



ANNUAL REPORT 2020 / 2021

YOUR RELIABLE WATER AND WASTE WATER BUSINESS PARTNER OF CHOICE





ANNUAL REPORT 2020 / 2021

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Abbreviations

AC	Audit Committee
ACIP	Accelerated Community Infrastructure Programme
AGSA/AG	Auditor-General South Africa
AMCOW	African Ministers' Council on Water
ASB	Accounting Standards Board
AFWA	African Water Association
ASIDI	Accelerated Schools Infrastructure Development Initiative
BBBEE	Broad-Based Black Economic Empowerment
BCOM	Bachelor of Commerce
BDS	Blue Drop System
BSc	Bachelor of Science
CAPEX	Capital Expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMA	Catchment Management Agency
CMF	Catchment Management Forum
CMMS	Computerised Maintenance Management System
CoGTA	Cooperative Governance and Traditional Affairs
COO	Chief Operations Officer
COVID-19	the coronal flu virus declared an international pandemic by the World Health Organisation
CoU	City of uMhlathuze Municipality
CSD	Central Supplier Database
CSI	Corporate Social Investment
DBSA	Development Bank of Southern Africa
DBE	Department of Basic Education
DM	District Municipality
DUT	Durban University of Technology
DWS	Department of Water and Sanitation
ECSA	Engineering Council of South Africa
EIA	Environmental Impact Assessment
EMS	Environmental Management System
EPC	Engineering Procurement and Construction
ESD	Enterprise and Supplier Development
EWSETA	Energy and Water Sector Education and Training Authority
EXCO	Executive Committee
FY	Financial Year
GDP	Gross Domestic Product
GIS	Geographic Information System
GRAP	Generally Recognised Accounting Practices
HoD	Head of Department
HR	Human Resources

IAS	International Accounting Standards
IDZ	Industrial Development Zone
IFRS	International Financial Reporting Standards
INCA	Infrastructure Finance Corporation Limited
ISA	International Standard on Auditing
ISO	International Organisation for Standardisation
KCDM	King Cetshwayo District Municipality
KZN	KwaZulu-Natal
LIMS	Laboratory Information Management System
LM	Local Municipality
m³	Cubic Metres
m³/s	Cubic Metres per second
MI	Megalitre
MI/day	Megalitres per day
MANCO	Management Committee
MBA	Master of Business Administration
MBL	Master of Business Leadership
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MW	Mhlathuze Water
MWIG	Municipal Water Infrastructure Grant
NEMP	National Eutrophication Monitoring Programme
NMMP	National Microbial Monitoring Programme
NT	National Treasury
NQF	National Qualifications Framework
O&M	Operations & Maintenance
OHSAS	Occupational Health and Safety Assessment Series
OPEX	Operational Expenditure
PFMA	Public Finance Management Act
RBM	Richards Bay Minerals
RBIG	Regional Bulk Infrastructure Grant
SA GAAP	South African Statements of Generally Accepted Accounting Practices
SAICA	South African Institute of Chartered Accountants
SAICEE	South African Institute of Electrical Engineers
SANS	South African National Standards
SCADA	Supervisory Control and Data Acquisition
SHC	Shareholders Compact
SHEQ	Safety, Health, Environmental and Quality Management
SCM	Supply Chain Management
SLA	Service Level Agreement
SOE	State Owned Enterprise



SMME	Small Medium Micro Enterprise
TGS	Tugela-Goedertrouw Transfer Scheme
TR	Treasury Regulations
uPVC	Unplasticized Polyvinyl Chloride
UKDM	uMkhanyakude District Municipality
WfW	Work for Water
WISA	Water Institute of South Africa
WMA	Water Management Areas
WSA	Water Services Authority
WSIG	Water Services Infrastructure Grant
WRM	Water Resource Management
WUL	Water Use License
WTP	Water Treatment Plant
WTW	Water Treatment Works
WWDS	Waste Water Disposal Scheme
WWTP	Waste Water Treatment Plant
ZDM	Zululand District Municipality

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Foreword by the Minister of Water and Sanitation

Honourable Senzo Mchunu

It is my pleasure to present the 2020/2021 Annual Report for Mhlathuze Water.

This strategic institution occupies a special place in our efforts of bringing about long-lasting relief to a section of KwaZulu-Natal that has, for the longest time, borne the brunt of stunted growth and development due to a lack of decent access to water.

Even as our country continues to make some progress towards improving access to water for all, the hard truth is that we have hardly begun to scratch the surface, particularly in rural areas where infrastructure remains a stubborn challenge.

Of course, this is not a challenge limited just to rural areas but one that is felt nationally, with our country needing an estimated R120-billion in capital investment in water infrastructure investments if we are to make a discernible dent in the water provision backlog over the next decade.

The continued ballooning growth in population size, land use change and the long term effects of the droughts that resulted in parts of the province being declared disaster areas in previous years means that water availability in the future remains uncertain.

In rural areas such as those principally serviced by Mhlathuze Water, the water shortage challenge is exacerbated by the fact that the sustainability of whatever infrastructure exists is usually hampered by inadequate budgets which, more often than not, results in bulk water supply schemes either lying dormant, being poorly maintained or not functioning to their maximum capacity.

Coupled with issues of a dearth of technical skills requisite for the operation and maintenance of water plants and, in some instances, lapses in governance within the local government sphere which is responsible for the reticulation

of water to households, a clearer picture emerges behind some of the hindering factors to sustainable water supply in rural areas.

In the unique case of Mhlathuze Water, which increasingly has become one of the most important actors for sustaining the water and waste water needs for industrial actors in the town of Richards Bay and its immediate surrounds, the ready availability of a quality bulk water supply has become an important ingredient for the creation of economic and job opportunities.

It is however pleasing that notwithstanding the challenges endemic to the water supply value chain, Mhlathuze Water has consistently made commendable headway towards expanding the supply of water in its jurisdiction.

As a caring government, we had directed Mhlathuze Water to undertake the implementation of the Sikhemelele Water Scheme in order to rescue residents of the UMkhanyakude District Municipality from the indignity of having to travel long distances to collect water, sometimes from unsafe sources shared with livestock.

But such efforts will need to be replicated elsewhere, and at a much more accelerated pace in our rural and outlying areas if we are to meet the United Nation's 2030 Sustainable Development Goal Six which pronounces on the prerogative of ensuring availability and sustainable management of water and sanitation for all.

I am happy to report that the completion on time of this scheme was a timely intervention, especially with the outbreak of the COVID-19 pandemic which brought into sharper focus the need for access to water.

Moreover, especially with the sluggish economic growth and the loss of thousands of jobs across various sectors of the economy, Mhlathuze Water has continued to ensure

“As a caring government, we had directed Mhlathuze Water to undertake the implementation of the Sikhemelele Water Scheme in order to rescue residents of the UMkhanyakude District Municipality from the indignity of having to travel long distances to collect water, sometimes from unsafe sources shared with livestock.”

that it plays a complementary role to major industries in the Richards Bay Special Economic Zone through its bulk raw water and effluent disposal services.

The President of the Republic, His Excellency Cyril Ramaphosa has spelt out that the provision of quality water to all communities is essential for human health and well-being, economic development and the realisation of the constitutional rights of all South Africans.

Equally, our National Development Plan envisages a South Africa that recognises the importance of secure and equitable access to water and sanitation as catalysts for socioeconomic development.

This is an important consideration which again highlights water as a critical contributor both to economic activity as well as restoring the dignity of Black South Africans in general and that of women and children in particular.

In all of the above instances, our success will be measured by how well we manage the resources that have been entrusted to our care. This calls for financial prudence and acting, at all material times, in a manner that puts the interests of our province and the country first.

The commitment from the Board of Mhlathuze Water to the rollout of infrastructure upgrades in a financially sustainable manner that is not at odds with sound governance principles is reassuring.

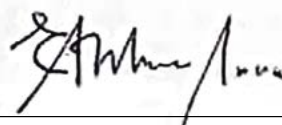
As the shareholder representative, I note with a deep sense of appreciation that since the Board was constituted nearly three years ago, it still retains its original member composition and structure, which can only augur well for the utility's overall performance.

The results of this leadership stability at the uppermost echelons of Mhlathuze Water have been effective strategy formulation, a marked improvement in the utility's ability to manage its exposure to risk and, most importantly, effective controls to detect and deter any instances of fraud and corruption.

These effective oversight efforts are evident in Mhlathuze Water receiving very favorable outcomes from the Auditor-General over two consecutive financial periods. I commend management on a job well done in keeping their collective attention on the grand goal of using water as a catalyst for the betterment of the lives of entire communities, at times under extremely trying conditions!

I commend management on a job well done in keeping their collective attention on the grand goal of using water as a catalyst for the betterment of the lives of entire communities, at times under extremely trying conditions.

As the Department of Water and Sanitation, we will continue to provide leadership as well as encourage and support Mhlathuze Water to perform its role of ensuring sustained water provision in KwaZulu-Natal.



Senzo Edward Mchunu, MP
Minister for Water and Sanitation





Foreword by the Chairperson of the Board

Ms Thabi Shange

Our Mandate

Mhlathuze Water is cognisant that water, like life and land, forms the first generation of rights for human beings, wildlife and the economy. In essence, without water there is no life and there is no economy. These triunity rights are sacrosanct and constitutional. Therefore, guaranteed water access to all is a constituent part of sustaining life and the economy.

In this context, we strive to discharge our primary mandate of providing bulk potable water to the municipal clients who, in turn, deliver to the broader communities, bulk clarified water to the industrial clients as well as bulk effluent or waste disposal from residential and industries in KwaZulu-Natal.

We further discharge our secondary mandate of implementing bulk water related projects as per Ministerial Directive or by agreements with other government institutions.

We oblige to delivering reliable water and waste water to our stakeholders so that we remain their business partner of choice.

In support of the primary and secondary mandates we undertake sustainable community development projects that are aimed at uplifting the lives of communities in our footprint areas through Community development and Corporate Social Investment approach so that Mhlathuze Water aligns itself with more impactful, legacy orientated initiatives which will make a discernible difference in the socio-economic development landscape of the communities we serve.

Critical in this regard is ensuring that whatever local economic opportunities arise the community benefits. Hence in the period under review, we undertook training of local entrepreneurs through our enterprise supplier development initiatives.

Future-Oriented Planning for Water Security

In its report titled: “Water Strategy 2021 – 2025 Towards a Water Secure Africa”, the African Development Bank Group advocates for an increase in access to and use of improved water supply through sustainable and resilient infrastructure investments in step with demographic growth, especially in rural areas, as a foundational need for addressing water security (Afpd Report, June 2021).

This is a view that also finds expression in both our National Development Plan and the National Water and Sanitation Master Plan documents that stress the importance of understanding the country’s water sources as well as effective water planning that cuts across different economic sectors and spheres of government.

As a future orientated-organisation, and appreciating the trifecta challenges of rapid population growth, inadequate and ageing infrastructure as well as rapid industrialisation, Mhlathuze Water has in the period under review successfully developed the terms of reference for its Bulk Water and Sanitation Infrastructure Master Plan and Catchment Study.

This strategic document is a bulwark in our efforts to address the omnipresent threat of future water scarcity and provides an integrated overview of all actions, initiatives and projects that Mhlathuze Water must necessarily undertake in order to effectively meet current and future bulk water and sanitation demands, including making provision for reserves in order to accommodate the anticipated growth and development within Richards Bay and surrounding areas.

As the Board, and guided by our stated strategic objectives which speak directly to growing the provision of water and improving our business processes for efficiency, management is required to propel these major infrastructural projects faster. To this effect, we are doubtless that our Bulk Water and Sanitation Infrastructure Master Plan and

“ We will continue and commit to closely monitor our exposure to enterprise wide risk through the Risk Unit, Internal Audit , Board Audit and Risk Committee and the Auditor General of South Africa as well as compliance to the Public Finance Management Act , King IV and other sound governance legislation and good practice. ”

Catchment Study will serve as our lighthouse over the next five to ten years on our journey towards business growth. We are aware that to achieve this growth ambition Mhlathuze Water must continue to be financially viable with a strong balance sheet and improved partnerships.

Our Stakeholders

We have also forged ties with our multi stakeholders by maintaining healthy stakeholder relations with all its actors, some of which have culminated in the finalisation of important contractual agreements that serve as enablers for our business processes as well as Traditional Leadership where strategic bulk water infrastructure is anchored.

We remain one of the critical partners to municipalities in particular and we would welcome more partnerships in that regard.

Good Governance and Effective Risk Management

The Board, through the relevant committees, has continued to place strong emphasis on the strengthening of internal controls and inculcating an overall ethical leadership culture that is grounded in accountability, honesty and integrity from the Board, management and all employees.

We commit to closely monitoring our exposure to enterprise-wide risk through the Risk Unit, Internal Audit, Board Audit and Risk Committee and the Auditor General of South Africa as well as compliance to the Public Finance Management Act, King IV and other sound governance legislation and good practice. It is pleasing to note that once again Mhlathuze Water has managed to maintain its status quo of abiding by the highest financial management standards.

For the 2020/2021 financial year, the Auditor-General has given us a clean bill of health which signals that we remain a going concern for the foreseeable future. However, while

we have received an unqualified audit opinion, we remain mindful of those areas that require our attention.

These include taking a much more active stance against irregular and wasteful expenditure, and ensuring that the utility's resources are effectively utilised.

The Board and management have signed an anti-corruption pledge to assist us in putting on the radar our commitment to sound governance.

Appreciation

I sincerely and faithfully welcome the new Minister of Water and Sanitation, Honourable Senzo Mchunu as the Executive Authority responsible for this extremely critical portfolio.

I equally wish to thank the erstwhile Minister of Human Settlements, Water and Sanitation, Honourable Lindiwe Sisulu for the support shown to Mhlathuze Water during her tenure.

To the colleagues, Board Members, may I appreciate our unity of purpose shown as we carried our oversight responsibly. The hard work and interrogation of issues from the Board Committees is respected and applauded.

To the staff led by the Chief Executive from all sections of Mhlathuze Water, thank you for your dedication. Your hard work is acknowledged and highly appreciated.

We will strive to ensure that you will always regard Mhlathuze Water as your employer of choice.



Ms Thabi Shange
Chairperson: Mhlathuze Water Board





Chief Executive's Overview

Mr M P Duze

It is my utmost pleasure to present the Mhlathuze Water Annual Report for the 2020/2021 financial year.

While our country is still emerging from extraordinarily challenging times due to the unanticipated onslaught of the COVID-19 pandemic that wrought havoc in nearly all facets of our livelihoods, there is also cause for cautious optimism as our government continues to implement strategies to contain the impacts of this global health emergency.

Against this challenging backdrop, as Water Boards we have been called to the forefront to demonstrate our resilience and agility by responding to the urgent need of safe and sustainable water for all.

The President of the Republic, His Excellency Cyril Ramaphosa is on record as describing water security as a fundamental ingredient for the improvement of lives, health, the stability of our society, and the growth and sustainability of our country's economy.

From this premise, as Mhlathuze Water we have set ourselves demanding yet achievable sustainable water provision targets, the pathway to which is enabled through aggressive investment in infrastructure upgrades which have enabled us to live up to our vision of being the reliable water and waste water business partner of choice.

Water for Economic Growth and Community Development

As an organ of the state which takes to heart the President's injunction to hasten the pace of water provision, particularly to rural communities, Mhlathuze Water is proud of the inroads it continues to make to alter the skewed water provision patterns.

Over time, our research efforts into water provision have evolved drastically, with an eye towards meeting the unique needs of all our stakeholders.

In this regard, we've sought to invest in our expertise, skills and infrastructure in a manner that will make an immediate and long-term difference to rural communities.

In the 2020/2021 financial, our focus was on directly impacting upon the lives of ordinary citizens through our rural development support initiative.

In our most recent intervention, we came to the aid of learners and the communities of the Phongolo Local Municipality under the Zululand District through the successful completion of a multi-million rand atmospheric water generation project.

Our very location within the industrial heartland of Richards Bay means that Mhlathuze Water is a critical player in this special economic zone through its ability to supply bulk water and waste water related services to industries.

This means that understanding our operating environment and creating closer synergies with all our stakeholders is vital as it helps us better respond to their unique needs.

In the context of our bulk water operations, while Mhlathuze Water continues to sustain the water demands of both its industrial municipal clients through the Tugela Transfer Scheme through the daily transfer of 103 000m³ of water to the Goedetrouw Dam, we remain acutely aware of the need to augment our existing capabilities if we are to sustain growing future water demands, especially as more industrial actors set up business in the Richards Bay Special Economic Zone.

To this end, and guided by the recommendations of the Richards Bay Reconciliation Study commissioned by the Department of Water and Sanitation, a number of capital intensive projects have been identified for implementation in the medium to long term.

“ Mhlathuze Water has a plan in place to exist and operate in the medium to long term. Our total cash and cash equivalents is in the region of R529.1 million while our total reserves are estimated to be at R306.4 million. ”

Financial Sustainability and Performance

The onslaught of the COVID-19 pandemic, which proved to be a disruption across all sectors meant that Mhlathuze Water recorded a somewhat subdued financial performance in the 2020/2021 period when contrasted against preceding years.

Because of this impact, we were necessarily compelled to develop specific financial interventions to ensure that we could still discharge our mandate whilst remaining financially viable and sustainable.

Following the decision taken by the portfolio on Human Settlements, Water and Sanitation to hold in abeyance any tariff increases in the sale of bulk water, particularly to municipal clients in order to pass on the relief to community consumers, our management team had to proactively embrace this new normal and what it presented for our capital intensive projects. Thus, the critical issue became how we would broadly realign our already pre-planned commitments from a financing and budgeting standpoint. The zero percent increase in tariffs spelt an unplanned for R16 million loss for Mhlathuze Water.

Moreover, an inability to pay in time for operations and maintenance services rendered by the UMkhanyakude District Municipality – and a default on certain agreements – meant that our books were further negatively affected.

But even with this set of challenges, and as is revealed in the annual financial statements of this report, Mhlathuze Water continues to project a sound financial status and is well-positioned to meet all its current and future planned infrastructure undertakings. We are thus comforted and confident that the water utility continues to be a going concern. As of the end of June 2021, Mhlathuze Water had a surplus of R112.5 million.

Our current assets exceeded our liabilities which indicates that Mhlathuze Water would be able to pay its current liabilities in the next financial period. Moreover, our five-year business plan which has been approved by the Board indicates that Mhlathuze Water has systems in place to exist and operate in the medium to long term. Our total cash and cash equivalents is in the region of R529.1 million while our total reserves are estimated to be at R306.4 million.

It is requisite that in order to meet all our financial obligations, including the maintenance and construction of bulk infrastructure for water provision, we continue to closely monitor our cash in hand.

The Board has instructed management to ensure that we improve on those areas of concern as highlighted by the Auditor-General.

While I am pleased that we have over the past three financial years shown steady improvement in our overall audit outcomes, I am certain that provided we spare not effort we can produce even better results.

Infrastructure Maintenance and Upgrades for Water Availability

There is broad consensus among all water actors in our country that a critical ingredient to water security is an investment in water infrastructure at all levels.

However, due to a multiplicity of reasons, chief among which can be counted budgetary constraints and a dearth of skills particularly in the scarce skills fields of engineering.

Cognisant of the grave threat posed to achieving economic growth and sustainability by aging and derelict infrastructure, Mhlathuze Water has put infrastructure maintenance and the availability of suitably trained and qualified human capital at the top of its list of priorities. In keeping with this grand goal, a total of R23.2 million was





spent on mechanical, electrical and civil maintenance and repair work on all Mhlathuze Water owned plants and operations over the reporting period.

External Operations and Maintenance Projects

Thukela-Goedertrouw Transfer Scheme

The operation and maintenance of the Thukela-Goedertrouw Transfer Scheme by Mhlathuze Water on behalf of the DWS is a critical enabler and a vital cog in the utility's ability to meet the region's water demands. For the reporting period, a total of 4.388 million m³ of raw water was abstracted by the scheme, and transferred to the Goedertrouw dam. The associated operational and maintenance for the period was R22.7 million.

Jozini Regional Water Treatment Plant and Bulk Reticulation Network.

Following the successful completion of the 40MI/day Jozini Water Works and regional bulk distribution system four years ago, Mhlathuze Water has been operating and maintaining this scheme on behalf of the Umkhanyakude District Municipality. This is an intervention that services 134 000 households with potable water. The operating and maintenance related cost associated with this scheme for the year under review was R3.3 million.

Primary Infrastructure Development Activities

In the 2020/2021 financial year, Mhlathuze Water, as part of its core business, made a budget available for the implementation of key multi-year water infrastructure project upgrades and expansions.

This included budgeting for the review of our Bulk Water and Sanitation Infrastructure Master Plan, a lodestar which gives us a bird's eye view of all actions, initiatives and projects that we must undertake in order to effectively meet current and future bulk water and sanitation demands.

The Bulk Water and Sanitation Infrastructure Master Plan also makes provision for reserves in order to accommodate for future demand, resulting from growth and development within the Richards Bay industrial node and surrounding areas.

In our efforts to ensure a continuous and reliable supply to customers, Mhlathuze Water embarked on the implementation of the following projects which are covered in greater detail in the relevant sections of this annual report. Some of these projects include:

Augmentation of Nsezi Water Treatment Works

This project involves the augmentation of the Nsezi Plant to increase the capacity from 205MI/day to 260MI/day. Against an overall budget of R126 million for the 2020/21 reporting period, a total of R23.842 million had been spent as of 30th June 2021 with progress on the project being at 66%.

AC Interference Mitigation System

This project involves the installation 14.7km of zinc ribbons parallel to the existing pipeline as an earthing mechanism against inductive and conductive coupling as well as personnel safety measures against excessive step and touch potentials generated from induced AC currents during fault and lightning conditions. Against an overall project budget of R9 million, Mhlathuze Water had, as at the end of the financial year, spent R1.861 million which accounts for 47%.

Installation of High Security, Anti-climb Clear View Fence at Nsezi Water Treatment Works

The project scope involved the removal of the existing palisade fence and to supply and install 2.8km razor-wired, anti-climb clear view fencing. The budget for the project was R6 million and as at the end of the financial year the project was 57% complete at a cost of R3.284 million.

Design and Construction of New Polymer Bund Wall at Nsezi Water Treatment Works

The project scope entailed the design and construction of a new polymer bund wall and the installation of three 20m³ polymer tanks, chemical equipment, which involves pumps, electrical supply, pipe-work and drainage management at a budget of R4 million. As at the end of the financial year, the project was at 65% completion and with an expenditure of R2.138 million.



Secondary Infrastructure Projects in Support of Government Institutions

As an organ of the state, Mhlathuze Water plays a complementary role to municipalities in particular in pursuit of their water delivery goals. In the year under review, we continued to work hand in glove with municipalities and other state organs in the northern reaches of the province to offer long-term water solutions. Some of the projects we spearheaded included:

Tripartite Agreement with UMkhanyakude District Municipality

Mhlathuze Water signed a tripartite agreement with uMkhanyakude District Municipality and DWS to implement the Jozini Bulk Water Supply Project in the District.

Under this agreement, a number of projects have come into fruition either through upgrades or operation and maintenance capabilities, which includes:

Jozini Ingwavuma Bulk Water Supply Project

This project entails the upgrade of 4 existing pump stations for the Jozini Ingwavuma Bulk Water Supply. The pump station is yet to be commissioned due to inefficient electrical power supply to the pump stations. A due diligence report was submitted to DWS indicating the outstanding works to upgrade the 4 pump stations including the upgrading of the local pump station to ensure full scheme modification.

Sikhemelele-Mtikini Emergency Bulk Water Project

This project entailed upgrades to the existing pump station and rising main as well as the construction of a new 1ml reservoir at an overall budget of R29 million. The project is 100% complete and is subject to the supply of power supply by Eskom.

Isimangaliso Wetland Park Boreholes

Mhlathuze Water entered into an agreement with the iSimangaliso Wetland Park to provide 13 boreholes to supply potable water to the UNESCO World Heritage Site. The budget was R5.1 million and the project was 100% complete as at the end of the financial year.

City of uMhlathuze

Mhlathuze Water was appointed by the city to assist with the planning, design and implementation of the construction of a new 15ML/d package plant to supplement purified water to forest command reservoir. The project is earmarked to alleviate water shortages in the city's Esikhaleni potable water system.

My Appreciation

I would like to express my appreciation to the Department of Water and Sanitation, as the shareholder representative for its strategic support, particularly both the erstwhile Minister, Honourable Lindiwe Sisulu as well as the newly appointed Minister, Honourable Senzo Mchunu. Mhlathuze Water will continue to work towards fulfilling our country's vision of using equitable access to water to better the lives of communities.

A special word of gratitude goes out to the Board of Mhlathuze Water, led by Ms Thabi Shange, for their continued wisdom and guidance in assisting the water utility execute its mandate.

I would also like to thank all of Mhlathuze Water's stakeholders for continually working with us, and where challenges materialised, giving us the opportunity to work towards remediating the same. Your support is invaluable.

In all of its endeavours, Mhlathuze Water has relied on the hard work and dedication of its workforce, at all levels, from the most junior staff member to the Executive echelon. Our human capital is our most precious asset. Lastly, I would also like to extend a word of gratitude to organised labour for always constructively engaging with us on matters of mutual interest.

Mr MP Duze
Chief Executive



Statement of Responsibility and Confirmation of Accuracy for the Annual Report

To the best of my knowledge and belief,
I confirm the following:

All information and amounts disclosed in the Annual Report is consistent with the annual financial statements audited by the Auditor General.

The Annual Report is complete, accurate and is free from any omissions.

The Annual Report has been prepared in accordance with the guidelines on the Annual Report as issued by National Treasury.

The Annual Financial Statements have been prepared in accordance with the GRAP standards applicable to the public entity.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing, and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the Annual Report fairly reflects the operations, performance information, human resources information and financial affairs of the entity for the financial year.



Mr MP Duze
Chief Executive



Ms TA Shange
Chairperson of the Board



SECTION A
Profile of the Organisation



1. Introduction

Mhlathuze Water (MW) is a state-owned entity based in Richards Bay and operating in the Province of KwaZulu-Natal. However, due to its geographic location in Richards Bay, the entity predominantly operates in the uMkhanyakude, King Cetshwayo and Zululand District Municipalities. Richards Bay is supplied by three dominant water sources namely: Mhlathuze River, Lake Mzingazi and Lake Nsezi. The organisation's business activities include raw (untreated), clarified (partially treated) and purified water supply; disposal of industrial and domestic waste water; and scientific services. The organisation provides these bulk water services in a sustainable and cost-effective manner. The organisation's major clients include: Foskor, Richards Bay Minerals, City of uMhlathuze and Mondi.

Mhlathuze Water strives to achieve its role as a water board by being a responsible bulk water service provider in terms of the Water Services Act, 1997 No. 108 of 1997, and by supporting and assisting local water service authorities with planning, development, operations and maintenance of water services schemes.

“Mhlathuze Water strives to contribute towards economic growth through the provision and efficient management.”

Maintaining and expanding good relationships with its existing customers is a key success factor for the sustainability of the organisation.

As mentioned in the mission statement, Mhlathuze Water strives to contribute towards economic growth through the provision and efficient management; and maintenance of bulk services to new industrial investors and residential demands and expansions.

Making a meaningful and noticeable contribution to the daily lives of the communities that live within its immediate area of operation is achieved through the organisation's Corporate Social Investment and Rural Development Programmes respectively.

In providing these services to customers, Mhlathuze Water strives to protect the natural and social environment and water resources.

Mhlathuze Water is proud to be associated with its employees. It is stated boldly in the organisation's mission statement and in the core set of values that the organisation promotes. The organisation ensures that its most important resource; the employees, are managed, supported, developed and rewarded in a responsible, transparent and unbiased manner by implementing the human resources management and development policies.

MHLATHUZE WATER OPERATIONAL AREA



SOURCES
 Boundaries: MDB
 Rivers: OSM
 Cities: StatsSA
 WSA: DSW

PROPERTIES
 Document Name :
 Mhlathuze Water Operational Areas
 Creation date : 04/12/2019

Created by :
 Mhlathuze GIS
 Print format : A4 Potrait
 Confidentiality : Public

SCALE
 1:2 280 000 1 cm = 22 800 m
 0 20 40 60 80 100 km



Figure 1: Area of Operation

2. Vision, Mission, Values and Critical Success Factors

2.1. Vision, Mission, Outcomes and Key Strategic Objectives



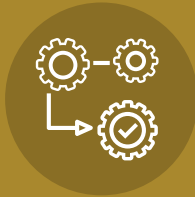

Vision

Your reliable water and waste water business partner of choice

Mission

Through good governance, committed and skilled employees, contribute to development by providing quality water and waste water disposal services

Strategic Intent

Key Focus Areas	Customers	Financial	Processes	Organisational Capacity
				
Strategic Objectives	SO 1 To grow the provision of water services	SO 2 To ensure long-term financial sustainability of the Organisation	SO 5 To optimise business processes and systems	SO 4 To resource the Organisation with the required skills and competence to deliver the strategic intent
	SO 3 To initiate and build relationships with stakeholders to add value for all		SO 6 To be pro-active on issues relating to health, safety, security and the environment	
	SO 7 To improve efficiency through technology and best practices			

Outcomes

- Increase Leadership and Operational competence
- Unqualified Audit
- Safe and Secure working environment
- Meet quality and compliance standards
- Complete feasibility studies to reduce waste water discharge into the ocean
- Implement technology to reduce cost of sales
- Reduce water wastage from abstraction
- Invest effectively in bulk water storage
- Invest effectively in bulk water production
- Diversify and Expand the business footprint
- Revenue generation from investment in assets
- Maintain quality service to existing customers
- Increase in the Local/ Regional economic spend
- Local community to feel the presence of MW

2.2. Values

Mhlathuze Water will develop a culture of trustworthiness, transparency and loyalty that responds to the needs of customers and employees with honesty and passion.

- **Ethics and Integrity**
To act within high moral and professional principles in a resolute and truthful manner.
- **Excellence and Quality**
To maximise the use of available resources so that Mhlathuze Water continues to produce work of excellent quality.
- **Fairness and Redress**
To treat customers in a fair and equitable manner and put right what was wrong in order to harness good relationships.
- **Creativity and Innovation**
To continually strive for new, different and efficient ways of doing business, challenging the status quo, mind-sets and assumptions.
- **Enthusiasm and Passion**
To treat all people with respect, warmth, integrity, passion, courtesy and enthusiasm to make them feel special.

2.3. Critical Success Factors

- **Good Governance**
To conduct and present the business in a reliable, transparent, accessible and compliant manner.
- **Customers and Communities**
To cordially consult with customers and communities on the services provided in an open, responsive and transparent manner.
- **Operations**
To deliver services to customers and communities in a safe, healthy, efficient and environmentally friendly manner.
- **Skills and Competence**
To attract, develop and retain a diverse, skilled and competent workforce.
- **Financial Viability**
To optimise available resources through sound financial management, asset management and sustainable tariffs.



3. Legislative and other Mandates

The Board and Management of Mhlathuze Water have committed to discharge their duties of good corporate citizenship by ensuring compliance to all applicable laws and good corporate governance principles that are inherent in sound business practice.

These are prescribed within a specific, applicable legal and regulatory framework for public entities. Changes to the accounting standards that impacted on the financial reporting have been acknowledged to ensure minimal deviations from the requirements. Mhlathuze Water realises that compliance is an ongoing process and will, therefore, continue to seek sound and innovative ways to ensure full compliance in all the reporting obligations to both its customers and stakeholders to maintain transparency, effectiveness and accuracy.

3.1. Legislative Mandates Relevant to Mhlathuze Water

3.1.1. Constitution of the Republic of South Africa

The Constitution of the Republic of South Africa is the supreme law of the Republic. In Chapter 2 in the Bill of Rights, the Constitution forms the legal foundation of a democratic South Africa and sets out the rights and duties of its citizens; and defines the structure of government. Section 27 (1) (b) of the Constitution of the Republic of South Africa states that everyone has the right to have access to sufficient food and water. Section 27 (2) further indicates that the state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right.

In realising these rights those charged with the responsibility to govern and administer state institutions in all spheres of government, are mandated in terms of Section 41 to cooperate with one another and foster healthy and friendly inter-governmental relations in order to preserve the peace, national unity and the indivisibility of the Republic.

3.1.2. Water Services Act, 1997

The Water Services Act, 1997 (Act No. 108 of 1997) sets out objectives to provide for amongst other matters; the rights of access to basic water supply and basic sanitation and the establishment and disestablishment of water boards and water services committees and their powers and duties.

The act requires from Water Boards to adopt a business plan relating to the following five financial years that must at least contain information regarding their primary and other activities to be undertaken and the performance targets for each, the tariff applicable to each service, and forecasts of capital expenditure for the primary and other activities for the next five years.

The act further requires from Water Boards to account to the public by preparing and publishing an Annual Report on its financial and non-financial performance. Such information published in the Annual Report must pass through an external audit process and contain the report of the Auditor General of South Africa

3.1.3. National Water Act, 1998 (Act 36 of 1998)

The National Water Act, 1998 (Act 36 of 1998) recognizes that water is a scarce and unevenly distributed national resource which occurs in many different forms. It further states that while water is a natural resource that belongs to all people, the discriminatory laws and practices of the past have prevented equal access to water and use of water resources. This Act acknowledges the National Government's overall responsibility for and authority over the nation's water resources and their use, including the equitable allocation for beneficial use.

3.1.4. Public Finance Management Act, Act 1 of 1999 (as amended)

Section 52 (a) & (b) of the Public Finance Management Act states that the Accounting Authority for a public entity listed in Schedule 3B must submit to the Accounting Officer of a department designated by the Executive Authority responsible for that public entity and to relevant treasury, at least one month, or another period agreed with the National Treasury, before the start of its financial year a projection of revenue, expenditure and borrowings for that financial year in the prescribed format; and a corporate plan in the prescribed format covering the affairs of that public entity or business enterprise for the following three financial years, and, if it has subsidiaries, also the affairs of the subsidiaries.

3.1.5. Disaster Management Act, Act 57 of 2002.

According to Section 25 of the Disaster Management Act, "each national organ of state indicated in the national disaster management framework must prepare a disaster management plan" setting out "the way in which the concept and principles of disaster management are to be applied in its functional area".

3.1.6. Other Legislative Imperatives Include, but are not Limited to:

- Companies Act, 2008 (Act 71 of 2008);
- Treasury Regulations (in terms of the PFMA Act 1 of 1999);
- South African Receiver of Revenue Act 34 of 1997;
- National Environmental Management Act 107 of 1998;
- The National Environmental Management: Integrated Coastal Management Act 24 of 2008;
- Occupational Health and Safety Act 85 of 1993;

- The Compensation for Occupational Injuries and Diseases Act Treasury Regulations 130 of 1993;
- Employment Equity Act 55 of 1998;
- Labour Relations Act 66 of 1995;
- Basic Conditions of Employment Act 75 of 1997;
- Skills Development Act 97 of 1998;
- Protection of Personal Information Act 4 of 2013;
- Protected Disclosures Act 26 of 2000;
- Disaster Management Act 57 of 2002; and
- King IV Report on Corporate Governance for South Africa.

3.2. Other Mandates Relevant to Mhlathuze Water

3.2.1. United Nation's Sustainable Development Goals

Mhlathuze Water further contributes to the SDGs by building capacity and capability in water- and sanitation-related activities and programmes, including water harvesting, desalination, water efficiency, wastewater treatment, recycling and reuse technologies.

Through these programmes, Mhlathuze Water aims to further contribute to supporting and strengthening the participation of local communities in improving water and sanitation management.

This as part of our drive towards achieving universal and equitable access to safe and affordable drinking water; and adequate and equitable sanitation and hygiene for all especially to those in the most vulnerable situations.

The organisation further aims to contribute to improving water quality by reducing pollution, eliminating dumping and minimising the release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

Mhlathuze Water committed itself to substantially increase water-use efficiency and ensure sustainable withdrawals and supply of freshwater to address water scarcity and work with Water Services Authorities to substantially reduce the number of people suffering from water scarcity.

3.2.2. National Development Plan

The National Development Plan (NDP), Vision 2030, adopted by Cabinet in 2012, is the visionary blueprint of government, with business and society as collaborative partners. This long-term plan for the country, which cuts across all sectors of society, identifies the critical challenges to be addressed by the country over the period to 2030. The NDP aims to integrate planning and ensure greater policy coherence in government, thus building a common vision of South Africa in 2030.

Seeking to eliminate poverty and sharply reduce inequality by 2030, the key elements that relate to water resources and services are the following 2030 milestones and economic infrastructure objectives.

2030 NDP Milestones:

- All South Africans will have affordable, reliable access to sufficient safe water and hygienic sanitation;
- Effective management of water and the services will support a strong economy and a healthy environment;
- Establish a national water-resources infrastructure agency to support implementation of large projects;
- The country's development will reflect an understanding of available water resources and effective water planning that cuts across different economic sectors and spheres of government;
- All main urban and industrial centres will have a reliable water supply to meet their needs, while increasingly efficient agricultural water use will support productive rural communities; and
- Natural water sources will be protected to prevent excessive extraction and pollution.

3.2.3. National Water and Sanitation Master Plan; 2018

It is critical for Mhlathuze Water to align itself to the Department of Water and Sanitation's National Water and Sanitation Master Plan. In summary, the Master Plan aims to:

"Reduce water demand" minimises the strain placed on the scarce water resources available in South Africa. To reduce strain, demand must be reduced by a decreasing water requirements (improve on production efficiencies), reduction in water wastage, reduction in unmetered/unaccounted water and reduction in uncontrolled releases from source.

"Increase supply" speaks of the introduction of additional water sources into the existing mix. The dominant water source in South Africa remain surface water resources. Through efficient technologies, programmes to increasingly use ground water sources, treat and re-use effluent as well as desalination in coastal cities should be considered alternatives or augmentation to existing resources.

"Redistribution for transformation" guides water services authorities and institutions to make provision of water services to address three areas of inequality. Firstly, ensuring that the use of water for productive purposes is equitable; secondly, making sure that the governance of water is representative; and thirdly, ensuring access to decent water and sanitation services for all South Africans.



“Raw water quality” drives the point of preserving and managing the quality of water being produced and released by natural water resource bodies such as rivers, dams, lakes, wetlands, estuaries and ground water; to prevent deterioration. Deterioration of natural raw water quality poses a threat to economic growth, social development, health, hygiene and aquatic ecological functioning. Fundamental issues that need managing is the poor quality of effluent discharge from municipal and industrial waste water treatment works as well as diffusing pollution of these resources, such as runoff affected by atmospheric deposition or land use practices.

“Protecting and restoring ecological infrastructure” relates to South Africa’s high value aquatic ecological infrastructure assets. These assets are poorly protected, and in some areas of the country they are under severe pressure, for example from intensive agriculture, mining and urban sprawl that results in loss or degradation of ecosystems. Built infrastructure and ecological infrastructure needs to be maintained, and in some cases restored, in order for its socio-economic benefits to be realised. The loss and degradation of ecological infrastructure in relation to urban growth pressures; negatively affects water system yield and increases water-related risks such as the inability to release or replenish raw water sources or mitigate floods.

4. Mhlathuze Water’s Business

Our Services:

- Bulk Water provision: raw, clarified and purified to industries and Water Services Authorities
- Bulk waste water disposal
- Section 30 Additional Activities as permitted in the Water Services Act

4.1. Section 29 Core Business

4.1.1. Bulk Water Provision

Mhlathuze Water provides raw, clarified and purified water to industries and water service authorities through its flagship Nsezi Water Treatment Plant which provides treated water that meets and exceeds the quality standard for drinking water as well as customer specific requirements for both domestic and industrial purposes. The production capacity is 74 million m³ per annum.

4.1.2. Bulk Waste Water Disposal

Mhlathuze Water collects waste water from all industries and disposes off through the sea off shore pipelines in a safe environment. The disposal capacity is 120 million m³ per annum.

4.1.3. Scientific Services

The organisation is the proud owner of a state-of-the-art water and waste water testing laboratory facility. The facility is ISO 17025 accredited and offers a variety of water quality testing services in the fields of chemistry, microbiology and hydrobiology.

The laboratory uses a Laboratory Information Management System (LIMS) to support its operations in managing samples, integrating instruments, exchanging electronic data and facilitating reporting.

The services focuses on developing internal Research & Development expertise in order to deal with current innovation challenges in the sector. The initial approach will be collaborative (with external institutions) whilst building internal capacity.

4.1.4. Section 30 Project Implementation and Management Services

Mhlathuze Water possess a wide range of experience in programme and project implementation; as well as management services in both bulk water and sanitation projects.





SECTION B
**Corporate
Governance**

5. High Level Organisational Structure

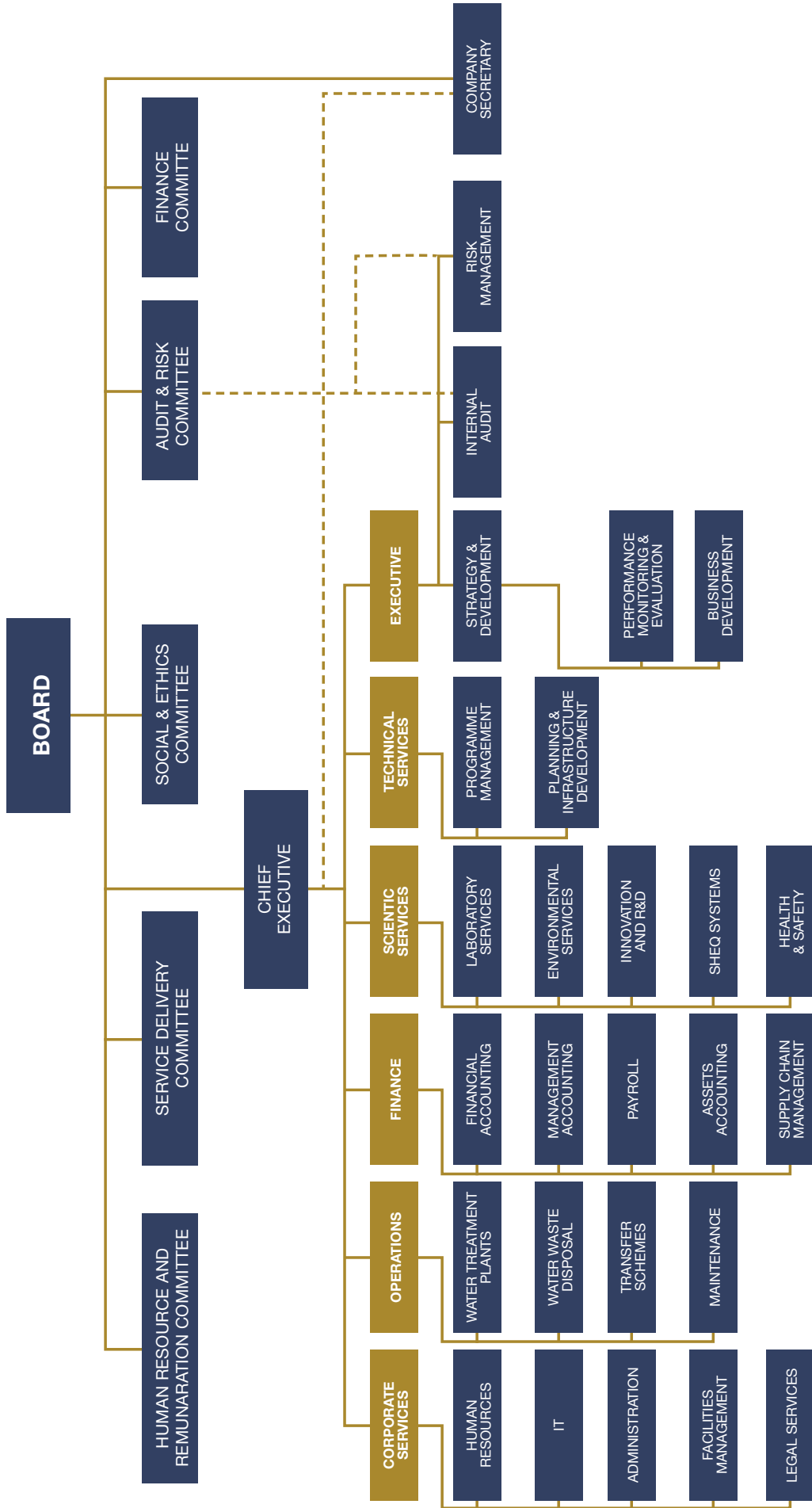


Figure 2: Organogram

5.1. The Board of Mhlathuze Water

Board members are appointed by the Minister of Water and Sanitation (DWS) in terms of the Water Services Act, 1997 (Act 108 of 1997). The Minister appointed 11 members of the Board on 05th December 2018 for a four year term. The primary role of the Board is to ensure that Mhlathuze Water succeeds in discharging its mandate as a water board in accordance with the Water Services Act, in a manner that complies fully with all relevant legislative requirements. The Board ensures that Mhlathuze Water's overall governance is effective, appropriate and within the bounds of sound corporate governance practices.

Furthermore, the Board is entrusted with the responsibility to provide effective ethical leadership and control, based on a foundation of integrity, competence responsibility, accountability, fairness and transparency. This is achieved through steering the strategic direction (vision and mission), with regards to the organisation's strategy and exercising accountability to the shareholders.

	<p>Ms TA SHANGE Age: 74 years Gender: Female Race: African Period of service at Mhlathuze Water: 2 years, 6 months Position held at Mhlathuze Water: Chairperson</p>	
Core Qualifications	Areas of Expertise	Years of Service & Positions held on other Boards
<ul style="list-style-type: none"> ➤ MBA: Public Sector Management ➤ BA Hons: Development Studies ➤ BA: Geography & History ➤ Concurrent Certificate: Education ➤ UBLS Teachers' Certificate ➤ Certificate: Directorship – Accelerated Directorship Programme 	<ul style="list-style-type: none"> ➤ She has experience and mature insight on leadership ➤ She has experience in Board and Audit & Risk membership having served in various Boards over 25 years. She also has served in the Public, Corporate& Social Sectors ➤ A former Regional Land Commissioner KwaZulu-Natal ➤ Former General Manager: Strategic Affairs at Richards Bay Minerals ➤ Good Governance, Leadership and Communications skills and well-rounded Development Practitioner 	<ul style="list-style-type: none"> ➤ Forest Sector Charter Council: Deputy Chairperson & Chair of the Forest Members Outreach Committee ➤ Director: Ubuqotho Integrity Institute (Pty) Ltd ➤ Director: Accomplish Enterprise (Pty) Ltd ➤ Philisisizwe Development Trust: Chairperson ➤ King Cetshwayo Fresh Produce Market: Board Chairperson ➤ Rand Water Foundation: Chairperson ➤ uThungulu Community Foundation: Board member ➤ National Development Agency (NDA): Deputy Chairperson& Chairperson of Audit & Risk Committee ➤ Thembani International Guarantee Fund: Chairperson ➤ Development Innovations and Networks (International): Chairperson ➤ SACC Women's desk and Development Division: Chairperson ➤ Special Pensions Board: Deputy Chairperson ➤ Reconstruction and Development Programme: Committee member ➤ World Bank Research & Policy Framework: Advisory committee member (Land Reform: Restitution, Redistribution, Tenure) ➤ Khula Enterprise Finance: Board member ➤ KwaZulu-Natal Transport: Board member ➤ Washesha Bus Services: Board member ➤ Sheridan Farm Association: Board member ➤ Transformation Resource Centre (Lesotho): Board member ➤ Rural Transformation Association(Natal): Board member





Mr SZ HLOPHE

Age: 43 years

Gender: Male

Race: African

Period of Service at Mhlathuze Water: 2 years, 6 months

Position held at Mhlathuze Water: Deputy Chair

Core Qualifications

- **Masters:** Business Leadership (MBL)
- **BCom Hons:** Accounting
- **National Diploma:** Cost and Management Accounting

Areas of Expertise

- He has vast senior management experience which cuts across Public and Private sector
- His experience across private and public sector is more focused on Finance, Compliance, Internal Audit, Taxation, Audit and Risk and Infrastructure Investment as well as general administration and management matters

Years of Service & Positions held on other Boards

- KZN Growth Fund – Non Executive Director: 3 years
- RBIDZ – Non Executive Independent Director: 3 years
- ILembe District Municipality – Audit Committee Chair: 3 years, 5 months
- Enterprise ILembe Economic Development Agency – Audit Committee Chair: 4 years
- Harry Gwala District Municipality and Harry Gwala Development Agency – Audit Committee Chairperson: 1 year
- KZN Legislature: Audit Committee Chair



Prof. PS REDDY

Age: 63 years

Gender: Male

Race: Indian

Period of service at Mhlathuze Water: 2 years, 6 months

Position held at Mhlathuze Water Board: Board Member

Core Qualifications

- **PhD:** Public Administration
- **Masters:** Public Administration
- **Hons:** Public Administration
- **Bachelor of Admin Degree**
- **Certificate:** Local government studies (UK)

Areas of Expertise

- He is a subnational government specialist who has distinguished himself in the fields of human/ social development, service delivery, planning and human resources through teaching and learning, research, university service and community engagement
- His insight and experience in academic development will contribute positively in Administration and Organisational Development
- He has solid theoretical and political experience in Human Capital Development

Years of Service & Positions held on other Boards

- Council of University of KwaZulu-Natal
- Member of Human Capital Development Committee of the FFC
- Vice President of Programmes of IIAS (Brussels)
- Chairperson of Programme and Research Committee of IIAS (Brussels)





Mrs N GEVERS

Age: 66 years

Gender: Female

Race: White

Period of Service at Mhlathuze Water: 2 years, 6 months

Position held at Mhlathuze Water: Board Member

Core Qualifications

- **Chartered Accountant of South Africa**
- **PGDip:** Management Accounting
- **Diploma:** Accountancy
- **BCom Degree**

Areas of Expertise

- She has extensive experience at both management and executive level in the private and public sectors, and in particular the water sector
- She has experience in corporate project finance, risk management, compliance and auditing

Years of Service & Positions held on other Boards

- Project preparation trust: Trustee and Finance Committee member, Chairman of the Finance Committee: June 2014
- University of KwaZulu-Natal: Independent member of the Finance Committee: 2nd December 2019
- South African nursing council: 01st April 2017 - 31st March 2020, April 2014 - 27th March 2017
- ISimangaliso Wetland Park Authority – Independent member of the Audit and Risk Committee: February 2018 - February 2020
- Mhlathuze Water: Member of Independent Audit & Risk Committee 01st August 2017 - November 2018
- Msunduzi Local Municipality: Independent member of Audit and Risk Committee: August 2013 - December 2016
- Msunduzi Local Municipality: Chairperson of the Audit Committee: January 2017 - May 2018
- University of Zululand: Independent member of Audit and Risk Committee 30th January 2014 - January 2015
- uMngeni Local Municipality: Independent member of the Audit and Risk Committee 03rd April 2013 - November 2015



Dr M MAKGAE

Age: 47 years

Gender: Female

Race: African

Period of service at Mhlathuze Water Board: 2 years, 6 months

Position held at Mhlathuze Water: Board Member

Core Qualifications

- **PhD:** Environmental Chemistry
- **MSc** Chemistry in Membrane Technology
- **BSc Hons:** Chemistry
- **Certificate:** Environmental Management
- **Certificate:** Project Management
- Management Advancement Programme (MAP)

Areas of Expertise

- She has insight and experience in scientific services and water quality
- She has worked for several state-owned entities including Council for Scientific and Industrial Research (CSIR), Pebble Bed Modular Reactor (PBMR), South African Nuclear Energy Corporation (NECSA) and Council for Geoscience (CGS)
- She has now ventured into business. She has a company called Geo-Environmental and Technical Services and Mosidi Leadership Coaching
- She is currently serving as a Board member to Water Research Commission and Mhlathuze Water and an Advisor to the National Nuclear Regulator

Years of Service & Positions held on other Boards

- Amotole Water Board: Board member: 2021 - to date
- Strategic Fuel Fund: Board member: 2019 - to date
- National Research Foundation: Peer Review Committee member: 2019 - to date
- Water Research Commission – Board member, Chairperson and Innovation committee member, committee member of remuneration and human resource: 2016 - to date
- National Nuclear Regulator: Advisor to the Technical Committee of the National Nuclear Regulator Board: 2017 - 2020
- One Geology – Board member (International body of Geological Surveys): 2015 - 2017
- Zenzele TDC, Subsidiary of SEDA: Interim Board member: 2015 - 2016
- Water Institute of Southern Africa – Council Member.





Mr MM XULU

Age: 48 years

Gender: Male

Race: African

Period of service at Mhlathuze Water Board: 2 years, 6 months

Position held at Mhlathuze Water: Board Member

Core Qualifications

- **Hons Degree:** Accounting
- **BCom Degree**
- Management Development Programme

Areas of Expertise

- He is a registered member of Associate General SA
- He has experience in the audit and risk environment through his qualification in Accounting Science
- He has experience in executive management and marketing
- He served as a member of the former Mhlathuze Water Board

Years of Service & Positions held on other Boards

- None



Ms NN MKHIZE

Age: 29 years

Gender: Female

Race: African

Period of service at Mhlathuze Water Board: 2 years, 6 months

Position held at Mhlathuze Water: Board Member

Core Qualifications

- **Candidate for B-Tech:** Civil Engineering
- **ND:** Civil Engineering
- **Post Graduate Diploma:** Project Management

Areas of Expertise

- She has experience and knowledge of Civil Engineering and Construction
- She represents female youth and that will provide a generational mixture for the board
- She is exposed to contract documentation, design and completion and understands water systems

Years of Service & Positions held on other Boards

- None





Ms GD BIYELA

Age: 45 years

Gender: Female

Race: African

Period of service at Mhlathuze Water Board: 2 years, 6 months

Position held at Mhlathuze Water: Board Member

Core Qualifications

- **Bachelor** of Pedagogics
- **Diploma:** Public Admin
- Secondary School Teachers' **Diploma**
- **Certificate:** Women on Boards
- **Certificate:** Hazard Analysis & Critical Control Points

Areas of Expertise

- She has experience and knowledge of Contracts Management and networking
- She was an Educator
- She has understanding of business inherent risks and risks mitigating strategies
- She will contribute in the social and ethics committee of the Board

Years of Service & Positions held on other Boards

- None



Mr BV MSHENGU

Age: 69 years

Gender: Male

Race: African

Period of service at Mhlathuze Water Board: 2 years, 6 months

Position held at Mhlathuze Water: Board Member

Core Qualifications

- **Hons Degree** Political Science
- **Bachelor of Arts**
- **Diploma:** Social Work
- **Certificate:** Labour Law
- Personnel Management Programme
- Programme for Management Development
- **Certificate:** Integrating Strategy, Budgeting and Reporting

Areas of Expertise

- President of Pietermaritzburg Chamber of Business
- He has experience in HR and Remuneration, Audit and Risk and Finance Committee through serving on various Boards and Committees
- He served as a member of the former Mhlathuze Water Board
- As a former CEO, he is a well-rounded leader and development champion with project management capabilities

Years of Service & Positions held on other Boards

- Pietermaritzburg Chamber of Business: President: 2018 - to date
- Mhlathuze Water: Board member: 2018 - to date
- Durban International Convention Centre: Board member: 2020 - to date
- Mhlathuze Water Board Member and Audit Committee: 2007 - 2017
- United Community Chest of South Africa: Chairperson: 2004 - 2005
- Pietermaritzburg Community Chest: Chairperson: 2002 - 2004
- National Medical Plan: Board member: 1996 - 2002
- Tongaat & Districts Child Welfare Society: Chairperson: 1982 - 1983
- Msunduzi Municipality: Member of the Oversight Committee: 2010 - 2011





Mr PM ZIKALALA

Age: 41 years

Gender: Male

Race: African

Period of service at Mhlathuze Water Board: 2 years, 6 months

Position held at Mhlathuze Water: Board Member

Core Qualifications	Areas of Expertise	Years of Service & Positions held on other Boards
<ul style="list-style-type: none"> ➤ MBL: Master of Business Leadership ➤ BSc Hons: Technology Management ➤ B.Tech: Civil Engineering ➤ ND: Civil Engineering 	<ul style="list-style-type: none"> ➤ He is professionally registered with Engineering Council of South Africa (ECSA) and registered with South African Council for Project and Construction Management Professions (SACPCMP) ➤ He has experience in Project & Programme Management, Engineering, Construction and Contract Management, Infrastructure maintenance & infrastructure investment models, water re-use and, transportation ➤ He is exposed to construction projects creating synergies of economic hubs 	<ul style="list-style-type: none"> ➤ None



Mrs A BADUL

Age: 60 years

Gender: Female

Race: Indian

Period of service at Mhlathuze Water Board: 2 years, 6 months

Position held at Mhlathuze Water: Board Member

Core Qualifications	Areas of Expertise	Years of Service & Positions held on other Boards
<ul style="list-style-type: none"> ➤ Diploma: Business Admin ➤ Diploma: Local Government Management ➤ Diploma: Adult Basic Education and Training ➤ Certificate: Executive Leadership Development Programme ➤ Certificate: Executive Course on Good Governance ➤ Institute of Directors Certificate: Being a Director Part 1, 2 & 3, Finance Management, Corporate Governance 	<ul style="list-style-type: none"> ➤ She is a former Deputy Mayor of ILembe District Municipality ➤ She has 23 years experience in Local Government in an executive capacity ➤ She was instrumental in setting up ILembe District Municipality's Local Development Agency – Enterprise ILembe ➤ She served on various Portfolio Committees including Intergovernmental Forums, Economic Development and Planning Committee, Budget & Audit Steering Committee, Finance and Service Delivery Committee ➤ She has network and community driven interests to ensure that Mhlathuze Water's hydro strategy is aligned to the Local Government Development agenda ➤ She served as a member of the former Mhlathuze Water Board 	<ul style="list-style-type: none"> ➤ Stanger Provincial Hospital – Board member ➤ Liquor Board – Board member ➤ Institute of Directors of Southern Africa – Board member ➤ Mhlathuze Water – Board member ➤ Board of Enterprise ILembe: 2009 – 2012 ➤ The Board of Stanger Provincial Hospital: 2012 – 2015 ➤ Sub-Committee of the Liquor Board for ILembe District: 2011 – 2014

5.1.1. The Board Charter

Board Charter provides an overview of duties and responsibilities of the Mhlathuze Water Board as well as procedures and structure that will govern how the board is to function. The Charter addresses the appointment and composition of the board, matters reserved for board decision making, board induction, board evaluation and declarations of conflict of interest. As recommended in King IV, during the period under review, the Board Charter was reviewed and approved by the Board.

5.1.2. Attendance of the Board

Table 1: Attendance of the Board

Number of Board Meetings Held	5
Attendance per member: (July 2020 to June 2021)	
Ms TA Shange (Chairperson)	5/5
Mr SZ Hlophe (Deputy Chairperson)	4/5
Mr MM Xulu (SET Chairperson)	5/5
Mrs N Gevers (FINCOM Chairperson)	5/5
Mr BV Mshengu (HR&REMCO Chairperson)	5/5
Mr MP Zikalala (SDC Chairperson)	5/5
Mrs A Badul	5/5
Mrs GD Biyela	5/5
Dr ME Makgae	5/5
Ms N Mkhize	5/5
Prof PS Reddy	5/5

5.2. Board Sub-Committees

The Board has constituted five (5) committees to assist in discharging its duties. All these committees either have a Terms of References or a Charter, as in the case of the Audit and Risk committee. All of which were reviewed and approved during the period under review.

5.2.1. Audit and Risk Committee

The Audit and Risk Committee serves as an objective structure that is entrusted with the responsibility of reviewing and making recommendations on issues relating to improving the effectiveness of organisational governance, manage organisational risks and internal controls.

Table 2: Attendance of the Audit and Risk Committee

Number of Meetings Held:	5
Attendance per member: (July 2020 to June 2021)	
Mr SZ Hlophe - Chairperson	4/5
Mr MM Xulu	5/5
Mrs N Gevers	5/5
Mrs A Badul	5/5
Ms N Mkhize	4/5

5.2.2. Finance Committee

The Finance Committee serves as an independent oversight structure that is entrusted with the responsibility of reviewing and making recommendations on issues relating to financial budgeting, including the preparation of annual operating and revenue budgets and periodic budget reviews. This committee further ensures that the organisation maintains the required standards of financial management and reporting. It gives assurance on the availability of funds for both operational and capital budget requirements.

Table 3: Attendance of the Finance Committee

Number of Meetings Held:	5
Attendance per member: (July 2020 to June 2021)	
Mrs N Gevers - Chairperson	5/5
Mr MM Xulu	5/5
Dr ME Makgae	5/5
Mrs GD Biyela	5/5
Mr MP Zikalala	5/5



5.2.3. Service Delivery Committee

This committee provides oversight on the implementation of core strategic infrastructure programmes, aimed at enhancing the provision of bulk water while developing and maintaining sustainable customer and stakeholder relationships to achieve cost-effective, reliable and sustainable water and related services. The committee is also tasked with the responsibility of ensuring that water produced by Mhlathuze Water complies with water quality standards, health and safety standards and environmental risks issues.

The committee discharges its duties through recommending capital projects reports to the Board and ensures that capital projects are completed on time and cost-effectively to improve service delivery on communities and fulfil the Shareholder mandate.

Table 4: Attendance of the Service Delivery Committee

Number of Meetings Held:	4
Attendance per member: (July 2020 to June 2021)	
Mr MP Zikalala - Chairperson	4/4
Mr SZ Hlophe	3/4
Mr BV Mshengu	4/4
Ms N Mkhize	4/4
Prof PS Reddy	4/4

5.2.4. Human Resources and Remuneration Committee

The purpose of the Human Resource and Remuneration Committee is to establish and oversee the human resources policies and procedures, which govern the areas of recruitment, resignations, retirements and terminations, organisational planning and design, training and development and succession planning. This committee reports and recommends to the Board issues relating to human resource policies, employment equity, remuneration, the organisational structure, and compliance with labour relations matters. The Companies Act, 2008 (Act No. 71 of 2008) requires; and the King IV Code recommends to public companies to establish this committee.

Table 5: Attendance of the Human Resources and Remuneration Committee

Number of Meetings Held:	4
Attendance per member: (July 2020 to June 2021)	
Mr BV Mshengu - Chairperson	4/4
Mr SZ Hlophe	2/4
Mr MP Zikalala	4/4
Dr ME Makgae	4/4
Mrs GD Biyela	4/4

5.2.5. Social and Ethics Committee

The Companies Act, 2008 (Act No. 71 of 2008) requires that the Boards of all listed public companies, state-owned enterprises (SOEs) and companies with significant public interest should have a social and ethics sub-committee. This emphasizes that companies have a significant social impact on the societies in which they operate. This committee is responsible for oversight and reporting on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships as stated in the King IV Report on Corporate Governance.

Table 6: Attendance of the Social and Ethics Committee

Number of Meetings Held:	4
Attendance per member: (July 2020 to June 2021)	
Mr MM Xulu - Chairperson	4/4
Mrs N Gevers	4/4
Mrs A Badul	4/4
Mr BV Mshengu	4/4
Prof PS Reddy	4/4



5.3. Company Secretariat

The Company Secretary is responsible for the secretariat function at a strategic level, governance advisory services, compliance management and also plays a critical role in legal advisory to the Board and Organisation in relation to King IV. The Company Secretariat attends all Board and Board sub-committee meetings.

The Board and members of the Executive Committee have access to the Company Secretary for guidance on how to perform their duties and responsibilities in the best

interests of the Organisation. The Company Secretary is responsible for the ongoing training of Board members and the scheduling, preparation and administration for Board and Board sub-committee meetings.

5.4. Executive Committee (EXCO)

The Board delegates the day-to-day operation of the Organisation to the Chief Executive, who is assisted by the executives, each heading up a Unit.



CHIEF EXECUTIVE

Mr MP DUZE

AGE: 49 years

GENDER: Male

RACE: African

Period of Service at Mhlathuze Water: 5 years

Core Qualifications	Areas of Expertise	Years of Service & Positions held on other Boards
<ul style="list-style-type: none"> ➤ Candidate for PhD: Development Studies ➤ Masters: Development Studies (cum laude) ➤ Bachelor of Arts: Human and Social Studies 	<ul style="list-style-type: none"> ➤ Experience in Programme & Project Management ➤ Development and Planning 	<ul style="list-style-type: none"> • Member of The Institute of Directors in Southern Africa • the 911 Foundation (NPO) New York: Non-Executive member: 2010 – 2017



CHIEF FINANCIAL OFFICER

Ms B MNYANDU

AGE: 41 years

GENDER: Female

RACE: African

Period of Service at Mhlathuze Water: 5 years, 4 months

Core Qualifications	Areas of Expertise	Years of Service & Positions held on other Boards
<ul style="list-style-type: none"> ➤ Chartered Accountant of South Africa ➤ BCom Hons: Accounting ➤ BCom 	<ul style="list-style-type: none"> ➤ Financial Management and Accounting ➤ Cash Flow Modelling, Business Plan Projections, Process Flows and Procedure Manuals creation ➤ Project Management, Business Process Outsourcing and Audit Readiness Audit & Risk Advisory 	<ul style="list-style-type: none"> ➤ Durban Marine Theme Park: Board member: March 2020 – February 2023 ➤ Durban Marine Theme Park: Finance Committee Chair: March 2020 – February 2023 ➤ Durban University of Technology: Council member: July 2019 – July 2023 ➤ Luthuli Museum: Audit Committee Chair: December 2018 – November 2021 ➤ UYCPMA - uMzansi Youth In Construction ➤ Property & Manufacturing Association: Audit Committee Chair: July 2017 – June 2020 ➤ Coastal TVET College: Council member: September 2014 – November 2018 ➤ Coastal TVET College: Audit Committee Chair: September 2014 – November 2018 ➤ Africa Alliance of YMCA: Executive Committee member: June 2015 – June 2019 ➤ Africa Alliance of YMCA: Finance Committee member: June 2015 – June 2019 ➤ South African YMCA: Executive Committee member: September 2010 – October 2018 ➤ South African YMCA: Finance & Governance Committee Chair: September 2010 – October 2018





GENERAL MANAGER: SCIENTIFIC SERVICES

Mr S NTLHORO

AGE: 49 years

GENDER: Male

RACE: African

Period of Service at Mhlathuze Water: 13 years, 2 months

Core Qualifications	Areas of Expertise	Years of Service & Positions held on other Boards
<ul style="list-style-type: none"> ➤ BSc Hons: Chemistry ➤ Post Graduate Diploma: Management ➤ Registered with SACNASP as Professional Natural Scientist 	<ul style="list-style-type: none"> ➤ Water & Waste Water Quality Monitoring & Compliance ➤ Laboratory Accreditation ➤ Laboratory Management 	<ul style="list-style-type: none"> ➤ None



GENERAL MANAGER: CORPORATE SERVICES

Mr M MYENI

AGE: 62 years

GENDER: Male

RACE: African

Period of Service at Mhlathuze Water: 25 years, 10 months

Core Qualifications	Areas of Expertise	Years of Service & Positions held on other Boards
<ul style="list-style-type: none"> ➤ B.Tech Degree: Management ➤ BCom Degree: Industrial Psychology ➤ Diploma: Personnel Management 	<ul style="list-style-type: none"> ➤ Human Resources: HR Planning; Recruitment and Selection; Organisational Development; Policy Development; Human Resources Development; Performance Management; Job Design; Remuneration and Employee Relations 	<ul style="list-style-type: none"> ➤ None



GENERAL MANAGER: OPERATIONS

Mr PJ MAPONYA

AGE: 46 years

GENDER: Male

RACE: African

Period of Service at Mhlathuze Water: 5 months

Core Qualifications	Areas of Expertise	Years of Service & Positions held on other Boards
<ul style="list-style-type: none"> ➤ ND: Mechanical Engineering (VUT) ➤ Government Certificate of Competency (GCC): Mechanical Engineer Factories (DoL) 	<ul style="list-style-type: none"> ➤ Engineering experience predominantly in the utilities manufacturing and engineering consulting sector ➤ Competency areas include Operation Maintenance, Engineering, Projects Sales and Marketing as well as contract Management 	<ul style="list-style-type: none"> ➤ Thuto ke Motho (NPO): Chairperson of the Board: 3 years, 4 months



GENERAL MANAGER: TECHNICAL SERVICES

Mr P MAISIRI

AGE: 51 years

GENDER: Male

RACE: African

Period of Service at Mhlathuze Water: 8 months

Core Qualifications	Areas of Expertise	Years of Service & Positions held on other Boards
<ul style="list-style-type: none"> ➤ Masters: Business Leadership (MBL) ➤ BSc Hons: Civil Engineering ➤ Professional Registration: Professional Engineer (Pr. Eng.) with Engineering Council of South Africa (ECSA). 	<ul style="list-style-type: none"> ➤ Engineering experience predominantly in the water sector ➤ Competency areas include planning, feasibility, design and construction and contract administration of bulk water services infrastructure projects/ programmes and related works ➤ Experience in institutional technical support including coaching and guiding young professionals 	<ul style="list-style-type: none"> ➤ None



COMPANY SECRETARY

Ms S Mbatha

AGE: 37 years

GENDER: Female

RACE: African

Period of Service at Mhlathuze Water: 1 year, 6 months

Core Qualifications	Areas of Expertise	Years of Service & Positions held on other Boards
<ul style="list-style-type: none"> ➤ LLB Degree ➤ Admitted as attorney of the High Court ➤ Certificate: Public Sector Governance: Chartered Governance Institute of South Africa ➤ Enrolled for ICOSA Programme for Corporate governance and strategic management 	<ul style="list-style-type: none"> ➤ Legal ➤ Corporate governance ➤ Compliance 	<ul style="list-style-type: none"> ➤ Member of The Institute of Directors in Southern Africa



5.5. Management Committee (MANCO)

This committee comprises of managers who report to the respective Heads of Heads of Departments. The Committee meets on a monthly basis and presents reports on the performance of the Organisation and makes recommendations to the Executive Committee for any decision-making affecting the Organisation.

5.6. Management Operational Committees

5.6.1. Bid Committees

The purpose of these committees is to approve bid specifications and to evaluate and adjudicate tenders. The three bid committees currently functional at Mhlathuze Water are as follows:

- **Bid Adjudication Committee:** Consists of Executive Management and Supply Chain Manager;
- **Bid Evaluation Committee:** Consists of cross-functional teams with different expertise from various departments and the Contracts Specialist; and
- **Bid Specification Committee:** Consists of the representative from Supply Chain and specialists from the user departments.

5.6.2. Risk Management Committee

The Risk Management Committee is tasked with managing issues of risks, IT governance as well as health and safety. The Committee considers reports from IT Steering Committee, the Risk Champion Forum and the Health and Safety Committee covering matters relating to substantive Risk Management, Information Technology as well as Health and Safety. The Committee reports to the Audit and Risk Committee on all the assigned matters in terms of its Terms of Reference. The table below outlines the activities of the committee during the financial year.

Table 7: Meetings of the Risk Management Committee

09 th September 2020	Committee meeting
15 th February 2021	Committee meeting
04 th April 2021	Committee meeting
18 th May 2021	Committee meeting

5.6.3. Employment Equity Committee

The Employment Equity Committee was established in order to comply with Section 20 of the Employment Equity Act, 1998 (Act No. 55 of 1998). The Committee consists of employees or their nominated representatives who are from designated groups. The Committee was established for the purpose of enabling the employer to consult with the employees in terms of Section 17 of this Act and to implement affirmative action measures. The Committee meets on a quarterly basis and reports to the Chief Executive on all the assigned matters in terms of its Terms of Reference. Table 8 outlines the activities of the committee during the financial year.

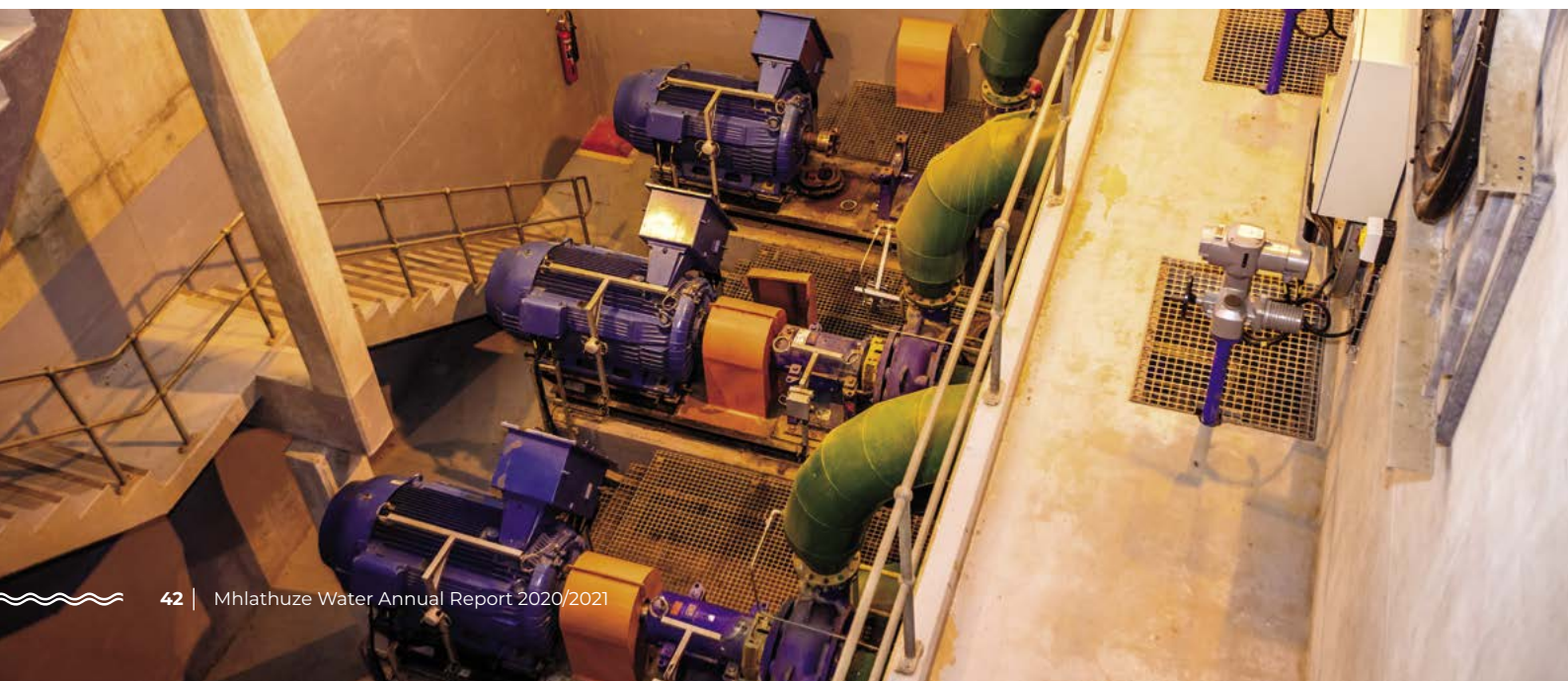


Table 8: Meetings of the Employment Equity Committee

Date	Meeting
17 th September 2020	Joint EE & Training Meeting
27 th November 2020	Joint EE & Training Meeting
10 th December 2020	Committee Members attended Disability Awareness Webinar organised by SABPP (Topic: Disability during the times of COVID-19, experiences and reflections)
14 th December 2020	Committee Members attended Shortlisting for the Learnership Learners
18 th December 2020	Committee Members attended Interview for the Learnership Learners
18 th February 2021	Joint EE & Training Meeting
10 th March 2021 & 26 th March 2021	Committee Members attended a Complimentary workshop on New/Updates on Employment Equity legislation
19 th April 2021	Joint EE & Training Meeting
12 th , 19 th & 26 th April 2021	Disability Awareness at MW Clinic Screening Area
15 th , 22 nd & 29 th April 2021	Disability Awareness at Jozini, Nsezi, Nkandla, Pump-station & Weir
28 th & 29 th April 2021	Committee members took part in the development of the Workplace Skills Plan and Annual Training Report
19 th May 2021	Joint EE & Training Meeting

5.6.4. Physical Assets Disposal Committee

Paragraph 16A 3.1 (b) of the Treasury Regulations states that the Accounting Officer of an institution must develop and implement an effective and efficient supply chain management system in his or her institution for the disposal and letting of state assets, including the disposal of goods no longer required. The Physical Assets Disposal Committee is responsible for making recommendations regarding the disposal of the assets that have become obsolete or that are no longer required or suitable for service delivery. The Committee meets on a quarterly basis and reports to the Supply Chain Management on all the assigned matters in terms of its Terms of Reference. The table below outlines the activities of the committee during the financial year.

Table 9: Meetings of the Physical Assets Disposal Committee

30 th June 2020	Committee meeting
30 th November 2020	Committee meeting
04 th May 2021	Committee meeting
28 th June 2021	Committee meeting

5.6.5. Bursary and Study Assistance Committee

In terms of the regulations of the Skills Development Act, 1998 (Act No.97 of 1998), the organisation is required to develop the skills of the South African workforce by improving the quality of life, prospects of work, labour mobility and productivity in the workplace. The Bursary and Study Assistance Committee is responsible for assessing and making recommendations to the Executive Management on review study applications submitted by employees in light of the available budget, applicable policies as well as current and future operational requirements of the organisation. Table 10 outlines the activities of the committee during the financial year.



Table 10: Meetings of the Study Assistance Committee

Date	Number of People	Amount Approved
15 th January 2021	13 people	R 271 058.75 (half of this amount was paid in in 2020/2021 financial year and the other half paid in 2021/2022)
3 rd August 2020	2 people	R 67 100.00

6. Other Governance Matters

6.1. Disclosure of Interest

Principle 7, Practice 25 of King IV recommends that: “Subject to legal provisions, each member of the governing body should submit to the governing body a declaration of all financial, economic and other interest held by the member and related parties at least annually or whenever there are significant changes.” During the period under review, all members of the Board submitted their general declarations of all financial, economic and other interests. At every Board and Committee meetings, members are required to declare any interest, real or perceived, pertaining to agenda items of each meeting.

6.2. Code of Conduct

Mhlathuze Water has a comprehensive Code of Conduct that applies to directors, management and employees in regulating conditions that constitute or could constitute a conflict.

Objectives of this Code, among others, are to:

- Promote transparency and avoid business related conflicts of interest;
- Ensure fairness in dealing with the interests of all employees, other affected individuals and the company;
- Document the process for disclosure, approval and review of activities that may amount to actual, potential or perceived conflicts of interest; and
- Provide a mechanism for the objective review of personal outside interests.

6.3. Internal Control

Internal control systems, for which the Board is accountable, are designed to provide reasonable assurance that assets are safeguarded and that liabilities and working capital of the Organisation are efficiently managed. Features of Mhlathuze Water’s internal controls are:

- A system of financial planning, budgeting and reporting, which allows continuous monitoring of the Organisation’s performance;
- A materiality and significance framework;
- Clearly defined delegations of authority;

- The establishment of a short, medium and long-term funding strategy;
- An effective tariff model; and
- Established policies and procedures.

Internal audit performs an independent assessment of the internal control systems and business risks and reports to the Board through the Audit, Risk and Finance Committee.

6.4. Materiality and Significance Framework

The National Treasury Regulation Section 28.3.1 and Section 55 (2), Section 54 (2) of the Public Finance Management Act; specify that for purposes of materiality the Accounting Authority must develop and agree on a framework of acceptable levels of materiality and significance for the Public Entity with the relevant Executive Authority. The Board reviewed and approved the Materiality and Significance Framework Policy on the 22nd of August 2019. The policy defines both the levels of significance and materiality. The purpose of the framework is to record the levels of materiality and significance for consideration by the governance structures of Mhlathuze Water and for submission to, and approval by, the Executive Authority. The framework is in line with the Mhlathuze Water Policy on Materiality and Significance Materiality.

6.5. Risk Management

The Board is ultimately accountable for risk management and the system of internal controls at Mhlathuze Water. The Board reviewed and approved the Enterprise Risk Management Policy in October 2020 and the Enterprise Risk Management Implementation Plan was approved by the Audit and Risk Committee on the 21st of July 2020 and monitored the implementation thereof.

Risk management is recognised as an integral part of responsible management and good corporate governance, hence Mhlathuze Water adopts a comprehensive approach to risk management to balance its opportunities and minimise threats. The purpose of the Enterprise Risk Management (ERM) framework is to provide guidance to management and employees regarding the implementation of enterprise risk management within the culture of MW.

Enterprise Risk Management approach has been rolled out at a strategic level, and across all business units for identification of strategic, operational, fraudulent and compliance risks.

Mhlathuze Water has identified and categorised the key strategic risks of delivering on objectives and mitigation approaches/responses.

The list of the key strategic risks are presented in the table below in residual form. Residual risks, refers to the impact and likelihood, taking into consideration the current mitigation approaches/ responses.

The risk might be identified in the organisation but if no mitigation controls are put in place to prevent, detect or reduce the impact and likelihood. The business may choose to discontinue the relevant project or may opt to transfer the impact to a third party as part of the effective risk management process.

For the year under review, the strategic risk assessment identified strategic risks with mitigation actions identified. At the end of the financial year, these action items have been completed.

Table 11: Risk Descriptions, Ratings and Mitigations

Objective	Risk No.	Risk Name	Root Causes	Residual Risk	Further Actions	Reviewed Residual Risk
To be proactive on issues relating to health, safety, security and the environment	1	Possibility of environmental damage	<ol style="list-style-type: none"> 1. Chemical spills or impacts through loss of containment 2. Customers and contributors not adhering to effluent limits 3. Processes not able to handle contaminants or enzymes 4. Ageing infrastructure 	Priority 2	<ol style="list-style-type: none"> 1. Finalize the feasibility study to determine the most appropriate effluent treatment option where after the business process changes will be determined 	Priority 2
To grow provision of water services	2	Scarcity of water resources to meet demand	<ol style="list-style-type: none"> 1. Climate change, such as altered weather-patterns (including droughts or floods) 2. Restriction by Government 3. Increased pollution 4. High water losses 5. Alien invasive plants 6. Destruction of Water Catchment areas 	Priority 2	<ol style="list-style-type: none"> 1. Water re-use 2. Develop plans to implement resolutions from Climate Change Forums 3. Implement an effective interaction process with Environmental authorities 4. Implement an effective interaction process with DWS 	Priority 3
To resource the organisation with the required skills and competence to deliver the strategic intent	3	Inadequate infrastructure to meet customer needs	<ol style="list-style-type: none"> 1. Aged infrastructure 2. Social and criminal destruction of infrastructure and equipment especially in isolated areas 3. Delays in implementation of infrastructure projects 4. Unreliable power supply 5. Funding constraints 	Priority 3	<ol style="list-style-type: none"> 1. Finalize implementation of improved PMO 2. Application for borrowing limits prior to expiry date 3. Implementation of Capex projects 	Priority 3



To ensure long-term financial sustainability of the organisation	4	Vulnerability to Fraud and Corruption	<ol style="list-style-type: none"> 1. Management overriding internal controls 2. Collusion 3. Unethical culture 4. Poor segregation of duties 5. Bad tone at the top 6. Insufficient consequence management 7. Abuse of the emergency procurement (Section 36) process (including during COVID-19 pandemic) 8. Insufficient consequence management 	Priority 3	<ol style="list-style-type: none"> 1. Continuous monitoring and enforcement adherence to policies and procedures 2. Close monitoring and adherence to Corporate Services Policies and Procedures 3. To expedite ERP system project to include HR/ Payroll administration systems 	Priority 3
To grow provision of water services	5	Missed opportunities leading to limited business growth	<ol style="list-style-type: none"> 1. Limited funding 2. Unstable economic climate 3. Competing budget priority 4. Stakeholder resistance to MW performing Operation and Maintenance (O&M) 5. Significant negative impact of COVID-19 on the economy, affecting MW and clients, including potential clients 	Priority 3	<ol style="list-style-type: none"> 1. Development and implementation of Marketing strategy of MW to attract new business 2. Feasibility study on raw water source development (Nseleni dam) 	Priority 3

Table 12: Risk Categorisation

Description	Risk Acceptability	Proposed Action	Rating	Factor
Catastrophic	Unacceptable Significantly exceed threshold	<ul style="list-style-type: none"> ➤ Take urgent action ➤ Report to CE and Board attention ➤ Detailed risk analysis, qualitative and quantitative ➤ Mandatory business continuity plans 	Priority 1	20<25
Critical	Unacceptable Exceed threshold	<ul style="list-style-type: none"> ➤ Take immediate action ➤ Report to CE and Board attention ➤ Detailed risk analysis, qualitative and quantitative where possible ➤ Mandatory business continuity plans 	Priority 2	15<19
Moderate	Unacceptable	<ul style="list-style-type: none"> ➤ Further Analyse the risk ➤ Proactive Management ➤ Report up to CE 	Priority 3	10<14
Minor	Acceptable	<ul style="list-style-type: none"> ➤ Active management ➤ Report up to CE ➤ Mainly control and monitor 	Priority 4	5<9
Insignificant	Acceptable	<ul style="list-style-type: none"> ➤ Routine management ➤ No risk reduction-control, monitor and inform management 	Priority 5	<4

6.5.1. Whistle Blower's Report

The Accounting Authority's objective in approving whistle blower reporting is to create a positive whistle-blowing culture which is a critical element in the success of any risk management system. The organisation is also committed to comply with the provisions of the Protected Disclosures Act (Act No. 26 of 2000) in ensuring that whistle blowers who make disclosures are protected and are not victimized and subjected to occupational detriment for blowing the whistle on improprieties.

The Board has approved the whistleblowing Policy aiming to eliminate the occurrence of fraud, corruption and theft at the Institution. It also strives to create a culture which will facilitate the disclosure of information by employees relating to criminal and other irregular conducts, in the workplace in a responsible manner by providing clear guidelines for the disclosure of such information and protection against reprisals as a result of such disclosure.

During the year under review, the organisation received 1 whistle-blower report. This was investigated and the report was presented to the Board. The Board resolved to close off the matter subsequent to the investigation performed. Based on the investigation report the allegations were unfounded.

6.6. Internal and External Audit

6.6.1. Internal Audit

Internal Audit function is an independent assurance provider. The function reports administratively to the Chief Executive and functionally to the Audit, Risk Committee. The function has a specific mandate directly from the Audit, Risk Committee to independently appraise the adequacy and effectiveness of risk management, internal controls and governance of Mhlathuze Water.

Internal Audit Function adheres to a 3-year rolling Internal Audit Plan aligned to Mhlathuze Water's Corporate Strategy that seeks to achieve the following objectives:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with relevant laws and regulations.

In line with the Institute of Internal Auditors, PFMA and King IV requires internal audits to provide reasonable assurance on the adequacy and effectiveness of risk management, internal controls and governance to management and the Board via the Audit, Risk & Finance Committee.

6.6.2. External Audit

The Auditor General of South Africa (AG) is mandated to conduct an independent appraisal of Mhlathuze Water. The AG provides independent assurance on Mhlathuze Water's Annual Financial Statements including the review of predetermined objectives information, risk management, internal control systems and compliance with legislation and regulations applicable to the institution.

The audit outcomes are presented as per the Public Finance Management Act (PFMA) and other regulations related to public entities. The audit report is tabled to National Parliament through the Portfolio Committee on Human Settlements, Water and Sanitation.



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SECTION C

Overview of Organisational Performance

7. Situational Analysis

7.1. Organisational Environment

7.1.1. Appointment of the Board

Mhlathuze Water Board was appointed by the Minister of Water and Sanitation in terms of the Water Services Act, 1997 (Act 108 of 1997). The Minister appointed 11 members of the Board on 05 December 2018 for a period of 4 years.

7.1.2. Resignation and Appointment of Key Personnel

The following resignations and termination have been recorded at senior management level.

Table 13: Key Resignations During the Year

Employee Terminated	Section	Position	Reason for Termination	Date
Mrs TM Gumede	SCM	Supply Chain Manager	Personal	31/03/2021
Mr SM Biyela	Central Maintenance	Senior Maintenance Manager	Other employment	15/08/2020
Miss T Nxumalo	Corporate Services	IT Manager	Personal	15/03/2021
Mrs XNM Dube	Scientific Services	Water Quality & Environmental Manager	Other employment	27/06/2021

At senior management level, the Organisation successfully employed the following individuals.

Table 14: Key Appointments During the Year

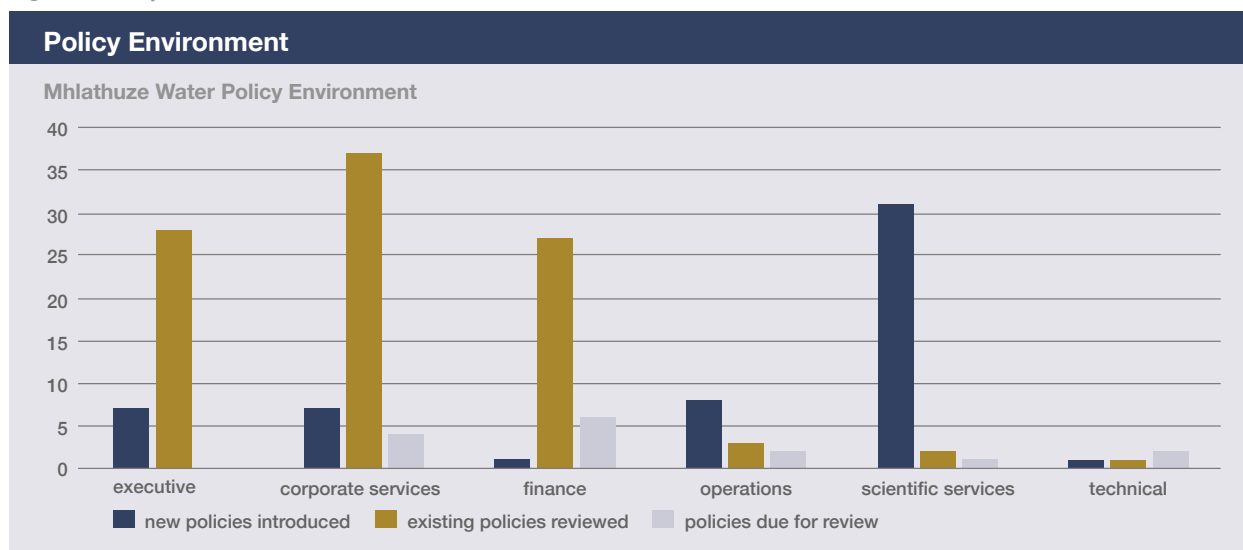
Employee	Department	Job Title	Date of Engagement
Mrs GS Skosana	Executive	Risk Manager	01/08/2020
Mr SK Mdluli	Executive	Risk Specialist	15/02/2021
Mr P Maisiri	Executive	GM: Technical Services	01/10/2020
Mr PJ Maponya	Executive	GM: Operations	18/01/2021
Mr MN Mhlongo	Central Maintenance	Senior Maintenance Manager	04/01/2021
Mr W Makhoba	Central Maintenance	Mechanical Engineer	04/01/2021
Mr M Buthelezi	Scientific Services	Health and Safety Specialist	01/11/2020
Ms K Johnstone	Corporate Services	Facilities Manager	01/10/2020



7.2. Key Policy Developments

The following graph illustrates the policy environment within Mhlathuze Water. In total, 166 policies, procedures, strategies and plans apply to the working environment in the organisation. Throughout the year, new documents were developed, most of the existing documents reviewed and some will be due for revision in the year to follow.

Figure 3: Policy Environment



Key documents developed and introduced into the work space to strengthen the control environment include:

Table 15: New Policies, Plans, Frameworks and Strategies Introduced

Policy Description	Department
Cyber Security Framework	Corporate Services
Long term incentive scheme for executive management	Corporate Services
Organisational Security Policy	Corporate Services
Corporate Social Investment Strategy	Executive
Governance Framework	Executive
Anti-Fraud and Corruption Control Plan	Executive
Combined Assurance Policy	Executive
Occupational Health and Safety Strategy	Scientific Services
Climate Change Strategy	Scientific Services



Table 16: New Procedures Introduced

Procedure Description	Department
Procedure on Organisational Security	Corporate Services
Separation/ Termination of employment Procedure	Corporate Services
COVID-19 Procedure	Executive
Pandemic Response Plan to COVID-19	Executive
Insurance Claim Procedure	Executive
Supervisory Transacting Procedure	Finance
Incident Management Procedure	Scientific Services
Water Safety Procedure	Scientific Services
Range of laboratory related standing operating procedures to document work processes	Scientific Services
Range of operational related standing operating procedures to document work processes	Operations
Standard Operating Procedure Execution of Planning and Projects	Technical Services

7.3. Amendments of Planned Targets During the Year Under Review

Table 17: Amended Targets

Original Performance Indicator	Original Target	Amended 2020/2021 Indicator	Amended 2020/2021 Target	Reason for Amendment
Current ratio	2.13	unchanged	3%	Minister approving a 0% increase in the domestic bulk water tariff due to COVID-19 relief measures
Percentage of primary gross profit margin	61.92%	unchanged	60%	
Percentage of primary net profit margin	10.56%	unchanged	7.5%	
Debt-equity ratio	0.24	unchanged	0.21%	
Percentage of return on assets	3.71%	unchanged	4%	
Percentage of actual expenditure within total budget	Actual expenditure within 10% of total budget	Percentage of actual expenditure of total budget	90%	
Percentage of approved tariff increase : Raw water: City	10.57%	unchanged	0.00%	
Percentage of approved tariff increase : Raw water: Industries	10.63%	unchanged	6.62%	
Percentage of approved tariff increase : Potable water: City	10.77%	unchanged	0.00%	
Percentage of approved tariff increase : Potable water: Industries:	11.77%	unchanged	9.61%	
Number of days to collect secondary activities debts	Secondary activities debts collected within 45 days	unchanged	Secondary activities debts collected within 90 days	

Table 18: Amendments to Indicator Descriptions

Performance Indicator	Target	Reason for Amendment
Percentage of actual expenditure of total budget	90%	Including savings into the calculation method
Percentage of CAPEX spend against budget	90%	Including savings into the calculation method



8. Performance Information by Business Units

8.1. Chief Executive Unit

8.1.1. Mandate of the Chief Executive Unit

The principal mandate of the Chief Executive Unit is to provide executive and administrative support to the Chief Executive and the Board. It performs overall oversight in ensuring the implementation of Mhlathuze Water strategic objectives through Strategy and Development, Risk Management, Internal Audit, Company Secretary, and Corporate Communications.

8.1.2. Functions within the Chief Executive Unit

Office of the Chief Executive

The office of the Chief Executive provides administrative support to the CE and manages the implementation of Corporate Social Investment and Rural Development initiatives as well as ensures that the organisation fulfils its social responsibility mandate. The office is also responsible for managing stakeholder relations, which are aimed at positioning the organisation as the reliable regional water and wastewater business partner of choice.

Company Secretary

This function provides corporate governance and legal services support to the organisation. It is responsible for ensuring that the Board operates effectively and in accordance with the principles of Corporate Governance as provided in the King IV Report on Corporate Governance for South Africa 2016. It is also responsible for statutory compliance with amongst others, the Water Services Act, 1997 (Act No. 108 of 1997); the Public Finance Management Act, 1999 (Act No. 1 of 1999) and the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).

Strategy and Development

The Strategy and Development function is entrusted with the responsibility of facilitating and coordinating the organisational strategic planning, monitoring and reporting. The function translates key priorities into actionable plans with clear activities, performance measurements and resource commitments. The function is also responsible for compiling and submitting statutory documents such as the organisation's five-year business plan, shareholders compact, annual operational plan, quarterly performance reports and annual reports.

Risk Management

The purpose of the risk management function is to identify potential challenges that the organisation might face and implement appropriate mitigating measures before they occur. This is done so that risk-handling activities may be planned and invoked as needed across the life of the business to mitigate adverse impacts on achieving objectives.

Corporate Communications

The Corporate Communications function manages the corporate image and identity of Mhlathuze Water. It is also in charge of all media relations, events management, community relations and corporate publications (newsletters and annual reports). Amongst other things; the function is responsible for procuring and producing all marketing collateral e.g. company logos, branding, corporate clothing; and style of written communication. The function is responsible for website, intranet uploading; and all related activities. Marketing activities such as billboards advertising, editorials and exhibitions fall under this wing. The function also executes the strategic objectives by building and maintaining relationships with internal and external stakeholders.

Internal Audit

Internal Audit is an independent and objective function responsible for planning, executing and reporting on operational, financial, non-financial, regulatory and compliance related internal audits. This function also recommends corrective actions so as to improve operations, enhance internal controls and reduce costs where possible. The function is also responsible for identification and evaluation of financial and non-financial risks, together with procedures to avoid or minimise their impact.

8.1.3. Key Performance Highlights

Organisational Sustainability

A significant performance highlight is the sustainability of the organisation during the continued COVID-19 period. The bulk water supply and effluent disposal Mhlathuze Water's major customers were still on-going during the period and was not affected negatively.

Mhlathuze Water operates on contracted volumes with associated cost reflective tariffs. A significant portion of revenue is therefore fixed. None of the key customers have indicated intent to decrease contracted volumes substantially, or cease to operate as a result of COVID-19.

Notwithstanding the achievement, the full impact and risk to Mhlathuze Water of the limited tariff increase approved by the Minister would need to be carefully managed. This must be done to mitigate any possible financial risks that could compromise the organisation as a going concern.

Corporate Social Investment

During the period under review, the CSI Committee was tasked with the responsibility of reviewing the CSI Strategy.

The following CSI initiatives were undertaken by the organisation:

Project Name	Brief Description of Support
5000lt Water Tanks and touchless automatic liquid dispensers and sanitizers at the following schools and Traditional Council: <ol style="list-style-type: none"> i. Nqobizazi High School (Ingwavuma) ii. Lubana Primary School (Enseleni) iii. Mgazi Traditional Council 	<p>In an effort to curb the surge of the prevalent COVID-19 pandemic, MW identified two schools in rural areas (where water is scarce) that could be assisted with water tanks and sanitizers. Each site was supported with 5x Wall-Mounted Touchless Automatic Liquid Dispenser Machines; and 3x 25 Lt Liquid Sanitizers (1 per site). In addition, Nqobizazi was supported with a water tank as well as soap dispensers fitted onto the water tank.</p> <p>Mgazi Traditional Council, which also doubles up as a Grant Paypoint (SASSA) and local clinic was also supported with 2x water tanks and soap dispensers fitted onto the water tanks. This site appealed to the committee as it services the elderly and vulnerable groups in our society.</p>
Sport and Recreation Support - Soccer Kit	1x full soccer kit, including socks, boots, shin guards and balls was donated to Mr. T Gumbi, on behalf of the youth of ward 07 in Jozini Local Municipality.
Siyamthanda Community Service Non-Profit Organisation	Siyamthanda is an NPO run by the youth of Ngwelezane operating in Empangeni. The NPO aims to clean up illegal dumping sites that are widespread throughout Ngwelezane. They were supported with cleaning equipment and PPE for use during their clean-up campaigns.
Mr. Minenhle Dumakude – Study Assistance	Minenhle Dumakude is 17 year old student who was supported with financial assistance towards phase 2 (the night rating) of his Pilot training through Focus Air Flights School. This request was supported in collaboration with the Harry Gwala District Municipality.
School Shoes Project	A number of schools, (high schools and primary schools) were identified with the assistance of Inkosi Ntshangase and Inkosi Nxamalala of Nkandla. They were supported with 100 pairs of school shoes which were shared equally between the two traditional councils. Needy children from the respective schools were identified and were the beneficiaries of the shoes.

Rural Development Programme

Mhlathuze Water actively undertakes rural development support programs alongside its social partners within its operational jurisdiction. One of these investments was the initiative to install strategic infrastructure for the uPhongolo and eDumbe Local Municipalities in the form of supplying, installing and commissioning of Atmospheric Water Generation (AWG) solutions as alternative water sources in identified areas (5 sites).

AWG is an innovative process through which a technological device is used to extract potable water from humid, ambient air. The most commonly used AWG systems employ condenser and cooling coil technology to pull moisture from the air in the same way a household dehumidifier does. In implementing this technology Mhlathuze Water collaborated with its long-standing partner, the University of Zululand, with whom we have a MoU where we collaborate in areas of mutual interest.

The pilot project was completed during the month of May 2021, it was implemented in 5 sites that were identified by both uPhongolo and eDumbe Local Municipalities. This also benefited a school which had challenges with water shortages and pupils could not enjoy the basic human need during school hours.

Furthermore, investigations were carried out through geo-hydrological assessments and the findings of these assessments gave direction on how communities in 7 wards in uPhongolo Municipality could be provided with potable water (boreholes). The study was concluded at the beginning of June 2021 and the findings of the study shall be implemented during the 2021/22 financial year.



8.1.4. Chief Executive Unit 2020/2021 Predetermined Objectives

Table 19: Chief Executive Unit 2020/2021 Predetermined Objectives

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 10	SO3: to initiate and build relationships with stakeholders to add value for all	Bulk supply agreements concluded with municipalities/ other customers	Number of bulk supply service level agreements in place	7.00	7.00	0.00	None
SC 12		Rural Development support in line with the organisation's mandate	Number of projects implemented in municipalities	2	2.00	0.00	None
SC 20		Corporate Social Investment (CSI) initiatives in line with the organisation's mandate	Number of CSI initiatives undertaken	4	4.00	0.00	None
SC 17	SO5: to optimise business processes and systems	Board effectiveness	Percentage of attendance of Board members at Board meetings	80%	97.73%	17.73%	Not all Board members are always available. All Board meetings scheduled had a quorum
SC 13		Meeting statutory submission deadlines	Number of approved business plans submitted as per compliance requirements	1	1.00	0.00	None
SC 13			Number of approved shareholders compact submitted as per compliance requirements	1	1.00	0.00	None
SC 13			Number of approved annual reports submitted as per compliance requirements	1	1.00	0.00	None
SC 13			Number of approved quarterly reports submitted as per compliance requirements	4	4.00	0.00	None

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 4		Effective governance, compliance with legislation and financial sustainability	External audit report	2019/2020 Unqualified audit opinion	2019/2020 Clean audit	None	None
SC 18		Corrective measures for internal audit findings	Number of unresolved internal audit findings	0	0.00	0.00	None
SC 18			Number of repeat internal audit findings	0	0.00	0.00	None
SC 19	SO2: to ensure long-term financial sustainability of the organisation	Good governance	Number of breaches of materiality and significant framework	0 Breaches of materiality and significant framework for 2019/2020	0.00	0.00	None
MW 1	SO3: to initiate and build relationships with stakeholders to add value for all	Board Performance Assessment	Number of Board Performance Assessment session held	1	1.00	0.00	None
MW 2		MW positioned as the preferred water service provider	Number of stakeholders engagement sessions held	8	24.00	16.00	Additional stakeholder engagement session held
MW 3		MW positioned as customer focused organisation	Number of Stakeholder indaba held	1	1.00	0.00	None
MW 4		MW positioned as a brand through Marketing initiatives	Number of marketing initiatives conducted	4	11.00	7.00	Additional marketing initiatives conducted
MW 5		External stakeholders informed on MW programmes, projects and services through media engagements	Number of media initiatives conducted	16	37.00	21.00	More media coverage than anticipated



SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation	
MW 6	SO5: to optimise business processes and systems	Effectiveness of internal controls	Number of strategic three-year rolling internal audit plan	1	1.00	0.00	None	
MW 7			Effective risk controls and management	Percentage implementation of fraud risk further action plans	100%	100%	0.00%	None
MW 8			Percentage implementation of operational risk further actions plans	100%	88.30%	(11.70%)	The quantum of action items, and their complexity coupled with unrealistic target dates	
MW 9			Percentage implementation of strategic risk further action plans	100%	100%	0.00%	None	

8.1.5. Corrective Measures to Address Areas of Underperformance

Table 20: Chief Executive Unit Corrective Measures

Key Performance Indicators	Core Reason for Under-Achievement	Recovery Strategy for 2021/2022
Percentage implementation of operational risk further actions plans	The quantum of action items, and their complexity coupled with unrealistic target dates	The action items have been transferred to 2021/2022 risk register for continuous implementation purposes

8.2. Corporate Services Unit

8.2.1. Mandate of Corporate Services Unit

The Corporate Services Unit provides a range of corporate services functions at strategic and operational levels. The Unit manages Information Technology, Human Resources operations, Training and Development, Employee Relations, Employee Wellness, Fleet Management, Document Management, Legal Services and the individual Employee Performance Management System. The Unit's strategic intent is driven mainly by Strategic Objective 4 (resource the organisation the required skills and competence to deliver the strategic intent); and Strategic Objective 5 (optimise business processes and systems).

8.2.2. Functions within the Corporate Services Unit

Human Resources Development

Human resources development has always been a priority of Mhlathuze Water for many years and it is still a priority to date. Specific initiatives have included training and development programmes for line managers, technical and administrative staff, general staff as well as learners from the communities within Mhlathuze Water's area of operation. Major focus is on capacity building through bursary schemes, graduate training, artisan training, process controller learnership, in-service training and internship programmes.

Human Resource Management

Human Resources intends to be a strategic partner that helps Mhlathuze Water to provide:

- Professional service through accurate, consistent and best employment practices in all its activities, which are aimed at supporting the achievement of the organisation's strategic objectives;
- Attract and retain employees who share the same organisational vision;
- Set and manage standards of performance; and
- Promote a personal and career development environment for all employees so that they can reach their potential and therefore contribute fully to the achievement of the strategic objectives and instil a culture of service excellence.

Information Technology

The Information technology (IT) function is responsible for the delivery of services that support the Organisation's strategic plan and individual department's objectives successfully through the effective use of information technology. Its purpose is to ensure that the Organisation achieves optimum use of its IT resources. In addition, the function is tasked with the responsibility of providing cutting-edge information technology solutions including enabling communication tools that will optimise business systems in a reliable and secure manner. This includes the implementation of effective and efficient business systems that meet users' needs, the provision of a reliable IT infrastructure and environment, and creating capacity for proper information management and business intelligence. The function seeks to implement a single source integrated system as the key business system tool within the organisation.

Records and Document Management

Mhlathuze Water keeps and manages official records to support its business operations, as well as to fulfil legal and administrative obligations. These records are managed from date of creation of documents to date

of disposal thereof, in terms of the National Archives and Records Service Act 43 of 1996, as amended. The Document Management function, therefore, ensures that institutional records of historical, fiscal and legal value are identified and preserved; and that non-essential records are discarded in a timely manner according to established guidelines and legislation.

Fleet Management

Fleet Management is assigned to the Corporate Services Department and the HOD oversees all aspects of this function while the HR Manager and Fleet Administrator performs the various activities related thereto. The current fleet size and shape is adequate for the purposes of service delivery. Mhlathuze Water operates a fleet of seventy-five (75) vehicles which comprises a combination of small vans to heavy vehicles. Forty-six (46) of the vehicles are owned by Mhlathuze Water while twenty-nine (29) are held under lease agreements.

Legal Services

Legal Services function is responsible for providing effective and efficient legal services to the organisation in order to ensure that the interests of the organisation are protected against any legal risk. The function provides effective and legally sound contracts in order to ensure that the interests of the organisation are protected against any legal risk. It is also responsible for drafting and vetting legally sound contracts and further handles and manages litigation matters affecting the organisation.

Organisational response to COVID-19

The World Health Organization (WHO) declared a global pandemic on the 2nd of March 2020 over a new coronavirus which causes an illness known as COVID-19 that has spread around the world.

With South Africa remaining in a state of lockdown for the reporting period, the number of positive COVID-19 cases at Mhlathuze Water at the end of the reporting period was 46. No fatalities have been recorded.



As an essential service, Mhlathuze Water has the responsibility to ensure that its employees and operations are protected against the impact of this disease.

In line with government's directive and regulated guidelines for South African businesses, Mhlathuze Water continues to implement its response plan and procedure to manage the impact of the disease on business continuity.

A COVID-19 Response Team remains operational and managed the risk based plan for the organisation. This plan provided guidance on how to respond to the changing environment in context of government's response in the form of the regulations issued under the Disaster Management Act. The implementation of the plan involved a range of services to be provided to prevent and manage the transmission of COVID-19 in their workplace.

The organisation continuously reviews the operational, risk based plan for each business unit in the organisation.

8.2.3. Key Performance Highlights

Areas of improved performance during the financial year included:

The filling of key and critical positions including but not limited to the General Manager: Technical Services, General Manager: Operations, Facilities Manager, Risk Specialist, Senior Maintenance Manager, Mechanical Engineer, Business Application Support Specialist and other positions. This has resulted in a decrease in the organisation's vacancy rate to 6%.

Of the 36 positions filled, 14 were filled by males and 20 were filled by females. Organisationally, the gender profile is closely reflective of the economically active population in KZN v.i.z. 56% Male and 44% Female.

The Staff turnover was 6.42% against the projected target of 8%. The ability to retain employees was achieved due to a lower number of unplanned exits from the organisation with only one instance of death that was not COVID-19 related during the period under review. The organisation continued to function optimally during the peak periods of the COVID-19 pandemic as well as during lockdown through the implementation of employee rotation and alternate work arrangements.

The on-site Occupational Health Clinic has been fully functional and assisted the organisation in first line screening for COVID-19 infections as well as other employee health and wellness issues. Various employee communication and awareness sessions were held throughout the year at Head Office and all the plants and installations. This has gone a long way in ensuring the limited number of positive COVID-19 infections from exposure at work.

➤ Skills Development Programme

In the areas of skills development, the organisation has increased its commitment to the development of youth by appointing an additional eight students to the Internship Programme as well as increasing the duration of the programme as from the next intake of students. This will enable the beneficiaries of this programme to acquire more work experience so as to fill positions that may arise internally and externally.

A total expenditure of R1 211 312.08 was incurred in respect of the attendance at Training Workshops. This represented a total of 1103 man days spent on training. The total expenditure on all Skills Development Programmes for employees was R1 429 237.08 for the year 2020/2021. This cost includes Study Assistance, Training and Workshops, Conferences and Seminars. This represents an increase of R609 760.10 from the previous year. The total expenditure on Youth Development programmes including the Internships, In-service Training, Graduate Development, Artisan Training and Learnerships amounted to R2 060 008.11 for the year.

Basic Computer Skills Training

A three days training attended by fifteen people. They gained computer skills and the ability to use computer (accessing emails on Outlook, typing on Word documents and capturing data and spreadsheets on Ms Excel e.g. capturing meter readings on Excel.

Centrifugal Pumps

Attended by two Graduate Trainees to comply with ECSA requirement and to gain knowledge on Pump Characteristics and Curves, this training enabled them to conduct Pump sizing for required flow and head output and Good pump maintenance.

Conflict Management and Resolution

Attended by four employees including employees from the head office and Nsezi plant in order to improve people management skills and managing emotions. They also learnt how to deal with employees without involving emotions.

Customer Care and Communication Skills

Training attended by four Kitchen Attendants, to learn how to communicate at all levels. They were also equipped with the skills to deliver quality customer service at all times.

CV Writing and Interview Skills

Attended by all MW Interns. They were equipped with skills to write a winning CV and they also gained tips on how to answer questions during interviews and the professional manner expected from them when attending interviews.

GRAP Training and Updates for 2020/2021

Attended by fourteen Finance and Internal Audit staff members. They advanced their skill of reviewing financial statements in line with GRAP standards; and to better understand GRAP Accounting reporting standards.

ISO 17025 Systems and Internal Auditing

Attended by fourteen Scientific Services staff members in order to become updated with the latest requirements of the new standard and to gain knowledge on the latest version of ISO 17025.

ISO 45001:2018 Implementation

This is a compliance training that was attended by three Operations and Laboratory staff members. They were equipped with the knowledge and skills of implementing the new standard.

Safe Handling of Chlorine and Hazardous Chemical Substances

This is also a compliance training attended by stores/warehouse staff. They learnt safe ways of handling the Chemical during receiving and to manage the delivery of the Chemical in a safe manner.

Supervisory Skills for Team Leaders

Attended by four newly appointed supervisors, to capacitate and strengthen their supervisory skills. Recommended on Probation report.

Variable Speed Drives (VSD) ACS 800/880

Attended by four Central Maintenance staff members to be able to fault-find on VSDs and to understand ABB VSDz operation.

Enterprise and Supplier Development for Procurement Staff Training

Attended by two SCM staff members, to gain in-depth knowledge on ESD.

Lubrication Course

Attended by two Central Maintenance staff. To improve knowledge and skills on how to properly lubricate plant moving machines.

Data Analytics for Internal Auditors (DAIA)

Attended by two Internal Auditors to assist auditors with enhanced skills to review the process of auditing, be able to conduct investigations and to be able to use IT tools to analyse data.

Advances MS Word Training

Attended by three staff members in order to gain deeper knowledge and skills to utilise computers effectively, to have the ability to generate reports quicker.

➤ **Employment Equity for EE committees**

Four Joint Employment Equity Committee members attended a workshop in July to fully understand the updates recently made on Employment Equity legislation.

➤ **Artisan Development Programme**

The Artisan Development Programme is conducted in compliance with the Skills Development Act No. 97 of 1988. The primary objective of the programme is to build internal capacity in relevant trades as well as to contribute towards the National Skills Development Strategy.

There are two unemployed youth who are participating in a programme on Instrumentation Trade to capacitate the Maintenance Section. The Apprenticeship training programme under Instrumentation covers field instruments, basic PLC programming and basic SCADA programming for a person to be a qualified Instrument Mechanic. This would assist Mhlathuze Water with the current shortage of instrumentation staff if students can qualify because they can be utilized in daily plant maintenance activities and further SCADA development to suit ever changing operational requirements. One employee achieved a Boiler-Maker Trade Test through attending training programmes.

➤ **Graduate Development Programme**

The purpose of this programme is to equip graduates with skills and experience in order to become professionals and be able to register with ECSA. Three graduate trainees are currently participating in the programme. Two are registered with ECSA as Candidates Engineering Technicians and one registered as a Candidate Engineering professional. The graduate trainees submit quarterly reports and a professionally registered mentor has been appointed to monitor their progress towards meeting ECSA requirements.



The following are the graduate trainees participating in the programme:

Table 21: Graduate Trainees

Name & Surname	Gender	Race	Field of Study
Qiniso Mhlongo	Male	African	National Diploma Mechanical Engineering*
Kwanele Mtshali	Female	African	National Diploma Mechanical Engineering
Nothando Mhlongo	Female	African	National Diploma Mechanical Engineering
Sandile Mkhabela	Male	African	BSc. Degree in Civil Engineering

*Qiniso Mhlongo was in the training programme from the 1st July to end of February 2021

Bursary Programmes

Internal Bursaries

As part of Mhlathuze Water's long term skills development strategy, the Bursary and Study Assistance Committee approved applications for the two employees who have completed their studies on time.

Table 22: Completed Internal Bursaries

Position	Gender	Race	Section	Institution	Qualification	Duration
Contract Specialist	Female	African	SCM	Chartered Institute of Procurement & Supply	Diploma in Procurement and Supply	1 year
GM: Scientific Services	Male	African	Scientific Services	University of Pretoria	Bachelor of Science Honours	2 year

Further, the employees below are currently furthering their studies through the Study Assistance Scheme.

Table 23: Current Internal Bursaries

No.	Name & Surname	Department	Course	Institution	Period
1	General Assistant	Nsezi	NC: WWTPC Supervision NQF 4	All Connection	1 st year
2	Supervisor	Nsezi	NC: WWTPC Supervision NQF 4	All Connection	1 st year
3	Junior Process Control	Nsezi	NC: WWTPC Supervision NQF 4	All Connection	1 st year
4	General Assistant	Nsezi	NC: WWTPC Supervision NQF 4	All Connection	1 st year
5	General Assistant	Nsezi	NC: WWTPC Supervision NQF 4	All Connection	1 st year
6	General Assistant	Nsezi	NC: WWTPC Supervision NQF 4	All Connection	1 st year
7	General Assistant	Weir	WWTPC Supervision NQF 4	All Connection	1 st year
8	Secretary	Corporate Services	Post Grad Diploma in Risk Management	MANCOSA	1 st year
9	Sampler	Scientific Services	National Nated Diploma in Chemical Engineering N4	Berea Technical College	1 st year
10	Receptionist	Corporate Services	Higher Certificate in Marketing	UNISA	2 nd semester
11	Relief Operator	Operations	NC: WWTPC Supervision NQF 4	All Connection	1 st year
12	Office Manager	Executive	Post Graduate Diploma in Risk Management	MANCOSA	2 nd semester
13	Contract Specialist	SCM	Advanced Diploma in Procurement and Supply	CIPS	1 st year
14	GM: Scientific Services	Executive	Master of Science in Water Resource Management	Univ of Pretoria	1 st year

External Bursaries

There are currently two students from needy communities participating in the Amanzi Bursary Programme:

Table 24: External Bursaries

Name & Surname	Gender	Race	Institution	Field of Study	Year of Study
Samukelisiwe Zungu	Female	African	University of KwaZulu-Natal	BSc. Degree in Chemical Engineering	4
Kwanele Nxumalo	Male	African	University of KwaZulu-Natal	BSc. Degree in Electrical Engineering	4

Internship Programme

Fifteen interns listed below were appointed to participate in a one year internship programme, which will be completed in February 2022. The programme aims to provide work experience to the newly qualified graduates in order to become employable.

Table 25: Internship and In-Services Training Programme

No.	Name & Surname	Gender	Age	Department	Highest Qualification	Place of Residence
1	Nokukhanya Mncube	M	24	Finance	B Tech Cost & Management Accounting	eSikhawini
2	Siphosethu Nkala	M	24	Finance	ND Financial Accounting	eMpangeni
3	Manqoba Msane	M	27	Technical Eng	Bachelor degree Mechanical Engineering	Ngwelezane
4	Mzwandile Majola	M	27	Executive	BA LLB	Nkanda
5	Mondli Myeni	M	24	Technical Services	Bachelor degree Mechanical Engineering	Nseleni
6	Sithethelele Makhathini	F	27	Finance	Bachelor of Technology: Taxation	Makhlokholo reserve
7	Siduduziwe Mlambo	F	26	Executive	Bachelor of Technology: Taxation	Esikhawini
8	Nonkululeko Ngema	F	24	Microbiology Lab	Bachelor degree Microbiology & Biochemistry	Esikhawini
9	Sinenhlanhla Zwane	F	27	Legal	Bachelor of Laws (LLB)	Ngwelezane
10	Bongisani Myeni	M	25	Supply Chain Management	Bachelor of Technology: Taxation	Nseleni
11	Londiwe Mzimela	F	24	Executive	BA Honours Communication Science	Esikhawini
12	Ziphozenkosi Mdamba	M	24	IT	ND IT Software Development	eMpangeni
13	Thembelihle Zungu	F	35	Executive	Bachelor degree Public Administration	Gobandlovu
14	Akhona Dumakude	M	23	HR	ND Human Resource	Mabhuyeni reserve
15	Nolwazi Mbeje	F	26	Operations	ND Chemical Engineering	Nseleni

There is also one learner on In-service Training as per the table below.

No.	Name & Surname	Gender	Age	Department	Highest Qualification	Place of Residence
1	Mandisa Vutha	F	21	Scientific Services	ND Analytical Chemistry	eSikhawini



Learnership Programme

Furthermore, in order for Mhlathuze Water to provide clean water of high quality at all times, a need to up skill water employees was identified. Therefore, a Learnership Programme on Water and Waste Water Treatment was implemented. Learners receive a national qualification accredited by the EWSETA. This programme further equips internal employees to build their capacity for advancement opportunities in the organisation by assisting them to obtain up to a NQF level 4 qualification.

Listed below are four unemployed youth and four permanent employees who completed the programme in October 2019 and are to be awarded a National Certificate in Water and Wastewater Treatment Process Operations NQF Level 3.

Table 26: Learners that Completed the Learnership Programme

Name & Surname	Gender	Race	Department
Gina Siphelele Xoliswa	Female	African	Operations
Mathenjwa Themba Innocent	Male	African	Operations
Mnculwane Xolani Thobelani	Male	African	Scientific Services
Ntuli Nokwanda Godgave	Female	African	Operations
Shandu Muzi Phumlani	Male	African	Operations

Above are the learners that have completed their Learnership training in December 2020 and are awaiting the certificates from the EWSETA. Tabled below are learners who commenced in April 2021 and are participating in the Learnership Programme (NQF Level 3) to be completed in March 2021.

Table 27: Current Learners

Name & Surname	Race	Gender	Department
Mathaba Nozipho	African	Female	Operations
Mbuyisa Edith Samkelo	African	Female	Operations
Msomi Silungile	African	Female	Operations
Khanyile Nokuthula	African	Female	Operations
Zulu Mthokozisi	African	Male	Operations



Professional Registration

Mhlathuze Water has eleven employees who have statutory professional registrations.

Table 28: Professional Registration

No.	Name and Surname	Designation	Professional Registration	Registration Number
1	Babongile Mnyandu	Chief Financial Officer	SAICA (CA) SA	04907352
2	Sithembile Mntungwa	Operations Manager	ECSA (Pr. Tech Eng.)	2018300030
3	Dumisani Manqele	Electrical Engineer	ECSA (Pr. Cert. Eng.)	2018800011
4	Sakhile Mthembu	Automation Specialist	ECSA (Pr. Tech. Eng.)	2018600049
5	Zizonke Makulube	Manager Budgeting and Reporting	SAICA (CA) SA	20045730
6	Thokozane Hlongwane	Finance Manager	SAICA (CA) SA	10007445
7	Simphiwe Malinga	Financial Accountant	SAICA (CA) SA	20034524
8	Samukele Ntuli	Civil Maintenance Technician	ECSA (Pr. Tech. Eng)	2019600336
9	Gift Magwanyana	Internal Auditor	IIASA (Associate Member)	34236171
10	Siyabonga Lukhele	Internal Auditor	IIASA (Associate Member)	1985/003686/08
11	Nkoluleko Ncube	Programme Manager	ECSA (Pr. Eng. Tech.)	201670069
12	Mxolisi Mhlongo	Senior Maintenance Manager	Candidate Engineering Technologist	201280345
13	Walters Makhoba	Mechanical Engineer	Professional Engineering Technician	201630197
14	Patrick Maisiri	GM: Technical Services	Professional Engineer (ECSA)	20092055

Compliance Training Programme

The following various compliance training courses were conducted.

Table 29: Compliance Training

No.	Training	Number of Attendees
1	Basic Fire fighting	15
2	Blood Spill /Medical waste cleaning/Safe handling of Medical waste training	10
3	Compensation for Occupational Injuries and Diseases Act (COIDA) training	5
4	Forklift - Novice course	2
5	Hazard Identification and Risk Assessment (HIRA)	65
6	Hazardous Chemical handling - (HAZCHEM)	65
7	Incident Investigation	31
8	ISO 17025 Systems and Internal Auditing training	14
9	ISO 45001:2018 Implementation	3
10	Isolation and Permit to Work training	72
11	Legal liability for supervisors	16
12	Management Of Health & Safety in Construction	12
13	Overhead Crane Training	12
14	Safe handling of Chlorine and Chemical Substances	2
15	SHE Representatives	6
16	Snake handling and Snake Safety Awareness	78



Employee Wellness

As per the Ubuntu Policy that was approved by the Board, with an objective to provide Mhlathuze Water's support to employees and Board members who become parents, undergo hospitalisation, are booked for at least ten days sick leave by a Medical Practitioner (extended sick leave) or suffer bereavement, a total of 44 tokens of support (i.e. goodie baskets, blankets and flowers) were distributed to employees in the year under review.

Various campaigns / roadshows / information sharing sessions were held in Head Office and all plants to create COVID-19 awareness, non-pharmaceutical interventions (social distancing, hand washing and hygiene, nutrition and wearing face masks) were discussed as well as the advantages of taking the COVID-19 vaccine.

Long Service Recognition Programme

The Long Service Recognition Programme intends to recognise employees for their contribution in the organisation in the form of a long service incentive at five years intervals. The following number of employees qualified in the period under review.

Table 30: Long Service Recognition

Years	Number of Employees
5	15
10	1
15	4
20	1
25	2
35	3

Employment Changes

Employment Report

Table 31: Number of Employees Disaggregated by Gender and Race

Employment Group	Baseline (start of the financial year)	Total (end of the financial year)	Reasons for Variances
African	191	200	Appointments
Indian	7	6	Retirement
Coloured	3	3	N/A
White	5	6	Appointment



Filled Positions

A total of 29 positions were filled during the financial year 2020/2021 as follows:

Table 32: Filled Vacancies Disaggregated by Gender and Race

Race	Gender	Total	
		Number	Percentages
African	Male	10	34%
	Female	19	66%
Indian	Male	0	0%
	Female	0	0%
Coloured	Male	0	0%
	Female	0	0%
White	Male	0	0%
	Female	0	0%
Total		29	100%

Staff Retention

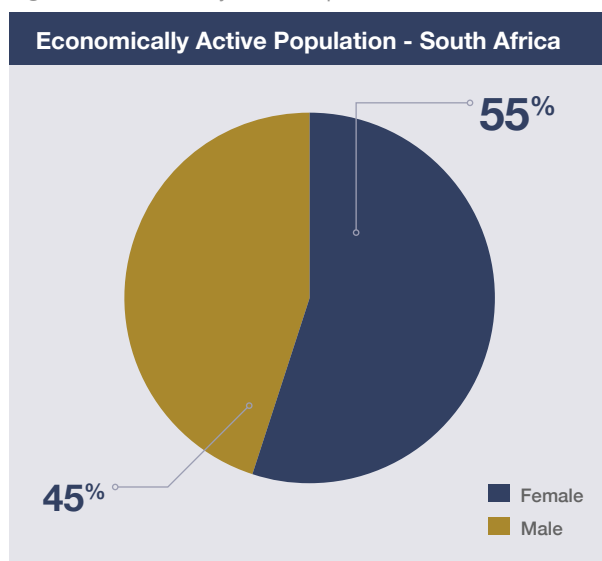
The projected annual staff turnover rate of 6.42% was achieved, which is within the projected rate of 8% as shown in the table below:

Table 33: Staff Retention

Unplanned attrition	14
Average complement for the period	218
Staff Turnover rate	6.42%
Projected annual staff turnover rate	8%

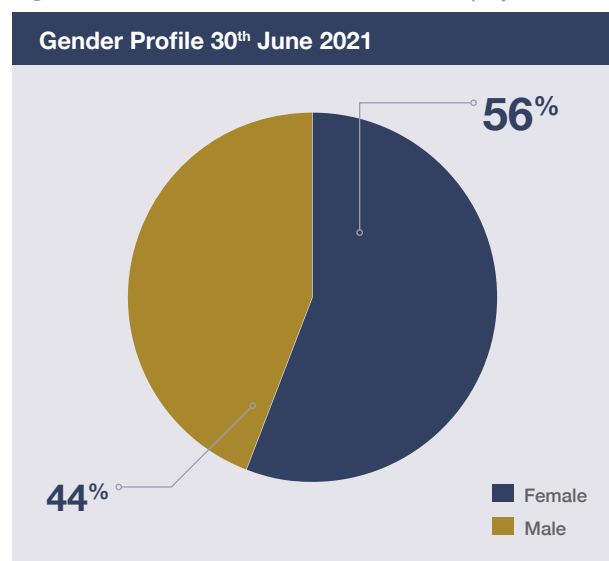
Workforce Profile

Figure 4: Economically Active Population of South Africa



Source: Commission for Employment Equity 2019/2020 Report

Figure 5: Gender Profile of Mhlathuze Water Employees



Mhlathuze Water as at the 30th June 2021 is very close to the meeting the gender target when compared to the Economically Active Population for South Africa

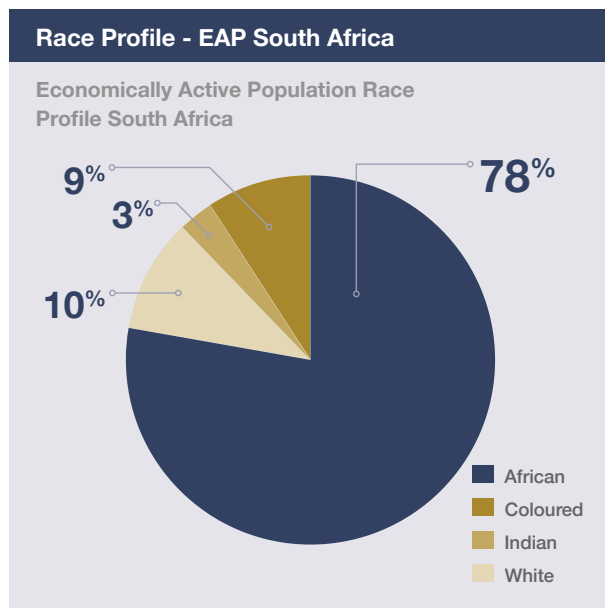
Workforce Profile

The table below reflects the workforce profile as at 30th June 2021. The total staff complement was 215 employees.

Table 34: Workforce Profile of Mhlathuze Water Employees

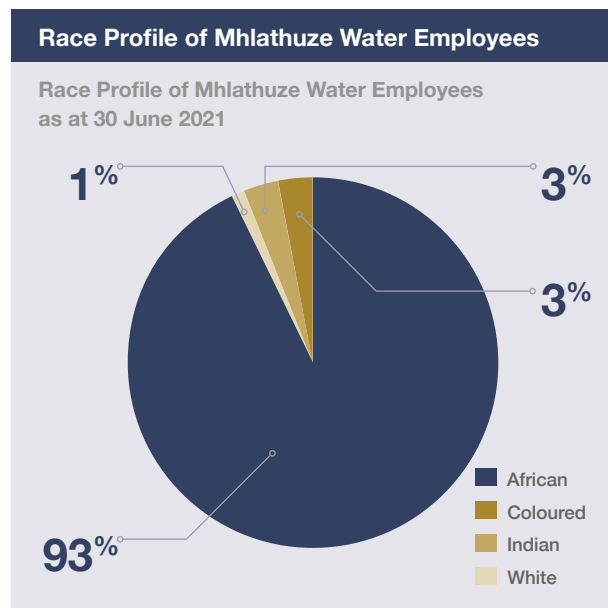
Workforce Profile as at 30 th June 2021											
Occupational Levels	Male				Female				Foreign Nationals		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top Management	1	0	0	0	0	0	0	0	0	0	1
Senior Management	3	0	0	0	1	0	0	0	1	0	5
Professionals	15	0	1	1	14	0	2	1	0	0	34
Skilled Technical & Academically Qualified Workers	32	0	0	2	43	1	2	1	0	0	81
Semi Skilled	46	1	1	0	21	1	0	1	0	0	71
Unskilled & Defined Decision Making	14	0	0	0	9	0	0	0	0	0	23
Totals	111	1	2	3	88	2	4	3	1	0	215
Percentage	52%	0.5%	1%	1%	41%	1%	2%	1%	0.5%	0%	100%
Total Percentage	55.5%				44%				0.5%		100%

Figure 6: Race Profile - EAP South Africa



Source: Commission for Employment Equity 2020/2021 Report

Figure 7: Race Profile of Mhlathuze Water Employees



While there was a 85% achievement in terms of Employment Equity as per Race Groups, more effort should be geared towards recruiting Colours and Whites.

The overall annual target for persons with disabilities was 2% and the target was not achieved since there were 2 employees who declared disabilities, which represented 1% of the staff complement.

The total staff complement was 215 employees.

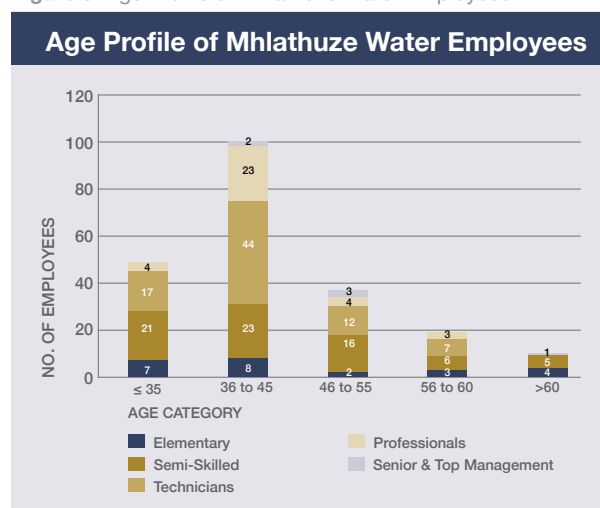
The Age Profile of Mhlathuze Water Employees

The highest concentration of employees are in the age bracket ≤35 years in the Elementary Occupational Group, mainly due to the number of Interns and In-service Trainees.

No of employees;

- ≤ 35 years = 49 employees
- 36 - 45 years = 100 employees
- 46 - 55 years = 37 employees
- 55 - 60 years = 19 employees
- >60 years = 10 employees

Figure 8: Age Profile of Mhlathuze Water Employees



Industrial Relations

Formal disciplinary hearings were convened as per table below:

Table 35: Disciplinary Hearings

Total Disciplinary Hearings	Verbal Warning	Written Warning	Final Written Warning	Dismissals
8	0	5	1	2

A total of three (3) referrals were referred to the CCMA during the period under review. These 3 matters were referred to CCMA based on unfair dismissal. Mhlathuze Water is defending these matters and they are pending finalisation.

The salary negotiations for the year 2021/2022 under the auspices of the Amanzi Bargaining Council was concluded and parties agreed on 5.5% increase on the basic salary of staff and also to those water utilities on a cost to company package should effect a 5.5% on 80% of the total cost to company package.

Mhlathuze Water's Industrial Relations climate was stable during the period under review. Monthly meetings and special consultative meetings were held regularly with labour unions where issues were amicably resolved.

Information Technology

ICT Governance Frameworks

Following extensive consultations with various key stakeholders, an IT Strategy was signed off in February 2020 and is in operation. This strategy is a 3-year roadmap that is made up of projects that, when completed, would have aligned IT's planning, investments & strategic decisions to Mhlathuze Water's Business Strategy. The projects have been phased in such a way that critical business requirements are addressed in the shortest possible timeframe.

Key to IT is the development and adoption of the Cyber Security Framework. For this, Mhlathuze Water enlisting the services of a suitably qualified consultant. Mhlathuze Water recognized this new threat environment and the fact that appropriate measures have to be taken to significantly improve the Mhlathuze Water's security posture and equip the organisation to deal with the next level of information security threats.

ICT Projects:

➤ ERP Implementation

Mhlathuze Water is in the final stages of implementing SAGE Enterprise Resource Planning (ERP) as part of the IT Strategy to replace legacy, fragmented systems thereby reducing costs and improving efficiencies.

➤ Infrastructure Upgrade

IT Network availability and stability is critical in support of Mhlathuze Water business objectives and thus the investment into the latest Server Infrastructure and establishment of a brand new Disaster Recovery site to ensure business continuity.

➤ ICT Helpdesk

In efforts to continuous improve service delivery Mhlathuze Water has implemented ICT Service Desk through which support service requests, incidents and problems will be logged and tracked.

Legal

Bulk Supply Agreements

Mhlathuze Water has seven bulk supplier agreements in place with the customers listed as follows:

Table 36: Bulk Water Supply Agreements


No.	Organisational Name	Volumes m3/day
1	City of uMhlathuze Municipality for Richards Bay	48 000
2	City of uMhlathuze Municipality for Empangeni	37 000
3	City of uMhlathuze Municipality for Esikhawini	15 000
4	City of uMhlathuze Municipality for Foskopor	17 000
5	Tronox	24 420
6	Richards Bay Minerals	45 000
7	Mondi Business Paper	100 000

Table 37: Bulk Waste Water Agreements

No.	Organisational Name	Volumes m3/day
1	Foskopor A-line	5 000
2	Foskopor B-line	30 000
3	South32 Bayside	1 500
4	South32 Hillside	3875
5	Mpact	6 000
6	Mondi Business Paper	110 000
7	City of uMhlathuze Municipality- Richards Bay	20 000
8	City of uMhlathuze Municipality- John Ross	5 500
9	Tronox	3 400
10	Hulamin Operations	333

Default Judgements

There are no default judgements that were made against Mhlathuze Water in the period under review.



**There are no
default judgements
that were made against
Mhlathuze Water in the
period under review.**

8.2.4. Corporate Services Unit 2020/2021 Predetermined Objectives

Table 38: Corporate Services Unit 2020/2021 Predetermined Objectives

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 14	SO4: to resource the organisation with the required skills and competence to deliver the strategic intent	Optimal staff retention	Percentage of Staff Turnover	8%	6.42%	1.58%	None
SC 15		Graduate trainees participating in the graduate training programme	Number of graduate trainees participating in the graduate training programme	4	4.00	0.00	None
SC 15		Learners trained and equipped with skills	Number of learners trained and equipped with skills	5	5.00	0.00	None
SC 15		MW employees trained and equipped with skills	Number of new internal bursaries awarded to MW employees	3	9.00	6.00	Additional bursaries were awarded
MW 10		MW internship programme that equips youth with the required skills that will assist them to be professionals	Number of graduates appointed in the MW internship programme	8	14.00	6.00	Additional graduates were appointed
MW 11		Approved vacant positions filled within turnaround time on recruitment	Percentage of approved vacant positions filled within 90 days	100%	41.38%	(58.62%)	Delays in advertising, shortlisting, recruitment process
MW 12	SO5: to optimise business processes and systems	Alignment of processes and systems	Percentage of identified core IT systems implemented	100%	100%	0.00%	None
MW 13		Zero default judgements against Mhlathuze Water	Number of default judgements against the organisation	0	0.00	0.00	None



8.2.5. Corrective Measures to Address Areas of Underperformance

Table 39: Corporate Services Unit Corrective Measures

Key Performance Indicators	Core Reason for Under-Achievement	Recovery Strategy for 2021/2022
Percentage of approved vacant positions filled within 90 days	Some delays in advertising, shortlisting, recruitment process	Recruitment has been prioritised for key and critical positions, through advertisements in the print and social media. Mhlathuze Water has introduced web based applications, and the use of recruitment agencies

8.3. Operations and Maintenance Unit

8.3.1. Mandate of the Operations Unit

The Operations Unit is driven by the mandate of ensuring effective and uninterrupted water production and waste water disposal systems to meet the needs of customers and minimise the impact on the environment.

To meet this, the Unit continuously assesses, develops and actions preventative and troubleshooting plans for maintenance and capital improvements to the organisation's assets over the short, medium and long term. The unit continuously evaluates all civil, electrical and mechanical maintenance and commissioning programmes in order to ensure that work is executed and performed to acceptable standards.

8.3.2. Functions within the Operations Unit

Operations

Operations function is responsible for all operational activities in transfer pumps stations, water treatment plants and waste water systems in order to meet contractual requirements and legislative requirements. This function has the responsibility of ensuring that the organisation meets all customer requirements when delivering services. The function is also responsible for the operations of water and wastewater infrastructure for Water Services Authorities and industries under the Operations and Maintenance contracts.

Maintenance

The overall objective of the maintenance function is to ensure that all plant and machinery is maintained and in good working order so that the organisation can supply clients with water and waste water services as per contract agreements. The Maintenance function has implemented Information Technology to improve on the maintenance processes. This technology assists in computerised monitoring of plant operations to inform the organisations strategy on reliable maintenance and management related programmes.

The unit is responsible for maintaining Mhlathuze Water assets to ensure uninterrupted operation of infrastructure in order to service the bulk agreements with customers.

8.3.3. Key Performance Highlights

The effects of the devastating drought experienced in prior years resulted in a number of stakeholder interventions being initiated. Mhlathuze Water played a pivotal role in ensuring the continued engagements to realising successful implementation of drought alleviation and water conservation initiatives. The realization of these initiatives was through the collaboration with other stakeholders as follows:-

➤ Continued Consultation with stakeholders regarding water use reduction:

Mhlathuze Water was an active participant in the Mhlathuze Catchment Joint Operating Committee (JOC). The role of the committee was to develop strategies to mitigate the impact of the drought including water conservation and demand management activities.

➤ Continued Support to DWS in the upgrade of the Thukela-Goedertrouw Transfer Scheme:

The TGS upgrade is managed and funded by DWS. Construction activities for the pipeline, pump stations, abstraction works which includes, excavation, pipeline delivery and laying, foundation casting were underway however the project came to a halt during the year.

Mhlathuze Water: Weir to Nsezi Transfer Scheme

Mhlathuze Water continues to abstract water from the Mhlathuze River which is fed by the Goedertrouw Dam that is augmented by the TGS. The raw water abstraction takes place at the Weir Pump Station, which is about 70km from the discharge of Goedertrouw Dam. The primary beneficiaries from this Pump Station are Mhlathuze Water (Nsezi Water Treatment Plant and Lake Nsezi), CoU (Esikhaleni Water Treatment Works), Tronox (Fairbreeze Mine) and Richards Bay Minerals (via Lake Nsezi).

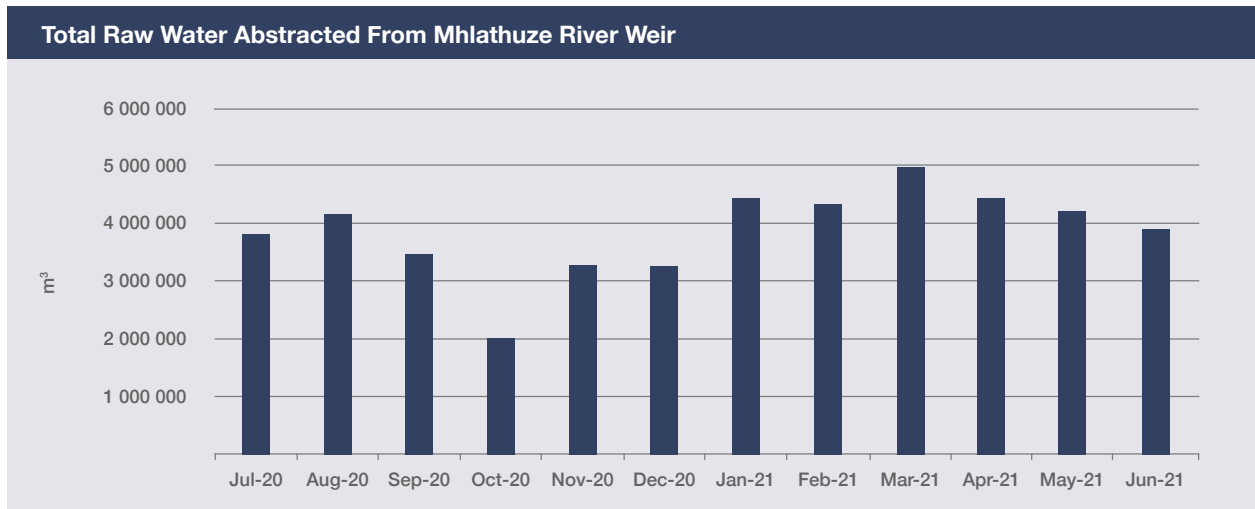
A total volume of 46 312 972 m³ of raw water was pumped from the scheme this financial year, which is 24% higher than the volume supplied in the previous financial year, with 87% being supplied to Nsezi WTP, 8% supplied to the CoU (Esikhaleni) and 5% to Tronox. No raw water was supplied to Lake Nsezi during the financial year since the lake was full. Tronox was supplied as when requested, albeit at reduced rates. CoU Esikhaleni was supplied from January to May following operational challenges experienced with their primary raw water abstraction system.

To ensure continuous and reliable supply to customers, Mhlathuze Water has embarked on the following initiatives:

- Supplementing the existing weir with a new weir structure; and
- Installation of 1500mm Ø Raw Water Pipeline from the Mhlathuze River Weir to the Shooting Range.

“ Operations function is responsible for all operational activities in transfer pumps stations, water treatment plants and waste water systems. ”

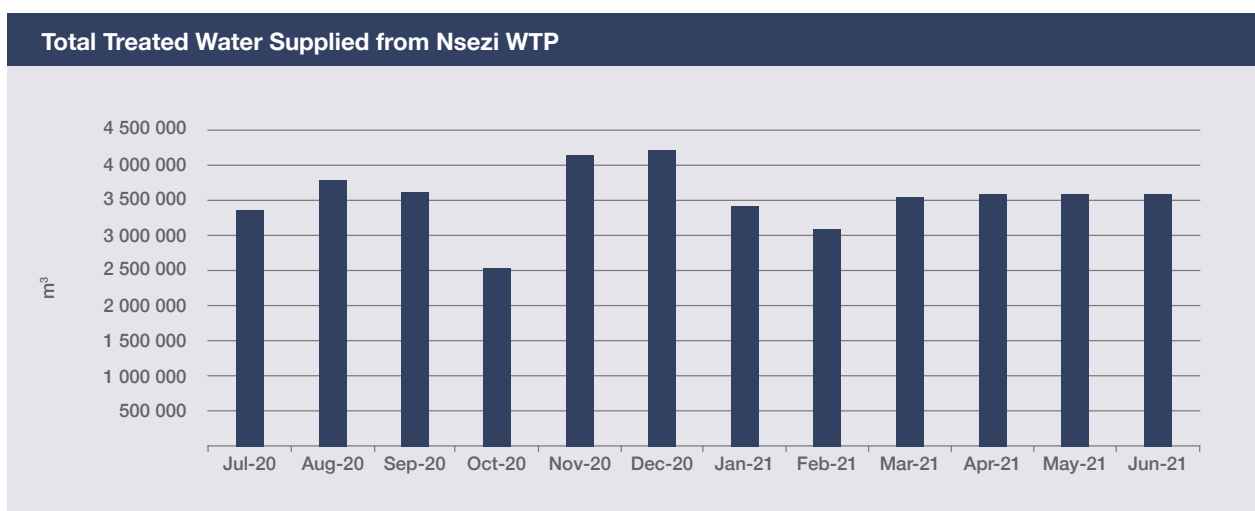
Figure 9: Total Raw Water Abstracted from Mhlathuze River Weir



Mhlathuze Water: Nsezi Water Treatment Plant

A total of 44 664 055 m³ of raw water was supplied to Nsezi Water Treatment Plant, with 89% of this volume from Mhlathuze River and the remainder from Lake Nsezi. The total volume supplied by Nsezi WTP to customers during the financial year under review increased by 5% year-on-year mainly due to more water supplied to the CoU (Richards Bay) and CoU (Empangeni). The customers were supplied as per demand within contracted volumes. Unaccounted water loss during the financial year was 1.53%, and was within the target of 5%.

Figure 10: Total Treated Water Supplied from Nsezi WTP

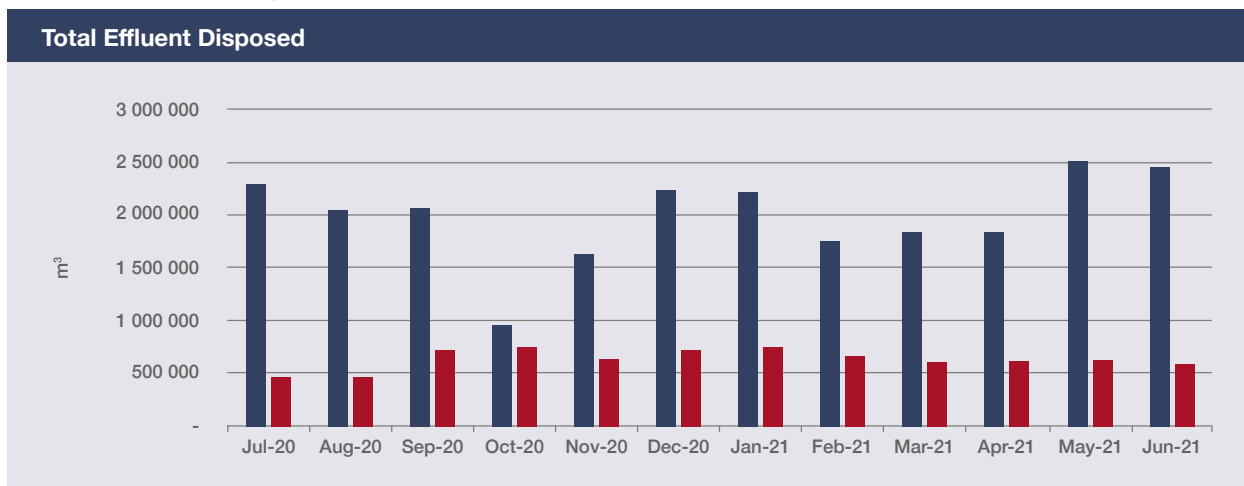


Mhlathuze Water: Alkantstrand Effluent Disposal Scheme

A total of 31 324 659 m³ was disposed off-shore through the Waste Water Disposal System. 76% of this volume was discharged through the buoyant line and 24% through the dense line which contributed to a 10% decrease from the previous financial year.



Figure 11: Total Effluent Disposed

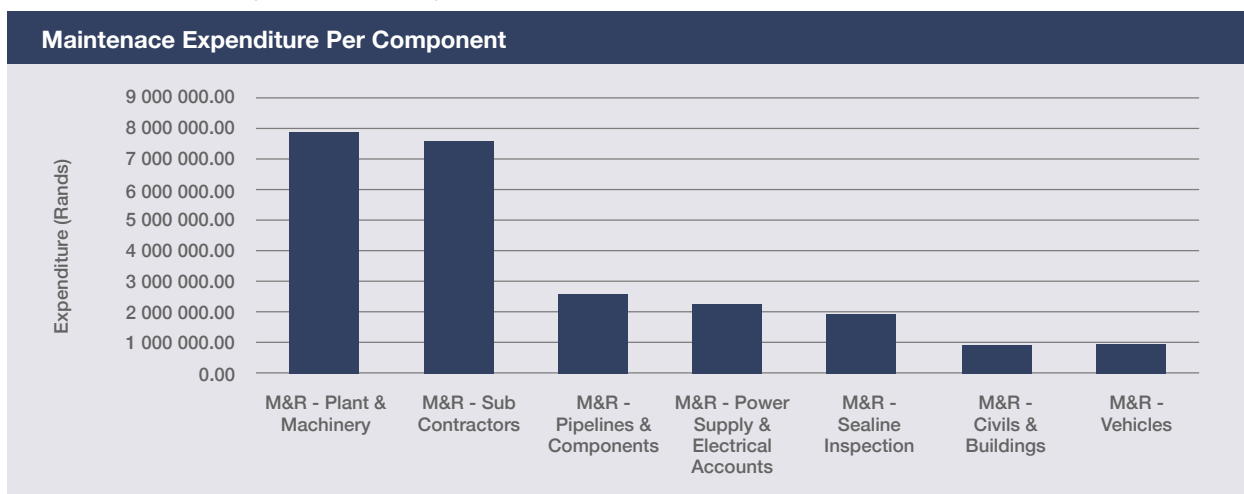


Maintenance, Plant Efficiency and Availability

A Planned and Preventative Maintenance Plan was devised and implemented to ensure the maintenance of all plant, as well as manage the budget expenditure. This was in response to the challenges of constant vacancies and staff turnover within the department at management level that affected primary planning and implementation of the maintenance plan. This in turn manifested itself in insufficient expenditure in

the maintenance section achieving only 2.69% expenditure against its annual target of 4%. Notwithstanding, Mhlathuze Water maintained its world class plant availability of 98.36%, with only two water supply interruptions exceeding 24 hours. This augurs well going forward especially as both incidences were investigated and corrective actions put in place to prevent the reoccurrence of similar events.

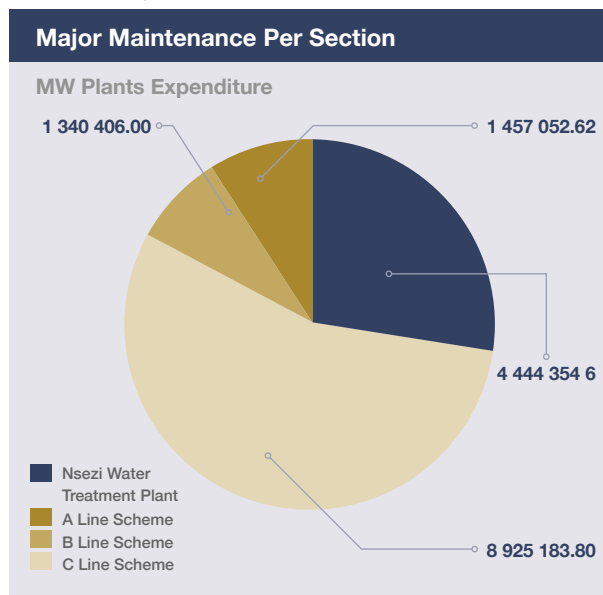
Figure 12: Maintenance Expenditure Per Component



Major activities relate to the annual inspection required in terms of the Coastal Waters Discharge Permit on the marine effluent discharge pipelines. Repairs were then made to certain diffusers, bellows as well as rubber linings on the C-line as a result of these inspections. Similarly, the annual integrity and bathymetric inspections were carried out on the entire A-line, B-line and C-line. All lines are still in good condition. The A-line bypass hole was finally closed. This resulted in improved effluent dispersion. A major repair was undertaken to the A5 and A6 stuffer box on A-line.

Routine and preventative mechanical maintenance was furthermore carried out on pumps and bearings at Nsezi, The Weir Pump Station and the Alkanstrand Pump Station. Weir intake saw 4 pumps refurbished which then improved plant reliability and ensures operability. The electrical assets of Mhlathuze Water remains in excellent condition due to planned and preventative maintenance activities. To augment this at head office was equipment with a 100% uninterrupted power supply by form of a generator. This will ensure business continuity given the high rate of failure of electrical supply infrastructure.

Figure 13: Major Maintenance Per Section



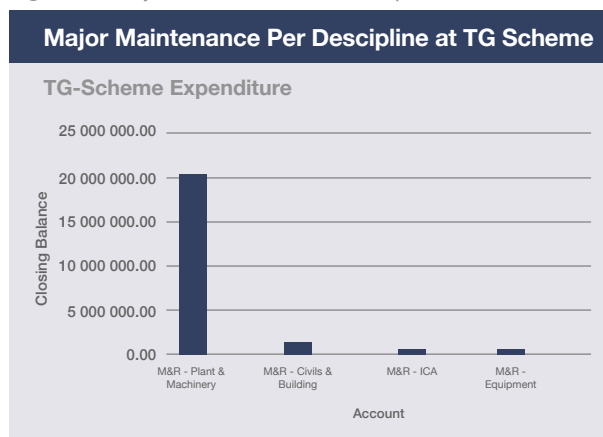
External Operations and Maintenance Projects

As part of its growth strategy, the organisation is involved in a number of external operation and maintenance projects within its area of operation.

Thukela-Goedertrouw Transfer Scheme

Mhlathuze Water is responsible for the operation and maintenance of the Thukela-Goedertrouw Transfer Scheme, with a capacity of 1.2m³/s, on behalf of the DWS. This scheme is critical for providing water to the region, particularly during the drought. For the reporting period, a total of 4.388 million m³ of raw water was abstracted by the scheme, and transferred to the Goedertrouw dam.

Figure 14: Major Maintenance Per Discipline at TG Scheme

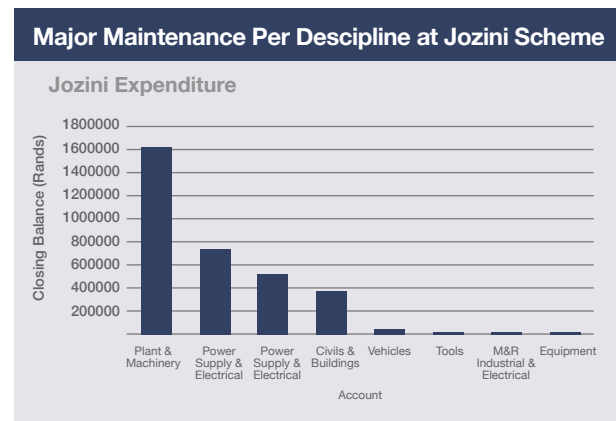


The operating and maintenance related cost associated with this scheme for the year under review was R22.7 million. Following a number of challenges, the scheme has been consistently operating at half of its capacity from April following repairs conducted on equipment for Line 2 at Madungela and Line 3 at Mkhazazi as well as the repairs that were conducted on the air valves on the rising main from Madungela to Mkhazazi. Line 1 and 4 equipment has now been repaired and being commissioned.

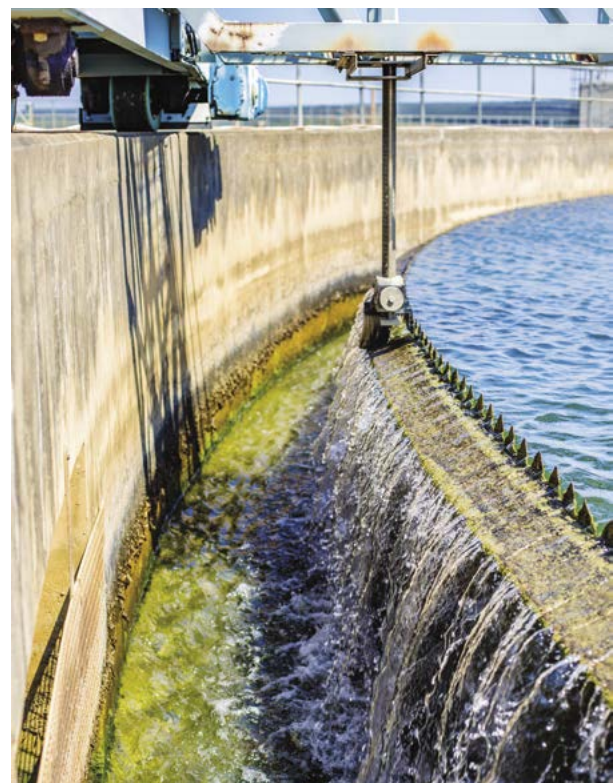
Jozini Regional Water Treatment Plant and Bulk Reticulation Network

Mhlathuze Water in 2017 completed the 40MI/day Jozini Water Works and regional bulk distribution system. Mhlathuze Water, since the completion of the construction of the Jozini bulk system on behalf of the Umkhanyakude District Municipality, has operated and maintained the system, serving 134 000 households. The operating and maintenance related cost associated with this scheme for the year under review was R3.3 million, Figure 15 is an illustration of Jozini Scheme expenditure. Major expenditure was plant and machinery related to pumps repairs.

Figure 15: Major Maintenance Per Discipline at Jozini Scheme



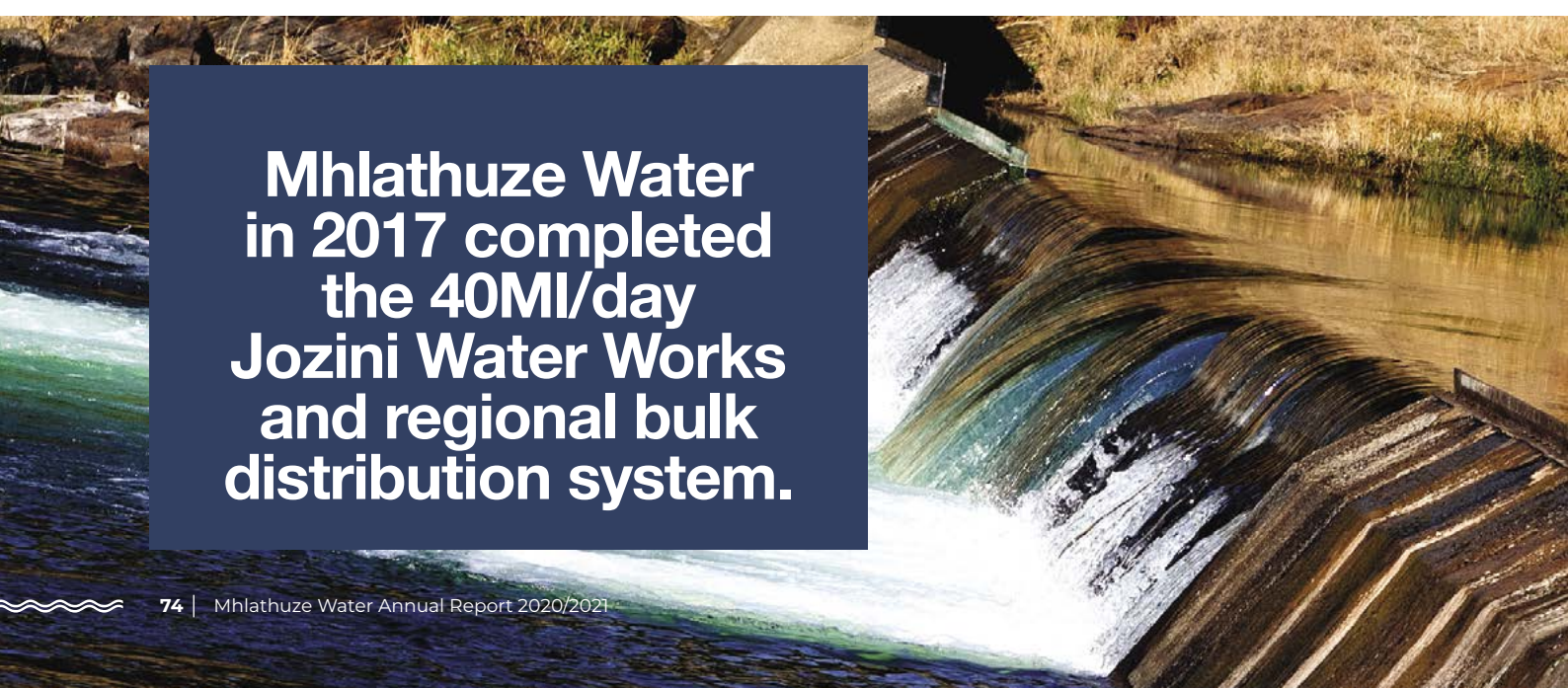
The scheme include a 40MI/day water works, 19 reservoirs and numerous pump stations over a bulk reticulation network spanning over 120 kilometres. For the reporting period, a total of 7.68 million m³ of purified water was produced by the scheme and distributed via the bulk network.



8.3.4. Operations and Maintenance Unit 2020/2021 Predetermined Objectives

Table 40: Operations and Maintenance Unit 2020/2021 Predetermined Objectives

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 2	SO7: to improve efficiency through technology and best practices	Manage avoidable water losses	Percentage of avoidable water losses on water abstracted	5%	2.94%	2.06%	Plant efficiency result in low water losses.
SC 3	SO1: to grow the provision of water services	Reliability of water supply	Number of instances of unplanned supply interruptions exceeding 24hours (1 day)	3	1.00	2.00	PPE failure
MW 14		Existing infrastructure maintained to ensure plant availability	Percentage of plant availability based on operating hours	95%	98.36%	3.36%	Adequate Planned and Preventive maintenance
MW 15		Availability of the Thukela Goedetrouw (TG) Scheme	Percentage of scheme availability based on operating hours	80%	50.00%	30.00%	Due to maintenance challenges in old PPE, only 50% of PPE was available
MW 16	SO6: to be pro-active on issues relating to health, safety, security and the environment	Measures in place to reduce disaster risks	Number of Disaster Management Plans prepared	1	1.00	0.00	None



Mhlathuze Water in 2017 completed the 40MI/day Jozini Water Works and regional bulk distribution system.

8.3.5. Corrective Measures to Address Areas of Underperformance

Table 41: Operations Unit Corrective Measures

Key Performance Indicators	Core Reason for Under-Achievement	Recovery Strategy for 2021/2022
Percentage of scheme availability based on operating hours	Due to maintenance challenges in old PPE, only 50% of PPE was available	A maintenance and operation turnaround strategy has been developed and implemented. The scheme is expected to be 100% operational by the middle of 2022

8.4. Scientific Services

8.4.1. Mandate of the Scientific Services Unit

The mandate of the Unit is primarily to ensure the provision of reliable and authentic laboratory, quality and environmental management services to Mhlathuze Water and external stakeholders. It also carries the overall responsibility for the organisation's compliance with a range of industry related SHEQ Systems and standards applied to water quality; waste water discharge permits; quality assurance; health and safety; environmental compliance; and energy efficiency. The section is also the hub for innovation, research, and development. These functions are absolutely necessary for the organisation to grow and provide alternative solutions to the growing regional water challenges.

8.4.2. Functions of the Scientific Services Unit

Laboratory Services

The state-of-the-art laboratory facility provides water quality sampling and testing services to the organisation, its clients and external clients. The facility is ISO 17025 accredited, and offers a variety of water quality testing services in the fields of chemistry, microbiology and hydrobiology. Previously, the laboratory used manual techniques but over the last few years has transitioned to using modern automated technology. The techniques in use include amongst others:

- ICP – Mass Spectrometry;
- Gas Chromatography – Mass spectrometry;
- Ion chromatography; and
- Microscopy and defined substrate technology.

These enable the laboratory to offer an all-inclusive suite of services to test water for an extensive set of quality parameters. The laboratory uses a software-based Laboratory Information Management System (LIMS) to support its operations. The functionality of the LIMS system allows for sample management, instrument integration, electronic data exchange, and reporting.

SHEQ Systems

The aim is to integrate all management systems of the business into one coherent system to enable the organisation to achieve its mission. In order to ensure compliance with best practices and international standards, the section ensures that the organisation has certified management systems for Safety, Health, Environment and Quality. The specific areas of application are:

- OHSAS 18001: Health and safety management within the organisation to protect the health and safety of the workers;
- ISO 14001: Environmental management to limit adverse effects on the environment that may result from Mhlathuze Water's activities;
- ISO 9001: Quality management to ensure customer satisfaction. The focus is on compliance with customer needs and requirements; and
- ISO 17025: specifies the general requirements for the competence laboratory to carry out tests and/or calibrations, including sampling. It covers testing and calibration performed using standard methods, non-standard methods, and laboratory-developed methods.

The section is also in the process of obtaining certification for the following system:

- ISO 50001: An energy management system which specifies requirements for establishing, implementing, maintaining and improving an energy management system. The main purpose is to enable the organisation to follow a systematic approach in achieving continual improvement of energy performance, including energy efficiency, energy use and consumption.

Certification is a voluntary process but it demonstrates the organisation's commitment to transparency and accountability. Through compliance with ISO standards Mhlathuze Water has committed:

- to comply with all legislative requirements, and best practices to reduce liability;
- to improve environmental performance, and prevent pollution;
- to prevent product/service defects and meet customer requirements; and
- to a structured approach in managing OH&S risks, and reduce costs associated with the COID Act.

Environmental Services

The organisation recognises that there are activities that the business is involved in which have a negative impact on the environment. The section focuses on aligning the business activities towards environmental sustainability and promoting a shift towards the state



of green economy through the implementation of the carbon footprint reduction initiatives. The core function of Environmental Services is to ensure that the organisation complies with applicable environmental legislation, regulations and other international best practices to ensure that the business avoids and / or minimises the environmental impacts of its activities. This includes the responsibility of ensuring that the organisation's waste management practices remain in line with provincial and national legislation and requirements. Water quality status reports for rivers and lakes/dams in the Mhlathuze River system are prepared on a regular basis.

Support to the Technical Unit is also provided by ensuring that the business obtains necessary environmental permits for relevant projects and other business operations e.g. Environmental Impacts Assessments (EIAs), Effluent Discharge Permit, etc. Other initiatives spearheaded are environmental awareness campaigns on the importance of conserving natural resources, as well as the commemoration of special environmental days.

Innovation, Research & Development

The envisaged functions of the section are:

- Lead, facilitate and promote research and development within Mhlathuze Water;
- Develop a research agenda for the organisation;
- Facilitate collaborative research with external organisations;
- Develop programmes and initiatives to build internal R&D capacity;
- Strengthen networks and relationships with other stakeholders; and
- Review and update MW's R&D strategy.

8.4.3. Key Performance Highlights

Commemoration of environmental days, general awareness and education.

The organisation conducts awareness and education campaigns on environmental protection as well as water and energy conservation. These initiatives focus on communities in our areas of operation, and employees are participate in most of these initiatives.

The table below outlines activities undertaken internally and externally during the reporting period.

Table 42: Environmental Awareness Campaigns and Events

Events/ Initiative	Period	Activities
Waste Management	December 2020	➤ Poster on the Intranet on proper disposal of face masks.
Wetlands	February 2021	<ul style="list-style-type: none"> ➤ The Environmental & Water Quality Manager participated in a 1KZN TV show where she spoke about the importance of wetlands. ➤ Competition in the internal publication (Newsplash), dealing with wetlands ➤ Video clip on "water and wetlands" posted on social media (Facebook & Instagram)
Water Awareness	March 2021	<ul style="list-style-type: none"> ➤ Four schools in Dlangezwa & Esikhawini visited (in partnership with Mondi and EDTEA) to raise water conservation awareness. ➤ Webinar on Water & Climate Change.
Earth Hour	March 2021	➤ Earth Hour poster on social media.
Biodiversity	May 2021	<ul style="list-style-type: none"> ➤ Clean up in Ngwelezane Park (in partnership with CoU, EDTEA and DWS). ➤ Social media poster in celebration of International Day of Biodiversity.
Environmental & Oceans Day	June 2021	<ul style="list-style-type: none"> ➤ Posters on social media ➤ Environment & Oceans Day awareness with internal staff.

“ The state-of-the-art laboratory facility provides water quality sampling and testing services to the organisation, its clients and external clients. The facility is ISO 17025 accredited, and offers a variety of water quality testing services in the fields of chemistry, microbiology and hydrobiology. ”

Water Quality

Mhlathuze Water is committed to providing its customers with water that is suitable for lifetime consumption and to discharge effluent in a manner that does not have a deleterious impact on the environment or downstream users. Rigorous and system-wide water quality management programmes, auditing, compliance testing and reporting, water quality assessments and water safety plans are implemented.

A risk-based water quality monitoring programme is reviewed annually to ensure that it meets legislative requirements, bulk customer supply agreements and water treatment process requirements, as well as, to take into account new risks that have been identified in the system.

An Incident Management Protocol, which is aligned to the requirements of South African National Standard (SANS241:2015) is in place. The protocol provides a

framework for responding to water quality incidents in a structured manner and also includes stakeholder communication during such incidents.

Potable Water Quality Performance

Water quality at Nsezi Water Treatment Plant complies with SANS 241, which requires water quality to be evaluated and reported against six risk categories:

- (1) Acute Health: Microbiological;
- (2) Acute Health: Chemical;
- (3) Chronic Health;
- (4) Aesthetic; and
- (5) Operational.

The current monitoring exceeds the minimum requirements so as to cater for other operational requirements and contractual obligations with certain industrial consumers. Performance is detailed below:

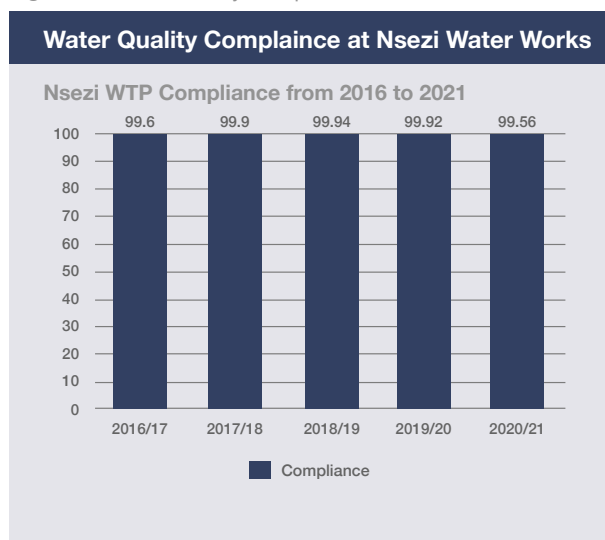
Table 43: Compliance Report – SANS 241: 2015 for Nsezi Water Treatment Plant

Risk Category	Performance	SANS Target (for excellent water quality for population > 100 000)	Comment
Aesthetic	99.6%	≥ 95	Target exceeded
Acute Chemical Health	100%	≥ 99	Target exceeded
Chronic Chemical Health	99.6%	≥ 97	Target exceeded
Acute Microbiological Health	99.7%	≥ 95	Target exceeded
Operational	99.3%	≥ 95	Target exceeded

Overall compliance of 99.56% was achieved for the reporting period. The target was 97%

Catchment Water Quality Monitoring Programme

Figure 16: Water Quality Compliance at Nsezi Water Works



A water quality monitoring programme is in place to monitor rivers and dams in the catchment area on an ongoing basis. The quality of the water resources in the Mhlathuze Water catchment area is shown temporally and spatially with the aid of Water Quality Index (map). Various water quality parameters were identified and these are weighted and scored to give the overall index which is related to the water quality in the area.

Catchment quality monitoring indicators used are as follows:

- Very good >85
- Good 71-85
- Fair 55-70
- Poor <55

WATER QUALITY INDEX

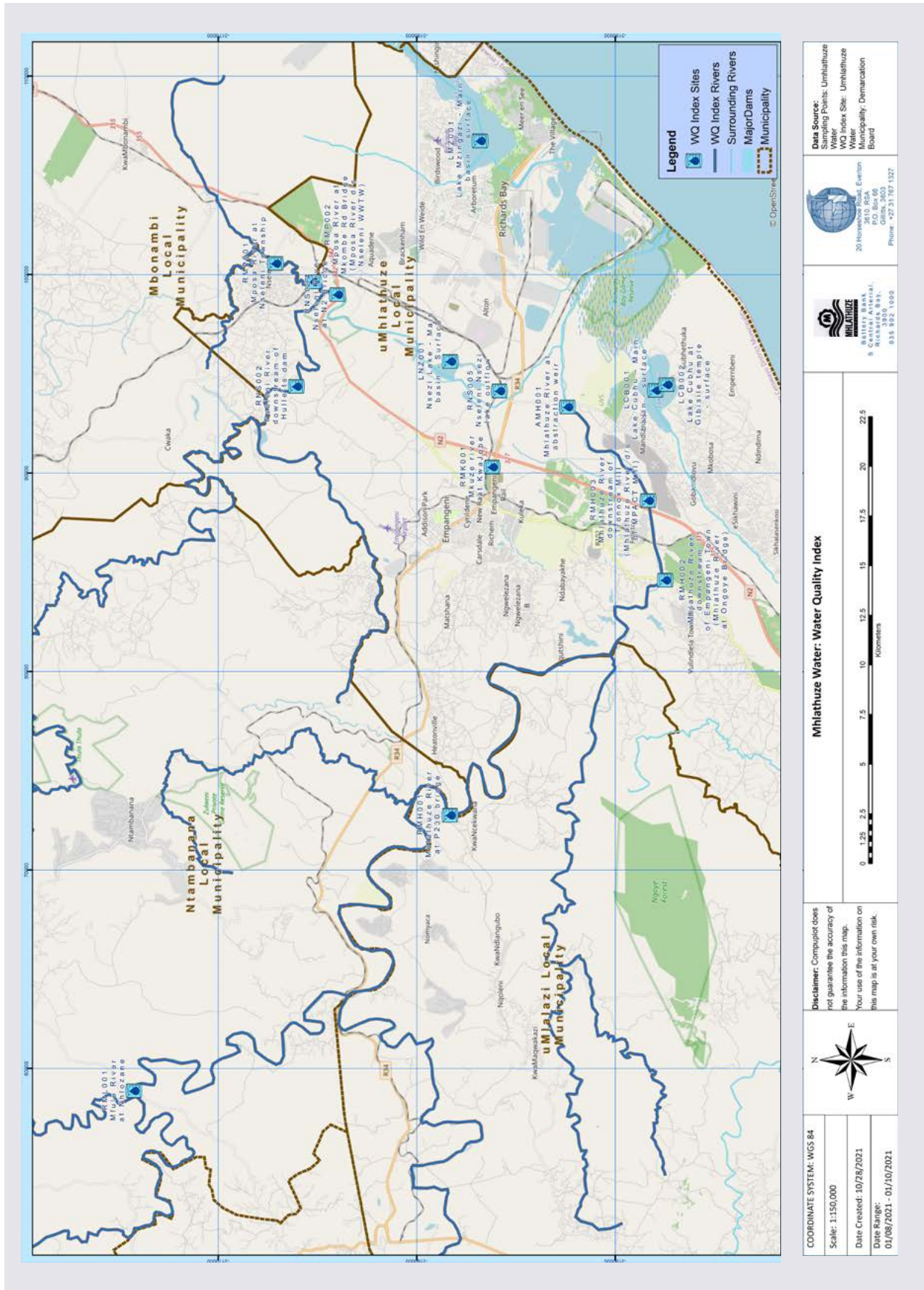


Figure 17: Water Quality Index

As at the end of the reporting period, the overall water quality in most locations was good except for Mposa and Nseleni River where it has deteriorated due to illegal waste dumping. Zooming into the key areas of operation; water quality at Goedertrouw Dam and Mhlathuze River Weir was “excellent” while at Nsezi Lake water quality was classified as “good”.

Waste Water Quality Monitoring

Waste Water Disposal Compliance

Mhlathuze Water owns and operates one of the largest offshore wastewater disposal system in South Africa. The system comprises of two pipelines; the A-line which discharges industrial wastewater, sludge from Nsezi Water Treatment Plant and macerated sewage from the City of uMhlathuze, and the C-Line which discharges gypsum effluent from Foskor. The organisation has a permit (which was issued in 2017) to dispose wastewater to sea in terms of Section 69 of the National Environmental Management: Integrated Coastal Management Act, 2008 (Act No. 24 of 2008).

Overall compliance for the period was 87.75% (against a set target of 100%), with the C-Line contributing the majority of failures. In order to find long-term solutions to compliance problems, the organisation conducted a feasibility study to investigate treatment options available to improve the quality of the discharged effluent. Initial results from the study did not provide cost effective solutions, however the scope (of the study) has been extended to look at other alternatives. A final report will be available in the 2021/22 period for consideration. Compliance at the Effluent Pump Station for the period July 2019 and June 2020 was as follows:

Figure 18: Effluent Compliance



Environmental Forums

Mhlathuze Water participates in number of environmental forums such as the Catchment Management Forum (CMF) and the Effluent Pipeline Forum (EPF). The CMF's main objective is facilitate engagements on water and

related matters. The EPF was established in line with the requirements of the Coastal Waters Discharge Permit (effluent disposal permit). The forum serves as a communication tool for customers and interested and affected parties. It is also a platform to transparently deliberate on permit compliance matters with the general public. EPF meetings were held as follows:

Table 44: Environmental Forums

Meetings	Dates
1	August 2020
2	December 2020
3	March 2021
4	June 2021

Environmental Management

Mhlathuze Water is committed to the sustainable use of resources, thus contributing broadly speaking, towards the Millennium Development Goal of “ensuring environmental sustainability”. The organisation has developed and is currently implementing an environmental sustainability policy which is aimed at achieving the following:

- Foster a culture of sustainability and reducing Mhlathuze Water's ecological footprint;
- Incorporate principles and understanding of sustainability into all activities, services, operations and stakeholder engagements; and
- Incorporate sustainability performance alongside other key performance indicators of the organisation.

The organisation is committed to protecting, conserving and efficiently using the natural resources in a sound sustainable manner through the implementation of sustainability priorities i.e. water, energy, waste, biodiversity conservation.

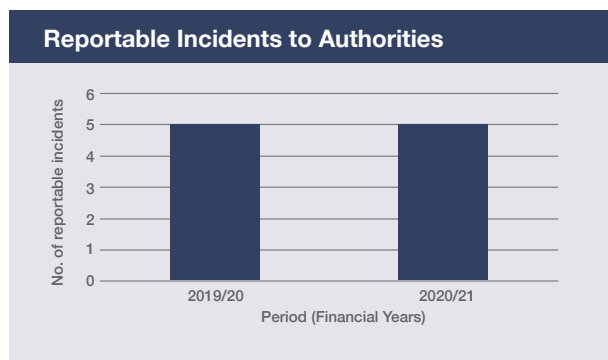
Environmental Incidents

An incident is an unplanned or undesired event that adversely affects the organisation's operations. Environmental incidents include property damage, water contamination, effluent and chemical spillages, or near miss events that could have resulted in any of these.

Incident management systems with protocols are in place to ensure proper and timeous response to all incidents. Mhlathuze Water continually strives to be environmentally sustainable in all its operations.

There was an increase in the number of reportable environmental incidents. Five incidents, all of which were related to the effluent pipeline were attended to. Only two were reported in the previous period. Reporting protocols in Section 30 of the National Environmental Management Act, 1998 were followed. Details of the incidents are as follows:

Figure 17: Reportable Environmental Incidents



“Mhlathuze Water continually thrives to be environmentally sustainable in all its operations.”

Table 45: Reportable Environmental Incidents

Date	Incident Details	Root Cause	Risk to the Business	Mitigation/Action Plans
5 th July 2020	A leak was detected on the dense effluent pipeline (500mm GRP) which discharges gypsum effluent from Foskor. The actual location was onshore (before the Pump station) closer to the Transnet harbor entrance	Two pipelines (potable and sewage) belonging to the City of uMhlathuze (CoU) run across the MW servitude over the dense pipeline. One of them (315 polyprop potable) supplying Transnet was positioned on top of the GRP DN 500 dense effluent line during the construction of the IDZ Road. The friction effects over time resulted in both pipelines developing leaks	Potential Reputational risk and contamination of land surrounding where the incident occurred	<p>The Gypsum spillage was minimal as Foskor was running at reduced output of about 50%. The super sucker was deployed on site to contain Gypsum spillage</p> <p>Preventive Action: The City of uMhlathuze also committed to re-position the water pipeline by installing rising 15 degrees bends allowing the water pipeline to run higher on top of the Foskor GRP DN500 pipeline</p> <p>Status: CoU repositioned the pipe to ensure that one runs higher on top of the other</p>
6 th September 2020	Gypsum effluent spillage due to leak on the dense effluent pipeline. Effluent contaminated the nearby wetland and surrounding areas and buildings	Mechanical failure of the fibre glass material on the GRP spool piece due to vibrations	Reputational risk and potential litigation by property owners	<p>The broken fibre glass spool piece replaced with a stainless steel one and secured with anchoring brackets before backfilling with sand around to prevent movement of the valve. Site clean-up done including pressure washing the TNPA road. Gypsum effluent disposed at Foskor holding dams. Lime was also applied on affected area to neutralise the acidity of the effluent. Affected area to be rehabilitated</p> <p>Preventive Action: Identify all air release valves along the pipeline with GRP stubs and replace these with ones fabricated from stainless steel</p> <p>Status: The GRP stubs have been received and awaiting shut opportunity to do the replacement</p>
3 rd October 2020	On the morning of the 3 rd of October, a gypsum spillage occurred at the seawater intake due to a power outage, The outage affected the entire area, including Foskor who discharge gypsum into the C-Line	Power failure in the Richards Bay area. Due to a penstock valve that was not opening, the effluent could not be contained in the sump	Potential reputational risk and contamination of the environment	<p>Clean-up of the area within the Pump station – effluent washed back into the sump area</p> <p>Mitigation: The penstock valve to be repaired during a shut</p> <p>Status: Penstock valves were repaired</p>

Date	Incident Details	Root Cause	Risk to the Business	Mitigation/Action Plans
9 th March 2021	On the 9 th of March 2020, a gypsum spillage was reported at the seawater intake (Effluent Pumpstation) as a result of a power outage which affected the entire town of Richards Bay	The root cause of the incident was a power outage which affected the entire area of Richards Bay. The penstock valves did not close completely due debris resulting in effluent seeping through and making its way to the intake area	Potential reputational risk and contamination of the environment	Institute a PM schedule to dive in and clean the valves regularly. MW will further explore and investigate ways to automate the plant shut down process in order to prevent future spillages associated with power outages Mitigation: Procure and install backup generator Status: Generator expected to be installed in the 2021/22 period
8 th June 2021	On the 8 th of June 2021, a gypsum spillage was reported at the seawater intake (Effluent Pumpstation) as a result of a power outage	The root cause of the incident is still investigated	Potential reputational risk and contamination of the environment	A super-sucker was sourced to remove effluent at the intake area back to the system Mitigation: Procure and install backup generator Status: Generator expected to be installed in the 2021/22 period

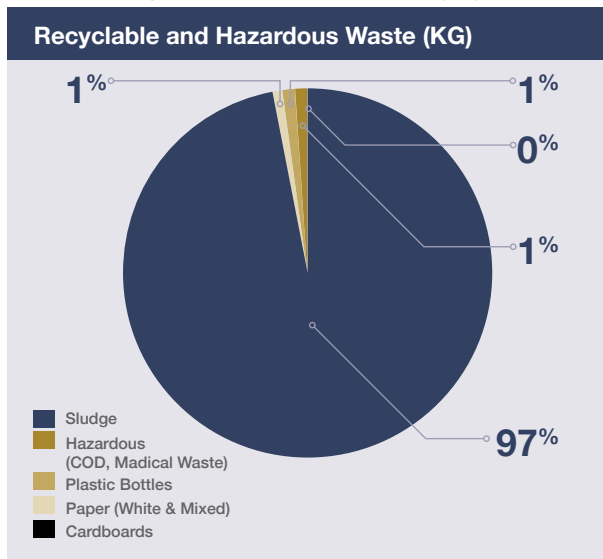
Waste Management

Mhlathuze Water has developed a Waste Management Plan which is aimed at reducing waste in line with waste management principles, viz. recycle, recover, reuse and / or avoid on all sites of operation. The following principles are followed:

- Waste separation at source;
- Recycling of paper, metals, used toner cartridges, glass bottles, wooden pallets;

The graph below shows the amount of waste recycled during the reporting period.

Figure 19: Recyclable and Hazardous Waste (KG)



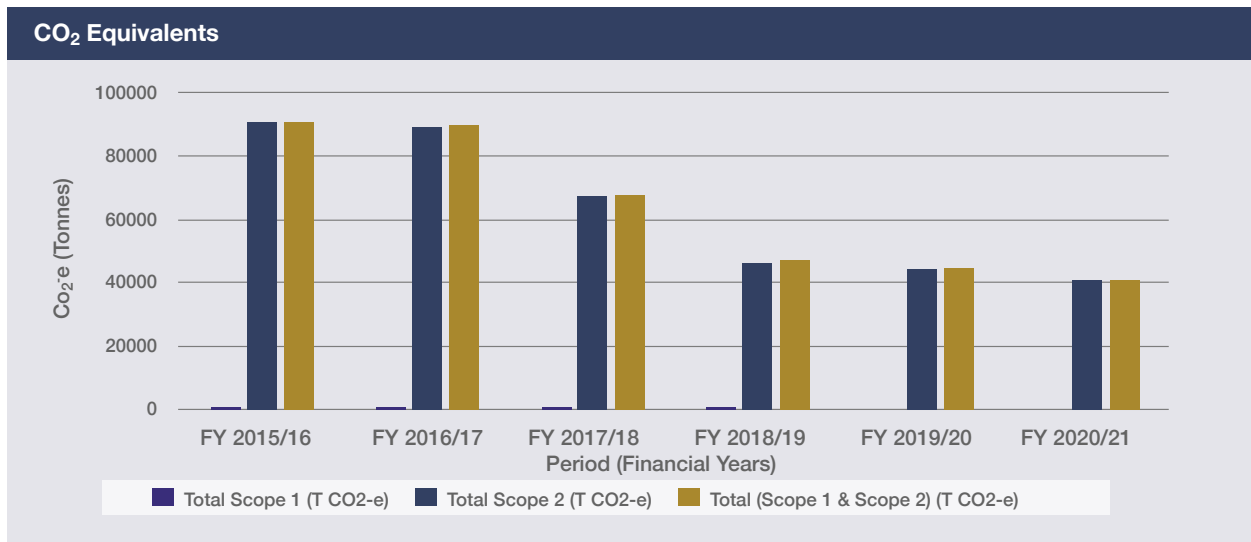
Carbon Footprint and Emissions Reduction Initiatives

Mhlathuze Water's direct carbon emissions (scope 1) arise from fuel usage for vehicles and generators, while indirect carbon emissions (scope 2) are primarily due to electricity usage, and to a minor extent flights.

Monitoring of carbon footprint is undertaken on a monthly basis and data is recorded with the following focus areas: electricity usage, vehicle (fuel usage) as well as water usage at the pump stations/ plants.



Figure 20: CO₂ Equivalents



As indicated on the above graph, carbon emissions have been decreasing over the last three years. The reduction is attributed to the implementation of the holistic energy reduction initiatives; e.g. replacement of lights by energy saving lights, load shift etc. (for Scope 2) and improved management of vehicle usage.

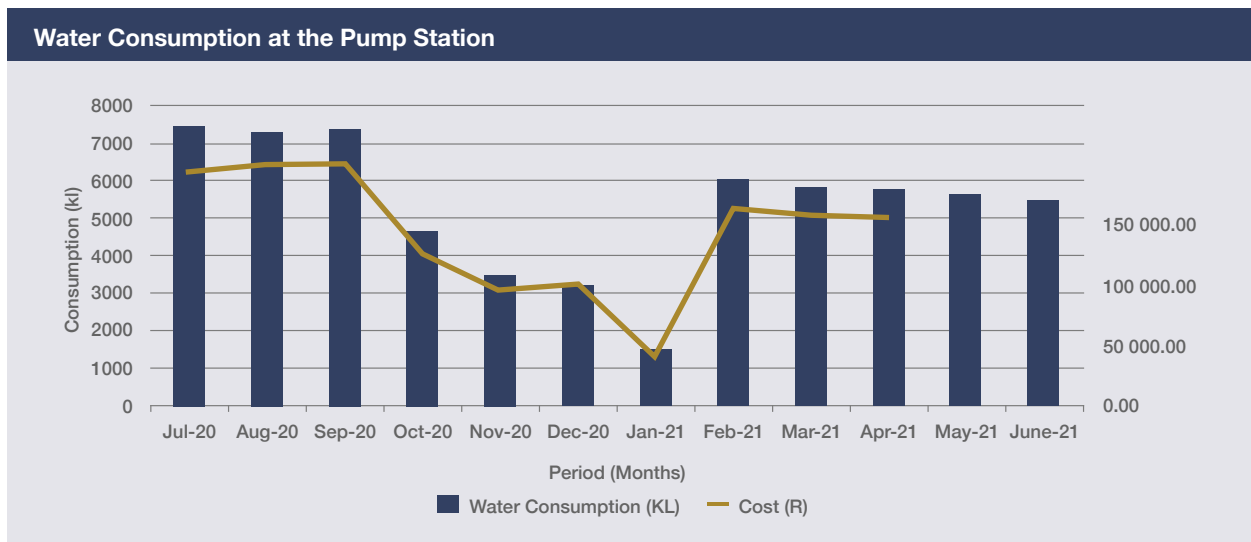
- General awareness to all staff through induction, toolbox talks and internal magazine;
- Conducting water audits to assist in establishing new ways to conserve water in the installations; and
- Water leaks are timeously repaired.

Awareness campaigns promoting water conservation are continuously done amongst Mhlathuze water’s employees. These are also conducted to sensitise the community members of uMhlathuze Local Municipality, through roadshows and school visits.

Water Conservation

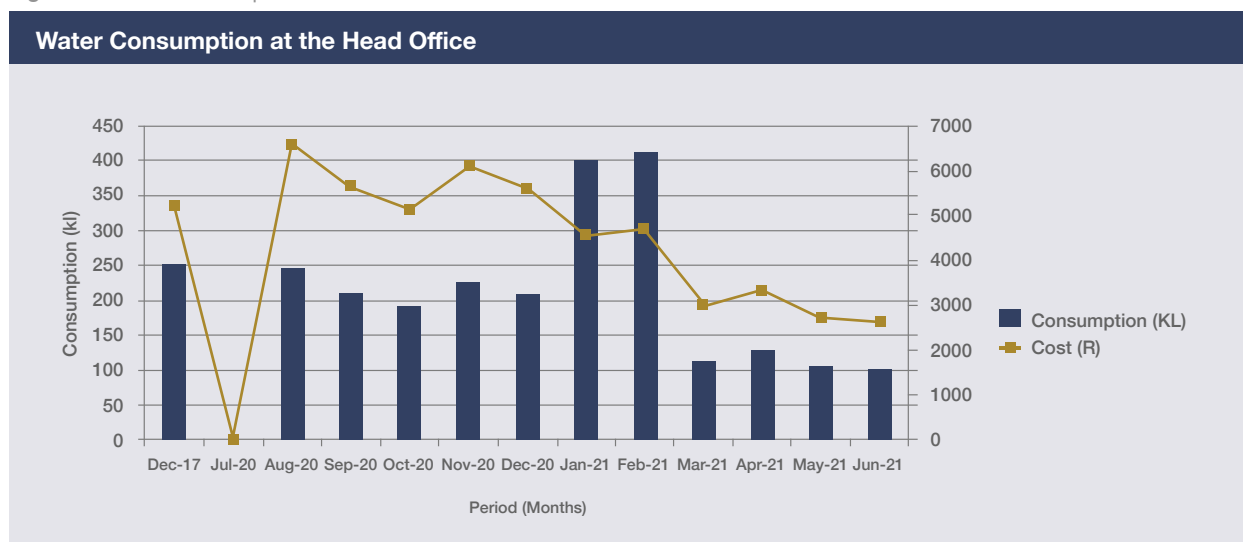
In response to climate change, Mhlathuze Water is currently exploring measures to improve water use efficiency. The following has been undertaken thus far:

Figure 21: Water Consumption at the Pump Station



Large volumes of potable water were previously used for cooling gland packing at the A-Line pumps, however seawater is now being used instead. The initiative has resulted in over 1000 kl/month reduction in water consumption as is indicated on the next page.

Figure 22: Water consumption at the Head Office



There has been a noticeable decrease in the water usage at the Head Office since March 2021. This can be linked to the repairs of faulty toilets and leaking taps. Awareness campaigns to educate and to sensitise employees on water conservation are also an ongoing initiative. Cleaning and Gardening Services were also encouraged to make use of the harvested water in the jojo tanks for cleaning offices and for watering plants. Spot checks were conducted around Head Office Complex for possible water leaks.

Environmental Authorisation and Compliance Monitoring

Environmental Impact Assessments are conducted for all construction projects to ensure that environmental impacts are managed. Where environmental impacts are identified, Environmental Management Plans are developed to mitigate the risk. Projects involving a change of land use, construction or upgrading of infrastructure and storage/handling of hazardous substances are amongst a number of listed activities that are required to follow the Environmental Impacts Assessment process. The service is outsourced to external service providers but the organisation monitors and audits these to ensure compliance with the Environmental Management Plans during project implementation. The following authorisations were requested and/or received during the period under review:

- A General Authorisation (WUL) was received in May 2021 for the construction of a DN 1500 pipeline from Shooting Range to Nsezi WTP. This is part of the Nsezi Augmentation Project to increase plant capacity from 205 to 260 ML/d;
- An EIA application submitted in April 2021 for the construction of a DN 1500 pipeline from Shooting Range to Nsezi WTP. This is also part of the Nsezi Augmentation Project to increase plant capacity from 205 to 260 ML/d. Authorisation had not been given as at the end of the reporting period; and

- The Water Use License for the abstraction of 94 476 960 m³/a volume of raw water from the Mhlathuze Weir was issued on 10th November 2020. The license is valid for period of 40 years and may be reviewed every 5 years.

Safety Health Environment and Quality Management Systems

ISO 17025:2005: Laboratory System Accreditation

The organisation maintained its ISO 17025 accreditation for the Scientific Services' water testing Laboratory. No assessments were performed by the accreditation body (SANAS) during the reporting period. The laboratory is on an 18 months assessment cycle and the last assessment was performed in March 2020. The current certificate of accreditation is valid until 30th April 2022 and a re-certification assessment is scheduled to take place in February 2022.

- To provide assurance that water produced is suitable for drinking thereby assuring that public health is protected. Furthermore, the service gives assurance that the effluent disposed complies with permit requirements;
- To produce scientific data for the development and optimisation of infrastructure; and
- To assess the status of water resources in the catchment area.

Safety, Health, Environmental and Quality Management Systems (SHEQ)

In order to ensure compliance with best practices and international standards, the organisation has certified management systems for Safety, Health, Environment and Quality. SHEQ systems aim to integrate all components of the business into a coherent system to enable the organisation to achieve its mission.

The certification body (SACAS) conducted an assessment in September 2020. A total of 16 findings or non-conformances were raised and these were addressed and successfully cleared.

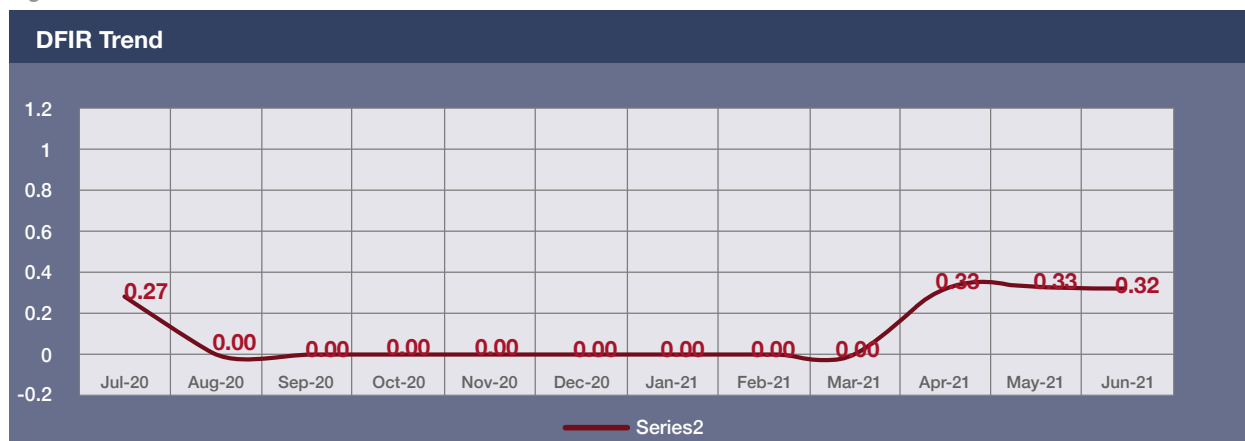
Occupational Injuries

In April 2021 an Operator suffered an eye injury as a result of one of the treatment chemicals spraying into his eyes. He was attended to by the Clinic Nurse and sent to the hospital where he was booked off to allow him to recover from his injury.

The DIFR as at the end of June 2021 was 0.32. This was within the set internal target of 0.5.

“ The organisation has certified management systems for Safety, Health, Environment and Quality. ”

Figure 23: DFIR Trend



Health & Safety Training

The following compliance training was conducted during the period under review.

Table 46: Health and Safety Training

No.	Training	Training Duration	Number of Attendees
1	SHE Representatives	1 day	6
2	Compensation for Occupational Injuries and Diseases Act (COIDA)	1 day	5
3	Basic Fire fighting	1 day	15
4	Management Of Health & Safety in Construction	1 day	12
5	Safe handling of Chlorine and Chemical Substances	1 day	2
6	Isolation and Permit to Work training	1 day per group	72
7	Legal liability for supervisors	1 day	16
8	Hazard Identification and Risk Assessment (HIRA)	1 day per group	65
9	Incident Investigation	1 day per group	31
10	ISO 45001:2018 Implementation	3 days	3
11	Snake handling and Snake Safety Awareness	1 day per group	78
12	Overhead Crane Training	3 days	12
13	ISO 17025 Laboratory Systems and Internal Auditing training	5 days	14
14	Forklift - Novice course	5 days	2
15	Blood Spill /Medical waste cleaning/Safe handling of Medical waste	1 day	10
16	Hazardous Chemical handling - (HAZCHEM)	1 day per group	76
17	Overhead Crane Training (Central Maintenance)	1 day per group	24

Occupational Health

The organisation has established an internal Clinic to cater for the occupational health needs of employees. The clinic provides amongst others, the following services:

- Medical Examination;
- Wellness Assessments;
- IOD Management;
- Wellness Counselling;
- Disability Management;

- Primary Health Care Consultation; and
- Chronic Disease Management.

The clinic operates Monday to Thursday from 07H00 to 16H00 and Friday from 07H00 to 13H00. The facility is staffed by a fulltime Nurse. A contracted Occupational Health Medical Practitioner (OHMP) comes to site weekly or as and when required.

The table below provides a summary of the activities of the Clinic.

Table 47: Occupational Health Clinic Activities

Category	Details	Number of Staff
General Consultation	New chronic conditions identified and treatment prescribed	17
	Conditions referred to specialised multidisciplinary medical team	65
	Cases referred to the OHMP	80
	Consultation visits attended to by the Nurse	952
Periodic Medicals	Annual periodic medicals for employees	53
Pre-employment Medicals	Medicals for employees joining the organisation	56
Exit Medicals	Medicals for employees leaving the organisation	26

First Aid Cases

Two cases requiring first aid treatment were recorded:

- In June 2021 an Artisan suffered minor injury when a spanner fell on his boot. He was treated by the Clinic Nurse before returning to work; and
- In June 2021 an Administrator felt dizzy and fell whilst climbing stairs at the Head Office Complex. She bruised her knee and needed treatment by the Clinic Nurse before returning to work.

Medical Treatment Case

In June 2021 an Operator fell and injured his hands outside the Effluent Pump Station. First aid treatment was administered by the First Aider and the Clinic Nurse and later sent to the Company Doctor for more treatment. He was treated and returned to work.



8.4.4. Scientific Services Unit 2020/2021 Predetermined Objectives

Table 48: Scientific Services Unit 2020/2021 Predetermined Objectives

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 1	SO6: to be pro-active on issues relating to health, safety, security and the environment	Compliance with SANS 241:2015 water quality standard for potable water	Percentage compliance to water quality standard	97%	99.56%	2.56%	Conducted tests complied with the water quality standard
SC 21		Health and safety of employees	Disabling injury frequency rate (DIFR)	0.5	0.33	0.17	An incident at Nsezi affected the DIFR.
MW 17		Compliance with Coastal Water's Discharge Permit (CWDP)	Percentage of quality compliance with CWDP	100%	87.75%	(12.25%)	There is no treatment of effluent. Effluent is only diluted with sea water and pumped into the sea.
MW 18		ISO 9001, 14001, OHSAS 18001, standard certification	Number of compliance certifications maintained	3	3.00	0.00	None
MW 19		ISO 50001 standard certification	Number of compliance certifications obtained	1	0.00	(1.00)	Delays in appointing the service provider to provide certification.
MW 20		ISO 17025 laboratory management system standard accreditation maintained	Number of accreditations retained on laboratory management system	1	1.00	0.00	None
MW 21		SO1: to grow the provision of water services	Improve Knowledge Hub, evidence and innovation through research and development	Number of research and development initiatives conducted	1 Research and development initiative conducted	2.00	1.00
MW 22	Number of research papers finalised			1	1.00	0.00	None
MW 23	Engagement in secondary activities (section 30 activities)			Percentage of growth in Laboratory Revenue (Real growth excluding annual price increases)	5%	246.45%	241.45%

8.4.5. Corrective Measures to Address Areas of Underperformance

Table 49: Scientific Services Unit Corrective Measures

Key Performance Indicators	Core Reason for Under-Achievement	Recovery Strategy for 2021/2022
Percentage of quality compliance with CWDP	There is no treatment of effluent. Effluent is only diluted with sea water and pumped into the sea	Feasibility study for effluent treatment options prior to marine disposal was conducted
Number of compliance certifications obtained	Delays in appointing the service provider to provide certification	The service provide was appointed and stage 1 of the audit is being conducted

8.5. Technical Services Unit

8.5.1. Mandate of the Technical Services Unit

The key mandate of the Technical Services Unit is to design, optimise, install, and extend the required infrastructure to provide sustainable water and waste water services that meet the requirements of customers.

One of the key areas of focus of the unit is the conceptualising, planning and managing the construction of expansion related infrastructure for water and waste water related services. This involves the determination of requirements for water services through requests by customers, or as decided by regional consultation with Water Services Authorities and Regional Water Service Providers.

8.5.2. Functions within the Technical Services Unit

Planning and Project Management

The Planning section is responsible for the identification and packaging of projects from the feasibility-study stage in-line with the organisations business development model (concept & viability), design and procurement documentation. The professional services are either sourced from external service providers or conducted in-house depending on the nature of the required service.

The Planning section is also tasked with driving business case studies for the exploration and solution option/s analysis of alternative water sources together with waste water re-use projects. The functions of the section also extend to providing support to the Department of Water and Sanitation in the form of reviewing the water control and water catchment areas within Mhlathuze Water's area of Operation.

Project Management

The section is responsible for the implementation and project management (in-year monitoring and reporting) of capital projects for internal and externally (Implementing Agent services in terms of section 30 of the water services act) funded projects. Projects are implemented in line with approved Infrastructure Implementation Plan/s. The Organizational Capital budget project implementation plans are informed by the conditional assessment of plant assets together with water-supply contract agreements, as well as water demands from new customers.

8.5.3. Key Performance Highlights

Bulk Water and Sanitation Infrastructure Master Plan and Catchment Study

The Master Plan provides an integrated overview of all actions, initiatives and projects that Mhlathuze Water must undertake in order to effectively meet current and future bulk water and sanitation demands for its customers. The Bulk Water and Sanitation Infrastructure Master Plan also makes provision for reserves in order to accommodate for future demand resulting from growth and development within Richards Bay and surrounding areas. The Bulk Water and Sanitation Infrastructure Master Plan was last reviewed in 2018 and is reviewed every five years or as and when required. Mhlathuze Water successfully developed the terms of reference to review the existing Master Plan in 2020/2021 Financial Year.

The Objectives of the Catchment Assessment Study report is to:

- i. To inform the National Water Resources Study (NWRS) in an iterative fashion, i.e. as the Catchment Assessment Study upgrades the level of understanding of catchment resources, pollution sources and human and environmental needs, earlier versions of the NWRS would need to be modified;
- ii. Enable MW Board to understand, in water-related terms, of the natural catchment, of the way humans are changing it, and what the human needs are, so that sound and wise water resource management can ensue;
- iii. Provide an information/knowledge system suitable for support of development of a roles of MW in the DWS Catchment Assessment Study for a MW area of supply, i.e. to enable MW Board with the requirements of Section 9 of the NWA to be met; and
- iv. Provide an information/knowledge system suitable to sustain implementation of MW role in the DWS for MW area of supply catchment.

A combined budget of R3 500 000.00 has been approved for the Catchment Study and the Master Plan.



Primary Infrastructure Development Activities

In the 2020/2021 financial year, Mhlathuze Water, as part of its core business, made a budget available for the implementation of key multi-year water infrastructure project upgrades and expansions. To ensure continuous and reliable supply to customers, Mhlathuze Water embarked on the implementation of following projects:

➤ Augmentation of Nsezi Water Treatment Works

- **Project scope:** The augmentation of the plant to increase the capacity from 205MI/day to 260MI/day. This includes the upgrade of the raw water pipeline from the Shooting Range to Nsezi Water Treatment Works from 1 200mm Ø to 1 500mm Ø and modifications at the Weir pump stations to address vortex issues, *inter alia*.

- **Overall budget:** R 486 069 939.00
- **2020/2021 budget:** R 126 004 330.00 (Incl. CPA)
- **Expenditure as at 30th June 2021:** R 23 842 109.32
- **Progress as at 30th June 2021:** 66%
- **Planned completion date:** 30th June 2023
- **Impact:** The increased capacity will accommodate current and future water demands and reliable supply to Mhlathuze Water customers.
- **Challenges:** The pipeline route is encroaching on the off-set land of the City of uMhlathuze. Route options are being prepared and submitted for consideration in the EIA application.



➤ AC Interference Mitigation System

- **Project scope:** The installation 14.7km of zinc ribbons parallel to the existing pipeline as an earthing mechanism against inductive and conductive coupling as well as personnel safety measures against excessive step and touch potentials generated from induced AC currents during fault and lightening conditions.
- **Overall budget:** R9 000 000.00
- **2020/2021 budget:** R9 000 000.00
- **Expenditure as at 30th June 2021:** R 1 861 267.85
- **Progress as at 30th June 2021:** 47%
- **Planned completion date:** 30th September 2021
- **Impact:** Safety of personnel on site and protection of the pipeline.
- **Challenges:** Gaining access to private-owned property on the pipeline route.



➤ **The Design and Construction of the New Polymer Bund Wall at Nsezi Water Treatment Works**

➤➤ **Project scope:** The design and construction of a new polymer bund wall and the installation of three 20m³ polymer tanks, chemical equipment, which involves pumps, electrical supply, pipe-work and drainage management.

➤➤ **Overall budget:** R4 000 000.00

➤➤ **2020/2021 budget:** R 4 000 000.00

➤➤ **Expenditure as at 30th June 2021:** R 2 138 604.26

➤➤ **Progress as at 30th June 2021:** 65%

➤➤ **Planned completion date:** 30th September 2021

➤➤ **Impact:** Separation of the caustic soda from the polymer which were housed in a single bund wall.

➤➤ **Challenges:** Rate of progress is poor. The contractor reported cash flow constraints.



➤ **The Construction of the Weir Change Room and Kitchen Facility**

➤➤ **Project scope:** Construction of a 40m² ablution building which includes change-room showers, toilet and kitchenette facilities.

➤➤ **Overall budget:** R 3 265 000.00

➤➤ **2020/2021 budget:** R 3 265 000.00

➤➤ **Expenditure as at 30th June 2021:** R 527 146.79

➤➤ **Progress as at 30th June 2021:** 30%

➤➤ **Planned completion date:** 30th September 2021

➤➤ **Impact:** To provide proper sanitation to Mhlathuze Water employees

➤➤ **Challenges:** None



➤ **The Nsezi Water Treatment Works Control Room and Plant Laboratory Refurbishment**

➤➤ **Project scope:** Refurbishment of the existing 45m² plant laboratory to accommodate both the control room and the plant laboratory. The existing 25m² control will be converted into a canteen facility.

➤➤ **Overall budget:** R650 000.00

➤➤ **2020/2021 budget:** R650 000.00

➤➤ **Expenditure as at 30th June 2021:** R101 635.60

➤➤ **Progress as at 30th June 2021:** 25%

➤➤ **Planned completion date:** 16th November 2021

➤➤ **Impact:** A larger and safer working environment for plant employees.

➤➤ **Challenges:** The contractor is failing to comply with contractual obligations.



➤ **Alternative Water Supply to Head Office Project:**

➤ **Project scope:**

- Provide an approved design drawing for the proposed water storage tank and the detail design of the slab and concrete plinths;
- Supply and install a new 55kl galvanized pressed steel storage tank hot pressed cold-rolled steel plate and appear to be square panels with 4 edges, screwed by bolts, nuts and washer piece by piece assemble the bottom wall side and roof. To include a safety ladder from ground level to the height of the tank; and
- To connect the pipes work to the 110mm Ø existing domestic water main line pipe and 75mm Ø domestic fire main pipe. Supply and install the Booster Pump System with pressure vessel (bladder) to ensure a constant back-up supply pressure in the event the Head Office experiences water interruptions it activates automatically.

➤ **Overall budget:** R 3 000 000.00

➤ **Expenditure as at 30th June 2021:** R 521 500.00

➤ **Progress as at 30th June 2021:** 100%

➤ **Completion date:** 6th April 2021

➤ **Impact:** To provide storage for the alternative water supply to the head office during water cut.

➤ **Challenges:** None



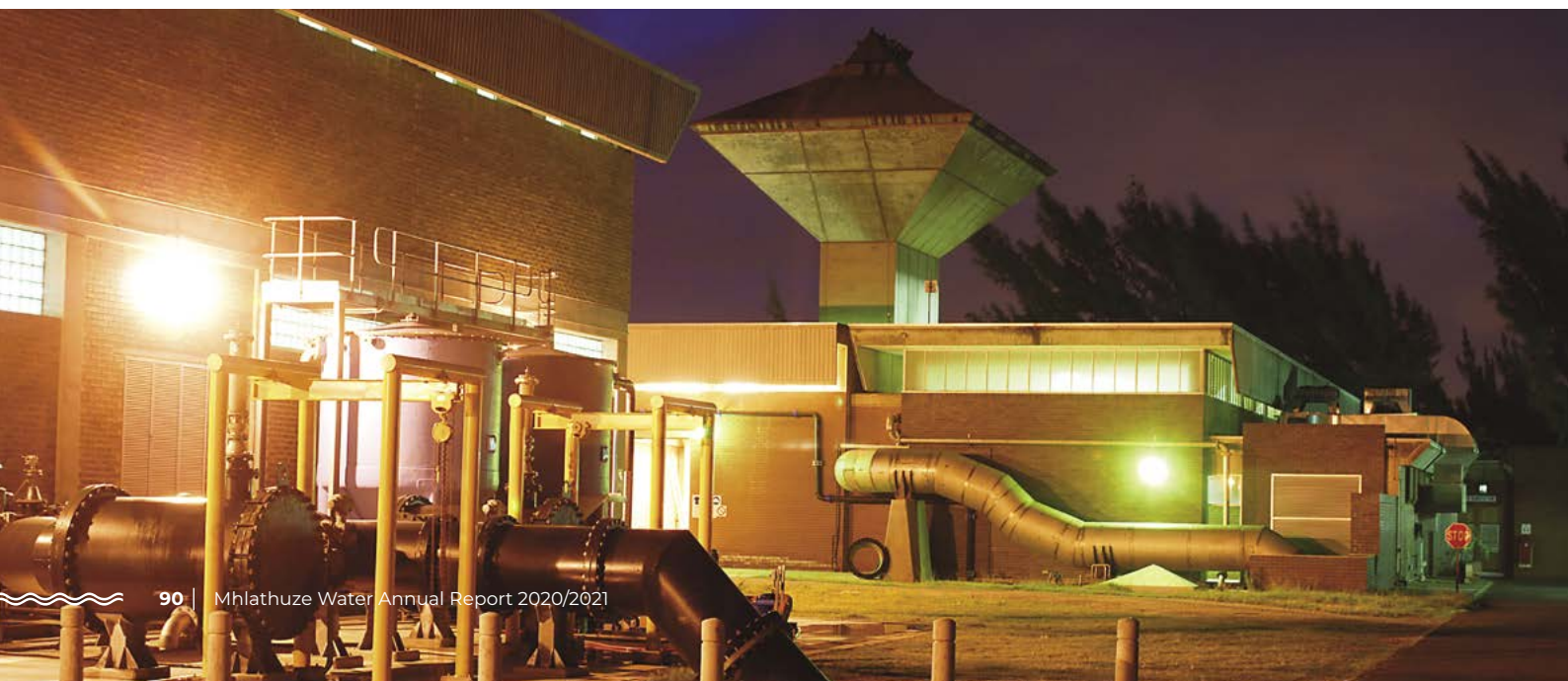
Secondary Infrastructure Development Activities (Section 30)

UMkhanyakude District Municipality

Mhlathuze Water signed a tripartite agreement with uMkhanyakude District Municipality and DWS to implement the Jozini Bulk Water Supply Project in the District.

Jozini Ingwavuma Bulk Water Supply Project

The project entails the upgrade of 4 existing pump stations for the Jozini Ingwavuma Bulk Water Supply. The pump station is yet to be commissioned due to inefficient electrical power supply to the pump stations. A due diligence report was submitted to DWS indicating the outstanding works to upgrade the 4 pump stations including the upgrading of the local pump station to ensure full scheme modification. The due diligence report and asset register are to be handed over to uMkhanyakude District Municipality.



➤ **Sikhemelele-Mtikini Emergency Bulk Water Project**

- » **Project scope:** Upgrade of the existing pump station and rising main. Construction of a new 1MI reservoir.
- » **Overall budget:** R 29 000 000.00
- » **2020/2021 Budget:** R 29 000 000.00
- » **Expenditure as at 30th June 2021:** R 26 904 703.14 (Final settlement will be determined after completion of the outstanding power supply installation by Eskom)
- » **Progress as at 30th June 2021:** 100%
- » **Final completion date:** 27th June 2021
- » **Impact:** Improved efficiency of the treatment works, resulting in an increased water supply.
- » **Challenges:** Business forums demanding appointments on the project and circumventing supply chain processes. An ISD consultant was appointed from the same area to manage the appointment of SMME's.



Isimangaliso Wetland Park Boreholes

Mhlathuze Water entered into an agreement with iSimangaliso Wetland Park to provide a reliable potable water supply to the Ranger Camps as identified in the feasibility study. This was to be achieved by drilling 13 new boreholes at pre-identified sites.

Of the 13 boreholes, only 6 were successfully commissioned due to the 3 being found dry and 4 producing poor water quality. At the Mshophi site, Alternative Water Supply technology will be provided using Atmospheric Water Generator machines (AWG).

- » **Original contract value:** R 5 171 363.32
- » **Expenditure as at 30th June 2021:** R 2 901 425.00
- » **Progress as at 30th June 2021:** 100%
- » **Completion Date:** 05th May 2021



City of uMhlatuze

Mhlatuze Water was appointed the city to assist with the planning, design and implementation of the construction of a new 15MI/d package plant to supplement purified water to forest command reservoir. The project is earmarked to alleviate water shortages in the city's Esikhaleni potable water system.

The project is at final stage of the procurement for the appointment of the contractor to execute the work. The detailed designs are 100% completed and all necessary approvals have been obtained including EIA exemption. The Implementation Agent Agreement is being finalised between MW and CoU.

- » **Original Budget:** R 140 000 000.00
- » **Expenditure as at 30th June 2021:** R 434 527.50
- » **Planned Completion Date:** 30th June 2022
- » **Impact:** Improved reliable potable water supply to Esikhaleni and surrounding areas.
- » **Challenges:** None



8.5.4. Technical Services Unit 2020/2021 Predetermined Objectives

Table 50: Technical Services Unit 2020/2021 Predetermined Objectives

SC/MW	Strategic Objective	Outputs	Performance Indicator	Annual Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 8	SO1: to grow the provision of water services	Capital expenditure programme	Percentage of capital projects completed within targeted dates	100%	65.29%	(34.71%)	Delays in project implementation
SC 11		Implementation of Ministerial directives	Percentage of Ministerial directives implemented against allocated budget	Nil	Nil	Nil	None
SC 16		Temporary jobs created	Number of temporary jobs created through MW external programme	40	53.00	13.00	Additional temporary jobs were created

8.5.5. Corrective Measures to Address Areas of Underperformance

Table 51: Technical Services Unit Corrective Measures

Key Performance Indicators	Core Reason for Under-Achievement	Recovery Strategy for 2021/2022
Percentage of capital projects completed within targeted dates	Delays in project implementation	A capital project accelerator programme has been developed and is in various stages of implementation to ensure projects are implemented according to their schedules

8.6. Finance Unit

8.6.1. Mandate of Finance Unit

The Finance Unit provides efficient and effective financial resources; financial planning and budgeting; financial structures; asset management; financial services; procurement; and financial risk management in line with the requirements of the Public Finance Management Act of South Africa. The Unit's core business is ensuring financial viability and sustainability of the organisation, thereby contributing to delivery on the organisation's mandate.

8.6.2. Functions within the Finance Unit

Financial Accounting

The function is responsible for maintaining accurate financial records that comply with relevant accounting standards (i.e. GRAP, Treasury Regulations). It is also responsible for the presentation of complete, valid and accurate financial data to allow better decision making for management. The function ensures accurate billing and collection of debts, timeous payment of creditors and efficient employee-related remuneration.

Management Accounting

The function is responsible for providing accurate budget and financial forecasts, determining relevant cost-effective tariffs, providing management and financial information, monitoring and reporting on variances, analysing financial feasibility and meeting financial obligations to generate accurate and relevant information and mobilising resources to achieve accurately informed and supported decision makers and a financially resourced organisation in order to contribute to the sustainable delivery of the mandate.

Asset Management

This function monitors and maintains tangible (property, plant and equipment) and intangible assets (software) for the organisation. It is also responsible for a systematic process of acquisition, maintenance, and disposal of assets in a cost-effective manner. It maintains the Asset Register in compliance with GRAP 17 and all relevant organisational policies. It also reviews the use of assets to ensure a greater return on investment and ensures that assets are adequately insured.

Supply Chain Management

The Supply Chain Management unit is responsible for procurement activities, BEE spending, CPG monitoring, contract management, monitoring of non-conformances, deviations, irregular expenditure, bid committees, as well as inventory management. It is responsible for all other supply chain operational activities, including ensuring that the procurement of goods, services, and construction work is done in a fair, competitive, cost-effective, transparent and an equitable manner, as required in terms of the PFMA and applicable Treasury regulations.

The Enterprise and Supplier Development function is responsible for driving business transformation, as part of supporting establishments and participation of black players in the economy in line with BBBEE Act, in order to stimulate economic growth and creation of jobs in communities. It is also responsible for the implementation and monitoring of the five pillars of enterprise and supplier development strategy as approved by the board. The five pillars are as follows:

- Strengthening institutional arrangement – partnering with companies that are operating within SMME space;
- Incubation support system;
- Investigating establishment of ESD Development Fund;
- Structured joint venture; and
- Targeted payment system.

8.6.3. Key Performance Highlights

The overall financial performance indicates a healthy financial year for the period up to 30th June 2021. Although the entity achieved less revenue compared to prior years, with the cost controls implemented, Mhlathuze Water (MW) managed to decrease its expenses and maintain financial viability.

8.6.4. Accounting Framework, Legal and Legislative Requirements

Consistent with prior years, the Annual Financial Statements for the financial year ended 30th June 2021 were prepared and presented in accordance with Generally Recognised Accounting Practice, the Public Finance Management Act, Act No. 1 of 1999 as amended, and reflect the reporting requirements of the Water Services Act, Act No. 108 of 1997.

MW's financial transactions and reporting are guided by the following:

- The Water Services Act, Act No. 108 of 1997;
- The Public Finance Management Act, Act No. 1 of 1999, as amended;
- The Municipal Finance Management Act;
- The Preferential Procurement Policy Framework Act;
- The Supply Chain Management Framework; and
- Other related prescripts such as National Treasury Regulations.



8.6.5. Operating Performance

The following table depicts MW's financial performance in comparison to the past five years and the FY2020/21 year to date approved Business Plan:

Table 52: Summary Financial Highlights

Key Financial Ratios	Previous Financial Years					Target	Actual
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2020/21
Gross profit percentage	76.70%	54.58%	52.40%	56.50%	64.31%	60.00%	60.95%
Debtors collection days	40.77	60	43.36	44.77	38.29	45	40.89
% of staff remuneration	30.74%	31.89%	27.37%	23.97%	28.26%	30.00%	24.97%
Net profit margin: Primary activities	18.48%	20.37%	22.33%	20.00%	23.95%	7.50%	18.45%
% of repairs and maintenance	3.00%	5.10%	3.74%	3.74%	2.68%	4.00%	2.79%
Current ratio	1.92	2.35	2.78	2.5	3.12	3	3.04
Acid Test Ratio	1.8	2.24	2.66	2.29	2.93	3	2.89
Debt equity ratio	0.32	0.26	0.16	0.12	0.09	0.21	0.07
Return on assets	7.75	3.76	6.42	7.79	10.40	4.00	8.36
Asset turnover ratio	0.45	0.47	0.39	0.48	0.42	0.42	0.53
Interest turnover ratio	9.35	5.32	15.62	20.01	16.56	8.4	15.69
EBIT margin	25.05%	20.61%	23.08%	24.38%	27.47%	8.64%	25.14%

The majority of the above financial ratios reflect a slight decline in comparison to the prior years, but also achievements when compared to the performance targets as per the FY2020/21 approved Business Plan.

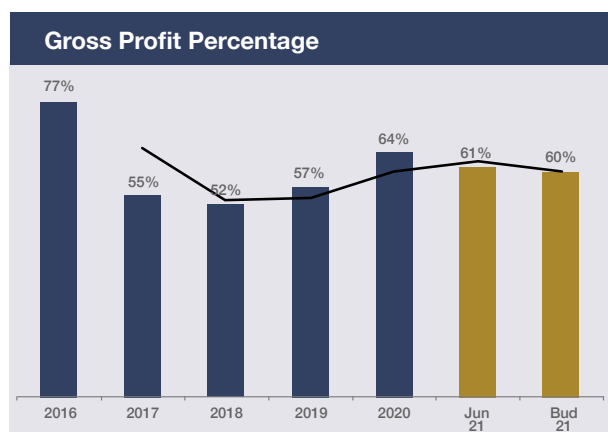
Table 53: Five Year Statement of Financial Performance

	2017	2018	2019	2020	2021 Budget	2021 Actual	% Change
	k'000	k'000	k'000	k'000	k'000	k'000	
Volumes	117506	123578	123578	115214	119159	125777	9%
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Sale Of Goods And Services	533617	538996	712643	664048	769733	642423	(3%)
Cost of Sales	242391	232441	309410	240762	290296	250898	4%
Raw water purchases	44315	44378	63069	58538	60272	76514	31%
Electricity and water	103738	81239	129147	70951	94447	79449	12%
Chemicals	16760	17551	18969	21296	21539	18365	(14%)
Employee related costs	42160	50804	51935	40561	58904	22816	(44%)
Depreciation and amortisation	35418	38469	46290	49416	55134	53754	9%
Gross Profit	291226	306555	403233	423285	479438	391525	(8%)
Other income	14414	17400	19969	18009	13808	18761	4%
Expenditure							
Employee related costs	86920	93107	95588	106740	123658	111610	5%
Remuneration of boardmembers	2679	620	3274	4700	6747	4342	(8%)
Depreciation and amortisation	6386	7851	9490	5984	7142	6291	5%
Impairment of assets	-	-	295	3267	-	4260	30%
Finance costs	9850	6021	9770	7670	7579	6465	(16%)
Lease rentals on operating lease	2566	2805	2797	4201	3296	3504	(17%)
Debt impairment	293	-	20	1	-	104	13714%
Repairs and maintenance	40748	48088	81055	74008	134974	50711	(31%)
Electricity and water	2026	1914	2076	2181	1368	3854	77%
Chemicals	-	796	829	847	58648	92	(89%)
Other expenses	81918	74745	110004	92715	99551	102912	11%
Total Expenditure	233386	235947	315198	302314	442963	294145	(3%)
Operating Surplus	72254	88008	108005	138981	50281	116141	(16%)
Gain (loss) on disposal of assets	(2815)	(6058)	(4014)	(2547)	-	(3871)	52%
Surplus for the Year	69439	81950	103991	136434	50281	112270	(18%)

Table 53 above depicts a steady increase in the Operating Surplus in the past four years, thus showing a healthy growth in financial performance.

8.6.6. Key Performance Indicators

Figure 24: Gross Profit Percentage



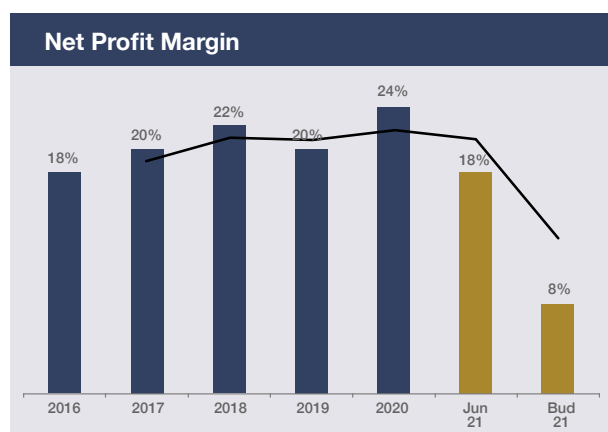
The Gross Profit Percentage has generally been maintained above 52% since FY2015/16, indicating MW's ability to maintain the cost of production.

The current year's Gross Profit Percentage is 61%, resulting to a positive variance of 1% against budget of 60% due to less cost of production realised mainly due to the following reasons:

- Depreciation and Amortisation incurred were less than budgeted due to delays in the capitalisation of infrastructure projects and implementation of other capital projects, thus less depreciation charged during the period;
- Chemicals sold in fewer volumes than budgeted for. There is also a decrease in usage of chemicals due to better turbidity of raw water abstracted during this period; and
- Employee Related Costs reflects an under-spending due to vacant positions of employees directly involved in the production and implementation of cost saving measures such as decrease in overtime usage;

Overall, in comparison to previous financial years, the Gross Profit Percentage is a median, which consistently demonstrated profitability and financial health of MW.

Figure 25: Net Profit Margin



The Net Profit Margin has been increasing over the five year period. The current year ratio is 18.5% against the projected 7.5%. This is due to material cost savings and under-expenditure in various line items, as follows:

- Repairs and Maintenance reflects an under-spending due to maintenance work not executed in accordance to the maintenance plan;
- The expense on Chemicals declined due to better turbidity of raw water during this period; and
- Other Expenses, such as Legal Expenses and Water Quality Monitoring was not incurred as budgeted. As a result of the COVID-19 lockdown, some expenditure line items could not be incurred as planned, such as the National Development Plan; Regional Bulk Studies; Enterprise and Supplier Development. Expenditure is however expected to increase as the year progresses.

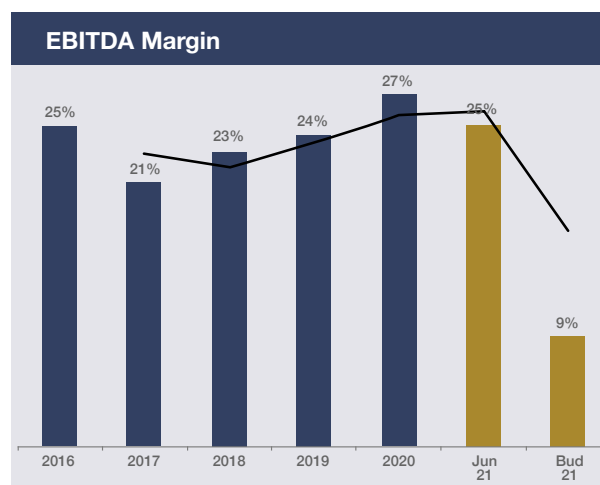
Figure 26: Interest Turnover Ratio



The current year Interest Turnover Ratio is 15.69 times compared to a target of 8.40 times due to the decline in Long-term Loans as no new loans were obtained and current loans have reduced over the years. MW's ratio is well-within the current loan covenant requirements.

Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) Margin ratio

Figure 27: EBITDA Margin



The past five financial year trend indicates good financial health for MW; margin has always been above 20% with the current year's margin being 25% reflecting a financially viable entity.

Percentage of Staff Remuneration

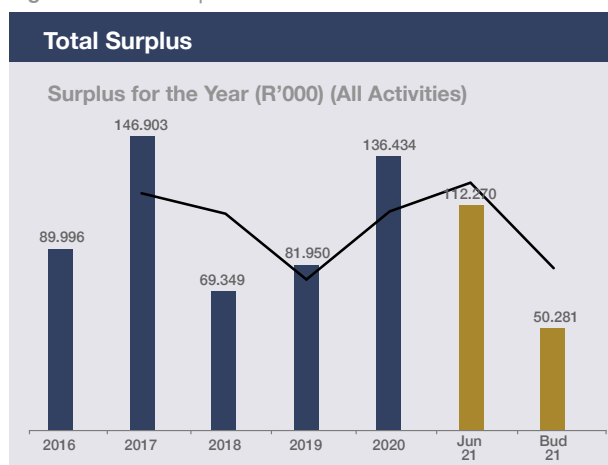
The Percentage of Staff Remuneration over Operating Expenditure has been fluctuating from 23% to 32% over the five year period until the financial year ended June 2021. The current year percentage being 25%, which is below the 30% target.

Percentage of Repairs and Maintenance

Percentage of Repairs and Maintenance over Property, Plant and Equipment not achieved is 2.79% against a target of 4% mainly due to maintenance and repairs not carried out in line with the maintenance plan. Although the target was not achieved, management are putting control measures in place to ensure that KPI is met in the near future.

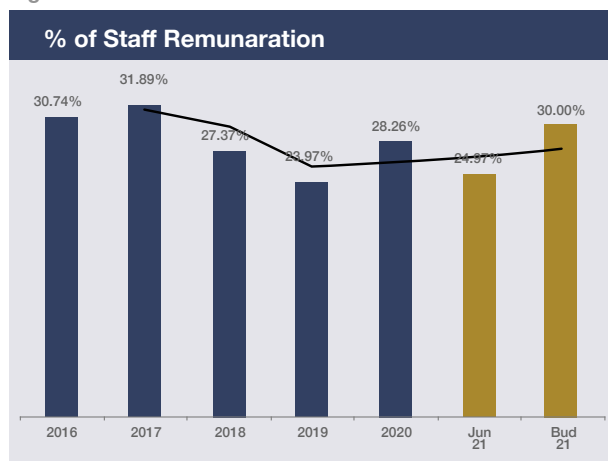
8.6.7. Profitability Analysis

Figure 28: Total Surplus



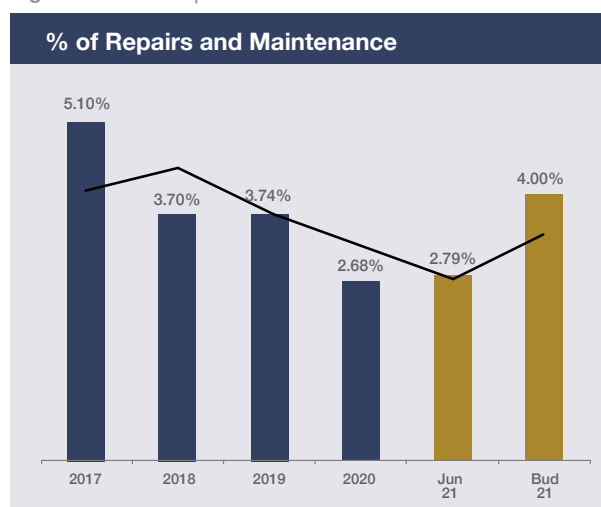
The current year surplus is R112.270 million against a budgeted surplus of R50.281 million resulting to a positive variance of R61.9 million. This indicates good financial health and an increasing performance growth over the years through a drive to better manage operational costs.

Figure 29: % of Staff Remuneration



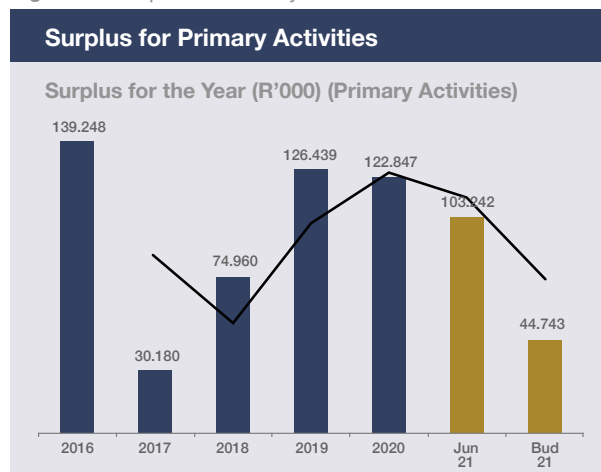
The Percentage of Staff Remuneration over Operating Expenditure has been fluctuating from 23% to 32% over the five year period until the financial year ended June 2021. The current year percentage being 25%, which is below the 30% target.

Figure 30: % of Repairs and Maintenance



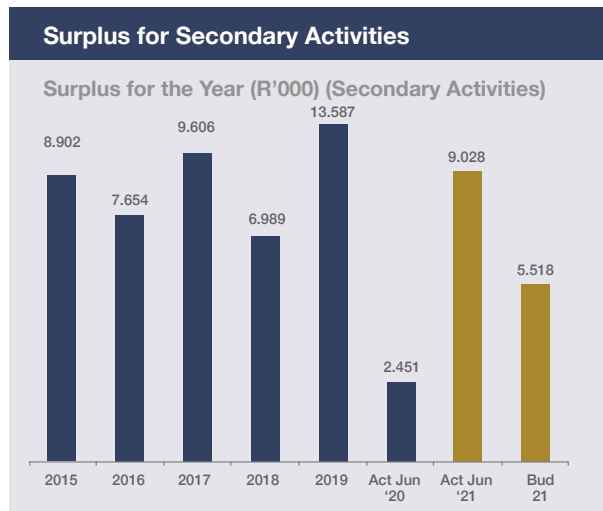
Percentage of Repairs and Maintenance over Property, Plant and Equipment not achieved is 2.79% against a target of 4% mainly due to maintenance and repairs not carried out in line with the maintenance plan. Although the target was not achieved, management are putting control measures in place to ensure that KPI is met in the near future.

Figure 31: Surplus for Primary Activities



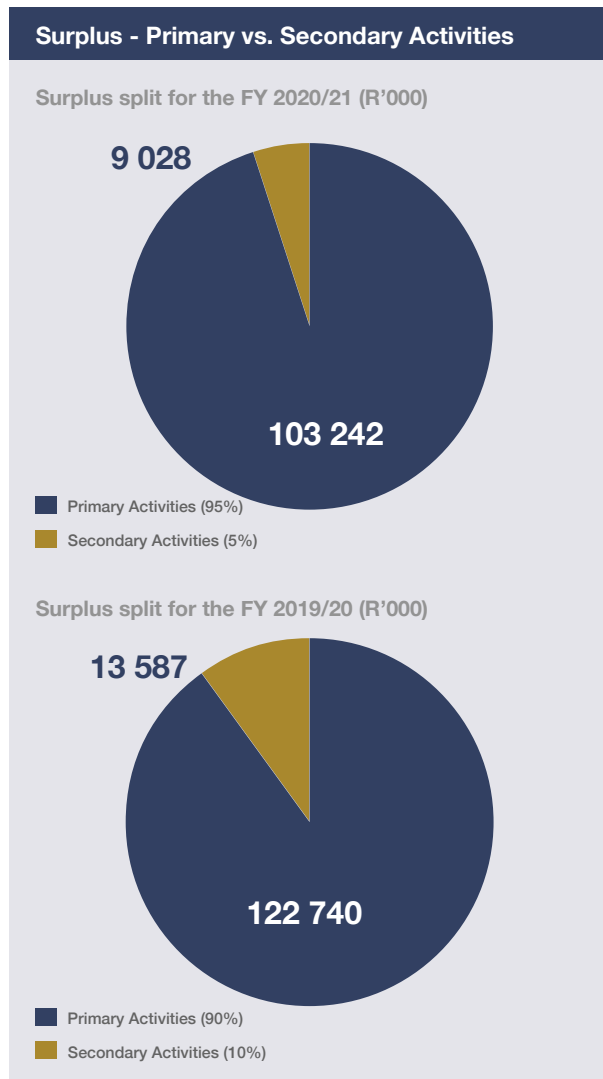
The current year Primary Activities Surplus for the current financial year is R103.2 million against a budgeted surplus of R44.7 million, resulting in a positive variance of R58.5 million, this is due to material cost savings and under-spending on some expenditure items such as chemicals, electricity and water, and repairs and maintenance.

Figure 32: Surplus for Secondary Activities



The Secondary Activities Surplus is R9 million against a budgeted surplus of R5.5 million for the current financial year, resulting to a positive variance of R3.5 million. The positive variance is due to additional revenue generated from RBM O & M in the year 2020/21 and improvement in lab services sales.

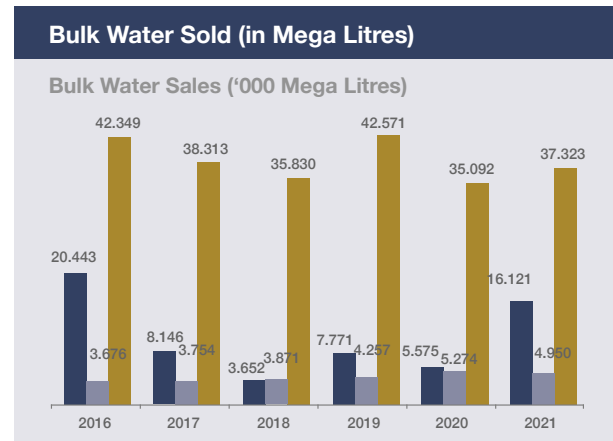
Figure 33: Surplus - Primary vs. Secondary Activities



MW achieved a 95/5 percentage split between Primary and Secondary Activities Surplus in the current period against a budgeted split of 90/10 which is in accordance with the business plan and a trend with a previous financial year where 90/10 was achieved. The reason why the majority of MW's surplus is from Primary Activities is due to a decline in the number of O & M contracts that MW has, and the significant decline in implementing agency contracts.

8.6.7. Volume Analysis

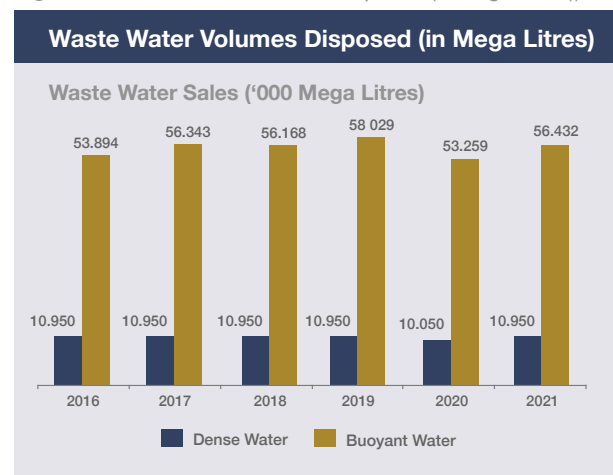
Figure 34: Bulk Water Sold (in Mega Litres)



The actual volumes sold for the period ended 30th June 2021 are 58.3 mega litres from a budget of 78.1 mega litres realising in a negative variance of 19.8 cubic metres, this is due to customers utilising less purified and clarified water than contracted for.

All bulk customers have utilised much less water than their contracted volumes. The main contributors are Mondi and City of uMhlathuze - Richards Bay which have significantly reduced their consumption.

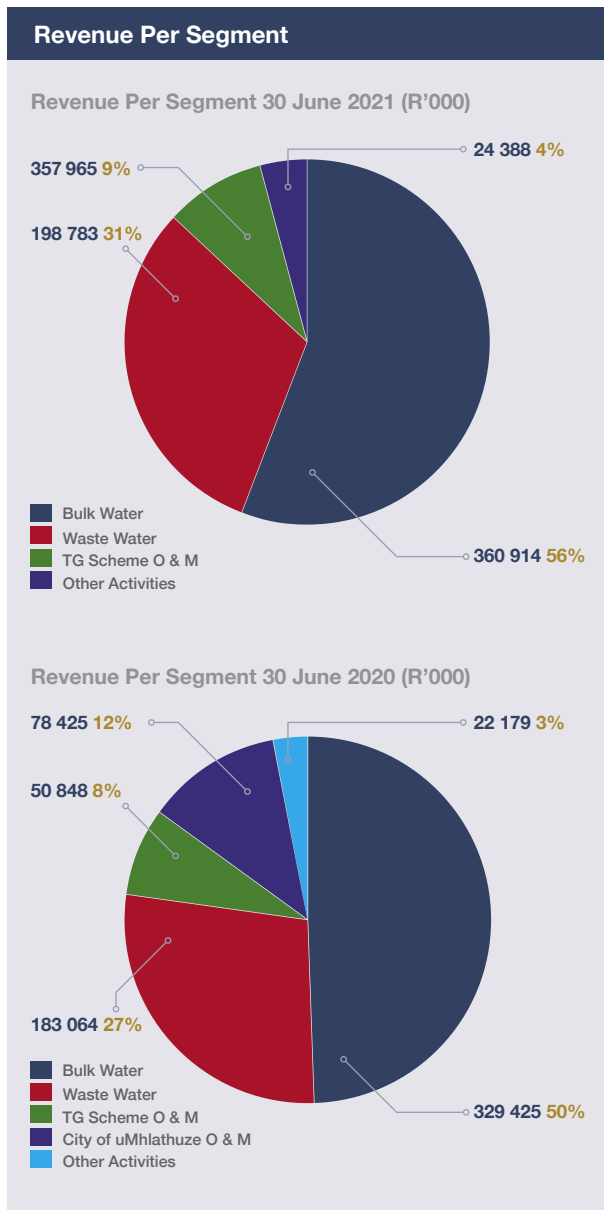
Figure 35: Waste Water Volumes Disposed (in Mega Litres)



The total Waste Water Sales at year- end were 67'382 Kl.

8.6.8. Revenue Management

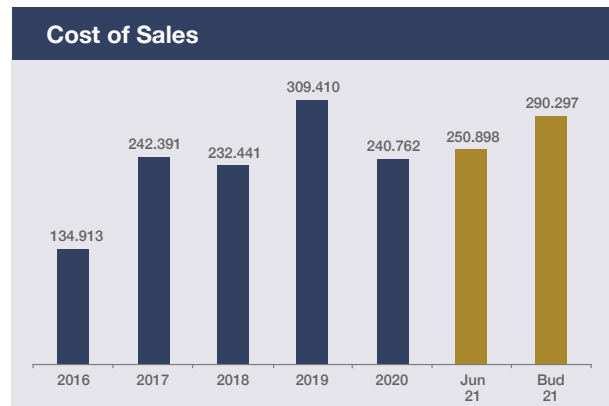
Figure 36: Pie Chart 1: Revenue Per Segment



The charts above represent revenue achieved per segment during the 2019/20 financial year end as well as 2020/21 financial year. The current year revenue generated was R642 million, while the projected the year-end revenue was R640 million. This represents a drop of R4 million when compared to the R664 million that was generated in the previous financial year. The negative variance is mainly due to the operations & maintenance charges recovered from TG Scheme, which is driven by the cost incurred in the project for the period ended 30th June 2021 being less than budgeted for. Work on current secondary activities projects was also lower than budgeted due to delays caused by COVID-19 restrictions.

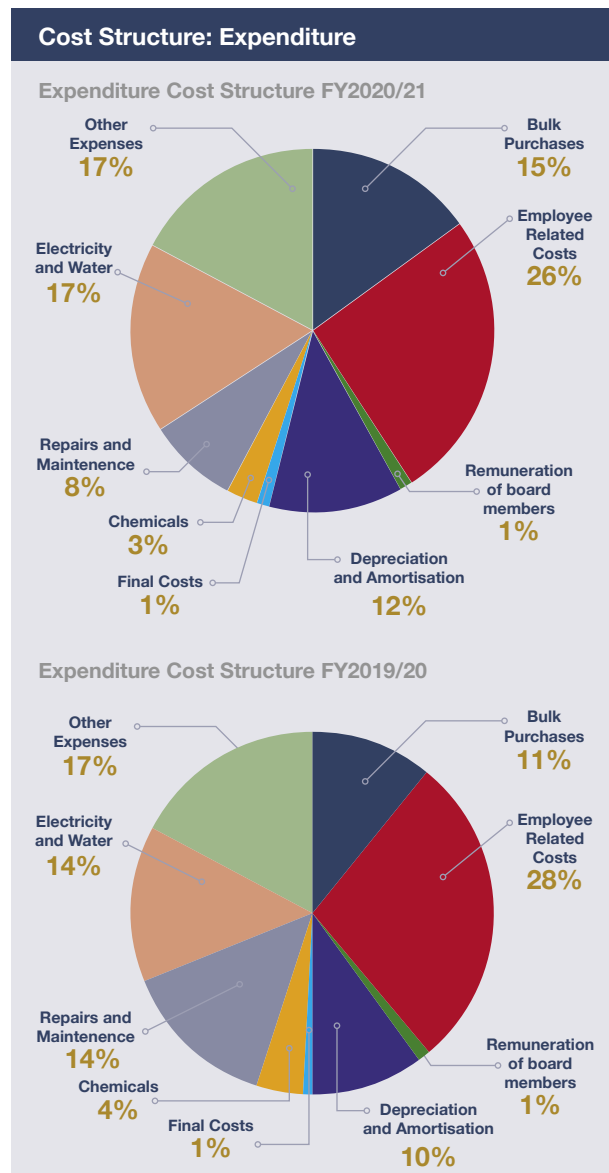
8.6.9. Expenditure Management

Figure 37: Cost of Sales



An increase in the Cost of Sales in comparison to prior year is mostly due to electricity and water increases tariffs and more vacant positions being filled during the financial year than prior year.

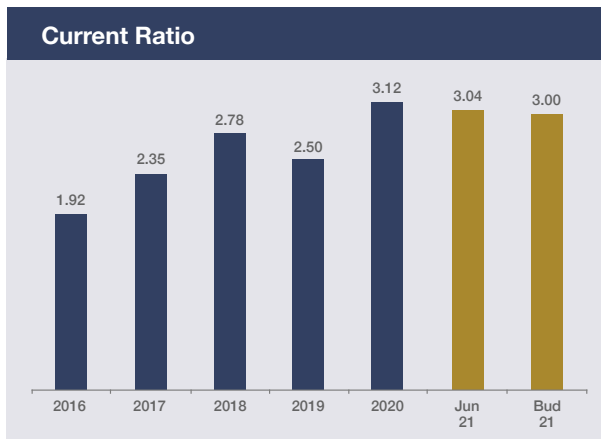
Figure 38: Pie chart 2: Cost Structure: Expenditure



The charts above depicts expenditure per category.

8.6.10. Asset And Liability Management

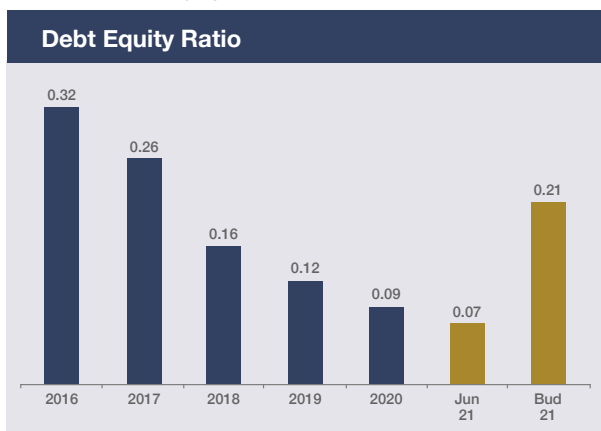
Figure 39: Current Ratio



Over five year period, current ratio has been steadily increasing indicating a better position of liquidity.

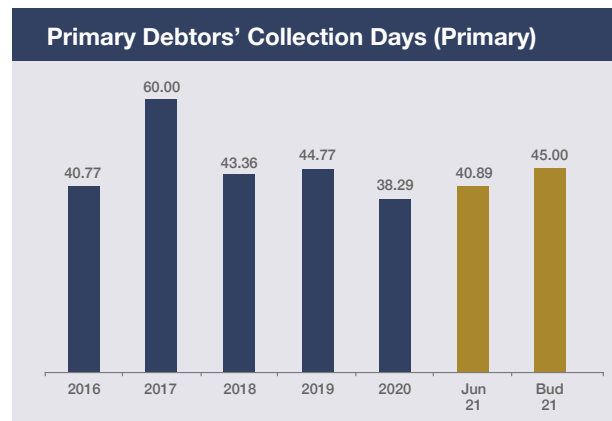
The current financial year ratio is 3.04, compared to a target of 3.00, resulting in a negative variance of 0.04, due to MW not obtaining new long term loans which would have increased cash and cash equivalents (current assets) with a significant amount compared to an increase in the short term liability (current liabilities), causing an increase in current ratio.

Figure 40: Debt Equity Ratio



A debt-to-equity ratio of 0.07 was achieved during the current financial year compared to the target of 0.21. This is due to interest-bearing borrowings that have decreased due to the repayment of loans and no new funding being sought. This low debt-to-equity ratio indicates that MW is able to generate enough cash resources to satisfy its short-term debt obligations.

Figure 41: Primary Debtors' Collection Days



The Primary Debtors' Collection Days have been maintained around 45 days over the five year period except for 2016/17 financial year which recorded the highest recovery rate.

The current year Debtors' Collection Days is 40.89 days against targeted days of 45.

Figure 42: Return on Assets Ratio



The current year Return on Assets is 8.36 with the target of 4, due to overall savings on expenditure which contributed positively on the net income for the period.

Figure 43: Asset Turnover Ratio



The Asset Turnover Ratio above reflects MW's ability to utilise its income-generating assets to generate revenue as per targets, thus proving good financial health due to healthy profitability levels over the years.

8.6.11. Treasury Management

Funding Requirements

No new funding was sought in the current financial year due to a delay in the implementation of the capital programme.

MW utilised internally generated funds to implement current year capital projects.

The cash and cash equivalents balance increased by 42.08% from the prior year, closing at R529.1 million. The increase is due to the savings on operating expenditure and delays in project implementation.

Borrowing Limits

The Borrowing Limits for the period ending June 2021 were approved by the Minister of Finance in concurrence with the Minister of Human Settlement, Water and Sanitation, and thereafter published in the Government Gazette no. 43474 on 26th June 2020 as follows:

Table 54: Borrowing Limits

Financial Year	Authorised Limits
	R'000
2020/21	223,000

The outstanding interest-bearing debt of R47 million (2020: R57.3 million) remained below the authorised limit of R223 million for the period ending 30th June 2021.

The Gearing Limit of 3.36% (2020: 4.32%) remained below the threshold of 50% as prescribed in the Borrowing Limit Approval.

The Cash Interest Cover Ratio of 31.30 times (2020: 25.36) does not only meet the threshold of 3 times as prescribed in the Borrowing Limit Approval but also in compliance with the current Long Term Borrowings contract's Financial Covenants of 1.5 times.

The Debt Service Cover Ratio of 11.1 times (2020: 6.53) met the requirement of at least 1 times as prescribed in the Borrowing Limits Approval.

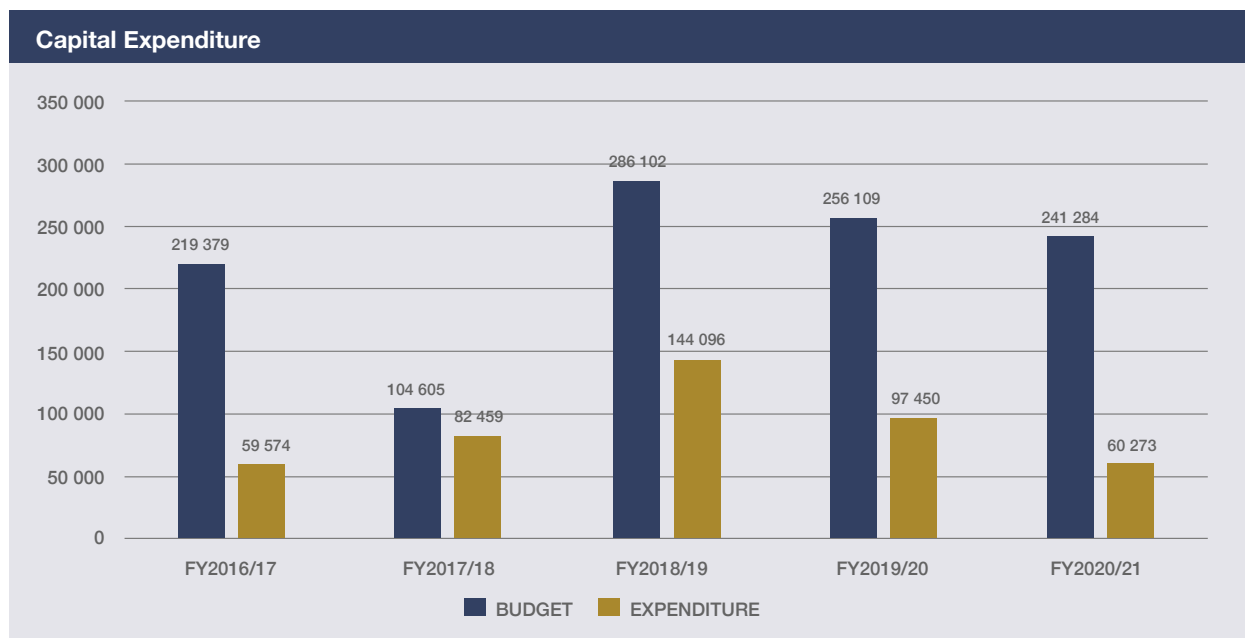
8.6.12. Capital Expenditure Management

Two infrastructural projects were completed and capitalised during the financial year, which are:

- Alternative Water Supply at MW Head Office; and
- Head Office Standby Generator.

Major expansion, augmentation and upgrade projects are scheduled for the financial years 2021/22 to 2022/23. The completion of the Plant Augmentation will comfortably respond to the water production demands over the next 10 to 15 years. This project will be funded by the long-term borrowings. Upon completion thereof, a massive decrease in capital expenditure is expected.

Figure 44: Capital Expenditure



8.6.13. B-BBEE Compliance Performance Information

The following table has been completed in accordance with the compliance to the BBBEE requirements of the BBBEE Act of 2013 and as determined by the Department of Trade, Industry and Competition.

Table 55: B-BBEE Compliance Performance Information

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	Response Yes / No	Discussion (include a discussion on your response and indicate what measures have been taken to comply)
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	No issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law.
Developing and implementing a preferential procurement policy?	Yes	MW has developed the SCM Policy and Acquisition Management Procedure which is in line with the Preferential Procurement Regulation 2017.
Determining qualification criteria for the sale of state-owned enterprises?	No	No sale of state-owned enterprise has been done by MW.
Developing criteria for entering into partnerships with the private sector?	No	MW has not entered in partnerships with the private sector.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	Yes	MW has given donations to the SMMEs in a form of equipment in support of Broad Based Black Economic Empowerment.

8.6.14. Key Financial Indicators

Table 56: Finance Unit 2020/2021 Predetermined Objectives

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 5	SO2: to ensure long-term financial sustainability of the organisation	Effective and efficient mechanisms to ensure financial sustainability and viability	Current ratio	3	3.04	0.04	Deviation is due to material cost savings in different cost drivers
SC 5			Percentage of primary gross profit margin (primary activity)	60%	60.95%	0.95%	Deviation is due to material cost savings in different cost drivers
SC 5			Percentage of primary net profit margin (primary activity)	7.50%	18.45%	10.95%	Deviation is due to material cost savings in different cost drivers
SC 5			Debt equity ratio	0.21	0.07	0.14	Deviation is due to interest bearing borrowing that have decreased



SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 5			Percentage of return on assets	4%	8.36%	4.36%	Deviation is due to overall savings on expenditure which contributed positively on the net income for the period
SC 5			Number of days to collect primary activities debts	Primary activities debts collected within 45 days	40.89 days	4.11 days	Deviation is due to improved payments received from customers
SC 5			Percentage of repairs and maintenance of PPE	4%	2.79%	(1.21%)	Deviation is due to under - spending and maintenance work not being carried out in accordance with maintenance plan
SC 5			Percentage of staff remuneration of total operating expenditure	30%	24.97%	5.03%	Deviation is due to better control over payroll related costs
SC 6	SO3: to initiate and build relationships with stakeholders to add value for all	Increase BBBEE expenditure relative to operational projects	Percentage of total procurement spent on BBBEE services providers	55%	84.58%	29.58%	More orders were placed with Black Owned companies
SC 7	SO2: to ensure long-term financial sustainability of the organisation	Manage costs within approved budget	Percentage of expenditure of total budget	90%	94.23%	4.23%	Improved processes in budget management and expenditure control
SC 8		Capital expenditure programme	Percentage of CAPEX spend against budget	90%	26.65%	(63.35%)	Delays in project implementation
SC 9		Engagement in secondary activities	Percentage of growth in turnover secondary activities	0,5%	(43.62%)	(43.12%)	Less secondary activities contracts secured by Mhlathuze Water than anticipated

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation
MW 24		Approved tariff increase	<p>Percentage of approved tariff increase: Raw water: City</p> <p>Percentage of approved tariff increase: Raw water: Industries</p> <p>Percentage of approved tariff increase: Potable water: City</p> <p>Percentage of approved tariff increase: Potable Water Industries</p> <p>Percentage of approved tariff increase: A-Line</p> <p>Percentage of approved tariff increase: B-Line</p>	<p>Approved tariff increase by 30th June 2021</p> <p>0.00% approved tariff increase: Raw water: City</p> <p>6.62% approved tariff increase: Raw Water Industries</p> <p>0.00% of approved tariff increase: Potable water: City</p> <p>9.61% approved tariff increase: Potable water: Industries</p> <p>11.49% approved tariff increase: A-Line</p> <p>11.82% approved tariff increase: B-Line</p>	<p>0.00% Tariff increase for 2020/2021 financial year were approved on 12th March 2021 by the Minister</p>	<p>(6.62%): Raw Water Industries</p> <p>(9.61%): Potable water: Industries</p> <p>(11.49%): A-Line</p> <p>(11.82%): B-Line</p>	<p>Due to Covid 19 there were revisions on tariff increase</p>
MW 25		Effective and efficient mechanisms to ensure financial sustainability and viability	Number of days to collect secondary activities debts	Secondary activities debts collected within 90 days	192.40 days	(102.40 days)	The deviation is due to long outstanding debts from our Secondary Activities customers



SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation
MW 26	SO3: to initiate and build relationships with stakeholders to add value for all	SMMEs paid within turnaround time	Percentage of SMME suppliers paid within 14 days	100%	100%	0.00%	None
MW 27		Invoices paid within 30 days of receipt	Percentage of invoices paid within 30 days of receipts	100%	100%	0.00%	None
MW 28	SO5: to optimise business processes and systems	Fixed plant assets GIS mapping	Percentage of fixed plant assets digitised	100%	100%	0.00%	None

Table 57: Corrective Measures to Address Areas of Underperformance

Key Performance Indicators	Core Reason for Under-Achievement	Recovery Strategy for 2021/2022
Percentage of repairs and maintenance of PPE	The deviation is due to under - spending and maintenance work not being carried out in accordance with maintenance plan	Improved oversight and management of the Planned and Preventative Maintenance Plan. Improve on critical support processes such as supply chain and strategic procurement.
Percentage of CAPEX spend against budget	Delays in project implementation	A capital project accelerator programme has been developed and is in various stages of implementation to ensure projects are implemented according to their schedules.
Percentage of growth in turnover secondary activities	Less secondary activities contracts secured by Mhlathuze Water than anticipated. This includes less implementing agency new contracts and operations and maintenance contracts	Mhlathuze Water will continue to engage prospective customers on possible new business opportunities.
Number of days to collect secondary activities debts	The deviation is due to long outstanding debts from our Secondary Activities customers	Mhlathuze Water will continue to engage customers to ensure the payment is recovered.

Reflections

The impact of COVID-19 was felt by MW and its financial performance. Even though there was a slight decrease in some of the performance highlights in comparison to the previous financial year, the financial overview analysis still assures successes and financial viability. As part of five year business plan, MW has aligned itself to grow both in Primary and Secondary Activities in line with its Strategic Objectives. These plans will ensure future financial sustainability and financial viability of the entity. Improvement of working capital and maintenance of profitability and sustainability are still a focus for management. MW is still committed in achieving organisational financial performance targets by improving our customer base, customer relations, supplier relations and other stakeholders such as public.

Accounting Authority

The Accounting Authority of Mhlathuze Water hereby presents the report of the entity for the year ended 30 June 2021.

1. Review of Activities

Main business and operations

Mhlathuze Water's primary activity is provision of bulk water services in accordance with section 29 of the Water Services Act No. 108 of 1997. Mhlathuze Water also disposes of domestic and industrial water effluent as provided for in Section 30 of the Water Services Act, and also engages in other services that complement bulk water service delivery such as water quality monitoring and environmental management, laboratory services and acting as an implementing agent for government entities as well as private industries on water related services. The operating results and state of affairs of the entity are fully set out in the attached Annual Financial Statements. During the period under review, Mhlathuze Water continued to be a self-sustainable and financially viable entity, and was able to meet all its obligations for the financial year.

2. Going Concern

The financial statements were prepared based on the expectation that the Accounting Authority of Mhlathuze Water has reasonable grounds to believe that the business has adequate resources to continue as a going concern in operational existence for the foreseeable future. Refer to note 1.2 for more detail on the Going Concern.

3. Subsequent events

There were no events after the reporting period requiring adjustment to or disclosure in the financial statements.

4. Share Capital and Director's Interests

Mhlathuze Water has no share capital and therefore no member has any equity interest in the organisation.

5. Borrowing limitations

The borrowing limits for the period up to June 2021 was approved by the Minister as follows:

Financial year	Amount
2020/21	R223 m

The borrowing limit is based on Mhlathuze Water's borrowing requirements and the funding needed to ensure that infrastructure requirements are aligned to meet the demands from consumers.

7. Corporate Governance and Risk Management

General

Good governance is implemented through a best practice governance framework that aligns to the principles of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV).

Risk management, internal controls and the going concern statement are all inter-related. During the period under review, the Board held a Strategic Risk workshop which culminated in the review and approval of the Risk Appetite and Risk Tolerance Statements of the entity. Further details have been given under Risk Management reporting in 'Other Governance Matters'.

Mhlathuze Water's Internal Audit is also risk-based, and the Board's responsibility for risk management is emphasized as one of the important components of their duty, without which it becomes difficult to diligently play our oversight role and ultimately prepare the going concern statement.

During the period under review, the Audit and Risk committee reported fully to the board on its conclusions/discussions arising from the Internal Audit reviews and Risk Management reports, and it is on these basis that the Board is satisfied with implementation and adherence to the Combined Assurance Model.

8. Bankers

First National Bank was appointed 1 January 2021 for a 3 year term to render banking services.

9. Auditors

The Internal Audit function is capacitated by a co-sourced resource, namely Bonakude Consulting (Pty) Ltd and the in-house resources comprising of the Internal Audit Manager, two Internal Auditors and Internal Audit Administrator.

External audit is performed by the Auditor-General SA on an annual basis in accordance with Public Audit Act, No. 25 of 2004.

10. Compliance with legislation

The Annual Financial Statements are prepared in accordance with Generally Recognised Accounting Practices (GRAP) and the following relevant pieces of legislation:

- ▶ Water Services Act, 1997(Act No: 108 of 1997); and
- ▶ Public Finance Management Act, 1999 (Act No: 1 of 1999).

11. Tariff Policy

Mhlathuze Water charges a tariff for services rendered, which ensures that it remains viable and sustainable over the long term. To achieve this, Mhlathuze Water applies a Scheme-Specific Tariff for Bulk Services and/or time & material type charges for other services. The policy takes into account the stipulations contained in section 10 of the Water Services Act. The annual tariff review process is in terms of the requirements of Section 42 of the Municipal Finance Management Act and Circular 23 issued by National Treasury. Non-approval of tariffs charged to the Water Service Authority exposed the



organisations to a risk of business sustainability due to a decrease in projected revenue for the 2020/21 financial year and the following years.

12. Capital Expenditure and commitments

Commitments for the acquisition of property, plant and equipment are financed from borrowings and internal resources. The capital expenditure commitments are set out in Note 29 of the financial statements.

13. Addresses

Business Address Corner of Battery Bank and South Central Arterial, Alton Industrial Area, Richards Bay 3900

Postal Address Private Bag x1047 Richards Bay 3900

14. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure incurred in the current year amounts to R1,187,000. Mhlathuze Water was held liable for R1,141,000 of the amount as a result of a High Court and an Arbitration Judgement for invoices submitted by suppliers which were historically disputed by the Department of Water and Sanitation.

Further fruitless and wasteful expenditure has been declared on an asset amounting to R24,000. This asset was purchased in prior financial years and was never utilised for its intended use. This asset has been assessed as currently not technologically compatible with the current laboratory system hence it has been declared as potentially fruitless and wasteful. This transaction is currently being investigated, once finalised, consequence management will follow and recovery will be implemented.

Further fruitless and wasteful expenditure has been declared on a payment of R22,000 which was made to an incorrect party. This payment is still being subjected to an investigation after which consequence management and recovery will be sought.

15. Irregular expenditure

A total amount of new irregular expenditure reported in the 2020/21 financial year is R49,456,942.32; of which R23,597,084.02 was incurred in the current financial year and R25,859,858.37 was incurred in previous years due to non-compliance with section 51(1)(a)(iii) of the PFMA.

It is worth noting that during the financial year, Mhlathuze Water applied to National Treasury for the condonation of a number of transactions amounting to R31,805,000.00. National Treasury condoned two transactions amounting to R2,715,000.00 and R2,911,000.00 respectively. Notwithstanding, the amount of R31,805,000.00 was formally removed by the Board from its financial statements as per National Treasury guidelines, as the Board was satisfied that all incidents of consequence management was implemented and that no financial loss was suffered.

16. Unauthorised expenditure

There were no incidents and reports of unauthorised expenditure during the current financial year as well as the prior year.

17. Financial misconduct

There were no incidents and reports of financial misconduct during the current financial year. The internal control environment has been strengthened with stringent systems being put in place to prevent, detect and correct any instances of financial impropriety.

18. Disclosure in terms of Directive 12 of the Accounting Standards Board

There were no directives received during the current financial year. Information required by the Public Finance Management Act No 1 of 1999, as amended in assessing the materiality framework policy, the following is taken into account: In terms of section 28.3.1 of the regulations of the PFMA, for the purposes of materiality and significance, the Accounting Authority has developed and agreed on a framework of acceptable levels of materiality and significance established at 1% of gross revenue which equates to R6 424,000. Management also applies a qualitative aspect to all errors found.



Ms TA Shange

Chairperson of the Board

28 October 2021

Accounting Authority Responsibilities and Approval

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Chief Executive 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 year ended 30 June 2021.

The Auditor General is engaged to express an independent opinion on the Annual Financial Statements and was given unrestricted access to all financial records and related data. The Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the requirements of the Public Finance Management Act (PFMA).

The Annual Financial Statements are based on appropriate accounting policies which are consistently applied and supported by reasonable and prudent judgements and estimates. The Accounting Authority is also responsible 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 to meet these responsibilities, the Chief Executive sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner.

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

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

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

The Accounting Authority has reviewed the entity's cash flow forecast for the year ending 30 June 2021 and, in the light of this review and the current financial position, the Accounting Authority is satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The Annual Financial Statements set out from page 119 which have been prepared on the going concern basis, were approved by the Accounting Authority on 28 October 2021 and were signed on its behalf by:



Ms TA Shange

Chairperson of the Board



Mhlathuze Water Audit and Risk Committee Report For The Year Ended 30 June 2021

Objective

The Audit and Risk committee serves as an independent body to assist the Board with its responsibility of safeguarding assets, maintaining effective and efficient internal controls, risk management, IT governance, performance information, reviewing financial information and overseeing the preparation of financial statements.

Audit and Risk Committee Responsibilities

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51 (1)(a) of the PFMA, Treasury Regulations 3.1.13, and principles of King IV Report on Corporate Governance. The Audit and Risk Committee also reports that it has adopted formal terms of reference as per the Audit and Risk committee charter, and has regulated its affairs in compliance with this Charter.

The Audit and Risk Committee reviewed its Charter during the year and made amendments which were subsequently approved by the Board.

Audit and Risk Committee Composition and Attendance

Section 77 of the Public Finance Management Act, No. 1 of 1999 (PFMA) prescribes that, "An audit committee must consist at least three persons".. This requirement was accordingly complied with as the Audit and Risk Committee comprised of five independent members.

The Audit and Risk Committee held five meetings during the 2020/2021 financial year and the members' attendance was as follows:

No	Name	Positions	Meeting attendance
			ARC
1	Mr. S Hlophe	Chairperson	4/5
2.	Mr. M Xulu	Committee Member	5/5
3.	Mrs N Gevers	Committee Member	5/5
4.	Mrs A Badul	Committee Member	5/5
5.	Miss N Mkhize	Committee Member	4/5

As per the table above, attendance of meetings was satisfactory from all members of which enabled the committee to adequately and effectively discharge its duties and responsibilities.

In the discharge of its duties, the Audit and Risk Committee complied with its Terms of Reference and has discharged its responsibilities therein. The Committee is satisfied that it complied with all legal, regulatory and other responsibilities. The Audit and Risk Committee performed the following statutory duties and would like to report as follows:

1. External Auditors Appointment and Independence

The Auditor General of South Africa (AGSA) in terms of Section 4 (3) (a) of the Public Auditors Act, No 25 of 2004, is the external auditor of Mhlathuze Water. The Board, in consultation with Management, accepted the terms and conditions of the engagement letter as well as the audit strategy for the year under review.

The report of the Auditor-General on the Annual Financial Statements for 2020/21 reflects that the entity received an unqualified audit opinion however, the Audit and Risk Committee is concerned with matters raised in the management letter, including compliance issues and irregular expenditure that could not be detected and prevented by the system of internal controls within Mhlathuze Water.. We will ensure that management develops an action plan to address issues raised by Auditor General and also monitor the implementation thereof.

2. Efficiency and Effectiveness of Internal Controls

The system of internal control implemented by the entity to financial and risk management is partially effective, efficient and transparent in line with the PFMA and the recommendations from the King IV Report on Corporate Governance requirements. This is achieved through the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of Internal Audit, the Audit Report

on the annual financial statements and the management report of the Auditor-General South Africa (AGSA), it was noted that certain matters were reported indicating deficiencies in the system of internal control. It is of crucial importance that the issues reported should receive ongoing attention and focus by management to effect qualitative administration and financial management within the entity. Management has committed to implement corrective action and this will be closely monitored by the Audit and Risk Committee. Among other things in this financial year, a full audit of asset management has been undertaken to improve the controls with regards to Asset Management.

Mhlathuze Water has anti-corruption measures that curb the frequency and magnitude of fraud and corruption. The Audit and Risk Committee is satisfied that the prevention of fraud controls has improved and continues to be monitored. Fraud and other irregular activities are reported through the whistle blower hotline that is monitored by an independent service provider and Social and Ethics Committee exercise oversight.

3. Internal Audit

The Audit and Risk Committee considered and approved the Internal Audit Charter. The Internal Audit Function's Annual Audit Plan and Three Year Rolling Strategic Plan were also approved by the Committee. The Audit and Risk Committee considers the internal audit function to be optimally resourced. During the year under review the Internal audit function comprised of internal staff and co-sourced capacity. The Audit and Risk Committee decided on this approach so as to build internal capacity and gain skills from the external service provider. It is envisaged that Internal Audit should be performed fully by internal staff in 2 years' time. The Audit and Risk Committee also reports that out of the planned audits and activities of the Internal Audit, all the audits were concluded, with the exception of 3 audits that will only be presented to the Audit and Risk Committee in 2021/22 financial year. These audits are Financial Statements Reviews, Audit of Performance Information and Business Continuity Review.

4. Review of Annual Financial Statements

The Audit and Risk Committee has reviewed the Annual Financial Statements (AFS), before submission to the Office of the Auditor-General. The Audit and Risk Committee concurs that the adoption of the going concern premise in the preparation of the Annual Financial Statements is appropriate. The Audit and Risk Committee will continue to monitor the quality of the financial information and make recommendations to ensure full compliance with legislation and delivery of quality financial information in a timely basis.

Mhlathuze Water Annual Financial Statements are prepared in accordance with standards of Generally Recognized Accounting Practice (GRAP). The Committee evaluated AFS of Mhlathuze Water for the year ended 30 June 2021 and based on information provided, the Committee considers that AFS comply with requirements of Public

Finance Management Act, Water Services Act and GRAP standards. The Committee recommended the approval of the AFS by the Board.

Among other responsibilities allocated to the Audit and Risk Committee, the committee performed the review of Interim Financial Statements. The quarterly financial reporting is reported at the Finance Committee. Where the Audit and Risk Committee and Finance Committee deem fit, the joint Finance Committee and Audit and Risk Committee meetings were held.

5. Risk Management

The Audit and Risk Committee has been delegated responsibility by the Board to provide an independent assurance on effectiveness of risk management within the organization. The Committee considered, approved and provided oversight on the implementation of the Enterprise Risk Management Implementation Plan that is aimed at increasing the probability for achievement of the strategic objectives and entity mandate. The following are some of the projects that have been completed in this reporting period: Enterprise Wide Risk Management Framework, Anti-Fraud and Corruption Strategy; Fraud and Corruption Control Plan, Risk Appetite and Tolerance Framework, Combine Assurance Policy and Business Continuity Policy. These projects are aimed to minimize business surprises, the Board and Management Team conducted risk assessment workshops during the year addressing both strategic and operational risks. Included in the operational risk register are Information Technology related risks. Management also developed a fraud risk register which was considered by the Audit and Risk Committee.

The outcome of the risk assessment also forms the bases for the 3 year risk based audit plan in providing the assurance of internal controls including financial reporting and hence the Audit and Risk Committee is also responsible for overseeing management's risk policies and discussing the key risk exposures with management as per its charter.

The Audit and Risk Committee recommended considered and recommended for approval of risk registers by the Board.

6. Performance Management

As part of the responsibility of the Audit and Risk Committee, the committee amongst other things with regards to performance management:

- Reviewed and commented on the compliance with statutory requirements and performance management best practices and standards.
- Reviewed and commented on the alignment of the performance reports to performance plans and business plans.
- Reviewed and commented on the relevance of indicators to ensure that they are measurable and relate to the services performed by the Mhlathuze Water.



The Audit and Risk Committee reviews quarterly performance reports and the internal audit reports on performance management for 2020/2021 financial year based on the entity's annual performance plan. The Audit and Risk Committee is satisfied that the effectiveness of internal controls around performance management has improved. However, as always, there is room for improvement in ensuring performance information results reported are accurate and complete. We further commit to provide continued support to management in developing effective structures and mechanisms to support effective performance management, and complying with reporting requirements as legislated in PFMA.

7. Information Technology (Ict)

The IT Strategy of Mhlathuze Water was developed and approved by the Audit and Risk Committee in the year under review. Mhlathuze Water undertook to implement the SAGE Enterprise Resource Planning (ERP). During the year under review, risk assessment exercise was performed which resulted in the IT Risk Register being developed. The Audit and Risk Committee is pleased with the progress made in resolving Information Technology (IT) issues. Management must continue with this improvement made by monitoring controls implemented and by addressing emerging risks.

8. Conclusion

Whilst recognizing the positive efforts that management made this year, the Audit and Risk Committee would like to thank the Board and Management for their support. Even though the disruption caused by the pandemic forced strict adherence to Disaster Management Regulations, it did not deter Mhlathuze Water from being a compliant institution whilst forging ahead with executing 2020/21 FY Plans.



Silas Zwelakhe Hlophe

Audit and Risk Committee Chairperson

Social and Ethics Report - Mhlathuze Water- FY2020/2021

Introduction

Businesses in South Africa and globally are to some extent exposed to bribery, fraud, corruption and other unethical behaviour, and Mhlathuze Water is no exception.

As such, we ensure that we conduct our business according to the strictest ethical code and do our utmost to create a strong ethical culture, a safe, transparent working environment and maintain good corporate governance structures. The Mhlathuze Water Social and Ethics Committee (“the Committee”) facilitates the organisation’s approach in this regard and offers a structured forum for the monitoring, measuring and reporting on ethics and certain other non-financial aspects of the business.

The Mhlathuze Water Board, together with the Chief Executive, is responsible for the ethical culture of the organisation, with support and oversight provided by the Committee.

The Committee works within the required framework set out in Public Finance Management Act, 1999 (Act No. 1999) as amended, Regulation 43 of the Companies Act No 71 of 2008, as amended, (“Companies Act”) and the King Report IV Report on Corporate Governance for South Africa 2016 (“King IV”).

Composition And Terms Of Engagement

A full description of the Committee’s composition and a summary of its roles and responsibilities are available on our website at www.mhlathuze.co.za in the 2020/21 Annual Report as part of governance reporting.

In accordance with the requirements of the Companies Act, PFMA, the Committee is the duly appointed Social and Ethics committee for Mhlathuze Water.

The Committee meets quarterly and during the year under review, the Committee met as reported earlier in this Annual Report. For the period under review, the Committee remained focused on and monitored Mhlathuze Water’s activities in respect of a number of matters including, inter alia: B-BBEE, human rights and labour, the workplace environment, environmental safety and protection, sustainability, the social environment including the Mhlathuze Water’s expenditure on Corporate Social Investments initiatives, various legislation and codes of good practice, as well as ethics.

During the year Mhlathuze Water implemented ethics awareness campaigns and ethics training programmes. These initiatives included training on the Mhlathuze Water’ Ethics policies. Mhlathuze Water’s businesses and its employees are guided by the Mhlathuze Water Code of Ethics and Corporate Code of Conduct. An abridged version of these is included in all suppliers’ contracts and terms of conditions and service providers are expected to abide by the same level of ethics that we uphold in our own operations.

Ongoing communication featuring Mhlathuze Water’s ethics-related policies, statistics on the consequences of misconduct and maintaining awareness around the fact that unreasonable profit pressure may result in employees acting unethically, is also being used to maintain ethical awareness in Mhlathuze Water. Mhlathuze Water’s zero tolerance policy towards crime and all forms of unethical conduct is clearly communicated.

Whistle-Blowing

Our whistle-blowing guidelines policy outlines the procedures for reporting suspected instances of corruption and ensures that employees are not penalised for coming forward. Mhlathuze Water subscribes to ‘Tip-offs Anonymous’, an independently-run whistleblowing service that enables employees to anonymously report illegal actions and ethical misconduct. All tip-offs are actively investigated and dealt with in terms of the relevant resolution structures within the organisation.

Labour and Human Rights

All Mhlathuze Water employees have the freedom to belong to recognised trade unions, in accordance with the Labour Relations Act No. 66 of 1995, as amended, and the UNGC Principles. Mhlathuze Water is confident that labour and human rights of employees are observed throughout the organisation. The Committee will continue to monitor this aspect during the next financial year.

Transformation

The Committee continued to address Broad-Based Black Economic Empowerment during the year under review. There remains room for improvement in terms of the Mhlathuze Water’s employment equity statistics. Mhlathuze Water is a Level 8 B-BBEE rated organisation. Mhlathuze Water has analysed its operations in reference to its Sector Code requirements, and have prioritised organisation spend and resource allocation to ensure that organisation improves its B-BBEE rating.



Transformation, across all occupational levels, has shown meaningful improvement during the year, where the organisation lacks, action is being taken to address shortcomings, in particular relating to recruitment of people living with disabilities, whites and coloureds.

Corporate Social Investment (CSI)

The Committee is satisfied that, in accordance with Mhlathuze Water's best practices, no political donations (whether direct or indirect) were made during the year under review.

Skills

The pre-existing shortage of relevant skills within the water sector in which Mhlathuze Water operates as well as the retention of current skilled employees remains a concern shared across the organisation. While this has in the past been addressed to a degree through learnership and bursary programmes, the results have been relatively improved. During the year ahead, Mhlathuze Water will continue to invest more on skills improvement, learnerships, bursary programmes and youth development programmes, to actively target specific skills and educational initiatives in order to grow and maintain talent pipelines.

Health & Safety

Only one disabling injury involving an employee was observed during the period. No other major safety, health and environmental ("SHE") impacts on communities, employees and/or customers, in terms of Mhlathuze Water's operations, activities and services, were recorded during the health and safety reviews conducted throughout the organisation during the year under review. Mhlathuze Water continues to take all reasonable steps to guard against injuries on duty on an ongoing basis.

Environment

A number of incidents involving effluent spillages as a result of power outages and pipeline leaks/bursts were observed during the period under review. Corrective actions and mitigation measures were put in place to prevent recurrence and the organisation is also putting specific interventions to ensure that power outages which have been prevalent are mitigated against. As part of organisation's environmental management system, a register of potential impacts (and corresponding mitigation measures) is kept and updated regularly Mhlathuze Water has reviewed its climate change strategy and has put together adaptation plans to ensure the sustainability of its operations into the future.

For more detail on the Mhlathuze Water's reported environmental footprint refer to our Performance Summary as part of the 2020/21 Annual Report.

Conclusion

As chairperson of the Committee I am satisfied that following the review by the Committee for the year ended 30 June 2020/21, that in all material respects, the committee has achieved its objectives for the financial year ended 30 June 2020/21. There were no items reported on that would indicate non-compliance to the requirements as set out in its Terms of Reference.



Musa Xulu

Chair

15th October 2021

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Mhlathuze Water Board set out on pages 120 to 168, which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mhlathuze Water Board as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of Grap) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

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

Responsibilities of the accounting authority for the financial statements

6. The members of the board, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of Grap and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the public 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 public entity or to cease operations, or has no realistic alternative but to do so.

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

8. 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.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.



Introduction and scope

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the public entity's annual performance report for the year ended 30 June 2021:

Objectives	Pages in the annual performance report
Strategic objective 1 – To grow the provision of water services	74

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for this objective:
 - To grow the provision of water services

Other matters

15. I draw attention to the matters below.

Achievement of planned targets

16. Refer to the annual performance report on pages 54 to 56; 69;74;86;92;101 to 104 for information on the achievement of planned targets for the year. This information should be considered in the context of the opinion expressed on the usefulness and reliability of the reported performance information in paragraph 14 of this report.

Adjustment of material misstatements

17. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of To grow the provision of water services. As management subsequently corrected the misstatements, we did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

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

AFS and annual report management

20. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA.
21. Material misstatements of disclosure items identified by the auditors in the submitted financial statements were adequately corrected, resulting in the relevant sections receiving an unqualified opinion.

Expenditure management

22. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R49 456 942 as disclosed in note 27 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with section 51(1)(a)(iii).
23. Resources of the Mhlathuze Water were not utilised economically, as required by section 57(b) of the PFMA. This was as a result of expenditure incurred beyond the approved capped fee relating to the recovery of fruitless and wasteful expenditure identified in the prior years and the implementation of consequence management by the legal service providers appointed within the panel.

Other information

24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
27. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.
28. I have nothing to report in this regard.

Internal control deficiencies

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



Regular, accurate and complete financial and performance reports

30. A deficiency in the reconciliation of the underlying documentation supporting disclosure notes was noted that resulted a material misstatement to the financial statements submitted for audit purposes. Management should ensure that supporting reconciliations are adequately validated to supporting evidence in ensuring the accuracy and completeness of reported figures.
31. A material overstatement to a reported achievement resulted in a material adjustment being processed to confirm the reliability of reported achievements within the selected objective. Management should review the effectiveness of the controls in place that ensure the accuracy and completeness of reported achievements.

Compliance monitoring

32. Compliance monitoring controls in place were not always effective as the public entity's status of compliance regressed over the financial year. This was due to a deficiency in the monitoring of changes in the applicable legislative requirements that the public entity needs to comply with.

Other reports

33. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
34. An independent consultant investigated an allegation of possible misappropriation of the public entity's assets within the supply chain management section at the request of the Board, which covered the period January to February 2020. The investigation was concluded in September 2020 and resulted in disciplinary proceedings against the employee. These proceedings were finalised in the current financial year under audit.
35. An independent consultant was contracted through a sub-contracting arrangement to investigate bank statements as part of a forensic investigation which was required through the consequence management implementation process. The consequence management was on fruitless and wasteful expenditure identified in May 2019. The investigation was still in progress as at financial year end.

Auditor - General

Pretoria

15 November 2021



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

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

Financial statements

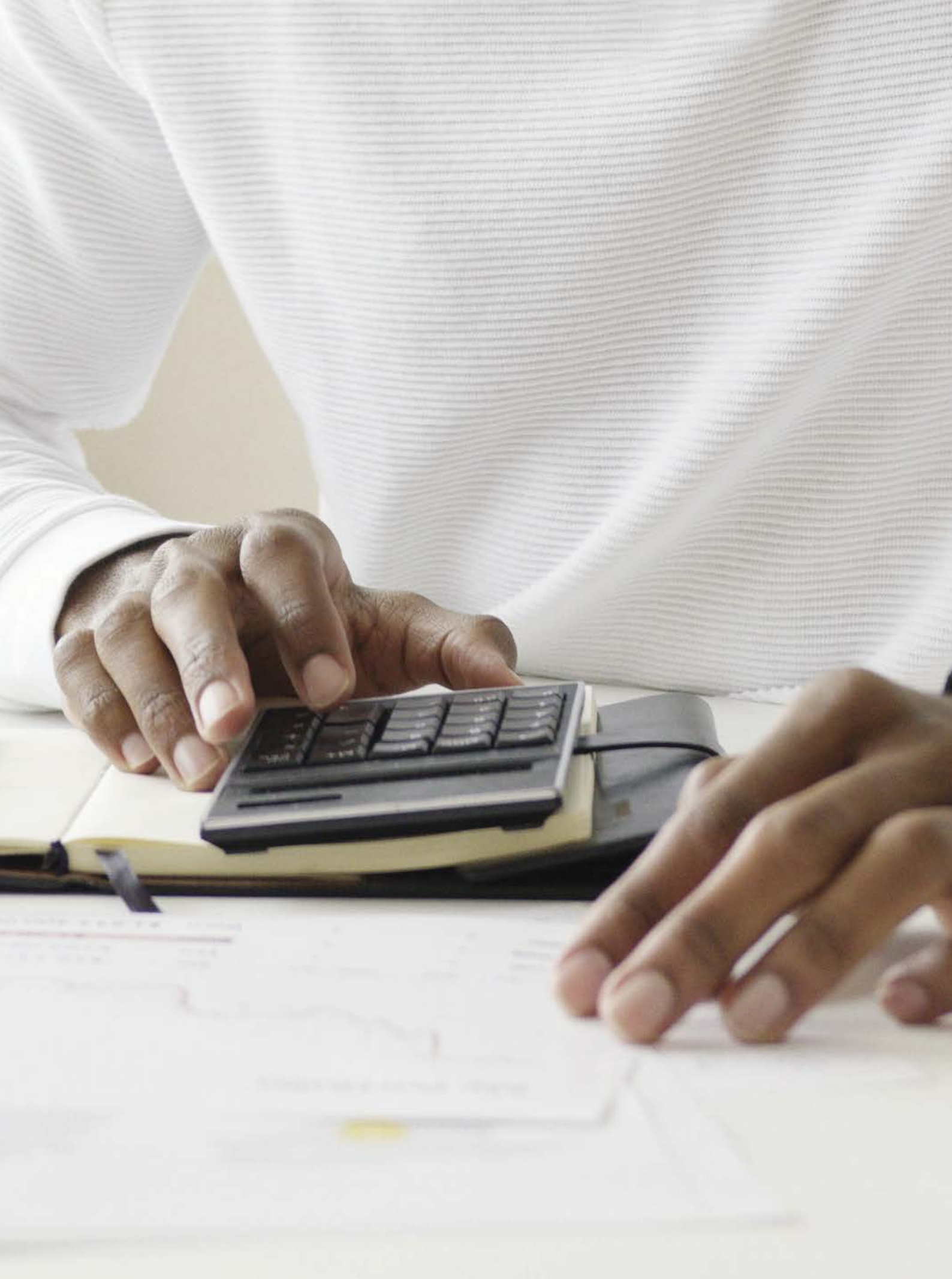
2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks;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

Communication with those charged with governance

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

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







SECTION D

Annual Financial Statements

Annual Financial Statements

Statement of Financial Position as at 30 June 2021

	Note	30 Jun 2021 R'000	Restated 30 Jun 20 R'000
ASSETS			
Current assets			
Inventories	2	31 960	32 079
Receivables from exchange transactions	3	105 678	117 391
Cash and cash equivalents	4	529 131	372 407
		666 769	521 877
Non-current assets			
Property, plant and equipment	5	1 048 628	1 070 181
Intangible assets	6	26 001	1 723
		1 074 629	1 071 904
Total assets		1 741 398	1 593 781
LIABILITIES			
Current liabilities			
Short term interest bearing borrowings	7	10 748	10 838
Payables from exchange transactions	8	182 565	129 075
VAT payable	9	1 717	4 819
Employee benefit liability	10	17 965	15 743
Income received in advance	11	6 828	6 828
		219 822	167 303
Non-current liabilities			
Long term interest bearing borrowings	7	36 207	46 552
Income received in advance	11	43 656	50 480
		79 863	97 032
Total liabilities		299 685	264 335
Net assets			
Reserves			
Capital replacement reserve		254 356	249 675
Business development reserve		23 825	21 775
Self insurance reserve		6 108	5 855
Maintenance reserve		11 347	10 875
Environmental rehabilitation reserve		2 503	1 952
Loan obligation reserve		8 217	7 959
Accumulated surplus		1 135 357	1 031 355
Total net assets		1 441 713	1 329 446
Total net assets and liabilities		1 741 398	1 593 781

Statement of Financial Performance for the Year Ended 30 June 2021

		30 Jun 2021	Restated 30 Jun 20
	Note	R'000	R'000
Revenue from exchange transactions			
Sale of goods and services	12	642 423	664 048
Cost of Sales	13	(250 898)	(240 762)
Gross Profit		391 525	423 286
Other income	15	18 761	18 009
Expenditure		(294 145)	(302 322)
Employee related costs	16	(111 610)	(106 692)
Remuneration of board members	17.1	(4 342)	(4 700)
Depreciation and amortisation	5-6	(6 291)	(6 040)
Impairment of assets	5-6	(4 260)	(3 267)
Finance costs	18	(6 465)	(7 670)
Lease rentals on operating lease	22	(3 504)	(4 201)
Bad debts written off	25	(104)	(1)
Repairs and maintenance	20	(50 711)	(74 008)
Electricity and water		(3 854)	(2 181)
Chemicals		(92)	(847)
Other expenses	21	(102 912)	(92 715)
Operating surplus	22	116 141	138 973
Profit/Loss on disposal of assets	23	(3 871)	(2 547)
Net Surplus		112 270	136 426



Statement of Changes in Net Assets as at 30 June 2021

	Capital replacement Reserve	Business development Reserve	Self Insurance Reserve	Maintenance Reserve	Environmental Rehabilitation Reserve	Loan Obligation Reserve	Total Reserves	Accumulated Surplus	Total Net Assets
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance as at 1 July 2019	242 418	18 805	5 475	10 165	1 605	-	278 468	914 132	1 192 600
Surplus for the year 1 July 2019 to 30 June 2020, as previously reported									
Transfers to reserves	7 257	2 970	380	710	347	7 959	19 623	(19 623)	-
Balance as at 30 June 2020	249 675	21 775	5 855	10 875	1 952	7 959	298 091	1 030 836	1 328 927
Prior year adjustments - 30 June 2020								516	516
Restated Balance as at 30 June 2020	249 675	21 775	5 855	10 875	1 952	7 959	298 091	1 031 352	1 329 443
Transfers to reserves	4 681	2 050	253	472	551	258	8 265	(8 265)	-
Surplus for the period 1 July 2020 to 30 June 2021									
Balance as at 30 June 2021	254 356	23 825	6 108	11 347	2 503	8 217	306 356	1 135 357	1 441 713

In accordance with GRAP 1, transfers to the reserves are made from Accumulated Surplus in the Statements of Changes in Net Assets, and not via the statement of Financial Performance.

Capital Replacement Reserve

This Non-Distributable Reserve was created to fund upgrades and refurbishments of replacement of the ageing infrastructure and plant modernisation. The balance of the Capital Replacement Reserve at 30 June 2021 was R254.4 million.

Business Development Reserve

This Non-Distributable Reserve was created to fund and enable the creation of proactive business relationships with other entities. The balance of the Business Development Reserve at 30 June 2021 was R23.8 million.

Self Insurance Reserve

This Non-Distributable Reserve was created to fund large

deductibles for insurance claims. The balance of the Self Insurance Reserve at 30 June 2021 was R6.1 million.

Maintenance Reserve

This Non-Distributable Reserve was created to fund future significant unexpected maintenance costs. The balance of the Maintenance Reserve at 30 June 2021 was R11.3 million.

Environmental Rehabilitation Reserve

This Non-Distributable Reserve was created to fund expenses incurred to prevent environmental damage that could be caused as a result of factors relating to Mhlathuze Water's operations. The balance of the Environmental Rehabilitation Reserve at 30 June 2021 is R2.5 million.

Loan Obligation Reserve

This Non-Distributable Reserve was created to fund future unexpected loan obligations defaults that may be due to factors outside Mhlathuze Water's control. The balance of the Loan Obligation Reserve at 30 June 2021 was R8.2 million.

Cash flow Statement as at 30 June 2021

	Note	30 Jun 21 R'000	Restated 30 Jun 20 R'000
Cash flows from operating activities			
Receipts			
Sale of goods and services		649 934	683 587
Interest received	15.2	17 309	17 003
		667 243	700 590
Payments			
Cash paid to employees	16	(134 425)	(147 253)
Cash paid to suppliers		(288 294)	(316 292)
Finance costs	18	(6 465)	(7 670)
		(429 184)	(471 215)
		238 059	229 375
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(45 751)	(97 950)
Proceeds from sale of property, plant and equipment	23	21	94
Purchase of intangible assets	6	(25 171)	-
		(70 901)	(97 856)
Cash flows from financing activities			
Repayment of other financial liabilities		(10 434)	(22 199)
		(10 434)	(22 199)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of year		372 407	263 087
Cash and cash equivalents at end of year		529 131	372 407

ACCOUNTING POLICIES

1. Presentation of Financial Statements

The 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).

These 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. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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 financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1. Presentation Currency

These Financial Statements are presented in South African Rand, which is the functional currency of the entity. All information presented has been rounded to the nearest thousand rand.

1.2. Going Concern Assumption

These financial statements have been prepared based on the expectation that the Accounting Authority of Mhlathuze Water has reasonable grounds to believe that the business has adequate resources to continue as a going concern in operational existence for the foreseeable future. Refer to note for Going concern for more detail.

1.3. Significant Judgment and Sources of Estimation Uncertainty

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

Significant judgments include: provision for doubtful debts, bonus provision, leave provision, determination of useful lives, useful lives re-assessments and depreciation methods and asset impairment. Notes relating to the subject are included under the affected areas of the financial statements.

Trade Receivables

The entity assesses its trade receivables for impairment at the end of each reporting period.

In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is assessed on significant debtors first, then on portfolio basis, for all trade receivables that are not already impaired as part of the significant trade receivable impairment assessment.

1.4. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, short term cash investments and call deposits.

Bank overdrafts that are payable on demand and form an integral part of the entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

1.5. Property, Plant and Equipment

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

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

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

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the assets to its 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. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequent to acquisition, improvement and refurbishment. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

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

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

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

Item	Average Useful Life
Buildings	20-45 years
Plant and machinery	10-20 years
Furniture and fixtures	5-10 years
Motor vehicles	6 years
Office equipment	5-10 years
Library	5 years
Industrial Electronics	5-10 years
Electrical supply	15-20 years
Radio and Communication equipment	5 years
Pipelines	20-40 years
Tools and loose gear	5 years
Lab Equipment	4-10 years
Fire and Safety Equipment	5 years
Electronic Equipment	5 years
Land is not depreciated.	

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalised on qualifying assets in accordance with the requirements of GRAP 5 Borrowing Costs.

Capital Work in Progress

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

1.6. Intangible Assets

An asset is identifiable if it either:

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

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.

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

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

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



Item	Useful Life
Computer software	3 years

1.7. Financial Instruments

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.

The entity recognises financial assets on the date of origination.

Initial Measurement of Financial Assets and Financial Liabilities

The entity measures a financial asset and financial liability initially at its fair value plus in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition at amortised cost, which includes receivables from exchange transactions, cash and cash equivalents, income received in advance, long term liabilities and payables from exchange transactions.

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

De-Recognition of Financial Instruments

The entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the entity is recognised as a separate asset or liability.

The entity derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Offsetting of Financial Instruments

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

Section 30 Financial Assets and Liabilities

All financial assets and liabilities relating to section 30 activities are measured in accordance with the relevant financial instrument account policies listed above.

Additional detail on section 30 activities are set out in note 25.

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 - Lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Operating Leases - Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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.

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

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

Inventories held by the entity comprise of strategic stock, rotatable stock, water, maintenance spares, consumables and chemicals.

1.10. Impairment

Financial Assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets are impaired can include: default or delinquency by a debtor, restructuring of an amount due to the entity on terms that the entity would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

The entity considers evidence of impairment for receivables at both a specific asset and collective level.

All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment the entity uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Losses are recognised in the statement of financial performance and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. "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 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."

Non-Financial Assets

The carrying amounts of the entity's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of financial performance.

For impairment of a cash generating unit (CGU), GRAP 26 states that "The impairment loss shall be 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".

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use and are largely independent of the cash flows of other assets or groups of assets (the "cash generating unit").

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a risk free discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation if no impairment loss been recognised.

1.11. Payables from Exchange Transactions

Payables from exchange transactions are not interest bearing and are stated at their nominal value.

1.12. Employee Benefits

Short-Term Employee Benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Post Retirement Benefits

Post-retirement healthcare benefits are provided to certain of the entity's retiree.

The fair value of the post retirement plan is arrived at after considering key assumptions and market rates and life expectancy.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation.

1.13. Employee Benefit Liability

Employee benefit liability 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 an Employee benefit liability is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

1.14. Provisions

A provision is recognised if, as a result of a past event, the entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

1.15. Expenditure

Expenditure is recognised when Mhlathuze Water is deemed to have been supplied with the service or has control of the goods supplied.

1.16. Accrued Expenses

The accrual basis recognise expenses in the accounting period in which those transactions, events or circumstances occur (goods or services are received) and become measurable.

1.17. Reserves

Reserves are portions of Mhlathuze Water's profits set aside to strengthen the business's financial position. They are also known as retained earnings.

1.18. Revenue from Exchange Transactions

An exchange transaction is one in which the Mhlathuze Water 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.

Measurement

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

Sale of Goods and Services

Revenue from the sale of goods and services 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.

In respect of the sale of water, these conditions are met when water is consumed by the end user. For practical purposes revenue is recognised upon billing as there is no significant delay between consumption and billing.

Revenue comprises primarily the net invoiced value of water sales, exclusive of VAT, at declared tariffs arising from normal trading activities.

Interest Income

Revenue arising from the use by others of entity assets yielding interest 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 the statement of financial performance, using the effective interest rate method.

Management Services

Management services is recognised in the period in which the services are rendered in terms of the agreements with external water services entities.

Laboratory Services

Laboratory services are recognised in the period in which the services are rendered in terms of the agreements signed with external stakeholders.

Implementing Agency Revenue

Implementing agency revenue is recognised by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service to be provided.

Operation and Maintenance Services (O & M)

Operation and maintenance services are recognised in the period in which the services are rendered.

O & M revenue relates to bulk water and bulk waste water services operated on behalf of Water Service Authorities.

1.19. Cost of Sales

Cost of sales includes the costs of raw water and all other direct operating costs associated with the production processes. The costs directly attributable to sales as defined in Section 30 of the Water Services Act (Act 108 of 1997), are disclosed as cost of sales.

1.20. Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale where a substantial period of time would usually be in excess of twelve months.

These assets comprise items of plant and equipment which the entity would utilize to facilitate the provision of water and other related services.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the entity, and the costs can be measured reliably. The entity applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the entity. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.21. Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred.

The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as other revenue in the statement of financial performance.



1.22. Segment Reporting

A segment is a distinguishable component of the entity that is engaged either in providing related products or services (business segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the entity's business segments. The business segments are determined based on the entity's management and internal reporting structure.

Segment results that are reported to the entity's Chief Executive (the chief operating decision-maker) include assets and liabilities and items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

1.23. Related Parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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.

All departments and departmental entities under the national sphere are our related parties, although only the controlling entity and entities under its ministry are disclosed as related parties.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.24. Bulk Purchases

This represents the cost of raw water purchased from the Thukela/Goedertrouw/Mhlathuze River System scheme.

1.25. Income received in advance

The entity measures income received in advance as a financial liability in the statement of financial position.

The income received in advance comprise of funds received for which the related goods or services have not been provided at the period end. Thus the entity has an

obligation to deliver the related goods or services in the future. Once the goods or services have been delivered, the entity will recognize this revenue in accordance with the manner which most accurately reflects the transfer of risks and rewards.

1.26. Events After Balance Sheet

Events may occur between the end of the reporting period and the date when the annual financial statements are authorised for issue which may present information that should be considered in the preparation of financial statements. Only events that provide further evidence about conditions that existed at the end of reporting period are adjusted for in the annual financial statements. Non adjusting events are disclosed in the annual financial statements accordingly.

1.27. Standard and Interpretations Issued but not Yet Effective

GRAP 104 (Amended) - Financial Instruments

The ASB approved revisions to GRAP 104 on Financial Instruments in March 2019. The revisions were made to align with IFRS 9 on Financial Instruments. The Board both departed from the principles in IFRS 9, and also provided more guidance on its application, to respond to the needs of the local public sector environment. The revised standard further provides the basis of departure.

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing Financial Instruments.

This Standard supersedes the previous Standard of GRAP on Financial Instruments issued in October 2009.

Effective Date

An entity shall apply this Standard of GRAP for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the Public Finance Management Act, Act No. 1 of 1999, as amended.

The effective date of the amendment implementation is not yet set by the Minister of Finance.

The amendment will not result to a major impact as Mhlathuze Water's financial instruments are already in compliance with the current applicable GRAP standard and they are not complex.

GRAP 25 (amended) – Employee Benefits

The ASB has approved changes on GRAP 25 on Employee Benefits. The changes mainly includes the following:

- Removal of guidance on Composite Social Security Programmes;
- Amendments to existing definitions and addition of new definitions relating to changes to accounting for Post-employment Defined Benefit Plans;
- Minor changes on Post-employment Benefits;
- Additional guidance added on Termination Benefits; and
- iGRAP 7 was also amended for changes made to IFRIC 14 pertaining Long-term Defined Benefit Plans.

The effective date of the amendment implementation is not yet set by the Minister of Finance.

1.28. Irregular Expenditure

Irregular expenditure as defined in section 1 of the Public Finance Management Act (PFMA), 1999 as expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including –

- (a) This Act; or
- (b) The State Tender Entity Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) Any provincial legislation providing for procurement procedures in that provincial government.

Initial and Subsequent Recognition of Irregular Expenditure

Irregular expenditure is initially recognised when resulting transaction is recognized in the financial records of an entity in accordance with GRAP on accrual basis of accounting.

Initially irregular expenditure is measured at cost.

Subsequently, irregular expenditure is measured at cost less amount condoned, or recovered or written off by relevant authority.

Where irregular expenditure was incurred in the previous financial years and is only condoned in the current financial year, the register and the disclosure note to the financial statements is updated with the amount condoned

1.29. Commitments

Items are classified as commitments when an entity commits itself to future transactions that will normally result in the outflow of resources for capital and lease expenses. Mhlathuze Water recognises and discloses capital commitments and lease commitments as required by GRAP.

Capital Commitments

Capital commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes where required by GRAP 17: property, plant and equipment and GRAP 31: intangible assets.

A contractual amount for each class of capital expenditure committed is disclosed in the financial statements for the acquisition of property, plant and equipment or intangible asset less expenditure recognised in the statement of financial position and financial performance.

Lease Commitments

Committed future minimum lease payments under non-cancellable operating leases are disclosed in accordance with GRAP 13: Leases.



Notes to the Annual Financial Statements

	30 Jun 2021 R'000	Restated 30 Jun 2020 R'000
2. Inventories		
2.1 Stores		
Chemicals	7 088	6 433
Consumables and maintenance spares	6 914	6 857
Strategic stock	13 928	13 328
Rotable Spares	4 683	5 073
Less: Obsolete stock provision	(1 006)	-
	31 607	31 691
Inventory amount of R407,284.50 (2020: R2,392,326.65) was written off. This amount has been recognised as an expense in the Statement of Financial Performance.		
2.2 Water Inventory		
Water inventory	353	388
3 Total Inventories	31 960	32 079
Receivables from Exchange Transactions		
Trade receivables - primary activities	99 061	111 469
Trade receivables - secondary activities	3 620	3 620
Sundry receivables - primary activities	1 780	1 780
Prepayments - primary activities	3 757	2 000
Refundable Deposits - primary activities	439	402
Staff receivables - primary activities	82	10
Less: Provision for doubtful debts	(3 061)	(1 890)
Total Receivables from Exchange Transactions	105 678	117 391
4 Cash and Cash Equivalents		
Cash and cash equivalents comprises of cash on hand and short-term investments that are held with registered banking institutions with maturities of less than twelve months that are subject to insignificant interest rate risk. The carrying amount of these assets approximates their fair values:		
Cash on hand	5	5
Bank balances	2 311	2 111
Short-term deposits	513 693	326 262
Call account - Secondary activities	13 122	44 029
Total Cash and Cash Equivalents	529 131	372 407
Bank Accounts - Secondary Activities		
The Department of Water and Sanitation, Department of Education, Department of Affairs, Department of Basic Education and Department of Co-operative Governance and Traditional Affairs approves a budget per annum against which Mhlathuze Water is allowed to incur expenses for the externally funded projects as well as the Working amounts to Mhlathuze Water and reimburse them as and when cash is expended on these projects.		

Notes to the Annual Financial Statements (Continued)

The unutilised advances are listed below:-

Advances received from the Department of Water and Sanitation
All projects are completed. Advances payable will be paid back once a directive from the Principal has been received and all retention funds are paid.

4 655 6 622

Advances received from the Department of Education/Department of Basic Education
All projects are completed. Advances payable will be paid back once a directive from the Principal has been received and all retention funds are paid.

572 554

Advances received from the Department of Environmental Affairs
One project is currently being managed.

3 339 7 634

Advances received from the Department of Co-operative Governance and Traditional Affairs
One project is currently being managed.

3 659 25 232

Advances received from Department of Labour
One project was managed by Mhlathuze Water and it has been terminated.

897 3 987

13 122 44 029

Cash is invested in separate investment accounts as per Government institution listed above. These funds are restricted for use on the respective projects. Funds are included in cash balances of Mhlathuze Water and recognised as payables from exchange transactions.

	30 Jun 2021			Restated 30 Jun 2020		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land	1 780	-	1 780	1 780	-	1 780
Buildings/Civil works	448 759	(126 233)	322 526	447 966	(113 872)	334 094
Plant and Machinery	205 028	(85 454)	119 574	208 616	(73 182)	135 434
Furniture and fixtures	3 845	(2 337)	1 508	3 885	(1 938)	1 947
Motor vehicles	14 790	(13 359)	1 431	14 789	(12 215)	2 573
Equipment	36 438	(23 143)	13 295	36 579	(17 206)	19 372
Library	6	(4)	2	6	(4)	2
Electrical supply	94 271	(31 494)	62 776	92 862	(26 626)	66 236
Industrial Electronics	55 731	(26 083)	29 648	55 316	(20 121)	35 195
Work in progress	50 000	-	50 000	11 290	-	11 290
Pipelines	634 459	(188 575)	445 884	633 961	(172 028)	461 934
Tools and loose gear	1 290	(1 085)	206	1 294	(970)	324
Total	1 546 396	(497 768)	1 048 628	1 508 345	(438 161)	1 070 181

Notes to the Annual Financial Statements (Continued)

Reconciliation of Property, Plant and Equipment 30 June 2021

	Opening balance	Additions	Disposal	Cost Transfers	Borrowing cost capitalised	Impairment loss	Depreciation*	Other adjustments	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	1 780	-	-	-	-	-	-	-	1 780
Buildings/Civil works	334 094	505	(37)	406	-	-	(12 442)	-	322 526
Plant and Machinery	135 434	2 433	(3 482)	21	-	-	(14 832)	-	119 574
Furniture and fixtures	1 947	41	(9)	-	-	-	(471)	-	1 508
Motor vehicles	2 573	-	-	-	-	-	(1 144)	-	1 431
Equipment	19 372	1 112	(296)	54	-	(2 720)	(4 226)	-	13 295
Library	2	-	-	-	-	-	-	-	2
Electrical supply	66 236	73	(40)	1 418	-	-	(4 911)	-	62 776
Industrial Electronics	35 195	475	(26)	-	-	(1 339)	(4 657)	-	29 648
Work in progress	11 290	40 746	-	(2 036)	-	-	-	-	50 000
Pipelines	461 934	360	-	137	-	-	(16 547)	-	445 884
Tools and loose gear	324	6	(1)	-	-	-	(124)	-	206
	1 070 181	45 751	(3 892)	-	-	(4 059)	(59 353)	-	1 048 628

Notes to the Annual Financial Statements (Continued)

Reconciliation of Property, Plant and Equipment 30 June 2021

	Opening balance	Additions	Disposal	Cost Transfers	Borrowing cost capitalised	Depreciation*	Impairment loss	Other Adjustments	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	1 780	-	-	-	-	-	-	-	1 780
Buildings/Civil works	270 587	233	(77)	78 043	-	(11 424)	(3 267)	-	334 094
Plant and Machinery	141 387	2 444	(3 176)	9 328	-	(14 548)	-	-	135 434
Furniture and fixtures	2 480	95	(284)	166	-	(511)	-	-	1 947
Motor vehicles	3 805	-	-	-	-	(1 232)	-	-	2 573
Equipment	21 361	4 572	(266)	(2 306)	-	(3 989)	-	-	19 372
Library	3	-	(0)	-	-	(1)	-	-	2
Electrical Supply	68 993	316	(32)	1 799	-	(4 840)	-	-	66 236
Industrial Electronics	37 680	1 367	(895)	1 680	-	(4 636)	-	-	35 195
Communication equipment	-	-	-	-	-	-	-	-	-
Work in progress	140 381	88 566	-	(217 657)	-	-	-	-	11 290
Pipelines	346 013	357	(6)	128 969	-	(13 400)	-	-	461 934
Tools and loose gear	515	-	(33)	(22)	-	(136)	-	-	324
	1 034 984	97 950	(4 769)	-	-	(54 716)	(3 267)	-	1 070 181



Notes to the Annual Financial Statements (Continued)

5.1 Work-In -Progress: Property, Plant and Equipment

Project/Description	Asset Category	Total	Within 1 Year	Between 1 to 5 years	Beyond 5 Years
AC Mitigation System for Empangeni Pipeline	Electrical	2 210	2 025	185	-
Plant Augumentation (Independent 170 MI/D PLANT)	Plant and Machinery	35 864	25 521	10 343	-
Alternative Water Supply	Civil Works	-	(415)	415	-
B-Line upgrade	Plant and Machinery	806	806	-	-
Small Items	Equipment	31	(6)	37	-
Weir Changeroom and Kitchen	Civil Works	304	304	-	-
Bund Wall	Civil Works	2 270	2 270	-	-
ERP System	Equipment	2 222	2 222	-	-
Executive and SCM Stores	Civil Works	310	-	310	-
Security fence - Nsezi	Civil Works	3 450	3 450	-	-
Small items - Car wash	Civil Works	118	118	-	-
	Motor Vehicles	2 415	2 415	-	-
Total		50 000	38 710	11 290	-

There was no impairment identified for capital work in progress, as projects are proceeding as planned and there are no projects that were halted.

Included in other adjustments are the following:

* Portion of depreciation is recognised as Cost of Sales (refer to note 13)

		30 Jun 2021 R'000	Restated 30 Jun 2020 R'000
Depreciation***	Note		
Depreciation	5	59 353	54 716
Amortisation	6	692	740
Total depreciation and amortisation		60 045	55 456
Cost of sales	13	53 754	49 416
Depreciation and amortisation IS		6 291	6 040
Total		60 045	55 456

6 Intangible Assets

	30 Jun 2021			Restated 30 Jun 2020		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Computer software	15 706	(14 876)	830	15 706	(13 983)	1 723
Work in progress	25 171	-	25 171	-	-	-
Total	40 877	(14 876)	26 001	15 706	(13 983)	1 723

Notes to the Annual Financial Statements (Continued)

	Opening balance	Additions	Disposal	Transfer	Impairment	Reassessment of useful life of intangible assets	Amortisation	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Reconciliation of intangible assets 30 June 2021								
Computer software	1 723	-	-	-	(201)	-	(692)	830
Work in progress	-	25 171	-	-	-	-	-	25 171
	1 723	25 171	-	-	(201)	-	(692)	26 001
Reconciliation of intangible assets 30 June 2020								
Computer software	2 463	-	-	-	-	-	(740)	1 723
Under development	-	-	-	-	-	-	-	-
Total	2 463	-	-	-	-	-	(740)	1 723

5.1 Work-In -Progress: Intangible Assets

Project/Description	Asset Category	Total	Within 1 Year	Between 1 to 5 years	Beyond 5 Years	Beyond 5 Years
ERP System	Software	25 171	25 171	-	-	-
Total		25 171	25 171	-	-	-

	30 Jun 2021 R'000	Audited 30 Jun 2020 R'000
7. Interest Bearing Borrowings		
At amortised cost		
Rand Merchant Bank	46 955	57 389
Total interest bearing borrowings	46 955	57 389
Debt consists of unsecured interest-bearing liabilities held at amortised cost.		
The fixed term loan from Rand Merchant Bank is repayable in bi-annual capital repayments, with a fixed interest rate of 10.54%, that commenced on 30 November 2011 and matures on 28 November 2025.		
Non-Current Liabilities		
At amortised cost	36 207	46 552
Current Liabilities		
At amortised cost	10 748	10 838
Total interest bearing borrowings	46 955	57 389
8. Payables from Exchange Transactions		
Trade payables- primary activities	39 941	21 932
Trade payables - secondary activities	0	133
Retention - primary activities	2 584	6 317
Retention - secondary activities	3 221	6 656

Notes to the Annual Financial Statements (Continued)

	30 Jun 2021	Audited 30 Jun 2020
	R'000	R'000
Accruals - primary activities	119 045	42 094
Accruals - secondary activities	3 169	4 077
SARS - PAYE, UIF and SDL	61	2 369
Sundry creditors- primary activities	1 422	1 469
Accrued interest - secondary activities	5 363	4 607
Advances - secondary activities	7 759	39 421
	182 565	129 075
9. VAT Payable		
VAT Payable	1 717	4 819
	1 717	4 819

10. Employee Benefit Liability

	Opening balance	Movement	Utilised during the year	Closing balance
	R'000	R'000	R'000	R'000
Reconciliation of employee benefit - 30 June 2021				
Provision of post retirement medical aid	54	-	(54)	-
Provision of staff bonuses	7 504	3 343	(1 582)	9 265
Provision of staff leave	8 185	4 291	(3 777)	8 699
	15 743	7 634	(5 413)	17 965
Reconciliation of employee benefit - 30 June 2020				
Provision of post retirement medical aid	118	12	(76)	54
Provision of staff bonuses	9 636	7 635	(9 767)	7 504
Provision of staff leave	7 071	5 038	(3 924)	8 185
	16 825	12 685	(13 767)	15 743

	30 Jun 2021	Restated 30 Jun 2020
	R'000	R'000
Non-current liabilities	-	-
Current liabilities	17 965	15 743
	17 965	15 743

Provision of Post Retirement Medical Aid

The Mhlathuze Water Post Medical Aid Contribution scheme was closed on the 31st of December 2004 to new beneficiaries. Currently there is only one former employee, Mr. GF Allison and his spouse, who benefit from this scheme.

The scheme cease to exist in 2021 upon passing of a former employee. The scheme was unfunded and actuarially valued every year. The date for the most recent valuation is 30 June 2020.

Notes to the Annual Financial Statements (Continued)

The fair value of the plan is arrived at after considering the following assumptions:

Discount rate
Expected medical aid increases
Life expectancy

30 Jun 2021	30 Jun 2020
0.00%	9.26%
0.00%	6.00%
0	1 year

The above information and assumptions are only relevant to the comparative provision amount as the former employee is deceased and thus no provision raised in the current year.

Provision for Staff Bonus

The provision for Bonus is raised to recognise the performance of employees, and is payable at the Board's discretion in line with the Performance Management Policy.

Provision for Leave Pay

The provision for leave pay is based on the number of days leave due to employees at the financial year end and their cost to company per day.

Mhlathuze Water Provident Fund - defined contribution plan

The provident fund is in the nature of a defined contribution plan. The Risk benefits are registered as Group Income Insurance and Group Life Insurance schemes. Funeral benefits are covered through a separate funeral policy. Retirement benefits are determined with reference to the contributions to the fund. Mhlathuze Water has no commitment to meet unfunded benefits of the provident fund. The assets from the Mhlathuze Water Provident Fund were transferred to the Sanlam Umbrella Fund in December 2016. All members belong to the Sanlam

11. Income Received in Advance

	30 Jun 2021	30 Jun 2020
	R'000	R'000
- Short-term portion of advances	6 828	6 828
- Long-term portion of advances	43 656	50 480
Total income received in advance	50 484	57 308

Income received in advance from Foskor relates to the construction of the B-Line Diffuser Replacement Project, which was commissioned at the end of September 2008. The entity received the total amount upfront. The income is recognised over the period of the agreement based on the usage of the waste water disposal line by Foskor. This balance is measured and recognised in terms of the accounting policy relating to income received in advance.

	30 Jun 2021	Restated 30 Jun 2020
Note(s)	R'000	R'000
12. Revenue - Sale of Goods and Services		
Sale of Goods and Services		
An analysis of tariff income is as follows:		
Primary Activities (Section 29)		
Bulk water	360 914	329 531
Waste water	191 959	176 240
Total Primary Activities	552 873	505 772
Operating lease income		
An analysis of operating lease income is as follows:		
Lease income - waste water	6 824	6 824
	6 824	6 824



Notes to the Annual Financial Statements (Continued)

		30 Jun 2021	Restated 30 Jun 2020
	Note(s)	R'000	R'000
Secondary Activities (Section 30)			
Operations and Maintenance Agreements			
Thukela Goedertrouw Scheme		57 965	50 848
City of uMhlatuze		373	78 425
Total Operations and Maintenance Agreements		58 338	129 273
Other Activities			
Management fee		17 638	16 047
Laboratory services		5 502	3 608
Implementing Agency Fees		1 247	2 524
Total Other Activities		24 387	22 179
Total Revenue		642 423	664 048
13. Cost of Sales			
Raw water purchases		76 514	58 538
Electricity and water		79 449	70 951
Chemicals		18 365	21 296
Employee related costs	16	22 816	40 561
Depreciation and amortisation	5	53 754	49 416
Total Cost of Sales		250 898	240 762

		30 Jun 2021	Audited 30 Jun 2020
		R'000	R'000
14. Secondary Activities			
<p>Mhlatuze Water, apart from its primary activities implements projects (Secondary Activities) on behalf of the Department of Water and Sanitation, Department of Education, Department of Environmental Affairs, Department of Labour and the Department of Governance and Traditional Affairs. Total expenditure for these projects is fully recovered from these departments.</p> <p>These amounts are not reflected in the Statement of Financial Performance as Mhlatuze Water is deemed to be an agent in these transactions. Accordingly, the implementing agency fees have been recognised as revenue in the Statement of Financial Performance.</p>			
The following project activities took place during the year:			
- Department of Water and Sanitation - Water infrastructure Jozini/Ngwavuma		-	2 622
- Department of Co-operative Governance and Traditional Affairs - Sikhemelele Water Project		2 420	29 000
- Department of Labour - UIF Learnerships		-	28 644
		2 420	60 266
15. Other Income			
Included in other income:			

Notes to the Annual Financial Statements (Continued)

	30 Jun 2021	Audited 30 Jun 2020
	R'000	R'000
15.1 Sundry Income		
Handling fees	1	1
Rent received	7	7
Proceeds on Insurance claim	236	336
Other revenue - SARS rebates and other General	-	599
	1 208	63
	1 452	1 006
15.2 Interest Income		
Bank account	109	385
Interest earned on outstanding debtors	1 158	1 277
Call accounts/investments	16 042	15 341
	17 309	17 003
Total Other Income	18 761	18 009

	30 Jun 2021	Restated 30 Jun 2020
	R'000	R'000
16. Employee Related Costs		
Basic	113 114	112 277
Bonus	4 865	7 635
Internship	640	633
Learner ship	105	108
Shift allowance	469	992
Standby allowance	2 166	2 291
Responsibility allowance	399	1 891
Cell phone allowance	1 126	1 109
Relocation allowance	145	14
Transport allowance	185	361
Housing allowance	-	1 057
Tool allowance	121	138
Secondment allowance	31	210
Leave	4 291	4 990
Overtime	3 211	8 075
Overtime - Normal Shift	1 410	2 637
Medical aid - company contributions	-	86
UIF - company contributions	392	489
WCA - company contributions	847	953



Notes to the Annual Financial Statements (Continued)

		30 Jun 2021	Restated 30 Jun 2020
		R'000	R'000
Statutory levies - SDL		902	1 299
Statutory levies - AMC		7	8
		134 426	147 253
Direct employee related costs	13	22 816	40 561
Indirect employee related costs		111 610	106 692
Total Employee Related Costs		134 426	147 253

17. Board members emoluments and Executive managements' emoluments

17.1 Board members emoluments

The Board of Mhlathuze Water was appointed by the Minister of Water and Sanitation on the 5th of December 2018.

Board members of Mhlathuze Water

	Appointment Date
TA Shange (Chairperson)	5 th December 2018
SZ Hlophe (Deputy Chairperson)	5 th December 2018
A Badul	5 th December 2018
N Gevers	5 th December 2018
M Makgae	5 th December 2018
N Mkhize	5 th December 2018
B Mshengu	5 th December 2018
PS Reddy	5 th December 2018
MM Xulu	5 th December 2018
M Zikalala	5 th December 2018

Non-executive board members	Package earnings	Travel and Subsistence Allowance	Other allowances	Total
	R'000	R'000	R'000	R'000
TA Shange (Chairperson)	238	38	394	670
S Hlophe (Deputy Chairperson)	198	13	183	394
A Badul	173	57	191	421
GD Biyela	173	3	105	281
N Gevers	173	22	226	421
M Makgae	178	3	162	343
N Mkhize	173	23	158	354
B Mshengu	173	37	208	418
PS Reddy	173	4	151	328
MM Xulu	173	12	201	386
M Zikalala	86	17	223	326
Total Non executive board members and Independent Audit and Risk Committee	1 911	229	2 202	4 342

Notes to the Annual Financial Statements (Continued)

17.2 Executives' Emoluments

Executive staff members	Position	Package earnings	Bonus (Services and/or Performance)	Post Employment Benefit	Travel and Subsistence Allowance	Other Allowances	Total 2020
		R'000	R'000	R'000	R'000	R'000	R'000
MP Duze	Chief Executive	3 034	253	-	171	595	4 053
GF Allison*	Former Chief Executive	-	-	63	-	-	63
M Myeni	GM: Corporate Services	1 473	119	-	7	215	1 814
B Mnyandu	Chief Financial Officer	2 173	173	-	-	144	2 490
P Maisiri**	GM: Technical Services	1 620	-	-	11	227	1 858
A Luthuli***	Acting GM: Technical Services	51	-	-	-	9	60
CG Cele****	GM: Operations and Maintenance	7	-	-	-	7	14
BS Ntlhoro	GM: Scientific Services	1 423	-	-	3	186	1 612
P Maponya*****	GM: Operations and Maintenance	819	-	-	-	26	845
Total executive staff members		10 600	545	63	192	1 409	12 809

* GF Allison Former Chief Executive post medical aid benefit. See Note 10

** P Maisiri was appointed as GM: Technical Services on the 1st of October 2020

*** A Luthuli was appointed Acting GM: Technical Services on the 1st of August 2019 until 30 April 2020, the amount relates to a salary back pay.

**** CG Cele resigned on the 31st of July 2019, the amount relates to a salary back pay.

***** P Maponya was appointed GM: Operations and Maintenance on the 18th January 2021



Notes to the Annual Financial Statements (Continued)

17. Board members emoluments and Executive management's emoluments

17.1 Board members emoluments

On the 1st of August 2017, in order to comply with governance requirements, the Accounting Authority appointed an Independent Audit and Risk Committee to fulfill an oversight role on all strategic financial and governance matters.

Members of the Independent Audit and Risk Committee were:

	Appointment Date	Termination Date
MM Xulu (Chairperson)	1 st August 2017	4 th December 2018
N Gevers	1 st August 2017	4 th December 2018
BK Rawlins	1 st August 2017	4 th December 2018
Adv. S Chamane	1 st August 2017	4 th December 2018

Members of the Independent Audit and Risk Committee	Package earnings R'000	Travel and Subsistence Allowance R'000	Other services & acting allowances R'000	Total R'000
MM Xulu (Chairperson)	-	-	1	1
N Gevers	-	-	1	1
BK Rawlins	-	-	2	2
Adv. S Chamane	-	-	2	2
	-	-		
Total Independent Audit and Risk Committee			6	6

The board members hourly rates increases for 2018/19 financial year as approved by the Minister was received in August 2019, this resulted to a back pay for independent Audit and Risk membersearnings for that period.

A new Board of Mhlathuze Water was appointed by the Minister of Water and Sanitation on the 5th of December 2018.

Board members of Mhlathuze Water

	Appointment Date
TA Shange (Chairperson)	5 th December 2018
SZ Hlophe (Deputy Chairperson)	5 th December 2018
A Badul	5 th December 2018
N Gevers	5 th December 2018
M Makgae	5 th December 2018
N Mkhize	5 th December 2018
B Mshengu	5 th December 2018
PS Reddy	5 th December 2018
MM Xulu	5 th December 2018
M Zikalala	5 th December 2018

Notes to the Annual Financial Statements (Continued)

Non-executive board members	Package earnings	Travel and Subsistence Allowance	Other allowances	Total
	R'000	R'000	R'000	R'000
TA Shange (Chairperson)	245	41	541	827
S Hlophe (Deputy Chairperson)	207	35	218	460
A Badul	178	30	241	449
GD Biyela	178	20	146	344
N Gevers	178	25	245	448
M Makgae	178	-	179	357
N Mkhize	178	37	187	402
B Mshengu	178	42	253	473
PS Reddy	178	12	179	369
MM Xulu	178	2	152	332
M Zikalala	113	10	110	233
Total Non executive board members	1 989	254	2 451	4 694
Total Non executive board members and Independent Audit and Risk Committee	1 989	254	2 457	4 700

17.1 Executives' Emoluments

Executive staff members	Position	Package earnings	Performance Bonus	Post Employment Benefit	Travel and Subsistence Allowance	Other Allowances	Total 2020
		R'000	R'000	R'000	R'000	R'000	R'000
MP Duze*	Chief Executive	3 232	639	-	315	349	4 535
GF Allison**	Former Chief Executive	-	-	75	-	-	75
M Myeni	GM: Corporate Services	1 434	137	-	-	89	1 660
B Mnyandu	Chief Financial Officer	1 895	377	-	9	64	2 345
CG Cele ***	GM: Operations and Maintenance	147	-	-	9	306	462
BS Ntlhoro	GM: Scientific Services	1 327	121	-	6	348	1 802
A Luthuli****	Acting GM: Technical Services	1 040	-	-	1	354	1 395
Total executive staff members		9 075	1 274	75	340	1 510	12 274

*MP Duze was appointed Chief Executive on the 1st of July 2019

** GF Allison Former Chief Executive post medical aid benefit. See Note 10

*** CG Cele resigned on the 31st of July 2019

**** A Luthuli was appointed Acting GM Technical Services on the 1st of August 2019 until 30 April 2020



Notes to the Annual Financial Statements (Continued)

	30 Jun 2021	Restated 30 Jun 2020
	R'000	R'000
18. Finance Costs		
Interest expense: Interest-bearing borrowings	5 671	7 670
Interest expense: Trade creditors	794	-
	6 465	7 670
19. Operating Lease		
19.1 Operating Lease - Income		
Arrangements with the customers that contained deemed leases and qualify as operating leases are recognised in terms of GRAP 13. The following indicates the future lease rentals receivables:		
Within 1 year	6 828	6 828
Between 1 to 5 years	17 437	25 152
Beyond 5 years	26 219	25 328
Total Operating Lease Receivable in Future	50 484	57 308
Mhlathuze Water leases equipment and a pipeline to various institutions for periods ranging from 1 to 20 years. These leases will conclude at the end of the contracted agreement signed with the relevant stakeholders.		
19.2 Operating Lease Expenditure		
At the statement of Financial Position date Mhlathuze Water had outstanding commitments under non-cancellable operating leases, which fall due as follows:		
Within 1 year	3 197	3 461
Between 1 to 5 years	6 170	9 962
Beyond 5 years	-	371
Total Operating Lease Commitments	9 367	13 794
Mhlathuze Water leases ICT equipment (faxes, copiers, computers), land and a pipeline from various institutions for periods ranging from 1 to 20 years.		
These leases will conclude at the end of the contracted agreement signed with the relevant stakeholders.		
20. Repairs and Maintenance		
- Building	1 794	5 676
- Plant and Machinery	34 503	35 276
- Electrical Supply	3 556	9 605
- Industrial Electronics	2 138	737
- Motor vehicles	1 449	1 329
- Equipment, Furniture and Fixtures	1 029	1 219
- Pipelines	6 215	19 944
- Tools and loose gear	26	221
	50 711	74 008

Notes to the Annual Financial Statements (Continued)

	30 Jun 2021	Audited 30 Jun 2020
	R'000	R'000
21. Other Expenses		
Advertising	65	-
Assessment rates & municipal charges	762	642
Auditors fees - external	2 943	1 884
Auditors fees - internal	1 022	1 075
Bank charges	158	139
Bio monitoring	1 513	1 980
Board members - general expenses	790	966
Bursaries	1 074	1 126
Chemicals Laboratory	1 060	790
Cleaning	5 824	3 965
Community development and training	9 475	2 051
Compliance testing	-	2 396
Conferences and seminars	131	232
Consulting and professional fees	469	1 680
Consumables	621	705
Corporate social investment	371	539
Debt impairment	1 171	1 210
Donations	39	380
Fees - special investigation	14 974	13 146
Fines and penalties	75	80
Fuel and oil	2 335	2 578
General	3 801	1 237
Ground contractors	3 490	4 343
Insurance	3 615	3 161
IT expenses	7 508	6 944
Learnership	122	312
Legal expenses	4 999	6 674
Magazines, books and periodicals	13	-
Strategic Support	1 388	735
Motor vehicle expenses	125	189
Obsolete stock	1 284	-
Pest control	95	75
Placement fees	1 508	671
Postage and courier	8	11
Printing and stationary	751	1 179
Protective clothing	985	1 254
Public relations	3 257	2 244
Regional bulk studies	5 238	4 220



Notes to the Annual Financial Statements (Continued)

	30 Jun 2021	Audited 30 Jun 2020
	R'000	R'000
Sludge removal	-	407
Security	9 900	9 381
Staff assessments/grading	23	49
Staff Welfare	2 804	2 514
Stock Write-Off	407	2 392
Subscriptions and membership fees	275	386
Telephone and fax	550	582
Training	1 827	975
Transport and freight	31	36
Travel - local	1 409	851
Travel - overseas	11	390
Uniforms	217	416
Vehicle Hire	2 332	3 429
Water analysis	67	93
	102 912	92 714

Notes to the Annual Financial Statements (Continued)

		30 Jun 2021	Audited 30 Jun 2020
		R'000	R'000
22. Operating Surplus			
Operating surplus for the year is stated after accounting for the following:			
Operating Lease Charges			
<u>Equipment</u>			
Contractual amounts		1 655	1 949
<i>Printers, copiers, faxes, IT equipment and computers</i>			
<u>Land</u>			
Contractual amounts		-	25
<i>Lease for land</i>			
<u>Pipelines</u>			
Contractual amounts		1 849	2 227
<i>Lease for pipeline</i>			
		3 504	4 201
Amortisation on intangible assets	6	692	740
Depreciation on property, plant and equipment	5	59 353	54 716
Employee costs and board remuneration	16,17.1	138 767	151 954
23. Profit/Loss on Disposal of Assets			
Proceeds on sale of assets		21	94
Loss on sale of assets		(3 892)	(2 641)
		(3 871)	(2 547)
24. Cash Generated from Operations			
Surplus		112 270	136 426
Adjusted for non-cash items:			
Depreciation	5	59 353	54 716
Amortisation	6	692	740
Loss/(Profit) on sale of assets	23	3 871	2 547
Net asset impairment	5	4 260	3 267
Net debt impairment	25	1 171	1 210
Bad debts written off	25	104	1
Inventory written off	21	407	2 392
Interest expense accruals		-	1 167
Movement in employee benefit liabilities	10	2 222	(1 009)
Movement in income received in advance	11	(6 824)	(6 820)
Changes in Working Capital:			
(Increase)/Decrease in inventories		(288)	1 846
(Increase)/Decrease in receivables from exchange transactions		10 436	24 143
Increase/(Decrease) in payables from exchange transactions		53 490	858
Movements in VAT balance		(3 101)	7 890
		238 059	229 375



Notes to the Annual Financial Statements (Continued)

25 Financial Risk Management

The Board has overall responsibility for the establishment and oversight of the entity's risk management framework. Risk management policies are established to identify and analyse the risks that are faced by Mhlathuze Water, to set appropriate risk limits and controls, and to monitor risks and adherence to these limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the entity's activities.

Presently all risks identified are attended to at departmental level and by a risk management committee. Reports are presented to the Finance Committee, Audit and Risk Committee, the Boards delegated structure tasked with the responsibility of reviewing the risk management process.

The Board reviews its enterprise wide risk profile to ensure that critical risks are addressed adequately and to identify and capitalise on opportunities that may be created from these risks. This provides the Board with the opportunity to re-assess the entity's strengths and weaknesses to determine a strategic alignment to the objectives.

The entity has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Credit risk
- Market risk

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

about Mhlathuze Water's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk. The methods used to measure risk have been consistently applied in the years presented, unless otherwise stated.

Further quantitative disclosures are included throughout the Financial Statements.

Liquidity Risk

Liquidity risk is the risk that Mhlathuze Water will not be able to meet its financial obligations as they fall due. Mhlathuze Water is a self-funding entity and does not receive funding in the form of government subsidies. All funding of income generating and operational assets are obtained by way of loan agreements.

The entity's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the reputation of Mhlathuze Water by managing the monthly cash flow throughout the year.

Mhlathuze Water operates a consolidated loan pool and utilises the positive inflows to redeem external borrowings.

Finance charges are recovered via tariffs levied against consumers. For the purpose of treasury management all long term loans relating to the core business activities are pooled and an average rate of interest calculated and applied to the schemes for tariff purposes. This achieves better control and ensures a fair and flexible recovery of finance charges, which assist in planning the cash flow requirements. Based on assessment, no negative impact have been realised by MW on liquidity risk as a result of Covid-19.

	Amount R'000
Bank Short-Term Funding	
Mhlathuze Water's main credit facility is with First National Bank and includes the following:	
Type of Facility	
-Credit Card facility	100
	100

The overdraft facility is only in place for emergency.

Notes to the Annual Financial Statements (Continued)

Exposure to Liquidity Risk

	Carrying amount	Contractual amount	< 1 year	2-5 years	> 5 years
	R'000	R'000	R'000	R'000	R'000
At 30 June 2021					
Interest bearing borrowings	(46 955)	(58 826)	(14 981)	(43 845)	-
Payables from exchange transactions	(182 565)	(182 565)	(182 565)	-	-
Total	(229 520)	(241 391)	(197 546)	(43 845)	-
At 30 June 2020					
Interest bearing borrowings	(57 389)	(74 932)	(16 106)	(58 827)	-
Payables from exchange transactions	(129 075)	(129 075)	(129 075)	-	-
Total	(186 466)	(204 009)	(145 182)	(58 827)	-

Fair Values

The carrying values of financial assets and liabilities are presented by class in the tables below, and approximate fair values.

30 June 2021

	Financial instruments at amortised cost	Total
	R'000	R'000
Financial Assets		
Receivables from exchange transactions	105 678	105 678
Bank and cash: implementing agent projects	13 122	13 122
Bank and cash: Mhlathuze Water	516 009	516 009
Financial Liabilities		
Interest-bearing borrowing	(46 955)	(46 955)
Payables from exchange transactions	(182 565)	(182 565)
	405 288	405 288
30 June 2020		
Financial Assets		
Receivables from exchange transactions	117 391	117 391
Bank and cash implementing agent projects	44 029	44 029
Bank and cash	328 378	328 378
Financial Liabilities		
Interest-bearing borrowing	(57 390)	(57 390)
Payables from exchange transactions	(129 075)	(129 075)
	303 331	303 331



Notes to the Annual Financial Statements (Continued)

25. Financial Instruments (continued)

Credit Risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The entity only deposits cash with major banks with high quality credit standing approved through the Department of Water and Sanitation by National Treasury.

Receivables from Exchange Transactions

The entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Board has established a credit policy under which each new customer is analysed individually for creditworthiness before the entity's facilities are offered.

Consideration is given to the external credit ratings, tax clearance certificates and the latest Audited Annual Financial Statements of entities not listed on the Johannesburg Stock Exchange. Credit limits are established for non-contractual customer and these limits are reviewed bi-annually.

The average credit period allowed is 30 days from invoice date. Interest is charged at prime rate +2.5% p.a. on overdue debt from primary activities. Mhlathuze Water reviews outstanding balances on trade and other receivables on a monthly basis, via a debtors age analysis

Receivables from Exchange Transactions (continued)

A provision is raised for debtors outstanding more than 90 days accounts. The provisions raised are tabled together with the Financial Statements to the Audit and Risk Committee and the Accounting Authority. As a part of financial year assessment of doubtful debts and write-off, the impact of the pandemic Covid-19 was taken into account. Even though none of our customers have indicated major issues regarding their going concern and inability to outstanding debts, there was those experiencing financial cash flow issues. In our detail assessment, all customers with outstanding balances were assessed in facts regarding Covid-19 and its impact on businesses and government entities trading with MW. The impact of the recent unrest and riots affecting our customers have also been taken into account.

Partnership/Water schemes with external parties

External parties are required to submit guarantees to Mhlathuze Water for all expenses incurred on their behalf. Any amounts outstanding after a period of 30 days will attract interest at the current interest rate as announced by the Minister of Finance.

Exposure to credit risk

Financial assets exposed to credit risk at year end were as follows:

	30 Jun 2021	Restated 30 Jun 2020
	R'000	R'000
Financial Instrument		
Receivables from exchange transactions	105 678	117 391
Cash and cash equivalents	529 131	372 407
The maximum exposure to credit risk for receivables from exchange transactions per business segment at reporting date was:		
Water supply	42 593	29 489
Waste water disposal	34 848	24 128
Thukela Transfer Scheme	9 249	21 411
Projects and secondary activities	18 988	42 316
	105 678	117 345

	Amount 30 Jun 2021	Impairment 30 Jun 2021	Amount 30 Jun 2020	Impairment 30 Jun 2020
	R'000	R'000	R'000	R'000
Provision for Impairment				
Not past due	74 863	-	88 048	-
Past due 0-30 days	9 759	-	6 699	-
Past due 30-60 days	1 432	-	323	-
Past due 60-90 days	2 322	-	5 808	-
Past due >90 days	17 302	(3 061)	16 513	(1 890)
	105 678	(3 061)	117 391	(1 890)

Notes to the Annual Financial Statements (Continued)

The current debt for all categories on the age analysis comprises of balances of contracted billing which is recovered timeously as per contracts entered with consumers.

Provision for Impairment

	30 June 2021	30 Jun 2020
	R'000	R'000
Opening balance	(1 890)	(681)
Movement	(1 171)	(1 209)
Closing balance	(3 061)	(1 890)

In assessing the provision for impairment, Mhlathuze Water considered the likelihood of receiving payments from its

Bad debts written off

	30 June 2021	30 Jun 2020
	R'000	R'000
Bad debts written off	104	1
Total	104	1

Market Risk

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 risks comprises three types of risk: currency risk, interest rate risk and other price risk. The objective is to manage and control market risk within acceptable parameters, while optimising the return on risk.

The entity does not have any exposure to currency risk (that fluctuation in foreign exchange currency) or any equity price risk, and Mhlathuze Water does not hold any equity investments.

Interest Rate Risk

Mhlathuze Water adopted a policy of limiting exposure to interest rate fluctuations by arranging borrowings on a fixed rate basis.

Cash and short-term investments are invested at variable and fixed interest rates with registered banking institutions.

Mhlathuze Water does not have any exposure to currency risk or any other price risk as a result of borrowings, as the entity does not hold any equity investments and foreign exchange currency borrowings.

At the reporting date, the interest rate profile for Mhlathuze' s interest-bearing financial instruments was not evidently affected negatively by Covid-19, it was as follows:

	30 Jun 2021	Restated 30 Jun 2020
	R'000	R'000
Rate Instruments		
Receivables from exchange transactions - variable interest rate	105 678	117 391
Bank and cash - variable interest rate	205 229	144 442
Bank and cash - fixed interest rate	323 902	227 965
	634 808	489 798
Financial Liabilities		
Interest bearing borrowing - fixed interest rate	(46 955)	(57 390)
	(46 955)	(57 390)



Notes to the Annual Financial Statements (Continued)

26. Segment Information

General Information

Identification of Segments

Information reported about the segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure for information about these segments is also considered appropriate for external reporting purposes.

Mhlathuze Water has two reportable segments:

- (i) The primary activities segment as defined by section 29 of the Water Services Act No. 108 of 1997 which are made up of:

(a) Bulk Water

This activity covers the bulk supply of raw, clarified and treated water to domestic and industrial customers.

Revenue generated based on volumes sold/supplied has been reflected under this segment.

(b) Waste Water

- (i) This activity covers buoyant and dense effluent disposal under contract to industries and the Municipality in the Richards Bay area from plants owned by Mhlathuze Water.

- (ii) The other segment activities as defined by section 30 of the Water Services Act No. 108 of 1997.

This business segment consists of non-regulated activities which are mainly defined as services that complement bulk water service provision such as water quality monitoring, environmental management, laboratory services and where Mhlathuze Water acts as an implementing agent for projects related to water service delivery.

Segment Surplus or Deficit, Assets and Liabilities

	Primary Activities		Secondary Activities			TOTAL
	Bulk Water	Waste Water	TG Scheme O & M	City of uMhlathuze O & M	Other Activities	
Volumes ('000 m³)	58 394	67 382				125 776
Raw water	16 121					16 121
Clarified water	4 950					4 950
Purified water	37 323					37 323
Dense waste water		10 950				10 950
Buoyant waste water		56 432				56 432
The Segmental report is as follows	R'000	R'000	R'000	R'000	R'000	R'000
Revenue from exchange transactions						
Sale of goods and services	360 914	198 783	57 965	373	24 388	642 423
Cost of Sales	(176 159)	(41 492)	(28 463)	(77)	(4 707)	(250 898)
Bulk purchases	(76 514)	-	-	-	-	(76 514)
Electricity and water	(30 838)	(23 169)	(25 443)	-	-	(79 449)
Chemicals	(17 827)	-	(12)	(77)	(449)	(18 365)
Employee related costs	(12 172)	(3 377)	(3 009)	-	(4 258)	(22 816)
Depreciation	(38 807)	(14 946)	-	-	-	(53 754)

Notes to the Annual Financial Statements (Continued)

	Primary Activities		Secondary Activities			TOTAL
	Bulk Water	Waste Water	TG Scheme O & M	City of uMhlathuze O & M	Other Activities	
Gross Profit	184 755	157 291	29 502	296	19 682	391 525
Other income	3 828	14 925	7	-	-	18 761
Expenditure	(150 182)	(103 506)	(29 510)	(241)	(10 709)	(294 145)
Employee related costs	(70 975)	(40 635)				(111 610)
Remuneration of board members	(2 847)	(1 495)	-	-	-	(4 342)
Depreciation and amortisation	(3 774)	(2 517)	-	-	-	(6 291)
Impairment of Assets	(775)	(3 486)				(4 260)
Finance costs	(3 975)	(2 490)	-	-	-	(6 465)
Lease rentals on operating lease	(896)	(2 608)	-	-	-	(3 504)
Debt impairment	(66)	(39)	-	-	-	(104)
Repairs and maintenance	(9 082)	(15 412)	(22 706)	(165)	(3 347)	(50 711)
Electricity and water	(2 431)	(1 423)	-	-	-	(3 854)
Chemicals	(51)	(41)	-	-	-	(92)
Other expenses	(55 310)	(33 360)	(6 804)	(76)	(7 362)	(102 912)
Operating surplus	38 401	68 710	-	55	8 973	116 141
Profit or Loss on disposal of assets	(3 655)	(216)	-	-	-	(3 871)
Surplus for the year	34 745	68 494	-	55	8 973	112 270
Assets						
Segment assets	807 689	244 860	-	-	16 742	1 069 290
Centralised services						672 108
Total assets as per statement of financial position						1 741 398
Liabilities						
Segment liabilities	93 844	47 913	-	-	11 753	153 508
Centralised services						146 177
Total liabilities as per statement of financial position						299 685
Other information						
Capital expenditure	21 310	2 952	-	-	-	24 262
Centralised services						46 660
						70 922



Notes to the Annual Financial Statements (Continued)

26. Segment information (continued)

	Primary Activities		Secondary Activities			TOTAL
	Bulk Water	Waste Water	TG Scheme O & M	City of uMhlathuze O & M	Other Activities	
Volumes ('000 m³)	45 941	69 273				115 214
Raw water	5 575					5 575
Clarified water	5 274					5 274
Purified water	35 092					35 092
Dense waste water		10 950				10 950
Buoyant waste water		58 323				58 323
The Segmental report is as follows	R'000	R'000	R'000	R'000	R'000	R'000
Revenue from Exchange Transactions						
Sale of goods and services	329 531	183 064	50 848	78 425	22 179	664 048
Cost of Sales	(141 325)	(41 557)	(28 349)	(25 668)	(3 863)	(240 762)
Bulk purchases	(58 538)	-	-	-	-	(58 538)
Electricity and water	(22 493)	(24 015)	(24 432)	(11)	-	(70 951)
Chemicals	(13 770)	-	(4)	(7 156)	(367)	(21 296)
Employee related costs	(11 615)	(3 035)	(3 913)	(18 501)	(3 497)	(40 561)
Depreciation	(34 909)	(14 507)	-	-	-	(49 416)
Gross Profit	188 207	141 508	22 499	52 758	18 315	423 286
Other income	2 948	15 054	7	-	-	18 009
Expenditure	(129 453)	(92 876)	(22 507)	(41 418)	(16 069)	(302 323)
Employee related costs	(64 657)	(42 035)				(106 692)
Remuneration of board members	(2 985)	(1 715)	-	-	-	(4 700)
Depreciation and amortisation	(3 603)	(2 437)	-	-	-	(6 040)
Impairment of Assets	(3 267)	-	-	-	-	(3 267)
Finance costs	(4 906)	(2 764)	-	-	-	(7 670)
Lease rentals on operating lease	(1 187)	(3 014)	-	-	-	(4 201)
Debt impairment	(0)	(0)	-	-	-	(1)
Repairs and maintenance	(9 535)	(16 025)	(18 006)	(26 953)	(3 488)	(74 008)
Electricity and water	(1 374)	(807)	-	-	-	(2 181)
Chemicals	(460)	(386)	-	-	-	(847)
Other expenses	(37 479)	(23 690)	(4 501)	(14 465)	(12 580)	(92 715)
Operating surplus	61 701	63 685	-	11 340	2 248	138 973
Profit (loss) on disposal of assets	(780)	(1 767)	-	-	-	(2 547)
Surplus for the year	60 921	61 918	-	11 340	2 248	136 426

Notes to the Annual Financial Statements (Continued)

26. Segment information (continued)

	Primary Activities		Secondary Activities			TOTAL
	Bulk Water	Waste Water	TG Scheme O & M	City of uMhlathuze O & M	Other Activities	
Assets						
Segment assets	814 979	249 892	-	-	47 650	1 112 522
Centralised services						481 259
Total Assets as per Statement of Financial Position						1 593 782
Liabilities						
Segment liabilities	32 711	57 243	-	-	16 659	106 613
Centralised services						157 723
Total Liabilities as per Statement of Financial Position						264 336
Other Information						
Capital expenditure	97 375	122	-	-	-	97 497
Centralised services						453
						97 950

27. Statutory Information in terms of the Public Finance Management Act No. 1 of 1999 as amended

	30 Jun 2021	Audited 30 Jun 2020
	R'000	R'000
27.1 Irregular Expenditure		
Opening balance	234 877	236 769
Add: Irregular expenditure emanating from Prior Years	27.2 25 860	824
Add: New irregular expenditure	27.3 23 597	-
Less: Amounts removed	27.4 (31 805)	-
Less: Amounts condoned	27.5 (2 911)	(2 716)
Closing balance	249 618	234 877
An application to the value of R37.4 million has been submitted to National Treasury for condonation. A response is still pending.		
27.2 Details of Irregular Expenditure emanating from prior years		
Incidents		
Irregular expenditure as a result of not adhering to the Delegation of Authority Policy, SCM Policy and/or Preferential Procurement Regulations-2017	2 468	-
Irregular expenditure occurred as a result of expenditure non-compliance with section 51(1)(a)(iii), which relates to the five pillars of procurement.	23 392	-
Irregular expenditure relates to bids not advertised for the prescribed period of twenty-one (21) days.	-	824
	25 860	824



Notes to the Annual Financial Statements (Continued)

27. Statutory Information in terms of the Public Finance Management Act No. 1 of 1999 as amended (Continued)

	30 Jun 2021	Audited 30 Jun 2020
	R'000	R'000
27.3 Details of New Irregular Expenditure		
Incidents		
Irregular expenditure as a result of not adhering to the Delegation of Authority Policy, SCM Policy and/or Preferential Procurement Regulations-2017	5 198	
Irregular expenditure occurred as a result of expenditure non-compliance with section 51(1)(a)(iii), which relates to the five pillars of procurement.	17 246	-
Irregular expenditure as a result of not adhering to National Treasury Instruction Note 3 of 2016/17	1 153	-
	23 597	-
27.4 Details of Irregular Expenditure Removed		
Incident		
Irregular Expenditure relating to non-compliance to SCM prescripts subsequently been removed.	31 805	-
Removed by : Board		
	31 805	-
27.5 Details of Irregular Expenditure Condoned		
Incident		
Irregular expenditure occurred as a result of payments that were made to suppliers that exceeded contract value.	-	2 716
Condoned by : National Treasury		
Incident		
Irregular Expenditure relating to bids not advertised for the prescribed period of twenty-one (21) days and variation order not approved and has subsequently been condoned by National Treasury.	2 911	
Condoned by : National Treasury		
	2 911	2 716

Notes to the Annual Financial Statements (Continued)

	30 Jun 2021	Audited 30 Jun 2020
	R'000	R'000
27.6 Fruitless and Wasteful Expenditure		
Opening balance	27 476	27 479
Add: Fruitless and Wasteful expenditure - current year	27.7 1 187	-
Less: Amounts written off	-	-
Less: Amount recovered	27.8 (67)	(3)
	28 596	27 476
Accounting Officer has instituted investigations on reported Fruitless and Wasteful Expenditure for prior years.		
This process has not been fully concluded, litigation cases have been opened with the SAPS & the Hawks for the cases where there were apparent criminal intents.		
27.7 Details Fruitless and Wasteful expenditure		
Incident		
Fruitless and wasteful expenditure of a payment made to a supplier as per High Court's judgment to award the supplier the claimed principal amount and the interest thereof for the time value of money.	794	-
The invoice was disputed by Department of Water and Sanitation and therefore Mhlathuze Water as an agent who contracted the supplier was then held liable. This invoice relates to prior financial years, (2015) and it was disclosed as a contingent liability in the prior years' Annual Financial Statements, refer to Note 36.1.		
Fruitless and wasteful expenditure occurred as a result of a payment made to an incorrect party. The payment is under investigation for possible recovery of the amount paid.	22	-
Fruitless and wasteful expenditure of a payment made to a supplier as per Arbitrator's judgment to award the supplier the claimed principal amount and the interest thereof for the time value of money.	347	-
The invoice was disputed by Department of Water and Sanitation in 2018 and therefore Mhlathuze Water as an agent who contracted the supplier was then held liable.		
Fruitless and wasteful expenditure relating to an equipment that was purchased in prior financial years and was never used for its intended use until it was discovered in the financial year ended 30 June 2021. The equipment is not technological compatible with the current lab system of MW which will render it not useful and then deem it ad its historic cost to acquire wasteful.	24	-
	1 187	-
27.8 Fruitless and Wasteful Expenditure recoveries		
Fruitless and wasteful expenditure recovered	(67)	(3)
	(67)	(3)



Notes to the Annual Financial Statements (Continued)

	30 Jun 2021	Restated 30 Jun 2020
	R'000	R'000
28. Adjustments from prior period errors and changes in accounting policies and estimates		
28.1 Account receivable: Adjustment of revenue accrual		
Prior year adjustment of accounts receivables and revenue from an under billing of one of Bulk Water customers.		
Prior year adjustment of accounts receivable and revenue from an overbilling of one of Operations and Maintenance customer which its contract was finalised and signed later than the project had commenced.		
Accounts Receivables - Primary Activities	-	(46)
2019/20 Audited Financial Statement	-	111 423
2019/20 Restated Financial Statement, refer to Note 3	-	111 469
Adjustment for revenue accrued from one of our core customers that was under-billed in the previous financial year.		
Revenue - Primary Activities		(107)
2019/20 Audited Financial Statement		663 941
2019/20 Restated Financial Statement, refer to Note 12		664 048
28.2 Employee Benefit Liability: Leave Provision		
Prior year adjustment for leave provision that was misstated due to incorrect calculation of leave days and provision thereof.		
Employee Benefit Liability - Leave Provision	-	(48)
2019/20 Audited Financial Statement	-	8 233
2019/20 Restated Financial Statement	-	8 185
Employee Benefit Liability - Post Retirement - Medical Aid		(65)
Adjustments to 2019/20 comparative figures		(65)
Adjustments to periods before the comparative financial year		-
Reversal a provision for employee benefit liability for post retirement benefits raised in the previous financial year.		
28.3 Property, plant and equipment: Equipment, Electrical Supply & Plant and Machinery		
During the 2019/2020 financial year, the Property, Plant and Equipment with a Net Book Value of R463,925.38 was incorrectly written off, upon further investigation on these assets it was discovered that the assets are still in use.		
Equipment		156
2019/20 Audited Financial Statement	-	19 216
2019/20 Restated Financial Statement	-	19 372
Electrical Supply		116
2019/20 Audited Financial Statement	-	66 120
2019/20 Restated Financial Statement	-	66 236
Plant and Machinery		81
2019/20 Audited Financial Statement	-	135 353
2019/20 Restated Financial Statement	-	135 434
Total PPE adjustment		353
Total Adjustments to prior period through accumulated surplus	-	(516)

Notes to the Annual Financial Statements (Continued)

	30 Jun 2021	Restated 30 Jun 2020
	R'000	R'000
28.4 Cash Flow Statement		
The impact of prior period errors/adjustments is summarised below and the details are as follows:		
Increase/ (Decrease) in assets	-	307
(Increase) /Decrease in liabilities	-	113
Increase/(Decrease) in accumulated surplus:	-	516
(Increase)/Decrease in revenue	-	(46)
Increase/(Decrease) in expense	-	(175)
28.5 Related Parties disclosure		
Previously, one of Mhlathuze Water's key customers (Foskor Pty Ltd) was disclosed as a related party due to that they had a member of management of Foskor Pty Ltd as a Board member of Mhlathuze Water. GRAP specifically excludes from related parties two entities who has a member of management of one entity that also has significant influence over the other entity. Refer to Note 31 for adjusted disclosure. The restated amount is Nil, the previously disclosed amounts were as follows:	-	-
Sale of goods/services		77,968
Purchases		358
Payables		55
Receivables		8,051
28.6 Operating Lease - Income disclosure		
Previously, operating lease income receivable disclosure has been disclosed using a five year business plan. This operating lease income relates to an operating lease as disclosed in Note 11, which has income receivable beyond just five year period. A correct disclosure has been made as required by GRAP 13: Leases which requires that Mhlathuze Water must disclose even beyond just a five year period estimated in business plan. Refer to Note 19.1 for a full disclosure.	-	-
28.7 Change in estimate: Property, Plant and Equipment and Intangible assets		
Useful lives of assets were re-assessed during the financial year-ended 30 June 2021, the changes in the accounting estimates resulted to the following impact on depreciation for the current year and for the future periods:		
Decrease in depreciation and amortisation - current year	(197)	
Decrease in depreciation and amortisation - periods after current year	197	



Notes to the Annual Financial Statements (Continued)

	30 Jun 2021	Audited 30 Jun 2020
	R'000	R'000
29. Commitments		
Authorised Capital Expenditure		
Already contracted for but not provided for		
- Buildings and civils	2 980	5 277
- Plant and Machinery	9 318	-
- Pipelines	61 845	2 666
- Electrical Supply	5 102	-
- Computer software	19 818	-
	99 063	7 943
This committed expenditure relates to Capital Expenditure and will be financed by available bank facilities, retained surpluses and existing cash resources.		
Total Commitments		
Authorised capital expenditure	99 063	7 943
	99 063	7 943
30. Contingent Assets		
Penalties on Construction Contracts*		
- Reservoir no. 2	1 071	1 071
Provident Fund Claim **	1 540	1 247
Mhlathuze Water/L.B Mjadu ***	29	29
Water Purification Chemical & Plant CC (WPCP) ****	3 192	3 192
	5 832	5 539

* Penalties due to MW on construction contracts.

**Mhlathuze Water is involved in litigation against employees who are no longer in the employ of the organisation.

An interdict against the release of the said employees provident fund was successfully granted by the High Court.

*** Mhlathuze Water was involved in a case in which a ruling was against the Applicant who was ordered to pay legal cost in favor of Mhlathuze Water. An execution order relating to assets to be attached is underway, the matter has been referred to legal representative of MW for further action.

**** Mhlathuze Water has filed a Notice of Intention to Enter into Principal Case and Demand for Security for Cost paid for the claim against it as per the disclosure for contingent liabilities.

Notes to the Annual Financial Statements (Continued)

31. Related Party Transactions

Relationships: Controlling entity and related water boards

Controlling Entity - Department of Water and Sanitation

Water Boards - Umgeni Water

	30 Jun 2021	Audited 30 Jun 2020
	R'000	R'000
Amounts included in Receivables from Exchange Transactions		
Department of Water and Sanitation - Water Services (TG Scheme)	9 249	21 411
Department of Water and Sanitation - External and implementing	5 364	13 345
Total	14 613	34 756
Amounts included in Payables from Exchange Transactions		
Department of Water and Sanitation - Water Services (TG Scheme)	9 249	21 411
Department of Water and Sanitation - External/implementing/laboratory services	110 899	26 011
Umgeni Water - Water analysis	13	-
Total	120 161	47 422
Sales of goods/services to related parties		
Department of Water and Sanitation - Operations and Maintenance (TG Scheme)	57 965	50 848
Department of Water and Sanitation - External and implementing	124	14 884
Total	58 089	65 732
Purchases from related parties		
Department of Water and Sanitation - Implementing/laboratory services	83 279	64 161
Department of Water and Sanitation - TG Scheme expenses	57 965	50 848
Umgeni Water - Water analysis	104	63
Total	141 348	115 072

Remuneration of Management and Board

Refer to note 17 "Board members and executives' emoluments"

Account receivables from related parties have been assessed for doubtful debts, refer to Note 25.



Notes to the Annual Financial Statements (Continued)

32. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30 June 2021

	Note(s)	Actual Mhlathuze Water R'000	Budget Mhlathuze Water R'000	Difference between budget and actual R'000
Statement of Financial Performance				
Volumes ('000 m3)		125 776	119 159	6 617
Revenue from exchange transactions				
Sale of goods and services	32.1	642 423	769 733	(127 310)
Cost of Sales				
Bulk purchases	32.3	(76 514)	(60 272)	(16 242)
Electricity and water	32.4	(79 449)	(94 447)	14 998
Chemicals		(18 365)	(21 539)	3 174
Employee related costs	32.5	(22 816)	(58 904)	36 088
Depreciation and amortisation	32.6	(53 754)	(55 134)	1 380
Gross Profit				
Other income	32.2	18 761	13 808	4 953
Expenditure				
Employee related costs	32.7	(111 610)	(123 658)	12 048
Remuneration of board members	17.1	(4 342)	(6 747)	2 405
Depreciation and amortisation	32.8	(6 291)	(7 142)	851
Impairment of assets	32.9	(4 260)	-	(4 260)
Finance costs	32.10	(6 465)	(7 579)	1 114
Lease rentals on operating lease	32.11	(3 504)	(3 296)	(208)
Debt impairment		(104)		(104)
Repairs and maintenance	32.12	(50 711)	(134 974)	84 263
Electricity and water	32.13	(3 854)	(1 368)	(2 486)
Chemicals		(92)	(58 648)	58 556
Other Expenses	32.14	(102 912)	(99 551)	(3 361)
Operating surplus		116 141	50 281	65 860
Profit on disposal of assets		(3 871)	-	(3 871)
Surplus for the year				
		112 269	50 281	61 988
Statement of Financial Position				
Assets				
Current assets				
Total current assets	32.15	666 769	409 371	257 398
Non-current assets				
Total non-current assets	32.16	1 074 629	1 255 105	(180 476)
Total assets		1 741 398	1 664 476	76 922
Liabilities				
Current liabilities				
Total current liabilities	32.17	219 822	109 193	(110 629)

Notes to the Annual Financial Statements (Continued)

32. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30 June 2021 (Continued)

	Note(s)	Actual Mhlathuze Water R'000	Budget Mhlathuze Water R'000	Difference between budget and actual R'000
Non-current liabilities				
Total non-current liabilities	32.18	79 863	176 075	96 212
Total liabilities		299 686	285 268	(14 418)
Net assets				
Net assets	32.19	1 441 713	1 379 208	62 505
Total net assets and liabilities		1 741 398	1 664 476	76 922
Statement of Cash Flows				
Net cash flows from operating activities	32.20	238 059	52 612	185 447
Net cash flows from investing activities	32.21	(70 901)	(241 283)	170 382
Net cash flows from financing activities	32.22	(10 434)	95 966	(106 400)
Net inflow or (outflow) in cash and cash equivalents		156 724	(92 705)	249 428



Notes to the Annual Financial Statements (Continued)

Statement of Comparison of Budget and Actual Amounts for the Year ended 30 June 2021

Notes

- 32.1** Sale of goods and services has a negative variance of R127.3 million due to that a significant portion of the tariff is based on contracted volumes rather than consumption, thus having less impact from lower consumption. The negative variance from secondary activities is due to the operations & maintenance charges recovered from TG Scheme, this is driven by cost incurred in the project for the year ended 30 June 2021 less than budgeted for. Work on current section 30 projects is lower than budgeted due to delays caused by COVID-19 restrictions.
- 32.2** Other income has a positive variance of R5.0 million this is due to more interest received from investments than budgeted as a result of planned project implementation delays, thus resulting in more cash available to invest.
- 32.3** Bulk purchases have a negative variance of R16.2 million, due to an increase in water abstraction levies for the new financial year. It must be noted that MW is in engagement with DWS to credit the water abstraction levies increased in April 2020 to align with the Minister's zero percentage increase of FY2020/21 tariffs
- 32.4** Electricity and water (COS) has a positive variance of R15.0 million due to less volumes sold than budgeted for.
- 32.5** Employee related costs (COS) have a positive variance of R36.1 million, due later appointment in the financial year of the positions that are directly involved in production which includes GM Operations, Senior Maintenance Manager, Mechanical Engineer and Health & Safety Specialist. And also the annual increase of staff were implemented at a lower percentage that was budgeted for. This is also due to cost saving initiative that resulted to significant reduction in overtime.
- 32.6** Depreciation and amortisation (COS) has a positive variance of R1.4 million, due to capital assets budgeted for not being purchased in different line items and delays in implementation of capital expenditure plans.
- 32.7** Employee related costs reflects a positive variance of R12.0 million, due to vacant positions that haven't been filled yet for employees in indirect cost centers plus salary increase that have not been implemented
- 32.8** Depreciation and amortisation reflect a positive variance of R0.9 million, due to capital assets budgeted for not being purchased in different line items and delays in implementation of capital expenditure plans.
- 32.9** Impairment of assets have a negative variance of R4.3 million, impairment of assets is resulting the conditional assessment conducted at year-end which identified assets that could no longer be repaired and led to a recognition of impairment.
- 32.10** Finance costs have a positive variance of R1.1 million due to the fact that interest bearing borrowings that are budgeted to be obtained have not been obtained yet. No additional loans were taken as per the budget.
- 32.11** Lease rentals on operating leases has a negative variance of R0.2 million which is an accepted variance within a reasonability test of R500 thousands.
- 32.12** Repairs and maintenance has a positive variance of R84.2 million, due to maintenance work not executed in accordance with the maintenance plan and disruption caused by COVID 19
- 32.13** Electricity and water reflects a negative variance of R2.5 million due to an increase in electricity tariffs that is more than what was budgeted for in the indirect cost centers, in overall it's within the budget.
- 32.14** Other expenses have a negative variance of R3.4 million due to an increase in expenditure incurred in various line items such as IT expenses and training of employees as a result of implementation of the new ERP system and investigations fees on possible and identified irregular, fruitless and wasteful expenditure.
- 32.15** Current assets have a positive variance of R257.4 million above budget, this due to the increase in trade receivables under the secondary activities. MW also have more cash in the bank than what it was projected due to delays in spending for capital related expenditure.
- 32.16** Non-current assets have a negative variance of R180.4 million below budget, this is due to delays in implementation of some major capital projects. These projects includes Plant Augumentation project and MW Alternative Waster Supply project which has which has not yet been implemented.
- 32.17** Current liabilities have a negative variance of R110.6 million against budget due to an increase in accruals and payables as a result of with held payments for two key suppliers.
- 32.18** Non-Current liabilities have a positive variance of R96.2 million below budget due to the repayment of interest bearing borrowings, furthermore there was no new loan agreements entered to by Mhlathuze Water as was projected.

Notes to the Annual Financial Statements (Continued)

32.19 Net assets have a positive variance of R62.5 million against budget due to positive surpluses made as well as capital projects that are budgeted for but not yet completed and capitalised.

32.20 Net cash flow from operating activities have a positive variance of R185.7 million due to material under-spending realised than budgeted for.

32.21 Net cash flows from investing activities have a positive variance of R170.3 million due to capital projects that were budgeted for but could not materialised due to due to delays in implementation of some major capital projects. The contribution was also low spending in capital expenditure as result of Covid-19 in the last quarter of the financial year.

32.22 Net cash flows from financing activities have a negative variance of R106.4 million due to the fact that an interest bearing borrowing that was budgeted for was not acquired. The net outflow is due to current loans that were paid during the financial year.

33 Events After the Reporting Date

None reported

34 Taxation

Mhlathuze Water is exempt from taxation in terms of section 10(1)(t) (ix) read with the definition of Water Services Provider in Section 1 of the Income Tax Act, 1962 (Act No. 58 of 1962).

35 Going concern

Mhlathuze Water has prepared and submitted the 2021/22 – 2025/26 Business Plan together with the Shareholders Compact, to the Department of Water & Sanitation on the 30th April 2021. The Business Plan indicates that the institution has proper plans in place to keep afloat and operate for the next five years and it has been presented to the Portfolio Committee responsible for Water & Sanitation.

National Treasury has approved borrowing limits of up to R223 million (2020/21 financial year) for Mhlathuze Water.

Going concern assessment as at the end of 30 June 2021 confirms that Mhlathuze Water is still Going Concern based on the following facts:

- Current ratio is 3.04, indicating that Mhlathuze Water would be able to pay its current liabilities from its current assets in the next financial period;
- The total Cash and Cash Equivalents is reported at 529.1 million; total Reserves reported amounted to R306.4 million;
- The Debt Equity Ratio indicates that Mhlathuze Water has 0.07 ratio of debt over equity, which indicates better financial leverage and ability to raise loans in the near future;
- None of the Mhlathuze Water's core customers have indicated severe financial difficulties that may provide a reasonable doubt and that may significantly affect their financial viability;
- Mhlathuze Water has assessed all risks such as financial, business, organisational and operational risks; and none of the risks identified has cast a reasonable doubt of Going Concern, this includes insurance risk.
- All identified major risks are safeguarded through Mhlathuze Water's healthy financial state, ability to borrow, reserves, insurance, available cash and cash equivalent as reported as at 30 June 2021;
- There was no major impact, through volumes sold or effluent disposed, during the financial year ended 30 June 2021 that were as a result of COVID-19 pandemic. None of Mhlathuze Water's customers have indicated that in the near future there will be a negative impact realised.

Based on the above assessment, the 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.



Notes to the Annual Financial Statements (Continued)

36. Contingent Liabilities

	30 Jun 2021	Audited 30 Jun 2020
	R'000	R'000
36.1 ENDECON UBUNTU/THUTSE CIVILS JOINT VENTURE		
Ref: MW/000232	500	1 527
On 5 February 2019 Mhlathuze Water was served with summons where Endecon Ubuntu is claiming the payment of R1.5 million together with interest calculated from 22 September 2015. This was as a result of an unpaid invoice for professional services on the Dukuduku resettlement project in terms of the agreement entered into on 18 November 2013. Mhlathuze Water appointed attorneys to defend this matter. The notice to defend was filed on 12 February 2019. The applicant filed the summary judgement application which was subsequently dismissed with costs. The matter will proceed with normal proceedings. The notice of set down is still awaited. The matter has now been partly settled, awaiting the master of court to determine the judgement on costs.		
36.2 CCMA REFERRAL CASE - FINANCE		
The employee was dismissed for misconduct on 31 July 2018. The matter was referred to the CCMA on 16 August 2018 and was set down for conciliation on 04 September 2018. The parties did not reach a settlement and the matter was referred to arbitration. The matter was last heard on 28 May 2019 and 29 May 2019. The matter was awarded in favour of the employee. The employer proceeded to the Labour Court for review. The matter was heard, oral submissions were made, the presiding officer requested written submissions which were filed by both parties. The court dismissed the review application and ordered that the former employee be remunerated with full back pay. The employer lodged an application for appeal on 01 April 2021 and the employee is opposing the application and parties have to submit heads of arguments.	3 729	794
36.3 TACTICAL SERVICES SECURITY (TSS)		
Tactical Services Security had claimed an amount above the contracted for amount due to PSIRA increases in 2017. TSS was contracted to provide Mhlathuze Water with security services and the contract ended in 2020. Matter is in Magistrate's court pending finalisation.	127	-
36.4 CCMA REFERRAL CASE - HEALTH AND SAFETY		
The employee was dismissed for gross financial misconduct on 4 February 2020. The matter was referred to the CCMA and the matter was set down on 02 November 2020, the parties exchanged documents and more documents were requested by employee's legal representatives. Mhlathuze Water attended to the request of the employee. The matter was set down for 05 July 2021 for the commencement of the arbitration hearing, however the matter could not proceed to allow the respondent to reply to an application for a further particulars. The respondent was directed to file its reply to the application by 08 July 2021	1 364	-
36.4 CCMA REFERRAL CASE - OPERATIONS		
The employee was dismissed in May 2021 for misconduct. The matter was referred to the CCMA on 24 May 2021 and the matter was set down for conciliation on 01 July 2021. The parties failed to reach a settlement and the matter has to proceed to arbitration. A referral for arbitration and a date thereof is awaited as at year-end.	27	-
	5 747	2 321

37. Broad Based Black Economic Empowerment Performance (B-BBEE)

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.



Broad-Based Black Economic Empowerment Certificate

Issued to:

Mhlathuze Water Board t/a Mhlathuze Water

LEVEL 8 CONTRIBUTOR

Measured Entity:

Company Name Mhlathuze Water Board
Trade Name Mhlathuze Water
Address Cnr of South Central, Arterial & Battery Bank, Alton, Richards Bay, 3900
Registration Number
Vat Number 4230103352
Certificate Number 5 Star G 523 REV 0

Issued in accordance with the Codes of Good Practice issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003) on 06 May 2015 - 38766

Element	Actual Score	Target Score	BBBEE Status	
Ownership	N/A	N/A	Black Ownership	N/A
Management Control	18.15	20.00	Black Female Ownership	N/A
Skills Development	13.23	25.00	Empowering Supplier	Yes
Enterprise & Supplier development	33.47	50.00	Designated Group Supplier	N/A
Socio-Economic Development	0.12	05.00	Applicable Scorecard	Adjusted - Generic
			Procurement Recognition Level	50%
Total	64.97	100.00	Issued Date	12 May 2020
			Expiry Date	11 May 2021

Discounting Applicable	Yes
Modified Flow Through Applicable	No



BVA 187


Technical Signatory
Linda Sewnarain

5 Star Compliance Solutions
 Reg: 2015/190734/07
 Tel: 0827743090, Fax: 086 618 6811
 Managing Director: Linda Sewnarain
 Email: lindase@telkomsa.net



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Corner South Central Arterial and Battery Bank
Alton Industrial Area
Richards Bay
Tel: +27 (0) 35 902 1000
Fax: +27 (0) 35 902 1111

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YOUR RELIABLE WATER AND WASTE WATER BUSINESS PARTNER OF CHOICE