

Amatola
Water · Amanzi

bringing water to life

INTERGRATED ANNUAL REPORT 2018/19

VISION

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

MISSION

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

VALUES

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

GENERAL INFORMATION

REGISTERED NAME
Amatola Water Board

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

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

TELEPHONE
+27 (0)43 707 3701/3752

EMAIL
aw@amatolawater.co.za

WEBSITE
www.amatolawater.co.za

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

BANKERS
Standard Bank and Nedbank

COMPANY SECRETARY
Advocate Gulshan Singh
(Resigned - 30 June 2019)

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

TABLE OF CONTENTS

GENERAL INFORMATION	2
LIST OF ABBREVIATIONS/ACRONYMS FOREWORD BY MINISTER OF HUMAN	4
SETTLEMENTS, WATER AND SANITATION	6
CHAIRPERSON'S STATEMENT	8
CHIEF EXECUTIVE'S REPORT	10
SECTION 1: INTRODUCTION	16
SECTION 2: CONTEXT & STRATEGY	26
SECTION 3: PERFORMANCE INFORMATION	50
SECTION 4: LEADERSHIP & EMPLOYEE DEVELOPMENT	64
SECTION 5: ENVIRONMENTAL SUSTAINABILITY	74
SECTION 6: OPERATIONAL REVIEW	80
SECTION 7: CORPORATE GOVERNANCE	94
SECTION 8: FINANCIAL REVIEW	118
SECTION 9: ANNUAL FINANCIAL STATEMENTS	128
SECTION 10: ANNEXURES	
ANNEXURE A: SPLIT OF PRIMARY AND OTHER ACTIVITIES	196
ANNEXURE B: FIVE-YEAR HISTORICAL STATISTICAL OVERVIEW	197
ANNEXURE C: PERFORMANCE AGAINST ANNUAL PERFORMANCE PLAN 2018/19	199
ANNEXURE D: GRI CONTENT INDEX	208

ABBREVIATIONS

FULL NAME	ABBREVIATION
And	&
Accounting	ACC
Accounting Standards Board	ASB
Water Services Act	ACT
Amathole District Municipality	ADM
Amatola Water	AW
Audit and Risk Committee	ARC
Auditor-General of South Africa	AGSA
BAAN Computerised Maintenance Management System	BAAN
Baccalaureus Procurationis	BPROC
Bachelor of Arts	BA
Bachelor of Commerce	BCom
Bachelor of Law	LLB
Bachelor of Science	BSc
Bachelor of Technology	BTech
Broad-based black economic empowerment	BBBEE
Bulk Water Supply	BWS
Capital expenditure	Capex
Chartered Accountant (South Africa)	CA (SA)
Chief Executive	CE
Chief Financial Officer	CFO
Chief Risk Officer	CRO
Commission for Conciliation, Mediation and Arbitration	CCMA
Committee of Sponsoring Organisations	COSO
Community Action Africa	CAA
Community/Environmental	CE
Companies and Intellectual Property Commission	CIPC
Construction Industry Development Board	CIDB
Contract Participation Goals	CPGs
Cooperative Governance and Traditional Affairs	CoGTA
Customer Satisfaction	CS
Delegation of Authority	DoA
Department of Public Service and Administration	DPSA
Department of Cooperative Governance	DCoG
Department of Education	DoE
Department of Public Works	DPW
Department of Science and Technology	DST
Department of Human Settlements, Water and Sanitation	DHSWS
Department of Water and Sanitation Objective	DWS OBJ
Development Bank of Southern Africa	DBSA
Director-General	DG
Disabling Injury	DI
Disabling incident frequency rate	DIFR
Disaster Recovery Plan	DRP
Energy, Water, Sector Education and Training Authority	EWSETA
Enterprise Performance Management	EPM
Environmental Management System	EMS
Expanded Public Works Programme	EPWP
Federated Employers' Mutual Assurance	FEMA
Finance Committee	FINCO

FULL NAME	ABBREVIATION
Financial Year	FY
Financial Viability	FV
Further Education and Training	FET
Global Reporting Initiative Generation 4	GRI G4
Governance Committee	GOVCO
Government Business Enterprises	GBE
Government Outcomes	GOV OUT
Government Water Scheme Supply	GWSS
Generaly Recognised Accounting Practice	GRAP
GRI (formerly the Global Reporting Initiative)	GRI
Gross Domestic Product	GDP
Honourable	Hon
Honours	Hons
Human resources	HR
Human Resources Remuneration Committee	HRRC
Human Resources Management	HRM
Implementing Agent	IA
Information and communication technology	ICT
Information Management Steering Committee	ITSCM
Infrastructure Master Plan	IMP
Infrastructure Stability	IS
Institute of Directors in South Africa	IoDSA
Institutional realignment and reform	IRR
Integrated management system	IMS
Integrated Reporting	IR
Inter-Governmental Relations	IGR
International Accounting Standards	IAS
International Ethics Standards Board for Accountants	IESBA
International Standards on Auditing	ISA
International Executive Development Programme	IeDP
Intergovernmental Relations Framework Act No 13 of 2005	IGFRA
International Integrated Reporting Council	IIRC
International Integrated Reporting Council's International Integrated Reporting Framework	IIRC <IR>
International Organization for Standardization	ISO
International Professional Practices Framework	IPPF
Information Technology	IT
Key Performance Indicator	KPI
Kilolitre	Kl
Kilometre	Km
Kilowatt Hour per Cubic Meter	KWH/M3
King Code of Governance Principles and the King Report on Governance	King IV
King Sabata Dalindyebo	KSD
King Sabata Dalindyebo Local Municipality	KSDLM
King Sabata Dalindyebo Presidential Intervention	KSDPI
Leadership and Employee Development	LG
Legum Baccalaureus	LLB
Legum Magister	LLM
Local Municipality	LM
Loss Time Injury	LTI

FULL NAME	ABBREVIATION
Management Committee	MANCO
Master of Leadership	MBL
Master of Commerce	MCom
Master of Science	MSc
Master's in Business Administration	MBA
Member of Parliament	MP
Modified Poly Vinyl Chloride	mPVC
Medium-Term Strategic Framework	MTSF
Megalitre	Ml
Memorandum of Understanding	MOU
Municipal Infrastructure Grant	MIG
Nelson Mandela Bay Metro	NMBM
Not applicable	N/A
National Diploma	ND
National Department of Public Works	NDPW
Number	No
Number	#
National Occupational Safety Association (South Africa)	NOSA
Public Audit Act of South Africa, 2004 (Act No 25 of 2004)	PAA
Nooitgedagt/Coega Low-Level Scheme	NCLLS
Objective Number	OBJ NO
Occupational Health and Safety	OHS
Occupational Health and Safety Advisory Services	OHSAS
Oliver Reginald	OR
Operational Optimisation	OO
Operational Resilience	OR
OR Tambo District Municipality	ORTDM
Personal Protective Eqiupment	PPE
Photovoltaic	PVC
Postgraduate Diploma	PGDip
Preferential Procurement Policy Framework Act	PPPFA
Public Management Act	PFMA
Project and Development	P&D
Project Development Unit	PMU
Provincial Joint Tactical Team	PJTT
Professional Service Provider	PSP
Doctor of Philosophy	PhD
Quarter	Q
Quick Reference	QR Code
Radio Frequency	RF

FULL NAME	ABBREVIATION
Rand per kilo	R/KL
Regional Bulk Infrastructure Grant	RBIG
Regional Water Scheme	RWS
Research and Development	R&D
Return of Assets	ROA
Reverse Osmosis	RO
Right of Use	ROU
Safety, Health and Environment	SHE
Short Message Services	SMS
Small, Medium and Micro Enterprises	SMME
South Africa	SA
South African Association of Water Utilities	SAAWU
South African Bureau of Standards	SABS
South African Institute of Professional Accountants	SAIPA
South African Local Government Association	SALGA
South African Municipal Workers' Union	SAMWU
South African National Accreditation System	SANAS
South African National Standard	SANS
South African Police Services	SAPS
South African Rand	ZAR
South African Revenue Service	SARS
South African Statements of Generally Accepted Accounting Practice	SA GAAP
Stakeholder Relationships and Support	SS
Strategic Goals	SO
Strategy and Business Development Committee	SBDC
Sundays River Valley Local Municipality	SRVLM
Supervisory Control and Data Acquisition	SCADA
Supply Chain Management	SCM
Technical and Vocational Education and Training	TVET
Total Dissolve Solids	TDS
Trinity Broadcasting Network	TBN
Turnaround Plan	TAP
Water Adequacy	WA
Water Quality	WQ
Water Services Authority	WSA
Water Services Utility	WSU
Water Treatment Works	WTW
Volkswagen	VW

FOREWORD BY MINISTER OF HUMAN SETTLEMENTS, WATER AND SANITATION



The improvements in water resources management and access to water supply and sanitation services are essential to addressing various social and economic inequalities in South Africa, such that all its citizens enjoy the multiple benefits of the basic human right to access water. This affirmation is enshrined in the Constitution which contains several provisions that give direction to the water and sanitation sector. It is imperative to note that the Constitution guarantees:

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

The National Water Act of 1998 and the Water Services Act of 1997 were enacted to affirm that all South Africans have the right to access water and placed this responsibility on all three spheres of the government.

The reconfiguration arising from merging the Departments of Human Settlements and Water & Sanitation is a logical and progressive step in striving to ensure that all South Africans gain access to clean water and dignified sanitation. The merger under the new Department of Human Settlements, Water and Sanitation is a response by the government to the underdevelopment of certain sectors and the manifestation of poverty experienced by our people. The key challenges facing the country are characterised by a combination of low economic growth, climate change, rising levels of unemployment and the widening gap of inequality.

It is, therefore, necessary for the Department to develop key strategies accompanied by a set of short–to-medium term priorities to be implemented, while creating an environment that ensures the promotion of effective and efficient water resource management to achieve the long-term socioeconomic development goals in line with the National Development Plan. These are amongst the proposed interventions and remedial steps which respond to the challenges affecting the water and sanitation sector:

- The development of a comprehensive management strategy for investment in water resource development, bulk water supply, and wastewater management; including applying lessons from the successful renewable energy independent power producers programme and improved price setting.
- The implementation of a national water conservation programme to reduce water waste and in urban areas which will include new regulations for the conservation of water.
- The appointment of river, dams and sewerage inspectors is underway.
- The introduction of measures by the departments of Finance, and Human Settlements, Water and Sanitation to top slice the municipal grants in order to service the debt owed to the Department and its entities before the grants are paid to municipalities.

- The review of the tendering process and application of rigorous compliance standards to curb the reoccurrence of non-compliance and abuse of the government procurement processes for self-enrichment.

The National Water and Sanitation Masterplan is a call-to-action for all water entities to prioritise measures that are required until 2030 and beyond to ensure water security and equitable access to water and sanitation services for all in South Africa. The main objective of the National Water and Sanitation Masterplan is to ensure integrated planning and development across the entire water value chain.

The Water and Sanitation Infrastructure Masterplan for the Eastern Cape Province has been developed and subjected to review through consultation with water sector stakeholders so that it is integrated into the National Water and Sanitation Masterplan.

The Mzimvubu Water Project is one of the critical socio-economic transformation projects which needs to be executed without any further delay. The overall objective of the Mzimvubu Water Project is to provide water for social needs and to contribute towards the socio-economic development of the poor rural north-eastern region of the Eastern Cape Province by leveraging the water resources of the Mzimvubu River Catchment to support agriculture, water supply, hydropower, transport and tourism.

The construction of Phase Three of the Nooitgedagt/Coega Low-Level Scheme, which is a ministerial directive being implemented by Amatola Water, is well underway. The main objective is to increase the bulk treatment, storage and distribution capacity to meet the demand of 1,23 million consumers and smaller municipalities within the Nelson Mandela Bay Metropolitan Municipality boundaries.

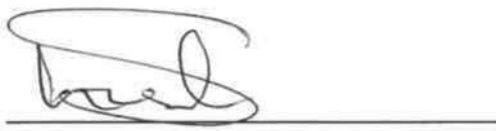
The strategic partnership of the Department and Amatola Water in the implementation of the Amatola Water Turnaround Plan has resulted in a significant improvement in the overall organisational performance in terms of the shareholder compact's predetermined targets. It is evident that the water board is back on its path to effectively execute its strategic mandate and to meet service delivery imperatives.

The Ministers and Members of the Executive Councils Meetings (MINMEC) and Ministers Top Management (MINTOP) forums have been established to ensure effective intergovernmental relations in delivering water and sanitation services to our communities. These forums enable collective identification of service delivery priorities with regard to water and sanitation resources and services, effective coordination of planning implementation, monitoring and evaluation of the performance in respect of the service delivery standards and targets.

The strategic partnership between the Department of Human Settlements, Water and Sanitation, South African Local Government Association (SALGA) and water entities aims to share resources and ideas to achieve maximum scale and impact at least cost while ensuring stakeholder cohesion.

I would like to thank the outgoing Chairperson of the Board, Ms Nokulunga Mnqeta for her commitment in leading the water board and positive contribution in Amatola Water and Eastern Cape Province.

I welcome the newly appointed Interim Board Chairperson, Mr Maxwell Sirenya and I encourage the board together with the management and staff of Amatola Water to continue with the commitment of delivering on the mandate of the government.



Lindiwe Sisulu (MP)
MINISTER OF HUMAN SETTLEMENTS, WATER AND SANITATION
Date: 28 November 2019

CHAIRPERSON'S STATEMENT



I would like to acknowledge the outgoing Chairperson Ms Nokulunga Mnqeta for her stewardship in this organisation. Her leadership has been characterised by tireless efforts to increase the credibility and visibility of the organisation. The relationship forged with the stakeholders will never go unnoticed and will prosper the organisation.

The performance achieved during the financial year is a clear indication of the effectiveness of the implementation of the Amatola Water Turnaround Plan. It affirms the commitment by Amatola Water to ensure that the communities in the Eastern Cape have access to basic water services as this is a right enshrined in the Constitution of the Republic of South Africa.

As a Board, our key concern is to ensure Amatola Water has the necessary resilience to deliver on its vision to be a trusted leader that provides bulk water services in the Eastern Cape Province. The achievement of 86% of the targets in the shareholder compact compared to the 58% achievement in the previous financial year is satisfying since it is a demonstration of our strength and fortitude to respond to the challenges during the year under review.

The result is that Amatola Water has created value which has contributed to the socio-economic development by delivering on its mandate without compromising on the water quality standards at all plants; ensuring uninterrupted water supply to communities; managing the financial, environmental and social impact of water losses and unaccounted water below the target of 14%; while investing in infrastructure water projects that have created 568 temporary jobs; and increasing the spending on companies with more than 50% black ownership.

The year under review has been characterised by challenges in the operating environment where low economic growth, negative climate change, and increased levels of unemployment and labour unrest. Amatola Water addressed these challenges by adhering to the fundamental business principles which have underpinned the implementation of the following TAP initiatives:

- Appointing key and critical staff with skills and abundance of experience in finance, supply chain management and infrastructure project management
- Reconnecting with internal and external stakeholders through robust and proactive engagements on the chal lenges facing the organisation
- Reviewing and developing organisational policies to create a stable environment for achieving good governance outcomes
- Stabilising the financial environment by implementing a focused 10-pillar Financial Recovery Plan.

Several engagements and surveys with various stakeholder groups during the year were conducted and the general feedback from stakeholders is increased in satisfaction levels. As reflected in the surveys which were conducted during the year.

The high levels of historic municipal debt by Amathole District Municipality and Makana Local Municipality required the organisation to engage with the Department of Human Settlements, Water and Sanitation, National Treasury

and the Department of Cooperative Governance and Traditional Affairs. The high levels of historic debt have not negatively impacted on service delivery. Alternative solutions continue to be explored to recover the debt in the short-to-medium term.

The organisation has emerged from a difficult financial position in the previous year which threatened its financial viability and sustainability.

Amatola Water reported a surplus of R135 million and an increase its cash reserves of R640 million including an improvement in the financial ratios for 2018/19 financial year.

This financial position creates a baseline for ensuring that the organisation meets the demands for efficient and effective service delivery. The Board, through its oversight function, will monitor the implementation of the Financial Recovery Plan and assure improvements in supply chain management, debt management, revenue management and financial controls.

Similarly, Amatola Water is committed to zero-tolerance in respect of fraud and corruption, and continues to improve its internal controls and systems including raising its alert levels at all times so that fraud and corruption are detected and appropriately addressed.

The Board sets the right tone in this area by implementing consequence management against those individuals who have transgressed.

The governance structures of the Board are subject to review. The review ensures a sound governance culture and supports the Board in discharging its responsibilities. The Board's main objective is to achieve a clean audit outcome that builds public confidence. A testament to this goal is that the entity, for seven conservative years, has achieved an unqualified audit opinion.

On behalf of the Amatola Water Board, I wish to express our sincere gratitude to the Honourable Minister of Human Settlements, Water and Sanitation for her ongoing guidance and support.

We also thank the Portfolio Committee members for their support and cooperation.

Other stakeholders whose support we have valued include corresponding entities and departments within national and provincial government with whom we enjoy strong relationships and to which we are committed to strengthening.

The Board also wishes to express its appreciation to the Chief Executive, her management team and all the Amatola Water staff for their dedication and hard work, often under difficult conditions.

The importance of the work the Amatola Water is doing cannot be overstated, and it would have impossible without the extraordinary efforts of the men and women who selflessly serve this organisation.

In the coming year, we will continue to focus on fulfilling our vision of being a trusted and leading bulk water services provider in the Eastern Cape Province.



Mr Maxwell Sirenya
Interim Board Chairperson
Date: 25 October 2019

CHIEF EXECUTIVE'S REPORT



During the year under review, Amatola Water achieved an unprecedented performance level by realising 86% of the targets in terms of the shareholder compact and 83% in terms of the corporate scorecard. This translates into a percentage increase of 28% and 26% on the shareholder compact and corporate scorecard, respectively.

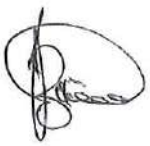
This has been made possible by the continued oversight and direction given by the Board, which complemented an administration that is not only committed to the turnaround, but also honouring the value that must be created for our stakeholders. Despite the historic challenges that led Amatola Water to a performance decline, the administration continued to be resilient in executing the mandate.

A major improvement in the current financial year was evident in the financial and stakeholder scorecard performances, both of which were critical to the sustainability of Amatola Water.

Amatola Water has experienced the challenges of poor internal and external stakeholder relationships in the past. Proactive labour engagement, accelerated project implementation and robust communication with stakeholders have impacted positively on stakeholder relations. In the year under review, the media perception of Amatola Water evolved from neutral and negative to positive and neutral.

Amatola Water closed the year with a surplus which provides Amatola Water with a good baseline to robustly implement its Financial Recovery Plan so that the surplus can be leveraged to build sufficient reserves for the future. The reserves will also assist in investing in major capital upgrades that will enhance the volumes of water supply, in line with the growth strategy of Amatola Water.

We are proud to achieve yet another unqualified audit opinion. Notwithstanding the remaining findings, the administration shall continue to strive for a clean audit by clearing of all historical findings.



Ms Vuyo Zitumane
Chief Executive
Date: 25 October 2019



REFLECTION ON 2018/19

FINANCIAL CAPITAL

	REVENUE	% CASH PAID TO SUPPLIERS	% CASH PAID TO EMPLOYEES
2018	**R506**m	2018 **31**% **R78**m	2018 **69**% **R173**m
2019	**R570**m	2019 **42**% **R128**m	2019 **58**% **R179**m

MANUFACTURED CAPITAL

	CAPITAL INFRASTRUCTURE INVESTMENT	PUMP EFFICIENCY ENERGY PROGRAMME RESULTS
2018	**R29**m	2018 **0.856** kWh/m^3
2019	**R15**m	2019 **0.844** kWh/m^3

NATURAL CAPITAL

RAW WATER ABSTRACTION FROM SOURCE

2018 **45,098** kl'000

2019 **45,914** kl'000

INTELLECTUAL CAPITAL

ICT SPEND ON CAPITAL & OPERATIONS

2018 **R11,238**m

2019 **R11,385**m

SOCIAL & RELATIONSHIP CAPITAL

% SPEND ON COMPANIES WITH MORE THAN 50%

2018 **104%**

2019 **115%**

EMPLOYMENT EQUITY

BLACK MALE

2018 CURRENT RESULT: **67.90%** TARGET: **49.3%**

2019 CURRENT RESULT: **67.87%** TARGET: **49.3%**

FEMALE

2018 CURRENT RESULT: **30.18%** TARGET: **47.7%**

2019 CURRENT RESULT: **32.0%** TARGET: **47.7%**

HUMAN CAPITAL

TEMPORARY JOBS CREATED

2018 **638**

2019 **568**

DISABILITY INCIDENT FREQUENCY RATE

2018 **0.74**

2019 **0.50**





1 INTRODUCTION

REPORT PROFILE

This Integrated Annual Report outlines Amatola Water's legislative compliance and performance, as presented to the Minister of Human Settlements, Water and Sanitation, for the financial year, 1 July 2018 to 30 June 2019.

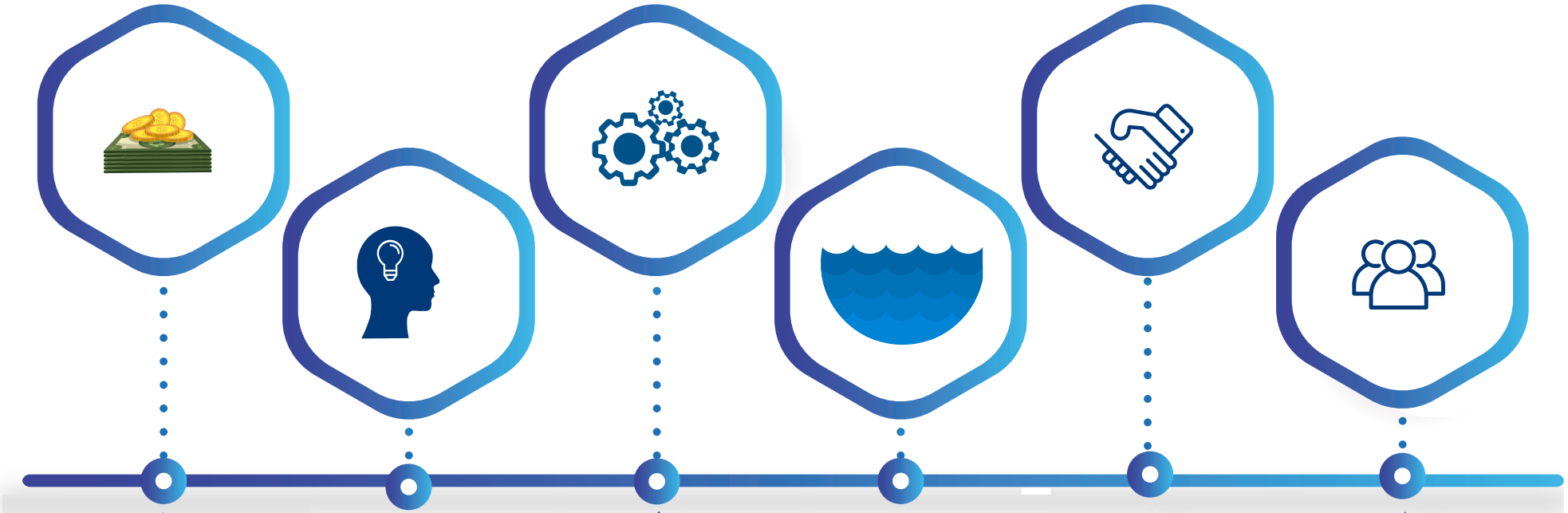
Amatola Water's fourth sustainability report and fifth Integrated Annual Report is part of its commitment to achieving ever higher standards in qualitative and quantitative reporting.

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

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

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

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



FINANCIAL

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

INTELLECTUAL

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

MANUFACTURED

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

NATURAL

Continuous monitoring of water resources (quantity and quality)

SOCIAL & RELATIONSHIP

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

HUMAN

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

ABOUT THIS REPORT

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

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

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

LEGISLATIVE AND OTHER MANDATES

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

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

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

SHAREHOLDER COMPACT

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

ORGANISATIONAL PROFILE

WATER SERVICES PROVISION

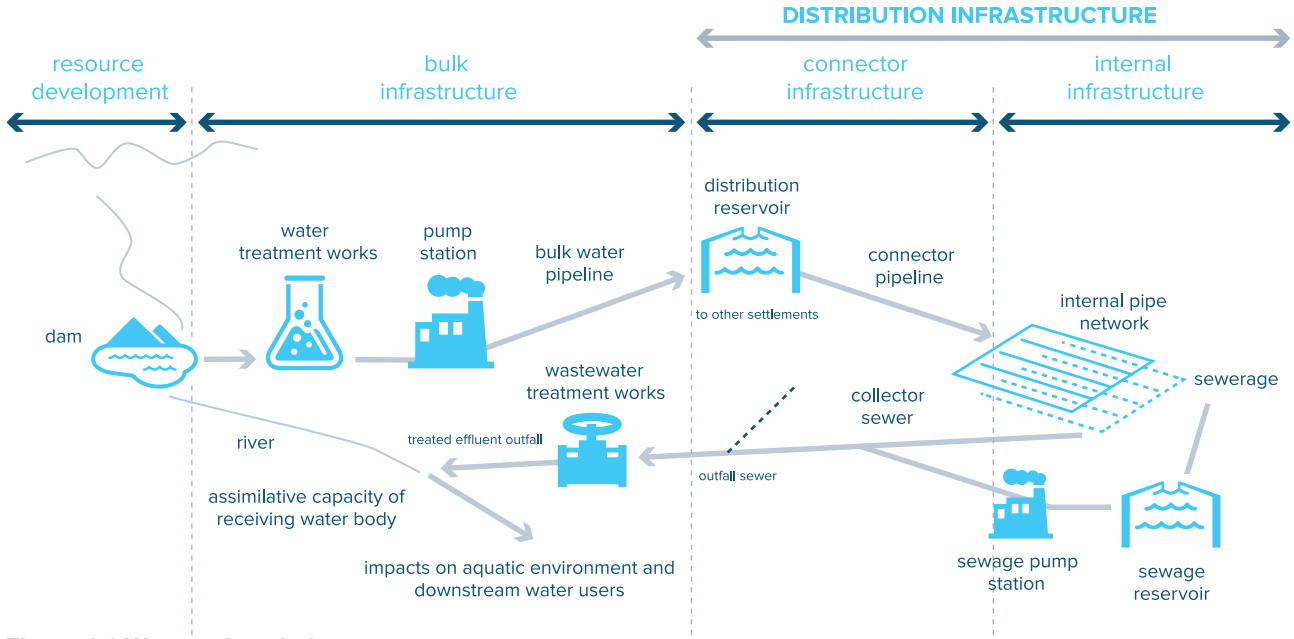


Figure 1.1 Water value chain

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

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

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

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

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

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

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

- On 20 June 2015, Amatola Water was directed to implement Phase Three of the Nooitgedagt/Coega Low-Level Scheme with the Nelson Mandela Bay Metropolitan Municipality. The project is currently progressing well and Phase 3 will be completed by March 2021.
- On 19 April 2016, a directive requested that the Amathole District Municipality intervene in respect of dry sanitation; this directive was withdrawn during the financial year.

AMATOLA WATER AREA OF OPERATION AND WATER SUPPLY SCHEMES

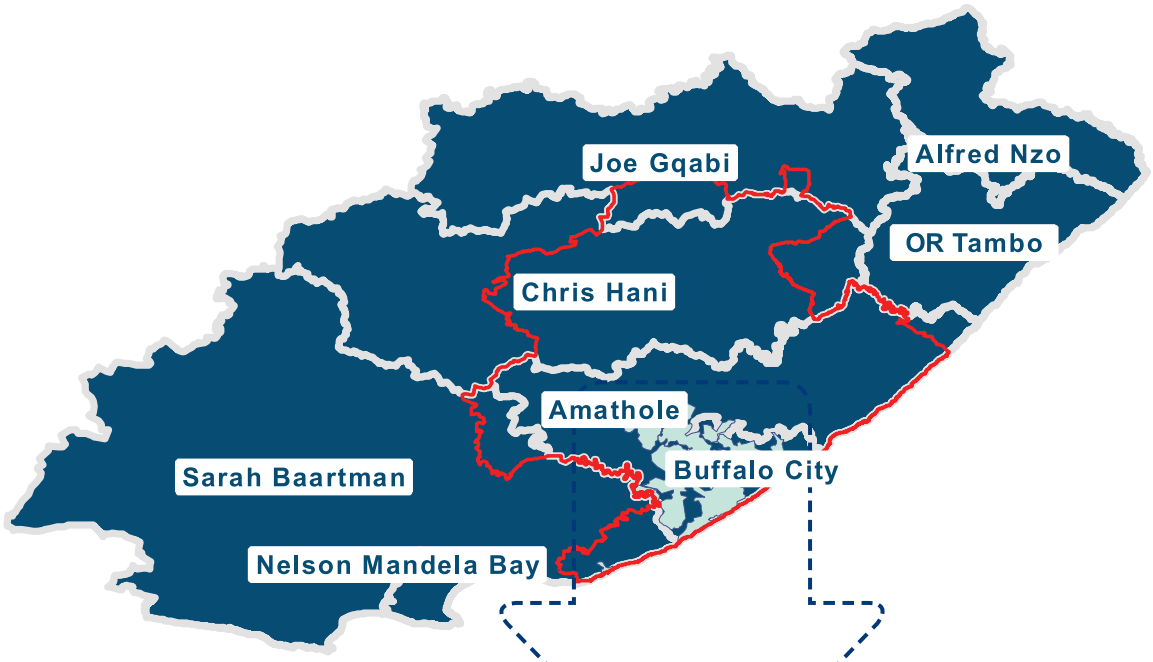


Figure 1.2 Amatola Water's gazetted area

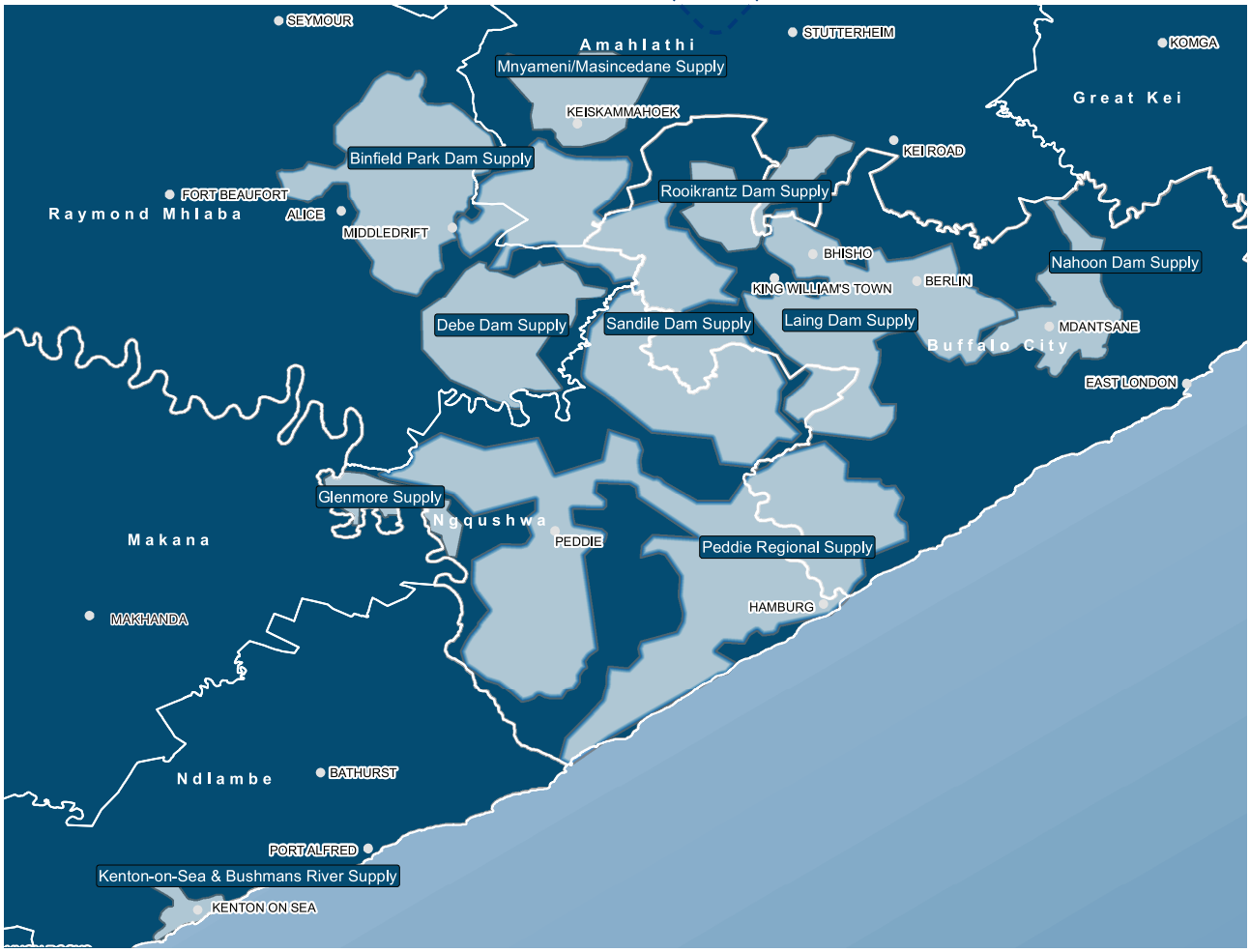


Figure 1.3 Amatola Water supply scheme

BUSINESS ENVIRONMENT AND FACTORS INFLUENCING VALUE CREATION

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

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

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

ECONOMY

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

WATER INFRASTRUCTURE

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

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

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

NATURAL ENVIRONMENT

Amatola Water is reliant on a stable and constant supply of water through the management of 21 dams within its area of supply. The environmental monitoring programmes assist Amatola Water with the evaluation of its impact on the natural environment and allow it to mitigate any impact as a result of its activities. Amatola Water is cognisant that its business has an impact on the environment and takes its responsibility seriously. For more information, please refer to pages 74-77.

SOCIAL ENVIRONMENT

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

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

Please refer to stakeholder engagement on pages 38-39, and community outreach and corporate social investment on page 40.

TECHNOLOGY

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

EFFECTIVE ENTERPRISE RISK MANAGEMENT INTEGRATED INTO BUSINESS

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

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

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

This risk is defined as "understanding the risks the organisation faces and their impact on the achievability of the organisation's objectives, and then mitigating those risks that would have an unacceptable impact on the organisation".

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

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

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

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

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

Amatola Water categorises its risks into three categories:



STRATEGIC RISKS



DIVISIONAL RISKS



OPERATIONAL/ PROCESS RISKS



Amatola Water aims to reduce its risks to a sufficiently appropriate level through effective risk management.

Risk management is important for good business management and signifies good corporate governance.


HY
metal



CONTEXT & STRATEGY

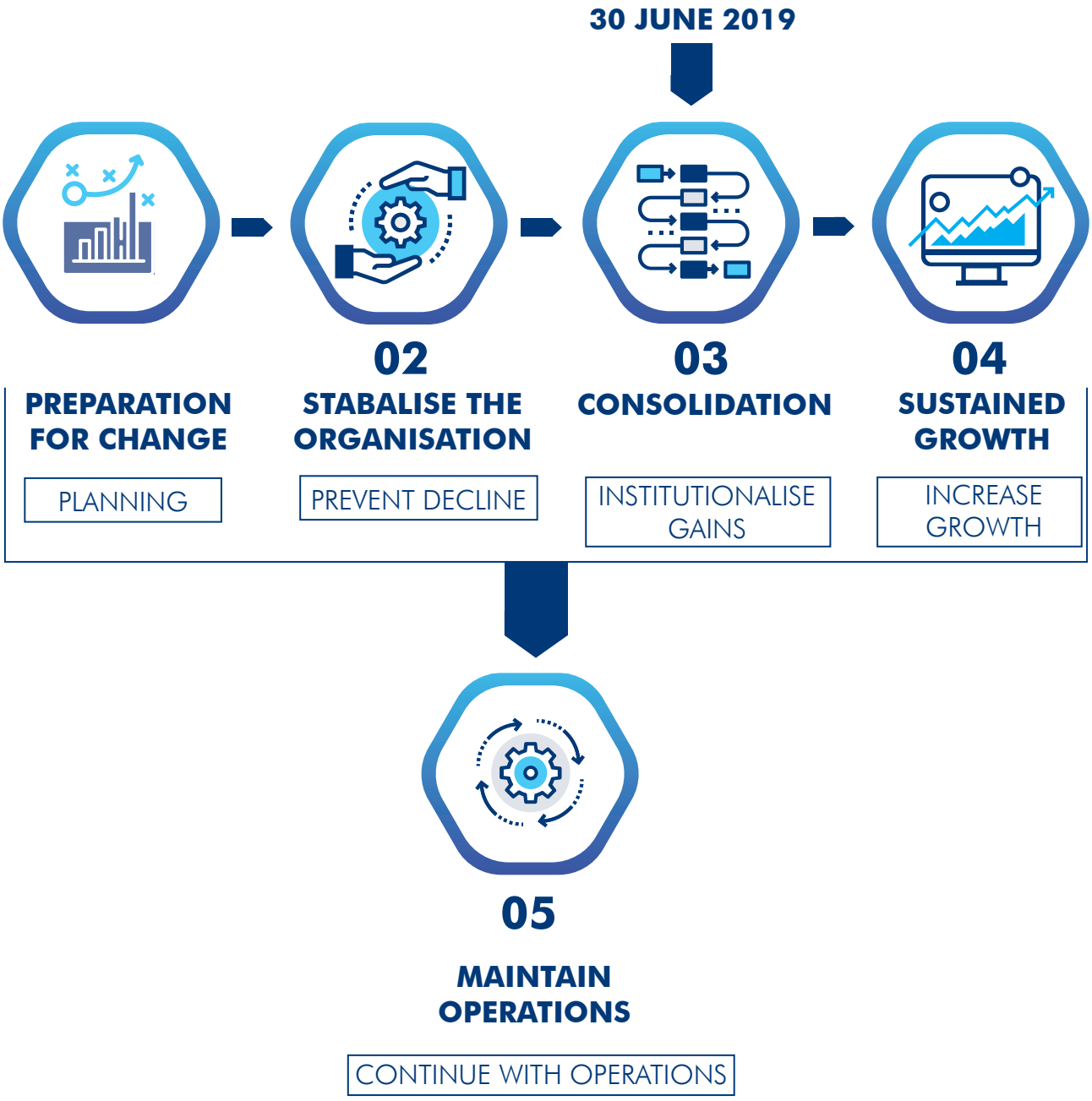
STRATEGIC FRAMEWORK

Amatola Water's strategy was revised during the year under review with the guidance and direction of the Board while considering the expectations of the Minister of Human Settlements, Water and Sanitation, developments in the water sector and macro socio-economic environment changes.

For Amatola Water to achieve its strategic mandate, the Board formulated a strategic framework that will ensure institutional stability in the short-term, operational effectiveness during the medium-term and sustainable growth in the long-term. At the heart of this strategic framework is the Turnaround Plan (TAP) which is geared to deal with systematic challenges and position the organisation so that it can build the requisite capacity to deliver on its desired growth trajectory and sustain its operations.

This will be achieved through the implementation of a strategy which consist of five phases. The first four phases will address the current performance and restructuring requirements of the organisation.

The fifth phase (which is a transversal phase, running parallel to the four phases) will focus on maintaining and executing operations at the same time, and give effect to strategic and operational gains which are being made in Phases One to Four.



The Turnaround Plan is underpinned Phases One to Three. The objectives and outcomes of the Turnaround Plan are contained in the table below and detailed operationally in the revised Business Plan 2019-2023.

THE KEY TURNAROUND INITIATIVES ARE:





FINANCIAL VIABILITY



PRIMARY BUSINESS



SECONDARY BUSINESS



RECONNECT WITH STAKEHOLDERS

1 STRENGTHEN LEADERSHIP AND ORGANISATIONAL EFFECTIVENESS

Appoint capable executive and management team.
Implement an organisation-wide change management programme.

2 STRENGTHEN STAKEHOLDER RELATIONS AND CLIENT RELATIONS

Develop an implementation plan for stakeholder relations policy.
Undertake targeted stakeholder roadshows to build trust.
Rebrand Amatola Water.

3 REBUILD HRM CAPACITY

Review organisational structure to strengthen the immediate capacity challenges.
Develop and implement a skills development plan.

4 INVEST IN CORE BUSINESS

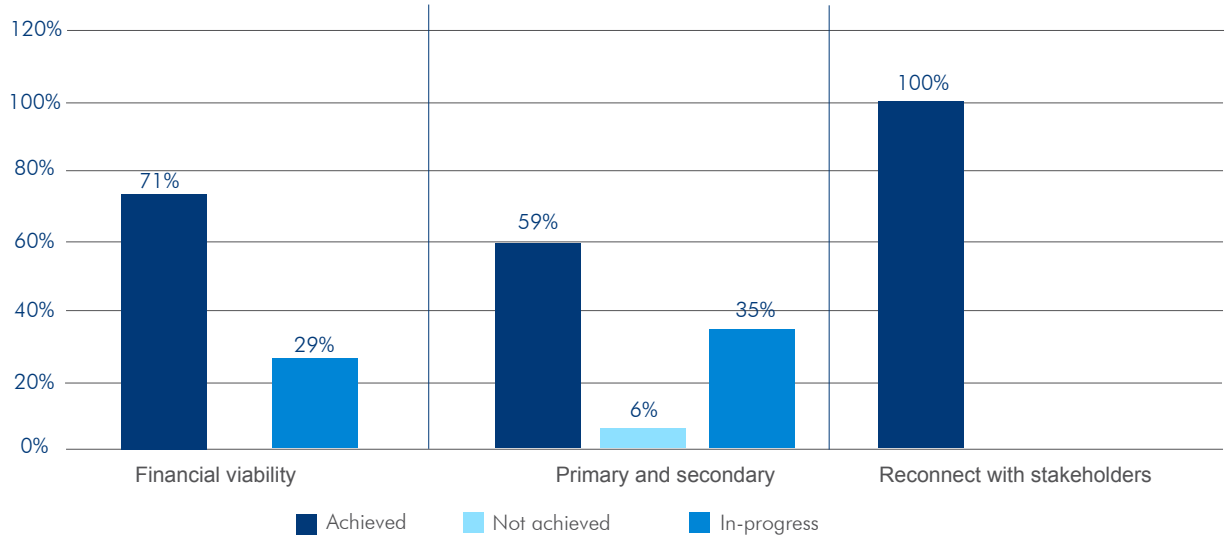
Develop an infrastructure master plan.
Planning and development overhaul and project environment.
Capitalise infrastructure.
Appoint competent and experience technical team.

5 STABILISE THE FINANCIAL ENVIRONMENT

Implement a financial recovery plan.
Debtor management plan.
SCM overhaul.

The following chart illustrates the progress achieved in the implementation of the TAP through the operational workstreams:

TAP Progress by Workstream 30 June 2019



Given the summarised progress on the implementation of the TAP, the key recommendations for the year ahead are:

- There is a need to strengthen the Board support role to the process and broaden it to be more than an oversight function. The Board shall continue to have strategic discussions on the TAP progress on a quarterly basis to ensure that the set objectives are achieved.
- Leadership is central to the attainment of organisational effectiveness. The effectiveness of the leadership team is pivotal to sustaining the desired end state and its development requires an investment.
- The TAP structures and process should be aligned with normal business operations. This will ensure that the organisation moves beyond the turnaround process.
- The TAP implementation processes will be strengthened by prioritising support to the primary and secondary business work streams. This includes the acceleration of plant upgrades and major strategic projects.
- The implementation of the Financial Recovery Plan will ensure the sustained financial viability of Amatola Water.

The revised strategic roadmap with its 20-year goals is informed by a comprehensive strategic development agenda. Amatola Water believes that the Institutional Reform and Realignment (IRR) process is an opportunity to establish a regional water utility. The focus of the regional water utility is a strategic effort to respond to provincial water and sanitation challenges in a sustainable manner.

The key aspects which have been taken into consideration during the review of the current strategy are:

- Collaborating with the Department of Human Settlements, Water and Sanitation on the strategic imperatives (five strategic pillars)
- Improving stakeholder relations
- Forging strong partnerships by leveraging the integrated infrastructure master planning and coordination the infrastructure projects
- Accelerating and resourcing the full implementation of the TAP
- Engaging in profitable secondary business activities:
  - by focusing on strategic projects
  - enhancing operational efficiency
  - building internal capacity
- Primary business growth focusing by:
  - expanding the gazetted area
  - engaging in bulk sanitation in the existing gazetted area
  - maintaining and upgrading the infrastructure

- improving the implementation of succession planning
- giving effort to infrastructure master planning

- Harnessing technological innovations which will enable effective and efficient water service delivery
- Contributing to socio-economic development by focusing on youth and women empowerment.

Amatola Water has aligned its strategic goals and operational perspectives for the purpose of re-positioning itself as a regional water utility in line with the Institutional Reform and Realignment (IRR) initiative.

To position itself as financially viable and sustainable regional water utility, Amatola Water has formulated a strategic mandate, which requires the organisation to achieve the following outcomes:

- Return Amatola Water to its original strategic trajectory so that it can achieve its 20-year strategic objectives
- Increase its production capacity to 140 mega litres of water per day, which will lead to an increase in annual turnover to R741 million and increase its reserves (retained earnings) to R107 million, within the next five years
- Eradicate all performance backlogs and that the organisation is on course to achieve its intended 20-year strategic targets.

20-YEAR LONG-TERM STRATEGIC GOALS

SATISFIED STAKEHOLDERS

Goal statement: To improve stakeholder value and collaboration in contributing towards socio-economic development

Links

Outcome 11 - Create a better South Africa and contribute to a better Africa and better world.

Outcome 12 - An efficient, effective and development-orientated public service.

ENVIRONMENTAL SUSTAINABILITY INTEGRATED IN BUSINESS OPERATIONS

GOAL STATEMENT: To ensure environmental sustainability is integrated in all the operations and business of Amatola Water

Links

Outcome 10 - Protect and enhance our environmental assets and natural resources

IMPROVE GOVERNANCE, ORGANISATIONAL SUSTAINABILITY AND RESILIENCE

GOAL STATEMENT: To improve governance, organisational sustainability and resilience.

Links

Outcome 9 - Responsive, accountable, effective and efficient local government.

Outcome 12 - An efficient, effective and development-orientated public service.

WATER AND WASTEWATER QUALITY EXCEEDING STANDARDS

GOAL STATEMENT: To achieve the water and wastewater quality that exceeds prescribed standards

Links

Outcome 9 - Responsive, accountable, effective and efficient local government.

Outcome 10 - Protect and enhance our environmental assets and natural resources

Outcome 12 - An efficient, effective and development-orientated public service.

SUSTAINED AVAILABILITY AND ACCESSIBILITY TO SERVICES

GOAL STATEMENT: To ensure sustained availability and accessibility to water and sanitation services

Links

Outcome 5 - A skilled and capable workforce to support and inclusive growth path.

Outcome 9 - Responsive, accountable, effective and efficient local government.

Outcome 12 - An efficient, effective and development-orientated public service.

ADEQUATELY MAINTAINED, IMPROVED AND OPERATED INFRASTRUCTURE

GOAL STATEMENT: Ensure bulk water infrastructure is adequately maintained, improved and optimally operated consistently within customer service levels

Links

Outcome 5 - A skilled and capable workforce to support and inclusive growth path.

Outcome 9 - Responsive, accountable, effective and efficient local government.

Outcome 12 - An efficient, effective and development-orientated public service.

FIVE-YEAR MEDIUM-TERM STRATEGIC OBJECTIVES

BSC	10 WSU AREA	REVIEWED 20-YEAR GOAL	5-YEAR OBJECTIVES	OBJ NO	ALIGNMENT	
					GOV OUT	DWS OBJ
STAKEHOLDER & CUSTOMER	Customer Satisfaction/ Stakeholder Support	Improve stakeholder value and collaboration	To progressively obtain stakeholder satisfaction levels of at least 80% by 2022	SO 1.1	11 & 12	5.2
			To ensure that 81% WSAs in the province are contracted as customers through ownership or ROU by 2036	SO 1.2	11 & 12	4.1
	Customer and Environmental sustainability	Environmental sustainability integrated in business operations	To achieve accreditation with an integrated Environmental Management System by 2022	SO 2.1	10	1.1, 1.3 & 1.5
			To implement at least five environmental monitoring programmes at AW supply schemes to reduce environmental footprint by 2022	SO 2.2	10	1.2 & 2.4
FINANCIAL	Financial Viability	Improve governance, organisational sustainability and resilience	To establish one integrated and sustainable partnership to support financial sustainability	SO 3.2	9 & 12	2.1
			To establish and implement funding mechanisms and models to increase volumes to 170 Ml/day by 2022	SO 3.1	9 & 12	4.3
INTERNAL PROCESSES	Water and Wastewater Quality	Water and wastewater quality exceeding standards	To achieve and maintain a "GOOD" quality rating of SANS 241 at all water plants operated by AW	SO 4.1	9, 10 & 12	4.1
			To achieve and maintain compliance to effluent discharge requirements as per the regulation at all wastewater plants operated by AW	SO 4.2	9, 10 & 12	2.4 & 2.5
			To maintain a turnaround time of five days to report on all water quality tests performed	SO 4.3	9, 10 & 12	2.4
	Water Resource Adequacy	Sustained availability and accessibility to services	To manage the water resources in an integrated manner to achieve 98% assurance of supply	SO 5.1 & SO 5.2	5, 9 & 12	1.4, 2.2 & 3.1, 2.3, 2.4 & 2.5
	Infrastructure Stability	Adequately maintained, improved and operated infrastructure	To maintain water losses at a maximum of 12% per annum	SO 6.1	5, 9 & 12	2.2
LEARNING AND GROWING	Operational Resilience	Improve governance, organisational sustainability and resilience	To achieve an organisational effectiveness score of 4 out of a 5-point Likert scale by 2022.	SO 7.1	5 & 12	4.2, 4.3 & 4.4
	Leadership and Employee Development					

PERFORMANCE MONITORING AND EVALUATION

To measure and manage the successful implementation of its strategy, Amatola Water has developed a Balanced Scorecard with clear monitoring criteria and targets for the next five years (see page 31).

A comprehensive corporate performance management system, which includes divisional and corporate reviews by management as well as oversight by Board Committees, is detailed in the governance section of this report (page 96).



Figure 2.1: Ten areas for a successful water utility as defined by the Water Research Foundation

STRATEGY UNDERPINNED BY 10 OUTCOMES FOR SUSTAINABLE VALUE CREATION

1

WATER AND WASTEWATER PRODUCT QUALITY (WQ)

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

2

CUSTOMER SATISFACTION (CS)

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

3

STAKEHOLDER RELATIONSHIPS AND SUPPORT (SS)

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

4

INFRASTRUCTURE STABILITY (IS)

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

5

FINANCIAL VIABILITY (FV)

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

6

WATER RESOURCE ADEQUACY (WA)

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

7

COMMUNITY/ENVIRONMENTAL SUSTAINABILITY (CE)

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

8

LEADERSHIP AND EMPLOYEE DEVELOPMENT (LG)

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

9

OPERATIONAL RESILIENCE (OR)

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

10

OPERATIONAL OPTIMISATION (OO)

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

VALUE CREATION

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 2017/18

FINANCIAL CAPITAL

REVENUE
R385m

GRANT FUNDING FOR INFRASTRUCTURE UPGRADES
R89m

CASH
R376m

INTELLECTUAL CAPITAL

ICT OPERATIONAL EXPENDITURE
R11.1m

ICT CAPITAL EXPENDITURE
R0.23m

WATER RESEARCH LEVY
R3m

SOCIAL & RELATIONSHIP CAPITAL

ASSURANCE OF SUPPLY
99.97%

B-BBEE SPEND
104%

LOCAL JOBS CREATED
638

MANUFACTURED CAPITAL

PROPERTY, PLANT AND EQUIPMENT
R541m

CAPITAL EXPENDITURE (TREATMENT PLANT UPGRADES)
R29m

HUMAN CAPITAL

STAFF TURNOVER
1.3%

STUDY ASSISTANCE
R0.6m

NATURAL CAPITAL

WATER LOSS - POTABLE PRODUCTION & NETWORK
11.1%

RAW WATER ABSTRACTIONS KI'000
45,098

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

STRATEGIC FORCUS

OUTPUTS 2018/19

THE 10 OUTCOMES FOR SUSTAINABLE VALUE CREATION

01 WATER AND WASTEWATER PRODUCT QUALITY

02 CUSTOMER SATISFACTION

03 STAKEHOLDER RELATIONSHIPS AND SUPPORT

04 INFRASTRUCTURE STABILITY

05 FINANCIAL VIABILITY

06 WATER RESOURCE ADEQUACY

07 COMMUNITY/ ENVIRONMENTAL SUSTAINABILITY

08 LEADERSHIP AND EMPLOYEE DEVELOPMENT

09 OPERATIONAL RESILIENCE

10 OPERATIONAL OPTIMISATION



INTELLECTUAL CAPITAL

REVENUE
R423m

GRANT FUNDING FOR INFRASTRUCTURE UPGRADES
R92m

CASH
R640m



FINANCIAL CAPITAL

ICT OPERATIONAL EXPENDITURE
R11.3m

ICT CAPITAL EXPENDITURE
R0.07m

WATER RESEARCH LEVY
R3m



SOCIAL & RELATIONSHIP CAPITAL

ASSURANCE OF SUPPLY
99.93%

B-BBEE SPEND
115%

LOCAL JOBS CREATED
568



MANUFACTURED CAPITAL

PROPERTY, PLANT AND EQUIPMENT
R541m

CAPITAL EXPENDITURE (TREATMENT PLANT UPGRADES)
R16m



HUMAN CAPITAL

STAFF TURNOVER
0.84%

STUDY ASSISTANCE
R0.3m



NATURAL CAPITAL

WATER LOSS - POTABLE PRODUCTION & NETWORK
14%

RAW WATER ABSTRACTIONS KI'000
45,914

MATERIAL ISSUES

Defining materiality for Amatola Water

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

Material matters classification

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

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

Material matters table

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

RANKING	DESCRIPTION OF MATERIAL MATTER	CAPITAL IMPACTED	STRATEGIC RISK	STAKEHOLDER AFFECTED	AW STRATEGIC RESPONSE
1	**Economic** • As a public service utility, Amatola Water is highly geared to the performance of the local and national economy. • The local and national economy are under pressure due to factors such as low GDP growth and SA sovereign credit downgrades. • The Eastern Cape lags the national economy in terms of productivity and employment growth and as such this has a knock-on effect on Amatola Water's business.	**FINANCIAL** 	**SRK 3:** Financial viability	• Statutory stakeholders • Community stakeholders	• Improve governance, organisational sustainability and resilience
2	**Governance** • Leadership is critical to the effective and ethical operation of Amatola Water. This can pose a significant risk or an opportunity to the organisation. • Amatola Water has suffered from a high turnover of key leadership.	**HUMAN** 	**SRK7:** Weak governance system	• Statutory stakeholders • Customers and client stakeholders	• Improve governance, organisational sustainability and resilience
3	**Access to funding** (Capex and growth) • Amatola Water manages a significant infrastructure footprint to fulfil its mandate. • Amatola Water requires significant capital expenditure to maintain as well as expand its infrastructure to ensure continuity of service as well as sustainable growth.	**FINANCIAL** 	**SRK 3:** Financial viability	• Statutory stakeholders • Customers and client stakeholders	• Improve governance, organisational sustainability and resilience
4	**Infrastructure value chain** • Amatola Water operates in a narrow portion of the potable water supply chain as well as in a limited closed market. • Amatola Water is reliant on both upstream and downstream infrastructure suppliers and customers for the delivery of high-quality bulk water and sanitation services.	**MANUFACTURING** 	**SRK5:** Inability to meet the bulk water supply demand	• Community stakeholders • Customers and clients stakeholders	• Sustain availability and accessibility to services • Adequately maintain, improved and operated infrastructure

RANKING	DESCRIPTION OF MATERIAL MATTER	CAPITAL IMPACTED	STRATEGIC RISK	STAKEHOLDER AFFECTED	AW STRATEGIC RESPONSE
5	**Financial viability** • Many of Amatola Water's inputs and outputs are fixed in nature, such as the costs is charges for purchasing raw water and what it may charge for services provided. • In addition, Amatola Water has a limited number of key customers that are subject to similar macro and micro-economic risks. • Amatola Water has limited options for obtaining raw water.	**FINANCIAL** 	**SRK 3:** Financial viability	• Customers and client stakeholders	• Improve governance, organisational sustainability and resilience
6	**Relationships with key stakeholders** • Relationships with Amatola Water's key stakeholders have a major impact on Amatola Water's reputation, which represents a significant risk and opportunity for Amatola Water.	**SOCIAL** 	**SRK2:** Lack of stakeholder confidence	• Community stakeholders • Customers and client stakeholders • Statutory stakeholders	• Satisfied stakeholders
7	**Drought/weather** • As with most parts of South Africa, the Eastern Cape is vulnerable to water shortages caused by a lack of rainfall.	**NATURAL** 	**SRK10:** Environmental unsustainability	• Community stakeholders	• Environmental sustainability • Adequate and maintained infrastructure
8	**Economic regulation** • Amatola Water is subject to tariff setting and "regulatory lag".	**FINANCIAL** 	**SRK 3:** Financial viability	• Statutory stakeholders	• Satisfied stakeholders
9	**Technology and communication** • The current business environment is heavily dependent on technology for effective, efficient and streamlined operations	**INTELLECTUAL** 	**SRK 8:** ICT governance	• Customers and client stakeholders • Statutory stakeholders	• Adequate and maintained infrastructure • Organisational optimisation
10	**People skills and development** • Appropriately skilled and qualified staff are critical to ensuring effective and efficient operations.	**HUMAN** 	**SRK6:** Labour and employee relations	• Customers and client stakeholders	• Organisational optimisation

STAKEHOLDER UNDERSTANDING AND SUPPORT

Amatola Water's Turnaround Plan emphasises the need for the institution to reconnect with stakeholders which led to the establishment of its fully functional workstream, Reconnect with Stakeholders.

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

The success of the institution is highly dependent on meaningful and continued engagement with its stakeholders for sustainable value creation.

Amatola Water uses a survey to increase its understanding, knowledge, attitudes, perceptions, interests and experiences of internal and external stakeholders. These surveys are also vital in assisting the organisation to identify and understand the needs as these relates to the services it provides to its customers.

Stakeholder engagement was carried out with the consideration of the stakeholder matrix ensuring that all stakeholders are involved accordingly for effectual benefit of both the stakeholder and institution.

Customers are defined as stakeholders who make it possible for Amatola Water to deliver on its legislated mandate. Community stakeholders are defined as stakeholders with a direct and indirect interest in the operations of Amatola Water.

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

The employees, suppliers and investors are stakeholders who provide the required input for Amatola Water to deliver on its mandate.

The institution developed the Communication Strategy for the betterment of communication, with internal and external stakeholders and to heighten stakeholder involvement and participation in the institution.

AMATOLA WATER BELIEVES THAT THROUGH AN EFFECTIVE STAKEHOLDER ENGAGEMENT PROCESS, IT CAN ACHIEVE THE FOLLOWING:

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

AMATOLA WATER STAKEHOLDER MANAGEMENT MATRIX

COMMUNITY STAKEHOLDERS

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

Matrix 2

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

Customer and client stakeholders

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

Matrix 2

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

STATUTORY STAKEHOLDERS

Regular interaction with statutory stakeholders who regulate the institution and those who perform an oversight role to the institution is required.

These stakeholders ensure that the statutory requirements are met and are aligned with the government's objectives. Statutory stakeholders oversee governance, compliance, strategy, performance and risk. Legislated stakeholders with direct and indirect influence on Amatola Water's operations are included as part of the statutory stakeholders.

Matrix 3

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

COMMUNITY OUTREACH AND CORPORATE SOCIAL INVESTMENT

Amatola Water is mandated to provide a vital service that enhances the quality of life for communities in the Eastern Cape and is a cornerstone for socio-economic development in the province. Investment by Amatola Water in the communities it serves has an impact on the fulfilment of its business strategy and the long-term sustainability of the organisation. The institution continuously strives to support the advancement of all communities where its operations are located. This philosophy is embedded in its corporate social responsibility programmes.

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



SCHOOL TOUR PROGRAMME

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

Visiting schools are taken through the steps of purifying water at the treatment works. These tours aim to encourage learners to see career opportunities in the water science industry and improve awareness of the water conservation.

These school tours also assist the learners in the water conservation competitions. The Department of Human Settlements, Water and Sanitation applauds and supports these school tours because these assist with conservation awareness.

WATER CONSERVATION AND DEMAND CAMPAIGNS

The Makana Local Municipality is a drought-stricken area in the Eastern Cape Province and it is experiencing severe water conservation challenges.

Amatola Water, together with other stakeholders such as the Department of Human Settlements, Water and Sanitation, and Makana Local Municipality conducted a campaign encouraging the Makana Local Municipality community to conserve water.

The campaign included the following activities:

- The distribution of flyers
- A walk-about – where the community was greeted and engaged
- A visit to schools
- The distribution of a water-saving block in Extension 5.



SCHOOL VISITS

A number of schools were visited as part of the Amatola Water's conservation awareness campaign. Water-saving tips, using book-marks, were distributed to the schools.

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





CAREER EXHIBITIONS

Amatola Water partnered with Community Action Africa (CAA) in the third annual maths and science career exhibition that took place at the Buffalo City College (BCC) in East London.

CAA is a non-profit and non-governmental organisation (NGO) that provides learner support programmes and assists high school students to choose science and mathematics related careers. CAA also assists learners to improve their academic achievements in three major subjects such as English, mathematics and science.

Amatola Water showcased careers in water science and encouraged learners to acquire scarce skills by studying microbiology and other related subjects.

Partnering with Community Action Africa has built Amatola Water's profile in these communities and more schools are now interested in visiting the institution's dams and water treatment works so that they can acquire a better understanding of the business.





Ngquza Hill Local Municipality (OR Tambo District Municipality) Career Expo 2019

Amatola Water participated in the Ngquza Hill Local Municipality Career Exhibition held in Lusikisiki. This is an annual event is organised by the Breard Foundation in collaboration with Ngquza Hill Local Municipality and Department of Education to assist learners with career choices.

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





FORMER MINISTER OF WATER AND SANITATION VISIT

The former Minister of Water and Sanitation visited Amatola Water to meet with the Amathole District Municipality, and Amatola Water Board and Executive Management.

The Minister visited the Board to strengthen relations between Amatola Water Board and a major customer, the Amathole District Municipality.

He also encouraged Amatola Water to continue to pursue its secondary business function as the implementing agent for the King Sabata Dalindyebo Presidential Intervention Project.







STAKEHOLDER SATISFACTION SURVEY

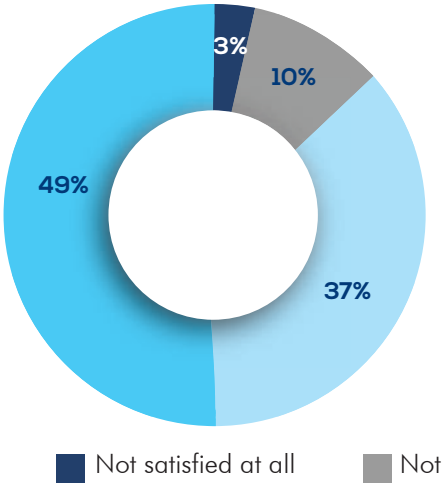
Amatola Water conducted a stakeholder satisfaction survey and customer satisfaction survey during the 2018/19 financial year to increase its understanding and knowledge on the perceptions, interests and experiences of both internal and external stakeholders.

The survey findings were used to implement improvements in the delivery of services. The institution did not use these surveys as monitoring and evaluation tools.

These surveys are of vital importance to the institution and have helped it to generate critical information required for performance management, and to create and sustain organisational change.

The feedback from these surveys have been invaluable and Amatola Water has developed an important and necessary response to the stakeholder and customer issues raised:

STAKEHOLDER SATISFACTION SCORE 2018/19



CUSTOMER SATISFACTION SCORE 2018/19

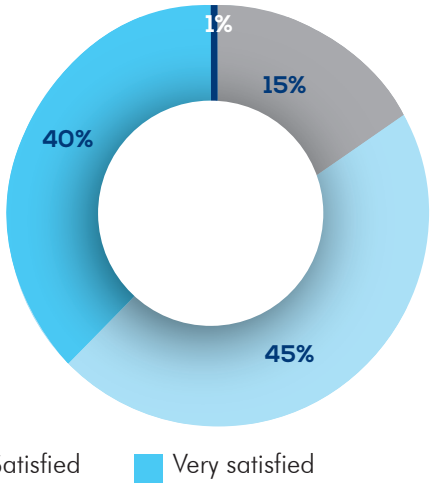
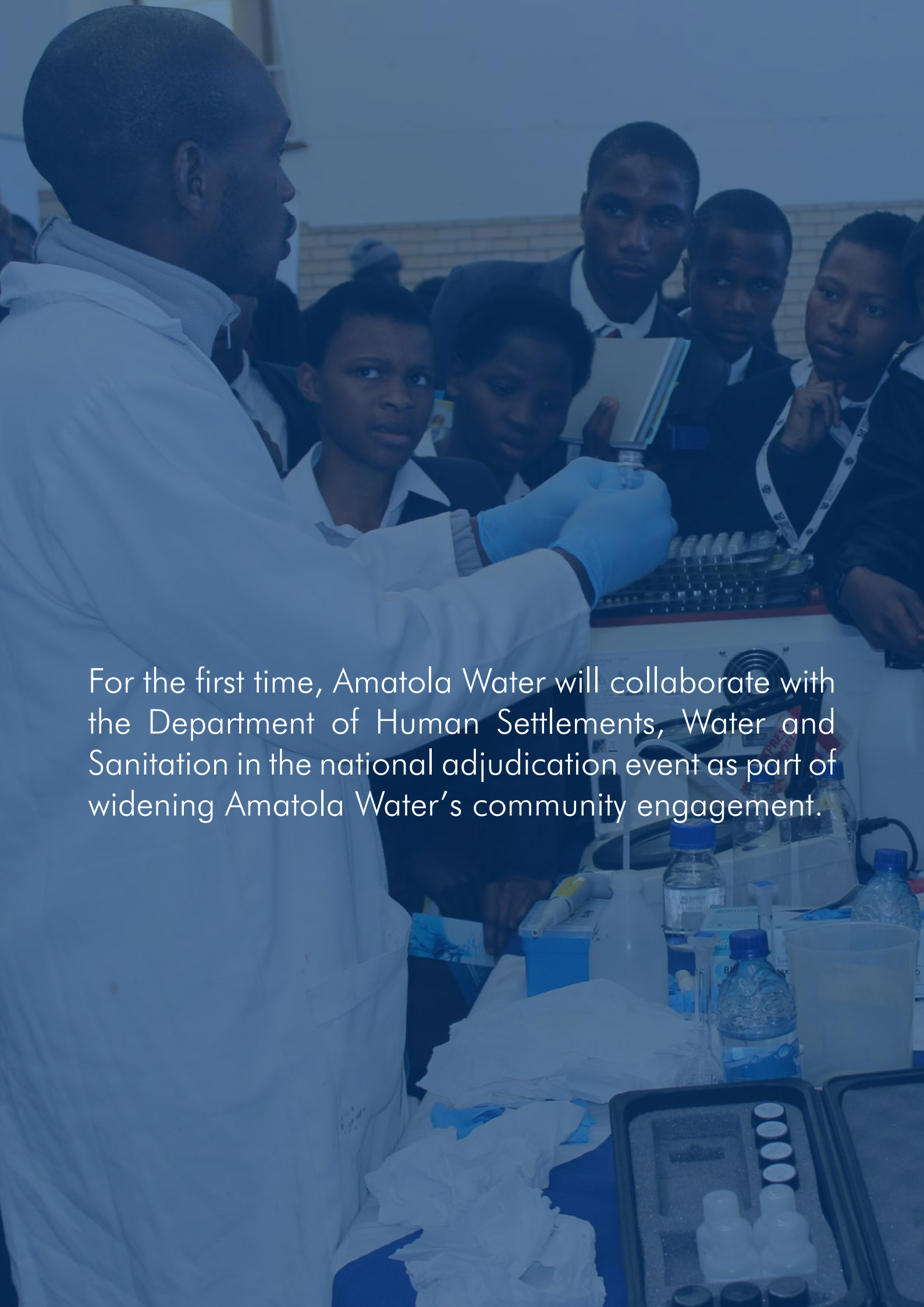


Figure 2.2 : Stakeholder Satisfaction Survey

FUTURE STAKEHOLDER ENGAGEMENT PLANS

For the first time, Amatola Water will collaborate with the Department of Human Settlements, Water and Sanitation in the national adjudication event as part of widening Amatola Water's community engagement. The key objectives of the event are mainly to foster awareness of integrated water resource management, sanitation issues and increase enthusiasm in youth to pursue careers in the sector.

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



For the first time, Amatola Water will collaborate with the Department of Human Settlements, Water and Sanitation in the national adjudication event as part of widening Amatola Water's community engagement.





PERFORMANCE INFORMATION 3

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

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

In her opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the shareholder compact, annual performance plan and corporate scorecard of Amatola Water for the financial year ended 30 June 2019.

Amatola Water's performance information for the year ended 30 June 2019 has been examined by the external auditors (report on pages 133 to134) and is set out on pages 51 to 62, as approved by the Executive Authority.

Mr Maxwell Sirenya
Interim Board Chairman
Date:25 October 2019

Ms Vuyo Zitumane
Chief Executive
Date: 25 October 2019

INTRODUCTION

The Annual Performance Plan and Shareholder Compact documents for 2018/19 financial year including the Five-Year Business Plan remain the source documents for the compilation of the Annual Report which reflects Amatola Water's performance.

Performance monitoring and evaluation on the implementation of the Amatola Water Five-Year Strategy and the Annual Performance Plan is conducted by way of a quarterly reporting system, where individual quarterly reports are compiled by the Management and shared with the internal audit function to perform an audit.

The reports are then submitted to the Audit and Risk Committee and further transmitted to the Board for approval. Thereafter, all quarterly reports are submitted to the shareholder (DHSWS).

The Annual Report reflects all the performance indicators and targets as set out in the Annual Performance Plan for 2018/19 financial year.

The Annual Performance Plan contained 59 performance targets in the year under review on which the entity had to perform.

The Shareholder Compact contained 36 targets as approved by the shareholder.

PERFORMANCE OVERVIEW

The overall performance of the Shareholder Compact improved to an average of 86% in 2018/19 when compared to the 58% achievement against predetermined targets in 2017/18.

In comparison with 2017/18 achievement of 58%, 2018/19, the overall shareholders compact performance improved by 28%.

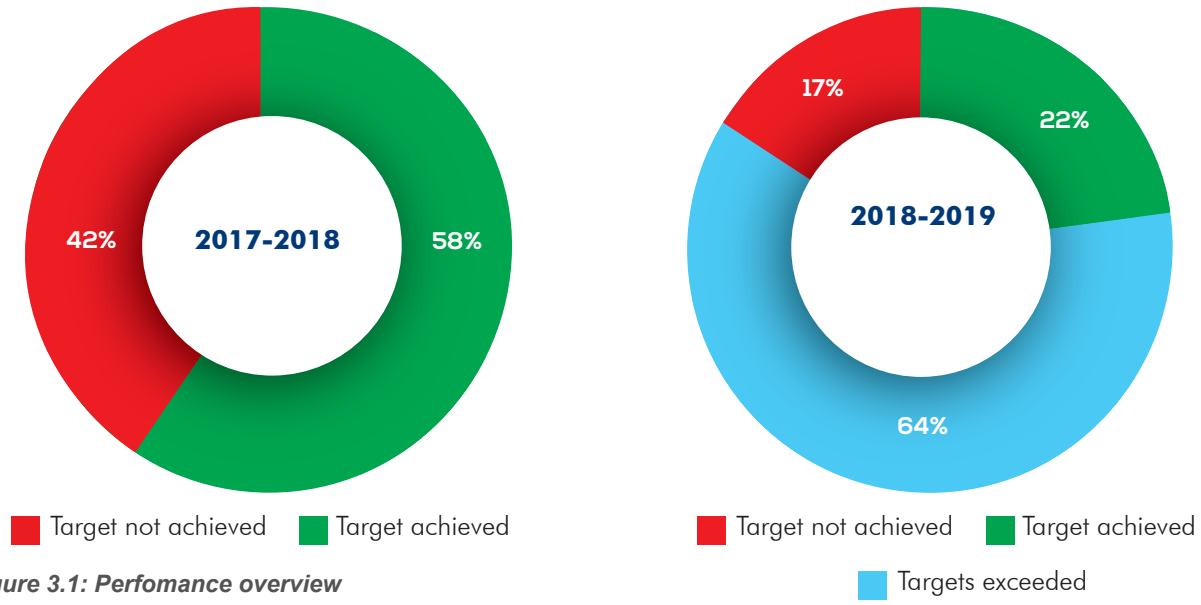


Figure 3.1: Perfomance overview

The results at the end of 2018/19 reflected a final achieved performance of 83% when measured against the predetermined targets. In comparison with 2017/18 actual achievement of 57%, the overall corporate performance improved by 26%.

OVERALL CORPORATE PERFORMANCE

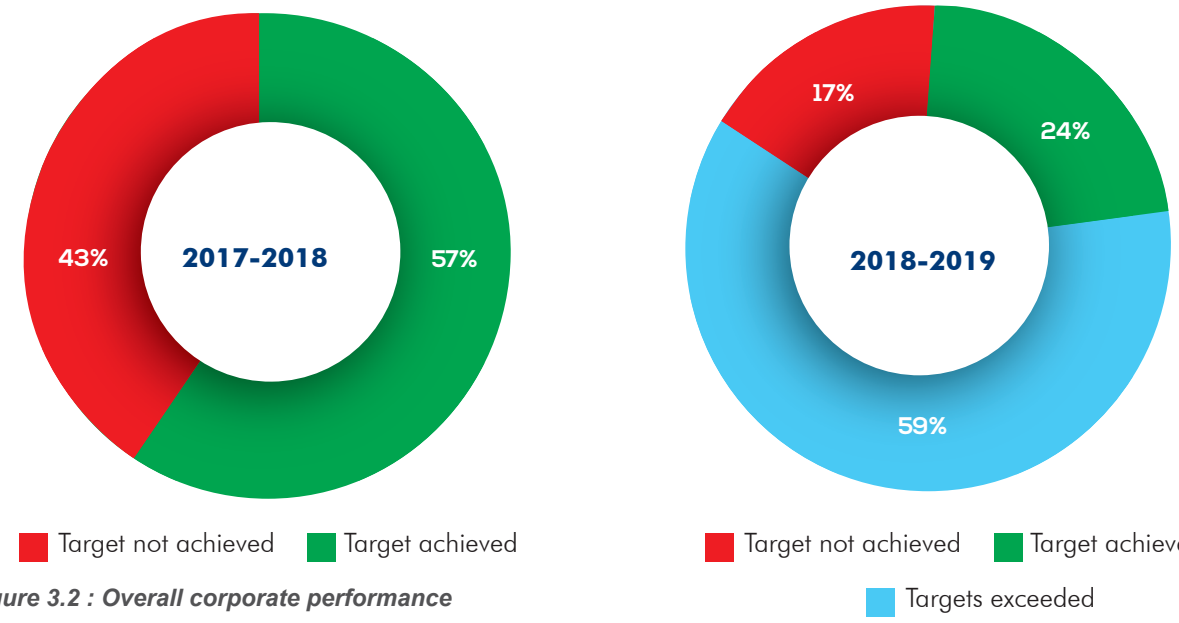


Figure 3.2 : Overall corporate performance

Amatola Water highlights the following areas where performance has improved against predetermined targets during the 2018/2019 financial year:

PERFORMANCE INDICATOR	AUDITED BASELINE 2017/18	ANNUAL TARGET 2018/19	ACTUAL ACHIEVEMENT 2018/19
# of Ml/day sold	81.35 Ml/day	85 Ml/day	92.3Ml/day
Gross profit margin (secondary activity)	17,50%	28,00%	65,37%
Net profit margin (secondary activity)	-99,92%	1,5%	54,88%
Net profit margin (All)	-27,45%	1,00%	25,86%
Return on assets	-24,72%	-8,13%	17,69%
% variance on operating expenditure	-15,04%	5%	8,37%
% secondary revenue of total turnover	19,90%	25%	33,47%
% implementation of approved training plan	0%	80%	81%
% of targets achieved within the organisational scorecard	57%	57%	83%

Target not achieved Target achieved Targets exceeded

Table 3.1 : Performance improvement

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

- **Water quality:** Amatola Water's plant water quality compliance at its water treatment works and distribution network is in line with SANS 241:2015 Part 1and 2. Ten plants achieved a "Good/ Excellent" water quality standard.

- **Assurance of supply:** Amatola Water achieved a 99.93% assurance of supply to customers from source due to adequate pressure at the reservoirs, set targets being reached and by providing the highest reliability of supply standards to customers and consumers.

- **Minimised losses:** Combined production and distributed losses stood at 14% against a target of 14% and baseline of 11.12%. This crucially minimised the environmental, financial and social impact of losses and unaccounted water.

- **Number of temporary jobs created:** The number of temporary jobs created during the 2018/19 financial year was exceeded; 568 jobs were created against the predetermined target of 250 jobs which were created in the planning and development projects; another 13 were created in the national Department Public Works Project.

- **Number of signed contracts and MOU's:** Currently, Amatola Water has five contracts with WSAs that support rural development. The contracts are with the Amatola District Municipality, Makana Local Municipality, Buffalo City Metropolitan Municipality, National Department of Public Works and Ndlambe Local Municipality.

  The Amathole Water Resource System supplies the water requirements of the Buffalo City Metropolitan Municipality which consists of East London, Mdantsane, King William's Town and the Bhisho urban complex, the towns of Stutterheim and Mlungisi, and the villages in the surrounding rural areas. Amatola Water supports WSAs by implementing water-related projects/programmes, notably where WSAs lack sufficient capacity and/or have a large rural/indigent customer base. The augmentation of potable water supply and expanding of capacity of the plants to local areas is being investigated.

- **Number of municipalities/other customers with bulk supply agreements:** Currently, Amatola Water has five contracts in place with the following WSAs, namely the Amathole District Municipality, Makana Local Municipality, Buffalo City Metropolitan Municipality, National Department of Public Works and Ndlambe Local Municipality.

  All agreements between the customer institutions and Amatola Water are circumscribed by the requirements set out in the Water Services Act, National Water Act, and other relevant local government legislation. The legislation provides for water board business relationships to be concluded with recognised water services authorities that have been tasked with the administration of delivering water services.

PERFORMANCE AGAINST SHAREHOLDER COMPACT INDICATORS 2018/19

PERFORMANCE OBJECTIVE	MINISTERIAL OUTCOMES	DWS STRATEGIC GOALS	WB STRATEGIC OBJECTIVES	OUTCOME/ IMPACT	INDICATORS/ CALCULATION	MEASURE	ACTUAL ACHIEVEMENT 2017/2018	PROJECTED TARGET 2018/19	ACTUAL ACHIEVEMENT 2018/19	COMMENT ON PERFORMANCE ACHIEVEMENT
PERFORMANCE PERSPECTIVE: ORGNISATIONAL EFFECIENCY AND EFFECTIVENESS										
Bulk potable water quality compliance	9 & 12,10	SO4.1	4,1	Water quality standards met	# of AW plants achieving "good" quality SANS 241:2015 Edition 2 in Table 4	Number	10	7	10	Target exceeded
Manage avoidable water losses	6 &10 5,9,12	SO2.2 & SO4.1 SO6.1	6,1	Reduced avoidable water losses in treatment and distribution systems	% total water losses on production and distributed	%	11.12%	14%	14%	Target achieved
Reliability of supply			5,1	No unplanned interruptions to bulk supply exceeding 24 hours	% assurance of potable water supply	%	99.97%	98%	99.93%	Target exceeded
			5,2		% assurance of raw water supply	%	98%	98%	69.92%	Target achieved
Increased access to services	6	SO2.1	1,2	Contribution to national objectives of extending services	% of actual CAPEX budget spend on expansion related projects (initiatives by the Minister)	%	124%	80%	44%	Target not achieved (page 59)

PERFORMANCE OBJECTIVE	MINISTERIAL OUTCOMES	DWS STRATEGIC GOALS	WB STRATEGIC OBJECTIVES	OUTCOME/ IMPACT	INDICATORS/ CALCULATION	MEASURE	ACTUAL ACHIEVEMENT 2017/2018	PROJECTED TARGET 2018/19	ACTUAL ACHIEVEMENT 2018/19	COMMENT ON PERFORMANCE ACHIEVEMENT
PERFORMANCE PERSPECTIVE: FINANCIAL PERFORMANCE										
Financial reporting compliance	9	SO1.2	7,1	Unqualified audit report	External audit outcome	Unqualified report with no matters of emphasis (Clean audit)	Unqualified	Unqualified	Unqualified	Target achieved
Improve key financial ratios	12	SO1.2 SO1.6	3.1 ,6.1 & 7.1	Current ratio	Ratio	%	1.033	1.17	1.529	Target exceeded
					Gross profit margin % (primary activity)	%	25.03%	29.11%	30.75%	Target exceeded
					Gross profit margin (secondary activity)	%	17.50%	34%	65.37%	Target exceeded
					Net profit margin (primary activity)	%	-9.44%	10%	11.49%	Target exceeded.
					Net profit margin (secondary activity)	%	-99.92%	-5.38%	54.88%	Target exceeded
					Debt equity	Ratio	0%	0%	0%	Target achieved
					Return on Assets	%	-24.72%	5.6%	17.69%	Target exceeded
					Debtors days	Number	73.91 days	125.77 days	63.75 days	Target exceeded
					Repairs and maintenance as % of PPE and Investment Property (carrying value)	%	4.5%	4.6%	4.29%	Target not achieved (page 60)
					Staff remuneration as % of total operating expenditure	%	32.4%	40.90%	40.40%	Target exceeded
Increase B-BBEE expenditure in relation to operational projects	9	SO1.3	1,1	Spend increased and increased new entrants awarded contracts in the financial year	% B-BBEE spend	%	104%	100%	115%	Target exceeded

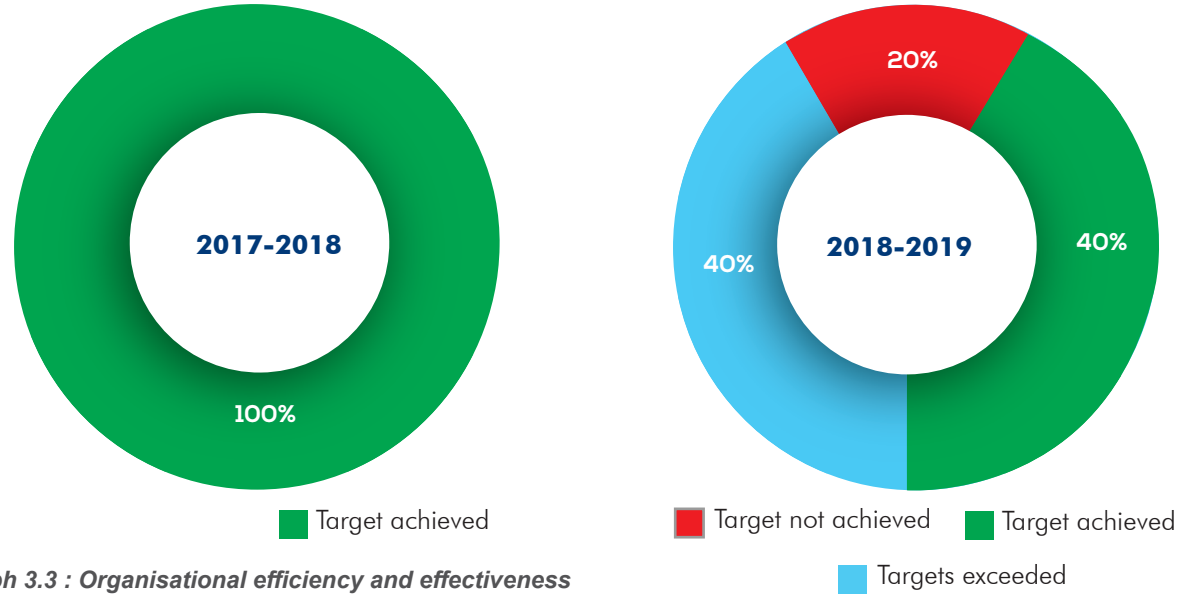
PERFORMANCE OBJECTIVE	MINISTERIAL OUTCOMES	DWS STRATEGIC GOALS	WB STRATEGIC OBJECTIVES	OUTCOME/ IMPACT	INDICATORS/ CALCULATION	MEASURE	ACTUAL ACHIEVEMENT 2017/2018	PROJECTED TARGET 2018/19	ACTUAL ACHIEVEMENT 2018/19	COMMENT ON PERFORMANCE ACHIEVEMENT
PERFORMANCE PERSPECTIVE: FINANCIAL PERFORMANCE										
Manage costs within the approved budget	9	SO1.6 SO2.1	3,1	Actual expenditure compared with budgeted expenditure for the quarter	% variance on operating expenditure	% variance	-15.04%	5%	8.37%	Target exceeded
Capital expenditure programme	6	SO2.1	7,1	Infrastructure available to meet demands	R-value overall project expenditure	Number (R)	R482mil	R672mil	R550.20mil	Target not achieved (page 60)
					Overall project completion dates within targets	%	57%	80%	53%	Target not achieved (page 60)
Engagement in secondary activities	12 & 6	SO1.6 SO2.1	3,1	Growth in turnover from secondary (other activities)	% secondary revenue of total turnover	%	19.90%	30%	33.47%	Target exceeded

PERFORMANCE OBJECTIVE	MINISTERIAL OUTCOMES	DWS STRATEGIC GOALS	WB STRATEGIC OBJECTIVES	OUTCOME/ IMPACT	INDICATORS/ CALCULATION	MEASURE	ACTUAL ACHIEVEMENT 2017/2018	PROJECTED TARGET 2018/19	ACTUAL ACHIEVEMENT 2018/19	COMMENT ON PERFORMANCE ACHIEVEMENT
PERFORMANCE PERSPECTIVE: CUSTOMER/STAKEHOLDER INTERACTION										
Bulk supply agreements concluded with municipalities/ other customers	12	SO2.1	1,2	Statutory and service level agreements in place	# of municipalities/ other customers with bulk supply agreements	Number	5	4	5	Target exceeded
Implementation of ministerial directives	12	SO1.6 SO2.1	1,2	New ministerial directives issued are implemented on time	% progress against ministerial directives implementation plan	%	37%	50%	54%	Target exceeded
Support rural development	12	SO2.1	1,2	Total number of identified rural municipalities supported	# of signed contracts and MOUs	Number	5	4	5	Target exceeded
Achieve statutory reporting compliance	12	SO1.6 SO2.1	1,1	All statutory reports submitted on time	% submission dates met	%	100%	100%	100%	Target achieved

PERFORMANCE OBJECTIVE	MINISTERIAL OUTCOMES	DWS STRATEGIC GOALS	WB STRATEGIC OBJECTIVES	OUTCOME/ IMPACT	INDICATORS/ CALCULATION	MEASURE	ACTUAL ACHIEVEMENT 2017/2018	PROJECTED TARGET 2018/19	ACTUAL ACHIEVEMENT 2018/19	COMMENT ON PERFORMANCE ACHIEVEMENT
PERFORMANCE PERSPECTIVE: ORGANISATIONAL CAPACITY										
Staff levels	12	SO1.1 & SO4.3	7,1	Optimal staff retention	% staff turnover	%	1.30%	1%	0.84%	Target exceeded
Training and skills development	12	SO1.1, SO1.3 & SO4.4	7,1	Skills and capacity building	# of learnerships	Number	10	2	2	Target achieved
					# of bursaries employees	Number	28	15	32	Target exceeded
					# of bursaries employees	Number	2	7	7	Target achieved
Jobs created				Permanent and contract (direct)	# of permanent jobs created	Number	432	425	353	Target not achieved (page 61)
					# of temporary jobs created	Number	638	250	568	Target exceeded

PERFORMANCE OBJECTIVE	MINISTERIAL OUTCOMES	DWS STRATEGIC GOALS	WB STRATEGIC OBJECTIVES	OUTCOME/ IMPACT	INDICATORS/ CALCULATION	MEASURE	ACTUAL ACHIEVEMENT 2017/2018	PROJECTED TARGET 2018/19	ACTUAL ACHIEVEMENT 2018/19	COMMENT ON PERFORMANCE ACHIEVEMENT
PERFORMANCE PERSPECTIVE: GENERAL PERFORMANCE										
Board effectiveness	9 & 12	"SO3.1	7,1	Improved performance of fiduciary duties/ governance	% board member attendance of all board/committee meetings	%	80%	80%	81.25%	Target exceeded
Effective internal controls and risk management	12	"SO3.1	7,1	Internal audit findings dealt with	# of repeats internal audit findings	Number	0	10	2	Target exceeded
					# of unresolved internal audit findings	Number	11	25	3	Target exceeded
Good governance	12	"SO3.1	7,1	Improved controls and risk mitigation	# of breaches of materiality and significance framework	Number	0	0	0	Target achieved
Corporate social responsibility initiatives	12	SO1.6	1,1	Good corporate citizenship	# of community/ school initiatives undertaken	Number	10	8	12	Target exceeded

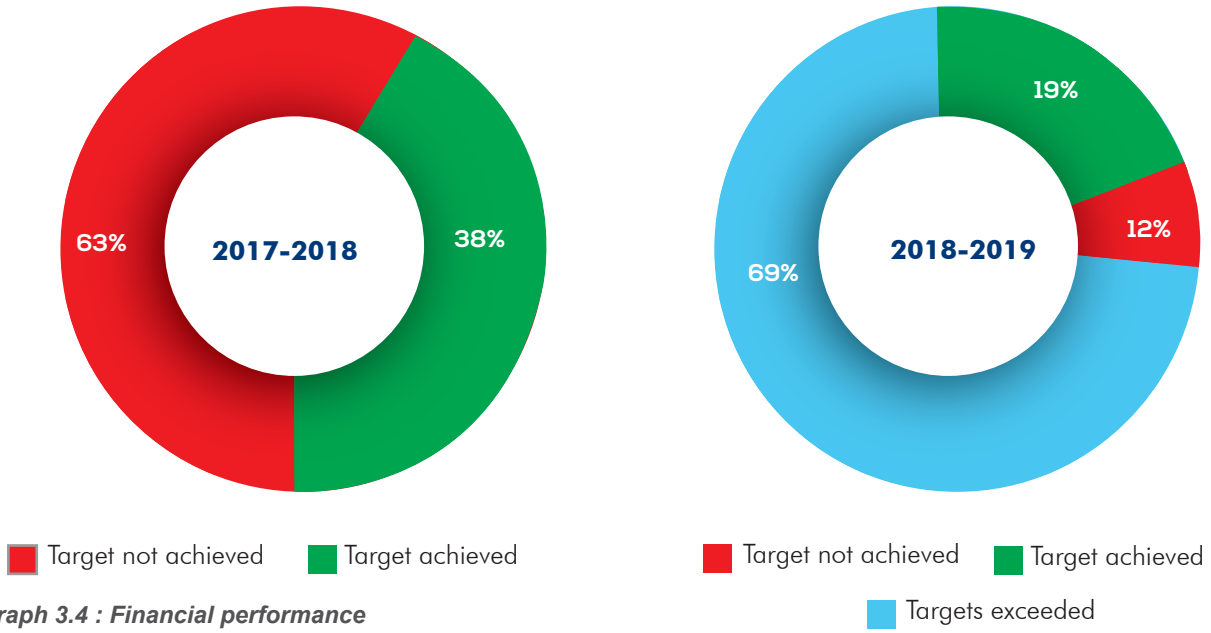
ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS



Graph 3.3 : Organisational efficiency and effectiveness

PERFORMANCE PERSPECTIVE: ORGANISATIONAL EFFECIENCY AND EFFECTIVENESS		
INDICATOR NO	**INDICATOR/MEASURE**	**REASON FOR VARIANCE AND RECOVERY PLAN**
STRATEGIC OBJECTIVE: To ensure that 81% of WSAs in the province are contracted as customers through ownership or ROU by 2036.		
1.2.2	% of actual CAPEX budget spend on expansion related projects (initiatives by the Minister)	• Target was not achieved due to contractor and PSP suspending works as a result of the DHSWS payment and budget constraint challenges. • The contractor suspended works due to non-payment of the following payment certificates: Payment Certificate 37, 38, 39, 40 and 44 valued at R13 406 651.73. • The contractor was ready to re-establish site but could not as the PSP suspended site due to non-payment by the Nelson Mandela Bay Metropolitan Municipality. The total delay within the financial year equated to six months, that is, from November 2018 to April 2019.

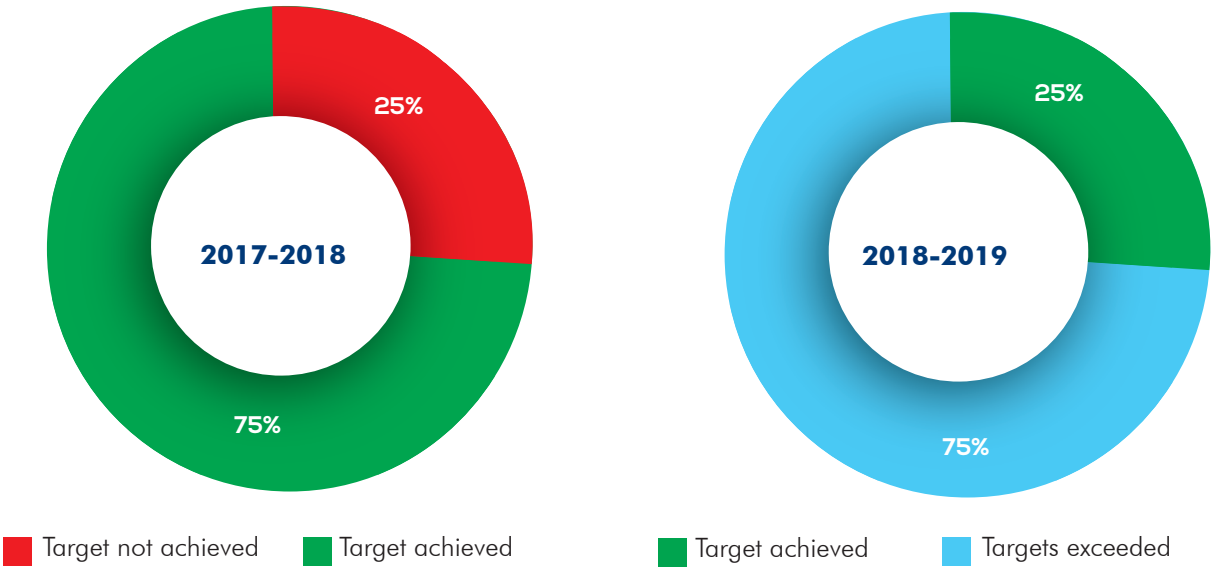
FINANCIAL PERFORMANCE



Graph 3.4 : Financial performance

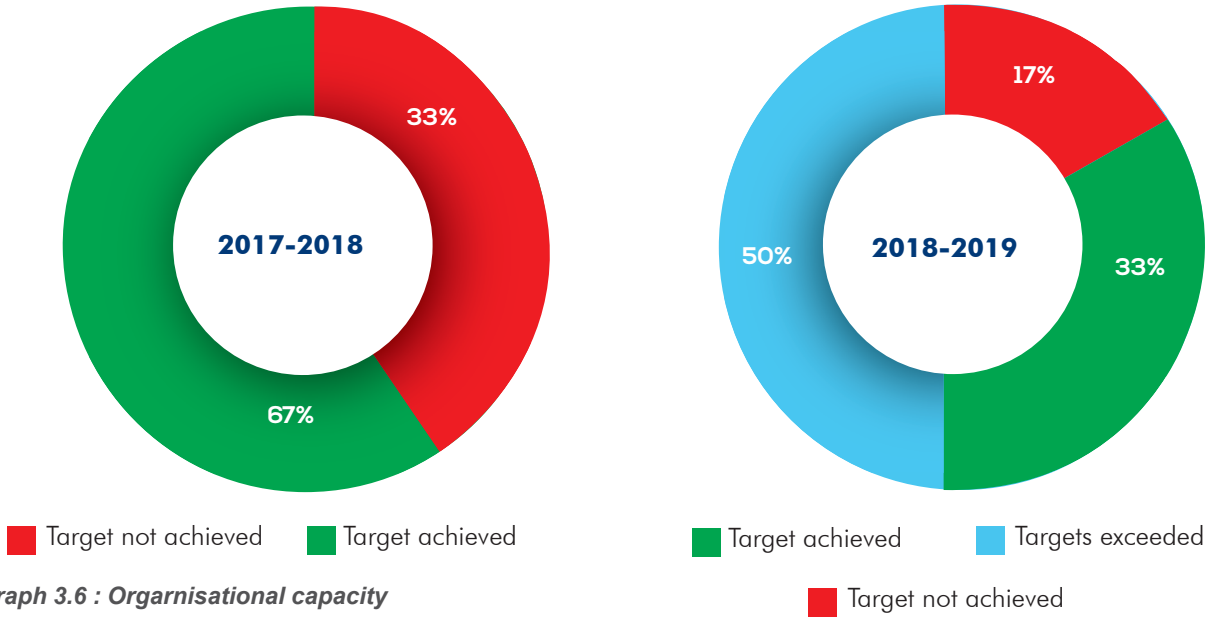
PERFORMANCE PERSPECTIVE: FINANCIAL PERFORMANCE		
INDICATOR NO	**INDICATOR/MEASURE**	**REASON FOR VARIANCE AND RECOVERY PLAN**
STRATEGIC OBJECTIVE: To establish and implement funding mechanisms and models to increase volumes to 170Ml/day by 2022		
6.1.2	Repairs and maintenance as % of PPE and Investment Property (carrying value)	• Target not achieved: Repairs and maintenance was underspent against budget by 25.6% in the 2018/2019 finatial year. This is due to procurement delays and overall cost containment measures. The introduction of framework contracts will address the delays in the supply chain management processes. This target will be closely monitored by the Management in the 2019/20 financial year.
7.1.8	R-value overall project expenditure	• Target was not achieved due to a six-month delays on Nooitgedacht as a result of the non-payment of the contractor by DHSWS and non-payment of PSP by the NMBM. • The Amatola Water plant upgrades did not progress due to the contractor being terminated and who has threatened Amatola Water with legal action. The suspended work by PSP has resulted in procurement delays to replace contractors. • The late confirmation of budget by DHSWS for the Ndlambe project resulted in the underspending on the project.
7.1.9	Overall project completion dates within targets	• Target not achieved due to contractual issues, procurement delays, budget constraints and slow contractor progress as a result cash flow challenges. During the year, the PSP abandoned sites which impacted greatly on the progress of projects. • The water crisis in Makana caused a delay in the finalisation of Phase 1 of the James Kleynhans project. Phase 2 is currently at the evaluation stage and will be finalised in the first quarter of the 2019/20 financial year. • The following projects were affected by the contractual issues, procurement delays, budget constraints and slow contractor progress: AW Upgrades: (15%) AW Pipelines: (5%) James Kleynhans: (39%); Ndlambe BWS: (77%) KSD PI: (83%) Coffee Bay: (60%) and SRVLM Paterson: (95%). • The PMU Unit and Support Engineers will address progress on site and continuously engage with the PSPs and contractors during the 2019/20 financial year to mitigate any future risks.

CUSTOMER/STAKEHOLDER INTERACTION



Graph 3.5 : Customer/stakeholder interaction

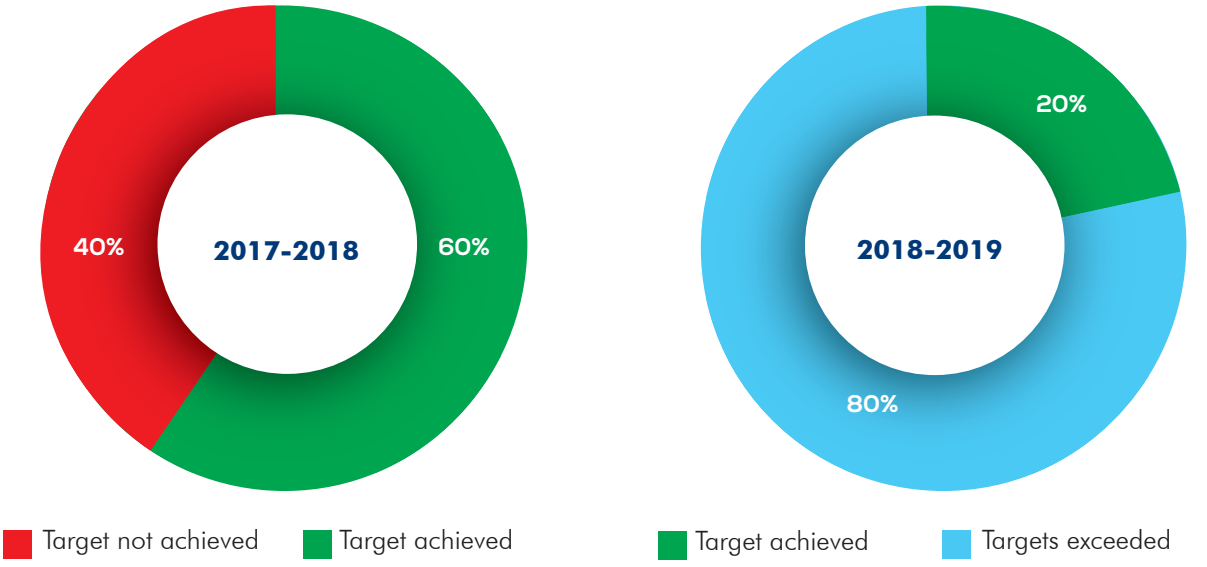
ORGANISATIONAL CAPACITY



Graph 3.6 : Orgarnisational capacity

PERFORMANCE PERSPECTIVE: FINANCIAL PERFORMANCE		
INDICATOR NO	**INDICATOR/MEASURE**	**REASON FOR VARIANCE AND RECOVERY PLAN**
STRATEGIC OBJECTIVE: To achieve an organisation effectiveness score of 4 out of a 5 point Likert scale by 2022		
7.1.12	# of permanent jobs created	• Target not achieved; recruitment budget cuts for permanent and contract employees (353 includes the Fixed-term Contractors). • This target will be reviewed in the 2019/2020 financial year in line with the budget which only takes into consideration permanent employees.

GENERAL PERFORMANCE



Graph 3.7 : General performance



4

LEADERSHIP & EMPLOYEE DEVELOPMENT

INTRODUCTION

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

Leadership and employee development is one of the 10 outcomes for sustainable value creation (page 35).

It focuses on labour and employment matters such as:

- **Human capital and workforce matters:** Recruitment and selection, occupational health, performance and accountability monitoring and corrective action, wellness programmes and training and development.
- **Socio-economic development:** This focus areas is informed by the goals and purpose of the Employment Equity Act,1998 (Act No 55 of 1998) and Skills Development Act,1998(Act No 97 of1998).

LABOUR PRACTICES AND DECENT WORK

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

EMPLOYMENT

Amatola Water seeks to maintain a workforce that enables it to deliver quality services to all stakeholders. The entity's 2018/19 workforce profile includes 322 permanent employees and 31 fixed-term contract employees (target 355) in various functions:

SALARY BAND/ OCCUPATION LEVELS	APPOINTMENTS	TERMINATIONS	EMPLOYEES AT THE END PERIOD
Top management	0	0	1
Senior management	1	0	3
Professionals and mid-management	5	3	25
Skilled technical workers and junior management	2	6	95
Semi-skilled	5	7	143
Unskilled	2	2	55
Total	**15**	**18**	**322**

Table 4.1: Staff movement and profile as at 30 June 2019

Vacancies are monitored against the organisation's approved interim structure which was reviewed to be more reflective of its current needs and budget. A full organogram review, underpinned by a productivity analysis, is scheduled for 2019/20. Management continues to critically evaluate the necessity of vacancies to be filled on a permanent and fixed-term basis, given the financial situation and pending organogram review of the organisation. This has resulted in a performance slightly below target.

APPROVED POSTS 2018/19 (PER DIVISION)	DIVISION (PER INTERIM STRUCTURE)	EMPLOYMENT AT END OF PERIOD	VACANCIES	% VACANCIES
CE Office	11	16	2	0.62
Corporate Services	34	23	3	0.93
Planning and Development	38	26	9	2.7
Finance	33	31	2	0.62
Operations	229	226	7	2.17
Total	**345**	**322**	**23**	**7.04**

Table 4.2: Staff vacancies as at 30 June 2019

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



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



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



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

Table 4.3: Employment equity statistics at 30 June 2019

CATEGORY	NUMBER	% OF TOTAL TERMINATIONS
Death	1	0.31
Resignation	8	2.48
Dismissal	1	0
Retirement	8	2.48
Ill health	1	0.31
Other	0	0
Total	**18**	**5.58%**

Table 4.4: Staff terminations for period ending 30 June 2019

During the period under review, 18 employees left Amatola Water for reasons other than dismissal. Labour turnover decreased from 9.8% in 2017/2018 to 5.58% in 2018/2019. This was within the target of 1% per annum.

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

Table 4.5: Personnel expenditure by division

EMPLOYEE RELATIONS

Sound relations with organised labour, as a key social partner, is of paramount importance to the success of Amatola Water who has a collective agreement with the South African Municipal Workers Union (SAMWU). Membership of this union by Amatola Water stood at 235 members (72.98%) as at 30 June 2019.

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

Management and organised labour, through a Local Labour Forum, schedule six meetings per annum as per the collective agreement.

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

All planned engagements were met during the year and continued focus was placed on the organisational Turnaround Plan, as well as the resolution of the majority of long-outstanding grievances. The deadline for resolution of the grievances was June 2019.

The determination by the CCMA is nearing finalisation in relation to the minimum services agreement required for essential service organisations in the event of industrial action.

Currently, SAMWU has six shop stewards and a major focus for the year has been on their capacitation given that some were new.

The wage agreement for 2018/19 was concluded with the awarding of a 6.5% inflationary increment. Currently, several cases are under investigation as a result of misconduct related issues due to management's focus on discipline which is guided by an updated Disciplinary Policy and Code.

NATURE OF DISCIPLINARY ACTION	NUMBER
Final written warning	2
Suspension	1
Dismissal	0
Total	**3**

Table 4.6: Number of disciplinary actions

Senior and complex disciplinary cases were handled by external resources during the performance year. The capacitation of line management in handling disciplinary cases continued during the year. This intervention aims to ensure that cases are handled internally and that there is an improved focus on consequence management. Senior Commissioners from the Commission for Conciliation, Mediation and Arbitration (CCMA) conducted training on negotiation skills and building workplace relations.

EMPLOYEE WELLNESS

Amatola Water values employee health and recognises the role wellness can play in the workforce. Whether simple or complex, every wellness effort contributes towards a healthier and more productive work environment.The Wellness Clinic was relaunched during June 2019 with the introduction of a new occupational health service provider. Wellness initiatives focused on ergonomics and cancer awareness.

The entity's occupational health programme is in line with the Occupational Health and Safety Act (No. 85 of 1993) and seeks to attain balance between the employee and his or her job-fit as well as minimising workplace injuries and accidents.

The South African Bureau of Standards (SABS) audit reviewed medicals conducted during the year and efforts on revitalising the clinic were the focus of the last quarter. Close work with Safety department ensures that all accidents are investigated to prevent recurrence. Psycho-social counselling for employees took place during the financial year with a special focus on post-strike counselling.

NATURE OF REFERRALS	NUMBER
Psycho-social	6

Table 4.7: Nature of referrals

TRAINING AND DEVELOPMENT: LEGISLATIVE AND FUNCTIONAL TRAINING

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

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

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

The training budget and expenditure per employee was reduced during the past financial year due to the late commencement of the training plan implementation. Training focused on compliance-related training and development critical to the organisational Turnaround Plan. Special attention was given to recognition of prior learning to ensure that employees are able to capitalise on experience gained.

PERSONNEL EXPENDITURE (R)	TRAINING EXPENDITURE (R)	TRAINING EXPENDITURE AS A % OF PERSONNEL COSTS	NO EMPLOYEES TRAINED	TRAINING COST PER EMPLOYEE (R)
179,540,937	1,941,720.63	1%	173	11,223.81

Table 4.8: Training expenditure for 2018/19

	MALE				FEMALE				TOTAL
DESCRIPTION	AFRICAN	COLOURED	INDIAN	WHITE	AFRICAN	COLOURED	INDIAN	WHITE	
Top management	0	0	0	0	1	0	0	0	1
Senior management	1	0	0	0	1	0	0	1	3
Professionals and mid-management	9	0	1	4	5	1	1	3	24
Skilled technical workers and junior management	32	7	1	6	14	2	0	0	62
Semi-skilled	46	1	0	1	22	0	0	0	70
Unskilled	12	0	0	0	1	0	0	0	13
Total	100	8	2	11	44	3	1	4	173

Table 4.9: Training equity profile (Number of people who attended training per race and gender and occupational level

FINANCIAL STUDY ASSISTANCE

In line with Amatola Water's objectives to attract and retain employees and enhance productivity levels, Amatola Water provided financial assistance to 32 employees for tertiary education during the reporting period. The annual target (for bursaries) was 15.

In support of the entity's Employment Equity Plan to improve female representation at all levels, 18 of the recipients were female.



PERFORMANCE AND REMUNERATION

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

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

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

Ongoing management oversight and employee support remains vital to ensure continued efficiency and effectiveness of the individual performance management system. The target of 100% compliance of employee reviews to be performed quarterly remains a challenge in that delays are experienced in relation to adherence to cycle times. Automation of the performance management system is a key deliverable for 2019/20. During the year under review, benchmarking was conducted with the Nelson Mandela Bay Metropolitan Municipality during the reporting year in an effort to improve.

The Remuneration Policy was revised after extensive consultation and approved in December 2018. This was followed by HR roadshows to create awareness of Amatola Water's remuneration philosophy and policy content.

ORGANISATIONAL CULTURE

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

Leadership development was a key focus area of the Turnaround Plan for 2018/19. Team coaching sessions were facilitated by an external leadership coach and culminated in unpacking Amatola Water's values into understandable behaviours and practices.

External culture surveys conducted by a service provider commenced in April 2019.

The surveys were completed in June 2019 and the final reports are anticipated early in the new financial year. The feedback thus far was that there are opportunities for better utilisation of staff and improved communication. Staff wellness was also raised as a concern, especially in relation to stress management. Improvement of identified key areas will be the focus for 2019/20.

INFORMATION TECHNOLOGY

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

The focus for 2018/19 was ICT governance, the management of risks and key ICT projects required to support business operations.

ICT GOVERNANCE

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

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

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

KEY PROJECTS

The focus for 2018/19 has largely been on:

- The enhancement of the current ICT security measures through the installation of an onsite firewall with intrusion detection and prevention while providing sophisticated protection against cyber-attacks
- The encryption of end-user machines to secure organisational information
- Improved data protection by installing an automated computer backup client on all laptops
- The completion of the ICT server environment consolidation project, thus reducing 12 physical servers (hosts) to a virtualised environment which makes use of seven hosts only
- The finalisation of the EPM system which included piloting, verifying and reconciling of data. EPM will remain a key project for the organisation as a means of enhancing and aligning financial reports according to financial standards
- The approval and implementation of an eLeave initiative project that aims to replace manual processes with electronic interventions whilst remaining environmentally friendly; eLeave will allow employees to capture leave electronically
- The development of a risk management system, which aims to improve organisational reporting capabilities while reducing manual processes.

The improvement of business continuity by means of:

- The replacement of earmarked ICT infrastructure including radio frequency (RF) links
- Improved replication process for data backups
- Maintenance of an average of 98.3% for infrastructure and system availability while meeting the annual target of 98.3%
- The replacement of UPS infrastructure
- An annual review of the Disaster Recovery Plan (DRP).

ICT audit compliance:

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

Corporate governance of ICT

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

FUTURE PLANS

Projects planned for the ICT department for the 2019/20 financial year that are aligned with the organisational strategy are:

- Implementation of the corporate governance of ICT
- The approval of the ICT Strategy
- A review of the DRP that is in line with best practice and industry standards
- Implementation of the ICT projects
- The development and implementation of an in-house Performance Management System
- Ongoing enhancement and maintenance of all current systems including enhancement of organisational communication tools
- Ongoing ICT security and infrastructure enhancement
- A review of the data backup solution
- The completion of eLeave system implementation
- The automation of manual business processes.



5 ENVIRONMENTAL SUSTAINABILITY

ENVIRONMENTAL SUSTAINABILITY

Amatola Water's Environmental Sustainability Strategy provides the framework for environmental sustainability and governance.

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

The Amatola Water Environmental Awareness Campaign was launched. The campaign was developed as part of a broader environmental management system, focused on increasing environmental awareness among employees and specifically, what individuals can do to decrease their environmental footprint at work and home.

The "Our Eco Journey" logo is closely aligned with the Amatola Water logo and is used to convey environmental messages to all employees. This campaign will be expanded over the years, with an increasing emphasis on reducing the organisational environmental footprint in the areas of water, energy and waste.

The development of the Environmental Management System (ISO14001) and environmental reporting gained momentum in the year.

Currently, the Environmental Management System includes the Nahoon Water Treatment Works operational area only. However, it will be expanded to further operational areas over the coming years with the aim of ISO certification by 2022.

The Environmental Management System will be aligned with the Quality Management System (ISO9001) that is currently in development.

At the same time, while developing the management system, environmental reports are being developed and streamlined to improve functionality: for monitoring (compliance) and identification of trends that require interventions to reduce the environmental footprint or provide other appropriate management interventions, for example, drought management interventions.

Quarterly reports are developed per environmental impact such as dam supply levels, abstraction and water losses and evaluated in terms of water resources management and assessment.





Figure 1 The environmental awareness campaign logo: "Our Eco Journey" with the invitation to employees to join the journey.

ENVIRONMENTAL MONITORING AND REPORTING

Amathole system quarterly % full supply capacity and total rainfall

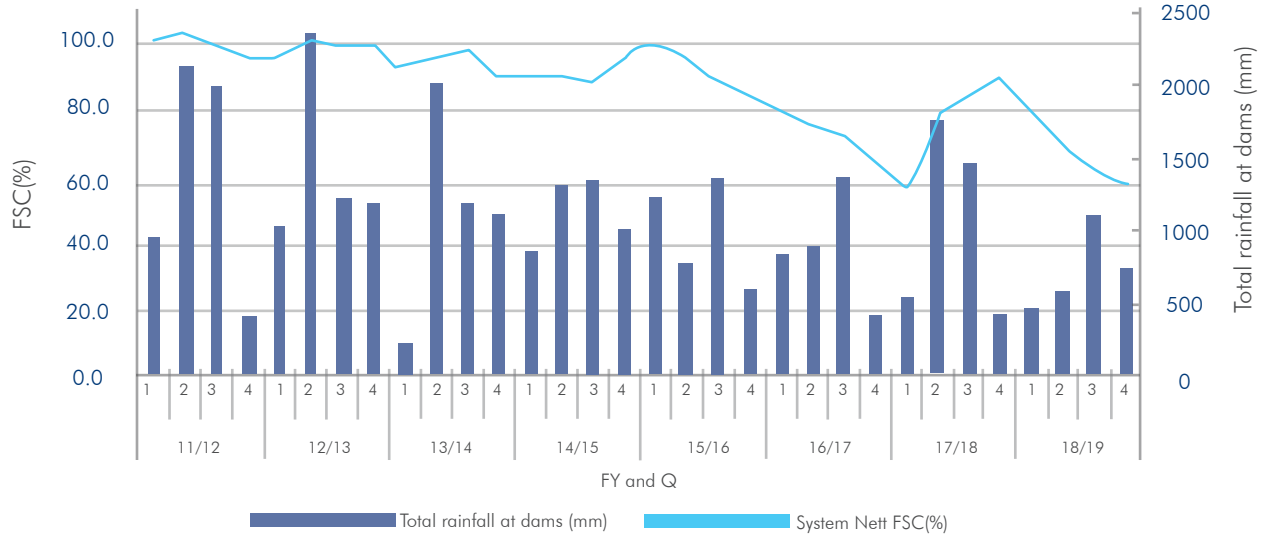


Figure 5.1: Full supply capacity of dams within the Amathole Water Supply System

Figure 5.1 illustrates the full supply capacity of dams within the Amathole Water Supply System for the last eight financial years. The system comprises the Gubu, Wriggleswade, Nahoon, Rooikrantz and Laing dams and are managed by Amatola Water. The Bridle Drift Dam is managed by Buffalo City Metropolitan Municipality. The impact of the current drought can be seen. The Google Earth image below shows the position of the dams.



Figure 5.2 :Full supply capacity of dams within the Amathole Water Supply System

Total annual water losses per WTW (large and medium)

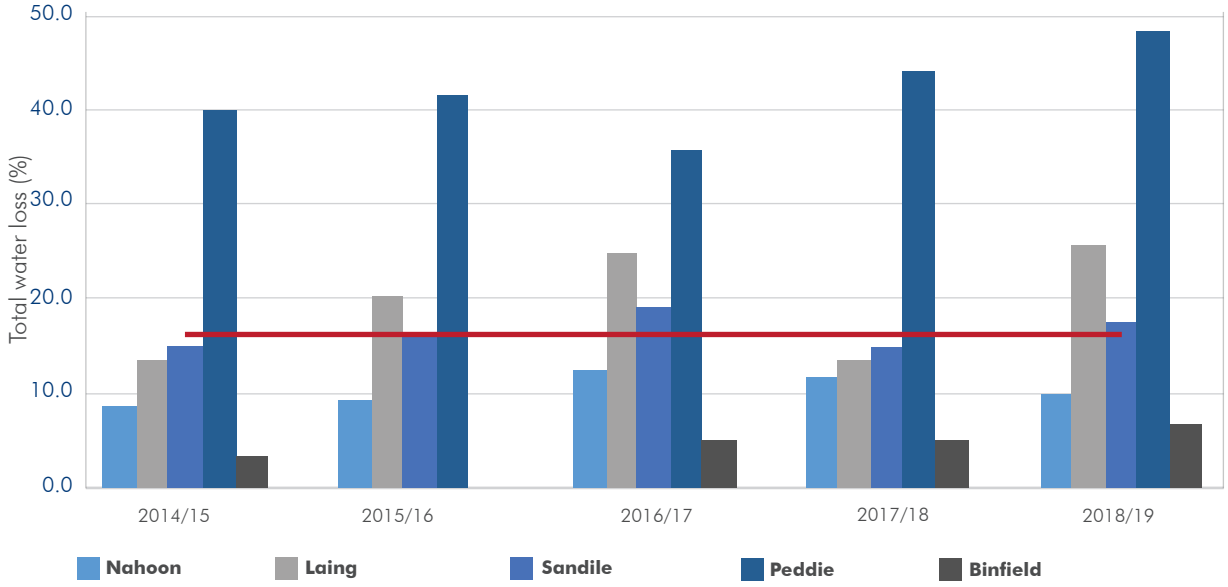


Figure 5.3: Amatola Water water losses (%) for the last five years

Total annual water losses per WTW (small)

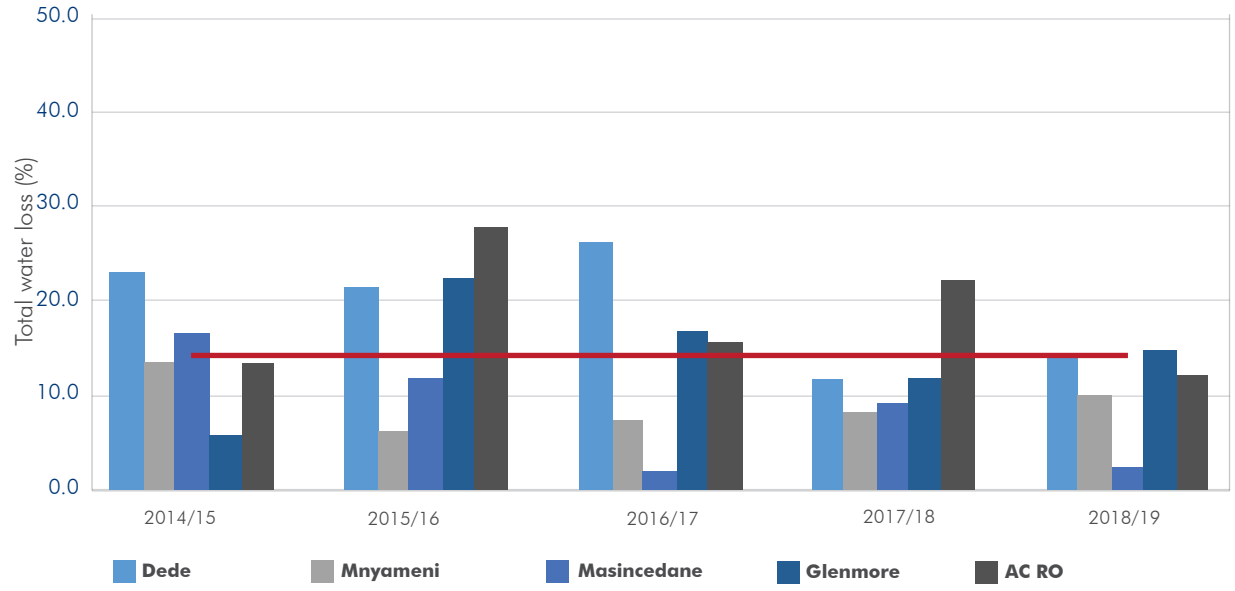


Figure 5.4:Total water losses (for plant and network) per water supply scheme

Figure 5.3 and 5.4 illustrate the total water losses (for plant and network) per water supply scheme, relative to the organisational target of 14%, for the last five years.





6 OPERATIONAL REVIEW

INTRODUCTION

Amatola Water remaines committed to meeting all its bulk supply agreement obligations and conducts regular proactive maintenance on its assets as a fundamental part of continuous operations management.

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

PRIMARY BUSINESS ACTIVITIES

AMATHOLE DISTRICT MUNICIPALITY

Amatola Water provides bulk raw and potable water services to the Amathole District Municipality (ADM) through a negotiated three year bulk supply agreement that is in line with the South African Local Government Association (SALGA) and South African Association of Water Utilities (SAAWU) guidelines. The agreement is valid until June 2020. The agreement was serviced in line with the contractual conditions and obligations.

BUFFALO CITY METROPOLITAN MUNICIPALITY

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

At the time of the announcement Amatola Water had already entered into a 30-year supply contract with the Buffalo City Metropolitan Municipality that, was signed on 30 May 2002. This agreement remains valid until 30 May 2032 and the agreement has been serviced effectively.

NDLAMBE LOCAL MUNICIPALITY

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

RAW WATER PRODUCTION

Amatola Water plants are all supplied from the dams within the Amathole and Keiskamma Water Supply System, with the exception of Albany Coast that abstracts sea water from the Boesmansriviermond and then blended with brackish water from the Diaz Cross sand dunes, which is located in the Ndlambe Local Municipality.

Below is an overview of these dams' levels over the past two financial years:

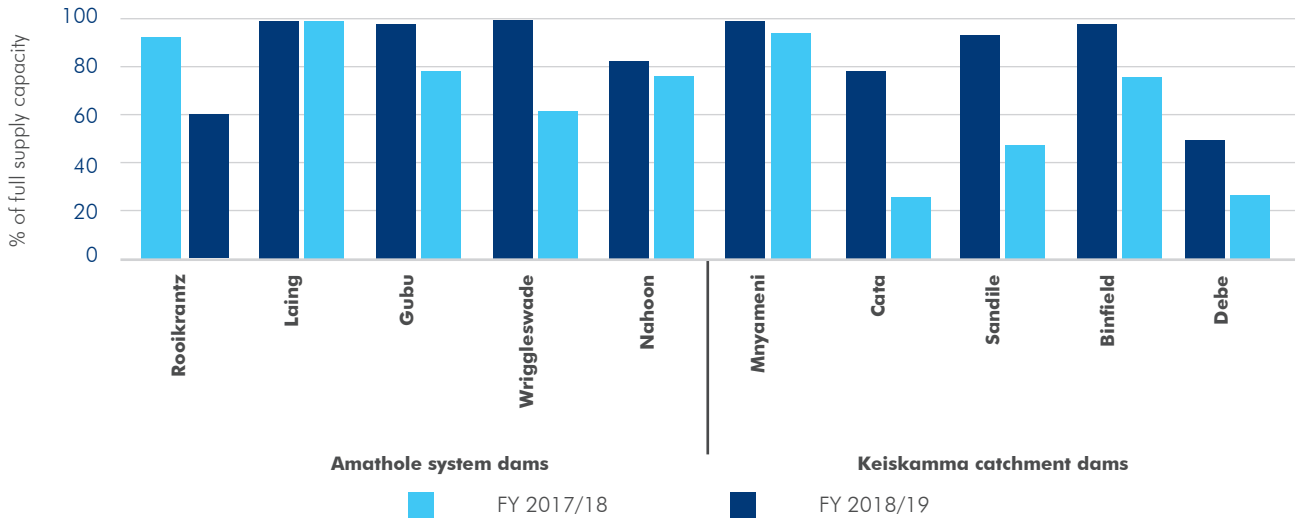


Figure 6.1: Comparison of average annual supply levels of Amatola Water dams

POTABLE WATER PRODUCTION

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

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

RAW WATER SOURCE	WATER TREATMENT WORKS / SCHEME	2018/19 WATERWORKS CAPACITY (Ml/d)	SUPPLY AREA/NATURE OF AREA SERVED
Sandile Dam	Sandile	18	Dimbaza Town, Middledrift Town, Fort Cox College, Bulembu Airport and more than 128 surrounding villages (20% urban and 80% rural)
Sandile Dam pumping from Craighead Weir	Peddie	6.6	Peddie Town, Nompumelelo Hospital, peri-urban areas of Debe and Feni, surrounding villages (20% peri-urban and 80% rural)
Debe Dam	Debe	5	Rural
Mnyameni Dam	Mnyameni	0.2	Rural
	Masincedane	6	Rural (20% peri-urban and 80% rural): Keiskammahoek
Binfield Park Dam	Binfield Park	4.8	Urban areas of Alice, Khayalethu and kuNtselamanzi, rural service centres of lower and upper Hopefield, 38 rural villages, Fort Hare University and Phandulwazi Agricultural College
Lower Fish GWSS from Glen Boyed Dam	Glenmore	0.5	Rural
Laing Dam	Laing	33	Bhisho, Balassi, Berlin,Llitha, Zwelitsha, Pakamisa,Ndevana, Potsdam, Mount Coke, Mdantsane (63% urban, 17% peri-urban and 20% rural)
Nahoon Dam	Nahoon	33.7	East London/Reeston/ Mdantsane/ Newlands/ Macleantown (95% urban and 5% peri-urban)
Sea and ground water	Albany Coast reverse osmosis plants	3.8	Port Alfred, Bathurst, Kleinemonde, Kenton-on-Sea, Bushmans River,Boknes, Cannon Rocks and Alexandria
TOTAL		**111.6**	

Table 6.1: Potable water production

PRODUCTION QUALITY

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

Three plants achieved "good" water quality while seven plants achieved "excellent" water quality during the year against a set target of seven plants achieving "good/better" water quality.

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

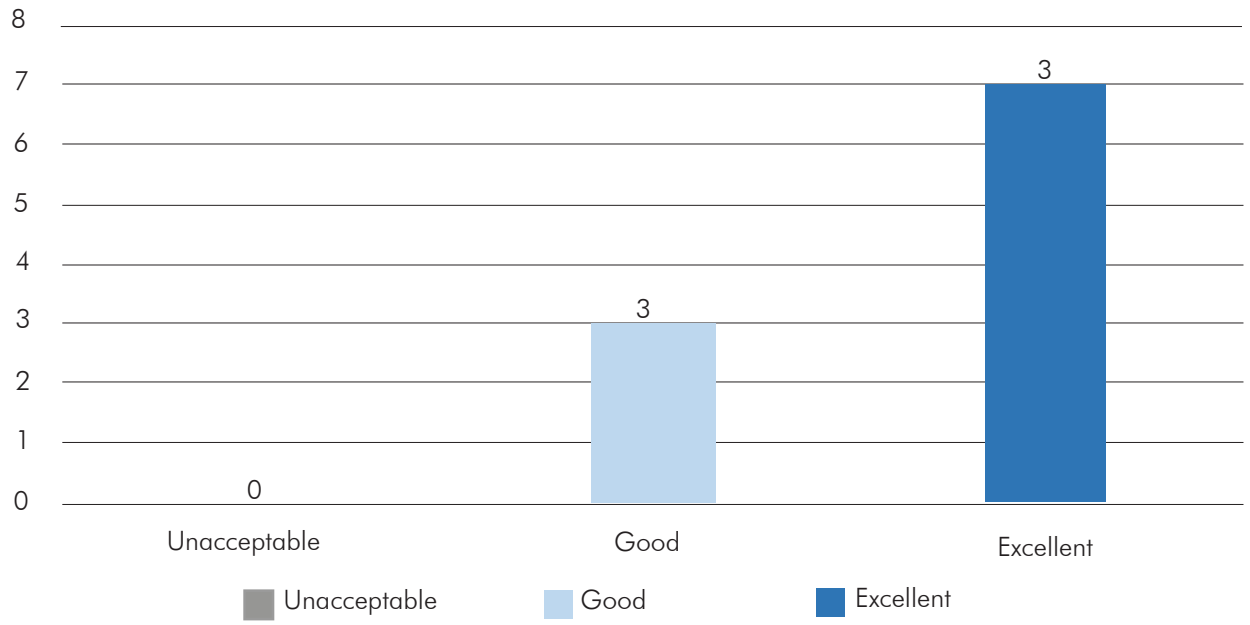


Figure 6.2: Number of plants and water quality results achieved 2018/19

POTABLE WATER PRODUCTION

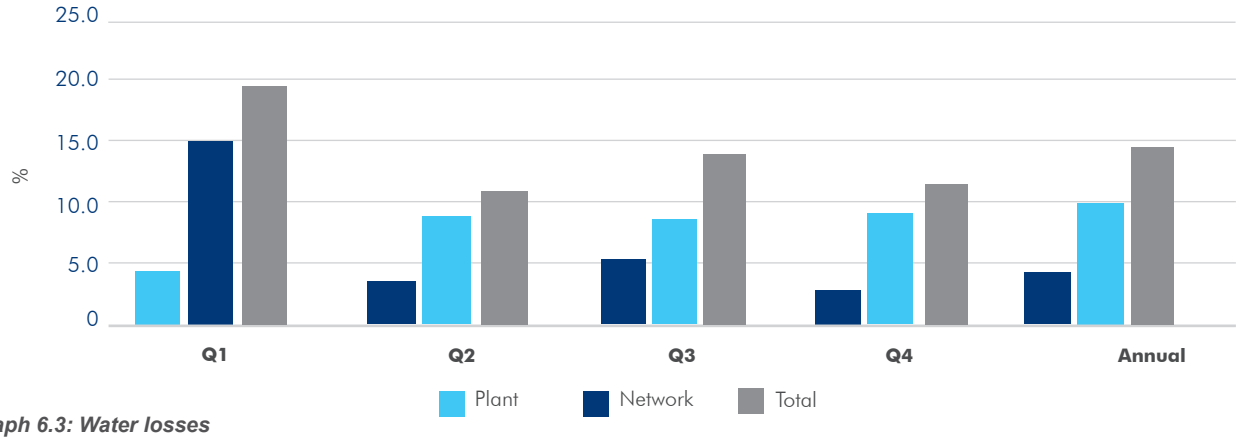
The volume of potable water produced was 35.01 million cubic meters for the 2018/19 financial year, which is marginally lower than the 35.46 million cubic meters produced in the 2017/18 financial year.

WATER LOSSES

An average total plant production loss of 3.9% was achieved during the year compared with the SAAWU benchmark of 7%. However, the total network losses for treated water increased to 10.1% from 8.3% in the previous year. The total combined water loss of 14% against the company target of 14% was achieved.

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

See Graph 6.3 below which gives a comparison in the % water losses during the past year.



Graph 6.3: Water losses

NON-REVENUE WATER

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

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

THREE-YEAR TELEMETRY PLAN

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

The largest and most consuming Telemetry Project of the year has been the drastic expansion of the system through the installation of over four new reservoir based telemetry stations and 37 digital radios, which replaced the old analogue radios. These included installations through-out Laing, Peddie, Nahoon, Sandile, Glenmore and Binfield.

The Governorskop Repeater has been brought into service. The Glenmore and Albany Coast plants were incorporated into the SCADA System to make provision for the expanding of the telemetry system in this area of operation.

OPTIMISING OPERATIONAL EFFECIENCIES

WATER PRODUCTION

A decrease of 1% on bulk potable water supply was recorded this year. This decrease was mainly due to the strike action during August 2018, the effect of the ADM water restrictions, effective water conservation and water demand management, on the side of the reticulation. Most of the operating plants were running above their design capacity and hence plant the upgrades were executed.

STORAGE AND SUPPLY CAPACITY EXPANSION

Amatola Water's customers had an overall assurance of supply of 99.93% during the year under review, which exceeded the set target of 98%.

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

PUMP EFFICIENCY MONITORING PROGRAMME

There has been a decrease in the electricity consumed during the treatment and distribution process. The ratio of kWh/m3 of water produced reduced from 0.856 in 2017/18 to 0.844 in the 2018/19 financial year. This has resulted in less Eskom-imposed load shedding outages.

Below is the kWh/m3 of water-produced ratio tables for the 2017/18 and 2018/19 financial years.

WTW	ENERGY CONSUMPTION (KWH)	VOLUMES PRODUCED (M^3)	KWh/m^3
Masincedane WTW	29 141	927 385	0,03
Glenmore WTW	191 350	219 733	0,87
Peddie WTW	698 753	2 938 488	0,24
Mnyameni WTW	55 910	88 733	0,63
Nahoon WTW	8974 028	11 279 001	0,80
Laing WTW	10 229 722	8 510 580	1,20
Sandile WTW	4 923 439	7 056 130	0,70
Debe WTW	1 288 700	829 457	1,55
Binfield Park WTW	1 120 371	1 974 581	0,57
Albany Coast	2 186 582	860 237	2,54
TOTAL	**29 697 996**	**34 684 325**	**0,856**

Table 6.4 Electrical consumption over water production 2017/18

WTW	ENERGY CONSUMPTION (KWH)	VOLUMES PRODUCED (M^3)	KWh/m^3
Masincedane WTW	26 234	971 621	0,027
Glenmore WTW	245 846	274 182	0,897
Peddie WTW	595 357	2 969 716	0,200
Mnyameni WTW	58 291	85 547	0,681
Nahoon WTW	8 437 900	11 487 394	0,735
Laing WTW	10 616 562	9 096 890	1,167
Sandile WTW	4 953 957	6 950 217	0,713
Debe WTW	1 311 494	891 801	1,471
Binfield Park WTW	1 040 681	1 552 057	0,671
Albany Coast	2 332 994	814 396	2,865
TOTAL	**29 619 316**	**35 093 821**	**0,844**

Table 6.5 Electrical consumption over water production 2018/19

LOOKING FORWARD

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

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

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

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

The primary business sector achieved a ratio of 77:23 for planned versus unplanned maintenance and missed the company benchmark target of 80:20. Eighty percent of service orders for planned maintenance and 83% for unplanned maintenance were completed.

AMATOLA WATER CAPITAL UPGRADES

	UPGRADING OF DEBE WATER SUPPLY SCHEME
PROJECT DESCRIPTION	**SCOPE** ● Phase 1 caters for the upgrading of the existing water treatment works to a 5ML/day package plant ● Phase 2A caters for the bulk distribution mains from the plant to the reservoirs (20 188m) ● Phase 2B caters for the construction of the bulk storage (3 No Reservoirs – 2 x 3ML + 1 x 1.8ML) ● Phase 2C caters for the upgrading of the mechanical and electrical equipment at the pump stations for the new demands **OBJECTIVE** To improve the quality and quantity of supply from the existing water treatment works (Phase 1), as well as from the mechanical and electrical equipment at the pump stations (Phase 2C). **LOCATION** Eastern Cape, between the settlements of Dimbaza and Middeldrift in the Amathole District Municipality & Nkonkobe Local Municipality
PROGRESS/STATUS	● Phase 1 – Water treatment works (Defects liability period):100% ● Phase 2A – Bulk distribution (Defects liability period): 100% ● Phase 2B – Bulk storage (terminated): 47% Constructed at time of termination ● Phase 2C – Mechanical and electrical (Re-tender): 5% Construction

	UPGRADING OF THE 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 quality and quantity of supply and the gravity distribution main feeding the reservoirs and reservoir storage **LOCATION** Location: Eastern Cape, Amathole District Municipality, Nkonkobe Local Municipality
PROGRESS/STATUS	● Upgrade of the Binfield WTW mechanical and electrical works: 85% ● Extensions to the water purification works: Civil works: 85% ● Construction of bulk reservoirs and rising main: 53%

	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 quality and quantity of supply, construction of a new rising main and improvement of the reservoir storage. **LOCATION** Eastern Cape, Amatole District Municipality.
PROGRESS/STATUS	● Upgrade of the water treatment works and reservoirs: 100% ● Upgrade of the mechanical and electrical works: 100% ● Upgrade of the Upper Mnyameni rising mains and pump stations: 99%

	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** The upgrade of the Sandile WTW to improve the quality of life and create socio-economic growth by increasing water provision to meet the minimum standard of 750ml/household per day. **LOCATION** Eastern Cape, Amathole District Municipality, Raymond Mhlaba Local Municipality
PROGRESS/STATUS	● Civil 1 – 2 x 16 Ml Reservoirs – Construction completed ● Civil 2 – New British Ridge rising main – Design and tender stage ● Civil 3 – Civil infrastructure for new WTWs & pump-station – Preliminary design stage ● M&E1 – Mechanical & electrical for Civil 3 – Preliminary design stage

SECONDARY BUSINESS ACTIVITIES

DEPARTMENT OF WATER AND SANITATION

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

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

NATIONAL DEPARTMENT OF PUBLIC WORKS

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

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

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

MAKANA LOCAL MUNICIPALITY INTERVENTION

Amatola Water was contracted by the Office of the Premier to provide operations and maintenance support to the Makana Municipality from 8 March 2019 to 7 July 2019.

A Right of Use (RoU) contract has been signed between the Office of the Premier, Makana Local Municipality and Amatola Water.

The RoU aimed to restore the water capacity in the Makana bulk water infrastructure at the Waainek, James Kleynhans, Riebeeck East and Alicedale bulk water systems.

The partnership improved the assurance of supply from an average of 11Ml/day to about 16Ml/day, while adhering to SANS 241 Quality Standards. Turbidity improved from an average of 20NTU to 0.75NTU during the period of intervention.

EASTERN CAPE DEPARTMENT OF EDUCATION

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

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

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

OR TAMBO DISTRICT MUNICIPALITY – MTHATHA PIPE REPLACEMENT

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

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

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

INFRASTRUCTURE MASTERPLAN (IMP)

Early in 2019, Amatola Water embarked on a new process to secure the services of a new Professional Service Provider (PSP) to undertake the IMP following the termination of the previous PSP.

The Amatola Water IMP PSP procurement process was finalised on 16 May 2019 when the BAC resolved the appointment. The IMP development process is now underway and some deliverables are being produced.

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

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

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

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

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

	NDLAMBE REGIONAL BULK WATER SUPPLY
PROJECT DESCRIPTION	**SCOPE** ● Completion of the BWRO plant (mechanical and electrical) ● Completion of the civil works – Pipe work and reservoir supplying water to BWRO Plant ● Effluent brine water recovery – feasibility **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, Ndlambe Local Municipality
PROGRESS/STATUS	● Contract 14-95% progress ● Contract 15-65% progress ● Procurement of BWRO- Veolia replacement contractor in near completion

	NOOITGEDAGT/COEGA LOW LEVEL SCHEME (NCLLS) – PHASE 3
PROJECT DESCRIPTION	**SCOPE** ● 45 ML: Foundations: footing & floor slab, columns & bases, GRP scour pipe, inlet and outlet overflow, walls: formwork, rebar & concrete, roof slab, chamber & interconnecting pipes ● WTW: Settling tanks, backwash balancing tank and filters ● Pre-cast yard and pipelines; construction of EME storage facility building, cathodic protection and AC mitigation, scoping to pipe line rehab, manufacture of precast chambers and placing of precast chambers & 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, Port Elizabeth (Nelson Mandela Bay Metropolitan Municipality)
PROGRESS/STATUS	● 45ML reservoir-53% completion ● Nooitgedagt WTW-65% progress ● Pre-cast yard pipeline rehabilitation-64% progress

	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 ● Sludge ponds–Construction of new sludge ponds ● Mechanical works–Refurbishment of existing and installation of new ● Electrical (Internal)–Refurbishment of existing and installation of new ● Interconnecting pipe work–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 = 92% complete

	JAMES KLEYNHANS BULK WATER SUPPLY – PHASE 2
PROJECT DESCRIPTION	**SCOPE** • Upgrading chemical building–Upgrading and refurbishment of existing building • Extension of flocculation channels–Construction of additional floc channel • Sedimentation tank(10Ml/d)–Construction of new sedimentation tanks • Filters(10Ml/d)–Construction of 4 additional new filters • Clear water storage(1.0Ml)–Construction of new reservoir below filters • Electrical(Internal)–New electrical installation for additional infrastructure • Instrumentation(SCADA & PLC)–Installation of new infrastructure • Telemetry–New installation • Interconnecting pipe work–Construction of new interconnecting pipelines • Miscellaneous works **OBJECTIVE** To ensure that Makanda has an adequate water supply during peak and drought conditions **LOCATION** Eastern Cape, Sarah Baartman District Municipality, Makana Local Municipality
PROGRESS/STATUS	• The project is at tender stage with construction expected to start in October 2019.

	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 ensure increased total output of water supply to 6 Ml/day and to meet the water demand of Addo and Paterson until the year 2035 **LOCATION** Eastern Cape, Sarah Baartman District Municipality, Sunday's River Valley Local Municipality
PROGRESS/STATUS	• Paterson Bulk Water Supply Phase 1 – 5 is 100% complete • Phase 6 was awarded in March 2019; current completion status stands at 5%

	COFFEE BAY PHASE 3A AND 3B
PROJECT DESCRIPTION	**SCOPE** • 2 booster pump stations, 3 command reservoirs, 2 rising main pipelines, 8 bulk gravity main pipelines, 7 village supply reservoirs, 2 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: 97% complete • Phase 3B has been awarded and is 5% complete

KING SABATA DALINDYEBO PRESIDENTIAL INTERVENTION

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 reducing pollution of the Mthatha River.
- The project provides adequate portable water to the community that meets the SANS 241 standard that will allow for sustainable rural livelihoods and improve health and hygiene. The total households served by the intervention are 2,719.

LOCATION

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

PROJECT NAME	PROJECT SCOPE	PROGRESS / STATUS BY PROJECT
Thornhill raw water pipes & WTW	• Upgrading Mthatha raw water supply to Thornhill WTW (7km), upgrading of Thornhill WTW(60Ml/d to 80Ml/d) and two pump stations • Upgrade of the clear water pump stations	• Thornhill raw water pipes & WTW: Construction 100% complete • Upgrading of clear water: Construction 65% complete
Mthatha South and Central	• Construction of 16.2km bulk conveyance, 5 bulk reservoirs and 1 pump station	• Mthatha South and Central: Construction 100% complete
Airport Corridor	• Construction of 29.9km bulk conveyance, 1 bulk reservoir	• Airport Corridor: Construction 96% complete
Mqanduli Corridor	• Construction of 53.8km bulk conveyance, 6 bulk reservoirs and 2 pump stations	• Mqanduli Corridor: Construction 99% complete
Libode Corridor	• Construction of 56km bulk conveyance, 6 bulk reservoirs and 3 pump stations	• Libode Corridor: Construction 96% complete
Ngqeleni Corridor	• Construction of 23.4km bulk conveyance, 3 bulk reservoirs and 1 pump station	• Ngqeleni Corridor: Construction 90% complete
Rosedale/Mthatha North	• Construction of 18.9km bulk conveyance, 6 bulk reservoirs, WTW and 2 pump stations	• Rosedale/Mthatha North: Construction 73% complete
Nqadu Corridor	• Construction of 21km bulk conveyance, 3 bulk reservoirs and 2 pump stations	• Nqadu Corridor: Tender stage
Mthatha wastewater treatment works upgrade	• Phase 2 upgrade and extension of the Mthatha WWTW from 12Ml/d to 24Ml/d • Construction of 17m deep sewage pump station and 100m long pipe bridge • Supply and installation of M&E equipment in main pump station	• Mthatha WWTW upgrade: Construction 100% complete
Northern outfall sewers	• Northern outfall sewers (Four contracts): • Supply and laying of 7.4km of 1200mm diameter concrete pipes, approximately 110 manholes and small structures	• Northern outfall sewers: Construction 98% complete
Southern outfall sewers	• Upgrade of Kuyasa and Southbridge Park bulk gravity sewers • Refurbishment and reconditioning of five sewage pump stations • New bulk gravity sewers, sewage pump stations and rising mains in support of BNG phase 1A: Maydene, • Upgrade of the Ngangelizwe outfall and associated gravity sewers in Mthatha (20.6km and 11 pump stations)	• Southern outfall sewers: Construction 100% complete
Western outfall sewers	• Supply and laying of 31km of 1200mm pipeline	• Western outfall sewers: Design stage



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





7 CORPORATE GOVERNANCE

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

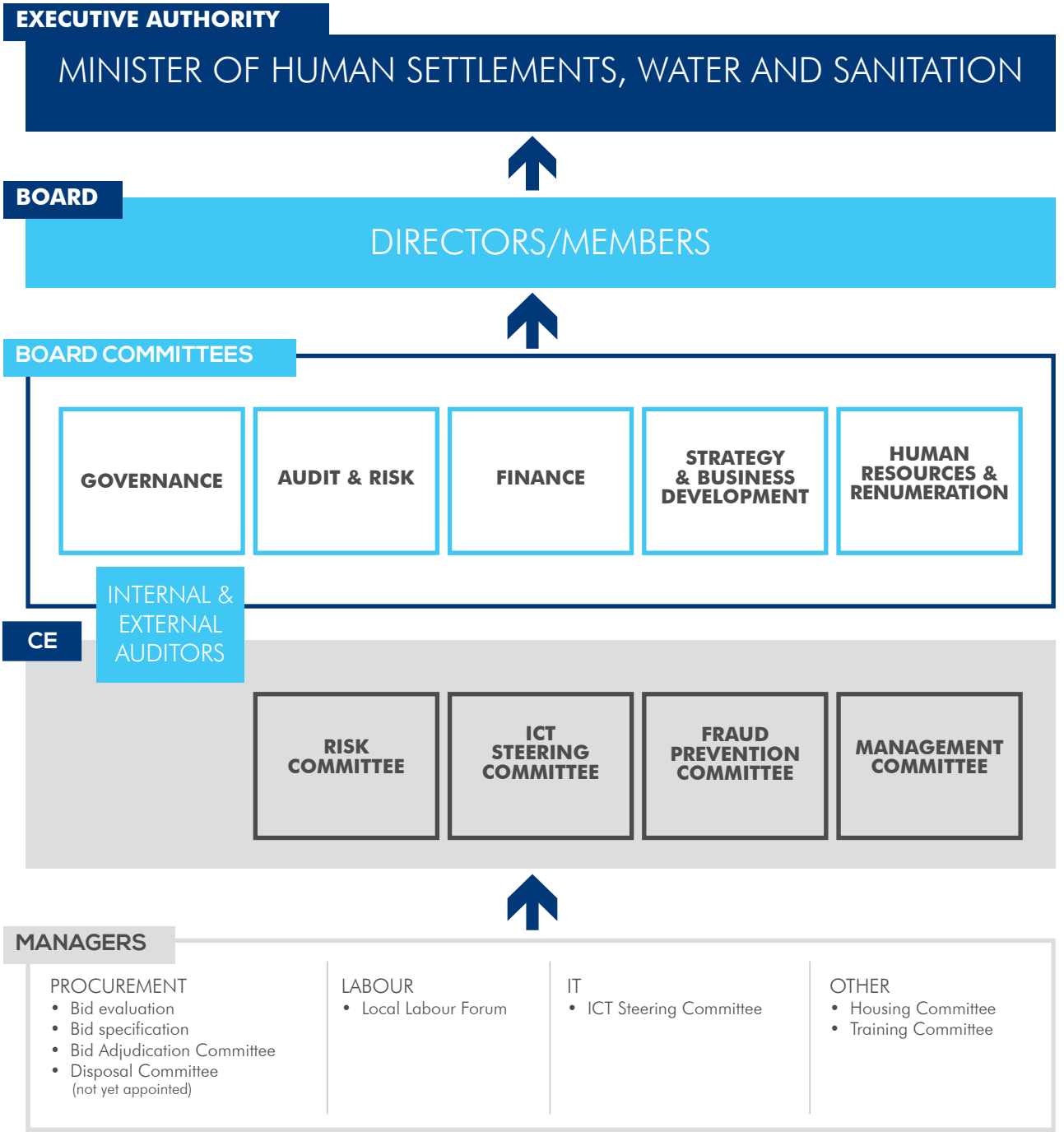


Figure 7.1: Governance structure

CORPORATE GOVERNANCE AT STRATEGIC LEVEL

PORTFOLIO COMMITTEE

The Water and Sanitation Portfolio Committee exercises oversight through the Executive Authority of the service delivery performance of Amatola Water and, as such, reviews the financial and non-financial information in the annual reports.

EXECUTIVE AUTHORITY

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

In addition to the other powers set out in the act, the Executive Authority must ensure the appropriate mix of executive and non-executive directors are appointed and the directors that have the necessary skills to guide the public entity. The Executive Authority has met with the Board of Amatola Water on occasion and continuously engages with the public entity.

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

DATE	MEETINGS
19 December 2018	Board Chairperson accompanied the Minister to engage with traditional and political leaders of the OR Tambo and Joe Gqabi District Municipalities on the Mzimvubu Water Project.
21 December 2018	The Minister engaged the Amatola Water Board regarding its status and the Amathole District Municipality debt.
7, 14, 21 & 28 January 2019	Mzimvubu Water Project stakeholder engagements with the former Minister and the community members of Mqokolweni Village, (Maclear), Sqhungqwini (Dam Site) Village, Caba Village (Qumbu , Mhlontlo Municipality) including consultations with the traditional leadership and community of Eastern AmaMpondo Tribal Authority.
13 March 2019	Parliament programme for Term One – Briefing by Amatola Water on its 2017/18 Annual Report, the tariff proposal for 2019/20 and status of the municipal debt.
29 March 2019	The Minister discussed the management issues pertaining the Department and its entities.
2 April 2019	A meeting was held with the Deputy Minister at Clarkebury to discuss water issues and related service delivery challenges.
31 May 2019	The Minister met with water entities in preparation of the handover to the incoming Minister.
11 June 2019	The Minister met with the Chief Executives of water boards, CMAs and TCTA to discuss the current challenges and key strategic issues.

Table 7.1: Strategic engagement with Executive Authority

BOARD MEMBER PROFILES



MAXWELL SIRENYA
Interim Chairperson of the Board

FIELD OF SPECIALTY [SKILLS & EXPERIENCE]
Development Economics, Rural Development, Governance in State -Owned Enterprises

ACADEMIC QUALIFICATIONS
BA Hons (Economics) (Development Economics, Macro and Micro Economics, Econometrics, Statistics) Masters in Business Administration (MBA) (Financial Reporting and Management Accounting)



PROF LYNETTE LOUW

FIELD OF SPECIALTY [SKILLS & EXPERIENCE]
Strategic and General Management, Organisational Behaviour and Business Research

ACADEMIC QUALIFICATIONS
Doctorate Commercii in Business Management, Masters in Commerce (Management) B Com Honours and B Com (Management) and Industrial Psychology



ABRAHAM LE ROUX

FIELD OF SPECIALTY [SKILLS & EXPERIENCE]
Public (Administrative) Law, Commercial Law, Litigation, Corporate Governance, Audit and Risk, Regulatory Compliance, Supply Chain Management, Project Management Support and Public and Municipal Entity Board support

ACADEMIC QUALIFICATIONS
BA (Law), LLB



CHUMA MBANDE

FIELD OF SPECIALTY [SKILLS & EXPERIENCE]
Finance and Engineering

ACADEMIC QUALIFICATIONS
MSc (Financial Management), Masters In Business Leadership, MSc (Engineering), BSc (Engineering) and National Higher Diploma (Civil Engineering)



BRIAN HOLLINGWORTH

FIELD OF SPECIALTY [SKILLS & EXPERIENCE]
Water Management, Law and Finance

ACADEMIC QUALIFICATIONS
BSc (Civil Engineering), MSc (Hydraulics), MBA (Business Administration), LLB (Law)

FIELD OF SPECIALTY [SKILLS & EXPERIENCE]
Strategic Planning, Organisational Design, Performance Management, Financial Accounting, Cost Accounting, Internal Control, Internal and External Audit, Information Systems, Stakeholder Consultation Processes, Supply Chain Management

ACADEMIC QUALIFICATIONS
BCom (Accounting), BCompt (Honours) and International Executive Development Programme

EUGENE JOOSTE





AMANDA MAGWENTSHU

FIELD OF SPECIALTY [SKILLS & EXPERIENCE]
Human Resource Management and Corporate Governance

ACADEMIC QUALIFICATIONS
BA (SW), BA (Honours), Diploma in Labour Law, Masters in Public and Development Management

FIELD OF SPECIALTY [SKILLS & EXPERIENCE]
Finance, Auditing, Accounting, Strategy, Risk and Governance

ACADEMIC QUALIFICATIONS
MBA, BCompt (Honours), BCom (Accounting) and Advance Diploma in Accounting Sciences

AYANDA WAKABA





NONKULULEKO NYAKAZA
CA(SA)

FIELD OF SPECIALTY [SKILLS & EXPERIENCE]
Financial Management, Corporate Governance, Audit and Risk Management and Compliance

ACADEMIC QUALIFICATIONS
BCom, Postgraduate Diploma in Education, Postgraduate Diploma in Accounting, BCompt (Honours)

EXTERNAL MEMBERS

Ms Smith
Ms Smith is a partner of Marais & Smith Chartered Accountants with vast experience in financial management, human resources and training, risk management, asset management and accounting framework compliance. She is a member of the Institute for Internal Auditors.

Mr Ravgee
Mr Ravgee is a Chartered Accountant with 15 years of experience in the private and public sectors. He has extensive experience in managing the audit process including audit queries and related responses. He has played numerous leadership roles in the finance sector.

Ms Cumming
Ms Cumming is a Chartered Accountant who has close on 20 years of experience in auditing in the public and private sector including non-profit organisations. She played numerous leadership roles in finance, auditing and executive management.

STRATEGIC OVERSIGHT

AMATOLA WATER BOARD

(ACCOUNTING AUTHORITY)

ROLES & RESPONSIBILITIES

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

Maxwell Sirenya
Interim Chairperson of the Board
(Appointed: 13 September 2019)



STRATEGY & BUSINESS DEVELOPMENT

TERMS OF REFERENCE
Reviewed biannually

ROLE

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



Brian Hollingworth
SBDC Chairperson

AUDIT & RISK

TERMS OF REFERENCE
Reviewed biannually

ROLE

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

Eugene Vincent Jooste
ARC Chairperson



GOVERNANCE

TERMS OF REFERENCE
Reviewed biannually

ROLE

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

Eugene Vincent Jooste
GOVCO Chairperson

BOARD COMPOSITION/COMMITTEE MEMBERSHIP

LOOKING FORWARD

- Review structures
- Performance reviews and assessments

TREND ANALYSIS

- Major improvement in management focus as Board discharged duty of oversight
- Management's accountability increased

VALUE ADDITION

- Strategic output focus
- Reporting value has been streamlined and increased
- Effective structures

INDUCTION & TRAINING

- Expected to have background knowledge and skills - verified in the selection process
- During induction, board members received training on governance by Executive Authority
- The last governance training was held in May and June 2018

BOARD CHARTER

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

REMUNERATION POLICY

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

COMPANY SECRETARY

ROLE

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



FINANCE

TERMS OF REFERENCE

Reviewed biannually

ROLE

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

Chuma Mbande
FINCO Chairperson

HUMAN RESOURCES & REMUNERATION

TERMS OF REFERENCE

Reviewed biannually

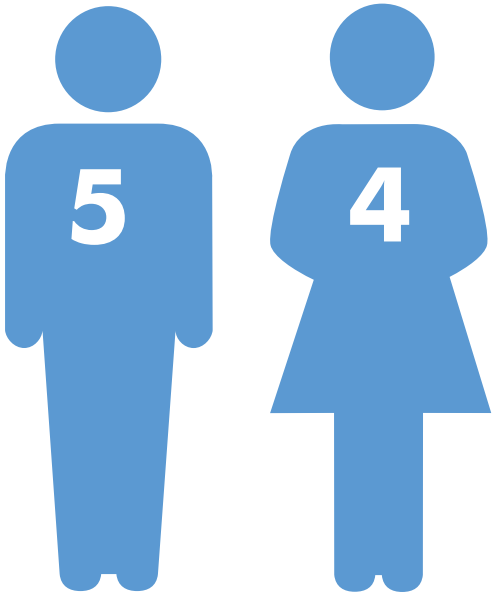
ROLE

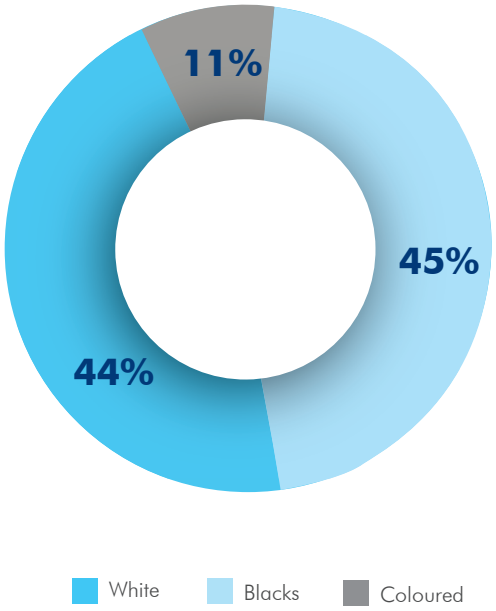
- Organisational development including but not limited to the Turnaround Plan, rebranding and restructuring
- Delegation authority review
- Matters fall into mandate of more than one committee to avoid duplication
- Any other matters

Abraham le Roux
HRRC Chairperson

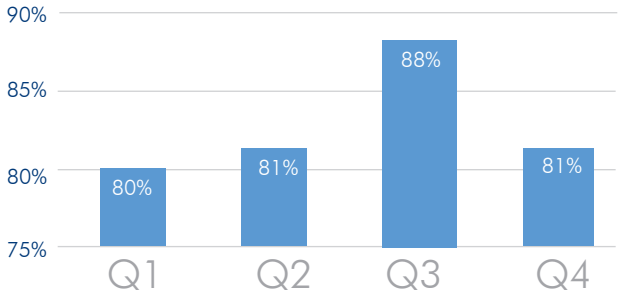


BOARD AND BOARD COMMITTEES





ATTENDANCE 2018/19



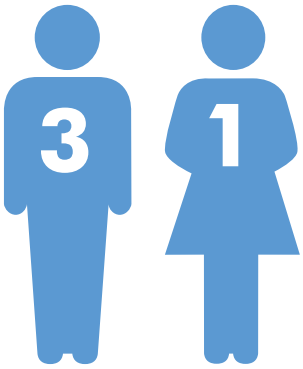
BOARD MEMBER	ATTENDANCE	
N Mnqeta (NM)	7/7	100%
E Jooste (EJ)	6/7	86%
A le Roux (ALR)	5/7	71%
C Mbande (CM)	5/7	71%
B Hollingworth (BH)	7/7	100%
L Louw (LL)	6/7	86%
A Wakaba (AW)	1/1	100%
N Nyakaza (NN)	1/1	100%
A Magwentshu (AM)	1/1	100%

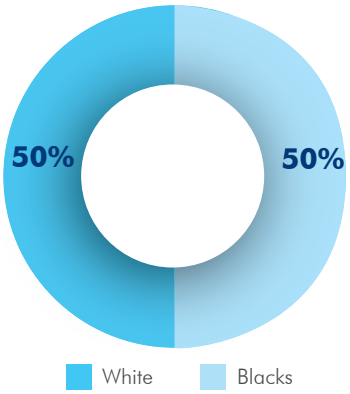
Resignations
S Hadebe (SH) *2 July 2018*
N Mnqeta (NM) *12 September 2019*

Appointments
A Wakaba (AW) *30 April 2019*
N Nyakaza (NN) *30 April 2019*
A Magwentshu (AM) *30 April 2019*
M Sirenya (MS) *13 September 2019*

External members
T Cumming (TC)
N Ravjee (NR)
L Smith (LS)

STRATEGY & BUSINESS DEVELOPMENT COMMITTEE

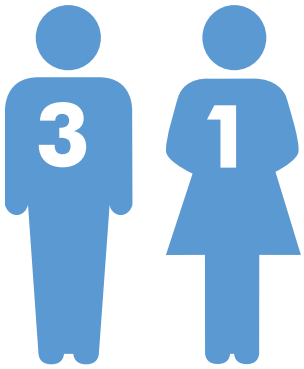


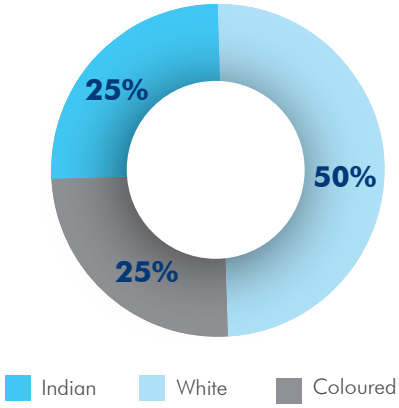


ATTENDANCE

MEMBER	ATTENDANCE	
BEH	5/5	100%
CM	4/5	80%
LL	2/5	40%

AUDIT & RISK COMMITTEE

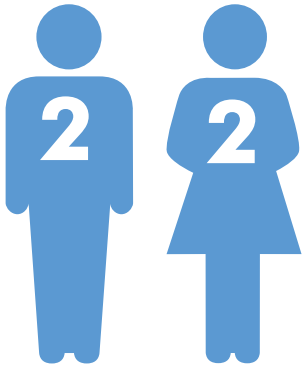


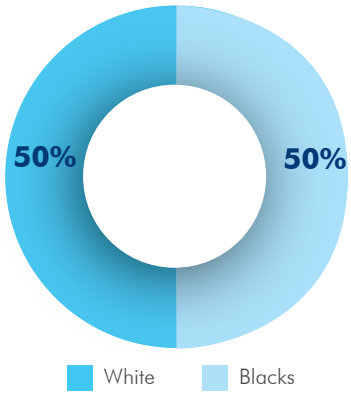


ATTENDANCE

MEMBER	ATTENDANCE	
EVJ	13/13	100%
BEH	10/13	77%
LS	13/13	100%
NR	6/13	46%

HUMAN RESOURCES & RENUMERATION COMMITTEE

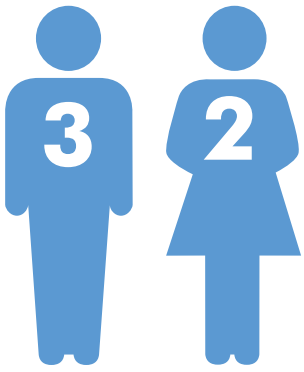


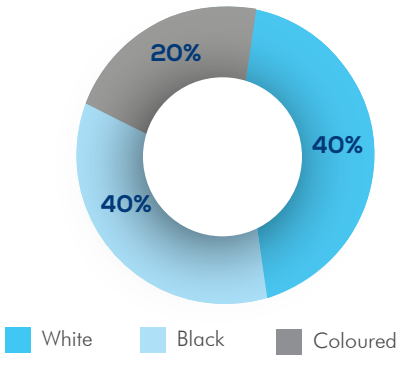


ATTENDANCE

MEMBER	ATTENDANCE	
ALR	7/7	100%
CM	3/7	43%
LL	7/7	100%
AM	1/1	100%

FINANCE COMMITTEE

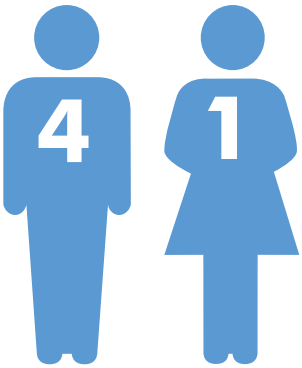


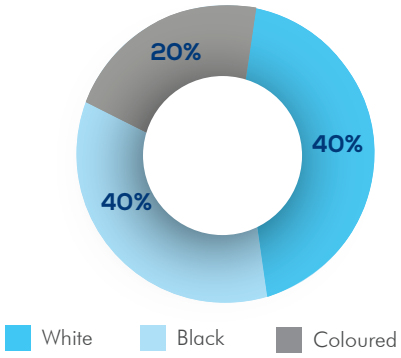


ATTENDANCE

MEMBER	ATTENDANCE	
CM	6/10	60%
EVJ	9/10	90%
ALR	8/10	80%
TC	10/10	100%

GOVERNANCE COMMITTEE





MEMBER	ATTENDANCE	
CM	6/10	60%
EVJ	9/10	90%
ALR	8/10	80%
TC	10/10	100%



MANAGEMENT COMMITTEE PROFILES



VUYO ZITUMANE

Chief Executive

B Juris, BA (Honours) cum laude, MBA

Ms Zitumane is an experienced turnaround specialist and has been instrumental in stabilising several municipalities in the Eastern Cape such as Sundays River, Mnquma, King Sabata Dalindyebo and Nelson Mandela Metropolitan Municipality. She was seconded to Nelson Mandela Metropolitan Municipality by the provincial Department of Cooperative Governance and Traditional Affairs as part of a Section 154 intervention which she successfully completed. She has served and chaired many boards including JSE-listed companies. Ms Zitumane is also the recipient of a Business Women Association Regional Award Winner of Women in Government Awards in 2012.



ASANDA GIDANA

Executive Manager: Operations

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

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



LUYOLO FOKAZI

Chief Financial Officer (Appointed 15 October 2018)

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

Mr Fokazi has vast experience as a Chief Financial Officer in various local and district municipalities. He has worked for National Treasury as the Municipal Advisor where he worked directly with municipalities, giving them valuable advice in develop turnaround strategies, development and implementation of revenue enhancement strategies, as well as guidance on the broader National Treasury reform programme. He has also worked with KwaZulu Natal COGTA in the Chief Financial Support Programme. He has an enormous experience as a Chief Financial Officer that covers a period of approximately 19 years.



SAZILE QWELEKA

Executive Manager: Planning and Development (Acting)

BTech (Mechanical Engineering), MBA

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



ADV GULSHAN SINGH

Company Secretary
(Resigned: 30 June 2019)

LLB, LLM (Maritime Studies) E095

Advocate Singh is responsible for governance, risk and compliance. She began her career in private practice, affiliated to the KwaZulu-Natal Society of Advocates. She has experience in commercial, civil and criminal matters. She expanded her horizons by working in national and provincial public entities. She has served as a Board Member and an Audit and Risk Committee Member at the Eastern Cape Information Technology Initiative, and has collectively supported 19 operational and oversight committees which has enhanced her experience and knowledge in governance, risk and compliance.



JO DALBOCK

Executive Manager: Corporate Services

B Comm (Accounting & Economics), PG Dip (Human Resources Management), Diploma in Manufacturing Management

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

STRATEGIC IMPLEMENTATION

DELEGATION OF AUTHORITY

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

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

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

The Delegation of Authority (DOA) through the 2018/19 financial year went through a review process and is awaiting Board approval.

CHIEF EXECUTIVE

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

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

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

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

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

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

CORPORATE GOVERNANCE AT OPERATIONAL LEVEL



Figure 7.2: Corporate governance at operational level

ETHICS

The Board reviewed the Anti-Fraud and Corruption Strategy, Policy Statement, Prevention and Response Plan and the Code of Ethics and Conduct for Board Members which was adopted by the Board in December 2017.

Amatola Water's Ethics Programme involves various steps including policy and system reviews, and awareness campaigns. Ethics awareness workshops and training were held during the year under review.

Amatola Water's leadership has shown commitment by incorporating the values in all aspects of its business conduct. All staff have access to governance officials and are invited to raise any ethical questions or concerns with them. The Board has entrenched a zero tolerance culture to fraud. The Board has taken consequence management in all instances of fraud and corruption, and shown its commitment to dealing with contraventions.

VALUE ADDITION

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

SUSTAINABILITY

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

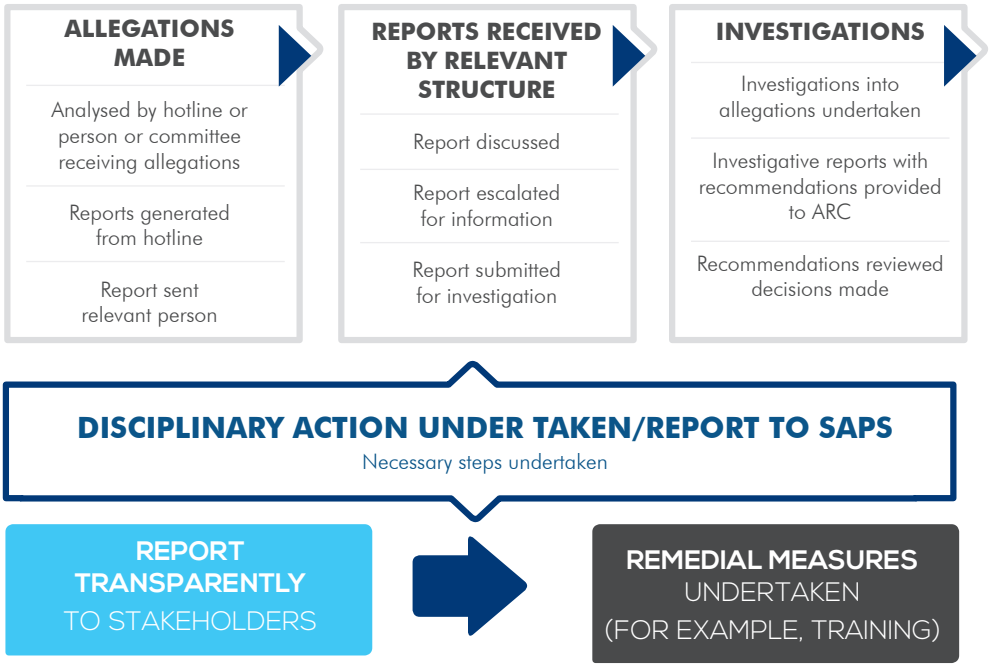
TREND ANALYSIS

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

LOOKING FORWARD

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

ANTI-FRAUD AND CORRUPTION STRATEGY



YR	NO OF CALLS RECEIVED ON HOTLINE	NO OF REPORTS GENERATED	AREAS	ACTUAL FRAUD CONFIRMED	RESULTS
15/16	69	9	Computer crime (3)	No	The Audit and Risk Committee did not find evidence of fraud or tender irregularities. All allegations relating to management were escalated to the CE and sent for external investigation, which ultimately led to the dismissal of individuals.
			Human resources (3)	No	
			Enquiry (1)	No	
			Corruption (1)	No	
16/17	48	11	Governance (2)	No	Matters at management level were escalated to the CE level and the CE reported to the Audit and Risk Committee. The other matters relating to tender irregularities had to be escalated for further investigation. Any potential fraud and actual fraud is reported to the Audit and Risk Committee to Board.
			Violent crime (1)	No	
			Pollution and environmental (2)	No	
			Other crime (security issues) (1)	No	
			Human resources (4)	No	
			Procurement irregularities (1)	No	
17/18	26	2	Governance (1)	No	The Audit and Risk Committee has assessed and investigated these reports and found no evidence of fraud.
			Unfair business practice (1)	No	
18/19	40	3	Governance (1)	No	The governance matter referred to an alleged conflict of interest on the part of an employee who is currently facing disciplinary charges. The matter has been postponed until November 2019 for further evidence. One of the theft matters related to a dismissed employee who allegedly still had an Amatola laptop in his possession. Management is confirming the status of the laptop, which was not returned to the IT component. The second theft matter was referred to Internal Audit for further investigation. The alleged suspect was found to be employed by the Ndlambe Municipality and not Amatola Water.
			Theft (2)	No	

Table 7.2: Fraud hotline reports

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

Two investigations, reported outside of the whistleblower hotline process, are currently underway:

- One investigation involving procurement related offences. The perpetrator was subjected to a disciplinary action and who elected to resign before the finalisation of the disciplinary process; the matter was referred to SAPS for further investigation.
- Another procurement irregularity involving a former supplier and employees was referred to SAPS in the previous financial year. This matter is still being investigated.

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

MINIMISING CONFLICT OF INTEREST AND GIFT REGISTERS

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

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

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

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

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

RISK, COMPLIANCE AND ASSURANCE REPORTING

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

INTEGRATED RISK MANAGEMENT

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

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

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

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

The table below reflects the inherent impact rating of the 11 strategic risks:

NO.	RISK	IMPACT RATING
SR1	Fraud, corruption and collusion	9,53
SR2	Lack of stakeholder confidence	9,48
SR3	Financial viability	9,45
SR4	Knowledge and document management	9,39
SR5	Weak governance system	9,22
SR6	Labour and employee relations	9,14
SR7	Security	8,63
SR8	ICT governance	8,41
SR9	Inability to meet the bulk water supply demand	8,00
SR10	Environmental unsustainability	7,09
SR11	Non-compliance - water quality and waste water effluent.	6,89

Table 7.3: Strategic risks and inherent impact

The residual risk movement graph illustrates the movement from the initial residual risk rating (as determined when the risk was assessed in June 2018) to the estimated residual risk assessment, as at 30 June 2019:

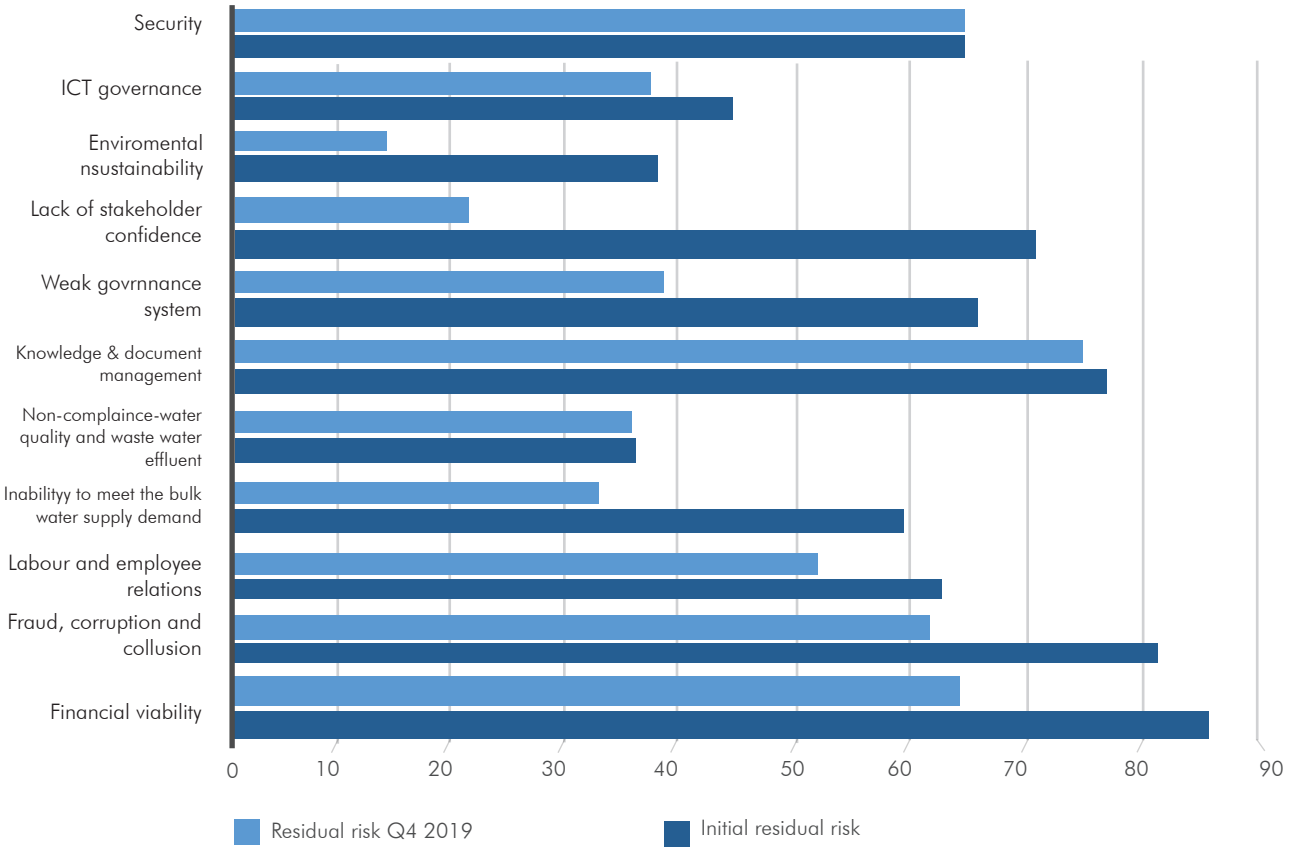


Figure 7.3: Residual risk movement

The following bar graph illustrates the improvement (%) from the initial residual risk to the residual risk remaining in Quarter 4 of 2018/19 financial year:

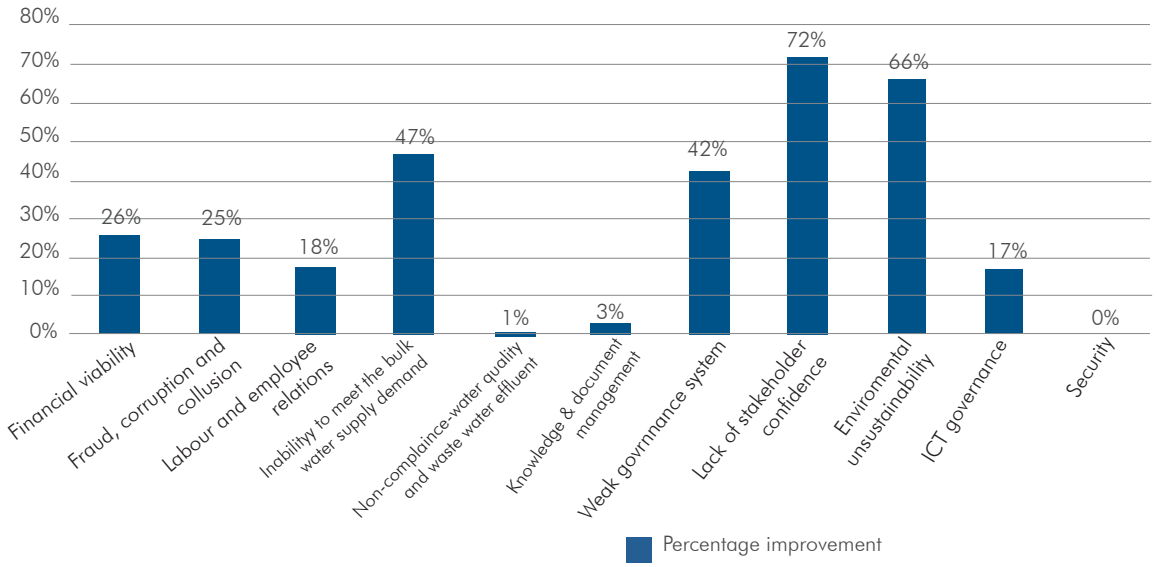


Figure 7.4: (%) from the initial residual risk

COMPLIANCE WITH LAWS AND REGULATIONS

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

The Enterprise-Wide Legislative Compliance Policy is in place and being implemented. The universal regulatory environment for the financial year was reviewed and finalised in the first quarter of the 2018/19 financial year. Monitoring and reporting occurs on a quarterly basis.

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

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

VALUE ADDITION

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

SUSTAINABILITY

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

TREND ANALYSIS

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

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

LOOKING FORWARD

Going forward, the following will be achieved in the area of compliance:
1. Continued monitoring of the compliance plan and consequence management
2. Monitoring and reporting on breaches and mitigation strategies
3. Cascading compliance into individual performance scorecards.

KING IV CODE ON CORPORATE GOVERNANCE COMPLIANCE

The Amatola Water Board, as a custodian and promoter of good corporate governance, is committed to compliance and the implementation of the provisions and recommendations of the King Code of Corporate Governance IV.

SAFETY, HEALTH AND ENVIRONMENT

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

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

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

OHSAS 18001 SABS RE-CERTIFICATION AUDIT

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

As part of the commitment, a recertification assessment in terms of OHSAS 18001:20017 was held during May 2019 and results were extremely positive.

All the non-conformances that were raised by SABS, during their audit, have been successfully resolved. Amatola Water retained the OHSAS 18001 certification.

DISABLING INJURY FREQUENCY RATE (DIFR)

Disabling Injury (DI) or Loss Time injury (LTI) is considered as an injury or occupational disease where the injured or ill person misses the next shift because of an injury or illness or has suffered some bone injury for example, a fracture. The Disabling Injury Frequency Rate (DIFR) is a key indicator of the organisation's SHE performance as it measures the extent of potential disabling injuries and incidents to which the personnel are exposed. Amatola Water has maintained (DIFR) at 0.5, which is below the benchmark of 0.8.

Reported Incidents
For the period 01/07/2018 to 30/06/2019, the organisation reported 2 serious incidents, 12 medical treatment cases, 18 first aid cases and 3 near miss cases.

The following graphical information illustrates the 2018/19 DIFR rating relation to a number of Disabling Injuries (DIs):

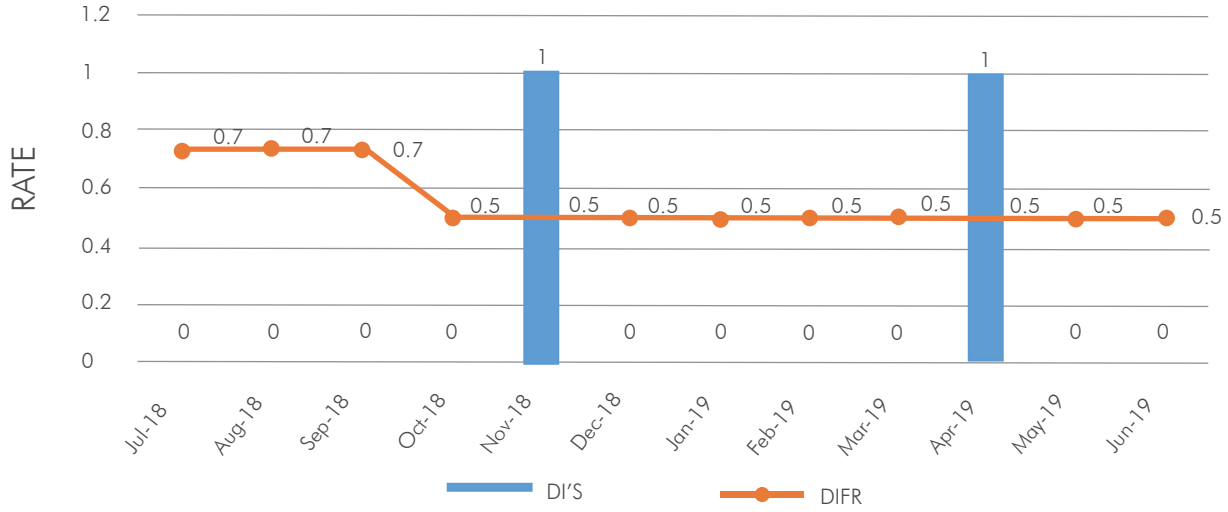


Figure 7.5: Disabling Injury Frequency rate 2018/19

ASSURANCE PROVIDERS

The Amatola Water Board has an internal and external auditor. The co-sourced internal auditors are PwC. The external auditor is the Auditor-General of South Africa (AGSA).

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

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

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

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

VALUE ADDITION

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

SUSTAINABILITY

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

Assurance reporting is required legislatively and there are future intentions to host internally, an Internal Audit function to ensure ongoing value addition and monitoring of controls.

INTERNAL AUDIT

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

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

The Internal Audit Plan for the financial year 2018/19 included:

1. Auditing of the following areas:

- Risk assessment
- Trade and other receivables
- Procurement (SCM)
- Operating expenditure, trade and other payables, particularly the, late payment of suppliers and contractors because payments has not been received from Amatola Water's Principals
- Human resources and payroll-review of back pay calculations
- ICT Disaster recovery and business continuity
- Fraud Prevention Plan and workshop with employees
- Management of cash and cash equivalents
- Management of investments
- Annual Financial Statement Review and GRAP conversion for 2018/19
- Review of irregular, fruitless & wasteful expenditure.

2. Reviewing performance information: Quarter 1 to Quarter 4 report submitted to the Department of Human Settlements, Water and Sanitation

Going forward

Amatola Water strives to achieve a clean audit by ensuring full implementation of the Audit Intervention Plan.

Performance of internal audit

The international professional practices framework (IPPF), which guides the work of internal auditors, defines internal auditing as an assurance and consulting activity (without providing more consulting services over auditing) which provides a value-add service to the organisation by evaluating the effectiveness of risk management, internal control and governance processes within an organisation.

The ARC, as part of its mandate, will assess the effectiveness of the internal audit function.

EXTERNAL AUDIT

The external auditor for 2018/19 is the Auditor-General of South Africa.

OTHER ASSURANCE REPORTS

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

These audits includes:

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

More details of these reports can be found on page 112 of the SHE Report.

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





08 FINANCIAL REVIEW

INTRODUCTION

Amatola Water is slowly recovering from the financial sustainability challenges that prevailed up to the 2017/18 financial year. These challenges were as a result of its inability to maximise revenue collection from its key clients. Amatola Water developed a Financial Recovery Plan (FRP) that critically identifies key priority areas and sets out specific intervention projects which address the water utility's financial problems.

Key components of the FRP include growing the current revenue base, retaining existing business with all clients as well as creating a footprint that ultimately results in Amatola Water being the implementing agent of choice in the Eastern Cape Province as well as neighbouring provinces.

Implementation of the Financial Recovery Plan has resulted in the improved financial viability of Amatola Water. Key pillars of the FRP include:

(i) Budget and expenditure
(ii) Revenue management
(iii) Customer care
(iv) Cash management
(v) Internal controls
(vi) Asset management
(vii) Supply chain management
(viii) Institutional stabilisation
(ix) Information and communication technology
(x) Liability management.

FINANCIAL SUSTAINABILITY AND VALUE CREATION

Amatola Water achieved an operating surplus of R135 million in the current year compared to a restated operating surplus of R22 million in the previous year.

With the introduction of the new reporting framework, as required by the Accounting Standards Board (ASB), the Generally Recognised Accounting Practices (GRAP) standards were applied for the first time and resulted in Amatola Water recognising revenue from grant funding.

Primary business revenue increased by 11% in comparison to the prior year. This reported increase was achieved in sales of raw water as well as treated water.

These are some of the positive developments emanating from the implementation of the FRP and are indicative of Amatola Water's improved revenue generation compared to the reported decrease in the previous year.

Furthermore, secondary business revenue also increased by 8% in relation year-on-year. This was a result of improvement noted through dam management for DHSWS, and operation and maintenance programmes for national Department of Public Works, Eastern Cape Department of Education as well as project implementation for Regional Bulk Infrastructure Grant (RBIG) and Municipal Infrastructure Grant (MIG) projects.

Most notably in this category is dam management for DWS, and operation and maintenance programmes for NDPW, DOE as well as project implementation for RBIG and MIG projects.

IMPLEMENTATION OF THE TURNAROUND AND FINANCIAL RECOVERY PLAN

The continued implementation of the Turn-around Plan resulted in the development and adoption of the Financial Recovery Plan by the Board.

In line with National Treasury requirements, the Amatola Water Board resolved to adjust the current year budget downwards as some of the planned contracts that would have yielded additional revenue could not be confirmed.

This was to ensure that the Amatola Water budget realistically reflects the anticipated revenue to be collected over the year under review. From a budgeting perspective, this revision resulted in a 10% (R52 million) reduction in total revenue.

However, actual revenue from exchange transactions as at the reporting date depicts an increase of 10% (R423 million) compared to R385 million (restated) in the previous financial year.

The revenue from non-exchange transactions increased by 20% (R147 million) compared to R122 million (restated) in the previous financial year.

Total expenditure reduced by 27% (R138 million) compared to R191 million (restated) for the previous financial year. This reduction was mainly influenced by the 88% reduction in the provision for debt impairment which was as a result of the increased collection capacity of Amatola Water.

A significant portion of the debt impairment in the previous financial year was as a result of persistent non-payment by the Amathole District Municipality. In an attempt to recover the outstanding debt, a process of concluding a settlement agreement with it is underway.

Operating and administrative expenses have increased by 12% to R40 million compared to R36 million for the previous financial year.

The strict cost containment measures implemented in the current financial year, coupled with improved revenue generation capacity resulted in an improved gross profit margin of 42% compared to 24% for previous financial year. Total available cash resources increased from R111 million to R234 million during the current financial year. The increase has been as a result of concerted efforts to collect outstanding debts from the organisation's clients, most notably the Amathole District Municipality that managed to pay almost 80% of its current year account.

The implementation of the FRP has resulted in a 21% increase in the total assets which rose to R1.4 billion compared to R1.1 billion in the previous financial year. A positive improvement has also been realised in the current ratio that has improved to 1.52 compared to 1.35 when compared to the previous financial year.

The last portion of the funding for the Amatola Water plant upgrades from National Treasury was received during the current financial year totalled R92 million.

A plan to fast-track the implementation of the plant upgrades was submitted to the Department of Human Settlements, Water and Sanitation and it is anticipated that work would be completed by June 2020. This will result in positive spin-offs for revenue generation for Amatola Water which will be enhanced for the benefit of a major client, the Buffalo City Metropolitan Municipality.

PRIMARY AND SECONDARY BUSINESS REVENUE

Revenue from the primary business for raw water and treated water sales has increased by 11% (R341 million) when compared to R308 million from the previous financial year. The increase was mainly as a result of the tariff increase of 9.4% during the current year.

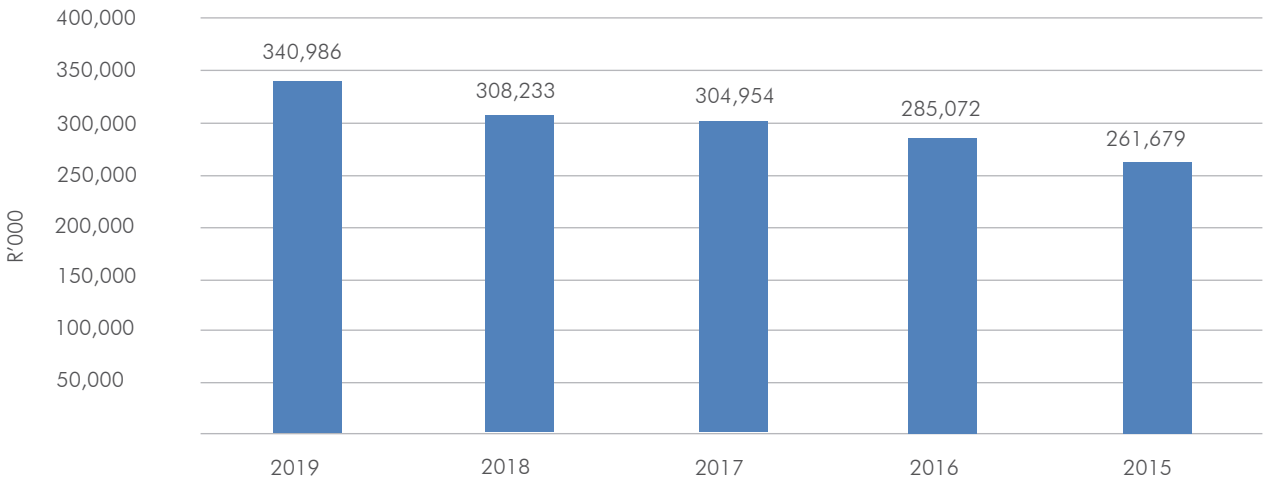


Figure 8.1: Primary Revenue(2015-2019)

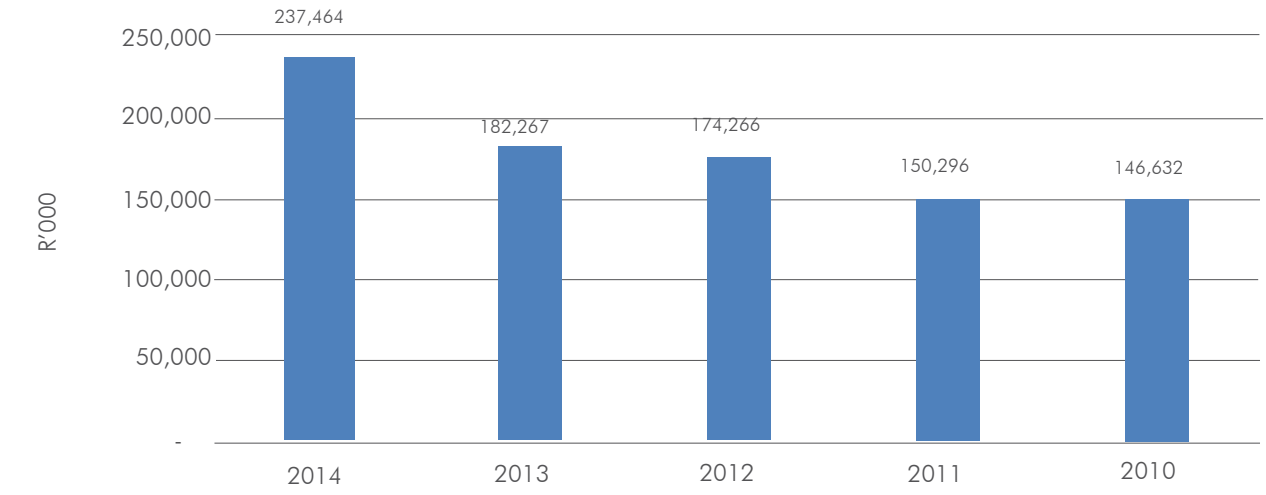


Figure 8.2: Primary Revenue(2010-2014)

Secondary business revenue increased by 8% (R82 million) when compared to R77 million from the previous financial year.

The increase is partly attributable to the accelerated implementation of projects linked to the King Sabata Dalindyebo Presidential Intervention programme (KSDPI) as well as projects linked to the RBIG and MIG on behalf of the OR Tambo District Municipality.

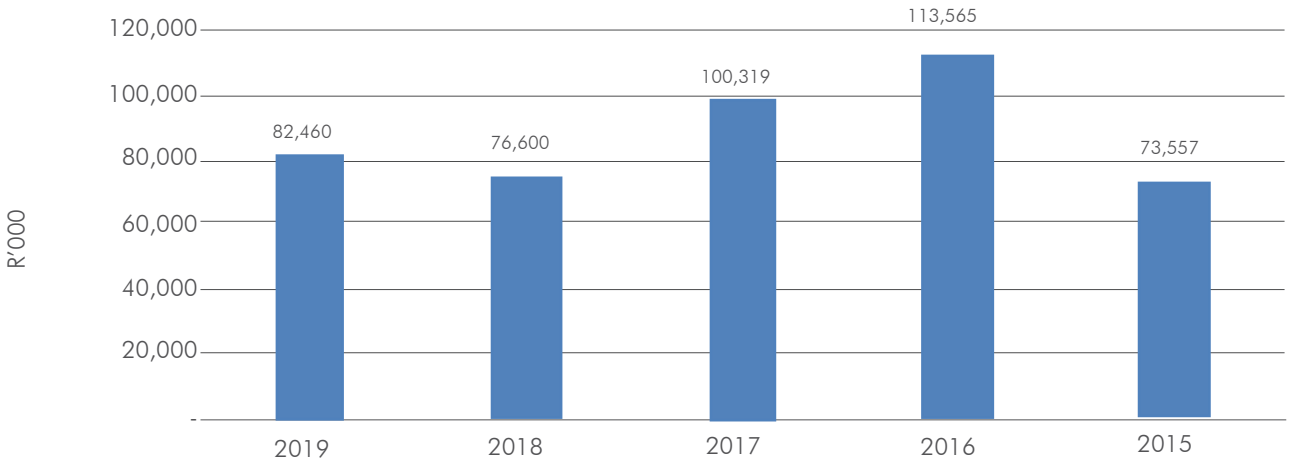


Figure 8.3: Secondary Revenue(2015-2019)

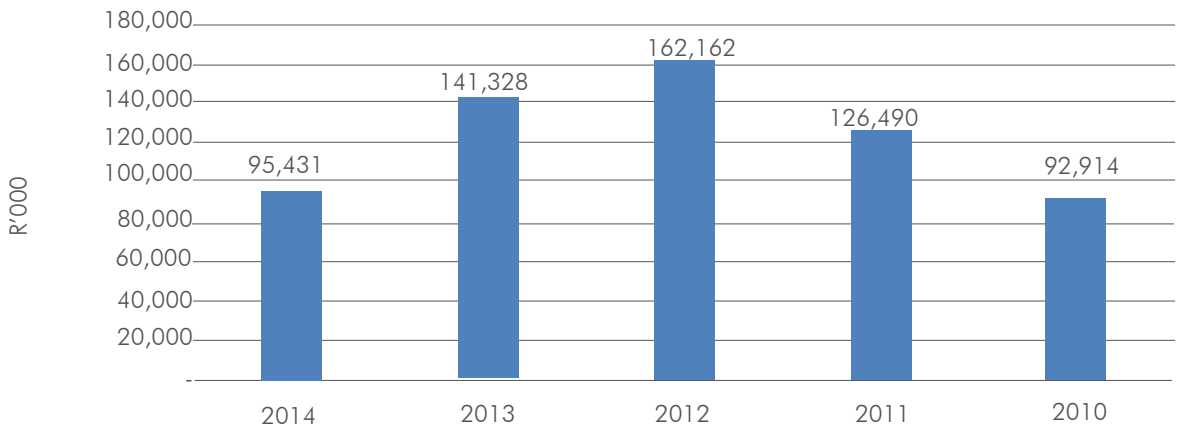


Figure 8.4: Secondary Revenue(2010-2014)

COST OF SALES AND OPERATING COSTS

The cost of sales has increased by 1% year-on-year although the increase was lower than the year-on-year increase of 2% increase when compared with the previous financial year.

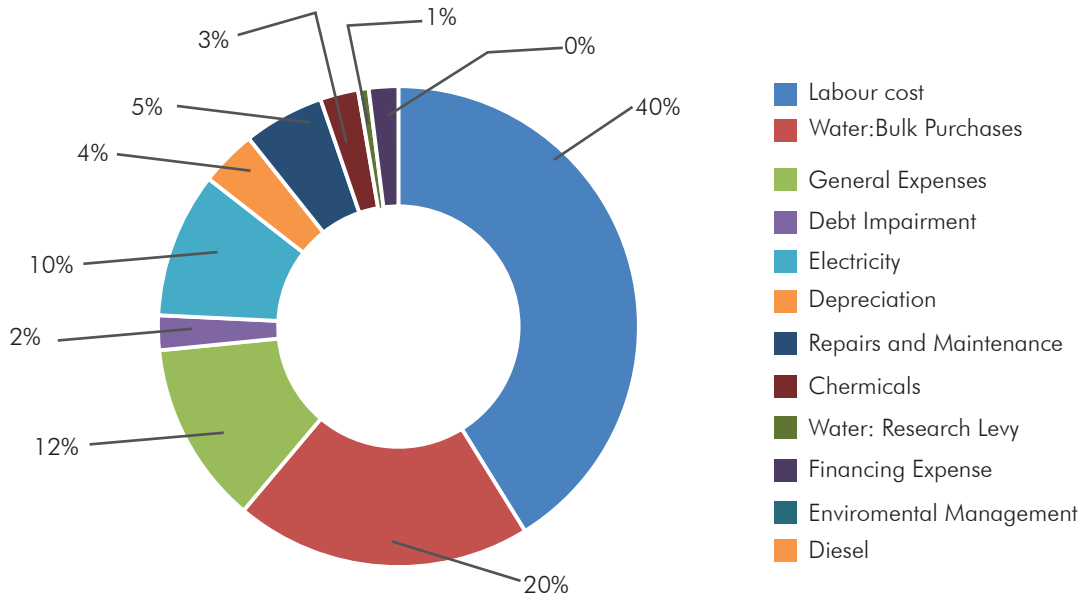


Figure 8.5: Cost of sales and operating costs 2018/19

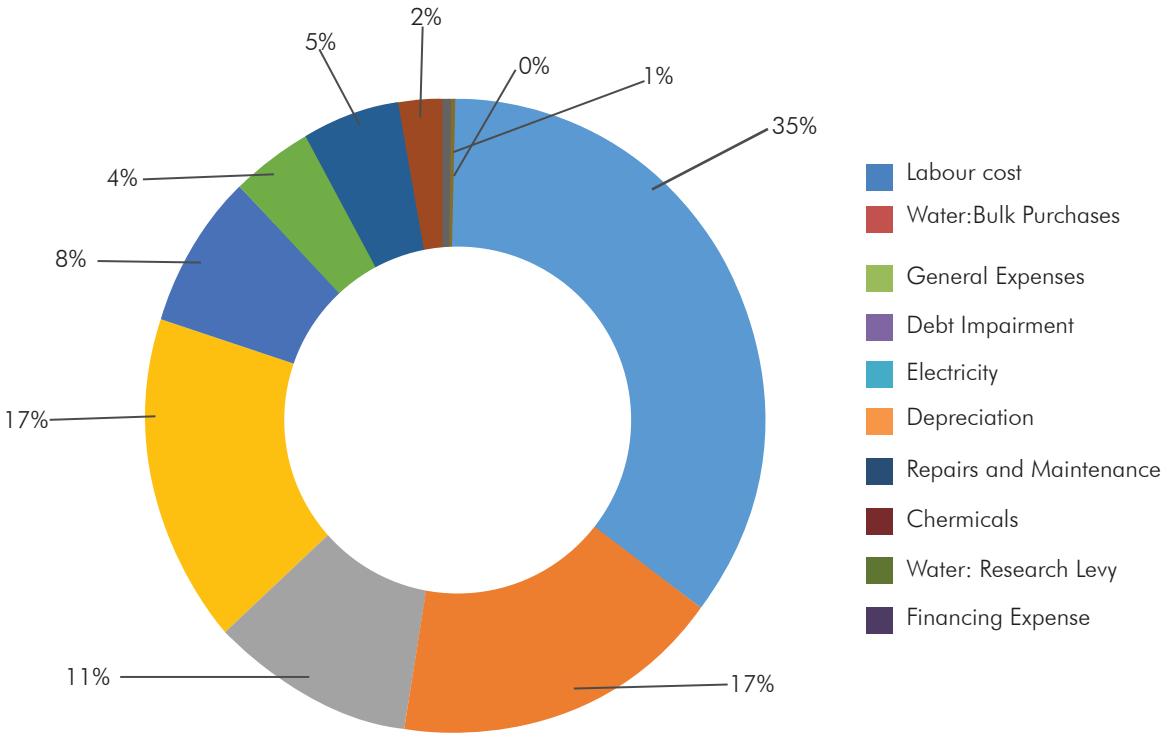


Figure 8.6: Cost of sales and operating costs 2017/18

FINANCE INCOME

Finance income from cash and cash equivalents has been consistently increasing year-to-year with a 64% increase in the year under review when compared to a 73% increase in the previous financial year.

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

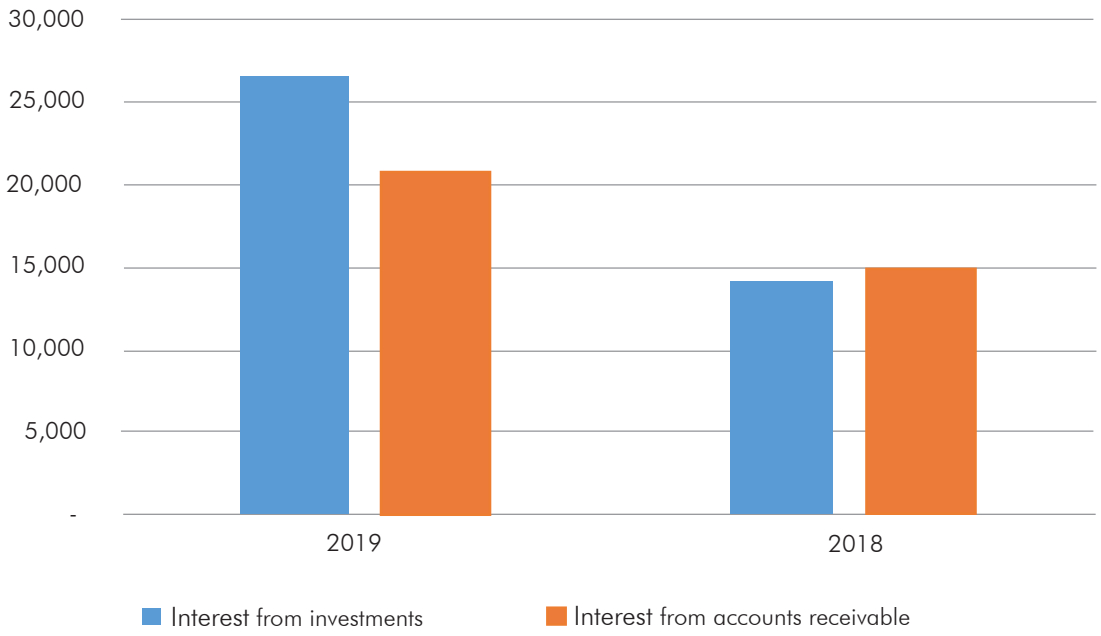


Figure 8.7: Finance Income 2018 and 2019

KEY FINANCIAL RATIOS

The following table reflects key financial ratios that depict Amatola Water performance the financial year under review. The implementation of both the TAP and the FRP has resulted in significant performance improvements despite the South Africa's overall economic climate. This is a sign that Amatola Water is beginning to emerge from the financial sustainability challenges which it has faced over the past two financial years.

		RESTATED			
RATIOS	**FY2019**	**FY2018**	**FY2017**	**FY2016**	**FY2015**
Current Ratio	1.529	1.36	1.36	1.24	1.20
Trade Debtors (days)	63.75	79.78	88.07	160.9	342.8
Return on Assets	24.91%	4.11%	1.78%	2%	-0.00
Debt-Equity Ratio	-	-	-	-	-
Acid - Test Ratio	1.52	1.35	1.35	1.23	1.00
Cost of Sales (R/kl)	5.33	5.15	4.62	4.72	4.08
Electricity Cost (R/kl)	1.04	0.98	0.92	0.88	0.81
Chemical Costs (R/kl)	0.26	0.25	0.18	0.20	0.24
Raw Water purchases (k/l)	2.14	2.10	1.83	1.94	1.63
Water Research levies (k/l)	0.08	0.07	0.07	0.06	0.05
PRODUCTIVITY	FY2019	FY2018	FY2017	FY2016	FY2015
Number of Employees	365	488	380	343	375
Average Revenue per Employee (R'000)	1,431	979	1,067	1,162	894

Table 8.1: Key financial ratios

SUPPLY CHAIN MANAGEMENT

The current and historic challenges that the SCM unit is faced with continue to contribute to irregular expenditure predominantly as a result of poor contract management; continued expenditure on contracts that have expired as well as non-compliance with requisite SCM procedures. These challenges also point to a weak internal control environment that was identified as part of the TAP initiatives. A process of appointing a Contracts Manager was initiated during the year. However, due to the inability to attract a suitably skilled candidate, this process could not be finalized.

The implementation of the TAP has resulted in a focus to strategically place the supply chain management unit (SCM) as a key pillar of the FRP. This unit to central in ensuring that Amatola Water delivers on its mandate in respect of its primary business as well as secondary business.

Key focus areas identified during the year were:

- Appointment of a SCM Manager
- Review of existing policies
- Development of Standard Operating Procedures
- Review of the SCM organogram
- Improved turnaround times in the awarding of capital projects as part of secondary business activities

An SCM manager was appointed during the year who has been instrumental in ensuring that the SCM unit is adequately positioned to fulfil the Amatola Water mandate.

In line with National Treasury requirements, the old SCM policy of Amatola Water of 2014 was reviewed and two policies were developed, the SCM Policy on Infrastructure Procurement and SCM Policy on Goods and Services. The SCM Policy on Infrastructure Procurement was approved by the Board and is being implemented. The SCM Policy for Goods and Services was awaiting Board approval at year end.

All Standard Operating Procedures as well as the SCM manuals were developed and are being implemented. This has resulted in improved turnaround times in procurement within Amatola Water as well as a reduction in SCM non-compliance.

BBBEE spend on SMME's during the current financial stood at 100% and is in line with the achievement in the last financial year.

CONTRACTOR DEVELOPMENT PROGRAMME

As part of the SCM Turnaround Strategy, Amatola Water is implementing a Contractor Development Strategy. The standard operating procedure for the programme has been developed and approved.

An advertisement was published, calling emerging contractors and SMME's to apply for the programme. The selection process is underway.

The programme is aims to develop SMME's over a three year period so that these can improve their grading progressively up to three grades or levels on the Construction Industry Development Board (CIDB) Contractor Register.

LOOKING AHEAD

Amatola Water is emerging from the threatening financial sustainability difficulties experienced over past two financial years. To further enhance financial performance in the coming year, the following key focus areas have been identified:

- Development and implementation of the primary and secondary business models so that Amatola Water can expand its customer base
- Review of and aggressive implementation of the Credit Management and Debt Collection Policy so as to maximise collection of revenue from outstanding debtors
- Effective implementation of the approved Supply Chain Management Policies so as to reduce non-compliance on SCM as well as to fast-track the implementation of Capital Projects
- Implementation of the Contractor Development Programme so as to ensure that SMME's participate in the Eastern Cape's growing economy
- Continuously improve the internal control environment of Amatola Water







9 ANNUAL FINANCIAL STATEMENTS

INDEX

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

1. Accounting Authority's Responsibility and Approval of the Annual Financial Statements 128
2. Auditor General's Report 130
3. Audit and Risk Committee Report for the year ended 30 June 2019 136
4. Statement of Financial Position 141
5. Statement of Financial Performance 142
6. Statement of Changes in Net Assets 143
7. Cash Flow Statement 144
8. Statement of Comparison of Budget and Actual Amounts 145
9. Accounting Policies 147
10. Notes to the Annual Financial Statements 163

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

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion 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 Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The prior year figures have been restated for compliance to GRAP.

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

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

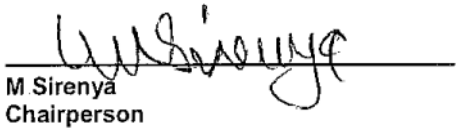
The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical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

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

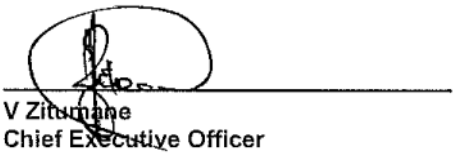
The Accounting Authority has made an assessment of the entity's ability to continue as a going concern and is satisfied that Amatola Water Board has adequate resources to remain operational for the foreseeable future.

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

The annual financial statements, as set out on pages 141 to 192, which have been prepared on the going concern basis, were approved by the Accounting Authority on the 14 October 2019 and were signed on its behalf by:



M Sirenya
Chairperson



V Zitumane
Chief Executive Officer

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Amatola Water Board set out on pages 141 to 192, which comprise the statement of financial position as at 30 June 2019, the 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 the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the entity as at 30 June 2019, and financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and the 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 codes.

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

Emphasis of matter

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

Material impairments – debtors

7. As disclosed in note 5 to the financial statements, material losses of R10 million (2017-18: R81 million) was incurred as a result of an allowance for doubtful debts.

Restatement of corresponding figures

8. As disclosed in note 27 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of errors in the financial statements of the entity at, and for the year ended, 30 June 2019.

Responsibilities of accounting authority for the financial statements

9. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1

of 1999) (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.

10. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

11. 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.

12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the entity for the year ended 30 June 2019:

Objectives	Pages in the annual performance report
Objective 1 – Organisation efficiency and effectiveness	54
Objective 3 – Customer/ Stakeholder Interactions	56

16. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

Objective 1 – Organisation efficiency and effectiveness

17. I did not raise material findings relating to the usefulness and reliability of *Objective 1 -Organisation efficiency and effectiveness.*

Objective 3 – Customer / Stakeholder Interaction

18. I did not raise material findings on the reliability of *Objective 3 - Customer/ stakeholder interaction.*

19. The material finding in respect of the usefulness of *Objective 3 - Customer/ stakeholder interaction* is as follows:

Indicator: Number of signed contracts and MOUs.

20. The indicator: *Number of signed contracts and MOUs* reported on under the support rural development objective was not specific in clearly identifying the nature of performance as it does not detail the nature of the support to be provided.

Other matters

21. I draw attention to the matters below.

Achievement of planned targets

22. Refer to the annual performance report on pages 51 to 62 for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness of the reported performance information in paragraph 20 of this report.

Adjustment of material misstatements

23. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of *Organisation Efficiency and Effectiveness and Customer / Stakeholder Interaction*. As management subsequently corrected only some of the misstatements, I raised a material finding on the usefulness of *Customer / Stakeholder Interaction.*

Report on the audit of compliance with legislation

Introduction and scope

24. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

25. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements and annual reports

26. The financial statements submitted for auditing were not 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 non-current assets, current assets, current liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statement were corrected and the supporting records provided subsequently, resulting in the financial statements receiving an unqualified audit opinion

Expenditure management

27. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R 22,7 million as disclosed in note 34 to the annual financial statements. The majority of the irregular expenditure disclosed in the financial statements was caused by procurement processes where SCM processes were not followed and expenditure on expired contracts.

28. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R8,7 million, as disclosed in note 33 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by interest charged on late payments.

Procurement and contract management

29. Some of the goods, works or service were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar non-compliance was also reported in the prior year.

30. Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2).

Revenue management

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

Consequence management

32. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into fruitless and wasteful expenditure.

Other information

33. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the board chairperson's report and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

34. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

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

36. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

37. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

38. Management did not adequately monitor the implementation of the action plan to address internal control deficiencies to ensure that, findings are not only addressed but there are corrective actions taken to address the root cause to the finding.

39. The entity has a number of non-compliance findings reported, mainly due to lack of proper review and monitoring of compliance within the entity. Appropriate steps were not taken to investigate instances of fruitless and wasteful expenditure incurred during the year. Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored.

Other reports

40. I draw attention to the following engagement that had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

41. The entity appointed a consultant to investigate irregularities relating to fraud and procurement. The investigation commenced during February 2019 and was still in progress at the date of this report.

Auditor-General

East London

14 October 2019

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-General's responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.

- Conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Amatola Water Board ability 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 the 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 continuing as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

3 Audit and Risk Committee Report for the year ended 30 June 2019

We are pleased to present our report for the financial year ended 30 June 2019.

1. BACKGROUND

The Audit and Risk Committee is established as a statutory committee in terms of section 38(1) (a) (ii) of the Public Finance Management Act and Treasury Regulation 3.1.13.

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

2. MEMBERSHIP AND ATTENDANCE

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

ARC MEMBERS	ARC	TOTAL NUMBER OF MEETINGS	NUMBER OF MEETINGS ATTENDED	ARC MEETINGS	SPECIAL MEETING
E. Jooste	Committee Chairman	13	13	6	7
B. Hollingworth	Member	13	10	5	5
N. Ravgee	Member	13	6	1	5
L. Smith	Member	13	13	6	7

NAME	QUALIFICATIONS	INDEPENDENT EXTERNAL MEMBER OR BOARD MEMBER	RACE	DATE APPOINTED	GENDER	NUMBER OF MEETINGS TOTAL	NUMBER OF MEETINGS ATTENDED	TERM END DATE
E. Jooste	BCom (Acc), SAIPA, IoDSA, International Executive Development Programme (IeDP)	Board Member	Coloured	11 Mar 2016	M	13	13	30 Jan 2020
B. Hollingworth	BSc (Civil Engineering), LLB, MSc (Hydraulics), MBA (Business Administration)	Board Member	White	11 Mar 2016	M	13	10	30 Jan 2020
N. Ravgee	B.Sc (Info: Proc); H. Diploma Accounts, Chartered Accountant, CA (SA)	Independent External Member	Indian	27 Oct 2017	M	13	6	30 Jan 2020
L. Smith	Chartered Accountant, CA (SA); Registered Auditor with South African Independent Regulatory Board for Auditors	Independent External Member	White	29 Aug 2017	F	13	13	30 Jan 2020

3. THE AUDIT AND RISK COMMITTEE'S RESPONSIBILITIES:

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

3.1 Internal Controls

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

3.2 Risk Management

- Management is responsible for the establishment and maintenance of an effective system of governance, risk management, the prevention and detection of fraud and internal controls.
- Internal audit was guided by the consolidated risk profile, critical audit areas and management's inputs in the formulation of its three-year strategic and annual plans.
- AW has a Risk Committee which is chaired by the Chief Risk Officer (CRO) who reports directly to the Audit and Risk Committee.
- A risk register is updated and reviewed at each risk committee meeting and updated with emerging risks. This is to ensure that all the major risks, including the emerging risks facing AW Board are effectively managed. The Committee participates extensively in the Annual Risk Assessment Workshops of AW.

3 Audit And Risk Committee Report For the year ended 30 June 2019

3.3 Internal Audit

The Committee approved a risk-based three year rolling strategic internal audit plan and an annual audit coverage plan for the period 01 July 2018 to 30 June 2019 covering the following key audit activities:

PLANNED AUDITS	NUMBER OF AUDITS
Performance Information Review	4
Trade and other receivables	1
Supply Chain Management Review	1
ICT Disaster Recovery and Business Continuity	1
Management of cash and cash equivalents	1
Management of investments/investment policy	1
Revenue Management Review	1
Review of irregular, fruitless & wasteful expenditure	1
TOTAL PLANNED AND PERFORMED AUDITS	**11**

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

- With the activities of the Internal Audit function, including its annual work programme, the reports of significant investigations and the responses of management to specific recommendations.
- That Internal Audit conducted its work in accordance with the standards set by the Institute of Internal Auditors.
- The Committee is concerned about internal control weaknesses identified by Internal Audit and expects that management will address all those weaknesses contained in the Audit Findings Tracker.

3.4 Other Identified Concerns

The Committee has the following concerns related to:

- Control weaknesses in the SCM environment.
- Significant challenges within the SCM department's environment in terms of capacity and capability.
- The lack of an approved Infrastructure Master Plan.
- Processes for recovery of outstanding Debtors balances were not always completely followed.

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

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

The Committee is of the opinion, based on the information and explanations provided by management, as well as the results of audits performed by Internal Audit and the Office of the Auditor - General, that the financial and performance information provided by management to users of such information is adequate, reliable and accurate, except for the one area of performance information related to "Support Rural Development Indicator – Number of signed contracts and MOUs" on usefulness as reported by the Office of the Auditor-General.

3.6 External Audit

- The Office of the Auditor General attended 5 meetings of the Committee.
- The Committee holds in-committee meetings at every session it meets based on requests from the Committee members, management, Internal and External Audit. The Committee has had various sessions with the parties independently and confirms that they are satisfied that there are no unresolved issues of concern.
- The Committee reviewed and accepted the External Audit Report and all the accounting and auditing concerns were discussed with management.
- The Committee concludes that the Office of the Auditor General is independent and objective.

4. THE EFFECTIVENESS OF INTERNAL CONTROLS

The Committee:

- Considered all the reports issued by the various assurance providers internal and external.
- Noted management's actions in addressing identified control weaknesses and are satisfied with the following achievements reported during the year:

ASSURANCE PROVIDER	TOTAL FINDINGS	RESOLVED FINDINGS	PARTIALLY RESOLVED FINDINGS	NOT RESOLVED
Internal audit	65	58	7	0
External audit	44	39	5	0
SHE compliance audit	7	4	1	2
OHSA audit	61	52	0	9
Total	**177**	**153**	**13**	**11**

* *Included in the 177 are 24 findings that have not reached the agreed due date for Management's implementation of remedial action.*

- We also noted findings raised by both internal Audit and Office of the Auditor General in respect of performance information which management is addressing.
- In light of the above, we report that the system of internal control for the period under review is not functioning optimally.

3 Audit and Risk Committee Report For the year ended 30 june 2019

5. COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

The Committee has:

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

6. EVALUATION OF FINANCIAL STATEMENTS AND ANNUAL REPORT

The Committee has evaluated the annual financial statements and performance information for the year ended 30 June 2019 and duly recommended them for the approval of the Members of the Board of Amatola Water.

The Committee reviewed the Auditor-General's audit adjustments, management and audit reports and concurs with their conclusions. The Committee therefore accepts the audit opinion and conclusion expressed by the Office of the Auditor-General on the annual financial statements, annual performance report and annual report.

We would like to express our sincere appreciation to the Management team for their leadership and commitment, in maintaining an unqualified audit opinion during a very challenging period.



Eugene Jooste
Chairman: Audit and Risk Committee
17 October 2019

4 Statement of Financial Position as at 30 June 2019

	Note(s)	2019 R '000	2018 Restated* R '000
Assets			
Current Assets			
Inventories	3	2,914	2,768
Receivables from exchange transactions	4	214,184	236,533
VAT receivable	10	4,738	-
Cash and cash equivalents	6	639,955	376,331
Total current assets		**861,791**	**615,632**
Non-Current Assets			
Property, plant and equipment	7	541,096	540,617
Intangible assets	8	1,394	2,109
Total non-current assets		**542,490**	**542,726**
Total Assets		**1,404,281**	**1,158,358**
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	559,427	429,339
VAT payable	10	-	15,141
Provisions	11	1,890	6,035
Unspent conditional grant	12	2,355	2,355
Total current liabilities		**563,672**	**452,870**
Total Liabilities		**563,672**	**452,870**
Net Assets		**840,609**	**705,488**
Contributed capital		274,557	274,557
Accumulated surplus		566,052	430,930
Net Assets		**840,609**	**705,487**
Total Net Assets		**840,609**	**705,487**

5 Statement of Financial Performance

	Note(s)	2019 R '000	2018 Restated* R '000
Revenue from exchange transactions	13	423,446	384,833
Cost of sales	15	(296,647)	(293,975)
Gross surplus		**126,799**	**90,858**
Other income	14	6,596	4,516
Finance Income	17	47,609	29,045
Revenue from non-exchange transactions	25	92,386	88,554
Operating surplus		**273,390**	**212,973**
Expenditure			
Employee related costs	20	(48,858)	(43,528)
Non - Executive Members Emoluments	21	(3,245)	(3,280)
Depreciation and amortisation	7	(1,875)	(2,923)
Lease rentals on operating leases	18	(9,128)	(7,927)
Debt Impairment	5	(9,952)	(80,956)
Repairs and maintenance	19	(16,450)	(15,704)
Operating and other expenses	16	(40,310)	(35,858)
Finance costs	23	(8,450)	(482)
Total expenditure		**(138,268)**	**(190,658)**
Surplus (deficit) for the year		**135,122**	**22,315**

6 Statement of Changes in Net Assets

	Note(s)	Capital Contribution R '000	Accumulated surplus R '000	Total net assets R '000
Opening balance as previously reported		274,557	91,391	365,948
Adjustments				
Change in accounting policy - GRAP 23	26	-	317,224	317,224
Balance at 01 July 2017 (Restated)	**27**	**274,557**	**408,615**	**683,172**
Changes in net assets				
Surplus/ (Deficit) for the year		-	22,315	22,315
Total changes		-	22,315	22,315
Balance at 01 July, 2018 (Restated)	27	274,557	430,930	705,487
Changes in net assets				
Surplus/ (Deficit) for the year		-	135,122	135,122
Total changes		-	135,122	135,122
Balance at 30 June 2019		**274,557**	**566,052**	**840,609**

7 Cash Flow Statement

	Note(s)	2019 R '000	2018 Restated* R '000
Cash flows from operating activities			
Receipts			
Cash receipts from customers		461,880	419,224
Grants	25	92,386	88,554
Other receipts	14	6,596	4,516
Payments			
Cash paid to suppliers		(128,422)	(78,384)
Cash paid to employees		(179,699)	(173,117)
Net cash flows from operating activities	**22**	**252,741**	**260,793**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(15,836)	(29,256)
Purchase of other intangible assets	8	(66)	(233)
Interest on investments	17	26,786	14,173
Net cash flows from investing activities		**10,884**	**(15,316)**
Total cash and cash equivalents movement for the year		263,625	245,477
Cash and cash equivalents at the beginning of the year		376,331	130,858
Total cash and cash equivalents at end of the year	**6**	**639,956**	**376,335**

8 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*	Note(s) **
	R '000	R '000	R '000	R '000	R '000	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Revenue - Section 29	359,266	(23,875)	**335,391**	340,986	**5,595**	
Revenue - Section 30	150,868	(61,425)	**89,443**	82,460	**(6,983)**	
Other miscellaneous income	4,356	927	**5,283**	6,596	**1,313**	35.1
Interest income	12,601	32,059	**44,660**	47,609	**2,949**	
Total revenue from exchange transactions	**527,091**	**(52,314)**	**474,777**	**477,651**	**2,874**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants	-	-	**-**	92,386	**92,386**	35.2
Total revenue	**527,091**	**(52,314)**	**474,777**	**570,037**	**95,260**	
Expenditure						
Personnel	(202,098)	14,397	**(187,701)**	(175,712)	**11,989**	
Non - Executive Members Emoluments	(4,600)	996	**(3,604)**	(3,245)	**359**	
Accommodation	(4,881)	2,659	**(2,222)**	(3,066)	**(844)**	35.3
Depreciation and amortisation	(22,025)	1,181	**(20,844)**	(16,125)	**4,719**	
Finance costs	(115)	55	**(60)**	(8,450)	**(8,390)**	35.4
Lease rentals on operating lease	(12,953)	5,458	**(7,495)**	(9,128)	**(1,633)**	
Debt Impairment	(18,743)	(13,695)	**(32,438)**	(9,952)	**22,486**	35.5
Bulk purchases	(92,322)	7,555	**(84,767)**	(85,183)	**(416)**	
Other operating expenditure	(166,601)	31,096	**(135,505)**	(124,054)	**11,451**	
Total expenditure	**(524,338)**	**49,702**	**(474,636)**	**(434,915)**	**39,721**	
Surplus	**2,753**	**(2,612)**	**141**	**135,122**	**134,981**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement*	**2,753**	**(2,612)**	**141**	**135,122**	**134,981**	

* The accumulated surplus for the current year has been significantly increased by the change in accounting frameworks from SA GAAP to GRAP resulting in grant funding previously accounted for as a liability now being accounted for as revenue.

** Variances above 10% have considered by management to be useful for users information. These have been explained under note 34.

8 Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis	Approved budget	Adjust-ments	Final Budget	Actual amounts on compa-rable basis	Difference between final bud-get and actual*	Note(s) **
	R '000	R '000	R'000	R '000	R '000	
Assets						
Current Assets						
Inventories	3,528	(605)	**2,923**	2,914	**(9)**	
Receivables from exchange transactions	100,290	(13,836)	**86,454**	214,184	**127,730**	35.6
VAT receivable	-	-	**-**	4,738	**4,738**	35.7
Cash and cash equivalents	167,737	173,664	**341,401**	639,955	**298,554**	35.8
	271,555	**159,223**	**430,778**	**861,791**	**431,013**	
Non-Current Assets						
Property, plant and equipment	627,470	(81,911)	**545,559**	541,096	**(4,463)**	
Intangible assets	1,699	(222)	**1,477**	1,394	**(83)**	
	629,169	**(82,133)**	**547,036**	**542,490**	**(4,546)**	
Total Assets	**900,724**	**77,090**	**977,814**	**1,404,281**	**426,467**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	232,084	100,578	**332,662**	559,427	**226,765**	35.9
Provisions	652	25	**677**	1,890	**1,213**	35.10
Grant Funding Liability	49,088	48,921	**98,009**	2,355	**(95,654)**	35.11
	281,824	**149,524**	**431,348**	**563,672**	**132,324**	
Non-Current Liabilities						
Deferred income liability	361,164	(75,157)	**286,007**	-	**(286,007)**	35.12
Total Liabilities	**642,988**	**74,367**	**717,355**	**563,672**	**(153,683)**	
Net Assets	**257,736**	**2,723**	**260,459**	**840,609**	**580,150**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Contributed capital	274,557	-	**274,557**	274,557	**-**	
Reserves						
Accumulated surplus*	(16,821)	2,723	**(14,098)**	566,052	**580,150**	35.2
Total Net Assets	**257,736**	**2,723**	**260,459**	**840,609**	**580,150**	

* The accumulated surplus for the current year has been significantly increased by the change in accounting frameworks from SA GAAP to GRAP resulting in grant funding previously accounted for as a liability now being accounted for as revenue.

** Variances above 10% have considered by management to be useful for users information. These have been explained under note 34.

9 Accounting Policies

1. Presentation of Annual Financial Statements

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

These annual financial statements, as well as the entity's budget, have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

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

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

These accounting policies have changes from the previous period, due to the changes resulting from first-time adoption of Standards of GRAP in terms of Directive 12 as issued by the ASB.

At the date of authorisation of these annual financial statements, the Accounting Standards Board (ASB) had revoked SA GAAP effective for years ending 1 December 2012. The ASB therefore issued Directive 12 as to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

Those public entities that currently apply a reporting framework other than Standards of GRAP, shall apply Directive 12 in selecting and applying an appropriate reporting framework when preparing their financial statements for periods commencing on or after 1 April 2018.

Amatola Water Board has conducted the assessment set out in the Directive and come to the conclusion that, based on the criteria, GRAP would be the appropriate reporting framework to utilise for the financial period ended 30 June 2019 as well as subsequent financial periods.

Publication of Amatola Water Board's annual financial statements is undertaken to create public awareness and understanding of the financial management and policies that have been used within Amatola Water Board to regulate the financial affairs of the business and to safeguard it from excessive or avoidable risk.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

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

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

9 Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (Continued)

Impairment testing

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

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

Provisions

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

Contingencies

Present obligations that arise from past events but are not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability are disclosed in the financial statements. Contingencies recognised in the current year relate to matters under litigation whose outcome is still uncertain as at year-end. Estimates and judgments were therefore required in the disclosure and were informed by assessments from the entity's legal representatives. Refer to note 29 on litigation contingent liabilities.

Useful lives and residual values

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

Post retirement benefits

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

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

Allowance for doubtful debts

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

Capital and operational grant funding

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

9 Accounting Policies

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

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

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

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

9 Accounting Policies

1.4 Property, plant and equipment (Continued)

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

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

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

Land is not depreciated.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation commences when the asset is capable of operating in the manner intended and its value can be reliably estimated.

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

1.5 Intangible assets

An asset is identifiable if it either:

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

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

9 Accounting Policies

1.5 Intangible assets (Continued)

An intangible asset is recognised when:

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight line	5

Intangible assets are derecognised:

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

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

1.6 Financial instruments

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

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

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

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or
  - a contractual right to:
    - receive cash or another financial asset from another entity; or
    - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

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

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

9 Accounting Policies

1.6 Financial instruments (Continued)

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

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

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

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

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

Financial assets – Investments and receivables - Held at amortised cost

Cash and cash equivalents

Trade and other receivables

Financial liabilities – Held-at-amortised cost

Trade and other payables

Unspent conditional grant

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

Financial liabilities

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in entity 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 entity 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 entity 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.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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

Operating leases - lessee

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

1.8 Inventories

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

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

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

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

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

9 Accounting Policies

1.8 Inventories (Continued)

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

1.9 Impairment of cash generating assets

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

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

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

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

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

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

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

Identification

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

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

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in entity 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.

9 Accounting Policies

1.9 Impairment of cash generating assets (Continued)

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 entity or deficit.

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

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

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

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

1.10 Contributed capital

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

9 Accounting Policies

1.11 Employee benefits

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

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

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

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

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

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

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

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

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

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

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

9 Accounting Policies

1.11 Employee benefits (Continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

1.12 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

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

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

9 Accounting Policies

1.14 Revenue from exchange transactions (Continued)

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.

Project revenue comprises of sales to customers and service rendered to customers. Project revenue is stated at the invoice amount and is exclusive of value added taxation.

Amatola Water Board's project revenue comprises:

Implementing agency fees

Operations and maintenance agreements

Project cost recoveries

Interest

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

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

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

1.15 Revenue from non-exchange transactions

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

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

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

9 Accounting Policies

1.15 Revenue from non-exchange transactions (Continued)

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

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

Recognition

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

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

Measurement

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

1.16 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.17 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Recognition

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

9 Accounting Policies

1.18 Comparative figures

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

1.19 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.

National Treasury instruction no. 2 of 2019/20 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 17 May 2019):

All requests for condonation of irregular expenditure for public entities listed under schedule 3B of the PFMA must be submitted to the National Treasury.

Accounting officers of departments and constitutional institutions and accounting authorities of public entities must address cases of irregular expenditure in terms of Annexure A to the mentioned instruction note: Irregular Expenditure Framework. The Annexure details the manner in which public entities are to account for irregular expenditure including the following:

For a government component, a constitutional institution, a trading entity or a public entity listed in Schedules 2 or 3 to the PFMA applying Generally Recognised Accounting Practice (GRAP) to incur irregular expenditure, the non-compliance must be linked to a financial transaction. Although a transaction may trigger irregular expenditure, a constitutional institution, government component, trading entity or public entity will only record irregular expenditure when a transaction is recognised as expenditure in the Statement of Financial Performance in accordance with GRAP or IFRS, whichever is applicable.

Upon detection of alleged irregular expenditure, the relevant function must conduct an assessment to identify possible irregularities in transactions that have been processed and to confirm whether irregular expenditure has been incurred or whether the incident was the result of non-compliance with legislation that did not relate to the incurrence of a financial transaction.

If a transaction has been processed in contravention of legislation and the same transaction has a financial implication (payment was made or a liability was recognised in the books), it must be recorded as irregular expenditure.

Where it has been confirmed that the identified non-compliance does not constitute irregular expenditure, as defined in section 1 of the PFMA, the accounting officer or accounting authority must –

(a) strengthen the internal control environment where the non-compliance was identified and confirmed; and

(b) refer the non-compliance matter to the Human Resource Management Function in the institution to institute disciplinary processes against the employee responsible for the non-compliance.

The accounting officer or accounting authority must conduct an investigation if it is suspected that there is a possibility of fraudulent, corrupt or other criminal conduct emanating from the incurrence of irregular expenditure.

If the investigation confirms that the irregular expenditure is related to a fraudulent, corrupt or other criminal conduct, the accounting officer or accounting authority must, within seven days, ensure that a criminal charge is laid with the South African Police Service against the responsible employee(s).

Treasury Regulations 9.1.5 and 28.2.1 require accounting officers and accounting authorities to disclose all irregular expenditure incurred by their respective institutions as a note to the annual financial statements.

9 Accounting Policies

1.21 Budget information

Entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

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

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

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

1.22 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

9 Accounting Policies

1.23 Events after reporting date

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

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

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

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

1.24 Value Added Tax

Amatola Water Board is registered for value added tax in terms of section 23 of the Value Added Tax Act no 89 of 1991 on the invoice basis.

1.25 Taxation

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

1.26 Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost. Cash and cash equivalents in the statement of financial position comprise of cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

	2019	2018
		Restated
	R '000	R '000

2. New standards and interpretations

2.1 Standards and interpretations issued

	Effective Date (financial years starting on or after)	Expected effect on the entity
GRAP 18 – Segment GRAP 20 – Related Party Disclosures	01 April 2019	The standard requires presentation of segment information which is not currently applicable to Amatola Water Board.
GRAP 32 & IGRAP 17 – Service Concession Arrangements	01 April 2019	The standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments as is the current application of Amatola Water Board.
GRAP 108 – Statutory Receivables	01 April 2019	The standard prescribes accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivablesStatutory receivables are receivables that: (a) arise from legislation, supporting regulations, or similar means; and (b) require settlement by another entity in cash or another financial asset. This is currently not applicable to Amatola Water Board.
GRAP 109 – Accounting by Principals & Agents	01 April 2019	The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. This Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements.This Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent. The standard is applicable to Amatola Water Board and will result in additional disclosure of principal agency arrangements.
GRAP 110 – Living and non-living resources	01 April 2019	The standard prescribes the recognition, measurement, presentation and disclosure requirements for living resources and disclosure requirements for non-living resources. Living resources are those resources that undergo biological transformation. Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted. This is currently not applicable to Amatola Water Board.
IGRAP 18 – Recognition and Derecognition of land	01 April 2019	This interpretation provides guidance on when an entity should recognise and derecognise land as an asset in its financial statements. The interpretation applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity. The interpretation , although currently not applicable, might have applicability to Amatola Water in the future.

	2019	2018 Restated
	R '000	R '000

2. New standards and interpretations (Continued)

IGRAP 19 – Liabilities to pay levies	01 April 2019	This interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy and is applicable to Amatola Water. The interpretation addresses the following issues:To clarify the accounting for a liability to pay a levy, this Interpretation addresses the following issues: (a) What is the obligating event that gives rise to the recognition of a liability to pay a levy? (b) Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period? (c) Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period? (d) Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time? (e) What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached? No additional requirements are introduced for Amatola Water Board.
Guideline on accounting for arrangements undertaken in terms of the National Housing Programme	01 April 2019	This guideline provides high-level guidance for arrangements undertaken in terms of the national housing programme. The standard is not currently applicable to Amatola Water Board.
GRAP 105 - Transfer of function and mergers	01 April 2019	The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. The standard is not currently applicable to Amatola Water Board.
GRAP 106 - Transfer of Functions Between Entities Not Under Common Control	01 April 2019	The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. The standard is not currently applicable to Amatola Water Board.
GRAP 107 - Mergers	01 April 2019	The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. The standard is not currently applicable to Amatola Water Board.
GRAP 34 – Separate Financial Statements	Approved not yet effective and no effective date has been set	The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. The standard is not currently applicable to Amatola Water Board.
GRAP 35 – Consolidated Financial Statements	Approved not yet effective and no effective date has been set	The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard is not currently applicable to Amatola Water Board.

	2019	2018 Restated
	R '000	R '000

2. New standards and interpretations (Continued)

GRAP 36 – Investment in associates and joint ventures	Approved not yet effective and no effective date has been set	The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard is not currently applicable to Amatola Water Board.
GRAP 37 – Joint arrangements	Approved not yet effective and no effective date has been set	The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements). The standard is not currently applicable to Amatola Water Board.
GRAP 38 – Disclosure of interest in other entities	Approved not yet effective and no effective date has been set	The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate: (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and, (b) the effects of those interests on its financial position, financial performance and cash flows. The standard is not currently applicable to Amatola Water Board.
GRAP 104 – Financial Instruments (improvements)	Approved not yet effective and no effective date has been set	The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. The standard is applicable to Amatola Water Booard and will result in additional disclosure relating to financial instruments.
GRAP 6 – Consolidated and Separate Financial Statements	01 April 2019	The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. The standard is not currently applicable to Amatola Water Board.
GRAP 7 – Investment in Associates	01 April 2019	This Standard prescribes the accounting treatment for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets. The standard is not currently applicable to Amatola Water Board.
GRAP 8 – Investment in Joint Ventures	01 April 2019	The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities. The standard is not currently applicable to Amatola Water Board.

10 Notes to the Annual Financial Statements

	2019	2018
	R '000	R '000

3. Inventories

Plant spares, chemicals and stores	2,087	2,175
Water	827	593
	2,914	**2,768**

Refer to note 16 for write-backs and adjustments.

4. Receivables from exchange transactions

Trade receivables	87,216	81,731
Sundry receivables	96,456	99,894
Other receivables	678	1,097
Accrued income	24,381	46,307
Other project receivables	5,453	7,503
	214,184	**236,532**
Trade receivables	195,094	152,158
Debt Impairment	(107,878)	(70,427)
	87,216	**81,731**
Sundry receivables	119,593	150,530
Debt Impairment	(23,137)	(50,636)
	96,456	**99,894**

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 36 for Debtors Aging.

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

Other receivables relate to prepaid expenses, rental deposit and employee receivables that occur during the course of business.

Accrued income relates to project costs received after the reporting date that relate to the financial year under review. These costs will be billed to the principal funders in the forthcoming financial period and will be recognised to surplus or deficit as per other project implementing agent contract costs.

Other project receivables consist of Lejamo Trust Account and Bluroca Construction held in trust accounts due to legal disputes.

5. Debt impairment

Debt impairment	9,952	80,956

2019	Opening balance	Movement	Closing balance
Allowance for doubtful debts	121,063	9,952	131,015
2018			
Allowance for doubtful debts	40,107	80,956	121,063

	2019	2018
	R '000	R '000

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	343,243	180,826
Short-term deposits	296,712	195,505
	639,955	**376,331**
Cash and cash equivalents held by the entity related to grant funding	187,070	53,825
Cash and cash equivalents held by the entity related to project implementation	218,238	210,971
Cash and cash equivalents held by the entity for operations	234,647	111,535
	639,955	376,331

Cash at banks earns interest at daily bank deposit rates.

Short-term deposits are made for varying periods, depending on the immediate cash requirements of the entity and earn interest at the respective short-term deposit rate. The following cash balances related to specific expenditure requirements and is not available for the daily operations of the entity.

Guarantees

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

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

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

Eskom	1,000	1,000

R '000

7. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	5,410	-	5,410	5,410	-	5,410
Buildings	29,168	(15,034)	14,134	29,168	(15,371)	13,797
Plant and machinery	44,949	(32,366)	12,583	43,473	(31,789)	11,684
Furniture and fixtures	1,255	(925)	330	1,236	(965)	271
Motor vehicles	5,560	(4,688)	872	5,560	(4,728)	832
Buildings and civil works	90,234	(29,982)	60,252	89,777	(28,067)	61,710
Pipelines	187,532	(102,459)	85,073	185,650	(95,924)	89,726
Reservoirs	104,541	(40,213)	64,328	104,541	(37,048)	67,493
Pumpstations	8,994	(5,728)	3,266	8,994	(5,474)	3,520
Treatment works	57,577	(22,440)	35,137	55,236	(19,707)	35,528
Capital - Work in progress	259,711	-	259,711	250,646	-	250,646
Total	**794,931**	**(253,835)**	**541,096**	**779,691**	**(239,073)**	**540,617**

R '000

7. Property, plant and equipment (Continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Impairment / Disposals	Transfers	Depreciation	Total
Land	5,410	-	-	-	-	5,410
Buildings	13,797	-	-	-	337	14,134
Plant and machinery	11,684	2,071	(13)	-	(1,162)	12,580
Furniture and fittings	271	19	-	-	40	330
Motor vehicles	832	-	-	-	40	872
Buildings and civil works	61,710	457	-	-	(1,915)	60,252
Pipelines	89,726	1,882	-	-	(6,535)	85,073
Reservoirs	67,493	-	-	-	(3,165)	64,328
Pumpstations	3,520	-	-	-	(254)	3,266
Treatment works	35,527	2,342	-	-	(2,730)	35,139
Capital - Work in progress	250,646	13,390	-	(4,325)	-	259,711
	540,616	**20,161**	**(13)**	**(4,325)**	**(15,344)**	**541,095**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Impairment / Disposals	Transfers	Depreciation	Total
Land	5,410	-	-	-	-	5,410
Buildings	14,757	486	(13)	-	(1,433)	13,797
Plant and machinery	10,819	3,848	(25)	-	(2,958)	11,684
Furniture and fixtures	298	20	-	-	(47)	271
Motor vehicles	1,093	-	-	-	(261)	832
Buildings and civil works	55,679	8,242	(391)	-	(1,820)	61,710
Pipelines	66,070	29,714	-	-	(6,058)	89,726
Reservoirs	70,937	-	(249)	-	(3,195)	67,493
Pumpstations	3,725	260	(41)	-	(424)	3,520
Treatment works	32,547	5,714	-	-	(2,733)	35,528
Capital - Work in progress	269,674	27,388	-	(46,416)	-	250,646
	531,009	**75,672**	**(719)**	**(46,416)**	**(18,929)**	**540,617**

	2019	2018
	R '000	R '000

7. Property, plant and equipment (Continued)

Cash flow from investing activities

Additions	20,160	75,672
Transfers	(4,325)	(46,416)
	15,835	**29,256**

GRAP requires that the annual financial statements should reflect the economic substance of events and transactions and not merely the legal form. Amatola Water Board recognises and records those assets which are resources controlled by the enterprise and result in receipt of economic benefits or rewards and in incurring risks incidental to ownership, even though legal ownership has not passed.

The Transfer Agreement between Amatola Water Board and the Department of Water and Sanitation was concluded with effect from 1 July 1998. In terms of Section 63(1)(c) of the National Water Act, powers and responsibility for the control, operation, administration and maintenance of immovable assets were delegated to Amatola Water Board by the Minister of Water and Sanitation.

In terms of the Transfer Agreement, the Department of Water and Sanitation has agreed to transfer the major water services works to Amatola Water Board. These works comprise pipelines, reservoirs, pump stations and water treatment works in Amatola Water Board's designated area. In terms of Section 73(2) (a) of the Water Services Act, legal ownership will be transferred with the written approval of the Minister of Human Settlements, Water and Sanitation and on registration of the properties in the name of Amatola Water Board by the Registrar of Deeds.

Internally funded capital work-in-progress is included in the above note, assets under construction that are not yet available for use are accounted for in this section. These assets are not depreciated and are transferred to their respective asset categories when they become available for use for Amatola Water Board.

	2019	2018
	R '000	R '000
7. Property, plant and equipment (continued)		
Depreciation		
Reconciliation of amortisation and depreciation expense		
Amortisation (refer to Note 8)	781	836
Depreciation expense	15,344	18,929
	16,125	**19,765**
Section 29 - Cost of sales	14,250	16,842
Depreciation and Amortisation	1,875	2,923
	16,125	**19,765**
Expenditure incurred to repair and maintain property, plant and equipment		
General expenses	9,013	10,919

No encumbrances are placed on any of the assets.

In accordance with GRAP 17 Amatola Water has made an assessment of whether there is any indication that the entity's expectations about the useful lives of its assets have changed since the preceding reporting date. Useful lives have been reviewed individually and by category.

Based on the outcome of such assessment the entity has revised the useful lives of its assets appropriately. After assessment of the condition indicating the need of the revision of useful lives, the change has been accounted for as a change in accounting estimate in accordance with GRAP 3.

Amatola Water Board has faced delays in the implementation of capital plant upgrades for which the related expenditure is included in Capital work in progress. An acceleration plan had been developed and submitted to the DHWS during 2018/2019 financial year.

The Asset register is available for inspection at the registered offices of the Amatola Water Board.

Refer to note 30 for capital commitments.

Refer to note 26 and 27 for prior period error and change in accounting policy effects and disclosure errors.

R '000

8. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4,291	(2,897)	1,394	4,225	(2,116)	2,109

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	2,109	66	(781)	1,394

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	2,712	233	(836)	2,109

	2019	2018
	R '000	R '000

9. Payables from exchange transactions

Trade payables	233,913	129,703
Payments received in advanced - contract in process	218,318	210,971
Project Payables	76,249	58,628
Other payables	20,067	14,816
Accrued leave pay	8,244	12,781
Accrued bonus	2,636	2,440
	559,427	**429,339**

Trade and other payables terms are 30 days from invoice date unless stated otherwise based on a valid contract between Amatola Water Board and the service provider concerned.

Other payables relate to payroll related balances (PAYE, SDL and UIF payable, etc), Water research levy and other liabilities which are individually not significant. Refer to Note 25 for restatements relating to payables from exchange transactions.

10. VAT payable/ (receivable)

VAT payable/ (receivable)	(4,738)	15,141

11. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Provision for employee benefits	5,379	1,259	(5,379)	1,259
Long service award	656	102	(127)	631
	6,035	**1,361**	**(5,506)**	**1,890**

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Total
Provision for employee benefits	3,001	5,379	(3,001)	5,379
Long service award	614	90	(48)	656
	3,615	**5,469**	**(3,049)**	**6,035**

The provision for the employee benefits (ex-gratia payment) is based on a constructive obligation that has been created over the preceding financial years in terms of the payment of gratia payment to employees at management's decision.

Long service awards vest with the employees on completion of an uninterrupted 5 years of service, and thereafter every 5 years of uninterrupted service or when the employee retires whilst in the employ of Amatola Water Board.

The vesting conditions are uncertain as employees may leave the employment at any given moment. The total liability has decreased by the fact that there were 67 employees under the Department of Education contract who were terminated during the year.

	2019	2018
	R '000	R '000

12. Unspent conditional grant

Amatola Water Board had received R2,5 million grant from the Jobs Fund (previously administered by DBSA)in respect of the learning academy in the 2015 financial year. Amatola Water Board has not spent any money in the current financial year as the moratorium on spending of the monies by the Jobs Fund had not been lifted at year end.

This grant is recognised as an operational grant and the grant is utilised to match the expenditure incurred. Due to Amatola Water Board not achieving the grant funding conditions for the remaining portion of the grant, this amount has been recalled by the Jobs Fund. Refer to Note 24 for restatements relating to unspent conditional grants.

DBSA Jobs fund grant	Opening balance	Amounts recieved	Transferred to revenue	Closing balance
Current year	2,355	-	-	2,355
Prior year	2,355	-	-	2,355

	2019	2018
	R '000	R '000

13. Revenue

Revenue from Exchange Transactions:

Volumes sold	**Kl '000**	**Kl '000**
Treated water	31,432	31,708
Raw water	8,304	8,026
	39,736	**39,734**

Section 29 revenue	**R'000**	**R'000**
Treated water sales	313,426	286,564
Raw water sales	20,726	18,614
Right of use	6,834	3,055
	340,986	**308,233**

Section 30 revenue		
Implementing agency fees	29,562	22,929
Operations and maintenance agreement	37,443	38,942
Project cost recoveries	15,455	14,729
	82,460	**76,600**
Total Revenue	**423,446**	**384,833**

The capital grant was received from National Treasury for the upgrade of Amatola Water Board's water treatment plants. The condition for the grant is such that where there is under expenditure for any reason, then an acceleration report must be developed by the Water Board and submitted to the Department of Human Settlement Water and Sanitation detailing the reason for the delays and how the project will be accelerated to utilise the funding budget for the remainder of the term of the Agreement.

14. Other income

Sundry income	6,484	4,152
Other income	112	364
	6,596	**4,516**

Sundry income includes commission and discounts received, permit fees, tender document sales, scientific services revenue, as well as other miscellaneous income.

Other income is comprised of payments received from group life insurance fund.

15. Cost of sales

Cost of sales - Section 29

Raw water purchases	85,183	83,391
Water research levies	3,053	2,880
Electricity	41,418	38,889
Chemicals	10,270	9,852
Employee benefit costs	81,933	78,927
Depreciation and impairment	14,250	16,842
	236,107	**230,781**

	2019	2018
	R '000	R '000

15. Cost of sales (Continued)

Cost of sales - Section 30

Chemicals	647	1,068
Employee benefit costs	44,919	48,927
Repairs and maintenance	6,750	8,672
Project costs	8,224	4,527
	60,540	**63,194**
Total cost of sales	296,647	293,975

Refer to Note 27 for restatements relating to cost of sales.

16. Operating and other expenses

Auditors remuneration	1,739	2,084
Bank charges	206	201
Consulting and professional fees	6,996	5,034
Consumables	2,710	2,331
Control of Hyacinth	2	-
Corporate Identity Development	-	11
Dam Safety Check	-	1
Design and Creative Services	52	102
Electricity and Water	1,691	1,550
Equipment: Hire	11	10
Equipment: small value items	52	65
Fees: Admin & Secretarial Services	295	-
Fees: Contracts	65	20
Fees: Technical Services	255	343
Dam management charge out costs	13	(1)
Health and Safety	179	395
Inauguration& Events	117	108
Insurance	1,295	1,557
Insurance: Workman's Comp	659	506
Laundry & Cleaning Expenses	319	269
Legal expenses	6,923	7,906
Medical expenses	11	21
Membership Fees	280	224
Newspapers Periodicals Subs	84	88
Postage and courier	20	24
Printing and stationery	469	629
Loss on disposal of assets	13	719
Promotions and sponsorships	145	5
Protective clothing	1,516	396
Public Relations Services	-	6
Publicity and Advertising	431	230
Refreshments: Seminars & Meetings	354	228
Repographic & Printing Service	300	183
Security	3,037	2,034
Services: Courier and Data	1,943	1,956
Software expenses	1,597	1,404
Sponsorship & Social Investment	134	149
Stores Write-off & Adjustment	(10)	(27)
Telephone and fax	1,166	1,320
Training	1,565	1,685

	2019	2018
	R '000	R '000
16. Operating and other expenses (continued)		
Transport: Hire of Vehicles	392	108
Transport: Vehicle License Fee	231	228
Travel - local	3,066	1,756
	40,310	**35,858**

Refer to Note 27 for restatements relating to Cost of Sales.

17. Finance income

Interest earned from cash investments	26,786	14,173
Interest earned from trade and other receivables	20,821	14,872
	47,607	**29,045**

18. Lease rentals on operating lease

Premises		
Contractual amounts	1,134	456
Motor vehicles		
Contractual amounts	7,641	6,837
Equipment		
Contractual amounts	353	634
	9,128	**7,927**

Refer to Note 30 - Commitments for a breakdown of the financial commitment relating to operating leases.

19. Repairs and Maintenance

Building And Fences	1,511	2,384
Equipment: Computer	56	59
Refurbishment	53	3
Equipment: Furniture & Office	-	4
Equipment: Other	57	100
Laboratory Calibration	281	307
Laboratory Equipment	11	415
Meters	1,088	995
Pipelines and Reserviors	959	875
Plant and Machinery	4,191	4,514
Power Supply	1,333	1,492
Radio and Communications	614	770
Rented Assets	-	-
Tools and Loose Gear	337	184
Tunnels and Canals	71	-
Vehicles and Implements	12,637	12,272
	23,200	**24,374**
Direct repairs and maintenance	6,750	8,672
Indirect repairs and maintenance	16,450	15,702
	23,200	**24,374**

	2019	2018
	R '000	R '000
20. Employee related costs		
Basic salaries	117,737	115,157
Bonus	7,270	5,170
Allowances	19,831	17,961
Casual labour	116	47
Overtime	8,242	7,282
Long service awards	53	43
Contributions - Medical, Pension, UIF	24,029	23,262
Other allowances	2,186	2,285
Leave pay	(3,752)	175
	175,712	**171,382**
Direct costs of employment	126,852	127,854
Indirect costs of employment	48,860	43,528

The entity provides retirement benefits for all permanent employees by making contributions to a defined contribution provident and pension fund. The fund, Orion, is administered by Old Mutual and is subject to the Pension Funds Act, 1956 as amended.

	Number of staff 2019	2019 R'000	Number of staff 2018	2018 R'000
Provident fund contributions	256	12,638	263	8,762
Pension fund contributions	65	3,926	67	2,566
	321	**16,564**	**330**	**11,328**

An actuarial valuation has been performed of 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 2019.

Amatola Water Board provides long service awards and retirement entitlements which are defined as other long service awards in terms of GRAP 25. In the current financial year, management assumed that all actuarial assumptions occurred and the actuarial valuation held true. It is management's intention to value the employee benefits every year. These are reconciled as follows:

	Long service awards	Retirement gifts
	R'000	R'000
Balance as at 01 July 2017	537	76
Current Service costs recognised tostatement of financial performance	83	5
Retirement gifts/ Long Service Awards paid	(43)	(5)
Balance at 01 July 2018	**577**	**76**
Current service costs recognised to statement of comprehensive income	77	3
Retirement gifts/Long service awards paid	(121)	(6)
Balance at 30 June 2019	**533**	**73**

R '000

21. Executive and Non-Executive Members' Emoluments

Executive

2019

	Cash component	Back pay	Re-imbursive and other allowances	Vehicle allowance	Pension / Provident Package	Family Cover, Disability and Group Life	Medical Aid Package	CCMA Settlement	Total
A. Gidana	1,301	48	46	120	122	49	21	-	1,707
J.Dalbock	1,142	13	15	240	85	50	-	-	1,545
V. Zitumane	1,640	-	63	547	-	-	-	-	2,250
L. Fokazi (Start date: 15 Oct 2018)	790	-	25	302	79	39	-	-	1,235
Y. Roboji	-	-	-	-	-	-	-	2,246	2,246
	4,873	**61**	**149**	**1,209**	**286**	**138**	**21**	**2,246**	**8,983**

2018

	Cash component	Back pay & leave payout	Re-imbursive and other allowances	Vehicle allowance	Pension / Provident Package	Family Cover, Disability and Group Life	Medical Aid Package	Total
L Makibinyane	519	-	-	30	66	5	5	625
K Govindsamy	471	76	-	60	-	19	9	635
A Gidana	1,086	146	24	120	111	46	21	1,554
D Contell	424	-	-	-	-	-	-	424
J Dalbock	1,158	121	6	60	45	24	-	1,414
V Zitumane	410	-	37	137	-	-	-	584
	4,068	**343**	**67**	**407**	**222**	**94**	**35**	**5,236**

Included in the above 2019 emoluments is a payment of R 2 245 561 made to former Director: Corporate Services, Y Roboji, in accordance with a CCMA ruling.

Acting arrangements

Acting Chief Financial Officer: K Mviko - (01 July 2018 - 14 October 2018) - Ex gratia payment of R125 700.

Acting Director: Planning and Development division: Sazile Qweleka (1 July 2018 - 30 June 2019) - Acting allowance of R94 500.

	2019	2018
	R '000	R '000

21. Executive and Non-Executive Members' Emoluments (Continued)

Non-executive

2019

	Board Stipend	Board meeting fees	Travel and other re-imbursements	Total
N Mnqeta	238	779	2	1,019
AP Le Roux	173	288	2	463
AP Magwentshu	15	14	-	29
BE Hollingworth	159	272	11	442
C Mbande	130	130	3	263
EV Jooste	173	243	-	416
A Wakaba	15	14	-	29
L Smith*	-	134	-	134
L Louw	173	222	2	397
N Ravgee*	-	64	-	64
AS Hadebe	15	22	-	37
T Cumming**	-	53	-	53
N Nyakaza	15	19	-	34
	1,106	**2,254**	**20**	**3,380**

S. Hadebe resigned on the 02 July 2018.

2018

	Board Stipend	Board meeting fees	Travel and other re-imbursements	Total
N Mnqeta	214	538	2	754
AP Le Roux	155	293	9	457
M Nzimande	39	66	-	105
BE Hollingworth	155	312	15	482
C Mbande	155	146	2	303
EV Jooste	155	221	-	376
S. Bruce*	-	13	-	13
L Smith*	-	72	-	72
AS Hadebe	175	77	-	252
N Ravgee*	-	34	-	34
L Louw	155	185	13	353
T Cumming**	-	68	-	68
	1,203	**2,025**	**41**	**3,269**

* External Audit and Risk Committee members (not included as board members)

** External Finance Committee member (not included as board members)

Included in the Board Emoluments expense as disclosed in the face of the Statement of Financial Performance is a June 2018 accrual reversed in July 2018 of R299 307 and a June 2019 accrual of R163 839.

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

Payments during the 2018/2019 Financial Year	3,380
June 2018 accrual reversed in July 2018	(299)
June 2019 accrual	164
	3,245

10 Notes to the Annual Financial Statements

	2019	2018
	R '000	R '000

22. Cash generated from / (used in) operations

Surplus/ (Deficit) for the year	135,122	22,315
Adjustments for:		
Finance income	(47,609)	(29,045)
Loss on sale of asset	13	69
Finance costs	8,450	482
Impairment (assets)	-	650
Movements in provisions	(4,145)	2,420
Other non-cash item (refer to note 27)	-	(303)
Depreciation and amortisation	16,124	19,765
Finance income from receivables	20,823	14,872
Changes in working capital:		
(Increase)/ Decrease in Inventories	(146)	402
(Increase)/ Decrease in Receivables from exchange transactions	22,349	19,107
(Increase)/ Decrease in Payables from exchange transactions	121,638	194,502
(Increase)/ Decrease in VAT Payable	(15,141)	15,141
(Increase)/ Decrease in VAT Receivable	(4,738)	416
	252,741	**260,793**

23. Finance costs

Interest: Creditors	8,450	482

Interest: Creditors relates mainly to interest charged by the Department of Human Settlements, Water and Sanitation on outstanding bulk water purchases debt as well as interest on late payment from other suppliers.

24. Auditors' remuneration

Audit fees: external	1,739	2,084

The Auditor-General South Africa has been the entity's external auditors for the year ended 30 June 2019.

25. Government grants and subsidies

Capital grants

National Treasury grant funding	92,386	88,554

A capital grant was received from National Treasury for the upgrade of Amatola Water Board's treatment works plants. The grant is accounted for according GRAP 23 and is recognised as revenue.

26. Change in accounting policy

In compliance with the Accounting Standards Board Directive 12, Amatola Water Board conducted an assessment as to the appropriate accounting framework to be utilised for the year ended June 30, 2019.

As a result of this assessment, the entity has changed accounting policies from SA GAAP to GRAP for the current financial reporting period.

The change in policy has resulted in material differences in the treatment of capital grant funding received for the upgrade of the entity's water treatment plants.

The resulting adjustments are as follows:

	2019	2018
	R '000	R '000

26. Change in accounting policy (continued

Statement of financial position	Previously stated as at 30 June 2018	Adjustment	Restated
Unspent conditional grant - GRAP 23	103,696	(101,341)	2,355
Deferred income liability (reclassified to accumulated surplus)	301,060	(301,060)	-
Current portion of deferred income liability (reclassified to accumulated surplus)	1,126	(1,126)	-
Release of deferred income	2,251	(2,251)	-
Accumulated surplus as at 01 July 2017	91,391	317,224	408,615
	499,524	**(88,554)**	**410,970**

Statement of financial performance (Non Exchange Revenue)	Previously stated as at 30 June 2018	Adjustment	Restated
Revenue from non-exchange transactions	-	86,303	86,303
Depreciation	14,591	2,251	16,842
	14,591	**88,554**	**103,145**

Cash Flow Statement	Previously stated as at 30 June 2018	Adjustment	Restated
Cash receipt from customers (1)	447,955	(4,516)	443,439
Grants (2)	-	88,554	88,554
Interest income (3)	14,173	699	14,872
Other receipts (1)	-	4,516	4,516
Cash paid to suppliers and employees (4)	(275,238)	(14,872)	(290,110)
Interest on investments (3)	-	14,173	14,173
	186,890	**88,554**	**275,444**

(1) In the current year other income of R4 516 750.18 including tender document sales, commission and scientific services receipts was reclassified from cash receipts from customers to other receipts.

(2) In the current year grant received was reclassified from cash flow from investing activities to cash flows from operating activities. This was due to the change in accounting policy on the treatment of the National Treasury grant from a liability to revenue.

(3) In the prior year interest income of R14 173 153.16 from investments was incorrectly classified as cashflow from operating activities.

(4) In the prior year cash paid to suppliers and employees was reflected net of an amount of R14 871 904.09 relating to interest on receivables. During the current year the amount has been separately disclosed under cash flows from operating activities.

The following descriptive changes have occured as a result of the change in accounting frameworks:

GRAP 23 - Revenue has now been classified into revenue from exchange transactions and revenue from non-exchange transactions. In the same manner receivables have now been classified into receivables from exchange transactions. The same principle applies to payables which have now been classified into payables from exchange transactions and payables from non-exchange transactions.

The following items are no longer recognised by the entity: deferred income liability, grant finding liability and current portion of deferred income liability. The transactions to which these items previously related are now accounted for under GRAP 23 and have been reclassified to Non- exchange revenue (current and comparative years) and accumulated surplus (years prior to 20 June 2018)

	2019	2018
	R '000	R '000

27. Prior period errors

In the prior year, Amatola Water Board had recorded raw water purchases per the Department of Human Settlements, Water and Sanitation submitted invoices. On further inspection, AW lodged a claim on the raw water meter readings as the incorrect factor was applied to the readings. The Department accepted the claim and credited Amatola Water Board with over billing for prior period water purchases.

The Department of Human Settlements, Water and Sanitation had also, upon investigation, underbilled Amatola Water Board for bulk water purchases in the prior year. An additional invoice relating to such prior period underbilling was therefore received in the current year.

In addition, as a result of the change in accounting policy change described in note 26 (change in accounting policy), grant funding received was reclassified from cashflows from investing activities to cashflows from operating activities.The correction of the error results in adjustments as follows:

Cost of sales	
Previously reported at 30 June 2018	294,278
Effect of raw water purchases credit note related to prior year	(3,897)
Effect of water research levy credit note related to prior year	45
Effect of invoice resulting from prior year underbilling	1,298
Release of deferred income	2,251
	293,975
Debt impairment	
Previously reported at 30 June 2018	120,038
Debt Impairment - change in method of estimation	(39,082)
	80,956
Payables from exchange transactions	
Previously reported at 30 June 2018	447,040
VAT Payable	(15,141)
Effect of credit note related to prior year	(3,897)
Effect of invoice resulting from prior year underbilling	1,343
	429,345
Receivables from exchange transactions	
Previously reported at 30 June 2018	197,450
Debt Impairment - change in method of estimation	39,083
	236,533
Cash Flow Statement (Cash generated from operations - Note 22)	
Surplus / (Deficit) per prior year published AFS	(105,624)
Reclassification - grant funding received	88,554
Prior period error - Bulk water purchases	3,897
Prior period error - Water research levies	(45)
Prior period error - DHWS under billing	(1,298)
Release of deferred income - reclassified as non-exchange revenue	(2,251)
	(16,767)

	2019	2018
	R '000	R '000

27. Prior period errors (continued)

The other non-cash item reflected in the cash generated from operations note 22 results from the prior period errors as per below table.

Prior period errors / change in accounting policy	
Bulk water purchases	3,897
Water research levies	(45)
DHWS under billing	(1,298)
Dimunition in asset value - reclassified as non-exchange revenue	(2,251)
	303

Change in comparative	VAT Payable	Total
Reclassified from trade payables	15,141	15,141

Change in comparative - Disclosure	Previously reported at 30 June 2018	Adjustments	Total
Loss on disposal of asset - casting error	713	6	719
Contigent liabilities	28,405	(494)	27,911
Commitments	89,965	(89,965)	-
Fruitless and wasteful expenditure - Interest on late payments	969	(199)	770
Irregular expenditure - amounts condoned	132,710	(677)	132,033
	-	-	-

28. Change in accounting estimate

In accordance with GRAP 17 Amatola Water has made an assessment of whether there is any indication that the entity's expectations about the useful lives of its assets have changed since the preceding reporting date. Useful lives have been reviewed individually and by category.
Based on the outcome of such assessment the entity has revised the useful lives of its assets appropriately. After assessment of the condition indicating the need of the revision of useful lives, the change has been accounted for as a change in accounting estimate in accordance with GRAP 3.

The impact of this change is a decrease in depreciation of R4 025 362.08. This amount has been written back to accumulated depreciation. This value will be depreciated in future years according to the revised useful lives for the impacted assets.

29. Contingent liabilities

Debt applications		
Amatola Water Board is currently defending ten (prior year: two) applications for outstanding debt and the outcome is uncertain.	37,737	27,911
Labour matters		
Amatola Water Board is currently defending seven (prior year: three) labour matters and the outcome is uncertain.	5,689	2,700
Other matters		
Amatola Water Board currently is defending three (prior year: five) personal liability matters and the outcome is uncertain.	6,284	15,000

	2019	2018
	R '000	R '000

30. Related parties

Relationships	
Executive and non-executive members	Refer to members' emoluments note 21
Department with significant influence	Department of Human Settlements, Water and Sanitation
	National Treasury

The Department of Human Settlements, Water and Sanitation (DHWS) is considered a related party entity as it exercises significant influence over Amatola Water Board.

Amatola Water Board has entered into various purchase and service transactions with Department of Human Settlements, Water and Sanitation (DHWS), in the ordinary course of business. These transactions were at arm's length:

Executive and non-executive members are the members of the board and its sub-committees and the 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

Statement of Financial Position		
DHWS receivable	38,873	53,345
DHWS payable	(118,704)	(53,274)
DHWS provision for water research levy and interest	(13,985)	(5,639)
DHWS bad debt provision	-	(5,635)
Related party transactions		
Statement of Comprehensive Income		
Dam management fees paid by DHWS to Amatola Water Board	11,845	9,704
Project revenue - DHWS	1,998	7,724
Raw water purchases - DHWS	(85,383)	(85,990)
Interest on outstanding debt - DHWS	(8,346)	(381)
Water research levy - DHWS	(3,052)	(2,835)
Reversal of bad debt provision - DHWS	-	(5,387)
National Treasury grant funding received	92,386	88,554

31. Commitments

Capital commitments are commitments relating to the infrastructure upgrades approved capital expenditure. These will be expedited in the next financial year. The proposed capital expenditure will be funded by grant funding as well as internally generated funds.

Authorised capital expenditure

Already contracted

• Property, plant and equipment	122,603	136,642

In the prior year, an approved budget not contracted for of R89.9 million was erroneously disclosed as commitments. Refer to note 27 for prior period restatements.

Total operational commitments

Already contracted for but not provided for	122,603	136,642

Operating leases - as lessee (expense)

Amatola Water Board has changed motor vehicle lessors during the year. Forty-five Motor Vehicles leased under the old contract still remain on a month-to-month operating lease. These vehicles will be returned upon delivery of the vehicles under the new lease contract.

	2019	2018
	R '000	R '000

31. Commitments (Continued)

Ninety-seven motor vehicles are leased under the new operating lease contract. The lease payments include a maintenance portion for the duration of the lease term. The leases are for an initial period of three years. The future minimum lease payments under the operating leases are as follows:

Operating lease commitments - motor vehicles		
Less than 1 year	9,225	520
More than 1 year and less than 5 years	16,310	-
	25,535	**520**

Operating lease commitments - Rental of office space (Less than 1 year)	359	88

Amatola Water Board entered into various lease rental agreements for office space use. The last lease term expires on the 31st of May 2020.

Operating lease commitments - Office Equipment		
Less than 1 year	114	172
More than 1 year and less than 5 years	76	168
	190	**340**

Amatola Water Board rents office machinery for use for normal business purposes. The lease payments include service agreements and monthly rental amounts. These leases are over a variable period ranging between 1 month and 3 years.

32. Financial instruments disclosure

Categories of financial instruments

Financial assets

	At amortised cost	**At amortised cost**
Trade and other receivables from exchange transactions	345,199	357,595
Cash and cash equivalents	639,955	376,331
	985,154	**733,926**

Financial liabilities

	At amortised cost	**At amortised cost**
Trade and other payables from exchange transactions	542,755	408,934
Unspent conditional grant (non-exchange)	2,355	2,355
	545,110	**411,289**

Residual interest

	At cost	**At cost**
Capital contribution	274,557	274,557

	2019	2018
	R '000	R '000

32. Financial instruments disclosure (Continued)

Financial instruments in Statement of financial performance

	At amortised cost	At amortised cost
Interest income (calculated using effective interest method) for financial instruments at amortised cost	47,609	29,045
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(8,450)	(482)
	39,159	**28,563**

33. Fruitless and wasteful expenditure

Opening balance - adjusted	2,665	1,895
Interest on late payments	8,669	770
	11,334	**2,665**

During the year, a credit note was received for an amount of R198 999 declared as fruiless and wasteful in the prior year. The amount was re-invoiced in the current financial year.

The fruitless and wasteful expenditure declared relates to interest charges on late payment. During the year interest invoices amounting to R8,4 million were recieved from the Department of Human Settlements, Water and Sanitation. This amount relates to delays on the payment for bulk water purchases. Amatola Water Board has delayed payment of bulk water purchases due to delayed payment of water sales by the Amathole District Municipality.

The incidents of fruitless and wasteful expenditure will be investigated for accountability.

Refer to note 27 for prior period restatements.

34. Irregular expenditure

Opening balance	132,033	114,054
Add: Irregular Expenditure - current year	22,665	18,656
Less: Amounts condoned during 2016/2017	-	(677)
	154,698	**132,033**

Analysis of expenditure awaiting condonation by National Treasury

Prior years	18,802	-

Details of irregular expenditure – current year

Non compliance with Supply Chain Management procedures	4,785
Expenditure incurred on expired contract	17,842
Expenditure incurred with no contract in place	38
	22,665

Amatola Water Board has investigated the causes of the irregular expenditure, and where investigations have been finalised, appropriate disciplinary and criminal charges have been laid against the respective individuals.

The entity has also made application to the National Treasury in relation to amounts included in the current year opening balance.

10 Notes to the Annual Financial Statements

	2019	2018
	R '000	R '000

35. Budget differences

Material differences between budget and actual amounts

Differences of 10% or greater between the final budget and actual amounts have been assessed and are due to the following key differences:

Revenue

35.1. Other miscellaneous income

Over budget by 25%.

Mainly driven by increases in scientific services revenue as part of the Turn-Around Plan drive to unlock revenue from diversified sources.

35.2. Government transfer

The final tranche received of R92.3 million from National Treasury as Grant funding to upgrade Amatola Water Board's water treatment works has resulted in the entire amount being classified as revenue from non-exchange transactions under GRAP 23. This has had a direct impact on the accumulated surplus as the current year surplus increased to R105.9 million (2018: R16,8 million deficit). Had the grant funding not been received, the current year surplus would have been R13.6 million (2018: R105.6 million deficit).

Expenditure

35.3. Accommodation

Over budget by 37%.

New Section 30 project in Makana resulting in employees having to sleep out of town.

35.4. Finance costs

Over budget by 139%.

DHWS issued Amatola Water Board with an interest invoice on the outstanding bulk water purchases debt.

35.5. Debt impairment

Under budget by 33%.

The non-payment trend relating to key debtors turned around in the last six months of the year resulting in decreased impairment.

Assets

35.6. Receivables from exchange transactions

Over budget by 98%.

Decreased impairment due to improved payment trends by key debtors.

35.7. VAT receivable

Over budget due to accelerated spending on capital expenditure.

No previously set budget as receivable unanticipated based on liability trend in the prior year.

35.8. Cash and cash equivalents

Over budget by 87%

	2019	2018
	R '000	R '000

35. Budget differences (Continued)

National Treasury allocated R92 million advance to Amatola Water Board to for plant upgrades. DHWS allocated R60 million advance to Amatola Water for Section 30 projects. ORTDM has also paid Amatola Water Board advances on projected bills to fast track implementation of the KSD PI project. The final tranche received of R92.3 million from National Treasury as Grant funding to upgrade Amatola Water Board's Water Treatment Works.

Liabilities

35.9. Payables from exchange transactions

Over budget by 72%

DHSWS bulk water purchases remaining unpaid during the year.

35.10. Provisions

Over budget by 179%

Due to the turnaround of the organisation's performance, requirements for employee performance bonus could be met resulting in an unanticipated provision.

35.11. Grant funding liability

Under budget by 98%

Change in accounting frameworks from SA GAAP to GRAP during the year resulted in a change in accounting treatment from a liability accounting to revenue accounting.

35.12. Deferred income liability

Under budget by100%

Change in accounting frameworks from SA GAAP to GRAP during the year resulted in a change in accounting treatment from a liability accounting to revenue accounting.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of changes in the overall budget parameters.

36. Events after the reporting date

No events are known to have occurred between the end of the reporting period and the date when the annual financial statements were authorised for issue which may present information that should be considered in the preparation of financial statements.

37. Risk management

Financial risk management

Amatola Water Board's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The entity's overall risk management program focuses on financial unpredictability and seeks to minimise potential adverse effects on the entity's financial performance. Financial risk management is carried out by a internal treasury function, as part of financial management, under policies approved by the Accounting Authority. This function identifies, evaluates and mitigates financial risks in close co-operation with the entity's operating units. The Accounting Authority provides principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and investment of excess liquidity.

	2019	2018
	R '000	R '000

37. Risk management (Continued)

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	542,755	408,934
Unspent conditional grant	2,355	2,355
	545,110	**411,289**

2019	**On demand**	**1-3 Months**
Trade and other payables	-	542,755
Unspent conditional grant	2,355	-
	2,355	**542,755**

2018	**1-3 Months**	**1-3 Months**
Trade and other payables	-	408,934
Unspent conditional grant	2,355	-
	2,355	**408,934**

	2019	2018
	R '000	R '000

37. Risk management (Continued)

Credit risk

Financial assets, which potentially subject the entity to credit risk, consist principally of cash and trade receivables.

The entity's cash equivalents are placed with high credit quality financial institutions.

Credit risk with respect to trade receivables is high, as trade receivables mainly comprise bulk consumers, namely Local and District Municipalities. The remainder relates to water supply to domestic and industrial consumers.

Credit risk with respect to sundry receivables is also high, as sundry receivables mainly comprise of DHWS, Local and District Municipalities in relation to MIG, RBIG and other capital funding. The average credit period allowed is 30 days from invoice date. Interest is charged at 12.5%.

Ongoing credit evaluations are performed on the financial condition of receivables. Trade receivables are presented net of impairment losses.

The carrying amounts of financial assets represent the maximum exposure to credit risk. Amatola Water

Board's maximum exposure to credit risk at year end is as follows:

Financial instrument		
Cash and cash equivalents	639,955	376,331
Trade and other receivables	345,199	357,595

Ageing and impairment losses

The ageing of trade receivables at the reporting date was:

	Gross 2019	Impairment 2019	Gross 2019	Impairment 2018
Not past due date	33,193	6,344	28,949	4,114
One month past due date	10,381	6,472	8,946	4,198
Two months past due date	9,894	6,193	8,725	4,037
Three months past due date	1,239	768	8,530	499
More than four months past due date	140,387	88,101	97,008	57,579
	195,094	**107,878**	**152,158**	**70,427**

The ageing of sundry receivables at the reporting date was:

	Gross 2019	Impairment 2019	Gross 2018	Impairment 2018
Not past due date	29,681	218	35,507	816
One month past due date	16,650	203	37,157	3,274
Two months past due date	5,857	181	15,335	3,488
Three months past due date	5,428	225	4,462	2,283
More than four months past due date	61,977	22,310	58,069	40,775
	119,593	**23,137**	**150,530**	**50,636**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Balance as at 01 July	70,427	740
Impairment provision increased	37,451	69,687
	107,878	**70,427**

The movement in the allowance for impairment in respect of sundry receivables during the year was as follows:

	2019	2018
	R '000	R '000

37. Risk management (Continued)

Balance as at 01 July	50,636	39,367
Impairment provision reversed	-	(6,128)
Impairment provision increased	(27,499)	17,397
	23,137	**50,636**

Market risk

Interest rate risk

As the Amatola Water Board has no significant interest-bearing assets other than short-term cash investments, the Amatola Water Board'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 7.4%.

Cash flow interest rate risk

`

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	12.50%	345,199	-	-	-	-
Cash in current banking institutions	7.40%	639,955	-	-	-	-
Trade and other payables - extended credit terms	12.50%	542,755	-	-	-	-

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/ (deficit)	566,052	430,930
	840,609	**705,487**

38. Going concern

We draw attention to the fact that at 30 June 2019, the entity had an accumulated surplus of R566 million and that the entity's total assets of R 1.4 billion exceed its liabilities by R840 million.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

39. Taxation

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







ANNEXURES

ANNEXURE A
SPLIT OF PRIMARY AND OTHER ACTIVITIES
for the year ended 30 June 2019 (unaudited)

	PRIMARY ACTIVITY (BULK SUPPLY)	RESTATED PRIMARY ACTIVITY (BULK SUPPLY)	OTHER ACTIVITY	RESTATED OTHER ACTIVITY	TOTAL	RESTATED TOTAL
	2019	2018	2019	2018	2019	2018
	R'000	R'000	R'000	R'000	R'000	R'000
Revenue	**340 986**	**308 233**	**174 846**	**76 600**	**515 832**	**384 833**
Cost of Sales	(236 147)	(230 781)	(60 548)	(63 194)	(296 695)	(293 975)
Gross profit	**104 839**	**77 452**	**114 298**	**13 406**	**219 137**	**90 858**
Other income	5,994	4,516	603	130	6,596	4,646
Operating and Administration Expenses	(109 235)	(12 563)	(20 534)	(31 099)	(129 769)	(43 662)
Net operating surplus/(deficit)	**1 597**	**69 405**	**94 368**	**(17 563)**	**95 965**	**51 842**
Interest Income	(40 584)	24 759	(7 025)	4 286	(47 609)	29 045
Finance Cost	7 203	411	1 248	71	8 451	482
Surplus (Deficit) for the year	**34 979**	**44 235**	**100 145**	**(21 920)**	**135 123**	**22 315**

ANNEXURE B
FIVE-YEAR HISTORICAL STATISTICAL OVERVIEW(unaudited)

	2019 YTD R000	2018 Restated R000	%	2017 Restated R000	%	2016 Restated R000	%	2015 Restated R000	%	2014 Restated R000
OPERATIONS										
Revenue	423,446	384,833	10.0	405,272	(5.0)	398,637	1.7	335,327	18.9	328,763
Cost of Sales	296,647	293,975	0.9	289,166	1.7	285,964	1.1	237,187	20.6	227,952
Other income	6,596	4,516	46.1	4,065	11.1		-		-	
Grant Funding	92,386	88,554	4.3		-		-		-	
Operating and Admin Expenses	138,268	190,658	(27.5)	127,411	49.6	118,078	7.9	104,769	12.7	88,719
Net finance income	47,609	29,045	63.9	16,761	73.3	12,714	31.8	6,231	104.0	13,299
Net Operating (Deficit)/ Surplus	**135,122**	**22,315**	**505.5**	**9,521**	**134.4**	**7,309**	**30.3**	**(488)**	**(1,597.7)**	**25,390**
			-		-		-		-	
FINANCIAL POSITION			**-**		**-**		**-**		**-**	
Capital Contribution	274,557	274,557	-	274,557	-	274,557	-	274,557	-	274,557
Reserves			-	-	-	-	-	-	-	-
Retained (Deficit)/Surplus	566,052	430,931	31.4	91,385	371.6	81,862	11.6	74,553	9.8	75,041
Long-term Liabilities	-	-	-	275,050	(100.0)	178,079	54.5	83,506	113.3	1,516
Current Liabilities	563,672	452,870	24.5	282,808	60.1	386,554	(26.8)	356,534	8.4	320,753
Total Equity and Liabilities	1,404,281	1,158,358	21.2	923,800	25.4	921,052	0.3	789,150	16.7	671,867
Non-current Assets	542,490	542,726	(0.0)	533,716	1.7	441,957	20.8	351,563	25.7	285,531
Current Assets	861,791	615,632	40.0	390,084	57.8	479,095	(18.6)	437,587	9.5	386,336
Total Assets	**1,404,281**	**1,158,358**	**21.2**	**923,800**	**25.4**	**921,052**	**0.3**	**789,150**	**16.7**	**671,867**

FIVE-YEAR HISTORICAL STATISTICAL OVERVIEW(unaudited)

	2019 YTD R000	2018 Restated R000	%	2017 Restated R000	%	2016 Restated R000	%	2015 Restated R000	%	2014 Restated R000
CASH FLOW POSITION			-		-		-		-	
Cash flow from Operating Activities	252,741	260,793	(3.1)	-57,901	(550.4)	119,147	(148.6)	(61,522)	(293.7)	54,504
Cash Flow util. in /gen. from Investing Activities	10,884	-15,316	(171.1)	-111,937	(86.3)	63,160	(277.2)	66,267	(4.7)	(10,375)
Cash Flow utilised in Financing Activities	-	-	-	-15	(100.0)	(1,609)	(99.1)	(8,902)	(81.9)	(26,362)
Net Cash Increase/(Decrease) for year	**263,625**	**245,477**	**7.4**	**-169,853**	**(244.5)**	**180,698**	**(194.0)**	**(4,157)**	**(4,446.8)**	**17,767**
			0		-		-		-	
RATIOS			**-**		**-**		**-**		**-**	
Revenue (Kilolitres x 1000)			**-**		**-**		**-**		**-**	
Treated Water Sales	31,432	31,708	(0.9)	33,208	(4.5)	33,630	(1.3)	33,385	0.7	33,189
Raw Water Sales	8,304	8,026	3.5	8,438	(4.9)	8,247	2.3	7,557	9.1	8,441
Total Water Sales	39,736	39,734	0.0	41,646	(4.6)	41,877	(0.6)	40,942	2.3	41,630
			-		-		-		-	
Revenue (R'000)			-		-		-		-	
Treated Water Sales	313,426	286,564	9.4	270,593	5.9	250,701	7.9	231,338	8.4	211,167
Raw Water Sales	20,726	18,614	11.3	17,067	9.1	15,557	9.7	13,245	17.5	13,249
Total Water Sales	**334,152**	**305,178**	**9.5**	**287,660**	**6.1**	**266,258**	**8.0**	**244,583**	**8.9**	**224,416**

ANNEXURE C
PERFORMANCE AGAINST ANNUAL PERFORMANCE PLAN 2018/19

BSC	SO#	STRATEGIC OBJECTIVES	INDICATOR NUMBER	MEASURE / INDICATOR	SHC	ACTUAL ACHIEVEMENT 2017/2018	PLANNED TAR-GET 2018/19	ACTUAL ACHIEVEMENT 2018-2019	COMMENT ON PERFORMANCE ACHIEVED
Customer & Stakeholder Perspective	SO 1.1	TO PROGRESSIVELY OBTAIN STAKEHOLDER SATISFACTION LEVELS OF AT LEAST 80% BY 2022.							
			1.1.1	Stakeholder Satisfaction score	SC	0	5	8	Target Exceeded
			1.1.2	% customer satisfaction level	SC	0	50%	76%	Target Exceeded
			1.1.3	% BBBEE Spend	SHC PO7	104%	100%	115%	Target Exceeded
			1.1.4	# of community/school initiatives undertaken	SHC PO21	10	8	12	Target Exceeded
			1.1.5	% Submission dates met	SHC PO14	100%	100%	100%	Target Achieved
	SO 1.2	TO ENSURE THAT 81% OF WSAS IN THE PROVINCE ARE CONTRACTED AS CUSTOMERS THROUGH OWNERSHIP OR ROU BY 2036.							
			1.2.1	% of WSAs in the province con-tracted as customers	SC	31%	20%	38%	Target Exceeded
			1.2.2	% of Actual CAPEX budget spend on expansion related projects (ini-tiatives by the Minister)	SHC PO4	124%	80%	44%	Target Not Achieved
			1.2.3	% Progress against Ministerial Di-rectives implementation plan	SHC PO12	37%	50%	54%	Target Exceeded
			1.2.4	# of Signed contracts and MOU's	SHC PO13	5	4	5	Target Exceeded
			1.2.5	# of Municipalities/Other Custom-ers with bulk supply agreements	SHC PO11	5	4	5	Target Exceeded
	SO 2.1	TO ACHIEVE ACCREDITATION WITH AN INTEGRATED ENVIRONMENTAL MANAGEMENT SYSTEM BY 2022							
			2.1.1	# of integrated environmental sus-tainable management system initi-atives implemented	SC	1	1	1	Target Achieved

BSC	SO#	STRATEGIC OBJECTIVES	INDICATOR NUMBER	MEASURE / INDICATOR	SHC	ACTUAL ACHIEVEMENT 2017/2018	PLANNED TAR-GET 2018/19	ACTUAL ACHIEVEMENT 2018-2019	COMMENT ON PERFORMANCE ACHIEVED
	SO 2.2	**TO IMPLEMENT AT LEAST 5 ENVIRONMENTAL MONITORING PROGRAMMES AT AW SUPPLY SCHEMES TO REDUCE ENVIRONMENTAL FOOTPRINT BY 2022**							
Financial Perspective			2.2.1	# of environmental monitoring and evaluation initiatives indicating compliance with environmental footprint targets	SC	2	2	3	Target Exceeded
	SO 3.1	**TO ESTABLISH AND IMPLEMENT FUNDING MECHANISMS AND MODELS TO INCREASE VOLUMES TO 170 ML/DAY BY 2022**							
			3.1.1	# of Ml/day sold	SC	81,35Ml/day	85Ml/day	92,3M/l/day	Target Exceeded
			3.1.3	Current ratio	SHC PO6	1,033	1,17	1,529	Target Exceeded
			3.1.4	Gross profit margin % (primary activity)	SHC PO6	25,03%	29,11%	30.75%	Target Exceeded
			3.1.5	Gross profit margin (secondary activity)	SHC PO6	17,50%	34%	65,37%	Target Exceeded
			3.1.6	Net profit margin (primary activity)	SHC PO6	-9,44%	10%	11.49%	Target Not Achieved
			3.1.7	Net profit margin (secondary ac-tivity)	SHC PO6	-99,92%	-5,38%	54.88%	Target Exceeded
			3.1.8	Net profit margin (All)	SC	-27,45%	12,9%	25.86%	Target Exceeded
			3.1.9	Debt equity	SHC PO6	0%	0	0	Target Achieved
			3.1.10	Return on Assets	SHC PO6	-24,72%	5,6%	17.69%	Target Exceeded
			3.1.11	Debtor's days	SHC PO6	73,91 days	125,77days	63.75 days	Target Exceeded
			3.1.12	% Variance on operating expendi-ture	SHC PO8	-15,04%	5%	8.37%	Target Exceeded
			3.1.13	% secondary revenue of total turn-over	SHC PO10	19,90%	30%	33,47%	Target Exceeded
			3.1.14	Solvency ratio	SC	1,30	3,196	2,49	Target Not Achieved
			3.1.15	Creditors' days	SC	N/A	30days	85.17days	Target Not Achieved

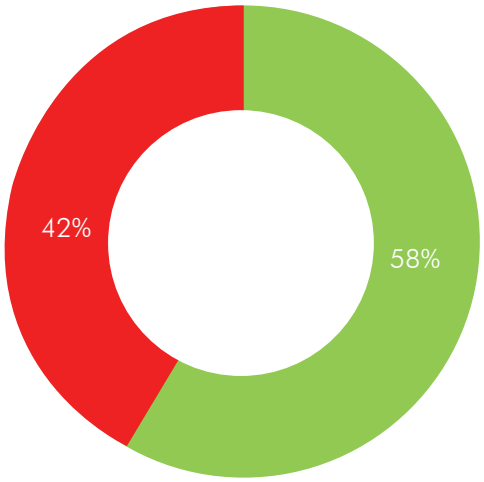
BSC	SO#	STRATEGIC OBJEC-TIVES	INDICATOR NUMBER	MEASURE / INDICATOR	SHC	ACTUAL ACHIEVEMENT 2017/2018	PLANNED TAR-GET 2018/19	ACTUAL ACHIEVEMENT 2018-2019	COMMENT ON PERFORMANCE ACHIEVED
Internal Business Process Perspective	SO 4.1	TO ACHIEVE AND MAINTAIN A "GOOD" QUALITY RATING OF SANS 241 AT ALL WATER PLANTS OPERATED BY AW							
			4.1.1	# of AW plants achieving "GOOD" quality SANS 241:2015 Edition 2 in Table 4	SHC PO1	10	7	10	Target Exceeded
			4.1.2	% compliance of bulk waste water plants with discharge licence or general authorisation requirements	SC	80,2%	60%	74.3%	Target Exceeded
	SO 4.2	TO ACHIEVE AND MAINTAIN COMPLIANCE TO EFFLUENT DISCHARGE REQUIREMENTS AS PER THE REGULATION AT ALL WASTEWATER PLANTS OPERATED BY AW							
			4.2.1	# of waste water works complying to discharge licence or general authorisation requirements	SC	2	1	1	Target Achieved
			4.2.2	Average number of days to report on tests performed	SC	4,4	5	14	Target Not Achieved
	SO 4.3	TO MAINTAIN A TURNAROUND TIME OF 5 DAYS TO REPORT ON ALL WATER QUALITY TESTS PERFORMED							
			4.3.1	# of determinants SANAS accred-ited	SC	17	20	20	Target Achieved
	SO 5.1	TO MANAGE THE POTABLE WATER IN AN INTEGRATED MANNER TO ACHIEVE 98% ASSURANCE OF SUPPLY							
			5.1.1	% assurance of potable water supply	SHC PO3	99,97%	98%	99.93%	Target Exceeded
	SO 5.2	TO MANAGE THE RAW WATER RESOURCES IN AN INTEGRATED MANNER TO ACHIEVE 98% ASSURANCE OF SUPPLY							
			5.2.1	% assurance of raw water supply	SHC PO3	98%	98%	69.92%	Target Achieved
	SO 6.1	TO MAINTAIN WATER LOSSES AT A MAXIMUM OF 12% PER ANNUM							
			6.1.1	% total water losses on Production and Distributed	SHC PO2	11,12%	14%	14%	Target Achieved
			6.1.2	Repairs and maintenance as % of PPE and Investment Property (Car-rying Value)	SHC PO6	4,50%	4,60%	4,29%	Target Not Achieved
			6.1.3	% expenditure on maintenance of total primary business operating budget.	SC	8,20%	6%	7.45%	Target Exceeded

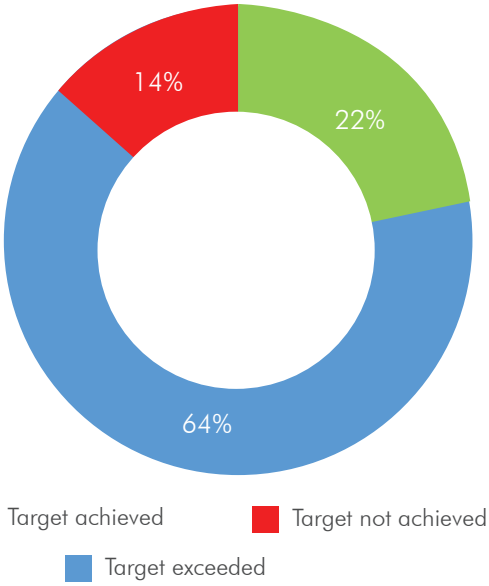
BSC	SO#	STRATEGIC OBJECTIVES	INDICATOR NUMBER	MEASURE / INDICATOR	SHC	ACTUAL ACHIEVEMENT 2017/2018	PLANNED TAR-GET 2018/19	ACTUAL ACHIEVEMENT 2018-2019	COMMENT ON PERFORMANCE ACHIEVED
	SO 7.1	TO ACHIEVE AN ORGANISATION EFFECTIVENESS SCORE OF 4 OUT OF A 5 POINT LIKERT SCALE BY 2022							
Learning and Growth Perspective			7.1.2	% Availability of ICT infrastructure	SC	99,00%	98,30%	99,44%	Target Exceeded
			7.1.3	% Availability of ICT Systems	SC	99,00%	98,30%	98,30%	Target Achieved
			7.1.5	# of Learnerships	SHC PO16	10	2	2	Target Achieved
			7.1.6	# of Bursaries employees	SHC PO16	28	15	32	Target Exceeded
			7.1.7	# of Graduate Programmes	SHC PO16	2	7	7	Target Achieved
			7.1.8	R-value overall project expenditure	SHC PO9	R482Mil	R672Mil	R550,20Mil	Target Not Achieved
			7.1.9	Overall project completion dates within targets	SHC PO9	57%	80%	53%	Target Not Achieved
			7.1.10	Employee to revenue (R million)	SC	R0,89Mil	R1,028m	R1,409m	Target Exceeded
			7.1.11	% Staff turnover	SHC PO15	1,3%	1%	0,84%	Target Exceeded
			7.1.12	# of permanent jobs created	SHC PO17	432	425	353	Target Not Achieved
			7.1.13	# of temporary jobs created	SHC PO17	638	250	568	Target Exceeded
			7.1.14	Staff remuneration as % of total operating expenditure	SHC PO6	32,4%	40,90%	40.40%	Target Exceeded
			7.1.15	External audit outcome	SHC PO5	Unqualified	Unqualified	Unqualified	Target Achieved
			7.1.16	% Board Member attendance of all Board/committee meetings	SHC PO18	80%	80%	81,25%	Target Exceeded
			7.1.17	# of repeats internal audit findings	SHC PO19	0	10	2	Target Exceeded
			7.1.18	# of unresolved internal audit find-ings	SHC PO19	11	25	3	Target Exceeded
			7.1.19	# of Breaches of materiality and significance framework	SHC PO20	0	0	0	Target Achieved

BSC	SO#	STRATEGIC OBJEC-TIVES	INDICATOR NUMBER	MEASURE / INDICATOR	SHC	ACTUAL ACHIEVEMENT 2017/2018	PLANNED TAR-GET 2018/19	ACTUAL ACHIEVEMENT 2018-2019	COMMENT ON PERFORMANCE ACHIEVED
	SO 7.1	TO ACHIEVE AN ORGANISATION EFFECTIVENESS SCORE OF 4 OUT OF A 5 POINT LIKERT SCALE BY 2022							
			7.1.20	% of targets achieved within the organisational scorecard	SC	57%	57%	82%	Target Exceeded
			7.1.21	% of employees achieving an av-erage score of 3.5	SC	45%	70%	64,39	Target Not Achieved
			7.1.22	% of employee reviews performed bi-annually	SC	100%	100%	100%	Target Achieved
			7.1.23	% of new grievances resolved with-in 30 days	SC	50%	100%	0%	Target Not Achieved
			7.1.24	% of employees suitably qualified as per the job requirements	SC	100%	100%	100%	Target Achieved
			7.1.26	% implementation of approved training plan	SC	0%	80%	81%	Target Exceeded

EXPLANATORY NOTES ON ADVERSE PERFORMANCE AND AREAS OF IMPROVEMENT

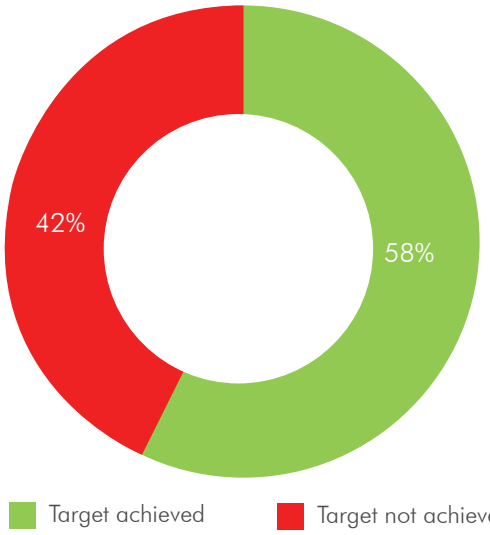
CUSTOMER & STAKEHOLDER PERSPECTIVE

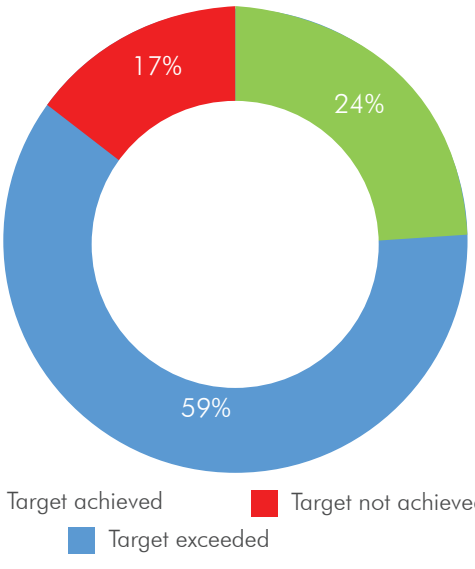




INDICATOR NUMBER	INDICATOR/ MEASURE	REASON FOR VARIANCE AND RECOVERY PLAN
STRATEGIC OBJECTIVE: To ensure that 81% of WSAs in the province are contracted as customers through ownership or ROU by 2036.		
1.2.2	% of Actual CAPEX budget spend on expan-sion related pro-jects (initiatives by the Minister)	• Target was not achieved due to the lack of capacity and resources to coordinate stakeholder engagement activities. • The remedial action plan for the next financial year will include the resourcing of the stakeholder and communication function in the Office of the CEO and implementation of the stakeholder plan. Bi-annual stakeholder satisfaction surveys will be undertaken.

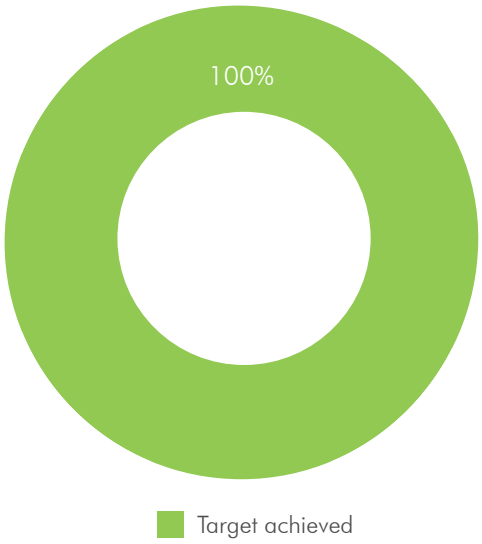
FINANCIAL PERSPECTIVE

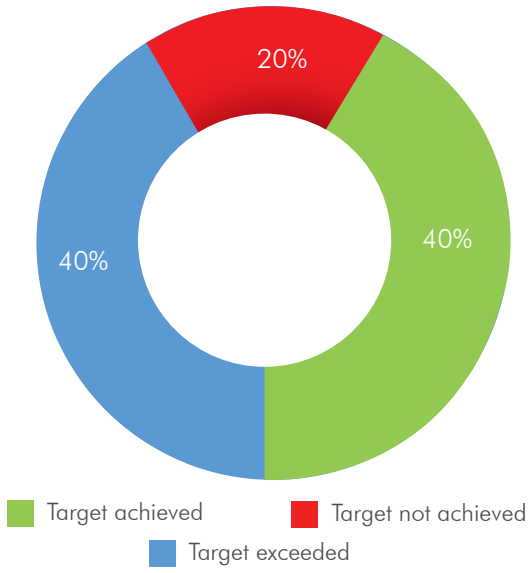




INDICATOR NUMBER	INDICATOR/ MEASURE	REASON FOR VARIANCE AND RECOVERY PLAN
STRATEGIC OBJECTIVE : To establish and implement funding mechanisms and models to increase volumes to 170 Ml/day by 2022		
3.1.6	Net profit margin (primary activity)	• Target was not achieved. The water restrictions were implemented on the Amathole District Municipality (ADM) network due to non-payment of their debt obligation which resulted in the decreases in volumes sold. However, restrictions were lifted with ADM in December 2018.
3.1.14	Solvency ratio	• Target was not achieved for the following reasons: - NDPW Mthatha did not extend or continue the contract with Amatola Water, thus unfunded budget needs to be removed from the budget 2018/2019. - Secondary business projects such as KSD PI have not been generating the budgeted revenue expected in the first six months but have been picked up during quarter 3. - Significant funding cuts by DOE.
3.1.15	Creditor's days	• Target was not achieved due to a 6 months delays on Nooitgedacht as a result of non-payment of the contractor by DHSWS and non-payment of PSP by NMBM. • The AW plant upgrades were not progressing due to the contractor being terminated and has threatened AW with legal action. Suspended work by PSP has resulted in the delay of procurement to replace contractors. • The late confirmation of budget by DHSWS for the Ndlambe project resulted in the underspending of this project.

INTERNAL BUSINESS PROCESS PERSPECTIVE

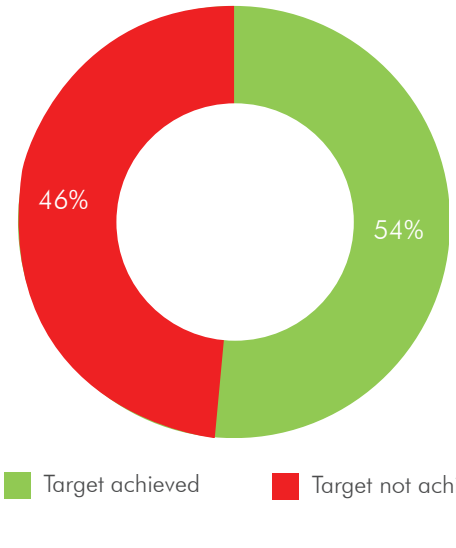


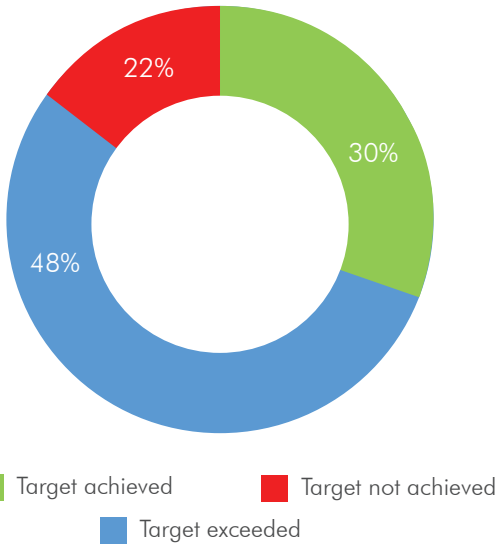


PERFORMANCE PERSPECTIVE: INTERNAL BUSINESS PROCESSES

INDICATOR NUMBER	INDICATOR/ MEASURE	REASON FOR VARIANCE AND RECOVERY PLAN
STRATEGIC OBJECTIVE: To achieve and maintain compliance to effluent discharge requirements as per the regulation at all wastewater plants operated by AW.		
4.2.2	Average number of days to report on tests performed	• Target was not achieved. The water restrictions were implemented on the Amathole District Municipality(ADM) network due to non-payment of their debt obligation which resulted in the decreases in volumes sold.
STRATEGIC OBJECTIVE: To maintain water losses at a maximum of 12% per annum		
6.1.2	Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	• Target was not achieved. The repairs and maintenance budget was underspent by 25.6% during the 2018/19 financial year. This is due to procurement delays and overall cost containment measures. The introduction of framework contracts will address the delays in SCM processes. This target will be closely monitored by management in the 2019/20 financial year.

LEARNING AND GROWTH PERSPECTIVE





INDICATOR NUMBER	INDICATOR/ MEASURE	REASON FOR VARIANCE AND RECOVERY PLAN
STRATEGIC OBJECTIVE : To achieve an organisation effectiveness score of 4 out of a 5 point Likert scale by 2022		
7.1.8	Average number of days to report on tests performed	• Target was not achieved due to a 6 months delays on Nooitgedacht as a result of non-payment of the contractor by DHSWS and non-payment of PSP by NMBM. • The AW plant upgrades were not progressing due to the contractor being terminated and has threatened AW with legal action. Suspended work by PSP has resulted in the delay of procurement to replace contractors. • The late confirmation of budget by DHSWS for the Ndlambe project resulted in the underspending of this project.
7.1.9	Overall project completion dates within targets	• Target was not achieved due to contractual issues, procurement delays, budget constraints and slow progress of contractors due to cash flow challenges. During the year the PSP abandoned sites which impacted greatly on the progress of projects. • The water crises in Makana LM caused a delay in the finalisation of phase 1 of the James Kleynhans project. Phase 2 is currently at evaluation stage and will be finalised in quarter 1 of the 2019/20 financial year. • The following projects were thus affected by the above challenges: AW Upgrades, James Kleynhans, Ndlambe BWS, KSD PI, Coffee Bay and SRVLM Paterson. • The PMU unit will address progress on site and continuously engage PSPs and contractors during the 2019/20 financial year to mitigate any future risks.
7.1.12	# of permanent jobs created	• Target was not achieved due to recruitment budget cuts on permanent and contract employees (353 includes the fixed term contractors).This target will be reviewed in the 2019/20 financial year in line with the budget which only takes into consideration permanent employees.
7.1.21	% of employees achieving an average score of 3.5	• Target was not achieved. The performance management system will ensure that individual performance results is reflective of organisational performance.
7.1.23	% of new grievances resolved within 30 days	• Target was not achieved. There is only a new collective grievance arising from SCM in April 2019. The resolution of grievance is in progress due to structural changes required.


GIBB
www.gibb.co.za

ANNEXURE D: 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 140 - 144.

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	6-10,26-33
G4-2: Provide a description of key impacts, risks and opportunities	21-22,109-111

ORGANISATIONAL PROFILE	PAGE
G4-3: Report the name of the organisation	Throughout the report
G4-4: Report the primary brands, products and services	18 – 19, 34 – 35, 80, 85 -90
G4-5: Report the location of the organisation's headquarters	Cover page
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	2,19 and 20
G4-7: Report the nature of ownership and legal form	2, 18 and 19
G4-8: Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	18 – 20, 80, 85 - 90
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	64 – 65, 80-90, 119 – 121, 141-142, 145, 175, 198
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	13, 64 - 69
G4-11: Report the percentage of total employees covered by collective bargaining agreements	67
G4-12: Describe the organisation's supply chain	123
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	12, 123 – 124, 160, 187
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	13, 17, 40 -44, 46
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	7, 39 - 40

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	36 - 37
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	16 - 18, 36 and 37
G4-19: List all the material aspects identified in the process for defining report content	36 - 37
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	36- 37
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	36 - 37
G4-22: Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	141 – 144, 163 -165, 181 - 185
G4-23: Report significant changes from previous reporting periods in the scope and aspect boundaries	141 – 144, 163 -165, 181 - 185

STAKEHOLDER ENGAGEMENT	PAGE
G4-24: Provide a list of stakeholder groups engaged by the organisation	38 – 46, 95
G4-25: Report the basis for identification and selection of stakeholders with whom to engage	38 – 46, 95
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	38 – 46, 95
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	38 – 46, 95

REPORT PROFILE	PAGE
G4-28: Reporting period (such as fiscal or calendar year) for information provided	Throughout the report
G4-29: Date of most recent previous report	Throughout the report
G4-30: Reporting cycle (such as annual, biennial)	Throughout the report
G4-31: Provide the contact point for questions regarding the report or its contents	Cover page
G4-32: 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	208
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	113 – 114, 138 - 140

GOVERNANCE	PAGE
G4-34: Report the governance structure of the organisation, including committees of the highest governance body, and identify any committees responsible for decision-making on economic, environmental and social impacts	94 – 95, 98 – 99, 106
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	106
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	94 – 96, 106
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	39 - 40, 94 - 95
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	96 - 101
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	107 – 109, 161, 185
G4-42: Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	21, 26 – 33, 98 - 99
G4-43: Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	99
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	32, 50 - 61
G4-45: Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities, including the highest governance body's role in the implementation of due diligence processes, and whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks and opportunities	21 – 22, 36 – 46, 95
G4-46: Report the highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics	22, 109 - 110
G4-47: Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities	21 – 22, 109 -111

GOVERNANCE	PAGE
G4-48: Report the highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material aspects are covered	98 - 99
G4-49: Report the process for communicating critical concerns to the highest governance body	94 – 95, 107 - 109
G4-50: Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	108 - 109
G4-51: Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration: • Fixed pay and variable pay: • Performance-based pay • Equity-based pay • Bonuses • Deferred or vested shares - Sign-on bonuses or recruitment incentive payments - Termination payments - Clawbacks - Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees • Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	179 - 180
G4-52: Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management, and report any other relationships which the remuneration consultants have with the organisation	99
G4-53: Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	99
G4-54: Report the ratio of the annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	70, 99, 179 -180
G4-55: Report the ratio of percentage increase in annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest- paid individual) in the same country	70, 99, 179 -180

ETHICS AND INTEGRITY	PAGE
G4-56: Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Cover page, 107
G4-57: Report the internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines	107 - 108
G4-58: Report the internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	107 - 108

SPECIFIC STANDARD DISCLOSURES

DISCLOSURE ON MANAGEMENT APPROACH AND INDICATORS	PAGE
CATEGORY: ECONOMIC	
ASPECT: ECONOMIC PERFORMANCE	
G4-EC1: Direct economic value generated and distributed	34 – 35, 141 - 192
G4-EC2: Financial implications and other risks and opportunities for the organisation's activities due to climate change	21, 37, 110 - 111
G4-EC3: Coverage of the organisation's defined benefit plan obligations	156 and 178
G4-EC4: Financial assistance received from government	34 – 35, 142, 148, 181
ASPECT: INDIRECT ECONOMIC IMPACTS	
G4-EC7: Development and impact of infrastructure investments and services supported	12, 34 - 35
G4-EC8: Significant indirect economic impacts, including the extent of impacts	13, 34 - 35
ASPECT: PROCUREMENT PRACTICES	
G4-EC9: Proportion of spending on local suppliers at significant locations of operation	12, 34 - 35
CATEGORY: ENVIRONMENTAL	
ASPECT: ENERGY	
G4-EN3: Energy consumption within the organisation	12 and 84
G4-EN6: Reduction of energy consumption	12 and 84
G4-EN7: Reductions in energy requirements of products and services	12 and 84
ASPECT: WATER	
G4-EN8: Total water withdrawal by source	12, 34 – 35, 76- 77, 80 - 81
G4-EN9: Water sources significantly affected by withdrawal of water	12, 34 – 35, 76- 77, 80 - 81
G4-EN10: Percentage and total volume of water recycled and reused	Not applicable
ASPECT: COMPLIANCE	
G4-EN29: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Not applicable
ASPECT: OVERALL	
G4-EN31: Total environmental protection expenditures and investments by type	175
CATEGORY: SOCIAL – LABOUR PRACTICES AND DECENT WORK	
ASPECT: EMPLOYMENT	
G4-LA6: Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities, by region and by gender	13, 112 - 113
ASPECT: TRAINING AND EDUCATION	
G4-LA10: Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	68 – 69
G4-LA11: Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	68 - 70
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY	

G4-LA12: Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	13 and 66

ASPECT: LABOUR PRACTICES GRIEVANCE MECHANISMS

G4-LA16: Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	67

CATEGORY: SOCIAL – HUMAN RIGHTS

ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

G4-HR4: Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	67

CATEGORY: SOCIAL – SOCIETY

ASPECT: LOCAL COMMUNITIES

G4-SO1: Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Not applicable
G4-SO2: Operations with significant actual or potential negative impacts on local communities	Not applicable

ASPECT: ANTI-CORRUPTION

G4-SO3: Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	107 - 108
G4-SO4: Communication and training on anti-corruption policies and procedures	107 - 108
G4-SO5: Confirmed incidents of corruption and actions taken	107 - 108

ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY

G4-SO10: Significant actual and potential negative impacts on society in the supply chain and actions taken	123 - 124

CATEGORY: SOCIAL – PRODUCT RESPONSIBILITY

ASPECT: CUSTOMER HEALTH AND SAFETY

G4-PR1: Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	82
G4-PR2: Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	82

ASPECT: COMPLIANCE

G4-PR9: Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Not applicable



Amatola
Water • Amanzi

bringing water to life

Private Bag X3
Vincent 5217
Amatola House,
6 Lancaster Road,
Vincent 5247
T: +27 (0)43 707 3700 | F: +27 (0)43 707 3701
aw@amatolawater.co.za

www.amatolawater.co.za