

AMATOLA WATER BOARD INTERGRATED ANNUAL REPORT 2020/21

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General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Water Services
Board Members	A le Roux T Wana Z Xalisa B Tonise M Ramushu M Sikhosana N Jongilanga L Letsoalo M Makgae G Mahed
Registered office	6 Lancaster Road Vincent East London 5217
Postal address	Private Bag X3 Vincent East London 5217
Bankers	Standard Bank and Nedbank
Auditors	Auditor General South Africa
Company Secretary	T Sagela
Company registration number November 1997	Gazette Number 18409 of 14
Preparer	The annual financial statements were internally compiled by: Management of Amatola Water Board

Specific governing legislation	Public Finance Management Act (Act 1 of 1999 as amended by act 29 of 1999 Water Services Act (Act 108 of 1997)
Acting Chief Executive	Mr. Ntlantla Nkosi (Effective from 24th April 2020 to 10th May 2020) Ms. Dudu Hlatshwayo (Effective from 11th May 2020 to 6th August 2020) Ms. Boniswa Hene (Effective from 7th August 2020 to 8th December 2020) Ms. Portia Makhanya (Effective from 10th December 2020 to 19th March 2021) Mr. Sazile Qweleka (Effective from 23rd March 2021 until further notice)
Acting Chief Financial Officer	U Mbali (Effective from:06 January 2021)

ABBREVIATIONS/ ACRONYMS

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

FULL NAME	ABBREVIATION
Enterprise Performance Management	EPM
Environmental Management System	EMS
Expanded Public Works Programme	EPWP
Federated Employers' Mutual Assurance	FEMA
Finance Committee	FINCO
Financial Year	FY
Financial Viability	FV
Further Education and Training	FET
Global Reporting Initiative Generation 4	GRI G4
Government Business Enterprises	GBE
Government Outcomes	GOV OUT
Government Water Scheme Supply	GWSS
GRI (formerly the Global Reporting Initiative)	GRI
Gross Domestic Product	GDP
Honourable	Hon
Honours	Hons
Human resources	HR
Human Resources Management	HRM
Implementing Agent	IA
Information and communication technology	ICT
Information Management Steering Committee	ITSCM
Infrastructure Stability	IS
Institute of Directors in South Africa	IoDSA
Institutional realignment and reform	IRR
Integrated management system	IMS
Integrated Reporting	IR
Inter-Governmental Relation	IGR
International Accounting Standards	IAS
International Ethics Standards Board for Accountants	IESBA
International Standards on Auditing	ISA
International Executive Development Programme	IeDP
Intergovernmental Relations Framework Act No 13 of 2005	IGFRA
International Integrated Reporting Council	IIRC
International Integrated Reporting Council's International Integrated Reporting Framework	IIRC <IR>
International Organization for Standardization	ISO
International Professional Practices Framework	IPPF
Information Technology	IT
Key Performance Indicator	KPI
Kilolitre	Kl
Kilometre	Km
Kilowatt Hour per Cubic Meter	KWH/M3

FULL NAME	ABBREVIATION
King Code of Governance Principles and the King Report on Governance	King IV
King Sabata Dalindyebo	KSD
King Sabata Dalindyebo Local Municipality	KSDLM
King Sabata Dalindyebo Presidential Intervention	KSDPI
Leadership and Employee Development	LG
Legum Baccalaureus	LLB
Legum Magister	LLM
Local Municipality	LM
Loss Time Injury	LTI
Management Committee	MANCO
Master of Leadership	MBL
Master of Commerce	MCom
Master of Science	MSc
Master's in Business Administration	MBA
Member of Parliament	MP
Modified Poly Vinyl Chloride	mPVC
Medium-Term Strategic Framework	MTSF
Megalitre	Ml
Memorandum of Understanding	MOU
Municipal Infrastructure Grant	MIG
Not applicable	N/A
National Diploma	ND
National Department of Public Works	NDPW
Number	No
Number	#
National Occupational Safety Association (South Africa)	NOSA
Public Audit Act of South Africa, 2004 (Act No 25 of 2004)	PAA
Nooitgedagt/Coega Low-Level Scheme	NCLLS
Objective Number	OBJ NO
Occupational Health and Safety	OHS
Occupational Health and Safety Advisory Services	OHSAS
Oliver Reginald	OR
Operational Optimisation	OO
Operational Resilience	OR
OR Tambo District Municipality	ORTDM
Personal Protective Equipment	PPE
Photovoltaic	PVC
Postgraduate Diploma	PGDip
Preferential Procurement Policy Framework Act	PPPFA
Public Management Act	PFMA
Project and Development	P&D

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



FOREWORD BY THE MINISTER OF WATER AND SANITATION

FOREWORD BY THE MINISTER OF WATER AND SANITATION



Mr ES Mchunu (MP)
Minister of Water and Sanitation

The Constitution provides for:

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

The South African water mandate also states that the nation's water resources must be protected, used, developed, conserved, managed, and controlled in ways that take into account, amongst other factors, meeting the basic human needs of present and future generations, promoting equitable access to water and redressing the results of past racial and gender discrimination.

To achieve the goal of universal access to clean drinking water, all stakeholders in the water sector need to collaborate efforts and resources to ensure effective water resources management and efficient water services management across the water value chain. The impact of these collaborative efforts will ensure that these services reach all the citizens of the country in the fulfilment of the basic human rights as enshrined in the Constitution of the Republic of South Africa.

The recent unprecedented developments and challenges in the operating environment have increased the country's demand for water andsanitation services and the urgency to take practical and meaningful actions. The COVID-19 pandemic heightened the demand for access to water services. Climate change and severe weather patterns according to the Global Risk Report of 2022 by the World Economic Forum rank amongst the top five risks affecting the adequacy of water resources and availability of water services for the humans on the planet. Currently, South Africa's water sector is faced with increasing water demand and declining supply, deteriorating water ecosystems, unreliable water and sanitation services, inequitable water allocation, and weak regulation of the water andsanitation sector. There is a call for immediate action by all citizens to mitigate the negative impact of these challenges to which South African citizens are not immune by developing plans for sustainable water resources management and water service management.

The focus of these plans and solutions will address the following issues which were identified during the National Water and Sanitation Summit held from 18 to19 February 2022:

- Water resources management and climate change
- Financial sustainability of the water and sanitation sector
- Water shortages – delivery mechanisms by municipalities and water boards
- Integrated sanitation plan

- Water and sanitation infrastructure
- Managing pollution and water quality
- Transboundary and international water partnerships.

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

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

1. Efficient, effective and development orientated department
2. Ecological infrastructure protected and restored
3. Water demand reduced and water supply increased
4. Water and sanitation services managed effectively
5. Enhanced regulation of the water and sanitation sector
6. Water redistributed for transformation.

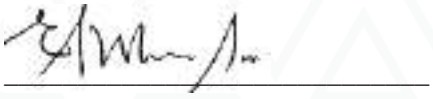
In addition to the existing water sector policy frameworks, the Department and key stakeholders engage on institutional and legislative changes that impact, guide and enable water boards to deliver value. These changes aim to achieve seven identified priorities in the Medium Term Strategic Framework:

Economic transformation and job creation, education, skills and health, consolidating the social wage through relable and quality basic services, spatial integration, human settlements and local government, social cohesion and safe communities, a capable, ethical and developmental state, and a better Africa and world. The focus of these efforts is to prioritise initiatives that support women,youth and people with disabilities. The newly appointed members of the Amatola Water Board have been mandated to ensure leadership stability by prioritising the filling of key and critical executive and senior management positions. It is imperative for Amatola Water to have the necessary capacity to meet the demands in its operating environment.The development of the Amatola Water Infrastructure Master Plan is nearing completion to address the increasing demand for water services in the Eastern Cape. An important consideration for Amatola Water's IMP development is that the Census 2021 was delayed further and is only commencing in 2022.

The delay has a critical impact on the Amatola Water's IMP development as all water demands are based on demographic information which may or may not lead to serious revisions of plans and proposals. The process for developing the Amatola Water IMP involves stakeholder consultations in the province as well as the water sector who will be called upon to support and collaborate in the call for action and an integrated solutions-based approach. The Department and other service authorities have appointed Amatola Water as its implementing agent for water infrastructure projects in the Province: King Sabata Dalindyebo Presidential Intervention (KSDPI), Nooitgedagt/ Coega Low-Level Supply Scheme (NCLLS), James Kleynhans Bulk Water Supply and Ndlambe Regional Bulk Water Supply. These projects are at various stages of completion and contribute to the socio-economic development and improvement of the livelihoods of Eastern Cape communities.

It is concerning that the water board has a qualified outcome from the Auditor-General South Africa for the 2019/20 and 2020/21 financial years. The Board needs to commit to a remedial action plan by addressing identified audit findings and taking disciplinary action against those who transgress by not adhering to legislative prescripts and organisational policies. The overall performance against predetermined targets in the shareholder compact indicates signs of improvement, yet the focus on improving financial sustainability by increasing revenue, collecting long outstanding debt from municipalities, and implementing cost-containment measures remains.

The role of the Ministry of Water and Sanitation is to ensure the stability and proper governance of its entities to fulfil the requirement of delivering water services through water boards to the citizens of this country. In a quest for sustainable socio-economic development, I commit the Department of Water and Sanitation to provide support and water sector leadership to Amatola Water to improve water provisioning and the living standards of the citizens of the Eastern Cape.



Mr ES Mchunu (MP)
Minister of Water and Sanitation
Date:



CHAIRPERSON'S STATEMENT

CHAIRPERSON'S STATEMENT



Dr M Makgae
Board Chairperson

Amatola Water presents its seventh Integrated Annual Report which continues to be a platform for engaging with our stakeholders in the water sector.

The unprecedented changes and uncertainty in our operating environment have not spared Amatola Water. Therefore, there is a need to embark on a programme of action to ensure no interruption in the availability and delivery of water services for our communities in the Eastern Cape.

It is of paramount importance that Amatola Water maintains its contribution to the executive authority's strategic outcomes and priorities of the government. Hence, the Board developed and adopted a strategic framework immediately after its induction to ensure the entity is aligned with the government's strategic mandate and six strategic outcomes. The framework will help the entity to supply safe and reliable water services and ensure our financial sustainability and increased stakeholder confidence. The pathway to achieving this goal will include developing ethical leadership, promoting innovation, promoting good governance and increasing capacity and skills. Amatola Water is in the process of consolidating the gains realised during the stabilisation and consolidation phases of the Turn Around Plan. The achievement of 61% on our performance outcomes reflects an improvement in the organisational performance against the predetermined targets set during the year under review, despite the challenges faced by the entity. It is from this audited performance baseline that the Board will focus its efforts for steering the organisation towards sustainable growth and value creation for the benefit of its key stakeholders.

The task at hand is not achievable without building solid and long-term stakeholder partnerships. The Board, in its structures, has established committees for monitoring and evaluating value creation through stakeholder inclusivity and responsiveness so that the entity develops the ability to create value in a sustainable manner. In its oversight activities, the Board has engaged communities in municipalities on the opportunities and challenges arising from the projects where Amatola Water is an implementing agent.

The state of the organisation's financial position, performance, working capital and going concern status continues to be a point of great concern which is a result of the following:

- Inability to recover revenue from services rendered to municipalities like the Amathole District Municipality which is under financial distress and was placed under administration by the Eastern Cape provincial government
- Increased operational costs such as energy, employment, water purchases and asset replacement which are not

reflected fully in the tariff charged for bulk water supply to municipalities including the decision for zero increase in tariffs

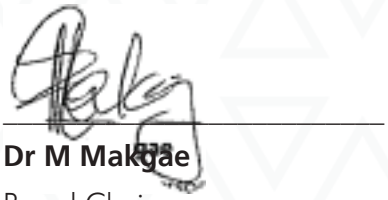
- Lack of funding to complete infrastructure projects to increase volumes of water supplied to meet the demand by communities
- Increasing non-revenue water due to illegal connections and vandalism of infrastructure
- Negative prospects for revenue growth due to reputational damage from delays in secondary business project implementation.

The Board acknowledges with great concern the qualified audit outcome for two conservative years from the statutory audit by Auditor-General South Africa (AGSA). The audit intervention plan has been developed to monitor the implementation of the actions to address findings by AGSA. It is from this audited performance baseline that the Board will focus its efforts for steering the organisation towards sustainable growth and value creation for the benefit of its key stakeholders. The Board maintains its commitment to zero-tolerance towards fraud and corruption, including unpardonable transgressions.

The Anti-Fraud and Corruption Strategy (Policy Statement, Prevention and Response Plan) is in place and was implemented to improve governance and safeguard the value created and resources of the entity. The structure of the Board and its committees is being reconfigured to give effect to a specific focus on ethics and effective leadership in the organisation by establishing a subcommittee for Ethics and Social Matters. I acknowledge with great appreciation the commitment and support of the Board members in ensuring that there is leadership stability and sound institutional governance.

The support, guidance and leadership received from the engagements held with the Honourable Minister and Deputy Ministers of Water and Sanitation is commendable. The Board is committed to excelling in the execution of its mandate to provide bulk water services in the Eastern Cape and contributing to the socio-economic development without sacrificing its ethics and sustainability.A word of appreciation is extended to all the oversight bodies and executive authorities that ensure that the mandate of the Board is fulfilled and the entity is held accountable in executing the responsibility of delivering water services to the people of the Eastern Cape.

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



Dr M Makgae
Board Chairperson
Date:



CHIEF EXECUTIVE'S REPORT

CHIEF EXECUTIVE'S REPORT



Mr. S. Qweleka
Chief Executive (Acting)

The seventh Integrated Annual Report outlines Amatola Water's legislative compliance and performance, as presented to the Minister of Water and Sanitation for the year under review.

The year was characterised by challenges in the operating environment such as severe weather patterns, negative economic growth, increased unemployment rate, increased demand for government services and uncertainty about the country's future socio-economic prospects.

The entity demonstrated resilience and maintained its standards for delivering water services to the communities during this challenging period. Amatola Water's underlying mandate is the continuity of operations – providing an uninterrupted supply of high-quality bulk water and sanitation services to the communities whilst maintaining a positive reputation with all key stakeholders. As such, the entity has developed a strategic mechanism in response to the prevailing situation. The mechanism is underpinned by the six strategic outcomes, aligned with the government's Medium Term Strategic Framework, that sets out the priorities and strategic outcomes of the Department of Water and Sanitation.

The organisation's overall performance for the period under review improved to an average of 61% compared to the 53% performance for the previous financial year as set out in the shareholder compact. This is an encouraging improvement of 8% in terms of performance. The Annual Performance Plan (overall organisational scorecard) results at the end of 2020/21 reflected an outcome of 57% actual performance achieved against the predetermined targets. In comparison with the 2019/20 actual achievement of 55%, the overall corporate performance has improved by 2%.

The improvement in the overall performance created an audited baseline that consolidated the gains realised in the implementation of the Turn Around Plan that stabilised and arrested the declining performance trend. The phase prepares the organisation for the expansion phase as envisaged in Amatola Water's growth strategy.

Despite the operational challenges and strategic risks, the following predetermined targets in crucial service delivery performance areas, aligned to Amatola Water's mandate, have been achieved:

- **Water quality:** Nine plants achieved a "Good/ Excellent" water quality standard in line with the SANS 241:2015 Part 1 and 2. In line with national standards, plant water quality compliance has been maintained in the treatment, distribution, and storage networks. .
- **Assurance of supply:** The assurance of water supply to customers from source has been achieved at an average rate of 98.21% by ensuring adequate pressure at the reservoirs. The target of 98% was exceeded by providing the highest reliability of supply standards to customers and consumers.

- **Permanent jobs created:** The number of permanent jobs was exceeded (331 jobs) during the 2020/21 financial year against the predetermined set target of 300.
  Temporary jobs created: The number of temporary jobs during the 2020/21 financial year was exceeded (611 jobs) against the predetermined target of 400.

Amatola Water is required to maintain sustainable financial growth levels to meet the demand for water services. The entity has been unable to meet the demand for its services beyond its existing infrastructure due to financial constraints and the lack of capacity. The ability to produce additional volumes to meet water service demands has been dampened by the poor revenue collection and the recovery of input costs through tariffs. It has resulted in the organisation's inability to grow financially.

The entity reported a deficit of R96.8 million in the year under review and a restated financial deficit of R62.9 million for the previous financial year. These results indicate the erosion of the value created in the accumulated reserves. It is notable that Amatola Water has adopted and introduced the GRAP Reporting Framework, as required by the Accounting Standards Board. In the current financial year, the entity, in response to the previous audits since the adoption of GRAP, embarked on a project to ensure compliance with GRAP17 standard. It resulted in a significant and material increase in the value of the property, plant and equipment to R1 870 million in the current financial year (2019/20: R1 908 million restated).

As the entity continues with its mandate to supply water to the municipalities, the municipal debt for bulk water supplied to Amathole District Municipality continues to grow. The district is faced with financial distress and has not honoured its arranged payment plans. Amatola Water's inability to recover from municipalities for services rendered has put the entity at risk of not honouring its financial obligations with creditors. The operating activities have generated negative cash flows in the year under review (R79 million: 2020/21 and restated R95 million: 2019/20). The entity has implemented its Financial Recovery Plan that was developed during the previous financial year. The plan consists of 10 programmes that ensure that the following issues are elevated:

- Identifying projects that will yield additional revenue from primary and secondary business activities
- Reducing the operating costs of doing business
- Implementing initiatives that will reduce costs in the short, medium and long-term
- Conducting a proper cost analysis for the existing and potential projects to be implemented.

The qualified audit outcome for two conservative years by the Auditor-General South Africa revealed areas of non-compliance and deficiencies in the internal control system. An audit intervention plan has been developed and implemented to address these findings. The internal audit function is being resourced so that it is able to monitor the implementation of the Audit Plan and ensure the entity resolves and the repeated findings in certain areas.

An integral part of measuring Amatola Water's impact on its key stakeholders is the increased levels of stakeholder confidence in relation to the supply of safe and reliable water services that result in financial sustainability. At the heart of the operational activities, the entity has engaged during the financial year with various key stakeholders to reconnect with its communities, customers and statutory stakeholder groups, following the COVID-19 pandemic lockdown regulations that restricted physical interaction with people and the movement of goods and services.

A communication strategy that maintained the channels of engagement and communication on the issues of water services delivery was developed and adapted for an environment characterised by the COVID-19 pandemic restrictions. Stakeholder engagements focused on collaboration with communities, municipalities, Department of

Water and Sanitation such as water conservation and demand management, awareness campaigns that addressed infrastructure vandalism and illegal water connections, recovery of municipal debt and proposed tariff consultations.

The profile of infrastructure development projects, implemented by Amatola Water, is complex and responds to the challenges of water resources management and water services management across various communities. The progress of these projects, which aims at addressing the backlog of water services in the Eastern Cape, is at various stages of completion. Delays were experienced in the implementation and completion of these projects. It was due mainly to the COVID-19 pandemic and reprioritisation of infrastructure grants as a result of fiscal discipline and changes in the socio-economic environment. An accelerated plan of action has been developed to fast-track the implementation of the current projects to ensure that designated beneficiaries receive water services.

Amatola Water supports the principle of fair labour practice and decent work as an organisational goal to ensure that the human resource needs are matched, aligned, and strongly interdependent. During the year under review, the organisation continued with its implementation activities for continuous learning, skill and knowledge improvement, recruitment and retention of the workforce. These activities ensure employees are motivated, competent, and adaptive and can execute the entity's mandate in a safe working environment.

The organisation's human resource policies were reviewed and updated to align with changes in the operating environment and legislation to help employees carry out their duties in a lawful and harmonised manner while delivering quality services to all stakeholders. An area identified for improvement was building a culture of accountability characterised by consequence management for transgressions and prohibited behaviour determined by organisational policies and legislation and ultimately safeguards the institution's assets. Management, with the support from the Board, is strengthening its processes for the implementation of effective consequence management and improved accountability by officials entrusted with state resources that should benefit communities. The entity exceeded the prescribed requirements in respect of its occupational health and safety standards by placing a premium on the value of its employees. A combination of measures was put in place to mitigate the risks of COVID-19 as far as possible while employees were responding to the demand for water services. In the year under review, 41 employees tested positively for COVID-19; another seven were hospitalised for COVID-19 and fully recovered. The Amatola Water employees have been encouraged to participate in the vaccination programme to reduce the impact of the COVID-19 pandemic.

Regardless of the prevailing uncertainties and turbulences that faced Amatola Water, our resilient workforce has been characterised by pockets of good practice and conduct, evidenced by conviction and servant leadership. Without fail, I sincerely appreciate the teamwork that ensured the organisation remained on course and delivered on its mandate.

I thank the Board for their leadership in exercising its oversight role and the key stakeholders that have been patient with the institution as we have undergone numerous organisational changes.



Mr S Qweleka
Chief Executive (Acting)
Date:

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

In my capacity as the accounting officer in terms of the Public Finance Management Act, No. 1 of 1999 (PFMA) as amended and as the Chief Executive of Amatola Water, it is my honour to accept responsibility for the maintenance and preparation of financial statements and non-financial performance information of Amatola Water for the 2020/21 financial year.

The Amatola Water Annual Financial Statements have been prepared in accordance with, among others, the Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) and the requirements of the PFMA. I also take full responsibility for the preparation, assessments or evaluations and the outcomes contained in the Integrated Annual Report for the financial year ending 30 June 2021.

The level of performance (68%) reported on the predetermined objectives is accurate and I have confidence that the content is credible, of integrity and reliable due to the embedded internal controls that remain relevant and adequate. These are designed to provide reasonable assurance on our performance throughout the year.
For instance, at the self-assessment level, Amatola Water's internal controls are implemented and monitored, and our employees understand the importance of maintaining the highest ethical standards in the manner we conduct our business.

The internal audit function and risk management processes provide the necessary oversight that takes into account all levels of defence in the verification of the effectiveness of the existing control measures and identification of additional ones, where applicable.
The two functions also continued to provide reasonable assurance against material misstatements or deficits and to check that risks and opportunities were dealt with, whenever it was deemed necessary. This is our account of the acceptability of the true state of affairs of our entity's results from an operational and financial perspective for the year ended 30 June 2021.

It is premised on two critical factors:

1. Our reported information has been externally audited and the Auditor-General of South Africa (AGSA) has ex pressed an independent opinion on the annual financial and all other predetermined non-financial objectives that had been contracted to the shareholder for the reporting period. Refer to the AG Report on pages 164 to 172
2. The Board and Executive Authority have been privy to the Integrated Annual Report for 2020/21 in line with the legislative requirements. The Integrated Annual Report has been prepared as a going concern basis and the Executive Authority approved it by 28 February 2022.

Dr M Makgae
Board Chairperson

Mr S Qweleka
Chief Executive



1
INTRODUCTION



INTRODUCTION

Report Profile

This Integrated Annual Report outlines Amatola Water's legislative compliance and performance, as presented to the Minister of Water and Sanitation, for the financial year, 1 July 2020 to 30 June 2021.

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

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

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

1. **STRATEGIC FOCUS AND FUTURE ORIENTATION:** Insight into the organisation's strategy and how it relates to its ability to create value in the short, medium and long-term

2. **CONCISENESS:** Succinct, comprehensive and transparent disclosures

3. **CONNECTIVITY AND BALANCED PRESENTATION OF INFORMATION:** A holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation's ability to create value over time

4. **RELIABILITY, ACCURACY AND COMPLETENESS:** All material matters, positive and negative, are presented in a balanced manner and without material error, particularly in the commitments stated by the Chief Executive (CE), Chairman of the Board, Chairman of Audit and Risk Committee as well as independent third party assurances

5. **STAKEHOLDER RESPONSIVENESS/INCLUSIVENESS:** The nature and quality of the organisation's relationships with its key stakeholders, including how and to what extent it understands, considers and responds to their legitimate needs and interests

6. **CONSISTENCY AND COMPARABILITY:** Information is presented consistently and in a way that enables comparison with other organisations to the extent that it is material to the organisation's ability to create value over time

7. **MATERIALITY:** Present matters that substantively affect the organisation's ability to create value



FINANCIAL

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

INTELLECTUAL

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



MANUFACTURED

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



HUMAN

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



SOCIAL & RELATIONSHIP

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



NATURAL

Continuous monitoring of water resources (quantity and quality)

About this Report

Amatola Water recognises it is important to live out its core values when implementing its mission so that its vision can realised.
This is done by assessing every decision and action based on the organisational core values since it is critical for Amatola Water's overall success, growth and financial strength, now and for the future.

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

Legislative and other Mandates

The Amatola Water Board (Amatola Water), a listed Schedule 3B public entity in terms of the Public Finance Management Act, is a national government business enterprise. It was formed in terms of the Water Services Act No.108 of 1997 by the Minister of Water and Sanitation (DWS) as the Executive Authority.

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

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

Shareholder Compact

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

ORGANISATIONAL PROFILE

WATER SERVICES PROVISION

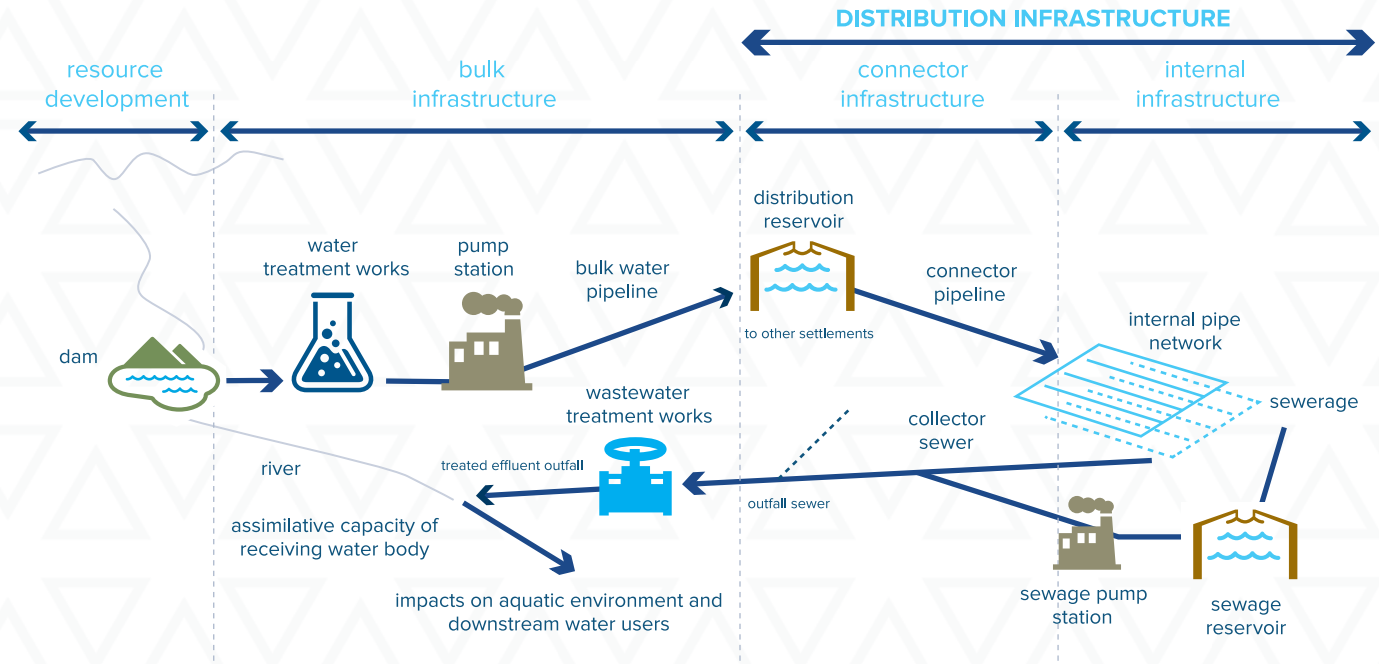


Figure 1.1 Water value chain

Amatola Water is designated to act within a prescribed area as proclaimed in the Government Gazette No 18409 of 14 November 1997 by the Minister, as empowered by the Water Services Act No 108 of 1997.
The prescribed areas are Peddie, Mdantsane, East London, Komga, Qonce (King William's Town), Zwelitsha, Stutterheim, Keiskammahoek, Middledrift and Victoria East within the Eastern Cape. The government extended the service area to include the municipality of Ndlambe, as proclaimed in Government Gazette No 188 of 12 March 2010.

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

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

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

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

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

- On 20 June 2015, Amatola Water was directed to implement Phase Three of the Nooitgedagt/Coega Low-Level Scheme with the Nelson Mandela Bay Metropolitan Municipality. Currently, the project is progressing well and Phase 3 will be completed by July 2022.

AMATOLA WATER AREA OF OPERATION AND WATER SUPPLY SCHEMES

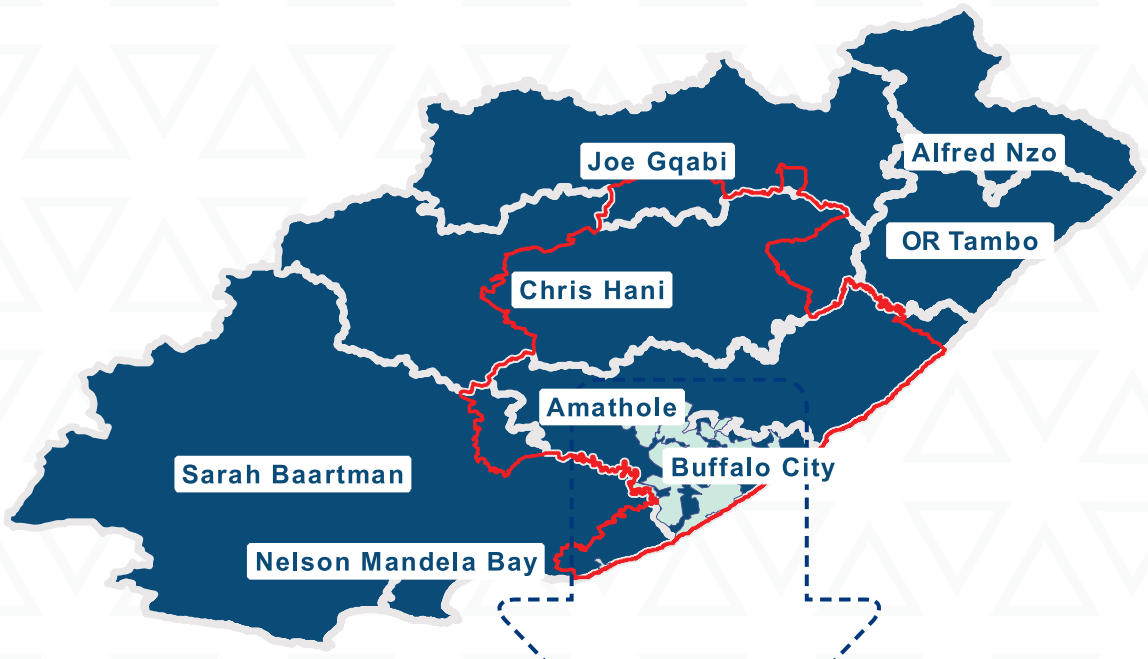


Figure 1.2 Amatola Water's gazetted area



Figure 1.3 Amatola Water supply scheme

BUSINESS ENVIRONMENT AND FACTORS INFLUENCING VALUE CREATION

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

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

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

ECONOMY

The year under review was characterised by negative economic growth, high levels of unemployment and a stagnant local economy due to the economy's persistent contraction and major droughts in certain parts of the country including the Eastern Cape.

WATER INFRASTRUCTURE

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

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

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

NATURAL ENVIRONMENT

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

The environmental monitoring programmes assist Amatola Water with the evaluation of its impact on the natural environment and allow it to mitigate any impact as a result of its activities.
Amatola Water is cognisant that its business has an impact on the environment and takes its responsibility seriously.
For more information, please refer to pages 92 to 97.

SOCIAL ENVIRONMENT

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

Amatola Water believes that community involvement is crucial to long-term sustainability.
Please refer to stakeholder engagement on pages 46 to 54, and community outreach and corporate social investment on pages 48 to 49.

TECHNOLOGY

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

Effective Enterprise Risk Management Integrated Into Business

Proactive risk management is fundamental to Amatola Water's ability to meet its short-term and longer-term strategic objectives.

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

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

The requirements of the Public Finance Management Act No.1 of 1999, National Treasury Regulations of 2005, King IV on Corporate Governance and the Committee of Sponsoring Organisations Risk Management Framework have been incorporated into the enterprise-wide (integrated) framework and policy on risk management.

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

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

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

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

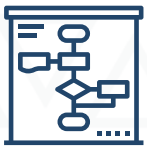
The Board has delegated the operational oversight responsibility of risk to the Audit and Risk Committee. In turn, it has established a Corporate Risk Committee and Fraud Committee that has appointed risk champions for each division.
These risk champions assist divisional directors to establish and monitor risk systems throughout the division.

Amatola Water categorises its risks into three groups:



01

STRATEGIC RISKS



02

DIVISIONAL RISKS



03

OPERATIONAL/ PROCESS RISKS





2
CONTEXT AND STRATEGY



AMATOLA WATER VISION, MISSION AND VALUES

Amatola Water's vision, mission and values are reviewed annually to ensure alignment to its mandate and Shareholder's strategic intent.

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

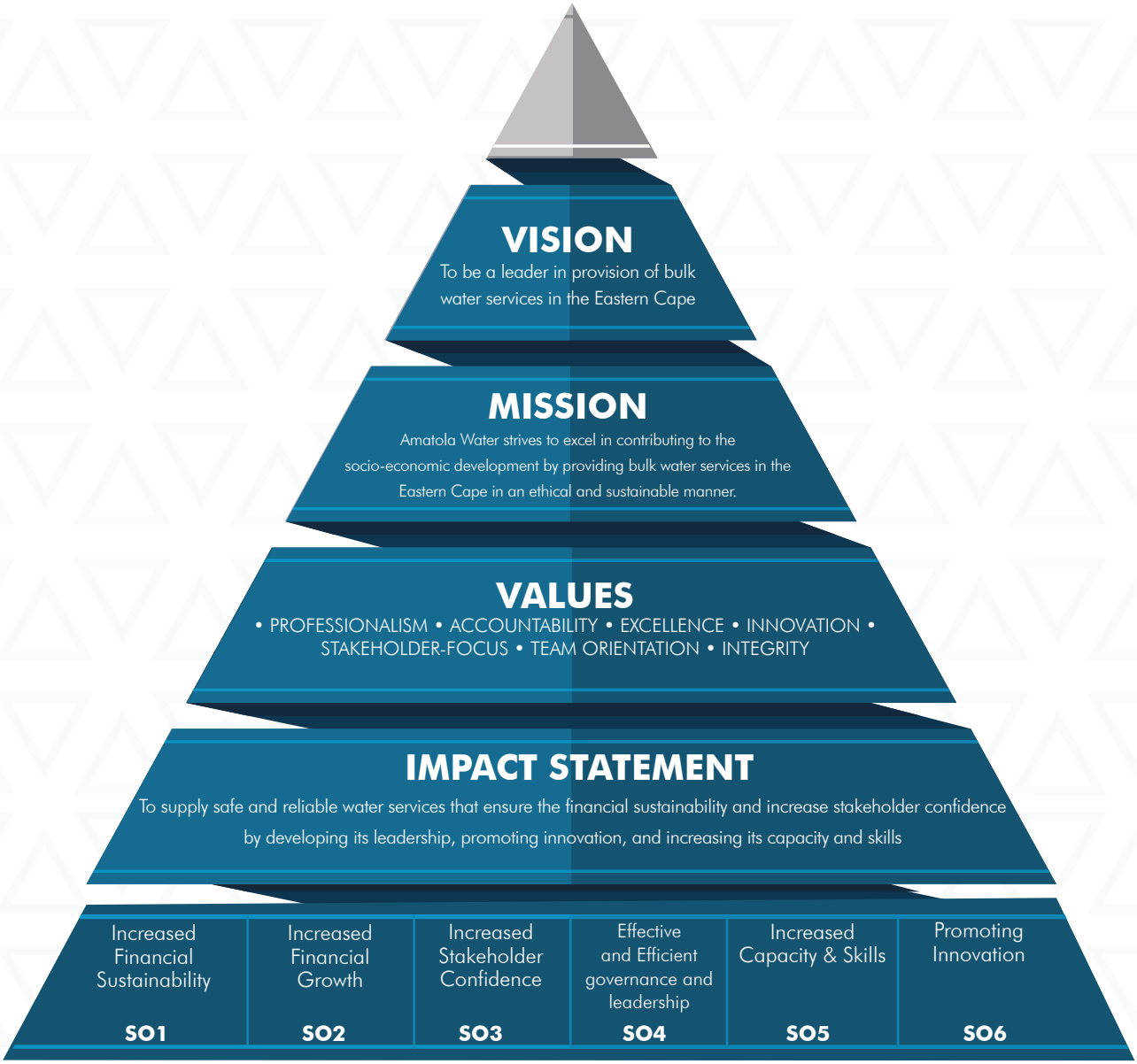


Figure 2.1: Amatola Water Strategic Map

STRATEGIC APPROACH AND PERSPECTIVE

To achieve its stated strategic outcomes, the Amatola Water Board has embarked on a three phased strategic approach.

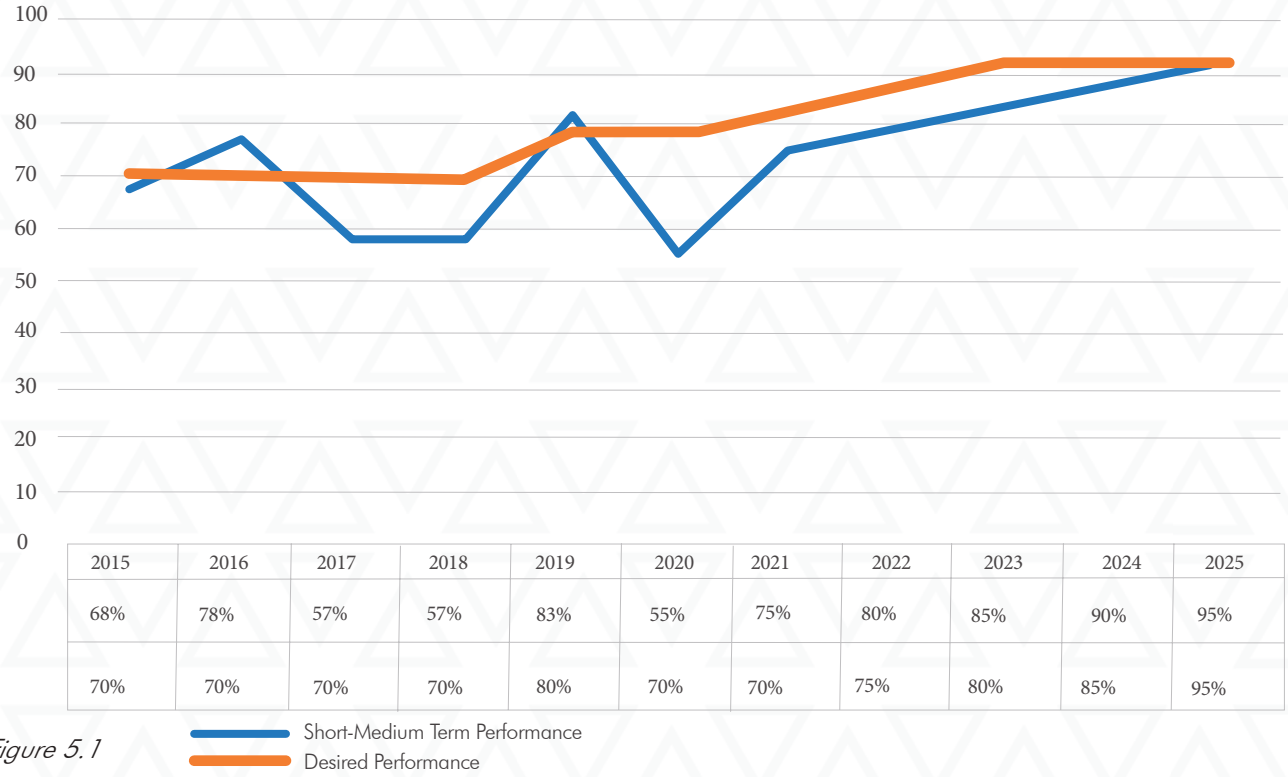
A summarised discussion follows:

Phase 1: Stabilisation (completed in 2018/2019)

The Stabilisation Phase, which was completed during the 2018/2019 financial year, halted the declining organisational performance through the implementation of an integrated turnaround intervention.

The result was the stabilisation of organisational performance from 2018 leading to improved levels above the 57% level. This performance is summarised below:

Organisational Performance Trajectory
(2015 - 2020 Actual Performance)
(2021 - 2025 Projected Performance)



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Short-Medium Term Performance	68%	78%	57%	57%	83%	55%	75%	80%	85%	90%	95%
Desired Performance	70%	70%	70%	70%	80%	70%	70%	75%	80%	85%	95%

Figure 5.1

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

Phase 2: Consolidation (2020 - 2021)

The second phase will build on the consistent performances achieved during Phase 1 of the Amatola Water Strategy that focuses on internal and external consolidation.

The strategic intent of the organisation is to consolidate its internal capacity, capabilities, and resources so that it can effectively and efficiently execute its expansion phase.

To realise its consolidation imperatives, Amatola Water will focus on enhancing its leadership capabilities while increasing its technical capacity and capabilities.

Once achieved, these consolidation imperatives will form the foundation for initiating and driving the next strategic phase, that is, expansion.

Phase 3: Expansion

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

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

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

Amatola Water Strategic Outcomes

For Amatola Water to achieve its strategic imperatives, it needs to satisfy six strategic outcomes. Amatola Water intends to measure, manage and achieve these outcomes by:

	STRATEGIC OUTCOME	OUTCOME INDICATOR	AUDITED BASELINE 2019/20	FIVE-YEAR TARGET
SO1	Increased Financial Sustainability	Percentage implementation of the Financial Recovery Plan	New indicator	100%
SO2	Increased Financial Growth	Percentage of growth in total revenue	New indicator	12.4%
		Net Profit Margin	0.01%	7.8%
SO3	Increased Stakeholder Confidence	Stakeholder satisfaction score	0	9
SO4	Effective and efficient governance and leadership	Number of leadership development programmes completed	New indicator	3
		Unqualified audit outcome	Qualified	Clean Audit
SO5	Increased Capacity and Skills	Percentage implementation of the training and skills development programme	80%	100%
		Percentage implementation of the infrastructure masterplan	New indicator	80%
SO6	Promoting Innovation	Number of innovation projects implemented	New indicator	5

Table 2.1: Strategic outcomes and outcome indicators

Contribution towards the achievement of the National Development Plan, Medium Term Strategic Framework and Provincial Priorities

The planned performance will impact on several policy instruments including the United Nations Sustainable Development Goals (SDG), African 2063 Development Agenda, National Development Plan (NDP), and the Medium-Term Strategic Framework 2019-2024 (MTSF), national Department of Water and Sanitation Strategic Outcomes and the Provincial Development Plan (PDP) Vision 2030, as detailed in the following table:

AMATOLA WATER OUTCOMES	MTSF PRIORITIES	DWS OUTCOMES	PDP GOALS
SO1: INCREASED FINANCIAL SUSTAINABILITY	• Priority 2: Economic transformation and job creation • Priority 5: Spatial integration, human settlements and local government	• 2.Ecological infrastructure protected and restored • 6. Water redistributed for transformation	• Goal 1: A growing, inclusive and equitable economy • Goal 4: Vibrant, equitable enabled communities
SO2: INCREASED FINANCIAL GROWTH	• Priority 2: Economic transformation and job creation • Priority 5: Spatial integration, human settlements and local government	• 2. Ecological infrastructure protected and restored • 6. Water redistributed for transformation	• Goal 1: A growing, inclusive and equitable economy
SO3: INCREASED STAKEHOLDER CONFIDENCE	• Priority 3: Education, skills and health • Priority 5: Spatial integration, human settlements and local government	• Efficient, effective and development orientated department • 2. Ecological infrastructure protected and restored	• Goal 2: An educated, empowered and innovative citizenry • Goal 4: Vibrant, equitable enabled communities
SO4: EFFECTIVE AND EFFICIENT GOVERNANCE AND LEADERSHIP DEVELOPMENT	• Priority 1: Building a capable, ethical and developmental state • Priority 3: Education, skills and health • Priority 5: Spatial integration, human settlements and local government	• 1 Efficient, effective and development orientated department • 2 Ecological infrastructure protected and restored • 6. Water redistributed for transformation	• Goal 2: An educated, empowered and innovative citizenry • Goal 4: Vibrant, equitable enabled communities • Goal 5: Capable, conscientious and accountable institutions
SO5: INCREASED CA-PACITY AND SKILLS	• Priority 1: Building a capable, ethical and developmental state • Priority 3: Education, skills and health • Priority 5: Spatial integration, human settlements and local government	• Efficient, effective and development orientated department • Ecological infrastructure protected and restored • 6. Water redistributed for transformation	• Goal 2: An educated, empowered and innovative citizenry • Goal 4: Vibrant, equitable enabled communities • Goal 5: Capable, conscientious and accountable institutions
SO6: PROMOTING INNOVATION	• Priority 1: Building a capable, ethical and developmental state • Priority 5: Spatial integration, human settlements and local government	• 2.Ecological infrastructure protected and restored • 6.Water redistributed for transformation	• Goal 4: Vibrant, equitable enabled communities • Goal 5: Capable, con scientious and accountable institutions

Table 2.2: Contribution towards the achievement of the National Development Plan, Medium Term Strategic Framework and Provincial Priorities

Outcomes Contribution to the Achievement of the Impact

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

Increased Stakeholder Confidence

In accordance with its constitutional and legislative mandates, Amatola Water's primary purpose is to provide reliable and safe water services to the constituencies within its mandated area of operations. Accordingly, it can be argued that when Amatola Water provides effective and efficient services that meets client requirements, it increases stakeholder confidence in the organisation and its mandated functions.

Therefore, increased confidence by stakeholders is a suitable indicator for measuring the organisation's required impacts for supplying safe and reliable water services, an integral part of the impact statement. As stakeholder

confidence levels increases, so too does the potential to increase financial sustainability levels. Therefore, as stakeholder confidence levels increase, existing and future clients are more likely to procure water services.

This translates into increased revenue, which results in increased levels of financial sustainability and ultimately, the attainment of the impact statement.

Increased Financial Growth and Sustainability

As a government business entity, Amatola Water is required to maintain sustainable financial growth levels. Improved financial growth is essential to ensuring the organisation can meet the increased demand for water services.

When the organisation fails to meet the increasing demand for services because it is unable to grow financially and meet increased demand, it does not achieve its mandated impact. Therefore, an increase in the capability of the organisation to produce increased services exponentially increases its ability to grow financially.

By ensuring sustained financial growth, the organisation can realise its fiduciary responsibility of attaining financial and commercial sustainability and remaining a going concern. Based on these assumptions, the organisation's ability to remain financially and commercially sustainable enables it to continue to provide safe and reliable water services and is in aligned with the impact statement.

Effective and Efficient Governance and Leadership

To realise its impact statement, the organisation must ensure the effective and efficient application of technical, financial, and human resources by performing a range of management functions. For a management function to be effective and efficient, it must be guided towards achieving the organisation's stated purpose. A competent leadership cadre is central to guiding and focusing the management function so that it can ensure implementation and accountability for the use of resources in pursuit of strategic outcomes and outputs.

Therefore, if an organisation is unable to demonstrate high-impact functional leadership, it is unable to collectively apply and focus its resources on the achievement of its outcomes and outputs. This translates into a failure to achieve its impact statement. It is, therefore, evident that as Amatola Water increases its leadership capabilities through leadership development, it exponentially increases its ability to achieve its outcomes and outputs.

In turn, improved leadership development enables the organisation to produce the required impacts. It is, therefore, critical the organisation develop its leadership ability to ensure the effective and efficient achievement of the impact statement.

Increased Capacity and Skills

Appropriate capacity and skills are essential to Amatola Water delivering on its mandate.
Therefore, it is essential that as changes occur in its operating environment and staff area, the capacity capability is adapted and upskilled accordingly.

Consequently, an increase in skills and capabilities, supported by an orientation towards innovation, increases the organisation's ability to appropriately respond to client demands.

It is important that the skills profile of the organisation is constantly reviewed, aligned and upgraded. This ensures it can meet the demands of an ever-changing operating environment which nurtures innovation. Having a highly trained and capacitated workforce empowers the organisation to effectively and efficiently perform the required functions to achieve its strategic outcomes and outputs and realise its strategic impact. A capacitated and skilled staff component is important for ensuring the achievement of the impact statement.

Promoting Innovation

Innovation is essential for increasing efficient and effective service delivery. Its implementation exponentially increases impact potential. Hence, the ability to increase innovation levels exponentially increases the ability of the organisation to achieve its projected impact. Therefore, the promotion of innovation constitutes a key strategic dimension in ensuring that maximum impact is achieved. Innovation impact occurs through the efficient and effective use of resources when new methods, systems and/or technologies are applied.

Its impact advances service delivery levels and increases the levels of stakeholder confidence. Consequently, this translates into increased financial and organisational sustainability.

Performance Measuring, Evaluation and Monitoring

To measure and manage the successful implementation of its strategy, Amatola Water has developed a Balanced Scorecard with clear monitoring criteria and targets for the next five years (see page 34).

A comprehensive corporate performance management system, which includes divisional and corporate reviews by management as well as oversight by the Board Committees, is detailed in the governance section of this report (page 116).

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

1 WATER AND WASTEWATER PRODUCT QUALITY (WQ)

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

2 CUSTOMER SATISFACTION (CS)

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

3 STAKEHOLDER RELATIONSHIPS AND SUPPORT (SS)

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

4 INFRASTRUCTURE STABILITY (IS)

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

5 FINANCIAL VIABILITY (FV)

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

6 WATER RESOURCE ADEQUACY (WA)

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

7 COMMUNITY/ENVIRONMENTAL SUSTAINABILITY (CE)

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

8 LEADERSHIP AND EMPLOYEE DEVELOPMENT (LG)

Amatola Water is dedicated to continuous learning and improvement, recruiting and retaining a workforce 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 RESILIENCE (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 challenge and difficulty.

10 OPERATIONAL OPTIMISATION (OO)

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



VALUE CREATION

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

INPUTS
2019/20

FINANCIAL CAPITAL

REVENUE
R468m

GRANT FUNDING FOR INFRASTRUCTURE UPGRADES
R1.2m

CASH
R524m

INTELLECTUAL CAPITAL

ICT OPERATIONAL EXPENDITURE
R13.2m

ICT CAPITAL EXPENDITURE
R2.9m

WATER RESEARCH LEVY
R3m

SOCIAL & RELATIONSHIP CAPITAL

ASSURANCE OF SUPPLY
98.42%

B-BBEE SPEND
108%

LOCAL JOBS CREATED
529

MANUFACTURED CAPITAL

PROPERTY, PLANT AND EQUIPMENT
R1908m

CAPITAL EXPENDITURE (TREATMENT PLANT UPGRADES)
R34m

HUMAN CAPITAL

STAFF TURNOVER
0.64%

FINANCIAL STUDY ASSISTANCE
R0.3m

NATURAL CAPITAL

WATER LOSS - POTABLE PRODUCTION & NETWORK
14%

RAW WATER ABSTRACTIONS KI'000
45.939

BUSINESS ACTIVITIES

- INFRASTRUCTURE DESIGN AND DEVELOPMENT
- WATER SERVICES
- INSTITUTIONAL AND SOCIAL DEVELOPMENT
- TECHNICAL AND OPERATIONAL SERVICES
- SCIENTIFIC SERVICES
- PROCUREMENT SERVICES
- FINANCIAL SERVICES
- OPERATION AND MAINTENANCE
- INSTITUTIONAL SUPPORT AND DEVELOPMENT
- PROJECT MANAGEMENT

STRATEGIC FORCUS

OUTPUTS 2020/21

THE 10 OUTCOMES FOR SUSTAINABLE VALUE CREATION

01 WATER AND WASTEWATER PRODUCT QUALITY

02 CUSTOMER SATISFACTION

03 STAKEHOLDER RELATIONSHIPS AND SUPPORT

04 INFRASTRUCTURE STABILITY

05 FINANCIAL VIABILITY

06 WATER RESOURCE ADEQUACY

07 COMMUNITY/ ENVIRONMENTAL SUSTAINABILITY

08 LEADERSHIP AND EMPLOYEE DEVELOPMENT

09 OPERATIONAL RESILIENCE

10 OPERATIONAL OPTIMISATION



FINANCIAL CAPITAL

REVENUE
R421m

GRANT FUNDING FOR INFRASTRUCTURE UPGRADES
R0m

CASH
R418m



INTELLECTUAL CAPITAL

ICT OPERATIONAL EXPENDITURE
R15.3m

ICT CAPITAL EXPENDITURE
R0.9m

WATER RESEARCH LEVY
R3m



SOCIAL & RELATIONSHIP CAPITAL

ASSURANCE OF SUPPLY
98.63%

B-BBEE SPEND
120%

LOCAL JOBS CREATED
611



MANUFACTURED CAPITAL

PROPERTY, PLANT AND EQUIPMENT
R1870m

CAPITAL EXPENDITURE (TREATMENT PLANT UPGRADES)
R29m



HUMAN CAPITAL

STAFF TURNOVER
0.67%

FINANCIAL STUDY ASSISTANCE
R0.4m



NATURAL CAPITAL

WATER LOSS - POTABLE PRODUCTION & NETWORK
14.8%

RAW WATER ABSTRACTIONS Kl'000
39.399

MATERIAL ISSUES

Defining materiality for Amatola Water

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

Material matters classification

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

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

Material matters table

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

RANKING	DESCRIPTION OF MATERIAL MATTER	CAPITAL IMPACTED	STRATEGIC RISK	STAKEHOLDER AFFECTED	AW STRATEGIC RESPONSE
1.	Financial viability • Many of Amatola Water's inputs and outputs are fixed in nature, such as the charges for purchasing raw water and what it may charge for services provided. • In addition, Amatola Water has a limited number of key customers that are subject to similar macro and microeconomic risks. • Amatola Water has limited options for obtaining raw water.	Financial	SR1	• Customers and client stakeholders	SO1 & SO2
2.	Economic • As a public service utility, Amatola Water is highly sensitive to the performance of the local and national economy. • The local and national economy are under pressure due to factors such as low GDP growth and SA sovereign credit downgrades. • The Eastern Cape lags the national economy in terms of productivity and employment growth and as such this had a knock-on effect on Amatola Water's business.	Financial	SR1	• Statutory stakeholders • Community stakeholders	SO1 & SO2
3.	Access to funding (Capex and growth) • Amatola Water manages a significant infrastructure footprint to fulfil its mandate. • Amatola Water requires significant capital expenditure to maintain as well as expand its infrastructure to ensure continuity of service as well as sustainable growth.	Financial	SR1	• Statutory stakeholders • Customers and client stakeholders	SO1 & SO2
4.	Drought/weather As with most parts of South Africa, the Eastern Cape is vulnerable to water shortages caused by a lack of rainfall.	Natural	SR8	• Community stakeholders	SO3
5.	Governance • Leadership is critical to the effective and ethical operation of Amatola Water. This can pose a significant risk or opportunity to the organisation. • Amatola Water has suffered from a high turnover of key leadership.	Human	SR6	• Statutory stakeholders • Customers and client stakeholders	SO4 & SO5
6.	Relationships with key stakeholders • Relationships with Amatola Water's key stakeholders had a major impact on Amatola Water's reputation, which represents a significant risk and opportunity for Amatola Water.	Social and Relationship	SR7	• Statutory stakeholders • Customers and clients stakeholders • Community stakeholders	SO3
7.	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 upstream and downstream infrastructure suppliers and customers for the delivery of high-quality bulk water and sanitation services.	Manufacturing	SR4	• Community stakeholders • Customers and client stakeholders	SO3 & SO5
8.	People skills and development • Appropriately skilled and qualified staff are critical to ensuring effective and efficient operations.	Human	SR3	• Customers and client stakeholders	SO3 & SO5
9.	Economic regulation • Amatola Water is subject to tariff setting and "regulatory lag".	Financial	SR1	• Statutory stakeholders	SO1 & SO2
10.	Technology and communication • The current business environment is heavily dependent on technology for effective, efficient and streamlined operations.	Intellectual	SR9	• Customers and client stakeholders • Statutory stakeholders	SO4, SO5 & SO6

Table 2.2: Material matters table



STAKEHOLDER ENGAGEMNT AND COMMUNITY SUPPORT



STAKEHOLDER ENGAGEMNT AND COMMUNITY SUPPORT

Amatola Water strategy requires the institution to reconnect with the entire stakeholders which led to the establishment of its fully functional reconnect with stakeholders workstream. The COVID-19 pandemic had a negative impact on the operations of reconnecting with the stakeholders as most of the time people were encouraged to be in doors and work from home. The institution uses a survey to increase its understanding, knowledge, attitudes, perceptions, interests and experiences of its external stakeholders. This survey is conducted after two years to check the levels of stakeholder satisfaction and challenges towards the institution. Afterwards, the institution develops a plan to improve the levels of stakeholder confidence and satisfaction as identified in the stakeholder survey report and monitor its progress by reporting to the relevant internal and external stakeholders.

The stakeholder matrix guides the effective engagement and involvement of stakeholders for the benefit of these stakeholder groups and Amatola Water. Customers are defined as stakeholders who make it possible for Amatola Water to deliver on its legislated mandate. Community stakeholders are defined as stakeholders with a direct and indirect interest in the operations of Amatola Water. Statutory stakeholders are the legislated stakeholders of the institution that are directly and indirectly affected in the operations of Amatola Water.

The institution implemented its Communication Strategy to enhance the image of the institution and its communication flow. It focused on internal and external stakeholders to heighten stakeholder involvement and participation. The COVID-19 pandemic had a negative impact in the area of stakeholder engagements as minimal interactions were expected. Meetings had to be conducted virtually and was more suited to the elite and willing stakeholders. This had a negative impact on the effectiveness of stakeholder engagements and restricted interaction with stakeholders in the water sector.

AMATOLA WATER THROUGH AN EFFECTIVE STAKEHOLDER ENGAGEMENT CAN ACHIEVE THE FOLLOWING:

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

AMATOLA WATER STAKEHOLDER MANAGEMENT MATRIX

COMMUNITY STAKEHOLDERS

Community stakeholders have a direct and indirect interest in the operation of Amatola Water. Amatola Water demonstrates value to the communities it serves by being a socially responsible, effective and high-performing entity. It also makes sure that it engages its stakeholders all the time regarding its business.

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

Table 2.3: Community stakeholders

CUSTOMER AND CLIENT STAKEHOLDERS

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

STAKEHOLDER	STAKEHOLDER INTERESTS	AW INTERESTS	LEVEL/RESPONSIBLE PERSON
Employees	Risk, good governance, and performance of AW	Act as an ambassador for the organisation. Sustainability and viability of the institution.	MANCO and Board
SAAWU	Strategy, risk, good governance, and performance of AW	Sound relations with organised labour. Conditions of employees.	AW Board Chairperson, CE, and Executive Manager: Corporate Services
Organised labour	Strategy, risk, good governance, and performance of AW	Buy-in and support with regards employment conditions.	MANCO, Board and Minister
Internal and external audit	Risk, good governance, and performance of AW	Support, influence, and compliance.	MANCO and Board
Suppliers and service providers	Good governance and performance of AW	Quality products and services. Efficiency, good performance and productivity.	MANCO
Investors (Development Finance Institutions and Private Banks)	Risk, good governance, and performance of AW	Funding and investment opportunities.	MANCO

Table 2.4: Customer and client stakeholders

STATUTORY STAKEHOLDER

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

STATUTORY STAKEHOLDER	STAKEHOLDER INTERESTS	AW INTERESTS	LEVEL/RESPONSIBLE PERSON
Executive Authority (Minister)	Strategy, risk, good governance and performance of AW	Strategic direction and support.	AW Board Chairperson
Parliamentary Portfolio Committee of Water and Sanitation	Strategy, risk, good governance and performance of AW	Strategic direction and support.	AW Board Chairperson
Department of Water and Sanitation	Strategy, risk, good governance and performance of AW	Strategic direction and support.	AW Board Chairperson, CE and MANCO
National Treasury	Strategy, risk, good governance and performance of AW	Strategic direction and support.	CE and CFO
Political leaders in provincial and local government (Premier, MEC's exec mayors, MMC's)	Strategy, risk, good governance and performance of AW	Collaboration	AW Board Chairperson
Provincial and local government administration (DGs, HODs and other senior officials).	Strategy, good governance and performance of AW	Collaboration	CE and MANCO
Local government (MMs and other senior officials)	Strategy, risk, good governance and performance of AW	Long-term commitment, collaboration and loyalty	CE and MANCO
SALGA	Strategy, risk, good governance and performance of AW	Collaboration	MANCO

Table 2.5: Statutory stakeholders

COMMUNITY OUTREACH AND CORPORATE SOCIAL INVESTMENT

Amatola Water exists in the communities and believes that there should be an investment that is being made in the communities. Investment in these communities has an impact on the fulfilment of its business strategy and the long-term sustainability of the organisation. The institution continues to support the advancement of all communities where its operations are located. This philosophy is embedded in its corporate social responsibility programmes and has widened its reach to include communication with communities in the Eastern Cape beyond its area of operations. A strong focus is placed on initiatives geared towards community sustainability such as education, awareness, sport and community outreach programmes.

Amatola Water also visits the communities that are next to its facilities and conduct water awareness campaigns. The main objectives of these visits are to foster awareness of integrated water resource management, sanitation issues and increase enthusiasm among the youth to pursue careers in the sector. The community of Alexandria was visited to inform them about their project that is in the pipeline. Most people attended the community Imbizo to get the information on issues of water and other government issues.

June is considered a Youth month in South Africa, Amatola Water collaborated with "Stepping Stones" which is an NGO to celebrate the youth month and to encourage the youth of our Province to take the careers that are water related. In the same vein they were taught about the unavailability of water in our country.























This Youth Day event is a catalyst in bringing the youth from different walks of life together to share knowledge and good practices. For Amatola Water to succeed, it needs to leverage knowledge and the incorporation of good practices to produce excellent outcomes. The organisation is mandated to provide a vital service that enhances the quality of life for communities in the Eastern Cape and is a cornerstone for socio-economic development in the province.

SCHOOL TOUR PROGRAMME

Amatola Water hosted and guided tours for various groups such as the media, tertiary institutions, secondary and primary school tours at the Ngqushwa and Nahoon Water Treatment Works. Visitors are taken through the steps of purifying water at the treatment works. These tours aim to encourage learners to see career opportunities in the water science industry and improve awareness of the water conservation. They also assist them in water conservation competitions.













AMATOLA WATER's WATER CONSERVATION AND DEMAND CAMPAIGNS

Eastern Cape is ravaged by drought and continue to experience severe water conservation challenges. It has also been declared as a disaster area due to drought. Engagements with water service authorities centred around interventions in their respective municipalities. A war room was formed where most engagements took place in order to discuss and establish the kind of assistance needed in most municipalities. Various awareness campaigns were conducted throughout the Eastern Cape Province and aimed to encourage the communities to save water.

The campaign included:

- Distribution of flyers
- Development of post cards with the message
- Career Exhibitions
- School visits

SCHOOL VISITS

Schools are visited as part of the Amatola Water's water conservation awareness campaign. Water-saving tips, using book-marks, were distributed to the schools. However, schools have now moved to digital so in no time bookmarks will be irrelevant in other schools. Amatola Water aims to move with technology trends and advertise on Facebook and other social media. Visits aimed to create community awareness around healthy water and sanitation practices and reduce and prevent the high probability of water-borne diseases. A healthy environment will indirectly reduce absenteeism or disruption of learning activities at schools.

CAREER EXHIBITIONS

Amatola Water could not conduct any career exhibition in the financial year under review due to the restrictions of COVID-19 lockdown regulations. Learners were mostly staying home and studying online. This was a new trend and our plans as the institution were not horned for that kind of environment and platform for interaction.

The goal in career exhibitions is to assist learners with career choice and encourage careers in the water sector. Amatola Water make presentations on the career opportunities in the water sector, targeting aspiring water control processors. It demonstrates how clean and safe water is produced at the water treatment works.

MINISTER OF WATER AND SANITATION VISIT

In an effort to ensure that communities of the Eastern Cape have access to clean, consumable water, the Minister of Human Settlements, Water and Sanitation, Lindiwe Sisulu handed over 20 water trucks with a value of R26 million to various District Municipalities. This is part of drought interventions by the Department and Amatola Water as the Department made a conscious decision to rather buy water trucks as the most cost-effective and sustainable measure instead of renting them. Water tankering is a short-term intervention by the Department while the government continues to roll out water infrastructure throughout the province.

The handover ceremony held in Nahoon Dam in Eastern London was attended by Mayors of various municipalities in the province who are set to benefit from the water trucks. The municipal districts that are to benefit from these water trucks include Joe Gqabi, Amathole, Alfred Nzo, Chris Hani and Sarah Baartman amongst others.

These water tankers will be used to fill-up water tanks that were distributed for COVID-19 to ensure that those tanks continue to be replenished for the benefit of the community. This initiative has also created 44 job opportunities through the delivery of these water tankers.



FUTURE STAKEHOLDER ENGAGEMENT PLANS

Amatola Water is looking at making inroads to the sport fraternity by sponsoring water at Chippa United matches in the province. In time, the sponsorship will be expanded to games outside the province after an assessment of its sponsorship value has been made. Amatola Water will continue to be the sponsor of Provincial Legislature's main events to drive home the message of water conservation and demand management together with other signature events of the province like SALGA conference and others. Career exhibitions, in partnership, with the Department of Education remain the priority as Amatola Water believes in teaching the children as the future of the country. The aim is to widen the network of communication and engagement to social media particularly in this time of limited interaction.





3
PERFORMANCE INFORMATION



Performance Information

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

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

In his opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the shareholder compact, annual performance plan and corporate scorecard of Amatola Water for the financial year ended 30 June 2021.

Amatola Water's performance information for the year ended 30th June 2021 has been examined by the external auditors (report on pages 164 to 172) and is set out on pages 58 to 76 , as approved by the Accounting Authority.



Dr M Makgae
Board Chairperson
Date:



Mr S Qweleka
Chief Executive
Date:

Performance Information

Introduction

The Annual Performance Plan and Shareholder Compact documents for 2020/21 financial year including the five-year Business Plan remains the source documents for the compilation of the integrated annual report on performance information of Amatola Water.

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

The reports are then submitted to the Audit and Risk Committee and further transmitted to the Board for approval. All four quarterly reports were thereafter submitted to the shareholder (DWS). The integrated annual report on performance information reflects all the performance indicators and targets as depicted in the annual performance plan for 2020/21 financial year.

The Annual Performance Plan contained fifty-six (54) performance targets against which Amatola Water had to perform for the year under review. The Shareholder Compact contained thirty-six (34) targets as approved by the shareholder.

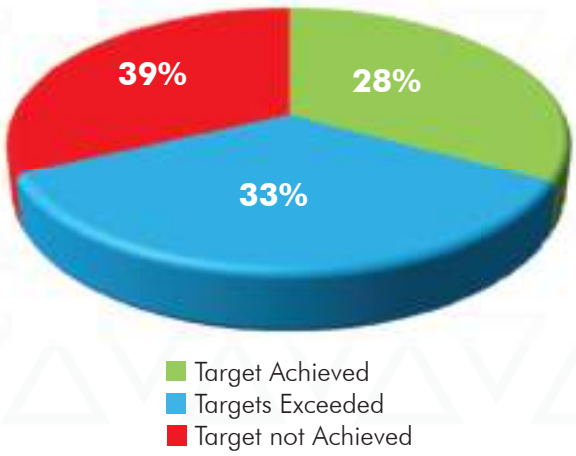
Performance Overview

The overall performance of the shareholder compact has improved to an average of 61% in 2020/21 when compared to 53% achievement against predetermined targets in 2019/20. In comparison with 2019/20 achievement of 53%, 2020/21 overall shareholders compact performance has improved by 8%.

Overall Shareholders Compact Performace Outcome 2019/20



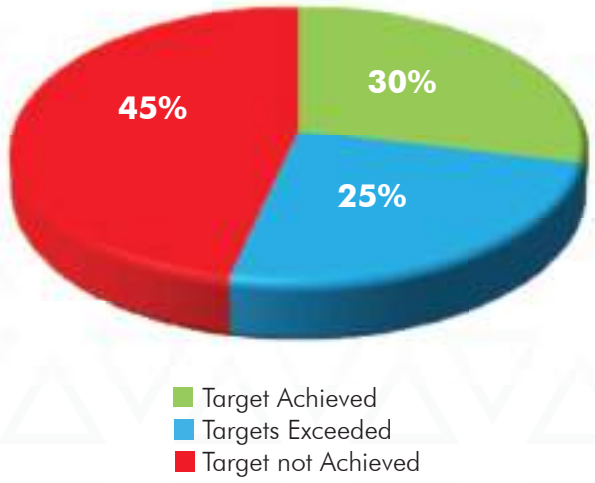
Overall Shareholders Compact Performance Objectives and Targets 2020/21



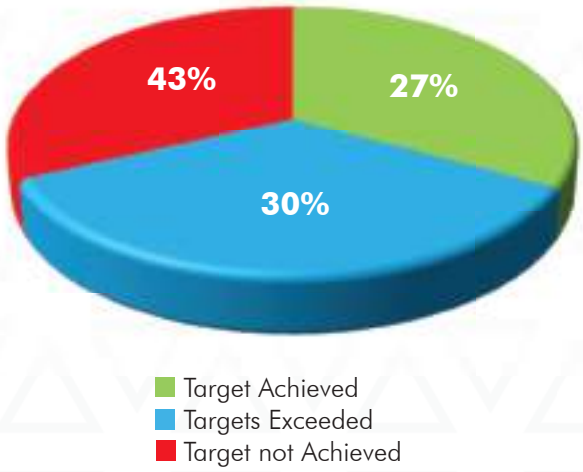
The actual results at the end of the 2020/21 reflected an outcome of 57% actual performance achieved against the predetermined targets. In comparison with 2019/20 actual achievement of 55%, the overall corporate performance has improved by 2%.

Performance Information

Overall Corporate Performance 2019/20



Overall Corporate Performance 2020/21



Key Service Delivery Indicators (Primary Mandate To Deliver Bulk Water)

- Water quality: AW's plants water quality compliance in all its water treatment works and distribution network is in line with SANS 241:2015 Part 1 & 2. Nine (9) plants achieved a "Good/ Excellent" water quality standard.
- Assurance of supply: Amatola Water achieved 98.21% assurance of supply to customers from source due to adequate pressure at the reservoirs, set targets being reached and providing the highest reliability of supply standards to customers and consumers.
- # of permanent jobs created: The number of permanent jobs created during the 2020/2021 financial year was exceeded. 331 jobs were created against the predetermined target of 300.
- # of temporary jobs created: The number of temporary jobs created during the 2020/2021 financial year was exceeded. 611 jobs were created against the predetermined target of 400.



Performance Information

Performance objective	Ministerial outcomes	DWS strategic goals	WB strategic objectives	Outcome/ impact	Indicators/ calculation	Measure	Actual achievement 2019/20	Projected target 2020/21	Actual achievement 2020/21	Comment on performance achievement
PERFORMANCE PERSPECTIVE: ORGNISATIONAL EFFECIENCY AND EFFECTIVENESS										
Bulk potable water quality compliance	9 & 12,10	SO4.1	4,1	Water quality standards met	Number of AW plants achieving "GOOD& EXCELLENT " quality SANS 241:2015 Edition 2 in Table 4	Number	10	7	9	Target exceeded
Manage avoidable water losses	6 &10 5,9,12	SO2.2 & SO4.1 SO6.1	6,1	Reduced avoidable water losses in treatment and distribution systems	Percentage of total water losses on production and distribution	%	14%	14%	14.80%	Target not achieved.
Reliability of supply			5,1	No unplanned interruptions to bulk supply exceeding 24 hours	Percentage assurance of potable water supply	%	98.42%	98%	98.63%	Target exceeded
			5,2		Percentage assurance of raw water supply	%	80.04%	98%	70.40%	Target achieved
Increased access to services	6	SO2.1	1,2	Contribution to national objectives of extending services	Percentage of actual capex budget spend on expansion related projects (initiatives by the Minister)	%	57%	70%	58.1%	Target not achieved.
PERFORMANCE PERSPECTIVE: FINANCIAL PERFORMANCE										
Financial reporting compliance	9	SO1.2	7,1	Unqualified audit report	External audit outcome	Unqualified report with no matters of emphasis (Clean Audit)	Qualified	Unqualified	Qualified	Target not achieved.

Performance Information

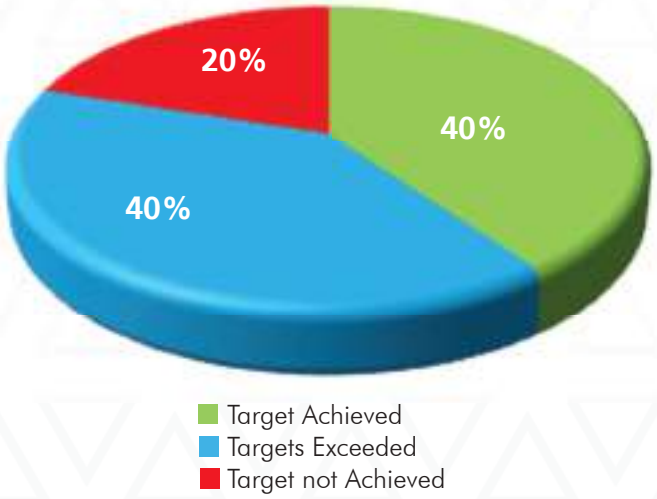
Performance objective	Ministerial outcomes	DWS strategic goals	WB strategic objectives	Outcome/ impact	Indicators/ calculation	Measure	Actual achievement 2019/20	Projected target 2020/21	Actual achievement 2020/21	Comment on performance achievement
Improve key financial ratios	12	SO1.2	4,1 6,1 5,2 1,2 7,1	Improved viability and sustainability	Gross profit margin % (primary activity)	%	24.91%	20.34%	18.54%	Target not achieved.
					Gross profit margin (secondary activity)	%	26.63%	30.76%	59.44%	Target exceeded
					Net profit margin (primary activity)	%	0.98%	-14.42%	-13.53%	Target achieved
					Net profit margin (secondary activity)	%	-41.39%	-19.57%	21.61%	Target exceeded
					Debt equity	Ratio	Qualified	Unqualified	Qualified	Target not achieved.
					Return on Assets	%	-10.94%	-8.11%	-8.36%	Target not achieved
					Debtors days	Number	0	0	0	Target achieved
					Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	%	3.09%	4.26%	2.55%	Target not achieved.
					Percentage Staff remuneration as % of total operating expenditure	%	40.43%	40.04%	39.93%	Target not achieved.
Increase BBBEE expenditure in relation to operational projects	9	SO1.3	1,1	Spend increased and increased new entrants awarded contracts in the financial year	Actual B-BBEE spend as a % of total discretionary expenditure	%	108%	100%	120%	Target exceeded
					New service providers awarded work (Number)	Number	N/A	N/A	N/A	N/A
Manage costs within the approved budget	9	SO1.6 SO2.1	3,1	Actual expenditure compared with budgeted expenditure for the quarter	Percentage variance on operating expenditure	% Variance	-1.56%	0.00%	6.29%	Target exceeded
Capital expenditure programme	6	SO2.1	7,1	Infrastructure available to meet demands	R-value overall project expenditure	Number (R)	R402.Mil	R450Mil	R386Mil	Target not achieved.

Performance objective	Ministerial outcomes	DWS strategic goals	WB strategic objectives	Outcome/ impact	Indicators/ calculation	Measure	Actual achievement 2019/20	Projected target 2020/21	Actual achievement 2020/21	Comment on performance achievement
					Percentage of capex projects within target completion dates against planned number	%	46%	70%	46%	Target not achieved.
Engagement in secondary activities	12 & 6	SO1.6 SO2.1	3,1	Growth in turnover from secondary (other activities)	Percentage of secondary business of total turnover	%	12.87%	11.28%	15.19%	Target achieved
PERFORMANCE PERSPECTIVE: CUSTOMER/STAKEHOLDER INTERACTION										
Bulk supply agreements concluded with municipalities/ other customers	12	SO2.1	1,2	Statutory and service level agreements in place	Total number of signed contracts with Municipalities /Other Customers (bulk supply agreements) in place during the period of review	Number	4	4	3	Target not achieved.
Implementation of ministerial directives	12	SO1.6 SO2.1	1,2	New ministerial directives issued are implemented on time	Percentage progress against ministerial directives implementation plan	%	31%	60%	122.8%	Target exceeded.
Support rural development	12	SO2.1	1,2	Total number of identified rural municipalities supported	Number of signed contracts/MOUs in place with rural Municipalities for the provision of support i.r.o. rural development initiatives	Number	4	4	5	Target exceeded.
Achieve statutory reporting compliance	12	SO1.6 SO2.1	1,1	All statutory reports submitted on time	Percentage of submissions in respect of Quarterly Reports, Annual Reports, Monthly Entity Reports, Tariff, Business Plan and Shareholder Compact on time	%	100%	100%	67%	Target not achieved.

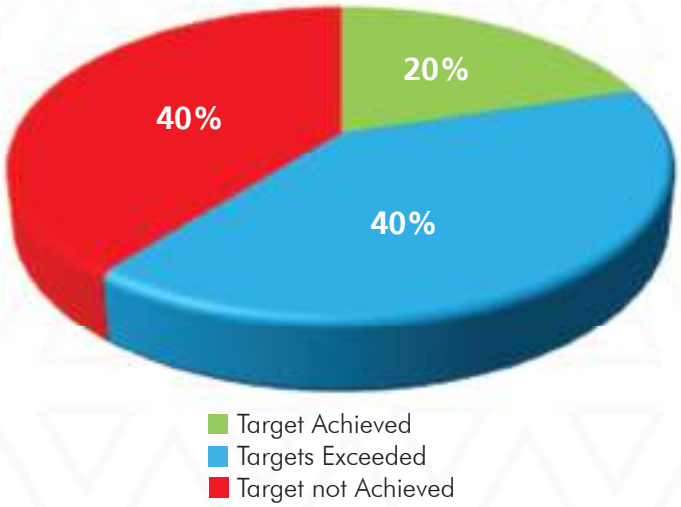
Performance objective	Ministerial outcomes	DWS strategic goals	WB strategic objectives	Outcome/ impact	Indicators/ calculation	Measure	Actual achievement 2019/20	Projected target 2020/21	Actual achievement 2020/21	Comment on performance achievement
PERFORMANCE PERSPECTIVE: ORGANISATIONAL CAPACITY										
Staff Levels	12	SO1.1 & SO4.3	7,1	Optimal staff retention	Percentage Staff turnover	%	0.64%	1%	0.67%	Target achieved
Training and skills development	12	SO1.1, SO1.3 & SO4.4	7,1	Skills and capacity building	Number of Learnerships	Number	3	5	4	Target not achieved.
					Number of bursaries employees	Number	15	15	15	Target achieved.
					Number of graduate programmes	Number	7	7	7	Target achieved.
Jobs created				Permanent and contract (direct)	Number of permanent jobs created	Number	344	300	331	Target exceeded.
					Number of temporary jobs created	Number	529	400	611	Target exceeded.

ORGANISATIONAL EFFECIENCY AND EFFECTIVENESS:

ORGANISATIONAL EFFECIENCY AND EFFECTIVENESS 2019/20



ORGANISATIONAL EFFECIENCY AND EFFECTIVENESS 2020/21

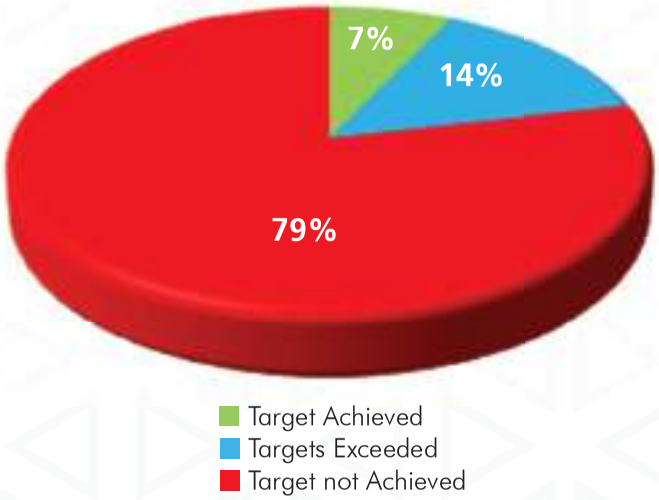


PERFORMANCE PERSPECTIVE: ORGANISATIONAL EFFECIENCY AND EFFECTIVENESS		
Indicator Number	**Indicator/ measure**	**Reason for variance and recovery plan**
STRATEGIC OUTCOME: SO3. INCREASED STAKEHOLDER CONFIDENCE		
2.1.2	Percentage of total water losses on production and distribution	The target has not been achieved: This is due to increase in water losses on the distribution and networks which are caused by: • Inadequate water recycling systems at WTW's and long turnaround times to have pumps repaired. • Illegal connections on networks and AW pipelines which are not metered and billed. • Pipe breaks and level control units take a long time to be repaired. • Huge losses generated from wastage of water. • Meters do not read low flows effectively during the night. • **The Remedial Action Plan during 2021/22 financial year includes:** • Duty/standby configurations are in place in most WTW. • Recovery systems will be upgraded to handle effective return of water to the head of works for recycling. • Meters will be moved back or selling from the fence will transfer most of the unbilled illegal connections back to the municipalities. • Review of bulk supply contracts. • Installation of level monitoring equipment on reservoirs. • Planned maintenance will be improved to reduce unplanned breakdowns. • Capacitate teams to address breakdowns effectively and improve response times according to AW operating standards. • Term contracts to be in place for critical supply of goods and services, essential emergency equipment and to source external rapid response teams where AW does not have the capacity. • Replacement of all village meters with dual flow type to measure normal and night/low flows effectively and effective planned maintenance of meters to in place.

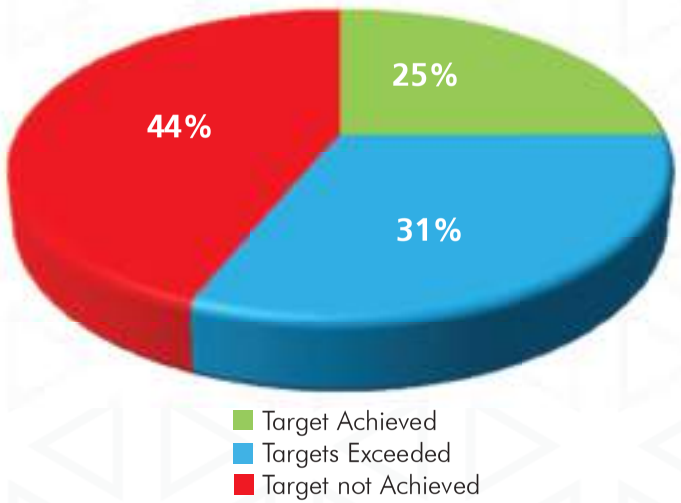
PERFORMANCE PERSPECTIVE: ORGANISATIONAL EFFECIENCY AND EFFECTIVENESS		
Indicator Number	**Indicator/ measure**	**Reason for variance and recovery plan**
STRATEGIC OUTCOME: SO2. INCREASED FINANCIAL GROWTH		
2.1.8	Percentage of actual capex budget spend on expansion related projects (initiatives by the Minister)	The target has not been achieved. This is due to the allocation of DWS funding being depleted in Q3 and contractors embarking on a go-slow during project implementation due to non-payment of invoices. There was no response with regards to the application of budget allocation from DWS and National Treasury. AW is currently bridge funding from advances received for implementation of projects in respect of invoices received for the Nooitgedagt project. **The Remedial Action Plan during 2021/22 financial year includes:** • AW has submitted an application for new budget funds to DWS. • AW is engaging DWS to confirm the approval of funding available for the payment of contractor to continue with the works on site.

FINANCIAL PEFORMANCE:

FINANCIAL PERFROMANCE 2019/20



FINANCIAL PERFROMANCE 2020/21



PERFORMANCE PERSPECTIVE: FINANCIAL PERFORMANCE		
Indicator Number	**Indicator/ measure**	**Reason for variance and recovery plan**
STRATEGIC OUTCOMES: SO1. INCREASED FINANCIAL SUSTAINABILITY , SO2. INCREASED FINANCIAL GROWTH , SO3. INCREASED STAKEHOLDER CONFIDENCE AND SO4. LEADERSHIP DEVELOPMENT		
4.1.4	External audit outcome	Target has not been achieved: The entity received a qualified audit opinion for 2020/21 from the Office of the Auditor General. **The qualification items were:** • Property, Plant and Equipment; • Payables from exchange transactions; and • Irregular Expenditure. Furthermore; the report also highlighted matters of emphasis on restatement of corresponding figures and material debt impairments and as well as non-compliance findings on Annual Financial Statements, expenditure management, consequence management, revenue management and procurement and contract management. **The Remedial Action Plan during 2021/22 financial year includes:** Management will develop an Audit Improvement/Intervention Plan during the month of April 2022 in order to monitor and address issues/findings identified by the Office of the Auditor General in the 2020/21 audit report.

PERFORMANCE PERSPECTIVE: FINANCIAL PERFORMANCE

Indicator Number	Indicator/ measure	Reason for variance and recovery plan
1.1.1	Current ratio	The target has not been achieved: This is due to current assets being higher than in planned target in relation to current liabilities. This is mainly due to a high trade receivables balance and cash on hand in respect of advances. **The Remedial Action Plan during 2021/22 financial year includes:** • Implementation of Section 51 as per the PFMA to recover long outstanding debt. • Reduction of current liabilities by repaying the DWS debt on funds received from primary business customers.
1.1.2	Gross profit margin % (primary activity)	The target has not been achieved: This is due to primary revenue for treated water which is lower than budget by 4% (R17.5m). The Eskom Load Shedding and ageing 225mm line that is constantly bursting has led to an increase water losses of in Nahoon. **The Remedial Action Plan during 2021/22 financial year includes:** • P&D will speed up the WTW upgrade to supply the whole of the East Coast with water and conclude the installation of the 2.225 pipeline by appointing a contractor. • Monitoring the implementation of the Financial Recovery Plan during the 2021/22 financial year. • SCM will fast-track outstanding requisitions and issue purchase orders.
1.1.14	Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	The target has not been achieved this is due to repairs and maintenance which was underspent against the budget by 33.7 %. This under expenditure is mainly due to low spending on desludging of dams; underspending on building, fences, meters, plant, machinery and fuel for fleet vehicles. **The Remedial Action Plan during 2021/22 financial year includes:** • Continuous monitoring of preventative maintenance plan to mitigate the risk on operations.

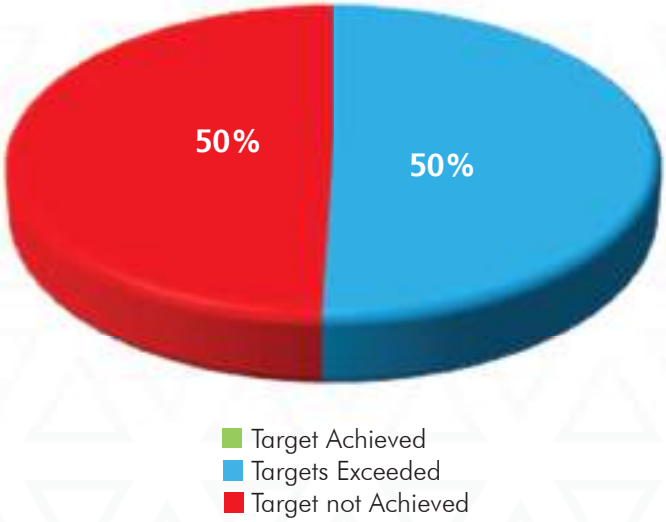
PERFORMANCE PERSPECTIVE: FINANCIAL PERFORMANCE		
Indicator Number	Indicator/ measure	Reason for variance and recovery plan
1.1.15	Percentage of staff remuneration to Operating Expenditure	The target has not been achieved. The additional allowances relating to the 2019/20 Amanzi-Bargaining Council agreement had to be implemented and were not included in the approved budget for 2020/21 financial year yet funded from savings in the delay of appointment in vacancies. **The Remedial Action Plan during 2021/22 financial year includes:** • Embarking on an organisational review project. • Implementation of reduction measures to reduce overtime without impacting the continuity of operations.
2.1.6	R-value overall project expenditure	The target has not been achieved: This is due to the COVID-19 lockdown regulation which has impacted on progress of the contracts pertaining to all projects. The materials such as steel, valves, pipelines etc. did not arrive on time. The manufactures needs 50% upfront payment before manufacturing the material needed for the projects. During Q4 AW could not make such upfront payments as it is against the conditions of contracts to make prepayments for services not rendered. **The Remedial Action Plan during 2021/22 financial year includes:**
2.1.7	Percentage of capex projects within target completion dates against planned number	• P&D and Ops (special programmes) are developing a unblocking and recovery plan to resolve delays, blockages and suppressed construction performance. • AW will advise the contractors to provide the Advance Payment Guarantees.

CUSTOMER/STAKEHOLDER INTERACTION:

CUSTOMER / STAKEHOLDER INTERACTION 2019/20



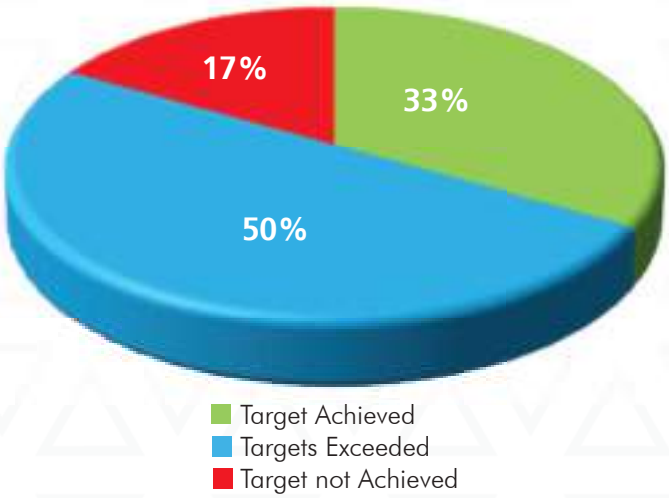
CUSTOMER/STAKEHOLDER INTERACTION 2020/21



PERFORMANCE PERSPECTIVE: CUSTOMER /STAKEHOLDER INTERACTION		
Indicator Number	**Indicator/ measure**	**Reason for variance and recovery plan**
STRATEGIC OUTCOME: SO2. INCREASED FINANCIAL GROWTH AND SO4. LEADERSHIP DEVELOPMENT		
2.1.4	Total number of signed contracts with Municipalities /Other Customers (bulk supply agreements) in place during the period of review	The target has not been achieved. AW currently has 3 Bulk Supply Agreements in place with Buffalo City Metropolitan Municipality, Amathole District Municipality and Ndlambe Local Municipality. The Makana Operation and Maintenance contract is currently not being serviced. **The Remedial Action Plan during 2021/22 financial year includes:** • Amatola Water will be embarking on new business ventures to secure additional Bulk Water contracts with Municipalities/Other Customers.
4.1.3	Percentage of submissions in respect of Quarterly Reports, Annual Reports, Monthly Entity Reports, Tariff, Business Plan and Shareholder Compact on time.	The target has not been achieved: This is due to the delays in the submission of Integrated Annual Report 2019/20 and revised Corporate Plan 2021-2026 as result of the delayed audit review by Auditor-General SA (AGSA) which was impacted by COVID-19 pandemic limiting working arrangements of the audit team. The motivation requesting for a special concession by the Honourable Minister of Water and Sanitation and National Treasury to submit the approved Annual Report 2019/20, Corporate Plan, Shareholder Compact was submitted. These have been subsequently submitted and tabled in parliament on the 15th July 2021 (Annual Report 2019/20) and 22nd July 2021 (Business Plan 2021-2026). **The Remedial Action Plan during 2021/22 financial year includes:** • AW will ensure that these compliance reports are submitted timeously by ensuring that the capacity allocated to these functions are available as most critical post are in the process of being filled. • Enhance monitoring of compliance report submissions through the governance structures within the organisation to ensure compliance with legislative prescripts. • Obtain approval of the board calendar which is aligned with statutory reporting timelines.

ORGANISATIONAL CAPACITY:

ORGANISATIONAL CAPACITY
2019/20



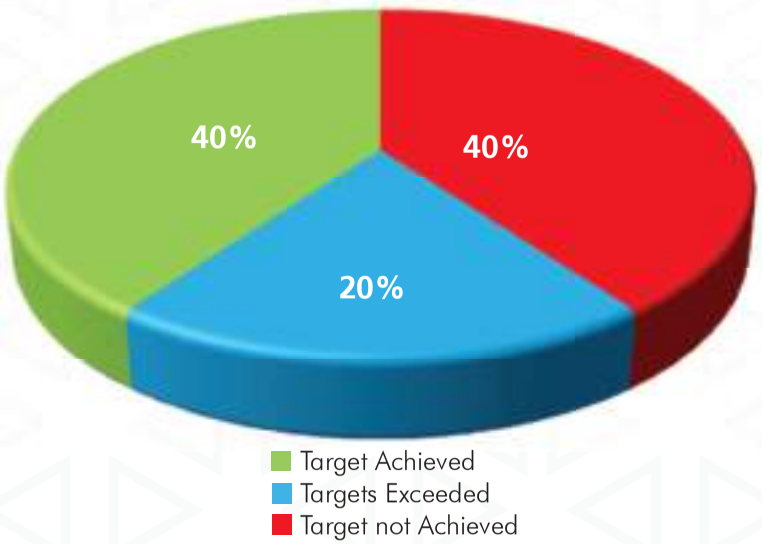
ORGANISATIONAL CAPACITY
2020/21



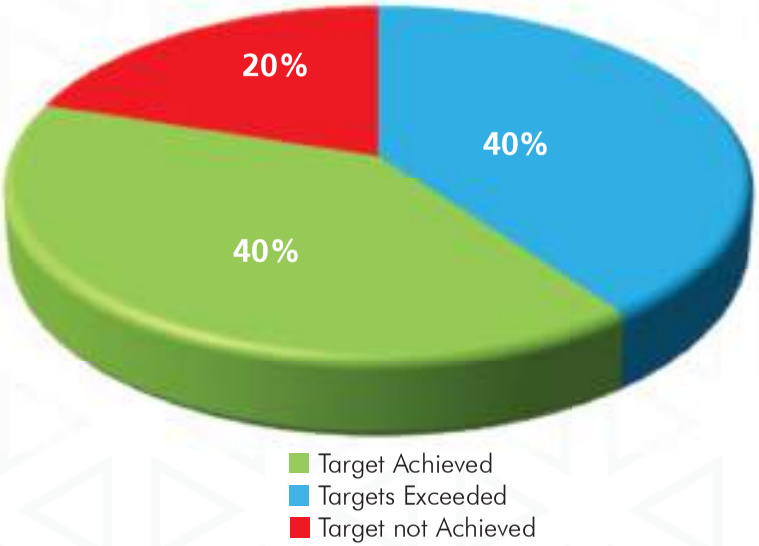
PERFORMANCE PERSPECTIVE: ORGANISATIONAL CAPACITY		
Indicator Number	**Indicator/ measure**	**Reason for variance and recovery plan**
STRATEGIC OUTCOME: SO5. INCREASED CAPACITY AND SKILLS		
5.1.8	Number of learnerships	The target has not been achieved. The budget for training was reduced as per the institutions cost containment measures targeting travel and accommodation which was included in the initial training plan. During Q4 training activities were mostly conducted virtually within the revised training budget. **The Remedial Action Plan during 2021/22 includes:** • Learnership programmes have been accommodated in the training plan and approved budget for 2021/22 financial year.

GENERAL PERFORMANCE:

GENERAL PERFORMANCE 2019/20



GENERAL PERFORMANCE 2020/21



PERFORMANCE PERSPECTIVE: ORGANISATIONAL CAPACITY

Indicator Number	Indicator/ measure	Reason for variance and recovery plan
STRATEGIC OUTCOME: SO4. LEADERSHIP DEVELOPMENT		
4.1.6	Number of repeats internal audit findings	The target has not been achieved. There are six repeat findings which were identified in the Internal Audit reports. **The findings are as follows:** **Quarterly Performance Information Reports:** • Insufficient Portfolio of Evidence to substantiate reported achievements, identified on Internal Audit Report on Review of Quarter 2 Performance Report was also identified in Review of Quarter 3 Performance Report issued in May 2021. • Inadequate reasons for deviation and or/corrective actions provided for targets over-or under-achieved identified on Internal Audit Report on Review of Quarter 2 Performance Report was also identified in Review of Quarter 3 Performance Report issued in May 2021. **Human Resources Review 2017/18:** • Inadequacies noted in the Recruitment and Selection process. • Supporting documentation not provided. • Inadequacies noted in leave balances. **Debt Recovery Management Review 2019/20:** • No disconnection of service due to non-payment. **The Remedial Action Plan during 2021/22 financial year includes:** • Internal Audit will continuously conduct follow up on the Internal Audit Tracking Tool (prior year Internal Audit Reports) to ensure that management addresses the Internal Audit findings and management action plans. • This tracking tool is a standing agenda item in all the ordinary ARC meetings and the recent updated report will be tabled in the ARC scheduled for 23rd August 2021.
4.1.8	Number of breaches of materiality and significance framework	Target has not been achieved: During review of Gawula Incorporated Invoices and appointment, AW noted that Gawula Incorporated was appointed without following SCM processes and therefore was appointed Irregular. **Furthermore; the SCM Report, AW noted that the Entity incurred:** • Irregular Expenditure amounting to R3 771 415.45. • Fruitless and Wasteful Expenditure amounting to R7 044.80. **The Remedial Action Plan includes:** Management will investigate Irregular, fruitless and wasteful expenditure and implement consequence management where applicable.





4

LEADERSHIP & EMPLOYEE DEVELOPMENT



INTRODUCTION

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

- Skills Development Act
- Skills Development Levies Act
- Basic Conditions of Employment Act
- Labour Relations Act
- Employment Equity
- National Skills Development Plan (2030)

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

- **Human capital Matters:** Recruitment and selection, occupational health, employee Benefits, Employee Wellness, Learning and Development, Organisational Development Labour relations including performance management and accountability monitoring as well as corrective action plan.
- **Socio-economic development:** This focus areas is informed by the above transformation legislative and policy framework e.g. during recruitment, the focus is made on black women empowerment and people living with disabilities as previously disadvantaged groups. Learnership programmes are targeted to youth from disadvantaged communities.

LABOUR PRACTICES AND DECENT WORK

Amatola Water embraces the principle that the organisational goals and human resource needs are matched and aligned and strongly interdependent. The entity's Human Resources policies, therefore, seek to ensure highly competent and skilled motivated and engaged workforce for strategy implementation. The Humana Resource unit is constantly reviewing and developing its policies in line with the policy register to ensure they are kept abreast with the latest legislative developments and prevailing organisational challenges.

Amatola Water seeks to maintain a workforce that enables it to deliver quality services to all its stakeholders. The entity's 2020/21 workforce profile includes 295 permanent employees and 38 fixed-term contract employees (target 300) in various functions:

SALARY BAND/ OCCUPATION LEVELS	APPOINTMENTS	TERMINATIONS	EMPLOYEES AT THE END PERIOD
Top Management/Executives	4	2	4
Senior management	1	3	8
Professionals and mid-management	3	1	16
Skilled technical workers and junior management	4	9	97
Semi-skilled	2	7	115
Unskilled	1	1	55
TOTAL	**15**	**23**	**295**

Table 4.1: Workplace Profile as at 30 June 2021

The table below reflects the number of positions and vacancies in line with the interim organogram:

APPROVED POSTS 2020/21 (PER DIVISION)	DIVISION (PER INTERIM STRUCTURE)	EMPLOYMENT AT END OF PERIOD	FUNDED VACANCIES	% VACANCIES
CE Office	13	16	1	0.33
Corporate Services	37	28	5	1.69
Planning and Development	39	26	4	1.35
Finance	40	27	7	2.37
Operations	246	198	14	4.74
TOTAL	**375**	**295**	**31**	**10.48**

Table 4.2: Staff vacancies as at 30 June 2021

The organisation adheres to the principles embodied in the Employment Equity Act. A representative of Employment Equity Committee is in place and plays an active role in recruitment and which is considerate of the regional population demographics benchmark as well as fairness in the workplace. Special focus has been placed on designated groups that have been previously disadvantaged, particularly women and people living with disabilities.

OCCUPATIONAL LEVEL		MALES				FEMALES			
		AFRICAN	COLOURED	INDIANS	WHITES	AFRICAN	COLOURED	INDIANS	WHITES
	Targets	42.3%	7.9%	0.1%	2.9%	37.5%	6.8%	0%	2.5%
Top Management	Actual	3	0	0	0	1	0	0	0
	Actual in %	75%	0%	0%	0%	25%	0%	0%	0%
Senior Management	Actual	6	0	0	2	0	0	0	0
	Actual in %	75%	0%	0%	25%	0%	0%	0%	0%
Professional Qualification	Actual	5	0	1	3	5	0	0	2
	Actual in %	31.2%	0%	6.2%	19%	31.2%	0%	0%	12.4%
Skilled Technical	Actual	44	6	0	6	35	6	0	0
	Actual in %	45.3%	6.1%	0%	6.1%	36%	6.1%	0%	0%
Semi-Skilled	Actual	74	5	0	1	31	3	0	1
	Actual in %	64.3%	4.3%	0%	0.8%	27%	2.6%	0%	0.8%
Unskilled	Actual	45	0	0	0	10	0	0	0
	Actual in %	82%	0%	0%	0%	18%	0%	0%	0%
TOTALS		**177**	**11**	**1**	**12**	**82**	**9**	**0**	**3**

Table 4.3: Employment Equity statistics at 30 June 2021



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

Table 4.4: Employment equity statistics for people living with disability at 30 June 2021

During the period under review, 23 employees left Amatola Water for reasons other than dismissal. Labour turnover decreased from 6.75% in 2019/20 to 3.0 in 2020/21. Only the voluntary terminations are used to calculate the Staff Turnover. This was within the target range of 1% per annum.

CATEGORY	NUMBER	% OF TOTAL TERMINATIONS
Death	4	1.4
Resignation	9	3.1
Dismissal	3	1.0
Retirement	7	2.4
Ill health	0	0
Other	0	0
TOTAL	**23**	**7.8**

Table 4.5: Staff terminations for the period ending 30 June 2021

EMPLOYEE RELATIONS

Sound relations with organised labour, as a key social partner, is of paramount importance to the success of Amatola Water. AW is part of South African Association Water Utilities (SAAWU) who has an agreement with organised labour which forms part of Amanzi Bargaining council (SAMWU, UASA and NEHAWU). Amatola Water stood at 261 SAMWU membership (72.98%) as at 30 June 2021 with SAMWU being the only recognised union representing workers.

Governed through various HR Legislative and Policy framework and collective agreements, Amatola Water remains committed to sharing information regarding operational changes that may affect employees, directly or indirectly, with organised labour.

Management and organised labour, through a local labour forum (LLF), schedule 12 meetings per annum as per the ABC Organisational Rights agreement. Continuous engagement is deemed critical to the development of sound workplace relation and sustainability of the institution, which, in turn, provides opportunities for all employees. All planned engagements were met during the year and a continued focus was placed on continuous building

workplace relations, as well as the resolution of all grievances. The determination by the CCMA is in place, in relation to the minimum services agreement required for essential service organisations in the event of industrial action. Currently, SAMWU has eight shop stewards inclusive of the full-time Shop Steward. A major focus for the year has been on their capacitation given that some shop stewards were newly appointed.

The wage agreement for 2020/21 was concluded with the awarding of a 6.5% inflationary increment. Currently, several cases are under investigation as a result of misconduct related issues due to management's focus on consequence management, which is guided by an updated Disciplinary Policy and Code. In the year u der review, AW has three (3) disciplinary cases that were senior and complex. Those three (3) cases were handled by external resources during the performance year. There were also five (5) cases that were handled internally. The total number of disciplinary actions for the financial year under review was nine (9). Out of the nine (9), three were dismissed.

NATURE OF DISCIPLINARY ACTION	NUMBER
Final written warning	1
Suspensions	8
Dismissal (included on suspensions)	3
TOTAL	**9**

Table 4.6: Number of internal disciplinary actions

During the period under review, there were four (4) CCMA cases and the nature of disputes were, unfair dismissal, Unfair labour Practice and constructive dismissal.

NATURE OF DISCIPLINARY ACTION	NUMBER
Unfair Dismissal	2
Unfair Labour Practice	1
Constructive Dismissal	1
TOTAL	**4**

Table 4.7: Number of CCMA Cases

Cases referred to the Labour Court were five (5) which were inclusive of one unfair labour practice, constructive dismissal and unfair dismissal

NATURE OF DISCIPLINARY ACTION	NUMBER
Unfair Labour Practice	1
Constructive Dismissal	1
Unfair Dismissal	3
TOTAL	**5**

Table 4.8: Number of cases referred to Labour Court

OCCUPATIONAL HEALTH AND EMPLOYEE WELLBEING

As a high-risk workplace Amatola Water is expected to comply with the Occupational Health and Safety Act, 85 of 1993 in so far as placing employees suitable for specific workplaces, based on the pre-determined risk assessments.

Pre-employment medicals are strictly conducted to reduce the risk of workplace injuries as far as possible. Further, routine medical assessments were conducted in all high-risk areas to ensure that workplace injuries are avoided. These are followed by exit medicals at the time employees are exiting the institution to eliminate possible workplace injury claims later in life. For the reporting period Amatola Water can confirm that only minor injuries on duties like slipping and spraining of ankles were reported. None of the cases required investigation by the Department of Labour and Employment or required Amatola Water to review any of its work procedures.

MEDICAL SURVEILLANCE	NUMBERS
Pre-employment Medical Examinations	24
Annual Medical Examinations	172
Exit Medical Examinations	04
Psychological Support	04
Chronic Referrals	05

Table 4.9 Medical Surveillance conducted

Beyond Occupational Health compliance, Amatola Water places a high premium on the value of its employees. As country was still engulfed in the COVID-19 pandemic, Amatola Water has spared no effort to ensure that COVID-19 effects were not as dire and that the organisation complied with the Disaster Management Act, as well as the COVID-19 health protocol as pronounced by the Minister of Health in all respects. A combination measures were put in place to mitigate the risks as far as possible. These included a work from home arrangement and a shift system to ensure that the inter-personal interaction is reduced as for as possible. There intervention have yielded positively for the organizations no fatalities were reported from within the workforce. The cumulative numbers of COVID-19 are as follows.

COVID-19 STATISTICS	NUMBER
Total number of employees tested	50
Positive results	41
Recoveries	41
Hospitalization	07
Vaccinations	35

Table 4.10 Covid-19 statistics

TRAINING AND DEVELOPMENT: LEGISLATIVE AND FUNCTIONAL TRAINING

Skills development is an essential enabler for employees to excel in their individual performance with then translates to realisation of organisational mandate. Amatola Water submitted an annual Workplace Skills Plan to the Energy, Water and Sanitation Sector Education and Training Authority (EWSETA). The plan maps-out the training intervention that shall be implemented in the year under review.

Relevant training reports were submitted to EWSETA and full opportunity has been taken of the available grants. The budget for the year for the Learning and development was set at R4,6 Million and the budget was fully utilised through the implementation of the training plan. The target in relation to the implementation of the training plan was at 80% and the actual performance being 86%.

DESCRIPTION	MALES				FEMALES				TOTAL
	AFRICAN	COLOURED	INDIANS	WHITES	AFRICAN	COLOURED	INDIANS	WHITES	
Top management	3	0	0	0	1	0	0	0	4
Senior management	4	0	0	2	0	0	0	0	7
Professionals and mid-management	5	0	0	2	6	0	0	2	15
Skilled technical workers and junior management	26	1	0	0	17	2	0	0	46
Semi-skilled	21	1	0	0	12	2	0	0	36
Unskilled	29	0	0	0	11	0	0	0	40
TOTAL	**89**	**2**	**0**	**4**	**47**	**4**	**0**	**2**	**148**

Table 4.11: Training equity profile (Number of people who attended training per race and gender and occupational level)

FINANCIAL STUDY ASSISTANCE

In line with relevant prescript, one of Amatola Water's objectives is to attract and retain employees and enhance productivity levels, Amatola Water provided financial assistance for tertiary education to an additional fifteen (15) employees during the reporting period.

In support of the entity's Employment Equity Plan to improve female representation at all levels, seven (7) of the recipients were female.

TOTAL EXPENDITURE	EMPLOYEES	AVERAGE COST PER EMPLOYEE
410 210.00	34	12 065.00

PERFORMANCE AND REMUNERATION

Amatola Water has a Performance Management policy which is designed to ensure that employees have knowledge of their roles and responsibilities in relation to corporate strategy. Amatola Water's Management continues to utilise the performance management system effectively as it provides a mechanism to improve performance through counselling, structure raining and development and discipline. It also provides a justification for decisions related to performance-linked adjustments, such as remuneration which are aligned to improved organisational performance.

Ongoing management oversight and employee support remains vital to ensure continued efficiency and effectiveness of the individual performance management system. The target for compliance was 70% achievement of employees scoring three (3) or more, with the actual achievement for the period under review being 69%.

ORGANISATIONAL CULTURE

Culture is an enabler of strategy and Amatola Water continues to strive to enhance organisational culture to create an enabling environment for successful strategy implementation and improved service delivery. The organisation remain dedicated to initiatives of continuing learning and development, recruiting and retaining a workforce that is competent, motivated and adaptive, through opportunities for professional and leadership development.

INFORMATION TECHNOLOGY

Information and Communication Technology (ICT) is a business enabler that supports the corporate strategy by ensuring the availability of ICT services and resources, automating manual processes, as well as the implementation of enhanced services based on evolving technology. The focus for 2020/21 was the implementation of key ICT projects that improve operational efficiency, the management of risks and the ongoing monitoring of the ICT Governance within the organisation.

Key amongst these projects to improve efficiency is the implementation of the electronic leave (eLeave) management system. This system was aimed at automating the manual process of capturing and approving leave applications and allows employees to monitor the status of their leave applications as well as check leave balances. The eLeave system was made available to the organisation for use as of 1 February 2020.

The organisation also had to provide solutions that enabled the organisation to function effectively during COVID-19.

ICT GOVERNANCE

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

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

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

KEY ICT PROJECTS

The focus for 2020/21 has been on:

- The enhancement of the current ICT security measures by performing a vulnerability assessment and penetration test on the network with the aim of improving the environment while ensuring that organisation information is secure and protected from probable IT security threats.
- Enhancing organisational cybersecurity awareness by providing security awareness training for all end users.
- Upgrading the server environment to facilitate increased security and utilize new and enhanced functionally and features.
- The encryption of end-user machines to secure organisational information
- Improved data protection by installing an automated computer backup client on all laptops
- The rollout of Microsoft Office 365 to the organisation which enables employees to collaborate, conduct online meetings, email capabilities and access of information anywhere.
- Implementation of a unified communication system that enables the organisation to make free inter-branch calls thus reducing overhead costs.
- Implementing a video conferencing solution that allows users in different locations to virtual meetings.
- The development of the Corporate Strategic Performance Management system which includes verifying and reconciling of data for organisational performance. The system will remain a key project for the organisation as a means of enhancing and aligning reporting and monitoring of performance within the organisation.
- Implementation of an electronic leave management system that replaces manual processes with environmentally friendly electronic interventions; eLeave allows employees to capture leave electronically.
- The development of a risk management system, which aims to improve organisational reporting capabilities while reducing manual processes.
- Implementation of an electronic signature system aimed at automating manual processes of document approval and tracking whilst ensuring confidentiality, integrity, and availability of information.

The improvement of business continuity by means of:

- The replacement of earmarked ICT infrastructure including upgrading the Albany Coast network connection to Head Office.
- Implementation of a centralised storage area network that consolidates server resources for improved performance and system availability
- Maintaining an average of 98.54% availability for infrastructure and systems while meeting and exceeding the annual target of 98.3%
- An annual review of the Disaster Recovery Plan (DRP) including failover testing between disaster recovery sites.
- Implementation of a data replication solution between head office and the data recovery site.

ICT audit compliance

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

Corporate governance of ICT

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

FUTURE PLANS FOR ICT

The planned projects for the ICT Department for the 2021/22 financial year that are aligned with the organisational strategy are:

- Continuous implementation and improvement of the corporate governance of ICT
- Upgrade of the Enterprise Resource Planning (ERP) system
- Continuous testing and review of the DRP that is in line with best practice and industry standards
- Implementation of the ICT projects
- Implementation of the Corporate Performance Management System
- Ongoing enhancement and maintenance of all current systems including the enhancement of the organisational communication tools
- Ongoing ICT security and infrastructure enhancements
- Implementation of an artificial intelligence system to identify and neutralize anomalous behaviour on the ICT network environment towards enhancing security measures.
- Provision for an ICT security awareness system aimed at enhancing organisational cybersecurity awareness.
- The automation of manual business processes such as submission of timesheets, request for overtime, etc.





5
ENVIRONMENTAL SUSTAINABILITY



ENVIRONMENTAL SUSTAINABILITY

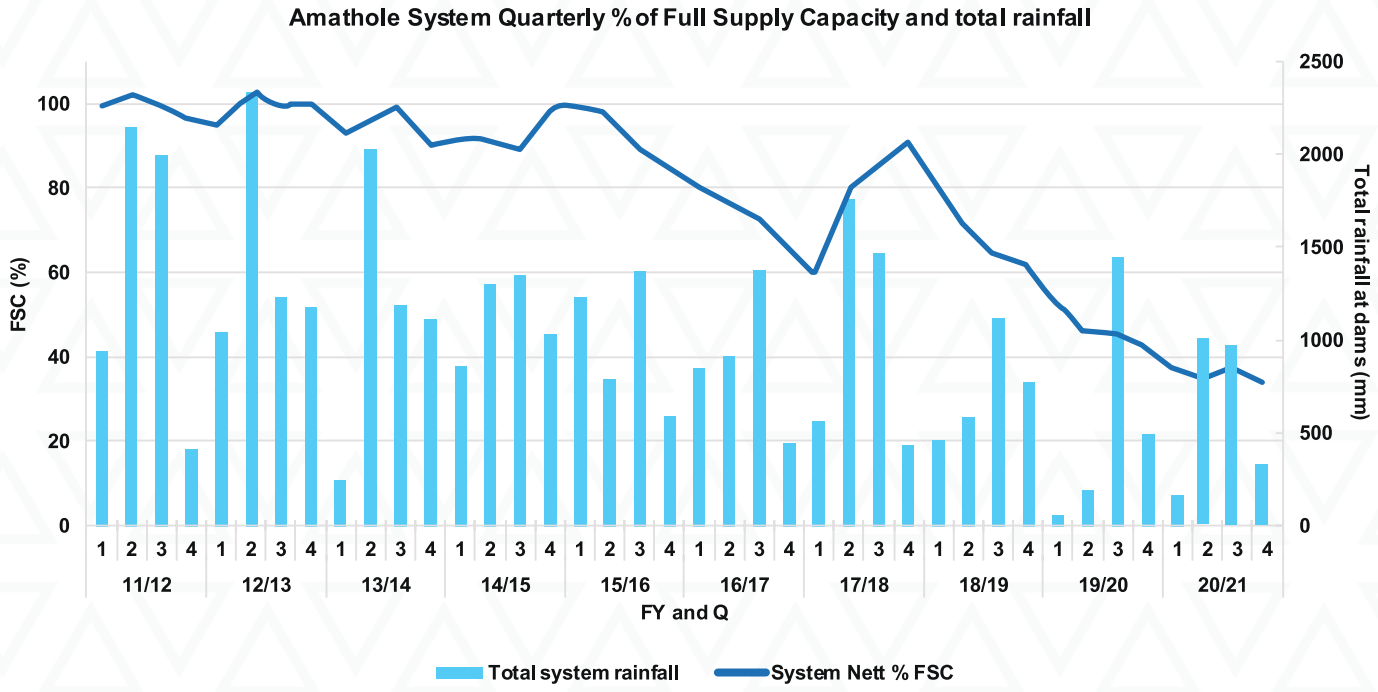
Amatola Water's Environmental Sustainability Strategy provides the framework for environmental sustainability and governance. It is underpinned by the recognition that Amatola Water has a role to play in effecting the national Development Plan, particularly in the Eastern Cape. The Strategy identifies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

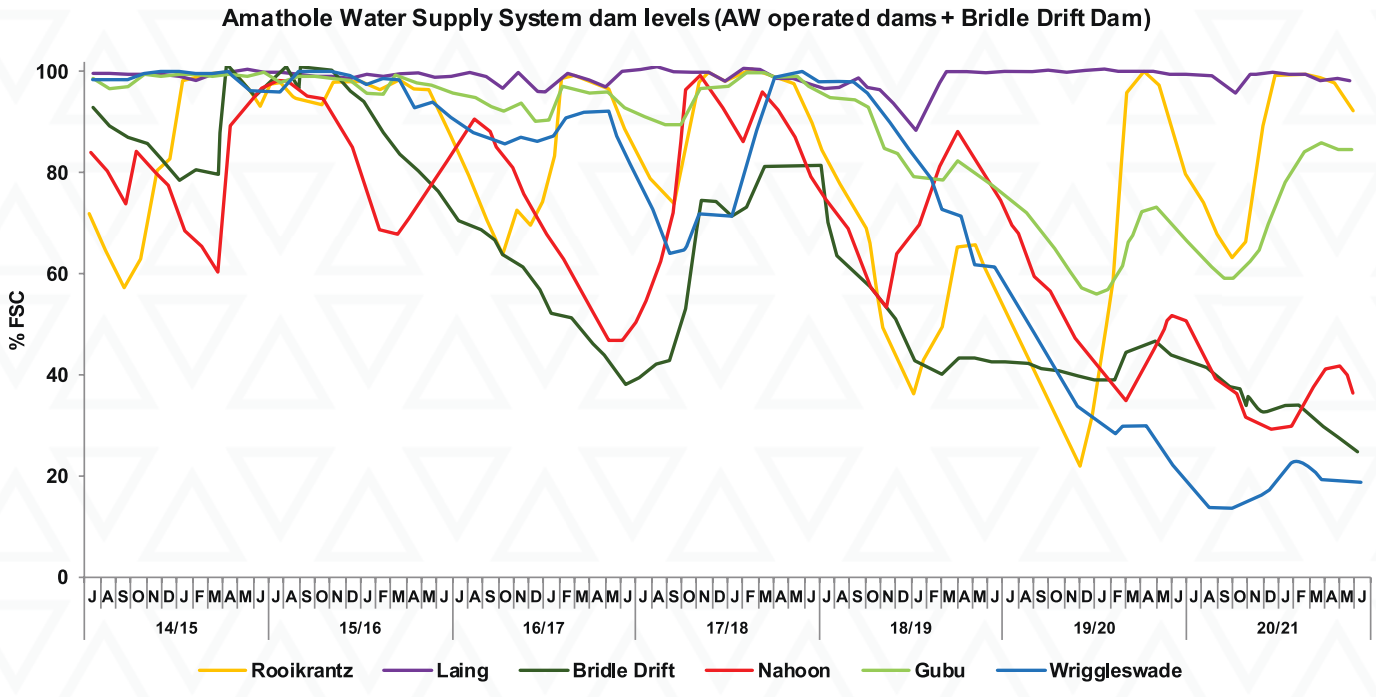
The development of the environmental management system (ISO14001) and environmental reporting continued in the year under review. As part of development of the environmental management system, reports are being developed and streamlined to improve functionality: for monitoring (compliance) and identification of trends that require interventions in order to reduce environmental footprint or provide other appropriate management interventions (e.g. drought management interventions). These reports are developed and improved upon in an iterative process to improve understanding of environmental impacts and risks and to better inform water resources management (as part of water conservation and demand management) and identify areas for intervention.

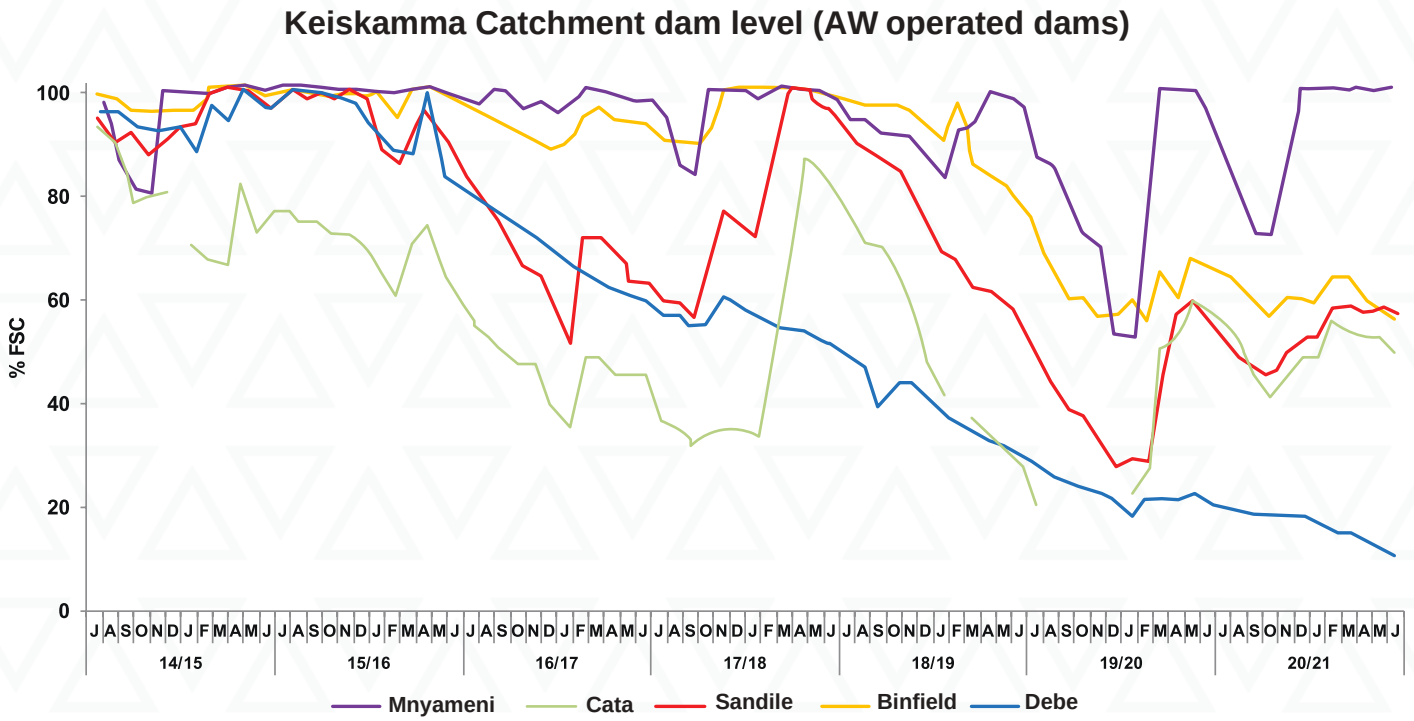
At the Albany Coast RO Plant, Amatola Water has an environmental footprint within a national protected area. The development of specific and relevant environmental management plans for operational purposes has served to increase environmental awareness amongst employees as individuals now need to sign a register acknowledging their roles and responsibilities of working within the area. This new approach has significantly improved stakeholder relations and streamlined the process of securing necessary permissions to undertake necessary work, both routine maintenance and emergency work.

A pilot project, jointly funded by the Water Research Commission and Amatola Water, to investigate the feasibility of extracting water from sand to increase raw water supply to the Albany Coast Reverse Osmosis Plant continued in the year under review. Amatola Water continued to assess the system installed at the ACRO plant to determine whether the extraction method is viable as an alternative to providing raw water from the sand in the open estuary versus a costly marine intake pipeline for the plant. Challenges on the project were many and varied (as illustrated through the variable flow of water to the plant), but these have systematically allowed for solutions to be found. Importantly, the environmental impact of the system is potentially lower than a marine intake pipeline, with reduced raw water turbidity (beneficial to the plant operations) and no visible surface structures.

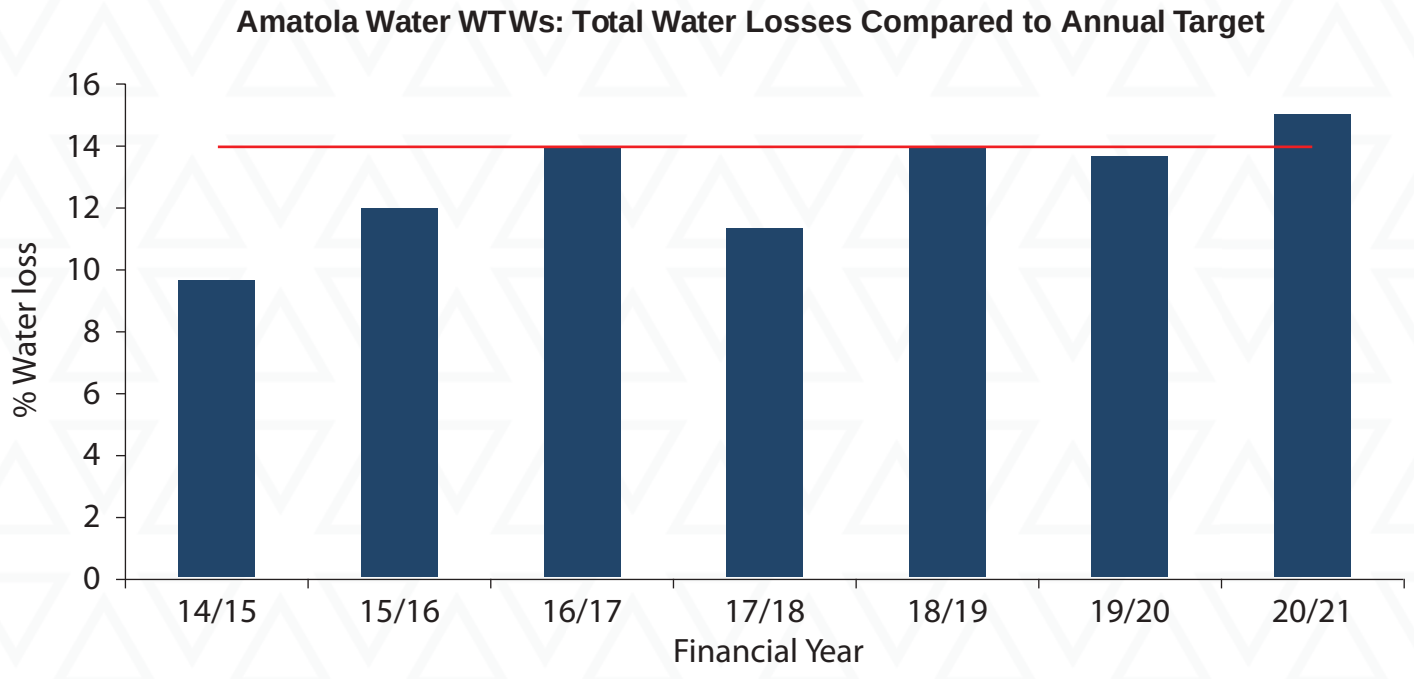
While the COVID-19 pandemic proved challenging for environmental activities, new opportunities were created through increased availability of online conferences, webinars and other web-based activities. This allowed exposure to broader participation in seeking environmental solutions to the broader environmental challenges.

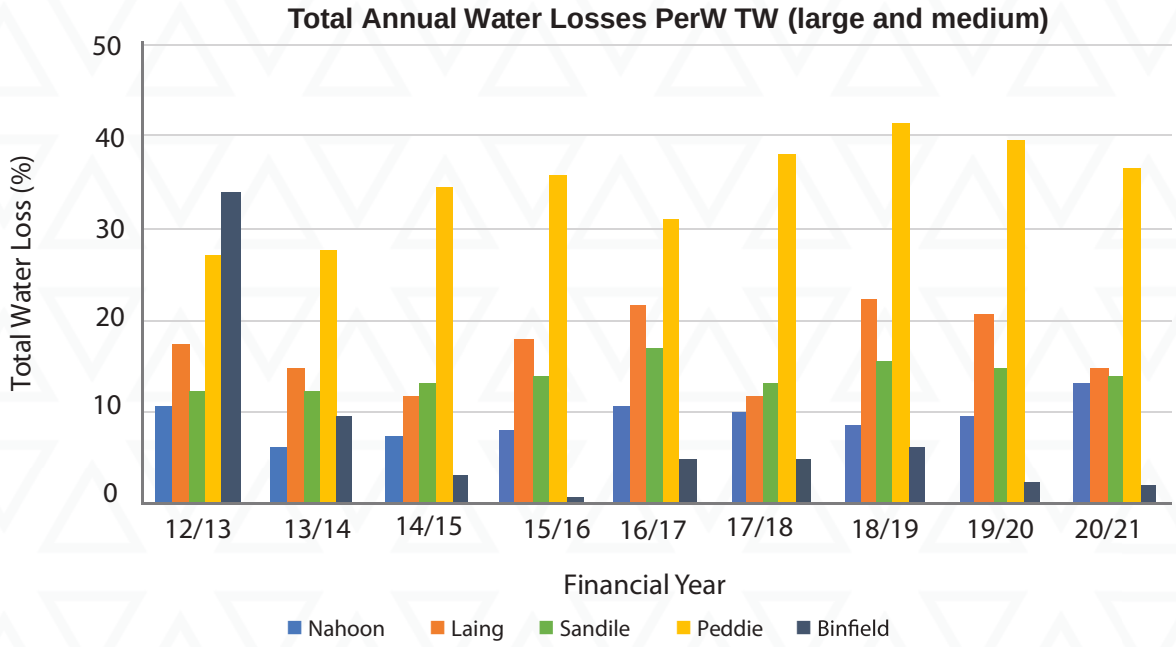

Amathole System Quarterly % of Full Supply Capacity and total rainfall
FSC (%)
Total rainfall at dams (mm)
FY and Q
11/12
12/13
13/14
14/15
15/16
16/17
17/18
18/19
19/20
20/21
Total system rainfall
System Nett % FSC

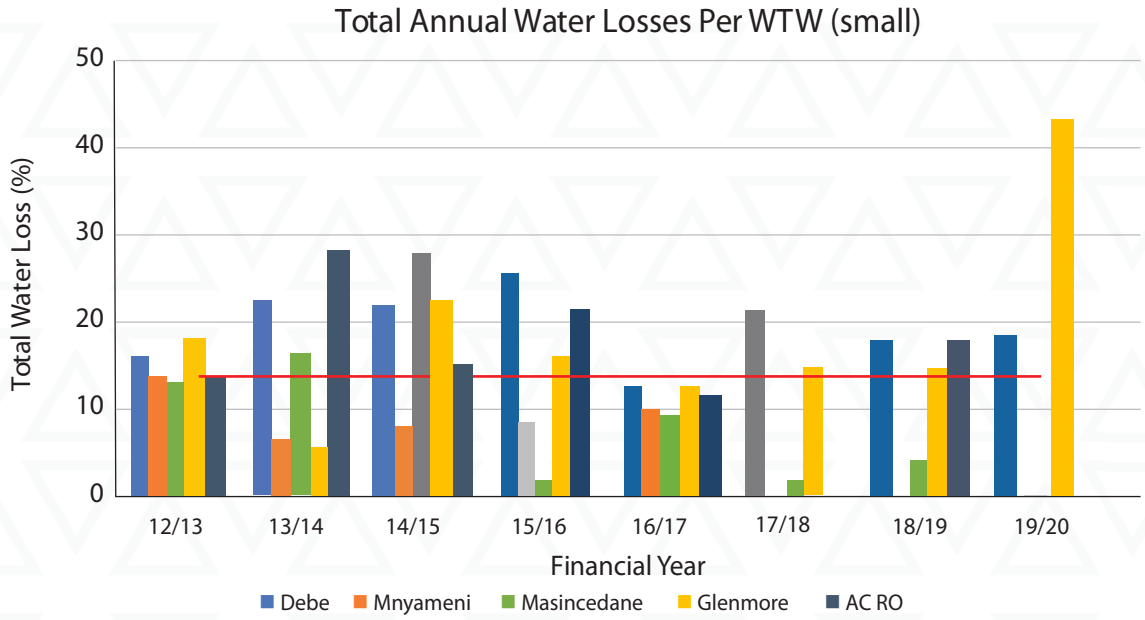

Amathole Water Supply System dam levels (AW operated dams + Bridle Drift Dam)
% FSC
14/15
15/16
16/17
17/18
18/19
19/20
20/21
Rooikrantz
Laing
Bridle Drift
Nahoon
Gubu
Wriggleswade



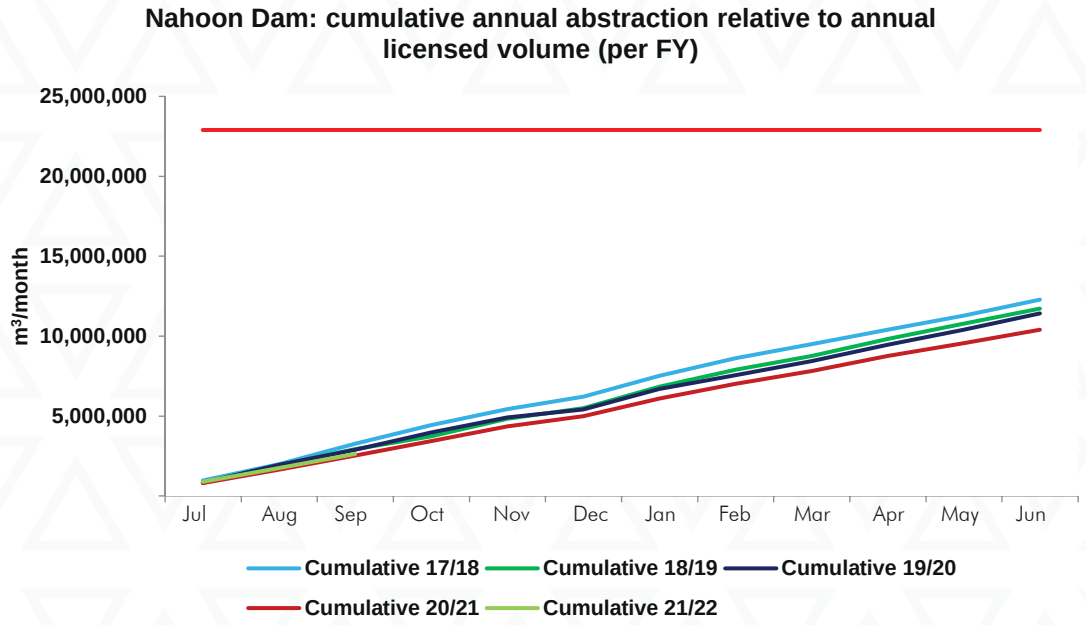
On-going monitoring of Amatola Water's supply dams and rainfall allows for improved water resource management through timeous and appropriate interventions, especially important under prevailing drought conditions.

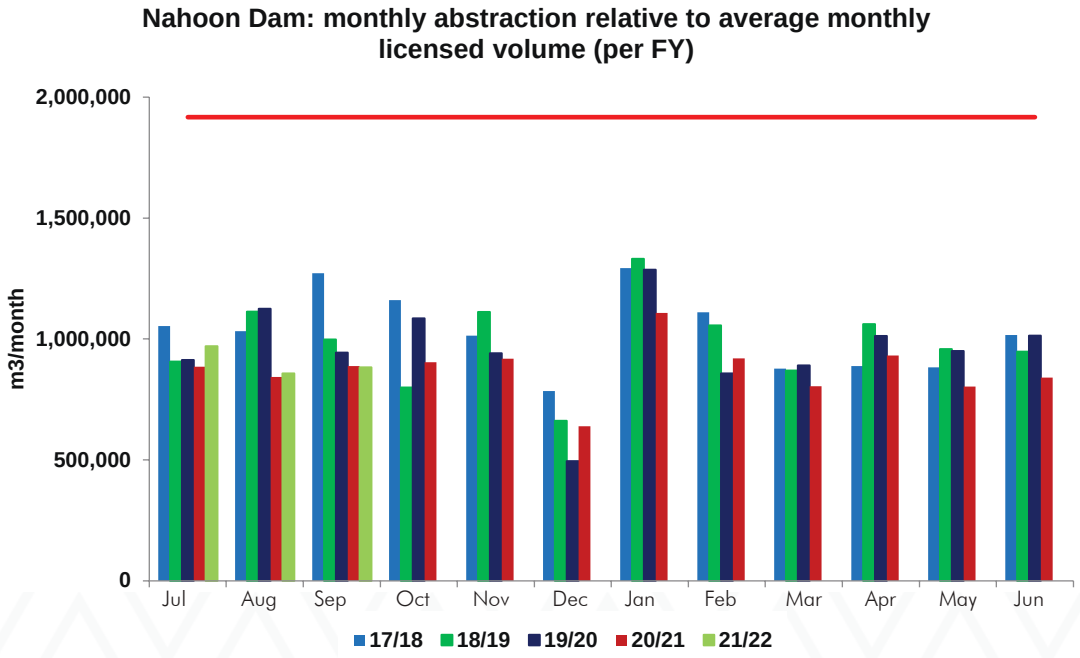




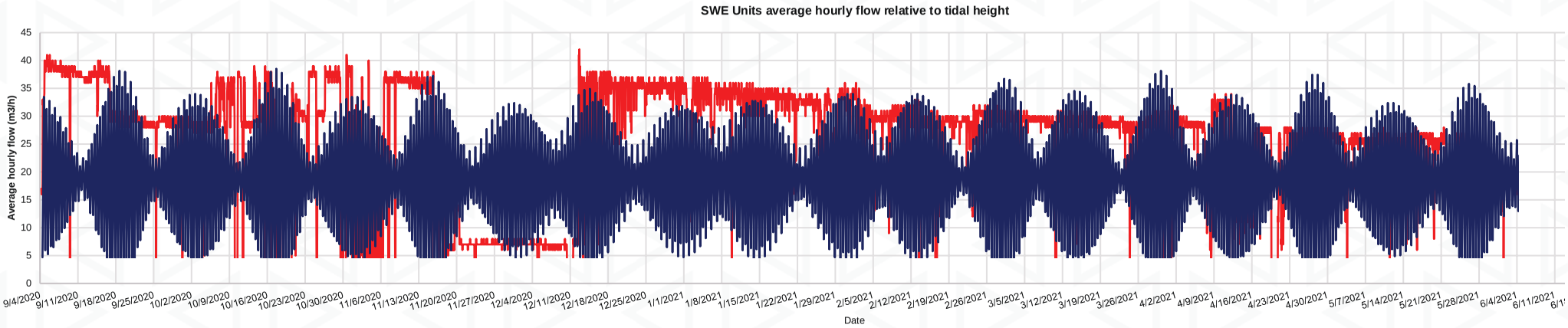


Total water losses for Amatola Water shows that it meets the organisational KPI. However, disaggregating this information indicates that some water supply schemes do not meet the corporate target and provides useful information for further investigations and mitigation. Long-term monitoring provides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





Monitoring abstraction volumes allows for assessment of compliance.



Monitoring the sand water extraction system pilot project.



6
OPERATIONAL REVIEW



INTRODUCTION

The ongoing COVID-19 virus has had a negative impact on the water production in Amatola Water. Due to this pandemic, unauthorised connections for sanitary purposes increased. The severe drought conditions had a negative impact on water delivery because communities vandalised infrastructure to supply water to their livestock.

Regular proactive maintenance on its assets was re-introduced in July 2021 and continues to be a fundamental part of continuous operations management.

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

PRIMARY BUSINESS ACTIVITIES

AMATHOLE DISTRICT MUNICIPALITY

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

BUFFALO CITY METROPOLITAN MUNICIPALITY

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

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

NDLAMBE LOCAL MUNICIPALITY

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

RAW WATER PRODUCTION

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

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

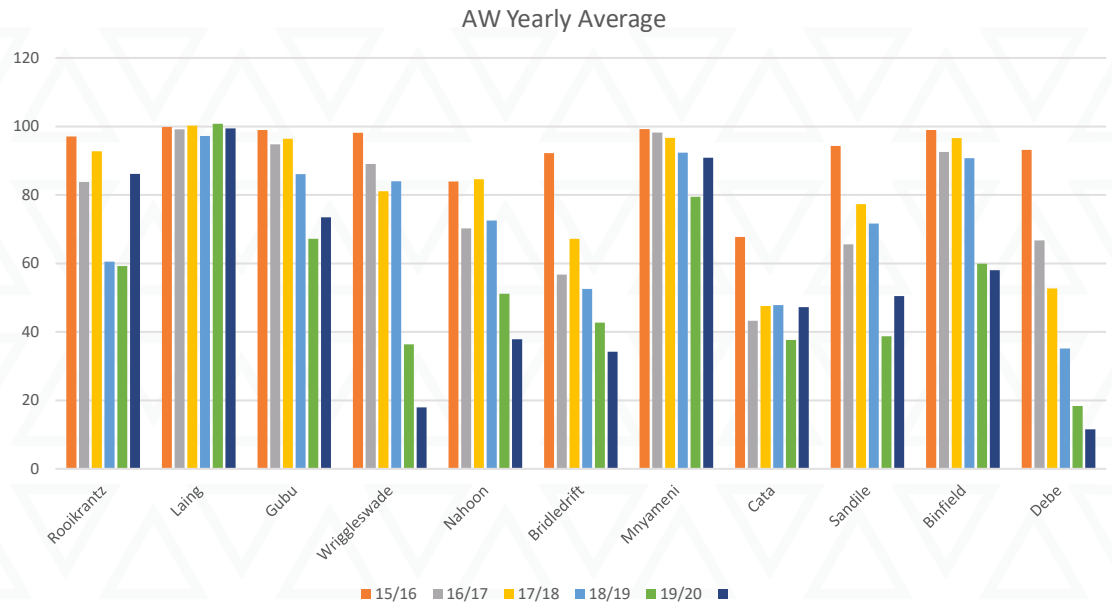


Figure 6.1: Comparison of average annual supply levels of Amatola Water dams

POTABLE WATER PRODUCTION

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

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

RAW WATER SOURCE	WATER TREATMENT WORKS/SCHEME	2020/21 WATER WORKS CAPACITY (ML/D)	SUPPLY AREA/NATURE OF AREA SERVED
Sandile Dam	Sandile	18	Dimbaza Town, Middledrift Town, Fort Cox College, Bulembu Airport and more than 128 surrounding villages (20% urban and 80% rural)
Sandile Dam pumping from Craighead Weir	Peddie	6.6	Peddie Town, Nompumelelo Hospital, peri-urban areas of Debe and Feni, surrounding villages (20% peri-urban and 80% rural)
Debe Dam	Debe	5	Rural
Mnyameni Dam	Mnyameni	0.2	Rural
	Masincedane	6	Rural (20% peri-urban and 80% rural): Keiskammahoek
Binfield Park Dam	Binfield Park	4.8	Urban areas of Alice, Khayalethu and kuNtselamanzi, rural service centres of lower and upper Hopefield, 38 rural villages, Fort Hare University and Phandulwazi Agricultural College
Lower Fish GWSS from Glen Boyed Dam	Glenmore	0.5	Rural

RAW WATER SOURCE	WATER TREATMENT WORKS/SCHEME	2020/21 WATER WORKS CAPACITY (ML/D)	SUPPLY AREA/NATURE OF AREA SERVED
Laing Dam	Laing	33	Bhisho, Balassi, Berlin,Ilitha, Zwelitsha, Pakamisa,Ndevana, Potsdam, Mount Coke, (63% urban, 17% peri-urban and 20% rural)
Nahoon Dam	Nahoon	33.7	East London/Reeston/ Mdantsane/ Newlands/ Nqanqarhu (Macleantown) (95% urban and 5% peri-urban)
Sea and ground water	Albany Coast reverse osmosis plants	3.8	Kenton-on-Sea, Bushmans River
TOTAL		**111.6**	

Table 6.1: Potable water production

PRODUCTION QUALITY

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

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

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

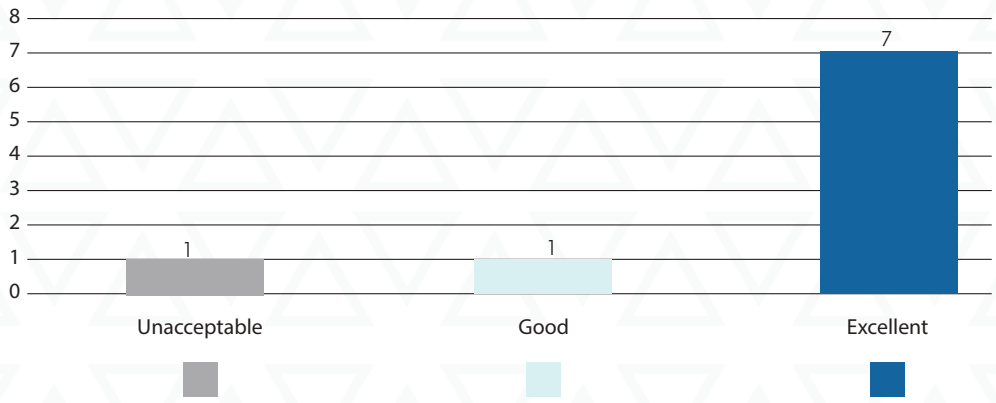


Figure 6.2: Number of plants and water quality results achieved 2020/21

POTABLE WATER PRODUCTION

The volume of potable water produced was 34.5million cubic meters for the 2020/21 financial year, less than a one percent from the previous 934.65 million cubic meters produced during the 2019/20) financial year.

WATER LOSSES

An average total plant production loss of 5.2% was achieved during the year compared with the SAAWU benchmark of 7%. However, the total network losses for treated water increased from 7.6% to 9.6% to the previous year. The total combined water loss of 14.8% against the company target of 14% was achieved.

Routine maintenance and inspections throughout the abstraction, treatment and distribution infrastructure have

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

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

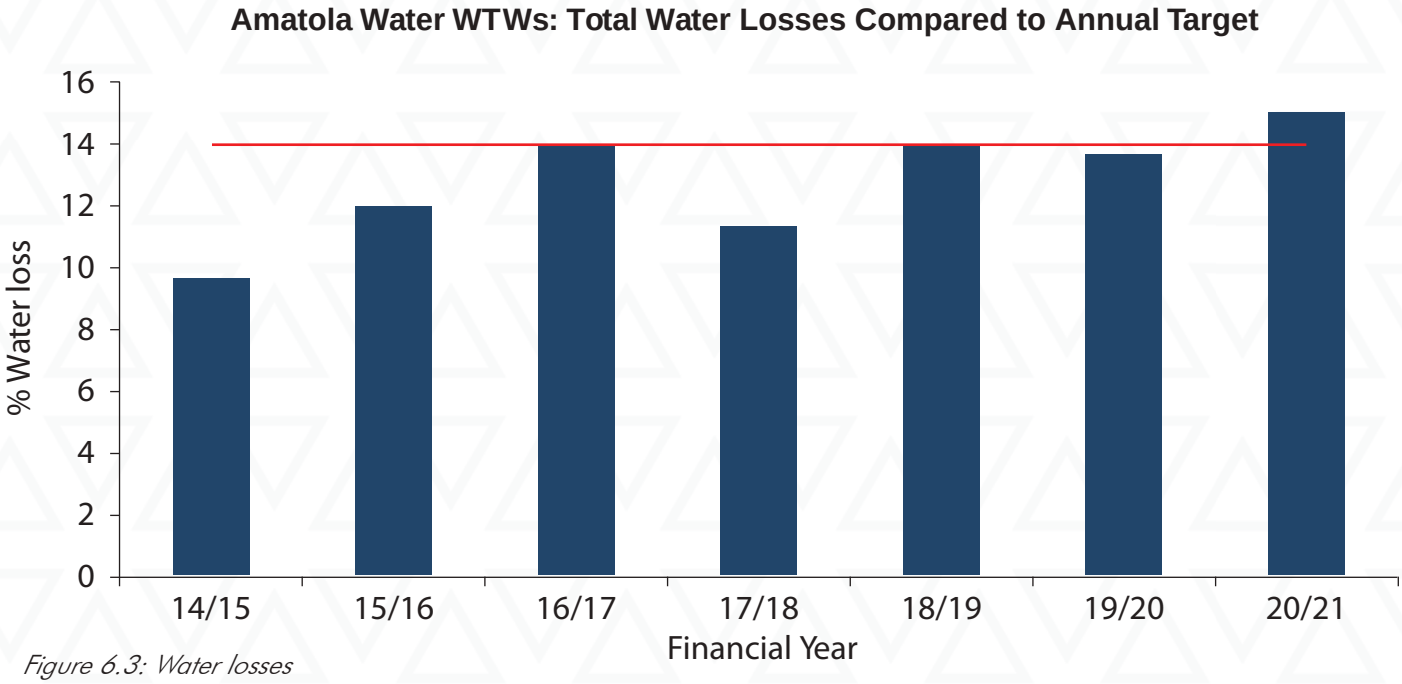


Figure 6.3: Water losses

NON-REVENUE WATER

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

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

THREE-YEAR TELEMETRY PLAN

Future SCADA projects included an improved online presence, allowing users remote access to the SCADA via the internet using laptops or cell phone devices. In addition, the automation of the gathering and storage of Flow Meter data and the upgrade of operator control on many of the pump stations was completed.

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

OPTIMISING OPERATIONAL EFFECIENCIES

WATER PRODUCTION

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

STORAGE AND SUPPLY CAPACITY EXPANSION

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

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

PUMP EFFICIENCY MONITORING PROGRAMME

There has been an increase in the ratio of kWh/cubic meter of water produced from 0.885 in 2019/20 to 0.893 in the 2020/21 financial year. This equates to a 1% increase in energy usage. This overall increase in the kWh/cubic meter ratio is also 3.8% above the value of 0.860 the internal target.

The main contributing factor to this increase is the operation of the new RO1 plant at Albany Coast. This is caused by the high consumption in electricity by the RO plants which has increased by 15% when compared to the 2019/20 financial year.

Below is the kWh/cubic meter of water produced ratio tables for the 2020/21 financial years:

JULY 2020 TO JUNE 2021				
WTW	CAPACITY ML/D	TOTAL 2020/21 KWH	TOTAL 2020/21 M³	2020/21 KWH/M³
Rooikrantz WTW	Closed	0		0.00
Masincedane WTW	6	27166	1198029	0.02
Glenmore WTW	0.5	214514	274773	0.78
Dabi WTW	closed	0	0	0.00
Peddie WTW	6.56	736864	3096837	0.24
Mnyameni WTW	0.29	70216	114324	0.61
Nahoon WTW	33.7	7958428	9687273	0.82
Laing WTW	33	10662463	9330111	1.14
Sandile WTW	18	5241770	7526000	0.70
Debe WTW	5	1136842	749004	1.52
Binfield Park WTW	4.8	1288024	1897004	0.68
Albany Coast	2.41	3745547	939974	3.98
TOTAL	**111.65**	**31081834**	**34813329**	**0.893**

Table 6.2: Electrical consumption over water production period 2020/21

SAFETY, HEALTH AND ENVIRONMENT

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

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

- Monitoring and maintaining Amatola Water's compliance with the ISO 45001:2018 Management System and other statutory obligations
- Achievement of the Amatola Water Integrated Management Policy and other strategic imperatives.

MIGRATION FROM OHSAS 18001:2007 TO ISO 45001:2018

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

DISABLING INJURY FREQUENCY RATE (DIFR)

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

The disabling injury frequency rate (DIFR) is a key indicator of the organisation's SHE performance, as it measures the extent of potential disabling injuries and incidents, in which the personnel is exposed. Amatola Water DIFR was calculated at 0.5, during the period under review, which is below the benchmark of DIFR $\leq$ 0.8.

The following graphical information illustrates the 2020/21 DIFR rating relation to a number of disabling injuries (DIs):

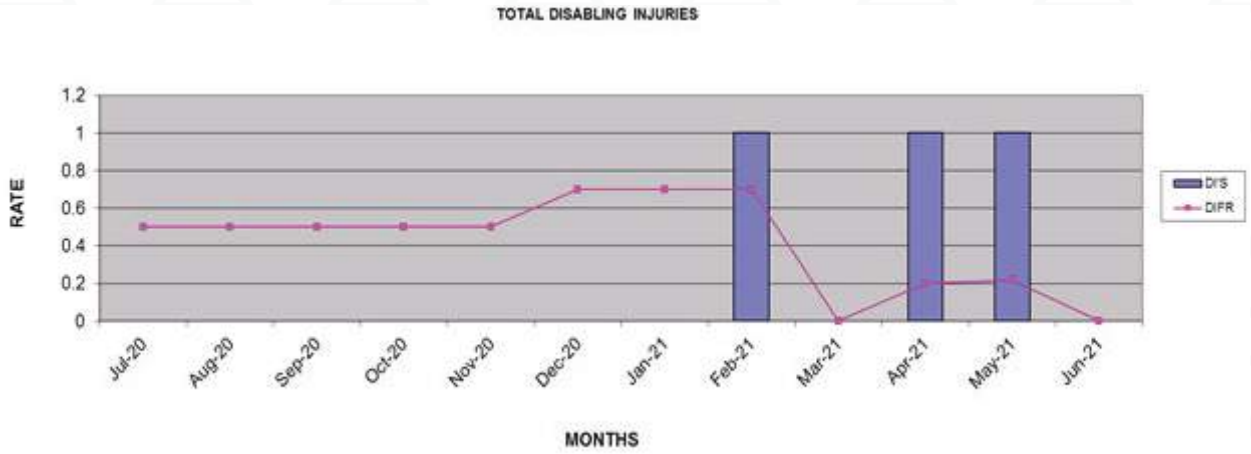


Figure 6.5: Disabling injury frequency rate 2020/21

AMATOLA WATER PLANT UPGRADES

UPGRADING OF DEBE WATER SUPPLY SCHEME	
Project Description	Scope • Phase 1 caters for the upgrading of the existing water treatment works to a 5ML/day package plant • Phase 2A caters for the bulk distribution mains from the plant to the reservoirs (20 188m) • Phase 2B caters for the construction of the bulk storage (3 No Reservoirs – 2 x 3ML + 1 x 1.8ML) • Phase 2C caters for the upgrading of the mechanical and electrical equipment at the pump stations for the new demands
	Objective To improve the quality and quantity of supply from the existing water treatment works (Phase 1), as well as from the mechanical and electrical equipment at the pump stations (Phase 2C).
	Location Eastern Cape, between the settlements of Dimbaza and Middeldrift in the Amathole District Municipality and Nkonkobe Local Municipality
Progress/Status	• Phase 1 – Water treatment works (Defects liability period):100% • Phase 2A – Bulk distribution (Defects liability period): 100% • Phase 2B – Bulk storage (terminated): 47% Constructed at time of termination • Phase 2C – Mechanical and electrical (Re-tender): 96% Construction

UPGRADING OF BINFIELD WATER SUPPLY SCHEME	
Project Description	Scope • Upgrade of the Binfield Water Treatment Works: Civil • Upgrade of the Binfield Water Treatment Works: Mechanical and electrical • Upgrade of the Binfield Bulk Storage and Rising Main
	Objective To improve the existing water treatment works in terms of quality and quantity of supply and the gravity distribution main feeding the reservoirs and reservoir storage
	Location Eastern Cape, Amathole District Municipality, Nkonkobe Local Municipality
Progress/Status	• Upgrade of the Binfield WTW mechanical and electrical works: 94% • Extensions to the water purification works: Civil works: 99% • Construction of bulk reservoirs: 58% • Construction of the rising main: 84%

UPGRADING OF MASINCEDANE WATER SUPPLY SCHEME	
Project Description	Scope • Upgrade of the Masincedane Water Treatment Works and Bulk Water Reservoirs • Upgrade of the rising mains and pump stations at Masincedane scheme • Upgrade of the Masincedane Water Treatment Works: Mechanical and Electrical Works
	Objective To improve the existing water treatment works in terms of quality and quantity of supply, construction of a new rising main and improvement of the reservoir storage.
	Location Eastern Cape, Amatole District Municipality.
Progress/Status	● Upgrade of the water treatment works and reservoirs: 100% ● Upgrade of the mechanical and electrical works: 100% ● Upgrade of the Upper Mnyameni rising mains and pump stations: 100%

UPGRADING OF SANDILE WATER SUPPLY SCHEME	
Project Description	Scope • Clear water storage (2 x 16Ml reservoirs) –Construction of new reservoirs • New rising mains from the WTWs to the new reservoirs • Upgrade of the WTWs to 60Ml/day – Civil, electrical and mechanical • Interconnecting pipe work – Construction of new interconnecting pipelines • Miscellaneous works
	Objective To upgrade of the Sandile WTW to improve the quality of life and create socio-economic growth by increasing water provision to meet the minimum standard of 750ml/household per day.
	Location Eastern Cape, Amathole District Municipality, Raymond Mhlaba Local Municipality
Progress/Status	● Civil 1 – 2 x 16 Ml Reservoirs – Construction completed ● Civil 2 – New British Ridge rising main – Design and tender stage ● Civil 3 – Civil infrastructure for new WTWs & pump-station – Preliminary design stage ● M&E1 – Mechanical & electrical for Civil 3 – Preliminary design stage

SECONDARY BUSINESS ACTIVITIES

DEPARTMENT OF WATER AND SANITSATION

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

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

NATIONAL DEPARTMENT OF PUBLIC WORKS

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

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

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

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

AW was approached by DPW to perform assessments of the infrastructure in the Northern Cape (Kimberley) and from this assessment, a report was compiled on the interventions needed within that region. DPW gave AW a tranche of R22 million in March 2020, to perform activities for the Department. AW submitted a detailed breakdown of work to be done. DPW has not responded to the proposal to utilise the R22 million.

EASTERN CAPE DEPARTMENT OF EDUCATION

Amatola Water was appointed by the Eastern Cape Department of Education (ECDoE) to provide sustainable bulk water and sanitation solutions to the identified priority schools in the Province.
This included the upgrading and refurbishment of water and sanitation infrastructure as well as providing operations and maintenance services to the allocated schools.

The intervention has restored assurance of potable water supply that complies with SANS 241 standards and safe discharge of treated effluent that complies with discharge licenses, while providing a safe and hygienic environment. There has been no budget made available from ECDoE to perform full operation and maintenance functions at hostels and special schools. The condition of the bulk water and sanitation treatment plants have deteriorated significantly. There has been, however, adhoc maintenance provided to address critical repairs of equipment at hostels and special schools that needs refurbishment etc. ECDoE has requested AW to compile and submit a detailed budget for 2022/23 FY, to address 15 hostels and special schools in the Eastern Cape Province.

INFRASTRUCTURE MASTERPLAN

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

The IMP is a substantial recompilation since the first Board approved IMP in 2003. Since the initial IMP, the water services landscape in the Eastern Cape has changed substantially during the intervening period. The new IMP is structured into business cases that cover major and smaller water supply systems. The plan currently foresees the consolidation of the current 9 water supply schemes of Amatola water into 5 schemes in order to achieve better economies of scale, cost reduction and water resource conservation. There is also a focus on making the plan a key driver in the Amatola Water sustainability driver and being more responsive to key water demand drivers in order to improve water volumes produced and dispatched to consumers.

Substantial work has been undertaken on the Nahoon, Laing, Sandile and Albany Coast Water Supply Schemes. The settlement development plans of the client municipalities in the operational area have been collated where available in order to discern realisable water demand drivers so that Amatola Water can best respond to these with appropriate infrastructure and investment timing. The initial scheme rearrangement proposals are currently being workshopped internally before being workshopped with the key clients and the DWS as the sector leader. Included in the general master planning by Amatola Water is the review or revision of the Provincial Water and Sanitation Masterplan for the Department of Water and Sanitation as requested by the regional directorate of the DWS. The Provincial Plan will unfold according to the direction of the Eastern Cape DWS.

The Draft IMP of Amatola Water for the current operational area is expected to be completed at the end of June 2022, if all the current clients, namely BCMM, ADM and Ndlambe can finalise their inputs into the plan. The analysis in the IMP is based on Census data and the delay in undertaking the 2021 census as a result of the State of Disaster has meant that a critical input in the finalisation of the demand projections and planning may not be available by June 2022, depending on the finalisation and vetting of Census data. The outcome of Census 22 will affect all planning until at least 2031 and is therefore crucial for the planning of AW.

NDLAMBE REGIONAL BULK WATER SUPPLY	
Project Description	Scope • Completion of the BWRO plant (mechanical and electrical) • Completion of the civil works – Pipe work and reservoir supplying water to BWRO Plant • Effluent brine water recovery – feasibility
	Objective To provide safe, sustainable and acceptable quality water to consumers in Seafield/Kleinemonde, Port Alfred, Bathurst, Alexandria, Cannon Rocks, Boknes, Kenton-on-Sea and Bushman's River in the Ndlambe Local Municipality
	Location Eastern Cape, Sarah Baartman District Municipality, Ndlambe Local Municipality
Progress/Status	• Contract 14: 95% progress • Contract 15: 65% progress • Procurement of BWRO: The procurement of DWS construction unit is place, MOU has been prepared by AW

NOOITGEDAGT/COEGA LOW LEVEL SCHEME (NCLLS) – PHASE 3	
Project Description	Scope • 45 ML: Foundations: Footing and floor slab; columns and bases; GRP scour pipe; inlet and outlet overflow; walls: formwork; rebar and concrete; roof slab, chamber and interconnecting pipes • WTW: Settling tanks, backwash balancing tank and filters • Precast yard and pipelines; construction of EME storage facility building, cathodic protection and AC mitigation, scoping to pipeline rehab, manufacture of precast chambers and placing of Precast chambers and valve replacement
	Objective To increase the bulk treatment, storage and distribution capacity to meet the demand of 1.23 million consumers and smaller municipalities around the metropolitan boundaries.
	Location Eastern Cape, Nelson Mandela Bay Metropolitan Municipality
Progress/Status	• 45ML reservoir: 99% completion • Nooitgedagt WTW: 65% progress • Pre-cast yard pipeline rehabilitation: 90% progress

JAMES KLEYNHANS BULK WATER SUPPLY – PHASE 1	
Project Description	Scope • Clear water storage (2Ml reservoir) – Construction of new reservoir • Handling of sludge and backwash water – Upgrading of existing • Sludge ponds – Construction of new sludge ponds • Mechanical works – Refurbishment of existing and installation of new • Electrical (Internal) – Refurbishment of existing and installation of new • Interconnecting pipe work – Construction of new interconnecting pipelines • Miscellaneous works
	Objective To ensure that Makanda has adequate water supply during peak and drought conditions.
	Location Eastern Cape, Sarah Baartman District Municipality, Makana Local Municipality
Progress/Status	• Phase 1- Construction: 100% complete

JAMES KLEYNHANS BULK WATER SUPPLY – PHASE 2	
Project Description	Scope • Upgrading chemical building – Upgrading and refurbishment of existing building • Extension of flocculation channels – Construction of additional floc channel • Sedimentation tank(10Ml/d) – Construction of new sedimentation tanks • Filters(10Ml/d) – Construction of four additional new filters • Clear water storage(1.0Ml) – Construction of new reservoir below filters • Electrical (Internal) – New electrical installation for additional infrastructure • Instrumentation (SCADA & PLC) – Installation of new infrastructure • Telemetry – New installation • Interconnecting pipe work – Construction of new interconnecting pipelines • Miscellaneous works
	Objective To ensure that Makanda has an adequate water supply during peak and drought conditions.
	Location Eastern Cape, Sarah Baartman District Municipality, Makana Local Municipality
Progress/Status	Phase 2 – Construction: 43% progress.

PATERSON BULK WATER SUPPLY SCHEME	
Project Description	Scope • New raw water pumps-2 x duty pumps with combined capacity of 266m³/hr and a standby pump • Upgrade of 50m of rising main from 150mm diameter to 250mm diameter uPVC class 9 • Upgrade chemical storage and dosing system • New concrete clarifier (15m diameter) • New rapid gravity sand filter building • New feeder pump • Upgrading of the ablution facilities • Upgrading of WTW area • Upgrading of sludge drying beds
	Objective To ensure increased total output of water supply to 6 Ml/day and to meet the water demand of Addo and Paterson until the year 2035.
	Location Eastern Cape, Sarah Baartman District Municipality, Sunday's River Valley Local Municipality

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

COFFEE BAY PHASE 3A AND 3B	
Project Description	Scope • Two booster pump stations, three command reservoirs, two rising main pipelines, eight bulk gravity main pipelines, • Seven village supply reservoirs, two elevated tanks, ten village reticulation networks, break pressure tanks, 286km of pipelines, 744 stand taps
	Objective To extend the Coffee Bay Regional Water Supply Scheme to provide water to Ward 23 (now Ward 24) (except for a portion across the Mpako River) and the Mabehana Village in Ward 24 (now Ward 25) serving a population of 24,874 people.
	Location Eastern Cape, OR Tambo District Municipality, King Sabata Dalindyebo Local Municipality
Progress/Status	• Phase 3A: 98% complete • Phase 3B : Contractor has terminated construction contract in October 2020 due to non-payment by the client.

KING SABATA DALINDYEBO PRESIDENTIAL INTERVENTION	
Project Description	Objective The KSDPI Bulk Water Project aims to unlock housing and commercial development for the region beyond Mthatha Town.
	Impact • The primary focus is to expand the existing Mthatha Town Bulk Water Supply System operated by the OR Tambo District Municipality to create a regional scheme along five development "corridors" and serving over one million people. • The KSDPI Bulk Water Project aims to unlock housing and commercial development for the region beyond Mthatha Town. • The intervention enables the development of Mthatha that will lead to the decommissioning of nine sewage pump stations and reducing pollution of the Mthatha River. • The project provides adequate portable water to the community that meets the SANS 241 standard that will allow for sustainable rural livelihoods and improve health and hygiene. The total households served by the intervention are 2,719.
	Location Eastern Cape, OR Tambo District Municipality, King Sabata Dalindyebo Local Municipality

Project Name	Project Scope	Progress/Status by Project
Thornhill raw water pipes & WTW	• Upgrading Mthatha raw water supply to Thornhill WTW (7km), upgrading of Thornhill WTW (60Ml/d to 80Ml/d) and two pump stations • Upgrading the clear water pump stations	• Thornhill raw water pipes & WTW: Construction 100% complete • Upgrading of clear water: Construction 90% complete
Mthatha South and Central	• Construction of 16.2km bulk conveyance, five bulk reservoirs and one pump station	• Mthatha South and Central: Construction 100% complete
Airport Corridor	• Construction of 29.9km bulk conveyance, one bulk reservoir	• Airport Corridor: Construction 99% complete
Mqanduli Corridor	• Construction of 53.8km bulk conveyance, six bulk reservoirs and two pump stations	• Mqanduli Corridor: Construction 100% complete
Libode Corridor	• Construction of 56km bulk conveyance, six bulk reservoirs and three pump stations	• Libode Corridor: Construction 96% complete
Ngqeleni Corridor	• Construction of 23.4km bulk conveyance, three bulk reservoirs and one pump station	• Ngqeleni Corridor: Construction 99% complete
Rosedale/ Mthatha North	• Construction of 18.9km bulk conveyance, six bulk reservoirs, WTW and two pump stations	• Rosedale/Mthatha North: Construction 95% complete
Nqadu Corridor	• Construction of 21km bulk conveyance, three bulk reservoirs and two pump stations	• Nqadu Corridor: Tender stage
Mthatha wastewater treatment works upgrade	• Phase two upgrade and extension of the Mthatha WWTW from 12Ml/d to 24Ml/d • Construction of 17m deep sewage pump station and 100m long pipe bridge • Supply and installation of M&E equipment in main pump station	• Mthatha WWTW upgrade: Construction 100% complete
Northern outfall sewers	• Northern outfall sewers (Four contracts) • Supply and laying of 7.4km of 1200mm diameter concrete pipes, approximately 110 manholes and small structures	• Northern outfall sewers: Construction 100% complete
Southern outfall sewers	• Upgrading Kuyasa and Southbridge Park bulk gravity sewers • Refurbish and recondition of five sewage pump stations • New bulk gravity sewers, sewage pump stations and rising mains in support of BNG phase 1A: Maydene, • Upgrading the Ngangelizwe outfall and associated gravity sewers in Mthatha (20.6km and 11 pump stations)	• Southern outfall sewers: Construction 100% complete
Western outfall sewers	• Supply and laying of 31km of 1200mm pipeline	• Western outfall sewers: Design stage

LOOKING FORWARD

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

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

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

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

The primary business sector achieved a ratio of 89:11 for planned versus unplanned maintenance and exceeded the company benchmark target of 80:20. Seventy seven percent (77%) of service orders for planned maintenance and 82% for unplanned maintenance were completed. This slight decrease in figures compared to the previous financial year can be attributed to the effects of COVID – 19 on the organization.



7
CORPORATE GOVERNANCE



INTRODUCTION

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

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

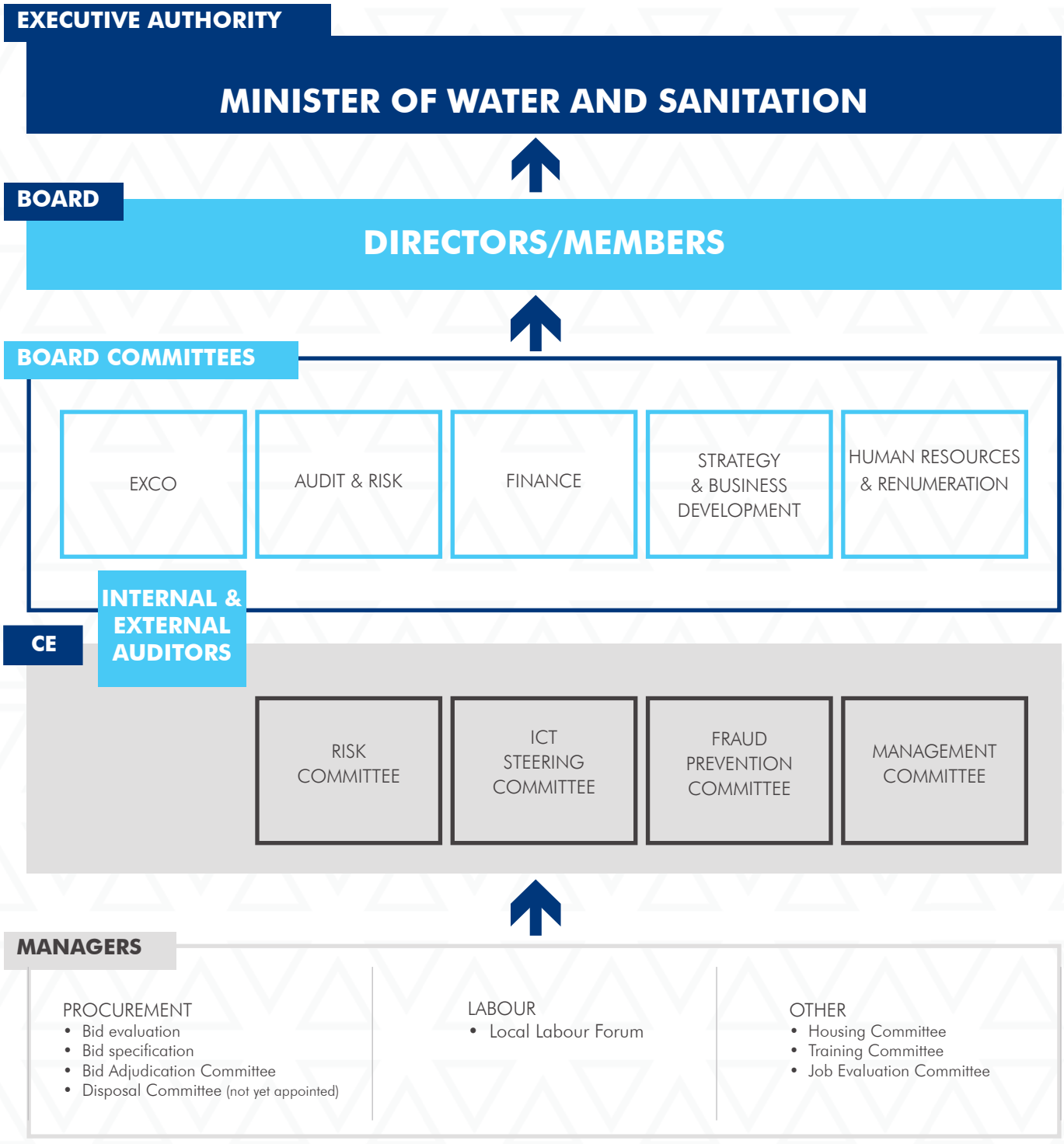


Figure 7.1: Governance structure

CORPORATE GOVERNANCE AT A STRATEGIC LEVEL

Parliamentary Portfolio Committee

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

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

DATE	DESCRIPTION OF THE MEETING WITH THE PARLIAMENTARY PORTFOLIO COMMITTEE
28 July 2020	Tariff determinations by water boards and South African Local Government Association
10 November 2020	Zero increase impact on water boards; Water tariffs 2021/22; Parliament role; with Ministers
01 June 2021	Water Tariffs: DWS, Water Boards and SALGA Input; Housing Consumer Protection Bill: DHS briefing; with Deputy Ministers
14 July 2021	Bloem, Lepelle and Amatola 2019/20 Annual Reports; with Deputy Minister

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

EXECUTIVE AUTHORITY

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

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

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

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

BOARD MEMBER PROFILES

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



Dr Mosidi Makgae

Chairperson of the Board (Effective from: 14 November 2021)

Academic Qualifications

PhD Environmental Chemistry, MSc Chemistry in Membrane Technology, BSc Hons

Skills and Experience

General management, project management, energy and minerals, waste and water treatment, Environmental Management.Board Member Strategic Fuel Fund (2019), Board Member Mhlathuze Water Board (2018), Advisor to the Technical Committee: National Nuclear Regulator (2017 to date), Board Member Water Research Commission (2016 to date), Interim Board Member Zenzele TDC, Subsidiary of SEDA (2015 – 2016), Council Member Water Institute of Southern Africa (2010-14).



Ms Tabiso Wana
Chairperson of HRRC

Academic Qualifications

Certificate in Human Relations, National Diploma in Computer, Advanced Project Management, Intelligence Course, Advanced Governance and Public Leadership

Skills and Experience

Deputy Chairperson of SACCAWU in the Eastern Cape, Supervisor at Transkei Road Transport Corporation for 10 years. Manager at the NGO Zingisa Rehabilitation Centre, dealing with awareness of HIV/Aids in rural areas for eight years. Project Coordinator at the Eastern Cape Development Corporation from 2002 to 2009. Whippery at Eastern Cape Legislature from 2009-2014. Member of the intelligence committee, local government committee, petition and executive undertaking from 2014-2019.



Ms Nkosazana NomaXhosa Jongilanga
HRRC Member

Academic Qualifications

Judicial Skills for Traditional Leaders, World Tourism Organisation Practicum Diploma, Certificate in Marketing Management, Honours in Sociology

Skills and Experience

Tourism Development, Resolution of disputes in terms of Customary Law. Acting Chief: ImiDushane Traditional Council (2016 to date), Chairperson: ImiDushane Trust (2016 to date), Deputy Chairperson: Buffalo City Local House of Traditional Leaders (2016 to date), Board Member: Ncera Macadamia Farming Pty Ltd (2016 to date), Board Member: Macadamia Skills Academy (2016 to date).

BOARD MEMBER PROFILES



Ms Buhle Tonise

Deputy Chairperson of the Board

Academic Qualifications

LLB, Practical Legal Training, currently completing a LLM

Skills and Experience

Has 9 years experience as a practising attorney. In addition, she has experience in governance, corporate law and commercial law with expansive knowledge in these sectors including contract management. Currently serves as a Deputy Chairperson at Eastern Cape Provinces Arts and Culture Council, Board Member for the Ubuntu Transformation Foundation. Previously served as a Chairperson of the Eastern Cape Progressive Youth Patron - Eastern Cape Youth Awards. She serves as a Board Member at the Universal Services and Access Agency of South Africa.



Mr Zamikhaya Xalisa

Chairperson of SBDC & HRRC Member

Academic Qualifications

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

Skills and Experience

Various economic industries of the agricultural sector for the last 12 years. Have a clear understanding of the dynamics and challenges facing the development in the agricultural and water sector as a key economic driver of the rural economy but at the same time has acquired knowledge on prospects and challenges facing other sectors of the economy as well. Board Member at Grain Farmer Development Association (2011 - 2016), Abenzi Investments Holding (2012 -2014), Mohair Empowerment Trust (2009 - 2017)

BOARD MEMBER PROFILES



Mr Mokgobi Ramushu

FINCO & SBDC Member

Academic Qualifications

Bachelor of Science Civil Engineering, Master of Engineering, Bachelor of Laws (LLB)

Skills and Experience

A professional engineer with experience spanning more than 10 years in the field of civil engineering. Has a vast experience in the infrastructure delivery value chain from inception to commissioning, experience in civil engineering designs, quality and construction management. Has previously worked in the office of the Auditor-General South Africa as the manager responsible for infrastructure audits at all three levels of government.



Dr Gaathier Mahed

ARC and HRRC Member

Academic Qualifications

BSc Environmental Science, BSc (Hons) Environmental Science, MSc Environmental and Water Sciences, PhD Geology (Geophysics)

Skills and Experience

Groundwater scientist and World Islamic Economic Forum Global Young fellow with extensive international exposure. Worked and trained in multiple research labs g lobally. Received multiple globally recognised awards for the work completed in the research, business and NGO arena. Trained in numerous labs in Europe on various aspects of shale gas, geothermal energy, geophysics and flow in porous media. Creative problem solving, project management, research, leadership, quality assurance and control, geophysics (potential fields), policy development, training, hydrogeology, laboratory work.

BOARD MEMBER PROFILES



Mr Abraham LE Roux

Board Member

(Effectively from 15 October 2021)

Academic Qualifications

BA (Law), LLB

Skills and Experience

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 served on the Board of the Eastern Cape Rural Development Agency (2012-2019), National Nuclear Regulator (2016-2020) and Amatola Water Board (2016-2020).



Mr Mncedisi Mziwoxolo Malotana

Chairperson of the Board & EXCO

(Board Member until 05 November 2021)

Academic Qualifications

Diploma in Architecture

Skills and Experience

Building construction (residential and larger structures such as school buildings).

BOARD MEMBER PROFILES



Mr Mxolisi Joe Sikhosana

Chairperson of FINCO

Academic Qualifications

Chartered Accountant (SA), Postgraduate

Diploma in Accounting, BCom Accounting

Skills and Experience

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

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



Ms Lebogang Letsoalo

ARC Caretaker Chairperson

(Effectively from: 11 March 2021 to 11 November 2021)

Academic Qualifications

Diploma Purchasing, BTech Logistics, Masters in Business Administration.

Skills and Experience

Supply chain Global expert with 21 years of experience .

Advocate for enforcing compliance in procurement decisions, application of private sector and public sector supply chain to ensure governance structures are followed.

Currently contributes to various Boards and previously served as Chairperson for South African Shippers Transport and Logistics Council and Chairperson of Manufacturing Engineering and Related Services SETA, Board member of Ethekwini Maritime Cluster

BOARD MEMBERS

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

Table 7.3: Board and committee membership profile

INDUCTION & TRAINING

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

BOARD CHARTER

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

REMUNERATION POLICY

- Set out by the Executive Authority
- Annual increment determined by Minister
- The remuneration of board members is disclosed in Note 21 of the Annual Financial Statements.

COMPANY SECRETARY ROLE

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

STRATEGIC OVERSIGHT AND BOARD/COMMITTEE COMPOSITION

AMATOLA WATER BOARD (ACCOUNTING AUTHORITY)	
Roles and responsibilities of the Board	• Absolute responsibility for performance • Fully accountable to the Executive Authority • Provides strategic direction to Amatola Water • Leads Amatola Water in pursuit of its vision • Assists to fulfil the mandate of water services • Looks at risk, strategy and business plan



Figure 7.2: Amatola Water Board demographics

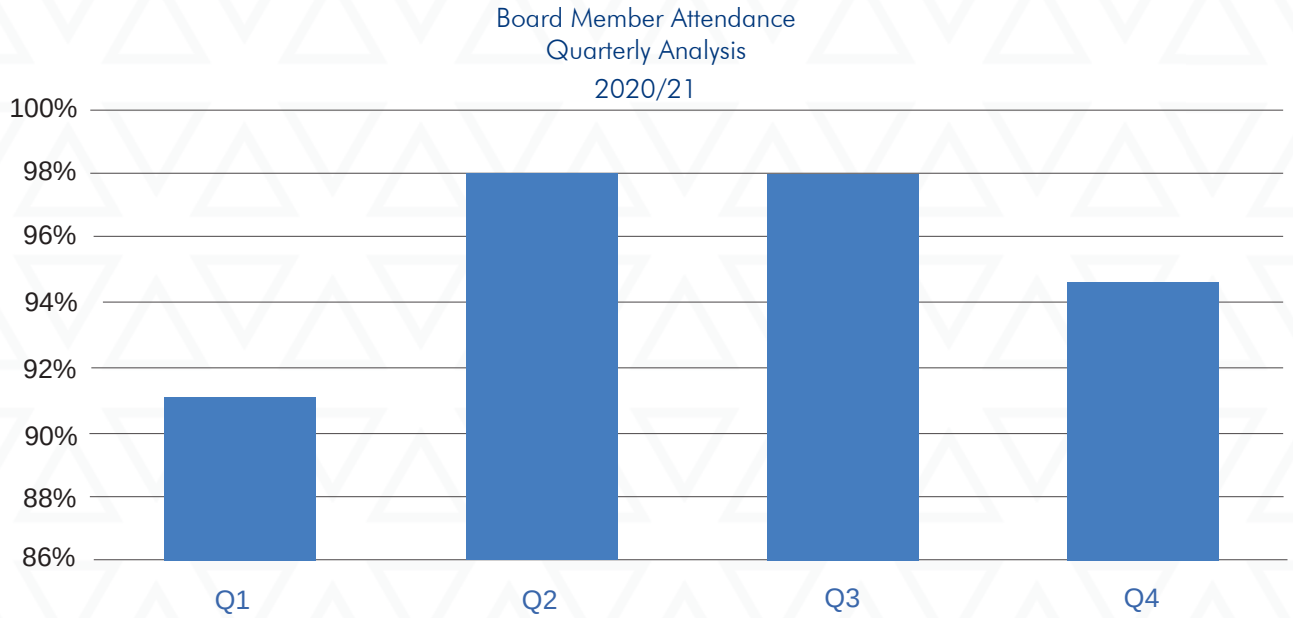


Figure 7.3: Boarder member attendance quarterly analysis 2020/21

Interim Board member attendance effective from 1 July 2020 to 17 November 2020

NO.	MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Mr. Mncedisi Mziwoxolo Malotana	Male	16	14	88
2	Rev Nkosinathi Geja	Male	16	13	81
3	Mr. Sicelo Gqobana	Male	16	15	94
4	Adv Ntombizodwa Kutta	Female	16	12	75
5	Mr. Bhekuyise Makedama	Male	16	13	81
6	Mr. Sizwe Sifo	Male	16	11	69
7	Ms. Luhle Tshangela	Female	16	10	63
8	Ms. Nompumelelo Javu	Female	16	14	88
9	Ms. Tabiso Wana	Female	16	15	94
10	Mr. Mzunzima Kondlo	Male	16	15	94
11	Ms. Buyelwa Sonjica	Female	16	0	0
12	Mr. Phumzile Songo	Male	16	2	13

Table 7.5: Interim Board member attendance effective from 1 July 2020 to 17 November 2020

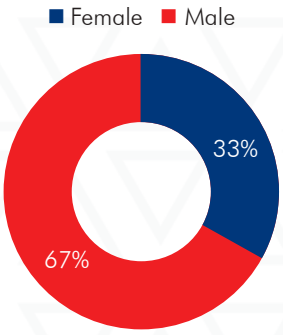
Board member attendance effective from 1 March 2021 to 30 June 2021

NO.	MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Mr. Mncedisi Mziwoxolo Malotana	Male	8	6	75%
2	Ms. Buhle Tonise	Female	8	5	63%
3	Mr. Zamikhaya Xalisa	Male	8	7	88%
4	Mr Mxolisi Joe Sikhosana	Male	8	6	75%
5	Dr. Mosidi Makgae	Female	8	7	88%
6	Ms. Tabiso Wana	Female	8	6	75%
7	Nkosazana NomaXhosa Jongilanga	Female	8	7	88%
8	Dr. Gaathier Mahed	Male	8	7	88%
9	Mr. Mokgobi Ramushu	Male	8	6	75%
10	Ms. Lebogang Letsoalo	Female	8	7	88%

Table 7.5: Board member attendance effective from 1 March 2021 to 30 June 2021

STRATEGY AND BUSINESS DEVELOPMENT COMMITTEE	
Terms of reference Reviewed biannually	**Roles and responsibilities** • Strategic planning • Business planning • Business development • Corporate citizenship • Customer satisfaction • Product quality: Water and wastewater • Water resources adequacy • Stakeholder relations.

SBDC GENDER PROFILE



SBDC RACE PROFILE



SBDC member attendance effective from 1 July 2020 to 17 November 2020

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

Table 7.6: SBDC interim member attendance effective from 1July 2020 to 17 November 2020

SBDC member attendance effective from 1 March 2021 to 30 June 2021

NO.	MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Mr Zamikhaya Xalisa	Male	4	4	100%
2	Dr Mosidi Makgae	Female	4	4	100%
3	Mr Mokgobi Ramushu	Male	4	3	75%

Table 7.7: SBDC member attendance effective from 1 March 2021 to 30 June 2021

HUMAN RESOURCES AND REMUNERATION COMMITTEE	
Terms of reference Reviewed biannually	Roles and responsibilities • Formulate a human resource strategy and policies • Guide and monitor implementation of human resource transformation, performance management and remuneration strategies • Leadership and employee development.



Figure 7.5: Human Resources and Remuneration Committee demographics

HRRC member attendance effective from 1 July 2020 to 17 November 2020

NO.	MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Adv. Ntombizodwa Kutta	Female	3	3	100%
2	Ms. Nompumelelo Javu	Female	3	2	67%
3	Ms. Tabiso Wana	Female	3	3	100%
4	Mr. Mzunzima Kondlo	Male	3	3	100%

Table 7.8: HRRC member attendance effective from 1 July 2020 to 17 November 2020

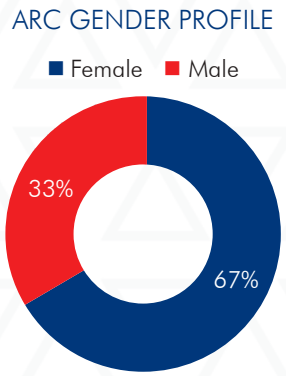
HRRC member attendance effective from 1 March 2021 to 30 June 2021

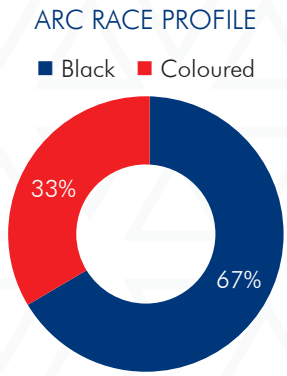
NO.	MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Ms. Tabiso Wana	Female	2	2	100%
2	Nkosazana NomaXhosa Jongilanga	Female	2	2	100%
3	Mr. Zamikhaya Xalisa	Male	2	2	100%

Table 7.9: HRRC member attendance effective from 1 March 2021 to 30 June 2021

AUDIT AND RISK COMMITTEE	
Terms of reference Reviewed biannually	Roles and responsibilities • Audit and risk management • General financial reporting • Annual financial reporting • Audit oversight • Compliance and code of conduct • Fraud Prevention Strategy.

Figure 7.6: Audit and Risk Committee demographics





ARC member attendance effective from 1 July 2020 to 17 November 2020

NO.	MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Mr. Bhekuyise Makedama	Male	6	6	100%
2	Ms. Luhle Tshangela	Female	6	6	100%
3	Ms. Amanda Magwentshu	Female	6	6	100%
4	Mr. Ayanda Wakaba	Male	6	6	100%

TTable 7.10: ARC member attendance effective from 1 July 2020 to 17 November 2020

ARC member attendance effective from 1 March 2021 to 30 June 2021

NO.	MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Ms. Lebogang Letsoalo	Female	3	3	100%
2	Dr Mosidi Makgae	Female	3	3	100%
3	Dr Gaathier Mahed	Male	3	3	100%

Table 7.11: ARC member attendance effective from 1 March 2021 to 30 June 2021

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



Figure 7.7: Finance Committee demographics

FINCO member attendance effective from 1 July 2020 to 17 November 2020

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

Table 7.12: FINCO member attendance effective from 1 July 2020 to 17 November 2020

FINCO member attendance effective from 1 March 2021 to 30 June 2021

NO.	MEMBER	GENDER	TOTAL MEETINGS	ATTENDANCE	%
1	Ms. Buhle Tonise	Female	2	1	50%
2	Mr Mxolisi Sikhosana	Male	2	2	100%
3	Mr Mokgobi Ramushu	Male	2	2	100%

Table 7.13: FINCO member attendance effective from 1 March 2021 to 30 June 2021

EXECUTIVE COMMITTEE	
Terms of reference Reviewed biannually	Roles and responsibilities • Organisational development including but not limited to the Turnaround Plan, rebranding and restructuring • Delegation authority review • Matters that fall within the mandate of more than one committee to avoid duplication • Any other matters.



Figure 7.8: Executive Committee demographics

EXCO member attendance effective from 1 July 2020 to 17 November 2020

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

Table 7.14: EXCO member attendance effective from 1 July 2020 to17 November 2020

EXCO member attendance effective from 1 March 2021 to 30 June 2021

No EXCO meetings were held between the period of 1 March 2021 to 30 June 2021

MANAGEMENT COMMITTEE

EXECUTIVE MANAGER	BRIEF PROFILE
Mr Sazile Qweleka Acting Chief Executive (**Acting Chief Executive effective from 23rd March 2021) Executive Manager: Operations Date of Appointment: 1 September 2020	•BTech (Mechanical Engineering), MBA
	•Mr Qweleka joined Amatola Water in August 2010 as a Prgramme Manager in the Operations Division. He has vast experience in the public and private sectors in the fields of programme management, production systems, operations and engineering maintenance. He has worked for companies such as Namakwa Sands, SA Five Engineering, South African Breweries and the Ford Motor Company of SA.
Ms Zaza Ngele Executive Manager: Corporate Services Date of Appointment: 3 May 2021	• BA, Advanced Certificate (Human Resources & Industrial Relations), MA (Management), Postgraduate Diploma (Labour Law) cum laude
	• Ms Ngele has 32 years of experience in the public and state-owned entity sector which includes 12 years of senior management experience in the human resource area. With a formidable background in the nursing college sector as a lecturer, Ms Ngele has worked for Ciskei College of Nursing, Lilitha College of Nursing, Free State Department of Health, Eastern Cape Department of Health and Walter Sisulu University. Ms Ngele joined Amatola Water in January 2019 as a senior human resource manager and was later promoted to her current position after acting in the position for close on a year.
Mr Siyabulela Koyo Executive Manager: Planning and Development Date of Appointment: 1 June 202	•ND (Civil Engineering), Advanced Certificate Programme (Project Management), Certificate Programme (Management Development for Municipal Finance), BTech (Civil Engineering, Urban Planning), BA Honours (Development Studies), MA (Development Studies), Postgraduate Certificate (Monitoring and Evaluation), MBA underway
	• Mr Koyo has over 20 years of experience in civil engineering across the public and private sectors. Prior to joining Amatola Water, Mr Koyo was the municipal manager for the Intsika Yethu Municipality as well as a general manager at the Eastern Cape Department of Cooperative Governance and Traditional Affairs. He also performed various technical and management roles at Mbhashe Local Municipality, Eastern Cape Department of Agriculture, Rinoma Consulting Engineers, OR Tambo District Municipality and ZM Construction.
Adv. Thulani Sagela Executive Manager: Company Secretary Date of Appointment: 10 May 202	•LLB, Cert. Corporate Governance in the Public Sector, LLM (Corporate Governance) – Enrolled
	•Thulani Sagela is an experienced legal practitioner in both the private and the public sector. He completed his Articles with Legal Aid SA (Cape Town Justice Centre). After completing his Articles, he was admitted as the Advocate of the High Court of SA. He started practicing on his own accord, focusing in civil and criminal litigation. •He started his career in the public sector, as a Legal Services & Administration Manager at Emalahleni Municipality in Cacadu. His responsibility was to set up the Municipal Public Accounts Committee (MPAC) Unit and the Legal Services Unit. He provided Secretariat Services to the Council and Council Committees. •He was then appointed as the Executive Manager: Company Secretary & Legal Services at ASPIRE, an agency of Amathole District Municipality. Before his appointed as Executive Manager: Company Secretary at Amatola Water, he was running his Consultancy Firm, providing quality legal advisory services. He is also the Pastor of the Church of God and Saints of Christ.

EXECUTIVE MANAGER	BRIEF PROFILE
Mr Luyolo Fokazi Chief Financial Officer Date of Appointment: 15 October 2018 Date of Termination: 18 December 2020	• BCom (Accounting) and CPMD (Wits Business School) and is studying towards his MBA (thesis outstanding) • Mr Fokazi has vast experience as a Chief Financial Officer in various local and district municipalities. He has worked for National Treasury as the Municipal Advisor where he worked directly with municipalities, giving them valuable advice in develop turnaround strategies, development and implementation of revenue enhancement strategies, as well as guidance on the broader National Treasury reform programme. He has also worked with KwaZulu Natal COGTA in the Chief Financial Support Programme.He has an enormous experience as a Chief Financial Officer that covers a period of approximately 19 years.

STRATEGY IMPLEMENTATION

Delegation of Authority

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

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

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

Chief Executive

The Chief Executive consistently strives to achieve the organisation's financial and operational goals and objectives, and ensures that the day-to-day business affairs of the organisation are properly monitored and managed.
The incumbent ensures continuous improvement in the quality and value of services provided by the organisation so that it achieves and maintains a satisfactory position in the water industry.

The incumbent also fosters a corporate culture that promotes ethical practices, encourages individual integrity, and fulfils the social responsibility objectives and imperatives. With respect to providing information and counsel to the Board, the Chief Executive is duty bound to ensure that the Board is kept well informed at all times. Accordingly, the incumbent has the duty:

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

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

CORPORATE GOVERNANCE AT AN OPERATIONAL LEVEL



Figure 7.9: Corporate governance at operational level

ETHICS

Amatola Water's Ethics Programme involves various steps including policy and system reviews, and awareness campaigns. Ethics awareness workshops and training were not held during the year under review due to the COVID-19 lockdown regulations. Amatola Water's leadership has shown commitment by incorporating the values in all aspects of its business conduct.

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

Value addition

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

Sustainability

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

Trend analysis

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

Looking forward

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

ANTI-FRAUD AND CORRUPTION STRATEGY

YEAR	NO OF CALLS RECEIVED ON HOTLINE	NO OF REPORTS GENERATED	AREAS	ACTUAL FRAUD CONFIRMED	RESULTS
2020/2021	0	4	N/A	N/A	No allegations of fraud, corruption and unethical behavior were reported on the fraud hotline during 2020/21 financial year.

AW has an anti-fraud hotline (whistleblowing) maintained by an external service provider. The CE, Internal Audit, Chairperson of the ARC and Chairperson all have read only access to the hotline. Investigation reports are drawn from the hotline and tabled to the ARC and the Board quarterly. All the investigations reports were made available to the Auditor-General South Africa for perusal. All recommendations, arising from the reports, were carried out by the Board.

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

RISK, COMPLIANCE AND ASSURANCE REPORTING

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

Integrated Enterprise Risk Management

Amatola Water has an Integrated Enterprise Risk Management Policy. Every year, the Board engages in a strategic risk review to identify risks that could hinder the implementation of the strategy. The organisation has adopted an approach to identify and mitigate risks on three levels, that is, at the strategic, divisional and process levels.

The cause, consequence and risk owners are identified. Then the inherent risks and controls, together with the residual risks, control improvements and implementation dates, are calculated and confirmed by Management. Reporting is escalated from the divisions to the Corporate Risk Management Committee (CRMCO), ARC and finally with the Board. The CRMCO convened officially one meeting during the financial year i.e. 1st March 2021.

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

NO	STRATEGIC OUTCOME NO	RISK TITLE	INHERENT RATING			RESIDUAL RISK RATING		
			LIKELIHOOD	IMPACT	TOTAL	LIKELIHOOD	IMPACT	TOTAL
SR1	SO1 & SO2	Financial Viability	10	10	96	8	8	64
SR2	SO3 & S04	Fraud, corruption and collusion	9	9	81	7	7	49
SR3	SO3 & SO4	Poor relations between management and labour- consolidated	10	10	100	6	7	42
SR4	S03 & SO5	Inability to meet the bulk water supply demand	8	8	64	6	6	36
SR5	SO3 & SO5	Non-compliance with National standard of water quality and waste water effluent	8	7	57	6	5	30
SR6	S04 & SO5	Unsustainable Corporate Governance	10	10	100	10	9	90
SR7	SO3	Lack of stakeholder confidence in AW - consolidated	10	10	100	7	7	49
SR8	SO3	Environmental unsustainability	7	7	50	7	5	36
SR9	SO4, SO5 & SO6	ICT Governance	8	8	71	7	6	42
SR10	SO3 & SO5	Security	9	9	79	9	7	63
SR11	SO1 & SO2	Inadequate contract management	10	10	100	8	7	56
SR12	SO3,SO4&SO5	Ineffective project and programme management	10	10	100	7	7	49
SR13	SO3, SO5 & SO6	Covid-19	9	8	72	8	9	72

Table 7.17: Strategic risks' inherent and residual risk rating

ASSURANCE PROVIDERS

The Amatola Water Board has both Internal and External Auditors. The Internal Audit is co-sourced to PricewaterhouseCoopers (PwC). The External Auditor is the Auditor-General of South Africa (AGSA). The Board has an independent Audit and Risk Committee (ARC) which plays an important oversight and monitoring function over the entity's Internal Audit and Risk Management activities.

It should be noted that Management also undertakes Internal Audits in terms of certification, be it to test OHSA or ISO compliance prior to applying to obtain certification and accreditation.The independence of assurance providers is considered very important for the protection of Management and the Board. After the audits have been undertaken, reports are submitted to the Amatola Water Board through the ARC. Management monitors any findings (both from Internal Audit and External Audit) and improvements which have been put in place to mitigate and prevent the finding from re-occurring in line with the Audit Intervention Plan. This report is tabled at Management Committee, ARC and Finance Committee.

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

VALUE ADDITION

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

SUSTAINABILITY

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

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

INTERNAL AUDIT

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

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

The approved Internal Audit Plan for the 2020/21 financial year included the following audit areas:

- Risk assessment.
- Performance Information Review (Q1 to Q4).
- Review of the 2019/20 Annual Financial Statements.
- Review of Board Claims/Disbursements relating to COVID-19.
- Fraud Prevention Plan and Workshop with Employees.
- Occupational Health and Safety - COVID-19.
- Human Resources - Electronic Leave Management System Review.
- Review of the Gawula Incorporated Invoice(s) (Ad Hoc Review).
- Review of the placement of Amatola Water Employees affected in 2015.
- Review of the Alungile Investment Purchase Order.
- Follow-up on the prior year's Internal Audit Reports.
- Follow-up on the implementation of Strategic Risk Register.
- Supply Chain Management Review.
- Infrastructure-Follow-Up-Asset Register.
- Project Management Review.
- Review of the Draft Integrated Annual Report of 2019/20.
- Review of the Draft Strategic Plan for 2021 to 2026 and Draft Business Plan for 2021 to 2026.
- Audit Improvement Plan (Follow-up on AGSA findings).

Going forward

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

Performance of Internal Audit

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

The ARC, as part of its mandate as outlined in the ARC Charter, assessed the effectiveness of the Internal Audit Function and the Internal Audit was found to be effective.

EXTERNAL AUDIT

The external auditor for 2020/21 is the Auditor-General of South Africa.

OTHER ASSURANCE REPORTS

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

These audits includes:

- The SHE compliance audit prior to the verification and achieving ISO accreditation or Blue and Green Drop Certification.
- The OHSA audits.
- ICT vulnerability assessment (internal and external penetration testing).

More details of these reports can be found on page 105 of the SHE Report and ICT vulnerability.

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

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





8
FINANCIAL SUSTAINABILITY



INTRODUCTION

The past financial year has been tough for the economy of the country. This was exacerbated by the impact of the declaration of drought within the Eastern Cape Province as well as the impact of the COVID-19 pandemic with its resultant lockdown as imposed by the President of the Republic of South Africa on 26 March 2020. This had a negative impact on most of our clients as it resulted in their continued inability to meet their debt obligations. This also meant that most capital projects that were currently under implementation had to be stopped until the declaration of level-1 lockdown.

Whilst Amatola Water had witnessed a slow recovery from the financial sustainability challenges that prevailed up to the 2019/20 financial year, the 2020/21 financial year showed positive on the asset base and negative on the operations as a result of the GRAP 17 Assets component the application of deemed cost. With the declaration of drought within the Eastern Cape Province during quarter 1 of the current financial year, the financial situation of Amatola Water started to stagnate and got even worse during the remaining two quarters (quarter 3 and 4) as a result of the National Lockdown. This resulted in an increased debtors' book as well as continued inability to effect payments to creditors.

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

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

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

FINANCIAL SUSTAINABILITY AND VALUE CREATION

Amatola Water operations depict an operating deficit of R96.8 million in the current financial year com-pared to a restated operating deficit of R62.6 million in the previous financial year.

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

Primary business revenue decreased by 2.5% (R354 million) in comparison to the prior year (R363 million). This reported decrease was in treated water as a results of Eskom. These are some of the positive developments emanating from the implementation and bringing into op-eration some components of the plant upgrades projects. Secondary business revenue has decreased by 31% (R37 million) in comparison to prior year (R53 million). This is as a result of the termination of one of the major contracts with the Department of Public Works as well as the reduced budget for the implementation of the projects for the Department of Education (DOE) coupled with slow implementation of projects aligned to both the Regional Bulk Infrastructure Grant (RBIG) and the Municipal Infrastructure Grant (MIG).

AMATOLA WATER FINANCIAL SUSTAINABILITY

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

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

This was to ensure that the Amatola Water budget realistically reflects the anticipated revenue to be collected over the year under review. Actual revenue from exchange transactions as at the reporting date depicts a decrease of 6% (R392 million) compared to R417 million (restated) in the previous financial year.

The revenue from non-exchange transactions increased by 4% (R26 million) compared to R1 million (restated) in the previous financial year. This significant increase was as a result of the public donation received from Department of Water and Sanitation in the current year for Water carting tankers which was treated as revenue. Total expenditure increased by 3% (R176 million) compared to R172 million (restated) for the previous financial year. This increase was mainly influenced by the 150% increase in the provision for interest to be paid to Department of Water and Sanitation.

A settlement agreement was signed with the Amathole District Municipality On 31 March towards this debt. It will be paid over a period of 48 months effective 01 July 2020. Operating and administrative ex-penses have increased by 19% to R48 million compared to R39 million for the previous financial year. Employee related costs continue to escalate as depicted by the 0.6% increase to R59.6 million com-pared to R59.2 million in the previous financial year. This is mainly as a result of effecting the Amanzi Bargaining Council allowances as per the 2019/20 agreement.

The impact of drought as well as the COVID-19 pandemic that resulted in the President of the Republic of South Africa imposing a lockdown effective from 26 March 2020 had negative implications in the revenue generation

potential of Amatola Water during the third and fourth quarters of 2020/21 financial year as most clients started defaulting in meeting their monthly obligations.

PRIMARY AND SECONDARY BUSINESS REVENUE

Revenue from the primary business for raw water and treated water sales has decreased by 3% (R355 million) when compared to R364 million from the previous financial year. The decrease was mainly as a result of no 0% tariff increase during the current year.

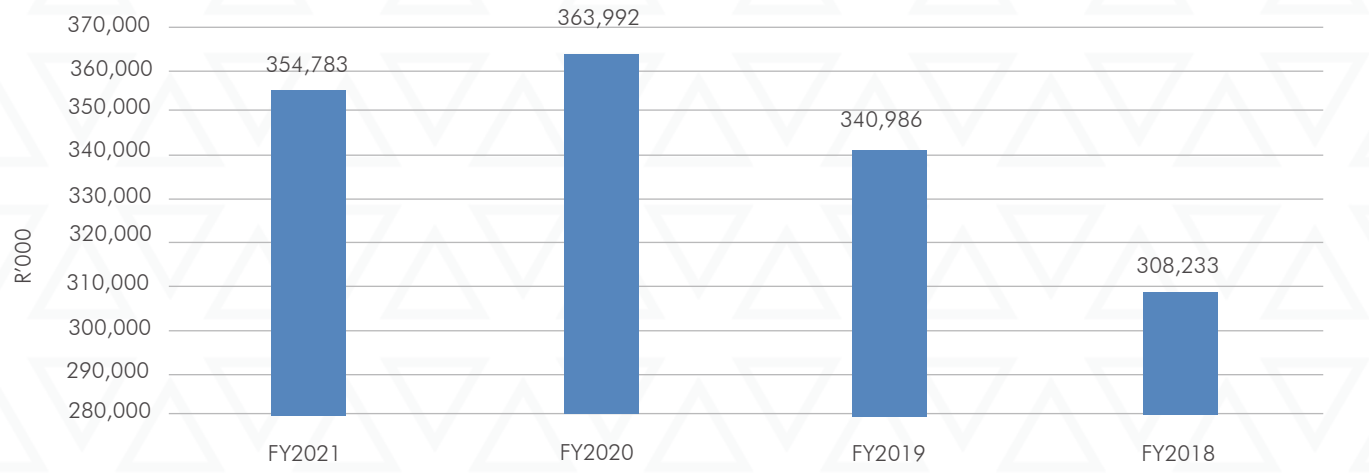


Figure 8.1: Primary Revenue (2018-2021)

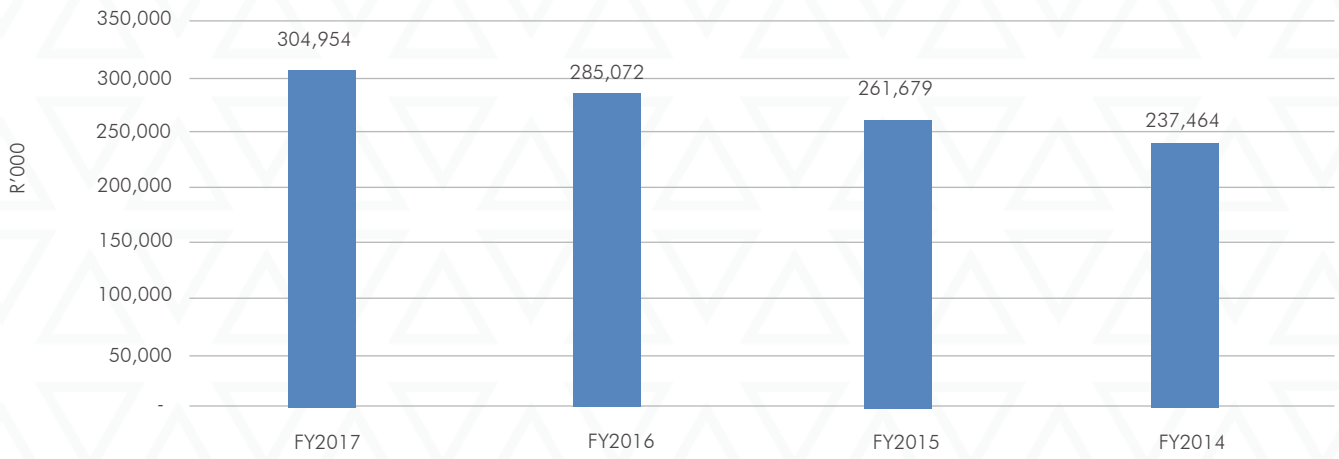


Figure 8.2: Primary Revenue (2014-2017)

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

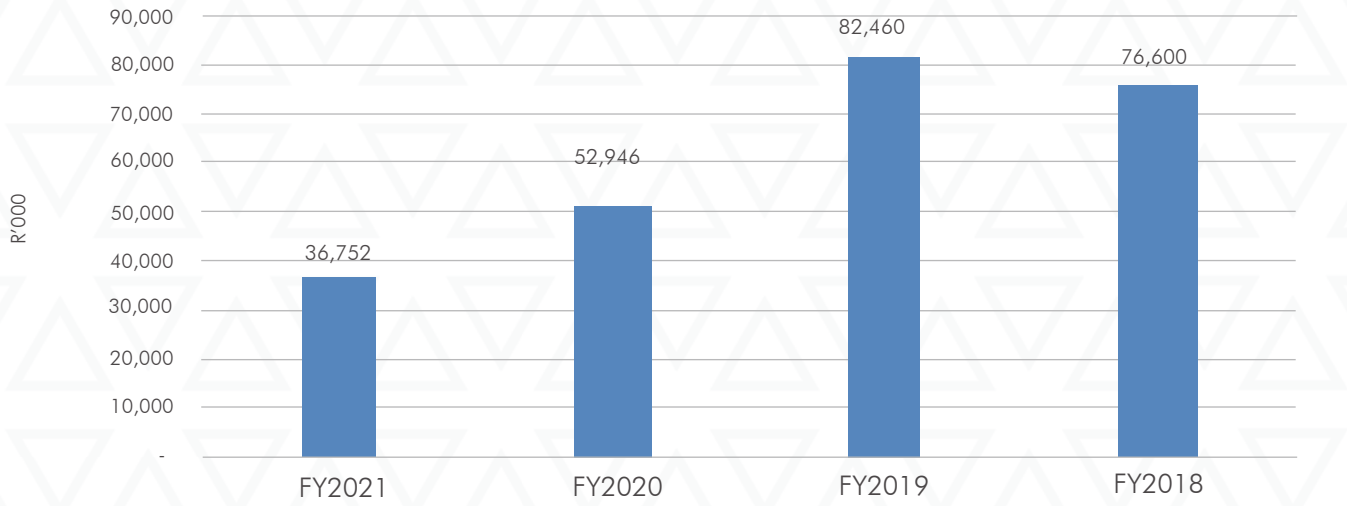


Figure 8.3: Secondary Revenue (2018-2021)

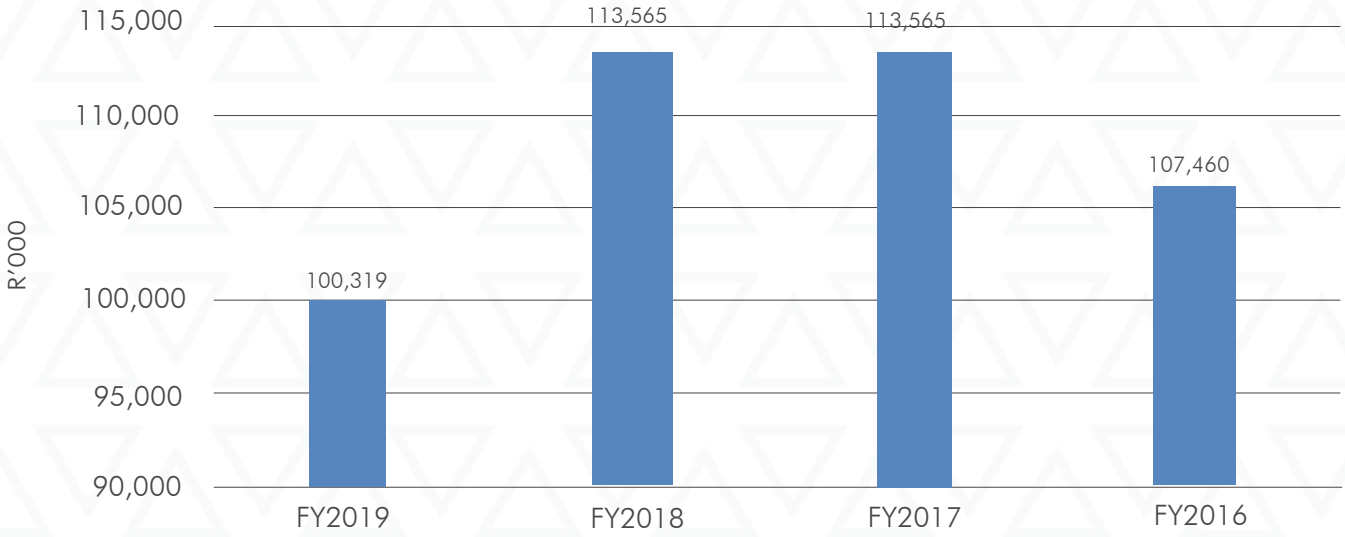


Figure 8.4: Secondary Revenue (2014-2017)

COST OF SALES AND OPERATING COSTS

The cost of sales has increased by 1.7% (R371 million) during the year and this increase is higher than the year-on-year increase of 1% when compared with the previous financial year (R366 million).

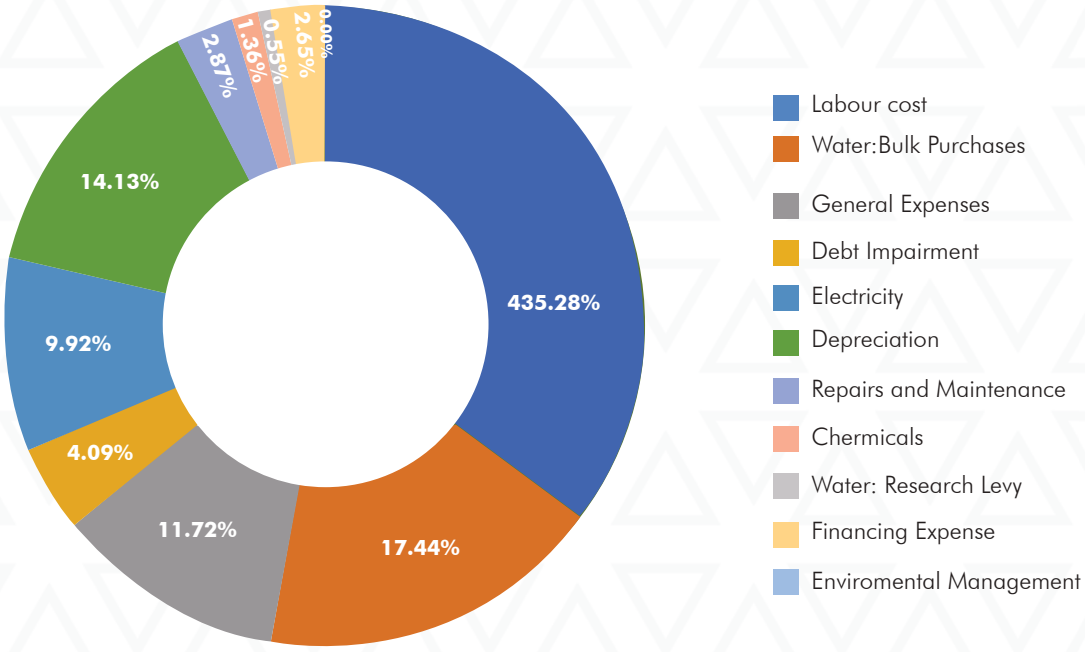


Figure 8.5: Cost of sales and operating costs 2020/2021

FINANCE INCOME

Finance income from cash and cash equivalents has decreased by 42% in the year under review when compared to a 7% increase in the previous financial year. The decrease in 2020/21 financial year is a results of the South Africa's prime interest rate succession of cuts in 2020 by Reserve Bank

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

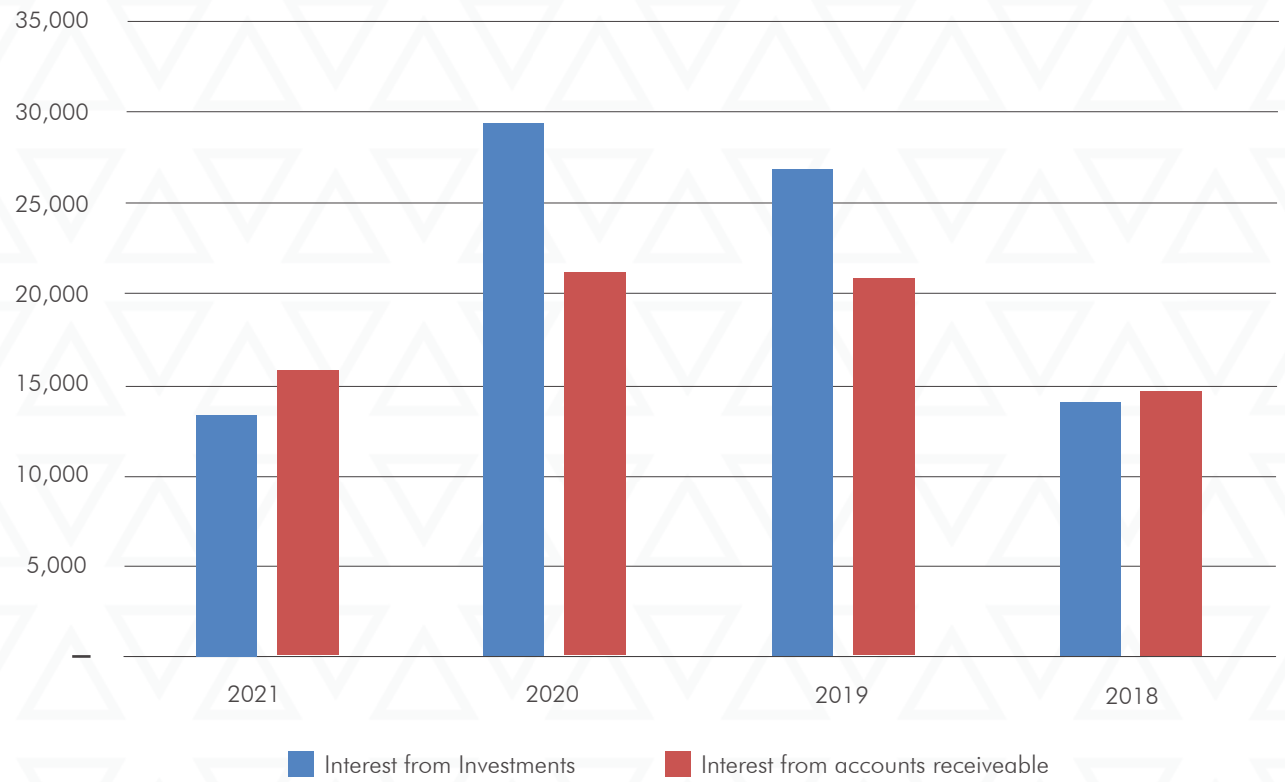


Figure 8.7: Finance Income 2018 -2021

KEY FINANCIAL RATIOS

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

	Audited	Restated	Restated	Restated	Restated	Restated	Restated
RATIOS	**FY2021**	**FY2020**	**FY2019**	**FY2018**	**FY2017**	**FY2016**	**FY2015**
Current Ratio	1.420	1.485	1.545	1.27	1.24	1.24	1.20
Trade Debtors (days)	120.10	87.02	69.65	66.60	88.07	160.9	342.8
Return on Assets	-6.06%	10.94%	18.79%	-8.35%	1.78%	2%	-0.00
Debt-Equity Ratio	-	-	-	-	-	-	-
Acid-Test Ratio	5.19	1.48	1.54	1.27	1.35	1.23	1.00
Creditors Days	112	86	85	36	25	147	306
Cost of Sales (R/kl)	8.51	5.98	5.39	5.22	4.62	4.72	4.08
Electricity Cost (R/kl)	1.36	1.23	1.04	0.98	0.92	0.88	0.81
Chemical Costs (R/kl)	0.19	0.15	0.26	0.25	0.18	0.20	0.24
Raw Water purchases (k/l)	2.40	2.18	2.15	2.16	1.83	1.94	1.63
Water Research levies (k/l)	0.08	0.07	0.08	0.07	0.07	0.06	0.05
PRODUCTIVITY							
Number of Employees	331	366	365	488	380	343	375
Average Revenue per Employee (R'000)	1,657	1,268	1,431	979	1,067	1,162	894

Table 8.1: Key financial ratios

SUPPLY CHAIN MANAGEMENT

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

a) Supply Chain Management Policy for goods and services
b) Framework for Infrastructure Delivery and Procurement Management

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

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

Key focus areas identified during the year were:

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

CONTRACTS MANAGEMENT UNIT

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

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

LOOKING AHEAD

Amatola Water's financial sustainability relies heavily on key clients honoring their payment obligations. This is at the back drop of a struggling economy which has been exacerbated by both the declaration of drought as well the impact of the National Lockdown due to the COVID-19 pandemic. Whilst there were glimpses of emergence the threatening financial sustainability difficulties experienced during the 2019/20 to the 2020/21 financial years, these have been eroded by both the effects drought and COVID-19. For continued financial sustainability and viability, the following key focus areas have been identified:

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



9

ANNUAL FINANCIAL STATEMENTS

Index

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

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

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

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

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

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

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

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

The Accounting Authority has made the assessment of the entity's ability to continue as a going concern and is satisfied that Amatola Water Board has adequate resources to remain operational for the foreseeable future. (see note 36)

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

The annual financial statements , as set out in the following pages have been prepared on the going concern basis and were approved by the Accounting Authority on the 28 February 2022 and were signed on its behalf by:

Dr M Makgale
Board Chairperson

Mr S Qweleka
Acting Chief Executive

AUDIT AND RISK COMMITTEE REPORT FOR THE YEAR ENDED 30 JUNE 2021





Audit and risk committee report for the year ended 30 June 2021

We are pleased to present our report for the financial year ended 30 June 2021.

1. BACKGROUND

The Audit and Risk Committee (ARC) is established as a statutory committee in terms of Section 77 of the Public Finance Management Act and Treasury Regulation 27.1.1.
The Committee has adopted a formal Terms of Reference as its Charter and has fulfilled its responsibilities for the year in compliance with the Charter.

2. MEMBERSHIP AND ATTENDANCE

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

NAME	QUALIFICATIONS	INDEPENDENT EXTERNAL MEMBER OR BOARD MEMBER	RACE	DATE APPOINTED	GENDER	TERM END DATE		TERM END DATE
						TOTAL	MEETINGS ATTENDED	
A Magwentshu	BA (Social Work), BA Honours (Psychology), Masters in Public and Development Management, Diploma in Labour Law, Certificate Programme in Management Development for Municipal Finance	Independent External Member	Black	12-Feb-20	F	9	6	17-Nov-20
L Tshangela	Chartered Accountant, CA (SA), BCom Honours (Accounting), BCom Honours (Internal Audit), BCom (Accounting)	Board Member	Black	11-Feb-20	F	9	6	17-Nov-20
P Songo	BJuris, LLB (Postgraduate)	Board Member	Black	11-Feb-20	F	9	0	05-Jul-20 (Resigned Prior)

Audit and risk committee report for the year ended 30 June 2021

NAME	QUALIFICATIONS	INDEPENDENT EXTERNAL MEMBER OR BOARD MEMBER	RACE	DATE APPOINTED	GENDER	TERM END DATE		TERM END DATE
						TOTAL	MEETINGS ATTENDED	
A Wakaba	Master's in Business Management and Administration (MBA) Honours, Bachelor of Accounting Sciences, BCom (Accounting), Advanced Diploma in Accounting Sciences	Independent External Member	Black	12-Feb-20	M	9	4	17-Nov-20
B Makhedama	ND (Civil Engineering), BTech (Civil Engineering), BSc Honours (Appl Sc Civil Engineering), Master of Engineering, Master of Business Administration, PhD (Construction Management) (Ongoing research)	Board Member	Black	06-Aug-20	M	9	6	17-Nov-20
L Letsoalo	Diploma (Purchasing), BTech (Logistics), Master's in Business Administration, PhD (Business Leadership) (Enrolled)	Board Member (Caretaker Chairperson)	Black	01-Mar-21	F	9	3	****
M Makgae	PhD (Environmental Chemistry), MSc (Chemistry in Membrane Technology), BSc Honours	Board Member	Black	01-Mar-21	F	9	3	****
G Mahed	BSc (Environmental Science), BSc Honours (Environmental Science), MSc (Environmental and Water Sciences), PhD Geology (Geophysics)	Board Member	Black	01-Mar-21	M	9	3	****

Audit and risk committee report for the year ended 30 June 2021

ARC MEMBERS	ARC POSITION	TOTAL NUMBER OF MEETINGS	NUMBER OF MEETINGS ATTENDED	ORDINARY ARC MEETINGS	SPECIAL MEETING
L Tshangela	Chairperson	9	6	3	3
P Songo	Member	9	0	-	-
A Wakaba	Member	9	4	1	3
A Magwentshu	Member	9	6	3	3
L Letsoalo	Caretaker Chairperson	9	3	2	1
M Makgae	Member	9	3	2	1
G Mahed	Member	9	3	2	1

Notes:

It must be noted that the entity had two ARCs established during the 2020/21 financial year:

- *The previous Committee, linked to the previous Interim Board, ended its term on 17 November 2020 when the Board was terminated by Shareholder (Minister of Water and Sanitation)(held six meetings out of the nine meetings held during the financial year).*
- *The new Interim Committee, which is functional, was appointed on 11 March 2021, after the appointment of the existing Board by the Minister on 1 March 2021. The current ARC held three meetings out of the nine meetings during the financial year.*

**** The Interim Committee constituted of the members of the Board and its term ended on 11 November 2021 when the three external members independent of the Board were appointed. Subsequently, the Committee was restructured and now composed of following five members:*

Audit and risk committee report for the year ended 30 June 2021

NAME	QUALIFICATIONS	INDEPENDENT EXTERNAL MEMBER OR BOARD MEMBER	RACE	DATE APPOINTED	GENDER
G. Labane	Chartered Accountant (SA), Advanced Certificate (Auditing), BCom Hons (Accounting), Certificate (Theory of Accounting), Intermediate Certificate (Accountancy), National Diploma (Cost and Management Accounting)	Independent External Member (Chairperson)	Black	11-Nov-21	M
F Mudau	BCom, Government Finance Certificate, Certificate in Municipal Finance, MBL -enrolled	Independent External Member	Black	11-Nov-21	F
S Maharaj	Chartered Accountant (SA), Chartered Government Finance Officer (Chartered Institute of Government Finance), Municipal Executive Financial Management, Green Belt Digital Six Sigma Certified, BCompt Hons, BCom	Independent External Member	Black	11-Nov-21	M
L Letsoalo	Diploma (Purchasing), BTech (Logistics), Master's in Business Administration, PhD (Business Leadership) (Enrolled)	Board Member	Black	11-Nov-21	F
M Sikhosana	Chartered Accountant (SA), Postgraduate Diploma in Accounting, BCom Accounting	Board Member	Black	11-Nov-21	M

Audit and risk committee report for the year ended 30 June 2021

3. AUDIT AND RISK COMMITTEE'S RESPONSIBILITIES:

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

3.1. Internal Controls

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

3.2. Risk Management

- Management is responsible for the establishment and maintenance of an effective system of governance, risk management, and prevention and detection of fraud and internal controls.
- Internal audit was guided by the consolidated risk profile, critical audit areas and management's inputs in the formulation of its Three-Year Rolling Strategic and Annual Internal Audit Plans.
- Amatola Water has a Risk Committee which is chaired by the Chief Executive Officer, as the ultimate Chief Risk Officer (CRO) who reports directly to the ARC. The Committee was fully functional periodically through the financial year. The Management Committee, constituted by all the Executive Managers (Senior Managers), considered the quarterly risk management reports prior to tabling in the ARC meetings.
- A risk register is updated and reviewed at each Risk Committee meeting and updated with emerging risks. It ensures that all the major risks, including the emerging risks facing the Amatola Board, are effectively managed. The Committee participates extensively in the Annual Risk Assessment Workshops of Amatola Water.

3.3. Internal Audit

The Committee approved a risk-based Three-Year Rolling Strategic Internal Audit Plan and an Annual Audit Coverage Plan for 1 July 2020 to 30 June 2021 covering the following key audit activities:

Audit and risk committee report for the year ended 30 June 2021

PLANNED AUDITS	NUMBER OF AUDITS
Performance Information Review (Q1 to Q4)	4
Review of the 2019/20 Annual Financial Statements	1
Review of Board Claims/Disbursements relating to COVID-19	1
Fraud Prevention Plan and Workshop with Employees	1
Occupational Health and Safety - COVID-19	1
Human Resources - Electronic Leave Management System Review	1
Review of the Gawula Incorporated Invoice(s) (Ad Hoc Review)	1
Review of the placement of Amatola Water Employees affected in 2015	1
Review of the Alungile Investment Purchase Order	1
Follow-up on the prior year's Internal Audit Reports	4
Follow-up on the implementation of Strategic Risk Register	2
Supply Chain Management Review	1
Infrastructure-Follow-Up-Asset Register	1
Project Management Review	1
Review of the Draft Integrated Annual Report of 2019/20	1
Review of the Draft Strategic Plan for 2021 to 2026 and Draft Business Plan for 2021 to 2026	1
Audit Improvement Plan (Follow-up on AGSA findings)	1
TOTAL PLANNED AND PERFORMED AUDITS	**24**

Audit and risk committee report for the year ended 30 June 2021

The Committee reviewed all the Internal Audit reports and is satisfied

- with the activities of the Internal Audit function, including its annual work programme, the reports of significant investigations and responses of management to specific recommendations.
- Internal Audit has conducted its work in accordance with the standards set by the Institute of Internal Auditors.
- The Committee conducted the annual performance assessment on the effectiveness of Internal Audit and is generally satisfied with the performance and effectiveness of Internal Audit.
- The Committee is concerned about the internal control weaknesses as identified by Internal Audit and expects management will address all those weaknesses identified.
- The Committee is concerned the audit report for 2019/20 financial year was only issued on 31 March 2021 by the Office of the Auditor-General South Africa (AGSA). It gave the entity limited time to address the issues raised in the audit report prior to the 2020/21 year-end. It also led to the late finalisation of the 2019/20 Annual Integrated Report.
- The Committee notes that the Internal Audit Manager position was filled during the financial year, when the Manager was appointed on 1 September 2020.
- The Committee considered and noted the limited capacity within Internal Audit which resulted in some reviews not being completed on time.

Furthermore, the Committee notes the outbreak of the COVID-19 pandemic, which was declared a national disaster and led to countrywide shutdown/lockdown from 27 March 2020, continued to impact on the operations of Amatola Water during the financial year.

3.4. Other Identified Concerns

The Committee's concerns related to:

- The non-availability of the Board between 17 November 2020 to 28 February 2021
- Control weaknesses in the supply chain management environment
- The following critical positions were vacant for the significant part of the financial year:
    - Chief Executive Officer
    - Chief Financial Officer
    - Company Secretary
    - Executive Manager: Planning and Development
    - Executive Manager: Corporate Services
    - Manager: Supply Chain Management
    - Finance Manager
    - Management Accountant
    - Senior Manager: Operations
- The processes for recovery of outstanding debtors balances were not always completely followed. This was worsened by the outbreak of COVID-19 which compelled the continued supply of water services to non-payment customers as water was identified as an essential and much-needed service to fight the pandemic.
- A number of investigations relating to alleged fraud and corruption within Amatola Water.

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

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

Audit and risk committee report for the year ended 30 June 2021

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

The Committee is of the opinion, based on the information and explanations provided by management, as well as the results of audits performed by Internal Audit and the Office of the AGSA, that the financial and performance information provided by management to users of such information is partial adequate, reliable and accurate.

It is evident by the number of internal control deficiencies noted in the Internal Audit reports and as well as the audit outcome per the 2020/21 audit report issued by the Office of the AGSA.

3.6. External Audit

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

Furthermore, the Committee notes delays in the completion of the 2019/20 audit by AGSA due to the COVID-19 pandemic which led to the audit report being issued on 31 March 2021. The late issuance of the audit report posed a risk to Amatola Water, as it afforded the Board only three months to monitor and deal with the issues identified in the audit report.

4. EFFECTIVENESS OF INTERNAL CONTROLS

The Committee considered all the reports issued by the various assurance internal and external providers

The status of management's actions to address prior control weaknesses was:

ASSURANCE PROVIDER	TOTAL FINDINGS	RESOLVED FINDINGS	PARTIALLY	FINDINGS NOT RESOLVED
Internal audit	18	7	8	3
External audit	51	19	32	-
Total #	**69**	**26**	**40**	**3**
Total %		**38%**	**58%**	**4%**

Audit and risk committee report for the year ended 30 June 2021

5. COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

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

6. EVALUATION OF THE INTERNAL AUDIT FUNCTION

The Committee has evaluated/assessed the performance and effectiveness of the Internal Audit Function for the 2020/21 financial year and is generally happy with the performance and effectiveness of Internal Audit and progress towards finalisation of the Internal Audit Plan.

7. EVALUATION OF THE AUDIT AND RISK COMMITTEE

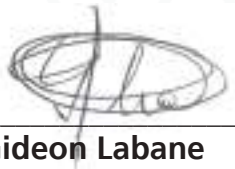
The Committee has conducted a self-assessment of its performance and effectiveness for the 2020/21 financial year and is generally happy with its performance.

8. EVALUATION OF FINANCIAL STATEMENTS AND ANNUAL REPORT

The Committee evaluated the Annual Financial Statements and Annual Performance Information Report for the year ended 30 June 2021 and duly recommended these for the approval of the Members of the Board of Amatola Water.

The Committee reviewed the AGSA's management and audit reports and concurs with their conclusions. The Committee, therefore, accepts the audit opinion and conclusion expressed by AGSA on the Annual Financial Statements and Annual Performance Report.

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



Mr Gideon Labane
Chairperson: Audit and Risk Committee
Date: 18 February 2022



REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON AMATOLA WATER BOARD





Report of the auditor-general to Parliament on Amatola Water Board

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Amatola Water Board set out on pages 175 to 247, which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Amatola Water Board as at 30 June 2021 and its financial performance and cash flows for the year then ended, in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for qualified opinion

Property plant and equipment

3. The entity did not account for property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. Assets were incorrectly valued on subsequent measurement when applying Directive 7 in calculation of the replacement costs. As a result, the amount for property, plant and equipment as disclosed in note 8 to the financial statements, was understated by R8,1 million.

4. I was unable to obtain sufficient appropriate audit evidence for the restatement to the corresponding figure for property, plant and equipment. As described in note 27 to the financial statements, the restatement was made to rectify previous years' misstatements, but the restatement could not be substantiated by appropriate supporting audit evidence. Furthermore, I was unable to obtain sufficient appropriate audit evidence for depreciation as the restatement to the corresponding figure for property, plant and equipment could not be substantiated by appropriate evidence. Consequently, I was unable to determine whether the adjustments processed to the property, plant and equipment corresponding figure stated at R1.9 billion in the financial statements are valid accurate and complete. This has an impact on the surplus for the period and on the accumulated surplus.

5. The entity reviewed the useful lives of assets; however, the change in the estimate amount that had an effect on the current and future periods was not disclosed, as required by GRAP 3 resulting in it being impractical to determine the misstatement. I was unable to confirm the misstatement by alternative means.

Report of the auditor-general to Parliament on Amatola Water Board

Payables from exchange transactions

6. The entity did not correctly account for payables from exchange transactions in accordance with GRAP 1, Presentation of financial statements as VAT was incorrectly charged on invoices where the entity is acting as an agent and recognising input tax on total invoice, instead of recognising VAT on the implementation fee charged to the principals. Consequently, payables from exchange transactions was understated by R13, 4 million and VAT receivable overstated by the same amount.

Irregular expenditure

7. The entity did not include all irregular expenditure in the notes to the financial statements, as required by section 55(2) (b) (i) of the PFMA. This was due to payments made in contravention of the supply chain management requirements. Consequently, I was unable to determine the full extent of the misstatement on irregular expenditure, as disclosed in note 34 to the financial statements, as it was impracticable to do so. The auditor's opinion has been modified because of the possible effects of the unresolved matter on the comparability of the current year's figures and the corresponding figures.

Context for the opinion

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

Material uncertainty relating to going concern/financial sustainability

11. I draw attention to the matter below. My opinion is not modified in respect of this matter.
12. Note 38 to the financial statements indicates how COVID-19 has impacted the economy and how the entity's clients will likely not meet their debt obligations to the entity which will require the entity to revise its future projections on revenue and expenditure. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern.

Emphasis of matters

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

Report of the auditor-general to Parliament on Amatola Water Board

Restatement of corresponding figures

14. As disclosed in note 27 to the financial statements, the corresponding figures for 30 June 2020 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 30 June 2021.

Material debt impairments

15. As disclosed in note 5 to the financial statements, debt impairment of R22 million (2020: R36,5 million) was incurred as a result of an allowance for doubtful debtors.

Responsibilities of the accounting authority for the financial statements

16. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
17. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

18. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
19. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

20. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

21. My procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

22. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the entity's annual performance report for the year ended 30 June 2021:

Report of the auditor-general to Parliament on Amatola Water Board

Objectives	Pages in annual performance report
Objective (1) – organisational efficiency and effectiveness	62

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

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

Other matter

25. I draw attention to the matter below.

Achievement of planned targets

26. Refer to the annual performance report on pages 58 to 76 for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

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

28. The material findings on compliance with specific matters in key legislation were as follows:

Annual financial statements

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

Expenditure management

30. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1) (b)(ii) of the PFMA. As reported in the basis for the qualified opinion, the value disclosed in note 34 to the financial statements does not reflect the full extent of the irregular expenditure incurred. The full extent of the irregular expenditure could not be quantified. The majority of the irregular expenditure disclosed in the financial statements was caused by procurement processes that were not followed and expenditure was incurred on expired contracts.

31. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R14,6 million, as disclosed in note 33 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by interest charged on late payments.

Report of the auditor-general to Parliament on Amatola Water Board

Consequence management

32. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure, as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed.
33. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.

Revenue management

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

Procurement and contract management

35. Some of the goods, works or service were not procured through a procurement process which was fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar non-compliance was also reported in the prior year.
36. Some of the commodities designated for local content and production, were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by the 2017 procurement regulation 8(5).

Other information

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

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

39. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
40. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

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

Report of the auditor-general to Parliament on Amatola Water Board

42. The leadership of the entity did not adequately discharge its oversight responsibilities with regard to the implementation and monitoring of internal controls to ensure sound financial management and compliance with legislation. This resulted in numerous repeat findings in the financial statements and the audit of compliance with laws and regulations.

43. Management did not implement daily and monthly financial controls to ensure that the financial statements are supported by accurate and complete underlying records.

44. The entity did not implement proper record management practices to ensure that information supporting the financial statements was readily available when requested for audit purposes. As a result, sufficient and appropriate audit evidence was not obtained for the prior period restatement relating to property, plant and equipment disclosed in the financial statements.

45. Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored.

Other reports

46. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

47. The following investigations were in progress at reporting date:
    - An investigation by the Special Investigating Unit on covid-19-related procurement and expenditure, in terms of proclamation R23 of 2020.
    - An investigation conducted by Directorate for Priority Crime Investigation (DPIC)/Hawks relating to procurement processes followed for a specific contract.
    - Investigations approved by the audit and risk committee in relation placement of entity's employees undertaken in 2015. These investigations were not finalised at reporting date.

East London

Auditor General

30 November 2021

AUDITOR-GENERAL SOUTH AFRICA
Auditing to build public confidence

Report of the auditor-general to Parliament on Amatola Water Board

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
    - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
    - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
    - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
    - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Amatola Water Board to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern
    - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
    - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

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

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



STATEMENT OF FINANCIAL POSITION



Statement of Financial Position

	Notes	2021 R'000	2020 Restated* R'000
Assets			
Current Assets			
Inventories	3	3 205	3 109
Receivables from exchange transactions	4	252 273	201 930
VAT receivable	6	32 377	34 681
Cash and cash equivalents	7	417 510	523 951
Total current assets		**705 365**	**763 671**
Non Current Assets			
Property, plant and equipment	8	1 866 837	1 904 483
Intangible assets	9	3 322	3 144
Total non current assets		**1 870 159**	**1 907 627**
Total Assets		**2 575 524**	**2 671 298**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	496 407	494 179
Provisions	12	536	592
Unspent Conditional Grant	13	-	1 132
Total current liabilities		**496 943**	**495 903**
Total Liabilities		**496 943**	**495 903**
Net Assets		**2 078 581**	**2 175 395**
Share capital / contributed capital		274 557	274 557
Accumulated surplus		1 804 024	1 900 838
Total Net Assets		**2 078 581**	**2 175 395**

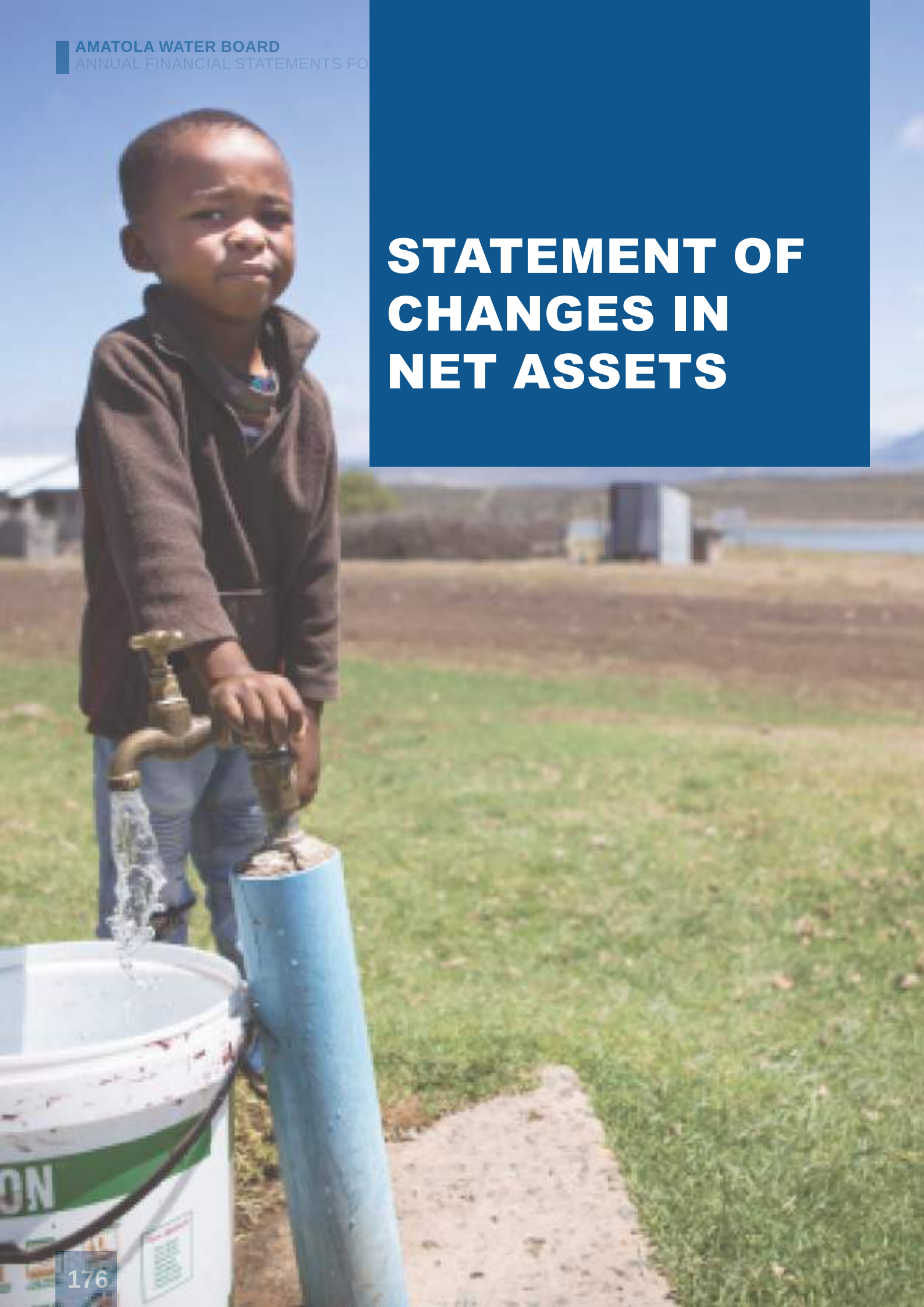
STATEMENT OF FINANCIAL PERFORMANCE



Statement of Financial Performance

	Notes	2021 R'000	2020 Restated* R'000
Revenue			
Revenue from exchange transactions			
Revenue	15	391 535	416 938
Cost of sales	16	(371 983)	(365 909)
Gross surplus		**19 552**	**51 029**
Other income	14	5 459	6 668
Finance income	17	29 389	50 800
Total revenue from exchange transactions		**54 400**	**108 497**
Revenue from non exchange transactions			
Transfer revenue			
Government grants	18	-	1 223
Public donations	19	25 611	
Total revenue from non exchange transactions		**25 611**	**1 223**
Total revenue	**15**	**80 011**	**109 720**
Expenditure			
Employee related costs	20	(59 631)	(59 248)
Executive and non executive members emoluments	21	(5 017)	(4 970)
Depreciation and amortisation	8&9	(1 651)	(1 586)
Impairment loss	8	(878)	-
Finance costs	25	(14 560)	(5 821)
Lease rentals on operating leases	22	(9 844)	(11 277)
Debt impairment	5	(22 453)	(36 722)
Repairs and maintenance	23	(14 465)	(13 437)
Operating and other expenses	24	(48 328)	(39 221)
Total expenditure		**(176 827)**	**(172 282)**
Deficit for the year		**(96 816)**	**(62 562)**

STATEMENT OF CHANGES IN NET ASSETS



Statement of Changes in Net Assets

	Note (s)	Share capital / contributed capital	Accumulated surplus	Total net assets
		R'000	R'000	R'000
Opening Balance 1 July 2019		**274 557**	**572 044**	**846 601**
Changes in net assets				
Prior periond Errors	27	-	1 391 360	1 391 360
Opening Balance 1 July 2019 as restated		-	1 963 404	1 963 404
Surplus/ (Deficit) for the year		-	(62 562)	(62 562)
Balance 30 June 2020		-	1 900 840	1 900 840
Balance at 01 July, 2020 as restated		**274 557**	**1 900 840**	**2 175 397**
Changes in net assets				
Surplus/ (Deficit) for the year		-	(96 816)	(96 816)
Total changes		-	(96 816)	(96 816)
Balance at 30 June 2021		**274 557**	**1 804 024**	**2 078 581**

CASH FLOW STATEMENT



Cash Flow Statement

	Notes	2021 R'000	2020 Restated* R'000
Cash flows from operating activities			
Receipts			
Cash receipts from customers		359 492	438 327
Grants		25 611	-
		-	-
Other receipts		5 459	6 668
		390 562	444 995
Payments			
Cash paid to suppliers		(275 565)	(338 661)
Cash paid to employees		(193 894)	(201 671)
Net cash flows from operating activities		(469 459)	(540 332)
Net cash flows from operating activities	**26**	**(78 897)**	**(95 337)**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(28 930)	(33 973)
Transfer of Assets from Capital Work in Progress		(11 145)	(13 255)
Purchase of other intangible assets	9	(861)	(2 868)
Interest on investments		13 393	29 411
Net cash flows from investing activities		**(27 543)**	**(20 685)**
Total cash and cash equivalents movement for the year		**(106 441)**	**(116 004)**
Cash and cash equivalents at the beginning of the year		523 951	639 955
Total cash and cash equivalents at end of the year	**7**	**417 510**	**523 951**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS



Statement of Comparison of Budget and Actual Amounts

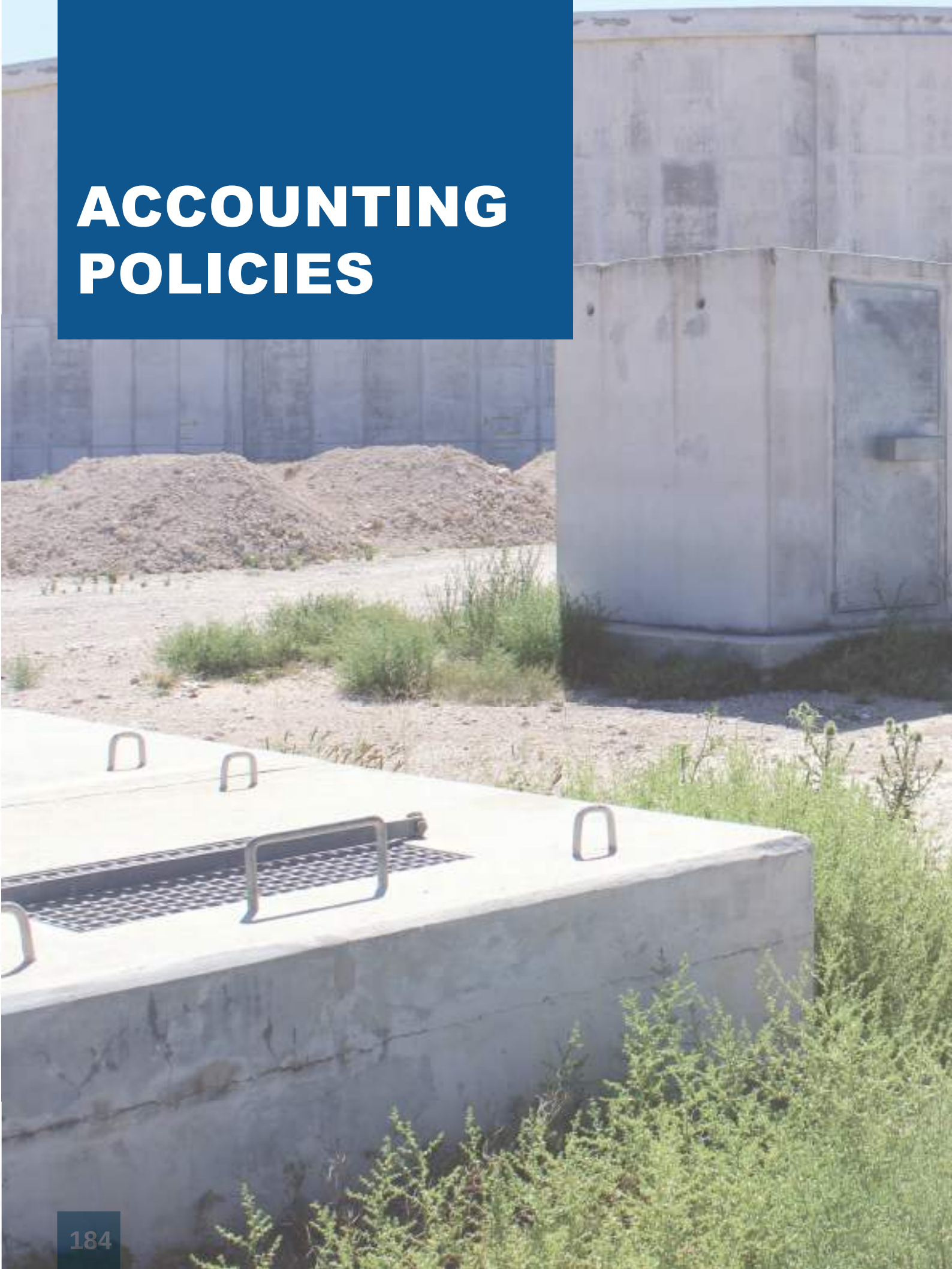
Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R '000	R '000	R '000	R '000	R '000	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Revenue - Section 29	(411 687)	38 561	**(373 126)**	(354 783)	**18 343**	
Revenue - Section 30	(42 483)	(3 460)	**(45 943)**	(36 752)	**9 191**	35.1
Other miscellaneous income	(4 265)	(215)	**(4 480)**	(5 459)	**(979)**	35.2
Interest income	(53 396)	22 697	**(30 699)**	(29 389)	**1 310**	
Total revenue from exchange transactions	**(511 831)**	**57 583**	**(454 248)**	**(426 383)**	**27 865**	
Total revenue from exchange transactions						
Transfer revenue						
Public Donations Received	-	-	**-**	(25 611)	**(25 611)**	35.3
Total revenue	**(511 831)**	**57 583**	**(454 248)**	**(451 994)**	**2 254**	
Expenditure						
Personnel	208 167	-128	**208 039**	193 594	**(14 445)**	
Non - Executive Members Emoluments	3 391	182	**3 573**	5 017	**1 444**	35.4
Accommodation	2 607	-226	**2 381**	1 437	**-944**	35.5
Depreciation and amortisation	21 701	291	**21 992**	77 527	**55 535**	35.6
Impairment loss/ Reversal of impairments	-	-	**-**	878	**878**	
Finance costs	4 680	-390	**4 290**	14 560	**10 270**	35.7
Lease rentals on operating lease	10 999	1 041	**12 040**	9 844	**(2 196)**	35.8
Debt Impairment	17 089	(6 139)	**10 950**	22 453	**11 503**	35.9
Bulk purchases	92 480	4 853	**97 333**	95 724	**(1 609)**	
Other operating expenditure	150 309	6 425	**156 734**	127 776	**(28 958)**	35.10
Reversal of asset impairment	-	-	**-**	-	**-**	
Total expenditure	**511 423**	**5 909**	**517 332**	**548 810**	**31 478**	
Surplus	**(408)**	**63 492**	**63 084**	**96 816**	**33 732**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement*	**(408)**	**63 492**	**63 084**	**96 816**	**33 732**	

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R '000	R '000	R '000	R '000	R '000	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3 216	49	3 265	3 205	(60)	
Receivables from exchange transactions	207 336	(18 742)	188 594	252 273	63 679	35.11
VAT receivable	-			32 377	32 377	35.12
Cash and cash equivalents	357 865	(47 068)	310 797	417 510	106 713	35.13
	568 417	**(65 761)**	**502 656**	**705 365**	**202 709**	
Non Current Assets						
Property, plant and equipment	583 705	9 620	593 325	1 866 837	1 273 512	35.14
Intangible assets	5 089	(2 484)	2 605	3 322	717	35.15
	588 794	**7 136**	**595 930**	**1 870 159**	**1 274 229**	
Total Assets	**1 157 211**	**(58 625)**	**1 098 586**	**2 575 524**	**1 476 938**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	307 039	31 472	338 511	496 407	157 896	35.16
VAT payable	3 221	(9 556)	(6 335)		6 335	35.17
Provisions	669	(60)	609	536	(73)	35.18
Grant liability	1 130	283	1 413		(1 413)	
	312 059	22 139	334 198	496 943	162 745	
Total Liabilities	**312 059**	**22 139**	**334 198**	**496 943**	**162 745**	
Net Assets	**845 152**	**(80 764)**	**764 388**	**2 078 581**	**1 314 193**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Share capital / contributed capital	274 557		274 557	274 557		
Reserves						
Accumulated surplus*	570 595	(80 764)	489 831	1 804 024	**1 314 193**	
Total Net Assets	**845 152**	**(80 764)**	**764 388**	**2 078 581**	**1 314 193**	

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R '000	R '000	R '000	R '000	R '000	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3 216	49	**3 265**	3 205	**-60**	
Receivables from exchange transactions	207 336	(18 742)	**188 594**	252 597	**64 003**	33.10
VAT receivable	-	-	**-**	32 209	**32 209**	33.11
Cash and cash equivalents	357 865	(47 068)	**310 797**	417 510	**106 713**	33.12
	568 417	**(65 761)**	**502 656**	**705 521**	**202 865**	
Non-Current Assets						
Property, plant and equipment	583 705	9 620	**593 325**	1 866 666	**1 273 341**	33.13
Intangible assets	5 089	(2 484)	**2 605**	3 322	**717**	
	588 794	**7 136**	**595 930**	**1 869 988**	**1 274 058**	
Total Assets	**1 157 211**	**(58 625)**	**1 098 586**	**2 575 509**	**1 476 923**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	307 039	31 472	**338 511**	496 407	**157 896**	33.14
VAT payable	3 221	(9 556)	**(6 335)**	-	**6 335**	
Provisions	669	-60	**609**	536	**-73**	
Grant liability	1 130	283	**1 413**	-	**(1 413)**	
	312 059	**22 139**	**334 198**	**496 943**	**162 745**	
Total Liabilities	**312 059**	**22 139**	**334 198**	**496 943**	**162 745**	
Net Assets	**845 152**	**(80 764)**	**764 388**	**2 078 566**	**1 314 178**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Share capital / contributed capital	274 557	-	**274 557**	274 557	**-**	
Reserves						
Accumulated surplus*	570 595	(80 764)	**489 831**	1 804 009	**1 314 178**	
Total Net Assets	**845 152**	**(80 764)**	**764 388**	**2 078 566**	**1 314 178**	

ACCOUNTING POLICIES





Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

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

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

Accounting Policies (continued)

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

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

Contingencies

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

Useful lives of waste and water network and other assets

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

Post retirement benefits

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

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

Accounting Policies (continued)

1.3 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

Capital and operational grant funding

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired through a non exchange transaction, its cost is its fair value as at date of acquisition. Assets recognised as part of GRAP adoption, for which the cost was not available, was recognised at a depreciated replacement cost.

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

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

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

Accounting Policies (continued)

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	8 - 50
Plant and machinery	Straight line	5 - 12
Furniture and fixtures	Straight line	5 - 12
Motor vehicles	Straight line	5 - 12
Civil works	Straight line	10 - 80
Pipelines and distribution	Straight line	70 - 90
Reservoirs	Straight line	10 - 50
Pumpstations	Straight line	10 - 50
Treatment works	Straight line	8 - 50
Boreholes	Straight line	15 - 50
Land is not depreciated.		

Accounting Policies (continued)

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

Accounting Policies (continued)

1.5 Intangible assets (continued)

The amortisation for each period is recognised as in and the amortisation method for intangible assets are reviewed at each reporting date.

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight line	5

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

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

1.6 Financial instruments

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

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

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

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

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

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

Accounting Policies (continued)

1.6 Financial instruments (continued)

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

- Financial Assets Investments and receivables Held at amortised cost
- Cash and cash equivalents
- Trade and other receivables
- Financial liabilities - Held at amortised cost
- Trade and other payabes
- Unspent conditional grants

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

The entity recognises financial assets using trade debtors accounting

Initial measurement of financial assets and financial liabilities

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

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

Accounting Policies (continued)

1.6 Financial instruments (continued)

Subsequent measurement of financal assets and financial liabilities:

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

- Financial instruments at amortised cost

Impairment and uncollectibility of financial assets.

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

Financial assets measured at amortised cost.

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

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

Derecognition

Financial Assets

The entity derecognises a financial assets using trade debtors accounting

The entity derecognises a financial asset only when:

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

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

Financial liabilities

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

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

Accounting Policies (continued)

1.6 Financial instruments (continued)

Presentation

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

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

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

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

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

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

1.7 Statutory receivables

Identification

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

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

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

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.
The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Accounting Policies (continued)

1.7 Statutory receivables (continued)

Recognition

The entity recognises statutory receivables as follows:

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

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

1.8 Leases

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

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

Operating leases lessee

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

1.9 Inventories

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

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

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

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

Accounting Policies (continued)

1.9 Inventories (continued)

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

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

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

1.10 Impairment of cash generating assets

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

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

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

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

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

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

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

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

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

Accounting Policies (continued)

1.10 Impairment of cash generating assets (continued)

Identification

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

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

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Cash generating units

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

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

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

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

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

Accounting Policies (continued)

1.10 Impairment of cash generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

1.11 Impairment of non cash generating assets

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

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

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

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

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

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

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

Accounting Policies (continued)

1.11 Impairment of non cash generating assets (continued)

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

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

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

1.12 Share capital / contributed capital

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

1.13 Employee benefits

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

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

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

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

Accounting Policies (continued)

1.13 Employee benefits (continued)

Short term employee benefits

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

Short term employee benefits include items such as:
- wages, salaries and social security contributions;
- short term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post employment benefits

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

Post employment benefit plans are formal or informal arrangements under which an entity provides post employment benefits for one or more employees.

1.14 Provisions and contingencies

Provisions are recognised when:
- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Accounting Policies (continued)

1.14 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 27.

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

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

Contracts should be non cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies (continued)

1.16 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Project revenue comprises of sales to customers and service rendered to customers. Project revenue is stated at the invoice amount and is exclusive of value added taxation.

Amatola Water Board's project revenue comprises:

- Implementing agency fees.
- Operations and maintenance agreements.
- Project cost recoveries.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised , in surplus or deficit, using the effective interest rate method.
Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Accounting Policies (continued)

1.17 Revenue from non exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.
Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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

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

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

Recognition

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

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

Measurement

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

1.18 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:
- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

Accounting Policies (continued)

1.19 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re assess whether they act as a principal or an agent.

Recognition

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.20 Comparative figures

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

1.21 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.

National Treasury instruction no. 2 of 2019/20 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 17 May 2019):

Accounting Policies (continued)

1.22 Irregular expenditure

All requests for condonation of irregular expenditure for public entities listed under schedule 3B of the PFMA must be submitted to the National Treasury.

Accounting officers of departments and constitutional institutions and accounting authorities of public entities must address cases of irregular expenditure in terms of Annexure A to the mentioned instruction note: Irregular Expenditure Framework. The Annexure details the manner in which public entities are to account for irregular expenditure including the following:

For a government component, a constitutional institution, a trading entity or a public entity listed in Schedules 2 or 3 to the PFMA applying Generally Recognised Accounting Practice (GRAP) to incur irregular expenditure, the non compliance must be linked to a financial transaction. Although a transaction may trigger irregular expenditure, a constitutional institution, government component, trading entity or public entity will only record irregular expenditure when a transaction is recognised as expenditure in the Statement of Financial Performance in accordance with GRAP or IFRS, whichever is applicable.

Upon detection of alleged irregular expenditure, the relevant function must conduct an assessment to identify possible irregularities in transactions that have been processed and to confirm whether irregular expenditure has been incurred or whether the incident was the result of non compliance with legislation that did not relate to the incurrence of a financial transaction.

If a transaction has been processed in contravention of legislation and the same transaction has a financial implication (payment was made or a liability was recognised in the books), it must be recorded as irregular expenditure

Where it has been confirmed that the identified non compliance does not constitute irregular expenditure, as defined in section 1 of the PFMA, the accounting officer or accounting authority must –
(a) strengthen the internal control environment where the non compliance was identified and confirmed; and
(b) refer the non compliance matter to the Human Resource Management Function in the institution to institute disciplinary processes against the employee responsible for the non compliance.

The accounting officer or accounting authority must conduct an investigation if it is suspected that there is a possibility of fraudulent, corrupt or other criminal conduct emanating from the incurrence of irregular expenditure.

If the investigation confirms that the irregular expenditure is related to a fraudulent, corrupt or other criminal conduct, the accounting officer or accounting authority must, within seven days, ensure that a criminal charge is laid with the South African Police Service against the responsible employee(s).

Treasury Regulations 9.1.5 and 28.2.1 require accounting officers and accounting authorities to disclose all irregular expenditure incurred by their respective institutions as a note to the annual financial statements.

Accounting Policies (continued)

1.23 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.24 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

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

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

Accounting Policies (continued)

1.24 Budget information (continued)

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

1.25 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

Accounting Policies (continued)

1.26 Events after reporting date

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

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

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

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

1.27 Value Added Tax

Amatola Water Board is registered for value added tax in terms of section 23 of the Value Added Tax Act no 89 of 1991 on the invoice basis.

1.28 Taxation

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

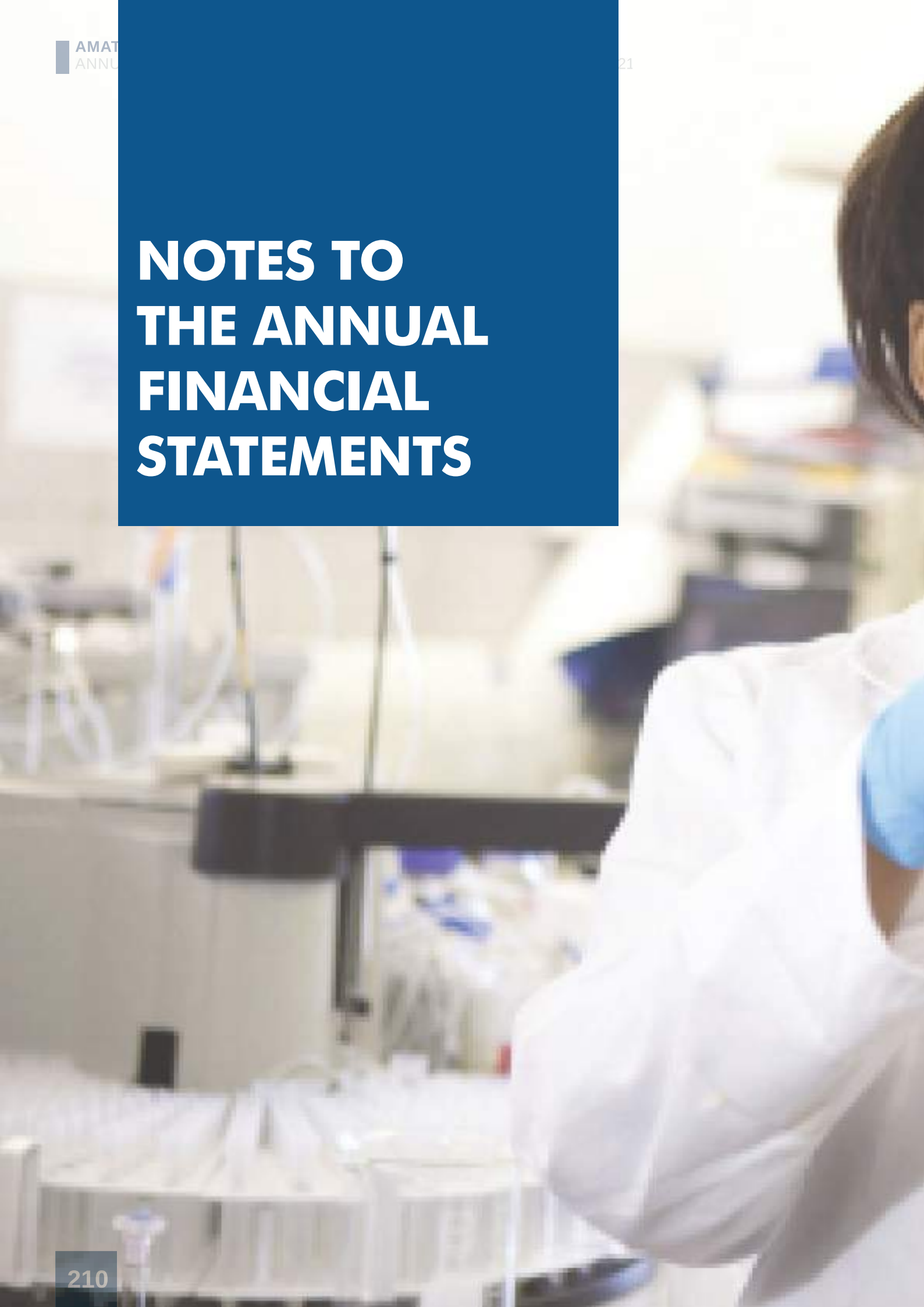
1.29 Cash and Cash Equivalents

Cash and cash equivalents are measured at amortised cost. Cash and cash equivalents in the statement of financial position comprise of cash at banks and on hand and short term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short term deposits, as defined above, net of outstanding bank overdrafts.

the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS





Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

• GRAP 104 (amended): Financial Instruments	01 April 2021	The impact of the Standard is not material.
• GRAP 108: Statutory Receivables	01 April 2021	The impact of the Standard is not material.
• GRAP 109: Accounting by Principals and Agents	01 April 2021	The impact of the Standard is not material.
• GRAP 18 Segment Accounting	01 April 2020	The adoption of this Standard has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the financial statements.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2021 or later periods:

• Directive 7 (revised): The Application of Deemed Cost	01 April 2021	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2021	
• GRAP 108: Statutory Receivables	01 April 2021	
• GRAP 109: Accounting by Principals and Agents	01 April 2021	

Notes to the Annual Financial Statements

	2021	2020 Restated*
	R'000	R'000
3. Inventories		
Plant spares, chemicals and stores	2 506	2 344
Water	699	765
	3 205	**3 109**

Inventory is not pledged as security.

4. Receivables from exchange transactions		
Trade receivables	135 056	148 194
Sundry receivables	82 747	42 062
Other receivables	817	1 000
Accrued income	31 502	6 494
Other project receivables	2 151	4 180
	252 273	**201 930**
Trade Receivables	275 745	275 833
Debt Impairment	(140 689)	(127 639)
	135 056	**148 194**
Sundry Receivables	145 914	92 884
Debt Impairment	(63 167)	(50 822)
	82 747	**42 062**

Trade and other receivables payment terms are 30 days from invoice date. Interest has been charged on these debtors in the year under review. Refer to Note 35 for debtors aging.

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

Other receivables relates to prepaid expenses, rental deposits and employee receivables that occured during the course of the business.

Accrued income relates to project costs received after the reporting date that relates to the financial year under review. These costs will be billed to the principal funders in the forth coming finanical period and will be recognised to surplus and deficit as per other project implementing agent contract costs.

Other project receivables consist of funds held in trust accounts due to legal disputes.

Prior year trade and sundry receivables have been adjusted refer to note 25.

Notes to the Annual Financial Statements

5. Debt impairment

Debt impairment	22 082	36 531
Bad debts written off	371	191
	22 453	**36 722**

	Opening Balance	Movement	Movement VAT portion	Closing Balance
2021 Allowance for doubtful debt	178 462	22 082	3 312	203 856
2020 Allowance for doubtful debt	136 450	36 531	5 481	178 462
	-	-	-	-

6. VAT receivable

VAT	32 377	34 681

Amatola Water is a registered VAT vendor and accounts for VAT on an accrual basis. The entity has, for the current financial year submitted all VAT returns to SARS. All amount that were due to SARS we paid, there are however some refunds that are due to the entity that are outstanding from SARS. Included in the VAT receivable disclosed above is VAT relating to debt impairment amounting to R 23 277 677.00 (2020) and R 26 589 947.00 (2021).

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	50 350	277 571
Short term deposits	367 160	246 380
	417 510	**523 951**

Cash and cash equivalents held by the entity that are not available for use by the economic entity	70 614	92 851
Cash and cash equivalent held by the entity on behalf of principals	131 042	195 792
Cash and cash equivalents held by the entity from operations	215 854	235 308
	417 510	**523 951**

Cash at banks earns interest at daily bank deposit rates.

Short term deposits are made for varying periods, depending on the immediate cash requirements of the entity and earn interest at the respective short term deposit rate. The following cash balances related to specific expenditure requirements and is not available for the daily operations of the entity.

Cash held by the entity relating to grant funding and capital upgrades is the cash received from National Treasury for the Jobs fund as per note 12 and the funds received from DWS for capital upgrades of Amatola Water Board treatment works.

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

Notes to the Annual Financial Statements

7. Cash and cash equivalents (continued)

Guarantees

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

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

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

Eskom	1000	1000

8. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	5 410	-	5 410	5 410	-	5 410
Buildings	156 689	(86 059)	70 630	156 689	(82 377)	74 312
Plant and machinery	17 189	(9 259)	7 930	16 258	(7 739)	8 519
Furniture and fixtures	11 257	(5 383)	5 874	10 621	(4 414)	6 207
Motor vehicles	36 510	(4 016)	32 494	10 874	(3 227)	7 647
IT equipment	10 236	(4 841)	5 395	8 502	(3 358)	5 144
Civil works	59 591	(32 635)	26 956	59 421	(30 976)	28 445
Pipelines and Distribution	1 644 099	(839 738)	804 361	1 637 709	(818 609)	819 100
Reservoirs	834 153	(392 998)	441 155	834 153	(376 296)	457 857
Pumpstations	181 568	(93 047)	88 521	181 568	(85 256)	96 312
Treatment works	620 221	(251 546)	368 675	616 201	(231 204)	384 997
Boreholes	20 384	(10 948)	9 436	20 384	(9 851)	10 533
Total	**3 597 307**	**(1 730 470)**	**1 866 837**	**3 557 790**	**(1 653 307)**	**1 904 483**

Notes to the Annual Financial Statements

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	WIP	Depreciation	Impairment loss	Total
Land	5 410	-	-	-	-	5 410
Buildings	74 312	-	-	(3 682)	-	70 630
Plant and machinery	8 519	931	-	(1 406)	(114)	7 930
Furniture and fittings	6 207	2 362	9	(879)	(90)	5 874
Motor vehicles	7 647	25 637	-	(754)	(36)	32 494
IT equipment	5 144	1 735	-	(1 403)	(81)	5 395
Civil works	28 445	-	170	(1 659)	-	26 956
Pipelines and Distribution	819 100	-	6 946	(21 129)	(556)	804 361
Reservoirs	457 857	-	-	(16 702)	-	441 155
Pumpstations	96 312	-	-	(7 791)	-	88 521
Treatment works	384 997	-	4 020	(20 342)	-	368 675
Boreholes	10 533	-	-	(1 097)	-	9 436
	1 904 483	**28 930**	**11 145**	**(76 844)**	**(877)**	**1 866 837**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	WIP	Depreciation	Total
Land	5 410	-	-	-	5 410
Buildings	77 982	-	-	(3 670)	74 312
Plant and machinery	7 991	1 785	-	(1 257)	8 519
Furniture and fixtures	6 510	511	-	(814)	6 207
Motor vehicles	8 126	-	-	(479)	7 647
IT equipment	5 250	1 086		(1 192)	5 144
Civil works	30 109	-	-	(1 664)	28 445
Pipelines and Distribution	736 408	21 890	81 795	(20 993)	819 100
Reservoirs	383 032	-	91 573	(16 748)	457 857
Pumpstations	104 124	-	-	(7 812)	96 312
Treatment works	314 181	8 701	82 148	(20 033)	384 997
Boreholes	11 633	-	-	(1 100)	10 533
	1 690 756	**33 973**	**255 516**	**(75 762)**	**1 904 483**

Notes to the Annual Financial Statements

8. Property, plant and equipment (continued)

Work in progress

		Total	Movements	Included in open balance
CAP17	Nahoon bulk supply	4 664	960	3 704
CAP30	Nahoon rising main and Ndevana Berlin	8 105	2 276	5 829
CAP34	Debe Nek	43 439	2 661	40 778
CAP36	Binfield pipelines	20 179	-	20 179
CAP36	Binfields reservoirs	16 415	-	16 415
CAP36	Binfields treatment works	48 832	4 020	44 812
CAP37	Sandile reservoir	75 158	-	75 158
CAP37	Sandile treatment works	37 335	-	37 335
CAP37	Sandile pipelines	10 071	-	10 071
CAP38	Refurbish Pipelines	-	492	1 234
	Furniture		9	-
		264 198	**10 418**	**255 515**

Long outstanding work in progress

CAP17 Nahoon bulk supply
The Nahoon Bulk Supply Project is currently the flagship expansion project, but it requires substantial capital to proceed and finalisation of a supply contract, all of which must be completed by June 2022. Funding has been applied for and this and a direction must be obtained by 30 June 2022.

CAP30 – Nahoon rising main and Ndevana Berlin
This project is still under construction due to limited funding and scope finalisation within AW and with BCMM. Some aspects of project finalisation are dependent on detailed assessments from the IMP process. Work can be completed in the 2021/22 year and if not, in the 2022/23 year.

CAP34 Debe Nek
The project is in the process of being finalised and some contractual matters are outstanding and should be resolved in the 2021/22 financial year.

CAP36 – Binfield
There are incomplete reservoirs and pipework due to contract cancellations, but the work still needs to be completed in order to bring the project to completion. Further procurement is to be finalised. The project can be completed in the 2021/22 financial year or in the following financial year should funding become a constraint.

CAP37 Sandile
The project includes two reservoirs that were completed in 2018. There are also filters at the water treatment works that are incomplete and must be completed or mothballed. The reservoirs must be connected and tested. The work is also dependent on new pipelines that may only come into service in the 2022/23 financial year..

Costs to repair and maintain assets have been disclosed in note 23

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



Notes to the Annual Financial Statements

9. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	4 981	(1 659)	3 322	4 119	(975)	3 144

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	3 144	862	(684)	3 322

Reconciliation of intangible assets - 2020

Computer software	827	2 868	(551)	3 144

10. Change in estimate

Property, plant and equipment

During the period Amatola Water engaged in the process of compiling a GRAP compliant asset register. This included the review of useful lives and the asset classes.

Below details the change in expected useful lives and the new asset classes. Due to the complex nature of the changes made to the asset register, the effect of the change in estimate is not separable from the adoption of the GRAP adoption register which has been disclosed as a prior period error.

	USEFUL LIVES PRIOR TO REVISION (YEARS)	REVISED USEFUL LIVES (YEARS)
Buildings	20	8-50
Plant and machinery	5-12	5-12
Furniture and fixtures	5-12	5-12
Motor vehicles	10	5-12
Civil works	-	10-80
Pipelines and distribution	30	70-90
Reservoirs	35	10-50
Pump stations	15-35	10-50
Water treatment works	15 50	8-50
Boreholes	-	15-50

Notes to the Annual Financial Statements

11. Payables from exchange transactions

	2021 R'000	2020 R'000
Trade payables	268 984	211 651
Payments received in advanced contract in process	131 042	198 080
Project Payables	41 916	44 153
Other payables	36 665	27 268
Accrued leave pay	11 787	10 243
Accrued 13th Cheque	6 013	2 784
	496 407	**494 179**

Trade and other payables terms are 30 days from the invoice date unless stated otherwise based on a valid contract between Amatola Water Board and the service provider concerned. Refer to note 25 for restatements relating to payables from exchange transactions

Other payables relate to payroll related balances (PAYE, SDL and UIF payable, etc), Water research levy and other liabilities which are individually not significant.

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

12. Provisions

Reconciliation of provisions - 2021

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

Reconciliation of provisions - 2020

Provision for employee benefits	1 259	106	(1 259)	-
Long service award	631	-	(145)	592
	1890	**106**	**(1404)**	**592**

Long service awards vest with the employees on completion of an uninterrupted 5 years service, and thereafter every 5 years of uninterrupted service or when the employee retires whilst in the employ of Amatola Water Board.

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

13.Unspent Conditional Grant

Amatola Water Board received 2.5 million grant from the Jobs Fund(previously administered by DBSA) in respect of the learning academy in 2015 financial year. National Treasury raised a moratorium on these funds. On the 22 July 2020 Amatola Water received communication to pay back R 1 131 790.39 to the Jobs Fund and to absorb R 1 223 348.61 in reimbuisement of cost incurred by Amatola Water.

	Opening balance	Amount Repaid to the funder	Transferred to revenue	Total
Current year	1 132	1 132	-	-
Prior year	2 355	-	1 223	1 132
	-	-	-	-

14. Other Income

Sundry income	5 459	6 668

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

15. Revenue

	2021 R'000	2020 R'000
Raw water sales	23 972	22 724
Revenue section 30	36 752	52 946
Treated water sales	330 811	341 268
Other income	5 459	6 668
Profit on disposals	-	-
Interest received investment	29 389	50 800
Government grants & subsidies	-	1 223
Public Donations received	25 611	-
	451 994	**475 629**
Revenue from exchange transactions		
Raw water sales	23 972	22 724
Section 30 sales	36 752	52 946
Treated water sales	330 811	341 268
Other income	5 459	6 668
Interest received investment	29 389	50 800
	426 383	**474 406**
Revenue from Non Exchange		
Government grants & subsidies	-	1 223
Public Donations received	25 611	-
	25 611	**1 223**

	2021 R'000	2020 R'000
Detail of primary and secondary revenue		
Section 29 water volumes		
Treated Water	31 064	31 835
Raw Water	8 875	8 367
	39 939	**40 202**
Section 29		
Treated Water Sales	330 811	341 268
Raw Water Sales	23 972	22 724
	354 783	**363 992**
Section 30		
Implementing agency fees	18 970	17 028
Operations and maintanance agreement	14 384	34 312
Project cost recoveries	3 398	1 606
	36 752	**52 946**
Revenue	**391 535**	**416 938**

16. Cost of sales

Sale of goods - Section 29		
Raw water purchases	95 724	87 895
Water research levies	3 013	2 786
Electricity	54 418	49 625
Chemicals	7 440	6 011
Employee benefit costs	110 026	105 131
Depreciation and amortisation	75 753	74 636
	346 375	**326 084**
Cost of sales - Section 30		
Chemicals	-	233
Employee benefit costs	23 937	33 171
Repairs and maintanance	1 298	3 632
Project Costs	250	2 697
Depreciation	123	92
	25 608	**39 825**

17. Finance income

Interest revenue		
Interest earned from cash investments	13 393	29 411
Interest income relating to trade and other receivables	15 996	21 389
	29 389	**50 800**

18. Government grants and subsidies

Operating grants		
Government grants	-	1 223

Amatola Water Board received 2.5 million grant from the Jobs Fund(previously administered by DBSA) in respect of the learning academy in 2015 financial year. In the prior year R 1 223 348.61 has been transfered to revenue after approval was granted by National Treasury as a reimbuirsement for cost incurred by Amatola Water

	2021 R'000	2020 R'000
19. Public donations received		
Public contributions and donations	**25 611**	-

In January 2020 the Honourable Minister of Water and Sanitation appointed Amatola Water Board as an implementing agent for the Drought Relief Intervention programme in the Eastern Cape Province. An amount of R 230million was allocated for this program for different activities including the procurement of 20 water tankers which then the Minister approved that the trucks be Amatola Water Board assets. The value of the trucks of R 25 610 721.80 was then recognised as donation received.

	2021 R'000	2020 R'000
20. Employee related costs		
Basic salaries	59 596	59 267
Long Service Awards	35	57
	59 631	**59 324**
Employee Related Costs		
Basic salaries	121 463	122 966
Bonus	9 251	10 819
Allowances	19 756	20 719
Casual Labour	-	260
Overtime	7 029	7 829
Long Service Awards	35	57
Contributions Medical, Pension, UIF	31 061	29 769
Other Allowances	1 769	2 244
Leave Pay	3 230	2 887
	193 594	**197 550**
Direct Costs	133 963	138 286
Indirect Costs	59 631	59 264
	193 594	**197 550**

The entity provides retirement benefits for all permanent employees by making contribution to a defined contribution provident and pension fund. The fund, Orion, is administered by Old Mutual and is subject to the Pension Fund Act, 1956 as amended

	Number of Staff 2021	2021 R '000	Number of Staff 2020	2020 R '000
Provident fund Contributions	239	15 244	246	15 067
Pension fund contributions	57	4 093	57	4 222
	296	**19 337**	**303**	**19 289**

Notes to the Annual Financial Statements

An actuarial valuation has been performed on Amatola Water Board's unfunded liability in respect of the entitlement of employees to Long Service Awards and Retirement Gifts. The effective date of this valuation is 30 June 2021.

Amatola Water Board provides long service awards and retirement entitlements which are defined as other long service awards in terms of GRAP 25. In the current financial year, management assumed that all actuarial assusmptions occured and the actualrial valuation held true. It is management's intention to value the employee benefits every year. These are reconciled as follows.

20. Employee related costs (continued)

	Long service awards R'000	Retirement gifts R'000
Balance at 30 June 2019	533	73
Current service cost recognised in the statement of financial performance	78	28
Retirement gifts/ Long service awards paid	(113)	(6)
Balance at 30 June 2020	**498**	**95**
Current services costs recognised in the statement of comprehensive income	2	3
Retirement gifts/ Long service awards paid	(33)	(29)
Balance as at 30 June 2021	**467**	**69**

21. Executive and Non Executive Members' emoluments

Executive 2021 (R'000)

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

Notes to the Annual Financial Statements

Executive 2020 (R'000)

	Cash Component	Back pay	Reimbuisive and other allowances	Vehicle allowance	Pension/ provident package	Family cover, disability and group life	Medical Aid	CCMA Settlement	Total
A Gidana	1 332	-	60	110	114	46	19	-	1 681
J. Dalbock	1 092	-	11	240	95	48	-	-	1 486
V. Zitumane	1 740	20	39	547	-	-	-	-	2 346
Y Roboji	-	-	-	-	-	-	-	1 115	1 115
L Fokazi	1 103	-	20	422	109	55	-	-	1 709
	5 267	**20**	**130**	**1 319**	**318**	**149**	**19**	**1 115**	**8 337**

21. Executive and Non Executive Members' emoluments (continued)

2021 Resignations

L Fokazi resigned on the 18th December 2020.
V Zitumane resigned on the 13th November 2020.

Acting Arrangements

Acting Chief Financial Officer : Unathi Mbali (January 2021-30 June 2021) R 75 383.

Acting Director: Planning and Development Division: Sazile Qweleka (1 July 2020-August 2020) acting allowance R 10 371.28.

Acting Director: Planning and Development Division:Nkosiphendule Ntsebeza (1 September 2020-February 2021) acting allowance R 798 560.00. Mr Ntsebeza was appointed as an independent contractor.

Acting Director: Planning and Development Division: Simon Mqamelo (1 March 2021-May 2021) acting allowance R34 615.78

Acting Chief Executive Officer: Sazile Qweleka (23 March 2021-30 June 2021) acting allowance R52 537.30

Acting Executive Manager:Corporate Services Zameka Ngele (1 July 2020-30 April 2021) acting allowance R98 974.71

2020 Resignations

J Dalbock resigned on the 12th June 2020

Acting Arrangements

Acting Director: Planning and Development Division: Sazile Qweleka(1 July 2019-30 June 2020) acting allowance R 47 675

CCMA Settlement

An additional amount of R 1 115 254.00 for Roboji is the additional CCMA won against the organisation

Notes to the Annual Financial Statements

21. Executive and Non Executive Members' emoluments (continued)

Non-executive 2021 (R'000)

	Board Stipend	Board Meeting fees	Travel and other disbursements	Other fees	Total
New Board Members					
February 2021	-	-	-	-	-
Z Xalisa	43	129	-	2	174
M Ramashu	43	72	-	-	115
M Skosana	43	96	-	-	139
B Tonise	49	219	27	-	295
G Mahed	43	78	-	-	121
M Malotana	159	756	-	2	917
T Wana	123	455	88	-	666
N Jongilanga	43	87	3	-	133
Letsoalo	43	78	-	-	121
M Makgae	43	78	-	-	121
Old Board Members from July 2020					
November 2020					
A Wakaba*	-	33	-	-	33
A Magwentshu*	-	57	-	-	57
L Tshangela	80	114	-	11	205
P Songo	35	89	6	-	130
N A Geja	90	285	31	-	406
S R Sifo	80	93	24	-	197
M Kondlo	80	196	52	-	328
NM Javu	80	179	-	7	266
BH Makhedama	80	214	72	-	366
T Cumming*	-	46	-	-	46
S Gqobana	80	283	69	-	432
N Kutta	80	123	-	-	203
	1 317	**3 760**	**372**	**22**	**5 471**

Notes to the Annual Financial Statements

21. Executive and Non Executive Members' emoluments (continued)

Non-executive 2020 (R'000)

	Board Stipend	Board Meeting fees	Travel and other disbursements	Total
L Louw	115	74	1	190
EV Jooste	115	121	1	237
BE Hollingworth	115	157	8	280
N Mnqeta**	66	146	1	213
AP Le Roux	115	135	-	250
BH Makedama	58	70	23	151
T Cumming*	-	65	-	65
L Smith*	-	56	-	56
N Ravgee*	-	3	-	3
A Wakaba*	115	157	2	274
AP Mangwentshu	115	137	-	252
N Nyakaza	115	85	4	204
M Sirenya	91	162	10	263
C Mbande	115	39	-	154
M Kondlo	58	62	19	139
L Tshangela	58	70	2	130
B Sonjica	74	96	1	171
N A Geja	64	70	18	152
SR Sifo	58	65	13	136
NM Javu	58	61	1	120
M Malotana	58	64	5	127
T Wana	58	62	21	141
S Gqobana	58	60	13	131
PH Songo	63	76	1	140
NM Kutta	58	61	1	120
	1 800	**2 154**	**145**	**4 099**

Notes to the Annual Financial Statements

21. Executive and Non Executive Members' emoluments (continued)

2021 Comments.

Old board was terminated in November and an Administrator Mr Sonjica was appointed from November February 2021

* External committee members.

2020 Comments.

Included in the Board Emoluments expense as disclosed in the face of the Statement of Financial Performance is a June 2020 accrual reversed in July 2020 of R1 035 492 and a June 2021 accrual of R580 782.15

**N Mnqeta resigned on the 30 September 2019.

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

	2021 R'000	2020 R'000
Payments during the year under review	5 471	4 099
June accrual reversed in June	(1 035)	(164)
June Accrual	581	1 035
	5 017	**4 970**

22. Lease rentals on operating lease

Premises		
Contractual amounts	729	1 144
Motor vehicles		
Contractual amounts	8 784	9 775
Equipment		
Contractual amounts	331	358
	9 844	**11 277**

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

23. Repairs and Maintenance

Buildings offices and houses	1 242	395
Furniture and fixtures	4 910	7 441
Pipeline and distribution	2 485	1 818
Plant and machinery	4 304	4 910
Treatment works	2 992	2 505
	-	-
	15 933	17 069
Direct repairs and maintenance	1 298	3 632
Indirect Repairs and maintanance	14 635	13 437
	15 933	17 069

Notes to the Annual Financial Statements

	2021 R'000	2020 R'000
24. Operating and other expenses		
Audit Fees External	3 784	2 378
Bank charges	217	337
Audit Fees Internal	421	236
Consulting and professional fees	5 078	2 941
Consumables	2 036	2 152
Cooperate identity development	238	16
Designs and Creative Services	1	35
Insurance	3 084	2 128
Health and Safety	75	186
Promotional Aids and gifts	161	203
Magazines, books and periodicals	58	66
Medical expenses	62	35
Equipment Hire	29	8
Equipment small value items	19	59
Admin and Secretariat Services	174	513
Fees Contracts	4	526
PR Services	2	11
Loss on disposal of assets	3 547	4 262
Postage and courier	11	19
Printing and stationery	515	570
Inaugarations and events	22	498
Protective Clothing	77	166
Publicity and advertising	19	160
Security	4 406	2 973
Software Licences	4 035	2 247
Stores write off and adjustments	(8)	23
Telephone and fax	1 010	1 209
Training	2 796	1 671
Accomodation and travel	1 437	2 279
Electricity and water	1 950	1 816
Hire of vehicles	6	105
Vehicle licence fees	513	156
Fees: Technical Services	2 077	3 415
Services: Courier	-	3
Services Data	2 170	2 050
Sponsorship & social investment	-	33
Control of Hyacinth	-	1
Legal Expenses	6 665	2 006
Membership Fees	337	332
Insurance Workmans Compensation	626	640
Venue expenses	17	-

Notes to the Annual Financial Statements

	2021 R'000	2020 R'000
24. Operating and other expenses (continued)		
Laundry and cleaning expenses	303	246
Repographic and printing services	164	271
Refreshments: Seminars and meetings	193	240
Dam management charge out costs	(3)	-
	48 328	**39 221**

	2021 R'000	2020 R'000
25. Finance costs		
Interest: Creditors	**14 560**	**5 821**

Interest: Creditors relates mainly to interest charged by the Department of Human Settlements, Water and Sanitation on outstanding bulk water purchases debt as well as interest on late payment from other supplier.

	2021 R'000	2020 R'000
26. Cash (used in) generated from operations		
Surplus/ (Deficit) for the year	(96 816)	(62 578)
Adjustments for:		
Finance income	(29 389)	(50 800)
Loss on sale of asset	-	-
Finance costs	14 560	5 820
Impairment (assets)	878	-
Movements in provisions	(56)	(1 298)
Depreciation and amortisation	77 528	76 314
Finance income from receivables	15 996	21 389
Changes in working capital:		
(Increase)/ Decrease in Inventories	(96)	(195)
(Increase)/ Decrease in Receivables from exchange transactions	(50 343)	12 254
(Increase)/ Decrease in Unspent conditional grant	(1 132)	(1 223)
(Increase)/ Decrease in Payables from exchange transactions	(12 331)	(65 077)
(Increase)/ Decrease in VAT Receivable	2 304	(29 943)
	(78 897)	**(95 337)**

Notes to the Annual Financial Statements

27. Prior period errors
Summary of prior period errors

Statement of financial position	Previous	Adjustment	Restated
Property, plant and equipment	582 851	1 321 533	1 904 384
Intangible assets	3 279	(135)	3 144
Receivables from exchange transactions	200 298	1 632	201 930
VAT receivables	11 395	23 286	34 681
Payables from exchange transactions	(491 477)	(2 701)	(494 178)
Accumulated surplus	(557 125)	(1 391 360)	1 948 483
Statement of financial performance			
Revenue	(419 226)	2 288	(416 938)
Cost of sales	311 496	54 413	365 909
Lease rentals on operating leases	11 312	(34)	11 278
Depreciation and amortisation	3 793	(2 185)	1 608
Operating and other expenses	32 560	6 662	39 222
Repairs and maintenance	14 403	(965)	13 438
Debt impairment	49 234	(12 512)	36 722

Property, plant and equipment and Intangible assets

During the current year, management embarked on a process to verify its assets to ensure the existence, completeness and existence thereof. In addition to the aforementioned assertions, the classification of certain assets and asset types were re evaluated and the necessary adjustments were made. Where costs could not be determined at GRAP adoption date of 1 July 2018, assets were recognised using a depreciated replacement costs.

Statement of financial position	
Property, plant and equipment	1 321 533
VAT receivable	9
Intangible assets	(135)
Accumulated Surplus	(1 378 998)
Statement of financial performance	
Depreciation and amortisation	(2 185)
Operating and other expenses	6 662
Repairs and maintenance	(965)
Cost of Sales	53 999

Trade Payables from exchange transactions

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

Statement of financial position	
Payables from exchange transactions	(2 701)
Statement of financial performance	
Revenue	2 288
Cost of sales	413

Notes to the Annual Financial Statements

27. Prior period errors (continued)
Summary of prior period errors

Lease Rental

Correction of indentified misallocation of rental deposits processed against rentals.

Statement of financial position	
Receivables from Exchange Transactions	34
Statement of financial performance	
Revenue	-
Lease rentals on operating leases	(34)

Trade Receivables from exchange

As part of preparation of the 2021 Annual Financial Statements, a number of corrections were made to ensure that the statements are fairly presented. This included the recalculation of the provision of irrecoverable debtors.

Statement of financial position	
Receivables from Exchange Transactions	1 597
VAT receivable	**23 278**
Accumulated Surplus	(12 362)
Statement of financial performance	
Debt impairment	(12 512)

	2021 R'000	2020 R'000
28. Auditors' remuneration		
Audit fees: external	3 784	2 378
29. Contingent liabilities		
Debt applications		
Amatola Water Board is currently defending seven (prior year : ten) applications for outstanding debt and outcome is uncertain	27 624	29 774
Labour matters		
Amatola Water Board is currently defending five (prior year: seven) labour matters and the outcome is uncertain	5 900	4 830
Other matters		
Amatola Water Board is currently defending four (prior year: three) personal liability matters and the outcome is uncertain	12 489	12 834

Notes to the Annual Financial Statements

30. Related parties

Relationships	
Members	Refer to members' emoluments note 19
Department with significant influence	Department of Water and Sanitation

The Department of Water and Sanitation (DWS) is considered a related party entity as it exercises significant influence over Amatola Water Board.

Amatola Water Board has entered into various purchase and service transactions with Department of Water and Sanitation (DWS), in the ordinary course of business. These transactions were at arm's length.

Executive and non executive members are the members of the board and its sub committees and management of Amatola Water Board delegated to run the entity on a day to day basis. The list of key management personnel disclosed in note 19.

	2021 R'000	2020 R'000
Related party balances		
Statement of financial position		
DWS receivable	48 587	31 448
DWS payable	(234 214)	(132 276)
DWS provision for water research levy and interest	(34 213)	(19 653)
Statement of financial performance		
Dam management fees paid by DWS to Amatola Water Board	14 384	12 309
Project revenue DWS	9 723	7 688
Raw water purchases	(95 814)	(87 841)
Interest in outstanding debt DWS	(14 560)	(5 668)
Water research levy	(3 012)	(2 786)
	-	-

Notes to the Annual Financial Statements

31. Commitments

Capital commitments are commitments relating to the infrastructure upgrades approved which its expenditure is indicated under note 8 as Work in Progress. These will be expedited in the next financial year. The proposed capital expenditure will be funded by grant funding as well as internally generated funds.

	2021 R'000	2020 R'000
Authorised capital expenditure		
Already contracted for but not provided for		
Capital commitments	**52 778**	**225 189**
Total capital commitments		
Capital commitments	**52 778**	**225 189**
Authorised operational expenditure		
Already contracted for but not provided for		
Operational commitments	**13 083**	**-**
Not yet contracted for and authorised by members		
Operational	**500**	**-**
Total operational commitments		
Already contracted for but not provided for	**13 083**	**-**
Not yet contracted for and authorised by members	**500**	**-**
	13 583	**-**
Operating lease commitments motor vehicles		
- within one year	**7 414**	**8 896**
- in second to fifth year inclusive	**-**	**7 414**
	7 414	**16 310**
Operating lease commitments Rental of office space	**617**	**580**

Amatola Water Board entered into various lease rental agreements for office space use. The last lease term expired on the 31st of May 2021 and has been renewed until 31 May 2022.

Operating lease commitments office equipment		
- within one year	**128**	**149**
- in second to fifth year inclusive	**112**	**149**
	240	**298**

Ninety seven motor vehicles are leased under the new operating lease contract. The lease payments include a maintenance portion for the duration of the lease term. The leases are for an initial period of three years. The future minimum lease payments under the operating leases are as follows:

	2021 R'000	2020 R'000
	At Amortised Cost	At Amortised Cost
Financial Assets		
Trade and other receivables from exchange transactions	252 273	201 930
Cash and cash equivalent	417 510	523 951
	669 783	**725 881**
Financial Liabilities		
Trade and other payables from exchange transactions	347 565	283 072
Unspent conditional grants	-	1 132
	347 565	**284 204**

There are no financial instruments that have been pledged as security

Residual interest

	At fair value	At amortised cost	Total
Share capital / contributed capital	274 557	274 557	549 114

Financial instruments in Statement of financial performance 2021

	2021 R'000	2020 R'000
	At Cost	At Cost
Interest income (calculated using effective interest method) for financial instruments at cost	29 389	50 800
Interest expense (calculated using effective interest method) for financial instruments at cost	(14 560)	(5 821)
	14 829	44 979

33. Fruitless and wasteful expenditure

	2021 R'000	2020 R'000
Opening balance as previously reported		
Fruitless and wasteful expenditure current year	17 155	11 334
	14 560	5 821
Closing balance	-	-
Closing balance	**31 715**	**17 155**

Fruitless and wasteful expenditure relates to interest charged on the late payment of invoices as well as interest on outstanding DWS debt.
Amatola Water is in negotiations with DWS to write off the interest on outstanding account.

Notes to the Annual Financial Statements

34. Irregular expenditure

	2021 R'000	2020 R'000
Opening balance as previously reported	160 725	154 698
Add: Irregular Expenditure current year	7 096	6 027
Closing balance	**167 821**	**160 725**
Detail of irregular expenditure current year		
Non compliance with SCM regulations	4 281	681
Expenditure incurred of expired contracts	1 452	5 008
Expenditure on misplaced contracts	-	338
Contracts value exceeded	1 363	-
Closing balance	**7 096**	**6 027**

35. Budget differences

Material differences between budget and actual amounts

Differences of 10% or greater between the final budget and actual amounts have been assessed and are due to the following key differences:

35.1 Revenue Section 30

Under budget by 23.8 %

Secondary business was lower due to lower funding commitment than expected. KSD PI and Coffee Bay projects were behind the planned cashflows due to the delays caused by changes in lockdown levels through out the financial and other negative effects of COVID-19.

35.2 Other miscellaneous income

Over budget by 21.84%
This is mainly driven by insurance claims on assets

35.3 Public Donations received

DHWS has given trucks procured under DWS funding to the value of 25 million to Amatola Water. These funds were not budgeted for.

35.4 Non Executive Members

Over budget by 40.39
Expenditure increased to higher that normal meetings as well as claims relating to COVID-19 verification conducted by board.

35.5 Accommodation

Under budget by 39.6%
Expenditure decreases due to implementation of cost containmennt measures and lockdown.

35.6 Depreciation and amortisation

Over budget by 253%
Some of leases for premises and equipment contracts has ended during the financial year resulting to expenditure decreasing.

Notes to the Annual Financial Statements

35.7 Finance Cost
Over Budget by 239%.
Influence by increase in DWS interest changed on bulk water purchases on long outstanding debt

35.8 Lease rentals on operating leases
Under budget 18.24%
Some of leases for premises and equipment contracts has ended during the financial year resulting to expenditure decreasing

35.9 Debt Impairment
Over budget by 105%
Continuous non payment of long outstanding debt by key debtors like Amathole District Municipality has contributed to increase to debt impairment

35.10 Operating Expenditure
Under budget by 18%
Due to cost containment measures on other expenditure drivers and benefit of lockdown measures

35.11 Receivables from exchange transactions
Over budget by 34 %
Due non payment of services by customers like ADM who is over that 120 days and intermittent of current debt.

35.12 VAT Receivable
There was no provision made on the budget for vat receivable

35.13 Cash and cash equivalents
Over budget by 34.34%
Utilisation of advance received were lower than anticipated due to slow implementation of projects due to COVID- 19 effects.

35.14 Property plant and equipment
Conditional assessment has been done in all Amatola Water Board assets resulting in revised useful lives and determination of deeded cost for the assets which were procured or donated to AW resulting in material valuation of the entity's assets

35.15 Intangibles
Over budget by 27%
Due to increase in exchange rates on ther softwares the cost also increased.

35.16 Payables from exchange transactions
Over budget by 47%
Due to advance payments for section 30 projects not utilised as anticipated. DWS bulk purchases debt and other trade payables not paid at year end.

35.17 VAT Payable
Provision was made for a VAT payable but the entity end up having VAT receivable due to VAT recognised that was relating to debt impairment.

Notes to the Annual Financial Statements

35.18 Provisions

Under budget by 12 %.
Due to decrease in number of employees in 2021 compared to the previous year.

36. Events after the reporting date

No events are known to have occurred between the end of the reporting period and the date when the annual financial statements were authorised for issue which may present information that should be considered in the preparation of financial statements

37. Risk management

Financial risk management

Amatola Water Board activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. The entity uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the board. Entity treasury identifies, evaluates and hedges financial risks in close co operation with the entity's operating units. The board provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Liquidity risk is the risk that Amatola Water Board will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Amatola Water Board's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the entity's reputation.

The entity manages liquidity risk through proper management of working capital, ongoing review of future commitments, capital expenditure and actual versus forecasted cash flows. Adequate reserves and liquid resources are also maintained.

Financial Liabilities	2021	2020
Trade and other payables	347 565	283 072
Unspent conditional grants	-	1 132
	347 565	284 204

2021	On Demand	1-3 Months
Trade and other payables	-	347 565

2020	On Demand	1-3 Months
Trade and other payables	-	283 072
Unspent Conditional grants	1 132	-
	1 132	**283 072**

Notes to the Annual Financial Statements

37. Risk management (continued)

Credit risk

Financial assets, which potentially subject the entity to credit risk, consist principally of cash and trade receivables.

The entity's cash equivalents are placed with high credit quality financial institutions.

Credit risk with respect to trade receivables is high, as trade receivables mainly comprise bulk consumers, namely Local and District Municipalities. The remainder relates to water supply to domestic and industrial consumers.

Credit risk with respect to sundry receivables is also high, as sundry receivables mainly comprise of DWS, Local and District Municipalities in relation to MIG, RBIG and other capital funding. The average credit period allowed is 30 days from invoice date. Interest is charged at 7%.

Ongoing credit evaluations are performed on the financial condition of receivables. Trade receivables are presented net of impairment losses.

The carrying amounts of financial assets represent the maximum exposure to credit risk.

Board's maximum exposure to credit risk at year end is as follows:

Financial instrument	2021	2020
Cash and cash equivalent	417 510	523 951
Trade and other receivables	252 273	201 930

The ageing of trade receivables at the reporting date was:	Gross 2021	Impairment 2021	Gross 2020	Impairment 2020
Not past due date	64 136	32 723	40 590	20 315
One month past due date	9 842	5 022	11 229	5 620
Two months past due date	15 244	7 777	11 168	5 589
Three months past due date	15 317	7 815	11 058	5 534
More than four months past due date	171 206	87 351	180 983	90 581
	275 745	**140 688**	**255 028**	**127 639**

The ageing of sundry receivables at the reporting date was:	Gross 2021	Impairment 2021	Gross 2020	Impairment 2020
Not past due date	33 939	14 692	18 095	8 089
One month past due date	5 208	2 255	5 006	2 238
Two months past due date	8 066	3 492	4 979	2 226
Three months past due date	8 105	3 509	4 929	2 204
More than four months past due date	90 596	39 220	80 681	36 066
	145 914	**63 168**	**113 690**	**50 823**

Notes to the Annual Financial Statements

37. Risk management (continued)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2021 R'000	2020 R'000
Balance as at 01 July	**127 639**	**86 407**
Impairment provision increase/(decrease)	**13 049**	**41 232**
	140 688	**127 639**

The movement in the allowance for impairment in respect of sundry receivables during the year was as follows:

Balance as at 01 July	**50 823**	**50 043**
Impairment provision increase/(decrease)	**12 345**	**780**
	63 168	**50 823**

Market risk

Interest rate risk

As the entity has no significant interest bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Amatola Water Board adopted a policy of limiting exposure to interest rate fluctuations by arranging investments on a variable rates basis. Cash investments are conducted on a short term basis and are invested at variable interest rates with a diversified pool of registered banking institutions. The average interest rate earned for the year was 4%

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables normal credit terms	7,00%	252 273	-	-	-	-
Cash in current banking institutions	4,00%	417 510	-	-	-	-
Trade and other payables normal credit terms	7,00%	347 565	-	-	-	-

Capital risk management

The Amatola Water Board's objective for managing capital is to enhance Executive Authority value by providing an efficient and reliable water services to customers at the lowest economic cost while reducing debt, remaining financially self sufficient and generating sufficient funds to meet the required capital expenditure programme and thus sustaining future development of the business and its ability to continue as a going concern. This objective has remained consistent with the prior years.

As a government business enterprise, Amatola Water Board strives towards a target optimal capital structure, which is made up of a combination of financial liabilities, capital and reserves as disclosed in the statement of changes in net assets.

Capital Contribution	274 557	274 557
Accumulated surplus(deficit)	1 804 026	1 900 838
	2 078 583	**2 175 395**

Notes to the Annual Financial Statements

38. Going concern

We draw attention to the fact that at 30 June 2021, the entity had an accumulated surplus (deficit) of R 1 818 460 and that the entity's total asset exceed its total liabilities by R 2 078 566. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Material Uncertainties.
Given the impact of COVID-19 on the economy, our clients will likely not meet their debt obligation and this will impact in Amatola Water Board revising its future projections on both revenue and expenditure.

Amatola Water Board does however have the following mitigation factors that will assist the organisation:

Amatola Water Board is an essential services utility providing water services as mandated by government.

- Amatola Water Board is an essential services utility providing water services as mandated by government
- Amatola Water Board has long term bulk water service provisioning contracts with three major clients (BCMM, Ndlambe Local Municipality and ADM).
- There was no significant decrease in either the water volumes sold during the 2020/21 financial year because of the COVID-19 pandemic.
- Amatola Water Board provides secondary business activities to other clients (DOE, ORTDM and DWS).
- There are other potential sources of replacement funding from DWS (Drought /COVID-19 Relief Funding).
- There are no indications of possible restructuring.
- There is no indication made by the Minister of Water and Sanitation to liquidate or to transfer the entity to another.

Based on the above assessment, the financial statements have been prepared on the basis of accounting policies applicable to a going concern.

39. Taxation

Amatola Water is exempt from income taxation in terms of section 10 (1)t(ix)

Notes to the Annual Financial Statements

40. Accounting by principals and agents

The entity act as an agent on agreements entered with OR Tambo District Municipality, National Department of Public Works, Department of Education, Department of Water and Sanitation, Joe Gqabi District Municipality and Makana Local Municipality.

Amatola Water Board engages with service providers and contractors on behalf of the government department, Water Service Authorities that it has agreements with in the execution of various capital and operational water service projects.

Agency fees or cost incurred under each agreement are charged by Amatola Water Board at a rate agreed upon in the agreement.

The agreements do not contain significant areas of judgement on behalf of the agency as the agreement are legally enforceable and the risk and rewards are clearly articulated in the agreement that provides a definitive process of directive for work allocation and resource utilisation.

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

	2021 R'000	2020 R'000
Project advances	131 042	86 407

Project advances are recognised under cash and cash equivalent as cash held on behalf of the principals

Revenue recognised

Revenue

Section 30	36 765	52 946

Revenue recognised relates to implementing agency fees, operations and maintanace charges and project recoveries.

Additional information

Expenditure incurred in providing the services to the principal

Amount of expenduture incurred

Cost of sales	25 608	39 733

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Project receivables

Sundry debtors	65 137	42 062

Sundry debtors relates to monies owed by principals to Amatola Water. see note 25 for prior period error.

Payables relating to projects

Project payables	41 916	44 153

Project payables relates to payables raised on projects that are implemented by the agency on behalf of the principals.

Notes to the Annual Financial Statements

41. Segment information

General information

Identification of Segments

Information reported about the segments is used by management as a basis for evaluating the segments performances and for making decisions about the allocation of resources. The disclosure for information about these segments is also considered appropriate for external reporting purposes.

Amatola Water Segments

Amatola Water is organised and reports to management on the basis of three(3) major functional areas: primary business secondary business and support services and the financial performance and position of the organisation is reported as such.

Primary business (section 29) - is the core business of Amatola Water which is to provide bulk raw or treated water to clients like Municipalities, government institutions and other businesses

Secondary business (section 30) - Amatola Water act as an an implementing agent for other institution like municipalities and government departments and implement water and sanitation related projects on an agent basis.

Support Services - are administrative and shared internal functions to support business operations of Amatola Water.

Segment surplus or deficit, assets and liabilities 2021

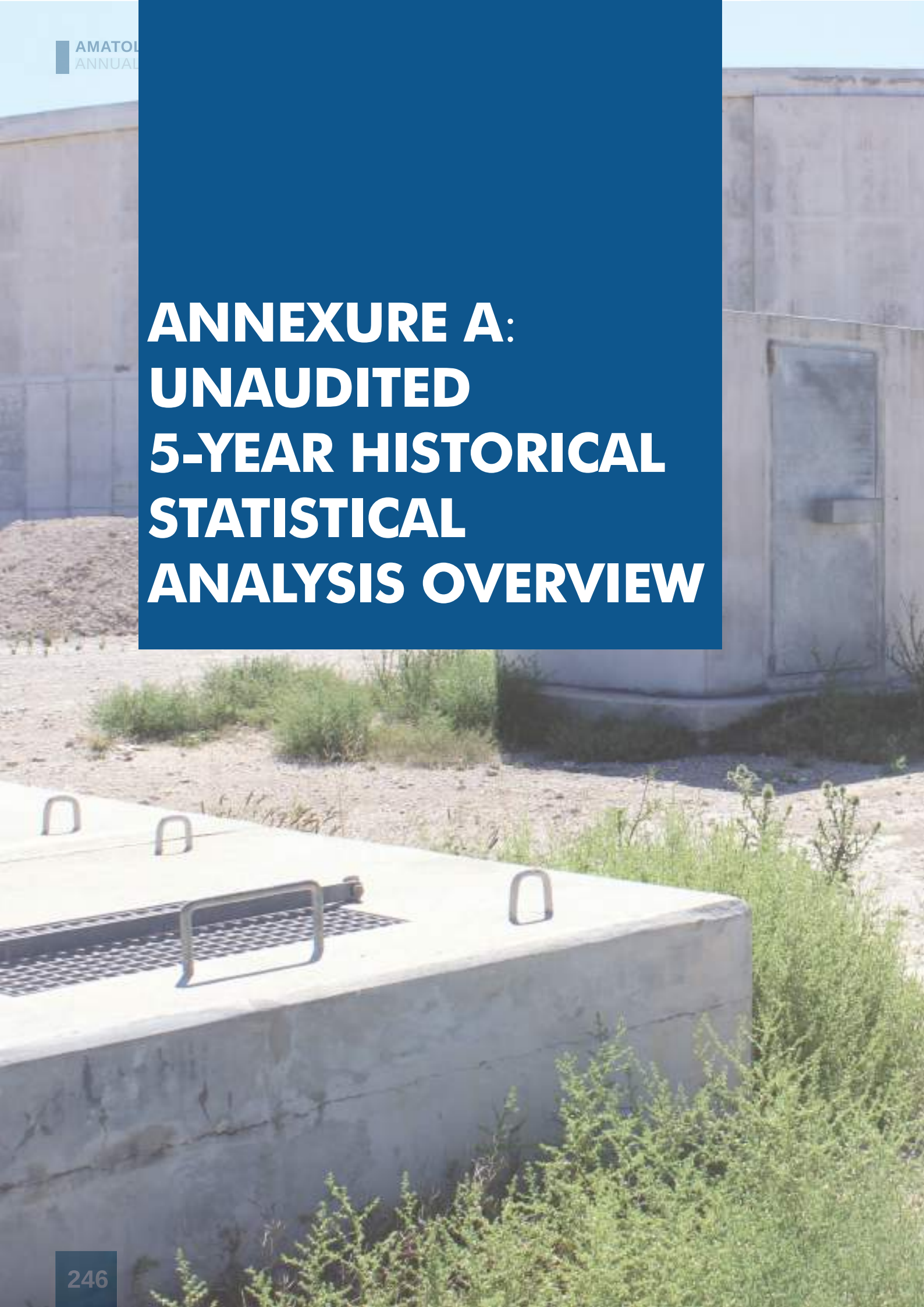
	Primary Business	Secondary Business	Support Services	Total
Revenue				
Revenue from non exchange transactions	354 783	36 752	-	391 535
Revenue from exchange transactions	-	-	25 611	25 611
Interest revenue	-	-	29 389	29 389
Other miscellenious income	4 583	36	840	5 459
Total segment revenue	**359 366**	**36 788**	**55 840**	**451 994**
Entity's revenue				**451 994**
Expenditure				
Salaries and wages	110 026	23 937	59 631	193 594
Non executive members emoluments	-	-	5 017	5 017
Depreciation and amortisation	75 753	123	1 651	77 527
Finance Costs	14 560	-	-	14 560
Lease rentals on operating lease	-	-	9 844	9 844
Dept Impairment	11 347	10 735	371	22 453
Bulk Purchases	95 724	-	-	95 724
Operating Expenses	64 871	1 548	63 672	130 091
Total segment expenditure	**372 281**	**36 343**	**140 186**	**548 810**
Total segmental surplus/(deficit)				**(96 816)**

Notes to the Annual Financial Statements

41. Segment information (continued)

	Primary Business	Secondary Business	Support Services	Total
Assets				
Property, Plant and Equipment	1 765 411	102 288	2 460	1 870 159
Inventories	699	-	2 506	3 205
Receivables from Exchange	152 666	99 114	817	252 597
VAT receivable	-	-	32 377	32 377
Cash and cash equivalents	70 614	131 042	215 854	417 510
Total segment assets	**1 989 066**	**332 444**	**254 014**	**2 575 524**
Total assets as per Statement of financial Position				**2 575 524**
Liabilities				
Payables from exchange transactions	267 725	222 659	6 023	496 407
Provisions	-	-	536	536
Total segment liabilities	**267 725**	**222 659**	**6 559**	**496 943**
Total liabilities as per Statement of financial Position				**496 943**





ANNEXURE A: UNAUDITED 5-YEAR HISTORICAL STATISTICAL ANALYSIS OVERVIEW

ANNEXURE A: UNAUDITED 5-YEAR HISTORICAL STATISTICAL ANALYSIS

	2021 AUDITED R000	2020 RESTATED R000	2021 VS 2020 %	2019 RESTATED R000	2020 VS 2019 %	2018 RESTATED R000	2019 VS 2018 %	2017 RESTATED R000
OPERATIONS								
Revenue	391 535	416 938	(6,1)	423 446	(1,5)	384 833	10,0	405 272
Cost of Sales	371 983	365 909	1,7	290 741	25,9	293 975	(1,1)	289 166
Other income	5 459	6 668	(18,1)	6 596	1,1	4 516	46,1	4 065
Grant Funding	-	1 223	(100,0)	92 386	(98,7)	88 554	4,3	
Public Donations	25 611	-	-					
Operating and Admin Expenses	176 827	172 282	2,6	138 181	24,7	190 658	(27,5)	127 411
Net finance income	29 389	50 800	(42,1)	47 609	6,7	29 045	63,9	16 761
Net Operating (Deficit)/Surplus	-96 816	-62 562	54,8	141 115	(144,3)	22 315	532,4	9 521
FINANCIAL POSITION								
Capital Contribution	274 557	274 557	-	274 557	-	274 557	-	274 557
Reserves			-		-		-	-
Retained (Deficit)/Surplus	1 804 024	1 900 838	(5,1)	572 045	232,3	430 931	32,7	91 385
Long-term Liabilities	-	-	-	-	-	-	-	275 050
Current Liabilities	496 943	495 903	0,2	557 679	(11,1)	452 870	23,1	282 808
Total Equity and Liabilities	2 575 524	2 671 298	(3,6)	1 404 281	90,2	1 158 358	21,2	923 800
Non-current Assets	1 870 159	1 907 627	(2,0)	542 490	251,6	542 726	(0,0)	533 716
Current Assets	705 365	763 671	(7,6)	861 791	(11,4)	615 632	40,0	390 084
Total Assets	2 575 524	2 671 298	(3,6)	1 404 281	90,2	1 158 358	21,2	923 800
CASH FLOW POSITION								
Cash flow from Operating Activities	-78 897	-95 337	(17,2)	252 741	(137,7)	260 793	(3,1)	-57 901
Cash Flow util. in /gen. from Investing Activities	-27 543	-20 685	33,2	10 884	(290,0)	-15 316	(171,1)	-111 937
Cash Flow utilised in Financing Activities		-	-	-	-	-	-	-15
Net Cash Increase/(Decrease) for year	-106 441	-116 004	(8,2)	263 625	(144,0)	245 477	7,4	-169 853

	2021 AUDITED R000	2020 RESTATED R000	2021 VS 2020 %	2019 RESTATED R000	2020 VS 2019 %	2018 RESTATED R000	2019 VS 2018 %	2017 RESTATED R000
RATIOS								
Revenue (Kilolitres x 1000)			-		-		-	
Treated Water Sales	31 064	31 835	(2,4)	31 432	1,3	31 708	(0,9)	33 208
Raw Water Sales	8 875	8 367	6,1	8 304	0,8	8 026	3,5	8 438
Total Water Sales	39 939	40 202	(0,7)	39 736	1,2	39 734	0,0	41 646
Revenue (R'000)			-		-		-	
Treated Water Sales	330 811	341 268	(3,1)	313 426	8,9	286 564	9,4	270 593
Raw Water Sales	23 972	22 724	5,5	20 726	9,6	18 614	11,3	17 067
Total Water Sales	354 783	363 992	(2,5)	334 152	8,9	305 178	9,5	287 660

ANNEXURE B:

PERFORMANCE AGAINST ANNUAL PERFORMANCE PLAN 2020/21

Strategic Outcome	Outputs	Output Indicators	Output Indicator Reference Number	SHC/SC	Actual Achievement 2019/2020	Planned Target 2020/21	Actual Achievement 2020-2021	Comment on Performance Achieved
SO3. INCREASED STAKEHOLDER CONFIDENCE	Water and wastewater	Number of AW plants achieving "GOOD& EXCELLENT " quality SANS 241:2015 Edition 2 in Table 4	3.1.1	SHC	10	7	9	Target Exceeded
	Availability and accessibility to services sustained	Percentage assurance of potable water supply	3.2.1	SHC	98.42%	98%	98.63%	Target Exceeded
		Percentage assurance of raw water supply	3.2.2	SHC	80.04%	98%	70.40%	Target Achieved
		Stakeholder satisfaction score	3.3.1	SC	0	6	5.65%	Target not Achieved
		Percentage progress against Ministerial Directives implementation plan	3.3.2	SHC	12	60%	122.8%	Target Exceeded
		Percentage customer satisfaction level	3.3.3	SC	0	60%	56.48%	Target not Achieved
		Number of community/ school initiatives undertaken	3.3.4	SHC	12	14	17	Target Achieved
		Actual B-BBEE spend as a % of total discretionary expenditure	3.3.5	SHC	108%	100%	120%	Target Exceeded

Strategic Outcome	Outputs	Output Indicators	Output Indicator Reference Number	SHC/SC	Actual Achievement 2019/2020	Planned Target 2020/21	Actual Achievement 2020-2021	Comment on Performance Achieved
SO2. INCREASED FINANCIAL GROWTH	Business operations for revenue generation and services	Number of Ml/day sold	2.1.1	SC	87.5Ml/day	88 Ml/day	85.7Ml/day	Target not Achieved
		Percentage of total water losses on production and distribution	2.1.2	SHC	14%	14%	14.8%	Target not Achieved
		Percentage of WSAs in the province contracted as customers	2.1.3	SC	38%	30%	38%	Target Exceeded
		Total number of signed contracts with Municipalities /Other Customers (bulk supply agreements) in place during the period of review	2.1.4	SHC	4	4	3	Target not Achieved
		Number of signed contracts/MOUs in place with rural Municipalities for the provision of support i.r.o. rural development initiatives	2.1.5	SHC	4	4	5	Target Exceeded
		R-value overall project expenditure	2.1.6	SHC	R402Mil	R450Mil	R386Mil	Target not Achieved
		Percentage of capex projects within target completion dates against planned number	2.1.7	SHC	46%	70%	46%	Target not Achieved
		Percentage of growth in total revenue	2.1.8	SHC	57%	70%	58.1%	Target not Achieved
		Percentage of actual capex budget spend on expansion related projects (initiatives by the Minister)	2.1.9	SC	New	-4.87%	-6.41%	Target not Achieved

Strategic Outcome	Outputs	Output Indicators	Output Indicator Reference Number	SHC/SC	Actual Achievement 2019/2020	Planned Target 2020/21	Actual Achievement 2020-2021	Comment on Performance Achieved
SO1. INCREASED FINANCIAL SUSTAINABILITY	Improved financial viability	Current ratio	1.1.1	SHC	1.485	1.5041	1.396	Target not Achieved
		Gross profit margin (primary activity)	1.1.2	SHC	24.91%	20.34%	18.54%	Target not Achieved
		Gross profit margin (secondary activity)	1.1.3	SHC	26.63%	30.76%	59.44%	Target Exceeded
		Net profit margin (all)	1.1.4	SC	-4.49%	-15.00%	-8.83%	Target Exceeded
		Net profit margin (primary activity)	1.1.5	SHC	0.98%	-14.42%	-13.53%	Target Achieved
		Net profit margin (secondary activity)	1.1.6	SHC	-41.39%	-19.57%	21.61%	Target Exceeded
		Debt equity	1.1.7	SHC	0.00%	0.00%	0.00%	Target Achieved
		Return on Assets	1.1.8	SHC	-10.94%	-8.11%	-8.36%	Target Achieved
		Debtors' days	1.1.9	SHC	87.02 days	141.21 days	120.62 days	Target Exceeded
		Percentage variance on operating expenditure	1.1.10	SHC	-1.56%	0.00%	6.29%	Target Exceeded
		Percentage of secondary business of total turnover	1.1.11	SHC	12.87%	11.28%	15.19%	Target Achieved
		Solvency ratio	1.1.12	SC	2.66	3.29	2.62	Target not Achieved
		Creditors' days	1.1.13	SC	85.97 days	59.63 days	111.57 days	Target not Achieved

Strategic Outcome	Outputs	Output Indicators	Output Indicator Reference Number	SHC/SC	Actual Achievement 2019/2020	Planned Target 2020/21	Actual Achievement 2020-2021	Comment on Performance Achieved
SO1. INCREASED FINANCIAL SUSTAINABILITY	Improved financial viability	Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	1.1.14	SHC	3.09%	4.26%	2.55%	Target not Achieved
		Percentage of staff remuneration to total operating expenditure	1.1.15	SHC	40.43%	40.04%	39.93%	Target not Achieved
		Percentage implementation of the Financial Recovery Plan	1.1.16	SC	New	100.00%	5%	Target not Achieved
		Percentage of employees achieving an average score of 3	4.1.1	SC	91.2%	70%	69%	Target not Achieved
		Percentage of new grievances resolved within 45 days	4.1.2	SC	100%	100%	100%	Target Achieved
		Percentage of submissions in respect of Quarterly Reports, Annual Reports, Monthly Entity Reports, Tariff, Business Plan and Shareholder Compact on time	4.1.3	SHC	100%	100%	67%	Target not Achieved
		External audit outcome	4.1.4	SHC	Qualified	Unqualified	Qualified	Target not Achieved

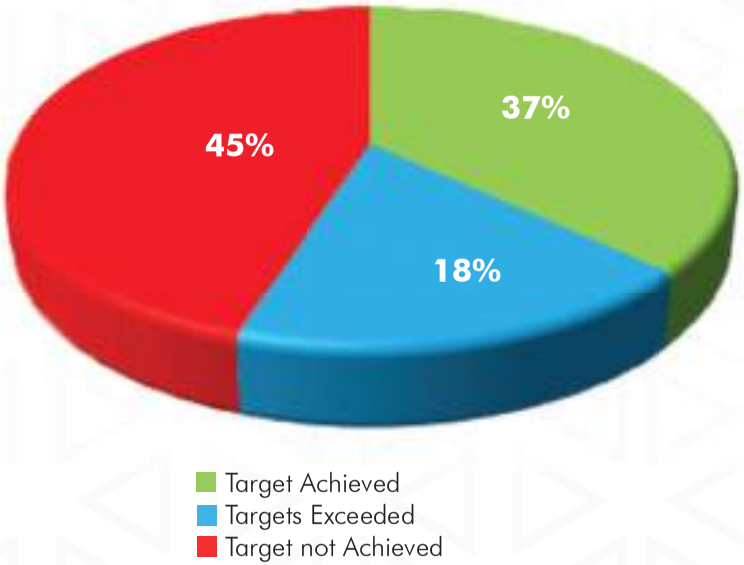
Strategic Outcome	Outputs	Output Indicators	Output Indicator Reference Number	SHC/SC	Actual Achievement 2019/2020	Planned Target 2020/21	Actual Achievement 2020-2021	Comment on Performance Achieved
SO1. INCREASED FINANCIAL SUSTAINABILITY	Improved financial viability	Percentage of board member attendance of all Board/committee meetings	4.1.5	SHC	95%	80%	94.62%	Target Exceeded
		Number of repeats internal audit findings	4.1.6	SHC	2	5	6	Target not Achieved
		Number of unresolved internal audit findings	4.1.7	SHC	10	10	8	Target Achieved
		Number of breaches of materiality and significance framework	4.1.8	SHC	0	0	2	Target not Achieved
		Percentage of targets achieved within the organisational scorecard	4.1.9	SC	55%	70%	57%	Target not Achieved
		Number of leadership development programmes completed	4.1.10	SC	New	1	2	Target Exceeded
SO5. INCREASED CAPACITY AND SKILLS	Improved organizational capacity	Average number of days to report on tests performed	5.1.1	SC	4	7	5.82	Target Exceeded
		Number of determinants SANAS accredited	5.1.2	SC	20	28	16	Target not Achieved
		Percentage expenditure on maintenance of total primary business operating budget	5.1.3	SC	6%	6%	8.44%	Target Achieved

Strategic Outcome	Outputs	Output Indicators	Output Indicator Reference Number	SHC/SC	Actual Achievement 2019/2020	Planned Target 2020/21	Actual Achievement 2020-2021	Comment on Performance Achieved
SO5. INCREASED CAPACITY AND SKILLS	Improved organizational capacity	Percentage of staff turnover	5.1.4	SHC	0.64%	1%	0.67%	Target Achieved
		Number of permanent jobs created	5.1.5	SHC	344	300	331	Target Exceeded
		Number of temporary jobs created	5.1.6	SHC	529	400	611	Target Exceeded
		Percentage of employees suitably qualified as per the job requirements	5.1.7	SC	100%	100%	100%	Target Achieved
		Number of learnerships	5.1.8	SHC	3	5	4	Target not Achieved
		Number of bursaries employees	5.1.9	SHC	15	15	15	Target Achieved
		Number of graduate programmes	5.1.10	SHC	15	7	7	Target Achieved
		Percentage implementation of the training and skills development programme	5.1.11	SC	63%	80%	86%	Target Exceeded
		Number of business cases completed as per the Infrastructure Master Plan	5.1.12	SC	New	4	4	Target Achieved
SO5. INCREASED CAPACITY AND SKILLS	Innovation Projects Implemented	Number of innovation projects	6.1.1.	SC	New	1	1	Target Achieved

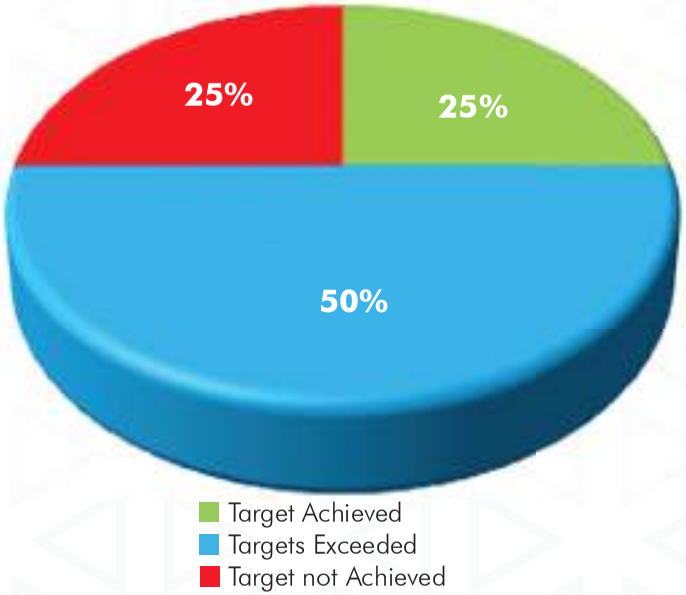
EXPLANATORY NOTES ON ADVERSE PERFORMANCE AND AREAS OF IMPROVEMENT.

Customer & Stakeholder Perspective

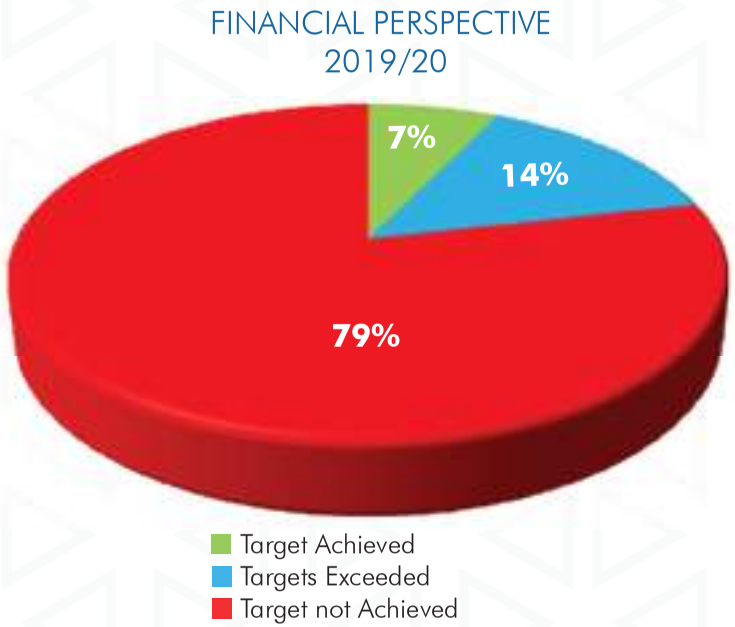
CUSTOMER & STAKEHOLDER PERSPECTIVE 2019/20

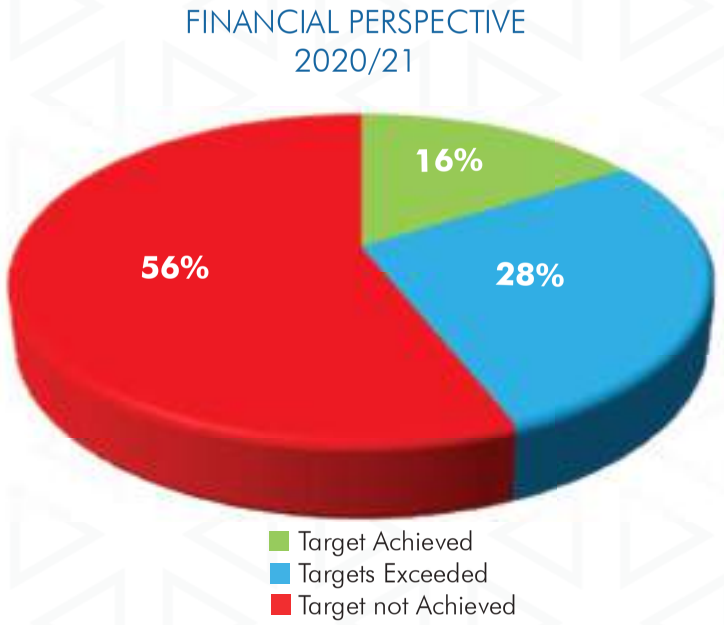


STAKEHOLDER & CUSTOMER PERSPECTIVE 2020/21



PERFORMANCE PERSPECTIVE: FINANCIAL PERFORMANCE		
Indicator Number	**Indicator/ measure**	**Reason for variance and recovery plan**
STRATEGIC OUTCOME: SO3. INCREASED STAKEHOLDER CONFIDENCE		
3.3.1	**Stakeholder satisfaction score**	The target has not been achieved. This is due to the negative image of Amatola Water in the media publications. The negative publicity against AW has increased in the media and was confirmed by the outcome of the stakeholder satisfaction survey conducted during the year under review. The levels of confidence amongst our external stakeholders have been affected by the negative publicity. AW's aim and objective is to safeguard the image of the organisation and ensure its continued sustainability in the long-term. **The Remedial Action Plan during 2021/22 financial includes:** • Stakeholder engagement has resumed with internal stakeholder engagement that are focused on servicing our external stakeholders. • The aim of these internal engagements is to unlock challenges faced internally relating to implementation of projects. • Manco is engaging on interventions to increase stakeholder confidence and improvement of the reputation of the organisation. • These will be coupled with a communications strategy and plan to engage stakeholders regularly with the view to restore the levels of confidence in the entity.
3.3.3	**Percentage customer satisfaction level**	





PERFORMANCE PERSPECTIVE: FINANCIAL		
Indicator Number	**Indicator/ measure**	**Reason for variance and recovery plan**
STRATEGIC OUTCOME: SO2. INCREASED FINANCIAL GROWTH		
2.11	**Number of Ml/day sold**	The target has not been achieved. This is due to Eskom load shedding. The higher losses during the reporting period were caused by load shedding and pipe breaks on bulk distribution networks. Currently, water restrictions are applied at municipalities due to drought. The equipment failure, delays in response time and number of breaks lead to reduction in number of mega litres sold per day. **The Remedial Action Plan during 2021/22 financial year includes:** • P&D will replace the ageing pipeline and speed up process to appoint contractors. • SCM will fast-track outstanding requisitions and issue of purchase orders
2.1.2	**Percentage of total water losses on production and distribution**	**The target has not been achieved. This is due to increase in water losses on the distribution and networks which are caused by:** • Inadequate water recycling systems at WTW's and long turnaround times to have pumps repaired. • Illegal connections on networks and AW pipelines which are not metered and billed. • Pipe breaks and level control units take a long time to be repaired. • Huge losses generated from wastage of water. • Meters do not read low flows effectively during the night. **The Remedial Action Plan during 2021/22 financial year includes:** • Duty/standby configurations are in place in most WTW. • Recovery systems will be upgraded to handle effective return of water to the head of works for recycling. • Meters will be moved back or selling from the fence will transfer most of the unbilled illegal connections back to the municipalities. • Review of bulk supply contracts. • Installation of level monitoring equipment on reservoirs. • Planned maintenance will be improved to reduce unplanned breakdowns. • Capacitate teams to address breakdowns effectively and improve response times according to AW operating standards. • Term contracts to be in place for critical supply of goods and services, essential emergency equipment and to source external rapid response teams where AW does not have the capacity. • Replacement of all village meters with dual flow type to measure normal and night/low flows effectively and effective planned maintenance of meters to in place.

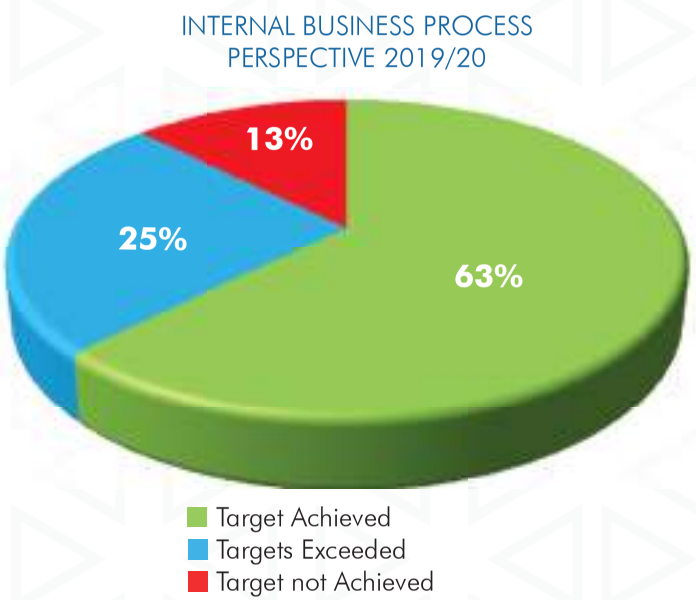
PERFORMANCE PERSPECTIVE: FINANCIAL

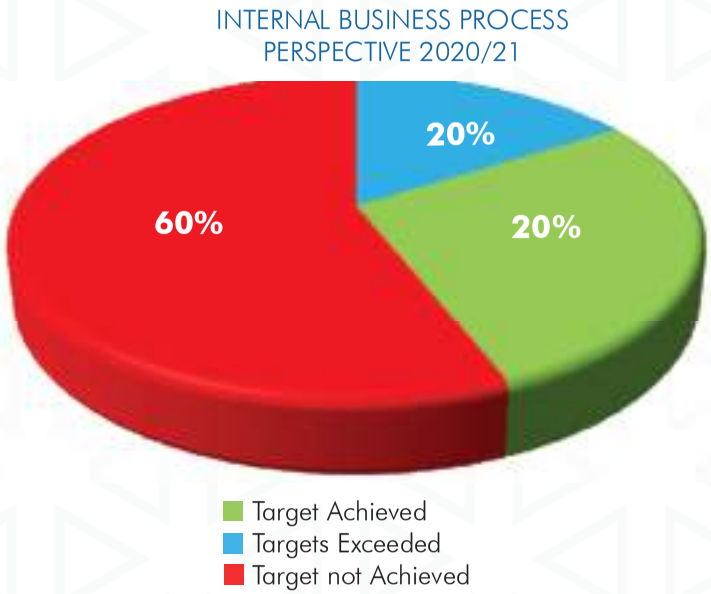
Indicator Number	Indicator/ measure	Reason for variance and recovery plan
2.1.4	**Total number of signed contracts with Municipalities / Other Customers (bulk supply agreements) in place during the period of review**	The target has not been achieved. AW currently has 3 Bulk Supply Agreements in place with Buffalo City Metropolitan Municipality, Amathole District Municipality and Ndlambe Local Municipality. The Makana Operation and Maintenance contract is currently not being serviced. **The Remedial Action Plan during 2021/22 financial year includes:** • Amatola Water will be embarking on new business ventures to secure additional Bulk Water contracts with Municipalities/Other Customers.
2.1.6	**R-value overall project expenditure**	The target has not been achieved: This is due to the COVID-19 lockdown regulation which has impacted on progress of the contracts pertaining to all projects. The materials such as steel, valves, pipelines etc. did not arrive on time. The manufactures needs 50% upfront payment before manufacturing the material needed for the projects. During Q4 AW could not make such upfront payments as it is against the conditions of contracts to make prepayments for services not rendered. **The Remedial Action Plan during 2021/22 financial year includes:** • P&D and Ops (Special programmes) are developing a unblocking and recovery plan to resolve delays, blockages and suppressed construction performance. • AW will advise the contractors to provide the Advance Payment Guarantees. • A schedule of weekly meetings will be in place to unlock the delays on projects.
2.1.7	**Percentage of capex projects within target completion dates against planned number**	The target has not been achieved. This is due to the COVID-19 lockdown regulation which has impacted on progress of the contracts pertaining to all projects. The materials such as steel, valves, pipelines etc. did not arrive on time. The manufactures needs 50% upfront payment before manufacturing the material needed for the projects. During Q4 AW could not make such upfront payments as it is against the conditions of contracts to make prepayments for services not rendered. **The Remedial Action Plan during 2021/22 financial year includes:** • P&D and Ops (Special programmes) are developing a unblocking and recovery plan to resolve delays, blockages and suppressed construction performance. • AW will advise the contractors to provide the Advance Payment Guarantees. • A schedule of weekly meetings will be in place to unlock the delays on projects.
2.1.8	**Percentage of actual capex budget spend on expansion related projects (initiatives by the Minister)**	The target has not been achieved. This is due to the allocation of DWS funding being depleted in Q3 and contractors embarking on a go-slow during project implementation due to non-payment of invoices. There was no response with regards to the application of budget allocation from DWS and National Treasury. AW is currently bridge funding from advances received for implementation of projects in respect of invoices received for the Nooitgedagt project. **The Remedial Action Plan during 2021/22 financial year includes:** • AW has submitted an application for new budget funds to DWS. • AW is engaging DWS to confirm the approval of funding available for the payment of contractor to continue with the works on site.
2.1.9	**Percentage of growth in total revenue**	The target has not been achieved. This is due to the lower intake of volumes in primary business during the period under review. **The Remedial Action Plan during 2021/22 financial year includes:** • P&D will speed up WTW upgrade to supply the whole of the East Coast with water and conclude the installation of the 2.225 pipeline by appointing a contractor. • Monitoring the implementation of the Financial

PERFORMANCE PERSPECTIVE: FINANCIAL		
Indicator Number	**Indicator/ measure**	**Reason for variance and recovery plan**
STRATEGIC OUTCOME: SO1. INCREASED FINANCIAL SUSTAINABILITY		
1.1.1	**Current ratio**	The target has not been achieved. This is due to current assets being higher than in planned target in relation to current liabilities. This is mainly due to a high trade receivables balance and cash on hand in respect of advances. **The Remedial Action Plan during 2021/22 financial year includes:** • Implementation of Section 51 as per the PFMA to recover long outstanding debt. • Reduction of current liabilities by repaying the DWS debt on funds received from primary business customers.
1.1.2	**Gross profit margin (primary activity)**	The target has not been achieved. This is due to primary revenue for treated water which is lower than budget by 4% (R17.5m). The Eskom Load Shedding and ageing 225mm line that is constantly bursting has led to an increase water losses of in Nahoon. **The Remedial Action Plan during 2021/22 financial year includes:** • P&D will speed up the WTW upgrade to supply the whole of the East Coast with water and conclude the installation of the 2.225 pipeline by appointing a contractor. • Monitoring the implementation of the Financial Recovery Plan during the 2021/22 financial year. • SCM will fast-track outstanding requisitions and issue purchase orders.
1.1.12	**Solvency ratio**	The target has not been achieved. This is due to current assets being higher than in planned target in relation to current liabilities. This is mainly due to a high trade receivables balance and cash on hand in respect of advances. **The Remedial Action Plan during 2021/22 includes:** • Implementation of Section 51 as per the PFMA to recover long outstanding debt. • Reduction of current liabilities by repaying the DWS debt on funds received from primary business customers.
1.1.13	**Creditors' days**	The target has not been achieved. This is due to ADM not honouring the payment plan which results in AW struggling to pay DWS for water purchases . AW owes DWS an amount of R190 mil as at 30 June 2021 which equates to 79% of the total creditors aging balance. **The Remedial Action Plan during 2021/22 financial year includes:** • Reconciling the DWS water purchases account and pay 3 months' worth of invoices when funds are received from ADM . • AW will engage DWS to enter into repayment plan over a period of 48 months for the long outstanding debt.
1.1.14	**Repairs and maintenance as % of PPE and Investment Property (Carrying Value)**	The target has not been achieved. This is due to repairs and maintenance which was underspent against the budget by 33.7 %. This under expenditure is mainly due to low spending on desludging of dams; underspending on building, fences, meters, plant, machinery and fuel for fleet vehicles. **The Remedial Action Plan during 2021/22 financial year includes:** • Continuous monitoring of preventative maintenance plan to mitigate the risk on operations.
1.1.15	**Percentage of staff remuneration to total operating expenditure**	The target has not been achieved. The additional allowances relating to the 2019/20 Amanzi-Bargaining Council agreement had to be implemented and were not included in the approved budget for 2020/21 financial year yet funded from savings in the delay of appointment in vacancies. **The Remedial Action Plan during Q1 of 2021/22 financial year includes:** • Embarking on an organisational review project. • Implementation of reduction measures to reduce overtime without impacting the continuity of operations.

PERFORMANCE PERSPECTIVE: FINANCIAL		
Indicator Number	**Indicator/ measure**	**Reason for variance and recovery plan**
1.1.16	**Percentage implementation of the Financial Recovery Plan**	The target has not been achieved. Only 5% of the Financial Recovery Plan (FRP) activities scheduled for 2020/21 financial year were actioned. 95% activities were not done due to capacity constraints and competing operational priorities during the financial year. **The Remedial Action Plan during 2021/22 financial year includes:** • Review of the Financial Recovery Plan activities • Monitoring of the implementation of activities in FRP • Finalise the appointment of CE and CFO to ensure leadership stability and championing of programmes • Schedule departmental meetings to address challenges impacting the progress in the implementation of FRP.

INTERNAL BUSINESS PROCESS PERSPECTIVE



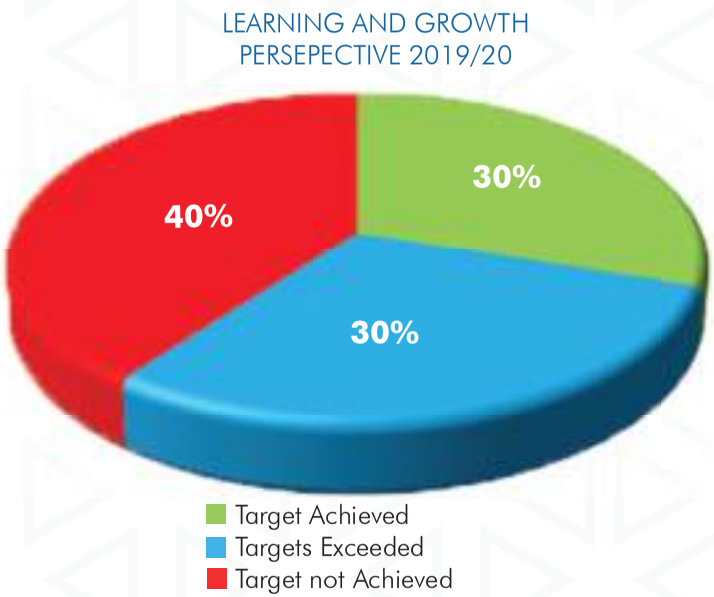


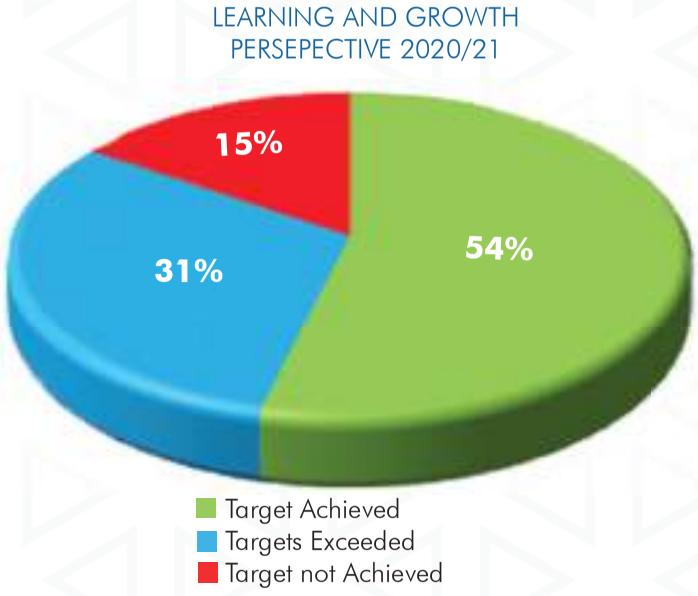
PERFORMANCE PERSPECTIVE: INTERNAL BUSINESS PROCESS		
Indicator Number	**Indicator/ measure**	**Reason for variance and recovery plan**
STRATEGIC OUTCOME: SO4. LEADERSHIP DEVELOPMENT		
4.1.1	**Percentage of employees achieving an average score of 3**	The target has not been achieved. The submissions for Quarter 3 performance reviews were expected on the 5th May 2021. The performance against this target will be updated when the overdue performance reviews are submitted by employees. **The Remedial Action Plan during 2021/22 includes:** • The reminders will be sent and MANCO updated on progress when performance assessments for Q3 and Q4 are concluded simultaneously to meet deadline of 25th August 2021.
4.1.3	**Percentage of submissions in respect of Quarterly Reports, Annual Reports, Monthly Entity Reports, Tariff, Business Plan and Shareholder Compact on time**	The target has not been achieved: This is due to the delays in the submission of Integrated Annual Report 2019/20 and revised Corporate Plan 2021-2026 as result of the delayed audit review by Audit-General SA (AGSA) which was impacted by COVID-19 pandemic limiting working arrangements of the audit team. The motivation requesting for a special concession by the Honourable Minister of Human Settlements, Water and Sanitation and National Treasury to submit the approved Annual Report 2019/20, Corporate Plan, Shareholder Compact was submitted. These have been subsequently submitted and tabled in parliament on the 15th July 2021 (Annual Report 2019/20) and 22nd July 2021 (Business Plan 2021-2026). **The Remedial Action Plan during 2021/22 financial year includes:** • AW will ensure that these compliance reports are submitted timeously by ensuring that the capacity allocated to these functions are available as most critical post are in the process of being filled. • Enhance monitoring of compliance report submissions through the governance
4.1.4	**External audit outcome**	Target has not been achieved: The Entity received a qualified audit opinion for 2020/21 from the Office of the Auditor General. **The qualification items were:** • Property, Plant and Equipment; • Payables from exchange transactions; and • Irregular Expenditure. Furthermore; the report also highlighted matters of emphasis on restatement of corresponding figures and material debt impairments and as well as non-compliance findings on Annual Financial Statements, Expenditure Management, Consequence Management, Revenue Management and Procurement and Contract Management. **The Remedial Action Plan during 2021/22 financial year includes:** Management will develop an Audit Improvement/Intervention Plan during the month of April 2020 in order to monitor and address issues/findings identified by the Office of the Auditor General in the 2019/20 audit report.

PERFORMANCE PERSPECTIVE: INTERNAL BUSINESS PROCESS

Indicator Number	Indicator/ measure	Reason for variance and recovery plan
4.1.6	**Number of repeats internal audit findings**	The target has not been achieved. There are six repeat findings which were identified in the Internal Audit reports issued in quarter 4. The findings are as follows: **Quarterly Performance Information Reports:** • Insufficient Portfolio of Evidence to substantiate reported achievements, identified on Internal Audit Report on Review of Quarter 2 Performance Report was also identified in Review of Quarter 3 Performance Report issued in May 2021. • Inadequate reasons for deviation and or/corrective actions provided for targets over-or under-achieved identified on Internal Audit Report on Review of Quarter 2 Performance Report was also identified in Review of Quarter 3 Performance Report issued in May 2021. **Human Resources Review 2017/18:** • Inadequacies noted in the Recruitment and Selection process. • Supporting documentation not provided. • Inadequacies noted in leave balances. **Debt Recovery Management Review 2019/20:** • No disconnection of service due to non-payment. **The Remedial Action Plan during 2021/22 financial year includes:** • Internal Audit will continuously conduct follow up on the Internal Audit Tracking Tool (prior year Internal Audit Reports) to ensure that management addresses the Internal Audit findings and management action plans. • This tracking tool is a standing agenda item in all the ordinary ARC meetings and the recent updated report will be tabled in the ARC scheduled for 23rd August 2021.
4.1.8	**Number of breaches of materiality and significance framework**	Target has not been achieved: During review of Gawula Incorporated Invoices and appointment, AW noted that Gawula Incorporated was appointed without following SCM processes and therefore was appointed Irregular. Furthermore; the SCM Report, AW noted that the Entity incurred: • Irregular Expenditure amounting to R3 771 415.45. • Fruitless and Wasteful Expenditure amounting to R7 044.80. **The Remedial Action Plan during 2021/22 financial year includes:** Management will investigate Irregular, fruitless and wasteful expenditure and implement
4.1.9	**Percentage of targets achieved within the organisational scorecard**	The target has not been achieved. This is due to the COVID-19 pandemic and the current financial distress which continues to have a critical impact on the financial sustainability of the organisation . **The Remedial Action Plan during 2021/22 includes:** • Management will continue to ensure that the remedial actions are implemented and there is accountability against the set performance targets. • Performance Management training will be conducted to inculcate the culture of performance in the organisation. • The Financial Recovery Plan will be reviewed and updated in order to turnaround the financial position and performance of the organisation.

LEARNING AND GROWTH PERSPECTIVE





PERFORMANCE PERSPECTIVE: LEARNING AND GROWTH PERSPECTIVE		
Indicator Number	**Indicator/ measure**	**Reason for variance and recovery plan**
STRATEGIC OUTCOME: SO5. INCREASED CAPACITY AND SKILLS		
5.1.2	**Number of determinants SANAS accredited**	The target has not been achieved. All SANAS accreditation assessments were conducted remotely due to COVID-19 pandemic lockdown. SANAS has temporarily suspended all onsite accreditation assessments since March 2020 due to COVID-19, which include the extension of the existing scope of accreditation which is required to be done onsite. **The Remedial Action Plan during 2021/22 includes:** • The Amatola Water laboratory is awaiting SANAS to re - open onsite accreditation assessments and make application for the extend scope of determinants
5.1.8	**Number of learnerships**	The target has not been achieved. The budget for training was reduced as per the institutions cost containment measures targeting travel and accommodation which was included in the initial training plan. During Q4 training activities were mostly conducted virtually within the revised training budget. **The Remedial Action Plan during 2021/22 includes:** • Learnership programmes have been accommodated in the training plan and approved budget for 2021/22 financial year.



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 164 - 171.

GENERAL STANDARD DISCLOSURES

STRATEGY AND ANALYSIS	PAGE
G4-1: Provide a statement from the most senior decision-maker of the organisation (such as CE, Chairperson, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	9 -11, 13-14 ,16-19, 32 -38
G4-2: Provide a description of key impacts, risks and opportunities	26 -28, 32-38, 40 -43, 58 – 76, 133 - 134

ORGANISATIONAL PROFILE	PAGE
G4-3: Report the name of the organisation	Throughout the report
G4-4: Report the primary brands, products and services	23 – 25, 40-41, 100 -113
G4-5: Report the location of the organisation's headquarters	4
G4-6: Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	4, 23 -25
G4-7: Report the nature of ownership and legal form	4 - 5, 23 -25
G4-8: Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	23-25, 100 -113
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	80 – 86
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	80 – 86
G4-11: Report the percentage of total employees covered by collective bargaining agreements	80
G4-12: Describe the organisation's supply chain	146, 238 - 239
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	23 -25, 80 – 86, 146, 175, 177,181 -183, 238 – 239, 241

ORGANISATIONAL PROFILE	PAGE
G4-14: Report whether and how the precautionary approach or principle is addressed by the organisation	Not applicable
G4-15: List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	22, 46 – 54, 92 – 97, 102, 105, 136
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	80

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES	PAGE
G4-17: a. List all entities included in the organisation's consolidated financial statements or equivalent documents b. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report	149 - 183
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	22 -23, 42 - 43
G4-19: List all the material aspects identified in the process for defining report content	22 -23, 42 - 43
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: o The list of entities or groups of entities included in G4-17 for which the aspect is not material or o The list of entities or groups of entities included in G4-17 for which the aspect is material o Report any specific limitation regarding the aspect boundary within the organisation	22 -23, 42 - 43
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	22 -23, 42 - 43
G4-22: Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	149 – 183, 234
G4-23: Report significant changes from previous reporting periods in the scope and aspect boundaries	40 – 41, 58 -76, 80 – 86, 149 – 183

STAKEHOLDER ENGAGEMENT	PAGE
G4-24: Provide a list of stakeholder groups engaged by the organisation	43, 46 – 54, 116 - 117
G4-25: Report the basis for identification and selection of stakeholders with whom to engage	43, 46 – 54, 116 - 117
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	43, 46 – 54, 116 - 117
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	43, 46 – 54, 116 - 117

REPORT PROFILE	PAGE
G4-28: Reporting period (such as fiscal or calendar year) for information provided	Throughout the report
G4-29: Date of most recent previous report	Throughout the report
G4-30: Reporting cycle (such as annual, biennial)	Throughout the report
G4-31: Provide the contact point for questions regarding the report or its contents	Cover page
G4-32: a. Report the "in accordance" option the organisation has chosen b. Report the GRI content index for the chosen option c. Report the reference to the external assurance report	22 – 23, 165 - 171
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	116 – 132, 135 -136, 165 - 171

GOVERNANCE	PAGE
G4-34: Report the governance structure of the organisation, including committees of the highest governance body, and identify any committees responsible for decision-making on economic, environmental and social impacts	116 – 132
G4-35: Report the process for delegating authority for economic, environmental and social topics from the high-est governance body to senior executives and other employees	116 – 132
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	116 – 132
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 – 132
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	116 – 132
G4-39: Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organisation's management and the reasons for this arrangement)	Not applicable
G4-40: Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including: • Whether and how diversity is considered • Whether and how independence is considered • Whether and how expertise and experience relating to economic, environmental and social topics are considered • Whether and how stakeholders (including shareholders) are involved	Not applicable

GOVERNANCE	PAGE
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	132 -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	116 – 132
G4-43: Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	116 – 132
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	116 – 132
G4-45: Report the highest governance body's role in the identification and management of economic, environ-mental and social impacts, risks, and opportunities, including the highest governance body's role in the implemen-tation 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	116 – 136, 152 - 160
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	116 – 136, 152 - 160
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GOVERNANCE	PAGE
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