






Amatola
Water · Amanzi

bringing water to life

INTEGRATED ANNUAL REPORT 2016/17

our VISION

To be a leader in providing bulk water services in the Eastern Cape Province.

our MISSION

Amatola Water strives to contribute to the socio economic development by providing bulk water services in the Eastern Cape Province in an ethical and sustainable manner.

our VALUES

Amatola Water values continue as: "We are inspired by an unwavering commitment to empower our stakeholders through the consistent demonstration of:

- Accountability
- Excellence
- Innovation
- Customer- Focus
- Team Orientation
- Integrity

CONTENTS

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, 1956 (Act No 54 of 1956) in terms of Section 108(2), 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

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

SECTION 1
INTRODUCTION

Foreword by Minister of Water and Sanitation 2
Chairman's Statement 4
Chief Executive Officer's Report 7
Highlights 10

SECTION 2
CONTEXT AND STRATEGY

Report Profile 14
About this Report 15
Organisational Profile 16

Strategic Business Context 22
Strategy and Business Model 23
Amatola Water 20-Year Long-Term Strategic Goal 24
Amatola Water 5-Year Medium-Term Strategic Objectives 25
Value Creation 28
Material Issues 30
Stakeholder Understanding and Support 33

SECTION 3
PERFORMANCE INFORMATION

Statement of Responsibility for Performance Information 40
Performance and Outlook 41

SECTION 4
LEADERSHIP AND EMPLOYEE DEVELOPMENT

Labor Relations 70
Wellness 70
Training and Development 71
Performance and Renumeration 72
Organisational Culture 73
Information Technology 73

SECTION 5
ENVIRONMENTAL SUSTAINABILITY

Environmental Sustainability 76

SECTION 6
OPERATIONAL REVIEW

Infrastructure Stability and Resilience 82
Plant Management 98
Optimising Operational Efficiencies 99
Safety, Health and Environment 101
Production Quality 104
Customer Satisfaction and Collaboration 106

SECTION 7
CORPORATE GOVERNANCE

Ethics Report 129
Fraud Prevention Strategy 131
Risk, Compliance and Assurance Reporting 133

SECTION 8
FINANCIAL SUSTAINABILITY REPORT

Financial Sustainability Report 144

SECTION 9
ANNUAL FINANCIAL STATEMENTS

Annual Financial Statements 150

SECTION 10
GRI CONTENT INDEX

Glossary of Terms and Acronyms 206



FOREWORD BY

MINISTER WATER AND SANITATION

MRS N P MOKONYANE

WATER SECTOR POLICY FRAMEWORKS AND SOCIO-ECONOMIC DEVELOPMENT OF THE COUNTRY

The Department of Water and Sanitation (DWS), as the custodian of South Africa's water resources, is primarily responsible for the formulation and implementation of policy governing the water sector as a whole.

My department has a mandate to ensure equitable and sustainable water and sanitation access to support socio-economic growth and promote sustainable development of current and future generations. I am able to perform these duties mainly though my regional offices, national entities (e.g. Water Research Commission), Catchment Management Agencies and nine water boards in the Republic of South Africa.

The water sector policy framework, legislation and regulations are timeously reviewed to fast-track achievement of the aspirations of the National Development Plan, the medium-term Strategic Framework, and the National Water Resources Strategy objectives. The aforementioned policies underpin the strategies of all my entities. I am pleased with the strategic role Amatola Water is playing in the Eastern Cape Province.

My department is currently reviewing the National Water Act, which provides a legal framework for the progressive realisation of the right of access to sufficient water; ensures equity in the allocation of water; safeguards water resources management; and streamlines water regulation. This exercise will result in the consolidation of the Water Services Act and the current Water Act into one National Act governing water in the Republic of South Africa.

Let me appreciate the contributions coming from all my institutions, including Amatola Water into the formulation of the new Act.

Amatola Water and I are committed to tackling the key water-related strategic issues facing the Eastern Cape Province. I strongly appreciate the efforts of Amatola Water in the implementation of the following strategic bulk water infrastructure projects in rural and urban areas of the Eastern Cape;

- King Sabata Dalindyebo Presidential Intervention projects – Thornhill Water Treatment Works from 60 to 80 million litres per day
- Ndlambe Regional Bulk Water Supply
- Amatola Water Plant Upgrades
- Nooitgedacht/Coega Low Level Scheme project at Nelson Mandela Bay Metropolitan Municipality

I foresee Amatola Water playing a strategic role in the Mzimvubu project and implementing the Amathole Dry Sanitation project in the Amathole District Municipality.

Lastly, I commit myself and my department, on behalf of the Government of the Republic of South Africa, to providing the necessary support as the sole shareholder to Amatola Water to enable the organisation to execute its mandate in the Eastern Cape Province.

My word of appreciation goes to the entire Board of Directors, the acting Chief Executive, management and staff. The support from Provincial and Local Government is also highly appreciated. Together we can do more.

NOMVULA MOKONYANE
Minister Water and Sanitation



BOARD CHAIRMAN'S STATEMENT

NTOMBOKUQALA NOKULUNGA MNQETA

BACKGROUND

It is with great pleasure that I present this high-level report on the performance of the organisation for the 2016/17 reporting period. The year under review has been a challenging one for the organisation, from leadership, operational and stakeholder/ customer perspectives.

The organisation is blessed with a strong leadership from the Executive Authority and the Accounting Authority. Through the visionary leadership of the Board and commitment from employees the organisation managed to achieve positive results at the end of the financial year.

Amatola Water is strategically positioned to service the Eastern Cape communities and thus contribute towards the improvement of the socio-economic state of the province.

The Board and management must be given credit for having steered the ship through the difficulty of the past 12 months. Robust engagements and hard decisions had to be taken in the best interest of the organisation and communities it serves. The efforts of the Board were directed at restoring the organisation's integrity, leadership stability and building stakeholder relationships. The strategic focus of the Board was to meet customer needs and expectations, strive to achieve the shareholder's mandate, and work towards achieving predetermined strategic objectives.

PERFORMANCE FOR 2016/17

The Board continued to provide strategic direction and ensure effective oversight and accountability whilst also upholding the principles of good corporate governance.

During the year under review, the Board created policies relating to project governance and stakeholder relations. The Board also focused on strengthening governance and institutionalised risk management.

I am proud to indicate that Board members have shown strong commitment to matters affecting the institution.

Amatola Water performed well regarding the quality of water supplied to communities in our area of supply. This is demonstrated by the following achievements:

- SANS Class 1 potable water standard was achieved at 99% against the 98% target.
- A 99.8% assurance of supply to customers from source was achieved with adequate pressure at reservoirs, reaching set targets and highest reliability of supply standards for customers and consumers.

The entity's operational resilience is demonstrated by its financial performance and achievements during the year under review. Revenue improved by 1.02% compared to the previous financial year. The prudent governance and effective management have been demonstrated through yet another unqualified audit during the 2016/17 financial year.

STAKEHOLDER/CUSTOMER RELATIONS

The Board believes that strategic partnerships are paramount to advancement of service delivery coupled with advocacy of Batho Pele principles as values that drive the value creation for long-term sustainability.

During the year under review, we conducted several engagements with stakeholders including but not limited to: employees, DWS, Water Services Authorities, local and provincial leadership. The major aim was to improve relations, promote transparency and improve payment for water supplied to our clients. These engagements have resulted in a revised strategic roadmap for Amatola Water and improved relationships with stakeholders.

The long-term viability of Amatola Water will be strengthened by successful implementation of the Institutional Reform and Realignment (IRR) programme of DWS. A strong, viable and efficient Amatola Water will be able to address the water and sanitation challenges of the Eastern Cape Province. It gives me great pride to report that Amatola Water has satisfactorily delivered the implementation of bulk water infrastructure in rural and urban areas of the Eastern Cape. These strategic infrastructure projects include, but are not limited to, King Sabata Dalindyebo Presidential Intervention projects, Ndlambe Regional Bulk Water Supply, Amatola Water Plant Upgrades and the Makana ROU contract. Amatola Water demonstrated its capability as a preferred implementing agent of DWS by diligently executing the ministerial directive namely, Nooitgedacht/Coega Low Level Scheme project at Nelson Mandela Bay Metropolitan Municipality.

A spin-off from execution of strategic infrastructure projects is the creation of the much-needed temporary and permanent jobs. The socio-economic impact of these jobs manifests in creation and support of small businesses in the area.

CHALLENGES FACED BY THE BOARD

The Board is currently faced with the following challenges/risks, among others:

- High staff turnover at leadership levels leading to a thin leadership layer and vacancies
- Lack of financial resources for expansion and capital projects that promote business growth to meet future water demand in our area of supply
- Reputational damage due to poor project execution and negative publicity
- Bad debts

TOWARDS A SUSTAINABLE ORGANISATION

Despite the challenges referred to above, the board, together with the employees of Amatola Water, is optimistic they will be overcome. Priority interventions towards a sustainable organisation include the organisational review, strengthening of project management, business growth, and focussed engagement of stakeholders in an effort to position Amatola Water as a regional bulk water and sanitation utility in the province.

Empowerment and recognition of employees is central to the organisational turnaround. We value our employees as they play an important role as ambassadors of the organisation. In line with the legislative mandate and service delivery model, AW has initiated a diagnostic study that will form a foundation for the future direction of the organisation coupled with a change management process, which is aimed at ensuring the organisation is geared to deliver in line with the shareholder's vision.

The entity's key focus is on harnessing and retaining skills and capacity development, and increasing AW's involvement in sanitation, together with the development of a Provincial Master Plan, aligned with IRR. Finding ways to fund such a plan will be a key area the organisation will focus on in the near future. Through these efforts, we are committed to ensuring that Amatola Water wins the trust of the Eastern Cape government and communities.

Amatola Water believes that the Institutional Reform and Realignment (IRR) process provides a great opportunity for developing Amatola Water into a regional water utility. The focus of this regional water utility is a strategic effort to respond to provincial water and sanitation challenges in a sustainable manner.

CONCLUSION

The performance of the institution has been satisfactory, yet there is room for improvement to increase efficiencies and relevance in the Eastern Cape Province. We owe our achievements to our prestigious shareholder, clients (Municipalities) and stakeholders. Let me appreciate the support we received from DWS, COGTA, DoE, Office of the Premier of the Eastern Cape Province, Traditional Leadership, Municipalities, and our service providers. A special appreciation goes to the Minister of Water and Sanitation, Honourable Nomvula Mokonyane, for her leadership and support during the year under review.

Finally, I am grateful to members of the Board, management and employees of Amatola Water for their commitment and hard work.



NTOMBOKUQALA NOKULUNGA MNQETA
Chairman
27 October 2017



CHIEF EXECUTIVE OFFICER'S REPORT

ASANDA GIDANA

OPERATIONS PERFORMANCE OVERVIEW

On behalf of the Executive Management team, I am pleased to present the Amatola Water's (AW) Integrated Annual Report for the reporting year 2016/17. Despite the current water problems facing the country, Amatola Water as an organ of state continues to lead in providing bulk water services in the Eastern Cape. The organisation's overall performance has been relatively satisfactory given the challenges and difficulties which AW is currently facing.

Through its highly skilled personnel special focus was directed at mitigating the effects of continued depletion of water resources. In ensuring uninterrupted supply of bulk water to its clients, the entity worked collaboratively with DWS in managing water resources adequately during low rainfall seasons.

The passion of being a leading public servant in water services delivery drives Amatola Water's responsiveness to new initiatives that are key catalysts which will ensure the achievement of long-term goals. Amatola Water's approach continues on that positive trajectory of improving and even excelling in the coming period.

Amatola Water's value creation through its business activities for the year ended 2016/17 is highlighted under the six capitals:

CAPITAL	INDICATOR/MEASURE	2016/17	2015/16
Financial	Revenue	R399 million	R405 million
Intellectual	Water Research Levy	R3 million	R3 million
Social and relationship	Assurance of supply	99%	100%
Manufacturing	Property, plant and equipment	R534 million	R442 million
Human	Staff turn-over	1.0%	0.2%
Natural	Water losses (potable production and network)	14.02%	11.98%

Amatola Water's overall corporate performance in 2016/2017 declined to 57% against the baseline of 78% of targets achieved in the 2015/2016 financial year. The overall performance against the shareholder compact also declined to an average of 63% achievement against predetermined targets.

SUPPLY CHAIN MANAGEMENT

The Audit Report by the Auditor General has provided the Board with findings on some inefficiencies relating to procurement of goods and services. The findings are welcomed and there is a commitment to strengthening the Supply Chain Management unit to provide the necessary support across the entity in compliance with applicable legislation.

INFRASTRUCTURE STABILITY AND RESILIENCE

Significant progress with capital infrastructure implementation, including ministerial directives, was made during the reporting period for both Amatola Water plant upgrades and PIA projects. The overall capital expenditure to meet demand for services during the year amounted to R907 million from a variety of funding mechanisms by municipalities (MIG, MWIG) and DWS (RBIG), mainly in small towns and rural areas. The overall performance achieved with regard to completion dates as a performance indicator is 81% versus the target of 85%. In order to improve implementation of infrastructure projects AW will pay judicious attention to the planning of projects and monitoring and evaluation of contractors.

The entity has demonstrated its operational resilience through collaborative efforts with DWS, clients and communities in areas where operations are undertaken. This involves stakeholder engagement methods or initiatives through bilateral meetings; project steering committee forums; and IGR meetings at strategic and technical levels.

PLANT MANAGEMENT AND OPTIMISING OPERATIONAL EFFICIENCIES

Amatola Water achieves its operational optimisation and effectiveness by ongoing, timely, cost-effective, reliable and sustainable performance improvements in all facets of its operations, minimising resource use, loss and impacts from day-to-day operations and maintaining awareness of information and operational technology developments to anticipate and support timely adoption of improvements.

Overall water losses were 14.02% against the set target of 12%. The target was not achieved due to the faulty raw water meter at Laing Dam over-reading by 3.81% (equivalent to 1 Mega litre per day) and industrial action which contributed to the high losses.

The expansion of the SCADA system has been one of the primary focuses of the year which resulted in an increase in capacity as required by operations management and audit standards. The acquisition of a Hot-Standby Server has been finalised and implemented, increasing the storage capacity for historical data and achieving operational reliability.

Amatola Water prides itself on achieving 99.8% assurance of supply against a target of 98% during the year under review. The organisation is in the process of upgrading its capacity at five plants, namely Sandile, Masincedane, Binfield, Debe and Peddie water treatment works, to meet the demand, to eliminate the current backlog in the Eastern Cape, and to mitigate the risk of over-sweating the water treatments works. Two plants (Debe and Masincedane) are nearing practical completion stage.

There was a minimal decrease in the ratio of kWh/cubic meter of water produced from 0.839 in 2015/2016 to 0.838 in the 2016/2017 financial year. This equates to an improvement of 1.2% in energy efficiency. This overall decrease in the kWh/cubic meter ratio is well within the KPI (FV1.10) value of 0.850.

SAFETY, HEALTH AND ENVIRONMENT

Amatola Water has prepared action plans based on outcomes from SHE inspections and internal audits. The proposed action plans provide a clear framework for embedding good occupational health and safety practices across the business. During the recertification assessment of the OHSAS 18001:2007 management system, only six minor non-conformances were raised by SABS and the outcomes were generally positive. Amatola Water achieved an average of 83% on the SHE Legal Compliance audit which is a great step towards identifying areas of potential improvement in the Integrated Management System. The reported DIFR in 2016/17 is 0.53, which is below the benchmark of 0.8.

PRODUCTION QUALITY

Quality compliance in all its water treatment works and distribution network is in line with the SANS 241:2015 Part 1 & 2 and the result achieved in this year under review was 99%. There was a slight change to overall compliance from last financial year to this year, although the plants are in the process of being upgraded and are still running at design capacity.

CUSTOMER SATISFACTION AND COLLABORATION

Amatola Water continues to harness customer satisfaction and collaboration by partnering with DWS, WSAs and provincial government departments in addressing water and sanitation challenges. These interventions include operation and maintenance services; Blue Drop and Green Drop performance monitoring services; and augmentation of water infrastructure.

LEADERSHIP AND EMPLOYEE DEVELOPMENT

The entity is embarking on a programme to ensure employees' total commitment to its mandate through skills development. This is evidenced in training plans aimed at assisting young professionals to further their studies. The risks identified by the plant assessment process were addressed and these included continuous skills development of employees. The union and management strive in all endeavours to support each other through cordial engagements for the sake of achieving common goals.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility initiatives are continuing to have an impact through implementation of water-related projects that are supporting schools in areas of services. The specific focus is sanitation and hygiene as well as water conservation in developing schools.

SUSTAINABILITY OUTLOOK AND STRATEGIC INTERVENTIONS

The two most important strategic interventions necessary to enhance organisational sustainability in the short term are the establishment of stakeholder relationships and organisational optimisation by means of a turnaround strategy. In building stakeholder relationships there are opportunities for growth through interventions and/or projects. Growth in business activities, overseen by the Board, will be monitored by management using performance indicators on the five-year scorecard. A need for additional volumes is key to sustainable growth while increasing efficiencies by reducing water losses or unaccounted water.

Finally, as the acting CEO of AW I am pleased to report that Amatola Water Board has achieved a clean bill of health on financial matters. This is an additional recognition of our commitment to fulfilling our mandate to the best of our ability in the difficult environment compounded by the ongoing challenges. The continuous commitment of support and strategic direction by the Board is highly appreciated.

AW would like to thank the shareholder and all stakeholders for playing an important role in supporting the mandate of the water entity. My sincere appreciation goes to the executive managers including the entire staff complement for the team spirit demonstrated throughout the year. Together we will continue to make a positive impact in the growth of our province and improve the lives of the clients we serve.



Asanda Gidana
Acting Chief Executive Officer
Date: 27 October 2017

HIGHLIGHTS

ECONOMIC

REVENUE GROWTH

2016: R399 Million

2017: R405 Million



% CASH PAID TO SUPPLIERS AND EMPLOYEES

SUPPLIER: 64% (R 255 Million)

EMPLOYEES: 36% (R 143 Million)

CAPITAL INFRASTRUCTURE INVESTMENT



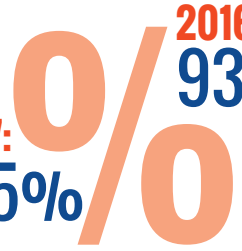
2016: R105 Million

2017: R144 Million

% SPEND ON COMPANIES WITH MORE THAN 50% BLACK OWNERSHIP:

2016: 93%

2017: 105%

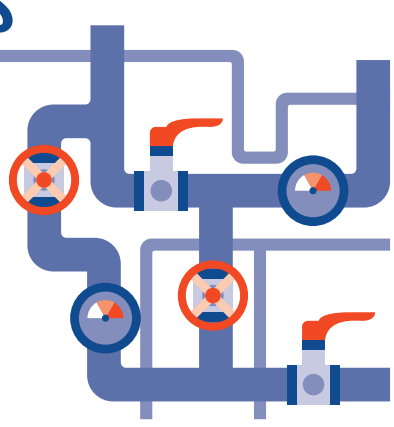


ENVIRONMENT

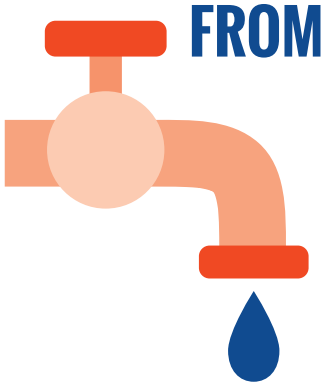
PUMP EFFICIENCY ENERGY PROGRAMME RESULTS

2016: 0.839 kWh/cubic meter

2017: 0.838 kWh/cubic meter



RAW WATER ABSTRACTION FROM SOURCE



2016 ('000): 38 185 kl

2017 ('000): 40 558 kl

SOCIAL

NUMBER OF TEMPORARY JOBS CREATED

2016:
826

2017:
832



DISABILITY INCIDENT FREQUENCY RATE

2016: 0.59

2017: 0.53

BENCHMARK: 0.8

TRAINING SPEND AS % OF STAFF REMUNERATION

2016: 4%

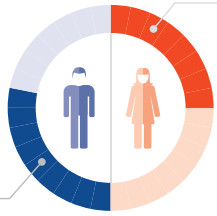
2017: 2%

BENCHMARK: 1%



EMPLOYMENT EQUITY TRENDS

2016



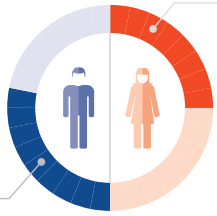
Target for female: 46.8%

Current results female: 28.61%

Target for black male: 50.3%

Current results for black male: 65.5%

2017



Target for female: 47.8%

Current results female: 30.18%

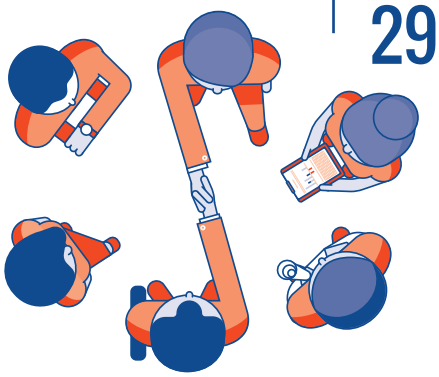
Target for black male: 49.2%

Current results for black male: 64.87%

STAFF MEMBERS WHO ARE UNION MEMBERS

2016: 302

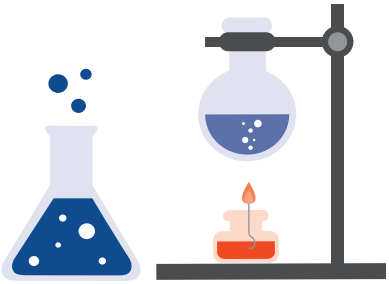
2017: 296



WATER QUALITY RESULTS (SANS 241: 2015)

2016: 98%

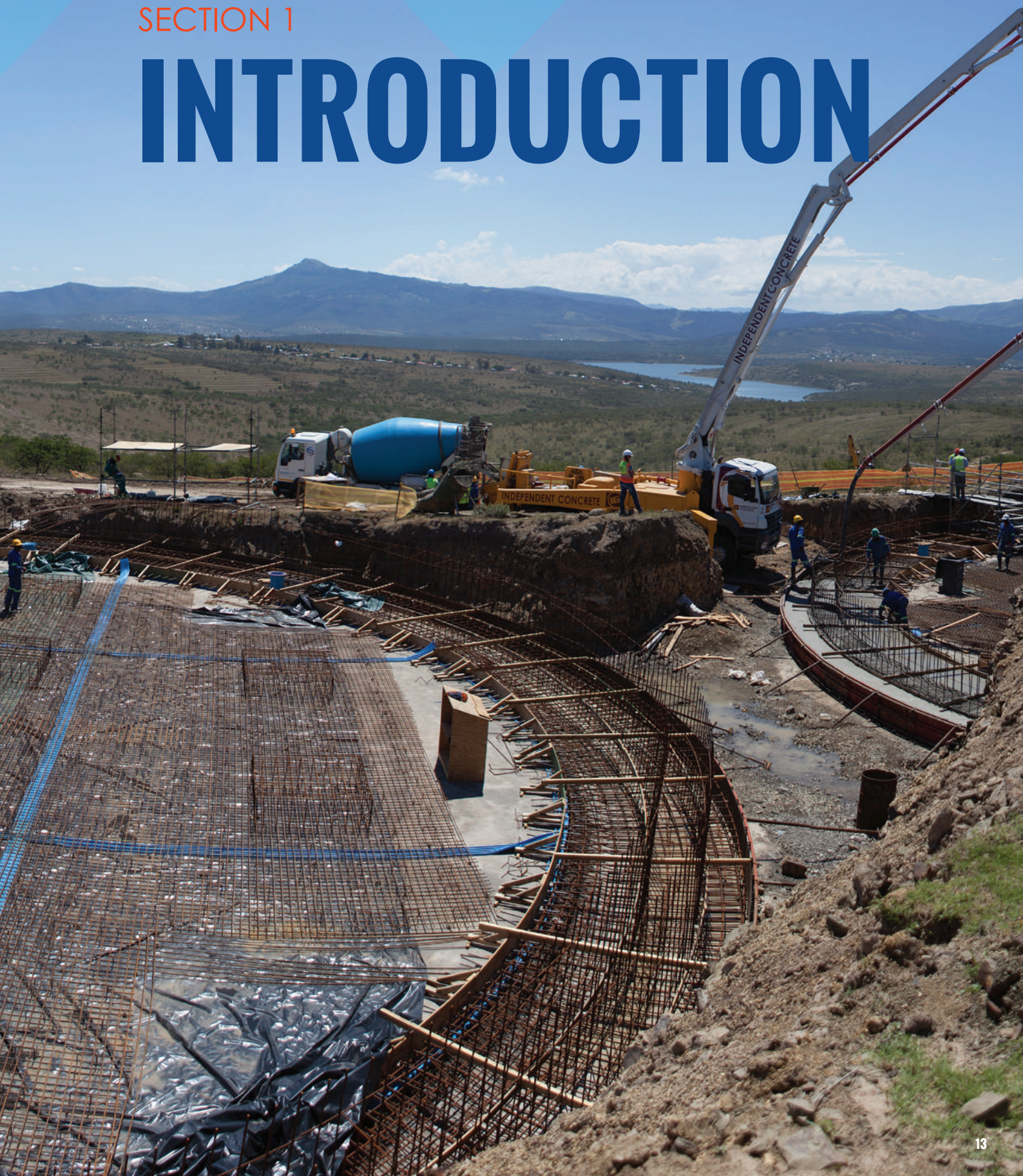
2017: 99%





SECTION 1

INTRODUCTION



SECTION 1

INTRODUCTION

Amatola Water reports on its legislative compliance and performance – as presented to the Minister of Water and Sanitation – during the financial year from 1 July 2016 to 30 June 2017 in this integrated annual report.

REPORT PROFILE

Guided by the International Integrated Reporting <IR> Framework of the International Integrated Reporting Council (IIRC), and reporting in accordance with the comprehensive option presented by the G4 guidelines of the Global Reporting Initiative (GRI), this is Amatola Water's second sustainability report and third integrated report on a committed journey towards achieving ever higher standards in qualitative and quantitative reporting.

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. **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.
3. **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.
4. **MATERIALITY:**
   matters that substantively affect the organisation's ability to create value.
5. **CONCISENESS:**
   succinct, comprehensive and transparent disclosures.
6. **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 Officer (CEO), Chairman of the Board, Chairman of Audit and Risk Committee as well as independent third party assurances.
7. **CONSISTENCY AND COMPARABILITY:**
   information is presented as consistent over time 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.

AMATOLA WATER ILLUSTRATES

VALUE CREATION OVER TIME IN TERMS OF THE CAPITALS



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



INTELLECTUAL
Sustainable infrastructure (dams and water/ wastewater treatment works) that meets demand



MANUFACTURED
Specific skills (scientific and business) required to operate successfully



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



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



NATURAL
Continuous monitoring of water resources (quantity and quality)

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

ABOUT THIS REPORT

VISION, MISSION AND ORGANISATIONAL VALUES

♦ VISION

To be a leader in providing bulk water services in the Eastern Cape Province.

♦ MISSION

Amatola Water strives to contribute to the socio economic development by providing bulk water services in the Eastern Cape Province in an ethical and sustainable manner.

♦ VALUES

Amatola Water is inspired by an unwavering commitment to empower our stakeholders through the consistent demonstration of:

- **Accountability**
- **Excellence**
- **Innovation**
- **Customer- Focus**
- **Team Orientation**
- **Integrity**

Amatola Water recognises the importance of living core values in the implementation of its mission to ensure the realisation of its vision. Basing every decision and action on these values is deemed vital to Amatola Water's overall success, growth and financial strength, now and into the future.

Amatola Water has positioned itself to ensure economical, effective and efficient service delivery to best meet 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 Water and Sanitation as 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, which the provision of water services (water supply and sanitation services) to other water services institutions (water services authorities, water services providers, a water board and a 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

Entered into by and between Amatola Water and the Department of Water and Sanitation can be found at www.amatolawater.co.za/files/ documents/Business_Plan_2016.pdf

ORGANISATIONAL PROFILE

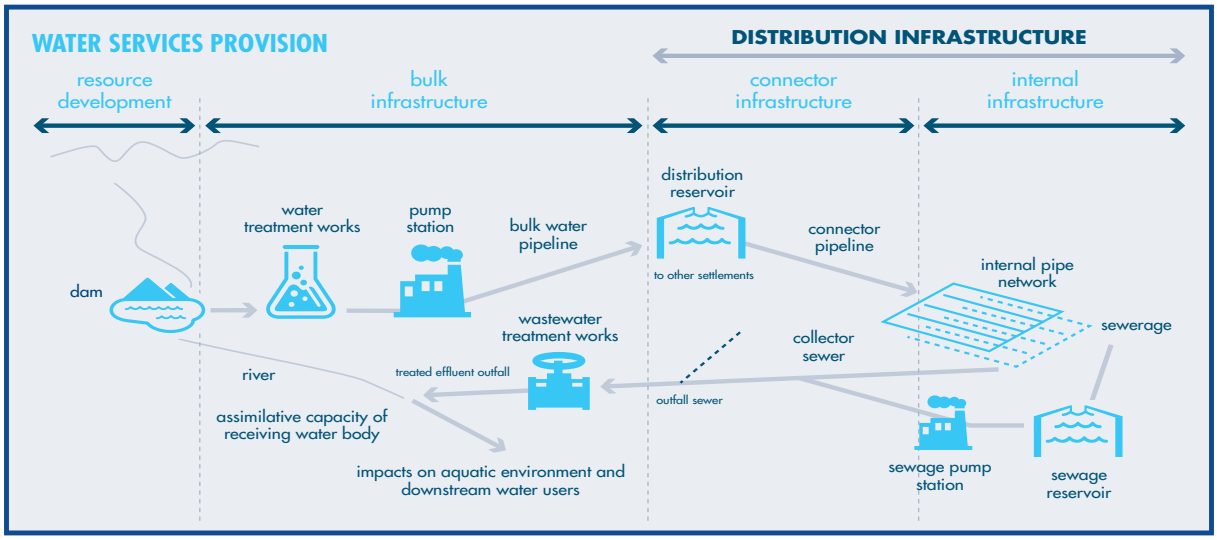


FIGURE 1.1: WATER VALUE CHAIN

Amatola Water is designated to act within a prescribed area as proclaimed in Government Gazette No 18409 of 14 November 1997 by the Minister, as empowered by Section 108(2) of the Water Services Act.

The prescribed areas are Peddie, Mdantsane, East London, Komga, King William's Town, Zwelitsha, Stutterheim, Keiskammahoek, Middledrift and Victoria East within the Eastern Cape. 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 not likely 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 its 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 in order 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
- Approval of 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 venture with water services authorities
    - Performing water conservation functions

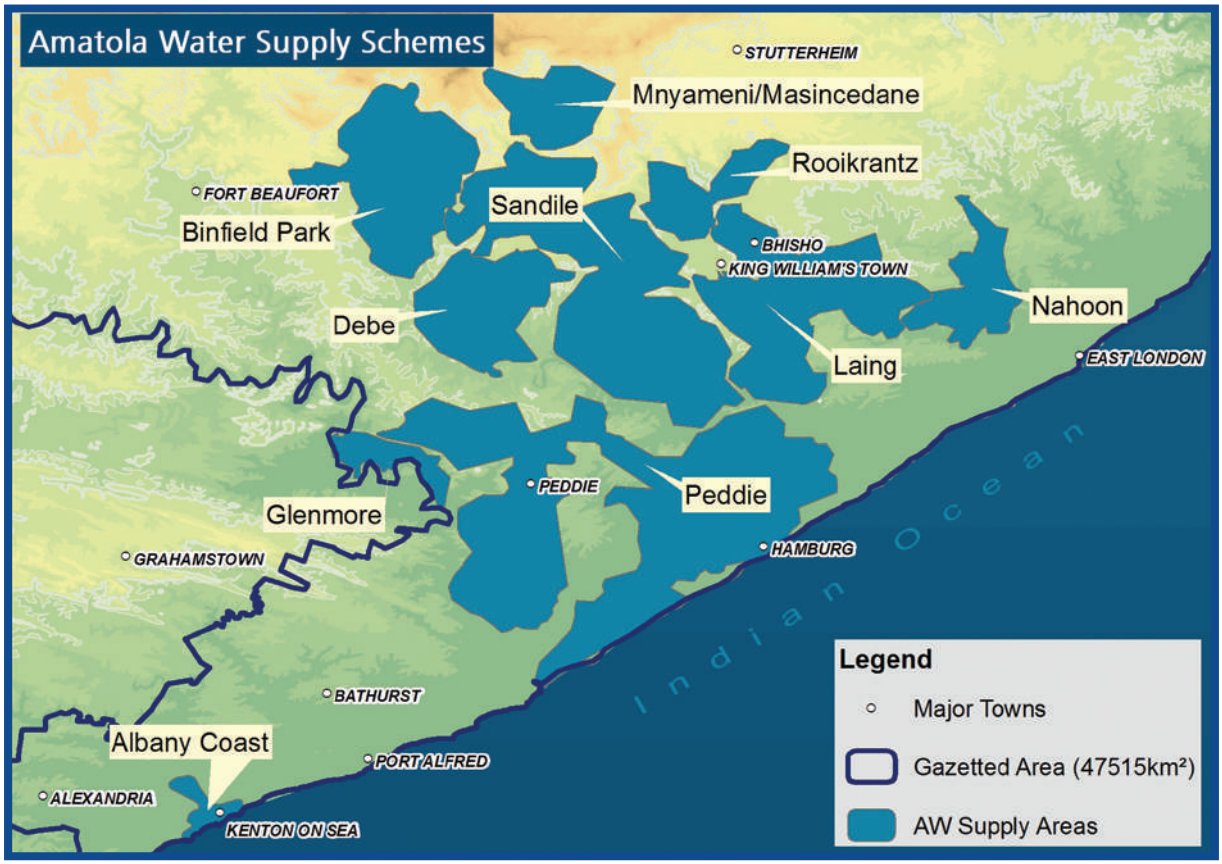
In line with Section 30, Amatola Water acts as an implementation agency on behalf of the municipality in operating and upgrading water treatment works.

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

- On 31 March 2014, a directive to prepare a due diligence report was completed successfully.
- On 20 June 2015, Amatola Water was directed to implement Phase 3 of the Nooitgedacht/Coega Low Level Scheme in the Nelson Mandela Bay Metropolitan Municipality.
- On 19 April 2016, a directive requested intervention at Amathole District Municipality with dry sanitation.

AMATOLA WATER AREA OF OPERATION AND WATER SUPPLY SCHEMES





BUSINESS ENVIRONMENT AND DEVELOPING TRENDS

Amatola Water's business environment considers both 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 impacts and as such these need to be managed carefully through transparent and consistent engagement.

While Amatola Water has little influence over, for example, allocation of funding and the performance of the national, 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, which is a continuation of the contraction of national economic growth over the past few years as well as major droughts in certain parts of the country.

WATER INFRASTRUCTURE

The South African water industry continues to suffer from ageing infrastructure and a large disparity in water infrastructure between rural and urban areas. As such South Africa has a unique opportunity for capital investment and expansion in the water sector matched with the appropriate strategic goals and planning.

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

Amatola Water operates in an environment significantly different to most of its peer organisations in South Africa, evidenced by its large geographical and infrastructure footprint relative to the volume of water it processes, 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 onthe natural environment and allow it to mitigate any impacts as a result of its activities.

Amatola Water is cognisant of the fact that its business has an impact on the environment and takes its responsibility seriously. For more information please refer to page 75.

SOCIAL ENVIRONMENT

Amatola Water's impact and responsibility to the communities within which it operates is taken into account at every step in the strategic planning and decision-making process and Amatola Water believes that community involvement is crucial to long-term sustainability. Please refer to stakeholder engagement on page 31 and community outreach and corporate social investment on page 35.

TECHNOLOGY

Amatola Water's business is primarily physical it nature; however, the continued advancement of technology and associated improved efficiencies have resulted in a continued focus on IT, which has been identified as a material matter .

EFFECTIVE ENTERPRISE RISK MANAGEMENT INTEGRATED INTO BUSINESS

Effective enterprise management is embedded in Amatola Water's business processes and planning for the future. Amatola Water aims to reduce 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[1] on Corporate Governance and the COSO Risk Management Framework have all been incorporated into the enterprise-wide (integrated) framework and policy on risk management, which is defined within Amatola Water 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 clearly 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, being 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. Management has established a Corporate Risk Committee and a Fraud Committee and has appointed risk champions for each division. These risk champions assist divisional directors to establish and monitor risk systems throughout the relevant division.

Amatola Water categorises its risks into three categories:

1. Strategic Risks
2. Divisional Risks
3. Operational / process risks

RISKS	LINK TO MATERIAL MATTER
STRATEGY IMPLEMENTATION RISK	♦ Governance ♦ Infrastructure value chain ♦ Relationships with key stakeholders
OPERATION SUSTAINABILITY RISK	♦ Governance ♦ Infrastructure value chain ♦ Relationships with key stakeholders ♦ Economic regulation
FINANCIAL SUSTAINABILITY RISK	♦ Economic ♦ Access to funding (capex and growth) ♦ Financial viability ♦ Economic regulation
PRODUCT QUALITY RISK	♦ Infrastructure value chain ♦ People skills and development ♦ Health and safety of water resource
PRODUCT AND SERVICE ACCESSIBILITY RISK	♦ Population growth/urbanisation ♦ Benchmarking ♦ Infrastructure resilience
SERVICE INTERRUPTION RISK	♦ Access to fund (capex and growth) ♦ Infrastructure value chain ♦ Drought/weather ♦ Population growth/urbanisation
CORPORATE GOVERNANCE RISK	♦ Governance ♦ Relationships with key stakeholders ♦ People skills and development

TABLE1.1: STRATEGIC RISKS



SECTION 2

CONTEXT AND STRATEGY

SECTION 2

CONTEXT AND STRATEGY

STRATEGIC BUSINESS CONTEXT

Amatola Water's strategy was revised under the guidance and direction of the new Board while considering the expectations of the Honourable Minister of Water and Sanitation (DWS) and being informed by developments in the water sector and macro socio-economic environment changes.

The revised strategic roadmap with 20-year goals is informed by a comprehensive strategic development agenda, with contributions from key stakeholders outlining challenges matching opportunities to be exploited in the gazetted area and in the Eastern Cape Province.

Amatola Water believes the Institutional Reform and Realignment (IRR) process is an opportunity to establish a regional water utility. The focus of this regional water utility is a strategic effort to respond to provincial water and sanitation challenges in a sustainable manner.

Consequently, the 20-year goals have been revised and aligned with the vision of the province and those of DWS respectively. In turn, the 20-year goals are disseminated into the five-year objectives, as outlined in the business plan 2017/21.

Amatola Water strategic roadmap focuses mainly on:

- Building stakeholder relationships;
- Enhancing organisational growth and environmental sustainability;
- Achieving organisational optimisation with emphasis on sound governance practices;
- Having effective internal systems and processes; and
- Having capable and adequately skilled employees

These strategic focus areas are aimed at achieving impact by:

- Providing access to high-quality bulk water and sanitation services throughout the Eastern Cape Province;
- Improving ethical standards in a sustainable manner;
- Sustaining the quality of water and wastewater;
- Ensuring the infrastructure is adequate and maintained.

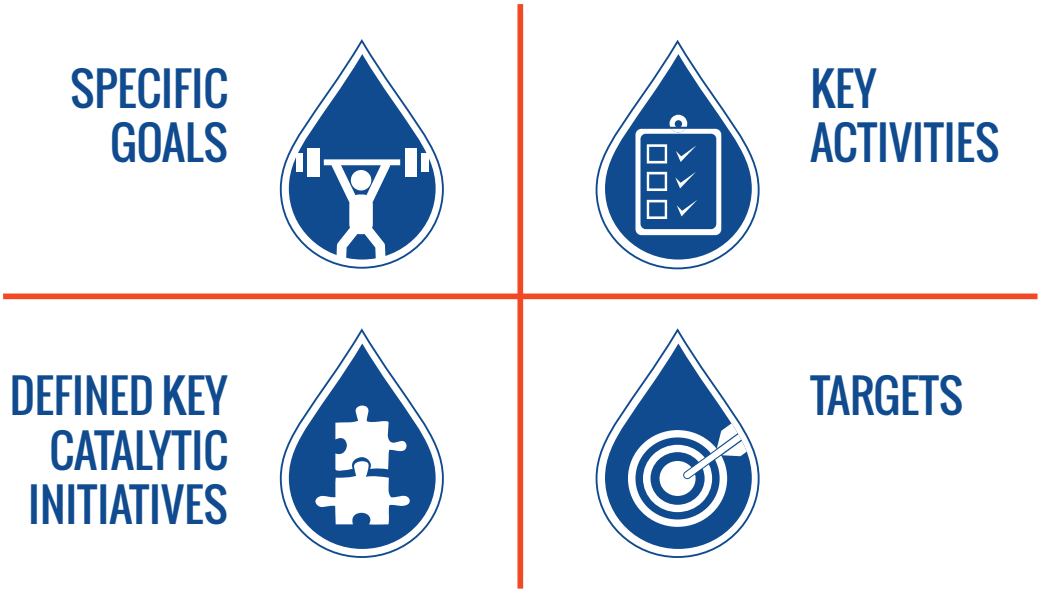
In turn, an optimal organisation will lead to satisfied stakeholders while being financially and environmentally sustainable.

The two most important strategic interventions necessary to enhance organisational sustainability, in the short term, are the establishment of stakeholder relationships and organisational optimisation by means of a turnaround strategy. In building stakeholder relationships the opportunities for growth through interventions and/or projects will arise.

A need for additional volumes in primary activities has been identified as a key sustainable growth indicator while increasing efficiencies by reducing water losses or unaccounted water. An appropriate funding model will be investigated to ensure the organisation is financially viable during the expansion phase. AW will maintain its reputable standards of assurance of supply and water quality while attaining Blue Drop and Green Drop certification. Organisational capacity and effectiveness will continually be improved and evaluated to meet service delivery standards while implementing the strategic objectives.

STRATEGY AND BUSINESS MODEL

In order to realise its strategic intent, Amatola Water has set linked strategic objectives, which focus and direct its business activities. Each of the strategic objectives (on page 25) is underpinned by:



Amatola Water long-term success hinges on the following:

- Influence and support for the process and model for a regional water utility in the province;
- Development of a fully integrated provincial master plan including funding considerations; and
- Increased relevance of Amatola Water as an institution and an improved image

Amatola Water has compiled its budget based on its strategy in order to allocate financial resources appropriately. Human resources are also being reviewed for efficient implementation of strategy.



AMATOLA WATER
20-YEAR LONG-TERM STRATEGIC GOALS

WATER SERVICE UTILITY AREA	20-YEAR GOAL	
GOAL 1 SATISFIED STAKEHOLDERS	**Goal Statement**	To improve stakeholder value in service delivery and support.
	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.
GOAL 2 ENVIRONMENTAL SUSTAINABILITY	**Goal Statement**	To ensure environmental sustainability is integrated in all operations and business of AW.
	Links	Outcome 10 Protect and enhance our environmental assets and natural resources.
GOAL 3 FINANCIAL VIABILITY	**Goal Statement**	To improve the financial viability of the organisation.
	Links	Outcome 9 - Responsive, accountable, effective and efficient local government. Outcome 12 - An efficient, effective and devel-opment-orientated public service.
GOAL 4 CONSISTENT WATER AND WASTEWATER QUALITY	**Goal Statement**	To achieve the water and wastewater quality that meets prescribed standards.
	Links	Outcome 9 - Responsive, accountable, effective and efficient local government. Outcome 10 Protect and enhance our environ-mental assets and natural resources. Outcome 12 - An efficient, effective and developmentorientated public service.
GOAL 5 ACCESSIBLE WATER AND SANITATION SERVICES	**Goal Statement**	To ensure availability and access to water and sanitation services.
	Links	Outcome 5 - A skilled and capable workforce to support an inclusive growth path. Outcome 9 - Responsive, accountable, effec-tive and efficient local government. Outcome 12 - An efficient, effective and developmentorientated public service
GOAL 6 ADEQUATE AND MAINTAINED INFRASTRUCTURE	**Goal Statement**	Ensure bulk water infrastructure is maintained, improved and optimally operated.
	Links	Outcome 5 - A skilled and capable workforce to support and inclusive growth path. Outcome 9 - Responsive, accountable, effec-tive and efficient local government.t Outcome 12 - An efficient, effective and developmentorientated public service.
GOAL 7 ORGANISATIONAL OPTIMISATION	**Goal Statement**	To improve human capacity, optimisation of systems, policies and processes.
	Links	Outcome 5 - A skilled and capable workforce to support an inclusive growth path. Outcome 12 - An efficient, effective and de-velopment-orientated public service.

TABLE 2.1: STRATEGIC GOALS

AMATOLA WATER
5-YEAR MEDIUM-TERM STRATEGIC OBJECTIVES

Following is a list of the five-year objectives. These objectives set out what is to be achieved in the first five years, towards the 20-year goals set above. Also included is the alignment with the national government's 12 outcomes and the DWS's strategic objectives(DWS APP 2017/18 - 2019/20), with numbers to show alignment and contribution therein.

				ALIGNMENT	
10 WSU AREA	REVIEWED 20 YEAR GOAL	5 YEAR OBJECTIVES	OBJ NO.	GOV OUT	DWS OBJ
Stakeholder & Customer Perspective					
Customer Satisfaction / Stakeholder Support	Satisfied Stakeholders	To progressively obtain stakeholder satisfaction levels of at least 80% by 2022.	1.1	11 & 12	5.2
		To ensure that 81% WSAs in the province are contracted as customers through ownership or ROU by 2036.	1.2	11 & 12	4.1
Customer and Environmental sustainability	Environmental Sustainability	To achieve accreditation with an integrated Environmental Management System by 2022.	2.1	10	1.1, 1.3 & 1.5
		To implement at least 5 environmental monitoring programmes at AW supply schemes to reduce environmental footprint by 2022.	2.2	10	1.2 & 2.4
Financial					
Financial Viability	Financial Viability	To establish and implement funding mechanisms and models to increase volumes to 170 Mℓ/day by 2022.	3.1	9 & 12	4.3
		To establish one integrated and sustainable partnership to support financial sustainability.	3.2	9 & 12	2.1

				ALIGNMENT	
10 WSU AREA	REVIEWED 20 YEAR GOAL	5 YEAR OBJECTIVES	OBJ NO.	GOV OUT	DWS OBJ
Internal Processes					
Water and Wastewater Quality	Consistent water and wastewater quality	To achieve and maintain a 'GOOD' quality rating of SANS 241 at all water plants operated by AW.	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	4.2	9, 10 & 12	2.4 & 2.5
		To maintain a turnaround time of 5 days to report on all water quality tests performed	4.3	9, 10 & 12	2.4
Water Resource Adequacy	Accessible water and sanitation services	To manage the water resources in an integrated manner to achieve 98% assurance of supply	5.1 & 5.2	5, 9 & 12	1.4, 2.2 & 3.1, 2.3, 2.4 & 2.5
		Zero water supply interruptions which are greater than 24 hours			
Infrastructure Stability	Adequate and maintained infrastructure	To maintain water losses at a maximum of 12% per annum	6.1	5, 9 & 12	2.2
Learning and Growing					
Operational Resilience	Organisational Optimisation	To achieve an organisational effectiveness score of 4 out of a 5 point Likert scale by 2022	7.1	5 & 12	4.2, 4.3 & 4.4
Leadership and Employee Development					

TABLE 2.2: STRATEGIC OBJECTIVES

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 25). 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 110).



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)**
The degree to which Amatola Water provides reliable, responsive and affordable products and services to water services authorities (customers) either 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 state, Amatola Water has a variety of stakeholders, most notably the Department of Water and Sanitation. Relationships with various stakeholder groups must be built and managed by aligning initiatives in support of key stakeholder programmes, informed by the intergovernmental framework, as well as by 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 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 has access to stable raw water resources to meet 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 current and future community sustainability, supporting socio-economic development, and managing 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 that 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 RESILIENCY (OR)**
Amatola Water proactively and effectively manages business risks across all areas of the business in a manner that ensures sustainability of the organisation, even in times of challenges and difficulties.

10. **OPERATIONAL OPTIMIZATION (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 processe

VALUE CREATION

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

INPUTS 2015/16

FINANCIAL CAPITAL

Revenue:
R399m

Grant funding for infrastructure upgrades:
R169m

Cash:
R301m

INTELLECTUAL CAPITAL

Water Research Levy:
R3m

SOCIAL AND RELATIONSHIP CAPITAL

Assurance of supply:
99%

BBBEE spend:
107%
(target 100%)

Local jobs created:
826

MANUFACTURED CAPITAL

Property, plant and equipment:
R442m

Capital expenditure:
R100m
(treatment plant upgrades)

HUMAN CAPITAL

Staff turnover
0.2%
(benchmark: 6%)

Study assistance:
R0.5m

NATURAL CAPITAL

Water loss (potable production and network):
11.98%
(benchmark: 9%)

BUSINESS ACTIVITIES

1. Infrastructure design and development
2. Water services
3. Institutional and social development
4. Technical and operational services
5. Scientific services
6. Procurement services
7. Financial services
8. Operation and maintenance
9. Institutional support and development
10. Project management

STRATEGIC FOCUS OUTPUTS 2016/17

THE 10 OUTCOMES
for sustainable value creation

1. Water and wastewater quality
2. Customer satisfaction
3. Stakeholder relationships and support
4. Infrastructure stability
5. Financial viability
6. Water resource adequacy
7. Community/ environmental sustainability
8. Leadership and employee development
9. Operational resilience
10. Operation optimisation



FINANCIAL CAPITAL

Revenue:
R405m

Grant funding for infrastructure upgrades:
R0m

Cash:
R131m

INTELLECTUAL CAPITAL

Water Research Levy:
R3m

SOCIAL AND RELATIONSHIP CAPITAL

Assurance of supply:
100%

BBBEE spend:
107%
(target 100%)

Local jobs created:
826

MANUFACTURED CAPITAL

Property, plant and equipment:
R534m

Capital expenditure:
R107m
(treatment plant upgrades)

HUMAN CAPITAL

Staff turnover
1%
(benchmark: 6%)

Study assistance:
R0.6m

NATURAL CAPITAL

Water loss (potable production and network):
14.2%
(benchmark: 9%)

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 & objectives 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 – 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 matters of the business, with all other material matters having a direct effect on these.

Material matters table

The following table provides a more detailed account of the the material matter, in order of importance:

RANKING	MATERIAL MATTER	DESCRIPTION	IMPACT	STRATEGIC RESPONSE
1	Economic	As a public service utility Amatola Water is highly geared to the performance of the local and national economy. Both 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.	Amatola Water's access to funding may be reduced and the costs of funding obtained may increase. A continued downturn may lead to an increase in bad debts from Amatola Water's major customers as they experience concomitant cash flow issues	Financial viability
2	Governance	Leadership is key 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.	A lack of effective leadership may lead to a loss in stakeholder confidence and degradation of relationships with key stakeholders along with a decreased brand value and reputation.	Satisfied stakeholders Organisation optimisation
3	Access to funding (capex and growth)	Amatola Water manages a significant infrastructure footprint in order to fulfil its mandate. Amatola Water requires significant capital expenditure to maintain as well as expand this infrastructure to ensure continuity of service as well as sustainable growth.	A lack of access to debt facilities and public funding may limit Amatola Water's ability to manage and invest in infrastructure appropriately, which may have a significant impact on delivery of Amatola Water's mandate	Satisfied stakeholders Financial viability

RANKING	MATERIAL MATTER	DESCRIPTION	IMPACT	STRATEGIC RESPONSE
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	Amatola Water's ability to be agile in the market and react quickly to various changes is restricted. Amatola Water is dependent on its upstream and downstream partners' infrastructure to deliver on its mandate. Any interruption to this could restrict Amatola Water's ability to supply highquality bulk water and sanitation services.	Satisfied stakeholders Financial viability Consistent water and wastewater quality Accessible water and sanitation services Adequate and maintained infrastructure
5	Financial viability	Many of Amatola Water's inputs and outputs are fixed in nature, such as the costs it is charged 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.	Amatola Water may be unable to charge a sustainable tariff commensurate with the costs Amatola Water incurs purchasing and processing water. Customers may be unable to pay for Amatola Water's services leading to significant bad debts. A shortage of Amatola Water's key input (raw water) may lead to service interruptions.	Financial viability
6	Relationships with key stakeholders	Relationships with Amatola Water's key stakeholders have a major impact on Amatola Water's reputation, representing both a significant risk and opportunity for Amatola Water.	A degradation in Amatola Water's relationships with key stakeholders may lead to loss of trust with the local community, customers and 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.	A lack of water may lead to service disruptions.	Environmental sustainability Adequate and maintained infrastructure
8	Economic regulation	Amatola Water is subject to tariff setting and 'regulatory lag'.	Amatola Water has limited control over the price it may charge for product and processes and as such this can lead to a situation where it is unable to charge a cost-reflective tariff.	Financial viability

RANKING	MATERIAL MATTER	DESCRIPTION	IMPACT	STRATEGIC RESPONSE
9	Technology and communication	The current day business environment is heavily dependent on technology for effective, efficient and streamlined operations	Amatola Water runs the risk of falling behind in the technology evolution should it not invest appropriately in technology Investing appropriately in IT leads to the following benefits: ♦ Reduced administration burden ♦ Improved productivity ♦ Better understanding of our business Improved stakeholder relationships due to improved communication channels.	Adequate and maintained infrastructure Organisational optimisation
10	People skills & development	Appropriately skilled and qualified staff are critical to ensuring effective and efficient operations.	A shortage of staff with critical skills, for example, engineering and water management, can lead to interruptions in service.	Organisational optimisation
11	Population growth/ urbanisation	Globally and in South Africa urbanisation is continuing.	An increase in population places an increased strain on infrastructure and may lead to Amatola Water being unable to meet demand.	Consistent water and wastewater quality Accessible water and sanitation services Adequate and maintained infrastructure
12	Transformation	As part of various national imperatives transformation is seen as critical to Amatola Water.	Amatola Water has an opportunity to achieve more than just 'tick-box' compliance with BBBEE and other requirements and as such has the opportunity to achieve meaningful transformation.	Satisfied stakeholders Organisational optimisation
13	Benchmarking	Measuring how Amatola Water stacks up against other players in the water industry represents both an opportunity and risk	Failure to keep up with industry trends and practices could lead to a loss of competitiveness and efficiencies	Organisational optimisation
14	Social and economic development and community upliftment	Amatola Water operates in the public sphere and as such has a moral obligation to make a measurable positive impact in the communities where it operates.	Failing to be cognisant of this responsibility can lead to a degradation in both reputation and relationships with Amatola Water's stakeholders.	Satisfied stakeholders
15	Health and safety of water resource	Preventing contamination of supplies is key to ensuring continuity of service and compliance with laws and regulations	Depending on the severity, a contamination of supplies could have varying impacts on Amatola Water's operations.	Environmental sustainability Consistent water and wastewater quality
16	Infrastructure resilience	Ensuring infrastructure is able to withstand both floods and droughts	Should Amatola Water's infrastructure be vulnerable to abnormal weather patterns this could lead to interruptions in service.	Adequate and maintained infrastructure
17	Crime and security of infrastructure	Safeguarding assets and employees from crime and vandalism	Should an employee be hurt while on duty this could lead to reputational damage as well as civil claims against Amatola Water. Should critical infrastructure be stolen or vandalised this could lead to varying impacts on continuity of service.	Satisfied stakeholders Adequate and maintained infrastructure

TABLE 2.3: MATERIAL ISSUES

STAKEHOLDER UNDERSTANDING AND SUPPORT

STAKEHOLDER ENGAGEMENT, RESPONSE & UNDERSTANDING

Amatola Water is committed to engaging its stakeholders through both formal and informal means and ensuring that lines of communication are kept open at all times. Its commitment to stakeholder engagement is evidenced by the inclusion of satisfied stakeholders as a material matter as well as the development of a stakeholder relations policy.

Amatola Water understands that stakeholder engagement is key to its long-term goals and sustainability and as such has identified customers and local communities as primary stakeholders with statutory stakeholders also recognised as important.

Amatola Water's customers are defined as stakeholders who make it possible for Amatola Water to deliver on its legislated mandate both internally and externally. Its local communities are defined as stakeholders with both a direct and an indirect interest in the operations of Amatola Water. Its statutory stakeholders are defined as legislated stakeholders that directly and indirectly affect Amatola Water's operations. Its employees, suppliers and investors are defined as stakeholders who provide the inputs required to deliver on its mandate

Amatola Water believe that through an effective and proactive stakeholder engagement process we can achieve the following:

- Improved understanding of stakeholders needs and concerns
- Enhanced reputation
- Open channels of communication with communities
- Improved collaboration with the Department of Water and Sanitation
- Uniformity and consistency of water and sanitation schemes



AMATOLA WATER STAKEHOLDER MANAGEMENT MATRIX

COMMUNITY STAKEHOLDERS

STAKEHOLDER	STAKEHOLDER INTERESTS	AW INTERESTS	LEVEL/ RESPONSIBLE PERSON
Special interest groups	Good governance and performance of AW	Network research	Divisional directors
Civil society	Good governance and performance of AW	Network political influence	Office of the CEO
Media	Strategy, risk, good governance and performance of AW	Communication platform; influence Transparency / openness	CEO's office and Board chairman
Business formations (formal and informal)	Strategy, risk, good governance and performance of AW	Networks, support, influence	CEO's office
Traditional leadership	Strategy and performance of AW	Networks, support, political influence	CEO's office
Educational and research institutions	Strategy	Research	MANCO
Water sector association	Strategy	Strategic alliance	CEO and Board chairman

TABLE 2.4: COMMUNITY STAKEHOLDERS

CUSTOMERS AND CLIENTS

STAKEHOLDER	STAKEHOLDER INTERESTS	AW INTERESTS	LEVEL/ RESPONSIBLE PERSON
Employees	Risk, good governance and performance of AW	Act as ambassadors for the organisation Sustainability and viability of the institution	Employer (MANCO and Board)
SAAWU	Strategy, risk, good governance and performance of AW	Sound relations with organised labour, living conditions of the employees	Director Corporate Services and CEO
Organized Labour	Strategy, risk, good governance and performance of AW	Buy-in and support with regards to living conditions of the employees Sustainability and viability of AW	Employer (MANCO and Board)
Internal and external audit	Risk, good governance and performance of AW	Support, influence compliance	MANCO and Board
Suppliers	Good governance and performance of AW	Quality products and services efficiency, good performance and productivity	MANCO
Investors (development finance institutions, private banks)	Risk, good governance and performance of AW	Funding Investment opportunities	MANCO

TABLE 2.5: CUSTOMERS AND CLIENTS

STATUTORY STAKEHOLDERS

STAKEHOLDER	STAKEHOLDER INTERESTS	AW INTERESTS	LEVEL/ RESPONSIBLE PERSON
Executive Authority (DWS Minister)	Strategy, risk, good governance and performance of AW	Strategic direction and support	Office of the CEO and the AW Board
Portfolio committee of the local government Provincial to present the water plan	Strategy, risk, good governance and performance of AW	Influence; feedback; support	MANCO and Board chairman
National Treasury	Strategy, risk, good governance and performance of AW	Support; decision-making	CFO and CEO
Provincial Government (Premiers Office and Department of Local Government)	Strategy, good governance and performance of AW	Collaboration	CEO, MANCO
Local government (municipalities)	Strategy performance of AW, risk, good governance	Long term commitment and loyalty	CEO, CFO, divisional directors
SALGA	Strategy, risk, good governance and performance of AW	Collaboration	MANCO

TABLE 2.6: STATUTORY STAKEHOLDERS

COMMUNITY OUTREACH AND CORPORATE SOCIAL INVESTMENT

Amatola Water is mandated to provide a vital service that contributes to an enhanced quality of life for communities in the Eastern Cape and that is a cornerstone for socio-economic development in the province.

Investment by Amatola Water in the communities it serves has an impact on the fulfillment of its business strategy and the long-term sustainability of the organisation. Amatola Water is acutely aware of and sensitive to this relationship As such, it continuously strives to support the advancement of all communities where its operations are located and this philosophy is embedded in its Corporate Social Responsibility programmes.

To this end, a strong focus was placed on initiatives geared towards community sustainability, including education and awareness, sport, and community outreach programmes.

CATEGORY	STRATEGIC APPROACH	INITIATIVES
Education	Improve the level of education.	Ongoing support and participation in platforms that promote maths and science subject choices and careers in the water sector.
Public Participation and Awareness	Provide sustainable water solutions, raise environmental awareness and ensure access to safe and reliable water services to all communities in area of operation, in support of government initiatives.	Social and community engagement initiatives that promote awareness in the areas of sanitation, poverty alleviation, water conservation etc.
Sport	Promote strong and healthy communities.	Sponsorship of bottled water in support of various school and community sporting programmes.
Community Outreach	Invest in community upliftment programmes and realise meaningful transformation.	Ongoing support of initiatives that benefit historically disadvantaged communities.

TABLE 2.7: COMMUNITY OUTREACH INITIATIVES

In the year under review Amatola Water provided the following support:

EDUCATION AND OUTREACH

National Water Week:

Amatola Water joined the rest of the country in observing National Water Week during the month of March 2017 in an effort to promote water conservation and encourage responsible use of the resource. The campaign took place during the week of the 20th – 26th March, coinciding with World Water Day on the 22nd March 2017.

In partnership with Ndlambe Local Municipality, the Department of Water and Sanitation and the Sarah Baartman District Municipality, Amatola Water conducted water awareness to Grade 7 – 11 learners at various schools in the Ndlambe area, including Bathurst, Port Alfred and Marselle.

The roadshow included visits to Bathurst Primary, Qhayiya and Kuyasa combined schools, as well as Nomzamo and Velile high schools, with presentations on water conservation, the water treatment process, water quality testing and career opportunities in the water sector.

Water conservation awareness at Marselle

Annually, Amatola Water teams up with Ndlambe Municipality to conduct public awareness campaigns on water conservation throughout the area, raising awareness regarding the water shortage in Ndlambe by educating learners about making water conservation a part of their daily lives, in the hopes they would take the message back to their families.

The awareness campaign included a school-based educational roadshow to local schools, Klipfontein and Nompucuko in Marselle, which forms part of the Bushman's River area. Various speakers encouraged the learners to implement water-saving tips in their homes, as well as report water leaks and burst water pipes in their areas timeously in order to save water.

Sanitation Month at Pefferville Primary School

Amatola Water, in partnership with Buffalo City Metropolitan Municipality and the Department of Water and Sanitation embarked on a sanitation month awareness campaign at Pefferville Primary School in East London on Tuesday, 30 May 2017.

Sanitation Month is a Department of Water and Sanitation campaign designed to raise the profile of sanitation by encouraging local government and communities to prioritise sanitation, health and hygiene. In addition to educating the learners about proper sanitation and hygiene habits, Amatola Water assisted the school with leak repairs, fixing sewer blockages, replacing toilet seats and washing the floors to improve the condition of the school's ablution facilities.

Amatola Water was thanked for the initiative and for bringing hope to Pefferville Primary, motivating learners and teachers alike to carry on with the work that they are doing. It has improved the sanitation conditions at the school, making them healthier and more hygienic for the learners.

School tour programme

During this financial year, Amatola Water continued to host guided tours for various groups from universities, FET colleges, high schools and primary schools within the Eastern Cape at its various water treatment plants.

Visitors comprising of learners, students, water sector officials were hosted at the Nahoon, Wriggleswade, and Laing Dams, as well as at the Bushman's reverse osmosis plant. A poster with the steps involved in purifying water at the water treatment works was distributed at various platforms such as school tours and other events where learners and students were hosted.

The educational support provided by these tours has invited generous praise from schools, further education institutions and the Department of Water and Sanitation.



Mandela Day at King's Children's Home

Joining the many South Africans who celebrated International Mandela Day on Monday, 18 July 2016, Amatola Water employees observed their 67 minutes for Mandela at the King's Children's Home, a safe house for abused, abandoned, and neglected babies and young children in Glen Eden.

The aim of the initiative was a fun-filled day for the kids, with Amatola Water employees spending quality time, interacting and playing with them.

In line with the shelter theme for Mandela Day, Amatola Water donated a safe house in order to give the King's Children's Home additional living space to help more children and babies in need. Toys and clothing items collected by employees as part of a donation drive were also handed over to the home.

Pollution-free rivers for Mandela Month

Amatola Water in partnership with Makana and Ndlambe Municipalities joined hands in July to clean two of the province's rivers, as part of the Clear Rivers Campaign.

The Clear Rivers Campaign is an annual awareness drive held during Mandela Month, aimed at building communities actively involved and engaged in the management of water resources in the country by making a difference in the upkeep of the environment.

The team, joined by the local Catchment Management Agency and the Department of Water and Sanitation cleaned the Matyana River stream in Makana, as well as the Kowie River Mouth's duck pond area in Ndlambe.

Through the Clear Rivers Campaign, the department is calling for a unified approach to protect the country's rivers, wetlands and broader catchments so that all South Africans can benefit from the added-value products of healthy rivers and can have access to clean water for basic human needs.

The campaign was a huge success with over 120 participants at Makana, including the municipality's Water Services, Parks and Health employees, as well the Adopt-a-River Project, Cokisa Youth Project and students from Rhodes University; while at Ndlambe around 100 municipal employees, DWS and Youth in Waste volunteers and learners from Port Alfred Primary School gathered for the clean-up.



Career exhibitions

National Core Maths, Science and Technology Dream Career Day and Expo

Amatola Water participated in the East London leg of the National Core Maths, Science and Technology Dream Career Day and Expo held at the Mdantsane Indoor Sports Centre on September, 8th, 2016.

The exhibition was designed to provide comprehensive introduction to careers in maths and sciences, and provide resources to help core subject maths and science learners make a successful transition from high school to higher learning Institutions and to the workplace.

The event was also hoped to draw attention towards the shortage of scarce but critical skills in the country. The expo offered an insight to core learners and educators about potential careers and study opportunities.

Around 2 500 Grade 10, 11 and 12 learners from various high schools in Mdantsane attended the Career Day.

Ngquza Hill Municipality Career Expo

Amatola Water participated in the Ngquza Local Municipality Career Exhibition at the Lusikisiki Teachers College.

The expo, which took place on Wednesday 28 June 2017, is an annual event organised by the Breard Foundation, in partnership with Ngquza Hill Local Municipality and the Department of Education, to assist learners with career choices.

Over 2000 high school learners from various townships and villages in and around Lusikisiki attended the exhibition.





SECTION 3

PERFORMANCE INFORMATION

SECTION 3

PERFORMANCE INFORMATION

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

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

In her opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the strategic and annual performance plan of Amatola Water for the financial year ended 30 June 2017.

Amatola Water's performance information for the year ended 30 June 2016 has been examined by the external auditors (report on page 155), and is set out on pages 41 to 66, as approved by the Executive Authority.

Njombokuqala Nokulunga Mnqeta
Chairman
Date: 27 October 2017

Asanda Gidana
Acting Chief Executive Officer
Date: 27 October 2017

PERFORMANCE AND OUTLOOK

INTRODUCTION

The overall corporate performance of Amatola Water (AW) in 2016/2017 has declined to 57% against the baseline of 76% of targets achieved in the 2015/2016 financial year. The overall performance against the shareholder compact has declined to an average of 63% achievement against predetermined targets comparatively for 2015/16.

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

- **Quality:** SANS Class 1 potable water standard was achieved at 99% against the 98% target. The ROU plant was an indication of Amatola Water's ability to supply additional water while maintaining high quality standards.
- **Assurance of supply:** 99% assurance of supply to customers from source was achieved with adequate pressure at reservoirs, reaching set targets and highest reliability of supply standards for customers and consumers.
- **Minimised losses:** Production and network losses combined were 14.20% against a target of 12% and baseline of 11.98%, crucially minimising environmental, financial and social impacts of losses and unaccounted for water.
- **Temporary jobs created:** The target for the creation of temporary jobs created was exceeded as project implementation intensified in King Sabata Dalindyebo Presidential Intervention (PI) and Amatola Water plant upgrades were completed.

FINANCIAL IMPROVEMENT AND STABILITY

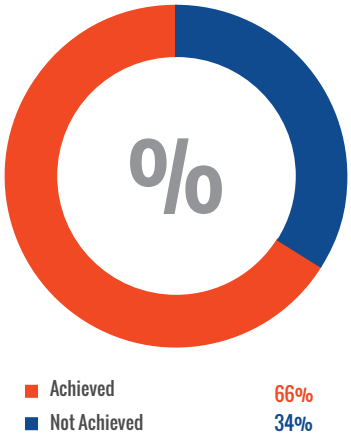
- Revenue was maintained during the year with significant increases attributable to project implementation agent (PIA) fees and ROU revenue. Primary revenue growth has been largely influenced by tariff increases while volumes of sold water increased relatively in comparison with the previous year.

PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL RESULT
Employee to revenue	R1.3 million	R1.07 million
Return on assets	3.5%	0.20%
Gross profit margin (all)	30%	28%
Broad-based black economic empowerment (BBBEE) spend	100%	100%
Surplus	R7.3 million	R5.5 million

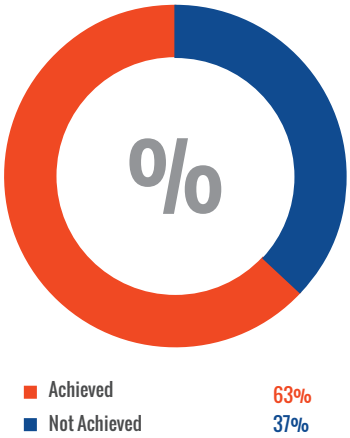
TABLE 3.1: KEY FINANCIAL PERFORMANCE INDICATORS

PERFORMANCE AGAINST SHAREHOLDER COMPACT INDICATORS 2016/17

OVERALL PERFORMANCE ANALYSIS AGAINST SHAREHOLDER COMPACT INDICATORS



GRAPH 3.1: OVERALL SHAREHOLDER COMPACT PERFORMANCE OBJECTIVES AND TARGETS 2015-2016



GRAPH 3.2: OVERALL SHAREHOLDER COMPACT PERFORMANCE OBJECTIVES AND TARGETS 2016-2017

Performance Objective	Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives	Outcome/ Impact	Indicators/ Calculation	Measure	Actual Achievement 2015/16	Projected Target 2016/17	Actual Achievement 2016/17	Reasons for under/over achievement
PERFORMANCE PERSPECTIVE: ORGNISATIONAL EFFECIENCY AND EFFECTIVENESS										
Bulk potable water quality compliance	9	SO3.1	WQ1.1	Water quality standards met	Test results, SANS 241 Class 1: Class 2:	% compliance	98%	98%	99%	Target achieved
Manage avoidable water losses	6 &10	SO2.2 & SO4.1	IS5.1	Reduced avoidable water losses in treatment and distribution systems	Avoidable water lost as a percentage of water produced	%	11.98%	12%	14.20%	The newly installed actuaters (inherent structural fault) at the filter beds of Debe WTWs were the main cause of an increase in water losses during the treatment process. The temporary clamp-on water meter installed at Laing Dam was over-reading by 11.1%. These faults led to a1% increase in water loss. During the two-day strike AW staff opened scour valves of reservoirs which led to a greater distribution of water losses. The strikes caused a further 1% water loss. The faulty actuators at Debe had been fixed. The faulty water meter at Laing is in process of being fixed. AW has compiled a Strike Action Plan and disciplinary processes have been put in place to restrict staff from illegal valve tamperings. It is unfortunate that these actions will only result in improvements during the 2017/18 financial year.
Reliability of supply				No unplanned interruptions to bulk supply exceeding 24 hours	Number of days supply interrupted as a % of possible supply days	%	100%	99.00%	99%	Target achieved
Increased access to Services	6	SO2.1	IS3.3	Contribution to national objectives of extending services	Actual CAPEX spend on expansion related projects (initiatives by the Minister) as % of budget	R	998.4 Mil	R625 Mil	R907Mil	Target exceeded: Significant expenditure reported on some projects. Amatola Water will pay judicious attention to target-setting at the start of the financial year in order not to grossly exceed set targets.

TARGETS
- Achieved
- Not Achieved

Performance Objective	Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives	Outcome/ Impact	Indicators/ Calculation	Measure	Actual Achievement 2015/16	Projected Target 2016/17	Actual Achievement 2016/17	Reasons for under/over achievement
PERFORMANCE PERSPECTIVE: FINANCIAL PERFORMANCE										
Financial reporting compliance	9	SO1.2 SO1.6	OO3.1	Unqualified audit report	Annual external audit	Unqualified report with no matters of emphasis (Clean Audit)	Y	Y	Y	Target achieved
Improve key financial ratios	12	SO1.2 SO1.6	FV1	Improved viability and sustainability	Current Ratio	Ratio	1.24	1.01	1.36	Target achieved
					Gross profit margin % (primary activity)	%	22%	30%	27%	Target not achieved due to the shortfall in potable water revenue as volumes planned were not achieved. AW is in the process of implementing mechanisms to improve this in the 2017/2017 financial year.
					Gross profit margin (secondary activity)	%	43%	30%	29%	Target not achieved. There is a decrease in secondary revenue due to a decrease in secondary business activity resulting from projects not awarded as planned, i.e. timing of awarding KSDI projects. The activities in secondary business are expected to increase as tenders are awarded in the procurement process to contractors to execute bulk infrastructure programmes in FY2017/2018.
					Net profit margin (primary activity)	%	9%	4%	16%	Target achieved
					Net profit margin (secondary activity)	%	38%	4%	38%	Target achieved
					Debt equity	Ratio	0%	0.89%	0%	Target achieved

TARGETS

- Achieved
- Not Achieved

Performance Objective	Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives	Outcome/ Impact	Indicators/ Calculation	Measure	Actual Achievement 2015/16	Projected Target 2016/17	Actual Achievement 2016/17	Reasons for under/over achievement
					Return on Assets	%	0.79%	3.50%	0.60%	Assets of AW are increasing at a faster than expected rate in capital WIP, therefore the ROA is not being achieved. The assets are not yet in revenue-generating mode therefore the expected yield is not yet realised. Capex expenditure must be fast-tracked to production stage so that this asset base growth contributes to the ROA of the entity.
					Debtors days	Number	51 days	71 days	88.07 days	Makana and ADM debt are not being serviced. This was not an expectation at the time targets were set. Payment plans have been entered into with the defaulters. Vigorous monitoring of the payment terms conditions will ensue.
					Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	%	27.30%	3%	5.30%	Target achieved
					Staff remuneration as % of total operating expenditure	%	41%	38%	40%	Target not achieved. Above-budget labour settlement has increased labour costs and therefore will have a detrimental effect on this ratio. Increased cost-cutting will also make the ratio unattainable. Careful and stringent monitoring of discretionary expenditure is necessary to decrease the expenditure on employee costs.
Increase BBBEE expenditure in relation to operational projects	9	SO1.3	FV1.9	Spend increased and increased new entrants awarded contracts in the financial year	Spend	% increase	107%	100%	100%	Target achieved
					New service providers awarded work	Number	N/A	N/A	N/A	N/A

TARGETS

- Achieved
- Not Achieved

Performance Objective	Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives	Outcome/ Impact	Indicators/ Calculation	Measure	Actual Achievement 2015/16	Projected Target 2016/17	Actual Achievement 2016/17	Reasons for under/over achievement
Manage costs within the approved budget	9	SO1.6 SO2.1	FV1.8	Actual expenditure compared with budgeted expenditure for the quarter	Financial reports	% increase	R 407 Mil	R500 Mil	R420Mil	Target achieved
Capital expenditure programme	6	SO2.1	IS3	Infrastructure available to meet demands	Overall project expenditure within R target	% variance	R998.4Mil	R625 Mil	R907Mil	Target exceeded. Significant expenditure reported on some projects. Amatola Water will pay judicious attention to target-setting at the start of the financial year in order not to grossly exceed set targets.
					Overall project completion dates within targets	% variance	79%	85%	81%	Two of the capex projects reported below average progress, resulting in the overall target not being met. Improved monitoring of project progress, with timeous and appropriate interventions by Project Managers, will ensure project progress remains on track.
Engagement in secondary activities	12 & 6	SO1.6 SO2.1	FV2.4	Growth in turnover from secondary (other activities)	% of total turnover	%	72%	32%	27.80%	Target not achieved. There is a decrease in secondary revenue due to a decrease in secondary business activity resulting from projects not awarded as planned i.e. timing of awarding KSD projects. The activities in secondary business are expected to increase as tenders are awarded in the procurement process to contractors to execute bulk infrastructure programmes FY2017/2018.

TARGETS

- Achieved
- Not Achieved

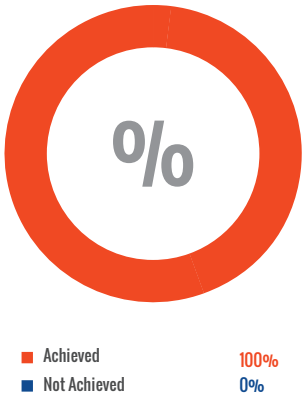
Performance Objective	Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives	Outcome/ Impact	Indicators/ Calculation	Measure	Actual Achievement 2015/16	Projected Target 2016/17	Actual Achievement 2016/17	Reasons for under/over achievement
PERFORMANCE PERSPECTIVE: CUSTOMER/STAKEHOLDER INTERACTION										
Bulk supply agreements concluded with municipalities/other customers	12	SO2.1	CS1.1	Statutory and Service Level Agreements in place	Municipalities/ Other Customers with bulk supply agreements	%	4	5	5	Target achieved
Implementation of Ministerial directives	12	SO1.6 SO2.1	SS3	New Ministerial directives issued are implemented on time	Progress against implementation plan	%	30%	100%	48%	Target has not been achieved. Nooitgedacht – No progress to report since Q3. Site has been handed over, but construction commenced by the end of June 2017. ADM Dry Sanitation- No progress since Q3 reporting: waiting on DWS for approval of budget and funding allocation. Makana JK- There has been a change in contractor. New contractor appointed in June 2017. Progress reported remains as stated for previous quarter. However, progress should improve on the Nooitgedacht and Makana JK projects, as sites have been established. ADM Dry Sanitation requires follow up with DWS for funding.
Support Rural Development	12	SO2.1	CS1.1	Total Number of identified rural Municipalities supported	Signed contracts, MOUs etc.	Number	4	5	5	Target achieved
Achieve statutory reporting compliance	12	SO1.6 SO2.1	SS3	All statutory reports submitted on time	Submission dates met	%	100%	100%	100%	Target achieved

TARGETS
- Achieved
- Not Achieved

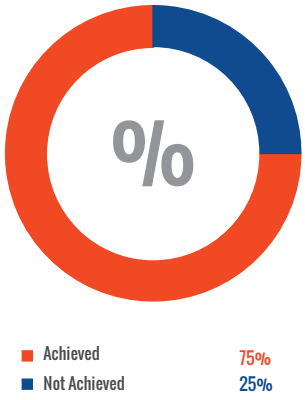
Performance Objective	Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives	Outcome/ Impact	Indicators/ Calculation	Measure	Actual Achievement 2015/16	Projected Target 2016/17	Actual Achievement 2016/17	Reasons for under/over achievement
PERFORMANCE PERSPECTIVE: GENERAL PERFORMANCE										
Board Effectiveness	9 & 12	SO3.1 SO1.2	OO3.5	Improved performance of fiduciary duties/ governance	Board Member attendance of all Board/ committee meetings	%	82%	80%	75%	6 Board members attended and 2 did not attend Board meetings. On the 11 April 2017 a Board calendar was approved to secure attendance of Board members.
					Decision making: % number resolutions taken by the board vs number of resolutions required	%	N/A	100%	0	Target not achieved. There is no system in place in the 2016-2017 financial year where data can be obtained to measure this target.
Effective Internal Controls and Risk Management	12	SO3.1 SO1.2	OO3.2	Internal audit findings dealt with	Internal audit reports	Number of repeat findings	5	15	9	Target achieved
Risk Management						Number of unresolved findings	23	25	8	Target achieved
Good Governance	12	SO3.1 SO1.2	OO3.6	Improved controls and risk mitigation	Breaches of materiality and significance framework	Number	0	0	0	Target achieved
Corporate Social Responsibility Initiatives	12	SO1.6	OO3.4	Good corporate citizenship	Number of initiatives undertaken	Number	2	2	10	Target achieved

TABLE 3.2: SHAREHOLDER COMPACT RESULTS

TARGETS
- Achieved
- Not Achieved



GRAPH 3.3: ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS 2015-16

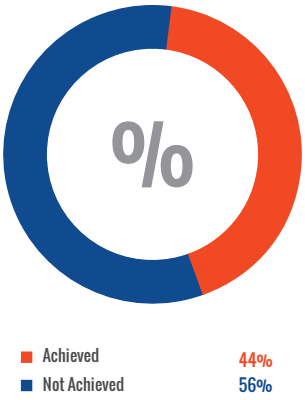


GRAPH 3.4: ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS 2016-17

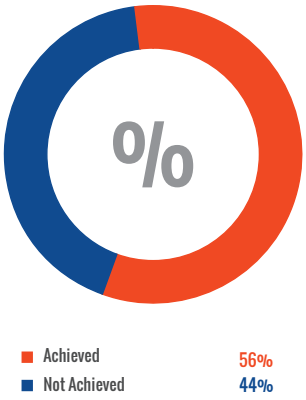
PERFORMANCE PERSPECTIVE: ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS

WB STRATEGIC OBJECTIVE	INDICATOR/ MEASURE	REASON FOR VARIANCE AND RECOVERY PLAN
Strategic Objective : Manage Avoidable Water Losses		
IS5.1	Avoidable water lost as a percentage of water produced	The newly installed actuaters (inherent structural fault) at the filter beds of Debe WTW's were the main cause of an increase in water losses during the treatment process. The temporary clamp-on water meter installed at Laing Dam was over-reading by 11.1%. These faults led to a1% increase in water loss. During the two-day strike AW staff opened scour valves of reservoirs which led to a greater distribution of water losses. The strikes caused a further 1% water loss. The faulty actuators at Debe had been fixed. The faulty water meter at Laing is in process of being fixed. AW has compiled a Strike Action Plan and disciplinary processes have been put in place to restrict staff from illegal valve tamperings. It is unfortunate that these actions will only result in improvements during the 2017/18 financial year.
Strategic Objective : Increased Access to Services		
IS3.3	Actual CAPEX spend on expansion related projects (initiatives by the Minister) as % of budget	Target exceeded. Significant expenditure reported on some projects. Amatola Water will pay judicious attention to targetsetting at the start of the financial year in order not to grossly exceed set targets.

TABLE 3.3: VARIANCE ANALYSIS REPORT - ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS



GRAPH 3.5: FINANCIAL PERFORMANCE 2015-16



GRAPH 3.6: FINANCIAL PERFORMANCE 2016-17

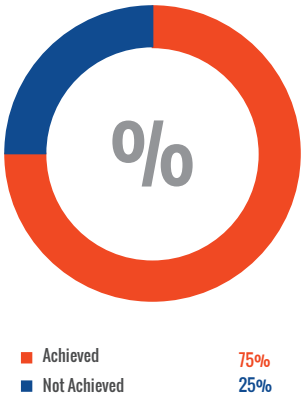
PERFORMANCE PERSPECTIVE: FINANCIAL PERFORMANCE

WB STRATEGIC OBJECTIVE	INDICATOR/ MEASURE	REASON FOR VARIANCE AND RECOVERY PLAN
Strategic Objective : Improve key financial ratios		
FV1	Gross profit margin % (primary activity)	Target not achieved. There was a shortfall in potable water revenue as volumes planned were not achieved. AW is in the process of implementing mechanisms to improve this in the 2017/2017 financial year.
	Gross profit margin (secondary activity)	Target not achieved. There is a decrease in secondary revenue due to a decrease in secondary business activity resulting from projects not awarded as planned, i.e. timing of awarding KSDI projects. The activities in secondary business are expected to increase as tenders are awarded in the procurement process to contractors to execute bulk infrastructure programmes in FY2017/2018.
	Return on Assets	Assets of AW are increasing at a faster than expected rate in capital WIP, therefore the ROA is not being achieved. The assets are not yet in revenue-generating mode, therefore the expected yield is not yet realised. Capex expenditure must be fast-tracked to production stage so that this asset base growth contributes to the ROA of the entity.
	Debtors days	Makana and ADM debt are not being serviced. This was not an expectation at the time targets were set. Payment plans have been entered into with the defaulters. Vigorous monitoring of the payment terms conditions will ensue.
	Staff remuneration as % of total operating expenditure	Target not achieved. Above-budget labour settlement has increased labour costs and therefore will have a detrimental effect on this ratio. Increased cost-cutting will also make the ratio unattainable. Careful and stringent monitoring of discretionary expenditure is necessary to decrease the expenditure on employee costs.
Strategic Objective : Capital expenditure programme		
IS3	Overall project completion dates within targets	Two of the capex projects reported below-average progress, resulting in the overall target not being met. Improved monitoring of project progress, with timeous and appropriate interventions by Project Managers, will ensure project progress remains on track.

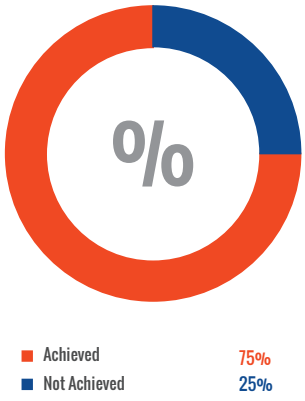
PERFORMANCE PERSPECTIVE: FINANCIAL PERFORMANCE

WB STRATEGIC OBJECTIVE	INDICATOR/ MEASURE	REASON FOR VARIANCE AND RECOVERY PLAN
	Overall project expenditure within R target	Target exceeded. Significant expenditure reported on some projects. Amatola Water will pay judicious attention to targetsetting at the start of the financial year in order not to grossly exceed set targets.
Strategic Objective : Engagement in secondary activities		
FV2.4	% of total turnover	Target not achieved. There is a decrease in secondary revenue due to a decrease in secondary business activity resulting from projects not awarded as planned, i.e. timing of awarding KSD projects. The activities in secondary business are expected to increase as tenders are awarded in the procurement process to contractors to execute bulk infrastructure programmes FY2017/2018.

TABLE 3.4: VARIANCE ANALYSIS REPORT - FINANCIAL PERFORMANCE



GRAPH 3.7: CUSTOMER/STAKEHOLDER INTERACTION 2015-2016

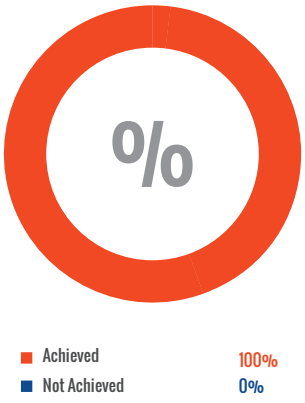


GRAPH 3.8: CUSTOMER/STAKEHOLDER INTERACTION 2016-2017

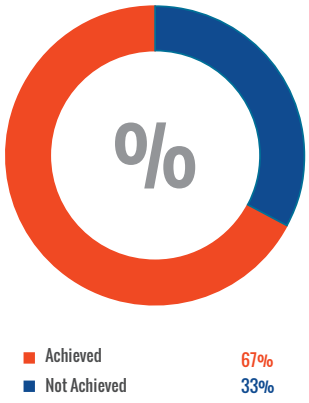
PERFORMANCE PERSPECTIVE: CUSTOMER/STAKEHOLDER INTERACTION

WB STRATEGIC OBJECTIVE	INDICATOR/ MEASURE	REASON FOR VARIANCE AND RECOVERY PLAN
Strategic Objective : Implementation of Ministerial directives		
SS3	Progress against implementation plan	Target has not been achieved. Nooitgedacht – No progress to report since Q3. Site has been handed over; construction commenced by the end of June 2017. ADM Dry Sanitation – No progress since Q3 reporting; waiting on DWS for approval of budget and funding allocation. Makana JK – There has been a change in contractor. New contractor appointed June 2017. Progress reported remains as stated for previous quarter. However, progress should improve on the Nooitgedacht and Makana JK projects, as sites have been established. ADM Dry Sanitation requires follow-up with DWS for funding.

TABLE 3.5: VARIANCE ANALYSIS REPORT - CUSTOMER/STAKEHOLDER INTERACTION



GRAPH 3.9: GENERAL PERFORMANCE 2015- 2016



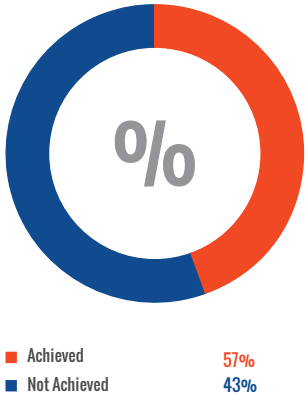
GRAPH 3.10: GENERAL PERFORMANCE 2016-17

PERFORMANCE PERSPECTIVE: GENERAL PERFORMANCE

WB STRATEGIC OBJECTIVE	INDICATOR/ MEASURE	REASON FOR VARIANCE AND RECOVERY PLAN
Strategic Objective : Board Effectiveness		
OO3.5	Board Member attendance of all Board/committee meetings	Target not achieved. Six Board members attended and two did not attend Board meetings. On the 11 April 2017 a Board calendar was approved to secure attendance of Board members.
	Decision making: % number resolutions taken by the board vs number of resolutions required	Target not achieved. There is no system in place in the 2016-2017 financial year where data can be obtained to measure this target.

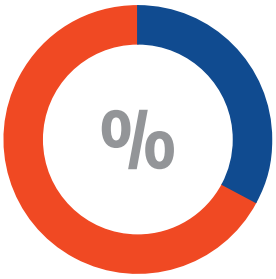
TABLE 3.6: VARIANCE ANALYSIS REPORT - GENERAL PERFORMANCE

ANALYSIS AS PER TARGETS ACHIEVED 2016-2017.

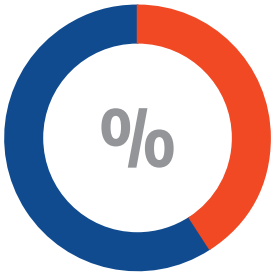


GRAPH 3.11: OVERALL CORPORATE PERFORMANCE 2016-2017

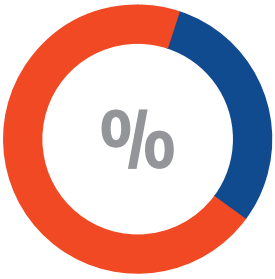
ANALYSIS OF ADVERSE VARIANCES BY PERFORMANCE INDICATOR AND TURNAROUND PLANS ARE SUMMARISED BELOW:



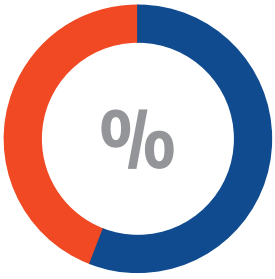
GRAPH 3.12 : STAKEHOLDER & CUSTOMER PERSPECTIVE



GRAPH 3.13: FINANCIAL PERSPECTIVE 2016-2017



GRAPH 3.14: INTERNAL PROCESSES 2016-2017



GRAPH 3.15: LEARNING AND GROWTH 2016-2017



STAKEHOLDER AND CUSTOMER PERSPECTIVE

WSU AREA: CUSTOMER SATISFACTION (CS)

INDICATOR NUMBER	INDICATOR/ MEASURE	REASON FOR VARIANCE AND RECOVERY PLAN
WSU AREA: CUSTOMER SATISFACTION (CS)		
STRATEGIC OBJECTIVE : INCREASE REVENUE VOLUMES TO 150 MEGA LITRES PER DAY		
CS2.1	Volumes of water sold by (Owned or ROU) plants	Plant upgrades need to be fast-tracked to achieve the set target of 130. Funding requirements are needed to fast-track Sandile and Nahoon WTW upgrades to 60 Mℓ/d each. Discussions are underway with DWS to allocate the required additional funding. Currently the infrastructure for these plants is in the progress of being enhanced. A possible increase in sales of water will be achieved once the treatment capacity has been increased through the augmentation of the infrastructure.
STRATEGIC OBJECTIVE : MANAGE KEY CUSTOMER SATISFACTION SCORES IN TERMS OF BULK POTABLE WATER SUPPLY, BULK WASTE WATER, RAW WATER AND WATER RESOURCE INFRASTRUCTURE MANAGEMENT TO ACHIEVE 8/10		
CS3.1	Average Customer satisfaction score	The customer survey has not been conducted. In the absence of a comprehensive customer satisfaction survey the entity will not be able to position itself to meet the desired satisfaction levels by customers. Mechanisms are being put in place to ensure average customer satisfaction scores are done by yearly.
STRATEGIC OBJECTIVE: ACHIEVE AND MAINTAIN ACCREDITATION FOR 30 WATER QUALITY PARAMETERS AT LABORATORY.		
WQ 2.1	Number of elements accredited for:	Accreditation for the 12 water quality parameters was retained. Although preparations for application for seven additional methods were completed timeously, the assessment is dependent on external processes and timeframes (SANAS). The assessment for the additional water quality parameters for accreditation has been set for the next financial year.
WSU AREA: STAKEHOLDER SUPPORT (SS)		
STRATEGIC OBJECTIVE: INCREASE CONTRIBUTION TO ECONOMIC TRANSFORMATION AND IMPROVE OVERALL AW IMAGE		
SS1 .2	% Creditors paid within 30 days of statement	Contract management is inadequate and the payment value chain is not working properly. Funds from principals are delayed due to changes in operating functions. Supplier payment and contract management must be improved. Value chain must be improved to reduce the amount of time on invoices is within AW. More rigorous debt management initiatives will be implemented to recover funds from principals.
SS3.1	Influence and support the process and model for a Regional Water Utility in the Province	The IRR work streams in the Province have been held in abeyance. The organisation is continuously engaging DWS and water sector key role players on the IRR process.

TABLE 3.6: REASON FOR VARIANCE AND RECOVERY PLAN - STAKEHOLDER AND CUSTOMER PERSPECTIVE

FINANCIAL PERSPECTIVE

WSU AREA: FINANCIAL VIABILITY (FV)

INDICATOR NUMBER	INDICATOR/ MEASURE	REASON FOR VARIANCE AND RECOVERY PLAN
WSU AREA: CUSTOMER SATISFACTION (CS)		
STRATEGIC OBJECTIVE : ON-GOING STRENGTHENING OF BALANCE SHEET TO PROVIDE SUSTAINABLE BULK WATER SERVICES (RATIOS)		
FV1.2	Debtors Days	Makana and ADM debt is not being serviced. This was not an expectation at the time targets were set. Payment plans have been entered into with the defaulters. Vigorous monitoring of the payment terms conditions will ensue.
FV1.3	Employee to revenue (R Million)	Contract management is inadequate and the payment value chain is not working properly. Funds from principals are delayed due to changes in operating functions. Implementation of secondary projects must be improved to realise the revenue to supplement the staff complement.
FV1.4	Solvency Ratio	Implementation of secondary projects must be improved to realise the revenue to supplement the staff complement. Implementation of the transfer agreement should be monitored and constant stakeholder engagement undertaken to ensure what is due to AW is received timeously.
FV1.5	Return on assets %	Assets of AW are increasing at a faster than expected rate in capital WIP, therefore the ROA is not being achieved. The assets are not yet in revenue-generating mode, therefore the expected yield is not yet realised. Capex expenditure must be fast-tracked to production stage so this asset base growth contributes to the ROA of the entity.
FV1.6	Net profit margin % (All)	High bad debt provision has had an adverse Impact on the profitability of AW. This target is a combination of compliance to budgeted expenditure, efficient revenue collection and operational efficiency. Recovery of revenue and compliance with expenditure budgets must be improved to ensure targets are met.
FV1.7	Gross profit margin % (All)	Revenue is below budget as secondary revenue has not been realised as per budget. Expected revenue generation from capital upgrades is not yet realised due to delays in implementation of capital upgrades. Implementation of secondary projects must be improved to realise the revenue to supplement the gross profit of AW. Implementation of capital upgrades will realise potential volumes for sale.
FV2.1	Revenue in Rands (in million Rands)	Revenue is below budget as secondary revenue has not been realised as per budget. Expected revenue generation from capital upgrades is not yet realised due to delays in implementation of capital upgrades.
FV2.2	Surplus in Rands (in million Rands)	Target has not been achieved due to a decline in revenue and net profit margin during the financial year.
FV2.5	% labour costs of total costs	Increased labour costs are due to higher than budgeted increase agreement in wage negotiations and unexpected once-off labour costs incurred by AW. Management will be more vigilant by managing discretionary spending such as overtime, travel claims, etc. Recruitment outside the HR plan should be fully motivated and sources of such funding be identified.
FV3.1	Amount of Grant funding, capital lending and development agency funding secured	Transfers received from DWS were less than expected. Target should be based on revised business plan and allocations from DWS while encouraging the department to provide allocation letters as soon as possible to ensure the correct allocation is set as a target.

TABLE 3.7: REASON FOR VARIANCE AND RECOVERY PLAN - FINANCIAL PERSPECTIVE

INTERNAL PROCESSES PERSPECTIVE

WSU AREA: INFRASTRUCTURE STABILITY (IS)

INDICATOR NUMBER	INDICATOR/ MEASURE	REASON FOR VARIANCE AND RECOVERY PLAN
WSU AREA: CUSTOMER SATISFACTION (CS)		
STRATEGIC OBJECTIVE : COMPLETE AW PLANT UPGRADE AND KSD PI PROJECTS		
IS3.2	Overall capex project completion dates within targets as a percentage	Two of the capex projects reported below-average progress, resulting in the overall target not being met. Improved monitoring of project progress, with timeous and appropriate interventions by Project Managers, will ensure project progress remains on track.
IS4.1	% of master plan complete as per milestones	Delays in finalisation and agreement of the Project Implementation Plan impacted on issuing of the purchase order. As a consequence, the PSP delayed any further progress until the purchase order was issued. The purchase order was issued on 3 July 2017. The PSP has since submitted a revised project programme, with a resource plan, to complete the project by December 2018.
IS5.1	% total water loss AW Owned and ROU	The newly installed actuaters (inherent structural fault) at the filter beds of Debe WTWs were the main cause of an increase in water losses during the treatment process. The temporary clamp-on water meter installed at Laing Dam was over-reading by 11.1%. These faults led to a1% increase in water loss. During the two-day strike AW staff opened scour valves of reservoirs which led to a greater distribution of water losses. The strikes caused a further 1% water loss. The faulty actuators at Debe had been fixed. The faulty water meter at Laing is in process of being fixed. AW has compiled a Strike Action Plan and disciplinary processes have been put in place to restrict staff from illegal valve-tampering. It is unfortunate that these actions will only result in improvements during the 2017/18 financial year.
OR1.1	Audited BCP and DRP	1) DRP achieved. 2) Staffing challenges resulted in the ICT BCP draft not being achieved. 3) Benchmarking of ICT BCP with industry standards by December 2017 and draft ICT BCP by June 2018.
STRATEGIC OBJECTIVE : ALIGNING PEOPLE, SKILLS, SYSTEMS, POLICIES AND PROCEDURES FOR STRATEGY IMPLEMENTATION		
OO1.1	Number of policies reviewed and aligned with strategy	One of the five policies is being reviewed as a result of instability in Corporate Services divisional leadership and strike-related nonengagement on consultation issues. An accelerated plan has been developed to address policy gaps.
OO3.5	Board member attendance	Six Board members attended and two Board members did not attend Board meetings. On the 11 April 2017 a Board calendar was approved to secure attendance of Board members.

TABLE 3.8: REASON FOR VARIANCE AND RECOVERY PLAN - INTERNAL PROCESSES PERSPECTIVE

LEARNING AND GROWTH

WSU AREA: LEADERSHIP AND EMPLOYEE DEVELOPMENT (LD)

INDICATOR NUMBER	INDICATOR/ MEASURE	REASON FOR VARIANCE AND RECOVERY PLAN
WSU AREA: CUSTOMER SATISFACTION (CS)		
STRATEGIC OBJECTIVE: 80% OF STRATEGIC IMPLEMENTATION		
LG1.1	% Achieved of the Corporate Scorecard Targets	The adverse performance during the year is largely attributable to financial targets which were not achieved. Management and Board are strictly monitoring financial performance and position.
LG2.1	% identified critical posts filled by predetermined recruitment time	Moratorium placed on recruitment and there is a delay in the approval of filling vacated posts from DWS. This can only be corrected once the moratorium is lifted or the vacated posts submitted are approved timeously.
STRATEGIC OBJECTIVE: ENTRENCHED BATHO PELE PRINCIPLES		
LG3.1	Staff survey rating of living Batho Pele Principles (Out of 5)	Invitation to participate in Batho Pele survey was sent in June 2017. The deadline for end June 2017 was extended to allow sufficient time for maximum employee participation. Batho Pele survey result will be calculated by August 2017 .
STRATEGIC OBJECTIVE: RESEARCH AND POSITION PAPERS COMPLETED		
LG4.1	The no. of research papers & conference presentations by AW employees	This objective was part of Amatola Water's 20-year strategy to be recognised as the knowledge hub for water services in the Eastern Cape and is still in progress. Board approval to remove LG4.1 is being sought during 2017/2018.
STRATEGIC OBJECTIVE: FUNCTIONAL, SELF-FUNDING TECHNICAL LEARNING ACADEMY		
LG5.1	No. of learners enrolled at academy	AW decied to disestablish the learning academy in line with the termination of a National Treasury contract to train 300 learners. This objective was part of Amatola Water's 20-year strategy to be recognised as the knowledge hub for water services in the Eastern Cape. The disestablishment of the learning academy requires that all strategic objectives adopted in line with its development be removed from AW strategy and from the balanced scorecard. Board approval to remove LG 5.1 is being sought during 2017/2018.

TABLE 3.9: REASON FOR VARIANCE AND RECOVERY PLAN - LEARNING AND GROWTH

CORPORATE SCORECARD 2016/17

STAKEHOLDER AND CUSTOMER PERSPECTIVE

WSU	STRATEGIC OBJECTIVE	MEASURE / INDICATOR	INDICATOR NUMBER	DWS INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	REASON FOR PERFORMANCE/ CORRECTIVE ACTION
Customer Satisfaction	2 additional Bulk water supply contracts with WSA's (4 currently)	Number of bulk potable with different WSA's (Owned or ROU)	CS1.1	N	4	5	5	Target achieved
	Increase Revenue volumes to 150 mega litres per day	Volume of Water Sold by owned and ROU plants	CS2.1	N	113 Mℓ/day	130Mℓ/day	111Mℓ/day	Plant upgrades need to be fast-tracked in order to achieve the set target of 130. Funding requirements are needed to fast-track Sandile and Nahoon WTW upgrades to 60 Mℓ/d each. Discussions are underway with DWS to allocate the required additional funding. Currently the infrastructure for these plants is in the process of being enhanced. A possible increase in sales of water will be achieved once the treatment capacity has been increased through the augmentation of the infrastructure.
	Manage key customer satisfaction scores in terms of bulk potable water supply, bulk waste water, raw water and water resource infrastructure management to achieve 8/10	Average Customer satisfaction score	CS3.1	N	N/A	7	0	The customer survey has been conducted. In the absence of a comprehensive customer satisfaction survey the entity will not be able to position itself to meet the satisfaction levels desired by customers. Mechanisms are being put into place to ensure that average customer satisfaction scores are done by yearly.
	Acquire 2 contracts for Waste water works	No. of Waste Water Works managed	CS4.1	N	1	1	1	Target achieved
Water Quality	Achieve Statuary Quality compliance at All AW Owned and all ROU plants within 3 years of take over	% Compliance SANS potable water (Owned and ROU)	WQ1.1	Y	98%	98%	99%	Target achieved
		% Compliance with effluent license standards (Owned and Rou)	WQ1.2	N	N/A	50%	68%	Target achieved

TARGETS
- Achieved
- Not Achieved

DWS indicator
N: No
Y: Yes

STAKEHOLDER AND CUSTOMER PERSPECTIVE (CONTINUED)

WSU	STRATEGIC OBJECTIVE	MEASURE / INDICATOR	INDICATOR NUMBER	DWS INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	REASON FOR PERFORMANCE/ CORRECTIVE ACTION
Water Quality	Achieve and maintain accreditation for 30 water quality parameters at laboratory.	Number of elements accredited for:	WQ2.1	N	12	15	12	Accreditation for the 12 water quality parameters was retained. Although preparations for application for seven additional methods were completed timeously, the assessment is dependent on external processes and timeframes (SANAS). The assessment for the additional water quality parameters for accreditation has been set for August 2017.
Community and Environmental Sustainability	Increase the number of schemes with capacity at 750l per household per day at treatment works to 7	Number AW Schemes with capacity to supply 750l per household per day at treatment works	CE1.1	N	6	6	9	Target achieved
	Jobs created (DWS)	No Permanent and contract employees (direct) (Jobs created)	CE1.2	Y	437	365	405	Target has been exceeded.
	Jobs created (DWS)	No. of Temporary Jobs Created (indirect)	CE1.3	Y	826	600	832	Target has been exceeded.
Stakeholder Understanding and Support	Increase the contribution to economic transformation and improve overall AW image	Percentage spend with 50% black owned companies	SS1.1	N	93%	75%	105%	Target achieved
		% Creditors paid within 30 days of statement	SS1.2	N	77%	95%	77%	Contract management is nadequate and payment value chain is not working properly. Funds from principals are delayed due to changes in operating functions. Supplier payment and contract management must be improved. Value chain must be improved to reduce the amount of time an invoice is within AW. More rigorous debt management initiatives must be implemented to recover funds from principals.
		No. of AW positive unsponsored articles in press or publications	SS1.3	N	9	8	23	Target achieved

TARGETS
- Achieved
- Not Achieved

DWS indicator
N: No
Y: Yes

STAKEHOLDER AND CUSTOMER PERSPECTIVE (CONTINUED)

WSU	STRATEGIC OBJECTIVE	MEASURE / INDICATOR	INDICATOR NUMBER	DWS INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	REASON FOR PERFORMANCE/ CORRECTIVE ACTION
Stakeholder Understanding and Support	Collaboration to improve service delivery with other relevant Local, Provincial and National institutions	No. of Collaboration meetings attended with relevant Local, Provincial and National Institutions	SS2.1	N	14	18	16	Target achieved
	Influence and support the process and model for a Regional Water Utility in the Province	Participation in IRR Workshops	SS3.1	N	5	4	3	The IRR workstreams in the province have been held in abeyance. The organisation is continuously engaging DWS and water sector key role players on the IRR process.

TABLE 3.10: CORPORATE SCORECARD 2016/17 - STAKEHOLDER AND CUSTOMER PERSPECTIVE

FINANCIAL PERSPECTIVE

WSU	STRATEGIC OBJECTIVE	MEASURE / INDICATOR	INDICATOR NUMBER	DWS INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	REASON FOR PERFORMANCE/ CORRECTIVE ACTION
Financial Viability	On-going strengthening of Balance Sheet to provide sustainable bulk water services (Ratios)	Liquidity Ratios:	FV1.1	Y	1.24	1.01	1.34	Target achieved
		Current ratio						
		Debtors Days	FV1.2	Y	51 days	71	88	Makana and ADM debt are not being serviced. This was not an expectation at the time targets were set. Payment plans have been entered into with the defaulters. Vigorous monitoring of the payment terms and conditions will ensue.
		Employee to revenue (R Million)	FV1.3	N	1.1mil	R1.3 mil	R107mil	Contract management is inadequate and the payment value chain not working properly. Funds from principals are delayed due to changes in operating functions. Implementation of secondary projects must be improved to realise the revenue to supplement the staff complement.

TARGETS
- Achieved
- Not Achieved

DWS indicator
N: No
Y: Yes

FINANCIAL PERSPECTIVE (CONTINUED)

WSU	STRATEGIC OBJECTIVE	MEASURE / INDICATOR	INDICATOR NUMBER	DWS INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	REASON FOR PERFORMANCE/ CORRECTIVE ACTION
Financial Viability		Solvency ratio	FV1.4	N	1.63	1.7	1.63	Implementation of secondary projects must be improved to realise the revenue to supplement the staff complement. Implementation of the transfer agreement should be monitored and constant stakeholder engagement undertaken to ensure what is due to AW is received timeously.
		Return on assets %	FV1.5	Y	0.79%	3.5%	0.20%	Assets of AW are increasing at a faster than expected rate in capital WIP, therefore the ROA is not being achieved. The assets are not yet in revenue generating mode therefore the expected yield is not yet realised. Capex expenditure must be fast-tracked to production stage so this asset base growth contributes to the ROA of the entity.
		Net profit margin % (All)	FV1.6	Y	1.83%	4%	0.5%	High bad debt provision has had an adverse impact on the profitability of AW. This target is a combination of compliance to budgeted expenditure, efficient revenue collection and operational efficiency. Recovery of revenue, compliance with expenditure budgets must be improved to ensure targets are met.
		Gross profit margin % (All)	FV1.7	Y	28.3%	30%	28%	Revenue is below budget as secondary revenue has not been realised as per budget. Expected revenue generation from capital upgrades is not yet realised due to delays in implementation of capital upgrades. Implementation of secondary projects must be improved to realise the revenue to supplement the gross profit of AW. Implementation of capital upgrades must be improved to realise potential volumes for sale.
		Total expenditure R in 000	FV1.8	Y	R 407	R 500	R 423	Target achieved
		BBBEE spend	FV1.9	Y	107%	100%	100%	Target achieved
		Chemical Cost (R/KL)	FV1.10	N	0.32	0.4	0.2	Target achieved

TARGETS
- Achieved
- Not Achieved

DWS indicator
N: No
Y: Yes

FINANCIAL PERSPECTIVE (CONTINUED)

WSU	STRATEGIC OBJECTIVE	MEASURE / INDICATOR	INDICATOR NUMBER	DWS INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	REASON FOR PERFORMANCE/ CORRECTIVE ACTION
Financial Viability	Build contribution R100 million from financial surpluses for internal infrastructure investment/ capex fund	Revenue in Rands (in million rands)	FV2.1	N	R 399	R 422	405Mil	Revenue is below budget as secondary revenue has not been realised as per budget. Expected revenue generation from capital upgrades is not yet realised due to delays in implementation.
		Surplus in Rands (in Million)	FV2.2	N	R 7	R 7.3	R 5.5	
		Percentage of surplus placed in reserve fund	FV2.3	N	4.2%	60%	60%	Target achieved
		% Primary Revenue / Total Revenue	FV2.4	N	72%	70%	75%	Target achieved
		% Labour costs of total costs	FV2.5	Y	40.7%	37%	41%	Increased labour costs are due to higher than budgeted increase agreement in wage negotiations and unexpected once off labour costs incurred by AW. Management will be more vigilant by managing discretionary spending such as overtime, travel claims, etc. Recruitment outside the HR plan should be fully motivated and sources of such funding be identified.
	Secure R800 million of funding for infrastructure development	Amount of Grant funding, capital lending and development agency funding secured	FV3.1	N	R169 mil	R100mil	R0Mil	Transfers received from DWS were less than expected. Target should be based on revised business plan and allocations from DWS while encouraging the department to provide allocation letters as soon as possible to ensure the correct allocation is set as a target.
	Sustainable & Affordable Tariff increases within 2% of inflation	% average increase of tariff (within government targeted inflation)	FV4.1	N	10%	8%	10%	Target achieved

TABLE 3.11: CORPORATE SCORECARD 2016/17 - FINANCIAL PERSPECTIVE

INTERNAL PROCESSES PERSPECTIVE

WSU	STRATEGIC OBJECTIVE	MEASURE / INDICATOR	INDICATOR NUMBER	DWS INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	REASON FOR PERFORMANCE/ CORRECTIVE ACTION
Operational Resiliency	98% Availability of water supply for all bulk water services	% availability of water supply for all bulk services	IS1.1	Y	100%	98%	99%	Target achieved
Infrastructure Stability	Complete AW Plant Upgrade and KSD PI Projects	% annual grant allocation spend KSD (RBig & MIG)	IS3.1	N	114%	90%	136%	Target achieved

TARGETS
- Achieved
- Not Achieved

DWS indicator
N: No
Y: Yes

INTERNAL PROCESSES PERSPECTIVE (CONTINUED)

WSU	STRATEGIC OBJECTIVE	MEASURE / INDICATOR	INDICATOR NUMBER	DWS INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	REASON FOR PERFORMANCE/ CORRECTIVE ACTION
		Overall capex project completion dates within targets as a percentage	IS3.2	N	79%	85%	81%	Two of the capex projects reported below average progress, resulting in the overall target not being met. Improved monitoring of project progress, with timeous and appropriate interventions by Project Managers, will ensure project progress remains on track.
		Increased access to services measured by Rand spend on Capex Projects	IS3.3	Y	998.4 Mil	R100 Mil	R866Mil	Target achieved
		% Infrastructure Maintenance of Revenue	IS3.4	N	6%	6%	7%	Target achieved
	Develop an fully integrated provincial master plan including funding considerations	% of master plan complete as per milestones	IS4.1	N	30%	80%	45%	Delays in finalisation agreement of the Project Implementation Plan impacted on issuing of the purchase order. As a consequence, the PSP delayed any further progress until the purchase order was issued. The purchase order was issued on 3 July 2017. The PSP has since submitted a revised project programme, with a resource plan, to complete the project by December 2018.
Infrastructure Stability	Minimize production and distribution losses to 12%	% total water loss AW Owned and ROU	IS5.1	Y	11.98%	12%	14.2%	The newly installed actuaters (inherent structural fault) at the filter beds of Debe WTW's were the main cause of an increase in water losses during the treatment process. The temporary clamp-on water meter installed at Laing Dam was over-reading by 11.1%. These faults led to a1% increase in water loss. During the two-day strike AW staff opened scour valves of reservoirs which led to a greater distribution of water losses. The strikes caused a further 1% water loss. The faulty actuators at Debe had been fixed. The faulty water meter at Laing is in process of being fixed. AW has compiled a Strike Action Plan and disciplinary processes have been put in place to restrict staff from illegal valve-tampering. It is unfortunate that these actions will only result in improvements during the 2017/18 financial year.

TARGETS
- Achieved
- Not Achieved

DWS indicator
N: No
Y: Yes

INTERNAL PROCESSES PERSPECTIVE (CONTINUED)

WSU	STRATEGIC OBJECTIVE	MEASURE / INDICATOR	INDICATOR NUMBER	DWS INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	REASON FOR PERFORMANCE/ CORRECTIVE ACTION
	Business continuity system implemented	Audited BCP and DRP	OR1.1	N	Y	Y	N	1) DRP achieved 2) Staffing challenges resulted in the ICT BCP draft not being achieved. 3) Benchmarking of ICT BCP with industry standards by December 2017 and draft ICT BCP by June 2018.
Operational Optimisation	Aligning People, Skills, Systems, Policies and Procedures for Strategy Implemen-tation	Number of policies reviewed and aligned with strategy	OO1.1	N	5	5	1	One of the five policies being reviewed as a result of instability in Corporate Services divisional leadership and strike-related non-engagement on consultation issues. An accelerated plan has been developed to address policy gaps.
	Implement continuous improvement system	Number of reviewed Systems and Procedures aligned with strategy	OO2.1	N	5	3	3	Target achieved
		Open Tender turnaround time in days from advert to final award	OO2.2	N	210	95	75	Target achieved
Operational Optimisation		Improve turnaround time from requisition to issuance of order	OO2.3	N	4.5	14	6.4	Target achieved
		Electricity Cost (kw/m3)	OO2.4	N	0.84	0.85	0.84	Pump efficiency tests contributed positively to achievement of favourable performance.
	Improving corporate governance	Un-qualified Audit	OO3.1	N	Y	Y	Y	Target achieved
		Effective internal controls and risk management Internal audit findings: Number Repeats	OO3.2	Y	5	15	9	Target achieved
		Effective internal controls and risk management Internal audit findings: Number unresolved	OO3.2	Y	23	25	8	Target achieved
		% Compliance to KING III[1]	OO3.3	N	97%	93%	97%	Target achieved

TARGETS
- Achieved
- Not Achieved

DWS indicator
N: No
Y: Yes

INTERNAL PROCESSES PERSPECTIVE (CONTINUED)

WSU	STRATEGIC OBJECTIVE	MEASURE / INDICATOR	INDICATOR NUMBER	DWS INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	REASON FOR PERFORMANCE/ CORRECTIVE ACTION
		Board member attendance	OO3.5	Y	82%	80%	75%	Six Board Members attended and two did not attend Board meetings. On the 11 April 2017 a Board calendar was approved to secure attendance of Board members.
		Improved controls and risk mitigation, indicated by number of Breaches of materiality and significance framework	OO3.6	Y	0	0	0	Target achieved
	Corporate Social Responsibility Initiatives	Good Corporate Governance	OO3.4	Y		2	10	Target achieved

TABLE 3.12: CORPORATE SCORECARD 2016/17 - INTERNAL PROCESSES PERSPECTIVE

LEARNING AND GROWTH PERSPECTIVE

WSU	STRATEGIC OBJECTIVE	MEASURE / INDICATOR	INDICATOR NUMBER	DWS INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	REASON FOR PERFORMANCE/ CORRECTIVE ACTION
Leadership and Employee Development	80% of Strategic Implementation	% Achieved of the Corporate Scorecard Targets	LG1.1	N	76%	75%	52%	The adverse performance during the year is largely attributable to financial targets which were not achieved. Management and Board are strictly monitoring financial performance and position.
		Average Divisional Performance Review Scores (Implementation Divisional BP's)	LG1.2	N	4	3	3	Target achieved
	Alignment between staff skills available and job requirements	% identified critical posts filled by predetermined recruitment time	LG2.1	N	84%	80%	8.1%	Moratorium placed on recruitment and there was a delay in the approval of filling vacated posts, from DWS. This can only be corrected once the moratorium is lifted or the vacated posts submitted are approved timeously
		% of training spend of Revenue	LG2.3	N	1%	1%	1%	Target achieved
		% Staff Turnover	LG2.4	Y	0.2%	8%	1.0%	Target achieved

TARGETS
- Achieved
- Not Achieved

DWS indicator
N: No
Y: Yes

LEARNING AND GROWTH PERSPECTIVE (CONTINUED)

WSU	STRATEGIC OBJECTIVE	MEASURE / INDICATOR	INDICATOR NUMBER	DWS INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	REASON FOR PERFORMANCE/ CORRECTIVE ACTION
		Total Number Of staff who attended Training courses, learner-ships, bursaries in the period	LG2.5	Y	200	200	237	Target achieved
	Entrenched Batho Pele Principles	Staff survey rating of living Batho Pele Principles (Out of 5)	LG3.1	N	3.21	3.5	0	Invitation to participate in Batho Pele survey was sent in June 2017. The deadline for end June 2017 was extended to allow sufficient time for maximum employee participation. Batho Pele survey result will be calculated by August 2017.
Leadership and Employee Development	Research and position papers completed	The no. of research papers & conference presentations by AW employees	LG4.1	N	1	3	0	This objective was part of Amatola Water's 20-year strategy to be recognised as the knowledge hub for water services in the Eastern Cape and is still in progress. Board approval to remove LG4.1 is being sought during 2017/2018.
	Functional, self-funding technical learning academy	No. of learners enrolled at academy	LG5.1	N	28	40	0	AW decided to disestablish the learning academy in line with the termination of National Treasury contract to train 300 learners. This objective was part of Amatola Water's 20-year strategy to be recognised as the knowledge hub for water services in the Eastern Cape. The disestablishment of the learning academy requires that all strategic objectives adopted in line with its development be removed from the AW strategy and from the balanced scorecard. Board approval to remove LG 5.1 is being sought during 2017/2018.

TABLE 3.13: CORPORATE SCORECARD 2016/17 - LEARNING AND GROWTH PERSPECTIVE

TARGETS
- Achieved
- Not Achieved

DWS indicator
N: No
Y: Yes



SECTION 4

LEADERSHIP AND EMPLOYEE DEVELOPMENT

SECTION 4

LEADERSHIP AND EMPLOYEE DEVELOPMENT

LEADERSHIP AND EMPLOYEE DEVELOPMENT

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; provision of opportunities for professional development; and leadership by an integrated senior leadership team.

Leadership and employee development is one of the 10 outcomes for sustainable value creation (page 27), focusing on labour and employment matters including:

- Human capital and workforce matters: recruitment and selection, occupational health, HIV awareness, wellness programmes, and training and development.
- Socio-economic development: in terms of the goals and purposes of the Employment Equity Act, 1998 (Act No 55 of 1998).

LABOUR PRACTICES AND DECENT WORK

Amatola Water embraces the principle that its organisational goals and 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.

EMPLOYMENT

Amatola Water seeks to maintain a workforce that enables it to deliver quality services to all stakeholders. The entity's 2016/17 workforce profile (below) includes 339 permanent employees and 66 fixed-term contract employees in various Operations projects.

SALARY BAND/OCCUPATION LEVELS	EMPLOYEES AT THE BEGINNING OF THE PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYEES AT THE END OF THE PERIOD
Top management	1			1
Senior management	3	1	1	2
Professionals and mid-management	20		2	18
Skilled technical workers and junior management	108	4	2	108
Semi-skilled	157	7	6	156
Unskilled	55	6		54
Total	**344**	**22**	**16**	**339**
Contractors	93	72	99	66

TABLE 4.1: STAFF MOVEMENT AND PROFILE AS AT 30 JUNE 2017

Vacancies are monitored against the organisation's approved organogram. The Department of Water and Sanitation's Moratorium on the filling of vacancies has to be applied for, which resulted in a delay in the filling of critical vacancies due to time for permission requests.

DIVISION	APPROVED POSTS 2016/17 (PER LAST APPROVED ORGANOGRAM)	EMPLOYEES AT END OF PERIOD	VACANCIES	% VACANCIES
CE Office	17	16	1	5.8%
Corporate Services	33	25	8	24.2%
Planning & Development	40	30	10	25%
Finance	43	36	7	16.2%
Operations	270	232	38	14%
Total	**403**	**339**	**64**	**15%**

TABLE 4.2: STAFF VACANCIES AS AT 30 JUNE 2017

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 in accordance with the regional population demographics benchmark as well as fairness in the workplace. Special focus has been on black women.

	MALE				FEMALE				
LEVEL	AFRICAN	COLOURED	INDIAN	WHITE	AFRICAN	COLOURED	INDIAN	WHITE	DISABLED
% Target	43.2	5.9	0.1	3.0	39.8	5.5	0.1	2.4	2
% Current	59.29	4.7	0.88	5.01	24.48	2.7	0.6	2.4	1.8
Top management	1	0	0	0	0	0	0	0	0
Senior management	0	0	1	0	1	0	0	0	0
Professional qualification	9	0	0	3	3	1	1	1	0
Skilled	51	10	2	12	23	4	1	5	2
Semi-skilled	96	6	0	2	46	4	0	2	3
Unskilled	44	0	0	0	10	0	0	0	1
Total	**201**	**16**	**3**	**17**	**83**	**9**	**2**	**8**	**6**

TABLE 4.3: EMPLOYMENT EQUITY STATISTICS AT 30 JUNE 2017

CATEGORY	NUMBER	% OF TOTAL TERMINATIONS
Death	2	0.58
Resignation	10	3
Dismissal	1	0.29
Retirement	3	0.88
Ill health	0	0
Other	0	0
Total	**16**	**4.7%**

TABLE 4.4: STAFF TERMINATIONS FOR PERIOD ENDING 30 JUNE 2017

During the period under review, 15 employees left Amatola Water for reasons other than dismissal. Labour turnover increased from 3.2 % in 2015/16 to 4.7% in 2016/17.

DIVISION	TOTAL EXPENDITURE	PERSONNEL EXPENDITURE	PERSONNEL EXPENDITURE AS A % OF TOTAL	NO EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE
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	86%	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

LABOUR 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 its union, the South African Municipal Workers Union (SAMWU). Governed by means of 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 labour. The Amanzi Bargaining Council delegated salary negotiations to plant level, which were settled in a short space of time. Management and organised labour, through a Local Labour Forum structure, scheduled to meet quarterly. This was achieved during the first three quarters of the year.

Amatola Water experienced industrial action in July 2016 and during the period 30 September - 8 October 2016. The latter culminated in the Minister's intervention and the subsequent formation of a task team which later made recommendations with far reaching effects in the context of entity industrial relations. A further two day strike took place from 27-28 March 2017 and ultimately led to labour's withdrawal from engagements with management. Extensive consultations took place leading up to the end of the reporting period at which stage signs of the recovery of relationships was evident. This is deemed critical to the development and sustainability of the institution. benefits, development and opportunities for all employees.

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning / Counselling	0
Written Warning	0
Final Written Warning	123
Suspension	5
Dismissal	1

TABLE 4.6: THE NUMBER OF DISCIPLINARY ACTIONS

The large number of final written warnings for the period was as a result of the illegal strike action in March 2017.

UNION MEMBERSHIP AS AT 30 JUNE 2017

296
Union members

73
%

405
Employees

271
Bargaining council employees in union

WELLNESS

Amatola Water values employee health and recognizes the role wellness can play among our workforce. Whether simple or complex, every wellness effort contributes to the progress being made toward a healthier and more productive work environment.

The entity's occupational health programme is in line with the Occupational Health and Safety Act towards attainment of a balance between the job-fit as well as minimizing workplace injuries and accidents. Medical Surveillance programmes are conducted annually with all employees exposed to high risk work areas hazardous substances. Regular education on safe work practices and monitoring of compliance remain the key in minimizing injuries on duties and other workplace related fatalities. This has largely contributed to the minimal workplace injuries and small number of minor non-conformances as confirmed during the SABS Audit during the period.

Amatola Water contracted the self-referral Employee Assistance Programme to provide the much needed psycho-social support for the employees. Access to this programme is also available to employee's family members and this has proven to be a catalyst in improving the general wellbeing of employees. Part of the programmes provides much needed health education and awareness, management of HIV /AIDS related case as well as general guidance on primary health issues.

NATURE OF REFERRALS	NUMBER
Psycho-social (including family members)	11
Trauma (high-jacking)	3
Pre-employment medicals (fit to work)	72
Exit medicals	16

TABLE 4.7: NATURE OF REFERRALS

TRAINING AND DEVELOPMENT: LEGISLATIVE AND FUNCTIONAL TRAINING

Skills development is essential to enable employees to excel in their individual and organisational roles and functions, and deliver on the organisation's strategy. Amatola Water submitted a workplace skills plan to the Energy, Water and Sanitation Sector Education and Training Authority (EWSETA), which set out the skills requirements of the organisation. Employee contributions to this plan were gathered during the Performance Management Development Process. These needs are aligned to organisational capacity and capability requirements as identified in business planning process.

PERSONNEL EXPENDITURE	TRAINING EXPENDITURE	TRAINING EXPENDITURE AS A % OF PERSONNEL COSTS	NO EMPLOYEES TRAINED	AVERAGE TRAINING COST PER EMPLOYEE
171,631,800	2,625,500	2%	232	12,609

TABLE 4.8: TRAINING EXPENDITURE FOR 2016/2017

DESCRIPTION	MALE				FEMALE				TOTAL
	AFRICAN	COLOURED	INDIAN	WHITE	AFRICAN	COLOURED	INDIAN	WHITE	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	0	0	1	0	1	0	0	0	2
Professionals & Mid-Management	9	0	0	2	3	2	1	1	18
Skilled Technical workers & Junior Management	38	8	2	8	20	3	1	3	83
Semi-Skilled	51	1	0	0	36	3	0	1	92
Unskilled	12	0	0	0	2	0	0	0	14
Total Permanent	110	9	3	10	62	8	2	5	209
Total Temporary	17	0	0	0	5	1	0	0	23
Total	127	9	3	10	67	9	2	5	232

TABLE 4.9: TRAINING EQUITY PROFILE (NUMBER OF PEOPLE WHO ATTENDED TRAINING PER RACE AND GENDER AND OCCUPATIONAL LEVEL)

MANAGEMENT DEVELOPMENT PROGRAMME AND PROJECT MANAGEMENT

The management development programme and project management provides training in the management skills necessary to enhance the efficiency of supervisors, administrators and operations staff, to deliver the highest level of service. A total of 10 supervisors were enrolled in the programme in the period under review. Of the six were female. The programme endeavours to facilitate upward mobility with specific emphasis on women empowerment. The candidates graduated in May 2017.

QUALIFIED ELECTRICIANS

As part of Amatola Water's Recognition for Prior Learning Programme, Artisan Aids - Nandipha Muncwane, Lubabalo Woko and Themba Cimani qualified as Electricians after completing the Electrical Trade Training and subsequently passing their trade tests in March 2017. Nandipha Muncwane is the first female to qualify as an Artisan at Amatola Water.

FINANCIAL STUDY ASSISTANCE

In line with Amatola Water's objectives in relation to employee attraction and retention and enhanced productivity levels, Amatola Water provided financial assistance to 29 employees for tertiary education during the reporting period. In support of the entity's Employment Equity Plan, 15 of the recipients were female.

TRAINING COSTS: FINANCIAL STUDY ASSISTANCE

R623,970	29	R21,516
Total expenditure	Employees	Average cost per employee

PERFORMANCE AND REMUNERATION

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

The performance management system came under Board scrutiny during the last financial year and resulted in a review by the internal auditors. The audit indicated that Amatola Water's performance threshold levels, as reported in the Annual Report, were achieved and that performance bonus calculations were per the remuneration policy. Not all elements of the required performance management process were correctly completed, the biggest concern being timeous contracting. With due consideration for policy and regulatory requirements the Board resolved to pay an ex-gratia payment at 75% of what the 2015/16 bonus would have been to non-executives. The ex gratia payment for 2015-2016 was effected in the financial year.

LEVEL	PERFORMANCE REWARD	TOTAL COST TO EMPLOYER	% OF TOTAL REWARD
Top management	0	2 675 000	0%
Senior management	0	2 659 285	0%
Professionals and middle management	398 329.75	15 075 778	13%
Skilled technical workers and junior management	1 519 346.58	46 501 206	50%
Semi-skilled	827 584.96	68 690 863	28%
Unskilled	255 971.93	10 148 936	9%
Total	3 001 233.22	145 751 068	100%

TABLE 4.10: EX GRATIA PAYMENT

It is critical that Amatola Water Management 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. Management has committed to the development of a plan aimed at improving compliance and quality of performance management for 2017/2018.

ORGANISATIONAL CULTURE

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

The Improvement Action Plan, developed in response to the 2015 Rhodes University research study on organisational effectiveness, was developed to address the areas that would improve effectiveness. Organisational cost containment measures, announced in February 2017, affected the implementation of the plan and will be carried over to the new reporting period.

The Batho Pele principles articulated through the statement "We belong, we care and we serve" were rolled out to management during 2016-17. A survey to assess organisational effectiveness in relation to the principles commenced during the reporting period. The results due in the next reporting period will assist the organisation in improving its application of these principles with the benefit of improved service delivery and organisational performance. These efforts will be consolidated under the culture change required as part of the Turnaround Plan.

INFORMATION TECHNOLOGY

Information and Communication Technology (ICT) is an enabler to business which supports 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 2016/2017 has mainly been on ICT governance, management of risks and key ICT projects required to support business operations.

ICT GOVERNANCE

As part of the implementation of new systems/services and the enhancement of current ones, 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 PROJECTS

The key focus for 2016/2017 has largely been on the following:

- Enhancement of the current ICT security measures by implementing Mimecast for E-mail. Mimecast is an international company specializing in cloud-based e-mail management for Microsoft Exchange and Microsoft Office 365.
- Installation of a Biometric Access Control System to improve the current security controls at Head Office.
- Introduction of Enterprise Performance Management System (EPM). EPM is a reporting tool used to assist executive management with a means of improving the clarity and effectiveness by monitoring the actual performance to that of planned items contained in the corporate scorecard.
- Business continuity by means of:
    - Continued replacement of earmarked ICT infrastructure.
    - Review and approval of the updated Disaster Recovery Plan (DRP).

  - Assessment of ICT servers for consolidation. The purpose of this assessment was to evaluate the HO server infrastructure with the aim of fully optimising hardware resources currently used including cost-saving initiatives.

- Resolution of audit findings. 90% have been resolved.
- Alignment with DPSA Corporate Governance of ICT (CGICT) and King IV[1] Code. Corporate governance remains a key initiative of the ICT Department, with some controls already in place and some shortfalls that are being addressed to facilitate the full adoption of the DPSA CGICT framework.

FUTURE PLANS

Projects planned for the ICT department for the 2017/2018 financial year, which have been aligned with the organisational strategy are listed below:

- Corporate governance of ICT
  - Address shortcomings of governance documents and procedures as well as continued alignment to DPSA CGICT and King IV[1] Code
  - Board approval of the updated draft ICT policy
  - Review of DRP in line with best practice and industry standards
  - Draft ICT Business Continuity Plan (BCP)
- ICT Projects
  - EPM continue with project as per project plan
  - Human Resource Performance Management System implementation
  - Implementation of AW server consolidation as per assessment
  - ICT security enhancements

Amatola Water's Environmental Sustainability Strategy provides the organisational framework for environmental sustainability and governance. It is underpinned the recognition that Amatola Water has a role to play in giving effect to the National Development Plan, particularly within the context of the Eastern Cape. The Strategy recognises key interventions that are critical to support and achieve environmental sustainability, and acknowledges that Amatola Water has both an impact on and can be impacted by natural resources. In general terms, the interventions relate to Amatola Water's environmental footprint and integrated environmental management, within the context of climate change uncertainty, technological challenges and the service delivery imperative. Key identified interventions to enhance organisational environmental sustainability are: monitoring, assessing and evaluating the effect of and on organisational activities; managing and mitigating environmental impacts; promoting environmental awareness; supporting co-operative environmental governance; and participating in relevant environmental research.

Amatola Water continues to consider potential environmental impacts of proposed activities, whether new developments, refurbishments, upgrades or maintenance of existing infrastructure to apply for necessary environmental authorisations and water use licenses timeously. On-going involvement in environmental studies for both primary and secondary business developments (see Section 6 for details on various projects) remains an important and on-going process in both planning and implementation of projects.

[1]Note: King III was used for the reporting period and King IV was introduced in April 2017 close to the end of the reporting period.



SECTION 5

ENVIRONMENTAL SUSTAINABILITY

SECTION 5

ENVIRONMENTAL SUSTAINABILITY

In development towards an Environmental Management System (EMS), a key process required is accurate and up to date record keeping. With this in mind, development of a database commenced in order to capture information on relevant authorizations (environmental, water uses etc.) for the various supply areas. Continuous capturing of this information will significantly enhance existing environmental governance and monitoring within the organisation, ensuring not only that relevant authorizations are obtained timeously but that best environmental practices can be applied and monitored through suitable environmental management plans and specifications.

Key environmental parameters have been identified as indicators of environmental sustainability, and monitoring programmes will be developed and implemented accordingly. Some data are already routinely captured (but used for different reporting purposes, see Section 6), for example water consumption and losses reporting (see Figure 5.1) or energy efficiency reporting (see Figure 5.2). It is clear that such monitoring programmes have the potential to contribute to improving environmental sustainability of the organisation by allowing detection of areas of operation that warrant further investigations. Further investigations on how to improve such data capture and management systems to improve environmental sustainability reporting have commenced.

Environmental monitoring programmes can be used effectively in environmental management, as demonstrated in the timeous implementation of drought management interventions that took place during the financial year under review. Through on-going monitoring of dam levels within the Amatole Water Supply System (raw water source for Amatola Water), it became apparent that there was a need to commence transfer of water, in an environmentally responsible manner (i.e. not exceeding the environmentally recommended flow rates), from Wriggleswade Dam to dams lower in the supply system (inter alia, the Nahoon Dam), thus ensuring water availability to meet the water demands of clients.

Amatola Water continues to be an active stakeholder in policy dialogues, projects and research are relevant to, the organisation's environmental strategy. Issues such as climate change, environmental monitoring, and other regulatory and research activities have a bearing on environmental sustainability for Amatola Water.



Figures 5.1 and 5.2 provide examples of environmental monitoring and reporting that can provide useful information for reducing Amatola Water's environmental footprint.

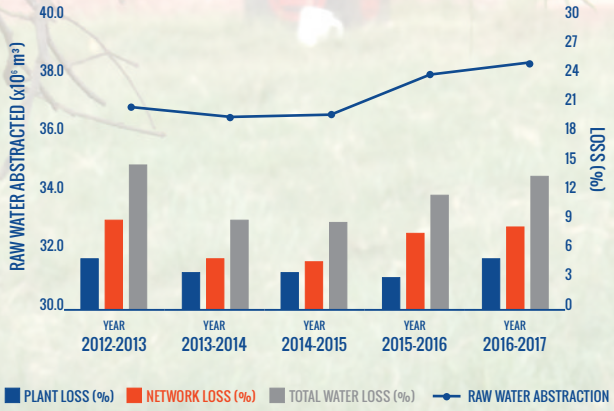


FIGURE 5.1: AMATOLA WATER RAW ABSTRACTION AND % WATER LOSSES

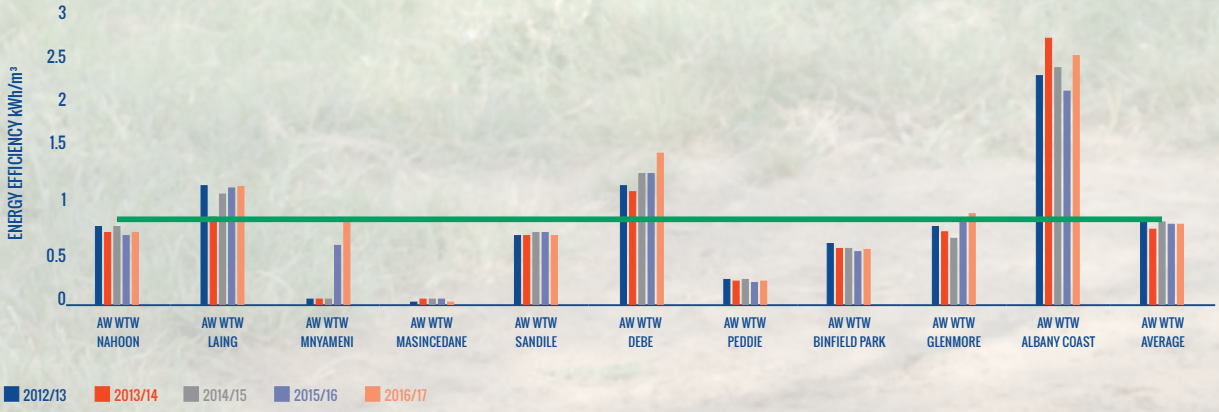


FIGURE 5.2: ENERGY EFFICIENCY MEASURED AS KWH/M³ POTABLE WATER PRODUCED AT EACH OF AMATOLA WATER'S WTW. (SOLID GREEN LINE INDICATES OPTIMUM RATIO)





SECTION 6

OPERATIONAL REVIEW

SECTION 6

OPERATIONAL REVIEW

INTRODUCTION

Amatola Water remains highly committed to meet all obligations of its bulk supply agreements and conducts regular proactive maintenance of all its assets as a fundamental part of continued operations management. Amatola Water's participation in the Provincial Water Infrastructure Master Plan as implementation agency (IA) of various projects in the Eastern Cape is seen as the positive contribution to the elimination of the water supply and sanitation backlogs in the Eastern Cape Province.

VALUE CREATION

Amatola Water views value creation as an important step in interacting with its customers and community to sustain the bulk water supply and sanitation through the continuous upgrading of the infrastructure.



SUSTAINABILITY

Amatola Water strives for sustainable growth and will ensure the organisation continues to provide and extend sustainable water services to all municipalities and rural areas in the Eastern Cape Province.

TREND ANALYSIS

Water quality trends as per SANS 241:2015 from 2007 to 2017 can be seen under the Product Quality section on page 104.

Water losses trends are captured on pages 97 and 98 and shows the positive efforts undertaken by the operational section to develop proactive maintenance programmes for the bulk networks.

Amatola Water also tracks the Disabling Incident Frequency Rate (DIFR), as shown on page 103. The current DIFR for the organisation is 0.53, which is within the company target of 0.80.

Amatola Water supplies 111 Mega litres per day of portable bulk water supply through its customers and with the upgrade of the six water treatment works it is expected to increase supply capacity to more than 150 Mega litres per day.

LOOKING FORWARD

Amatola Water strives to balance continued provision of reliable bulk water supply in the Eastern Cape Province with support for economic growth whilst 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, municipalities that fall under supply area, and communities, Amatola Water is developing an Infrastructure Master Plan that will be integrated into the Provincial Water Infrastructure Master Plan by end 2017; and this will put the organisation on the right track to the formation of a regional water utility.

The past financial year has seen a steady trend of moving from corrective maintenance to a more proactive maintenance strategy. This has been particularly evident in the Makana area where a pro-emptive approach to maintenance has been the main focus.

Proactive maintenance coupled with continuous plant and system improvement initiatives have played a major role in production equipment availability and reliability. This is evident in the achievement of consistently high water quality results by most water treatment plants. The implementation of planned maintenance schedules for all primary business reservoirs and pipelines has now been completed and is underway.

The BAAN CMMS has been upgraded to include automatic generation of maintenance schedules. This allows faster and more accurate generation of timetables, thereby eliminating the possibility of error in predicting when equipment maintenance is due.

The primary business sector achieved a ratio of 78:22 for planned vs. unplanned maintenance and therefore just missed the company benchmark target of 80:20. An impressive 87% of service orders for planned maintenance and 91% for unplanned maintenance were completed.

The Makana engineering maintenance department achieved a ratio of 85:15 for planned vs. unplanned maintenance and exceeded the company benchmark of 80:20. 93% of all planned maintenance work and 89% of unplanned maintenance was completed.Although many challenges were experienced with the implementation of the artisan utilisation report, there has been a general improvement from the previous financial year. This has been the main contributor to these encouraging results.

INFRASTRUCTURE STABILITY AND RESILIENCE

Currently, Amatola Water produces an average of 113Mℓ per day. While some water treatment works have spare operational capacity, others are operating above design capacity.

RAW WATER SOURCE	SCHEME	WATERWORKS CAPACITY (MI/DAY)	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	1.5	Rural
Mnyameni Dam	Mnyameni	0.2	Rural
	Masincedane	4	Rural (20% peri-urban and 80% rural): Keiskammahoek Town
Binfield Park Dam	Binfield Park	4.8	Urban areas of Alice, Kyalethu and Ntselamanzi, 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	Bisho, 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/Newslands/ Macleanstown (95% urban and 5% peri-urban)
Groundwater	Albany Coast reverse osmosis plants	3.8	Port Alfred, Bathurst, Kleinemonde, Kenton on Sea, Bushmans River, Boknes, Cannon Rocks and Alexandria
Total		106.1	

TABLE 6.1: WATER SCHEMES OWNED AND OPERATED BY AMATOLA WATER

The implementation of planned maintenance schedules for all primary business reservoirs and pipelines has been completed. Amatola Water has also completed the implementation of a planned maintenance system for all critical programmable logic controller (PLC) batteries at the various plants and pump stations.

The Baan Computerised Maintenance Management System has been upgraded to include automatic generation of maintenance schedules, enabling faster and more accurate rotas and minimising error in maintenance forecasting.

The primary business division achieved a ratio of 78:22 for planned vs. unplanned maintenance, narrowly missing the target of 80:20 set by Amatola Water. A total of 96% planned and unplanned maintenance tasks were completed.

The Makana engineering maintenance department achieved a ratio of 81:19 for planned vs. unplanned maintenance, thereby exceeding Amatola Water's 80:20 target. At Makana, 96% of all planned maintenance work and 82% of unplanned maintenance was completed.

The Makana engineering maintenance department achieved a ratio of 81:19 for planned versus unplanned maintenance, thereby exceeding Amatola Water's 80:20 target. At Makana, 96% of all planned maintenance work and 82% of unplanned maintenance was completed.

INTERNAL PROJECTS

INFRASTRUCTURE MASTER PLAN

Amatola Water assisted the Department of Water and Sanitation to compile the first Provincial Infrastructure Master Plan. Amatola Water's Infrastructure Master Plan is being reviewed and will be completed by March 2018.

UPGRADING OF WATER TREATMENT WORKS

In an effort to improve service delivery of both quantity and quality of water to communities, while realising economies of scale to reduce bulk water tariffs for water services authorities, the upgrade of water supply scheme infrastructure is planned for Peddie, Sandile, Debe Nek, Masincedane, Binfield and Nahoon. Amatola Water will then have bulk potable water capacity to eliminate backlogs and increase water supply to meet the required water supply needs as set per legislation per household per day.

AMATOLA WATER PLANT	MUNICIPALITY SERVED	CURRENT CAPACITY (MI/DAY)	PROPOSED CAPACITY (MI/DAY)
Sandile	Nkonkobe, Ngqushwa and BCMM	18	60
Nahoon	BCMM,Mdantsane and Newlands	33	60
Peddie	BCMM and Ngqushwa	6.5	12
Debe Nek	Nkonkobe	1.5	5
Masincedane	Amahlathi	4	6
Binfield	Nkonkobe	4.8	10
Total	67.8		153

TABLE 6.2: KEY DELIVERABLES: TREATMENT WORKS TO BE UPGRADED

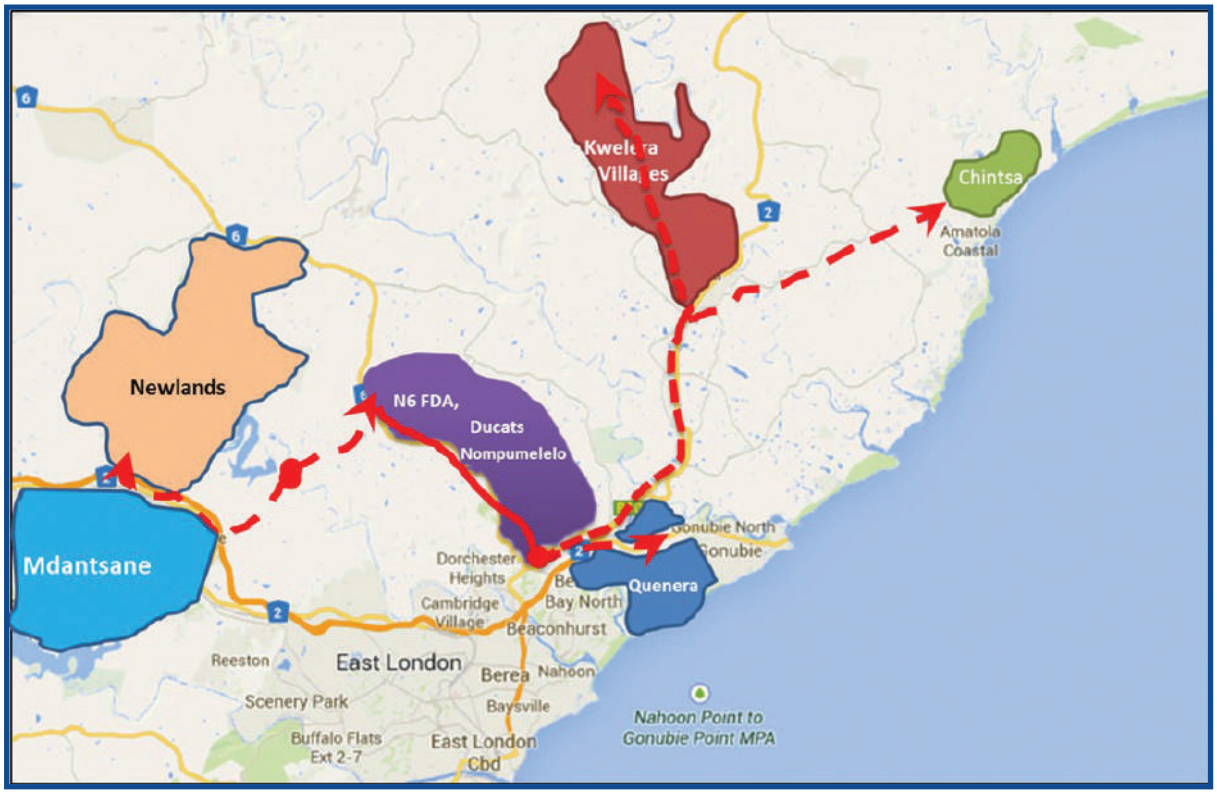
AMATOLA WATER PLANT	MUNICIPALITY SERVED	CURRENT HOUSEHOLD SERVED	FUTURE HOUSEHOLDS SERVED	BACKLOG ERADICATED
Sandile	Nkonkobe, Ngqushwa and BCMM	65,860	94,654	28,794
Nahoon	BCMM, Mdantsane and Newlands areas area)	49,600	70,000	20,400
Peddie	BCMM and Ngqushwa	13,303	14,866	1,563
Debe Nek	Nkonkobe	2,847	3,002	155
Masincedane	Amahlathi	2,835	4,059	1,224
Binfield	Nkonkobe	7,100	8,215	1,115
Total		141,545	194,796	53,251

TABLE 6.3: ERADICATION OF RURAL HOUSEHOLD BACKLOGS AND INCREASE IN HOUSEHOLD SUPPLY TO 750 LITRES PER DAY

INTERNAL PROJECTS

NAHOON-EAST COAST BULK SUPPLY PIPELINE

The proposed bulk infrastructure upgrade includes increasing the capacity of the Nahoon Dam water treatment works to 60Mℓ/day as well as construction of a bulk water pipeline from the Nahoon Dam water treatment works to Beacon Bay to improve supply to Vincent, Beacon Bay, Wembley, Gonubie and parts of Great Kei Municipality. The project is a collaboration between Amatola Water and Buffalo City Metropolitan Municipality and Amathole District Municipality.



MAP 6.1: NAHOON-EAST COAST BULK SUPPLY PIPELINE

The project is informed by the need to:

- alleviate water supply demand pressure from the existing Umzonyana water treatment works owned by the Buffalo City Metropolitan Municipality;
- maximise use of available safe yield allocation from the Nahoon Dam, supplemented from Wriggleswade dam; and
- provide for future development needs to address social housing within Buffalo City Metropolitan Municipality.

The following requirements were identified in the study:

- Nahoon Dam water treatment works upgrade to 60Mℓ/day
- New Nahoon Dam pump
- 800mm diameter rising main to the new Neptune Reservoir
- New Neptune storage reservoirs
- 800mm diameter gravity main from Neptune Reservoir to Homeleigh Reservoir in Beacon Bay
- Bulk electricity supply (Nahoon water treatment works and pump station)

PROJECT PROGRESS TO DATE	COMPLETE
PHASE A: FEASIBILITY STAGE	
Nahoon feasibility study (time-based)	✓
N6 Corridor Study by Tshani	✓
Extension of Nahoon feasibility study	✓
Cost benefit analysis	✓
Scoping report	✓
RBIG administrative processes	✓
Implementation readiness study	✓
Environmental impact assessment	✓

TABLE 6.4: PHASE A: FEASIBILITY STAGE

PROJECT PROGRESS TO DATE	COMPLETE
PHASE B: PROJECT IMPLEMENTATION STAGE	
Inception stage	✓
Preliminary design stage	✓
Detail design stage	80%
Documentation/procurement stage	80%
Contract administration stage	0%
Close-out stage	0%

TABLE 6.5: PHASE B: PROJECT IMPLEMENTATION STAGE

The project has high strategic impact for Amatola Water. This scheme could also reduce the cost of development and backlog eradication for Buffalo City Metropolitan Municipality by supplying the last key ingredient needed for a bulk service package to unlock development to the east of the city.

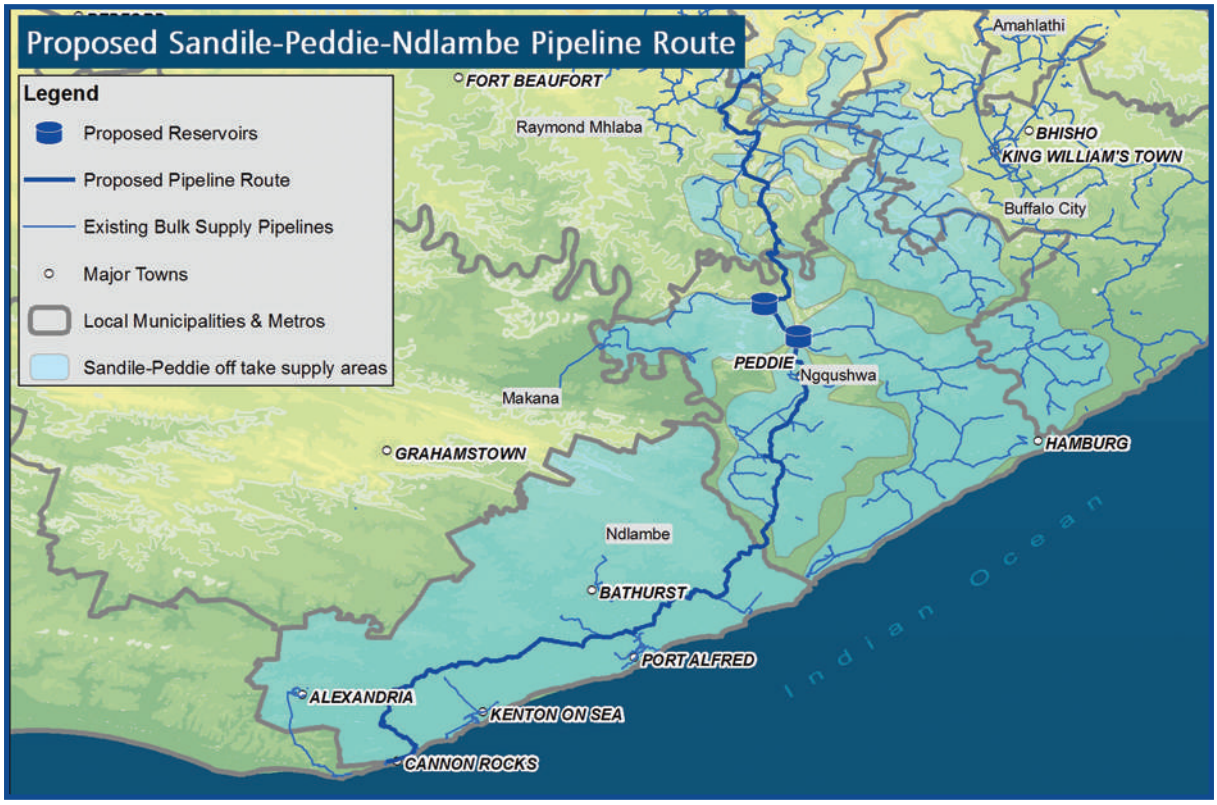
Amatola Water is in discussions with BCMM and ADM to revise the existing bulk water agreements to include the new developments. These agreements are anticipated to be completed during the next financial year. The project will be presented to EC Provincial Co-ordinating Committee (ECPCC) for budget approval in November 2017.

UPGRADING OF SANDILE WATER SUPPLY SCHEME

The Sandile RWS currently supplies potable water to villages within the ADM (Nkonkobe Local Municipality and theAmahlathi Local Municipality) and villages within the BCMM. The Peddie RWS supplies potable water to villages within the ADM (Ngquahwa Local Municipality) and BCMM. The Sandile and Peddie RWS needs upgrading to meet future demands. A pre-feasibility study by Amatola Water concluded that the Sandile RWS can augment water supply to the water-scarce Ndlambe Local Municipality. The Sandile RWS project entails upgrading of existing infrastructure as well as the transfer of potable water under gravity from the Sandile WTW to the Peddie RWS and eventually the Ndlambe Local Municipality.

The Sandile-Peddie-Ndlambe regional scheme will bring the following benefits in terms of bulk water supply within the region:

- Operational resilience – low maintenance and operational costs and a predominantly gravity supply system
- Water resource adequacy – the Sandile Dam has sufficient yield in the interim with the raising of the dam wall required in the medium to long term, pending actual usage of the irrigation allocation
- Affordability – the Sandile-Peddie-Ndlambe regional scheme will supply water at an indicative bulk water tariff of R4.54/m³ compared to the Ndlambe RO plants of R12/m³



MAP 6.2: PROPOSED SANDILE-PEDDIE-NDLAMBE PIPELINE ROUTE

UPGRADING OF DEBE WATER SUPPLY SCHEME

To improve the quality and quantity of supply from the existing water treatment works (phase 1), as well as from the main distribution infrastructure and reservoir storage capacities (phases 2A and 2B), and replace/refurbish existing mechanical and electrical equipment at the pump stations, this project was scheduled for completion by July 2017.

Funded by National Treasury and administered by the Department of Water and Sanitation, no challenges have been experienced to date.

UPGRADING OF MASINCEDANE WATER SUPPLY SCHEME

Encompassing the improvement of the existing water treatment works in terms of quality and quantity of supply, construction of a new rising main and improvement in reservoir storage, this project should be completed by the middle of the 2017/18 financial year.

DURATION:

September 2014 - August 2017

PROGRESS:

- Upgrade water treatment works and reservoirs: 100%
- Upgrade mechanical and electrical works: 100%
- Upgrade Upper Mnyameni rising mains and pump stations: 97%

JOBS:

25 jobs created

THE WORK COMPLETED VERSUS TOTAL PLANNED IS SUMMARISED BELOW:

MASINCEDANE BULK WATER SUPPLY SCHEME	PIPELINE LENGTHS			RESERVOIRS NO.			WATERWORKS			PUMPSTATIONS NO.		
	TOTAL (KM)	COMPLETED AS AT AUGUST 2017		TOTAL (NO)	COMPLETED AS AT AUGUST 2017		TOTAL (NO)	COMPLETED AS AT AUGUST 2017		TOTAL (NO)	COMPLETED AS AT AUGUST 2017	
MASINCEDANE WTW	14.25	11.4	80%	2	2	100%	1	1	100%	2	2	90%

TABLE 6.6: MASINCEDANE BULK WATER SUPPLY SCHEME UPGRADE

UPGRADING OF THE BINFIELD WATER SUPPLY SCHEME

Including improvement of the existing water treatment works in terms of quality and quantity of supply and the gravity distribution main feeding the reservoirs and reservoir storage, this project, funded by National Treasury and administered by the Department of Water and Sanitation, is at construction stage.

Challenges included poor performance by the civil contractor and issues that arose around ownership of the land on which the water treatment works is situated. The Department of Water and Sanitation is addressing the land issue but a solution is not expected in the short term.

DURATION:

September 2014 – March 2018

PROGRESS:

- Upgrade of Binfield WTW mechanical and electrical works: 60%
- Extensions to water purification works: civil works: 40%
- Construction of bulk reservoirs and rising main: 53%

TEMPORARY JOBS CREATED:

52

THE WORK COMPLETED VERSUS TOTAL PLANNED IS SUMMARISED BELOW:

BINFIELD BULK WATER SUPPLY SCHEME	PIPELINE LENGTHS			RESERVOIRS NO.			WATERWORKS			PUMPSTATIONS NO.		
	TOTAL (KM)	COMPLETED AS AT MARCH 2018		TOTAL (NO)	COMPLETED AS AT MARCH 2018		TOTAL (NO)	COMPLETED AS AT MARCH 2018		TOTAL (NO)	COMPLETED AS AT MARCH 2018	
BINFIELD BULK WATER SUPPLY	6	3.2	53%	2	0	45%	1	0	22%	1	0	5%

TABLE 6.7: BINFIELD BULK WATER SUPPLY SCHEME UPGRADE

EXTERNAL PROJECTS

KING SABATA DALINDYEBO MUNICIPALITY PRESIDENTIAL INTERVENTION

This project will provide safe, reliable and sustainable water supply to more than one million people in the rapidly growing city of Mthatha as well as surrounding towns and villages. The bulk supply scheme will deliver water along five 'development corridors' radiating some 30km to 40km from Mthatha (the Mqanduli, Libode, Ngqeleni, Nqadu and airport corridors) in the local municipalities of King Sabata Dalindeybo, Nyandeni and Mhlontlo. The Mqanduli corridor extends as far as KuGxwalibomvu and Mahlathinini to the south, and QweQwe and Qunu in the west.

The regional bulk water supply draws from the Mthatha Dam, which is large enough to provide a high level of assurance of supply. This is in contrast to the many small rural water supply schemes currently supplying the areas around Mthatha, which frequently dry up. It is anticipated that reliable water supply will accelerate urbanisation and economic activity along the development corridors which, in turn, will stimulate the development of all other commercial and domestic services in these areas, making them more affordable and accessible to all.

The scheme involves a major upgrade of Mthatha's Thornhill water treatment works and the construction of a new water treatment works in the Highbury area (the Rosedale water treatment works). Water is pumped from these two water works to command reservoirs serving Mthatha and the five development corridors. The primary bulk system includes some 200km of pipelines, 24 reservoirs and 10 pump stations. The secondary bulk system includes an additional 350km of small pipelines, 65 small reservoirs and seven pump stations.

The primary bulk construction work has been broken up into 60 contracts (32 contracts completed or currently underway in the central areas, as well as Mqanduli and airport corridors, and a further 27 contracts to be awarded for infrastructure in the Libode, Ngqeleni and Nqadu corridors, and the Rosedale waterworks). It is anticipated that more contracts will be awarded this year to start construction of secondary bulk infrastructure and complete the scheme overall.

Additional funding has been required for phase 2 of this project, funded by the Department of Water and Sanitation for the OR Tambo District Municipality. Furthermore, the business plans for the secondary bulk infrastructure have been submitted to OR Tambo District Municipality.

Number of jobs created	1,200
Number of beneficiaries	1,070,000
Unit cost per beneficiary	2,865
Funder and programme	Department of Water and Sanitation & CoGTA RBIG and MIG
Expenditure to end 2016/17	R2.35 billion
Current budget	R3.4 billion
Budget required	R2 billion
2017/18 Department of Water and Sanitation allocation	R327 million
2017/18 Corporate Governance and Traditional Affairs	R216 million
2017/18 Shortfall - (Secondary Bulk Infrastructure)	R231 million
Original estimated completion date	2018
Revised completion date	2021

TABLE 6.8: (SUMMARY FOR WATER AND SANITATION: KSD PI)

KING SABATA DALINDYEBO MUNICIPALITY PRESIDENTIAL INTERVENTION - BULK SANITATION PROJECT

The main focus of the Mthatha bulk sanitation new and upgrade of existing infrastructure is the current and future development growth of Mthatha town and its surrounding areas. The implementation of the Mthatha bulk sanitation is structured into four streams: the Mthatha waste water treatment works upgrades; southern sewers; northern sewers and the future western sewers.

MTHATHA WASTE WATER TREATMENT WORKS UPGRADES

Currently the Mthatha WWTW has been upgraded to 32Mℓ/day, mainly to serve the southern and northern sewers. The future upgrades of the plant (phase 3) will accommodate an additional 12Mℓ/day for the western sewers. The business plan for these upgrades has been approved and the budget has not yet been allocated for the completion of the planning phase.

SOUTHERN SEWER PIPELINES

This project will upgrade the existing sewer pipelines for the future housing developments in Kuyasa, Southridge Park, Ngangelizwe and Maydene Farm. This also includes the upgrade of nine sewer pump stations around Mthatha Town. All these linkages will be pumped into the recently upgraded Mthatha WWTW.

NORTHERN AND WESTERN SEWERS PIPELINES

To provide relief to the overloaded interceptors and bulk outfall/rising mains serving Mthatha, and allow for sewerage in informal settlements bordering the R61 to Engcobo, this project is funded by the Department of Water and Sanitation for the OR Tambo District Municipality.

- **Phase 1:** construction of the sewer line from Fort Gale, following the south bank of the Mthatha River, up to the end of Police Bend where it crosses the river on a pipe bridge and then follows the northern bank of the Mthatha River through Norwood up to the Mthatha River crossing point below the Mthatha wastewater treatment works.
  - Elimination of 11 sewage pump stations and connection of overloaded existing systems into the northern sewer
  - Construction of a sewage pump station and rising main from the Mthatha River crossing to the Mthatha wastewater treatment works Wastewater Treatment Works.
- **Phase 2:** construction of the collector sewer line through Mthatha West, including the military base, Efata School, Decoligney and Mthatha West Development, up to the connection point at Fort Gale.
- **Phase 3:** construction of the collector sewers to serve Bedford Hospital, airport, military base, Cicira to Mthatha West under the western sewers.

Challenges are land claims, servitude registration and budget constraints.

JAMES KLYENHANS BULK WATER SUPPLY

James Kleynhans bulk water supply project will ensure that Grahamstown has an adequate water supply during peak and drought conditions, as a result of the augmentation of the James Kleynhans WTW from 10Mℓ/day to 20Mℓ/day.

Grahamstown sources its water from two supply systems;

- Waainek WTW in the west, which obtains its water from the Howieson's Poort and Settlers Dams with the Jameson and Milner Dams supplementing the supply. However this supply is not a reliable source during drought conditions.
- James Kleynhans WTW in the East obtains its water from the Glen Melville Dam. The Dam has therefore a reliable source from the Orange Fish Sunday's scheme and can be augmented for future growth and has a sustainable supply during drought conditions.

The project is being developed in four phases comprising the following components:

PHASE 1:- AUGMENTATION OF THE JAMES KLEYNHANS WTW – AT CONSTRUCTION STAGE

- Clear water storage (2Mℓ reservoir) – construction of new reservoir
- Mechanical and electrical works – refurbishment of existing and installation of new
- Telemetry – initial set-up for phase 2

PHASE 2:- AUGMENTATION OF THE JAMES KLEYNHANS WTW – PHASE 2 – AT DESIGN

- Upgrading chemical building – upgrading and refurbishment of existing building
- Sedimentation tank(10Mℓ/d) – construction of new sedimentation tanks
- Filters(10Mℓ/d) – construction of four additional new filters
- Clear water storage (1.0Mℓ) – construction of new reservoir below filters
- Mechanical and electrical (internal) – new electrical installation for additional infrastructure
- Telemetry – new installation

PHASE 3:- UPGRADING THE EXISTING 350MM DIA PUMPING MAIN – AT FUNDING / PLANNING STAGE

PHASE 4:- UPGRADING THE EXISTING WTW – AT FUNDING / PLANNING STAGE

- Sedimentation tanks – refurbishment of existing tanks
- Filters – refurbishment of existing and replace filter media
- Filter building – refurbishment of existing building
- Chlorination – refurbishment of existing building
- Mechanical and electrical works – refurbishment of existing filter and sedimentation pipework and valves

THE PROJECT IS FUNDED BY DWS.

Client:	Makana Local Municipality
Budget Phase 1 & 2:	R 101,850,000 (available)
Estimated Cost 1 & 2:	R 144,054,531 (required)
Shortfall:	R 42,204,531
Budget Phase 3 & 4:	R 52,500,000 (required)



FIGURE 6.1: LAYOUT DRAWING FOR JAMES KLYENHANS WTW

NDLAMBE REGIONAL BULK WATER SUPPLY

Safe, sustainable and acceptable quality water will be supplied to consumers in Seafield/Kleinemonde, Port Alfred, Bathurst, Alexandria, Cannon Rocks, Boknes, Kenton on Sea and Bushman's River in the Ndlambe Local Municipality.

New supply alternatives will include surface water resources from Sandile Dam as well desalination and groundwater development as the preferred augmentation of current supply from Sarel Hayward Dam. The scheme will ensure long-term sustainable bulk water supply, which will allow for socio-economic development as well as short-term relief in terms of bulk water supply.

One of the key socio-economic drivers of the study is the proposed Thornhill development in Port Alfred, which will comprise 5,000 social housing opportunities. Currently, the lack of sustainable bulk water services is hampering this and other proposed developments.

The long-term solution is to enhance existing bulk water supply within the Ndlambe Local Municipality with supply from Sandile Dam. Two other Eastern Cape areas will also benefit from this project: Amathole District Municipality and Buffalo City Metropolitan Municipality. The first project consists of two phases: 'quick wins' and longer-term augmentation from Sandile Dam.

NDLAMBE QUICK WINS PROJECT

Currently in implementation stage, this project is due to be completed in December 2017. It will improve the quantity and quality of water required by Port Alfred consumers through groundwater development and the inclusion of desalination in the treatment process, and increase the quantity of supply to consumers in Alexandria through a new rising main from the coastal well fields at Fishkraals and Cape Padrone. Funded by the Department of Water and Sanitation, budget allocations were insufficient in the period under review. Land issues have not been finalised but discussions are underway with two farmers; there have also been delays in delivery arising from poor performance by emerging contractors.

SANDILE DAM SUPPLY

Currently in design stage, this project provides for the construction of a new gravity main from an upgraded Sandile water treatment works to Port Alfred and ultimately to Cannon Rocks to increase supply to the coastal towns and Alexandria. Funded by the Department of Water and Sanitation, budget allocation in the period under review was insufficient. In addition, route and land issues, as well as supply agreements with Buffalo City Metropolitan Municipality and Amathole District Municipality, and arrangements with the South African National Roads Agency Limited, need to be finalised

KIRKWOOD BULK WATER SUPPLY SCHEME

This project entails the construction of:

- additional clear water reservoirs to meet 48 hours storage requirement;
- construction of an additional raw water storage dam and;
- telemetry.

DURATION

March 2018 – March 2019

The implementation readiness study (IRS) has been approved by the Eastern Cape Technical Appraisal Committee (ECTAC) and Eastern Cape Planning Co-ordination Committee (ECPCC) to proceed with detail design, procurement and construction.

JANSENVILLE AND KLIPPLAAT REGIONAL BULK WATER SUPPLY SCHEME

- **Phase 1 :** The planning and design stage has been completed. On allocation of the required funding, construction is expected to start during March 2018 and to be completed by March 2019.
- **Phase 2 :** Augmentation of the water treatment works in Klipplaat is expected to start during March 2019 and to be completed by March 2020.
- **Phase 3 :** Construction of a bulk pipeline from the Klipplaat to Jansenville is expected to start during March 2020 and to be completed by March 2021.

The IRS has been approved by ECTAC and ECPCC to proceed with detail design, procurement and construction.

MISGUND BULK WATER SUPPLY SCHEME

This project involves the drilling of additional boreholes to augment the existing supply in Misgund and will benefit approximately 2 235 people.

INFRASTRUCTURE READINESS STUDIES (IRS) STAGE

IRS CONTRACT ACTIVITIES	STAGE OF COMPLETION
Geophysical investigation	100%
Exploration drilling	100%
Survey of pipeline routes	100%
EIA/WULA	80%
Design of new infrastructure	100%
IRS Report	100%

TABLE 6.9: MISGUND BULK WATER SUPPLY SCHEME IRS CONTRACT ACTIVITIES

IMPLEMENTATION OF MINISTERIAL DIRECTIVES

NOOITGEDAGT/CEOGA LOW LEVEL SCHEME [NCLLS] - PHASE 3

The Nooitgedagt/Coega Low-Level Scheme [NCLLS] project entails the augmentation scheme for the bulk water supply system of NMBM in order to increase present water supply from the Orange River System from 70 Mℓ/d to 160 Mℓ/d. The project also entails construction of a 45 Mℓ balancing reservoir at Olifantskop reservoir site, inclusive of inlet/outlet control valves and valve chambers, supply and installation of cathodic protection, and the rehabilitation of the Missionvale 7km pipeline.

The anticipated duration is two years from May 2017 to June 2019.

PROGRESS:

Amatola Water has successfully completed the procurement process. The contract has been awarded and site hand over was in May 2016. Excavation works 80 to 90 % complete at Olifantskop and WTW respectively.

CHALLENGES:

The challenge on the project is the involvement of the SMMEs from Sunday's River Valleys Local Municipality and Nelson Mandela Bay Metropolitan Municipality.

ADM VIP DRY SANITATION

COFFEE BAY REGIONAL WATER SUPPLY SCHEME

Water will be supplied to 43 villages in Ward 24 and five villages in Ward 23, across Mpako River, serving a population of 24,874 people. The residents of these villages rely on natural water sources as they do not have access to potable water.

System design demand was increased from 60ℓ per capita per day to 125ℓ per capita per day to accommodate the requirement for running water to every household as envisaged by the National Development Plan. The increase in design demand had a substantial impact on the project cost. The budget required to complete the project is R268 million.

SIDWADWENI REGIONAL WATER SUPPLY SCHEME

Nqadu Dam had been identified as the most viable source to supply water to some 26 villages in the area but drought conditions in 2010 led to depletion of the dam and an alternative supply is required. The Tsitsa River has been identified as the most viable source and development has been incorporated into the project.

The scheme will be expanded to include villages, surrounding Tsolo. The Sidwadweni Regional Scheme will service villages in Joe Gqabi District Municipality and OR Tambo District Municipality.

In the long term, it is envisaged that the proposed Ntabalanga Dam water supply scheme will be incorporated into the supply. Funded by the Department of Water and Sanitation, on behalf of the OR Tambo District Municipality, the project is being developed in phases.

TSITSA RIVER AUGMENTATION

- Designs of a 5Mℓ/day package plant type of water treatment works (WTW) have been completed and, awaiting approval of construction budget.
- Bulk rising mains and gravity mains designed have been completed and, awaiting approval of construction budget.
- Designs of reinforced concrete bulk reservoirs in the villages of Khamasana, Endabanisweni and Nduku, as well as Tsolo Junction have been completed and, awaiting approval of construction budget.
- Bulk pipeline – from Sidwadweni East Reservoir to Tsolo Junction Reservoir, the project comprises construction of a 350mm diameter ductile iron gravity main with to be completed in July 2020.

- Bulk supply to Tsolo Town – extension of a ductile iron supply main to Tsolo Reservoir, construction of a new reinforced concrete reservoir and a supply main from the reservoir to connect to the existing Tsolo Town reticulation system is expected to be completed in July 2020.

STERKSPRUIT WATER TREATMENT WORKS

Amatola Water has been appointed by Joe Gqabi District Municipality as implementing agent to refurbish and upgrade the Sterkspruit water treatment works. A revised amount of R60.6 million has been approved under the MIG programme. Amatola Water has appointed a service provider for design and construction supervision.

The first phase of the project is well underway and due for completion in September 2013. Amatola Water has been appointed to continue with Phase 2 of the project valued at R75.2 million.

NTABELANGA DAM AUGMENTATION

Construction of 17km of 700mm diameter steel pipeline will be completed to coincide with the commissioning of the future Ntabelanga Dam and water treatment works expected by 2025.

TSOLO TOWN RETICULATION

Installation of reticulation for Tsolo will comply with standards applicable for fire mains flow in a network, allowing for isolation of areas when maintenance is required, completion is due in July 2017.

VILLAGE RETICULATION

Phase 5B of the area west and east of Nduku Reservoir is a continuation of the completed village reticulation phases to enable water provision to some 20 villages, including construction of service reservoirs and standpipes, by December 2017.

Phase 5C of the area southwest of Phase 5A, expected to be completed in July 2017, is also a continuation of the completed village reticulation phases in the area adjacent to the OR Tambo/Joe Gqabi boundary where the bulk mains will be accommodate water demand in the villages within the Joe Gqabi District Municipality where there is no other potential source of water.

SCHEMES OWNED AND OPERATED BY AMATOLA WATER AND THEIR AREAS OF SUPPLY

Schemes owned and operated by Amatola Water and their areas of supply are shown in Table 6.10 below. Currently Amatola Water produces an average of 111 Mega litres per day. Whilst some water treatment works have operational spare capacity, others are operating above design capacity.

RAW WATER SOURCE	SCHEME	WATERWORKS CAPACITY (M1/DAY)	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, 80% rural)
Craighead Wier	Peddie	6.6	Peddie Town, Nompumlelo Hospital, peri-urban areas of Durban & Feni and surrounding villages (20% peri-urban, 80% rural)
Debe Dam	Debe	1.5	Rural
Mnyameni Dam	Mnyameni	0.2	Rural
	Masicedane	4	Rural (20% peri-urban, 80% rural), Kieskammahoek Town
Binfield Park Dam	Binfield Park	4.8	Urban areas of Alice, Kyalethu and Ntselamanzi, rural service centres of Lower and Upper Hopefield, 38 villages, Fort Hare University and Phandulwazi Agricultural College
Boyed Dam	Glenmore	0.5	Rural
Laing Dam	Laing	33	Bisho, Balassi, Berlin, Llitha, Zwelitsha, Pakamisa. Ndevana, Potsdam, Mt. Coke, Mdansane (63% urban, 17% peri-urban and 20% rural)
Nahoon Dam	Nahoon	33.7	East London, Reeston, Mdantsane, Newlands, Macleanstown (95% urban and 5% peri-urban)
Ground Water	Albany Coast Reverse Osmosis Plants	3.8	Port Alfred, Bathurst, Kleinemonde, Kenton on Sea, Boesmansriviermond, Boknes, Cannon Rocks and Alexandria
TOTAL		106.1	

TABLE 6.10: WATER SCHEME OWNED AND OPERATED BY AMATOLA WATER

BULK SUPPLY AGREEMENTS

The Water Services Act No 108 of 1997 requires the Water Board to enter into supply agreements with its customers to supply potable bulk water. Amatola Water has three bulk supply contracts with the Buffalo City Metropolitan Municipality (BCMM), Amathole District Municipality (ADM) and the Ndlambe Local Municipality.

The existing agreement with BCMM is for a 30-year period ending in 2033. The bulk potable water supply agreement between Amatola Water and Amathole District Municipality (ADM) is for a three-year period which is in the process of being extended until June 2020. The bulk supply agreement between the Ndlambe Local Municipality and Amatola Water is effective for a period of 20 years until July 2030.

OPERATION AND MAINTENANCE CONTRACTS

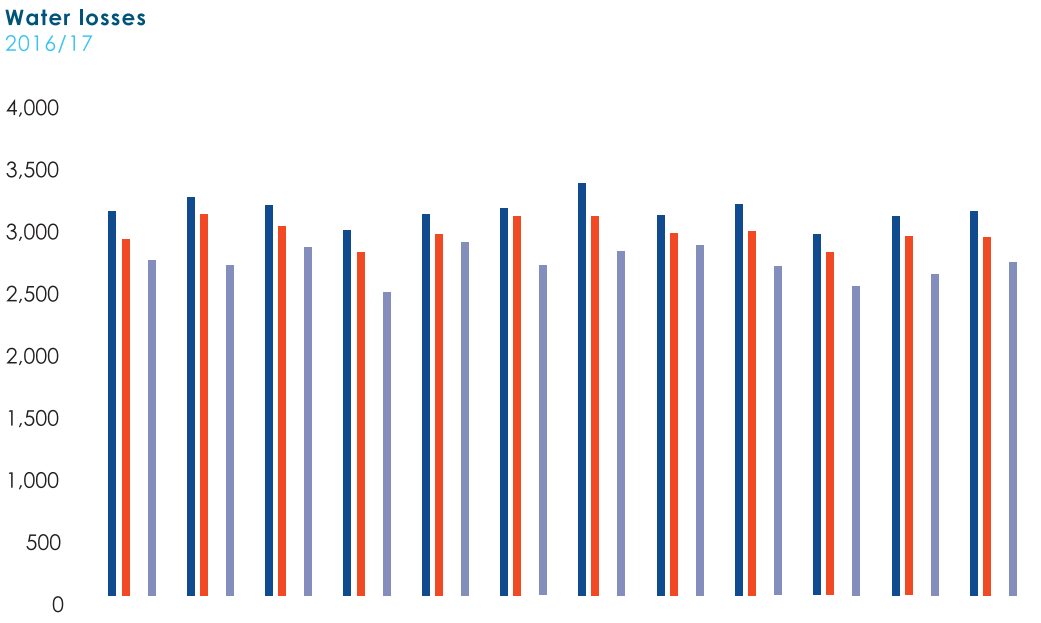
Amatola Water has entered into three significant Memorandums of Agreement for the operation and maintenance of customer infrastructure. The customers include the Makana Municipality, National Department of Public Works in Port Elizabeth and Mthatha Regions, and Provincial Department of Education.

POTABLE WATER PRODUCTION

The volume of potable water produced was in the order of 36.4 million cubic meters for the financial year 2016/2017, which is marginally higher than the 33.4 million cubic meters for the 2015/2016 financial year.

WATER LOSSES

An average total plant production loss of 5.46% was achieved during the year compared with the SAAWU benchmark of 7%. Similarly, total network losses for treated water increased to 8.57% against 8.28% over the previous year. The total combined loss was 14.02% against the company target of 12%. The target was not achieved due to the raw water meter at Laing Dam over-reading by 3.81% (equivalent to 1 Mega litre per day) and industrial action which contributed to the high losses. See Graph 6.1 below which gives a comparison in the % water losses during the past year.



	07/16	08/16	09/16	10/16	11/16	12/16	01/17	02/17	03/17	04/17	05/17	06/17
RAW WATER IN (KL)	3 208 50	3 316 60	5 253 83	3 062 24	3 184 96	3 259 18	3 438 23	3 169 26	3 265 59	3 014 50	3 162 86	3 222 84
TREATED WATER OUT (KL)	2 987 72	3 184 50	3 078 36	2 876 62	3 028 82	3 191 14	3 170 12	3 028 92	3 046 72	2 851 78	3 010 03	3 000 01
PLANT LOSS (%)	6.88	5.39	5.39	6.06	2.09	2.09	7.80	4.43	6.70	5.40	4.83	6.91
VOLUME BILLED (KL)	2 794 22	2 763 26	2 900 08	2 527 32	2 764 62	2 764 62	2 893 13	2 924 52	2 732 97	2 576 81	2 695 48	2 798 47
NETWORK LOSS (%)	6.48	13.23	5.79	12.14	13.37	13.37	8.74	3.45	10.30	9.64	10.45	6.72

GRAPH 6.1: WATER LOSSES 2016/17

PLANT MANAGEMENT

NON-REVENUE WATER

Bulk and distribution losses within the Amatola Water bulk systems are monitored by the Water Resources department. This is done through the combined effort of a water loss/demand management programme and meetings with the Operations and Finance divisions. Water loss reports are produced on a monthly basis. A combination of bulk water meter balance reports, meter variance reports and water meter line diagrams are used to track down water losses. Water meters are calibrated according to a set programme and specific needs.

Water balances are recorded monthly for all water abstracted, treated and distributed within the supply networks of Amatola Water. The identification of problem areas is done through logging of key water meters and physical inspection of bulk pipeline routes. Early identification of water losses assists the water board in addressing and reducing water losses which, in turn, results in reduced loss of revenue.

THREE YEAR TELEMETRY PLAN

The expansion of the SCADA system has been one of the primary focuses of the year. The operational SCADA has enjoyed the addition of many new stations, and more importantly, the inclusion of new functionality. These improvements have been aimed at high-end features intended for management and auditing purposes.

The long-awaited Hot-Standby Server has been implemented, offering a new level of reliability for operations and historical record-keeping. The SCADA also now sports a scanable QR Code offering real-time information in a format that can easily be transmitted by text message. Investigation indicates that it is the only SCADA system in the country offering this functionality.

The third and final year of the Adroit Technology agreement, will be focused in upgrading to the new version10. This will provide further value to justify the expense of the contract.

The large amount of work done on Windy Ridge during the previous year has paid off. Despite many lightning strikes and Eskom power outages, there has been zero downtime on the repeater for over a year. Additionally there have been no unplanned trips to site. Site owners, TBN, have been pleased with the monitoring functionality offered to them via SMS as well as the ability to remotely reset their equipment. This has strengthened our relationship with TBN as the site owners.

We have also compiled a three-year master telemetry plan for all primary business plants as well as the Makana contract. This plan is divided up into short-, medium- and long-term interventions. Where budget allowed, all identified short-term interventions were undertaken during the 2016/2017 financial year. Items earmarked for the medium and long term will be budgeted accordingly in the next financial years. This plan has now been updated for the 2017/2018 financial year as well as for the corresponding next two financial years. Amatola Water is currently investigating the possibility of installing a new repeater site at Governskop to serve the Makana, Albany and Glenmore areas of operation and link them back to the main telemetry server at Nahoon Regional Office.

The large amount of work done on Windy Ridge during the previous year has paid off. Despite many lightning strikes and Eskom power outages, there has been Zero down time on the repeater for over a year. Additionally there have been no unplanned trips to site. Site owners, TBN have been extremely pleased with the monitoring functionality offered to them via SMS as well as the ability to remotely reset their equipment. This has strengthened our relationship TBN as the site owners.

We have also compiled a three year master telemetry plan for all primary business plants as well as the Makana contract. This plan is divided up into short, medium and long term interventions. Where budget allowed, all identified short term interventions were undertaken during the 2016/2017 financial year. Items earmarked for the medium and long term will be budgeted for accordingly in the next financial years. This plan has now been updated for this 2017/2018 financial year as well as for the corresponding next two financial years. Amatola Water is currently investigating the possibility of installing a new repeater site at Governskop in order to serve the Makana, Albany and Glenmore areas of operation and to link them back to the main telemetry server at Nahoon Regional Office.

OPTIMISING OPERATIONAL EFFICIENCIES

WATER PRODUCTION

A decrease of 1.1% on bulk potable water supply was recorded this year and this decrease was mainly due to a number of production days lost by unforeseen industrial action. Most of the plants operated by Amatola Water are running above its installed design capacity.

STORAGE AND SUPPLY CAPACITY EXPANSION

Amatola Water's clients received an Assurance of Supply at 99.8% during the year under review and exceeded the set target of 98% as per Amatola Water's initiative (IS1). The organisation is in the process of upgrading its capacity in five plants, namely Sandile, Masincedane, Binfield, Debe and Peddie water treatment works, to meet the demand and to erase the current backlog in the Eastern Cape. Funds from National Treasury are being used to subsidise the upgrades to ensure that every household has excess to potable water in these areas. Some of these plants are between tender and construction stage. Two plants (Debe and Masincedane) are nearing practical completion stage.

OVERALL WATER LOSSES

Amatola Water achieved a combined water loss of 14.02% against the set target of 12% as per Amatola Water's initiative (IS4) whilst the national standard is 19%. The high water losses in some of the plants are caused by operating above capacity which required more frequent backwashing, filling of new reservoirs and pipelines for testing purposes, unforeseen industrial action and meter errors. Plants are currently being upgraded to meet the future demand.

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

PUMP EFFICIENCY MONITORING PROGRAMME

There has been a minimal decrease in the ratio of kWh/cubic meter of water produced from 0.839 in 2015/2016 to 0.838 in the 2016/2017 financial year. This equates to an improvement of 1.2% in energy efficiency.

This overall decrease in the kWh/cubic meter ratio is well within the KPI (FV1.10) value of 0.850.

It is further anticipated that as soon as the entire identified pump refurbishments identified in the Sulzer report have been completed, there will be an increase in overall pump efficiency resulting in a further total decrease in the ratio for the 2017/2018 financial year.

Below is the kWh/cubic meter of water produced ratio tables for the 2015/2016 and 2016/2017 financial years.

JULY 2015 TO JUNE 2016				
WTW	CAPACITY ML/D	TOTAL 15/16 KWH	TOTAL 15/16 M^3	15/16 KWH/M^3
Rooikrantz WTW	1,2	0	0	0,00
Masincedane WTW	2	65 072	975 616	0,07
Glenmore WTW	0,5	176 332	200 315	0,88
Dabi WTW	closed	0	0	0,00
Peddie WTW	6,56	713 576	2 826 588	0,25
Mnyameni WTW	0,29	60 086	99 259	0,61
Nahoon WTW	33,7	9 448 488	1 286 1915	0,73
Laing WTW	33	10 950 139	9 280 032	1,18
Sandile WTW	18	4 747 665	6 455 783	0,74
Debe WTW	1,5	1 012 305	761 784	1,33
Binfield Park WTW	4,8	1 248 816	2 216 236	0,56
Albany Coast	2,41	2 481 109	1 158 918	2,14
	103,96	**30 903 588**	**36 836 446**	**0,839**

TABLE 6.11: PUMP EFFICIENCY MONITORING PROGRAMME RESULTS 2015/16

JULY 2016 TO JUNE 2017				
WTW	CAPACITY ML/D	TOTAL 16/17 KWH	TOTAL 16/17 M^3	16/17 KWH/M^3
Rooikrantz WTW	1,2	0	0	0,00
Masincedane WTW	2	56 898	944 094	0,06
Glenmore WTW	0,5	200 123	213 245	0,94
Dabi WTW	closed	0	0	0,00
Peddie WTW	6,56	795 413	2 891 951	0,28
Mnyameni WTW	0,29	76 684	88 222	0,87
Nahoon WTW	33,7	9 380 768	12 650 270	0,74
Laing WTW	33	10 461 963	8 848 430	1,18
Sandile WTW	18	5 056 804	7 068 627	0,72
Debe WTW	1,5	1 252 707	822 555	1,52
Binfield Park WTW	4,8	1 210 848	2 110 008	0,57
Albany Coast	2,41	2 039 397	817 355	2,50
TOTAL	**103,96**	**30 531 605**	**36 454 757**	**0,838**

TABLE 6.12: PUMP EFFICIENCY MONITORING PROGRAMME RESULTS 2016/17

SAFETY, HEALTH AND ENVIRONMENT

Ensuring the occupational health and safety (OHS) of all Amatola Water's employees and the health and safety of members of the public is a top priority. To maintain the focus on improving occupational health and safety performance, Amatola Water has continued to prepare action plans, which arise from SHE inspections and internal audits. The proposed action plans provide a clear framework for embedding good occupational health and safety practices across the business.

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 18001:2017 was held from the 15 – 17 May 2017 and results were positive.

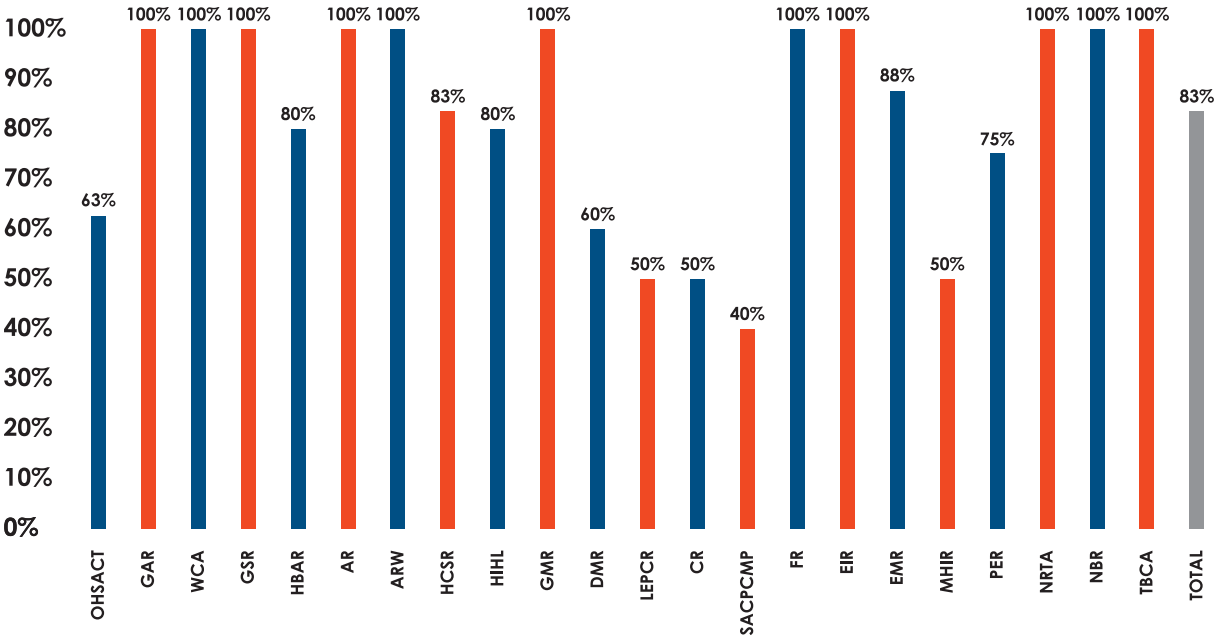
During the recertification assessment, only six minor non-conformances were raised by SABS

SHE LEGAL COMPLIANCE AUDITS

The objective of the SHE legal compliance audit is to assess and verify whether and to what extent best practices are in place, as well as products, services and facilities at Amatola Water when compared to the organisation's SHE legal register.

A SHE legal compliance audit was conducted in May 2017 by AKA Risk Management Specialist's external auditors where issues were raised. The audit intention was to add value to the organisation by identifying areas for potential improvement of the Amatola Water Integrated Management System and making recommendations.

The following graph reflects percentages achieved:



GRAPH 6.2: SHE LEGAL COMPLIANCE AUDIT RESULTS



STRATEGIC ACTION PLAN - (LONG TERM CORPORATE PLAN)

Given the advance of health and safety management in recent years, Amatola Water's strategic aim is to consolidate the progress to date in the following priority areas:

- Continue to provide health and safety advice and support to service areas,
- Maintain the audit and inspection activity to proactively monitor compliance with Amatola Water's OHSAS 18001:2007 management system and with our statutory obligations
- Focus on the achievement of the Amatola Water Integrated Management Policy and the corporate vision for health and safety

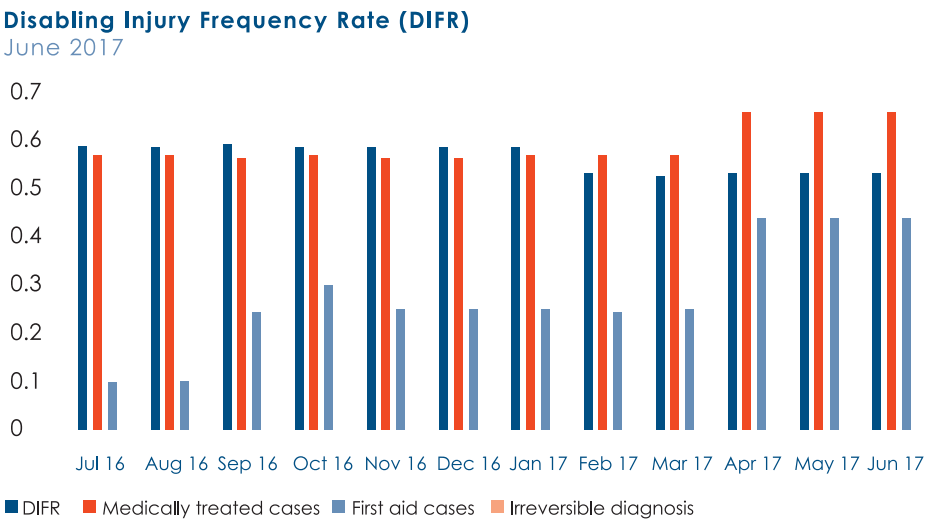
There is a need for a concerted effort by management to focus on work-related ill health, recognising that setting targets and implementing actions in this area is complex.

Causes of ill health are not solely work-related and their seriousness may be exacerbated by non-work-related factors. In order to set health and safety priorities to impact positively on attendance and reduce sickness absence, collaboration between the wellness and safety section is required to establish relevant responsibility for specific issues.

DISABLING INCIDENT FREQUENCY RATE (DIFR)

The disabling incident frequency rate (DIFR) is a key indicator of any organisation's SHE performance. The current Amatola Water DIFR is 0.53, which is below the benchmark of 0.8 (see Graph 6.2 below).

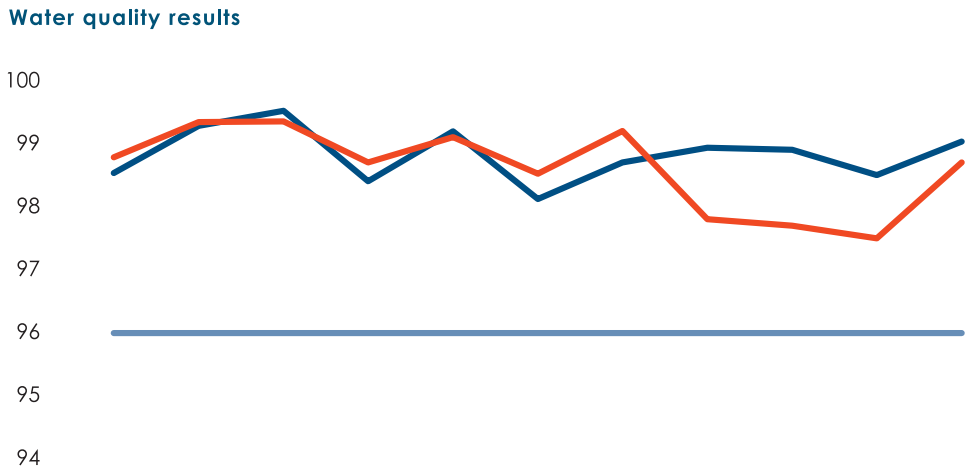
In order to maintain this culture and to build a full picture of the potential incidents that could occur to staff on or off site. Amatola Water encourages employees to report all incidents regardless of the severity of the resulting injury. This positive reporting culture allows for a larger number of incident,s including minor and near misses, to be analysed and to identify any potential trends or patterns. This analysis helps Amatola Water identify measures to mitigate risks to the health and safety of its staff. The following graphical information shows the 2016/17 disabling injury frequency rate and annual trend for this indicator.



GRAPH 6.2: DISABLING INCIDENT FREQUENCY RATE (DIFR) 2016/17

PRODUCTION QUALITY

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



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
WATER WORKS	98.53	99.28	99.52	98.4	99.19	98.12	98.7	98.93	98.90	98.5	99.0
DISTRIBUTION NETWORK	98.78	99.34	99.35	98.7	99.1	98.52	99.2	97.8	97.7	97.5	98.7
SANS 241:2015	96	96	96	96	96	96	96	96	96	96	96

GRAPH 6.3: WATER QUALITY RESULTS FROM 2007 - 2017

Combined water quality results for plant and networks achieved was 98.9% against a KPI target of 98%.

There is a slight change on the overall compliance from last financial year to this year, although the plants are in the process of being upgraded and are still running above design capacity. This is in line with Amatola Water's initiative (WQ1) with a target of 98%. This data can be viewed by the public on the DWS 'My Water website. Amatola Water's water quality results were published in the daily dispatch to inform the public as per DWS regulation.



CUSTOMER SATISFACTION AND COLLABORATION

AMATHOLE DISTRICT MUNICIPALITY

Amatola Water provides bulk raw and potable water services to the Amathole District Municipality (ADM). The water board had, in line with the SALGA/South African Association of Water Utilities guidelines, negotiated a three-year supply agreement with Amathole District Municipality, signed on 26 June 2014 and valid until 30 June 2017. This contract is in the process of being renewed to June 2020.

BUFFALO CITY METROPOLITAN MUNICIPALITY

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 an escape clause) with Buffalo City Metropolitan Municipality, signed on 30 May 2002. This agreement remains valid until 30 May 2032.

NDLAMBE MUNICIPALITY

Amatola Water has entered into a bulk water supply agreement with the Ndlambe Municipality to supply the Kenton on Sea and Bushman's River areas with potable water. The agreement was signed on 30 March 2010 and is a 20-year agreement valid until July 2030.

DEPARTMENT WATER AND SANITATION

Amatola Water has been performing operation and maintenance of standalone water and sewer systems and dam safety on dams belonging to the National Department of Public Works. Amatola Water now manages 20 systems, which include six major water and sewerage works at Patensie, Kirkwood, Middledrift and St Albans Correctional Services. Amatola Water was tasked to run just the major works and the department uses its own resources to run the small standalone systems.

Amatola Water has been appointed to assist the department to become Blue and Green Drop-compliant. Water quality is measured on a regular basis at the Amatola Water Scientific Services Laboratory and data loaded monthly onto the BDS and GDS system. Regular site visits with proactive maintenance reduce the department's unplanned cost. This has assisted the department to concentrate on the landlord's core function and improves its services to their clients.

Risk abatement plans, process audits, and operations and maintenance manuals were compiled for all the WTW and WWTW of the National Department of Public Works for the Eastern Cape and all risks identified for budgeting purposes.

NATIONAL DEPARTMENT OF PUBLIC WORKS

Amatola Water has been performing operation and maintenance of standalone water and sewer systems and Dam Safety to dams belonging to the National Department of Public Works. Amatola Water now manages 20 systems which include six major water and sewerage works at Patensie, Kirkwood, Middledrift and St Albans Correctional Services. Amatola Water was tasked to only run the major works and the department would use its own staff to run the small standalone systems.

Amatola Water has been appointed to assist the Department to become Blue and Green Drop compliant. Water quality is measured on a regular basis at the Amatola Water Scientific Services' Laboratory and data loaded monthly onto the BDS and GDS system. Regular site visits with proactive maintenance reduce the department's unplanned cost. This has assisted the department to concentrate on the Landlord's core function and improves its services to their clients.

Risk abatement plans, Process Audits and Operations & Maintenance Manuals were compiled for all the WTW and WWTW of National Department of Public Works for the Eastern Cape and all risks identified for budgeting purposes.

MAKANA MUNICIPALITY

Amatola Water entered into a five-year ROU contract with Makana Municipality on 01 October 2013 as part of the Amatola Water initiative (CS1). This contract aims to capacitate the Makana bulk water infrastructure and the Waainek,

James Kleynhans, Riebeeck East and Alicedale bulk water systems to meet the current needs of the Municipality amidst serious failure in service delivery to the consumers in the municipal area. The initial impact of interventions was the introduction of a DWA-funded RRU project to carry out emergency repairs when residents took to the streets in protest against the municipality for failing to provide a consistent and safe water supply to consumers. Subsequently, a tripartite agreement was concluded with ECDC, Amatola Water and Makana Municipality to fund crisis intervention projects totalling R92.8 million. This funding supported the emergency repairs of motors and pumps in the Howieson Poort pump station and James Kleynhans Water Treatment Works; purchase of more pump sets for both these pump stations; refurbishment of air valves on the Howieson Poort rising main; upgrading of the panels; installation of bulk meters; installation of telemetry system; and refurbishment of filters and clarifiers amongst the six intervention areas of the project. The integrity of the electrical supply to the pump stations had been in bad condition, which caused many failures in the water supply, but this has since been rectified by the upgrading of existing and installation of new overhead power lines.

All four Makana plants are currently operating at maximum designed capacity and are stretched to beyond capacity during high peak demand period.

James Kleynhans WTW is continually encountering high turbidity and TDS concentrations. The plant capacity to handle the high turbidity and sludge is still a problem which the new planned upgrade will address. In the meantime filters and clarifiers are being cleaned as per the schedule and shutdowns roster, which results in high water losses.

Day-to-day training is done for SHE, operations and maintenance tasks; Water Board employees support the Makana employees to carry out their tasks as per the Water Board standard.

Makana Municipality submitted a payment plan to reduce their outstanding debt. The payment plan was not honoured by Makana Municipality and Amatola Water's last resort was to terminate its services in the local municipality.

EASTERN CAPE DEPARTMENT OF EDUCATION

Amatola Water has been appointed by Provincial Department of Education to provide bulk water and sanitation the DoE's operations and maintenance division for the entire Eastern Cape. The contract is currently in progress in priority one schools identified by DoE. Phase 1 includes the repair of the dilapidated infrastructure of special schools and hostels for the water and sanitation. The next phase will concentrate on the maintenance of these schools.

Amatola Water on behalf of DoE has appointed full-time Process Controllers and general workers at various schools for operation and maintenance to ensure good water and effluent quality. The capital projects, which include the development of ponds, boreholes, storage reservoirs and control rooms has also commenced. Various projects are at tender stage.

OR TAMBO DISTRICT MUNICIPALITY

The OR Tambo District Municipality (ORTDM) was one of the 24 priority DMs identified to benefit from the Interim Intermediate Water Supply Programme. The Municipal Water Infrastructure Grant (MWIG) was the dedicated funding mechanism for projects identified and implemented under this programme.

Department of Water and Sanitation (DWS), OR Tambo District Municipality (ORTDM) and Amatola Water (AW) joined forces through a tripartite agreement appointing AW as an implementing agent to implement the Ntontela and Tembukazi borehole development project, KSD LM Wards 26 and 28.The purpose of the programme is to ensure that communities that had no water supply receive a minimum level of supply. ORTDM identified areas such as Ntontela and Tembukazi, KSD LM Wards 26 and 28 that did not have safe, basic water supply or may require infrastructure or source augmentation or development to meet minimum requirements for water supply. This project is of strategic importance as it seeks to eliminate the water backlog within the identified area.

On the 23rd of June 2017, the Department of Water & Sanitation, in partnership with OR Tambo District Municipality (ORTDM), Ngquza Hill Local Municipality, Port St Johns Local Municipality and Amatola Water as the implementing agent, handed over the Ntontela Thembukazi Water Project covering Ngquza Hill Local Municipality (Wards 1, 2, and 3) and Port St Johns Local Municipality (Wards 17 and 18). The handover of the R44.4 million project took place at kwaNgcoya Great Place.

The project now services communities totalling 26,720 people in 37 villages and translates to more than 5,344 households.

Appealing to the community of kwaNgcoya and surrounding areas, the Deputy Minister of Water and Sanitation, Pamela Tshwete, said that water can be made available but if communities do not conserve it they will still experience challenges.

"The Government will continue to make it possible that people should have water even in other locations," she added.

She thanked the community of kwaNgcoya and surrounding areas for coming to the celebrations as well as the officials from ORTDM, Ngquza Hill Local Municipality, Port St Johns LM and Amatola Water as the implementing agent for making the project a success.

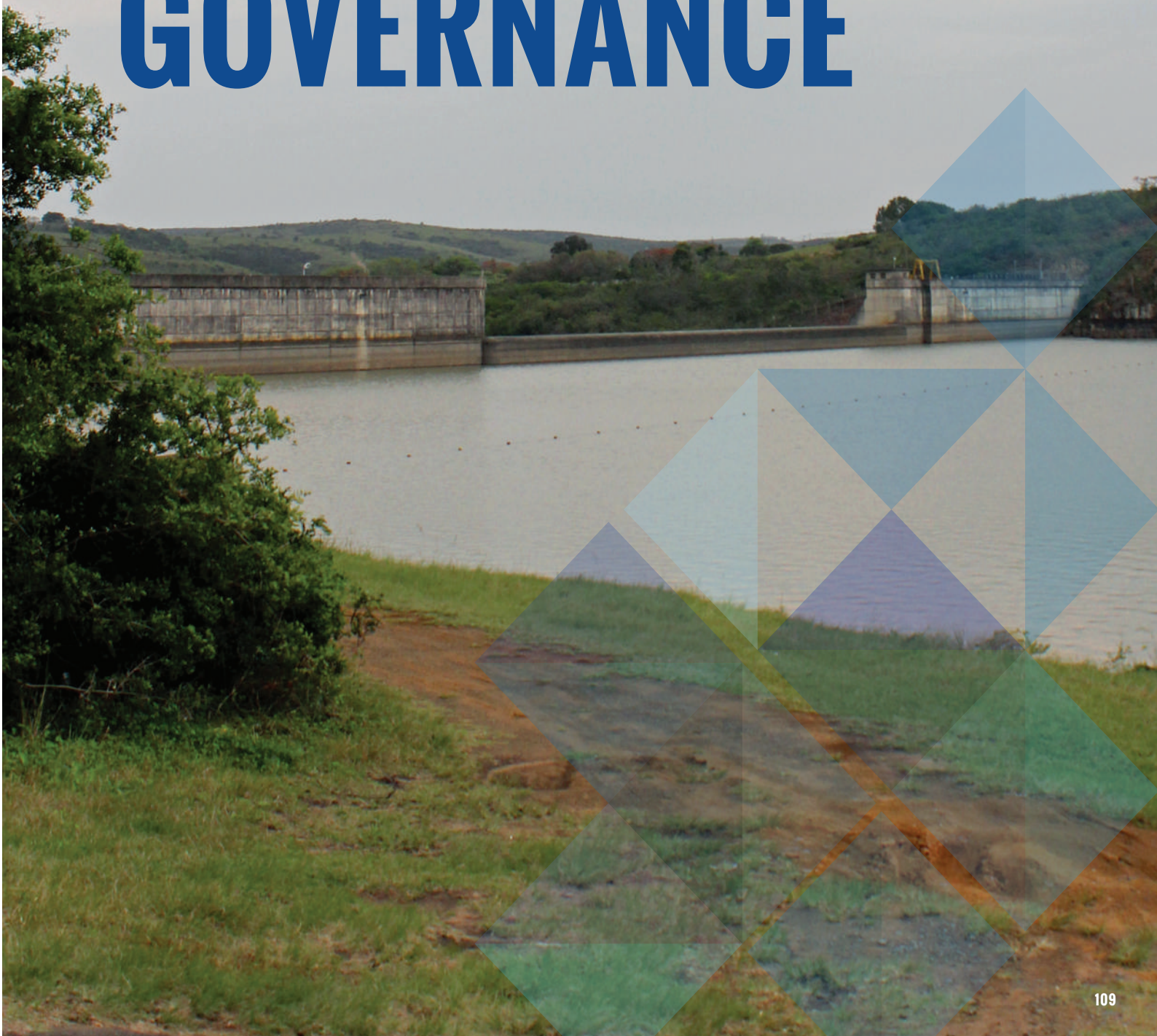
Amatola Water also provided support in ORTDM as an implementing agent for the Mthatha pipe replacement project.

The Mthatha pipe replacement project is a MIG-funded project intended to replace the decrepit and decaying asbestos cement pipes around Mthatha Town. During this financial year AW is replacing the Ncambedlane 200mm x 2km pumping and 250mm x 2km gravity mains, with associated valves, meters and fittings. This project is currently progressing well.

This financial year was the end of the tripartite agreement as the defect and liability period has ended and the addition allocation completed successfully.

SECTION 7

CORPORATE GOVERNANCE



SECTION 7

CORPORATE GOVERNANCE

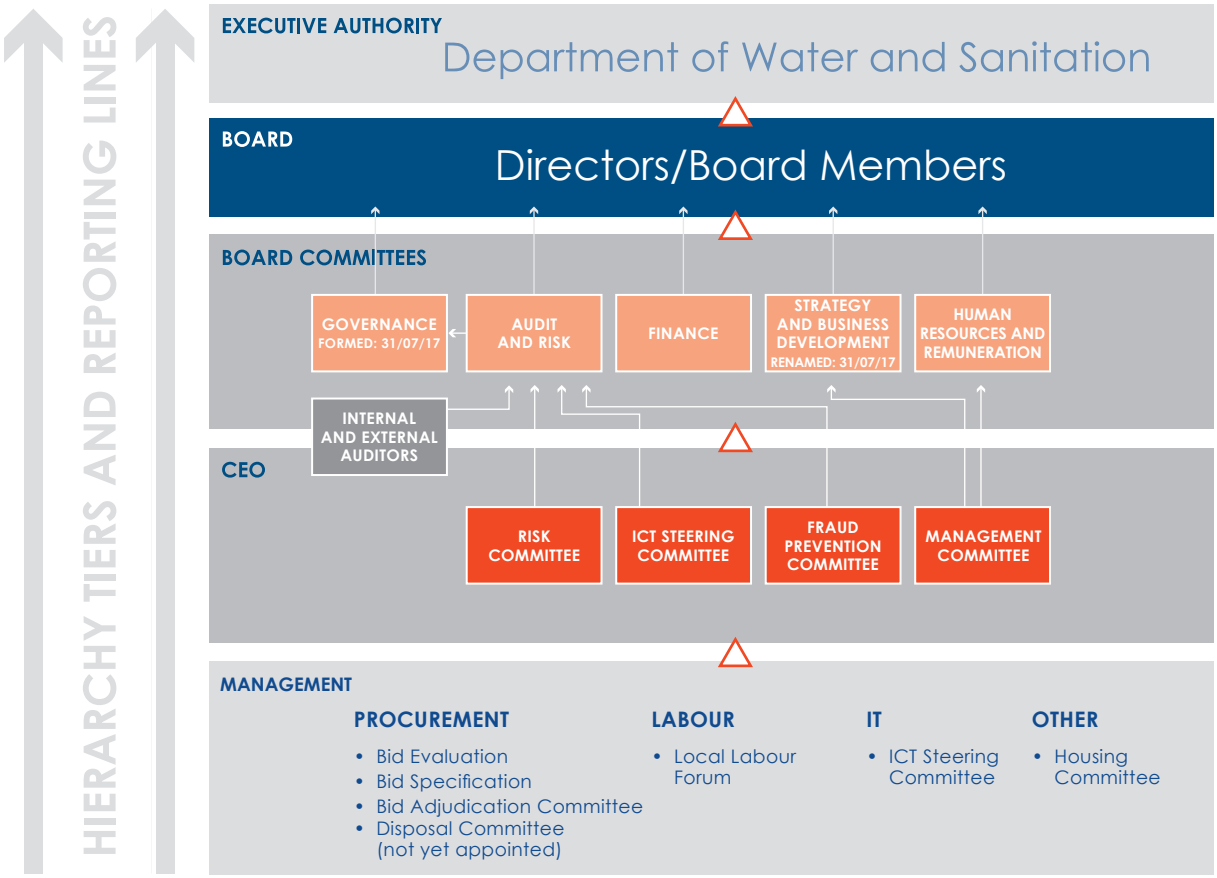


FIGURE 7.1: GOVERNANCE STRUCTURE

PORTFOLIO COMMITTEES

The Water and Sanitation Portfolio Committee exercises oversight, through the Executive Authority, over 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 Water and Sanitation, rests by and large on the prescripts of the Public Finance Management Act. The Executive Authority has power to appoint and dismiss the Board of the public entity. In addition to other powers set out in the Act, the Executive Authority must ensure that the appropriate mix of executive and non-executive directors is appointed and that the directors have the necessary skills to guide the public entity.

The Executive Authority has met with the Board of Amatola Water on occasion and continuously engages with the public entity in various areas. Strategic engagements are set out in the table on page 110. Operationally, various other project steering committees oversee project implementation.

DATE OF ENGAGEMENT	STAGE OF COMPLETION	CONTENT
27 September 2016	Launch	Sterkspruit Water Treatment Launch (Minister)
08 October 2016	Meeting	Meeting with Minister (Strike)

DATE OF ENGAGEMENT	STAGE OF COMPLETION	CONTENT
04 November 2016	Meeting	Chairperson Meeting with Minister
22 February 2017	Portfolio Committee Briefing	Briefing on Water Boards Annual Reports
22 February 2017	Meeting with Minister	Discuss Task team report
22-24 March 2017	Summit and Expo	DWS World Water Day
23 May 2017	Meeting	Business Plan Appraisal Session
26 May 2017	Budget Vote Debate	Ministerial Budget Vote Speech
23 June 2017	Project Launch	Water Project Launch Lusikisiki
17 August 2017	Meeting	Meeting between the Minister and the Chairpersons and Board members of Water Boards
Quarterly reporting	Reporting	Shareholder performance
Quarterly reporting	Reporting	• Job creation report • Youth accord
Ongoing	Reporting	Various topics from parliamentary and governance questions
Monthly reporting	Reporting	Emerging risks, challenges, strategic interventions and business opportunities

TABLE 7.1: NUMBER OF ENGAGEMENTS WITH EXECUTIVE AUTHORITY

THE ACCOUNTING AUTHORITY

Accounting Authority is the Board of Amatola Water. Amatola Water Board is headed and controlled by an effective and efficient Board of Executive (CEO) and non-executive directors with the necessary skills to strategically guide the Water Board. The majority of the members are Non-Executive Board members (directors) to ensure independent and objectivity in decision-making. The Board has absolute responsibility for the performance of the Amatola Water Board, and is fully accountable to the Executive Authority for such performance. The Board provides strategic direction to the public entity.

The mission statement of the Board is to lead Amatola Water in the pursuit of the organisation's Corporate Vision and to assist it to fulfil it's mandate of water services provision for the benefit of the Nation. As custodians of risk and strategy they confirm commitment to value creation by contributing both skills and expertise to the establishment of the strategy and the strategic risk register setting the values, purpose and mission of the organisation.

The Board engages with management at least quarterly, and additionally meets to deal with critical issues on an ad hoc basis. The Chairman of the Board engages with the CEO as and when required.

CHAIRMAN OF THE BOARD

The Chairman of the Board is appointed by the Honourable Minister. The role of Chairman of the Board is separate from that of the CEO. The authority of the Chairman consists in making decisions that fall within the areas covered by Board policies on governance process. The duties of the Chairman are expressly set out in the Board Charter to include:

- assuring the integrity of the Board's operations and representing the Board;
- speaking for the Board (beyond simply reporting Board decisions), other than in specifically authorised instances;
- presiding over meetings of the Board and ensuring its smooth functioning in the interest of good governance; and
- providing overall leadership to the Board, without limiting the principle of collective responsibility for Board decisions.

BOARD CHARTER

As recommended by the King IV[1] Code on Corporate Governance, the Board has a Board Charter setting out its responsibilities and sets out the overall responsibility of the Board Committees. These are captured above.

To date the Board has continued compliance with the Board Charter and has reviewed the terms of reference of Committees to ensure alignment with strategic objectives as required.

COMPOSITION OF THE BOARD

The Board is composed of the Executive CEO, and non-executive directors. The skills set of the Board can be seen from the below. There are ten members of the Board however, two members resigned, as depicted below.

BOARD APPOINTMENT

On 1 February 2016 all non-executive directors were appointed by the Honourable Minister of Water and Sanitation as per the Act for four years with a maximum of three terms.



NOKULUNGA MNQETA

Chairman

National Diploma in Forestry, BSc (Hons) (Agriculture), MSc (Agriculture)

Ms Mnqeta is the founder and Managing Director of Leaf Services. She has worked as an Executive for Statutory Operations at the Perishable Products Export Board where she championed the transformation of the industry while ensuring the competitiveness of South Africa's perishable exports. She is the founding CEO of the Eastern Cape Parks Board and former CEO of Aspire. She has also held senior positions with the Council for Scientific and Industrial Research, the Eastern Cape Department of Economic, Environmental Affairs and Tourism, the Agricultural Research Council and the former Department of Water Affairs and Forestry.She serves on the board of the South African Biodiversity Institute where she is Chairman of the Research, Development and Innovation Committee.

▲ 9
✔ 9



SIZWE HADEBE

Deputy Chairman

GDE (Civil), MEng (Civil), MBA, PGDip (Management), BSc, National Diploma in Analytical Chemistry

Mr Hadebe has over 15 years' experience in the water sector as well as qualifications in science, engineering, management and leadership.

▲ 9
✔ 3



PROF LYNETTE LOUW

National Certificate: Secretarial, National Certificate: Tourism, BCom (Hons cum laude) (Business Economics), MCom (cum laude) (Business Economics), PhD (Business Management)

Prof Louw, appointed in the Raymond Ackerman Chair of Business Administration in the Department of Management at Rhodes University, is a Deputy Dean in the Faculty of Commerce. She boasts an assortment of credentials, including former Vice-President of Public Relations and Finance for the NEPAD Council, and former Chairman of the NEPAD Council's Commission of Socio-Economic Development and Trade.

▲ 9
✔ 6



BRIAN HOLLINGWORTH

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

Mr Hollingworth is an independent water consultant and arbitrator, a registered Professional Engineer (ret) and a Fellow of the Association of Arbitrators. Until 2004, he worked at the Development Bank of Southern Africa where he gained experience in development finance institutions and approaches to key issues, such as environmental sustainability, economic justification of projects and public-private partnerships. He has served on the Regional Technical Committee of the Global Water Partnership, is a former Chairman of the South African Multi-stakeholder Initiative on the World Commission on Dams Report and former Deputy Chairman of the South African Water Tribunal.

▲ 9
✔ 5



MPHOKO NZIMANDE

(Resigned 21 August 2017)

BSc (Mechanical Engineering, Infrastructure), Project Finance Course

Ms Nzimande is an accomplished mechanical engineer with over 10 years' senior and executive experience in South African blue chip companies across the engineering and financial sectors. She is currently Managing Director of an engineering company.

▲ 9
✔ 5

MEETING ATTEDANCE

▲ *Total number of meetings held while a member*
✔ Number of meetings attended while a member



ABRAHAM LE ROUX

BA (Law), LLB

Mr le Roux is a practising attorney, specialising in public and commercial law. His interest lies in regulatory compliance and finding solutions to the challenges faced by government. He serves on the board of the Eastern Cape Rural Development Agency and is a member of the SANParks Honorary Rangers.

▲ 9
✔ 9



CHUMA MBANDE

Higher Diploma in Civil Engineering, MSc (Financial Management), MSc (Engineering), MBL, Construction Management Programme, Business Leadership Programme

Mr Mbande is an Executive Manager at Coega Development Corporation with over 21 years' experience in various management positions. His key experience includes the design and management of road infrastructure projects, rural water supply, solid waste disposal sites and the provision of services in urban areas, as well as the development of infrastructure, institutional framework systems and processes, and the development and implementation of corporate strategy, business processes and organisational policies, among others.

▲ 9
✔ 6



EUGENE JOOSTE

BCom (Acc), SAIPA, IoDSA, International Executive Development Programme (IeDP)

Mr Jooste is a seasoned management specialist with extensive experience in the public and private sectors. He is a non-executive board member of national and provincial state owned companies and a member or Chairman of a number of sub-committees in finance, procurement, governance, and audit and risk management. He has specialist expertise in procurement, financial management, budget management, governance, and audit and risk management. He has worked as a Project Financial Specialist at a wholesale finance development financial institution, Financial Manager for retail-lending development financial institutions, Chief Financial Officer and General Manager: Supply Chain Management for more than a decade in Eastern Cape provincial government departments. His sector experience covers, but is not limited to, health, roads and public works, agriculture, treasury, SMME and industrial development, higher education and training, and public private partnerships.

▲ 9
✔ 8



TEBOGO MAENETJA

(Resigned 10 August 2016)

BA (Social Work), MA (Industrial Social Work), Executive Development Certificate

Ms Maenetja is the Human Resources Director for BP Southern Africa and serves on the boards of the BP Southern Africa Education Trust and Masana Petroleum Solutions, a BBBEE company in which BP is a major shareholder. Prior to joining BP, Tebogo was Human Resources Director for Hewlett Packard where she served on the board and its subsidiaries.

▲ 1
✔ 0



LEFADI MAKIBINYANE

(Dismissed 26 September 2017)
Chief Executive Officer

BEng (Hons) (Chemical), PGDip (Project Management), MBL

Mr Makibinyane is an accomplished engineer and executive, having worked in various leadership positions within public and corporate institutions, including the City of Tshwane Metropolitan Municipality, Fieldstone Africa, the Industrial Development Corporation, South African Breweries and Sasol, among others. He also serves as a non-executive director on the boards of Rand Water, the Construction Industry Development Board and the Gauteng Partnership Fund.

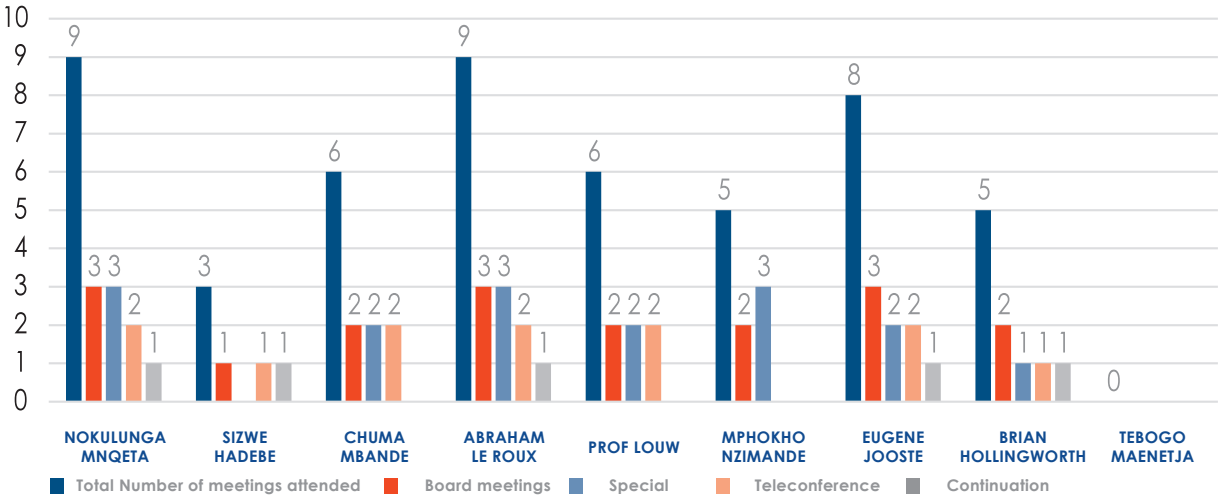
▲ 0
✔ 0

BOARD ATTENDANCE

The Board has shown commitment in ensuring it achieve its objectives by also monitoring attendance at board meetings as a deliverable on the performance scorecard of the organisation. The Board's attendance record for this financial year in the1st quarter was 70%, in the 2nd quarter 69%, in the 3rd quarter 69%, and in the 4th quarter 75%. The Board urged its members to maintain the desired 80% as directed by the Honourable Minister. The Board continued to strive to achieve the desired outcome and confirmed its commitment as the year rolled out.

NAME	BOARD MEMBERS	TOTAL NUMBER OF MEETINGS	TOTAL NUMBER OF MEETINGS ATTENDED	BOARD MEETINGS	SPECIAL	TELECONFERENCE	CONTINUATION
N. Mnqeta	Chairman	9	9	3	3	2	1
S. Hadebe	Deputy Chairman	9	3	1	0	1	1
T. Maenetja	Board Member	1	0	0	0	0	0
C. Mbande	Board Member	9	6	2	2	2	0
A. Le Roux	Board Member	9	9	3	3	2	1
L. Louw	Board Member	9	6	2	2	2	0
M. Nzimande	Board Member	9	5	2	3	0	0
E. Jooste	Board Member	9	8	3	2	2	1
B. Hollingworth	Board Member	9	5	2	1	1	1

TABLE 7.2: BOARD MEMBER ATTENDANCE



GRAPH 7.1: NUMBER OF MEETINGS ATTENDED BY A BOARD MEMBER

RESIGNED MEMBERS

The following are non-executive Board members resigned:

1. Ms. T. Maenetja resigned on 10th August 2016.
2. Ms. M. Nzimande resigned on 21st August 2017.

NAME	DESIGNATION (IN TERMS OF THE PUBLIC ENTITY BOARD STRUCTURE)	DATE APPOINTED	DATE RESIGNED	QUALIFICATIONS	AREA OF EXPERTISE	NO. OF MEETINGS ATTENDED
Mphokho Nzimande	Board Member	1 February 2016	21st August 2017	1. BSc Mechanical Engineering 2. Infrastructure Project Finance	Human Resource	FINCO = 4 SPECIAL FINCO = 2 BOARD = 2 SPECIAL BOARD = 3
Tebogo Maenetja	Board Member	1 February 2016	10th August 2016	1. BA Social Work 2. MA Industrial Social Work 3.Certificate in Executive Development	Engineering and Project management	HRRC = 1 BOARD = 0

TABLE 7.3: LIST OF NON-EXECUTIVE BOARD MEMBERS RESIGNING OR OUTGOING

INDUCTION AND TRAINING OF NON-EXECUTIVE DIRECTORS

All Board members are expected to have the background knowledge and skills to fulfil their roles, which is verified in the process of selecting Board members, as per the policy on board practices set out by the Executive Authority. All new board members upon appointment are trained on corporate governance by the Executive Authority. The principles governing training are set out in the policies of the Executive Authority together with the approval requirements and remuneration allowances.

REMUNERATION OF BOARD MEMBERS

The remuneration of the members of the Board is determined by the policy regarding Board practices and remuneration set out by the Executive Authority. The table for remuneration of Board members is covered in the financial statements. This table also includes details of the independent Audit and Risk Committee remuneration.

COMPANY SECRETARY

The Company Secretary provides support to the Board as follows:

1. Guidance to Board members related to the discharge of their duties
2. Development of systems, processes and procedures to support the Board
3. Induction of new Board members
4. Updates for the Board on new and relevant legislation
5. Guidance on ethics and good governance
6. Assistance to the Board as custodians of good corporate governance

The Company Secretary is a central link between the Board and the Management Committee of the organisation, providing guidance to the Board and its sub-committees on the manner in which to discharge their responsibilities, as well as providing advice and support to the Management Committee on all governance, ethical and legal matters in the organisation. It is recognised that the functions falling with the Company Secretary's mandate are oversight functions. The Company Secretary has a direct reporting line to the Board and administratively reports to the CEO.

The Company Secretary is available to all Board members, all the time, to provide assistance, guidance or advice, independently. Though the Company Secretary attends Board meetings in an advisory capacity, the Company Secretary is not a member of the Board of directors and ensures an arm's-length relationship with the Board and its members. The Company Secretary is responsible for ensuring that Board and company proceedings and affairs are carried out in compliance with current legal and regulatory requirements.

BOARD COMMITTEES

The Board is supported by the following committees:

- Governance Committee formed on 31 July 2017;
- Audit and Risk Committee;
- Human Resources and Remuneration Committee;
- Finance Committee;
- Strategy and Business Development Committee

Board members sit on various committees to ensure cross-pollination and adequate transfer of skills and prevent pockets of skills in one focus committee. The skills set for the various board members and the requirements of the respective committees have been taken into account when determining committee representation to ensure the best value-add. To enhance value creation processes and policies have been put in place to monitor the culture of the organisation, the attitude to risk, and mechanisms for addressing integrity and ethical issues.

The Terms of Reference of all committees are approved by the Board and reviewed periodically. The Chairs of the committees report to the Board quarterly on committee performance and any matters arising. The Terms of Reference dictate the matters that are within the powers of the committee to approve and the matters requiring escalation.

♦ GOVERNANCE COMMITTEE

In July 2017 the Board set up the Governance Committee to ensure further effectiveness and oversight. The Chairman's of all the committees sit on that committee and it is chaired by the Chair of the ARC.

The purpose of the Governance Committee is to assist the Board in fulfilling its oversight responsibility with regard to:

- Organisational development including but not limited to turnaround, rebranding and restructure;
- Delegation of authority;
- Matters which would fall into the mandate of more than one of the other committees of the Board, thereby avoiding duplication; and
- Any other matter that the Board may refer to the Governance Committee.

The Governance Committee has no inherent authority and may only make recommendations to the Board. The Chairman may instruct the Chief Executive Officer to submit to the committee any report which the Chairman deems relevant to the work of the committee.

♦ AUDIT AND RISK COMMITTEE

The Audit and Risk Committee assists the Board in fulfilling its oversight responsibilities. The committee reviews the financial reporting process; the systems of internal controls and management of financial risks; the audit process; the process for monitoring compliance with laws and regulations and its own code of business conduct; and the fraud prevention strategy. In performing its duties, the committee maintains effective working relationships with the Board of directors, management, and the internal and external auditors.

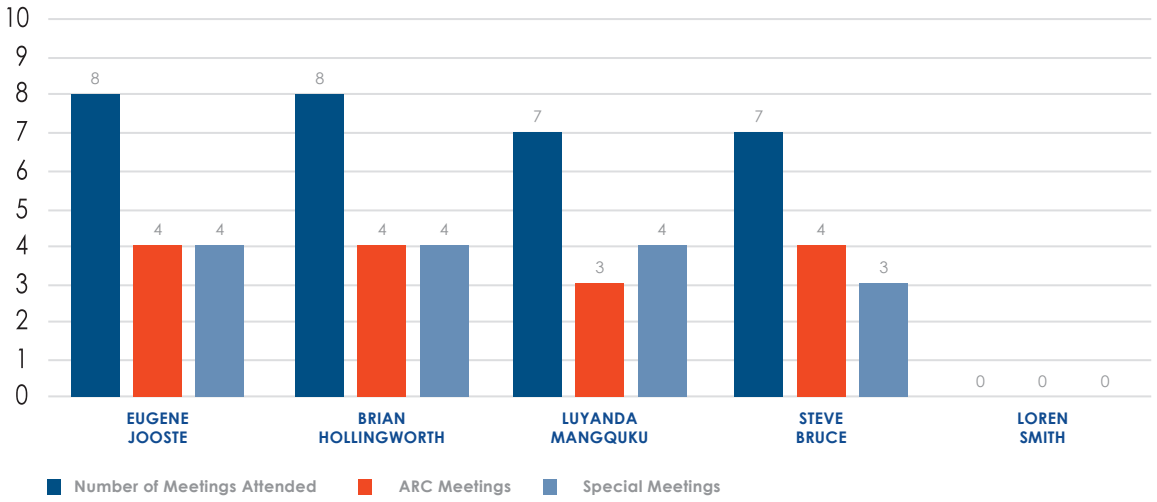
The overall functions of the Audit and Risk Committee, in line with PFMA and Treasury Requirements, cover the following areas:

- General Financial Reporting
- Annual Financial Reporting
- Internal Audit
- External Audit
- Risk Management
- Compliance with laws and regulations
- Compliance with Code of Conduct of Amatola Water
- Fraud Prevention Strategy
- Reporting Responsibilities and Other responsibilities

The Audit and Risk Committee hosts in-committee sessions to exercise independence freely and to discuss confidential matters. The committee extended these sessions to internal audit, external audit and management independently of each other. These sessions are then reported on where necessary to the Board.

NAME	ARC	TOTAL NUMBER OF MEETINGS	NUMBER OF MEETINGS ATTENDED	ARC MEETINGS	SPECIAL MEETING
E. Jooste	Committee Chairman	8	8	4	4
B. Hollingworth	Member	8	8	4	4
L. Mangquku	Member	8	7	3	4
S. Bruce	Member	8	7	4	3
L. Smith	Independent Member	0	0	0	0

TABLE 7.4: ARC ATTENDANCE



GRAPH 7.2: ARC ATTENDANCE

NAME	QUALIFICATIONS	INDEPENDENT EXTERNAL MEMBER OR BOARD MEMBER	RACE	DATE APPOINTED	GENDER	NUMBER OF MEETINGS TOTAL	NUMBER OF MEETINGS ATTENDED
E. Jooste	BCom (Acc), SAIPA, IoDSA, International Executive Development Programme (IeDP)	Board Member	Coloured	11 March 2016	M	8	8
B. Hollingworth	BSc (Civil Engineering), LLB, MSc (Hydraulics), MBA (Business Administration)	Board Member	White	11 March 2016	M	8	8
L. Mangquku	Honours,Bachelor of Accounting Science; Honours, Bachelor of Commerce; Qualified Chartered Accountant, CA (SA); Masters in Business Leadership; Advanced Company Law I & II (Witwatersrand University)	Independent Non – Board Member	Black	1 July 2013 Contracted ended 31 August 2017	M	8	7
S. Bruce	Chartered Accountant, CA (SA)	Independent Non – Board Member	White	1 November 2014 Contracted ended 31 August 2017	M	8	7
L. Smith	Chartered Accountant, CA (SA), BCom (Acc), Post graduate Diploma in Accountancy, Advance Certificate in Auditing, Advanced Certificate in Auditing, Member of the Institute of Internal Auditors South Africa (IIA)	Independent Member	White	Appointed 29 August 2017	F	0	0

TABLE 7.5: ARC MEMBER DEMOGRAPHICS AND QUALIFICATIONS

THE FOLLOWING IS A SHORT SYNOPSIS OF THE ARC INDEPENDENT MEMBER PROFILES:

MR. JOOSTE	Mr Jooste is a seasoned management specialist with extensive experience in the public and private sectors. He is a non-executive board member of national and provincial state-owned companies and a member or Chairman of a number of sub-committees in finance, procurement, governance, and audit and risk management. He has specialist expertise in procurement, financial management, budget management, governance, and audit and risk management. He has worked as a Project Financial Specialist at a wholesale finance development financial institution, Financial Manager for retail-lending development financial institutions, Chief Financial Officer and General Manager: Supply Chain Management for more than a decade in Eastern Cape provincial government departments. His sector experience covers, but is not limited to, health, roads and public works, agriculture, treasury, SMME and industrial development, higher education and training, and public-private partnerships.
MR. HOLLINGWORTH	Mr Hollingworth is an independent water consultant and arbitrator, a registered Professional Engineer (ret) and a Fellow of the Association of Arbitrators. Until 2004, he worked at the Development Bank of Southern Africa where he gained experience in development finance institutions and approaches to key issues, such as environmental sustainability, economic justification of projects and public-private partnerships. He has served on the Regional Technical Committee of the Global Water Partnership, is a former Chairman of the South African Multi-stakeholder Initiative on the World Commission on Dams Report and former Deputy Chairman of the South African Water Tribunal.
MR. BRUCE	Mr Bruce is a chartered accountant with vast experience in external audit, business risk, taxation, financial statement analysis and management consulting.
MR. MANGQUKU	Mr. Mangquku began his chartered accountancy career from Arthur Anderson and graduated from private sector to the mining sector. His expertise combined had been gained from finance and investment management, capital raising, deal structuring and project management together with mergers and advisory services. His qualifications include a Masters in Business Leadership.
MS. SMITH	Ms. Smith is a partner of Marais & Smith Chartered Accountants, with vast experience in Financial Management, Human Resources & Training, Risk management, Asset management and Accounting Framework compliance.

TABLE 7.6: ARC MEMBER SYNOPSIS

♦ HUMAN RESOURCES AND REMUNERATION COMMITTEE

The primary functions of the Human Resources and Remuneration Committee are oversight of the formulation of policy relating to organisational transformation and human resources and issue of recommendations concerning policy implementation and/or policy revision, as appropriate.

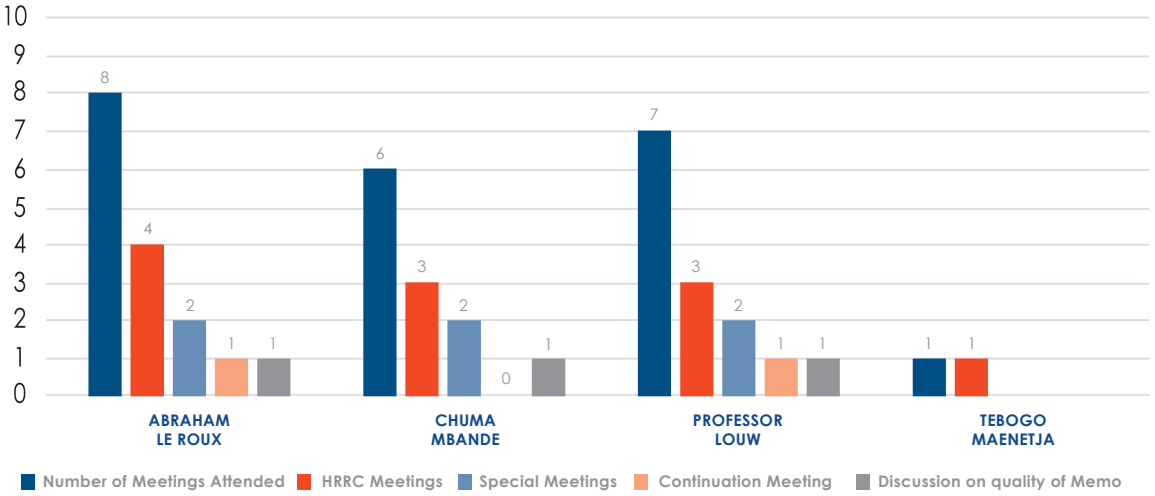
As part of the 20-year Board strategy (2013/2033), this committee also has a supervisory role to ensure that management reports cover the Employee and Leadership Development outcomes. The five-year objectives of this role are:

1. Enhance strategic effectiveness
2. Build cross-functional excellence/effectiveness
3. Develop operational competence (individual)

THE FOLLOWING TABLE DEPICTS THE DEMOGRAPHICS AND THE ATTENDANCE OF THE COMMITTEE

	HRRC	TOTAL NUMBER OF MEETINGS	NUMBER OF MEETINGS ATTENDED	HRRC MEETINGS	SPECIAL MEETING	CONTINUATION MEETING	DISCUSSION ON QUALITY OF MEMO
A. Le Roux	Committee Chairman after Ms Maenetja resigned 10th August 2016	8	8	4	2	1	1
C. Mbande	Member	8	6	3	2	0	1
Prof. Louw	Member	8	7	3	2	1	1
T. Maenetja	Committee Chairman resigned 10th August 2016	1	1	1			

TABLE 7.7: HRRC ATTENDANCE



GRAPH 7.3: NUMBER OF MEETINGS ATTENDED BY HRRC MEMBER

NAME	QUALIFICATIONS	RACE	GENDER	NUMBER OF MEETINGS TOTAL	NUMBER OF MEETINGS ATTENDED
A. Le Roux	BA (Law), LLB	White	Male	8	8
C. Mbande	Higher Diploma in Civil Engineering, MSc (Financial Management), MSc (Engineering), MBL, Construction Management Programme, Business Leadership Programme	Black	Male	8	6
Prof. Louw	National Certificate: Secretarial, National Certificate: Tourism, BCom (Hons cum laude) (Business Economics), MCom (cum laude) (Business Economics), PhD (Business Management)	White	Female	8	7
T. Maenetja	BA (Social Work), MA (Industrial Social Work), Executive Development Certificate	Black	Female	1	1

TABLE 7.8: HRRC MEMBER SYNOPSIS

The Finance Committee is responsible for all matters which relate to, or have a bearing on, the overall financial management and performance of Amatola Water. Its tasks include review of budgets, treasury activities, procurement and optimum debtors' management.

As part of the 20-year Board strategy (2013-2033), this committee also has an oversight role on any matters relating to the financial and infrastructure viability.

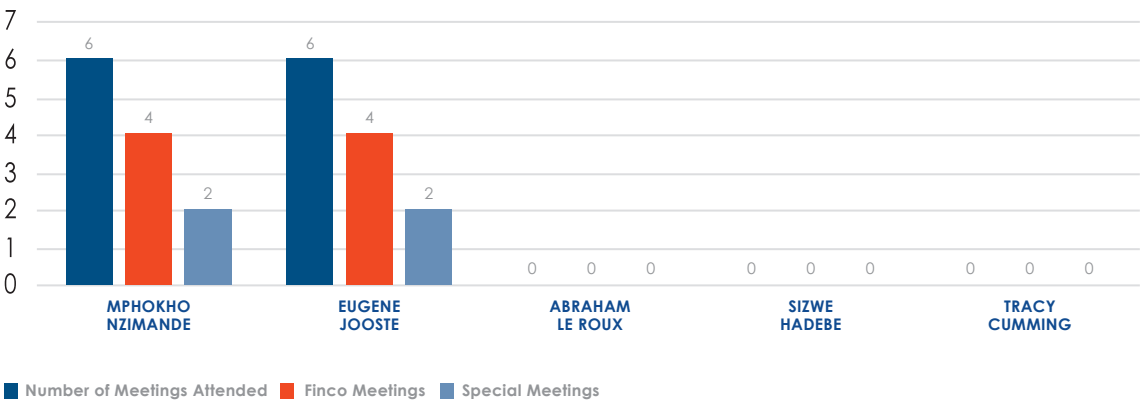
The main objectives are:

1. Ongoing strengthening of balance sheet to sustainable services (ratios)
2. Management of surplus per financial year contribution to build reserves and invest in infrastructure
3. Sourcing of funding alternatives for infrastructure development
4. Determination of a sustainable and affordable tariff
5. Management of a reliable infrastructure
6. Facilitation of plant upgrades to provide minimum give megs per day
7. Influence over Provincial Water Infrastructure Sector Plan (Master Planning)
8. Minimisation of production and distribution water losses

THE FOLLOWING TABLE DEPICTS THE DEMOGRAPHICS AND THE ATTENDANCE OF THE COMMITTEE

	FINCO		TOTAL NUMBER OF MEETINGS	TOTAL NUMBER OF MEETINGS ATTENDED	FINCO MEETINGS	SPECIAL
M. Nzimande	Committee Chairman		6	6	4	2
E. Jooste	Member		6	6	4	2
S. Hadebe	Member Appointed as Chairman 29 August 2017		6	0	0	0
A. Le Roux	Member		1	0	0	0
T. Cumming	Independant Member Appointed August 2017	29	0	0	0	0

TABLE 7.9: FINCO ATTENDANCE



GRAPH 7.4: NUMBER OF MEETINGS ATTENDED BY FINCO MEMBER

NAME	QUALIFICATIONS	RACE	GENDER	NUMBER OF MEETINGS TOTAL	NUMBER OF MEETINGS ATTENDED
M. Nzimande	BSc Mechanical Engineering Infrastructure; Project Finance Course	Black	Female	6	6
E. Jooste	BCom (Acc), SAIPA, IoDSA, International Executive Development Programme (IeDP)	Coloured	Male	6	6
A. Le Roux	BA (Law), LLB	White	Male	1	0
S. Hadebe	GDE (Civil), MEng (Civil), MBA, PGDip (Management), BSc, National Diploma in Analytical Chemistry	Black	Male	6	0
T. Cumming	Chartered Accountant CA(SA), CTA, BCom Accounting	White	Female	0	0

TABLE 7.10: FINCO MEMBER SYNOPSIS

STRATEGY AND BUSINESS DEVELOPMENT COMMITTEE

The role of the Strategy and Development Committee is to assist the Board in fulfilling its oversight responsibilities. The specific focus of the Committee is on matters relating to, or having a bearing on strategic direction and general performance of Amatola Water including business development.

As part of the 20 year Board Strategy (2013-2033) the Strategy and Business Development Committee also has an oversight role regarding any matters relating to the Customer Satisfaction, Product Quality, Operational Resiliency, Operational Optimisation and Water Resource Adequacy.

The purpose of the Strategy and Business Development Committee is to assist the Board in fullfilling its oversight responsibility with regard to:

- Strategic planning;
- Business planning;
- Corporate Citizenship; and
- Any other matter that the Board may refer to the Strategy and Business Development Committee

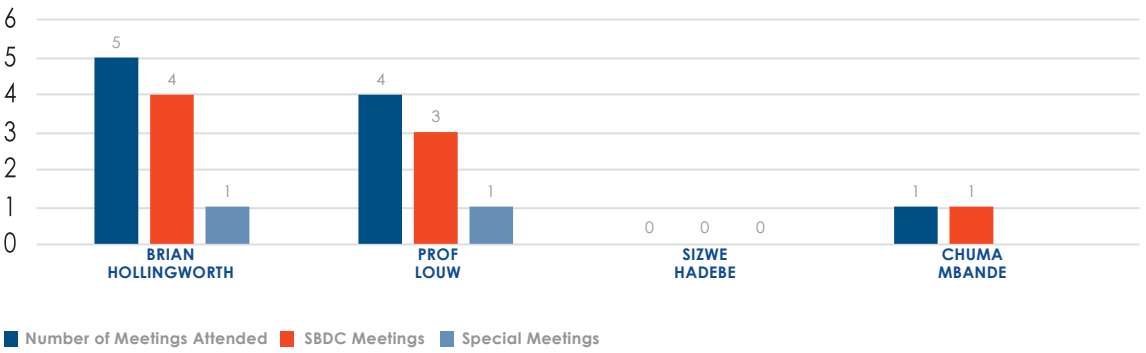
The main objectives are:

1. Increased customer base and penetration (delivery options/ services)
2. Improved customer satisfaction
3. Assurance of uninterrupted water supply services to customers
4. Development of adequate systems, structures, policies and processes to enable strategy implementation
5. Establishment and maintenance of strong Governance, Compliance, Risk and Fraud Prevention systems
6. Adequate water security and assurance in support of water supply

THE FOLLOWING TABLE DEPICTS THE DEMOGRAPHICS AND THE ATTENDANCE OF THE COMMITTEE

	SBDC	TOTAL NUMBER OF MEETINGS	TOTAL NUMBER OF MEETINGS ATTENDED	SBDC MEETINGS	SPECIAL
B. Hollingworth	Committee Chairman	5	5	4	1
Prof Louw	Member	5	4	3	1
S. Hadebe	Member	5	0	0	0
C. Mbande	Member	1	1	1	

TABLE 7.11: SBDC ATTENDANCE



GRAPH 7.5: NUMBER OF MEETINGS ATTENDED BY SBDC MEMBER

NAME	QUALIFICATIONS	RACE	GENDER	NUMBER OF MEETINGS TOTAL	NUMBER OF MEETINGS ATTENDED
B. Hollingworth	BSc (Civil Engineering), LLB, MSc (Hydraulics), MBA (Business Administration)	White	Male	5	5
Prof Louw	National Certificate: Secretarial, National Certificate: Tourism, BCom (Hons cum laude) (Business Economics), MCom (cum laude) (Business Economics), PhD (Business Management)	White	Female	5	4
S. Hadebe	GDE (Civil), MEng (Civil), MBA, PGDip (Management), BSc, National Diploma in Analytical Chemistry	Black	Male	5	0
C. Mbande	Higher Diploma in Civil Engineering, MSc (Financial Management), MSc (Engineering), MBL, Construction Management Programme, Business Leadership Programme	Black	Male	1	1

TABLE 7.12: SBDC MEMBER SYNOPSIS

DELEGATIONS OF AUTHORITY

In accordance with the WSA, the Board may delegate any operational power to-

- a committee of the Board;
- its chief executive; or
- any of its employees.

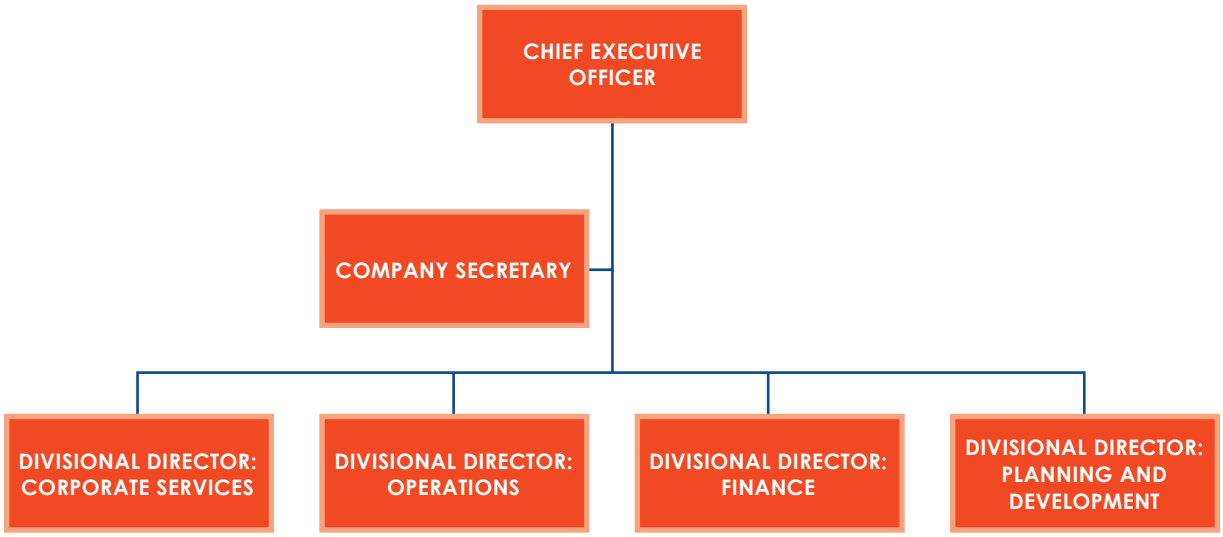
This is done via a 'delegations of authority' matrix. Even though the CEO is delegated the responsibility to handle matters, the CEO still reports to the Board on all delegated areas. The delegations of authority through the 16/17 financial year went through a review and were updated. As the DOA was affected by the policy update, the DOA will be updated in turn.

THE CHIEF EXECUTIVE OFFICER (CEO)

The Chief Executive Officer constantly 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. He ensures continuous improvement in quality and value of services provided by the organisation, and safeguards its satisfactory position within the water industry. He fosters a corporate culture that promotes ethical practices, encourages individual integrity, and fulfils social responsibility objectives and imperatives.

With respect to providing information and counsel to the Board, the CEO has a duty to keep the Board informed at all times. Accordingly, he has the duty:

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


CHIEF EXECUTIVE OFFICER
COMPANY SECRETARY
DIVISIONAL DIRECTOR: CORPORATE SERVICES
DIVISIONAL DIRECTOR: OPERATIONS
DIVISIONAL DIRECTOR: FINANCE
DIVISIONAL DIRECTOR: PLANNING AND DEVELOPMENT



MANAGEMENT COMMITTEE



LEFADI MAKIBINYANE

(Dismissed 26 September 2017)
Chief Executive Officer

BEng (Hons) (Chemical), PGDip (Project Management), MBL

Mr Makibinyane is an accomplished engineer and executive, having worked in various leadership positions within public and corporate institutions, including the City of Tshwane Metropolitan Municipality, Fieldstone Africa, the Industrial Development Corporation, South African Breweries and Sasol, among others. He also serves as a non-executive director on the boards of Rand Water, the Construction Industry Development Board and the Gauteng Partnership Fund.



YONDELA ROBOJI

(Dismissed 6 March 2017)
Director: Corporate Services

PGDip (Industrial Psychology) and PGDip (Business Information Systems)

Ms Roboji has over 15 years' experience in the corporate services sphere, having worked in various public-sector institutions. Her areas of expertise include corporate services, strategy and policy formulation, knowledge management and ICT governance.



ASANDA GIDANA

Director: Operations
Acting Chief Executive Officer (Acting from 1 August 2017)

BTech (Civil Engineering), NQF8: Executive Development

Ms Gidana is a civil engineering technologist with 17 years' postgraduateexperience in the public and private sectors, particularly infrastructure development. She has been involved in contract administration, and project and programme management of multidisciplinary infrastructure projects, and has worked with more than 500 people (from illiterate to professional staff), which has strengthened her ability to manage human resources and broadened her understanding of people. She has accumulated sound expertise in other critical key strategic areas of public-sector administration. She is also a change management agent.



KEVIN GOVINDSAMY

Director: Finance (Suspended 1 August 2017)

BCom, MCom, CIMA Diploma BCom, MCom, CIMA Diploma

Mr Govindsamy is a qualified professional accountant with extensive experience in accounting and taxation. He has worked in the private and public sectors for Tongaat Hullett, Kraft Foods, SABMiller and the South African Revenue Services (SARS). His solid manufacturing experience is valuable to Amatola Water.



THIPE MOKGOSHI

Director: Planning & Development (Contract ended 30 June 2017)

B.Eng Chemical Engineering in the UK (Teesside University) and Engineering Management Certificate from Pretoria University.

Experience as a junior engineer in 1993 for an engineering consultant company, Fluor Daniel SA and gained experience at Sapref had practical exposure to the fundamentals of engineering and design. He spent over fifteen years with Sasol in different fields, engineering, production and operations, project implementation and commissioning, all safety disciplines (process, occupational and environmental safety). While in Secunda, He also worked for Rhohr Rhine Chemie, high pressure and chemical cleaning company, and also was assigned to their office in Dubai.

Mr Mokgoshi was succeeded by Mr Rousseau and then by Mr Mqamelo.

The permanent CEO, Mr. L. Makibinyane, was appointed to office as of 1 February 2015 and dismissed 26 September 2017. Mr. K. Govindsamy was appointed as Acting CEO after the suspension of Mr. L. Makibinyane on 4 March 2017 and he was subsequently suspended 1 August 2017. On 1 August 2017, Ms. A. Gidana was appointed as Acting CEO.

CORPORATE GOVERNANCE AT OPERATIONAL LEVEL

To ensure good corporate governance is maintained there are various Committees in place at the operational level. These and the reporting lines are depicted in the Governance structure above in page 110.

These committees are:

- MANCO
- Corporate Risk Committee
- Bid Adjudication Committee
- Bid Evaluation Committee
- Bid Specification Committee
- It Steering Committee
- Fraud Prevention Committee
- Housing Committee
- Local Labour Forum

Further committees below this level of management committee exist and they are independent in nature and report or submits information to the above committees. All committees are formally constituted and have terms of reference and reporting lines to the CEO in his capacity as CEO.

THE MANCO

The Management Committee comprises the Chief Executive and four divisional directors. The core responsibilities of the Management Committee include the development and implementation of policies as well as management of the daily operations of the organisation in line with the strategic goals. Management ensures that relevant legislation and regulations are adhered to and adequate internal financial controls are developed, implemented and maintained.

MANCO focuses on project reporting and critical areas, as well as areas highlighted by the Board and/or Board committees. All directors provide collective feedback on matters raised on this committee. MANCO also meets with Amatola Water union representatives monthly and further engages the extended management staff as required. Matters of internal audit are not raised in a cyclio as the CEO requires internal audit to meet management once a month to discuss reports, report status, and internal audit findings

REMUNERATION AND INCENTIVES

The Board is remunerated as per the policy dictated by the Executive Authority. The management of Amatola Water is remunerated in line with a remuneration policy and incentives are paid in line with a performance management system linked to the overall achievement of the strategy of the organisation.

Amatola Water management acknowledges that the performance management system requires a review to become an integrated performance system. Incentive bonuses are only paid upon approval of the Board through the recommendation of the Human Resources and Remuneration Committee. For the last two financial years no performance bonus was paid; only an ex gratia payment was made.

ETHICS REPORT

INTRODUCTION

The Water Board values are

- Accountability,
- Integrity,
- Excellence, and
- Innovation
- Customer Focus
- Team Orientation

Amatola Water accepts that its value of integrity is intricately linked to ethical behaviour. The values are reviewed annually.

Amatola Water acknowledges that the overarching ethics programme is in its infancy, but has been implemented through various individual initiatives, which are detailed in this report under the Fraud Prevention, Conflict of Interest and Gifts, and Code of Conduct sections. The overarching ethics programme will be rolled out with the reviewed fraud prevention strategy and policy.

The Leadership of Amatola Water has, through those various initiatives, shown commitment to its value system, incorporating the values into all aspects of its business conduct. The value system is dynamic and actively promoted throughout the organisation; and all staff have access to governance officials and are invited to raise any ethical questions or concerns with them.

Amatola Water supports the ethics principles embraced in South African legislation, including the ethos of the Public Service Integrity Management Framework and the King III Code of Corporate Governance, not only because it is a public entity but because of the impact of adverse conduct on its stakeholders.

Ethics management is housed within the office of the CEO and led by the CEO and directors collectively. The function of ethics management at Board level is the responsibility of the Board in its entirety, but reporting from management level emanates from the CEO through to the Corporate Citizenship Committee and the Audit and Risk Committee. More detailed reporting procedures are captured in the fraud prevention strategy, conflict of interest policies and the various terms of reference of the committees.

The Board of Amatola Water and its officials responsible for ethics acknowledge the importance of strong leadership in setting a clear ethical tone that is critical to the success of the ethics management interventions. The Board of Amatola Water and its management acknowledge that further interventions need to be undertaken before the desired level of ethics is achieved in the company.

VALUE ADDITION

The ethical foundation of the workforce, from the Board to the employees of Amatola Water, supports value creation over the short, medium and long term. Amatola Water aims to increase stakeholder awareness by ensuring quality reporting of fraudulent activity and thus significantly reducing it.

The activities reported herein are integrated into management responsibilities due to the approach taken on these initiatives . The monitoring of ethics is done quarterly by the Audit and Risk Committee, validated by the independent nature of this committee.

SUSTAINABILITY

Amatola Water believes that in reporting on the organisation's ethics management and enforcing a strong ethics management programme, an ethical culture will be created and by implication improve the integrated sustainability of ethical behaviour of Amatola Water. The impact of the ethics management programme on the organisation can be identified by the number of fraudulent activities within the company and fully appreciated after gap analysis and customer satisfaction are assessed.

ETHICS PROGRAMME IMPLEMENTATION

The ethics programme is in its infancy, although various initiatives under the ethics banner have been underway for a number of years. The ethics programme has been earmarked for attention over the next financial year with the roll-out of the new fraud prevention strategy. The ethics initiatives currently being undertaken are reported below.

GOING FORWARD

To further endorse the commitment of the Board to anti-fraud practices and to instil a culture of ethical behaviour, Amatola Water is committed to various initiatives/activities:

1. Undertaking ethics management gap analysis.
2. Implementing the overarching ethics programme.
3. Joining an independent body for benchmarking and rolling out best practices – Ethics SA.
4. Ensuring annual training and awareness of staff on fraud, conflicts of interest and ethics campaigns.
5. Assessing the effectiveness of the ethics within the company after embedding the ethics office.
6. Ensuring compulsory attendance at fraud and fraud prevention, ethics and conflict of interest workshops annually,ideally linked to Professional Development Plans.
7. Testing the overall impact of the organisation's actions on stakeholders' perception.

FRAUD PREVENTION STRATEGY

Fraud is defined by Amatola Water in the widest possible sense, and is intended to include all aspects of economic crime and acts of dishonesty. Specific types of fraud are defined in the fraud prevention strategy and policy.

Amatola Water is committed to the total combat of fraud and other acts of dishonesty. No fraud against Amatola Water will be tolerated. All allegations of fraud are investigated and all transgressors are brought to account through both the disciplinary and legal channels, to the fullest extent possible.

To capture and enforce the commitment of Amatola Water to fraud prevention, Amatola Water has implemented the fraud prevention strategy, which contains the fraud prevention policy and procedures. Within this document the fraud prevention approach and the methods for detecting and reporting fraud are captured. The detection and reporting of fraud is entrenched through the integration of risk assessment and management, internal audit procedures, and the fraud response plan. The strategy establishes a Fraud Prevention Committee whose terms of reference are attached to the policy.

Reporting structures for fraud matters are escalated to the highest levels in the organisation and Board, through the Audit and Risk Committee. The independence of the evaluation of the report is guaranteed by the independent nature of the Audit and Risk Committee.

Currently there is an active fraud hotline independently run by Deloitte. All callers remain anonymous unless they choose to reveal their name. There is an escalation procedure which maintains the privacy of the report content and the confidentiality of the reporter or whistle-blower and prevents contamination of results and investigations. All allegations/reports to the fraud hotline are investigated, first by the CEO and then, where appropriate, escalated for further internal or external investigations, either forensic or desktop, based on the allegations made.

Reports of fraud and corruption are not only facilitated through the fraud hotline but reports can also be made to the

- Chief Executive Officer;
- directors;
- Company Secretary;
- Board;
- internal audit;
- external audit; and
- Audit and Risk Committee as appropriate.

All stakeholders are welcome to report fraud and the necessary escalation or action after investigation will be undertaken, in a sensitive manner. Autonomy of the reporting structures and the confidentiality of whistle-blowers and disclosures will always remain paramount throughout the investigations and actions taken and in any communications that ensue.

Management creates awareness of fraud prevention through many means: new staff induction, posters, policies on the intranet; but most importantly, awareness of fraud and its impact is instilled in management's approach to doing business.

The ultimate intention is to manage situations, mitigate loss and prevent further occurrences whilst taking necessary legal and disciplinary recourses. Integration of non-compliance to legislation and reporting to the Company Secretary, as identified in the Enterprise-wide Legislative Compliance Policy, is also catered for within the company. Any fraud allegations will be escalated to the appropriate channels and, depending on the nature of the allegations, the matter is referred for investigation and reported on accordingly. All allegations will be reported on. A fraud allegation register is maintained for monitoring of the investigations and of the remedial actions taken.

YEAR	NUMBER OF CALLS RECEIVED ON HOTLINE	NUMBER OF REPORTS GENERATED	AREAS	ACTUAL FRAUD CONFIRMED	RESULTS
15/16	69	9	Computer Crime (3)	No	The Audit and Risk Committee did not find fraud or tender irregularities. All allegations relating to management were escalated to the CEO and sent for external investigation, which ultimately led to dismissal of individuals.
			Human Resources (3)	No	
			Enquiry (1)	No	
			Corruption (1)	No	
16/17	48	11	Governance (2)	No	Matters at management level was escalated to CEO level and the CEO reported to the Board. The other matters relating to tender irregularities had to be escalated for further investigation. Any potential fraud or actual fraud will be reported through the ARC to Board to the right channels.
			Violent Crime (1)	No	
			Pollution and Environmental Issues (2)	No	
			Other Crime (Security issues) (1)	No	
			Human Resources (4)	No	
			Procurement Irregularities (1)	Pending investigation	

TABLE 7.13 :TREND ANALYSIS OF THE FRAUD HOTLINE ACTIVITY

In the financial year of 16/17 48 calls were received on the fraud hotline and 11 reports where generated. Due to the sensitivity, some reports were only released to ARC Chairman and Board Chairman.

During the year 3 reports were made directly to the Board by e-mail outside the hotline. From these reports 7 investigative reports were generated. The reports were handed over through the ARC and Board to the Board attorneys and the necessary consequence management were followed through. Any incidents of potential fraud and fraud would be duly reported to the necessary channels, including the AGSA. AGSA was given access to the reports generated from investigations during their audit.

The above shows the effectiveness of the reporting and the effectiveness of the fraud hotline system. This can be confirmed by the handling of the reports and the outcomes. Processes and procedures are put in place that are transparent and efficient. For the new financial year the ethics strategy initiatives will be kicked off.

MINIMISING CONFLICT OF INTEREST AND GIFT REGISTERS

Amatola Water has recognised that to truly manage and minimise conflicts of interest, reporting needs to be live, independent and consolidated. Reporting on potential conflicts of interests is done online and consolidated by an independent body; the details of the discloser (employee) are compared to the Companies and Intellectual Property Commission (CIPC). This process is assisted by the online disclosure system called MyDisclosure.

The reports will continue to be generated by MyDisclosure with external verifications. More importantly, Amatola Water will be implementing a system which will compare supplier disclosures with those of the employees and Board members to generate an integrated report comparing and highlighting conflict areas that need to be managed.

The effectiveness of MyDisclosure is determined through documented procedures and real-time monitoring and reporting to create a value-added service through interrogation and best practice implementation and management of potential areas of conflicts, to minimise and eliminate fraud and potential fraud.

Although disclosures occur annually any changes can be made during the year as the system is live and always available to edit any disclosure. The onus is on employees and Board members to ensure full disclosure.

RISK, COMPLIANCE AND ASSURANCE REPORTING

INTEGRATED RISK MANAGEMENT

Managing risk was the cornerstone of Amatola Water's success throughout the Board term. Management, through the Chief Risk Officer who is the Chief Executive Officer, adopted over the previous year a broader approach to risk management – the integrated enterprise risk management policy.

The Board and management are committed to ensuring effective risk management to mitigate any risk that may prevent Amatola Water from achieving its strategy and ultimately delivering on its mandate for, on behalf of, and to its stakeholders. Over the last year the implementation of the policy materialised.

With an entrenched focus on strategic risks, divisional risks and process risk identification, rating, and mitigation, Amatola Water has matured in its approach to reporting and effective management of risk. Under the watchful eye of the Audit and Risk Committee, through the Corporate Risk Committee and the Fraud Committee, Amatola Water management reports on the mitigation of risks and where necessary more detailed turnaround strategies.

The integrated risk management report below identifies the specific risks that hinder the opportunities identified in the strategy through the short, medium and long term. The strategy is a 20-year strategy which is reviewed yearly to create the annual corporate scorecard. The 2016/17 financial year strategic risk review has been completed and registers are being assessed and populated prior to submission for approval.

To establish a common understanding of the term 'risk', Amatola Water consistently refers to risk as: "The possibility of any event, negative or positive, either internally or externally generated (where the impact may be internal or external), which may critically impact on the achievement of the business objectives."

Risk is identified at three levels: strategic risks, divisional risks and process risks (operational). The cause and consequence and risk owners are identified, and then inherent risks and controls together with the residual risks and control improvements and implementation dates are calculated and confirmed by management. Thereafter the implementation plans are documented and monitored through the Corporate Risk Committee and reported to the Audit and Risk Committee.

The accountability, roles and responsibilities of the Audit and Risk Committee, Accounting Authority, CRO and management are understood and appreciated within the organisation. The matter is also referred to under the terms of reference discussions on pages 111, 116, 128, 129, 140 and 131.

VALUE ADDITION

Without effective risk management, risk can materialise and hamper the continuity of the business. Value of risk management can be identified over the short, medium and long term by noting the effectiveness of mitigation strategies.

SUSTAINABILITY

The impact of the risk programme on operations is better planning and decision-making. The sustainability of an effective risk management system depends on the commitment of the management and the Board.

TREND ANALYSIS

The maturity of the risk reporting and analysis has improved over the years despite a lack of dedicated resources to assist with the process and management of risk. What is important is that the maturity and appreciation for risk is growing within the company.

RISK APPETITE AND RISK TOLERANCE AND MATERIALITY

One of the first stages in the risk management process is the establishment of a benchmark of an acceptable level of risk ('risk appetite'), as well as the variances in appetite ('risk tolerance'). This level can either be qualitative or can be established quantitatively on a risk-by-risk or assessment basis, setting a desired residual risk score for that particular risk.

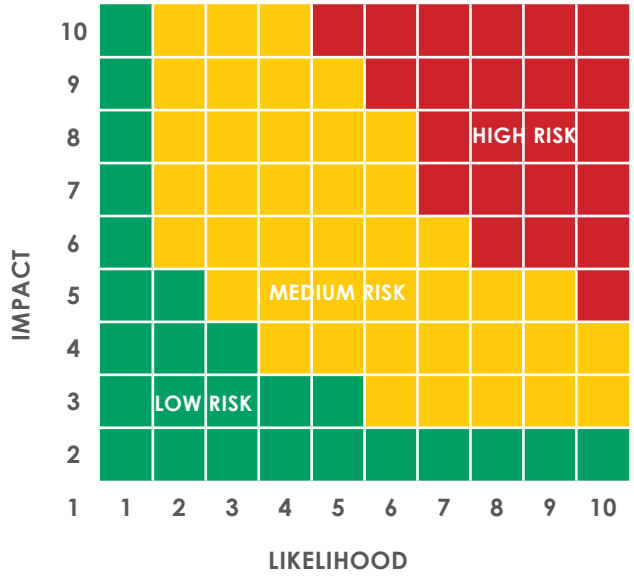
Given the public interest nature of Amatola Water, the organisation seeks a residual risk appetite that is in the low to medium risk range.

Amatola Water, through its risk review processes, is responsible for determining and rating its own risks and controls. The residual risk should be assessed by the business and action agreed to mitigate the risk further if necessary, or acceptance of the residual risk acknowledged. The acceptance of risk should be within the business risk tolerance level.

As the risk management environment matures at Amatola Water, a formalised risk appetite and risk tolerance methodology will be developed, approved and implemented.

Materiality has been set by the management in line with legislative requirements and is considered when determining risk tolerance and appetite. Materiality is discussed further under the financial section of the report.

Amatola Water identifies risks by categorising and rating the inherent and residual risks in light of their impact and likelihood. The following are the scales used to assist with rating of risk. Management and the Board accept the tolerance levels rating as depicted below.



IMPACT	"IMPACT CAN BE DEFINED AS THE MATERIAL LOSS TO THE ORGANISATION, SHOULD THAT RISK MATERIALISE"	
1	Negligible	No monitoring required
2	Very Minor	Requires monitoring at middle management level
3	Minor	Requires monitoring and action at middle management level
4	Potentially Important	A threat that requires management attention
5	Important	A threat that could cause reasonable damage in the short term
6	Serious	Reasonable financial impact in the short term
7	Major	Major financial impact that requires management intervention
8	Significant	A threat that could cause significant financial loss over the short term
9	Critical	A threat to the long-term sustainability of the organisation
10	Catastrophic	Near and/or collapse of the organisation

LIKELIHOOD	"LIKELIHOOD CAN BE DEFINED AS THE PROBABILITY THAT AN ADVERSE EVENT WOULD OCCUR, WHICH COULD CAUSE MATERIALISATION"
1	Very little chance of the risk occurring
2	20% chance of the risk occurring
3	30% chance of the risk occurring
4	40% chance of the risk occurring
5	50% chance of the risk occurring
6	60% chance of the risk occurring
7	70% chance of the risk occurring
8	80% chance of the risk occurring
9	90% chance of the risk occurring
10	The risk has already occurred or is currently occurring

The following is a list of strategic risks impacting the organisation over the last financial year and the controls put in place to mitigate those risks.

EFFECTIVENESS OF RISK MANAGEMENT

The ultimate test for the risk management system is to test the effectiveness of the system . To date Amatola Water is still formalising and entrenching the processes and integrating the approach throughout the operations. Management acknowledges that documenting and reporting is only one aspect of risk management and therefore has a strategy to implement and embed risk management in the organisation. Operationally MANCO, when dealing with matters, reviewing policies and undertaking general business, investigates the risks associated with recommendations made, and these are considered prior to the resolutions being made. A template for internal memorandums tabled at Board and committee levels has been developed and includes the risk, compliance to laws and policies disclosure.

The strategic risks for 2016/17 were found not to be closed out and therefor carried forward for 2017/18 financial year.

COMPLIANCE WITH LAWS AND REGULATIONS

INTRODUCTION

The Board of Amatola Water has recognised the importance of compliance with laws and regulations. In so doing the Board and the CEO have implemented the Enterprise-Wide Legislative Compliance Policy and Charter which recognises the fundamental principles and guidelines recommended by the Institute of Compliance SA. The Enterprise-Wide Legislative Compliance Policy defines the fundamental principles, roles and responsibilities of the compliance function within Amatola Water as well as its relationship with the Board of Directors, general managers and the business and operational functions. The Enterprise-Wide Legislative Compliance Policy and Charter applies to the Board and staff members as well as to external service providers of the organisation (to the extent of its applicability). Management is authorised to establish more detailed procedures and guidance consistent with the provisions of this Charter as appropriate. Therefore management has to commence with the compliance programme, dedicated to identifying the regulatory universe and, through a process of identification, assessment and management, monitoring and implementing remedial actions or improvements where necessary.

THE FOLLOWING IS THE ENDORSEMENT OF COMPLIANCE FUNCTION AND COMMITMENT TO LEGISLATIVE COMPLIANCE BY THE CEO.

TO THE STAFF OF AMATOLA WATER:

RE: Endorsement of the compliance function and commitment to legislative compliance

Regulatory and best practice requirements are continuing to place an increasing focus on compliance within public entities. This includes the need to ensure compliance not only with applicable legislation, but also supervisory requirements and industry guidelines. Rather than seeing the adherence to these requirements as an imposed necessity, Amatola Water views it as a way of conducting business in a manner that is fit and proper.

Amatola Water, in line with its core vision, mission and values, is dedicated to enterprise-wide legislative compliance and is committed to ensuring adherence to legislative requirements.

Amatola Water is required to establish a compliance function in terms of the Water Services Act and the King code on good corporate governance. The code and its principles require Amatola Water to establish a part of the risk management framework of the business, supervised by an approved compliance officer. We have therefore established a compliance function and have appointed a compliance officer.

The Board of Amatola Water is ultimately accountable for compliance. The primary role of the compliance function is to assist the Board and management to realise their commitment to ensuring the business is run with integrity, complies with all regulatory and best practice requirements, and is conducted in accordance with the highest ethical standards. The appointed compliance officer is responsible for effective implementation of the function and for facilitating compliance throughout the business via awareness creation, independent monitoring reporting and the provision of practical solutions or recommendations.

It must be emphasised that the primary responsibility for complying with any regulatory requirement lies with all members of staff conducting the particular transaction or activity to which the regulatory requirement applies. We should all therefore be conversant with the appropriate legislation, regulatory requirements, policies and procedures relevant to our business. Failure to comply can result in the business being exposed to liabilities and/or risk of loss of authorisation to conduct business in the industry. In addition, non-compliance with industry standards may negatively impact on the organisation's good reputation.

The Board and Corporate Risk Committee formally endorse the establishment of the compliancefunction and urge each member of the team to play their part in enhancing the culture of compliance throughout the business.

CHIEF EXECUTIVE OFFICER.

The Safety and Health units within Amatola Water also ensure compliance to legislation following the ISO standard audit. Reporting on the audit findings and remedial actions is facilitated through the compliance function.

Compliance is reported through the risk committee to the Audit and Risk Committee . The autonomy of the compliance function and the ability to report breaches directly to the Audit and Risk Committee is fundamental to the independence of the function and is ingrained in the policy.

Amatola Water acknowledges that legislative compliance is a wide function and is operationally demanding, and entrenching these values in the day-to-day business is challenging. Compliance through the planned programme is going through a learning curve but in striving to achieve compliance to the universal register of top ten legislation, Amatola Water will eventually succeed in achieving full compliance. The universal register will focus on national legislation and regulation and integrate the rating of the importance of the legislation and report in line with the risk ratings and reporting structures.

Amatola Water to date has not been fined for any non-compliance with laws and regulations. There is no monetary value attached to the non-compliance for the provision and use of the products and services and also for products, labelling and services.

VALUE-ADD

The value-add of the new compliance programme is still to be realised but it is anticipated that with proactive compliance thinking awareness will be created to manage and prevent breaches in legislative compliance.

SUSTAINABILITY

The impact of the programme is still to be determined.

TREND ANALYSIS

Do to the programme being new there is no trend analysis to note. However, last year's external audit report makes mention of compliance with legislative issues as matters arising from annual financial statement and annual report, revenue management, audit committee, consequence management, internal audit and expenditure management. Legislative compliance to PFMA, and SCM legislation will be prioritised as part of the universal legal register.

LOOKING FORWARD

Going forward the following will be achieved under the area of compliance:

1. Roll-out and development of the compliance plan
2. Implementation of training calendar for specific legislation
3. Monitoring and reporting on breaching and mitigation strategies
4. Cascading compliance into individual performance scorecards

KING IV[1] CODE ON CORPORATE GOVERNANCE COMPLIANCE

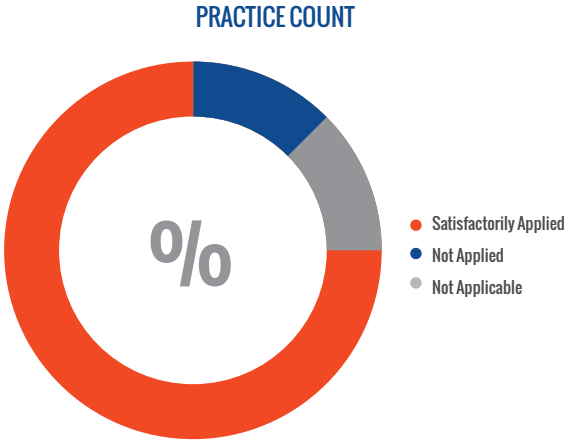
Amatola Water, as a custodian and promoter of good corporate governance, is committed to the compliance and the implementation of the provisions and recommendation of King Code of Corporate Governance IV.

The Board had adopted an independent system of assessing compliance against King IV principles and the PFMA. The instrument assists Amatola Water with monitoring and reporting on its compliance to the King IV principles, and furthermore aids the Board in enhancing compliance to these principles.

King IV reporting is not quantitative but rather qualitative and therefore a percentage reporting on compliance is not possible. The system implemented allows Amatola Water to gauge its compliance to the principles and helps determine the number of practices satisfactorily applied, those not applied and those not applicable due to the nature of the company which is depicted in the practice count below.

PRACTICE COUNT	
Satisfactorily Applied	305
Not Applied	39
Not Applicable	59

TABLE 7.14: KING IV PRACTICE COUNT



GRAPH 7.7: KING IV PRACTICE COUNT

GOING FORWARD

Amatola Water would like to make this reporting not only more dynamic but more accessible through ongoing reporting to the Board.

ASSURANCE PROVIDERS

INTRODUCTION

Amatola Water has internal and external auditors. The internal auditors are PricewaterhouseCoopers and the external auditors are AGSA. Management also undertakes internal audits in terms of certification to test, OHSA or ISO compliance prior to applying to obtain certification and accreditation. Independence of assurance providers is considered important to protect by other management and board. After all audits are undertaken, reports are submitted to the Board through the Audit and Risk Committee, and management monitors any findings in line with the non-conformance report. Management monitors improvements put in place to mitigate and prevent the finding from reoccurring. This Audit Non-Conformance Report is tabled at MANCO, ARC and FINCO.

The overall impact of having assurance reports done for these processes is not only to validate information but also to ensure verification and accuracy of the underpinning processes and controls when providing quality water and service delivery.

VALUE-ADD

Assurance reports not only provide value to shareholders, but also to management, ensuring quality operations are undertaken. Assurance also guarantees that controls are put in place to mitigate risk, whether financial or fraudulent in nature.

SUSTAINABILITY

Assurance planning and reporting is critical and has an impact on the organisation and indirectly on the society at large. The impact of assurance reporting is shown on reputation and credibility. The better the assurance report the better the reputation of Amatola Water. Assurance reporting is required by legislation and there are intentions to host an internal audit function to ensure ongoing value-add and monitoring of controls.

TREND ANALYSIS

The trend analysis for assurance reporting can be gathered from both internal and external audit reports. In the year 2012/13 Amatola Water achieved an unqualified external audit report. In the year 2013/14 Amatola Water achieved an unqualified external audit report with an emphasis on areas of restatement of corresponding figures and possible irregular and fruitless and wasteful expenditure not disclosed.

LOOKING FORWARD

All assurance reporting findings are captured in a report called the non-conformance report and managed and monitored by management and the Audit and Risk Committee to ensure that the recommendations are implemented to minimise and remove the non-conformances.

INTERNAL AUDIT

There is a PFMA ad King III requirement to appoint internal auditors. Furthermore, the assurance an internal audit

can provide assists the company from a reputational focus as it creates shareholder value and stakeholder appreciation of the organisation. Internal audit is currently an outsourced function. Internal audit plays a critical role in Amatola Water's corporate governance. The internal audit function reports directly to the Audit and Risk Committee. Towards the end of the financial year the active engagement of internal audit was noted by its presence to the management committee at least once a month.

Internal audit is guided by the following framework documents, which outline the parameters of duties, namely:

1. Internal audit charter, approved yearly
2. Terms of Reference of the Audit and Risk Committee
3. National Treasury guidelines
4. PFMA and other related legislation
5. Internal auditing professional standards

The internal audit is primarily guided by the internal audit plan which is agreed annually for the ambit of the internal audit scope of work.

Internal audit seeks to provide an independent, professional service. This objective is achieved through compliance with:

- the Statement of Responsibilities of Internal Auditing;
- the Code of Ethics for internal auditing; and
- the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors.

The standards for internal auditing govern the work of the auditing profession and form a basis for measuring the performance or quality of Internal Audit. The above standards address:

- the independence of internal audit from the activities audited and the objectivity of internal auditors;
- the proficiency of internal auditors and the professional care they should exercise;
- the scope of internal auditing work;
- the performance of internal audit assignments; and
- the management of internal audit.

Internal audit is tasked by the Audit and Risk Committee to develop the Amatola Water Board Internal audit plan with management for approval at the Audit and Risk Committee, developed against the backdrop of the strategic risk register.

The internal audit plan for the financial year 2016/17 included:

1. Auditing areas of:
   - Revenue (compliance with revenue policy, review controls to ensure appropriateness and alignment with policy and standards, review of policy to ensure alignment with standards, revenue recognition – stage of completion and agency fees)
   - Human resources management, (high-level review the HR policy, review of a sample of transactions for compliance with the policies and procedures and follow-up on addressed audit findings)

- Supply chain (review systems to detect, monitor, record and report unauthorised, irregular, fruitless and wasteful expenditure; review controls and systems over SCM c-ntract management, supplier database management, review of a sample of transaction for compliance with SCM policies and processes, follow up on SCM findings with Ernst & Young and internal audit)
- Accounts payable and accruals (review accounts payables and accruals policy and procedure manual, a sample of transactions for compliance with policy and procedure manual, focusing mainly on accruals).

2. Undertaking follow up reviews (populate tracking template with Internal Audit findings from 2014 to 2016, follow up on items addressed by management, follow up on key external audit findings (not covered in plan), populate the tracking template with Internal Audit findings from 2014 to 2016, follow up HR and payroll findings (Internal Audit and External Audit).
3. Conducting fraud investigations.
4. Conducting the annual high level risk review.
5. Updating charters.
6. Reviewing performance information – Q1 to Q4 report submitted to Department of Water and Sanitation.
7. Reviewing the performance bonus calculation. Internal Audit reports to the Audit and Risk Committee quarterly in terms of the Internal Audit charter and Audit and Risk Committee Charter.

Internal Audit also has in-committee sessions with the Audit and Risk Committee, and the outcomes of such sessions through the Chairman of the Audit and Risk Committee is escalated where necessary to the entire Board. The Audit and Risk Committee reports also regularly to the Board.

APPOINTMENT OF INTERNAL AUDITORS

The appointment of the Internal Auditors is undertaken on an open tender process. The Delegations of Authority allow for the Audit and Risk Committee to act as the Bid Evaluation Committee and the Board to be the Bid Adjudication Committee. The recommended practice by the Audit and Risk Committee is to ensure there is a proper handover, facilitated by continuous improvement and no gap period until new Internal Auditors are appointed.

CONTRACT PERIOD

The Internal Auditors were appointed in November 2011, on a three year contract. The Internal Audit contract was extended till end of January 2018, with the approval of National Treasury. The organisation is in the final stages of appointing a new service provider before the end of December 2017 to allow for a smooth hand over.

The internal auditors have confirmed their availability for reporting purposes and accessibility through continuous engagements, until the time when the new internal auditors are appointed.

GOING FORWARD

Amatola Water, in striving to achieve combined assurance and control-based auditing practices, intends to internalise the internal audit function. The benefits of internalising the function are as follows:

- Better utilisation of knowledge which in-house internal auditors have of the institution's business operations, culture, etc.
- Internal audit staff can be rotated within the organisation as they have a good perspective of the organisation's processes and functions.
- In-house staff have total ownership of the assurance function, thus responsibility and accountability can be clearly established.
- The in-house audit function can serve to communicate and transfer good practices of one function to another within the organisation as they have a good perspective on the various functions.
- The expertise of staff can be honed for the business, thereby yielding better quality.
- In instances of serious findings, immediate escalation to management to initiate corrective steps is possible.

PERFORMANCE OF INTERNAL AUDIT

The international professional practices framework (IPPF), which guides the work of internal auditors, defines internal auditing as both an assurance and consulting activity (without providing more consulting services over auditing) providing a value-adding service to the organisation by evaluating the effectiveness of risk management, internal control and governance processes within an organisation. The Audit and Risk Committee has confirmed that the internal auditors have provided a balance between the consulting area services and auditing services and the independence of the internal audit over the financial year 16/17 had not been compromised.

EXTERNAL AUDIT

External auditors for 16/17 are AGSA.

OTHER ASSURANCE REPORTS

There are various other forms of external auditing that occur throughout the operations. One example is the SHE compliance auditing prior to verification and achieving ISO accreditation or Blue and Green Drop Certification. OHSA auditing is currently underway. Details of these reports can be found on page 101 of the SHE report.

SECTION 8

FINANCIAL SUSTAINABILITY REPORT



SECTION 8

FINANCIAL SUSTAINABILITY REPORT

FINANCIAL REVIEW

Introduction

Amatola Water had a challenging year during 2016/2017. In the face of a very difficult and volatile economic environment, coupled with a number of internal challenges which arose during the year, Amatola Water, its Board, management and staff have shown great resilience in continuing to provide essential water and sanitation services to the stakeholders who depend on them as well as continuing to create jobs both directly and indirectly in the sector.

The economic outlook and financial sustainability of Amatola Water for the future is grounded in some of the achievements from the prior year which set the tone for the way forward.

FINANCIAL SUSTAINABILITY AND VALUE CREATION

Revenue from operations remained fairly consistent in relation to the prior year and only increased marginally by 1.3%. Revenue generated came from the operations and maintenance programmes at various municipalities and from the continuation of the construction contracts of the King Sabata Dalindyebo Project Implementation Programme in the OR Tambo region.

Employee costs and electricity costs increased by 3.7% and 4.9% respectively, primarily due to annual salary increases and regulated electricity increases.

Amatola Water's gross profit decreased slightly from 28.3% to 27.7%, primarily due to a change in the product mix supplied. A concerted effort was made to keep direct costs in line with actual outputs and the elimination of inefficiencies in our operations.

Amatola Water has continued to refurbish its infrastructure assets begun in the prior year to be able to increase productivity and capacity in the future to meet the demand for water. Improving and growing the capital base also provides for a stronger balance sheet if financing needs to be sought for expansion projects in the future.

Cash flow decreased from R300 million to R130 million as the capital upgrades for AW plants kicked into gear and were nearing completion. Another factor that contributed to the decrease in cash and cash equivalents was the increase in receivables due to the non-payment of outstanding receivables by financially distressed water service associations.



PRIMARY AND SECONDARY REVENUE

Amatola Water's bulk water revenue grew by 8.0% year on year due to the overall bulk water tariff increases of 10%, a decrease in the volume of potable/treated water and an increase in raw water volume. As Amatola Water is operating at optimum capacity, revenue growth will be maximised by expansion of capacity of the current water treatment plants and tariff increases going into the future.

Secondary revenue decreased by 11.7% due to delays experienced as a result of challenges around the delivery of pipes as well as slow provision of funding by project owners where Amatola Water is the PIA. The largest project still underway is the PI project being done with the King Sabata Dalindyebo Local Municipality.

COST OF SALES AND OPERATING COSTS

As noted in the prior year, Amatola Water strongly recommended a review of the raw water pricing strategy and the need for amendments in raw water pricing, especially in the rural Eastern Cape where poverty is rife. It was requested that some of the schemes should be treated as social schemes, thereby capping the raw water increase to ensure access to affordable water for end users. Amatola Water will endeavour to be cost- effective in the supply of water.

Cost of sales has increased from 2016 to 2017 financial year by 2.5%, driven by higher electricity costs of 4.9%, higher water research levies of 4.2%, and higher employee costs of 3.7%. These increases have been offset by a decrease in chemicals by 8.6% as a result of the lower volumes of treated water.

Support and administrative costs at Amatola Water comprise head office support services costs. As in the prior year the main contributors to this cost are salary costs and repair and maintenance costs, especially related to the Makana project, the National Department of Public Works, Eastern Region and the Eastern Cape Department of Education. The bad debt provision has further increased in the current year once again primarily due to non-payment by the Makana Local Municipality; this matter has been escalated to national level for intervention. From the 2016 to the 2017 financial year there has been an 3.3% increase in operating and administrative expenses. This is due to an increase of 10% in employee costs; repairs and maintenance increased by 18.7%, and other general expenses have increased by 35.5%. mainly due to a major increase in legal expenses of 441.8% related to certain investigations and contractual disputes underway. Amatola Water is currently implementing further cost savings measures for the new financial year, which should result in a reduction of both direct and administrative costs.

Finance income from cash and cash on hand has increased slightly by 0.77% from 2016 to 2017. Cash on hand was invested in short-term deposits to maximise interest-earning potential whilst observing liquidity requirements. Finance costs have decreased significantly by 59% from the 2016 to the 2017 financial year as a result of settling the finance lease on the vehicles in use as well as settlement of the bond on the property.

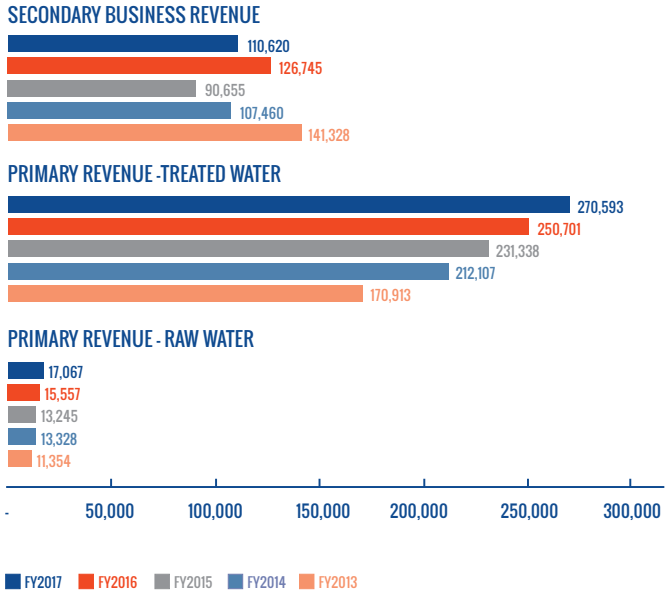


FIGURE 8.1: REVENUE BY CATEGORY (R'000)

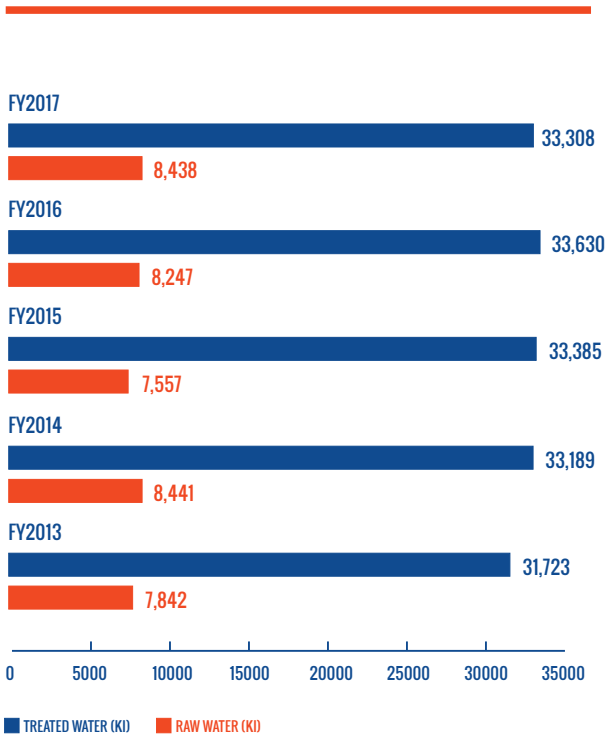
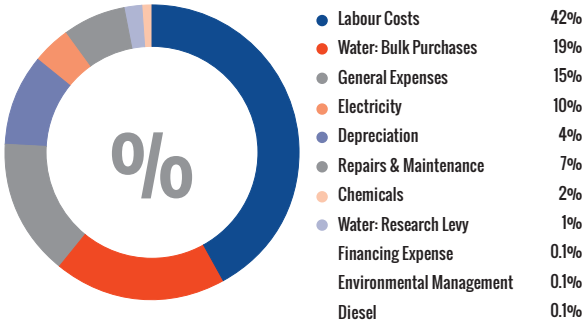


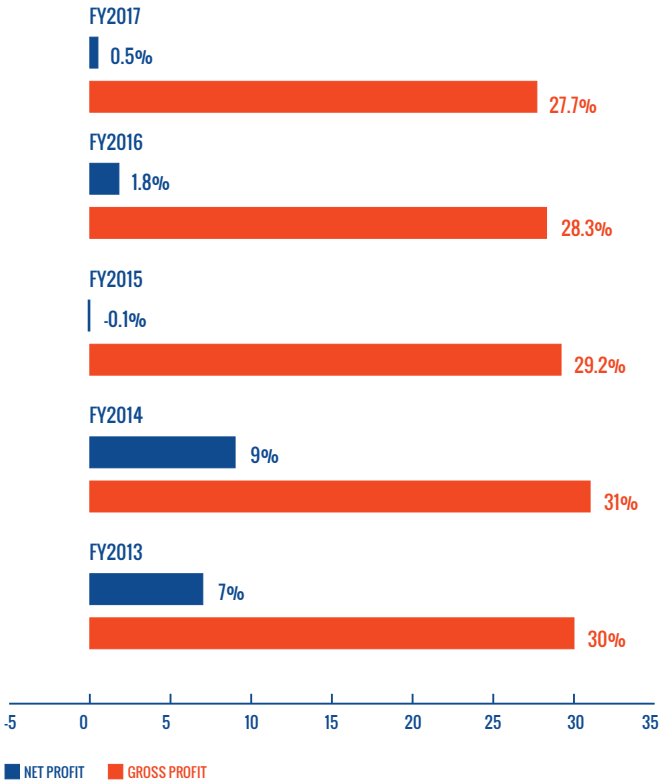
FIGURE 8.2: VOLUME SOLD OF TREATED WATER AND RAW WATER ('000Kℓ)



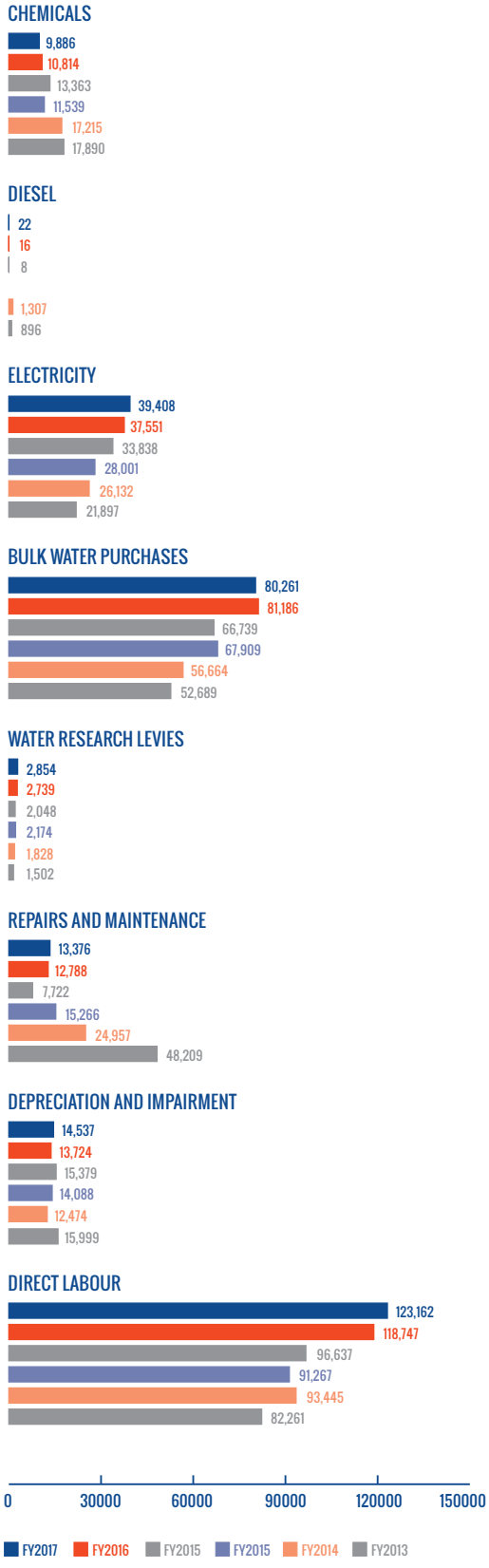
GRAPH 8.3: RANKING OF COSTS

MARGIN ANALYSIS

The margin analysis of Amatola Water portrays a relatively stable operating business with a gross profit average of 28%. The volatility of the net margin is largely attributed to the annual provision of doubtful debts and other onceoff accounting transactions required by the accounting framework of Amatola Water.



GRAPH 8.4: MARGIN TREND ANALYSIS



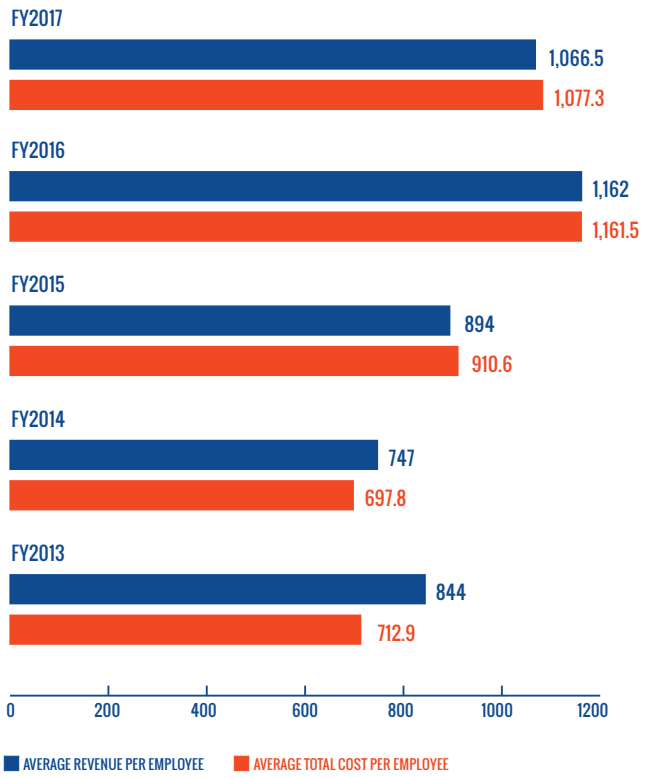
GRAPH 8.5: COST OF SALES BREAKDOWN

KEY FINANCIAL RATIO ANALYSIS

The ratio analyses depicted in the graphic below indicates that even in the tough and volatile South African economy, Amatola Water has been able to improve its performance in some instances and keep its performance constant in other,s even with the challenges which arose during the 2016/2017 financial year. This is a testimony to the resilience and determination that exists within the organisation to continue delivering high-quality water and sanitation services to the Eastern Cape.

RATIOS	FY2017	FY2018	FY2019
Current Ratio	1.36	1.24	1.20
Trade Debtors (days)	88	160.9	342.8
Return on Assets	1.03%	2%	-0.00
Debt-Equity Ratio	-	-	-
Acid-Test Ratio	1.35	1.23	1.00
Cost of Sales(R/kℓ)	4.72	4.72	4.08
Electricity Cost(R/kℓ)	0.92	0.88	0.81
Chemical Cost (R/kℓ)	0.18	0.20	0.24
Raw water purchases	1.93	1.94	1.63
Water Research levies	0.07	0.06	0.05
PRODUCTIVITY			
Number of Employees	380	343	375
Average revenue per Employee(R'000)	1,067	1,162	894

TABLE 8.1: RATIO TRENDS



GRAPH 8.6: AVERAGE REVENUE AND COST PER EMPLOYEE (R'000S)

SUPPLY CHAIN MANAGEMENT

Supply Chain Management (SCM) at Amatola Water has been transformed and is on a trajectory of continuous improvement through observance of compliance in the implementation of policies and procedures and efforts to keep them current and updated. This has contributed positively to the progress that has been achieved under challenging circumstances. Areas identified last year that are continuing to benefit are the reduction in the number of non-compliant items. Amatola Water anticipates a further reduction once the revised policy is approved and implemented.

Momentum is being maintained on efforts to actively reduce fruitless and wasteful as well as irregular expenditure. The relevant enterprise resource planning system improvements have been made and continuous changes are being implemented to ensure efficiency and reliability of reporting.

Improving procurement spend on previously disadvantaged individuals and small, medium and micro enterprises (SMMEs) remains high priority with various initiatives, including application of objective criteria to ensure targets are met. Alignment of the SCM policy to the 2017 Preferential Procurement Regulations will see significant improvements in the coming financial year through the ability to set pre-qualifying criteria for EMEs and QSEs linked to targets.

Amatola Water strives to spend most of its procurement budget on suppliers with a BBBEE rating of level 1 to 4, which includes previously disadvantaged individuals and SMMEs. BBBEE spend for 2016/17 was 100% (2015/16: 107%); this was a slight regress but in line with the performance measure for the year.



Contract participation goals (CPGs) are another initiative implemented by Amatola Water to expand and improve BBBEE spend. CPGs require a certain percentage of the tender scope to be committed to work and value by targeted enterprises through provision of meaningful economic opportunities. 30% has been the standard requirement for all high-value contraction tenders.

The highlight for the SCM department remains the results of the Internal Audit in February 2016.

Despite all the challenges faced with vacancies and training of employees, Amatola Water remains positive about the year ahead, and committed to procurement of all goods and services in a fair, competitive, transparent, costeffective and equitable manner.

LOOKING AHEAD

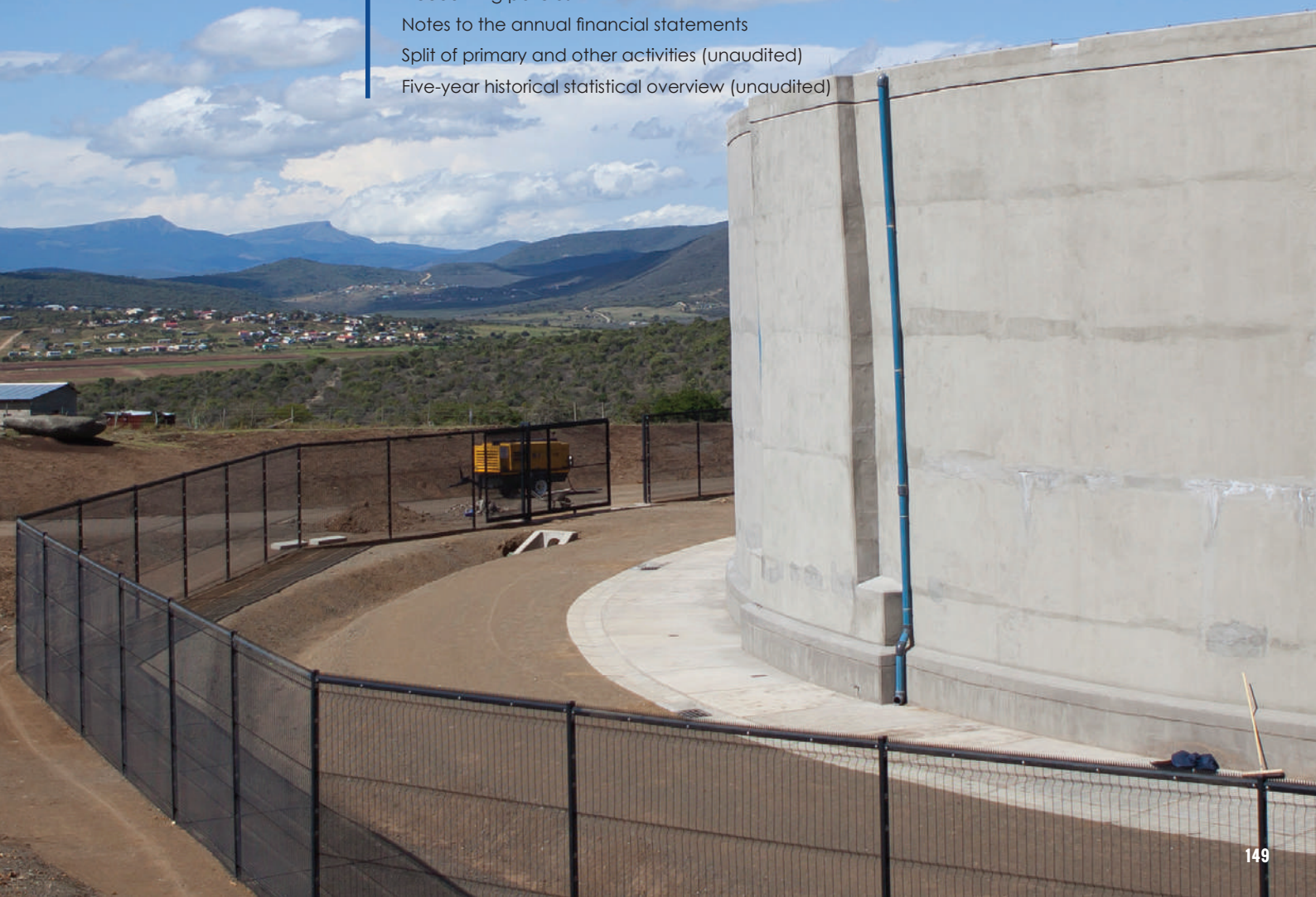
In the coming financial year, the organisation expects more improvements in financial performance. Some of the critical focus areas will include:

- Ensuring capacity for key administrative functions such as project management, SCM, HR and information technology (IT);
- Decreasing receivables and payables days by engaging with customers and suppliers and implementing policy measures;
- Improving the control environment by assessing key control deficiencies;
- Improving performance in the delivery of water infrastructure projects;
- Continuation of the process of instilling BBBEE initiatives that promote inclusive growth targeted at supporting SMMEs, qualifying emerging enterprises and black women-owned businesses'
- Improving IT systems

SECTION 9

ANNUAL FINANCIAL STATEMENTS

Accounting basis
Report of the Audit and Risk Committee
Approval of the annual financial statements
Independent auditor's report
Statement of comprehensive income
Statement of financial position
Statement of changes in equity
Statement of cash flows
Accounting policies
Notes to the annual financial statements
Split of primary and other activities (unaudited)
Five-year historical statistical overview (unaudited)



ACCOUNTING BASIS

FOR THE YEAR ENDED JUNE 30, 2017

The annual financial statements that follow on pages 159 to 195 summarise the financial performance and standing of Amatola Water Board for the year ended June 30, 2017.

The annual financial statements have been compiled and are presented in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) 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). 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 has indicated that Government Business Enterprises (GBE) should continue applying the accounting frameworks that were applicable prior to 1 December 2012 until a new framework has been issued. As such, there are no new standards of SA GAAP that will become effective for Amatola Water Board. 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's organisation to regulate the financial affairs of the business and to safeguard it from excessive or avoidable risk.

REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED JUNE 30, 2017

The Audit and Risk Committee is pleased to present its report for the financial year ended 30 June 2017.

AUDIT AND RISK COMMITTEE MEMBERS AND ATTENDANCE

The Audit and Risk Committee consists of the members listed below and has met as follows:

Names of Members	Membership	Number of meetings attended
E. Jooste	Chairperson	8 of 8
B. Hollingworth	Member	8 of 8
L. Mangquku	Member	7 of 8
S. Bruce	Member	7 of 8

Separate closed committee meetings were held with the Auditor – General of South Africa (AGSA) and the Internal Auditors of Amatola Water during the year under review.

AUDIT AND RISK COMMITTEE RESPONSIBILITY

The audit and risk committee reports that it has complied with its responsibilities arising from Section 51(1) (a) (ii) of the Public Finance Management Act of 1999 and Treasury Regulation 27.1. The audit committee also reports that it has adopted appropriate formal terms of reference as per its audit charter, has regulated its affairs in compliance with this charter, and has fulfilled all its responsibilities as contained therein.

The Audit and Risk Committee has an oversight function with regards to:

- Financial Management and other reporting practices;
- Internal Controls and management of risks;
- Compliance with laws and regulations;
- The external audit function and;
- The internal audit function.

The Audit and Risk Committee has exercised its oversight responsibilities through, inter alia; reviewing the following;

- Finance and SCM functions;
- The expertise and skills in these functions;
- Internal control, management of risks and compliance with legal and regulatory requirements;
- Effectiveness of internal controls and risk management methodologies and
- IT governance.

THE EFFECTIVENESS OF INTERNAL CONTROL

The system of internal control has not been fully effective and adequate during the year as evidenced by:

- Various reports of the internal auditors;
- The audit report on the annual financial statements; and
- The management report of the external auditors to management.

The above reports drew attention to a number of shortcomings in the exercise of good internal controls and in respect of the outcome of the Audit of Performance Information.

REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED JUNE 30, 2017

The committee has requested that management develop and implement a detailed Audit Intervention Plan to address all findings of the internal and external auditors. The committee will regularly monitor progress.

RISK ASSESSMENT AND MANAGEMENT

The enterprise risk management framework is now in place and the risk assessment and mitigation plan was updated during the year. The committee monitored the assessment process and implementation of the mitigation plan. However, the committee concluded that risk management implementation plan has not been fully effective during the year under review.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The committee:

- reviewed and discussed the unaudited annual financial statements before submitting to AGSA for audit;
- Reviewed and discussed the audited financial statements before inclusion in the Annual Report, with the external auditors and the Accounting Authority;
- Reviewed the external auditor's management report and management responses;
- Reviewed the accounting policies and practices;
- Satisfied itself that the significant adjustments resulting from the audit were complete, accurate and valid; and
- Reviewed the Audited Annual Financial Statements and recommended to the Board that they be adopted.

The audit and risk committee concurs with and accepts the Auditor-General of South Africa's report on the annual financial statements, and recommends that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

INTERNAL AUDIT

The audit and risk committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the Amatola Water and its audits.

In line with the PFMA, Treasury Regulations and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit and risk committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

AUDITOR-GENERAL OF SOUTH AFRICA

The audit and risk committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.



EUGENE V. JOOSTE
Chairperson: Audit Committee
27 September 2017

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

The Board is responsible for the preparation and fair presentation of the annual financial statements of Amatola Water Board, comprising the statement of financial position as at 30 June 2017, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Water Services Act 108 of 1997 and sub section 55(1)(b) of the Public Finance Management Act of 1999, as set out on pages 159 to 198.

The Board's responsibility includes: overseeing the implementing and maintaining of internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Board's responsibility also includes ensuring adequate accounting records and that an effective system of risk management is adopted, as well as the preparation of the supplementary schedules included in these annual financial statements.

The Board 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 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.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements of Amatola Water Board, as identified in the first paragraph, which have been prepared on the going concern basis, were approved by the board on 29 September 2017 and were signed on its behalf by:

Nyombokuqala Nokulunga Mnqeta
Chairman

Asanda Gidana
Acting Chief Executive Officer

REPORT OF THE AUDITOR-GENERAL

TO THE PARLIAMENT ON 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 159 to 195, which comprise the statement of financial position as at 30 June 2017, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows 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 Amatola Water Board as at 30 June 2017 and its financial performance and separate cash flows for the year then ended, in accordance with the South African Statements of Generally Accepted Accounting Principles (SA GAAP) 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 my report.

4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with 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 code.

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 matter below. My opinion is not modified in respect of this matter.

Irregular expenditure

7. As disclosed in note 22 to the financial statements, irregular expenditure of R188, 8 million, which had accumulated over a number of years, had not been recovered, written off or condoned. Irregular expenditure of R79, 4 million, incurred during the 201617 year, was included in the amount disclosed.

Other matter

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

Previous year audited by a predecessor auditor

9. The financial statements of the previous year were audited by a predecessor auditor in terms of section 4(3) of the Public Audit Act. The final audit report for the year ended 30 June 2016 was issued on 28 October 2016.

Responsibilities of accounting authority for the financial statements

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA GAAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

REPORT OF THE AUDITOR-GENERAL

TO THE PARLIAMENT ON AMATOLA WATER BOARD

11. In preparing the financial statements, the accounting authority is responsible for assessing the Amatola Water Board'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 there is an intention either to liquidate the entity or to cease operations, or there is no realistic alternative but to do so.

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

12. My objectives are to obtain reasonable assurance about whether 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

14. 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.

15. 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.

16. 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 2017:

OBJECTIVES	PAGES IN THE ANNUAL PERFORMANCE REPORT
Objective (1) – Organisational efficiency and effectiveness	43 and 49
Objective (3) – Customer stakeholder interaction	47 and 51

17. 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.

REPORT OF THE AUDITOR-GENERAL

TO THE PARLIAMENT ON AMATOLA WATER BOARD

18. The material findings in respect of the usefulness and reliability of the selected objectives are as follows:

Objective (1) - Organisational efficiency and effectiveness

Indicator: Number of days' supply interrupted as a percentage of possible supply days

19. The method of calculation for the achievement of the planned indicator was not clearly defined as required by the Framework for Managing Programme Performance Information (FMPPI). The indicator refers to the number of days' supply is interrupted as a percentage of possible supply days, whereas the planned target and the reported achievement is based on the number of days' supply is not interrupted as a percentage of possible supply days.

Objective (3) - Customer and stakeholder interactions

20. I did not identify any material findings on the usefulness and reliability of the reported performance information for objective (3) – Customer stakeholder interaction.

Other matters

21. I draw attention to the matters below.

Achievement of planned targets

22. Refer to the annual performance report on page(s) 41 to 66 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets. This information should be considered in the context of the material findings identified on the usefulness of the reported performance information in 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 organisational effectiveness and efficiency. As management subsequently corrected only some of the misstatements, I reported material findings on the usefulness of the reported performance information.

REPORT ON 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 in respect of the compliance criteria for the applicable subject matters are as follows:

Annual financial statements, performance and annual report

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 current liabilities and disclosure items identified by the auditors in the submitted financial statement were corrected and/or the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

REPORT OF THE AUDITOR-GENERAL

TO THE PARLIAMENT ON AMATOLA WATER BOARD

Revenue management

27. Effective and appropriate steps were not taken to collect all money due, as required by section 51(1) (b) (i) of the PFMA and treasury regulation 31.1.2(a) and (e).

Expenditure management

28. Effective steps were not taken to prevent irregular expenditure amounting to R79,4 million as disclosed in note 22 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the disclosed irregular expenditure was caused by procurement processes where SCM processes were not followed. Irregular expenditure amounting to R41, 6 million was incurred on alleviation of the water supply and storage shortages.

29. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R254 000 as disclosed in note 21 to the annual financial statements, in contravention of section 51(1) (b) (ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by payments on penalties and legal fees.

30. Payments were made before receipt of goods or services, in contravention of treasury regulation 31.1.2(c).

OTHER INFORMATION

31. The Amatola Water Board's accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

32. 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.

33. 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.

34. I have not yet received the annual report. When I do receive 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 re-issue my auditor's report amended as appropriate.

INTERNAL CONTROL DEFICIENCIES

35. 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 thereon. 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.

36. Monitoring activities are established within the board structures to ensure oversight responsibility within the entity. These were however not fully effective, as material non-compliance with laws and regulations and entity policies occurred in the current year.

REPORT OF THE AUDITOR-GENERAL

TO THE PARLIAMENT ON AMATOLA WATER BOARD

37. The non-compliance is mainly due to lack of proper review and monitoring of compliance within the entity. The internal policies have not been properly reviewed to ensure that it is aligned to the processes of the entity. Non-compliance with the policies could have been prevented had compliance been properly reviewed and monitored.

38. There were inconsistencies identified between the planned and reported indicators. These inconsistencies have resulted in the indicators not being useful. Management did not have adequate processes in place to ensure that all indicator descriptions and measures are consistent, measurable and reliable.

Other reports

39. I draw attention to the following engagements conducted by various parties 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. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigations

40. An independent consultant is investigating an allegation relating to transgressions of SCM requirements on a specific tender awarded in the 2014/15 year, at the request of the entity. This investigation is ongoing at the date of this report and the date of the outcome is not known.

Auditor - General

East London
04 October 2017

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2017

	NOTES	2017 R 000	2016 R 000
Revenue	2	405 272	398 637
Cost of sales	3	(293 165)	(285 964)
Gross profit		**112 107**	**112 673**
Other income	2	4 065	2 765
Operating and administrative expenses	3	(127 258)	(120 843)
Operating loss		**(11 088)**	**(5 405)**
Finance income	4	16 761	13 086
Finance costs	26	(152)	(372)
Profit for the year		**5 523**	**7 309**
Total comprehensive income for the year		**5 523**	**7 309**

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	NOTES	2017 R 000	2016 RESTATED R 000	2015 RESTATED R 000
Assets				
Non Current Assets				
Property, plant and equipment	5	531 004	440 142	350 162
Intangible assets	24	2 712	1 815	1 401
Total non current assets		**533 716**	**441 957**	**351 563**
Current Assets				
Inventories	6	3 170	2 613	2 703
Trade and other receivables	7	256 056	175 771	314 871
Cash and cash equivalents	8	130 858	300 711	120 013
Total current assets		**390 084**	**479 095**	**437 587**
Total Assets		**923 800**	**921 052**	**789 150**
Equity and liabilities				
Equity				
Capital contribution		274 557	274 557	274 557
Accumulated profit		87 385	81 862	74 553
Total capital and reserves		**361 942**	**356 419**	**349 110**
Liabilities				
Non Current Liabilities				
Interest bearing long term borrowings	9	-	-	1 043
Deferred income liability	25	275 050	178 079	82 463
Total non-current liabilities		**275 050**	**178 079**	**83 506**
Current Liabilities				
Trade and other payables	10	238 350	235 994	284 988
Current portion of interest bearing long term borrowings	9	-	15	581
Provisions	12	3 615	7 209	1 073
Grant funding liability	11	41 351	142 460	69 892
Current portion of deferred income liability	25	3 492	876	-
Total current liabilities		**286 808**	**386 554**	**356 534**
Total Liabilities		**361 858**	**564 633**	**440 040**
Total Equity and Liabilities		**923 800**	**921 052**	**789 150**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2017

	NOTES	CAPITAL CONTRIBUTION R 000	ACCUMULATED PROFIT R 000	TOTAL R 000
Balance at 01 July 2015	17	**274 557**	**74 553**	**349 110**
Profit and other comprehensive income for the year		-	7 309	7 309
Balance at 01 July, 2016		**274 557**	**81 862**	**356 419**
Profit and other comprehensive income for the year		-	5 523	5 523
Balance at 30 June 2017		**274 557**	**87 385**	**361 942**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017

	NOTES	2017 R 000	2016 R 000
Cash flows from operating activities			
Cash receipts from customers		329 052	540 402
Cash paid to suppliers and employees		(397 729)	(431 731)
Cash generated / (utilised in) from operations	15	(68 677)	108 671
Interest income	4	10 928	10 844
Finance costs	26	(152)	(372)
Net cash generated from / (utilised in) operating activities		**(57 901)**	**119 143**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(144 161)	(105 290)
Transfer of Assets from Capital Work in Progress		33 996	-
Purchase of other intangible assets	24	(1 772)	(610)
Disposal of other intangible assets	24	-	4
Grant funding received	11	-	169 060
Net cash from investing activities		**(111 937)**	**63 164**
Cash flows from financing activities			
Repayment of long term borrowings	9	(15)	(1 609)
Total cash and cash equivalents movement for the year		**(169 853)**	**180 698**
Cash and cash equivalents at the beginning of the year		300 711	120 013
Total cash and cash equivalents at end of the year	**8**	**130 858**	**300 711**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The annual financial statements are prepared on the historical costs basis, unless stated otherwise, and incorporate the following principal accounting policies which conform to SA GAAP, the Public Finance Management Act (Act 1 of 1999, as amended by Act 29 of 1999) and the Water Services Act (Act 108 of 1997). These principal accounting policies are consistent with the previous year.

FUNCTIONAL CURRENCY

The functional and presentational currency of Amatola Water Board is the South African Rand (ZAR). The financial statements are presented in Rand thousands (R'000).

CAPITAL CONTRIBUTION

Capital contribution comprises of inventory and property, plant and equipment that was transferred from the Department of Water and Sanitation (DWS). Refer to the property, plant and equipment accounting policy for further information.

PROPERTY, PLANT AND EQUIPMENT

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

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

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 these costs meet the recognition criteria. 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 present value 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.

COST MODEL

Property, plant and equipment held for use in the production or supply of goods or services or for administrative purposes are stated at cost less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment which were transferred to Amatola Water Board at no cost from Department of Water and Sanitation are recorded at depreciated replacement cost of the assets on the date of transfer, with the resultant credit being recorded as a Capital Contribution. These items are subsequently carried at this cost less accumulated depreciation and any accumulated impairment losses.

Depreciation commences when assets are capable of operating in the manner intended by management.

Depreciation is provided on all property, plant and equipment other than freehold land, to write down the cost, less residual value, on a straight line basis over their useful lives as follows:

ITEM	AVERAGE USEFUL LIFE IN YEARS
Buildings	20 yrs
Pipelines	30 yrs
Reservoirs	35 yrs
Pump stations	
♦ Building and civil works	35 yrs
♦ Electrical	15 yrs
♦ Mechanical	20 yrs
Water treatment works	
♦ Building and civil works	50 yrs
♦ Electrical	15 yrs
♦ Mechanical	20 yrs
Other equipment	5-12 yrs
♦ Furniture and fittings	
♦ Implements, Electronic equipment and Office equipment	
♦ Computer equipment and software	
♦ Plant and equipment	
♦ Scientific equipment	
♦ Motor vehicles	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

The residual value, useful life and depreciation method of each asset are reviewed at each financial year end.

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 and which has a different useful life then the asset as a whole is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another qualifying asset.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets where it is reasonably certain that ownership will transfer at the end of the lease term. Where it is not reasonably certain that ownership will transfer at the end of the lease term, the asset held under a finance lease is depreciated over the shorter of its useful life and the lease term.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss 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.

Movable assets below R3,000 are expensed in the year of purchase.

INTANGIBLE ASSETS

An intangible asset is recognised when:

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

Amatola Water Board'sintangible comprise of packaged software which is carried at cost less accumulated amortisation and impairment. Packaged software and the direct costs associated with the development and installation thereof are capitalised. Costs related to the renewal of licences are treated as an expense in the period that they acquired.

The amortisation period and the amortisation method for intangible assets are reviewed every period end. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

ITEM	USEFUL LIFE
Computer software	5 yrs

INVENTORIES

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

Inventory is valued at the lower of the weighted average cost and estimated net realisable value. Inventory comprises plant spares and stores, chemicals, fuel and water stock held in reservoirs.

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

IMPAIRMENT

The carrying amounts of the entity's assets, other than inventories and trade receivables, which are separately assessed and provided against where necessary, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. The recoverable amount is the higher of the asset's fair value less cost of disposal, or the asset's value in use. Value in use is estimated taking into account future cash flows per managements budgets, forecast market conditions and the expected useful lives of the assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

Such cash flows are discounted using a rate that reflects the current market value of money and the risks associated with the specific asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.
Impairment losses are recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss.

REVENUE RECOGNITION

Revenue, which excludes Value Added Tax, is measured at the fair value of the consideration received or receivable and represents water sales to customers and management services rendered to principals in project implementation agent contracts.

Revenue from the sale of water and management services rendered is recognised when all the following conditions have been satisfied:

- the significant risks and rewards of ownership have been transferred to the consumer;
- 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 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.

PROJECT REVENUE

Project revenue is recognised in the accounting records of Amatola Water Board on the agency basis for implementing agents contracts and on the stage of completion basis for projects conducted on the principal basis. The agency basis is where management fees revenue is recognised into the profit or loss in the statement of comprehensive income whilst the principal basis is where the costs of the project and the related revenue are both recognised into the statement of comprehensive income.

For revenue arising from the rendering of services, provided that all of the following criteria are met, revenue should be recognised by reference to the stage of completion of the transaction at the reporting date:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits will flow to the seller;
- the stage of completion at the reporting date can be measured reliably; and
- the costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

The stage of completion is based on the approved amounts invoiced and paid to contractors against the budgeted costs of each project.

INTEREST INCOME

Interest is recognised on a time proportionate basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to Amatola Water Board.

PROVISIONS

Provisions are recognised when Amatola Water Board has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

The expense relating to a provision is included in profit or loss. If the effect of the time value of money is material, provisions are discounted using a rate that reflects the current market value of money and the risks associated with the specific liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

FINANCE LEASES

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

IN THE CAPACITY OF A LESSEE

Assets held under finance leases are recognised as assets of Amatola Water Board at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

The corresponding rental obligations and net finance charges are included in other short term and other long term borrowings respectively. The interest element/finance cost is charged to profit or loss within finance cost over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance charges are recognised in finance costs in the statement of comprehensive income. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that Amatola Water Board will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Finance lease liabilities are derecognised in accordance with the derecognition requirements for financial liabilities.

OPERATING LEASES

Rentals payable under operating leases with fixed escalation clauses are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

FINANCIAL INSTRUMENTS

INITIAL RECOGNITION AND MEASUREMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are initially measured at fair value. Subsequent to initial recognition, these instruments are measured as set out below:

The Amatola Water Board classifies its financial instruments interms of loans and receivables.

The classification depends on the nature and purpose of the financial assets and liabilities and is determined at the time of initial recognition. Management re evaluates such designation at least at each reporting date.

TRADE AND OTHER RECEIVABLES

Trade and other receivables classified as loans and receivables and are stated at amortised cost, less impairment losses.

Trade and other receivables are assessed, at each reporting date, to determine whether there is objective evidence that one or more receivable is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset, has an impact on the estimated future cash flows of the assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is recognised as income in the statement of comprehensive income.

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.

TRADE AND OTHER PAYABLES

Short term payables are carried at amortised cost with no stated interest rate and are measured at the original invoice amount as the effect of discounting is considered to be immaterial.

INTEREST-BEARING LONG-TERM BORROWINGS

Interest bearing borrowings are reflected at amortised cost, applying the yield to maturity basis, which is the rate of return to be earned should the borrowing be held until maturity.

EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

The undiscounted cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

Accruals for employee entitlements to salaries, wages, performance bonuses and annual leave represent the amount which the entity has a present obligation to pay as a result of the employees' services provided at the reporting date. The accruals have been calculated based on current salary and wage rates.

The estimated cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

DEFINED CONTRIBUTION PLANS

The entity's policy is to provide retirement benefits for employees. Obligations for contributions to defined contribution pension and provident plans are recognised as an expense in profit or loss as incurred.

RELATED PARTIES

The entity is wholly owned by its shareholder, the Department of Water and Sanitation. Amatola Water Board is a schedule 3B public entity in terms of the Public Finance Management Act.

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

IAS 24 Related Party Disclosures provides government related entities an exemption in respect of its relationship with government related entities at national, provincial and local levels of government.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

COMMITMENTS

A commitment arises when a decision is made to incur a liability in the form of a purchase contract or similar documentation.

Such a contractual commitment would be accompanied by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate and conditions to be satisfied to establish an obligation.

Commitments are not disclosed as liabilities on the statement of financial position, they are disclosed in the notes to the annual financial statements.

IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (PFMA) and the Public Office Bearers Act (Act No. 20 of 1998), State Tender Board Act, 1968 (Act No. 86 of 1968) or is in contravention of the entity's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of comprehensive income and where recovered, it is subsequently accounted for as revenue in the statement of comprehensive income.

FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of comprehensive Income and where recovered, it is subsequently accounted for as revenue in the statement of comprehensive Income.

SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

Amatola Water Board applies significant judgements and sources of estimation uncertainty relating to the following:

Useful life of property, plant and equipment: The method applied for useful life assessment is the historical basis of use and longevity of use in Amatola Water Board's care.

- Impairment of assets: Impairment of assets are assessed for indicators of impairment as described in IAS 36; however, not limited to them. Other indicators assessed include:
  - Management's future plans with regards to rationalisation of supply schemes; and
  - Availability of water resources within the supply scheme of each asset.

- Provision for doubtful debts: Provision for doubtful debts has been assessed on a debtor by debtor basis and reasons for considering the debtors as doubtful are interrogated by management.

- Contingent liabilities: Contingent liabilities are assessed by management and are recognised into the annual financial statements based on the strength of the legal case and the reasonable expectation of the outcome of the court cases.

No further key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date exist, that management may have assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

Capital and Operational Grant Funding

Government capital grants for infrastructure are recognised as deferred income in the statement of financial position. On capitalisation of the infrastructure asset, the deferred income relating to the grant is set off against the depreciation expense of the asset in statement of compmprehensive income over the remaining useful life of the depreciable asset.

Government operational grants are recognised as income in the statement of comprehensive income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

Deferred income

Deferred income is recognised in line with IAS 20: Accounting for Government Grants and Disclosure of Government Assistance. Amatola Water Board received government grants to upgrade its existing water infrastructure and thus accounts for deferred income relating to assets under IAS 20. The deferred income is recognised into a current or non current liability with the intention to recognise and match the income against the useful life of the related asset.

2. REVENUE

	2017 Kℓ '000	2016 Kℓ '000
Revenue comprises:		
Volume		
Treated water volume sold	33 208	33 630
Raw water volume sold	8 438	8 247
	2017 R '000	**2016 R '000**
Section 29		
Raw water sales	17 067	15 557
Treated water sales	270 593	250 701
Right of use	17 293	18 814
	304 953	285 072
Section 30		
PIA fees - agent and principal	38 762	43 593
Operations and maintenance agreement	55 702	63 041
Project costs recoveries	5 855	6 931
	100 319	**113 565**
Total revenue	**405 272**	**328,762**
Other income		
Other income	432	110
Sundry income	3 633	2 655
	4 065	**2 765**

A singificant portion of PIA fees are relate to agency transactions where Amatola Water Board acts as an implementing agent on projects, Amatola Water Board acts as a principal on once off special projects where required.

Other income relates to income to prescribed advances received for closed projects in the current year and from over provision of debts or over estimation of accruals in the prior year.

Sundry income relates to income from incidental activities provided by Amatola Water Board to customers such as permits for dam entrance, scientific services on behalf of water users, profit on disposal of assets, etc.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

3. OPERATING EXPENSES

	2017 R '000	2016 R '000
Cost by function		
Cost of sales	293 165	285 964
Operating and administrative expenses	127 258	120 843
	420 423	406 807
The net operating surplus is stated after taking the following into account:		
Cost of sales Section 29 (Primary Business)		
Raw water purchases	80 261	81 186
Water research levies	2 854	2 739
Electricity	39 408	37 551
Chemicals	7 690	8 553
Employee benefit costs	76 955	77 641
Depreciation and impairment	14 537	13 724
	221 705	221 394
Cost of sales Section 30 (Secondary Business)		
Chemicals	2 196	2 261
Employee benefit costs	46 207	41 106
Repairs & maintenance	13 376	12 788
Diesel	22	16
Project costs	9 659	8 399
	71 460	64 570
Total Cost of sales	**293 165**	**285 964**
Auditors' remuneration and other material expenses:		
External Audit Fees	1 498	1 515
Statutory audit fees	24	21
Agreed upon procedures	-	30
Compliance audit fees	571	849
Internal audit fee	11 317	19 671
Bad debts provision	8 290	1 603
Consulting and professional fees	2 903	1 222
Depreciation and amortisation	38 139	38 056
Employee costs salaried staff		
Non-Executive board member emoluments (i)	2 884	1 865
Board fees	32	59
Travel disbursements	7 302	8 929
Executive management emoluments (i)	19 743	14 568
Other general expenses (ii)	2 295	3 146
Accommodation	2 426	1 978
Security	1 031	1 348
Insurance		
Training	3 120	5 144
Lease rentals on operating lease (refer to note 13)	7 818	7 253
Repairs and maintenance	15 117	12 727
Technical service fees	1 346	295
Profit and loss on sale of assets	-	564
Impairment loss	1 402	-
	127 258	120 843

(i) Refer to note 27 for executive and Non-Executive emoluments.
(ii) Refer to note 29 for the detailed general expenses breakdown.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

4. FINANCE INCOME

	2017 R '000	2016 R '000
Income from financial assets cash and cash on hand	**10 928**	**10 844**
Interest income relating to trade and other receivables	5 833	2 242
	16 761	**13 086**

5. PROPERTY, PLANT AND EQUIPMENT

	2017 R '000			2016 R '000		
	COST OR REVALUATION	ACCUMULATED DEPRECIATION	CARRYING VALUE	COST OR REVALUATION	ACCUMULATED DEPRECIATION	CARRYING VALUE
Land	5 410	-	5 410	5 410	-	5 410
Buildings	28 715	(13 958)	14 757	24 318	(12 558)	11 760
Buildings and civil works	**82 139**	**(26 460)**	**55 679**	**82 183**	**(25 928)**	**56 255**
Water treatment works	74 395	(23 033)	51 362	74 439	(22 730)	51 709
Pumpstations	7 744	(3 427)	4 317	7 744	(3 198)	4 546
Pipelines	155 936	(89 866)	66 070	154 160	(84 392)	69 768
Reservoirs	105 055	(34 118)	70 937	95 871	(30 971)	64 899
Pumpstations	**8 857**	**(5 132)**	**3 725**	**7 461**	**(4 737)**	**2 725**
Electrical	2 269	(1 410)	859	1 455	(1 323)	132
Mechanical	6 588	(3 722)	2 866	6 006	(3 413)	2 593
Treatment works	**49 592**	**(17 044)**	**32 548**	**35 399**	**(15 434)**	**19 965**
Electrical	9 681	(4 517)	5 164	8 820	(3 998)	4 822
Mechanical	39 911	(12 527)	27 384	26 579	(11 436)	15 143
Furniture and fittings	1 215	(917)	298	1 183	(957)	226
Machinery, plant and equipment	**39 945**	**(29 132)**	**10 813**	**46 542**	**(35 697)**	**10 845**
Computer hardware	8 059	(3 891)	4 168	15 202	(10 679)	4 523
Electronic equipment	4 679	(2 725)	1 954	3 927	(2 979)	948
Implements	1 318	(906)	412	1 251	(987)	264
Office equipment	818	(572)	246	784	(570)	214
Plant and machinery	17 525	(15 922)	1 603	17 843	(15 714)	2 129
Scientific equipment	7 546	(5 116)	2 430	7 535	(4 768)	2 767
Motor vehicles	5 560	(4 467)	1 093	5 576	(4 218)	1 358
Capital Work in progress	269 674	-	269 674	196 931	-	196 931
Total	**752 098**	**(221 094)**	**531 004**	**655 034**	**(214 892)**	**440 142**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT 2017

	OPENING BALANCE R '000	ADDITIONS R '000	TRANSFERS R '000	OTHER CHANGES, MOVEMENTS	DEPRECIATION R '000	IMPAIRMENT LOSS R'000	TOTAL R '000
Land	5 410	-	-	-	-	-	**5 410**
Buildings	11 760	4 403	-	1	(1 406)	(1)	14 757
Buildings and civil works	**56 255**	**1 880**	**-**	**-**	**(1 772)**	**(684)**	**55 679**
Water treatment works	51 709	1 880	-	-	(1 543)	(684)	51 362
Pumpstations	4 546	-	-	-	(229)	-	4 317
Pipelines	69 768	1 776	-	-	(5 474)	-	66 070
Reservoirs	64 899	9 185	-	-	(3 147)	-	70 937
Pumpstations	**2 725**	**1 397**	**-**	**(1)**	**(396)**	**-**	**3 725**
Electrical	132	815	-	(3)	(86)	-	858
Mechanical	2 593	582	-	2	(311)	-	2 866
Treatment works	**19 965**	**15 218**	**-**	**-**	**(2 576)**	**(59)**	**32 548**
Electrical	4 822	949	-	-	(606)	(1)	5 164
Mechanical	15 143	14 268	-	-	(1 971)	(57)	27 383
Furniture and fittings	226	121	-	-	(42)	(7)	298
Machinery, plant and equipment	**10 845**	**3 443**	**-**	**-**	**(2 977)**	**(498)**	**10 813**
Computer hardware	4 523	1 636	-	28	(1 584)	(435)	4 168
Electronic equipment	948	1 292	-	-	(254)	(32)	1 954
Implements	264	258	-	(21)	(71)	(18)	412
Office equipment	214	75	-	(1)	(41)	(1)	246
Plant and machinery	2 129	-	-	(7)	(512)	(7)	1 603
Scientific equipment	2 767	182	-	-	(514)	(5)	2 430
Motor vehicles	1 358	-	-	-	(262)	(3)	1 093
Capital - Work in progress	196 931	106 738	(33 995)	-	-	-	269 674
	440 142	**144 161**	**(33 995)**	**-**	**(18 052)**	**(1 252)**	**531 004**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT 2016

	OPENING BALANCE R '000	ADDITIONS R '000	DISPOSALS R '000	TRANSFERS	DEPRECIATION R '000	TOTAL R '000
Land	5 410	-	-	-	-	5 410
Buildings	11 490	1 481	-	-	(1 211)	11 760
Buildings and civil works	**57 992**	**-**	**-**	**-**	**(1 737)**	**56 255**
Water treatment works	53 217	-	-	-	(1 508)	51 709
Pumpstations	4 775	-	-	-	(229)	4 546
Pipelines	75 190	-	-	-	(5 422)	69 768
Reservoirs	67 818	-	-	-	(2 919)	64 899
Pumpstations	3 035	-	-	-	(310)	2 725
Electrical	142	-	-	-	(10)	132
Mechanical	2 893	-	-	-	(300)	2 593
Treatment works	**21 793**	**-**	**-**	**-**	**(1 828)**	**19 965**
Electrical	5 330	-	-	-	(508)	4 822
Mechanical	16 463	-	-	-	(1 320)	15 143
Furniture and fittings	479	143	(330)	-	(66)	226
Machinery, plant and equipment	**8 599**	**3 383**	**(113)**	**-**	**(1 025)**	**10 845**
Computer hardware	3 128	1 729	(10)	-	(324)	4 523
Electronic equipment	528	426	(9)	-	2	948
Implements	186	116	(12)	-	(26)	264
Office equipment	158	119	(41)	-	(22)	214
Plant and machinery	2 114	436	(21)	-	(400)	2 129
Scientific equipment	2 485	557	(20)	-	(255)	2 767
Motor vehicles	569	-	(113)	1 138	(236)	1 358
Leasehold improvements	1 138	-	-	(1 138)	-	-
Capital Work in progress	96 649	100 283	-	-	-	196 931
	350 162	**105 290**	**(556)**	**-**	**(14 754)**	**440 142**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

GAAP 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 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.

After the conclusion of the annual asset verification process, assets which were no longer in use, were impaired pending their disposal in accordance with Amatola Water Board disposal policy and delegations of authority.

PROPERTY, PLANT AND EQUIPMENT ENCUMBERED AS SECURITY

Amatola Water Board, in the the year, had pledged the following assets, at cost price, as security for its 10 year bond agreement:

	2017 R '000	2016 R '000
Bond Agreement: ERF 31427 East London	-	1 205
The bond was fully settled on the 1st of July 2016.		

6. INVENTORIES

	2017 R '000	2016 R '000
Plant spares and stores	2 348	1 963
Chemicals	154	37
Fuel	-	7
Water	668	606
	3 170	**2 613**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

7. TRADE AND OTHER RECEIVABLES

	2017 R '000	2016 R '000
Trade receivables	110 371	45 702
Less: Provision for doubtful debts	(739)	(818)
	109 632	44 884
Sundry receivables	118 400	71 014
Less: Provision for doubtful debts	(39 367)	(24 259)
	79 033	**46 755**
Accrued Income	66 065	87 378
Provision for doubtful debts: Accrued Income	-	(3 713)
Other receivables	910	467
VAT	416	-
	256 056	**175 771**

Trade and other receivables payment terms are 30 days from invoice date. Interest has not been charged on these debtors in the year under review.

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 profit or loss as per other project implementing agent contract costs.

Refer to Note 17: Financial instruments for further details on the impairment of debtors.

8. CASH AND CASH EQUIVALENTS

	2017 R '000	2016 R '000
Bank balances	62 978	112 550
Short term deposits	67 880	188 161
	130 858	**300 711**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

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.

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.

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

	2017 R '000	2016 R '000
Eskom	1 000	1 000

9. INTEREST BEARING LONG TERM BORROWINGS

	2017 R '000	2016 R '000
Department of Water Affairs		
Secured		
Nedbank		
Bond	-	15
Total borrowings	**-**	**15**
Less: current portion	-	15

NEDBANK

The Nedbank bond is secured by ERF 31427 East London. It was repayable over 10 years in monthly installments of R14,312, with the final payment due on 28 February 2021. The average rate of interest for the year was 9.92%. The bond was settled on the1st of July 2016 and the cancellation completed as well.

Refer to note 5 for details on assets pledged for the borrowings. The finance costs relating to the borrowings are presented in note 24.

Reconciliation of movement in interest bearing long term borrowings for the year		
Balance at the beginning of the year	15	1 624
Loans repaid	(15)	(1 609)
	-	15

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

10. TRADE AND OTHER PAYABLES

	2017 R '000	2016 R '000
Trade payables	103 365	136 784
Amounts received in advance	60 277	15 101
VAT	-	1 496
Project Payables	46 432	60 197
Other payables	**12 184**	**8 110**
Accrued leave pay	13 456	11 995
Accrued bonus	2 638	2 311
	238 350	**235 994**

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.

11. GRANT FUNDING LIABILITY

2017 RECONCILIATION

	OPENING BALANCE R'000	GRANT FUNDING RECEIVED R'000	GRANT FUNDING RECOGNISED AS DEFERRED INCOME R'000	GRANT FUNDING LIABILITY R'000
National Treasury Grant	140 105	-	(101 109)	38 996
DBSA Jobs Fund Grant	2 355	-	-	2 355
	142 460	-	**(101 109)**	**41 351**

2016 RECONCILIATION

	OPENING BALANCE R'000	GRANT FUNDING RECEIVED R'000	GRANT FUNDING RECOGNISED AS DEFERRED INCOME R'000	GRANT FUNDING LIABILITY R'000
National Treasury Grant	67 537	169 060	(96 492)	140 105
DBSA Jobs Fund Grant	2 355	-	-	2 355
	69 892	**169 060**	**(96 492)**	**142 460**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

Amatola Water Board had two grants during the current financial period:

A capital grant was received for the upgrade of Amatola Water Board's treatment works plants. R101 million has been spent or committed for payment at year end. This amount spent is recognised as deferred income until the completion of the upgrades, when the deferred income will be expensed at the same rate as the depreciation of the asset.

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, this amount has been recalled by the Jobs Fund.

Grant funding not spent for the specific use it has been provided for will be required to be refunded to the funders when these funds are called. No grants have been spent outside their specific use at year end.

12. PROVISIONS

RECONCILIATION OF PROVISIONS - 2017

	OPENING BALANCE R'000	ARISING DURING THE YEAR R'000	UTILISED DURING THE YEAR R'000	REVERSED DURING THE YEAR	TOTAL R'000
Provision for employee benefits	6 106	-	-	(3 105)	3 001
Provision for litigation	550	-	-	(550)	-
Long service award	553	123	(62)	-	614
	7 209	**123**	**(62)**	**(3 655)**	**3 615**

RECONCILIATION OF PROVISIONS - 2016

	OPENING BALANCE R'000	ARISING DURING THE YEAR R'000	UTILISED DURING THE YEAR R'000	REVERSED DURING THE YEAR	TOTAL R'000
Provision for employee benefits	-	6 106	-	-	6 106
Provision for litigation	550	-	-	-	550
Long service award	523	237	(183)	(24)	553
	1 073	**6 343**	**(183)**	**(24)**	**7 209**

The provision for employee benefits (ex gratia payment) is based on a constructive obligation that has been created over the preceding financial years in terms of payment of ex gratia payment to employees. The vesting conditions of the ex gratia payment are uncertain as they are at the sole discretion of the Amatola Water Board's Board.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

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

Provision for litigation relates to the Amatola Water Board vs Taylor and Associates case where Amatola Water Board entered into a cession agreement with its contractor relating to funds obtained from Taylor and Associates. Due to non performance of the contractor, Amatola Water Board cancelled the contract and the cession. The funder of the cession agreement, Taylor and Associates is suing Amatola Water Board for payments not made under the cession. The uncertainty in payment is pending on the outcome of the litigation matters. Amatola Water Board's Attorneys do not see a favourable outcome towards Amatola Water Board. The value of the provisions is based on the legal claim made by Taylor and Associates. The payment of the provision will be determined by the finalisation of the court case.

13. COMMITMENTS

	2017 R '000	2016 R '000
Capital commitments contracted for	150 434	167 211
Capital commitments authorised but not contracted for	97 439	164 324

Capital commitments authorised but not contracted for are commitments relating to the infrastructure upgrades and approved capital expenditure budget. These will be contracted for in the next financial year.

The proposed capital expenditure will be funded by grant funding of R321 million (2016: R321 million) and internally generated funds of R27,9 million (2016: R10,5 million).

OPERATING LEASE COMMITMENTS - MOTOR VEHICLES

Ninety four (2016: forty five) motor vehicles are leased under month to month operating leases. The lease payments include a maintenance portion for the duration of the lease term. The leases were for an initial period of five years, these lease have expired and are on a month to month extension. The future minimum lease payments under the month to month operating leases are as follows:

	2017 R '000	2016 R '000
Less than 1 year	569	2 713
More than 1 year and less than 5 years	-	1 924
Total	**569**	**4 637**

No escalation clauses exist in the operating lease agreements.

OPERATING LEASE COMMITMENTS - OFFICE EQUIPMENT

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.

	2017 R '000	2016 R '000
Less than 1 year	220	201
More than 1 year and less than 5 years	90	145
Total	**310**	**346**

No escalation clauses exist in the operating lease agreements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

13. COMMITMENTS (CONTINUED)

OPERATING LEASE COMMITMENTS - RENTAL OF OFFICE SPACE

Amatola Water entered into a 5 year lease rental agreement for office space use. The lease payments are set to increase annually, on the 1st of May at a rate of the prevailing consumer price inflation data available at the said date. The last lease term expires on the 30th of April 2019. Amatola has other lease agreements which continue on a month to month basis.

	2017 R '000	2016 R '000
Less than 1 year	215	317
More than 1 year and less than 5 years	117	258
Total	**332**	**575**

14. CONTINGENT LIABILITIES

LITIGATION CONTINGENT LIABILITIES

	2017 R '000	2016 R '000
Sebata Municipal Services Claim for outstanding invoices by the supplier for work done on an Amatola Water Board issued contract whch Amatola Water Board had requested to be set aside. The matter was concluded and the contract was set aside with no costs for Amatola Water Board.	-	5 949
Sebata Municpal Services Separate claim for outstanding invoices by the supplier for work done on an Amatola Water Board issued contract resulting in unjustified enrichment. The matter is under jurisdiction of the courts, the date of the hearing is not finalised and therefore the outcome of this litigation is uncertain.	6 975	-
C Nompumza Claim for damages by a student who was injured on site during a planned school visit. The matter is under the jurisdiction of the courts. The date of the hearing is not finalised and therefore the outcome of this litigation is uncertain. The amount of the claim is based on the documents submitted to the courts by the claimant.	5 000	5 000
Hall Longmore Claim for outstanding payment on ordered pipes and the associated storage costs. The matter is under jurisdiction of the courts, the date of the hearing is not finalised and therefore the outcome of this litigation is uncertain.	6 751	6 058
Taylor and Associates Claim for damages by contractor upon cancellation of contract by Amatola Water Board due to non performance on the contract by the contractor. The matter is under jurisdiction of the courts, the date of the hearing is not finalised and therefore the outcome of the litigation is uncertain.	550	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

14. CONTINGENT LIABILITIES (CONTINUED)

	2017 R '000	2016 R '000
Ukamva Civils Case No. EL 547/16 Claim for damages by contractor upon cancellation of contract by Amatola Water Board due to non performance on the contract by the contractor. The matter is under jurisdiction of the courts, the date of the hearing is not finalised and therefore the outcome of the litigation is uncertain.	1 919	1 919
Ukamva Civils Case No. EL 1407/16 A claim of damages from the Amatola Water Board arising from the cancellation of the award of the tender AW2012/15. The Amatola Water Board has defended this matter on the basis tha the contract had been lawfully terminated as a result of slow progress on the project.. The matter is under jurisdiction of the courts, the date of the hearing is not finalised and therefore the outcome of the litigation is uncertain.	7 109	-

15. CASH GENERATED FROM / (USED IN) OPERATIONS

	2017 R '000	2016 R '000
Profit for the year	5 523	7 309
Adjustments for:		
Finance income	(16 761)	(13 086)
Finance costs	152	372
Operating loss before interest		
Depreciation and amortisation		
Net loss on disposal of property, plant and equipment	(11 086)	(5 405)
Impairment loss	18 776	14 946
Movements in provisions	-	560
Discounting of receivables	1 402	-
Changes in working capital:	(3 594)	6 136
Inventories	5 833	2 241
Trade and other receivables		
Trade and other payables	(557)	90
Deferred income	(80 285)	139 100
	2 356	(48 992)
	(1 522)	-
	(68 677)	**108 671**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

16. RELATED PARTIES

The Department of Water and Sanitation is considered a related party entity as it exercises control and significant influence on Amatola Water Board.

Amatola Water Board has entered into various purchase and service transactions with its Executive Authority, Department of Water and Sanitation (DWS), in the ordinary course of business. These transactions were at arm's length:

Key management personnel are the members of the board and its sub committees and the management of Amatola Water delegated to run the entity on a day to day basis. The list of key management personnel is disclosed in note 25.

	2017 R '000	2016 R '000
Statement of Comprehensive Income		
Dam management fees paid by DWS to Amatola Water Board	**11 505**	**10 217**
Project revenue DWS	5 190	27 701
Raw water purchases from DWS (Refer to note 3)	(80 261)	(81 186)
Water research levy	(2 854)	(2 739)
Reversal of Bad debt provision / (Bad debt expense)	1 654	(2 329)
Statement of Financial Position		
DWS receivable	8 553	31 037
DWS payable	(7 875)	(18 790)
Provision for water research levy	(5 258)	(5 258)
Bad debt provision	(1 777)	(3 586)
Key Management Personnel		
Key Management Personnel compensation comprised of the following:		
Executive Directors		
Short term employee benefits	(7 302)	(8 929)
Non-executive directors		
Short term employee benefits	**(2 916)**	**(1 924)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

17. PRIOR PERIOD ERRORS

In the prior year, Amatola Water Board had classified Software costs and its accumulated depreciation as part of Property, Plant and Equipment instead of intangible assets (IAS38). The significance of these line items necessitated separate disclosure on the face of the statement of financial position and in the notes, therefore a classification error was noted and reported.

The effects of the prior period errors are as follows:

STATEMENT OF FINANCIAL POSITION EFFECT

	PROPERT, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
Previously reported 30 June 2015	351 563	-
Classification of software as property, plant and equipment instead of intangible assets.	-	-
	(1 401)	1 401
	-	-
Restated balance as at 30 June 2015	350 162	1 401

STATEMENT OF FINANCIAL POSITION EFFECT

Previously reported 30 June 2016	441 957	-
Classification of software as property, plant and equipment instead of intangible assets.	(1 815)	1 815
Restated balance as at 30 June 2016	**440 142**	**1 815**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

18. FINANCIAL INSTRUMENTS

Amatola Water Board adheres to a management strategy that makes explicit provision for ongoing review and active management of the organisation's exposure to financial risks.

Exposure to interest rate and credit risk arises in the normal course of the entity's business.

The financial assets and financial liabilities of Amatola Water Board approximate the fair value of the assets and liabilities.

MATURITY PROFILE OF FINANCIAL INSTRUMENTS

Maturity profiles of the financial assets and liabilities are summarised as follows:

Held at amortised cost financial liabilities exclude monies received in advance.

	2017		
	CURRENT INTEREST RATE	0 -12 MONTHS R'000	TOTAL
FINANCIAL ASSETS			
Loans and receivables			
Cash and cash equivalents	8,0%	130 858	130 858
Trade and other receivables	10,5%	256 056	256 056
FINANCIAL LIABILITIES			
Held at armotised cost			
Trade and other payables	10,5%	**(178 074)**	**(178 074)**
Long term loans	10,5%	-	-
Grant funding liability	10,5%	(2 355)	(2 355)
		206 485	**206 485**

	2016		
	CURRENT INTEREST RATE	0 -12 MONTHS R'000	TOTAL
FINANCIAL ASSETS			
Loans and receivables			
Cash and cash equivalents	8,0%	300 711	300 711
Trade and other receivables	10,5%	175 771	175 771
FINANCIAL LIABILITIES			
Held at armotised cost			
Trade and other payables	10,5%	**(220 892)**	**(220 892)**
Long term loans	10,5%	(15)	(15)
Grant funding liability	10,5%	(2 355)	(2 355)
		253 220	**253 220**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

18. FINANCIAL INSTRUMENTS (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 limited, as trade receivables mainly comprise (87 percent) 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 limited, as sundry receivables mainly comprise of DWS, Local and District Municipalities in relation to MIG, RBIG and other capital funding.

There are no credit ratings carried out by Amatola Water Board on these receivables.

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:

	2017 R'000	2016 R'000
Cash and cash equivalents (excluding petty cash)	130 858	300 711
Trade and other receivables (excluding provision for impairment)	296 162	204 561

AGEING AND IMPAIRMENT LOSSES

The ageing of trade receivables at the reporting date was:

	GROSS 2017 R'000	IMPAIRMENT 2017 R'000	GROSS 2016 R'000	IMPAIRMENT 2016 R'000
Not past due date	32 453	27	27 434	28
One month past due date	9 385	23	7 516	26
Two months past due date	8 188	10	8 279	10
Three months past due date	8 574	26	1 710	31
More than four months past due date	51 771	653	763	723
	110 371	**739**	**45 702**	**818**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2017 R'000	2016 R'000
Balance as at 1 July	818	655
Impairment provision reversed	(381)	(424)
Impairment provision increased	302	587
Balance at 30 June	**739**	**818**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

18. FINANCIAL INSTRUMENTS (CONTINUED)

The ageing of sundry receivables at the reporting date was:

	GROSS 2017 R'000	IMPAIRMENT 2017 R'000	GROSS 2016 R'000	IMPAIRMENT 2016 R'000
Not past due date	49 161	5 931	35 962	2 858
One month past due date	21 755	3 150	9 349	1 550
Two months past due date	3 344	3 186	5 108	1 653
Three months past due date	7 909	2 772	1 949	1 470
More than four months past due date	36 231	24 328	18 646	16 728
	118 400	**39 367**	**71 014**	**24 259**

The movement in the allowance for impairment in respect of sundry receivables during the year was as follows:

	2017 R'000	2016 R'000
Balance as at 1 July	24 259	6 919
Impairment provision increased	18 621	18 821
impairment provision reversed	(3 513)	(1 447)
Impairment provision utilised	-	(34)
Balance at 30 June	**39 367**	**24 259**

Other receivables for Amatola Water Board at reporting date were:

	GROSS 2017 R'000	IMPAIRMENT 2017 R'000	GROSS 2016 R'000	IMPAIRMENT 2016 R'000
Accrued income	66 065	-	87 378	(3 713)
Other receivables	1 326	-	467	-
	67 391	**-**	**87 845**	**(3 713)**

These receivables are not aged as there are no payment terms attached to them and are impaired based on the probability of recoverability.

INTEREST RATE RISK

As Amatola Water Board has significant interest bearing assets, the Amatola Water Board's income and operating cash flows are substantially affected by changes in market interest rates.

The entity generally adopts a policy of ensuring that its exposure to changes in the interest rates is on a floating rate basis.

SENSITIVITY ANALYSIS

In order to calculate the cash flow sensitivity analysis for variable rate instruments, the average long term loans and borrowings for the period was determined. A change of 100 basis points in interest rates at the reporting date would have no the profit for the year as Amatola Water Board does not have interest bearing borrowings.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

18. FINANCIAL INSTRUMENTS (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 group's reputation.

The entity manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows. Adequate reserves and liquid resources are also maintained.

	2017 R'000	2016 R'000
Financial liabilities affected by liquidity risk		
Trade and other payables	178 074	220 892
Long term borrowings	-	15
Grant funding liability	2 355	2 355
	180 429	**223 262**

	2017		
	ON DEMAND R'000	1 > 3 MONTHS R'000	TOTAL R'000
Trade and other payables	-	178 074	178 074
Grant funding liability	2 355	-	2 355
	2 355	178 074	180 429

	2016		
	ON DEMAND R'000	1 > 3 MONTHS R'000	TOTAL R'000
Trade and other payables	-	220 892	220 892
Long term borrowings	-	15	15
Grant funding liability	2 355	-	2 355
	2 355	**220 907**	**223 262**

CAPITAL RISK MANAGEMENT

Amatola Water Board's objective for managing capital is to enhance shareholder (The 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 profit 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 equity. This structure is agreed annually between Amatola Water Board and its Executive Authority (The Department of Water and Sanitation) in the shareholders compact and is managed in terms of the targeted debt to equity ratio.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

18. FINANCIAL INSTRUMENTS (CONTINUED)

	2017 R'000	2016 R'000
Capital and reserves is consistent with the prior year and consists of:		
Capital contribution	274 557	274 557
Accumulated Profit	83 729	81 862
	358 286	**356 419**
Interest bearing borrowings		
Total interest bearing borrowings	-	15

19. EMPLOYEE BENEFITS

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.

	2017 NUMBER OF STAFF	2017 R'000	2016 NUMBER OF STAFF	2016 R'000
Provident fund contributions	277	8 789	271	7 584
Pension fund contributions	68	2 774	64	2 528

Amatola Water Board provides long service awards and retirement entitlements which are defined as other long service awards in terms of IAS 19. 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:

	RETIREMENT GIFTS R' 000	LONG SERVICE AWARDS R' 000
Balance as at 01 July 2015	427	96
Current Service costs recognised to statement of comprehensive income	233	(19)
Retirement gifts/Long Service Awards paid	(176)	(8)
Balance as at 30 June 2017	**484**	**69**
Current service costs recognised to statement of comprehensive income	**108**	**15**
Retirement gifts/Long service awards paid	(55)	(8)
Balance as at 30 June 2017	**537**	**76**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

20. KEY SOURCES OF ESTIMATION UNCERTAINTY

There are no further key assumptions concerning the future and other key sources of estimation uncertainty as at the reporting date, other than the ones identified and disclosed in the accounting policy note, that management have assessed as having a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

GOING CONCERN

Management of Amatola Water Board has considered the going concern ability of the entity and concluded that the going concern assumption is valid due to the following:

- Amatola Water Board is contracted to provide bulk water to two of its three municipal bulk clients in the region for a period of more than 12 months. Amatola Water Board, was at the end of the financial year, finalising the contracting of the 3rd municipal bulk client as the contract was due to expire on the 30th of June 2017.
- Amatola Water Board has Section 30 contracts of more than R2 billion and is the DWS preferred implementing agent for water infrastructure in the Eastern Cape.
- The provision of water is an essential supply and thus it is expected that this provision will not be compromised by national government.
- Amatola Water Board has submitted and has an approved 5 year business plan and corporate plan approved by the executive authority which encompasses Amatola Water Boards financial viablitity plans as well as future operational cashflow forecasts.
- Amatola Water Board's assets exceed its liabilities and Amatola Water Board does not possess significant borrowings which encumber its assets.

21. FRUITLESS AND WASTEFUL EXPENDITURE

RECONCILIATION OF FRUITLESS AND WASTEFUL EXPENDITURE

	2017 R'000	2016 R'000
Opening balance	1 653	1 100
Fruitless and wasteful expenditure current year	254	558
Transfer to receivables for recovery	(12)	(5)
	1 895	1 653

INCIDENT	VALUE R' 000	FRUITLESS AND WASTEFUL EXPENDITURE INVESTIGATION OUTCOME (CAUSES)
Interest on late payment of invoices	90	Relates to interest on late payment of invoices and other interest costs from court judgements.
Excess payments on car accidents	12	Payment on excess charges for traffic fines.
Payment for services not received	153	Payment for penalties and legal fees that could have been avoided had reasonable action be pro actively taken by Amatola Water Board
Prior year fruitless and wasteful expenditure	1 653	Prior year fruitless and wasteful expenditure relates to SARS payment of interim CEO PAYE, interest on late payment of invoices and payments on expired contracts.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

22. IRREGULAR EXPENDITURE

RECONCILIATION OF IRREGULAR EXPENDITURE

	2017 R'000	2016 R'000
Opening balance	109 364	74 161
Irregular expenditure - Current year:	-	-
- Overspending on contracts awarded	7 434	6 855
- Other irregular expenditure	71 960	28 348
	188 758	**109 364**

The opening balance of prior year irregular expenditure has been increased by R4,5 million due to an irregular contract that was identified in the current year that had payments made relating to the 2014/15 financial year.

ANALYSIS OF CURRENT YEAR IRREGULAR EXPENDITURE

INCIDENT	VALUE R' 000	FRUITLESS AND WASTEFUL EXPENDITURE INVESTIGATION OUTCOME (CAUSES)
Spending on non existent contracts in which SCM procurement processes were not followed	859	Irregular expenditure relates to historical contracts that have not been renewed by Amatola Water Board that are paid via the debit order facility in place with Standard Bank. These contracts have expired although the entity is utilising the services.
Overspending on expired contracts	7 434	Irregular expenditure relates to residual contracts for the fleet management and these transactions will continue to be irregular until new contracts have been entered into through SCM procuring the services through the correct processes.
Payments made to suppliers by determination of the court	123	Payment made to supplier on project through determination of the court (court order).
SCM Processes not followed	1 016	Various procurement processes where the SCM processes was not followed.
Prior year irregular expenditure	101 861	The irregular expenditure condonation report was submitted to the accounting authority as irregular expenditure registers were not available for the periods in question (2012 and 2013 financial years). Expenditure, although irregular, resulted in economic benefits flowing to the entity and thus is proposed to be condoned.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

23. TAXATION

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

24. INTANGIBLE ASSETS

	2017 COST / VALUATION R' 000	2017 ACCUMULATED AMORTISATION R' 000	2017 CARRYING VALUE R' 000	2016 COST / VALUATION R' 000	2016 ACCUMULATED AMORTISATION R' 000	2016 CARRYING VALUE R' 000
Computer software	3 992	(1 280)	2 712	6 336	(4 521)	1 815

RECONCILIATION OF INTANGIBLE ASSETS - 2017

	OPENING BALANCE R' 000	ADDITIONS R' 000	AMORTISATION R' 000	IMPAIRMENT LOSS R' 000	TOTAL R' 000
Computer software	1 815	1 772	(725)	(150)	2 712

RECONCILIATION OF INTANGIBLE ASSETS - 2016

	OPENING BALANCE R' 000	ADDITIONS R' 000	AMORTISATION R' 000	IMPAIRMENT LOSS R' 000	TOTAL R' 000
Computer software	1 401	610	(4)	(192)	1 815

25. DEFERRED INCOME LIABILITY

Amatola Water Board is receiving government grant for the upgrade of 6 of its water treatment plants and associated infrastructure. Grant utilised in these upgrades are recognised as deferred income in the accounting records until the asset is available for use. The deferred income is set off against the related depreciation expense, over a period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

	2017 R'000	2016 R'000
Non current portion of deferred income liability	275 050	178 079
Current portion of deferred income liability	3 492	876
	278 542	**178 955**

Deferred income was previously reported as part of the trade and other payables, however, due to the significant value and to ensure proper understanding for the users of the financial statements, management has separately disclosed the deferred income balance on the face of the statement of financial position and in the notes to the annual financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

26. FINANCE COSTS

	2017 R'000	2016 R'000
Finance leases	-	122
Current borrowings	-	67
Other interest paid	152	183
	152	372

27. DIRECTORS' EMOLUMENTS

EXECUTIVE
2017

	CASH COMPONENT R'000	BACK PAY & LEAVE PAYOUT R'000	RE- IMBURSIVE & OTHER ALLOWANCES R'000	VEHICLE ALLOWANCE R'000	PENSION / PROVIDENT PACKAGE R'000	FAMILY COVER, DISABILITY & GROUP LIFE R'000	MEDICAL AID PACKAGE R'000	TOTAL R'000
L Makibinyane	2 192	-	-	120	276	21	21	2 630
K Govindsamy	1 092	-	2	144	-	44	21	1 303
A Gidana	1 037	-	19	120	107	45	21	1 349
Y Roboji	690	210	-	80	93	30	16	1 119
D Contell	125	-	-	-	-	-	-	125
T Mokgoshi	741	-	35	-	-	-	-	776
	5 877	**210**	**56**	**464**	**476**	**140**	**79**	**7 302**

2016

	CASH COMPONENT R'000	BACK PAY & LEAVE PAYOUT R'000	RE- IMBURSIVE & OTHER ALLOWANCES R'000	VEHICLE ALLOWANCE R'000	PENSION / PROVIDENT PACKAGE R'000	FAMILY COVER, DISABILITY & GROUP LIFE R'000	MEDICAL AID PACKAGE R'000	PERFORMANCE BONUS R'000	TOTAL R'000
L Makibinyane	2 128	117	3	120	269	21	21	-	2 679
K Govindsamy	1 059	-	32	144	-	49	21	-	1 305
A Gidana	1 008	26	57	120	105	49	21	-	1 386
Y Roboji	975	26	3	120	137	49	21	-	1 331
C Thompson	835	258	-	84	-	37	12	1 002	2 228
	6 005	**427**	**95**	**588**	**511**	**205**	**96**	**1 002**	**8 929**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

27. DIRECTORS' EMOLUMENTS (CONTINUED)

NON-EXECUTIVE
2017

	BOARD STIPEND R'000	BOARD MEETING FEES R'000	TRAVEL AND OTHER RE IMBURSEMENT R'000	TOTAL R'000
N Mnqeta	210	380	2	592
L Louw	154	172	3	329
AS Hadebe	173	66	-	239
T Maenetja	13	10	-	23
EV Jooste	154	174	-	328
BE Hollingworth	154	211	14	379
M Nzimande	154	179	2	335
AP Le Roux	154	189	9	352
C Mbande	154	87	2	243
K Mockler	-	3	-	3
L Manquku	-	51	-	51
S Bruce	-	42	-	42
	1 320	**1 564**	**32**	**2 916**

2016

	BOARD STIPEND R'000	BOARD MEETING FEES R'000	TRAVEL AND OTHER RE IMBURSEMENT R'000	TOTAL R'000
N Mnqeta	87	139	-	226
Z Ramncwana	-	29	-	29
NR Mlonzi	-	37	-	37
M Koyo	-	39	-	39
M Matika	-	65	6	71
S Ngwekazi	-	39	12	51
N Rulumeni	-	36	3	39
S Dzengwa	-	30	1	31
KC Ncamiso	-	45	6	51
L Louw	63	129	3	195
AS Hadebe	71	95	1	167
T Maenetja	63	61	-	124
EV Jooste	63	102	-	165
BE Hollingworth	63	80	2	145
M Nzimande	63	92	-	155
AP Le Roux	63	75	-	138
C Mbande	63	39	-	102
K Mockler	-	81	25	106
L Manquku	-	30	-	30
S Bruce	-	22	-	22
	599	**1 265**	**59**	**1 923**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

28. EVENTS AFTER THE REPORTING PERIOD

No significant events have come to managements attention after the reporting date that would have had a significant effect on the annual financial statements.

29. OTHER GENERAL EXPENSES

General expenses relate to the following expense line items in the accounting records of Amatola Water Board:

	2017 R'000	2016 R'000
Bank Charges	195	185
Consumables: Chemicals	130	156
Consumables: Computer	228	189
Consumables: Glassware	47	6
Consumables: Laboratory	881	987
Consumables: Other	854	867
Corporate Identity Development	1	6
Design and Creative Services	73	27
EAP Referrals	-	(79)
Electricity and Water	741	696
Entertainment Expenses	-	3
Equipment: Hire	(35)	54
Equipment: small value items	176	-
Exhibition & Rental Costs	53	26
Fees: Admin & Secretarial Serv	-	3
Fees: Contracts	123	363
Films Videos and Other	16	3
Health and Safety	283	556
Inauguration & Events	297	330
Medical costs/ consumables	27	57
Indoor and Outdoor Plants	11	-
Insurance: General Liability	19	94
Insurance: Workman's Comp	461	432
Laundry & Cleaning Expenses	217	179
Legal Expenses	4 866	898
Membership Fees	521	212

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

29. OTHER GENERAL EXPENSES (CONTINUED)

	2017 R'000	2016 R'000
Newspapers Periodicals Subs	70	42
Postage & Distribution Costs	14	4
Printing & Stationery	512	608
Promotional Aids & Gifts	76	175
Protective Clothing	1 374	1 004
Public Relations Services	30	2
Publicity and Advertising	182	151
Refreshments: Seminars & Meet	237	93
Rentals: Office Buildings	949	1 561
Repographic & Printing Service	222	349
R & D: Specific Project	960	187
Services: Courier	6	41
Services: Data	1 344	997
Software Licenses	1 774	1 307
Sponsorship & Social Investmen	216	180
Staff Social Events	7	(16)
Stores Write off & Adjustment*	132	4
Stores Revaluations*	(1)	6
Telephone: Cell Phones	760	556
Telephone: Telkom	754	711
Telephone: New Installations	-	61
Transport: Hire of Vehicles	187	39
Transport: Vehicle License Fee	228	208
Unallocated General Expenses*	(550)	6
Control of Hyacinth	82	43
Recoveries: Service Labour*	(7)	-
	19 743	**14 569**

SPLIT OF PRIMARY AND OTHER ACTIVITIES (UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2017

	PRIMARY ACTIVITY (BULK SUPPLY) 2017 R'000	PRIMARY ACTIVITY (BULK SUPPLY) 2016 R'000	OTHER ACTIVITY 2017 R'000	OTHER ACTIVITY 2016 R'000	TOTAL 2017 R'000	TOTAL 2016 R'000
Revenue	304 953	285 072	100 319	113 565	405 272	398 637
Cost of Sales	(221 705)	(221 394)	(71 460)	(64 570)	(293 165)	(285 964)
Gross profit	83 248	63 678	28 859	48 995	112 107	112 673
Other income	4065	2,765	-	-	4,065	2,765
Operating and Administration Expenses	(94 499)	(68 295)	(32 759)	(52 548)	(127 258)	(120 843)
Net operating surplus/ (deficit)	**(7 186)**	**(1 852)**	**(3 900)**	**(3 552)**	**(11 086)**	**(5 405)**
Interest Income	12 446	7 396	4 315	5 690	16 761	13 086
Finance Cost	(113)	(210)	(39)	(162)	(152)	(372)
Surplus (Deficit) for the year	**5 148**	**5 333**	**376**	**1 976**	**5 523**	**7 309**

FIVE YEAR HISTORICAL STATISTICAL OVERVIEW (UNAUDITED)

2012 - 2017

	2017 R000	%	2016 Restated R000	%	2015 Restated R000	%	2014 Restated R000	%	2013 R000	%	2012 R000	%
OPERATIONS												
Revenue	405,272	1.7	398,637	18.9	335,237	2.0	328,763	(8.2)	358,056	1.9	351,302	46.7
Cost of Sales	293,165	2.5	285,964	20.6	237,187	4.1	227,952	(8.6)	249,301	(2.6)	255,970	65.1
Operating and Admin Expenses	123,193	4.3	118,078	12.7	104,769	18.1	88,719	8.2	82,027	(23.8)	107,648	0.3
Net finance income	16,609	30.6	12,714	104.0	6,231	(53.1)	13,299	183.1	4,698	7.3	4,379	(30.2)
Net Operating (Deficit)/Surplus	5,523	(24)	7,309	(1,598)	(488)	(101.9)	25,390	(19.2)	31,425	(495.9)	(7,937)	(52.1)
FINANCIAL POSITION												
Capital Contribution	274,557	-	274,557	-	274,557	0.0	274,557	(0.0)	274,557	-	274,557	-
Reserves		-		-	-	-	-	-	-	-	-	-
Retained (Deficit)/ Surplus	87,385	6.7	81,862	9.8	74,553	(0.7)	75,041	47.0	51,042	299.4	12,781	(111.7)
Long-term Liabilities	275,050	54.5	178,079	113.3	83,506	5,408.3	1,516	(85.5)	10,448	963.8	982	(76.3)
Current Liabilities	286,808	(25.8)	386,554	8.4	356,534	11.2	320,753	(12.8)	368,042	75.9	209,236	85.4
Total Equity and Liabilities	923,800	0.3	921,052	16.7	789,150	17.5	671,867	(4.6)	704,088	41.5	497,556	11.0
Non-current Assets	533,716	20.8	441,957	25.7	351,563	23.1	285,531	(2.4)	292,525	(1.8)	297,881	(1.4)
Current Assets	390,084	(18.6)	479,095	9.5	437,587	13.3	386,336	(6.1)	411,564	119.6	187,445	38.5
Total Assets	923,800	0.3	921,052	16.7	789,150	17.5	671,867	(4.6)	704,088	45.1	485,327	11.0
CASH FLOW POSITION												
Cash flow from Operating Activities	(57,901)	(148.6)	119,147	(293.7)	(61,522)	(212.9)	54,504	(6.1)	58,036	(159.5)	22,364	240.9
Cash Flow util. in / gen. from Investing Activities	(111,937)	(277.2)	63,160	(4.7)	66,267	(738.7)	(10,375)	41.6	(7,328)	(1,301.3)	(523)	105.5
Cash Flow utilised in Financing Activities	(15)	99.1	(1,609)	81.9	(8,902)	66.2	(26,362)	2,934.6	930	133.0	(2,829)	(4.8)
Net Cash Increase/ (Decrease) for year	(169,853)	194.0	180,698	4,446.8	(4,157)	123.4	17,768	65.6	51,638	(171.6)	19,012	309.4
RATIOS												
Revenue (Kilolitres x 1000)												
Treated Water Sales	33,208	(1.3)	33,630	0.7	33,385	0.6	33,189	4.6	31,723	2.9	30,835	0.7
Raw Water Sales	8,438	2.3	8,247	9.1	7,557	(10.5)	8,441	7.6	7,842	(4.0)	8,168	(2.8)
Total Water Sales	41,646	(0.6)	41,877	2.3	40,942	(1.7)	41,630	5.2	39,565	1.4	39,003	(0.1)
Revenue (R'000)												
Treated Water Sales	270,593	7.9	250,701	8.4	231,338	9.6	211,167	14.8	183,864	13.5	161,930	18.9
Raw Water Sales	17,067	9.7	15,557	17.5	13,245	(0.0)	13,249	18.4	11,192	3.5	10,810	3.2
Total Water Sales	287,660	8.0	266,258	8.9	244,583	9.0	224,417	15.1	195,057	12.9	172,740	17.8

FIVE YEAR HISTORICAL STATISTICAL OVERVIEW (UNAUDITED)

2012 - 2017

	2017 R000	%	2016 Restated R000	%	2015 Restated R000	%	2014 Restated R000	%	2013 R000	%	2012 R000	%
Revenue (R'000): Primary Activity												
Bulk Supply: Urban and Peri-urban	204,443	8.0	189,232	8.1	175,049	8.6	161,222	12.1	143,850	11.1	129,468	23.5
Bulk Supply: Rural	80,359	8.0	74,380	12.9	65,899	13.0	58,301	24.1	46,984	20.9	38,860	5.2
Revenue (R'000): Other Activity												
Industrial and Domestic Reticulation	2,859	8.0	2,646	(27.2)	3,635	(25.7)	4,893	15.9	4,223	(4.3)	4,412	(9.1)
Average Raw Water Sales Tariff (R/Kl)	2.02	7.2	1.89	7.6	1.75	11.7	1.57	10.0	1.43	7.8	1.32	6.1
Average Treated Water Sales Tariff (R/Kl)	8.15	9.3	7.45	7.6	6.93	8.9	6.36	9.8	5.80	10.4	5.25	18.2
Average Water Sales Tariff (R/Kl)	6.91	8.6	6.36	6.4	5.97	10.8	5.39	9.3	4.93	11.3	4.43	17.9
Cost of Sales (R/Kl)	5.32	0.6	5.29	13.2	4.67	19.2	3.92	3.9	3.77	7.4	3.51	45.8
Labour Cost (R/Kl)	1.85	(0.3)	1.85	20.7	1.54	33.4	1.15	3.8	1.11	(14.0)	1.29	36.8
Electricity cost (R/Kl)	0.95	5.5	0.90	8.5	0.83	22.9	0.67	1.8	0.66	17.6	0.56	60.7
Chemical cost (R/Kl)	0.23	(8.9)	0.25	(13.8)	0.29	33.0	0.22	(32.5)	0.33	(2.2)	0.34	142.4
Raw water purchases (R/Kl)	1.93	(0.6)	1.94	18.9	1.63	6.7	1.53	12.8	1.35	0.5	1.35	39.1
Water research levies(R/Kl)	0.07	0.0	0.07	0.0	0.06	0.0	0.05	0.0	0.05	0.0	0.05	0.0
Current Ratio	1.36	9.7	1.24	1.0	1.23	1.9	1.20	7.7	1.12	28.2	0.87	(24.9)
Trade Debtors (days)	88.07	(45.3)	160.94	(53.1)	342.83	18.5	289.40	(6.5)	309.46	127.2	136.18	(15.8)
Return on Assets	0.01	24.7	0.01	1,383.3	-0.00	101.6	0.04	171.3	-0.05	-	-0.05	-
Debt-Equity Ratio	-	31.5	0.00	31.5	0.00	31.5	0.03	31.5	1.16	45.2	0.80	110.4
Working Ratio	1.35	-	1.23	-	1.22	-	1.20	-	0.93	(8.0)	1.01	(2.0)
PRODUCTIVITY												
Number of Employees	380	10.8	343	(22.0)	440	-	440	3.8	424	(6.8)	455	24.0
Average Revenue per Employee (R'000)	1,067	(8.2)	1,162	52.5	762	2.0	747	(11.5)	844	9.4	772	18.3
Cash Disbursed to Employees	168,603	1.7	165,732	23.3	134,391	7.3	125,256	56.7	79,933	(17.4)	96,789	34.0
Net increase / (decrease) in cash and cash equivalents	(169,853)	194.0	180,698	4,446.8	(4,157)	123.4	17,768	65.6	51,638	(171.6)	19,012	309.4

SECTION 10

GRI CONTENT INDEX



GRI CONTENT INDEX

Amatola Water has reported "in accordance" with the comprehensive option presented by the GRI's G4 guidelines.

An independent assurance report can be found on page 154.

GENERAL STANDARD DISCLOSURES

	PAGE
STRATEGY AND ANALYSIS	
G4-1: Provide a statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	4 and 7
G4-2: Provide a description of key impacts, risks and opportunities	2-3, 4-6, 7-9,19,20, 23-26 and 30-32
ORGANISATIONAL PROFILE	
G4-3: Report the name of the organisation	Throughout the report
G4-4: Report the primary brands, products and services	15,16, 22, 33, 35, 41, 44, 50, 62, 74, 81, 82, 89, 98, 145, 170 and 196
G4-5: Report the location of the organisation's headquarters	1
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, 4, 5, 6, 9, 15, 22, 23, 25, 35, 37, 54, 60, 80 and 81
G4-7: Report the nature of ownership and legal form	1, 15, 16 and 18
G4-8: Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	16, 17, 18, 22, 34-38, 67-74 and 79-108
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	 64-74 79-108 145,160, 170 and 171 161 83, 87, 88, 92, 96, 97 145 and 170
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	68-71
G4-11: Report the percentage of total employees covered by collective bargaining agreements	70
G4-12: Describe the organisation's supply chain	7, 31,141, 147 and 169
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	 10-11 161and162 7, 31, 33, 34,141, 147, 148,169 and 191
G4-14: Report whether and how the precautionary approach or principle is addressed by the organisation	N/A
G4-15: List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	2-3,14, 30-32, 48 and 101-104

GENERAL STANDARD DISCLOSURES

	PAGE
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	82-96 and 106-108

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

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	150-199
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	14 and 15
G4-19: List all the material aspects identified in the process for defining report content	20 and 30-32
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	20 and 30-32
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	20 and 30-32
G4-22: Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	161, 184 and 198
G4-23: Report significant changes from previous reporting periods in the scope and aspect boundaries	14 and 15

STAKEHOLDER ENGAGEMENT

G4-24: Provide a list of stakeholder groups engaged by the organisation	33-38 and 112
G4-25: Report the basis for identification and selection of stakeholders with whom to engage	33-38 and 112
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	33-38 and 112
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	33-38, 112

REPORT PROFILE

G4-28: Reporting period (such as fiscal or calendar year) for information provided	Throughout
G4-29: Date of most recent previous report	Throughout
G4-30: Reporting cycle (such as annual, biennial)	Throughout
G4-31: Provide the contact point for questions regarding the report or its contents	1
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	202
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	40, 73, 133, 139, 140, 141, 142, 153 and 155-159

GENERAL STANDARD DISCLOSURES

	PAGE
GOVERNANCE	
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	110-111 and 126-128
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	110-111and 126-128
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	110-111and 126-128
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	116-125 and 126-128
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	110-125
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)	111
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	111
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	129-133
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	110-111
G4-43: Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	25-27
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	22, 24-29, 40-66, 70 and 71-72
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	33-34,110-111and 129-135
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	133-135
G4-47: Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities	20, 30-32, 111 and 133-135
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	34, 110-111, 116-119, 138 and 140-142
G4-49: Report the process for communicating critical concerns to the highest governance body	111, 116-119 and 127-128
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	131-132 and 155-159

GENERAL STANDARD DISCLOSURES

	PAGE
GOVERNANCE	
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	11, 45, 50, 72, 73, 110, 115, 120-123, 128, 171 and 193-194
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	72-73, 115 and128
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	72-73,115 and 128
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	60, 70, 72 and 141
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	60, 70, 72 and 141
ETHICS AND INTEGRITY	
G4-56: Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	15, 69-70, 131-132 and 136-138
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	15, 69-70, 131-132 and 136-138
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	116, 131-132 and 140-142

SPECIFIC STANDARD DISCLOSURES

	PAGE
DISCLOSURE ON MANAGEMENT APPROACH AND INDICATORS	
CATEGORY: ECONOMIC	
ASPECT: ECONOMIC PERFORMANCE	
G4-EC1: Direct economic value generated and distributed	2-3, 4-6, 7-9, 10,11, 28-29 and 144-147
G4-EC2: Financial implications and other risks and opportunities for the organisation's activities due to climate change	31, 74 and 76
G4-EC3: Coverage of the organisation's defined benefit plan obligations	168 and 189
G4-EC4: Financial assistance received from government	62, 89,163, 169, 170, 179 and 186
ASPECT: INDIRECT ECONOMIC IMPACTS	
G4-EC7: Development and impact of infrastructure investments and services supported	4-11, 14, 18, 20, 22, 24, 26, 27, 28-29,30-31, 32, 44, 50, 51, 54, 63, 73 and 80-107
G4-EC8: Significant indirect economic impacts, including the extent of impacts	10-11, 24-26, 28, 29, 40-66 and 75-76
ASPECT: PROCUREMENT PRACTICES	
G4-EC9: Proportion of spending on local suppliers at significant locations of operation	7, 31, 141, 147 and 169
CATEGORY: ENVIRONMENTAL	
ASPECT: ENERGY	
G4-EN3: Energy consumption within the organisation	10, 76-77 and 100
G4-EN6: Reduction of energy consumption	10, 76-77 and 100
G4-EN7: Reductions in energy requirements of products and services	10, 76-77 and 100
ASPECT: WATER	
G4-EN8: Total water withdrawal by source	10 and 97
G4-EN9: Water sources significantly affected by withdrawal of water	10 and 97
G4-EN10: Percentage and total volume of water recycled and reused	84-85
ASPECT: COMPLIANCE	
G4-EN29: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	76
ASPECT: OVERALL	
G4-EN31: Total environmental protection expenditures and investments by type	7 , 28-29 145, 146, 171, 178, 183 and 199
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	11, 81 and 103
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	71-72
G4-LA11: Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	72
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	11 and 69
ASPECT: LABOUR PRACTICES GRIEVANCE MECHANISMS	
G4-LA16: Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	70

SPECIFIC STANDARD DISCLOSURES

DISCLOSURE ON MANAGEMENT APPROACH AND INDICATORS

	PAGE
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	11
CATEGORY: SOCIAL – SOCIETY	
ASPECT: LOCAL COMMUNITIES	
G4-SO1: Percentage of operations with implemented local community engagement, impact assessments, and development programmes	34-38
G4-SO2: Operations with significant actual or potential negative impacts on local communities	34-38
ASPECT: ANTI-CORRUPTION	
G4-SO3: Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	129-132
G4-SO4: Communication and training on anti-corruption policies and procedures	131-132
G4-SO5: Confirmed incidents of corruption and actions taken	132
ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY	
G4-SO10: Significant actual and potential negative impacts on society in the supply chain and actions taken	7,31,141,147 and 169
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	104 and 103
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	104 and 103
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	190

GLOSSARY OF TERMS AND ACRONYMS

TERMS AND ABBREVIATIONS

FULL NAME	ABBREVIATION	FULL NAME	ABBREVIATION
Accounting	ACC	James Kleynhans	JK
Accounting Standards Board	ASB	Key Performance Indicator	KPI
Amathole District Municipality	ADM	Kilo Metre	KM
Amatola Water	AW	Kilowatt Hour per Cubic Meter	KWH/M3
Audit and Risk Committee	ARC	King Code of Governance Principles and the King Report on Governance King Report on Governance	King IV
Auditor General of Southern Africa	AGSA	King Sabata Dalindyebo	KSD
BAAN Computerised Maintenance Management System	BAAN CMMS	King Sabata Dalindyebo Local Municipality	KSDLM
Bachelor of Commerce	BCom	King Sabata Dalindyebo Presidential Intervention Project	KSDPI
Bachelor of Laws	LLB	Leadership and Employee Development	LG
Blue Drop System	BDS	Local Municipality	LM
Broad-based black economic empowerment	BBBEE	Management Committee	MANCO
Buffalo City Metropolitan Municipality	BCMM	Master of Business Leadership	MBL
Business Continuity Plan	BCP	Master of Commerce	MCom
Capital expenditure	Capex	Master's in Business Administration	MBA
Certificate in Theory of Accounting	CTA	Masters of Science	MSc
Chartered Accountant	CA	Medium Term Strategic Framework	MTSF
Chartered Institute of Management Accountants	CIMA	Mega litre	Mℓ
Chief Executive Officer	CEO	Memorandum of understanding	MOU
Chief Financial Officer	CFO	Minister and Members of Executive Councils	MINMEC
Chief Risk Officer	CRO	Municipal Infrastructure Grant	MIG
Committee of Sponsoring Organisations	COSO	Municipal Infrastructure Support Agent	MISA
Community / Environmental	CE	Municipal Water Infrastructure Grant	MWIG
Companies and Intellectual Property Commission	CIPC	Nooitgedagt/Coega low-level Scheme	NCLLS
Contract Participation Goals	CPGs	Objective Number	OBJ NO
Corporate Governance of ICT	CGICT	Occupational Health and Safety	OHS
Customer Satisfaction	CS	Occupational Health and Safety Advisory Services	OHSAS
Department of Administration and Public Service	DPSA	Oliver Reginald	OR
Department of Co-operative Governance	DCoG	Operational Optimization	OO
Department of Education	DoE	Operational Resilience	OR
Department of Water Affairs	DWA	OR Tambo District Municipality	ORTDM
Department of Water and Sanitation	DWS	Post Graduate Diploma	PGDip
Department of Water and Sanitation Objective	DWS OBJ	Presidential Intervention	PI
Development Bank of Southern Africa	DBSA	Programmable logic controller	PLC
Disabling incident frequency rate	DIFR	Project implementation agency	PIA

GLOSSARY OF TERMS AND ACRONYMS

TERMS AND ABBREVIATIONS

FULL NAME	ABBREVIATION	FULL NAME	ABBREVIATION
Disaster Recovery Plan	DRP	Provincial Water Forum	PROWAF
Disclosure on management approach	DMA	Public Management Act	PFMA
Eastern Cape Development Corporation	ECDC	Quick Reference	QR Code
Eastern Cape Planning Co-ordination Committee	ECPCC	Rand per kilo.	R/KL
Eastern Cape Technical Appraisal Committee	ECTAC	Regional Bulk Infrastructure Grant	RBIG
Enterprise Performance Management System	EPM	Regional Water Scheme	RWS
Environmental Management System	EMS	Return of Assets	ROA
Financial Viability	FV	Reverse Osmosis	RO
Further Education and Training	FET	Right of use	ROU
Global Reporting Initiative Generation 4	GRI G4	Safety, health and environment	SHE
Government Business Enterprises	GBE	Short Message Services	SMS
Government Outcomes	GOV OUT	South Africa	SA
Government Water Scheme Supply	GWSS	South African Association of Water Utilities	SAAWU
Green Drop System	GDS	South African Bureau of Standards	SABS
GRI (formerly the Global Reporting Initiative)	GRI	South African Institute of Professional Accountants	SAIPA
Honours	Hons	South African Local Government Association	SALGA
Human resources	HR	South African Municipal Workers' Union	SAMWU
Implementation Agency	IA	South African National Accreditation System	SANAS
Implementation Readiness Study	IRS	South African National Standard	SANS
Information and communication technology	ICT	South African Revenue Service	SARS
Information Management Steering Committee	ITSCM	South African Statements of Generally Accepted Accounting Practice	SA GAAP
Infrastructure Stability	IS	Stakeholder Relationships and Support	SS
Institute of Directors in South Africa	IoDSA	Stock Exchange News Service	SENS
Institutional realignment and reform	IRR	Supervisory Control and Data Acquisition	SCADA
Integrated management system	IMS	Supply Chain Management	SCM
Integrated Reporting	IR	Total Dissolve Solids	TDS
Inter-Governmental Relation	IGR	Trinity Broadcasting Network	TBN
International Accounting Standards	IAS	Water Adequacy	WA
International Executive Development Programme	IeDP	Water Quality	WQ
International Integrated Reporting Council	IIRC	Water services authority	WSA
International Integrated Reporting Council's International Integrated Reporting Framework	IIRC <IR> Framework	Water Services Utility	WSU
International Organization for Standardization	ISO	Water Treatment Works	WTW
International Professional Practices Framework	IPPF	Work In Progress	WIP

Despite the Global Reporting Initiative's rebrand to simply 'GRI', their official guidelines document remains written out.

NOTES



Amatola
Water · Amanzi

bringing water to life

INTEGRATED ANNUAL REPORT 2016/17