



Amatola
Water • Amanzi

bringing water to life

AMATOLA WATER BOARD

**INTEGRATED
ANNUAL REPORT**

2015/16



bringing water to life

Amatola Water

IS PROUD OF ITS

specialist, technical
and professional
expertise

The full range of services provided by Amatola Water in the Eastern Cape include:



Infrastructure
development



Water resource
management



Institutional
and social
development



Water services
provision



Scientific
services



Financial
management

Forward-looking statements

All forward-looking statements in this report have been extracted from the Amatola Water Business Plan 2016/20.

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GENERAL INFORMATION

Registered name

Amatola Water Board

Registration

Established by the Honourable Minister of Water Affairs and Forestry, proclaimed in Government Gazette Number 18409 of 14 November 1997, as empowered by the Water Services Act, 1956 (Act No 54 of 1956) in terms of Section 108(2), as well as the Public Finance Management Act, 1999 (Act No 1 of 1999, as amended by Act No 29 of 1999). The organisation is a Schedule 3(B) National Government Business Enterprise.

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SECTION 1

INTRODUCTION

Amatola Water reports on its legislative compliance and performance – as reported to the Minister of Water and Sanitation – during the financial year from 1 July 2015 to 30 June 2016 in this integrated annual report.



REPORT PROFILE

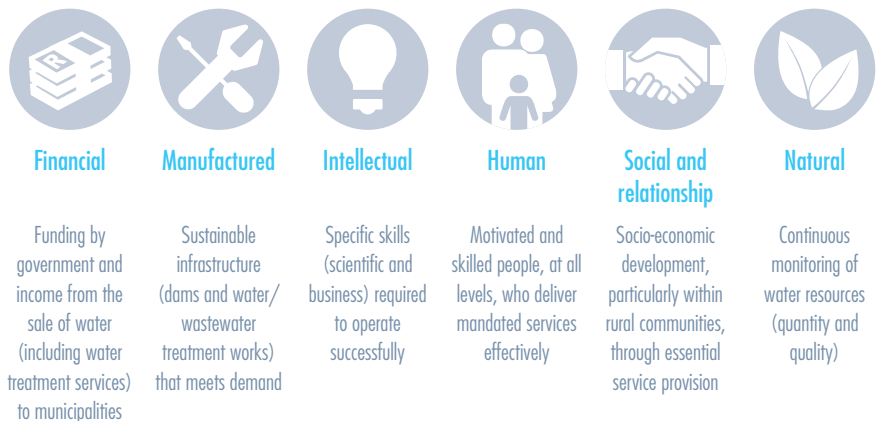
Guided by the International Integrated Reporting <IR> Framework of the International Integrated Reporting Council (IIRC), and reporting “in accordance” with the comprehensive option presented by the G4 guidelines of the Global Reporting Initiative (GRI), this is Amatola Water’s second sustainability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

Amatola Water has adopted seven basic principles in compiling this report

- 1 Strategic focus and future orientation:** insight into the organisation’s strategy and how this relates to its ability to create value in the short, medium and long term.
- 2 Connectivity and balanced presentation of information:** a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation’s ability to create value over time.
- 3 Stakeholder responsiveness/inclusiveness:** the nature and quality of the organisation’s relationships with its key stakeholders, including how and to what extent it understands, considers and responds to their legitimate needs and interests.
- 4 Materiality:** matters that substantively affect the organisation’s ability to create value.
- 5 Conciseness:** succinct, comprehensive and transparent disclosures.
- 6 Reliability, accuracy and completeness:** all material matters, positive and negative, are presented in a balanced manner and without material error, particularly in the commitments stated by the Chief Executive Officer (CEO), Chairperson of the Board, Chairman of Audit and Risk Committee as well as independent third party assurances.
- 7 Consistency and comparability:** information is presented as consistent over time and in a way that enables comparison with other organisations to the extent that it is material to the organisation’s ability to create value over time.



Amatola Water illustrates VALUE CREATION OVER TIME IN TERMS OF THE CAPITALS



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

FOREWORD BY MINISTER OF WATER AND SANITATION

The Department of Water and Sanitation is the custodian of South Africa's water resources. It is primarily responsible for the formulation and implementation of policy governing this sector.

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

While striving to ensure that all South Africans gain access to clean water and dignified sanitation, the department also promotes effective and efficient water resources management to ensure sustainable economic and social development.

The Department of Water and Sanitation has a mandate to ensure that there is equitable and sustainable water and sanitation access to support socio-economic growth and ensure sustainable development of current and future generations. Water sector policy frameworks, legislation and regulations are therefore reviewed at regular intervals to ensure this. The National Development Plan, the Medium Term Strategic Framework (MTSF), and the National Water Resources Strategy objectives, have all guided the department's policy and plan development, as well as, Amatola Water's strategy and implementation plans during this reporting period.

INSTITUTIONAL AND LEGISLATIVE CHANGES THAT IMPACT, GUIDE AND ENABLE WATER BOARDS TO DELIVER VALUE

Development of the Water and Sanitation Policy Framework: The development of the National Water and Sanitation Policy Framework aims to consolidate the various water and sanitation policies into a single, cohesive policy framework to guide the water and sanitation sector. This is to include a clarification of the roles and responsibilities of all role players across the three spheres of government and the water management institutions to facilitate enhanced co-operation and collaboration in the rollout of bulk water resources, water supply and sanitation services.

Development of the National Water and Sanitation Amendment Bill: The National Water and Sanitation Amendment Bill is intended to bring in a consolidation of the National Water Act, 1998 (Act No 36 of 1998) and Water Services Act, 1997 (Act No 108 of 1997) into one piece of legislation. A consolidation of these Acts will enable everyone within the water sector to have a clearer understanding of the legislative framework regarding water management across the entire water and sanitation value chain. The first draft (version 1) of the Bill was produced in May 2015 with the internal comments incorporated in the refined Bill.

Review and development of the National Water and Sanitation Resources and Services Strategy (NWSRSS): Subsequent to the reconfiguration of the department, the second edition of the NWSRSS is under review to incorporate the sanitation function.

Review of the Water Research Act, 1971 (Act No 34 of 1971): The review of this Act is at an advanced stage and seeks to enhance the mandate and governance of the Water Research Commission, and to better align the Act with all other applicable legislation informing the service delivery orientation of the water and sanitation sector; legislation that was not in place at the time the Water Research Act was promulgated in 1971.

Review of the water pricing strategy: The strategy review seeks to improve the financial viability of government's bulk raw water business to ensure that this scarce resource is valued by all citizens. The major change of the review is to move from the return-on-asset method of infrastructure costing to a method of pricing based on future infrastructure built over 10 years per province. The draft water pricing strategy, with Section 10 of the norms and standards, was gazetted for public comment.

Development of the funding model: The intention of the development of a funding model is to determine the variety of financing mechanisms or models adopted in South Africa and internationally to fund infrastructure. The project will look at the principles of infrastructure funding and financing and help to identify the lessons learnt that could shape future investment decisions in the South African water sector.



Nomvula Mokonyane
Minister of Water and Sanitation

“While striving to ensure that all South Africans gain access to clean water and dignified sanitation, the department also promotes effective and efficient water resources management to ensure sustainable economic and social development”



“A staggering 52.7% of households in OR Tambo district reported that they used dams, rivers, streams or springs as their main source of water”

Development of an economic regulator: This project explores international practice in economic regulation in the water sector, as well as economic regulation in other sectors in South Africa, in order to support the development of an economic regulator for the water sector in South Africa. The project will look into an economic regulator that regulates the entire water value chain; it will outline the functions and identify gaps in the current legislative framework for regulating the water sector. This will lead to the establishment of an effective economic regulator. A draft economic and social regulation strategy was developed.

KEY STRATEGIC ISSUES THAT FACE THE SECTOR AND THE MANDATE AND CONTRIBUTIONS OF WATER BOARDS

Amatola Water has experienced a number of interesting opportunities over the past financial year. The Eastern Cape has its own set of unique challenges, history and socio-economic factors. With two previous homelands, large rural areas and only a single post-1994 water board operating in a small portion of the province, a unique Eastern Cape solution is required. Access to piped water in the province amounted to 72.5% of the province’s total source of water in 2011, which is considerable progress compared to 58.6% in 1995 but still amounts to 27.5% without access. A staggering 52.7% of households in OR Tambo district reported that they used dams, rivers, streams or springs as their main source of water. Access to flush or chemical toilets in the province increased from 32.3% in 1995 to 38.7% in 2011, leaving the majority of the population without this basic service.

Resolving these challenges will require significant funding and can be expedited with new institutional arrangements. The due diligence report of March 2014 identifies the need to establish a Southern Water Utility which will cover the district municipalities of Amathole, Alfred Nzo, Sarah Baartman, Chris Hani, Joe Gqabi and OR Tambo, as well as the metros of Nelson Mandela and Buffalo City. The province’s 37 Category B municipalities’ resources and service delivery abilities are significantly stretched and require support. When determining the best strategic approach in resolving the challenges, the Constitution of the Republic of South Africa is a starting point. As per Schedule 4(B) (Section 155 6 (a) and 7) of the Constitution: powers and functions of local government are limited to potable water supply systems and domestic wastewater. Potable water is treated water leaving a water treatment works. This puts forward a compelling strategic position

FOREWORD BY MINISTER OF WATER AND SANITATION (CONTINUED)

that abstraction and purification of bulk water can be best performed by the regional water utility, and is not the mandate of local government, and supports rather than interferes with local government mandate.

A critical element that will help Amatola Water succeed in the delivery of water services as its key mandate is the transfer of strategic and specific assets under the Institutional Reform and Realignment (IRR) process. In order to secure financial health and viability, it is important that a regional water utility is given direct ownership and control of these assets.

During the 2014/15 summer, rainfall began late for many summer rainfall areas resulting in some farmers planting late. Dry conditions have been reported in some parts of the country. The northern interior parts of the Eastern Cape province experienced long and severe dry spells that are associated with the effects of El Niño weather system. The most affected districts were Chris Hani, Joe Gqabi, and some parts of Alfred Nzo and OR Tambo, coastal areas of Alfred Nzo and OR Tambo as well as Amathole. These affected districts were declared a Provincial State of a Disaster in terms of Section 41 of the Disaster Management Act, 2002 (Act No 57 of 2002).

The provincial drought response plan has been developed, and is informed by short to medium and long-term interventions identified to deal with the current drought, thereby ensuring that immediate needs for human consumption are met.

“In order to secure financial health and viability, it is important that a regional water utility is given direct ownership and control of these assets”

STRATEGIC PARTNERSHIPS AND EFFECTIVENESS

The Board has taken seriously the issues raised by the Minister in its first and watershed meeting held on 11 April 2016 at the Boardwalk Hotel in Port Elizabeth. The most critical of these issues are summarised below:

- Stakeholder relationship management, especially as it relates to the involvement of its broader community, including the rural areas. In this regard, Amatola Water has developed a Stakeholder Management Policy that is in the process of approval by the Board. Amatola Water has adopted an approach of involving the communities in all projects that we execute internally and through an implementing agent role on behalf of water services authorities. Amatola Water, in making inroads to the rural areas, will be cognisant of working together with the House of Traditional Leaders in order to reposition ourselves in the Eastern Cape province.
- Development of the Water Infrastructure Master Plan for Amatola Water and for the Eastern Cape province. As such, Amatola Water has initiated work towards the development of its own Water Infrastructure Master Plan, which will be integrated into the Provincial Water Infrastructure Master Plan.
- Adoption of the Department of Co-operative Governance and Traditional Affairs (COGTA) Back to Basics Principles, which include putting people first and engaging with communities; delivering basic services; sound financial management; good governance; and building capabilities.
- In line with the above, Amatola Water shall engage the water services authorities and enter into memorandums of understanding (MOUs) with the purpose of assisting them with conditional assessments of their water and sanitation infrastructure. This will also enable Amatola Water to create a pipeline of business opportunities (“quick wins”) through implementing agent assignments and the right-of-use (ROU) basis.
- Amatola Water has augmented its own capacity through strategic engagement with the private sector (preferred service provider database) who can be mobilised at short notice for various professional services, thereby assisting in successful execution of strategic projects and Ministerial direction, resulting in improved public perceptions and image of the organisation.
- Amatola Water has been instructed through a Ministerial Directive to implement a dry sanitation appropriate solution for Amathole District Municipality.

“Amatola Water has set aligned strategic objectives, which focus and direct the business activities of the water board over the planning period”

AFFIRMATION AND ENDORSEMENT OF THE KEY PERFORMANCE HIGHLIGHTS OF AMATOLA WATER

Amatola Water implements its strategy through a balanced scorecard, which is aligned to Department of Water and Sanitation performance objectives. In order to attain our strategic intent, Amatola Water has set aligned strategic objectives, which focus and direct the business activities of the water board over the planning period. Each of the Amatola Water strategic objectives are underpinned by specific goals, defined catalytic initiatives, key activities and targets.

As indicated by the King Code of Governance Principles and the King Report on Governance (King III) and the principles of integrated reporting, performance against predetermined objectives is a key element that stands alongside financial reporting when reporting on the success and failures of a business in the period reviewed. In the public sector, the importance of this performance and related performance information is re-emphasised by being the primary indicator for achieving the institution’s mandate rather than financial performance alone. This performance review strives to achieve a transparent view of Amatola Water’s overall performance in the 2015/16 financial year, dating from July 2015 to June 2016.

The predetermined objectives for Amatola Water comprise the organisation’s balanced scorecard, which is approved by the Board and submitted to the Minister for approval, as part of the Shareholder Compact. The standard balance scorecard approach and the guidelines for integrated reporting were adopted during the reporting period.

The year under review was Amatola Water’s fourth year of implementing its 20-year National Development Plan aligned strategy and accompanying scorecard. The strategy included a significant refocus on the organisation’s primary mandate and the developments in this area. Many of the targets set were based on reviewed measures and were set aggressively to rapidly implement this change in direction. Although progress was made on the majority of targets not met, Amatola Water has also moved away from categorising targets as partially achieved and indicated them only as achieved in total or not. About 78% of these targets were achieved, which is above the institution’s target of 70% achievement, still represents a considerable change in direction and success.

FUTURE WATER SECTOR CHALLENGES AND EXPECTATIONS

Amatola Water’s response to the general water expectations and support in the water sector is based on the following:

- Ensuring that all people, universally, in South Africa have access to reliable, sustainable, safe and affordable water services
- Sustainable Development Goals and National Development Plan
 - 100% access to sustainable services by 2030
- Cabinet 2014 MTSF Goal
 - Ensure 90% reliable services by 2019

The strategic thrust of Amatola Water stems from the holistic approach for an effective utility management under 10 areas with clear short, medium and long-term goals in the corporate plan endorsed by the Minister of Water and Sanitation.

Nomvula Mokonyane

Minister of Water and Sanitation

SECTION 2

CONTEXT AND STRATEGY

VISION

To lead sustainable
bulk water and
sanitation services
in the Eastern Cape

MISSION

Strive to contribute to
socio-economic development
as a regional water utility
by providing bulk water and
bulk sanitation services to
water services authorities



ABOUT AMATOLA WATER

Amatola Water has positioned itself to ensure economical, effective and efficient service delivery to best meet the needs of its strategic mandate.

SHAREHOLDER COMPACT

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

LEGISLATIVE AND OTHER MANDATES

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

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

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

BUSINESS MODEL AND STRATEGY

In order to attain its strategic intent, Amatola Water has set aligned strategic objectives, which focus and direct its business activities. Each of the 10 strategic objectives is underpinned by:



- influence and support the process and model for a regional water utility in the province
- develop a fully integrated provincial master plan including funding considerations
- increase the relevance of Amatola Water as an institution and improve its overall image

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

MONITORING AND EVALUATION

To measure and manage the successful implementation of its strategy, Amatola Water has developed and monitors a balanced scorecard with clear measures and targets for the next five years (see page 12). A comprehensive corporate performance management system, which includes divisional and corporate reviews by management as well as oversight by Board committees, is detailed in the Governance section of this report (page 76).

ABOUT AMATOLA WATER (CONTINUED)

STRATEGY

Underpinned by 10 outcomes for sustainable value creation



VALUES

Inspired by an unwavering commitment to empower stakeholders through consistent demonstration of



Responsibility



Excellence



Integrity



Accountability



Innovation

1 Water and wastewater quality: 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: The degree to which Amatola Water provides reliable, responsive and affordable products and services to water services authorities (customers) either meets or surpasses customer expectations. Timely feedback in terms of customer agreed service levels upholds responsiveness to customers' needs.

3 Stakeholder relationships and support: As an organ of state, Amatola Water has a variety of different stakeholders, most notably the Department of 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: Amatola Water's infrastructure should be consistent with customer service levels, as well as anticipated growth and system reliability goals.

5 Financial viability: 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: Amatola Water assesses the scarcity of freshwater resources, investigates sustainable alternatives, manages water abstractions assiduously and has access to stable raw water resources to meet current and future customer needs.

7 Community/environmental sustainability: Amatola Water should be explicitly cognisant of and attentive to the impacts it has on current and future community sustainability, supporting socio-economic development, and managing its operations, infrastructure and investments to protect, restore and enhance the natural environment, while using energy and other natural resources efficiently.

8 Leadership and employee development: 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: Amatola Water proactively and effectively manages business risks across all areas of the business in a manner that ensures sustainability of the organisation, even in times of challenges and difficulties.

10 Operation optimisation: 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.

AMATOLA WATER 20-YEAR LONG-TERM STRATEGIC GOALS

Water service utility area	20-YEAR GOAL
2 Customer satisfaction	80% of water services authorities in the province as contracted customers through ownership or ROU
1 Water and wastewater quality	Achieve Blue and Green Drop standard at all bulk works (owned and ROU)
1 Water and wastewater quality	Provide accredited laboratory water services to all water services authorities with which Amatola Water has bulk supply contracts
7 Community/environmental sustainability	Contribute to decent living standards and enhance socio-economic development within Eastern Cape communities with quality adequate water services
3 Stakeholder relationships and support	Strong and well established relationships with stakeholders (internal and external)
3 Stakeholder relationships and support	To be at the centre of a fully fledged provincial water utility (IRR)
5 Financial viability	Improve solvency, liquidity and profitability to achieve a AAA- Finch rating
6 Wastewater resource adequacy	98% assurance of supply as minimum service level to meet the required standard per household per day
4 Infrastructure stability	98% availability and assurance of water supply and 90% reliability of sanitation services
4 Infrastructure stability	80% of the Eastern Cape infrastructure master plan implemented
9 Operational resilience	Fully implemented business continuity systems: integrated management system (IMS), quality systems, knowledge management
10 Operation optimisation	Continuous alignment of people, skills, systems, policies and procedures for strategy implementation
10 Operation optimisation	Continuous improvement philosophy institutionalised
8 Leadership and employee development	Enhance strategic effectiveness
8 Leadership and employee development	Innovative, nationally recognised water sector leadership
8 Leadership and employee development	Balanced, skilled workforce for regional water utility needs
8 Leadership and employee development	Renowned knowledge and experience hub in the water sector

ABOUT AMATOLA WATER (CONTINUED)

AMATOLA WATER 5-YEAR MEDIUM-TERM STRATEGIC OBJECTIVES

Water service utility area	20-year goal	5-year objectives	Amatola Water objective	ALIGNMENT	
				Government outcome number	Department of Water and Sanitation objective
STAKEHOLDER AND CUSTOMER PERSPECTIVE					
2 Customer satisfaction	80% of water services authorities in the province as contracted customers through ownership or ROU	Two additional bulk water supply contracts with water services authorities (four currently)	CS1	12	SO2.1
2 Customer satisfaction		Increase revenue volumes to 150Mℓ/day	CS2	12	SO2.1
2 Customer satisfaction		Manage key customer satisfaction scores in terms of bulk potable water supply, bulk wastewater, raw water and water resource infrastructure management to achieve 8/10	CS3	9	SO2.1
2 Customer satisfaction		Acquire two contracts for wastewater works	CS4	12	SO2.1
1 Water and wastewater quality	Achieve Blue Drop and Green Drop standard at all bulk works (owned and ROU)	Achieve statutory quality compliance at all Amatola Water owned and all ROU plants within three years of take over	WQ1	9	SO3.1
1 Water and wastewater quality	Provide accredited laboratory water services to all water services authorities with which Amatola Water has bulk supply contracts	Achieve and maintain accreditation for 30 water quality parameters at laboratory	WQ2	9	SO3.1
7 Community/environmental sustainability	Contribute to decent living standards and enhance socio-economic development within Eastern Cape communities with quality adequate water services	Increase the number of schemes with capacity meeting standard requirement per household per day at treatment works to seven	CE1	8	SO2.1
3 Stakeholder relationships and support	Strong and well established relationships with stakeholders (internal and external)	Increase the contribution to economic transformation and improve overall Amatola Water image	SS1	12 and 9	SO1.3

CS: Customer satisfaction

WQ: Water and wastewater quality

CE: Community/environmental sustainability

SS: Stakeholder relationships and support

FV: Financial viability

IS: Infrastructure stability

OR: Operational resilience

OO: Operation optimisation

LG: Leadership and employee development

AMATOLA WATER 5-YEAR MEDIUM-TERM STRATEGIC OBJECTIVES (CONTINUED)

Water service utility area	20-year goal	5-year objectives	Amatola Water objective	ALIGNMENT	
				Government outcome number	Department of Water and Sanitation objective
3 Stakeholder relationships and support		Collaboration to improve service delivery with other relevant local, provincial and national institutions	SS2	12	SO2.1
3 Stakeholder relationships and support	To be at the centre of a fully fledged provincial water utility (IRR)	Influence and support the process and model for a regional water utility in the province	SS3	6 and 12	SO1.6 SO2.1
FINANCIAL					
5 Financial viability	Improve solvency, liquidity and profitability to achieve a AAA-Finch rating	Ongoing strengthening of balance sheet to provide sustainable bulk water services (ratios)	FV1	12	SO1.6 SO1.2
5 Financial viability		Build contribution: R100m from financial surpluses for internal infrastructure investment/capex fund	FV2	12 and 6	SO1.6 SO2.1
5 Financial viability		Secure R800m funding for infrastructure development	FV3	12 and 6	SO1.6 SO2.1
5 Financial viability		Sustainable and affordable tariff increases within 2% of inflation	FV4	12 and 8	SO1.6
INTERNAL PROCESSES					
6 Water resource adequacy	98% assurance of supply as minimum service level to meet the required standard per household per day	Until IRR, Amatola Water is not responsible for this function hence there is no relevant five-year objective at this stage			
4 Infrastructure stability	98% availability and assurance of water supply and 90% reliability of sanitation services	98% availability of water supply for all bulk water services	IS1	6	SO2.1
		Yearly improvement of 20% in bulk sanitation services availability	IS2	8	SO2.1
4 Infrastructure stability	80% of the Eastern Cape infrastructure master plan implemented	Complete Amatola Water plant upgrade and King Sabata Dalindyebo Presidential Intervention projects	IS3	6	SO2.1

ABOUT AMATOLA WATER (CONTINUED)

AMATOLA WATER 5-YEAR MEDIUM-TERM STRATEGIC OBJECTIVES (CONTINUED)

Water service utility area	20-year goal	5-year objectives	Amatola Water objective	ALIGNMENT	
				Government outcome number	Department of Water and Sanitation objective
4	Infrastructure stability	Develop a fully integrated provincial water master plan including funding considerations	IS4	6	SO2.1
4	Infrastructure stability	Maintain production and distribution losses to 12%	IS5	6 and 10	SO2.2 SO4.1
9	Operational resilience	Fully implemented business continuity systems (IMS, quality systems, knowledge management)	OR1	12	SO1.2 SO1.6
10	Operation optimisation	Continuous alignment of people, skills, systems, policies and procedures for strategy implementation	OO1	12 and 4	SO1.1 SO1.6
10	Operation optimisation	Continuous improvement philosophy institutionalised	OO2	12	SO1.2 SO1.6
10	Operation optimisation	Improve corporate governance	OO3	9 and 12	SO3.1 SO1.2
8	Leadership and employee development	Enhance strategic effectiveness	LG1	12	SO1.6
LEARNING AND GROWING					
8	Leadership and employee development	Balanced, skilled workforce for regional water utility needs	LG2	12	SO1.1
8	Leadership and employee development	Innovative, nationally recognised water sector leadership	LG3	12	SO1.1
8	Leadership and employee development	Research and position papers completed	LG4	12	SO1.1
8	Leadership and employee development	Renowned knowledge and experience hub in the water sector	LG5	12	SO1.1 SO1.3

CS: Customer satisfaction

WQ: Water and wastewater quality

CE: Community/environmental sustainability

SS: Stakeholder relationships and support

FV: Financial viability

IS: Infrastructure stability

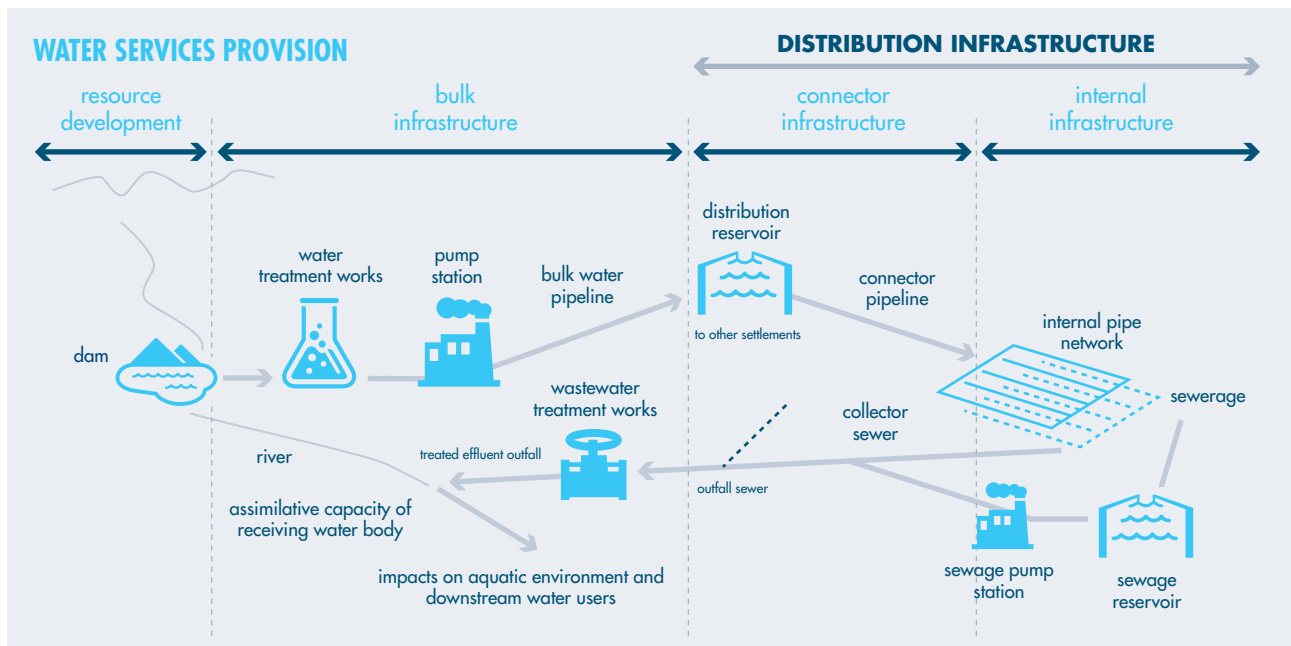
OR: Operational resilience

OO: Operation optimisation

LG: Leadership and employee development



ABOUT AMATOLA WATER (CONTINUED)



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

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

In addition, Section 30 of the Act provides for Amatola Water to operate beyond its mandate only if it is not likely to limit its capacity to perform its primary activity or financially prejudice the organisation, any water services institution, existing consumers and other users within its service area, in accordance with its policy statement and its business plan.

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

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

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

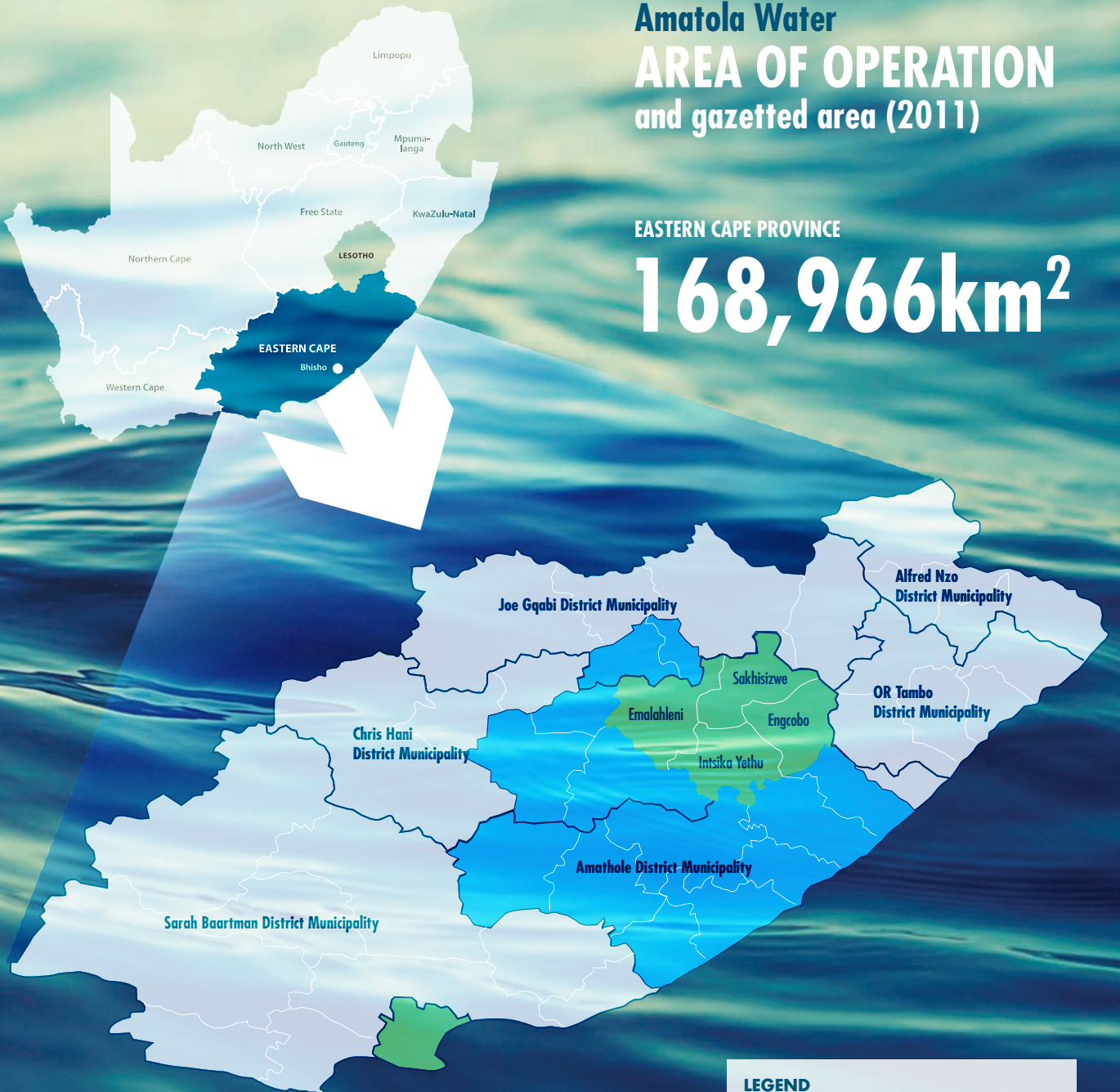
Amatola Water is further governed by all water and water board-related policy frameworks issued by the Department of Water and Sanitation, as well as directives from the Minister to focus on key matters:

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

Amatola Water AREA OF OPERATION and gazetted area (2011)

EASTERN CAPE PROVINCE

168,966km²









LEGEND

- District municipalities
- Amatola Water's Gazetted area of operation (47,515km²)
- Area of operation since February 2011 (146,595.66km²)

VALUE CREATION

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

INPUTS FROM 2014/15

 <p>Financial capital</p> <p>Revenue: R335m</p> <p>Grant funding for infrastructure upgrades: R150m</p> <p>Cash: R120m</p>	 <p>Intellectual capital</p> <p>Water research levy: R3m</p>	 <p>Social and relationship capital</p> <p>Preferential procurement: R761m</p> <p>Local jobs created: 1,042</p> <p>Access to water for 78.5% of Eastern Cape households</p>
 <p>Manufactured capital</p> <p>Property, plant and equipment: R352m</p> <p>Capital expenditure: R83m (treatment plant upgrades)</p>	 <p>Human capital</p> <p>Employees: 375</p> <p>Bursaries: 42</p> <p>Salary negotiations concluded: 2 days only</p>	 <p>Natural capital</p> <p>Water loss in potable water production: 4% (benchmark: 7%)</p> <p>Total network water losses for treated water: 5% (benchmark: 12%)</p>

STRATEGIC FOCUS

OUTPUTS IN 2015/16

THE 10 OUTCOMES for sustainable value creation

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



Financial capital

Revenue:

R399m

Grant funding for infrastructure upgrades:

R169m

Cash:

R300m



Intellectual capital

Water research levy:

R3m



Social and relationship capital

Assurance of supply:

100%

BBBEE spend:

107%

(target 100%)

Local jobs created:

826



Manufactured capital

Property, plant and equipment:

R442m

Capital expenditure:

R112m

(treatment plant upgrades)



Human capital

Staff turnover:

0.2%

(benchmark 6%)

Management development programme:

R0.4m

Study assistance:

R0.5m



Natural capital

Water loss (potable production and network):

11.98%

(benchmark: 9%)

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

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

In his opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the strategic and annual performance plan of Amatola Water for the financial year ended 30 June 2016.

Amatola Water's performance information for the year ended 30 June 2016 has been examined by the external auditors (report on page 121), and is set out on pages 23 to 29, as approved by the Executive Authority.



Ntombokuqala Nokulunga Mngqeta

Chairperson

28 October 2016



Lefadi Makibinyane

Chief Executive Officer

28 October 2016

PERFORMANCE AND OUTLOOK

Amatola Water has improved overall corporate performance in 2015/16 against the baseline of 69% of targets achieved in 2014/15 although the set target of 70% was achieved.

 **100%**

Assurance of supply to customers from source

STRATEGIC DIRECTION

Although the entity was sustained by maintaining revenue generated from operations, focus on bulk water services was reaffirmed.

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

- **Quality:** SANS Class 1 potable water standard was achieved at 98% against the 98% target. The ROU plant indicated Amatola Water's ability to supply additional water while maintaining high quality standards.
- **Assurance of supply:** 100% assurance of supply to customers from source was achieved with adequate pressure at reservoirs, reaching set targets and highest reliability of supply standards for customers and consumers.
- **Minimised losses:** Production and network losses combined were 11.98% against a target of 12% and baseline of 9%, crucially minimising environmental, financial and social impacts of losses and unaccounted for water.
- **Temporary jobs created:** The target for the creation of temporary jobs created was exceeded as project implementation intensified in King Sabata Dalindyebo Presidential Intervention (PI) and Amatola Water plant upgrades were completed.
- **Staff turnover:** The target was achieved at 0.2%, which is comparatively lower than baseline of 6%.

FINANCIAL IMPROVEMENT AND STABILITY

- Revenue was maintained during the year with significant increases attributable to project implementation agent (PIA) fees and ROU revenue. Primary revenue growth has been largely influenced by tariff increases while volumes of sold water increased relatively in comparison with the previous year.
- Grant funding of R169 million was received for Amatola Water plant upgrades.

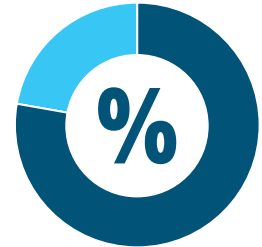


PERFORMANCE AND OUTLOOK (CONTINUED)

FINANCIAL PERFORMANCE

PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL RESULT
Employee to revenue	R1.1 million	R1.1 million
Return on assets	0.5%	0.79%
Gross profit margin (all)	30%	28.3%
Broad-based black economic empowerment (BBBEE) spend	100%	107%
Surplus	R30 million	R7 million
Percentage of surplus placed in reserve fund	60%	4.2%

Analysis of target achievement 2015-2016

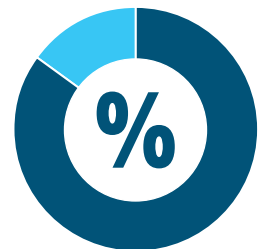


• Achieved **78%**
• Not achieved **22%**

CAPEX INITIATIVES

Targets for internally and externally funded capital expenditure (capex) programmes have not been met. The challenges stem from lack of internal capacity in administrative and management functions required to execute strategic water infrastructure projects. Other challenges are stakeholder-related in that management has to develop a stakeholder relations framework to be used in formulating strategies that will assist in strengthening relations.

Stakeholder and customer perspective 2015-2016

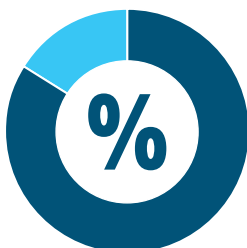


• Achieved **85%**
• Not achieved **15%**

COST DRIVERS AND EMPLOYEE INITIATIVES

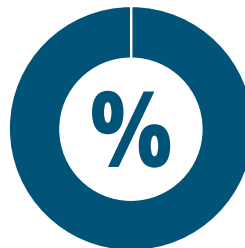
The labour costs' target, as a percentage of total cost, has not been achieved. This requires monitoring alongside the employee-to-revenue ratio to sustain the organisation. The Board will continue to concentrate on managing related costs.

Internal process perspective 2015-2016



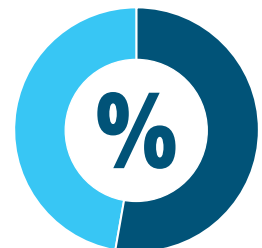
• Achieved **84%**
• Not achieved **16%**

Learning and growth perspective 2015-2016



• Achieved **100%**

Financial perspective 2015-2016



• Achieved **53%**
• Not achieved **47%**

CORPORATE SCORECARD 2015/16 (PERFORMANCE AGAINST SHAREHOLDER COMPACT)

Stakeholder and customer perspective

Water service utility area	Strategic objective	Measure/ Indicator	Indicator number	DWS indicator	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Reason for performance/ Corrective action
Customer satisfaction	Two additional bulk water supply contracts with water services authorities (four currently)	Number of bulk potable with different WSAs (owned or ROU)	CS1.1	N	3	4	4	Target achieved
	Increase revenue volumes to 150M€ per day	Volume of water sold by owned and ROU plants	CS2.1	N	111M€/day	120M€/day	113M€/day	Total installed capacity is 104M€/day. Plants run above maximum design capacity and cannot produce more water. Plants are in the process of being upgraded to increase capacity.
	Acquire two contracts for wastewater works	Number of wastewater works managed	CS4.1	N	–	1	1	Target achieved
Water quality	Achieve statutory quality compliance at all AW-owned and all ROU plants within three years of take over	% compliance SANS potable water (owned and ROU)	WQ1.1	Y	98.20%	98%	98%	Target achieved
	Achieve and maintain accreditation for 30 water quality parameters at laboratory	Number of elements accredited	WQ2.1	N	–	10	12	Laboratory achieved accreditation in Quarter 2. A follow-up assessment was undertaken in May 2016 and accreditation was retained. Scientific Services are preparing to submit an application to accredit a further 10 methods in Quarter 1 2016/17.
Community and environmental sustainability	Increase the number of schemes with capacity at 750ℓ per household per day at treatment works to seven	Number of AW schemes with capacity to supply 750ℓ per household per day at treatment works	CE1.1	N	6	5	6	Target has been exceeded since water treatment works were operated above design capacity, and supply assurance was at risk. For this reason, the water treatment works are in the process of being upgraded.
	DWS	Number of permanent and contract employees (direct) (jobs created)	CE1.2	Y	374	355	437	Target exceeded
	DWS	Number of temporary jobs created (indirect)	CE1.3	Y	1 042	600	826	Target exceeded

Targets

- Achieved
- Not achieved

DWS indicator

- N: No
- Y: Yes

PERFORMANCE AND OUTLOOK (CONTINUED)

Stakeholder and customer perspective (continued)

Water service utility area	Strategic objective	Measure/ Indicator	Indicator number	DWS indicator	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Reason for performance/ Corrective action
Stakeholder understanding and support	Increase the contribution to economic transformation and improve overall AW image	Percentage spend with 50% black owned companies	SS1.1	N	—	70%	93%	Target achieved
		% creditors paid within 30 days of statement	SS1.2	N	0	95%	77%	Payment was not received from the Department of Water and Sanitation due to the change in schedule for Regional Bulk Infrastructure Grant (RBIG) funding. Late payment was received for most Secondary Business. The root cause of non-payment is lack of enforcement of the Amatola Water credit management and debt collection policy. Amatola Water will form cross-functional teams and apply the policy strictly for all customers to ensure that payments are received. Amatola Water will also use the National Treasury call centre to report invoices over 30 days.
		Number of AW positive unsponsored articles in press or publications	SS1.3	N	—	6	9	Target achieved
	Collaboration to improve service delivery with other relevant local, provincial and national institutions	Number of collaboration meetings attended with relevant local, provincial and national institutions	SS2.1	N	5	14	14	Target achieved
	Influence and support the process and model for a regional water utility in the province	Participation in IRR workshops	SS3.1	N	4	4	5	Target achieved

Targets

- Achieved
- Not achieved

DWS indicator

- N: No
- Y: Yes

Financial perspective

Water service utility area	Strategic objective	Measure/Indicator	Indicator number	DWS indicator	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Reason for performance/Corrective action
Financial viability	Ongoing strengthening of balance sheet to provide sustainable bulk water services (ratios)	Liquidity ratios	FV1.1	Y	1.01	1.25	1.24	Increased provision for doubtful debts has resulted in this indicator not being achieved.
		Current ratio						
		Debtors' days	FV1.2	Y	116	90	51 days	Target achieved
		Employee to revenue (R million)	FV1.3	N	R0.90m	R1.1m	R1.1m	Target achieved
		Solvency ratio	FV1.4	N	1.82	1.5	1.63	Target achieved
		Return on assets %	FV1.5	Y	-0.07%	0.5%	0.79%	Target achieved
		Net profit margin % (all)	FV1.6	Y	-0.16%	3.50%	1.83%	The profit earned for the year did not meet the required percentage due to poor collection of debts and insufficient cost cutting measures. Management will strengthen focus on debt collection measures for expenditure outside budget.
		Gross profit margin (all)	FV1.7	Y	29.4%	30%	28.3%	Cost of sales was not adequately contained as revenue streams were increased by new project revenues. However, primary revenue was constrained as production is at capacity. Management will focus on completion of plant upgrades to increase available capacity of water production and monitor expenditure outside the approved budget.
		Total expenditure (R'000)	FV1.8	Y	R345	R400	R407	Expenditure was not adequately contained and a number of unexpected costs were incurred to ensure the entity continues to function in line with its mandate. Actual expenditure will be monitored against procurement plans aligned with budget.
		BBBEE spend	FV1.9	Y	104%	100%	107%	Target achieved
Chemical costs (R/kℓ)	FV1.10	N	0.33	0.35	0.32	Target achieved		

Targets

- Achieved
- Not achieved

DWS indicator

- N: No
- Y: Yes

PERFORMANCE AND OUTLOOK (CONTINUED)

Financial perspective (continued)

Water service utility area	Strategic objective	Measure/ Indicator	Indicator number	DWS indicator	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Reason for performance/ Corrective action
Financial viability (continued)	Build contribution: R100m from financial surpluses for internal infrastructure investment/ capex fund	Revenue (Rm)	FV2.1	N	R338	R370	R399	Target achieved
		Surplus (Rm)	FV2.2	N	R0.6	R30	R7	The profit earned for the year did not meet the required percentage due to poor collection of debts and insufficient cost cutting measures. Management will focus on debt collection measures and monitor actual expenditure against the approved budget.
		% surplus placed in reserve fund	FV2.3	N	0%	60%	4.2%	The profit earned for the year did not meet the required percentage due to poor collection of debts and insufficient cost cutting measures.
		% primary revenue/ Total revenue	FV2.4	N	78%	68%	72%	Target achieved
		% labour costs of total costs	FV2.5	Y	38.5%	38%	40.7%	Increased labour costs were above the budgeted increase agreement in wage negotiations and unexpected once off labour costs incurred by Amatola Water. Management will be more vigilant by managing discretionary spending, such as overtime, travel claims, etc. Recruitment outside the human resource plan should be fully motivated and sources of funding identified.
Secure R800m of funding for infrastructure development	Amount of grant funding, capital lending and development agency funding secured	FV3.1	N	R150m	R350m	R169m	Transfers received from the Department of Water and Sanitation were less than expected. The target should be based on the revised business plan and allocations from the Department of Water and Sanitation while encouraging the department to provide allocation letters as soon as possible to ensure correct allocation is set as a target.	
Sustainable and affordable tariff increases within 2% of inflation	% average increase in tariff (within government targeted inflation)	FV4.1	N	8%	8%	10%	Target achieved	

Targets

- Achieved
- Not achieved

DWS indicator

- N: No
- Y: Yes

Internal processes

Water service utility area	Strategic objective	Measure/ Indicator	Indicator number	DWS indicator	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Reason for performance/ Corrective action
Operational resilience	98% availability of water supply for all bulk water services	% availability of water supply for all bulk services	OR1.1	Y	100%	98%	100%	Target achieved
	Complete AW plant upgrade and KSD PI projects	% annual grant allocation spend in KSD (RBIG and MIG)	IS3.1	N	99%	90%	114%	Overall, the target has been achieved, largely as a result of good performance in the Amatola Water upgrade and King Sabata Dalindyebo Presidential Intervention projects.
		Overall capex project completion dates within targets as %	IS3.2	N	93%	85%	79%	The target has not been achieved, largely as a result of under-performance in the Amatola Water upgrade and Ndlambe bulk water supply projects resulting to delays in construction and poor performance by some contractors.
	Develop fully integrated provincial master plan including funding considerations	Increased access to services measured by Rand spend on capex projects	IS3.3	Y	R266m	R350m	R998.4m	Target achieved
		% infrastructure maintenance of revenue	IS3.4	N	7%	6%	6%	Target achieved
	Minimise production and distribution losses to 12%	% total water loss (owned and ROU)	IS5.1	Y	9%	12%	11.98%	Target achieved
	Business continuity system implemented	Audited BCP and DRP	IS1.1	N	–	Y	Y	Target achieved

Targets

- Achieved
- Not achieved

DWS indicator

- N: No
- Y: Yes

PERFORMANCE AND OUTLOOK (CONTINUED)

Internal processes (continued)

Water service utility area	Strategic objective	Measure/ Indicator	Indicator number	DWS indicator	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Reason for performance/ Corrective action
Operation optimisation	Aligning people, skills, systems, policies and procedures for strategy implementation	Number of policies reviewed and aligned with strategy	001.1	N	9	5	5	Target achieved
	Implement continuous improvement system	Number of reviewed systems and procedures aligned with strategy	002.1	N	3	3	5	Vault server installed
		Open tender turnaround time from advert to final award	002.2	N	–	100	210	General delays were caused by capacity constraints in bid committees and post award clarification queries. Management will focus on capacitating bid committees with technical expertise and adequate resources.
		Improve turnaround time from requisition to issuance of order	002.3	N	–	17	4.5	Target achieved
		Electricity cost (kW/m ³)	002.4	N	–	0.86	0.84	Pump efficiency tests contributed positively to achieve favourable performance.
	Improving corporate governance	Unqualified audit	003.1	N	Y	Y	Y	
		Effective internal controls and risk management internal audit findings: number of repeats	003.2	Y	42	20	5	Target achieved
		Effective internal controls and risk management internal audit findings: number of unresolved	003.3	Y	32	30	23	Target achieved
		% compliance with King III	003.4	N	97%	90%	97%	Target achieved
		Board member attendance	003.5	Y	78%	80%	82%	
Improved controls and risk mitigation breaches of materiality and significance framework		003.6	Y	0	0	0	Target achieved	

Targets

- Achieved
- Not achieved

DWS indicator

- N: No
- Y: Yes

Learning and growth perspective

Water service utility area	Strategic objective	Measure/ Indicator	Indicator number	DWS indicator	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Reason for performance/ Corrective action
Leadership and employee development	80% of strategic implementation	% achieved of the corporate scorecard targets	LG1.1	N	69%	70%	76%	Target achieved
		Average divisional performance review scores (implementation of divisional BPs)	LG1.2	N	0	3	4	Target achieved
	Alignment between staff skills available and job requirements	% identified critical posts filled by predetermined recruitment time	LG2.1	N	100%	80%	84%	Target achieved
		% of training spend of revenue	LG2.3	N	—	1%	1%	Target achieved
		% staff turnover	LG2.4	Y	6%	9%	0.2%	Target achieved
		Total number of staff who attended training courses and learnerships, bursaries in the period	LG2.5	Y	158	200	200	Target achieved
	Entrenched Batho Pele principles	Staff survey rating of living Batho Pele principles (out of 5)	LG3.1	N	—	3	3.21	Target achieved
	Research and position papers completed	Number of research papers and conference presentations by AW employees	LG4.1	N	—	1	1	Target achieved
	Functional, self-funding technical learning academy	Number of learners enrolled at academy	LG5.1	N	—	20	28	Target achieved

Targets

- Achieved
- Not achieved

DWS indicator

- N: No
- Y: Yes

MATERIAL ISSUES

In 2015/16, Amatola Water embarked on a comprehensive materiality determination process in which senior management and their teams engaged with stakeholders throughout the year to understand their most pertinent concerns and expectations – as a fundamental aspect of risk management and stakeholder engagement.

Amatola Water has adopted the IIRC definition of materiality, as set out in the <IR> Framework, which states that material issues are those that substantively affect the organisation's ability to create value over the short, medium and long term, as well as the GRI's G4 definition of material issues as those that reflect an organisation's significant economic, environmental and social impacts, or those that substantially influence the assessments and decisions of stakeholders.

The goal of the materiality determination process is to refine the numerous topics reported.

As part of this process, a materiality assessment workshop was conducted by senior management, including the CEO, which resulted in the identification of seven material issues, submitted to the Board of Amatola Water for approval, forming the basis of this 2015/16 integrated annual report.

AMATOLA WATER'S MATERIAL ISSUES

	In this report	Page
IMPACT of drought on water security and quality	Introduction	4
	Context and strategy	31 and 38
	Review of operations	54 and 72
	Governance	76
ACCESS to affordable water	Introduction	4
	Context and strategy	9 and 38
	Sustaining the business	41
	Review of operations	54
SAFEGUARDING the health and safety of employees and communities	Governance	76
	Context and strategy	38
	Sustaining the business	44
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PROTECTING the natural environment	Governance	76
	Context and strategy	9, 18 and 21
	Sustaining the business	51
	Review of operations	69
EVOLVING South African legislation and regulation	Governance	76
	Context and strategy	9, 31 and 36
	Sustaining the business	41 and 44
	Review of operations	54, 64 and 69
MEETING customer expectations	Governance	76
	Context and strategy	9, 18, 21 and 31
	Sustaining the business	41
	Review of operations	53, 64 and 72
ENRICHING relationships with stakeholders	Governance	76
	Introduction	3 and 4
	Context and strategy	9, 21 and 31
	Sustaining the business	44 and 51
	Review of operations	53
	Governance	76

STAKEHOLDER UNDERSTANDING AND SUPPORT

“Stakeholder relationship management involves formal and informal sessions at local, provincial and national level”

As the sole water board in the Eastern Cape, Amatola Water is mandated by the Department of Water and Sanitation to provide bulk water services to other water services institutions in its gazetted area.

The Department of Water and Sanitation is primarily interested in Amatola Water operating effectively and efficiently as a viable entity that delivers on its primary legislated mandate, as set out in sections 29 and 30 of the Water Services Act.

Amatola Water recognises local communities and customers as primary stakeholders and partners. Others, such as statutory stakeholders, are necessary partners in achieving goals.

For optimal stakeholder participation and engagement, Amatola Water interacts collaboratively with stakeholders to form and maintain inclusive relationships.

Stakeholder relationship management involves formal and informal sessions at local, provincial and national level.

The forward-looking approach is to be visible to local communities and to partner with the Department of Water and Sanitation as well as water services authorities for positive impact throughout the province.

Stakeholders are categorised as community, customers/clients and statutory.



COMMUNITY

- Special interest groups
- Civil society
- Media
- Business formations
- Traditional leadership
- Educational and research institutions
- Water sector associations



CUSTOMERS/CLIENTS

- Employees
- South African Association of Water Utilities (SAAWU)
- Organised labour
- Internal and external audit
- Suppliers
- Investors (development finance institutions and private banks)



STATUTORY

- Executive Authority
- Portfolio Committee on Provincial and Local Government
- National Treasury
- Provincial government
- Local government
- South African Local Government Association (SALGA)

STAKEHOLDER UNDERSTANDING AND SUPPORT (CONTINUED)

STAKEHOLDER ENGAGEMENT

Communities

Amatola Water demonstrates value to the communities it serves as a socially responsible, efficient and high-performing entity. Community stakeholders have a direct and indirect interest in the operations of Amatola Water.

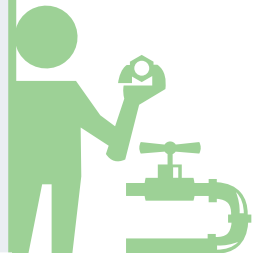
Basis of engagement: Communities are informed and empowered through meaningful engagements, profiling the work of Amatola Water and the Department of Water and Sanitation. This demonstrates transparency and information sharing. Workshops, public meetings and izimbizo are held in community halls, through ward councillors and traditional leaders, creating awareness about water issues, such as use of water resources, clean and safe drinking water, as well as environmental issues.



Customers/clients

Amatola Water enters into contracts for the provision of products, services and goods with customers, suppliers and investors as well as, with regard to employees and organised labour, the provision of employment and accompanying benefits.

Basis of engagement: Key issues discussed with these stakeholders range from quality and quantity of water to assurance of supply, capital expansion, compliance with contractual obligations and tariff increases. Engagement with employees and organised labour includes staff information sessions and local labour forums. Material issues include discussions about HR related matters.



Statutory

Amatola Water is required to interact regularly with statutory stakeholders who regulate and oversee the organisation's activities as a state-owned entity to ensure that statutory requirements are met and that there is alignment with government's objectives. Legislated stakeholders with direct and indirect influence on Amatola Water's operations are included in this group. Statutory stakeholders oversee governance, compliance, strategy, performance and risk.

Basis of engagement: Engagement with the Department of Water and Sanitation, Portfolio Committee on Water and Sanitation, National Treasury and SALGA is continuous on a number of issues, including annual appraisal of strategy and business plan, performance in terms of the Shareholder Compact, infrastructure funding, negotiations on tariff submissions, capital expansion, ministerial directives and annual reports.



“At international level, relevant strategic collaboration and partnerships will take place in the coming year”

FORWARD-LOOKING APPROACH

A forward-looking approach aims to be visible within local communities and to partner with the Department of Water and Sanitation, as well as water services authorities, for more effective management of water-related issues within the province.

Amatola Water will respond to the Minister of Water and Sanitation’s call for the formation of forums throughout metropolitan and district municipalities, and will collaborate with the Department of Water and Sanitation to ensure that the established forums are effective.

At international level, relevant strategic collaboration and partnerships will take place in the coming year.

Provincial and national engagement in 2015/16

Stakeholder engagement was strategic and operational in the period under review.

Amatola Water was involved in the following:

- As part of the Eastern Cape sanitation and water supply working group, which met to review strategic framework and policy, various stakeholders from municipalities, the Department of Water and Sanitation and the Water Research Commission, discussed the challenges in water supply and sanitation within the Eastern Cape, hindrances in the implementation of policy and recommendations to close policy gaps.
- At the executive council lekgotla session, key service delivery issues and challenges were discussed by various provincial stakeholders.
- The Eastern Cape Water Forum focused on provincial water challenges, the status of water in the province, current planning initiatives and the latest developments in drought interventions.
- The bi-annual Provincial Water Forum (PROWAF) enabled municipalities to share positive experiences and challenges with the sector so that political champions could respond and share progress in infrastructure and social programmes aimed at improved service delivery.
- A bilateral meeting with the Department of Water and Sanitation addressed key issues and challenges in water projects.
- Hosting the Netherlands Kingfisher Programme afforded an opportunity to engage with international water sector peers and share lessons learnt with the Umzimvubu-Tsitsikamma proto catchment management agency.
- Participation in the protocol team responsible for the Imvuselelo Prayer for Rain event in Port Elizabeth included engagement with the Nelson Mandela Bay Metropolitan Municipality and various other government departments.
- The Water Institute of Southern Africa (WISA) conference offered exhibition space in Durban.
- Two community members from King Sabata Dalindyebo Local Municipality were taken to the Parliament Budget Vote (“Together advancing people’s power in every community”) in response to the Minister of Water and Sanitation’s invitation to present communities with positive experiences.

STAKEHOLDER PERCEPTION SURVEY

A random perception survey among stakeholders was insightful. Generally, feedback was positive and constructive. Customers were not included but a dedicated customer survey is planned for the coming year.



COMMUNITY OUTREACH AND CORPORATE SOCIAL INVESTMENT

In the period under review, Amatola Water's corporate social investment included provision of reliable and safe water supply to various communities in its area of operation, which is its principal and most effective avenue of corporate social investment.

This position is centred on the understanding that an improvement in water services provision is a vital enabler of broader local and national socio-economic development and advancement.

Guided by this premise, Amatola Water seeks, by all practical means, to contribute positively to the wellbeing of communities in the areas in which it operates. In this regard, the utility channels its social investment efforts into areas where it can deploy its internal resources and facilities effectively by collaborating with community stakeholders in securing maximum social benefit.

Amatola Water prioritises initiatives primarily focused on education and awareness, community outreach/development, promotion of arts and culture, and sports development.



“Guided by this premise, Amatola Water seeks, by all practical means, to contribute positively to the wellbeing of communities in the areas in which it operates”

THE FOLLOWING INITIATIVES WERE UNDERTAKEN AND SUPPORTED DURING THE REPORTING PERIOD:

Awareness/ educational tours

Various groups from universities, further education and training colleges, primary and secondary schools within the Eastern Cape were hosted on guided tours at various Amatola Water schemes. Up to 250 learners and students visited the Nahoon and Laing water treatment works, as well as the Bushman’s reverse osmosis plant in Port Alfred. The institutions continue to express heartfelt appreciation and satisfaction.

Bottled water sponsorship

Commitment to community development is demonstrated in sponsorship of purified bottled water distributed to various community, educational and sporting programmes. A total of 36 community development, education, arts and culture, and sporting initiatives throughout the Eastern Cape were supported with up to 40,000 bottles of purified water to the value of R136,490.

Community outreach

Amatola Water’s adopted school, Cove Ridge Primary, received a new library and accessories to the value of R78,000. Staff distributed more than 300 children’s books to the school on Mandela Day. The book collection drive aimed to promote a culture of learning, reading and improvement of literacy levels.

CHAIRPERSON'S STATEMENT

It gives me great pleasure to present Amatola Water's integrated annual report for the 2015/16 financial year.

The year under review has been characterised by a number of significant changes within the organisation, one of which was the appointment of the new Board on 1 February 2016. The Board has focused on strengthening governance, which culminated in a revised governance framework and a stakeholder engagement policy.

Furthermore, in line with Honourable Minister Nomvula Mokonyane's initiatives to realign Amatola Water with the Department of Water and Sanitation's IRR policy in the next financial year, the Board has initiated an organisational review process. In driving this initiative, we will build on the foundation initiated by the previous Board. The IRR initiative is to ensure that the water and sanitation challenges of the Eastern Cape are fully addressed by the realigned Amatola Water.

Despite the challenges, such as bad debts, delayed project implementation, erosion of internal capacity and labour matters experienced during this year, Amatola Water prides itself in providing safe, clean and reliable water, ensuring financial sustainability and strengthening governance and stakeholder relationships.

PROVIDING SAFE, CLEAN AND RELIABLE WATER, AND ENSURING FINANCIAL SUSTAINABILITY

We pride ourselves on effective implementation of strategic water and sanitation projects, which have benefitted communities in the Eastern Cape province. The projects include, but are not limited to, King Sabata Dalindyebo PI projects, the Makana ROU contract, Ndlambe Regional Bulk Water Supply, Amatola Water plant upgrades and the Nahoon-East Coast Bulk Supply Pipeline.

Due to our demonstrated capability in delivering on projects, we are pleased to share the confidence demonstrated by our shareholder by appointing Amatola Water as an implementing agent for the Nooitgedacht/Coega Low Level Scheme project in the Nelson Mandela Bay Metropolitan Municipality as well as the Amathole dry Sanitation project. We will implement these projects with diligence.

In line with our vision to lead sustainable bulk water services in the Eastern Cape province, our success as an entity is central to our ability to lead in delivering safe, clean and high quality drinking water. This underpins the public health of our region and is a fundamental expectation of customers and stakeholders at large. In particular, the following highlights the realisation our vision during the past year:

- Drinking water quality is our highest priority and, as such, we continued to ensure that the highest standards were maintained. For the reporting period, we achieved 98% compliance to SANS Class 1 potable water standards.
- 100% assurance of supply to customers from source was achieved with adequate pressure at reservoirs, reaching set targets and highest reliability of supply standards for customers and consumers.
- Production and network losses combined were 11.98% against a target of 12% and baseline of 9%, crucially minimising environmental, financial and social impacts of losses and unaccounted for water.

On the financial performance front, we pride ourselves on the following achievements:

- Revenue of R398.6 million (an 18% improvement was achieved).
- A surplus of R7.3 million was achieved, which is a major improvement from the previous year.
- A clean audit was achieved during this period with major improvements from the previous year.
- A concerted effort in supporting economic transformation and inclusive growth with continued support of qualifying small enterprises, emerging micro enterprises and black owned businesses was achieved.

"We pride ourselves on effective implementation of strategic water and sanitation projects, which have benefitted communities in the Eastern Cape province"



Nokulunga Mngqeta
Chairperson



TOWARDS A SUSTAINABLE ORGANISATION

To ensure that Amatola Water is sustainable, we are planning to conclude an organisational review during the second half of the new financial year. This will be followed by robust engagements with our stakeholders in an effort to position Amatola Water as a bulk water and sanitation supplier in the province.

In line with our mandate and service delivery model, we will undertake a change management process, which is aimed at ensuring that the organisation is geared to deliver in line with the shareholder's vision.

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

STRENGTHENING GOVERNANCE AND STAKEHOLDER RELATIONSHIPS

The organisation, with oversight from the Board, continuously strived to uphold the principles of good corporate governance throughout the reporting period by complying with and applying the principles of appropriate corporate governance policies and practices as far as practicable.

Amatola Water believes that strategic partnerships are paramount to advancing service delivery, to live up to our values of responsibility, excellence, integrity, accountability and innovation. During the year under review, the Board approved a Stakeholder Relations Management Policy, which clearly categorises the stakeholders of Amatola Water and directs the interactions of the organisation with strategic partners, including municipalities, provincial government, funding institutions and the general public.

APPRECIATION AND ACKNOWLEDGEMENTS

I would like to first thank the Honourable Minister, Nomvula Mokonyane, for her early engagement with the new Board members, her visionary leadership, and the support and oversight she continues to give to Amatola Water.

My sincere appreciation to the Amatola Water Board members for beginning their term with energy and zest, thereby showing undivided commitment to discharging their fiduciary duties, and for taking the baton from the previous Board and moving with speed in addressing the strategic challenges faced by the organisation to ensure its future growth and financial sustainability.

To the previous Board, the CEO and his executive team, I extend my heartfelt gratitude for their leadership and for the foundation they have laid for the current Board.

My unwavering gratitude to Amatola Water employees, at every level, for ensuring the ongoing success of the organisation and for their commitment towards delivering the most sought after product – water – which is life.

The role played by our stakeholders, including our most valued customers, cannot be underestimated, including municipalities and the communities of the Eastern Cape, who created a conducive environment for Amatola Water to deliver on its mandate. We are confident that, with your continued support, we will continue to deliver on the priorities we have set out for the sustainability of the organisation.

Ntombokuqala Nokulunga Mngqeta

Chairperson

28 October 2016

CEO'S REPORT

It is with great pleasure that, as the CEO of Amatola Water Board, I hereby present the 2015/16 integrated annual report, which has been assured at four levels:

1	Five key departments of Amatola Water, headed by the executives and senior managers, including the office of the CEO and the departments of Finance, Operations, Planning and Development, and Corporate Services
2	Manco, chaired by the CEO
3	Internal and external auditors: PricewaterhouseCoopers and Ernst & Young
4	The Audit and Risk Committee of the Board of Amatola Water

Amatola Water, like most state-owned entities, augments its capacity to deliver on its mandate through continuous engagement with the private sector, especially when executing its role as implementing agent, thereby creating business opportunities and jobs within the private sector. This ensures that government achieves its developmental goals and objectives through partnerships with the private sector and emphasises the importance of the triple helix principle of working together as government, business and labour.

As an organ of state, Amatola Water engages regularly with private business, which is afforded a platform at Manco meetings, chaired by the CEO, to present innovative solutions for water, sanitation and business challenges. Amatola Water is thus able to address capacity and capability constraints in research and development.

The year under review was difficult for the water sector in general due to prolonged drought conditions caused by the natural El Niño weather conditions. Nationally, there is a water crisis which has also affected the Eastern Cape. Municipalities are being guided by the Drought Disaster Management Plan, spearheaded by the regional office of the Department of Water and Sanitation and the Provincial Ministry of COGTA. Fortunately, Amatola Water's area of supply has been blessed with sufficient rain and dam levels remain full at between 95-100%.

Amatola Water continued to trade effectively and slightly increased its water sales from 33 million cubic metres to 34 million cubic metres.

Our sustainability as a water board continues to be under the spotlight due to the existing, but capped, market for bulk water supply. Municipalities, in terms of the Constitution, responsible for potable water reticulation continue to function as bulk water producers in competition with the water boards. This poses long-term challenges in implementing the IRR strategy of the Department of Water and Sanitation, which seeks to establish regional water utilities to improve the scale and effectiveness of water service delivery.


As the only water board in the Eastern Cape, Amatola Water could best serve by providing a bulk water service to the entire province – and thus ensure that the IRR Strategy is implemented and reliability of supply to municipalities is guaranteed. Municipalities would then be able to focus their resources on the water reticulation network and, in so doing, improve the quality of service delivery to residential, industrial and commercial users.

Throughout the past year, Amatola Water was an advocate of the IRR Strategy in various forums. However, we see the need for Cabinet to intervene in order to effect the strategy as it encompasses three tiers of government, including departments other than the Department of Water and Sanitation.



Lefadi Makibinyane
Chief Executive Officer



 **3%**

“Amatola Water continued to trade effectively and slightly increased its water sales from 33 million cubic metres to 34 million cubic metres”

In the meantime, our business remains constrained by the Government Gazette of 1997 and its subsequent amendments. Amatola Water is confined to its area of operation, which covers only 47,515km² of the 168,966km² Eastern Cape province. Nevertheless, as the only water board in the province and due to well-documented service delivery failures of municipalities, Amatola Water continues to receive ministerial directives to quench the thirst for water service delivery not satisfied by municipalities. We go out as an implementing agent in water and sanitation infrastructure development projects or as operations and maintenance contractor for water treatment works. As a result, our resources are stretched – and slow or no payment for services rendered threatens our financial sustainability. We find ourselves with overheads at 44% of total operational costs, which is well above the national norm.

In the fourth year of implementing its 20-year business strategy, which is fully aligned with the National Development Plan: Vision 2030 and the MTSF of the Department of Water and Sanitation, Amatola Water had to restructure in November 2014 and was reviewed by Deloitte in 2015. It was found that the organisational structure of Amatola Water was not talking to its strategy.

Sanctioned by the Board, we are set to embark on a strategic review in 2016/17. We hope that this will be a zero-based approach that will refocus our strategic direction and organisational structure for greater good.

Let me take this opportunity to thank all the staff of Amatola Water for the improvements we have enjoyed in the past year. Gratitude should also be expressed to our Board members whose tenure ended in January 2016. We appreciate the leadership and oversight they provided for most of the 2015/16 financial year. May our new Board pick up the baton with confidence and a renewed sense of urgency to achieve our mandate.

We also look forward to a harmonious relationship with our recognised trade union, SAMWU, to achieve our collective goals as a water board with a respected reputation at national, provincial and local government level.

Lefadi Makibinyane

Chief Executive Officer

28 October 2016

SECTION 3

SUSTAINING

THE BUSINESS



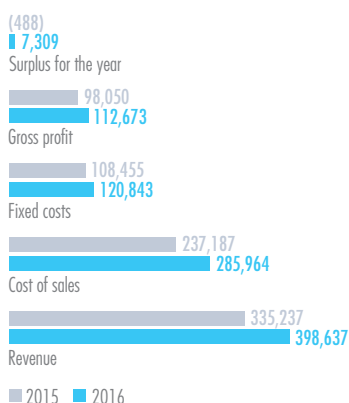
ECONOMIC EMPOWERMENT AND FINANCIAL SUSTAINABILITY

Performance in the 2015/16 financial year improved amidst challenges. Amatola Water continued to demonstrate attributes of a leader in sustainable bulk water services delivery within the Eastern Cape – evident in delivering much needed water and sanitation services in support of socio-economic development and job creation.

The economic outlook and financial sustainability of Amatola Water is based on the sound financial footing of the previous year when the following major achievements were realised:

- Revenue of R398.6 million (a 19% improvement) – growth mainly influenced by tariff increases while volumes grew marginally in comparison with the previous year
- Capital expenditure of R112 million (incurred mainly in upgrading treatment plants)
- Cash resources improved to R300 million
- A concerted effort in supporting economic transformation and inclusive growth with continued support of qualifying small enterprises, emerging micro enterprises and black-owned businesses.

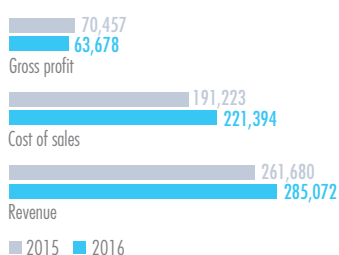
Consolidated results (R'000) 2015/16



Cash flow (R'000) 2015/16



Primary Business results (R'000) 2015/16



FINANCIAL SUSTAINABILITY AND VALUE CREATION

Revenue generated from operations has improved due to activities in Section 30. PIA fees increased due to construction contracts underway in line with the King Sabata Dalindyebo PI programme in the OR Tambo region. Operations and maintenance revenue improved significantly due to a new Department of Public Works contract.

Labour costs increased by 21% compared with prior year due to new projects acquired. Administrative expenses have increased compared to last year due to increased operational requirements.

Amatola Water's gross profit of 28% has improved marginally in comparison with the previous year. All efforts were made to contain direct costs.

As the asset base has aged, Amatola Water has begun refurbishing infrastructure assets to improve capacity and productivity, and thus ensure optimal operation for financially viable capacity and to meet water demand with available capacity. When the asset base improves, the entity will be able to borrow funds for capital growth.

Cash flow improved to R300 million due to better management of working capital. In addition, grants were received for water treatment plants although debt collection remained challenging on some projects.

PRIMARY BUSINESS

Primary Business is defined as engagement in Section 29 activities in terms of the Water Services Act. Amatola Water sold more water in the period under review compared to previous period. Greater sales volumes sales are attributed to an increase of 9.1% in raw water volumes sold while there was a slight increase of 0.7% in treated water sold. ROU volumes sold at Makana have increased by 12%. Revenue increased by 14% mainly due to tariff increases and volume growth.

Adverse performance worsened due to some unviable water treatment works under-recovering in terms of costs due to the volumes of water produced. Major focus has been placed on improving production in these areas through capital injection. Positive returns are expected in future.

Emphasis was also placed on cost reduction measures, especially in the management of direct and overhead costs. The utility continued to monitor standard costs per kilolitre against actual costs.

ECONOMIC EMPOWERMENT AND FINANCIAL SUSTAINABILITY (CONTINUED)

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

SECONDARY BUSINESS

Secondary Business activities are defined categorically under Section 30 of the Water Services Act. Engagement in Secondary Business activities has increased significantly by 54% mainly due to the new Department of Public Works contracts.

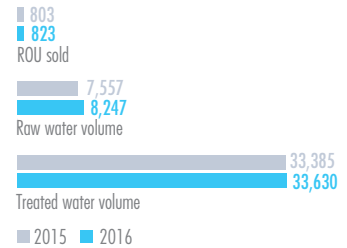
Amatola Water has made significant strides in its PIA work, mostly for the King Sabata Dalindyebo Local Municipality PI.

SUPPORT SERVICES

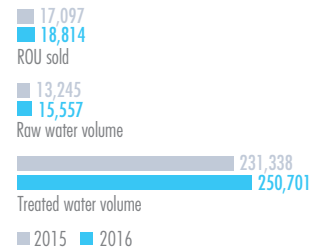
Amatola Water's support and administrative costs comprise head office support services costs. Salary costs as well as repair and maintenance costs are the main contributors, especially in the Makana Local Municipality and Department of Public Works Contract Eastern Region. Provision for bad debts has increased due to the Makana municipality's provision of R20 million (inclusive of VAT). General expenses have also increased by R5 million. In the year ahead, active monitoring of these costs will be improved with dedicated systems.



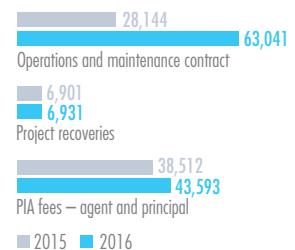
Sales mix by volume – Primary Business (Mℓ) 2015/16



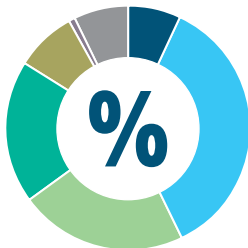
Sales mix by revenue – Primary Business (Mℓ) 2015/16



Sales mix by revenue – Secondary Business (R'000) 2015/16



BBBEE spend
2014/15



● Level 1	7%
● Level 2	36%
● Level 3	22%
● Level 4	19%
● Level 5	8%
● Level 6	1%
● Level 7	7%

SUPPLY CHAIN MANAGEMENT

Supply chain management (SCM) at Amatola Water has been transformed significantly with the implementation of policies and procedures, which have made positive and significant progress. Benefits are particularly evident in rectifying non-compliance although a number of challenges remain in the external environment.

Substantial effort and controls were put in place to reduce fruitless and wasteful expenditure, as well as emergency and irregular expenses. The relevant enterprise resource planning systems' improvements have been made and continuous changes are implemented to ensure efficiency and reliability of reporting.

Improving procurement spend on previously disadvantaged individuals and small, medium and micro enterprises (SMMEs) remains high priority with various initiatives, including application of objective criteria to ensure that targets are met.

Amatola Water strives to spend most of its procurement budget on suppliers with a BBBEE rating of level 1 to 4, which includes previously disadvantaged individuals and SMMEs. BBBEE spend for 2015/16 was 81% of the procurement budget compared to 84% in 2014/15.

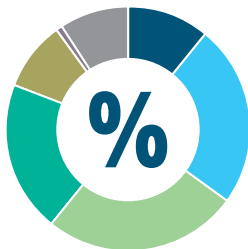
Contract participation goals (CPGs) are part of another initiative implemented by Amatola Water to expand and improve BBBEE spend. CPGs require a certain percentage of the tender scope to be committed to work and value by targeted enterprises through provision of meaningful economic opportunities.

Amatola Water awarded 27 contracts in the period under review – 26 infrastructure projects, including:

- Ndlambe bulk water supply for Port Alfred sea outfall (R42,361,074.94)
- Upgrading of Debe and Masincedane water supply schemes (R78,622,163.70)
- 19 contracts for the King Sabata Dalindyebo Local Municipality PI (R509,246,632.86)
- 13 contracts for the King Sabata Dalindyebo Local Municipality PI awarded to 100% black-owned companies
- Five contracts were awarded to companies with more than 51% black ownership.

The highlight for the SCM department remains the results of the internal audit in February 2016. Despite all the challenges faced with vacancies and training of employees, Amatola Water remains positive about the year ahead, and committed to procurement of all goods and services in a fair, competitive, transparent, cost-effective and equitable manner.

BBBEE spend
2015/16



● Level 1	11%
● Level 2	24%
● Level 3	26%
● Level 4	20%
● Level 5	9%
● Level 6	1%
● Level 7	9%

LOOKING AHEAD

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

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

LEADERSHIP AND EMPLOYEE DEVELOPMENT

Leadership and employee development is achieved when Amatola Water is dedicated to continuous learning and improvement; recruits and retains a workforce that is competent, motivated, adaptive and works safely; ensures institutional knowledge is retained and improved; provides opportunities for professional development; and is led by an integrated senior leadership team.

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

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

LABOUR PRACTICES AND DECENT WORK

Amatola Water embraces the principle that its organisational goals and HR needs are mutual, compatible and strongly interdependent. The entity's HR policies therefore seek to ensure a competent, motivated and engaged workforce for strategy implementation.

EMPLOYMENT

Amatola Water seeks to maintain a workforce that enables it to deliver quality services to all stakeholders. The entity's 2015/16 workforce profile (below) includes 343 permanent employees and 98 fixed-term contract employees in various projects.

Permanent staff profile as at 30 June 2016

Salary band/occupation levels	Employees at beginning of period			Employees at end of period
	Appointments	Terminations		
Top management	1			1
Senior management	3	1	1	3
Professionals and mid-management	21		2	20
Skilled technical workers and junior management	107	4	2	107
Semi-skilled	151	7	6	156
Unskilled	51	6		56
Total	334	18	11	343

During the period under review, 11 employees left Amatola Water. Labour turnover decreased from 5.9% in 2014/15 to 3.2% in 2015/16. The entities' turnover percentage, calculated using the total count of employees who worked in the entity in the year, of 3.2% was below the industry benchmark of 10%.

Staff terminations

Category	Number	% of total terminations
Death	0	0
Resignation	7	2.0
Dismissal	1	0.3
Retirement	3	0.9
Ill health	0	0
Other	0	0
Total	11	3.2%

LABOUR RELATIONS

Sound relations with organised labour, as a key social partner, is of paramount importance to the success of Amatola Water, which has a collective agreement with its union, the SAMWU – 81% of the total workforce are members of the union of which 75% are within the collective bargaining unit. The number of employees who have joined the union has increased by 4% over the past financial year.

Management and organised labour, through a Local Labour Forum structure, met at least quarterly in 2015/16, excluding special meetings as needed. Through a collective agreement, Amatola Water remains committed to sharing information with organised labour about operational changes that may affect employees directly or indirectly. During the year, management actively engaged labour about concerns raised and attempted to achieve resolution of issues without industrial action – without success in some instances. Sound labour relations were marred by industrial action in November 2015, regarding salary disparities within the bargaining unit. An agreement was then reached between the two parties to prevent further disruption due to industrial action attributed to service delivery and costs concerns. The Amanzi Bargaining Council delegated salary negotiations to plant level. As usual, the negotiations were robust and parties were able to settle within a reasonably short time.

Union membership as at 30 June 2016



EMPLOYEE WELLNESS

Creation of a healthy and safe working environment is an integral aspect of ensuring continuous growth in productivity. As such, Amatola Water prioritises compliance in occupational health and safety to ensure that its workforce is safe from occupational injuries and diseases. Beyond compliance, the organisation focuses on keeping employees happier, healthier and more productive to be able to implement the corporate strategy.

“Through a collective agreement, Amatola Water remains committed to sharing information with organised labour about operational changes that may affect employees directly or indirectly”

LEADERSHIP AND EMPLOYEE DEVELOPMENT (CONTINUED)

Amatola Water has an integrated employee wellness programme, which offers comprehensive and multifaceted solutions that promote, improve and optimise health, wellbeing and high performance.

The wellbeing of employees is efficiently and effectively addressed in terms of a combined service delivery model: some of services are outsourced to an external service provider and others are rendered internally by an in-house integrated wellness team.

From time to time, Amatola Water educates employees about wellness-related issues. In raising awareness and on annual wellness days, pertinent health topics are addressed and healthy lifestyle options are presented. Employees with chronic health symptoms are advised to consult their general practitioners or they are placed on the Amatola Water chronic health register aimed at assisting employees to manage their conditions. The wellness programmes also cover psycho-social issues, such as stress management, financial wellbeing and other topics related to a healthy lifestyle.

EMPLOYEE ASSISTANCE

The employee assistance programme (EAP) is a voluntary, work-based programme that offers free and confidential assessments, short-term counselling, referrals, and follow-up services to employees who have personal and/or work-related problems. Amatola Water has contracted Integrated Counselling and Advisory Services (ICAS), which provides employees with an opportunity to deal with emotional issues and trauma that may affect their personal lives. The ICAS programme is available to employees 24 hours a day at no cost. Some of the services include telephonic counselling via a toll-free line or “please call me” service, face-to-face counselling, life management, financial wellness, legal advice and other services. Referrals are also made by management as professional intervention in specific cases. ICAS provides quarterly reports on the use of the services as well as signals where there are potential hot spots. These reports enable Amatola Water to intervene where necessary, either by changing policy or work conditions.

EMPLOYMENT EQUITY

Employment equity reporting is in line with the compliance requirements of the Employment Equity Act. However, transformation, particularly of women in senior and managerial positions, as well as people with disabilities, is a concerted effort that is monitored continuously.



“In line with the annual training plan, employees receive specific training that is competency based in terms of their personal development plans”

TRAINING AND DEVELOPMENT: LEGISLATIVE AND FUNCTIONAL TRAINING

Skills development is essential to enable employees to excel in their individual and organisational roles and functions, and deliver on the organisation’s strategy. Amatola Water annually compiles and submits a workplace skills plan to the Energy, Water and Sanitation Sector Education and Training Authority (SETA), which identifies the skills requirements of the organisation. Employees are encouraged to be actively involved in identifying their training and development needs. In line with the annual training plan, employees receive specific training that is competency based in terms of their personal development plans. Training and development is effectively achieved through the following interventions, among others:

- Leadership and management development
- Skills development
- Learnerships
- Study assistance
- Legislative/compliance training

MANAGEMENT DEVELOPMENT PROGRAMME

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

Training costs: management development programme

R434,000	10	R43,400
Total expenditure	Employees	Average cost per employee

PROJECT MANAGEMENT

The project management programme equips supervisors with principles and knowledge to complete projects on time, within budget, while meeting project expectations.

Training costs: project management

R265,770	9	R29,530
Total expenditure	Employees	Average cost per employee

LEARNERSHIP PROGRAMME

Amatola Water contracted 10 general workers for an in-house water and wastewater process controller learnership, National Qualifications Framework (NQF) Level 4 programme developed according to critical and scarce skills needs identified in the sector skills plan.

Training costs: learnership programme

R501,600	10	R50,160
Total expenditure	Employees	Average cost per employee

LEADERSHIP AND EMPLOYEE DEVELOPMENT (CONTINUED)

FINANCIAL STUDY ASSISTANCE

Towards employee attraction and retention, as well as enhancement of productivity levels, during the reporting period, Amatola Water provided financial assistance to 23 employees for tertiary education – 15 were female.

Training costs: financial study assistance

R501,704

Total expenditure

23

Employees

R21,813

Average cost per employee

SKILLS DEVELOPMENT PROGRAMME

It is strategically necessary for Amatola Water to invest in the education, training and skills development of employees, especially with regard to scarce and critical skills.

Costs: skills development

	Training expenditure	Number of employees	Average cost per employee
Planning and development	R39,264	7	R5,609
Operations	R385,251	81	R4,756
Finance	R42,712	7	R6,102
Corporate services	R108,418	14	R7,744
CEO	R9,999	1	R9,999

LEGISLATIVE TRAINING

In the financial year 2015/16, Amatola Water employees received legislative and functional training in the operation and maintenance of high-voltage equipment, truck-mounted cranes, backhoe loaders, overhead gantries, first aid, safety representation, dangerous goods and transportation.

CAREER EXHIBITIONS

The learning and development division of Amatola Water participated in the following career exhibitions:

- Ingquza Hill Career Expo Science Day in Lusikisiki
- Department of Science and Technology exhibition and sod turning event in Cofimvaba
- Kutlaoanong National Core Maths, Science and Technology Dream Career Day

PERFORMANCE AND REMUNERATION

Amatola Water implements a performance management system, which ensures that all employees have performance contracts aligned with organisational objectives to ensure that strategies formulated by the Board and senior management are implemented. Annually, following a review of the organisational strategy, key performance indicators and targets, all divisions of Amatola Water develop plans, indicators and targets, which inform individual performance agreements with line management.

The Board of Amatola Water and executive management, respectively, assess organisational and divisional performances against targets on a quarterly basis while formal corporate-wide employee performance assessments are undertaken twice a year. The performance management process is development-oriented with a view to effective HR management and career development. Appraisals provide feedback and coaching to individual employees about job performance. The performance

“Annually, following a review of the organisational strategy, key performance indicators and targets, all divisions of Amatola Water develop plans, indicators and targets, which inform individual performance agreements with line management”



LEADERSHIP AND EMPLOYEE DEVELOPMENT (CONTINUED)

management process also supports capacity building, including personal development plans, by allowing managers to identify skill gaps, and thus uplift skills and knowledge levels.

Performance, which is linked to strategy, is further linked to remuneration in that performance bonuses are paid subject to the following requirements:

- Balanced scorecard targets have been substantially met as set out in the Shareholder Compact
- Divisional balance scorecard targets have been met as per divisional business plans
- Individual performance targets have been met as per individual performance contracts, and the organisation can afford to pay performance bonuses

This structured performance management process enables Amatola Water to ensure implementation of its strategic goals with skilled, competent, motivated and committed employees while recognising and rewarding good performance.

The Board resolved to grant a once-off ex gratia payment of 4% of total cost to company, across the board, to employees in the bargaining unit and at management levels. The payment of the ex-gratia was effected in April 2016 (details below).

Once-off ex-gratia payment

	Performance reward (R)	% of total reward
Top management	–	–
Senior management	–	–
Professionals and middle management	696,910.52	15
Skilled technical workers and junior management	1,928,764.76	42
Semi-skilled	1,546,807.01	34
Unskilled	412,255.27	9
Total	4,584,737.56	100

ORGANISATIONAL CULTURE

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

In May 2015, the Department of Business Management at Rhodes University, in conjunction with Amatola Water, invited employees to participate in a research study entitled “An organisational diagnosis: Assessing organisational effectiveness at a selected water board in South Africa”. The purpose of the study was to formulate an organisational diagnostic framework to assess the factors/elements affecting organisational effectiveness at Amatola Water. The outcome included recommendations on improvements to Amatola Water’s organisational effectiveness. A plan to address gaps and strengthen organisational effectiveness was developed for implementation in 2016/17.

Another of Amatola Water’s catalytic initiatives, which aimed to drive the successful implementation of the strategy and success of the organisation, was the entrenchment of Batho Pele principles into the culture of the organisation for improved service delivery with the ultimate objective encouraging the workforce to believe “We belong, we care and we serve” every day.

During the period under review, Amatola Water partnered with the Office of the Premier in training sessions for managers and supervisors. Key focus areas were creating awareness of the Batho Pele principles of consultation, standards, access, courtesy, information, openness and transparency, redress and value for money.

“Amatola Water continues to strive to enhance organisational culture in order to create an enabling environment for successful strategy implementation and improved service delivery”

ENVIRONMENTAL SUSTAINABILITY

Amatola Water's Environmental Sustainability Strategy provides the organisational framework for environmental sustainability and governance. It is underpinned by recognition that Amatola Water has a role to play in giving effect to the National Development Plan, particularly within the context of the Eastern Cape.

Key identified interventions to enhance organisational environmental sustainability include monitoring, assessing and evaluating organisational activities, managing and mitigating environmental impacts, promoting environmental awareness, supporting co-operative environmental governance and participating in relevant environmental research.

Consideration of potential environmental impacts of proposed activities (new developments or refurbishments, upgrades and maintenance of existing infrastructure) requires a proactive planning approach in order to timeously apply for necessary authorisations. Incorporating this proactive approach into the existing IMS at Amatola Water made significant inroads in the year under review through the development of the draft environmental management system (EMS).

The EMS was designed to be fully aligned within the existing IMS structure and provides a phased approach to ensuring compliance with relevant legislation. Through ongoing engagement with internal stakeholders, this EMS will become embedded within the daily functions of the organisation and its scope will be extended to cover not only Primary Business but Secondary Business through further refinement and additional development.

It is anticipated that this process will significantly enhance existing environmental governance and monitoring within the organisation, ensuring not only that relevant authorisations are obtained timeously but that best environmental practices can be applied and monitored through suitable environmental management plans and specifications.

Amatola Water practises various water conservation and demand management activities to minimise water losses and manage water demand, which have been consolidated into the Amatola Water Integrated Water Conservation and Demand Management Strategy. This document integrates all water conservation and demand management standard operating procedures and policies into a single document, and is clearly aligned with national Department of Water and Sanitation goals and objectives.

The strategy also clearly sets out the need for natural resource protection in alignment with the organisation's Environmental Sustainability Strategy. Aspects of the integrated strategy relevant to environmental strategy include monitoring of dam levels, pipelines, water meters, reservoirs, maintenance planning and recovery of backwash water.

Amatola Water continues to be an active stakeholder in policy dialogues, projects and research that have bearing on, or are relevant to, the organisation's environmental sustainability strategy. Issues such as climate change, environmental monitoring, development of resource management plans for Amatola Water managed dams, new regulations for coastal water discharges, establishment of the regional catchment management agency, and other regulatory and research activities have bearing on environmental sustainability for Amatola Water and were a key focus in the period under review.

The strategy recognises key interventions that are critical to support and achieve environmental sustainability, and acknowledges that Amatola Water has an impact on, and can be impacted by, natural resources. In general terms, the interventions relate to Amatola Water's environmental footprint and integrated environmental management within the context of climate change uncertainty, technological challenges and the service delivery imperative.

SECTION 4

REVIEW

OF OPERATIONS



INTRODUCTION

Amatola Water remains highly committed to meet all of its bulk supply agreements and conducts regular proactive maintenance of all its assets as a fundamental part of continued operations management. Participation in the Provincial Water Infrastructure Master Plan, as implementation agent of various projects in the Eastern Cape, is seen as a positive contribution to the elimination of water supply and sanitation backlogs in the province.

Amatola Water views value creation as an important step in interacting with its customers and communities to sustain bulk water supply and sanitation through continuous upgrading of infrastructure. As such, Amatola Water strives for sustainable growth and to ensure that the organisation continues to provide and extend sustainable water services to all municipalities and rural areas in the Eastern Cape.

Water quality trending from 2007 to 2016 on page 71 reflects results in terms of SANS 241:2015.

Water loss trending on page 65 shows the positive efforts of the operational division in implementing proactive maintenance programmes in the bulk networks.

Amatola Water also records the disabling incident frequency rate (DIFR) (page 70). The current DIFR remains at 0.59, which is well within the target of 0.80.

A total of 113Mℓ per day of potable bulk water was supplied to customers, which is 2Mℓ per day more than 2014/5 production of 111Mℓ per day. With the upgrade of five water treatment works (Sandile, Nahoon, Masincedane, Debe and Binfield), supply capacity is expected to increase to more than 150Mℓ per day with expected completion by 2020.

Amatola Water is striving to balance continued reliable bulk water supply in the Eastern Cape and to support economic growth while extending and increasing access to vulnerable municipalities and rural areas to reduce backlogs and improve local development.

Working closely with provincial stakeholders, municipalities within the supply area as well as communities, Amatola Water is developing an Infrastructure Master Plan that will be integrated into the Provincial Water Infrastructure Master Plan by the end of 2016 and this will place the organisation on the right track towards the formation of a regional water utility.

A total of
113Mℓ per day
of potable bulk water was supplied to customers

INFRASTRUCTURE STABILITY AND RESILIENCE

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

Water schemes owned and operated by Amatola Water

Raw water source	Scheme	Waterworks capacity (Mℓ/day)	Supply area/nature of area served
Sandile Dam	Sandile	18	Dimbaza Town, Middledrift Town, Fort Cox College, Bulembu Airport and more than 128 surrounding villages (20% urban and 80% rural)
Craighead Weir	Peddie	6.6	Peddie Town, Nompumelelo Hospital, peri-urban areas of Debe and Feni, surrounding villages (20% peri-urban and 80% rural)
Debe Dam	Debe	1.5	Rural
Mnyameni Dam	Mnyameni	0.2	Rural
	Masinedane	4	Rural (20% peri-urban and 80% rural): Keiskammahoek Town
Binfield Park Dam	Binfield Park	4.8	Urban areas of Alice, Kyaletu and Ntselamanzi, rural service centres of lower and upper Hopefield, 38 rural villages, Fort Hare University and Phandulwazi Agricultural College
Boyed Dam	Glenmore	0.5	Rural
Laing Dam	Laing	33	Bisho/Balassi/Berlin/Llitha/Zwelitsha/Pakamisa/Ndevana/Potsdam/Mount Coke/Mdantsane (63% urban, 17% peri-urban and 20% rural)
Nahoon Dam	Nahoon	33.7	East London/Reeston/Mdantsane/Newslands/Macleanstown (95% urban and 5% peri-urban)
Groundwater	Albany Coast reverse osmosis plants	3.8	Port Alfred, Bathurst, Kleinemonde, Kenton on Sea, Bushmans River, Boknes, Cannon Rocks and Alexandria
Total		106.1	

The past financial year has once again seen a steady trend from corrective to proactive maintenance. This has been particularly evident in the Makana area of operation.

The proactive maintenance philosophy, coupled with continuous plant and system improvement initiatives, has played a major role in production equipment availability and reliability. This is evident in most water treatment plants achieving consistently high water quality results.

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

The Baan Computerised Maintenance Management System has been upgraded to include automatic generation of proactive maintenance schedules. This enables faster and more accurate generation of schedules, thereby eliminating the possibility of errors in predicting when proactive maintenance is due to be undertaken.

“The past financial year has once again seen a steady trend from corrective to proactive maintenance”



“Amatola Water will have bulk potable water capacity to eliminate backlogs and increase water supply to 750 litres per household per day”

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

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

INTERNAL PROJECTS

Infrastructure Master Plan

Amatola Water is assisting the Department of Water and Sanitation compile the Provincial/ Infrastructure Master Plan, which will inform Amatola Water’s Infrastructure Master Plan.

Upgrading of water treatment works

Aimed at improving service delivery in terms of quantity and quality of water delivered to communities while realising economies of scale to simultaneously reduce bulk water tariffs for water services authorities, the objective is to upgrade water supply scheme infrastructure for Peddie, Sandile, Debe Nek, Masincedane, Binfield and Nahoon. Amatola Water will then have bulk potable water capacity to eliminate backlogs and increase water supply to 750 litres per household per day.

INFRASTRUCTURE STABILITY AND RESILIENCE (CONTINUED)

Key deliverables: treatment works to be upgraded

	Municipality served	Current capacity (Mℓ/day)	Proposed capacity (Mℓ/day)
Sandile	Nkonkobe, Ngqushwa and Buffalo City	18	60
Nahoon	Buffalo City (Mdantsane area)	33	60
Peddie	Ngqushwa	6.5	12
Debe Nek	Nkonkobe	1.5	5
Masinedane	Amahlathi	4	6
Binfield	Nkonkobe	4.8	10
Total		67.8	153

Eradication of rural household backlogs and increase in household supply to 750 litres per day

	Municipality served	Current households served	Future households served	Backlog eradicated
Sandile	Nkonkobe, Ngqushwa and Buffalo City	65,860	94,654	28,794
Nahoon	Buffalo City (Mdantsane area)	49,600	70,000	20,400
Peddie	Ngqushwa	13,303	14,866	1,563
Debe Nek	Nkonkobe	2,847	3,002	155
Masinedane	Amahlathi	2,835	4,059	1,224
Binfield	Nkonkobe	7,100	8,215	1,115
Total		141,545	194,796	53,251

Reduction in bulk water supply tariffs

From R6.98/kℓ in 2012/13, tariffs will reduce to approximately R 4.50/kℓ in 2016/17.



“Due to ever increasing supply challenges within the Great Kei Local Municipality, the terms of reference of the original feasibility study were extended to investigate other medium to long- term supply scenarios, including the East Coast Resorts, within the Amathole District Municipality”

EXTERNAL PROJECTS

Nahoon-East Coast Bulk Supply Pipeline

The proposed bulk infrastructure upgrade includes upgrading the Nahoon Dam water treatment works to 60Mℓ/day as well as construction of a bulk water pipeline from the Nahoon Dam water treatment works to Beacon Bay to augment supply to Cambridge, Vincent, Beacon Bay, Wembley and Gonubie. The project is a collaboration between Amatola Water and Buffalo City Metropolitan Municipality, funded by the RBIG programme of the Department of Water and Sanitation.

The project is informed by the need to:

- Alleviate water supply demand pressure from the existing Umzonyana water treatment works owned by the Buffalo City Metropolitan Municipality
- Maximise use of available safe yield allocation from the Nahoon Dam
- Provide for future development needs to address social housing within Buffalo City Metropolitan Municipality

Due to ever increasing supply challenges within the Great Kei Local Municipality, the terms of reference of the original feasibility study were extended to investigate other medium to long-term supply scenarios, including the East Coast Resorts, within the Amathole District Municipality. Centralised supply options were investigated from the Nahoon water treatment works and from a new regional water treatment works in the vicinity of the Wriggleswade Dam. Investigated decentralised supply options include local off-channel storage dams, desalination and reuse of treated effluent.

The regional water treatment works also provides other supply opportunities within Buffalo City Metropolitan Municipality, such as Bhisho and surrounds.

The following requirements were identified in the study:

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

Project progress to date

	Complete
Phase A: feasibility stage	
Nahoon feasibility study (time-based)	✓
N6 Corridor Study by Tshani	✓
Extension of Nahoon feasibility study	✓
Cost benefit analysis	✓
Scoping report	✓
RBIG administrative processes	✓
Implementation readiness study	✓
Environmental impact assessment	✓

INFRASTRUCTURE STABILITY AND RESILIENCE (CONTINUED)

Project progress to date

	Complete
Phase B: project implementation stage	
Inception stage	✓
Preliminary design stage	✓
Detail design stage	80%
Documentation/procurement stage	80%
Contract administration stage	0%
Close-out stage	0%

The project has high strategic impact for Amatola Water. It will diversify the supply areas of a flagship scheme in Amatola Water's asset base, and regionalise the Nahoon scheme from supplying part of a single settlement integrating into the entire supply network at the heart of the Buffalo City metropole (East London and the adjacent Great Kei Local Municipality under Amathole District Municipality). This scheme could also reduce the cost of development and backlog eradication for Buffalo City Metropolitan Municipality by supplying the last key ingredient needed for a bulk service package to unlock development to the east of the city.

Upgrading of Debe Water Supply Scheme

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

Phase 1 of the works is complete. Adequate Division of Revenue Act, 2016 (Act No 3 of 2016) funding has been allocated to implement phases 2A and 2B, which are both at construction stage, as well as Phase 2C, which is scheduled to go out to tender in February 2017.

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

Upgrading of Masincedane Water Supply Scheme

Towards improvement of the existing water treatment works in terms of quality and quantity of supply, construction of a new rising main and improvement in reservoir storage, this project is at construction stage with completion of the water treatment works in October 2016 and completion of the rising main in April 2017.

Trenching and pipe laying for the Upper Mnyameni Pipeline

Funded by National Treasury and administered by the Department of Water and Sanitation, this project has not presented any challenges.

Upgrading of the Binfield Water Supply Scheme

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

Challenges included the civil contractor not performing as expected and needing assistance by Amatola Water, through cessionary payments and relaxation of contract conditions, to extend time needed for completion. Delays have also been experienced due to land issues arising from ownership of the land on which the water treatment works is situated. The Department of Water and Sanitation is addressing the land issue but a solution is not expected in the short term.

"The project has high strategic impact for Amatola Water"

King Sabata Dalindyebo Municipality Presidential Intervention – Greater Mthatha Bulk Regional Water Supply Scheme Project

This project will provide safe, reliable and sustainable water supply to more than 1 million people in the rapidly growing city of Mthatha as well as surrounding towns and villages. The bulk supply scheme will deliver water along five “development corridors” radiating some 30km to 40km from Mthatha (the Mqanduli, Libode, Ngqeleni, Nqadu and airport corridors) in the local municipalities of King Sabata Dalindyebo, Nyandeni and Mhlontlo. The Mqanduli Corridor extends as far as KuGxwalibomvu and Mahlathinini to the south, and QweQwe and Qunu in the west.

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

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

The primary bulks construction work has been broken up into 60 contracts (28 contracts completed or currently underway in the central areas, as well as Mqanduli and airport corridors, and a further 27 contracts to be awarded for infrastructure in the Libode, Ngqeleni and Nqadu corridors, and the Rosedale waterworks. More contracts will be awarded next year to start construction of secondary bulk infrastructure and complete the scheme overall.

Additional funding has been required for Phase 2 of this project, funded by the Department of Water and Sanitation for the OR Tambo District Municipality.

“The regional bulk water supply draws from the Mthatha Dam, which is large enough to provide a high level of assurance of supply, even in times of severe drought”

Number of jobs created	1,200
Number of beneficiaries	1,070,000
Unit cost per beneficiary	2,865
Funder and programme	Department of Water and Sanitation RBIG and MWIG
Expenditure to end 2015/16	R1.08 billion
Current budget	R1.4 billion
Budget required	R2 billion
2015/16 Department of Water and Sanitation allocation	R184 million
2016/17 Department of Water and Sanitation allocation	R234 million
Shortfall	R561 million
Original estimated completion date	2018
Revised completion date	2019

INFRASTRUCTURE STABILITY AND RESILIENCE (CONTINUED)

King Sabata Dalindyebo Municipality Presidential Intervention – Northern Sewers Project

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

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

Challenges have included land claims, servitude registration and budget constraints.

Ndlambe Regional Bulk Water Supply

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

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

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

The long-term solution is to augment existing bulk water supply within the Ndlambe Local Municipality with supply from Sandile Dam. Two other Eastern Cape areas will also benefit from this project: Amathole District Municipality and Buffalo City Metropolitan Municipality.

The first project is being developed in two phases: “quick wins” and longer term augmentation from Sandile Dam.

“One of the key socio-economic drivers of the study is the proposed Thornhill development in Port Alfred, which will comprise 5,000 social housing opportunities”

Ndlambe Quick Wins Project

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



“Currently in design stage, this project provides for the construction of a new gravity main from an upgraded Sandile water treatment works to Port Alfred and ultimately to Cannon Rocks to augment supply to the coastal towns and Alexandria”

Sandile Dam supply

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

Kirkwood Bulk Water Supply Scheme

Phase 1 will involve construction of a raw water pipeline from the Korhaansdrift Weir to the Kirkwood water treatment works. Phase 2 will include construction of additional potable water storage reservoirs at the Kirkwood (3Mℓ) and Moses Mabida (3.5Mℓ) water treatment works.

Funded by the Department of Water and Sanitation, adequate funding has been allocated for Phase 1. The implementation readiness study (IRS) has been submitted to the Eastern Cape Technical Appraisal Committee (ECTAC) and has subsequently been recommended to the Eastern Cape Planning Co-ordination Committee (ECPCC) for approval to proceed to detail design, procurement and construction.

Completion of Phase 1 is expected in September 2017. Additional funding has been sought for Phase 2 due to be completed in October 2018.

Jansenville and Klipplaat Regional Bulk Water Supply Scheme

Additional groundwater development will be undertaken in Phase 1. Construction of a bulk pipeline from the Klipfontein Dam to Jansenville, as well as upgrading of the Klipplaat regional water treatment works will be done in Phase 2.

Adequate funding has been allocated by the Department of Water and Sanitation to implement Phase 1. The IRS has been submitted to the ECTAC and has subsequently been recommended to the ECPCC for approval to proceed to detail design, procurement and construction.

Phase 1 is due to be completed in June 2017 and Phase 2, which requires additional funding, in April 2019.

INFRASTRUCTURE STABILITY AND RESILIENCE (CONTINUED)

Coffee Bay Regional Water Supply Scheme

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

The project has been delayed by prolonged legal challenges, which were resolved in May 2014.

System design demand was increased from 60ℓ per capita per day to 125ℓ per capita per day in October 2013 to accommodate the requirement for running water to every household as envisaged by the National Development Plan. The increase in design demand had a substantial impact on the project cost. The budget required to complete the project is R268 million.

Sidwadweni Regional Water Supply Scheme

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

The scheme was also expanded to include additional villages, including the town of Tsolo. The number of villages eventually served will be in the order of 95 to 21 in the Elundini municipal area (Joe Gqabi District Municipality). On completion of this project, the entire Tsolo area will have sustainable water supply.

In the long term, it is envisaged that the proposed Ntabalanga Dam water supply scheme will be incorporated into the supply.

Funded by the Department of Water and Sanitation, on behalf of the OR Tambo District Municipality, the project is being developed in phases.

“On completion of this project, the entire Tsolo area will have sustainable water supply”

Nqadu Dam supply

- **Phase 1:** completed in 2006, this phase comprised construction of the water treatment works below Nqadu Dam, rising mains and command reservoirs.
- **Phase 2:** on the eastern side of Nqadu Dam, this phase was completed in 2008 and included construction of bulk distribution mains, three distribution reservoirs and reticulation for five villages, supplementing water to another village and supply to Tsolo Hospital.
- **Phase 3:** on the western side of Nqadu Dam, this phase was completed in 2008 and included construction of bulk distribution mains, two distribution reservoirs and reticulation for six villages.
- **Phase 4:** on the eastern side of Nqadu Dam, this phase was completed in 2010 and comprised construction of bulk distribution mains, seven reservoirs and reticulation for 12 villages.
- **Phase 5A:** on the western side of Nqadu Dam, this phase comprised two contracts completed in 2015, including construction of bulk distribution mains, six reservoirs and reticulation for 13 villages.

Tsitsa River augmentation

- **Contract 1a:** water treatment works – construction of a package plant type of water treatment works with design capacity of 5Mℓ/day expected to be completed in December 2016.
- **Contract 1b:** bulk rising mains and gravity mains – construction of two rising mains is due for completion by October 2016.
- **Contract 1c:** bulk reservoirs – construction of reinforced concrete reservoirs in the villages of Khamasana, Endabanisweni and Nduku, as well as Tsolo Junction, is due to be completed in December 2016.
- **Contract 2:** bulk pipeline – from Sidwadweni East Reservoir to Tsolo Junction Reservoir, the contract comprises construction of a 350mm diameter ductile iron gravity main with completion due in December 2016.
- **Contract 3:** bulk supply to Tsolo town – extension of a ductile iron supply main to Tsolo Reservoir, construction of a new reinforced concrete reservoir and a supply main from the reservoir to connect to the existing Tsolo Town reticulation system is expected to be completed in December 2016.

Ntabelanga Dam augmentation

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

Tsolo Town reticulation

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

Village reticulation

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

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

Sterkspruit Water Treatment Works

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

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

“A revised amount of R60.6 million has been approved under the MIG programme”

BULK SUPPLY AGREEMENTS

The Water Services Act requires that a water board enters into supply agreements with customers for the supply of bulk potable water. Amatola Water has three bulk supply contracts with the Buffalo City Metropolitan Municipality, Amathole District Municipality and the Ndlambe Local Municipality.

The existing agreement with Buffalo City Metropolitan Municipality is for a 30-year period ending in 2030. The bulk potable water supply agreement between Amatola Water and Amathole District Municipality is for a three-year period, which has been extended until June 2017. The bulk supply agreement with Ndlambe is effective for a period of 20 years until July 2030.

OPERATION AND MAINTENANCE

Amatola Water has entered into three significant MOUs for the operation and maintenance of customer infrastructure. Customers include the Makana Local Municipality and the National Department of Public Works in Port Elizabeth and the Mthatha regions.

“The existing agreement with Buffalo City Metropolitan Municipality is for a 30-year period ending in 2030”

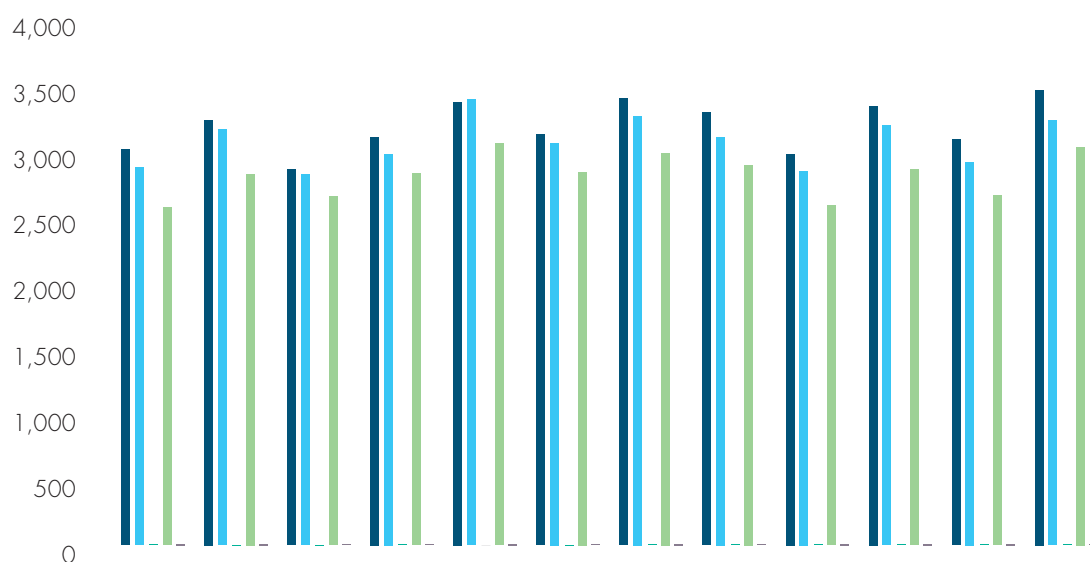


POTABLE WATER PRODUCTION

The volume of potable water produced was in the order of 33.6 million cubic metres for the financial 2015/16 year, which is marginally higher than 33.3 million cubic metres for the 2014/15 financial year.

An average total plant production loss of 3.7% was achieved during the year compared with the SAAWU benchmark of 7%. Similarly, total network losses for treated water increased to 8.28% against the 12% SAAWU benchmark over the past year. Total combined losses were 11.98% against the company target of 12%. The table below represents a comparison of the percentage water losses during the past year.

Water losses
2015/16



	07/2015	08/2015	09/2015	10/2015	11/2015	12/2015	01/2016	02/2016	03/2016	04/2016	05/2016	06/2016
Raw water in (kℓ)	3,003	3,228	2,852	3,099	3,366	3,120	3,390	3,287	2,971	3,333	3,079	3,457
Treated water out (kℓ)	2,866	3,158	2,814	2,970	3,382	3,055	3,259	3,099	2,840	3,188	2,911	3,225
Plant loss (%)	4.59	2.18	1.32	4.15	-0.46	2.08	3.86	5.71	4.44	4.35	5.45	6.72
Volume billed (kℓ)	2,563	2,820	2,646	2,822	3,049	2,835	2,977	2,887	2,580	2,854	2,654	3,024
Network loss (%)	10.55	10.69	5.97	4.98	9.84	7.21	8.68	6.83	9.13	10.4	8.83	6.22

PLANT MANAGEMENT

Bulk and distribution losses are monitored by the Water Resources division, in terms of the water loss/demand management programme, and meetings are held with the Operations and Finance divisions. Water loss reports are produced monthly.

A combination of bulk water meter balance reports, meter variance reports and water meter line diagrams are used to track water losses. Water meters are calibrated in terms of a set programme and specific needs.

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

THREE-YEAR TELEMETRY PLAN

Amatola Water has compiled a three-year master telemetry plan for all Primary Business plants, inclusive of Makana with short, medium and long-term interventions.

Progress has been made in the transition from analogue to a new digital radio system. The control room was also upgraded to incorporate a number of multiple screens to ease monitoring of the system by the control room operator. Migration from Adroit version 6.0 to the latest version 7.0 was also completed and is fully functional. Midnight reservoir capacity levels are stored on the telemetry server to calculate water stock on hand. The specialist system engineering object linking and embedding for process control, base station at Nahoon and repeater station at Windy Ridge were rebuilt to improve radio and telemetry communication with the plants.

Where budget allowed, all identified short-term interventions were undertaken during the 2015/16 financial year. Items earmarked for the medium and long term will be included in budgets for the next financial years. The plan has been updated for the 2016/17 financial year and the following financial years. Amatola Water is currently investigating the possibility of installing a new repeater site at Goverskop to serve the Makana, Albany and Glenmore areas of operation, and to link them back to the main telemetry server at the Nahoon regional office.

“Amatola Water has compiled a three-year master telemetry plan for all Primary Business plants”



OPTIMISING OPERATIONAL EFFICIENCIES

An increase of 0.9% in bulk potable water supply was recorded this year mainly due to Buffalo City Metropolitan Municipality taking water from the Nahoon Dam water treatment works, as well as an increase in supply to the Amathole District Municipality rural supply schemes.

“The 0.9% increase in bulk potable water is in line with Amatola Water’s initiative (CS1) to achieve 160 Mℓ/day by 2024”

Most of the plants operated by Amatola Water are running above installed design capacity hence a lower increase in sales. Bulk raw water supply has increased by 8.7% compared to the previous financial year. The 0.9% increase in bulk potable water is in line with Amatola Water’s initiative (CS1) to achieve 160 Mℓ/day by 2024.

STORAGE AND SUPPLY CAPACITY EXPANSION

Amatola Water’s clients received assurance of supply of 99.89% during the year under review and exceeded the set target of 80% as per Amatola Water’s initiative (IS1). The organisation is in the process of upgrading its capacity problems at five plants: Zandile, Masincedane, Binfield, Debe and the Peddie water treatment works to meet demand and to address the current backlog in the Eastern Cape. Funds from National Treasury will be used to subsidise the upgrades and ensure that every household has access to potable water in these areas. Some of these plants are between tender and construction stage. Two plants (Debe and Masincedane) are near practical completion stage.

OVERALL WATER LOSSES

Amatola Water achieved a combined water loss of 11.98% against the set target of 12% as per Amatola Water’s initiative (IS4) while the national standard is 19%. High water losses in some of the plants are due to operating above capacity, which required more frequent backwashing. These plants are being upgraded to meet future demand. Amatola Water’s stringent target of 12% is in line with the Department of Water and Sanitation’s “war on leaks” programme.

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

PRODUCTION EFFICIENCY

Pump efficiency monitoring

There has been an overall decrease in the ratio of kWh/m³ of water produced from 0.86 in 2014/15 to 0.84 in the 2015/16 financial year. This equates to an improvement of 2.2% in energy efficiency.

This overall decrease in the kWh/m³ ratio is well within the target, as per Amatola Water’s initiative (FV1.10), of 0.86.

It is further anticipated that, as soon as the entire identified pump refurbishments have been completed, as identified in the Sulzer report, there will be an increase in overall pump efficiency resulting in a further overall decrease in the ratio for the 2016/17 financial year.

Additional factors that have contributed to this decrease in the ratio include:

- Total potable water production increased by 0.9% year on year while electricity use increased by 2.1%
- Minimal load shedding outages were imposed on Amatola Water by Eskom

OPTIMISING OPERATIONAL EFFICIENCIES (CONTINUED)

The kWh/m³ of water produced ratio in the 2014/15 and 2015/16 financial years is illustrated below.

Electricity consumption: July 2014 to June 2015

Wastewater treatment works	Capacity (Mℓ/day)	Total 2014/15 (kWh)	Total 2014/15 (m ³)	Total 2014/15 (kWh/m ³)
Rooikrantz	1.2	0	0	0
Masinedane	2	64,194	914,610	0.07
Glenmore	0.5	183,630	270,018	0.68
Dabi		0	0	0
Peddie	6.56	755,706	2,623,318	0.29
Mnyameni	0.29	6,887	88,180	0.08
Nahoon	33.7	9,641,813	12,070,625	0.80
Laing	33	10,391,226	9,168,433	1.13
Sandile	18	4,632,560	6,267,067	0.74
Debe	1.5	924,479	701,837	1.32
Binfield Park	4.8	1,243,328	2,160,977	0.58
Allbany Coast	2.41	2,426,122	918,934	2.37
Total	103.96	30,269,945	35,290,363	0.86

Electricity consumption: July 2015 to June 2016

Wastewater treatment works	Capacity (Mℓ/day)	Total 2015/16 (kWh)	Total 2015/16 (m ³)	Total 2015/16 (kWh/m ³)
Rooikrantz	1.2	0	0	0
Masinedane	2	65,072	975,616	0.07
Glenmore	0.5	176,332	200,315	0.88
Dabi	closed	0	0	0
Peddie	6.56	713,576	2,826,588	0.25
Mnyameni	0.29	60,086	99,259	0.61
Nahoon	33.7	9,448,488	12,861,915	0.73
Laing	33	10,950,139	9,280,032	1.18
Sandile	18	4,747,665	6,455,783	0.74
Debe	1.5	1,012,305	761,784	1.33
Binfield Park	4.8	1,248,816	2,216,236	0.56
Allbany Coast	2.41	2,481,109	1,158,918	2.14
Total	103.96	30,903,588	36,836,446	0.84

SAFETY, HEALTH AND ENVIRONMENT

Safety, health and environment (SHE) performance is a priority for Amatola Water to comply with legal requirements, as well as product quality, environment, safety and health policy and standards in line with the IMS.

Items covered in the IMS Policy include injury-free and incident-free operation, as well as product stewardship. This policy has been embedded in management culture and implemented throughout the organisation.

As a result, there is continuous review of strategic and operational risks, including assessment of any emerging risks that could affect the organisation's ability to achieve its strategic objectives.

The occupational health and safety management system, OSHAS 18001:2007, was successfully implemented and recertified at most of the facilities within Amatola Water while SHE audits were conducted according to schedule at all sites.

Senior management members' abilities to actively demonstrate their commitment to safety has been the key aspect in improving safety and health. Safety toolkits were also developed to assist management in identifying occupational health and safety non-conformances at work.

OHSAS 18001 SABS AUDIT

Implementation and improvement of the Amatola Water OHSAS 18001:2007 management system continued. As part of its commitment, a recertification assessment, in terms of OHSAS 18001:2007, was conducted from 31 May to 2 June 2016 and the results were positive.

During the recertification assessment, only 12 minor non-conformances were raised and have been cleared by the South African Bureau of Standards (SABS).

LONG-TERM CORPORATE INITIATIVES

Given the strong development of health and safety management in recent years, our strategic aim is to consolidate the progress to date in the following priority areas:

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

A concerted effort is required by management at all times to focus on work-related health, recognising that setting targets and implementing actions in this area is complex.

CONTRACTOR AND CONSTRUCTION MANAGEMENT

Several initiatives to improve compliance with SHE legislation for construction work were introduced during the period under review. Projects were evaluated to ensure that they complied with the conditions of all applicable legal requirements, including authorisations and permits as per the new construction regulations that came into effect in August 2015.

"The occupational health and safety management system OSHAS 18001:2007 was successfully implemented and recertified at most of the facilities within Amatola Water while SHE audits were conducted according to schedule at all sites"

SAFETY, HEALTH AND ENVIRONMENT (CONTINUED)

The SHE plans monitoring programme for the King Sabata Dalindyebo and Makana local municipalities was undertaken to determine compliance with all the requirements of the Water Services Act, and all its regulations and incorporated standards with regard to construction welfare facilities, environmental regulations, housekeeping, fire precaution, structures, watching and barricading on construction sites.

Safety Section staff were also involved in numerous projects involving SHE gap analysis assessments for the Department of Education, Makana and national Department of Public Works projects to determine any process/activities that might have a negative impact, as well as ensuring that the necessary controls were in place to mitigate any potential hazards and risks.

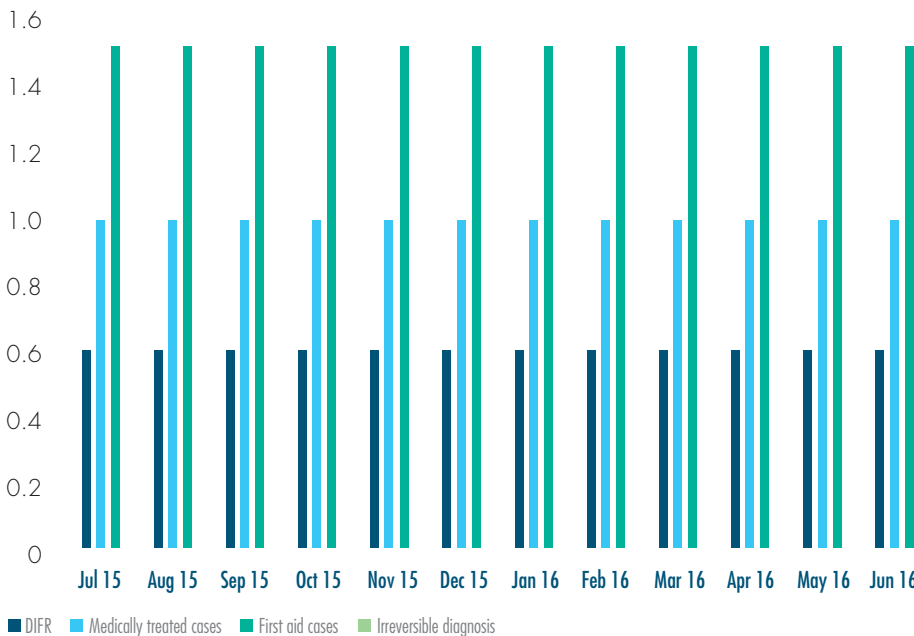
DISABLING INCIDENT FREQUENCY RATE

Amatola Water encourages staff to report all incidents regardless of the severity of the resulting injury.

This positive reporting culture allows for more incidents, including minor and near misses, to be analysed and to identify any potential trends or patterns. This analysis helps Amatola Water identify risk mitigation measures.

Disabling Injury Frequency Rate (DIFR)

June 2016



“Several initiatives to improve compliance with SHE legislation for construction work were introduced”

PRODUCTION QUALITY

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

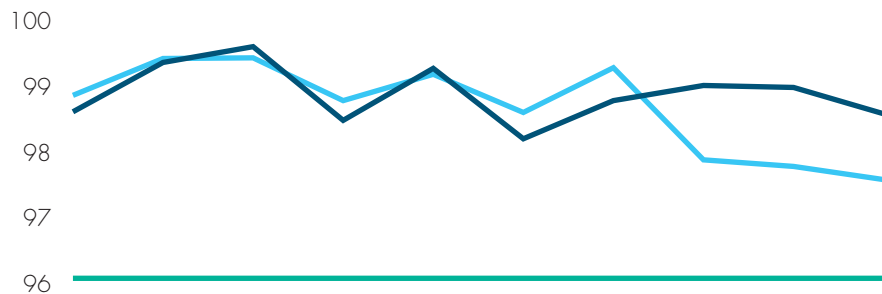
Combined water quality results for plant and networks is at 98% level of compliance for 2015/16.

The Department of Water and Sanitation made it compulsory for all water service providers to use SANS 241:2015 from January 2016. Water was transferred from Wriggleswade Dam to Nahoon Dam from March to August 2016, which changed the water characteristics of the Nahoon water treatment works.

There has been an insignificant change in overall compliance from the previous financial year to this financial year although the plants are still being upgraded and continue to run above capacity. This is in line with Amatola Water’s initiative (WQ1) with a target set at 98%. This data can be viewed by the public on the Department of Water and Sanitation “My Water” website (www.dws.gov.za). Amatola Water’s water quality results were published in the *Daily Dispatch* to inform the public, as directed by the Department of Water and Sanitation.

“Combined water quality results for plant and networks is at 98% level of compliance for 2015/16”

Water quality results (%)



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Waterworks	98.53	99.28	99.52	98.4	99.19	98.12	98.7	98.93	98.90	98.5
Distribution network	98.78	99.34	99.35	98.7	99.1	98.52	99.2	97.8	97.7	97.5
SANS 241:2014	96	96	96	96	96	96	96	96	96	96

CUSTOMER SATISFACTION AND COLLABORATION

Customer satisfaction is in line with the 20-year strategy to refocus on primary objectives.

AMATHOLE DISTRICT MUNICIPALITY

Amatola Water provides bulk raw and potable water services to the Amathole District Municipality. In line with the SALGA/SAAWU guidelines, a three-year supply agreement has been negotiated, signed on 26 June 2014 and valid until 30 June 2017.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Buffalo City Metropolitan Municipality became a water services authority in July 2003, following the announcement of powers and functions by the then Ministry of Provincial and Local Government. At the time of the announcement, Amatola Water had already entered into a 30-year supply contract (with an escape clause) with Buffalo City Metropolitan Municipality, signed on 30 May 2002. This agreement remains valid until 30 May 2030.

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 20-year agreement was signed on 30 March 2010 and is valid until July 2030.

DEPARTMENT OF WATER AND SANITATION

Amatola Water has an operation and maintenance management agreement with the Department of Water and Sanitation to manage the department's 21 dams, which has translated into many other opportunities for the utility. These include appointment as the department's PIA in cases where either new bulk water infrastructure is to be constructed or emergency interventions are required due to drought, flood, gross water quality negligence or upgrading and refurbishment of dysfunctional infrastructure.

The parties meet on a regular basis to facilitate the management contract and to discuss issues pertaining to normal operations and maintenance, as well as dam safety, among others. Amatola Water also represents the department at site and irrigation meetings on the dams managed on behalf of Department Water and Sanitation.

NATIONAL DEPARTMENT OF PUBLIC WORKS

Amatola Water has been performing operation and maintenance of standalone water and sewer systems, as well as dam safety, on dams belonging to the national Department of Public Works. Amatola Water now manages 20 systems, including six major water and sewerage works at Patensie, Kirkwood, Middeldrift and the St Albans Correctional Services. Amatola Water has been tasked to only run the major works and the department will use its own staff to run the small standalone systems.

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

Amatola Water has recently been appointed to operate and maintain 14 wastewater treatment works and six water treatment works in the eastern part of the Eastern Cape, under the regional office in Mthatha. This contract entails refurbishment of neglected works to comply with Green Drop and Blue Drop requirements and standards. Risk abatement plans and process audits have been compiled for all the wastewater treatment works of national Department of Public Works for the Eastern Cape and all risks have been identified for budgeting purposes. This contract has been extended until 31 August 2016.

“Amatola Water has an operation and maintenance management agreement with the Department of Water and Sanitation”



“All four Makana plants are now operating at maximum designed capacity and stretched to beyond during high peak demand period”

MAKANA LOCAL MUNICIPALITY

Amatola Water entered into a five-year ROU contract with Makana on 1 October 2013 as part of the Amatola Water CS1 initiative. This contract is aimed at capacitating Makana’s bulk water infrastructure, which includes the Waainek, James Kleynhans, Riebeeck East and Alicedale bulk water systems, to meet the current needs of the municipality amidst serious failure in service delivery to the consumers in the municipal area. The initial impact of interventions was realised by introducing a Department of Water and Sanitation-funded Rapid Response Unit project to conduct emergency repairs when residents took to the streets in protest against the municipality for failing to provide consistent and safe water supply to consumers.

Subsequently, a tripartite agreement was concluded with the Eastern Cape Development Corporation, Amatola Water and the Makana municipality to fund crisis intervention projects to the value of R98 million. This funding enabled emergency repairs of motors and pumps at the Howiesonspoor pump station and James Kleynhans water treatment works, purchase of more pump sets for these pump stations, refurbishment of air valves on the Howiesonspoor rising main, upgrading of the panels, installation of bulk meters, installation of a telemetry system, refurbishment of filters and clarifiers among the six intervention areas of the project. The integrity of electricity supply to the pump stations has been poor, which caused many failures in water supply, but this has been rectified by upgrading existing power supply and installing new overhead power lines. This tripartite agreement came to end on 31 August 2015.

All four Makana plants are now operating at maximum designed capacity and are stretched during high peak demand.

The James Kleynhans water treatment works continuously encounters high turbidity and total dissolved solids concentrations. The plant’s capacity to handle the high turbidity and sludge is still problematic but will be addressed in the planned upgrade. In the meantime, filters and clarifiers are being cleaned, as per schedule and the shutdowns roster, to reduce water loss.

Day to day training is done for SHE, operations and maintenance tasks as Amatola Water employees support Makana employees in their tasks, as per the water board standard.

Amatola Water has also submitted a bulk water service provision support proposal to the Makana municipality in order to provide an operation and maintenance service to the entire bulk infrastructure, which includes water treatment and wastewater treatment plants, for the next 10 years.

CUSTOMER SATISFACTION AND COLLABORATION (CONTINUED)



OR TAMBO DISTRICT MUNICIPALITY

Amatola Water provided support in the OR Tambo District Municipality as an implementing agent for the following projects:

- Mithatha pipe replacement project
- OR Tambo District Municipality Municipal Water Infrastructure Grant (MWIG)

The Mithatha pipe replacement project is an MWIG-funded initiative at an approved value of R80 million. This project is intended to replace the decaying asbestos cement pipes around Mithatha Town. The Mithatha pipe replacement is not progressing as expected due to budget challenges hence it was decided to focus on critical areas that have major leaks or constant bursts. The section in front of the new BT Ngebs City Mall was completed and the mall is receiving constant supply.

The district municipality has also appointed Amatola Water to implement its MWIG projects for two wards in King Sabata Dalindyebo Local Municipality (wards 26 and 28) and Ntontela at Ngquza Hill. The budget for the 2015/16 financial year was R33.65 million, which was all spent successfully, equipping boreholes, and protecting springs and reticulation with stand taps.

- **Ward 26:** The project progressed well and at least 23km of pipeline from 50mm to 160mm, 30 stand pipes and a spring, were constructed and completed as planned. Due to topographic challenges causing a high pressure build-up, at least six break pressure tanks were constructed to ensure correct pressure at the tap and for stability of the pipeline.
- **Ward 28:** The project progressed well and at least 21.6km of pipeline, ranging from 50mm to 160mm, standpipes and a spring, were constructed and completed as planned.
- **Ngquza Hill and Ntontela (Ngquza Hill wards 1, 2 and 3 and Port St Johns wards 17 and 18):** The project progressed well and at least 42.4km of pipeline, ranging from 50mm to 160mm, standpipes, three reservoirs and 10 springs, were constructed and completed as planned. Due to topographic challenges creating high pressure build-up, at least four break pressure tanks were constructed to ensure correct pressure at the tap and stability of the pipeline.

“The budget for the 2015/16 financial year was R33.65 million, which was all spent successfully, equipping boreholes and protecting springs and reticulation with stand taps”

GOVERNANCE



GOVERNANCE REPORT

OUTGOING BOARD

During the period from July 2015 to 31 January 2016, Amatola Water had nine Board members, referred to as the outgoing Board.



Nothemba Mlonzi

Chairperson
Initial appointment: 1 Feb 2006
 BProc, LLB (Hons) in Business Administration, expertise in law

Ms Mlonzi, a practising attorney for 25 years, has been an acting judge in the Cape High Court and South Gauteng High Court from time to time since 2003. She has served on various boards in South Africa, including the South African Civil Aviation Authority, Agricultural Research Council and Eastern Cape Development Corporation. She currently chairs the South African National Energy Development Institute, which reports to the Minister of Energy, and serves on the Eastern Cape Cricket Board. She is Founder and Managing Director of Econ Oil & Energy.

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Zikhona Ramncwana

Member: Human Resources and Remuneration Committee
Initial appointment: 1 Feb 2010

PGDLL, Advanced Programme in Organisational Development, Fundamentals of Project Management, Navigator Leadership Development Programme, Employee Assistance Programme Certificate, BSocial Work (Hons), Expertise in Human Resources and Labour

Ms Ramncwana has been employed as a Human Resource Manager for Transnet Port Terminals in East London. She is currently the National Employment Equity and Employee Wellness Manager for Transnet National Ports Authority at head office.

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Mxolisi Koyo

Chairman: Finance Committee
Member: Executive Committee and Corporate Citizenship Committee
Initial appointment: 1 Feb 2002

BAgric, Advanced Diploma in Agricultural Extension and Rural Development, MBA

Councillor Koyo is the Executive Mayor of Chris Hanu District Municipality and Deputy Chairman of SALGA in the Eastern Cape. He has extensive experience in finance, procurement and human resources.

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Sizakele Ngwekazi

Member: Human Resources and Remuneration Committee and Corporate Citizenship Committee
Initial appointment: 1 Feb 2010

BEd, Certificate in Sport and Tourism Management, Expertise in Human Resources and Labour Issues

Chief Ngwekazi is Head of the Amabhele Traditional Community in Peddie. He is also a Member of Nompumelelo Hospital Board. A teacher by profession, he is Deputy Secretary of the Congress of Traditional Leaders in the Eastern Cape. He is also involved in the Rural Development Forum of the Rharhabe Kingdom. He is currently a Member of the Provincial House of Traditional Leaders in the Eastern Cape.

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Prof Lynette Louw

Chairman: Strategy and Business Development and Executive Committee

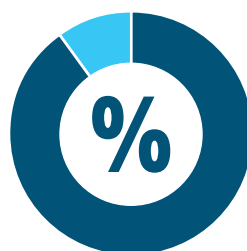
Member: Finance Committee
Initial appointment: 1 Feb 2006

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

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

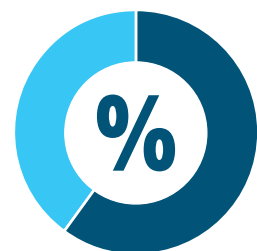
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Composition of outgoing Board by race
 2015-2016



• Black
 • White

Composition of outgoing Board by gender
 2015-2016



• Female
 • Male

Meeting attendance

▲ Total number of meetings
 ✓ Number of meetings attended



Ntombenhle Rulumeni

Member: Audit and Risk Committee and Strategy and Business Development Committee

Initial appointment: 1 Feb 2010
 BSocSci, Project Management Course, Legislation Course, Performance Management Course, Strategic Management Course, Industrial Relations Diploma

Mrs Rulumeni has a mixture of national and international experience in various areas, including strategic mentorship and coaching. She has worked for the German Technical Co-operation as Technical Advisor as well as the British Council in the United Kingdom as Project Manager for British Investments in South Africa. She is currently involved in a climate change project. Ms Rulumeni was a Public Representative before her appointment as a Public Relations Councillor for Buffalo City Metropolitan Municipality.

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Mhleli Matika

Chairman: Human Resources and Remuneration Committee

Member: Executive Committee, Strategy and Business Development Committee and Audit and Risk Committee

Initial appointment: 1 Feb 2002
 Advanced Arbitration Conflict Management Course, Local Government Finance Councillor Development Course, King II and King III courses

Mr Matika is a former Councillor of Buffalo City Metropolitan Municipality and has played a role in SALGA, having served as Chairman of the South African Local Government Bargaining Council Executive Committee and an Executive Committee Member of the Eastern Cape branch. He has an extensive background in union affairs, HR management and labour matters.

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Simphiwe Dzungwa

Member: Finance and Strategy Committee and Business Development Committee

Initial appointment: 1 Feb 2010
 BA (Hons), MBA (Public Administration)

Mr Dzungwa has extensive experience in business management, development finance and budgeting. He has worked in senior management positions in renowned institutions such as Absa and the Development Bank of Southern Africa. His early career began as a Public Service Financial and Budgeting Manager in the Eastern Cape as well as national government. His most recent engagement was Head of Innovate Eastern Cape. He has served in various leadership positions in community, student, youth and political organisations. He is a Full Member of the Institute of Directors in Southern Africa (IoDSA) and has vast experience in board and corporate governance matters.

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Khululwa Ncamiso

Member: Human Resources and Remuneration Committee

Initial appointment: 1 Feb 2010
 Primary Teaching Diploma, Advanced Certificate in Education, Executive Leadership Municipal Development Programme, Local Governance Law and Administration Diploma

Ms Ncamiso is a Councillor and a former Speaker of the Council of Ndlambe Local Municipality.

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Meeting attendance

- ▲ Total number of meetings
- ✓ Number of meetings attended

GOVERNANCE REPORT (CONTINUED)

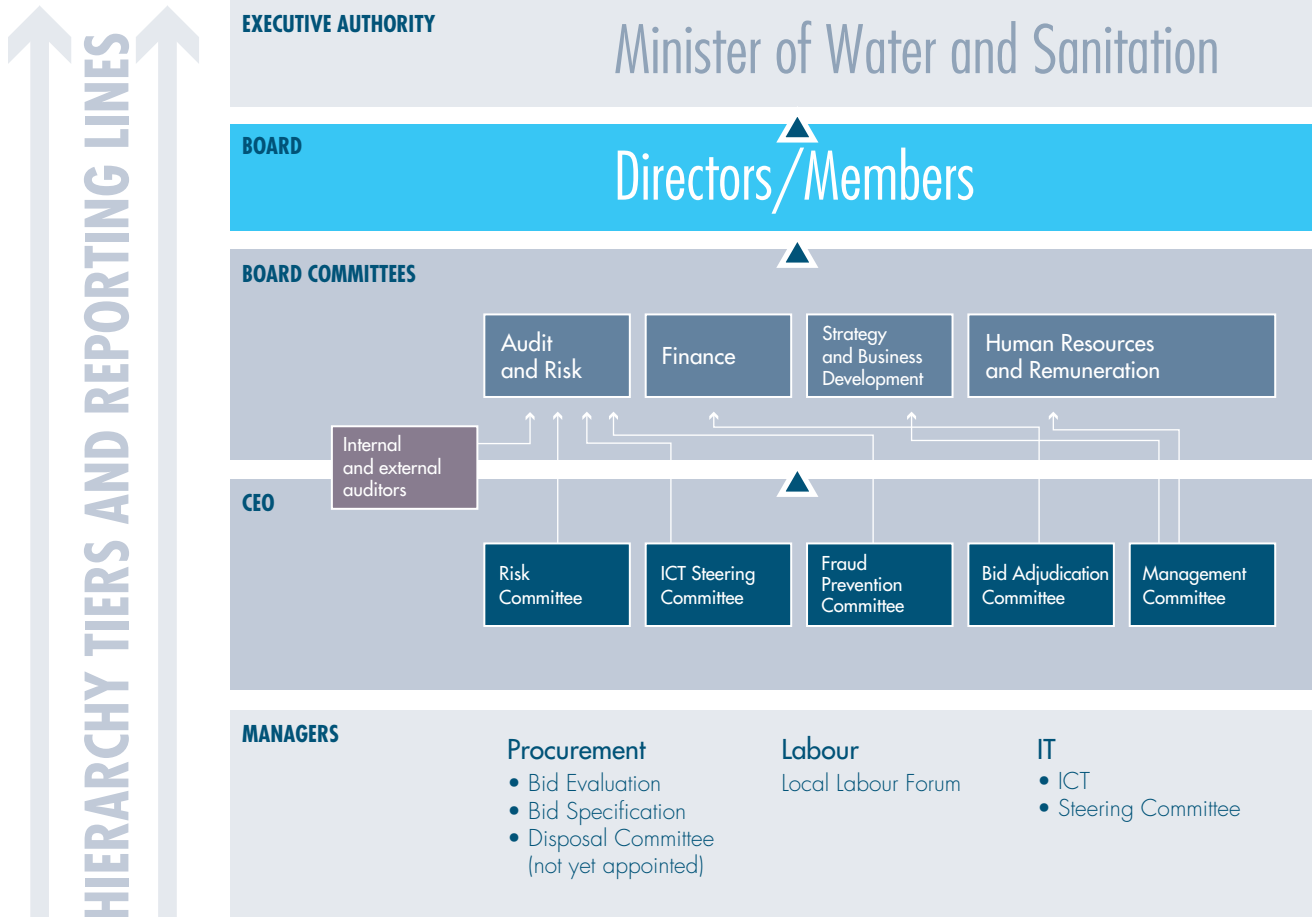
The governance structure supports the ability to create value by ensuring effectiveness, showing commitment, staying relevant and up to date with developments and challenges within the environment and the impact of challenges and developments with the appropriate skills set and diversity. The structures in the governance framework enable value creation so that Amatola Water will ultimately achieve its mandate.

The leadership structures, based on skills and diversity, influence the governance structures, which are informed by the strategy and, primarily, by the legislative requirements and best practices. Amatola Water, in aiming to be a good corporate citizen, has implemented governance practices that exceed legal requirements and as recommended by the King III.

This governance report is a culmination of the processes implemented, and actions taken by the Board and senior management to influence and monitor strategy and risk. The overall approach by executive and non-executive directors is linked to the underlying values of the water board: responsibility, excellence, integrity and accountability to ultimately achieve the vision and mission of the Water Board. It can be seen in risk management, compliance management, code of conduct, fraud prevention and conflict of interest that the water board management and Board have performed their duties during the year, accepted responsibility and accountability for ensuring that the values of the company are upheld and that the strategy of the company is achieved, while systems underline the achievement of objectives so that stakeholder value is ultimately created (see business model and strategy (page 10)).



GOVERNANCE STRUCTURE



PORTFOLIO COMMITTEES

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

EXECUTIVE AUTHORITY

Oversight by the Executive Authority, the Minister of Water and Sanitation, rests by and large on the prescripts of the Public Finance Management Act.

The Executive Authority has power to appoint and dismiss the Board of the public entity. In addition to other powers set out in the Act, the Executive Authority must ensure that the appropriate mix of executive and non-executive directors is appointed and that the directors have the necessary skills to guide the public entity.

The Executive Authority has met with the Board of Amatola Water on occasion and continuously engages with the public entity in various areas. Strategic engagements are set out in the table on page 80. Operationally, various other project steering committees oversee project implementation.

GOVERNANCE REPORT (CONTINUED)

Date of engagement	Type of engagement	Content
6 August 2015	Meeting	National Sanitation Policy Review
1 November 2015	Media briefing	Drought
19 November 2015	Meeting	Chief Financial Officer (CFO) forum
4 February 2016	Director-General (DG) Forum	Water Resource Management, IRR, funding of directives
7 February 2016	Meeting	Traditional Leaders and Department of Water and Sanitation
3 April 2016	Meeting	CFO Forum
12 April 2016	Meeting with the Board and Minister	Amathole District Municipality directive and quick wins discussion
11 May 2016	Meeting	Budget speech
1 June 2016	Meeting	Business plan appraisal
10 June 2016	DG Forum	Water resource management, IRR, funding of directives
13 June 2016	Meeting	Minister's advisors
Quarterly reporting	Reporting	Shareholder performance
Quarterly reporting	Reporting	<ul style="list-style-type: none"> • Job creation report • Youth accord
Ongoing	Reporting	Various topics from parliamentary and governance questions

ACCOUNTING AUTHORITY/BOARD OF DIRECTORS

The Board of Directors is the Accounting Authority of Amatola Water Board, The Board constitutes a fundamental base for the application of corporate governance principles in the organisation. Amatola Water is headed and controlled by an effective and efficient Board, comprising an appropriate mix of executive and non-executive directors with the necessary skills to strategically guide the water board.

The majority of members are non-executive to ensure independence and objectivity in decision making. The Board has absolute responsibility for the performance of Amatola Water, and is fully accountable to the Executive Authority for this performance. The Board provides strategic direction to the public entity.

The mission statement of the Board is to lead Amatola Water in the pursuit of the organisation's corporate vision and to assist it to fulfil its mandate of water services provision for the benefit of the nation.

The Board is involved with the formulation of the strategy, and then documenting strategic risks. As custodians of risk and strategy, the Board confirms commitment to creating value by contributing skills and expertise to the creation of the Strategic Risk Register and the strategy setting the values, purpose and mission of the organisation, while ensuring oversight of the rollout and effectiveness of the strategy.

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

The duties of the Board have been captured in the Charter of the Board and grouped into three main functions: strategic leadership and direction setting, risk management and control, and disclosure.

The primary role of the Board is to ensure that Amatola Water succeeds in discharging its mandate to provide a full range of water services that improve the quality of life of citizens in a manner that is efficient and that complies fully with all relevant regulatory and policy requirements.

CHAIRMAN OF THE BOARD

The Chairman is appointed by the Minister, as Executive Authority. The role of Chairman is distinct from that of the CEO. The authority of the Chairman includes making decisions that fall within the areas covered by Board, policies on governance process and Board-staff linkage. The function of the Chairman is to ensure that the Board behaves consistently with its own rules and those legitimately imposed upon it by the Minister. The duties of the Chairman are expressly set out in the Board Charter to include:

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

BOARD CHARTER

As recommended by King III, the Board has a Board Charter setting out its responsibilities and the overall responsibility of Board committees.

On arrival of the current Board, the Board Charter and the terms of reference of committees were reviewed to ensure alignment with strategic objectives.

COMPOSITION OF THE BOARD

During the period from 1 July 2015 until 31 January 2016, Amatola Water had nine Board members referred to as the outgoing Board. The current Board was appointed for a period of four years, effective from 1 February 2016. The new Board comprises the CEO as ex-officio and nine non-executive directors. Biographies of Board members are on pages 82 to 83. Only one Board member of the outgoing Board remained on the current Board.

The initial appointment dates of non-executive members, together with qualifications/expertise and demographics.

BOARD APPOINTMENT

All Board members or non-executive directors are appointed by the Minister of Water and Sanitation as per the Act. Appointment of Board members to office is for four years with a maximum of three terms. The Board has been advised by the Minister that terms would be in full force and effect until the new Board has been appointed. The Act sets out the criteria considered by the Nomination Committee when recruiting for Board selection.

GOVERNANCE REPORT (CONTINUED)

CURRENT BOARD

On 1 February 2016, the new Board was appointed by the Minister, for a period of four years.



Nokulunga Mqeta

Chairperson

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

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

▲ 4
✓ 4

Sizwe Hadebe

Deputy Chairman

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

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

▲ 4
✓ 4

Prof Lynette Louw

Chairman: Strategy and Business Development and Executive Committee

Member: Finance Committee

Initial appointment: 1 Feb 2006

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

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

▲ 4
✓ 4

Brian Hollingworth

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

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

▲ 4
✓ 3

Mphoko Nzimande

BSc (Mechanical Engineering Infrastructure), Project Finance Course

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

▲ 4
✓ 2

Meeting attendance

- ▲ Total number of meetings held while a member
- ✓ Number of meetings attended while a member

BOARD ATTENDANCE

The Board has shown commitment in ensuring achievement of objectives by ensuring that attendance at Board meetings is monitored as a deliverable on the performance scorecard of the organisation. The Board has urged members to maintain the desired 80% as directed by the Minister, has continued to strive to achieve the desired outcome, and has confirmed its commitment as the year rolled out.



Abraham le Roux

BA (Law), LLB

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

▲ 4
✓ 4



Chuma Mbande

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

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

▲ 4
✓ 3



Eugene Jooste

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

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

▲ 4
✓ 4



Tebogo Maenetja

(Resigned 10 August 2016)

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

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

▲ 4
✓ 2



Lefadi Makibinyane

Chief Executive Officer

(Appointed in February 2015)

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

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

▲ 4
✓ 4

GOVERNANCE REPORT (CONTINUED)

INDUCTION AND TRAINING OF NON-EXECUTIVE DIRECTORS

All Board members are expected to have the knowledge and skills to fulfil their roles, which are verified in the process of selecting Board members, as per the policy on Board practices set out by the Executive Authority. Appropriate governance training is provided by the Executive Authority.

The principles applied in training interventions are set out by and in the policies of the Executive Authority with approval requirements and remuneration allowances.

Training needs are identified in line with the achievement of the objectives of the committees and the Board Charter. Examples of training areas include new legislation applicable to water boards, Department of Water and Sanitation policies and practices applicable to water boards, industry/region-related changes or developments. These training interventions have yet to be implemented as they are subject to approval and budgetary allowances.

The new Board is inducted over a period of two days at Amatola Water. The induction programme is comprehensive, including a Department of Water and Sanitation overview and an Amatola Water overview of the companies and governance perspective.

REMUNERATION OF BOARD MEMBERS

Remuneration of the members of the Board is determined by the Executive Authority in a letter advising the increases to be effected annually. The principles applicable to remuneration are set in the policy regarding Board practices and remuneration of Board members is also set out by the Executive Authority.

Outgoing Board members' emoluments for the year ended 30 June 2016

Name	Board meetings	Travel and other reimbursements	2016	2015
N Mlonzi (Chairperson)	36,792		36,792	51,914
M Koyo	39,117		39,117	51,291
M Matika	65,261	6,372	71,633	97,771
S Ngwekazi	38,756	11,709	50,465	73,670
N Rulumeni	35,751	2,990	38,741	64,741
Z Ramncwana	28,545	695	29,240	48,948
S Dzengwa	29,918	1,312	31,229	68,257
K Ncamiso	44,933	7,120	52,053	69,697
Total	319,073	30,198	349,270	526,289

Current Board members' emoluments for the year ended 30 June 2016

Name	Board meetings	Salary stipend	Travel and other reimbursements	2016	2015
N Mqeta (Chairperson)	138,499	87,381	459	226,338	–
L Louw	129,177	63,419	3,247	195,843	69,850
S Hadebe	94,435	71,406	–	165,841	–
T Maenetja	60,645	63,419	–	124,064	–
E Jooste	102,105	63,419	–	165,524	–
B Hollingworth	79,670	63,419	2,400	145,490	–
M Nzimande	92,196	63,419	–	155,615	–
A le Roux	74,914	63,419	128	138,461	–
C Mbande	38,686	63,419	–	102,105	–
Total	810,327	602,720	6,234	1,419,281	69,850

Audit and Risk Committee emoluments for the year ended 30 June 2016

Name	Board meetings	Salary stipend	Travel and other reimbursements	2016	2015
K Mockler	80,521	–	24,700	105,221	150,781
L Manquku	29,521	–	–	29,521	8,980
S Bruce	21,528	–	–	21,528	9,779
G Spalding	–	–	–	–	4,347
Total	131,570	–	24,700	156,270	173,887

BOARD COMMITTEES

As a Board cannot attend to all the matters effectively, the establishment of the following committees is recommended:

- Executive Committee (only applicable for the duration of the outgoing Board)
- Audit and Risk Committee
- Human Resources and Remuneration Committee
- Corporate Citizenship Committee (disestablished with the review of the governance structure)
- Finance Committee
- Strategy and Development Committee

Board members sit on various committees to ensure cross pollination and adequate transfer of skills, and to prevent pockets of skills in one focused committee. The skills set of the various Board members and the requirements of that committee have been taken into consideration when determining committee representation to ensure best value addition. To enhance value creation, processes and policy have been put in place to monitor the culture of the organisation, and the attitude towards risk and mechanisms that address integrity and ethical issues.

GOVERNANCE REPORT (CONTINUED)

The responsibility for vetting sustainability reporting is not specifically documented in terms of reference but the collective responsibility for ensuring reporting on risk matters and general matters relating to social, economic and environmental aspects are divided throughout the Board committees with specific escalation mechanisms in place. Items tabled at Board meetings are escalated if critical concerns are identified by committees. To date, no matters of critical concern have been escalated to the Board, based on economic, environmental and social matters of sustainability.

It should be noted that the terms of reference of all committees are approved by the Board and reviewed periodically. The committee chairpersons report to the Board quarterly on performance and matters arising from those committees. The terms of reference dictate matters within the powers of the committee to approve and matters for escalation.

The impact of a governance structure for Board committees that focuses on strategic implementation and sustainability requirements is that efficiency in decision making is achieved, and this ultimately impacts on the decisions taken by the operations of Amatola Water.

Executive Committee

The Executive Committee is responsible for monitoring the execution of Amatola Water’s strategy and adherence to broad governance policy in delivering the core business of the organisation. It deliberates on issues relating to business planning, and monitors business and executive performance. It also discharges any powers delegated to it by the Board. It also serves as the Remuneration Committee of Amatola Water.

When the governance structure is reviewed, the role of the Executive Committee will also be reviewed.

Trend analysis

Years	Number of meetings	Key issues
2012/13	2	General issues raised by the Board
2013/14	1	Matters raised by the union escalated into a forensic investigation reported in the Ethics Report
2014/15	0	Not applicable
2015/16	2	General issues for finality raised by Board

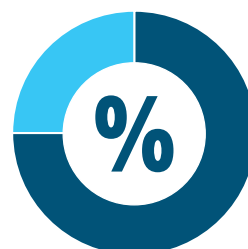
Audit and Risk Committee

The Audit and Risk Committee assists the Board in fulfilling its oversight responsibilities. The committee reviews the financial reporting process, internal control and management of financial risks, the audit process, monitoring compliance with laws and regulations, and the Fraud Prevention Strategy. In performing its duties, the committee maintains effective working relationships with the Board of directors, management, and the internal and external auditors. To perform a specific role effectively, each committee member has to understand the detailed responsibilities of committee membership as well as the company’s business, operations and risks.

The overall functions of the Audit and Risk Committee, in line with the Public Finance Management Act and National Treasury requirements, cover the following areas:

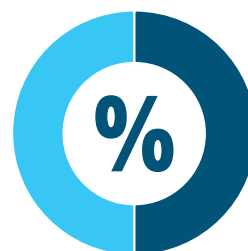
- General financial reporting
- Annual financial reporting
- Internal audit
- External audit
- Risk management

Composition of Executive Committee by race
2015-2016



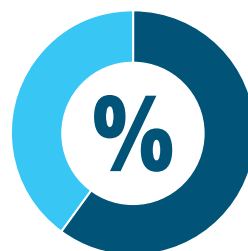
- Black **75%**
- White **25%**

Composition of Executive Committee by gender
2015-2016



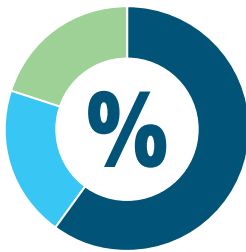
- Female **50%**
- Male **50%**

Composition of Audit and Risk Committee by race: Outgoing
2015-2016



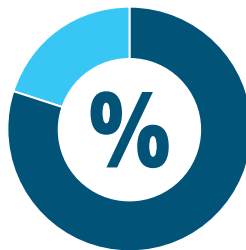
- Black **60%**
- White **40%**

Composition of Audit and Risk Committee by race: Current 2015-2016



- Black **60%**
- Coloured **20%**
- White **20%**

Composition of Audit and Risk Committee by gender: Outgoing 2015-2016



- Female **80%**
- Male **20%**

Composition of Audit and Risk Committee by gender: Current 2015-2016



- Female **100%**

- Compliance with laws and regulations
- Compliance with the Code of Conduct of Amatola Water
- Fraud Prevention Strategy
- Reporting and other responsibilities.

The Audit and Risk Committee ensures that committee sessions allow independence and confidentiality. The committee extends these sessions to internal audit, external audit and management independently of each other. These sessions are then reported as necessary to the Board.

Specific delegations of the committee include:

- Review and approval of the annual internal audit plan
- Review of the qualifications of internal audit personnel and recommendation to the Board for the appointment, replacement, reassignment or dismissal of the outsourced internal auditor (where the Board has delegated this authority to the committee, it can approve such actions, which must also be consistent with organisational SCM practices)
- Review and approval of the annual internal audit budget and final fee
- Approval of forensic investigations, as deemed necessary by the committee.

The composition and duties of the Audit and Risk Committee are in compliance with the Public Finance Management Act. The terms of reference within the Audit Charter are reviewed annually with the aim of improving the Audit Charter to ultimately achieve best practice.

Key activities undertaken by the Audit and Risk Committee in this financial year of reporting include beginning to actively engage in performance reviews of internal audit and the Internal Audit Charter, and to review internal audit reports, as well as engaging with the Internal Audit Plan, management reports (including contingent liability reports), risk and compliance management, and external audit, and reviewing its own terms of reference. Over and above this, the Audit and Risk Committee spearheaded the roll-out of the integrated annual report and sustainability reporting with the ultimate aim of achieving global reporting standards and full disclosures in line with national reporting templates.

Meeting attendance of Audit and Risk Committee members

Name	Independent external member or Board member	Date appointed	Total number of meetings	Number of meetings attended
K Mockler	Independent non-Board member	1 July 2010	4	4
L Mangquku	Independent non-Board member	1 July 2013	4	3
S Bruce	Independent non-Board Member	1 November 2014	4	3
N Rulumeni (departed on 31 January 2016)	Board member	1 February 2010	2	1
M Matika (departed on 31 January 2016)	Board member	23 October 2014	2	2
E Jooste	Board member	11 March 2016	2	2
B Hollingworth	Board member	11 March 2016	2	1

GOVERNANCE REPORT (CONTINUED)

Members of the Audit and Risk Committee

K Mockler	Mr Mockler is a chartered accountant with extensive experience. His expertise boasts exposure within a myriad private and public entities. He was CEO of SAICA and a South African representative on the council of the International Federation of Accountants. He has served on various boards and audit committees, including but not limited to the Gaming Board, the South African Qualifications Authority, Profmed, the South African Dental Association and the National Development Agency.
S Bruce	Mr Bruce is a chartered accountant with vast experience in external audit, business risk, taxation, financial statement analysis and management consulting.
L Mangquku	Mr Mangquku began his career as a chartered accountant at Arthur Anderson before moving to the mining industry. His expertise includes finance and investment management, capital raising, deal structuring and project management as well as mergers and advisory services. His qualifications include an MBL.
E Jooste	Mr Jooste is a seasoned management specialist with extensive experience in the public and private sectors. He is a non-executive board member of national and provincial state-owned companies and a member or chairperson of a number of sub-committees in finance, procurement, governance, and audit and risk management. He has specialist expertise in procurement, financial management, budget management, governance, and audit and risk management. He has worked as a Project Financial Specialist at a wholesale finance development financial institution, Financial Manager for retail lending development financial institutions, Chief Financial Officer and General Manager: Supply Chain Management for more than a decade in Eastern Cape provincial government departments. His sector experience covers, but is not limited to, health, roads and public works, agriculture, treasury, SMME and industrial development, higher education and training, and public-private partnerships.
B Hollingworth	Mr Hollingworth is an independent water consultant and arbitrator, a registered Professional Engineer (ret) and a Fellow of the Association of Arbitrators. Until 2004, he worked at the Development Bank of Southern Africa where he gained experience in development finance institutions and approaches to key issues, such as environmental sustainability, economic justification of projects and public-private partnerships. He has served on the Regional Technical Committee of the Global Water Partnership, is a former Chairman of the South African Multi-stakeholder Initiative on the World Commission on Dams Report and former Deputy Chairman of the South African Water Tribunal.

Trend analysis

Years	Number of meetings	Key issues
2012/13	3	Annual report/Annual financial statements/Internal and external audit reports
2013/14	6	Annual report/Annual financial statements/Irregular expenditure
2014/15	5	Irregular expenditure/Annual report/Integrated reporting/Non-conformance report
2015/16	4	Performance reporting/Financial sustainability/Irregular expenditure/SCM internal audit findings

Human Resources and Remuneration Committee

The Human Resources and Remuneration committee is responsible for remuneration and human resource matters.

As part of the 20-year Board strategy (2013-2033), this committee also has an oversight role to ensure that management reports cover the employee and leadership development outcomes. The five-year objectives of this outcome are:

- 1 Enhanced strategic effectiveness
- 2 Building cross-functional excellence/effectiveness
- 3 Developing operational competence (individual)

Corporate Citizenship Committee

As part of the 20-year Board Strategy (2013-2033), this committee has an oversight role over any matters relating to the stakeholder support and community sustainability.

The main objectives are to:

- 1 Strengthen and deepen relationships with statutory, contracted and non-statutory stakeholders
- 2 Contribute to a decent standard of living in support of rural livelihoods
- 3 Provide services as well as invest in technologies or systems in an environmentally responsible and sustainable manner

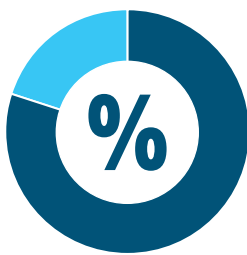
Corporate citizenship implies an ethical relationship between the company and the society in which it operates.

The role of the Corporate Citizenship Committee was to focus on matters relating to, or having a bearing on, the overall corporate citizenship of Amatola Water. It focused on a range of matters, which relate to or having a bearing on the image of Amatola Water as a responsible citizen capable of responding to its environment in a holistic manner, including relationship management with stakeholders, suppliers and service providers. This role has been absorbed by the functions of the Strategy and Business Development Committee.

Meeting attendance of members of the Corporate Citizenship Committee

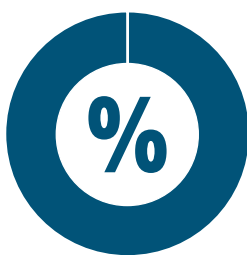
Name	Total number of meetings	Number of meetings attended
M Koyo	1	1
S Ngwekazi	1	1
N Rulumeni	1	1

Composition of Corporate Citizenship Committee by gender 2015-2016



- Female 80%
- Male 20%

Composition of Corporate Citizenship Committee by race 2015-2016



- Black 100%
- White 0%

GOVERNANCE REPORT (CONTINUED)

Trend analysis

Years	Number of meetings	Key issues
2012/13	4	Independent verification of declarations and Corporate Citizenship Policy
2013/14	3	Environmental responsibility
2014/15	3	Independent declaration and environmental sustainability
2015/16	1	Environmental Strategy

Finance Committee

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

The role of the Finance Committee is to assist the Board in fulfilling its oversight responsibilities. The focus of the committee is on matters relating to, or having a bearing on, the overall financial management and performance of Amatola Water. Responsibility for policies and strategies relating to National Treasury activities, SCM, optimum debtors management, optimum management of capital spending and budgeting also rests with this committee. The committee is also responsible to ensure that the Supply Chain Management Policy is correctly implemented on receipt of the quarterly reports from management.

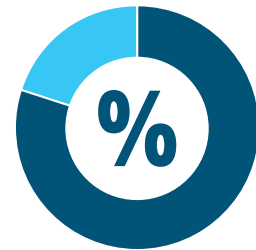
As part of the 20-year Board Strategy (2013-2033), this committee will also have an oversight role in any matters relating to financial and infrastructure viability.

The main objectives are:

- 1** Ongoing strengthening of the balance sheet to sustainable services (ratios)
- 2** Surplus per financial year contribution to build reserves and infrastructure investment
- 3** Exploring sourcing of funding alternatives for infrastructure development
- 4** Sustainable and affordable tariffs
- 5** Reliable infrastructure
- 6** Upgrading plants to provided minimum of 5Mℓ per day
- 7** Influencing the provincial water infrastructure sector plan (master planning)
- 8** Minimising production and distribution water losses

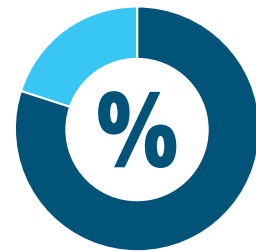
The Finance Committee focuses on a range of matters, which relate to, or have a bearing on, the overall financial management and financial performance of the organisation. As a committee, it is accountable to the entire Board of Amatola Water for its decisions.

Composition of Finance Committee by gender: Outgoing 2015-2016



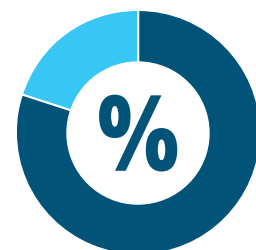
● Female **80%**
● Male **20%**

Composition of Finance Committee by gender: Current 2015-2016



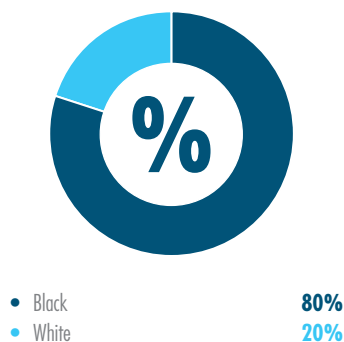
● Female **80%**
● Male **20%**

Composition of Finance Committee by race: Outgoing 2015-2016



● Black **80%**
● White **20%**

Composition of Finance Committee by race: Current 2015-2016



Meeting attendance of members of the Finance Committee

Name	Total number of meetings	Number of meetings attended
Outgoing Board		
M Koyo	1	1
L Louw	1	1
S Dzengwa	1	1
Current Board		
M Nzimande	2	2
E Jooste	2	2
S Hadebe	2	1

Trend analysis

Years	Number of meetings	Key issues
2012/13	4	General financial issues
2013/14	3	General financial issues
2014/15	4	Procurement and BBBEE transformation
2015/16	3	Procurement and BBBEE strategy

Strategy and Business Development Committee

The role of the Strategy and Business Development Committee is to assist the Board in fulfilling its oversight responsibilities. The committee's specific focus is on matters relating to, or having a bearing on, strategic direction and general performance of Amatola Water, including business development, marketing, corporate citizenship, project and programme implementation, and fundraising for projects.

As part of the 20-year Board Strategy (2013-2033), the Strategy and Business Development Committee also has oversight in any matters relating to customer satisfaction, product quality, operational resilience, operational optimisation and water resource adequacy.

The main objectives are:

- 1** Increased customer base and penetration (delivery options/services)
- 2** Improved customer satisfaction
- 3** Ensuring uninterrupted water supply services to customers
- 4** Developing adequate systems, structures, policies and processes to enable strategy implementation
- 5** As a responsible public entity, ensuring strong governance, compliance, risk and fraud prevention systems
- 6** Adequate water security and assurance in support of water supply

GOVERNANCE REPORT (CONTINUED)

Meeting attendance of members of the Strategy and Business Development Committee

Name	Total number of meetings	Number of meetings attended
Outgoing Board		
L Louw	1	1
N Rulumeni	1	1
M Matika	1	1
S Dzengwa	0	0
Current Board		
B Hollingworth	2	1
L Louw	2	2
S Hadebe	2	2

Trend analysis

Years	Number of meetings	Key issues
2012/13	4	General financial issues
2013/14	3	General financial issues
2014/15	4	Procurement and BBBEE transformation
2015/16	3	Procurement and BBBEE strategy

COMPANY SECRETARY

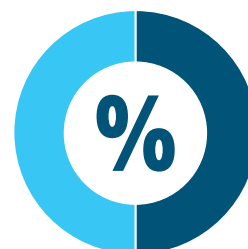
Due to the nature of Amatola Water, the Company Secretary does not conduct annual returns as per the Companies Act, 2008 (Act No 71 of 2008).

The Company Secretary provides support to the Board as follows:

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

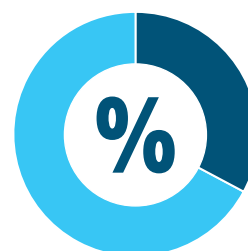
The Company Secretary is the custodian of all governance, ethical and risk and compliance matters in the organisation, and is a central link between the Board and the Management Committee of the organisation, providing guidance to the Board and its sub-committees on the manner in which to discharge their responsibilities, as well as providing advice and support to the Management Committee on all governance, ethical and legal matters in the organisation.

Composition of Strategy and Business Development Committee by gender: Outgoing 2015-2016



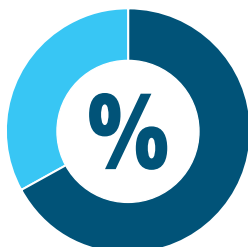
• Female **50%**
• Male **50%**

Composition of Strategy and Business Development Committee by gender: Current 2015-2016



• Female **33%**
• Male **67%**

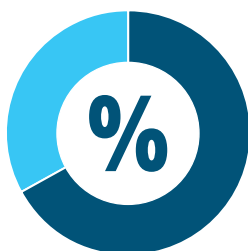
Composition of Strategy and Business Development Committee by race: Outgoing
2015-2016



- Black
- White

67%
33%

Composition of Strategy and Business Development Committee by race: Current
2015-2016



- Black
- White

67%
33%

It is recognised that all the functions of the Company Secretary are oversight functions. The Company Secretary has a direct reporting line to the Board and administratively reports to the CEO.

The Company Secretary is available to all the Board members, all the time, to provide assistance, guidance or advice independently. Although the Company Secretary attends Board meetings in an advisory capacity, the Company Secretary is not a member of the Board of directors and ensures an arm's length relationship with the Board and its members.

DELEGATION OF AUTHORITY

In accordance with the Water Services Act, the Board may delegate any operational power to (using a delegation of authority matrix):

- A committee of the board
- CEO
- Any employees.

In exercising the above, the Board has to delegate to the CEO, who is responsible for the environmental, financial and social aspects of the company. All these areas are collectively reported to the Board.

Annually, management is requested to comment on the operational applicability of the delegation of authority and advise on any further assistance to facilitate effectiveness and efficiency along the value chain.

CEO

The CEO 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, ensuring continuous improvement in quality and value of services provided by the organisation, and that it achieves and maintains a satisfactory position within the water sector. The CEO also fosters a corporate culture that promotes ethical practices, encourages individual integrity, and fulfils social responsibility objectives and imperatives.

With respect to providing information and counsel to the Board, the CEO is under a duty to ensure that the Board is kept well informed at all times. Accordingly, he has the duty:

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

The CEO is contracted in terms of a performance agreement, which is reviewed yearly and appointment is for a period of five years, subject to renewal for further terms.

The permanent CEO, Mr Lefadi Makibinyane, was appointed to office as of 1 February 2015. For the period of 1 July 2014 to 30 January 2015, Mr Mzimkulu Mziwa was the interim CEO of Amatola Water.

GOVERNANCE REPORT (CONTINUED)

MANAGEMENT COMMITTEE



Lefadi Makibinyane

Chief Executive Officer

(Appointed in February 2015)

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

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



Yondela Roboji

Director: Corporate Services

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

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



Asanda Gidana

Director: Operations

BTech (Civil Engineering),
NQF8: Executive Development

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



Kevin Govindsamy

Chief Financial Officer

BCom, MCom, CIMA Diploma

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



Advocate Gulshan Singh

Company Secretary
LLB, LLM (Maritime Studies)

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



Raymond Bukubukwana

Director: Planning
& Development

BTech (Electrical Engineering)

Mr Bukubukwana is a seasoned Professional Engineering Technologist, registered with the Engineering Council of South Africa, with vast experience in project and construction management. In August 2010, he was appointed Regional Manager: Operations at Amatola Water. He was responsible for operations, engineering maintenance and asset management. He has experience in public and private-sector companies, including Transnet, Eskom and Consolidated Power Projects. His areas of responsibility include infrastructure planning, project execution, scientific services and water resources. He has been appointed as a Board member of the John X Merriman Child and Youth Care Centre for five years from 20 August 2014 to 19 August 2019.

REMUNERATION AND INCENTIVES OF EXECUTIVES

Management is remunerated in line with a Remuneration Policy, and incentives are paid in line with a performance management system, which is linked to the overall achievement of the strategy of the organisation.

Management acknowledges that the performance management system requires a review to ultimately become an integrated performance system. Incentive bonuses are only paid upon approval by the Board of Amatola Water through after recommendation by the Human Resources and Remuneration Committee.

The impact of incentives on the organisation is considered when proposals are placed before the committee. Active engagement with the Local Labour Forum is also valuable.

Over the past financial year, employees across the organisation received a performance incentive, which was implemented in terms of the policy and in line with the governance approval structure.

CORPORATE GOVERNANCE AT OPERATIONAL LEVEL

To ensure that good corporate governance is maintained, there are various committees in place at operational level, which are depicted, together with the reporting lines, in the governance structure on page 79.

These committees are:

- Management Committee
- Corporate Risk Committee
- Bid Adjudication Committee
- IT Steering Committee
- Fraud Prevention Committee

Further committees below this level of Management Committee exist and are independent, reporting or submitting information to the abovementioned committees.

All committees are formally constituted, and all have terms of reference and reporting lines to the CEO in his capacity as accounting officer.

Going forward, these terms of references and the governance frameworks will be reviewed with a view to creating value for the key functions in the business. The terms of reference of the IT Steering Committee are being redrafted to enhance IT governance.

The committees at operational level ensure independence and maintain the integrity of decision making. Effective committees enhance the efficiency of decision making, especially as the business requires quick response times in crises intervention.

Management Committee

The Management Committee comprises the CEO and four divisional directors as well as the Company Secretary in an advisory capacity. The core responsibilities of the Management Committee include the development and implementation of policies as well as managing the daily operations of the organisation in line with the strategic goals of the organisation.

Management ensures that relevant legislation and regulations are adhered to and that adequate internal financial controls are developed, implemented and maintained. The Management Committee focuses on project reporting and critical areas, as well as areas highlighted by the Board and/or Board committees.

All directors provide collective feedback to matters raised in this committee. The Management Committee also meets with union representatives monthly and engages the extended management staff as required. Matters of internal audit are not raised in a cycle as the CEO encourages and requires internal audit to, in addition, meet management once a month to discuss reports, report status and internal audit findings.

New appointments to Management Committee

The CFO was appointed on 15 July 2015.

Performance driven

The Management Committee demands high standards of reporting as a decision making body, and monitors resolution implementation and matters arising from implementation.

Weekly meetings are held to ensure continuous reporting, effectiveness and efficiencies are maintained.

GOVERNANCE REPORT (CONTINUED)

ETHICS REPORT

Amatola Water values include:

- Accountability
- Integrity
- Responsibility
- Excellence
- Innovation

Amatola Water accepts that its value of integrity is intricately linked to ethical behaviour. The values are reviewed annually. It should be noted that, during the sessions on unpacking the strategy and values, organised labour was invited and played an important part in the proceedings.

The leadership of Amatola Water has, through various initiatives, shown commitment to the value system, including entrenching values in all aspects of the business. The values are included in the everyday business operations of the company. The value system is kept alive by creating awareness, by providing a portal for information and access to governance officials for all staff to ask any questions.

Amatola Water supports and is committed to supporting the ethics principles covered in various South African legislation, including the ethos of the Public Service Integrity Management Framework and King III, not only because of the nature of public entity but because of the importance and impact of adversity in this area on stakeholders.

The function of ethics management is housed within the Office of the CEO, led by the CEO and directors collectively. The function of ethics management at Board level is the responsibility of the Board in its entirety but reporting from management level emanates from the CEO through to the Strategy and Business Development Committee, the Human Resources and Remuneration Committee and the Audit and Risk Committee.

The Board of Amatola Water and officials responsible for ethics have shown and acknowledged strong leadership commitment that sets a clear ethical tone critical to the success of ethics management interventions. The Board of Amatola Water and management acknowledge that various other interventions can, and will be, undertaken to realise the desired level of ethical conduct.

Value addition

The ethical foundation of the workforce, from the Board to staff of Amatola Water, anticipates value creation over the short, medium and long term to improve stakeholder consciousness and perception, supported by awareness that enhances quality reporting of fraudulent activity, and thus significantly reduces fraudulent activity and unethical behaviour.

The reported activities are considered to be integrated into management due to the approach to these initiatives. Monitoring of ethics is presented quarterly to the Audit and Risk Committee to support the independent nature of the Audit and Risk Committee.

Sustainability

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

Ethics programme implementation

The ethics programme, which is in its infancy although various initiatives undertaken over the years continue, has been earmarked to be achieved over the next financial year with the rollout of the new reviewed Fraud Prevention Strategy. The ethics initiatives under the programme currently being undertaken are individually discussed hereunder and are functioning effectively as reported below.

Trend analysis

Trend analysis is used to assist with reporting for the first time. Going forward, to further endorse the commitment of the Board to anti-fraud practices and inculcate a culture of ethical behaviour, Amatola Water management is committed to various initiatives/activities:

1	An ethics management gap analysis
2	Implementing the overarching ethics programme
3	Joining an independent body for benchmarking and rolling out best practices (Ethics Institute of South Africa)
4	Ensuring annual training and awareness of staff on fraud, conflicts of interest and ethics campaigns
5	Assessing effectiveness of ethics within the organisation after entrenching the ethics office
6	Ensuring compulsory participation in fraud prevention, ethics and conflict of interest workshops annually (ideally linked to professional development plans)
7	Testing the overall impact of organisation's actions on stakeholder perception



GOVERNANCE REPORT (CONTINUED)

FRAUD PREVENTION STRATEGY

Fraud is defined, in its broadest sense, and is intended to include all aspects of financial crime and acts of dishonesty. Specific types of fraud are defined in the Fraud Prevention Strategy and Policy.

Amatola Water is committed to combatting fraud and other acts of dishonesty. Fraud against Amatola Water will not be tolerated. All allegations of fraud are investigated and all transgressors are brought to account through disciplinary and legal channels to the fullest extent possible.

To capture and enforce the commitment of the organisation to fraud prevention, Amatola Water has implemented the Fraud Prevention Strategy. This strategy contains the Fraud Prevention Policy and fraud prevention procedures. This document includes the approach to fraud prevention, as well as detecting and reporting fraud. Detecting and reporting fraud is entrenched through the integration of risk assessment and management, internal audit procedures, and the Fraud Response Plan. Terms of reference for a Fraud Prevention Committee are included in the policy.

Structures for reporting fraud are escalated to the highest levels in the organisation and Board through the Audit and Risk Committee. Independence of the evaluation of reporting is enhanced by independent members of the Audit and Risk Committee.

An active fraud hotline is run independently by Deloitte. All callers remain anonymous unless they choose to reveal their names. Escalation procedure maintains the confidentiality of the report content, and the reporter or whistleblower, and prevents contamination of results and investigations. All allegations/reports to the fraud hotline are investigated, first by the CEO and then, where appropriate, escalated for further internal or external investigations, forensic or desktop, will be determined in terms of allegations.

Reports of fraud and corruption are not only facilitated through the fraud hotline but reported to, as appropriate, the

- CEO
- Directors
- Company Secretary
- Board
- Internal Audit
- External Audit
- Audit and Risk Committee.

All stakeholders are welcome to report fraud and, where necessary, aware of sensitivity, escalate as necessary escalation or take action after investigation. Autonomy of the reporting structures and the confidentiality of whistleblowers and disclosures remains paramount throughout the communications, investigations and actions taken.

Management creates awareness of fraud prevention through various means when staff are inducted, including posters and policies on the intranet, as well as ensuring that management is cognisant of fraud in conducting business.

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

Trend analysis of fraud hotline activity

Year	Number of calls received on hotline	Number of reports generated	Areas	Actual fraud confirmed	Results
2013/14	33	2	<ul style="list-style-type: none"> Accounting Financial reporting 	Yes	Disciplinary and dismissal
2014/15	39	6	<ul style="list-style-type: none"> Human resources issues Conflict of interest (governance) Unethical behaviour Procurement/tender irregularities 	No	The Audit and Risk Committee did not find fraud or tender irregularities. All allegations relating to management were escalated to the CEO and sent for external investigation to be confirmed accurate.
2015/16	69	9	<ul style="list-style-type: none"> Computer crime (3) Human resources (3) Enquiry (1) Corruption (1) Theft (1) 	No	The Audit and Risk Committee did not find fraud or tender irregularities. All allegations relating to management were escalated to the CEO and sent for external investigation to be confirmed accurate.

The table above depicts an increase in activity on the fraud hotline but, upon investigation, no fraud was identified.

In the financial year 2015/16, 69 calls were received on the fraud hotline and nine reports were generated – one was escalated to the Board. Areas reported are depicted above. All areas, upon investigation, did not result in fraud. The allegations investigated externally (human resources and theft) led to findings which resulted in disciplinary action.

The above table shows the effectiveness of reporting and the fraud hotline system. This can be confirmed in the handling of reports and outcomes. Processes and procedures are transparent and efficient.

Forensic investigation: critical incidents

During the 2015/16 period, six investigations were undertaken, emanating from whistleblowing reports either made directly to the hotline or not. Allegations reported via the hotline are reported above, including tender irregularities, salary issues and bribery.

Minimising conflict of interest and gift registers

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

MyDisclosure is an electronic disclosure portal that allows each employee and Board member of Amatola Water to disclose electronically, anywhere in South Africa and internationally, any interests, gifts and hospitalities received. These disclosures can be done on an ongoing basis during the year as employee or Board member interests change and/or gifts are received and need to be declared.

Generation of reports by MyDisclosure continue with external verifications. More importantly, Amatola Water manages conflict and potential conflicts actively through verbal and written disclosures at meetings.

GOVERNANCE REPORT (CONTINUED)

Amatola Water management confirms that effectiveness of MyDisclosure to the Board will continue to be a value added service through interrogation and best practice implementation and management of potential areas of conflicts, and thus minimise and eliminate fraud and potential fraud. Going forward, related party disclosures will be also undertaken. For now, the system has gone live and reports, at the time of compiling this report, are subject to verification.

Trend analysis

In the previous financial year, it was difficult to ascertain trends due to individual reporting of information to the Corporate Citizenship Committee. In this financial year, consolidated information and electronic reporting were the basis of trend analysis of conflicts of interest and gift disclosures.

CODE OF CONDUCT

Amatola Water is inspired by an unwavering commitment to empower stakeholders through consistent demonstration of responsibility, excellence, integrity and accountability. Integrity of the highest regard is paramount to all employees within Amatola Water. Management and the Board are committed to ensuring zero fraud and corruption, and maintaining the highest standards of behaviour and ethics by implementing various mitigation measures, such as a Code of Conduct for Board members and employees. A review of the Fraud Prevention Strategy has rolled over into a review of the Code of Conduct. The code will also be drafted to ensure continued compliance with legislation and best practices

The Code of Conduct dictates principles for employees serving the public as well as obligations when engaging with customers, suppliers and lenders, competitors, society at large, and Amatola Water, its Board and stakeholders, fellow employees and management.

There is a specific Code of Conduct for the Board, which covers disclosures, rewards, gifts and favours, appropriation or misuse of Board property, unauthorised disclosure of information, pressuring employees, misleading or adversely influencing the Board. Escalation of breaches and handling of any breaches of this code are detailed out in the policy.

The effect of the Code of Conduct is evident in the number of breaches. Disciplinary matters relating to breach of the Code of Conduct are conducted internally for staff and by the Minister for Board members.

RISK, COMPLIANCE AND ASSURANCE REPORTING

Integrated Risk Management

The Board and management are committed to ensuring effectiveness of risk management to mitigate any risk that may limit it in achieving its strategy and ultimately delivering on its mandate for, on behalf of and to its stakeholders. Over the past year, implementation of the policy materialised.

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

The Integrated Risk Management Report identifies specific risks that hinder the opportunities identified in the strategy in the short, medium and long term. The 20-year strategy is reviewed annually to create the annual corporate scorecard. The corporate scorecard is used as a basis for strategic fraud and risk review sessions every two years. The 2015/16 financial year strategic risk review has already been conducted, and registers are being assessed and populated prior to submission for approval.

Risk Management Policy

Amatola Water complies with the Public Finance Management Act, National Treasury regulations (as amended) and circulars, guided by King III and the Committee of Sponsoring Organizations of the Treadway Commission Risk Management Framework with the aim of maintaining adequate and effective systems of internal control and risk management. Effective risk management is crucial to good business management and good corporate governance.

Risk management can be summarised as understanding the risks that the organisation faces and their impact on achieving the organisation's objectives, and then mitigating those risks that would have an unacceptable impact on the organisation.

It is common, when interrogating the Risk Identification Strategy, that source documentation is used. The strategy investigates the key opportunities that create value for the stakeholder. As risks are ever evolving, review of the mitigation registers is more frequent than review of strategy. Specific steps taken to mitigate and manage key risks are in the table on pages 104 to 107.

The Strategic Risk Register is the core of the Internal Audit Planning Strategy and assists in informing the Audit and Risk Committee and internal audit about the areas of high risk that need auditing.

Management strives to continue to integrate enterprise risk management practices as an integral management function into all aspects of its business in order to ensure effective responsiveness, and timely identification and management of risks, and continues to dedicate special focus on managing risk and appropriate remediation where required.

Integrated risk management at Amatola Water encompasses strategic and operational risks, as well as process risk with potential to undermine the achievements of the organisation's strategic objectives. The Chief Risk Officer is ultimately responsible for monitoring risk management. The organisation's risk management efforts are guided by the Integrated Risk Management Framework and Risk Management Policy. Assisted by its internal auditors, Amatola Water undertakes the strategic risk identification process every second year to facilitate the Board's assurance of strategy development and implementation to mitigate the identification of risks. Information gathered during the identification process forms the core of the Internal Audit Planning Strategy to ensure resources are focused.

Reporting on risk and risk management assists the Board with oversight and Amatola Water management with setting standards for the implementation of appropriate internal control systems.

In acknowledging the relationship between risk, implementation of the business strategy and achievement of organisational objectives, Amatola Water has identified the highest strategic risks over the past year, which would have significant impact on the achievement of business objectives.

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

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

The accountability, roles and responsibilities of the Audit and Risk Committee (pages 86 to 88), Accounting Authority (pages 80 to 81 and 121), Chief Risk Officer (page 101) and management (page 95) are understood and appreciated within the organisation.

GOVERNANCE REPORT (CONTINUED)

Value addition

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

Sustainability

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

Trend analysis

Over the past two years, the maturity of the risk reporting and analysis has improved. What is important is that the maturity and appreciation of risk is growing within the organisation. With dedication of the Management Committee, risk averse thinking is going to feature more prominently in mainstream discussions.

Risk universe

In order to categorise risks more effectively, Amatola Water's identified risks are grouped under the respective focus areas of the organisation. These are the 11 areas of successful water utility with the addition of countrywide broader risks. The risk areas are categorised as follows:

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

Risk appetite, risk tolerance and materiality

One of the first stages in the risk management process is to establish a benchmark of Amatola Water's acceptable level of risk ("risk appetite") as well as the variances in appetite or acceptable ("risk tolerance"). This level is either done on a qualitative level or established quantitatively on a risk-by-risk or assessment basis, setting a desired residual risk score for that particular risk.

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

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

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

It should be noted also that materiality has been set by management in line with legislative requirements. Materiality is discussed further on page 30. Materiality is considered when determining risk tolerance and appetite.

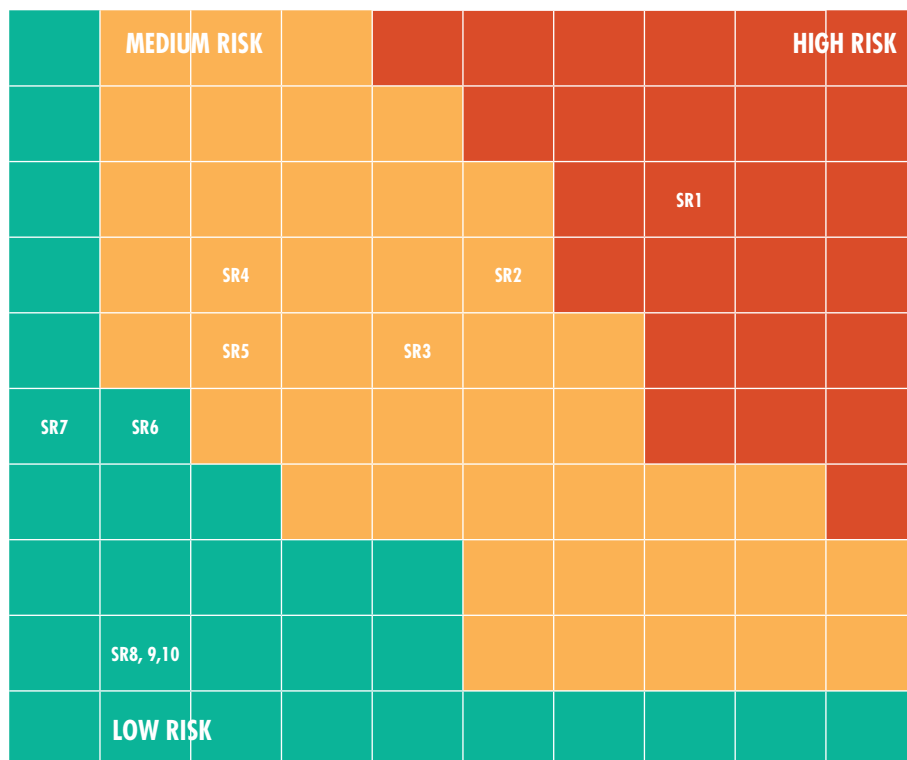
Management identifies its risks by categorising and rating the inherent and residual risks in light of impact and likelihood. Scales are used to assist with rating risk. Management and the Board have accepted the tolerance levels rating as depicted on page 104.

A list of strategic risks, with impact on the organisation over the past financial year and the controls put in place to mitigate those risks, are on pages 104 to 107.



GOVERNANCE REPORT (CONTINUED)

The heat map below shows the residual risk rating after controls are put in place. These residual risks are mitigated by management and the mitigation plans are monitored through reporting lines.



	Likelihood	Impact	Total
SR1	8	8	64
SR2	6	7	42
SR3	5	6	30
SR4	3	7	21
SR5	3	6	18
SR6	2	5	10
SR7	1	5	5
SR8	2	2	4
SR9	2	2	4
SR10	2	2	4

SR: Strategic risk

Strategic risk mapping of the residual risks based on the Strategy Risk Register 2015/16

Strategic risk	Description	Controls	Control improvements/actions	Status as at 18 July 2016
SR1	<ol style="list-style-type: none"> 1. Reputational damage 2. Capacity constraints (human capital and skills shortage) 3. Lack of shareholder support 	No current controls	<ol style="list-style-type: none"> 1. Ensure contract management and project execution is efficient and effective by improving internal capacity and developing and approving a contract management strategy 2. Develop and approve Stakeholder Management Strategy and meet with water service authorities 	<ol style="list-style-type: none"> 1. Contract management and project management unit: A project management unit will be managed separately from planning and development. 2. Stakeholder management strategy: Meetings with water service authorities: <ol style="list-style-type: none"> a. Meetings have been held with OR Tambo District Municipality and the municipality has agreed to work with Amatola Water. The relationship with the municipality has improved. Engagement is on a month-to-month basis at strategy level with the Municipal Manager and CEO. b. Amatola Water is engaging with the Municipal Manager and Technical Director of Ndlambe Local Municipality on a month-to-month basis and attending council meetings on invitation in Nelson Mandela Bay. Amatola Water attends Nelson Mandela Bay Metropolitan Municipality intervention meetings on a month-to-month basis. Meetings with the Sara Baartman District Municipality are also month to month with the CEO and Municipal Manager. In Makana, Amatola Water attends the Presidential Infrastructure Co-ordinating Commission meetings. The Mayor of the Buffalo City Metropolitan Municipality and the OR Tambo District Municipality invited the Amatola Water CEO to attend the State of the District address for OR Tambo District Municipality and Buffalo City Metropolitan Municipality.

Strategic risk	Description	Controls	Control improvements/actions	Status as at 18 July 2016
SR2	<ol style="list-style-type: none"> Secondary and Primary business risks: <ul style="list-style-type: none"> non-payment by customers inefficient services lack of direct payment by national government to water boards as implementing agents issues about ownership of assets Debtors collection days Unfunded projects Inability to access credit Wage negotiations and increase in employee costs Timely payment from Department of Water and Sanitation Amatola Water designated area as gazetted Socio-economic conditions in the Eastern Cape (small revenue base) Political policies/decisions resulting in weak economic conditions 	<ol style="list-style-type: none"> Influencing inter-governmental water and sanitation decisions Bulk water asset transfer to Amatola Water from water service authority 	<ol style="list-style-type: none"> Augment stakeholder management strategy Review debt recovery strategies and policies 	<ol style="list-style-type: none"> Stakeholder Management Strategy: submitted to the Board in July 2016 Debt recovery strategies and policies: CEO and CFO forums will meet to discuss
SR3	<ol style="list-style-type: none"> Capacity constraints (human capital and skills shortage) Inadequate collaboration between stakeholders 	<ol style="list-style-type: none"> Stakeholder Management Strategy has been developed Integrated Master Plan has been implemented for Amatola Water 	<ol style="list-style-type: none"> Integrated Provincial Master Plan for water and sanitation Snowy Mountains Engineering Corporation (SMEC) PROWAF engagements Integrated Development Plan forums with municipalities as water boards Updating current Amatola Water Master Plan is in progress Provincial Master Plan: Amatola Water has appointed a professional service provider to integrate Provincial Water Infrastructure Master Plan with Amatola Water Infrastructure Master Plan Engagements with SMEC, PROWAF, Integrated Development Plan and Department of Water and Sanitation forums to identify funding for Integrated Master Plan Drafting rollout and implementation of master plan is to be capitalised in Infrastructure Project Plan 	<ol style="list-style-type: none"> Department of Water and Sanitation instructed Amatola Water to compile Project Implementation Plan for UWP Consulting (UWP) – the plan has been drafted and awaits approval Amatola Water Master Plan: approved after professional service provider appointed to review and draft inception report for Management Committee and technical team

SR: Strategic risk

GOVERNANCE REPORT (CONTINUED)

Strategic risk	Description	Controls	Control improvements/actions	Status as at 18 July 2016
SR4	<ol style="list-style-type: none"> 1. Inappropriate enabling of organisational culture 2. Lack of employee satisfaction surveys 3. Inadequate performance management systems 4. Lack of accountability management 	<p>Annual culture survey showing improvement in corporate culture and awards for entity as employer of the year</p>	<p>Rollout Batho Pele principles through approved plan before survey to assess company culture</p>	<p>Process began with awareness campaigns through training sessions, posters and intranet</p>
SR5	<ol style="list-style-type: none"> 1. Inadequate team work and congruence to achieve stated objectives (across entire water value chain) 2. Weak corporate culture 3. Capacity constraints (human capital and skills shortage) 4. Lack of appropriate funding 5. Lack of accountability management 6. Inadequate performance management systems 7. Inaccurate targets 8. Lack of appropriate contract management (quality and value-for-money considerations) 	<ol style="list-style-type: none"> 1. Communication Strategy in place 2. Organisational performance management system and new policy in place 	<ol style="list-style-type: none"> 1. Review and implement communication strategy 2. Review performance management system 	<ol style="list-style-type: none"> 1. Communication Strategy: Communication Policy under review 2. Organisational performance management system: policy and system under review while divisional performance and oversight meetings are revised and reporting templates are reviewed
SR6	<ol style="list-style-type: none"> 1. Inadequate BBBEE compliance 2. Non-compliance with transformation requirements 3. Lack of service delivery 4. Inadequate document management systems 5. Capacity constraints (human capital and skills shortage) 6. Centralisation of public procurement resulting in delays in awarding of contracts 7. Inadequate demand management processes 8. Non-compliance with regulations resulting in irregular, unauthorised and/or fruitless and wasteful expenditure 9. Deficiencies in SCM processes 	<p>SCM Transformation Strategy in place to address shortcoming while processes are audited and audit queries addressed</p>	<ol style="list-style-type: none"> 1. Review of various engagement strategies 2. Pre-qualified database 3. Supplier days/roadshows on registration process planned 4. Terms of reference for establishment of Technical Advisory Committee drafted 5. Second tier of professional service providers introduced to build capacity to enable successful delivery of strategic projects 6. Amatola Water requested proposals from SMMEs (51% and above black-owned) to establish pre-qualified database 7. Supplier day roadshows hosted by Amatola Water quarterly in different regions of Eastern Cape 	<ol style="list-style-type: none"> 1. Project management and transformation: professional service provider appointed to overhaul and establish project management office – panellists of professional service provider appointed and list issued to consultants for construction monitoring 2. Transformation Strategy implemented with SCM

Strategic risk	Description	Controls	Control improvements/actions	Status as at 18 July 2016
SR7	<ol style="list-style-type: none"> 1. Inadequate infrastructure 2. Capacity constraints (human capital and skills shortage) 3. Inadequate strategic asset management 4. Inadequate planning processes 	<p>Provincial and Amatola Water Specific Infrastructure Master Plan to ensure transfer of assets and outline increase in revenue taken over by Amatola Water from water service authority</p>	<ol style="list-style-type: none"> 1. Ensure full implementation of gazetted areas through continuous discussion and engagement with representatives of water service authorities and Department of Water and Sanitation: IRR process viewed by Amatola Water as suitable platform for consultation with respective water service authorities and co-operative government within Eastern Cape 2. Critical master plan development 	<ol style="list-style-type: none"> 1. Engagements on implementation of gazetted area: CEO presented issue of gazetted areas of supply to DG/CEO Forum 2. Provincial Master Plan development: Department of Water and Sanitation instructed Amatola Water to compile Project Implementation Plan for UWP to assist in development of master plan awaiting approval while Amatola Water Master Plan inception report was approved by Management Committee and technical team
SR8	<ol style="list-style-type: none"> 1. Inadequate stakeholder support 2. Inadequate resource management plans to ensure optimal use of current resources 3. Lack of appropriate business model (result of external and internal circumstances) 	<ol style="list-style-type: none"> 1. Business plan and strategy aligned to IRR principles 2. Engage with shareholders about reviewed water and sanitation policies 	<ol style="list-style-type: none"> 1. Continuous monitoring and evaluation of implementation of business plan and strategy 2. Implement IRR bolstered by legislation roadmap of IRR 	<ol style="list-style-type: none"> 1. Business plan approved, after extensive discussions with the Board, by Minister of Water and Sanitation 2. IRR implementation: Amatola Water continues to advocate for IRR in all strategic forums as solution for sustainable bulk water and wastewater provision
SR9	<ol style="list-style-type: none"> 1. Inadequate oversight 2. Inadequate accountability management 3. Capacity constraints (human capital and skills shortage) 4. Potential collusion and fraud 	<ol style="list-style-type: none"> 1. Creating awareness through roadshows on policy awareness 2. Performance management systems and Code of Conduct to strengthen adherence to policies 	<p>Revise performance management system to enhance accountability and ensure policy adherence</p>	<p>Policy for performance management tabled at Local Labour Forum in August 2016 before submission to Board for approval</p>
SR10	<ol style="list-style-type: none"> 1. Strikes resulting in downtime 2. High staff turnover 3. Load shedding 4. Natural disasters (such as floods and drought, among others) 5. Inadequate ICT Plan and internal control weaknesses within compliance environment 	<ol style="list-style-type: none"> 1. Discussions and communication with organised labour facilitating good relations 2. Maximum functionalities of ICT system and people used 	<ol style="list-style-type: none"> 1. Strike Management Plan reviewing and updating 2. Review ICT system and hire appropriate skills 	<ol style="list-style-type: none"> 1. Strike Management Plan: operational procedure and process document submitted to Human Resources and Remuneration Committee for recommendation to Board, areas of improvement noted and being addressed 2. Review of ICT systems and hire appropriate skills: Internal Audit auditing IT risks, assisted by consultant

GOVERNANCE REPORT (CONTINUED)

Effectiveness of risk management

The risk management system is tested for effectiveness. Amatola Water is formulating and entrenching processes and integrating its approach throughout the operations. Management acknowledges that documenting and reporting is only one aspect of risk management hence there is a strategy to implement and inculcate risk management. Operationally, the Management Committee, when dealing with matters, reviewing policies and undertaking general business, investigates the risks associated with recommendations made, and these are considered prior to resolutions. It should be noted that a template for internal memorandums tabled by Board and committees has been developed and includes risk, compliance with laws and policy disclosure.

This strategy includes:

- 1** Training champions via the National Treasury website (www.treasury.gov.za)
- 2** Rotation of champions
- 3** Formulating terms of references for the Corporate Risk Committee
- 4** Risk and reporting of risk and compliance on the agenda of Board meetings
- 5** Association with the Institute of Risk Management South Africa to keep up to date with trends in risk management and continuous development as well as training of key individuals
- 6** Cascading risk mitigation into individual performance agreements

INTERNAL CONTROL UNIT

Although there is no dedicated Internal Control Unit, management recognises the need to ensure that procedures and processes are continuously developed and embedded throughout its daily activities. Amatola Water's IMS enables logging of non-conformance and is used extensively in the areas of safety and health, and is planned to be further integrated throughout the company. The IMS system is also used to develop standard operating procedures and processes.

Going forward, quality control, particularly ISO 19001, will be investigated for adoption and implementation.

COMPLIANCE WITH LAWS AND REGULATIONS

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

The following is the endorsement of compliance function and commitment to legislative compliance by the CEO.

To the Staff of the Amatola Water

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

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

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

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

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

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

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

Chief Executive Officer

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

Compliance is reported through the Risk Committee to the Audit and Risk Committee. The autonomy of the compliance function and allowance to report breach directly to the Audit and Risk Committee is fundamental to the independence of the function and is ingrained in the policy.

GOVERNANCE REPORT (CONTINUED)

Amatola Water management acknowledges that legislative compliance is a wide function and is operationally demanding, and to entrench the values in the day to day business would be difficult. In particular, compliance through the planned programme is still on a learning curve but, in striving to achieve compliance with universal register legislation, Amatola Water would eventually succeed in achieving full compliance. The universal register will begin by focusing on national legislation and regulation, and integrate the rating of importance of legislation, reporting in line with the risk ratings and reporting structures.

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

Value addition

The value addition of the new compliance programme has not yet been experienced but it is anticipated that, with proactive compliance thinking, awareness will be created to manage and prevent breaches in legislative compliance.

Sustainability

The impact of the programme has yet to be determined.

Trend analysis

As the programme is new, a trend analysis is not available. However, last year's external audit report mentions compliance with legislation issues, arising matters around issues of annual financial statements and annual report, revenue management, Audit Committee, consequence management, internal audit and expenditure management. Legislative compliance with the Public Finance Management Act and SCM legislation would be prioritised as part of the universal legal register. Going forward, the following will be achieved in the area of compliance:

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

KING III

Amatola Water, as custodian and promoter of good corporate governance, is committed to compliance with and implementation of the provisions and recommendations of King III.

Last year, the Board adopted an independent system of assessing compliance against King III principles and the Public Finance Management Act. The instrument assists Amatola Water in monitoring and reporting on its compliance with the King III principles, and aids the Board in enhancing compliance with these principles.

In the annual report of 2014/15, Amatola Water reported 88% compliance with the King III principles. This year, the results have improved. Amatola Water is proud to announce that it has obtained a 97% King III compliance rating.

Over the 2015/16 period, Amatola Water focused on improving its reporting standards and identified, in particular, IT governance as an area of concern for management to focus on in the coming financial year.

Summary governance result – Overall (current review)

Amatola Water
Registration Number: Schedule 3B:003

The assessment criteria of the IoDSA web-based tool, the Governance Assessment Instrument, have been based on the practice recommendations of the King III report. These criteria are intended to assess quantitative aspects of corporate governance only, and not qualitative governance. A full disclaimer is at www.iodsa.gai.co.za

Disclaimer: This information is subject to external audit findings.

OVERALL SCORE

97%

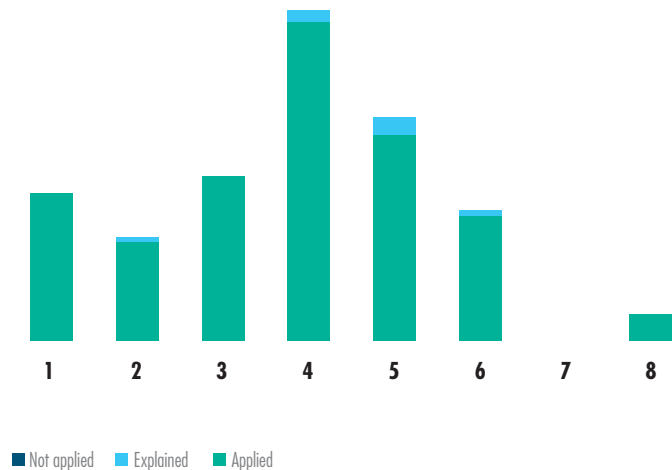
COMPLETENESS METER

100%

APPLICATION METER

WEIGHTING GRAPHIC

Status	Category	Score
■	1 Board composition	100%
■	2 Remuneration	98%
■	3 Governance office bearers	100%
■	4 Board role and duties	96%
■	5 Accountability	92%
■	6 Board committees	100%
■	7 Group governance	N/A
■	8 Performance assessment	100%



The above dashboard shows that Amatola Water obtained 97% compliance. Certain principles have been explained but do not apply to Amatola Water. As noted, engagement has not yet occurred in the areas of IT governance and third party independent audit of the sustainability report, explaining the status of lower percentage under the sub-categories of accountability, Board role, duties and remuneration. Since last year, there has been an increase under accountability from 70% to 92% due to the impact of the adoption of integrated reporting.

GOVERNANCE REPORT (CONTINUED)

Assurance providers

Amatola Water has internal and external auditors. The internal auditors are PricewaterhouseCoopers and the external auditors are Ernst & Young. Management also undertakes internal audits in terms of certification to test Occupational Health and Safety Act, 1993 (Act No 85 of 1993) or ISO compliance prior to applying for certification and accreditation. Independence of assurance providers is considered highly important by management and the Board. After audits have been undertaken, reports are submitted to the Board through the Audit and Risk Committee, and management monitors any findings in line with a report, the Audit Non-conformance Report. Management monitors improvements to mitigate and prevent findings from recurring. The Audit Non-conformance Report is tabled at Management Committee, Audit and Risk Committee and Finance Committee.

Assurance reports enhance validation of information, and ensure verification and accuracy of underpinning processes and controls when providing quality water and service delivery.

Value addition

Assurance reports provide value to shareholders and management by ensuring quality operations. Assurance also assists in ensuring that controls are put in place to mitigate financial risk or fraud.

Sustainability

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

Trend analysis

The trend analysis for assurance reporting is evident in various reports from internal and external audits. In the year 2012/13, Amatola Water achieved an unqualified external audit report. In the year 2013/14, Amatola Water achieved an unqualified external audit report with emphasis on areas of restatement of corresponding figures and possible irregular and fruitless or wasteful expenditure not disclosed.

Forward looking

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

INTERNAL AUDIT

The Public Finance Management Act and King III require appointment of internal auditors. Furthermore, the assurance internal audit assists the company from a reputational perspective as it creates shareholder value and stakeholder appreciation of the organisation. Internal audit is currently an outsourced function but is a critical aspect of Amatola Water's corporate governance. The internal audit function reports directly to the Audit and Risk Committee. Towards the end of the financial year, active engagement of internal audit was noted by its presence at Management Committee meetings at least once a month.



GOVERNANCE REPORT (CONTINUED)

Internal audit is guided by framework documents, which outline duties:

1	Internal Audit Charter approved yearly
2	Terms of reference of the Audit and Risk Committee
3	National Treasury guidelines
4	Public Finance Management Act and other related legislation
5	Internal auditing professional standards

Internal audit is primarily guided by the Internal Audit Plan agreed annually for the internal audit scope of work.

Internal audit seeks to provide an independent, professional service through compliance with:

- Statement of Responsibilities of Internal Auditing
- Code of Ethics for Internal Auditing
- International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors South Africa
- Standards for internal auditing govern the auditing profession and form the basis for measuring performance or quality of internal audit, addressing:
 - independence of internal audit from the activities audited and objectivity of internal auditors
 - proficiency of internal auditors and professional care they should exercise
 - scope of internal auditing work
 - performance of internal audit assignments
 - management of internal audit.

Internal audit is tasked by the Audit and Risk Committee to develop, with management, for approval by the Audit and Risk Committee, the Amatola Water Internal Audit Plan against the backdrop of the Strategic Risk Register.

The Internal Audit Plan for the financial year 2015/16 included:

- Auditing areas of
 - revenue (compliance with revenue policy, review of controls to ensure appropriateness and alignment with policy and standards, review of policy to ensure alignment with standards, revenue recognition – stage of completion and agency fees)
 - payroll
 - supply chain (review systems to detect, monitor, record and report unauthorised, irregular, fruitless and wasteful expenditure, review controls over approval of such expenditure, review controls and systems over SCM contract management, supplier database management, review of a sample of transactions for compliance with SCM policies and processes, follow up on SCM findings with the Auditor-General of South Africa and internal audit)
 - infrastructure (infrastructure planning, maintenance, asset recording and management)
 - IT (review and assess the current status of IT governance, policies and standards in alignment with the Department of Public Service and Administration corporate governance of ICT policy framework readiness Phase 1/desktop review and review and assess the current IT general controls)

- Undertaking follow-up reviews (populate tracking template with internal audit findings of 2015, follow up on items addressed by management, follow up on key external audit findings (not covered in the plan), populate the tracking template with internal audit findings of 2015, follow up on human resource and payroll findings (internal audit and Auditor-General of South Africa), follow up on the Q2 and Q3 finance reports focusing on substance and general content rather than accuracy
- Reviewing the fraud prevention plan
- Annual high level risk review
- Updating charters
- Reporting on assurance: Q2 and Q3 finance reports with focus on projects, revenue, recognition, project expenses and accruals for accuracy
- Review performance information – Q3 report submitted to the Department of Water and Sanitation
- Internal audit reports to the Audit and Risk Committee quarterly in terms of the Internal Audit Charter and Audit and Risk Committee Charter.

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

Appointment of internal auditors

The appointment of internal auditors is undertaken on an open tender process. The delegations of authority allow for the Audit and Risk Committee to act as the Bid Evaluation Committee and the Board to be the Bid Adjudication Committee. The tender of the new internal auditors for the 2017/18 financial year is currently being discussed. The recommended practice by the Audit and Risk Committee is to ensure a proper handover, facilitated by continuous improvement and no gap period, which has been noted by management for implementation.

Contract period

The internal auditors were appointed in November 2011 on a three-year contract. The internal audit contract expired in November 2014 and was extended. The internal auditors have confirmed their presence for reporting purposes and accessibility through continuous engagement until the new internal auditors have been appointed.

Going forward

It should be noted that the organisation, in striving to achieve combined assurance and ultimately control-based auditing practices, intends to internalise the internal audit function in future.

Performance of internal audit

The International Professional Practices Framework, which guides the work of internal auditors, defines internal auditing as an assurance and consulting activity (without providing more consulting services over auditing), providing a value adding service to the organisation by evaluating the effectiveness of risk management, internal control and governance processes within an organisation. The Audit and Risk Committee has confirmed that the internal auditors have provided a balance between the consulting area services and auditing services, and that the independence of the internal audit over the financial year 2015/16 was not compromised.

GOVERNANCE REPORT (CONTINUED)

EXTERNAL AUDIT

External audit is appointed by Amatola Water through an open tender process. The Audit and Risk Committee acted in the capacity of the Bid Adjudication Committee, and the Board adjudicated the tender in accordance with the delegations of authority.

The external auditors appointment for 2014/15 was approved by the Auditor-General of South Africa after acknowledgement of receipt of the completed consultation checklist dated 2 June 2015.

The Auditor-General of South Africa did not object to the appointment of the external auditors for the financial year, subject to the following conditions:

- 1** Amatola Water is required to bring to the attention of the appointed auditors the content of the general notice issued in Government Gazette No 38464 of 11 February 2015 or any new general notices issued by the Auditor General from time to time
- 2** The appointment is granted for one financial year as contemplated in terms of Section 25 of the Public Audit Act, 2004 (Act No 25 of 2004)
- 3** On completion of the audit, Amatola Water is required to submit a copy of the audited annual report to the Auditor-General of South Africa
- 4** The auditors may not assist in the compilation of the annual financial statements

Amatola Water management confirms that the above was undertaken accordingly and the appointment of the external auditors was without query or non-conformance.

The role and functions and mandate are included in the legislative mandate of the Auditor-General of South Africa.

Contract period

The term for the external audit is three years. The auditors were appointed in June 2013 and began the audit process in 2014.

Performance of external audit

External audit performance for the financial year has been reviewed by the Audit and Risk Committee and the results have been sent to the Board. In line with national principle in coming years, all water boards will be audited by the Auditor-General of South Africa,

Other assurance reports

Various other forms of external auditing are used throughout the operations, including safety, health and environmental compliance auditing prior to verification and achieving ISO accreditation or Blue Drop and Green Drop certification. Auditing in terms of the Occupational Health and Safety Act is currently underway.

Assurance: Combined Assurance

Amatola Water has not yet undertaken Combined Assurance but will strive to do so in the near future. Combined Assurance is defined by King III as integrating and aligning assurance processes in an organisation to maximise risk and governance oversight and control efficiencies, and optimise overall assurance. Combined Assurance will ultimately manage cost effectiveness and efficiencies, and provide value addition to the organisation.

FINANCIALS

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ACCOUNTING BASIS

The annual financial statements that follow on pages 129 to 164 set out the financial performance and financial position of Amatola Water Board for the year ended 30 June 2016.

The annual financial statements have been compiled and are presented in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) as per Directive 5: Determining the Generally Recognised Accounting Practice (GRAP) Reporting Framework issued by the Accounting Standards Board (ASB) in March 2009 and comply with the Water Services Act and the Public Finance Management Act. At the date of authorisation of these annual financial statements, the ASB had revoked SA GAAP, effective for years ending 1 December 2012. The ASB has indicated that government business enterprises should continue applying the accounting frameworks that were applicable prior to 1 December 2012 until a new framework has been issued, which will come into effect in the financial years commencing from 1 April 2018. As such, there are no new standards of SA GAAP that will become effective for Amatola Water Board in the current financial year. Publication of Amatola Water Board's financial statements is undertaken to create public awareness and understanding of the financial management and policies that have been used within Amatola Water Board's organisation to regulate the financial affairs of the business and to safeguard it from excessive or avoidable risk.

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended June 30, 2016

AUDIT COMMITTEE RESPONSIBILITY

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

The effectiveness of internal control

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

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

The above reports drew attention to a number of shortcomings in the exercise of good internal control. In a few instances, it was indicated that policies and procedures needed to be improved but most of the unsatisfactory features reported on related to failure to comply with policies and procedures.

As stated in the Auditor's Report, ineffective leadership and poor management oversight responsibility forms the basis of the numerous findings that have been repeated in the current year. The outcome of the Audit of Performance Information is of serious concern and has been brought to the attention of management by the committee.

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

RISK ASSESSMENT AND MANAGEMENT

The enterprise risk management framework is in place and the risk assessment and mitigation plan was updated during the year. The committee monitored the assessment process and ensured that the mitigation plan was implemented.

Evaluation of annual financial statements

The committee:

- Reviewed the audited annual financial statements to be included in the Annual Report, with the external auditors and the Accounting Authority;
- Reviewed the external auditors' management report and management responses;
- Reviewed the accounting policies and practices;
- Satisfied itself that the significant adjustments resulting from the external audit were complete, accurate and valid;
- Concurs with the audit findings and the opinion expressed by the external auditors; and
- Reviewed the Audited Annual Financial Statements and recommend to the Board that they be adopted.



Eugene V. Jooste

Chairman: Audit and Risk Committee
East London

28 October 2016

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Board is responsible for the preparation and fair presentation of the annual financial statements of Amatola Water Board, comprising the statement of financial position as at 30 June 2016, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with SA GAAP and in the manner required by the Water Services Act and sub-section 55(1)(b) of the Public Finance Management Act, as set out on pages 129 to 164.

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

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

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

The auditors are responsible for reporting on whether the financial statements are fairly presented in all material respects in accordance with the applicable financial reporting framework.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements of Amatola Water Board, as identified in the first paragraph, which have been prepared on the going concern basis, were approved by the Board on 28 October 2016 and were signed on its behalf by:



Ntombokuqala Nokulunga Mnqeta
Chairperson

28 October 2016



Lefadi Makibinyane
Chief Executive Officer

28 October 2016



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Co. Reg. No. 2005/002308/21

Independent auditor's report to Parliament and the Executive Authority, the Minister of Water and Sanitation on Amatola Water Board

Report on the financial statements

Introduction

We have audited the financial statements of Amatola Water Board set out on pages 129 to 161, which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and the requirements of the Public Finance Management Act of South Africa, (Act No. 1 of 1999), 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Amatola Water Board as at 30 June 2016, and its financial performance and cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice and the requirements of the Public Finance Management Act of South Africa.



Other matter

We draw attention to the matter below. Our opinion is not modified in respect of this matter:

Other reports required by the Public Finance Management Act of South Africa

As part of our audit of the financial statements for the year ended 30 June 2016, we have read the Accounting Authority's Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the respective preparers. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

Report on other legal and regulatory requirements

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, we have a responsibility to report findings on the reported performance information against predetermined objectives of selected objectives presented in the annual report, compliance with legislation and internal control. We performed tests to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected objectives presented in the annual performance report of the entity for the year ended 30 June 2016:

- Objective CS1: 2 additional Bulk water supply contracts with WSA's (4 currently) on page 23
- Objective CS2: Increase Revenue Volumes to 150 mega litres per day on page 23
- Objective CS4: Acquire 2 contracts for Waste water works on page 23
- Objective WQ1: Achieve Statuary Quality compliance at All AW owned and all ROU plants within 3 years of take over on page 23
- Objective WQ2: Achieve and maintain accreditation for 30 water quality parameters at laboratory on page 23
- Objective CE1: Increase the number of scheme with capacity at 750l per household per day at treatment works to 7 on page 23
- Objective CE1: DWS on page 23
- Objective SS2: Collaboration to improve service delivery with other Local, Provincial and National institutions on page 24
- Objective FV3: Secure R800 million of funding for infrastructure development on page 26
- Objective FV4: Sustainable & Affordable Tariff increase within 2% of inflation on page 26
- Objective OR1: 98% Availability of water supply for all bulk water services on page 27
- Objective IS3: Complete AW Plant upgrade and KSD PI Projects on page 27
- Objective IS5: Minimize production and distribution losses to 12% on page 27
- Objective LG2: Alignment between staff skills available and job requirements on page 28

We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

The material findings in respect of the selected objectives are as follows:

Objective CS1: 2 additional Bulk water supply contracts with WSA's (4 currently)

Usefulness of reported performance information

Measurability of indicators

The FMPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. There is only one indicator for this objective and it is not well defined.

Objective WQ2: Achieve and maintain accreditation for 30 water quality parameters at laboratory

Usefulness of reported performance information

Measurability of indicators

The FMPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. There is only one indicator for this objective and it is not well defined.

Objective CE1: Increase the number of scheme with capacity at 750l per household per day at treatment works to 7

Usefulness of reported performance information

Measurability of indicators

The FMPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. There is only one indicator for this objective and it is not well defined.

Reliability of reported performance information

The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. We were unable to obtain the information and explanations we considered necessary to satisfy ourselves as to the reliability of the reported performance information. This was due to actual performance not being reported in terms of the technical indicator information data library and the auditee's records not permitting the application of alternative audit procedures.



Objective CE1: DWS

Usefulness of reported performance information

Measurability of indicators

The FMPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 50% of indicators were not well defined.

Reliability of reported performance information

The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. We were unable to obtain the information and explanations we considered necessary to satisfy ourselves as to the reliability of the reported performance information. This was due to actual performance for significantly important targets not being reported in terms of the technical indicator information data library and the auditee's records not permitting the application of alternative audit procedures.

Objective SS2: Collaboration to improve service delivery with other relevant Local, Provincial and National institutions

Reliability of reported performance information

The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not reliable when compared to the source information or evidence provided.

Objective FV3: Secure R800 million of funding for infrastructure development

Usefulness of reported performance information

Measurability of indicators

The FMPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. There is only one indicator for this objective and it is not well defined.

Objective FV4: Sustainable & Affordable Tariff increase within 2% of inflation

Usefulness of reported performance information

Measurability of indicators

The FMPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. There is only one indicator for this objective and it is not well defined.



Objective OR1: 98% Availability of water supply for all bulk water services

Usefulness of reported performance information

Measurability of indicators

The FMPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. There is only one indicator for this objective and it is not well defined.

Objective IS3: Complete AW Plant upgrade and KSD PI Projects

Usefulness of reported performance information

Consistency of objectives

Treasury Regulation 30.1.3(g) requires the corporate plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. The reported objective was not consistent with that in the approved corporate plan.

Measurability of indicators

The FMPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 75% of the indicators were not well defined.

The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. A total of 75% of the indicators were not verifiable.

Reliability of reported performance information

The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. We were unable to obtain the information and explanations we considered necessary to satisfy ourselves as to the reliability of the reported performance information. This was due to actual performance for significantly important targets not being reported in terms of the technical indicator information data library and the auditee's records not permitting the application of alternative audit procedures.

Objective IS5: Minimize production and distribution losses to 12%

Usefulness of reported performance information

Measurability of indicators

The FMPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. There is only one indicator for this objective and it is not well defined.



Reliability of reported performance information

The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not reliable when compared to the source information or evidence provided.

Objective LG2: Alignment between staff skills available and job requirements

Usefulness of reported performance information

Measurability of indicators

The FMPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 50% of the indicators were not well defined.

Reliability of reported performance information

The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not reliable when compared to the source information or evidence provided.

We did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:

- Objective CS2: Increase Revenue Volumes to 150 mega litres per day
- Objective CS4: Acquire 2 contracts for Waste water works
- Objective WQ1: Achieve Statuary Quality compliance at All AW owned and all ROU plants within 3 years of take over

Additional matters

We draw attention to the following matters:

Achievement of planned targets

Refer to the annual performance report on page 22 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information of this report.

Adjustment of material misstatements

We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the following objectives:

- Objective FV3: Secure R800 million of funding for infrastructure development
- Objective FV4: Sustainable & Affordable Tariff increase within 2% of inflation



As management subsequently corrected the misstatements, we did not identify any material findings on the reliability of the reported performance information.

Unaudited supplementary information

The supplementary information set out on pages 21 to 22 does not form part of the annual performance report and is presented as additional information. I have not audited this and accordingly, I do not report on the information.

Compliance with legislation

We performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. Our material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Annual Financial Statements

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1) (a) of the Public Finance Management Act. Material misstatements of non-current assets, current assets, current liabilities, accumulated profit, revenue, expenditure, other income and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Revenue Management

Effective and appropriate steps were not taken to collect all money due, as required by section 51(1)(b)(i) of the Public Finance Management Act and Treasury Regulations 31.1.2(a) and (e).

Expenditure Management

Effective steps were not taken to prevent irregular expenditure, amounting to R 32 228 000 as disclosed in note 23 of the financial statements, as required by section 51(1)(b)(ii) of the Public Finance Management Act.

Effective steps were not taken to prevent fruitless and wasteful expenditure, amounting to R 558 000 as disclosed in note 22 of the financial statements, as required by section 51(1)(b)(ii) of the Public Finance Management Act.

Liability Management

Money was borrowed without authorisation by notice in the national Government Gazette by the Minister of Finance, in contravention of section 66(3)(b) of the Public Finance Management Act.

Strategic planning and performance management

Effective, efficient and transparent systems of risk management and internal controls with respect to performance information and management was not in place and maintained as required by section 51(1)(a)(i) of the PFMA.



Internal control

We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on non-compliance with legislation included in this report.

Leadership

Management did not provide effective leadership and exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls which resulted in numerous findings that have been repeated in the current year.

Action plans were not adequately monitored to address the risks relating to the achievement of complete and accurate financial and performance reporting, or the internal control deficiencies and material non-compliance recurring in the current year.

Financial and performance management

The lack of adequate detailed review during the year resulted in the breakdown of controls around daily and monthly processing, authorisations, reconciliations, reviews, filing and retaining information and knowledge to understand the financial framework and performance management requirements.

Governance

Inadequate monitoring of the implementation of internal and external audit recommendations resulted in numerous findings that have been repeated in the current year regarding the financial statements, performance reporting, compliance and internal controls.

Other reports

We draw attention to the following engagements that could potentially impact on the entity's financial, performance and compliance related matters. Our opinion is not modified in respect of these engagements that are either in progress or have been completed.

Investigations

A high level review of the tender process followed in the awarding of a particular contract was performed by internal audit at the request of the audit committee. The investigation was initiated based on an allegation of possible contract irregularities. Preliminary feedback indicates that a more in-depth investigation is warranted. Refer to disclosure included in note 23 to the financial statements.

A handwritten signature in black ink that reads 'Ernst & Young Inc.'.

Ernst & Young Inc.
Director: Mark Biggs
Registered Auditor
Chartered Accountant (SA)
Port Elizabeth
28 October 2016

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2016

	NOTES	2016 R'000	2015 RESTATED R'000
Revenue	2	398,637	335,237
Cost of sales	3	(285,964)	(237,187)
Gross profit		112,673	98,050
Other income	2	2,765	3,686
Operating and administrative expenses	3	(120,843)	(108,455)
Operating (loss)		(5,405)	(6,719)
Finance income	4	13,086	6,464
Finance costs	26	(372)	(233)
Profit (loss) for the year		7,309	(488)
Other comprehensive income		–	–
Total comprehensive income (loss) for the year		7,309	(488)

STATEMENT OF FINANCIAL POSITION

for the year ended 30 June 2016

	NOTES	2016 R'000	2015 RESTATED R'000	2014 RESTATED R'000
ASSETS				
Non-current assets				
Property, plant and equipment	5	441,957	351,563	285,531
Current assets				
Inventories	6	2,613	2,703	1,501
Trade and other receivables	7	175,771	314,871	260,665
Cash and cash equivalents	8	300,711	120,013	124,170
Total current assets		479,095	437,587	386,336
Total assets		921,052	789,150	671,867
EQUITY AND LIABILITIES				
Equity				
Capital contribution		274,557	274,557	274,557
Accumulated profit		81,862	74,553	75,041
Total capital and reserves		356,419	349,110	349,598
LIABILITIES				
Non-current liabilities				
Interest bearing long-term borrowings	9	–	1,043	1,516
Deferred income liability	25	178,079	82,463	–
Total non-current liabilities		178,079	83,506	1,516
Current liabilities				
Trade and other payables	10	235,994	284,988	310,670
Current portion of interest bearing long-term borrowings	9	15	581	9,010
Provisions	12	7,209	1,073	1,073
Grant funding liability	11	142,460	69,892	–
Current portion of deferred income liability	25	876	–	–
Total current liabilities		386,554	356,534	320,753
Total liabilities		564,633	440,040	322,269
Total equity and liabilities		921,052	789,150	671,867

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

	NOTES	CAPITAL CONTRIBUTION R'000	ACCUMULATED PROFIT R'000	TOTAL R'000
Opening balance as previously reported at 1 July 2014		274,557	80,201	354,758
Prior period error	17	–	(5,160)	(5,160)
Balance at 1 July 2014 as restated		274,557	75,041	349,598
Total comprehensive loss for the year		–	(488)	(488)
Balance at 1 July 2015 as restated		274,557	74,553	349,110
Total comprehensive income for the year		–	7,309	7,309
Balance at 30 June 2016		274,557	81,862	356,419

STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

	NOTES	2016 R'000	2015 R'000
Cash flows from operating activities			
Cash receipts from customers		593,546	327,964
Cash paid to suppliers and employees		(484,871)	(393,336)
Cash generated/(utilised in) from operations	15	108,675	(65,372)
Interest income	4	10,844	4,083
Finance costs	26	(372)	(233)
Net cash generated from/(utilised in) operating activities		119,147	(61,522)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(105,900)	(83,756)
Proceed from sale of property, plant and equipment		–	23
Grant funding received	11	169,060	150,000
Net cash from investing activities		63,160	66,267
Cash flows from financing activities			
Repayment of other financial liabilities	9	(1,609)	(8,902)
Total cash movement for the year		180,698	(4,157)
Cash at the beginning of the year		120,013	124,170
Total cash at end of the year	8	300,711	120,013

ACCOUNTING POLICIES

for the year ended 30 June 2016

1. ACCOUNTING POLICIES

Basis of preparation

The annual financial statements are prepared on the historical costs basis, unless stated otherwise, and incorporate the following principal accounting policies which conform to SA GAAP, the Public Finance Management Act and the Water Services Act. These principal accounting policies are consistent with the previous year.

Functional currency

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

Capital contribution

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

Property, plant and equipment

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it if these costs meet the recognition criteria. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. The initial estimate of the present value of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Cost model

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

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

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

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

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

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

ACCOUNTING POLICIES (CONTINUED)

for the year ended 30 June 2016

1. ACCOUNTING POLICIES *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 and which has a different useful life than the asset as a whole is depreciated separately.

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

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

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

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

Software costs

Packaged software and the direct costs associated with the development and installation thereof are capitalised. Software is depreciated in full on a straight line basis over five years.

Inventories

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

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

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

Impairment

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

Such cash flows are discounted using a rate that reflects the current market value of money and the risks associated with the specific asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss.

Revenue recognition

Revenue, which excludes value added tax (VAT), is measured at the fair value of the consideration received or receivable and represents water sales to customers and management services rendered to principals in project implementation agent contracts.

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

- the significant risks and rewards of ownership have been transferred to the consumer;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Project revenue

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

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

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

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

Interest income

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

Provisions

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

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

Leases

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

Finance leases

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

In the capacity as a lessee

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

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

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

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

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

ACCOUNTING POLICIES (CONTINUED)

for the year ended 30 June 2016

1. ACCOUNTING POLICIES *continued*

Operating leases

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

Financial instruments

Initial recognition and measurement

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

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

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

Trade and other receivables

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash and cash equivalents in the statement of financial position comprise of cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

Trade and other payables

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

Interest bearing long-term borrowings

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

Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

Related parties

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

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

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

Commitments

A commitment arises when a decision is made to incur a liability in the form of a purchase contract or similar documentation. Such a contractual commitment would be accompanied by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate and conditions to be satisfied to establish an obligation.

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

Irregular expenditure

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

Fruitless and wasteful expenditure

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

ACCOUNTING POLICIES (CONTINUED)

for the year ended 30 June 2016

1. ACCOUNTING POLICIES *continued*

Significant judgements and sources of estimation uncertainty

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

- Useful life of property, plant and equipment: The method applied for useful life assessment is the historical basis of use and longevity of use in Amatola Water Board's care.
- Impairment of assets: Impairment of assets are assessed for indicators of impairment as described in IAS 36; however, not limited to them. Other indicators assessed include:
 - Management's future plans with regards to rationalisation of supply schemes; and
 - Availability of water resources within the supply scheme of each asset.
- Provision for doubtful debts: Provision for doubtful debts has been assessed on a debtor by debtor basis and reasons for considering the debtors as doubtful are interrogated by management.
- Contingent liabilities: Contingent liabilities are assessed by management and are recognised into the annual financial statements based on the strength of the legal case and the reasonable expectation of the outcome of the court cases.

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

Capital and operational grant funding

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

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

Deferred income

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2016

2. REVENUE

	2016 kℓ'000	2015 kℓ'000
Revenue comprises:		
Volume		
Treated water volume sold	33,630	33,385
Raw water volume sold	8,247	7,557
	2016 R'000	2015 R'000
Section 29		
Raw water sales	15,557	13,245
Treated water sales	250,701	231,338
Right of use	18,814	17,097
	285,072	261,680
Section 30		
PIA fees – agent and principal	43,593	38,512
Operations and maintenance agreement	63,041	28,144
Project cost recoveries	6,931	6,901
	113,565	73,557
Total revenue	398,637	335,237
Other income		
Other Income	110	1,226
Sundry income	2,655	2,460
	2,765	3,686

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2016

3. OPERATING EXPENSES

	2016 R'000	2015 RESTATED R'000
Cost by function		
Cost of sales	285,964	237,187
Operating and administrative expenses	120,843	108,455
	406,807	345,642
The net operating profit is stated after taking the following into account:		
Cost of sales – Section 29 (Primary Business)		
Raw water purchases	81,186	66,739
Water research levies	2,739	2,539
Electricity	37,551	33,838
Chemicals	8,553	9,845
Employee benefit costs	77,641	62,876
Depreciation and impairment	13,724	15,386
	221,394	191,223
Cost of sales – Section 30 (Secondary Business)		
Chemicals	2,261	3,518
Employee benefit costs	41,106	33,761
Repairs and maintenance	12,788	7,722
Diesel	16	–
Project costs	8,399	963
	64,570	45,964
Total cost of sales	285,964	237,187
Auditors' remuneration and other material expenses:		
External audit fees		
Statutory audit fees	1,515	950
Agreed upon procedures	21	21
Compliance audit fees	30	83
Internal audit fee	849	623
Bad debts provision	19,672	21,854
Consulting and professional fees	1,603	1,718
Depreciation, amortisation and impairments	1,222	2,336
Employee costs – salaried staff	38,056	31,393
Non-executive board member emoluments (i)		
Board fees	1,864	672
Travel disbursements	59	106
Executive management emoluments (i)	8,929	6,361
Other general expenses (ii)	14,568	12,061
Accommodation	3,146	2,276
Security	1,978	1,422
Insurance	1,348	1,252
Training	5,144	2,958
Lease rentals on operating lease (refer to note 13)	7,253	7,893
Repairs and maintenance	12,727	14,339
Technical service fees	295	137
Profit and loss on sale of assets and liabilities	564	–
	120,843	108,455

(i) Refer to note 27 for executive and non-executive emoluments.

(ii) Refer to note 29 for the detailed general expenses breakdown.

4. FINANCE INCOME

	2016 R'000	2015 R'000
Income from financial assets – cash and cash on hand	10,844	4,083
Interest income relating to trade and other receivables	2,242	2,381
	13,086	6,464

5. PROPERTY, PLANT AND EQUIPMENT

	2016 R'000			2015 R'000		
	COST OR REVALUATION	ACCUMULATED DEPRECIATION	CARRYING VALUE	COST OR REVALUATION	ACCUMULATED DEPRECIATION	CARRYING VALUE
Land	5,410	–	5,410	5,410	–	5,410
Buildings	24,318	(12,558)	11,760	22,837	(11,347)	11,490
Buildings and civil works	82,183	(25,928)	56,255	82,183	(24,191)	57,992
Water treatment works	74,439	(22,730)	51,709	74,439	(21,222)	53,217
Pump stations	7,744	(3,198)	4,546	7,744	(2,969)	4,775
Pipelines	154,160	(84,392)	69,768	154,160	(78,970)	75,190
Reservoirs	95,871	(30,972)	64,899	95,871	(28,053)	67,818
Pump stations	7,461	(4,736)	2,725	7,461	(4,426)	3,035
Electrical	1,455	(1,323)	132	1,455	(1,313)	142
Mechanical	6,006	(3,413)	2,593	6,006	(3,113)	2,893
Treatment works	35,399	(15,434)	19,965	35,399	(13,606)	21,793
Electrical	8,820	(3,998)	4,822	8,820	(3,490)	5,330
Mechanical	26,579	(11,436)	15,143	26,579	(10,116)	16,463
Furniture and fittings	1,183	(957)	226	2,442	(1,963)	479
Machinery, plant and equipment	52,878	(40,218)	12,660	50,029	(40,029)	10,000
Computer hardware	15,202	(10,679)	4,523	13,770	(10,642)	3,128
Computer software	6,336	(4,521)	1,815	5,821	(4,420)	1,401
Electronic equipment	3,927	(2,979)	948	3,695	(3,167)	528
Implements	1,251	(987)	264	1,207	(1,021)	186
Office equipment	784	(570)	214	853	(695)	158
Plant and machinery	17,843	(15,714)	2,129	17,629	(15,515)	2,114
Scientific equipment	7,535	(4,768)	2,767	7,054	(4,569)	2,485
Motor vehicles	5,576	(4,218)	1,358	4,693	(4,124)	569
Leased vehicles	–	–	–	1,946	(808)	1,138
Capital – work in progress	196,931	–	196,931	96,649	–	96,649
Total	661,370	(219,413)	441,957	559,080	(207,517)	351,563

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2016

5. PROPERTY, PLANT AND EQUIPMENT *continued*

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – 2016

	OPENING BALANCE R'000	ADDITIONS R'000	DISPOSALS R'000	TRANSFERS R'000	DEPRECIATION R'000	TOTAL R'000
Land	5,410	–	–	–	–	5,410
Buildings	11,490	1,481	–	–	(1,211)	11,760
Buildings and civil works	57,992	–	–	–	(1,737)	56,255
Water treatment works	53,217	–	–	–	(1,508)	51,709
Pump stations	4,775	–	–	–	(229)	4,546
Pipelines	75,190	–	–	–	(5,422)	69,768
Reservoirs	67,818	–	–	–	(2,919)	64,899
Pump stations	3,035	–	–	–	(310)	2,725
Electrical	142	–	–	–	(10)	132
Mechanical	2,893	–	–	–	(300)	2,593
Treatment works	21,793	–	–	–	(1,828)	19,965
Electrical	5,330	–	–	–	(508)	4,822
Mechanical	16,463	–	–	–	(1,320)	15,143
Furniture and fixtures	479	143	(330)	–	(66)	226
Machinery, plant and equipment	10,000	3,993	(117)	–	(1,217)	12,660
Computer hardware	3,128	1,729	(10)	–	(324)	4,523
Computer software	1,401	610	(4)	–	(192)	1,815
Electronic equipment	528	426	(9)	–	2	948
Implements	186	116	(12)	–	(26)	264
Office equipment	158	119	(41)	–	(22)	214
Plant and machinery	2,114	436	(21)	–	(400)	2,129
Scientific equipment	2,485	557	(20)	–	(255)	2,767
Motor vehicles	569	–	(113)	1,138	(236)	1,358
Leased vehicles	1,138	–	–	(1,138)	–	–
Capital – work in progress	96,649	100,283	–	–	–	196,931
	351,563	105,900	(560)	–	(14,946)	441,957

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – 2015

	OPENING BALANCE R'000	ADDITIONS R'000	DISPOSALS R'000	TRANSFERS R'000	DEPRECIATION R'000	TOTAL R'000
Land	5,410	–	–	–	–	5,410
Buildings	12,627	–	–	–	(1,137)	11,490
Buildings and civil works	59,730	–	–	–	(1,738)	57,992
Water treatment works	54,726	–	–	–	(1,509)	53,217
Pump stations	5,004	–	–	–	(229)	4,775
Pipelines	80,613	–	–	–	(5,423)	75,190
Reservoirs	70,737	–	–	–	(2,919)	67,818
Pump stations	3,412	–	–	–	(377)	3,035
Electrical	219	–	–	–	(77)	142
Mechanical	3,193	–	–	–	(300)	2,893
Treatment works	23,662	8	–	–	(1,877)	21,793
Electrical	5,885	–	–	–	(555)	5,330
Mechanical	17,777	8	–	–	(1,322)	16,463
Furniture and fixtures	539	43	–	–	(103)	479
Machinery, plant and equipment	10,133	3,648	(1)	–	(3,780)	10,000
Computer hardware	3,023	1,782	(1)	–	(1,676)	3,128
Computer software	1,284	770	–	–	(653)	1,401
Electronic equipment	388	357	–	–	(217)	528
Implements	234	3	–	–	(51)	186
Office equipment	168	35	–	–	(45)	158
Plant and machinery	2,528	159	–	–	(573)	2,114
Scientific equipment	2,508	542	–	–	(565)	2,485
Motor vehicles	778	–	–	–	(209)	569
Leased vehicles	1,299	–	–	–	(161)	1,138
Capital – work in progress	16,592	80,057	–	–	–	96,649
	285,531	83,756	(1)	–	(17,723)	351,563

GAAP requires that the annual financial statements should reflect the economic substance of events and transactions and not merely the legal form. Amatola Water Board recognises and records those assets which are resources controlled by the enterprise and result in receipt of economic benefits or rewards and in incurring risks incidental to ownership, even though legal ownership has not passed. The Transfer Agreement between Amatola Water Board and the Department of Water and Sanitation was concluded with effect from 1 July 1998. In terms of Section 63(1)(c) of the National Water Act, powers and responsibility for the control, operation, administration and maintenance of immovable assets were delegated to Amatola Water Board by the Minister of Water and Sanitation.

In terms of the Transfer Agreement, the Department of Water and Sanitation has agreed to transfer the major water services works to Amatola Water Board. These works comprise pipelines, reservoirs, pump stations and water treatment works in Amatola Water Board's designated area. In terms of Section 73(2)(a) of the Water Services Act, legal ownership will be transferred with the written approval of the Minister of Water And Sanitation and on registration of the properties in the name of Amatola Water Board by the Registrar of Deeds.

As at 30 June 2016, Amatola Water Board carried assets, which had an initial cost price of R1 million (2015: R28 million) at a zero net book value at year end. These assets' useful lives had been assessed and management is of the opinion that these assets' useful lives were correctly assessed using all information available at the time. These assets are impaired to their net realisable value as there is no active market for them. Management is assessing their future use within the operations of Amatola Water Board.

Internally funded capital work in progress is included in the above note, assets under construction that are not yet available for use are accounted for in this section. These assets are not depreciated and are transferred to their respective asset categories when they become available for use for Amatola Water Board.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2016

Property, plant and equipment encumbered as security

Amatola Water Board during the year had pledged the following assets, at cost price, as security for its finance lease obligation and 10-year bond agreement:

	2016 R'000	2015 R'000
Finance lease: TLB Sitemaster and MAN roll back truck	–	1,299
Bond agreement: ERF 31427 East London	1,205	1,205
The finance leased assets were fully settled on 30 June 2016. Leased vehicles with a cost of R1.3 million were encumbered during the year but not at year end.		
6. INVENTORIES		
Plant spares and stores	1,963	1,791
Chemicals	37	227
Fuel	7	7
Water	606	678
	2,613	2,703
7. TRADE AND OTHER RECEIVABLES		
Trade receivables	45,702	37,023
Less: Provision for doubtful debts	(818)	(655)
	44,884	36,368
Sundry receivables	71,014	199,847
Less: Provision for doubtful debts	(24,259)	(6,919)
	46,755	192,928
Department of Water and Sanitation receivable – Overcharge on Peddie and Glenmore abstraction	–	24,588
Provision for doubtful debts: Department of Water and Sanitation receivable – Overcharge on Peddie and Glenmore abstraction	–	(21,568)
Accrued income	87,378	82,943
Provision for doubtful debts: Accrued income	(3,713)	(1,544)
Other receivables	467	1,156
	175,771	314,871

Trade and other receivables payment terms are 30 days from invoice date. Interest has not been charged on these debtors in the year under review.

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

Other receivables relate to prepaid expenses, rental deposit and employee receivables that occur during the course of business.

Accrued income relates to project costs received after the reporting date that relate to the financial year under review. These costs will be billed to the principal funders in the forthcoming financial period and will be recognised to profit or loss as per other project implementing agent contract costs.

Refer to note 19: Financial instruments for further details on the impairment of debtors.

	2016 R'000	2015 R'000
8. CASH AND CASH EQUIVALENTS		
Bank balances	112,550	94,309
Short-term deposits	188,161	25,704
	300,711	120,013
<p>Cash at banks earns interest at daily bank deposit rates.</p> <p>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.</p>		
GUARANTEES		
<p>Guarantees are in the normal course of business from which it is anticipated that no material liabilities will arise. The guarantee is issued against short-term deposits. The guarantee is security provided for the supply of electricity by Eskom to Amatola Water Board water treatment works plant. Eskom has the right to call on the guarantee should Amatola Water Board fail to honour its electricity invoices.</p>		
Eskom	1,000	1,000
9. INTEREST BEARING LONG-TERM BORROWINGS		
Department of Water and Sanitation		
Secured		
Nedbank		
Finance lease	–	853
Bond	15	771
Total borrowings	15	1,624
Less: current portion	(15)	(581)
Total long-term borrowings	–	1,043
NEDBANK		
<p>The Nedbank bond is secured by ERF 31427 East London. It is repayable over 10 years in monthly installments of R14,312, with the final payment due on 28 February 2021. The average rate of interest for the year was 9.92%.</p>		
STANNIC		
<p>The finance leases were secured by the TLB Sitemaster and the MAN flatbed truck. The finance lease was settled in the year under review.</p>		
<p>Refer to note 5 for details on assets pledged for the borrowings. The finance costs relating to the borrowings are presented in note 26.</p>		
Reconciliation of movement in interest bearing long-term borrowings for the year		
Balance at the beginning of the year	1,624	10,526
Loans repaid	(1,609)	(8,902)
	15	1,624

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2016

Finance lease motor vehicles

In the previous financial year, Amatola Water had two finance lease arrangements for the acquisition of heavy duty motor vehicles for a period of five years. On termination of the lease the ownership of the vehicles transferred to Amatola Water.

2015

	MINIMUM LEASE PAYMENTS R'000	FINANCE CHARGES R'000	PRESENT VALUE OF MINIMUM LEASE PAYMENTS R'000
Less than one year	468	(49)	419
More than one year and less than five years	449	(15)	434
Total	917	(64)	853

	2016 R'000	2015 RESTATE R'000
10. TRADE AND OTHER PAYABLES		
Trade payables	136,784	181,597
Amounts received in advance	15,101	14,176
VAT	1,496	1,696
Project payables	60,197	64,239
Other payables	8,110	11,623
Accrued leave pay	11,995	9,478
Accrued bonus	2,311	2,179
	235,994	284,988

Trade and other payables terms are 30 days from invoice date unless stated otherwise based on a valid contract between Amatola Water Board and the service provider concerned.

Other payables relate to payroll related balances (PAYE, SDL and UIF payable, etc), Wwater research levy and other liabilities which are individually not significant.

11. GRANT FUNDING LIABILITY

RECONCILIATION – 2016

	OPENING BALANCE R'000	GRANT FUNDING RECEIVED R'000	GRANT FUNDING RECOGNISED AS DEFERRED INCOME R'000	GRANT FUNDING LIABILITY R'000
National Treasury Grant	67,537	169,060	(96,492)	140,105
Development Bank of Southern Africa Jobs Fund Grant	2,355	—	—	2,355
	69,892	169,060	(96,492)	142,460

RECONCILIATION – 2015

	OPENING BALANCE R'000	GRANT FUNDING RECEIVED R'000	GRANT FUNDING RECOGNISED AS DEFERRED INCOME R'000	RECOGNISED AS EXPENSE IN THE CURRENT FINANCIAL YEAR R'000	GRANT FUNDING LIABILITY R'000
National Treasury Grant	–	150,000	(82,463)	–	67,537
Development Bank of Southern Africa Jobs Fund Grant	–	2,509	–	(154)	2,355
	–	152,509	(82,463)	(154)	69,892

Amatola Water Board had two grants during the current financial period:

A capital grant was received for the upgrade of Amatola Water Board's treatment works plants. R169 million was received and R96 million has been spent or committed for payment at year end. This amount spent is recognised as deferred income until the completion of the upgrades, when the deferred income will be expensed at the same rate as the depreciation of the asset.

Amatola Water Board had received R2,5 million grant from the Jobs Fund (previously administered by the Development Bank of Southern Africa) in respect of the learning academy in the 2015 financial year. Amatola Water Board has not spent any money in the current financial year as the moratorium on spending of the monies by the Jobs Fund had not been lifted at year end. This grant is recognised as an operational grant and the grant is utilised to match the expenditure incurred. Due to Amatola Water Board not achieving the grant funding conditions, this amount has been recalled by the Jobs Fund.

Grant funding not spent for the specific use it has been provided for will be required to be refunded to the funders when these funds are called. No grants have been spent outside their specific use at year end.

12. PROVISIONS

RECONCILIATION OF PROVISIONS – 2016

	OPENING BALANCE R'000	ARISING DURING THE YEAR R'000	UTILISED DURING THE YEAR R'000	REVERSED DURING THE YEAR R'000	CHANGE IN DISCOUNT FACTOR R'000	TOTAL R'000
Provision for employee benefits	–	6,106	–	–	–	6,106
Provision for litigation	550	–	–	–	–	550
Long service award	523	237	(183)	–	(24)	553
	1,073	6,343	(183)	–	(24)	7,209

RECONCILIATION OF PROVISIONS – 2015

	OPENING BALANCE R'000	TOTAL R'000
Provision for litigation	550	550
Long service award	523	523
	1,073	1,073

The provision for employee benefits is based on a constructive obligation that has been created over the preceding financial years in terms of payment of performance bonus. The vesting conditions of the performance bonus are uncertain as they are at the sole discretion of the Amatola Water Board.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2016

Long service awards vest with the employees on completion of an uninterrupted five years of service, and thereafter every five years of uninterrupted service or when the employee retires whilst in the employ of Amatola Water Board. The vesting conditions are uncertain as employees may leave the employment at any given moment.

Provision for litigation relates to the Amatola Water Board vs Taylor and Associates case where Amatola Water Board entered into a cession agreement with its contractor relating to funds obtained from Taylor and Associates. Due to non-performance of the contractor, Amatola Water Board cancelled the contract and the cession. The funder of the cession agreement, Taylor and Associates is suing Amatola Water Board for payments not made under the cession. The uncertainty in payment is pending on the outcome of the litigation matters. Amatola Water Board's Attorneys do not see a favourable outcome towards Amatola Water Board. The value of the provisions is based on the legal claim made by Taylor and Associates. The payment of the provision will be determined by the finalisation of the court case.

13. COMMITMENTS

	2016 R'000	2015 R'000
Capital commitments contracted for	167,211	257,863
Capital commitments authorised but not contracted for	164,324	193,949

Capital commitments authorised but not contracted for are commitments relating to the infrastructure upgrades and approved capex budget. These will be contracted for in the next financial year.

The proposed capital expenditure will be funded by grant funding of R321 million and internally generated funds of R10.5 million.

Operating lease commitments – motor vehicles

45 motor vehicles are leased under non-cancellable operating leases. The lease payments include a maintenance portion for the duration of the lease term. The leases are for an initial period of five years. The future minimum lease payments under the non-cancellable operating leases are as follows:

	2016 R'000	2015 R'000
Less than one year	2,713	3,572
More than one year and less than five years	1,924	42
Total	4,637	3,614

No escalation clauses exist in the operating lease agreements.

Operating lease commitments – office equipment

Amatola Water Board rents office machinery for use for normal business purposes. The lease payments include service agreements and monthly rental amounts. These leases are over a variable period ranging between one month and three years.

	2016 R'000	2015 R'000
Less than one year	201	144
More than one year and less than five years	145	132
Total	346	276

No escalation clauses exist in the operating lease agreements.

Operating lease commitments – rental of office space

Amatola Water entered into a five-year lease rental agreement for office space use. The lease payments are set to increase annually, on 1 May, at a rate of the prevailing consumer price inflation data available at the said date. The last lease term expires on the 30 April 2019.

	2016 R'000	2015 R'000
Less than one year	317	141
More than one year less than five years	258	398
	575	539
14. CONTINGENT LIABILITIES		
LITIGATION CONTINGENT LIABILITIES		
Sebata Municipal Services	5,949	–
Claim for outstanding invoices by the supplier for work done on an Amatola Water Board issued contract.		
The matter is under jurisdiction of the courts, the date of the hearing is not finalised and therefore the outcome of this litigation is uncertain.		
C Nompumza	5,000	5,000
Claim for damages by a student who was injured on site during a planned school visit.		
The matter is under the jurisdiction of the courts. The date of the hearing is not finalised and therefore the outcome of this litigation is uncertain. The amount of the claim is based on the documents submitted to the courts by the claimant.		
Hall Longmore	6,882	–
Claim for outstanding payment on ordered pipes and the associated storage costs.		
The matter is under jurisdiction of the courts, the date of the hearing is not finalised and therefore the outcome of this litigation is uncertain.		
Ukamva Civils	1,919	–
Claim for damages by contractor upon cancellation of contract by Amatola Water Board due to non-performance on the contract by the contractor.		
The matter is under jurisdiction of the courts, the date of the hearing is not finalised and therefore the outcome of the litigation is uncertain.		
15. CASH GENERATED FROM/(USED IN) OPERATIONS		
Profit/(loss) for the year	7,309	(488)
Adjustments for:		
Interest received – investment	(13,086)	(6,464)
Finance costs	372	233
Operating profit before interest	(5,405)	(6,719)
Depreciation and amortisation	14,946	17,723
Net (profit)/loss on disposal of property, plant and equipment	564	(22)
Movements in provisions	6,136	–
Discounting of receivables	2,242	2,381
Changes in working capital:		
Inventories	90	(1,202)
Trade and other receivables	139,100	(54,206)
Trade and other payables	(48,998)	(25,682)
Net movement in operational grant received	–	2,355
	108,675	(65,372)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2016

16. RELATED PARTIES

The Department of Water and Sanitation is considered a related party entity as it exercises control and significant influence on Amatola Water Board.

Amatola Water Board has entered into various purchase and service transactions with its Executive Authority, Department of Water and Sanitation, in the ordinary course of business. These transactions were at arm's length.

Key management personnel are the members of the board and its sub committees and the management of Amatola Water Board delegated to run the entity on a day to day basis. The list of key management personnel is disclosed in note 27.

	2016 R'000	2015 RESTATED R'000
Statement of comprehensive income		
Dam management fees paid by Department of Water and Sanitation to Amatola Water Board	10,217	9,998
Project revenue – Department of Water and Sanitation	27,701	13,003
Raw water purchases from Department of Water and Sanitation (Refer to note 3)	(81,186)	(66,739)
Water research levy	(2,739)	(2,539)
Bad debts expense	(2,329)	(22,845)
Statement of financial position		
Department of Water and Sanitation receivable	31,037	78,978
Department of Water and Sanitation payable	(18,790)	(36,610)
Provision for water research levy	(5,258)	(5,651)
Bad debts provision	(3,586)	(22,845)
Key management personnel		
Key management personnel compensation comprised the following:		
EXECUTIVE DIRECTORS		
Short-term employee benefits	(8,929)	(6,361)
NON-EXECUTIVE DIRECTORS		
Short-term employee benefits	(1,923)	(778)

17. PRIOR PERIOD ERRORS

Amatola Water Board discovered an error in the water research levy balance of Amatola Water Board. The water research levy was calculated based on the water supplied by Amatola Water Board and not on the production of water as per application of the Act. This has resulted in the prior year error for water research costs for the 2015 and prior periods.

In the prior year, Amatola Water Board had classified grant funding liabilities and deferred income as part of trade and other payables. The significance of these line items necessitated separate disclosure on the face of the statement of financial position and in the notes, therefore a classification error was noted and reported.

The effects of the prior period errors are as follows:

Statement of financial position

	TRADE AND OTHER PAYABLES (DR)/CR R'000	ACCUMULATED PROFIT (DR)/CR R'000	DEFERRED INCOME (DR)/CR R'000	GRANT FUNDING LIABILITY (DR)/CR R'000
Previously reported 30 June 2014	305,510	80,201	–	–
Provision for the recognitions of water research levy based on production method	5,160	(5,160)	–	–
Restated balance at 30 June 2014	310,670	75,041	–	–
Previously reported 30 June 2015	431,692	80,204	–	–
Provision for the recognition of water research levy based on production method	5,651	(5,651)	–	–
Deferred income recognised as current liability instead of non-current liability	(82,463)	–	82,463	–
Grant funding liability disclosed separately from trade and other payables	(69,892)	–	–	69,892
Restated balance at 30 June 2015	284,988	74,553	82,463	69,892
Accumulated profit effect				
Previously reported 30 June 2014				80,201
Provision for the recognition of water research levy based on production method				(5,160)
Restated balance at 30 June 2014				75,041
Provision for the recognition of water research levy based on production method				(491)
Previously reported profit				3
Restated balance at 30 June 2015				74,553

18. CHANGE IN ESTIMATE

During the year, property, plant and equipment that had a zero value as at 30 June 2015 or that became fully depreciated in the current financial year and were still in use by Amatola Water had their useful lives re assessed as their expected useful life had expired and management deemed them useful for at least three more years. As a result the expected useful life of these assets were extended, as provided for in IAS 8: Accounting policies, Change in Accounting Estimates and Errors.

	2016 R'000	2017 R'000	2018 R'000
Effect of change in useful life: depreciation	(1,238)	619	619

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2016

19. FINANCIAL INSTRUMENTS

Amatola Water Board adheres to a management strategy that makes explicit provision for ongoing review and active management of the organisation's exposure to financial risks.

Exposure to interest rate and credit risk arises in the normal course of the entity's business.

The financial assets and financial liabilities of Amatola Water Board approximate the fair value of the assets and liabilities.

Maturity profile of financial instruments

Maturity profiles of the financial assets and liabilities are summarised as follows:

Held at amortised cost financial liabilities exclude monies received in advance.

	2016			
	CURRENT INTEREST RATE	0-12 MONTHS R'000	1-5 YEARS R'000	TOTAL R'000
FINANCIAL ASSETS				
Loans and receivables				
Cash and cash equivalents	8.0%	300,711	–	300,711
Trade and other receivables	10.5%	175,771	–	175,771
FINANCIAL LIABILITIES				
Held at amortised cost				
Trade and other payables	10.5%	(220,892)	–	(220,892)
Long-term loans	10.5%	(15)	–	(15)
Grant funding liability	10.5%	(2,355)	–	(2,355)
		253,220	–	253,220

	2015			
	CURRENT INTEREST RATE	0-12 MONTHS R'000	1-5 YEARS R'000	TOTAL R'000
FINANCIAL ASSETS				
Loans and receivables				
Cash and cash equivalents	6.5%	120,013	–	120,013
Trade and other receivables	9.2%	314,871	–	314,871
FINANCIAL LIABILITIES				
Held at amortised cost				
Trade and other payables	9.2%	(270,813)	–	(270,813)
Long-term loans	9.2%	(581)	(1,043)	(1,624)
Grant funding liability	9.2%	(2,355)	–	(2,355)
		161,135	(1,043)	160,092

Credit risk

Financial assets, which potentially subject the entity to credit risk, consist principally of cash and trade receivables.

The entity's cash equivalents are placed with high credit quality financial institutions.

Credit risk with respect to trade receivables is limited, as trade receivables mainly comprise (97%) bulk consumers, namely local and district municipalities. The remainder relates to water supply to domestic and industrial consumers.

Credit risk with respect to sundry receivables is also limited, as sundry receivables mainly comprise of Department of Water and Sanitation, local and district municipalities in relation to MIG, RBIG and other capital funding.

There are no credit ratings carried out by Amatola Water Board on these receivables.

The carrying amounts of financial assets represent the maximum exposure to credit risk. Amatola Water Board's maximum exposure to credit risk at year end is as follows:

	2016 R'000	2015 R'000
Cash and cash equivalents (excluding petty cash)	300,711	120,013
Trade and other receivables (excluding provision for impairment)	204,561	345,557

Ageing and impairment losses

The ageing of trade receivables at the reporting date was:

	2016		2015	
	GROSS R'000	IMPAIRMENT R'000	GROSS R'000	IMPAIRMENT R'000
Not past due date	27,434	28	23,928	41
One month past due date	7,516	26	7,308	31
Two months past due date	8,279	10	1,492	23
Three months past due date	1,710	31	790	33
More than four months past due date	763	723	3,505	527
	45,702	818	37,023	655

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2016 R'000	2015 R'000
Balance as at 1 July	655	675
Impairment provision reversed	(424)	(103)
Impairment provision increased	587	83
Balance at 30 June	818	655

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2016

19. FINANCIAL INSTRUMENTS *continued*

The ageing of sundry receivables at the reporting date was:

	2016		2015	
	GROSS R'000	IMPAIRMENT R'000	GROSS R'000	IMPAIRMENT R'000
Not past due date	35,962	2,858	107,925	–
One month past due date	9,349	1,550	26,943	–
Two months past due date	5,108	1,653	5,412	–
Three months past due date	1,949	1,470	1,808	–
More than four months past due date	18,646	16,728	57,759	6,919
	71,014	24,259	199,847	6,919

The movement in the allowance for impairment in respect of sundry receivables during the year was as follows:

	2016 R'000	2015 R'000
Balance as at 1 July	6,919	12,689
Impairment provision increased	18,821	6,199
impairment provision reversed	(1,447)	(8,091)
Impairment provision utilised	(34)	(3,878)
Balance at 30 June	24,259	6,919

Other receivables for Amatola Water Board at reporting date were:

	2016		2015	
	GROSS R'000	IMPAIRMENT R'000	GROSS R'000	IMPAIRMENT R'000
Department of Water and Sanitation receivables – Overcharge on Peddie and Glenmore abstraction	–	–	24,588	(21,568)
Accrued income	87,378	(3,713)	82,943	(1,544)
Other receivables	467	–	1,156	–
	87,845	(3,713)	108,687	(23,112)

These receivables are not aged as there are no payment terms attached to them and are impaired based on the probability of recoverability

Interest rate risk

As Amatola Water Board has significant interest bearing assets, the Amatola Water Board's income and operating cash flows are substantially affected by changes in market interest rates.

The entity generally adopts a policy of ensuring that its exposure to changes in the interest rates is on a floating rate basis.

Sensitivity analysis

In order to calculate the cash flow sensitivity analysis for variable rate instruments, the average long-term loans and borrowings for the period was determined. A change of 100 basis points in interest rates at the reporting date would have a maximum increase/(decrease) of approximately R150 in the profit for the year.

Liquidity risk

Liquidity risk is the risk that Amatola Water Board will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Amatola Water Board's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The entity manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows. Adequate reserves and liquid resources are also maintained.

	2016 R'000	2015 RESTATED R'000
Financial liabilities affected by liquidity risk		
Trade and other payables	220,892	270,813
Long-term borrowings	15	1,624
Grant funding liability	2,355	2,355
	223,262	274,792

2016	ON DEMAND R'000	1>3 MONTHS R'000	3 MONTHS >1 YEAR R'000	1-5 YEARS R'000	TOTAL R'000
Trade and other payables	–	220,892	–	–	220,892
Long-term borrowings	–	15	–	–	15
Grant funding liability	2,355	–	–	–	2,355
	2,355	220,907	–	–	223,262

2015 RESTATED	ON DEMAND R'000	1>3 MONTHS R'000	3 MONTHS >1 YEAR R'000	1>5 YEARS R'000	TOTAL R'000
Trade and other payables	–	270,813	–	–	270,813
Long-term borrowings	–	145	436	1,043	1,624
Grant funding liability	2,355	–	–	–	2,355
	2,355	270,958	436	1,043	274,792

Capital risk management

Amatola Water Board's objective for managing capital is to enhance shareholder (the Executive Authority) value by providing an efficient and reliable water services to customers at the lowest economic cost while reducing debt, remaining financially self sufficient and generating sufficient profit to meet the required capital expenditure programme and thus sustaining future development of the business and its ability to continue as a going concern. This objective has remained consistent with the prior years.

As a government business enterprise, Amatola Water Board strives towards a target optimal capital structure, which is made up of a combination of financial liabilities, capital and reserves as disclosed in the statement of changes in equity. This structure is agreed annually between Amatola Water Board and its Executive Authority Department of Water and Sanitation in the shareholders compact and is managed in terms of the targeted debt to equity ratio.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2016

19. FINANCIAL INSTRUMENTS *continued*

Capital and reserves is consistent with the prior year and consists of:

	2016 R'000	2015 RESTATED R'000
Capital contribution	274,557	274,557
Accumulated profit	81,862	74,553
	356,419	349,110
Interest bearing borrowings		
Total interest bearing borrowings	15	1,624

20. EMPLOYEE BENEFITS

The entity provides retirement benefits for all permanent employees by making contributions to a defined contribution provident and pension fund. The fund, Orion, is administered by Old Mutual and is subject to the Pension Funds Act, as amended.

	2016		2015	
	NUMBER OF STAFF	R'000	NUMBER OF STAFF	R'000
Provident fund contributions	271	7,584	264	6,779
Pension fund contributions	64	2,528	64	2,049

Amatola Water Board provides long service awards and retirement entitlements which are defined as other long service awards in terms of IAS 19. In the current financial year, management assumed that all actuarial assumptions occurred and the actuarial valuation held true. It is management's intention to value the employee benefits every two years. These are reconciled as follows:

	RETIREMENT GIFTS R'000	LONG SERVICE AWARDS R'000
Balance as at 1 July 2014	427	96
Balance as at 30 June 2015	427	96
Current service costs recognised to statement of comprehensive income	233	(19)
Retirement gifts/Long service awards paid	(176)	(8)
Balance as at 30 June 2016	484	69

21. KEY SOURCES OF ESTIMATION UNCERTAINTY

There are no further key assumptions concerning the future and other key sources of estimation uncertainty as at the reporting date, other than those identified and disclosed in the accounting policy note, that management have assessed as having a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Going concern

Management of Amatola Water Board has considered the going concern ability of the entity and concluded that the going concern assumption is valid due to the following:

- Amatola Water Board is contracted to provide bulk water to three municipalities in the region for a period of more than 12 months.
- Amatola Water Board has Section 30 contracts of more than R2 billion and is the Department of Water and Sanitation PIA for water infrastructure in the Eastern Cape.
- The provision of water is an essential supply and thus it is expected that this provision will not be compromised by national government.
- Amatola Water Board has submitted and has an approved five-year business plan and corporate plan approved by the Executive Authority which encompasses Amatola Water Board's financial viability plans as well as future operational cashflow forecasts.
- Amatola Water Board's assets exceed its liabilities and Amatola Water Board does not possess significant borrowings which encumber its assets.

22. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

	2016 R'000	2015 R'000
Opening balance	1,100	181
Fruitless and wasteful expenditure – current year	558	927
Transfer to receivables for recovery	(5)	(8)
	1,653	1,100

Fruitless and wasteful expenditure of R558,000 has been handed over to the accounting officer for review and condonement after year end. Fruitless and wasteful expenditure is condoned when the accounting officer is satisfied that no person is liable in law and shall write-off such expenditure should he be satisfied of this fact.

Analysis of current year fruitless and wasteful expenditure

INCIDENT	VALUE R'000	FRUITLESS AND WASTEFUL EXPENDITURE INVESTIGATION OUTCOME (CAUSES)
Interest on late payment of invoices	553	Relates to interest on late payment of invoices and other interest costs from court judgements
Traffic fines incurred during the year	5	Payment for traffic fines incurred by Amatola Water vehicles
Prior year fruitless and wasteful expenditure	1,100	Prior year fruitless and wasteful expenditure relates to SARS payment of interim CEO PAYE, interest on late payment of invoices and payments on expired contracts

23. IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure

	2016 R'000	2015 R'000
Opening balance	69,638	56,871
Irregular expenditure – current year:	–	–
Overspending on contracts awarded	6,855	8,451
Other irregular expenditure	25,368	16,208
Irregular expenditure condoned	–	(11,892)
	101,861	69,638

In addition to the disclosure above, internal audit is investigating suspected irregular expenditure identified during the current year. The investigation is currently still in progress and any irregular expenditure confirmed will be recognised in the financial year in which it is confirmed in line with the Guideline on Irregular Expenditure issued by National Treasury. The total value of the contract is R46,703,319.

Analysis of current year irregular expenditure

Amatola Water Board has investigated the causes of the irregular expenditure, but has not taken disciplinary or criminal action against any employees as yet.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2016

23. IRREGULAR EXPENDITURE *continued*

INCIDENT	VALUE R'000	IRREGULAR EXPENDITURE INVESTIGATION OUTCOME (CAUSES)
Procurement policy or legislation not adhered to in the awarding of bids	24,687	Preliminary comments on the irregular expenditure have been provided to the accounting officer and no personal gain was noted
Spending on non-existent contracts in which SCM procurement processes were not followed	688	Irregular expenditure relates to historical contracts that have not been renewed by Amatola Water Board that are paid via the debit order facility in place with Standard Bank. These contracts have expired although the entity is utilising the services
Overspending on expired contracts	6,855	Irregular expenditure relates to residual contracts for the fleet management and these transactions will continue to be irregular until new contracts have been entered into through SCM procuring the services through the correct processes
Prior year irregular expenditure	69,638	The irregular expenditure condonation report was submitted to the Accounting Authority as irregular expenditure registers were not available for the periods in question (2012 and 2013 financial years). Expenditure, although irregular, resulted in economic benefits flowing to the entity and thus is proposed to be condoned

24. TAXATION

Amatola Water Board is exempt from income taxation in terms of Section 10(1)(i)(ix) of the Income Tax Act, 1962 (Act No 58 of 1962).

25. DEFERRED INCOME LIABILITY

Amatola Water Board is receiving government grant for the upgrade of six of its water treatment plants and associated infrastructure. Grant utilised in these upgrades are recognised as deferred income in the accounting records until the asset is available for use. The deferred income is set off against the related depreciation expense, over a period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

	2016 R'000	2015 R'000
Non-current portion of deferred income liability	178,079	82,463
Current portion of deferred income liability	876	–
	178,955	82,463

Deferred income was previously reported as part of the trade and other payables, however, due to the significant value and to ensure proper understanding for the users of the financial statements, management has separately disclosed the deferred income balance on the face of the statement of financial position and in the notes to the annual financial statements.

26. FINANCE COSTS

	2016 R'000	2015 R'000
Finance leases	122	121
Current borrowings	67	57
Other interest paid	183	55
	372	233

27. DIRECTORS' EMOLUMENTS

Executive

2016

	CASH COMPONENT R'000	BACK PAY AND LEAVE PAYOUT R'000	REIMBURSIVE AND OTHER ALLOWANCES R'000	VEHICLE ALLOWANCE R'000	PENSION/ PROVIDENT PACKAGE R'000	FAMILY COVER, DISABILITY AND GROUP LIFE R'000	MEDICAL AID PACKAGE R'000	TERMINATION PACKAGE R'000	TOTAL R'000
L Makibinyane	2,128	117	3	120	269	21	21	–	2,679
K Govindsamy	1,059	–	32	144	–	49	21	–	1,305
A Gidana	1,008	26	57	120	105	49	21	–	1,386
Y Roboji	975	26	3	120	137	49	21	–	1,331
C Thompson	835	258	–	84	–	37	12	1,002	2,228
	6,005	427	95	588	511	205	96	1,002	8,929

2015

	CASH COMPONENT R'000	BACK PAY AND LEAVE PAYOUT R'000	REIMBURSIVE AND OTHER ALLOWANCES R'000	VEHICLE ALLOWANCE R'000	PENSION/ PROVIDENT PACKAGE R'000	FAMILY COVER, DISABILITY AND GROUP LIFE R'000	MEDICAL AID PACKAGE R'000	PERFORMANCE BONUS R'000	TOTAL R'000
M Msiwa	1,266	–	103	–	–	–	–	114	1,483
L Makibinyane	865	–	30	51	110	8	8	–	1,072
C Thompson	1,371	40	65	144	–	61	21	92	1,794
A Gidana	325	–	–	41	34	16	7	–	423
Y Roboji	787	31	6	120	130	47	21	35	1,177
X Bomela	153	184	30	33	–	10	2	–	412
	4,767	255	234	389	274	142	59	241	6,361

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2016

27. DIRECTORS' EMOLUMENTS *continued*

Non-executive

2016

	BOARD STIPEND R'000	BOARD MEETING FEES R'000	TRAVEL AND OTHER REIMBURSEMENT R'000	TOTAL R'000
N Mnqeta	87	139	–	226
Z Ramncwana	–	29	1	30
NR Mlonzi	–	37	–	37
M Koyo	–	39	–	39
M Matika	–	65	6	71
S Ngwekazi	–	39	12	51
N Rulumeni	–	36	3	39
S Dzengwa	–	30	1	31
KC Ncamiso	–	45	6	51
L Louw	63	129	3	195
AS Hadebe	71	95	–	166
T Maenetja	63	61	–	124
EV Jooste	63	102	–	165
BE Hollingworth	63	80	2	145
M Nzimande	63	92	–	155
AP Le Roux	63	75	–	138
C Mbande	63	39	–	102
K Mockler	–	81	25	106
L Manquku	–	30	–	30
S Bruce	–	22	–	22
	599	1,265	59	1,923

2015

	BOARD MEETING FEES R'000	TRAVEL AND OTHER REIMBURSEMENT R'000	TOTAL R'000
NR Mlonzi	52	–	52
M Koyo	49	2	51
M Matika	86	11	97
S Ngwekazi	56	18	74
N Rulumeni	64	1	65
S Dzengwa	50	18	68
KC Ncamiso	55	15	70
L Louw	69	1	70
Z Ramncwana	48	1	49
G Spalding	4	–	4
K Mockler	120	39	159
L Manquku	9	–	9
S Bruce	10	–	10
	672	106	778

28. EVENTS AFTER THE REPORTING PERIOD

No significant events have come to managements attention after the reporting date that would have had a significant effect on the annual financial statements.

29. GENERAL EXPENSES

General expenses relate to the following expense line items in the accounting records of Amatola Water Board:

	2016 R'000	2015 R'000
Bank charges	185	149
Consumables: Chemicals	156	64
Consumables: Computer	189	206
Consumables: Glassware	6	91
Consumables: Laboratory	987	670
Consumables: Other	867	524
Control of hyacinth	43	–
Corporate identity development	6	6
Design and creative services	27	4
Employee assistance programme referrals	(79)	–
Electricity and water	696	1,319
Entertainment expenses	3	–
Equipment: Hire	54	65
Exhibition and rental costs	26	13
Fees: Administration and secretarial services	3	–
Fees: Contracts	363	151
Films, videos and other	3	9
Health and safety	556	459
Inauguration and events	330	700
Insurance: General liability	94	88
Insurance: Workmen's compensation	432	374
Laundry and cleaning expenses	179	383
Legal expenses	898	668
Medical costs/consumables	55	34
Membership fees	212	170
Newspapers periodicals subscriptions	42	65
Postage and distribution costs	4	6
Printing and stationery	608	418
Promotional aids and gifts	175	110
Protective clothing	1,004	55
Public relations services	2	24
Publicity and advertising	151	270
Environmental management system	187	–
Refreshments: seminars and meetings	93	145
Rentals: Office buildings	1,561	690
Repographic and printing service	350	96
Services: Courier	41	35
Services: Data	997	1,088
Software licences	1,307	1,121
Sponsorship and social investment	180	198
Staff social events	(16)	42
Stores revaluations	6	9
Stores write-off and adjustments	4	220
Telephone: Cell phones	556	449
Telephone: New installations	61	36
Telephone: Telkom	711	590
Transport: Hire of vehicles	39	20
Transport: Vehicle licence fees	208	208
Other expenses	6	19
	14,568	12,061

SPLIT OF PRIMARY AND OTHER ACTIVITIES (UNAUDITED)

for the year ended 30 June 2016

	PRIMARY ACTIVITY (BULK SUPPLY) 2016 R'000	PRIMARY ACTIVITY (BULK SUPPLY) 2015 RESTATED R'000	OTHER ACTIVITY 2016 R'000	OTHER ACTIVITY 2015 RESTATED R'000	TOTAL 2016 R'000	TOTAL 2015 RESTATED R'000
Revenue	285,072	261,680	113,565	73,557	398,637	335,237
Cost of sales	(221,394)	(191,223)	(64,570)	(45,964)	(285,964)	(237,187)
Gross profit	63,678	70,457	48,995	27,593	112,673	98,050
Other income	2,765	3,686	–	–	2,765	3,686
Operating and administration expenses	(68,296)	(77,934)	(52,547)	(30,521)	(120,843)	(108,455)
Net operating surplus/ (deficit)	(1,853)	(3,791)	(3,552)	(2,928)	(5,405)	(6,719)
Interest income	7,396	4,645	5,690	1,819	13,086	6,464
Finance cost	(210)	(167)	(162)	(66)	(372)	(233)
Surplus (deficit) for the year	5,333	687	1,976	(1,175)	7,309	(488)

FIVE-YEAR HISTORICAL STATISTICAL OVERVIEW (UNAUDITED)

2012-2016

	2016		2015		2014		2013		2012	
	R'000	%	RESTATED R'000	%	RESTATED R'000	%	R'000	%	R'000	%
OPERATIONS										
Revenue	398,637	18.9	335,237	2.0	328,763	(8.2)	358,056	1.9	351,302	46.7
Cost of sales	285,964	20.6	237,187	4.1	227,952	(8.6)	249,301	(2.6)	255,970	65.1
Operating and admin expenses	118,078	12.7	104,769	18.1	88,719	8.2	82,027	(23.8)	107,648	0.3
Net finance income	12,714	104.0	6,231	(53.1)	13,299	183.1	4,698	7.3	4,379	(30.2)
Net operating (deficit)/surplus	7,309	(1,598)	(488)	(101.9)	25,390	(19.2)	31,425	(495.9)	(7,937)	(52.1)
FINANCIAL POSITION										
Capital contribution	274,557	–	274,557	0.0	274,557	(0.0)	274,557	–	274,557	–
Reserves	–	–	–	–	–	–	–	–	–	–
Retained (deficit)/surplus	81,862	9.8	74,553	(0.7)	75,041	47.0	51,042	299.4	12,781	(111.7)
Long-term liabilities	178,079	113.3	83,506	5,408.3	1,516	(85.5)	10,448	963.8	982	(76.3)
Current liabilities	386,554	8.4	356,534	11.2	320,753	(12.8)	368,042	75.9	209,236	85.4
Total equity and liabilities	921,052	16.7	789,150	17.5	671,867	(4.6)	704,088	41.5	497,556	11.0
Non-current assets	441,957	25.7	351,563	23.1	285,531	(2.4)	292,525	(1.8)	297,881	(1.4)
Current assets	479,095	9.5	437,587	13.3	386,336	(6.1)	411,564	119.6	199,675	38.5
Total assets	921,052	16.7	789,150	17.5	671,867	(4.6)	704,088	45.1	497,556	11.0
CASH FLOW POSITION										
Cash flow from operating activities	119,147	(293.7)	(61,522)	(212.9)	54,504	(6.1)	58,036	(159.5)	22,364	240.9
Cash flow util. in/gen. from investing activities	63,160	(4.7)	66,267	(738.7)	(10,375)	41.6	(7,328)	(1,301.3)	(523)	105.5
Cash flow utilised in financing activities	(1,609)	81.9	(8,902)	66.2	(26,362)	2,934.6	930	133.0	(2,829)	(4.8)
Net cash increase/(decrease) for year	180,698	4,446.8	(4,157)	123.4	17,768	65.6	51,638	(171.6)	19,012	309.4
RATIOS										
Revenue (kilolitres x 1,000)										
Treated water sales	33,630	0.7	33,385	0.6	33,189	4.6	31,723	2.9	30,835	0.7
Raw water sales	8,247	9.1	7,557	(10.5)	8,441	7.6	7,842	(4.0)	8,168	(2.8)
Total water sales	41,877	2.3	40,942	(1.7)	41,630	5.2	39,565	1.4	39,003	(0.1)

FIVE-YEAR HISTORICAL STATISTICAL OVERVIEW (UNAUDITED) (CONTINUED)

2012-2016

	2016 R'000	%	2015 RESTATED R'000	%	2014 RESTATED R'000	%	2013 R'000	%	2012 R'000	%
RATIOS (continued)										
Revenue (R'000)										
Treated water sales	250,701	8.4	231,338	9.6	211,167	14.8	183,864	13.5	161,930	18.9
Raw water sales	15,557	17.5	13,245	(0.0)	13,249	18.4	11,192	3.5	10,810	3.2
Total water sales	266,258	8.9	244,583	9.0	224,417	15.1	195,057	12.9	172,740	17.8
Revenue (R'000): primary activity										
Bulk supply: urban and peri-urban	189,232	8.1	175,049	8.6	161,222	12.1	143,850	11.1	129,468	23.5
Bulk supply: rural	74,380	12.9	65,899	13.0	58,301	24.1	46,984	20.9	38,860	5.2
Revenue (R'000): other activity										
Industrial and domestic reticulation	2,646	(27.2)	3,635	(25.7)	4,893	15.9	4,223	(4.3)	4,412	(9.1)
Average raw water sales tariff (R/kℓ)	1.9	7.6	1.8	11.7	1.570	10.0	1.427	7.8	1.3	6.1
Average treated water sales tariff (R/kℓ)	7.5	7.6	6.9	8.9	6.36	9.8	5.80	10.4	5.3	18.2
Average water sales tariff (R/kℓ)	6.4	6.4	6.0	10.8	5.39	9.3	4.93	11.3	4.4	17.9
Cost of sales (R/kℓ)	5.3	13.2	4.7	19.2	3.92	3.9	3.77	7.4	3.5	45.8
Labour cost (R/kℓ)	1.9	20.7	1.5	33.4	1.15	3.8	1.11	(14.0)	1.3	36.8
Electricity cost (R/kℓ)	0.9	8.5	0.8	22.9	0.67	1.8	0.66	17.6	0.6	60.7
Chemical cost (R/kℓ)	0.3	(13.8)	0.3	33.0	0.22	(32.5)	0.33	(2.2)	0.3	142.4
Raw water purchases (R/kℓ)	1.9	18.9	1.6	6.7	1.53	12.8	1.35	0.5	1.3	39.1
Water research levies (R/kℓ)	0.1	0.0	0.1	0.0	0.05	0.0	0.05	0.0	0.0	0.0
Current ratio	1.2	1.0	1.2	1.9	1.20	7.7	1.12	28.2	0.9	(24.9)
Trade debtors (days)	160.9	(53.1)	342.8	18.5	289	(6.5)	309	127.2	136.2	(15.8)
Return on assets	0.0	1,383.3	0.0	101.6	0.0	171.3	(0.053)	–	(0.1)	–
Debt/equity ratio	0.0	31.5	0.0	31.5	0.03	31.5	1.16	45.2	0.8	110.4
Working ratio	1.2	–	1.2	–	1.2	–	0.93	(8.0)	1.0	(2.0)
PRODUCTIVITY										
Number of employees	343	(22.0)	375	–	440	3.8	424	(6.8)	455.0	24.0
Average revenue per employee (R'000)	1,162	52.5	894	2.0	747	(11.5)	844	9.4	772.1	18.3
Cash disbursed to employees	165,732	23.3	134,391	7.3	125,256	56.7	79,933	(17.4)	96,788.6	34.0
Net increase/(decrease) in cash and cash equivalents	180,698	4,446.8	(4,157)	123.4	17,768	65.6	51,638	(171.6)	19,012.1	309.4

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 121.

GENERAL STANDARD DISCLOSURES

Page

STRATEGY AND ANALYSIS

G4-1: Provide a statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation’s strategy for addressing sustainability	36 and 38
G4-2: Provide a description of key impacts, risks and opportunities	4-6, 10, 58, 23-30, 37-39, 43-44, 57, 60, 72, 80, 100-101, 103-107 and 114

ORGANISATIONAL PROFILE

G4-3: Report the name of the organisation	Throughout the report
G4-4: Report the primary brands, products and services	4-6, 9-13, 16, 21, 23-29, 31-34, 36-39, 41-43, 53-64, 67, 72-74, 80-81, 91 and 122
G4-5: Report the location of the organisation’s headquarters	1
G4-6: Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	1, 4-6, 30-31, 50, 96-97, 99, 118, 121 and 133
G4-7: Report the nature of ownership and legal form	1, 9, 31 and 137
G4-8: Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	5-6, 10-12, 16-17, 21, 23-29, 31-39, 42-43, 53, 55-64, 67, 70, 72-74, 153 and 155-156
G4-9: Report the scale of the organisation, including: <ul style="list-style-type: none"> Total number of employees Total number of operations Net sales (for private sector organisations) or net revenues (for public sector organisations) Total capitalisation broken down in terms of debt and equity (for private-sector organisations) Quantity of products or services provided 	19, 21-23, 26, 36, 38-39, 41-42, 44, 54-68, 126, 139, 150 and 162-164
G4-10: Report the composition of the workforce, including: <ul style="list-style-type: none"> Total number of employees by employment contract and gender Total number of permanent employees by employment type and gender Total workforce by employees and supervised workers and by gender Total workforce by region and gender Whether a substantial portion of the organisation’s work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors Any significant variations in employment numbers 	19, 21, 23, 29, 42 and 44
G4-11: Report the percentage of total employees covered by collective bargaining agreements	45
G4-12: Describe the organisation’s supply chain	43
G4-13: Report any significant changes during the reporting period regarding the organisation’s size, structure, ownership, or its supply chain, including: <ul style="list-style-type: none"> Changes in the location of, or changes in, operations, including facility openings, closings, and expansions Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private-sector organisations) Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination 	16-17, 37, 39, 41-42, 53-64, 67 and 72-74
G4-14: Report whether and how the precautionary approach or principle is addressed by the organisation	N/A
G4-15: List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	3, 7, 28, 30, 33, 69, 78, 81, 101, 108-109, 110-112 and 116

GRI CONTENT INDEX (CONTINUED)

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ORGANISATIONAL PROFILE (CONTINUED)		
G4-16: List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation:		4-7, 31-33, 38-39, 45, 47,
• Holds a position on the governance body		69, 72, 107-109, 112, 116
• Participates in projects or committees		and 136
• Provides substantive funding beyond routine membership dues		
• Views membership as strategic		
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17:		118-158
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		
G4-18:		1 and 30
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		
G4-19: List all the material aspects identified in the process for defining report content		30
G4-20: For each material aspect, report the aspect boundary within the organisation, as follows:		30
• Report whether the aspect is material within the organisation		
• If the aspect is not material for all entities within the organisation (as described in G4-17), select one of the following two approaches and report either:		
• The list of entities or groups of entities included in G4-17 for which the aspect is not material or		
• The list of entities or groups of entities included in G4-17 for which the aspect is material		
• Report any specific limitation regarding the aspect boundary within the organisation		
G4-21: For each material aspect, report the aspect boundary outside the organisation, as follows:		30
• 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		
G4-22: Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements		112
G4-23: Report significant changes from previous reporting periods in the scope and aspect boundaries		1 and 30
STAKEHOLDER ENGAGEMENT		
G4-24: Provide a list of stakeholder groups engaged by the organisation		31-33
G4-25: Report the basis for identification and selection of stakeholders with whom to engage		31-33
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		31-33
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		31-33 and 36
REPORT PROFILE		
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		1
G4-32:		162
a. Report the "in accordance" option the organisation has chosen		
b. Report the GRI content index for the chosen option		
c. Report the reference to the external assurance report		
G4-33:		20, 112, 115, 116 and
a. Report the organisation's policy and current practice with regard to seeking external assurance for the report		121-128
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		

GENERAL STANDARD DISCLOSURES

Page

GOVERNANCE

G4-34: Report the governance structure of the organisation, including committees of the highest governance body, and identify any committees responsible for decision-making on economic, environmental and social impacts	78-79
G4-35: Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	93
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	93
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	95 and 104
G4-38: Report the composition of the highest governance body and its committees by: <ul style="list-style-type: none"> • 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 	78-93
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)	81
G4-40: Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including: <ul style="list-style-type: none"> • Whether and how diversity is considered • Whether and how independence is considered • Whether and how expertise and experience relating to economic, environmental and social topics are considered • Whether and how stakeholders (including shareholders) are involved 	81
G4-41: Report processes for the highest governance body to ensure conflicts of interest are avoided and managed, and whether conflicts of interest are disclosed to stakeholders, including, as a minimum: <ul style="list-style-type: none"> • Cross-board membership • Cross-shareholding with suppliers and other stakeholders • Existence of controlling shareholder • Related party disclosures 	78, 97 and 99-100
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	80
G4-43: Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	11, 14, 44, 47-48, 50 and 84
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	9, 98, 107, 115, 119 and 121-122

GRI CONTENT INDEX (CONTINUED)

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G4-45: Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities, including the highest governance body's role in the implementation of due diligence processes, and whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks and opportunities		81, 86, 100-103, 108-109, 115, 119-120 and 155
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		80, 100, 102, 108, 115, 119 and 121
G4-47: Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities		100 and 115
G4-48: Report the highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material aspects are covered		32, 79, 87-88, 110, 116 and 119
G4-49: Report the process for communicating critical concerns to the highest governance body		81, 86, 95, 98, 101 and 107
G4-50: Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them		6, 43 99 and 119
G4-51:		48, 50, 84-85, 89, 95, 137 and 159
<ul style="list-style-type: none"> • Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration: • Fixed pay and variable pay: <ul style="list-style-type: none"> • Performance-based pay • Equity-based pay • Bonuses • Deferred or vested shares <ul style="list-style-type: none"> • Sign-on bonuses or recruitment incentive payments • Termination payments • Clawbacks • Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees • Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives 		
G4-52: Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management, and report any other relationships which the remuneration consultants have with the organisation		48, 50, 84, 89 and 95
G4-53: Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable		48, 50, 84, 89 and 95
G4-54: Report the ratio of the annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country		22, 25 and 44
G4-55: Report the ratio of percentage increase in annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country		22, 25 and 44
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G4-56: Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics		78, 85-87, 89, 92-93, 96-97, 99-100, 107, 109 and 114
G4-57: Report the internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines		78, 85-87, 89, 92-93, 96-100, 107, 109 and 114
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GLOSSARY OF TERMS AND ACRONYMS

ASB	Accounting Standards Board
AW	Amatola Water
BBBEE	Broad-based black economic empowerment
BCP	Business Continuity Plan
BP	Business plan
Capex	Capital expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COGTA	Department of Co-operative Governance and Traditional Affairs
CPG	Contract participation goal
DG	Director-General
DIFR	Disabling incident frequency rate
DRP	Disaster Recovery Plan
DWS	Department of Water and Sanitation
EAP	Employee assistance programme
ECPPC	Eastern Cape Planning Co-ordination Committee
ECTAC	Eastern Cape Technical Appraisal Committee
EMS	Environmental management system
GRAP	Generally Recognised Accounting Practice
GRI	Global Reporting Initiative
HIV	Human immunodeficiency virus
HR	Human resources
IAS	International Accounting Standards
ICAS	Integrated Counselling and Advisory Services
ICT	Information and communication technology
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IMS	Integrated management system
IoDSA	Institute of Directors in Southern Africa
<IR> Framework	International Integrated Reporting Framework
IRR	Institutional realignment and reform
IRS	Implementation readiness study
ISO	International Organization for Standardization
IT	Information technology
King III	King Code of Governance Principles and the King Report on Governance

KSD	King Sabata Dalindyebo
Manco	Management Committee
MIG	Municipal Infrastructure Grant
MOU	Memorandum of understanding
MTSF	Medium Term Strategic Framework
MWIG	Municipal Water Infrastructure Grant
NQF	National Qualifications Framework
NWSRSS	National Water and Sanitation Resources and Services Strategy
OHSAS	Occupational Health and Safety Advisory Services
PI	Presidential Intervention
PIA	Project implementation agency
PLC	Programmable logic controller
PROWAF	Provincial Water Forum
RBIG	Regional Bulk Infrastructure Grant
ROU	Right of use
SA GAAP	South African Statements of Generally Accepted Accounting Practice
SAAWU	South African Association of Water Utilities
SABS	South African Bureau of Standards
SAICA	South African Institute of Chartered Accountants
SALGA	South African Local Government Association
SAMWU	South African Municipal Workers' Union
SANS	South African National Standard
SARS	South African Revenue Service
SCM	Supply chain management
SETA	Sector Education and Training Authority
SHE	Safety, health and environment
SMEC	Snowy Mountains Engineering Corporation
SMME	Small, medium and micro enterprise
UWP	UWP Consulting
VAT	Value added tax
WISA	Water Institute of Southern Africa
WSA	Water services authority
ZAR/R	South African Rand



bringing water to life

AMATOLA WATER BOARD

**INTEGRATED
ANNUAL REPORT**

2015/16

