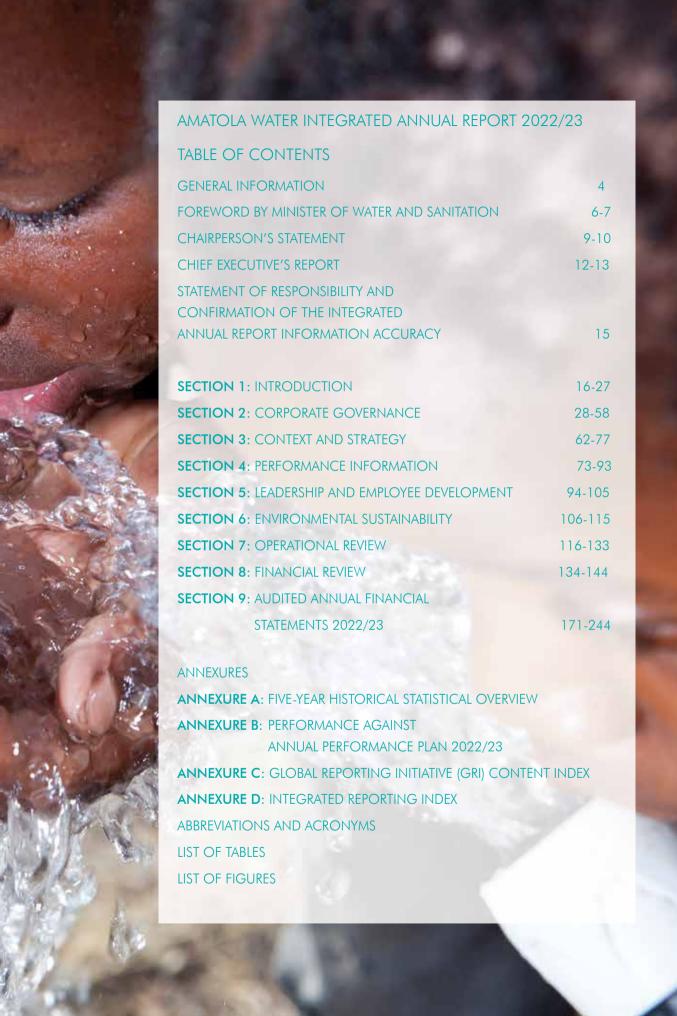


AMATOLA WATER INTEGRATED ANNUAL REPORT 2022/23







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Country of incorporation and domicile	Republic of South Africa			
Executive authority	Minister of Water and Sanitation			
Accounting authority	Amatola Water Board			
Nature of business and principal activities	Water Services			
Registered office	6 Lancaster Road Vincent East London 5217			
Postal address	Private Bag X3 Vincent East London 5217			
Bankers	Standard Bank Ltd and Nedbank Ltd			
Auditor	Auditor-General South Africa			
Company Secretary	Advocate Thulani Sagela			
Business enterprise registration and date of establishment	Gazette Number 18409 of 14 November 1997			
Preparer	The annual financial statements were internally compiled by the management of Amatola Water Board.			
Specific governing legislation	 Public Finance Management Act, 1999 (Act No. 1 of 1999 as amended by Act No. 29 of 1999) Water Services Act, 1997 (Act No.108 of 1997) 			
Chief Executive	 Mr S Koyo (25 March 2022 to 15 August 2022) Dr L Makuleni (effective from 15 August 2022 to 14 November 2022) Mr S Galada (effective 14 November 2022 to 6 March 2023) Mr S Koyo 6 March 2023 until further notice 			
Chief Financial Officer	 Mr S Galada appointed Chief Financial Officer effective from 1 October 2022 			

FOREWORD BY MINISTER OF WATER AND SANITATION



Mr E Senzo Mchunu (MP)
Minister of Water and Sanitation

The South African water mandate is embodied in the National Water Act, 1998 (Act No.36 of 1998) Water Services Act, 1997 (Act No. 108 of 1997) and Water Research Act, 1971 (Act No. 34 of 1971).

"South Africa harnesses approximately 75% of its exploitable surface water resources. Untreated or 'raw' water supply availability is currently roughly in balance with existing demands on a national scale, but there are localised deficits and surpluses." I alluded to this statement during my speech in Parliament in May 2023 whilst demonstrating the Water Resource Landscape of our country.

There is severe pressure with respect to water security in our country as a result of increased water demand. The recurring droughts over the past decade in the Eastern Cape Province since 2015 had major socio-economic effects particularly on the large impoverished rural and urban areas where supplied water services have broken down in several cases. Electricity Loadshedding has critically impacted water production. The water sector is currently exploring means of alternative energy sources for water production.

The plight of water scarcity and shortages is a call for an action. Building additional surface water storage capacity and increasing storage capacity in dams is necessary. Reliable water supply is integral for people's well-being and economic growth. Infrastructure investment lays the foundation for inclusive and sustainable growth; it addresses supply-side constraints; and expand access to basic services. The Department of Water and Sanitation is leading the process of investing in major infrastructure projects.

The National Water Resource Infrastructure Agency (NWRIA) will be established to leverage large-scale investments in national water resource infrastructure to ensure that South Africa has sufficient bulk water supply now and in the future.

Furthermore, the Department has established a Water Partnerships office in collaboration with the Development Bank of Southern Africa and SALGA for bankable projects. This work should augment current efforts to address aging infrastructure and ensuring infrastructure maintenance and minimising water losses.

The Department embarked on transformation, reconfiguration, and consolidation of the water sector institutions established in terms of the National Water Act and Water Services Act. Water Boards were established by the Water Services Act of 1997, to provide support to municipalities through providing bulk water treatment and water distribution infrastructure. They are reconfigured with the aim of aligning their boundaries more closely to provincial boundaries and increasing their financial sustainability.

Responding to the impacts of and adapting to the effects of climate change remains one of our challenges in the sustainable provision of water. Adopting clear strategies and response mechanisms will place us on clear path towards a nature positive world and attaining net zero carbon emissions.

In the Eastern Cape, the Department of Water and Sanitation and other Water Service Authorities appointed Amatola



Water as an implementing agent for water infrastructure projects in the Province:

- i. King Sabata Dalindyebo Presidential Intervention (KSDPI) this project was mainly to balance infrastructure inadequacies of the past in the OR Tambo District Municipality. Due to the vastness of the historical disadvantaged area that required intervention, the project is still ongoing, and it continues to bring potable water to the people of the OR Tambo District.
- ii. James Kleynhans Bulk Water Supply in Makana Local Municipality which is towards its completion to respond to the water demands of the municipality.
- iii. Nooitgedacht Coega Low Level Scheme Phase 3 has been finalised.

The Interim Board of Amatola Water has played a crucial role in the section 63 of the Water Services Act in Nelson Mandela Bay Metro to circumvent Day Zero.

The Eastern Cape still remains challenged with regard to water security and water management. In realising this, I gazetted my intention to extend the scope of operation of the Amatola Water Board to cover the whole Province. This process is being finalised.

My appreciation goes to the Interim Board of the entity together with the Executive Management for working tirelessly in fulfilling the mandate. They have ensured that the strategy of the Water Board is successfully executed. The battle is not over until everyone has access to clean and drinkable water and the sector is able to meet the economic, environmental, and social requirements of the province.

Mr E Senzo Mchunu (MP)

Minister of Water and Sanitation

Date: 6 October 2023



STATEMENT BY THE CHAIRPERSON



Ms Pam Yako Interim Board Chairperson

It gives me great pleasure to present the Amatola Water's Integrated Annual Report for the 2022/23 financial year which continues to be one of our foremost platforms for engaging with our valued stakeholders and to account regarding the performance of the organisation.

In the past financial year, we have been hard at work to implement the three pillars which were adopted by the Board, and these are:

- 1. strengthening governance,
- 2. creating a primary business focus and
- 3. leadership restoration.

These were adopted to ensure the organisation moves with full steam and in tandem to deliver on its key mandate of supplying communities with safe, clean, and reliable water whilst building a stable relationship with key stakeholders.

It is a significant achievement that we have secured an unqualified audit for the 2022/23 financial year. This milestone is critical in laying a solid foundation for the organization's future success and continued service to our community. The organisation has made considerable progress in upholding good corporate governance and practices. Key initiatives included reviewing the Board Charter, Board Committee terms of reference, and organizational policies; implementing consequence management for transgressions or misconduct; and adopting effective risk management strategies. The Board is dedicated to promoting a culture of performance and ethics, ensuring that Amatola Water remains a responsible corporate citizen.

However, the financial viability of the organization remains a concern, particularly regarding our financial position and going concern status. The entity has faced operational deficits for three consecutive years, largely due to declining secondary revenue, primary debt impairments, and interest charges on outstanding debts with the Department of Water and Sanitation. The Board and management are proactively formulating a financial recovery plan to improve our financial health.

Amatola Water believes that strategic partnerships are paramount to advancing service delivery and to live up to our organisational values. We have undertaken a strategic mapping of stakeholders to position Amatola Water as a leader in bulk water services, enhance stakeholder confidence and reputation, foster meaningful relationships, ensure responsiveness to stakeholder needs, and gather feedback for service improvement. The Board engaged with key stakeholders throughout the year, integrating their feedback into our updated strategic approach. Aligning our organizational strategy with the priorities of our shareholder department and local governments is crucial for fulfilling our legislative mandate and addressing environmental concerns.

I would like to express my gratitude to the Honourable Minister, Senzo Mchunu, for his inspiring leadership, continued support and oversight of Amatola Water, the Interim Board members for their dedication and hard work, and all Amatola Water employees for their unwavering commitment to the attainment of the organisational goals and the sustainable provision of water to the Eastern Cape citizens.

Ms Pam Yako

Interim Board Chairperson

Date: 25th November 2023



CHIEF EXECUTIVE'S REPORT



Mr. S. Koyo Acting Chief Executive

I am pleased to present the Amatola Water Integrated Annual Report for the financial year ending 30 June 2023. This report not only fulfills our legal and compliance obligations but also serves as a platform for engaging with stakeholders about our performance.

Challenges and Operational Environment

The past year saw persistent challenges in the water sector, including increased demand amidst decreasing availability, deteriorating aquatic ecosystems, inconsistent water and sanitation services, inequitable water distribution, and weak regulatory oversight. Amatola Water faced numerous operational hurdles, particularly in servicing Eastern Cape's communities. Key challenges included frequent power outages by Eskom, vandalism of water infrastructure, extreme weather events, and financial strains due to rising costs in labour, fuel, and energy.

Performance and Value Creation

Despite these difficulties, our overall performance improved from 49% to 59%. We achieved an unqualified audit, a significant improvement from last year's qualified

audit. This underscores our resilience and strength in facing diverse challenges. Our value creation is evident through our six capitals and robust governance structures, all aligned with our strategic objectives.

Financial Viability and Challenges

The organization's financial health remains a concern, particularly due to challenges in recovering costs for services rendered. Our debtor collection period has increased, reflecting the difficulty in collecting revenue. The fiscal year ended with an operating deficit of R196 million, an increase from the previous year's R174 million. Contributing factors include municipal debt impairment, interest on raw water purchases, and decreased secondary revenue from projects. Wage demands, retroactively implemented from the start of the financial year, further strained our financial sustainability.

Operational Performance and Maintenance

Proactive maintenance is crucial for uninterrupted water supply. This year, we recorded a total production loss of 7.50% and a decrease in treated water network losses from 10.38% to 7.0%. Factors contributing to water losses include pipe breakages, unauthorized connections, and vandalism. Efforts to mitigate these losses include network inspections, water balance reviews, meter calibration, and planned maintenance.

Water Quality and Environmental Sustainability

Out of seven plants targeted for "good/excellent" water quality, five achieved "excellent" and three "good" ratings. The Debe plant was non-operational due to an empty dam, and the Albany Reverse Osmosis Plant failed to meet water quality standards due to high electric conductivity and network issues. Our Environmental Sustainability Strategy, aligned with ISO14001, continues to improve our environmental footprint amidst climate change challenges.



Human Resources and Stakeholder Engagement

We prioritize fair labor practices and a conducive working environment. This year saw continued efforts in education, skills development, recruitment, and staff retention, focusing on historically disadvantaged groups. Our Stakeholder Relations policy guided our engagement this year, emphasizing collaboration for improved service delivery.

Audit and Risk Management

The implementation of an audit intervention plan addressed previous audit findings, with a focus on enhancing our audit unit's capacity. Commitment from management significantly supported our risk management strategies.

Strategic Outlook

Our updated strategic plan prioritizes safe water services, effective governance, financial viability, stakeholder relations, organizational efficiency, environmental sustainability, and a skilled workforce. Despite uncertainties, our team's resilience and professionalism have been commendable.

"I extend my gratitude to the Interim Board and all stakeholders for their support through challenging times."

Korjo

Mr Siyabulela Koyo

Acting Chief Executive

Date: 25th November 2023



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

In terms of the Public Finance Management Act, No.1 of 1999 (PFMA) as amended and as the Accounting Authority of Amatola Water, we accept responsibility for the maintenance and preparation of financial statements and nonfinancial performance information of Amatola Water for the 2022/23 financial year.

The Amatola Water Annual Financial Statements have been prepared in accordance with, among others, the Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) and the requirements of the PFMA. We also take full responsibility for the preparation, assessments, or evaluations and the outcomes contained in the Integrated Annual Report for the financial year ending 30 June 2023.

The level of performance (59%) reported on the predetermined objectives is accurate. The content is credible, of integrity, and reliable due to the embedded internal controls that remain relevant and adequate. These are designed to provide reasonable assurance of our performance throughout the year.

For instance, Amatola Water's internal controls are implemented and monitored at the self-assessment level. Our employees understand the importance of maintaining the highest ethical standards when conducting our business.

The internal audit function and risk management processes provide the necessary oversight that considers all levels of defence in verifying the effectiveness of the existing control measures and identifying additional ones, where applicable.

The two functions continued to provide reasonable assurance against material misstatements or deficits and to check that risks and opportunities were dealt with whenever necessary. This is our account of the acceptability of the true state of affairs of our entity's results from an operational and financial perspective for the year ended 30 June 2023.

It is premised on two critical factors:

- Our reported information has been externally audited, and the Auditor-General of South Africa (AGSA) has
 expressed an independent opinion on the annual financial statements and all other predetermined nonfinancial
 objectives that had been contracted to the shareholder for the reporting period. Refer to the AGSA report on
 pages 159 to 170.
- The Integrated Annual Report has been prepared for the 2022/23 financial year and the Accounting Authority approved it on 25th November 2023.

Ms P Yako

Interim Board Chairperson

Date: 25th November 2023

Mr S Koyo

Acting Chief Executive

Date: 25th November 2023





REPORT PROFILE

The Integrated Annual Report outlines Amatola Water's legislative compliance and performance, as presented to the Minister of Water and Sanitation, for the financial year, 1 July 2022 to 30 June 2023.

Amatola Water's eight Sustainability Report and nineth Integrated Annual Report, are part of the organisation's commitment to achieving higher qualitative and quantitative reporting standards.

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

Amatola Water adopted seven basic principles in compiling this Report:

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

The Amatola Water Integrated Annual Report is the result of a systematic and integrated reporting processes that involves various levels within the organisation which is a demonstration of collective efforts. The Executive Management team leads the reporting process and its members are active contributors to the content of the Report which demonstrates the importance of collective responsibility, accountability and transparency practices.

In order to formulate and provide a complete and accurate view of the matters reported, some of the significant and material events occurred after the financial year and up to the approval of this Integrated Annual Report by the Board on 25th November 2023, have been reflected in the Report.



Amatola Water illustrates value creation overtime in terms of the six capitals:



Financial capital

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



Human capital

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



Intellectual capital

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



Social and relationship capital

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



Manufacturing capital

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



Natural capital

Continuous monitoring of water resources (quantity and quality).

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

ABOUT THIS REPORT

Amatola Water recognises the importance of living its core values when implementing its mission and vision.

It is done by evaluating every decision and action based on the organisational core values since it is critical for Amatola Water's overall success, growth and financial strength, now and for the future.

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

LEGISLATIVE AND OTHER MANDATES

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

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

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

SHAREHOLDER COMPACT

Amatola Water and DWS entered into a Shareholder Compact for the year under review.

ORGANISATIONAL PROFILE

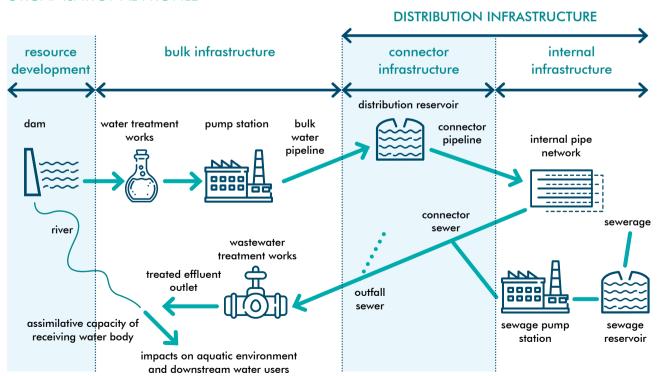


Figure 1.1 Water value chain



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

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

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

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

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

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

Amatola Water is further governed by all water and water Board-related Policy Frameworks issued by DWS as well as Directives from the Minister.

AMATOLA WATER AREA OF OPERATION AND WATER SUPPLY SCHEMES

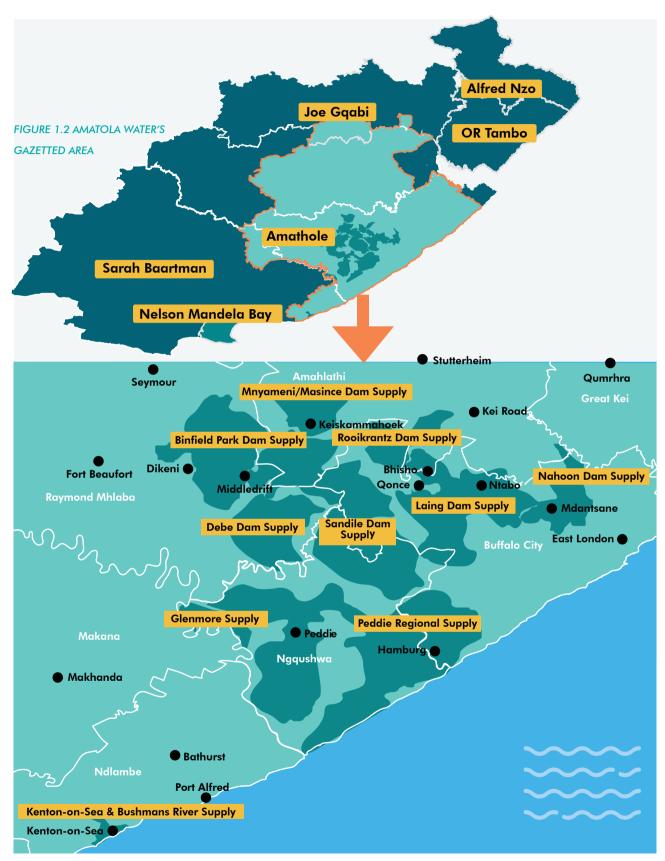


Figure 1.3 Amatola Water supply scheme



AMATOLA WATER'S OPERATING CONTEXT AND FACTORS INFLUENCING VALUE CREATION

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

As an essential services utility and government public enterprise based in the Eastern Cape Province is subjected to numerous external environmental changes. As such, these need to be managed carefully through transparent and consistent engagement with critical stakeholders.

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

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



- Constrained state capacity to drive policy and transformation
- Lack of strong monitoring and evaluation oversight capacity
- Frequent changes in political leadership at local government level
- Poor levels and quality of service delivery in spheres of government
- Corruption and/or state capture



- Low growth, recession and weak currency
- Rising input costs (labour, fuel and electricity)
- Constricted fiscal environment
- · Negative impact of the
- COVID-19 pandemic
- Negative economic outlook by rating agencies



SOCIAL

- Increasing levels of inequality
- High rate of unemployment especially among youth and women
- Increasing levels of vandalism of infrastructure
- Increased levels of service delivery protests - social protests and civic engagement
- Quality of health services
- Education and lack of critical skills



TECHNOLOGICAL

- Fourth Industrial Revolution
- impact on economy, labour market and public sector
- Artificial intelligence and machine learning
- Inadequate investment in reseach and development which limits the scope of innovation
- Increased data costs
- Poor levels of broadband penetration in the EC province.



ENVIRONMENTAL

- Slow implementation of the country's energy mix strategy
- Climate change and extreme weather events which has led to disasters
- Strain on water resources
- Resource stress and biodiversity loss
- Ineffective alien invasive vegetation which threatens water resources



- Reconfiguration of water boards offers opportunities and challenges
- Delays in the finalisation of the Land
- Expropriation Bill
- Expanding compliance universe (local government - Amatola Water clients)
- Information security and data regulation
- Delays in finalising planning legislation



WATER SECTOR ANALYSIS

The Department of Water and Sanitation's Revised Strategic Plan 2020/2021 – 2024/2025 identifies the following persistent challenges related to water security in South Africa:

- a) Increasing water demand and declining supply;
- b) Deteriorating water ecosystems;
- c) Unreliable water and sanitation services;
- d) Inequitable water allocation; and
- e) Weak regulation of the water and sanitation sector.

EFFECTIVE ENTERPRISE RISK MANAGEMENT INTEGRATED INTO BUSINESS

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

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

Enterprise-Wide Risk Management at AW is an ongoing process that focuses on identifying, assessing, managing, and monitoring all known forms of risks across all operations.

AW has an Enterprise-Wide Risk Management (EWRM) Policy and Strategy that has been approved by the Board.

Proactive risk management is fundamental to AW's ability to meet its short-term and longer-term strategic objectives. To ensure effective enterprise risk management, the board has delegated the management of risk at the proper levels across all responsible areas of activities across the entire organisation.

The Accounting Authority of Amatola Water, that is, the Board, is ultimately responsible for ensuring good governance and oversight of Risk Management in the entity.

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

The entity has appointed the Manager Risk and Compliance who Coordinates the Risk Management function, and furthermore the Acting CE of the entity has appointed Risk Champions to assist in the Integration of Risk Management within the divisions.





VALUE CREATION

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

INPUTS 2021/22

1141 013 2021/22
FINANCIAL CAPITAL
REVENUE
R 386m

AVERAGE BULK WATER TARIFF

R 9,349/kl

CASH

R 252m



MANUFACTURED CAPITAL

PROPERTY, PLANT AND EQUIPMENT

R 1708m

CAPITAL EXPENDITURE (TREATMENT PLANT UPGRADES)

R 21m



ICT OPERATIONAL EXPENDITURE

R₆m

ICT CAPITAL EXPENDITURE

R 0,8m

WATER RESEARCH LEVY

R₃m



HUMAN CAPITAL

STAFF TURNOVER

0.30%

STUDY ASSISTANCE

R 0,989m



ASSURANCE OF SUPPLY

97.89%

B-BBEE SPEND

115%

LOCAL JOBS CREATED

333



NATURAL CAPITAL

WATER LOSS-POTABLE PRODUCTION AND NETWORK

17.5%

RAW WATER ABSTRACTIONS (KĽ000)

43,829

BUSINESS ACTIVITIES

INFRASTRUCTURE DESIGN AND DEVELOPMENT

WATER SERVICES

INSTITUTIONAL AND SOCIAL DEVELOPMENT

TECHNICAL AND OPERATIONAL SERVICES

SCIENTIFIC SERVICES

PROCUREMENT SERVICES

FINANCIAL SERVICES OPERATION AND MAINTENANCE

INSTITUTIONAL SUPPORT AND DEVELOPMENT

PROJECT MANAGEMENT







INTELLECTUAL CAPITAL

SOCIAL &
RELATIONSHIP CAPITAL

REVENUE

R 410m

ICT OPERATIONAL EXPENDITURE

R7,464m

ASSURANCE OF SUPPLY

95.84%

AVERAGE BULK WATER TARIFF

R 10,118/kl

CASH

R 200m

ICT CAPITAL EXPENDITURE

R 2,645m

WATER RESEARCH LEVY

R 2,906m

B-BBEE SPEND

100%

LOCAL JOBS CREATED

339



MANUFACTURED CAPITAL

PROPERTY, PLANT AND EQUIPMENT

R1633m

CAPITAL EXPENDITURE (TREATMENT PLANT UPGRADES)

R13,94m



HUMAN CAPITAL

STAFF TURNOVER

2%

STUDY ASSISTANCE

R0,712m



NATURAL CAPITAL

WATER LOSS-POTABLE PRODUCTION AND NETWORK

15%

RAW WATER ABSTRACTIONS (KĽ'000)

40,104

THE 10 OUTCOMES FOR SUSTAINABLE VALUE CREATION

- WATER AND WASTEWATER PRODUCT QUALITY
- 2 CUSTOMER SATISFACTION
- STAKEHOLDER RELATIONSHIPS AND SUPPORT
- 4 INFRASTRUCTURE STABILITY

- FINANCIAL VIABILITY
- WATER RESOURCE
 ADEQUACY
- COMMUNITY ENVIRONMENTAL SUSTAINABILITY
- LEADERSHIP AND EMPLOYEE DEVELOPMENT
- OPERATIONAL RESILIENCE
- OPERATIONAL OPTIMISATION





INTRODUCTION

Amatola Water is committed to a corporate governance process that is underpinned by respect, trust and transparency.

In the year under review, the following structure enabled the organisation to respond to its strategy and execution of its mandate:

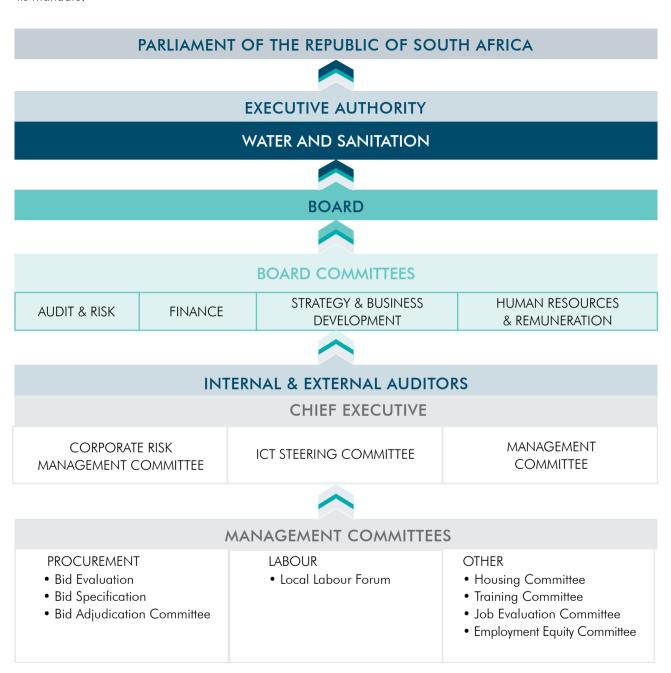


Figure 2.1: Governance structure



PARLIAMENTARY PORTFOLIO COMMITTEE ON WATER AND SANITATION

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

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

EXECUTIVE AUTHORITY

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

Oversight by the Executive Authority, the Minister of Water and Sanitation, is in terms of the Water Services Act, 1997 (Act No.108 of 1997) read with the Public Finance Management Act No.1 of 1999 as amended.

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

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

BOARD MEMBER PROFILES



Ms Pam Yako



Board Chairperson



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



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

For over a decade, Ms Yako has successfully performed various senior public servant roles including leading some of the most influential local, provincial and national entities in the spheres of water, environmental affairs and municipal management.

Ms Yako has also served on the Boards of the Linked Environmental Services, Eastern Cape Parks and Tourism Agency, South African Tourism Board and South African National Biodiversity Institute. Currently, she is SANPARKS Board Chairperson and also serves on the Board of World Wildlife Fund and Seriti Institute.



Mr Simphiwe Dzengwa



Board Member



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



Financial management, project management, people management, strategy and policy development and execution, budgeting and planning, communication, stakeholder management, leadership, organisational turnaround, monitoring and evaluation, qualitative analysis and advocacy.

Mr Dzengwa has vast experience as a Board member, Board Committee member, executive and senior manager.

Having served as a CEO for the Hluma Local Investment Development Agency, the Eastern Cape Innovation Hub and the Gauteng Partnership Fund, he has wide exposure and and advantageous understanding of the policies, legislative frameworks, and operational matters applicable to three spheres of the government. Mr Dzengwa also has private sector experience and has led various initiatives nationally and internationally.



Ms Zamela Kiviet



Board Member



- Bachelor of Laws (LLB postgraduate) and Baccalaureus Procurations (BProc), Postgraduate qualification on
- Company Secretariat and Governance (CSSA) (NQF Level 8), Certificate on Public Sector Governance, Certificate on risk compliance and various related qualifications.



Legal and corporate governance, audit and risk.

Ms Kiviet is a highly experienced legal and corporate governance practitioner, a Chartered Secretary who has served on a number of State-owned entity Boards such as Mayibuye Transport Corporation, the Eastern Cape Provincial Arts and Culture Council and Ntinga Development Agency.

She has served as a Non-Executive Director at Automotive Industry Development Centre, Eastern Cape Informative Technology Initiative and is now serves on the Board of Chris Hani Development Agency.

Currently, she is a member of the Audit Committee and Risk Management Committee of the Department of Education, Eastern Cape Province. She is a part-time Instructor at the Practical Legal Training (Law School East London). Her previous employers include Aspire, Amatola Water, the Eastern Cape Liquor Board, Legalwise and the University of Fort Hare, performing in roles such as Company Secretary, Legal Advisor/Branch Manager, Lecturer and Liquor Inspector.



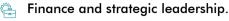


Mr Ayanda Mjekula

🤲 Board Member



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



Mr Mjekula, is a member of the Institute of Directors of South Africa. Currently, he holds positions on various Boards. He is the Deputy Chairperson of the Coega Develop-ment Corporation and chairs its Audit and Risk Committee and is a member of its Capital Allocation Committee.

He serves on the Board of Safika Holdings including its Audit and Risk Committee as well as its Remuneration Committee.

He is the Chairperson of the National Arts Festival and a Trustee of the Anglican Church of South Africa's Pension Fund. He is

also Chair of the Audit and Risk Committee of the Fort Hare Foundation.

In the past, he has held Board positions as Chairperson of Central Energy Fund SOC, UBank Limited where he also headed the Audit, Remuneration, and IT Governance Committees. For 17 years, he served on the Council of the University of Fort Hare and became Deputy Chairperson while he chaired the Finance and the IT Governance Committees.

Mjekula cut his teeth in the banking industry, having held executive management positions at Nedbank and Standard Bank, over a period of 24 years. He was the first black person to be appointed in an executive management position in any bank in South Africa. In 1989, he was honoured with the Black Management Forum/Kellogg's Manager of the Year Award, in recognition of his managerial achievements. He had previously been awarded, by Ford Motor Company, a fellowship to study for his Master's of Busi-ness Administration.

As the Chief Executive of the South Africa Supplier Development Agency (SASDA), Mr Mjekula gained extensive experience in enterprise and supplier development. He has played a major role in the energy sector, particularly in the liquid fuels industry.



Ms Boitumelo Mokgatle



Board Member



- Master of Business Administration
- Bachelor of Commerce (Accounting)



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

Currently, Ms Mokgatle serves on the Boards of the Construction Industry Development Board, Magalies Water Board, Dannhauser Local Municipality, Durban Chamber of Commerce, City of Johannesburg: Johannesburg Roads Agency, City of Tshwane, KwaZulu-Natal Film Commission and the Institute of Risk Management of South Africa's KwaZulu-Natal Risk Intelligence Committee.

Former Boards on which she served include the Department of Environmental Affairs: Audit and Risk Committee member, NAPSAR (Chairperson Audit Committee), Ubuciko Twines and Fabrics (Chairperson of Board), KwaZulu-Natal Property Development Holdings, Tshwane Rapid Transit (Chairperson Social and Ethics, and Audit Committees) and the Institute of Risk Management of South Africa (National Risk Intelligence Committee member).

She has over 25 years of audit experience, having gained experience with KPMG and Ernst & Young. Then she joined the South African Revenue Services, where, amongst others, she was involved in strategic projects and later with the Presidency, where she was the Director – Internal Audit and Risk Management. She also served as the Group Chief Risk Officer at the Ithala Development Fund, supporting micro-small and medium enterprises in KwaZulu-Natal Province.



Mr Ndumiso Tyibilika



Board Member



- Bachelor of science (Mechanical Engineering) (registered)
- Executive Development Programme



Financial decision-making skills, design engineering and system integration, operations management, project management, business re-engineering, system and op-erations optimisation, supply chain management, business strategy crafting and implementation.

Mr Tyibilika has an impressive track record as an engineer and executive having worked for Amcoal, Caltex Refinery, Eskom (Hydro and Water), Denel and Coca-Cola. The experience covers a period for Pebble Bed Modular Reactor. Current client sectors include engineering, steel supplier and aviation spares hub. Landmark projects include the R120m refinery upgrade for Caltex's jet fuel desulphurisation and the R21m Coca-Cola Canner's new packaging line installation, and the complete overhaul and upgrades of water pump stations for Eskom.





Ms Sindisiwe Prudence Xulu



Board Member



- Bachelor of Arts
- Bachelor of Arts (Honours)



Strategic planning, leadership and people management, communication, stakeholder relations and management, financial management, policy development and project management.

Ms Xulu has a formidable pedigree in the public sector, having led the office of the Premier, the Departments of Public Works, Roads and Transport, Agriculture, Land and Environment and Economic Development in Mpumalanga and North West provinces. Furthermore, she has experience in higher education with two sector education and training authorities in quality assurance roles. Former employers have included the South African Qualification Authority and the University of Cape Town. Her work career began as an educator and later as a researcher and translator.



Mr Wisdom Mushohwe



Board Member



CA (SA), CPA (Inactive), MBA



Finance, advisory, taxation, audit and risk management.

Mr Mushohwe is a Chartered Accountant through the South African Institute of Chartered Accountants (SAICA), Certified Public Accountant (CPA) through the California Board of Accountancy in the United States of America and also holds a Master's in Business Administration. Mr Mushohwe serves on the Boards/Audit Committees of World Vision South Africa (NPO), Mnguma Local Municipality, Eastern Cape Provincial

Arts and Culture Council, Enoch Mgijima Local Municipality and Man on a Mission (NPO).

He comes with broad experience in finance, auditing, advisory and taxation spanning over 17 years. Mr Mushohwe acquired most of his experience in finance and auditing environments at Deloitte and Touche, where he served in various positions in South Africa, United Arab Emirates and United States of America. With a balanced exposure to both the private and public sectors; a number of Municipalities, Departments, State-owned companies and private companies within South Africa under both the GRAP and IFRS frameworks. He is passionate about seeing growth and success of communities through Non-governmental Organisations (NGOs), public sector, and small and Medi-um Enterprises (SMEs).

He brings vast private sector experience from having served as a Financial Director of a national private company and later promoted to Group CFO and the Board of the then listed holding company. Currently, he is a Director at Sync Finance with a focus in assisting and growing SMEs.



Ms Nonkululeko Mxenge-Mayende



Board Member



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



Ms Mxenge-Mayende is a seasoned professional who leverages experience and expertise in destination sales and marketing to promote emerging and existing industrial zones, industrial parks and Special Economic Zones locations to global potential investors. She has 27 years' global markets experience and competencies honed on four continents primarily in Foreign Direct Investment promotion, recruitment, conversion and facilitation as well as market access, bilateral and multilateral

trade relations.

This expertise extends to industrial policy formulation and analysis, sales and marketing, international consulting and advisory sales on business development, product and project development, risk management. Proficient in strategic plans development (conceptualisation, implementation, monitoring and evaluation) for foreign trade, invest-ment attraction and retention. Linked to this is crafting industrial sectors' promotion strategies and implementation plans targeting utilities (renewable energy, water desalina-tion and waste water treatment) business processing outsourcing, agro-processing, automotives, pharmaceuticals, ICT Electronics sectors for domestic and foreign invest-ment markets. Strong competencies in research and innovation having found innovative solutions in various portfolios especially around renewable energy, wastewater treatment and sea water desalination projects.

She has demonstrable leadership and corporate governance experience due to the various senior positions held in area of socioeconomic development. Worked with NGOs and CBOs in areas of water scarcity, energy efficiency, human rights promotion and international human rights law. Multilingual and people orientated with an ability to de-velop high performing teams through capacity building and training, talent management, coaching, mentoring and 360-degree performance focus.

BOARD AND COMPOSITION

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

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



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

Board Member	Gender	Race	ARC	FINCO	HRRC	SBDC
1. Ms P Yako	Female	Black			/	/
2. Mr S Dzengwa	Male	Black			/	/
3. Ms Z Kiviet	Female	Black			/	/
4. Mr A Mjekula	Male	Black	~	/		
5. Ms B Mokgatle	Female	Black	/	/	/	
6. Mr N Tyibilika	Male	Black		/		/
7. *Ms SP Xulu	Female	Black		/	/	
8. **Mr W Mushohwe	Male	Black	/			
9. **Ms N Mxenge-Mayende	Female	Black			/	/

Table 2.1: Board members (denotes committee member)

Notes:

- a) *Ms Sindisiwe Prudence Xulu resigned as a member of the Board on 11th July 2023.
- b) **Mr Wisdom Mushohwe was appointed as a member of the Interim Board effectively from 1st August 2023.
- c) **Ms Nonkululeko Mxenge-Mayende was appointed as a member of the Interim Board effectively from 1st August 2023.
- d) The Board resolved on 1st of August 2023 to merge the ARC and FINCO. Mr Ayanda Mjekula, the Chairperson of FINCO continued to be the ARC member, Ms Boitumelo Mokgatle who was a member of ARC and FINCO became a member of HRRC; while Mr Ndumiso Tyibilika only retains the membership in SBDC.

BOARD COMPOSITION

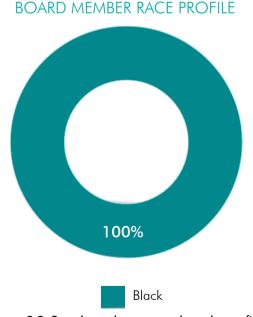
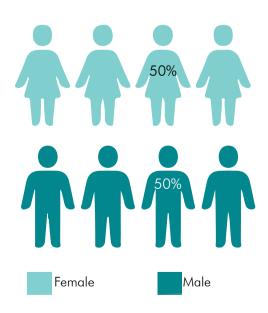


Figure 2.2: Board member race and gender profile

BOARD MEMBER GENDER PROFILE



BOARD MEMBER AGE PROFILE



Figure 2.3: Board member age range

BOARD MEETING ATTENDANCE

Вос	ard Member	Total Meetings	Attendance	%
1.	Ms P Yako	29	29	100%
2.	Mr S Dzengwa	29	29	100%
3.	Ms Z Kiviet	29	27	93%
4.	Mr A Mjekula	29	29	100%
5.	Ms B Mokgatle	29	29	100%
6.	Mr N Tyibilika	29	29	100%
7.	Ms S P Xulu	29	28	97%

Table 2.2: Interim Board members' attendance



BOARD ROLES AND RESPONSIBILITIES

The Board must ensure that it is accountable for fulfilling the role of the water board as set out in the Water Services Act. The following shall be the key responsibilities of the Board:

- a) Fulfil its role as the focal point of good corporate governance and as such must exercise leadership and judgement in directing Amatola Water to achieve sustainable prosperity for Amatola Water and its stakeholders.
- b) Retain full and effective control over Amatola Water in manner based on integrity, transparency, accountability, and responsibility.
- c) Provide strategic direction to Amatola Water and in the process, regularly consider the present and future strengths, weaknesses, opportunities and risks to Amatola Water having regard to the dynamics of the changing external environment.
- d) Determine the organisation's risk and set the risk tolerance levels for the organisation in accordance with the adopted Enterprise Risk Management strategy, overseeing the identification and evaluation of key risks as well as the risk management process.
- e) Ensure that the information and technology governance are effectively overseen, and that adequate information is provided by management to facilitate effective decision-making by the Board.
- f) Take the necessary steps to ensure that there is a robust system of internal controls on the effectiveness of which regular assurance is received through risk-centric internal audits and other assurance providers.
- g) Institute robust systems, policies, and procedures for the effective management of conflicts of interest and promotion of ethical conduct across the organisation, including a system for effective reporting of crime, fraud and corruption incidents.
- h) Oversee the implementation of any accepted Ministerial Directives and strategic initiatives from the Department of Water and Sanitation to fulfil the mandate in that regard.
- i) Ensure that Amatola Water when exercising its powers and carrying out its duties achieves a balance between:
 - i. Provision of efficient, reliable and sustainable water services.
 - ii. Optimally using available resources.
 - iii. Taking reasonable measures to promote water conservation and water demand management, including promoting public awareness of these matters.
 - iv. Striving to be financially viable.
 - v. Considering national and provincial policies and developments.
 - vi. Acting in an equitable, transparent and fair manner.
- i) Provide effective oversight to Amatola Water operations.
- k) Ensure the necessary structures to independently verify and safeguard the integrity of both financial and non-financial reporting.

STRATEGY AND BUSINESS DEVELOPMENT COMMITTEE (SBDC)

The SBDC Terms of Reference is reviewed annually. The last review and adoption of Terms of Reference was on 30th November 2022.

SBDC roles and responsibilities

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

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

SBDC Composition

SBDC MEMBER RACE PROFILE

100% Black

Figure 2.4: SBDC members race and gender profile

SBDC MEMBER GENDER PROFILE



SBDC members Meeting Attendance

SBDC Member	Gender	Total Meetings	Attendance	%
1. Ms P Yako	Female	17	17	100%
2. Mr S Dzengwa	Male	17	17	100%
3. Ms Z Kiviet	Female	17	15	88%
4. Mr N Tyibilika	Male	17	16	94%

Table 2.3: SBDC members attendance



FINANCE COMMITTEE (FINCO)

The FINCO Terms of Reference is reviewed annually. The last review and adoption of Terms of Reference was on 1 December 2022.

FINCO roles and responsibilities

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

- a) The overall financial management and performance of Amatola Water;
- b) Policies and strategies relating to treasury activities;
- c) Supply Chain Management;
- d) Optimum debt management;
- e) Asset and liability management;
- f) Optimal management of capital spending; and
- g) Budgeting process.

FINCO Composition



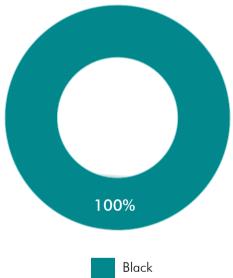
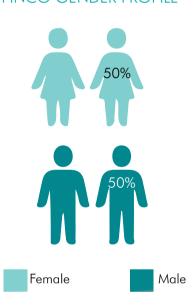


Figure 2.5: FINCO members race and gender profile

FINCO GENDER PROFILE



FINCO members Meeting Attendance

FINCO Member	Gender	Total Meetings	Attendance	%
1. Mr A Mjekula	Male	9	9	100%
2. Mr N Tyibilika	Male	9	9	100%
3. Ms S Xulu	Female	9	9	100%
4. Ms B Mokgatle	Female	9	7	78%

Table 2.4: FINCO members attendance

HUMAN RESOURCES AND REMUNERATION COMMITTEE (HRRC)

The HRRC Terms of Reference is reviewed annually. The last review and adoption of Terms of Reference was on 10 October 2022.

HRRC roles and responsibilities

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

- a) The formulation of Amatola Water Human Resources Strategy and Polices;
- b) Guide and monitor the implementation of the Human Resource, Transformation, Performance Management, and Remuneration Strategies;
- c) Reporting to and advising the Board on all findings and recommendations pertaining to the HRRC's work;
- d) Ensure that the organisation remunerate fairly, responsibly, and transparently to promote the achievement of the strategic objectives and positive outcomes in the short, medium and long term;
- e) Assume responsibility for the governance of remuneration by setting the direction for how remuneration should be approached and addressed on an organisation-wide basis;
- f) Recommend for approval of policy that articulates and gives effect to its direction on fair, responsible, and transparent remuneration; and
- g) Assume responsibility for the governance of compliance with applicable laws and adopted, non-binding rules, codes, and standards by setting the direction for how compliance should be approached and addressed in the organisation.

HRRC Composition

HRRC MEMBER RACE PROFILE

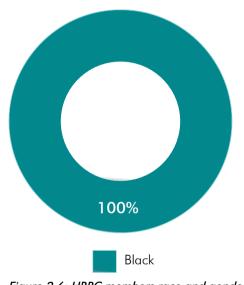
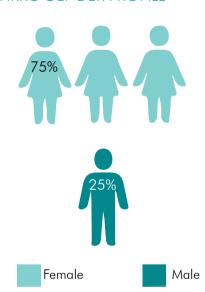


Figure 2.6: HRRC members race and gender profile

HRRC GENDER PROFILE



HRRC members Meeting Attendance

HRRC Member	Gender	Total Meetings	Attendance	%
1. Ms Z Kiviet	Female	7	7	100%
2. Ms P Yako	Female	7	6	86%
3. Mr S Dzengwa	Male	7	7	100%
4. Ms S Xulu	Female	7	7	100%

Table 2.5: HRRC members attendance



AUDIT AND RISK COMMITTEE (ARC)

ARC Terms of Reference is reviewed annually. The last review and adoption of Terms of Reference was on 15 June 2023.

ARC roles and responsibilities

- a) Audit and Risk Management.
- b) General financial reporting.
- c) Audit oversight.
- d) Compliance and Code of Conduct.
- e) Fraud Prevention Strategy.

ARC Composition

ARC MEMBER RACE PROFILE

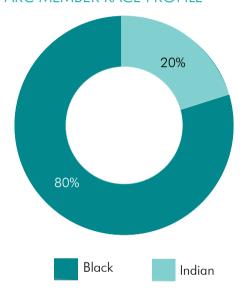
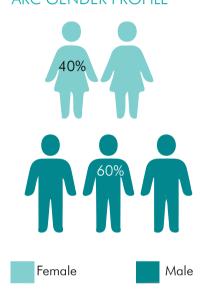


Figure 2.7: ARC members race and gender profile

ARC GENDER PROFILE



ARC members Meeting Attendance

ARC Member	Gender	Total Meetings	Attendance	%
Mr G Labane	Male	12	12	100%
Mr A Mjekula	Male	12	11	90%
Ms B Mokgatle	Female	12	10	80%
Mr S Maharaj	Male	12	12	100%
Ms F Mudau	Female	12	12	100%

Table 2.6: ARC members attendance

BOARD MEMBERS INDUCTION

The Interim Board members, upon appointment, were inducted to facilitate the understanding of Amatola Water, its business environment and the market in which it operates, as well as the members' fiduciary duties towards the organisation.

BOARD CHARTER

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

The Charter is reviewed every two years or as and when necessary to ensure it remains relevant to the objectives of Amatola Water. The last review and adoption of the Board Charter was on 7 April 2023.

REMUNERATION POLICY

The remuneration of the Board is determined by the Executive Authority.

COMPANY SECRETARY ROLE

- a) Develops systems and processes for Board support.
- b) Inducts new Board members.
- c) Provides secretarial services and legal support to the Board and its Committees.
- d) Custodian of Board documents including minutes, shareholder's compact and other documents.
- e) Guides Board members in terms of ethics and good governance.

MANAGEMENT COMMITTEE

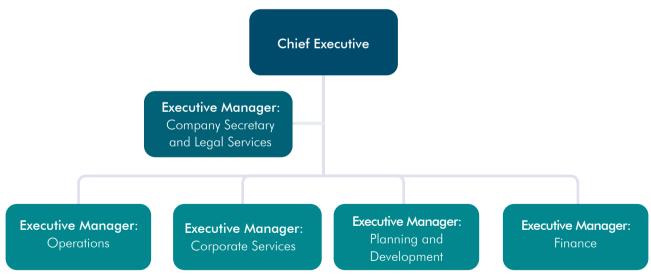


Figure 2.8: Management committee structure



MANAGEMENT COMMITTEE PROFILES



Mr Siyabulela Koyo



- Executive Manager: Planning and Development (Date of Appointment: 1 June 2021)
- Acting Chief Executive (**Acting Chief Executive effective from 25 March 2022 to 15 August 2022 & 6 March 2023 until further notice)



- National Diploma (Civil Engineering), Advanced Certificate Programme (Project Management), Certificate Programme (Management)
- Development for Municipal Finance), Bachelor of Technology (Civil Engineering, Urban Planning), Bachelor of Arts (Honours) (Development Studies), Master of Arts (Development Studies), Postgraduate Certificate (Monitoring and Evaluation)



Mr Koyo has over 20 years of experience in civil engineering across the public and private sectors. Prior to joining Amatola Water, Mr Koyo was the Municipal Manager for the Intsika Yethu Municipality as well as a General Manager at the Eastern Cape Department of Cooperative Governance and Traditional Affairs. He also performed various technical and management roles at Mbhashe Local Municipality, Eastern Cape Department of Agriculture, Rinoma Consulting Engineers, OR Tambo District Municipality and ZM Construction.



Mr Sazile Qweleka



Executive Manager: Operations (Date of appointment:
 1 September 2020)



- Bachelor of Technology (Mechanical Engineering),
- Master of Business Administration



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



Mr Spelele Galada



- Chief Financial Officer (Date of Appointment: 1 October 2022)
- Acting Chief Executive (**Acting Chief Executive effective from 14 November 2022 until 6 March 2023)



- Bachelor of Commerce (Honours), Accounting (CTA),
- Postgraduate Diploma: Financial Accounting, Southern African Institute of Business Accountants member



Mr Galada has extensive experience in accounting that ranges from junior financial manager to various Chief Financial Officer roles. Having completed his articles at Grant Thornton International and Auditor-General South Africa, he is experienced in financial management consulting.

In his roles with the Department of Health and the Department of Higher Education and Training (Ikhala TVET College), he improved their financial management, corporate governance and supply chain management.

His most recent role was Chief Financial Officer for Mayibuye Transport Corporation.



Ms Zaza Ngele



 Executive Manager: Corporate Services (Appointed on 3 May 2021 and resigned on 31 October 2023)



- Bachelor of Arts, Advanced Certificate (Human Resources and Industrial Relations)
- Master of Arts (Management), Postgraduate Diploma (Labour Law) cum laude



Ms Ngele has 32 years of experience in the public and state-owned entity sector which includes 12 years of senior management experience in the human resource area. With a formidable background in the nursing college sector as a lecturer, Ms Ngele has worked for Ciskei College of Nursing, Lilitha College of Nursing, Free State Department of Health,

Eastern Cape Department of Health and Walter Sisulu University.

Ms Ngele joined Amatola Water in January 2019 as a Senior Human Resource Manager and was later promoted to her current position after acting in the position for close on a year.



Adv Thulani Sagela



 Executive Manager: Company Secretary and Legal Services (Date of Appointment: 10 May 2021 and resigned on 30 September 2023)



- Professional Profile Bachelor of Laws
- Certificate in Corporate Governance in the Public Sector



Advocate Sagela is an experienced legal practitioner in the private and the public sector. He completed his Articles with Legal Aid SA (Cape Town Justice Centre). After completing his articles, he was admitted as the Advocate of the High Court of SA. He started practicing as an independent legal practitioner, focusing on civil and criminal litigation.

Advocate Sagela is an experienced legal practitioner in the private and the public sector. He completed his Articles with Legal Aid SA (Cape Town Justice Centre). After completing his articles, he was admitted as the Advocate of the High Court of SA. He started practicing as an independent legal practitioner, focusing on civil and criminal litigation.

He started his career in the public sector, as a Legal Services and Administration Manager at Emalahleni Municipality in Cacadu. His responsibility was to set up the Municipal Public Accounts Committee (MPAC) and the Legal Services Unit. He provided Secretariat Services to the Council and Council Committees.

He was then appointed as the Executive Manager: Company Secretary and Legal Services at Aspire, an agency of Amathole District Municipality. Before his appointment as Executive Manager: Company Secretary at Amatola Water, he ran a consultancy firm that provided quality legal advisory services.

He is also the Pastor of the Church of God and Saints of Christ.



DELEGATION OF AUTHORITY

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

- a) A Committee of the Board;
- b) Its Chief Executive; and/or
- c) Any of its employees.

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

CHIEF EXECUTIVE

The organisation's financial and operational goals and objectives are continuously pursued by the Chief Executive, who also makes sure that the organisation's daily operations are appropriately tracked and controlled.

The incumbent makes sure that the organisation's services are always being improved in terms of quality and value in order to secure and hold a respectable position in the water sector.

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

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

- a) submit monitoring data required by the Board in a timely, accurate and understandable fashion so that Board is fully informed;
- b) take steps to make the Board aware of relevant trends, anticipate adverse media coverage and contemplate significant external and internal changes, and particularly, changes in assumptions upon which any Board strategy has previously been established; and
- c) advise the Board in line with applicable legislative prescripts and policy provisions.

An Annual Performance Agreement that governs the Chief Executive's contract is evaluated. The Chief Executive is contracted in terms of a performance agreement which is reviewed annually. The incumbent's appointment is for a period of five years, subject to renewal for further terms.



ANTI-FRAUD AND CORRUPTION STRATEGY

Year	No Of Tip-Offs Received	No Of Reports Generated	Areas	Actual Fraud Confirmed	Results
2022/23	1	1	HR recruitment irregularities- alleged smuggling of an application for a position	No	The matter was finalized and allegation not founded.
2022/23	2	-	HR recruitment irregularities and favouritism x 2 matters	No	The matter is being investigated.
	1	1	Unethical behaviour (Procurement)	No	The matter is being investigated.
	1	1	HR recruitment irregularities (misrepresentation of working experience)	Yes	Actual fraud was reported to the Audit and Risk Committee (ARC) and to the Board. The matter was escalated to law enforcement agencies for criminal investigation. Steps to recover some financial losses were initiated against implicated employee.
	1	3	Numerous misconduct (HR irregularities and financial misconduct) x 11 matters	Yes in one of the three completed matters	Three matters have been concluded out of the eleven matters. Relevant employees have been referred for consequence management. Eight matters are currently being investigated.
	1	-	Alleged negligence that resulted in vandalism	No	The matter is being investigated.
	4	-	Alleged procurement irregularities x4	No	The matter is being investigated.
	2	-	Alleged Wasteful Expenditure, Misconduct Financial Misconduct at Amatola Water x2	No	The matter is being investigated.
	1	-	Alleged leaking of confidential information	No	The matter is being investigated.

Table 2.7: Fraud hotline reports

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



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

Investigation reports are compiled and tabled to the ARC and the Board quarterly. All the investigation reports were made available to the Auditor-General South Africa for noting and consideration of risk in their annual audit. All recommendations, arising from the reports, were carried out by the Board.

This shows the effectiveness of the reporting and fraud hotline system. This can be confirmed by the handling of the reports and outcomes.

RISK, COMPLIANCE, AND ASSURANCE REPORTING

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

The Risk Management Process for AW involves the systematic application of policies, procedures, and practices to the activities of communicating and consulting, establishing the context and assessing, treating, monitoring, reviewing, recording, and reporting risk.

The Board on an annual basis engages in a Strategic Risk Assessment Review Process to identify or review risks that could hinder the achievement of AW Strategic Outcomes. AW assesses its risks on three levels namely, Strategic, Operational, and Project risks.

The Monitoring of Risk action plans is done by the Manager Risk and Compliance on a quarterly basis and as and when the need arises through the divisional Risk Champion after monitoring a risk report is developed and presented to MANCO, CRMCO, ARC and the Board.



The following table reflects the thirteen (13) Strategic Risk Register of AW for 2022-23 FY:

Residual Risk Rating Total	 Fastrack approval and implementation of AW Infrastructure Master Plan. Implementation of Water Conservation Demand Policy. Deploy 10 engineering internships into the system by forging relations with Tertiary Institutions & DWS. Follow-up with National Treasury on lobbying of funds for finalisation of Sandile and Nahoon Plant upgrades. Monitor implementation of Financial Recovery Plan. Improve on revenue/debt collection through enforcing implementation of Credit Management and Debt Collection Policy. Implement and adhere to incident management protocol. Monitoring of the Plant upgrades that are currently underway for Sandile & Nahoon WTW for finalisation. Compliance with monitoring programme and timeous communication of results. 	 Enforce implementation and monitoring of Principal vs Agent SL4's. Enforce implementation and monitoring of SL4's with PSP's and Contractors. Review SL4's for the existing contracts. Facilitate appointment of the Project Management Unit Manager (PMU Manager). Finalise long ongoing contracts. Facilitate review and approval of the Project Management Policy to be in line with National Treasury Guidelines.
Inherent Re Rating R Total	est and the second seco	85
Inhe Rat To	64	72
Cause	 Aging infrastructure. Lack of maintenance. Delayed finalisation and approval of the draft Infrastructure Master Plan. Operating plants above design capacity. Inadequate funding/budget constraints. No conditional assessment done. No audit on the Preventative Maintenance Plan to ensure completeness. Poor coordination of efforts internally (Planning & Development and Operations [OPS]) and external stakeholders (Amatola Water [AW], Municipalities and Department Water and Sanitation [DWS]), Silo mentality and selective sharing of information. Drought/Climate change. Increased client demands due to increasing population. Misaligned budget allocation i.e. non-prioritisation of budget to core business. Inadequate/lack of technical skills. Inadequate/lack of technical skills. Inadequate with National standard of water quality and waste water effluent. Pollution. 	 Poor/ineffective project management. Inadequate funding/budget constraints. Inadequate funding/budget constraints. Litigations arising from non-compliance with SCM Legislation/Regulations. Non-compliance with contractual obligations by Principal Agents, including delayed payments.
Risk Tifle	Inability to meet the bulk water supply demand	Inability to successfully implement secondary business projects
Linkage to Strategic Outcomes	SO1: Improved Provision of safe and reliable water services	SO1: Improved Provision of safe and reliable water services
° Z	-	7

The following table reflects the thirteen (13) Strategic Risk Register of AW for 2022-23 FY:

	report onse alarm dations. f point an Police it of state of	ment ng s ager, Lead nistrator Plan. icy and of
	Implement recommendations from the SSA report (Consider installation of cameras and response alarm system into AW strategic points) recommendations. Capacitate the Security Management Unit. Apply for AW to be declared a national key point (Consider engagement of local South African Police Services (SAPS) to assist with the assessment of state of AW security).	Facilitate approval of the SCM Policy & SOP. Fully automate SCM and contracts manageme system. Training provided on SCM processes including contracts management. Capacitate the SCM Unit including contracts management i.e. appointment of SCM Manag Acquisition Specialist, Buyer, Contract Administ etc. Implement and monitor SCM Improvement Pla Enforce consequence management.\ Enforce consequence management.\ SoP's subsequent to Board approval. Perform probity audits prior to the approval of procurement for all tenders. Conduct Internal Audit Reviews on SCM on a coasis.
Actions	commendation of can allation of can N strategic poil e Security Mar to be declared aggement of lo	SCM and con SCM and con ed on SCM pragement. SCM Unit incl. e. appointmer scialist, Buyer, I monitor SCM quence managonentation of the tent to Board covaulity prior to rall tenders.
	Implement re (Consider ins system into A' Capacitate th Apply for AW (Consider en, Services (SAP AW security).	Facilitate approval of the SCM Policy & SOP. Fully automate SCM and contracts management system. Training provided on SCM processes including contracts management. Capacitate the SCM Unit including contracts management i.e. appointment of SCM Manager, Lead Acquisition Specialist, Buyer, Contract Administrator etc Implement and monitor SCM Improvement Plan. Enforce implementation of the new SCM Policy and SOP's subsequent to Board approval. Perform probity audits prior to the approval of procurement for all tenders. Conduct Internal Audit Reviews on SCM on a quarterly basis.
	– ი' ი'	01 W. 4. 70.01 W. 9.
Residual Risk Rating Total	65	08
Inherent Rating Total	28	00
Cause	Delayed implementation of the recommendations of the State Security Agency Assessment Report. Lack of Security Assessment Strategy. Lack of full-time dedicated security management personnel.	 Incapacity of SCM Unit. Inadequate and outdated SCM Policy. Lack of an approved SCM SOP. Ineffective implementation of Contracts Management across AW. Increased number of procurement deviations. Possible collusion between employees and service providers. Non-implementation of consequence management. Ineffective/insufficient Internal Audit surveillance.
Risk Tifle	Inadequate security management implementation	Non-compliance with SCM Legislation and Regulations
Linkage to Strategic Outcomes	SO1: Improved Provision of safe and reliable water services	SO2: Effective corporate governance and ethical leadership
o Z	က	4

The following table reflects the thirteen (13) Strategic Risk Register of AW for 2022-23 FY:

Actions	 Facilitate Board approval of Anti-fraud and anti-corruption Policy. Facilitate Board approval of the Fraud Prevention Strategy. Facilitate Board approval of the SCM Policy and approval of the SCM SOP subsequent to Board approval of the SCM Policy. Enforce compliance with SCM Policy and Legislative Framework. Enforce implementation and monitoring of Fleet Management Policy. Review Board Committees Terms of Reference in order to designate Social and Ethics matters to one of the Board Committees for championing. Corporate Risk Management Committee (CRMCO) to convene quarterly. Risk Internal Audit Plan to include Fraud Prevention Review to respond to risk of fraud, corruption and collusion. Capacitate Internal Audit Function. Conduct Ethics Risk Workshops at all levels of AW. Establishment of the Risk Management Unit (appointment of the Risk and Compliance Managem.) Facilitate Board approval of Conflict-of-Interest Management Policy. Develop Ethics Management SOP.
Residual Risk Rating Total	59
Inherent Rating Total	2
Cause	Collusion between/amongst service providers and employees. Non-compliance to Supply Chain Management (SCM) processes Lack of consequence management. Misuse of Entity Assets. Defrauding the time management system. Unfunded mandates leading to emergency procurement, leading to faud opportunity. Lack of ethical management. Inack of ethical management. Inack of ethical management. Ineffective implementation of Anti-fraud and Anti-corruption Policy & Strategy, including: I. Annual declaration of interest. I. Annual declaration of interest. Ineffective implementation of the Code of Conduct. Ineffective implementation in relation to measures on fraud prevention.
Risk Tifle	Fraud, corruption and collusion
Linkage to Strategic Outcomes	SO2: Effective corporate governance and ethical leadership
° Z	ν

The following table reflects the thirteen (13) Strategic Risk Register of AW for 2022-23 FY:

o Z	Linkage to Strategic Outcomes	Risk Tifle	Cause	Inherent Rating Total	Residual Risk Rating Total	Actions
v	SO2: Effective corporate governance and ethical leadership	Non-functional corporate governance systems	 Ineffective Ethics Governance. Ineffective Delegation of Authority. Leadership instability (Board and Executive Level). Lack of evaluation of Board and Board Committee's effectiveness. Ineffective oversight by Board Committees of Ineffective risk management processes. Non-implementation of the Board resolutions. Non-compliance with relevant legislative prescripts. Non-implementation of succession planning processes. Inadequate implementation of skills audit. Lack of ethical culture within the institution, including professionalism, collaboration etc. Non-implementation of consequence management. Inadequate Board support. 	[8	49	 Facilitate review and Board approval of the Board and Board Committee's Terms of Reference (TOR's) to ensure ethics governance is correctly allocated. Revive Organisational review (including Organogram review) project. Facilitate Board approval of Anti-fraud and Anti-corruption Policy. Monitoring and evaluating performance of Internal Audit Function. Capacitate Internal Audit Function and the Office of Company Secretary (Appointment of Internal Auditors, Manager: Risk and Compliance, Legal Administrator etc). Interim Board to conclude Performance Agreement with the CEO which will include KPIs on Governance e.g. clean audit, consequence management etc Conduct skills audit. To review the Code of Conduct to ensure it incorporates ethical principles including professionalism. Annual evaluation of Board and Board Committee's effectiveness. Enforce compliance with Protection of Personal Information Act (POPIA). Approval of the Succession Planning SOP.
_	SO3: Improved financial viability	Unsustainable financial viability	 Inadequate debt collection. Operational Inefficiencies including inadequate revenue (Water losses). Corruption and collusion. Poor marketing of AW for potential expansion of business. Current economic status/national financial distress. Geographical location of the AW and its clients (rural in nature)/limited economic activities. Inability to meet the current and growing client demands. 	001	09	 Quarterly sessions with highest value debtors. Prompt legal action against defaulters & follow-up. Direct transfer of funds from Implementing Agency clients. Enforce implementation of Cost Containment Directive. Convene bilateral meetings with Municipalities (debtors) on a monthly basis. Finalise development of Business Cases for potential expansion of AW business across the Eastern Cape. Monitor implementation of the DRP.

The following table reflects the thirteen (13) Strategic Risk Register of AW for 2022-23 FY:

Actions	 Facilitate Board approval of Stakeholder Relations Policy. Facilitate Board approval of Communication Policy. LLF meetings to convene monthly. To convene employee assembles/general staff meetings. Expedite appointment of the CE and CFO. Review of Leadership performance. Develop and implement a stakeholder engagement plan. Conduct stakeholder satisfaction survey. Develop and implement a communication strategy and plan. Develop and implement of Corporate Citizenship Policy Statement. 	 Facilitate Board approval of the ICT Policies: 1.1CT Governance Framework. 2.1CT Governance Charter. 3.1CT Governance Policy. 4.Electronic Signature Policy. 5.Cell phone, Data and Landline Policy. 6.ICT Asset Lifecycle Management Plan. Monitor implementation of ICT Policies. ICT Steering Committee to convene quarterly. Implementation of Darktrace Security system. Upgrade of ERP System and HR/Payroll System. Automation of manual processes. Implementation of ICT Security Awareness training system. Enforce compliance with Protection of Personal Information Act (POPIA). 	 Facilitate Board approval of the Employee Wellness Policy. Facilitate Board approval of Occupational Health and Safety Policy. Facilitate Board approval of Business Continuity Policy. Finalise SHE Policies for Board approval. Establish a cross functional Risk Team. Ensure regular SHE Committee meetings takes place. Ensure regular are mployee awareness programmes are in place. Ensure regular SHE audits are undertaken. Ensure adequate legal register updates
Residual Risk Rating Total	88	88	8
Inherent Rating Total	49	49	2
Cause	 Leadership instability. Lack of full implementation of stakeholder management plan/strategy. Poor corporate ethical culture. Lack of full implementation communication strategy/processes. Insufficient engagement with both internal and external stakeholders 	Poor policy environment and implementation. Poor ICT Security (Cyber-attacks). No integration of system and process. Poor investment into ICT infrastructure. Non-compliance with relevant ICT legislation and regulations.	Non-compliance with legal and other requirements Non-compliances with ISO standards of best practices (SHE Management Systems ISO 45001& 14001). Non-conformance to Amatola Water SHE Policies.
Risk Title	Inadequate stakeholder relationship management	Ineffective ICT Governance	Non-compliance with Safety, Health, Environment and Quality (SHEQ) processes
Linkage to Strategic Outcomes	SO4: Improved stakeholder relations	SO5: Efficient and innovative organization	SO5: Efficient and innovative organization
° Z	ω	0	01

The following table reflects the thirteen (13) Strategic Risk Register of AW for 2022-23 FY:

Actions	 Implement Environmental Management System to ensure that all AW employees are environmentally aware and are keen and eager to be environmental champions in order to achieve compliance with ISO14001 certification. 	 Implementation of the Recruitment Plan. Implementation of Succession Planning Policy. Facilitate Organisational Review including Organogram review. Facilitate Board approval of the Acting Allowance Policy. Facilitate Board approval of the Employment Equity Policy. Facilitate Board approval of the Sexual Harassment Policy. 	 Implementation of Training and Development Plan. Facilitate Board approval of the Learnership and Internship Policy. Facilitate Board approval of the Employment Equity Policy. Facilitate Board approval of the Study Assistance Policy.
Residual Risk Rating Total	50	د	26
Inherent Rating Total	4 9	22	4
Cause	 Over abstraction due to high demands. Non-compliance with Environmental Impact Assessment and Water Use License. Pollution. Inadequate monitoring of environmental resources. Non-compliance with environmental sustainability strategy. Employee ignorance on environmental factors. Drought (look as an opportunity) and floods. Poor project (infrastructure) planning. 	 Leadership instability (Board and Executive Level). Non-implementation of succession planning processes. Lack of approved Organogram (old organogram). Misalignment of budget on prioritisation of critical positions. Non-adherence to the Recruitment Policy and Recruitment Plan. Board/management override internal controls. Budget constraints. Non-compliance with Employment Equity Plan. 	 Leadership instability (Board and Executive Level). Non-completion of the implementation of the Training Plan. Lack of skills audit. Budget constraints. Non-adherence to the approved Training Plan by the Divisions.
Risk Title	Environmental unsustainability 2 3 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	Non- prioritisation on filling of key strategic positions 3	Inadequate skills set 2 3 3 4 4 5 5 5
Linkage to Strategic Outcomes	SO6: Enhanced environmental sustainability	SO7: A highly skilled, engaged and productive	SO7: A highly skilled, engaged and productive workforce
° Z	=	12	13

COMPLIANCE

Amatola Water Board has primary legislative and policy mandate to ensure continuous compliance with applicable legislative framework that guides its operations as documented in Amatola Water 2023/24 Corporate Plan.

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

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

ASSURANCE PROVIDERS

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

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

The advantages of assurance reports are two-fold: They enhance the validation of information and ensure verification and accuracy of the underpinning processes and controls for providing quality water and service delivery. During the 2022/23 financial year, the Board approved the Combined Assurance Framework to strengthen the coordination of efforts amongst assurance providers.

VALUE ADDITION

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

SUSTAINABILITY

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

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

INTERNAL AUDIT

The Public Finance Management Act (PFMA) and King IV Corporate Governance Code require Amatola Water to appoint Internal Auditors. Furthermore, the assurance internal audit provides assists the organisation to manage its reputation as it creates shareholder value and stakeholder appreciation of the organisation.



Internal Audit Function is currently in-house. Internal audit plays a critical role in Amatola Water's corporate governance, risk management and control processes.

The following internal audit reviews were undertaken during the year under review as per the approved Internal Audit Plan for the 2022/23 financial year:

- a) Fraud Prevention Plan.
- b) Review of 2021/22 Draft Annual Financial Statements (AFS).
- c) Review of 2021/22 Quarter 4 Performance Report.
- d) Review of 2021/22 Draft Annual Performance Report (APR).
- e) Review of Supply Chain Management (Q1 & Q2).
- f) Review of Individual Performance Management System Review.
- g) Probity Review of Bid No: AW2022_23_32: Procurement of Services for a Holistic Organisational Review, Including Change Management and Organisational Culture Rejuvenation.
- h) Follow-up on the prior-year's Internal Audit Reports.
- i) Review of Audit Intervention Plan (Follow-up on 2021/22 AGSA findings).
- i) Audit of Predetermined Objectives (AoPO)/Performance Information Review (Q1 to Q3).
- k) Investigation of Alleged Breach of Company Policy pertaining to failure to declare conflict of interest.
- Investigation of Alleged Breach of Company Policy-financial misconduct and authorised misuse of company vehicle.
- m) Investigation of an Alleged Misrepresentation of Prior Employment Credentials.
- n) Investigation of Improper Allocation of Company Housing.
- o) Investigation into alleged negligence that resulted in vandalism and theft at Ndlambe Water Supply: Upgrade of Port Alfred Brackish Water Reverse Osmosis BWRO Plant.
- p) Investigation of alleged smuggling of an application for a Senior Manager: Human Resources Position.
- g) Review of Technical Indicator Descriptors for 2022/23 Financial Year.
- r) Review of 2023/24 Technical Indicator Descriptors.
- s) Review of the 2021/22 Draft Integrated Annual Report.

GOING FORWARD

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

PERFORMANCE OF INTERNAL AUDIT

The International Professional Practices Framework (IPPF), which guides the work of internal auditors, defines internal auditing as an assurance and consulting activity which provides a value-add service to the organisation by evaluating the effectiveness of risk management, internal control and governance processes within an organisation.

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

EXTERNAL AUDIT

The external auditor for 2022/23 is the Auditor-General of South Africa.

OTHER ASSURANCE REPORTS

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

THESE AUDITS INCLUDE:

- a) The SHE compliance audit prior to the verification and achieving ISO accreditation.
- b) Blue and Green Drop compliance audits.

More details of these reports can be found on page 123 of the SHE Report.









AMATOLA WATER'S STRATEGIC INTENT

VISION: A leader in bulk water services in the Eastern Cape.

MISSION: To contribute to the Eastern Cape's socio-economic development by providing sustainable,

safe and reliable water services.

Amatola Water Values

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

Amatola Water strives to live by the following values embodied within the seeks make:

Values	Description
1. Professionalism	Amatola Water demonstrates a commitment to professionalism in all interactions and dealings with stakeholders. Giving consideration and respect for others guides our manners and that is the main determination for the entity's character.
2. Accountability	Amatola Water takes full responsibility for our actions and strives to exceed expectations. The entity aims to make the right decisions and always honour its commitments.
3. Excellence	Amatola Water uses the best knowledge, understanding, and innovative thinking. The entity seeks continuous improvement in all that it does in the pursuit of excellence.
4. Innovation	Amatola Water strives to understand the customer's needs, embrace constant change in the sector and adapt to meeting those needs through creativity and new technology.
5. Stakeholder focus	Amatola Water recognises that stakeholders have an interest in the work it does and always strives to satisfy its stakeholders. Amatola Water is committed to listening and responding positively to their needs.
6. Team orientation	Amatola Water strives to work together to be more effective. It values individual strengths and talents but celebrates collaboration. Amatola Water employees collaborate towards a common goal and in the process inspire one another.
7. Integrity	Amatola Water strives to be honest in its dealings with one another and stakeholders. It prides itself on ethical conduct, and acts with openness and respect.

Table 3.1: Amatola Water values



STRATEGIC OUTCOMES

Amatola Water recognises that stakeholders have an interest in the work it does and always strives to satisfy its stakeholders. Amatola Water is committed to listening and responding positively to their needs following for example, can deliver on its mandate efficiently and effectively.

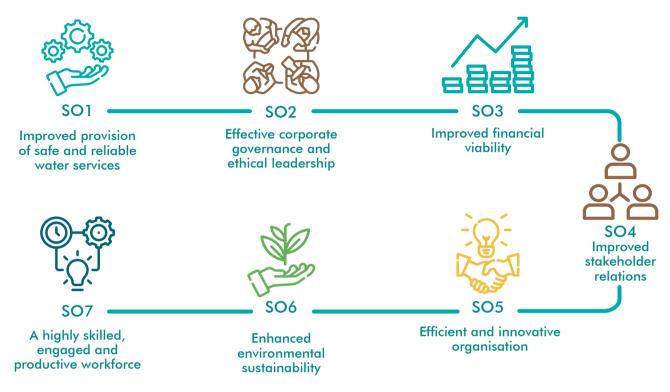


Figure 3.1:Amatola Water's Strategic Outcomes (SO)

The strategic outcomes constitute the building blocks of the roadmap to the entity's desired end state as represented by its vision and mission statement. The strategic outcomes represent the entity's strategies, actions and collective efforts.

In addition to the long-term focus on the approved strategic direction, the interim Board is convinced that to achieve these deliverables of a well-functioning water board, and more is needed.

Contribution towards achieving the National Development Plan (NDP), Medium Term Strategic Framework (MTSF), and provincial priorities

The following table shows the alignment of Amatola Water's Strategic Outcomes with the key government initiatives (Medium Term Strategic Framework, DWS Strategic Plan, and Provincial Development Plan)

Strategic outcome	MTSF	DWS outcome	PDP goals
SO1: Improved provision of safe and reliable water services	Priority 5: spatial integration, human settlements, and local government 2: Ecological infrastructure protected and restored 6: Water redistributed for transformation		Goal 2: An enabling infrastructure network Goal 5: Environmental Sustainability
governance and ethical ethical and developmental development		1: Efficient, effective and development orientated department	Goal 6: Capable democratic institutions
SO3: Improved financial viability	Priority 1: Building a capable, ethical and developmental state	1: Efficient, effective and development orientated department	Goal 6: Capable democratic institutions
SO4: Improved stakeholder relations	Priority 1: Building a capable, ethical and developmental state	Efficient, effective and development orientated department Ecological infrastructure protected and restored	Goal 6: Capable democratic institutions
SO5: Efficient and innovative organization	Priority 1: Building a capable, ethical and developmental state	2: Ecological infrastructure protected and restored 6: Water redistributed for transformation 1: Efficient, effective and development orientated department	Goal 6: Capable democratic institutions
SO6: Enhanced environmental sustainability	Priority 5: spatial integration, human settlements, and local government	2: Ecological infrastructure protected and	Goal 5: Environmental Sustainability
SO7: A highly skilled, engaged, and productive workforce	Priority 1: Building a capable, ethical and developmental state Priority 3: Education, skills and health	1: Efficient, effective and development orientated department	Goal 6: Capable democratic institutions

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



PERFORMANCE MEASURING, EVALUATION AND MONITORING

Amatola Water has created explicit monitoring criteria and targets for the following five years, which are included in the authorised Amatola Water Business Plan 2023/24-2027/28, in order to monitor and oversee the effective execution of its strategy.

The governance section of this report (pages 28 to 58) provides details on a comprehensive corporate performance management system that includes monitoring by the Board and its committees, as well as divisional and corporate reviews by management.

MATERIAL MATTERS

Defining materiality for Amatola Water

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

Material matters classification

The fundamental goal of Amatola Water is to ensure service continuity, which involves offering its clients an on-going supply of high-quality bulk water and sanitation services while upholding a positive reputation with all stakeholders.

Because of this, Amatola Water has decided that reputation and service continuity are the most important factors and the central material considerations of the entity, with all other material matters directly influencing these matters.

Material matters table

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

Material matters table

Ranking	Description of material matter	Capital impacted	Strategic risk	Stakeholder affected	AW strategic response
1	Financial viability Amatola Water has a lot of set inputs and outputs, such the price it pays to buy raw water and the possible price it charges for services rendered. Furthermore, a small number of important clients of Amatola Water are also exposed to comparable macro and microeconomic risks.	Financial capital	SR7	• Customers and client stakeholders	SO3
2	• Amatola Water is a public utility, so its performance in the local and national economies is very important to it. • The local and national economies are under pressure from factors like low GDP growth and downgrades of South Africa's sovereign credit. • The Eastern Cape's economy is growing less productively and employs fewer people than the national economy, which has an impact on Amatola Water's operations.	Financial capital	SR7	Statutory stakeholdersCommunity stakeholders	SO3
3	Access to funding In order to achieve its mission, Amatola Water maintains a sizable infrastructure footprint. In order to assure service continuity and sustainable growth, Amatola Water needs to invest a sizable amount of capital in infrastructure expansion and maintenance.	Financial capital	SR7	Statutory stakeholdersCommunity stakeholders	SO3
4	Severe weather (drought and floods) The Eastern Cape is susceptible, like most of South Africa, to water shortages brought on by insufficient rainfall.	Natural capital	SR11	Community stakeholder	SO6
5	Governance • Amatola Water's efficient and moral operation depends on its leadership. It may present the organisation with a considerable risk or opportunity. • There has been a lot of turnover in important leadership roles at Amatola Water.	Human capital	SR4, SR5 & SR6	Statutory stakeholdersCustomers and client stakeholders	SO2



Material matters table (continued)

Ranking	Description of material matter	Capital impacted	Strategic risk	Stakeholder affected	AW strategic response
6	Relationships with key stakeholders • Amatola Water's reputation has been greatly impacted by its relationships with its major stakeholders, which poses both a risk and an opportunity for the company.	Social and relationship capital	SR3 & SR6	 Statutory stakeholders Customers and clients stakeholders Community stakeholders 	SO4
7	 Infrastructure value chain Amatola Water is dependent on upstream and downstream infrastructure providers and customers for the delivery of high-quality bulk water and sanitation services. Amatola Water operates in a constrained closed market and in a narrow segment of the potable water supply chain. 	Manufacturing capital	SR1, SR2 & SR3	Community stakeholdersCustomers and client stakeholders	SO1
8	People skills and development • Ensuring successful and efficient operations requires personnel who possess the neces sary skills and qualifications.	Human capital	SR12	Customers and client stakeholders	SO7
9	Economic regulation The amount of time that passes between determining and approving water tariffs by the government determines the capability of income-generation by Amatola Water.	Financial capital	SR1	• Statutory stakeholders	SO3
10	Technology and communication • Technology plays a major role in today's business environment to ensure smooth, productive, and efficient operations.	Intellectual capital	SR9	Customers and client stakeholdersStatutory Stakeholders	SO5

Table 3.3: Amtola Water material matters

STAKEHOLDER ENGAGEMENT AND COMMUNITY SUPPORT

Stakeholder relations brings value and worth to an organisation and is important in how the organisation is perceived. Stakeholders hold an important role and influence the performance of the organisation. The organisation's survival is reliant on the involvement (contribution, acknowledgement) and input from the stakeholders. Customers/clients, partners, suppliers or employees, can all offer formidable fine distinctions of feedback and ideas in growing the organisation. They are the vertebral of the organisation, need supreme treatment in order to improve the services rendered by the organization.

Collaboration with stakeholders result to healthy and enhanced service delivery, strengthen relationships and good communication in the operations of the organisation. A stakeholder's influence is strongest at the commencing stages of the business and weakens as the business proceeds and meetings are then less prioritised as people get used to the content. The keyword when it comes to stakeholders is "engagement" organisations should always work towards the best engagement of stakeholders.

Influencing stakeholders takes an effort as there are large numbers of stakeholders with different levels of involvement, requirements, interests and powers to influence a project. This is why stakeholders are categorized for the benefit of the organization.

Amatola Water uses surveys to increase its understanding, knowledge, attitudes, perceptions, interests and experiences of both internal and external stakeholders. These surveys are of importance in assisting the organisation to identify and understand the needs of the clients.

Stakeholder engagement with all the Water Service Authority (WSA's) was conducted to get to understand their needs in terms of water services. This assisted Amatola Water to identify business potential. This was conducted with consideration of the stakeholder matrix ensuring that all stakeholders are involved accordingly for effective benefit of both stakeholder and the institution.

Customers or clients are defined as stakeholders who make it possible for Amatola Water to deliver on its legislated mandate. There are a few customers serviced by Amatola Water under its legislated mandate, i.e. Amathole District Municipality, Buffalo City Metropolitan Municipality, Ndlambe Local Municipality and Department of Education.

Community stakeholders are defined as stakeholders with a direct and an indirect interest in the operations of Amatola Water. Amatola Water engages with Traditional Leadership, non-governmental organisations, schools of higher learning, Media etc. In other instances the relationship is forged for skills development and also to learn in order to capacitate the level of service delivery of the organisation. Buffalo City College is one of the institutions of higher learning engaged in terms of capacity building.

Statutory stakeholders are the legislated stakeholders of the institution that directly and indirectly affect Amatola Water's operations. Employees, suppliers and investors are stakeholders who provide the input required for Amatola Water to deliver on its mandate. The institution has developed the stakeholder policy for a better level of engagement and to heighten stakeholder engagement and participation in the institution.



Amatola Water believes that through an effective stakeholder engagement process, it can achieve the following:

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

AMATOLA WATER STAKEHOLDER MANAGEMENT MATRIX

COMMUNITY STAKEHOLDERS

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

Community Stakeholder	Stakeholder Interests	AW Interests	Level/Responsible Person
Special interest groups	Good governance and performance of Amatola Water Network and research		Executive Managers
Civil society	Good governance and performance of Amatola Water	Network and influence	Office of the CE
Media	Good governance and performance of Amatola Water	Communication platform; Influence transparency/ openness	AW Board Chairperson and Office of the CE
Business formations (formal and informal)	Strategy, risk, good governance and performance of Amatola Water	Networks, support and influence	Office of the CE
Traditional leadership	Strategy and performance of Amatola Water	Networks, support and influence	CE's office
Educational and research institutions	Strategy and research	Research	Manco
Water sector associations	Strategy, performance and governance	Strategic alliance	AW Board Chairperson and CE

Table 3.4: Community stakeholders

CUSTOMER AND CLIENT STAKEHOLDERS

Amatola Water values are developed in consideration of stakeholders and with the understanding that for the organization to grow it depends on the prioritization and acknowledgment of stakeholders. At the same time, employees and organised labour provide clients with labour resulting in concomitant benefits.

Community Stakeholder	Stakeholder Interests	AW Interests	Level/Responsible Person
Employees	Risk, good governance, and performance of AW Risk, good governance, and the organisation. Sustainability and viability of the institution		Manco and Board
SAMWU	Strategy, risk, good governance, and performance of AW	Sound relations with organised labour. Conditions of employees.	AW Board Chairperson, CE, and Executive Manager: Corporate Services
Organised labour	Strategy, risk, good governance, and performance of AW	Buy-in and support with regards employment conditions.	Manco, Board and Minister
Internal and external audit	Risk, good governance, and performance of AW	Support, influence, and compliance.	Manco and Board
Suppliers and service providers			Manco
Investors (development finance institutions and private banks)	Risk, good governance, and performance of AW	Funding and investment opportunities	Manco

Table 3.5: Customer and client stakeholders



STATUTORY STAKEHOLDERS

Statutory stakeholders are mostly regulatory bodies of the institution and perform oversight roles to Amatola Water. They are beneficial to the growth and expansion of the organisation. Their focus is fulfilment and compliance of statutory requirements aligning them with government's objectives. Statutory stakeholders oversee governance, compliance, strategy, performance and risk. Legislated stakeholders with direct and indirect influence on operations are part of the matrix.

Community Stakeholder	Stakeholder Interests	AW Interests	Level/Responsible Person
Executive Authority (Minister)	Strategy, risk, good governance and performance of AW	Strategic direction and support	AW Board Chairperson
Parliamentary Portfolio Committee of Water and Sanitation	Strategy, risk, good governance and performance of AW	Strategic direction and support	AW Board Chairperson
Department of Water and Sanitation	Strategy, risk, good governance and performance of AW	Strategic direction and support	AW Board Chairperson, CEO and Manco
National Treasury	Strategy, risk, good governance and performance of AW	Strategic direction and support	CEO and CFO
Political leaders in provincial and local government (premier, members of the executive committee, executive mayors and members of mayoral committees)	Strategy, risk, good governance and performance of AW	Collaboration	AW Board Chairperson
Provincial and local government administration (directors-general, heads of department and other senior officials)	Strategy, good governance and performance of AW	Collaboration	CE and Manco
Local government (municipal mayors and other senior officials)	Strategy, risk, good governance and performance of AW	Long-term commitment, collaboration and loyalty	CE and Manco
South African Local Government Association	Strategy, risk, good governance and performance of AW	Collaboration	Manco

Table 3.6: Statutory stakeholders

COMMUNITY OUTREACH AND CORPORATE SOCIAL INVESTMENT

Amatola Water believes in educating communities about its business, particularly as it exists in the communities and needs active participation from the communities. The dissemination of information and empowering communities with knowledge is an investment because communities understand the value that is brought by business to their community and also to the people who benefit from it at large.

Amatola Water conducted a career exhibition at Mxumbu, which is a rural area where Debe Dam is situated. Amatola Water invited academic institutions and all the divisions available in Amatola Water. This exhibition meant to inform the learners and the public about the careers available in Amatola Water. They were also taken through the process of purifying water. The community was also invited and they were taken through the process.

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

The organisation showcased careers available in Amatola Water at Alfred Nzo District Municipality as a way of getting learners to see and understand careers in the water sector. This exhibition was also made to schools that attended the Career Exhibition. Water awareness was made to all the schools that attended the career exhibition. The emphasis on the scarcity of water is always prioritised in every engagement.





SCHOOL TOUR PROGRAMME

Institutions of Higher Learning, Rhodes University, Walter Sisulu University and Philani Sanitation Solution Water Academy visited Amatola Water to learn new water technology and establish areas of collaboration. Amatola Water hosted and guided tours for various groups such as the media, tertiary institutions, secondary and primary school tours at the Albany Coast Reverse Osmosis, Ngqushwa and Nahoon Water Treatment Works. Visitors were taken through water production processes at the treatment works. These tours aim to encourage learners to see career opportunities in water science and improve awareness of water conservation. The tours of this nature are an eye opener and also assisted students in water conservation competitions and gave understanding to what they learn in class with practical experience.



AMATOLA WATER'S WATER CONSERVATION AND DEMAND CAMPAIGNS

Drought continues to challenge the Eastern Cape Province and water supply is severely dwindling. It was declared a disaster area due to drought and there is no improvement as sources continue to run dry. This is a matter of concern as finances are availed for the drought intervention and no improvement. There are towns that cannot grow due to drought.

A war room was established for quicker decision-making and it is where most discussions took place to establish assistance needed in most municipalities. Various water awareness campaigns were conducted throughout the province.

SCHOOLS AND ACADEMIC INSTITUTION VISITS

Amatola Water's water conservation awareness campaign is mainly through schools. Water-saving tips using book-marks, school stationery and water bottles were distributed to the schools together with flyers and any other information on water saving in communities. As schools move to digital, in time bookmarks will become irrelevant. Amatola Water aims to move with technology trends and develop digital flyers. The organisation has moved to the digital media and is advertising on Facebook and other social media.

Visits were conducted to create community awareness around drinking water, sanitation practices and to reduce and prevent the high probability of water-borne diseases. A healthy environment will indirectly reduce absenteeism or disruption of learning activities at schools.



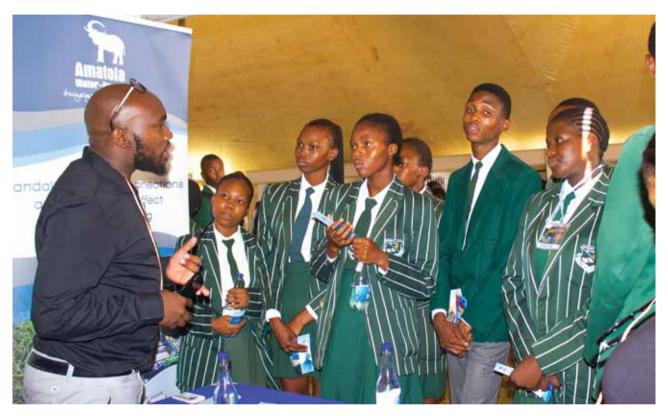






CAREER EXHIBITIONS

Amatola Water collaborated with Alfred Nzo District Municipality in conducting a career exhibition in the financial year under review and also conducted a career exhibition at Mxumbu rural area which is the area next to Debe Dam, which is our Dam. The goal in career exhibitions is to assist learners with career choices and encourage them to choose water sector careers. Amatola Water demonstrated how to purify water and how potable water is produced at water treatment works upon encouraging learners towards water sector careers. The institution also brought in young scientists to enhance their interest in the field and help them to understand the practice.







MINISTER OF WATER AND SANITATION VISIT IN MAKANA LOCAL MUNICIPALITY

The James Kleynhans Bulk Water Scheme project in the Makana Local Municipality was visited by the Minister of Water and Sanitation. The Minister of Water and Sanitation was hosted by Amatola Water, the project implementing agent during the visit. The Minister visited the bulk water system with the intention of monitoring Amatola Water's project implementation progress, particularly with regard to the intervention in Makana Local Municipality.









Amatola Water will continue to collaborate with other stakeholders for events to heighten water awareness on water conservation and Demand management. This will include the signature events of the Province like the SALGA conference, SABC Golf event, SOPA and others. Career exhibitions, in partnership with the Department of Education, remain a priority as Amatola Water believes in educating Learners about water saving tips and encouraging them towards water sector careers.







STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

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

In his opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the shareholder compact, annual performance plan and corporate scorecard of Amatola Water for the financial year ended 30 June 2023.

Amatola Water's performance information for the year ended 30 June 2023 has been examined by the external auditors and the report is set out on pages 159 to 170, as approved by the Executive Authority.

Ms. P Yako

Interim Board Chairperson
Date: 25th November 2023

Mr. S Koyo

Acting Chief Executive Date: 25th November 2023

INTRODUCTION

The Annual Performance Plan and Shareholder compact documents for 2022/23 financial year including the five-year Business Plan remain the source documents for the compilation of the annual report on performance information of Amatola Water. For the year under review, this comprised of four Perspectives and seven (7) Strategic Outcomes.

These result indicators include all statutory indicators specifically targeted by the Executive Authority and approved through the SHC. Collectively, the scorecard enables the organisation to achieve its Seven (7) Strategic Outcomes and ultimately its Mission/Mandate to excel in contributing to the socio-economic development by providing bulk water services in the Eastern Cape Province in an ethical and sustainable manner.

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

The reports are then submitted to the Audit and Risk Committee and further transmitted to the Board for approval. All four quarterly reports were thereafter submitted to the Shareholder (DWS). The annual report on performance information reflects all the performance indicators and targets as depicted in the annual performance plan for 2022/23 financial year.

The Annual Performance Plan contained forty seven (47) performance targets against which Amatola Water had to perform for the year under review. The Shareholder Compact contained thirty (30) targets as approved by the shareholder.

PERFORMANCE OVERVIEW

For the period 1 July 2022 to 30 June 2023, the planned initiatives were implemented and progress assessed by the entity. Performance against the predetermined targets is illustrated graphically in Figures 4.1 and 4.2.

The overall audited performance of the Shareholder Compact (SHC) has improved to 57% in 2022/23 when compared to 50% achievement in 2022/23. This is an increase of 7% improvement in performance comparatively from 2021/22 to 2022/23 financial years.

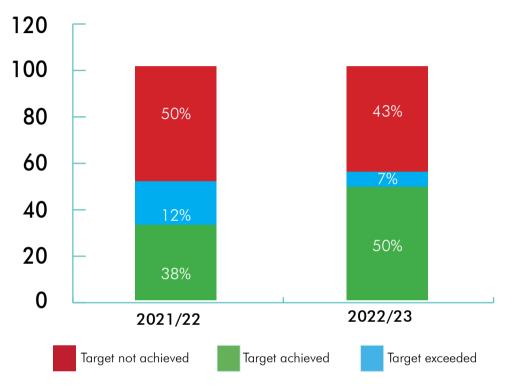


Figure 4.1: Shareholders Compact (SHC) Performance Plan (2021/22 & 2022/23)



The audited performance results of the Annual Performance Plan (Annual Scorecard) at the end of the 2022/23 reflected an outcome of 59% against the predetermined targets. In comparison with 2021/22 actual achievement of 49%, the overall corporate performance of the entity has improved by 10%.

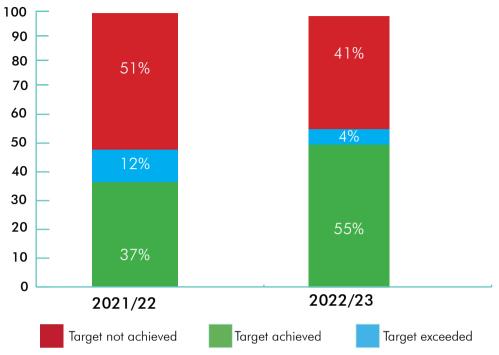


Figure 4.2: Annual Performance Plan Report (2021/22 & 2022/23)

The achievements in the following Key Performance Indicators (KPI's) have been exceeded against the predetermined annual targets during 2022/23. This is indicative of a resilient organisation despite the challenges and risks faced during the year under review:

Output Indicator Reference Number	Output Indicators	Annual Result 2021/22	Annual Target 2022/23	Annual Result 2022/23
4.1.17	Percentage of risk management actions implemented	New	80%	92%
1.1.10	Percentage variance on operating expenditure	10.49%	0,00%	2.41%
3.3.4	Number of community/school initiatives undertaken	44	16	38

Table 4.1: Performance Targets Exceeded in 2022/23

- 4.1.17 Percentage of risk management actions implemented: The target has been exceeded. This is due to
 the appointment of a Manager: Risk and Compliance in Q2 which led to improvement on monitoring of risk
 management activities, as well as the enormous support and dedication from the Management of AW on
 implementation of risk management strategies.
- 1.1.10 Percentage variance on operating expenditure: The target has been exceeded. This is due to implementation of cash flow management initiatives (Cost Containment Measures) during the 2022/23 FY.
- 3.3.4 Number of community/schools initiatives undertaken: The target has been exceeded due to an increase in demand for school visits as part of the education on water saving in schools and communities and to support the implementation of the water restrictions imposed by DWS.

OVERVIEW OF PERFORMANCE ON STRATEGIC OUTCOMES

The strategic outcomes constitute the building blocks of the roadmap to the entity's desired end state as represented by its vision and mission statement. The strategic outcomes underpins the entity's strategies, actions and collective efforts. The following table and graph is a summary of the performance on strategic outcomes at the end of the

2022/23 financial year.

Strategic Outcome No.	Description of the Strategic Outcome	Target Achieved	Targets Exceeded	Target not Achieved	Total
SO1	Improve the provision of safe and reliable water services	6	0	5	11
SO2	Effective corporate governance and ethical leadership	7	1	1	9
SO3	Improved financial viability	3	1	11	15
SO4	Improved stakeholder relations	2	0	0	2
SO5	Efficient and innovative organisation	4	0	1	5
SO6	Enhanced environmental sustainability	0	0	1	1
SO7	A highly-skilled, engaged and productive workforce	4	0	0	4
		26	2	19	47

Table 4.2: Overview of performance on Strategic Outcomes

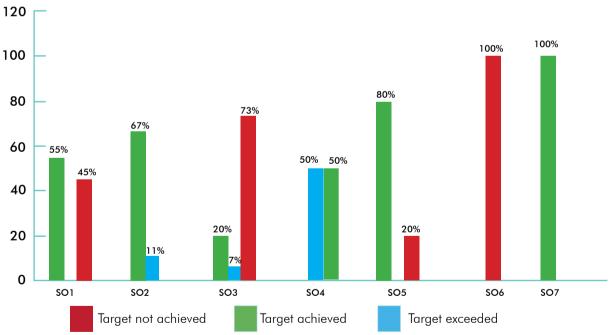


Figure 4.3: Performance on Strategic Outcomes 2022/23 financial year



THE AREAS OF UNDERPERFORMANCE WERE CAUSED BY THE FOLLOWING:

- Ongoing load shedding which has a negative impact on the assurance of water supply during the reporting period (pumping capacity and pipe breaks).
- Ongoing theft and vandalisation of Infrastructure.
- Aging infrastructure has resulted to an inability for AW to meet the demand.
- Percentage of total water losses on production and distribution due to more frequent stop/start of systems
 experience due to Eskom load shedding which contributes to continuous pipe breaks on the schemes system
 resulting in higher water losses.
- Delayed completion of projects in the 2022/23 financial year.
- The underperformance on Debtors are the results of outstanding debt amount R305m (R260m over 120 days) owed by Amathole District Municipality (ADM).

The performance against the predetermined targets in the Shareholder Compact is summarised in the following tables:

ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS

Performance objective	Outcome/ Impact	Key performance indicator	Actual audited performance outcome 2021/22	Annual target 2022/23	Annual result 2022/23	Variance (explanation)
Bulk potable water quality compliance	Water quality standards met	Number of AW plants achieving "GOOD& EXCELLENT "quality SANS 241:2015 Edition 2 in Table 4	4	7	8	+1
Manage avoidable water losses	Reduced avoidable water losses in treatment and distribution systems	Percentage of total water losses on production and distribution	17.5%	14%	15%	-1% (a)
Reliability of supply	No unplanned interruptions to bulk supply exceeding 24 hours	Percentage assurance of potable water supply	97,89%	98%	95.84%	-2.16% (b)
Reliability of supply	No unplanned interruptions to bulk supply exceeding 24 hours	Percentage assurance of raw water supply	60,1%	98%	61%	+37%

Performance objective	Outcome/ Impact	Key performance indicator	Actual audited performance outcome 2021/22	Annual target 2022/23	Annual result 2022/23	Variance (explanation)
Increased access to Services	Contribution to national objectives of extending services	Percentage of actual capex budget spend on expansion related projects (initiatives by the Minister)	155%	80%	99.60%	+19.60%
Financial reporting compliance	Unqualified audit report	External audit outcome	Qualified	Unqualified	Unqualified	Unqualified

Table 4.3: Organisational efficiency and effectiveness

REASONS FOR NOT ACHIEVING TARGETS AND CORRECTIVE ACTION

a) Percentage of total water losses on production and distribution:

The target has not been achieved due to frequent stop or start of systems experienced due to Eskom load shedding which contributes to continuous pipe breaks on the schemes systems during the 2022/23 financial year resulting in higher water losses exceeding the predetermined target.

Equipment failure and a number of breakdowns are occurring simultaneously and the delayed response time exacerbates water losses on ageing infrastructure.

Remedial action: Amatola Water is currently exploring affordable alternative energy solutions which is anticipated to be implemented in the 2023/24 financial year.

There is a pipeline replacement programme to replace some of the critical pipelines (sections where leaks occur mostly). Amatola Water's internal operation and maintenance team is implementing those identified areas such as Tsholomnqa and Mxumbu. This will continue during the 2023/24 financial year.

b) Percentage assurance of potable water supply:

The target has not been Achieved: The load shedding has had a negative impact on the assurance of water supply during the 2022/23 Financial Year (pumping capacity and pipe breaks). Ongoing theft and vandalisation of Infrastructure still remains a risk.

Remedial action: Amatola Water is currently exploring affordable alternative energy solution. Amatola Water is currently procuring armed response and fitting camera's on the highly vandalised areas (Bisho, Da Gama, Ndlambe and Diaz) while exploring broader alternative security solutions.



FINANCIAL PERFORMANCE

Performance objective	Outcome/ Impact	Key performance indicator	Actual audited performance outcome 2021/22	Annual target 2022/23	Annual result 2022/23	Variance (explanation)
Improve key financial	Improved viability	Current ratio	1.336	1,37	1.052	-0.318 (c)
ratios	and sustainability	Gross profit margin (primary activity)	2.74%	34,19%	-1.81%	-32.38% (d)
		Gross profit margin (secondary activity)	2.43%	34,12%	15.89%	-18.23% (e)
		Net profit margin (primary activity)	-32.93%	1,89%	-48.57%	-46.68% (f)
		Net profit margin (secondary activity)	-232.92%	-10,25%	-17.94%	-7.69% (g)
		Debt equity	0.00%	0,00%	0.00%	0.00%
		Return on Assets	-11.33%	-2,54%	-13.09%	-10.55% (h)
		Debtors' days	184.80 days	98.19 days	187.96 days	-3.16 days (i)
		Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	1.09%	1,56%	1.06%	-0.5% (j)
		Percentage of staff remuneration to total operating expenditure	33.39%	33,00%	35.60%	-2.6% (k)
Increase BBBEE expenditure in relation to operational projects	Spend increased and increased new entrants awarded contracts in the financial year	Actual B-BBEE spend as a % of total discretionary expenditure	115%	100%	100%	0%
Manage costs within the approved budget	Actual expenditure compared with budgeted expenditure for the quarter	Percentage variance on operating expenditure	10.49%	0,00%	0.02%	+0.02%
Capital Expenditure Programme	Infrastructure available to meet demands	R-value overall project expenditure	R628Mil	N/A	N/A	N/A
Capital expenditure programme	Infrastructure available to meet demands	Percentage of capex projects within target completion dates against planned number	41%	80%	56.3%	-23.7% (I)
Engagement in secondary activities.	Growth in turnover from secondary (other activities)	Percentage of secondary business of total turnover	7.00%	N/A	N/A	N/A

Table 4.4: Financial Performance

REASONS FOR NOT ACHIEVING TARGETS AND CORRECTIVE ACTION

c) Current ratio:

The target has not been achieved: The underperformance are the results of Cash and Cash Equivalents of planned cash receipts from Amathole District Municipality which were not received.



Remedial action: Department of Water and Sanitation are piloting the Institutional Credit Control and Revenue Management Framework (ICCRMF) in 2023/24. There are also engagements that are underway with the ADM both at Management Level and Board Committee level.

d) Gross profit margin (primary activity):

The target has not been Achieved: The load shedding has had a negative impact on the assurance of water supply during the 2022/23 financial year. (pumping capacity and pipe breaks).

Ongoing theft and vandalisation of Infrastructure still remains a risk.

Delayed project completion in the 2022/23 financial year.

Low Revenue Base.

Remedial action: AW is currently exploring affordable alternative energy solution.

Amatola Water is currently procuring armed response and fitting camera's on the highly vandalised areas (Bisho, Da Gama, Ndlambe and Diaz) while exploring broader alternative security solutions.

Increase project management capacity through ongoing training and development and skills transfer.

Amatola Water to explore new business opportunities.

e) Gross profit margin (secondary activity):

The target has not been achieved:

AW pipelines: Overall 92%

(1) Three (3) Pipe bridges achieved 63% (19% Vs 30%).

Contractor commenced on the 24th April 2023.

(2) Mount Coke to Ncohotyeni achieved 100%

(3) Nahoon Rising Main to Cyril Lords reservoir achieved 100%

AW Upgrades: Overall 26%

Debe Phase 2C – Issues with leaking pumps, burmad valve failures and reservoir inlet that needs to be increased from 80mm to 200mm to resolve the low flow challenge.

Binfield – The M&E contractor had a contractual dispute with AW which caused a further delays in the completion of the project. The dispute was only resolved in Q4.

The Civil contractor has achieved practical completion in Q4 with minor snags beginning finalised.

Sandile – There was a major delay in the BAC to award which was resolved in June 2023.

Coffee Bay: Overall 45%

The contractor achieved 45% (30%vs 66%) during Q4

Drought: Overall 34.77%

The confirmation of additional budget was only received in January 2023. AW submitted additional documentation requested by DWS (e.g. addendum to agreement, commitment report with cash flows) during Q3

James Kleynhans: Overall 96%

Contract started late due to late issuing of Construction Work Permit, construction commenced beginning February 2023 instead of January 2023 which caused a delay in the project milestones (10ml/day) being realized at the 30th June 2023.

KSD: Overall 22%



- 1) Termination of Highbury Phase 2 contract due to poor performance and failure to provide contractually required documentation and insurances.
- 2) Delays in procurement of replacement contractors.
- 3) Delayed completion on 3 running contracts (Fort Gale P/Stn, Lalini Gravity Main & Lalini P/Stn).

Kirkwood: 100%

Overall 100% of the procurement process has been concluded only in Q4 due to a delayed confirmation of the budget.

The contractor was appointed on the 12th May 2023 (Q4).

Misgund: Overall 88%

88% target has been achieved for the 2022/23 financial year as per the project implementation plan.

Paterson: Overall 7%

Contractor is progressing slowly due to poor performance and financial constraints. The contractor is currently in breach of contract and has been place on terms notifying them of a intention to terminate.

Sterkspruit: Overall 100%

The project is practically completed, and the contractor has been issued with a snag list items for achieving completion.

Water tankers: Overall 55%

As at end of March 2023,55% progress was achieved. DWS took a decision to withdraw the budget that was not committed as at the end of March 2023. As at end of Q4 no further funding was allocated by DWS.

Zalu Dam: Overall 10%

There was a delay in the finalization of the agreement between AW and DWS which was finalised in Q4. The award letter was issued on the 25th May 2023 and AW is finalising contracting.

Remedial action:

AW pipelines: The Contractor must accelerate the works to be in programme for completion on the 30th October 2023 on the Three (3) pipe bridges Project.

AW Upgrades:

Debe Phase 2C: AW Operations construction team will be on site in July 2023 to upgrade reservoir inlet. Procurement of material, labour and equipment has been finalised. Furthermore, the procurement of materials of pump seals and burmad valve is still underway.

Binfield: The M&E Contractor will report back to site on the 24th July 2023 to complete all outstanding work by September 2023.

Sandile: The contractor has been awarded in Q4 and construction will commence in Q1 of the 2023/24 financial year.

Coffee Bay: The contractor is currently on terms to accelerate the progress of the work toward achieving the completion date of October 2023

Drought: The remaining commitments is in the progress and anticipated to be completed in Q1 of 2023/24.

James Kleynhans: Construction work are being performed concurrently in order to achieve the additional 10Ml/day by 30th August 2023 and reach completion of the project by 15th December 2023.

KSD: (1-2) Finalization of procurement of replacement contractors concluded in Q4. Appointment letters to be done in Q1 of 2023/24

3) Fort Gale P/Stn is scheduled for completion on the 15th August 2023, Lalini Gravity Main & Lalini P/Stn are scheduled for completion on the 30th August 2023.



Kirkwood: The contractor commenced on site on the 7th July 2023.

Paterson: AW is proposing termination of the current contractor and procuring a contractor to complete the remaining scope of work during the 2023/24 financial year.

Water tankers:

During Q4 AW finalised the outstanding activities that was committed for end March 2023

Zalu Dam:

During Q4 the procurement process and the appointment of the PSP has been concluded.

(a) Net profit margin (primary activity):

Refer to Gross profit margin (primary activity) for reason for variance

Remedial action: Refer to Gross profit margin (primary activity) for reason for remedial action.

(b) Net profit margin (secondary activity):

Refer to Gross profit margin (secondary activity) for reason for variance

Remedial action: Refer to Gross profit margin (secondary activity) for reason for remedial action.

(c) Return on assets:

Target has not been achieved: This under performance is due to the entity deficit result before financing income of R130m.

Remedial action: The Chief Financial Officer (CFO) continues to monitor the financial performance to ensure that the deficit is reduced.

A Financial recovery plan will also be developed and implemented during the 2023/24 financial year.

(d) Debtors' days:

The target has not been achieved: The underperformance on Debtors are the results of outstanding debt amount R305m (R260m over 120 days) owed by Amathole District Municipality.

Remedial action: Department of Water and Sanitation are piloting the Institutional Credit Control and Revenue Management Framework (ICCRMF) in 2023/24. There are also engagements that are underway with the ADM both at Management Level and Board Committee level.

(e) Repairs and maintenance as % of PPE and Investment Property (Carrying Value):

The target has not been achieved: The under- performance are the results of the planned and unplanned maintenance which did not materialise due to expenditure being committed and not yet paid as at 30 June 2023.

Remedial action: The 2023/24 budget has been prepared in line with this ratio.

The finance division continues to closely monitor the implementation of the maintenance projects to ensure that the spending is line with the budgeted expenditure.

(f) Percentage of staff remuneration to total operating expenditure:

Target has not been achieved: The under -performance is the result of low total operating expenditure in relation to staff remuneration. This is due to the organisation not meeting its revenue target.

Remedial action: Management to develop and implement a financial recovery plan and Business Development Plan in the 2023/24 financial year

(g) Percentage of capex projects within target completion dates against planned number:

Refer to Gross profit margin (secondary activity) for reason for variance

Remedial action: Refer to Gross profit margin (secondary activity) for reason for remedial action.



CUSTOMER AND STAKEHOLDER INTERACTION

Performance objective	Outcome/ Impact	Key performance indicator	Actual audited performance outcome 2021/22	Annual target 2022/23	Annual result 2022/23	Variance (explanation)
Bulk supply agreements concluded with municipalities/ other customers	Statutory and service level agreements in place	Total number of signed contract with municipalities / other customers(bulk supply agreements) in place during the period of review.	3	N/A	N/A	N/A
		Percentage of WSAs in the province contracted as customers	N/A	30%	36%	+6%
Implementation of Ministerial directives	New Ministerial directives issued are implemented on time	Percentage progress against Ministerial Directives implementation plan	99%	80%	100%	+20%
Support rural development	Total number of identified rural municipalities supported	Number of signed contracts/ MOUs in place with rural Municipalities for the provision of support i.r.o. rural development initiatives	5	N/A	N/A	N/A
Achieve statutory reporting compliance	All statutory reports submitted on time	Percentage compliance with planning and reporting timeframes	100%	100%	100%	+0%

Table 4.5: Customer and Stakeholder Interaction

ORGANISATIONAL CAPACITY

Performance objective	Outcome/ Impact	Key performance indicator	Actual audited performance outcome 2021/22	Annual target 2022/23	Annual result 2022/23	Variance (explanation)
Staff levels	Optimal staff retention	Percentage of staff turnover	0.30%	N/A	N/A	N/A
		Percentage implementation of an HR Plan	New	90%	98%	+8%
Training and skills	Skills and capacity	Number of learnerships	14	N/A	N/A	N/A
development	development building	Number of bursaries employees	22	N/A	N/A	N/A
		Number of graduate programmes	8	N/A	N/A	N/A
		Percentage implementation of the training and skills development programme /plan	61%	80%	83%	+3%
Jobs created	Permanent and contract	Number of permanent jobs created	333	N/A	N/A	N/A
		Number of temporary jobs created	411	N/A	N/A	N/A

Table 4.6: Organisational Capacity



GENERAL PERFORMANCE

Performance objective	Outcome/ Impact	Key performance indicator	Actual audited performance outcome 2021/22	Annual target 2022/23	Annual result 2022/23	Variance (explanation)
Board effectiveness	Improved performance of fiduciary duties/	Percentage of Board member attendance of all Board/ committee meetings	90.46%	N/A	N/A	N/A
	governance	Percentage compliance with all board and committee charter(s) provisions	New	80%	93%	+13%
		Percentage of Board and Committees' resolutions implemented	New	80%	0%	-80% (m)
		Percentage of compliance with applicable legislations	New	80%	81%	+1%
		Percentage of policies reviewed within applicable timelines	New	90%	98.40%	+8.4%
Effective internal controls and risk	Internal audit findings dealt with	Number of repeats internal audit findings	6	N/A	N/A	N/A
manage-ment		Number of unresolved internal audit findings	15	N/A	N/A	N/A
Good governance Improved controls	Number of breaches of materiality and significance framework	11	N/A	N/A	N/A	
		Percentage of risk management actions implemented	New	80%	92%	+12%
and risk mitigation	Good corporate citizenship	Number of community/ school initiatives undertaken	44	16	38	+22%

Table 4.7: General Performance

m) Percentage of Board and Committees' resolutions implemented:

The target has not been achieved:

During the period under review it was noted that from the Board and Board Committees Resolutions Registers:

- 1. The Resolution Register for the Board ends with the meeting of 03 February 2023.
- 2. The Resolution Register for the ARC ends with the meeting of 16 February 2023.
- 3. The Resolution Register for the SBDC ends with the meeting of 13 May 2022.
- 4. The Resolution Register for the FINCO ends with the meeting of 15 February 2023.
- 5. The Resolution Register for the HRRC ends with the meeting of 23 March 2023.

Therefore, the reported achievement of 90.74% could not be determined accurate, as the Resolution Registers are incomplete. The Entity is currently faced with a backlog of Board and Board Committee resolutions.

Remedial action: Amatola Water is in the process of sourcing external support to prioritise the catch up of all Board and Board Committees Minutes and Resolutions which is anticipated to finalised by the 8th of September 2023.





INTRODUCTION

Leadership and employee development are optimised at Amatola Water through continuous learning and development, the recruitment and retention of competent and skilled employees who are motivated, adaptable, and adhere to safe working practices, and institutional knowledge retention and sharing.

Amatola Water provides opportunities for professional development and leadership as key contributors to good governance in the strategic and ethical delivery of its mandate to the communities it serves.

Leadership and employee development are aligned with the following legislation framework:

- a) Skills Development Act, 1998 (Act No. 97 of 1998);
- b) Skills Development Levies Act, 1999 (Act No. 9 of 1999);
- c) Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997);
- d) Labour Relations Act, 1995 (Act No. 66 of 1995);
- e) Employment Equity Act, 1998 (Act No. 55 of 1998); and
- f) National Skills Development Plan (2030).

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

a) Human capital issues

Recruitment and selection, occupational health, employee benefits, employee wellness, learning and leadership development, labour relations, organisational development, and performance management.

b) Socio-economic development

The focus area is informed by the transformation legislative and policy frameworks. For example, during recruitment, the focus is on previously disadvantaged groups by prioritising appointment of black women, youth, and people living with disabilities. Internships and learnership programmes target youth from disadvantaged communities.

LABOUR PRACTICES AND DECENT WORK

Amatola Water embraces the principle that the organisational goals and human resource needs are aligned and interdependent.

The entity's human resources policies, therefore, seek to ensure a highly competent, skilled, ethical, motivated, and engaged workforce for implementing Amatola Water's strategy.

The Human Resource Unit reviews and develops its policies in line with the Policy Register to ensure alignment with the latest legislative developments and prevailing organisational challenges.

Amatola Water seeks to maintain a workforce that enables quality service delivery to all its stakeholders.

The entity's 2022/23 workforce profile includes 298 permanent employees and 89 fixed-term contract employees, totalling 387.



The following workforce profile below reflects permanent employees, per occupational levels:

SALARY BAND / OCCUPATION LEVELS	NEW APPOINTMENTS	TERMINATIONS	EMPLOYEES AT THE END PERIOD
Top Management/Executives	1		5
Senior Management	2	1	9
Professionals and Mid- Management	4	5	16
Skilled technical workers and Junior Management	7	1	104
Semi-skilled	1	3	113
Unskilled	10	3	51
TOTAL	25	13	298

Table 5.1: Workplace profile as at 30 June 2023

The workforce profile below reflects fixed-term employees, per occupational levels:

SALARY BAND / OCCUPATION LEVELS	NEW APPOINTMENTS	TERMINATIONS	FTC AT THE END PERIOD
Top Management/Executives	1	1	0
Senior Management	1	0	1
Professionals and Mid- Management	0	0	2
Skilled technical workers and Junior Management	5	2	12
Semi-skilled	22	6	24
Unskilled	28	2	50
TOTAL	57	11	89

Table 5.2: Fixed-term contract workplace profile as at 30 June 2023

LABOUR TURNOVER: PERMANENT EMPLOYEES

During the period under review, the total number of terminations amounted to 13 of which 10 employees left Amatola Water for reasons other than dismissal.

Only resignations are used to calculate the staff turnover (2%), that is, six resignations by employees (298).

CATEGORY	NUMBER	% OF TOTAL TERMINATIONS
Death	1	7.7%
Resignation	6	46.1%
Dismissal	3	23.1%
Retirement	2	15.4%
III-health	1	7.7%
Other	0	
TOTAL	13	100%

Table 5.3: Permanent staff terminations for the period ending 30 June 2023

FIXED-TERM CONTRACTING TERMINATIONS

During the period under review, the number of terminations for the fixed-term contract employees totalled 11. There is no corporate scorecard indicator for the fixed-term contract category.

CATEGORY	NUMBER	% OF TOTAL TERMINATIONS
Death	0	0
Resignation	2	18.2%
Dismissal	0	0
Retirement	0	0
III-health	0	0
Other	9	81.8%
TOTAL	11	100%

Table 5.4: Fixed-term staff terminations for the period ending 30 June 2023

The table below reflects the number of funded and approved critical vacancies for permanent and fixed-term contractors against the interim organogram. Not all vacancies were deemed critical and approval was granted to continue with the funded critical vacancies.

APPROVED POSTS 2020/2021 (PER DIVISION)	DIVISION (PER INTERIM STRUCTURE)	EMPLOYMENT AT END OF PERIOD	FUNDED VACANCIES APPROVED	% VACANCIES
CE Office	16	16	5	31%
Corporate Services	36	50	9	18%
Planning and Development	40	30	4	13%
Finance	40	38	4	11%
Operations	246	253	17	67%
TOTAL	378	387	39	10%

Table 5.5: Staff vacancies as at 30 June 2023

EMPLOYMENT EQUITY

The organisation adheres to the principles embodied in the Employment Equity Act. Employment Equity Committee representatives are in place and play an active role in recruitment, considering the regional population demographics benchmark, as well as fairness in the workplace.

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



The table below provides the Employment Equity statistics as at June 2023.

Occupational		MALE			FEMALE				
Level		African	Coloured	Indians	Whites	African	Coloured	Indians	Whites
Ton Management	Target	1	0	0	1	1	1	0	1
Top Management	Actual	4	0	0	0	1	0	0	0
S	Target	6	0	0	3	1	0	0	1
Senior Management	Actual	5	0	0	2	2	0	0	0
Professional qualification Target Actual	Target	5	0	2	3	3	1	0	1
	Actual	5	0	1	3	5	0	0	2
Skilled technical	Target	50	7	0	7	36	6	0	0
Skilled lechnical	Actual	47	6	0	6	40	5	0	0
Semi-skilled	Target	79	6	0	1	30	4	0	2
Semi-skilled	Actual	76	5	0	1	28	3	0	1
Unskilled	Target	43	0	0	0	11	0	0	0
Unskilled	Actual	39	0	0	0	12	0	0	0
ACTUAL TOTALS		176	11	1	12	88	8	0	3

Table 5.6: Employment equity statistics at 30 June 2023

LEVEL NUMBER	PEOPLE WITH DISABILITY
% target	2%
% current	2%
Top Management	0
Senior Management	0
Professional qualification	1
Skilled	1
Semi-skilled	3
Unskilled	1
TOTAL	6

Table 5.7: Employment equity statistics for people with disability at 30 June 2023

Disability is calculated against the number of permanent employees (299).

EMPLOYEE RELATIONS

Sound relations with organised labour, as a key social partner, is of paramount importance to the success of Amatola Water. The organisation is part of the South African Association of Water Utilities (SAAWU) which has an agreement with organised labour and forms part of the Amanzi Bargaining Council which comprises of the South African Municipal Workers' Union (SAMWU), United Association of South Africa (UASA) and the National Education, Health and Allied Workers Union (NEHAWU).

Amatola Water's SAMWU membership (80.36%) stood at 311 as at 30 June 2023. It is the only recognised union representing workers.

Governed through various human resource legislative and policy frameworks and collective agreements, Amatola Water remains committed to sharing information regarding operational changes that may affect employees, directly or indirectly, with organised labour.

Management and organised labour, through a Local Labour Forum (LLF), scheduled 12 meetings per annum as per the ABC Organisational Rights agreement. Continuous engagement is deemed critical to the development of sound workplace relations and the sustainability of the organisation, which, in turn, provides opportunities for all employees. All planned engagements were met during the year. The focus was placed on continuously building workplace relations and the resolution of all grievances.

A determination by the CCMA is in place, in relation to the minimum services agreement required for essential service organisations in the event of industrial action.

Currently, SAMWU has seven shop stewards, inclusive of the full-time shop steward. A major focus for the year under review has been on their capacity building given that some shop stewards were newly appointed.

The wage agreement for 2021/22 was concluded, however, Amatola Water requested an exemption from the ABC collective agreement due to the financial position of the entity. The increase was R2 350 million for all employees.

Currently, several disciplinary cases are under investigation, resulting from misconduct and management's focus on consequence management. Consequence management is guided by an updated Disciplinary Policy and Code.

In the year under review, Amatola Water had three disciplinary cases that were senior and complex. Those three cases were handled by external resources during the performance year. The total number of cases are depicted below:

NATURE OF DISCIPLINARY ACTION	NUMBER		
Written warning	2		
Suspensions	3		
Dismissals	1		
TOTAL	6		

Table 5.8: Number of internal disciplinary actions

During the period under review, there were five CCMA cases and the nature of disputes included unfair dismissal, unfair labour practice and constructive dismissal. Four cases ruled in favour of the employer, two cases were settled while the remaining three are underway.

NATURE OF DISCIPLINARY ACTION	NUMBER
Unfair dismissal	3
Unfair labour practice	2
Constructive dismissal	0
TOTAL	5

Table 5.9: Number of CCMA cases

OCCUPATIONAL HEALTH AND EMPLOYEE WELLBEING

Amatola Water is classified as a hazardous workplace and complies with the Occupational Health and Safety Act 1993 (Act No. 85 of 1993).

Through the Safety Department, an occupational hygiene survey was conducted to ensure that risks are identified and steps are taken to eliminate incidents and injuries.

In line with identified man-job specifications, pre-employment and routine medicals are continuously conducted to ensure compliance and reduce the risk of Amatola Water exposing its people to risk and litigation.



The in-house Occupational Health Clinic, together with contracted doctor services, ensures the management of occupational health risks. Furthermore, the Health and Safety Committee convenes periodically to ensure workplace compliance and reviews injuries in the workplace.

Besides medical aid benefits that covers the medical needs of employees and their families, Amatola Water offers an Employee Assistance Programme (EAP) to enable employees to access psycho-social support when needed. The support is offered off-site at pre-arranged times to ensure that employees utilise the services without fear of stigmatisation.

Health education and wellness events are provided to employees on a regular basis to ensure that employees are enabled and empowered to make life choices that ensure sustained work-life balances, which, in turn, provides value to the organisation by higher employee returns.

During the period under review, Amatola Water conducted medical surveillance as follows:

MEDICAL SURVEILLANCE	NUMBER		
Pre-employment medical examinations	74		
Annual medical examinations	175		
Exit medical examinations	04		
Chronic referrals to Family doctor or local clinic	11		
Chronic consultations	99		

Table 5.10: Medical surveillance

The number of referrals for the Employee Assistance Programme were:

NATURE OF REFERRALS	NUMBER		
Psycho-social	4		

Table 5.11: Employee Assistance Programme

TRAINING AND DEVELOPMENT: LEGISLATIVE AND FUNCTIONAL

One of the pillars of organisational success is skills development which is intended to ensure employees acquire skills needed to achieve its strategic objectives and gain a competitive advantage. This is accomplished by introducing skill-building activities, which aim to help employees improve specific skills.

Amatola Water has a formal partnership with the Energy, Water and Sanitation Sector Education and Training Authority (EWSETA) to deliver training programmes aimed at enhancing skills and competencies. Fostering partnerships has been one of the main focus during the year to ensure that the level of skills of the workforce is enhanced.

A Training Plan was developed which is the culmination of strategic engagements between the Learning and Development Unit with departmental heads to determine the training courses and programmes to be implemented in the year under review.

Full opportunity has been taken of the available mandatory and discretionary grants from EWSETA and utilised to supplement the limited training budget.

The annual budget for the Learning and Development Unit was set at R R5 400112.35 and the budget was fully utilised through the implementation of the Training Plan at an expenditure of R5 828 206.00. an additional R428 094.00 was received from EWSETA for mandatory grants allocation.

The target in relation to the implementation of the Training Plan stood at 80%; the actual performance was 83% achieved.

Occupational	MALE			FEMALE			TOTAL		
Level	African	Coloured	Indians	Whites	African	Coloured	Indians	Whites	IOIAL
Top Management	1	0	0	0	0	0	0	0	1
Senior Management	2	0	0	1	1	0	0	0	4
Professionals and Mid-Management	4	0	1	1	2	0	0	0	8
Skilled technical workers and Junior Management	26	2	0	3	31	0	0	0	62
Semi-skilled	31	1	0	1	5	0	0	0	38
Unskilled	28	0	0	0	8	0	0	0	36
ACTUAL TOTALS	176	11	1	12	88	8	0	3	149

Table 5.12: Training equity profile (Number of people who attended training per race, gender and occupational level)

The training undertaken in the financial period under review provided a positive spread across all occupational levels. It enables the capacity-building of the entire workforce and succession planning from within each of the occupational levels.

FINANCIAL STUDY ASSISTANCE

In line with relevant prescripts, one of Amatola Water's objectives is to attract, retain employees and enhance productivity levels.

It resulted in the organisation providing financial assistance for tertiary education to 15 employees during the reporting period against the target of 15 employees.

Additional to the 15, there are 20 continuing beneficiaries who are in pursuit of their qualifications and this totals to 35 beneficiaries of the study assistance.

TOTAL EXPENDITURE	EMPLOYEES	AVERAGE COST PER EMPLOYEE
R712 326.00	35	R20 352.17

LEARNERSHIPS

The Water and Wastewater Process Control (NFQ 3) learnership was concluded on 31 of March 2023. There are 12 learners who were enrolled in the programme and were all found to be competent and this positions them to practice as Process Controllers. Five from the 12 are employed personnel and seven are external youth from the surrounding communities and this has contributed in providing skills to the youth and position them to enter the labour market.

PERFORMANCE AND REMUNERATION

Amatola Water has a Performance Management Policy that is designed to ensure that employees have knowledge of their roles and responsibilities in relation to the corporate strategy.

An Employee Performance Management System that enables a performance-driven culture, focused on accountability and ownership of the individual, departmental and divisional objectives, aligned to the outputs contained in the Corporate Scorecard, remains a priority.

Divisions develop Annual Operational Plans (AOPs) linked to the Corporate Scorecard performance indicators and



targets, following the review and approval of the organisational strategy. These targets are cascaded to employees, who develop individual performance contracts with line management.

Monitoring and evaluation are carried out through quarterly performance reviews with employees.

ORGANISATIONAL CULTURE

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

Amatola Water's culture is embedded in seven values: Integrity, Excellence, Accountability, Stakeholder Focus, Team Orientation, Innovation and Professionalism.

Amatola Values are monitored through the behavioural component of individual performance management. The values are also linked to and reinforced by the Batho Pele Principles to create a customer-focused culture that responds to the needs of our stakeholders.

In addition, Amatola Water strives for an ethical culture, built on sound governance in line with legislation.

Ethics training was targeted and conducted for the management, skilled and semi-skilled occupational levels during the year under review.

Amatola Water remains dedicated to the development of internal human resources, promotion from within, and transformation as per the employment equity targets.

An organisation review project has commenced in January 2023 with the expected date of 26 May 2023. The project has not yet been finalised, there is a plan to complete the outstanding work within 9 months.

INFORMATION TECHNOLOGY

Information and Communication Technology (ICT) is a business enabler that supports the corporate strategy by ensuring the availability of ICT services and resources, automating manual processes, and implementing enhanced services based on evolving technology.

The focus for 2022/2023 was the implementation of key ICT projects to transform and improve operational efficiency, manage risks, address cyber security threats, and continue to monitor the ICT governance.

ICT GOVERNANCE

One of the fundamental aspects of Amatola Water's ICT corporate governance principles is the oversight of all ICT investments, governance, risk management, and key projects by the Information Communication and Technology Steering Committee (ICTSC), and Audit and Risk Committee (ARC).

These two Committees are responsible for overseeing and obtaining independent assurance on the ICT environment as delegated by the Board.

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



KEY ICT PROJECTS

The focus for 2022/23 has been on:

- a) The enhancement of the current ICT security measures by performing ICT Security and Cyber Awareness training for end-users and addressing the findings of vulnerability assessment and penetration test.
- b) Upgrading the server and network environment to facilitate increased security and utilisation of enhanced functionality and features.
- c) Maintenance of the Artificial Intelligence (AI) system which identifies and neutralises anomalous behaviour in the ICT network environment to enhances security measures.
- d) Upgrading the Enterprise Resource Planning (ERP) System to streamline Amatola Water's business processes, automate manual processes and implement improved standard processes available in the latest version.
- e) Implement the Corporate Strategic Performance Management system which includes verifying and reconciling data to monitor organisational performance. The system remains a key project for the organisation as a means of enhancing and aligning reporting and monitoring of performance within the organisation.
- f) Maintenance of the electronic signature system aimed at automating manual processes of document approval and tracking whilst ensuring confidentiality, integrity and availability of information.
- g) Roll-out the Amatola Water Portal, a secure framework where all in-house developed software applications can be hosted. All software applications hosted in the portal are integrated which allows different applications to share useful information.
- h) Redeveloping the non-conformance system so that the Quality Management System aligns with the ISO 9001 standard.
- i) Redeveloping the timesheet system into a web application with a central database, making it accessible to any device on the network and integrating it with leave, travel claims and overtime system.
- Develop an overtime approval system for the electronic application and approval of overtime to enforce controls that ensure compliance with the Overtime Policy.
- k) Develop a travel and expense claim submission and approval system to automate the process of submitting, approving, and verifying travel and expense claims by employees.
- I) The improvement of business continuity by means of replacing of earmarked ICT infrastructure, including upgrading the network infrastructure connection to Head Office.
- m) The implementation of a backup link for the telephone system.
- n) Maintenance of the centralised storage area network that consolidates server resources for improved performance and system availability.
- Maintaining an average of 98.543% availability for infrastructure and systems while meeting and exceeding the annual target of 98.3%.
- p) Conducting an annual review of the Disaster Recovery Plan (DRP) including failover testing between disaster recovery sites.
- q) Implementing a data replication solution between the Head Office and the data recovery site.
- r) Upgrading and migrating the BoardPad System.



ICT AUDIT COMPLIANCE

a) An audit review was conducted during the 2020/21 financial year and all findings have been addressed as at June 2022.

CORPORATE GOVERNANCE OF ICT

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

ICT FUTURE PLANS

To enable the achievement of the organisational strategy, the following ICT projects are planned for the 2023/24 financial year:

- a) Continuous implementation and improvement of the Corporate Governance of ICT;
- b) Upgrading the Enterprise Resource Planning (ERP) system;
- c) Continuous testing and reviewing of the DRP that is in line with best practice and industry standards;
- d) Implementation and completion of ICT projects;
- e) Replace Radio Frequency (RF) Links with 4G/5G routers at remote sites;
- f) Ongoing enhancement and maintenance of all current systems, including the enhancement of Amatola Water's communication tools;
- g) Ongoing ICT security and infrastructure enhancements;
- h) Provision for an ICT security awareness system aimed at enhancing organisational cybersecurity awareness and compliance;
- i) Upgrading the Payroll and HR System;
- j) Implementation of the Employee Performance Management System;
- k) Implementation of the Recruitment System;
- 1) Implementation of an ICT Call Logging System; and
- m) Upgrade of the Biometric System.







ENVIRONMENTAL SUSTAINABILITY

Amatola Water's Environmental Sustainability Strategy provides the framework for environmental sustainability and governance. It is underpinned by the recognition that Amatola Water has a role to play in effecting the national Development Plan, particularly in the Eastern Cape Province.

The Strategy identifies key interventions related to Amatola Water's environmental footprint and integrated environmental management within the context of climate change uncertainty, application of relevant technologies and the service delivery imperative.

The environmental management system (ISO14001) allows for continued improvement in environmental monitoring and reporting, identifying actions that will lead to environmental sustainability. As part of development of the environmental management system, monitoring systems and data are identified and reports developed and streamlined to improve functionality: for monitoring (compliance) and identification of trends that require interventions in order to reduce environmental footprint or provide other appropriate management interventions (e.g. water loss management interventions).

These reports are developed and improved upon in an iterative process to improve understanding of environmental impacts and risks and to better inform water resources management and identify areas for intervention. Participation in the Water Research Commission (WRC) funded research on digital maturity in the organisation provided direction and emphasis in support of developing and improving environmental monitoring systems towards increased environmental sustainability.

Figures provide insight about monitoring systems in place. Figure 6.1 shows environmental monitoring: reporting on rainfall and water supply levels in dams on which Amatola Water relies as it is critical to know the status of water resources.

To prevent over-abstraction of water resources it is important to understand compliance license and registered volume conditions, as indicated in Figure 6.3 to 6.8. Where over-abstraction takes place, it is important to understand why this is happening and implement appropriate water resource management and planning. Water losses are both environmentally and financially unsustainable and every effort must be made to curb them. Monthly water loss reports provide indications of where losses are occurring, per water supply scheme, in order to identify areas for mitigation actions (Figure 6.9 and 6.10).

Understanding raw water quality allows for potential impacts to treatment processes, especially important for membrane sensitive treatment processes such as those used in reverse osmosis. Figure 6.12 shows the source of turbidity to the treatment plant and provided direction to reduce reliance on a particular raw water source.



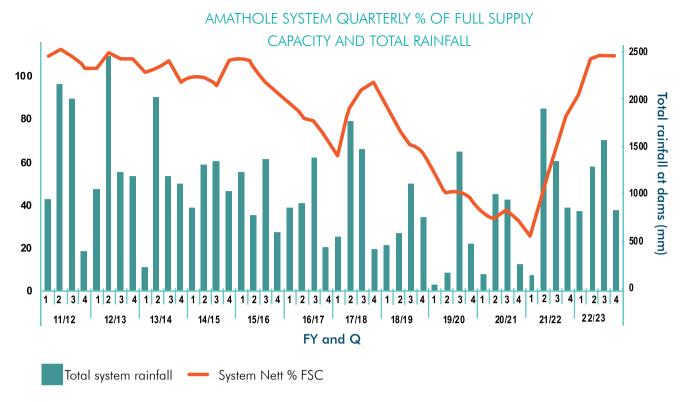


Figure 6.1: Amathole System Quarterly % of full supply capacity and total rainfall

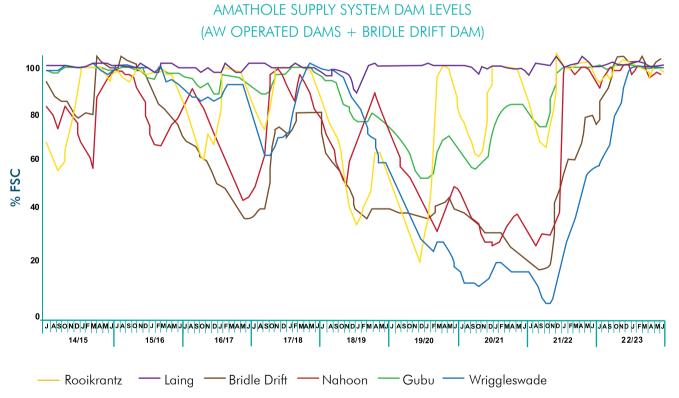


Figure 6.2: Amathole Water Supply System dam levels (Amatola Water-operated dams and Bridle Drift Dam)

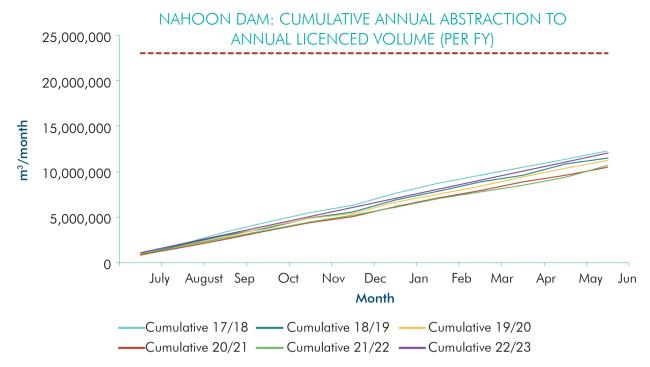


Figure 6.3: Nahoon Dam: Cumulative annual abstraction relative to annual licenced volumes per annum

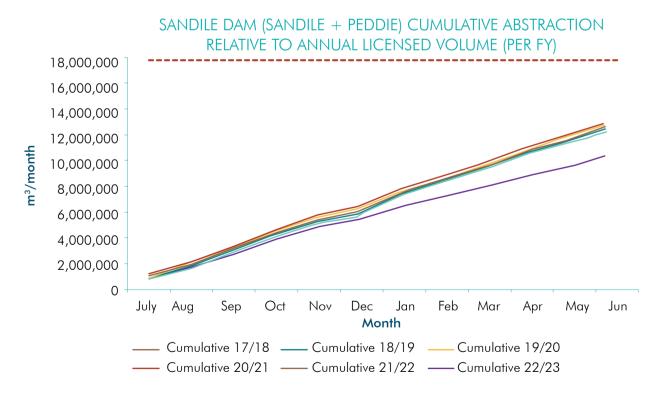


Figure 6.4: Sandile Dam (Sandile + Peddie) cumulative abstraction relative to annual licensed volume (per FY)



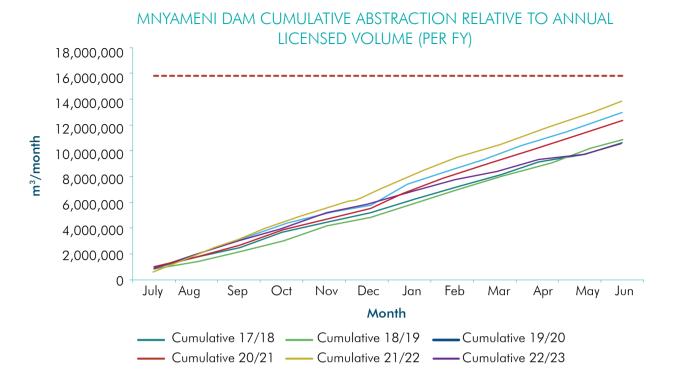


Figure 6.5: Mnyameni Dam cumulative abstraction relative to annual licensed volume (per FY)

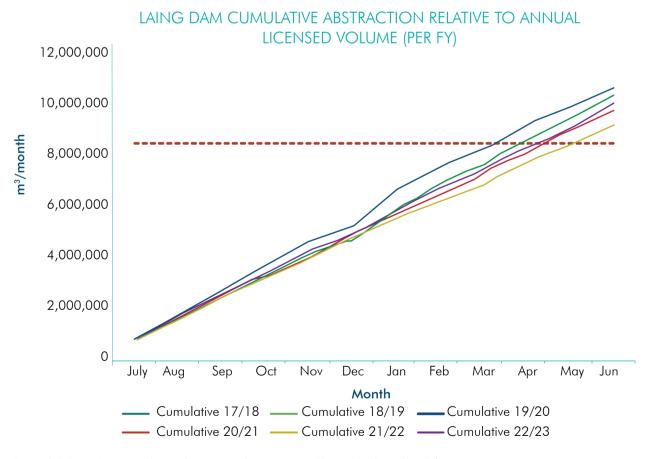


Figure 6.6: Laing Dam cumulative abstraction relative to annual licensed volume (per FY)



BINFIELD PARK DAM CUMULATIVE ABSTRACTION RELATIVE TO ANNUAL LICENSED VOLUME (PER FY) 2,500,000 2,000,000 m³/month 1,500,000 1,000,000 500,000 0 July Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Month Cumulative 17/18 — Cumulative 18/19 — Cumulative 19/20 - Cumulative 20/21 — Cumulative 21/22 — Cumulative 22/23

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

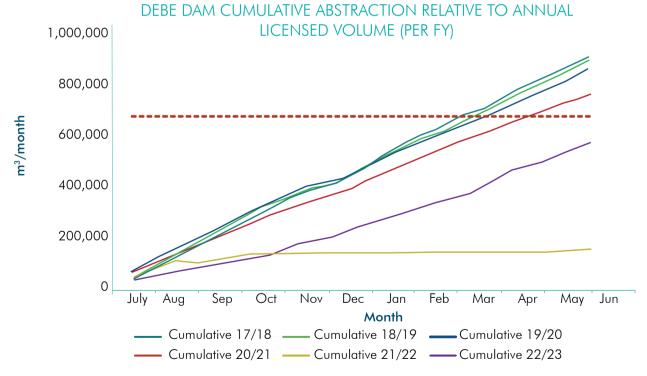


Figure 6.8: Debe Dam cumulative abstraction relative to annual licensed volume (per FY)



TOTAL ANNUAL WATER LOSSES PER WTW (LARGE AND MEDIUM) 50 40 Total water loss (%) 30 20 10 0 14/15 15/16 16/17 17/18 18/19 19/20 20/21 21/22 22/23 -10 Financial year Binfield Nahoon Laing Sandile Peddie

Figure 6.9: Total annual water losses per WTW (large and medium)

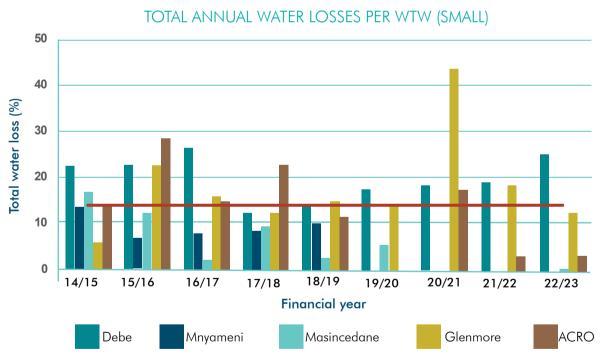


Figure 6.10: Total annual water losses per WTW (small)

ELECTRICAL CONDUCTIVITY OF RAW WATER TO ACRO PLANT



Figure 6.11: Electrical conductivity of raw water to ACRO plant

TURBIDITY OF RAW WATER TO ACRO PLANT

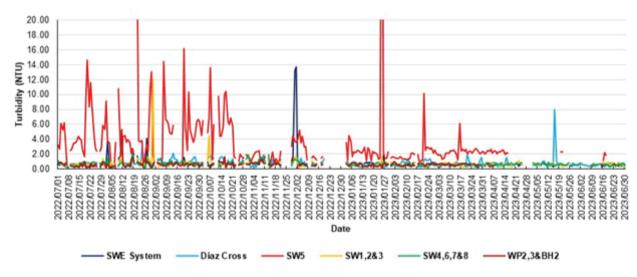


Figure 6.11:Turbidity of raw water to ACRO plant









INTRODUCTION

The severe drought conditions had a negative impact on water delivery because communities vandalised infrastructure to supply water to their livestock.

Regular proactive maintenance on Amatola Water assets continues to be a fundamental part of continuous operations management.

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

PRIMARY BUSINESS ACTIVITIES

Amathole District Municipality

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

Buffalo City Metropolitan Municipality

The Buffalo City Metropolitan Municipality became a Water Services Authority in July 2003, following the announcement of its powers and functions by the Minister of Cooperative Governance and Traditional Affairs. At the time of the announcement, Amatola Water had already entered into a 30-year supply contract with the Buffalo City Metropolitan Municipality which is valid until 30 May 2028.

Ndlambe Local Municipality

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

WATER PRODUCTION

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



COMPARISON OF AVERAGE ANNUAL SUPPLY LEVELS OF AMATOLA WATER DAMS

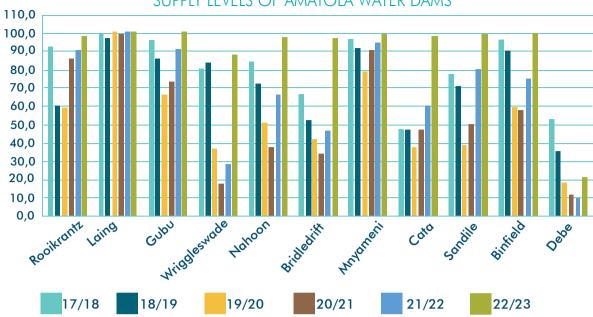


Figure 7.1: Comparison of average annual supply levels of Amatola Water dams

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

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

Raw Water Source	Water Treatment Works/Scheme	2022/23 Water Works Capacity (Ml/d)	Supply Area/Nature Of Area Served
			Dimbaza Town, Middledrift Town, Fort Cox
Sandile Dam	Sandile	18	College, Bulembu Airport and more than 128
			surrounding villages (20% urban and 80% rural)
Sandile Dam/ Keiskamma	I		Peddie Town, Nompumelelo Hospital, peri- urban
River pumping from	Peddie	6.6	areas of Debe and Feni, surrounding villages
Craighead Weir			(20% peri-urban and 80% rural)
Debe Dam	Debe	5	Rural
Mnyameni Dam	Masincedane	6	Rural (20% peri-urban and 80% rural):
Milyamem Dam			Keiskammahoek
			Urban areas of Dikeni, Khayalethu and
Binfield Park Dam	Binfield Park	12	kuNtselamanzi, rural service centres of lower
Difficial Falk Daffi			and upper Hopefield, 38 rural villages and
			Phandulwazi Agricultural College
Lower Fish GWSS from	Glenmore	0.5	Rural
Glen Boyed Dam	Oleilinoie		
			Bhisho, Balassi, Ndevana, Ilitha, Zwelitsha,
Laing Dam	Laing	33	Pakamisa, Potsdam, Mount Coke, (63% urban,
			17% peri-urban and 20% rural)

Potable water production continued

Raw Water Source	Water Treatment Works/Scheme	2022/23 Water Works Capacity (MI/d)	Supply Area/Nature Of Area Served
Nahoon Dam	Nahoon	33.7	East London/Reeston/Mdantsane/ Newlands/ Nqanqarhu (Macleantown) (95% urban and 5% peri-urban)
Sea and ground water	Albany Coast reverse osmosis plants	3.7	Kenton-on-Sea, Bushmans River
TOTAL		118.5	

Table 7.1: Potable water production

PRODUCTION QUALITY

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

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

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



Figure 7.2: Number of plants and water quality results achieved 2022/23

The volume of potable water produced was 32.2million cubic meters for the 2022/23 financial year.



WATER LOSSES

An average total plant production loss of 7.50% was achieved during the year compared with the SAAWU benchmark of 7%. However, the total network losses for treated water decreased from 10.38% to 7.0% to the previous year. The total combined water loss of 15.00% against the company target of 14% was achieved.

Vandalism to infrastructure, illegal connections and pipe breaks are the major causes of increased water losses.

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

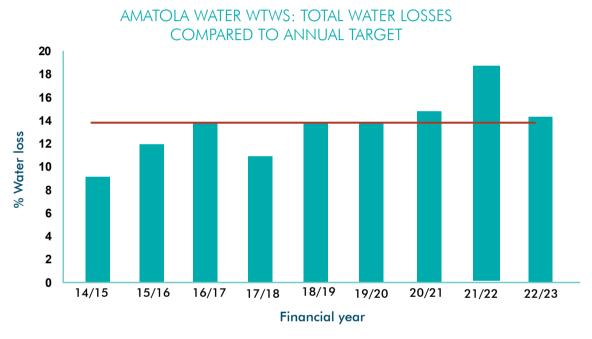


Figure 6.3: Amatola Water WTWs: Total water losses compared to annual target

NON-REVENUE WATER

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

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

THREE-YEAR TELEMETRY PLAN

A new SCADA system was built from the ground up which is essentially based on the new Adroit 10 Software release. This process affected 175 individual stations as well as every node on the communications backbone. Looking forward, the SCADA development will now be directed to functionality geared to assist management – as well as robust historical record keeping.

In addition, a second parallel backup system was added to the Windy Ridge Radio High Site. This upgrade was absolutely necessary as it has significantly increased the repeaters ability to remain functional during extended power outages.

Due to CAPEX constraints, no new reservoir-based telemetry stations and digital radios were installed during the period under review.

OPTIMISING OPERATIONAL EFFICIENCIES

Water Production

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

Storage and Supply Capacity Expansion

Amatola Water's customers had an overall assurance of supply of 95.84% during the year under review. Somewhat lower than the previous year by 2%, this is below the set target of 98%. This was mainly due to Eskom's loadshedding and demand required

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

Pump Efficiency Monitoring Programme

There has been an increase in the ratio of kWh/cubic meter of water produced from 0.856 in 2021/22 to 0.872 in the 2022/23 financial year. This equates to a 1.9% increase in energy usage. The overall increase in the kWh/cubic meter ratio is however still 1% below the value of 0.880 being the internal target.

The main contributing factor to this increase is the continued Eskom's loadshedding coupled with the more than usual pipeline breaks due to aging infrastructure.



PLIMP FFFICIENCY MONITORING PROGRAMME

Below is the kWh/cubic meter of water produced ratio tables for the 2022/23 financial years:

July 2021 to June 2023				
WTW	Capacity MI/d	Total 2022/23	Total 2022/23	2021/22
		KWH	W ₃	KWH/M³
Rooikrantz	Closed	0	0	0.00
Masincedane	6	29394	872705	0.03
Glenmore	0.5	159448	177541	0.90
Dabi	Closed	0	0	0.00
Peddie	6.56	459201	2592438	0.18
Mnyameni	0.29	52999	51354	1.03
Nahoon	33.7	8459228	11137648	0.76
Laing	33	10734508	9125303	1.18
Sandile	18	4026209	5547882	0.73
Debe	5	525134	504786	1.04
Binfield Park	4.8	1037933	1495231	0.69
Albany Coast	3.7	2609536	709850	3.68
TOTAL	112.94	28093590	32214738	0.872

Table 7.2:Electrical consumption over water production period 2022/23

SAFETY, HEALTH AND ENVIRONMENT

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

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

- a) Monitoring and maintaining Amatola Water's compliance with the ISO45001:2018 Management System and other statutory obligations.
- b) Achievement of the Amatola Water Integrated Management Policy and other strategic imperatives.

ISO 45001:2018 Audits

An external ISO 45001 audit was conducted in May 2022 by the South African Bureau of Standards (SABS) to provide information as to whether the Amatola Water Occupational Health and Safety Management System conforms to the requirements of ISO 45001:2018

This external audit allowed SABS to determine whether the Amatola Water Occupational Health and Safety Management System is implemented and maintained effectively.

A total of thirteen (13) non-conformances were raised during the audit, of which six (6) have since been closed with seven (7) under review by the SABS. However, the ISO 45001:2018 accreditation with the South African Bureau of Standards is still maintained.

DISABLING INJURY FREQUENCY RATE (DIFR)

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

The Disabling Injury Frequency Rate (DIFR) is a key indicator of the organisation's SHE performance, as it measures the extent of potential disabling injuries and incidents, in which the personnel are exposed. Amatola Water's DIFR was calculated at 0.8, during the period under review, which is equal to the benchmark DIFR of 0.8.

The following graph illustrates the 2022/23 DIFR rating in relation to the number of disabling injuries (DIs):

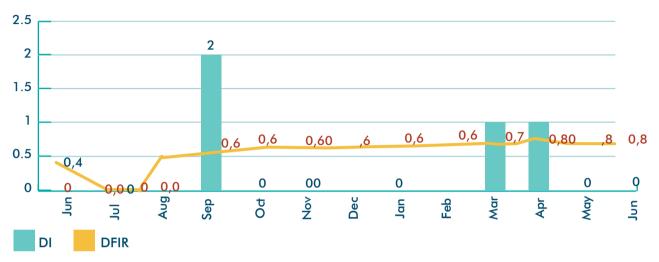


Figure 7.4:Disabling injury frequency rate 2022/23

AMATOLA WATER PLANT UPGRADES

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



UPGRADING OF BINFIELD WATER SUPPLY SCHEME		
Project Description	Scope Upgrade of the Binfield Water Treatment Works: Civil Upgrade of the Binfield Water Treatment Works: Mechanical and electrical Upgrade of the Binfield Bulk Storage and Rising Main Objective To improve the existing water treatment works in terms of quality and quantity of supply and the gravity distribution main feeding reservoirs and reservoir storage	
	Location Eastern Cape, Amathole District Municipality, Nkonkobe Local Municipality	
Progress/Status	Upgrade of the Binfield WTW mechanical and electrical works: 96% Extensions to the water purification works: Civil works: 100% Construction of bulk reservoirs: terminated at 58% Construction of the rising main: terminated at 84%	

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

UPGRADING OF SANDILE WATER SUPPLY SCHEME

Scope

Clear water storage (2 x 16Ml reservoirs) – Construction of new reservoirs

New rising mains from the WTWs to the new reservoirs

Upgrade of the WTWs to 60MI/day - Civil, electrical and mechanical

Interconnecting pipe work – Construction of new interconnecting pipelines

Miscellaneous works

Project Description

Progress/Status

Objective

To upgrade the Sandile WTW to improve the quality of life and create socio-economic growth by increasing water provision to meet the minimum standard of 750ml/household per day

Location

Eastern Cape, Amathole District Municipality, Raymond Mhlaba Local Municipality

Civil 1 – 2 x 16 Ml reservoirs – Construction completed

Civil 2 – New British Ridge rising main – Design complete and tender documentation at 90%

Civil 3 - Civil infrastructure for new WTWs & pump-station - Preliminary design stage

M&E1 – Mechanical & electrical for Civil 3 – Preliminary design stage

SECONDARY BUSINESS ACTIVITIES

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

Scope

45 ML: Foundations: Footing and floor slab; columns and bases; GRP scour pipe; inlet and outlet overflow; walls: formwork; rebar and concrete; roof slab, chamber and interconnecting pipes.

WTW: Settling tanks, backwash balancing tank and filters.

Precast yard and pipelines; construction of EME storage facility building, cathodic protection and AC mitigation, scoping to pipeline rehab, manufacture of precast chambers and placing of precast chambers and valve replacement

Project Description

Objective

To increase the bulk treatment, storage and distribution capacity to meet the demand of 1,23 million consumers and smaller municipalities around the metropolitan boundaries

Location

Eastern Cape, Nelson Mandela Bay Metropolitan Municipality

45ML reservoir: 100% completion. Nooitgedacht WTW: 100% progress.

Progress/Status

Pre-cast yard pipeline rehabilitation: 100% progress.

Overall progress is 99.9%. with the issuing of the Completion Certificate pending the finalisation

and approval of the O&M Manuals by the contractor and the PSP.



NDLAMBE REGIONAL BULK WATER SUPPLY		
	Scope Completion of the BWRO plant (mechanical and electrical) Completion of the civil works – Pipe work and reservoir supplying water to BWRO Plant Effluent brine water recovery – feasibility	
Project Description	Objective To provide safe, sustainable and acceptable quality water to consumers in Seafield/Kleinemonde, Port Alfred, Bathurst, Alexandria, Cannon Rocks, Boknes, Kenton-on-Sea and Bushman's River in the Ndlambe Local Municipality	
	Location Eastern Cape, Sarah Baartman District Municipality, Ndlambe Local Municipality	
Progress/Status	Amatola Water status as Implementing Agent was terminated in December 2022. The Closeout Report and Termination account for Amatola Water to be submitted by 30 th November 2023. Ndlambe Local Municipality are the implementers of the project.	

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



JAMES KLEYNHANS BULK WATER SUPPLY - PHASE 2

Scope

Proiect

Description

Progress/Status

Project

Description

Upgrading chemical building – Upgrading and refurbishment of existing building (100% complete).

Extension of flocculation channels – Construction of additional floc channel (100% completed).

Sedimentation tank (10Ml/d) – Construction of new sedimentation tanks (100%completed).

Filters (10MI/d) – Construction of four additional new filters (80% complete).

Clear water storage (1.0Ml) – Construction of new reservoir below filters (100% complete).

Electrical (Internal) – New electrical installation for additional infrastructure (75% complete).

Instrumentation (SCADA and PLC) – Installation of new infrastructure (outstanding).

Telemetry – New installation (outstanding).

Interconnecting pipework – Construction of new interconnecting pipelines (70% complete).

Objective

To ensure that Makanda has an adequate water supply during peak and drought conditions

Location

Eastern Cape, Sarah Baartman District Municipality, Makana Local Municipality

The procurement of the contractor was completed in December 2022.

The key milestone of the additional 10ml/day was met on the 30th August 2023.

The outstanding issue is the operation and maintenance of the High lift pumpstation, which Amatola

Water is attending through the intervention project.

The overall progress of the works is at 46% complete.

PATERSON BULK WATER SUPPLY SCHEME

Scope

New raw water pumps $-2\ x$ duty pumps with combined capacity of $266m^3/hr$ and a standby pump.

Upgrade of 50m of rising main from 150mm diameter to 250mm diameter uPVC class 9 Upgrade

chemical storage and dosing system

New concrete clarifier (15m diameter)

New rapid gravity sand filter building

New feeder pump

Upgrading of the ablution facilities

Upgrading of WTW area

Upgrading of sludge drying beds

Objective

To total output of water supply to 6MI/day and to meet the water demand of Addo and Paterson until the year 2035

Location

Eastern Cape, Sarah Baartman District Municipality, Sunday's River Valley Local Municipality

Progress/Status Paterson Bulk Water Supply Phase 1 – 5 is 100% complete. Phase 6 was awarded in March 2019; current completion s

Phase 6 was awarded in March 2019; current completion status stands at 82% and the anticipated date of completion is the end of November 2023.



KIRKWOOD BULK	WATER SUPPLY SCHEME
Project Description	Scope Raw water storage Additional clear water storage Construct a new 3.0 Ml reservoir at Kirkwood Town (Kirkwood, Aqua Park, Bergsig) reservoirs Construct a new 3.0 Ml reservoir at Moses Mabida (Bontrug, Msengeni) reservoirs Bontrug elevated water storage Additional raw water storage at Kirkwood Water Treatment Works Earthworks Lining (HDPE and concrete) Pipework Fencing Refurbishment of a dilapidated building which will be used as a site office and workshop Objective To ensure that Kirkwood has adequate water supply during peak and drought seasons Location
	Eastern Cape, Sarah Baartman District Municipality, Sunday's River Valley Local Municipality
	Designs and procurement are 100% complete. The project was awarded in July 2023 to the successful Contractor.
Progress/Status	The Contractor has commenced with the works and the project is ongoing.
3 ,	There have been delays in the project due to stoppages by local SMME's, hence the delayed commencement with the works by the Contractor.

COFFEE BAY PHASE 3A AND 3B			
	Scope Two booster pump stations, three command reservoirs, two rising main pipelines, eight bulk gravity main pipelines, Seven village supply reservoirs, two elevated tanks, 10 village reticulation networks, break pressure tanks, 286km of pipelines, 744 stand taps		
Project Description	Objective To extend the Coffee Bay Regional Water Supply Scheme to provide water to Ward 23 (now Ward 24) (except for a portion across the Mpako River) and the Mabehana Village in Ward 24 (now Ward 25) serving a population of 24,874 people		
	Location Eastern Cape, OR Tambo District Municipality, King Sabata Dalindyebo Local Municipality		
Progress/Status	Phase 3A: Project was terminated at 98% complete. Phase 3B (M&E): The contract was appointed in 2021/22 and commenced work during the 2022/23 financial year. The project is at 13% stage of completion.		

KING SABATA DALINDYEBO PRESIDENTIAL INTERVENTION (KSDPI)

Objective

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

Impact

Project Description The primary focus is to expand the existing Mthatha Town Bulk Water Supply System operated by the OR Tambo District Municipality to create a regional scheme along five development "corridors" and serving over one million people.

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

The intervention enables the development of Mthatha that will lead to the decommissioning of nine sewage pump stations and reducing pollution of the Mthatha River.

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

Location

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

PROJECT	SCOPE	PROGRESS/STATUS
Thornhill raw water pipes & WTW	Upgrading Mthatha raw water supply to Thornhill WTW (7km), upgrading of Thornhill WTW (60Ml/d to 80Ml/d) and two pump stations. Upgrading the clear water pump stations.	Thornhill raw water pipes & WTW: Construction 100% complete Upgrading of clear water: Construction 100% complete
Highbury WTW & pipelines	Construction of a 50MI/d Highbury WTW	Construction of a 50MI/d Highbury WTW Stage 1 Civils 100% Complete Construction Highbury Rising Mains & Thornhill Gravity Main 100% Complete Construction of a 50MI/d Highbury WTW Stage 2 Civils 0% Complete
Mthatha South and Central	Construction of 16.2km bulk conveyance, five bulk reservoirs and one pump station	Mthatha South and Central: Construction 100% complete



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



Department of Water and Sanitation

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

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

Eastern Cape Provincial Department of Education

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

This included upgrading and refurbishing water and sanitation infrastructure as well as providing operations and maintenance (O&M) services to 56 allocated schools.

The intervention has restored assurance of a potable water supply that complies with SANS 241 standards and safe discharge of treated effluent that complies with discharge licenses, while providing a safe and hygienic environment. There was budget made available under 2022/23 Financial year's MTEF (Medium Term Expenditure Framework) from ECDoE to perform 21 water infrastructure projects and 19 sanitation Infrastructure upgrade projects, as well as full operation and maintenance functions at 16 hostels and special schools throughout the Eastern Cape Province.

The budget made available was R60 million, split into R20 million O&M and R40 million Infrastructure upgrades. The condition of the bulk water and sanitation treatment plants have deteriorated significantly.

There are 59 job opportunities made available to address and manage the entire ECDoE portfolio, made up of 28 General Workers appointed from the local community to work at the 16 schools, 16 Process Controllers, one per hostel and special school and 15 support staff.

There has been, however, ad hoc maintenance provided to address critical repairs and services at ordinary, hostels and special schools which were not on the original allocated list of schools given to Amatola Water. These services are issues that affects the smooth running of the school e.g., water carting, desludging of septic tanks, blockages of sewer systems, minor repairs to infrastructure etc.

Infrastructure Master Plan (IMP)

The continuation with finalising of the Amatola Water Infrastructure Water Master Plan covering the current operational area of AW continued in the financial year 2022/23. The IMP development process is 96% complete with the final draft for the current operational area is expected to be presented to the AW Board and Committees by 30th November 2023.

The AW IMP is prepared on the following basis:

- a) The consolidation of the current nine water supply schemes of Amatola Water into five schemes to achieve better economies of scale, cost reduction and water resource conservation.
- b) There is also a focus on making the plan a key driver for Amatola Water sustainability and more responsive to key water demand drivers to improve water volumes produced and dispatched to consumers.



Substantial work has been undertaken on the Nahoon, Laing, Sandile and Albany Coast Water Supply Schemes. The settlement development plans of the client municipalities in the operational area have been collated where available to discern realisable water demand drivers so that Amatola Water can best respond to these with appropriate infrastructure and investment timing.

The initial scheme rearrangement proposals are being workshopped internally before being workshopped with the key clients and the Department of Water and Sanitation as the sector leader.

LOOKING FORWARD

The delay in undertaking the 2022 census because of the State of Disaster and local government elections has meant that a critical input in the finalisation of the demand projections and planning were not be available by June 2023. The outcome of Census 2022 will affect all planning until at least 2031 and is therefore crucial for the planning of Amatola Water.

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

Working closely with provincial stakeholders, the municipalities that fall within the supply area, and communities, Amatola Water's Infrastructure Master Plan will be integrated with the Provincial Water Infrastructure Master Plan which under review.

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

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

The primary business sector achieved a ratio of 89:11 for planned versus unplanned maintenance and exceeded the company benchmark target of 80:20. Eighty percent of service orders for planned maintenance and 81% for unplanned maintenance were completed. This increase in figures compared to the previous financial year can be attributed to the effects of COVID-19 on the organisation now being a thing of the past.





INTRODUCTION

The past financial year has been under dire financial distress, this is mainly due to in ability to recover the services rendered to customers which has negatively impacted the working capital and cashflow management of the entity. The debtors' collection days have been deteriorating over the years due to the inability to collect revenue from Amathole District Municipality which is a major client of Amatola Water in primary business.

Other contributory factors to the current dire financial situation of Amatola Water are mainly: In three consecutive audited financial years the entity has reported a deficit of R196.3 million in 2022/23, R174.4 million in 2021/22 and R98.5 million in 2020/21.

The reported deficits are attributable to the following:

In 2022/23 and 2021/22 financial years, Amatola Water plants were not producing at design capacity due load shedding. The other contribution factors are non - cash items of impairment loss related to assets, interest on outstanding DWS debt for the bulk water purchases and Amathole District Municipality debt impairment.

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

Implementation of the Financial Turnaround Plan

Amatola Water has developed a Financial Turnaround Strategy focusing on the key areas to

- 1. Identifying additional revenue generating projects for Amatola Water so as to grow the current revenue base.
- 2. Reduction of water losses.
- 3. Identify potential projects and cost savings to be implemented and achieved in the short, medium and long-term.
- 4. Proper cost analysis of all potential projects to be implemented.
- 5. Strategic context, Performance and Consequence Management systems.
- 6. Strategic leadership, institutional stabilisation, capacity and transformation.
- 7. Sustainable Service Delivery, Infrastructure maintenance and development.
- 8. Revenue Enhancement Strategy.
- 9. Systems of Internal Control, Governance and Compliance.
- 10. Liquidity/Cash Flow Management.
- 11. Asset and Liability Management.
- 12. Effective Planning Programmes, Project Management, Supply Chain, Budget and Expenditure Management.
- 13. Build-in Community Participation Programmes.



AMATOLA WATER FINANCIAL SUSTAINABILITY AND VALUE CHAIN

Primary business revenue increase by 8% (R385 million) in comparison to the prior year (R357 million). This reported increase was a result of tariff increases for Amatola Water clients being Buffalo City Metropolitan Municipality, Amathole District Municipality and Ndlambe Local Municipality. The Honourable Minister of the Department of Water and Sanitation, Mr Senzo Mchunu, approved the proposed tariff increases for 2022/23 financial year.

Secondary business revenue has decreased by 14% (R25 million) in comparison to prior year (R29 million). This is as a result of the increase expenditure for the implementation of the projects for the Department of Education (DOE).

Total expenditure increased by 12% (R242 million) compared to R216 million (restated) for the previous financial year. This increase was mainly influenced by AGSA audit fees, fuel costs, appointment of six support engineers as independent contractors to assist in the implementation of third-party projects.

A settlement agreement was signed with the Amathole District Municipality to pay the current and previous debt. Amathole District Municipality has not been honouring the payment terms and debt impairment of R28 million was raised in 2022/23 financial year.

Employee related costs continue to escalate as depicted by the 9% increase to R67.9 million compared to R62.1 million in the previous financial year. This is mainly as a result of effecting the Amanzi Bargaining Council allowances as per the 2022/23 agreement. This includes overtime for the operations.

PRIMARY AND SECONDARY BUSINESS REVENUE

Revenue from the primary business for raw water and treated water sales has increased by 8% (R385 million) when compared to R357 million from the previous financial year.



Figure 8.1:Primary Revenue (2020-2023)

PRIMARY REVENUE (2016-2019)

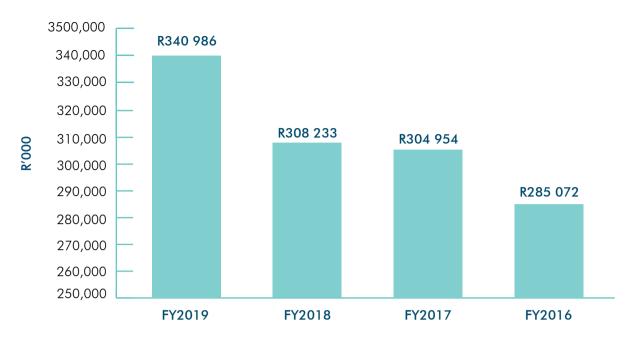


Figure 8.2: Primary revenue (2016 - 2019)

Secondary business revenue decreased by 14% (R25 million) when compared to R29 million from the previous financial year.



Figure 8.3: Secondary Revenue (2020-2023)



SECONDARY REVENUE (2016-2019)

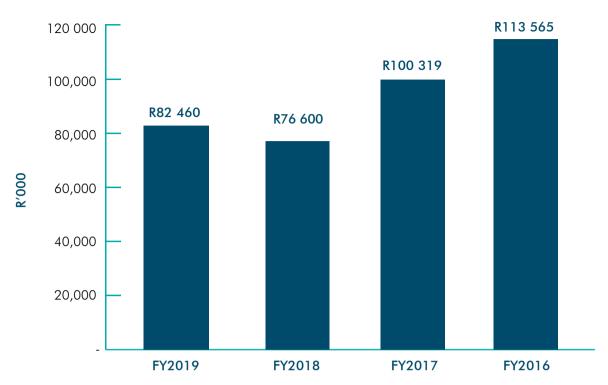


Figure 8.4: Secondary Revenue (2016-2019)





COST OF SALES AND OPERATING COSTS

The Cost of Sales has increased by 7.4% (R408 million) during the year and this increase is higher than the year-on-year increase of 1% when compared with the previous financial year (R380 million).

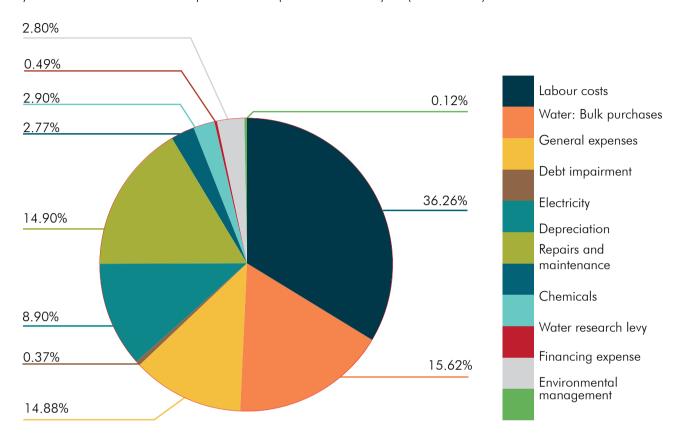


Figure 8.5: Cost of Sales and Operating Costs 2022/23

FINANCE INCOME

Finance Income from cash and cash equivalents has increased by 18.5% in the year under review when compared to the previous financial year.

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



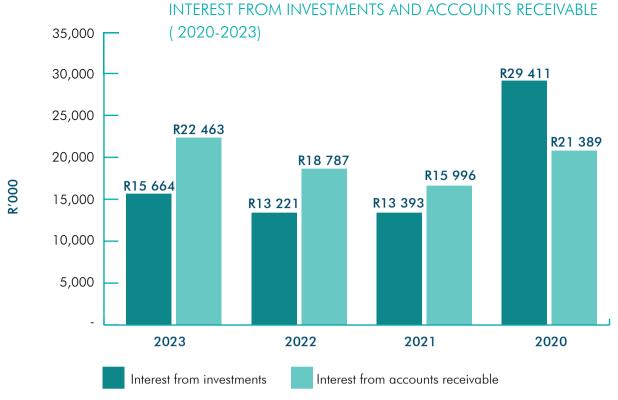


Figure 8.6: Finance Income 2020 -2023

KEY FINANCIAL RATIOS

The following table reflects Key Financial Ratios that depict Amatola Water performance the financial year under review.

RATIOS	FY2023	FY2022	FY2021	FY2020
Current ratio	1,047	1,400	1,403	1,427
Trade debtors (days)	193,42	206,32	224,90	118,91
Return on assets	-13,24%	-11,33%	-3,41%	-3,53%
Debt-equity ratio	-	-	-	-
Acid - test ratio	1,04	1,38	1,39	5,48
Cost of sales (R/kl)	8,05	7,38	5,39	9,16
Electricity cost (R/kl)	1,85	1,95	1,04	1,50
Chemical costs (R/kl)	0,60	0,39	0,26	0,21
Raw water purchases (k/l)	2,55	2,54	2,15	2,75
Water research levies (k/l)	0,08	0,08	0,08	0,09
PRODUCTIVITY				
Number of employees	387	333	333	332
Average revenue per employee (R'000)	1,089	1,167	1,176	811

Table 8.1: Key financial ratios

SUPPLY CHAIN MANAGEMENT

The objective of Supply Chain Management (SCM) is to procure goods and services. SCM Bid Committees are in place and fully functional.

Implementation of Procurement Plan

Status of the bids	Q1	Q2	Q3	Q4
Planned Bids for the quarter	37	68	68	68
Number of Bids processed during the quarter	20	31	42	46
Awarded	2	10	24	29
Cancelled	2	4	7	6
On Evaluation	10	11	10	4
On Adjudication	0	2	0	2
Advertised not yet closed	6	4	1	4

Table 8.2: Status of bids as per Procurement Plan

The table above reflects the number of bids as per the submitted Procurement Plan that has been processed cumulatively. Processed bids to date are 46 out 68 in the procurement. Although there is improvement in processing of bids, it is still inadequate as there are challenges that still persist as previously reported.

Deviations

Deviation in some quarters has reduced due to the following reasons:

- a) SCM has put controls to avoid deviations in the procurement process; and
- b) SCM Policy approved by the Board with the threshold of a R1 million has increased the organisation's effectiveness.

Irregular Expenditure: Amatola Water ended the 2022/23 financial year with the irregular expenditure totaling R628,793,970 in 2022/23 and R722,135,941 in 2021/22 financial year. The amount reported includes irregular expenditure relating to projects implemented on behalf of principals.



Status (under assessment, determination, investigation)	2022/23 Financial year	2021/22 Financial year
Opening Balance	R628,793,970	R487,162,390
Assessed and Confirmed	R74,617,623	R58,376,975
Determination	R18,724,347	R83,254,606
Closing Balance	R722,135,941	R628,793,970

Table 8.3: Irregular expenditure

Fruitless and Wasteful Expenditure: Amatola Water ended the 2022/23 financial year with the fruitless and wasteful expenditure of R79,633,470 as at end of June 2023 and R62,132,006 in 2021/22.

Status (under assessment, determination, investigation	2022/23 Financial year	2021/22 Financial year
Opening Balance	R62,132,006	R43,132,449
Assessed and Confirmed	R17,480,612	R18,999,557
Closing Balance	R79,633,470	R62,132,006

Table 8.4: Fruitless and Wasteful Expenditure

KEY FOCUS AREAS IDENTIFIED DURING THE YEAR WERE:

- a) SCM staff capacitation;
- b) SCM following up with end-user department for submission of specifications in line with Procurement Plan on quarterly basis;
- c) Performance of Compliance Checklists prior to Bid Evaluation to improve efficiency;
- d) Conduct training to Bid Committee members; and
- e) Improve SCM process turnaround times.

CONTRACTS MANAGEMENT UNIT

Amatola Water manages and monitors contracts to ensure compliance with all applicable Legislative Framework, Treasury Regulations and Policy mandate. There is an established Contract Management unit within SCM) which ensures the contracts which Amatola Water enters into are managed on a manner that minimises operational risk, maximises intended benefit and fulfils all contractual obligations.

The Contract Management Unit worked tirelessly to ensure that each project has a signed contract and spending is monitored against the award value to avoid irregular expenditure.

The following deliverables were initiated during the financial year:

- a) Contract Management Standard Operating Procedures (SOP's) drafted and awaiting approval.
- b) Contract Management Process flow drafted and awaiting approval.
- Quarterly Reports on Contract Performance (Progress Status and Contract Expenditure) of each project and contract is maintained.
- Automated Contract Management System is underway for implementation to improve contract performance and monitoring.



- e) All Contract Management Quarterly Reports are submitted to the Executive Management Committee (MANCO) for monitoring of contract performance and accountability.
- f) Appointment professional services to assist mainly with the contract management backlogs pertaining to the period prior the establishment of contract management in Amatola Water.

Contract Management regulates, controls and combats all form of abuse in the Supply Chain Management System. Contract Management serves as an advisory body within the institution in all areas related to the application of contract management systems including monitoring of spending for all Amatola Water contracts.

LOOKING AHFAD

Amatola Water's financial sustainability relies heavily on key clients honouring their payment obligations. Whilst there were glimpses of emergence the threatening financial sustainability difficulties experienced during the 2021/22 to the 2022/23 financial years. For continued financial sustainability and viability, the following key focus areas have been identified:

- a) Aggressive implementation of the Credit Management and Debt Collection Policy;
- b) Review of the Financial Recovery Plan to address potential new revenue generation projects as well as reduction in costs of doing business;
- Focused attention towards SMME development so that they participate positively in growing the Eastern Cape
 Province economy;
- d) Business Development; and
- e) Reducing water losses.













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

The board members are required by section 55(1) of the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and take responsibility for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors were engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data. The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. Risk management in the entity focuses on identifying ,assessing, managing and monitoring all known forms of risks across the entity. While operating risks cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The board members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit. The board members have made the assessment of the entity's ability to continue as a going concern and is satisfied that Amatola Water Board has adequate resources to remain operational for the foreseeable future.

The external auditors are responsible for reporting on whether the financial statements are fairly presented in all material respects in accordance with the applicable financial reporting framework. The external auditors are also responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements set out on page 173 to 244 which have been prepared on the going concern basis, were approved by the board on 30 August 2023 and were signed on its behalf by:

Ms P Yako
Interim Board Chairperson

Mr S Koyo Acting Chief Executive





AUDIT AND RISK COMMITTEE REPORT

Background

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

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

Membership and Attendance

- a) The Committee consists of members who are financially literate and have the appropriate experience.
- b) The Committee met twelve (12) times during the year. This was due to additional special meetings that were required due to numerous governance challenges that were facing the entity.
- c) The list of Committee members, their qualifications and a record of their attendance is as follows:

							ber Of etings	
Name	Qualifications	Independent External Member Or Board Member	Race	Date Appointed	Gender	Total	Meetings Attended	Term End Date
G Labane	Chartered Accountant (SA), Advanced Certificate (Auditing), BCom Hons (Accounting), Certificate (Theory of Accounting), Intermediate Certificate (Accountancy), National Diploma (Cost and Management Accounting),	Independent External Member (Chairperson)	Black	11-Nov-21	М	12	12	To Date
F Mudau	BCOM, Government Finance Certificate, Certificate in Municipal Finance, MBL -enrolled	Independent External Member	Black	11-Nov-21	F	12	12	To Date



							ber Of etings	
Name	Qualifications	Independent External Member Or Board Member	Race	Date Appointed	Gender	Total	Meetings Attended	Term End Date
S Maharaj	Chartered Accountant (SA), Chartered Government Finance Officer (Chartered Institute of Government Finance), Municipal Executive Financial Management, Black Belt Digital Six Sigma Certified, MBA (cum laude), BCompt Hons, BCom	Independent External Member	Black	11-Nov-21	М	12	12	To Date
A Mjekula	MBA; Financial Accounting as focal area. BA	Board Member	Black	25-Mar-22	М	12	11	To Date
B Mokgatle	MBA BCOM Accounting	Board Member	Black	25-Mar-22	F	12	11	To Date

ARC MEMBERS	ARC POSITION	NUMBER OF MEETINGS ATTENDED	ORDINARY ARC MEETINGS	SPECIAL MEETING
G Labane	Chairperson	12	4	8 **
F Mudau	Member	12	4	8 **
S Maharaj	Member	12	4	8 **
A Mjekula	Member	11	4	7 **
B Mokgatle	Member	11	3	8 **

^{**} The number of Special ARC meetings is informed by the following:

- a) Board delegated the ARC to review the Quarterly Performance Information Reports and Department of Water and Sanitation (DWS) Quarterly Reports prior to submission to the DWS to provide assurance. The consideration of these reports happens outside the Ordinary meetings.
- b) Consideration of urgent and ad hoc reports including investigation reports.
- c) Furthermore; the Committee has two standard special meetings, the first one considers the Draft Annual Financial Statements (AFS) and Draft Annual Performance Report (APR) and the second one considers the Draft Audit Report and Draft Management Report from the Auditor General South Africa (AGSA).

RESPONSIBILITIES OF THE AUDIT AND RISK COMMITTEE

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

Internal Controls

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

Risk Management

- a) Management is responsible for the establishment and maintenance of an effective system of governance, risk management, and prevention and detection of fraud and internal controls.
- b) Internal audit was guided by the consolidated risk profile, critical audit areas and management's inputs in the formulation of its Three-Year Rolling Strategic and Annual Internal Audit Plans.
- c) Amatola Water has a Risk Committee which is chaired by the Chief Executive Officer, as the ultimate Chief Risk Officer (CRO) who reports risk management activities directly to the ARC. The Committee was not fully functional throughout the financial year. The Management Committee, constituted by all the Executive Managers



- considered the quarterly risk management reports prior to tabling in the ARC meetings. Amatola Water appointed the Manager: Risk and Compliance effective 1 December 2022 to coordinate risk and compliance function.
- d) Quarterly Risk Management Reports are updated and reviewed at each Risk Committee meeting and updated with emerging risks. It ensures that all the major risks, including the emerging risks facing the Amatola Water Board, are effectively managed. The Committee participates extensively in the Annual Risk Assessment Workshops of Amatola Water.

Internal Audit

The Committee approved a risk-based Three-Year Rolling Strategic Internal Audit Plan and an Annual Audit Coverage Plan for 1 July 2022 to 30 June 2023 covering the following key audit activities:

COMPLETED AUDITS	NUMBER OF AUDITS
Fraud Prevention Plan	4
Review of 2021/22 Draft Annual Financial Statements (AFS)	1
Review of 2021/22 Quarter 4 Performance Report	1
Review of 2021/22 Draft Annual Performance Report (APR)	1
Review of Supply Chain Management (Q1 & Q2)	1
Review of Individual Performance Management System Review	1
Probity Review of Bid No: AW2022_23_32: Procurement of Services for a Holistic Organisational Review, Including Change Management and Organisational Culture Rejuvenation	1
Follow-up on the prior-year's Internal Audit Reports	4
Follow-up on 2021/22 Audit Intervention Plan (AGSA findings)	3
Audit of Predetermined Objectives (AoPO)/Performance Information Review (Q1 to Q3)	3
Investigation of Alleged Breach of Company Policy pertaining to failure to declare conflict of interest	1
Investigation of Alleged Breach of Company Policy-financial misconduct and authorised misuse of company vehicle	1
Investigation of an Alleged Misrepresentation of Prior Employment Credentials	1
Investigation of Improper Allocation of Company Housing	1
Investigation into alleged negligence that resulted in vandalism and theft at Ndlambe Water Supply: Upgrade of Port Alfred Brackish Water Reverse Osmosis BWRO Plant	1
Investigation of alleged smuggling of an application for a Senior Manager: Human Resources Position	1
Review of 2022/23 Technical Indicator Descriptors	1
Review of 2023/24 Technical Indicator Descriptors	1

COMPLETED AUDITS	NUMBER OF AUDITS
Review of the 2021/22 Draft Integrated Annual Report	1
Review of Audit Intervention Plan (Follow-up on 2020/21 AGSA findings)	3
Review of the Draft Integrated Annual Report of 2020/21	1
Review of the Draft Strategic Plan and Draft Business Plan for 2022/23 financial year	1
TOTAL PLANNED AND PERFORMED AUDITS	34

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

- a) With the activities of the Internal Audit function, including its annual work programme, the reports of significant investigations and responses of management to specific recommendations.
- b) Internal Audit has conducted its work in accordance with the standards set by the Institute of Internal Auditors.
- c) The Committee conducted the annual performance assessment on the effectiveness of Internal Audit and is generally satisfied with the performance and effectiveness of Internal Audit.
- d) The Committee is concerned about the internal control weaknesses as identified by Internal Audit and expects management to address all those weaknesses identified.
- e) The Committee considered and noted the limited capacity within Internal Audit which resulted in two reviews not completed on time and further advised appointment of additional in-house Internal Audit staff members and on the procurement of an external service provider to complement the IA Function.

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

Other Identified Concerns

The Committee's areas of concerns related to:

- a) Control weaknesses in the supply chain management environment.
- b) The processes for recovery of outstanding debtors balances were not always completely followed, with the Amathole District Municipality being the highest non-paying debtor.
- c) An increase in a number of investigations relating to alleged fraud and corruption within Amatola Water.
- d) Number of vandalism on various Amatola Water Plants which raises security concerns.

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



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

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

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

External Audit

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

THE EFFECTIVENESS OF INTERNAL CONTROLS

The Committee considered all the reports issued by the various assurance internal and external providers. The status of management's actions to address prior control weaknesses was:

ASSURANCE PROVIDER	TOTAL FINDINGS	RESOLVED FINDINGS	PARTIALLY RESOLVED FINDINGS	NOT RESOLVED
Internal audit	50	20	5	25
External audit	46	36	8	2
ICT vulnerability assessment (internal and external penetration testing)	19	17	2	-
ISO SHE Compliance Internal Audit	197	64	-	133
SHE Legal Compliance Audit	27	9	-	18
SABS Certification Audit	13	6	-	7
Total #	352	152	15	185
Total %		43%	4%	53%

COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

The Committee has:

a) Reviewed the in-year management and quarterly reports submitted in terms of the Public Finance Management

Act and is satisfied that no material deviations were noted.

b) Reviewed management's policies and procedures to ensure compliance with applicable laws and regulations.

EVALUATION OF THE INTERNAL AUDIT FUNCTION

The Committee has evaluated/assessed the performance and effectiveness of the Internal Audit Function for the 2022/23 financial year and is generally satisfied with the performance and effectiveness of Internal Audit and progress

towards finalisation of the Internal Audit Plan.

EVALUATION OF THE AUDIT AND RISK COMMITTEE

The Committee has conducted a self-assessment of its performance and effectiveness for the 2022/23 financial year

and is generally satisfied with its performance. The report on assessment of the Committee will be tabled to the Board.

EVALUATION OF FINANCIAL STATEMENTS AND ANNUAL REPORT

The Committee has evaluated the AFS and APR for the year ended 30th June 2023 and duly recommended these for the approval by the Board of Amatola Water. The Committee welcomes the Unqualified Audit Outcome from AGSA

for the 2022/23 financial year. This is an improvement from the 2021/22 Qualified Audit Outcome.

We would like to express our sincere appreciation to the management team for their leadership and commitment

during a very challenging period.

Mr G Labane

Audit Committee Chairperson Date: 30th November 2023



REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

- 1. I have audited the financial statements of the Amatola Water Board set out on pages 173 to 244, which comprise the statement of financial position as at 30th June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
- 2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Amatola Water Board as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).
- 3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
- 4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
- 5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Restatement of corresponding figures

7. As disclosed in note 28 to the financial statements, the corresponding figures for 30th June 2022 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 30th June 2023.

Material debt impairment

8. As disclosed in note 5 to the financial statements, debt impairment of R28,3 million (2022: R9,8 million) was incurred as a result of an allowance for doubtful debt.



Other matter

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

National Treasury Instruction Note 4 of 2022-23: PFMA compliance and reporting framework

10. On 23 December 2022, the National Treasury issued Instruction Note 4 of 2022-23, which came into effect on 3 January 2023, in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA. The instruction note deals with the PFMA compliance and reporting framework and addresses, among others, the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Irregular expenditure and fruitless and wasteful expenditure incurred in prior financial years and not yet addressed no longer need to be disclosed in either the annual report or the disclosure notes to the annual financial statements. Only the current year and prior year figures are disclosed in notes 31 and 32 to the financial statements of the entity. Movements in respect of irregular expenditure and fruitless and wasteful expenditure also no longer need to be disclosed in the notes to the annual financial statements. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) is now included as part of the other information in the annual report of the entity. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the financial statements

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



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

- My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
- 14 A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.
- 15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
- 16. I selected the following objectives presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected objectives that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Objectives	Pages	Purpose
Organisational effectiveness and efficiency	85-86	The objective relates to the entity's mandate, which is about the improved provision of safe and reliable water through monitoring water supply quality and ensuring reliability of water supply. This is of significant community interest as it relates to the provision of a basic service that affects public health, namely a clean water supply.
Financial performance	87-90	The objective includes indicators that relate to repairs and maintenance of the infrastructure needed to support the supply of water services. One indicator deals with measuring the entity's plans to implement proactive maintenance of relevant infrastructure to ensure the water supply is at the required levels. This is of significant community interest as it relates to the provision of a basic service that affects public health, namely a clean water supply.



Objectives	Pages	Purpose
Customer/ stakeholder interaction	91	The water sector requires capital expenditure projects to be properly managed to ensure that they are completed on time. Furthermore, the objective includes indicators that relate to the implementation of ministerial directives.

- 17. I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.
- 18. I performed procedures to test whether:
 - the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
 - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and
 measurable to ensure that it is easy to understand what should be delivered and by when, the required level of
 performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
 - the reported performance information is presented in the annual performance report in the prescribed manner
 - there is adequate supporting evidence for the achievements reported.
- 19. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.
- 20. The material findings on the reported performance information for the selected objectives are as follows:

Customer/stakeholder interaction

SO2.1.7: percentage of capex projects within target completion dates against planned number

21. An achievement of 56,3% was reported against a target of 80%. However, the audit evidence did not support this achievement as inconsistencies were noted in how the technical indicator descriptor was applied to determine the reported achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that the underachievement on the target was more than reported.



Other matter

22. I draw attention to the matter below.

Achievement of planned targets

- 23. The annual performance report includes information on reported achievements against planned targets and provides explanations for over or under achievements. This information should be considered in the context of the material findings on the reported performance information.
- 24. The entity plays a key role in delivering services to South Africans. The tables that follow provide information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages 81 to 93.

Objective 1: organisational effectiveness and efficiency

Targets achieved: 60% Budget spent: 92%

Key service delivery indicator not achieved	Planned target	Reported achievement
SO3.2.1: percentage assurance of potable water supply	98%	95,84%
SO2.1.2: percentage of total water losses on production and distribution	14%	15%

Objective 2: financial performance

Targets achieved: 23% Budget spent: 58%

Key service delivery indicator not achieved	Planned target	Reported achievement
SO1.1.14: repairs and maintenance as % of PPE and investment property (carrying value)	1,56%	1,06%



Objective 3: customer/ stakeholder interaction

Targets achieved: 75% Budget spent: 66.1%

Key service delivery indicator not achieved	Planned target	Reported achievement
SO2.1.7: percentage of capex projects within target completion dates against planned number	80%	56.30%

Material misstatements

25. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Customer/ stakeholder interaction. Management did not correct all of the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

- 26. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters.
- The accounting authority is responsible for the entity's compliance with legislation.
- 27. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
- 28. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
- 29. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

30. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA. Material misstatements of property, plant and equipment, employee-related costs, commitments, financial instruments, risk management, segment reporting, irregular expenditure and contingent liabilities identified by the auditors in the submitted financial statements were corrected and/or the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.



Revenue management

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

Expenditure management

- 32. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R93,3 million, as disclosed in note 32 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA.
- 33. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R17,5 million, as disclosed in note 31 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Consequence management

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

Other information in the annual report

- 36. The accounting authority is responsible for the other information included in the annual report, which includes the audit committee's report. The other information referred to does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
- 37. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
- 38. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
- 39. The other information I obtained prior to the date of this auditor's report is the financial chapter reporting on irregular and fruitless and wasteful expenditure. The outstanding information is expected to be made available to me after 31 October 2023.



40. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. The findings noted on the financial chapter have been reported as emerging risks in the management report.

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

Internal control deficiencies

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

43. The entity's leadership did not adequately discharge its oversight responsibilities of implementing and monitoring internal controls to ensure sound financial management and compliance with legislation. This resulted in numerous findings on the financial statements that were subsequently corrected.

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

Other reports

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

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

Juditar General 31 October 2023







The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-General's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

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



activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

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

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

Compliance with legislation - selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 50(3) Section 51(1)(a)(iii); 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 52(b) Section 53(4) Section 54(2)(c'); 54(2)(d) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56 Section 57(b) Section 57(d) Section 66(3)(b)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Treasury Regulation 29.1.1; 29.1.1(a); 29.1.1(c'); 29.2.1; 29.2.2; 29.3.1 Treasury Regulation 31.1.2(c') Treasury Regulation 31.2.5; 31.2.7(a) Treasury Regulation 33.1.1; 33.1.3
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34(1)
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1) Section 22(3)



Legislation	Sections or regulations
CIDB Regulations	CIDB regulation 17; 25(1); 25 (5) & 25(7A)
PPPFA	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
PPR 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
PPR 2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
NT SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2; 4.2 (b); 4.3; 4.4; 4.4 (c); 4.4(d); 4.6 Paragraph 5.4
NT SCM Instruction 4A of 2016/17	Paragraph 6
NT SCM Instruction Note 03 2019/20	Paragraph Par 5.5.1(iv); 5.5.1(x)
NT SCM Instruction Note 11 2020/21	Paragraph 3.1; 3.4 (a); 3.4(b); 3.9: 6.1;6.2;6.7
PFMA SCM instruction 08 of 2022/23	Paragraph 3.2 Paragraph 4.3.2; 4.3.3
Competition Act	Section 4(1)(b)(ii)
NT instruction note 4 of 2015/16	Paragraph 3.4
Second amendment of NTI 05 of 2020/21	Paragraph 4.8; 4.9; 5.1; 5.3



Legislation	Sections or regulations
Erratum NTI 5 of 202/21	Paragraph 1
Erratum NTI 5 of 202/21	Paragraph 2
NT instruction note 5 of 2020/21	Paragraph 5.1 and 5.3



Board's Report

Board's Report

The members submit their report for the year ended 30 June 2023.

1. Incorporation

The entity was incorporated on 14 November 1997 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations.

Amatola Water is a state owned business enterprise, established in 1997 to supply potable water in bulk to municipalities within its operational area. Amatola Water defines its activities in line with the Water Services Act No. 108 of 1997.

The primary activities in terms of Section 29 of the Act is to provide water services (potable bulk water supply and bulk sanitation services) to other water services institutions within its area of operation.

In terms of Section 30 of the Water Services Act, Amatola Water also engages in other services that complement bulk water service delivery such as laboratory services, water quality monitoring, environmental management and also provides other support services to water services institutions in order to promote co operation in the provision of water services.

3. Going concern

As at 30th June 2023, the entity has a deficit of R196,284,000, however the entity has an accumulated surplus of R1,384,690,000 and that the entity's total assets exceed its liabilities by R 1,659,247,000.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. A detailed going concern assessment is in note 36.

4. Subsequent events

Ms S Xulu resigned as a board member on 11th July 2023.

The Minister appointed Ms N Mxenge-Mayende and Mr W Mushohwe to serve on the interim board on 1st August 2023. The members are not aware of any other matter or circumstance arising since the end of the financial year.



Board's Report

5. Board

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

Name	Nationality	Changes

P Yako Chairperson South African
S Dzengwa South African
Z Kiviet South African
A Mjekula South African
B Mokgatle South African
N Tyibilika South African

SP Xulu South African Resigned 11 July 2023

N Mxenge-Mayende South African Appointed 01 August 2023

W Mushohwe Zimbabwean Appointed 01 August 2023

6. External Audit committee members

G Labane South African S Maharaj South African FJ Mudau South African

7. Secretary

Adv T Sagela South African Resigned 30 September 2023

Business address

6 Lancaster Road Vincent

East London 5217

Postal address

Private Bag X3 Vincent East London 5217

8. Auditors

Auditor General South Africa will continue in office for the next financial period. The annual financial statements set out on page 173 to 244 which have been prepared on the going concern basis, were approved by the board on 30th August 2023 and were signed on its behalf by:

Ms P Yako

Interim Board Chairperson

Home

Mr S Koyo

Acting Chief Executive



Statement of Financial Position as at 30 June 2023

Figures in Rand thousand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	5,512	5,281
Receivables from exchange transactions	4	219,026	225,974
Statutory receivable	6	30,745	24,852
Cash and cash equivalents	7	199,736	252,445
Caer and caer equiverence	_	455,019	508,552
	_	400,017	300,332
Non Current Assets			
Property, plant and equipment	8	1,633,652	1,707,693
Intangible assets	9	5,190	2,545
	_	1,638,842	1,710,238
Total Assets		2,093,861	2,218,790
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	434,061	362,681
Provisions	12	553	532
	_	434,614	363,213
Total Linkilision	_	424 414	242 212
Total Liabilities	_	434,614	363,213
Net Assets	_	1,659,247	1,855,577
Share capital / contributed capital		274,557	274,557
Accumulated surplus		1,384,690	1,581,020
Total Net Assets	_	1,659,247	1,855,577

Statement of Financial Performance

Figures in Rand thousand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Revenue	13	409,850	385,862
Cost of sales	14	(408,480)	(380,297)
Gross surplus	_	1,370	5,565
Other income	15	6,120	4,346
Finance income	16	38,127	32,008
Total revenue from exchange transactions		45,617	41,919
Expenditure			
Employee related costs	17	(67,961)	(62,118)
Non executive members emoluments	18	(7,303)	(4,934)
Depreciation and amortisation	10	(338)	(837)
Impairment loss	19	(15,341)	(48,411)
Finance costs	20	(17,463)	(19,000)
Lease rentals on operating lease	21	(11,337)	(10,467)
Debt impairment	5	(30,529)	9,774
Repairs and maintenance	22	(16,224)	(17,222)
Loss on disposal of assets	8	(40)	(6,802)
General expenses	23	(75,365)	(56,291)
Total expenditure		(241,901)	(216,308)
Deficit for the period	_	(196,284)	(174,389)



Statement of Changes in Net Assets

Figures in Rand thousand	Note(s)	Share capital / contributed capital	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2021		274,557	1,751,942	2,026,499
Changes in net assets				
Surplus for the year as previously reported		-	(180,798)	(180,798)
Correction of prior period	28	-	9,876	9,876
Total changes		-	(170,922)	(170,922)
Restated* Balance at 01 July 2022		274,557	1,580,974	1,855,531
Changes in net assets				
Deficit for the period		-	(196,284)	(196,284)
Total changes		-	(196,284)	(196,284)
Balance at 30 June 2023		274,557	1,384,690	1,659,247

Cash Flow Statement

Figures in Rand thousand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		410,905	412,471
Interest income		22,463	18,787
Other receipts		6,120	4,346
	_	439,488	435,604
Payments			
Cash paid to employees		(215,962)	(197,095)
Suppliers		(270,578)	(399,170)
Finance costs		-	· · · · · · · · · · · · · · · · · · ·
	_	(486,540)	(596,265)
Net cash flows from operating activities	24	(47,052)	(160,661)
Cash flows from investing activities	_		
Purchase of property, plant and equipment indirect	8	(8,920)	(13,316)
Additions to work in progress property, plant and equipment	8	(9,035)	(4,309)
Additions to work in progress intangible assets	9	(3,366)	-
Interest Income		15,664	13,221
Net cash flows from investing activities	-	(5,657)	(4,404)
Net increase/(decrease) in cash and cash equiva- lents		(52,709)	(165,065)
Cash and cash equivalents at the beginning of the year		252,445	417,510
Cash and cash equivalents at the end of the year	7	199,736	252,445



Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Revenue Section 29	582,692	-	582,692	385,086	(197,606)	33.1
Revenue Section 30	38,120	-	38,120	24,764	(13,356)	*
Other income	2842	-	2842	6120	3,278	33.2
Interest received	39736	-	39,735	38,127	(1,609)	*
Total revenue from exchange transactions	663,390	-	663,390	454,097	(209,293)	
Expenditure						
Employee related costs	(215,322)	-	(215,322)	(224,652)	(9,330)	33.3
Non executive mem- bers emoluments	(4,271)	-	(4,271)	(7,303)	(3,032)	33.4
Accommodation and travel	(2,062)	-	(2,062)	(2,045)	17	33.5
Depreciation and amortisation	(78,386)	-	(78,386)	(77,290)	1,096	*
Impairment loss/ Reversal of impairments	-	-	-	(15,341)	(15,341)	33.6
Finance costs	-	-	-	(17,463)	(17,463)	33.7
Lease rentals on operating lease	(10,988)	-	(10,988)	(11,337)	(349)	*
Debt Impairment	(12,196)	-	(12,196)	(30,529)	(18,333)	33.8
Bulk purchases	(108,868)	-	(108,868)	(97,125)	11,743	33.9
Loss on disposal of assets	-	-	-	(40)	(40)	33.10
Other operating expenses	(225,079)	-	(225,079)	(167,256)	57,823	33.11
Total expenditure	(657,172)	-	(657,172)	(650,381)	6,791	



Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
Deficit before taxation	6,218	-	6,218	(196,284)	(202,502)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	6,218	-	6,218	(196,284)	(202,502)	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3,574	-	3,574	5,512	1,938	33.12
Receivables from exchange transactions	202,272	-	202,272	219,026	16,754	33.13
VAT receivable	-	-	-	30,745	30,745	33.14
Cash and cash equivalents	416,466	-	416,466	199,736	(216,730)	33.15
	622,312	-	622,312	455,019	(167,293)	
Non Current Assets						
Property, plant and equipment	1,874,767	-	1,874,767	1,633,652	(241,115)	33.16
Intangible assets	8,117	-	8,117	5,190	(2,927)	33.17
_	1,882,884	-	1,882,884	1,638,842	(244,042)	
Total Assets	2,505,196	-	2,505,196	2,093,861	(411,335)	



Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
Liabilities						
Current Liabilities						
Payables from exchange transactions	119,816	-	119,816	434,061	314,245	33.18
Provisions	298	-	298	553	255	33.19
-	120,114	-	120,114	434,614	314,500	
_						
Total Liabilities	120,114	-	120,114	434,614	314,500	
Net Assets	2,625,310	-	2,625,310	1,659,247	(96,835)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Share capital / contributed capital	274,557	-	274,557	274,557	-	*
Reserves						
Accumulated surplus	2,350,753		2,350,753	1,384,690	(966,063)	33.20
Total Net Assets	2,625,310	-	2,625,310	1,659,247	(966,063)	

^{*}Only variances over R5 million or above 10% are considered to be material and explained in Note 33.



Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

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

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



Impairment testing

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

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

Provisions

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

Contingencies

Present obligation that arise from past events but are not recognised because: (i) it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation: or (ii) the amount of the obligation cannot be measured with sufficient reliability are disclosed in the financial statements. Contingencies recognised in the current year relate to matters under litigation whose outcome is still uncertain as at year end. Estimates and judgements were therefore required in the disclosure and were informed by the assessments from the entity's legal representatives. Refer to note 26 on litigation contingent liabilities.

Useful lives of waste and water network and other assets

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

Post-retirement benefits

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

The entity determines the appropriate discount rate, through consultation with appointed actuaries, at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations.



In determining the appropriate discount rate, the entity considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Allowance for doubtful debts

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

1.4 Property, plant and equipment-indirect

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

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

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

Property, plant and equipment indirect is initially measured at cost

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

Land is not depreciated.

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

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

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

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

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

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

1.5 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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



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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

The useful lives of items of intangibles assets have been assessed as follows:

Item	Amortisation method	Average useful life
Computer software	Straight line	3-5 years

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

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

1.6 Financial instruments

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

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

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or



 exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

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

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

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

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

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

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

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

- Financial Assets Investments and receivables Held at amortised cost
- Cash and cash equivalents
- Trade and other receivables
- Financial liabilities Held at amortised cost
- Trade and other payables.

Initial recognition

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

The entity recognises financial assets using trade debtors accounting.



Initial measurement of financial assets and financial liabilities

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

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

Subsequent measurement of financial assets and financial liabilities:

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

- Financial instruments at amortised cost.
- Impairment and uncollectability of financial assets.

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

Financial assets measured at amortised cost

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

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

Derecognition

Financial Assets

The entity derecognises a financial assets using trade debtors accounting.

The entity derecognises a financial asset only when:the contractual rights to the cash flows from the financial asset expire, are settled or waived; the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset;

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



Financial liabilities

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

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

Presentation

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

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

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

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

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

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

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

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

1.7 Statutory receivables

Identification

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

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

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



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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The entity recognises statutory receivables as follows: if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;

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

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any: interest or other charges that may have accrued on the receivable (where applicable); impairment losses; and amounts derecognised.

1.8 Leases

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

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

Operating leases lessee

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

1.9 Inventories

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

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

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



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

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

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

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

1.10 Impairment of cash generating assets

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

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

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

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

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

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

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

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

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

Identification



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

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Cash generating units

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

An impairment loss is recognised for a cash generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash

generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of: its fair value less costs to sell (if determinable); its value in use (if determinable); and zero.

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

Reversal of impairment loss

An impairment loss recognised in prior periods for a cash generating asset is reversed if there has been a change



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

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

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

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

In allocating a reversal of an impairment loss for a cash generating unit, the carrying amount of an asset is not increased above the lower of: its recoverable amount (if determinable); and the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

1.11 Impairment of non cash generating assets

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

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

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

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

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

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

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

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



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

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

1.12 Share capital / contributed capital

Capital contribution comprises of inventory and property, plant and equipment that was transferred from the Department of Water and Sanitation (DWS). Capital contribution is accounted for as part of the entity's net assets.

1.13 Employee benefits

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

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

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

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

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

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

Short term employee benefits

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

Short term employee benefits include items such as:

- Wages, salaries and social security contributions;
- Short term compensated absences (such as paid annual leave and paid sick leave) where the compensation for
 the absences is due to be settled within twelve months after the end of the reporting period in which the employees
 render the related employee service;



- Bonus, incentive and performance related payments payable within twelve months after the end of the reporting
 period in which the employees render the related service; and
- Non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

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

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

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

Post employment benefits

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

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

1.14 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.



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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

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

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

1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

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

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

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

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



Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Amatola Water Board's project revenue comprises of:

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

Interest

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

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

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

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



1.17 Revenue from non exchange transactions

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

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

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

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

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

Recognition

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

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

Measurement

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

1.18 Cost of sales

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

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

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and



such other costs as are specifically chargeable to the customer under the terms of the contract.

1.19 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re assess whether they act as a principal or an agent.

Recognition

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.20 Comparative figures

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

1.21 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.



1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.

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

Accounting officers must address cases of irregular expenditure in terms of the Irregular Expenditure Framework.

Upon detection of alleged irregular expenditure, the relevant function must conduct an assessment to identify possible irregularities in transactions that have been processed and to confirm within 30 days whether irregular expenditure has been incurred or whether the incident was the result of non compliance with legislation that did not relate to the incurrence of a financial transaction.

If a transaction has been processed in contravention of legislation and the same transaction has a financial implication (payment was made or a liability was recognised in the books), it must be recorded as irregular expenditure

Where it has been confirmed that the identified non compliance does not constitute irregular expenditure, as defined in section 1 of the PFMA, the accounting officer or accounting authority must –

- (a) strengthen the internal control environment where the non compliance was identified and confirmed; and
- (b) refer the non compliance matter to the Human Resource Management Function in the institution to institute disciplinary processes against the employee responsible for the non compliance.

The loss control function or another relevant function must finalise the determination process within 30 days after assessment of irregular expenditure.

The accounting officer or accounting authority must conduct an investigation if it is suspected that there is a possibility of fraudulent, corrupt or other criminal conduct emanating from the incurrence of irregular expenditure.

If the investigation confirms that the irregular expenditure is related to a fraudulent, corrupt or other criminal conduct, the accounting officer or accounting authority must, within seven days, ensure that a criminal charge is laid with the South African Police Service against the responsible employee(s).

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

1.23 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that



activity and in assessing its performance; and

• for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.24 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01st Jul 2022 to 30 Jun 2023.

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

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

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



1.25 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.26 Events after reporting date

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

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



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

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

1.27 Value Added Tax

Amatola Water Board is registered for Value Added Tax in terms of section 23 of the Value Added Tax Act no 89 of 1991 on the invoice basis.

1.28 Taxation

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

1.29 Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost. Cash and cash equivalents in the statement of financial position comprise of cash at banks and on hand and short term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short term deposits, as defined above, net of outstanding bank overdrafts.



Figures in Rand thousand	2023	2022

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published by the Accounting Standards Board and are mandatory for the entity's accounting periods beginning on or after 01 July 2023 or later periods:

Sta	ndard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:	
•	GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a ma impact	terial
•	Guideline: Guideline on the Application of Materiality to Financial Statements	No effective date	Unlikely there will be a ma impact	terial
•	GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a ma impact	terial
•	iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a ma impact	terial
•	GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a ma impact	terial
•	GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a ma impact	terial
Fig	ures in Rand thousand		2023	2022
3.	nventories			
Pla	nt spares, chemicals and stores	;	3,482	3,203
Wa	ter		2,030	2,078
		5	5,512	5,281

Inventory pledged as security

Inventory is not pledged as security.

Water Inventory Assumptions

Water in Storage facilities

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

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



Water in Pipelines

Capacity of the pipeline is determined by length and diameter of the pipe.

Pipelines in active schemes are assumed to be full. Pipelines in inactive schemes are assumed to be empty.

The value of water inventory on hand at year end is determined using the production cost per kilo litre.

Figures in Rand thousand	2023	2022
4. Receivables from exchange transactions		
Trade receivables	163,179	168,834
Sundry receivables	40,242	38,272
Other receivables	944	1,026
Accrued income	14,446	15,691
Other project receivables	215	2,151
- -	219,026	225,974
Trade receivables	341,129	310,568
Debt Impairment	(177,950)	(141,735)
- -	163,179	168,834
Sundry Receivables	95,299	79,490
Debt Impairment	(55,057)	(41,218)
- -	40,242	38,272
Other trade receivables*	-	17,570
Debt impairment	-	(17,570)
-		
Other project receivables*	0.151	0.151
Gross	2,151	2,151
Debt impairment	(1,936) 215	2,151
-	213	2,131
Employee debtors		
Gross employee debtors	446	446
Impairment _	(346)	-
-	100	446
Total receivables from exchange transactions	219,026	225,974



Trade and other receivables payment terms are 30 days from invoice date. Interest has been charged on these debtors in the year under review. Refer to note 34.

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

Other receivables relates to prepaid expenses, rental deposits and employee receivables that occurred during the course of the business.

Accrued income relates to project costs not yet billed that relates to the financial year under review. These costs will be billed to the principal funders in the forth coming financial period and will be recognised to surplus and deficit as per other project implementing agent contract costs.

Other project receivables relates to funds that were held under trust by a legal practitioner for accounts that were under dispute. The dispute was eventually resolved however the funds are still to be recovered from the legal practitioner.

Other trade receivables* in 2021/22 relates to an accrual raised in the prior year for the BCMM billing The debt has been settled in 2022/23 financial year.

Figures in Rand thousand	2023	2022
5. Debt impairment		
Debt impairment	30,529	(9,774)

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

2022	Opening Balance	Movement	Movement VAT Portion		Total
Allowance for doubtful debt	194,192	(9,774)	(1,466)	-	182,952
Other trade receivables	17,570	-	-	-	17,570
	211,762	(9,774)	(1,466)	-	200,522

Debt impairment increased in the current year due to ADM failing to honour the debt arrangement.

Figures in Rand thousand	2023	2022
6. Statutory receivable		
VAT	30,745	24,852



Amatola Water is a registered VAT vendor and accounts for VAT on an accrual basis in accordance with VAT Act 89 of 1991. The entity has, for the current financial year submitted all VAT returns to SARS. All amounts that were due to SARS we paid, there are however some refunds that are due to the entity that are outstanding from SARS. Included in the VAT receivable disclosed above is VAT relating to debt impairment amounting to R30,392 million, (2022: R 23,258 million).

Figures in Rand thousand	2023	2022
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	11,801	130,020
Short term deposits	187,935	122,425
	199,736	252,445
Cash and cash equivalents held by the entity for capital upgrades	43,734	54,319
Cash and cash equivalents held by the entity on behalf of principals	12,318	14,671
Cash and cash equivalents held by the entity for operations	143,684	183,455
	199,736	252,445

Cash at banks earns interest at daily bank deposit rates.

Short term deposits are made for varying periods, depending on the immediate cash requirements of the entity and earn interest at the respective short term deposit rate. The following cash balances related to specific expenditure requirements and is not available for the daily operations of the entity.

Cash held by the entity relating to capital upgrades is the cash received from DWS for capital upgrades of Amatola Water Board treatment works.

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

Guarantees

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

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

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

Figures in Rand thousand	2023	2022
Eskom	1,000	1,000



8. Property, plant and equipment indirect

		2023			2022	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	5,410	-	5,410	5,410	-	5,410
Buildings	157,325	(93,549)	63,776	156,939	(89,824)	67,115
Plant and machinery	15,759	(11,681)	4,078	15,530	(11,221)	4,309
Furniture and fixtures	14,455	(8,600)	5,855	13,240	(6,306)	6,934
Motor vehicles	36,510	(7,524)	28,986	36,510	(5,846)	30,664
IT equipment	11,983	(8,595)	3,388	10,945	(6,950)	3,995
Civil works	59,562	(35,615)	23,947	58,863	(33,772)	25,091
Pipelines and Distribution	1,575,789	(880,888)	694,901	1,567,599	(859,676)	707,923
Reservoirs	723,642	(414,407)	309,235	723,611	(396,602)	327,009
Pumpstations	177,601	(107,911)	69,690	177,500	(96,544)	80,956
Treatment works	696,567	(279,053)	417,514	691,305	(251,358)	439,947
Boreholes	21,062	(14,190)	6,872	20,384	(12,044)	8,340
Total	3,495,665	(1,862,013)	1,633,652	3,477,836	(1,770,143)	1,707,693

8. Property, plant and equipment-indirect (continued) Reconciliation of property, plant and equipment-indirect 2023

	Opening balance	Additions	Disposals	Work in progress	Depreciation	Impairment loss	Total
Land	5,410	-	-	-	-	-	5,410
Buildings	67,115	385	-	-	(3,712)	(12)	63,776
Plant and machinery	4,310	1,202	(1)	-	(876)	(557)	4,078
Furniture and fixtures	6,933	244	-	-	(1,133)	(189)	5,855
Motor vehicles	30,664	-	-	-	(1,605)	(73)	28,986
IT equipment	3,995	1,117	(39)	-	(1,508)	(177)	3,388
Civil works	25,091	699	-	-	(1,628)	(215)	23,947
Pipelines and Distribution	707,923	1,198	-	6,992	(21,212)	-	694,901
Reservoirs	327,009	31	-	-	(16,337)	(1,468)	309,235
Pumpstations	80,956	100	-	-	(7,706)	(3,660)	69,690
Treatment works	439,946	3,266	-	1,997	(19,742)	(7,953)	417,514
Boreholes	8,340	678	-	-	(1,110)	(1,036)	6,872
	1,707,692	8,920	(40)	8,989	(76,569)	(15,340)	1,633,652

Reconciliation of property, plant and equipment-indirect - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Reclassification adjustments	Total
Land	5,410	-	-	-	-	-	-	5,410
Buildings	67,115	293	-	-	(3,693)	-	-	67,115
Plant and machinery	7,932	177	(28)	-	(1,409)	(591)	(1,772)	4,309
Furniture and fixtures	5,162	293	(22)	-	(898)	(76)	1,771	6,934
Motor vehicles	30,664	-	-	-	(1,704)	(124)	-	30,664
IT equipment	3,966	767	(51)	-	(1,668)	(477)	-	3,995
Civil works	25,091	-	-	-	(1,686)	-	-	25,091
Pipelines and Distribution	706,835	6,740	(951)	(7,312)	(21,138)	(37,230)	1,088	707,923
Reservoirs	327,203	528	-	-	(16,343)	-	(194)	327,009
Pumpstations	80,956	9,034	(421)	-	(7,220)	-	-	80,956
Treatment works	440,840	3,503	(5,329)	3,602	(20,057)	(10,071)	(893)	439,947
Boreholes	8,340	-	-	-	(1,096)	-	-	8,340
	1,822,349	21,335	(6,802)	(3,710)	(76,912)	(48,569)	-	1,707,693

Costs to repair and maintain assets have been disclosed in note 22. No property, plant or equipment have been pledged as security.



8. Property, plant and equipment-indirect (continued) Reconciliation of Work in Progress 2023

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

Detail of Work in Progress 2023

Project name	Opening balance	Additions	Transfers	Impairment	Total
CAP17 Nahoon bulk supply	4,665	-	-	-	4,665
CAP30 Nahoon rising main and Ndevana Berlin	707	254	-	-	961
CAP34 Debe Nek	-	470	-	-	470
CAP36 Binfield treatment works	37,872	1,800	-	-	39,672
CAP37 Sandile/Peddie	112,865	943	-	-	113,808
CAP38 Refurbishment of bulk water supply infrastructure	1,726	3,864	(840)	-	4,750
CAP 41 Albany Coast	-	3,244	(746)	-	2,498
Upgrade of scientific laboratory	666	-	-	-	666
Other Asset	989	3,366	(768)	-	3587
_	159,490	13,941	(2,354)	-	171,077

Long outstanding work in progress

CAP17 – Nahoon bulk supply

The Nahoon Bulk Supply Project is currently the flagship expansion project, but it requires substantial capital to proceed and finalisation of a supply contract. Funding has been applied for and currently awaiting approval.

CAP30 - Nahoon rising main and Ndevana Berlin

This project is still under construction due to limited funding and scope finalisation within AW and with BCMM. Some aspects of project finalisation are dependent on detailed assessments from the IMP process.

Ndevana to Berlin Rising Main An "Environmental Basic Assessment" was concluded, and an approval was granted by the DEDEAT. AW needs to make available budget to commence the procurement of a "Professional Service Provider" to do a "Technical Feasibility Study" and the "Designs" for the implementation of the project.



CAP34 Debe Nek

The project is in the process of being finalised and some contractual matters are outstanding and should **be** resolved in the 2023/24 financial year. During the year the Debe Nek Phase 2B Reservoirs capital upgrade project was halted and its unlikely that the project will be completed due to lower water yields from Debe dam. However, a decision has not been made by the organisation pending finalisation of the Infrastructure Master Plan.

CAP36 - Binfield

There are incomplete reservoirs and pipework due to contract cancellations, but the work still needs to be completed for the project to be brought to completion.

CAP37 Sandile

The project includes two reservoirs that were completed in 2018 but not yet connected and tested. The work is dependent on new pipelines that may come into service in the 2023/24 financial year.

Reconciliation of Work in Progress 2022

Project name	Included within Infrastructure	Included within intangibles	Total
Opening balance	208,643	768	209,411
Additions/capital expenditure	16,397	-	16,397
Impairment	(46,212)	-	(46,212)
Transferred to completed items	(20,106)	-	(20,106)
	158,722	768	159,490

9. Intangible assets

		2023			2022	
	Cost	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	8,253	(3,063)	5,190	4,887	(2,342)	2,545

Reconciliation of intangible assets 2023

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



Reconciliation of intangible assets 2022

	Opening balance	Amortisation	Total
Computer software	3,228	(683)	2,545

Pledged as security

No intangible assets pledged as security.

10. Depreciation and amortisation

Figures in Rand thousand	2023	2022
Property, plant and equipment	76569	76912
Intangible assets	721	683
	77290	77,595
Direct included in cost of sales	76,952	76,758
Indirect depreciation and amortisation	338	837
	77,290	77,595

11. Payables from exchange transactions

Figures in Rand thousand	2023	2022
Trade payables	323,676	264,406
Payments received in advanced contract in process	12,318	14,671
Project Payables	11,723	16,750
Other payables	71,236	53,045
Accrued leave pay	9,158	7,940
Accrued 13th Cheque	5,888	5,653
Debtors with credit balances	62	216
	434061	362,681

Trade and other payables terms are 30 days from the invoice date unless stated otherwise based on a valid contract between Amatola Water Board and the service provider concerned.

Other payables relate to payroll related balances (PAYE, SDL and UIF payable, etc), Water research levy and other liabilities which are individually not significant.

Payments received in advance relates to funds received in advance for project implementation.



12. Provisions

	2023	2022
Long service award	553	532

Reconciliation of provisions 2023

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

Reconciliation of provisions 2023

	Opening Balance	Additions	Utilised during the year	Total
Long service award	536	7	(11)	532

Long service awards vest with the employees on completion of an uninterrupted 5 years' service, and thereafter every 5 years of uninterrupted service or when the employee retires whilst in the employ of the Amatola Water Board.

The vesting conditions are uncertain as employees may leave at any given moment.

13. Revenue

. c. nevenes		
Figures in Rand thousand	2023	2022
Raw water sales	24,398	26,769
Revenue Section 30	24,764	28,658
Treated water sales	360,688	330,435
Other income	6,120	4,346
Interest received	38,127	32,008
	454,097	422,216
Detail of primary and secondary revenue		
Section 29 water volumes	<u>-</u>	-
Treated water	29,904	28,810
Raw water	8,156	9,399
	38,060	38,209



Figures in Rand thousand	2023	2022
Section 29		
Treated water sales	360,688	330,435
Raw water sales	24,398	26,769
	385,086	357,204
Section 30		
Implementing agency fees	8,300	12,504
Operations and maintenance agreement	16,464	16,154
	24,764	28,658
Revenue		
Section 29 Revenue	385,086	357,204
Section 30 Revenue	24,764	28,658
Section 50 Revenue	409,850	385,862
	,	
14. Cost of sales		
Sale of goods Section 29		
Raw water purchases	97,125	91,512
Water research levies	3,021	2,906
Electricity	55,315	55,951
Chemicals	18,012	11,177
Employee benefit costs	126,309	110,802
Depreciation and amortisation	76,953	76,758
	376,735	349,106
Cost of sales Section 30		
Employee benefit costs	30,382	25,062
Repairs and maintenance	1,024	1,398
Project costs	340	4,731
	31,746	31,191
	408,481	380,297

Figures in Rand thousand	2023	2022
15. Other income		
Sundry income	6,120	4,346
Sundry income includes commission and discounts received, permi	t fees, tender document sales, so	cientific services
revenue, and rental income.		
16. Finance income		
Interest revenue		
Interest earned from cash investments	15,664	13,221
Interest income relating to trade and other receivables	22,463	18,787
	38,127	32,008
17. Employee related costs		
Indirect employee related costs	67,889	62,040
Long service awards	72	78
	67,961	62,118
Employee related costs		
Basic salaries	135,948	123,415
Bonus	12,009	11,205
Allowances	24,235	23,268
Overtime	7,611	7,153
Long service awards	72	78
Contributions Medical, Pension, UIF	40,076	34,031
Other allowances	25	77
Leave pay	2,142	(3,062)
Casual wages	499	21
Skills development levy	2,035	1,796
	224,652	197,982
Direct costs	156,691	135,864
Indirect costs	67,961	62,118
	20115	107.000



197,982

224,652

The entity provides retirement benefits for all permanent employees by making contribution to a defined contribution provident and pension fund. The fund, Orion, is administered by Old Mutual and is subject to the *Pension Fund Act, 1956 as amended.

		R ′000		R '000
	Number of Staff 2023	2023	Number of Staff 2022	2022
	20.4	10 (00	222	15.004
Provident fund contributions	224	18,682	239	15,924
Pension fund contributions	61	5,218	54	4,813
	285	23,900	293	20,737

An actuarial valuation has been performed on Amatola Water Board's unfunded liability in respect of the entitlement of employees to Long Service Awards and Retirement Gifts. The effective date of this valuation is 30 June 2023.

The Amatola Water Board provides long service awards and retirement entitlements which are defined as other long service awards in terms of GRAP 25. In the current financial year, management assumed that all actuarial assumptions occurred and the actuarial valuation held true. It is management's intention to value the employee benefits every year. These are reconciled as follows:

	Long service awards	Retirement gifts
Balance at 30 June 2022	466	66
Current services costs recognised in the statement of comprehensive income	44	5
Retirement gifts/ Long service awards paid	(49)	(3)
Interest cost	41	6
Actuarial gain	(17)	(6)
Balance at 30 June 2023	485	68

The executive members emoluments are disclosed on note 18.

18. Executive and non-executive members' emoluments

	and 13th Cheque	allowance	disability and group life	allowances /Leave Payout	allowances	/provident package	cover	Payments UIF /SDL	Amount	<u> </u>
		•	•		,	•	•	•	575	575
S Koyo EM Planning and 1,368 Development	3 140	234	83	7/	56 204	108	•	22	1	2,215
S Qweleka EM 1,740 Operations	169	•	100	``	31 96	196	82	23	ı	2,437
Z Ngele EM Corporate 1,737 Services	160	1	95		2	186	57	22	ı	2,259
S Galada Chief 1,311 Financial Officer	42	73	75	7	41 90	123	1	17	ı	1,772
L Makuleni Interim CE 15 660 August 2022 14 November 2022		ı	33		"	1	1	7	ı	703
918′9	511	307	386	1,	133 390	613	139	91	575	196'6

Executive 2022	Cash component	Back pay and 13th Cheque	Acting allowance	Family cover, Reimbursive disability and allowances group life	Reimbursive allowances	Vehicle allowances	Pension /provident package	Medical	Statutory Payments UIF /SDL	Settlement Amount	Total
V Zitumane Former CE	1	•	•	ı		'	•	•	290	က	293
S Koyo EM Planning and Development	1,341	80	134	63	55	5 204	106	•	ı	20	2,003
S Qweleka EM Operations	1,699	237	149	76	39	96 6	192	81	ı	25	2,594
Z Ngele EM Corporate Services	1,697	214	1	72	-	6	181	57	ı	22	2,252
	4,737	531	283	211	103	3 300	479	138	290		70 7,142

2023 Acting arrangements			
Position	Name	Dates in Service	2023 Acting Allowance
Acting Chief Executive Officer	S. Koyo	July 2022 to 14 August 2022 and from 07 March 2023 present	234
Acting Chief Executive Officer	S Galada	14 November 2022 06 March 2022	73
Acting Chief Financial Officer	N Nomnganga	1 July 2022 30 September 2022 and 14 November 2022 06 March 2023	175
Acting Executive Director Corporate Services	S Fatyi	19 July 2022 to 19 September 2022	16
Acting Executive Director Corporate Services	N Klaas	26 April 2022 present	30
Acting Executive Director Planning and Development	M Bila	07 March 2023 to present	80
			608

2022 Acting arrangements			
Position	Name	Dates in Service	2023 Acting Allowance
Acting Chief Financial Officer	U Mbali	July 2021 to 24 April 2022	145
Acting Chief Financial Officer	N Nomnganga	25 April 2022 to present	23
Acting Chief Executive Officer	S Qweleka	July 2021 to 28 February 2022	149
Acting Chief Executive Officer	S Koyo	1 March 2022 to 30 June 2022	133
			450

2023						
	Board stipend	Board Meeting fees	Travel and other disbursements	Committees and other activitie	Board Fees for Nelson Mandela	Total
P Yako Chairperson	238	317	3	952	232	1,742
S Dzengwa	130	204	2	331	-	667
Z Kiviet	173	187	4	493	-	857
A Mjekula	173	194	-	422	-	789
B Mokgatle	173	239	-	347	-	759
N Tyibilika	173	247	-	553	54	1,027
SP Xulu	173	163	-	377	-	713
Independent External Audit committee members	-	-	-	-	-	-
G Labane	173	167	-	219	-	559
S Maharaj	-	-	-	103	-	103
FJ Mudau	-	-	-	86	-	86
	1,406	1,718	9	3,883	286	7,302

^{*}The increase in board fees in 2023 compared to the prior year is as a result of additional and unforeseen ad hoc activities that the board had to undertake.



2022					
	Board stipend	Board Meeting fees	Travel and other disbursements	Board fees for NMMB intervention	Total
P Yako Chairperson	60	219	4	134	417
S Dzengwa	14	47	-	-	61
Z Kiviet	43	139	-	29	211
A Mjekula	43	133	-	31	207
B Mokgatle	43	135	-	31	209
N Tyibilika	43	180	-	54	277
SP Xulu	43	132	-	29	204
G Labane	111	188	-	-	299
S Maharaj	-	56	-	-	56
FJ Mudau	-	72	3	-	75
Old Board Members from July 2021- March 2022	-	-	-	-	-
M Makgae	153	230	1	-	384
T Wana	114	114	20	-	248
M Malotana	54	80	-	-	134
M Mabi	43	14	3	-	60
A Le Roux	78	111	2	-	191
Z Xalisa	153	237	-	-	390
B Tonise	88	122	5	-	215
M Ramushu	129	118	-	-	247
M Sikhosana	129	106	4	-	239
N Jongilanga	129	136	7	-	272
L Letsoalo	129	116	=	-	245
N Madyibi	43	13	-	-	56
G Mahed	129	108	-	-	237
	1,771	2,806	49	308	4,934

^{*}The Minister for the Department of Water and Sanitation on 29 March 2022 appointed Amatola Water Board members to intervene urgently in terms of Section 41 of the Water Services Act, Act 108 of 1997 in addressing water shortages in Nelson Mandela Bay Metropolitan caused by drought. The fees and expenses paid to the members for the intervention will be recovered from DWS.



19. Impairment loss

Figures in Rand thousand	2023	2022
Impairment		
Property, plant and equipment indirect During the physical verification exercise, the condition of assets were assessed and an impairment of R15,341 million (2022: R48,411 million) was raised.	15,341	48,411

2022 Impairment

In the prior year the Debe Nek Phase 2B Reservoirs capital upgrade

project was halt-ed and it was unlikely that the project will be completed due to lower water yields from Debe dam. Total expenditure incurred as at 30 June 2022 amounted to R35,983 million and the whole balance has been impaired as the likelihood of resumption of construction is remote.

The entity also impaired the Sandile water scheme's pipeline drawings with total ex-penditure incurred as at 30 June 2022 of R10,071 million as the

designs were deemed not to be an efficient and effective use of the entity's scarce resources.

During the physical verification exercise the condition of assets were assessed and impairment of R 2,357 million was raised

20. Finance costs

Interest: Creditors 17,463 19,000

Interest: Creditors relates mainly to interest charged by DWS on outstanding bulk water purchases debt as well as interest on late payment from other suppliers.

21. Lease rentals on operating lease

Premises		
Contractual amounts	798	783
Motor vehicles		
Contractual amounts	10,254	9,378
Equipment		
Contractual amounts	285	306
	11,337	10,467
22. Repairs and maintenance		
Buildings offices and houses	1,751	1,696



Figures in Rand thousand	2023	2022
Furniture and fixtures	406	793
Pipeline and distribution	2,600	2,953
Plant and machinery	7,694	8,719
Treatment works	4,797	4,461
	17,248	18,622
Direct repairs and maintenance	1,023	1,398
Indirect repairs and maintenance	16,225	17,224
	17,248	18,622

Figures in Rand thousand	2023	2022
23. General expenses		
Accounting fees	-	38
Audit fees external	5,317	3,870
Bank charges	253	243
Audit fees internal	47	205
Recruitment costs	875	498
Consulting and professional fees	12,607	7,311
Consumables	2,692	2,187
Designs and creative services	51	-
Insurance	2,503	1,696
Health and safety	181	740
Promotional aids and gifts	64	30
Magazines, books and periodicals	(4)	110
Medical expenses	277	113
Equipment hire	845	295
Equipment small value items	419	74
Administration and secretariat services	573	-
Fuel and oil	9,658	6,683
PR services	-	14
Postage and courier	-	8
Printing and stationery	518	492
Inaugurations and events	438	92
Protective Clothing	442	871
Publicity and advertising	543	33
Secretarial fees	191	-
Security	4,971	4,897
Software licences	5,817	4,759
Stores write off and adjustments	(5)	(64)
Stores revaluations	-	5
Telephone and fax	828	909
Training	4,842	5,091
Accommodation and travel	2,045	1,288
Electricity and water	2,269	2,227
Hire of vehicles	36	-



Figures in Rand thousand	2023	2022
Vehicle licence fees	444	322
Fees: technical services	3,997	1,377
Services: courier	13	9
Services data	2,616	1,647
Sponsorship & social investment	121	-
Control of hyacinth	764	64
Legal expenses	5,396	5,379
Membership fees	218	600
Insurance workman's compensation	1,546	1,383
Venue expenses	-	-
Laundry and cleaning expenses	176	263
Reprographics and printing services	42	246
Refreshments: seminars and meetings	728	286
Dam management charge out costs	11	-
	75,365	56,291
24. Cash used in operations		
Deficit	(196,284)	(173,598)
Adjustments for:	, ,	, , ,
Depreciation and amortisation	77,290	77,595
Loss on disposal of assets	40	6,802
Interest income	(38,127)	(32,008)
Impairment deficit	15,341	48,411
Movements in provisions	21	(4)
Finance income from receivables	22,463	18,787
Changes in working capital:		
Inventories	(231)	(746)
Receivables from exchange transactions	6,948	17,910
Payables from exchange transactions	71,380	(132,509)
Statutory receivables	(5,893)	8,699
	(47,052)	(160,661)
25. Auditors' remuneration		
Audit fees: external	5,317	3,870



Figures in Rand thousand	2023	2022
26. Contingent assets and liabilities		
Contingent assets		
Debt applications		
Amatola Water Board is currently pursuing 2 matters for outstanding debt and outcome is uncertain.	900	900
The contingent assets relates to two matters amounting R0.9 million where the ent	tity has instituted legal proceedin	gs to funds.
Contingent liabilities		
Debt applications		
Amatola Water Board is currently defending six (2022: six) applications for outstanding debt and outcome is uncertain	31,000	30,752
Labour matters		
Amatola Water Board is currently defending two (2022: two) labour matters and the outcome is uncertain	3,000	3,000
Other matters		
Amatola Water Board is currently defending four (2022: four) personal liability mat-ters and the outcome is uncertain	12,189	12,189

Debt application matters

- 1. A claim amounting to R4.25 million has been instituted by a service provider as settlement for termination of contracts.
- 2. A service provider is claiming payment to the sum of R3.14 million with interest according to the law for wasted standing time. The parties have filed their discovery notices.
- 3. A service provider claims judgment against the Amatola Water in the sum of R12 million. The claims emanate from a contract for the construction of bulk water supply awarded to the claimant for water supply over 4.9 km in Libode, for alleged breach of material terms of the contract. Pre trial conference has been held and the matter will now proceed to trial.
- 4. A software supplier issued summons against Amatola Water for outstanding payments arising from the master agreement, alternatively a claim for unjustified enrichment arising from contract in the sum of R6.97 million. The matter previously set down for hearing on 02 September 2020. The supplier made final request for settlement which was rejected. The claimant is not advancing the matter.
- 5. An amount of R0.65 million is claimed against Amatola Water for not honouring payment as agreed on appointment.
- 6. A supplier issued summons against Amatola Water for payment for work done to the amount of R3.99 million. The matter was defended by Amatola Water and summary judgment was brought. Summary judgment was dismissed and Amatola Water was given leave to defend. The matter is still pending.



Labour matters

- 1. An employee launched an application to set aside an arbitrator's award confirming his dismissal. The amounts claimed amounts to R1.5 million. The review application is dormant.
- 2. An employee launched an application to review and set aside an arbitrator's award confirming her dismissal in the amounts of R1.5 million. The allocation of a date for the hearing is awaited from the Labour Court.

Other matters

- 1. Claim for damages in the amount of R5 million. It is alleged that a student sustained serious injuries to her hand when she encroached on the moving part of a machine at Butterworth waterworks. Matter was previously postponed as it was not trial ready. The parties are now in the process of preparing for trial.
- 2. The Plaintiffs are suing Amatola Water for alleged negligence resulting from holes dug and left open with no precautionary steps to prevent harm, and or injury or death of human beings to the amount of R6 million. As result of the alleged negligence, the plaintiff's minor children drowned and died in a hole flooded with water and mud that was left open by a contractor employed by Amatola Water.
- 3. A service provider instituted a claim for payment in the amount of R1.18 million. The matter has been dormant for a long time.
- 4. Amatola Water received summons in three matters, with claims amounting to R10 500.00 for the breach of a legal duty owed to members of the public. Amatola Water has filed its appearances to defend in each matter. The matter is still pending.

27. Related parties

Relationships	National Government
Ultimate controlling entity	Department of Water and Sanitation
Controlling entity	Refer to note 18
Members	Bloem Water Board
Entities under control of the Minister of Water and Sanitation	Mhlathuze Water Board
	Overberg Water Board
	Sedibeng Water Board
	Lepelle Northern Water Board
	Magalies Water
	Umgeni Water Board
	Uthukela Water

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

Amatola Water Board has entered into various purchase and service transactions with Department of Water and Sanitation (DWS), in the ordinary course of business. These transactions were at arm's length.

Executive and non executive members are the members of the board and its sub committees and management of Amatola Water Board delegated to run the entity on a day to day basis. The list of key management personnel is disclosed in note 18.

Related party balances

Figures in Rand thousand	2023	2022
Statement of Financial Position		
DWS receivable	43,001	34,133
DWS payable	(306,649)	(219,130)
DWS provision for water research levy and interest	(67,235)	(50,130)
Statement of Financial Performance		
Dam management fees paid by DWS to Amatola Water Board	16,464	16,154
Project revenue DWS	4,345	7,144
Raw water purchases	(97,125)	(91,512)
Interest in outstanding debt DWS	(17,105)	(15,917)
Water research levy	(3,021)	(2,906)

28. Prior period errors

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior year adjustments:



Statement of financial position 2022

	Note	As previously reported	Correction of error	Re classification	Restated
Trade Receivables		225,631	343	-	225,974
Statutory Receivables		26,230	(1,378)	-	24,852
Payables from exchange transactions		(373,558)	10,881	-	(362,677)
Pipelines and distribution		706,835	-	1,087	707,922
Reservoirs		327,203	-	(194)	327,009
Treatment works		440,840	-	(893)	439,947
Furniture and fittings		5,161	-	1,772	6,933
Plant and machinery		6,081	-	(1,772)	4,309
Computer equipment		3,966	29	-	3,995
Accumulated Surplus		(1,571,148)	(9,875)	-	(1,581,023)
	-	(202,759)	-	-	(202,759)
Statement of financial performance 2022	e				
Revenue Section 29		388,534	(1)		388,533
Revenue section 30		31,329	(2,046)	(625)	28,658
Other income		3,721	-	625	4,346
Cost of sales		(386,053)	5,756		(380,297)
Impairment loss		(48,569)	158		(48,411)
Employee related costs		(64,652)	2,046	498	(62,108)
Debt impairment		9,802	(28)		9,774
General expenditure		(56,329)	536	(498)	(56,291)
Adjustments relating to 2021 and before		-	3,454	-	3,454

Errors

The following prior period adjustment occurred.

Trade Receivables

Surplus for the year

The decrease of R 343 000.00 in trade payables is due to the following adjustments:

1. During the year villages that falls under BCMM that were billed to ADM in the prior years in error were billed to BCMM. This has resulted in a correction to the receivables for the prior period.

(122,217)

9,875



(112,342)

- The workmen's compensation insurance premiums for the prior year was reassessed by the insurer resulting in the adjustment to other receivables.
- 3. Reclassification of project recoveries against employee related costs.

Statutory Receivables

The decrease in statutory receivables of R 1 378 000. relates to the vat impact of the correction of the identified errors

Payables from exchange transactions

The decrease of R 10 884 000 in payables is due to the following adjustments:

- 1. Credit notes and invoices for bulk water purchases amounting to R10.726 million pertaining to prior years were received in the current year from DWS. The capturing of the invoices and credit notes resulted in the adjustment to trade payables from exchange transaction and accumulated surplus.
- 2. The entity discovered that project retention of R158 000.00 relating to the Debe nek that was released to the supplier in prior years was still on the retention account.

Property, plant and equipment reclassifications

Correction of property, plant and equipment categories to align with the fixed asset register.

Accumulated Surplus

The overall changes made resulted to an increase on accumulated surplus of R 9.86 million in accumulated surplus.

Revenue section 29

During the year it was discovered that a domestic water client was being billed on an industrial meter configuration. The correction of the billing error of R 793 resulted in the adjustment of the prior year revenue amount.

Revenue section 30

Correction of misclassification of project recoveries revenue.

Other income

Correction of misclassification of other income that was accounted as project recoveries.

Cost of sales

Credit notes and invoices for bulk water purchases amounting to R10.73 million pertaining to prior years were received in the current year from DWS. The capturing of the invoices and credit notes resulted in the adjustment to prior year cost of sales.

Impairment loss

The entity discovered that project retention of R0.16 million relating to the Debe Nek project that was released to the supplier in prior years was still on the retention account. This has resulted in a correction to the impairment loss raised on the project in the prior period and a corresponding adjustment to the trade payables from exchange transactions.



Employee related costs

Reclassification of recruitment cost and project recoveries.

Debt impairment

An error in the bad debts provision calculation amounting to R28 000 was corrected resulting in an adjustment in the debt impairment in the prior period.

General Expenses

The reassessment of the workmen's compensation of the prior period by the insurer resulted in the adjustment to the insurance workmen's compensation by R2 000.

2. Reclassification of recruitment costs and project recoveries.

Figures in Rand thousand	2023	2022
Irregular expenditure		
Amount as previously disclosed	-	1,901
Adjustments made	-	139,731
Restated amount	-	141,632

Adjustment made to opening balance of irregular expenditure is due to complete review of prior year irregular expenditure and addition of irregular expenditure incurred on behalf of the principals.

Contingent liabilities

Contingent liabilities Labour matters	-	3,400
Adjustments made	-	(400)
Restated amount	-	3,000

Adjustment made to the prior year reported contingent liabilities labour matters whereby a contingent asset was erroneously included under contingent liabilities.

Commitments

Adjustments made	-	8,471
Balance as previously reported	-	54,874

Adjustment made to commitments is due to review of the contracts register for completeness.



29. Commitments

Capital commitments are commitments relating to the infrastructure upgrades approved which its expenditure is indicated under Note 8 as Work in Progress. These will be expedited in the next financial year. The proposed capital expenditure will be funded by grant funding as well as internally generated funds.

Figures in Rand thousand	2023	2022
Authorised capital expenditure		
Already contracted for but not provided for		
Property, plant and equipment	146,843	63,345
Total capital commitments		
Already contracted for but not provided for	146,843	63,345
Authorised operational expenditure Total commitments		
Total commitments		
Authorised capital expenditure	146,843	63,345



Management revisited the commitments disclosed in the prior year and have restated the prior year commitment balance.

Operating leases as lessee (expense)

Motor Vehicle

Ninety seven motor vehicles are leased under the ABSA operating lease contract. The lease payments include a maintenance portion for the duration of the lease term. The leases were for an initial term of three years which expired on 30 June 2022. The leases have been extended for a further 17 months until 30 November 2023.

Operating lease commitments

Figures in Rand thousand	2023	2022
- within one year	3,516	3,196

Rental of Office Space

Amatola Water Board entered into two lease rental agreements for office space use with Trevleen properties and with SKG Africa for storage space.

Trevleen Properties lease was for 3 years starting on 1 June 2019 and ending on May 2022 but was extended for a year ending in May 2023 and further extended for 4 months ending in September 2023. SKG Afrika lease started on 1 April 2023 ending 31 March 2024 for the storage of assets to be disposed by Amatola Water.

Operating lease commitments Rental of office space	591	576

Office Equipment

Amatola Water Board entered into a contract with Bytes for 16 printers whereby 10 came to an end in 2023, and the entity entered into a new transversal agreement with Konica Minolta for a period of 3 years starting in July 2023.

Operating lease commitments office equipment

	469	112
- in second to fifth year inclusive	283	-
- within one year	186	112



Figures in Rand thousand

30. Financial instruments disclosure

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Categories of financial instruments		
2023		
Financial assets		
	At amortised cost	Total
Trade and other receivables from exchange transactions	218,290	218,290
Cash and Cash equivalents	199,736	199,736
	418,026	418,026
Financial liabilities		
Other financial liabilities	419,015	419,015
2022		
Financial assets		
Trade and other receivables from exchange transactions	224,112	224,112
Cash and cash equivalents	252,445	252,445
	476,557	476,557
Financial liabilities		
Trade and other payables from exchange transactions	349,087	349,087
Financial instruments in Statement of financial performance		
2023		
Interest income (calculated using effective interest method) for financial instruments at amortised cost	38,127	38,127
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(17,463)	(17,463)
	20,664	20,664

2023

2022



Figures in Rand thousand	2023	2022
	At amortised cost	Total
2022		
Interest income (calculated using effective interest method) for financial instruments at amortised cost	32,008	32,008
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(19,000)	(19,000)
	13,008	13,008
31. Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure identified current	17,501	15,839
Fruitless and Wasteful expenditure incurred on secondary business	-	2,655
Fruitless and Wasteful expenditure incurred in the current year relating to	-	506
prior period		
prior period	17,501	19,000
	te payment of invoices, penal	
Total Fruitless and wasteful expenditure relates to interest charged on the la	te payment of invoices, penal	
Total Fruitless and wasteful expenditure relates to interest charged on the laidentified on project implementation as well as interest on outstanding 32. Irregular expenditure	te payment of invoices, penal	
Total Fruitless and wasteful expenditure relates to interest charged on the laidentified on project implementation as well as interest on outstanding 32. Irregular expenditure Irregular expenditure identified in the current year	te payment of invoices, penal	
Total Fruitless and wasteful expenditure relates to interest charged on the laidentified on project implementation as well as interest on outstanding 32. Irregular expenditure Irregular expenditure identified in the current year Irregular expenditure Amatola Water	ite payment of invoices, penal g DWS debt .	ties/interest
Total Fruitless and wasteful expenditure relates to interest charged on the laidentified on project implementation as well as interest on outstanding	ite payment of invoices, penal g DWS debt . 3,537	ties/interest 8,182
Total Fruitless and wasteful expenditure relates to interest charged on the laidentified on project implementation as well as interest on outstanding 32. Irregular expenditure Irregular expenditure identified in the current year Irregular expenditure Amatola Water	ate payment of invoices, penal g DWS debt . 3,537 89,805	8,182 133,449
Total Fruitless and wasteful expenditure relates to interest charged on the laidentified on project implementation as well as interest on outstanding 32. Irregular expenditure Irregular expenditure identified in the current year Irregular expenditure Amatola Water Irregular expenditure incurred on behalf of principals	ate payment of invoices, penal g DWS debt . 3,537 89,805	8,182 133,449
Total Fruitless and wasteful expenditure relates to interest charged on the laidentified on project implementation as well as interest on outstanding 32. Irregular expenditure Irregular expenditure identified in the current year Irregular expenditure Amatola Water Irregular expenditure incurred on behalf of principals Nature of irregular expenditure Non compliance with SCM regulations	ate payment of invoices, penal g DWS debt . 3,537 89,805 93,342	8,182 133,449 141,631
Total Fruitless and wasteful expenditure relates to interest charged on the laidentified on project implementation as well as interest on outstanding 32. Irregular expenditure Irregular expenditure identified in the current year Irregular expenditure Amatola Water Irregular expenditure incurred on behalf of principals Nature of irregular expenditure	3,537 89,805 93,342	8,182 133,449 141,631

33. Budget differences

Material differences between budget and actual amounts

Variances over R5 million or above 10% are considered to be material and explained below:

33.1 Revenue Section 29 decreased by 33.9 %



The underperforming is due to the following:

- Load shedding reducing the volumes of treated water sales.
- Delay on the implementation of the package modular plant which was expected to give the entity additional volumes in 2023.
- Theft and vandalism resulting in water losses

33.2 Other Income increased by 115.34%

The increase in other income can be attributed to an increase in sales, from tender documents and revenue from leasing of the water tankers during the current year.

33.3 Employee Related Cost overspending by 4.33 %

The overspending is due to the following reasons:

- Inflation has significantly impacted the increase in prices for employee benefits.
- There has been a noticeable increase in overtime expenses due to various factors.

33.4 Non executive directors emoluments overspending by 70.99%

The overspending on Board Fees is a result of additional and unforeseen adhoc activities that the board had to undertake.

33.5 Travel and accommodation underspending by 0.82 %

The underspending is because the entity took measures to control costs by managing their travel and accommodation services internally.

33.6 Impairment loss 100%

There is no provision made on the budget for impairment loss.

33.7 Finance costs 100%

The entity does not budget for finance costs.

33.8 Debt impairment 150.32 %

The increase is primarily because Amathole District Municipality is facing difficulties in paying off old and a portion of current debt. The entity had anticipated that the municipality would fully honor the proposed payment plan, but unfortunately, that did not happen, resulting in the increase in debt.

33.9 Bulk Purchases underspending by 10.79 %

The underspending is due to impact of load shedding as well the delay in the implementation of the modular package plant.

33.10 Loss on disposals 100%

There is no provision made on the budget for losses on disposals.



33.11 Other operating expenditure underspending 25.69%

The under spending is due to rent to own Packaged Plant planned was not finalised within the planned timeframes while management budgeted for rental costs for the plant. Furthermore the entity implemented cost containment measures in certain areas, further contributing to the underspending.

33.12 Inventory overbudget by 54.22%

Inventory is overspending due to stock items that are purchased without budget then only accommodated to their relevant budget item when they are issued.

33.13 Trade and other receivables overbudget by 8.28%

The increase in receivables is directly related to the increase in revenue.

33.14 Vat receivable underbudget by 100%

There is no provision made on the budget for Vat receivable.

33.15 Cash and cash equivalent under budget by 52.04 %

The challenging economic conditions had a negative impact on the entity's cash and cash equivalents.

33.16 Property Plant and Equipment under budget by 12.86%

The budget did not take into account the effect of impairment.

33.17 Intangibles under budget by 36.06%

The budget was allocated for the BAAN upgrade project, which is still ongoing and is expected to be completed in the 2023/24 financial year.

33.18 Payable from exchange over budget by 262.27%

The increase in accounts payables is directly linked to the rise in tender sales, more service providers were appointed in the 2023 financial period compared to 2022, resulting in a higher number of creditors as well as failure by the entity to service the DWS debt.

33.19 Provisions over budget by 85.57 %

The base budget was not aligned to previous years provision

33.20 Accumulated surplus was under budget by 41.09%

Accumulated surplus is not budgeted for.

34. Risk management

Financial risk management

Amatola Water Board's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.



The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. The entity uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the board. Entity treasury identifies, evaluates and hedges financial risks in close co operation with the entity's operating units. The board provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Liquidity risk is the risk that Amatola Water Board will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Amatola Water Board's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the entity's reputation.

The entity manages liquidity risk through proper management of working capital, ongoing review of future commitments, capital expenditure and actual versus forecasted cash flows. Adequate reserves and liquid resources are also maintained.

Figures in Rand thousand	2023	2022
Financial liabilities		
Trade and other payables	419,015	349,087
2023	On demand	1-3 months
Trade and other payables	-	419,015
2022	On demand	1-3 months
Trade and other payables	-	349,087



Credit risk

Financial assets, which potentially subject the entity to credit risk, consist principally of cash and trade receivables.

The entity's cash equivalents are placed with high credit quality financial institutions.

Credit risk with respect to trade receivables is high, as trade receivables mainly comprise bulk consumers, namely Local and District Municipalities. The remainder relates to water supply to domestic and industrial consumers.

Credit risk with respect to sundry receivables is also high, as sundry receivables mainly comprise of DWS, local and district municipalities in relation to MIG, RBIG and other capital funding. The average credit period allowed is 30 days from invoice date. Interest is charged at applicable interest rate in each month that is issue by national treasury on monthly basis.

Ongoing credit evaluations are performed on the financial condition of receivables. Trade receivables are presented net of impairment losses.

The carrying amounts of financial assets represent the maximum exposure to credit risk.

Amatola Water Board's maximum exposure to credit risk at year end is as follows:

Figures in Rand thousand	2023	2022
Financial instrument		
Cash and cash equivalents	199,736	252,445
Trade and other receivables	221,308	224,647

The ageing of trade receivables at the reporting date was:	Gross 2023	Impairment 2023	Gross 2022	Impairment 2022
Not past due date	45,028	13,723	30,651	4,854
One month past due date	10,185	5,548	9,965	5,429
Two months past due date	11,123	6,146	(7,781)	3,690
Three months past due date	9,838	5,423	11,638	6,412
More than four months past due date	264,954	147,110	266,095	121,350
	341,128	177,950	310,568	141,735



The ageing of trade receivables at the reporting date was:	Gross 2023	Impairment 2023	Gross 2022	Impairment 2022
The ageing of sundry receiva	bles at the reporting date	e was:		
Not past due date	34,386	14,287	44,987	18,430
One month past due date	9,001	3,734	6,595	2,694
Two months past due date	432	247	323	161
Three months past due date	3,505	2,049	958	524
More than four months past due date	47,975	34,740	26,627	19,409
	95,299	55,057	79,490	41,218

Figures in Rand thousand	2023	2022
Balance as at 01 July	141,735	131,024
Impairment provision increase/(decrease)	36,215	10,711
-	177,950	141,735
The movement in the allowance for impairment in respect of sundr	y receivables during the year was a	as follows:
Balance as at 01 July	41,218	63,168
Impairment provision increase/(decrease)	13,839	(21,950)
-	55,057	41,218

Market risk

Interest rate risk

As the entity has no significant interest bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Amatola Water Board adopted a policy of limiting exposure to interest rate fluctuations by arranging investments on a variable rates basis. Cash investments are conducted on a short term basis and are invested at variable interest rates with a diversified pool of registered banking institutions. The average interest rate earned for the year was 5%.



Cash flow interest rate risk

Financial instrument	Current interest	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables normal credit terms	9.91%	219,026	-	-	-	-
Cash in current banking institutions	8.33%	199,736	-	-	-	-
Trade and other payables normal credit terms	9.91%	419,015	-	-	-	-

Capital risk management

The Amatola Water Board's objective for managing capital is to enhance Executive Authority value by providing an

efficient and reliable water services to customers at the lowest economic cost while reducing debt, remaining financially self sufficient and generating sufficient funds to meet the required capital expenditure programme and thus sustaining future development of the business and its ability to continue as a going concern. This objective has remained consistent with the prior years.

As a government business enterprise, Amatola Water Board strives towards a target optimal capital structure, which is made up of a combination of financial liabilities, capital and reserves as disclosed in the statement of changes in net assets.

Figures in Rand thousand	2023	2022
Capital contribution	274,557	274,557
Accumulated surplus (deficit)	1,384,690	1,581,020

35. Events after the reporting date

One of the board members Ms. Sindisiwe Xulu resigned as a board member on the 11th of July 2023.

The Minister appointed Ms Mxenge Mayende and Mr W Mushohwe to serve on the interim board on 1 August 2023

36. Going concern

As at 30 June 2023, the entity has a deficit of R196,284,000 however the entity has an accumulated surplus of R1,384,690,000 and that the entity's total assets exceed its liabilities by R 1,659,247,000.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going

concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Amatola Water has long term bulk water service provisioning contracts with its major clients (BCMM 2000 2030;

Ndlamble (2010 2030 and ADM Contract End in June 2024). Amatola Water will continue to operate over the next financial year.

Amatola Water continues to provide services to other clients as part of its Secondary Business offering to DOE, ORTDM and DWS.



Based on the projected inflows from these contracts, Amatola Water has performed a cashflow forecast for 2023/2024 financial year and management is confident that Amatola Water will continue to operate in the next 12 months.

37. Taxation

Amatola Water is exempt from income taxation in terms of section 10 (1)t(ix).

38. Accounting by principals and agents

The entity act as an agent on agreements entered with OR Tambo District Municipality, Department of Education, Department of Water and Sanitation and Joe Gqabi District Municipality.

Amatola Water Board engages with service providers and contractors on behalf of the government department, Water Service Authorities that it has agreements with in the execution of various capital and operational water service projects.

Agency fees or cost incurred under each agreement are charged by Amatola Water Board at a rate agreed upon in the agreement.

The agreements do not contain significant areas of judgement on behalf of the agency as the agreement are legally enforceable and the risk and rewards are clearly articulated in the agreement that provides a definitive process of directive for work allocation and resource utilisation.

Figures in Rand thousand	2023	2022
Capital contribution		
Resources held on behalf of the principal(s), but recognised i	n the entity's own financial statement	s
Project advances	12,318	14,671
Project advances are recognised under cash and cash equiva	alent in the entity's own financial state	ment
Revenue recognised		
Section 30 Revenue	24,764	28,658
Amount of Expenditure incurred		
Cost of sales	31,746	31,191
Receivables and /or payables recognsed based on the rights arrangement(s)Project receivables	and obligations established in the bin	ding
Sundry debtors	40,242	38,272



Figures in Rand thousand	2023	2022
Payables relating to projects		
Project payables	11,723	16,750

Project payables relates to payables raised on projects that are implemented by the agency on behalf of the principals.

39. Segment information

General information

Identification of segments

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Amatola Water Segments

Amatola Water is organised and reports to management are on the basis of three (3) major functional areas: primary business, secondary business and the support services and the financial performance and position of the organisation is reported as such.

Primary business (section 29) is the core business of Amatola Water which is to provide bulk raw or treated water to clients like Municipalities, government institutions and other businesses.

Secondary business (section 30) Amatola Water act as an an implementing agent for other institution like municipalities and government departments and implement water and sanitation related projects on an agent basis.

Support Services are administrative and shared internal functions to support business operations of Amatola Water.



Segment surplus or deficit, assets and liabilities

2023	Primary Business	Secondary Business	Support	Total
Revenue				
Revenue from non exchange transactions	385,086	24,764	-	409,850
Interest revenue	19,924	2,539	15,664	38,127
Other Revenue	1,335	3,267	1,518	6,120
Total segment revenue	406,345	30,570	17,182	454,097
Entity's revenue				454,097
Expenditure				
Employee related cost	126,309	30,382	67,961	224,652
Non executive directors emoluments	-	286	7,017	7,303
Depreciation and Armotisation	76,953	-	338	77,291
Finance Costs	17,142	69	252	17,463
Lease Rentals	10,254	-	1,083	11,337
Impairment Loss	15,340	-	-	15,340
Debt Impairment	16,212	12,035	2,282	30,529
Bulk Purchases	97,125	-	-	97,125
Other operating expenditure	115,819	12,722	40,800	169,341
Total segment expenditure	475,154	55,494	119,733	650,381
Total segmental surplus/(deficit)	(68,809)	(24,924)	(102,551)	(196,284)
Assets				
Non current assets	1,619,786	-	19,056	1,638,842
Inventories	2,030	-	3,482	5,512
Receivables from exchange transactions	163,179	54,688	1,159	219,026
Cash and cash equivalents	43,734	12,318	143,684	199,736
Statutory receivables	30,745	-	-	30,745
Total segment assets	1,859,474	67,006	167,381	2,093,861
Total assets as per Statement of financial Position				2,093,861



2023	Primary Business	Secondary Business	Support	Total
Liabilities				
Payables from exchange transaction	403,664	24,935	5,462	434,061
Provisions	-	-	553	553
Total segment liabilities	403,664	24,935	6,015	434,614
Total liabilities as per Statement of financial Position				434,614

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

2022	Primary Business	Secondary Business	Support Services	Total
_				
Revenue				
Revenue from non exchange transactions	357,204	28,658	-	385,862
Interest revenue	14,236	4,551	13,221	32,008
Other Income	1,504	-	2,842	4,346
Total segment revenue	372,944	33,209	16,063	422,216
Entity's revenue				422,216
Expenditure				
Salaries and wages	110,802	25,062	62,118	197,982
Non Executive directors emoluments	-	305	4,629	4,934
Accomodation and travel	83	211	994	1,288
Depreciation and amortisation	76,758	-	837	77,595
Finance costs	15,919	1,644	1,437	19,000
Lease rentals	9,378	-	1,089	10,467
Debt impairment	-	-	(9,774)	(9,774)
Impairment loss	47,573	-	838	48,411
Bulk purchases	91,512	-	-	91,512
Other operating expenses	114,977	4,527	35,686	155,190
Total segment expenditure	467,002	31,749	97,854	596,605
Total segmental surplus/(deficit)	(94,058)	1,460	(81,791)	(174,389)

2023	Primary Business	Secondary Business	Support	Total
Assets				
Non current Assets	1,694,418	-	15,790	1,710,208
Inventories	2,078	-	3,203	5,281
Receivables from exchange transactions	186,375	38,272	-	224,647
Vat receivables	-	-	24,852	24,852
Cash and cash equivalents	237,774	14,671	-	252,445
Total segment assets	2,120,645	52,943	43,845	2,217,433
Total assets as per Statement of financial Position				2,217,433
Liabilities				
Payables from exchange transactions	(326,027)	(32,023)	(4,631)	(362,681)
Provisions	-	-	(532)	(532)
Total segment liabilities	(326,027)	(32,023)	(5,163)	(363,213)
Total liabilities as per Statement of financial Position				(363,213)

Depreciation and amortisation segment information for earlier periods has been restated









Annexure A: Five-Year Historical Statistical Analysis

	2023 Audited R000	2022 Restated R000	%	2022 Audited R000	2021 Restated R000	%	2021 Restated R000	2020 Restated R000	%	2019 Restated R000	%	2018 Restated R000	%	2017 Restated R000
OPERATIONS														
Revenue	409,850	385,862	6.2	388,534	391,535	(0.8)	391,535	416,938	(6,1)	423,446	(1,5)	384,833	10,0	405,272
Cost of Sales	408,480	380,297	7.4	386,053	371,393	3.9	371,983	365,909	1,7	290,741	25,9	293,975	(1,1)	289,166
Other Income	6,120	4,346	40.8	3,721	5,459	(31.8)	5,459	899'9	(18,1)	965'9	1,1	4,516	46,1	4,065
Grant Funding	1	-	ī	1	•	'	1							
Public Donations	•	-	1	'	25,611	(100.0)	25,611	ı						
Operating and Admin Expenses	241,901	216,308	11.8	219,008	179,153	22.2	176,827	172,282	2,6	138,181	24,7	190,658	(27,5)	127,411
Net finance income	38,127	32,008	19.1	32,008	29,389	8.9	29,389	50,800	(42,1)	47,609	2'9	29,045	63,9	16,761
Net Operating (Deficit)/ Surplus	-196,284	-174,389	10.3	-180,798	-98,552	83.5	-96 816	-62 562	54,8	141,115	(144,3)	22,315	532,4	9,521
FINANCIAL POSITION														
Capital Contribution	274,557	274,557	1	274 557	274 557			274 557		274 557	,	274 557		
Reserves			,						•		•	,		
Retained (Deficit)/ Surplus	1,384,690	1,581,020	(12.4)	1,571,148	1,751,942	(10.3)	1,804,024 1,900,838	1,900,838	(5,1)	572,045	232,3	430,931	32,7	91,385
Long-term Liabilities	ı	ı	ı			r		ı	,		,	'	,	275,050
Current Liabilities	434,616	363,213	19.7	374,090	498,529	(25.0)	496,943	495,903	0,2	557,679	(11,11)	452,870	23,1	282,808
Total Equity and Liabilities	2,093,861	2,218,790	(5.6)	2,219,795	2,525,028	(12.1)	2,575,524	2,671,298	(3,6)	1,404,281	90,2	1,158,358	21,2	923,800
Non-current Assets	1,638,842	1,710,238	(4.2)	1,710,208	1,825,548	(6.3)	1,870,159	1,907,627	(2,0)	542,490	251,6	542,726	(0,0)	533,716
Current Assets	455,019	508,552	(10.5)	209,587	699,480	(27.1)	705,365	763,671	(7,6)	861,791	(11,4)	615,632	40,0	390,084
Total Assets	2,093,861	2,218,790	(5.6)	2,219,795	2,525,028	(12.1)	2, 575,524	2,671,298	(3,6)	1,404,281	90,2	1,158,358	21,2	923,800

	2023 Audited R000	2022 Restated R000	%	2022 Audited R000	2021 Restated R000	%	2021 Restated R000	2020 Restated R000	%	2019 Restated R000	%	2018 Restated R000	%	2017 Restated R000
CASH FLOW POSITION														
Cash Flow from Operating Activities	-47,052	-160,661 (70.7)	(70.7)	-160,661	-74,301 116.2	116.2	-78,897	-95,337	(17,2)	252,741 (137,7)	(137,7)	260,793	(3,1)	-57,901
Cash Flow util. in /gen. from Investing Activities	-5,657	-4,404	28.5	-17,625	-45,532	(61.3)	-27,543	-20,685	33,2	10,884	(290,0)	-15,316	(1,171)	-111,937
Cash Flow utilised in Financing Activities			•	13,221	13,393	(1.3)		•	1	'	1	'		-15
Net Cash Increase/(Decrease) for year	-52,709	-165,065	(68.1)	-165,065	-106,440	55.1	-106,441 -116,004	-116,004	(8,2)	263,625	(144,0)	245,477	7,4	-169,853
RATIOS														
Revenue (Kilolitres X1000)														
Treated Water Sales	29,904	28,810	3.8	28,810	31,064	(2,3)	31,064	31,835	(2,4)	31,432	1,3	31,708	(6'0)	33,208
Raw Water Sales	8,156	668'6	(13.2)	668'6	8,875	6'9	8,875	8,367	6,1	8,304	8,0	8,026	3,5	8,438
Total Water Sales	38,060	38,209	(0.4)	38,209	39,939	(4,3)	39,939	40,202	(0,7)	39,736	1,2	39,734	0'0	41,646
			,											
Revenue (R'000)														
Treated Water Sales	360,688	330,435	9.2	330,436	330,811	(0,1)	330,811	341,268	(3,1)	313,426	6'8	286,564	9,4	270,593
Raw Water Sales	24,398	26,769	(8.9)	26,769	23,972	11,7	23,972	22,724	5,5	20,726	9'6	18,614	11,3	17,067
Total Water Sales	385,086	357,204	7.8	357,205	354,783	2'0	354,783	363,992	(2,5)	334,152	8,9	305,178	6,5	287,660





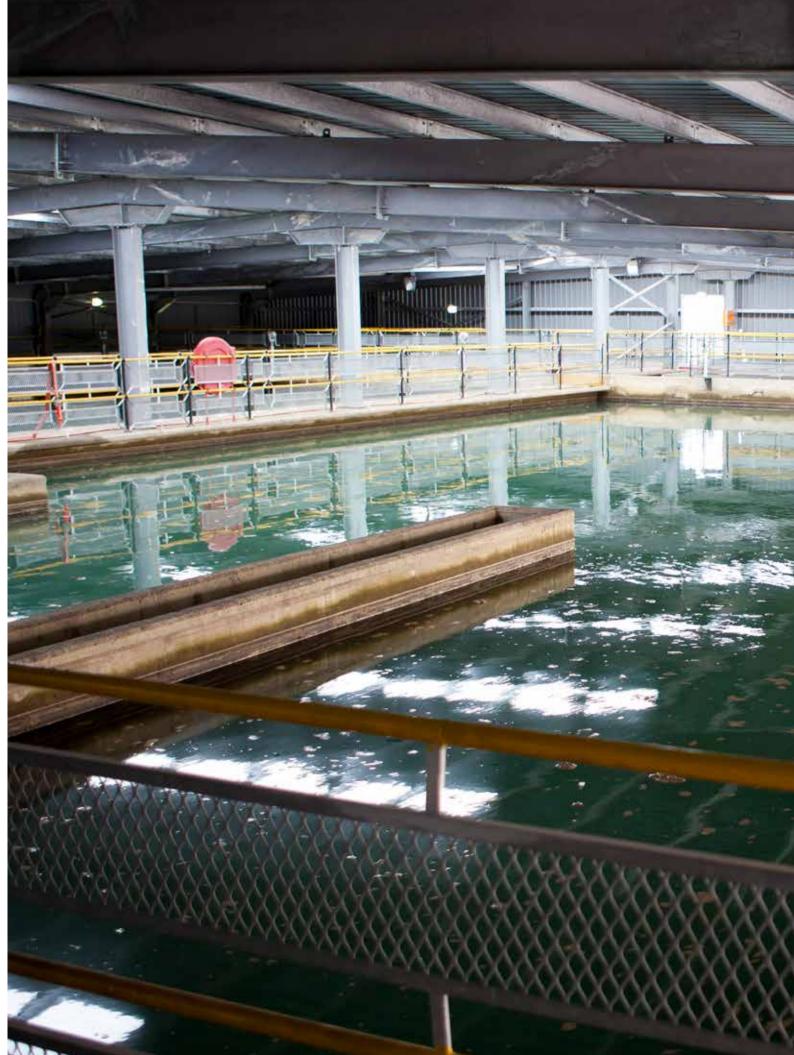
ANNEXURE B: PERFORMANCE AGAINST THE ANNUAL PERFORMANCE PLAN 2022/23

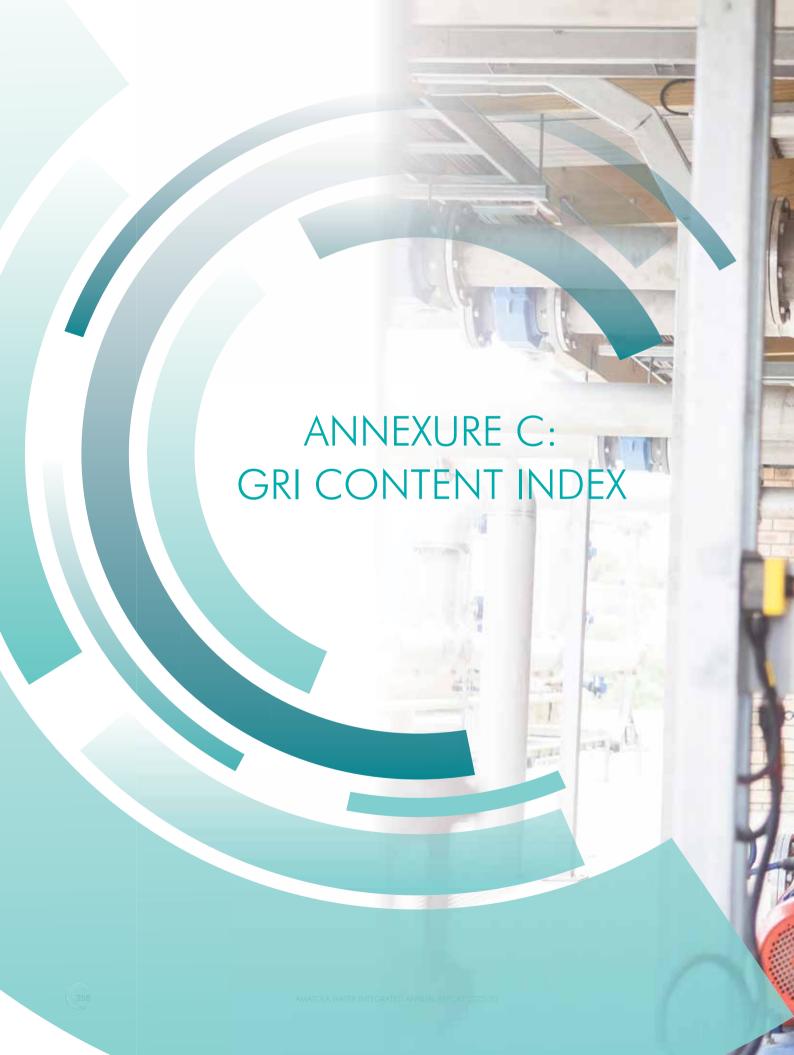
Actual Result 2022/23	ω	%0	95.84%	61%	80.8MI/day	15.0%	36 %	Y /Z	Y/Z	%09`66	100%	0	56.3%
Annual Target A	7	%09	%86	%86	80MI/day	14%	30%	∀ Z	Z/A	%08	%08	_	%08
Audited Result 2021/2022	4	Xe _X	%68′26	%1′09	78.3MI/day	17,5%	A/Z	ო	S	155%	%66	New	41%
SHC/SC	SHC	SC	SHC	SHC	SC	SHC	SHC	SHC	SHC	SHC	SHC	SC	SHC
Output Indicator Reference Number	3.1.1	3.1.2	3.2.1	3.2.2		2.1.2	2.1.3	2.1.4	2.1.5	2.1.8	3.3.2	5.1.12	2.1.7
Output Indicator	Number of AW plants achieving "GOOD& EXCELLENT "quality SANS 241:2015 Edition 2 in Table 4	Percentage of Blue Drop compliance Amatola Water owned plants	Percentage assurance of potable water supply	Percentage assurance of raw water supply	Number of MI/days sold	Percentage of total water losses on production and distribution	Percentage of WSAs in the province contracted as customers	Total number of signed contracts with municipalities / Other customers (bulk supply agreements) in place during the period of review.	Number of signed contracts/ MOUs in place with rural municipalities for the provision of support i.r.o. rural development initiatives	Percentage of actual capex budget spend on expansion related projects (initiatives by the Minister	Percentage progress against ministerial Directives Implementation plan	Infrastructure Master Plan approved	Percentage of capex projects within target completion dates against planned number
Outputs													
Strategic Outcome	səɔiv	ır ser	ate	m e	əlqr	oilər l	oup e	otas to no	isivorq	əqt əv	mbrc	l L¢	os

Actual Result 2022/23	Unqualified	N/A	N/A	N/A	N/A	N/A	2	100%	%86	%0	81%	98.40%	92%	86.67%
Annual Target , 2022/23	Unqualified	A/N	N/A	A/A	A/A	A/N	2	100%	%08	%08	%08	%06	%08	%08
Audited Result 2021/2022	Qualified	90.46%	9	15	וו	49%	2	100%	New	New	New	New	New	New New
SHC/SC	SHC	SHC	SHC	SHC	SHC	SC	SC	SHC	SHC	SHC	SHC	SC	SHC	SC
Output Indicator Reference Number	4.1.4	4.1.5	4.1.6	4.1.7	4.1.8	4.1.9	4.1.10	4.1.11	4.1.12	4.1.13	4.1.14	4.1.15	4.1.17	4.1.18
Output Indicator	External audit outcome	Percentage of board member attendance of all Board/committee meetings	Number of repeats internal audit findings	Number of unresolved internal audit findings	Number of breaches of materiality and significance framework	Percentage of targets achieved within the organisational scorecard	Number of leadership development programmes completed	Percentage compliance with planning and reporting timeframes	Percentage compliance with all board and committee charter(s) provisions	Percentage of Board and Committees' resolutions implemented	Percentage of compliance with applicable legislations	Percentage of policies reviewed within applicable timelines	Percentage of risk management actions implemented	Percentage of ICT action plans implemented
Outputs						ssəu	əvitə	əĦ∃ c	lidare	reaq				
Strategic Outcome	dị	ersh	eaq	מן ופ	oidtə	pup	ə ə ə u ı	vernc	ob ə.	boral	e cor	ovitoə	}}∃ :Z	OS

Actual Result 2022/23	A/N	9.83%	1.052	-1.81%	15.89%	-48.57%	-17.94%	%00.0	-13.09%	187.96 days	0.02%	A/A	4.82	175.29 days	1.06%
Annual Target A	A/N	11.34%	1,37	34,19%	34,12%	1,89%	-10,25%	%00′0	-2,54%	98.19 days	%00′0	A/N	2.73	42.38 days	1,56%
Audited Result 2021/2022	R628Mil	-12.11%	1.336	2.74%	2.43%	-32.93%	-232.92%	%00:0	-11.33%	184.80 days	-10.49 %	%00'2	80.9	156.87 days	1.09%
SHC/SC	SC	SC	SHC	SHC	SHC	SHC	SHC	SHC	SHC	SHC	SHC	SC	SC	SC	SHC
Output Indicator Reference Number	2.1.6	2.1.9	1.1.1	1.1.2	1.1.3	1.1.5	1.1.6	1.1.7	1.1.8	1.1.9	1.1.10	1.1.11	1.1.12	1.1.13	1.1.14
Output Indicator	R-value overall project expenditure	Percentage of growth in total revenue	Current ratio	Gross profit margin (primary activity)	Gross profit margin (secondary activity)	Net profit margin (primary activity)	Net profit margin (secondary activity)	Debt equity	Return on Assets	Debtors' days	Percentage variance on operating expenditure	Percentage of secondary business of total turnover	Solvency ratio	Creditors' days	Repairs and maintenance as % of PPE and Investment Property (Carrying Value)
Outputs						ţue	uəf	ıud	οW	cial	uau	i 1			
Strategic Outcome					γtili	dpiv	cial	upu	ił b	∂ ∧o	ıdw	I .EO;	S		

Actual Result 2022/23	0	%86	83%	4	%86
Annual Target 2022/23	-	%06	%08	4	%06
Audited Result 2021/2022	» Z	New	61%	X ex	82%
SHC/SC	SC	SHC	SHC	SC	SC
Output Indicator Reference Number	5.1.4	5.1.10	5.1.11	5.1.13	5.1.14
Output Indicator	Climate Change readiness strategy developed and adopted	Percentage implementation of an HR Plan	Percentage implementation of the training and skills development programme /plan	Number of Employee Wellness initiatives implemented	Percentage implementation of the performance management & development system
Outputs	Environmental frameganam	ţuŧ	d Efficie Jace	ive an Workp	rbell3
Strategic Outcome	SO6 Enhanced environmental sustainability	,be evita	ıly skille produc	Hgid A bna be blyrow	ebaaae 20S







Amatola Water has reported "in accordance" with the comprehensive option resented by the GRI's G4 guidelines. An independent assurance report can be found on page 159 - 170.

GENERAL STANDARD DISCLOSURES

STRATEGY AND ANALYSIS	PAGE
G4-1: Provide a statement from the most senior decision-maker of the organisation (such as CE, Chairperson, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	9 -10, 12 - 13
G4-2: Provide a description of key impacts, risks and opportunities	23 -24, 49 - 55
ORGANISATIONAL PROFILE	PAGE
G4-3: Report the name of the organisation	Throughout the report
G4-4: Report the primary brands, products and services	20 - 21
G4-5: Report the location of the organisation's headquarters	5
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	21 - 22
G4-7: Report the nature of ownership and legal form	20 - 21
G4-8: Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	21 – 22, 68 - 77
 G4-9: Report the scale of the organisation, including: Total number of employees Total number of operations Net sales (for private sector organisations) or net revenues (for public sector organisations) Total capitalisation broken down in terms of debt and equity (for private-sector organisations) Quantity of products or services provided 	21 – 22, 26-27, 96 – 105, 120, 136 -144, 173 -175
 G4-10: Report the composition of the workforce, including: Total number of employees by employment contract and gender Total number of permanent employees by employment type and gender Total workforce by employees and supervised workers and by gender Total workforce by region and gender Whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors Any significant variations in employment numbers 	96 - 105
G4-11: Report the percentage of total employees covered by collective bargaining	00 100
agreements C4 12: Describe the organisation's supply chain	99 - 100
G4-12: Describe the organisation's supply chain	142 - 144



ORGANISATIONAL PROFILE	PAGE
 G4-13: Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain, including: Changes in the location of, or changes in, operations, including facility openings, closings, and expansions Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private-sector organisations) Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination 	30, 36, 142 -144, 175
G4-14: Report whether and how the precautionary approach or principle is addressed by the organisation	Not applicable
G4-15: List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	108 & 123
G4-16: List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic	99, 124 - 133

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G4-18: a. Explain the process for defining the report content and the aspect boundaries b. Explain how the organisation has implemented the reporting principles for defining report content	18 - 19
G4-19: List all the material aspects identified in the process for defining report content	65 - 67
 G4-20: For each material aspect, report the aspect boundary within the organisation, as follows: Report whether the aspect is material within the organisation If the aspect is not material for all entities within the organisation (as described in G4-17), select one of the following two approaches and report either: The list of entities or groups of entities included in G4-17 for which the aspect is not material or The list of entities or groups of entities included in G4-17 for which the aspect is material Report any specific limitation regarding the aspect boundary within the organisation 	65 -67



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G4-21: For each material aspect, report the aspect boundary outside the organisation, as	
 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 	65 -67
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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	68 - 77
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	68 - 77
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G4-29: Date of most recent previous report	Throughout the report
G4-30: Reporting cycle (such as annual, biennial)	Throughout the report
G4-31: Provide the contact point for questions regarding the report or its contents	Cover pages
G4-32: a. Report the "in accordance" option the organisation has chosen b. Report the GRI content index for the chosen option c. Report the reference to the external assurance report	260
 G4-33: a. Report the organisation's policy and current practice with regard to seeking external assurance for the report b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided c. Report the relationship between the organisation and the assurance providers d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report 	56 - 57



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G4-35: Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	30 - 58
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	30 - 58
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	30 - 58
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G4-39: Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organisation's management and the reasons for this arrangement)	Not applicable
G4-40: Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including: • Whether and how diversity is considered • Whether and how independence is considered • Whether and how expertise and experience relating to economic, environmental and social topics are considered • Whether and how stakeholders (including shareholders) are involved	Not applicable
G4-41: Report processes for the highest governance body to ensure conflicts of interest are avoided and managed, and whether conflicts of interest are disclosed to stakeholders, including, as a minimum: Cross-board membership Cross-shareholding with suppliers and other stakeholders Existence of controlling shareholder Related party disclosures	30 - 58



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Organisational overview and external environment	 Foreword by the Minister Chairperson's Statement Chief Executive's Report Introduction Context and Strategy
Governance	Corporate GovernanceBoard Charter and Committees' terms of reference
Business model	Value Creation
Risks and opportunities	Risk, Compliance and Assurance ReportingMaterial Matters
Strategy and resource allocation	 Context and Strategy Employee and Leadership Environmental Sustainability Operation Overview Financial Overview
Performance	Performance InformationAudited Financial Statements
Outlook	Context and Strategy
Basis of preparation and presentation	 Report Profile Presentation of Annual Financial Statements



ABBREVIATIONS AND ACRONYMS

Abbreviation/Acronym	Description
AC	Asbestos Cement
ADM	Amathole District Municipality
AFS	Annual Financial Statement
AGSA	Auditor-General South Africa
Al	Artificial Intelligence
AIP	Audit Intervention Plan
AoPO	Audit of Predetermined Objectives
APP	Annual Performance Plan
APR	Annual Performance Report
ARC	Audit and Risk Committee
ASB	Accounting Standards Board
AW	Amatola Water
BAC	Bid Adjudication Committee
ВСММ	Buffalo City Metropolitan Municipality
BNG	Breaking New Ground
CAPEX	Capital Expenditure
CCMA	Council of Conciliation, Mediation and Arbitration
CE	Chief Executive
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRMCO	Corporate Risk Management Committee
CRO	Chief Risk Officer
DBSA	Development Bank of Southern Africa
DIs	Disabling Injuries
DIFR	Disabling Injury Frequency Rate
DRP	Disaster Recovery Plan
DWS	Department of Water and Sanitation
EAP	Employee Assistance Programme
ECDoE	Eastern Cape Department of Education
EME	Emerging Micro Enterprises
ERP	Enterprise Resource Planning
EWSETA	Energy and Water Sector Education and Training Authority



ABBREVIATIONS AND ACRONYMS

Abbreviation/Acronym	Description
FINCO	Finance Committee
FY	Financial Year
GRAP	Generally Recognised Accounting Practice
GRP	Glass Reinforced Plastic
HDPE	High Density Polyethylene Plastic Pipe
HRRC	Human Resources and Remuneration Committee
IA	Implementing Agent
ICCRMF	Institutional Credit Control and Revenue Management Framework
ICT	Information and Communication Technology
ICTST	Information and Communication Technology Steering Committee
IMP	Infrastructure Master Plan
IPPF	International Professional Practices Framework
ISO	International Organisation for Standardisation
KPIs	Key Performance Indicators
KSDPI	King Sabata Dalindyebo Presidential Intervention
LLF	Local Labour Forum
MANCO	Management Committee
MEC	Member of Executive Council
M&E	Mechanical and Electrical
MMC	Member of the Mayoral Committee
MM	Municipal Manager
MTEF	Medium-Term Expenditure Framework
NEHAWU	National Education, Health and Allied Workers Union
NWRIA	National Water Resource Information Agency
OHSA	Occupational Health and Safety Act
O&M	Operations and Maintenance
PLC	Programmable Logic Controller
PFMA	Public Finance Management Act
PMU	Project Management Unit
POPIA	Protection of Personal Information Act
PSP	Professional Service Provider
SAAWU	South African Association of Water Utilities



ABBREVIATIONS AND ACRONYMS

Abbreviation/Acronym	Description
SABC	South African Broadcasting Corporation
SABS	South African Bureau of Standards
SANAS	South African National Accreditation System
SANS	South African National Standards
SAPS	South African Police Service
SALGA	South African Local Government Association
SAMWU	South African Municipal Workers Union
SBDC	Strategy and Business Development Committee
SCADA	Supervisory Control and Data Acquisition
SCM	Supply Chain Management
SHC	Stakeholder Compact
SHE	Safety, Health and Environment
SHEQ	Safety, Health, Environment and Quality
SIU	Special Investigating Unit
SLA	Service Level Agreement
SMME	Small, Micro and Medium Enterprises
SoPA	State of the Province Address
SOP	Standard Operating Procedure
SSA	State Security Agency
ToRs	Terms of Reference
UASA	United Association of South Africa
WRC	Water Research Commission
WSA	Water Service Authority
WTW	Water Treatment Works

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