

# Overberg Water Board

PORTFOLIO COMMITTEE ON WATER AND SANITATION

BRIEFING ON 2013/14 ANNUAL REPORT

04 MARCH 2015

PRESENTED BY:

MR. CLINT STEWART (CHIEF OPERATING OFFICER)

MR. MPUMELELO NCWADI (CHAIRPERSON OF BOARD)



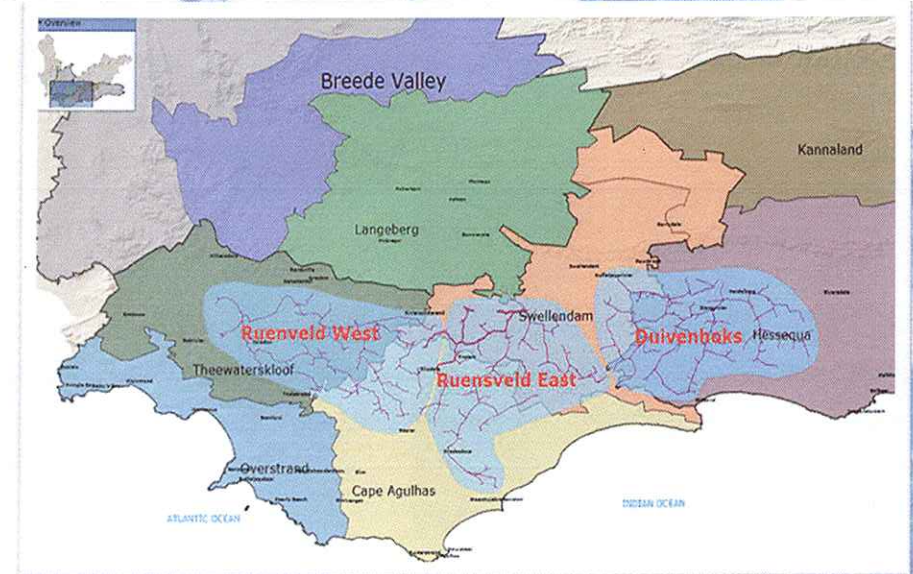
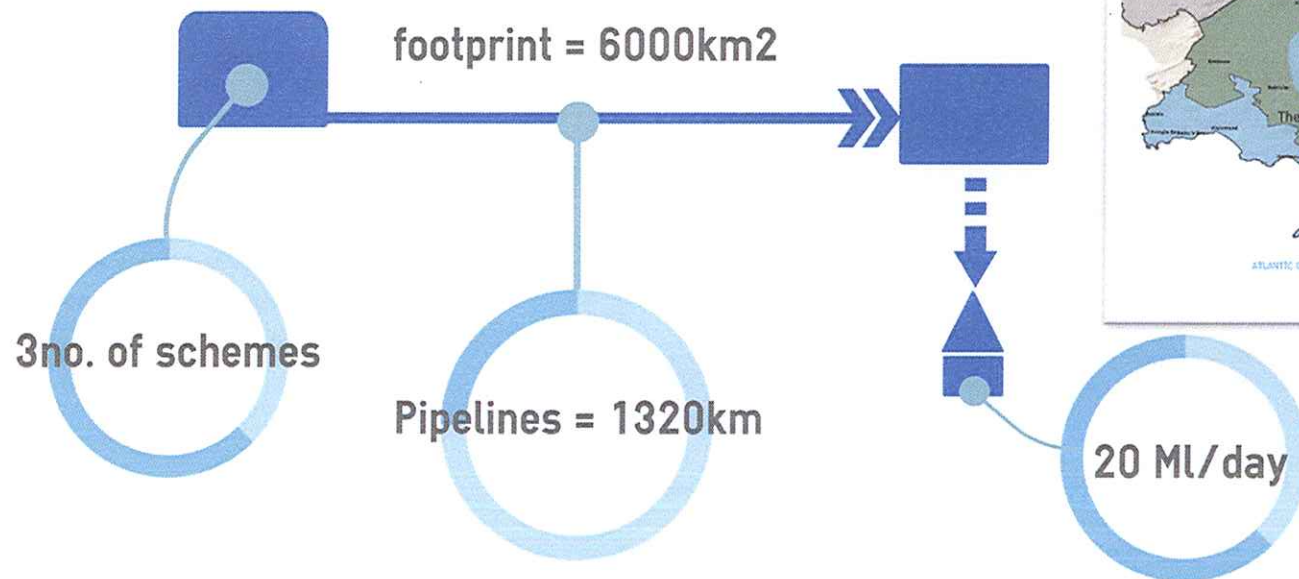
water & sanitation

Department:  
Water and Sanitation  
REPUBLIC OF SOUTH AFRICA

# Presentation Outline

- ▶ Overview of Operations
- ▶ Human Resources & Corporate Social Investment
- ▶ Overview of Financials
- ▶ AGSA Report 2013/14
- ▶ Key Performance Indicators
- ▶ Business Success & Challenges
- ▶ Bulk and retail water tariffs 2015/16
- ▶ Strategic focus 2015/16

# Overview of Operations

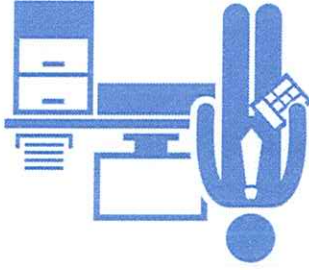
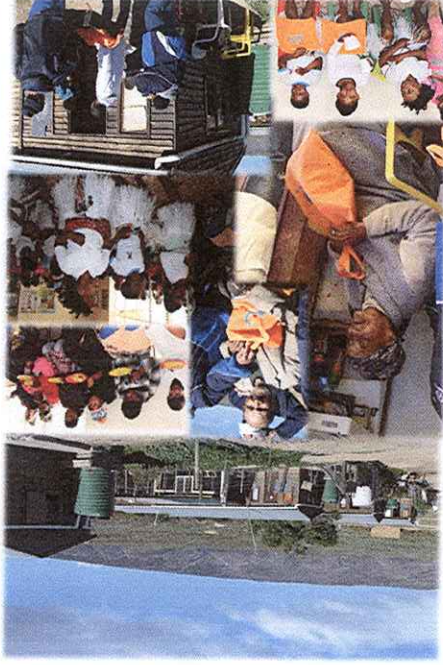


- Main sources are Theewaterskloof and Duivenhoks dams
- Bulk supplied to Theewaterskloof and Hessequa LMs
- Retail customers (850) supplied in Theewaterskloof, Cape Agulhas, Swellendam and Hessequa LMs

# Human Resources & Corporate Social Investment



Staff complement 63  
(58 Permanent, 5 Contract, 24 Female, 39 Male)



Employee Training - R200k  
14 accredited learners/employees  
Water & Waste Water  
Process Control Supervision



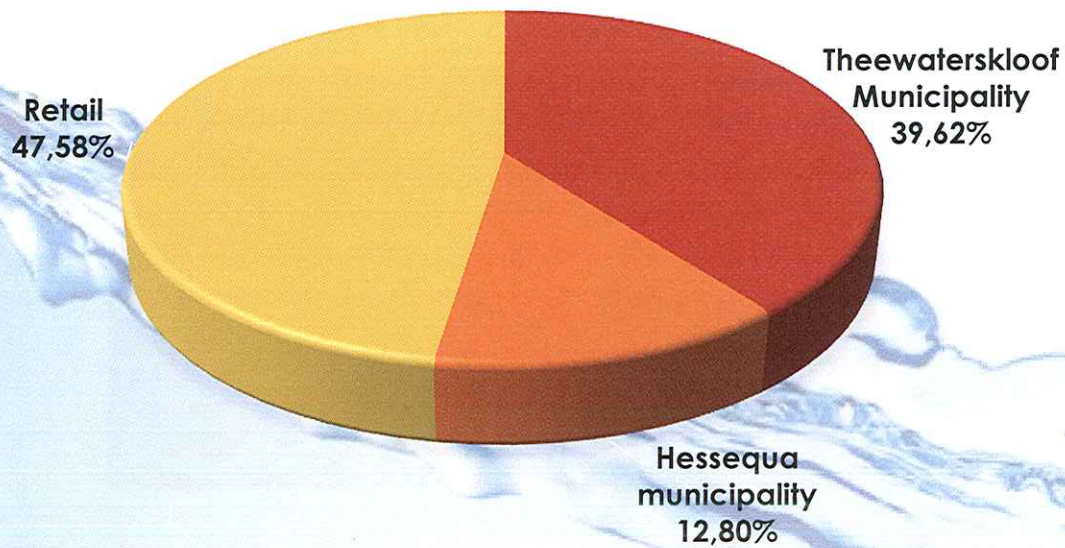
War on leaks  
R1.2m spent  
Laingsburg  
32 youth trained  
accredited institution  
60% females & 40% men  
Estimated 15% reduction  
in losses



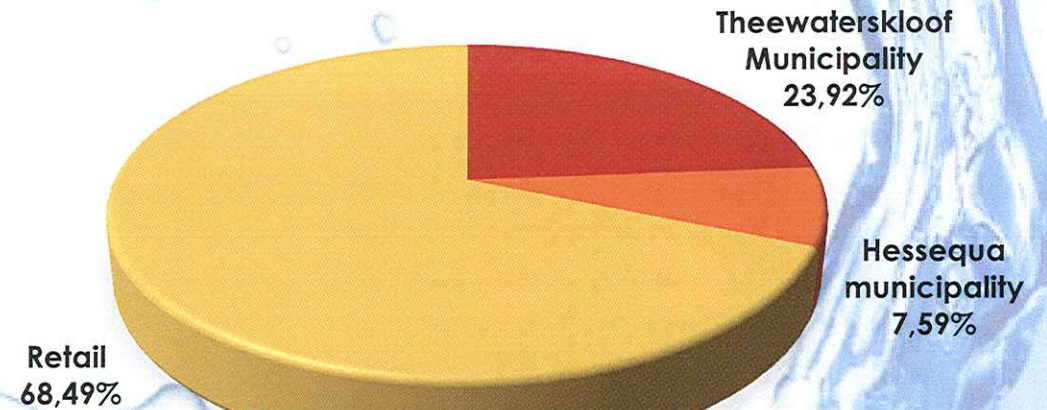
Staff  
turnover  
= 18.75%

# Overview of Financials

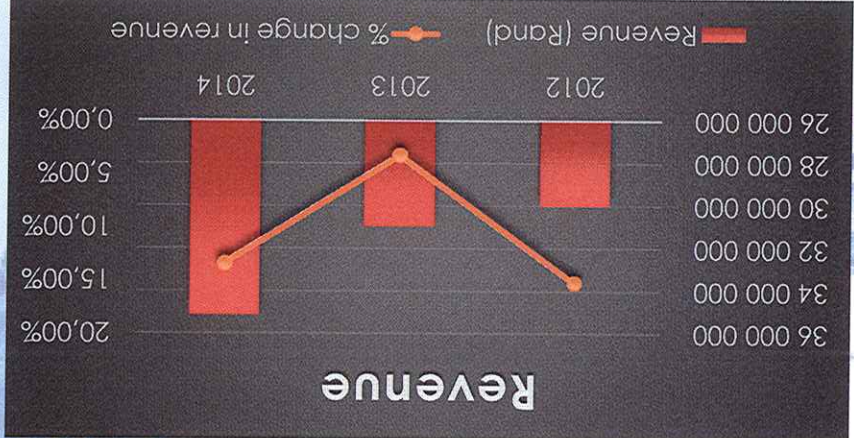
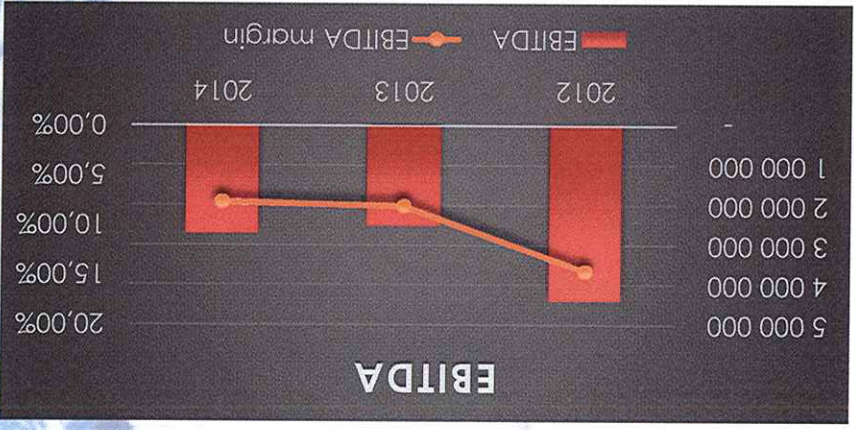
CUSTOMER SALES BY VOLUME 2013/2014 FINANCIAL YEAR



CUSTOMER SALES BY RAND 2013/2014 FINANCIAL YEAR

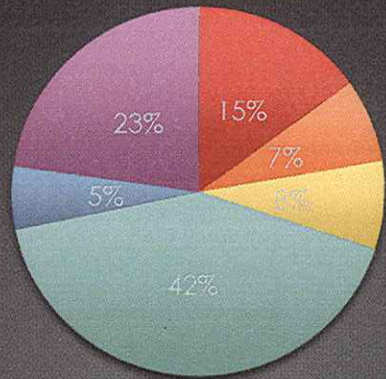


# Overview of Financials



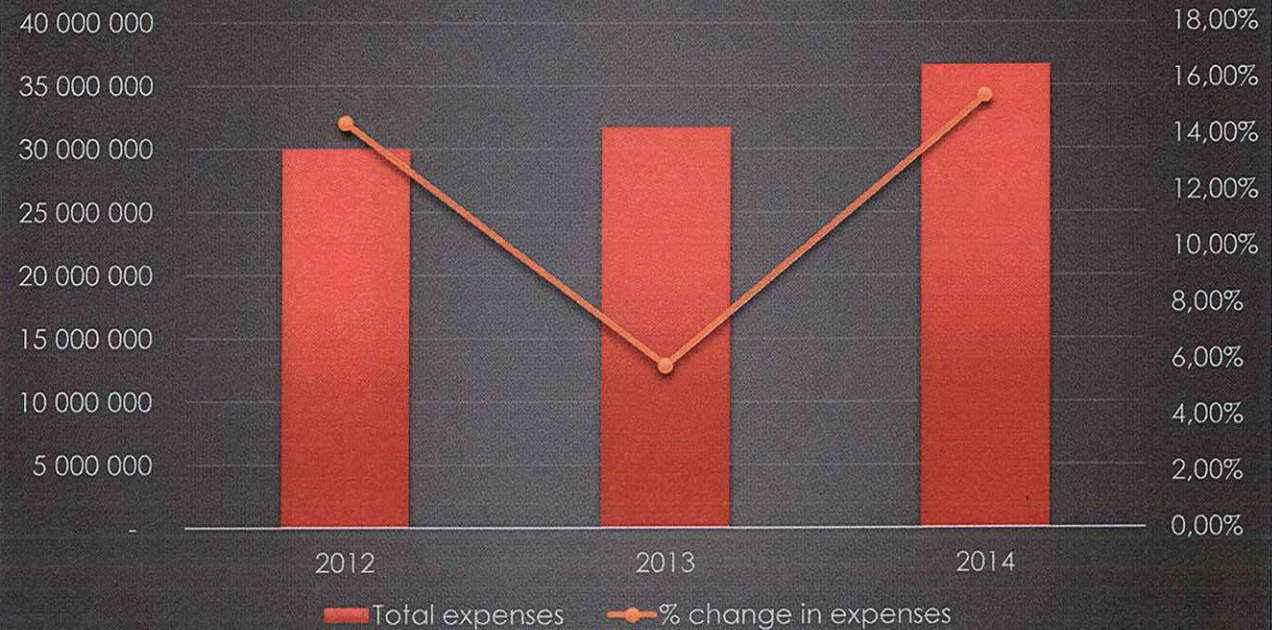
# Overview of Financials

## Expenses 2014

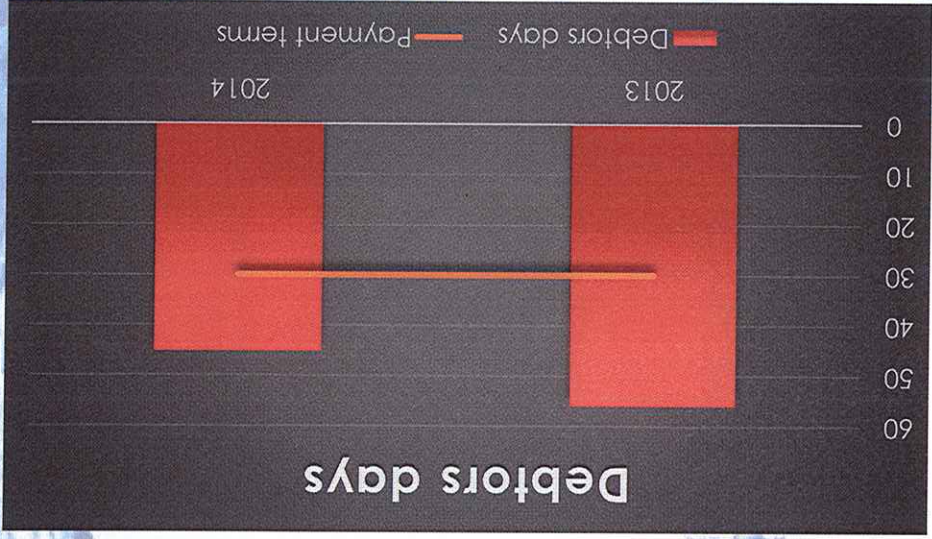
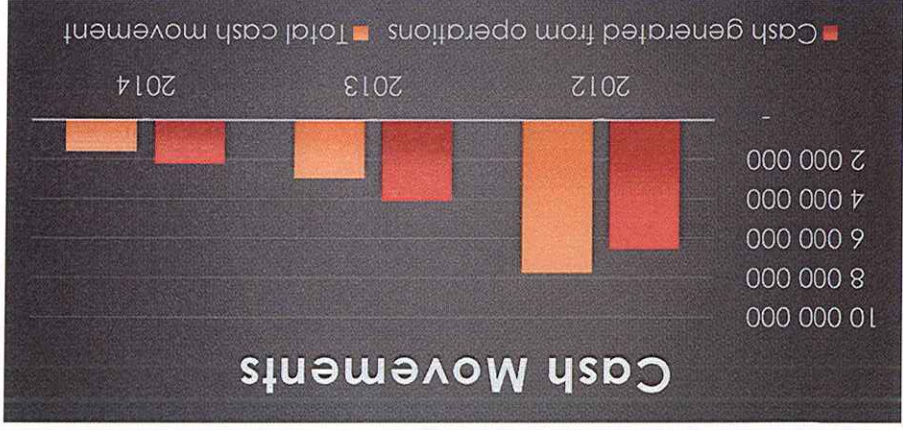


- Electricity
- Chemicals
- Depreciation, Amortisation, Impairments
- Employee costs
- Repairs & Maintenance
- Other

## Expenses



# Overview of Financials





# AGSA Report 2013/14

- ▶ Overberg Water Board received an Unqualified Audit Opinion

- ▶ Compliance findings:

- ▶ Inadequate performance information system

- ▶ Late submission of Annual Report

## Audit Committee

- ▶ Did not review effectiveness of internal audit function

- ▶ Did not review the adequacy, reliability and accuracy of financial information
- ▶ Did not review compliance with legal and regulatory provisions

- ▶ The Accounting Authority did not ensure that the internal audit function was established

- ▶ Irregular expenditure

- ▶ Procurement

# Key Performance Indicators

| Performance Objective                              | Outcomes /Impact  |  | Indicators                             | Measure     | 2012/13     |             | 2013/14  |  | Reasons/Corrective action |
|--|---|--|--|-------------|-------------|-------------|--|--|---------------------------|
|  | Actual  | Target   |  |             | Actual      | Target      |  |  |                           |
| 1. Water quality compliance                        | Water quality standards met                             | Test results, SANS 241                                       | % compliance                           | 95.32%      | ≥90%        | 95.77%      | Achieved   |  |                           |
| 2. Non revenue water                               | Reduced levels of unaccounted for water (UAW)           | Water lost as a % of total water produced                    | %                                      | 6.50%       | ≤10%        | 10.53%      | Maintenance programme. Pipeline breaks. Decline in |  |                           |
| 3. Reliability of supply                           | No unplanned interruptions to supply exceeding 24 hours | % number of days supply disrupted / total number supply days | %                                      | 0%          | ≤2%         | 0%          | Achieved   |  |                           |
| 4. Financial reporting compliance                  | Unqualified audit report                                | Annual external audit  | Qualified / Unqualified                | Unqualified | Unqualified | Unqualified | Achieved   |  |                           |
| 5. Staff turnover                                  | Optimal staff retention                                 | % staff leaving  | %                                      | 9.68%       | ≤10%        | 18.75%      | Four people in finance department resigned.        |  |                           |
| 6. Board member attendance                         | Improved performance of fiduciary duties/governance     | Actual attendance  | %                                      | 83%         | 85%         | 85.71%      | Achieved   |  |                           |
| 7. Effective internal controls and risk management | No repeat or unresolved findings                        | Internal audit reports                                       | number of unresolved number of repeats | n/a         | ≤5          | n/a         | No internal audit function                         |  |                           |

# Key Performance Indicators

| Performance Objective   | Outcomes /Impact                                | Indicators   | Measure                    | Actual 2012/13       | Target 2013/14 | Actual 2013/14 | Reasons/Corrective action   |
|---|---|--|----------------------------|----------------------|----------------|----------------|---|
| 8. Bulk supply agreements concluded with municipalities / other customers | Statutory and service level agreements in place | Municipalities/other customers with bulk supply agreements | %                          | 33.33%               | 50.00%         | 66.67%         | Achieved  |
| 9. Improve financial performance  | Improved viability and sustainability           | Financial ratios   | Liquidity                  | 7.68                 | >1             | 7.18           | Achieved  |
|   |   |  | Gross profit margin % (PA) | 63.75%               | ≥90%           | 60.83%         | Gross profit target was not based on the requirements of IFRS. 60% gross profit within acceptable limits. |
|   |   |  | Gross profit margin % (SA) | 100%                 | n/a            | n/a            | n/a   |
|   |   |  | Net profit margin % (PA)   | 4.65%                | ≥5%            | 4.45%          | Projected revenue not realised.   |
|   |   |  | Net profit margin % (SA)   | -354.02%             | n/a            | n/a            | n/a   |
|   |   |  | Debt Equity ratio          | 0.04                 | ≤0.04          | 0.05           | Debt equity ratio within acceptable limits.   |
|   |   |  | Return on assets %         | 3.38%                | ≥4%            | 1.82%          | Projected volumes not achieved.   |
|   |   |  | Debtors days #             | 56                   | 85             | 45             | Achieved  |
| 10. Increase BBBEE spend  | Spend increased and increased new entrants      | % of spend increased and number of increased new entrants  | % increase                 | 3.68%                | 0 – 5%         | 7.38%          | Achieved  |
|   |   |  | # new entrants             | Not in SHC last Year | 5              | 18             | Achieved  |

# Key Performance Indicators

| Performance Objective                           | Outcomes /Impact                         | Indicators   | Measure   | Actual 2012/13       | Target 2013/14 | Actual 2013/14 | Reasons/Corrective action               |
|---|--|--|---|----------------------|----------------|----------------|---|
| 11. Manage costs within the approved budget     | No over expenditure/losses               | Financial reports                                  | % variance                                      | 2.63%                | 10%            | 9.50%          | Achieved                                |
| 12. Capital Expenditure                         | Infrastructure available to meet demands | Overall project expenditure within R target        | % variance                                      | 54%                  | N/A            | N/A            | No infrastructure projects budgeted for |
|   |  |  | Overall project completion dates within targets | 54%                  | N/A            | N/A            |   |
| 13. Increased access to services                | Contribution to national objectives      | CAPEX spend /projects                              | CAPEX spend and number of expansion projects    | R 0                  | R 0            | R 0            | No expansion projects budgeted for      |
| 14. Secondary activities                        | Extent of involvement                    |  | % of total turnover                             | 0.32%                | 0%             | 0.26%          | Achieved                                |
| 15. Achieve statutory reporting compliance      | Reporting compliance achieved            | Statutory submissions made on time                 | Submission dates met/missed                     | 100%                 | 100%           | 100%           | Achieved                                |
| 16. Jobs Created                                | Permanent and contract (direct)          | Total Number                                       | Number  | 0                    | 1              | 2              | Achieved                                |
|   |  |  |   | Temporary (indirect) | Total Number   | Number         | 1                                       |
| 17. Corporate social responsibility initiatives | Good corporate citizenship initiatives   | Number of initiatives                              | Number  | 2                    | 2              | 2              | Achieved                                |
| 18. Training and skills development             | Skills and capacity building             | Training courses, learner-ships, bursaries         | Total Number                                    | 12                   | 5              | 17             | Target met                              |
| 19. Good governance                             | Improved controls and risk mitigation    | Breaches of materiality and significance framework | Number  | 0                    | 0              | 0              | Target met                              |
| 20. Other (water board specific objectives)     |  |  |   | n/a                  | n/a            | n/a            | n/a                                     |

# Business Success & Challenges

## ▶ Business Success:

- ▶ Completion of bulk scoping study for the Overberg Region
- ▶ Superior water quality compliance and reliability of supply
- ▶ Unqualified audit opinion

Sound financial position i.e. no long term loans & adequate cash reserves for emergencies

- ▶ Training and skills development
- ▶ Implementation Agent - Role out of the War on Leaks programme & Water Sector Support to challenged municipalities (Klein Karoo)
- ▶ Overstrand Bulk Pipeline project - Municipal/Council Resolution to proceed with project

## ▶ Business Challenges:

- ▶ Skills shortage
- ▶ Audit compliance findings
- ▶ Declining volumes
- ▶ Fatigued infrastructure
- ▶ Sourcing financing for major infrastructure projects
- ▶ Limited Master Planning / Infrastructure Planning
- ▶ Reduce non-revenue water
- ▶ Improve financial performance, processes and controls
- ▶ Information Technology infrastructure

# Proposed Bulk and retail water tariffs 2015/16

| Tariff structures        | 2014/15 Tariff (R/m <sup>3</sup> ) | 2015/16 Tariff (R/m <sup>3</sup> ) | % Increase |
|--------------------------|------------------------------------|------------------------------------|------------|
| Bulk                     |                                    |                                    |            |
| Heidelberg / Slangrivier | 6.18                               | 6.89                               | 11.5       |
| Caledon                  | 5.51                               | 6.14                               | 11.4       |
| Retail                   |                                    |                                    |            |
| All                      | 12.29                              | 13.95                              | 13.5       |

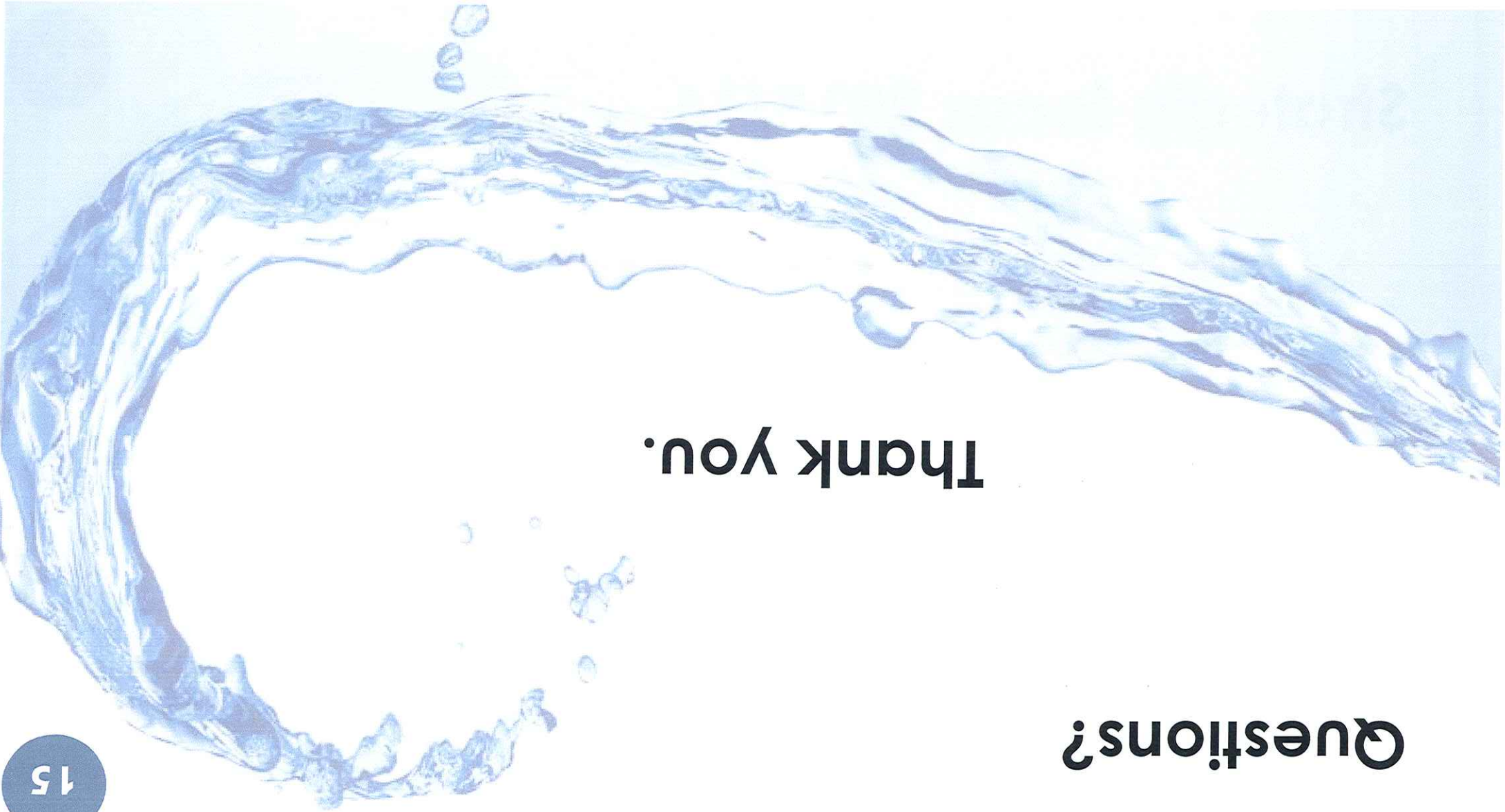
**Note:**

- Above-mentioned Tariffs exclude Capital Levy
- Capital Levy charged separately and based on customer allocation (R 0.25/m<sup>3</sup>)
- Tariff is sub-divided into:
  - A fixed (basic) charge for both bulk and retail customers
  - A Variable (consumptive) charge for both bulk and retail customers

# Strategic focus 2015/16

- ▶ **Currently completing a review of Corporate/Business Plan and Shareholder's Compact**
- ▶ **Business Focus Areas identified at recent Strategic Session**
  - ▶ **Develop and maintain stakeholder relationships**
  - ▶ **Initiate and Sustain business growth**
  - ▶ **Provide reliable delivery of high quality water services**
  - ▶ **Excellent financial management**
  - ▶ **Develop high performance team/s**
  - ▶ **To entrench sound corporate governance**
  - ▶ **To ensure effective management of natural resources**





**Thank you.**

**Questions?**