Amatola
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AMATOLA WATER
INTEGRATED ANNUAL REPORT
2023/24



30 YEARS OF FREEDOM
South Africa 1994 - 2024

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
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 of South Africa
Company Secretary	Vacant
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 the Amatola Water Board.
Specific governing legislation	• Public Finance Management Act, 1999 (Act 1 of 1999 as amended by Act 29 of 1999) • Water Services Act, 1997 (Act 108 of 1997)
Chief Executive	• Mr S Koyo (appointed effectively from 1 December 2023)
Chief Financial Officer	• Ms N Nomnganga appointed acting Chief Financial Officer effective from 1 July 2022 to 30 September 2022; 14 Nvember 2022 to 6 March 2023; and 1 September 2023 to 30 April 2024 • Mr J Jackson (appointed effectively from 1 May 2024).

AMATOLA WATER INTEGRATED ANNUAL REPORT 2023/24

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ABBREVIATIONS

ABBREVIATION	NAME
4G/5G	Fourth and fifth generation of broadband cellular network technology
AC	Asbestos Cement
ADM	Amathole District Municipality
AFS	Annual Financial Statement
AGSA	Auditor-General of South Africa
AIP	Audit Intervention Plan
AoPO	Audit of Predetermined Objectives
APP	Annual Performance Plan
APR	Annual Performance Report
ARC	Audit and Risk Committee
ASB	Accounting Standards Board
AW	Amatola Water
BA	Bachelor of Arts
BAC	Bid Adjudication Committee
BBBEE	Broad-Based Black Economic Empowerment
BCMM	Buffalo City Metropolitan Municipality
B COM	Bachelor of Commerce
B COMPT	Bachelor of Accounting Science
B PROC	Baccalaureus Procurationis
BSC	Bachelor of Science
BTECH	Bachelor of Technology
BWRO	Brackish Water Reverse Osmosis
CAPEX	Capital Expenditure
CA(SA)	Chartered Accountant
CCMA	Council of Conciliation, Mediation and Arbitration
CCRS	Climate Change and Resilience Strategy
CCTV	Closed Circuit Television
CE	Chief Executive
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CO2	Carbon Dioxide
COBIT	Control Objectives for Information and Related Technology
COVID-19	Coronavirus Disease
CPA	Certified Public Accountant
CRMCO	Corporate Risk Management Committee
CRO	Chief Risk Officer
CSI	Corporate Social Investment
CSSA	Company Secretariat and Governance

ABBREVIATION	NAME
DAFF	Department of Fisheries and Forestry (now known as the Department of Environment, Forestry and Fisheries)
DBSA	Development Bank of Southern Africa
DIs	Disabling Injuries
DIFR	Disabling Injury Frequency Rate
DoA	Delegation of Authority
DRP	Disaster Recovery Plan
DWS	Department of Water and Sanitation
EAP	Employee Assistance Programme
ECDoE	Eastern Cape Department of Education
EIA	Environmental Impact Assessment
EME	Emerging Micro Enterprises
ERP	Enterprise Resource Planning
e-WULAA	Online Water Use License Application
EWRA	Enterprise-wide Risk Assessment
EWSETA	Energy and Water Sector Education and Training Authority
FINCO	Finance Committee
FY	Financial Year
GDE	Graduate Diploma for Engineers
GDP	Gross Domestic Product
GHB	Greenhouse Gases
GRAP	Generally Recognised Accounting Practice
GRI	Global Reporting Initiative
GRP	Glass Reinforced Plastic
GTAC	Government Technical Advisory Centre
HDPE	High Density Polyethylene Plastic Pipe
HONS	Honours
HR	Human Resources
HRRC	Human Resources and Remuneration Committee
IA	Implementing Agent
IAF	Implementing Agency Fee
ICCRMF	Institutional Credit Control and Revenue Management Framework
ICT	Information and Communication Technology
ICTST	Information and Communication Technology Steering Committee
IFRS	International Financial Reporting Standards
IGR	Intergovernmental Relations

ABBREVIATIONS

NAME	ABBREVIATION
IIRC	International Integrated ` Reporting Council
IMP	Infrastructure Master Plan
INC	Incorporated
IPPF	International Professional Practices Framework
ISA	Infrastructure South Africa
ISO	International Organisation ` for Standardisation
KPIs	Key Performance Indicators
KSDPI	King Sabata Dalindyebo ` Presidential Intervention
LIMS	Laboratory Information Management System
LLB	Bachelor of Laws
LLF	Local Labour Forum
LTD	Limited
MANCO	Management Committee
MBA	Master of Business Administration
MBL	Master of Business Leadership
MEC	Member of Executive Council
M&E	Mechanical and Electrical
MoU	Memorandum of Understanding
MP	Member of Parliament
MTEF	Medium-Term Expenditure Framework
NAPSAR	Network of African People Living with HIV in the Southern African Region
NCLLS	Nooitgedacht/Coega Lower-Level Scheme
NEHAWU	National Education, Health and Allied Workers Union
NGO	Non-Governmental Organisation
NLM	Ndlambe Local Municipality
NQF	National Qualifications Framework
NWRIA	National Water Resource Information Agency
NWRS-3	National Water Resources Strategy Third Edition
OHS	Occupation Health and Safety
OHSA	Occupational Health and Safety Act
O&M	Operations and Maintenance
ORTDM	OR Tambo District Municipality
P&D	Planning and Development
PDP	Provincial Development Plan

NAME	ABBREVIATION
PFMA	Public Finance Management Act
PLC	Programmable Logic Controller
PMU	Project Management Unit
PPE	Property, Plant and Equipment
PSP	Professional Service Provider
SAAWU	South African Association of Water Utilities
SABS	South African Bureau of Standards
SANAS	South African National Accreditation System
SANPARKS	South African National Parks
SASDA	SA Supplier Development Agency
SANS	South African National Standards
SALGA	South African Local Government Association
SAMWU	South African Municipal Workers Union
SBDC	Strategy and Business Development Committee
SCADA	Supervisory Control and Data Acquisition
SCM	Supply Chain Management
SHC	Stakeholder Compact
SHE	Safety, Health and Environment
SHEQ	Safety, Health, Environment and Quality
SLA	Service Level Agreement
SME	Small and Medium Enterprises
SO	Strategic Outcome
SOP	Standard Operating Procedure
SR	Strategic Risk
SSA	State Security Agency
SSS	Senior Secondary School
ToR	Terms of Reference
UASA	United Association of South Africa
WCWDM	Water Conservation and Water Demand Management
WSA	Water Service Authority
WSP	Water Service Provider
WSS	Water Supply Scheme
WTW	Water Treatment Works
WWTW	Wastewater Treatment Works



Miss Pemmy CP Majodina (MP)
Minister of Water and Sanitation

FOREWORD BY THE MINISTER
OF WATER AND SANITATION

It is an honour and privilege to present this report, which encapsulates the water sector's current state and future direction. The Constitution of the Republic of South Africa states that access to water is a basic human right. Water is not merely a resource; it is the lifeblood of our nation, intricately linked to socio-economic development and the well-being of our communities.

Throughout South Africa's 30 years of democracy, the Department of Water and Sanitation (DWS) has worked tirelessly to ensure all South Africans have access to clean water. According to the Statistics South Africa Census 2022 survey report, more than 80% of households now have access to piped water inside or outside their dwellings. However, a sizeable proportion of households in the Eastern Cape (19%) still do not have access to piped water.

Despite the improvements in water access, South Africa is grappling with a multifaceted water security crisis characterised by increasing demand and declining supply.The country faces a significant national water deficit, with demand surpassing supply by 96 million cubic metres annually. To achieve water security by 2030, it is imperative to implement effective demand management alongside infrastructure development.

Furthermore, while access to essential water and sanitation services has improved since 1994, millions still lack safe water and sanitation, with service reliability plummeting to 57% due to ageing infrastructure and insufficient municipal capacity. The 2023 Blue Drop, Green Drop and No Drop Reports reveal a decline in municipal water and sanitation services, increasing risks of water-borne diseases and environmental pollution and a rise in critical wastewater treatment systems.

Non-revenue or unaccounted water due to illegal connections, water leaks, and inefficiencies in billing systems is a serious issue that exacerbates these challenges while jeopardising the financial stability and resource adequacy of municipalities and water boards.

Inequitable water allocation persists, particularly in agriculture, where a disproportionate 95% of water is consumed by white commercial farmers, highlighting historical inequalities. Lastly, weak regulation exacerbates the situation, as deteriorating raw water quality threatens public health and economic growth. Enforcement is hindered by a lack of qualified personnel and a convoluted institutional framework.

The water sector policy frameworks have been established and designed to create a seamless connection between water resources and water services, recognising that access to clean and safe water is fundamental to health, education and socio-economic growth. The commitment to these frameworks reflects our understanding that water security is essential for the prosperity of our nation.

Notably, the development and approval of the National Water Resources Strategy Third Edition (NWRS-3) is a step toward the vision of “protecting and managing water resources to enable equitable and sustainable access to water and sanitation services in support of socio-economic growth, development, and sustained ecosystem functioning for the well-being of current and future generations”. In recent years, we have witnessed significant institutional reform, realignment, and legislative changes in the water sector that empower water boards to deliver enhanced value to the communities they serve.

These changes are pivotal in enabling water boards to operate more effectively, ensuring that they can meet the growing demand for water services while maintaining high standards of accountability and service delivery.

The reconfiguration of water sector entities aims to align the boundaries at municipal and provincial levels to ensure sustainable water services management and increase the financial sustainability of water boards.

The DWS is leading a high-level desktop due diligence analysis that will inform the comprehensive due diligence study for a regional water utility in the Eastern Cape.

The key strategic issues, including climate change, population growth and infrastructure deficits, pose ongoing threats to our water security. We must recognise the mandate and contributions of our water boards in addressing these challenges. The role of water boards is crucial in implementing innovative solutions and fostering resilience within the communities we serve.

Notably, Amatola Water has adopted and approved its Climate Change and Resilience Strategy (CCRS), distinguishing between adaptation and mitigation in response to climate change as they apply to its operations. The CCRS opens the basis for creating a phased implementation plan, which enables Amatola Water to become more resilient to the possible effects of climate change.

Infrastructure investment is essential for inclusive and sustainable growth; it addresses supply-side constraints and expands access to basic water services. The DWS has established a water partnership office with the Development Bank of South Africa (DBSA) and South African Local Government Association (SALGA) to identify and implement bankable water projects.

The entity has identified critical strategic projects from its approved Infrastructure Masterplan, which have been submitted to DBSA and Infrastructure South Africa (ISA) for feasibility and project preparation prior to submission to the National Treasury Budget Facility for Infrastructure. The objectives underpinning these strategic projects aim to respond to service delivery challenges, minimise water losses, ensure infrastructure maintenance, and address ageing infrastructure.

Revenue collection remains a challenge across the water value chain; however, ongoing interventions to improve debt management through improved debt management processes, including the establishing units specifically in the provinces, have been initiated.

The DWS, National Treasury, SALGA, and Department of Cooperative Governance and Traditional Leaders are addressing municipal debt and the imminent bankruptcy of water boards. Amatola Water is encouraged to enforce the standard credit control measures on municipal debt. The Seventh Administration aims to establish robust partnerships with all water sector stakeholders to create a sustainable water sector.

I would like to take this opportunity to affirm and endorse Amatola Water's key performance. The water entity's dedication and commitment to excellence in service delivery exemplify the standards we aspire to achieve across the water sector. The performance achievements are a testament to the hard work and determination of all those involved in the water entity.

My gratitude goes to the entity's Interim Board Members and Executive Management for their diligent efforts in fulfilling the mandate. They have assured that the water board's strategy is successfully executed. The battle is not over until everyone can access clean and drinkable water and the sector can meet the province's economic, environmental and social needs.



Miss Pemmy CP Majodina (MP)
Minister of Water and Sanitation
Date: 26 October 2024





Mr Ndumiso Tyibilika
Interim Board Chairperson

CHAIRPERSON'S STATEMENT

On behalf of Amatola Water Board, I am delighted to present its Integrated Annual Report for the 2023/24 financial year and unpack its achievements and challenges.

The entity is confident that the improvements made are a precursor to ensuring greater access to clean water for the people of the Eastern Cape. We must make every effort to ensure this fundamental constitutional right is honoured, underpinned by the third edition of South Africa's National Water Resources Strategy. The strategy will continue supporting the government's goal of protecting and managing water resources for current and future generations.

Amatola Water's improved performance is fortuitous because it demonstrates that the entity's corporate strategy and the government's intent are aligned. Furthermore, these results demonstrate that Amatola Water is making a tangible contribution to this goal.

I am happy to report that during this financial year that it attained an unqualified audit outcome and a 4% improvement in overall performance targets compared to last year.

Amatola Water's reputation is built by delivering hard-won operational results—providing clean water through well-maintained infrastructure and skilled staff - and winning hearts and minds through solid relationships.

Hence, it is encouraging that some of our best performances for this year have been strengthened critical relationships with internal and external stakeholders, improved risk and operations management. The report provides details in these areas.

However, a significant risk remains our financial sustainability. The entity is hampered by increased debtors' collection periods and an operating deficit of R164 million. We are confident that Amatola Water's

financial turnaround strategy and plan will deliver by aggressively implementing eight interventions that are instrumental to the plan's success. Furthermore, we are encouraged by the support provided by the partnership between the Department of Water and Sanitation, Department of Cooperative Governance and Traditional Affairs, National Treasury, SALGA and provincial government in targeting municipal debt.

However, significant challenges need addressing. These include high consumer demand amid climate change, decreasing water resources, and improving Eastern Cape households' access to clean water. In addition, service reliability for municipal water and sanitation services shows a disappointing decline which increases the risk of disease and environmental pollution.

Amatola Water's response to these infrastructure challenges is the implementation of the Amatola Water Infrastructure Master Plan (IMP) which was approved by the Board. The IMP will integrate with the Provincial Water Infrastructure Master Plan, which is under review, by working closely with provincial stakeholders, the municipalities and communities within Amatola Water's supply area. The implementation proposals of the IMP commenced with the establishment of strategic partnerships with the Infrastructure Fund (IF) and Infrastructure South Africa (ISA) for project preparation and feasibility studies.

Another critical achievement for the entity has been the approval of our Climate Change Resilience Strategy, which addresses potential climate change risks.

Last year's corporate governance improvements have resulted in a strong performance, risk, and ethics management culture at the board level. The Board continued to uphold good governance and practices through reviewing and updating Board Charter, Board Committee Terms of Reference including organisational policies.

Furthermore, the leadership and management capacity has been boosted by filling long-vacant positions and providing much-needed capacity in critical areas.

Congratulations to Ms Pemmy Majodina (MP), the newly appointed Minister of Water and Sanitation, who inspires us to fulfil our mandate and the former Minister, Mr Senzo Mchunu, for his wise and inspiring leadership.

I extend my gratitude to my predecessor, Ms Pam Yako, and to former Board members Mr Simphiwe Dzengwa, Ms Zamela Kiviet, and Ms Sindisiwe Xulu, whose dedicated efforts helped keep the organisation on course. I also recognise the commitment of Board members Mr Ayanda Mjekula and Ms Boitumelo Mokgatle, who have served with this interim Board since its inception.

I further acknowledge the Board members who joined us during the year under review, Mr Wisdom Mushohwe and Ms Nonkululeko Mxenge-Mayende, whose contributions have already begun to make a positive impact. Finally, I warmly welcome the most recently appointed Board members, Ms Litha Geza and Ms Nomfundo Douw-Jack, and look forward to their valuable insights and contributions to Amatola Water.

I extend my gratitude to the Chief Executive and his management team including all employees for their commendable service to the people of the Eastern Cape during a challenging time.



Mr Ndumiso Tyibilika
Interim Board Chairperson
Date: 18 November 2024



Mr Siyabulela Koyo
Chief Executive

CHIEF EXECUTIVE'S REPORT

I am pleased to present the Amatola Water Integrated Annual Report for the financial year ending 30 June 2024. This report fulfils our legal and compliance obligations and serves as a platform for engaging with stakeholders about the entity's performance.

The water sector faced challenges in the past year, including increased demand, deteriorating ecosystems, inconsistent services, inequitable distribution, weak regulatory oversight and operational hurdles like power outages and infrastructure vandalism.

Despite these challenges, our audited performance results at the end of 2023/24 reflected an overall outcome of 63% against the predetermined targets. Compared with the 2022/23 actual achievement of 59%, the overall corporate performance of the entity has improved by 4%. In addition to this achievement, the entity has maintained its unqualified audit outcome for the year under review.

The entity continued its efforts to enhance the quality and reliability of the water services provided to customers during the period under review. This involved ensuring the supplied water meets quality standards through effective treatment and infrastructure maintenance.

The entity met water quality standards for acute health chemical, chronic health chemical, and aesthetic compliance but faced challenges in meeting acute health microbiological compliance and operational compliance requirements due to frequent burst pipes and high iron and manganese content in raw water.

During the reporting period, the raw water supply assurance percentage target was met, and unplanned interruptions averaged seven days per quarter, primarily due to high population demand, loadshedding, and occasional pipe bursts from ageing infrastructure.

The kWh/cubic metre water production ratio has risen to 1.34 in 2023/24 from 0.872 in 2022/23, primarily due to water loss from pipe breaks and illegal connections.The

South African Bureau of Standards conducted an external ISO 45001 audit in 2023/24 to assess Amatola Water's Occupational Health and Safety Management System's compliance with ISO 45001:2018 requirements.

Eighteen non-conformances were identified and resolved, allowing the entity to maintain its accreditation. An action plan based on inspections and audits has been developed to improve occupational health and safety performance. The plan aims to monitor compliance with the ISO 45001:2018 Management System and ensure the achievement of objectives embedded in the Amatola Water Integrated Management Policy, including other strategic imperatives.

The organisation's financial health is a concern due to difficulties in recovering service costs, increased debtor collection periods and an operating deficit of R164 million reported for the 2023/24 financial year, exacerbated by municipal debt impairment, interest charges on raw water purchases and increasing wage costs. Amatola Water has developed a Financial Turnaround Strategy to address the financial challenges targeting eight areas, which will inform the implementation plan activities.

Amatola Water's success is attributed to its skilled, motivated workforce, which has been built by investing in training, development, and fostering a positive work culture.

Amatola Water partnered with the Energy & Water Sector Education Training Authority (EWSETA) to enhance employee skills and competencies. This partnership resulted in Amatola Water receiving a budget allocation from the EWSETA to ensure the implementation of the training plan. The entity aims to attract and retain employees and enhance productivity. Tertiary education financial assistance was provided to seven employees during the reporting period. Six employees and 16 learners were placed on workplace-integrated learning programmes. Six learners were from the Department of Labour; 10 were from the Eastern Cape Office of the Premier.

Amatola Water is classified as a hazardous workplace that adheres to the Occupational Health and Safety Act 1993. Regular occupational hygiene surveys, pre-employment and routine medicals, an in-house occupational health clinic, and a health and safety committee to manage occupational health risks. The water entity also offers off-site support and health education employee assistance to empower employees to make healthy work-life choices, resulting in higher employee returns.

Amatola Water aims to enhance its culture to enable successful strategy implementation based on its corporate values and build a sound organisational structure by focusing on structured delivery services and continuous employee development.

Amatola Water developed its Climate Change Resilience Strategy (CCRS) to address potential climate change risks. The strategy differentiates between adaptation and mitigation measures, considering Amatola Water's ability to respond to physical risks and contribute to global greenhouse gas emissions. The CCRS outlines a phased implementation plan to increase Amatola Water's resilience to climate change impacts, ensuring a more sustainable future.

The entity's strategic plan prioritises improved provision of safe and reliable water services, effective corporate governance and ethical leadership, improved financial viability, improved stakeholder relations, efficient and innovative organisational, enhanced environmental sustainability, and a highly skilled, engaged and productive workforce.

Despite the uncertainties in the operating environment, our team's resilience and professionalism have been commendable.

I thank the Interim Board and all stakeholders for their support through challenging times.



Mr Siyabulela Koyo
Chief Executive
Date: 30 November 2024



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

In terms of the Public Finance Management Act, 1999 (Act 1 of 1999 as amended) (PFMA), and as the Accounting Authority of Amatola Water, we accept responsibility for maintaining and preparing Amatola Water's financial statements and non-financial performance information for the 2023/24 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, evaluations, and outcomes of the Integrated Annual Report for the financial year ending 30 June 2024.

The level of overall performance (63%) 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 our entity's actual operational and financial results for the year ended 30 June 2024.

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 a conclusion on all other predetermined nonfinancial objective contracted to the shareholder for the reporting period. Refer to the AGSA report on pages 149 to 158.
2. The Integrated Annual Report has been prepared for the 2023/24 financial year, and the Accounting Authority approved it on 27 November 2024.



Mr N Tyibilika
Interim Board Chairperson
Date: 30 November 2024



Mr S Koyo
Chief Executive
Date: 30 November 2024



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 2023 to 30 June 2024.

Amatola Water's ninth Sustainability Report and tenth 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). It is under 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 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, and Chairperson of the 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.

The Amatola Water Integrated Annual Report results from a systematic and integrated reporting process involving various organisational levels, demonstrating collective efforts. The Executive Management team leads the reporting process, and its members are active contributors to the Integrated Annual Report content, demonstrating the importance of collective responsibility, accountability, and transparency practices.

To formulate and provide a complete and accurate view of the matters reported, the Report reflects some significant and material events that occurred after the financial year and up to the approval of this Integrated Annual Report by the Board on 27 November 2024.

Amatola Water illustrates value creation over time to the six capitals:



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



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



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



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



Social and relationship capital
Socio-economic development, particularly in rural communities, through essential service provision.



Natural capital
Continuous monitoring of water resources (quantity and quality).

The International <IR> Framework defines the capitals as “stocks of value that are increased, decreased or transformed through the activities and outputs of the organisation”.

ABOUT THIS REPORT

Amatola Water recognises the importance of living its core values when implementing its mission and vision. It is done by evaluating every decision and action based on the organisational core values, which are critical for Amatola Water’s overall success, growth, and financial strength now and in 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 of the Public Finance Management Act, 1999 (Act 1 of 1999, as amended), is a national government business enterprise. The Minister of Water and Sanitation formed it as the Executive Authority under the Water Services Act,1997 (Act 108 of 1997).

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 and water intended for conversion to potable water for commercial use but not industrial use.

SHAREHOLDER COMPACT

According to Regulation 29 of the Treasury Regulations issued under the Public Finance Management Act, 1999 (Act 1 of 1999 as amended), the Accounting Authority for a public entity listed in Schedule 3B must, in consultation with its Executive Authority, annually conclude a Shareholder Compact. Amatola Water Board and DWS entered a Shareholder Compact for the year under review.

The Shareholder Compact document outlines the mandated vital performance measures and indicators to be attained by the public entity as agreed between the accounting and executive authorities.

In principle, the Shareholder Compact regulates the relationship between the Shareholder, the Board and Management. To give effect to this principle, the Shareholder would have communicated its expectations to the Board and Management.

DISTRIBUTION INFRASTRUCTURE

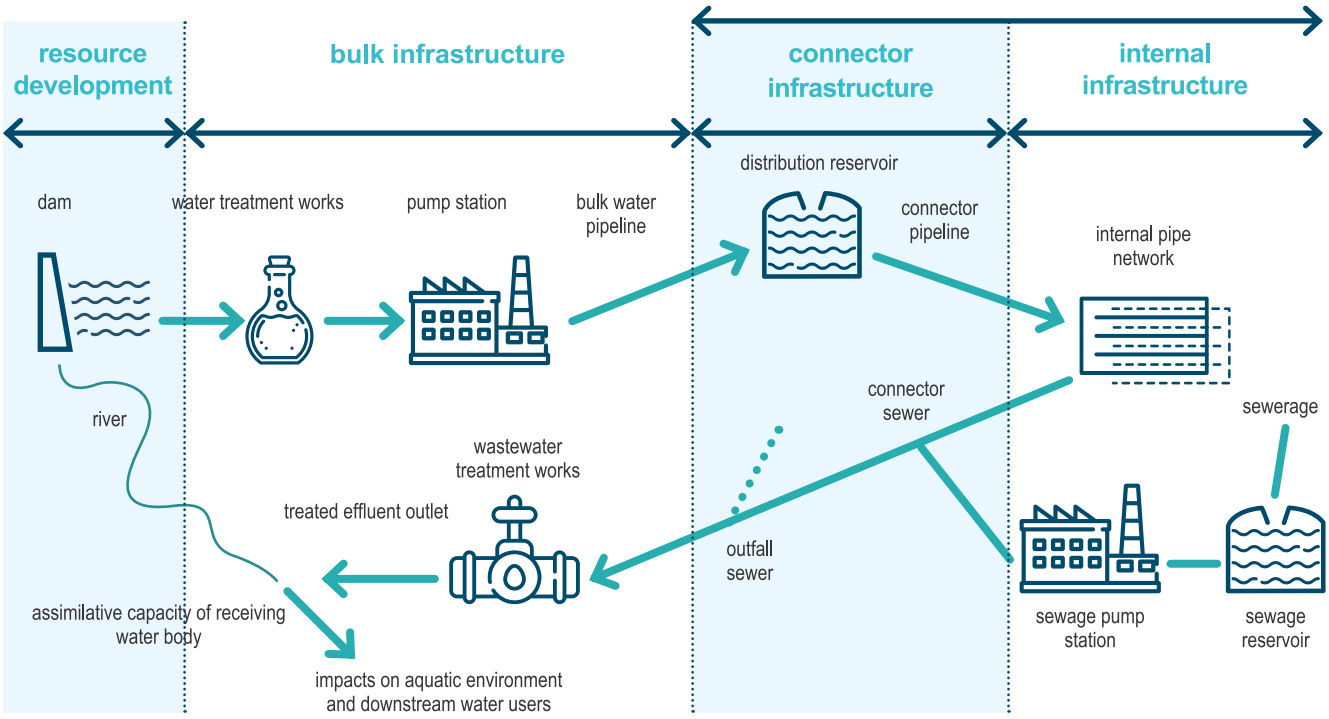


Figure 1.1 Water value chain

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, 1997 (Act 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 Province. 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:

a) Providing management services, skills transfer, and other support services to water services institutions to promote cooperation in the provision of water services;
b) Supplying untreated water to end users who do not use the water for household purposes;
c) Providing catchment management services to or on behalf of the responsible authorities; and
d) Assisting water services authority within the Eastern Cape Province:
    (i) Supplying water directly for industrial use;
    (ii) Treating effluent;
    (iii) Acting as a water services provider to consumers; and
    (iv) Providing water services in joint ventures with Water Services Authorities.
e) Performing water conservation functions.

In line with Section 30 of the Act, Amatola Water acts as an Implementing Agent on behalf of the municipalities, DWS and provincial Department of Education in operating and upgrading Water Treatments 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

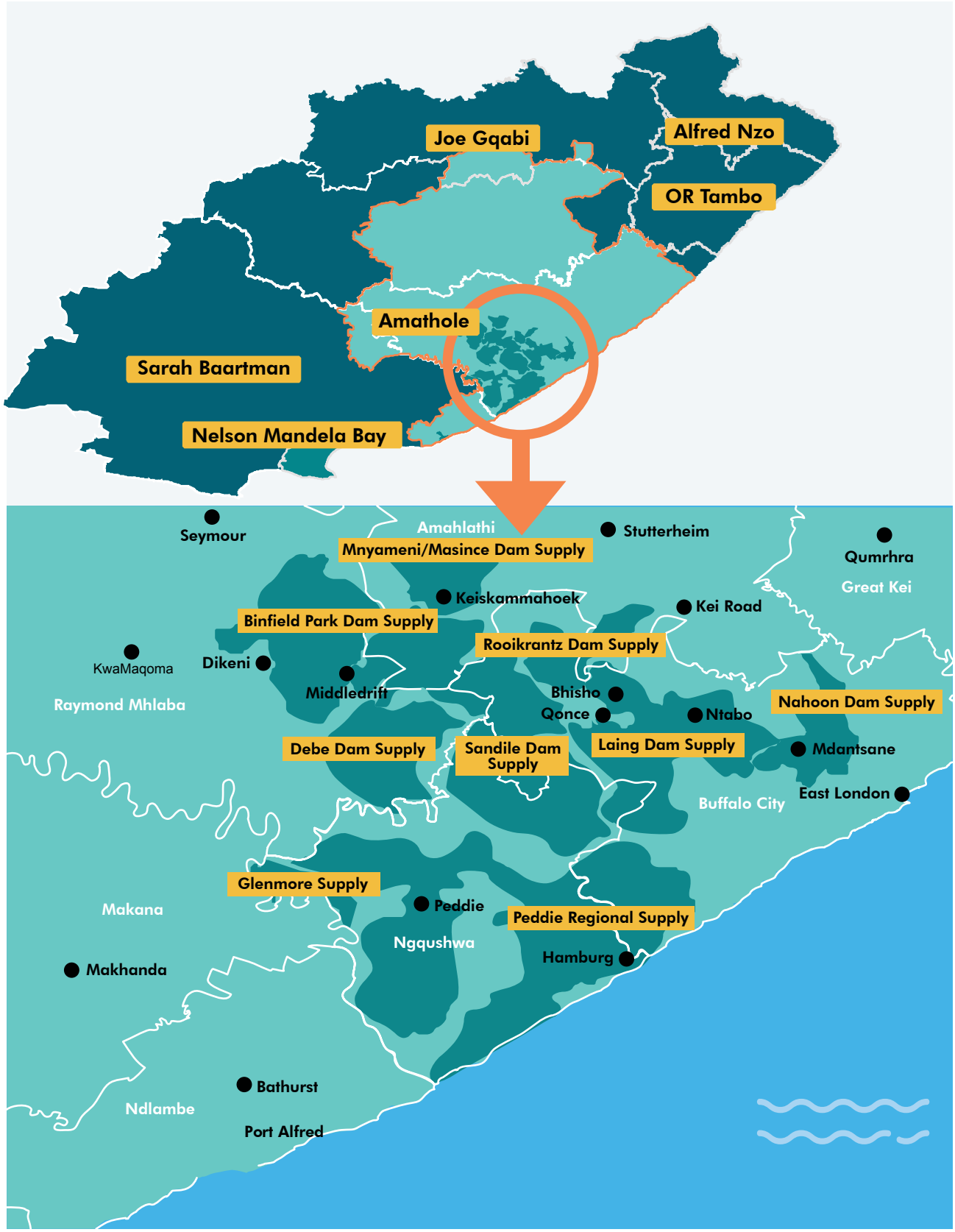


Figure 1.2 Amatola Water supply scheme

AMATOLA WATER OPERATING CONTEXT AND FACTORS INFLUENCING VALUE CREATION

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

As an essential services utility and government public enterprise based in the Eastern Cape Province, it is subjected 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.

Amatola Water has undertaken an analysis in the strategic review process for the variables which have a direct and indirect impact on its strategy and business operations. In the Amatola Water Updated Strategic Plan 2020/21 – 2024/25, the PESTEL tool has been used to assess and analyse the following exogenous factors in the external environment which may influence the organisational strategy and the ability to deliver on its statutory mandate:

POLITICAL	ECONOMIC	SOCIAL
• Constrained state capacity to drive policy and transformation • Lack of strong monitoring and evaluation oversight capacity • Frequent changes in political leadership at local government level • Poor levels and quality of service delivery in spheres of government • Corruption and/or state capture	• Low growth, recession, and weak currency • Rising input costs (labour, fuel, and electricity) • Constricted fiscal environment • Negative impact of the COVID-19 pandemic • Negative economic outlook by rating agencies	• Increasing levels of inequality • High rate of unemployment especially among youth and women • Increasing levels of vandalism of infrastructure • Increased levels of service delivery protests - social protests and civic engagement • Quality of health services • Education and lack of critical skills

TECHNOLOGICAL	ENVIRONMENTAL	LEGAL
• Fourth Industrial Revolution impact on economy, labour market and the public sector • Artificial intelligence and machine learning • Inadequate investment in research and development which limits the scope of innovation • Increased data costs • Poor levels of broadband penetration in the EC province	• Slow implementation of the country's energy mix strategy • Climate change and extreme weather events which has led to disasters. • Strain on water resources • Resource stress and biodiversity loss • Ineffective alien invasive vegetation which threatens water resources	• Reconfiguration of water boards offers opportunities and challenges. • Delays in the finalisation of the Land Expropriation Bill • Expanding compliance universe (local government - Amatola Water clients) • Information security and data regulation • Delays in finalising planning legislation

WATER SECTOR ANALYSIS

The Department of Water and Sanitation's Revised Strategic Plan 2020/21–2024/25 identifies the following persistent challenges related to water security in South Africa:

1. Increasing water demand and declining supply

The 2019 national demand for water requirements was 10,233 million m³/a, with the current, reliable national yield of surface water at an acceptable assurance of supply at approximately 10,137 million m³/a.

(i) It means a national deficit of 96 million m³/a; that is, demand exceeds supply.
(ii) To balance requirements and supply, South Africa must reduce water demand and increase supply for a growing population and economy to ensure water security by 2030.
(iii) Without demand management, the current planned infrastructure development and the broadening of the water mix will be insufficient to balance supply and demand.

2. Deteriorating water ecosystems

(i) Many high-value aquatic ecological infrastructure assets are poorly protected. Some areas are under severe pressure from intensive agriculture, mining, and urban sprawl, which results in the loss or degradation of ecosystems.
(ii) It is estimated South Africa has lost over 50% of its wetlands. Of the remaining 3,2 million hectares (less than 5% of South Africa's land cover), a third is already in poor condition, limiting their ability to, inter alia, regulate water flow and purify water.
(iii) The loss and degradation of the ecological infrastructure negatively affect the system yield and increase water-related risks.
(iv) Degraded wetlands, for example, lose their ability to release water during droughts or recharge groundwater supplies.
(v) Degraded ecological infrastructure increases the vulnerability of people and built infrastructure to floods and increases maintenance and repair costs on built infrastructure.
(vi) It is often more cost-effective to rehabilitate ecological infrastructure than face the ongoing need to repair or replace built infrastructure.

3. Unreliable water and sanitation services

(i) In 1994, 15,2 million people were estimated to have no access to essential water supply, and an estimated 20,5 million lacked basic sanitation.
(ii) Twenty-five years later, there has been significant progress, with 95% of the population having access to basic water supply; basic sanitation service is provided to 79% of the population.
(iii) Despite these achievements, more than three million people do not have access to a safe and reliable water supply, and an estimated 14,1 million do not have access to safe sanitation.
(iv) In addition, the reliability of services to the country's households declined to an estimated 57% due to ageing infrastructure and poor operations and maintenance.
(v) Some water service authorities (municipalities) fail to provide reliable water and sanitation services because they lack the technical skills, institutional capacity, and funding to properly operate, maintain, and manage water and wastewater infrastructure assets.
(i) Despite existing policy and legislative tools intended to transform water allocation to redress historica

(vi) Approximately 56% of the over 963 wastewater treatment works (WWTW) and approximately 44% of the 1,010 water treatment works (WTW) are in poor or critical condition and need urgent rehabilitation.
(vii) The poor state of water and wastewater treatment has significant implications for public health.

4. Inequitable water allocation

(i) Despite existing policy and legislative tools intended to transform water allocation to redress historical racial discrimination in access to water, little has been achieved since the National Water Act was promulgated in 1998.
(ii) This is particularly true in the agricultural sector, where around 95% of the water is estimated to be used by white commercial farmers.
(iii) According to the Institute for Poverty, Land, and Agrarian Studies, 39,000 white farmers are estimated to own more than 70% of commercial farms in the country. In contrast, the African Farmers Association of South Africa estimates that only 5,300 black farmers exist.

5. Weak regulation of the water and sanitation sector

(i) Despite the legislation's strong regulatory tools, raw water quality continues to deteriorate in many respects across South Africa.
(ii) The deterioration threatens economic growth, social development, health and hygiene, and aquatic ecological functioning.
(iii) Poor raw water quality increases treatment costs for domestic and industrial use. It also negatively impacts agricultural production.
(iv) The implementation of dam safety regulations is also severely strained due to limited qualified personnel.
(v) Using the courts to impose sanctions for infringements of water legislation hampers speedy resolution. This is exacerbated by the complex water sector institutional landscape, which has not sufficiently transformed and is impacting the water value chain.

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 2022/23

FINANCIAL CAPITAL	INTELLECTUAL CAPITAL	SOCIAL & RELATIONSHIP CAPITAL
REVENUE **R403m**	ICT OPERATIONAL EXPENDITURE **R6m**	ASSURANCE OF RAW WATER SUPPLY **61%**
AVERAGE BULK WATER TARIFF **R10,118/kl**	ICT CAPITAL EXPENDITURE **R1m**	BBBEE SPEND **100%**
CASH **R200m**	WATER RESEARCH LEVY **R3m**	LOCAL JOBS CREATED **350**
MANUFACTURED CAPITAL	**HUMAN CAPITAL**	**NATURAL CAPITAL**
PROPERTY, PLANT AND EQUIPMENT **R1634m**	STAFF TURNOVER **2%**	WATER LOSS-POTABLE PRODUCTION AND NETWORK **15%**
CAPITAL EXPENDITURE (TREATMENT PLANT UPGRADES) **R8m**	STUDY ASSISTANCE **R1m**	RAW WATER ABSTRACTIONS (KL'000) **40,104**

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

OUTPUTS 2023/24

FINANCIAL CAPITAL

REVENUE
R454m

AVERAGE BULK WATER TARIFF
R12,090/kl

CASH
R130m

INTELLECTUAL CAPITAL

ICT OPERATIONAL EXPENDITURE
R5m

ICT CAPITAL EXPENDITURE
R1m

WATER RESEARCH LEVY
R3m

SOCIAL & RELATIONSHIP CAPITAL

ASSURANCE OF RAW WATER SUPPLY
70,1%

BBBEE SPEND
125%

LOCAL JOBS CREATED
339

MANUFACTURED CAPITAL

PROPERTY, PLANT AND EQUIPMENT
R1570m

CAPITAL EXPENDITURE (TREATMENT PLANT UPGRADES)
R61m

HUMAN CAPITAL

STAFF TURNOVER
0,34%

STUDY ASSISTANCE
R1m

NATURAL CAPITAL

WATER LOSS-POTABLE PRODUCTION AND NETWORK
9,4%

RAW WATER ABSTRACTIONS (KL'000)
44,454

THE 10 OUTCOMES FOR SUSTAINABLE VALUE CREATION

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



2

CORPORATE GOVERNANCE



INTRODUCTION

Amatola Water is committed to a corporate governance process underpinned by respect, trust and transparency. In the year under review, the following structure enabled the organisation to respond to its strategy and execution of its mandate:

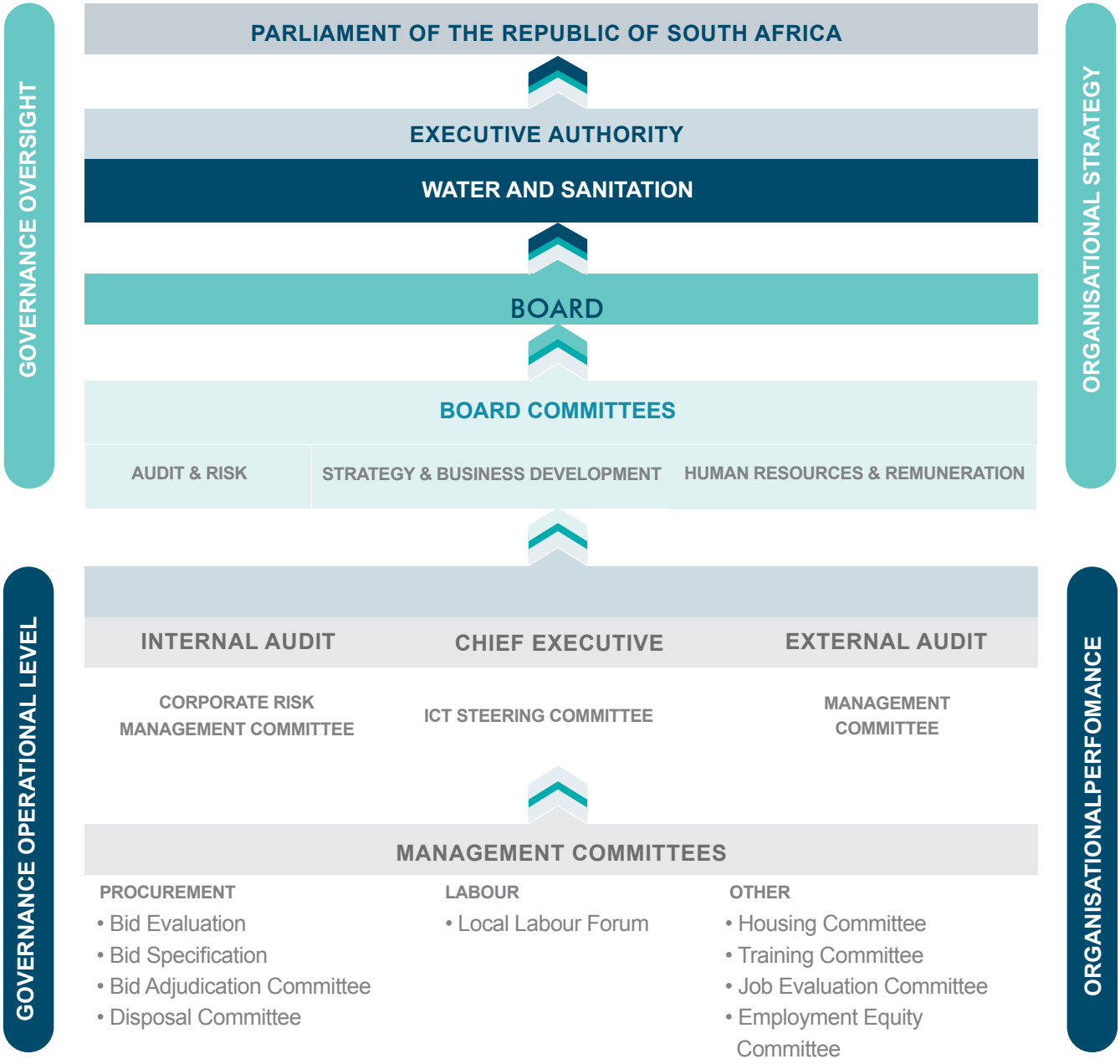


Figure 2.1: Governance structure

PARLIAMENTARY PORTFOLIO COMMITTEE ON WATER AND SANITATION

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

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

EXECUTIVE AUTHORITY

The Government of the Republic of South Africa, through the Department of Water and Sanitation (Executive Authority), duly represented by the Minister, is Amatola Water's sole shareholder.

Oversight by the Executive Authority, the Minister of Water and Sanitation, is in terms of the Water Services Act, 1997 (Act 108 of 1997) read with the Public Finance Management Act,1999 (Act 1 of 1999 as amended).

The Executive Authority has occasionally met with the Board of Amatola Water and continuously engages with the water entity. Operationally, various other project steering committees oversee project implementation.

In addition to the other powers set out in the Act, the Executive Authority must ensure that the appropriate mix of Board members is appointed and that they have the necessary skills to guide the public entity.

BOARD MEMBER PROFILES



Ms Pam Yako

Interim Board Chairperson, member of HRRC and SBDC
Appointed: 25 March 2022
Resigned: 31 August 2024

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

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

SKILLS AND EXPERIENCE

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 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 Grindrod-SA and Seriti Institute.



Mr Simphiwe Dzengwa

Member of SBDC and HRRC
Appointed: 25 March 2022
Resigned: 31 March 2024

Expertise: 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

Qualifications: Master of Business Administration
- Master of Public Administration
- Certificate in Development Finance
- Certificate in Property Management

SKILLS AND EXPERIENCE

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 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.



Ms Zamela Kiviet

HRRC Chairperson and member of SBDC
Appointed: 25 March 2022
Resigned: 31 May 2024

Expertise: Legal and corporate governance, audit and risk

Qualifications: Bachelor of Laws (LLB postgraduate)
- 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

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 the Automotive Industry Development Centre, Eastern Cape Informative Technology Initiative and now serves on the Board of Chris Hani Development Agency.

Currently, she is a member of the Audit Committee and Risk Management Committee of the Eastern Cape's Department of Education. She is a part-time instructor at the Practical Legal Training (Law School East London). Previous employers include Aspire, Amatola Water, the Eastern Cape Liquor Board, Legalwise and the University of Fort Hare, performing in roles such as company secretary, legal advisor/branch manager, lecturer and liquor inspector.



Mr Ayanda Mjekula

ARC member
Appointed: 25 March 2022

Expertise: Finance and strategic leadership

Qualifications: Master of Business Administration (Financial Accounting)
- Bachelor of Arts

SKILLS AND EXPERIENCE

Mr 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, chairs its Audit and Risk Committee 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, a Trustee of the Anglican Church of South Africa's Pension Fund and the 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 and UBank Limited where he also headed the Audit, Remuneration, and various IT Governance Committees. For 17 years, he served on the Council of the University of Fort Hare and was 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 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 was awarded a fellowship to study for a Master of Business Administration by the Ford Motor Company.

As the Chief Executive of the South Africa Supplier Development Agency (SASDA), Mr 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.



Ms Boitumelo Mokgatle

Member of ARC and HRRC
Appointed: 25 March 2022

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

Qualifications: Bachelor of Commerce (Accounting)
• Master of Business Administration

SKILLS AND EXPERIENCE

Currently, Ms Mokgatle serves on the boards of the Construction Industry Development Board and is the Chairperson of the Risk Management Committee for Buffalo City Metropolitan Municipality and Audit Committee Member of the Independent Development Trust,

Other boards on which she served include the Department of Environmental Affairs (Audit and Risk Committee), Network of African People Living with HIV in the Southern African Region (NAPSAR) (Chairperson Audit Committee), Ubuciko Twines and Fabrics (Chairperson of Board), KwaZulu Natal 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), the former Magalies Water Board, Dannhauser Local Municipality, Durban Chamber of Commerce, the Johannesburg Roads Agency of the City of Johannesburg, City of Tshwane, KwaZulu-Natal Film Commission, and the Institute of Risk Management of South Africa's KwaZulu Natal Risk Intelligence Committee.

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, among others, she was involved in strategic projects and later with the Presidency, where she was the Internal Audit and Risk Management Director. She also served as the Group Chief Risk Officer at the Ithala Development Fund, supporting micro-small and medium enterprises in KwaZulu-Natal.



Mr Ndumiso Tyibilika

SBDC Chairperson
Appointed: 25 March 2022
(Appointed Interim Board Chairperson effective from 1 September 2024)

Expertise: 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

Qualifications: Bachelor of Science (Mechanical Engineering) (registered)
• Executive Development Programme

SKILLS AND EXPERIENCE

Mr Tyibilika has an impressive track record as an engineer and executive having worked for Amcoal, Caltex Refinery, Eskom (Hydro and Water), Denel and Coca-Cola. He also has experience with the 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.



Ms Sindisiwe Prudence Xulu

Member of HRRC
Appointed: 25 March 2022
Resigned: 11 July 2023

Expertise: Strategic planning, leader-ship and people management, communication, stakeholder relations and management, financial management, policy development and project management

Qualifications: Bachelor of Arts
- Bachelor of Arts (Honours)

SKILLS AND EXPERIENCE

Ms Xulu has a formidable pedigree in the public sector, having led the Office of the Premier, the Departments of Public Works, Roads and Transport, Agriculture, Land and Environment and Economic Development in Mpumalanga and North West. Furthermore, she has quality assurance experience in higher education with two sector education and training authorities. 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.



Mr Wisdom Mushohwe

Member of ARC
Appointed: 1 August 2023

Expertise: Finance, advisory, taxation, audit and risk management

Qualifications: CA (SA), CPA (Inactive), Master of Business Administration

SKILLS AND EXPERIENCE

Mr Mushohwe is a registered Chartered Accountant with the South African Institute of Chartered Accountants and a Certified Public Accountant (CPA - Inactive) with the California Board of Accountancy in the United States of America. He also holds a Master's in Business Administration. Mr Mushohwe serves on the boards and the audit committees of World Vision South Africa, Mnquma Local Municipality, Ngqushwa Local Municipality, Eastern Cape Provincial Arts and Culture Council, Buffalo City Metropolitan Municipality and Man on a Mission (NPO).

He comes with broad experience in finance, auditing, advisory and taxation spanning over 17 years. Mr Mushohwe acquired most of his experience in finance and auditing environments at Deloitte and Touche, where he served in various positions in South Africa, the United Arab Emirates and United States of America. His experience includes balanced exposure to the private and public sectors - several municipalities, departments, state-owned companies and private companies within South Africa - under the GRAP and IFRS frameworks. He is passionate about seeing growth and success of communities through non-governmental organisations (NGOs), public sector, and small and medium enterprises (SMEs).

He brings vast private sector experience from having served as a financial director of a national private company and was later promoted to group CFO and the Board of the then listed holding company. Currently, he is a Director at Sync Finance Inc. which focuses on developing and growing SMEs.



Ms Nonkululeko Mxenge-Mayende

Member of SBDC and HRRC
Appointed: 1 August 2023

Expertise: Destination sales and marketing , international consulting and advisory, business development, global market expertise, risk management, foreign direct investments, industrial policy formulation, bilateral and multilateral trade relations

Qualifications: Bachelor of Arts (Honours) Management Systems (Organisational Analysis)
- Master of Arts (Industrial Relations)

SKILLS AND EXPERIENCE

Ms Mxenge-Mayende is a seasoned professional who leverages experience and expertise in destination sales and marketing to promote emerging and existing industrial zones, industrial parks and special economic zones to global potential investors. She has 27 years of global markets experience and competencies honed on four continents primarily in foreign direct investment promotion, recruitment, conversion and facilitation as well as market access, bilateral and multilateral trade relations.

This expertise extends to industrial policy formulation and analysis, sales and marketing, international consulting and advisory sales on business development, product and project development, risk management. She is proficient in strategic plans development (conceptualisation, implementation, monitoring and evaluation) for foreign trade, investment attraction and retention. Other skills include crafting industrial sectors' promotion strategies and implementation plans targeting utilities (renewable energy, water desalination and waste water treatment), business processing outsourcing, agroprocessing, automotives, pharmaceuticals, and the ICT electronics sectors for domestic and foreign investment markets. She has strong competencies in research and innovation having found innovative solutions in various portfolios especially in renewable energy, wastewater treatment and sea water desalination projects.

She has demonstrable leadership and corporate governance experience due to the various senior positions held in socioeconomic development. She has also worked with NGOs and community-based organisations who focus on water scarcity, energy efficiency, human rights promotion and international human rights law.

She is multilingual and people orientated with an ability to develop high performing teams through capacity building and training, talent management, coaching, mentoring and 360-degree performance focus.

BOARD AND COMPOSITION

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

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

Amatola Water Board and Committee members during the reporting year is shown in table 2.1.

BOARD AND COMMITTEE COMPOSITION

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

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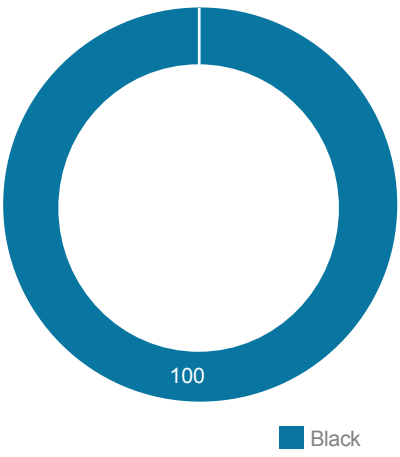
Amatola Water Board and Committee members during the reporting year is shown in table 2.1.

No	Board Member	Gender	Race	ARC	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.	Mr Wisdom Mushohwe	Male	Black	√		
8.	Ms Nonkululeko Mxenge-Mayende	Female	Black		√	√

Table 2.1: Board members (√ denotes committee member)

**Ms Boitumelo Mokgatle was reassigned from the ARC to serve in the Human Resources and Remuneration Committee (HRRC) on 1 August 2023.*

BOARD DEMOGRAPHICS (RACE, GENDER AND AGE PROFILES)



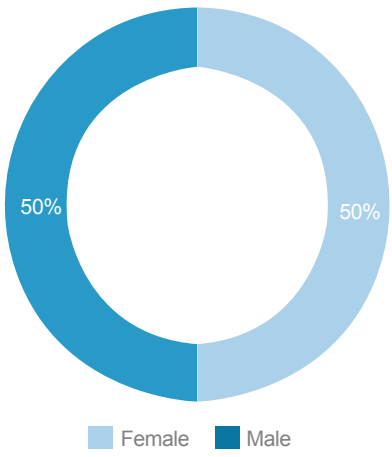


Figure 2.2: Board member race and gender profile

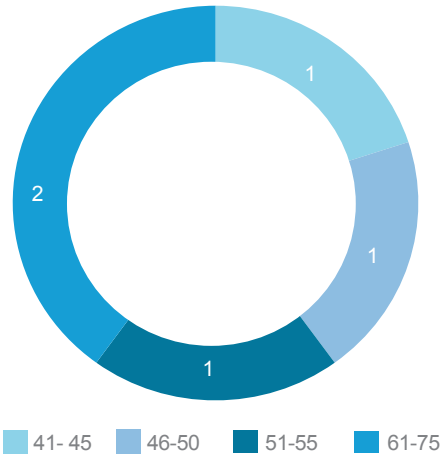


Figure 2.3: Board member age profile

BOARD MEETING ATTENDANCE

No	Board member	Attendance	Total meetings	%
1.	Ms Pam Yako	19	20	95%
2.	Mr Simphiwe Dzengwa*	9	11	81%
3.	Ms Zamela Kiviet	18	20	90%
4.	Mr Ayanda Mjekula	18	20	90%
5.	Ms Boitumelo Mokgatle	20	20	100%
6.	Mr Ndumiso Tyibilika	19	20	95%
7.	Mr Wisdom Mushohwe	18	20	90%
8.	Ms Nonkululeko Mxenge-Mayende	15	20	75%

Table 2.2: Interim Board members' attendance

**Mr Simphiwe Dzengwa resigned as a member of the interim board on 31 March 2024.*

The Board held 20 meetings during the 2023/24 financial year. This was due to special meetings that were required due to numerous governance challenges that were facing the entity.

BOARD ROLES AND RESPONSIBILITIES

The Board must ensure that it is accountable for fulfilling the role as well as the functions and responsibilities of the water board as set out in the Water Services Act. The following are critical responsibilities of the Board:

a) **Focal point of governance**: Fulfil its role as the focal point of good corporate governance and, as such, exercise leadership and judgment in directing Amatola Water to achieve sustainable prosperity for Amatola Water and its stakeholders.
b) **Effective leadership**: Maintain complete and effective control over Amatola Water based on integrity, transparency, accountability, and responsibility.
c) **Strategic direction**: Provide strategic direction to Amatola Water and, in the process, regularly consider its present and future strengths, weaknesses, opportunities, and risks, considering the dynamics of the changing external environment.
d) **Effective risk management**: Determine the organisation's risk and set the risk tolerance levels under the adopted enterprise risk management strategy. Oversee the identification and evaluation of critical risks and the risk management process.
e) **Information and technology governance**: Ensure that information and technology governance is effectively overseen and that management provides adequate information to facilitate the Board's effective decision-making.
f) **Internal controls and assurance systems**: Take the necessary steps to ensure a robust internal controls system whose effectiveness is regularly assured through risk-centric internal audits and other assurance providers.
g) **Ethical leadership**: Institute robust systems, policies, and procedures for effectively managing conflicts of interest and promoting ethical conduct across the organisation, including a system for effectively reporting crime, fraud, and corruption incidents.

STRATEGY AND BUSINESS DEVELOPMENT COMMITTEE (SBDC)

The SBDC Terms of Reference is reviewed annually. The last review and adoption of the Terms of Reference was on 31 May 2024.

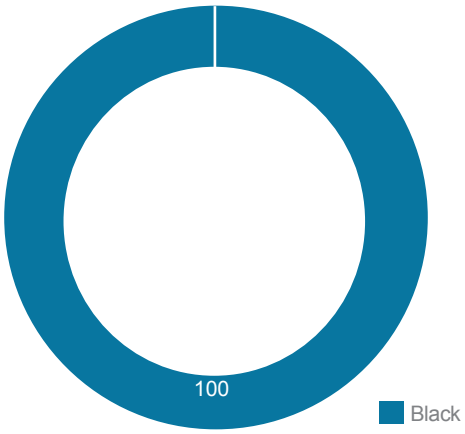
SBDC roles and responsibilities

The role and purpose of the SBDC is to assist the Board in fulfilling its oversight responsibility regarding:

a) Organisational performance
b) Strategic planning
c) Business planning
d) Business development
e) Communication and stakeholder engagement
f) Contribution to the development of the communities in which Amatola Water's activities are predominantly conducted
g) Policy development
h) Any other matter that the Board may refer to the SBDC.

SBDC DEMOGRAPHICS (RACE AND GENDER)

SBDC RACE PROFILE



SBDC GENDER PROFILE

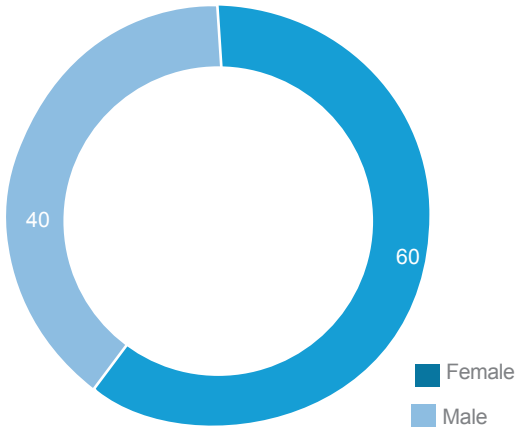


Figure 2.4: SBDC members' race and gender profile

SBDC MEMBERS' MEETING ATTENDANCE

NO	SBDC member	Attendance	Total meetings	%
1.	Ms Pam Yako	1	3	33%
2.	Mr Simphiwe Dzengwa	2	3	67%
3.	Ms Zamela Kiviet	3	3	100%
4.	Mr Ndumiso Tyibilika	3	3	100%
5.	Ms Nonkululeko Mxenge- Mayende	2	3	67%

Table 2.3: SBDC members' attendance

HUMAN RESOURCES AND REMUNERATION COMMITTEE (HRRC)

The HRRC Terms of Reference are reviewed annually. The last review and adoption of the Terms of Reference were on 28 August 2024.

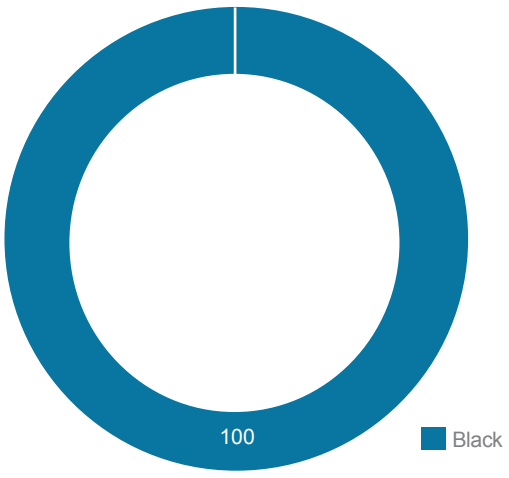
HRRC roles and responsibilities

The role and purpose of the HRRC is to assist the Board in fulfilling its oversight responsibility regarding:

a) The formulation and implementation of the Amatola Water Human Resources Strategy and Policies.
b) It guides and monitors the implementation of human resources, transformation, performance management, learning and development, and remuneration strategies.
c) It reports and advises the Board on all findings or recommendations of the HRRC's work.
d) The governance of remuneration by setting the direction for how remuneration should be approached and addressed on an organisation-wide basis to ensure that the organisation remunerates fairly, responsibly, and transparently to promote the achievement of the strategic objectives and positive outcomes in the short, medium and long term.
e) Compliance governance involves governing compliance with applicable laws and adopted, non-binding rules, codes, and standards by setting the direction for how compliance should be approached and addressed in the organisation.

HRRC DEMOGRAPHICS (RACE AND GENDER)

HRRC RACE PROFILE



HRRC GENDER PROFILE

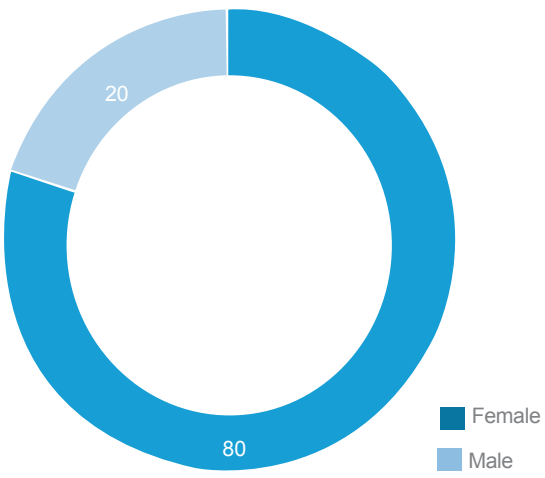


Figure 2.5: HRRC members' race and gender profile

HRRC MEMBERS' MEETING ATTENDANCE

No	HRRC member	Attendance	Total meetings	%
1.	Ms Pam Yako	2	3	67%
2.	Mr Simphiwe Dzengwa	3	3	100%
3.	Ms Zamela Kiviet	3	3	100%
4.	Ms Boitumelo Mokgatle	3	3	100%
5.	Ms Nonkululeko Mxenge-Mayende	2	3	67%

Table 2.4: HRRC members' attendance

AUDIT AND RISK COMMITTEE (ARC)

The ARC Charter is reviewed annually. The last review and adoption of the Terms of Reference were on 31 May 2024.

ARC roles and responsibilities

a) Internal control
   (i) Evaluate and ensure the appropriate control culture is set by Management.
   (ii) Assess the security of information systems and contingency plans.
   (iii) Confirm implementation of internal control recommendations from various assurance providers.
   (iv) Review policies, procedures, and delegation of authority alignment.
   (v) Escalate concerns to the Board when necessary.
   (vi) Recommend changes to key internal controls for statutory compliance.

b) Financial reporting
   (i) Identify and manage financial and business risks.
   (ii) Assess fraud, deficiencies in internal control, and significant accounting issues.
   (iii) Review financial management strategies, budget processes, and reporting.
   (iv) Evaluate legal matters impacting financial statements.

c) Financial management and performance
   (i) Review finance division policies and strategies.
   (ii) Assess budget planning, capital spending, and financial reports.
   (iii) Scrutinise the Annual Financial Statements for completeness and compliance.
   (iv) Review in-year monitoring financial reports.
   (v) Annually assess the effectiveness of the finance function.

d) Internal audit
   (i) Review internal audit function activities and effectiveness.
   (ii) Discuss findings, recommendations, and strategic plans.
   (iii) Monitor responses to recommendations and approve audit budgets.

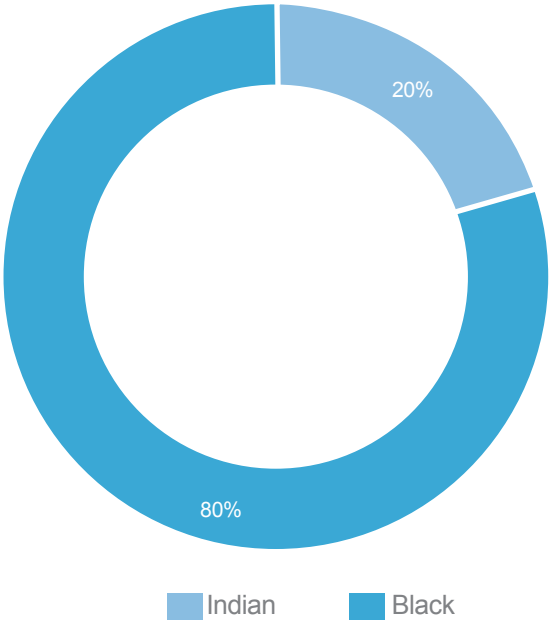
e) Risk management
   (i) Oversee risk assessment, management strategies, and compliance with policies.
   (ii) Review quarterly reports from risk management committees and report to the Board on strategic risks.

f) External audit
   (i) Review audit approach, independence, and performance of external auditors.
   (ii) Receive and discuss audit findings and ensure management's response.

g) Compliance with laws and regulations
   (i) Monitor compliance with laws, investigations of non-compliance, and regulatory examinations.
h) Compliance with the Code of Conduct
   (i) Ensure awareness and compliance with the Code of Conduct.
   (ii) Review monitoring processes and ethics risk assessments.
i) Fraud prevention strategy
   (i) Review anti-fraud policies and strategy, monitor effectiveness, and ensure regular risk assessments.
j) Performance management system and Integrated Annual Report
   (i) Review performance against objectives and audit findings and recommend improvements.
k) Reporting responsibilities
   (i) Report to the Board on ARC meeting outcomes and significant matters.
l) Other responsibilities
   (i) Perform oversight functions, conduct special investigations when necessary, and evaluate committee performance annually.

ARC DEMOGRAPHICS (RACE AND GENDER)

ARC RACE PROFILE



ARC GENDER PROFILE

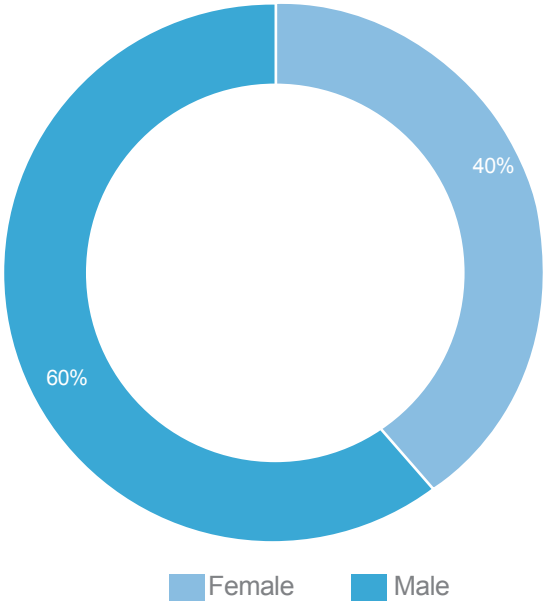


Figure 2.6: ARC members' race and gender profile

ARC MEMBERS' MEETING ATTENDANCE

No	ARC member	Attendance	Total meetings	%
1.	Mr Gideon Labane	10	10	100%
2.	Ms Boitumelo Mokgatle*	1	1	100%
3.	Mr Ayanda Mjekula	10	10	100%
4.	Mr Suren Maharaj	10	10	100%
5.	Ms Fikile Judith Mudau	10	10	100%
6.	Mr Wisdom Mushohwe **	10	7	70%

Table 2.5: ARC members' attendance

**Ms Boitumelo Mokgatle was reassigned from the ARC to serve in the Human Resources and Remuneration Committee (HRRC) on 1 August 2023.*

*** The Minister of Water and Sanitation appointed Mr Mushohwe on 1 August 2023 and on 29 September 2023, the Board allocated him to serve in the ARC.*

BOARD MEMBER INDUCTION

Upon appointment, the Board members are inducted to facilitate their understanding of Amatola Water, its business environment, the market in which it operates, and the members' fiduciary duties towards the organisation.

BOARD CHARTER

The Board Charter sets out the roles, responsibilities, functions and powers of the Board members. The Charter provides an overview of the powers delegated to various Board committees and the Chief Executive.

The Charter is reviewed every two years or as and when necessary to ensure it remains relevant to Amatola Water's objectives. The last review and adoption of the Board Charter was on 28 June 2024.

REMUNERATION POLICY

The Executive Authority determines the remuneration of the Board.

COMPANY SECRETARY ROLE

a) Develops systems and processes for Board support.
b) Inducts new Board members.
c) Provide secretarial and administrative support to the Board and its Committees.
d) Custodian of Board documents including minutes, Shareholder's compact and other documents.
e) Guides Board members in terms of ethics and good governance.
f) Ensure the proper and effective functioning of the Board and the integrity of the Board governance processes.
g) Provide detailed guidance to the Board as a whole and Board members individually on how to properly discharge their responsibilities in the best interests of Amatola Water.
h) Ensure that the Board procedures prescribed in the Board Charter, the Water Services Act, and the PFMA are followed.
i) Keeping abreast of and informing the Board of current government thinking and best governance practices.
j) Provide a central source of guidance and advice to the Board and its Committees primarily regarding procedural and compliance issues, including compliance with statutory regulations and with the King Code and the Protocol for Good Corporate Governance in the Public Sector as amended.

MANAGEMENT COMMITTEE

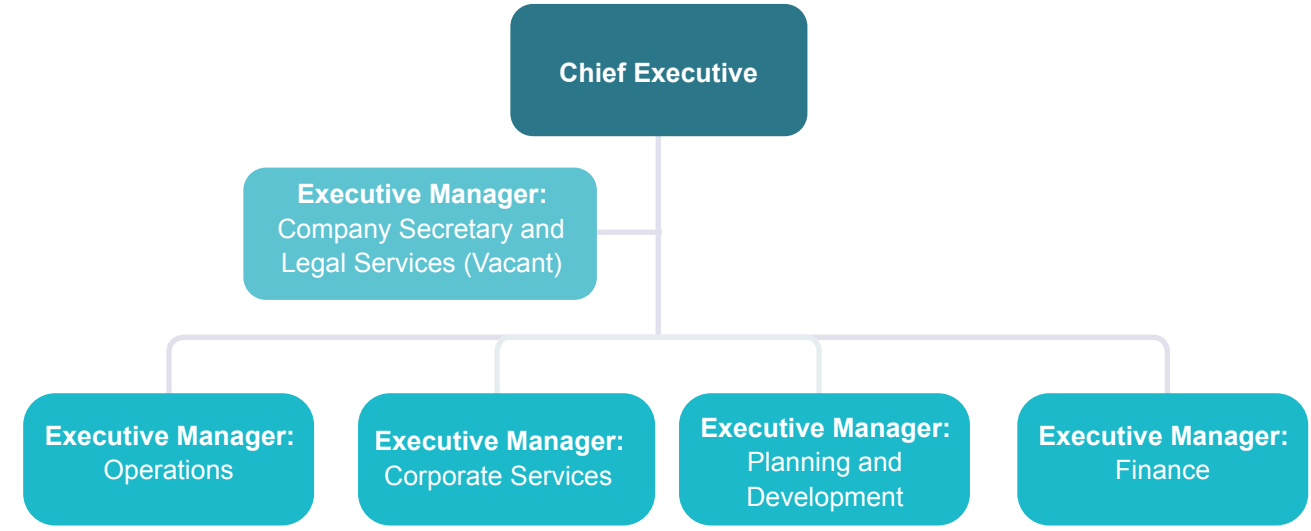


Figure 2.7: Management committee structure

MANAGEMENT COMMITTEE PROFILES



Mr Siyabulela Koyo

Role: Chief Executive
Date of appointment: 1 December 2023

- Executive Manager: Planning and Development (Appointed 1 June 2021 until 30 November 2023)
- Acting Chief Executive (Acting Chief Executive effective from 25 March 2022 to 15 August 2022 & 6 March 2023 until 30 November 2023)

Qualifications: 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)

SKILLS AND EXPERIENCE

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.



Mr Jonathan Jackson

Role: Chief Financial Officer
Date of appointment: 1 May 2024

Qualifications: Chartered Accountant CA(SA)
- Postgraduate Diploma Accounting
- Bachelor of Commerce

SKILLS AND EXPERIENCE

Mr Jackson is a chartered accountant with 27 years of post-qualifying experience of in financial management and related corporate governance at the international, regional and national levels. His success in the public sector is evident through the numerous clean audits he has achieved for the Eastern Cape Parks and Tourism Agency, Joe Gqabi District Municipality, and Eastern Cape Provincial Treasury. His experience also includes oversight of the financial accounts of other entities which report to the Auditor-General of South Africa's Mthatha Division. In 2001, he joined British accounting firms for which he performed a series of specialised audits. He also worked for British local government. His private sector experience includes his CFO role for an East London business for which he later consulted.



Mr Sazile Qweleka

Role: Executive Manager: Operations
Date of appointment: 1 September 2020

Qualifications: Bachelor of Technology (Mechanical Engineering)
- Master of Business Administration

SKILLS AND EXPERIENCE

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 South Africa.



Ms Dorothy Mabuza

Role: Executive Manager: Planning and Development
Date of appointment: 1 May 2024

Qualifications: MBA: Business Administration
- Postgraduate Diploma: General Management
- Graduate Diploma for Engineers (GDE): Civil (Water Engineering)
- BSc (Honours): Management of Technology
- B Tech: Civil: Construction Management
- National Diploma: Civil Engineering

SKILLS AND EXPERIENCE

Ms Mabuza is a registered professional engineering technologist, with over 27 years of experience in various leadership roles within the built environment. These include transportation, water and sanitation, roads and stormwater and infrastructure development. Having served as Executive Director of Transportation in the City of Johannesburg, Head of the Integrated Rapid Public Transport Network in the City of Ekurhuleni, Ms Mabuza led the development of strategies, business plans, policies, feasibility studies and master plans. She has also managed water revenue (water business), planning, designing and implementation of water and sanitation projects.

Ms. Mabuza has diligently represented both metros at various platforms, locally and internationally where she made presentations. She is currently employed as Executive Manager: Infrastructure Planning and Development at the Amatola Water Board.

Notable flagship projects that were implemented under her leadership include the Bus Rapid Transport, Rand Water's B17: 43km & B16: 3km pipeline (planning, design & documentation). She also championed the development of a roads and stormwater bulk contributions policy for the City of Ekurhuleni. She has successfully managed budgets over R2 billion per annum.



Ms Lindokuhle Nzoyi

Role: Executive Manager: Corporate Services
Date of appointment: 1 May 2024

Qualifications: Master's in Public Administration
- Post Graduate Diploma in Monitoring and Evaluation
- B Tech: Human Resource Management

SKILLS AND EXPERIENCE

Ms Nzoyi is a Human Resource (HR) specialist with over 20 years of experience and performed various other human resources-related roles including most recently, as Director of HR administration, HR Planning, Organisational Development and Change Management at the Eastern Cape Treasury. She also has similar experience with the Department of Education (as a Deloitte & Touche consultant), Department of Health in the HR space and Office of the Premier as the Deputy Director. Her experience spans policy development, recruitment, appointments, organisational development, change management and ethics officer, benefit management and audits, finance and supply chain management committees, and Persal management, among others.

DELEGATION OF AUTHORITY

Under the Water Services Act, the Board may delegate any operational power to:

a) A committee of the Board

b) Its Chief Executive and/or

c) 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 continuously pursues the organisation's financial and operational goals and objectives and ensures that the organisation's daily operations are appropriately tracked and controlled.

The incumbent ensures that the organisation's services are continually improved in quality and value to secure and maintain a respectable position in the water sector.

The incumbent also builds an organisational culture that supports moral behaviour, encourages personal integrity and satisfies the demands and goals of social responsibility.

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:

a) Submit monitoring data required by the Board in a timely, accurate and understandable fashion so that the Board is fully informed

b) Take steps to inform the Board of relevant trends, anticipate adverse media coverage, and contemplate significant external and internal changes, particularly changes in assumptions upon which any Board strategy has previously been established

c) Advise the Board on the applicable legislative prescripts and policy provisions.

An Annual Performance Agreement that governs the Chief Executive's contract is evaluated. The Chief Executive is contracted under a performance agreement, which is reviewed annually. The incumbent's appointment is for 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
2023/24	1	1	Alleged dishonest/misconduct by a board member	No	The matter was finalised and allegations were founded though, they did not warrant fraudulent acts.
	1	1	Alleged fake intention to award letters	No	The matter was finalised and allegations were founded though, they did not warrant fraudulent acts.
	1	2	Alleged misconduct recruitment x3	No	Two matters were finalised and allegations were founded though, they did not warrant fraudulent acts. One matter is being investigated.
	3	2	Multiple alleged misconduct including: • Procurement Irregularities x6 • Solicitation of bribes x3.	No (on two matters)	Two matters have been finalised and the allegations were unfounded. The seven other matters remaining are under investigation.

Table 2.6: Fraud hotline reports

Amatola Water maintains the Anti-Fraud and Corruption Policy, Strategy, Fraud Prevention Plan, and Conflict of Interest Management Policy to prevent, detect, and report fraud and corruption.

Furthermore, the entity has an anti-fraud hotline (whistleblowing) maintained by an external service provider. The Chief Executive, Manager Internal Audit, Manager Risk and Compliance, Audit and Risk Committee (ARC) and Board Chairperson have read-only access to the hotline.

The Board and ARC compile and table quarterly investigation reports. All the investigation reports were made available to the Auditor-General of South Africa (AGSA) for noting and risk consideration in their annual audit. The Board carried out all recommendations arising from the reports.

This shows the effectiveness of the reporting and fraud hotline system. The handling of the reports and outcomes can confirm this.

RISK, COMPLIANCE, AND ASSURANCE REPORTING

The Board, through its ARC, ensures there is an effective risk management process within the entity.

The Risk Management Process for Amatola Water involves the systematic application of policies, procedures, and practices to communicate and consult, establish the context and assess, treat, monitor, review, record, and report risk.

The Board engages annually in a Strategic Risk Assessment Review Process to identify or review risks that could hinder the achievement of the organisation's Strategic Outcomes.

Amatola Water assesses its risks on three levels: strategic, operational, and project risks. The monitoring of risk action plans is done by the Manager of Risk and Compliance every quarter and as and when the need arises through the divisional risk champion. After monitoring, a risk report is developed and presented to MANCO, CRMCO, ARC and the Board. The Risk Management Unit successfully implemented all its activities per the Risk Management Plan, i.e. achieved 100%.

EFFECTIVE ENTERPRISE RISK MANAGEMENT INTEGRATED INTO BUSINESS

Amatola Water, through its Board, has committed itself to implementing and maintaining effective, efficient, and transparent risk management systems. The risk management method is aligned to Principle 11 as set out in the King IV Report on Corporate Governance for South Africa and conforms to the Public Sector Risk Management Framework as outlined in the PFMA, Section 51 (1)(a)(i) and Treasury Regulations, Section 27.2.1.

Enterprise-wide Risk Management (EWRA) at Amatola Water is an ongoing process that focuses on identifying, assessing, managing, and monitoring all known forms of risk across all operations.

Amatola Water's EWRA is an ongoing process that focuses on identifying, assessing, managing, and monitoring all known forms of risk across all operations.

It has an EWRM Policy and Strategy that has been approved by the Board. Proactive risk management is fundamental to Amatola Water's ability to meet its short-term and longer-term strategic objectives. To ensure effective enterprise risk management, the Board has delegated the management of risk at the proper levels across all responsible areas of activities across the organisation.

Amatola Water's Accounting Authority, that is, the Board, is ultimately responsible for ensuring good governance and oversight of risk management in the entity.

The Board has delegated the operational oversight responsibility of risk management to the Audit and Risk Committee (ARC), which receives quarterly risk management reports from the Chief Executive (CE). The ARC has established the Corporate Risk Management Committee (CRMCO), which looks at the entity's risk management functionality and has ARC-approved Terms of Reference.

The entity has appointed the Manager Risk and Compliance who coordinates the risk management function. Furthermore, the Amatola Water Chief Executive has appointed risk champions to assist in the integration of risk management within its five divisions.

THE FOLLOWING TABLE REFLECTS AMATOLA WATER'S 12 STRATEGIC RISKS FOR THE 2023/24 FINANCIAL YEAR:

No	Strategic outcomes	Risk title	Cause	Actions
1	SO1: Improved provision of safe and reliable water services	**Inability to meet the bulk water supply and demand of customers (sufficient quality and quantity)**	1. Aging infrastructure. 2. Lack of maintenance of ageing infrastructure due to budgetary constraints. 3. Delays in finalisation and approval of the Infrastructure Master Pan. 4. Treatment works operating above design capacity. 5. Inadequate funding and budgetary constraints. 6. Inadequate conditional assessment of facilities (for example, buildings). 7. Lack of audit on the Preventative Maintenance Plan to ensure completeness. 8. Poor coordination of efforts internally (Planning & Development and Operations). 9. Effects of drought as a result of climate change (refer to Risk 10). 10. Increased customer demands due to increasing population. 11. Misaligned budget allocation between core and support owing to non-prioritisation of budget to core business. 12. Inadequate or lack of experienced technical skilled personnel. 13. Leadership instability at Amatola Water's Board and Executive Levels. 14. Non-compliance with national standards of water quality and wastewater effluent. 15. Water pollution. 16. Loadshedding or power outages (availability, reliability, and quality of electrical supply). 17. Vandalism and theft of water treatment works due to deterioration of safety measures. 18. Water losses due to illegal connections and leaks. 19. Shortage of water purification chemicals.	1. (1, 2, 3, 4, 5, 11) Finalise and approve funding requirements for the Amatola Water Infrastructure Master Plan (IMP). 2. (4, 5, 10, 14) Source funding for finalisation of Sandile and Nahoon Plant upgrades. 3. (4, 19) Roll out innovative technologies such as modular plants. 4. (12) Improve the capacity of the Operations Division with experienced and skilled engineers. 5. (4, 10,14) Monitor the plant upgrades that are due at Sandile, Peddie & Nahoon WTW for finalisation (Modular Plant). 6. (18) Enhance the implementation of the Water Conservation Demand Policy. 7. (14, 15) Monitor compliance of the Water Quality Programme and timeous communication of results. 8. (17) Implement the State Security Agency Report recommendations. 9. (2, 4, 14, 17, 18) Develop asset maintenance, refurbishment, and replacement strategy (subject to the approval of IMP). 10. (10,16) Source alternative energy (set up task team). 11. (6, 7, 18) Conduct conditional assessments of plants and equipment and implement the recommendations. 12. (8) Hold monthly meetings between Operations and P&D. 13. (9) Implementation of the Climate Change Readiness Strategy.

No	Strategic outcomes	Risk title	Cause	Actions
2	SO1: Improved provision of safe and reliable water services	**Inability to successfully implement secondary business projects within the scope, schedule, budget, and integrity of new installations**	1. Inadequate project and contract management. 2. Inadequate funding owing to budgetary constraints. 3. Inadequate capacity by end-users and project managers to monitor and manage contracts (such as technical skills). 4. Litigations arising from breach of service level agreements (SLAs) and non-compliance with SCM legislation and regulations that halts project progress. 5. Breach of SLAs by principal agents. 6. Inadequate supply chain and contract management capacity to support the Project Management Unit. 7. Lack of due diligence assessment on acquiring new secondary business projects. 8. Inadequate cost model for Amatola Water (that caters for the recovery of all project costs). 9. Lack of an enabling and responsive project management policy and methodology. 10. Persistent non-ending or ever-green contracts with the professional service providers (PSPs). 11. SCM policy is unresponsive to project management and project execution. 12. Non-payment or delays in payment by project funders or principal agents. 13. Inability to coordinate, plan, implement, and complete projects that meet the desired quality and integrity by the Project Management Unit. 14. Environmental impact assessment (EIA) project delays. 15. Projects hampered by interest groups (business forums, for example.) 16. Poor stakeholder engagement on projects.	1. (1, 3, 4) Develop and implement a capacity development plan for project managers. 2. (1, 3) Utilise the project management function optimally to capacitate managers. 3. (3, 4, 5) Enforce implementation and monitoring of SLAs between the principal and agent. 4. (3, 4, 5, 10) Monitor implementation of SLAs between PSPs and contractors. 5. (3, 4, 5, 10, 12) Review and update existing SLAs and strengthen new SLAs with provisions for ringfencing funding for projects by project funders or principal agents. 6. (15) Conclude mutually agreeable SLAs which facilitate intergovernmental (IGR) interventions and legal recourse. 7. (3, 4, 5, 10) Finalise the review of all Sections 29 and 30 aligned contracts. 8. (2, 3, 8, 7) Establish a business development unit that conducts feasibility and viability studies on new business opportunities and due diligence on the acceptance of new secondary projects. 9. 9, 11, 13) Review, align, and approve the Project Management Policy in line with National Treasury Project Management Methodology (GTAC 2010). 10. (1, 3, 6, 13) Capacitate the SCM and Contract Management, Project Management unit resources (human and financial). 11. (10) Assess the critical scope of the ever-green contracts and terminate after implementation of the scope (consider the legal implications of the contracts). 12. (8, 13, 14) Develop SOPs in line with the infrastructure project delivery model including the cost model (GTAC 2010). 13. (15, 16) Develop stakeholder engagement plans for projects.
3	SO1: Improved provision of safe and reliable water services	**Inadequate security for Amatola Water assets against vandalism and theft**	1. Delayed implementation of the recommendations of the (SSA) State Security Agency Assessment Report due to budgetary constraints. 2. Lack of a comprehensive Security Management Strategy. 3. Lack of resources (personnel and tools of the trade) to fully implement security measures and to monitor adherence to service level agreements in line with PSP performance. 4. Encroachment over pipelines, servitude, and properties.	1. (1, 4) Source funding and resources for the implementation of the SSA recommendations. 2. (1, 3, 4) Prioritise the staggered implementation of recommendations from the SSA Report. 3. (2) Develop and implement a Comprehensive Security Management Strategy. 4. (1, 3) Capacitate the Security Management Unit in line with the new organisational structure.

No	Strategic outcomes	Risk title	Cause	Actions
4	SO2: Effective corporate governance and ethical leadership	**Non-compliance with laws and regulations**	1. Delays in the review and approval of policies. 2. Unauthorised deviation from institutional policies. 3. Inadequate implementation of consequence management. 4. Lack of probity and compliance reviews. 5. Non-compliance with safety, health, environment, and quality (SHEQ) processes. 6. Inadequate Implementation of the OHS audit findings. 7. Lack of compliance management policy framework. 8. Incomplete compliance register or universe. 9. Delays in dealing with historic Irregular, and fruitless and wasteful expenditure. 10. Constant changes in the regulatory landscape (as well as vague and ambiguous regulations). 11. Legislation resulting in different interpretations and regulations.	1. (1, 2) Establish the policy coordination function. 2. (5, 6, 7, 8) Finalise the compliance universe or register. 3. Integrate the Disciplinary Policy and Code of Conduct into Amatola Water policies and vice versa. 4. (3, 9) Capacitate management on the implementation of consequence management. 5. (2, 4, 11) Strengthen internal control processes through segregation of duties (through SOPS). 6. (2, 4, 11) Continue to perform probity audits for high-value tenders prior to approval of procurement. 7. (2, 4,11) Conduct quarterly internal audit reviews on SCM processes. 8. (9) Conduct a determination assessment of irregular expenditure. 9. (1, 7, 10, 11) Facilitate review and approval of old or outdated policies. 10. (5, 6) Strengthen the implementation of the OHS audit findings.
5	SO2: Effective corporate governance and ethical leadership	**Fraud, corruption, and theft**	1. Collusion between or among service providers and Amatola Water employees or Board members. 2. Deliberate non-compliance with (SCM) processes. 3. Inadequate implementation of consequence management on transgressors. 4. Unlawful use or possession of Amatola Water assets for personal gain. 5. Misrepresentation of the time management system. 6. Ineffective implementation of Anti-Fraud and Anti-Corruption Policy and Strategy. 7. Ineffective implementation of the Code of Conduct. 8. Inadequate awareness of fraud prevention measures for Amatola Water employees and committees. 9. Favouritism in the appointment of certain PSPs. 10. Outdated Conflict of Interest Management Policy. 11. Cover quoting and bid rigging by employees intending to do business with Amatola Water.	1. (1, 2, 4, 7, 9, 11) Establish the Integrity and Change Management Programme that incorporates the Code of Conduct and Amatola Water values, for example. 2. (1, 2, 4, 5, 6, 7, 8, 9, 11) Conduct anti-fraud and corruption, risk management, and ethics awareness workshops. 3. (1, 2, 3, 4, 6, 9, 11) Perform Amatola Water internal lifestyle reviews and audits. 4. (7) Coordinate the review and approval of the Board's Code of Conduct. 5. (5) Automate time sheets. 6. (1, 2, 4, 5, 7, 9, 11) Internalise Amatola Water values. 7. (7) Implement the recommendations of the organisational culture survey. 8. (1, 2, 4, 5, 6, 9, 11) Perform regular fraud and ethics risk assessments. 9. (6) Procure a new fraud hotline contract. 10. (10) Review and approve the Conflict of Interest Management Policy.

No	Strategic outcomes	Risk title	Cause	Actions
6	SO2: Effective corporate governance and ethical leadership	**Non-functional corporate governance systems**	1. Lack of regular review of the Delegation of Authority (DOA) Framework to assist in effective decision-making throughout Amatola Water and monitoring the exercising of delegated powers by Management. 2. Inefficiencies in the management of the governance structures. 3. Lack of regular evaluation of the Board and Board Committee's effectiveness. 4. Inadequate or non-implementation of Board resolutions by management. 5. Breach of confidentiality around Board and Executive decisions. 6. Incapacitation of the governance structures (Risk Management and Internal Audit Units).	1. (2, 3) Review, update and approve the Board and Board Committees' Terms of Reference (TORs). 2. (1) Review, update and approve DOA. 3. (2, 3) Perform annual evaluation of the Board and Board Committees' effectiveness. 4. (4) Strengthen the performance management system. 5. (4, 5) Strengthen consequence management. 6. (2, 3, 4, 5) Capacitate the Company Secretary's Office. 7. (6, 2) Capacitate the risk management and internal audit function.
7	SO3: Improved financial viability	**Unsustainable financial viability**	1. Lack of funding to expand Amatola Water's services. 2. Leadership instability (Board and Executive Levels). 3. Non-payment of debt by municipalities and water service authorities. 4. Inadequate contract management on the primary business. 5. Water losses due to dilapidated Amatola Water infrastructure and illegal connections (for Amatola Water and water service authorities). 6. Unprofitable schemes, for example, Albany, Debe, and Glenmore. 7. Low volumes of water production. 8. Negligent trading by Amatola Water. 9. Poor marketing of Amatola Water for potential expansion of business. 10. Indigent customer base for Amatola Water municipalities as customers. 11. Inadequate capacity to meet the current and growing customer demands. 12. High input and production costs at WTW, for example, Albany plant. 13. Lack of effective project management for secondary business 14. Lack of proper due diligence assessment on the acquisition of new secondary business projects. 15. Inadequate cost model for Amatola Water.	1. (1, 3) Engage all relevant stakeholders on the issue of non-payment of debt to Amatola Water (Amathole District Municipality, provincial government and local government, for example). 2. (1, 3) Improve revenue and debt collection by enforcing the implementation of the Credit Management and Debt Collection Policy. 3. (5, 6, 7, 11, 12) Assess all unprofitable schemes and provide recommendations for improvement, for example, Debe, Glenmore and Albany. 4. (1, 3, 4) Consider legal actions, after exhausting intergovernmental relations processes against defaulting municipalities and ensure that the verdict is implemented. 5. (4, 8, 10, 13) Strengthen the SLA between Amatola Water and municipalities. 6. (8, 13) Properly initiate municipal projects. 7. (1) Leverage assets to acquire funding. 8. (7) Use filtered seawater instead of surface seawater (Albany plant). 9. (1, 3) Improve on debtor days collection. 10. (5, 6) Conduct conditional assessments of plants and equipment, and implement the recommendations.

No	Strategic outcomes	Risk title	Cause	Actions
	SO4: Improved stakeholder relations			11. Perform investigation on cases of fraud and corruption. 12. (10) Monitor the implementation of the Financial Recovery Plan. 13. (1, 3) Direct funds transfer from clients for secondary projects (ensuring debt payment by the principal under secondary business). 14. Enforce implementation of the cost containment directive. 15. (4,13) Implement the Project Management Policy. 16. (1) Secure funding for projects. 17. (8, 14, 15) Establish a Business Development Unit that conducts feasibility and viability studies on new business opportunities and due diligence on the acceptance of new secondary projects.
8		**Erosion of Amatola Water brand value and reputational sustainability**	1. Leadership instability (Board and Executive Levels). 2. Lack of ownership and implementation of Stakeholder Management Plan and Strategy. 3. Poor corporate ethics culture. 4. Lack of culture of service (integration of Batho Pele Principles). 5. Poor IGR stakeholder relations.	1. (3) Finalise the review and approval of outstanding policies. 2. (1) Resuscitate Local Labour Forum meetings. 3. (2, 4, 5) Develop and implement a stakeholder engagement plan. 4. (2, 4, 5) Conduct regular stakeholder satisfaction surveys. 5. (2, 3, 4) Develop and implement a complaints management system. 6. (2, 4, 5) Develop and implement a Communication Strategy and Plan. 7. (3, 4) Finalise the Corporate Citizenship Policy Statement. 8. (5) Revive robust stakeholder relations activities with the government-related entities. 9. (5) Engage in strategic alignment between Amatola Water and the Department of Water and Sanitation by supporting and participating in shareholder-led events and activities within the water sector. 10. (4, 5) Continuously interact with shareholders on matters referred by the Board. 11. (3, 4) Implement the Organisational Review Report's findings and integration of Amatola Water's values. 12. (3, 4) Develop and implement the customer service standards. 13. (1, 2) Convene quarterly staff meetings.

No	Strategic outcomes	Risk title	Cause	Actions
9	SO5: Efficient and innovative organisation	**ICT governance failures and cyber security threat**	1. Poor policy environment and implementation. 2. Poor network security. 3. Non-integration of ICT systems and processes. 4. Inadequate ICT infrastructure and systems to support Amatola Water's Strategy and Mandate. 5. Non-compliance with ICT legislative frameworks and regulations. 6. Inadequate ICT resources. 7. Ineffective ICT governance. 8. Cyber security attacks. 9. Inadequate training and awareness on cyber security threats.	1. (1, 5, 7) Approve and implement ICT governance frameworks. 2. (1, 5, 7) Perform oversight on the implementation of ICT Policies. 3. (2, 8, 9) Develop and approve a Digital Strategy. 4. (2, 8) Strengthen regular ICT security awareness, and training tests (training and tests to be compulsory for all Amatola Water employees). 5. (2, 3-8) Select and implement COBIT-2019 Framework components (for example, services, infrastructure and applications). 6. (2, 8) Develop, approve and implement an ICT Information Security Strategy. 7. (4, 6, 9) Develop, approve and implement an ICT Strategy that aligns with the organisational strategy. 8. (2, 8) Perform Disaster Recovery Plan (DRP) testing.
10	SO6- Enhanced environmental sustainability	**Environmental unsustainability**	1. Over-abstraction due to high demands. 2. Non-compliance with environmental impact assessment authorisations, environmental management plans and water use licenses. 3. Pollution. 4. Inadequate monitoring of environmental resources. 5. Non-compliance with the Environmental Sustainability Strategy. 6. Employee ignorance of environmental factors. 7. Exposure to drought and floods. 8. Poor project (infrastructure) planning. 9. Delays in environmental impact assessment (EIA) on projects.	1. (1-9) Implement the Environmental Management System to ensure that all Amatola Water employees are environmentally aware and are eager to be environmental champions to achieve compliance with ISO14001 certification. 2. (1, 7, 8) Proper implementation and management of water conservation demand management policy and strategy. 3. (2, 3, 7) Develop an Environmental Disaster Management Plan. 4. (2, 3, 4, 5, 6, 9) Conduct Environmental Awareness Programmes. 5. (1, 2-7, 9) Approve and implement the Climate Change Readiness Strategy.

No	Strategic outcomes	Risk title	Cause	Actions
11	S07-A highly-skilled, engaged and productive workforce	**Inability to attract, retain, and develop experience, technical and professional skills)**	1. Leadership cohesiveness and instability. 2. Unresponsiveness and inflexibility of the regulatory framework for Amatola Water (Chief Executive remuneration and succession planning, for example). 3. Non-implementation of succession planning processes. 4. Lack of approved organogram (interim organogram). 5. Non-adherence to the Succession Planning Policy, Retention Policy, Recruitment Policy, and Recruitment Plan, for example, overriding controls and moratorium. 6. Budget constraints to fill vacant and critical positions. 7. Non-compliance with Employment Equity Plan. 8. Misalignment of the current skills to the mandate of the entity. 9. Negative reputation for Amatola Water. 10. Poor corporate ethics culture. 11. Lack of Innovative projects for Amatola Water (to attract young talent).	1. To ensure the filling of the Chief Executive position. 2. (2, 3, 6, 7, 10, 11) Develop a comprehensive Human Capital Development Strategy. 3. (2, 5, 11) Implement the Recruitment Plan (Expedite the recruitment of the Chief Executive). 4. (2, 3, 5) Implement the Succession Plan. 5. (4, 7, 8, 10) Finalise the Organisational Review and conduct the matching of people to the new organisational structure in line with the Skills Audit Report and Organisational Review. 6. (2, 3, 5, 7, 10) Finalise the draft and review of Human Resource Policies and Plans. 7. (1) Continue with the Management Forums, Local Labour Forum and the extended Management Committee, for example. 8. (1, 4, 9, 10) Implement the Organisational Survey Report recommendations and findings, and the integration of Amatola Water values.
12	Reconfiguration of the water utility	**Delays in developing the Amatola Water Due Diligence Report**	1. Lack of funding for developing the Due Diligence Report. 2. Lack of internal capacity to develop the Due Diligence Report. 3. Lack of buy-in from the Eastern Cape water service authorities.	1. (3) Ensure the formation of the Provincialisation Multi-stakeholder Steering Committee (Amatola Water's role - secretariat). 2. (2, 3) Outsource services of the external expert on developing a Due Diligence Report (for example, Terms of Reference).

COMPLIANCE

The Amatola Water Board's primary legislative and policy mandate is to ensure continuous compliance with the applicable legislative framework that guides its operations as set out in the Amatola Water 2023/24 Corporate Plan.

Legal compliance management processes include policy development, monitoring of legal compliance register and corrective measures to ensure adequate compliance with the applicable legislative framework.

The Board monitors the legal compliance status through its Audit and Risk Committee (ARC) to ensure effective compliance management with the primary legislative and policy mandates.

ASSURANCE PROVIDERS

The Amatola Water Board has internal and external auditors. Internal audit is performed inhouse; the external auditor is the Auditor-General of South Africa (AGSA). The Board has an independent ARC Committee which plays a critical oversight and monitoring function over the entity's audit and risk management activities.

It should be noted that Management also undertakes internal audits in terms of certification, be it to test Occupational Health and Safety Act, 1993 (Act 85 of 1993) or International Organization for Standardization (ISO) compliance prior to applying to obtain certification and accreditation. The independence of assurance providers is considered important for the protection of Management and the Board.

After the audits have been undertaken, reports are submitted to the Amatola Water Board through the ARC. Management monitors any findings (from internal and external audit) and improvements which have been put in place to mitigate and prevent the finding from reoccurring in line with the Audit Intervention Plan (AIP). This report is tabled at the Management Committee, ARC and the Board.

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. During the 2023/24 financial year, the Combined Assurance Forum conducted its induction. The Forum is anticipated to be fully functional during 2024/25 financial year to strengthen the coordination of efforts amongst assurance providers.

VALUE ADDITION

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

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; there is an intention to have a fully-fledged in-house internal audit function to ensure the addition of ongoing value and monitoring 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 an internal audit provides assists the organisation in managing its reputation as it creates shareholder value and stakeholder appreciation of the organisation.

The internal audit function, currently in-house, is critical to Amatola Water's corporate governance, risk management, and control processes.

The following internal audit reviews were undertaken during the year under review as per the approved Internal Audit Plan for the 2023/24 financial year:

- Fraud Prevention Plan.
- Review the 2022/23 Draft Annual Financial Statements (AFS).
- Review the 2022/23 Draft Annual Performance Report (APR).
- Review the Contract and Expenditure Management for Abantu Staffing Solutions and Siyathemba Sokutu Attorneys.
- Review the Supply Chain Management (Quarters 1 and 2).
- Review the Overtime Management.
- Review the effectiveness of Corporate Governance.
- Review repairs and maintenance.
- Review the 2024/25 Business Plan.
- Audit of the Predetermined Objectives (AoPO) and Performance Information Review (Quarters 2 and 3).
- Review the draft of the 2022/23 Integrated Annual Report.
- Follow up on the prior year's Internal Audit Reports.
- Follow up on the 2022/23 Audit Intervention Plan (AGSA findings).
- Determination of Irregular and Fruitless and Wasteful Expenditure (Management ad hoc request).
- Investigate (preliminary) fleet management.
- Investigate the alleged rental vehicle irregularity.
- Investigate an alleged call received by the Talent Hub International.
- Investigate allegations relating to Corporate Services.
- Investigate allegations supply chain management Irregularities.

GOING FORWARD

Amatola Water strives to achieve a clean audit by fully implementing the Audit Intervention Plan and addressing the control deficiencies raised in the reports from various assurance providers.

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 that provides a value-added service to the organisation by evaluating the effectiveness of risk management, internal control, and governance processes within an organisation.

The ARC assesses the effectiveness of the internal audit function as part of its mandate, as outlined in the ARC Charter, and the internal audit was found to be effective.

EXTERNAL AUDIT

The external auditor for 2023/24 is the Auditor-General of South Africa (AGSA).

OTHER ASSURANCE REPORTS

Various other forms of external auditing occur throughout the operations.

THESE AUDITS INCLUDE:

- The SHE compliance audit must be conducted before verification and ISO accreditation is achieved.
- Blue and Green Drop Compliance Audits.

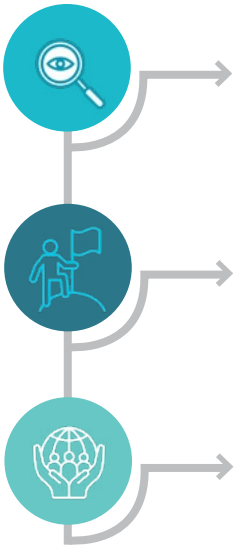
More details of these reports can be found on page 113 of the SHE Report.



3
CONTEXT AND STRATEGY



AMATOLA WATER'S STRATEGIC INTENT



VISION

A leader in bulk water services in the Eastern Cape.

MISSION

To contribute to the Eastern Cape's socio-economic development by providing sustainable, safe and reliable water services.

IMPACT STATEMENT

Improved health, dignity, and well-being of the people of the Eastern Cape through the provision of safe and reliable water services.

AMATOLA WATER VALUES

Amatola Water's organisational values represent its cultural footprint and how it wishes to be perceived by its internal and external stakeholders. In line with the organisation's renewal efforts, embedding the values in every facet of the organisation includes keeping the values uppermost with employees by placing them on various communication platforms and integrating them into the performance management system at all levels.

Amatola Water strives to live by the following values:

VALUE	DESCRIPTION
Professionalism	Amatola Water demonstrates a commitment to professionalism in all interactions and dealings with stakeholders. Giving consideration and respect for others guides its manners and is a main determinator of the entity's character.
Accountability	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.
Excellence	Amatola Water uses the best knowledge, understanding and innovative thinking. The entity seeks continuous improvement in all that it does in pursuing excellence.
Innovation	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.
Stakeholder-focus	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 stakeholder needs.
Team orientation	Amatola Water strives to work together to be more effective. It values individual strengths and talents and celebrates collaboration. Amatola Water collaborates towards a common goal and in the process, inspiring one another.
Integrity	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.

Table 3.1: Amatola Water values

STRATEGIC OUTCOMES AND ALIGNMENT WITH GOVERNMENT PRIORITIES

Amatola Water recognises that stakeholders are interested in its work and always strives to satisfy its stakeholders. It is committed to listening and responding positively to their needs.

Amatola Water's strategic outcomes constitute the building blocks of the roadmap to the entity's desired end state 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 more is needed to achieve the deliverables of a well-functioning water board.

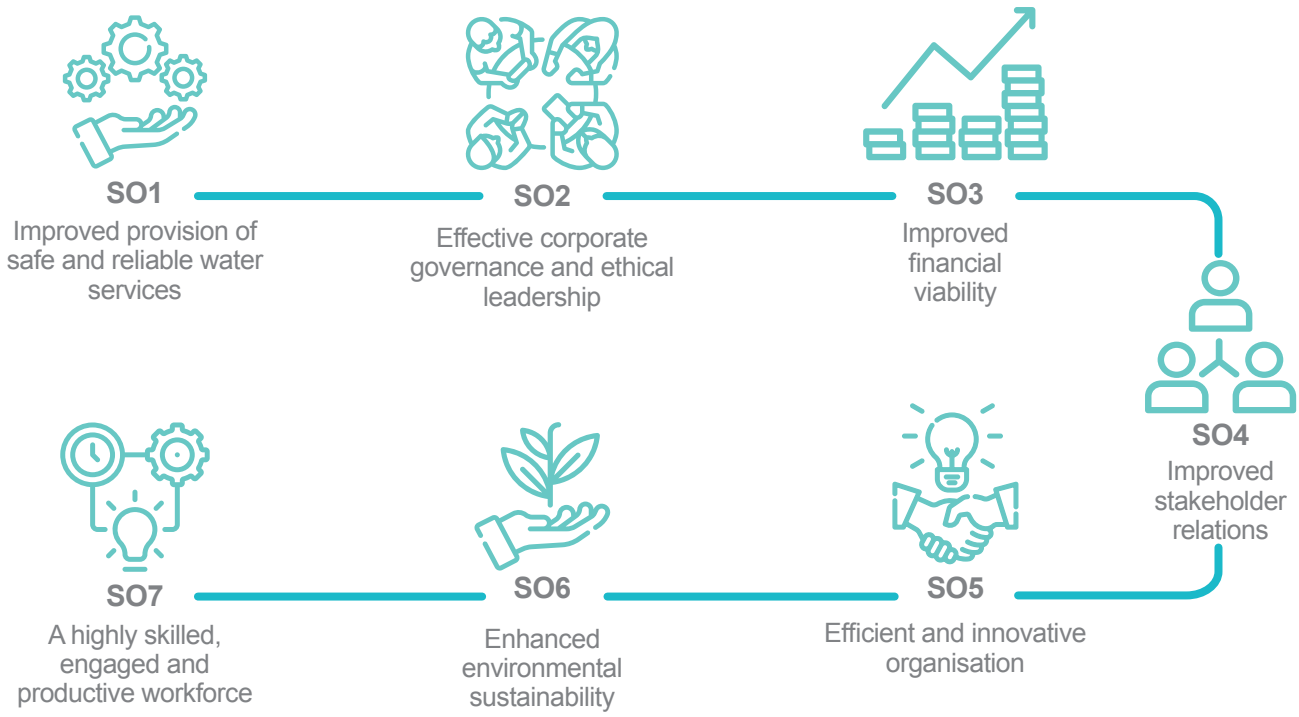


Figure 3.1: Amatola Water's Strategic Outcomes (SOs)

The realisation is that providing safe and reliable water services (Strategic Outcome SO1) to the water services authorities and providers will address a critical priority of equitable water provision to previously unserved communities in the Eastern Cape. Access to clean drinking water is a constitutional obligation and a fundamental human right.

Strategic Outcome (SO) 6 (enhanced environmental sustainability) aligns with the government's goals of reducing greenhouse gas emissions and mitigating the impact of climate change.

Strategic Outcomes 2, 3, 4, 5 and 7 aim to strengthen Amatola Water's capacity and capability to implement the current administration's mandate in line with Priority 1 (capable, ethical, and developmental state).

The following table shows the alignment of Amatola Water's Strategic Outcomes with the key government initiatives (Medium Term Strategic Framework - MTSF), the Department of Water and Sanitation's (DWS) Strategic Plan, and the Eastern Cape's Provincial Development Plan (PDP):

STRATEGIC OUTCOME	MTSF	DWS OUTCOME	PDP GOALS
SO1: Improved provision of safe and reliable water services	• Priority 5: Spatial integration, human settlements, and local government	• Outcome 2: Ecological infrastructure protected and restored • Outcome 6: Water redistributed for transformation	• Goal 2: An educated, empowered, and innovative citizenry • Goal 4: Vibrant, equitable enabled communities
SO2: Effective corporate governance and ethical leadership	• Priority 1: Building a capable, ethical, and developmental state.	• Outcome 1: Efficient, effective, and development-orientated department • Outcome 2: Ecological infrastructure protected and restored • Outcome 6: Water redistributed for transformation	• Goal 4: Vibrant, equitable enabled communities • Goal 5: Capable, conscientious, and accountable institutions
SO3: Improved financial viability	• Priority 1: Building a capable, ethical, and developmental state.	• Outcome 1: Efficient, effective and development orientated department Outcome 6: Water redistributed for transformation	• Goal 1: A growing, inclusive and equitable economy.
SO4: Improved stakeholder relations	• Priority 1: Building a capable, ethical, and developmental state.	• Outcome 1: Efficient, effective, and development-orientated department • Outcome 2: Ecological infrastructure protected and restored	• Goal 4: Vibrant, equitable enabled communities
SO5: Efficient and innovative organisation	• Priority 1: Building a capable, ethical, and developmental state.	• Outcome 1: Efficient, effective and development orientated department Outcome 6: Water redistributed for transformation	• Goal 5: Capable, conscientious, and accountable institutions
SO6: Enhanced environmental sustainability	• Priority 5: Spatial integration, human settlements, and local government	• Outcome 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.	• Outcome 1: Efficient, effective and development orientated department	• Goal 5: Capable, conscientious, and accountable institutions

Table 3.2: Alignment to the MTSF, Department of Water and Sanitation's Outcomes and Provincial Development Plan



STAKEHOLDER ENGAGEMENT AND COMMUNITY SUPPORT



INTRODUCTION

Stakeholder management is critical to any organisation's success, especially where community impact and regulatory compliance are paramount. Effective stakeholder engagement promotes transparency, builds trust, and facilitates collaboration among various parties, strengthening operational efficiency and community relations.

For Amatola Water, a bulk water service provider in the Eastern Cape, robust stakeholder management is essential for ensuring sustainable water delivery, encouraging community support, and addressing the unique needs of different stakeholders.

Effective stakeholder management is essential for the success of Amatola Water's operations and its mission to provide reliable water services to the communities it serves. Amatola Water encourages collaboration and social responsibility, and ensures its initiatives align with community needs by prioritising engagements with community, statutory, and educational stakeholders. Through continuous outreach and strategic partnerships, the entity is well-positioned to address the challenges of water management in a dynamic and evolving space.

STAKEHOLDER ENGAGEMENT AND COMMUNITY SUPPORT

Engaging with stakeholders is not merely a compliance exercise; it is an integral part of Amatola Water's mission to ensure that communities are informed, involved, and empowered. The entity recognises that stakeholders, including local communities, employees, government bodies, non-governmental organisations (NGOs) and regulatory agencies, play a significant role in shaping its policies and practices.

Community support is vital for successful project implementation, as it can lead to greater participation in water conservation initiatives and efficient usage.

By developing an understanding among stakeholders, Amatola Water identifies shared goals, addresses concerns proactively, and cultivates an environment of collaboration that ultimately benefits all parties involved.

Amatola Water believes an effective stakeholder engagement process can achieve:

a) Improved understanding of stakeholders' needs and concerns
b) Enhanced stakeholder confidence
c) Well-educated and informed communities on water sector matters
d) Water conservation and demand management.





COMMUNITY OUTREACH AND CORPORATE SOCIAL INVESTMENT

Amatola Water emphasises community outreach and corporate social investment (CSI) initiatives. These efforts address social issues and promote sustainable development in the communities served. Through initiatives such as educational programmes, donations and sponsorships, Amatola Water demonstrates its commitment to community well-being. These outreach programmes are essential for building trust and loyalty with stakeholders, as they reflect the organisation's dedication to making a positive social impact.

SCHOOL TOUR PROGRAMME AND SCHOOL VISITS

The School Tour Programme is crucial to Amatola Water's educational outreach strategy. The initiative invites students from local schools to visit Amatola Water facilities, providing them with first-hand knowledge of water treatment processes, conservation efforts, and the importance of sustainable water use. Amatola Water hosts and guides tours for various groups, such as the media, tertiary institutions, and secondary and primary schools, at the Albany Coast Reverse Osmosis Plant, Ngqushwa, and Nahoon Water Treatment Works.

Amatola Water extends its outreach to schools and









academic institutions through various visits and interactive sessions. These engagements provide opportunities for students to learn about water science, environmental management, and water's vital role in daily life. Through collaboration with various educational institutions, Amatola Water contributes to curriculum development. It reinforces the importance of water education in schools, which builds a knowledgeable community that values and protects its water resources.

AMATOLA WATER'S WATER





CONSERVATION AND DEMAND CAMPAIGNS

Water conservation and demand management are critical priorities, particularly in the face of climate change and increasing demand for water resources. With the Eastern Cape continuing to face drought conditions, the organisation actively engages stakeholders through campaigns to promote water-saving practices and educate the public about the importance of responsible water use. These campaigns often involve collaboration with community leaders, schools, and stakeholders to maximise reach and impact. By encouraging a culture of conservation, Amatola Water seeks to contribute to the long-term sustainability of water resources in the region.

CAREER EXHIBITIONS

Career exhibitions represent another avenue for Amatola Water to engage with the community, particularly the youth. These events showcase career opportunities in the water sector, providing information on the skills and qualifications needed to pursue a career in this field. Through collaboration with various institutions such as schools, tertiary institutions and NGOs and active participation in career exhibitions, Amatola Water promotes its organisational values. It inspires the next generation to consider water management, engineering, and environmental science careers. This engagement fosters a sense of connection between the entity and the community while addressing skills gaps in the local workforce







MEANINGFUL STAKEHOLDER ENGAGEMENTS IN 2023/24

During 2023/24, Amatola Water embarked on various strategic stakeholder engagements to improve and strengthen relations with its critical stakeholders and improve water service delivery to its stakeholders. Notable engagements included:

- Discussions with stakeholders in Makana regarding the progress and commitment to water supply initiatives
- A handover event for the Bluegumms-to-Herschel. project in the Joe Gqabi District Municipality, involving community members in the process
- Former minister Mchunu visited the James Kleynhans Water Treatment Works and engaged with local stakeholders
- Amatola Water's Interim Board conducted an employee engagement session
- A collaborative workshop with the Amathole District Municipality has helped to strengthen partnerships The Amatola Water Board held a strategic planning and stakeholder engagement session
- Hosted municipal councillors at the Nahoon Dam Water Treatment Works to foster communication and collaboration
- Engaged with the OR Tambo District Municipality to enhance efforts following former minister Mchunu's call for action.
- Meetings with Infrastructure South Africa (ISA) to discuss funding and investment opportunities for infrastructure development.





STAKEHOLDER ENGAGEMENT PLANS

Amatola Water is committed to strengthening its stakeholder engagement strategies further. Plans include implementing more targeted outreach programmes, expanding partnerships with its stakeholders and local organisations, and developing digital platforms for ongoing communication and feedback. By leveraging technology and encouraging inclusive engagement practices, Amatola Water aims to strengthen its relationships with stakeholders and ensure their voices are integrated into future decision-making processes.





MATERIAL MATTERS

Defining materiality for Amatola Water

Amatola Water defines a material matter as a risk or opportunity that could materially affect its ability to fulfil its mandate, purpose, and goal of providing high-quality bulk water and sanitation services while maintaining a positive reputation with all of its stakeholders in the Eastern Cape over the short, medium, and long term.

Material matters classification

Amatola Water's primary objective is to ensure service continuity. This involves maintaining a good reputation with all stakeholders while providing customers with a consistent supply of quality bulk water and sanitation services.

Amatola Water has, therefore, determined that its reputation and service continuity are its most critical elements and the primary material considerations, with all other material considerations having a direct impact on these matters.

Material matters table

In order of significance, the following table offers a more thorough explanation of the top 10 material matters and their connections to affected stakeholders, capitals, and strategic outcomes:

Ranking	Description of material matter	Capital impacted	Strategic risk	Stakeholder affected	Amatola Water strategic response
1	**Financial viability** • Amatola Water many inputs and outputs, such the price it pays to buy raw water and the possible price it charges for services rendered. • Furthermore, a small number of Amatola Water's important clients are also exposed to comparable macro and micro economic risks.	Financial capital 	SR1	• Customers and client stakeholders	SO3
2	**Economic** • Amatola Water is a government business enterprise so its performance in the local and national economies is very important. • The local and national economies are under pressure from factors like low GDP growth and South Africa's low sovereign credit ratings. • The Eastern Cape's economy is growing slowly and employs fewer people than the national economy, which impacts Amatola Water's operations.	Financial capital 	SR1	• Statutory stakeholders • Community stakeholders	SO3
3	**Access to funding** • To achieve its mission, Amatola Water maintains a sizable infrastructure footprint. • To assure service continuity and sustainable growth, Amatola Water needs to invest a sizable amount of capital in infrastructure expansion and maintenance.	Financial capital 	SR1, SR2, SR3 & SR7	• Statutory stakeholders • Community stakeholders	SO3

Ranking	Description of material matter	Capital impacted	Strategic risk	Stakeholder affected	Amatola Water strategic response
4	**Severe weather (drought and floods)** • The recent combination of drought and flooding highlights the Eastern Cape's vulnerability to climate variability and the need for robust water management and disaster preparedness strategies.	Natural capital 	SR10	• Community stakeholders	SO6
5	**Governance** • Amatola Water's efficient and moral operation depends on its leadership. It may present the organisation with a considerable risk or opportunity. • There has been high turnover in important leadership roles at Amatola Water.	Human capital 	SR4, SR5 & SR6	• Statutory stakeholders • Customers and client stakeholders	SO2
6	**Relationships with key stakeholders** • Amatola Water's reputation has been greatly impacted by its relationships with its major stakeholders, which poses a risk and an opportunity for the entity.	Social and relationship capital 	SR8	• Statutory stakeholders • Customers and client stakeholders • Community stakeholders	SO4
7	**Infrastructure value chain** • Amatola Water is dependent on upstream and downstream infrastructure providers and customers for the delivery of high-quality bulk water and sanitation services. • Amatola Water operates in a constrained closed market and in a narrow segment of bulk potable water supply chain.	Manufacturing capital 	SR1, SR2, SR3 & SR10	• Customers and client stakeholders • Community stakeholders	SO1
8	**People skills and development** • Ensuring successful and efficient operations requires personnel who possess the necessary skills and qualifications.	Human capital 	SR11	• Customers and client stakeholder	SO7
9	**Economic regulation** • The amount of time that passes between determining and approving water tariffs by the government determines Amatola Water's capability of income-generation.	Financial capital 	SR4, SR5 & SR6	• Statutory stakeholders	SO3
10	**Technology and communication** • Technology plays a major role in today's business environment to ensure smooth, productive and efficient operations.	Intellectual capital 	SR9	• Statutory stakeholders • Customers and client stakeholders	SO5

Table 3.3: Amatola Water material matters



4

PERFORMANCE INFORMATION



STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

The Chief Executive is responsible for preparing Amatola Water's performance information and the concomitant judgements made from this information, as well as establishing and implementing an internal control system designed to provide reasonable assurance on the integrity and reliability of performance information.

In his opinion, the performance information fairly reflects the achievements against planned objectives, indicators, and targets per Amatola Water's Shareholder Compact, Annual Performance Plan, and corporate scorecard for the financial year ending 30 June 2024.

Amatola Water's performance information for the year ending 30 June 2024 has been examined by the external auditors (report on pages 149 to 158 and is set out on pages 72 to 85), and approved by the Accounting Authority.



Mr N Tyibilika
Interim Board Chairperson
Date: 6 November 2024



Mr S Koyo
Chief Executive
Date: 6 November 2024

INTRODUCTION

The Annual Performance Plan and Shareholder Compact (SHC) documents for the 2023/24 financial year, including the five-year Business Plan, remain the source documents for the compilation of Amatola Water's Integrated Annual Report on performance information.

Performance monitoring and evaluation of the implementation of Amatola Water's Five-Year Strategy and the Annual Performance Plan is done through quarterly reporting, where individual reports are compiled by management and shared with Internal Audit to perform a review function.

The reports are submitted to the Audit and Risk Committee (ARC) and shared with the Board for approval. Four quarterly reports were submitted to the Shareholder, the Department of Water and Sanitation (DWS). The annual report on performance information reflects all the performance indicators and targets as set out in the Annual Performance Plan for the 2023/24 financial year.

The Annual Performance Plan contained 64 performance targets against which Amatola Water had to perform for the year under review. The SHC contained 38 targets approved by the Shareholder.

PERFORMANCE OVERVIEW

The planned initiatives were implemented from 1 July 2023 to 30 June 2024. Figures 4.1 and 4.2 illustrate how the entity assessed progress and performance against the predetermined targets.

The overall audited performance of the SHC declined to 55% in 2023/24 compared to 57% achievement in 2022/23. There is a decline of 2% in performance for the 2023/24 financial year (FY) compared to 2022/23.

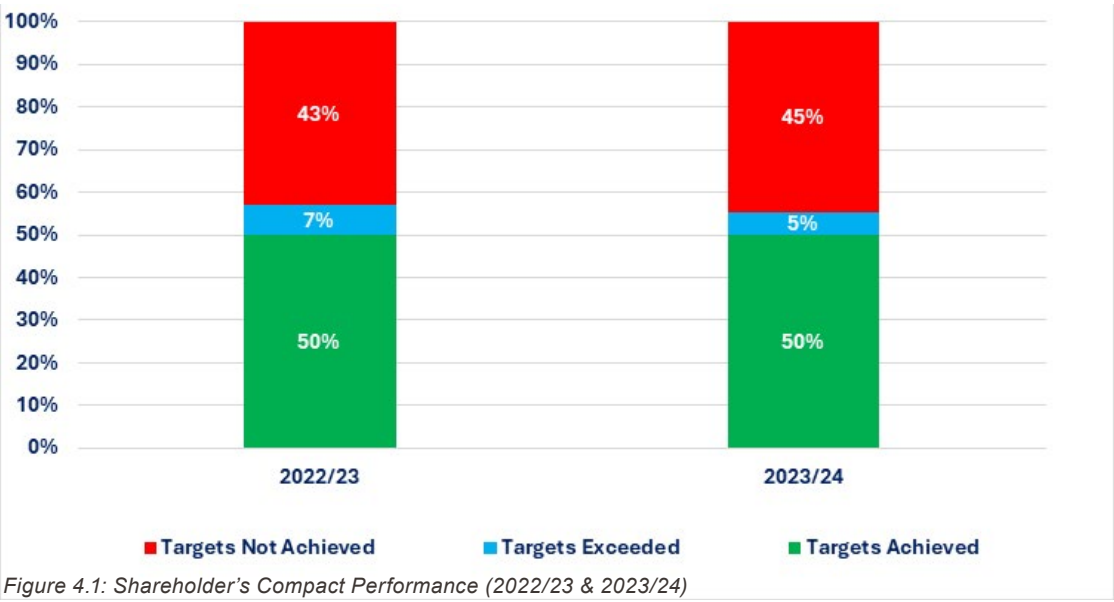


Figure 4.1: Shareholder's Compact Performance (2022/23 & 2023/24)

The audited performance results of the Annual Performance Plan (Annual Scorecard) at the end of the 2023/24 reflected an outcome of 63% against the predetermined targets. Compared with the 2022/23 actual achievement of 59%, the overall corporate performance of the entity improved by 4%. The performance against the predetermined targets in the SHC 2023/24 has been summarised.

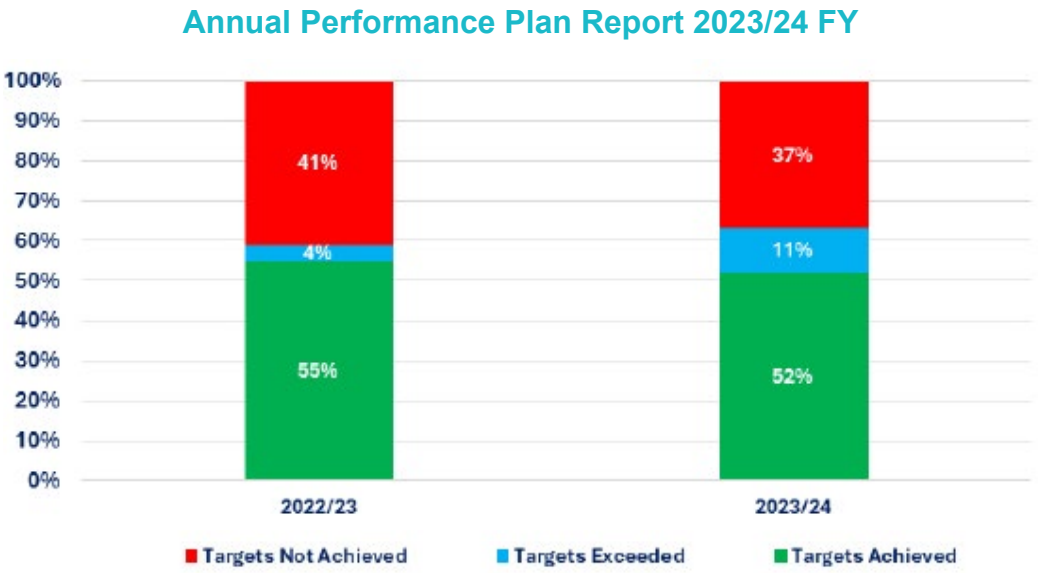


Figure 4.2: Annual Performance Plan Report (2022/23 & 2023/24)

The achievements in the following key performance indicators (KPIs) have been exceeded against the predetermined annual targets of 2023/24. This is indicative of a resilient organisation despite the challenges and risks faced during the year under review:

KPI REFERENCE NUMBER	OUTPUT INDICATORS	ANNUAL RESULT 2022/23	ANNUAL TARGET 2023/24	ANNUAL RESULT 2023/24
2.1.9	Percentage of risk management activities implemented	92%	80%	100%
4.1.1	Number of people participating in Amatola Water outreach programmes	New	20 000	23571
4.1.2	Number of community/school initiatives undertaken	38	25	89
6.1.1	Number of employees exposed to environmental awareness	New	25	82
7.1.2.	Number of new youths in internship, leadership, and work-integrated learning programmes	New	15	29
7.1.4.	Percentage uptake of total employees on employee-assistance programme initiatives	New	30%	73.58%
7.1.6.	Number of permanent jobs created	New	300	374

Table 4.1 Performance targets exceeded in 2023/24

It should be noted that the improvement in the overall organisational performance is attributable to:

2.1.9 Percentage of risk management activities implemented

The overachievement of this indicator can be attributed to the fact that the unit was provided with an additional resource (intern) and commitment and support from the executive management.

4.1.1 Number of people participating in Amatola Water outreach programmes

The target has been exceeded: This is due to an increased number of people who physically attended Amatola Water Outreach Programmes and increased social media engagements by viewing, liking, commenting, and sharing Amatola Water posts.

4.1.2 Number of community/school initiatives undertaken

The target has been exceeded due to increased engagement with communities, schools, and social media publications throughout the 2023/24 financial year.

6.1.1 Number of employees exposed to environmental awareness

The target has been exceeded: The organisation-wide consultation process for the Climate Change Readiness Strategy provided an excellent opportunity for an environmental awareness campaign, and participation exceeded expectations.

7.1.2 Number of new youths in internship, leadership, and work-integrated learning programme

The target has been exceeded: Amatola Water approached the Office of the Premier requesting learners from their database due to the institution's financial constraints. Sixteen learners were provided, and the Local Government Sector Education and Training Authority and Southern Africa Institute for Artisans funded them.

7.1.4 Percentage uptake of total employees on Employee Assistance Programme initiatives

The target has been exceeded: Over and above the two wellness targets set for each quarter, Q4 coincided with the winter season. The clinic increased its site visits to mitigate the effects of the cold season. Furthermore, the attendance at the Stress Management Workshop and the Men's Health Awareness Days proved that employees were interested in learning at these events.

7.1.6 Number of permanent jobs created

The target has been exceeded: Critical and long-vacant positions have been prioritised and filled. The numbers include permanent, fixed-term, and project employees.

OVERVIEW OF PERFORMANCE ON STRATEGIC OUTCOMES

As outlined in its vision and mission statement, the strategic outcomes constitute the building blocks of the roadmap to the entity's desired end state. The strategic outcomes underpin the entity's strategies, actions, and collective efforts. The following table and graph summarises the performance against the 2023/24 FY strategic outcomes:

STRATEGIC OUTCOME NO	DESCRIPTION OF THE STRATEGIC OUTCOME	TARGET ACHIEVED	TARGETS EXCEEDED	TARGET NOT ACHIEVED	TOTAL
SO1	Improve the provision of safe and reliable water services	7	0	5	12
SO2	Effective corporate governance and ethical leadership	9	1	3	13
SO3	Improved financial viability	5	0	10	15
SO4	Improved stakeholder relations	0	2	1	3
SO5	Efficient and innovative organisation	4	0	3	7
SO6	Enhanced environmental sustainability	0	1	0	1
SO7	A highly skilled, engaged, and productive workforce	8	3	2	13
Totals		**33**	**7**	**24**	**64**

Table 4.2: Overview of performance on strategic outcomes

Performance on Strategic Outcomes for 2023/24 FY

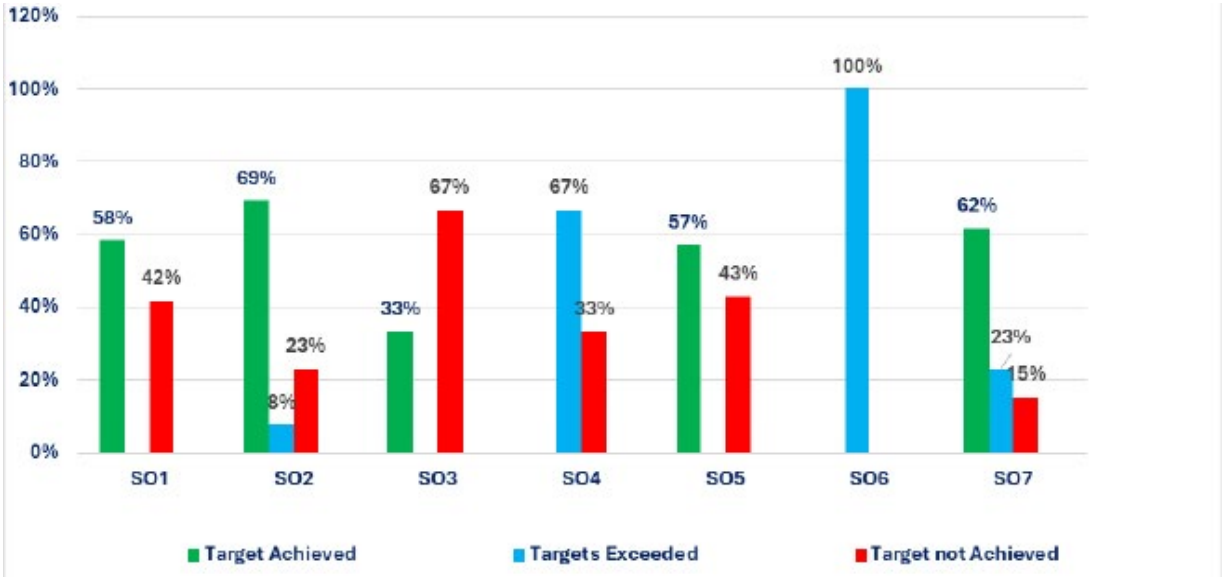


Figure 4.3: Performance on Strategic Outcomes for 2023/24 FY

THE SUMMARY OF CHALLENGES EXPERIENCED AND KEY REMEDIAL ACTIONS PLANNED FOR ACHIEVING THE PREDETERMINED PERFORMANCE TARGETS:

NO	CHALLENGES	KEY REMEDIAL ACTION PLANS 2024/25
1	**Ageing infrastructure characterised by increasing water losses and service interruptions**	• The infrastructure upgrade to monitor the planned maintenance and improved turnaround time on breakdowns is underway. • Improved recovery systems will be conducted when funding has been secured. • The entity is finalising the procurement of a panel of term contracts to attend effectively and efficiently to repairs and maintenance.
2	**Underperformance of debtors due to the recovery of historic municipal debt**	• Amatola Water management is implementing intergovernmental relations (IGR) processes to facilitate the acceptance of ADM to increase its quarterly payment to R42.7 million to reduce the annual shortfall. • During the process, the task team ensured that all government departments pay ADM regularly which, in turn, will utilise the payments to pay the outstanding Amatola Water debt. A payment was received at the end of July 2024. • A new bulk water supply contract has been submitted to ADM which has stringent payment terms.
3	**Ongoing theft and vandalisation of infrastructure**	• An independent contractor has been appointed to manage Amatola Water's security, fleet, facilities, and records and oversee and coordinate security-related matters. • Amatola Water is looking at mechanisms to improve controls. • A draft security implementation plan was submitted on 16 August 2024 to the ARC which addresses the findings from the state security report including vandalism.
4	**Ongoing loadshedding which has negatively impacted the assurance of water supply during the reporting period (pumping capacity and pipe breaks)**	• Alternative energy exploration has been concluded and approved. The implementation of the approved plan is dependent on securing funding. • Amatola Water has, however, seen an improvement during Q4 based on reduced loadshedding.
5	**Delayed completion of projects in the 2023/24 FY**	• Supply Chain Management's to conform to a 90-day procurement up to award lead time. • Immediately replace contractors once terminated. • Immediately action underperforming contractors. • Appoint a panel of professional service providers. • Implement a turnkey approach on complex and high-value projects. • Capacitate the PMU, including its upskilling and professionalisation. • Adopt a functional and balanced matrix for the implementation of projects during Q1: 2024/25.
6	**Delay in the institutionalisation of the package plant project**	The packaged plant project is in abeyance and will be revisited in 2024/25.

ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS

PERFORMANCE OUTCOME	OUTCOME/ IMPACT	OUTPUT INDICATORS	ANNUAL TARGET 2022/23	ANNUAL RESULT 2022/23	ANNUAL TARGET 2023/24	ANNUAL RESULT 2023/24	VARIANCE EXPLANATION
Bulk potable water quality compliance	Water quality standards met	Acute health microbiological compliance ≥ 99%	New	New	97%	95.30%	-1.7% (a)
		Acute health chemical compliance ≥ 97%	New	New	95%	100%	+5%
		Chronic health chemical compliance ≥ 97%	New	New	95%	99.20%	+4.20%
		Operational compliance ≥ 95%	New	New	95%	92.80%	-2.20% (b)
		Aesthetic compliance ≥ 95%	New	New	95%	98.20%	+3.20%
Manage avoidable water losses	Reduced avoidable water losses in treatment and distribution systems	Avoidable water losses as a percentage of water produced at the treatment and distribution systems	14%	15%	9%	9.4%	-0.4% (c)
Reliability of supply	No unplanned interruptions to bulk supply exceeding 24 hours	Average number of days of unplanned interruptions	New	New	≤3 days	30.26 days	-27.25 days (d)
		Percentage assurance of raw water supply	98%	61%	98%	70.1%	+27.99%
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)	80%	99.60%	80%	N/A	The expenditure incurred had a planned budget in FY2022/23 (in the previous financial year); however the payment of the invoice was paid in FY2023/24. The predetermined target of 80% set during the 2023/24 FY was based on no new directives being awarded to Amatola Water by the Minister of Water and Sanitation. However, no new directives were received by Amatola Water during 2023/24. Thus, reporting was not applicable.

Table 4.3: Organisational efficiency and effectiveness

REASONS FOR NOT ACHIEVING TARGETS AND CORRECTIVE ACTIONS

NO	INDICATOR NUMBER	INDICATOR DESCRIPTION	REASON FOR UNDER ACHIEVEMENT	REMEDIAL ACTION PLAN TO BE PUT INTO PLACE TO MITIGATE THE RISK
a)	1.1.0.	Acute health microbiological compliance ≥99%	The target was not achieved due to the frequent burst pipes (Ndevana line).	Replacement of air valves, pressure-reducing valves, and isolation valves at Ndevana are underway. This should be concluded during Q2 of 2024/25 FY.
b)	1.1.3.	Operational compliance ≥95%	The target was not achieved due to: 1. Frequent burst pipes (Ndevana line) 2. Debe WTW raw water contained high iron and manganese which caused high turbidity. 3. Valve filters need to be changed at Masincedane.	1. Replacement of air valves, pressure-reducing valves, and isolation valves at Ndevana are underway; this is to be concluded during Q2 of 2024/25 FY. 2. Lime dosing was introduced during Q4 to better treat iron, manganese, and chemicals. A service provider is investigating the causes and solutions to high turbidity. 3. Valve filters are being changed to Masincedane and will be completed at the end of August 2024.
c)	1.1.6.	Average number of days of unplanned interruptions	1. The target was not achieved due to frequent breakdowns and inadequate infrastructure to meet the predetermined target for Q1 of 2024/25 FY. 2. Inadequate recovery system at the waterworks: This is due to budget constraints.	1. Upgrading the infrastructure, monitoring the progress of planned maintenance, and improving turnaround time on breakdowns are underway. 2. Improvements in recovery systems will be conducted when funding is secured.
d)	1.1.8.	Avoidable water losses as percentage of water produced at treatment and distribution systems	1. The target was not achieved due to frequent breakdowns and inadequate infrastructure to meet the predetermined target for Q1 of 2024/25 FY. 2. Inadequate recovery system at the waterworks: This is due to budget constraints.	1. Upgrading the infrastructure, monitoring the progress of planned maintenance, and improving turnaround time on breakdowns are underway. 2. Improvements in the recovery systems will be conducted once funding is secured.

FINANCIAL PERSPECTIVE

PERFORMANCE OUTCOME	OUTCOME/IMPACT	OUTPUT INDICATORS	ANNUAL TARGET 2022/23	ANNUAL RESULT 2022/23	ANNUAL TARGET 2023/24	ANNUAL RESULT 2023/24	VARIANCE EXPLANATION
Financial reporting compliance	Unqualified audit report	External audit outcome	Unqualified	Unqualified	Unqualified	Unqualified	.Amatola Water received an unqualified audit in 2022/23 and 2023/24 financial years.
Improve key financial ratios	Improved viability and sustainability	Current ratio	1.37	1.052	1,370	0.852	-0,518 (e)
	Improved viability and sustainability	Gross profit margin % (primary activity)	34.19%	-1.81%	21,33%	-1.25%	-22.58% (f)
		Gross profit margin (secondary activity)	34.12%	15.89%	77,95%	65.95%	-12.00% (g)
		Net profit margin (primary activity)	1.89%	-48.57%	-9,52%	-36.08%	-26.56% (h)
		Net profit margin (secondary activity)	-10.25%	-17.94%	6,47%	-29.56%	-23.09% (i)
		Debtor days	98.19 days	187.96 days	103.16 days	255.22 days	-152.06 days (j)
		Debt equity	0.00%	0.00%	0.00%	0.00%	0.00%
		Return on assets	-2.54%	-13.09%	-2.54	-12.55%	-10.01% (k)
		Repairs and maintenance as % of PPE and investment property (carrying value)	1.56%	1.06%	1,63%	1.44%	+0.19%
		Percentage of staff remuneration to total operating expenditure	33.00%	35.60%	37,12%	35.16%	+1.96%
Increase BBBEE expenditure in relation to operational projects	Spend increased and increased new entrants awarded contracts in the financial year	Actual BBBEE spend as a % of total discretionary expenditure	100%	100%	100%	125%	+25%
Manage costs within the approved budget	Actual expenditure compared with budgeted expenditure for the quarter	Financial reports (% expenditure against budget)	0.00%	0.02%	10%	0.55%	+9.55%

PERFORMANCE OUTCOME	OUTCOME/IMPACT	OUTPUT INDICATORS	ANNUAL TARGET 2022/23	ANNUAL RESULT 2022/23	ANNUAL TARGET 2023/24	ANNUAL RESULT 2023/24	VARIANCE EXPLANATION
Capital expenditure programme	Infrastructure available to meet demands	Percentage progress on funded projects against implementation plans	80%	56.3%	80%	64%	-16.00% (l)
Engagement in secondary activities	Growth in turnover from secondary (other activities)	% secondary revenue of total turnover	N/A	N/A	6.59%	5.57%	-1.02% (m)

Table 4.4: Financial perspective

REASONS FOR NOT ACHIEVING TARGETS AND CORRECTIVE ACTIONS

NO	INDICATOR NUMBER	INDICATOR DESCRIPTION	REASON FOR UNDERACHIEVEMENT	A REMEDIAL ACTION PLAN IS TO BE PUT INTO PLACE TO MITIGATE THE RISK
e)	3.1.1	Current ratio	The target was not achieved due to municipal debt continuing to increase while cash in the bank decreased during the 2023/24 FY.	Amatola Water has developed a Financial Turnaround Strategy to improve the entity's financial status and cash flows and reduce its current debtors and liabilities, resulting in an improved current ratio during 2024/25. The implementation of this plan will improve the current financial status and yield a positive result as the entity is facing a low revenue base. The service provider completed the Financial Turnaround on 31 July 2024 and presented the report to MANCO on 12 August 2024.
f)	3.1.2	Gross profit margin % (primary activity)	1. The financial ratio is a cumulative target. Loadshedding for the material part of the financial year (Q1 to Q3) negatively impacted the overall assurance of water supply (pumping capacity and pipe breaks), which improved in Q4. 2. Assumptions made for the 2023/24 budget for additional volumes to be produced through packaged plants were not realised. The project is in abeyance.	1. Alternative energy exploration has been concluded and approved. The implementation of the approved plan is dependent on securing funding. 2. The packaged plant project is in abeyance and will be revisited in 2024/25.
g)	3.1.3	Gross profit margin (secondary activity)	This target was not achieved because DWS project costs were not fully recovered due to the implementation agency fee (IAF) limit of 5% including disbursements.	The Project Management Policy, which incorporates the cost recovery model was approved by the Board in July 2024. Amatola Water has developed a revised cost recovery model which will be presented to the Board for approval during Q1 of 2024/25 FY. Once approved, Amatola Water will engage with relevant stakeholders to re-negotiate secondary business project contracts.

NO	INDICATOR NUMBER	INDICATOR DESCRIPTION	REASON FOR UNDERACHIEVEMENT	A REMEDIAL ACTION PLAN IS TO BE PUT INTO PLACE TO MITIGATE THE RISK
h)	3.1.4	Net profit margin (primary activity)	1. The financial ratio is a cumulative target. load-shedding for the material part of the financial year (Q1 to Q3) negatively impacted on overall assurance of water supply (pumping capacity and pipe breaks), which improved in Q4. 2. Assumptions made for the 2023/24 budget for additional volumes to be produced through packaged plants were not realised. The project is in abeyance.	1. Alternative energy exploration has been concluded and approved. The implementation of the approved plan is dependent on securing funding. 2. The packaged plant project is in abeyance and will be revisited in 2024/25.
i)	3.1.5	Net profit margin (secondary activity)	This target was not achieved because DWS project costs were not fully recovered due to the implementation agency fee (IAF) limit of 5% including disbursements.	The Project Management Policy which incorporates the cost recovery model was approved by the Board in July 2024. Amatola Water has developed a revised cost recovery model which will be presented to the Board for approval during Q1 of 2024/25 FY. Once approved, Amatola Water will engage with the relevant stakeholders to re-negotiate secondary business project contracts.
j)	3.1.6	Debtor days	The target was not achieved due to the low debt recovery rate of the outstanding R347m (R289m over 120 days) owed by Amathole District Municipality during the 2023/24 FY. This meant that the target was not met.	Amatola Water management is implementing IGR processes in which the Amathole District Municipality (ADM) agreed to pay R42.7 million (an increase from R30 million) to reduce the annual shortfall. During the process, the task team ensured that all government departments pay ADM regularly and in tum utilise the payments to pay the outstanding debt to Amatola Water. The payment was received at the end of July 2024. A new bulk water supply contract has been submitted to ADM which has financial provisions with stringent payment terms.
k)	3.1.12	Retum on assets	1. The financial ratio is a cumulative target. Loadshedding for the material part of the financial year (Q1 to Q3) negatively impacted the overall assurance of water supply (pumping capacity and pipe breaks), which improved in Q4. 2. Assumptions made for the 2023/24 budget for additional volumes to be produced through packaged plants were not been realised. The project is in abeyance.	1. Alternative energy exploration has been concluded and approved. The implementation of the approved plan is dependent on securing funding. 2. The packaged plant project is in abeyance and will be revisited in 2024/25.

NO	INDICATOR NUMBER	INDICATOR DESCRIPTION	REASON FOR UNDERACHIEVEMENT	A REMEDIAL ACTION PLAN IS TO BE PUT INTO PLACE TO MITIGATE THE RISK
l)	1.1.12	Percentage progress on funded projects against implementation plans	The target was not achieved. This was due to slow progress in secondary projects during the 2023/24 financial year as the target is cumulative. 1. Department of Education (DoE) = target 80% and actual result of 58.38% P&D = target of 80% and actual result of 68.88%.	**Department of Education (DoE):** 1. Implementation of the 58 allocated boreholes – Geohydrologist professional service providers (PSPs) to be appointed by 31 August 2024. 2. Pressed steel elevated tank construction to commence by 31 August 2024 – Pending concurrence approvals. 3. Control rooms tender to be advertised by 30 August 2024. 4. Appointments of multi-disciplinary engineering services to be concluded by 31 August 2024 – PSPs will be allocated to implement monitoring services at the Efata Special School, Shawbury SSS, Ndamase SSS, Ikhwezi Lokusa Special School, and Tsolo Special School. This should improve the performance and expenditure at the schools as the initial appointed professional service provider terminated their services. 5. Three additional Project Managers have been appointed to improve the human resources; two commenced duties on 1 July 2024; one commenced on 1 August 2024.
				P&D secondary projects 1. Supply Chain Management's conformance to a 90-day procurement up to award lead time. 2. Immediately replace contractors once terminated. 3. Immediate action for underperforming contractors. 4. Appoint a panel of PSPs. 5. Implement a turnkey approach on complex and high-value projects. 6. Capacitate the Project Management Unit, including its upskilling and professionalisation. 7. Adopt a functional and balanced matrix for implementing projects. Q1 of 2024/25 FY
(m)	3.1.14	% secondary revenue of total turnover	This target was not achieved because DWS project costs were not fully recovered due to the implementation agency fee (IAF) limit of 5% including disbursements.	The Project Management Policy, which incorporates the cost recovery model, was approved by the Board in July 2024. Amatola Water has developed a revised cost recovery model which will be presented to the Board for approval during Q1 of 2024/25 FY. Once approved, Amatola Water will engage the relevant stakeholders to re-negotiate secondary business project contracts.

CUSTOMER AND STAKEHOLDER INTERACTION

PERFORMANCE OUTCOME	OUTCOME/IMPACT	OUTPUT INDICATORS	ANNUAL TARGET 2022/23	ANNUAL RESULT 2022/23	ANNUAL TARGET 2023/24	ANNUAL RESULT 2023/24	VARIANCE EXPLANATION
Bulk supply agreements concluded with municipalities/other customers	Statutory and service level agreements in place	Percentage of WSAs in the province contracted as customers	30%	36%	30%	36%	+6%
Implementation of Ministerial directives	New Ministerial directives issued are implemented on time	Percentage progress against Ministerial directives implementation plan	80%	100%	80%	N/A	The predetermined target of 80% set during the 2023/24 FY was based on any new directives awarded to Amatola Water by the Minister of Water and Sanitation. However, no new directives were received by Amatola Water during the 2023/24 FY. Hence, no reporting was not applicable.
Support rural development	Total number of rural municipalities supported	Number of signed contracts/MOUs with rural Municipalities for provision of support.	N/A	N/A	3	5	+2
Achieve statutory reporting compliance	All statutory reports submitted on time	Percentage compliance with planning and reporting timeframes	100%	100%	100%	75%	-25% (I)

Table 4.5: Customer and stakeholder interaction

REASONS FOR NOT ACHIEVING TARGETS AND CORRECTIVE ACTIONS

NO	INDICATOR NUMBER	INDICATOR DESCRIPTION	REASON FOR UNDERACHIEVEMENT	A REMEDIAL ACTION PLAN IS TO BE PUT INTO PLACE TO MITIGATE THE RISK
I)	2.1.4	Percentage compliance with planning and reporting timeframes	The target was not achieved because the Q1 report was not submitted on time. This was due to the delayed final reviews and approvals for the DWS report.	Letters of non-compliance for submission of Q2 organisational performance information and portfolio of evidence will be issued to management. The entity is required to meet statutory reporting requirements within the required timeframes. These letters are a deterrent to the re-occurrence of late and inadequate organisational performance. Management will ensure there are improved review processes of the performance information reports before obtaining final approval. The reviewed standard operating processes includes timelines that ensure the early submission of quarterly performance reports during the 2024/25 FY.

ORGANISATIONAL CAPACITY

PERFORMANCE OUTCOME	OUTCOME/IMPACT	OUTPUT INDICATORS	ANNUAL TARGET 2022/23	ANNUAL RESULT 2022/23	ANNUAL TARGET 2023/24	ANNUAL RESULT 2023/24	VARIANCE EXPLANATION
Staff levels	Optimal staff retention	Percentage staff turnover	N/A	N/A	2%	0.34%	+1.66%
Training and skills development	Skills and capacity building	Number of learnerships	N/A	N/A	14	16	+2
		Number of employee bursaries	N/A	N/A	31	7	-24 (m)
		Number of graduate programmes	N/A	N/A	1	1	0
Jobs created	Permanent and contract (direct)	Number of permanent jobs created	N/A	N/A	300	374	+74
	Temporary (indirect)	Number of temporary jobs created	N/A	N/A	350	350	+50

Table 4.6: Organisational capacity

REASONS FOR NOT ACHIEVING TARGETS AND CORRECTIVE ACTIONS

NO	INDICATOR NUMBER	INDICATOR DESCRIPTION	REASON FOR UNDERACHIEVEMENT	A REMEDIAL ACTION PLAN IS TO BE PUT INTO PLACE TO MITIGATE THE RISK
(m)	7.1.11.	Number of employee bursaries	The target was not achieved because the training budget was reprioritised due to the entity's financial constraints during the 2023/2024 FY.	Management will ensure that the training budget allocation for 2024/25 FY is aligned with the pre-determined target set for the number of employee bursaries to be allocated during 2024/25.

GENERAL PERFORMANCE

PERFORMANCE OUTCOME	OUTCOME/IMPACT	OUTPUT INDICATORS	ANNUAL TARGET 2022/23	ANNUAL RESULT 2022/23	ANNUAL TARGET 2023/24	ANNUAL RESULT 2023/24	VARIANCE EXPLANATION
Board effectiveness	Improved performance of fiduciary duties/ governance	Board/Committee meetings attended as a % of planned meetings	N/A	N/A	95%	96.51%	+1.51%
		Percentage of Board and Committee resolutions implemented	80%	0%	90%	93.64%	+3.64%
Effective internal controls and risk management	Internal audit findings dealt with	Percentage of unresolved internal audit findings	N/A	N/A	15%	22%	-7% (n)
		Percentage of repeat internal audit findings	N/A	N/A	10%	30%	-20% (o)
Good governance	Improved controls and risk mitigation	Number of breaches of materiality and significance framework	N/A	N/A	0	0	0
Corporate social responsibility initiatives	Good corporate citizenship	Number of community/ school initiatives undertaken	16	38	25	82	+57

Table 4.7: General performance

REASONS FOR NOT ACHIEVING TARGETS AND CORRECTIVE ACTIONS

NO	INDICATOR NUMBER	INDICATOR DESCRIPTION	REASON FOR UNDERACHIEVEMENT	A REMEDIAL ACTION PLAN IS TO BE PUT INTO PLACE TO MITIGATE THE RISK
(n)	2.1.1.	Percentage of unresolved internal audit findings	The target was not achieved due to slow progress on implementing prior Internal Audit Report recommendations. This could be attributed to Corporate Services' high vacancy rate, since most of the unresolved findings relate to Corporate Services.	Management will accelerate the implementation of Internal Audit findings during Q1 of 2024/25 FY. The filling of critical Corporate Services is underway. It should be finalised by Q1 of 2024/25 FY. In the interim, the Senior Manager of Human Resources and Manager of Security Fleet, Facilities, and Records Management were filled during Q4 with external support. This will assist with implementing the Internal Audit recommendations.
(o)	2.1.2.	Percentage of repeat internal audit findings	The target was not achieved due to slow progress on implementing the Internal Audit recommendations to mitigate repeat findings in areas of the Audit of Predetermined Objectives (AoPo). This includes late submissions of quarterly performances and related Portfolios of Evidence (POE) from relevant divisions. The capacity and time constraints in the Office of the Chief Executive contributed to the inadequate review of data received.	The Standard Operating Procedure on Organisational Performance Information Management System has been reviewed and updated. The updated SOP provides for an early submission of the Quarterly Performance Reports and Portfolio of Evidence (POE). This will assist in ensuring that the quarterly reports are collated, and quality checked before submission to Internal Audit and avoid repeat findings.



5

LEADERSHIP AND EMPLOYEE DEVELOPMENT



INTRODUCTION

Amatola Water is investing in employee development and leadership. Investing in both areas has created an empowered workforce capable of driving innovation and achieving long-term success. As the organisation navigates the complexities of modern markets, prioritising these elements is key to maintaining relevance and competitiveness.

The legislative framework for employee and leadership development plays a crucial role in shaping effective workforce practices. The framework encompasses laws, regulations, and policies that govern training programmes, career advancement opportunities, and organisational accountability. Understanding the framework is essential for fostering a culture of continuous improvement and enhancing overall productivity within organisations. The guiding legislative framework for Amatola Water includes:

a) Basic Conditions of Employment Act, 1997 (Act 75 of 1997)
b) Employment Equity Act, 1998 (Act 55 of 1998)
c) Labour Relations Act, 1995 (Act 66 of 1995)
d) National Skills Development Plan 2030
e) Skills Development Act, 1998 (Act 97 of 1998)
f) Skills Development Levies Act, 1999 (Act 9 of 1999).

WORKFORCE PROFILE

As of 30 June 2024, the Amatola Water workforce numbered 374, including 288 permanent employees and 86 fixed-term employees.

The following workforce profile reflects permanent employees, as per occupational level at 30 June 2024:

Salary band/Occupational level	New appointments	Terminations	Total
Top management	3	3	5
Senior management	1	5	6
Professionally qualified specialist; middle management	3	4	15
Skilled technical and academically qualified workers	0	4	102
Semi-skilled and discretionary decision making	2	6	108
Unskilled and defined decision-making	0	0	52
Total	**9**	**22**	**288**

Table 5.1: Workforce profile as at 30 June 2024

The following workforce profile reflects fixed-term employees, as per occupational level by 30 June 2024:

Salary band/Occupational level	New appointments	Terminations	Total
Senior management	2	2	1
Professionally qualified specialist; middle management	0	0	3
Skilled technical and academically qualified workers	1	2	11
Semi-skilled and discretionary decision-making	2	2	24
Unskilled and defined decision-making	0	0	47
Temporary employees	**5**	**6**	**86**

Table 5.2: Fixed-term contract workplace profile as at 30 June 2024

The following workforce profile reflects staff turnover, per category by 30 June 2024 turnover is equal to 4,86%. Fourteen resignations are used to calculate the staff turnover (4,86%) based on 288 employees. During the period under review, the total number of terminations amounted to 22.

Category	Number	% of total terminations
Death	1	4.0%
Resignation	14	64.0%
Dismissal	2	9.00%
Retirement	5	23.0%
Ill-health	0	0.00%
Other	0	0.00%
Total	22	100.0%

Table 5.3: Permanent staff terminations for the period ending 30 June 2024

The following workforce profile reflects the vacancy rate per interim structure for two financial years (2022/23 and 2023/24). There has been a marginal change in vacancy rate compared to the interim structure vacancies.

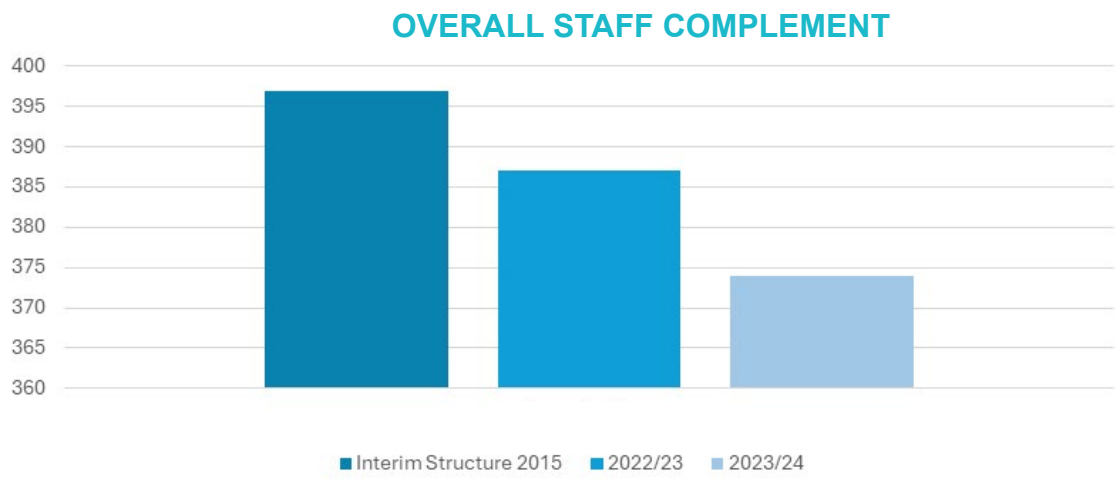


Figure 5.1: Overall staff complement

The following workforce profile reflects the vacancy rate, per the interim structure – per division - for two financial years (2022/23 and 2023/24):

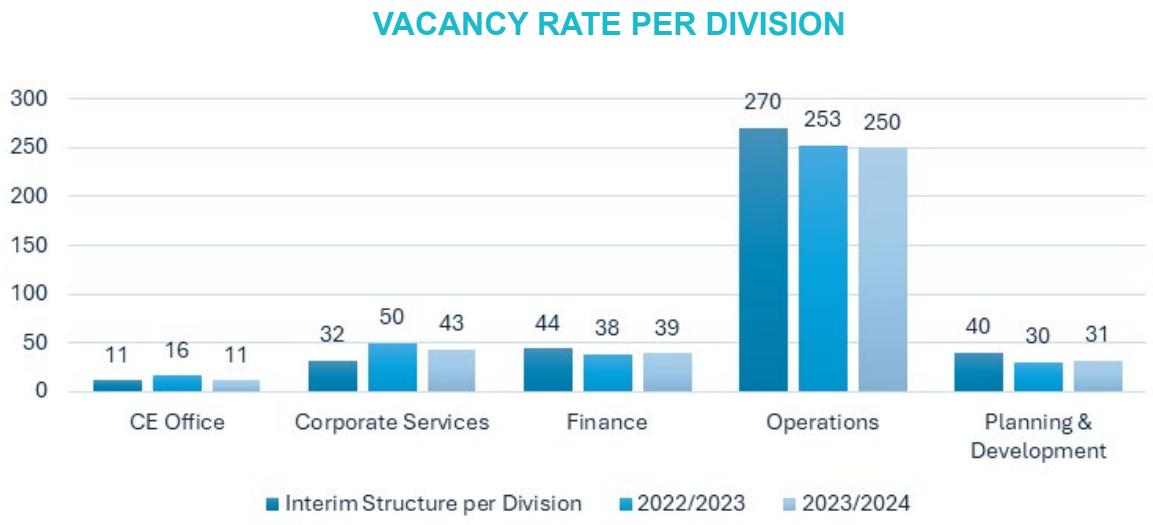


Figure 5.2: Vacancy rate per division

EMPLOYMENT EQUITY

The organisation adheres to the principles embodied in the Employment Equity Act. The Employment Equity Committee representatives are in place and play an active role in the recruitment process.

The Equity Committee consider several issues that relate to employment equity during the recruitment process. These include:

a) Eliminating unfair discrimination in employment.
b) Ensuring the implementation of employment equity to redress the effects of discrimination.
c) Implementing affirmative action measures to redress disadvantages experienced by designated groups and ensure their equitable representation in all occupational categories and levels.
d) Promoting economic development and efficiency in the workforce.
e) The regional population demographics benchmark.

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

The table below provides Amatola Water's employment equity statistics as of 30 June 2024:

Occupational Level		MALE				FEMALE				
	Actual & target	African	Coloured	Indians	Whites	African	Coloured	Indians	Whites	Total
Top management	Actual	**2**	**0**	**0**	**1**	**2**	**0**	**0**	**0**	**5**
	Target	1	0	0	1	1	1	0	1	5
Senior management	Actual	**5**	**0**	**0**	**1**	**2**	**0**	**0**	**0**	**8**
	Target	6	0	0	3	1	0	0	1	11
Professional qualification	Actual	**8**	**0**	**1**	**2**	**5**	**0**	**0**	**1**	**17**
	Target	5	0	2	3	3	1	0	1	15
Skilled technical	Actual	**51**	**6**	**0**	**6**	**46**	**5**	**0**	**0**	**114**
	Target	50	7	0	6	38	6	0	0	107
Semi-skilled	Actual	**75**	**5**	**0**	**0**	**47**	**2**	**0**	**1**	**130**
	Target	79	6	0	1	30	4	0	2	122
Unskilled	Actual	**66**	**0**	**0**	**0**	**34**	**0**	**0**	**0**	**100**
	Target	53	0	0	0	11	0	0	0	64
Actual Totals		**207**	**11**	**1**	**10**	**136**	**7**	**0**	**2**	**374**

Table 5.4: Employment equity statistics at 30 June 2024

The following reflects Amatola Water's people with disability employment statistics, per occupational level by 30 June 2024. The total staff complement was 374.

Level number	People with disability
Top management	1
Senior management	0
Professional qualification	0
Skilled	1
Semi-skilled	2
Unskilled	1
Total	5

Table 5.5: Employment equity statistics for people with disability at 30 June 2024

The people with disability employment annual target was 2% and the result achieved during the year under review is 1.33%.

PERFORMANCE MANAGEMENT AND DEVELOPMENT

Employee performance remains central to achieving organisational objectives. Employees are a crucial asset within the existence and life of the organisation. Every year, performance expectations are outlined in the Strategic Plan, Business Plan and the Annual Performance Plan. Employee efforts, therefore, must be aligned. The alignment is affected by contracting and setting performance targets as outlined in the Performance Management Policy.

The employee performance management system strengthens and solidifies performance-driven employees. Performance must be managed, accounted for, and celebrated. This is done through objective employee performance assessment and moderation. Furthermore, employee development programmes should be effectively formulated through properly managed performance.

In 2023/24, Amatola Water achieved 100% employee contracting and submitted 98% of all performance assessments. The submitted assessments are followed by employee performance moderation at the end of the financial year.

ORGANISATIONAL CULTURE

Organisational culture can be defined as the organised and integrated values and beliefs shared by members of an organisation. It influences the behaviour of individuals, teams, and an organisation's operations and includes how decisions are made.

Good organisational culture is a critical enabler of strategy and can be a source of efficiency, productivity, and competitive advantage. Amatola Water strives to enhance an organisational culture that is conducive to successful strategy implementation.

Amatola Water's culture derives itself from its seven values: Integrity, excellence, accountability, stakeholder focus, team orientation, innovation and professionalism.

Amatola Water remains dedicated to good corporate governance and a good organisational culture enhanced by the continuous development of its employees.

Amatola Water culture will be based on sound organisational structure. This means a structured approach for delivering services coupled with the right attitude, values and belief. Therefore, organisational review will be the foundation on which Amatola Water's organisational structure shall be built.

OCCUPATIONAL HEALTH AND SAFETY

Amatola Water is classified as a hazardous workplace and complies with the Occupational Health and Safety Act 1993 (Act 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 and contracted doctor services ensure the management of occupational health risks. Furthermore, the Health and Safety Committee convenes periodically to ensure workplace compliance and review workplace injuries.

Besides medical aid benefits that cover 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 employees utilise the services without fear of stigmatisation. Health education and wellness events are provided to employees regularly 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.

The following table reflects conducted medical surveillance for various categories as at 30 June 2024:

Medical Surveillance	Number
Pre-employment medical examination	14
Annual medical examination	169
Exit medical examination	8
Chronic referrals to family doctor or local clinic	79
Chronic consultations	166
Injury on duty	15

Table 5.6: Medical surveillance

The following table reflects the number of referrals for the Employee Assistance Programme:

Nature of referrals	Number
Psycho-social	11
Occupational ability assessments	2

Table 5.7: Employee Assistance Programme

TRAINING AND DEVELOPMENT: LEGISLATIVE AND FUNCTIONAL

One of the pillars of organisational success is skills development, which ensures employees acquire the necessary skills to achieve the organisation's strategic objectives and gain a competitive advantage. This is accomplished by introducing skill-building activities that aim to help employees improve specific skills.

Amatola Water formally partners with the Energy and Water Sector Education and Training Authority (EWSETA) to deliver training programmes to enhance skills and competencies. Fostering partnerships has been a main focus during the year to ensure that workforce skills are improved.

A training plan was developed, culminating in strategic engagements between the Learning and Development Unit and departmental heads to determine the training courses and programmes to be implemented in the year under review.

The available mandatory and discretionary grants from EWSETA have been fully utilised to supplement the limited training budget.

a) The annual budget for the Learning and Development Unit was set at R4 345 492.72
b) The budget was not fully utilised during the implementation of the Training Plan, with an expenditure of R3 190 512.82. This was because of the organisation's negative financial position.
c) An additional budget allocation of R331 397.77 was received from EWSETA.

The table below provides the Training Plan Implementation statistics per occupation as of 30 June 2024:

Occupational level	Male				Female				Total
	African	Coloured	Indians	Whites	African	Coloured	Indians	Whites	
Top management	1	0	0	0	0	0	0	0	**1**
Senior management	2	0	0	1	1	0	0	0	**4**
Professionals and mid management	1	1	1	1	6	0	0	0	**10**
Skilled technical workers and junior management	34	2	0	3	28	0	0	0	**67**
Semi-skilled	31	1	0	1	23	3	0	1	**60**
Unskilled	28	0	0	0	8	13	0	0	**49**
Actual total	**97**	**4**	**1**	**6**	**66**	**16**	**0**	**1**	**191**

Table 5.8: Training equity profile (Number of people who attended training per race, gender and occupational level)

FINANCIAL STUDY ASSISTANCE

In line with the relevant prescripts, one of Amatola Water's objectives is attracting and retaining employees and enhancing productivity. This has resulted in the organisation providing financial assistance for tertiary education to seven employees during the reporting period as per the target for the year.

Amatola Water supported seven continuing beneficiaries who are pursuing their qualifications. The organisation did not fund any new applicants due to financial constraints

Total expenditure	Number of employees	Average cost per employee
R178 479.43	7	R25 497.06

WORKPLACE INTEGRATED LEARNING PROGRAMME

Amatola Water has 16 learners who were placed on workplace-integrated learning programme:

a) Six of those learners are from the Department of Labour.

b) Ten of these learners are from the Eastern Cape Office of the Premier through the Youth Development Programme.

EMPLOYEE RELATIONS

Workplace relations with organised labour are sound and built on mutual respect. At the national level, Amatola Water participates in central collective bargaining processes through the Amanzi Bargaining Council and the employer association, the South African Association of Water of Water Utilities.

There are three majority trade unions in the water sector: The South African Municipal Workers Union (SAMWU), United Association of South Africa (UASA) and National Education and Allied Workers Union (NEHAWU) which are also members of the Amanzi Bargaining Council.

At Amatola Water, the majority trade union is SAMWU with 309 memberships and 10 shop stewards including one full-time shop steward, serving the 374 staff. In compliance with collective bargaining principles Amatola Water is committed to ensuring a peaceful working environment, consulting organised labour on issues of mutual interest, sharing of information, and maintaining a cordial relationship for the benefit and stability of the entity to avoid and reduce unnecessary conflicts.

Apart from these strategic relations fostered between organised labour and Management, there is a functional structure called the Local Labour Forum, which is mandated to ensure continuous engagement between employers and organised labour.

These engagements are regulated by Organisational Rights Collective Agreement which outlines the Terms of Reference and each party's role and responsibilities including the right of organised labour to hold meetings during working hours for maximum of two hours.

In 2023/24, parties at the Amanzi Bargaining Council managed to negotiate and agree on a 7% salary increment without resorting to power play (strike) and agreed on a Minimum Service Level Agreement in the event of industrial action.

Various cases of alleged misconduct are underway. Some have been reported using the Fraud Hotline, and investigations are being conducted. Management takes consequence management seriously, guided by the Disciplinary Code Policy and relevant labour legislation.

In the year under review, Amatola Water instituted disciplinary actions against employees who misconducted themselves, including an executive, which external attorneys handled.

The following reflects disciplinary cases that were finalised as at 30 June 2024:

Nature of disciplinary action	Number
Written warning	3
Suspensions	4
Dismissals	3
Total	10

Table 5.9: Number of internal disciplinary actions

The following table reflects matters that are at the CCMA as at 30 June 2024:

Nature of disciplinary action	Number
Unfair dismissals	2
Unfair labour practice	1
Constructive dismissal	0
Total	3

Table 5.10: Number of CCMA cases

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 2023/24 was implementing crucial ICT projects to transform and improve operational efficiency, manage risks, address cyber security threats, and continue monitoring the ICT governance.

ICT GOVERNANCE

A fundamental principle of Amatola Water's Information Communication and Technology (ICT) corporate governance is the oversight of all ICT investments, governance, risk management, and critical projects by the ICT 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.

This year's key governance drivers were the ongoing monitoring, adoption, and implementation of new and revised ICT policies and several ICT procedures to foster organisational awareness and improve controls.

KEY ICT PROJECTS

The focus for 2023/24 has been on:

- Ongoing ICT security and cyber awareness training for end-users and addressing vulnerability assessment and penetration test findings.
- Maintaining the artificial intelligence system identifies and neutralises anomalous behaviour in the ICT network environment to enhance security measures.
- Upgrading the enterprise resource planning system to streamline Amatola Water's business processes, automate manual processes, and implement improved standard methods available in the latest version.
- Maintaining the electronic signature system aimed at automating manual processes of document approval and tracking whilst ensuring confidentiality, integrity and availability of information.
- Replacing radio frequency links with 4G/5G routers at four remote sites.
- Developing an overtime approval system for the electronic application and approval of overtime to enforce controls that ensure compliance with the overtime policy.
- Developing a travel and expense claim submission and approval system to automate the process of submitting, approving, and verifying travel and expense claims by employees.
- Upgrading the payroll and HR system.
- Implementing the recruitment system.
- Implementing an ICT call logging system.
- 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.

ICT AUDIT COMPLIANCE

An audit review was conducted during the 2022/23 financial year, and 19 findings had been fully addressed as of June 2024.

CORPORATE GOVERNANCE OF ICT

- The Amatola Water ICT Framework includes an approved ICT Governance Policy, ICT Governance Charter and ICT.
- A 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 2024/25 financial year:

- Continuously implementing and improving ICT corporate governance.
- Upgrading the server and network environment to facilitate increased security and utilisation of enhanced functionality and features.
- Completing the upgrade of the enterprise resource planning system.
- Continuously testing and reviewing the DRP to ensure it aligns with best practices and industry standards.
- Improving business continuity by replacing earmarked ICT infrastructure, including upgrading servers and the network connection bandwidth.
- Implementing and completing ICT projects.
- Continuously enhancing and maintaining current systems, including enhancing Amatola Water's communication tools.
- Ongoing ICT security and infrastructure enhancements.
- Ongoing ICT security and cyber awareness training for end-users and addressing vulnerability assessment and penetration test findings.
- Implementing the employee performance management system.
- Upgrading the biometric system.
- Upgrading Laboratory Information Management System (LIMS).
- Developing a telephone claim module to allow the organisation to recoup the costs of private phone calls
- Implementing the job evaluation system.
- Including the Department of Education staff on the timesheet.
- Assisting with the implementation of a records management system.
- Developing a scorecard dashboard for integrated performance monitoring and evaluation.
- Developing a telemetry dashboard for a proof of concept for monitoring and evaluation to show real-time production levels.





6

ENVIRONMENTAL SUSTAINABILITY



ENVIRONMENTAL SUSTAINABILITY

Amatola Water's Environmental Sustainability Strategy provides environmental sustainability and governance framework. It is underpinned by the recognition that Amatola Water has a role in implementing the National Development Plan, particularly in the Eastern Cape. The strategy identifies critical interventions for Amatola Water's environmental footprint and integrated environmental management within climate change uncertainty, applying relevant technologies and the imperative of service delivery.

The environmental management system (ISO14001) allows for continued environmental monitoring and reporting improvement, identifying actions that will lead to environmental sustainability. As part of the development of the environmental management system, monitoring systems and data are identified, and reports are developed and streamlined to improve functionality of compliance monitoring and identification of trends that require interventions to reduce the environmental footprint or provide other appropriate management interventions (for example, water loss management interventions). Reports are developed and improved in an iterative process to improve understanding of environmental impacts and risks, better inform water resources management, and identify areas for intervention. The water conservation and water demand management (WCWDM) reports are an integral part of water resource management, with a focus on water resource availability (dam levels), water demands (abstraction from the resource) and water losses.

Figure 6.1 and Figure 6.2 shows environmental monitoring for the year: reporting on rainfall and water supply levels in dams on which Amatola Water relies, as it is critical to know the status of water resources. To prevent over-abstraction of water resources, it is essential to understand compliance with license and registered volume conditions, as indicated in Figure 6.3 to Figure 6.8. Where over-abstraction occurs, it is necessary to know why this is happening and implement appropriate water resource management and planning. Water losses are environmentally and financially unsustainable, and every effort must be made to curb them. Monthly water loss reports indicate where losses occur, per the water supply scheme, to identify areas for mitigation actions (Figure 6.9 to Figure 6.11).

During the year under review, Amatola Water developed its Climate Change Resilience Strategy (CCRS). In the development of the CCRS, the current operational footprint of the organisation was considered within the context of the approved Infrastructure Master Plan, and potential climate change risks to Amatola Water were identified.

The strategy distinguishes between adaptation and mitigation in response to climate change as relevant to Amatola Water's operations and interventions and is provided for in the strategy. In adaptation, the ability of Amatola Water to respond to the physical risks and impacts associated with the manifestations of climate change, such as increased temperatures, changes in precipitation, severe storm events, flooding and droughts, for example. are considered, and preparedness measures are provided. In mitigation, Amatola Water's contribution to the overall global increase in atmospheric greenhouse gases that cause climate change is considered, and measures to reduce greenhouse gas emissions (GHG; mostly CO_2) are provided.

The CCRS paves the way for developing a phased implementation plan, allowing Amatola Water to become increasingly resilient to the potential impact of climate change.

AMATHOLE SYSTEM QUARTERLY % OF FULL SUPPLY CAPACITY AND TOTAL RAINFALL

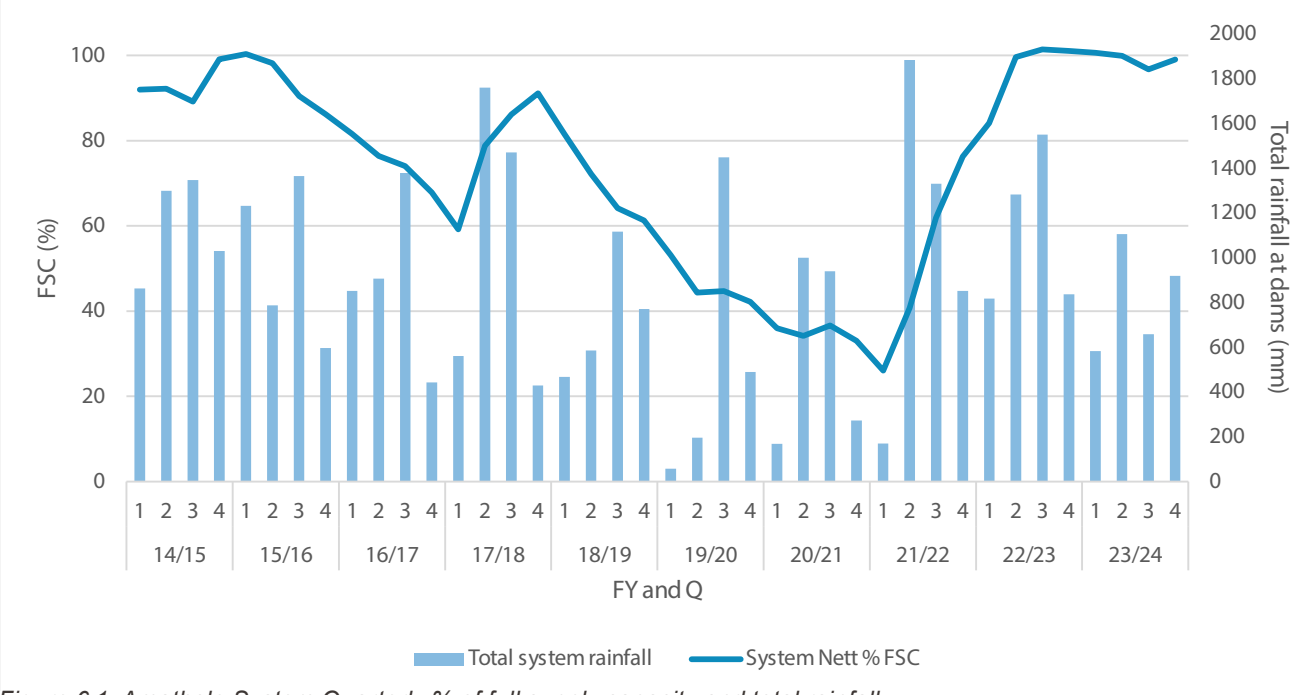


Figure 6.1: Amathole System Quarterly % of full supply capacity and total rainfall

AMATHOLE WATER SUPPLY SYSTEM MONTHLY DAM LEVELS (AW OPERATED DAMS + BRIDLE DRIFT DAM) JULY 2014 TO JUNE 2024

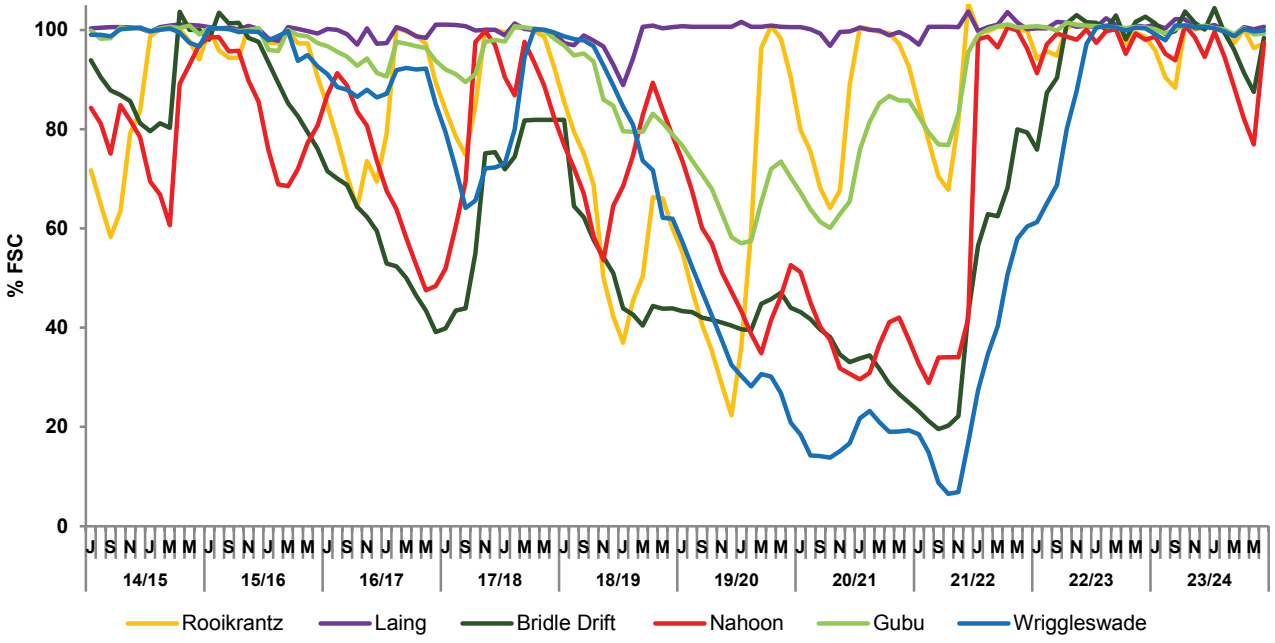


Figure 6.2: Amathole Water Supply System dam levels (Amatola Water-operated dams and Bridle Drift Dam)

NAHOON DAM: CUMULATIVE ANNUAL ABSTRACTION RELATIVE TO ANNUAL LICENSED VOLUME (PER FY)

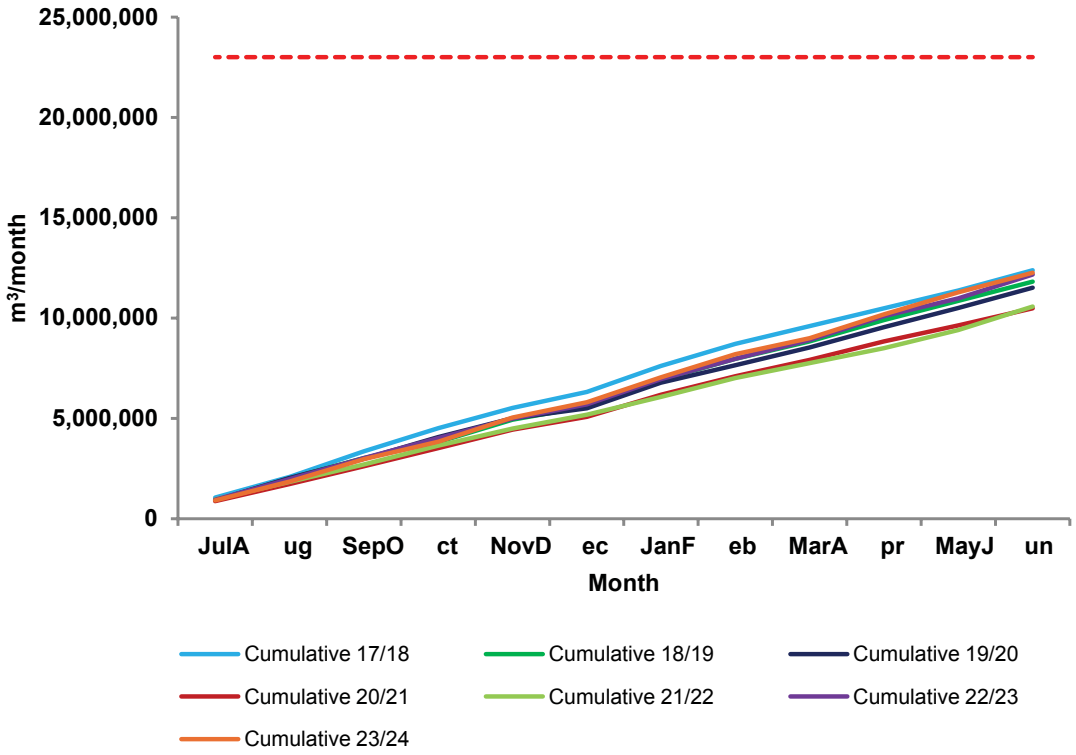


Figure 6.3: Nahoon Dam: Cumulative annual abstraction relative to annual licenced volumes per annum

LAING DAM: CUMULATIVE ANNUAL ABSTRACTION RELATIVE TO ANNUAL REGISTERED VOLUME (PER FY)

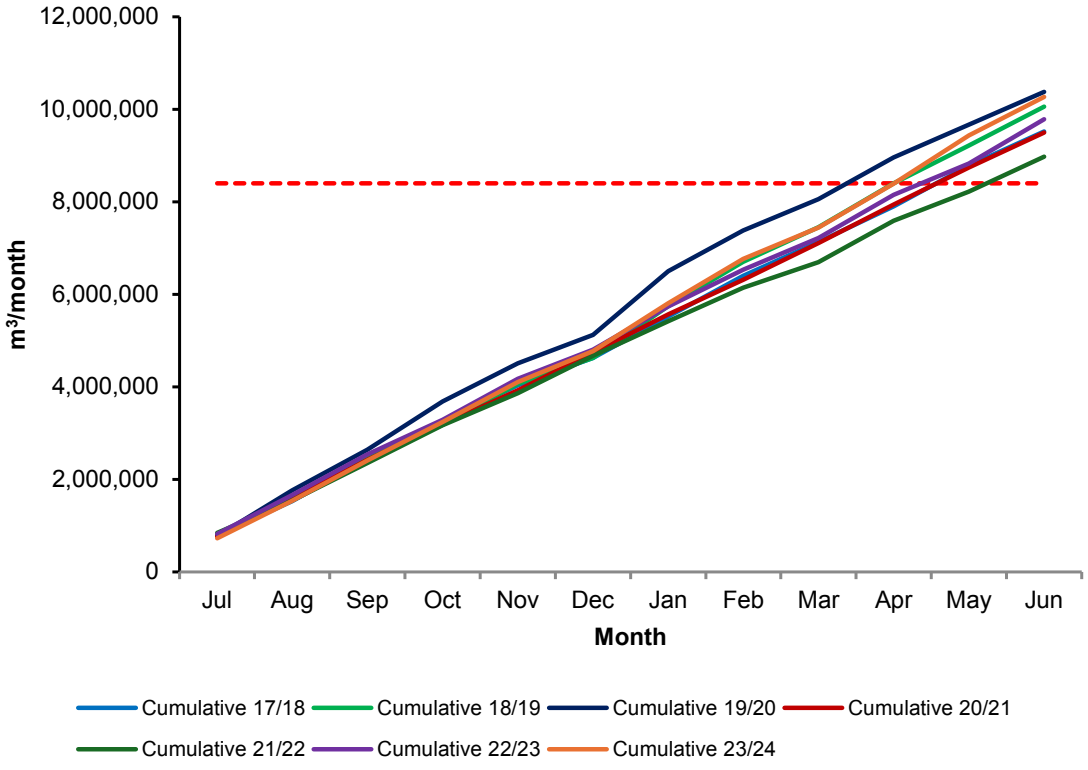


Figure 6.4: Laing Dam cumulative abstraction relative to annual licensed volume (per FY)

SANDILE DAM (SANDILE + PEDDIE): CUMULATIVE ANNUAL ABSTRACTION RELATIVE TO ANNUAL LICENSED VOLUME (PER FY)

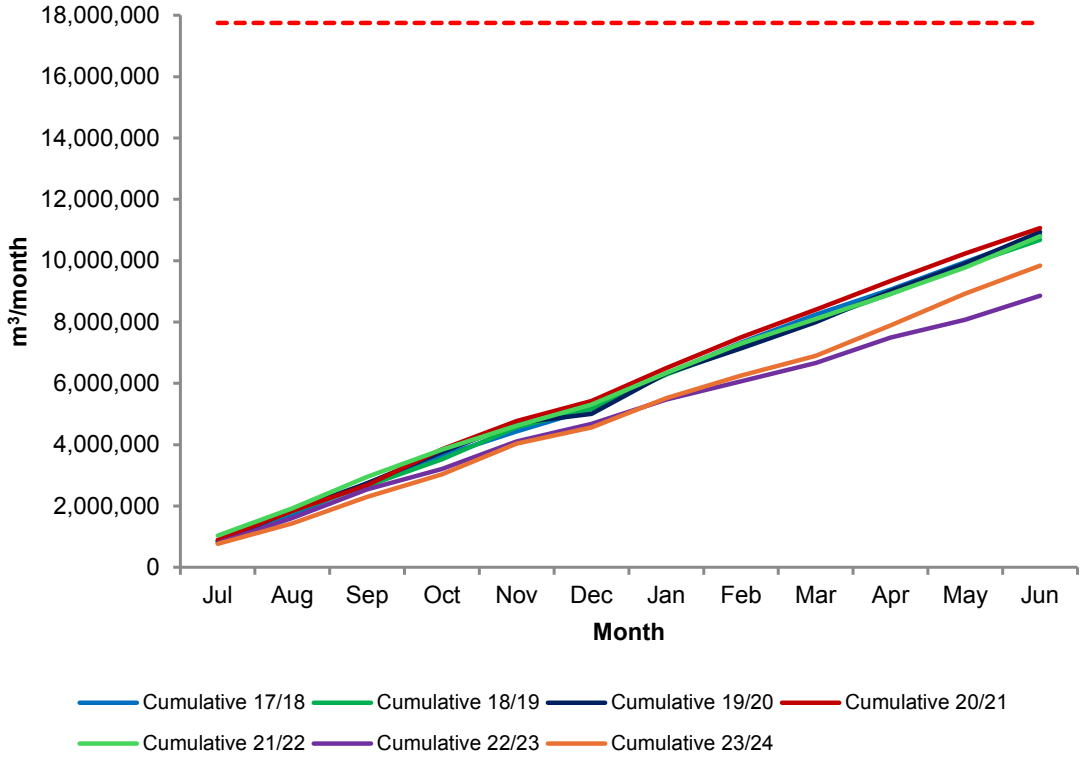


Figure 6.5: Sandile Dam (Sandile + Peddie) cumulative abstraction relative to annual licensed volume (per FY)

BINFIELD PARK DAM: CUMULATIVE ANNUAL ABSTRACTION RELATIVE TO ANNUAL REGISTERED VOLUME (PER FY)

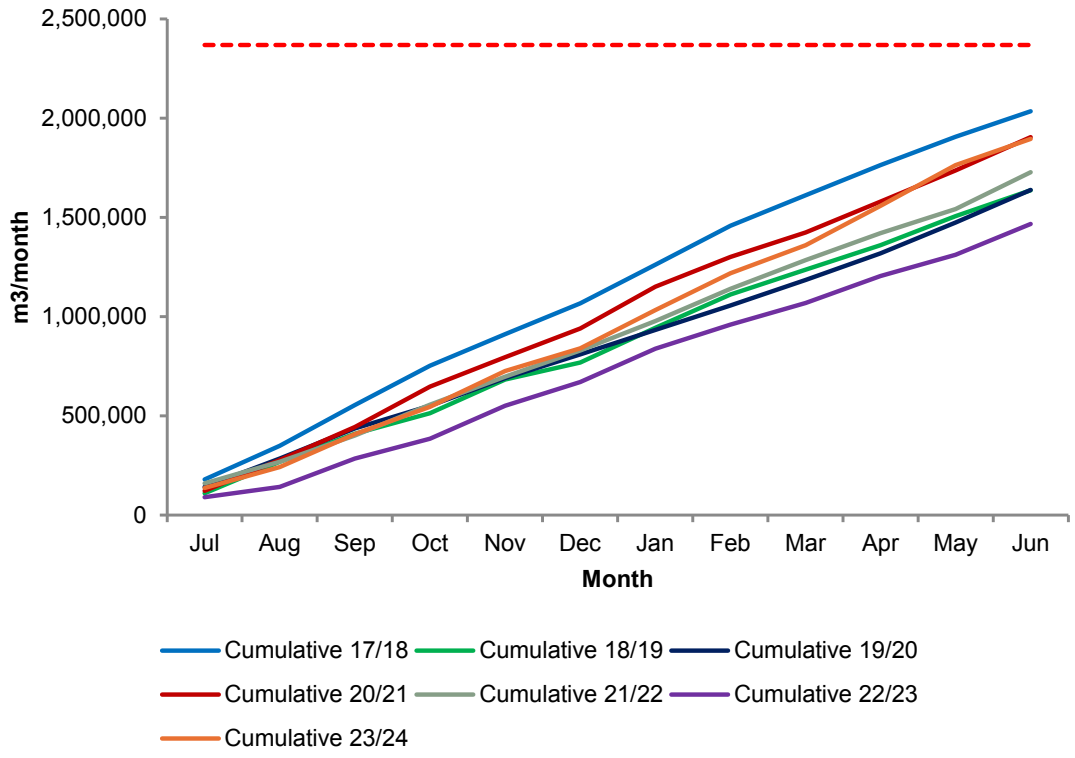


Figure 6.6: Binfield Park Dam cumulative abstraction relative to annual licensed volume (per FY)

MNYAMENI DAM: CUMULATIVE ANNUAL ABSTRACTION RELATIVE TO ANNUAL LICENSED VOLUME (PER FY)

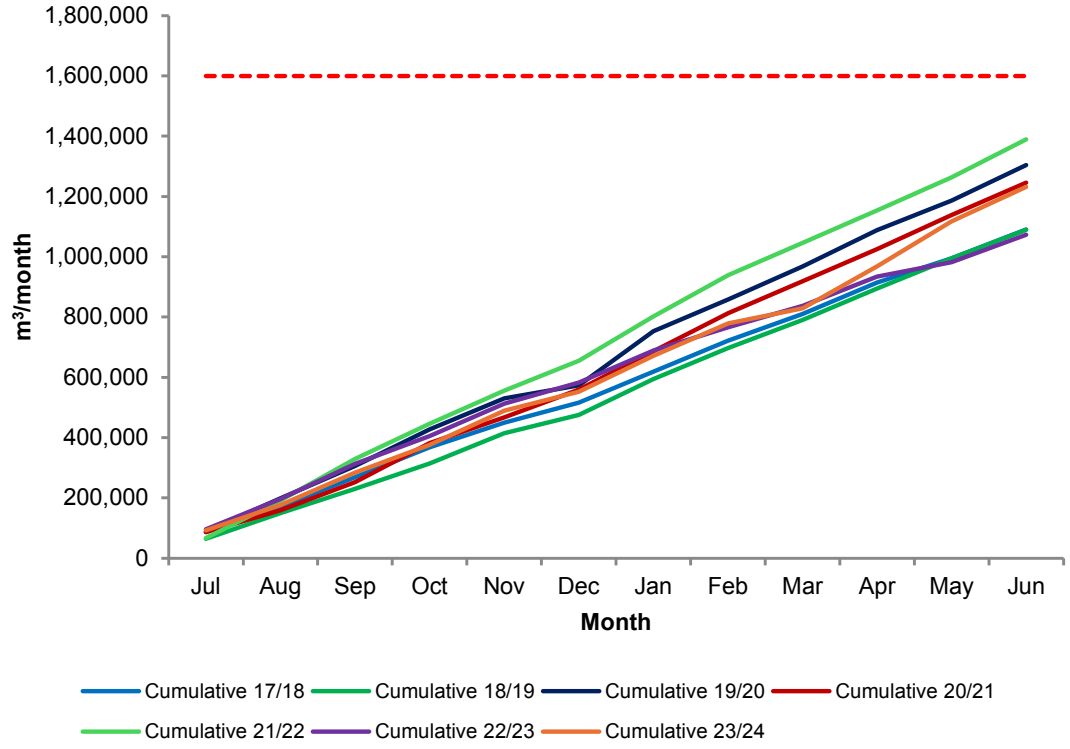


Figure 6.7: Mnyameni Dam: cumulative annual abstraction relative to annual licensed volume (per FY)

DEBE DAM: CUMULATIVE ANNUAL ABSTRACTION RELATIVE TO ANNUAL REGISTERED VOLUME (PER FY)

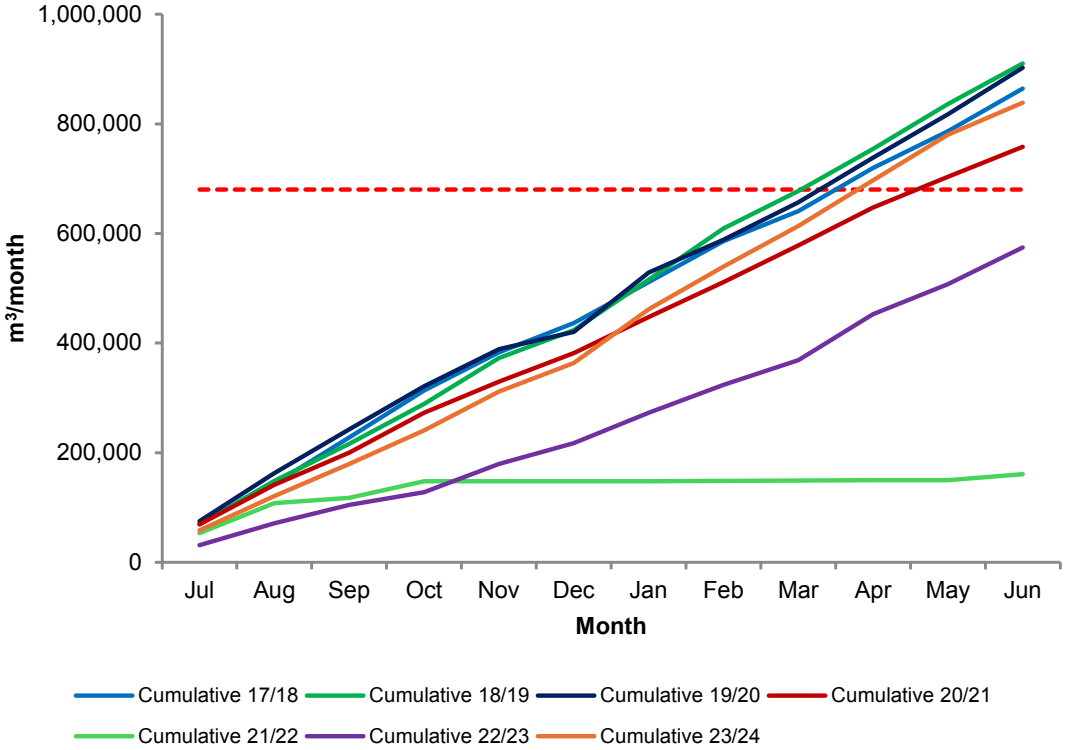
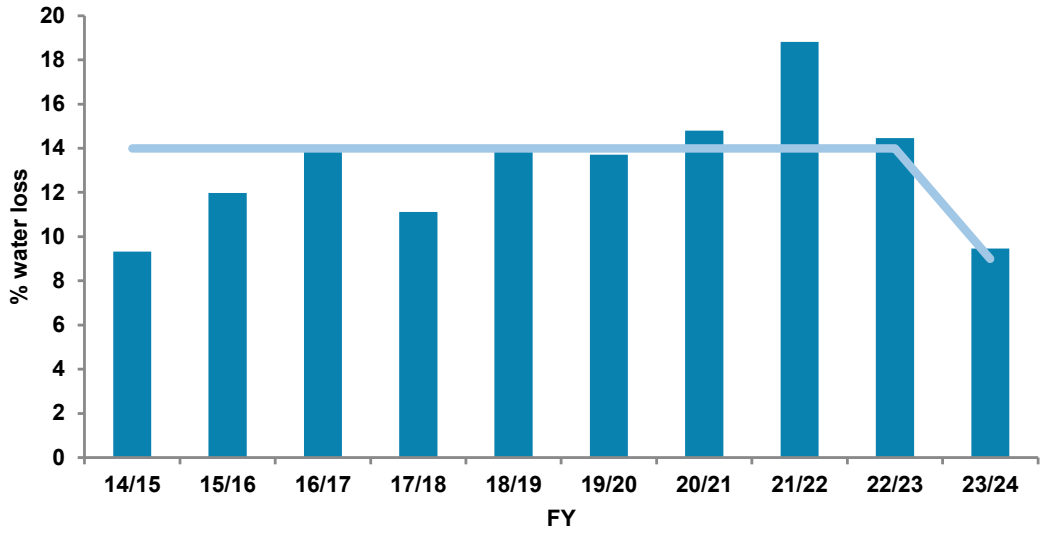


Figure 6.8: Debe Dam cumulative abstraction relative to annual licensed volume (per FY)

AMATOLA WATER WTWS: TOTAL WATER LOSSES COMPARED TO ANNUAL KPI TARGET*



*Annual KPI was reduced due to new method of calculation

Figure 6.9: Amatola Water water treatment works (WTWs): Total water losses compared to the annual target

TOTAL ANNUAL WATER LOSSES PER WTW (LARGE AND MEDIUM)

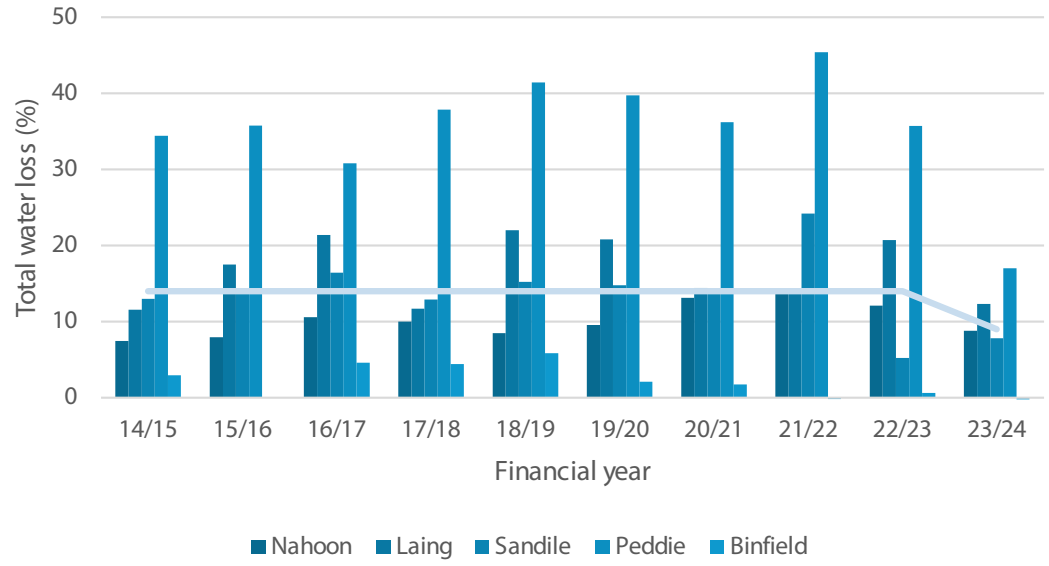


Figure 6.10: Total annual water losses per WTW (large and medium)

TOTAL ANNUAL WATER LOSSES PER WTW (SMALL)

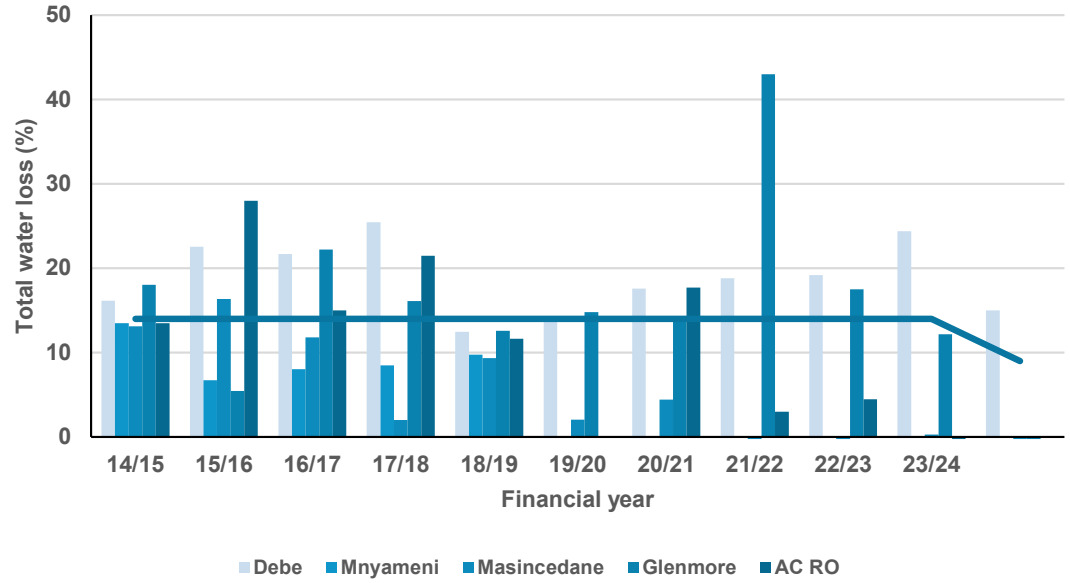


Figure 6.11: Total annual water losses per WTW (small)

ANNUAL AVERAGE DAM FSC (%) OF DAMS MANAGED BY AMATOLA WATER JULY 2014 TO JUNE 2024

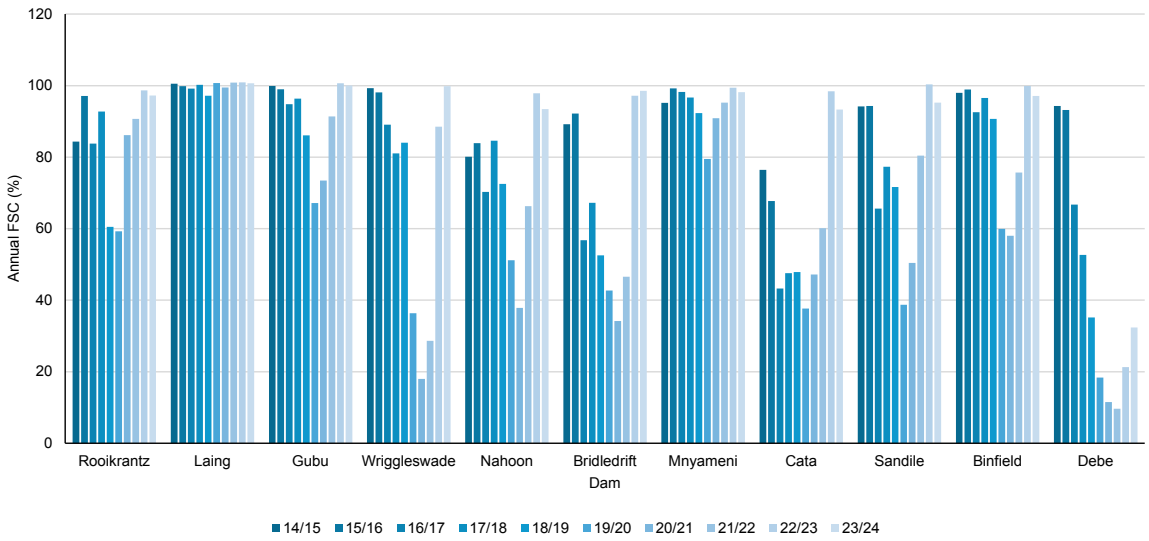


Figure 6.12: Annual average dam FSC (%) of dams managed by Amatola Water July 2014 to June 2024



7

OPERATIONAL REVIEW



INTRODUCTION

Non-revenue water continues to be a persistent challenge for Amatola Water and municipalities. The leading causes of non-revenue water are illegal connections, vandalism, pipe bursts and infrastructure theft.

Regular proactive maintenance of 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 positively contributed to eliminating water supply and sanitation backlogs in the province.

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 which was extended by one year to the end of June 2023. It was extended by another year to the end of June 2024. Amatola Water entered into negotiations with ADM to renew the current bulk water supply agreement from June 2024 onwards, which is underway. While the contractual arrangement is still under review, part of the negotiation is finding acceptable financial arrangements with ADM to settle arrear debts. This aligns 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 (BCMM) became a water services authority in July 2003, following the Minister of Provincial and Local Government's announcement of its powers and functions. At the time of the announcement, Amatola Water had a 30-year supply contract with the BCMM.

Amatola Water and BCMM revised the bulk water supply contract in October 2023. The contract is valid for another 15 years and ends in October 2038.

Ndlambe Local Municipality

Amatola Water has entered into a bulk water supply agreement with the Ndlambe Local Municipality to supply potable water to the Kenton-on-Sea and Bushman's River areas. The 20-year agreement 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, which abstract sea water from the Bushman's River Mouth and treat it through a reverse osmosis plant. It is blended with brackish water from the Diaz Cross dunes in the Ndlambe Local Municipality.

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

ANNUAL AVERAGE DAM FSC (%) OF DAMS MANAGED BY AMATOLA WATER JULY 2014 TO JUNE 2024

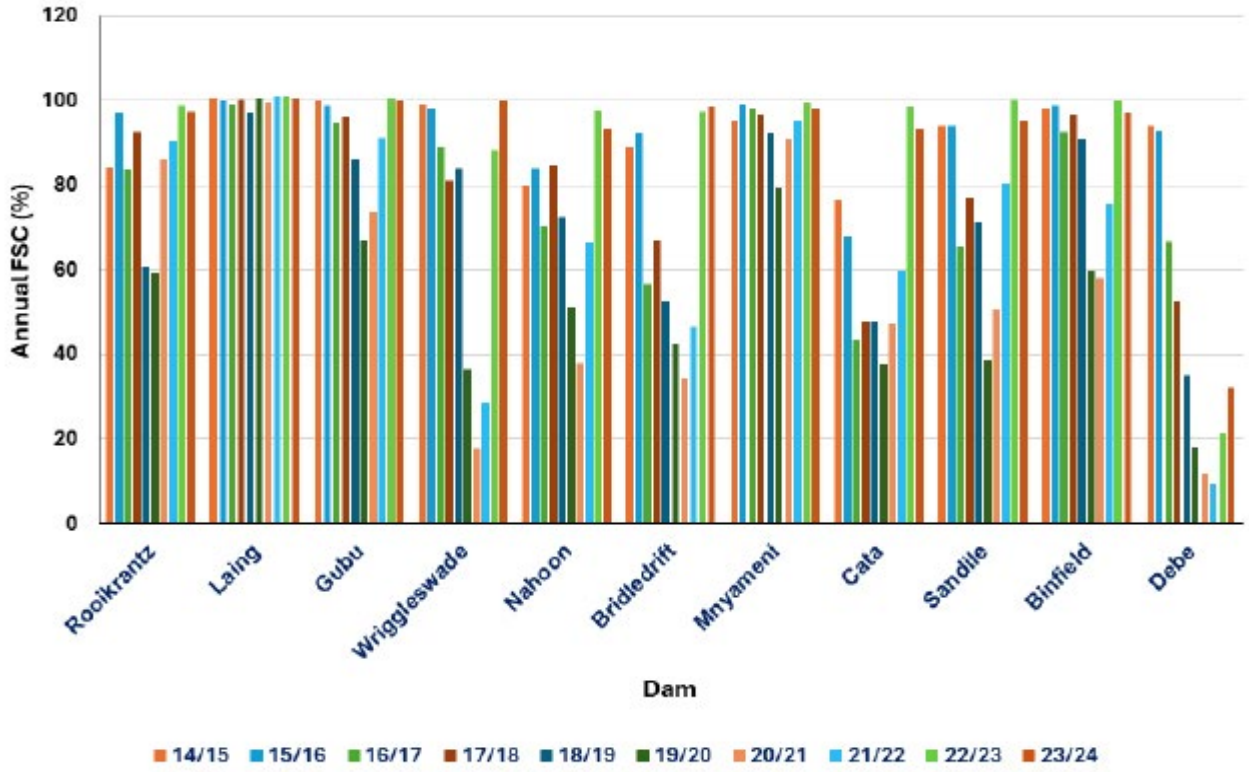


Figure 7.1: Comparison of average annual supply levels of Amatola Water dams

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

The following table illustrates Amatola Water's plant capacity, raw water sources and areas of supply:

RAW WATER SOURCE	WATER TREATMENT WORKS/SCHEME	2023/24 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/ Keiskamma River pumping from	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	Masincedane	6	Rural (20% peri-urban and 80% rural)
Binfield Park Dam	Binfield Park	12	Keiskammahoek
Lower Fish GWSS from Glen Boyed Dam	Glenmore	0.5	Urban areas of Dikeni, Khayalethu and kuNtselamanzi, rural service centres of lower and upper Hopefield, 38 rural villages and Phandulwazi Agricultural College
Laing Dam	Laing	33	Rural
Nahoon Dam	Nahoon	33.7	Pakamisa, Potsdam, Mount Coke, (63% urban, 17% peri-urban and 20% rural)
Sea and ground water	Albany Coast reverse osmosis plants	3.7	East London/Reeston/Mdantsane/ Newlands/Nqanqarhu (Macleantown) (95% urban and 5% peri-urban)
TOTAL		**118.5**	

Table 7.1: Potable water production

PRODUCTION QUALITY

Amatola Water's water quality compliance is measured against SANS 241:2015, which requires compliance with five categories within the standard. The following table illustrates the status of Amatola Water Quality Compliance. Instrumental and infrastructure failures challenge microbiological and operational compliance. Amatola Water is working tirelessly to address these challenges.

PERFORMANCE OUTCOME	OUTCOME/ IMPACT	OUTPUT INDICATORS	ANNUAL TARGET 2023/24	ANNUAL RESULT 2023/24
Bulk potable water quality compliance	Water quality standards met	Acute health microbiological compliance ≥ 99%	97%	95.30%
		Acute health chemical compliance ≥ 97%	95%	100%
		Chronic health chemical compliance ≥ 97%	95%	99.20%
		Operational compliance ≥ 95%	95%	92.80%
		Aesthetic compliance ≥ 95%	95%	98.20%

Table 7.2: Bulk potable water quality compliance results for the 2023/24 financial year

NON–REVENUE WATER

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

Water balances were recorded monthly for the water abstracted, treated and distributed within Amatola Water's supply networks.

During 2023/24, problem areas were identified using essential water meters and conducting physical inspections of bulk pipeline routes. All water meters were calibrated using the Amatola Water meter calibration programme. Early identification of water losses assisted in addressing and reducing water losses and reduced revenue loss.

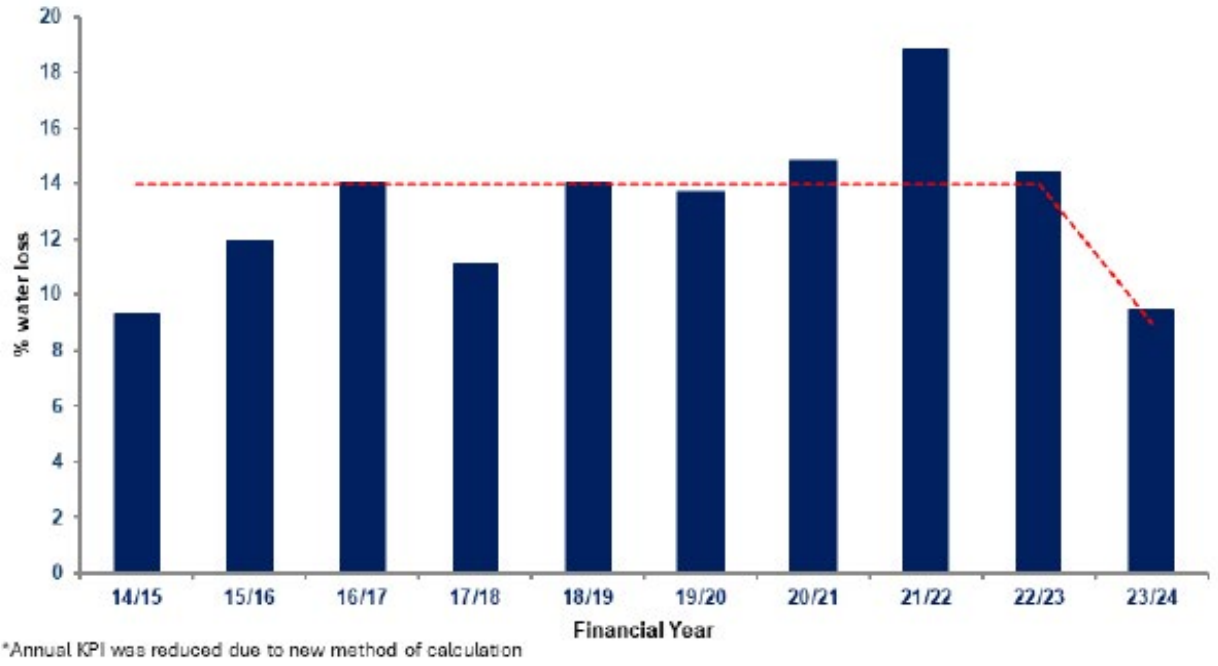


Figure 7.2: Amatola Water, water treatment works (WTWs): Total water losses compared to the annual target

TELEMETRY PLAN

Based on the release of the new Adroit 10 software, a new supervisory control and data acquisition (SCADA) system was built from the ground up. This process affected 175 individual stations and every node on the communications backbone. The SCADA development will focus on functionality that assists management and robust historical record keeping.

The Windy Ridge Radio High Site was rebuilt and relocated to the Telkom High Site on Windy Ridge. The change was necessitated by the increase in vandalism in the area.

The new site offers increased security and power reliability, bolstering the telemetry radio backbone. Two new reservoir-based telemetry stations and digital radios were installed during the period under review.

OPTIMISING OPERATIONAL EFFICIENCIES

Water production

Despite the Eskom loadshedding challenges, production increased by 5% during the year under review compared to the 2022/23 financial year.

Storage and supply capacity expansion

Amatola Water's customers had an overall assurance of supply of 95.84% during the year under review. It is 2% below the set target of 98%. This was mainly due to loadshedding and the required demand.

The average days for unplanned interruptions sat at seven days per quarter in 2023/24. The increase is mainly due to increased demand due to a growing population, loadshedding and the occasional burst pipe due to ageing infrastructure.

PUMP EFFICIENCY MONITORING PROGRAMME

The kWh/cubic metre of water ratio increased to 1.34 in the 2023/24 financial year from 0.872 in 2022/23. This equates to a 0.428 increase in kWh per cube of water supplied.

The main contributing factor to this increase is the water loss due to frequent pipe breaks and illegal connections. Below is the kWh/cubic metre of water produced ratio table for the 2023/24 financial year:

JULY 2023 TO JUNE 2024				
WTW	**CAPACITY ML/D**	**TOTAL 2023/24**	**TOTAL 2023/24**	**2023/24**
		KWH	M^3	KWH/M^3
Rooikrantz	Closed	0	0	0.00
Masincedane	6	29 415	1 086 359	0.03
Glenmore	0.5	244 369	174 708	1.4
Dabi	Closed	0	0	0.00
Peddie	6.56	3 227 305	2 257 022	1.43
Mnyameni	0.29	50 270	80 661	0.62
Nahoon	33.7	8 696 410	10 734 047	0.81
Laing	33	10 987 449	7 975 812	1.38
Sandile	18	4 496 011	6045 044	0.74
Debe	5	502 377	673 262	0.75
Binfield Park	4.8	1 383 520	1 967 996	0.70
Albany Coast	2.41	3 161 774	699 571	4.52
TOTAL	**111.65**	**32 778 900**	**31 694 482**	**1.034**

Table 7.3: Electrical consumption over the 2023/24 water production

SAFETY, HEALTH AND ENVIRONMENT

Amatola Water continued to provide an inclusive occupational health and safety (OHS) environment for all employees, stakeholders, and the public within its area of operation.

Based on safety, health, and environment (SHE) inspections and audits, an action plan was developed to provide a framework for standardising and improving occupational health and safety performance.

The action plan has enhanced the organisation's capability to provide health and safety services and oversight by focusing on:

a) Monitoring and maintaining Amatola Water's compliance with the ISO 45001:2018 Management System and other statutory obligations
b) Achieving the Amatola Water Integrated Management Policy and other strategic imperatives.

ISO 45001: 2018 Audits

The South African Bureau of Standards (SABS) conducted an external ISO 45001 audit during 2023/24 to provide information on the extent to which the Amatola Water Occupational Health and Safety Management System conforms to the requirements of ISO 45001:2018

The external audit allowed SABS to determine the effectiveness of the Amatola Water Occupational Health and Safety Management System's implementation and its effectiveness.

Eighteen non-conformances were noted during the audit, which has since been resolved. It has enabled Amatola Water to maintain its ISO 45001:2018 accreditation with the SABS.

DISABLING INJURY FREQUENCY RATE (DIFR)

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

The disabling injury frequency rate (DIFR) is a crucial indicator of the organisation's SHE performance. It measures the extent to which personnel are exposed to potential disabling injuries and incidents.

Amatola Water's DIFR was calculated at 0.8 during the period under review, which is equal to the benchmark DIFR of 0.8. For the 2023/24 FY, a ratio of 0.8 was achieved.

AMATOLA WATER PROGRESSIVE DIFR AT THE END OF 30TH JUNE 2024 = 0,8

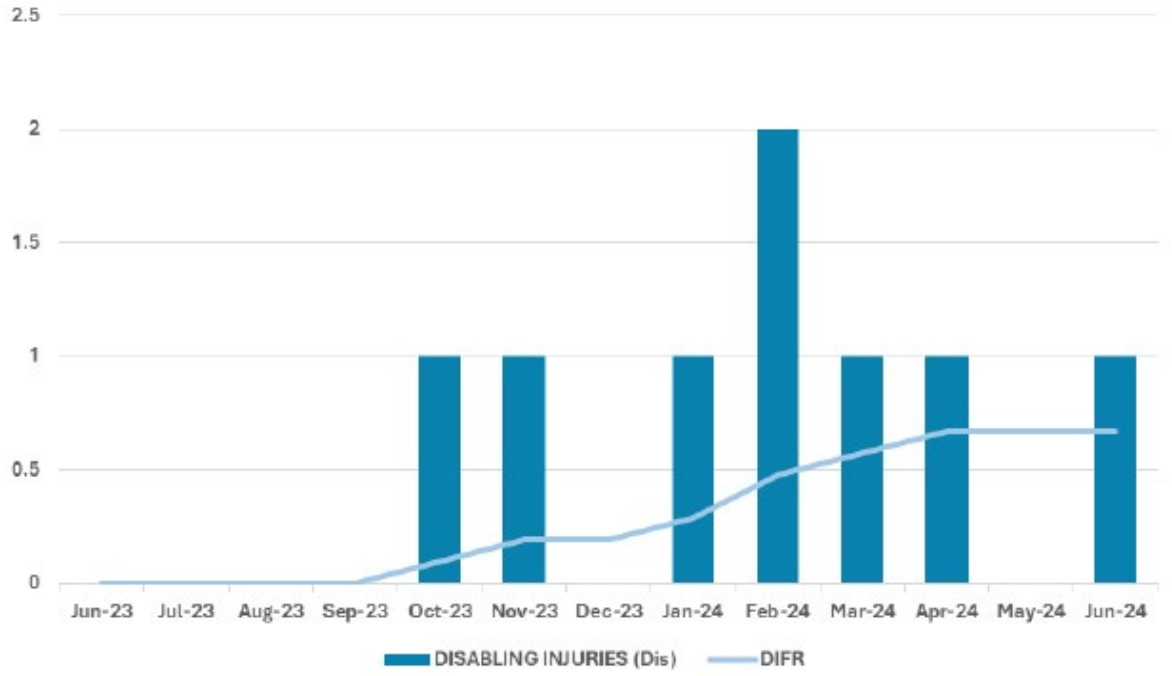


Figure 7.3: Disabling injury frequency rate 2023/24

AMATOLA WATER PLANT UPGRADES

UPGRADING OF DEBE WATER SUPPLY SCHEME	
Project description	**Scope** • 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
	Objective To improve the quality and quantity of supply from existing water treatment works (Phase 1) and mechanical and electrical equipment at the pump stations (Phase 2C)
	Location Eastern Cape between the settlements of Dimbaza and Middeldrift in the Amathole District Municipality and Nkonkobe Local Municipality
Progress/Status	• Phase 1 – Water treatment works:100% • Phase 2A – Bulk distribution (defects liability period): 100% • Phase 2B – Bulk storage (terminated): 47% constructed completed at time of termination • Phase 2C – Mechanical and electrical : 100% complete

UPGRADING OF BINFIELD WATER SUPPLY SCHEME	
Project description	**Scope** • 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
	Objective To improve the existing water treatment works in terms of supply quality and quantity and the gravity distribution main feeding reservoirs and reservoir storage
	Location Eastern Cape, Amathole District Municipality, Nkonkobe Local Municipality
Progress/Status	• Upgrade of the Binfield WTW mechanical and electrical works: 100% complete • Extensions to the water purification works: Civil works: 100% complete • Construction of bulk reservoirs: Terminated at 58% • Construction of the rising main: Terminated at 84%

UPGRADING OF SANDILE WATER SUPPLY SCHEME

Project description	**Scope** • Clear water storage (2 x 16Ml reservoirs) – Construction of new reservoirs • New rising mains from the WTWs to the new reservoirs • Upgrade of the WTWs to 60Ml/day – Civil, electrical and mechanical • Interconnecting pipe work – Construction of new interconnecting pipelines • Miscellaneous works
	Objective To upgrade the Sandile WTW to improve the quality of life and create socio-economic growth by increasing water provision to meet the minimum standard of 750ml/household per day
	Location Eastern Cape, Amathole District Municipality, Raymond Mhlaba Local Municipality
Progress/Status	• Civil 1 – 2 x 16 Ml reservoirs – Construction completed • Civil 2 – New British Ridge rising main – Progress achieved is 11% • The contractor was terminated due to poor performance on 11 April 2024 • The balance of works to be completed by a new contractor once Amatola Water secures the funding required to complete the project.

UPGRADING OF MASINCEDANE WATER SUPPLY SCHEME

Project description	**Scope** • 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 the quality and quantity of supply and the gravity distribution main feeding reservoirs and reservoir storage
	Location Eastern Cape, Amatole District Municipality
Progress/Status	• Upgrade of the water treatment works and reservoirs: 100% complete • Upgrade of the mechanical and electrical works: 100% complete • Upgrade of the Upper Mnyameni rising mains and pump stations: 100% complete

SECONDARY BUSINESS ACTIVITIES

NOOITGEDACHT/COEGA LOWER-LEVEL SCHEME (NCLLS) – PHASE 3

Project description	**Scope** • 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
	Objective 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
	Location Eastern Cape, Nelson Mandela Bay Metropolitan Municipality
Progress/Status	• 45ML reservoir: 100% completion • Nooitgedacht WTW: 100% progress • Pre-cast yard pipeline rehabilitation: 100% progress • The overall progress is 100% complete and the completion certificate was issued on 21 December 2023. Currently, the project is at the 12 months defects liability stage after which a final approval certificate will be issued to the contractor.

NDLAMBE REGIONAL BULK WATER SUPPLY

Project description	**Scope** • Completion of the Brackish Water Reverse Osmosis (BWRO) plant (mechanical and electrical) • Completion of the civil works – pipe work and reservoir supplying water to BWRO plant • Effluent brine water recovery – feasibility
	Objective 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
	Location Eastern Cape, Sarah Baartman District Municipality, Ndlambe Local Municipality
Progress/Status	• Amatola Water status as implementing agent was terminated in December 2022. • The Amatola Water closeout report and termination account has been submitted. • Ndlambe Local Municipality are the implementers of the project.

JAMES KLEYNHANS BULK WATER SUPPLY – PHASE 1

Project description	**Scope** • Clear water storage (2Ml reservoir) – Construction of new reservoir • Handling of sludge and backwash water – Upgrading of existing infrastructure • Sludge ponds – Construction of new sludge ponds • Mechanical works – Refurbishment of existing and installation of new infrastructure • Electrical (Internal) – Refurbishment of existing and installation of new infrastructure • 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	Phase 1 - Construction: 100% complete

JAMES KLEYNHANS BULK WATER SUPPLY – PHASE 2

Project description	**Scope** • Upgrade of chemical building – Upgrading and refurbishing of existing building (100% complete) • Extension of flocculation channels – Construction of additional floc channel (100% completed) • Sedimentation tank (10Ml/d) – Construction of new sedimentation tanks (100%completed) • Filters (10Ml/d) – Construction of four additional new filters (80% complete) • Clear water storage (1.0Ml) – Construction of new reservoir below filters (100% complete) • Electrical (Internal) – New electrical installation for additional infrastructure (75% complete) • Instrumentation (SCADA and PLC) – Installation of new infrastructure (outstanding) • Telemetry – New installation (outstanding) • Interconnecting pipework – Construction of new interconnecting pipelines (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	• The procurement of the contractor was completed in December 2022. • The milestone of the additional 10Ml/day was met on 30 August 2023. • Phase 2 progress of the works was 100% completed on 18 July 2024.

JAMES KLEYNHANS BULK WATER SUPPLY – PHASE 3

Project description

Scope

Civil Works

- Earthworks and grassing – Completion of earthworks and new grassing
- Completion of minor works for the bunding area, chemical dosing, mixing channel, horizontal clarifier, filters, reservoir, backwash and air blowers
- Internal roads – Construction of a new internal road
- Stormwater and retaining structures – New installation
- Upgrading/Refurbishing of existing WTW – Plant and buildings
- Gabion works to underdrain and sludge lagoon overflow
- Upgrading of existing filters – New installation in existing filters
- Upgrading of existing backwash and air pipework – New installation in existing filters
- High lift pump station – ME & I and Delivery manifold and chambers
- Fencing and security – New perimeter security fence
- Interconnecting pipe work – Construction of new interconnecting pipelines
- Draining of flooding to high lift pumpstation – New drain system to daylight
- Refurbishing of existing 450mm diameter rising main
- Miscellaneous works
- Commissioning and maintenance

Electrical and Instrumentation Works

- Install a 630A vacuum switch with a motor feeder protection relay that matches the existing switchgear for the fifth pump motor
- Install a soft starter matching the existing starters for the fifth pump motor
- Install power and instrumentation cables to and probes for two additional 530kW pump motors, and connect to new MV switchgear already provided via the soft starters
- Replace instrument/control cabling for all high lift pump sets and connect to new junction boxes
- Replace electrical building services for all existing buildings (plugs, light fittings, extraction fans and air conditioning)
- Replace area and road lighting across the yard and enhance area lighting with additional post top and floodlights
- Install lightning protection systems on all buildings
- Expand controls and instrumentation for clear water valve actuators
- Automation of entire plant by commissioning new PLCs and HMIs
- Complete and connect AC installation for MV and LV switching rooms
- Install an intrusion alarm system at the Glen Melville Dam telemetry station
- Install a closed circuit TV (CCTV) camera surveillance system throughout the works.

Botha's Hill Reservoir Works

- Installation of wireless level sensors in Botha's Hill reservoirs
- Upgrade of security at Botha's Hill reservoirs by repairing electric fence, installed solar powered lighting, CCTV camera surveillance and telemetry on a high mast.

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

JAMES KLEYNHANS BULK WATER SUPPLY – PHASE 3

Progress/Status	• Detailed design and procurement documentation was completed in 2023/24. • Sourcing of the permits and authorisations for additional water abstraction and pipeline draining from the pumpstation to the river continued with the Phase 1 completed (application submission). • Site visits conducted (Phase 2) and are waiting for Phase 3 to be activated on the online water use licence application and authorisation system (e-WULAA) system. • In terms of the environmental authorisation, the process to update the current environmental authorisation commenced and awaiting feedback from the Department of Economic Development, Environmental Affairs and Tourism on the motivation letter submitted by the EAP.

PATERSON BULK WATER SUPPLY SCHEME

Project description	**Scope** • 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
	Objective To increase output of water supply to 6Ml/day and to meet the water demand of Addo and Paterson until 2035.
	Location Eastern Cape, Sarah Baartman District Municipality, Sunday's River Valley Local Municipality
Progress/Status	• Paterson Bulk Water Supply Phase 1 – 5 is 100% complete • Paterson Bulk Water Supply Phase 6 is 100% complete and is at defects liability stage for 12 months.

KIRKWOOD BULK WATER SUPPLY SCHEME

Project description	**Scope** • Raw water storage • Additional clear water storage • Construct a new 3.0 Ml reservoir at Kirkwood Town (Kirkwood, Aqua Park, Bergsig) reservoirs • Construct a new 3.0 Ml 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.
	Objective To ensure that Kirkwood has adequate water supply during peak and drought seasons.
	Location Eastern Cape, Sarah Baartman District Municipality, Sunday's River Valley Local Municipality
Progress/Status	• Designs and procurement are 100% complete. • The project was awarded in July 2023 to the successful contractor. • The contractor commenced with the works; the project is ongoing. • The progress of the works is 95% complete as at the beginning of October 2024.

KING SABATA DALINDYEBO PRESIDENTIAL INTERVENTION (KSDPI)

Project description	**Scope** Two booster pump stations, three command reservoirs, two rising main pipelines, eight bulk gravity main pipelines, seven village supply reservoirs, two elevated tanks, 10 village reticulation networks, break pressure tanks, 286km of pipelines, 744 stand taps.
	Objective To extend the Coffee Bay Regional Water Supply Scheme to provide water to Ward 23 (now Ward 24) (except for a portion across the Mpako River) and the Mabehana Village in Ward 24 (now Ward 25) serving a population of 24,874 people.
	Location Eastern Cape, OR Tambo District Municipality, King Sabata Dalindyebo Local Municipality
Progress/Status	• Phase 3A: Project was terminated at 98% completion • Phase 3B (M&E): Project is at 13% completion; the contractor were terminated due to lack of progress and poor performance as of October 2024.

KING SABATA DALINDYEBO PRESIDENTIAL INTERVENTION (KSDPI)

Project description

Scope

The KSDPI Bulk Water Project aims to unlock housing and commercial development for the region beyond Mthatha Town.

Impact

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 reduce pollution of the Mthatha River.

The project provides adequate portable water to the community that meets the SANS 241 standard and allows 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

PROJECT	SCOPE	PROGRESS/STATUS
Highbury WTW & pipelines	Construction of a 50Ml/d Highbury WTW	Construction of a 50Ml/d Highbury WTW Stage: 1) Civils 100% Complete 2) Construction Highbury Rising Mains & Thornhill Gravity Main 100% Complete 3) Construction of a 50Ml/d Highbury WTW Stage Civils 50% Complete.
Refurbishment of Fortgale Pump Station	The project entails refurbishment of civil structures, mechanical and electrical equipment, including transformers, pumps, valves, buildings and manholes.	The project is 95% complete, with the remaining 5% that includes testing and commissioning being anticipated to be completed by end of 2024.
Misty Mount Reservoir	Completion of 10ML Misty Mount Reservoir	The project is 45% complete.
Megacom & Mayden Farm Reservoir	Completion of 10ML Megacom and Mayden Farm Reservoir	The project is 60% 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
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

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 includes water supply from the schemes on behalf the Department of Water and Sanitation to water service authorities and agricultural activities.

The scope of this agreement has been extended to cover control of water hyacinth within the two dams that are affected. i.e. Wriggleswade and Laing .

Eastern Cape Provincial Department of Education

Amatola Water was appointed by the Eastern Cape Department of Education (ECDoE) in June 2016 to provide sustainable bulk water and sanitation solutions to the identified priority schools in the Eastern Cape.

This included upgrading and refurbishing water and sanitation infrastructure and providing operations and maintenance (O&M) services to 198 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.

Available budget from the 2024/25 Medium Term Expenditure Framework (MTEF) for the ECDoE to implement 17 water infrastructure, 12 sanitation infrastructure, two water infrastructure upgrades, O&M functions at 16 hostels and special schools throughout the Eastern Cape.

The available budget was R158 million, split into R89 million for O&M and R69 million for infrastructure upgrades. These projects are aimed at improving the condition of the water and wastewater infrastructure at various schools that were not properly maintained in the past.

However, ad hoc maintenance has addressed critical repairs and services at ordinary hostels and special schools outside the original allocated list of schools given to Amatola Water. These services affected the schools' smooth running, for example, water carting, desludging of septic tanks, blockages of sewer systems, and minor repairs to infrastructure.

Sixty sustainable job opportunities became available to address and manage the ECDoE portfolio: 28 general workers from the local communities at the 16 schools, 16 process controllers (one per hostel and special school), and 16 support staff.

INFRASTRUCTURE MASTER PLAN (IMP)

In FY2023/24, the Amatola Water Infrastructure Master Plan (IMP) was presented and approved by the Interim Board on 14 December 2023. The IMP implementation proposals commenced in January 2024, with Amatola Water engaging and finalising working partnerships with the Infrastructure Fund (IF) and Infrastructure South Africa (ISA). The partnerships encompassed project preparation, project packaging, development of feasibility studies and detailed business cases for the IMP proposals under the Amatola Bulk Supply Augmentation programme.

The programme has three phases.

Programme – Phase 1
The Nahoon Water Supply Scheme is north-west of central East London, within the Buffalo City Metropolitan Municipality (BCMM) near Mdantsane. It supplies water to areas exclusively in BCMM (Mdantsane, Reeston, and Newlands).

Programme – Phase 2
The Sandile WSS is west of Qonce and supplies water to BCMM and the Amathole District Municipality (ADM).

The Laing WSS is between East London and Qonce and supplies water to urban areas in BCMM and ADM and some neighbouring rural areas.

Programme – Phase 3
The Albany Coast Bulk Water Supply System, consisting of a reverse osmosis seawater desalination treatment facility at the mouth of the Bushman's River, is roughly in the middle of the coastline of the Ndlambe Local Municipality (NLM). Currently, it supplies the needs of the NLM.

Binfield WSS is about 11km north and northwest of Alice and below the Binfield Park Dam. The plant's capacity was recently upgraded to 12 Mℓ/d from 4.8 Mℓ/d. It exclusively supplies potable water to rural villages within the Amathole DM.

LOOKING FORWARD

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

There will be a concentrated effort to reduce non-revenue water as it will contribute to assurance of supply. The Infrastructure Master Plan (IMP) will be integrated with the Provincial Water Infrastructure Master Plan, which is under review, by working closely with provincial stakeholders, the municipalities, and communities within Amatola Water's supply area.

The BAAN Computerised Maintenance Management System will continue to 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 entity will continue to focus on planned maintenance in order to prolong the infrastructure life while funding institutions are being approached to fund the expansion and upgrades in line with the approved Amatola Water IMP.





8

FINANCIAL REVIEW



FINANCIAL REVIEW

Amatola Water has experienced severe financial stress during the past financial year; this is mainly due to the inability to recover for the services rendered to customers, which has negatively impacted the entity's working capital and cash flow management. The debtor collection days have deteriorated over the years due to the inability to collect revenue from Amathole District Municipality, a major Amatola Water primary business client.

Other contributory factors to Amatola Water's current dire financial situation include the entity reporting a deficit for three consecutive audited financial years R164,5m in 2023/24, R203.9m restated in 2022/23, and R174,4 million in 2021/22.

The reported deficits are attributable to: In the 2023/24 and 2022/23 financial years, Amatola Water plants were not producing at design capacity due to loadshedding. The other contribution factors are non-cash items of impairment loss related to assets, interest on outstanding Department of Water and Sanitation debt for the bulk water purchases and Amathole District Municipality debt impairment.

The wage demands, as agreed to at the Amanzi Bargaining Council, continued to put a strain on 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.

FINANCIAL TURNAROUND PLAN

Amatola Water has developed a Financial Turnaround Strategy focusing on the key strategies to overcome the challenges impeding its financial viability and sustainability. These are:

(i) **Strategy 1:** Focus on customer and debt management – enter into long-term fixed quantity agreements with customers, embark on collection strategies and enter into a revised settlement agreement with ADM.
(ii) **Strategy 2:** Establish a separate entity and register as a water service provider (WSP) to service customers directly in areas where water service authorities (WSAs) do not currently have the infrastructure or handover reticulation infrastructure to WSAs.
(iii) **Strategy 3:** Increase planned repairs and maintenance spend, focusing on water conservation and demand management initiatives to extend asset life and reduce distribution losses.
(iv) **Strategy 4:** Determine and implement cost-reflective tariffs (cost containment vs. tariff increase).
(v) **Strategy 5:** Assess the return on investment/feasibility of capital projects identified and affordability of proposed funding structures and implement, where feasible.
(vi) **Strategy 6:** Restructure and reduce employee-related costs.
(vii) **Strategy 7:** Review commission structure and profitability of special projects (secondary business) and revise minimum commission %.
(viii) **Strategy 8:** Incorporate technology and digital solutions to introduce efficiencies and address identified challenges where feasible.

AMATOLA WATER FINANCIAL SUSTAINABILITY AND VALUE CHAIN

Primary business revenue increased by 12,9% (R435 million) compared to the prior year (R385 million). This reported increase resulted from tariff increases for Amatola Water clients: Buffalo City Metropolitan Municipality, Amathole District Municipality and Ndlambe Local Municipality. Former Minister of the Department of Water and Sanitation, Mr S Mchunu, approved the proposed tariff increases for the 2023/24 financial year at an average of 9,5%.

Secondary business revenue increased by 10,7% (R19.6 million) compared to the prior year (R17,7 million). Total expenditure decreased by 14,84% (R218 million) compared to R256 million (restated) for the previous financial year. This decrease was due to a reversal of debt impairment due to improved payment behaviours. The ADM impairment percentage was 50% in 2024 compared to 55% in 2023.

Employee-related costs continued to escalate, as reflected by the 4.06% increase to R82,0 million compared to R78,8 million in the previous financial year. This is mainly due to effecting the Amanzi Bargaining Council allowances as per the 2023/24 agreement.

PRIMARY AND SECONDARY BUSINESS REVENUE

Revenue from the primary business for raw and treated water sales increased by 12,9% (R435 million) compared to the previous financial year's R385 million.

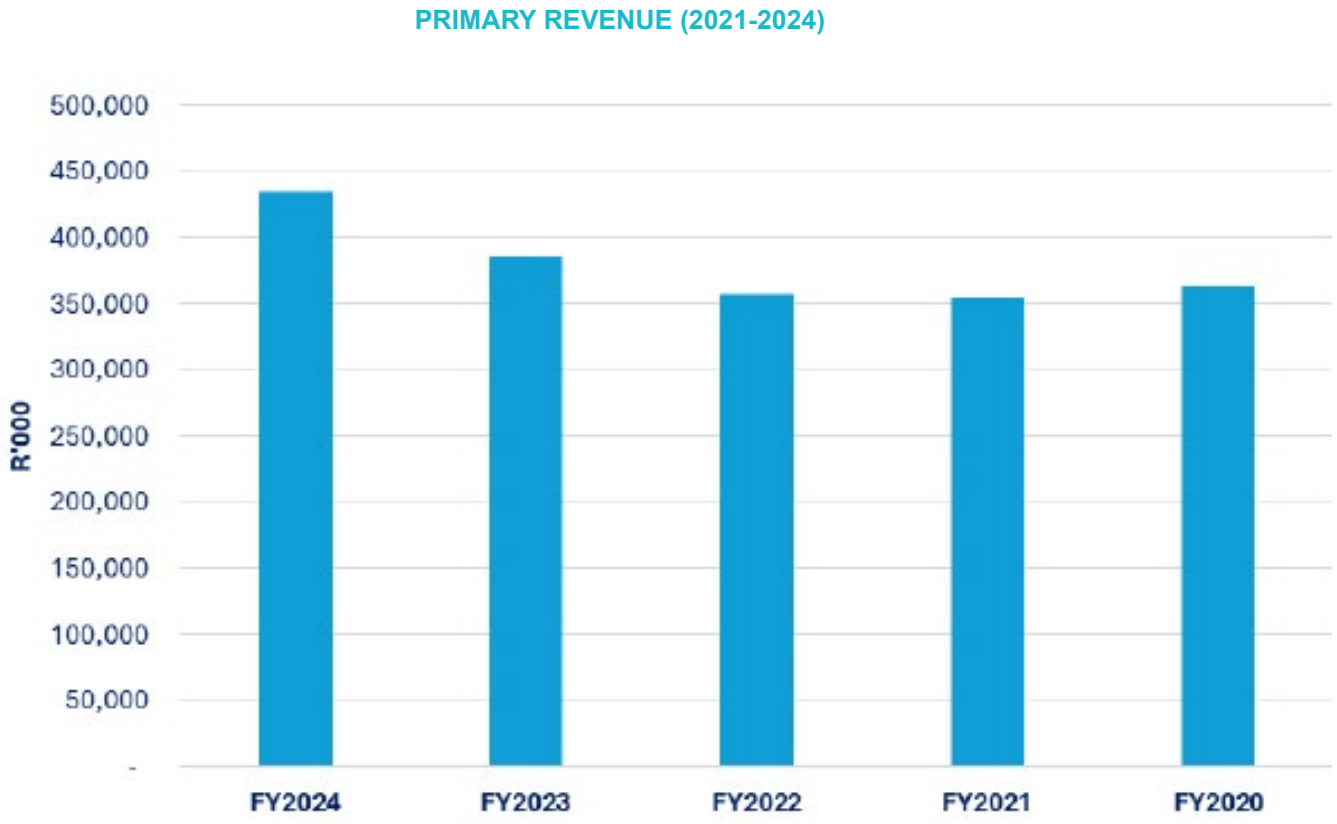


Figure 8.1: Primary revenue (2021-2024)

PRIMARY REVENUE (2016-2020)

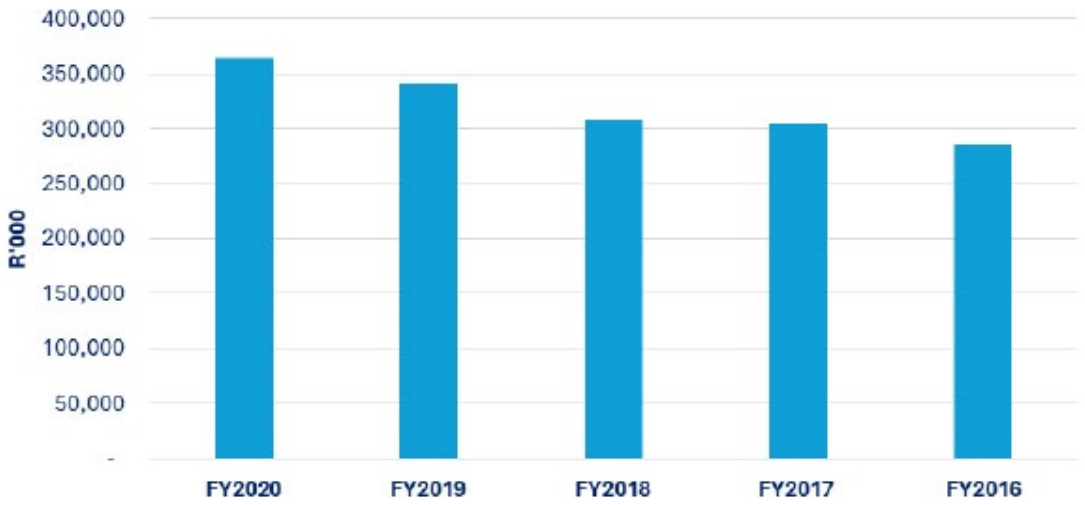


Figure 8.2: Primary revenue (2016-2020)

SECONDARY REVENUE (2021-2024)

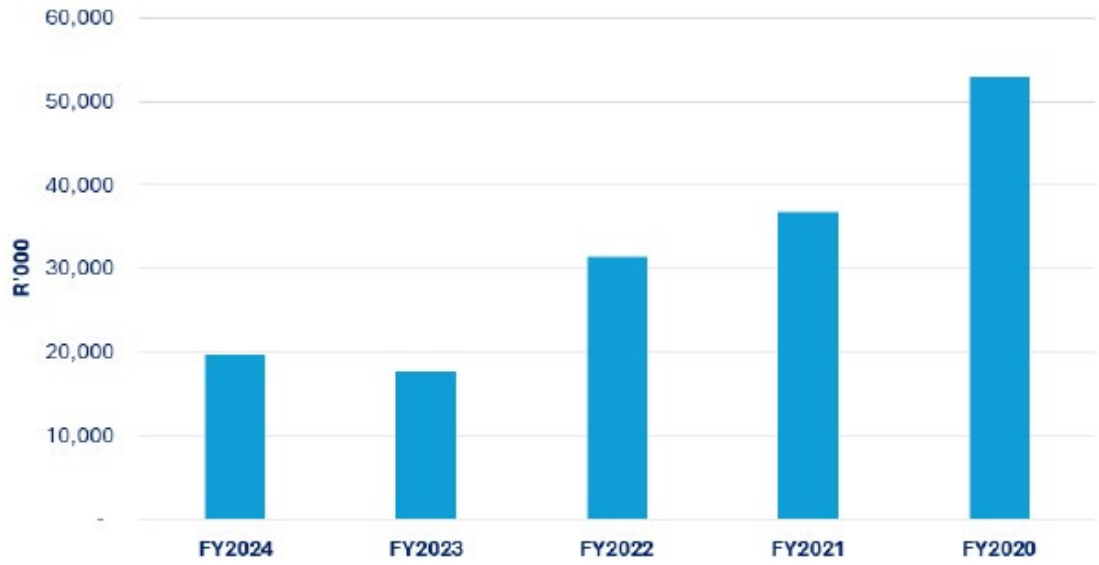


Figure 8.3: Secondary revenue (2020-2024)

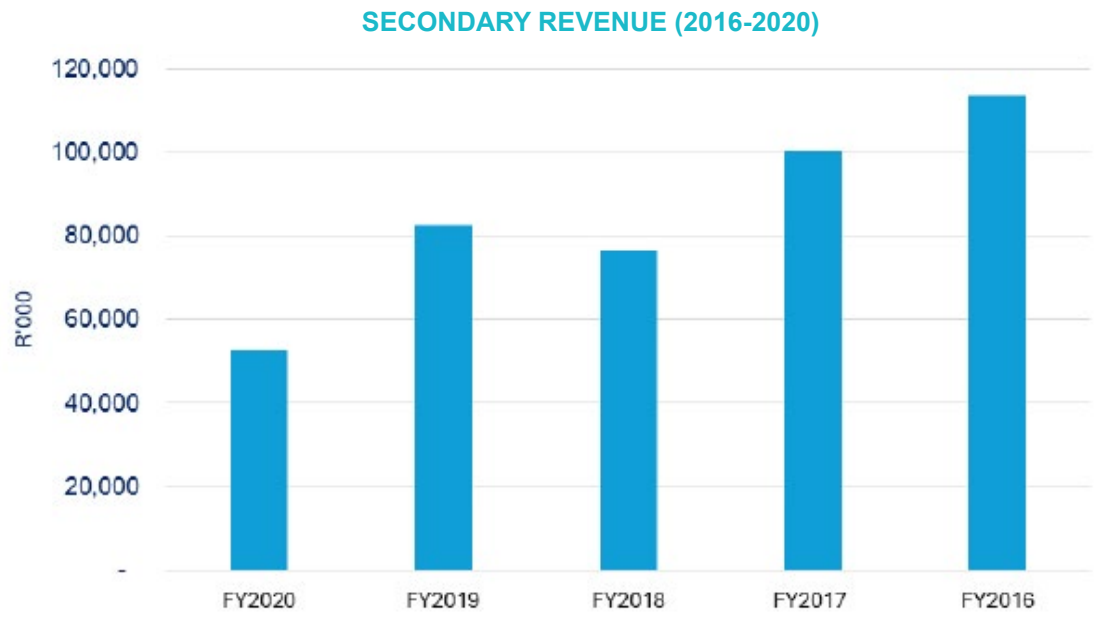


Figure 8.4: Secondary revenue (2016-2020)

COST OF SALES AND OPERATING COSTS

The cost of sales increased by 14.13% (R457,950 million) during the year, which was higher than the 1% year-on-year increase compared with the previous financial year (R401,245 million).

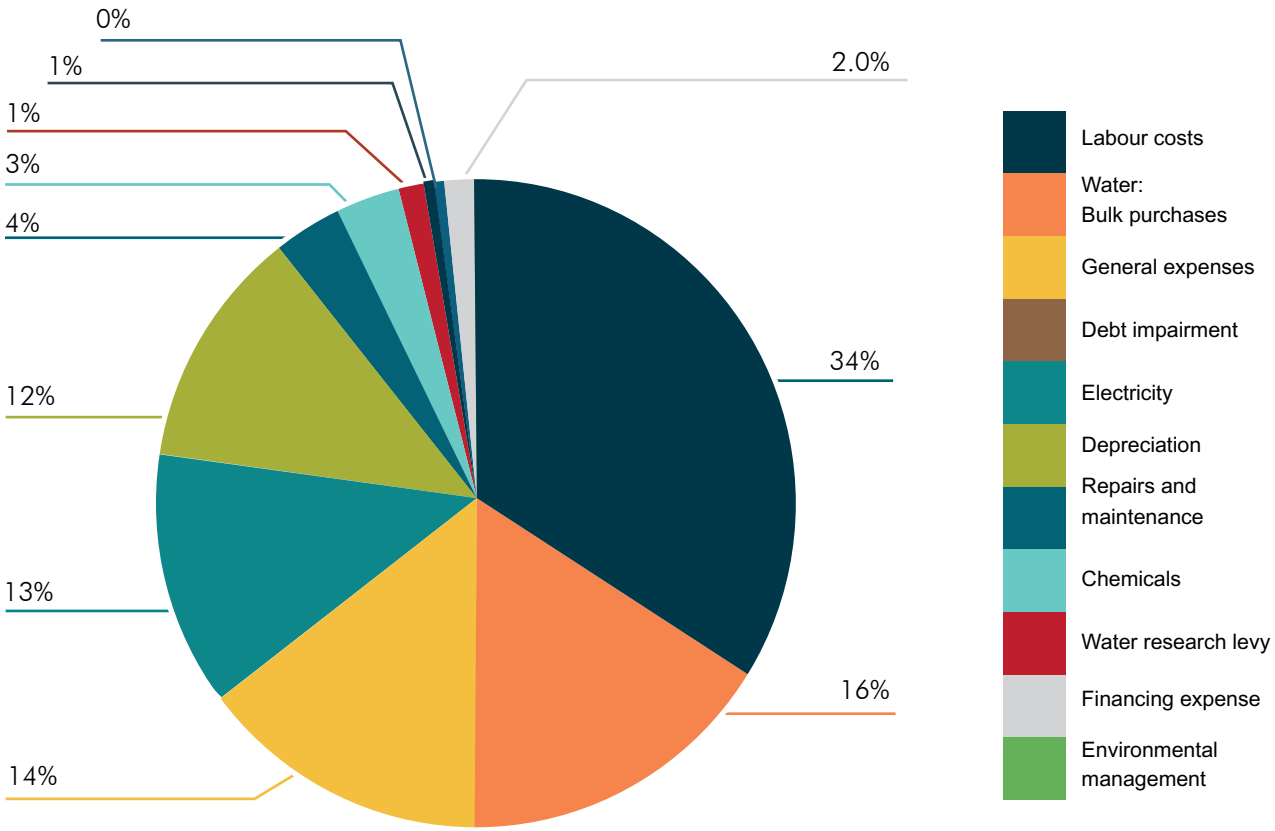


Figure 8.5: Cost of sales and operating costs 2023/2024

FINANCE INCOME

Finance income from cash and cash equivalents has decreased by 10,9% in the year under review compared to the previous financial year.

Amatola Water, in accordance with the provisions of the Banking, Cash Management, and Investment Policy, invests its cash on hand in short-term deposits with the highest interest-bearing potential among the four major banks. Additional interest is charged on all outstanding debtor invoices.

INTEREST FROM INVESTMENTS AND ACCOUNTS RECEIVABLE (2020-2024)

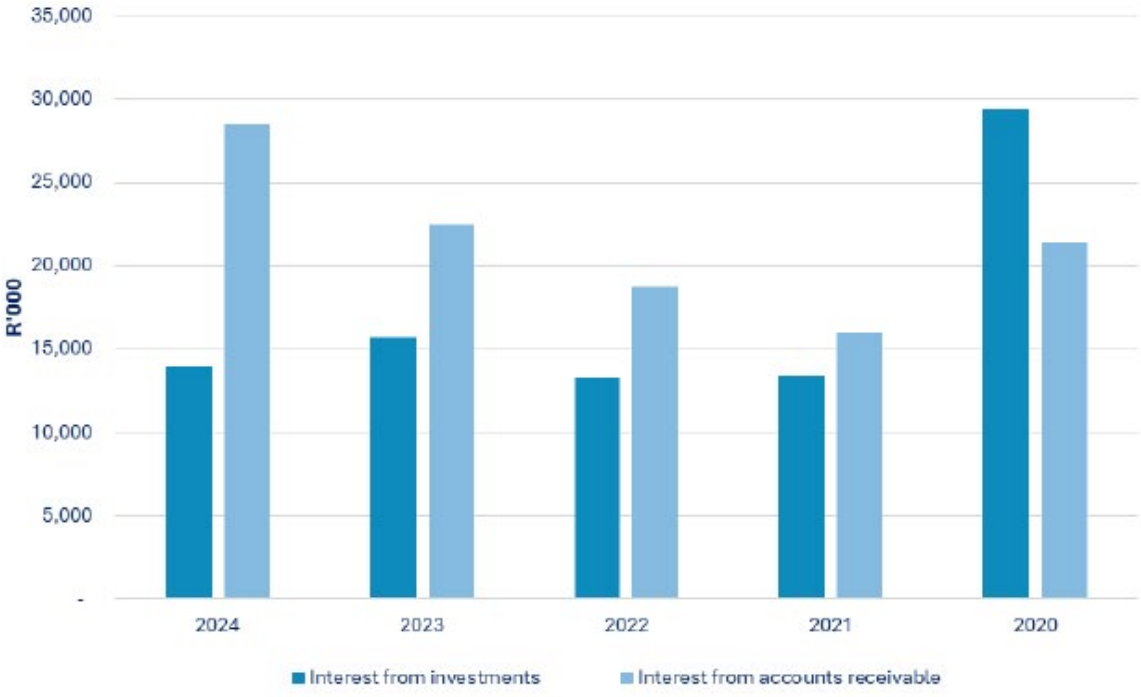


Figure 8.6: Finance income 2020 -2024

KEY FINANCIAL RATIOS

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

	Audited	Audited	Restated	Restated	Restated
RATIOS	**FY2024**	**FY2023**	**FY2022**	**FY2021**	**FY2020**
Current ratio	0.852	1.028	1.396	1.403	1.427
Trade debtors (days)	255.22	182.56	203.81	224.90	118.91
Return on assets	-12.55%	-9.19%	-8.74%	-3.41%	-3.53%
Debt-equity ratio	-	-	-	-	-
Acid-test ratio	0.84	1.02	1.38	1.39	5.48
Cost of sales (R/kl)	9.95	8.05	7.38	5.39	9.16
Electricity cost (R/kl)	3.15	1.85	1.95	1.04	1.50
Chemical costs (R/kl)	0.90	0.60	0.39	0.26	0.21
Raw water purchases (k/l)	3.19	2.55	2.54	2.15	2.75
Water research levies (k/l)	0.09	0.08	0.08	0.08	0.09
PRODUCTIVITY					
Number of employees	374	387	333	333	332
Average revenue per employee (R'000)	1,215	1,041	1,167	1,176	811

Table 8.1: Key financial ratios

SUPPLY CHAIN MANAGEMENT

Supply Chain Management (SCM) aims to procure goods and services. The SCM bid committees are in place and fully functional.

Implementation of procurement plan

Status of the bids	Q1	Q2	Q3	Q4	Total
Planned bids for the quarter	**37**	**13**	**6**	**0**	**56**
Number of bids processed during the quarter	**11**	**3**	**3**	**4**	**21**
Awarded	6	0	6	0	12
Cancelled	2	1	1	0	4
On evaluation	4	2	0	1	7
On adjudication	0	2	0	3	5
CE for signing the award	0	2	0	0	2
Advertised not yet closed	0	0	2	0	2

Table 8.2: Status of bids as per Procurement Plan

The above table reflects the number of bids as per the submitted Procurement Plan that has been processed cumulatively. Overall performance against the annual procurement plan was 38%, as 21 bids were processed against the 56 planned bids

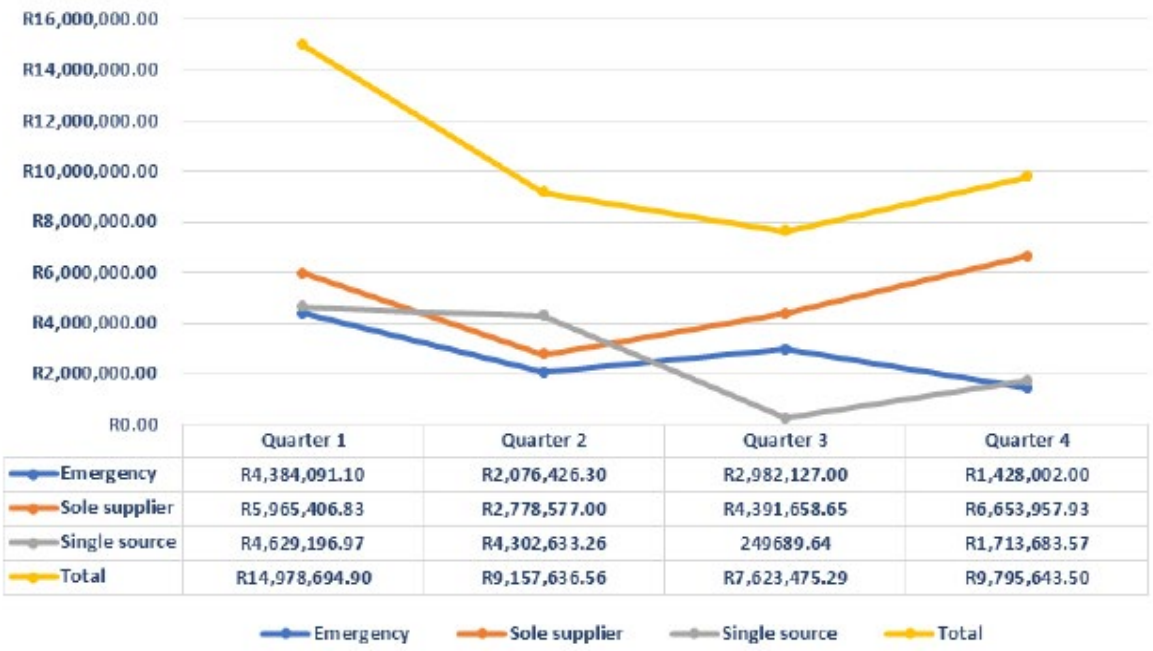
Deviations

In terms of Paragraph 4.6 of the National Treasury SCM Instruction Note No 3 of 2021/22, the accounting officer or accounting authority must ensure that procurement by "other means" is recorded in the institution's Annual Report in a format determined by National Treasury. The Chief Executive or delegated person or authority approved deviations of R41 555 450.25 during the 2023/24 financial year.

The Supply Chain Management Policy makes provision for the following deviations:

(i) Emergency procurement
(ii) Sole supplier
(iii) Impractical or impossible
(iv) Single source.

DEVIATIONS INCURRED PER QUARTER



	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Emergency	R4,384,091.10	R2,076,426.30	R2,982,127.00	R1,428,002.00
Sole supplier	R5,965,406.83	R2,778,577.00	R4,391,658.65	R6,653,957.93
Single source	R4,629,196.97	R4,302,633.26	249689.64	R1,713,683.57
Total	R14,978,694.90	R9,157,636.56	R7,623,475.29	R9,795,643.50

Figure 8.7: Deviations incurred per quarter during 2023/24 FY

Expansion or variation of contracts

According to Paragraph 5.4 of the National Treasury SCM Instruction Note No. 3 of 2021/22, the entity is further required to report variations, approved by the accounting officer or accounting authority, in the format determined by the National Treasury, submitted monthly, including the reasons for expansion or variation, to the relevant treasury and the AGSA. The accounting authority or accounting officer must record expansions or variations referred to in Paragraph 5.4 in the institution's Annual Report in a format determined by the National Treasury.

Unauthorised, irregular, fruitless and wasteful expenditure

The irregular expenditure as reported in Audited Annual Financial Statements were **R835,659,908** in 2023/24 and **R752,802,283** as at end of 2022/23 financial year. The amount reported includes irregular expenditure relating to projects implemented on behalf of principals.

Included in the opening balance for 2022/23 is an amount of **R93 919 905.41** that has been found through the determination exercise that was conducted by the entity requires further investigation.

Status (under assessment, determination, investigation)	2023/24 Financial year	2022/23 Financial year
Opening Balance	752,802,283	658,245,149
Assessed and confirmed	44,167,764	1,215,164
Determination	12,134,377	30,996,761
Investigation	26,555,484	62,345,209
Total	**835,659,908**	**752,802,283**

Table 8.3: Irregular expenditure

Fruitless and wasteful expenditure: Amatola Water ended the 2023/24 financial year with fruitless and wasteful expenditure of R100,391,209 as at end of June 2024 and R91,308,823 in 2022/23.

Status (under assessment, determination, investigation)	2023/24 Financial year	2022/23 Financial year
Opening balance	91,297,572	65,665,349
Assessed and confirmed	9,081,917	8,141,711
Determination	469	17,490,511
Total	**R100,380,428**	**91,297,572**

Table 8.4: Fruitless and wasteful expenditure

The entity recovered fruitless and wasteful expenditure incurred in the 2022/23 financial year amounting to R9,900 in the current year.

CONTRACTS MANAGEMENT UNIT

Amatola Water manages and monitors contracts to ensure compliance with the applicable legislative framework, Treasury regulations, and policy mandate. An established contract management component within supply chain management (SCM), ensures that the contracts Amatola Water enters into are managed to minimises operational risk, maximises intended benefit, and fulfils all contractual obligations.

The Contract Management Unit worked tirelessly to ensure that each project had a signed contract and that spending was monitored against the awarded or original value to avoid irregular expenditures.

The list of agreements recorded in the Contract Register is classified based on the year in which they were awarded. The Amatola Water Contracts Register includes contracts awarded from 2013 to date. Most old contracts are mainly construction-related.

Contract Register entails the following classification of information:

Contract type	Active	Expired	Terminated	Completed	Total
Good and Services Contract - Agreements based on general conditions of contract	11	1	0	0	**12**
Construction Contract - Agreements based on general conditions of contract	31	0	8	15	**54**
ECDOE Contracts - Agreement which Amatola Water executed as an implementing agent for ECDOE	18	0	0	0	**18**
Panel Contracts - Framework agreements formed by multiple suppliers	12	0	0	0	**12**
RT Contracts - Transversal contracts which Amatola Water participates as arraged by National Treasury	4	0	0	0	**4**
Lease Agreements - Contacts for hired services	1	0	0	0	**1**
	7	**1**	**8**	**15**	**101**

Table 8.5: Contract Register

- The Contract Register has 101 contracts, as reflected in the table above.
- There are 78 active contracts.
- Eight terminated contracts are listed in the contract register due to active financial transactions in place.
- There are 15 completed construction contracts for the Planning and Development (P&D) Unit.

Key focus areas identified during the year were:

(a) SCM staff capacitation
(b) Unavailability of budget or funds during the financial year
(c) Changes in priorities from the funders
(d) Procuring departments have not submitted specifications in line with the approved Procurement Plan timelines
(e) Competing priorities of members appointed in the bid committees
(f) Reluctance of employees to sit in committees due to past irregularities and current investigations
(g) Delayed implementation of contract management automated systems
(h) Inadequate monthly and quarterly reporting on project status by the Project Management Unit (project managers)
(i) Delayed submission of progress reports by the Project Management Unit for projects (project managers).

LOOKING AHEAD

Amatola Water's financial sustainability relies heavily on critical clients honouring their payment obligations. For continued financial sustainability and viability, the following key focus areas have been identified:

- Source funding for plants upgrades
- Implement the Financial Turnaround strategy
- Aggressive implementation of the Credit Management and Debt Collection Policy
- Focused attention is directed towards SMME development so they can participate positively in growing the Eastern Cape economy
- Business development
- Reducing water losses.



9

AUDITED ANNUAL FINANCIAL STATEMENTS







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

The board members are required by section 55(1) of the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and take responsibility for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the 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 were 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.

These 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 it holds ultimate responsibility for the system of internal financial control established by the entity and places 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.

Risk management in the entity focuses on identifying, assessing, managing and monitoring all known forms of risks across the entity. While operating risks 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 reviewed the entity's cash flow forecast for the year to 30 June 2025 determined through the current financial position, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

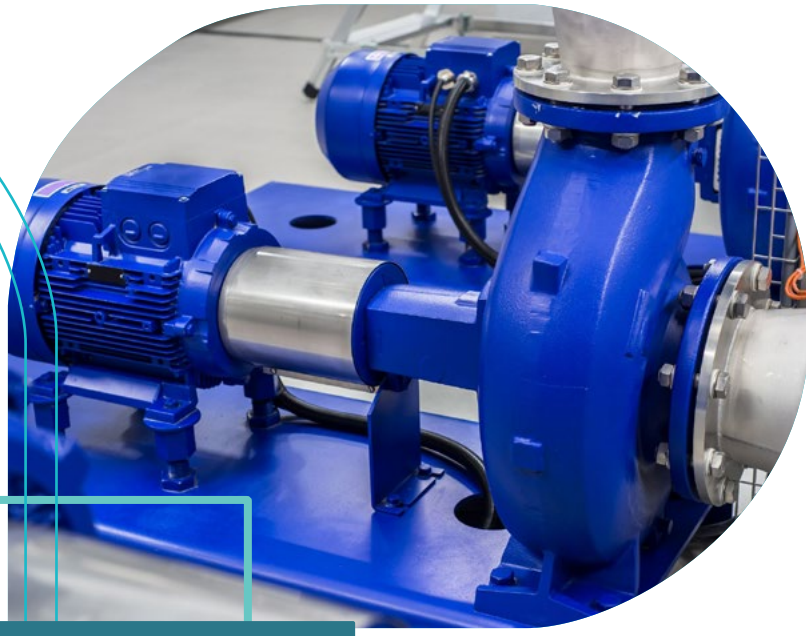
The annual financial statements set out on pages 162 to 248 which have been prepared on the going concern basis, were approved by the board on 30 August 2024 and were signed on its behalf by:



Mr N Tyibilika
Interim Board Chairperson



Mr S Koyo
Chief Executive



AUDIT AND RISK COMMITTEE REPORT FOR THE YEAR ENDED 30 JUNE 2024



1.1. The ARC is established as a statutory committee in terms of Section 77 of the Public Finance Management Act and Treasury Regulation 27.1.1.

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

2. MEMBERSHIP AND ATTENDANCE

2.1. The Committee consists of members who are financially literate and have the appropriate experience.
2.2. The Committee met 10 times during the year. This was due to additional special meetings that were required due to numerous governance challenges that were facing the entity.
2.3. 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 NO OF MEETINGS HELD	MEETINGS ATTENDED	
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	10	10	16-Dec-24
F Mudau	BCom, Government Finance Certificate, Certificate in Municipal Finance, MBL -enrolled	Independent External Member	Black	11-Nov-21	F	10	10	8-Nov-24
S Maharaj	Chartered Accountant (SA), Chartered Government Finance Officer (Chartered Institute of Government Finance), Municipal Executive Financial Management, Black Belt Digital Six Sigma Certified, MBA (cum laude), BCompt Hons, BCom	Independent External Member	Black	11-Nov-21	M	10	10	8-Nov-24
A Mjekula	MBA; Financial Accounting as focal area BA	Board Member	Black	25-Mar-22	M	10	10	To Date
W Mushohwe*	Chartered Accountant (SA), Certified Public Accountant (Inactive), MBA	Board Member	Black	01-Aug-23	M	10	7	To Date
B Mokgatle*	MBA BCom Accounting	Board Member	Black	25-Mar-22	F	10	1	29-Sep-23

Audit and Risk Committee (ARC) report for the year ended 30 June 2024

	ARC POSITION	NUMBER OF MEETINGS ATTENDED	ORDINARY ARC MEETINGS	SPECIAL MEETING ARC MEMBERS
G Labane	Chairperson	10	2	8 **
F Mudau	Member	10	2	8 **
S Maharaj	Member	10	2	8 **
A Mjekula	Member	10	2	8 **
W Mushohwe	Member	07	2	5**
B Mokgatle	Member	01	-	1**
S Maharaj	Member	4	3	1
A Mjekula	Member	2	1	1
B Mokgatle	Member	1	-	1

**The Committee was restructured as follows during the financial year:*

- *The Minister of Water and Sanitation appointed Mr Mushohwe on 1 August 2023 and on 29 September 2023; the Board allocated him to serve in the ARC.*
- *Ms Mokgatle was reassigned to serve in the Human Resources and Remuneration Committee (HRRC) on 1 August 2023.*

*** The number of special ARC meetings is informed by:*

- *Board delegated the ARC to review the quarterly performance information reports and Department of Water and Sanitation (DWS) quarterly reports before submission to the DWS to provide assurance. The consideration of these reports takes place outside the ordinary meetings.*
- *Consider urgent and ad hoc reports, including investigation reports.*
- *Furthermore, the Committee has two standard special meetings; the first one considers the draft Annual Financial Statements (AFS) and draft Annual Performance Report (APR) and the second one considers the draft Audit Report and draft Management Report from the Auditor-General of South Africa (AGSA).*

**** Ms B Zulu and Dr A Madyibi were subsequently appointed effectively from 1 November 2024 as independent external members when the term of three independent external members ended.*

3. AUDIT AND RISK COMMITTEE'S RESPONSIBILITIES

The ARC is satisfied that it has discharged its oversight of the following responsibilities:

3.1. Internal controls

3.1.1. 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.

3.1.2. Overseeing the activities and ensuring coordination between the activities of internal audit, external audit, and other assurance providers.

3.1.3. 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.

3.1.4. 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.

3.1.5. Reviewing the year-end financial statements and performance reports.

3.1.6. Reviewing the Charter and Committee's work annually; recommendations are made to the Board of Amatola Water to ensure the Committee's effectiveness.

3.2. Risk management

3.2.1. Management is responsible for establishing and maintaining an effective system of governance, risk management, fraud prevention, and internal controls detection.

3.2.2. The consolidated risk profile guided the internal audit, critical audit areas, and management's input in formulating its three-year rolling strategic and annual internal audit plans.

3.2.3. Amatola Water has a Corporate Risk Management Committee (CRMCO), chaired by the CEO, who is also the ultimate Chief Risk Officer (CRO) and reports risk management activities directly to the ARC.
The Committee was fully functional throughout the financial year. The Management Committee, constituted by all the Executive Managers, considered the quarterly risk management reports before tabling them at the ARC meetings.

3.2.4. Quarterly Risk Management Reports are updated and reviewed at each Risk Committee meeting and updated with emerging risks. It ensures that all the significant 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.

3.3. Internal audit

3.3.1. The Committee approved a risk-based Three-Year Rolling Strategic Internal Audit Plan and an Annual Audit Coverage Plan for 1 July 2023 to 30 June 2024 covering the following key audit activities:

PLANNED AUDITS	NUMBER OF AUDITS
Fraud Prevention Plan	4
Review of the 2022/23 Draft Annual Financial Statements (AFS)	1
Review of the 2022/23 Draft Annual Performance Report (APR)	1
Review of the Contract and Expenditure Management for Abantu Staffing Solutions and Siyathemba Sokutu Attorneys	1
Review of Supply Chain Management (Quarters 1 & 2)	1
Review of Overtime Management	1
Review of the Effectiveness of Corporate Governance	1
Review of Repairs and Maintenance	1
Review of the 2024/25 Business Plan	1
Audit of Predetermined Objectives (AoPO)/Performance Information Review (Quarters 2 & 3)	2
Review of the 2022/23 Draft Integrated Annual Report	1
Follow-up on the prior-year's Internal Audit Reports	4
Follow-up on the 2022/23 Audit Intervention Plan (AGSA findings)	3
Determination of Irregular and Fruitless and Wasteful Expenditure (Management ad hoc request)	1
Preliminary Investigation of Fleet Management	1
Investigation of Alleged Rental Vehicle Irregularity	1
Investigation of an alleged call received by the Talent Hub International	1
Investigation of Allegations Relating to Corporate Services	1
Investigation of Allegations Supply Chain Management Irregularities	1
TOTAL PLANNED AND PERFORMED AUDITS	**28**

3.3.2. The Committee reviewed all the Internal Audit reports and is satisfied with the following aspects:

3.3.2.1. The internal audit function's activities include its annual work programme, reports of significant investigations, and management responses to specific recommendations.
3.3.2.2. Internal Audit has conducted its work following the Institute of Internal Auditors standards. However, the Committee understand that the External Quality Assurance Review is overdue and earmarked to be performed by the end of June 2025.
3.3.2.3. The Committee conducted the annual performance assessment on the effectiveness of the internal audit and is generally satisfied with its performance and effectiveness.
3.3.2.4. The Committee is concerned about the internal control weaknesses identified by the internal audit which it expects management to address.
3.3.2.5. The Committee considered and noted the limited capacity within the internal audit, which resulted in one review not being performed and delays in the completion of some projects. It further advised the appointment of additional in-house internal audit staff members and the procurement of an external service provider to complement the internal audit function.

3.3.3. Therefore, the committee believes that internal audit is independent, provides objective assurance, and engages in consulting activities designed to add value and improve Amatola Water's operations.

3.3.4. Other identified concerns
3.3.4.1. The Committee's areas of concerns related to:
3.3.4.2. Control weaknesses in the supply chain management environment.
3.3.4.3. The processes for recovery of outstanding debtor balances were not always completely followed, with the Amathole District Municipality being the highest non-paying debtor.
3.3.4.4. An increase in the number of investigations relating to alleged fraud and corruption within Amatola Water.
3.3.4.5. No other significant activities have come to the Committee's attention to indicate any material breakdown in the functioning of controls, procedures, or systems.

3.4. Adequacy, reliability and accuracy of the financial and performance information

3.4.1. The Committee is of the opinion, based on the information and explanations provided by management and the results of audits performed by the Internal Audit Unit, that the financial and performance information provided by management to users of such information is partially adequate, reliable, and accurate.

3.4.2. This was evidenced by the high number of internal control deficiencies noted in the Internal Audit Reports.

3.5. External audit

3.5.1. The Office of the Auditor-General South Africa (AGSA) met three times with the Committee during the financial year.

3.5.2. 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.

3.5.3. The Committee has had various independent sessions with the parties and confirms that they are satisfied that there are no unresolved issues of concern.

4. EFFECTIVENESS OF INTERNAL CONTROLS

4.1 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	55	43	8	4
External Audit	78	52	16	10
ICT Vulnerability Assessment	12	0	0	12
ISO SHE Compliance Internal Audit	23	19	4	-
SHE Legal Compliance Audit	195	20	-	175
SABS Certification Audit	9	9	-	-
Total #	**372**	**143**	**28**	**201**
Total %		**%**	**%**	**%**

5. COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

5.1. The Committee has:

5.1.1. Reviewed the in-year management and quarterly reports submitted regarding the Public Finance Management Act and is satisfied that no material deviations were noted.

5.1.2. 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 the performance and effectiveness of the internal audit function for the 2023/24 financial year. It is generally happy with the performance and effectiveness of internal audit and progress towards finalisation of the Internal Audit Plan.

7. EVALUATION OF THE FINANCE FUNCTION

The Committee has evaluated the performance and effectiveness of the finance function for the 2023/24 financial year and is generally satisfied with the performance of the function with few areas identified for improvement.

8. EVALUATION OF THE AUDIT AND RISK COMMITTEE

The Committee has assessed its performance and effectiveness for the 2023/24 financial year and is generally happy with its performance. The Committee report on the assessment will be tabled to the Board.

9. EVALUATION OF FINANCIAL STATEMENTS AND ANNUAL REPORT

9.1. The Committee has evaluated the AFS and APR for the year ended 30 June 2024 and duly recommended these for approval by the Board of Amatola Water.

9.2. We would like to sincerely thank the management team for their leadership and commitment during a very challenging period.



Mr G Labane
Audit and Risk Committee Chairperson
Date: 25 October 2024

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of the Amatola Water Board set out on pages 162 to 248 which comprise the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Amatola Water Board as at 30 June 2024 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 opinion

I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the Auditor-General for the audit of the financial statements section of my report.

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.

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

Emphasis of matters

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

Restatement of corresponding figures

As disclosed in note 33 to the financial statements, the corresponding figures for 30 June 2023 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 30 June 2024.

Bad debts written off

As disclosed in note 25 to the financial statements, material losses of R13,1 million was incurred as a result of a write-off of irrecoverable trade debtors.

Responsibilities of the accounting authority for the financial statements

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.

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.

Responsibilities of the Auditor-General for the audit of the financial statements

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.

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

In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

I selected the following objectives presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected objectives that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

OBJECTIVE	PAGE NUMBERS	PURPOSE
Organisational efficiency and effectiveness	[76 - 77]	The objective relates to the entity's mandate which is about improved provision of safe and reliable water. It relates to monitoring of water supply quality and ensuring reliability of water supply, the objective therefore is of significance to community interest. The objective relates to the provision of a basic service – clean water supply which impacts public health.
Financial performance	[78 - 81]	The objective includes indicators that relate to repairs and maintenance of the infrastructure to support the supply of water services. The objective includes an indicator that measures Amatola Water Board plans to implement proactive maintenance of relevant infrastructure to ensure the water supply is at the required levels. The objective relates to provision of a basic services – clean water supply, therefore it is of great importance to the public.
Customer and stakeholder interaction	[82 - 83]	The objective includes indicators that relate to implementation of the Ministerial Directives, the objective therefore is of significance as it has political interest. The objective relates to provision of a basic services – clean water supply.

I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.

I performed procedures to test whether:
the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives

all the indicators relevant for measuring the entity's performance against its primary mandated and prioritised functions and planned objectives are included

the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements

the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated

the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents

the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable

there is adequate supporting evidence for the achievements reported.

I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

The material findings on the reported performance information for the selected objectives are as follows:

Organisational efficiency and effectiveness

Avoidable water losses as a percentage of water produced at the treatment and distribution systems.

An achievement of 9,4% was reported against a target of 9%. I could not determine whether the reported achievement was correct, as adequate supporting evidence to clarify the methods and processes for measuring achievement were not provided. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target has been achieved.

Financial performance

Percentage progress on funded projects against implementation plans.
An achievement of 64% was reported against a target of 80%. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that the underachievement on the target was more than reported.

Other matter

I draw attention to the matter below.

Achievement of planned targets

The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements. This information should be considered in the context of the material findings on the reported performance information.

The tables that follow provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages [72 to 85].

Organisational effectiveness and efficiency

TARGETS ACHIEVED: 56%
BUDGET SPENT: 110%

KEY SERVICE DELIVERY INDICATOR NOT ACHIEVED	PLANNED TARGET	REPORTED ACHIEVEMENT
Bulk potable water quality compliance – Acute health microbiological compliance >99%	97%	95,3%
Manage avoidable water losses – Avoidable water losses as a percentage of water produced at the treatment and distribution systems	9%	9,4%
Reliability of supply – Average number of days of unplanned interruptions	</=3 days	30,26 days

Financial performance

TARGETS ACHIEVED: 50%
BUDGET SPENT: 105%

KEY SERVICE DELIVERY INDICATOR NOT ACHIEVED	PLANNED TARGET	REPORTED ACHIEVEMENT
Capital expenditure programme percentage pro-gress on funded projects against implementation plans	80%	64%

Material misstatements

I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for organisational efficiency and effectiveness, financial performance and customer and stakeholder interaction. Management did not correct all the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity's compliance with legislation.

I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statement were corrected and the supporting records were provided, resulting in the financial statements receiving an unqualified audit opinion.

Revenue management

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

Expenditure management

Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 37 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Prepayments were made before services were received, in contravention of treasury regulation 31.1.2(c).

Effective steps were not taken to prevent fruitless and wasteful expenditure, as disclosed in note 36 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Consequence management

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.

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.

Other information in the annual report

The accounting authority is responsible for the other information included in the annual report which includes the audit committee's report. The other information referred to 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 this auditor's report.

My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

The other information I obtained prior to the date of this auditor's report is the extract of the finance chapter which includes reporting on irregular and fruitless and wasteful expenditure, and all other sections of the annual report are expected to be made available to us after 31 October 2024.

If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.
The material inconsistency noted has been adequately corrected.

Internal control deficiencies

I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

Report of the Auditor-General to parliament on Amatola Water Board

The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report and the material findings on compliance with legislation included in this report.

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. Furthermore, management did not ensure that the root causes as identified in the prior years were addressed and dealt with. This has resulted in the findings that were identified in the financial statements.

Other reports

I draw attention to the following engagements conducted by various parties. 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.

External parties are currently investigating various matters relating to current and prior years. These investigations had not been finalised by the reporting date and therefore no recommendations have been made to management.



East London
31 October 2024

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The Auditor-General's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-General's responsibility for the audit

Professional judgement and professional scepticism

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 selected requirements in key legislation.

Financial statements

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
- conclude on the appropriateness of the 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 entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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.
I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them 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.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

LEGISLATION	SECTIONS OR REGULATIONS
Public Finance Management Act 1 of 1999	Section 50(3)(b); 51(1)(a)(iii); 51(1)(b)(i); Section 51(1)(b)(ii); 51(1)(e)(iii); 52(b); Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); Section 55(1)(c)(i); 56; 57(b); 57(d); 66(3)(b)
Treasury Regulations, 2005	Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; Regulation 29.2.2; 29.3.1; 31.1.2(c); 31.2.5; Regulation 31.2.7(a); 33.1.1; 33.1.3
Companies Act 71 of 2008	Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); Section 45(4); 46(1)(a); 46(1)(b); 46(1)(c); Section 112(2)(a); 129(7)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 2
National Treasury Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury Instruction No. 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.2
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.1; 3.4(b); 3.9
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; Regulation 6.3; 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; Regulation 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2; Regulation 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)



BOARD'S REPORT



Board's Report

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

As at 30 June, the entity has a deficit of R164,549,000, however the entity has an accumulated surplus of R 1,212,543,000 and that the entity's total assets exceed its liabilities by R 1,487,100,000.
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. A detailed going concern assessment is in note 41.

4. Subsequent events

The Chief Executive Mr S Koyo was placed on precautionary suspension on 18 July 2024 and was later terminated on 28 August 2024. He was however reinstated to his position on 5 September 2024.The Chief Finance Officer Mr J Jackson was the Acting Chief Executive from 18 July 2024 until the reinstatement of the CE to his role and Ms N Nomnganga was the Acting Chief Finance Officer during this period.

The Interim Board Chairperson Ms P Yako resigned as a member effective from 31 August 2024 and the Minister has appointed Mr N Tyibilika as the Interim Board Chairperson from 1 September 2024.

The Audit and Risk Committee Chairperson Mr G Labane has resigned as a member effective from 8 November 2024.

The members are not aware of any other matter or circumstance arising since the end of the financial year.

5. Board

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

Name	Nationality	Changes
P Yako (Chairperson)	South African	Resigned 31 August 2024
S Dzengwa	South African	Resigned 25 March 2024
Z Kiviet	South African	Resigned 31 May 2024
A Mjekula	South African	
B Mokgatle	South African	
N Tyibilika	South African	
SP Xulu	South African	Resigned 11 July 2023
N Mxenge Mayende	South African	Appointed 1 August 2023
W Mushohwe	Zimbabwean	Appointed 1 August 2023

External Audit committee members

G Labane	South African	Resigned 8 November 2024
S Maharaj	South African	
FJ Mudau	South African	

6. Auditors

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



Mr N Tybilika
Interim Board Chairperson
Date: 30 August 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand thousand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	5,357	5,512
Receivables from exchange transactions	4	374,906	263,700
Statutory receivable	6	1,913	0
Cash and cash equivalents	7	130,225	199,736
		512,401	**468,948**
Non-Current Assets			
Property, plant and equipment	8	1,570,171	1,633,755
Intangible assets	9	6,601	5,190
		1,576,772	**1,638,945**
Total Assets		**2,089,173**	**2,107,893**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	591,275	454,853
VAT payable	12	-	837
Provisions	13	10,393	147
		601,668	**455,837**
Non-Current Liabilities			
Provisions	13	405	406
Total Liabilities		**602,073**	**456,243**
Net Assets		**1,487, 100**	**1,651,650**
Share capital/contributed capital		274,557	274,557
Accumulated surplus		1,212,543	1,377,093
Total Net Assets		**1,487,100**	**1,651,650**

Statement of Financial Performance

Figures in Rand thousand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Revenue	14	454,330	402,819
Cost of sales	15	(457,950)	(401,245)
Contract revenue	16	218,954	152,175
Contract costs	17	(215,117)	(145,118)
Gross surplus		**217**	**8,631**
Other income	18	10,232	6,120
Finance income	19	42,434	38,127
Total operating income		**52,883**	**52,878**
Expenditure			
Employee related costs	20	(82,043)	(78,814)
Non-executive members emoluments	21	(4,143)	(6,837)
Depreciation and amortisation	10	(6,295)	(3,380)
Impairment loss	22	(6,738)	(15,341)
Finance costs	23	(9,082)	(25,616)
Lease rentals on operating lease	24	(15,533)	(9,455)
Debt Impairment	5	12,063	(30,529)
Bad debts written off	25	(13,147)	-
Repairs and maintenance	26	(21,380)	(17,653)
Loss on disposal of assets	27	(1,985)	(40)
General expenses	28	(69,149)	(68,759
Total expenditure		**(217,432)**	**(256,424)**
Deficit for the year		**(164,549)**	**(203,546)**

Statement of Changes in Net Assets

Figures in Rand thousand	Note(s)	Share capital/ contributed capital	Accumulated surplus/deficit	Total net assets
Balance at 1 July 2022		**274,557**	**1,580,974**	**1,855,531**
Changes in net assets		-	(196,284)	(196,284)
Surplus for the year as previously reported				
Total changes		-	(196,284)	(196,284)
Opening balance as previously reported		274,557	1,384,690	1,659,247
Adjustments				
Prior year adjustments	33	-	(7,596	(7,596)
Restated* Balance at 1 July 2023 as restated*		**274,557**	**1,377,093**	**1,651,650**
Changes in net assets				
Deficit for the period		**-**	(164,550)	(164,550)
Total changes		-	(164,550	(164,550)
Balance at 30 June 2024		**274,557**	**1,212,543**	**1,487,100**

Cash Flow Statement

Figures in Rand thousand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		598,870	573,600
Payments			
Employee costs		(236,448)	(229,387)
Suppliers		(423,502)	(391,325)
		(659,950)	(620,712)
Net cash flows from operating activities	29	(61,080)	(47,112)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(14,175)	(8,920)
Additions to work in progress property, plant and equipment	8	(6,977)	(8,975)
Proceeds from sale of property, plant and equipment		751	-
Purchase of other intangible assets	9	(1,991)	(3,366)
Interest Income from investments		13,961	15,664
Net cash flows from investing activities		**(8,431)**	**(5,597)**
Net increase/(decrease) in cash and cash equivalents		**(69,511)**	**(52,709)**
Cash and cash equivalents at the beginning of the year		199,736	252,445
Cash and cash equivalents at the end of the year	7	**130,225**	**199,736**

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
Figures in Rand thousand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Revenue Section 29	547,135	-	**547,135**	**434,693**	(112,442)	38.1
Revenue Section 30	45,636	-	**45,636**	**19,637**	(25,999)	38.2
Construction contracts	-	-	**-**	**218,954**	218,954	38.3
Other income	1,368	-	**1,368**	10,232	8,864	38.4
Interest received	36,540	-	**36,540**	42,434	5,894	38.5
Total revenue from exchange transactions	**630,679**	**-**	**630,679**	**725,950**	**95,271**	
Expenditure						
Employee related costs	(253,578)	-	**(253,578)**	(236,952)	**16,626**	38.6
Non executive members emoluments	(5,859)	-	**(5,859)**	(4,143)	**1,716**	38.7
Accommodation and travel	(2,714)	-	**(2,714)**	(1,541)	**1,173**	38.8
Depreciation and amortisation	(77,914)	-	**(77,914)**	(75,846)	**2,068**	
Impairment loss	-	-	**-**	(6,738)	**(6,738)**	38.9
Construction costs	-	-	**-**	(215,117)	**(215,117)**	38.10
Finance costs	(6)	-	**(6)**	(9,082)	**(9,076)**	38.11
Lease rentals on operating lease	(12,905)	-	**(12,905)**	(15,533)	**(2,628)**	38.12
Debt Impairment	-	-	**-**	12,063	**12,063**	38.13
Bad debts written off	-	-	**-**	(13,147	**(13,147)**	38.14
Bulk purchases	(103,542)	-	**(103,542)**	(114,482)	**(10,940)**	38.15
Other operating expenses	(224,182)	-	**(224,182)**	(209,981)	14,201	38.16
Total expenditure	**(680,700)**	**-**	**(680,700)**	**(890,499)**	**(209,799)**	

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
Figures in Rand thousand						
Deficit before taxation	**(50,021)**	**-**	**(50,021)**	**(164,549)**	**(114,528)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(50,021)**	**-**	**(50,021)**	**(164,549)**	**(114,528)**	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3,574	-	**3,574**	5,357	**1,783**	38.17
Receivables from exchange transactions	202,272	-	**202,272**	374,906	**172,634**	38.18
Statutory receivable	-	-	**-**	1,913	**1,913**	38.19
Cash and cash equivalents	416,466	-	**416,466**	130,225	**(286,241)**	38.20
	622,312	**-**	**622,312**	**512,401**	**(109,911)**	
Non Current Assets						
Property, plant and equipment	1,876,888	-	**1,876,888**	1,570,171	**(306,717)**	38.21
Intangible assets	8,117	-	**8,117**	6,601	**1,516**	38.22
	1,885,005	**-**	**1,885,005**	**1,576,772**	**(308,233)**	
Total Assets	**2,507,317**	**-**	**2,507,317**	**2,089,173**	**(418,144)**	

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
Figures in Rand thousand						
Liabilities						
Current Liabilities						
Payables from exchange transactions	347,670	-	**347,670**	591,274	**243,604**	38.23
Provisions	-	-	**-**	10,393	**10,393**	38.24
	347,670	**-**	**347,670**	**601,667**	**253,997**	
Non Current Liabilities						
Provisions	-	-	-	405	405	
Total Liabilities	**347,670**	**-**	**347,670**	**602,072**	**254,402**	
Net Assets	**2,159,647**	**-**	**2,159,647**	**1,487,101**	**(672,546)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Share capital/contributed capital	274,557	-	**274,557**	**274,557**	-	
Reserves						
Accumulated surplus	**1,850,724**		**1,850,724**	**1,212,543**	**(638,181)**	38.25
Total Net Assets	**2,125,281**	**-**	**2,125,281**	**1,487,100**	**(638,181)**	

*Only variances over R5 million or above 10% are considered to be material and explained in Note 38.

Significant Accounting Policies

Figures in Rand thousand	Note(s)	2024	2024 Restated*

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 they 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:

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.

Significant Accounting Policies

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.

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 Provisions.

Contingencies

Contingent liabilities are 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 30 contingent assets and 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.

Post retirement benefits

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

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

Allowance for doubtful debts

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

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.

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, were 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, its 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.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

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

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 sells 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.

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 years

Intangible assets are derecognised:

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

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

1.6. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

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

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

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

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

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 of 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.

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.

Significant Accounting Policies

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.
The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non exchange Transactions (Taxes and Transfers).

Presentation

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

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

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

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.7. 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.

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.

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. Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.
Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager. The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.11. Impairment of cash generating assets

Cash generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash generating unit is the higher its fair value less costs to sell and its value in use. Useful life is either:

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

Identification

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

Value in use

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

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

Recognition and measurement (individual asset)

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

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

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

Cash generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash generating unit to which the asset belongs (the asset's cash generating unit). An impairment loss is recognised for a cash generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

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

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

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

Reversal of impairment loss

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

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

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

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

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

1.12. 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.

1.13. 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.

1.14. 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

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.

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 twelvemonths 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.

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.

1.15. Provisions and contingencies

A provision is a liability of uncertain timing or amount.

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.
Provisions are not recognised for future operating surplus .

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.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.

1.16. 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; and
- Contracts should relate to acquisition or construction of the entity's property plant and equipment, acquisition of intangible assets or leases.

1.17. 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.

Significant Accounting Policies

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 of:

- Implementing agency fees.
- Operations and maintenance agreements.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

1.18. Revenue from non exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non exchange transactions are transactions that are not exchange transactions. In a non exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

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

Recognition

An inflow of resources from a non exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

1.19. 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.

1.20. 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).

Significant Accounting Policies

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.

1.21. Comparative figures

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

1.22. Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure when incurred and confirmed is recorded in the annual financial statements disclosure.

The loss control function or another relevant function must confirm a case of fruitless and wasteful expenditure within 30 days after the alleged expenditure has been reported to the accounting officer or accounting authority. The loss control function or another relevant function must finalise the determination process within 30 days after assessment of fruitless and wasteful expenditure.

The accounting officer or accounting authority must investigate suspected fraudulent, corrupt, or other criminal conduct emanating from the incurrence of fruitless and wasteful expenditure within 30 days after the conclusion of the determination test.

Fruitless and wasteful expenditure must be recorded in the notes to the financial statements when confirmed after its assessment.

The amount recorded is equal to the value of fruitless and wasteful expenditure incurred and confirmed in that current financial year unless it is impractical to determine, in which case reasons must be provided in the annual report.

1.23. 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.

Irregular expenditure may be condoned by the accounting authority upon submission of relevant information detailed in paragraph 5.4 of Instruction number 4 of 2022/23.

Accounting officers must address cases of irregular expenditure in terms of the Irregular Expenditure Framework. 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 within 30 days 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 loss control function or another relevant function must finalise the determination process within 30 days after assessment of irregular expenditure.

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).

Significant Accounting Policies

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.

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Irregular expenditure is recorded in the notes to the financial statements when confirmed after its assessment. The amount recorded is equal to the value of irregular expenditure incurred and confirmed in that current financial year unless it is impractical to determine, in which case reasons must be provided in the annual report.

1.24. 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.

Significant Accounting Policies

1.25. 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 an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.26. 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.

1.27. Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non adjusting events, where non disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.28. 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.

1.29. Taxation

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

1.30. 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.

Figures in Rand thousand	2024	2023
-	-	-

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 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 2023 Improvements to the Standards of GRAP 2023	No effective date	Unlikely there will be a material impact
GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	No effective date	Unlikely there will be a material impact
GRAP 104 (as revised): Financial Instruments	1 April 2025	Impact is currently being assessed

3. Inventories

Figures in Rand thousand	2024	2023
Plant spares, chemicals and stores	2,943	3,482
Water	2,414	2,030
	5,357	**5,512**

The inventory obsolescence adjustment for the current year of R151 thousand (2023: R0) relates mainly to the write off made for stores items. This is a result of stores stock items being identified as either slow moving, obsolete or could not be used due to changes in technology.

Inventory pledged as security

Inventory is not pledged as security.

Water Inventory Assumptions

Water in Storage facilities

For storage facilities that are monitored electronically, there is no estimation involved in determining the volume at year end.

For other storage facilities,the average storage level for the appropriate scheme is assumed as being the most accurate estimate for water stock calculations.

Water in Pipelines

Capacity of the pipeline is determined by length and diameter of the pipe.
Pipelines in active schemes are assumed to be full. Pipelines in inactive schemes are assumed to be empty.
The value of water inventory on hand at year end is determined using the production cost per kilo litre.

4. Receivables from exchange transactions

Figures in Rand thousand	2024	2023
Trade receivables	214,866	163,179
Sundry receivables	45,399	40,745
Deposits	111	109
Accrued income	60,534	14,446
Prepaid expenses	2,762	712
Other project receivables	38	215
Employee debtors	678	418
Construction retention asset	21,197	12,152
VAT accrual	29,321	31,724
	374,906	**263,700**
Trade receivables	401,055	341,129
Debt Impairment	(186,189)	(177,950)
	214,866	**163,179**
Sundry Receivables	80,572	95,803
Debt Impairment	(35,173)	(55,058)
	45,399	**40,745**
Other project receivables	38	2,151
Impairment	-	(1,936)
	38	**215**
Employee debtors		
Gross employee debtors	1,020	764
Impairment	(342)	(346)

Figures in Rand thousand	2024	2023
	678	**418**

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 39.

Sundry receivables consist of mostly project receivables that have been invoiced to the principal funders of the projects under the project implementation agent contract.

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.Other project receivables relates to funds that were held under trust by a legal practitioner for accounts that were under dispute. The entity has written off the amounts in the current year as they were deemed irrecoverable.Construction retention asset are amounts of progress billings that are not yet invoiced to the funder until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified.

VAT accrual is the portion of VAT on provisions for bad debts that is not yet claimed from South African Revenue Services as the debt is not yet written off.

5. Debt impairment

Figures in Rand thousand	2024	2023
Debt impairment	(12,063)	30,529

2024	Opening Balance	Movement	Movement VAT Portion	Total
Allowance for doubtful debt	233,006	(10,126)	(1,519)	221,361
Other trade receivables	2,282	(1,936)	-	346
	235,288	**(12,062)**	**(1,519**	**221,707**

Figures in Rand thousand		2024		2023
2023	**Opening Balance**	**Movement**	**Movement VAT Portion**	**Total**
Allowance for doubtful debt	182,952	43,525	6,529	233,006
Other trade receivables	17,570	(12,996)	(2,292)	2,282
	200,522	**30,529**	**4,237**	**235,288**

6. Statutory receivable

VAT	1,913	-

Amatola Water is a registered VAT vendor and accounts for VAT on an accrual basis in accordance with VAT Act 89 of 1991. The entity has, for the current financial year submitted all VAT returns to SARS.

7. Cash and cash equivalents

Figures in Rand thousand	2024	2023
Cash and cash equivalents consist of:		
Bank balances	8,195	11,801
Short-term deposits	122,030	187,935
	130,225	**199,736**
Cash and cash equivalents held by the entity for capital upgrades	19,845	43,734
Cash and cash equivalents held by the entity on behalf of principals	14,271	12,318
Cash and cash equivalents held by the entity for operations	96,109	143,684
	130,225	**199,736**

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 Amatola Water Board treatment works.

Cash held by the entity for project implementation relates to funds received from principals for projects that are implemented by Amatola Water Board.

Guarantees

Guarantees are in the normal course of business from which it is anticipated that no material liabilities will arise. The guarantee is issued against short term deposits.

The guarantee is security provided for the supply of electricity by Eskom to Amatola Water Board water treatment works plants.

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

Figures in Rand thousand	2024	2023
Eskom	1,000	1,000

8. Property, plant and equipment

	2024			2023		
	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	158,490	(98,121)	60,369	157,325	(93,549)	63,776
Plant and machinery	14,117	(9,937)	4,180	15,759	(11,681)	4,078
Furniture and fixtures	10,748	(7,127)	3,621	14,455	(8,598)	5,857
Motor vehicles	33,498	(9,220)	24,278	36,510	(7,524)	28,986
IT equipment	10,186	(7,011)	3,175	11,983	(8,481)	3,502
Civil works	60,123	(37,912)	22,211	59,562	(35,615)	23,947
Pipelines and Distribution	1,571,865	(902,296)	669,569	1,575,776	(880,888)	694,888
Reservoirs	723,988	(429,602)	294,386	723,642	(414,407)	309,235
Pumpstations	214,300	(118,963)	95,337	177,601	(107,911)	69,690
Treatment works	676,721	(299,319)	377,402	696,567	(279,053)	417,514
Boreholes	25,646	(15,413)	10,233	21,062	(14,190)	6,872
Total	**3,505,092**	**(1,934,921)**	**1,570,171**	**3,495,652**	**(1,861,897)**	**1,633,755**

Reconciliation of property, plant and equipment 2024

	Opening balance	Additions	Disposals	Work in progress	Depreciation	Impairment loss	Total
Land	5,410	-	-	-	-	-	5,410
Buildings	63,884	640	-	-	(3,739)	(416)	60,369
Plant and machinery	5,533	204	(431)	-	(982)	(144)	4,180
Furniture and fittings	4,366	301	(123)	-	(857)	(66)	3,621
Motor vehicles	28,986	-	(1,940)	-	(1,493)	(1,275)	24,278
IT equipment	3,525	1,064	(241)	-	(1,166)	(7)	3,175
Civil works	24,251	99	-	-	(1,538)	(601)	22,211
Pipelines and Distribution	687,909	4,225	-	(1,156)	(21,297)	(112)	669,569
Reservoirs	308,987	1,424	-	-	(16,114)	89	294,386
Pumpstations	69,690	36,699	-	-	(7,875)	(3,177)	95,337
Treatment works	424,342	12,816	-	(39,747)	(19,247)	(762)	377,402
Boreholes	6,872	4,584	-	-	(956)	(267)	10,233
	1,633,755	**62,056**	**(2,735)**	**(40,903)**	**(75,264)**	**(6,738)**	**1,570,171**

Reconciliation of property, plant and equipment 2023

	Opening balance	Additions	Disposals	Work in progress	Depreciation	Impairment loss	Total
Land	5,410	-	-	-		-	5,410
Buildings	67,115	385	-	-	(3,712)	(12)	63,776
Plant and machinery	4,310	1,202	(1)	-	(876)	(557)	4,078
Furniture and fixtures	6,933	244	-	-	(1,133)	(189)	5,857
Motor vehicles	30,664	-	-	-	(1,605)	(73)	28,986
IT equipment	4,109	1,117	(39)	-	(1,508)	(177)	3,502
Civil works	25,091	699	-	-	(1,628)	(215)	23,947
Pipelines and Distribution	707,923	1,198	-	6,979	(21,212)	-	694,888
Reservoirs	327,009	31	-	-	(16,337)	(1,468)	309,235
Pumpstations	80,956	100	-	-	(7,706)	(3,660)	69,690
Treatment works	439,947	3,266	-	1,996	(19,742)	(7,953)	417,514
Boreholes	8,340	678	-	-	(1,110)	(1,036)	6,872
	1,707,807	**8,920**	**(40)**	**8,975**	**(76,569)**	**(15,340)**	**1,633,755**

Costs to repair and maintain assets have been disclosed in note 26.

No property, plant or equipment have been pledged as security

Reconciliation of Work in Progress 2024

	Included within Infrastructure	Included within buildings	Included within intangibles	Total
Opening balance	167,711	-	3,366	171,077
Additions/capital expenditure	19,584	-	1,991	21,575
Transferred to completed goods	(59,848)	(640)	-	(60,488)
	127,447	**(640)**	**5,357**	**132,164**

Project name

	Opening balance	Additions	Transfers	Total
CAP17 Nahoon bulk supply	4,665	-	-	4,665
CAP30 Nahoon rising main and Ndevana Berlin	961	-	(961)	-
CAP34 Debe Nek	470	60	-	530
CAP36 Binfield treatment works	39,672	1,094	(40,766)	-
CAP37 Sandile/Peddie	113,808	6,917	-	120,725
CAP38 Refurbishment of bulk water supply infrastructure	4,750	5,919	(10,669)	-
CAP 41 Albany Coast	2,498	1,895	(4,393)	-
Upgrade of scientific laboratory	666	-	-	666
Other assets	3,587	5,690	(3,699)	5,578
	171,077	**21,575**	**(60,488)**	**132,164**

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. The sourcing of funding initiative has commenced along with the sourcing of funding to complete five other flagship projects that have been identified by Amatola Water as part of the approved Amatola Water Infrastructure Master Plan and Alternative Energy Feasibility Study.

CAP34 Debe Nek

The Debe Nek Phase 2B Reservoirs capital upgrade project was halted. However, following the approval of the Amatola Water Infrastructure Master Plan on 14 December 2023, the incomplete reservoirs will be completed and included under the Sandile Bulk Supply flagship project once the funding to implement the project has been secured.

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 will come into service in the 2024/25 financial year. The contract for the completion of the pipeline was terminated due to poor performance of the contractor in FY2023/24. Amatola Water is intending to continue with the completion of the pipelines under the Sandile Bulk Supply flagship project and the sourcing of funding for the completion of the Sandile Bulk Supply flagship project is underway.

Reconciliation of Work in Progress 2023

	Included within Infrastructure	Included within intangibles	Total
Opening balance	158,722	768	159,490
Additions/capital expenditure	10,575	3,366	13,941
Transferred to completed items	(1,586)	(768)	(2,354)
	167,711	**3,366**	**171,077**

9. Intangible assets

	2024			2023		
	Cost	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	10,245	(3,644)	6,601	8,253	(3,063)	5,190

Reconciliation of intangible assets 2024

Figures in Rand thousand				2024	2023
	Opening balance	Work in progress	Amortisation		Total
Computer software	5,190	1,991	(580)		6,601

Reconciliation of intangible assets 2023

	Opening balance	Additions	Work in Progress	Amortisation	Total
Computer software	2,545	768	2,598	(721)	5,190

Pledged as security

No intangible assets pledged as security.

10. Depreciation and amortisation

Figures in Rand thousand	2024	2023
Property, plant and equipment	75,265	76,569
Intangible assets	581	721
	75,846	**77,290**

Figures in Rand thousand	2024	2023
Direct included in cost of sales	69,550	73,910
Indirect depreciation and amortisation	6,296	3,380
	75,846	**77,290**

Depreciation and amortisation recognised in cost of sales consists of the depreciation costs for property, plant and equipment that are utilised directly in the production of water which includes the abstraction, purification and distribution processes.

Depreciation and amortisation presented in the face of the statement of financial performance consists of the depreciation and amortisation costs for all other property, plant and equipment utilised in support and administration processes.

11. Payables from exchange transactions

Figures in Rand thousand	2024	2023
Trade payables	441,359	325,034
Payments received in advanced contract in process	14,054	12,318
Project payables	33,028	23,875
Other payables	87,257	78,518
Accrued leave pay	9,787	9,158
Accrued 13th cheque	5,784	5,888
Debtors with credit balances	6	62
	591,275	**454,853**

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.

Figures in Rand thousand	2024	2023
Project payables		
Projects retention liability	28,629	19,151
Creditors: Sundry	4,399	4,724
	33,028	**23,875**

Figures in Rand thousand	2024	2023
Project retention liability		
Project retention - Construction projects*	21,197	12,152
Project retention - Internal projects	7,432	6,999
	28,629	**19,151**

* Project retention construction contracts relate to progress billings that are not yet paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified. The Retentions emanate from contracts between the entity and its subcontractors for construction contracts.

12. VAT payable

Figures in Rand thousand	2024	2023
VAT	-	837

13. Provisions

Figures in Rand thousand	2024	2023
Current portion		
Long service awards	127	147
Legal proceedings	10,266	-
	10,393	**147**
Non-current portion		
Long service awards	405	406

Reconciliation of provisions 2024

	Opening Balance	Additions	Utilised during the year	Interest cost	Actuarial gain	Total
Legal proceedings	-	10,266	-	-	-	10,266
Long service award	553	49	(134)	50	14	532
	553	**10,315**	**(134)**	**50**	**14**	**10,798**

Reconciliation of provisions 2023

	Opening Balance	Additions	Utilised during the year	Interest cost	Actuarial gain	Total
Long service award	532	49	(52)	47	(23)	553

Figures in Rand thousand	2024	2023
Non-current provision	**405**	**406**
Current provision	10,393	147
	10,798	**553**
Legal proceedings		
Legal claim 1	3,000	-
Legal claim 2	7,266	-
	10,266	**-**

Legal proceedings provision arose from two litigations on which the entity was found to be liable by the courts but the quantification of the liabilities is still to be determined.

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.

14. Revenue

Figures in Rand thousand	2024	2023
Raw water sales	27,815	24,398
Revenue Section 30	19,637	17,733
Treated water sales	406,878	360,688
	454,330	**402,819**
Detail of primary and secondary revenue		
Section 29 water volumes in kilo litres		
Treated water	28,147	29,904
Raw water	7,792	8,156
	35,939	**38,060**
Section 29		
Treated water sales	406,878	360,688
Raw water sales	27,815	24,398
	434,693	**385,086**
Section 30		
Operations and maintenance agreement	16,095	16,464
Implementing agency fees	3,542	1,268
	19,637	**17,732**
Revenue		
Section 29 Revenue	434,693	385,086
Section 30 Revenue	19,637	17,733
	454,330	**402,819**

15. Cost of sales

Figures in Rand thousand	2024	2023
Cost of sales - Section 29		
Raw water purchases	114,482	97,125
Water research levies	3,365	3,021
Electricity	88,638	55,315
Chemicals	25,279	18,012
Employee benefit costs	133,572	126,308
Depreciation and amortisation	69,550	73,910
	434,886	373,691
Cost of sales - Section 30		
Employee benefit costs	21,338	25,739
Repairs and maintenance	1,182	1,475
Project costs	544	340
	23,064	**27,554**
	457,950	**401,245**

16. Contract revenue

Construction contracts	218,954	152,175

Contract revenue is recognised using the stage of completion method. The stage of completion was determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Where contract costs exceeded contract value and there was no variation order, contract revenue was recognised to the extent of contract costs that were recoverable from the principal. Contract revenue relating to ECDOE was recognised to the extent of contract costs that were recoverable from the principal

Construction contracts

Figures in Rand thousand	2024	2023
ECDOE	40,297	20,572
DWS Drought intervention	4,108	3,182
DWS James Kleynhans	44,770	19,283
DWS Kirkwood	22,407	136
DWS Misgund	3,237	7,391
DWS Ndlambe	-	1,454
DWS Nooitgedagt	-	16,899
DWS Paterson	212	2,251
Joe Gqabi Sterkspruit	997	1,765
ORTDM Coffee Bay	12,252	9,379
ORTDM KSD PI	90,674	69,863
	218,954	**152,175**

17. Contract costs

Contract costs	215,117	145,118

Construction costs comprise contractors professionals services providers costs and other implementation fees. The contract costs form the basis of the construction revenue recognised.

Construction costs

ECDOE	38,378	19,592
DWS Drought intervention	3,912	3,030
DWS James Kleynhans	42,638	18,365
DWS Kirkwood	21,340	129
DWS Misgund	3,083	7,039
DWS Ndlambe	-	1,385
DWS Nooitgedagt	-	16,094
DWS Paterson	202	2,144
Joe Gqabi District Municipality Sterkspruit	959	1,697
ORTDM Coffee Bay	11,895	9,106
ORTDM KSD PI	86,356	66,537
Irrecoverable project costs	6,354	-
	215,117	**145,118**

18. Other income

Figures in Rand thousand	2024	2023
Sundry income	10,232	6,120

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

19. Finance income

Interest revenue		
Interest earned from cash investments	13,961	15,664
Interest income relating to trade and other receivables	28,473	22,463
	42,434	**38,127**

20. Employee-related costs

Basic	81,931	78,742
Long service awards	112	72
	82,043	**78,814**
Employee related costs		
Basic salaries	132,552	135,948
Bonus	12,552	12,009
Allowances	26,808	24,235
Overtime	8,104	7,611
Long service awards	112	72
Contributions Medical, Pension, UIF	42,682	40,096
Relocation	60	25
Leave pay	4,491	2,142
Casual wages	964	499
Skills development levy	2,229	2,035
Independent contractor	6,398	6,189
	236,952	**230,861**

Figures in Rand thousand	2024	2023
Direct costs	154,909	152,047
Indirect costs	82,043	78,814
	236,952	**230,861**

The entity provides retirement benefits for all permanent and fixed term 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.

Figures in Rand thousand	Number of staff 2024	2024 R '000	Number of staff 2023	2023 R '000
			2024	2023
Provident fund contributions	241	19,766	224	18,682
Pension fund contributions	58	5,422	61	5,218
	299	**25,188**	**285**	**23,900**

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 2024.

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:

Figures in Rand thousand	Long service awards	Retirement gifts
Balance at 30 June 2023	485	68
Current services costs recognised in the statement of comprehensive income	44	5
Retirement gifts/Long service awards paid	(126)	(8)
Interest cost	43	7
Actuarial gain	14	-
	460	**72**

The executive members emoluments are disclosed on note 21.

21. Executive and non executive-members' emoluments

Executive 2024	Cash component	Back pay and 13th cheque	Acting allowance	Family cover, disability and group life	Reimbursive allowances/ Leave Payout	Vehicle allowances	Pension/provident package	Medical cover	Statutory Payments UIF/SDL	Leave Payout	Total
	-	-	-	-	-	-	-	-	-	-	-
S Koyo EM: Planning and Development	570	-	260	35	8	85	45	9	-	-	1,012
S Koyo (CE)	1,187	208	-	72	19	154	117	18	-	-	1,775
S Qweleka EM: Operations	1,740	169	-	100	8	96	196	23	95	-	2,427
S Galada (CFO) ***	713	141	-	42	9	50	68	12	-	198	1,233
Z Ngele EM: Corporate Services ****	1,294	134	-	32	-	-	62	17	21	201	1,761
L Nzoyi EM: Corporate Services *	245	-	-	14	1	-	28	3	6	-	297
J Jackson (CFO) *	328	-	-	18	-	-	38	4	7	-	395
D Mabuza EM: Planning and Development **	374	-	-	23	17	64	30	5	10	-	522
	6,451	**652**	**260**	**336**	**62**	**449**	**584**	**86**	**144**	**399**	**9,422**

* Appointed on 1 May 2024.

** Appointed on 15 April 2024.

*** Terminated on 30 September 2023.

**** Terminated on 31 October 2023.

21. Executive and non-executive members' emoluments continues

Executive 2023	Cash component	Back pay and 13th cheque	Acting allowance	Family cover, disability and group life	Reimbursive allowances/ Leave Payout	Vehicle allowances	Pension/provident package	Statutory Payments UIF/SDL	Medical cover	Leave Payout	Total
Zitumane	-	-	-	-	-	-	-	-	-	575	575
S Koyo EM: Planning and Development	1,368	140	234	83	56	204	108	-	22	-	2,215
S Qweleka EM: Operations	1,740	169	-	100	31	96	196	82	23	-	2,437
Z Ngele EM: Corporate Services	1,737	160	-	95	2	-	186	57	22	-	2,259
L Makuleni Interim Chief Executive*	660	-	-	33	3	-	-	-	7	-	703
S Galada (CFO)	1,311	42	73	75	41	90	123	-	17	-	1,772
	6,816	**511**	**307**	**386**	**133**	**390**	**613**	**139**	**91**	**575**	**9,961**

* Appointed on 15 August 2022 to 14 November 2022.

2024 acting arrangements

Position	Name	Dates in service	2023 Acting Allowance
Acting Chief Executive Officer	**S Koyo**	1 July 2023 to 13 November 2023	260
Acting Executive Director: Planning and Development	**B Leni**	15 January 2024 to 12 April 2024	77
Acting Chief Financial Officer	**N Nomnganga**	1 September 2023 to 30 April 2024	147
Acting Executive Director Corporate Services	**S Fatyi**	9 October 2023 to 30 April 2024	41
Acting Executive Director Corporate Services	**N Klaas**	1 July 2023 to 6 October 2023	115
Acting Executive Director Planning and Development	**M Bila**	1 July 2023 to 7 September 2023	68
			708

2023 acting arrangements

Position	Name	Dates in service	2023 Acting Allowance
Acting Chief Executive Officer	**S Koyo**	July 2022 to 14 August 2022 and 7 March 2023 to 30 June 2023	234
Acting Chief Executive Officer	**S Galada**	14 November to 6 March 2022	73
Acting Chief Financial Officer	**N Nomnganga**	1 July 2022 to 30 September 2022 and 14 November 2022 to 6 March 2023	175
Acting Executive Director Corporate Services	**S Fatyi**	19 July 2022 to 19 September 2022	16
Acting Executive Director Corporate Services	**N Klaas**	26 April 2023 to 30 June 2023	30
Acting Executive Director: Planning and Development	**M Bila**	7 March 2023 to 30 June 2023	80
			608

Non-executive 2024

Names	Board stipend	Board meeting fees	Travel and other disbursements	Committees and other activities	Total
P Yako Chairperson	238	234	1	461	934
S Dzengwa	115	81	-	81	277
Z Kiviet	158	149	-	219	526
A Mjekula	173	156	-	208	537
B Mokgatle	173	147	-	144	464
N Tyibilika	173	147	-	245	565
SP Xulu	14	8	-	-	22
N Mxenge	29	30	-	19	78
W Mushohwe	144	151	-	98	393

Independent External Audit Committee Members

S Maharaj	-	-	-	57	57
FJ Mudau	-	-	-	82	82
G Labane	-	169	-	125	294
	1,217	**1,272**	**1**	**1,739**	**4,229**
Payments made in 2024				4,229	-
June 2023 accrual reversed in July 2023				(86)	-
				4,143	**-**

Non-executive 2023

Names	Board stipend	Board meeting fees	Travel and other disbursements	Committees and other activities	Total
P Yako Chairperson	238	317	3	952	1,510
S Dzengwa	130	204	2	331	667
Z Kiviet	173	187	4	493	857
A Mjekula	173	194	-	422	789
B Mokgatle	173	239	-	342	754
N Tyibilika	173	247	-	552	972
SP Xulu	173	163	-	377	713

Independent External Audit Committee Members

G Labane	-	169	-	219	386
S Maharaj	-	-	-	103	103
FJ Mudau	-	-	-	86	86
	1,233	**1,718**	**9**	**3,877**	**6,837**

22. Impairment loss

Figures in Rand thousand	2024	2023
Impairment		
Property, plant and equipment	6,738	15,341
During the physical verification exercise, the condition of assets were assessed and an impairment of R6,738 million (2023: R15.341 million) was raised.		

23. Finance costs

Interest: Creditors	9,082	25,616
Interest: creditors breakdown		
DWS	8,941	25,129
Other suppliers	141	487
	9,082	**25,616**

Interest: Creditors relates mainly to interest charged on outstanding debt

24. Lease rentals on operating lease

Figures in Rand thousand	2024	2023
Premises		
Contractual amounts	1,304	798
Motor vehicles		
Contractual amounts	13,901	8,372
Equipment		
Contractual amounts	328	285
	15,533	**9,455**

25. Bad debts written off

Figures in Rand thousand	2024	2023
Bad debts written off	13,147	-

During the year the entity wrote off irrecoverable debts which was mainly interest charged on outstanding receivables upon payment of the capital amount by the debtor.

26. Repairs and maintenance

Buildings offices and houses	1,469	1,751
Furniture and fixtures	655	406
Pipeline and distribution	3,572	2,600
Plant and machinery	6,964	7,694
Treatment works	5,023	4,668
Motor vehicles	4,879	2,009
	22,562	**19,128**
Direct repairs and maintenance included in cost of sales	1,182	1,475
Indirect repairs and maintenance	21,380	17,653
	22,562	**19,128**

27. Loss on disposal

Figures in Rand thousand	2024	2023
Property, plant and equipment	1,985	40

Old assets that were no longer working were disposed off in the current year through an auction.

28. General expenses

Accounting fees	122	-
Audit fees - External	5,106	5,317
Bank charges	268	253
Audit fees internal	1,373	47
Surcharges - CIDB	872	-
Personnel recruitment cost	728	875
Consulting and professional fees	8,014	6,418
Consumables	2,688	2,692
Designs and creative services	25	51
Insurance	3,314	2,503
Fraud hotline	48	48
Health and safety	191	181
Promotional aids and gifts	55	64
Magazines, books and periodicals	7	(4)
Medical expenses	105	277
Equipment hire	560	845
Equipment small value items	104	432
Admin and secretariat services	949	573
Fuel and oil	9,654	9,658
Postage and courier	5	-
Printing and stationery	513	518
Inaugurations and events	86	438
Protective clothing	809	442
Publicity and advertising	409	543
Secretarial fees	51	191
Security	6,637	4,971
Software licences	4,814	5,817

28. General expenses continued

Figures in Rand thousand	2024	2023
Stores write off and adjustments	149	(5)
Telephone and fax	1,209	828
Training	2,999	4,817
Accommodation and travel	1,541	1,818
Electricity and water	2,938	2,269
Hire of vehicles	-	36
Vehicle licence fees	494	444
Fees: technical services	2,178	3,747
Services: courier	4	13
Services data	1,967	2,616
Sponsorship & social investment	133	121
Control of hyacinth	47	764
Legal expenses	4,842	5,396
Membership fees	902	218
Insurance workman's compensation	1,170	1,570
Venue expenses	23	-
Laundry and cleaning expenses	287	176
Reprographics and printing services	-	42
Refreshments: seminars and meetings	759	728
Dam management charge out costs	-	11
	69,149	**68,759**

29. Cash used in operations

Figures in Rand thousand	2024	2023
Deficit for the year	(164,548)	(203,556)
Adjustments for:		
Depreciation and amortisation	75,846	77,290
Loss on disposal of assets	1,985	40
Interest income	(42,434)	(38,127)
Impairment deficit	6,738	15,341
Movements in provisions	10,245	21
Finance income from receivables	28,473	22,463
Changes in working capital:		
Inventories	155	(231)
Receivables from exchange transactions	(111,211)	(9,977)
Payables from exchange transactions	136,421	91,575
Statutory receivables	(1,913)	-
VAT payable	(837)	(1,951)
	(61,080)	**(47,112)**

30. Auditors' remuneration

External audit fees	5,106	5,317

31. Contingent assets and liabilities

Contingent assets

Other Matters

Amatola Water Board is currently pursuing 2 matters for outstanding debt and outcome is uncertain.	900	900

The contingent assets relates to two matters amounting R0.9 million where the entity has instituted legal proceedings to funds.

31. Contingent assets and liabilities continued

Figures in Rand thousand	2024	2023
Contingent liabilities		
Debt applications		
Amatola Water Board is currently defending four (4) (2023: six) applications for outstanding debt and outcome is uncertain	14,750	31,000
Labour matters		
Amatola Water Board is currently defending one (1) (2023: two) labour matters and the outcome is uncertain	1,500	3,000
Other matters		
Amatola Water Board is currently defending four (4) (2023: four) personal liability matters and the outcome is uncertain	9,701	13,179

Debt application matters

1. A service provider is claiming payment to the sum of R3.14 million with interest according to the law for wasted standing time. The parties have filed their discovery notices.

2. 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 R6.97 million. The matter previously set down for hearing on 2 September 2020 and it has been dormant since then. Amatola Lawyers are in the process to apply to the court for this matter to be archived.

3. An amount of R0.65 million is claimed against Amatola Water for not honouring payment as agreed on appointment.

4. A supplier issued summons against Amatola Water for payment for work done to the amount of R3.99 million. The matter was defended by Amatola Water and summary judgment was brought. Summary judgment was dismissed and Amatola Water is defending the matter, an exception is set down to argue the exception in August 2024.

Labour matters

1. An employee launched an application to review and set aside an arbitrator's award confirming her dismissal in the amounts of R1.5 million. The allocation of a date for the hearing is awaited from the Labour Court.

Other matters

1. 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 million. 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.

2. A service provider instituted a claim for payment in the amount of R1.18 million. The matter is still on going and the last consultation was held on the 29th of April 2024.

3. Amatola Water received summons in three matters, with possible outflow of financial resources amounting to R1 million 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.

4.The plaintiff is claiming an amount of R1.5 million being damages for financial loss relating to the annual escalation cost that were not claimed when the contract going back from the start of the project. The matters is still on going.

32. Related parties

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

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 21.

Related party balances

Figures in Rand thousand	2024	2023
Statement of Financial Position		
DWS receivable	51,910	43,001
Retention receivable	9,139	7,624
DWS payable	(383,367)	(306,649)
DWS provision for water research levy and interest	(83,437)	(67,235)
Statement of Financial Performance		
Dam management fees paid by DWS to Amatola Water Board	16,095	16,464
Construction costs - DWS	(71,175)	(48,186)
Construction revenue - DWS	74,734	50,596
Raw water purchases - DWS	(114,482)	(97,125)
Interest on outstanding debt - DWS	(8,941)	(25,129)
Water research levy	3,365	3,021

33. 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 2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Trade and other receivables from exchange transactions[1]	4	219,026	12,950	31,724	263,700
Statutory receivables [2]	6	30,745	143	(31,724)	(836)
Property, plant and equipment [3]	8	1,633,652	103	-	1,633,755
Payables from exchange transactions [4]	11	(434,061)	(20,792)	-	(454,853)
Provisions current [5]	13	(553)	-	406	(147)
Provisions non-current [5]	13	-	-	(406)	(406)
Accumulated surplus [6]		(1,384,690)	7,596	-	(1,377,094)
Buildings		63,776	-	108	63,884
Plant and machinery		4,078	-	1,455	5,533
Furniture and fixtures		5,857	-	(1,491)	4,366
IT equipment		3,502	-	23	3,525
Civil works		23,947	-	304	24,251
Pipelines and distribution		694,888	-	(6,979)	687,909
Reservoirs		309,235	-	(248)	308,987
Treatment works		417,514	-	6,828	424,342
		1,586,916	**-**	**-**	**1,586,916**

Statement of financial performance 2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue from exchange transactions[7]	14	409,850	(7,031)	-	402,819
Contract revenue[8]	16	-	152,175	-	152,175
Contract costs[8]	17	-	(145,118)	-	(145,118)
Cost of sales[9]		(408,480)	-	7,235	(401,245)
Employee related costs[10]	20	(67,961)	(19)	(10,834)	(78,814)
Non-executive members emoluments[11]	21	(7,303)	466	-	(6,837)
Finance costs[12]	23	(17,463)	(8,153)	-	(25,616)
Depreciation and amortisation[13]		(338)	-	(3,042)	(3,380)
Lease rentals on operating lease[14]	24	(11,337)	-	1,882	(9,455)
Repairs and maintenance[15]	26	(16,224)	-	(1,429)	(17,653)
General expenses[16]	28	(75,365)	417	6,189	(68,759)
Adjustments relating to prior periods[17]		-	(333)	-	(333)
Surplus for the year		**(194,621)**	**(7,596)**	**-**	**(202,216)**

Errors

The following prior period errors adjustments occurred:

1.Trade receivables from exchange transactions

The increase in trade and other receivables from exchange transactions is due to the following adjustments:

- recognition of a retention assets on construction related secondary business projects.
- reclassification of VAT accrual not yet claimed from SARS from Statutory receivables.
- recognition of a sundry debtor for the NMMB intervention that was not raised in the prior year.
- correction of an overpayment of board fees.
- the workmen's compensation insurance premiums for the prior year was reassessed by the insurer resulting in the adjustment to other receivables.

2. Statutory receivables

The decrease in statutory receivables mainly relates to the reclassification of the VAT accrual from statutory receivables to receivables and the impact of the correction of the identified errors.

3. Property, plant and equipment

The increase in property plant and equipment is mainly due to the reversal of impairment that was raised in prior years.

4. Payables from exchange transactions

The adjustment in trade and other payables from exchange is mainly due to additional interest on outstanding debt raised by DWS and the recognition of retention liability on construction related secondary business projects.

5. Provisions

Reclassification of current portion of the long service awards from the long term portion.

6. Accumulated surplus

The overall changes made resulted to a decrease in accumulated surplus.

7. Revenue from exchange transactions

The adjustment in revenue is mainly due to the reclassification of implementing agency fees from Section 30 Revenue to Construction revenue and the additional processing fees for the NMMB intervention that was not raised in the prior year.

8. Contract revenue and contract costs

During the 2022/23 audit the entity discovered that it has not adopted GRAP 11 Construction contracts for the projects it implements on behalf of other organs of state. The error resulted in material understatement of construction revenue and construction costs as well as overstatement of Section 30 revenue.

9. Cost of sales

Restatement relates to correction of cost centres.

10. Employee related costs

The adjustment is mainly due to the reclassification of independent contractor fees from consultancy fees and realignment of cost centres and the correction of the retirement fund contribution

11. Non-executive members emoluments

Being correction of board fees incurred on behalf of NMMB recoverable from DWS which were included as part of the entities expense and reversal of stipend that was paid to an independent Audit and Risk Committee Chair.

12. Finance costs

The adjustment is mainly attributable to additional interest that pertains to the prior year that was raised by DWS.

13. Depreciation and amortisation

The adjustment relates to the correction of cost centres.

14. Lease rentals on operating lease

Correction of maintenance expenses for leased vehicles that was erroneously included under lease costs.

15. Repairs and maintenance

Correction of maintenance expenses for leased vehicles that was erroneously included under lease costs and realignment of cost centre allocations.

16. General expenses

The following adjustments were effected on general expenses:

- the reassessment of the workmen's compensation of the prior period by the insurer resulted in the adjustment to the insurance workmen's compensation.
- credit note issued in the current year pertaining to an invoice that was recorded in the prior year.
- adjustment in travel and accommodation expenditure recovered from DWS for the NMMB intervention.
- reclassification of independent contractors fees from consulting fees to employee related costs.

17. Adjustments relating to prior periods

The other adjustments above have an impact on the income statement on 2022 financial year and other prior years resulting in the change in accumulated surplus.

Contingencies

Figures in Rand thousand	2024	2023
Other matters		
Amount as previously disclosed	-	12,189
Correction of an error	-	990
Restated amount	**-**	**13,179**
Irregular expenditure		
Amount as previously disclosed	-	93,342
Correction of an error	-	1,215
Restated opening balance	**-**	**94,557**

Fruitless and wasteful expenditure

Figures in Rand thousand	2024	2023
Amount as previously disclosed	-	17,501
Adjustments made	-	8,142
Restated opening balance	**-**	**25,643**

Figures in Rand thousand	2024	2023

34. 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 internally generated funds.

Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment - Amatola Water	25,836	146,843
Total capital commitments		
Already contracted for but not provided for	25,836	146,843
Total commitments		
Total commitments		
Authorised capital expenditure	25,836	146,843

Operating leases as lessee (expense)

Motor vehicle

The entity has entered into a new lease agreement for 82 vehicles for a period of 5 years with ABSA operating lease contract. The lease payments include a maintenance portion for the duration of the lease term. The lease term is for five years started on the 1 April 2024 ending 31 March 2029.

Figures in Rand thousand	2024	2023
Operating lease commitments		
- within one year	11,047	7,032
- in second to fifth year inclusive	41,427	-
	52,474	**7,032**

Figures in Rand thousand	2024	2023

Rental of Office Space

Trevleen Properties lease was for 3 years starting on 1 June 2019 and ending on May 2022 but was extended for further two years and ten (10) months ending in March 2025.

Operating lease commitments - Rental of office space	525	591

Office Equipment

Amatola Water Board entered into a new transversal agreement with Konica Minolta for a period of 3 years started in September 2023 ending July 2026.

Operating lease commitments - office equipment		
- within one year	274	186
- in second to fifth year inclusive	407	283
	681	**469**

35. Financial instruments disclosure

	At fair value	At amortised cost	Total
Categories of financial instruments			
2024			
Financial assets			
Cash and cash equivalents	130,225	-	130,225
Trade and other receivables from exchange transactions	-	345,585	345,585
	130,225	**345,585**	**475,810**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	575,703	575,703

2023			
Financial assets			
Trade and other receivables from exchange transactions	-	231,976	231,976
Cash and cash equivalents	199,736	-	199,736
	199,736	**231,976**	**431,712**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	439,807	439,807

Financial instruments in Statement of financial performance 2024		
Interest income (calculated using effective interest method) for financial instruments at amortised cost	42,434	42,434
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(9,082)	(9,082)
	33,352	**33,352**

Financial instruments in Statement of financial performance 2023		
Interest income (calculated using effective interest method) for financial instruments at amortised cost	38,127	38,127
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(25,616)	(25,616)
	12,511	**12,511**

36. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure identified - current	9,082	25,616

Fruitless and wasteful expenditure relates to interest charged on the late payment of invoices, penalties/interest identified on project implementation as well as interest on outstanding DWS debt.

37. Irregular expenditure

Irregular expenditure identified in the current year

Irregular expenditure Amatola Water	19,642	4,752
Irregular expenditure incurred on behalf of principals	63,215	89,805
	82,857	**94,557**
Nature of irregular expenditure		
Non compliance with SCM regulations	61,516	16,586
Expenditure incurred on expired contracts	17,529	77,938
Old service contracts with no agreements	36	33
Expenditure above contract value	3,776	-
	82,857	**94,557**

The amount disclosed is inclusive of VAT.

38. Budget differences

Material differences between budget and actual amounts

Variances over R5 million or above 10% are considered to be material and explained below:

38.1 Revenue Section 29 is under the budgeted amount by 20.55%

The under performance is due to the following:

- Loadshedding reducing the volumes of treated water sales.
- Delay on the implementation of the package modular plant which was expected to give the entity additional volumes in 2024.
- Theft and vandalism resulting in water losses.

38.2 Revenue Section 30 under budget by 56.97%

The under performance in Section 30 is due to delays in handing over sites to contractors and delays in implementation hence revenue is lower than anticipated.

38.3 Construction revenue increased by 100%

The entity did not consider construction revenue in its budget.

38.4 Other Income increased by 647.95%

The increase in other income is to reclassification of project recoveries to other income.

38.5 Interest income is over budget by 16.13%

Interest income is over budget due to increase in ADM debt hence more interest charged on outstanding debt.

38.6 Employee Related Cost under spending by 6.55%

The under spending is due to the reclassification of project recoveries to employee costs.

38.7 Non executive directors emoluments under spending by 29.29%

The under spending on Board Fees is a result of ministerial instruction to reduce board fees.

38.8 Accommodation and travel under spending by 43.22%

The under spending is because the entity took measures to control costs by managing their travel and accommodation services internally.

38.9 Impairment loss 100%

The entity does not budget for impairment losses.

38.10 Construction costs 100%

The entity did not take into account construction expenditure in its budget.

38.11 Finance costs 100%

Finance costs is over budget due to interest charged by DWS that was not anticipated by the entity.

38.12 Lease rentals on operating lease 20.36%

The overspending is mainly attributed to a new lease rates for the new ABSA vehicle lease that was entered into in March 2024 as well as an increase in rental costs for the office premises.

38.13 Debt impairment over budget by 100%

The entity does not budget for debt impairment.

38.14 Bad debts written off overspending by 100%

The entity does not budget for bad debts write offs.

38.15 Bulk water purchases overspending by 10.57%

The overspending in bulk water purchases is due to an increase in tariff by DWS.

38.16 Other operating expenditure underbudget by 6.33%

The underspending is due to the implementation of cost containment measures.

38.17 Inventories over budget by 49.89%

Overspending due to stock items that are purchased without budget then only accommodated to their relevant budget item when they are issued.

38.18 Receivables from exchange transactions over budget by 85.35%

The increase in trade receivables is mainly due to major debtor payments not covering their current consumption as well as the recognition of retention asset on construction contracts and reclassifaction of VAT accrual from Statutory receivables

38.19 Statutory receivable over budget by 100%

There is no provision made on the budget for statutory receivable.

38.20 Cash and cash equivalent under budget by 68.73%

The challenging economic conditions had a negative impact on the entity's cash and cash equivalents. The package plant project anticipated to bring cash has not yet materialise.

38.21 Property Plant and Equipment under budget by 16.34%

The budget took into account the packaged modular plant which have not yet materialised hence the under budget.

38.22 Intangible assets over budget by 18.68%

The budget did not take into account the intangible work in progress.

38.23 Payables from exchange transactions over budget by 70.07%

The increase in accounts payables is attributed to the appointment of more service providers in the current year as well as the recognition of construction retention liability and the inability by the entity to service the debt of DWS as was planned.

38.24 Provisions over budget by 100%

The entity did not budget for provisions.

38.25. Accumulated surplus under budget by 34.48%

The underperformance is due to the following:

- Loadshedding reducing the volumes of treated water sales.
- Delay on the implementation of the package modular plant which was expected to give the entity additional volumes in 2024.
- Theft and vandalism resulting in water losses.

39. Risk management

Financial risk management

Amatola Water Board's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. Risk management is carried out by the entity under policies approved by the board. 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 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	575,703	439,307

2024	On demand	1-3 months
Trade and other payables from exchange transactions	-	575,703

2023	On demand	1-3 months
Trade and other payables from exchange transactions	-	439,807

Credit risk

Financial assets, which potentially subject the entity to credit risk, consist principally of cash and trade receivables. The entity's cash equivalents are placed with high credit quality financial institutions.

Credit risk with respect to trade receivables is high, as trade receivables mainly comprise bulk consumers, namely Local and District Municipalities. The remainder relates to water supply to domestic and industrial consumers.

Credit risk with respect to sundry receivables is also high, as sundry receivables mainly comprise of 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 applicable interest rate in each month that is issued by National Treasury on a monthly basis.

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.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2024	2023
Cash and cash equivalents	130,225	199,736
Trade and other receivables from exchange transactions	345,675	231,976

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

The ageing of trade receivables at the reporting date was:	Gross 2024	Impairment 2024	Gross 2023	Impairment 2023
Not past due date	47,446	8,162	45,028	13,723
One month past due date	16,819	8,299	10,185	5,548
Two months past due date	14,653	7,324	11,123	6,146
Three months past due date	14,280	7,159	9,838	5,423
More than four months past due date	307,857	155,245	264,955	147,110
	401,055	**186,189**	**341,129**	**177,950**

The ageing of sundry receivables at the reporting date was:				
Not past due date	34,369	13,055	34,386	14,287
One month past due date	2,579	1,108	9,001	3,734
Two months past due date	980	454	432	247
Three months past due date	5,444	2,233	3,505	2,049
More than four months past due date	37,200	18,323	48,479	34,740
	80,572	**35,173**	**95,803**	**55,057**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Balance as at 1 July	177,950	141,735
Impairment provision increase	8,239	36,215
	186,189	**177,950**

The movement in the allowance for impairment in respect of sundry receivables during the year was as follows:

Balance as at 1 July	55,057	41,218
Impairment provision increase/(decrease)	(19,884)	13,839
	35,173	**55,057**

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 in three to five years
Trade and other receivables normal credit terms	9.91%	345,585	-	-	-	-
Cash in current banking institutions	8.33%	130,225	-	-	-	-
Trade and other payables normal credit terms	9.91%	575,703	-	-	-	-

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.

Capital contribution	274,557	274,557
Accumulated surplus	1,212,543	1,377,094

40. Events after the reporting date

The Chief Executive Mr S Koyo was placed on precautionary suspension on 18 July 2024 and was later terminated on 28 August 2024. He was however reinstated to his position on 5 September 2024.The Chief Finance Officer Mr J Jackson was the Acting Chief Executive from 18 July 2024 until the reinstatement of the CE to his role and Ms N Nomnganga was the Acting Chief Finance Officer during this period.

The Interim Board Chairperson P Yako resigned as a member effective from 31 August 2024 and the Minister has appointed Mr N Tyibilika as the Interim Board Chairperson from 1 September 2024.

The Audit and Risk Committee Chairperson Mr G Labane has resigned as member effective from 8 November 2024.

The members are not aware of any other matter or circumstances arising since the end of the financial year.

41. Going concern

As at 30 June 2024, the entity has an annual deficit of R164,549,000 however the entity has an accumulated surplus of R1,212,543,000 and that the entity's total assets exceed its liabilities by R1,487,100,000.

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.

Amatola Water has long term bulk water service provisioning contracts with its major clients (BCMM 2000 to 2030; Ndlambe 2010 to 2030; and ADM is now on month to month basis). Amatola Water will continue to operate over the next financial year.

Amatola Water continues to provide services to other clients as part of its Secondary Business offering to ECDOE, ORTDM and DWS.

Based on the projected inflows from these contracts,Amatola Water has performed a cash flow forecast for 2024/25 financial year and management is confident that Amatola Water will continue to operate in the foreseeable future.

The entity is embarking on looking for funding to assist the entity to expand and refurbish its infrastructure, improve revenue generation thereby reducing the deficit and improve inefficiencies. Applications has been submitted to Development Bank of South Africa and Infrastructure South Africa for Budget Facility for Infrastructure (BFI).

42. Taxation

Amatola Water is exempt from income taxation in terms of section 10 (1)t(ix).

43. Accounting by principals and agents

The entity act as an agent on agreements entered with Eastern Cape Department of Education and Department of Water and Sanitation.

Amatola Water Board engages with service providers and contractors on behalf of the government department, Water Service Authorities that it has agreements with in the execution of various capital and operational water service projects.

Agency fees or cost incurred under each agreement are charged by Amatola Water Board at a rate agreed upon in the agreement.

The agreements do not contain significant areas of judgement on behalf of the agency as the agreement are legally enforceable and the risk and rewards are clearly articulated in the agreement that provides a definitive process of directive for work allocation and resource utilisation.

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

Project advances	14,054	12,318

Project advances are recognised under cash and cash equivalent in the entity's own financial statement.

Revenue recognised

Section 30 Revenue	19,637	17,733
Amount of expenditure incurred		
Cost of sales	21,834	23,538

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Project receivables		
Sundry receivables	45,399	40,745
Payables relating to projects		
Project payables	11,831	11,723

Project payables relates to payables raised on projects that are implemented by the entity on behalf of the principals.

44. Segment information

General information

Identification of segments
Information reported about these 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 are on the basis of three (3) major functional areas: primary business, secondary business and the 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.

Segment surplus or deficit, assets and liabilities 2024

	Primary Business	Secondary Business	Support	Total
Revenue				
Revenue from exchange transactions	434,693	19,637	-	454,330
Construction revenue	-	218,954	-	218,954
Interest revenue	28,691	-	13,743	42,434
Other income	5,857	3,153	1,222	10,232
Total segment revenue	**469,241**	**241,744**	**14,965**	**725,950**
Entity's revenue				**725,950**
Expenditure				
Employee related cost	133,572	21,338	82,042	236,952
Non-executive directors emoluments	-	-	4,143	4,143
Depreciation and amortisation	69,551	1,301	4,995	75,847
Finance costs	8,941	141	-	9,082
Lease rentals	8,328	2,305	4,900	15,533
Impairment loss	5,013	531	1,194	6,738
Debt impairment	7,165	(17,292)	(1,936)	(12,063)
Bulk purchases	114,482	-	-	114,482
Construction costs	-	215,117	-	215,117
Other operating expenditure	153,344	7,524	63,800	224,668
Total segment expenditure	**500,396**	**230,965**	**159,138**	**890,499**
Total segmental surplus/(deficit)	**(31,155)**	**10,779**	**(144,173)**	**(164,549)**
Assets				
Non-current assets	1,488,870	20,984	66,918	1,576,772
Inventories	3,095	-	2,262	5,357
Receivables from exchange transactions	246,949	127,168	789	374,906
Statutory receivables	1,913	-	-	1,913
Cash and cash equivalents	19,845	14,271	96,109	130,225
Total segment assets	**1,760,672**	**162,423**	**166,078**	**2,089,173**
Liabilities				
Payables from exchange transactions	499,958	87,288	4,028	591,274
Provisions - current	3,000	7,266	127	10,393

	Primary Business	Secondary Business	Support	Total
Provisions - non-current	-	-	405	405
Total segment liabilities	**502,958**	**94,554**	**4,560**	**602,072**
Total liabilities as per Statement of financial Position				**602,072**

Segment surplus or deficit, assets and liabilities 2023

Revenue				
Revenue from exchange transactions	385,086	17,733	-	402,819
Construction revenue	-	152,175	-	152,175
Interest revenue	19,924	2,539	15,664	38,127
Other income	1,919	2,939	1,262	6,120
Total segment revenue	**406,929**	**175,386**	**16,926**	**599,241**
Entity's revenue				**599,241**
Expenditure				
Salaries and wages	126,309	25,738	78,814	230,861
Non-executive directors emoluments	-	-	6,837	6,837
Depreciation and amortisation	73,910	1,346	2,035	77,291
Finance costs	25,295	69	252	25,616
Lease rentals	8,372	8,372	1,083	9,455
Debt impairment	16,212	12,035	2,282	30,529
Impairment loss	15,181	1	158	15,340
Bulk purchases	97,125	-	-	97,125
Construction costs	-	145,118	-	145,118
Other operating expenses	114,068	9,363	41,188	164,619
Total segment expenditure	**476,472**	**193,670**	**132,649**	**802,791**
Total segmental surplus/(deficit)	**(69,543)**	**(18,284)**	**(115,723)**	**(203,550)**
Assets				
Non-current Assets	1,593,198	23,996	21,752	1,638,946
Inventories	3,517	-	1,995	5,512

	Primary Business	Secondary Business	Support	Total
Receivables from exchange transactions	222,213	40,687	800	263,700
Cash and cash equivalents	43,734	12,318	143,684	199,736
Total segment assets	**1,862,662**	**77,001**	**168,231**	**2,107,894**
Total assets as per Statement of financial Position				**2,107,894**
Liabilities				
Payables from exchange transactions	408,005	41,648	5,200	454,853
VAT payable	837	-	-	837
Provisions	-	-	553	553
Total segment liabilities	**408,842**	**41,648**	**5,753**	**456,243**
Total liabilities as per Statement of financial Position				**456,243**

Depreciation and amortisation segment information for earlier periods has been restated.

45. Change in estimate

Property, plant and equipment

A change in the estimated useful life of property plant and equipment has resulted in decreases in depreciation as per below:

	Depreciation 2024	Depreciation before change	Decrease
Other assets (movable)	2,123	(3,087)	(964)
Infrastructure assets	462	(1,169)	(707)
Buildings	83	(137)	(54)
	2,668	(4,393)	(1,725)

The amount of the effect in future periods is not disclosed because estimating it is impracticable to do so.

Intangible assets. A change in the estimated useful life of intangible has resulted in decreases in amortisation as per below:

	Amortisation 2024	Amortisation before change	Decrease
Intangible assets	304	(667)	(363)

The amount of the effect in future periods is not disclosed because estimating it is impracticable to do so.



ANNEXURE A: FIVE-YEAR HISTORICAL STATISTICAL OVERVIEW



ANNEXURE A: FIVE-YEAR HISTORICAL STATISTICAL OVERVIEW

	2024 Unaudited R'000	2023 Restated R'000	2024 vs 2023 %	2022 Audited R'000	2021 Restated R'000	2022 vs 2021 %	2021 Audited R'000	2020 Restated R'000
OPERATIONS								
Revenue	454,330	402,819	12.79	385,862	391,535	(1.49)	391 535	416 938
Cost of sales	456,478	397,230	14.92	380,297	371,393	2.39	371 983	365 909
Contract revenue	218,954	152,175	43.88					
Contract costs	-215,117	-145,118	48,24					
Other income	10,232	6,120	67,19	4,346	5,459	(20.38)	5 459	6 668
Grant funding		-	-	-	-	-	-	1 223
Public donations		-	-	-	25,611	(100.0)	25 611	-
Operating and admin expenses	218,679	260,855	16,17	216,308	179,153	20.73	176 827	172 282
Net finance income	42,434	38,127	11.30	32,008	29,389	8.9	29 389	50 800
Net operating (Deficit)/ surplus	-164,324	-203,972	-19.43	-174,389	-98,552	76,95	-96 816	-62 562
			-					
FINANCIAL POSITION								
Capital contribution	274,557	274,557		274,557	274,557		274 557	274 557
Reserves								
Retained (Deficit)/ Surplus	1,212,242	1,376,567	(11.9)	1,571,148	1,751,942	(10.3)	1 804 024	1 900 838
Long-term liabilities		-	-	-	-	-	-	-
Current liabilities	601,667	434,616	38,44	374,090	498,529	(24.96)	496 943	495 903
Total equity and liabilities	2,088,871	2,106,530	(0.83)	2,219,795	2,525,028	(12.1)	2 575 524	2 671 298
Non-current assets	1,576,772	1,638,945	(3.79)	1,710,208	1,825,548	(6.3)	1 870 159	1 907 627
Current assets	512,099	467,585	(9.52)	509,587	699,480	(27.1)	705 365	763 671
Total assets	2,088,871	2,106,530	(0,83)	2,219,795	2,525,028	(27.1)	705 365	763 671

	2024 Unaudited R'000	2023 Restated R'000	2024 vs 2023 %	2022 Audited R'000	2021 Restated R'000	2022 vs 2021 %	2021 Audited R'000	2020 Restated R'000
OPERATIONS								
CASH FLOW POSITION								
Cash flow from Operating activities	-61,263	-47,112	30.03	-160,661	-74,301	116.2	-78 897	-95 337
Cash flow util. in/gen. from Investing activities	-8,248	-5,697	44.77	-17,625	-45,532	(61.3)	-27 543	-20 685
Cash flow utilised in Financing activities				13,221	13,393	(1.3)		
Net cash increase/ (Decrease) for year	-69,511	-52,709	(31.87)	-165,065	-106,440	55.1	-106 441	-116 004
RATIOS								
Revenue (kilolitres 1000)								
Treated water sales	28 147	29 904	5.8	28 810	31 064	(7,3)	31 064	31 835
Raw water sales	7 792	8,156	(4.46)	9 399	8 875	5,9	8 875	8 367
Total water sales	35 939	38,060	(5.57)	38 209	39 939	(4,3)	39 939	40 202
Revenue (R'000)			-					
Treated water sales	406,878	360,688	12.80	330 436	330 811	(0,1)	330 811	341 268
Raw water sales	27, 815	24,398	14.00)	26 769	23 972	11,7	23 972	22 724
Total water sales	434,693	385,086	12,88	357 205	354 783	0,7	354 783	363 992



ANNEXURE B: PERFORMANCE AGAINST ANNUAL PERFORMANCE PLAN 2023/24



ANNEXURE B: PERFORMANCE AGAINST ANNUAL PERFORMANCE PLAN 2023/24

- SHC = SHAREHOLDER COMPACT
- SC = SCORECARD

STRATEGIC OUTCOME	OUTPUTS	KPI REFERENCE NO	OUTPUT INDICATORS	SHC/SC	AUDITED RESULTS 2022/23	PERFORMANCE TARGET 2023/24	ACTUAL RESULTS 2023/24	REASONS FOR VARIANCE
SO1 Improve the provision of safe and reliable water services	Availability and accessibility to services sustained	1.1.0.	Acute health microbiological compliance ≥99%	SHC	New	97%	95.30%	The target was not achieved. See the explanatory note (a) below.
		1.1.1.	Acute health chemical compliance ≥97%	SHC	New	95%	100%	The target has been achieved.
		1.1.2.	Chronic health chemical compliance ≥97%	SHC	New	95%	99.20%	The target was achieved.
		1.1.3.	Operational compliance ≥95%	SHC	New	95%	92.80%	The target was not achieved: See the explanatory note (b) below.
		1.1.4.	Aesthetic compliance ≥95%	SHC	New	95%	98.20%	The target was achieved.
		1.1.5.	Percentage of Blue Drop compliance Amatola Water-owned plants	SC	0%	60%	61.6%	The target was achieved.
		1.1.6.	Average number of days of unplanned interruptions	SHC	New	≤3 days	30.26 days	The target was not achieved: See the explanatory note (d) below.
		1.1.7.	Percentage assurance of raw water supply	SHC	61%	98%	70.1%	The target was achieved.
		1.1.8.	Avoidable water losses as percentage of water produced at treatment and distribution systems	SHC	15.0%	9%	9.4%	The target was not achieved: See the explanatory note (c) below.

STRATEGIC OUTCOME	OUTPUTS	KPI REFERENCE NO	OUTPUT INDICATORS	SHC/SC	AUDITED RESULTS 2022/23	PERFORMANCE TARGET 2023/24	ACTUAL RESULTS 2023/24	REASONS FOR VARIANCE
		1.1.9.	Percentage of WSAs in the province contracted as customers	SHC	36%	30%	36%	The target was achieved.
		1.1.10.	Percentage of actual capex budget spend on expansion related projects (initiatives by the Minister)	SHC	99.60%	80%	NA	The expenditure incurred had a planned budget in FY2022/23 (in the previous financial year) however the payment of the invoice was paid in FY2023/24. The predetermined target of 80% set during the 2023/24 FY year was based on any new Directives awarded to AW by the Minister of Water and Sanitation. However, no new directive was received by AW during the 2023/24 FY. Thus, reporting N/A.
		1.1.11.	Percentage progress against Ministerial directives implementation plan	SHC	100%	80%	N/A	The predetermined Target of 80% set during the 2023/24 FY year was based on any new directives awarded to AW by the Minister of Water and Sanitation. However, no new directive was received by AW during the 2023/24 FY.
		1.1.12.	Percentage progress on funded projects against implementation plans	SHC	56.3%	80%	64%	The target was not achieved: See explanatory note (j) below.

STRATEGIC OUTCOME	OUTPUTS	KPI REFERENCE NO	OUTPUT INDICATORS	SHC/SC	AUDITED RESULTS 2022/23	PERFORMANCE TARGET 2023/24	ACTUAL RESULTS 2023/24	REASONS FOR VARIANCE
		1.1.13.	Number of signed contracts/MOUs in place with rural municipalities for provision of support	SHC	New	3	5	The target was achieved.
SO2: Effective Corporate Governance and Ethical Leadership.	Leadership effectiveness	2.1.0.	External audit outcome	SHC	Unqualified	Unqualified	Unqualified	Amatola Water received an unqualified audit in both 2022/23 and 2023/24 financial years.
		2.1.1.	Percentage of unresolved internal audit findings	SHC	New	15%	22%	The target was not achieved: See the explanatory (n) note below.
		2.1.2.	Percentage of repeat internal audit findings	SHC	New	10%	30%	The target was not achieved: See the explanatory (o) note below.
		2.1.3.	Number of employees undergoing leadership development programmes.	SC	2	5	14	The target was achieved.
		2.1.4.	Percentage compliance with planning and reporting timeframes	SHC	100%	100%	75%	The target was not achieved: See the explanatory (l) note below.
		2.1.5.	Percentage compliance with all board and committee charter(s) provisions	SC	93%	80%	97.88%	The target was achieved.
		2.1.6.	Percentage of Board and Committees' resolutions implemented	SHC	0%	90%	93.64%	The target was achieved.

STRATEGIC OUTCOME	OUTPUTS	KPI REFERENCE NO	OUTPUT INDICATORS	SHC/SC	AUDITED RESULTS 2022/23	PERFORMANCE TARGET 2023/24	ACTUAL RESULTS 2023/24	REASONS FOR VARIANCE
		2.1.7.	Percentage of compliance with applicable legislation	SC	81%	90%	92%	The target was achieved.
		2.1.8.	Percentage of policies reviewed within applicable timelines	SC	98.40%	80%	100%	The target was achieved.
		2.1.9.	Percentage of risk management actions implemented	SC	92%	80%	100%	The target was exceeded.
		2.1.10.	Number of ICT projects implemented	SC	86.67%	10	11	The target was achieved.
		2.1.11.	Board/Committee meetings attended as a % of planned meetings	SHC	New	95%	96.51%	The target has been achieved
		2.1.12.	Number of breaches of materiality and significance framework	SHC	New	0	0	The target was achieved.

STRATEGIC OUTCOME	OUTPUTS	KPI REFERENCE NO	OUTPUT INDICATORS	SHC/SC	AUDITED RESULTS 2022/23	PERFORMANCE TARGET 2023/24	ACTUAL RESULTS 2023/24	REASONS FOR VARIANCE
SO3: Improved Financial Viability	Financial management	3.1.0.	Number of Ml/days sold	SC	80.8 Ml/day	95Ml/day	85.6 Ml/day	The target was not achieved: See the explanatory (p) note below.
		3.1.1.	Current ratio	SHC	1.052	1,370	0.852	The target was not achieved: See the explanatory (e) note below.
		3.1.2.	Gross profit margin (primary activity)	SHC	-1.81%	21,33%	-1.25. %	The target was not achieved: See the explanatory (f) note below.
		3.1.3.	Gross profit margin (secondary activity)	SHC	15.89%	77,95%	65.95%	The target was not achieved: See the explanatory (g) note below.
		3.1.4.	Net profit margin (primary activity)	SHC	-48.57%	-9,52%	-36.08%	The target has not achieved: See the explanatory (f) note below.
		3.1.5.	Net profit margin (secondary activity)	SHC	-17.94%	6,47%	-29.56%	The target was not achieved: See the explanatory (g) note below.
		3.1.6.	Debtors' days	SHC	187.96 days	103.16 days	255.22days	The target was not achieved: See the explanatory (h) note below.
		3.1.7.	Creditors' days	SC	175.29 days	56.61 days	217.34 days	The target was not achieved: See the explanatory (q) note below.

STRATEGIC OUTCOME	OUTPUTS	KPI REFERENCE NO	OUTPUT INDICATORS	SHC/SC	AUDITED RESULTS 2022/23	PERFORMANCE TARGET 2023/24	ACTUAL RESULTS 2023/24	REASONS FOR VARIANCE
		3.1.8.	Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	SHC	1.06%	1,63%	1.44%	The target was achieved.
		3.1.9.	Actual BBBEE spend as a % of total discretionary expenditure	SHC	100%	100%	125%	The target was achieved.
		3.1.10.	Percentage of staff remuneration to total operating expenditure	SHC	35.60%	37,12%	35.16%	The target was achieved.
		3.1.11.	Debt equity	SHC	0.00%	0,00%	0.00%	The target was achieved.
		3.1.12.	Return on Assets	SHC	-13.09%	-2,54%	-12.55%	The target was not achieved: See the explanatory (j) note below.
		3.1.13.	Financial reports (% expenditure against budget)	SHC	0.02%	10%	0.55%	The target was achieved.
		3.1.14.	Percentage secondary revenue of total turnover	SHC	New	6,59%	5.57%	The target was not achieved: See the explanatory (k) note. below.
SO4 Improved Stakeholder Relations	Stakeholder Management	4.1.0.	Percentage customer satisfaction level	SC	81%	80%	0%	The target has not been achieved: See the explanatory (r) note below
		4.1.1.	Number of people participating in Amatola Water outreach programmes	SC	New	20 000	23571	The target was exceeded.
		4.1.2.	Number of community/schools initiatives undertaken	SHC	38	25	89	The target was exceeded.

STRATEGIC OUTCOME	OUTPUTS	KPI REFERENCE NO	OUTPUT INDICATORS	SHC/SC	AUDITED RESULTS 2022/23	PERFORMANCE TARGET 2023/24	ACTUAL RESULTS 2023/24	REASONS FOR VARIANCE
SO5 Efficient and innovative organisation	Organisational efficiency	5.1.1.	Average number of days to report on tests performed	SC	5.72 days	7 days	10.6 days	The target was not achieved: See the explanatory (s) note below.
		5.1.2.	Number of accredited water quality determinants meeting the South African National Standard (SANS 241)	SC	21	35	29	The target was not achieved: See the explanatory (t)note below.
		5.1.3.	Percentage expenditure on maintenance of total primary business operating budget	SC	11.32%	8%	11.40%	The target was achieved.
		5.1.4.	Number of innovation projects implemented	SC	1	3	3	The target has been achieved
		5.1.5.	Electrical consumption over production ratio	SC	0.87 kWh/ cubic metre	0.880 kWh/cubic metre	1.034 kWh/ cubic metre	The target was not achieved: See the explanatory (u) note below.
		5.1.6.	Retention of ISO 45001:2018 Occupational Health and Safety Management System	SC	New	100%	100%	The target was achieved.
		5.1.7.	Disabling Injury Frequency Rate not to exceed 0.8	SC	New	0,8	0.08	The target was achieved.
SO6 Enhanced environmental sustainability	Environmental management	6.1.1.	Number of employees exposed to environmental awareness	SC	New	25	82	The target was exceeded.

STRATEGIC OUTCOME	OUTPUTS	KPI REFERENCE NO	OUTPUT INDICATORS	SHC/SC	AUDITED RESULTS 2022/23	PERFORMANCE TARGET 2023/24	ACTUAL RESULTS 2023/24	REASONS FOR VARIANCE
SO7 A highly skilled, engaged and productive workforce	Effective and efficient workforce	7.1.0.	Percentage Implementation of an HR Plan	SC	98%	70%	78%	The target was achieved.
		7.1.1.	Percentage implementation of the training and skills development program/plan	SC	83%	80%	61%	The target was not achieved: See the explanatory (v) note below
		7.1.2.	Number of new youths in internship, leadership, and work-integrated learning programes	SC	New	15	29	The target was exceeded.
		7.1.3.	Number of employee wellness initiatives implemented	SC	4	8	10	The target was achieved.
		7.1.4.	Percentage uptake of total employees on EAP initiatives	SC	New	30%	73.58%	The target was exceeded.
		7.1.5.	Percentage of Individual performance assessments conducted	SC	93%	90%	96%	The target was achieved.
		7.1.6.	Number of permanent jobs created	SHC	New	300	374	The target was exceeded.
		7.1.7.	Number of temporary jobs created	SHC	New	350	350	The target was achieved.
		7.1.8.	Percentage of planned maintenance projects implemented (Maintenance Plan)	SC	New	80%	83%	The target was achieved.

STRATEGIC OUTCOME	OUTPUTS	KPI REFERENCE NO	OUTPUT INDICATORS	SHC/SC	AUDITED RESULTS 2022/23	PERFORMANCE TARGET 2023/24	ACTUAL RESULTS 2023/24	REASONS FOR VARIANCE
		7.1.10.	Number of Learnerships	SHC	New	14	16	The target was achieved.
		7.1.11.	Number of Employee Bursaries	SHC	New	31	7	The target was not achieved: See the explanatory (m) note below.
		7.1.12.	Number of Graduate Programmes	SHC	New	1	1	The target was achieved.
		7.1.13.	Percentage Staff Turnover	SHC	New	2%	0.34%	The target was achieved.

THE FOLLOWING TABLE EXPLAINS WHY TARGETS WERE NOT ACHIEVED IN THE SCORECARD DURING THE 2023/24 FY AND GIVES REMEDIAL ACTION PLANS TO IMPROVE PERFORMANCE DURING THE 2024/25 FY.

STRATEGIC OUTCOME: SO3: IMPROVED FINANCIAL VIABILITY							
NO	INDICATOR NUMBER	INDICATOR DESCRIPTION	PERFOMANCE TARGET 2023/24	ACTUAL PERFOMANCE RESULTS 2023/24	VARIANCE	REASON FOR UNDER-ACHIEVEMENT	A REMEDIAL ACTION PLAN IS TO BE PUT INTO PLACE TO MITIGATE THE RISK
(p)	3.1.0.	Number of Ml/days sold	95Ml/day	85.6 Ml/day	-9.4Ml/day	The target was not achieved: 1. Frequent breakdowns and inadequate infrastructure to meet the predetermined target for Q1: 2024/25. 2. Inadequate recovery system at the waterworks: This is due to budget constraints.	1. Upgrade the infrastructure and monitor the progress of planned maintenance and improved turnaround time on breakdowns that are underway. 2. Improve the recovery systems once funding is secured.
(q)	3.1.7.	Creditors' days	56.61 days	217.34 days	-160.73 days	The target was not achieved due to Amatola Water's inability to pay the outstanding debt for the bulk water purchases. This inability is due to ADM's non-payment to Amatola Water during the period under review.	Amatola Water management is implementing intergovernmental relations (IGR) processes to facilitate the acceptance of ADM to increase its quarterly payment to R42.7 million to reduce the annual shortfall. During the process, the task team ensured that all government departments pay ADM regularly which, in turn it will utilise the to pay the outstanding Amatola Water debt. The payment was received at the end of July 2024. Once the payment has been received Amatola Water will pay DWS.

STRATEGIC OUTCOME: SO3: IMPROVED FINANCIAL VIABILITY							
NO	INDICATOR NUMBER	INDICATOR DESCRIPTION	PERFOMANCE TARGET 2023/24	ACTUAL PERFOMANCE RESULTS 2023/24	VARIANCE	REASON FOR UNDER-ACHIEVEMENT	A REMEDIAL ACTION PLAN IS TO BE PUT INTO PLACE TO MITIGATE THE RISK
(r)	4.1.0	Percentage customer satisfaction level	80%	0%	-80%	The target was not achieved. There was a delay in appointing an independent professional service provider to conduct the customer satisfaction survey. The previous incumbent was unable to conduct a proper handover due to the incumbent being unable to fulfil the duties of the stakeholder relations and communications due to ill-health.	The procurement of an independent professional service provider has been concluded. The RFQ closed on 9 August 2024. SCM is appointing the suitable service provider. The HR Department is appointing a stakeholder and communications manager.
(s)	5.1.1.	Average number of days to report on tests performed	7 days	10.6 days	-3.6 days	Target was not achieved due to: 1. A breakdown of laboratory equipment (AquaKem) used to analyse the nutrient content in water samples (May 2024). 2. A two-week ICT network failure during Q4.	• The instrument was repaired in May 2024. The maintenance schedule was reduced from 12 to six months. This was done because the current instrument is old and needs to be replaced. • Furthermore, a request has been submitted to the ICT department for the Lims Server to be relocated from Nahoon Dam to the Head Office due to constant power failures at the Nahoon Dam which impacts the reporting of water quality results as there is no backup generator at the Nahoon Dam.

STRATEGIC OUTCOME: SO3: IMPROVED FINANCIAL VIABILITY							
NO	INDICATOR NUMBER	INDICATOR DESCRIPTION	PERFOMANCE TARGET 2023/24	ACTUAL PERFOMANCE RESULTS 2023/24	VARIANCE	REASON FOR UNDER-ACHIEVEMENT	A REMEDIAL ACTION PLAN IS TO BE PUT INTO PLACE TO MITIGATE THE RISK
(t)	5.1.2.	Number of accredited water quality determinants meeting the South African National Standard (SANS 241)	35	29	-6	Target was not achieved due to: • SCM was unable to submit the South African National Accreditation System (SANAS) purchase order due to SANAS' noncompliance per the Central Supplier Database. This resulted in SANAS not being able to conduct the assessment during Q4. It also resulted in Amatola Water being unable to increase the current scope of accreditation to 35 water quality determinants.	Regular follow-ups are being made with SANAS to finalise the process during Q1 of 2024/25 FY.
(u)	5.1.5.	Electrical consumption over production ratio	0.880 kWh/ cubic metre	1.034 kWh/ cubic metre	-0.154 kWh/cubic metre	The target was achieved due to: 1. Plants have been running continuously since there is no loadshedding, so the KWh becomes high. 2. Plant availability has improved with a minimal breakdowns; this increased the KWh. Furthermore, electrical equipment such as the Laing WTW DAFF system has been repaired which has increased the KW consumption. 3. These reasons are a positive reflection of Amatola Water. However, water losses negatively impacts the achievement of the ratio as the volume of water billed remains less whereas plant availability is high.	The remedial options to deal with water losses are: 1. Amatola Water avails capex budget to replace old pipes and recycling systems. 2. Amatola Water management engages with political structures to deal with illegal connections.

STRATEGIC OUTCOME: SO3: IMPROVED FINANCIAL VIABILITY							
NO	INDICATOR NUMBER	INDICATOR DESCRIPTION	PERFOMANCE TARGET 2023/24	ACTUAL PERFOMANCE RESULTS 2023/24	VARIANCE	REASON FOR UNDER-ACHIEVEMENT	A REMEDIAL ACTION PLAN IS TO BE PUT INTO PLACE TO MITIGATE THE RISK
(v)	7.1.1.	Percentage implementation of the training and skills development programme/plan	80%	61%	-19%	The target was not achieved due to: 1. A delay in the approval process; the approved plan was implemented at the end of Q2. 2. Training was scheduled for the HR positions that remained unfilled during the fiscal year. 3. The Water Resources Team opted for free training due to budget constraints and did not attend the planned Q4 training as per the approved training plan. 4. The Baan system upgrades are incomplete; the scheduled Q4 employee Baan training which did not take place and impacted the achievement of the predetermined target.	Management will ensure that the training plan approved for 2024/25 FY will include an implementation plan which will indicate the approved training. The scheduled plan will be communicated upfront to departments to ensure the availability of employees for all training plan per quarter.



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 149 to 158.

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	6 – 8, 10 – 11, 12 -13
G4-2: Provide a description of key impacts, risks and opportunities	20 - 24, 47 - 54

ORGANISATIONAL PROFILE	PAGE
G4-3: Report the name of the organisation	Throughout the report
G4-4: Report the primary brands, products and services	18 -20, 106 – 124, 128 - 130
G4-5: Report the location of the organisation’s headquarters	2, 20 -21
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	2, 20 -21
G4-7: Report the nature of ownership and legal form	2, 20 -21
G4-8: Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	20 -21, 106 – 124
G4-9: Report the scale of the organisation, including: • 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	20 -21, 87 – 90, 106 – 124, 128 – 130, 162- 248
G4-10: Report the composition of the workforce, including: • 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	87 - 94
G4-11: Report the percentage of total employees covered by collective bargaining agreements	93 - 94
G4-12: Describe the organisation’s supply chain	132 – 135, 149 – 158, 238

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: • 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	132 – 135, 149 – 158, 164 & 238
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	99 & 113
G4-16: List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic	92 - 93,107

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES	PAGE
G4-17: 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	2, 17, 20 -21, 162 - 248
G4-18: 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	17 – 18, 267 - 275
G4-19: List all the material aspects identified in the process for defining report content	17, 68 – 69
G4-20: For each material aspect, report the aspect boundary within the organisation, as follows: • Report whether the aspect is material within the organisation • If the aspect is not material for all entities within the organisation (as described in G4-17), select one of the following two approaches and report either: - The list of entities or groups of entities included in G4-17 for which the aspect is not material or - The list of entities or groups of entities included in G4-17 for which the aspect is material • Report any specific limitation regarding the aspect boundary within the organisation	17, 68 – 69

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES	PAGE
G4-21: For each material aspect, report the aspect boundary outside the organisation, as follows: • Report whether the aspect is material outside of the organisation • If the aspect is material outside of the organisation, identify the entities, groups of entities or elements for which the aspect is material, and describe the geographical location where the aspect is material for the entities identified • Report any specific limitation regarding the aspect boundary outside the organisation	17, 68 – 69
G4-22: Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	162 - 248
G4-23: Report significant changes from previous reporting periods in the scope and aspect boundaries	162 - 248

STAKEHOLDER ENGAGEMENT	PAGE
G4-24: Provide a list of stakeholder groups engaged by the organisation	62 - 67
G4-25: Report the basis for identification and selection of stakeholders with whom to engage	62 - 67
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	62 - 67
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	62 - 67

REPORT PROFILE	PAGE
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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 pages (2 & 280)
G4-32: 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	267
G4-33: 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	55 - 56

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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	62 - 67
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	62 - 67
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	62 - 67

GOVERNANCE	PAGE
G4-38: Report the composition of the highest governance body and its committees by: • Executive or non-executive • 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	62 - 67
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: • 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: • Cross-board membership • Cross-shareholding with suppliers and other stakeholders • Existence of controlling shareholder • Related party disclosures	62 - 67

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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	62 - 67
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Organisational overview and external environment	• Foreword by the Minister • Chairperson's Statement • Chief Executive's Report • Introduction • Context and Strategy
Governance	• Corporate Governance • Board Charter and Committees' terms of reference
Business model	• Value Creation
Risks and opportunities	• Risk, Compliance and Assurance Reporting • Material Matters
Strategy and resource allocation	• Context and Strategy • Employee and Leadership • Environmental Sustainability • Operation Overview • Financial Overview
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