
		Net profit margin (secondary activity)	21.61%	2.25%	-232.92%	-235.17%
		Debt equity	0.00%	0.00%	0.00%	0.00%
		Return on Assets	-8.36%	-7.44%	-11.33%	-3.89%
		Debtors' days	120.62 days	123.42 days	184.80 days	61.38 days
		Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	2,55%	3,84%	1.09%	-2.75%
		Percentage of staff remuneration to total operating expenditure	39.93%	41.70%	33.39%	+8.31%
Increase B-BBEE expenditure in relation to operational projects	Spend increased and increased new entrants awarded contracts in the financial year	Actual B-BBEE spend as a % of total discretionary expenditure	120%	100%	115%	+15%
Manage costs within the approved budget	Actual expenditure compared with budgeted expenditure for the quarter	Percentage variance on operating expenditure	6.29%	0.00%	-10.49%	+10.49%
Capital expenditure programme	Infrastructure available to meet demands	R-value overall project expenditure	R386Mil	R439Mil	R628Mil	+R189Mil
		Percentage of capex projects within target completion dates against planned number	46%	70%	41%	-29%
Engagement in secondary activities	Growth in turnover from secondary (other activities)	Percentage of secondary business of total turnover	15.19%	10.05%	7.00%	-3.05%

REASONS FOR NOT ACHIEVING TARGETS AND CORRECTIVE ACTION

- **Gross profit margin % (primary activity) and Net profit margin (primary activity)**
 - **Reason for performance**

Revenue for treated water is lower than what was budgeted by 23.2% (R104.190m).

 - 1) Eskom loadshedding and pipe breaks on the schemes system which cause higher water losses result in a reduction in revenue growth.
 - 2) The projected 6000kl volume increase in bulk portable water supply to the Peddie area upon the completion of the Sandile Pipeline project have not materialised due to the financial constraints.
 - **Corrective action**
 - 1) Award the successful bidder for the Modular Packaged Plant as per the Pillar 1 of the Interim Board Intervention during Q2 of 2022/23.
 - 2) Expected completion date of the Modular Packaged Plant project is December 2022 (12 weeks) which will release additional volumes of water to BCM.

- **Gross profit margin (secondary activity), Net profit margin (secondary activity) and Percentage of secondary business of total turnover**
 - **Reason for performance**

Secondary Business under-collected on budgeted revenue by 45.5% (R22.659m). There was a delay in the award of additional contracts during Q4.
 - **Corrective action**
 - 1) Maintain the status of billing secondary business.
 - 2) Speed up the appointment of PSP and procurement of goods and services for the Department of Education.
 - 3) Follow up on additional funding for the KSDPI project in the first quarter of 2022/23 financial year.

- **Return on Assets**
 - **Reason for performance**
 - 1) This is due to GRAP 17 asset component - application of deemed cost increased the asset base and depreciation in primary business.
 - 2) The decline in revenue growth for both primary and secondary business activities.
 - 3) The decline in the interest received from investments due to the low interest rates provided by commercial banks for investments and considering the control by the central bank of the repo rate.
 - **Corrective action**
 - 1) AW budget is aligned to the GRAP 17 standard of application of deemed costs which has already been factored into the tariff determination of the 2022/23 financial year.
 - 2) AW investment strategy will take the advantage of an increase in interest rates which are expected to be implemented during Q1 of 2022/23 and unlikely to be revised downwards by the central bank to contain inflation in the republic of South Africa.

- **Debtors' days**
 - **Reason for performance**

This is due to ADM not honouring the payment plan. As at 30 June 2022 Amathole District Municipality's (ADM) debt equates to R267m of which R245m debt is outstanding for +120 days. This had a critical impact in honouring AW creditors.
 - **Corrective action**

Follow up on the discussion and decision taken on the letter that was written on 20 April 2022 to the Department of Water and Sanitation recommending that the Parliamentary Portfolio Committee consider the following to improve the recovery of the outstanding debt:

 - Renegotiate and conclude realistic legally enforceable payment plans against the old outstanding debt with municipalities;
 - Proposal to National Treasury for top slicing of the equitable share to fund old debt
 - Ensure payment of current water services without leaving room for defaulting clients
 - Minimise where it is possible fruitless and wasteful expenditure (interest charged)
 - Consider asset-debt-swap mechanisms by targeting bulk infrastructure to be transferred to the water board
 - Support municipal interventions on water conservation and demand management
 - Impose water restrictions in line with the policy prescripts and directives as a last resort.

- **Repairs and maintenance as % of PPE and Investment Property (Carrying Value)**
 - **Reason for performance**
The target has not been achieved due to entity's expenditure on repairs and maintenance during the year under review were below the budget. The implementation of the preventative maintenance plan and to respond to equipment failure and breakdowns in the networks particularly in Albany Coast and Laing did not materialise.
 - **Corrective action**
Actively monitoring, evaluating and closing of long outstanding service orders will assist with the achievement of this target in the 2022/23 financial year.

- **Percentage of capex projects within target completion dates against planned number**
 - **Reason for performance**
 - AW upgrades: Delays in the procurement of new contractors to complete outstanding work and slow progress on site.
 - AW pipelines: Implementation started late in the financial year.
 - Coffee Bay: Procurement on hold, project is being investigated by the Hawks; final account and termination to be concluded.
 - Drought: None.
 - Joe Gqabi District Municipality (JGDM), Sterkspruit: Delivery of materials.
 - James Kleynhans: Poor performance by the contractor.
 - King Sabata Dalindyebo (KSD): Poor performance by contractors. Non-payment by OR Tambo District Municipality (ORTDM) led to a suspension by contractors. Termination of contracts by some contractors due to reported non-payment.
 - Misgund: Target not achieved due to severe budget reduction for 2021/22 FY.
 - Ndlambe: Delays in the procurement of new contractors to complete outstanding projects.
 - Sundays River Valley Local Municipality (SRVLM), Paterson: The contractor and professional service provider (PSP) not on site due to contractual issues.
 - Kirkwood: The bid was advertised in December 2021 and closed in February 2022. There were delays at the bid evaluation committee (BEC) and material irregularities were identified during the evaluation of Bid AW2021/22/15. The bid cancellation was recommended by BEC on 7 June 2022.
 - **Corrective action**
 - AW upgrades: Pipeline contract termination approved. AW to procure a contractor to complete the pipeline and reservoirs. AW to provide the additional budget to complete outstanding work. PSP has contractors back on site and catching up with progress.
 - AW pipelines: Currently procuring materials and plant for implementation.
 - Coffee Bay: Management to engage with Hawks investigators to seek clarity.
 - Drought: None.
 - JGDM Sterkspruit: Contract ends July.
 - James Kleynhans: The termination process was finalised on 3 June 2022.
 - KSD: Contractors were put on terms and two contractors recently completed.
 - ORTDM resolved their matter in March 2022. Finalisation of termination to start replacement procurement within the first quarter of the 2022/23 financial year.
 - Misgund: Once the budget has been received from DWS, AW can proceed to tender and award the contract by September 2022.
 - Ndlambe: AW is procuring a contractor to complete the Port Alfred Brackish Water Reverse Osmosis (BWRO) Plant. AW Team is testing and retrofitting the pipeline from Cannon Rocks to Alexandria.
 - SRVLM Paterson: AW to resolve the dispute and allow contractor and PSP to return to the site, anticipated by June 2022.
 - Kirkwood: New tender to be advertised before the end of September 2022 after approval by DWS; to be awarded by the end of November 2022.

CUSTOMER AND STAKEHOLDER INTERACTION

Performance objective	Outcome/Impact	Key performance indicator	Actual audited performance outcome 2020/21	Annual target 2021/22	Annual result 2021/22	Variance
Bulk supply agreements concluded with municipalities/ other customers	Statutory and service level agreements in place	Total number of signed contracts with municipalities/Other customers (bulk supply agreements) in place during the period of review	3	4	3	-1
Implementation of Ministerial directives	New Ministerial directives issued are implemented on time	Percentage progress against Ministerial Directives implementation plan	122.8%	100%	99%	-1%
Support rural development	Total number of identified rural municipalities supported	Number of signed contracts/MOUs in place with rural Municipalities for the provision of support i.r.o. rural development initiatives	5	4	5	+1
Achieve statutory reporting compliance	All statutory reports submitted on time	Percentage of submissions in respect of Quarterly Reports, Annual Reports, Monthly Entity Reports, Tariff, Business Plan and Shareholder Compact on time	67%	100%	100%	0%

Table 4.4: Customer and stakeholder interaction

Reasons for performance and corrective action

- Percentage of growth in total revenue

- Reason for performance

- Primary and secondary businesses did not achieve (undercollected) budgeted revenue by 25.5% (R127.718m). Primary revenue for treated water is lower than budget by 23.2% (R104.190m). Eskom loadshedding, pipe breaks on the scheme system caused higher water losses which resulted in lower revenue growth. Based on the assumptions for projected volumes, these were expected to increase upon the completion of the Sandile Pipeline. The increased volumes of supplied bulk potable water of 6,000kl for the Peddie area have not materialised due to financial constraints.

- Corrective action

- Award the successful bidder for the modular packaged plant as per Pillar 1 of the interim Board intervention during Q2 of 2022/23.
 - The expected completion date of the modular packaged plant project is December 2022 (12 weeks). This will lead to additional volumes of water being released to BCMM.

ORGANISATIONAL CAPACITY

Performance objective	Outcome/Impact	Key performance indicator	Actual audited performance outcome 2020/21	Annual target 2021/22	Annual result 2021/22	Variance
Staff levels	Optimal staff retention	Percentage of staff turnover	0.67%	1%	0.30%	+.70%
Training and skills development	Skills and capacity building	Number of learnerships	4	5	14	+7
		Number of bursaries employees	15	15	22	+7
		Number of graduate programmes	7	7	8	+1
Jobs created	Permanent and contract	Number of permanent jobs created	331	300	333	+33
		Number of temporary jobs created	611	400	411	+11

Table 4.5: Organisational capacity

GENERAL PERFORMANCE

Performance objective	Outcome/Impact	Key performance indicator	Actual audited performance outcome 2020/21	Annual target 2021/22	Annual result 2021/22	Variance
Board effectiveness	Improved performance of fiduciary duties/governance	Percentage of board member attendance of all Board/committee meetings	94.62%	80%	90.46%	+10.46%
Effective internal controls and risk management	Internal audit findings dealt with	Number of repeats internal audit findings	6	5	6	-1
		Number of unresolved internal audit findings	8	10	15	-5
Good governance	Improved controls and risk mitigation	Number of breaches of materiality and significance framework	2	5	11	-6
Corporate social responsibility initiatives	Good corporate citizenship	Number of community/schools initiatives undertaken	17	14	44	+30

Table 4.6: General performance

REASONS FOR NOT ACHIEVING TARGETS AND CORRECTIVE ACTION

Number of repeats internal audit findings

- Reason for performance

The findings listed below were raised in the Internal Audit Report (Review of Quarter 2 Performance Report -2021/22 which were repeat findings, as they were previously identified in Quarter 2 Performance Report:

- 1) Insufficient portfolio of evidence to substantiate reported achievements.
 - 2) Inadequate reasons for the deviation and/or corrective actions provided for targets over or underachieved.
- Comparison of the Internal Audit Report on Review of Supply Chain Management for 2020/21 and Review of Gawula Invoices - 2020/21 with the Internal Audit Reports (Review of Quarter 1 SCM Deviations - 2021/22 and Report) on the investigation of overpricing of quotations. The following repeat findings were noted:
 - 1) Invoices not paid within 30 days from receipt of an invoice.
 - 2) Some officials that participated in the Request For Quotation did not sign declarations of interest.
 - 3) Invoices are not appropriately authorised prior to payment.
 - Furthermore, a comparison of the Internal Audit Report on Review of the Annual Financial Statement for the 2019/20 FY and 2020/21 FY, numerous findings that were identified as repeat findings.

- Corrective action

Internal Audit continuously conducts reviews in line with the approved Internal Audit Plan and provides assurance on the findings identified as repeat findings. Implement the revised Policy and Standard Operating Procedures with respect to the performance information for the 2022/23 financial year. Developed and Implement the SCM Policy and Improvement Development Plan for the 2022/23 financial year. Active monitoring of the Audit Intervention Plan (Internal and External). Prepare interim AFS for Management preparation of the year-end.

- **Number of unresolved internal audit findings**

- **Reason for performance**

Based on the follow-up of previous financial year's Internal Audit findings, there were findings that remained unresolved from the following various Internal Audit Reports:

- 1) Human Resources Review 2017/18; two findings remain unresolved.
- 2) Revenue and Receivables Review 2018/19; one finding is partially resolved.
- 3) Debt Recovery Management Review 2019/20; three findings are partially resolved and one is unresolved.
- 4) Review of Board Disbursements 2020/21; two findings remained partially resolved.
- 5) Review OHS-COVID-19 2020/21; five findings remain unresolved and one is partially resolved.

- **Corrective action**

- 1) Strict monitoring of the Audit Intervention Plan and implementation of internal controls
 - 2) Capacitation of the internal audit section
 - 3) Finalisation of the organisational review to determine key functions to improve the control environment
-

- **Number of breaches of materiality and significance framework**

- **Reason for performance**

The target has not been achieved. The AGSA issued the audit report on 30 November 2021 for the 2020/21 audit. The detailed findings accompanying the audit report identified a finding on prior year uncorrected misstatements totaling nine items:

- 1) Property Plant and Equipment
- 2) Land and buildings
- 3) Pipelines, Reservoirs, Pump stations and Treatment Works
- 4) Payables-Income received in advance
- 5) VAT payable
- 6) Depreciation
- 7) Employee cost
- 8) Other expenditure
- 9) Irregular expenditure (limitation).

Three out of nine of prior year's uncorrected misstatements led to the entity receiving a qualified audit opinion:

- 1) Property, Plant and Equipment
- 2) Payables from exchange transactions
- 3) Irregular expenditure

Furthermore, based on Quarters 1 to 3 of the SCM Reports, the entity continues to incur irregular expenditure.

- **Corrective action**

- Strict monitoring of the Audit Intervention Plan and implementation of internal controls.
- Finalisation of the organisational review to determine key functions to improve the control environment. The finalisation of GRAP 17 projects (Assets).

5 LEADERSHIP AND EMPLOYEE DEVELOPMENT





INTRODUCTION

Leadership and employee development are optimised at Amatola Water through continuous learning and development, the recruitment and retention of competent and skilled employees who are motivated, adaptable, and adhere to safe working practices, and institutional knowledge retention and sharing.

Amatola Water provides opportunities for professional development and leadership as key contributors to good governance in the strategic and ethical delivery of its mandate to the communities it serves.

Leadership and employee development are aligned with the following legislation framework:

- Skills Development Act, 1998 (Act No. 97 of 1998)
- Skills Development Levies Act, 1999 (Act No. 9 of 1999)
- Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997)
- Labour Relations Act, 1995 (Act No. 66 of 1995)
- Employment Equity Act, 1998 (Act No. 55 of 1998)
- National Skills Development Plan (2030).

The primary focus has been on labour and employment matters such as:

- **Human capital issues**
Recruitment and selection, occupational health, employee benefits, employee wellness, learning and leadership development, labour relations, organisational development, and performance management.
- **Socio-economic development**
The focus area is informed by the transformation legislative and policy frameworks. For example, during recruitment, the focus is on previously disadvantaged groups by prioritising appointment of black women, youth, and people living with disabilities, as previously disadvantaged groups. Internships and learnership programmes target youth from disadvantaged communities.

LABOUR PRACTICES AND DECENT WORK

Amatola Water embraces the principle that the organisational goals and human resource needs are aligned and interdependent.

The entity's human resources policies, therefore, seek to ensure a highly competent, skilled, ethical, motivated, and engaged workforce for implementing Amatola Water's strategy.

The Human Resource Unit reviews and develops its policies in line with the Policy Register to ensure alignment with the latest legislative developments and prevailing organisational challenges.

Amatola Water seeks to maintain a workforce that enables quality service delivery to all its stakeholders.

The entity's 2021/22 workforce profile includes 287 permanent employees and 46 fixed-term contract employees, totalling 333.

The following workforce profile below reflects permanent employees, per occupational levels:

SALARY BAND/ OCCUPATION LEVELS	NEW APPOINTMENTS	TERMINATIONS	EMPLOYEES AT THE END PERIOD
Top management/ Executives	0	0	4
Senior management	1	1	8
Professionals and mid- management	1	1	16
Skilled technical workers and junior management	2	3	98
Semi-skilled	2	5	114
Unskilled	0	4	47
TOTAL	6	14	287

Table 5.1: Workplace profile as at 30 June 2022

The workforce profile below reflects fixed-term employees, per occupational levels:

SALARY BAND/ OCCUPATION LEVELS	NEW APPOINTMENTS	TERMINATIONS	FTC AT THE END PERIOD
Top management/ Executives	0	0	0
Senior management	0	0	0
Professionals and mid- management	0	0	2
Skilled technical workers and junior management	0	0	4
Semi-skilled	0	2	11
Unskilled	17	9	29
TOTAL	17	11	46

Table 5.2: Fixed-term contract workplace profile as at 30 June 2022

LABOUR TURNOVER: PERMANENT EMPLOYEES

During the period under review, the total number of terminations amounted to 15: Thirteen employees left Amatola Water for reasons other than dismissal.

The labour turnover decreased from 3.0% in 2020/21 to 1.7% in 2021/22 and is above the 1% annual scorecard target of 1% per annum.

Only resignations are used to calculate the staff turnover (1.7%), that is, five resignations by employees (287).

CATEGORY	NUMBER	% OF TOTAL TERMINATIONS
Death	1	0.3
Resignation	5	1.7
Dismissal	2	0.3
Retirement	7	2.4
Ill-health	0	0
Other	0	0
TOTAL	15	4.7

Table 5.3: Permanent staff terminations for the period ending 30 June 2022

FIXED-TERM CONTRACTING TERMINATIONS

During the period under review, the number of terminations for the fixed-term contract employees totalled 11. There is no corporate scorecard indicator for the fixed-term contract category.

CATEGORY	NUMBER	% OF TOTAL TERMINATIONS
Death	0	0
Resignation	4	8.7
Dismissal	2	4.3
Retirement	0	0
Ill-health	0	0
Other	5	10.8
TOTAL	11	23.8

Table 5.4: Fixed-term staff terminations for the period ending 30 June 2022

The table below reflects the number of funded and approved critical vacancies for permanent and fixed-term contractors against the interim organogram. Not all vacancies were deemed critical and approval was granted to continue with the funded critical vacancies.

APPROVED POSTS 2020/21 (PER DIVISION)	DIVISION (PER INTERIM STRUCTURE)	EMPLOYMENT AT END OF PERIOD	FUNDED VACANCIES	% VACANCIES
CE Office	16	12	4	0.25
Corporate Services	36	29	7	0.19
Planning and Development	40	25	6	0.15
Finance	40	28	12	0.30
Operations	246	193	18	0.07
TOTAL	378	287	47	1.18

Table 5.5: Staff vacancies as at 30 June 2022

EMPLOYMENT EQUITY

The organisation adheres to the principles embodied in the Employment Equity Act. Employment Equity Committee representatives are in place and play an active role in recruitment, considering the regional population demographics benchmark, as well as fairness in the workplace.

Special focus has been placed on designated groups that have been previously disadvantaged, particularly women and people living with disabilities.

The table below provides the employment equity statistics as at June 2022.

OCCUPATIONAL LEVEL		MALES				FEMALES			
		AFRICAN	COLOURED	INDIANS	WHITES	AFRICAN	COLOURED	INDIANS	WHITES
Top management	Target	1	0	0	1	1	1	0	1
	Actual	3	0	0	0	1	0	0	0
Senior management	Target	6	0	0	3	1	0	0	1
	Actual	5	0	0	2	1	0	0	0
Professional qualification	Target	5	0	2	3	3	1	0	1
	Actual	5	0	1	3	5	0	0	2
Skilled technical	Target	50	7	0	7	36	6	0	0
	Actual	44	6	0	6	36	6	0	0
Semi-skilled	Target	79	6	0	1	30	4	0	2
	Actual	74	5	0	1	30	3	0	1
Unskilled	Target	43	0	0	0	11	0	0	0
	Actual	38	1	0	0	9	0	0	0
ACTUAL TOTALS		169	12	1	12	82	9	0	3

Table 5.6: Employment equity statistics at 30 June 2022

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

Table 5.7: Employment equity statistics for people living with disability at 30 June 2022

Disability is calculated against the number of permanent employees (287).

EMPLOYEE RELATIONS

Sound relations with organised labour, as a key social partner, is of paramount importance to the success of Amatola Water. The organisation is part of the South African Association of Water Utilities (SAAWU) which has an agreement with organised labour, and forms part of the Amanzi Bargaining Council (South African Municipal Workers' Union - SAMWU, United Association of South Africa - UASA and NEHAWU).

Amatola Water's SAMWU membership (72.98%) stood at 261 as at 30 June 2022. It is the only recognised union representing workers.

Governed through various human resource legislative and policy frameworks and collective agreements, 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 (LLF), schedule 12 meetings per annum as per the ABC Organisational Rights agreement. Continuous engagement is deemed critical to the development of sound workplace relations and the sustainability of the organisation, which, in turn, provides opportunities for all employees. All planned engagements were met during the year. The focus was placed on continuously building workplace relations and the resolution of all grievances.

A determination by the CCMA is in place, in relation to the minimum services agreement required for essential service organisations in the event of industrial action.

Currently, SAMWU has eight shop stewards, inclusive of the full-time shop steward. A major focus for the year under review has been on their capacity building given that some shop stewards were newly appointed.

The wage agreement for 2021/22 was concluded with the award of a 5.5% inflationary increment. Currently, several disciplinary cases are under investigation, resulting from misconduct and management's focus on consequence management. Consequence management is guided by an updated Disciplinary Policy and Code.

In the year under review, Amatola Water had three disciplinary cases that were senior and complex. Those three cases were handled by external resources during the performance year. Only one case was handled internally. The total number of disciplinary actions for the year under review totals three: Two were dismissed and one is yet to be concluded.

NATURE OF DISCIPLINARY ACTION	NUMBER
Final written warning	0
Suspensions	1
Dismissals	2
TOTAL	3

Table 5.8: Number of internal disciplinary actions

During the period under review, there were nine CCMA cases and the nature of disputes included unfair dismissal, unfair labour practice and constructive dismissal. Four cases ruled in favour of the employer, two cases were settled; the remaining three are underway.

NATURE OF DISCIPLINARY ACTION	NUMBER
Unfair dismissal	6
Unfair labour practice	2
Constructive dismissal	1
TOTAL	9

Table 5.9: Number of CCMA cases

Cases referred to the Labour Court totalled five which included one of unfair labour practice, one constructive dismissal, two unfair dismissals and one of unfair discrimination. One case was finalised in favour of the employer.

NATURE OF DISCIPLINARY ACTION	NUMBER
Unfair labour practice	1
Constructive dismissal	1
Unfair dismissal	2
Unfair discrimination	1
TOTAL	5

Table 5.10: Number of cases referred to Labour Court

OCCUPATIONAL HEALTH AND EMPLOYEE WELLBEING

Amatola Water is classified as a hazardous workplace and complies with the Occupational Health and Safety Act 1993 (Act No. 85 of 1993).

Through the Safety Department, an occupational hygiene survey was conducted to ensure that risks are identified and steps are taken to eliminate incidents and injuries.

In line with identified man-job specifications, pre-employment and routine medicals are continuously conducted to ensure compliance and reduce the risk of Amatola Water exposing its people to risk and litigation.

The in-house Occupational Health Clinic, together with contracted doctor services, ensures the management of occupational health risks. Furthermore, the Health and Safety committee convenes periodically to ensure workplace compliance and reviews injuries in the workplace.

Besides medical aid benefits that covers the medical needs of employees and their families, Amatola Water offers an Employee Assistance Programme (EAP) to enable employees to access psycho-social support when needed. The support is offered off-site at pre-arranged times to ensure that employees utilise the services without fear of stigmatisation.

Health education and wellness events are provided to employees on a regular basis to ensure that employees are enabled and empowered to make life choices that ensure sustained work-life balances, which, in turn, provides value to the organisation by higher employee returns.

During the period under review, Amatola Water conducted medical surveillance as follows:

MEDICAL SURVEILLANCE	NUMBERS
Pre-employment medical examinations	12
Annual medical examinations	164
Exit medical examinations	10
Psychological support	11
Chronic referrals	92

Table 5.11: Medical surveillance

The number of referrals for the Employee Assistance Programme were:

NATURE OF REFERRALS	NUMBER
Psycho-social	7

Table 5.12: Employee Assistance Programme

TRAINING AND DEVELOPMENT: LEGISLATIVE AND FUNCTIONAL

Skills development is intended to support the realisation of Amatola Water’s strategic objectives by engaging the workforce in capacity-building initiatives.

Amatola Water has a formal partnership with the Energy, Water and Sanitation Sector Education and Training Authority (EWSETA) to deliver training programmes aimed at enhancing skills and competencies. A formal agreement is in place to this effect.

A Training Plan was developed which is the culmination of strategic engagements between the Learning and Development Unit with departmental heads to determine the training courses and programmes to be implemented in the year under review.

Full opportunity has been taken of the available mandatory and discretionary grants from EWSETA and utilised to supplement the limited training budget.

The annual budget for the Learning and Development Unit was set at R4,6 million and the budget was fully utilised through the implementation of the Training Plan.

The target in relation to the implementation of the Training Plan stood at 80%; the actual performance was 61% due to the exhausted Training Budget.

It should be noted that over-achievement was obtained in that two Leadership Development Training programmes were undertaken against the target of one planned intervention.

DESCRIPTION	MALES				FEMALES				TOTAL
	AFRICAN	COLOURED	INDIANS	WHITES	AFRICAN	COLOURED	INDIANS	WHITES	
Top management	3	0	0	0	1	0	0	0	4
Senior management	4	0	0	2	1	0	0	0	7
Professionals and mid-management	4	0	1	2	5	0	0	2	14
Skilled technical workers and junior management	30	4	0	3	24	4	0	0	65
Semi-skilled	41	2	0	1	18	1	0	0	63
Unskilled	28	0	0	0	3	0	0	0	31
TOTAL	110	6	1	8	52	5	0	2	184

Table 5.13: Training equity profile (Number of people who attended training per race, gender and occupational level)

The training undertaken in the financial period under review provided a positive spread across all occupational levels. It enables the capacity-building of the entire workforce and succession planning from within each of the occupational levels.

FINANCIAL STUDY ASSISTANCE

In line with relevant prescripts, one of Amatola Water's objectives is to attract, retain employees and enhance productivity levels.

It resulted in the organisation providing financial assistance for tertiary education to 22 employees during the reporting period against the target of 15 employees.

Amatola Water partnered with the EWSETA to fund nine external students, demonstrating its pledge to youth development and empowerment and enhancing its social responsibility commitment.

TOTAL EXPENDITURE	EMPLOYEES	AVERAGE COST PER EMPLOYEE
R852 856.08	37	R23,050.16

LEARNERSHIPS

The EWSETA funding also extended to cover a learnership programme on Water and Wastewater Process Control (NFQ 3) which was delivered as part of the deliverables of the funding agreement. Twelve learners were enrolled for the developmental programme.

PERFORMANCE AND REMUNERATION

Amatola Water has a Performance Management policy that is designed to ensure that employees have knowledge of their roles and responsibilities in relation to the corporate strategy.

An employee performance management system that enables a performance-driven culture, focused on accountability and ownership of the individual, departmental and divisional objectives, aligned to the outputs contained in the Corporate Scorecard, remains a priority.

Divisions develop annual Operational Plans linked to the Corporate Scorecard performance indicators and targets, following the review and approval of the organisational strategy. These targets are cascaded to employees, who develop individual performance contracts with line management.

Monitoring and evaluation are carried out through quarterly performance reviews with employees.

The organisational performance achievement for 2020/21 was 57%, which is below the required 70% achievement to qualify for organisational or individual performance bonus payments. Therefore, no performance rewards were paid in the 2021/22 financial year.

During the 2021/22 reporting period, non-adherence to deadlines posed a compliance risk. Mitigation of the risk is essential and requires management to demonstrate renewed commitment towards individual performance management and development. Therefore, the following mitigation solutions have been agreed to for the 2022/23 performance cycle:

- policy compliance and consequence management
- management of unsatisfactory or poor performance through performance improvement plans.

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.

Amatola Water's culture is embedded in seven values: Integrity, excellence, accountability, stakeholder focus, team orientation, innovation and professionalism.

Amatola Values are monitored through the behavioural component of individual performance management. The values are also linked to and reinforced by the Batho Pele principles to create a customer-focused culture that responds to the needs of our stakeholders.

In addition, Amatola Water strives for an ethical culture, built on sound governance in line with legislation.

Ethics training was targeted and conducted for the management, skilled and semi-skilled occupational levels during the year under review.

Amatola Water remains dedicated to the development of internal human resources, promotion from within, and transformation as per the employment equity targets.

An organisation review project had commenced but was placed on hold due to operational requirements.

The project is expected to roll out in 2022/23 and will include aspects relating to the organogram, business processes, systems, culture rejuvenation, and change management.

INFORMATION TECHNOLOGY

Information and communication technology (ICT) is a business enabler that supports the corporate strategy by ensuring the availability of ICT services and resources, automating manual processes, and implementing enhanced services based on evolving technology.

The focus for 2021/22 was the implementation of key ICT projects to transform and improve operational efficiency, manage risks, address cyber security threats, and continue to monitor the ICT governance.

ICT 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 Communication and Technology Steering Committee (ICTSC), 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 ongoing monitoring adoption and implementation of new and revised ICT Policies, together with a number of ICT procedures, that aimed to foster organisational awareness and improving controls.

KEY ICT PROJECTS

The focus for 2021/22 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 organisational information is secure and protected from probable ICT security threats.
- Enhancing organisational cybersecurity awareness by providing security awareness training for all end-users.
- Upgrading the server and network environment to facilitate increased security and utilisation of enhanced functionality and features.
- Implementing an artificial intelligence system to identify and neutralise anomalous behaviour in the ICT network environment that enhance security measures.
- Upgrading the Enterprise Resource Planning (ERP) System to streamline Amatola Water's business processes and automate manual processes to improve standard processes available in the latest version.
- Developing and implementing the Corporate Strategic Performance Management system which includes verifying and reconciling of data to monitor organisational performance. The system will remain a key project for the organisation as a means of enhancing and aligning reporting and monitoring of performance within the organisation.
- Implementing an electronic signature system aimed at automating manual processes of document approval and tracking whilst ensuring confidentiality, integrity, and availability of information.
- Developing an Amatola Water Software Portal to create a secure framework where all software applications, developed in-house, can be hosted. All software applications hosted in the portal are integrated which allows different applications to share useful information.
- Redeveloping the non-conformance system so that the Quality Management System aligns with ISO 9001.
- Redeveloping the timesheet system into a web application with a central database, making it accessible to any device on the network and integrating it with leave and overtime.
- Developing an overtime approval system for the electronic application and approval of overtime to enforce controls that ensure compliance with the Overtime Policy.
- The improvement of business continuity by means of:
- The replacement of earmarked ICT infrastructure, including upgrading the network infrastructure connection to

HEAD OFFICE

- The implementation of a backup link for the telephone system
- The implementation of a centralised storage area network that consolidates server resources for improved performance and system availability
- Maintaining an average of 98.543% availability for infrastructure and systems while meeting and exceeding the annual target of 98.3%
- Conducting an annual review of the Disaster Recovery Plan (DRP) including failover testing between disaster recovery sites
- Implementing a data replication solution between Head Office and the data recovery site.

ICT AUDIT COMPLIANCE

- An audit review was conducted during the 2019/20 financial year and all findings have been addressed as at June 2020.

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 and implemented.

ICT FUTURE PLANS

To enable the achievement of the organisational strategy, the following ICT projects are planned for the 2022/23 financial year:

- Continuous implementation and improvement of the Corporate Governance of ICT
- Upgrading the Enterprise Resource Planning (ERP) system
- Continuous testing and reviewing of the DRP that is in line with best practice and industry standards
- Implementation and completion of ICT projects
- Implementation of the Corporate Performance Management System
- Ongoing enhancement and maintenance of all current systems, including the enhancement of Amatola Water's communication tools
- Ongoing ICT security and infrastructure enhancements
- Provision for an ICT security awareness system aimed at enhancing organisational cybersecurity awareness and compliance.
- Upgrading the Payroll and HR System
- Upgrading and migrating the BoardPad System
- Implementation of the Employee Performance Management System
- Implementation of the Recruitment System
- Implementation of an ICT call logging system
- Upgrade of the biometric system.

6 ENVIRONMENTAL SUSTAINABILITY





INTRODUCTION

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, the 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.

As part of the development of the environmental management system, reports are developed and streamlined to improve functionality: For monitoring (compliance) and identification of trends that require interventions to reduce environmental footprint or provide other appropriate management interventions, for example, drought management interventions).

These reports are developed and improved upon in an iterative process to improve understanding of environmental impacts and risks and to better inform water resource management (as part of water conservation and demand management) and identify areas for intervention. In the year under review, the environmental management system went through an initial high-level internal audit, to identify gaps and shortcomings for system improvement.

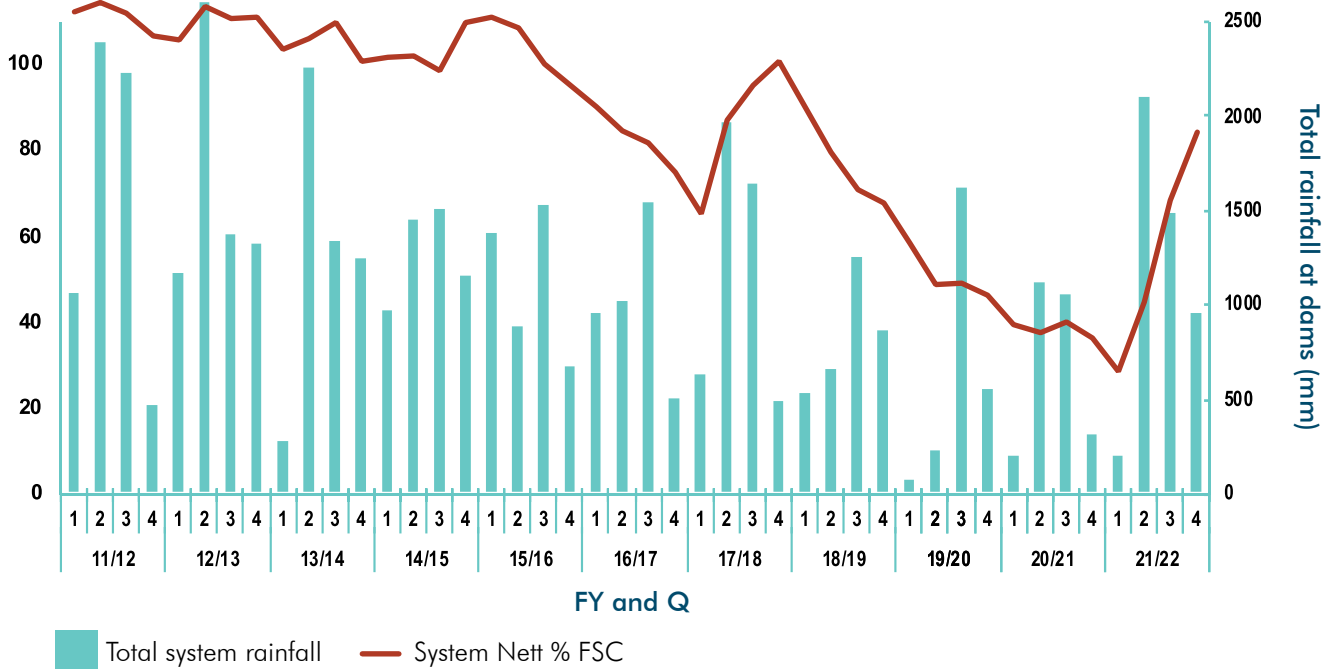


Figure 6.1: Amathole System Quarterly % of full supply capacity and total rainfall

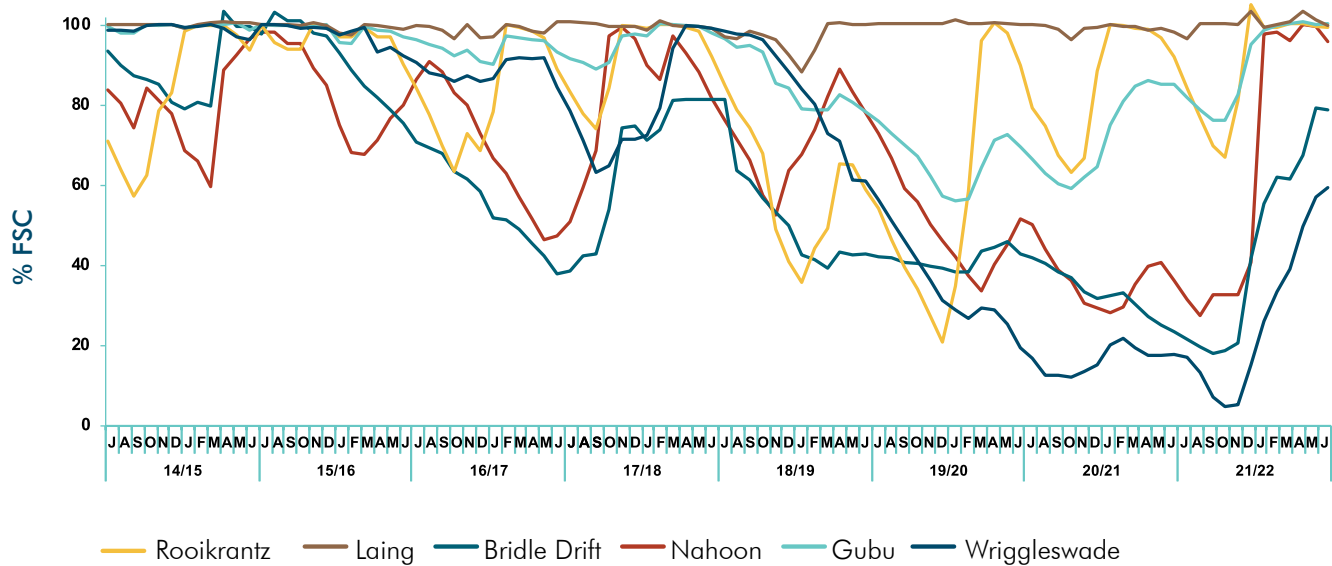


Figure 6.2: Amathole Water Supply System dam levels (Amatola Water-operated dams and Bridle Drift Dam)



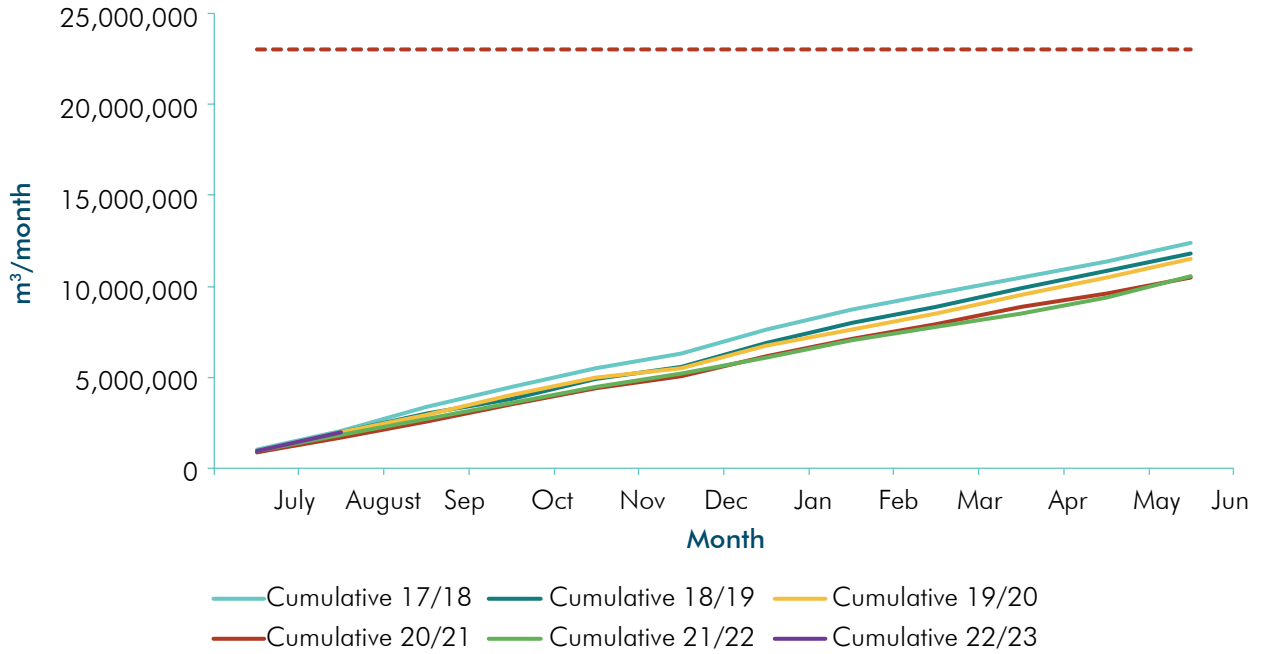


Figure 6.3: Nahoon Dam: Cumulative annual abstraction relative to annual licenced volumes per annum

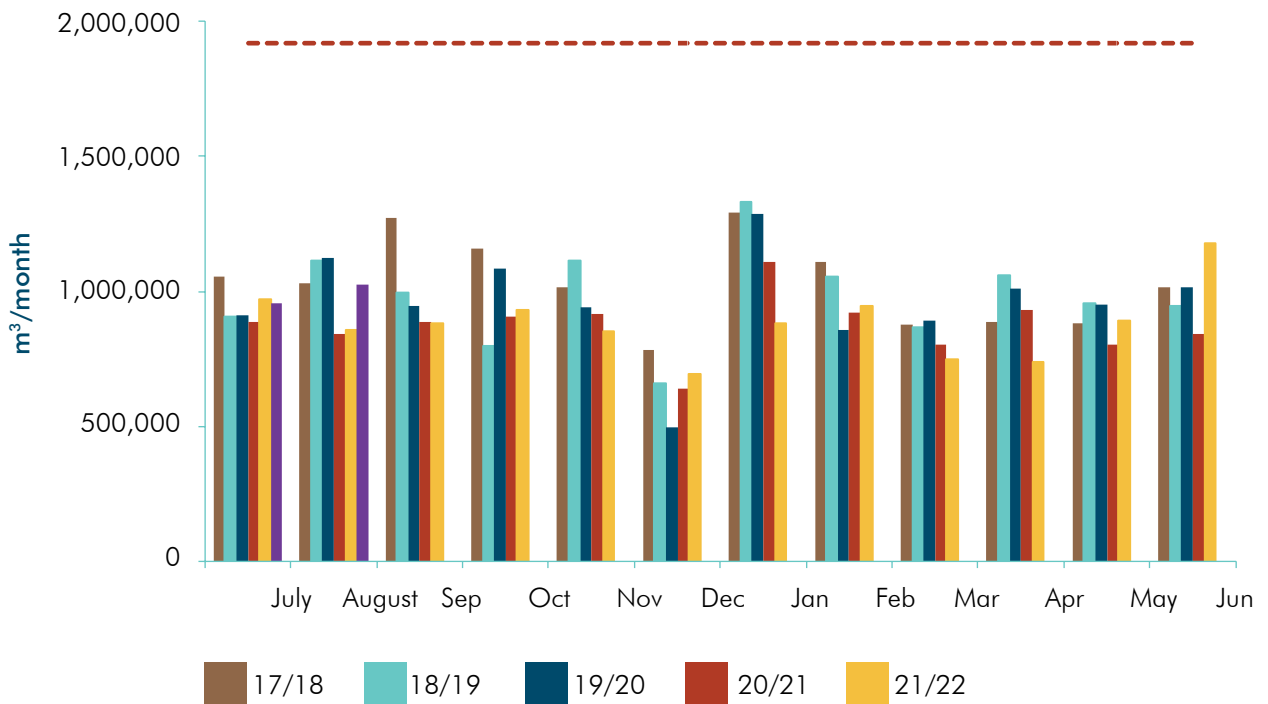


Figure 6.4: Nahoon Dam: Monthly abstraction relative to average monthly licensed volume per annum

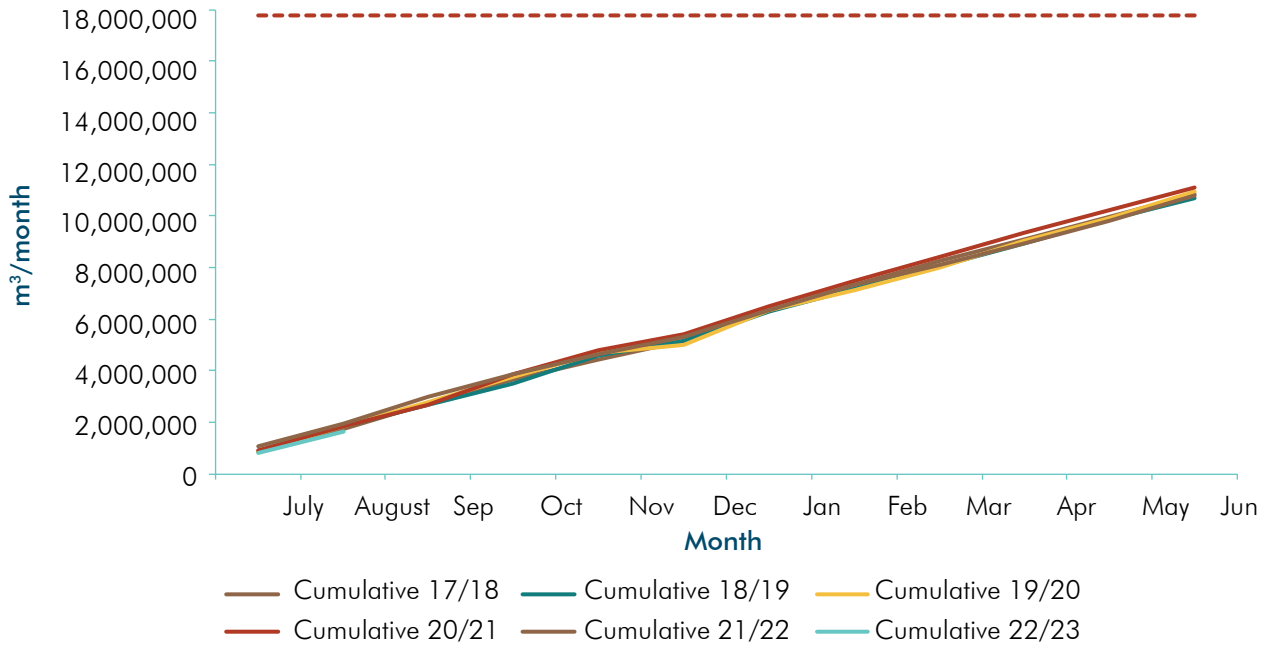


Figure 6.5: Sandile Dam (Sandile + Peddie) cumulative abstraction relative to annual licensed volume (per FY)

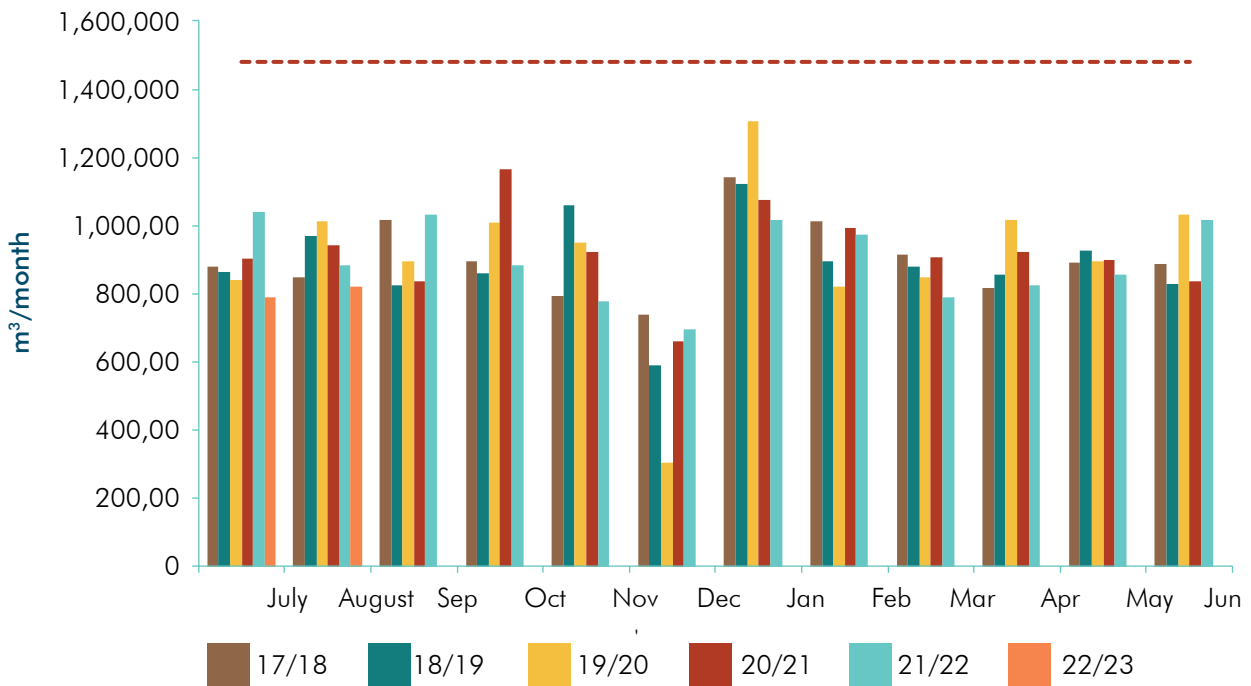


Figure 6.6: Sandile Dam (Sandile + Peddie): Monthly abstraction relative to average monthly licensed volume (per FY)

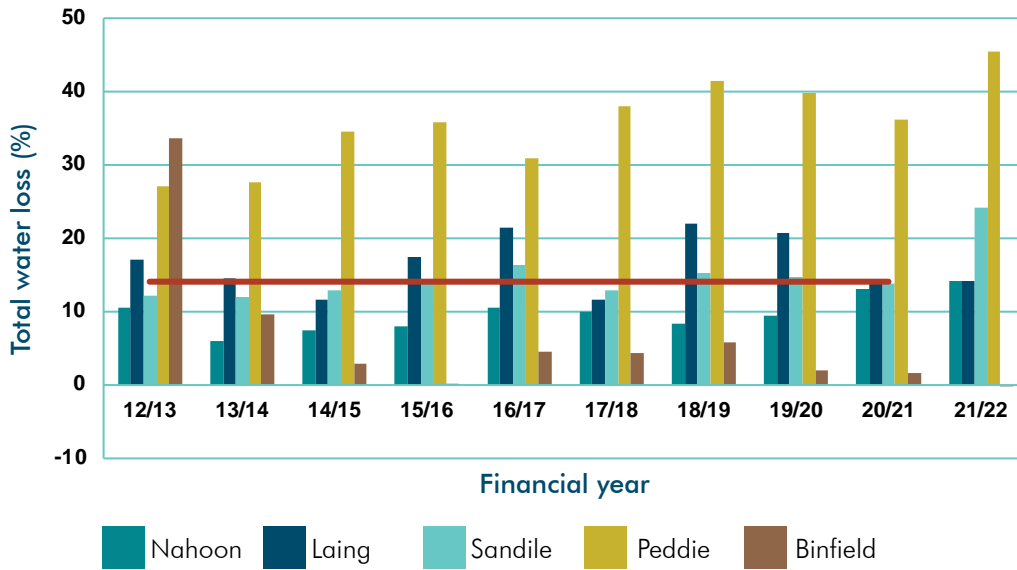


Figure 6.7: Total annual water losses per WTW (large and medium)

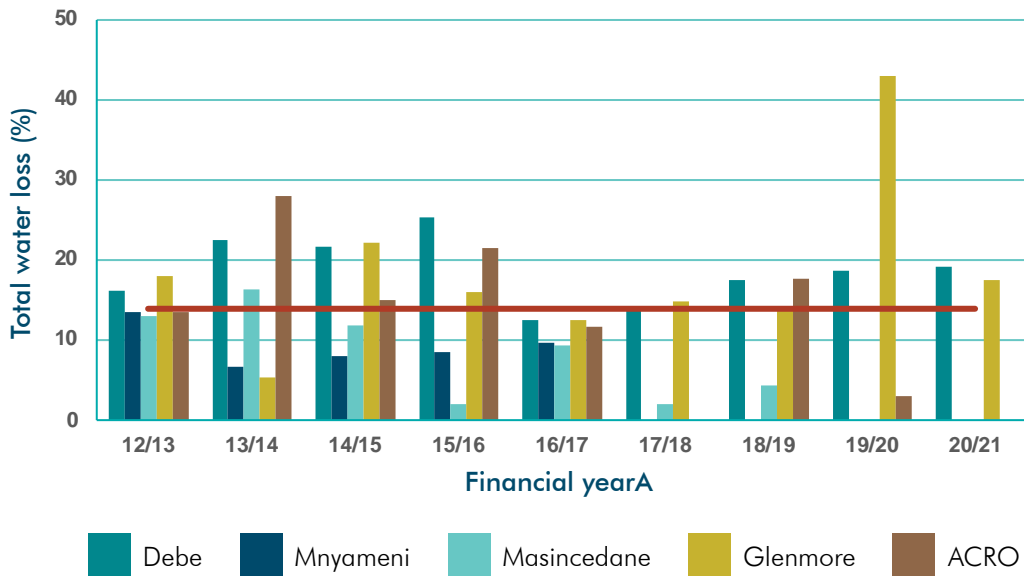


Figure 6.8: Total annual water losses per WTW (small)

The pilot project, jointly funded by the Water Research Commission and Amatola Water, to investigate the feasibility of extracting water from sand to increase raw water supply to the Albany Coast Reverse Osmosis Plant was successfully concluded with the sand water extraction system being formally handed over to Amatola Water for operation.

Amatola Water continues to monitor abstraction rates from all abstraction points and monitors the electrical conductivity and turbidity of raw water to evaluate whether the raw water impacts the treatment process.

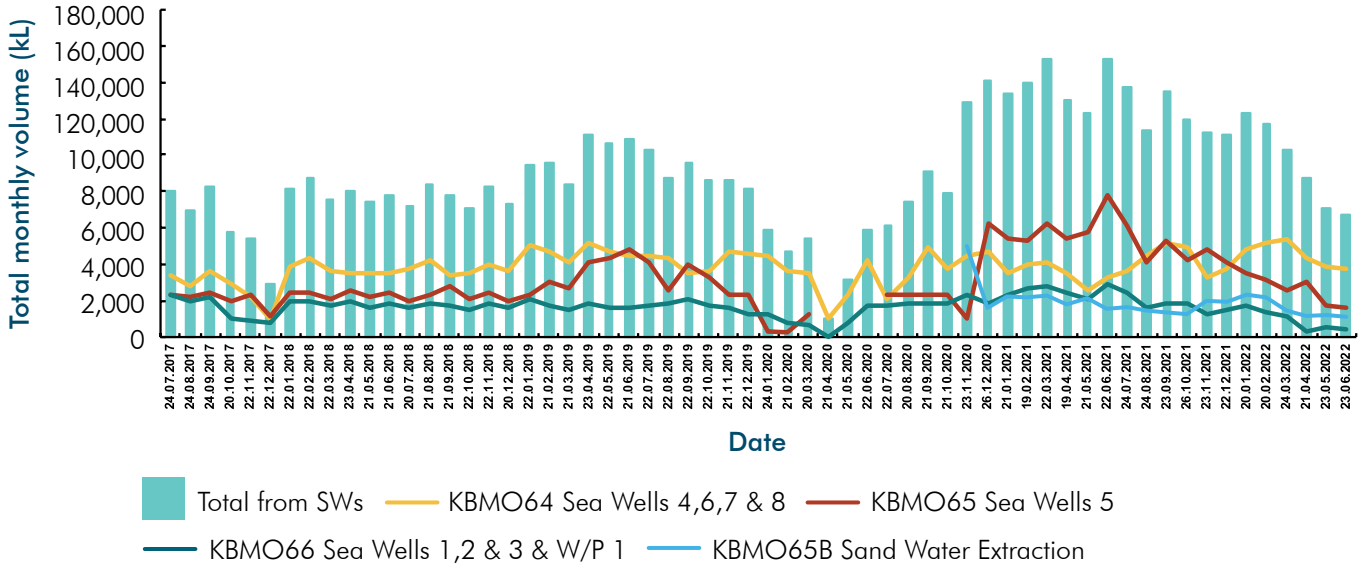


Figure 6.9: Monthly volumes abstracted from Sea Wells (kL)

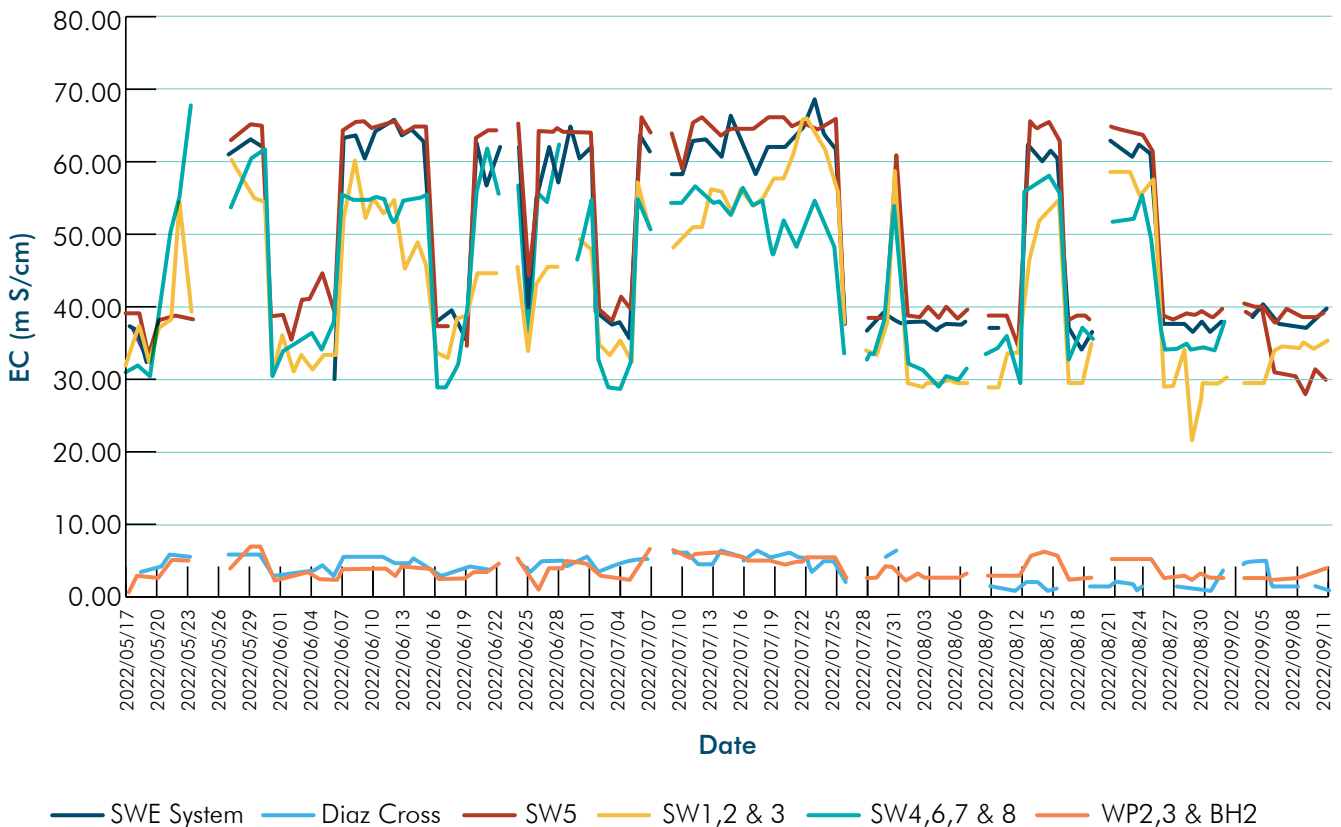


Figure 6.10: Electrical conductivity of raw water to ACRO plant

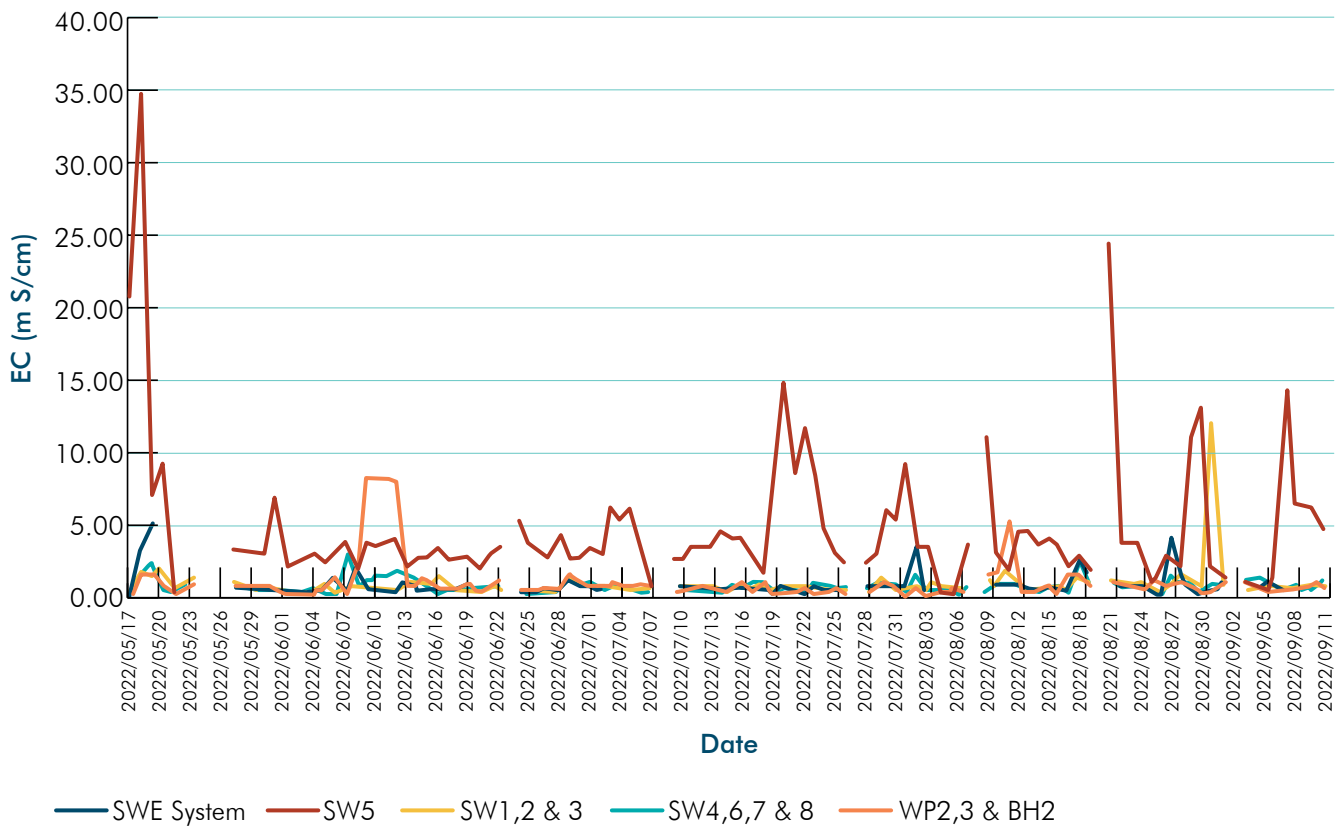


Figure 6.11: Turbidity of raw water to ACRO plant

Working with IT allows for effective communication of environmental messages. During the year, the drought impacted water resources significantly which resulted in the implementation of drought restrictions.

As part of the Water Conservation and Water Demand Management Strategy, the message to conserve water was effectively communicated throughout the organisation by making use of information technology.



Amatola Water's Environmental Sustainability Strategy provides the framework for environmental sustainability and governance. Working with IT allows for effective communication of environmental messages. During the year, the drought impacted water resources significantly which resulted in the implementation of drought restrictions.

As part of the Water Conservation and Water Demand Management Strategy, the message to conserve water was effectively communicated throughout the organisation by making use of information technology.

7 OPERATIONAL REVIEW





INTRODUCTION

The severe drought conditions had a negative impact on water delivery because communities vandalised infrastructure to supply water to their livestock.

Regular proactive maintenance on Amatola Water assets 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 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.

WATER PRODUCTION

Amatola Water plants are all supplied from dams within the Amathole and Keiskamma Water Supply Systems and Albany Coast that abstracts sea water from the Boesmansriviermond and treats it through a Reverse Osmosis Plant. This is blended with brackish water from the Diaz Cross sand dunes in the Ndlambe Local Municipality. Below is an overview of dam levels over the past five financial years as at the end of June each year:

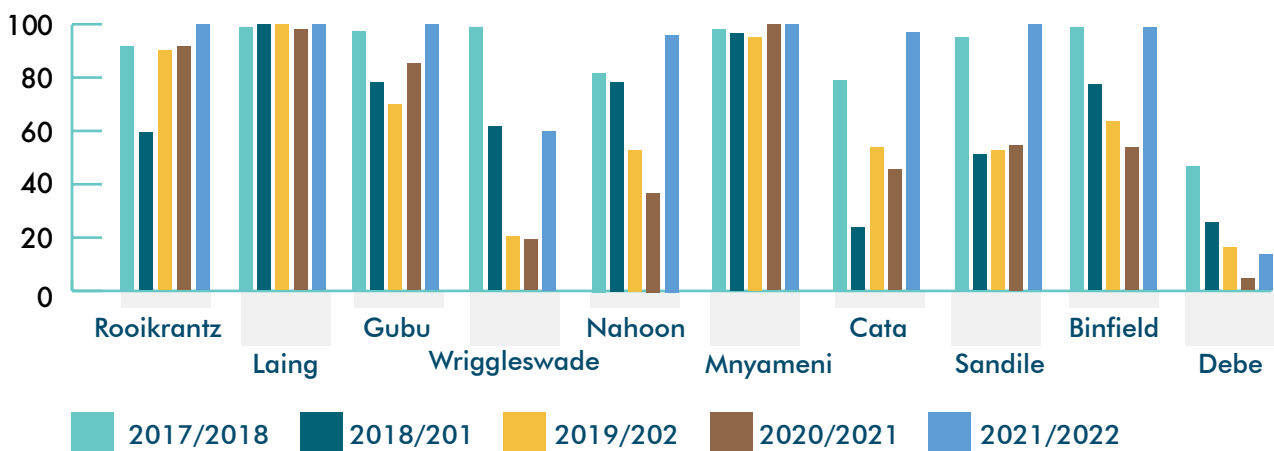


Figure 7.1: Comparison of average annual supply levels of Amatola Water dams

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	2021/22 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 Dikeni, 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, Ndevana, Ilitha, Zwelitsha, Pakamisa, Potsdam, Mount Coke, (63% urban, 17% peri-urban and 20% rural)
Nahoon Dam	Nahoon	33.7	East London/Reeston/Mdantsane/Newlands/Nqanqarhu (Macleantown)
(95% urban and 5% peri-urban)			
Sea and ground water	Albany Coast reverse osmosis plants	3.7	Kenton-on-Sea, Bushmans River
TOTAL		111.5	

Table 7.1: Potable water production

PRODUCTION QUALITY

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

Seven plants achieved excellent water quality while one plant achieved “good” water quality during the year against a set target of seven plants achieving “good/better” water quality. Debe plant did not achieve any results because the plant has been down due to the dam being empty.

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 7.2: Number of plants and water quality results achieved 2021/22

POTABLE WATER PRODUCTION

The volume of potable water produced was 32.2m cubic meters for the 2021/22 financial year.

WATER LOSSES

An average total plant production loss of 7.09% was achieved during the year compared with the SAAWU benchmark of 7%. However, the total network losses for treated water increased from 9.6% to 10.38% to the previous year. The total combined water loss of 17.5% against the company target of 14% was achieved.

Vandalism to infrastructure, illegal connections and pipe breaks are the major causes of increased water losses.

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 control room process controllers and network controllers are guided to problematic reservoirs to check for burst pipelines or overflows at network reservoirs.

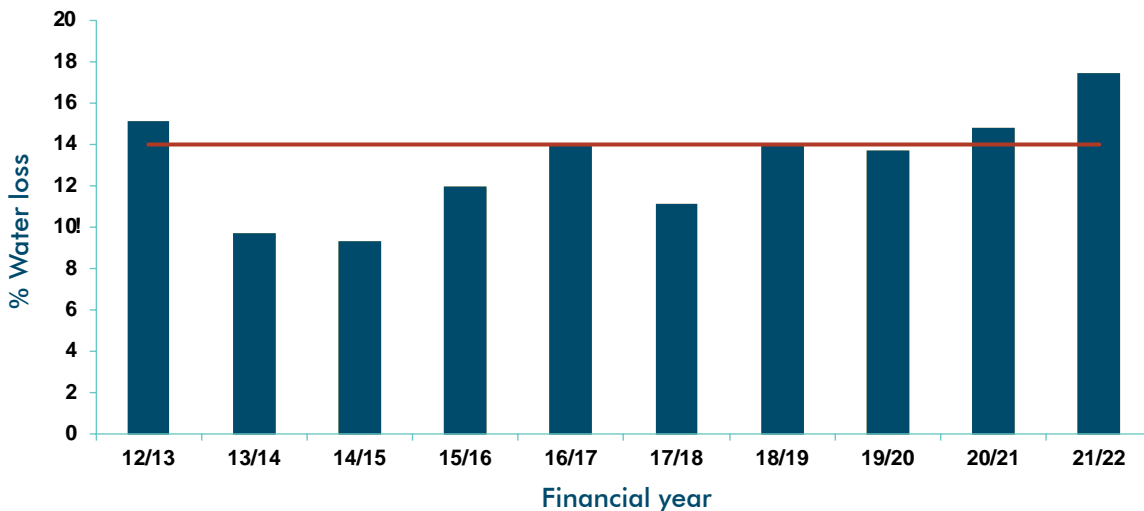


Figure 6.7: Amatola Water WTWs: Total water losses compared to annual target

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 monthly. A combination of bulk water meter balance reports, meter variance reports and water meter line diagrams were used to track 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 included an improved online presence, allowing users remote access to the SCADA via the internet using laptops or cell phone devices. In addition, the automation of the gathering and storage of Flow Meter data and the upgrade of operator control on many of the pump stations was completed.

The Telemetry System has been expanded through the installation of 27 new reservoir-based telemetry stations and digital radios, which replaced the old analogue radios. These included installations in the Laing and Sandile water supply schemes.

OPTIMISING OPERATIONAL EFFICIENCIES

Water Production

A decrease of less than 1% on bulk potable water supply was recorded this year. Most of the operating plants were running above their design capacity and plant 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 Eskom loadshedding.

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

Pump Efficiency Monitoring Programme

There has been a decrease in the ratio of kWh/cubic meter of water produced from 0.893 in 2020/21 to 0.856 in the 2021/22 financial year. This equates to a 4.1% decrease in energy usage. The overall decrease in the kWh/cubic meter ratio is also 3% below the value of 0.880 being the internal target.

The main contributing factor to this decrease is the operation of the Buffalo City Metropolitan Municipality (BCMM) Newlands pumps at the old pump station on their own electricity supply. This was brought about during the upgrade of the pump station by BCMM. Additionally, extra volumes of water are being supplied to BCMM from the Nahoon WTW (Water Treatment Works).

PUMP EFFICIENCY MONITORING PROGRAMME

Below is the kWh/cubic meter of water produced ratio tables for the 2021/22 financial years:

JULY 2021 TO JUNE 2022				
WTW	CAPACITY ML/D	TOTAL 2021/22 KWH	TOTAL 2021/22 M ³	2021/22 KWH/M ³
Rooikrantz	Closed	0	as before	0.00
Masinedane	6	33,478	1,255,996	0.03
Glenmore	0.5	206,614	224,406	0.92
Dabi	Closed	0	0	
Peddie	6.56	530,160	2,564,179	0.21
Mnyameni	0.29	72,621	120,208	0.60
Nahoon	33.7	7,149,124	9,600,280	0.74
Laing	33	10,133,841	8,743,198	1.16
Sandile	18	4,732,388	7,233,888	0.65
Debe	5	297,262	116,302	2.56
Binfield Park	4.8	1,164,026	1,723,231	0.68
Albany Coast	3.7	3,3184,72	700,134	4.74
TOTAL	112.94	27,637,986	3,228,1822	0.856

Table 7.2: Electrical consumption over water production period 2021/22

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 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 ISO 45001:2018 Management System and other statutory obligations.
- Achievement of the Amatola Water Integrated Management Policy and other strategic imperatives.

ISO 45001 : 2018 Audits

An Internal ISO 45001 audit was conducted to provide information as to whether the Amatola Water Occupational Health and Safety Management System conforms to the requirements of ISO 45001:2018.

In addition, the audit allowed the organisation to determine whether the Amatola Water Occupational Health and Safety Management System is implemented and maintained effectively .

Migration from OHSAS 18001 : 2007 to ISO 45001: 2018

The organisation has been successful in migrating from the old OHSAS 18001 system to the current ISO 45001 system. As part of the commitment, a recertification assessment in terms of ISO 45001:2018 is due to take place in May 2022.

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 1.2, during the period under review, which is above the benchmark of $DIFR \leq 0.8$.

This is attributed to the fact that there were 13 disabling injuries that occurred between July 2021 and June 2022.

The following graphic illustrates the 2021/22 DIFR rating in relation to the number of disabling injuries (DIs):

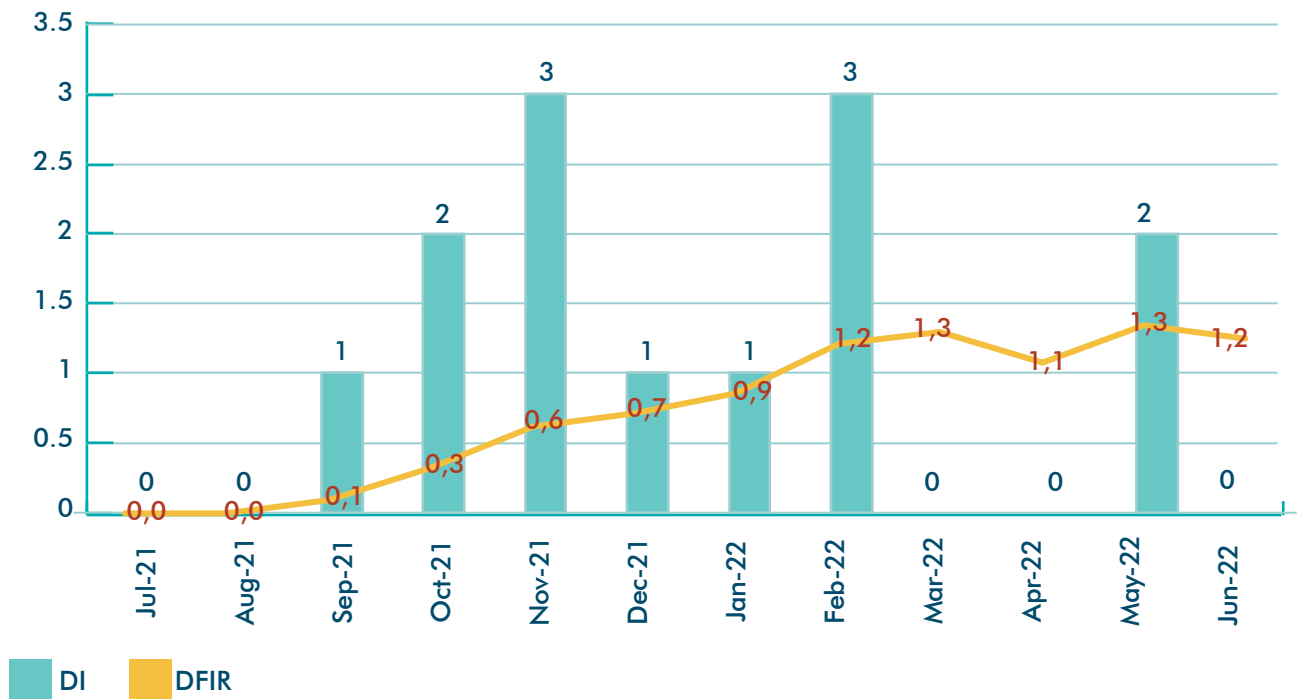


Figure 7.5: Disabling injury frequency rate 2021/22

Amatola Water Plant Upgrades

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

UPGRADING OF BINFIELD WATER SUPPLY SCHEME	
Project Description	<p>Scope</p> <ul style="list-style-type: none"> Upgrade of the Binfield Water Treatment Works: Civil Upgrade of the Binfield Water Treatment Works: Mechanical and electrical Upgrade of the Binfield Bulk Storage and Rising Main
	<p>Objective</p> <p>To improve the existing water treatment works in terms of quality and quantity of supply and the gravity distribution main feeding reservoirs and reservoir storage</p>
	<p>Location</p> <p>Eastern Cape, Amathole District Municipality, Nkonkobe Local Municipality</p>
Progress/Status	<ul style="list-style-type: none"> Upgrade of the Binfield WTW mechanical and electrical works: 96% Extensions to the water purification works: Civil works: 99% Construction of bulk reservoirs: terminated at 58% Construction of the rising main: terminated at 84%

UPGRADING OF MASINCEDANE WATER SUPPLY SCHEME

Project Description	Scope <ul style="list-style-type: none"> • Upgrade of the Masincedane Water Treatment Works and Bulk Water Reservoirs • Upgrade of the rising mains and pump stations at Masincedane scheme • Upgrade of the Masincedane Water Treatment Works: Mechanical and Electrical Works
	Objective To improve the existing water treatment works in terms of quality and quantity of supply and the gravity distribution main feeding reservoirs and reservoir storage
	Location Eastern Cape, Amatole District Municipalities
Progress/Status	<ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • 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 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	<ul style="list-style-type: none"> • Civil 1 – 2 x 16 Ml reservoirs – Construction completed • Civil 2 – New British Ridge rising main – Design complete and tender documentation at 90% • 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

NOOITGEDAGT/COEGA LOWER LEVEL SCHEME (NCLLS) – PHASE 3	
Project Description	<p>Scope</p> <ul style="list-style-type: none"> 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 WTW: Settling tanks, backwash balancing tank and filters 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
	<p>Objective</p> <p>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</p>
	<p>Location</p> <p>Eastern Cape, Nelson Mandela Bay Metropolitan Municipality</p>
Progress/Status	<ul style="list-style-type: none"> 45ML reservoir: 100% completion Nooitgedagt WTW: 99% progress Pre-cast yard pipeline rehabilitation: 100% progress Overall progress is 99.9%. Final completion date is 29 September 2022.

NDLAMBE REGIONAL BULK WATER SUPPLY	
Project Description	<p>Scope</p> <ul style="list-style-type: none"> Completion of the BWRO plant (mechanical and electrical) Completion of the civil works – Pipe work and reservoir supplying water to BWRO Plant Effluent brine water recovery – feasibility
	<p>Objective</p> <p>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</p>
	<p>Location</p> <p>Eastern Cape, Sarah Baartman District Municipality, Ndlambe Local Municipality</p>
Progress/Status	<ul style="list-style-type: none"> Contract 14: 95% progress, Amatola Water made plans to conduct retrofitting of valve chambers and water pressure testing when a notice of termination of AW as implementing agent was received dated 28 June 2022. Contract 15: 95% progress, Amatola Water made plans to conduct retrofitting of valve chambers and water pressure testing when a notice of termination of AW as implementing agent was received dated 28 June 2022. Procurement of BWRO: Amatola Water started a procurement process for a contractor to complete the remaining scope when a notice of termination of AW as implementing agent was received dated 28 June 2022.

JAMES KLEYNHANS BULK WATER SUPPLY – PHASE 1

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

JAMES KLEYNHANS BULK WATER SUPPLY – PHASE 2

Project Description	Scope <ul style="list-style-type: none"> • Upgrading chemical building – Upgrading and refurbishment of existing building (20% complete) • Extension of flocculation channels – Construction of additional floc channel (90% completed) • Sedimentation tank (10Ml/d) – Construction of new sedimentation tanks (completed) • Filters (10Ml/d) – Construction of four additional new filters (80% complete) • Clear water storage (1.0Ml) – Construction of new reservoir below filters (80% complete) • Electrical (Internal) – New electrical installation for additional infrastructure (75% complete) • Instrumentation (SCADA & PLC) – Installation of new infrastructure (outstanding) • Telemetry – New installation (outstanding) • Interconnecting pipework – Construction of new interconnecting pipelines (60% complete) • Miscellaneous works (70% complete)
	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	<ul style="list-style-type: none"> • Phase 2 – Construction: Terminated at 82% towards completion • Procurement of a replacement contract is underway.

PATERSON BULK WATER SUPPLY SCHEME

Project Description	<p>Scope</p> <ul style="list-style-type: none"> • New raw water pumps – 2 x duty pumps with combined capacity of 266m³/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 (15m diameter) • New rapid gravity sand filter building • New feeder pump • Upgrading of the ablution facilities • Upgrading of WTW area • Upgrading of sludge drying beds
	<p>Objective</p> <p>To total output of water supply to 6MI/day and to meet the water demand of Addo and Paterson until the year 2035</p>
	<p>Location</p> <p>Eastern Cape, Sarah Baartman District Municipality, Sunday's River Valley Local Municipality</p>
Progress/Status	<ul style="list-style-type: none"> • Paterson Bulk Water Supply Phase 1 – 5 is 100% complete • Phase 6 was awarded in March 2019; current completion status stands at 82% and the anticipated date of completion is the end of December 2022

KIRKWOOD BULK WATER SUPPLY SCHEME

Project Description	<p>Scope</p> <ul style="list-style-type: none"> • Raw water storage • Additional clear water storage • Construct a new 3.0 MI reservoir at Kirkwood Town (Kirkwood, Aqua Park, Bergsig) reservoirs • Construct a new 3.0 MI reservoir at Moses Mabida (Bontrug, Msengeni) reservoirs • Bontrug elevated water storage • Additional raw water storage at Kirkwood Water Treatment Works • Earthworks • Lining (HDPE and concrete) • Pipework • Fencing • Refurbishment of a dilapidated building which will be used as a site office and workshop
	<p>Objective</p> <p>To ensure that Kirkwood has adequate water supply during peak and drought seasons</p>
	<p>Location</p> <p>Eastern Cape, Sarah Baartman District Municipality, Sunday's River Valley Local Municipality</p>
Progress/Status	<ul style="list-style-type: none"> • Designs are 100% complete. • Awaiting Eastern Cape Technical Advisory Committee approval to allow for procurement

COFFEE BAY PHASE 3A AND 3B

Project Description	<p>Scope</p> <ul style="list-style-type: none"> Two booster pump stations, three command reservoirs, two rising main pipelines, eight bulk gravity main pipelines, Seven village supply reservoirs, two elevated tanks, 10 village reticulation networks, break pressure tanks, 286km of pipelines, 744 stand taps
	<p>Objective</p> <p>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</p>
	<p>Location</p> <p>Eastern Cape, OR Tambo District Municipality, King Sabata Dalindyebo Local Municipality</p>
Progress/Status	<ul style="list-style-type: none"> Phase 3A: Project was terminated at 98% complete Phase 3B : Contractor has terminated construction contract in October 2020 due to non-payment by the client Phase 3B (M&E): Contract was procured and appointed in June 2022 Phase 3B (Civils): Procurement documentation are ready; there are delays in the procurement process due to an ongoing SIU investigation of the terminated Phase 3B contract above.

KING SABATA DALINDYEBO PRESIDENTIAL INTERVENTION (KSDPI)

Project Description	Objective	
	<ul style="list-style-type: none"> The KSDPI Bulk Water Project aims to unlock housing and commercial development for the region beyond Mthatha Town. 	
	Impact	
	<ul style="list-style-type: none"> 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. The KSDPI Bulk Water Project aims to unlock housing and commercial development for the region beyond Mthatha Town. 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. 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. 	
	Location	
	Eastern Cape, OR Tambo District Municipality, King Sabata Dalindyebo Local Municipality	
Thornhill raw water pipes & WTW	<ul style="list-style-type: none"> Upgrading Mthatha raw water supply to Thornhill WTW (7km), upgrading of Thornhill WTW (60MI/d to 80MI/d) and two pump stations Upgrading the clear water pump stations 	<ul style="list-style-type: none"> Thornhill raw water pipes & WTW: Construction 100% complete Upgrading of clear water: Construction 100% complete
Highbury WTW & pipelines	<ul style="list-style-type: none"> Construction of a 50MI/d Highbury WTW 	<ul style="list-style-type: none"> Construction of a 50MI/d Highbury WTW Stage 1 Civils 100% Complete Construction Highbury Rising Mains & Thornhill Gravity Main 100% Complete Construction of a 50MI/d Highbury WTW Stage 2 Civils 0% Complete
Mthatha South and Central	Construction of 16.2km bulk conveyance, five bulk reservoirs and one pump station	Mthatha South and Central: Construction 100% complete
Airport Corridor	Construction of 29.9km bulk conveyance, one bulk reservoir	Airport Corridor: Construction 99% complete
Mqanduli Corridor	Construction of 53.8km bulk conveyance, six bulk reservoirs and two pump stations	Mqanduli Corridor: Construction 100% complete
Libode Corridor	Construction of 56km bulk conveyance, six bulk reservoirs and three pump stations	Libode Corridor: Construction 96% complete
Ngqeleni	Construction of 23.4km bulk conveyance, three bulk reservoirs and one pump station	Ngqeleni Corridor: Construction 100% complete

KING SABATA DALINDYEBO PRESIDENTIAL INTERVENTION (continued)

Rosedale/ Mthatha North	Construction of 18.9km bulk conveyance, six bulk reservoirs, WTW and two pump stations	Rosedale/Mthatha North: Construction 95% complete
Nqadu Corridor	Construction of 21km bulk conveyance, three bulk reservoirs and two pump stations	Nqadu Corridor: Tender stage
Mthatha wastewater treatment works upgrade	Phase two upgrade and extension of the Mthatha WWTW from 12Ml/d to 24Ml/d Construction of 17m deep sewage pump station and 100m long pipe bridge Supply and installation of M&E equipment in main pump station	Mthatha WWTW upgrade: Construction 100% complete
Northern outfall sewers	Northern outfall sewers (four contracts) Supply and laying of 7.4km of 1200mm diameter concrete pipes, approximately 110 manholes and small structures	Northern outfall sewers: Construction 100% complete
Southern outfall sewers	Upgrading Kuyasa and Southbridge Park bulk gravity sewers Refurbish and recondition of five sewage pump stations New bulk gravity sewers, sewage pump stations and rising mains in support of BNG phase 1A: Maydene, Upgrading the Ngangelizwe outfall and associated gravity sewers in Mthatha (20.6km and 11 pump stations)	Southern outfall sewers: Construction 100% complete
Western outfall sewers	Supply and laying of 31km of 1200mm pipeline	Western outfall sewers: Design stage

Department of Water and Sanitation

Amatola Water has an Operation and Maintenance agreement with the Department of Water and Sanitation (DWS) to manage the 21 dams under the custodianship of the 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 licences, while providing a safe and hygienic environment.

This contract, however, came 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. DPW has not responded to the proposal to utilise the R22 million.

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 upgrading and refurbishing water and sanitation infrastructure as well as providing operations

and maintenance services to the allocated schools.

The intervention has restored assurance of a 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 operation and maintenance functions at hostels and special schools. The condition of the bulk water and sanitation treatment plants have deteriorated significantly.

There has been, however, ad hoc maintenance provided to address critical repairs of equipment at hostels and special schools that need refurbishment etc. ECDoE has requested AW to compile and submit a detailed budget for the 2022/23 financial years, to address 15 hostels and special schools in the Eastern Cape Province.

Infrastructure Master Plan (IMP)

In 2019, Amatola Water embarked on a new process to secure a new professional service provider (PSP) to undertake the IMP following the termination of the previous PSP. A PSP was appointed in mid-2019 and the IMP development commenced. The IMP development process is still underway and some deliverables have been produced.

The IMP is a substantial recompilation since the first Board-approved IMP in 2003. Since the initial IMP, the water services landscape in the Eastern Cape has changed substantially. The new IMP is structured into business cases that cover major and smaller water supply systems. The plan currently foresees the consolidation of the current nine water supply schemes of Amatola Water into five schemes in order to achieve better economies of scale, cost reduction and water resource conservation. There is also a focus on making the plan a key driver for Amatola Water sustainability and more responsive to key water demand drivers in order to improve water volumes produced and dispatched to consumers.

Substantial work has been undertaken on the Nahoon, Laing, Sandile and Albany Coast Water Supply Schemes. The settlement development plans of the client municipalities in the operational area have been collated where available in order to discern realisable water demand drivers so that Amatola Water can best respond to these with appropriate infrastructure and investment timing. The initial scheme rearrangement proposals are being workshopped internally before being workshopped with the key clients and the DWS as the sector leader. 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 Water and Sanitation as requested by the regional directorate of the DWS. The

Provincial Plan will unfold according to the direction of the Eastern Cape DWS.

The Draft IMP of Amatola Water for the current operational area is expected to be completed at the end of June 2022, if all the current clients, namely BCMM, ADM and Ndlambe can finalise their inputs into the plan. The analysis in the IMP is based on Census data and

the delay in undertaking the 2021 census as a result of the State of Disaster has meant that a critical input in the finalisation of the demand projections and planning may not be available by June 2022, depending on the finalisation and vetting of Census data. The outcome of Census 22 will affect all planning until at least 2031 and is therefore crucial for the planning of AW.

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 Master Plan.

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. It 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. It 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 90:10 for planned versus unplanned maintenance and exceeded the company benchmark target of 80:20. Seventy-five percent of service orders for planned maintenance and 77% for unplanned maintenance were completed. This slight decrease in figures compared to the previous financial year can be attributed to the effects of COVID-19 on the organisation.

8 FINANCIAL SUSTAINABILITY





INTRODUCTION

Amatola Water had witnessed a slow recovery from the financial sustainability challenges that prevailed up to the 2019/20 financial year. The 2021/22 financial year showed positive on the asset base and negative on the operations as a result of the GRAP 17 Assets component – the application of deemed cost. With the declaration of drought within the Eastern Cape Province during quarter 1 of the current financial year, the financial situation of Amatola Water started to stagnate, national suspension of advertising requests for quotations and tenders as of February 2022 as per the National Treasury (NT) moratorium and loadshedding by Eskom contributed significantly to Amatola Water production processes. This resulted in an increased debtors' book as well as continued inability to effect payments to creditors.

The wage demands as agreed at the Amanzi Bargaining Council continued to put a strain in Amatola Water's financial sustainability as some had to be implemented retrospectively 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 developed in the previous financial year is being reviewed. Key areas to be addressed during the review will be to ensure that the following issues are elevated:

- Respond to the Pillar 1 of the Interim Board intervention additional volumes to the municipalities for Amatola Water so as to grow the current revenue base.
- Reduction in costs associated with doing business.
- Identify potential projects and cost savings to be implemented and achieved in the short, medium and long-term.
- Proper cost analysis of all potential projects to be implemented.

FINANCIAL SUSTAINABILITY AND VALUE CREATION

Amatola Water operations show an operating deficit of R181m in the current financial year compared to a restated operating deficit of R98.6m in the previous financial year.

Primary business revenue has increased by 0.6% (R357m) in comparison to the prior year (R355m). These are some of the positive developments emanating from the implementation and bringing into operation some components of plant upgrade projects.

Secondary business revenue has decreased by 16% (R31m) in comparison to prior year (R37m). This is as a result of the implementation challenges with the principals (DWS, OR Tambo District Municipality)

AMATOLA WATER FINANCIAL SUSTAINABILITY

Actual revenue from exchange transactions as at the reporting date shows a decrease of 0.8% (R389m) compared to R392m (restated) in the previous financial year.

Total expenditure increased by 10% (R606m) compared to R550m (restated) for the previous financial year. This increase was mainly influenced by the impairment of the Debe Nek reservoir Phase 2B project amount to R36m and Sandile pipeline designs amount to R10m.

A settlement agreement was signed with the Amathole District Municipality on 31 March towards this debt. It will be paid over a period of 48 months effective 1 July 2020. Operating and administrative expenses have increased by 22% to R56m compared to R46m for the previous financial year.

Employee related costs continue to escalate by a 0.6% increase to R64.7m compared to R59.6m in the previous financial year. This is mainly as a result of implementing the Amanzi-Bargaining Council allowances as per the 2019/20 agreement.

PRIMARY AND SECONDARY BUSINESS REVENUE

Revenue from the primary business for raw and treated water sales has increased by 0.6% (R357 million) compared to R355m from the previous financial year.

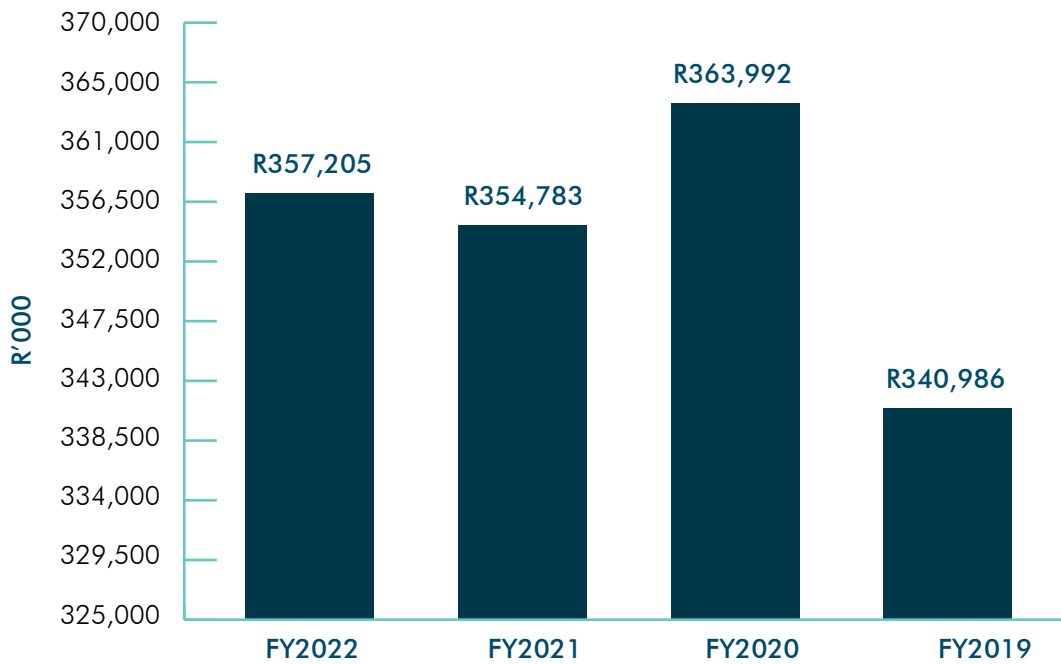


Figure 8.1: Primary revenue (2019-2022)

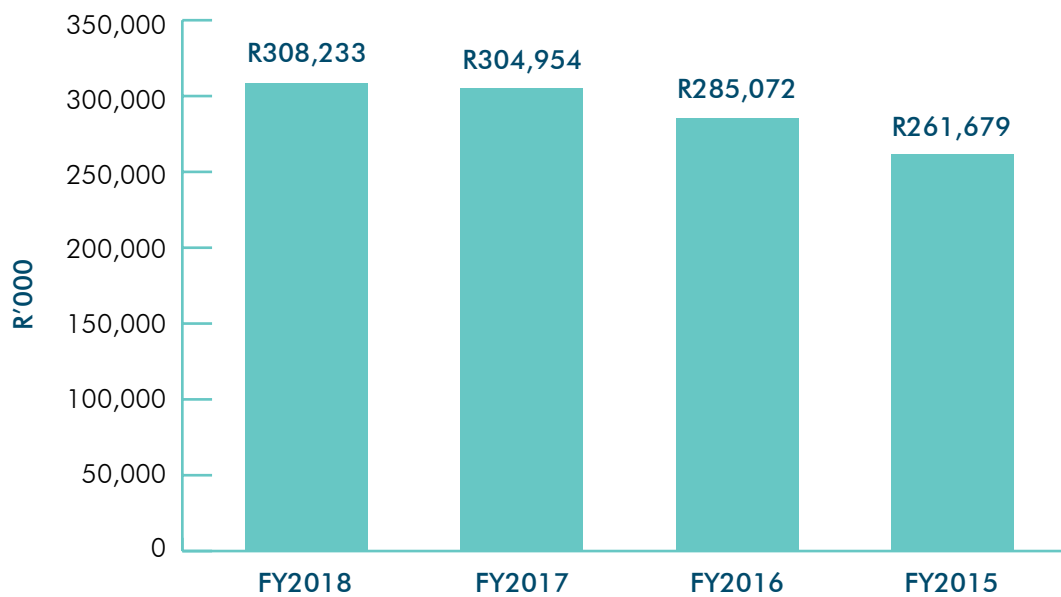


Figure 8.2: Primary revenue (2015 - 2018)

Secondary business revenue decreased by 16% (R31 m) when compared to R37m from the previous financial year.

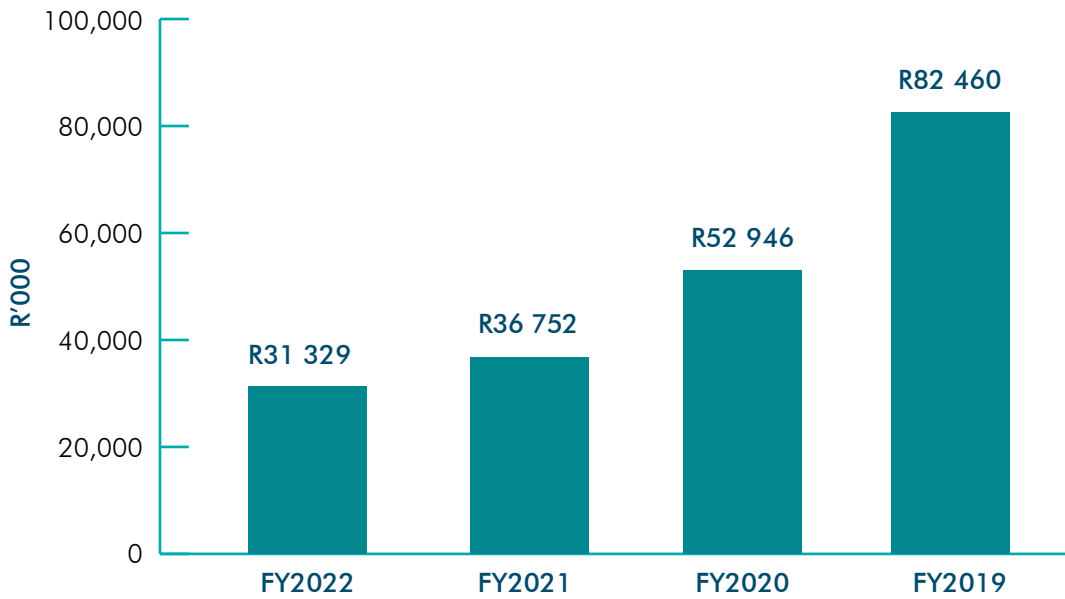


Figure 8.3: Secondary revenue (2019-2022)

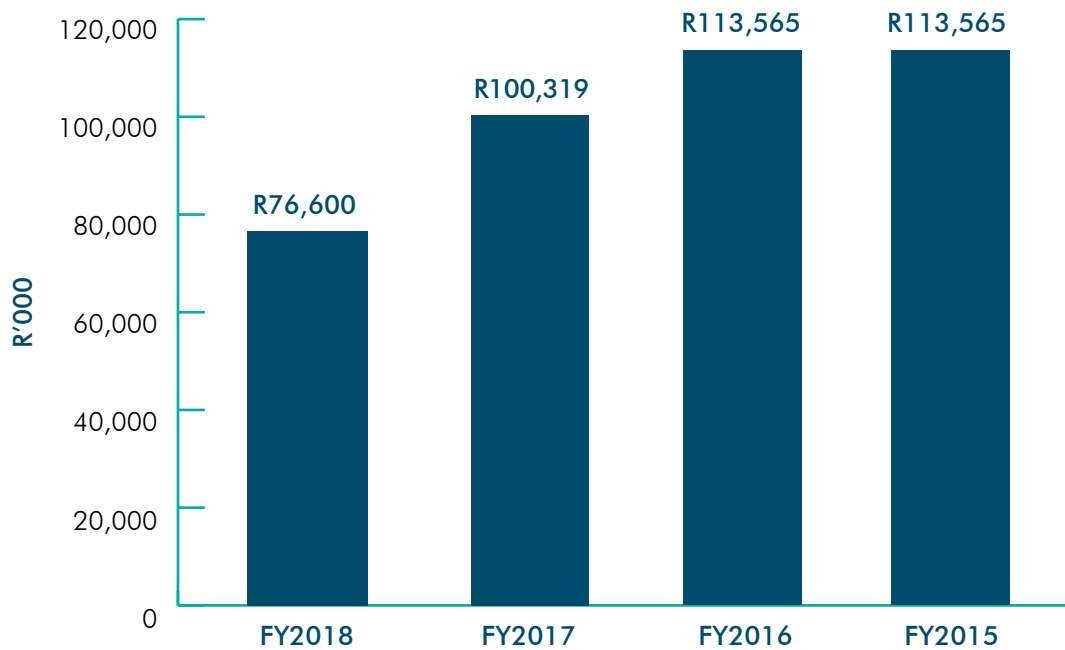


Figure 8.4: Secondary revenue (2015 - 2018)

COST OF SALES AND OPERATING COSTS

The cost of sales has increased by 3.8% (R386m) during the year compared with the previous financial year (R372m).

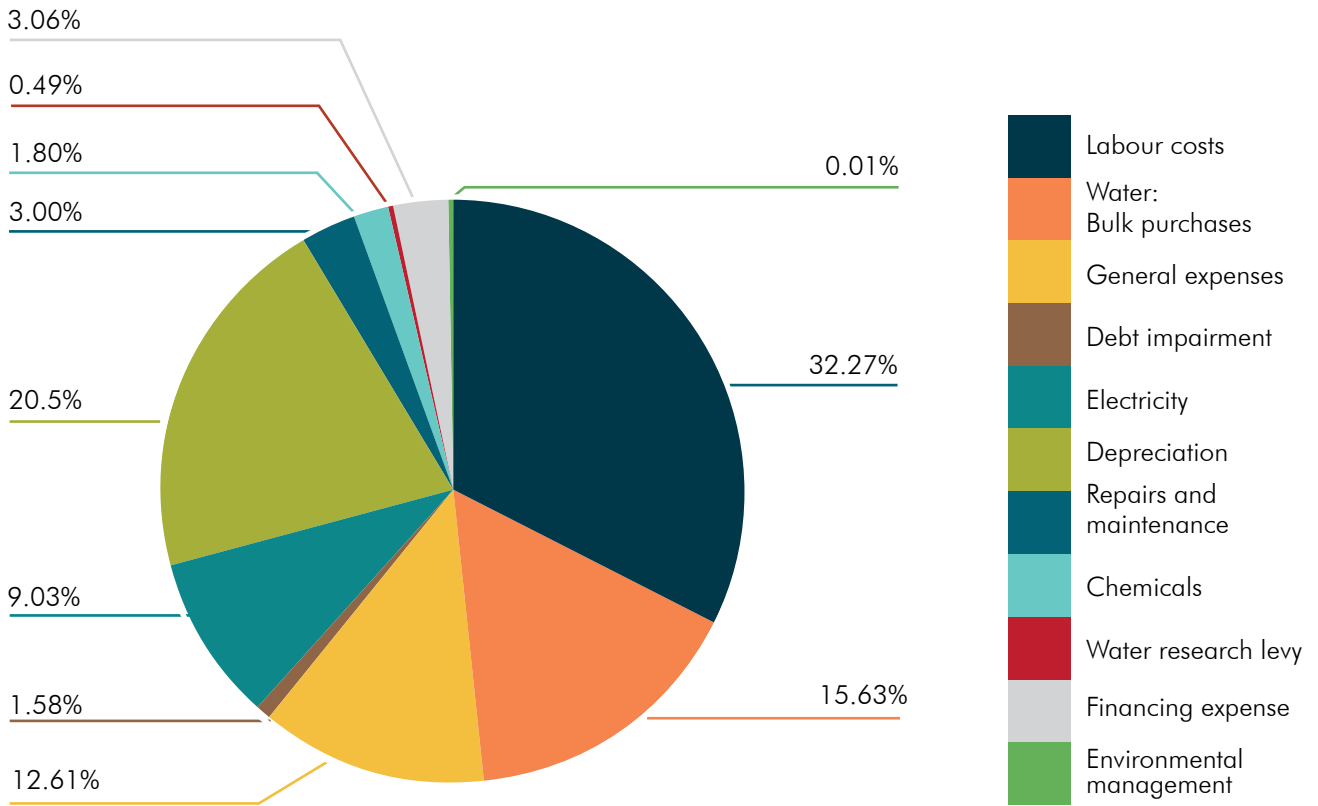


Figure 8.5: Cost of sales and operating costs 2021/22

FINANCE INCOME

Finance income from cash and cash equivalents has increased by 10% in the year under review compared to a 42% decrease in the previous financial year. The increase in the 2021/22 financial year is a result of the interest charged by the Department of Water and Sanitation for the outstanding debt as at 30 June 2022.

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.

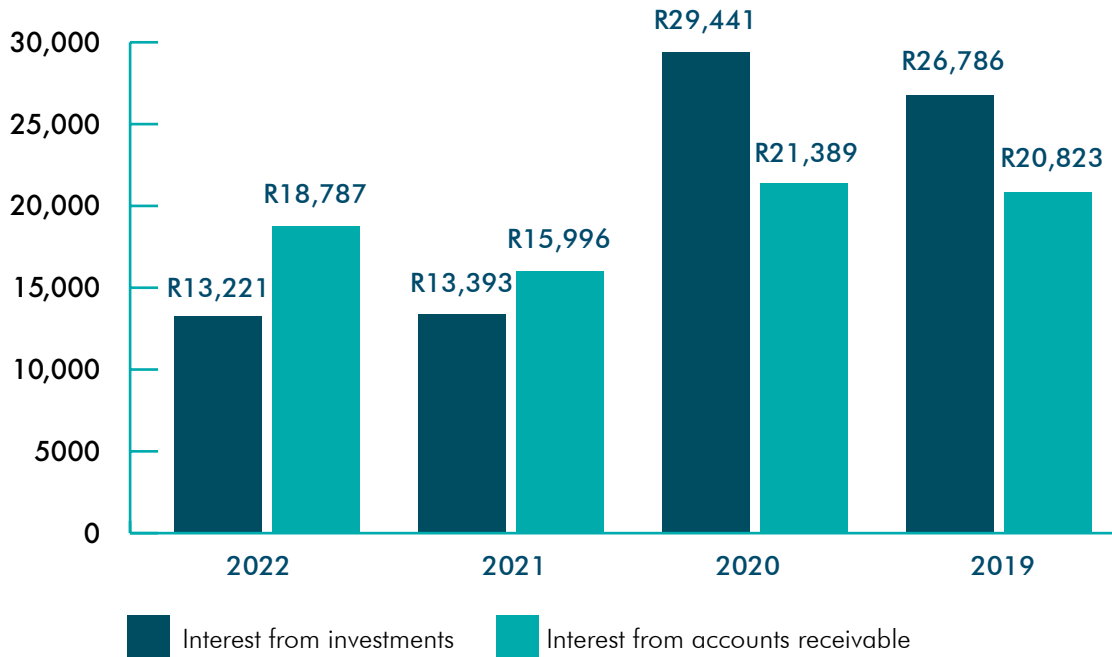


Figure 8.6: Finance income (2019 - 2022)

KEY FINANCIAL RATIOS

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

	Audited	Restated	Restated	Restated
RATIOS	FY2022	FY2021	FY2020	FY2019
Current ratio	1,362	1,403	1,427	1,545
Trade debtors (days)	205,74	224,90	118,91	69,65
Return on assets	-8,73%	-3,41%	-3,53%	18,79%
Debt-equity ratio	-	-	-	-
Acid - test ratio	1,35	1,39	5,48	1,54
Cost of sales (R/kl)	7,38	5,39	9,16	5,39
Electricity cost (R/kl)	1,95	1,04	1,50	1,04
Chemical costs (R/kl)	0,39	0,26	0,21	0,26
Raw water purchases (k/l)	2,54	2,15	2,75	2,15
Water research levies (k/l)	0,08	0,08	0,09	0,08
PRODUCTIVITY				
Number of employees	333	333	332	365
Average revenue per employee (R'000)	1,167	1,176	811	1,431

Table 8.1: Key financial ratios

ECONOMIC EMPOWERMENT

APPROACH TO ECONOMIC EMPOWERMENT

Amatola Water’s approach to economic empowerment is guided by enabling legislation, including the Constitution of the Republic of South Africa, the Preferential Procurement Policy Framework Act (PPPFA) and Regulations, and the B-BBEE Act.

To facilitate the realisation of economic empowerment, Amatola Water’s Supply Chain Management Policy provides for B-BBEE and enterprise and supplier development.

These efforts are targeting micro, small and medium enterprises (MSMEs) in Amatola Water’s area of operation.

Amatola Water has an established Enterprise and Supplier Development Unit to foster the institutionalisation of economic transformation by empowering MSMEs and ensuring their participation in Amatola Water’s supply chain opportunities, and entrenching the principles of B-BBEE in the entity.

Through economic empowerment programmes and initiatives, Amatola Water aims to achieve the following key objectives:

- Facilitating access of B-BBEE compliant suppliers to the entity’s procurement activities
- Developing or establishing new, sustainable businesses with black entrepreneurs, through the procurement process and empowerment of MSMEs
- Contributing to skills development and job creation through the employment of targeted labour and designated groups which includes the youth, women, and people living with disabilities.

B-BBEE SPEND PERFORMANCE

Amatola Water continues to monitor and ensure sourcing from B-BBEE compliant service providers.

The B-BBEE spend target of 100% for the reporting period was achieved. Spend performance for the year exceeded 100% (115%). The following graphs illustrate the trend analysis for the accumulative B-BBEE spend for EMEs , QSEs, >50% Black-owned and women businesses during 2020/21 and 2021/22

ACCUMULATIVE BBBEE EXPENDITURE 2020/21

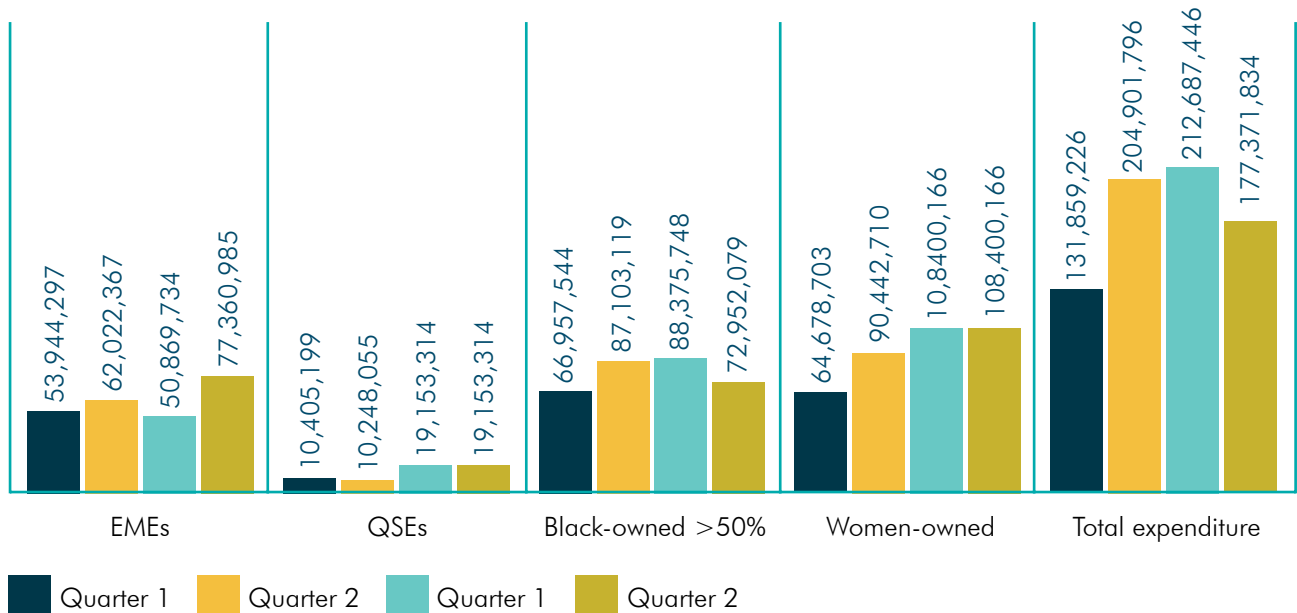


Figure 8.7: Accumulative B-BBEE expenditure 2020/21 (rands)

**ACCUMULATIVE B-BBEE EXPENDITURE
AS A % OF TOTAL EXPENDITURE 2020/21**

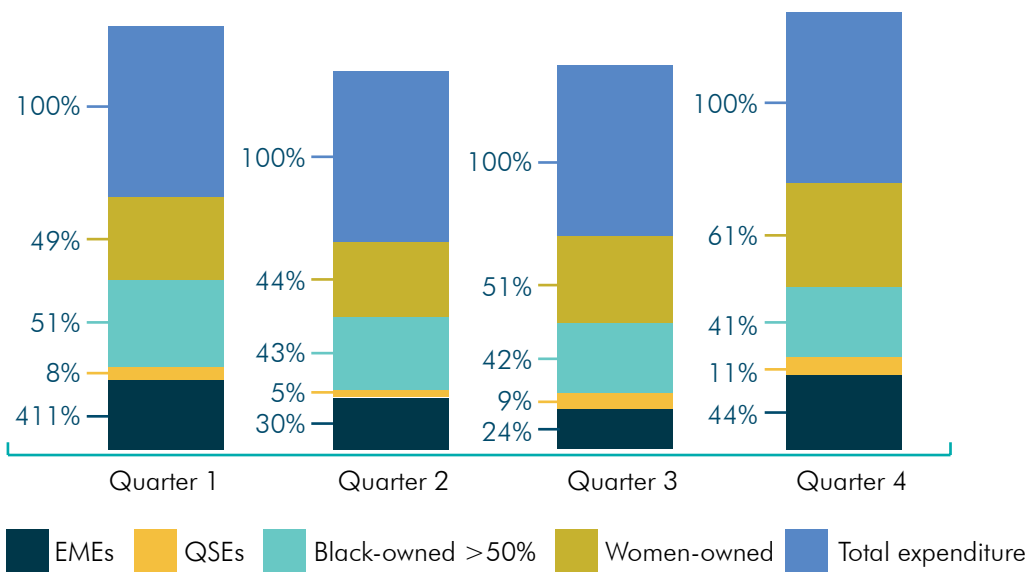


Figure 8.8: Accumulative B-BBEE expenditure as a % of total expenditure 2021/2

**ACCUMULATIVE B-BBEE EXPENDITURE
AS A % OF TOTAL EXPENDITURE 2021/22**

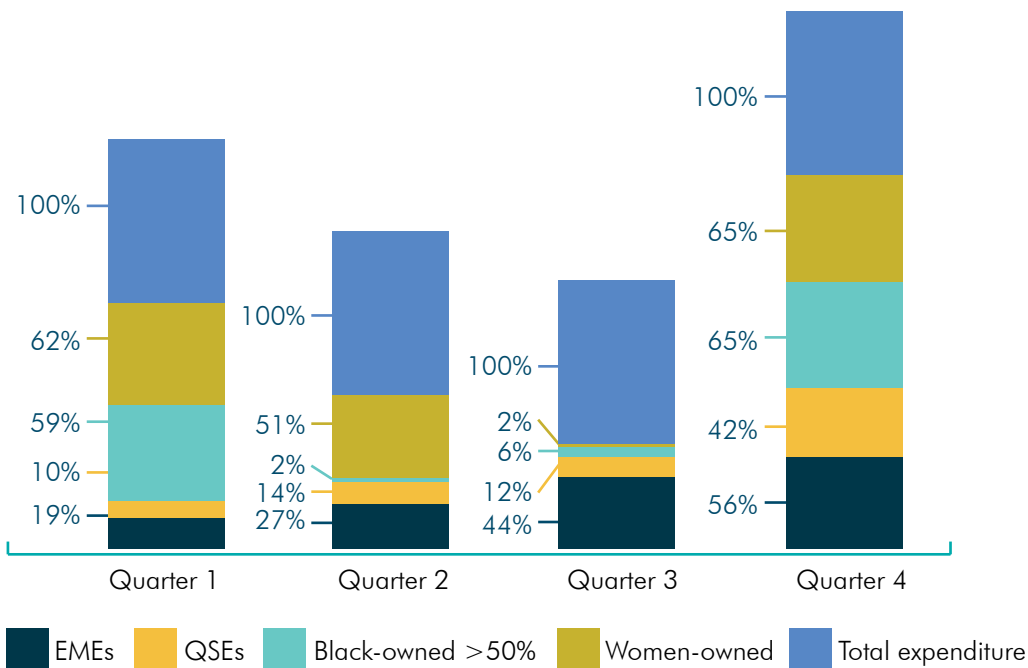


Figure 8.9 Accumulative B-BBEE expenditure as a % of total expenditure 2021/22

TEMPORARY JOBS CREATED

The portfolio of construction of the water services infrastructure projects targets the most marginalised members of society and employs unskilled labour. These temporary jobs enable skills to be developed and utilised at a local community level and result in a meaningful flow of income to these communities.

The target for the number of temporary jobs created has been exceeded year-on-year. A total of 2,757 jobs were created against the predetermined target of 1,950 over the past five years as a result of Amatola Water being appointed for the implementation of water infrastructure projects by DWS and water services authorities.

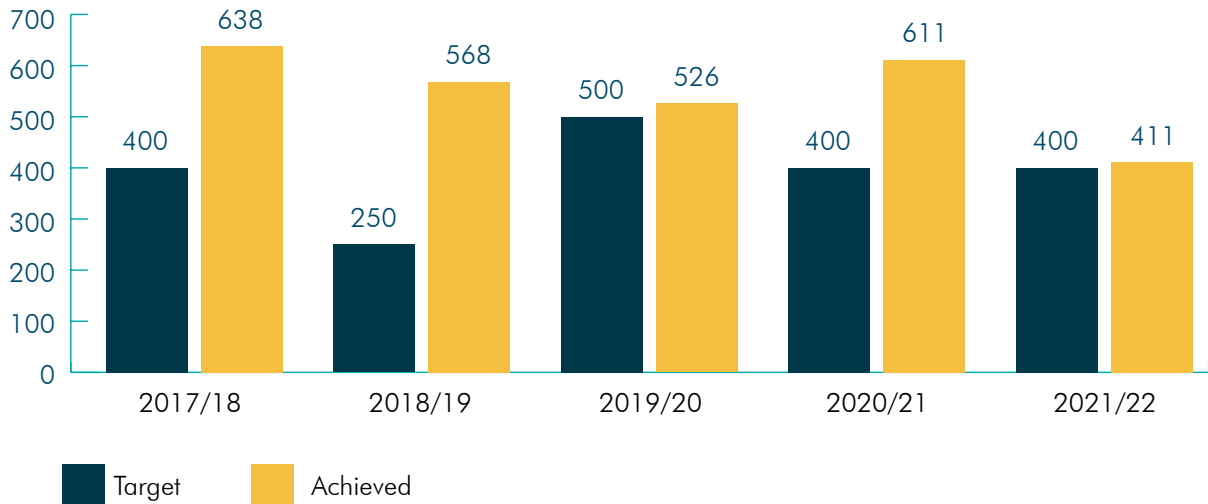


Figure 8.10 Number of temporary jobs created

SKILLS DEVELOPMENT

For more details of AW's skills development initiatives, please go to the employment development pages from 93 to 94.



SUPPLY CHAIN MANAGEMENT

The Supply Chain Management (SCM) Unit had a vacuum at leadership level for a considerable amount of time during the current year under review and the role was filled on an acting capacity. This had a negative impact on the functioning of the unit, as it already has capacity challenges. However, the SCM unit is on track in curtailing irregular, fruitless and wasteful spending as there are significant reductions during the year in both categories. This could be attributed to strengthening controls in contract management which were previously lacking. The SCM Manager and Lead Demand Specialist have been appointed subsequent to year end.

The unintended consequences of not having an SCM Head led to the expiry of the SCM Policies, however, the SCM policy has been approved by the Board. The Standard Operating Procedure (SOP) is at an advanced stage of development and will be presented to the internal structures before it is presented to MANCO for approval in the new financial year.

Key focus areas identified during the year were:

- SCM staff capacitation
- Conduct training to Bid Committee members
- Improve SCM process turnaround times.

CONTRACTS MANAGEMENT UNIT

The Contract Management Unit worked tirelessly to ensure that each project has a signed contract and spending is monitored against the award value to avoid irregular expenditure. The following deliverables were initiated during the current financial year:

- Contract management standard operating procedures (SOP s) drafted and awaiting approval.
- Quarterly reports on contract performance (progress status & contract expenditure) of each project and contract is maintained.
- Automated contract management system is underway for implementation to improve contract performance and monitoring.

LOOKING AHEAD

Amatola Water's financial sustainability relies heavily on key clients honouring their payment obligations. This is at the backdrop of a struggling municipality (Amathole District Municipality) for continued financial sustainability and viability, the following key focus areas have been identified:

- Pillar 1: Creating primary business focus
- Pillar 2: Strengthen governance
- Pillar 3: Leadership restoration
- 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 micro, small and medium enterprises (MSMEs) development so that they participate positively in growing the Eastern Cape economy.



9 ANNUAL FINANCIAL STATEMENTS



INDEX

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

AUDITED ANNUAL FINANCIAL STATEMENTS 2021/22

1. Accounting Authority's Responsibility and Approval of the Annual Financial Statements	142
2. Report of the Audit and Risk Committee	144
3. Report of the Auditor-General South Africa to Parliament	152

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

The board members are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are 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 board members 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 on 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 Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon 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 board members to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner.

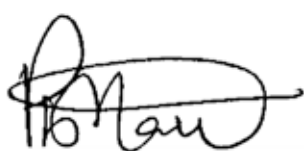
The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the 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 board members are 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 deficit.

The board members have made the 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. (see note 36)

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 annual financial statements, as set out in the following pages 164 to 169 have been prepared on the going concern basis, and were approved by the board on 31 August 2022 and were signed on its behalf by:



Ms P Yako
Interim Board Chairperson



Mr S Gupta
Acting Chief Executive



Audit and risk committee report for the year ended 30 June 2022

1. BACKGROUND

The Audit and Risk Committee (ARC) is established as a statutory committee in terms of Section 77 of the Public Finance Management Act and Treasury Regulation 27.1.1.

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

2. MEMBERSHIP AND ATTENDANCE

- The Committee consists of members who are financially literate and have the appropriate experience.
- The Committee met six times during the year.
- The list of Committee members, their qualifications and a record of their attendance is as follows:

NAME	QUALIFICATIONS	INDEPENDENT EXTERNAL MEMBER OR BOARD MEMBER	RACE	DATE APPOINTED	GENDER	NUMBER OF MEETINGS		TERM END DATE
						TOTAL	MEETINGS ATTENDED	
L Letsoalo	Diploma (Purchasing), BTech (Logistics), Master's in Business Administration,	Board Member (Caretaker Chairperson)	Black	01-Mar-21	F	6	4	25-Mar-22
M Makgae	PhD (Environmental Chemistry), MSc (Chemistry in Membrane Technology), BSc Honours	Board Member	Black	01-Mar-21	F	6	1	11-Nov-21
G Mahed	BSc (Environmental Science), BSc Honours (Environmental Science), MSc (Environmental and Water Sciences), PhD Geology (Geophysics)	Board Member	Black	01-Mar-21	M	6	1	11-Nov-21
M Sikhosana	Chartered Accountant (SA), Postgraduate Diploma in Accounting, BCom Accounting	Board Member	Black	11-Nov-21	M	6	1	25-Mar-22
G. Labane	Chartered Accountant (SA), Advanced Certificate (Auditing), BCom Hons (Accounting), Certificate (Theory of Accounting), Intermediate Certificate (Accountancy), National Diploma (Cost and Management Accounting)	Independent External Member (Chairperson)	Black	11-Nov-21	M	6	4	To Date

Audit and risk committee report for the year ended 30 June 2022

NAME	QUALIFICATIONS	INDEPENDENT EXTERNAL MEMBER OR BOARD MEMBER	RACE	DATE APPOINTED	GENDER	NUMBER OF MEETINGS		TERM END DATE
						TOTAL	MEETINGS ATTENDED	
F Mudau	MBL; BCom, Government Finance Certificate, Certificate in Municipal Finance, Certificate in Fraud Risk Management, Certificate in Risk Management: Principles and Practices	Independent External Member	Black	11-Nov-21	F	6	4	To Date
S Maharaj	Chartered Accountant (SA), Chartered Government Finance Officer (Chartered Institute of Government Finance), Municipal Executive Financial Management, Green Belt Digital Six Sigma Certified, BCompt Hons, BCom	Independent External Member	Black	11-Nov-21	M	6	4	To Date
A Mjekula	Master of Business Administration, (Financial Accounting) as focal area, Bachelor of Arts	Board Member	Black	25-Mar-22	M	6	2	To Date
B Mokgatle	Master of Business Administration, BCom Accounting	Board Member	Black	25-Mar-22	F	6	1	To Date

Audit and risk committee report for the year ended 30 June 2022

ARC MEMBERS	ARC POSITION	NUMBER OF MEETINGS ATTENDED	ORDINARY ARC MEETINGS	SPECIAL MEETING
L Letsoalo	Caretaker Chairperson	4	3	1
M Makgae	Member	2	1	1
G Mahed	Member	1	-	1
M Sikhosana	Member	1	1	-
G Labane	Chairperson	4	3	1
F Mudau	Member	4	3	1
S Maharaj	Member	4	3	1
A Mjekula	Member	2	1	1
B Mokgatle	Member	1	-	1

Notes:

It must be noted that the entity had two ARCs established during the 2021/22 financial year:

- The previous Interim Committee linked to the previous Board, ended its term on 11 November 2021 when the three external members independent of the Board were appointed.
- The term for two members of the Committee co-opted from the Board ended when the previous Board was terminated by the Shareholder (Minister of Water and Sanitation).
- Two new members were allocated to the Committee on 25 March 2022, after the appointment of the existing Interim Board by the Minister.

*** The termination of the previous Board and appointment of the Interim Board did not affect the functionality of the Committee, as the Committee has been functional throughout the financial year. Subsequent to the appointment of Interim Board, two members of the Board were co-opted into the Committee and now composed of following five members:

NAME	QUALIFICATIONS	INDEPENDENT EXTERNAL MEMBER OR BOARD MEMBER	RACE	DATE APPOINTED	GENDER
G Labane	Chartered Accountant (SA), Advanced Certificate (Auditing), BCom Hons (Accounting), Certificate (Theory of Accounting), Intermediate Certificate (Accountancy), National Diploma (Cost and Management Accounting)	Independent External Member (Chairperson)	Black	11-Nov-21	M
F Mudau	MBL; BCom, Government Finance Certificate, Certificate in Municipal Finance, Certificate in Fraud Risk Management, Certificate in Risk Management: Principles and Practices	Independent External Member	Black	11-Nov-21	F
S Maharaj	Chartered Accountant (SA), Chartered Government Finance Officer (Chartered Institute of Government Finance), Municipal Executive Financial Management, Green Belt Digital Six Sigma Certified, BCompt Hons, BCom	Independent External Member	Black	11-Nov-21	M
A Mjekula	Master of Business Administration; Financial Accounting as the focal area. Bachelor of Arts	Board Member	Black	25-Mar-22	M
B Mokgatle	Master of Business Administration. BCom Accounting	Board Member	Black	25-Mar-22	F

3. THE AUDIT AND RISK COMMITTEE'S RESPONSIBILITIES

The ARC is satisfied that it has discharged its oversight responsibilities in respect of:

3.1. Internal Controls

- Safeguarding assets, operating adequate systems, controlling and reporting processes, and preparing 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 minimise these risks.
- Reviewing the Amatola Water Board's quarterly financial and performance information, Integrated 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 the year-end financial statements and performance reports.
- Reviewing annually the Committee's work and Charter, and making recommendations to the Board of Amatola Water 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, and 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 Rolling Strategic and Annual Internal Audit Plans.
- Amatola Water has a Risk Committee which is chaired by the Chief Executive Officer, as the ultimate Chief Risk Officer (CRO) who reports directly to the ARC. The Committee was not fully functional throughout the financial year. The Management Committee, constituted by all the Executive 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. It ensures that all the major risks, including the emerging risks facing the Amatola Water Board, are effectively managed. The Committee participates extensively in the Annual Risk Assessment Workshops of Amatola Water.

Audit and risk committee report for the year ended 30 June 2022

3.3. Internal Audit

The Committee approved a risk-based Three-Year Rolling Strategic Internal Audit Plan and an Annual Audit Coverage Plan for 1 July 2021 to 30 June 2022 covering the following key audit activities:

PLANNED AUDITS	NUMBER OF AUDITS
Supply Chain Management Review-2020/21	1
Review of the placement of Amatola Water Employees affected in 2015	1
Infrastructure-Follow-Up-Asset Register	1
Project Management Review-2020/21	1
Review of the placement of Amatola Water Employees affected in 2015	1
Infrastructure-Follow-Up-Asset Register	1
Risk Management processes (consulting)	3
Supply Chain Management Review-2021/22	1
Fraud Prevention Plan	3
Organisational Ethics	1
Records Management	1
Review of Inventory Management	1
Review of Quarter 1 SCM Deviations	1
Investigation/determination of irregular, fruitless and wasteful expenditure	1
Investigation of Allegations on Overpricing of Quotations	1
Review of proposed debtors' write-off	1
Review of the 2020/21 Annual Financial Statements	1
Review of 2020/21 Annual Performance Report	1
Audit of Predetermined Objectives (AoPO)/Performance Information Review (Q1 to Q4)	4
Follow-up on the prior year's Internal Audit Reports	3
Review of Audit Intervention Plan (Follow-up on 2020/21 AGSA findings)	3
Review of the Draft Integrated Annual Report of 2020/21	1
Review of the Draft Strategic Plan and Draft Business Plan for 2022/23 financial year	1
TOTAL PLANNED AND PERFORMED AUDITS	34

Audit and risk committee report for the year ended 30 June 2022

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 responses of management to specific recommendations.
- Internal Audit has conducted its work in accordance with the standards set by the Institute of Internal Auditors.
- The Committee conducted the annual performance assessment on the effectiveness of Internal Audit and is generally satisfied with the performance and effectiveness of Internal Audit.
- The Committee is concerned about the internal control weaknesses as identified by Internal Audit and expects management to address all those weaknesses identified.
- The Committee considered and noted the limited capacity within Internal Audit which resulted in one review not being completed on time and further advised on the procurement of an external service provider to complement the IA unit staff.

The Committee is, therefore, of the opinion that Internal Audit is independent, provides objective assurance and consulting activities that are designed to add value and improve Amatola Water's operations.

3.4. Other Identified Concerns

The Committee's areas of concern related to:

- Control weaknesses in the supply chain management environment.
- The processes for recovery of outstanding debtors balances were not always completely followed, with the Amathole District Municipality being the highest non-paying debtor.
- An increase in a number of investigations relating to alleged fraud and corruption within Amatola Water.

No other significant activities have come to the Committee's attention to indicate any material breakdown in the functioning of controls, procedures or systems.

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 that the financial and performance information provided by management to users of such information is partial adequate, reliable and accurate.

It is evident by the number of internal control deficiencies noted in the Internal Audit reports and as well as the 2021/22 draft audit report presented by the Office of the AGSA.

3.6. External Audit

- The Office of the Auditor General South Africa (AGSA) met three times with the Committee during the financial year.
- The Committee holds in-committee meetings at every ordinary ARC meeting, it also meets based on requests from the Committee members, management, and Internal and External Audit.
- The Committee has had various independent sessions with the parties and confirms that they are satisfied that there are no unresolved issues of concern.

Furthermore, the Committee concurs with the conclusions and the audit opinion of the AGSA.

Audit and risk committee report for the year ended 30 June 2022

4. THE EFFECTIVENESS OF INTERNAL CONTROLS

The Committee considered all the reports issued by the various assurance internal and external providers. The status of management's actions to address prior control weaknesses was:

ASSURANCE PROVIDER	TOTAL FINDINGS	RESOLVED FINDINGS	PARTIALLY RESOLVED FINDINGS	NOT RESOLVED
Internal audit	32	14	10	8
External audit	36	15	20	1
ICT vulnerability assessment (internal and external penetration testing)	19	16	1	2
ISO SHE Compliance Audit	99	31	8	60
SHE Legal Compliance Audit	27	6	4	17
SABS Certification Audit	17	17	0	0
Total #	230	99	43	88
Total %		43%	19%	38%

5. COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

The Committee has:

- Reviewed the in-year management and quarterly reports submitted in terms of the Public Finance Management Act and is satisfied that no material deviations were noted.
- Reviewed management's policies and procedures to ensure compliance with applicable laws and regulations.

6. EVALUATION OF THE INTERNAL AUDIT FUNCTION

The Committee has evaluated/assessed the performance and effectiveness of the Internal Audit Function for the 2021/22 financial year and is generally happy with the performance and effectiveness of Internal Audit and progress towards finalisation of the Internal Audit Plan.

7. EVALUATION OF THE AUDIT AND RISK COMMITTEE

The Committee has conducted a self-assessment of its performance and effectiveness for the 2021/22 financial year and is generally happy with its performance. The report on assessment of the Committee was tabled to the Board.

8. 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 2022 and duly recommended these for the approval of the Members of the Board of Amatola Water.

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



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 164 to 169, which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as 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 my report, the financial statements present fairly, in all material respects, the financial position of the Amatola Water Board as at 30 June 2022 and its financial performance and cash flows for the year then ended, in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for qualified opinion

IRREGULAR EXPENDITURE

3. 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. I was unable to determine the full extent of irregular expenditure that should have been disclosed as it was impracticable to do so. Consequently, I could not determine the full extent of the misstatement on irregular expenditure stated at R169,7 million (2021: R167,8 million), as disclosed in note 32 to the financial statements.

FRUITLESS AND WASTEFUL EXPENDITURE

4. The entity did not identify and disclose all fruitless and wasteful expenditure in the notes to the financial statements, as required by section 55(2) (b) (i) of the PFMA. This was due to additional costs incurred due to suspension of works and payments not made on time. I was unable to determine the full extent of fruitless and wasteful expenditure that should have been disclosed as it was impracticable to do so. Consequently, I could not determine the adjustment required to the fruitless and wasteful expenditure, disclosed at R50,7 million in note 31 to the financial statements.

COMMITMENTS

5. The entity did not correctly recognise its contractual commitments for the acquisition of property, plant and equipment as required by GRAP 17, Property, plant and equipment. This was due to not disclosing all the expenditure relating to projects in the commitments register. Consequently, commitments disclosed in note 29 to the financial statements were overstated by R4,5 million.

CONTINGENT LIABILITIES

6. I was unable to obtain sufficient appropriate audit evidence regarding the contingent liabilities disclosed in note 26 to the financial statements, as the disclosure was not based on accurate and complete supporting documents. In addition, the adjustments made in the disclosure note could not be confirmed due to the lack of supporting documents. Consequently, I was unable to determine whether any adjustments were necessary to contingent liabilities of R46,4 million disclosed in note 26 to the financial statements.

CORRESPONDING FIGURES

PAYABLES FROM EXCHANGE TRANSACTIONS

7. In the prior year, the entity did not have adequate systems of internal controls to account for payables from exchange transactions. VAT was incorrectly charged on invoices where the entity is acting as an agent and recognised input tax on the total invoice instead of recognising VAT on the implementation fee charged to the principals. Consequently, payables from exchange transactions was understated by R13, 4 million and statutory receivable overstated by the same amount.

CONTEXT FOR THE OPINION

8. 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 my report.
9. 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.
10. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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 28 to the financial statements, the corresponding figures for 30 June 2021 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 30 June 2022.

MATERIAL IMPAIRMENT LOSS

13. As disclosed in note 8 to the financial statements, impairment loss of R48,6 million was incurred in the current year as a result of the impairment of work in progress projects.

OTHER MATTER

14. I draw attention to the matter below. My opinion is not modified in respect of this matter.

ACHIEVEMENT OF PLANNED TARGETS

15. Refer to the annual performance report on page(s) 70 to 85 for information on the achievement of planned targets for the year and management explanations. provided for the under/overachievement of targets.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

16. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.
17. 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

18. 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.
19. 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

20. 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.
21. My procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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.
22. 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 objectives presented in the entity's annual performance report for the year ended 30 June 2022:

Objectives	Pages in the annual performance report
Objective 1 — organisational efficiency and effectiveness	76 - 78

23. 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.
24. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected objective.

OTHER MATTER

25. I draw attention to the matter below.

ACHIEVEMENT OF PLANNED TARGETS

26. Refer to the annual performance report on pages 70 to 85 for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

INTRODUCTION AND SCOPE

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

ANNUAL FINANCIAL STATEMENTS

29. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and not supported by full and proper records, as required by section 55(1) (b) of the PFMA. Material misstatements of receivables, debt impairment and cash flow statement identified by the auditors in the submitted financial statements were corrected, but the uncorrected misstatements and the supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

EXPENDITURE MANAGEMENT

30. 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 the 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 supply chain management procurement processes not being followed.
31. Effective steps were not taken to prevent fruitless and wasteful 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 fruitless and wasteful expenditure could not be quantified. The majority of the fruitless and wasteful expenditure disclosed in the financial statements was caused by interest and penalties charged on late payments.

CONSEQUENCE MANAGEMENT

32. 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 because investigations into irregular expenditure were not performed.
33. 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)(e)(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.

Report on the audit of compliance with legislation

REVENUE MANAGEMENT

34. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

STRATEGIC PLANNING

35. A corporate plan was not submitted to the director-general of the Department of Water and Sanitation, as designated by the executive authority, at least one month or another period agreed with the National Treasury, before the start of the financial year, as required by section 52(b) of the PFMA.

PROCUREMENT AND CONTRACT MANAGEMENT

36. Some goods, works or services were not procured through a procurement process that 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

Other information

37. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.
38. 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 on them.
39. 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 objectives presented in the annual performance report, or my knowledge obtained during the audit or otherwise appears to be materially misstated.
40. I did not receive the other information prior to the date of this 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

41. 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.
42. The entity's leadership did not adequately discharge its oversight responsibilities of the implementation and monitoring of internal controls to ensure sound financial management and compliance with legislation. This resulted in numerous repeat findings in the financial statements and the audit of compliance with laws and regulations.
43. Management did not implement daily and monthly financial controls to ensure that the financial statements were supported by accurate and complete underlying records.
44. Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored

Other reports

45. 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 the reported performance information or compliance with legislation.
46. The following investigations were in progress at reporting date:
- An investigation is being conducted by the Directorate for Priority Crime Investigation (Hawks) on matters relating to contract no. AW/2018/18/08
 - An investigation into alleged overpriced quotations was concluded by the internal audit and the matter has been reported to the South African Police Services (SAPS).

Auditor General

East London
16 November 2022



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 accounting authority
 - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. 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
 - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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 provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Board's Report

The members submit their report for the year ended 30 June 2022.

1. INCORPORATION

The entity was incorporated on 14 November 1997 and obtained its certificate to commence business on the same day.

2. REVIEW OF ACTIVITIES

Main business and operations

Amatola Water is a state-owned business enterprise, established in 1997 to supply potable water in bulk to municipalities within its operational area. Amatola Water defines its activities in line with the Water Services Act No. 108 of 1997.

The primary activities in terms of section 29 of the Act is to provide water services (potable bulk water supply and bulk sanitation services) to other water services institutions within its area of operation.

In terms of section 30 of the Water Services Act, Amatola Water also engages in other services that complement bulk water service delivery such as laboratory services, water quality monitoring, environmental management and also provides other support services to water services institutions in order to promote co-operation in the provision of water services.

3. GOING CONCERN

We draw attention to the fact that at 30 June 2022, the entity had an accumulated surplus of R1,571,148 and that the entity's total assets exceeds its liabilities by R1,845,705.

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.

4. SUBSEQUENT EVENTS

An Interim Chief Executive Dr Linda Makuleni was appointed from 15 August 2022 for a fixed term of 3 months ending 14 November 2022. Mr Spelele Galada was appointed as the Chief Financial Officer from 1 October 2022 and has been appointed as the Acting Chief Executive Officer effective from 14 November 2022.

The members of the entity during the year and to the date of this report are as follows:

5. BOARD

Name	Changes
P Yako	Appointed 25 March 2022
S Dzengwa	Appointed 25 March 2022
Z Kiviet	Appointed 25 March 2022
A Mjekula	Appointed 25 March 2022
B Mokgatle	Appointed 25 March 2022
N Tyibilika	Appointed 25 March 2022
SP Xulu	Appointed 25 March 2022.

External Audit committee members

G Labane	Appointed 22 October 2021
S Maharaj	Appointed 22 October 2021
FJ Mudau	Appointed 22 October 2021.

Board's Report

5. BOARD (CONTINUED)

Previous board members

M Makgae	Terminated 28 March 2022
T Wana	Terminated 28 March 2022
M Malotana	Resigned 17 November 2021
M Mabi	Appointed 05 August 2021, terminated 18 January 2022
A Le Roux	Appointed 15 October 2021, terminated 28 March 2022
Z Xalisa	Terminated 28 March 2022
B Tonise	Terminated 28 March 2022
M Ramushu	Terminated 28 March 2022
M Sikhosana	Terminated 28 March 2022
N Jongilanga	Terminated 28 March 2022
L Letsoalo	Terminated 28 March 2022
N Madyibi	Appointed 05 August 2021, terminated 18 January 2022
G Mahed	Resigned 14 March 2022.

6. SECRETARY

The secretary of the entity is Advocate Thulani Sagela of:

Business address

6 Lancaster Road
Vincent
East London
5217

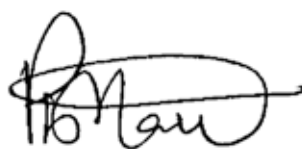
Postal address

Private Bag X3
Vincent
East London
5217

7. AUDITORS

The Auditor-General South Africa will continue in office for the next financial period.

The annual financial statements set out on pages 164 to 169, which have been prepared on the going concern basis, were approved by the board on 31 August 2022 and were signed on its behalf by:



Ms P Yako

Interim Board Chairperson



Mr S Galada

Acting Chief Executive

Statement of Financial Position as at 30 June 2022

		2022	2021
	Note(s)	R '000	Restated* R '000
Assets			
Current Assets			
Inventories	3	5,281	4,535
Receivables from exchange transactions	4	225,631	243,884
Statutory receivable	6	26,230	33,551
Cash and cash equivalents	7	252,445	417,510
		509,587	699,480
Non-Current Assets			
Property, plant and equipment	8	1,707,663	1,822,320
Intangible assets	9	2,545	3,228
		1,710,208	1,825,548
Total Assets		2,219,795	2,525,028
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	373,558	497,993
Provisions	11	532	536
		374,090	498,529
Total Liabilities		374,090	498,529
Net Assets		1,845,705	2,026,499
Share capital/contributed capital		274,557	274,557
Accumulated surplus		1,571,148	1,751,942
Total Net Assets		1,845,705	2,026,499

Statement of Financial Performance

		2022	2021
	Note(s)	R '000	Restated* R '000
Revenue			
Revenue from exchange transactions			
Revenue	12	388,534	391,535
Cost of sales	13	(386,053)	(371,393)
Gross surplus		2,481	20,142
Other income	14	3,721	5,459
Finance income	15	32,008	29,389
Total revenue from exchange transactions		38,210	54,990
Revenue from non-exchange transactions			
Transfer revenue			
Public donations	16	-	25,611
Total revenue	12	38,210	80,601
Expenditure			
Employee-related costs	17	(64,652)	(59,631)
Non-executive members emoluments	18	(4,934)	(5,017)
Depreciation and amortisation	9&8	(837)	(516)
Impairment loss	19	(48,569)	(878)
Finance costs	20	(19,000)	(14,560)
Lease rentals on operating lease	21	(10,467)	(9,844)
Debt impairment	5	9,802	(24,107)
Repairs and maintenance	22	(17,222)	(14,743)
Loss on disposal of assets	8	(6,802)	-
General expenses	23	(56,327)	(49,857)
Total expenditure		(219,008)	(179,153)
Deficit for the year		(180,798)	(98,552)

Statement of Changes in Net Assets

	Share capital/ contributed capital R '000	Accumulated surplus/deficit R '000	Total net assets R '000
Balance at 01 July 2020	274,557	1,900,842	2,175,399
Changes in net assets			
Deficit for the year	-	(98,552)	(98,552)
Total changes	-	(98,552)	(98,552)
Balance at 01 July 2021	274,557	1,802,290	2,076,847
Correction of prior period errors	-	(50,348)	(50,348)
Balance at 01 July 2021 as restated*	274,557	1,751,942	2,026,499
Changes in net assets			
Deficit for the year	-	(180,797)	(180,797)
Total changes	-	(180,797)	(180,797)
Balance at 30 June 2022	274,557	1,571,148	1,845,705
* Note	28		

Cash Flow Statement

		2022	2021
	Note(s)	R '000	Restated* R '000
Cash flows from operating activities			
Receipts			
Cash receipts from customers		432,895	366,707
Grants		-	25,611
Other receipts		3,721	5,459
		<u>436,616</u>	<u>397,777</u>
Payments			
Cash paid to employees		(204,727)	(188,877)
Cash paid to suppliers		(392,550)	(283,201)
		<u>(597,277)</u>	<u>(472,078)</u>
Net cash flows from operating activities	24	(160,661)	(74,301)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(13,316)	(32,200)
		(4,309)	(12,564)
	9	-	(768)
		<u>(17,625)</u>	<u>(45,532)</u>
Cash flows from financing activities			
Finance income	15	13,221	13,393
Net increase/(decrease) in cash and cash equivalents		(165,065)	(106,440)
Cash and cash equivalents at the beginning of the year		417,510	523,950
Cash and cash equivalents at the end of the year	7	252,445	417,510

The accounting policies on pages 170 to 189 and the notes on pages 190 to 227 form an integral part of the annual financial statements.

*See note 28

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	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Revenue-Section 29	(445,780)	-	(445,780)	(357,205)	88,575	33.1
Revenue-Section 30	(49,786)	-	(49,786)	(31,329)	18,457	33.2
Other miscellaneous income	(4,337)	-	(4,337)	(3,721)	616	33.3
Interest income	(44,634)	-	(44,634)	(32,008)	12,626	33.4
Total revenue from exchange transactions	(544,537)	-	(544,537)	(424,263)	120,274	
Expenditure						
Personnel	219,219	-	219,219	200,516	(18,703)	33.5
Non-Executive Members Emoluments	4,165	-	4,165	4,934	769	33.6
Accommodation	2,768	-	2,768	1,288	(1,480)	33.7
Depreciation and amortisation	22,633	-	22,633	77,596	54,963	33.8
Impairment loss/ Reversal of impairments	-	-	-	48,569	48,569	33.9
Finance costs	-	-	-	19,000	19,000	33.10
Lease rentals on operating lease	10,771	-	10,771	10,467	(304)	
Debt Impairment	2,342	-	2,342	(9,802)	12,144	33.11
Bulk purchases	103,390	-	103,390	97,113	(6,277)	33.12
Other operating expenditure	178,067	-	178,067	155,380	(22,687)	33.13
Total expenditure	543,355	-	543,355	605,061	61,706	
Surplus	(1,182)	-	(1,182)	180,798	181,980	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement*	(1,182)	-	(1,182)	180,798	181,980	

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	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3,215	-	3,215	5,281	2,066	33.14
Receivables from exchange transactions	207,336	-	207,336	225,631	18,295	33.15
VAT receivable	-	-	-	26,230	26,230	33.16
Cash and cash equivalents	357,865	-	357,865	252,445	(105,420)	33.17
	568,416	-	568,416	509,587	(58,829)	
Non-Current Assets						
Property, plant and equipment	583,705	-	583,705	1,707,663	1,123,958	33.18
Intangible assets	5,090	-	5,090	2,545	(2,545)	33.19
	588,795	-	588,795	1,710,208	1,121,413	
Total Assets	1,157,211	-	1,157,211	2,219,795	1,062,584	
Liabilities						
Current Liabilities						
Payables from exchange transactions	307,039	-	307,039	373,558	66,519	33.20
VAT payable	3,221	-	3,221	-	(3,221)	33.21
Provisions	669	-	669	532	(137)	33.22
Grant liability	1,130	-	1,130	-	(1,130)	33.23
	312,059	-	312,059	374,090	62,031	
Total Liabilities	312,059	-	312,059	374,092	62,031	
Net Assets	845,152	-	845,152	1,845,705	1,000,553	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Share capital/ contributed capital	274,557	-	274,557	274,557	-	
Reserves						
Accumulated surplus	570,595	-	570,595	1,571,148	1,000,553	33.24
Total Net Assets	845,152	-	845,152	1,845,705	1,000,553	

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 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 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, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity 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.

1.3 Significant judgements and sources of estimation uncertainty (continued)

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

Accounting Policies

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 obligation that arise from past events but are not recognised because : (i) it is 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 judgements were therefore required in the disclosure and were informed by the assessments from the entity's legal representatives. Refer to note 26 on litigation contingent liabilities.

Useful lives of waste and water network and other assets

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.

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.

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 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.

Accounting Policies

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. Assets recognised as part of GRAP adoption, for which the cost was not available, was recognised at a depreciated replacement cost.

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. 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.

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

1.4 Property, plant and equipment (continued)

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:

Accounting Policies

Item	Depreciation method	Average useful life
Buildings	Straight-line	8 - 50
Plant and machinery	Straight-line	5 - 12
Furniture and fixtures	Straight-line	5 - 12
Motor vehicles	Straight-line	5 - 12
Civil works	Straight-line	10 - 80
Pipelines and distribution	Straight-line	70 - 90
Reservoirs	Straight-line	10 - 50
Pumpstations	Straight-line	10 - 50
Treatment works	Straight-line	8 - 50
Boreholes	Straight-line	15 - 50

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 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.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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.

Accounting Policies

1.5 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

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 and the amortisation method for intangible assets are reviewed at each reporting date.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

The useful lives of items of intangibles assets have been assessed as follows:

Item	Amortisation method	Average useful life
Computer software	Straight-line	3-5

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.

Accounting Policies

1.6 Financial instruments (continued)

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

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

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.

Accounting Policies

1.6 Financial instruments (continued)

The entity recognises financial assets using trade debtors 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

Impairment and uncollectability 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 a financial assets using trade debtors 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.

Accounting Policies

Financial instruments (continued)

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 Statutory receivables

Identification

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 a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Accounting Policies

1.7 Statutory receivables (continued)

Recognition

The entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

1.8 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.

1.9 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 of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

1.9 Inventories (continued)

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.

1.10 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

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

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.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

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.

1.11 Impairment of non-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.

Non-cash-generating assets are assets other than cash-generating assets.

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 managed 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 service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

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

1.12 Share capital/contributed capital

Capital contribution comprises of inventory and property, plant and equipment that was transferred from the Department of Water and Sanitation (DWS). Capital contribution is accounted for as part of the entity's net assets.

Accounting Policies

1.13 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;
- 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 (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises 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 recognises 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.

Accounting Policies

1.13 Employee benefits (continued)

The entity recognises 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.

1.14 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 26.

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.

1.15 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.

Accounting Policies

1.16 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 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.

Accounting Policies

1.18 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.

1.19 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.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 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.

Accounting Policies

1.22 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.

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 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.

Accounting Policies

1.23 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.24 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisation's (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 01 Jul 2021 to 30 Jun 2022.

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.

Accounting Policies

1.25 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 those family members who may be expected to influence, or be influenced by that person 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.

1.26 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.

Accounting Policies

1.27 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.

1.28 Taxation

Amatola Water Board is exempt from income taxation in terms of section 10(1)(t)(ix) of the Income Tax Act.

1.29 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

	2022	2021
	R '000	R '000

2. New standards and interpretations

2.1 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 2022 or later periods:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	No effective date	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	No effective date	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	No effective date	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	No effective date	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

3. Inventories

Plant spares, chemicals and stores	3,203	2,506
Water	2,078	2,029
	5,281	4,535

Inventory pledged as security

Inventory is not pledged as security.

Notes to the Annual Financial Statements

	2022 R '000	2021 R '000
4. Receivables from exchange transactions		
Trade receivables	169,844	144,760
Sundry receivables	38,272	65,137
Other receivables	1,000	817
Accrued income	14,364	31,019
Other project receivables	2,151	2,151
	225,631	243,884
Trade Receivables	311,546	275,784
Debt Impairment	(141,702)	(131,025)
	169,844	144,760
Sundry Receivables	79,490	128,304
Debt Impairment	(41,218)	(63,167)
	38,272	65,137
Other trade receivables*	17,570	17,570
Debt Impairment	(17,570)	(17,570)
	-	-

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 not yet billed that relates to the financial year under review. These costs will be billed to the principal funders in the forthcoming 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.

* The demarcation board transferred villages previously under ADM to BCMM in 2017. This accrual represents the transfer of the billing from 2017 until 2020 to BCMM. The entity is still engaging BCMM to take over the debt and has impaired the amount in the current financial period pending BCMM acknowledging of the debt.

Notes to the Annual Financial Statements

	2022	2021
	R '000	R '000

5. Debt impairment

Debt impairment	(9,802)	23,736
Bad debts written off	-	371
	(9,802)	24,107

2022	Opening Balance	Movement	Movement VAT Portion		Total
Allowance for doubtful debt	194,192	(9,803)	(1,470)	-	- 182,919
Other trade receivables	17,570	-	-	-	17,570
	211,762	(9,803)	(1,470)	-	- 200,489

2021	Opening Balance	Movement	Movement VAT Portion		Total
Allowance for doubtful debt	171,123	20,060	3,009	-	194,192
Other trade receivables	13,342	3,677	551	-	17,570
	184,465	23,737	3,560	-	211,762

6. Statutory receivable

VAT	26,230	33,551
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Amatola Water is a registered VAT vendor and accounts for VAT on an accrual basis. The entity has, for the current financial year submitted all VAT returns to SARS. All amounts that were due to SARS we paid. There are, however, some refunds that are due to the entity that are outstanding from SARS. Included in the VAT receivable disclosed above is VAT relating to debt impairment amounting to R25 119 593.00 (2021: R 26 589 947.00).

Notes to the Annual Financial Statements

	2022 R '000	2021 R '000
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	130,020	50,350
Short-term deposits	122,425	367,160
	252,445	417,510
Cash and cash equivalents held by the entity for capital upgrades		
	54,319	70,614
Cash and cash equivalents held by the entity on behalf of principals		
	14,671	131,042
Cash and cash equivalents held by the entity for operations		
	183,455	215,854
	252,445	417,510

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.

Cash held by the entity relating to capital upgrades is the cash received from DWS for capital upgrades of the 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 the Amatola Water Board.

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 the Amatola Water Board is water treatment works plants.

Eskom has the right to call on the guarantee should Amatola Water Board fail to honour its electricity invoices:

Eskom	1,000	1,000
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Notes to the Annual Financial Statements

Figures in Rand thousand

8. Property, plant and equipment

	2022			2021		
	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	156,939	(89,824)	67,115	156,646	(86,131)	70,515
Plant and machinery	17,302	(11,221)	6,081	17,189	(9,257)	7,932
Furniture and fixtures	11,468	(6,306)	5,162	11,247	(5,383)	5,864
Motor vehicles	36,510	(5,846)	30,664	36,511	(4,019)	32,492
IT equipment	10,916	(6,950)	3,966	10,236	(4,841)	5,395
Civil works	58,863	(33,772)	25,091	58,863	(32,086)	26,777
Pipelines and Distribution	1,566,511	(859,676)	706,835	1,606,464	(839,738)	766,726
Reservoirs	723,805	(396,602)	327,203	723,083	(380,065)	343,018
Pumpstations	177,500	(96,544)	80,956	169,753	(90,190)	79,563
Treatment works	692,198	(251,358)	440,840	704,937	(235,745)	469,192
Boreholes	20,384	(12,044)	8,340	20,384	(10,948)	9,436
Total	3,477,806	(1,770,143)	1,707,663	3,520,723	(1,698,403)	1,822,320

Notes to the Annual Financial Statements

Figures in Rand thousand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Work in progress	Depreciation	Impairment loss	Total
Land	5,410	-	-	-	-	-	5,410
Buildings	70,515	293	-	-	(3,693)	-	67,115
Plant and machinery	7,932	177	(28)	-	(1,409)	(591)	6,081
Furniture and fittings	5,864	293	(22)	-	(898)	(76)	5,162
Motor vehicles	32,492	-	-	-	(1,704)	(124)	30,664
IT equipment	5,395	767	(51)	-	(1,668)	(477)	3,966
Civil works	26,777	-	-	-	(1,686)	-	25,091
Pipelines and Distribution	766,726	6,740	(951)	(7,312)	(21,138)	(37,230)	706,835
Reservoirs	343,018	528	-	-	(16,343)	-	327,203
Pumpstations	79,563	9,034	(421)	-	(7,220)	-	80,956
Treatment works	469,192	3,503	(5,329)	3,602	(20,057)	(10,071)	440,840
Boreholes	9,436	-	-	-	(1,096)	-	8,340
	1,822,320	21,335	(6,802)	(3,710)	(76,912)	(48,569)	1,707,663

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Work in progress	Depreciation	Impairment loss	Total
Land	5,410	-	-	-	-	-	5,410
Buildings	74,195	-	-	-	(3,680)	-	70,515
Plant and machinery	8,521	931	-	-	(1,406)	(114)	7,932
Furniture and fixtures	6,207	627	-	-	(879)	(91)	5,864
Motor vehicles	7,646	25,636	-	-	(754)	(36)	32,492
IT equipment	5,144	1,734	-	-	(1,402)	(81)	5,395
Civil works	28,348	98	-	-	(1,669)	-	26,777
Pipelines and Distribution	781,874	-	-	5,981	(21,129)	-	766,726
Reservoirs	357,760	1,553	-	-	(16,295)	-	343,018
Pumpstations	86,761	-	-	-	(7,198)	-	79,563
Treatment works	482,333	1,618	(336)	6,330	(20,197)	(556)	469,192
Boreholes	10,533	-	-	-	(1,097)	-	9,436
	1,854,732	32,197	(336)	12,311	(75,706)	(878)	1,822,320

Costs to repair and maintain assets have been disclosed in Note 22.

No property, plant or equipment has been pledged as security.

Notes to the Annual Financial Statements

2022
R '000

2021
R '000

8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Intangibles	Total
Opening balance	208,643	768	209,411
Additions/capital expenditure	16,397	-	16,397
Impairment	(46,212)	-	(46,212)
Transferred to completed items	(20,106)	-	(20,106)
	158,722	768	159,490

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Intangibles	Total
Opening balance	196,888	-	196,888
Additions/capital expenditure	15,581	768	16,349
Impairment	(556)	-	(556)
Transferred to completed items	(3,270)	-	(3,270)
	208,643	768	209,411

Project name	Opening balance	Additions	Transfers	Impairment	Total
CAP17 - Nahoon bulk supply	4,665	-	-	-	4,665
CAP30 - Nahoon rising main and Ndevana-Berlin	6,302	825	(6,420)	-	707
CAP34 - Debe Nek	37,787	9,196	(10,842)	(36,141)	-
CAP36 - Binfields treatment works	35,529	2,343	-	-	37,872
CAP37 - Sandile/Peddie	122,564	372	-	(10,071)	112,865
CAP38 - Refurbishment of bulk water supply infrastructure	1,726	319	(319)	-	1,726
Upgrade of scientific laboratory	-	666	-	-	666
Other assets	838	2,676	(2,525)	-	989
	209,411	16,397	(20,106)	(46,212)	159,490

Notes to the Annual Financial Statements

2022	2021
R '000	R '000

8. Property, plant and equipment (continued)

Long outstanding work in progress

CAP17 - Nahoon bulk supply

The Nahoon Bulk Supply Project is currently the flagship expansion project, but it requires substantial capital to proceed and finalisation of a supply contract, all of which must be completed by June 2023. Funding has been applied for and currently awaiting approval.

CAP30 – Nahoon rising main and Ndevana-Berlin

This project is still under construction due to limited funding and scope finalisation within AW and with BCMM. Some aspects of project finalisation are dependent on detailed assessments from the IMP process. Work can be completed in the 2022/23 year.

CAP34 - Debe Nek

The project is in the process of being finalised and some contractual matters are outstanding and should be resolved in the 2022/23 financial year. During the year the Debe Nek Phase 2B Reservoirs capital upgrade project was halted and its unlikely that the project will be completed due to lower water yields from Debe dam. Total expenditure incurred as at 30 June 2022 amounted to R36 141 and the whole balance has been impaired as the likelihood of resumption of construction is remote.

CAP36 – Binfield

There are incomplete reservoirs and pipework due to contract cancellations, but the work still needs to be completed in order to bring the project to completion. Further procurement is to be finalised. The project can be completed in the 2022/23 financial year or in the following financial year should funding become a constraint.

CAP37 - Sandile

The project includes two reservoirs that were completed in 2018 but not yet connected and tested. The work is dependent on new pipelines that may come into service in the 2022/23 financial year. The entity impaired the Sandile water scheme's pipeline drawings with total expenditure incurred as at 30 June 2022 of R10 071 as the designs were deemed not to be an efficient and effective use of the entity's scarce resources.

CAP38 - Refurbishment of bulk water supply infrastructure

The refurbishment of bulk water supply infrastructure requires substantial capital to proceed and finalise. Funding has been applied for and approved in the 2023 financial year and its expected to be completed in 2023 financial year.

Notes to the Annual Financial Statements

2022
R '000

2021
R '000

9. Intangible assets

	2022			2021		
	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4,887	(2,342)	2,545	4,887	(1,659)	3,228

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	3,228	(683)	2,545

Reconciliation of intangible assets - 2021

	Opening balance	Work in progress	Amortisation	Total
Computer software	3,144	768	(684)	3,228

Pledged as security

No intangible assets pledged as security.

10. Payables from exchange transactions

Trade payables	275,125	270,570
Payments received in advanced - contract in process	14,671	131,042
Project Payables	16,908	41,916
Other payables	53,045	36,665
Accrued leave pay	7,940	11,787
Accrued 13th Cheque	5,653	6,013
Debtors with credit balances	216	-
	373,558	497,993

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.

Payments received in advance relates to funds received in advance for project implementation.

Notes to the Annual Financial Statements

	2022	2021
	R '000	R '000

11. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Long service award	536	7	(11)	532

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Total
Long service award	592	5	(61)	536

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 the Amatola Water Board.

The vesting conditions are uncertain as employees may leave at any given moment.

Notes to the Annual Financial Statements

	2022 R '000	2021 R '000
12. Revenue		
Raw water sales	26,769	23,972
Revenue section 30	31,329	36,752
Treated water sales	330,436	330,811
Other income	3,721	5,459
Interest received	32,008	29,389
Public Donations received	-	25,611
	424,263	451,994
Revenue from exchanges transactions		
Raw water sales	26,769	23,972
Section 30 sales	31,329	36,752
Treated water sales	330,436	330,811
Other income	3,721	5,459
Interest received	32,008	29,389
	424,263	426,383
Revenue from non-exchange transactions		
Public contributions and donations	-	25,611
Detail of primary and secondary revenue		
Section 29 water volumes	-	-
Treated Water	28,810	31,064
Raw Water	9,399	8,875
	38,209	39,939
Section 29		
Treated Water Sales	330,436	330,811
Raw Water Sales	26,769	23,972
	357,205	354,783
Section 30		
Implementing agency fees	12,504	18,970
Operations and maintenance agreement	16,154	14,384
Project cost recoveries	2,671	3,398
	31,329	36,752

Notes to the Annual Financial Statements

	2022 R '000	2021 R '000
13. Cost of sales		
Sale of goods- Section 29		
Raw water purchases	97,113	95,109
Water research levies	3,062	3,037
Electricity	55,951	54,418
Chemicals	11,177	7,442
Employee benefit costs	110,802	110,026
Depreciation and amortisation	76,758	75,753
	354,863	345,785

Cost of sales- Section 30

Employee benefit costs	25,062	23,937
Repairs and maintenance	1,398	1,298
Project costs	4,730	250
Depreciation	-	123
	31,190	25,608

14. Other Income

Sundry income	3,721	5,459
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Sundry income includes commission and discounts received, permit fees, tender document sales, scientific services revenue, and rental income.

15. Finance income

Interest revenue

Interest earned from cash investments	13,221	13,393
Interest income relating to trade and other receivables	18,787	15,996
	32,008	29,389

16. Public donations received

Public contributions and donations	-	25,611
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In January 2020, the Honourable Minister of Water and Sanitation appointed the Amatola Water Board as an implementing agent for the Drought Relief Intervention programme in the Eastern Cape Province. An amount of R230 million was allocated for this programme for different activities including the procurement of 20 water tankers which then the Minister approved that the trucks be Amatola Water Board assets. The value of the trucks of R25 610 721.80 was then recognised as donation received.

Notes to the Annual Financial Statements

Figures in Rand thousand

17. Employee-related costs

Basic salaries	64,574	59,596
Long Service Awards	78	35
	64,652	59,631

Employee-related costs

Basic salaries	125,059	121,463
Bonus	11,205	9,251
Allowances	23,359	19,756
Overtime	7,454	7,029
Long service awards	78	35
Contributions- Medical, Pension, UIF	34,031	31,061
Other allowances	2,371	1,769
Leave pay	(3,062)	3,230
Casual wages	21	-
	200,516	193,594

Direct costs	135,864	133,963
Indirect costs	64,652	59,631
	200,516	193,594

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 2022	2022 R '000	Number of Staff 2021	2021 R '000
Provident fund contributions	239	15,924	239	15,244
Pension fund contributions	54	4,813	57	4,093
	293	20,737	296	19,337

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 2022.

The 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
Balance at 30 June 2021	467	69
Current services costs recognised in the statement of comprehensive income	73	6
Retirement gifts/ Long service awards paid	(74)	(9)
Balance at 30 June 2022	466	66

Notes to the Annual Financial Statements

Figures in Rand thousand

18. Executive and Non-executive members' emoluments

Executive

2022

	Cash component	Back pay and 13th Cheque	Acting allowance	Family cover, disability and group life	Reimbursive allowances	Vehicle allowances	Pension/provident package	Medical aid	Leave payout	Statutory payments	Total
V Zitumane	-	-	-	-	-	-	-	-	290	3	293
S Koyo	1,341	80	134	63	55	204	106	-	-	20	2,003
S Qweleka	1,699	237	149	76	39	96	192	81	-	25	2,594
Z Ngele	1,697	214	-	72	9	-	181	57	-	22	2,252
	4,737	531	283	211	103	300	479	138	290	70	7,142

2021

	Cash component	Backpay/Acting allowance	Reimbursive and other allowances	Vehicle allowance	Pension/provident package	Family cover, disability and group life	Medical Aid	Other - Leave Payout	Total
J Dalbock	-	-	-	-	-	-	-	116	116
V Zitumane	630	-	-	228	-	-	-	-	858
S Koyo	111	-	18	17	9	5	-	-	160
L Fokazi	582	36	11	211	56	29	-	250	1,175
S Qweleka	1,080	-	16	64	122	43	50	-	1,375
Z Ngele	271	-	-	-	29	10	9	-	319
	2,674	36	45	520	216	87	59	366	4,003

Notes to the Annual Financial Statements

18. Executive and Non-executive members' emoluments (continued)

2022

Acting arrangements

		Dates in Service	Acting Allowance
Acting Chief Financial Officer	U Mbali	July 2021 - 24 April 2022	R145 111 (2021: R75 383)
Acting Chief Financial Officer	N Nomnganga	25 April 2022 - present	R23 427 (2021:R0)
Acting Chief Executive Officer:	S Qweleka	July 2021 - 28 February 2022	R149 420 (2021: R52 537.30)
Acting Chief Executive Officer:	S Koyo	1 March 2022 - 30 June 2022	R133 733 (2021: R0)

2021

Resignations

	resigned on
L Fokazi	18 December 2020
V Zitumane	13 November 2020

Acting Arrangements

		Dates in Service	Acting Allowance
Acting Chief Financial Officer	Unathi Mbali	January 2021 - 30 June 2021	R75 383
Acting Director: Planning and Development Division	Sazile Qweleka	1 July 2020 - August 2020	R10 371.28
Acting Director: Planning and Development Division	Simon Mqamelo	1 March 2021 - May 2021	R34 615.78
Acting Chief Executive Officer	Sazile Qweleka	23 March 2021 - 30 June 2021	R52 537.30
Acting Executive Manager: Corporate Services	Zameka Ngele	1 July 2020 - 30 April 2021	R98 974.71
Acting Director: Planning and Development Division	Nkosiphendule Ntsebeza	1 September 2020 - February 2021	R 798 560

Mr Ntsebeza was appointed as an independent contractor.

Notes to the Annual Financial Statements

2022
R '000

2021
R '000

18. Executive and Non-executive members' emoluments (continued)

Non-executive

2022

	Board Stipend	Board Meeting fees	Travel and other disbursements	Board fees for NMMB intervention*	Reimbursive travel - NMMB intervention*	Total
P Yako	60	219	4	131	3	417
S Dzengwa	14	47	-	-	-	61
Z Kiviet	43	139	-	29	-	211
A Mjekula	43	133	-	31	-	207
B Mokgatle	43	135	-	31	-	209
N Tyibilika	43	180	-	54	-	277
SP Xulu	43	132	-	29	-	204
Independent External Audit committee members	-	-	-	-	-	-
G Labane	111	188	-	-	-	299
S Maharaj	-	56	-	-	-	56
FJ Mudau	-	72	3	-	-	75
Old Board Members from July 2021-March 2022	-	-	-	-	-	-
M Makgae	153	230	1	-	-	384
T Wana	114	114	20	-	-	248
M Malotana	54	80	-	-	-	134
M Mabi	43	14	3	-	-	60
A Le Roux	78	111	2	-	-	191
Z Xalisa	153	237	-	-	-	390
B Tonise	88	122	5	-	-	215
M Ramushu	129	118	-	-	-	247
M Sikhosana	129	106	4	-	-	239
N Jongilanga	129	136	7	-	-	272
L Letsoalo	129	116	-	-	-	245
N Madyibi	43	13	-	-	-	56
G Mahed	129	108	-	-	-	237
	1,771	2,806	49	305	3	4,934

*The Minister for the Department of Water and Sanitation on 29 March 2022 appointed Amatola Water Board members to intervene urgently in terms of Section 41 of the Water Services Act, Act 108 of 1997 in addressing water shortages in Nelson Mandela Bay Metropolitan caused by drought. The fees and expenses paid to the members for the intervention will be recovered from DWS.

Notes to the Annual Financial Statements

2022
R '000

2021
R '000

18. Executive and Non-executive members' emoluments (continued)

2021

	Board Stipend	Board Meeting fees	Travel and other disbursements	Other fees	Total
Z Xalisa	43	129	-	2	174
M Ramashu	43	72	-	-	115
M Skosana	43	96	-	-	139
B Tonise	49	219	27	-	295
G Mahed	43	78	-	-	121
M Malotana	159	756	-	2	917
T Wana	123	455	88	-	666
N Jongilanga	43	87	3	-	133
L Letsoalo	43	78	-	-	121
M Makgae	43	78	-	-	121
Old Board Members from July 2020 - November 2020	78	-	-	121	
A Wakaba*	-	33	-	-	33
A Magwentshu*	-	57	-	-	57
L Tshangela	80	114	-	11	205
P Songo	35	89	6	-	130
N A Geja	90	285	31	-	406
SR Sifo	80	93	24	-	197
M Kondlo	80	196	52	-	328
NM Javu	80	179	-	7	266
BH Makhedama	80	214	72	-	366
T Cumming*	-	46	-	-	-
S Gqobana	80	283	69	-	432
NM Kutta	80	123	-	-	203
	1,317	3,760	372	22	5,471

* External committee members

Notes to the Annual Financial Statements

	2022	2021
	R '000	R '000

18. Executive and Non-executive members' emoluments (continued)

2021 Comments

Included in the Board Emoluments expense as disclosed in the face of the Statement of Financial Performance is a June 2021 accrual reversed in July 2021 of R1 035 492 and a June 2021 accrual of R580 782.15 reversed in July 2021.

This disclosure note reflects actual payments made during the year. The reconciliation between the amounts is as reflected in the table below:

Payments during the year under review	5,519	5,471
June accrual reversed in June	(581)	(1,035)
June accrual	-	581
VAT portion	(4)	-
	<u>4,934</u>	<u>5,017</u>

19. Impairment loss

Impairments

Property, plant and equipment

During the year the Debe Nek Phase 2B Reservoirs capital upgrade project was halted and it is unlikely that the project will be completed due to lower water yields from Debe dam. Total expenditure incurred as at 30 June 2022 amounted to R36 141 and the whole balance has been impaired as the likelihood of resumption of construction is remote.

The entity also impaired the Sandile water scheme's pipeline drawings with total expenditure incurred as at 30 June 2022 of R10 071 as the designs were deemed not to be an efficient and effective use of the entity's scarce resources.

During the physical verification exercise, the condition of assets were assessed and an impairment of R2 357 was raised.

	<u>48,569</u>	<u>878</u>
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20. Finance costs

Interest: Creditors	<u>19,000</u>	<u>14,560</u>
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Interest: Creditors relates mainly to the interest charged by DWS on outstanding bulk water purchases debt as well as interest on late payment from other suppliers.

Notes to the Annual Financial Statements

	2022 R '000	2021 R '000
21. Lease rentals on operating lease		
Premises		
Contractual amounts	783	729
Motor vehicles		
Contractual amounts	9,378	8,784
Equipment		
Contractual amounts	306	331
	10,467	9,844

Refer to Note 29 Commitments for a breakdown of the financial commitment relating to operating leases.

22. Repairs and Maintenance

Buildings-offices and houses	1,696	1,242
Furniture and fixtures	515	4,910
Pipeline and distribution	2,953	2,485
Plant and machinery	8,619	4,412
Treatment works	4,837	2,992
	18,620	16,041
Direct repairs and maintenance	1,398	1,298
Indirect Repairs and maintenance	17,222	14,743
	18,620	16,041

Notes to the Annual Financial Statements

	2022 R '000	2021 R '000
23. General expenses		
Accounting fees	38	4
Audit Fees- External	3,870	3,784
Bank charges	243	217
Audit Fees Internal	205	421
Consulting and professional fees	7,311	5,726
Consumables	2,187	2,036
Cooperate identity development	-	238
Designs and Creative Services	-	1
Insurance	2,156	3,084
Health and Safety	740	75
Promotional Aids and gifts	30	161
Magazines, books and periodicals	110	58
Medical expenses	113	62
Equipment Hire	295	29
Equipment small value items	74	19
Admin and Secretariat Services	-	174
Fuel	6,683	-
PR Services	14	2
Write Off-Assets	-	3,547
Postage and courier	8	11
Printing and stationery	492	515
Inaugurations and events	92	22
Protective Clothing	871	77
Publicity and advertising	33	19
Security	4,897	4,406
Software Licences	4,759	4,035
Stores write off and adjustments	(64)	(8)
Stores revaluations	5	-
Telephone and fax	909	1,010
Training	5,091	2,796
Accommodation and travel	1,288	1,437
Electricity and water	2,227	1,950
Hire of vehicles	-	6
Vehicle licence fees	398	513
Fees: Technical Services	1,377	2,077
Services: Courier	9	-
Services Data	1,647	2,170
Control of Hyacinth	64	-
Legal Expenses	5,379	6,665
Membership Fees	600	337
Insurance Workman's Compensation	1,381	1,507
Venue expenses	-	17
Laundry and cleaning expenses	263	303
Reprographics and printing services	246	164
Refreshments: Seminars and meetings	286	193
Dam management charge out costs	-	(3)
	56,327	49,857

Notes to the Annual Financial Statements

	2022 R '000	2021 R '000
24. Cash used in operations		
Deficit	(180,798)	(98,552)
Adjustments for:		
Depreciation and amortisation	77,595	76,390
Loss on disposal of assets	6,802	-
Finance income	(32,008)	(29,389)
Finance costs	19,000	14,560
Impairment of assets	48,569	878
Movement in provisions	(4)	(56)
Finance income from receivables	18,787	15,996
Changes in working capital:		
Inventories	(746)	(1,426)
Receivables from exchange transactions	18,253	(41,954)
Movement in unspent conditional grant	-	(1,132)
Payables from exchange transactions	(143,432)	(10,746)
Increase in statutory receivable	7,321	1,130
	<u>(160,661)</u>	<u>(74,301)</u>
25. Auditors' remuneration		
Audit fees: external	<u>3,870</u>	<u>3,784</u>
26. Contingent liabilities		
Debt applications		
Amatola Water Board is currently defending six (2021: ten) applications for outstanding debt and outcome is uncertain	<u>30,752</u>	<u>27,624</u>
Labour matters		
Amatola Water Board is currently defending three (2021: seven) labour matters and the outcome is uncertain	<u>3,400</u>	<u>5,900</u>
Other matters		
Amatola Water Board is currently defending four (2021: three) personal liability matters and the outcome is uncertain	<u>12,189</u>	<u>12,489</u>

Debt application matters

1. A claim amounting to R4 250 has been instituted by a service provider as settlement for termination of contracts.
2. A service provider is claiming payment to the sum of R3 136.39 with interest according to the law for wasted standing time. The parties have filed their discovery notices.

Notes to the Annual Financial Statements

	2022	2021
	R '000	R '000

26. Contingent liabilities (continued)

3. A service provider claims judgment against the Amatola Water in the sum of R12 000. The claims emanate from a contract for the construction of bulk water supply awarded to the claimant for water supply over 4.9 km in Libode, for alleged breach of material terms of the contract. Pre-trial conference has been held and the matter will now proceed to trial.

4. A software supplier issued summons against Amatola Water for outstanding payments arising from the master agreement, alternatively a claim for unjustified enrichment arising from contract in the sum of R6 974.69. The matter previously set down for hearing on 02 September 2020. The supplier made final request for settlement which was rejected. The claimant is not advancing the matter.

5. Proceedings instituted in the High Court to recover damages amounting to R400 resulting from fraudulent payments made by Amatola Water to service providers. The parties are still busy with discovery and have not yet held the pre-trial conference

6. A supplier issued summons against Amatola Water for payment for work done to the amount of R3 991.14. The matter was defended by Amatola Water and summary judgment was brought. Summary judgment was dismissed and Amatola Water was given leave to defend. The matter is still pending.

Labour matters

1. An employee launched an application to set aside an arbitrator's award confirming his dismissal. The amounts claimed amounts to R1 500. The review application is dormant.

2. Another employee has referred an unfair dismissal dispute to the CCMA to the value of R400. The employee applied for condonation in respect of the late request for arbitration. The application was dismissed. The employee has applied to the Labour Court to review and set aside the Commissioner's ruling. The review application is dormant.

3. An employee launched an application to review and set aside an arbitrator's award confirming her dismissal in the amounts of R1 500. The allocation of a date for the hearing is awaited from the Labour Court.

Other matters

1. Claim for damages in the amount of R5 000. It is alleged that a student sustained serious injuries to her hand when she encroached on the moving part of a machine at Butterworth waterworks. Matter was previously postponed as it was not trial ready. The parties are now in the process of preparing for trial.

2. The Plaintiffs are suing Amatola Water for alleged negligence resulting from holes dug and left open with no precautionary steps to prevent harm, and or injury or death of human beings to the amount of R6 000. As result of the alleged negligence, the plaintiff's minor children drowned and died in a hole flooded with water and mud that was left open by a contractor employed by Amatola Water.

3. A service provider instituted a claim for payment in the amount of R1 178.93. The matter has been dormant for a long time.

4. Amatola Water received summons in three matters, with claims amounting to R10.5 for the breach of a legal duty owed to members of the public. Amatola Water has filed its appearances to defend in each matter. The matter is still pending.

Notes to the Annual Financial Statements

	2022	2021
	R '000	R '000

27. Related parties

Relationships		
Ultimate controlling entity		National Government
Controlling entity		Department of Water and Sanitation
Members		Refer to Note 18
Entities under control of the Minister of Water and Sanitation		Bloem Water Board
		Mhlathuze Water Board
		Overberg Water Board
		Sedibeng Water Board
		Lepelle Northern Water Board
		Magalies Water
		Umgeni Water Board
		Uthukela Water

The entity is controlled by the Department of Water and Sanitation (DWS). Amatola Water is a schedule 3B public entity in terms of the Public Finance Management Act. Government related parties include national departments (including the shareholder), constitutional institutions (schedule 1 of the Public Finance Management Act), public entities (schedule 2 and 3 of the Public Finance management Act) and local government (including municipalities). The list of public entities in the national sphere of government is provided by National Treasury on its website www.treasury.gov.za. It also provides the names of subsidiaries of the public entities.

Amatola Water Board has entered into various purchase and service transactions with Department of Water and Sanitation (DWS), 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 is disclosed in note 18.

Related party balances

Statement of financial position

DWS receivable	34,133	48,587
DWS payable	(230,014)	(234,214)
DWS provision for water research levy and interest	(50,130)	(34,213)

Statement of financial performance

Dam management fees paid by DWS to Amatola Water Board	16,154	14,384
Project revenue - DWS	7,144	9,723
Raw water purchases	(97,113)	(95,109)
Interest in outstanding debt - DWS	(15,917)	(14,560)
Water research levy	(3,062)	(3,037)
	(92,794)	(88,599)

Notes to the Annual Financial Statements

2022
R '000

2021
R '000

28. Prior period errors

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2021

	Note	As previously reported	Correction of error	Restated
Property plant and equipment	8	1,866,837	(44,517)	1,822,320
Intangible assets	9	3,322	(94)	3,228
Receivables from exchange transactions	4	252,273	(8,389)	243,884
Inventories	3	3,205	1,330	4,535
Statutory receivable	6	32,377	1,174	33,551
Payables from exchange transactions	10	(496,407)	(1,582)	(497,993)
Accumulated surplus		(1,804,026)	52,084	(1,751,942)
		(142,419)		(142,417)

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Restated
Cost of sales	13	(371,983)	590	(371,393)
Depreciation and amortisation		(1,651)	1,135	(516)
Repairs and maintenance	22	(14,465)	(278)	(14,743)
General expenses		(48,328)	(1,529)	(49,857)
Surplus for the year		(436,427)	(82)	(436,509)

Errors

The following prior period errors adjustments occurred:

Property plant and equipment

The entity embarked on an exercise to rectify the prior year audit findings. During the exercise items of property plant and equipment were identified on the floor which were not included in the fixed asset register. These items were capitalised. Some items of property plant and equipment not owned or controlled by the entity were incorrectly capitalised in the prior year. The assets were removed from the assets register. In addition to the aforementioned errors location and extent assumptions used in determining the deemed costs was incorrect and was corrected in the current year. The correction of these errors resulted in the carrying value of the property, plant and equipment as previously presented in the 2021 financial year to decrease by R44 517 (2020: R49 750).

Notes to the Annual Financial Statements

	2022	2021
	R '000	R '000

28. Prior period errors (continued)

Intangible assets

Correction of expense item relating to software upgrade that was incorrectly capitalised as work in progress instead of being expensed in the prior year.

Inventories

Water inventory belonging to the entity but kept in reservoirs of third parties was omitted in the calculation of water inventory in the prior year. The error resulted in understatement of inventory and corresponding overstatement of bulk water purchases.

Receivables from exchange transactions

Accounting for the reallocation of debt and resulting impairment from ADM to BCMM.

Statutory receivable

VAT receivable was adjusted as a result of adjustments made on vatable prior year corrections.

Trade payables from exchange transactions

Accounting for prior year trade creditors invoices and adjusted management fees claimed against funds received in advance.

General expenses

Invoices for workmen's compensation amounting to R881 relating to the 2021 financial period were received in the current year and fees on professional consultants not of capital nature amounting to R647 were incorrectly capitalised instead of being expensed.

Repairs and maintenance

Components of telemetry systems purchased in the prior year to replace worn out parts were incorrectly capitalised instead of being recognised as repairs and maintenance expense.

Cost of sales

This relates to the credit notes received from DWS for incorrect billing as well as inventory prior period adjustment.

Depreciation and amortisation

This relates to corrections made to the fixed asset register to make it GRAP compliant.

Notes to the Annual Financial Statements

	2022 R '000	2021 R '000
29. Commitments		
Capital commitments are commitments relating to the infrastructure upgrades approved which its expenditure is indicated under Note 8 as Work in Progress. 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 for but not provided for		
• Property, plant and equipment	<u>54,874</u>	<u>52,778</u>
Total capital commitments		
Already contracted for but not provided for	<u>54,874</u>	<u>52,778</u>
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational	<u>18,352</u>	<u>13,083</u>
Not yet contracted for and authorised by members		
• Operational	<u>-</u>	<u>500</u>
Total operational commitments		
Already contracted for but not provided for	18,352	13,083
Not yet contracted for and authorised by members	-	500
	<u>18,352</u>	<u>13,583</u>
Total commitments		
Total commitments		
Authorised capital expenditure	54,874	52,778
Authorised operational expenditure	18,352	13,583
	<u>73,226</u>	<u>66,361</u>

Notes to the Annual Financial Statements

	2022	2021
	R '000	R '000

29. Commitments (continued)

Operating leases - as lessee (expense)

Motor vehicles

Ninety-seven motor vehicles are leased under the ABSA operating lease contract. The lease payments include a maintenance portion for the duration of the lease term. The leases were for an initial term of three years which expired on 30 June 2022. The leases have been extended for a further 5 months till 30 November 2022.

Operating lease commitments-motor vehicles

- within one year	3,196	7,414
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Operating lease commitments- Rental of office space	576	617
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Amatola Water Board entered into various lease rental agreements for office space use. The last lease term expired on 31 May 2022 and has been renewed until 31 May 2023.

Operating lease commitments - office equipment

- within one year	112	128
- in second to fifth year inclusive	-	112
	112	240

Notes to the Annual Financial Statements

	2022	2021
	R '000	R '000

30. Financial instruments disclosure

Categories of financial instruments

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	225,631	225,631
Cash and cash equivalents	252,445	252,445
	478,076	478,076

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	373,558	373,343

Residual interest

	At cost	Total
Share capital/contributed capital	274,557	274,557

2021

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	243,884	243,884
Cash and cash equivalents	417,510	417,510
	661,394	661,394

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	497,993	497,993

Financial instruments in Statement of financial performance

2022

	At amortised cost
Interest income (calculated using effective interest method) for financial instruments at amortised cost	32,008
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(19,000)
	13,008

2021

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	29,389	29,389
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(14,560)	(14,560)
	14,829	14,829

Notes to the Annual Financial Statements

	2022 R '000	2021 R '000
31. Fruitless and wasteful expenditure		
Opening balance as previously reported	31,715	17,155
Fruitless and wasteful expenditure current year	18,494	14,560
Add: Fruitless and wasteful expenditure		
- incurred in the current year relating to prior period	506	-
Closing balance	50,715	31,715

Fruitless and wasteful expenditure relates to interest charged on the late payment of invoices as well as interest on outstanding DWS debt.

The entity has engaged DWS regarding the write-off of the interest however no agreement has been reached yet as the entity is unable to meet the required payment arrangements due to financial constraints.

32. Irregular expenditure

Opening balance as previously reported	167,803	160,725
Add: Irregular Expenditure - current year	1,901	7,078
Closing balance	169,704	167,803
Non compliance with SCM regulations	1,221	5,424
Expenditure incurred of expired contracts	680	291
Contracts value exceeded	-	1,363
Closing balance	1,901	7,078

33. Budget differences

Material differences between budget and actual amounts

33.1 Revenue Section 29 treated water is lower than budget (under collection) by 20% due to reduction in volumes by 20% as per DWS water restrictions to accommodate drought challenges, the impact of Eskom Load Shedding on our plants as well as water losses due to ageing of the 225mm line that is constantly bursting which leads to loss of volumes.

33.2 Revenue Section 30 is lower than budgeted target by 37%. The under performance is mainly attributed to a slow start on the DOE contract, SCM delays on selection and appointment of service providers on secondary projects and lastly challenges with the principals.

33.3 Other miscellaneous income is lower than the target by 14% and is mainly attributable to reduced demand for scientific services.

33.4 Interest income is lower than the target by 28% due to repayment of funds to principals which resulted in a decrease in funds available for investments.

33.5 Personnel costs is lower than budgeted by 8.53% due to savings of both direct and indirect salaries against budget mainly as a result of delays in filling of vacancies at executive, senior and middle management levels.

33.6 Non- executive members emoluments are more than targeted by 18.46% due to more board fees being incurred as a result of the instruction by DWS to intervene in the Nelson Mandela Bay Metropolitan Municipality drought issue. Also an interim board was appointed in the current year and the board had to be inducted and come up to speed with the organisation hence more meetings were held than anticipated.

Notes to the Annual Financial Statements

	2022	2021
	R '000	R '000

33. Budget differences (continued)

- 33.7 Accommodation costs are less than budgeted by 53.47% as bookings for accommodation for staff attending training were limited in the first half of the year due to regulations to address, prevent and combat the spread of COVID-19 and also implementation of cost containment measures.
- V33.8 Depreciation and amortisation is more than budget by 243% due to the unbundling of assets to comply with GRAP which resulted in more assets being brought in the asset register.
- 33.9 Impairment loss of R48 569 was not budgeted for and is mainly due to halting of the Debe Nek Phase 2B reservoirs project as well as Sandile pipelines designs project with total expenditure to date of R36 141 and R10 071 respectively. The projects have been halted during the year.
- 33.10 Finance costs is over than budget by R19 000 and is mainly due to interest charged by DWS on the outstanding debt circa R15.9 as well as interest on court orders of R2 614.
- 33.11 Debt impairment is more than budget by 519.% due to the debt recovery strategies implemented in the current financial year.
- 33.12 Bulk purchase is 6.% less than budgeted as a result of less volumes being procured as a result of DWS water restrictions to curb the impact of the drought.
- 33.13 Other operating expenditure is lower than budget by 12% due to delays on training and implementation of cost containment measures.
- 33.14 Over Budget by 64% due to additional water reservoirs being recognised due to the unbundling of the assets to comply with GRAP .
- 33.15 Over Budget by 8.82% due to non payment of services by customers like ADM.
- 33.16 There was no provision made on the budget for VAT receivable.
- 33.1 Under budget by 29% and its mainly due to withdrawals of project advances by principals.
- 33.18 Property plant and equipment is over budget by 192% and its due to the exercise embarked on by the entity to align the asset register to GRAP.
- 33.19 50% under budget due to delays in procurement of the planned system updates.
- 33.20 22% over budget mainly due to DWS bulk purchases debt and other payables not paid at year end.
- 33.21 Under budget by 100%. Provision was made for a VAT payable but the entity ended up having a VAT receivable due to VAT recognised on debt impairment.
- 33.22 Under budget by 20.47% and its due to uncertainties relating to the vesting conditions.
- 33.23 No conditional grants were received in the current year.
- 33.24 Accumulated deficit is more than budgeted mainly due to the gains from the unbundling of assets to comply with GRAP that was not considered in the budgeting process.

Notes to the Annual Financial Statements

	2022	2021
	R '000	R '000

34. Events after the reporting date

An Interim Chief Executive Dr Linda Makuleni was appointed from 15 August 2022 for a fixed term of 3 months ending 14 November 2022. Mr Spelele Galada was been appointed as the Chief Financial Officer from 1 October 2022 and has been appointed as the Acting Chief Executive Officer effective from 14 November 2022.

35. Risk management

Financial risk management

Amatola Water Board 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 the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. The entity uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the board. Entity treasury identifies, evaluates and hedges financial risks in close co-operation with the entity's operating units. The board provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, 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.

Financial Liabilities

Trade and other payables	373,558	497,993
2022	On Demand	1-3 Months
Trade and other payables	-	373,558
2021		
Trade and other payables	-	497,993

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.

Notes to the Annual Financial Statements

	2022	2021
	R '000	R '000

35. Risk management (continued)

Credit risk with respect to sundry receivables is also high, as sundry receivables mainly comprise of DWS, 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%.

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	2022	2021
Cash and cash equivalent	252,445	417,510
Trade and other receivables	225,631	243,884

The ageing of trade receivables at the reporting date was:	Gross 2022	Impairment 2022	Gross 2021	Impairment 2021
Not past due date	30,651	4,854	64,136	32,723
One month past due date	9,965	5,429	9,842	5,022
Two months past due date	(7,781)	3,690	15,244	7,777
Three months past due date	11,638	6,412	15,317	7,815
More than four months past due date	267,073	121,317	171,245	77,687
	311,546	141,702	275,745	131,024

The ageing of sundry receivables at the reporting date was:

The ageing of sundry receivables at the reporting date was:	Gross 2022	Impairment 2022	Gross 2021	Impairment 2021
Not past due date	44,987	18,430	33,939	14,692
One month past due date	6,595	2,694	5,208	2,255
Two months past due date	323	161	8,066	3,492
Three months past due date	958	524	8,105	3,509
More than four months past due date	26,627	19,409	90,596	39,220
	79,490	41,218	145,914	63,168

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Balance as at 01 July	131,024	120,300
Impairment provision increase/(decrease)	10,678	10,724
	141,702	131,024

Notes to the Annual Financial Statements

	2022	2021
	R '000	R '000

35. Risk management (continued)

The movement in the allowance for impairment in respect of sundry receivables during the year was as follows:

Balance as at 01 July	63,168	50,823
Impairment provision increase/(decrease)	(21,950)	12,345
	41,218	63,168

Other trade receivables

Balance as at 01 July 17,570	17,570	13,342
Impairment provision increase/(decrease) -	-	4,228
	17,570	17,570

Market risk

Interest rate risk

As the entity has no significant interest-bearing assets, 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 5%

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	7.00%	225,631	-	-	-	-
Cash in current banking institutions	5.00%	252,445	-	-	-	-
Trade and other payables - normal credit terms	7.00%	373,558	-	-	-	-

Notes to the Annual Financial Statements

	2022	2021
	R '000	R '000

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.

			2022	2021
Capital Contribution	-	-	274,557	274,557
Accumulated surplus (deficit)	-	-	1,571,148	1,751,942

36. Going concern

We draw attention to the fact that at 30 June 2022, the entity had an accumulated surplus of R 1,571,148 and that the entity's total asset exceed its total liabilities by R 1,845,705. 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.

37. Taxation

Amatola Water is exempt from income taxation in terms of section 10 (1)(ix).

Notes to the Annual Financial Statements

	2022	2021
	R '000	R '000

38. 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 Water and Sanitation and Joe Gqabi District 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

Revenue recognised

Resources held received on behalf of the principal during the reporting period

Project advances	14,671	131,042
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Project advances are recognised under cash and cash equivalent as cash held on behalf of the principals

Revenue recognised

Section 30 Revenue	31,476	36,752
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Amount of expenditure incurred

Cost of sales	31,193	25,608
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Amount of expenses accrued on behalf of the principal during the reporting period

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Project receivables

Project receivables

Sundry debtors	38,272	65,137
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Payables relating to projects

Project payables

Project payables	16,908	41,916
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Project payables relates to payables raised on projects that are implemented by the agency on behalf of the principals.

Notes to the Annual Financial Statements

Figures in Rand thousand

39. Segment information

General information

Identification of segments

Information reported about the segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Amatola Water Segments

Amatola Water is organised and reports to management on the basis of three (3) major functional areas: primary business secondary business and support services and the financial performance and position of the organisation is reported as such.

Primary business (section 29) is the core business of Amatola Water which is to provide bulk raw or treated water to clients like Municipalities, government institutions and other businesses.

Secondary business (section 30) - Amatola Water act as an an implementing agent for other institution like municipalities and government departments and implement water and sanitation related projects on an agent basis.

Support Services - are administrative and shared internal functions to support business operations of Amatola Water.

Notes to the Annual Financial Statements

Figures in Rand thousand

39. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Primary Business	Secondary Business	Support Services	Total
Revenue				
Revenue from exchange transactions	357,205	31,329	-	388,534
Interest revenue	-	-	32,008	32,008
Other miscellaneous income	2,073	528	1,120	3,721
Total segment revenue	359,278	31,857	33,128	424,263
Entity's revenue				424,263
Expenditure				
Salaries and wages	110,865	25,075	64,576	200,516
Non- executive members emoluments	-	305	4,629	4,934
Accommodation	83	211	994	1,288
Depreciation and amortisation	69,194	6,647	1,745	77,586
Finance Costs	15,919	1,644	1,437	19,000
Lease rentals on operating lease	-	-	10,467	10,467
Debt Impairment	-	-	(9,802)	(9,802)
Impairment loss	48,569	-	-	48,569
Bulk Purchases	97,113	-	-	97,113
Other Operating expenditure	115,177	4,527	35,686	155,390
Total segment expenditure	456,920	38,409	109,732	605,061
Total segmental surplus/(deficit)				(180,798)
Assets				
Non current assets	1,710,208	-	-	1,710,208
Inventories	2,078	-	3,203	5,281
Receivables from Exchange	187,359	38,272	-	225,631
VAT receivable	-	-	26,230	26,230
Cash and cash equivalents	237,774	14,671	-	252,445
Total segment assets	2,137,419	52,943	29,433	2,219,795
Total assets as per Statement of Financial Position				2,219,795
Liabilities				
Payables from exchange transactions	(349,136)	(24,422)	-	(373,558)
Provisions	-	-	(532)	(532)
Total segment liabilities	(349,136)	(24,422)	(532)	(374,090)
Total liabilities as per Statement of Financial Position				374,090

Notes to the Annual Financial Statements

Figures in Rand thousand

39. Segment information (continued)

2021

	Primary Business	Secondary Business	Support Services	Total
Revenue				
Revenue from non-exchange transactions	354,783	36,752	-	391,535
Revenue from exchange transactions	-	-	25,611	25,611
Interest revenue	-	-	29,389	29,389
Other miscellaneous income	4,583	36	840	5,459
Total segment revenue	359,366	36,788	55,840	451,994
Entity's revenue				451,994
Expenditure				
Salaries and wages	110,026	23,937	59,631	193,594
Non-executive members emoluments	-	-	5,017	5,017
Depreciation and amortisation	75,822	123	1,651	77,596
Finance Costs	14,560	-	-	14,560
Lease rentals on operating lease	-	-	9,844	9,844
Debt impairment	13,001	10,735	371	24,107
Bulk purchases	95,109	-	-	95,109
Operating expenses	64,943	1,548	63,672	130,163
Total segment expenditure	373,461	36,343	140,186	549,990
Total segmental surplus/(deficit)				(97,996)
Assets				
Property, Plant and Equipment	1,862,320	-	-	1,825,548
Inventories	2,029	-	2,506	4,535
Receivables from Exchange	143,953	99,114	817	243,884
VAT receivable	-	-	33,551	33,551
Cash and cash equivalents	70,614	131,042	215,854	417,510
Total segment assets	2,078,916	230,156	252,728	2,525,028
Total assets as per Statement of financial Position				2,525,028
Liabilities				
Payables from exchange transactions	269,312	222,659	6,023	497,993
Provisions	-	-	536	536
Total segment liabilities	269,311	222,659	6,559	498,529
Total liabilities as per Statement of Financial Position				498,529

ANNEXURE A: FIVE-YEAR HISTORICAL STATISTICAL OVERVIEW





Annexure A: Five-Year Historical Statistical Analysis

			2022 vs 2021			2021 vs 2020			2020 vs 2019			2019 vs 2018
	2022 Audited R000	2021 Restated R000	%	2021 Audited R000	2020 Restated R000	%	2019 Restated R000	%	2018 Restated R000	%	2017 Restated R000	
OPERATIONS												
Revenue	388,534	391,535	(0,8)	391 535	416 938	(6,1)	423 446	(1,5)	384 833	10,0	405 272	
Cost of Sales	386,053	371,393	3,9	371 983	365 909	1,7	290 741	25,9	293 975	(1,1)	289 166	
Other income	3,721	5,459	(31,8)	5 459	6 668	(18,1)	6 596	1,1	4 516	46,1	4 065	
Grant Funding	-	-	-	-	1 223	(100,0)	92 386	(98,7)	88 554	4,3		
Public Donations	-	25 611	(100,0)	25 611	-	-						
Operating and Admin Expenses	219,008	179,153	22,2	176 827	172 282	2,6	138 181	24,7	190 658	(27,5)	127 411	
Net finance income	32,008	29,389	8,9	29 389	50 800	(42,1)	47 609	6,7	29 045	63,9	16 761	
Net Operating (Deficit)/Surplus	-180,798	-98,552	83,5	-96 816	-62 562	54,8	141 115	(144,3)	22 315	532,4	9 521	
FINANCIAL POSITION												
Capital Contribution	274,557	274,557	-	274 557	274 557	-	274 557	-	274 557	-	274 557	
Reserves			-			-		-		-	-	
Retained (Deficit)/Surplus	1,571,148	1,751,942	(10,3)	1 804 024	1 900 838	(5,1)	572 045	232,3	430 931	32,7	91 385	
Long-term Liabilities	-	-	-	-	-	-	-	-	-	-	275 050	
Current Liabilities	374,092	498,528	(25,0)	496 943	495 903	0,2	557 679	(11,1)	452 870	23,1	282 808	
Total Equity and Liabilities	2,219,795	2,525,028	(12,1)	2 575 524	2 671 298	(3,6)	1 404 281	90,2	1 158 358	21,2	923 800	
Non-current Assets	1,710,208	1,825,548	(6,3)	1 870 159	1 907 627	(2,0)	542 490	251,6	542 726	(0,0)	533 716	
Current Assets	509,587	706,373	(27,1)	705 365	763 671	(7,6)	861 791	(11,4)	615 632	40,0	390 084	
Total Assets	2,219,795	2,525,028	(12,1)	2 575 524	2 671 298	(3,6)	1 404 281	90,2	1 158 358	21,2	923 800	

Annexure A: Five-Year Historical Statistical Analysis

	2022 vs 2021			2021 vs 2020			2020 vs 2019			2019 vs 2018		2017
	2022 Audited R000	2021 Restated R000	%	2021 Audited R000	2020 Restated R000	%	2019 Restated R000	%	2018 Restated R000	%	2017 Restated R000	
CASH FLOW POSITION												
Cash flow from Operating Activities	-160,661	-74,301	116,2	-78 897	-95 337	(17,2)	252 741	(137,7)	260 793	(3,1)	-57 901	
Cash Flow util. in / gen. from Investing Activities	-17,625	-45,532	(61,3)	-27 543	-20 685	33,2	10 884	(290,0)	-15 316	(171,1)	-111 937	
Cash Flow utilised in Financing Activities	13,221	13,393	(1,3)	-	-	-	-	-	-	-	-15	
Net Cash Increase/ (Decrease) for year	-165, 065	-106,440	55,1	-106 441	-116 004	(8,2)	263 625	(144,0)	245 477	7,4	-169 853	
RATIOS												
Revenue (Kilolitres x 1000)												
Treated Water Sales	28 810	31 064	(7,3)	31 064	31 835	(2,4)	31 432	1,3	31 708	(0,9)	33 208	
Raw Water Sales	9 399	8 875	5,9	8 875	8 367	6,1	8 304	0,8	8 026	3,5	8 438	
Total Water Sales	38 209	39 939	(4,3)	39 939	40 202	(0,7)	39 736	1,2	39 734	0,0	41 646	
Revenue (R'000)												
Treated Water Sales	330 436	330 811	(0,1)	330 811	341 268	(3,1)	313 426	8,9	286 564	9,4	270 593	
Raw Water Sales	26 769	23 972	11,7	23 972	22 724	5,5	20 726	9,6	18 614	11,3	17 067	
Total Water Sales	357 205	354 783	0,7	354 783	363 992	(2,5)	334 152	8,9	305 178	9,5	287 660	

PERFORMANCE AGAINST ANNEXURE B: ANNUAL PERFORMANCE PLAN 2021/22





STAKEHOLDER AND CUSTOMER PERSPECTIVE

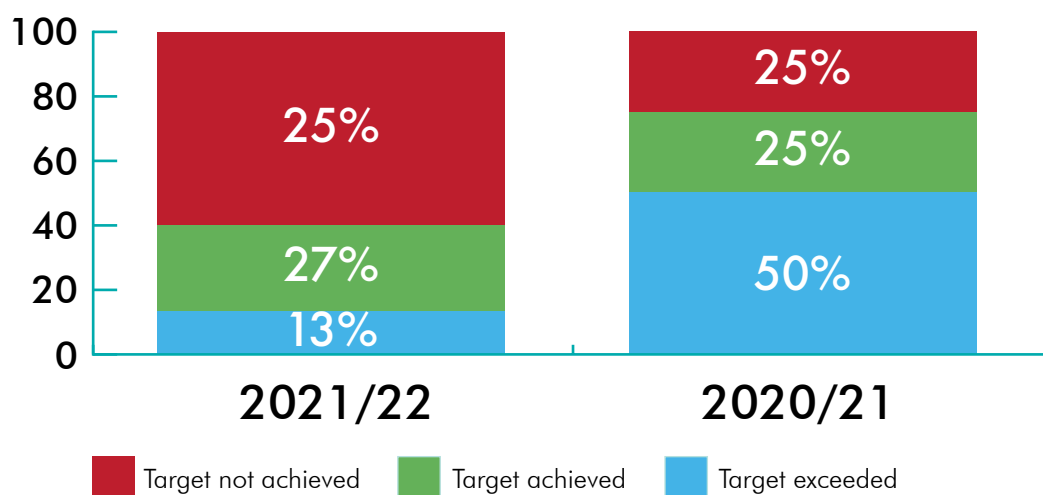


Figure B1: Stakeholder and customer perspective

Balance Scorecard	Output Indicator Reference Number	Output Indicators	Annual Result 2020/21	Annual target 2021/22	Annual result 2021/22	Variance
S&C	3.1.1	Number of AW plants achieving "GOOD & EXCELLENT" quality SANS 241:2015 Edition 2 in Table 4	9	7	4	-3
S&C	3.2.1	Percentage assurance of portable water supply	98.21%	98%	97.89%	-0.11%
S&C	3.2.2	Percentage assurance of raw water supply	70.4%	98%	60.1%	Target achieved
S&C	3.3.2	Percentage progress against Ministerial Directives implementation plan	122.8%	100%	99%	-1%
S&C	3.3.4	Number of community/schools initiatives undertaken	17	14	44	Target exceeded
S&C	3.3.5	Actual B-BBEE spend as a % of total discretionary expenditure	120%	100%	115%	Target achieved
S&C	2.1.4	Total number of signed contracts with municipalities/Other customers (bulk supply agreements) in place during the period of review	3	4	3	-1
S&C	2.1.5	Number of signed contracts/MOUs in place with rural municipalities for the provision of support i.r.o. rural development initiatives	5	4	5	Target achieved
S&C	2.1.7	Percentage of capex projects within target completion dates against planned number	46%	70%	41%	-29%
S&C	2.1.8	Percentage of actual capex budget spend on expansion related projects (initiatives by the Minister)	58.1%	100%	155%	Target exceeded

Table B1: Stakeholder and customer perspective

REASONS FOR PERFORMANCE AND CORRECTIVE ACTION

- **Number of AW plants achieving “GOOD & EXCELLENT” quality SANS 241:2015 Edition 2 in Table 4**
 - **Reason for performance**
 - The target has not been achieved: During the quarter under review, Amatola Water continued to face a shortage/unavailability of chlorine gas due to nationwide supply challenges. The entity had to resort to the use of chlorine tablets which is ineffective as chlorine gas affected the number of Amatola Water plants achieving “GOOD & EXCELLENT” quality SANS 241:2015 Edition 2 in Table 4.
 - **Corrective action**
 - As a short-term solution, Amatola Water is making use of HTH chlorine tablets to purify the water.
 - Two alternatives were proposed: Ammonia and ozone. However, AW found these to be dangerous given the current level of employee skills and site location. It should also be noted that BCMM is not using ammonia as per its strategy. Given that the water of AW and BCMM mixes at some points, it is not viable for AW to use this option.
 - On 25 August 2022, two AW employees will attend a “Disinfection Technology Seminar at Die Hut, Moorreesburg” and attend a site tour to view the application of the technology. Currently, AECl Water is conducting a disinfection pilot study at West Coast District Municipality using Chlorine Dioxide as an alternative disinfectant to Chlorine Gas. This is being used for post-disinfection throughout the reticulation system of an estimated 100km.
 - It was also identified that the contracted service provider is associated to the struggling manufacturer. Currently, SCM is sourcing quotations from an alternative supplier.

- **Percentage assurance of potable water supply**
 - **Reason for performance**
 - Assurance of potable water supply could not be achieved due to an inability to meet the demand.
 - Continuous loadshedding has had a negative impact on the assurance of supply.
 - The failure of infrastructure at Albany Coast and low dam levels at Debe.
 - Prolonged drought left the Debe Dam empty and affected the assurance of water supply.
 - **Corrective action**
 - Follow up with DWS on the request for approval of budgets to augment and refurbish aging infrastructure.
 - AW to consider investing in generators/alternative energy for pumping during loadshedding. Apply for exemption from loadshedding at AW wastewater works.
 - Develop a refurbishment cost plan for ACRO plant.
 - Develop a water conservation and demand management plan in consultation with the three clients (ADM, BCMM & Ndlambe).

- **Stakeholder satisfaction score & percentage customer satisfaction level**
 - **Reason for performance**

The target has not been achieved. AW management made a difficult decision to delay the stakeholder and customer satisfaction survey during the 2021/22 financial year due to the operating environment that was characterised by disruptions in water service delivery and bad publicity due to investigations by law enforcement agencies.
 - **Corrective action**

The finalisation of the appointment of an independent service provider in September 2022 to conduct a customer satisfaction survey to assess customer satisfaction levels of the primary and secondary businesses and the operationalisation of interim Board interventions (three pillars).

- **Percentage progress against Ministerial Directives implementation plan**
 - **Reason for performance**

Currently, the Nooitgedagt/Coega Low-Level Supply Scheme Phase 3 is at 99.5% completion. The project was anticipated to be completed by 25 March 2019. However, due to several delays, the completion date was extended. The revised completion date is 28 September 2022, which includes the 28-day trial operating period of the plant. After the trial operating period has been completed, a 12-month defects liability period will commence and will end on 30 September 2023.
 - **Corrective action**

AW, DWS and the Nelson Mandela Bay Metropolitan Municipality are collaborating to ensure the successful implementation of the project. The “First Water” to the Metro was achieved on 29 March 2022 and produced about 160MI/d – 190MI/d. The revised completion date is 30 September 2022.

- **Number of MI/day sold**
 - **Reason for performance**
 - There were frequent stop/start interruptions of the system due to Eskom load shedding which contributed to continuous pipe breaks on the scheme system. It resulted in higher water losses.
 - There was no production at the Debe WTW during (Q4).
 - Illegal connections on water systems.
Equipment failure and numerous breakdowns occurred at the same time which delayed the response rate and led to increased water losses.
 - **Corrective action**
 - The Project and Development Unit will replace the ageing pipeline and speed up the process to appoint contractors. SCM will fast-track outstanding requisitions and issuing of purchase orders.
 - Ongoing communications with water service authorities and stakeholders.
 - Improve the turnaround time for breakdowns by improving internal processes and resources. Additional funding for the Debe dam has been requested by AW to DWS.
 - DWS has engaged the Eastern Cape Technical Advisory Committee to recommend the emergency of a raw water line from another source.
 - Invest in equipment that will speed up the breakdown process.
 - However, due to the water supply problems experienced by BCMM since 8 January 2022, DWS has agreed to relax the restriction on the Nahoon and Laing Dams for the interim and allow AW to assist BCMM to catch up on the bulk potable water system levels.
-
- **Total number of signed contracts with municipalities/Other customers (bulk supply agreements) in place during the period of review**
 - **Reason for performance**
 - Currently, AW has three bulk supply agreements in place with the following WSAs: BCMM, ADM, and Ndlambe. The Makana Local Municipality contract, which was initially included in the contract as a bulk supply agreement, expired on 30 June 2021. It was not meant to be included as it is an operational contract undertaken on behalf of the Makana Local Municipality.
 - **Corrective action**
 - The Makana Local Municipality contract was excluded during the review of the Business Plan 2022-2027. Strict monitoring of contracts by Contracts and Internal Legal Services.

- **Percentage of growth in total revenue**

- **Reason for performance**

- Primary and secondary businesses did not achieve (undercollected) budgeted revenue by 25.5% (R127.718m). Primary revenue for treated water is lower than budget by 23.2% (R104.190m). Eskom loadshedding, pipe breaks on the scheme system caused higher water losses which resulted in lower revenue growth. Based on the assumptions for projected volumes, these were expected to increase upon the completion of the Sandile Pipeline. The increased volumes of supplied bulk potable water of 6,000kl for the Peddie area have not materialised due to financial constraints.

- **Corrective action**

- Award the successful bidder for the modular packaged plant as per Pillar 1 of the Interim Board intervention during Q2 of 2022/23.
- The expected completion date of the modular packaged plant project is December 2022 (12 weeks). This will lead to additional volumes of water being released to BCMM.

FINANCIAL PERSPECTIVE

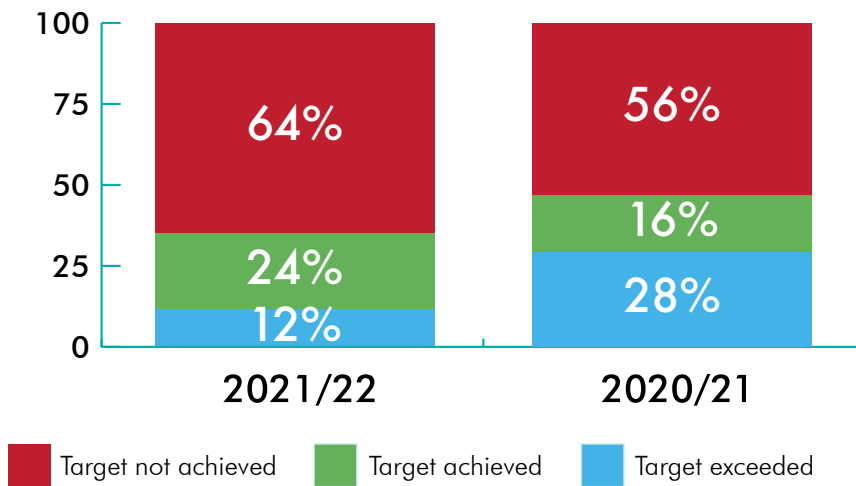


Figure B2: Finance perspective

Balance Scorecard	Output Indicator Reference Number	Output Indicators	Annual Result 2020/21	Annual target 2021/22	Annual result 2021/22	Variance
Fin	2.1.6	R-value overall project expenditure	R386Mil	R439Mil	R628Mil	Target exceeded
Fin	1.1.1	Current Ratio	1.396	1.2467	1.336	Target achieved
Fin	1.1.2	Gross profit margin % (primary activity)	18.54%	28.12%	0.27%	-27.85%
Fin	1.1.3	Gross profit margin (secondary activity)	59.44%	42.71%	2.43%	-40.28%
Fin	1.1.5	Net profit margin (primary activity)	-13.53%	0.01%	-31.96%	-31.97%
Fin	1.1.6	Net profit margin (secondary activity)	21.61%	2.25%	-220.90%	-223.15%
Fin	1.1.7	Debt equity	0.00%	0.00%	0.00%	Target achieved
Fin	1.1.8	Return on Assets	-8.36%	-7.44%	-10.27%	-17.71%
Fin	1.1.9	Debtors' days	120.62 days	123.42 days	207.39 days	-83.97 days
Fin	1.1.10	Percentage variance on operating expenditure	6.29%	0.00%	-5.53%	Target achieved
Fin	1.1.11	Percentage of secondary business of total turnover	15.19%	10.05%	7.29%	-2.76%
Fin	1.1.14	Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	2.55%	3.84%	1.045%	-2.83%
Fin	1.1.15	Percentage of staff remuneration to total operating expenditure	39.93%	41.70%	34.96%	Target achieved

Table B2: Finance perspective

REASONS FOR PERFORMANCE AND CORRECTIVE ACTION

- **Gross profit margin % (primary activity), net profit margin (primary activity), and net profit margin (all)**
 - **Reason for performance**
 - Primary revenue for treated water was lower than budget by 23.2% (R104.190m). Eskom loadshedding, pipe breaks on the scheme system caused higher water losses which resulted in lower revenue growth. Based on the assumptions for projected volumes, these were expected to increase upon the completion of the Sandile Pipeline. The increased volumes of supplied bulk potable water of 6,000kl for the Peddie area have not materialised due to financial constraints.
 - **Corrective action**
 - Award the successful bidder for the modular packaged plant as per Pillar 1 of the interim Board intervention during Q2 of 2022/23.
 - Expected completion date of the modular packaged plant is December 2022 (12 weeks). It will result in additional volumes of water being released to BCMM.

- **Gross profit margin (secondary activity), net profit margin (secondary activity), and percentage of secondary business of total turnover**
 - **Reason for performance**
 - Secondary business undercollected budgeted revenue by 45.5% (R22.659m). There was a delay in the award of additional contracts during Q4.
 - **Corrective action**
 - Maintain the status the secondary business' billing.
 - Speed up the appointment of PSP and procurement of goods and services for the Eastern Cape Department of Education.
 - Follow up on additional funding for the KSD PI project in the first quarter of the 2022/23 financial year.

- **Return on assets**
 - **Reason for performance**
 - It is due to GRAP 17 asset component – the application of deemed cost increased the asset base and depreciation for the primary business.
 - The decline in revenue growth for the primary and secondary businesses activities.
 - The decline in the interest received from investments is due to low interest rates provided by commercial banks for investments, controlled and the central bank of the repo rate.
 - **Corrective action**
 - AW budget is aligned to the GRAP 17 standard of application of deemed costs which has already been factored into the tariff determination of the 2022/23 financial year.
 - AW's investment strategy will take the advantage of an increase in interest rates which are expected to be implemented during Q1 of 2022/23. It is unlikely to be revised downwards by the central bank which is containing inflation in South Africa.

- **Debtors' days**
 - **Reason for performance**
 - It is due to ADM not honouring the payment plan. As at 30 June 2022, ADM's debt equates to R267m of which R245m debt is outstanding for +120 days. It has had a critical impact on AW honouring its creditor obligations.
 - **Corrective action**
 - Follow up on the discussion and decision taken and communicated by letter of 20 April 2022 to DWS recommending that the Parliamentary Portfolio Committee consider the following to improve the recovery of the outstanding debt:
 - Renegotiate and conclude realistic legally enforceable payment plans against the old outstanding debt with municipalities
 - Proposal to National Treasury for top slicing of the equitable share to fund old debt
 - Ensure payment of current water services without leaving room for defaulting clients
 - Minimise, where possible, fruitless and wasteful expenditure (interest charged)
 - Consider asset-debt-swap mechanisms by targeting bulk infrastructure to be transferred to the water board
 - Support municipal interventions on water conservation and demand management
 - Impose water restrictions in line with the policy prescripts and directives as a last resort.

- **Creditors' days**
 - **Reason for performance**
 - It is mainly due to Amatola Water being unable to pay DWS for old current debt as a result of the financial distress the entity is facing. The DWS ageing debt constitutes 92% of the total creditors of which 85% is over 120 days.
 - **Corrective action**
 - Payment plan for the 2022/23 financial year:
 - Amatola Water is to pay R18m monthly over a period of 48 months (instalments).
 - Negotiations are underway to write off the interest charged to an old debt amounting to R56m as at end of June 2022. This was discussed through CFO Forums meeting with DWS to consider an interest write-off with the understanding that the non-payment is the result of ADM. Follow up in the next CFO Forum, scheduled for September 2022.
-
- **Repairs and maintenance as % of PPE and Investment Property (Carrying Value)**
 - **Reason for performance**
 - The target has not been achieved due to the entity's underspend on repairs and maintenance. The implementation of the preventative maintenance plan and its response to equipment failure and breakdowns in the networks, particularly on the Albany Coast and Laing, did not materialised.
 - **Corrective action**
 - Actively monitoring, evaluation and closing long outstanding service orders will assist with the achievement of the target in the 2022/23 financial year.
-
- **Percentage implementation of the Financial Recovery Plan planned activities for the current financial year**
 - **Reason for performance**
 - The target has not been achieved: Financial Recovery Plan activities are ongoing. Some activities that relate to filling vacancies due to the moratorium being placed on vacant posts and the revenue enhancement strategies planned did not materialise.
 - **Corrective action**
 - Revenue Enhancement Strategy: Award the successful bidder for the modular packaged plant as per Pillar 1 of the interim Board intervention. Expected drop of water supply to BCM from the 10 megalitres in Nahoon and Sandile Pipeline are expected in November 2022.
 - Leadership stability: Appoint the Chief Executive and Chief Financial Officer in Q1 2023.
-
- **Supply Chain Management (SCM)**
 - Implement a three-year term contract.
 - Review Supply Chain Department Structure and job descriptions.
 - Develop and centralise online procurement and Record Management System for all procurement.
 - Build capacity and develop the SCM staff.
 - Develop standard operating procedures for all procurement cycles.

INTERNAL BUSINESS PROCESSES PERSPECTIVE

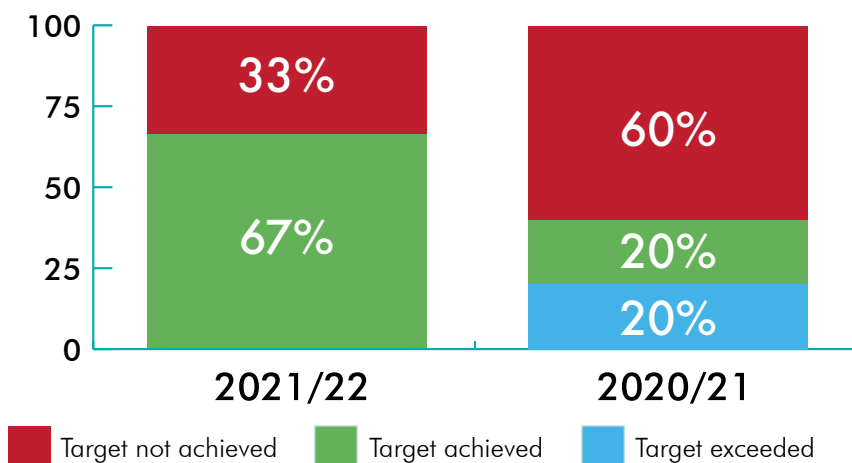


Figure B3: Internal business processes

Balance Scorecard	Output Indicator Reference Number	Output Indicators	Annual Result 2020/21	Annual target 2021/22	Annual result 2021/22	Variance
INT	2.1.2	Percentage of total water losses on production and distribution	14.4%	14%	17.5%	-3.5%
INT	4.1.3	Percentage of submissions in respect of Quarterly Reports, Annual Reports, Monthly Entity Reports, Tariff, Business Plan and Shareholder Compact on time	67%	100%	100%	Target achieved
INT	4.1.4	External audit outcome	Qualified	Unqualified	Qualified	Qualified

Table B3: Internal business processes

REASONS FOR PERFORMANCE AND CORRECTIVE ACTION

- **Percentage of total water losses on production and distribution**
 - **Reason for performance**
 - The target was achieved. High water losses were realised due to frequent pipe bursts as a result of water hammering which was experienced during Eskom loadshedding. Turnaround time to procure critical spares. Illegal connections on the water network. Equipment failure and a number of breakdowns occurring at the same time the delayed response in time allows for more water losses. Ageing infrastructure
 - **Corrective action**
 - Replace damaged sections with the higher class pipe to deal with the water hammering. Apply for Eskom loadshedding exemption whilst exploring alternative energy sources.
 - Finalisation of the procurement of term contracts are underway for plant and machinery, pipes, fittings and valves to assist with improving the turnaround times on water supply interruptions. Term contracts for water carting, plant and machinery is at the specification stage; targeting award in November 2022. The pipes, fittings and valves are at the stage of specification; targeting award in December 2022.
 - ADM and DWS has been engaged to assist with the illegal connections. Develop an integrated strategy for water conservation and demand management in preventing water losses.
 - Reconfiguration of working hours of the pipeline team in line with possible shift work to avoid shortage of capacity.
 - Follow-up with DWS regarding the request for approval of budgets to augment and refurbish ageing infrastructure.
- **External audit outcome**
 - **Reason for performance**

The target was not achieved. The entity received a qualified audit opinion for 2021/22 from statutory audit review by the Auditor-General South Africa.

The qualification items were:

 - Irregular expenditure
 - Fruitless and wasteful expenditure
 - Commitments
 - Contingent liabilities and
 - Corresponding figures - Payables from exchange transactions.
 - **Corrective action**
 - Management will develop an Audit Improvement/Intervention Plan by 28 November 2022 to monitor and address issues/findings identified by the AGSA in the 2021/22 audit report.

LEARNING AND GROWTH PERSPECTIVE

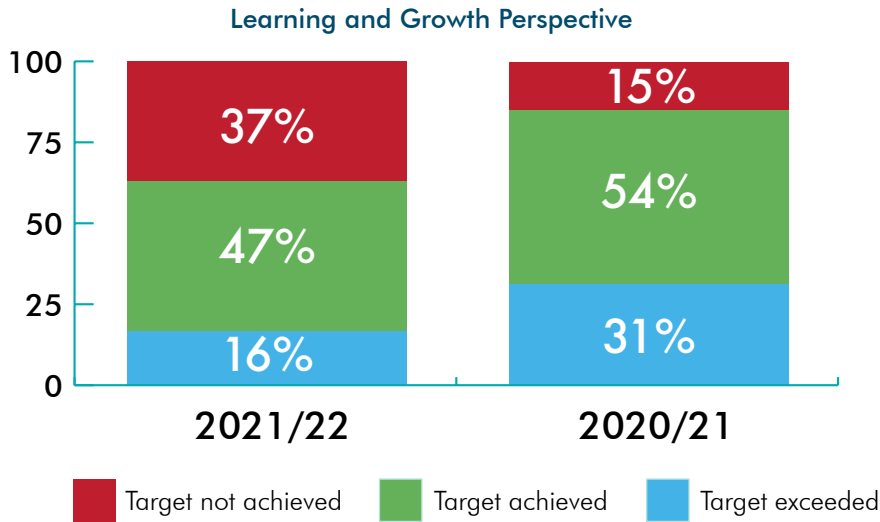


Figure B4: Learning and growth perspective

Balance Scorecard	Output Indicator Reference Number	Output Indicators	Annual Result 2020/21	Annual target 2021/22	Annual result 2021/22	Variance
L&G	4.1.5	Percentage of board member attendance of all Board/ committee meetings	94.62%	80%	90.46%	Target achieved
L&G	4.1.6	Number of repeats internal audit findings	6	5	6	-1
L&G	4.1.7	Number of unresolved internal audit findings	8	10	15	-5
L&G	4.1.8	Number of breaches of materiality and significance framework	2	5	11	-6
L&G	4.1.9	Percentage of targets achieved within the organizational scorecard	57%	70%	49%	-31%
L&G	5.1.4	Percentage of staff turnover	0.67%	1%	0.30%	Target achieved
L&G	5.1.5	Number of permanent jobs created	331	300	333	Target exceeded
L&G	5.1.6	Number of temporary jobs created	611	400	411	Target achieved
L&G	5.1.8	Number of learnerships	4	5	14	Target exceeded
L&G	5.1.9	Number of bursaries employees	15	15	22	Target exceeded
L&G	5.1.10	Number of graduate programmes	7	7	8	Target achieved

Table B4: Learning and growth perspective

REASONS FOR PERFORMANCE AND CORRECTIVE ACTION

- **Number of repeats internal audit findings**
 - **Reason for performance**
 - The target has not been achieved. The findings listed below were raised in the Internal Audit Report on Review of Quarter 2 Performance Report 2021/22 which were repeat findings, as they were previously identified in Quarter 2 Performance Report:
 - Insufficient portfolio of evidence to substantiate reported achievements.
 - Inadequate reasons for the deviation and/or corrective actions provided for targets over or underachievement.
 - Comparison of the Internal Audit Report on Review of SCM for 2020/21 and Review of Gawula Invoices - 2020/21 to Internal Audit Reports on Review of Quarter 1 SCM Deviations - 2021/22 and Report on Investigation of overpricing of quotations, we noted the following repeat findings:
 - 1. Invoices not paid within 30 days from receipt of an invoice.
 - 2. Some officials that participated in the RFQ did not sign declarations of interest.
 - 3. Invoices are not appropriately authorised prior to payment.
 - Furthermore, comparison of the Internal Audit Report on Review of AFS for 2019/20 and 2020/21, a number of findings were identified as repeat findings.
 - **Corrective action**
 - Internal Audit to continuously conduct reviews in line with the approved Internal Audit Plan and provide assurance on findings identified to be repeat findings. Implement the revised policy and SOP in respect of performance information for the 2022/23 financial year. Developed and implement the SCM Policy and Improvement Development Plan for the 2022/23 financial year. Active monitoring of the Audit Intervention Plan (internal and external). Prepare interim AFS for Management preparation of year-end.

- **Number of unresolved internal audit findings:**
 - **Reason for performance**
 - The target has not been achieved. Based on the follow-up on the previous financial year's Internal Audit findings, 15 findings remain unresolved from various Internal Audit reports:
 - Human Resources Review 2017/18: Two findings remain unresolved.
 - Revenue and Receivables Review 2018/19: One finding is partially resolved.
 - Debt Recovery Management Review 2019/20: Three findings are partially resolved; one is unresolved.
 - Review of Board Disbursements 2020/21: Two findings remained partially resolved.
 - Review COVID-19 2020/21: Five findings remain unresolved; one is partially resolved.
 - **Corrective action**
 - Strict monitoring of the Audit Intervention Plan and implementation of internal controls.
 - Capacitation of the internal audit section.
 - Finalisation of the organisational review to determine key functions to improve the control environment.

Percentage of targets achieved within the organizational scorecard

- **Reason for performance:**

The target has not been achieved for the following reasons:

 - This is due to the current financial distress which continues to have a critical impact on the financial sustainability of the organisation.
 - Delays in the implementation of AW projects.
- **Corrective action**
 - Management will continue to ensure that the remedial actions are implemented and there is accountability against the set performance targets.
 - The Financial Recovery Plan will be reviewed and updated in order to turnaround the financial position and performance of the organisation.
 - Finalise the review of organisational policies and delegation of authority.
 - Inculcate the culture of performance management.

- **Number of breaches of materiality and significance framework:**
 - **Reason for performance**
 - The target achieved. The AGSA issued the audit report on 30 November 2021 for the 2020/21 audit. The detailed findings accompanying the audit report identified a finding on prior year uncorrected misstatements totaling nine items:
 - Property Plant and Equipment
 - Land and buildings
 - Pipelines, Reservoirs, Pump stations and Treatment works
 - Payables-Income received in advance
 - VAT payable
 - Depreciation
 - Employee cost
 - Other expenditure
 - Irregular expenditure (limitation).
 - Three out of the nine prior year uncorrected misstatements led to the entity receiving a qualified audit opinion:
 - Property, Plant and Equipment
 - Payables from exchange transactions
 - Irregular expenditure
 - Furthermore, based on Quarters 1 to 3 of the SCM Reports, the entity continues to incur irregular expenditure.
 - **Corrective action**
 - Strict monitoring of the Audit Intervention Plan and implementation of internal controls.
 - Finalisation of organisational review to determine key functions to improve the control environment.
 - The finalisation of GRAP 17 projects (assets).
-

- **Percentage of targets achieved within the organisational scorecard**
 - **Reason for performance**
 - The target was not achieved:
 - It is due to the current financial distress which continues to have a critical impact on the financial sustainability of the organisation.
 - Delays in the implementation of AW projects.
 - **Corrective action**
 - Management will continue to ensure that the remedial actions are implemented and there is accountability against the set performance targets.
 - The Financial Recovery Plan will be reviewed and updated to turnaround the financial position and performance of the organisation.
 - Finalise the review of the organisational policies and Delegation of Authority
 - Inculcate the culture of performance management.
-

- **Percentage implementation of the training and skills development programme**
 - **Reason for performance**
 - Target was not achieved. 19% of the planned training could not be conducted due to the budget being exhausted. Adhoc training was conducted to address audit findings and risk management.
 - **Corrective action**
 - AW will ring-fence the budget for adhoc training. Some of the training activities will be rolled over and prioritised in the next planning cycle.
-

- **Number of innovation projects implemented**
 - **Reason for performance**
 - The target was not achieved.
 - The AW innovation project for the year was from IT. However, due to limited resources, the target could not be achieved. The underachievement is due to the resource responsible for software development resigning at a critical stage of the Amatola Water Software Application Portal Project. It impacted the completion date of the projects.
 - **Corrective action**
 - Currently, the recruitment of a resource is underway and should be finalised in Q1 of 2022/23 financial year. The appointment of the resource will fast-track the completion of the planned innovation projects. Management is looking at developing an integrated innovation strategy.



ANNEXURE C: GRI CONTENT INDEX





Amatola Water has reported “in accordance” with the comprehensive option resented by the GRI’s G4 guidelines. An independent assurance report can be found on page 152 - 160.

GENERAL STANDARD DISCLOSURES

STRATEGY AND ANALYSIS PAGE

G4-1: 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 - 16
G4-2: Provide a description of key impacts, risks and opportunities	24 - 27, 51, 56 - 60

ORGANISATIONAL PROFILE PAGE

G4-3: Report the name of the organisation	Throughout the report
G4-4: Report the primary brands, products and services	21 - 23, 26, 110 - 125
G4-5: Report the location of the organisation’s headquarters	4 and 256
G4-6: 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	4 and 22
G4-7: Report the nature of ownership and legal form	4 and 22
G4-8: Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	22 - 23, 110 - 125
G4-9: Report the scale of the organisation, including: <ul style="list-style-type: none"> • Total number of employees • Total number of operations • Net sales (for private sector organisations) or net revenues (for public sector organisations) • Total capitalisation broken down in terms of debt and equity (for private-sector organisations) • Quantity of products or services provided 	22 -23, 26 -27, 88 - 89, 110 - 125, 164 - 166
G4-10: Report the composition of the workforce, including: <ul style="list-style-type: none"> • Total number of employees by employment contract and gender • Total number of permanent employees by employment type and gender • Total workforce by employees and supervised workers and by gender • Total workforce by region and gender • 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 • Any significant variations in employment numbers 	88 - 91
G4-11: Report the percentage of total employees covered by collective bargaining agreements	91
G4-12: Describe the organisation’s supply chain	138, 152 and 218

ORGANISATIONAL PROFILE	PAGE
G4-13: 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"> • Changes in the location of, or changes in, operations, including facility openings, closings, and expansions • Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private-sector organisations) • Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination 	26 - 27, 134 - 135, 138, 164 and 166
G4-14: Report whether and how the precautionary approach or principle is addressed by the organisation	Not applicable
G4-15: List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	20, 30, 52 and 100
G4-16: List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: <ul style="list-style-type: none"> • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic 	91 and 110

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES	PAGE
G4-17: <ul style="list-style-type: none"> 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 	142 - 227
G4-18: <ul style="list-style-type: none"> 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 	20 - 21, 59 - 60, 170
G4-19: List all the material aspects identified in the process for defining report content	20 - 21, 59 - 60
G4-20: For each material aspect, report the aspect boundary within the organisation, as follows: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> - 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 	20 - 21
G4-21: For each material aspect, report the aspect boundary outside the organisation, as follows: <ul style="list-style-type: none"> • 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 	20 - 21
G4-22: Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	153, 164 - 167, 213 - 214
G4-23: Report significant changes from previous reporting periods in the scope and aspect boundaries	153, 164 - 167, 213 - 214

STAKEHOLDER ENGAGEMENT	PAGE
G4-24: Provide a list of stakeholder groups engaged by the organisation	61 - 64
G4-25: Report the basis for identification and selection of stakeholders with whom to engage	61 - 64
G4-26: 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	61 - 69
G4-27: 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	61 - 69
REPORT PROFILE	PAGE
G4-28: Reporting period (such as fiscal or calendar year) for information provided	Throughout the report
G4-29: Date of most recent previous report	Throughout the report
G4-30: Reporting cycle (such as annual, biennial)	Throughout the report
G4-31: Provide the contact point for questions regarding the report or its contents	Cover page
G4-32:	248
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	
G4-33:	52, 152 - 160
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	
GOVERNANCE	PAGE
G4-34: 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	30 - 48
G4-35: Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	30 - 48
G4-36: 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	30 - 48
G4-37: 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	30 - 48

GOVERNANCE	PAGE
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G4-38: Report the composition of the highest governance body and its committees by: • Executive or non-executive <ul style="list-style-type: none"> • Independence • Tenure on the governance body • Number of each individual’s other significant positions and commitments, and the nature of the commitments • Gender • Membership of under-represented social groups • Competences relating to economic, environmental and social impacts • Stakeholder representation 	30 - 48
G4-39: 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
G4-40: 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"> • Whether and how diversity is considered • Whether and how independence is considered • Whether and how expertise and experience relating to economic, environmental and social topics are considered • Whether and how stakeholders (including shareholders) are involved 	Not applicable
G4-41: 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"> • Cross-board membership • Cross-shareholding with suppliers and other stakeholders • Existence of controlling shareholder • Related party disclosures 	50, 188 , 212 and 225
G4-42: 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	30 - 48
G4-43: Report the measures taken to develop and enhance the highest governance body’s collective knowledge of economic, environmental and social topics	41 and 57
G4-44: 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	39, 72 and 150
G4-45: 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	25, 50 - 51, 147
G4-46: Report the highest governance body’s role in reviewing the effectiveness of the organisation’s risk management processes for economic, environmental and social topics	50 - 51, 147
G4-47: Report the frequency of the highest governance body’s review of economic, environmental and social impacts, risks and opportunities	50 - 51, 147

GOVERNANCE	PAGE
G4-48: Report the highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material aspects are covered	50 - 51, 147
G4-49: Report the process for communicating critical concerns to the highest governance body	30 - 31, 50
G4-50: 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	50
G4-51: Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration:	44, 203 - 207
<ul style="list-style-type: none"> • Fixed pay and variable pay: • Performance-based pay • Equity-based pay • Bonuses • Deferred or vested shares <ul style="list-style-type: none"> - Sign-on bonuses or recruitment incentive payments - Termination payments - Clawbacks - Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees • Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives 	
G4-52: 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	42, 44 and 95
G4-53: Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	44 and 95
G4-54: 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	44 and 95
G4-55: 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	44
ETHICS AND INTEGRITY	PAGE
G4-56: Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	43, 50 and 56
G4-57: 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	50
G4-58: 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	50

SPECIFIC STANDARD DISCLOSURES

DISCLOSURE ON MANAGEMENT APPROACH AND INDICATORS	PAGE
CATEGORY: ECONOMIC	
ASPECT: ECONOMIC PERFORMANCE	
G4-EC1: Direct economic value generated and distributed	26 - 27
G4-EC2: Financial implications and other risks and opportunities for the organisation's activities due to climate change	24 - 25
G4-EC3: Coverage of the organisation's defined benefit plan obligations G4-EC4: Financial assistance received from government	182 - 183
G4-EC4: Financial assistance received from government	26 - 27, 93 and 167
ASPECT: INDIRECT ECONOMIC IMPACTS	
G4-EC7: Development and impact of infrastructure investments and services supported	116 - 125
G4-EC8: Significant indirect economic impacts, including the extent of impacts	116 - 125
ASPECT: PROCUREMENT PRACTICES	
G4-EC9: Proportion of spending on local suppliers at significant locations of operation	134 - 135
CATEGORY: ENVIRONMENTAL	
ASPECT: ENERGY	
G4-EN3: Energy consumption within the organisation	113 - 114
G4-EN6: Reduction of energy consumption	113 - 114
G4-EN7: Reductions in energy requirements of products and services	113 - 114
ASPECT: WATER	
G4-EN8: Total water withdrawal by source	26 - 27, 102 - 103, 111
G4-EN9: Water sources significantly affected by withdrawal of water	26 - 27, 102 - 103, 111
G4-EN10: Percentage and total volume of water recycled and reused	Not applicable
ASPECT: COMPLIANCE	
G4-EN29: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Not applicable
ASPECT: OVERALL	
G4-EN31: Total environmental protection expenditures and investments by type	131, 133 and 201

CATEGORY: SOCIAL – LABOUR PRACTICES AND DECENT WORK

ASPECT: EMPLOYMENT

G4-LA6: 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	115
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ASPECT: TRAINING AND EDUCATION

G4-LA10: Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	93 - 94, 138
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G4-LA11: Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	95
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ASPECT: DIVERSITY AND EQUAL OPPORTUNITY ASPECT: DIVERSITY AND EQUAL OPPORTUNITY

G4-LA12: Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	37 - 47, 90 - 91, 144 - 145
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ASPECT: LABOUR PRACTICES GRIEVANCE MECHANISMS

G4-LA16: Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	91
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CATEGORY: SOCIAL – HUMAN RIGHTS

ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

G4-HR4: 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	91
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CATEGORY: SOCIAL – SOCIETY

ASPECT: LOCAL COMMUNITIES

G4-SO1: Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Not applicable
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G4-SO2: Operations with significant actual or potential negative impacts on local communities	Not applicable
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ASPECT: ANTI-CORRUPTION

G4-SO3: Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	50 - 51, 149
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G4-SO4: Communication and training on anti-corruption policies and procedures	50
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G4-SO5: Confirmed incidents of corruption and actions taken	50 - 51
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ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY

G4-SO10: Significant actual and potential negative impacts on society in the supply chain and actions taken	91, 152 and 156
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CATEGORY: SOCIAL – PRODUCT RESPONSIBILITY

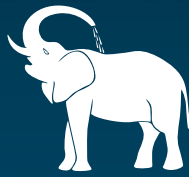
ASPECT: CUSTOMER HEALTH AND SAFETY

G4-PR1: Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	112 and 114
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G4-PR2: 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	112, 114 and 115
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ASPECT: COMPLIANCE

G4-PR9: 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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